Trends & Insights: Article (Volume 2)

As we at Johnson Consulting Group (JCG) continue to collect data through our Performance Tracker™ program, we will continue to share it with the profession! This time we added another year to our sales and survey data analysis to better understand trends. Like before, we then used statistics to determine how family satisfaction is related to sales.

There were three parts to our analyses:

1. Comparison of sales data from 2014, 2015, and 2016
2. Comparison of family satisfaction survey data from 2014, 2015, and 2016
3. Correlation analysis to determine the relationship between sales and survey ratings

Following is the number of at-need sales records and the number of survey responses analyzed for each year:

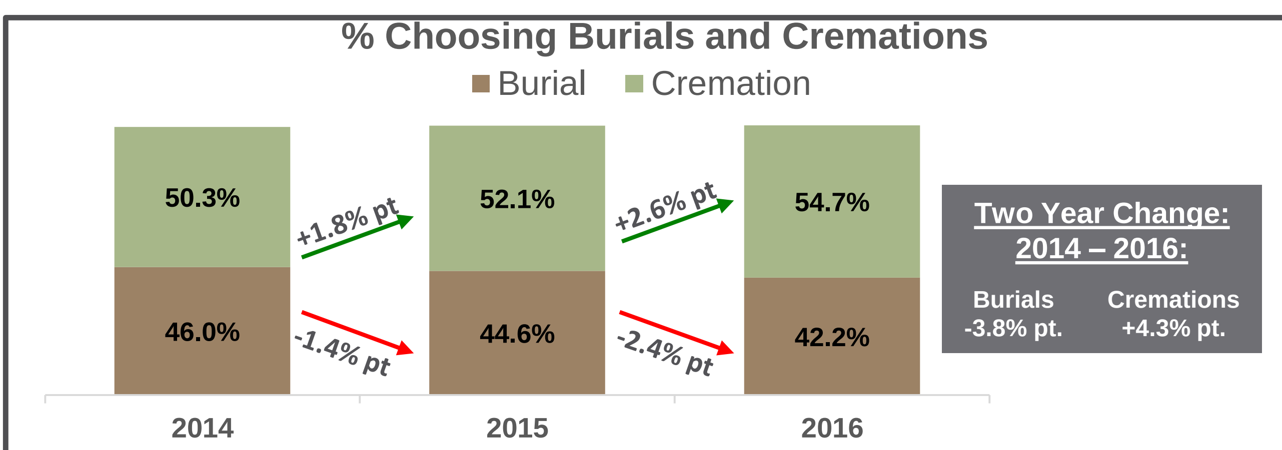
Year	At-need sales records analyzed:	Survey responses analyzed:
2014	64,916	20,438
2015	80,780	25,720
2016	92,559	25,792
Total:	238,255	71,950

Understanding the trends will help you plan for the future. While there is an abundance of information available, we provided the key findings below. Contact us if you would like to know more!

Key Findings

Total Dispositions

- Looking at all data combined, the trend toward choosing cremations over burials continued in 2016 and is gaining momentum. Cremations rose faster from 2015 to 2016 than they did the prior year.
    - Among all JCG firms in 2016, those choosing cremation was 54.7% and burial was 42.2%.
- In the 2014 to 2016 time period, cremations increased over 4 percentage points* while burials fell at a slightly slower pace.



*Percentage point difference and percentage change are explained in the appendix of the full report.

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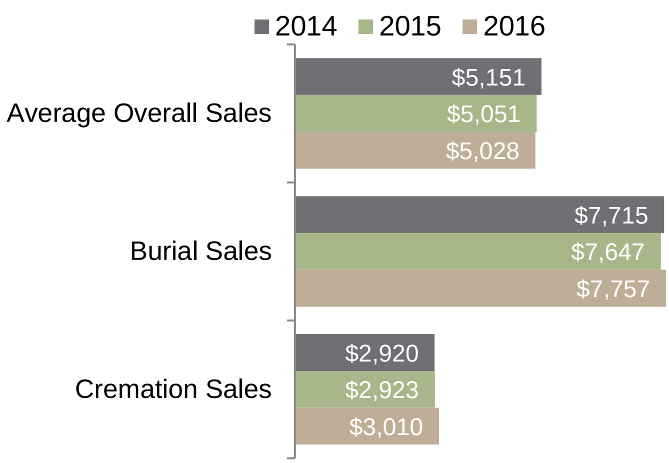
Overall per Case Sales

- Combining all case types, the average sale per case in 2016 was $5,028 – about the same as last year. Compared to 2014, however, the average sale per case dropped $123 which likely reflects the increase in families choosing lower priced cremations.
- Despite the overall downward trend of families choosing burial, the average burial sale has remained mostly stable – even increasing by $110 from 2015 to 2016.
- However, real growth is in cremations: the percentage who chose cremations and the average sales per case has increased significantly, particularly in the last year. Average per case cremation sales in 2016 was nearly $90 higher than in 2015.

Average Per Case Sales



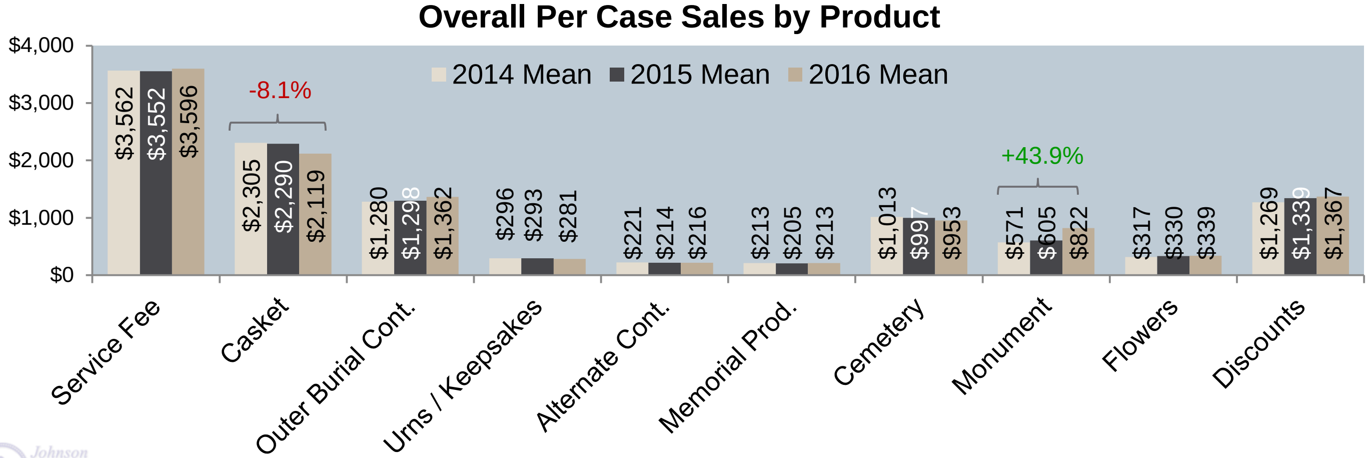
Year-to-Year Change

	$	%
2014-15	-$100.09	-1.9%
2015-16	-$23.25	-0.5%
2014-16	-$123.34	-2.4%
2014-15	-$68.53	-0.9%
2015-16	$110.19	+1.4%
2014-16	$41.66	+0.5%
2014-15	$2.22	0.1%
2015-16	$87.42	+3.0%
2014-16	$89.64	+3.1%

Sales by Product Types

- Service fees remained relatively unchanged but generated the highest per case sales each year, followed by caskets and outer burial containers. Interestingly, monument sales increased the most during this time. Sales for flowers and discounts also increased.
- Consistent with the rise in cremation, casket sales had the largest decline during this time, especially from 2015 to 2016. Sales also dropped for urns and keepsakes, alternate containers, and cemeteries.

Overall Per Case Sales by Product



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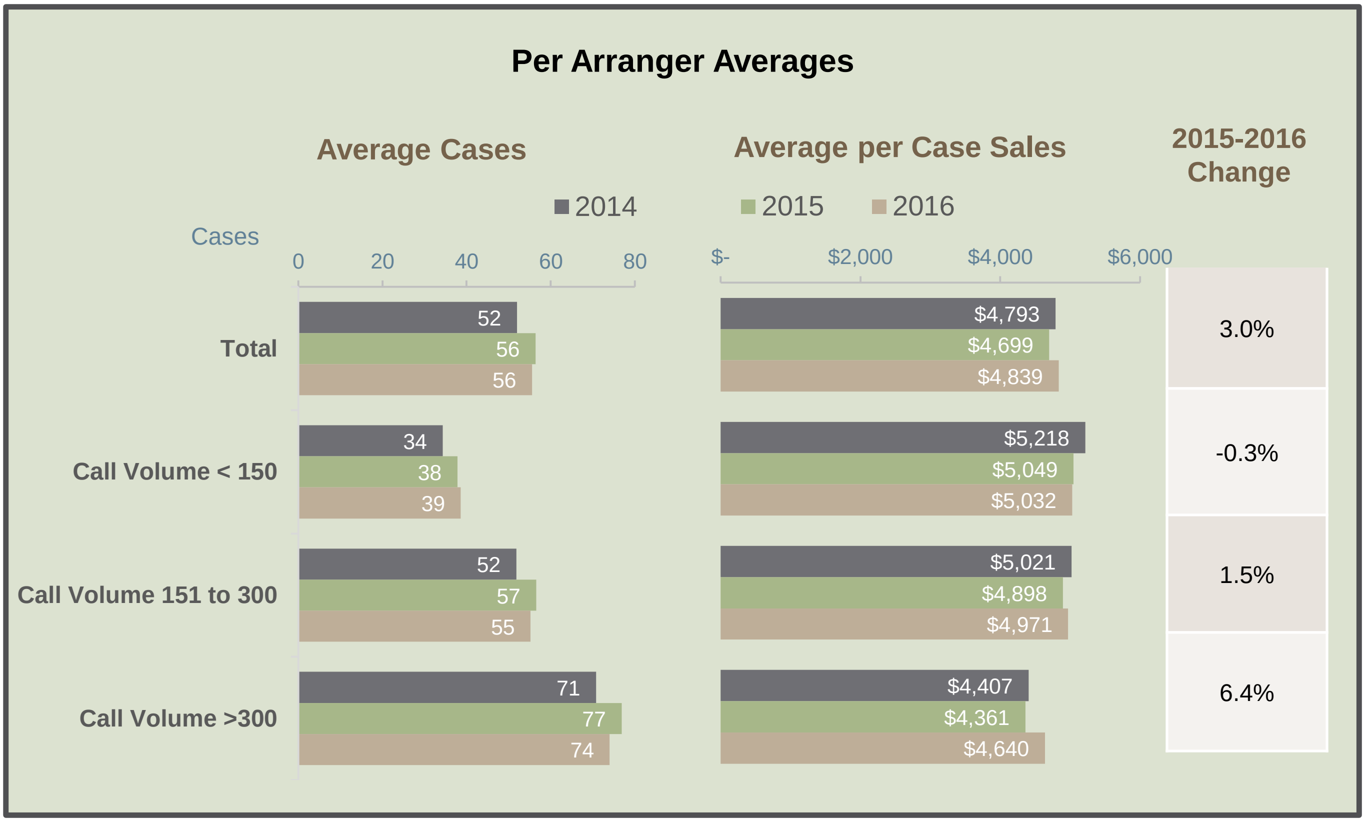
Arrangers

- On average, each arranger handled about 56 cases in 2016 and per case sales averaged $4,839 – an increase from 2015, attributable mostly by the growth in sales among the largest firms during this time.
- Each year, arrangers in smaller firms handled about one-third fewer cases as their counterparts in mid-sized firms and about half the cases of arrangers in the largest firms.



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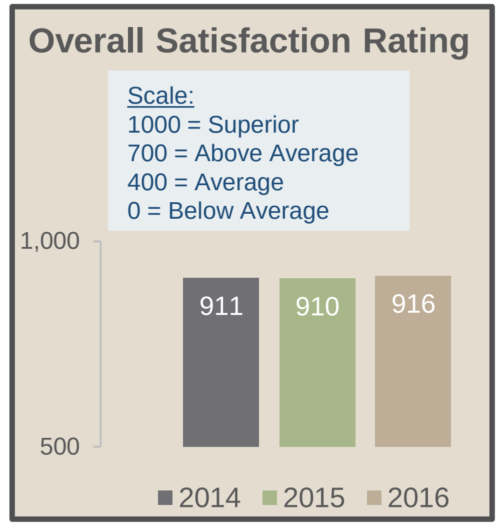
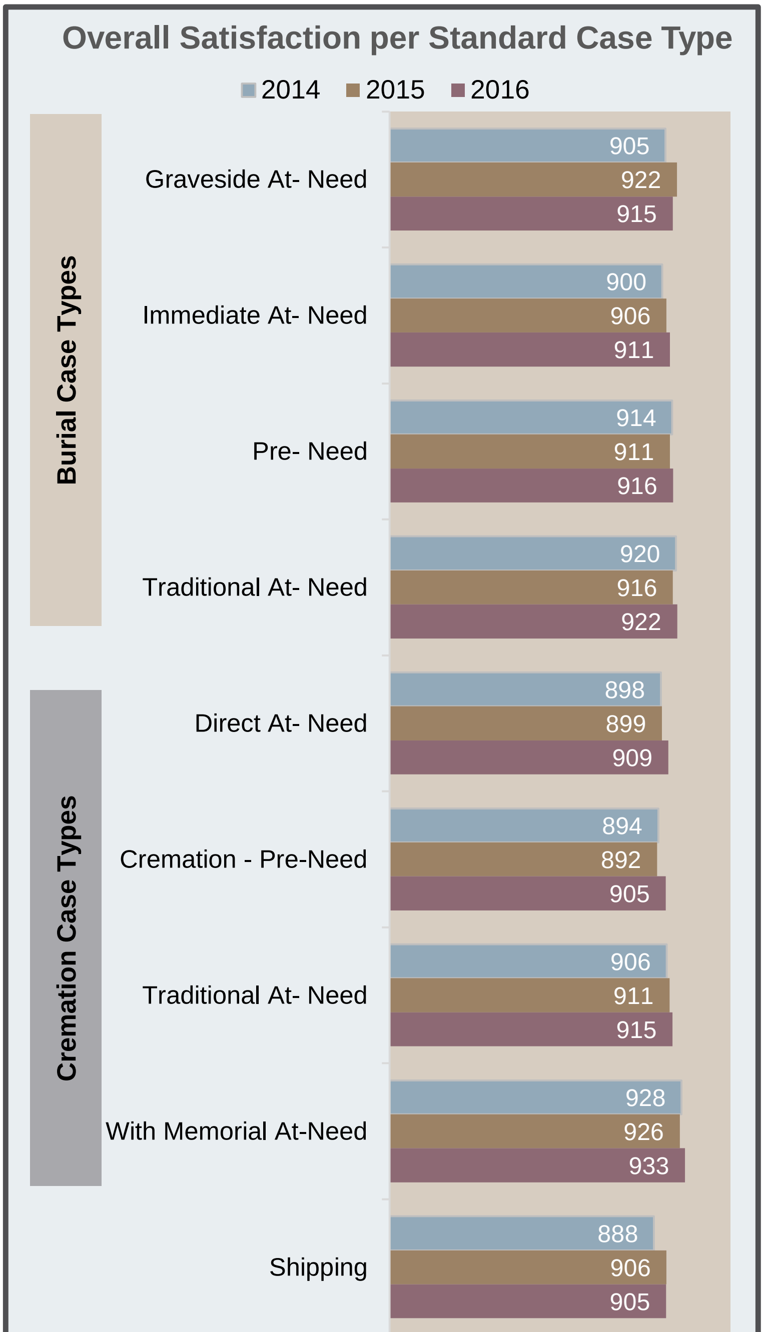
Overall Satisfaction

- Overall, families are very satisfied with their funeral experience and scores averaged over 900, or approaching “superior” in all years. Overall satisfaction in 2016 was higher than the prior two years.
- Families are the most satisfied with at-need cremations with memorials.





- Those most satisfied in 2016 were slightly different than those in 2015:

2016	2015
1. At-need cremation with memorial	1. At-need cremation with memorial
2. Traditional at-need burial	2. At-need graveside burial
3. Pre-need burial	3. Traditional burial

<u>Satisfaction among Market Segments</u>

- In 2016 (and 2014), overall satisfaction was highest among firms primarily serving multiple ethnicities – which was lowest in satisfaction in 2015.
- This year, firms primarily serving Asians and African Americans were rated lowest, which suggests funeral homes may not know how to best meet the needs of these ethnic groups.
- Standalone funeral homes again outperform other funeral home types in overall satisfaction. Those consumers who used combination funeral homes and cemeteries were least satisfied.

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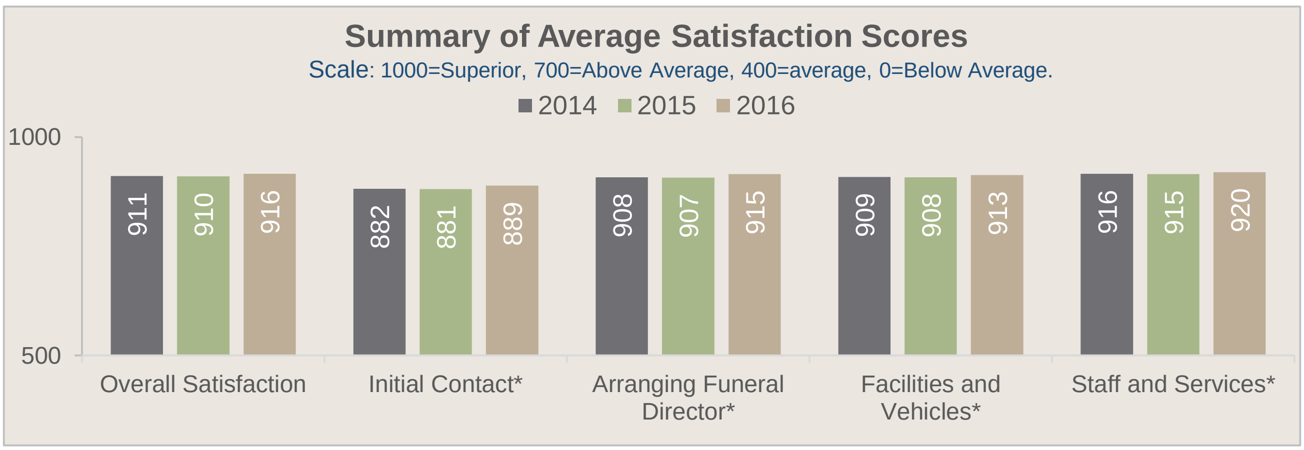
Satisfaction with Specific Aspects of Funeral Experience

The survey included questions asking families to rate specific touchpoints of their funeral experience: initial contact with the funeral home, the arranging funeral director, facilities and vehicles, and staff and services.

<u>Overall</u>

- When all the scores for each area were aggregated, overall, high ratings were earned across functional areas that trended up from 2015 to 2016. Similar to last year, Staff and Services earned the highest satisfaction ratings and Initial Contact scored the lowest.



*Composite scores: Score represents an average of all attribute ratings in each respective area.

<u>Initial Contact</u>

- For all three years, consumers were most satisfied during their initial funeral home contact with the genuine care and concern expressed but least satisfied with their initial phone conversations.

- Consumers with lower satisfaction in this area cited unsympathetic reception staff, unresponsiveness to initial phone calls, and pushy sales staff as reasons for their lower ratings. As before, a number of respondents mentioned their initial contact with the firm was important to their choice, so this is a key area for improvement.

<u>Funeral Director</u>

- Consumers continue to rate their funeral director highly across all attributes measured; ratings in 2016 were even higher than prior years. Directors earned the highest ratings on effectiveness in listening and answering questions and being attentive to families' needs. While still rated highly and improved from last year, attention to detail received the lowest score.

<u>Facilities and Vehicles</u>

- Satisfaction with vehicles' appearance, cleanliness, and condition was rated highest, and the convenience and comfort of the facilities received the lowest scores all three years. Those least satisfied with facilities in 2016 cited an outdated appearance, uncomfortable temperatures, and lack of wheelchair accessibility as reasons for their dissatisfaction.

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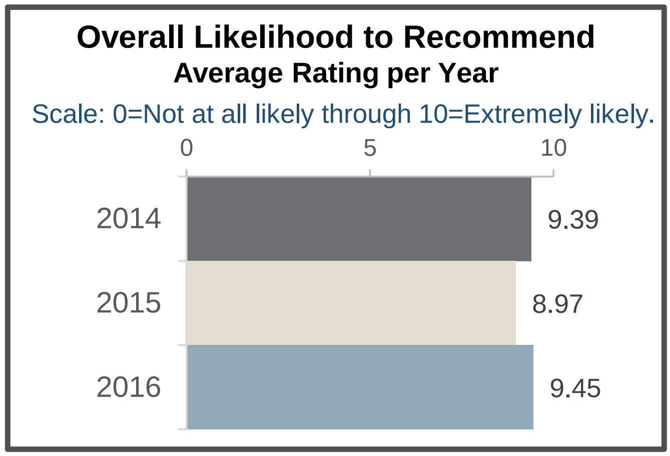
Satisfaction with Specific Aspects of Funeral Experience (Cont'd)

<u>Staff and Services</u>

- For all three years, families were most satisfied with the staff's friendly and accommodating manner followed by the actual service or ceremony, and least satisfied with the appearance of the staff and their loved one.
  - Verbatim family comments mentioned the loved one did not look like him/herself even though pictures were provided, and expressions or positions were unnatural.

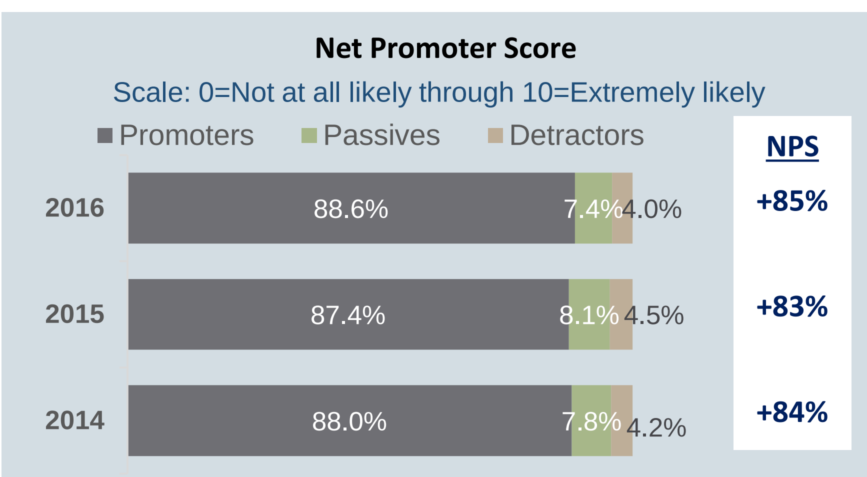
Likelihood to Recommend

- According to survey ratings, most respondents are very likely to recommend their funeral home and were more likely to do so in 2016 than in previous years.
- Of those who were less likely to recommend, the most frequently cited reasons were lack of/ miscommunication regarding costs, unwanted sales attempts, performance issues (i.e., errors and disorganization) , and very little sympathy or compassion expressed by staff.



Net Promoter Score

The Net Promoter Score (NPS) is a loyalty metric based on customers' likelihood to recommend a product or service. Customers respond on a 0-10 point rating scale and the NPS is calculated by subtracting the percentage of Detractors (ratings 0-6) from the percentage of Promoters (ratings 9-10).



- The NPS score was calculated from overall likelihood to recommend survey ratings (above).
- The resulting NPS score of JCG clients is healthy and stable at +85%, and up slightly from previous years.

Cost of Services and Products

- In 2016 about three-fourths of all families believed costs were what they expected – slightly more than in prior years.
- Interestingly, more African American firms in 2016 than in 2015 thought costs were lower than expected. Also noteworthy is direct cremation firms continue to trend to lower than expected costs.

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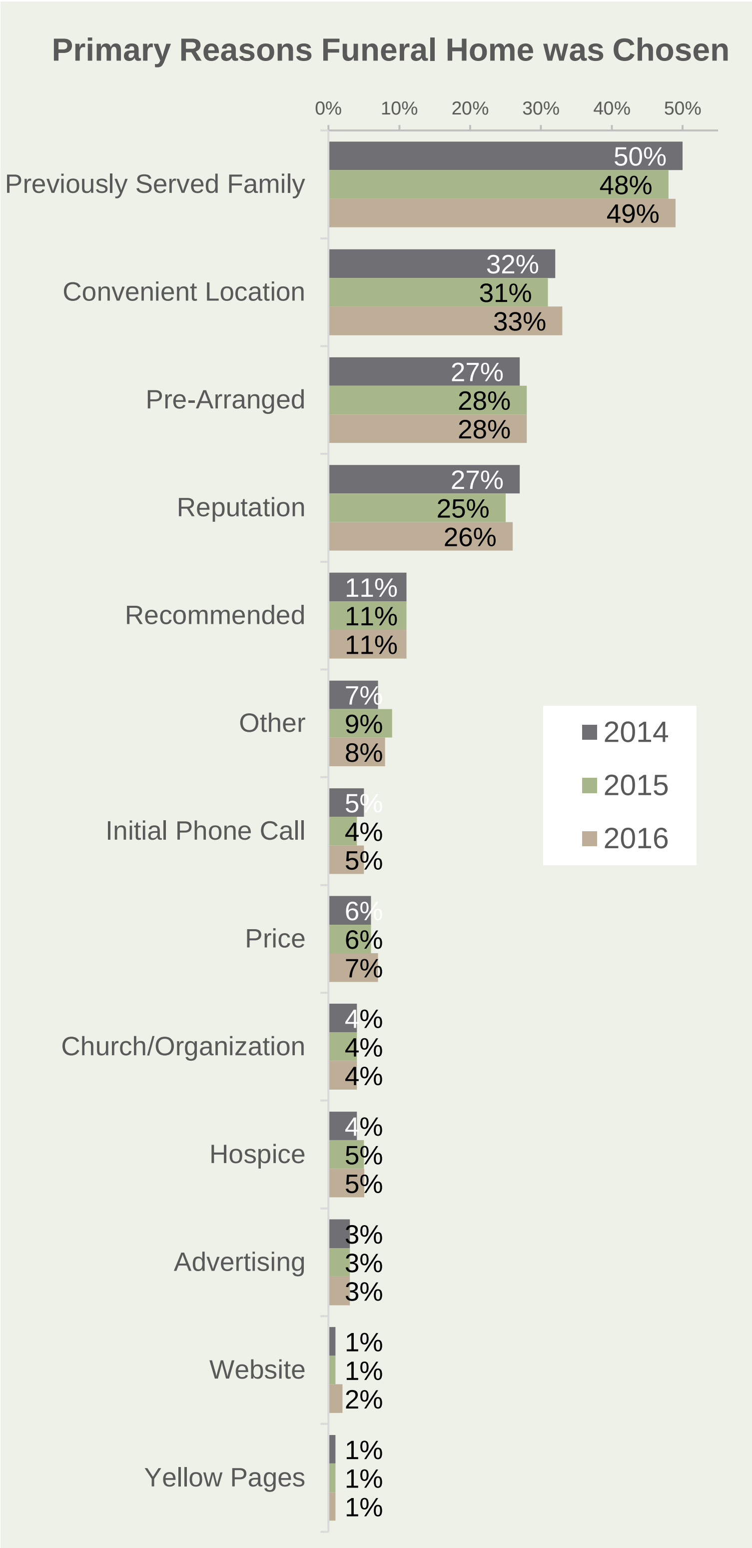

Reasons FH Was Chosen

- Prior experience with a firm continues to lead funeral home selection. Convenient location, pre-arrangement, and reputation also factor in the decision and were mentioned about equally all three years.
- While relatively few families primarily chose their funeral home based on price, hospice or website, the influence of these seemingly growing elements in 2016 may warrant attention.

Relationship between Sales and Client Satisfaction

Correlation analysis was performed to determine whether relationships existed between the overall satisfaction measures in our survey and total sales for the year.

- In general, firms with higher satisfaction had higher sales, and those with lower satisfaction had lower sales. Essentially, as family satisfaction increased, sales also increased.
- The relationship between sales and satisfaction is moderately strong; however, additional research is needed to understand which funeral aspects drive sales.

Conclusions

- Confirmed again this year, we know statistically that firms with higher satisfaction have higher sales; improving satisfaction benefits both families and funeral firms.

- Cremations continue to rise in the US, and so is the average cremation sale amount.

- Overall, the average per case sale is generally holding steady; however, the average per case *casket* sale is trending down.

- Although cremations with memorials and traditional cremations have higher satisfaction and sales than direct cremations, direct cremations are increasingly the most common cremation disposition chosen. Funeral firms would best serve these families (and themselves) by providing information on all the cremation options available – perhaps even citing research that shows families have greater satisfaction with other choices.

- A family's initial contact with the firm is important to their selection. Funeral homes should ensure this first impression is consistently positive: professional, genuine, and compassionate.

- Next year (2018) will be interesting to see if these trends continue or reverse. Stay tuned for Volume 3 of Trends and Insights!

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