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Basic Funeral Home Services Increased More Than 12 Percent, According to Citrin Cooperman Survey

The average price for basic funeral home services increased more than 12 percent over last year, according to a survey of funeral home executives in the Northeast by accounting and business consulting firm Citrin Cooperman & Company, LLP, as funeral homes sought to maintain revenue and profit levels in what remains a relatively flat market.

"We believe the increases in pricing reflects a pricing correction as funeral home executives come to grips with the service costs associated with low-margin services such as direct cremations and immediate burials," said Ed Horton, partner-in-charge of the Funeral Industry Services practice at Citrin Cooperman. "In the past, the industry has been slow to raise prices, instead attempting to control or cut overhead costs. You can only cut overhead costs so much before risking a diminished quality of service. Funeral homes are still sensitive to cost issues, but there's a better understanding that previous pricing structures had eroded profits to the point that threatened many funeral homes' ability to stay in business."

Citrin Cooperman annually surveys funeral home owners and directors primarily in the Northeast, and this year polled more than 230 respondents primarily from New York, New Jersey, Pennsylvania and Connecticut.

The average charge for direct cremations has risen 17 percent since last year, according to the survey. Funeral home executives also raised prices of immediate burials, another traditionally low-margin service, by 16 percent.

"Previously, direct cremations and immediate burials yielded minimum profits, as these services were basically offered at cost," said Horton. "Now we see funeral home executives adjusting their pricing for these services so that they are better compensated for the time and effort required to perform even these 'no frills' services."

"We believe that these trends represent a long overdue shift in pricing strategy. Many funeral directors are no longer relying on casket sales to generate revenues and profits. As customs change and with cremations on the rise, caskets are increasingly viewed by families as a commodity. With casket revenues on the decline, smart funeral directors are shifting their

attention to how they price their services, which is what is truly unique and special about the funeral industry. This shift comes at a time when such services have become more demanding as families are seeking increased personalization of funeral ceremonies."

Another sign of smarter business practices is a decrease in the number of funeral homes that allow customers to lock in pricing on a pre-need basis, despite the fact that the prospect decedent may be alive for many more years. In 2009, 67 percent of funeral homes always or sometimes locked in pricing, as opposed to 75 percent in 2008. Because costs are bound to increase between the initial transaction and the time of the burial, funeral home executives have created a potentially money-losing situation.

"We understand that many funeral directors feel that locking in prices ensures future revenues, but many homes may be mortgaging their future on today's pre-need sales," said Horton.

The survey also noted a continuing trend toward homes adding more offerings and options, and becoming more flexible. Adjustments in services and their pricing are also critical as some funeral directors try to recoup profits from services that are being lost in declining sales of caskets.

Among the survey's other key findings:

- Cremation and other alternative means of body disposal (such as "green burial") are the bane of the largest number of survey respondents, 42 percent, although this number is down from 48 percent in 2008.
- When asked the "biggest issue" facing the profession, funeral home execs still ranked cremations as No. 1 (at 29 percent), but closing the gap is profitability concerns, which more than doubled, from 12 percent in 2008 to 25 percent in 2009.
- The number of owners who live at their funeral homes continued to decrease, from 37 in 2008 to 35 percent this year.
- Personalization of services remains important, as in past years, although issues such as technology (26 percent vs. 12 last year) and a focus on business (15 percent this year vs. 5 percent last year) are becoming bigger priorities.
- Less than 60 percent of funeral home executives surveyed say that know the present value of their business, and only half of those have an exit strategy or a formal plan to transfer ownership.
- Familiarity with "green" cemeteries continues to increase as 94 percent of funeral directors have at least some familiarity with them, as opposed to 63 percent just two years ago.
- There continues to be a decrease in the number survey participants who own just one home and an increase in the number who own two or more.

"Many of the challenges facing the funeral home industry remain the same as in recent past, but now the economy has been thrown into the mix," said Horton. "After years of cost cutting, and flat death rates not predicted to rise until 2020, profits are still being squeezed. The good news is that industry executives are broadening services and increasing prices to better meet these challenges."

For a full copy of the 73-page survey report or to interview Ed Horton or one of the funeral directors who participated in the survey, please contact Anca Munteanu at 212-697-1000, or amunteanu@citricoperman.com.