

The background of the cover is a photograph of the Wall Street Bull statue in New York City. The bull is a large, bronze sculpture, and in this image, it is wearing a light blue surgical face mask. The statue is positioned in the foreground, with its head turned slightly to the left. In the background, there are several tall, modern skyscrapers of New York City, including the Empire State Building, under a clear blue sky. The overall scene is a juxtaposition of financial strength and health safety.

# Southern

◆ FUNERAL DIRECTOR ◆

MAGAZINE

May 2020

[www.sfdmagazine.com](http://www.sfdmagazine.com)

## Mergers & Acquisition

Johnson Consulting "Q&A" with Jake Johnson,  
Karen McCurdy, Lori Salberg, Nelson Thulin  
Benefits of Joining a Larger Funeral Home Group  
by Todd Reich and Tony Kummer  
M&A in Light of COVID-19 by Dan Isard  
Exit Planning, an Emotional Journey by Alan Creed  
SBA Lending - Matt Manske Professional Spotlight  
How to Pick a Superstar Sales Rep by Ed Horn, Esq.  
"M&A" Market News and Reports  
Keys to Service = Authority by Todd Van Beck  
Ring Ring & Aftercare.com Launch "Elevating  
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Grace Holdings, LLC, Announces New Death Care  
Operating and Holding Company



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May 2020

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## *notes from the editor*

by John Yopp

Special thanks to all who helped contribute to our SFD's Annual "Mergers & Acquisition" Issue....Much gratitude to Jake Johnson, Karen McCurdy, Lori Salberg and Nelson Thulin of Johnson Consulting Group; Todd Reich and Tony Kumming of the NewBridge Group; Dan Isard of The Foresight Companies; Matt Manske of 4BFS.com Lending; Alan Creedy of Creedy & Company and Ed Horn of St. Michael's Cemetery.

With all of us adapting to a "new norm" of operating our funeral homes, cremation centers, cemeteries, removal and embalming services as well as all the vendors who provide us with their products and services, it has made us evolve into a new and different mode of operation. Long gone are the "handshakes" and "caring hugs" that were part of every day life, it has been replaced by 6 feet of "Social Distancing" or distancing so far from each other that there are miles between us because we don't leave our homes or place of business.

We now have to prepare each day for gatherings of 25, 10 or even less people; wearing of masks, gloves, head gear, gowns, bathing in sanitizer or ridiculously looking for toilet paper! Friends and families can not grieve properly, many funeral homes are inviting guests back at a later date to have a more desirable visitation, or do a drive-by receiving line out by the funeral home building. On several occasions many funeral homes are going to the cemetery with just the funeral home staff and the deceased in the casket, and saying a few words as well as a song, and inter the body as if the individual was homeless with no family. Quite sad.

More so, on the "M&A" front, many smaller businesses are struggling to stay in business as families are choosing less services or opting for more cremations, for obvious reasons, which puts an even greater strain on the smaller firms, as cremation has already cut in to their much needed revenue just to keep the doors open. Those that were fortunate to get funding from the Paycheck Protection Program can use those funds as a small bandage for 8 weeks, to cover payroll and a few utilities and interest payments. Its hard to imagine

that SBA evaporated \$659 Billion in about a 6-week period to medium to small businesses, but it has been a nice "shot in the arm" for some businesses to withstand the storm and hope for normality to settle back in.

Many of the funeral homes, especially the smaller firms, are beginning to really take a hard look at their "succession plan" as an alternative plan to ease the financial burden of running their own business and get their equity out of their life long investment. In some incidences, firms are beginning to look to merge in with competitors or others firms within the same or neighboring counties, to help utilize economies of scale and reduce overhead and expenses. Others are not wanting to have to go through another pandemic or recession and would rather partner up or sell to one of the regional or national consolidation groups.

In summary, many consultants and brokerage houses are beginning to see an upswing in the number of potential sellers and firmly believe that the "sell" market may be at an all time high in the coming months and years.

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# SFD's "Q&A" for the Annual "M&A" Issue with Jake Johnson, Johnson Consulting Group

**What type of financial effect will the Coronavirus Pandemic have on succession planning as well as the valuations and multiples on future sales of businesses. Will these increase the value or decrease future seller?**

Karen McCurdy: It is really too early to tell the impact on valuations at this time. However, the market is active with both Sellers and Buyers. In addition, with the lending sources available (both SBA and independent financing), it's still a good time to acquire operations. Regarding valuations, it's a great time for Owners to begin "getting their house in order" with reviewing their financials and accounting for accuracy and consistency – a nice steppingstone in preparation to sell in the future.

**To better understand Johnson Consulting Group and the diversification of the company's offerings, can you summarize the different products and unique services that you now offer to the funeral, cremation, and cemetery profession?**

- Valuations/Succession Planning/Divestitures
- Surveys/Performance Tracker
- Financials Management and Strategies/Accounting
- Business Consulting Services
- Crisis Management
- Loan Sourcing
- Customized technology solutions and innovation

**How important is it for a funeral business today, to have a proactive preneed, aftercare and marketing campaign to enhance their revenue and become more profitable?**

Nelson Thulin: Performance Tracker surveys indicate the top two reasons families select a funeral is "Previously served" (49%) and "Convenient Location" (33%). Both reasons are conditioned on circumstances of the past, however, the #3 top reason is the family had "Pre-arranged" (28%). There is no better reason to have an active preneed program than, families telling you that's what they want.



Regarding profitability and active preneed program provides 3 things:

1. Preserves market share for the future
2. Preserves the case mix that is trending now rather than what is likely to be the trend in the future.
3. An active year over year preneed program provides an owner with a tool to help forecast the future of their business. On average a preneed contract matures in 6-7 years. This allows the owner to project what their business will look like 6-7 years in the future. This can significantly improve decision making which will result in improved profitability or mitigating profitability loss.

**To fully serve a family, the last communication between the funeral home and the family should NOT be the invoice for the funeral. I understand that Johnson Consulting offers a "Customer Survey" for their funeral home clients. How effective is this survey and how do the families react to responding to the survey and what other options are available to continue to stay in contact and care for the family well after the funeral has been provided?**

Lori Salberg: Any successful funeral home is going to have some form of aftercare program to follow up with the family after services are complete. A good aftercare program is meant to check in and continue the relationship, deliver any remaining pertinent documents, offer bereavement resources, and close the loop between the time of death and into the reality of life without the deceased. The survey is an integral part of that follow up plan because it collects the family's valuable feedback about their overall experience with



the funeral home. Once the feedback is collected it provides the funeral home relevant data to make wise decisions about what was most meaningful to the family and what needs to be improved. Families are incredibly generous in their feedback. Overall, we average about a 35% response rate. The average response rate for most other industries is 10-15%, so we think it is extremely effective. Many funeral home owners who do surveys on their own typically complain that they only get the really good and really bad responses. We believe the value comes from the stuff you learn from the middle, and we tend to see that. Since we already have contact information for the families, we are able to continue text, email, and mailed communications with the families beyond the survey. Some clients even have us customize discount coupons to introduce pre-need planning months after the service.

**For independent buyers, what financing vehicles and programs are available to provide financing for a purchase of a business. It seems that the industry has recently been inundated with SBA lenders, but no other lending sources seem to be viable. What is normally expected from the individual as far as down payment, credit, etc... or do you work with owners that are willing to “owner finance?”**

Karen McCurdy

In addition to SBA financing, there are still other sources available including local banks, conventional financing and Private Equity firms depending on the size of the transaction. With SBA offering favorable terms with 6 months no payments, this definitely seems to be the most favorable option at this time.

Also during the current environment, there are some owners who are open to owner financing options. They may be able to receive a better return holding paper, than other investment options. Owner financing can also assist the buyer with the equity required in SBA and conventional financing.

**Many funeral home owners are allergic to the word “budget.” As long as the mortgage, car note, American Express bill, and other normal expenses are met, very few look to their financial statements on a month-to-month basis to see what direction their business is heading in. Do you see more or less funeral homes focusing more on a “budget” and**

**how valuable is maintaining a “budget” to increase the value of your business?**

Karen McCurdy

Maintaining a budget is invaluable for any business owner. The budget allows an owner to not only track revenues and expenses, and compare actual to projections, but also assists with preparing for rainy days and times like we are living in today. Understanding what is coming in and going out of your operations allows for maximizing your bottom-line cash flow. So many business owners live from month to month and have no idea how much cash they have in the bank, and are just fortunate to be able to pay their monthly bills. Being able to identify overall revenues and the sources that create the most revenues, estimate costs and future capex items, helps manage unexpected challenges and also potentially unexpected windfalls.

**Have you seen a “rise” or “decline” in the number of buyers and sellers over the last couple of years?**

Karen McCurdy

We’ve seen a rise in the number of both buyers and sellers over the last few years. Several corporate companies, as well as independent owners, are looking to transfer their businesses for different reasons. The corporate companies are reviewing their portfolios to determine if all of their operations remain key and strategic to their overall holdings versus those that no longer represent the strength they once did. Several of these corporate owners have acquired a considerable number of operations over the last few years and have the luxury of selling those that don’t make financial sense for them.

There are more independent buyers, as well as Private Equity firms looking to acquire funeral homes, cemeteries and cremation operations as well. Whether it is someone who owns one funeral home that wants to expand their footprint, or perhaps someone who owns several, we’ve seen an increase in opportunities.

**It seems the public companies and larger privately owned acquisition companies are being more selective in the firms they are pursuing. Mainly 300 calls or more, and positioned in larger metro areas. That would mean that the independent buyer or smaller regional consolidator would be hard pressed to compete for the larger firms, price**

**wise, but would have a better chance for the smaller firms in the smaller towns? Is that pattern holding true?**

Karen McCurdy

I believe this is true in some instances. Some of the smaller operations don't make sense for the larger consolidators if they don't already own existing businesses in close proximity to share resources and synergies. It may not be cost effective.

At times your competitor can be the best buyer for your business. It may be that the Seller's building is better suited for the market area than the existing location someone owns. In this case, an independent may have the ability to consolidate the locations and sell their existing location.

**Have you seen a shift on all funeral homes, corporately owned and/or independent, on how they approach the subject of money during the initial arrangement with the family? It seems everyone is needing their money up front, more than ever, due to lower revenues driven from cremation and tighter profit margins?**

Nelson Thulin

We certainly coach and encourage funeral homes to have an upfront approach in discussing purchase cost, responsibility of all contract signers, and timing of the payment. I cannot determine the existence of a trend without knowing what is occurring in the arrangement room. No matter what the policy is, the conversation in the arrangement room creates the results. However, we include Accounts Receivable metrics in all our Incentive Compensation Programs and more and more arranger/directors are bonusing in that area than they had before. I assume these results are based upon coaching a focused approach to managing accounts receivable, which includes better communication upfront in the arrangement room.

**Final question? If you were to be a "Hall of Fame" athlete, in which sport and position would you have like to have played and why?**

Jake Johnson

Baseball Pitcher, I enjoyed playing that position when I was younger. You control the rhythm of the game in some regards and there is strategy between you and the

person up to bat. You learn different pitches and you determine when best to use them. Learning to throw is to understand how your whole body plays a part that culminates in the release off your fingers. I loved baseball when I was a kid! Having flashbacks now.

**Lori Salberg, Director of Technology**

Lori joined Johnson Consulting Group in 2017, bringing experience in cemetery, funeral home, and pre-need sales management. Along with sales and operations management, Lori directed the development of two propriety cemetery and funeral home enterprise software systems. Lori began her career in 2001 as a Family Service Counselor for the Catholic Cemeteries in San Jose; became sales and marketing manager, and eventually rose to Associate Director of their three cemeteries. In 2010, Lori furthered her career as GM at Holy Sepulchre Cemetery and Holy Angels Funeral and Cremation Center in Hayward, CA, where she also joined the Catholic Management Services leadership team. As Director of Administration and IT, Lori brought management expertise and software solutions to cemetery and funeral home clients. In 2015, Lori joined PlotBox as VP of Sales. Lori contributed to the development of a SaaS cemetery software program and was principally responsible for introducing it to the US market. At JCG, she continues to define and develop tech solutions for funeral home and cemetery clients. She is Chair of the ICCFA Membership Committee. She also serves on the ICCFA Sales and Marketing Committee, Catholic Cemetery Conference Marketing and Membership Committee, and the New York State Association of Cemeteries Publications Committee. Lori balances her passion for helping clients prepare for the future with raising her three children, Catalina, JJ, and Lyla. She spends a lot of weekends at dance competitions and baseball tournaments.

**Karen McCurdy, Director of Mergers & Acquisitions**

Karen McCurdy is a graduate of Florida State University (1991), she received a Bachelor of Science in Real Estate. Upon graduation, Karen began a career in appraising both commercial and residential properties. She continues to maintain her real estate broker's license and State Certified General Appraiser License. After appraising for 3 ½ years, Karen accepted a position with the Florida Department of Environmental Protection as an Appraiser Specialist. She reviewed statewide appraisals related to the



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acquisition, sale, lease and disposition of all real property. In addition, she performed desk and field reviews of proposed properties for state acquisition. In May 1996, Karen began a career with Thomas-Pierce & Company as a Project Manager. In 1999, she was promoted to Sr. Financial Analyst. Some of her responsibilities include evaluating the operating and financial performance of client companies, assisting in negotiating the sales of client businesses and working through client transactions. Karen enjoys the challenge of working with the diversities of each business and assisting each client in meeting his or her individual needs.

### **Nelson Thulin, Director of Business Consulting**

Nelson Thulin began his funeral service career at a family owned funeral home in Wisconsin and over the course of 30 years, his work experience has included independent ownership as well as corporate leadership roles. His management experience ranges from a single location serving approximately 100 families a year to multi-location markets serving over 2600 families. As a mortuary science student, Nelson received the J.M Nolte Scholar Award and continues his education as a Certified Funeral Service Practitioner through the Academy of Professional Funeral Service Practice as well as collaborating with and learning from other funeral professionals.

## Johnson Consulting Graciously Hosts “Greatest Show on Grass” Waste Managements PGA Event

Phoenix, AZ - Johnson Consulting Group recently hosted a group of funeral directors, suppliers and guests for one of the most popular PGA events, The Waste Management-Phoenix Open, or better known as the “Greatest Show on Grass!” Bob Ekins, Jake Johnson and the rest of the JCG staff went above and beyond their duties to organize and host such a popular and fun filled event. Several sun drenched days of tournament watching and the social and networking hospitality suite were deemed “a huge success” by all those in attendance. Special thanks to Johnson Consulting for the golf event and concluded with a “Super Bowl Watching Party” and the celebration of Bob Bekins birthday!!!







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# Benefits of Joining a Larger Funeral Home Group

By Todd Reich and Tony Kumming, NewBridge Group

In March of this year the majority of state governments began mandating social distancing regulations due the Covid-19 pandemic. The rationale was that isolation made us and our communities safer by slowing the spread of the virus. This forced isolation has affected us all in many ways, and one of the biggest things we've found is that we really need each other more than we realize. We need social interaction, we need to be part of a team and we need support in our lives and businesses, perhaps now more than ever.

In the last few weeks, NewBridge has conducted surveys to several hundred funeral home owners to see how this pandemic is affecting them and their thoughts on business, their personal lives, and how to best serve their communities. The results of those surveys, some of which I write about below, show that many owners are realizing there are huge benefits to being part of a group.

Some common concerns we've heard from funeral home owners are:

- Who can I count on to manage my funeral home if I get sick?
- What if I have trouble getting supplies?
- Things are changing so quickly with online funeral services and arrangements, I'm worried I can't keep up with the technology.
- I feel nervous having all of my retirement assets invested in one business.
- Who do I turn to with questions or to simply collaborate with?

Some recent conversations include:

One **owner in Southeastern Virginia** is now contemplating a sale. He states *"Having the ability to spend more time with my wife and grandchildren, as well as to go hunting and fishing at the lake with my buddies is more important to me now. I need some time to myself to just get out and play before I die."*

Another **owner in Nebraska** states *"I always thought my son would be the one to take over, but he told me recently that he is just not cut out for this business. I*

*have a decent staff, but no one in particular I am really confident in to lead. Having the resources of a larger, regional funeral home group, and the confidence in them, knowing that if we are a man or woman down, they can step in and help out- is comforting."*

A third **owner in Pennsylvania** states, *"I'm feeling trapped. I'm essentially a one man show and have all my eggs in one basket. If anything were to happen to me, I don't know what would become of the business. It's selfish of me to have this much risk riding on my shoulders which affects not only my family, but those of my small staff. Being part of a larger group would take much of this pressure off and provide me with a smooth transition into retirement."*

Another states, *"The coronavirus has really opened my eyes. We've had 3 confirmed COVID deaths, but I suspect we had another 10 that the state didn't have the time and resources to test. My faith and my church have become more important to me during this time. I would very much like to consider becoming part of a regional firm."*

NewBridge recognizes there are multiple options for transitioning the ownership of your funeral home.

These include:

1. Passing it down to the next generation
2. Selling to one of your employees or a local competitor
3. Selling to larger, proven funeral home operator

The first two options have historically been the preference of most funeral home owners. We are seeing a shift away from this for a number of reasons. We have explored the potential negatives of passing it down to the next generation or selling to one of your employees, however, we would like to dig a little deeper as to why many owners prefer selling to a larger, proven funeral home operator.

Benefits of partnering with a larger company include:



**Diversify Your Monetary Assets-** Most private, independent funeral home owners have the majority of their net worth tied up in the business. Selling to a larger company will allow you to “take some chips off the table” and “take some risk off the table.” Creating a liquidity event through a sale will allow you to diversify your family assets into a much safer and more liquid mix of securities including stock holdings, bonds, cash, real estate and alternative assets or other investment opportunities.

**Diversify Your Emotional Assets-** COVID-19 has been an eye opening event for a lot of funeral home owners we speak with. We’ve heard from many owners that social distancing has forced them to realize how isolating owning a funeral home can be. Many have commented on how they now realize most of their emotional livelihood is wrapped up in the funeral home. They’ve started to see how other passions including hobbies, community and church have been put to the side.

**Ability to Take Your Business to the Next Level-** Many sellers have been capital constrained. Even if you

are fairly young as an owner, partnering with a buyer who has deep pockets can allow you to free up working capital to expand and improve your current locations and/or grow through acquisitions. Additionally, many larger companies have resources and connections to help find quality staff to help support the business even further.

**Flexibility-** Partnering allows selling owners to focus on “working on the business” vs. “working in the business”. This eliminates many of the most common ownership headaches such as payroll and human resources. The long-term goal of many of our buyers is to provide more freedom and work life balance to their partners. We constantly hear that one of the most valuable benefits of working with a larger company is that it allows for less nights and weekends, and more travel to visit kids and grandkids who live out of the area.

**Sounding Board-** Becoming part of a larger group of likeminded people has its benefits. Having the ability to share your hurdles with others in the funeral service industry is comforting. All of our buyers have years



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of experience and relish in the chance to talk to their partners, discussing obstacles you may be facing- many of which they have dealt with before. There is also the opportunity to connect with other people who sold and collaborate on ideas to improve the business or simply commiserate about the challenges of funeral service.

**Financial Peace-** In addition to diversifying your assets, the common industry standard is to have a component of the purchase price consideration paid over several years. Knowing you are going to get paid in the future regardless of your health or performance of the business brings personal peace. This also helps with the tax burden up front. Finally, the peace of mind that is afforded by larger companies is a significant benefit over the risk of “holding paper” from an individual buyer.

**No Large Bureaucracy-** NewBridge buyers are primarily independent, private businesses. They consider themselves “anti-corporate”. Most of the decisions regarding how to best serve families are left to the selling owner. Compared to public company buyers, there is relatively little oversight in terms of pressure on revenue growth and cost cutting.

**Freedom for Next Generations-** One of the biggest concerns we hear from sellers about selling to the next generation is that they don’t want their children to have the same stresses from the business that they have had to deal with over the years. Securing their financial future while allowing them to pursue their passion without a huge burden of debt, whether it’s in the business or elsewhere, has been very rewarding for many sellers.

### **Update on the M&A Markets:**

Of course, merger & acquisition activity has slowed significantly as a result of the pandemic. However, it has not come to a halt. There are a limited number of large, publicly traded buyers. Some of these, such as Carriage Services, Inc. (NYSE:CSV) have stated that they do not have plans to buy in the near future. Carriage had a very active 2019, acquiring four large funeral homes and combos in the fourth quarter. In December of 2019, Carriage Services CEO Mel Payne stated “We can now pause our acquisition growth for a year or two while we integrate, operate, and optimize our newly acquired earnings and free cash flow power.” StoneMor Partners, Inc. (NYSE: STON), has been on a divestiture spree recently. On April 10th,

StoneMor announced it had completed the previously announced sale of the assets of Olivet Memorial Park, Olivet Funeral and Cremation Services and Olivet Memorial Park and Crematory located in Colma, California, to Cypress Lawn Cemetery Association. StoneMor previously announced that it had signed a separate definitive agreement to sell the assets of its remaining California locations. On January 3, 2020, StoneMor completed the sale of Oakmont Memorial Park & Mortuary to Carriage Services, Inc. Service Corporation International (NYSE: SCI), announced they plan on continuing to acquire, while Park Lawn Corporation (TSX: PLC) most recently announced an acquisition several months ago. Park Lawn is also going through some management changes.

### **Lending Environment**

As a result of the pandemic and subsequent CARES Act legislation, lenders of all size are in “emergency” mode. The Payroll Protection Program (PPP), providing \$349 billion in funding to small businesses, has been exhausted and an additional \$484 billion stimulus bill was subsequently passed (\$320 billion for the PPP). However, this focus, along with focus on providing separate Economic Impact Disaster Loans (EIDL), has taken up the majority of banker’s time and focus. Focusing on providing acquisition debt for funeral home transactions has taken a back burner and likely will affect the ability to provide financing assistance to many of the smaller private buyers who cannot bring funds to the table.

However, there are a few regional buyers who remain selectively active during this pandemic. NewBridge represents several of these buyers and we are actively performing valuation analyses for owners to help in their decision-making processes during this time. Once the economy starts to open up and it’s safer for buyers to travel for on-site meetings and due diligence, we expect a flurry of activity in terms of funeral home acquisitions. If you are interested in getting out ahead of the curve, or just interested in a casual conversation as to what life might look like by partnering with a larger group, feel free to call or email me any time:

**Todd Reich, Director, Business Development** [todd@newbridgegroup.com](mailto:todd@newbridgegroup.com)

**Tony Kumping, Managing Partner** [tony@newbridgegroup.com](mailto:tony@newbridgegroup.com)

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Todd works closely with funeral home owners advising them on their exit strategies. His focus is on family owned businesses, assisting them with succession planning and valuation analysis.

He has 20 years of experience in investment banking, and is an undergraduate of UNC's Kenan-Flagler Business and obtained an MBA from Emory's Goizueta Business School.



Tony has lead the acquisition or divestiture of more than 100 funeral homes during the last 12 years, and his experience has ranged from financial analysis to drafting legal documents for both the buyeys and sellers. Prior to his role as Managing Partner, Tony primarily served clients throughout the Midwest.



Before joining NewBridge Group in 2012, Tony was a Corporate Development Analyst for Keystone Group Holdings and Manager of Business Development for Foundation Partners Group. He also is licensed to practice law.

*"Selling the family business is hard enough. It's even more stressful when prospective buyers parade through your facility and upset your staff. NewBridge offered me a better option. They knew what my business was worth and got it for me."*

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# M&A In Light of COVID-19

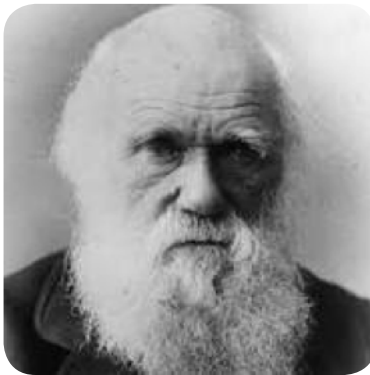
By Daniel M. Isard, MSFS

We are in the middle of a 100-year worldwide event that is changing everything. For business owners it is a test beyond just mortal boundaries. It is an economic apocalypse as well. How are funeral home and cemetery owners going to fare if their bodies survive? What will be the new abnormal world of Mergers and Acquisitions? That is what I am going to explain.

This is what writers call “an opinion piece”. Time will tell if I am seeing the future correctly. However, in my five decades of advising business owners, I am right more than I am wrong. Otherwise I would be writing an article called “How I Have Sold Shoes for Five Decades” for Shoe Sales Monthly.

There are three names that I want you to know that I am being guided by in arriving at my conclusions about valuations in the balance of 2020 as well as business transfers. These other opinionated parties are Charles Darwin, Lyndon Johnson and J. Wellington Wimpy.

What We Must Learn from Charles Darwin. Darwin was a naturalist, geologist and biologist but is best known for promoting the theory of “evolution”. How is he important to the concept of M&A in the year 2020 of funeral homes?



Darwin believed that evolution was a process of natural selection. He is most famous for the theory that “Only the strongest should be propagating the species”. I believe that the biggest long-term effect of the COVID 19 virus on the funeral profession will be a reduction in the quantity of funeral homes. But, ala Darwin, only the strongest will survive.

Therefore, Mergers, Acquisitions and Closures are going to be rampant for the next 24 months. Closures are when a business goes out of business. It might be because it was poorly managed, the finances were

poorly managed, or it was worth more as non-funeral commercial real estate than it was as business and funeral real estate. We are going to see a great many closures in the next two years, nationally.

In applying Darwin’s theory to economics, only the strongest of the business owners should be allowed to propagate or succeed. Yet, prior to The Funeral Rule it was nearly impossible for a funeral home owner not to make money. Profit margins were averaging 15% in 1984. It was a heyday for funeral home owners as everyone was buying a casket, everyone was buried after services, and everyone held visitations. Many had no business education. They just marked up caskets, answered their phones and went to Rotary every week, and all was well. SCI, Loewen and others rewarded these people that were rather unexceptional with million-dollar checks.

People were building new funeral homes. We got up to about 22,000 locations by the year 2000. Then the cremation rate increased annually and profit margins shrank to about 5% of revenue. The boom of the 1980’s and 1990’s ended, and for many years it was a buyer’s market, not a seller’s market. That was 1 funeral home for every 12,800 people. In 2018, we reduced the number of funeral homes to about 12,800. That was one funeral home for every 17,600. Towns too small to have a national brand hamburger joint had three funeral homes, none of them making a profit of any degree.

Now, with COVID19, funeral homes that didn’t have cash reserves are going to fail. They will be sold for real estate value. We will probably lose 1,000 to 2,000 locations in the next two years as families increase direct disposal. That will be 1 funeral home for every 19,500 people. Those firms that are prepared to evolve by using technology, creativity, and working harder will survive and flourish. The community will not notice the reduction.

As Darwin would tell you, first of all survive. Then flourish. Be the evolved party. If you want to sell, do it before all the poor operators hit the market.

What We Must Learn from Lyndon Johnson. Johnson was the 36th president, ascending to the presidency upon Kennedy's assassination. He was a Texas school teacher with a passion for service. When he assumed the presidency, we had both domestic and international crises.



Internationally, the Vietnam Conflict was accelerating and domestically, we were dealing with the civil rights movements and creating economic support programs to help the poorest. The economic controversy was highlighted by an economist who told Johnson, "You cannot spend a limited amount of money on both guns and butter". Johnson's method was merely to increase our country's deficit, which led to inflation.

Let me ask you to assume your body survives COVID19. Let us also assume your business is not going to capsize during this social disaster. Our government's economic bailouts are going to total many trillions of dollars. These are not based upon our country going into our savings account and divesting this money throughout the country. It is based, a la Johnson, on printing more money against the full faith of the future US economy.

At the very least, if we have four trillion in total government support, that is \$4,000,000,000,000 more in debt. Even at 5% interest, that is \$200 billion in more interest each year (forget about the principal for now). The math is not hard but the comprehension is difficult. If we have 200,000,000 income earning Americans, each of us is going to have to pay \$1,000 more in taxes each year. The only way this can happen is either to raise taxes or we all will have to cinch up our belts. However, an inflationary cycle begins when businesses have to pay more for goods. Inflation means interest rates will go up. Increased interest will raise the amount all of us have to pay on the debt. It is an economic death cycle.

How is this important to the concept of M&A in funeral service? Higher interest rates will reduce values for two reasons. Business profits go down as interest and other costs will go up. You will have to pay people more as their living costs will be rising. When profits go down, value goes down. If interest rates go up on debt service, then values go down even more. Imagine

you budget \$2,000 a month on a home mortgage, but interest rates go up. Your budget doesn't change but home values must decline to keep all things even.

The declining values of businesses will make even more people want to sell out. The highest and best value of their real estate may be as a commercial property, rather than the business and real estate combined as a funeral business. Therefore they will be closures rather than acquisitions.

What We Must Learn from J. Wellington Wimpy. Better known as "Wimpy", he was a character in the 1930's comic Popeye. Wimpy was the well dressed intellectual who would say, "I will gladly pay you Tuesday for a hamburger today".



Wimpy learned to buy on credit. He understood the economic and mathematical concept of present value ("PV"). PV means something is worth more today than in the future, either in economic or intrinsic value.

How is he important to the concept of M&A in funeral service? If my application of Darwin and Johnson are correct, we are going to have fewer funeral homes and those that remain are going to be worth less for the time being.

We saw this in 1999 through 2008. During this period, there was more divestitures by big companies and very few purchases within the market. I had created a lending company backed by insurance companies looking to make long term loans. Our premise demonstrated that since the 1970's and the growth of national companies, the values increased every few years. While I hate rules of thumb, to demonstrate my point, in 1980 the average funeral home sold for 1.2 times Revenue. By 1985, that multiple was up to 1.5 times Revenue and by 1990, it was up to 2.0 times Revenue. At the apex of the market in 1999 we were seeing the best funeral homes selling for 3.0 times Revenue or more. Then... the fall.

SCI was #1 and had just reacquired ECI who was #4, so they were not buying. Loewen was #2 and they



were in bankruptcy, therefore not buying. Stewart Enterprises was #3 and they were buying, but without any competition offering half of what they had offered on businesses just six months' earlier. The #5 company was having problems, #6 was in bankruptcy and #7 was looking for someone to buy them out. We lost the marketplace in the span of 3 months. My lending company did not assume what would happen if values went down! They never had before. But they were now. In the words of Wimpy, present value or cash is king. If you are positioning yourself to be prepared for the survival from COVID19, you must be positioned with cash. You cannot be incurring large debt or you must use fixed rate financing. You will crash if you fail to look forward. Your creditors will take over your business for pennies on the dollar.

Darwin must be respected. We must migrate or mutate the operation of your business. We cannot live on debt or we will face the economic disaster of Johnson's failed policy. For once, Wimpy is going from a supporting character to a lead character, if you remember present value. Isard must be respected as well. I have seen the past clearly, without prejudice. I have applied it to the immediate future. If you want to sell, do it now. If you want to buy, do it now. If you are breaking even, get out for the value of your real estate, now.

Dan Isard, MSFS, is president of The Foresight Companies LLC, a Phoenix-based business and management consulting firm specializing in mergers and acquisitions, valuations, accounting, financing HR services and family surveys. He is the author of several books and hundreds of published articles in industry magazines including The Director's Finance 101 column.



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## ◆ INDUSTRY NEWS

### The Foresight Companies Announce Gabriel Ngo as Director of Business Development

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"We are pleased to announce we have brought on an established industry leader, Gabriel Ngo, to our ever-growing and dynamic team. The addition of Gabe Ngo as our Director of Business Development allows us to continue to deliver the highest care to our clients," Dan Isard, the founder and managing partner of The Foresight Companies, recently announced. "Gabe exudes credibility, confidence and integrity at the highest level. Gabe's abilities and experience will provide an even higher level of service to our clients and the entire industry. We couldn't be more excited to have Gabe on board," Isard added.

"I am excited to have the opportunity to be a part of Foresight and to have the ability to collaborate with some of the most talented people in the industry", said Gabriel Ngo. "Foresight's constant growth speaks to the ever-growing needs of our industry, especially during these unprecedented times with the COVID-19 Pandemic. The resources that we can deliver to all our clients is second to none in this industry.

Prior to joining The Foresight Companies, Gabe spent over thirteen years with Carriage Services, Inc. leading various functions at an executive level including: Corporate Development—Mergers & Acquisitions, Operational Support & Administration and Human Resources. Gabe can be reached at 602-274-6464 or [gabriel@theforesightcompanies.com](mailto:gabriel@theforesightcompanies.com).

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## PROFESSIONAL SPOTLIGHT

### MATT MANSKE

Over the years, Matt has helped many funeral directors navigate their way through the funeral home transaction and financing process. His direct experience working in funeral homes gives him an in-depth understanding of the day-to-day operations. In 2005, Matt founded [www.4bsf.com](http://www.4bsf.com) to help educate funeral directors about buying, selling and financing.



#### How did you get into the funeral industry?

I worked my way through college living and working in funeral homes. I worked at two different large firms and then finished my master's degree in accounting working for a smaller firm. My work experience taught me the value of funeral directors. And the value funeral service brings to families and communities. When I finished college, I followed my degree path and never thought I'd see a funeral home again except for attending a funeral service.

After two years with a CPA firm and eight years in medical sales, I decided to pursue other options. In 2004 I began working for a company doing funeral home acquisitions. And just like that I was back in the funeral industry. I learned the ins and outs of funeral home acquisitions and have worked for banks ever since.

#### What is BSF and how did it get started?

Funeral directors often have little or no experience in financial transactions. They are care givers by nature. This can leave them vulnerable to those who present themselves as industry experts and charge enormous

fees to merely advise on a transaction. Browsing the internet is often no help because that's how these advisors find new customers. There are always three parties to most transactions – buyer, seller, and lender. I've seen transactions where an advisor charges all three parties. To me, practices like these are simply unfair to buyers. Funeral directors need education and guidance on the risks involved with buying, selling and financing. I founded [www.4bsf.com](http://www.4bsf.com) to help make the transaction process more transparent and less intimidating to buyers and sellers.

#### What is your favorite part about working in the industry?

Going through the transaction process with buyers trying to achieve ownership and establish themselves in the industry is very rewarding. I also enjoy seeing a seller reap the rewards of their life's work. Seeing a new partnership develop between a buyer and seller. Seeing the seller feel good that they found the right buyer to hand the baton to.

Most funeral directors are very genuine people, so it's pleasant to work with them on a day in, day out basis. I make a lot of good friends. I think it's because of the







types of people drawn to serve in the funeral industry. It's unique. The people are passionate, and truly care about serving families in their community.

**Looking forward to the future, what are you most excited about?**

Cremation rates will continue to rise as different areas of the country embrace it. We will continue to see rapid change in traditional funerals. Volume will continue to rise with the passing of the baby Boomers. Transaction activity will stay strong over the next ten years and I'm looking forward to being a part of that. As a lending segment, the funeral industry is still not embraced by lenders as much as I think it should be. But there are more lenders serving the industry than in the past, and that competition is good for buyers.

**When it comes to financing, what is your go to advice for funeral directors and funeral home owners?**

First, call me or visit [www.4bsf.com](http://www.4bsf.com) to learn about the ins and outs of funeral home transactions. The best advice I can offer a buyer is to take your time and talk directly with lenders. If the person you're talking to is not an employee of a bank than move on. The best advice I can give to a seller is to talk with your accountant several years before you want to sell. Make sure your federal tax returns are showing your funeral home in the best possible light. Make sure you are planning for the sale before you get burned out. It will result in a much better transaction. And, be careful with any advisor offering you a fee contract. If you have questions, don't hesitate to reach out.

**When you aren't in the office, what are some things you like to do with your free time?**

My wife and I have two kids, 16 and 12 so their activities keep us pretty busy. I love spending time with family, exercising, traveling, and playing a little golf now and then.

**What is the most rewarding aspect of your career?**

The fact that I get to establish relationships that last. I get to serve some clients on multiple transactions. It feels good to play a small part in someone else's success. I really enjoy looking at deals. And, because I work for a bank, I don't have to charge someone a fee to do it. I think mostly I like the hunt of finding that next good deal with a buyer.



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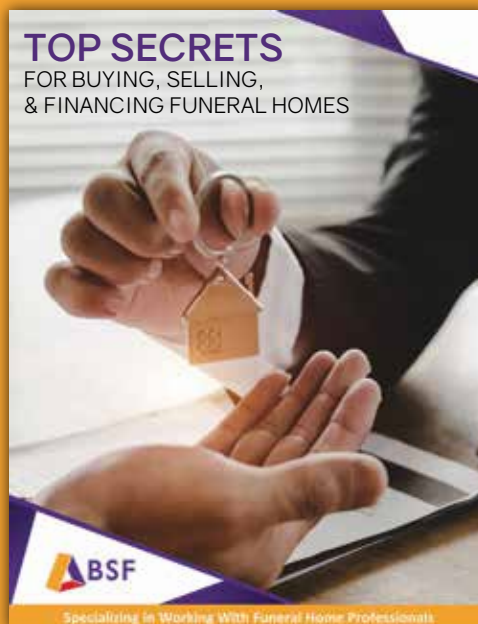
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# Exit Planning: An Emotional Journey

By Alan Creedy

No matter how often an owner tells me they aren't emotionally attached I have found it simply isn't true. In fact, I have observed a pattern or cycle that closely follows the "grief cycle" so familiar to funeral directors.

Experience has taught me that everyone experiences some emotional impact in selling their business and almost all are **unprepared** and even surprised. It is my hope that the observations herein will be of help to those contemplating transferring their business.

This inevitable emotional response often takes sellers by surprise. The surprise actually worsens the impact. I help my clients prepare in two ways:

- Helping them establish clear and realistic goals
- Helping them anticipate the phases of a transfer and the emotional responses they may experience.

While there are differences between insider and 3rd party transactions the emotional pattern is fairly consistent.

## The abstract phase

As the process of planning begins the owner is actually in a form of denial. The process of dying offers an interesting illustration. We all know that we will die someday but until that fact is actually imminent it is only an abstract thought. We go about our daily activities without thinking about the inevitable and our actions often suggest we don't think we will ever die.

So, it is for owners of privately held businesses. They know they are making life-changing decisions, but it isn't totally "real." I call this the abstract phase because the owner believes they have made a final decision and that all they need to do is go through the process. But during this first stage the thought of selling is really only an idea...real but abstract. Owners believe they have thought it through. They, in fact, may have done so **at the intellectual level** but they have not internalized the corresponding emotions.

Setting clear realistic goals softens the emotional blow by clarifying the reason for this action and beginning

the process of imagining life after the sale.

On a personal level, having been married almost 50 years, I can't imagine life without my wife and I really don't want to. But, if she were to die before me, imagining life without her would be key to my own grief resolution.

In many ways this, I think, is what sellers are dealing with. Yes, they may have imagined the freedom of not working or the peace of financial security. But, like grief, it is much more complicated than that.

I help my clients right up front by performing a comprehensive intake interview. This is where I probe for key issues:

- Are they confident internal successors are ready?
  - How can they prepare them to be ready?
- How important is it to protect certain staff members? Which ones?
- Does the owner want to continue working? In what capacity?
- When do they see themselves fully retired?
- How important is it to perpetuate their personal legacy?
- Is there a preferred buyer?
- Are there potential buyers they believe would not be a good fit? And,
- Most important, **WHY** are they doing this?

At this stage it is important for me to understand **BOTH** your personal **AND** your business goals. Once we establish these goals they serve as future anchors for you to hold on to as the transaction progresses.

If there are multiple goals or if multiple owners have different goals, I encourage them to prioritize them.

- The reason for this exercise is critical: **You must know what you really want and why it is important** if you are to handle the emotional side rationally.
-

Here are a few examples of goals:

- Preserve the viability of the company and get full value for real estate
- Make sure the son has a lifetime job
- Preserve the values and standards of previous generations
- Enable children or key employee to succeed the owner
  - Often requires both a personal and a business development plan
- Get maximum cash up front
- Monetarily reward key employee
- Develop a plan that enables owner to pay down debt over time while selling to key employee

Knowing your goals (both personal and business) helps both of us keep things on track

### **The Reality Check phase:**

As we prepare the financial and background information for distribution to prospective buyers owners rarely move beyond the abstract phase. Even when the Letter of Intent is signed things don't seem real quite yet. From a grief perspective, I wonder if it isn't like receiving a terminal diagnosis. It takes time for it to sink in.

But reality hits...and it hits hard... when you start the due diligence phase and especially when you get the first draft of a 50-page purchase agreement. It is then that we enter into the parallel to the "anger" stage. And people often do get angry.

### **Due Diligence:**

I always provide sellers with a sample due diligence checklist in advance. But a sample at the early stage seems only to be a curiosity. It is when you get the actual checklist the "fight or flight" reaction seems to set in. "Why do they need a list of my preneeds?", "Why do they want to look at my at need contracts?", "How am I going to explain their presence to my staff?" "Why do they need a staff census?" Now we move from the abstract to the concrete. This is real! I often feel that clients are beginning to wonder, "What have I done?"

To soften this blow and to help shield some of the activity from staff I choose to do a lot of preparation on my client's behalf. So, the buyer's due diligence team has much of the work done for them before

they arrive. Rather than searching through files and bothering admin staff 75% of the information they need is provided and all they need to do is validate and verify it.

But, still, most sellers get very, very nervous during this process. It is not uncommon for them to be offended. "Why can't they just trust me?" they often ask. Even though they know their thinking is entirely unreasonable in a multi-million-dollar transaction.

The purchase agreement:

The real shock comes when they get the first draft of the purchase agreement. "What am I committing to?" "I'm a handshake type of guy. Why do we need all this?" "I'm not doing that!" are common statements. And this is the **parallel of the "bargaining" phase** in the grief cycle.

**But know this:** This is really the time for "tweaking" the agreement. Attempts to renegotiate major parts of the deal will be seen as bad faith and may well backfire. I have seen one case where the buyer backed out of the deal entirely for just this reason. And I have heard of many more. Major negotiation is traditionally completed during the Letter of Intent phase. The Purchase agreement both formalizes and fine tunes the agreements between the buyer and seller.

During this phase sellers will often begin to truly evaluate the "fit" of the buyer. They finally begin to think about what life will be like after the sale for themselves, their employees AND for the community. I am rarely able to get them to do this before this phase and I believe the reason is they haven't moved into seeing the whole transaction as real. But they do now and often with vigor.

In my experience this rethinking is really a process of getting used to the reality of the deal. At first there is resistance, mostly mild but sometimes strong and then there is gradual resolution. It is at this point that clients most often feel confusion and regret. Just like the grief cycle. And it is at this point that being reminded of the original goal is most important. I have found that if I can speak to their original goals those who seem most upset seem to reconnect and resolve faster.

### **The closing phase:**

Due diligence is finished and the purchase agreement



as well as any other agreements like non – competes are close to final. Inspections are under way and we are preparing to make announcements to staff and the public.

Most owners are resolving themselves to the finality of the transaction and most are beginning to look forward to the closing date and life after the sale. But be prepared for sleepless nights and some level of remorse as you let go of who you were and prepare to become who you will be.

You may experience depression and disorientation periodically. It is important you remember your goals but equally important you have someone to vent with. I had to learn that clients will use me for venting and now I encourage it. I know it is rarely personal and, in almost every case, it is a necessary process of talking out their concerns and fears and regrets. If they don't use me, I encourage everyone to have at least one person (preferably a non-employee) they can call during this time.

#### The recovery phase:

After the closing former owners will find themselves

needing to refocus their energies elsewhere if they do not remain associated with their firm. Unless you are already connected to something else, this will take time. Golfers always tell me golfing gets old after 6 months. Personally, I believe God designed us to have a purpose. Your purpose has been integral to your business for most of your life and now you will need to find new purpose.

Healthy recovery in grief does not mean you forget. It means you learn to live "life after." When I sold Trust 100 I was, admittedly, burned out. I really thought I would leap for joy the day of the closing. It didn't quite happen that way. Fortunately, the buyer was kind enough to keep me involved for a year. During this time I realized I was too young to retire and didn't really want to. So, I effectively reinvented myself. For a brief period I was financially independent so I devoted myself to reinventing myself as an industry consultant. It has worked out well for me and I am now doing something I can be passionate about again. I have purpose.

If you are a reader then you might want to get a copy of Bob Buford's "Halftime: Moving from success to



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significance.” I found it very insightful and I know others have as well.

It’s not your business anymore. Get over it!

For those who remain associated with their former business, life can get a little harder. You may have a staff role. You may even continue to manage it but you don’t own it. One of the most important functions you can serve is to be the new owner’s advocate and ambassador. But, sometimes, former owners simply can’t do that. If you are one of these then the right thing to do is to separate from the firm by “quietly folding your tent and disappearing into the night.” No scenes, no loud arguments just go.

I have a personal experience with this last piece of advice. I invested emotionally in a non - funeral business. It was a turnaround and we did many things that vastly improved the reputation and quality of the company. We even innovated several practices that were later adopted by that industry. We sold it to an acquisition company who later went bankrupt. It was then sold to someone who ran it right into the ground. I hated seeing that but I had to keep reminding myself I didn’t own it any more. I got my money and that is all I have the right to expect...Sorry for the sermon.

#### **A final piece of advice:**

All my clients begin the process of selling or transferring their business with the demand for secrecy. But, surprisingly, as closing approaches they personally struggle with confidentiality.

To paraphrase a World War II slogan:

“Loose lips sink deals.”

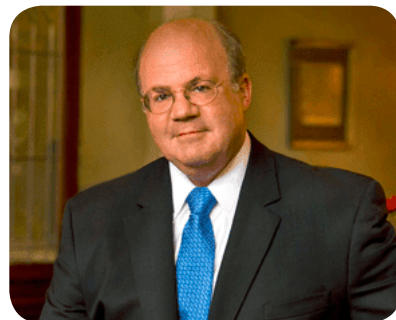
As the deal moves closer to closing, both you and the buyer will have a harder and harder time keeping the lid on the news. Yet, premature disclosure can be more than just embarrassing. The buyer has the right to protect his investment and that includes controlling the news. Premature disclosure puts you and them at risk.

The announcement and its timing should be mutually agreed on. If you will forgive some sarcasm; your friends, family, pastor, sheriff and mayor DO NOT have a right to know anything in advance. Your casket vendor and staff, in particular, should be kept out as long as possible. You should refer from making

inferences, innuendoes or oblique comments on social media that could be interpreted wrongly.

Also be aware that there are people who will try to trick you into telling them by acting as if they know already. I often recommend clients rehearse what they will say to unexpected inquiries in different circumstances like a staff meeting or the grocery store.

*Alan Creedy is a Certified Exit Planner (CEXP). Formerly a CPA, he has spent more than 40 years helping funeral home owners strengthen their companies, anticipate and respond*



*to changing customers and plan for a better future. He now focuses his time on helping owners plan and execute the transfer of their firm. Some 70% of these transfers are considered “Insider” transfers to children or key employees. For more information go to: [www.funeralhomeconsulting.org](http://www.funeralhomeconsulting.org)*

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## Top 5 Public Death Care Company revenues in 2019 (2018 numbers also)

1. SCI – \$3.29 billion. Up from \$3.19 billion in 2018. Up 1.2%
2. Matthews Int. - \$1.54 billion. Down from \$1.6 billion in 2018. Down 4.07%
3. StoneMor Inc. – \$289.5 million. Down from \$316 million in 2018. Down 8%
4. Carriage Services – \$274 million. Up from \$267 million in 2018. Up 2.6%
5. Park Lawn Corporation – \$244 million. Up from \$161 million in 2018. Up 51.5%

## SCI reports 1Q 2020



Funeral home and cemetery public company Service Corporation International (SCI) reported their financial results for the 1st Quarter of 2020. SCI reported positive results which indicated that Q1 revenues for the company reached \$803 million as compared to \$798.2 million for the same quarter of 2019. However, that is an increase of less than 1%.

The company posted an Operating Income of \$151.8 million for Q1 2020 as compared to an Operating Income of \$147.0 for Q1 2019.

Here are some quotes from SCI management on the results:

President/CEO Tom Ryan: “. . . I am extremely proud that we came into this crisis in a very strong financial position. We have a strong balance sheet, tremendous liquidity, and a favorable debt maturity profile. This foundation will allow us to weather this storm.”

Chief Operating Officer Jay Waring “. . . As we have continued to ramp up and train more locations on streaming services through Dignity Memorial® Facebook pages, we are beginning to see an increase in the number of families choosing this option resulting in tens of thousands of views. “

Waring on Preneed Sales: “Our preneed sales teams are beginning to overcome social distancing obstacles by further leveraging technology and arranging virtual

*sales presentations with customers who currently prefer to participate from their home. . . . . Once this crisis is over, we believe we can capitalize on many of the technological solutions that are helping us manage through these unprecedented times.”*

Eric Tanzberger, SCI Chief Financial Officer: “. . . we have deferred certain cash expenditures for corporate and field maintenance, cemetery development, and growth capital expenditures, and we believe we have the flexibility to adjust further. . . . we anticipate the impact of COVID-19 pandemic on both our funeral and cemetery segments will result in a decline of our adjusted earnings per share, which we hope to minimize as we continue to be vigilant with our costs



Carriage Services CEO Mel Payne announced, “We have made the decision to delay our earnings release to May 19th to provide time to complete the accounting of our April performance and to monitor revenue trends for two full weeks of May.”

The Carriage release also made mention that the “Executive and Senior Leadership Teams” have made a decision to lead by example and reduce their own salaries as part of the “larger plan to reduce overall expenses throughout the rest of 2020.”

Carriage Services currently has 210 locations in 28 years of operations



# STONEMor

## StoneMor Year End 2019 Report

StoneMor Inc., the cemetery and funeral home operator based in Trevese, Pennsylvania, reported their 2019 year end financial results. StoneMor, who operates 90 funeral homes and 320 cemeteries in 27 states and Puerto Rico, is the 2nd largest funeral home/cemetery operator in North America by revenue.

For the full year StoneMor reports that their revenue dropped about 8% to \$289.5 million from 2018's \$316.5 million. The company reported an Operating Loss on that revenue for 2019 of \$41.8 million as compared to an operating loss of \$43.8 million for 2018. When you add in the loss that the company took on its recapitalization to a C-corporation, goodwill, and debt financing the overall net loss for the company in 2019 was \$151.9 million.

In its multiple year effort to regenerate growth in the company, StoneMor also sold properties in California and expects to "finalize additional transactions during the 2nd and 3rd quarters of 2020." This may include selling of other properties in other states to help concentrate on more solid and profitable funeral homes, cremation centers and cemeteries.

President and CEO Joe Redling is quoted, "We are starting to see the impact of our company-wide cost reduction initiatives take hold and we expect to benefit much more significantly from these action in future years."

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## Park Lawn Year End 2019 Report

Park Lawn Corporation (PLC), the Toronto based funeral home and cemetery consolidator and operator, recently reported their 2019 financial results. The company showed mixed results by increasing their revenue by 51% to \$244 million (all dollar numbers are in Canadian dollars unless otherwise indicated) but only generating an additional 2.3% in Net Earnings for the year.

Because of an increased number of common stock shares outstanding, PLC's Net Earnings per share dropped to \$0.246 per share from 2018's \$0.326 per share. Net Earnings for the year came in at \$7.286 million in 2019 as compared to \$7.119 million in 2018. 2019 Highlights for the company included the execution of growth strategy with six acquisitions valued at approximately \$180 million. The company also says that they made movement towards their "aspirational goal" of \$100 million in pro forma adjusted EBITA.

## 1st Quarter 2020 Revenues Increase by 47.5%

Park Lawn results show strong revenue growth, with an increase of 47.5% as compared to the same period in 2019. Net Earnings attributable to PLC shareholders were \$734,057 in Q1 2020 compared to \$3,325,247 in Q1 2019. On a fully diluted per share basis, this represents \$0.025 for 2020, as compared to \$0.141 in 2019.

Earned \$17.1 million in adjusted EBITDA this quarter representing approximately \$0.58 per common share, an increase of 45.6% and 15.9% respectively over the same period last year

Adjusted EBITDA margin improved to 23.3% in the first quarter of 2020, in line with the same quarter in 2019 and an improvement of 380 bps over the fourth quarter of 2019

"We had a solid first quarter, especially considering the challenges posed by the market in March due to the onset of COVID-19. These strong financial results in a challenging quarter are the direct result of our intense focus on operations and the integration of our businesses," stated Brad Green, Interim CEO.

## Brad Green Named Park Lawn Interim CEO

### ***"Appointment of Brad Green Interim CEO"***

*COVID-19 has transformed North America in a matter of a few short weeks introducing an element of uncertainty which may impact the pace and timing of PLC's previously announced search for a new Chief Executive Officer (CEO). As described above, PLC is taking active steps to ensure the Company is optimally positioned for long-term success and growth in a challenging time. In the near term, given the current circumstances, this means ensuring stable leadership with a sharp focus on operations and the continuing integration of our existing business operations.*

*As such, the Board of Directors has appointed Brad Green to serve in the role of Interim CEO effective Tuesday, March 31, 2020, to increase stability during the Company's leadership transition. Mr. Green has served as the President of PLC since May of 2018 and previously served as the CEO of the Signature Group prior to the company's acquisition of the business."*



We had a solid first quarter, especially considering the challenges posed by the market in March due to the onset of COVID-19. These strong financial results in a challenging quarter are the direct result of our intense focus on operations and the integration of our businesses," stated Brad Green, Interim CEO.





## Mathews 2Q 2020 Report

Improved pricing for caskets and memorial products. .  
. but, lower unit sales

Last week Matthews International recently reported their 2nd Quarter 2020 and believes their businesses units are experiencing the impacts of COVID-19 earlier in the quarter, especially in their Asian and European markets.

As an entire company, Matthews reported a sales decline of 4.2% with sales in Q2 2020 of \$374.8 million as compared with sales in Q2 of 2019 of \$391.4 million. Their Memorialization segment, which includes their Aurora Casket brand, fared somewhat better with 2020 sales virtually identical to the same quarter in 2019. Memorialization segment sales for 2Q 2020 were \$161.8 million as compared to \$162.1 million in 2Q 2019.

Matthews CFO Steven Nicola was quoted as saying, "Higher cremation equipment sales and improved price realization for caskets and memorial products were offset by the impact of lower unit sales volumes for caskets and memorial products."

Nicola continued by saying, "Improved price realization on memorial products and caskets, increased sales of cremation equipment, and higher unit volumes of U.S. memorial products were offset by lower casket unit volumes, a decrease in international memorial product sales and lower mausoleum sales. International memorial product sales and mausoleum sales were unfavorably impacted by COVID-19."

CEO Joseph Bartolacci was quoted, "In the Memorialization segment, overall demand has been strong for caskets and cremation equipment but has recently declined for memorial products as families refrain from going to cemeteries to meet with counselors to order their markers."

## Alleghany Capital Corporation Increases Ownership In Wilbert Funeral Services

Alleghany Capital Corporation ("Alleghany Capital"), a wholly-owned subsidiary of Alleghany Corporation, today announced that it has acquired a majority interest in Wilbert Funeral Services, Inc. ("Wilbert"), a leading provider of products and services for the funeral and cemetery industries and precast concrete markets. Alleghany Capital has owned a 45% equity interest in Wilbert since 2017. Headquartered in Overland Park, Kansas, Wilbert operates through company-owned locations and a network of nearly 200 licensees that manufacture and distribute Wilbert® branded products throughout the United States and Canada.

David Van Geyzel, President and Chief Executive Officer of Alleghany Capital, commented, "Having worked closely with Wilbert for almost three years, we have developed a deep respect for the entire team. Wilbert has a solid business model with numerous growth opportunities and Alleghany Capital looks forward to assisting the company, its employees, and its licensees as they continue to build on Wilbert's long and impressive history. Since its founding in 1880, Wilbert has persevered through periods of macroeconomic uncertainty and we are committed to working with the Wilbert team to successfully navigate the current environment."

Joseph U. Suhor, III, Chairman of the Board of Directors of Wilbert, stated, "Alleghany Capital has exhibited a strong commitment to the long-term growth and success of Wilbert and its licensees since our partnership began. I am pleased that we have found a long-term owner for the company that shares our values, particularly our focus on serving families with dignity and our emphasis on innovation. I look forward to continuing in my recent role as Chairman of the Board and providing strategic support to Alleghany Capital and Wilbert's management team."

# How to Pick a “Superstar” Sales Rep

by Ed Horn, Esq., Director of Sales, Marketing and Community Services, St. Michael's Cemetery; East Elmhurst, NY

As a Sales Manager for 20 year I have received questions that expand upon various factors that determine the welfare of a death care provider which is dependent upon income from a sales force comprised solely by Counselors who are Commission based.

How to pick a superstar sales rep is one question that is perhaps the hardest to respond to. The manager who offers employment to an applicant may question that person extensively yet the reality of whether that individual will ever become a sales rep who performs or evolves into a “superstar” would only be resolved by experience.

That though does not negate the gut instincts of the manager who offers the opportunity in the first place. As the sales manager I was instructed that the preference was to hire sales counselors who had a college degree and spoke in a manner that would define that person as well educated. Believing I knew what makes an applicant a potential superstar was worth considering other factors.

I met an applicant referred to me during a weekend at a local diner. My wife and I were having breakfast and the applicant appeared wearing gym clothes and had his young family standing in the vestibule.

His earnest eagerness and his history of serving in the Navy was impressive. More so his job in the Navy of jumping out of helicopters into raging seas to save drowning people told me of the fearlessness and commitment to purpose he would bring to any undertaking.

He was somewhat rough around the edges. His handwriting needed improvement and his use of language was not of Boardrooms. My instincts told me a different story that once informed of what needed upgrading the applicant would improve but more importantly he was just the candidate who would reach the souls of those considering the cemetery for memorial property.

He became a Memorial Counselor 18 years ago and has performed beyond all expectations improving his connections with families and the community to such a point that families will only speak with him when interested in purchasing property. Families call him a resource and a bulwark that makes him a superstar.

Another applicant approached me nearly 20 years ago who had owned and operated a food cart in New York City. Each day he would go to work at 4AM to prepare for the morning rush of patrons wanting their coffee and a bagel.

He was a neighborhood kid who grew up in the area of the cemetery and now had a young family. His knowledge of the cemetery and the community of his faith that had rarely purchased pre-need at the cemetery was impressive.

The traits that defined this young man told me that he would be a natural sales man. Who among us working a food cart from early morning would earn enough to have a family and a vibrant life within a national group that were known as devoted to family life?

I understood his desires that to me defined his need to achieve, be recognized within the community and to reach what he perceived as the American Dream. After a short time and with his growing income understanding him as I still do, I convinced him to purchase a home, a new car and finally the fishing boat that was his dream. What better incentive could there be for him to sell consistently? Twenty years after his first day of employment he continues to be the ultimate superstar Counselor that has ever sold on behalf of the cemetery.

Of course over the years I have hired reps who did not pan out. Yet time after time regardless of mandates that would define who I would hire, I have relied upon my instincts. My years of service does reflect the job I do on behalf of the institution. If not, regardless of past successes sales failure only leads to the boot and out the door.

Sales reps who are commissioned driven are the real heroes of any sales force. They undertake the risks of earning nothing yet they know in their souls that will never be. In any organization such individuals are the best of all employees who though can cause themselves and all who come in contact with them stress that at times has the needle on the meter shaking.

I was called a prima donna when working as a memorial counselor. I had to sell to earn and regardless of how I did monthly bills had to be paid. Assuredly when the income to debt servicing was out of whack, I perhaps was a bit much to put up with. Also when my sales were impressive the envy that competing sales reps always possess created tension. For those in Admin who will always believe that commission sales reps can earn too much, the friction became obvious.

As a Counselor I had no leadership that was capable of stepping in to lessen the stress that I lived under. I determined I would be different having come from the front line. To this day I engage my sales reps daily and personally. I have made us into a family united by the common cause to survive, do better, and compete without malice.

I refuse to say I am a cheerleader because it is offensive to anyone who may be hurting by saying “don’t worry!” Rather I stand as an honest broker relating the successes of the past, the reality that winning is not a constant. I do not say better days lie ahead but that history proves that any downturn is transitory.

The reps who work with me are all stars. Some are superstars. What differences one from the other is a quality that is not learned, but innate given at birth. This quality can be refined and many times it is an unknown ability not recognized by the person.

The superstar has the knack of getting inside another person. They stimulate personal conversations with a client that opens the trust needed to consummate a sale. They achieve this by not seeking to make a sale but rather to gain acceptance by the client that they are meeting with and engaging with a person they feel a confidence and a potential friendship with.

Importantly the rep does the most important requirement of any completed sale; listen! People will always tell you how to make a sale if simply the rep lets them speak. The reps whose voices are heard more than the



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clients can never be a superstar.

The proof of this is not only by the differences in earnings but more importantly by the clients who stop in just to say Hi and shoot the breeze. My superstars have clients who have purchased come by so often that I accept we are one stop in their normal routine. And as a result referrals and multiple sales that would not have occurred are made.

Superstars have an income stream due to their being who they are that is built upon any opportunity employment provides them. They have a confidence that believes only in success. The unfortunate thing for management is the belief they are prima donnas when in fact they are ardent hunters of repetitive success. They can be burdensome when they express a head of steam that can be destructive to the internal rhythm of a business or when they are confronted by an extended time of disappointing sales.

When superstars question themselves, come to believe they have lost their edge or that "luck" has left them it demands a Manager who has been there to bring them back to stability and reality. Managers who have not experienced the various stages that define the psychology that define superstars will have a difficult time with such a rep.

My family of reps have had some awful terrible times. Loss of a parent, illness in the family, near deaths experiences. Nothing that anyone could do to alter the event regardless of the wish to do so. As a family unit we have banded together as one when anyone of us is in crisis. We stand together and without question or request we do what must be done to aid.

As the rep who lost his father said at the gravesite to our united group, "You are my family! I spend more time with each of you than with my family."

I am the Sales Manager and my obligation is not just to insure sales ethically be made on behalf of the cemetery but to create a group of individuals who will compete for personal and economic success but remains dedicated to the institution, their fellow competitors while fulfilling their most important obligation to their family.

*Ed Horn is Director of Sales, Marketing & Community Relations at St. Michael's Cemetery for 20 years, ICCFA Board Member serving two terms, active member of the ICCFFA Government & Legal Affairs Committee,*

*winner of the KIP Award, placed into the Congressional Record, recipient of many community awards, led and created the only place in the USA where monuments to all First Responders of the September 11th, member of several local Community Boards, Hon. Discharge USMC and active Attorney.*



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## Working with the Media

## Keys to Service = Authority

By: Todd Van Beck, Director of Continuing Education, John A. Gupton College, Nashville, TN

The issue on the table is how funeral/cemetery professionals apply authority in helping clients and to what ends.

If as funeral/cemetery professionals we use our licensed authority as a defense and barricade while the funeral interview and experience is proceeding, are we indicating, implying, or stating: “This or that is not to be discussed,” “That is a professional secret,” “You’ll just have to take my word for it,” “I know best,” “This is final; there is nothing to add”?

When the client family is confronted with such attitudes particularly in our present time, it is not surprising if they feel that they are being hemmed in and treated like an object. They may well submit, as they certainly did in years gone by in our profession, but in the 21st century I see that they rebel and sometimes kick back by surfing the internet for answers and options in front of us.

### THE DICTATOR CASE STUDY:

This will be a short case study. I am thinking that many of the veteran funeral director’s reading this may well relate to the following. When I started my career I worked for a dictator funeral director. He told people where to sit, when to stand, and he even told priests following a Funeral Mass if he thought they had talked to long during their homily. I was terrified of him.

Looking back however is the glaring fact that he was very successful in being a great American funeral director. People liked him very much and admired and respected him even more. We had no cremation – none. His funerals were cookie cutter funerals – literally the same repeat time after time after time.

The difference is not necessarily the makeup and character of my first boss, because I will make a

statement that I suspect there are still “dictator” funeral directors out in the great big world.

The difference is that the culture changed. My first employer died just as the “consumer” movement was beginning in this country. No one ever price shopped our firm, no one ever questioned his directions, and trust me folks he directed people. Looking back his approach of “I know what’s best for you” actually worked.

Of course anyone reading this knows those days are long and forever gone!

What about authority in the 21st century then? Here are some random thoughts. If as a funeral/cemetery professional, you tend to talk as much or talk even more than the client family, chances are good that you are blocking communication from them to you by asserting artificial authority.

It is quite likely that you are acting as an authority, as the superior in the funeral interview who must be respectfully listened to, and that you wish for the client family to perceive you in this way. The problem is that these days’ people are not looking for dictatorial authority they are looking for dedicated relationships.

Do we tend to let the client family finish what they have to say, or do we often finish it for them and then turn around and reply to our own response? Do we tend to interrupt the client family because we feel confident that we are so bright and quick that we can actually catch their intent, read their minds so to speak, and then become impatient if they keep on talking, because we have already GOT IT? Believing that we have heard “this kind of funeral stuff” many times in the past and then do we become bored and cut them off? Or do you we ourselves as an extremely experienced funeral

professional that has developed the enviable skill of magical telepathy and mind reading? These are mighty difficult questions. My prediction is that most readers already have certain people popping into their minds.

Interruptions which are stimulated by the funeral directors authority complex creates a major communication obstacle in the funeral interview moving forward with grace and dignity. It cuts short vital and important communication that should actually be taking place. Most funeral professionals who interrupt constantly usually confess with great sincerity that their motives are all for the best, but in the helping process it can be seen as an abuse of authority. To show our client families that we understand them so well that we can finish their sentences is truly an abuse of our authority. Altruistic motives notwithstanding in reality when we are interrupting we are actually choking off what is coming our way, although we may sincerely believe ourselves to be helping the conversation based a misguided notion of imagined authority that we have been given by possessing this or that certificate which hangs on the wall.

### **Case of the Abuse of Authority – The Preoccupation with Self**

Have you ever been introduced to any funeral directors who you concluded after the introductions had great big egos? If you can answer this question in the affirmative this portion of the writing ought to be of interest.

A basic factor in funeral communication relates more to the funeral professional's behavior than to the client family. As the funeral interview proceeds, you, the funeral professional, may be asking yourself what to say or do next. This concern with your own role may so absorb your attention that you will not be genuinely listening to the client family. You will be preoccupied with that small voice inside that insists on knowing how to act next. This inner voice constitutes a clear authoritarian obstacle to communication. This is not to be confused with the other inner voice that brings you closer to the world of the client family – that "third ear" with which you suddenly understand something haltingly expressed from the client family.


This is the voice of authority that insists on knowing what to do next and is in truth a block between you and client family, and being more concerned with the

impression of authority you will make on them than with the impressions they might make on you if you were listening and trying to understand them.

### **Another Authority Pitfall: The Issue of Questions**


Let us examine the absurdities of the endless overloading of questions. I am referring to what is known as "bombarding" with questions. Here the helping tool of using endless questions becomes a weapon based on authority wielded in reality against the client family, if not in a deadly manner, then at least in one that can hardly inspire trust, make for rapport, or create an atmosphere in which the partners in the funeral interview finds themselves safe, secure and tended to by a person of kind sensitivity. The use of unbridled authority can easily create the environment which is the opposite of security and safety, but instead creates an environment where people are caught in a hailstorm of questions; and if the client family runs (escapes) to the nearest shelter (like the funeral home parking lot or restroom facilities), we can only admire their urge to survive.

Authority, dictatorial behaviors rarely do well in the helping experience which is the hallmark of most



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funeral homes and cemeteries.

We shall give several examples of question “bombarding” stimulated by inner feelings of authority without further comment as the questions speak for themselves. Here goes: “Do you know the answer?” “Do you need more time to think?” “Do you realize there is a newspaper deadline?” “Can’t you remember?” “Isn’t there anyone you can call to get this?” “Do you know how important this insurance information is?” “You forgot the discharge papers – again?” “Didn’t I make myself clear enough?” “Do you have the deed?” “Can you get the deed?” and “When can you get the deed?” “Oh, did you remember the discharge papers?”

These are unbelievably all true questions that have been asked by funeral professionals over the years. Here is a good rule to go by: if you think you are bombarding the client family with questions you are bombarding the client family with questions, slow down, regroup and heighten your own sensitivities and let go of the addiction to authority.

Authority in funeral/cemetery work has a 19th century concept that has long ago worn out its welcome!

How to Put the Desire for Authority in its Place: Put the Shoe on the Other Foot

Let me ask a question: how did any of us feel when people we turned to for gentle kind help pulled out the authority card and played it to the hilt

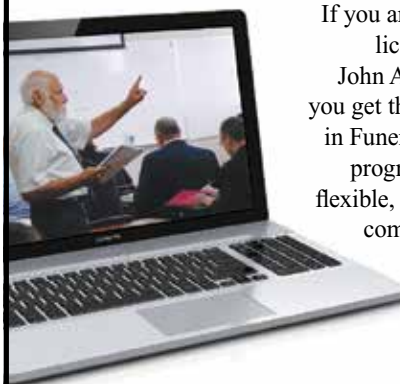
As odd as this is going to sound I feel certain that we ought not to reply to every question or situation as being the ultimate funeral authority. In fact I don’t personally believe that the ultimate funeral authority even exists or ever existed for that matter.

It seems abundantly clear that our culture is crying out not for authority, but for relationships. There seems to be so many lonely people in the world, and hence the consequences are even more magnified that funeral/cemetery professionals should seriously attempt a successful transformation for self-perceptions of being authority figures, as was certainly true some years ago, but instead create the reality of the transformation to servant, with a servant humble attitude towards the worthy ideal of being of service to others in a great time of need.

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## INDUSTRY NEWS

### Ellery Bowker and Welton Hong Join Forces to Launch the Elevating Funeral Service Podcast

CLINTON, NC – Ellery Bowker (Aftercare.com) and Welton Hong (Ring Ring Marketing) are pleased to announce the launch of their new podcast, Elevating Funeral Service, to help funeral homes and cemeteries be more competitive in today's market.

Bowker and Hong cohost the podcast, which is available for free in video format on platforms such as YouTube and in audio format on platforms such as iTunes, Spotify, and Stitcher.

The podcast's inspiration came from the challenges confronting funeral homes today, including increased competition and declining revenue due to more families choosing cremation with no services.

Elevating Funeral Service is a podcast with a very specific mission: to help funeral professionals elevate their brand by adding more value and improving each family's experience. Selling value instead of price is the way for funeral providers to differentiate themselves and give families something to compare other than just price.

This podcast departs from the typical "interview" style in favor of delivering specific lessons. Each week, Bowker and Hong discuss a single idea that can add value for families, usually with little effort or cost.

Bowker said of the format: "The idea behind offering lessons that focus on one single idea comes from the Japanese concept of Kaizen, which states that small improvements, done consistently over time, can produce massive results."

He continued: "If a funeral home today is struggling, they can't go out and change everything overnight. But if they start making small improvements to add more value, consistently, over time, they will see a big difference."

Hong is similarly passionate about helping funeral



homes discover innovative approaches to differentiating themselves.

"I'm very excited to contribute to this podcast because I think it fills a truly crucial need right now," Hong said. "For the past few years, funeral homes have faced major challenges. With cremation rapidly rising and revenue per call declining, funeral service providers need to evolve to be successful."

He continued: "I want to help them understand how imperative it is to implement multichannel marketing and other techniques so they can grow their profits."

To subscribe to Elevating Funeral Service, text "elevate" to 910-335-4341 or visit [elevatingfuneralservice.com](http://elevatingfuneralservice.com).

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