

Research Report

the state of deathcare genogram

Introduction

The COVID-19 crisis was a watershed moment for funeral service. Outside of healthcare, few industries anticipated greater direct impact from the COVID-19 pandemic. Already under intense pressure due to evolving public preferences and skyrocketing cremation rates, many funeral homes faced catastrophe. Death rates multiplied overnight and revenues plummeted as funerals and other traditional social gatherings became undesirable or even illegal.

Headlines from major publications predicted the pandemic could be the death of the death business, while others have highlighted the service challenges that an increasing caseload has imposed upon funeral homes in regions where the virus has hit the hardest. Yet, some firms never fell victim to the expected chaos—and some even thrived through this tumultuous year. The one constant seemed to be confusion and uncertainty as to the specific causes and factors affecting the death care business as a whole.

To attempt to measure both short- and long-term trends in the industry, marketing advisory firm McKee Wallwork + Co. teamed up with death care solutions provider Passare to create the Death Care Genogram™, a first-of-its-kind analysis that overlays on-the-ground quantitative data about the industry (case volume, revenue, cremation rates, etc.) against qualitative diagnostic data about the internal health and dynamics of the company. Like a medical genogram, the results provide valuable indicators as to the health of the individual firm, as well as what specific risks and trends to watch out for.

The study showed overwhelmingly that the internal health of a company is the primary differentiator in whether funeral homes struggle or thrive in response to external threats like the coronavirus pandemic—not factors such as increasing caseloads or cremation rates. The surprising results are invaluable as funeral homes and industry leaders chart a course to navigate the present crisis and prepare for the future.

What is a genogram?

Definition: A diagram of a family and medical history, showing hereditary patterns, risk factors, and predispositions to disease.

McKee Wallwork + Co. applies the concept to business by plotting a complete “family tree” picture of an entire category and then identifying comparison points, trends, and inconsistencies by analyzing specific businesses relative to their cohort.

McKee Wallwork

McKee Wallwork is a marketing advisory firm that generates new momentum for stalled, stuck, and stale organizations and industries across North America. MW has pioneered key research in the death care space, including the Death Care Disruption Cycle, and the only comprehensive market segmentation study of death care consumers. MW has worked with dozens of death care brands in award-winning and disruptive work since 2008. Agency Partner, Eric Layer, who led the firm's work on the Death Care Genogram, recently published his first book, *The Right Way of Death: Restoring the American Funeral Business to Its True Calling*.



Passare offers the funeral profession's only funeral home collaboration software. Through Passare, funeral directors can connect and communicate with families and access case information anytime, anywhere, using any internet-connected device. Offering unlimited users, unlimited devices, unlimited updates, and 24/7 customer support, Passare is helping funeral staff to save time, streamline processes, and spend more quality time with the families they serve and with their own families at home.

The Disruption Cycle™

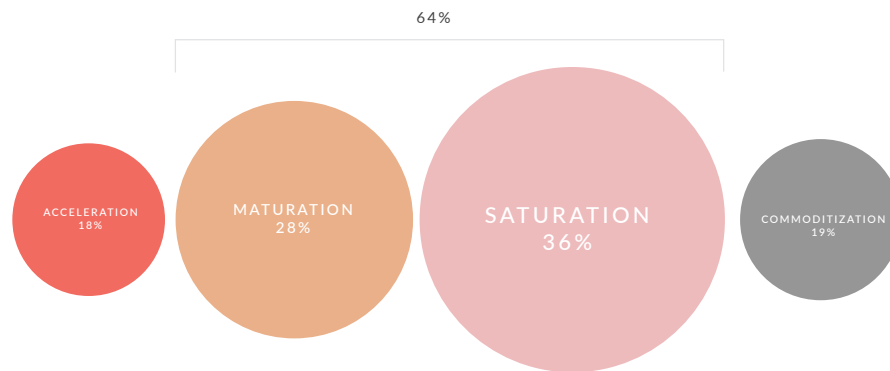
By conducting a nationwide research study of 20,000 C-suite executives and through work with hundreds of clients over the past 20 years, McKee Wallwork has developed and refined a survey and associated research methodology called the Disruption Cycle™. This survey cross-references respondents' self-assessment of their own firm's stage in the business lifecycle with responses to questions about the internal dynamics of their organization. The results of the survey identify the internal health of an organization in four main areas: Alignment, Focus, Nerve, and Consistency. These are the primary internal drivers of organizational growth, and typical levels in each of these categories have been tied to business lifecycle stages.

The primary stages of the business lifecycle—Disruption, Acceleration, Maturation, Saturation, and Commoditization—each present their own unique challenges and are correlated with an organization's strength or weakness in each of the four internal dynamic categories. As a firm progresses from Disruption through Commoditization, the pace of growth slows, typically due to deterioration in the overall internal health of the organization.

The Disruption Cycle Survey results identify the level and dynamics of a firm's internal health, which directly affect organizational growth. Variations in answers between respondents within the same firm, or gaps between the answers of a single company and the average answers of its peers, can further signal organizational issues and provide important clues as to the overall health and vulnerabilities of the firm.

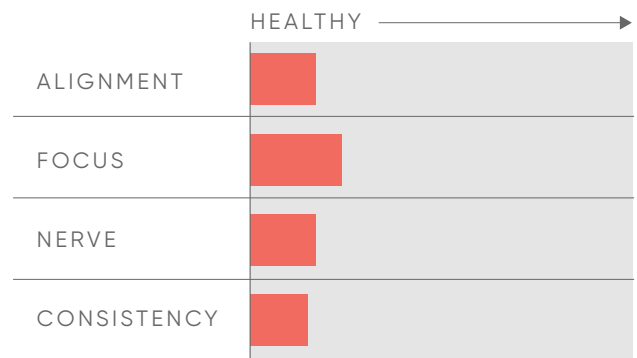
A Picture of Health

Self-reporting by funeral home management from across the country indicates that the American death care industry is approaching the end of the maturation phase and nearing the saturation phase of the business lifecycle. Of a total of 108 participating firms in the Death Care Genogram study, the majority—a combined 64%—identified their firm as being in either the Maturation or Saturation phase of the business lifecycle.



The battery of questions asked of participants includes many that are statistically significant indicators of one of the four factors of organizational health of the firm. Thus, the Genogram study allows researchers to measure and track the health of a firm in each of the four categories—Alignment, Focus, Nerve, and Consistency—over time and against their industry cohort.

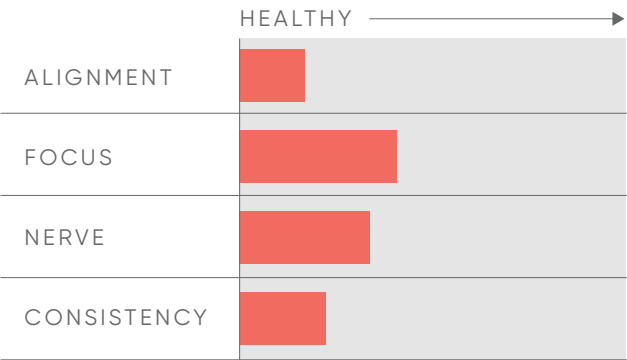
Overall, the death care industry registered answers on the positive end of the spectrum in all four categories—though just barely. This result, generally consistent with industries in the Maturation and Saturation categories, indicates that, on the whole, a firm’s health can still be categorized as positive, but that only minor shifts in attitudes, management, or perception could easily swing cultural health into a negative situation—misalignment, loss of focus, loss of nerve, or inconsistency.



Industry

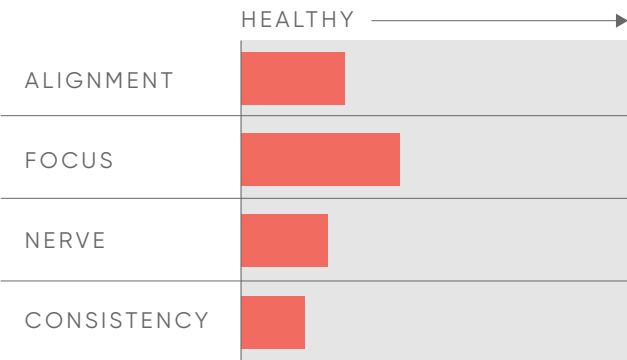
It’s worth noting here that firms do vary greatly in terms of their markets, especially because death care remains a category largely segmented by geography. Included in the study were firms in commoditized “red-ocean” markets with fierce competition and intense price shopping, as well as firms who continue to command upward of 70% of market share, as they have done for generations. This helps explain the disparity in results between some firms, even while commonalities, trends, and developments can be mapped for the industry as a whole.

Internal health of participants is strongest in the Acceleration phase, and then declines throughout the progression of the phases. While ranking high on internal health generally, firms in the Acceleration phase can struggle to maintain Alignment through their growth, demonstrating the difficulty in maintaining internal consensus among the leadership team as firms grow in size and scale.



Acceleration Phase

Internal health begins to diminish for firms in the Maturation phase, which can occur due to increasing tensions in the competitive environment. As a market matures, early insights that were differentiators for firms turn into commonalities expected by increasingly sophisticated customers and offered by all entrants. Focus, however, remains strong and Alignment is much higher than in the Acceleration phase. Firms in the Maturation phase have typically made it through the growing pains of Acceleration and now have well-defined systems and processes on which to rely.

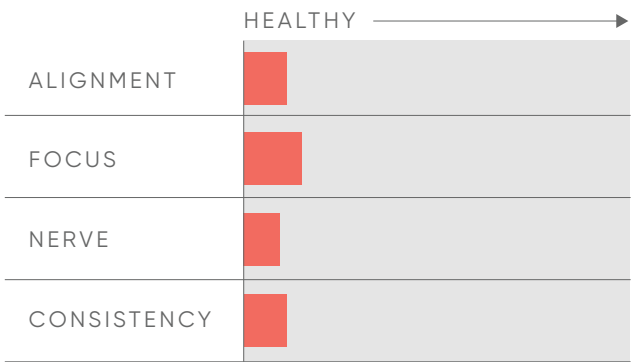


Maturation Phase

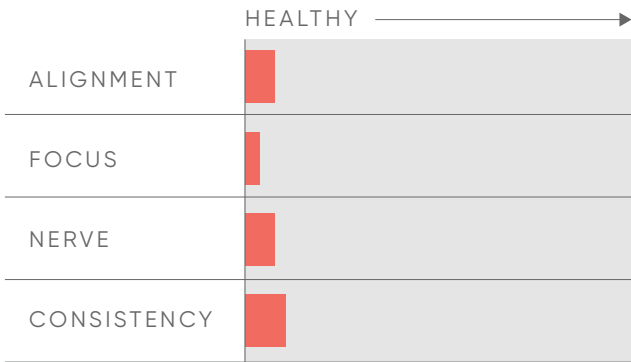
Saturation results in significant pressure from competition and squeezes profit margins. Unsurprisingly, firms in the Saturation phase demonstrated steep declines in all categories of internal health. While external factors do not create internal dynamics, they can magnify or exacerbate them, such that stressors that were tolerable in a healthy market become points of tension in a saturated one.

Saturation is the phase that represents the greatest share of today's funeral homes. Most mortuary executives stop short of self-diagnosing as commoditized, but acknowledge that their market is saturated. And, as would be expected, most firms within this category also report barely-positive internal health.

Firms in the Commoditization phase reported less-than-stellar marks in all internal health categories. Low scores in Alignment, Focus, Nerve, and Consistency all likely contributed to firms in this category reporting the lowest average sales for the period.



Saturation Phase



Commoditization Phase

It Pays to Be Healthy

That trend represents one of the most interesting findings of the study: internal health correlates strongly with a funeral home's financial results.

Analysis showed that firms earlier on in the business lifecycle, with stronger internal health, were more likely to experience sales growth during the early months of the pandemic. Overall, 70% of the firms studied reported an increase in sales from Q1 to Q2—a trend consistent with our analysis of an even larger, anonymous sample of 536 death care firms nationwide (66% of whom recorded a sales increase in Q2). However, as shown below, firms in the Acceleration and Maturation phases were much more likely to experience sales growth than the overall average. Moreover, average sales per firm showed a distinct increase through the Acceleration and Maturation phases, followed by a slight decline in Saturation and a precipitous drop in Commoditization.

PHASE	% OF FIRMS WITH INCREASED SALES IN Q2	AVG. SALES PER FIRM (7 - MONTH TOTAL)
ACCELERATION	86%	\$951,126.52
MATURATION	78%	\$1,682,915.75
SATURATION	63%	\$1,411,486.03
COMMODITIZATION	67%	\$497,731.10

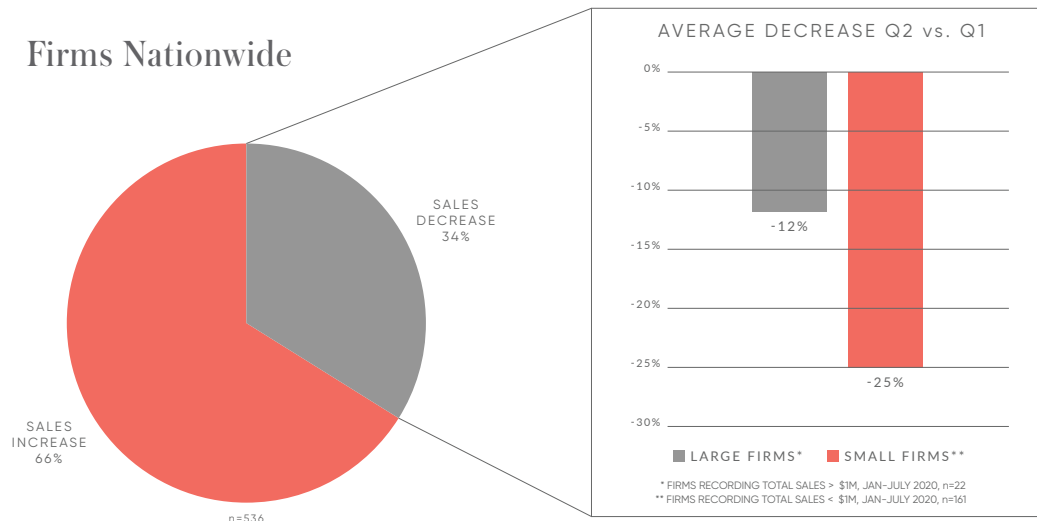
...Healthy, Wealthy, And Wise

Healthier firms were not just more likely to experience sales growth, but the healthier the firm, the greater amount of sales growth they were likely to experience. Eighty-six percent of firms in the Acceleration phase experienced sales growth, and of these firms, average increase in sales from Q1 to Q2 was an astounding 35%. Proportionately, fewer firms in the later phases experienced growth, and growth averages declined steadily from earlier to later phases in the business lifecycle.

PHASE	AVERAGE % INCREASE IN SALES
ACCELERATION	35%
MATURATION	20%
SATURATION	14%
COMMODITIZATION	15%

Living Large

Larger firms were significantly better protected from sales declines than smaller firms. Only 29% of firms that participated in the study experienced sales declines from Q1 to Q2 overall, but the majority of those firms recorded less than \$1 million in total sales during the entire 7-month period surveyed (January–June, 2020). Only two firms that experienced sales declines during the pandemic had sales above \$1 million for the entire period, and of those firms, none had declines of greater than 4%. By contrast, smaller firms in our study that experienced sales declines saw quarter-over-quarter drops ranging from 20% to 78%. This trend proved consistent with our analysis of a larger, anonymous sample of 536 firms: among firms over the \$1 million threshold that lost sales in Q2, the average decrease was 12%, while among firms under the \$1 million threshold that lost sales, the average decrease was 25%. The results show that in times of external instability and upheaval, size plays a crucial role in insulating firms from financial risks, and smaller firms are considerably more vulnerable.



In Any Case...

Caseload was a factor in overall increases or decreases in sales, but it wasn't the sole determinant, nor was it the primary driver. Overall firm health was not strongly correlated with caseload either. Among the firms analyzed, 59% experienced an increase in cases in Q2 compared with Q1. We observed a mild correlation between increases in overall case rate and increases in total sales. Of the firms that saw an increase in sales, 68% recorded an associated increase in cases. While the majority of firms surveyed saw increases in overall sales, most of those that saw decreases (69%) also experienced decreases in total cases. Nevertheless, a small subset of four firms in our study saw both a decrease in sales and an increase in cases. While the pursuit of more cases makes intuitive sense for a firm, the findings show that this metric alone cannot be relied upon exclusively as a measurement of success.

Cremation inflation

While the cremation rate has been on the rise for years, the Genogram research indicates that the pandemic may be quickening the pace of change. Overall cremation rates increased for 65% of the study participants between Q1 and Q2 of 2020, while 6% held steady, and 29% saw a decrease. The average increase in cremation rate across all firms in our sample was a staggering 5% in the second quarter of 2020 (from an average 57% in Q1 to 62% in Q2)—a rapid acceleration of an already accelerating trend. Firms in the later lifecycle stages of Saturation and Commoditization were significantly more likely to report an increase in cremations in Q2.

As expected, direct cremation numbers rose amidst the pandemic as families were unable or unwilling to hold a traditional funeral. Of the firms that consistently tracked direct cremations, 74% recorded an increase in direct cremations, while 3% stayed stable, and 23% recorded a decrease. Firms recording a decrease in direct cremations tended to see only small decreases. However, among the firms that experienced an increased direct cremation rate, the average increase was 20%. It should be noted, however, that majority of the firms with increases in total sales from Q1 to Q2 also saw increased cremations—61% recorded increases in overall cremation rate and 67% recorded increases in direct cremation rate—suggesting that a significant number of firms are successfully adapting to an increasingly cremation-centric world.

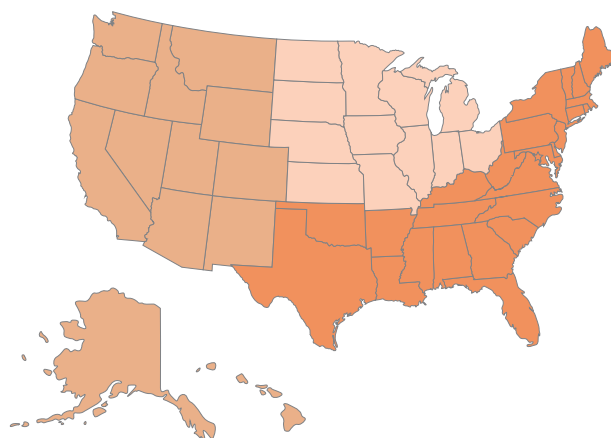
PHASE	% OF FIRMS WITH INCREASED CREMATION RATE
ACCELERATION	56%
MATURATION	55%
SATURATION	70%
COMMODITIZATION	89%

A Struggle in the Midwest

Another striking trend was the overwhelming correlation between census region and both internal health and financial results. Midwestern funeral homes are ostensibly struggling to deal with the impacts of the pandemic, and appear to be struggling the most overall. Of Midwestern firms represented, 45% reported a decrease in sales, while only 17% of firms in the Northeast and 19% of firms in the South saw sales declines.

Further highlighting the correlation between sales and overall firm health, Midwestern firms were also much more likely to place themselves within the Saturation or Commoditization phases of the cycle, where internal health metrics are lower, external competition is most intense, and innovation is most lacking.

Perceptions in the Midwest starkly contrasted with responses from other regions in many of our qualitative survey questions, indicating that the lack in overall firm health is negatively impacting staff experience and satisfaction. Respondents from the Midwest were most likely among our sample to agree with statements like, "It's time our company grew up" (9% above average) and "Revenue is more important than profit right now" (7% above average). Respondents from the Midwest were also less likely than those from any other region to believe that they are funding their marketing plan sufficiently (11% below average) and that their firm operates "like a well-oiled machine" (10% below average).



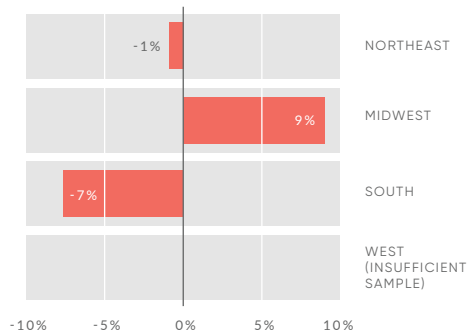
Legend

Early Maturation* Late Maturation Early Saturation

* Unstable estimate due to small sample size.

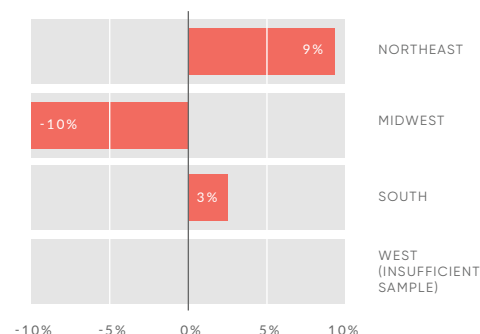
It's Time Our Company Grew Up.

AGREEMENT BY REGION vs. INDUSTRY AVERAGE



We Operate Like A Well-oiled Machine.

AGREEMENT BY REGION vs. INDUSTRY AVERAGE

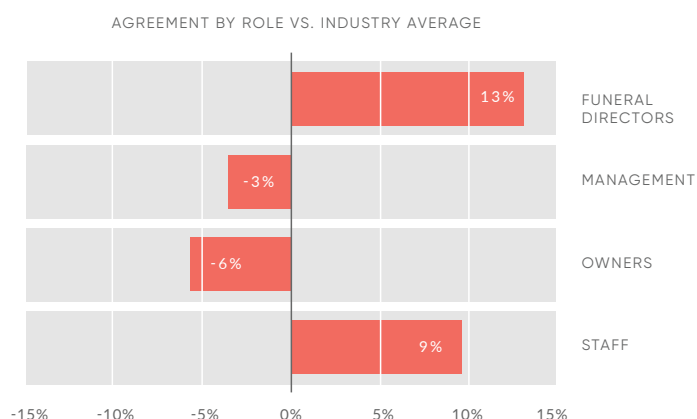


A Question of Perspective?

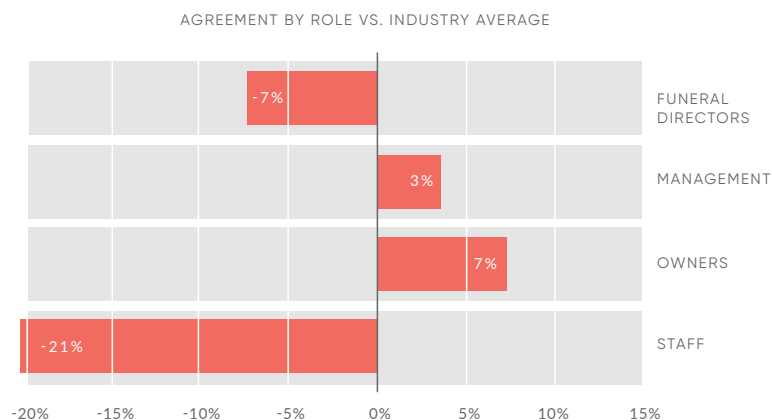
Our study revealed fascinating attitudinal differences between respondents of different professional roles. Responses to our qualitative survey questions showed distinct patterns dependent on whether the participant identified as a funeral director, manager, owner, or staff member. Most notable was tendency for misalignment between funeral directors and staff on one hand, and management and owners on the other. Funeral directors and staff had above-average likelihood to agree that their firms are constantly battling price pressure, are struggling to keep up with demand, and are in need of a new business model. Managers and owners, meanwhile, were less likely to agree. By contrast, managers and owners had above-average likelihood to agree that their firms embrace change, their customers know what they stand for, and their employees are in sync with leadership (funeral directors and staff were much less likely to agree).

Such gaps no doubt reflect the diverse set of challenges faced by members of different professional roles on a day-to-day basis. But they also serve as critical signals—and opportunities—for the industry, highlighting areas on which firms can focus to improve their internal alignment and overall company health.

We Need A New Business Model.



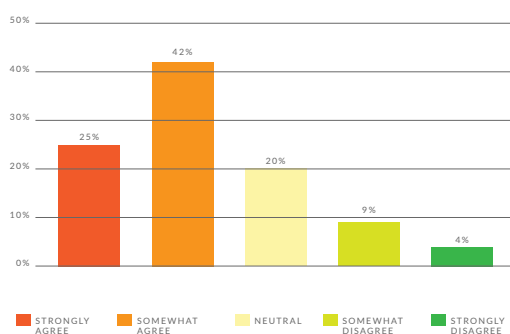
We Embrace Change.



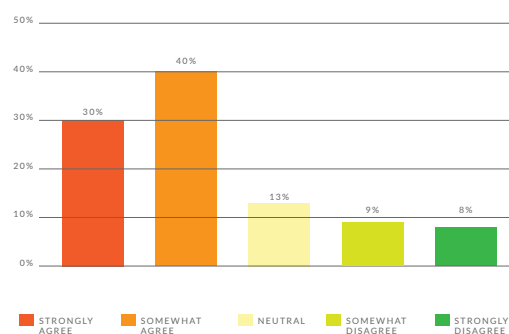
Something Isn't Adding Up

A majority in the industry are experiencing tighter margins, affecting stress levels both at work and at home. Perhaps as a result of these pressures, respondents were almost evenly divided on whether a new business model is needed for their firms. Responses on prospects for the future were mixed, though they leaned more positive than negative: nearly half of respondents indicated that they were more optimistic about the future of their firms now than they were a year ago, while 19% disagreed and 32% were on the fence.

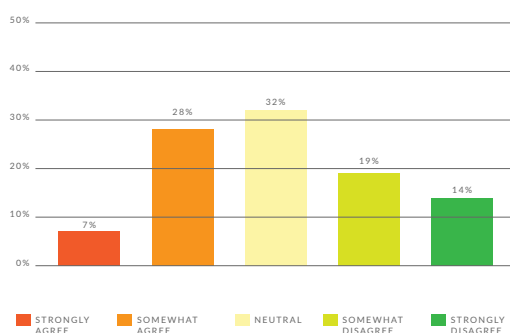
Margins are tighter than they
Were a year ago.



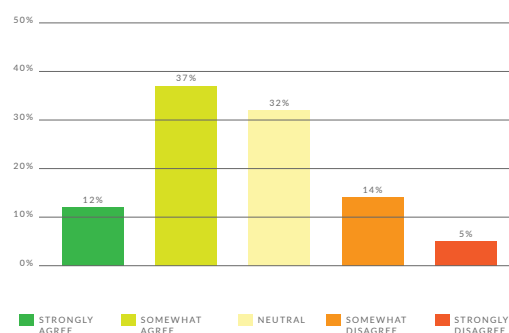
I can't stop thinking about work
When i go home.



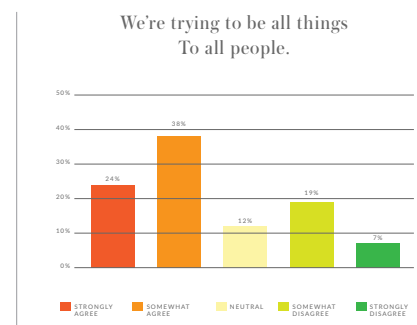
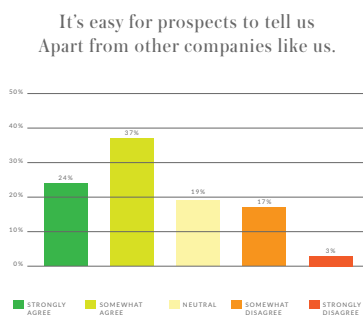
We need a new business model.



I'm more bullish on our future
Than i was a year ago.

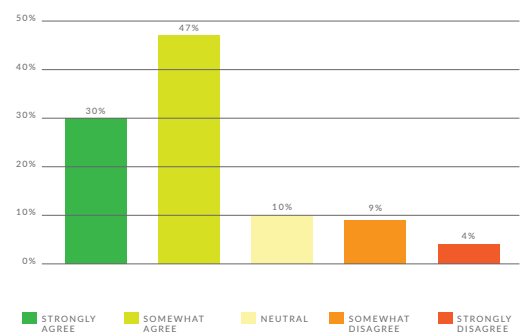


Most firms believe that it is easy for prospects to tell them apart from their competition and that customer loyalty is growing, however, a majority also feel that they are trying to be all things to all people. In fact, qualitative research indicates that a targeted approach to business is considered a negative within this industry, such that being “all things to all people”—disregarded as a shotgun or poorly focused strategy in business generally, and even a symptom of indecisive or weak management—is actually aspired to within death care. The result is that this particular indicator of poor internal health is one that morticians may actively perpetuate. While the heart of wanting to serve all is quite admirable, the reality is that it can result in a firm being relevant to none.



There are some significant contradictions in the way participants responded to the questions above, which indicates many of their firms are facing a moment of truth. Margins are being squeezed and stress levels are high, which indicates a need for the business model to adapt to the changing environment. Differentiation of a firm will degrade over time when a firm attempts to be all things to all people, which leads to increasing difficulty for prospects to tell a firm apart from its competitors. Fortunately, participants broadly indicated their openness to change, which might just be what is needed.

We embrace change.



Findings in the Death Care Genogram demonstrate a strong correlation between internal health of the organization and sales growth during COVID-19. Healthier organizations were not only more likely to grow sales, but the healthier the organization, the higher rate of sales growth they were likely to experience. This is a powerful realization. Investment in organizational health does yield dividends, and the most successful funeral homes are those that do not despair amidst a state of upheaval, but who instead focus on those factors within their control—namely, the internal health of the firm. Those who are doing that well are those who are thriving.

The death care industry appears to be at a crossroads. Within the sample, the pandemic has brought unexpected challenges with an unprecedented 5% single-quarter jump in overall cremation rates. It is difficult to say whether the change will continue apace, but what is known is that the world is changing, and the death care industry will have to make significant transformations to change with it.

The good news is that the pandemic has also presented unanticipated opportunities. A society that has increasingly pushed mortality out of sight has been forced to confront death in an abrupt and uncomfortable shift. The death care professionals in the funeral industry are equipped to lead their communities through a jarring reacquaintance with grief. Those firms with internal struggles should focus on addressing them so that they can return their attention to supporting the bereaved. And those who find their financial and cultural positions secure should seize that opportunity to trim their sales to the ever-changing preferences of the families they serve.

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