Performance Tracker^{TM} Analysis:

2018 Trends & Insights Article (Volume 3)

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Key Findings: Trends & Insights (Volume 3)

At Johnson Consulting Group (JCG) we believe in sharing insight from the data collected through our Performance Tracker™ program, since understanding the trends will help you plan for the future.

This update to Performance Tracker™ Trends & Insights incorporates 2017 data into the sales and family satisfaction survey analysis, representing findings from almost 80,000 survey responses and over 280,000 sales records from 2015, 2016 and 2017.

3 Year History	Survey responses analyzed:	At-need sales records analyzed:	(All) Sales records analyzed
2015	25,410	64,065	80,814
2016	25,443	75,401	92,560
2017	26,243	90,234	109,434
2015-2017 Total:	77,096	229,700	282,808

Year-to-year comparisons of survey responses and sales records highlight significant changes occurring within the industry, and statistical analysis is once again used to understand how family satisfaction is related to sales. New this year is the historical trending of sales and survey data (available in the full report) compiled from a total of more than 500,000 cases dating back to 2011.

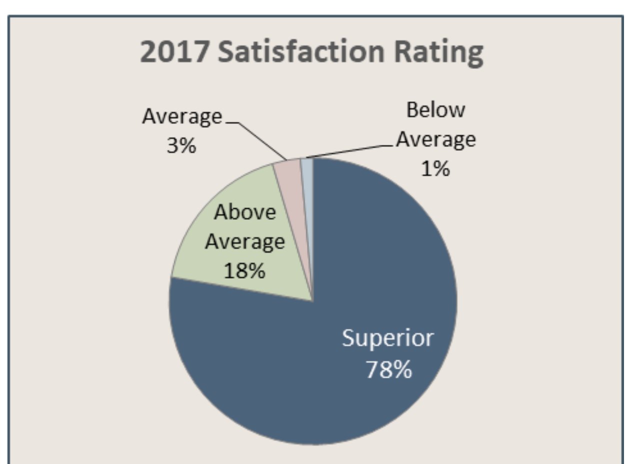
That's a lot of data! Key findings are summarized here, however, much more information is available. Contact us if you would like to find out more!

Key Findings

Survey Results

Overall Satisfaction

- Families report being very satisfied with their funeral experiences as overall satisfaction scores consistently average over 900, approaching the 'superior' rating , with 96% rating their experience as "Superior" or "Above Average".



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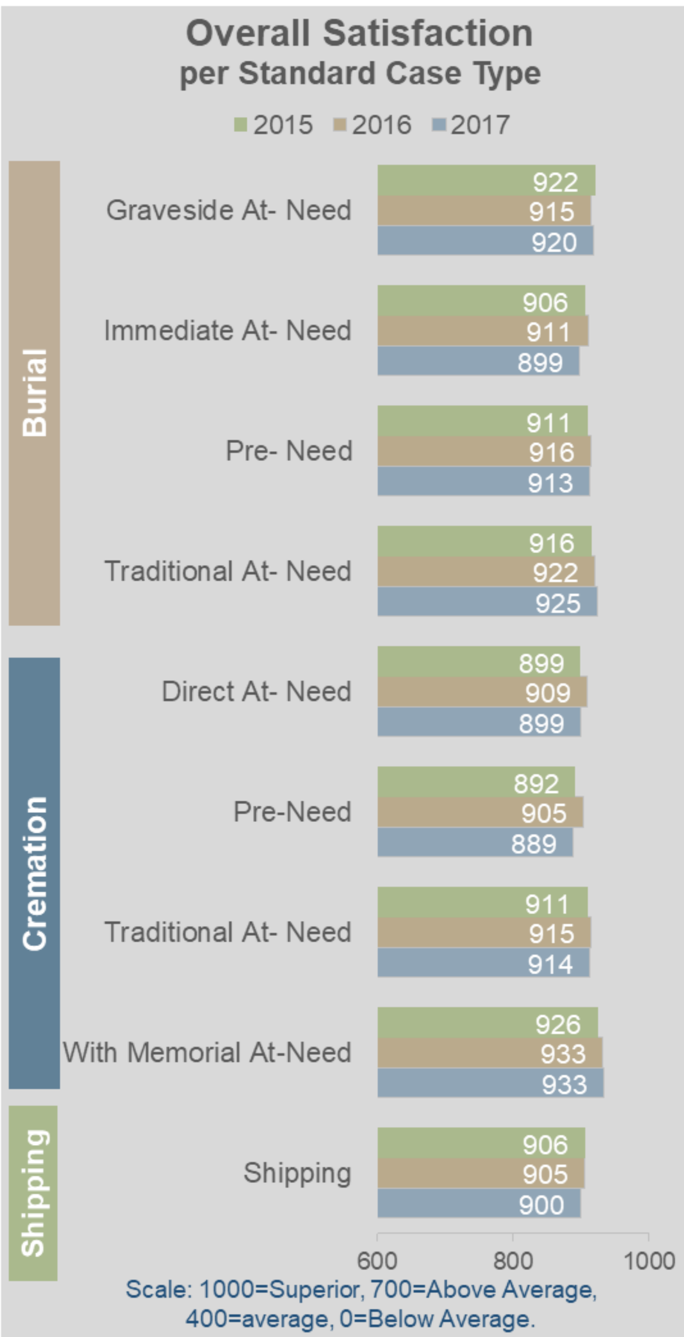
Satisfaction by Case Type

- The highest overall satisfaction rating across all case types continued to be from families choosing an at-need cremation with memorial. Traditional at-need burials remained as a close second.
- Families choosing immediate at-need burials, direct at-need or pre-need cremations were consistently among the least satisfied in all three years.

Consumers reported the lowest satisfaction in 2017 with:

1. Pre-need Cremations
2. Immediate at-need Burials
3. Direct at-need Cremations



Case Type Descriptions

Burial

Graveside At-Need: Main service is held at the graveside only . No church or chapel services. It may or may not include visitation. It has not been pre-funded.

Immediate At-Need: Direct burial with no formal services. It has not been pre-funded.

Pre-Need: Any casketed service (traditional, graveside or immediate) followed by burial that has been pre-funded.

Traditional At-Need: Traditional Full Service Funeral includes visitation, church or chapel service and graveside service. It has not been pre-funded.

Cremation

Direct At-Need: Direct cremation with no services. It will include private ID viewing or final goodbye. It has not been pre-funded.

Pre-Need: Any cremation service (traditional, memorial or direct) that has been pre-funded.

Traditional At-Need: The body is present at some point either at a public visitation, church or chapel service, then followed by cremation. This does not include private family ID viewing. It has not been pre-funded.

With Memorial At-Need: Memorial service held without the body present. It has not been pre-funded.

Shipping

Ship-out/Ship-in: The body is forwarded to / received from another funeral home.

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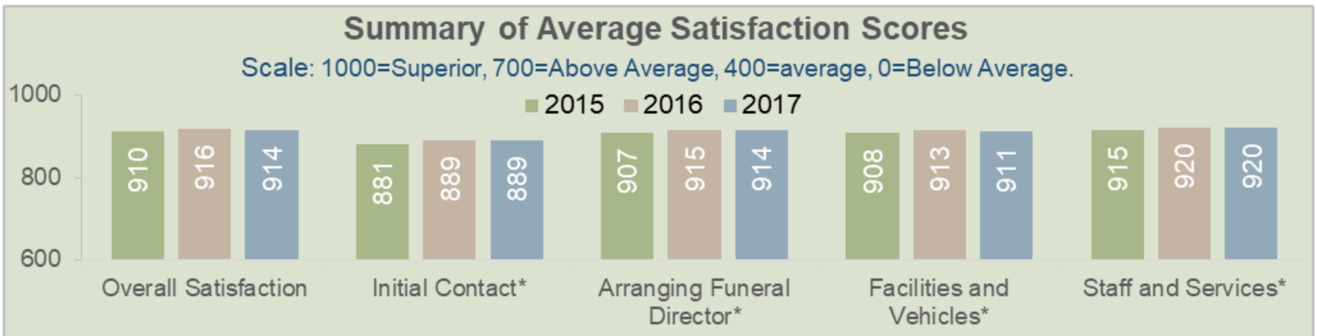
Satisfaction with Specific Aspects of Funeral Experience

Overall

- When scores* for each functional area were aggregated, improvements seen from 2015 to 2016 were maintained with very comparable reports in all areas in 2017 .
- Among the individual attributes, the highest satisfaction ratings were again associated with Staff and Services while experiences during the Initial Contact received the lowest ratings.
- A high level of professionalism, accompanied by compassion, courtesy, respect and caring were the features contributing to the highest ratings.
- Conversely, a lack of professionalism, attention to detail (including errors in names and dates), confusion over services, costs and fees, and a focus on sales and contracts were common complaints among those with poor ratings.



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

Initial Contact

- Consumers were most satisfied during their initial funeral home contact with the genuine care and concern expressed.
- The least satisfaction was reported with initial phone conversations or the welcome on first arrival, which were the lowest rated among all attributes.

Arranging Funeral Director

- Consumers continue to rate their arranging funeral director highly across all attributes measured. Funeral directors earned the highest ratings on effectiveness in listening and answering questions and being attentive to families' needs.
- The lowest rated attribute was the funeral director's focus on the details. Many respondents commented about the attention to details for both positive and negative experiences, emphasizing its significant contribution to the overall experience.

Facilities and Vehicles

- Satisfaction with vehicles' appearance, cleanliness, and condition was rated highest, and the convenience and comfort of the facilities received the lowest scores .
- Those least satisfied with facilities typically cited the outdated appearance of facilities in need of updates.

Staff and Services

- Families were most satisfied with the staff's friendly and accommodating manner, followed by the actual service or ceremony.
- The appearance of the staff and/or appearance of their loved one contributed to the lowest ratings.

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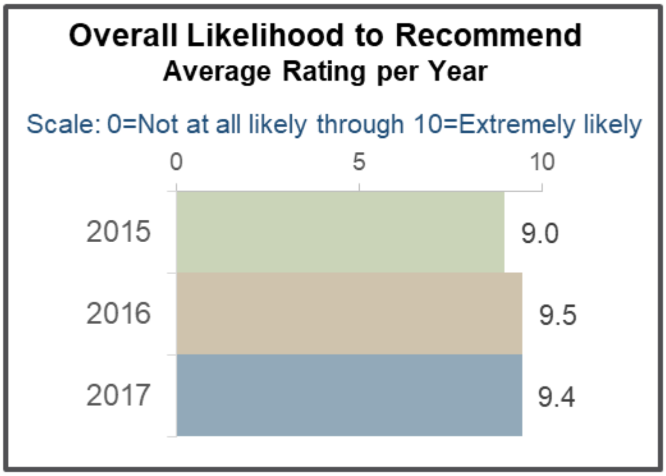
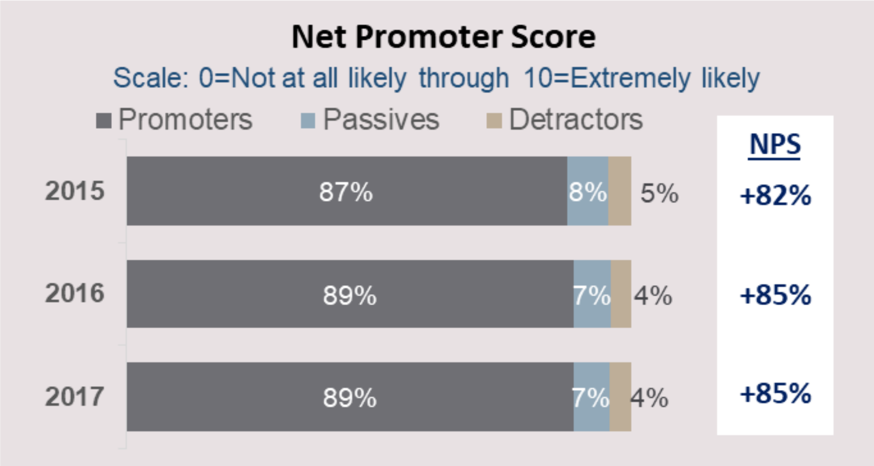
Likelihood to Recommend

- According to survey ratings, most respondents are still very likely to recommend their funeral home.
- Professionalism, compassion, and attention to detail seem to result in positive responses.
- A lack of professionalism, including rudeness, errors, and disorganization, as well as unexpected costs and confusion regarding timing and execution led to negative responses.



Net Promoter Score

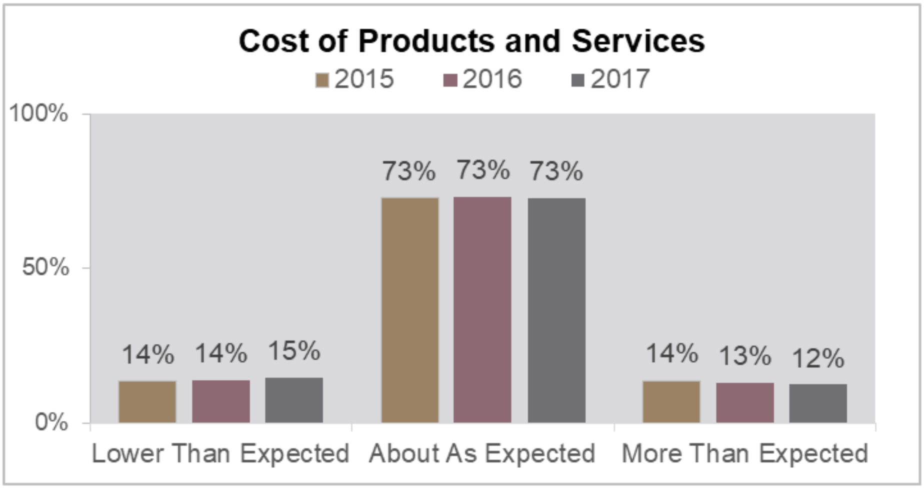
The Net Promoter Score (NPS) is a loyalty metric based on customers' likelihood to recommend a product or service. Customers respond on a 0-10 point rating scale and the NPS is calculated by subtracting the percentage of Detractors (ratings 0-6) from the percentage of Promoters (ratings 9-10).



- The NPS score was calculated from overall likelihood to recommend survey ratings (above).
- The resulting NPS score of JCG clients is healthy and stable at +85%, consistent with the previous year, and up 3 percentage points over 2015.

Cost of Services and Products

- In 2017, little difference was noted with respect to cost expectations: about three-fourths of all families continued to report that costs were what they expected.



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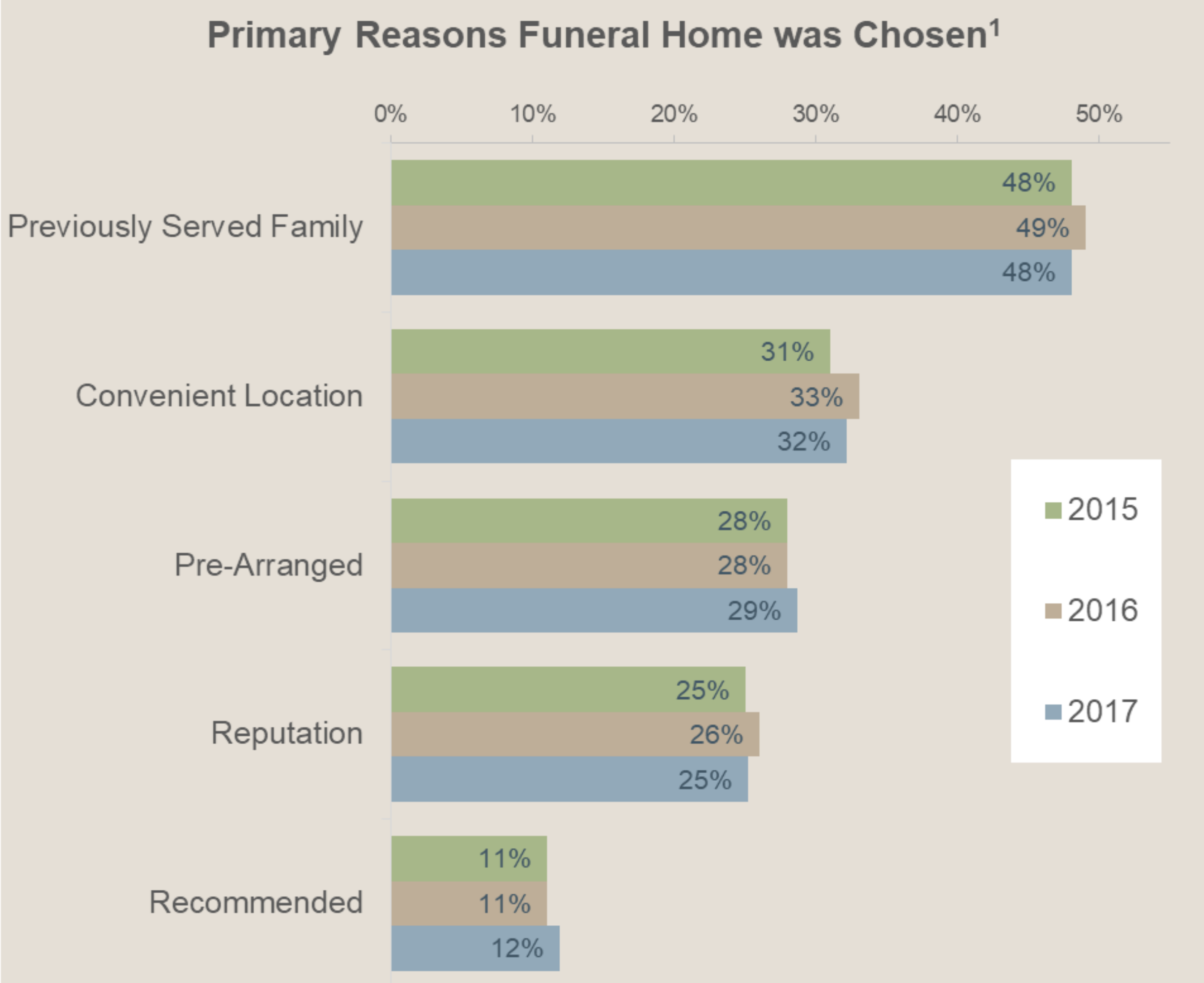
Reasons FH Was Chosen

- Prior experience with a firm continues to lead funeral home selection with nearly 50% of all respondents identifying this as an important factor in their decision.
- Convenient location, pre-arrangement, and reputation were also consistently reported as significant factors in the selection.
- Other reasons for selecting a particular funeral home, including price, advertising or organizational affiliations were reported by fewer than 10% of respondents.[2]



[1] Survey respondents could select multiple factors; the total exceeds 100%.
[2] The complete list of responses is evaluated in the full report.

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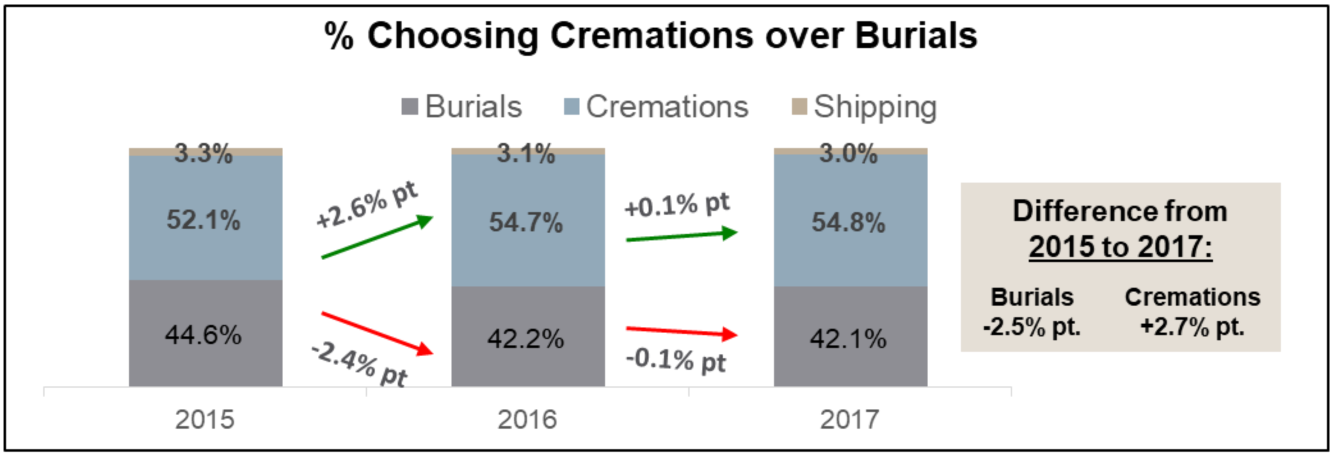
Sales Analysis

Total Dispositions

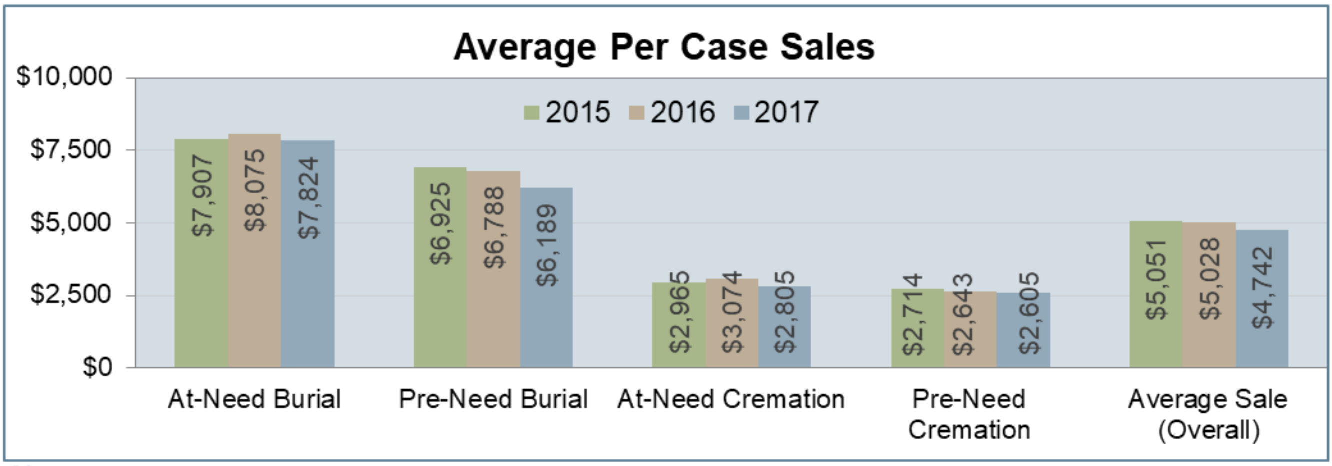
- Cremations accounted for nearly 55% of dispositions reported by JCG firms in 2017, burials for approximately 42%, and shipping cases the remaining 3%.
- The overall trend of families choosing cremation over burial continued to creep slightly higher from 2016 to 2017. However, while the significant difference noted from 2015 to 2016 is still very evident, the shift from families choosing burials to choosing cremations appears to be leveling off.



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

Overall per Case Sales

- Small increases in the average sale for at-need cremations and at-need burials from 2015 to 2016 were erased in 2017 as the average sale per case was lower across all categories.
- Combining all case types, the average sale per case in 2017 was $4,742, approximately 6% below the average in 2015 and 2016. While the $309 difference since 2015 reflects a lower average sale across all categories , the decline is predominantly driven by:
  - A larger number of families choosing lower priced cremations
  - A significant decrease in the average sale for pre-need burials *(considered non-controllable sales since arrangements were made in the past and were not influenced by current pricing or merchandising)*



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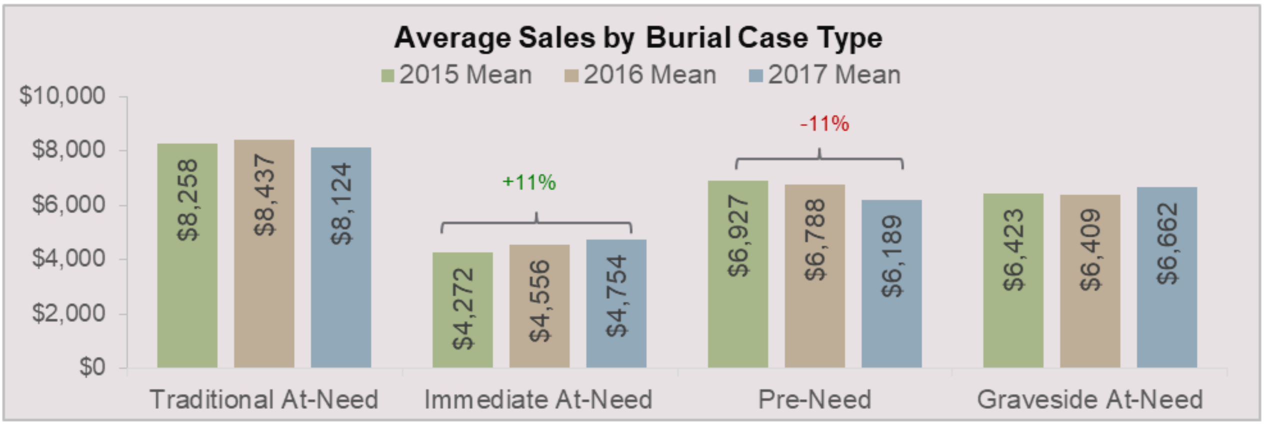
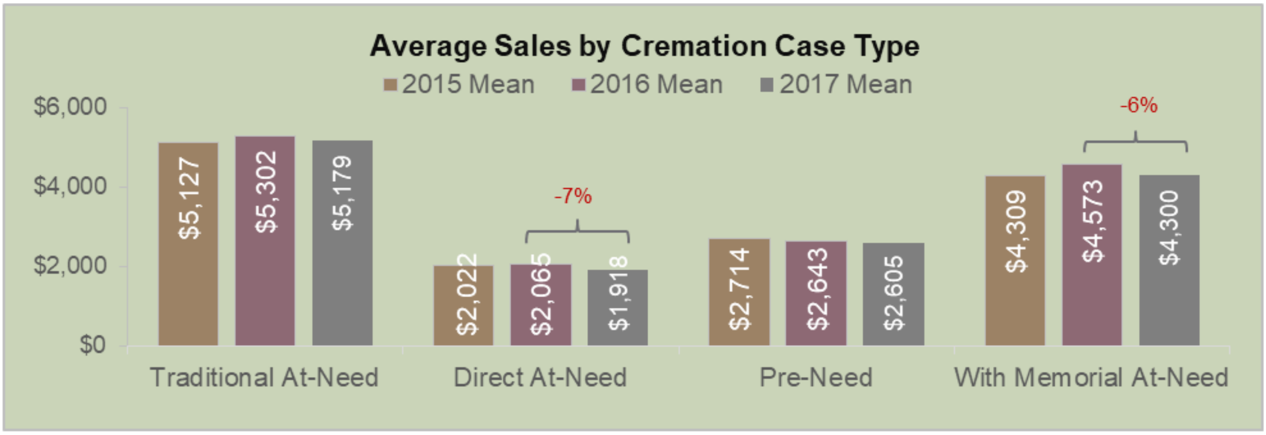
At-Need vs. Pre-Need Sales

- While pre-need sales are considered non-controllable, sales for pre-need cremations and burials are both significantly lower than the corresponding average sale for at-need cases, driving down the overall per case average. Pre-need burials average over 20% lower than their at-need counterparts, while pre-need cremations average 9% below at-need cremations.



- Traditional at-need burial sales remain the highest revenue generator of any case type in 2017, nearly 32% above pre-need burials, and 22% above graveside at-need burials.
- Immediate at-need burials, while still the lowest per case revenue generator among burial case types, experienced an 11% increase in the average sale since 2015.

Average Cremation Sales



- The average sale for cremations decreased in 2017 from 2016 levels for all case types.
- At-need cremations with memorials showed the largest dollar value change, declining by $273 and representing a 6% drop from 2016.

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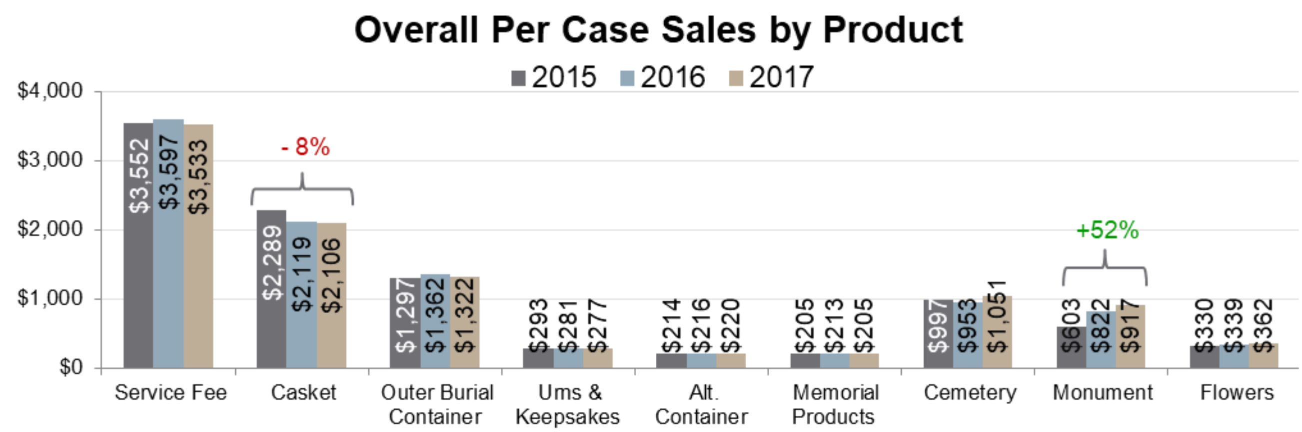
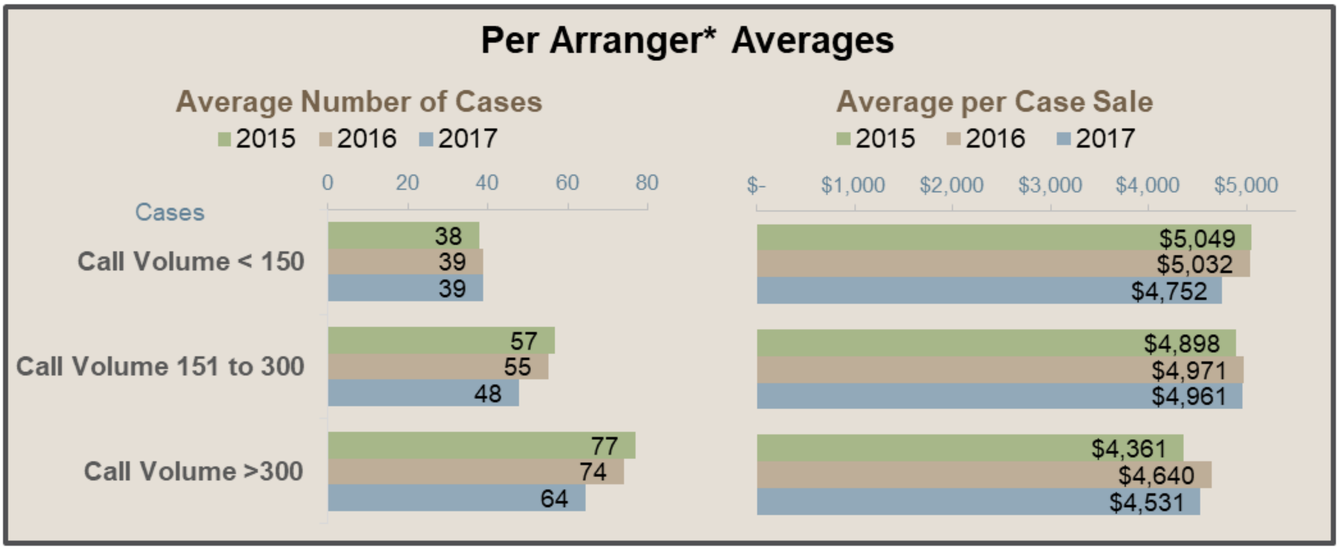
Sales by Product Types

- Service fees, casket sales, and outer burial containers remain the highest sources of revenue per case in 2017 despite an average decline in each case.
- Cemetery sales and monuments show an average increase in 2017 and continue to contribute a substantial portion to the overall sale.
- Monument sales reflect a net increase of 52% ($314) since 2015.
- Despite a decrease of only $15 from 2016 to 2017, casket sales are down $183 (8%) overall since 2015.



Arrangers*

- As seen in previous years, arrangers in smaller firms handled about 20% fewer cases per arranger than their mid-sized counterparts and about 40% fewer cases than arrangers in the largest firms.
- Smaller firms maintained a similar case load per arranger as in prior years, but at a lower average sale.
- Midsize and larger firms handled fewer cases per arranger in 2017, but without the decline in average sales seen by the smallest firms.



* Arrangers with fewer than 12 cases are excluded in this portion of the analysis.

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Relationship between Sales and Client Satisfaction

Correlation analysis was performed to determine the strength of the relationships between several survey measures including a firm's overall satisfaction rating, clients' likelihood to recommend, average sale, and the size of the firm.

- Unsurprisingly, the more satisfied a client family was with their overall experience, the more likely they were to recommend the firm to others.
- When families were prepared with a realistic expectation of costs, there was a stronger correlation between sales and satisfaction levels.
- Interestingly, the sale amount was not a significant factor in whether families would recommend the firm to their friends or relatives.

Correlation Analyses

R^2 Value indicates the strength of the relationship: Strongest R^2 = 1, Weakest R^2 = 0

Correlation between:	R^2 Value
Likelihood to Recommend and Overall Satisfaction	$R^2 = 0.70$
Overall Satisfaction and Average Sale by Cost Expectation –	
• Costs were about as expected	$R^2 = 0.15$
• Costs were more than expected	$R^2 = 0.07$
• Costs were less than expected	$R^2 = 0.03$
Likelihood to Recommend and Average Sale Amount	$R^2 = 0.04$

- There was no significant difference noted in the relationship between level of satisfaction and sales based on the number of cases a firm arranges: $R^2 = 0.08$ for all call volumes.

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Conclusions

2017 saw a repeat of the following:

1. Recommendations are the number one reason cited in the selection of a funeral home. Proven statistically for the third year, families reporting higher satisfaction are more likely to recommend their funeral home to others, driving additional sales. Improving family satisfaction is a win-win for both families and funeral firms.

2. Among the family touch-point areas, for all three years, staff and services reaped the highest satisfaction scores, while the initial contact with the firm earned the lowest scores.

3. Overall satisfaction is highest among those choosing at-need cremations with memorials followed by traditional at-need services, whether a burial or cremation. Honoring a loved-one's life is not only cathartic for families, it results in higher sales for funeral firms… which leads us back to item #1 above!

4. Direct cremations are the most common disposition chosen, and rapidly growing in popularity, yet along with pre-need cremations continue to receive the lowest satisfaction ratings.

The following <u>changes</u> seen in 2017 are of particular note:

1. Among all JCG firms, the shift from burials to cremation slowed from 2016 to 2017, with only 1/10 of a percent difference during this time, compared to 2.6 percentage points from 2015 to 2016.

2. Overall, the average per case sale amount has declined, with decreases seen across all categories. The largest decline was in the average sale for a pre-need burial (a non-controllable case type), which was down by $736 or 11%.

3. Arrangers at mid- and large-sized firms averaged approximately one case fewer each month for each arranger at the firm, a decrease of approximately 13%. Smaller firms did not experience this decrease in numbers, but instead saw an impact in the sales as the average per arranger sale amounts dropped by nearly 6%.

As we all know, the profession is changing and evolving, but we now have insight to form our plans for the future. Watch this space for next year's Trends & Insights (Volume 4)!

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