

Green Funeral: Case and Teaching Notes

William Foxx
Troy University

David Hoover
Troy University

William Hamby
Troy University

Rodger Morrison
Troy University

William Hamby
Alabama A&M University

ABSTRACT

Small businesses often face the issue of adding a new product line. In this case study, a funeral business considers whether to add a green funeral line to its traditional offerings. Due to the social values of a significant number of the Baby Boomer generation, customer demand is changing. A serious concern is that profitability is declining industry-wide. Would green funerals, generally a less expensive option, cannibalize their traditional and more profitable product lines? Or, could adding this as a new line potentially expand the customer base, or at least prevent its erosion?

This case is appropriate for a wide range of undergraduate and graduate courses. Questions related to strategy, marketing, accounting, finance, human resources and business ethics are provided along with suggested answers and relevant resources by professors with years of teaching and earned doctorates in their respective disciplines. Potentially, this case could be used in a number of business core classes in the same degree program. That would provide some continuity in the curriculum while helping students learn how the different disciplines of business are ultimately relevant to helping business owners/managers make good decisions.

Since this case deals with a hot topic – sustainability - students should find it both interesting and a challenge to expand their creative problem-solving skills.

Keywords: social responsibility, green business practices, business ethics, managerial accounting, small business financial statements, strategic management, marketing, human resources management

Copyright statement: Authors retain the copyright to the manuscripts published in AABRI journals. Please see the AABRI Copyright Policy at <http://www.aabri.com/copyright.html>



ON CASE STUDIES AS A TEACHING TOOL

Benefits of Case studies in a classroom setting

Case studies are intended to provide an opportunity for students to examine a business scenario in the context of a course, critically examine the situation, and consider how various conceptual frameworks might help address the issues involved. It is an approach that has been in use for decades at business schools. In a recent year, Harvard University, a pioneer in case study-based instruction and active provider of cases, sold about 15 million copies of cases primarily to business schools around the world (Jack, 2018).

Case studies are said to promote problem-solving skills, higher order thinking skills or critical thinking skills (Brooke, 2006). Advantages attributed to this active, engaging teaching/learning method also include its practical relevance having a positive impact on student motivation to learn; its pragmatic application reducing the challenge of transferring learning to later practice; and, facilitating a broader appreciation of the connections between various factors (Boehrer & Linksy, 1990; Grant, 1997; Mauffette-Leenders, Erskine, & Leenders, 2005; McFarlane, 2015; Schmidt, 2010; Pilz & Zenner, 2018).

In recent years, there has been a shift from a lecture-based instructional format to more learner-centered approach to foster stronger student engagement and interaction with course content. Case studies are one such approach and the number of case studies sold suggests widespread acceptance for this type of instruction. Case-based instruction necessitates strong cases and skillful facilitation by instructors. Instructors benefit from examining the pros and cons of case instruction along with their individual strengths (Maamoun, 2017). Resources are available to help structure the learning environment with case-based instruction and desired student outcomes (Golich, 2000; The Case Centre, 2019).

Steps to conduct a case analysis

Sources will propose a series of steps which students should use to progress through a case study. They involve the student developing a deep understanding of the situation the organization faces including the resources and challenges with which it faces it. Next, a student should consider the strategic approaches that would be warranted in such a situation and what information supports such approaches. Finally, a student should address how the firm might implement pertinent actions in support of its strategy and how to measure results. Students should be prepared to present their recommendation(s) in a structured and unified manner with the expectation that a business manager would desire justification for the proposed efforts. An online video by Morrison (2019) that aids in the understanding and development of a SWOT analysis may prove handy for many students and instructors. Schweitzer (2019) provides a web resource that offers step-by-step instructions for conducting a case analysis that may also be of aid to students.

Teaching Strategy

While this case study assumes 45-minute class meetings with students who have had opportunity to prepare an analysis of the case out of class, it is adaptable to other formats. And, these teaching notes do not presume to address all relevant questions.

Students should be instructed to carefully read and outline the case. They should identify the challenges that they believe the firm faces and consider any specific questions that the instructor has provided. Based upon their evaluation, students should identify the relevant conceptual frameworks based on the facts provided. Finally, they should be encouraged to develop a recommendation which they can present to decision-makers at the firm.

Facilitation of the case could start with a student or student group presenting an overview of the business situation and the issues identified. This introduction could then be followed by discussion and evaluation of proposed recommendations. Case questions should be introduced as pertinent to the flow of the discussion

CASE INTRODUCTION

Cemeteries always provided Don with a quiet place to think. He felt comfortable in them after his 20 plus years of service as a funeral director. Of late, he had needed to do a lot of thinking as he struggled with what might be a major change in the operation of his business. While there was some uncertainty to this decision, what he did have certainty about was the need for some positive changes, even if they were incremental, to stem the decline in profitability his firm had been experiencing over the last several years.

He glanced around at the row upon row of decorative mausoleums. There was a lot of interesting history to ponder amidst these historic cemeteries of New Orleans. This cemetery, the St. Louis #1 Cemetery, had opened in 1789. It was one of the oldest in the city, having opened before Louisiana was even part of the United States. Its older burials were in these ornamental above-ground vaults, as were many here in the city even up to the present. This cemetery was full of them. The cemeteries he served in his home community 7-8 hours northwest of here were very different. They were primarily filled with cemetery plots and headstones as were most of the others in his region. While burial practices might reflect a people's culture or the beliefs, from what he understood, this practice of above-ground burial did not derive from some sort of worldview issue but reflected southern Louisiana's environmental conditions. The water table was too high to perform ground burials.

It was environmental conditions in another sense of the word that he had been pondering of late, specifically the idea of incorporating environmentally sustainable funeral options into his service offerings. He had read with interest in recent years of the spread of sustainable or green practices through various industries. Now, this trend was advancing into his industry – the death care industry - as well. His prior discussions with peers over the years regarding the prospect had been remote, like, “wouldn't it be interesting if?” chats. He felt like it was time for him to seriously consider the idea too. This change was both an exciting and scary possibility at the same time. If he became more “green,” it would be a major shift in the offerings and operations of his funeral home as well as what was usually done in his region of the country. He had read numerous stories over the years about funeral directors successfully embracing cutting-edge trends and practices in his American Funeral Director trade magazine, but he thought there were probably a lot more stories about funeral directors embracing new practices that failed miserably and thus did not appear in print. He did not want to be one of the latter.

The Death Care Industry

The death care industry in the United States is enormous. The 2017 census indicates 15,051 firms are in this industry, with 141,185 employees. Total annual revenues were \$19.15 billion. End-of-life goods and services are rendered to roughly 2.5 million people who die annually (Hoyert and Xu 2012). Customer spending varies substantially as there are tremendous cost differences across burial practices. Burial practices are considered in two broad categories, traditional and non-traditional burial. While both approaches seek to honor and say goodbye to the departed, they differ in terms of the types of goods and services used to accomplish this purpose. Traditional burial generally involves embalming, a casket, and a vault. Nationally, the average cost for a traditional burial in 2017 was about \$7,360 (NFDA 2019). In an article targeted to an upscale audience a financial planner, projected \$11,000 for a traditional funeral (savvysenior.org 2016). In terms of non-traditional burial, cremation is the most common type. As cremation uses fewer goods and services, it is substantially less expensive than traditional burials. A cremation burial involving funeral services similar to that of a traditional burial is approximately 50% less. A direct cremation, the least expensive cremation option comes with minimal services and costs about \$1,650 (CANA). The cremation rate in the United States, which was less than 4% of burials in 1960 was expected to be almost 45% in 2015 and to exceed 55% by 2025 (CANA). In 2017 the average cost for an adult funeral with viewing and cremation was \$6,260 (NFDA, 2019).

Several factors have influenced demand in the funeral industry in the United States over the last half century. Factors that have had a major influence include population growth, income considerations, the availability of substitutes and changing consumer preferences. Additional factors have also influenced the supply side of the industry. These key influences have been in the areas of competition and government activity.

In general, the incorporation of “green” practices by an industry or firm means utilizing greater environmental consciousness. In the context of the funeral industry, “green” means caring for the deceased with minimal environmental impact. For example, in a green burial, the body is buried, without embalming, in a natural setting without a headstone (a flat rock or a tree may serve as a grave marker). The clothing, shroud, and/or casket must be of non-toxic, biodegradable and sustainable materials.

The Green Burial Council, a non-profit organization in the United States that works to encourage environmentally sustainable death care, has developed standards and unique eco-certification programs for funeral homes, burial products, and burial grounds. By 2011, over 300 funeral homes in 40 states had sought and achieved a green rating since the program began in 2005. (Webster, Quick Statistics, 2019). Nearly 54 percent of Americans were considering a green burial, and 72 percent of cemeteries reported an increased demand, according to a survey by the National Funeral Directors Association (Koth, 2017). While a desire to properly steward environmental resources would motivate owners of some firms, the practices necessary to achieve such a rating obviously have the potential to increase the profitability of their organizations as well. Green practices can decrease overhead by reducing waste and energy usage in addition to conserving water and other resources. At the same time, such practices may increase revenue by allowing a firm to better meet the needs of a segment of eco-conscious consumers and thus differentiate itself in the highly competitive marketplace. Green burial choices are forecast to increase in popularity in the United States as consumers grow more eco-consciousness.

Don and His Funeral Home

Don's goal as a funeral director over the twenty years he has served in this role has been to help meet the needs of families as they tried to honor their deceased and to help bring some closure to a difficult situation. At the same time, he felt this strong sense of purpose in his vocation, he recognized that the services his funeral home offers are his livelihood. He has to balance meeting the needs of his customers with his ability to earn a living. He thought himself more environmentally friendly than most in his area, but that did not mean he could just blindly make a decision.

Don's funeral home, Greenwood Funeral Home, offers a common set of funeral packages for families. Currently, Greenwood Funeral Home emphasizes caring with its tagline, "Caring for you and your loved one. A consolidated general price list for the services his home offers is provided in Exhibit 1. He serviced about 125 of the roughly 400 calls a year in his service area. This amount had been relatively consistent over the years. The other two-thirds of calls were serviced by four competing firms. In the prior year, over 45 percent of his calls were casketed for traditional burial with all its associated services. Another 25 percent were for deluxe traditional burials, which included higher quality caskets, vaults, and memorial service material. The remaining 30 percent were cremation services, which were performed at a crematorium in a nearby city. Requests for cremation through his funeral home had been increasing a couple percent a year over the last decade but the increase was comparable to that of his state over this same period.

As part of his analysis regarding the decision to add green burial as a service offering, he had made some basic financial calculations. Don calculated how much money he would need in terms of revenue in order to break even. Based on a similar complement of services, he estimated the breakeven point for just traditional burials, just deluxe cremations, and just green burials, and just direct cremations. Don knew that his numbers were approximate but what they revealed was something that he already knew. His business was just barely making ends meet.

As he saw it, there were a couple options. First, Don could adjust his business practices and offerings to become fully or more eco-friendly and offer green burials. He would be the first funeral home in not only his local market but his region of the state to take this step so it would really differentiate his firm. He had had few requests at his funeral home for green burials but that may have been the result of the option being unavailable.

Another option was to make no changes to his offerings in the present. There would be little benefit to introducing green options if people in his area had no interest. If people really were interested in green burials, they would just have to seek them elsewhere. He could always revisit the decision in the future. That might mean his firm was not the first mover in his market but at least then he could see how well the other firm was performing before he committed his own.

Finally, Don thought maybe it was just time to get out of the market. Profitability had been declining over the years as cremation had grown in acceptance. He could just sell his funeral business. Not that there were any offers, but it had a strong reputation and good financials. No large corporate funeral homes had yet invested in his area. Maybe one of them would be interested. If he could not sell, maybe someone would be willing to rent his facility out and use it for some other purpose.

Teaching Notes

- 1. Green funeral services are intended to provide for burials that are environmentally friendly. The receptiveness to environmentally friendly products may impair the ability of Don to implement this new service. What type of information would be helpful in determining how receptive the community would be to green burial services?**

The funeral service in the US is an extremely important time in the life of families. The pageantry and religious aspects associated with the funeral service are very important to the family of the deceased. It is very common for the funeral service to be an open casket service with multiple days for visitation by family and friends of the deceased. The practices associated with green burials are in direct conflict with these values because there is no opportunity for these traditional services to occur. Evaluating the religious profiles of the community would assist in determining if the community would be receptive to green burial services.

Green consumers tend to be well-educated, financially successful, and politically liberal. Evaluating these demographics for his community would help in determining the receptivity to green burial services. There is an additional demographic characteristic that might impact the receptivity to green services. Outdoor enthusiasts might be a group who would be interested because of their love for the outdoors environment. There are two very distinct groups who represent this population, but they are fundamentally different in their approach to the outdoors environment. The first group would be environmentalists, who love the outdoors environment and desire to preserve it through environmentally-friendly activity. The second group would be hunters, who love the outdoors environment because of their interaction with nature. Both groups might be receptive but for very different reasons.

Unless Don's funeral home is located in a very progressive, environmentally-friendly city, there is no definitive way to determine if green services will be viewed as an acceptable alternative to traditional services and cremation. The pursuit of this option is one of the many disadvantages of being a first mover.

- 2. Don is interested in knowing the breakeven volume for his funeral home. Using the data in Exhibit 1, calculate the breakeven point assuming that Don's retains his current service offerings. Using the data in Exhibit 1, calculate the breakeven point assuming that Don adds the green burial services. Assume that the new proportions of his offerings would be 35 percent traditional, 25 percent deluxe traditional, 10 percent cremation, 20 percent direct green, and 10 percent standard green. He will also incur an additional fixed cost of \$10,000 per year to maintain certification for green burial services. How would this increased fixed expense and product mix change impact Don's breakeven?**

The current breakeven point (in product mix units) would be calculated as follows:

Units = Fixed costs/Weighted average unit contribution margin

Units = \$58,000/(\$6,950.00*.45 + \$11,250.00*.25 + \$3,800.00*.30)

Units = \$58,000/\$7,080

Units = 8.2

8.2 is the number of product mixes that must be provided to reach the breakeven point. Therefore, Don would need to provide 4 ($8.2 \times .45$) standard traditional services, 2 ($8.2 \times .25$) deluxe traditional services, and 3 ($8.2 \times .3$) cremation services to breakeven.

The breakeven point after implementing green services would be calculated as follows:

Units = Fixed costs/Weighted average unit contribution margin

Units = $\$68,000 / (\$6,950 \times .35 + \$11,250 \times .25 + \$3,800 \times .10 + \$2,650 \times .20 + \$3,750 \times .10)$

Units = $\$68,000 / \$6,530$

Units = 10.4

10.4 is the number of product mixes that must be provided to reach the breakeven point. Therefore, Don would need to provide 4 ($10.4 \times .35$) standard traditional services, 3 ($10.4 \times .25$) deluxe traditional services, 1 ($10.4 \times .10$) cremation services, 2 ($10.4 \times .20$) direct green services, and 1 ($10.4 \times .10$) standard green services to breakeven. (*note: when calculating the breakeven point in terms of actual production units, one must always round up to the nearest whole unit of production*).

The breakeven point has increased by two product mixes because of two factors. The first is the increase in fixed costs for the green burial certification. An increase in fixed costs will cause the breakeven point to increase. The second factor is the change in the product mix. By adding the green burial services, there has been a shift from a higher profit margin service (standard traditional) to lower profit margin services (direct green and standard green) and from a lower profit margin service (cremations) to higher profit margin services (direct green and standard green). The weighted-average contribution margin has declined from \$7,080 to \$6,530. When contribution margin declines, the breakeven point will increase.

- 3. Don is considering selling his funeral home and retiring. Provide an estimate of the value of his funeral home based on the information in the income statement in Exhibit 2, assuming that the expected income growth rate is 3 percent and the discount rate is 10 percent. Provide an estimate of the value of his funeral home based on the information in the balance sheet in Exhibit 2, assuming that the current market value of the assets is approximately the same as book value, except for the building. A reasonable estimate of the current value of the building is \$1.2 million. Provide an estimate of the value of his funeral home based on the information in the statement of cash flows in Exhibit 2, assuming that the cash flows are expected to grow at 3 percent per year in perpetuity and the discount rate is 10 percent. Are the estimates comparable, if not why?**

The estimated value of the business using the income statement information is \$1,022,914.

This value is calculated as follows:

Value = Net income/Capitalization rate

Value = Net income/(Discount rate – Growth rate)

Value = $\$71,604 / (.10 - .03)$

Value = $\$71,604 / .07$

Value = \$1,022,914

The estimated value of the business using the balance sheet information is \$1,413,185.

This value is calculated as follows:

Value = Owner's Equity + Current market value adjustment to assets

Value = Owner's Equity + (Market value of building – Book value of building)

Value = \$238,361 + (\$1,400,000 – 225,176)

Value = \$238,361 + \$1,174,824

Value = \$1,413,185

The only asset that required an adjustment to current market value was the building. The current market value of all other assets was approximately the same as the book value.

The estimated value of the business using the balance sheet information is \$1,661,857.

The cash flows for the funeral home is a perpetuity and will be discounted as follows:

Value = Net cash flows from operations/(Discount rate – Growth rate)

Value = \$116,330/ (.10 – .03)

Value = \$116,330/.07

Value = \$1,661,857

The estimates are reasonably similar. They range from a high of \$1,661,857 using cash flows to a low of \$1,022,914 using net income. The average valuation is \$1,365,985, which is approximately the same as the value based on the balance sheet. It is not uncommon for the three valuation methods to produce significantly different valuations because they are derived from different accounting information and incorporate different assumptions and valuation approaches. One of the major reasons that it is difficult to value a firm is that there is no clearly established standard approach for doing so. Each method produces a different result, which creates uncertainty regarding the “true” value of a firm.

- 4. In particular, Baby Boomers are more open to and many specifically want a ‘green funeral.’ What do you believe is the most effective way for Don to compensate Greenwood Funeral Home’s sales staff who would be responsible for selling green products and services? Salary; salary plus commissions; commissions only, bonuses? Why?**

Baby Boomers, the generation born between 1946 and 1964, will be retiring at an estimated rate of 10,000 a day for the next sixteen years (Washington Post, July 24, 2014). This no doubt has triggered interest in planning ahead, including arranging for end-of-life matters. As the first “green generation”, research indicates almost half are concerned about sustainability and make consumer choices based on those concerns. How many have made the connection with green burials is not as well researched. However, evidence suggests there is a growing interest and funeral homes are facing strategic choices about how to respond to this paradigm shift in customer tastes for what are less profitable products and services than those associated with traditional funerals.

The question on how Don should compensate the sales staff is important because it will affect sales staff behavior and raises several ethical questions. For example, what should be

the objective for offering green funeral products and services? Secondly, what do you want your sales staff to accomplish? If the business objective is purely monetary, to make as much profit for the owners/shareholders as possible, then the goals for your sales staff will focus on rewarding outcomes where profits are maximized - Microeconomic Theory – which is often misunderstood and misappropriated. On the other hand, should the motive be to discover and meet the needs and desires of those facing ‘end of life’ decisions to the best of your firm’s ability, though profit is necessary it is secondary? A third possibility might be to advocate minimizing the ecological impact derived from a commitment to future generations. In that case, rewards should be tied primarily to increasing green funerals. A fourth possible objective is to conduct a stakeholder analysis in search of a positive outcome for the majority of stakeholders, Corporate Social Responsibility (CSR), a form of utilitarianism. Measures of reputation/PR, community/regional recognition for ecological impact should be rewarded perhaps with a bonus. The important point is for students to think through the intended and unintended consequences of choices in compensation as they explore the feasibility of embracing green funerals. For example, ‘commission only’ might unintentionally result in a salesperson taking advantage of a grieving and emotionally vulnerable loved one to spend more money than they would in retrospect, just to increase the size of their commission check.

According to the Green Burial Council (<http://greenburialcouncil.org/>), a burial “is ‘green’ only when it furthers legitimate environmental and societal aims such as protecting worker health, reducing carbon emissions, conserving natural resources, and preserving habitat.” Its simplest and purest definition is a burial process where there are no barriers (such as a casket or cover vault) and/or use of toxic chemicals (often used during the embalming process) involved in the burial of a body.

What is the importance for business students to wrestle with green business issues? Many of the best business schools want their students to expand their creative problem skills to issues of sustainability. A global business education network and association that provides quality assurance, business education intelligence, and professional development services along with certification of the top business schools in the world, the AACSB holds an annual conference on sustainability and provides a sustainability blog. In an Aug 3, 2017 blog post the question was asked: *How would you create new generations of graduates, and faculty, with the confidence needed to meet our ever-growing sustainability challenges, which are also increasingly businesses challenges?* In an April 26, 2018 post, Weybrecht drew attention to the UN Sustainable Development Goals, which *provide a unique opportunity for business schools to contribute in a deeper and more impactful way, not only to their communities but, to the world.* Potentially, exploring personal motivation will raise awareness of student’s worldviews and the opportunities in business decisions to impact others’ behaviors and more broadly impact the world.

(Note: More can be read about the UN’s Sustainable Development Goals (SDGs), otherwise known as the Global Goals. See <http://www.undp.org/content/undp/en/home/sustainable-development-goals.html>)

Another reason for raising the issue of Greenwood Funeral Home’s mission and vision is

because recent studies of millennials attraction to and retention in organizations discovered that millennials are more concerned about a business' mission and vision than compensation and benefits.

5. What special skill sets would be needed for Greenwood's sales staff to be effective in selling green products and services?

If the strategy of Greenwood Funeral Home is to encourage green burials, desirable skills are different than if the strategy is to maximize short-term profits. In the first instance, listening well along with skills of persuasion would be desirable. To maximize short-term profits, however, the skill of 'closing' a deal would be primary.

The value of this question is to help students make the connection between the firm's strategy and specific criteria that should be considered in staffing and training/development decisions (what is increasingly referred to as 'talent management' in the literature). General skills such as the ability to gain trust and put others at ease are probably useful to sales staff regardless of strategy. For example, learning how to use body language (posture, hand gestures) and voice modulation effectively has been found to positively impact sales results.

6. If Greenwood Funeral Home invests in the development of its staff to meet Green Council Standards for certification, should Don require those employees to sign a non-compete agreement?

This sixth question raises the moral issue of balancing the interests of parties in an enterprise. Some would consider requiring sales staff to sign a non-compete agreement to fall within the bounds of reasonable expectations regarding ethics and the rule of law, which would, therefore, be morally justifiable. Such restrictive covenants are regulated primarily by state law and their enforcement varies considerably from state to state. In the last few years, however, a number of states have passed legislation that reduced the enforceability of non-compete agreements, including Alabama, Hawaii, Illinois, New Mexico, Oregon, and Utah. Alabama's Restrictive Covenants Act specifically delineates the protectable interests that can provide the backbone of a valid restrictive covenant.

If Greenwood Funeral Home obtained Green Burial Certification and invested time and money in training and mentoring staff in selling green funeral products and services, it has a legal right to reasonably protect that investment. However, their current employees also have a right to earn a living if they leave Greenwood. Generally speaking, courts have found it acceptable to restrict actions such as taking customer and vendor lists, taking a similar job with one of Greenwood's direct competitors in its geographic target market, or starting a business in direct competition to Greenwood within a reasonable geographical area. However, courts have also favored limiting such restrictions to no longer than five years.

7. Green funeral services are intended to extend the product line offered to customers. Don is concerned these services will cannibalize service offerings with a higher price-point. List a few ways in which the likelihood of that problem could be reduced.

A product line is a related set of offerings with similar benefits, are sold to the same target customers, and are marketed through the same channels. A firm generally expands its product line to increase customer demand thus developing additional sources of revenue, to support its other product offerings, to more fully utilize its resources, and/or to deter entry by new competitors. Product line extensions are advantageous to customers as they may benefit from a more desirable product offering than they were previously receiving.

One of the potential dangers of extending a product line is cannibalization. When a firm expands its product line, it expects the new offering will generate sales by attracting new customers to the product category or existing customers from competitors. If a firm introduces a new product to its product line and that new product draws current customers away from the firm's existing product offering, it is referred to as cannibalization. In such a case, the firm is, in essence, competing with itself.

Firms can reduce the likelihood of cannibalization by clearly defining the value provided to a target segment. In some cases, it is important to approach the marketing effort in a new manner. It may be challenging to present new benefits to different customers using the same marketing efforts.

If Greenwood introduces green funeral services, the potential for cannibalization of its current traditional funeral services is present. If green and traditional funeral options are dissimilar enough to attract different segments of customers, the likelihood of cannibalization will be low. If target customers see these two options as just slightly different price-benefit points, Don will need to carefully consider how these services might be marketed to either a new segment of customers or with a different selection of benefits.

- 8. What criteria do you think would be used in positioning the funeral home currently and how could that be changed to incorporate the full gamut of offerings should green options be included? What would be the most appropriate variable(s) to use to segment the market?**

Positioning is a company's effort to create a distinct image of the offering in the target customer's mind. It is a way to differentiate a product offering in consumer mind space.

There are many ways in which to position an offering in the marketplace. Obviously, it is important to focus on the most important benefit to the target market. Firms can position based on the benefit(s) provided, product users, or make comparisons to competing options. Examples of positioning would include a smartphone that promotes itself as stylish and reliable; an athletic shoe that promotes itself as the product of choice by outstanding athletes; and, a plumbing service that promotes itself as more responsive and prepared than competitors.

Don would need to determine the key benefits of its services in general and then select the frame of reference he wants potential customers to have.

If green services are added to the service mix, Don needs to consider whether the current positioning tagline communicates clearly enough the provision of such services. If Greenwood does not clearly position itself as environmentally friendly, customers may remain unaware that the firm offers green services unless they come and hear about them at a point of need.

If Don adds green funeral options to the current line of funeral services, he would benefit from repositioning the firm in a manner that does not alienate the current customer base he has developed across the years. If students deem the current positioning effort to be deficient in some manner, it raises the issue of how Greenwood might best reposition itself in the marketplace.

To bring the subject to life, students might be encouraged to research and identify the positioning strategy of funeral homes in their local area. If students are assigned to research the positioning of local funeral homes, students might use those positioning efforts as examples of the companies that Greenwood Funeral Home is competing against. Students will have various suggestions and the options will obviously differ based on the positioning of local funeral homes but Greenwood's slogan could just be extended to include an additional level of caring such as, "Caring for your loved one, your family and the environment."

9. What communication (promotion) objectives would be most appropriate for Don's initial promotional campaign? Prioritize the promotional tools that could be used with justifications.

Communication objectives can be thought of as what you are trying to accomplish with your promotional plan. There are three broad communication objectives: to inform your target market about your product, to persuade or convince them to purchase your goods or services, and to remind them to purchase your product again.

The appropriate communication objective depends on various criteria. These criteria include how familiar the target segment is with your product, frequency of product usage, product differentiation, level of consumer involvement, etc.

There are a number of promotional tools that can be used to achieve the communication objective(s) selected. These promotional tools include advertising, personal selling, public relations, sales promotion, direct marketing, digital marketing, and guerilla marketing. Each of these promotional tools has its own advantages and disadvantages.

Funeral services are generally purchased in two broad situations: pre-need or at-need. In a pre-need situation, potential customers are planning ahead. They have time to evaluate options, assess costs and they are generally involved in the decision process. In this context, promotional tools such as personal selling, and print or digital promotional materials can provide these shoppers with the information they desire to make an informed decision. Generally, time is also available in a pre-need situation to involve family members in the decision process.

In an at-need situation, funeral arrangements are being made after a death, the decision is being made on behalf of the loved one by others, there is by necessity a shorter decision time frame, and consumers shopping around less. In this context, it is important to have information readily available to the decision-makers such as on a website and to be able to clearly discuss green funeral options as a part of the sales presentation. Family members may have little awareness of these services and, in addition, they may feel the extra stress of making the decision on behalf of their loved one.

In Don's situation, the metrics used to measure communication objectives should fit the goal to be achieved. In a pre-need situation where the objective might be to inform and persuade, an appropriate objective might be to measure attendance at a pre-planning event and awareness of green funeral options as a result of that attendance. Further metrics could include green funeral resource downloads, web hits, or requests for further information from Greenwood. No one is going to speed up their passing because they like the idea of a green funeral option though they may be willing to preplan their funeral arrangements and prepay for it as well. In an at-need situation, metrics might include actual sales of green funeral services and percentage of market share.

10. Consider an application of the PESTEL model to the green funeral industry. For each of the six components of the model, describe at least one phenomenon that might be a significant consideration to the strategic management process.

A PESTEL model is an analysis framework that is used to analysis forces external to an organization and the relative amount of influence those forces have on organizational planning. The analysis model consists of six areas of consideration; Political, Economic, Sociocultural, Technological, Environmental, and Legal. Furthermore, each of these areas can be considered at any or all breadths of concern, such as global, national, regional, local, and/or industrial.

The PESTEL model would apply in different ways, depending on the breadth of consideration (i.e. Global, National, Regional, Industry, Company, etc.).

a. Political –Within the US, political resistance can be expected to be negligible. Though, in areas with heavy concentrations of a particular religious demographic, the political machine might be less friendly toward rapid change in this industry. Because the funeral industry already accepts green funeral practices in many areas, little organized political resistance from the industry or individual companies would be expected.

b. Economic – The current state of the economy will likely have a large impact on the acceptability of green funeral practices, especially with regard to disposable income and availability of credit. The majority of funeral customers (those paying for and arranging funerals, such as next-of-kin and families.), regardless of the type of funeral service they are arranging, are typically forced to pay a significant amount of money on very short notice. Because of the emotional nature of decision making following the death of a loved one, options that reduce stress are often more attractive, including pre-arranged or pre-paid

packages. In times when the amount of average available disposable income or available credit is low, the financial considerations of a funeral can just add to the overall stress of the customer. Furthermore, because green funerals often require fewer raw materials (caskets, vaults, etc.), the pressures due to fluctuations in materials costs can be lessened significantly.

c. Sociological – Funerals are an emotionally charged affair, and heavily influenced by cultural norms. Though some demographic groups practice a religious-based funeral type that is not easily changed, most groups in the US accept a wide variety of practices and any negative views are typically short-lived and minimal. Younger groups tend to be more accepting of environmentally-friendly and non-traditional practices in general when compared to their older counterparts. In addition, and possibly of even more importance, is the fact that many, if not most, families tend to use the same funeral service providers when family members pass away. That is, companies in the funeral industry tend to see a lot of repeat customers over the years (i.e. the surviving family members).

d. Technological – Given that people have had some form of funeral practice as long as there have been people, it should not be surprising that the technological requirements for green funerals are very low. While some aspects of green funerals can be assisted or augmented by technology, significant technological change is not expected to be a major factor, though there are a few areas worth mentioning. First, technology related to the actual disposition of human remains is bringing about a few changes, namely due to lower cremation temperatures and new chemical disposition processes. Another area where technology is becoming important is through the increasingly common use of the internet and social media for marketing and communications. While the typical funeral service provider still does business in a face-to-face environment, this practice may soon change. Finally, many funeral providers already have online memorial services where people can read obituaries, sign guest books, and much more, which suggests that expanding online activities to other areas might require less effort than if there were no presence at all.

e. Environmental – Phenomena related to the environment can be expected to have a significant impact on green funerals. Example phenomena include the availability of real estate for traditional burials (i.e. many cemeteries are already full), the effect of chemicals used in preparing the deceased for burial, the environmental impact of producing raw materials and products, the lasting impact of traditional casket-in-vault burials, the availability and cost of fuels for cremation, etc. These environmental forces can be expected to be significantly different, with significantly different levels of impact, when viewed at a global, national, regional, or local level.

f. Legal – The disposition of human remains is a heavily regulated activity. In some places, some types of green funerals are not yet legal. In others, the amount of legislation that applies is less than that of traditional funerals, but this varies from state to state. Within each state, the laws do not vary as much but there are localized differences, especially in highly populated areas. Another recent trend is the deregulation of the purchasing processes for traditional funerals. For example, customers once had few options other than to purchase a funeral package offered by the funeral provider, but recent deregulations have led to a much broader scope of selection options for the consumer and reduced profit margins for the

funeral suppliers.

11. Consider an application of the Porter's Five Forces model to the green funeral industry. For each of the components of the model, describe at least one phenomenon that might be a significant consideration to the strategic management process. For each of these phenomena, make sure to state the relative strength of the force being described (i.e. strong, moderate, or weak) and why. In addition, explain how the relative strength of each might be different between the traditional funeral industry and the green funeral industry.

A Porter's Five Forces model is another analysis framework that is used to analysis forces external to an organization and the relative amount of pressure that those forces have on organizational decision making. The analysis model consists of five areas of consideration; Suppliers, New Market Entrants, Availability of Substitute Products, Competitors, and Customers. Some researchers also include Legal and Regulatory requirements, availability of complementary products, and more. Some researchers also describe these forces in opposed pairs; customers vs. suppliers, substitutes vs. compliments, etc. The relative amount of pressure that each force exerts on a company is typically quantified into three levels; strong, moderate, or weak.

Example considerations when applying the Porter's Five Forces model to the green funeral industry include;

a. Competitors – Competitors in the green funeral industry may also include organizations that compete in the traditional funeral industry. Many of these organizations already have an established customer base that is familiar with the company and loyalties tend to be high. In addition, because of the overlap in services provided across the two funeral industry types (green and traditional), it is relatively easy for competitors to change their offerings in response to changes in demand. On the other hand, the growth in the industry is directly tied to the size and death rate of a population, so it is very predictable. Pressure from competitors would likely be strong, but might also be very considerably based on location. That being said, there has been a marked reduction in the number of competitors in the funeral industry over recent years due to industry consolidation that came about as large organizations bought up small funeral homes following deregulation, though this has not been readily apparent to customers because the funeral homes were often allowed to keep their business identity intact. Another factor worth mentioning is the fact that the four-leaf certification for green funeral providers is available as a differentiator between competitors, which would be a part of a given provider's marketing mix.

b. Suppliers – Because the cost of raw materials is lower for a green funeral than for a traditional funeral, the pressure from suppliers would logically be weaker. This is even more true, given the fact that the raw materials themselves are often more readily available from a larger variety of industrial sources than the raw materials needed for a traditional funeral (i.e. caskets, vaults, monuments, real estate, etc.).

c. New Market Entrants – Because the number of funerals that need to be performed in a

service area is directly tied to the size and death rate of a local population, and because customers are often not willing or have the time to seek out the best prices and offerings, new competitors may find it challenging to get their business started. On the other hand, in areas where there are few green funeral competitors, a new competitor might be differentiated enough from traditional funeral suppliers to be able to develop a strategic and competitive advantage. The relatively low cost, as well as the lower cost of raw materials compared to the traditional funeral industry, favors the new market entrant. Pressure from new market entrants is expected to be high but might vary considerably by location.

d. Customers – Due to the emotional state of the customer (i.e. surviving family) when they need the services of the funeral provider, in addition to the relatively short amount of time available for decision making, the customer is often unable to make comparisons between competitors. In addition, because the lower financial cost of a green funeral compared to a traditional funeral can be a significant factor to the customers that suddenly find themselves in need of a funeral provider, the attractiveness of a green funeral further weakens pressures from the customers. That is, the pressures from customers are expected to be generally weak.

e. Availability of Substitutes – There are really only two options when one must arrange for the disposition of the remains of someone; that of a traditional funeral or that of a green funeral. Because the cost of the average traditional funeral is generally higher than that of the average green funeral, the pressure from substitute products should be considered present, but weak.

12. Consider the different types of strategies (integration, market development or penetration, best value provider, focused differentiation, etc.). Which strategies do you think might be suitable for the green funeral industry and why? How might this be different with regard to the traditional funeral industry? For example, how might a vertical or horizontal integration strategy be more or less appealing to funeral homes that offer green funerals than to those that offer traditional funerals?

A vertical integration strategy lends itself more to the traditional funeral industry than to the green funeral industry. The primary reason for this is that the traditional funeral industry uses more raw materials (i.e. caskets, vaults, monuments, etc.) that are specific to the industry. The green funeral industry, on the other hand, uses fewer raw materials and those that it does use are not as specific to the industry. Horizontal integration, however, does lend itself to both types of funeral industry, though the green funeral provider might be more easily acquired due to the lack of expensive inventory that must be maintained (again, caskets, vaults, etc.). *Note: Other types of strategies can be discussed in response to this question, such as value discipline strategies (Operational Excellence, Customer Intimacy, and Product Leadership Generation); the “general strategies” (Cost Leadership, Differentiation, and Focus); functional strategies (Corporate, Business, operational, or transformational); and more.*

Exhibit 1. Greenwood Funeral Homes' General Price List and Variable Costs

	Standard Traditional	Deluxe Traditional	Cremation	Direct Green	Standard Green
Price	\$10,500	\$19,500	\$5,500	\$4,800	\$6,400
Variable Costs:					
Casket	(\$1,500)	(\$5,000)	n/a	(\$1,500)	(\$1,500)
Vault	(\$700)	(\$1,800)	n/a	n/a	n/a
Embalming	(\$400)	(\$400)	(\$400)	n/a	(\$400)
Deceased Preparation	(\$200)	(\$200)	(\$200)	n/a	n/a
Gravesite Prep	(\$650)	(\$650)	n/a	(\$650)	(\$650)
Cremation Svc	n/a	n/a	(\$1,000)	n/a	n/a
Memorial Svc Materials	(\$100)	(\$200)	(\$100)	n/a	(\$100)
Total Variable Costs	(\$3,550)	(\$8,250)	(\$1,700)	(\$2,150)	(\$2,650)
Contribution Margin	\$6,950	\$11,250	\$3,800	\$2,650	\$3,750

Exhibit 2. Greenwood Funeral Homes' Income Statement

01/01/17 through 12/31/17	
Sales	\$980,652
Cost of Sales	(\$632,840)
Gross Profit	\$347,812
Selling and Administrative Expenses	(\$252,340)
Net Income Before Taxes	\$95,472
Income Taxes	(\$23,868)
Net Income	\$71,604

Exhibit 3. Greenwood Funeral Homes' Balance Sheet

As of December 31, 2017	
Current Assets:	
Cash	\$65,284
Accounts Receivable	\$25,356
Inventory	\$64,400
<i>TOTAL CURRENT ASSETS</i>	<i>\$155,040</i>
Property, Plant, and Equipment	
Land	\$85,000
Vehicles (net of depreciation, \$28,340)	\$165,000
Building (net of depreciation, \$674,824)	\$750,000
<i>TOTAL PROPERTY, PLANT, AND EQUIPMENT</i>	<i>\$1,000,000</i>
TOTAL ASSETS	\$1,155,040
Current Liabilities	
Accounts Payable	\$21,855
<i>TOTAL CURRENT LIABILITIES</i>	<i>\$21,855</i>
Long-term Liabilities	
Installment Loans Payable	\$145,000
Mortgage Payable	\$225,000
Total Long-term Liabilities	\$370,000
<i>TOTAL LONG-TERM LIABILITIES</i>	<i>\$740,000</i>
TOTAL LIABILITIES	\$391,855
Equity	
Owner's Equity	\$763,185
TOTAL OWNER'S EQUITY	\$763,185
TOTAL LIABILITY AND EQUITY	\$1,155,040

Exhibit 4. Greenwood Funeral Homes' Statement of Cash Flows

01/01/17 through 12/31/17	
Cash, as of 12/31/16	\$56,632
Cash Flows from Operations	
Net Income	\$71,604
Add (Deduct) Non-Cash Items Included in Net Income	
Increase in Accounts Receivable	(\$2,482)
Decrease in Inventory	\$4,628
Decrease in Accounts Payable	(\$2,544)
Depreciation Expense	\$45,124
<i>TOTAL CASH FROM OPERATIONS</i>	<i>\$116,330</i>
Cash Flows from Investing Activities	
Cash to Purchase Vehicles and Equipment	(\$45,000)
Cash Received from Sale of Vehicles and Equipment	\$8,400
<i>TOTAL CASH FROM INVESTING ACTIVITIES</i>	<i>(\$36,600)</i>
Cash Flows from Financing Activities	
Cash Paid for Long-term Debt Liquidation	(\$76,756)
<i>TOTAL CASH FROM FINANCING ACTIVITIES</i>	<i>(\$76,756)</i>
<i>TOTAL INCREASE IN CASH</i>	<i>\$2,974</i>
Cash, as of 12/31/17	\$59,606

References

- Boehrer, J., & Linksy, M. (1990). Teaching with Cases: Learning to Question. *New Directions for Teaching and Learning, (The Changing Face of College Teaching)*, 42, 41-57. Retrieved September 23, 2019, from <https://eric.ed.gov/?id=EJ413461>
- Brooke, S. L. (2006). Using the Case Method to Teach Online Classes: Promoting socratic dialogue and critical thinking skills. *International Journal of Teaching and Learning in Higher Education*, 18(2), 142-149. Retrieved September 23, 2019, from <https://files.eric.ed.gov/fulltext/EJ1068074.pdf>
- Golich, V. L. (2000, April). The ABCs of Case Teaching. *International Studies Perspectives*, 1(1), 11-29. doi:10.1111/1528-3577.00002
- Grant, R. (1997, July). A Claim for the Case Method in the Teaching of Geography. *Journal of Geography in Higher Education*, 21(2), 171-185. doi:10.1080/03098269708725423
- Hoyert, D. L., & Xu, J. (2012, October 10). Deaths: Preliminary Data for 2011. *National Vital Statistics Reports*, 61(6), 1-52. Retrieved September 23, 2019, from https://www.cdc.gov/nchs/data/nvsr/nvsr61/nvsr61_06.pdf
- Jack, A. (2018, October 29). Why Harvard's Case Studies are Under Fire. *Financial Times*. Retrieved 09 15, 2019, from <https://www.ft.com/content/0b1aeb22-d765-11e8-a854-33d6f82e62f8>
- Koth, J. (2017, June 22). *NFDA Consumer Survey: Funeral Planning Not a Priority for Americans*. Retrieved September 23, 2019, from NFDA News Releases: <http://www.nfda.org/news/media-center/nfda-news-releases/id/2419>
- Maamoun, A. (2017). Teaching with Business Cases: Is it for you? *Global Journal of Business Pedagogy*, 1(3), 84-94. Retrieved September 23, 2019, from https://www.igbr.org/wp-content/uploads/2018/01/GJBP_Vol_1_No_3_2017.pdf
- Marsden, S. J. (2012, November 22). *Cheap Cremation: How Cost and Convenience is Changing our Funeral Plans*. Retrieved September 23, 2019, from US Funerals Online: <http://www.us-funerals.com/funeral-articles/cheap-cremation-is-changing-our-funeral-plans.html#.XYlqpkZKjs0>
- Mauffette-Leenders, L. A., Erskine, J. A., & Leenders, M. R. (2005). *Learning with Cases* (3rd ed.). London: Ivey Publishing.
- McFarlane, D. A. (2015, Winter). Guidelines for Using Case Studies in the Teaching-Learning Process. *College Quarterly*, 18(1). Retrieved September 23, 2019, from <http://files.eric.ed.gov/fulltext/EJ1070008.pdf>
- Morrison, R. G. (2019, July 23). What is SWOT and how is it used? Montgomery, AL, United States. Retrieved September 23, 2019, from <https://www.youtube.com/watch?v=n2sBMrRZjA8>
- NFDA. (2019, July 18). *Statistics*. Retrieved September 23, 2019, from National Funeral Directors Association: <http://www.nfda.org/news/statistics>
- Pelosi, P. (2018) Millennials want Workplaces with Social Purpose. Retrieved September 30, 2019 from <https://www.chieflearningofficer.com/2018/02/20/millennials-want-workplaces-social-purpose-company-measure/>
- Pilz, M., & Zenner, L. (2018). Using Case Studies in Business Education to Promote Networked Thinking: Findings of an Intervention Study. *Teaching in Higher Education*, 23(3), 325-342. Retrieved September 23, 2019, from <https://eric.ed.gov/?id=EJ1171437>
- Sanburn, J. (2016, August 1). Cremation is Now Outpacing Traditional Burial in the U.S. *Time*. Retrieved September 23, 2019, from <https://time.com/4425172/cremation-outpaces-burial-u-s/>
- Schmidt, S. W. (2010). *Case Studies and Activities in Adult Education and Human Resource Development*. (K. P. King, Ed.) Information Age Publishing. Retrieved from <https://www.infoagepub.com/products/Case-Studies-and-Activities-in-Adult-Education>
- Schweitzer, K. (2019, January 3). *How to Write a Case Study Analysis: Step-By-Step Instructions*. Retrieved September 23, 2019, from ThoughtCo. :Lifelong Learning: <https://www.thoughtco.com/how-to-write-a-case-study-analysis-466329>

- The Case Centre. (2019, September 23). *Teaching Cases: A brief guide*. Retrieved from The Case Centre for Educators: <https://www.thecasecentre.org/educators/casemethod/resources/teachingcases>
- Times-Herald Newspapers. (2016, October 20). The Savvy Senior: How much does a funeral cost? *Dearborn Heights Times-Herald*. Retrieved September 23, 2019, from <https://www.downriversundaytimes.com/2016/10/20/the-savvy-senior-how-much-does-a-funeral-cost/>
- United Nations Development Programme. (2018). *Sustainable Development Goals*. Retrieved September 23, 2019, from Young People and Climate: Fighting for a Stolen Future: <http://www.undp.org/content/undp/en/home/sustainable-development-goals.html>
- United States Census Bureau. (2017). *2017 Economic Census of the United States: NAICS Code 812210*. Retrieved September 23, 2019, from American Fact Finder: https://factfinder.census.gov/bkmk/table/1.0/en/ECN/2017_US/81SLLS1/naics~812210
- Webster, L. (2019, August). *Quick Statistics*. Retrieved September 23, 2019, from Green Burial Council: https://www.greenburialcouncil.org/media_packet.html
- Webster, L., Hannapel, H., Starkey, L., & Youngue, C. (2019). *Glossary of Green Burial Terms*. Retrieved September 23, 2019, from Green Burial Council: https://www.greenburialcouncil.org/uploads/1/2/4/2/124231485/green_burial_glossary.pdf
- Weybrecht, G. (2017, August 03). *The Sustainable Future of Management Education*. Retrieved September 23, 2019, from AACSB Blog: <https://www.aacsb.edu/blog/2017/august/the-sustainable-future-of-management-education>
- Weybrecht, G. (2018, April 26). *Why the Sustainable Development Goals Matter to Your Business School*. Retrieved September 23, 2019, from AACSB Blog: <https://www.aacsb.edu/blog/2018/april/why-the-sustainable-development-goals-matter-to-your-business-school>

