

# Calgary Funeral Services Cooperative Business Plan

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# 1.0 BACKGROUND INFORMATION

## *1.1 Executive Summary*

The Calgary Cooperative Funeral Service seeks to create a cooperative enterprise to provide funeral services that are modestly priced and environmentally friendly within the Calgary market.

Based on an initial membership the founding organizations - cooperatives in Calgary, Calgary Legions, Churches and individual Calgarians, with a combined member share/loan offering and bank loan for a combined total of \$525,000, this business plan calls for the enterprise to reach positive cash flow toward the end of the 3rd year of operation. The business model seeks to establish funeral/crematoria services which is centrally located and would service the members of the founding organizations as well as the funeral needs of Calgarians as a whole. The business could be centrally located, possibly on the site of an existing Legion Hall, or adjacent to Calgary Cooperative facility.

The enterprise has the potential to employ 2.5 core staff in its first year of operations, supplemented by a range of casual staff and contracted service providers, with an expansion of staff occurring with every increase of 120 funerals per annum. The members and customers of the funeral cooperative will be attracted by the total value proposition: excellent service, fair pricing, and community orientation of the enterprise.

**Caution:** The reader is cautioned that this is a hypothetical business plan which could be used as an initial discussion with potential founding organizations and members. We would in particular note that the sections referring to the Legion Halls as locations are based on consultant visits to the sites, and discussions with members of these halls. No discussion has taken place with the management or board of these legions.

## ***1.2 Comparative Cooperative Model***

The Calgary Funeral Services Cooperative Project arose from a presentation made by the Federation des Cooperatives Funeraires du Quebec (FCFQ) to leadership in the Calgary Cooperative Memorial Society (CCMS). The FCFQ acts as a national federation for cooperatives providing funeral services in Canada, with the majority of its member cooperatives located in Quebec. The presentation was part of an initiative to expand the cooperative model in this sector to provinces other than Quebec.

While CCMS currently has a long standing service contract with McInnis and Holloway Funeral Homes (M&H), CCMS leaders recognized that it was vulnerable should M&H push price increases, or should it be taken over by a funeral conglomerate. After some initial fact-finding and preliminary research, a proposal was submitted by the CCMS to Cooperative Development Initiative for resources to determine the feasibility of such an enterprise for Calgary. To support the proposal submission, a small steering committee comprised primarily of CCMS board and members, and directors from other local coops was formed.

While the background research drew heavily from the inspiration of the funeral cooperative movement in Quebec, two other successful funeral service models were uncovered from which this business plan has drawn inspiration:

*People's Memorial Services* – established in 2007, People's Memorial Services was quickly established after the funeral services contract held by People's Memorial Association, a Seattle based memorial society with more than 100,000 members, was cancelled after their local service providers were bought out by a funeral conglomerate as the memorial society refused a demanded 65% increase in prices to its members. Starting out from a small store front office providing basic funeral services, People's Memorial Services now serves the majority of the memorial society's members in the Seattle area, though still maintaining service contracts with many of the remaining funeral homes and crematorium in the surrounding counties. People's Memorial Service competitive pricing strategy has helped keep Seattle funeral prices amongst the lowest North West US coast.

*Serenity Funeral Homes* – Established in 1999 by an initial group of 12 churches in the Edmonton area who were concerned with the high price of funerals from their congregations, Serenity Funeral homes began with a crematorium service and a small front office in a semi industrial area in Edmonton and conducted 120

funerals in its first year. Serenity broke even in operations in its 2<sup>nd</sup> year of operations and 12 years later, Serenity currently has five locations and its membership is currently comprised of 125 multi-denominational churches and provides over 1500 funerals a year, one of the largest service providers in the Edmonton market. Though a non-profit society, Serenity operates on parallel lines to a cooperative, which, through a board of directors, administer and govern the operations of Serenity Funeral Service. Like People's Memorial Service, Serenity has had a definite downward pressure on funeral costs in the Edmonton Market.

Winnipeg Funeral Services Cooperative – SEED Winnipeg is leading the development of a funeral cooperative in their city with a model that roughly parallels the service envisioned in Calgary. As Winnipeg has a much more competitive funeral market than Calgary, their proposed model focuses on providing low cost funeral arrangements and subcontracting cremations, embalming to other funeral providers in the area. With the business plan complete<sup>1</sup>, this cooperative plans to launch services in #####

Leadership in each of these businesses were very responsive, providing key strategic advice throughout the development of this plan. Special thanks goes out to John Eric Rolfstad, Executive Director of People's Memorial, Garry Howdle, General Manager of Serenity Funeral Homes, and Blair Hamilton, Lead consultant for the Winnipeg Cooperative Funeral Services business plan.

### ***1.3 Feasibility Study and Background Research***

The Calgary Funeral Services Cooperative project began with an initial feasibility study conducted by the Annie Normandin of the Federation des Cooperatives Funeraires du Quebec (FCFQ) (See Appendix A). Taktika Sustainable Strategies built on this work with a deeper exploration of three potential strategies –

1. Develop basic retail funeral services: offering limited range of funeral arrangements through a small retail venue while continuing to contract out most services.

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<sup>1</sup> The authors of this document would like to thank Blair Hamilton, the consultant who developed the business plan for the Winnipeg Funeral Cooperative for sharing his research. We note that many sections in this business plan borrow heavily from the strategies and wording they developed for the Winnipeg marketing, an excellent example of cooperatives supporting cooperatives.

2. Build a new full service funeral business.

3. Invest in a full purchase or graduated buy-out of an existing business.

The feasibility study recommended purchasing an existing business. This option appeared to offer a relatively low level of risk to the organization in terms of starting a new funeral business as it could build on a base of existing customer. A research team was formed to conduct a deeper exploration of funeral business opportunities outlined in the feasibility study, which was composed of:

- Paul Cabaj, Taktika Sustainability Strategies, and author of the feasibility study;
- Annie Normandin Director of Business Development at the FCFQ; and
- Garry Howdle, Manager of Serenity Funeral homes in Edmonton.

In April 28<sup>th</sup> and 29<sup>th</sup>, the research team conducted interviews with three separate funeral businesses to explore a range of potential business relationships, including the potential buy out/conversion into a member owned cooperative. They also conducted a deeper analysis of the numbers and financial projections provided in the feasibility study. Their findings were presented and discussed with the board of the CCMS. The research resulted in two key conclusions:

1. **No single funeral business in Calgary would be able to absorb the entirety of CCMS clients (approximately 700/year) with its current low rate structure.** Funeral operators interviewed were happy to discuss the potential for working with the CCMS. Those interviewed stated they do currently take CCMS members and honor the pricing system they have, regardless of whether they have a service contract with CCMS as whole. However, funeral services have a breakeven point at around \$2000/funeral. As CCMS price listing are well below this average (a current pricing list is provide in section 3.1 below) it became clear that if their business was to focus exclusively on serving CCMS clients as they simply do not make sufficient revenues on lower cost funerals. Many stated directly is that the reason that M&H is able to hold a broad service contract with CCMS is that is able to absorb the losses of serving CCMS members in amongst its much wider client base.
2. **CCMS has no immediate urgency to lead the development of a new funeral service for its members.** Cooperatives tend to be most successful when formed to address a key market failure that isn't being met by businesses or government in any key economic sector. In the case of CCMS, its members appear to be adequately served by its current business arrangement with M&H. While concerns

have been raised over upward creeping costs and curtailment of service options for CCMS clients such as clients not being allowed to use your own urn. CCMS' current relationship with M&H does not bear the same exploitative patterns that have driven memorial societies in other markets in to developing other service options. CCMS thus lacks an urgent, compelling reason for pursuing a funeral service at this time.

Based on these conclusions, this document should be considered a ``back of the pocket`` business plan that could be pursued as risk management strategy should the current business arrangement with M&H break down. It is structured with rough detail, focusing on establishing a new funeral service offering funeral arrangement and cremations and includes the following features:

1. Serving a portion of CCMS clients balanced by a mix of clients willing and wanting more expensive funeral options. For the funeral service to be viable on the long term we estimate that a minimum of 50% of clients purchasing higher cost services averaging \$3000/funeral.
2. The initial service would serve approximately 160 CCMS member funerals in its first year (320 in its 3<sup>rd</sup> year) thus service contracts would still need to be established with other funeral services in the area to serve all of CCMS members.
3. This business concept is based on a multi-stakeholder coop model, including individual consumer members and organizational membership on the part of churches, legions, and other cooperatives in the Calgary area.

## **2.0 Business Description**

### ***2.1 Corporate Structure***

The Calgary Funeral Service Cooperative is proposed as a multi-stakeholder cooperative incorporated under the Alberta Cooperatives Act. Under the multi-stakeholder cooperative model, the enterprise would be owned by the following members:

1. Consumer members - prospective clients, including current CCMS members or Calgarians at large who have elected to purchase a membership.

2. Churches, non-profit organization and other cooperatives – organizations whose membership would benefit from the cooperative funeral services and who have elected to pay membership.

The members of the cooperative, through the Annual General Meeting, elect a Board of Directors to set policy and govern the cooperative on a month to month basis. The Board of Directors is responsible to hire and oversee management personnel, who manage the cooperative on a day to day basis.

The cooperative would be established as a non-profit cooperative. Were the coop to pursue a for-profit model, it may be able to access member share investment. However, as the goal of the coop is to negotiate the most cost effective services for its members, a non-profit structure would align more directly with providing the most cost effective services as to members as possible, and mitigate any pressures to increase prices to increase profits for shareholders. While a non-profit could still have profits at the end of the year, these would be reinvested into the business expansion and growth, rather than being distributed to members or investors. This is a key reason both Serenity Funeral Homes and People's Memorial Services chose non-profit model.

Examples of the incorporating documents and the bylaws for People's Memorial Service are provided in Appendix B. These documents could be used as a basis for a similar incorporation under the Alberta Cooperatives Act. As a non-profit cooperative, rather than directing operating profits to individual shareholder or members, reserves are set aside to fund operations and expansion. A distinct aspect of People's Memorial Services are stated in its bylaws: *not less than 20% of the net margin for each year, shall be allocated to a patronage rebate fund and shall be used to provide discounts to the charges for funeral, crematory and burial services provided to members in the ensuing year.*

Drawing inspiration from the combined success of the consumer membership funeral services in Quebec and Seattle, as well Serenity's a church owned non-profit business, CFSC would be able to leverage the collective range of social and financial capital of its members. This includes raising the upfront capital required to launch the business as well of course as the ongoing referrals by members. The non-profit cooperative would still be able to issue par value members shares to members and low interest low interest (1.5%) bearing loans for its initial capital needs.

## ***2.2 Business Objectives***

The CFSC would have the following business objectives:

- To provide a responsive, ethical funeral service to serve a portion of current members of the Calgary Cooperative Memorial Society.
- To provide high value services at a moderate price point to the wider Calgary market

In order to achieve these objectives, the CFSC is employing the following strategic approaches:

- Leverage strategic alliances with organizational members in the coop sector both for promotion of the funeral services and in cross usage of infrastructure to reduce costs.
- Aggressive integration of the themes of local member ownership and complete transparency in business operations.
- A pricing strategy that de-emphasizes product sales, and uses transparently low margins on product sales.

## ***2.3 Market Assessment***

The memorial services industry in Canada is financial healthy, and profitable. Provincially, Alberta is the second most profitable province in Canada, earning an average return on investment of 14%.<sup>2</sup> Canada, like many industrialized countries has a large aging population. In Alberta, approximately 10% of the population is over the age of 65. While Calgary is younger than the average Canadian population, 35.7 years of age compared to 39.5 years of age nationally, a large older population group still creates a strong demand for memorial services. Despite this strong demand for memorial services, Alberta has a low ratio of service providers relative to the population. In the cities of Calgary and Edmonton, there is one service provider for every 45,000 people.

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<sup>2</sup> Statistics Canada. <http://www.statcan.gc.ca/pub/63-240-x/2010000/t003-eng.htm> Downloaded December 27<sup>th</sup>, 2010

In the City of Calgary, an estimated 5,400 people die annually. Calgary currently has five full service memorial companies, as well as a handful of direct cremation companies that serve the Calgary market. Within the Calgary market, there are currently no funeral service providers located in the southwest (Ward 13) or southeast (Ward 12) areas of the City. These two areas are some of the fastest growing population clusters in Calgary. In the case of the southwest ward, it contains a concentration of higher income communities. The Northeast (Ward 3) may also be underserved. These areas offer significant opportunities for service development.

The average cost for a funeral or memorial service in Canada has slowly increased over the last decade. In Alberta, the average price of a funeral in Alberta in 2006 was \$6,370<sup>3</sup>. The consumer survey conducted in the feasibility study indicated that the majority of consumers estimate that they would spend between \$3,000 and \$5,000 on a memorial service. This indicates that there is a strong demand for affordable options in the Calgary funeral market.

In markets where co-operative funeral businesses have been established, the market prices for memorial services have been driven downwards. This indicates that the presence of funeral co-ops can help to ensure the market remains competitive and affordable.<sup>4</sup>

The evolution of social culture has led to changes in consumer preferences in the memorial services market includes a strong increase in demand for cremation services, environmentally friendly memorial services, assistance with death-related documentation, as well as non-traditional memorial services. In Alberta, approximately 60% of deceased individuals are cremated, and this number continues to rise annually.

## ***2.4 Products & Services***

The CFSC plans to offer traditional funeral home services in planning and arranging for funeral needs. These will be offered to both cooperative members and the public at large. These services will normally be purchased in one of three ways:

- i) "Time of Need" - a family making arrangements for the deceased without having made any prior decisions or undertaking any planning.

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<sup>3</sup> Market Study, Funeral Services, City of Calgary, Federation des Cooperatives Funeraires du Quebec (FCFQ), June, 2009

<sup>4</sup> Based on interviews with funeral co-op directors in Seattle, Quebec and Nova Scotia.

- ii) Pre-Planning - the individual has done some planning around choices in products and services, may have set aside some funds for the funeral, and may have taken out membership in the cooperative in order to build equity that can be used to defray funeral expenses.
- iii) Pre-Purchased - the individual enters into a contract and purchases a defined set of goods and services from the cooperative in advance of their death, which the cooperative is obligated to provide when the person becomes deceased.

It is anticipated that most co-op members will be found in the latter two categories, while the public at large will dominate the “time of need” category. From the CFSC perspective, the member who pre-plans without necessarily pre-purchasing is the most desirable. This member brings capital into the cooperative, unlike the pre-purchase contract, where the bulk of the funds must be placed in a trust account and are unavailable to the cooperative.

The services of the CFSC can essentially be categorized as follows:

- (a) Services of Funeral Director - assist family with planning and arrangements file appropriate papers, provide Funeral Director Certificate of Death
- (b) Disposition of Deceased - pick up body from place of death, prepare body, arrange cremation or embalming as appropriate, transport deceased to viewing and/or final destination.
- (c) Arranging Services - coordinating and attending a memorial service if one is desired by the family, including arranging venue and clergy as appropriate.
- (d) Ancillary Services - arranges and makes disbursements for services provided by third parties, such as obituary, flowers, catering, car/limousine rental.

The business model for the CFSC calls for the installation of an onsite crematorium.

A modest reception room for small viewing or memorial services would be on site, with larger viewings and services arranged at local churches, or at more secular sites such as community halls, hotels, cultural centers, or legion halls.

In addition to the provision of services, the CFSC will sell casket and cremation urns to customers who require them, with shrouding as an additional non-traditional, but environmentally friendly, option. A casket for viewing will also be available for rent.

CFSC will carry small numbers of selected products in inventory and available for purchase, and consumers will have the option of supplying their own casket or urn.

## ***2.5 Location***

The CFSC will require a sales office in storefront premises with enough space for administrative functions, a small showroom, embalming room, client meeting room, a small viewing/memorial service room (30 max capacities) and crematorium. A facility of approximately 10,000 square feet would be adequate, and a capital budget of \$350,000 would be a minimum requirement for renovations and crematorium purchase and installation. These costs are based on a long term lease arrangements and do not include building purchase costs.

A deeper analysis of potential locations for a standalone funeral service would need to be undertaken at the point when CCMS would be ready to pursue this venture. However, based on contacts with CCMS leadership and with Legion Halls in Calgary, the research team also took advantage of opportunities to evaluate the potential of a establishing a funeral service in current Legion hall locations. Legion halls across Canada are struggling with a reduced membership and lower revenues and many are struggling to survive. Legions may be open to considering a joint venture or partnership with a funeral coop, in part as it may be of interest to its aging membership. Space in a Legion could be either leased or purchased, as well as preferred food service contracts for memorial services that are held on site, which could be an important source of ongoing revenue.

Two Legion halls were visited:

- Legion Hall 264 centrally located on 1910 Kensington Road, this legion has approximately 40,000 square feet of space, significant parking space. A portion of the eastern side of the facility could be converted to a funeral service.
- Legion Hall 285 - located off of 9202 Horton Rd SW this hall has approximately 100,000 square feet. While this legion has less parking and slightly more difficult to locate off the main thorough fare and appeared to be relatively active, it has significantly more space available.

Depending on zoning issues, both sites may be suitable for the addition of an onsite crematorium.

An additional option to consider would be to locate the service adjacent to an existing Calgary Coop retail site – cooperative funeral services in the UK have the largest share of the funeral business in England, with many of their frontline services points being located adjacent to Cooperative retail stores. These services offer discounts to Cooperative retail members and benefit from great exposure to everyday retail customers. Though Calgary Coop has yet to indicate a strong interest in supporting a cooperative funeral service, CFSC could consider leasing a space adjacent in a Calgary coop retail centre, leveraging its cooperative identity to the 450,000 members of Calgary Cooperative.

The CFSC also proposes to arrange services in churches, places of worship, community halls, and other funeral homes, renting these facilities as needed.

## ***2.6 Human Resources***

The CFSC will initially require the services of a full-time, licensed funeral director who will also serve as a manager for the enterprise and act as executive director. Industry standard indicate that an additional funeral director will be required for each additional 120 funerals provided.

The projected growth of the cooperative calls for a full time funeral director to be added part way through Year 1. The managing funeral director would be compensated at approximately \$79,000 per annum, consistent with the salary range in the Calgary market. Additional directors/embalmers could be hired for every 120 additional funerals provided by the business at approximately \$50,000 per year. The business would also require the services of an office manager/administrator, and compensated at \$37,000 a year. These wages could be augmented by incentive bonuses tied directly to improved operating efficiency and customer growth, not average service charges to mitigate impulses to increase service charges.

The CFSC will also require attendants and ushers to assist the funeral director on the day of a planned service. These would be contracted out on an as needed basis at an estimated rate of \$17/hr.

These wages and all other business costs are projected based on current figures provided by Serenity Funeral homes, relatively proportional to costs in Edmonton, though with an additional 20% added for physical facility lease, renovations and maintenance given relatively higher costs in Calgary.

**2.7 Regulatory Issues**

The CFSC will need to comply with any applicable regulations of the Registrar of Cooperatives.

Under the Alberta Funeral Services Act funeral homes that enter into Prepaid Funeral Contracts must hold a special license to accept pre-payments. All details of the arrangements and the payment plan must be provided in a written contract. The written contract must be approved by the Alberta Funeral Services Regulatory Board.

The CFSC will require an Alberta Funeral Services Business Licence, which entails submitting a range of documents to the Alberta Funeral Services Regulatory Board. The following table outlines these documents and the costs associated with each

Completed Funeral Services Business Licence Application	\$500
The Funeral Business Licence Fee	\$150 annual
Certificate of Incorporation from Alberta Registry	\$100
Municipal Building Permits (Renovations)	\$1.22 m <sup>2</sup> of renovations
Zoning Approvals	\$6000 (approximate)
Municipal Business Licence	\$146
Standard Pre-need Funeral Contract if Pre-need Funerals are entered into	\$10 per funeral conducted in the previous year
Standard At-need Funeral Contract used at this location	\$10 per funeral conducted in the previous year

### 3.0 MARKETING STRATEGY

The marketing strategy of the CFSC will depend heavily on the drive and commitment of its member organizations.

The primary marketing thrust of the CFSC will be to grow membership of the funeral cooperative by conducting a membership drive amongst Calgary Cooperative Memorial Society members, organizational member legions, churches and cooperatives, and among community-oriented organizations that are favourably disposed to both cooperative model and the goals of promoting responsive cost effective services. This membership drive will utilize volunteer presentations, along with targeted advertising in appropriate newsletters, at select community events and website links.

Although the main thrust of the membership drive is word of mouth and leveraging existing social capital within the community and cooperative sectors, it remains important for the CFSC to have a conventional advertising and marketing presence as well, in order to appeal to the general public.

The annual advertising budget for the CFSC is set at \$32,000 per year, and should permit the following recurring expenditures:

Newspaper advertising	\$10,000
Bus Bench advertising (10 benches for 12 months)	\$6,000
Print material replacement	\$2,000
Selected mailings	\$4,000
Webpage updates and social media advertizing	\$10,000
Total	\$32,000

In addition to the annual advertising allocation, the business plan calls for \$95,000 in start-up promotional/advertising costs. This is nominally allocated as:

Design and inventory of printed material	\$40,000
Exterior signage	\$12,000
Website development	\$10,000
Billboard campaign for launch	\$15,000
Radio spots for launch	\$10,000
Newspaper advertising for launch	\$8,000
Total	\$95,000.00

These advertising purchases will allow the CFSC to have a visibility that is comparable to the mid-size funeral homes in the Calgary market.

### 3.1 Pricing Strategy

The pricing strategy of the CFSC is to remain transparent in pricing and to operate on a modest mark-up for caskets and urns that are re-sold to customers and members.

The following table outlines costs based on CCMS rates for 2011.

<p>Plan A1 \$1,425 <i>plus GST</i></p>	<ul style="list-style-type: none"> <li>• Transfer of deceased from place of death within Calgary city limits (where only one transfer personnel is required)</li> <li>• Preparation of documents to obtain permits for burial or cremation.</li> <li>• Grey cloth covered, <u>flat top casket</u> with white satin interior for burial.</li> <li>• Suitable container when cremation is selected.</li> <li>• Use of chapel for funeral service or equipment and staff required for service at a church.</li> <li>• Ushers for funeral service.</li> <li>• Music for funeral service.</li> <li>• Basic stationery package (memorial book &amp; service folders).</li> </ul>	<ul style="list-style-type: none"> <li>• Funeral coach to Calgary or district cemetery or crematorium.</li> <li>• Two (2) copies of Funeral Director's Statement of Death</li> <li>• A tree planted at one of McInnis &amp; Holloway's Memorial Forests.</li> <li>• Cremation extra cost option - \$400.</li> <li>• Memorial Society Administration fee extra cost - \$25.</li> </ul>
<p>Plan A2 \$1,590 <i>plus GST</i></p>	<ul style="list-style-type: none"> <li>• Same as Plan A1 but substituting:</li> <li>• Grey cloth covered, <u>raised top casket</u> with white satin interior for burial, or:</li> <li>• <u>Aspen Hardwood Casket</u> - additional \$485.00</li> </ul>	
<p>Plan B1 \$875 <i>plus GST</i></p>	<ul style="list-style-type: none"> <li>• Transfer of deceased from place of death within Calgary city limits.</li> <li>• Preparation of documents to obtain permit for cremation.</li> <li>• Cremation fee or casket as in Plan A1 if burial.</li> <li>• Cremation container.</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer of deceased to crematorium.</li> <li>• Two (2) copies of Funeral Director's Statement of Death.</li> <li>• A tree planted at one of McInnis &amp; Holloway's Memorial Forests.</li> <li>• Memorial Society Administration fee extra cost - \$25.</li> </ul>
<p>Plan B2 \$1,385 <i>plus GST</i></p>	<p>Same as Plan B1 also including:</p>	

GST	<ul style="list-style-type: none"> <li>• Use of chapel for funeral service or equipment and staff required for service at a church.</li> <li>• Ushers for funeral service.</li> <li>• Music for funeral service.</li> </ul>
Plan C plus GST	<p>Any deviation from Plans A1, A2, A3, B1, or B2 (other than the listed Optional Additional Costs) will void those plans. Members will then be entitled to a 10% discount on casket, urn and professional service fees.</p> <ul style="list-style-type: none"> <li>• Memorial Society Administration Fee extra cost \$25.00</li> </ul>

It is important to note that these prices reflect what would be offered to CCMS members only. The average price of a funeral in Alberta in 2006 was \$6,370. It is anticipated that approximately 50% of the CFSC clients will be CCMS members and that approximately 35% percent of these funerals will be of higher cost as family members purchase additional services beyond the prepaid packages resulting in an estimated average purchase by CCMS members of \$1200/funeral. With its goal of serving CCMS members and a wider public with affordable options, this business plan estimates average funeral costs of less than half this average at \$3000 per funeral.

***3.2 Customer Service***

The CFSC will offer funeral planning assistance and materials, will speak to groups upon request, and answer questions from both prospective members and customers. As with other funeral homes, the CFSC will provide families with assistance and support in making arrangements and in completing necessary forms for Vital Statistics, Social Insurance and other government entities.

Where the CFSC customer service will distinguish itself, is in supporting and assisting members in taking more of the planning and decision-making into their own hands. Cooperative members will be positioned to build equity for their funeral, and given the opportunity to specify modest cost choices that surviving family members may hesitate at. Embalming will be presented as truly optional (although forgoing embalming may not end up lowering cost, as it significantly reduces the flexibility of scheduling, which may incur offsetting costs).

## 4.0 FINANCIAL PLAN

As noted earlier, the strategy of the CFSC is to utilize a leased space this reduces the initial capital required, and lowers the breakeven threshold in recognition that the cooperative membership (and the enterprise) will have to be built over time.

Leasehold Improvements to Premises	\$120,000
Furniture & Equipment Purchase	\$50,000
Crematorium Purchase and Installation	\$75,000
Business start-up; incorporation, licensing	\$25,000
Start Up Promotion & Advertising	\$95,000
Working Capital	\$120,000
Miscellaneous	\$40,000
Total Start up Requirements	\$525,000

### 4.1 Capitalization Strategy

The CFSC will be initially capitalized member equity (member shares); loans from individual and organizational members as well as bank loan potentially from a Calgary based credit union.

While non-profit cooperatives may be able to issue fixed dividend capital shares, the costs of complying with Alberta Securities Commission regulation regarding shares issues are prohibitive given the relatively small amount of capitalization required. Thus CFSC will look in part to access part of its capitalization needs via member loans of \$1,000 to willing individual members, and \$10,000 from organizational members. The following table outlines the amounts that could potentially raised via members shares and loans.

	Member Share	# of members	Total
Individual Member	\$25	300	\$7,500
Organizational Member	\$10,000	10	\$100,000
Total Member Share Equity			\$107,500
	Member Loans	# of members	
Individual Member	\$1,000	150	\$150,000
Organizational Member	\$10,000	15	\$150,000
Total Member Loans			\$300,000
<b>Total Share and Member Loans</b>			<b>\$407,500</b>

All member loans would carry a 1.5% return rate over 8 years, primarily to cover the costs of inflation. These projections estimate CFSC being able to cover approximately 70% of its capital costs through member shares and member loans, with the final amount depending highly on the level of engagement with founding members. In order to avoid cash flow shortfalls during initial start up of the business, principle and interest payments on member capital and loans would not begin until the second year of operations. The authors note that both Serenity and People' Memorial Society raised close to 100% of their initial capital needs from similar capital campaigns from members and supporting organizations.

The balance of the start up requirements would be sought from a financial institution union, with an estimated interest rate of 7.5% for an 8 year term. Clearly, the higher the amount of capital raised from cooperative members, the lower the financing costs will be and the earlier the breakeven point will be reached.

## ***4.2 Sales & Income Projections***

As outlined by the financial statements provided in Appendix D, the CFSC is projected to achieve net sales revenues of \$ 543,852 in its first year of operations, climbing to \$1, 332, and 66 by Year 3. This is predicated on CCMS member funeral rates comprising 64% of funeral services in the first year, falling to 48% in the third year. Relatively rapid growth is anticipated in the first year, levelling off to less than 5% annual growth by the second year.

Under these conditions, the cooperative will achieve positive cashflow towards the end of year 3, with an annual operating gain of approximately \$171,692 for that year.

### ***4.3 Critical Factors***

This business plan outlines a model for a cooperative funeral services enterprise that takes into account existing market realities within the Calgary area. While it strives to minimize risk by employing a low overhead model based on shared infrastructure and strategic alliances, the viability of the plan hinges on several key factors. In order for this business plan to become operational, the following critical factors must be in place:

1. Service agreements with other funeral homes – first year projections are that the funeral service would be able to offer services to approximately 162 CCMS members a year at the average \$1200/funeral rate. As there are approximately 700 funerals a year taking place via CCMS members, service agreements would be required with other funeral providers in the area, discussions with Piersons Funeral Home, Simply Cremation and Funeral Services and Evan J. Strong Funeral Services indicate that they would be amenable to such contracts. It is believed other funeral services in Calgary may be amenable as well.
2. Involvement and support of founding organizational members – Mouth to mouth referral will be one of the most crucial factors for the success of this venture. The degree to which CCMS, churches, legions and other cooperatives are involved in the business development, ongoing referral and marketing will be crucial to the success of the cooperative. With access to literally thousands of organizational members, referrals from member legions, churches and cooperatives will be a fundamental requirement for the early success of the business. A comprehensive marketing package would be developed for organizational members, outlining their reasons for being a member of the funeral business could be tailored for each member organization.
3. Key Staff - The CFSC must be able to identify and engage an experience and licensed funeral director, who both understands the cooperative model and is capable of managing the enterprise under the direction of a board of directors.

If these factors are present, it is anticipated that the Calgary Funeral Services Cooperative can enter the marketplace, and successfully provide a cooperative alternative in the funeral services sector.