

White Companies Target Inner Cities, Churches In Push for New Markets—Rumors Fly in Los Angeles

By Angelo B. Henderson
Staff Reporter of *The Wall Street Journal*

2,184 words, 18 July 1997, *The Wall Street Journal*, English
(Copyright (c) 1997, Dow Jones & Company, Inc.)

Is the black-owned, family-run funeral home destined for a slow death?

For Hugh Winstead Jr., who runs his family's 60-year-old funeral parlor in Louisville, Ky., this isn't merely a matter of historical interest.

For months now, the African-American neighborhoods served by Mr. Winstead's funeral parlor have been barraged with mammoth apple-green and white billboards, blaring: "Family Funeral Home. The Lowest Price Guaranteed." The advertisements were posted by Service Corp. International—the Wal-Mart of the funeral-home and cemetery business.

If that weren't enough, consider, too, the efforts by Loewen Group Inc., a giant Canadian company, that has been aggressively pitching for part of the black burial business through churches and telemarketing programs here and throughout the nation. While it isn't clear how many of Mr. Winstead's potential clients have gone over to this high-pressure, low-cost competition, one thing is certain: Increasingly, mainstream funeral concerns see potential profits in a sector of the death industry they admit they actively shunned less than a decade ago.

The chains have their reasons: A protracted industrywide consolidation and growing competition in the \$7 billion-a-year death industry have pinched profits and made growth harder to come by in their traditional markets. Moreover, federal statistics showing high mortality rates among young blacks and industry surveys showing that most blacks reject low-cost cremations in favor of high-markup burials have made them an attractive target to the industry's big

players.

But for the nation's estimated 4,000, mostly family-owned black funeral homes, and the communities they serve, more than dollars are at stake. African-American funeral homes grew out of the ugliness of segregation to become mainstays of black community and culture. In many places, they remain among the last black-owned institutions catering to and supported almost exclusively by African-American consumers.

Some funeral-home directors worry that, should they be forced aside by chains—or bought out by white-owned companies—the blow to the African-American community will be enormous. “It actually frightens me,” says O’Neil D. Swanson Sr., owner of two funeral homes in Detroit and another in Pontiac, Mich. “Before integration, every major city had a black hotel that we could be proud of. And all of those businesses were just killed off by chains. That just might happen to us.”

Adds Mr. Winstead: “They have our market targeted—there's no doubt about that. Overnight, they're trying to take away what it's taken us generations to do.”

Not everyone thinks competition is a bad thing for the black funeral-home industry. And, if takeovers do come, no one seriously believes they will happen overnight. Though numerous black funeral-home operators say they have been approached with recent buyout offers from the big funeral chains, none will say that they seriously considered them. One pragmatic hitch: African-Americans tend to be loyal to the family undertaker, and many don't like the idea of being buried by a white-owned conglomerate. Just the rumor that a black funeral home has been sold to white owners has been enough, in some cases, to prompt the local community to withdraw its support.

When such a rumor swirled around the Angelus Funeral Home in Los Angeles recently, the black-owned concern was forced to publish this challenge in newspapers and church publications: “\$1,000,000.00 Reward to anyone able to prove as of this date that Angelus Funeral Home has been sold since John L. Hill became the sole owner.” The ads are still running.

But cracks in this shield are beginning to appear; in fact, nothing illustrates this better than a

controversial sales arrangement that Loewen Group reached two years ago with the National Baptist Convention USA, the nation's largest organization of African-American churches. Under the deal, the convention, an umbrella group representing 33,000 churches and 8.5 million members, agreed through a subsidiary to appoint two members of each congregation for training by Loewen as "funeral counselors." They peddle graves, vaults, tombstones and other Loewen products and services to fellow church members at a 10% discount.

The counselors get a 10% commission on sales. And the payoff for the convention: The counselor's home church, or the pastor, receives 6% of sales, while an additional 5% goes to the eight black colleges, four seminaries and 25 Bible colleges that are supported by the organization.

At the time the deal was struck, it seemed a good idea, convention officials say. Among other things, it came with a contribution of \$200,000 to the convention's Christian Education Fund. In addition, the convention is supposed to be granted an ownership stake in 15 Loewen cemeteries over five years.

But the backlash has been fierce, causing a split between the convention and its historic ally, the National Funeral Directors & Morticians Association Inc. It probably hasn't helped that a major proponent of the deal is the convention's controversial president, the Rev. Henry Lyons. The St. Petersburg, Fla., preacher recently has had to defend himself against allegations—raised in a recent police investigation of a fire at a home he owns with a woman who isn't his wife—of adultery with a convention staff member and financial impropriety involving convention finances. Mr. Lyons has had scrapes with the law before; in 1991, according to a recent report by the St. Petersburg Times, he paid \$85,000 in restitution to a bank after the FBI investigated him for suspicion of bank fraud; he wasn't charged with a crime. Mr. Lyons has denied the more recent allegations of adultery and financial-impropriety. And a convention spokesman says the Loewen arrangement was debated openly by both the convention's rank and file and its board.

Still, the funeral-directors group, representing about 2,000 Africa-American undertakers, accuses the convention of selling out black, locally owned funeral homes. "Rev. Lyons and those black preachers are doing nothing but taking their 30 pieces of silver like Judas did with Christ," charges Andrew W. Nix Jr., owner of the Andrew Nix Funeral Home in Philadelphia and the treasurer of the black funeral-directors association. "Loewen is just working black folks and using the ministers as the pawn, the worm and the bait to get to them."

The black undertakers' group argues that, once black pastors steer African-American churchgoers to Loewen for cemetery goods, Loewen will be in a prime position to capture the rest of the business. Consider that Loewen of Burnaby, British Columbia, and Service Corp. of Houston already own many of the major U.S. cemeteries and are building their own funeral homes on-site, making it convenient for a buyer of, say, a Loewen headstone to simply have the whole funeral there. Black funeral directors say some customers are already coming to them with grave, vault, headstone and casket in hand—everything except the embalming.

“So now we may only be left with the professional services, the least profitable part of the business,” says John W. Latney Jr., owner of the Latney Funeral Home in Washington, D.C., and the chairman of the black undertakers' group.

Loewen defends the arrangement. It won't say how many counselors there are, but says it knows of some who are earning as much as \$50,000 a year in commissions. “We get a chance to benefit our business and at the same time give something back to the community—that's what's so exciting about the whole program,” says Larry Miller, a Loewen Group executive vice president.

He maintains that the deal isn't a bid by Loewen to take over black funeral homes or drive them out of business. “This plan is simply built for our cemeteries,” Mr. Miller says.

Mr. Lyons says the program has indeed produced a significant number of jobs for convention parishioners. “As we build jobs, we continue to take people off welfare and give them dignity through work, and a credible job that will allow them to feed their families,” he says. In the Washington area alone, he says, the Loewen arrangement has created 85 jobs and earned \$600,000 for the employees and their churches. A Detroit office is expected to open soon and to hire as many as 180 salespeople, initially targeting 100 churches. And the convention wants to duplicate these sales offices in every major U.S. city. Mr. Lyons notes that it isn't unusual for churches to be involved in at least some aspects of the funeral business; the Roman Catholic Church, for example, has owned its own cemeteries for years.

Still, the criticism by the African-American morticians has stung. Earlier this year, Mr. Lyons went back to the bargaining table with Loewen, and restructured the agreement to make it clearer that convention counselors would only pitch cemetery products, not funeral

arrangements.

That passions run so high is understandable given the history of the African-American funeral home and its place in black history and culture. Since the time of slavery, blacks were forced by segregationist practices to tend to their own dead. Back in the 1700s, burials were a primary concern of newly formed black churches, and preachers took charge of organizing burial societies, says J. Alfred Smith Jr., a lecturer in black religion at San Francisco State University.

Over the years, these burial societies evolved into a thriving undertaking industry with its own trade groups and mortuary schools. It wasn't that long ago that African-Americans weren't allowed to attend most white-run mortuary schools, lie in state at white-operated funeral homes or be buried in the same cemeteries as whites.

Black funeral directors became pillars of their communities. In Charlotte, N.C., the Harriston Funeral Home for years provided the folding chairs for parties and the limousines for weddings; at one time, its hearses served as ambulances on standby at African-American sporting events. To avoid attacks during the civil-rights movement, Dr. Martin Luther King Jr. and other black leaders often were chauffeured away from rallies in hearses by black undertakers.

In black culture, funerals are often bigger than weddings. Scholars say this dates back to African rituals. Today, the death of a prominent black community leader can spark an outpouring nearly on a par with that of a presidential funeral.

When Bishop David Ellis Sr., pastor of Detroit's Greater Grace Temple of the Apostolic Faith, died of a heart attack in March 1996, there were three days of services. His \$30,000 gold-plated casket was propped at an angle in the church aisle so mourners could see his body resting on red velvet cushions.

Such spectacular funerals make news, but it is the more prosaic demographics that have grabbed the attention of the mainstream funeral industry, now quite willing to renounce its segregationist past in search of new market share. While whites increasingly embrace cremation—about 21% of whites are now cremated and the number is expected to grow to 40% by the year 2010—the cremation rate among African-Americans remains low, at about 10%

and is expected to remain flat over the next few decades. Aside from tradition or religious objections, many blacks see cremation as tight-fisted and second-rate. How a loved one is "put away" draws intense scrutiny—of the quality of the casket, the floral bouquets and other details—and reflects on the family of the departed. Some African-Americans, especially transplanted Southerners, ship the remains of loved ones back to their home towns for burial by the family undertaker.

On average, African-Americans spend about \$3,000 on a traditional funeral and burial. That trails the \$5,200 that whites typically spend. But it exceeds the \$2,000 that undertakers can collect for the average cremation.

As grim as this sounds, some in the industry think this sudden attention by mainstream funeral concerns to African-American funeral needs isn't necessarily a bad thing. In consumerist America, they argue, why shouldn't blacks have choices about how to bury their loved ones, at potentially big savings? If nothing else, it may force traditional African-American funeral parlors to reshape their services and prices if they are to compete.

And a buyout by a chain, funeral-industry officials say, doesn't necessarily presage a change in management. Some black-owned funeral parlors may simply become black-managed funeral parlors, with no outward difference in the way they operate.

Still, tradition dies hard. Even Mr. Lyons of the convention, despite arranging the deal with Loewen, says he never intended to hasten the decline of the traditional African-American funeral parlor. "When I die," he says, "I will be buried by a black funeral director."