

Estimating Your Case Count Budget

It's actually the most important component of an overall budget since it impacts each business dynamic.

Dear Dan,
I have owned my business for years. Can you explain how and why I need to create a budget for my business? I understand the accounting, but I get hung up on the logic surrounding the case count. It seems I can never estimate it accurately and that screws up my revenue and profit.
Signed, Counting Cases in Cleveland

Dear "Counting Cases,"
A budget is only as good as the assumptions put into it. And if you take the time to create a budget and find that you don't hit the mark, you cannot simply dismiss it as a waste of time.

I'm a budget guy. I understand why the case count budget is important to estimate. It is really the most important component of an overall budget because it impacts each dynamic of the business. Fail to estimate it correctly and your profit will evaporate. Allow me to outline the budget creation process for case count, how to use the budget and why referring to it during the year is important.

People think a funeral home is a simple business to run, but it is not. It's difficult because it's a business with a high cost of capital assets, a high fixed cost of operations, a limited talent pool for staffing and, lastly, a variable factor that generates the dependency of consumer need (aka death). Your budget must take all of these matters into consideration. So, as a composer would write a symphonic piece by first writing the piano line, let us write all of the points of the budget, after the most critical point is created.

Estimating Case Count

You need to estimate your case count as the first step to building any budget. Though this sounds simple, it is not. First, you should look at your total case count for the past three to five years.

Example: Assume you are a typical funeral business in the United States (see chart).

Chart 1	2010	2011	2012	2013	2014
Total Cases	200	205	195	201	202

Based on this history, you can look at it in one of several ways:

- The three-year average is about 199 calls.
- The five-year average is about 201 calls.
- The weighted three-year average (where the more recent years carry more impact on the conclusion) is about 201 calls.
- The weighted five-year average is 201 calls.
- A linear growth progression, however, would map this out to 204 calls.

So, you have the choice to use a number between 199 and 204, and there is mathematical support for your conclusion. Based on this, I would probably use 200 calls for creating a budget. But in reality, if I had to pick an exact number, I would use 198 calls. Now, you're probably scratching your head trying to figure out how I came up with 198! Allow me to explain.

Case count is important, but it is an ego-driven number. Funeral homes have



THE AMAZING ADVENTURES of Air Tray Guy

He once jumped out of an airplane without a chute...and landed perfectly on his feet.

He's Him Jardy: The coolest mascot in the world.

**Custom Air Trays:
Tough. Fearless. Totally Awesome.**



1-800-992-1925
CustomAirTrays.com

© adfinity

a mental paradigm of their case count, and it changes. To the inquiring public, you use round numbers: “We serve about 200 families a year.” You don’t say, “We serve about 198 families a year.” If you are at a convention and your competitor is standing behind you, I am sure you say to your conversational partner (in a voice louder than anything else you have said in the last 30 minutes), “We did about 220 calls last year!” However, if you are paying dues to an organization based on case count, you probably include only your casketed calls.

Once you decide on your annual case count number, you need to break it into a monthly number. Most would simply take 200 and divide by 12. Since that is 16.67 calls per month and no one in the history of funeral service has gotten a 0.67th of a call, you might say 16 or 17. But you would be wrong, as you really should budget for each of them. That is to say, for some months use 16 and for some use 17.

However, we are not building an annual budget as much as looking to create a budget that can be reviewed on a month-

ly basis. Mortality is a result of the sphere of uses of the Law of Large Numbers. We know that mortality is about 8.2 deaths per thousand people per year across the entire United States. The fickle finger of the Law of Large Numbers is that mortality is not level throughout the year. We know that the six months of October through March have about 52 percent of the annual mortality, while the six months of April through September result in 48 percent of the annual mortality. So you might use 16 for the monthly case count budget for each month from April through September and 17 for each month October through March. If you add that up, you get 198 calls (insert your “aha!” moment here).

As I get smarter in my 30th year in the funeral business, I understand that the Law of Large Numbers messes with funeral homes’ monthly budgeting process because we have demographic shift during the year. For example, dear Counting Cases in Cleveland, I bet you have people who live in Cleveland year round because they work year round. However, these people are not dying at

the same rate as those who are not working. A portion of the “not working” population most likely leaves your frozen tundra in November and goes someplace warm. Therefore, if I were building a budget for you, I would estimate that the swing between the low-mortality months and high-mortality months is going to be greater. I might estimate that your monthly case count is going to be lower during the cold months since your population is going to be less. If these people die, they will probably die in their winter homes. Over time, the longer a person uses a winter home, the less chance there is he or she will be shipped back after death. So I might be conservative and assume 14 calls October through March. However, based on the total case count shown in the above case count history, I am going to do about 200 calls a year; it’s just estimating these on a monthly basis that gets tricky.

Nonetheless, it is important to understand which dynamics of funeral service operations are contingent on an accurate case count. The highest and most respected business component contin-

WHY DOES YOUR FUNERAL HOME BRAND REALLY MATTER?

Families select funeral homes based on a variety of factors.*

Previous experience and location are top considerations, but **GOOD REPUTATION** and **FAMILIARITY** are close behind.

REPUTATION is even more important among consumers who shop around.

COST is not a top consideration when selecting a funeral home.

Understanding how consumers decide what funeral home to use will help you pave the way to greater success.



WHY SELECTED FUNERAL HOME	CONSIDERED ONLY ONE FUNERAL HOME	CONSIDERED TWO OR MORE FUNERAL HOMES
Family/friend used it before	27%	11%
Closest location	17%	24%
More familiar with it	14%	8%
Good reputation	10%	17%
Know the owner	10%	4%
Preferred by the deceased	9%	4%
Seemed most caring	3%	11%
Faith/religion	1%	2%
Cost/prices	0%	10%
Appearance	0%	4%
Other	14%	11%

*Batesville research with consumers involved in selecting a funeral home within the past 2 years.

gent on an accurate case count is revenue. Now, we have to do something more complex than Grandpa Counting Cases did when he ran his business. In Grandpa's day, all calls were the same. Almost all calls had a casket, a visitation and a service. Grandpa could not even spell "cremation." You, dear third generation, are punished for his sins. You must look at cases differently.

To me, it is not a burial or cremation. To me, the phrase "traditional call" should be buried in a group funeral. I do not care if a body served by my client is buried or cremated. I prefer to look at four distinct types of calls:

1. Casketed calls: any call that has a casket involved, including rental caskets
2. Non-casketed calls: any call that does not require a casket. Shipping containers are not caskets. You might use them to present bodies, but they are not caskets.
3. Trade or shipping calls: any call whereby the funeral home is being hired by another funeral home. Shipping calls are calls in which the family is employing the funeral home on a limited basis (either just for the funeral and/or interment or to originate the call, with interment taking place at a different location).
4. Indigent, child or contract calls: Indigent calls are those in which you are primarily paid by the state or county

as the deceased was without means or had no relatives of means. Child calls are services to families with young children, in which you typically donate some or all of your services. Contract calls are those in which you negotiate under a group contract, such as tribal nations, convents or other groups.

So, let me take the first chart and build it out with the above call types (below):

Call Type	2010	2011	2012	2013	2014
Casketed	130	130	126	125	120
Non-Casketed	41	44	46	48	51
Trade/Shipping	19	23	11	19	21
Indigent, Child or Contract	10	8	12	9	10
Total Cases	200	205	195	201	202

Now we're not just estimating one number for our case count budget but four numbers! This is why this is so tough. If you look at the various computations of averages, weighted averages and linear progressions, you come up with wide swings in which numbers to use for each type of call. To look at the trends, you would not look at these numbers at all but at the percentages represented by case type, as I have created in Chart 3 (rounded to 100 percent).

Do you see clearly now that in this example, casketed case count is declining very rapidly? And while 2014 is 59 per-

Call Type	2010	2011	2012	2013	2014
Casketed	65%	63%	65%	62%	59%
Non-Casketed	21%	21%	24%	24%	25%
Trade/Shipping	10%	11%	6%	9%	10%
Indigent, Child or Contract	5%	4%	6%	4%	5%
Total Cases	100%	100%	100%	100%	100%

cent versus 2010's 65 percent, this is not a decline of 6 percent. It's a 10 percent decline over five years. A budget is an estimate for your future cases. So if I am estimating 198 calls, maybe I would assume about 57 percent of those are going to be casketed. Since there is a similar but inverse effect on non-casketed calls, I might assume those are going to be 28 percent. There is no trend to the trade/shipping or indigent, child and contract calls, so I would assume 10 percent and 5 percent, respectively.

Therefore, Counting Cases in Cleveland, the point of building a budget is to prepare to be wrong. Suppose you built a budget and your pricing assuming 57 percent casketed calls and it turned out you actually did 58 percent of your calls as casketed calls, you probably have more profit. And if you have more profit, you can afford the therapist bill for appeasing your anger at guessing wrong.

I am a big proponent of guessing wrong and winning with a profitable budget! ✦

MORTUARY LIFT COMPANY

A L i f t i n g E x p e r i e n c e TM



FEEL THE POWER!

RELIABLE 110v POWER SOURCE
- NO DEAD BATTERIES
- NO EXPENSIVE BATTERY REPLACEMENT
- PLUGS INTO ANY OUTLET

NO SCRATCHING OF CASKETS OR TABLES
SINGLE-PERSON Transfers In Prep Room
NO TOOLS REQUIRED
ZERO TO 1000LBS LIFTING CAPACITY

LIFT Dressed & Undressed
Embalmed & Unembalmed

SUPER DURABILITY!!
MOST HAVE A LIFESPAN OF 30 YEARS



Load Scale



Casket Lifting



Nothing Dangling
in Workspace

1-800-628-8809 • WWW.MORTUARYLIFT.COM

Dan Isard, MSFS, is president of The Foresight Companies LLC, a Phoenix-based business and management consulting firm specializing in mergers and acquisitions, valuations, accounting, financing and customer surveys. He is the author of several books and host of The Dan Isard Show at www.funeralradio.com. He can be reached at 800-426-0165 or danisard@f4sight.com. For copies of this article and other educational information, visit www.f4sight.com. Connect with Isard and The Foresight Companies by following them on Twitter at [@f4sight](https://twitter.com/f4sight) or on Facebook.

The financial and tax advice contained in this article is for informational purposes only and may or may not apply to your individual position. Readers are strongly encouraged to seek the counsel of qualified advisors before undertaking any action based on this information.