

Liar's Poker

Six key items to manage when negotiating with a casket company.

Dear Dan,

I took over my father's business four years ago, and every day I am more and more aware of how unlike my father I am. One such revelation provoked me to write to you.

I remember as a teen being with my father at conventions. In the evenings, his buddies – competitors, colleagues from around the state and, of course, casket salesmen – would meet for cocktails. During the evening after the casket salesman who had bought dinner had left, the game of liar's poker began. First, one guy bragged about how many bronze caskets he sold last year. Soon the gang would explore another fabrication, stating how low their cremation rate was. Finally, the lies reached their climactic ending with what I call the "straight flush of lies" – they bragged about what a great discount they got from their casket company.

Dan, at 17, I started paying the bills for the funeral home. I saw the discount for the 100 caskets we bought. Dad was exaggerating to his friends by more than 100 percent! And I figure that since Dad was lying so extremely, his colleagues must have been, too.

Well, I bought him out four years ago and he is now living in Florida, playing liar's poker with his buddies on Facebook. He tried to teach me how to lie, but I think he should have taught me instead how to negotiate a fair deal with a casket provider.

The casket company I use keeps telling me, "You have the best discount and rebate program of anyone!" What the salesman does not remember is that I heard him tell that to my dad for many years. I didn't believe it then and I don't believe it now. Can you help shed some honest light on these matters for me? Otherwise, I'll just call Dad's cronies and then tell the salesman I want 35 percent.

Signed, Truth Teller

Dear Truth Teller,

I feel it only fair that funeral home owners lie about the casket company deals they get since negotiating with casket companies is like buying a car. I refer to these as "diplomatic" lies. There are deals and then there are deals, but in all cases, the casket company wins. I have no problem with the premise. I believe that each commercial transaction should be a win-win transaction. But, like people who negotiate for a car and think they got the better of the transaction, they are fooling themselves. You can't build those large car dealership buildings on bad deals.

Casket company deals are intended to keep funeral homes off guard. We see the prices our clients pay, and many buy from the same casket company and take delivery from the same service center. Thus, a funeral director presumes that the gross sale price is the same among everyone within that particular service center. But for one casket company, there can be multiple gross price points for the same casket. When you negotiate with a casket company for your units, there are six key items to manage within the negotiation:

1. Gross sale price
2. Discount rate
3. Rebate
4. Sales guarantee
5. Contract term
6. Ancillary items.

The place to start before you begin your negotiation is by reflecting on what you have sold. Produce a printout of the 30 caskets you sold most frequently over the past two or three years; the road most recently traveled is often an indication of the future. While most funeral homes are selling fewer caskets each year, this list can still give you a good indication of the value of your account to these casket companies.

Gross Sale Price

This is step one in the negotiation process. I prefer to give the historical sales information (the list you've created) to all casket vendors at the same time and ask them to give me the gross price for each unit. While all companies have different names and code numbers, casket salespeople are well trained and can translate from one company to their own. We want the gross price point because we want them to make a guarantee to you based on that price. This is the most important agreed-upon point in the entire negotiation.

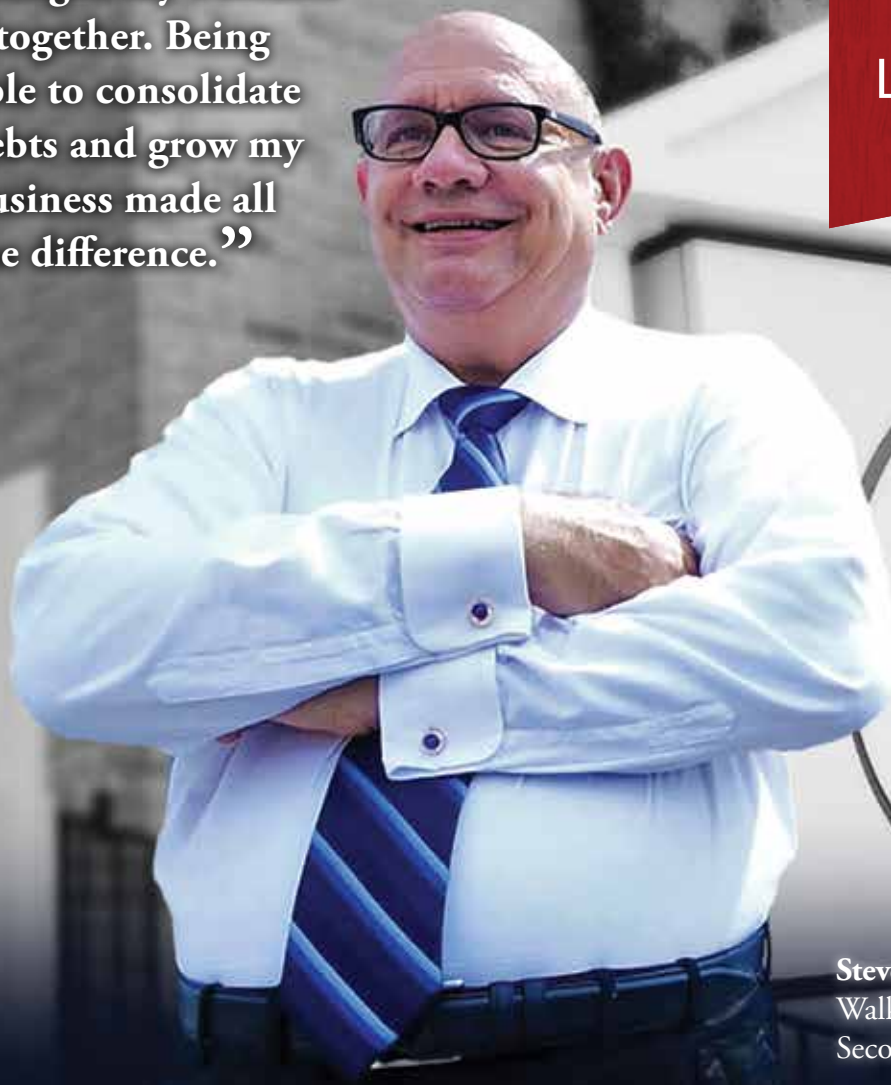
The Discount

Don't talk discounts until the gross sale price of each unit is defined. I have seen the discount vary widely among casket-buying customers, with, for example, firms buying 100 caskets getting discounts of as little as 5 percent and as much as 25 percent. This does not mean one owner is better at negotiating than another. The casket companies may try to get you to focus on the discount and not the net cost. Remember, in step one, you agreed on a gross price per unit. Now, with step two, we apply the discount. This results in the net cost of each unit. Now you can assess which company is giving you the best, lowest cost for each unit. Frankly, I would rather have a "net" due per casket computed each month. However, as long as I negotiate this way, I can make sure the price I pay is the price I negotiated.

The Rebate

The rebate is the ultra-incentive. Only if you accomplish or exceed everything you are supposed to do might you wind up with a year-end payment. But since I normally want my clients to guarantee to give nothing other than their best efforts, I don't want a rebate. I want the lowest cost. To me, a rebate is akin to overpay-

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ing your income tax withholding to guarantee that you get a refund. I don't think the U.S. government needs a tax-free loan from a funeral home, and I don't think a casket company needs an interest-free loan either. Some companies are set on receiving a rebate and cannot change their behavior. If that's the case with your firm, then get the casket company to pay it to you monthly. In fact, tell them to take it off your bill each month.

The Sales Guarantee

Obviously, casket companies want all of your business and will push for a clause in your contract that designates them as exclusive providers. I do not like exclusives. There are reasons you may need an alternative provider, and although there are probably a small number of situations each year, when they do happen, you could be in default.

Furthermore, some companies will look at a firm that is historically a purchaser of 100 caskets per year and say, "You must buy 100 caskets" or the rebate and discounts are rescinded. I recommend that you never agree to that condition. First of all, you cannot control what the families you serve buy. Your objective is to be in funeral "service," not serve as a retail casket company's sales facility. So guarantee what you can guarantee – that is to say, you can only guarantee your best efforts.

Contract Term

Casket companies typically want a long contract. It can be for one year or up to five years – it is what you negotiate. There are a few things to balance. I believe that if a casket company can guarantee a price

for caskets for one year, then you should be willing to sign a one-year contract. If it is asking for multiple years, then you must have the price guaranteed for multiple years.

If, however, you should cancel the contract, the company might have a claim for all rebates, discounts and other incidentals it has given you. This can be a lot of money, even for a 100-casket business. For example, last year, a funeral home owner sold his business in the fourth year of a five-year contract. The casket vendor made a claim to get back five years of discounts, rebates and incentives. The only thing the vendor did not have its lawyers

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demand was the price of the beers from the baseball game to which the salesman took the business owner.

Some vendors will say, "I am guaranteeing that the price in future years will not go above 5 percent." That is not much of a guarantee. Again, remember the order of the negotiation. There is nothing wrong with an annual contract. It is honest and fair to both parties.

Ancillary Items

Many additional items get confused in a

casket contract. One is the furnishings/fixtures in the selection room. This is a large investment for you. The first question to ask is, "Do I need it?" If the answer is affirmative, then the follow-up question is, "Who should pay for it?"

Every time I go grocery shopping, I think about caskets. There are 20 or more companies selling crackers, yet one of them is located in the prime space on the shelf and has a side display with electronic coupons spitting out of it. Do you think the food store pays for the display? No. So why do casket companies want the funeral home to pay for the display promoting their goods?

The furniture and fixtures of a selection room can cost anywhere from \$25,000 to \$50,000. My point is simple: If the casket companies believe that racking and lighting will sell better units and the companies will benefit from it, then I like them to pay for it. They may tell you they will pay for it with a five-year contract. However, I think the funeral home pays for it over that five-year contract. Am I cynical? Yes, guilty as charged.

So, kid of the King of Liar's Poker, there you have it. Remember, if one casket company won't deal with you fairly, go ahead and invite all of them to your table. You will get the deal you need. I am not against casket companies – I am in favor of funeral homes having an informed negotiation. ✦

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