

The Reality Primer of the Cremation Business



The Cemetery Cremation Business

This is the fifth and last installment of a series of articles on the cremation business. In the previous articles, I presented an overview and the specific dynamics of each of the three types of cremation businesses that the funeral service industry deals with. I examined the trade cremation business, the “no frills” cremation business and the funeral home cremation business. This final installment is geared to the cemetery side of the cremation business.

Each time a family chooses to cremate a loved one, the cemetery business faces a challenge. The challenge is that there is no mandatory obligation to inter the cremated remains. By my estimate only 10 percent of families choose to inter the cremated remains. This is called an inurnment. The other 90 percent do something else with the urn, which is the No. 1 dilemma of the 21st century cemetery.

A cemetery is a simple business. You buy land by the acre and sell it by the foot. The typical grave is anywhere from 27 to 33 square feet. Graves have gotten bigger as we’ve supersized our lunches and stomachs.

The cemetery has a unique problem with the growth of cremation. On the one hand, there are fewer graves purchased for casket interment. On the other hand, there is more inventory, as you can inter about 30 urns in a space that would take one casket. Also, there are so

many more options for interment with an urn than there are for a casket. It is these last two facts that present the greatest opportunity for the cemeterian.

Imagine you are designing one acre of cemetery space. There are 43,560 square feet within that acre. Typically, there is a loss of about 10 percent of the space for roadways and other utility easements, so we have saleable inventory of about 39,000 square feet. If I am trying to design this as single graves, I assume that each grave is about 36 square feet. That means we can fit about 1,100 graves in this area. With an interment fee of \$1,000 and an opening/closing of \$500 (just for the sake of example), that represents \$1,500 of revenue per grave or about \$1.65 million per acre. This assumes no price changes as the acre of interments fills up. If I inter 100 casketed bodies a year in this area, I will have 11 years of inventory.

Let me do the analysis assuming the cemetery wants to look at that same space for niche burials. Assuming a modest layout of 2 square feet per ground niche, that provides for about 19,500 interments of urns in that same saleable acre. If I estimate a modest fee for the inurnment of \$400 and the opening/closing of \$200, (just for the sake of example) that represents \$600 of revenue per ground niche or about \$11.7 million per acre. This assumes no price changes as the acre of interments is filling up. If I inter 100 urns a year in this area, that gives me 190 plus years of inventory.

Cemeteries that fill up by having a marketing agenda to cremation consumers can maintain their activity as a selling organization for many years to come due to inurnment sales.

The other matter that makes cremation attractive for cemeteries is the contribution to perpetual care. I have many concerns about perpetual care.

I write articles on the subject and give seminars on the subject, because I am trying to get the warnings out. To me, perpetual care is a placebo. The amount contributed is set by state government agencies and voted upon by bureaucrats in the same way Social Security was established. There is no reality in the funding and the needed benefits when the cemetery is fully subscribed.

However, there are two ways cremation can benefit cemeteries and protect them from this problem. First, it delays the reliance upon the trust fund to provide all of the costs for the care and maintenance of the property. Second, it helps fund the trust to a greater degree.

Assume that the state requirement is that 10 percent of sales must go into a perpetual care trust. In the above example, one acre of graves represents about \$1.65 million of interment revenue. Therefore, the perpetual care trust would be funded by \$165,000 (10 percent). However, if that one acre was totally developed for ground interment, the revenue potential is about \$11.7 million, and therefore the trust is funded by \$1.17 million! This represents more than \$1 million more than burial deposits for the trust.

Of course, regardless of burial or inurnment, the one acre example of land can be developed for upright interment. A mausoleum can be developed seven units high in practically the same area that would hold one grave. A more realistic analysis would be to assume that with walkways and the loss of roadways, you would have a 20 percent loss of space, allowing an acre to hold above-ground crypts or niches covering 35,000 square feet. Going seven high would allow a mausoleum crypt development to hold about 6,700 interments within an acre. If I estimate a modest fee for the interment of \$2,000 and the opening/closing of \$500, (just for the sake of example) that represents \$2,500 of revenue per crypt, or about \$16.75 million per acre. This assumes no price changes as the acre of interments is filling up. Even if this development cost about

\$1 million, it is still producing a sizable gain over the 60 to 70 years it would take to sell it off (at 100 sales per year).

The cremation alternative to crypts is niches, either as part of a mausoleum or in crypt walls. The same space would be able to create about 122,000 niches that would generate sales revenue of about \$97 million. While you can see the absurdity of the numbers, when comparing like interment options to each other, the math is simple. If the cemeterian can convince people to use their cemetery for the stewardship of the human remains, there is great value for them.

For cemeteries, there are three markets when looking to serve cremation consumers. We fully understand the 1) advance sale and the 2) at-need sale consumer. What we must also consider is the largest group of all, which I will label the 3) post-sale consumer.

The post-sale consumer takes possession of the cremated remains and initially holds them as a sign of honor. However, as this urn keeper gets older, there is a transition from the urn being an asset to a liability. The urn gets moved from the mantel to the closet and then from the front of the closet to the back of the closet. During this progression, the family

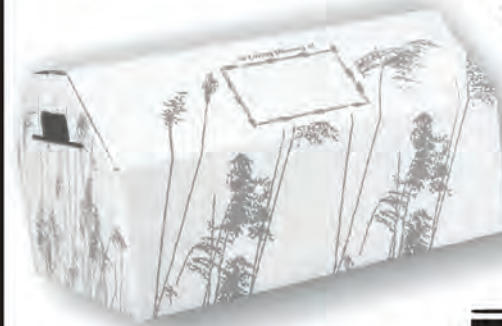
that didn't know what to do with the urn will need options.

They should be marketed to constantly. In our family of follow-up survey programs we ask families that keep the cremated remains, "Do you plan on holding on to them or placing them into a permanent safe location?" We find that more than 50 percent plan on moving them to a cemetery for burial or niche inurnment at some time in the future. I estimate there are more than 5 million households with the cremated remains of a loved one, and they are looking for a solution. That makes the post-sale consumer the largest market.

The increasing choice of cremation is something that funeral home and cemetery managers must be prepared to address. The failure to address this in a proactive fashion will cause business failures. The failure of a funeral home or cemetery is not a good thing for the community or society in general. Let's stop being afraid of cremation and embrace it with gusto and creativity. •

This is the last in a series of articles appearing in American Cemetery & Cremation magazine.

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