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ICCFA Magazine author spotlight

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CEMETERY MANAGEMENT

Inventory management—choosing the right inventory, changing it as your community’s preferences change and pricing it properly—is crucial to generating enough revenue for your cemetery.

The design and redesign of new and aging cemeteries

After being around cemeteries from a professional point of view for 30 years, I place them in one of three categories:

- New Design
- Historic Design
- Contemporary Design

A New Design cemetery is exactly what the name says: It is a cemetery being created from scratch. We have raw land, we have an idea and we have the risk involved in a new enterprise.

There are not many new cemeteries being created. There are very few created by individual investors. Occasionally we will see a municipality create a cemetery. But regardless of whether a private owner or a municipality is involved, there are not many newly formed cemeteries. In my career, I think I have been a consultant for about 25 being planned, but only 10 of those actually were constructed.

In any case, when a new cemetery is built, the platting is (or certainly should be!) clean and crisp and the recordkeeping infallible and usually computerized. Of course, time has not let errors intrude yet; changes in technology have not yet left them behind.

Historic Design cemeteries are plentiful. These are more than 100 years old—some 150 to 200 years old. They may have begun as city-, benevolent association- or church-created cemeteries. In a few cases, they started out being owned by a city or church but have since been acquired by a more modern business owner.

The recordkeeping is generally a blend of computerized records, paper records, color maps and someone’s memory. The accuracy of this mish-mash is 50 percent, so when selling a new space or before interring, you poke the area with a rod and it either does or doesn’t hit an existing

interment. (Thus the 50 percent accuracy.)

Most cemeteries fall into neither the “New Design” nor “Historic Design” category. That is why I refer to them as “Contemporary.” Their creation usually was prompted as part of the move to replace historic graveyards. Many of these new, modern facilities used flat markers to avoid the cluttered look of the upright markers and provide a more pastoral vision.

The Contemporary Designs have records that are as good as the management from its inception to present day, which means that some have excellent records and others ... don’t.

The one thing all cemeteries still accepting interments have in common is the need to develop inventory with as much efficiency as possible within their remaining acreage.

This is not your grandfather’s cemetery regardless of the label I would put on the property. This is a business. Like any business, we cannot have money tied up creating inventory that is beyond a normal business cycle. (And this is also true of nonprofit cemeteries, which still have to generate enough revenue to pay their staffs, maintain their grounds and serve their communities.)

I would ask that you allow me to use examples that are totally hypothetical. This is not an effort to fix pricing among cemeteries. I simply have to use concrete (if hypothetical) examples to explain the math in demonstrating my pricing and development theories, which I believe you should consider as you review your own pricing policies.

The other thing I would ask is that you tolerate my use of the phrase “good, better and best.”

What I believe in doing is creating inventory that by price, feature or supply

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and demand allows you to establish appropriate pricing.

Step 1: Reclaim, reprice, refocus

Reclaim inventory. The first thing you should do is study what can be done to reclaim available inventory within a developed area. Before you start to bring in roads, water lines and other utilities for new development, take another look into areas previously developed and sold.

There usually are graves available for sale in older areas, but often the sales team has lost sight of them. A grave for sale in an area 95 percent sold out actually has more value to an at-need consumer.

Therefore, I would reprice those graves to reflect their higher value, and make sure salespeople are letting families know of their availability.

I also would research the history of graves that were purchased more than 20 years ago but not used. In many cases, these graves are not going to be used. People move, they make other plans, their families choose cremation without interment when the time comes.

If you can find these lot owners, any offering you make to buy back the lots is “found money” for the owner. You can create a market just like some consignment shops. For example, you could agree to buy a grave for, say, 50 percent of the original purchase price—when you have found a new buyer. Assuming the new buyer will be paying current prices, there should be a significant profit for the cemetery.

Using my hypothetical figures, if you wind up having a 25 percent cost of grave, a new sale, even if you pay a salesperson a 10 percent commission, has a 65 percent profit margin—with no period of holding the inventory. Once the grave is finally used, you will also receive the opening/closing costs, along with the document fee and other revenue options your cemetery offers, from monuments to floral programs.

Reexamine your property. Take a look at your property with new eyes. Look for spaces in developed areas that could be used for columbaria and crypts. Boundaries, if they have 5 to 7 feet of space, often can be used for a crypt wall. Corners of areas can make for perfect columbaria or niche burials.

Roadways also can be reclaimed. Assume you have an area where no interments have

taken place for 30 or more years. If there are roads within that area, they might be able to be recaptured. Or, you could see if some roads could be converted from two lanes (about 18 feet wide or more) to one lane (about 9 feet of road width), creating a one-way road.

This redesign frees up 9 feet times the linear road length, and 9 feet is wide enough for a grave. So, if you reclaim 100 feet of roadway by converting a two-lane road into a one-lane road, you create room for about 25 or more graves, side by side.

You could develop this former road area as family estates, for a whole new look. The new look and the fact that the site is adjacent to the road would make it very attractive and especially high in value, being new inventory in an otherwise fully interred area.

I often see a lot of shrubbery and paved walkways around statues, features and religious icons. I have to tell you, to me, these are very expensive. Walkways can be converted to niche graves or ground niches while still retaining a pathway. The shrubbery can be replaced with graves for which people will pay a premium in order to be near the feature.

If you still have 100 acres to develop and are doing 100 interments a year, you don’t need to worry about this, but if you are down to 30 years’ worth of inventory, every square inch of space matters.

Step 2: Survey, and then survey

My objective in developing new inventory for a client is for them to have their investment back within one or two years. That doesn’t mean they will sell out their new inventory within a year or two, but they *will* have their investment back in that time period.

The best way to do this is to survey your families. If you have an acre, you can either develop that for (approximately) 1,000 single-depth graves, 1,000 double interment graves, 100 family estates or 5,000 or more crypts.

How do you decide which to do or what mix to use on that acre of land? The simplest way is to ask your community.

You deal with two or three types of communities. First, lot holders and their families—the community you are now doing business with. Second, the community you may be doing business with in the overall community. If you have a funeral home

associated with your business, you have a third community (and a fourth) with at-need and preneed consumers.

Get contact information for all of them. Create a survey to inquire about their future interment decisions. Create a survey that has several parts to it:

- background identity
- previous preferences
- future preferences
- marketing questions
- pricing questions

Allow me to explain each point.

Background identity gives us information on the party completing the form. Age, gender, zip code of residence, marital status and even religion are all good data points. Based on these data points, I can sort the replies to see how to market to these groups and what each group wants for the future.

Previous preference questions ask people to qualify what they have done in the past. This allows us to contrast patterns. For example, “How long ago did you make your last cemetery interment decision?” Give them choices of periods of time in the past (e.g. one year, between one and five years, between five and 10 years, more than 10 years).

Then ask: “When you last made cemetery arrangements, did you plan to bury, inter within a crypt or mausoleum, cremate and retain the cremated remains, cremate and place the cremated remains within a niche or columbaria?”

Then ask the important question: “If you had to make plans for a loved one today, would it be to bury, inter within a crypt or mausoleum, cremate and retain the cremated remains, cremate and place the cremated remains within a niche or columbaria?”

Future preference survey questions take the actions and thoughts of the past and bring them into the future. Many factors can influence the future, so when dealing with opinion surveys, we need to help limit the range of conditions.

For example, ask questions about the future prefacing it with the phrase, “Assuming what you know now,” or, for pricing, “Assuming today’s dollars.” These answers will help you make fair assumptions for the future.

Marketing questions are very important to ask. You have someone that has started to

give you their opinions. My goal in designing surveys is to keep the time it takes to complete the survey to under eight minutes. The ideal is between six minutes and eight minutes. That's still plenty of time to ask some marketing questions.

They can be simple, such as: "Please indicate all of the following cemeteries you consider to be convenient to you and where you might consider buying interment rights." This will give you a list of your regional competitors.

To discover your real competition, follow that with: "Please rate, starting with number 1, the competitor which you would consider to be your first preference; second preference and so on."

You also can ask questions to find out what, specifically, people like about the cemeteries in your area, such as "Which of these has the best entry portal?" or "Which of these has the best roads?" Be sure to include, "I don't know" as an option, since in many cases people aren't familiar enough with the different properties to answer. Including the "I don't know" option is important to the validity of the survey overall.

Another way to approach marketing questions is with an eye to generating leads. Ask, "Do you currently have an interment spot purchased?" Then follow up with, "Do you have a cemetery you are definitely going to use when you are ready?" Lastly, "Is it our cemetery you are planning on using?"

Now you have a lead, and with the right coding on the survey, you will be able to reach out to this person in the future.

Pricing questions might seem crass and invasive, but the survey is being completed

in the privacy of a people's homes or offices. They are alone. There is no pressure on them to give answers to every question, but most will.

Sometimes you want to prompt answers because someone might not have any idea of what prices are. For example, "How much is a reasonable price for a single grave?" Instead of leaving it open-ended, give choices: "Less than \$1,000; \$1,000 to \$1,500; \$1,500 to 2,000 or \$2,000 or more" as an example. This will help you comprehend your consumers' mentality.

For New Cemeteries, the survey should be the first step in understanding inventory needs and price points. If 90 percent of the people you survey want mausoleum spaces but want to pay no more than \$5,000, you will probably want to consider a communal garden mausoleum. If the price point most people select is double that, you can consider an indoor mausoleum.

New Cemeteries also can use the price question results to help them design grave options. For those wanting more modest options, double interment spaces are a good choice. We know that many people like the idea of double-deep interments without regard to price, but for the price-sensitive consumers, that design feature helps increase sales.

Using the "good, better, best" concept, double-deep interments offered at, say, two-thirds of the cost of two single-depth interments is a great option. For example, if a double-depth grave is \$2,000 (\$1,000 for each) and a single interment is \$1,500, a couple can buy two graves for either \$2,000 or \$3,000.

Don't forget the law of supply and demand: As the supply of one of these two types of inventory is sold down, the price should go up. Also, if you are raising the price of double-depth spaces to \$2,400, the price of the singles should go up to at least \$1,600. That keeps the pricing in harmony.

There is an old carpenter's motto, "measure twice, cut once." I think that the same applies to the redesigning and new developments in cemeteries, regardless of age. Measure your community twice, but design the inventory only once.

Of course, five or 10 years later, when you are ready to create new inventory, you will need to measure again. However, the results of future surveys will tell you even more about your community. New survey results will indicate your community's future inventory desires, and they can be compared and contrasted against the results of previous surveys.

One more thing: Do the math correctly. I remember doing some work for a funeral home client 20 years ago whose cremation rate was 4 percent. About seven years later, their cremation rate was 10 percent.

The client, not a math wizard, said, "Dan, our cremation rate is up 6 percent!" I said, "No, it is up 150 percent." A 6 percent increase would have taken the cremation rate from 4 percent to 4.24 percent. We need to pay heed to the power of surveys and then do the math on the interpretation correctly.

The survey is the focus group for your immediate future. Respect what it tells you. Don't create the inventory for 1930; create the inventory for 2030. That is what you are selling now. 