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**ICCFA Magazine  
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**PRENEED SALES**

Preneed funeral and advance cemetery sales are important to many businesses, but how do you know whether your sales program is taking you where you want to go?

# Your GPS to preneed funeral and advance cemetery sales

I have spent more than 30 years studying funeral preneed and advance cemetery sales. When I started traveling to funeral homes and cemeteries, I had a paper map and atlas as my travel companions. Now, I have a GPS that will talk to me as I drive. I want this article to be the GPS for your advance sales efforts.

In order to have a successful advance sales program, you need to know what route to take and which ones to avoid. The roads that lead to dead ends must be avoided in order to reach your destination. Preneed sales are no longer optional for a funeral home, just as advance sales are not optional for a cemetery.

The average funeral home can measure its preneed effectiveness by reviewing the following five ratios:

**1. Annual preneed sales/annual calls.**

The average funeral home sells 20 percent to 40 percent of its annual calls as new preneed contracts. Some of my clients are writing more than that.

As a matter of fact, the top preneed writers are writing 80 percent to 105 percent of their annual calls. Those firms are experiencing a large growth in total calls. When a firm writes 100 contracts, these contracts go "at need" at a predictable rate. Assuming they are insured, the table below shows expected claim results:

<b>Year 1</b>	<b>0 Probable claims</b>
<b>Year 2</b>	<b>1 Probable claims</b>
<b>Year 3</b>	<b>2 Probable claims</b>
<b>Year 4</b>	<b>4 Probable claims</b>
<b>Year 5</b>	<b>6 Probable claims</b>
<b>Year 6</b>	<b>7 Probable claims</b>
<b>Year 7</b>	<b>9 Probable claims</b>
<b>Year 8</b>	<b>10 Probable claims</b>
<b>Year 9</b>	<b>12 Probable claims</b>
<b>Year 10</b>	<b>14 Probable claims</b>
<b>Year 11-15</b>	<b>20 Probable claims</b>
<b>Year 15+</b>	<b>30 Probable claims</b>

Insurance companies ask questions that derive the risk of the group. If anyone is near death or has conditions that will accelerate their death over the next few years, they are not approved for insurance or offered an annuity. Therefore, we tend to see a 60 percent mortality rate for the first 15 years and 40 percent thereafter.

If a trust or an insurance policy does not have any screening questions, we expect a higher mortality rate for the early years. So if you are writing preneed at a rate above the industry average, your case count will go up and it will be most noticeable near the seven- to 10-year mark.

**2. Average preneed contract face amount/average revenue per call.** If your average revenue per call is \$5,000, your average preneed contract face amount should be about 5 percent more.

This is because people tend to spend more on themselves than their families do. We also typically see two preneed contracts written when a husband and wife prearrange together. The two of them will purchase similar merchandise and services.

If your new preneed contracts are at 100 percent or less of your current average revenue per call, take notice, as this is a negative indicator. It means that your rate of non-casketed calls and partial calls is increasing.

Preneed is an indicator of your future. Look at the tea leaves.

**3. Average preneed contracts serviced/annual calls.** This indicator corresponds to the quantity of total services that you perform that were prearranged. The industry average is between 25 percent and 30 percent. However, I have seen some mature preneed markets where half of all services are prearranged!

A ratio lower than 25 percent indicates that you are probably not writing enough preneed contracts each year or that the average age of

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a preneed consumer is lower than it has been in the past.

On rare occasions, I see a low ratio because people have moved and they do not realize that their preneed contracts are somewhat transferable. Of course, different state laws make this a difficult comparison.

Imagine a person with a preneed contract for a burial and casketed call in one state who moves to another state. Imagine that person making a new arrangement, for direct disposal.

Some people just never reach out to the original preneed issuer and therefore never realize it has some transferable value.

One reason I use this metric is to give me an indication of the efficacy of marketing efforts. For example, assume you have 30 percent of all services coming from preneed.

If that number has increased over the years, it could be an indication that your at-need market is drying up. Remember, very few people cancel a preneed contract. They bought a service, not an investment.

So, if your at-need market is going down, then the number of preneed services (as a percentage of the total cases) will be increasing.

**4. Average preneed contracts backlog/annual calls.** This is a historical number. It changes each year as your new preneed contracts are added and those serviced decrease this number.

I look at this ratio two different ways: as the number of contracts and by revenue dollars. For example, imagine you are a 100-call funeral home and you have 140 preneed contracts in your backlog. That is 140 percent, which is the national average.

We can also look at it in terms of revenue dollars. Perhaps you generate total revenue of \$600,000 a year and your preneed backlog is \$900,000. The result is 150 percent. So by this measure, you are above the national average.

A reason for this overage could be a greater average revenue per preneed contract, or it could be higher due to better investment returns. Another reason is that the average contract is on the books for a longer period of time.

Ideally, you would look at this indicator both ways and determine the logical consistency of these two conclusions.

**5. Average preneed sales/annual preneed leads.** This is a key measure that only third-party marketers, a few savvy preneed marketing firms and I pay attention to. Let us assume that you have 10 leads registered in one month. How many sales do these leads result in during that period?

By most indicators, 10 leads result in eight appointments, which result in six appointments kept. Of these six appointments, two appointments will not be qualified and four will be qualified. If you are successful and close 50 percent, you will have three new contracts.

Why did I say three contracts rather than two? I must introduce logic with the math. I find that 50 percent of all preneed appointments are with couples and 50 percent are with widows or widowers. So, if you make two sales out of four qualified appointments, half result in two contracts and half in one.

Therefore, two sales (in general) represent three contracts.

I have long held the opinion that selling preneed was easy. This is not a theoretical opinion; I got my start in the financial services world selling life insurance across the kitchen table. I know the agony and ecstasy of the sale.

What is tough is finding leads. Good leads must have three qualities, in my book:

- a) They must have a need.
- b) They must be willing to do business with you.
- c) They must have the money to afford to buy what you are selling.

So the theory of mining for preneed leads is to find people who are not opposed to doing business with you, have the money to say “yes” and have not already committed to another provider. This is where prospecting comes in.

### What cemeteries must do

Everything I have written about so far focuses upon funeral homes. I have not given any metrics for cemeteries because no matter how analytical I am, I cannot find the method to construct them.

This is because different cemeteries place a different emphasis on advance sales. Most do nothing to promote their property. Most do not have a sales manager who is paid to promote sales.

To cemetery managers who want advance sales but whose efforts consist of nothing more than a roadside sign (no doubt the same sign for the last 17 years), I loudly proclaim: This is not advance selling.

If a cemetery manager wants advance sales, he or she needs three simple things:

1. A commission-based sales manager who has a sales quota.
2. A budget to market the cemetery with lead generation efforts and money for sales training.
3. A modern master plan that offers different options for interment at different price points.

A successful cemetery with these three operating commitments has the following metrics:

**1. The cemetery has about two advance sales for every interment.** The advance sales drive future interments up, just as preneed contracts drive future calls up for a funeral home.

I find the process is slower for a cemetery, as the average age of a cemetery consumer is about eight to 10 years younger than for a funeral preneed. This is because we are dealing with a limited resource. The grave adjacent to grandfather is either sold or it isn't. Once sold, I can't buy it.

**2. The cemetery has 60 percent to 70 percent of its total annual revenue recorded as advance sale revenue** for interments and merchandise. Cemeteries do not have “preneed.” An interment right is sold and the income recognized now.

The merchandise could be recognized for tax purposes sometime in the future, but the interment right is sold now and the income is unrestricted for tax purposes now.

**3. The cemetery has receivables equal to about 75 percent of total annual revenue.** Receivables for advance sales are good.

If a default occurs, you might still keep this as a partial payment and when death occurs let the family pay the balance due. Or you can default the contract and put the interment location back into your inventory.

Defaulting advance sales are not as bad as the high receivables leading to default after promising to pay for an at-need funeral.

So, now you have your roadmap, super tuned with the GPS (Get People Selling!). □