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**ICCFA Magazine
author spotlight**

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Editor's note: The Cemetery Impossible column is written by the staff of The Foresight Companies. **If you have a question you want to be featured in this column, please send it to danisard@f4sight.com.** Dan Isard or a member of his staff will call you to get more information and a recommendation will be provided via this column, helping not only you but also others who are facing similar challenges.

MANAGEMENT

Figuring out how to price merchandise and interment, entombment and inurnment rights in your cemetery involves doing the math, knowing your market and getting feedback from your salespeople.

Cemetery Impossible

How do you properly set cemetery prices?

Dear Cemetery Impossible,

My cemetery is not priced right and I can't figure out a method to create a solid pricing schematic. Can you help me?

Puzzled About Pricing

Dear Pricing,

Nothing is tougher in cemetery management than determining the price of interment rights. Merchandise is very simple. Let me walk you through both.

However, before I do, I must reiterate the basic mantra of pricing. For every item being sold, there should be a model showing:

- Good
- Better
- Best

We use this good-better-best (GBB) analysis for merchandise and for interment rights. For merchandise, we know that we have different markers, vases, benches and flowers.

For interment or inurnment, we can do the same GBB. We can have whole-body interment either with ground interment, above-ground interment or private interment options, and the same for cremation options.

Each option for whole-body interment or cremation inurnment needs to have a logical progression in offerings and prices. That is why GBB is so very important and influential.

GBB for whole-body interment progresses from the "good," represented by a single grave in the middle of the section to the "better," as represented by a grave alongside a feature. The "best" is represented by a grave adjacent to the driveway.

A whole-body interment plan also considers the options for a couple. The "good" is a side-by-side grave in the middle of the section. The "better" is a double-depth grave in a pre-vaulted area. The "best" is a side-by-side grave with a bench.

Each step up for a single or a double grave



presents the consumer with the opportunity to spend more if they see value in the increased cost. For example purposes only, let's say a single grave in the middle of a section is \$1,000. A single grave by a feature is \$1,400, and a single grave by the roadway is priced at \$1,800.

The important thing to remember about GBB is it allows people to be comfortable spending more. For example, when someone chooses a marker, they choose to spend \$0 before the death and suddenly \$X for a minimum marker. This is a big jump, from \$0 to \$X. When the consumer suddenly must spend \$X, that is initial spending.

However, with GBB, they choose \$X to \$X+ or \$X++, based on how much they like or appreciate what each level offers. This spending over the initial spending is called incremental increase spending.

To go from \$X to \$X+ may be \$100, or only 10 percent more than they were going to spend for the minimum. Surprisingly, when presented properly, incremental increase spending is easier for people than initial spending.

For a single or a double grave, our example would start with a single grave in the middle of a section at \$1,000. This is the initial spending. A single grave by a feature is \$1,400. The incremental increase spending is now \$400.

Compare this to a single grave by the roadway at \$1,800. The incremental increase is only another \$400. With GBB, we do not have people make a decision on \$1,800 versus \$0, we have them judge if the \$400 increase is worth their while.

Remember, these figures are simply illustrative—you need to determine your own

prices, keeping in mind maintaining some sort of GBB spread.

Pricing merchandise

For setting prices on merchandise, you will need to figure out three key items:

1. What is your cost to purchase each item?
2. What is the commission you pay on each item when sold?
3. What do you want your mark-up to be?

If you buy something for \$400, and you are going to pay a commission of 20 percent, then the sale price must be something above \$496. The math is not so simple. It is (cost x [1+ commission rate]) x commission rate + cost. In this case, it equals (\$400 x [1+ 0.20]) x 0.20 + \$400 = \$496.

Most of you probably guessed that the price should be \$480. But do the math: \$480 x 20 percent commission rate = \$96 commission. You are then left with \$384 (\$480-\$96), which is less than you paid for the item.

At a price of \$496, you are still simply covering your costs. At this price, you make no profit. You now need to decide how much profit you want to make.

If you wanted a 100 percent return, then sell that item for \$992 or more. At this price, you would have \$198 going to commission and \$400 to cost of goods sold. Your gross profit would be about \$394. That gives you a 100 percent profit on merchandise.

When you think about pricing interment rights or inurnment rights, you need to start with the incremental increase for each level of interment right. Start with the cost basis you have in each interment right. Without regard to the historical pricing pattern, what should that unit's price be now?

While each location within a garden may have the same cost basis, each does not have the same value from the consumer's point of view.

| | Most expensive grave | Least expensive crypt |
|-----------------|-----------------------------|------------------------------|
| Interment right | \$2,000 | \$6,000 |
| Vault | \$1,000 | N/A |
| Opening/closing | \$1,000 | \$700 |
| Base and marker | \$2,000 | N/A |
| Lettering | N/A | \$500 |
| Total | \$6,000 | \$7,200 |

Step one is to reprice everything. Gardens with more sales should be priced higher than gardens with fewer sales. Limit the number of gardens open for sale at any one time, as offering too many options makes decision-making more difficult for consumers.

Start with the price for ground interment as your "good." Then figure how much the premium is to get from "good" to "better." Add the same premium to "better" to calculate your "best" price.

It is critical for this pricing to allow the story to be told as to what drives more expensive interment.

Step two is to do the same for above-ground entombment. I have found that when we set the price on crypts relative to ground spaces, crypts will sell just as effectively.

For example, if you look at your least expensive crypt and determine the lettering, opening and closing as a package, it should be about 10 percent to 20 percent more than your most expensive grave, plus vault, plus opening and closing, base and marker. So use the guide in the chart ON PAGE 25. (I have filled it in with hypothetical numbers for explanation purposes only.)

By these numbers, there is a 20 percent premium for the crypt. Therefore, it is priced in terms of a logical progression, beginning with grave interment rights.

Steps three and four involve repeating steps one and two with the upright section of your cemetery. Steps five and six involve doing the same thing for inurnment.

After adjusting the interment, inurnment and merchandise prices, you have now completed the first phase in having a solid pricing platform. Unfortunately, it's wrong.

It's wrong because we need to see how it works in your market. Your pricing needs to be analyzed. I tell people that this is "artillery" and not "marksmanship."

To the marksman, there is a three-count call: "ready, aim, fire." But to the artillery, there is a different three-count call. It begins with "ready, fire," but then, after the shell is propelled to the target, the third count or step takes place: "adjust."

There are so many factors to consider in artillery. The compaction of the ground varies, which changes the recoil, which changes the trajectory of the shell. The winds aloft affect the flight. The density of the air may slow or speed the shell in its trajectory. It is like playing Angry Birds with trial and error.

Start out with your best estimate of pricing. Then watch the sales. Listen to your salespeople. Adjust prices as needed to generate sales.

It is also important to consider that cemetery sales are frequently not about price. Weak salespeople believe they are, but they also think they are good salespeople.

Cemetery sales are about finding out what is important to someone. Price is a factor, but so are factors such as whoM the shopper is related to or loves as a dear friend who is interred in your cemetery. Their location may make more difference than the price. Maybe other cemetery across town is cheaper, but the consumer wants to be buried near loved ones in your cemetery.

The next question is when to raise prices. That subject will have to wait for another question and another column. □