

By Daniel M. Isard

Sell What Families Are Buying

How do you decide what merchandise to stock for cremation? Clue: Don't rely solely on your casket sales rep.

Dear Dan,

My casket company salesperson has been a trusted adviser of mine for 30 years. He helps me with everything from merchandising to pricing, even hiring. He keeps me informed on industry news more than most of the industry periodicals. However, with my profits declining for the past three decades, I'm wondering if maybe I need another perspective.

My cremation rate is increasing, and my rep recently introduced me to a new line of "cremation caskets." He says families like them for cremation services and buy them more often than rental caskets. According to my rep, families don't want the reusable outer shell with the replacement liner. My intuition is that the rental casket is much cheaper and therefore will appeal to cremation consumers.

I don't know who to believe, my salesperson or my intuition. Can you help?

Shell-Shocked in Sheboygan

Dear Shell-Shocked,

When making decisions about merchandise, you need to do two things: Lay out the room with an assortment of offerings and see which sell. Merchandising is not about what you like or what makes the salesperson more money – it's about what families choose.

I remember two assignments in the Philadelphia area; both dealt with merchandising and showroom layout. The locations were about two miles apart and the assignments separated by about a year. At Location A, more than 75 percent of the caskets on the floor were full-couch caskets. Frankly, I hadn't seen that many full-couch caskets in a long time. But when I looked at the firm's sales numbers, sure enough – about 80% of all casket sales were full-couch units.

Location B didn't have any full-couch caskets on the floor. And sure enough, in the past three years, the firm didn't sell any full couches. I asked the owner of Location B, "Do you ever get a family requesting a full-couch casket?" He looked at me quizzically and replied, "Do they even make them anymore?"

My point, Shell-Shocked, is that you must sell what people are buying. The easiest thing you can do is negotiate with your casket salesperson to put the cremation caskets on your floor on consignment. At the same time, also show a rental unit. Then look at three data points: total cremations, total cremations with a casket of any kind and the mix of purchased caskets versus rental caskets

My experience is that when you do this, you'll learn two

things: first, how knowledgeable your casket sales representative is of your needs, and second, which units the families you serve are willing to purchase.

Studies over the past 30 years reveal that when cremation consumers have service and merchandise choices, only about 10% choose no service or merchandise. The key phrase modifying the results is "when cremation consumers have service and merchandise choices." Upon hearing "cremation," many arrangers still revert to the "direct cremation" mentality. That is wrong for the family and wrong for the business.

We must continue to remember that when a death occurs, we are in the business of making arrangements that bring the community together to mourn. Even when the deceased is very old and most of his or her contemporaries have already died, the mourning community will still gather to support the survivors.

Therefore, services occur and we can present the deceased regardless of the choice to bury or cremate. To get this outcome, we have to empower the arranger to present the need of the gathering to the surviving family. If we do that, there will be urns purchased, caskets used and facilities employed to hold gatherings.

If the arranger follows a script, this can result in different behavior from arranging family members. At the point where the discussion turns to holding a service, ask families, "About how many friends and family members will want to comfort you during this time of loss?" This establishes the need for a service. If their reply is, "Dad just wanted something simple," the arranger can reply, "Yes, this is simple. Re-

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member, you have many friends and neighbors who want to express to you their affection due to your loss."

The funeral arranger can then express, "There are two items we need to purchase for a cremation service. First is the container that will hold your father's body through all of the lifting done over

the next few days. Second is the container in which we will return his cremated remains to you."

As the discussion focuses on the container for the body before the cremation, the arranger can offer, "We have two

types of containers to safeguard your father's body before the cremation. They look very similar. One is a cremation casket and the other is a reusable casket. If you purchase the cremation casket, it will be cremated with your father's body. The second unit is an outer shell with an internal container to hold your father's body. The outer unit is reused and the inner container is cremated with his body." Present the two offerings and invariably the issue will turn to cost.

Assume a cremation casket costs you about \$600. You typically sell it for \$1,200 to \$1,500. Your profit on merchandise is between \$600 and \$900 per sale.

It is more complicated to determine the cost and sale price of a rental unit, as there are two components. The outer shell may sell for about \$1,000 and may be usable about 20 times before it gets too many dents and dings; that is the equivalent of about \$50 per use. The inner shell might cost \$150. The total cost per use is about \$200. You can rent this combined rental unit for \$600 to \$900.

Over the course of 20 sales or rentals, the math for a purchase works out as follows:

<i>For a "purchase" situation, the math is:</i>		
	<i>Low Markup</i>	<i>High Markup</i>
Events	20	20
Sale Price	\$1,200	\$1,500
Total Revenue	\$24,000	\$30,000
Cost of Goods Sold/Unit	\$600	\$600
Total Cost of Goods Sold	\$12,000	\$12,000
Profit	\$12,000	\$18,000
<i>For a rental situation, the math is:</i>		
	<i>Low Markup</i>	<i>High Markup</i>
Events	20	20
Sale Price	\$600	\$900
Total Revenue	\$12,000	\$18,000
Cost of Goods Sold/Unit	\$200	\$200
Total Cost of Goods Sold	\$4,000	\$4,000
Profit	\$8,000	\$14,000

You can see the results. On the one hand, the sale of cremation caskets produces more upside in a high-markup scenario, whereas the rental unit produces almost as much. The question is – much like the full-couch example – what do the families you serve want?

We have learned that cremation consumers, for the most part, are not choosing cremation based on price. I know most funeral directors think that is their hidden mission, but studies done by NFDA and my own company clearly show that is not the case. Yet the choice of a rental casket is a less expensive decision.

Funeral home managers focus more on the gross price and don't put enough emphasis on the gross profit of an arrangement. If a family spends \$5,000 for a cremation service, including purchasing a cremation casket, that means:

- The family spent \$5,000.
- The cost of goods sold cost the funeral home about \$600.
- Gross profit was \$4,400.

If the same family spent \$4,400 for a cremation service, including purchasing a rental cremation casket, that means:

- The family spent \$4,400.
- The cost of goods sold cost the funeral home about \$200.
- The gross profit was \$4,200.

The funeral home made almost the same amount and empowered the family to spend \$600 less for a similar service. The average revenue per call is 12% less, but the gross profit, which is the real indicator of profit, is down by only 5%. To me, that is a win-win situation for consumer and provider.

If you have a cremation products room with two or three cremation caskets and a rental casket, see which the families you serve want to use. You might find one of three scenarios: They might want the cremation casket, they might want the rental casket or they might want the choice! In the latter case, it doesn't take much room to keep a demonstration of the two.

A family's choice could also be based on the funeral director making the arrangement. If one "endorses" a cremation product solution, that influence might be driving the difference between the two. If that funeral director says, "This is what most families choose," as part of his or her presentation, that could also change consumer decisions greatly.

Regardless of which approach you eventually take, Shell-Shocked, the families you serve will inform you which approach they like. It is not about the advice of one person or supplier.

Remember this: If you go into a store that only sells hammers, I'll bet the salesperson will convince you to buy a hammer regardless of what tool your project requires.

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