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**ICCFA Magazine
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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
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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.

STARTING A CEMETERY

Many people dream of starting their own business. Anyone thinking about starting a cemetery from scratch needs to think long and hard.

Cemetery Impossible

Starting a cemetery involves much more than buying land and landing one big-name client

Dear Cemetery Impossible,

I have been offered land at a very attractive price and I think it can be converted to a cemetery. The property is already zoned so that a cemetery is an acceptable use. There are two other cemeteries about 10 miles away from this site.

I am a long-time reader of this magazine even though I do not currently own or work in a cemetery. I have been around funeral service a long time, working as a casket salesman. A popular country and western music star heard of my plans and told me he will buy a family mausoleum if I do this. Will that bring in more business?

I am ready to invest all I have. What am I missing?

Wishing on a C&W Star

Dear Wishing,

First, what you're missing is all the things you don't know. A cemetery is a business. It has an investment component and an operational component. All that you don't know can spell bankruptcy very quickly.

Getting the zoning or operating approval is sometimes tough but not the biggest hurdle. Getting patronage is the biggest challenge.

The cemetery business is nothing at all like the funeral business. If anything, it is the opposite. Whereas the funeral business is about service, the cemetery side is about sales. A cemetery's service component is usually done riding on a lawnmower, not face-to-face with patrons.

Making sales is the most important part of developing a new cemetery. The main reason people buy in any particular cemetery is because they have family members or friends interred (or who own lots) within that site.

Your C&W star would constitute a nice sale, but unless he planned on promoting your site in his songs, I don't think it would



enhance sales in the long run.

Most predictable sales come from within a particular marketing radius. That radius is usually the distance the average consumer is willing to travel for the bulk of their routine retail purchases.

In an urban area, that is generally five miles. In rural areas, that can be 10 miles or more. It might seem like your competition is far away at 10 miles distant, but you need to focus more on the population density you need to compete. Not every town can support a McDonald's franchise. Enough consumers, either residents or passersby, need to be available.

So you need to determine whether the area where your cemetery would be has enough of a population to support it.

This is not to say that you won't make any sales outside of the service area I've described. You will. But these are not predictable sales. You cannot invest your life savings based on outlying data points.

Assume you have 100,000 people in your predictable service area. That will typically result in eight deaths per 1,000. That means you might have 800 deaths at need. Depending on your region of the country, 50 percent or more of those families will choose cremation, so about 400 at-need cases will be cremated.

About 10 percent of cremated remains are permanently inurned in a cemetery. Therefore, at best, you can figure on 400 traditional burials and 40 inurnments for local cemeteries.

As I stated earlier, most families—about 80 percent, in fact—choose a cemetery where they have family or friends already interred. That means that a new cemetery

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can expect to capture, at best, 20 percent of the market.

That leads me to believe you might get 80 burials and eight inurnments each year.

The families who are choosing interment without having ties to a previously existing cemetery are going to consider proximity to their homes, their perception of the beauty of the site and price.

Of course, for your cemetery to be considered at all, the consumer must know you exist. That takes marketing. Now we get into the cost of operations.

Marketing is very expensive. You will need to get a public relations program as well as a marketing program going.

If you want to make 100 advance sales, you are going to need to have about 130 closing appointments with qualified leads. To get a qualified lead you need to have about 250 total appointments, which requires about 400 leads from direct mail or some other lead-generating program. The cost of obtaining 400 direct mail leads can be \$40,000 a year!

In addition, if you are making advance sales, not all will be paid in full. Typically, about 75 percent of advance sales are paid over time. Also, you may have sales commissions to pay, and you will definitely have income taxes to pay—calculated as if the advance-purchase consumers had paid in full (the accrual basis of taxation).

Even if you get all of these sales, will the revenue be enough to cover your overhead? A cemetery incurs all the costs of a normal business. You have fixed costs and variable ones.

Fixed costs include salaries for administrative staff, property taxes, equipment leases, advertising, insurance and vehicles. Variable costs include the cost of goods, commissions for sales staff and income taxes.

The most important hire in any cemetery is the sales manager (or site manager, if they oversee sales as well as all the other staff). That person is going to be expensive, but well worth it. They either will be doing all of the selling themselves or will hire salespeople. While the sales team is usually paid on commission, the sales manager receives a base pay.

You can see that there will be some costs of operation while you are getting started.

It doesn't take a computer to figure out the possible sales from 40 events is not going to be enough to generate a profit. One cost most businesses fail to recognize

is the cost of capitalization. If you are going to lose \$X the first year, you better have that money on hand to reinvest in the business. This is all part of your business capitalization.

Your initial capitalization needs to cover all of your site improvements. Do you have any idea how expensive a paved road is? The cost is about \$1 million per mile of road. You won't need a full mile, but .2 of a mile is \$200,000. Why do you think most cemeteries don't have paved roads?

Typically, you also have to fund the perpetual care trust with the initial deposit. Each state has its own rules on the initial deposit and how much must be deposited on each sale.

Wishing on a C&W Star, you *can* convert the land into a cemetery. Any fool can do that. The hard part is converting land into a profitable cemetery.

Stay in the casket business and invest in the stock market. You will sleep better at night. 
