

To Pet or



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Not to Pet?

The Changing Landscape of the Deathcare Industry

by Daniel M. Isard, MSFS

MY FIRST ENTRY INTO THE FUNERAL BUSINESS came through the pet business, at about age 5! One of my friends had a bird die, and we kids wanted to have a funeral. We used a shoe box as a casket. My mother had just dug a garden with rose bushes, so we placed the shoebox beneath one of the rose bushes. A few days later, a kid had a turtle die and we went at it again. We were enjoying ourselves while my mother could not figure out what or who was digging up her garden. Then Herby's gerbil got sick. We got another shoe box and prepared to bury that gerbil. But when my mother came to investigate, the gerbil escaped; and I was never allowed in her garden again!

The pet business is big business. There are 85 million pet owners, almost 1 out of every 4 people in the United States own at least one pet. When viewed as households, 67 percent of all households have at least one pet. It is much easier for a student to get into medical school than veterinary school. And nothing about the pet business is price sensitive.

When it comes to the death of a pet, this represents big business as well. As you can imagine, since pets live a shorter lifespan than humans, we have about 15 million people a year dealing with the death of a four-legged loved one versus about 2.6 million people dealing with the death of a human loved one.

There are approximately 800 to 1,000 pet crematories, and very few are multiple ownership businesses. Not everyone wants to cremate a pet, but in some locations options are limited. For those who live in urban or suburban locations, the only other option is to inter the pet above ground or below ground.

The Pet Business Is a Good Business

Many years ago, I met with a private equity company that was investing in a big box store selling pet food and supplies. The company wanted to invest in funeral homes and retained me as a consultant. I was excited for the assignment; however, I noticed a change in the pet store's business model and could not wait for the opportunity to ask about it.

As a dog owner, I'm always looking for a good deal. When visiting the pet store, I typically go for the food but always wind up buying other things that I know Nugget can't live without. At first, the store advertised a low price. One day, I noticed that the store had changed from focusing on price to focusing on selection. Nothing else changed in the store's decor or staffing. I asked about the change and was told, "We realized the pet market is not about price." Anyone who spends \$2,000 for a

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weekend emergency for a pet that initially costs \$50 knows that! Therefore, it is natural for the three legs of our profession to give serious thought to adding a pet component to their business model.

• **LEG 1.** You must know your state's regulations in regard to cemeteries interring pets and humans. For argument's sake, it is all about the new use of space. Imagine a grave interment for a human using 30 sq. feet (to keep the math simple) at a sale price of \$1,200. That is \$40/sq. per foot for the interment right. In most communities, other than rural where a pet can be buried on private farmland, the cemetery can offer whole body interment for six pets in the same 30 sq. feet. The sale price could be \$400/interment. That is double what that same space will generate for human interment! Even if the opening/closing and markers are the same as for human, that means a 600 percent increase for the opening/closing in the same use of land.

We have seen people build beautiful pet mausoleums and columbaria. Again, less space but based on per-square footage, the return is at least 100 percent more. Add the opening/closing and you generate much greater revenue.

The location of the pet space can be in a less desired area. Maybe water tables or roadways make some areas undesirable for human



interment or above ground crypts, but the pet burial, interment, and inurnment is not so fussy.

• **LEG 2.** For those in the funeral business, should you offer an aligned or unaligned pet business? I think in many markets the answer is, yes. The number-one reason someone chooses a

funeral home is "previous service." That means the consumer knows you and felt well served or had an acceptable experience. That experience can be provided through service to the family for the pet. The consumer experience is key.

Should this be done under a different name or identity? Maybe. Many owners start that way then realize the pet business name is just a brand within a larger brand. Ultimately, they equate the pet brand with the larger human brand without any damage.

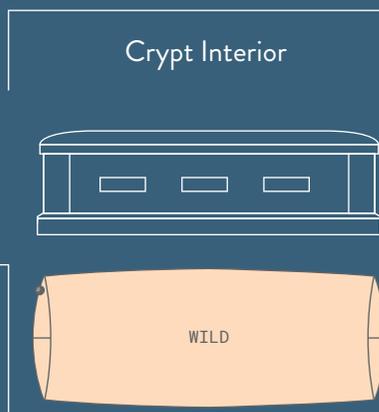
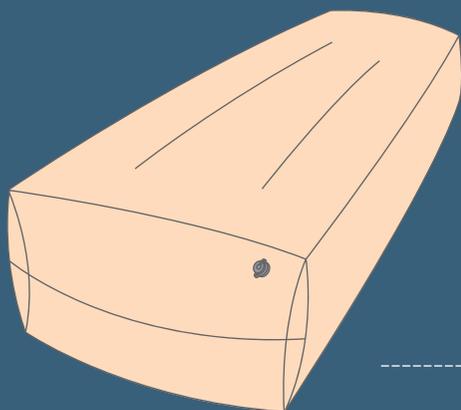
• **LEG 3.** For those with a desire to be in the pet cremation business, it should be a separate retort. It should be designated as "pets only."

The Pet Cremation Business Offers Choices

The pet cremation business often does not have one price for the cremation as typically seen with human cremation. They might have two variables. The first variable is the weight of the pet's body. This can be computed using per-pound or a range, maybe small, medium, and large for dogs.

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DID YOU KNOW?

In the United States, 67% of households own a pet on which they spent \$95.7 billion, according to the 2019-2020 National Pet Owners Survey conducted by the American Pet Products Association. Based on multiple statistics, revenues for pet funerals/cremations are over \$100 million annually and 20% of U.S. funeral homes offer pet services at families' requests.

The second variable is how many pets will be cremated at the same time. The pet cremation business typically offers options:

- Communal cremation is the act of cremating multiple pets at the same time without segregating their bodies. Families who want cremated remains returned to them are not getting the cremated remains of their specific pet, rather a portion of the whole. Many families do not want the cremated remains returned, making this offering the lowest price option. Where a human cremation trade company might charge \$300 for one body, the pet business might have 10 pets at about \$100 on average.
- Semi-private cremation will have multiple pets being cremated at the same time, but each area of the retort is bricked/blocked so each pet occupies its own space. In this case, the return of the cremated remains is not perfect, but it is closer to the private cremation discussed below. Incidental commingling exists, but it is nominal. The fee is often double or triple, due to the work laying out the pets and the work recovering the post-cremated remains.
- Private cremation is where your pet is the only one being cremated at the time.

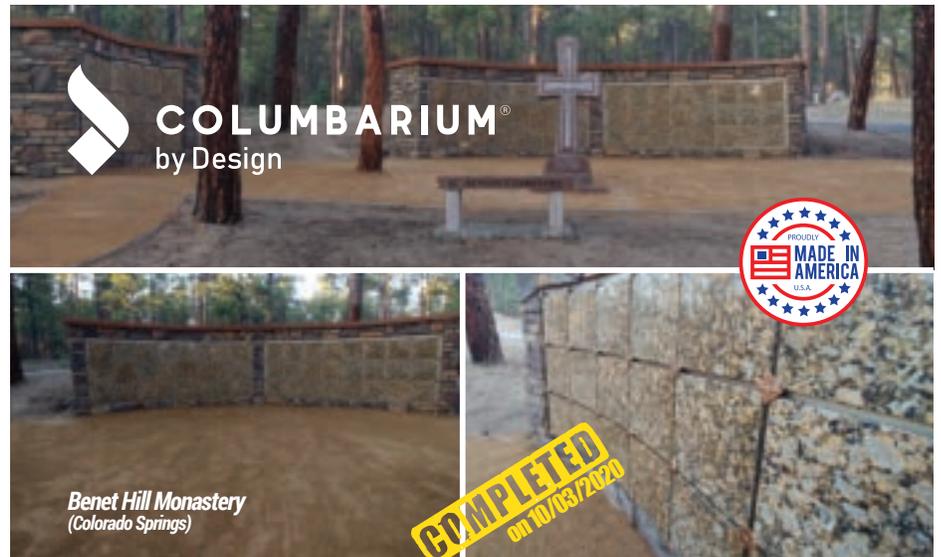
The EBITDA

My company has run pet crematories as well as cemeteries with pet sections. We have valued many pet businesses or funeral businesses with pet funeral businesses within them. If you have a pet cremation business, it might sell for two to three times EBITDA (*earnings before interest, taxes, depreciation, and amortization*).

However, if you have a pet business and a human funeral business, the pet earnings are commingled with the human earnings so the pet business winds up selling for much more.

In a world where cemetery interments are declining and human revenue and calls are reaching an average apex, the pet business could be a good addition to your cemetery, funeral, or combination business. ☑

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