

Are Cemeteries and Funeral Homes Meant to Work Together?

by Daniel M. Isard, MSFS

THE HATFIELDS VS. THE MCCOYS; the Cattle Grazers vs. the Sheep Ranchers; David vs. Goliath; North vs. South; Funeral Homes vs. Cemeteries. All of these polar opposites are competing forces, but none is the equal of the constant battle for dominance or avoidance of fear as the Funeral versus Cemetery forces. Of the almost 20,000 funeral homes and about 8,000 cemeteries, less than 5% represent a marriage of the two forces, which we call a "Combo."

Over time, the funeral directors were afraid of the cemeteries out competing them, so in some states they passed laws outlawing the combined ownership of funeral homes by cemeteries. In some states, it was never a spoken issue but whispered as a point of concern. In all reality, over my lifetime witnessing the operations

the action/inaction of the cemetery. I meet people who blame the cemetery for what I perceive was the fault of the funeral home. Goldman Sachs invented the phrase in the 1980s for this business segment, "The Death Care Industry," to have one word covering both. In the eye of the public, the two are associated.

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of marketing efforts nationwide, the Combo is the high ground of the battlefield.

During the go-go 1980s and 1990s as the consolidators were buying and trying to maintain case count, the only funeral homes they bought that consistently held their case count were the funeral homes that were operated as a Combo. That should tell you something. But the question is why?

Understand that in the public eye, funeral homes and cemeteries are identifiable, but they seem to be synonymous with each other. Often people make the cemetery arrangement through a cash advance with the funeral home. While on airplanes, I have people complaining about the funeral home "not cutting the grass often enough," meaning they blame the funeral home for

Understanding People

It is ironic that people tend to make their cemetery decisions 10 years earlier than they make their funeral arrangements. That is because one is a tangible product of limited availability and the other is a service. Sure, there is much ground to be sold in the cemetery, but it is most comforting for a wife to have a grave next to her spouse. So, the typical interment right sale is not one unit but two units.

It is also ironic that almost 70% of all pre-need funerals are bought with the last dollars before someone goes on SSI. No one plans on being indigent but when they foretell that path approaching, they spend their last dollars at the funeral home. Logic would have you think you plan for both at the same time, but logic is wrong.

Consider Space Required

If you are a cemetery owner or board member, should you create a funeral home on your site? It depends! But when the evaluation performed indicates it does make sense, then what are the operational and financial dynamics?

First, is the ground committed to the footprint of the building? A funeral building is going to take about 12,000 sq. ft. of space under roof. By the time you add the driveways, offset for lawn and parking for 90 cars, you are going to allocate about 2 acres in total. That is 2 acres you will lose as interment rights sales. The cost of the building, all in, will vary depending on design and quality issues from between \$300/sq. ft. to \$400/sq. ft. The total capital investment and cost of lost land might be in the range of \$4 million to \$5 million.

Predicting revenue takes some practice. In my experience, committed operators that hire an experienced funeral manager can expect to have calls equal to about 50% of the annual number of interments the cemetery has had. So, a 400-interment cemetery should do about 200 funeral service cases in the fifth to seventh year of operation. Will that pay the annual debt service? It should be close.

Of course, if you add 200 funeral services, they will increase your total cemetery interments. Therefore, increasing the cemetery interments, will in turn, increase the number of funerals. This becomes much like a perpetual motion machine, as one factor of operation begets the other factor of operation.

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Know Your Numbers

What are the key points of evaluation to determine if this should be attempted?

There are many points. The most obvious are:

- a. *Existing Market Competition.* Who are the funeral homes that are interring people into your site? What is your perception of the depth of pre-need those firms have? What are the competing cemeteries? Are any of them combination operations.
- b. *Demographics.* You want some key points in population. First, you want it to be stable or growing. But growth of 20 to 30 somethings is not effective growth.

Ideally, you want home owners. You want people placing roots. Roots = funerals.

- c. If you have good demographic data, look at the religion of the demographics. Is this a religious group that is growing and are people you are serving? If you find they are a religious group you have not been providing interment rights to, maybe you need to adapt your master plan to accommodate. Then, if there is a funeral home they are going to, maybe you can include icons for their comfort in the new funeral building.
- Cemeteries must be relevant. The old Darwinian explanation of "Migrate, Mute

or Die," applies, except with a cemetery because they cannot move! So, they must adapt for ever-changing populations around them. Finding ways to enhance your relevance is your future. □



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