

Cemetery Operations Without the Benefit of Key Performance Indicators

by Daniel M. Isard, MSFS

IN THE JUNE 2023 *MEMENTO MORI*, I explained why no one has yet to develop Key Performance Indicators (KPIs) for a cemetery. That doesn't mean that cemeteries should wonder aimlessly in their operations, bumping into financial walls at each turn. Below are my management objectives for running a cemetery—with or without advance sales.

Revenue

Revenue is the key starting point of operations. You should not be confident that since you have plenty of lawn space that you are a well-run cemetery. Revenue is the key. More revenue is more beneficial than less. Revenue is driven by four items. These are:

1. Sales of Merchandise
2. Cemetery Service Revenue
3. Endowment Care/Perpetual Care Trust (“EC/PC Trust”) Income
4. Sales of Interment Rights

not just a break-even item. It is a profit center. It will generate the revenue needed to provide for the openings/closings and setting of markers from third-party sales. When deciding how much to charge for this, this amount should include the direct costs of each service but also any indirect costs. This includes any equipment used for any of these services. Graves do not dig themselves.

Cost Of Goods is a common accounting cost that comprises a large amount of the

rather a confidence. Rather than funding the state required minimum, fund double the state required minimum. That way, over time, the trust earnings will be much more significant. The consumer pays this amount. It is a selling point, resulting in the peace of mind that the care of the property will be well done. Income is Income!

Location, Location, Location

I do believe that **interment rights** need to be properly established. All graves are not equal:

- Graves that are near Icons and Statues have more value than graves away from these items.
- Graves near ponds and streams have more value than graves away from water features.
- Graves near the roadway have more value than graves that require walking to get to.

As to the inverse, graves in new sections, without interments, have a lower price point than do graves in more utilized areas. The free market will dictate the amount of the premium for graves near walkways and driveways and natural and manmade features.

Unlike a funeral home, cemetery interment right pricing is a limited commodity. While you might think you have many acres undeveloped or newly developed but not yet interred, consumers understand the law of supply and demand economics.

As supply dwindles in a section, your pricing should go up. This is important. There is comfort in being interred with your loved ones. There is a reason that when Dad dies, Mom buys the grave for Dad and the one adjacent to him. Some of the kids might want to be buried within the family area. Waiting exposes these interment spots to others for purchase.

Why do I focus on Revenue? Because operating any cemetery has costs. Revenue makes all things possible. In my career stretching four decades, no one ever fired me for creating too much revenue!

In your bookkeeping, you should separate the **At Need Sales Revenue** from the **Advance Sales Revenue**. Each of the first three items above should be shown in each category of income. Advance Sales Revenue should be double the At Need Sales Revenue. If you are not having advance sales, you should. You should have a salesperson. If you don't want to hire, get beyond it or subcontract. There are funeral homes that can be selling for you in your community.

Use a **merchandise trust** to hold the non-recognized portion of your **Advance Sales of Merchandise**. Place the required amount into the trust and invest it conservatively. It will come due within 4 to 10 years in most cases.

Your **Cemetery Service Revenue** is

sales of merchandise. I am a believer in the reasonable mark-up approach to merchandise pricing. I don't think that graves, crypts, and niches are easily compared for pricing by consumers. I do think that the consumer can look and see the sales price and compare markers and vaults.

Do not be embarrassed when setting the price on merchandise, but remember you have a 100% profit on the sale of graves and usually 75% to 85% on niches and crypts. Why stress trying to get a high mark-up on vaults, urns, and markers? Make your money where the family can see value.

When funding the principal of the **EC/PC Trust**, I learned early on that consumers don't see this contribution as a cost but

We have the modern ability to create graves from thin air. That is called a mausoleum. We know that all mausoleum crypts are not worth the same amount. The cheapest is the highest row (usually row 7 on most designs). The top row has the same features as the lower row, except it is impossible to reach out and touch. You can crane your neck to look up as a survivor, but your neck eventually tires.


We charge a lower rate for the highest row. As rows come down, the chance to not crane your neck and eventually be able to touch the crypt ads value. The same supply and demand issues apply on crypts and niches as do graves. As you start to sell Row Seven, you raise the price on this row. Some cemeterians raise prices 10% for each 10% of sales and others use 20% for each 20% sold off. It all works out in the end.

Fluctuating Price Points

Pricing of crypts and niches must be relative to all other inventory. If you only focus on the pricing of the top row, then what happens when the top row is priced higher than the lower rows? Well, as you raise the top row, you must raise each lower row by the same premium at the same time. If you fail to do this, you are ultimately going to have a mausoleum or columbaria with about 70% sales and a bunch of inventory remaining that you can't sell. I have seen people build new mausoleum inventory two or three times and still have their first mausoleum with remaining inventory.

Why do I focus on Revenue? Because operating any cemetery has costs. It is immaterial how many interments you do in a typical year, there is a fixed cost for care, insurance, water, repairs, and maintenance.

Revenue makes all things possible. I have seen at-need focused cemeteries turn to a sales team and suddenly the property has value and life.

In my career stretching four decades, no one ever fired me for creating too much revenue! 



Daniel M. Isard, MSFS,

is founder of The Foresight Companies LLC, a Phoenix-based business and management consulting firm specializing in mergers and acquisitions, valuations,

accounting, financing HR services and family surveys. He is the author of several books and hundreds of published articles in industry magazines, including "The Director's Finance 201" column. He can be reached at 602.274.6464 or disard@theforesightcompanies.com.



Be their knight in shining armor.

When families need to transport a loved one, it's up to you to make sure the ship-out goes as planned. That's why there's EWA — your one-call airline resource. Our transportation experts search all available flights, handle the reservation, pre-pay the charges and proactively monitor the status through the entire process. And you? With one call, you're the family's hero — earning their loyalty for generations to come.

EWAcares.com
866-550-1EWA (1392)

EWA 
EAGLE'S WINGS AIR®
Your One-Call Solution for Airline
Reservations & Proactive Monitoring