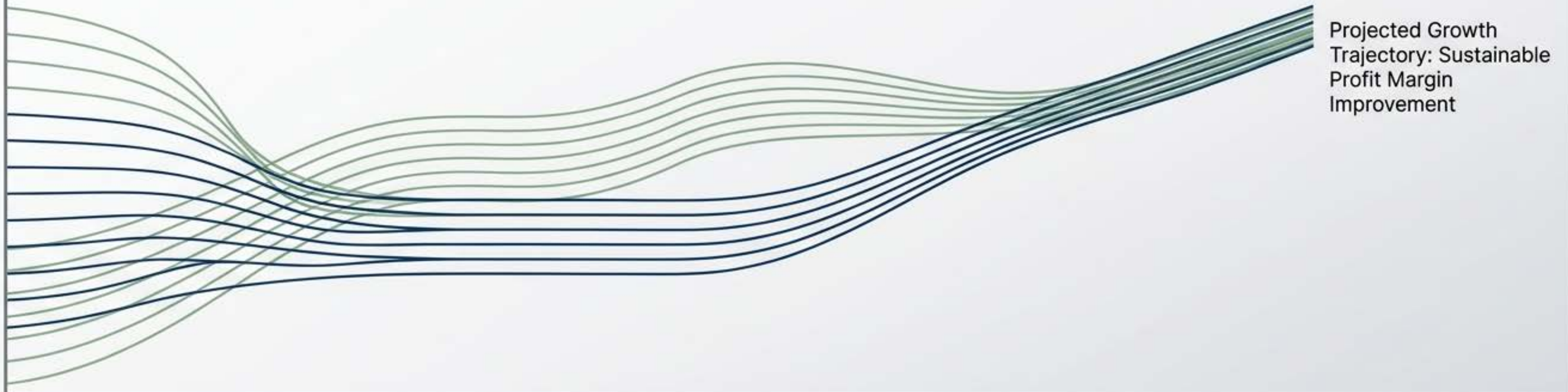


Operational Efficiency and Financial Performance Playbook

A Strategic Playbook for Funeral Home Profitability

Strict Operational Controls and KPI Frameworks

Implementing rigorous operational standards and key performance indicator (KPI) tracking is essential for optimizing cost structures, maximizing revenue capture, and ensuring sustainable long-term profitability in the death care sector. This playbook outlines the critical frameworks and controls required for financial discipline.



Four core pillars drive long-term funeral home profitability



>70% Gross Margin

Essential to offset high initial variable costs.



400 vs. 150 Hours

Tracking labor hours separates profitable cremations from labor-draining burials.



200% Penetration

Increasing Pre-Paid Plan enrollment by 2030 guarantees future cash flow stability.



368% ROE

Achieved through a strict weekly review cadence of Case Volume, ARPC, and CAC.

High-revenue services demand disproportionate operational effort



Traditional Burials

- Projected revenue growth by 2026.
- Driven by pre-planning customers over 50.
- High-revenue, but heavily weighted toward high-touch, personalized farewells.

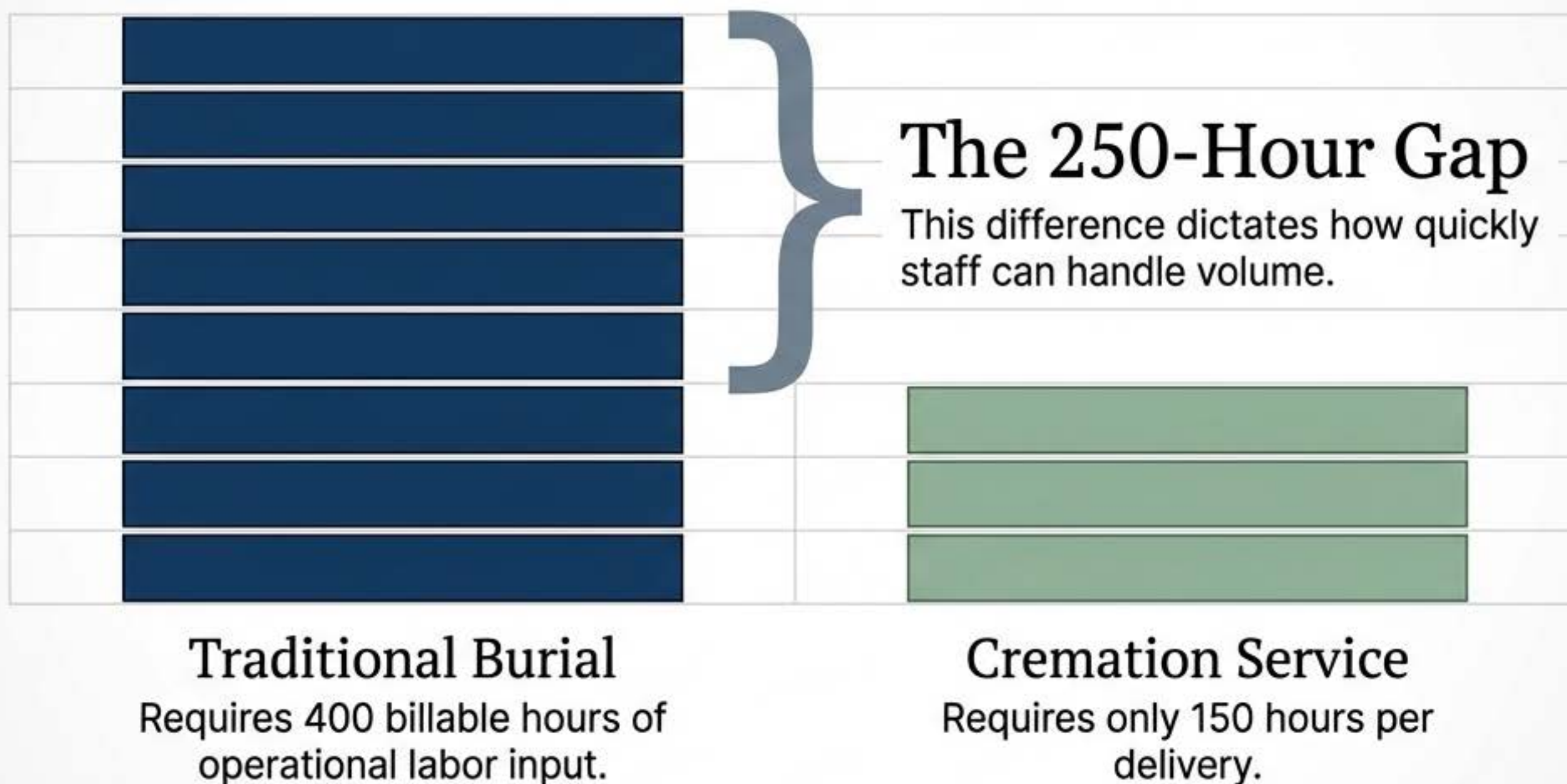


Cremation Services

- Projected revenue growth by 2026.

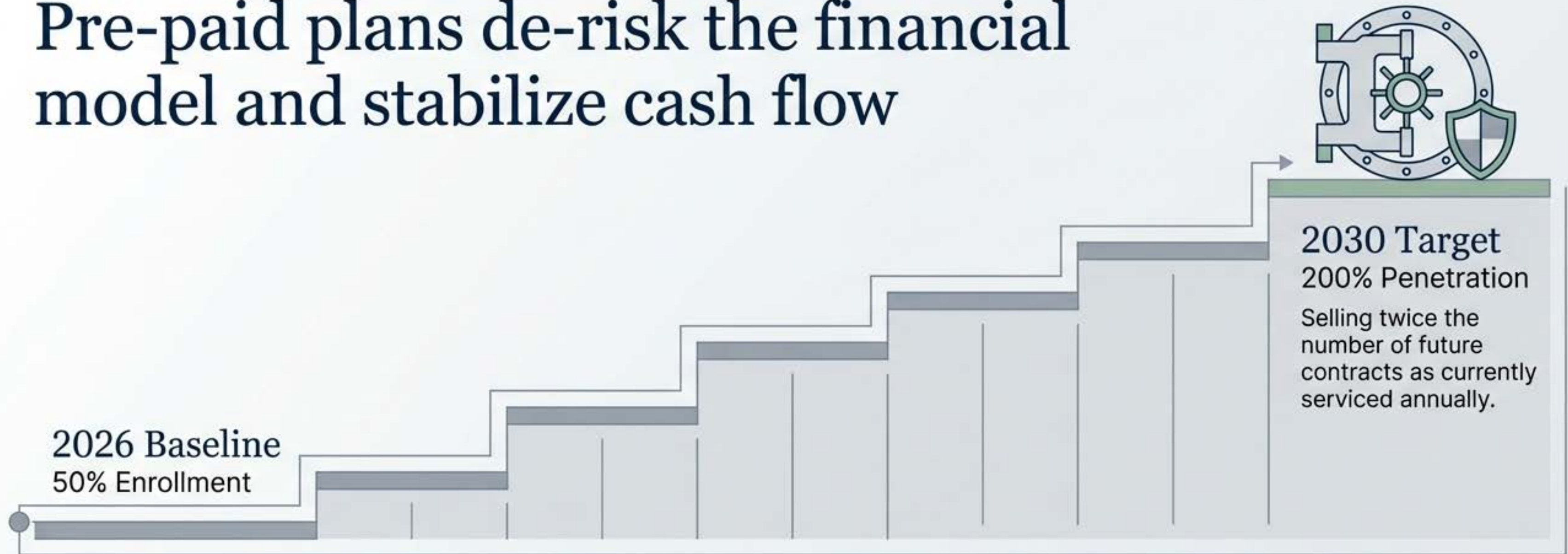
Market demand points toward comprehensive services. We must confirm if the massive billable hours required for burials justify this revenue skew compared to the margin on cremations.

Shifting volume to efficient services creates immediate throughput capacity



Strategic Lever: If pricing is similar, the 150-hour service offers significantly higher gross margin per hour worked. Standardizing this service allows for predictable staffing and scales profitability quickly.

Pre-paid plans de-risk the financial model and stabilize cash flow



The Mechanism

Pre-payments provide upfront capital, acting as non-interest-bearing liabilities until service. Smooths out unpredictable at-need sales volatility.

LTV Boost

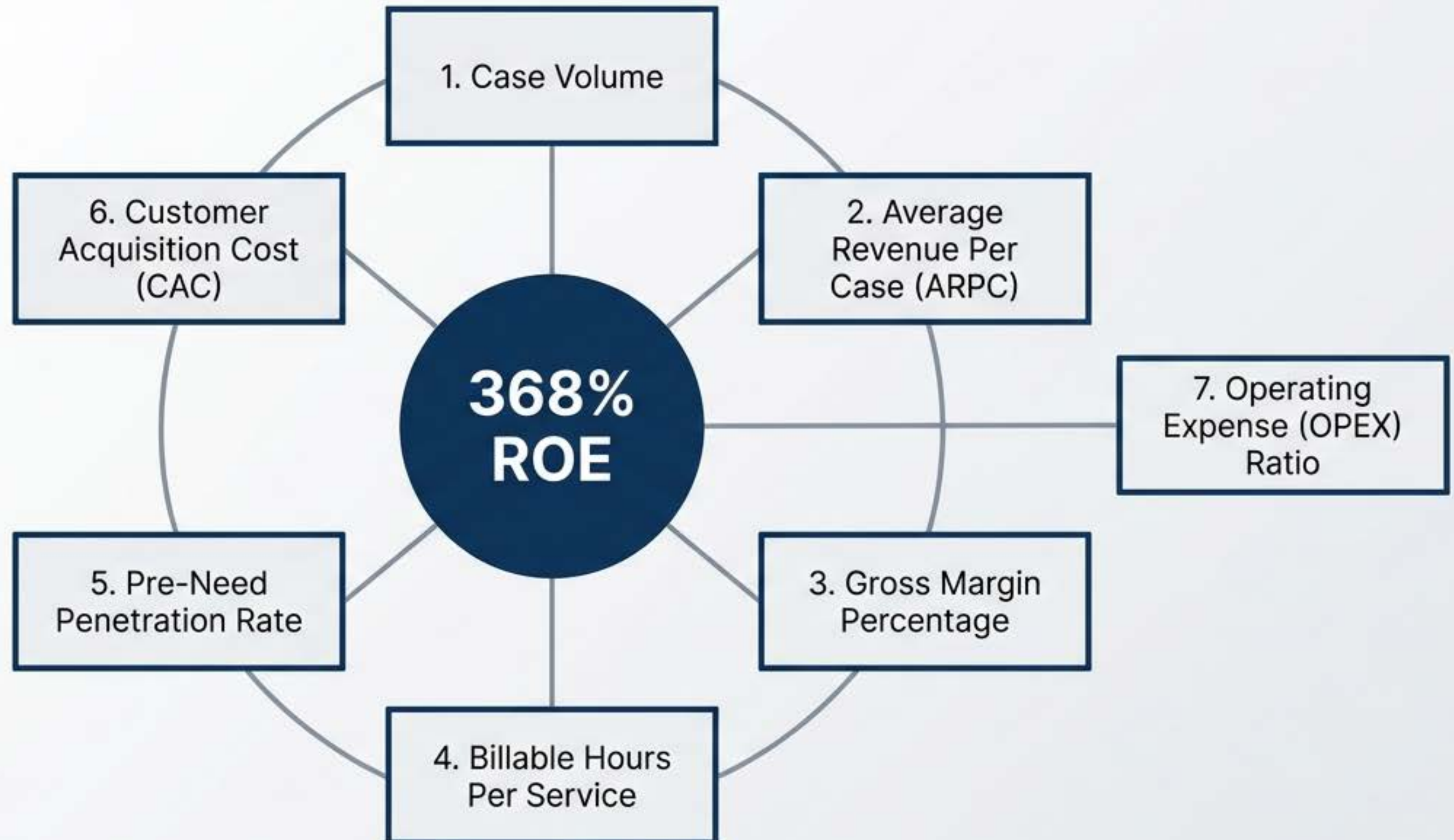
If held deposits earn a conservative 3% annual return, that yield significantly boosts the total Lifetime Value (LTV) while fighting future inflation risk.

High average revenue enables rapid customer acquisition payback



Risk Factor: If pre-need onboarding takes 14+ days, churn risk rises, delaying revenue recognition and disrupting the 7-month payback model.

Seven operational metrics govern the path to a 368% Return on Equity



KPI 1: Case Volume measures total market demand captured

Target Benchmark:
1% to 2% Year-Over-Year Growth

Definition: Count of all services (burial and cremation) delivered in a month. Essential for capacity planning.

Formula:

$$\text{Total Case Volume} = \text{Total Burials} + \text{Total Cremations}$$

Advantages:

- Rapid identification of growth stalls.
- Reflects immediate revenue potential.



Disadvantages:

- Ignores service mix.
- High volume of low-margin cremations can mask profitability issues.

Action: Ensure operational teams can handle 20% more volume before scaling fixed costs. Target 0.5% WoW growth.

KPI 2: Average Revenue Per Case dictates baseline pricing power

Target Benchmark:
>\$2,500 per Case

Definition: Typical dollar amount collected for every finalized service arrangement. Validates if pricing covers operational costs.

Formula:

$$\text{ARPC} = \text{Total Revenue} / \text{Total Case Volume}$$



Advantages:

- Measures success in upselling higher-value, comprehensive packages.

Disadvantages:

- Can mask dangerously low total case volume or high Cost of Goods Sold (COGS).

Action: Track ARPC alongside volume weekly. Segment ARPC by service type (burial vs. cremation) to isolate true profit centers.

KPI 3: Gross Margin Percentage isolates core service profitability

Target Benchmark:
>70% Gross Margin

Definition:

Profitability of core service delivery before rent or salaries. Money left over after paying direct costs (caskets, urns, direct labor).



Formula:

$$\frac{(\text{Revenue} - \text{COGS})}{\text{Revenue}}$$

Advantages:

Rapid assessment of procurement efficiency and pricing power.

Disadvantages:

Ignores fixed costs and CAC.

Action: Review monthly. If COGS exceeds 30% of revenue, investigate components immediately. Unchecked COGS can instantly turn margins deeply negative.

KPI 4: Billable Hours Per Service exposes hidden labor inefficiencies

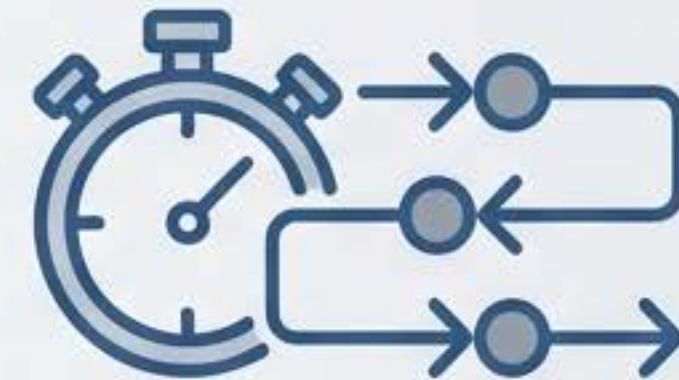
Target Benchmark:
Reduce from 400-hour
baseline (Traditional Burial)

Definition:

Exact staff time spent delivering a specific service. The direct gauge for operational process control.

Formula:

Total Billable Hours / Case Volume by
Service Type



Advantages:

- Identifies time sinks in specific workflows. Direct impact on the \$2,500 ARPC target.

Disadvantages:

- Can pressure staff to rush sensitive client interactions or ignore relationship building.

Action: Track quarterly. Standardize documentation workflows and use online tools to front-load data collection.

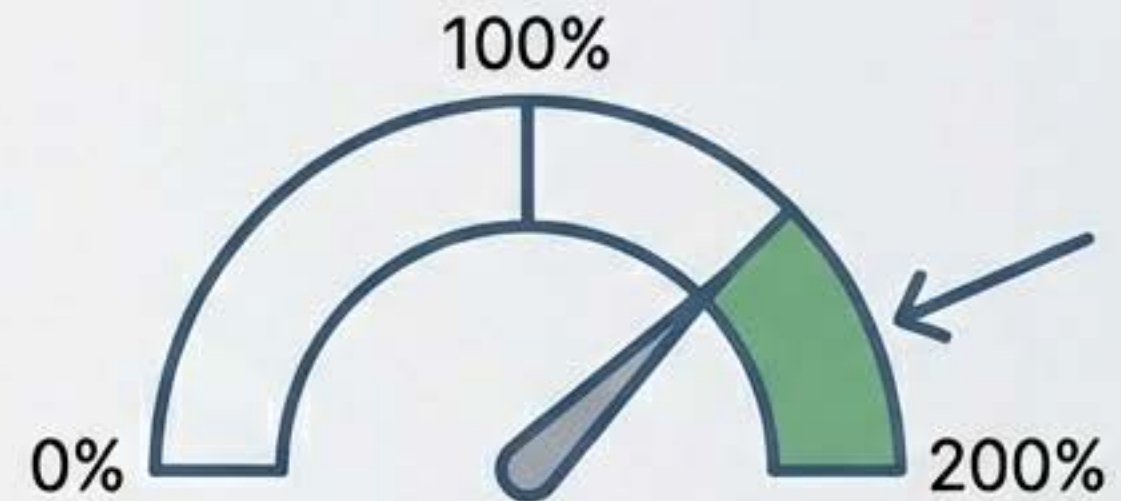
KPI 5: Pre-Need Penetration Rate secures the future revenue pipeline

Target Benchmark:
200% Penetration by 2030

Definition:

Volume of advance commitments relative to current service volume.

Formula:

$$\frac{\text{Pre-Paid Plan Enrollments}}{\text{Total Case Volume}}$$


Advantages:

- Reduces reliance on stressful at-need sales cycles.
- Makes financial forecasting reliable.

Disadvantages:

- Revenue is locked in now but realized later, affecting near-term cash flow.

Action: Aggressively market virtual consultation options. Ensure plans have clear inflation protection clauses.

KPI 6: Customer Acquisition Cost validates marketing efficiency

Target Benchmark:
\$220 per Case

Definition:

Money spent to bring in one new paying family.

Formula:

$$\frac{\text{Annual Marketing Budget}}{\text{New Cases Acquired}}$$



Advantages:

- Links marketing spend directly to new volume. Assesses viability of pre-need plan initial outlays.

Disadvantages:

- Often ignores the long-term value (LTV) of pre-paid enrollees.

Action: Segment by acquisition channel. Maintaining a \$150-\$220 CAC against a \$2,500 ARPC generates a massive 16:1 payback ratio.

KPI 7: Operating Expense Ratio guarantees sustainable overhead

Target Benchmark:
<30% OPEX Ratio

Definition:

The percentage of revenue consumed by overhead costs like rent and salaries, before COGS.

Formula:

$$\frac{\text{Fixed Expenses} + \text{Wages}}{\text{Total Revenue}}$$



Advantages:

- Directly links overhead spending to top-line performance. The key lever for sustaining 368% ROE.

Disadvantages:

- Aggressive minimization might starve necessary growth investments.

Action:

Negotiate lower long-term lease rates. If ARPC rises but this ratio does not drop, fixed costs are growing too fast.

Strict operational cadences separate strategy from execution

The Optimization Mandate: Achieving a 368% Return on Equity requires uncompromising discipline in tracking and responding to data.

Weekly Review Cadence		Monthly & Quarterly Review Cadence	
✓	- Case Volume (Immediate demand capture)	✓	- Gross Margin & OPEX Ratio (Overhead and COGS control)
✓	- ARPC (Pricing execution)	✓	- Pre-Need Penetration (Pipeline health tracking to 2030 goal)
✓	- CAC (Marketing efficiency)	✓	- Billable Hours (Quarterly workflow audits against 400hr/150hr baselines)

Scaling too fast burns cash. Let the data dictate capacity.