



Fraser@Hilton
Landmarks.com

**ICCFA Magazine
author spotlight**

► Drysdale is a senior consultant with Hilton Landmarks, Waterloo, Ontario, a full-service cemetery consulting firm, which offers cemetery and feature design; business,

market and cemetery master planning; and project management.

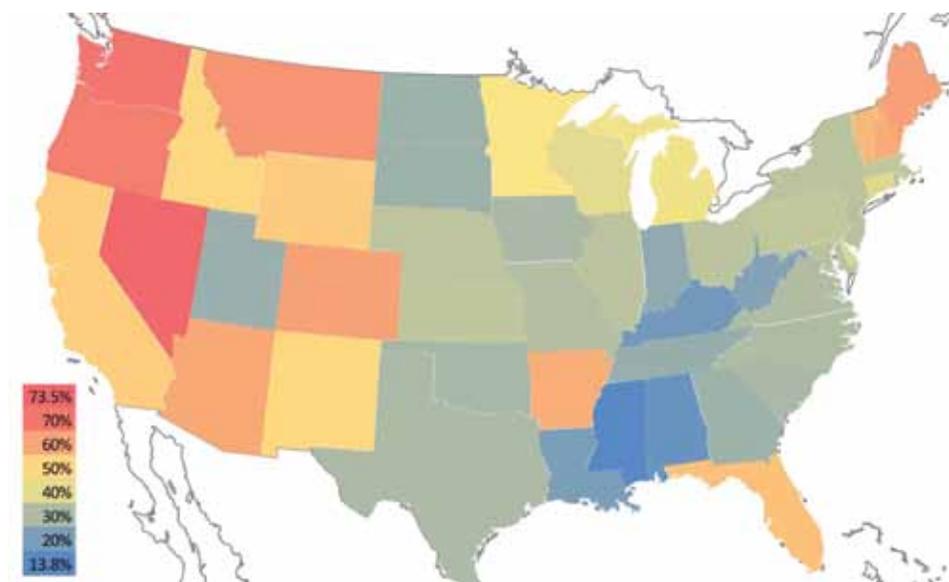
www.HiltonLandmarks.com

► Drysdale has spent the past 11 years focused on the death-care business, primarily on cemetery management. He has completed cemetery business plans, marketing plans, feasibility studies, endowment care adequacy analyses and demand/need analyses for cemeteries of all sizes.

► He has an MBA from the Haskayne School of Business at the University of Calgary and experience in the oil and gas, manufacturing and investment industries.

CREMATION

Is the death rate dropping? If it isn't, why does it appear from your case volume that it is, and where should your funeral home or cemetery be focusing its marketing efforts to increase business?



U.S. cremation rates (percentage) by state in 2010 (minus Alaska and Hawaii). The redder the state, the higher the cremation rate.

How cremation makes it seem like the death rate is declining

We've all heard and seen it. It *seems* that the number of deaths each year is declining. How can this be? Until somebody passes a law against dying that can actually be enforced, every person in our ever-increasing population will eventually shuffle off this mortal coil.

But we hear it all the time: "Cremation isn't a big deal here; we hardly do any. But what I can't understand is why the death rate is falling." Many funeral directors and ceterians are wondering the same thing. Why do there seem to be fewer deaths, even though cremation does not seem to be having a big impact locally?

The sky (or at least the death rate) is falling! Or is it?

Yes, many funeral homes and cemeteries are seeing a declining number of cases each year. But is that fact really due to fewer deaths occurring?

Let us first make clear that the death rate is *not* falling. People are continuing to die in ever-increasing numbers. Despite doom and gloom by some funeral pundits, this is not going to change. Everyone will die, though death may be delayed. Medical science has increased life expectancy in the last century, postponing death for many.

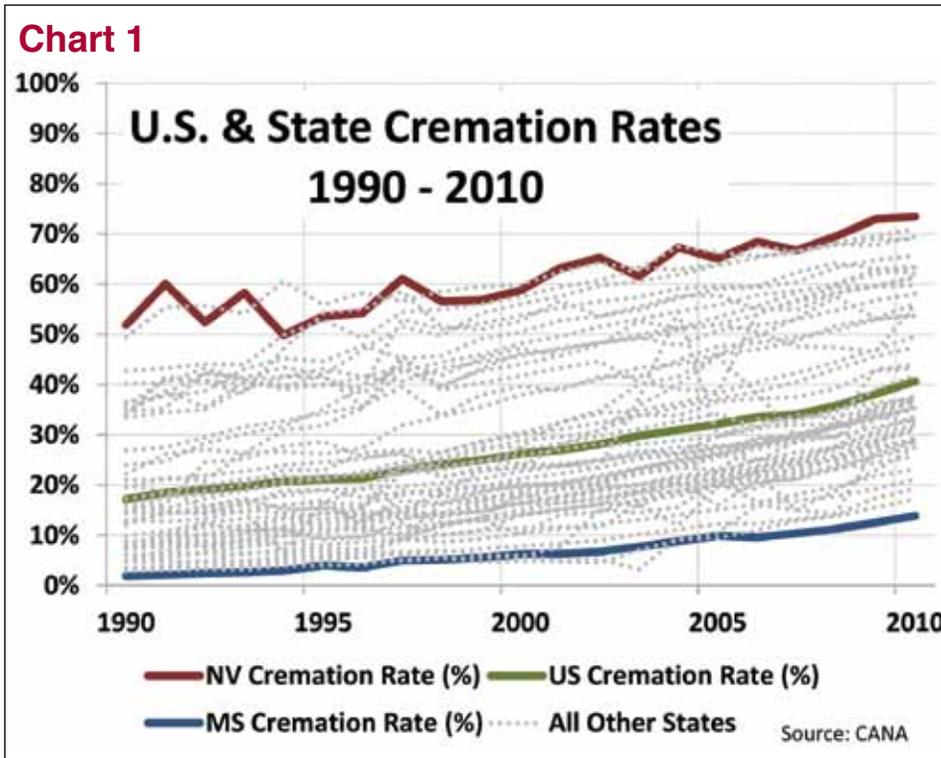
And death may be relocated. Population migration patterns affect local death rates. In other words, if all retirement-age people moved to Florida en masse, deaths elsewhere would drop while Florida's would dramatically increase.

Both of these related factors are relevant to local death rates, but in most cases, their impact is outweighed to some extent by population increases.

As long as the population increases in a particular area, the annual number of deaths also will increase. This makes intuitive sense. A certain percentage of the population dies each year. Nationally, in the

CREMATION

Let's not worry that the rates at the top end (as shown by Nevada at 73.5 percent) are near their peak, one need only look to the Canadian province of British Columbia immediately adjacent to Washington state. The cremation rate in this west coast province reached 81.4 percent in 2010 and has shown no signs of slowing down.



U.S. this amounts to about 7.9 people per 1,000 population annually (2009 figures).

This number, the annual death rate (ADR), varies predominantly as a function of the age distribution of the population and also is affected somewhat by medical and health advances.

Over the last 30 years (between 1979 and 2009), the average ADR in the United States dropped by 7 percent, from 8.5 to 7.9, while the population increased by 37 percent. However, it is important to note that annual deaths over that period increased by 28 percent.

In other words, the percentage of the population that died each year dropped, but since the population grew so much, the actual number of people dying each year (which in terms of death care services means the number of potential cases) went up.

Cremation doesn't matter. Or does it?

Cremation has been increasing in all states since the 1970s. Cremation rates now range (in 2010) from 13.8 percent in Mississippi to 73.5 percent in Nevada, averaging 40.6

percent for the country as a whole.

Cremation is least favored in the south and near the Mississippi River. Cremation rates generally increase as one moves away from the river to the northeast and southwest and, most dramatically, to the west.

The map on page 20 shows the distribution of cremation rates by state (in 2010) with lower rates represented by cooler (blue) colors and higher rates shown in warmer (red) colors.

Though most ICCFA members know otherwise, many other death-care professionals, particularly in areas where cremation rates are still low, think the effect of cremation is overstated in the trade press. This is not so.

Despite what you may be seeing at your local funeral home or cemetery and regardless of what the current cremation rate is in your area, cremation is a very big deal. In fact, cremation has supplied all of the growth in the after-death care industry over the last 30 years and is expected to continue to do so for the next 25.

This may seem to be a rather bold

assertion, so let's take a look at the facts that support it.

Cremation rates are increasing everywhere

In every state, regardless of the current rate (high or low) the cremation rate is increasing. This increasing cremation rate in most cases is outstripping the growth rates in both population and deaths.

Chart 1 shows the annual cremation rate in the 48 contiguous states as a percentage of deaths in each year between 1990 and 2010.

Note that sandwiched between the state with the lowest current cremation rate (Mississippi, shown in blue) and the state with the highest (Nevada, shown in red), all of the rates increased over that period. These rates have risen steadily everywhere since the 1970s and show no sign of slowing down.

Let's not worry that the rates at the top end (as shown by Nevada at 73.5 percent) are near their peak, one need only look to the Canadian province of British Columbia immediately adjacent to Washington state. The cremation rate in this west coast province reached 81.4 percent in 2010 and has shown no signs of slowing down.

But that doesn't affect our operation! Does it?

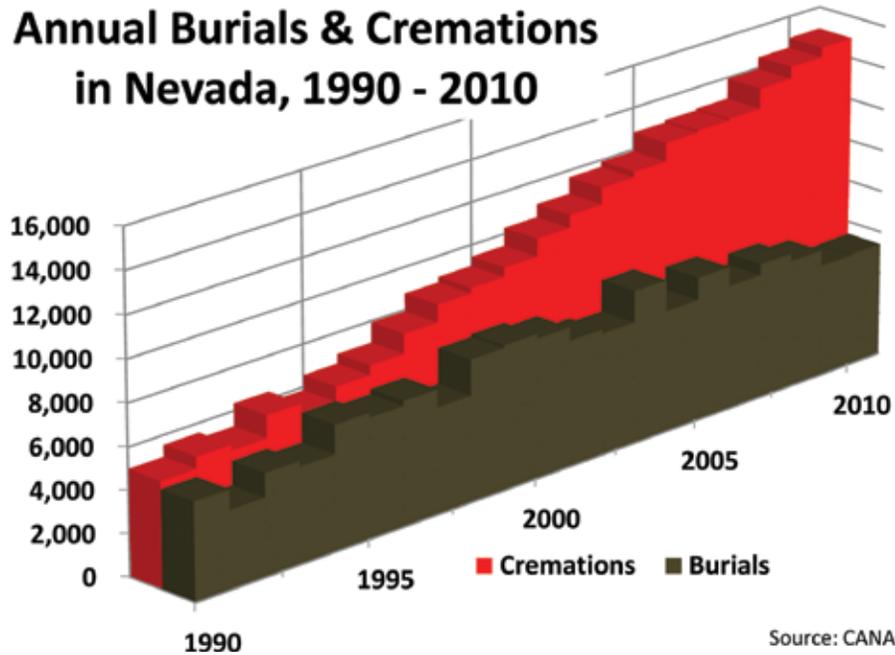
Most people accept that the effect of cremation will be great in the states with high cremation rates, since this seems intuitively obvious. So if your funeral home or cemetery is in Nevada, for example, the state with the highest cremation rate in 2010 at 73.5 percent (compared to the national average cremation rate of 40.6 percent), you can expect your operation to be strongly affected by cremation.

You might think this logically implies that where the cremation rate is low, it will have a lesser effect. Surely, if you're lucky enough to be operating a funeral home or cemetery in a state with a low cremation rate, your organization won't be affected very much by cremation.

But counter to such intuition, the exact

Chart 2

**Annual Burials & Cremations
in Nevada, 1990 - 2010**



opposite is true. What is relevant is the growth in the cremation rate through time.

Let us examine as examples the states with the highest and lowest current cremation

rates, Nevada and Mississippi, respectively.

Chart 2 shows the annual number of cremations and burials in Nevada over 20 years. The population (hence the deaths) has been increasing in Nevada over the last few decades, and the annual number of deaths more than doubled from 9,659 in 1990 to 20,367 in 2010 (a 111 percent increase).

Despite the fact that there were more than twice as many deaths in 2010 as in 1990, note that the annual number of casketed burials increased only slightly, from 4,650 in 1990 to 5,405 in 2010 (a 17 percent increase over 20 years), supported by the rapid growth in deaths.

On the other hand, annual cremations tripled from 5,009 in 1990 to 14,962 in 2010 (a 199 percent increase). In other words, the growth in after-death care occurred almost entirely in handling cremations.

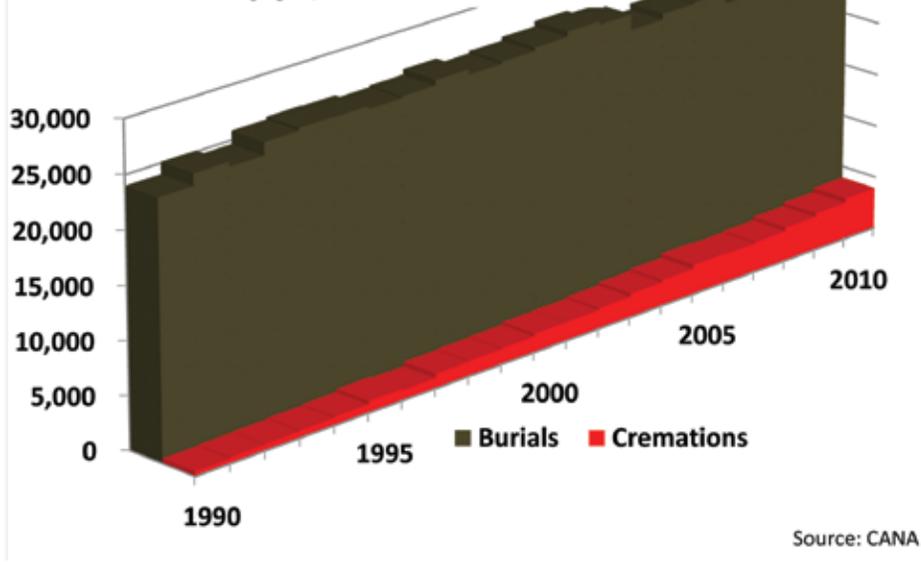
It is not as immediately obvious that the effect of cremation is just as dramatic in states with lower cremation rates. Nevertheless, cremation is the driver of growth even in those states. Take, for

CREMATION

Despite what you may be seeing at your local funeral home or cemetery and regardless of what the current cremation rate is in your area, cremation is a very big deal. In fact, cremation has supplied all of the growth in the after-death care industry over the last 30 years and is expected to continue to do so for the next 25.

Chart 3

Annual Burials & Cremations in Mississippi, 1990 - 2010



example, the state with the lowest cremation rate in 2010, Mississippi. Its cremation rate that year was 13.8 percent, compared to the U.S. average cremation rate of 40.6 percent. This would seem to indicate that cremation has had little impact in Mississippi, but that would be the wrong conclusion to draw.

Chart 3 shows the annual number of cremations and burials in Mississippi between 1990 and 2010. The annual number of deaths grew much more modestly in Mississippi than in Nevada, increasing from 24,457 in 1990 to 28,302 in 2010 (a 16 percent increase).

The annual number of casketed burials increased only negligibly, from 24,007 in 1990 to 24,384 in 2010 (a less than 2 percent increase over 10 years). Annual cremations, however, increased almost eight-fold, from 450 in 1990 to 3,918 in 2010 (a 771 percent increase).

The growth in after-death care in this low-cremation rate state occurred entirely in cremation.

The moral of this story is that regardless of the current cremation rate in your state, be it low or high, what matters is the growth in the cremation rate. That growth—which is occurring in all states—will absorb all of the growth in deaths, resulting in flat or declining numbers of casketed burials.

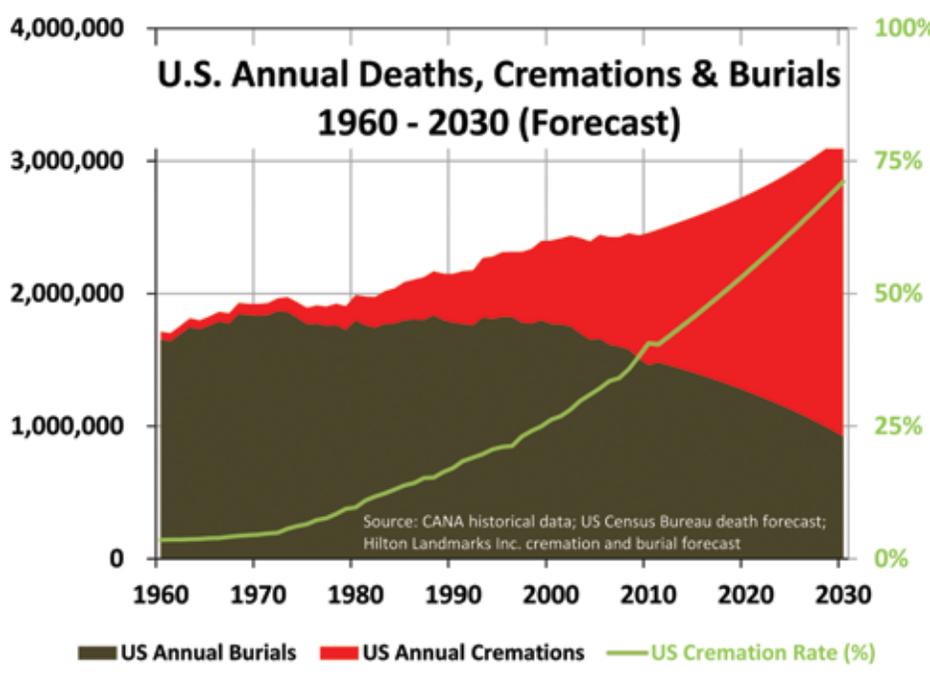
You can see in both Chart 2 (Nevada) and Chart 3 (Mississippi) that the annual number of casketed burials has stayed relatively flat over the past 20 years. Virtually all of the growth in the number of deaths has resulted in more cremations being performed.

This is true regardless of whether the state had a low initial cremation rate or a high one. What makes the difference is the growth in the cremation rate, and that has occurred everywhere.

In fact, those states that initially had lower cremation rates have seen a much larger impact due to cremation than those with a higher rate.

Cremation rates have been rising steadily since the mid-1970s, as shown in Chart 4. Over the last five years, that growth has averaged 1.7 percent per year (in an

Chart 4



Those states with lower initial cremation rates have been more significantly affected by the rising cremation rates than others.

absolute sense), or 5 percent over the course of three years.

Consider a state with an initial cremation rate of 65 percent. In three years, its cremation rate would have risen to 70 percent. If the annual number of deaths didn't increase over that period, the increase in annual cremations would be only 7.6 percent.

However, in a state with a 15 percent initial cremation rate and no increase in annual deaths, the rise in annual cremations would be more than 33 percent.

Those states with lower initial cremation rates have been more significantly affected by the rising cremation rates than others.

In states with exceptionally high growth rates in population and deaths, the number of annual casketed burials was dragged upward slightly, along with the number of cremations, but the majority of growth still occurred in cremation.

It can be shown that over the past 40 years, virtually all of the growth in after-death care has occurred in cremation. Chart 4 shows annual deaths, burials and cremations in the United States between 1960 and 2010 as well as forecast to 2030.

Note that total annual deaths (as shown by the top of the red area) have increased from 1.7 million in 1960 to 3.2 million in 2010. Though there are individual years in which the annual number of deaths decreased, the inevitable trend is that as the population increases, the number of deaths also increases.

What is particularly striking is the slight decline in annual casketed burials (shown in the brown area) between 1970 and 2000. This trend accelerated in the last decade, with a rapid decrease in the number of casketed burials between 2000 and 2010, a decrease that is projected to continue (as depicted on Chart 4, which shows the brown area continuing to decrease between 2010 and 2030).

Cremation (as shown in the red area) can be seen to accommodate all of the increase in deaths, as well as making inroads into the number of casketed burials. This trend is expected to continue for the next 25 years as cremation rates continue to rise.

You may think the U.S. Census Bureau's published forecast for deaths between now

and 2030 is too high, but as the population continues to grow, the annual number of deaths will continue to rise by some amount. But rising cremation rates will mean that despite more deaths, there will be fewer traditional casketed burials.

If casketed burials aren't disappearing, can't I just hold onto that business?

Casketed burials will not disappear; they will continue to be chosen by consumers for a variety of cultural, religious and personal reasons. But there will be little or no growth (or even a decline) in casketed burials in your area.

The upshot of this is that in the absence of competitive pressure, a funeral home or cemetery will be holding a share of a declining market. If you want to perform the same number of casketed burials in the future, you will have to do so at the expense of competitors.

Every funeral home and cemetery will have to fight for an increased share of this declining market just to keep stable numbers. Unlike the past, it will be impossible for everyone's operations to grow together in the declining market for casketed burials.

Cremation, on the other hand, provides the opportunity for all operations to grow, as a rising tide raises all boats. Even if you merely maintain your market share (of local cremations), your annual number of cremations will increase as the total market size increases.

All of this is not to suggest that anyone should neglect casketed burials in future business plans. To the contrary, as long as your competitors are not increasing market share at your expense, casketed burials likely will continue to represent a similar unit volume year over year.

But if you want to expend marketing effort to increase the casketed dispositions your organization handles, you must, as noted above, take that increased volume away from competitors. Cremation may offer better value for marketing dollars if only because that is the market segment accruing all of the growth in after-death care. 