The NFDA 2014 Cremation Report: Research, Statistics and Projections

NFDA is the leading and largest funeral director association in the world. We help our members achieve more by providing tools to manage a successful business.

State of the Funeral Service Industry

Based on analysis of the major external factors influencing the funeral service industry, industry conditions over the 2014-2019 five-year period are projected to slightly improve. The major external factors are: number of deaths (anticipated to increase as the population ages), number of adults 65 and older, the increasing number of cremations and U.S. per capita disposable income (IBISWorld Industry Report 81221, July 2014).

U.S. Death Rates (annual deaths per 1,000 population)

Year	Annual Deaths per 1,000 Population	
2000-2002	8.5	*Final Data*
2003	8.3	
2004	8.2	
2005	8.3	
2006	8.1	
2007	8.0	
2008	8.1	
2009-2010	7.9	
2011	8.1	*Provisional Data*
2012	8.3	
2016-2020	8.4	*Projected Data*
2025	8.6	
2030	8.9	
2035	9.3	
2040	9.6	
2045-2050	9.7	

Sources: U.S. National Center for Health Statistics-Vital Statistics of the United States; National Vital Statistics Reports; U.S. Census Bureau.

Influence of Rising Cremation Rates on Industry

In 2014, more than one-third of funeral homes in the United States own and operate crematories and 7% plan to build or open a crematory within the next five years. This means most funeral homes are in competition with stand-alone crematories in the area of direct cremation (disposition of human remains by cremation without formal viewing, visitation or ceremony with the body present). There is a growing trend to select direct cremation because it is, in general, more cost-effective for consumers. It is often followed by some type of memorialization event with family and friends – but frequently without the services of a funeral home. This results in increased competition from the direct cremation (direct disposal) sector.

The rising popularity of cremation is attributable to a number of factors, including cost, decreased household discretionary income, rising funeral expenses that continue to outpace inflation (Batesville, 2013), environmental concerns, fewer religious prohibitions of the practice and changing consumer preferences, including a growing preference for simpler, less ritualized funeral practices.

Another significant factor in the rise of cremation popularity is the surge in the number of people who do not identify with any religion. The likelihood of choosing cremation for a loved one is directionally higher for those who do not subscribe to an organized religion (FAMIC, 2010). In just five years, from 2007-2012, the percentage of unaffiliated adults increased from 15% to almost 20% of the U.S. population (Pew, 2012). Cremation has become socially acceptable as more Americans are thinking and talking about death in new ways, and its popularity is expected to intensify.

As cremation becomes more popular, revenue gains for funeral homes are forecast to be moderate. Cremation services in general, offered by the vast majority of U.S. funeral homes, produce lower revenue for funeral homes, adversely affecting industry revenue. Typically, cremations cost less than one-third of funerals with burials (IBIS, July 2013; March 2014).

Industry revenue is anticipated to expand at an average annual rate of just 1.5% over the next five years, reaching $17.2 billion in 2019. Direct cremation services make up just over 4% of industry revenue in 2014 (IBIS, 2014).

Cremation revenue is estimated at 42% of the revenue for a traditional funeral including a burial (*Closing the Profitability Gap With Cremation*, Batesville Services, 2013). Future growth prospects for the industry will be hampered by the lower revenue and profit per family that cremations generate, as well as by rising competition from crematories (IBIS, 2014, July).

To combat these revenue challenges created by the rise in cremation and decrease in preference for a traditional funeral, successful funeral homes will likely offer more specialized products and services associated with cremations, such as customized urns and service packages. It is predicted that funeral homes will continue to expand the array of extra services offered to families and that operators will increasingly focus on niche markets, such as groups with diverse cultural and religious preferences, to differentiate themselves and draw attention to their value-added services (IBIS, 2014).