

# A resurgence for business of death

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The North American funeral business is showing signs of life.

A year ago, most public "death care" companies were reporting mysterious drops in the number of funerals they were performing, but now things have improved and some are seeing growth close to long-term trends.

And all of the companies in the funeral industry are looking forward to the next few decades, when business should be brisk as baby boomers come to the end of their run.

The hardest-hit company last year was Service Corporation International, (SCI-N8.55----%) the biggest death care company on the continent, with more than 1,600 funeral homes and cemeteries in the United States and Canada. In the first quarter of 2009 it experienced an 11-per-cent downturn in the number of funerals it performed. While the quarter-to-quarter decline was only 3.6 per cent by the fourth quarter, the company conducted 6.7 per cent fewer funerals in all of 2009 than it did in 2008.

Houston-based SCI was so puzzled by the downturn that it hired outside consultants to find out why. The research is not complete, so the company won't release it yet, but chief executive officer Tom Ryan told a recent conference call with analysts that there appear to be two major factors: medical advances, and a dip in the number of births between 1929 and 1936, the deepest years of the Depression.

"We know those two events are going to put downward pressure on the numbers of deaths in our relevant markets," Mr. Ryan said. "We're operating under the assumption that we're probably going to see down comparable [funeral] volumes generally for the next few years."

But he also noted that death rates are very volatile, and any dips "can be overcome temporarily by big flu seasons [or] other types of things that could drive deaths."

Over the long-term, however, business can only grow as the baby boom bubble moves into its advanced years, he said. While they may not be ready to die yet, many are starting to pay for prearranged funerals. "The good news is we are selling to the next generation," Mr. Ryan said Monday at an investor conference in Orlando, Fla.

In Canada, the biggest funeral provider is Arbor Memorial Services Inc., (ABO.B-T24.49----%) a Toronto-based company that owns 82 funeral homes and 41 cemeteries.

It did not experience the same sharp drop in funeral volumes as SCI or many of the other large U.S. death care firms last year, but the number of funerals it performed in 2009 was off slightly, with the trough – a decline of 3 per cent – in the second quarter.

Arbor chief executive officer Brian Snowdon said Mr. Ryan's explanation for the decline in the number of funerals makes sense. He also noted that influenza deaths have been down in the past year or so, and the impact of the H1N1 virus was much less than expected.

He dismissed the possibility that customers are abandoning the large public funeral operators for smaller independents that don't report their numbers. Suppliers to the industry report the same kind of soft numbers for everyone, he said.

And while health care improvements could certainly cut into the number of deaths in the short term, that's only temporary, he said. "Medical advances aren't going to keep people from coming through our doors forever, but they will delay [things]."

Indeed, Mr. Snowden said the increase in population and the large numbers of people who are entering their senior years bodes very well for the industry in the long run. Even though people are living longer, the increasing numbers of the elderly must eventually translate into more deaths.

Overall, Statistics Canada projects that the number of deaths per year in Canada will roughly double in the next half-century.