OF GRAVE CONCERN

The funeral industry will need to be restructured if it is to deal with the increasing death rate and changing customer demands.

BY HAJIME HIMONYA

According to the economics magazine Shukan Diamond (August 7, 1993), Japan’s funeral business is worth ¥3 trillion ($30.4 billion), ¥2 trillion for funeral services, ¥750 billion ($7.6 billion) for gravestones and cemetery plots, and ¥250 billion for miscellaneous expenses. The article suggested that since the death rate is expected to have doubled in 34 years (it rose from 77.4 per 100,000 population in 1950 to 187.2 in 1992), the market will also double, to ¥6 trillion.

That reasoning is fundamentally flawed. First of all, expenses outside the sphere of business, such as donations to temples and payments for posthumous Buddhist names, are included in the magazine’s figures, and secondly, this future “market” was created simply by multiplying current average funeral costs by the expected increase in deaths.

A rough estimate of the annual cost of funeral services is ¥750 billion, with another ¥300 billion ($3.04 billion) spent on ceremonial gifts. The gravestone and cemetery plot segment of the industry takes ¥300 billion a year and the butsudan (small, family Buddhist altar) industry grosses ¥150 billion. No matter how one looks at it, the total only comes to ¥1.5 trillion ($15.2 billion), only half Shukan Diamond’s figure.

In 1993, there were approximately 880,000 deaths in Japan. According to the Ministry of Health and Welfare, annual deaths will peak in the year 2034 at 1.8 million. Does it follow that over the next 40 years the market will also double, to ¥3 trillion?

The Japanese funeral industry is supported by the practice whereby people attending the funeral present the grieving family with condolence gifts of money. Approximately half the cost of the funeral is covered by these gifts, called koden. Seventy-four percent of Japanese are over 65 when they die, and about half the people attending their funerals are the colleagues and business associates of the deceased’s children. As Japanese society ages, it is increasingly likely that the chief mourner—usually the eldest son—will himself have retired, so there will be fewer people at the funeral. The drop in birthrates also means the deceased will have fewer children in the future. In 40 years, the average money received in condolence gifts could be half what it is today.

During Japan’s period of rapid economic growth, a good funeral was considered one that cost a lot of money. But there is now a backlash against high funeral costs, which until recently had been rising faster than consumer prices.

Social trends are also changing. In Japanese funerals prior to the mid-1980s, the dead were hidden from view. Increasingly, however, viewing death is no longer regarded as taboo. This change is incompatible with the future expansion of the funeral business. The prosperity of the funeral business has always been supported by the Japanese view of death as taboo. People were content to leave decisions about funeral costs and details entirely in the hands of funeral directors. Now, more and more people are asking for simple funerals that reflect the character of the person who passed away. In the future, the consumer will make the decisions about the arrangements and cost.

Attitudes toward cemetery plots have also changed greatly in recent years. With the rise of the nuclear family, the idea of the family as an eternal unit is weakening. Consequently, there will probably be a move from single-family cemetery plots to large tombs that hold the remains of many unrelated people, or to spreading of the ashes. Increasingly tight space limitations in the home mean that smaller and simpler butsudan will probably also become more popular.

Inflation aside, it looks like the funeral market in around 40 years will be about the same size it is today. In fact, over the past two years the number of funerals has increased, but profits have remained constant—due in part to the end of the “bubble” economy.

There is also fierce competition within the industry itself. Today, there are 4,500 funeral companies, 400 mutual aids societies, and 1,000 other groups, including agricultural cooperative associations, involved in funeral services. In total there are approximately 6,000 different players in the market. Over the next 40 years, however, competition will likely whittle this number down to around 2,000. Large companies such as supermarket chains are expected to break into the market, too. Few people in the funeral business are optimistic about the future.

In the past, neighbors helped out with funerals. This practice is observed less and less, and the number of services provided by funeral businesses has grown to fill the vacuum. This means a rise in personnel costs and swiftly falling profit margins.

Funeral companies must restructure themselves. Not only are they exposed to tough competition with other companies, consumers are demanding simpler, less expensive funerals. The only companies with a bright future are those who will manage to survive this period of upheaval.

Funeral-goers are presented with a small gift from the deceased’s family: Here, a small pack of salt (for purification on returning home), and a box of handkerchiefs.

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