

Funerals Market Study  
Markets and Mergers Group  
Competition and Markets Authority  
Victoria House  
37 Southampton Row  
London  
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28 June 2018

## **CMA Funerals market study**

### **Funeral Partners Limited response to the CMA Statement of Scope**

Thank you for affording us the opportunity to comment on the CMA's Statement of Scope dated 1 June 2018. Funeral Partners Limited ("**FPL**") welcomes the opportunity to respond to the CMA's questions in the Statement of Scope, and looks forward to working with the CMA through its ongoing investigation into funeral services in the UK.

Prior to answering each of the CMA's questions, we first provide an overview of our business and an overview of the funeral services market.

#### **Overview of FPL's business**

FPL is dedicated to providing high quality funeral services to its customers, serving their needs and providing comfort during a difficult time. Established in 2007, we now operate 162 funeral homes in England and Scotland. FPL currently provides around 2.3% of the at-need funerals in the UK, representing the third largest player in the country by number of funerals performed.<sup>1</sup> We are also active in the provision of pre-need funerals, through which a plan is purchased in advance of one's death to cover for the funeral expenses.<sup>2</sup>

Much of FPL's expansion in recent years has been driven by external acquisitions. FPL's objective is to grow our business significantly to a share of around 9% in 2021.<sup>3</sup>

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<sup>1</sup> For further detail please see our responses to Questions 1 and 4(d) of the CMA's Request for Information.

<sup>2</sup> As we understand that the pre-need segment is currently outside the scope of the CMA review due to other government initiatives in the same space, this submission focuses on the at-need funeral segment.

<sup>3</sup> For further detail please see our response to Question 2 of the CMA's Request for Information.

As members of the National Association of Funeral Directors (“NAFD”) we follow their Codes of Practice but our aim is always to go over and above these standards in delivering a best possible customer experience. Our continued record in investing in quality has led to FPL holding customer satisfaction ratings that are higher than the market average at 99.1%, and complaint records that are in line with the market average at 1.3% – facts which we are proud of as a business.

In delivering our services, FPL aims to achieve our growth objective by continuing to invest into our business, providing high quality services to our customers, and pursuing our acquisitive strategy.

When we talk about quality in this market, we refer to our:

- Well trained professional employees, in which we are always investing;
- High quality and well maintained funeral homes (including provision for mortuaries and refrigeration);
- Robust risk and compliance management against all legislative requirements;
- Well invested and well maintained fleet of professionally converted vehicles; and
- Provision of a good customer experience: clear pricing information, the possibility to personalise funerals to the precise specifications required by the family, and high performance on the day of the funeral, among others.

Our strategy has historically relied on purchasing local funeral homes of good standing, and investing into these new facilities and people, as well as our existing business, in order to provide an even higher standard of quality. At times, FPL has also acquired underinvested funeral homes, purchased struggling ones, or ones where the Funeral Director wished to retire, and then proceeded to invest in them to improve the quality of the funeral services offered at these sites in line with the standards offered by FPL at other sites.

FPL sets itself apart by recognising the unique heritage, brand and local teams that the acquisitions bring to the business. We take these factors into consideration in the running of the businesses, and do not apply a ‘one size fits all’ approach to all locations. Our culture and strategy is to engage, promote and develop the former owner relationships and their teams.

FPL has been pursuing a strong policy of investment, and more broadly of modernisation of the business. The range of investments we make include building new facilities (such as

adding mortuaries), updating and refurbishing customer areas within branches (such as comfortable arrangement rooms and dedicated chapels of rest), purchasing new assets (such as an upgraded fleet of vehicles) and training and hiring experienced professionals, as well as improving reward packages, training and career paths for all of our employees. FPL has also been pursuing a policy of moving from occasional to more permanent employees, which while leading to increased costs, increases the quality of our service. This is reflected by our current budget. By the end of 2018, we will have invested £2.4m in renewing our fleet after investing a similar amount in 2017,<sup>4</sup> and £2m in property.<sup>5</sup>

Reputation of the funeral home plays a large role in the choice consumers make when selecting a provider, and this reputation will necessarily rely on the quality of the service provided on previous funerals. As such, investing in our people, operational processes and technology is of key importance. To achieve our business growth objectives our focus on the quality of our response to customer enquiries, the range of services offered and high service standards is paramount.

### **Overview of the market for funeral services**

Funeral services include the provision of the services of a Funeral Director and funeral staff, coffins and coffin preparation, care of the deceased and embalming, transportation, managing the arrangements with the cemetery or crematorium on behalf of the deceased, as well as arranging the funeral ceremony on the day.

There have been a number of trends in the market in recent years:

- The strategies of firms in the sector continue to widen. As noted above, FPL is investing in quality, adopting a strategy that goes over and above the NAFD guidelines. This is not the same for all providers, leading to product and service differentiation through quality.
- Consumers are able to choose from a wide range of funeral services.
- There has been the emergence of low cost “direct cremation” funerals, which are meeting the needs of customers for which price is the main driver of choice.
- There is an increasing tendency for customers to require tailored services, which take longer to prepare for, and a longer ceremony, resulting in a higher overall price. More

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<sup>4</sup> This represents an upgrade on approximately 25% of the current fleet, a similar level of spend to the previous year meaning approximately 50% of the fleet will have been upgraded over a 24 month period.

<sup>5</sup> FPL intends to continue this investment for a five year period, equivalent to £60,000 per branch over a 5 year period

generally in this market, services can be tailored to the customer's requirements – there are a range of bespoke options, and therefore considerable differentiation across each funeral we provide.

- Customers are also waiting longer before a funeral, in order for different arrangements to be made. This has resulted in increased costs for care of the deceased. These delays were subject to a review by the all-party parliamentary group on funerals and bereavement.<sup>6</sup>
- Disbursements, such as charges to crematoria and cemeteries, over which Funeral Directors have no control, have also increased over and above inflation.
- More generally, the low barriers to entry and expansion present in the market have led to us facing new competition in a number of areas, both through new entrants and through expansion of other operators.

The above trends corroborate the CMA's findings of both a) increases in the average price paid, and b) a widening of the range of prices paid by customers in the market. In our view, and as we explore in this response, these changes are both likely to be explained by these alterations in customer preferences, and by continued differentiation in products and services through investments in quality.

FPL considers that the market for funeral services is healthy and competitive, with customers making a choice based on service, reputation and heritage, balanced against the price paid and perceived value for money. Any differences in prices are driven by differences in quality and, consequently, by differences in the costs to serve customers.

### **Transparency in the industry**

We are very pleased that the CMA is placing transparency at the heart of its study, and that this is being considered in relation to quality as well as pricing.

On transparency of pricing, as a firm, we have undertaken recent measures to improve the transparency of our own offering, including a move towards more detailed pricing information being available on an itemised basis.<sup>7</sup> We continue to monitor how this is being received by customers.

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<sup>6</sup> Further detail can be accessed at: [https://hansard.parliament.uk/Commons/2016-05-03/debates/1605032000004/BurialOrCremation\(Delays\)](https://hansard.parliament.uk/Commons/2016-05-03/debates/1605032000004/BurialOrCremation(Delays))

<sup>7</sup> For further detail please see our response to Question 8 of the CMA's Request for Information.

On transparency of quality, while reputation and word of mouth are effective and our continued investment in quality is giving high satisfaction scores, we are committed to doing more to help customers compare providers' offerings. As part of this, we are supporting the NAFD's creation of a comparison website that will allow potential customers to compare providers of funeral services, encompassing both price and quality. This site is expected to cover at least 80% of the market, and we therefore hope this innovation will be highly effective in increasing transparency in the future.

### **Concluding remarks**

We look forward to working with the CMA to ensure that the UK funerals market works well for consumers. FPL is dedicated to providing high quality funeral services to its customers, serving their needs and providing comfort during a difficult time. As members of the NAFD we follow their Codes of Practice but our aim is always to go over and above these standards in delivering a best possible customer experience. Transparency in pricing and quality is important to us, as demonstrated by changes we are making to the way our prices are made available to customers, and our ongoing support for the NAFD's comparison website initiative.

## **Annex: Response to CMA questions**

1. In this section, FPL presents its responses to the CMA's Statement of Scope.

### *Competition and transparency in the provision of funerals*

#### **A) Why have funeral prices generally increased?**

2. In FPL's experience, increases in prices have reflected increases in the direct or indirect costs of providing funeral services to customers. The average yearly increase in net average funeral revenue was 5% between Financial Year 2013 and Financial Year 2017.<sup>8</sup> This compares to an average yearly increase in total costs per funeral of approximately 4%.
3. In particular, the price for a funeral which is charged to a customer is typically composed of two categories of items:
  - The Funeral Directors' charges, which are set by funeral homes. These can be divided into core services where there is no variation in the service provided (such as professional services) and optional items (such as the type of hearse used).
  - Third party costs (usually referred to in the industry as disbursements), such as crematorium and cemetery fees. These are set by the relevant (public or private) operators, and are charged to the customer by the funeral home at cost.
4. In relation to Funeral Director charges, we have seen our operating costs rise by more than inflation (year on year increases in direct operating costs per funeral across the five years have been as high as 19%) as we drive for higher standards, react to regulatory change, invest in better facilities and compete to recruit suitably qualified employees in an increasingly competitive – and ever more regulated - employment market. Examples of this include legislation that has introduced greater health and safety requirements on funeral homes, as well as pension and employment benefits reform. These are likely to be a larger concern to bigger firms such as FPL than to

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<sup>8</sup> The average yearly increase in net average revenue in the 5 year period between 2013 and 2017 is distorted and inflated by the impact of a large acquisition made by FPL in Financial Year 2015. The average funeral revenue of the acquired business was much greater than that of the existing FPL branches. As such the underlying average yearly increase in the net average funeral revenue is less than the reported 5%.

smaller, independent Funeral Directors, as bigger firms are more likely to be subject to regulatory scrutiny.

5. Additionally, several market trends contribute to making funerals more costly:
  - Funerals have become much more personalised, with the funeral itself taking longer than previously. This means both FPL employees and resources are deployed for longer, reducing the number of funerals that can be conducted in a day.
  - Customers are delaying when funerals take place in order to ensure maximum convenience to them. The deceased are being kept for longer in our mortuaries, taking up capacity and increasing the need for investment in mortuaries and refrigeration.<sup>9</sup>
  - Changes in the healthcare sector have included hospital mortuary closure and coroners' services moving from local models to regional models. These result in increased transportation costs as Funeral Directors have to transport the deceased to and from mortuaries over a much greater distance than was previously the case.
  - Similarly, restricted opening times of public and hospital mortuaries has reduced flexibility in when Funeral Directors can transport the deceased, and, as a result, have increased transportation costs.
6. Finally, we would note that part of the price increase is driven by third party costs, such as (but not limited to) disbursements to cemeteries and crematoria. These fees have generally risen far in excess of inflation, with local authorities and private crematoria and cemetery operators increasing prices. As disbursements are charged to the customers at cost and FPL does not operate either cemeteries or crematoria, we are only able to provide limited information on the underlying drivers of their pricing trends.

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<sup>9</sup> As an example, FPL recently acquired a home in Eastbourne. We would have looked to use the refrigeration at another FPL facility nearby, but capacity issues there meant we had to invest in additional refrigeration at Eastbourne instead.

**B) What explains certain large funeral price differences between funeral directors in the same local area?**

7. As explored above, there is a wide range of both products and quality of service visible in the market. Regardless of whether you are comparing prices nationally, or two Funeral Directors on the same street, it is therefore not unexpected to observe price variation, given the product differentiation on offer.
8. FPL considers that Funeral Directors, overall, operate in a healthy competitive market, with customers making a choice based on service and reputation and heritage, balanced against the price paid and perceived value for money. Any difference in prices paid that is observed will be driven by differences in quality and, ultimately and consequently, by differences in the costs to serve customers across providers.
9. In particular, FPL considers that larger, more established providers such as FPL will face higher costs than smaller independent players, in particular new entrants.
10. More established firms such as FPL tend to repeatedly invest in their premises, employees, infrastructure and governance, with benefits to customers in terms of higher quality. For example, larger firms tend to rely much more frequently on permanent employees than smaller firms, paying the full benefits associated with such positions, and to be more systematic in their compliance with all current legislative and industry standards. This enables FPL (and other larger firms) to deliver a higher quality service. Larger firms also tend to provide all services in house (as opposed to hiring in e.g. vehicles and people), increasing flexibility to meet our customers' requirements and reducing the risk of certain services being unavailable.
11. FPL has experienced a trend of new, independent providers entering the market at a lower price, as they may not incur the costs of holding any assets or employing permanent employees, preferring to hire out facilities and vehicles ad hoc for each funeral. These firms tend to be less fully compliant with current legislative and industry standards. In some cases, they are heavily reliant on casual and transient staff, who may not necessarily be employed on a fully legitimate basis (e.g. cash in hand workers) and may not be receiving the full benefits of contracted employment, such as pension and holiday pay, or have protected employment status.



**C) In what settings and under what circumstances do consumers decide which funeral director to contact?**

12. In FPL's experience, the circumstances in which funeral arrangements will be made will depend on several factors, including the circumstances of the death.
13. It is worth noting that the vast majority of funerals are arranged by more than one person. It is unusual for a customer to arrange a funeral unaccompanied by either family or friends, a neighbour or solicitor. When a customer does attend on their own, key decisions are often deferred to allow that person to seek the opinion and guidance of other family members. Customers may also speak to a range of Funeral Directors before committing to one in particular.
14. Demand for funerals can generally be categorised in three ways: expected funerals, sudden funerals and pre-planned funerals. The settings and circumstances applicable to each are explained further below:
- Expected funerals: When people are aging or suffering a longer term illness, customers will tend to start thinking either privately or openly about the funeral and which Funeral Director to use. This is likely to be a considered decision taken over time following some research, perhaps by seeking advice from family and friends or professionals (our internal research suggests that reputation, convenience of location and word of mouth are very important when considering Funeral Directors). Increasingly, customers are also conducting research online.
  - Sudden / Unexpected funerals: In these situations, the choice of Funeral Director is a decision necessarily made over a shorter period (given the death itself was unexpected). However, in our view the importance of reputation is still fundamental here in terms of choosing which Funeral Director(s) to contact, and the points made in paragraph 13 above continue to hold.
  - Pre-planned funerals: This is when a customer takes out a pre-paid funeral plan for themselves or a relative. The plan would usually be purchased, after due consideration, in a proactive manner from a Funeral Director following a personalised consultation, either at the funeral home or, sometimes, in the customer's home or online. Customers may purchase plans 'reactively' after being contacted by third party telesales calls, or having an agent visiting their home. In almost every instance the type of plan purchased will determine the Funeral Director that has to be used. Again,

the importance of reputation will be fundamental when deciding which Funeral Director(s) to contact when arranging a pre-paid plan.

15. In all of the scenarios above the actual decision on which Funeral Director to contact could be taken at the client's home, at the hospital or hospice, or at the registrar.

**D) What factors are important to them in making that choice? How far (in terms of distance / time) are consumers prepared to travel to reach a funeral director? Do consumers have sufficient information on the alternative funeral directors available locally?**

16. In FPL's experience, most customers will use a Funeral Director that is either already known to them because they have used them in the past with positive experiences, or because they are known through reputation (word of mouth).

17. Others will seek recommendations from professionals, seek information from hospitals or registrars on local firms, or choose to use the nearest Funeral Director to the deceased. We note that registrars and Health Authorities have a policy of encouraging customers to contact more than one Funeral Director. Additionally, as already highlighted, there is a growing trend to search online.

18. In terms of distance, in FPL's experience this will depend on the type of area in which the deceased is based.<sup>10</sup> On average, the Funeral Director used will be based within around two miles in London, three miles in other urban areas and five miles in rural areas from the deceased.

19. As explained elsewhere in this response, FPL considers that customers do have sufficient information on the alternative Funeral Directors available locally. Moreover, the NAFD's new price and quality comparison website will considerably augment the level of information currently available.

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<sup>10</sup> The distance the customer may travel to a Funeral Director can also depend upon whether there is a pre-payment plan involved.

**E) Is sufficient information (including low cost funeral options and itemised prices) made available by funeral directors, when is it provided and does it allow for meaningful comparisons of services between funeral directors?**

20. FPL aims to provide a transparent list of prices to customers which allows them to make informed comparisons.<sup>11</sup> We also provide a range of funeral options,<sup>12</sup> and, as explored above, have invested heavily in the quality of our services.

21. More generally in the market, both major trade associations (the NAFD and the National Society of Allied and Independent Funeral Directors (SAIF)) require members to have price lists available to customers to take away, and to give written estimates, meaning that customers should always know the price for different options and how much the funeral will cost, including any additional services and options that the customer may request. Potential customers will therefore be made aware of pricing and options upon visiting a branch. This will include information on low cost options where applicable.<sup>13</sup> However, funeral firms that are not members of a trade association (and therefore not subject to monitoring) are less likely to have price lists available and to offer written estimates.

22. Increasingly, Funeral Directors are putting prices online. However, comparing quality, including the levels of service and diligence, or care and governance, is more difficult, and relies more on reputation. We therefore consider that comparisons of prices alone cannot give potential customers a clear picture of the value for money represented by different Funeral Directors.

**F) How do consumers evaluate non-price factors, such as quality?**

23. As noted above, in our view customers value non-price factors in this market, and research shows quality is a key determinant of choice.

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<sup>11</sup> For further detail on our strategy on price transparency, please see our response to Question 8 of the CMA's Request for Information.

<sup>12</sup> For further detail please see our response to Question 5(a) of the CMA's Request for Information.

<sup>13</sup> Although no longer required within the Code of Practice of the major trade association (the NAFD), most Funeral Directors offer what would typically be referred to as "the 'basic' funeral" or "the 'simple' funeral", covering the essentials of collection of the deceased, care of the deceased, a coffin, and a hearse, bearers and a Funeral Director at the funeral.

24. In FPL's experience, quality to customers in this market means reliability, and the ability to provide a dignified send-off for a loved one. We deliver this through the various features of quality outlined on page 2 to this response.
25. Quality is therefore something that consumers do consider quite strongly in advance of making a choice of Funeral Director, on the basis of their own previous experience, word of mouth or increasingly online research, including reviews. After a funeral, customers (both those organising and those attending the funeral) will assess the quality of the funeral, which will inform their decision on any future funeral.
26. In our surveys, we track our customer's satisfaction with our services, as well as whether they are likely to recommend our business or use us again. Among the factors that we consider would capture the customer's satisfaction with the service (and therefore quality), we consider whether the customer was put at ease by the funeral arranger they met, the range of options they were offered, whether the explanation of costs was clear, and the smooth running of the service. We also invite customers to leave reviews on independent review sites, such as Google and MuchLoved.<sup>14</sup>

**G) What are the benefits or limitations of intermediaries, such as comparison websites, in helping people choose a funeral director?**

27. In principle, price comparison websites and aggregators may help highlight that there is a range of prices charged for funeral services in a given area, and put customers in the position to make an informed choice regarding price. In this regard, as we elaborate below, FPL would support the concept of a price comparison website.
28. However, at the moment, FPL is not aware of any one website listing all Funeral Directors in a given area. There is therefore a risk that customers could be misled into thinking they had reviewed the whole market, whereas some quality firms may not have been listed on that particular site for a given local area. In particular, it may be that lower quality new entrants may be more aggressively pursuing new business, and may be the most likely to be present on such websites.
29. Additionally, and most importantly, some of the price comparison websites that are currently in operation have no inspection regime, and for those that do the review

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<sup>14</sup> MuchLoved is an independent charitable trust that provides resources for the bereaved in terms of memorials and Funeral Director reviews.

process is not fully transparent. These sites lack a standardised way to compare quality across providers, and therefore provide only a partial picture, which neglects the key determinant of customer choice, which is quality of service.

30. FPL supports the NAFD proposal for a comparison website that would report prices for all members (making up circa 80% of the market nationally), as well as providing a good indication of quality based on customer or third party reviews.

**H) How effective are industry codes of practice in facilitating consumer choice e.g. through transparency obligations placed on funeral directors?**

31. Generally speaking, FPL considers that the Codes of Practice of the two recognised trade associations are working: they have requirements to provide information that helps facilitate consumer choice, and these requirements are kept up to date with developments in the market.
32. Neither of the two recognised trade associations (the NAFD and SAIF) compel members to put prices online, but both state that price lists must be available to customers and that written/signed estimates must be issued.
33. The NAFD is encouraging members to put prices online and is developing a website to help facilitate comparison on a more comparable (like-for-like) basis by including reviews or indicators that may help customers compare providers on the basis of service quality. This was well received at the recent National Conference, and FPL also supports this initiative.

**I) How do funeral directors compete to attract customers?**

34. Funeral Directors compete among one another for funeral services. This competition is usually carried out at the local level, within areas of varying size depending on location (see response to Question D above).
35. Funeral Directors compete mainly in terms of quality and price. In that regard, it is particularly important how the quality and reputation of a Funeral Director is perceived in the community, as word of mouth and previous experiences are key drivers of choice in this market. Funeral Directors are therefore very active in fostering those

activities that can highlight their quality, and create goodwill in the community (including doctors, ministers and care homes).

36. This will of course include providing a good quality service, so as to ensure that anyone who comes into contact with our services, either because they organise a funeral with us or they attend a funeral organised by us, are open to being potential customers in the future.

37. We are also active in community outreach, such as working with local bereavement groups, sponsoring local sports teams and bands, as well as activities that will foster brand visibility in the community, such as:

- Advertising in the local press;
- Yellow pages;
- Window displays;
- Bereavement publication advertising;
- Websites and online advertising (PPC, SEO);
- Price proposition advertising; and
- Our pre-need marketing activities can also be a way of increasing awareness of our at-need services.

**J) What, if any, barriers exist to funeral directors entering a new local area?**

38. As touched upon briefly above, there have been instances of independent funeral homes entering the market with little investment: it is possible to become a Funeral Director without owning any premises, having any prior experience or training and without being a member of a trade association, and there are no onerous planning restrictions that could restrict a Funeral Director from entering a new local area.

39. Having said that, it is clear that such a proposition may not be of a high quality, and some new entrants may struggle to find a foothold altogether.

40. Generally speaking, given the local nature of competition, competitive conditions in a given area will determine how costly entry would be and the potential commercial returns. This will include, for example, the population and death rate in a given area, which will impact the number of businesses that can feasibly operate there.

**K) Could funeral directors providing enhanced online information enable effective comparisons, and if so, what information should they provide?**

41. Enhancing the information provided online would be likely to provide greater transparency for customers, particularly if the information were to include the following:

- Price of an agreed specification of a 'simple' funeral;
- Membership of a trade association;
- List of other services and prices;
- List of facilities;
- Online independent reviews;
- Testimonials;
- Qualification / training of employees; and
- Metrics that would inform customers as to the quality of "back of house" standards, such as mortuaries.

42. However, such indicators would only be reliable and informative to customers if qualified or corroborated in some way by a trade association or other third party inspection.

43. The NAFD already regularly undertakes unannounced inspections of sites, and is regarded as impartial and authoritative in the industry. FPL therefore considers that a comparison website hosted by the NAFD, containing information on the relevant price and quality factors listed above (including independent reviews), would be very well placed to enable effective comparisons. In light of this, FPL are working with the NAFD to support their ongoing initiative to develop a comparison website.

**L) Are there other ways to improve transparency of information that we should consider?**

44. We believe that customers know that they have a choice of local Funeral Directors. Previous experience, brand awareness and word of mouth means that, in FPL's experience, the majority of customers already know the Funeral Directors available, and are likely to have a preference in mind when needed.

45. As already indicated above, there are several sources of information available in funeral homes and online. Current Codes of Practice require Funeral Directors to have price lists and issue written estimates. Registrars and Health Authorities have a policy of encouraging customers to contact more than one Funeral Director. The proposed NAFD comparison website will also provide additional transparency on key metrics, including, importantly, quality.
46. At this stage, we do not consider it necessary to introduce additional initiatives in this regard. As explained above, the two major trade associations (the NAFD and SAIF) set out industry Codes of Practice and requirements for communicating prices to customers, and FPL has made some recent changes to the information available to customers in order to further promote price transparency. FPL considers that transparency in pricing and quality would be further enhanced by the introduction of a comparison website hosted by the NAFD, and we are already working with the NAFD to support this ongoing initiative.

**M) Are there measures that could help consumers evaluate non-price factors, such as quality, together with prices?**

47. A central register or listing of Funeral Directors available online that links to independent online reviews, as is currently being developed by the NAFD, would be beneficial in ensuring a comparison that is based on both price and quality. Quality may be measured in terms of star rating of association membership derived from facilities (and how they compare to industry standards), customer service and compliance, following a comprehensive inspection. Third party inspection will also ensure that such assessments are carried out on a like-for-like basis.

**N) Are there technological or innovative solutions that could help consumers make more informed choices?**

48. FPL is in the early stages of discussing additional services to be offered online, such as webchats to organise funerals or a tool that allows customers to build a funeral online.



*Crematoria market power*

49. FPL does not operate crematoria, and the choice of crematorium is usually at the customer's discretion, although FPL may provide suggestions if requested to do so by the customer.

**O) Do crematoria compete to serve funeral directors and their customers and if so, how?**

50. We do observe some competition in the market.

51. There are instances where crematoria differentiate on pricing. For example, there is a trend for crematoria to offer Funeral Directors a lower price for either non-attended cremations or cremations very early in the day.

52. We have also seen some recent new entry that is increasing competition:

- Memoria are a new entrant to the market operating 8 crematoria with 2 currently being built. Memoria are competing with existing crematoria for 'traditional' cremation business (customers who use established Funeral Director channels) and Memoria offer a direct cremation service which is designed to attract new business directly
- Westerleigh and Dignity are building new crematoria to compete with existing crematoria.

**P) Do customers (or funeral directors on their behalf) actively consider alternative crematoria when arranging a funeral? What would encourage them to do so more?**

53. In FPL's experience, customers tend to choose a crematorium as a result of either location, previous experience or availability of time slots. Where there are two crematoria in the same local market, it is still fairly rare for those crematoria to market their services in order to win business.

54. Instead, in this instance, the three features above are the over-riding reasons used to make a choice. We believe that if there were more crematoria options available within close proximity of each other, then this may support customers through the provision of greater choice, and it would increase the ability to compare crematoria and their services.

**Q) What are the main barriers to entry for new crematoria?**

55. In our view, barriers to entering the market for crematoria include high capital costs to acquire and develop land, in conjunction with several planning and environmental restrictions.

56. This is exacerbated by the fact that returns over the short term are likely to be low.

**R) Why have cremation fees generally increased and why do they differ across the UK?**

57. We are aware that there are differences in price across the UK but as we do not own or operate crematoria we do not feel sufficiently able to comment on what may drive costs. We are only aware of general inflationary considerations, as well as some more specific cost drivers, such as costs for mercury abatement.

58. That said, as is the case with FPL, we would expect those investing most in customer service through the provision of quality services such as high standards of premises, people, and facilities to have faced more cost pressures than those choosing not to invest.