



# OUR RESPONSE TO:

## CMA STATEMENT OF SCOPE – FUNERAL MARKET REVIEW

**June 2018**

## Introduction

The Royal London Group is pleased to provide comments on the CMA Statement of Scope for the review of the funeral market

Our response is made up of three parts:

1. Our general view
2. Responses to the specific questions
3. About Royal London.

## 1. Our general view

Royal London has been monitoring the trend in funeral costs and highlighting associated impacts on society in our National Funeral Cost Index report since 2014. Between 2014-2017, we established that the average cost of a funeral in the UK has increased 6.6% now standing at almost £3,800.

Through the annual publication of our report, Royal London has been raising awareness of the issue of funeral costs, which are out of reach for many people, and calling for the Government to take action to address the underlying factors driving prices up. We have also been campaigning for an overhaul of the Social Fund Funeral Expenses Payment, the state benefit designed to help those on qualifying benefits to pay for a funeral, which is increasingly inadequate.

Our research found that only half of funeral arrangers surveyed felt that the cost met with their expectations, suggesting that there is still significant work to do to improve public awareness of funeral costs and the need to plan for this cost in advance.

Despite some significant variations in costs within a local area, when distressed consumers are faced with a decision of which funeral director to choose, the majority go with the first one they contact with only 6% shopping around.

We welcome the review into the drivers of funeral cost inflation, as well as the challenges consumers face in accessing, comparing and understanding pricing information.

## 2. Responses to the specific questions

### Competition and transparency in the provision of funerals

***47. In addition to general submissions on this theme, we would particularly welcome responses to the following questions:***

*a) Why have funeral prices generally increased?*

Funeral costs are consist of two elements: Funeral Directors costs, which account for approximately a third of the total cost, and disbursements, or third party costs. Burial and cremation fees which make up the majority of disbursement costs.

Between 2014 and 2017, the burial and cremation has been the fastest growing element:

- Funeral Directors – 1.3%
- Cremation fee – 18.5%
- Burial fee – 16.6%

Approximately 75% of all funerals in the UK are cremation.

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

Our research shows that, in 2017, the largest variation between funeral director costs in the same extended post code area was £2,365 in Solihull. The most expensive funeral director across the top 5 locations in the UK is a national provider and the cheapest in each is an independent firm.

We track the cost of a comparable set of funeral services so, on face value, there is no clear difference in the services offered. However, there may be differences in the quality of the components that a customer is paying for: the brand and age of vehicles used the age and standard of equipment, location and type of premises and associated infrastructure, the service.

As with any purchase, it is entirely at the discretion of the consumer to choose a funeral based on the factors which are important to them - quality, brand, price convenience etc. In this market, the challenge is to understand what the additional cost for a more expensive funeral buys, or what is sacrificed by choosing a lower cost provider.

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

According to the [www.gov.uk](http://www.gov.uk), three quarters of deaths occur in some type of institution, rather than at home, with hospital being the most likely location (46.9% deaths) (<https://www.gov.uk/government/publications/end-of-life-care-profiles-february-2018-update/statistical-commentary-end-of-life-care-profiles-february-2018-update>)

Anecdotal feedback suggests that there are cases where institutions are referring (potentially for a fee) or recommending one funeral directing firm they have a relationship with. This doesn't provide any choice, and will be seen as an endorsement by the consumer.

There is a clear opportunity for these organisations to provide impartial guidance and support in understanding funeral options available in the local area at the point of need.

*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?*

In research that Royal London conducted in 2017, we found that the key reasons for choosing a funeral director were as follows (multi-response question):

- Cost 21%
- Distance 51%

- Used before 42%
- Reputation 48%

As mentioned above, we know that it is not typical consumer behaviour to contact more than one funeral director to compare costs and services with, only 6% shopping around. Based on these findings it is unlikely that consumers have a broad view of the options available in their local area when purchasing a funeral. It is the ultimate distress purchase.

Increasing consumer awareness around the issue of funeral costs will be key to driving the shift in attitudes and behaviour for purchasers of funerals.

*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?*

Our research shows that 50% of consumers are aware of being given information on the lowest cost options when arranging a funeral. In 25% of cases this information was proactively offered by the funeral director, with 22% of respondents asking for this information themselves.

There is clearly more work that can be done to make this more consistent.

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

As per question b) there is currently no clear way for consumers to determine the difference in quality when choosing a funeral director. One could assume that brand could be used as proxy in some cases. However, it is likely that word of mouth, tradition and experience of attending a funeral provided by a particular firm are large influencing factors.

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

Access to clear, relevant information is important to support any purchase decision. The challenge is getting this information to those that need it at the right time. As established above, there is limited research undertaken when selecting a funeral director. This is in part a result of the general lack of awareness of funeral costs for those that haven't experienced the process. The variations within a region are likely to be even less well known as a consequence of limited price comparison.

As per question c) there is an opportunity for organisations most involved in end of life care to play a 'trusted friend' role to support people dealing with funeral arrangements to understand their options.

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

A campaign run by Quaker Social Action, the Fair Funerals Campaign, has been working with the industry with the aim of increasing the proportion of funeral directors who make pricing information available through different channels, such as online and in branch. They estimate that 43% of the industry has signed up to their Fair Funerals Pledge. The NAFD also include the requirement for their members to publish funeral costs.

The funeral industry is not regulated and there is no requirement for funeral directors to be licenced. Therefore, efforts to get a consistent approach across the industry to date have been voluntary.

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

Word of mouth and tradition ('we always use....') are large drivers for consumers choosing a particular funeral director. As there is limited shopping around there is less competition in the traditional sense.

The introduction of pre-paid funeral plans has become a way for funeral directors to secure future funerals. Some funeral directors are thought to compromise on the value they get from funeral plan business in order to access the pool of potential new 'leads' they will get from delivering the funerals in the future.

***48. In light of the evidence we receive, should we find a problem under this theme, we will consider what remedies may be appropriate. For example, we may consider whether measures requiring increased transparency are necessary; whether there is a case for requiring prices for certain types of funeral to be specified, or for requiring unbundled pricing; and/or whether technological solutions may be appropriate. We would welcome initial views on the following questions:***

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

Yes, however for this to be effective for comparative purposes a consistent process would be required. Also, as mentioned, consumer behaviour would need to change significantly in order for this to be meaningful.

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

Consideration should be given to consumers who choose not to use the internet to access this information. Pricing information should also be available over the telephone and if a customer visits a funeral home.

In addition, consumers should be made aware of choices for cremation when arranging their funeral. Time of cremation and the choice of crematorium are both factors that impact the cost of a funeral.

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

There are examples of other industries where customer feedback and star ratings are used as indicators of quality and experience. In addition, an industry wide quality standard or accreditation would give consumers confidence that they will get a minimum standard of care, regardless of price.

## Crematoria market power

***49. Many reports on the industry have drawn attention to rising cremation fees. Information published by the Cremation Society shows increases in cremation fees over the last twenty years that are very substantial and well in excess of general measures of inflation, as well as significant geographic variations in fees.28***

***50. A number of reasons have been put forward for these trends, including cuts to local authorities' budgets leading to a rise in crematoria fees to increase income, and the impact of environmental legislation.***

***51. We will investigate levels of cremation fees, trends in cremation fees and underlying drivers to understand whether crematoria may have market power. This will include whether, and if so how, consumers choose a crematorium, and if so, what factors they take into account; the extent to which crematoria are in competition with each other; what drives or prevents entry, including the impact of regulatory or policy considerations (for example, planning).***

***52. In addition to general submissions on this theme, we would particularly welcome responses to the following questions:***

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

Private crematoriums have been growing in numbers at a faster rate than local authority crematoriums and now account for 35% of the total number of crematoriums in the country. The cremation fee data collected for the National Funeral Cost Index 2017, showed that private crematoriums larger increases and charge higher fees than local authority crematoriums. Overall, private sector crematoriums increased their fees by 6% between 2016 and 2017 compared to a 4.6% increase for local authority crematoriums.

The increase in private crematoriums takes a share of services away from nearby local authority crematoriums, which can result in them having to increase their prices to cover their costs. In addition, some local authorities are thought to be subsidising loss making cemeteries with the income from cremations.

If private crematoriums continue to operate in this way, this could be a further driver of funeral cost inflation as new private sector crematoriums are set to open at a faster rate than local authority crematoriums and increase their overall market share.

## **4. About the Royal London Group**

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