

Beyond Response to CMA Public Questions

Competition and transparency in the provision of funerals

a) Why have funeral prices generally increased?

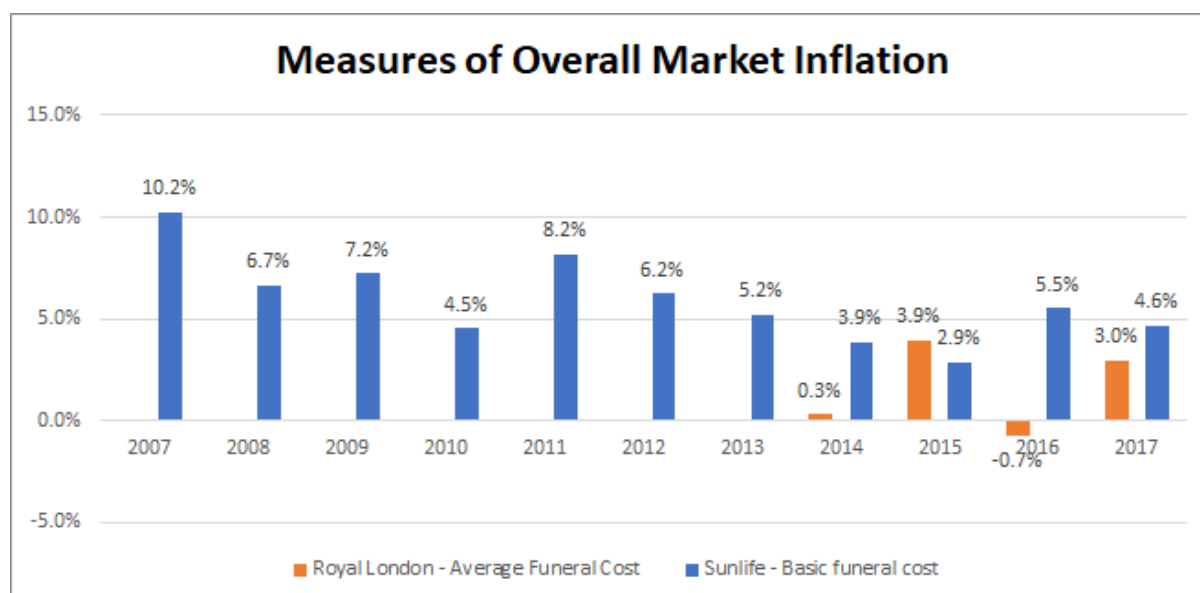
In our opinion, funeral prices have increased owing to two drivers:

- I. Inflation of funeral director costs
- II. Inflation of third-party costs, particularly cremation given its dominant use share (c.75% of all funerals)

We will set out further details on these drivers and the measures we use to support our view below.

As a first point, however, we would note that as yet there are no comprehensive, reliable or standard measurements for funeral inflation either on an overall market level or on the sub-contributor level. The funeral market has not been deemed large enough to warrant serious financial measurement or analysis historically.

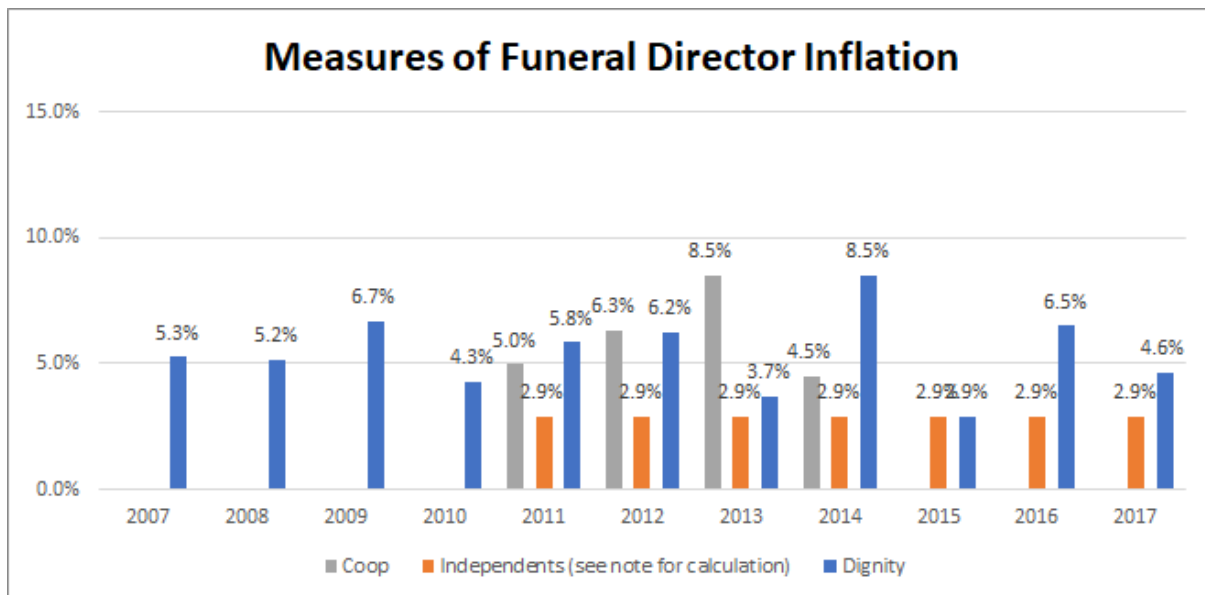
The only two indicators of overall market inflation to our knowledge are the survey-based measures produced by Royal London and Sunlife. These are shown below.



In our view, inflation of funeral director costs has played a large part in the overall market inflation and this inflation has been led by the two main market players, Dignity and Coop.

We have included 3 measures of inflation below.

- **Dignity** - We have used Dignity's financial reports to approximate the increase in their average funeral price each year. This is not a stated metric, but it is easy to approximate by taking the revenue from the funeral services division and dividing by the number of funerals performed. Dignity has a market share of c.12% so inflation of its costs will have a noticeable long-term impact on funeral inflation.
- **Coop** - The Coop Group provides limited financial information for the funeral operation. We have used the same calculation as for Dignity in the years where this was possible. More recently, the funeral division has been merged with the legal division and the level of reporting detail is not sufficient to provide comparable numbers. Coop has a c.18% market share.
- **Independents** - there are no long-term measurements of funeral director costs for the independent portion of the market that we are aware of. Given independents represent c.70% of the market this is clearly a sizeable problem in measuring funeral director cost inflation.
- To provide our measure we have used:
 - The cost found by Ipsos Mori in their 2010 survey of £1,606
 - The average cost in 2017 of independent funeral directors listed on Beyond, on the same basis as the Ipsos Mori survey: £1,961
 - Using these figures for 2010 and 2017 provides a CAGR of 2.9% each year



These three measures support our view that inflation of funeral director costs has been led principally by inflation of costs for the two largest market participants.

Alongside the inflation of funeral director costs, inflation of cremation costs has also played a significant part. It is our understanding that, historically, the cremation fee would amount to c.25% of the overall funeral fee. For many funerals arranged through our site, particularly on lower budgets, the cremation fee now makes up c.50% of the overall cost.

It is our view that crematoria inflation has significantly impacted funeral price inflation especially for lower budget funerals. Many independent funeral directors offer very low-price packages; however, they have no choice

The primary reason why both funeral director and crematoria prices have inflated is that a lack of transparency and a lack of consumer buying power have enabled certain

providers, across both funeral directors and crematoria, to increase their prices without suffering a concurrent loss of customers.

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

In our opinion, the large price differences in a local area are explained by the fact that large chain funeral directors have increased their prices at a faster rate than their independent competitors for a number of years.

There are of course price differences between competing independent funeral directors in each town, but we tend to find the data supports that the largest differential is between independents and chains.

This gap began to develop in the mid-2000s by our estimation. The first time we are aware it was independently measured was in 2010, through the Ipsos Mori survey mentioned previously.

The survey found that out of 49 towns surveyed, Dignity provided the highest quote in 41 towns with independents providing the lowest quote in 40 towns. Coop typically came in the middle.

The same survey found that on average Dignity and Coop were 36% and 20% more expensive than the independents respectively.

Table 5. Number of funeral directors to give the highest, mid or lowest funeral directors' charges quotation

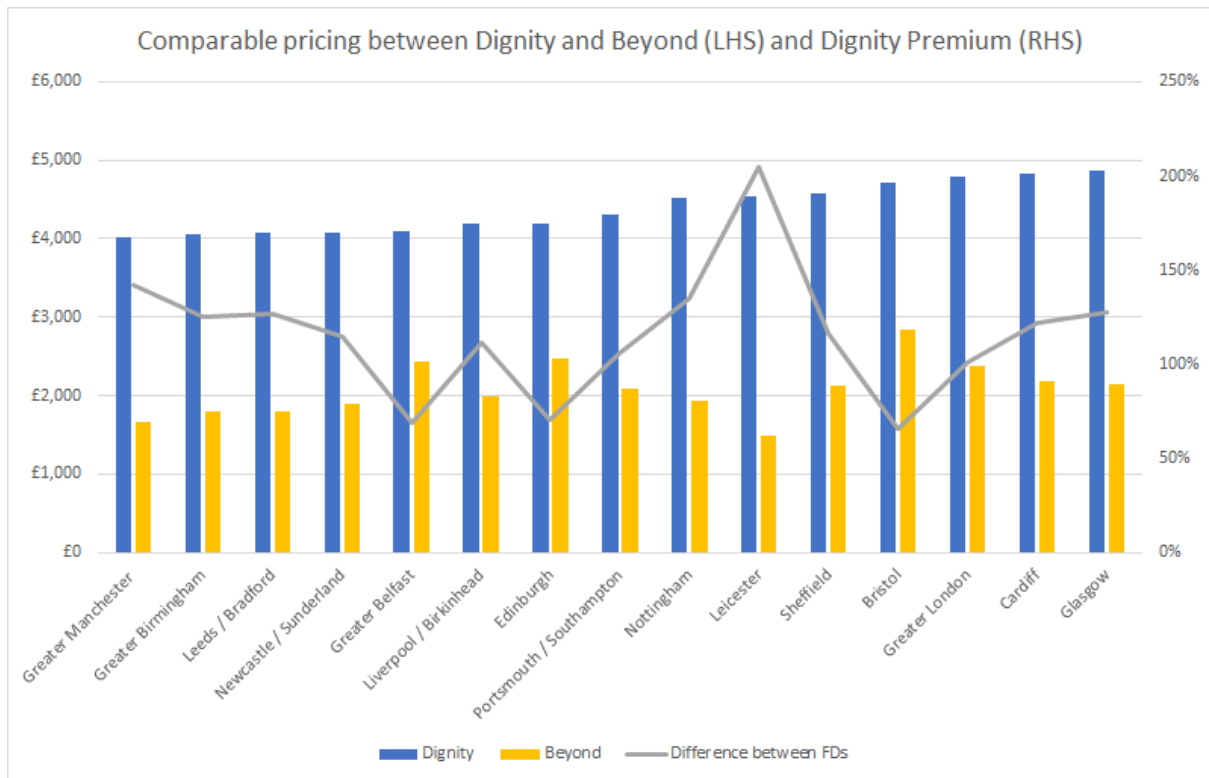
<i>(Base)</i>	Independent <i>(49)</i>	Dignity <i>(49)</i>	Co-operative <i>(48)</i>
Lowest quotation	40	3	7
Mid	9	5	32
Highest quotation	0	41	9

We have conducted a more recent price survey which can also be used.

At the end of last year, we decided to survey all of Dignity's branches across the UK. We collected the pricing sheets from each of their locations and published the information on our website and to the media.

The below chart is a representation of the comparable pricing information we gathered from Dignity along with c.1,000 funeral directors listed on our website.

There is a large premium between Dignity and funeral directors listed on Beyond.



We are sure that some other respondents will say there are justifiable reasons for large funeral price differences within the same area. We have listed these below and whether we think it is reasonable to assume that they could contribute to a large difference in price in certain areas.

- **Local reputation** - very difficult to objectively measure but this typically increases relative to the age of the firm and the strength of the local trading name. We do not view this being a potential differentiator between Dignity prices and price on Beyond given the prevalence of established, long term businesses on our site.
- **Facilities** - a business may say that it has better facilities than a rival (e.g. chapel, mortuary, refrigeration) and can therefore justify a higher price. We view this a justifiable reason for pricing differential. We do not view this as a valid reason for differential in the chart above given Dignity's "hub and spoke" model of large hub mortuaries and satellite offices which should keep prices down rather than inflate.

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

The typical consumer is in an incredibly weak purchasing position, based on:

- Bereaved
- Critical and time limited - there is not a large amount of time to educate one's self and make an informed choice AND the purchase cannot be delayed in most cases
- Lack of experience and knowledge - rare purchase and low general cultural knowledge (e.g. compared to say someone who was buying a car for a first time, that person probably knows and understands cars well comparatively)
- Social pressure - desire to "give a good send-off"

Funerals are a local purchase with most customers choosing a funeral director close to them geographically. Alternatives, such as direct cremation where geographical proximity is less of an issue are emerging but currently only have c.5% of the UK market.

The funeral purchase process can start before a death however most people only start to seriously consider which funeral director to use once a death has occurred.

After a death, the next of kin must register the death within 5 days. A funeral director cannot legally begin the process of arranging a cremation or burial until the death has been registered (although often a customer may have already “engaged” a funeral director ahead of registration).

Over 50% of deaths occur in hospital and the body can typically be held in the hospital mortuary whilst a customer chooses a funeral director they would like to use.

If a death occurs at home, a funeral director will typically be called out to collect the body by the police if the family does not have a chosen funeral director in mind. The customer is not obliged to use a funeral director appointed by the police if they do not wish.

The typical customer is aged between 45 and 75 years old and is a close family member of the deceased (spouse or child). However, given the nature of the purchase, many customers will seek the involvement and participation of a wider group of family members (grandchildren, siblings, children if the spouse is the arranger).

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?

We believe the most important factors to most people when choosing a funeral director are, in order of importance:

1. Whether they or close family have used that funeral director before

a. Note, this is based on simply the name of the business and does not consider the current price, service quality or even whether the business is still owned by the same people. It is a reversion to the familiar at a difficult time.

b. The longer it has been since the last use then the greater the chance that the price, service quality or ownership has changed.

2. Service quality/reputation

. We believe that this is ranked very important to people but that it is extremely difficult for people to measure objectively or comparably. Because:

i. They most likely only use one funeral director

ii. Very rare purchase

iii. Psychology will tend people to have a favourable view of even a subpar funeral (as the funeral is the last thing done for someone they love so recognising fault taints the memory)

3. Price

. We believe that price, and value, is important to many consumers. However, when asked to self-certify this, consumers will often rank it lower owing to social pressure to not have cheap funerals.

4. Location

. Most customers we speak to would say a 20-minute drive is about normal to reach a funeral director. We do see some who are prepared to travel further but there are often more than enough good choices within a 20-minute drive.

We believe that there is currently a good amount of information available to help people make their own choices. Whether this is through Beyond, google, funeral directors own websites (barring many lacking pricing information) and social media (typically Facebook).

However, although this information is available, because of the lack of consumer knowledge on their options this information is often not accessed at all.

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?

In our view, many funeral directors could do more to make pricing information available online. It is our understanding that currently most funeral directors do not display this information online.

Of course, many of these are small businesses and are not always best placed to keep websites up to date. Beyond has been used by many of these to ensure they can be transparent about their prices to families.

Please also see our supplemental information on changing market dynamics.

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

We touched on this briefly in our answer to D. In our opinion, it is extremely difficult for people to evaluate non-price factors when it comes to funeral directors. Currently, people rely on:

- Their own observations and experience
- Observations and experiences of close friends and family
- Independent reviews from sites like ours, as well as social media

It is our opinion that it is extremely difficult for people to accurately judge the quality as:

- Long time between purchases, business will often have changed
- Low cultural knowledge of what is high-quality
- As with all highly personal services, it is very difficult to measure the service provided objectively and comparatively (e.g. it will comprise multiple things like whether they were polite, how fast they responded, the degree of professionalism etc)

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

The benefits of our site, in particular, are:

- Ease of access of information - anywhere in the world, anytime of day
- Comparability of information - we require funeral directors to enter information such that comparable quotes are given

- Comprehensivity of quotes - includes the funeral director fees plus disbursements, meaning the customer does not have to add many things together
- Free service for consumers - consumers access our website entirely free of charge and there is no extra cost to them either by us or the funeral director if they use our site to arrange the funeral
- Reliability of service - we can provide round the clock cover across the country
- Complaints handling - we are well placed to mediate and resolve customer complaints

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

We do not view industry codes of practice as being particularly effective in facilitating consumer choice. This owes to:

- No effective policing of the code by industry bodies that we are aware of
- No recorded cases of members being disciplined or expelled from the bodies for contravening the transparency obligations that we are aware of
- Virtually no consumer knowledge or understanding of the trade bodies or their codes

In addition, Beyond (formerly Funeralbooker), has been repeatedly obstructed from being able to join one of the trade bodies, the NAFD. This first occurred in 2015 when we would not be allowed to join, since we apparently contravene clause 9.2 regarding funeral directors soliciting business.

To this day, the NAFD has still barred us from working with them. Several funeral directors who are members of the NAFD have said the reason they do not put their prices online with us is because the NAFD has said this will put them in contravention.

In our opinion, this behaviour from the NAFD has effectively hindered price transparency by making its members feel as if they cannot join our site. Note, we have hundreds of members of the NAFD who use our site and to date the NAFD has not taken disciplinary action against any of them.

i) How do funeral directors compete to attract customers?

There are several commonly understood ways funeral directors compete to attract customers.

- **Traditional advertising** - newspaper adverts, paying for adverts in hospitals, leaflet drops
- **Online** - whether via their own website, via paid for advertising or through social media
- **Comparison sites** - such as ours
- **Word of mouth** - through recommendation by clients and by funeral attendees noting the funeral director, typically displayed on the hearse of limousines

There are other less well-known ways that funeral directors compete for business:

- **Coroners/police contracts** - many companies bid, some at zero cost, to provide removal contracts for deaths at home, out of home etc. Although guidelines typically stipulate that the collecting cannot market to the family, it is our understanding that many do and that most of the time the family will end up staying with that funeral director. There is also evidence that funeral directors will charge removal and storage fees to someone if they decide to move a body out of the funeral director's care (fees waived if they stay with them).
- **Contacts and incentivisation with care providers** - although it is prohibited by trade body guidelines, it is our understanding that there are still informal contracts in place whereby a care home or nursing home will advise a family to use a particular funeral director. This can be incentivised by donation to the home or sponsoring events.

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

People opening a new funeral director business face many of the same barriers that any new business would:

- Start-up capital
- Acquiring suitable premises
- Generating new business

There are also additional barriers that are more specific to the funeral industry.

- Coroners/police contracts tied up by existing firms, potentially at headline unprofitable rates
- Consumer aversion to using a new, unknown "name"

Other than these, we believe barriers to entry are fairly low in the funeral industry. This has the particular benefit of allowing well-trained and motivated employees of existing firms to venture out on their own.

We would note that our website in particular, given that businesses only pay when they have had a customer, is particularly helpful to new businesses as there is no cost without matching revenue.

Our website proves an easy, cheap and quick way for a new business to gain an online presence and compete against larger, well-resourced firms.

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

This could be possible longer term but, in our view, would likely be ineffective currently. This is not down to lack of ability to provide good information amongst funeral directors (although we do imagine there would be pushback) it is more down to the fact that consumer knowledge and education within the sector is so low.

Even with highly standardised information, consumers would still have to:

- Understand the funeral buying process and the information being presented - we do not think this is feasible in a short time frame

- Find all the available funeral directors - this is very difficult, especially considering some businesses will be incredibly difficult to find online. This will either be because they have low online sophistication or are a new business. Online tends to favour the large firms
- Be comfortable generating a representative quote based on their choices - e.g. selecting like items, understanding trade-offs etc. A standardised package will not be suitable for many.

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

Encourage customer facing bodies such as hospitals, coroners, Citizens Advice Bureau, Councils to point customers to the best way to access transparency information such as our website online.

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

We believe that verified reviews are one of the best ways currently for customers to evaluate these factors. Other good ways are to encourage shopping around - by shopping around, consumers will get a feel for each of the businesses and be in a stronger position to evaluate quality.

Our site only allows reviews from customers who have used our website and used the funeral director in question via us. This means that all the reviews are 100% genuine. We know that other sources of reviews, such as other comparison sites plus google, Facebook do not operate to this standard.

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

Yes, websites such as ours!

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

It is our view that crematoria only tend to compete if they have a competing crematorium within a reasonable distance from them.

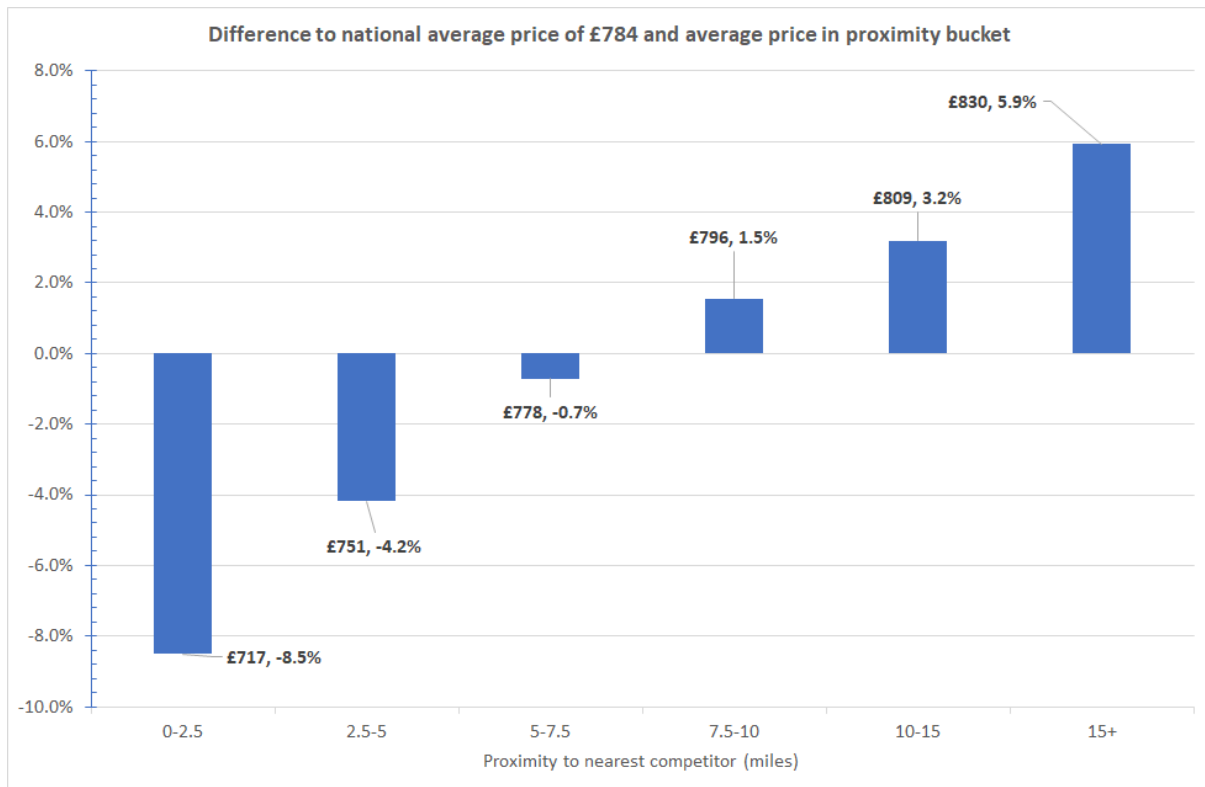
As soon as they have local monopoly, crematoria will tend to price at a higher than average rate.

We have evidenced this through analysis of our national database of crematoria costs.

Our method:

- Bucket crematoria by the distance between them (e.g. competing crematoria within 2.5 miles, 10-15 miles etc)
- Compare the average cost within this bucket to the national average

Our results are below and clearly support our view that crematoria will only price competitively if they must.



It is often rural or far flung places which are hurt the most by these local monopolies.

This can be seen in regional analysis of the numbers. The cost of cremation in London, for example, is surprisingly low when compared to the national average. A direct result of the number of crematoria in competing proximity.

Whereas more sparsely populated regions such as the South West and East of England have the highest fees.

	Average Cremation Fee - Adult Monday to Friday				%age increase/(decrease) on prior year			Highest Fee	Lowest Fee
	2018	2017	2016	2015	2018	2017	2016	2018	2018
South West	£ 838	£ 800	£ 750	£ 727	4.7%	6.7%	3.2%	£ 999	£ 660
East of England	£ 831	£ 789	£ 744	£ 697	5.3%	6.2%	6.6%	£ 1,060	£ 560
South East	£ 828	£ 792	£ 758	£ 692	4.6%	4.5%	9.5%	£ 1,070	£ 595
East Midlands	£ 801	£ 760	£ 720	£ 658	5.4%	5.6%	9.3%	£ 1,070	£ 610
Yorkshire and the Humber	£ 790	£ 764	£ 726	£ 684	3.5%	5.2%	6.2%	£ 960	£ 674
West Midlands	£ 786	£ 751	£ 712	£ 655	4.7%	5.5%	8.7%	£ 1,070	£ 685
Scotland	£ 774	£ 741	£ 707	£ 654	4.4%	4.9%	8.1%	£ 1,070	£ 617
North West	£ 765	£ 734	£ 694	£ 669	4.2%	5.8%	3.8%	£ 1,055	£ 605
North East	£ 755	£ 727	£ 698	£ 670	3.9%	4.1%	4.1%	£ 850	£ 660
London	£ 736	£ 709	£ 674	£ 621	3.8%	5.2%	8.5%	£ 1,070	£ 515
Other	£ 697	£ 688	£ 696	£ 645	1.3%	(1.1%)	7.9%	£ 784	£ 570
Wales	£ 681	£ 651	£ 623	£ 587	4.6%	4.4%	6.1%	£ 795	£ 560
Northern Ireland	£ 626	£ 610	£ 601	na	2.6%	1.5%	na	£ 626	£ 626
NATIONWIDE	£ 784	£ 751	£ 713	£ 667	4.4%	5.3%	7.0%	£ 1,070	£ 685

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?

It is our opinion that most customers do not consider alternative crematoria. This proportion increases the more rural the location as there is little practical benefit of looking for alternatives (unless the customer is willing to consider direct cremation).

It is our opinion that some funeral directors (we do not have a good view on the proportion) will actively consider and propose alternative crematoria to their customers. There will typically be a trade-off for the funeral director to consider of:

- What is best for the customer (price, location, facilities, availability)
- Convenience of location for the funeral director (closer preferred)
- Convenience of availability for the funeral director (fits the schedule)

There are several measures which could encourage customers/FDs to consider alternative crematoria:

- Increased use of our website - we hold a national database of crematoria costs and consumers/FDs can easily view differing prices locally and choose their preferred option
- Customers pay the crematoria directly - at the moment, nearly all consumers pay the funeral director who then pays the crematoria. If consumers were responsible for paying the crematoria directly they would most likely take a much keener interest in understanding the costs. Note, this would have potentially negative overall effects for the consumer (handling more parties, logistics) so we are not putting this as a recommendation.
- Consumer education - as ever, increased consumer knowledge of the sector will encourage greater propensity to consider alternatives.

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

The main barriers to entry are, in our opinion:

- Planning restrictions requiring crematoria to be out of town locations. This reduces the number of economically feasible sites with good catchment areas
- Low desire amongst local populations to have a new crematorium “on their doorstep”
- High capital costs

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

Our response to this question is broadly the same as our response to questions a + b.

Cremation fees have increased as there is little to no consumer buying pressure and this means that some providers have been able to increase fees with no push back from consumers.

Where this differs however, is that crematoria have only tended to be able to increase when there are no competing crematoria. We believe this is because funeral directors generally act as an informed purchaser on behalf of the customer.

Although they do not bear the actual cost incurred, we believe that most funeral directors will act as a rational purchaser because:

- It keeps their quoted total cost down, especially relative to other funeral directors who will provide competing quotes

- They have to collect the money from the customer - keeping the cost down lowers the chance of the customer not being able to pay the full amount