

Competition and transparency in the provision of funerals

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

a) Why have funeral prices generally increased?

The price of a funeral is made of 2 parts. The funeral director's own fees for their work and the out of pocket expenses paid out by the funeral director in the course of arranging the funeral (these will include any of - Dr's fees for cremation papers, grave purchase fees, crematorium fees, celebrant's fees, interment fees, church fees, etc). The out of pocket fees are typically passed on a cost.

The funeral director is subject to all the same pressures on costs that others businesses are. The cost of employing people, rent and maintaining property, buying products to provide in the service, compliance and so on.

In recent years the employment costs have increased significantly with the implementation of work place pensions and the apprenticeship levy amongst other similar costs.

There is the added cost of factoring the crematorium operators, cemetery authorities who require there fees to be paid before the payment terms of the funeral director requires that their client pays. The cemetery or crematorium does not have to be paid by the funeral director but many burial and cremation authorities prefer to chase funeral directors for payment rather than the public. It is an expected part of the service that funeral directors will settle these costs when charged with making funeral arrangements.

These inflationary pressures have undoubtedly led to the increase in the cost of providing a funeral and as a consequence the price charged by funeral directors have also increased to preserve the margin made by the company.

As consumer behaviour changes so it has been necessary to invest in infrastructure to accommodate that. There is evidence to suggest that bereaved families are willing to wait for a date for the funeral for a period of time that was not previous acceptable.

The out of pocket expenses are set by third parties. They have undoubtedly also risen in the same period and in many cases by far more than inflation. This is in part driven by a

shortage of supply of grave spaces in the case of cemeteries and investment in abatement infrastructure by cremation authorities.

It is also true that the policy of some burial and cremation authorities have changed in recent years. Where previously a council operated facility was instructed to provide a cost neutral amenity for communities they are now being seen as a potential source of revenue.

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

Different funeral directors have different philosophies for service. Whilst one might believe that having the facilities and team to ensure that every service can be provided “in-house” another may choose to hire-in the logistics they need as they require it. The two different models have different overhead costs. They also offer different levels of service to bereaved families. Two seemingly similar funerals can be very different in terms of the intangible or unobserved services provided in the course of the funeral arrangements.

Considering the out of pocket expenses as part of the funeral price too then the chosen crematorium or cemetery may have an impact. Particularly if the deceased person is to be buried was not in the catchment area for the cemetery chosen. This can result in burial fees being doubled or tripled in some cases.

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

Families can be literally anywhere when they choose which funeral director to contact. It could be any time of day or night. When a death occurs at home or in a care environment and is expected the decision of which funeral director to use needs to be made quite quickly as the body needs to be collected from the place of death.

If a death is unexpected or sudden and is referred to HM Coroner the coroner’s contractor will collect the body and so choosing the funeral director to make the funeral arrangements can wait until later.

The same is true if someone dies in hospital whether suddenly and unexpectedly or expectedly. The body is being cared for so the imperative to choose a funeral director is reduced.

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?

Experience suggests that a funeral director local to the person that has died is the preference for most. A good reputation plays an equally vital role.

Most funeral directors now have websites which tell consumers something about themselves, their outlook and the sort of service they offer.

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 trade association (NAFD) requires that we make itemised prices available for the public to take away with them. Most funeral directors will have brochures of products and prices for the products they offer to give away.

Meaningful comparison is reasonable straightforward. The services provided by different funeral directors do vary and sometimes services will be included within one funeral director's fee and additional on the price list of another. Generally they are laid out in a pretty standard way and a comparison can be made.

It has been observed that funeral directors that don't operate under a code of practice often advertise services where it is not clear what services have not been included. It can be unclear to consumers what they maybe compromising by choosing a service that on first inspection seems to offer great value for money.

Direct cremation is a service that is of increasing interest to the public. It is not always understood that this service does not allow for a ceremony at the time of disposing of the body.

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

Historically it has not been easy for consumers to do this. There is strong evidence to support the idea that when choosing a funeral director consumers rely on the advice of people they trust who have used a funeral director recently or indeed their own previous experience of the funeral director.

There are now a number of third parties that are offering review services. It is not always easy to tell just how authentic reviews left online are with some service providers allowing their customers to see reviews before they are posted to the site. Trust Pilot and Google reviews are used increasingly by consumers that search for funeral directors online. These are trusted resources that it is very hard to fool and it is not easy to remove negative reviews.

Reputation in the community and word of mouth remain the most frequently used source of non-price feedback on funeral directors. Doubtless their online equivalent will grow.

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

It is reasonably early in the life of online intermediaries in funeral service. We have limited experience of working with them.

They are marketed to funeral directors as a method of promoting their businesses akin to advertising with a search engine provider. They market themselves to the public as a method to save money.

In most cases there is no independent or authoritative method for assessing quality of care for bereaved people or the standard of care for people who have died.

Evidence from other sectors suggests that there is a high likelihood that these partnerships with such services will become increasingly expensive. This has the potential to reduce competition in the market and in the long-term lead to higher prices for consumers.

Intermediaries such as pre-payment plan providers that sell direct to the consumer without a contracted funeral director and then, when the time comes to provide a funeral, tout the work around to the lowest bidder are also a concern. When the prerogative of the acquirer of the services on behalf of the consumer is the service that provides them with the biggest surplus cannot have consumer interests at heart. Again in the longer term this is likely to reduce competition in the market.

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

The trade association of which we're a member (NAFD) employs four full time quality and standards inspectors who visit every location from which a member firm operates at least every other year. They inspect against some exacting criteria which includes questions about the availability of pricing information and the detail presented in the pricing information.

Their code of practice sets out these criteria and is constantly monitored by their Committee for Professional Standards. They receive an annual report on compliance with that code in order to track trends in non-compliance on all points of inspection.

Currently the code does not the manner in which member funeral directors use digital means to make choice and availability of alternative options available.

Overall the NAFD has been effective in using their code of practice to facilitate consumer choice and have historically shown a willingness to adapt their code as consumer behaviour has evolved.

i) How do funeral directors compete to attract customers?

Funeral directors market their businesses in a variety of ways. They tend to be quite traditional in advertising through existing media such as local papers and radio.

Most funeral directors have a website and many have pages on social media sites where they share things about their businesses.

Sponsored links on search engines such as google are common place. Some national players in both at need and pre-need funerals advertise on the television.

Most are community orientated and look for ways to support initiatives in their community that allow them to raise their profile via public relations activity and goodwill events.

Networking with service providers such as nursing or care homes, local solicitors, GP practices, hospital bereavement specialists, local hospices and similar organisations is also common place.

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

The barriers to entrance are very low. There is no need to have a premises, vehicles, mortuary facilities, staff, professional qualifications, trade association membership or any experience to advertise yourself as a funeral director on the internet.

Many newly opened funeral directors rely on the ability to use the facilities of an existing funeral director or the mortuary at a local hospital to provide mortuary storage for deceased people to the day of the funeral. They can hire the people they need to provide the funeral service on a case by case basis it is also possible to hire hearses and limousines on this basis.

There is no duty to disclose what facilities they offer.

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

Funeral directors could be better at helping consumers ask better questions when seeking to compare costs and services. The enduring issue remains how to demonstrate standards of service and quality of customer experience through online information.

Whilst cost is an important consideration for a number of people for the majority it isn't. It is currently hard to convey this online.

Online review services are providing these services and consumers are using them even if funeral directors aren't bringing them to their attention. Society is becoming much more willing to share details of their experience of a service online. This should be through a trustworthy and independent provider. Whilst spurious reviews should be removed it shouldn't be easy to remove negative reviews.

Consumers have historically been more interested in a recommendation by a third party if they don't have experience of the service themselves. There is no reason to believe this wouldn't continue in a more online world.

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

Look at the Federal Trade Commissions' Funeral Rule in the USA. It sets out standard lines for funeral directors to put prices to. It allows for funeral directors to aggregate services to packages as long as they can provide a line by line breakdown of their charges.

The FTC do mystery shop funeral directors against the rule and non-compliance can result in fines and ultimately a withdrawal of their licence to operate.

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

Independent review websites. Facebook, Google, Bing, Trust Pilot and many others offer this service which is open robust and hard to abuse.

Mandatory consumer surveys to be issued by funeral directors with a compulsory annual report on findings published on company websites could be another.

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

Companies have tried Apps and other devices. There are funeral directors with quote generators on their websites.

There are so many ways in which a funeral can be personalised that the most reliable way to get an accurate estimate of costs and available options is to speak to a funeral director.

Crematoria market power

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

Where there is competition and genuine choice for consumers then yes. Brighton is a market that demonstrates this with two crematoria next to each other which rank amongst the most reasonably priced in the UK.

Where there is no competition then there is little effort to compete for business. Bereaved families often feel tied to a crematorium in the same way that they would be tied to a cemetery. "That is where the rest of my family were cremated. That is where xxx will be cremated".

The slow speed with which crematoria innovate the service they provide for families as a venue for the funeral ceremony is also evidence of the lack of imperative that comes through a lack of competition.

Charging for new services (video tributes, live streaming etc) also demonstrates how innovation is seen as a source of additional revenue rather than competitive advantage.

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 always our practice to offer alternative locations for the funeral service. Given the pricing disparity between crematoria in some of the areas in which we operate it makes sense to offer a cheaper alternative. We pass the cremation fee on at cost and receive no commission for taking funerals to a particular crematorium so there is no incentive to promote one over another except for the advantage of our customer.

As per the comment in families continue to pay often double to use the crematorium that their family has always used. If that is not sufficient incentive it is hard to say what would be.

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

Planning regulations, capital cost, arcane laws governing operating licences and conflict of interest where the local crematorium is owned by the local authority that is considering the planning applications.

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

Not operating a crematorium we are not familiar with the overhead costs of doing so. It has been noted that crematoria offer a good return for the owners of the facility.

In particular, as noted earlier in this document, it has been confirmed anecdotally that some local authorities have shifted their view of cemetery & crematorium supply for their communities from that of a cost neutral amenity to a revenue source that can raise income that can be used to fill budget shortfalls.