

## **CMA consultation on scope of funerals market study**

Dignity's response – July 2018

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### ***Introduction***

Dignity welcomes the opportunity to comment on the scope of the CMA's funerals market study. The CMA's work looking at the funeral sector is an opportunity to improve standards within the sector.

There is strong competition in the funeral market but it may not currently be as effective as possible. The real challenges are that consumers only arrange one or two funerals in a lifetime and often do not have the knowledge to correctly assess and select a funeral provider; and that there are no minimum standards or oversight of the sector. Independent research shows consumers expect variation in costs but believe Funeral Directors operate to consistent professional standards when they do not, and are astonished when they learn the industry is not regulated.<sup>1</sup>

Comparing a service is always difficult for consumers and it is not easy to accurately assess differences in the quality, facilities and prices of different funeral providers. Consumers want to see common and high professional standards for Funeral Directors, along with clearer guidance to the consumer, in order to safeguard the consumer and improve confidence and choice. Dignity strongly welcomes the CMA's focus on consumers' ability to effectively assess and compare funeral services. Dignity welcomes in principle the role of Price Comparison Websites in helping consumers to compare services, and considers this study an opportunity to ensure they display the key factors that are most important to consumers, such as care of the deceased.

**Dignity is happy to discuss the points made in this submission further, and to provide the CMA with the research into both Funeral Director and Crematoria quality and standards that it has undertaken, and which is due to be published shortly.**

### ***About Dignity***

Dignity is listed on the London Stock Exchange. Dignity has a national coverage across mainland UK, Northern Ireland and the Channel Islands and performed circa 70,000 funerals annually in 2017 through 827 wholly owned Funeral Directors out of approximately 7,000 Funeral Directors in the UK, and 46 crematoria.

Today Dignity employs circa 4000 staff, carries out around 12% of all funerals in the UK, around 11% of all cremations in the UK and has around 15% market share in the pre-paid funeral plan market. Dignity is a full member of the National Association of Funeral Directors (NAFD).

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

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

Prices have increased across the industry in recent years despite a significant increase in the amount of competition and contestability between funeral directors.

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<sup>1</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

In the recent past, there has been a significant increase in the number of Funeral Directors, even though the death rate has decreased. The number of deaths in the UK fell by 5.4% between 1995 and 2017.<sup>2</sup> At the same time research has found that there was an 83% increase in the number of Funeral Directors between 1989 and 2017.<sup>3</sup> Therefore, the number of funeral directors has nearly doubled while the number of deaths has fallen slightly.

A recent analysis by research agency Matter Communications for Dignity has concluded that there are currently approximately 7,000 Funeral Directors across the UK. Data from the ONS suggests that the number of funeral workers (undertakers, mortuary and crematorium assistants) has grown by approximately 100% between 2001 and 2017.<sup>4</sup> Combined with the high fixed costs, including premises, equipment, vehicles and staff, that many Funeral Directors face this has led to an increase in prices, and not price competition.

However, an expected sustained rise in the death rate, combined with greater price transparency, an increase in product innovation and choice is likely lead to greater price competition. The increase in competition in the funeral sector has led to wider choice for the consumer, and consumers are increasingly shopping around. Dignity has championed consumer choice by introducing a full product range and price points to meet different needs and budgets.

There are different factors contributing to rising funeral costs, not just Funeral Director fees. Data collected by Sun Life and Royal London suggests third party costs have risen faster than Funeral Director costs, particularly burial costs. These have risen faster than any other element in the last ten years, as a result of shortages of burial spaces in some areas. Sun Life's Cost of Dying research found that burial disbursement costs were at £1,030 in 2007 but had risen to £1,737 by 2013.<sup>5</sup> Royal London's National Funeral Cost Index Report 2017 found that these costs had reached £1,847 by 2017.<sup>6</sup>

The increasing time between a death and the funeral is also likely to have contributed towards increased costs. Similarly, Doctors' fees have contributed towards cost increases, and recent reforms are likely to increase burial costs further. This change has been driven forward by government, however the cost burden is placed on consumers rather than funded by government. Scotland has taken action to remove this fee from consumers.

We encourage the CMA to look at the issue of shortage of burial plots and the impact this has had on the consumer. As a consequence, burial costs have risen by circa 80% since 2007.<sup>7</sup> The CMA and government should consider the value of replicating the Scottish Government's decision to allow the sensitive re-use of burial space elsewhere in the UK, and consider how local authorities can be encouraged to use existing powers.

Dignity has in place a long standing policy of never charging for child funerals and has supported efforts to address this issue nationally. While Dignity had operated the market's most generous solution by age until 2017, with recent changes and announcements by Welsh and English governments it

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<sup>2</sup> ONS: UK population and health tables: 2017 update; NRS, NISRA and ONS provisional annual deaths for 2017

<sup>3</sup> [3<]

<sup>4</sup> ONS, Number of Funeral Workers in the UK

<sup>5</sup> [Sun Life Cost of Dying Report 2017](#)

<sup>6</sup> Royal London National Funeral Cost Index Report 2017

<sup>7</sup> Royal London National Funeral Cost Index Report 2017

extended its policy from under 17's to under 18's in April 2018 to ensure consistency with the government's new policy. Many other Funeral Directors also offer a similar policy, however this is not universal.

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

The main reason for the variation in funeral prices is that not all funerals are delivered to the same quality and standard. As in other markets, prices vary according to the quality of service offered. Non-price factors such as quality of provision need to be considered as well as cost. Dignity would like to see minimum standards and a greater ability for consumers to compare product offering and quality.

It is also difficult to compare the headline costs of similar products – i.e. a full service or simple funeral – as the specific components of the product or service may not be comparable. There are no universal definitions. It is currently difficult for consumers to make this comparable choice between products described as the same, but which may include different elements.

Critically, much of the variation in quality and standards takes place 'back of house', making it difficult for consumers to compare quality and standards. This would include the provision and quality of mortuary facilities – including whether suitable refrigeration is provided – and processes for the care of the deceased. There is no transparency to consumers over these differences or ability for consumers to assess the quality. As part of its upcoming research into Funeral Director Quality and Standards, Dignity recently commissioned a mystery shopping exercise with a sample that covered all sectors of the market, including both independents and corporates. This found that Funeral Directors were not willing for customers to view 'back of house' facilities.<sup>8</sup>

Dignity's research into Funeral Director quality and standards – due to be published in full imminently – found that consumers considered care of the deceased (73%) to be more important than keeping costs as low as possible (43%).<sup>9</sup>

Dignity would welcome an auditable accreditation scheme for Funeral Directors, as this would help consumers to make comparisons between providers on the basis of quality, rather than costs alone. The Food Hygiene Rating Scheme acts as a good example of where an auditable accreditation scheme, which can be clearly understood by consumers, works in another market. This was an unprompted suggestion from participants in focus groups as part of Dignity's recent funeral director research.<sup>10</sup> Having access to this information would reassure consumers and allow them to make informed choices when having to make purchasing decisions with different price options.

Providing high quality facilities requires significant investment. Quality is therefore inextricably linked to costs.

There is an increasing amount of competition and product choice in the market, with consumers able to choose the funeral option most appropriate for them at a variety of price points. There has been significant product innovation, with providers including Dignity introducing a wider range of products and services at different price points. As an example the supply of low cost alternative propositions,

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<sup>8</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

<sup>9</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

<sup>10</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

specifically Direct Cremation introduced in the late 2000s, could now be considered a mainstream alternative with Dignity and Co-Op introducing nationally available services in 2016 and 2018 respectively.

One important factor affecting variation in pricing is whether the headline prices advertised include all charges and are the price that the consumer ultimately pay. It is important that the costs quoted and charged cover the full service – what consumers are quoted is what they pay. Dignity’s own client surveys found that 98% of Dignity’s consumers felt that their final bill matched the estimate they had been given before the funeral.

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

The circumstances and place of death vary significantly from those passing away at home, to in a hospital, a hospice, care home or in particularly tragic or unexpected circumstances. This impacts on the level of preparation that an individual or their family have done in relation to funeral arrangements.

Rigorous and independent research that Dignity has undertaken into quality and standards of Funeral Directors – and which is due to be published in full imminently – shows that 64% of individuals leave instructions over their funeral arrangements. This reflects that many people make planned choices, and are not reliant on families making choices for them at a time of potential distress.<sup>11</sup> Additional data analysis suggests those who organise a funeral for the first time or have experienced a sudden death are more likely to shop around (27% as opposed to 18%). Those who have arranged tend to go back to the funeral director used before. On average 21% of consumers consider more than one funeral director.<sup>12</sup>

Already knowing the Funeral Director and/or where they are located is a large part of the process in making contact. Despite an increase in the role of digital tools in the purchasing journey, face to face contact is the most preferred by consumers. Dignity’s ongoing market research shows that 37% of those arranging a funeral had used a funeral director before and already had the details; 36% knew where they were and went in person; and 32% searched online. Relatively few people relied on the telephone directory (10%) or the local newspaper (5%). Dignity’s customer surveys show that 67% of customers chose Dignity through previous experience or recommendation. Despite an increase in the number of people using the internet to start their purchasing journey, 65% still go into the branch to get a quote.<sup>13</sup>

Dignity is also able to cut the data from the upcoming research on the following basis, and is willing to share this with the CMA in due course:

- Attitudes to talking about death.
- Relationship to the deceased (how close).
- Circumstances of deceased’s death (sudden, short term illness or long term illness).
- Age and income of arranger.

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<sup>11</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

<sup>12</sup> [§<]

<sup>13</sup> [§<]

**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?**

Dignity's new research into funeral director quality and standards, found that the most important considerations for consumers were ensuring that the funeral runs smoothly (identified by 75% of consumers surveyed as very important) and care of the deceased (73%). Keeping costs as low as possible was important but significantly less important than these factors (43%).<sup>14</sup> Dignity is able to share this data with the CMA, and cut the analysis by age, income, attitude to talking about death and circumstances of the death.

Dignity's experience of the market suggests that consumers want Funeral Directors to be reasonably local. Dignity's market research suggests that consumers define local as being under five miles.<sup>15</sup> However, this is dependent on where they live. There is variation dependent on urban or rural areas. Those living in rural areas are more likely to be prepared to travel further than those in urban areas.

However the funeral model is changing with consumers becoming less dependent on physical branches. There is increasing remote purchasing, as the recent rise in Direct Cremation reflects. There are increasing circumstances in which consumers have no direct interaction with a Funeral Director.

The number of consumers starting their purchasing journey online has increased from 2% in 2012 to 45% in 2018. There has been a 7.2% year-on-year increase from 2016/17 to 2017/18 in the use of search terms related to arranging a funeral.<sup>16</sup> Funeral Directors are responding to this by focussing more on digital marketing and advertising, for example bidding for online advertising on other branches names, resulting in consumers being more aware of other providers.

Price Comparison Websites also provide information for consumers on different Funeral Directors locally. As noted elsewhere in this submission, the information provided can be biased and does not compare key factors that consumers consider to be most important – focussing predominantly on cost. While some of the major Price Comparison Websites have coverage of a reasonable share of the market, others offer a more limited picture. The NAFD's new comparison service – due to be launched later this month – is likely to provide the largest source (number of Funeral Directors) of comparison data.

**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?**

Across the industry, insufficient information is made available to consumers by Funeral Directors, and as a result consumers cannot fully compare services. While many Funeral Directors do provide clear information on prices in branch and online, approaches to transparency across the sector are inconsistent.

Many Funeral Directors are not transparent with their pricing. It is not clear that all Funeral Directors give consumers clear written estimates itemising costs before the funeral. Not all Funeral Directors have price lists online or clearly displayed at their premises. Despite the Office for Fair Trading (OFT) requiring this in 2001, it does not occur consistently across the industry or is actively enforced.

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<sup>14</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

<sup>15</sup> [§<]

<sup>16</sup> [§<]

Following the OFT's 2001 report, Dignity has clearly displayed all prices within our branches and now offer quotes over the phone and by email. Dignity displays its Simplicity and its low cost Simple Funeral prices online across all its 827 branches. Both operate on the basis of national pricing, although with Scotland our Simple Funeral prices are lower than the rest of the UK due to pricing of our competitors.

The NAFD has asked its membership to put all prices online by 2020. Dignity has committed to placing all prices online by January 2019 and is on track to achieve this. There are some logistical challenges in order to achieve this, particularly as disbursement costs vary significantly across the country and therefore between branches. Consumer and campaign groups (Quaker Social Action) have encouraged Dignity to provide the most meaningful figures possible in relation to disbursement costs - rather than average disbursement costs - and we are exploring how this can be delivered.

Dignity supports in principle calls to provide clear guidance for the consumer on prices – as is currently being developed by the Scottish Government – with clear definitions and transparency of what different products and services consist of to allow consumers to make effective comparisons. It is critical this guidance draws the link between cost and quality. While Dignity welcomes efforts by industry bodies to introduce clear and consistent definitions through Codes of Practice, these are not currently adopted universally across the industry and fall significantly short what is important to consumers, as Dignity's research reflects.<sup>17</sup>

Promotion of lower cost options varies across the industry. Dignity has a full range of services and products on offer at a variety of price points, allowing those with different levels of affordability and personal needs to choose the service most suitable for them.

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

Consumers do not currently have a clear understanding of the differences in quality and standards between Funeral Directors and tend to assume that quality is consistent. Consumers are unable to make a 'like-for-like' choice between provisions. There is no transparency in relation to the quality of the service provided and no easy way for consumers to measure or assess the difference.

As noted previously in this submission, consumers cannot make a meaningful comparison of services as they are not able to effectively assess non-price factors. These factors are difficult to assess. Dignity's upcoming research will show that consumers assume – inaccurately – that all Funeral Directors offer the same level of service, but are clear on what their expectations are.<sup>18</sup>

The majority of non-price factors are 'back of house' and relate to care of the deceased and the facilities provided. This would also relate to other factors such as the age and quality of vehicles, and the mortuary facilities provided and whether these are operated directly by the Funeral Director. Consumers have no ability to assess or compare these, but do have clear expectations. Dignity would strongly welcome steps to improve this.

Dignity would welcome an auditable accreditation scheme for Funeral Directors, as this would help consumers to make comparisons between providers on the basis of quality, rather than costs alone. As a minimum this should provide information to consumers on non-price information which can be assessed factually, i.e. the provision of mortuary facilities including refrigeration, and the age and

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<sup>17</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

<sup>18</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

brand of vehicles etc. These are objective measures which can be assessed and compared and are to varying degrees important to customers.

The Food Hygiene Rating Scheme acts as a good example of where an auditable accreditation scheme, which can be clearly understood by consumers, works in another market. This was an unprompted suggestion from participants in focus groups as part of Dignity's recent Funeral Director research.<sup>19</sup>

As well as transparency over non-price factors, Dignity would also propose minimum standards as a safety net for all consumers. Dignity's research into Funeral Director quality and standards shows that consumers want to see minimum standards and stronger regulation. Consumers expect the funeral sector to be regulated. Dignity's research found 92% expect that there is some form of regulation for the industry – either industry self-regulation (52%) or government regulation (40%).<sup>20</sup>

Once they are told that there is no statutory regulation, consumers support stronger regulation. 80% of consumers want stronger regulation. The current approach to regulation and minimum standards in the sector is not in line with consumer expectations.

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

In most markets, Price Comparison Websites are generally seen as an effective driver of competition and make it easier for consumers to compare different products and services. In principle Dignity supports the role of Price Comparison Websites in improving competition and helping consumers to assess and compare different service offerings. Dignity would be open to working more closely with Price Comparison Websites if they operate in a way that supports consumers.

However, in the funeral market Price Comparison Websites do not yet work effectively and often mislead the consumer. The Price Comparison Websites which operate in the funeral sector are typically niche or specialist sites focusing on the funeral sector. Mainstream sites which operate in other consumer markets such as energy or insurance do not operate in the funeral market.

There are significant limitations with the current operation of Price Comparison Websites in helping people choose a funeral director, which are restricting their ability to promote effective competition and have the potential to cause consumer detriment.

Price Comparison Websites do not always provide accurate pricing information, ignore quality, and fail to declare factors which consumers identify as being important. Often the information some present is biased in favour of or against particular providers. There are examples of inconsistent and discriminatory behaviour by these websites. They often do not display information about all Funeral Directors. In some cases, Funeral Directors who have a commercial arrangement with one Price Comparison Website are allowed to develop their own content describing their business and services. The description of other providers can be perceived as being negative in contrast.

It is unclear who owns some Price Comparison Websites in the funeral sector, so there may be conflicts of interest if Funeral Directors, or their backers, own these websites.

To work effectively, Price Comparison Websites must clearly display information that matters to consumers to allow them to adequately compare products and services against these key

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<sup>19</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

<sup>20</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018



differentiating factors. Price Comparison Websites should better display information that is important for consumers to understand, particularly an unbiased view of provision and quality of service.

Dignity's new research into funeral director quality and standards, found that the most important considerations for consumers were ensuring that the funeral runs smoothly (identified by 75% of consumers surveyed as very important) and care of the deceased (73%). Keeping costs as low as possible was important but significantly less important than these factors (43%).<sup>21</sup> Dignity is able to share this data with the CMA, and cut the analysis by age, income, attitude to talking about death and circumstances of the death.

We are happy to work with those comparison sites who are keen to understand what information customers consider important and are committed to ensuring that information provided is clear fair and not misleading. We would encourage the CMA to compel comparison sites to provide, with equal prominence, the quality measures that customers say are important to them.

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

Dignity would suggest that there is significant potential to improve the effectiveness of existing industry codes of practice, in line with firm customer research, and is committed to continuing to fund robust research using consumer voice to inform this.

Dignity has a strong desire to raise standards in the sector, our substantive research evidences that consumers assume and expect regulation and minimum standards and we are now embarking on work to consider (working closely with stakeholders and industry partners) how a scorecard/rating system could work, and to explore different options for stronger regulation in the sector which are designed to promote quality and enforce minimum standards. Dignity will share this with the CMA once finalised.

The NAFD's plans to develop an online funeral directory which allows greater comparison of funeral services is a welcome addition to the comparison services on offer and, with findings from our comprehensive research, we will work with the NAFD and responsible Price Comparison Websites to provide greater transparency.

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

There is strong competition and contestability in the funeral market. The increase in competition in the funeral sector – with the number of high street funeral directors increasing by 12% between 2014 and 2017 – has led to wider choice for the consumer, and consumers are increasingly shopping around.<sup>22</sup>

Dignity's research found that 21% of consumers now shop around<sup>23</sup>, therefore more than doubling since Sun Life reported the number to be 10% in 2010.<sup>24</sup>

The industry is competing to attract customers through price and product innovation. Dignity has championed consumer choice by introducing a full product range to meet different needs and budgets. The wider market has also innovated in recent years, with a bigger range of products and

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<sup>21</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

<sup>22</sup> [§<]

<sup>23</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

<sup>24</sup> Sun Life Cost of Dying Report, 2010



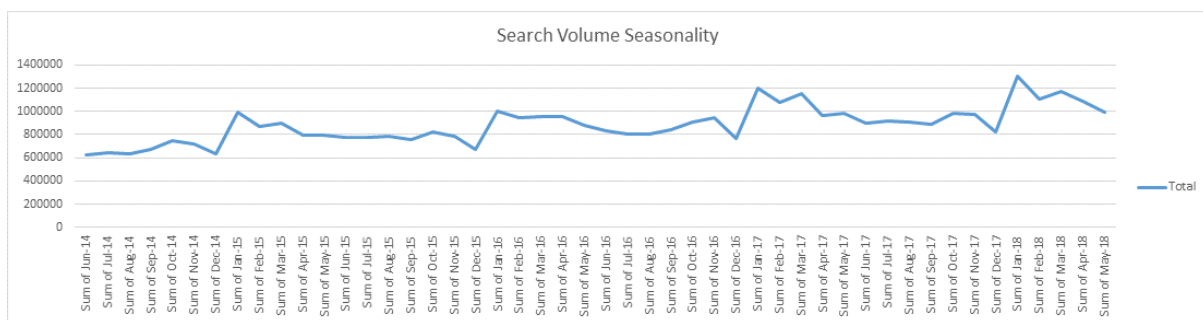
services being introduced at different price points, including at crematoria. This is starting to place downward pressure on prices, and is taking volume away from traditional Funeral Directors and crematoria operators.<sup>25</sup> We would expect future external reports on funeral costs to evidence the plateauing in prices (although it is worth noting the time lag between prices falling and the data fully reflecting this).

There is significant variation in the quality of the service offered. However, as outlined previously in this submission, consumers are not able to assess the difference in quality from provider to provider and are unable to make a 'like-for-like' choice between provisions. While there should be significant competition based on product offering and quality of the service provided, the limited transparency over non-price factors limits competition on the basis of quality of service.

Greater price availability has supported this. However, initial findings from Dignity's upcoming research shows that of those who are shopping around, an idea of cost is the main reason (53%), with best price a lower consideration (35%). This evidence suggests that around 7% of consumers are shopping around for the lowest cost. This research shows that for all consumers, the biggest consideration when arranging a funeral was using a Funeral Director that felt like the best fit (55%).<sup>26</sup> Therefore while price is important, human qualities are more important for consumers.

The internet is also playing an increasing role in how consumers choose a Funeral Director. The number of consumers starting their purchasing journey online has increased from 2% in 2012 to 45% in 2018. There has been a 7.2% year-on-year increase from 2016/17 to 2017/18 in the use of search terms related to arranging a funeral.<sup>27</sup>

The graph below shows the Google search volume changes since June 2014 for keywords relating to funerals. This shows an obvious seasonal pattern with peaks around January each year. There is a clear trend line upwards. The annual peak in 2015 of 1 million searches increased by 25% to an annual peak of 1.25 million searches in January 2018.<sup>28</sup>



Funeral Directors are responding to this by focussing more on digital marketing and advertising, for example bidding for online advertising on other branch's names, resulting in consumers being more aware of different providers. Price Comparison Websites are also bidding heavily on the highest converting keywords. The average cost-per-click on 'funeral directors' terms on paid search increased by 219% from January 2017 to January 2018, as a result of increased competition and a more aggressive strategy to maximise visibility. Alongside this, there has been an increase in demand for telephone quotes in recent years.

<sup>25</sup> Royal London National Funeral Cost Index Report 2017

<sup>26</sup> Trajectory Limited, Dignity Funeral Director Quality and Standards Research Programme 2017-2018

<sup>27</sup> [S&C]

<sup>28</sup> Figures obtained from Google Analytics

In terms of wider marketing and advertising activity, Funeral Directors have traditionally had, and largely continue to have, a very local focus with their sphere of influence being fairly limited. Promotion has typically tended to be based on community outreach, partnerships with care homes or churches, or PR and advertising in local media.

The digital world is changing that though and digital activity is increasing. Social media activity is starting to gain traction with both large and small funeral businesses operating some level of activity on the likes of Facebook and Twitter. However, the digital sophistication of the funeral sector is still significantly behind other industries, and there remains potential for funeral providers to make greater national and local impact using social media.

Television advertising in the funeral sector has traditionally focussed on funeral plans, although the Co-op have undertaken funeral service TV advertising in the past. Recent improvements in the ability to geographically target TV advertising have seen some local independents use it.

Price Comparison Websites are currently investing heavily in marketing to ensure that they are present when people are looking for a funeral director. Dignity's understanding of consumer behaviour suggests they are currently being used more as a directory rather than a comparison tool.

On balance, there is increasing contestability in the market which is likely to have a positive impact on costs for consumers. Greater transparency and ability to compare product offering – as well as cost – is likely to support this further.

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

While Dignity welcomes competition, there are no barriers to market entry, anyone can set up as a Funeral Director, and there are, in our view, many low-quality providers. Not all funerals are of an equal standard, with differing levels of quality across the industry.

There are no regulatory or other requirements on those entering the funeral industry. While the need to have premises and vehicles is in theory a barrier to entry, in practice there are no minimum standards or requirements in place relating to what these must consist of. New entrants into the market are in theory able to deliver funerals by hiring vehicles, staff and even premises on a casual basis thus minimising cost. There is nothing stopping funeral directors storing the deceased in facilities which would not meet the standards which consumers expect and assume exist. There are no minimum requirements in relation to training, qualifications, or screening and vetting (such as DBS checks) for staff. While national data protection policies are applicable, there are no specific policies in place for the sector in relation to handling information or data. Dignity complies with ISO 9000 and 27001.

While the lack of barriers to entry is likely to encourage competition and arguably increase choice for consumers – as the significant increase in the number of funeral directors illustrates – Dignity is concerned by the lack of minimum standards and the inability of consumers to adequately assess the quality of service offered and make an informed comparison.

The CMA's interest in the funeral sector offers an important opportunity for policymakers to consider the introduction of minimum standards and greater transparency on standards to allow consumers to make informed choices. This work is already underway in Scotland and provides a useful precedent for the rest of the UK.

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

Dignity would strongly support proposals to enhance the information that is clear, fair, and not misleading available to consumers online in order to allow more effective comparisons. Whilst there has been an increase in choice for consumers, they are unaware of the difference in quality from provider to provider and are unable to make a ‘like-for-like’ choice between provisions.

To improve the ability to compare, there should be a particular focus on two areas: clarity over what is included in a particular product or service; and transparency over the quality of the funeral provided.

Dignity would support efforts to clarify what is included in a particular product or service. While individual funeral directors should have the freedom to offer different products and product innovation should not be constrained, there should be clarity for consumers over what elements are included in a particular package, i.e. a simple or full service funeral. The Scottish Government’s approach to developing guidance on funeral costs should be replicated across the UK, with a clear link to the quality of service provided.

Secondly, there is an opportunity to introduce much greater transparency in relation to the quality of the service provided and make it easier for consumers to measure or assess the difference between products or services. An auditable accreditation scheme, e.g. a star rating system similar to that used to measure food hygiene standards in the hospitality sector, where participants conform to declaring prices and standards transparently, could provide the basis for consumers to more effectively compare the services on offer. This should include factors such as the mortuary provision, and brand and age of vehicles. Consumers don’t typically ask what the fleet is, and so therefore it is a lottery in terms of which Funeral Director an individual will choose having what quality of vehicle in terms of age and brand of vehicle.

Consumers should also be able to have confidence that the price they are quoted or which is advertised is the actual – or close to the actual – final price that they pay following the funeral. While Dignity’s customer surveys show that 98% of consumers felt that their original estimate and their final bill matched, there remain cases across the industry where consumers are faced with hidden costs or extra charges. This is misleading for consumers. Removing hidden costs and ensuring that the price displayed to consumers is as close as possible to the final cost will allow consumers to actively compare.

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

Dignity would suggest that the opportunities outlined above to improve transparency online should also be replicated in branch and over the phone. While consumers are increasingly starting their purchasing journeys online, many consumers still visit branches directly or seek quotes over the phone. Consumers should be able to effectively assess services in the round regardless of how they are shopping around.

As outlined previously in this submission, Dignity notes that there are significant issues with how Price Comparison Websites operate in the funeral sector. The CMA should take this opportunity to consider how Price Comparison Websites operating in the funeral sector can work more effectively for consumers and recommend measures to improve outcomes for consumers. As part of this, we would suggest that Price Comparison Websites should be required to show non-price factors and aspects of measurable quality that consumers indicate are of particular importance to them. There should also be a requirement to provide transparency over commercial arrangements.

The experience in other sectors suggests that requiring mandatory listing on Price Comparison Websites does not necessarily drive the desired consumer outcomes. Instead, the CMA should ensure that all Funeral Directors display their prices in branch and online; and that improvements are made to Price Comparison Websites to encourage funeral directors to engage with them.

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

As outlined earlier in this submission, there are no barriers to market entry, anyone can set up as a Funeral Director, and there are, in our view, many low-quality providers. Not all funerals are of an equal standard, with differing levels of quality across the industry.

There is currently no transparency in relation to the quality of the service provided and no easy way for consumers to measure or assess differences. Dignity's recent mystery shopping exercise evidences that it is almost possible for consumers to view back of house facilities, even when they ask. In addition, consumers do not necessarily have the skills to make this assessment. Dignity would strongly welcome an auditable accreditation scheme for funeral directors, as this would help consumers to make comparisons between providers on the basis of quality, rather than costs alone.

We would suggest that an auditable accreditation scheme should be linked to some form of regulation focused on improving standards in the sector. A scorecard or star rating system similar to that used to measure food hygiene standards in the hospitality sector would allow consumers to easily assess standards - i.e. full service, partial service and light services to give consumers an indication of qualities and facilities).

Comparing a service is always difficult for consumers and it is not easy to assess differences in the quality, facilities and prices of different funeral providers. A form of ratings system where participants conform to declaring prices and standards transparently – backed up by some form of regulation or oversight – could provide the basis for consumers to more effectively compare the services on offer. Consumers would not be being asked to compare facilities – which are often inaccessible – themselves, but instead could rely on an easily understood, credible and well promoted ratings system.

Dignity is now undertaking work to consider – working closely with stakeholders and industry partners – how a scorecard system could work, and to explore different options for stronger regulation in the sector which are designed to promote quality and enforce minimum standards.

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

As noted earlier in this submission, Dignity has committed to putting all prices online by January 2019, having already put its prices for its Direct Cremation and Simple Funeral offerings online (December 2016 and February 2018 respectively). This commitment is on-track to be delivered, with crematoria prices due to be published online from July 2018. All funeral directors with a website should be required to place their prices online.

Dignity has set out above the opportunity to strengthen the operation of Price Comparison Websites to improve consumer outcomes.

The introduction of any ‘scorecard’ to allow consumers to compare the quality and provision of services in an easily understood way – to be considered alongside price – may also have a digital element.

### ***Crematoria market power***

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

Consumers tend to go to the crematorium which is geographically closest to them or which they have used or attended previously rather than choosing a crematorium based on other factors. Funeral Directors will also have the ability to influence choice, by being able to explain key crematoria variables like length of slot at the crematorium and cost.

Dignity’s crematoria research – to be published imminently – shows that currently just over a quarter (27%) of consumers shop around for cremation services. Choice is largely dictated by geography, although some consumers will have choice over which crematoria to choose. In this research Funeral Directors strongly suggest that it is the customer that makes the choice of crematoria (76% of Funeral Directors note that this is the main factor governing choice).<sup>29</sup>

Dignity’s research evidences that what consumers want most from a cremation is a private secluded moment and not to see other mourners. They therefore value time at the crematorium as a more important factor than cost. Qualitative and quantitative research shows that both Funeral Directors and consumers are aligned in thinking that time is the most important factor.<sup>30</sup> This is driven by a desire not to see other mourners. Therefore a sufficiently long slot, i.e. 45 minutes is important.

Even in integrated organisations which operate both funeral directors and crematoria, there is competition. Dignity funeral directors frequently use non-Dignity crematoria, and many non-Dignity funeral directors use Dignity crematoria. The majority (circa 85%) of cremations at Dignity crematoria come from third party (non-Dignity) Funeral Directors.<sup>31</sup> There are no incentives in place for Dignity Funeral Directors to use Dignity crematoria, and no favourable treatment in terms of pricing and slot availability.

What is also clear from this research is that consumers value visiting the crematoria in advance of the funeral. Only one in three consumers do this, although 96% who do find it a useful experience.<sup>32</sup> Encouraging customers to consider (and visit) crematoria in advance of the funerals - and funeral directors to actively encourage this - will also enhance the customer experience, and may encourage consumers to consider different crematoria.

Dignity’s crematoria business is run separately from its funeral directing business. There are two separate management teams and reporting lines.

#### **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?**

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<sup>29</sup> [X]

<sup>30</sup> [X]

<sup>31</sup> [X]

<sup>32</sup> [X]

As with Funeral Directors, consumers typically consider crematoria as offering similar facilities and services, yet it is clear from Dignity's upcoming consumer research that the key aspect of crematoria service provision is time. Dignity's research evidences that what consumers want most from a cremation is a private secluded moment and not to see other mourners. They therefore value time at the crematorium as a more important factor than cost.

Customer preference is said to be the main driver of 'choice' of crematorium by funeral directors. 76% of Funeral Directors say that the main factor governing the choice of Funeral Director is the crematorium which the client chooses or prefers.

However, the funeral director is the key intermediary in determining choice. 82% of customers saying that they received help or advice from the funeral director in choosing the crematorium. This made the funeral director the most common source of advice or help (even more common than friends or family, for example). Our funeral directors survey suggests that, on average funeral directors use 3.2 crematoria. Customer 'choice', such as it is, is driven by practical considerations such as proximity to their or the deceased's home. Despite this it was generally seen as positive for customers to have options.

Crematoria are generally perceived to be of consistent quality, and some people also believed that pricing was consistent. This assumption of consistent quality and pricing, along with the funeral director's advice mean that for many the local crematoria is the default choice.

Consumers' value visiting the crematoria in advance of the funeral. Only one in three consumers do, although 96% of those who do find it useful.<sup>33</sup> Encouraging customers to consider (and visit) crematoria in advance of the funerals - and funeral directors to actively encourage this - will also enhance the customer experience, and may encourage consumers to consider different crematoria. Dignity will shortly be launching a crematoria comparison tool that clearly shows all of the key criteria that consumers say are important to them, to allow consumers to make more informed choices.

Dignity's crematoria research identifies six core consumer needs from a cremation service:<sup>34</sup>

- Making sure everyone who wants to come can
- Not seeing other mourners
- Keeping costs low
- Getting value
- Finding a time for the service
- Facilities to play music or show photographs

The research has found that consumers value time spent at the crematoria more than the cost (although many do not know how much a crematoria costs as this is not broken down by many Funeral Directors). Funeral Directors also hold the same view. Dignity Funeral Directors always break out crematoria costs. Measuring crematoria services by time and cost therefore provides a more accurate assessment of value for money.

Dignity is actively considering the ability for Funeral Directors and consumers alike to be able to see slot availability and reserve times, providing them with greater transparency and choice. If this is a

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<sup>33</sup> [X]

<sup>34</sup> [X]

feasible solution Dignity would be committed to introducing this and would suggest that this should be introduced across the market to help consumers.

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

There are a number of barriers to entry for new crematoria in the UK. Primarily these are:

- Lack of suitable affordable land in the UK for crematoria.
- Lack of recognition in the planning system for crematoria as a permitted development in the greenbelt, raising a huge barrier to entry.
- High capital costs for new build crematoria. Demographics and cremation fees mean areas poorly served for crematoria provision are not financially viable with current death rates and fee levels.

In recent years Dignity has anecdotally noted a growing preference by consumers for cremation services to take place on particular days of the week – notably Monday's and Friday's. Dignity's research evidenced that 37% of customers had a strong preference for the service to be held on a particular day of the week. Almost a third of customers (29%) said that they 'had to wait a long time (more than two weeks) for their preferred time and day'.

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

A number of factors have contributed to increasing crematoria costs. Crematoria costs have increased across the sector, including at Local Authority crematoria. These factors include:

- Central government budget cuts for Local Authorities.
- Mercury abatement costs.
- Investment in infrastructure to sustain basic services and grounds including car parking and cremators. Crematoria operators are also looking to provide larger sized cremators to cater for increasing obesity.
- Investment in new infrastructure to respond to consumer preference for musical and visual tributes.
- Offering extended hours of operation to meet consumer demand for services at evenings and weekends.

Dignity has continued to invest significantly in the equipment and facilities at its crematoria. Its recent self-assessment has shown for example that in some locations our facilities still require investment to provide appropriate music provision that meets customer expectations. This work will be complete by the end of November 2018.

It will be important for the CMA to understand whether this type of investment to protect the long term sustainability of the crematoria estate has been made across the sector, or whether price increases have been used as an additional revenue stream to offset funding cuts.

Dignity is committed to making significant investment to maintain and upgrade equipment. The equipment at a number of crematoria which Dignity has recently acquired has been in a poor condition and required significant investment. This comes at a cost; however, it is essential for Dignity to maintain facilities sustainably while delivering customers' needs.



Dignity has in place a long standing policy of never charging for child funerals at the crematoria which it operates, and has supported efforts to address this issue nationally. While Dignity had operated the markets most generous solution by age until 2017, with recent changes and announcements by Welsh and English governments it extended its policy from under 17s to under 18s in April 2018 to ensure consistency with the government's new policy. There are no restrictions in length or time of day.