

Funerals market study – summary of responses from individuals to the Statement of Scope

This document provides a summary of individual responses to the funerals market study [Statement of Scope](#) (SoS).

Background

On 1st June 2018 we published our [Market Study Notice](#) and SoS. These documents set out the purpose and scope of the funerals market study. We invited submissions from interested parties on two key themes. The themes were:

- Competition and transparency in the provision of funerals
- Crematoria market power

This is an aggregated and anonymised summary of the views provided by individuals in response to our SoS.

We would like to thank everyone that responded to our SoS.

Theme 1: Competition and transparency in the provision of funerals

Why have funeral prices generally increased?

Respondents told us that in their view:

- (a) The large corporate funeral providers have increased prices to benefit their shareholders.
- (b) Funeral providers have increased the price of at-need funerals as a driver for selling more pre-paid funeral plans. By charging a high price for an at-need funeral, people will increasingly be incentivised to make some financial provision to mitigate future funeral costs. The additional benefit to funeral directors' businesses is that this also ties in future sales.
- (c) The lack of regulation and formal qualification requirements in the industry means that anyone can set up as a funeral director. Funeral directors can employ any sales methods they wish to.
- (d) Trade association codes of practice do not provide any protection to consumers in relation to price.
- (e) Because consumers do not understand the funeral process and have limited knowledge of the costs involved they are unable to challenge expensive funeral director fees.

- (f) Cultural taboos around death act as a barrier that makes it difficult for individuals to challenge expensive funeral director fees.
- (g) The underlying cost of funeral service provision, primarily wages, has increased. In addition, the increasing cost of cremation has added to the overall cost of the funeral package.
- (h) Funeral directors desire to improve their profit margin.
- (i) Some funeral directors differentiate themselves from the competition by charging more. A higher price is used to signal higher quality to prospective clients.

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

Respondents told us that in their view:

- (a) Large organisations typically charge more than smaller independently run firms.
- (b) The starting price does differ from company to company, but so may the services and the products that are covered in the starting price.
- (c) Price differences between different funeral directors of the same size of operation, in terms of the final price charged, may be less than the starting price might have initially suggested.
- (d) The emergence of direct cremation companies. Direct cremations are usually priced at a much lower rate than a 'traditional' funeral.
- (e) Large price differences between funeral directors in the same local area can also be explained by the profits requirements of the business concerned.

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

Respondents told us that in their view:

- (a) Families (and carers) may discuss the choice of funeral director in circumstances where someone is suffering with illness or when morbidity becomes apparent in an elderly relative.
- (b) People choosing an at-need funeral are likely to be going through the emotions of losing a loved one. They are emotionally exhausted and are

not in the right frame of mind to 'shop around' as they might do for other purchase decisions.

- (c) Some people are worried that their family will not be able to afford their funeral in the event of their death and so arrange insurance or a pre-paid funeral policy. Pre-paid plans specify the funeral director to be used. It can be difficult to change that arrangement.
- (d) Individuals who are terminally ill will sometimes arrange their own funeral. They may stipulate which funeral director is to be used as part of accepting their diagnosis.
- (e) Families tend to use the funeral director they have used in the past.
- (f) Consumers may select a funeral director having seen local advertising or marketing material.

What factors are important 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?

Respondents told us that in their view:

- (a) Trust and familiarity are the factors families consider in selecting a funeral director. They are less likely to use a funeral director they do not know.
- (b) Families look for a local funeral director that operates in the same area as the deceased. For relatives that have moved away, they will choose a funeral director close to where the person has died.
- (c) They felt unable to change funeral director once the funeral director had taken possession of the deceased body.
- (d) Comparison websites can provide greater information and comparability data.

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

Respondents told us that in their view:

- (a) Consumers are not provided with sufficient information prior to contracting with a funeral director.
- (b) Funeral directors do not provide comprehensive price information in advance. Prices are only discussed when the funeral arrangements are being made in person.
- (c) There is a lack of awareness and information about funeral director complaints processes (including what recourse there might be to external complaints bodies, such as the Funeral Arbitration Scheme).
- (d) Funeral directors' complaints processes are considered to be ineffective.

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

Respondents told us that in their view:

- (a) Quality is far more important to consumers than price. Information about quality or other criteria against which to benchmark and compare the quality of different funeral directors is lacking.
- (b) Price may be used as a benchmark for quality, particularly in circumstances where the prospective client has no previous experience of a funeral director. Higher prices are often considered to be indicative of higher quality in the funeral market.

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

Respondents told us that in their view:

- (a) There is limited awareness of comparison websites and some scepticism expressed about their potential benefits.
- (b) Comparison websites are not independent. There is a lack of transparency in terms of the financial arrangements (i.e. in relation to the commissions paid by companies listed on comparison websites).
- (c) Comparison websites can tell you how many local funeral directors there are to choose from in a local area, but they may not provide customers with accurate information in terms of price or the different services available.

- (d) Comparison websites list funeral director 'fees from' and these fees differ in what they include. This may lead a consumer to choose a funeral director that they think is within their price range, when in fact they are not.
- (e) If there was a standard price structure and full transparency on the services available, comparison websites would be able to benchmark the price and services of different funeral directors. Consumers would then be able to make better informed choices.

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

Respondents told us that in their view:

- (a) While industry codes of practice can be positive, self-regulation is not working in the funerals sector because these codes were not:
 - (i) compulsory
 - (ii) suited to the modern funeral industry
 - (iii) monitored in any meaningful way
 - (iv) enforced properly. There is no authority with any powers to act upon breaches of codes of practice.
- (b) The different trade associations were all created by, and are run by, people connected with or running a funeral business. The interests of the funeral industry were considered to come before those of the consumer.

How do funeral directors compete to attract customers?

Respondents told us that in their view:

- (a) Funeral directors attract customers if they are perceived by customers as offering superior quality of care, better services and facilities than rival firms.
- (b) Some funeral directors compete on price. However, they may compromise on the quality of the service and/or product being supplied to lower the price.
- (c) Some funeral directors wish to appear to be independently owned, implying familiarity and trustworthiness, when in fact they are owned by a larger group.
- (d) Funeral directors benefit from local monopolies and rely on repeat business. Families use the same funeral director that they did in the past.

- (e) Large corporate-owned organisations would consider the market share of a rival corporates when considering making acquisitions in a locality. If a rival corporate is present this may deter entry.

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

Respondents told us that in their view:

- (a) The lack of history and hence reputation in an area is a barrier to entry which is why even after having acquired businesses some of them retain the name of the local funeral director.
- (b) Competition from existing funeral directors is a barrier that might prevent a new business from entering a local market.
- (c) Legislative or technical requirements required to set up as a funeral director can also act as a barrier to new entrants.
- (d) Over-supply of funeral directors in a locality can be a constraint on new entry.

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

Respondents told us that in their view:

- (a) Most consumers are familiar looking for information online. It would help consumers if there was clear and accurate pricing and information on a funeral director's website.
- (b) It would be beneficial if funeral directors adhered to a standardised pricing structure for their services. This would include a description of the basic funeral arrangements and a menu of optional extras to enable consumers to evaluate and compare different funeral directors. Additional costs, such as cremation and church fees, etc would also need to be included.

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

Respondents told us that in their view:

- (a) All companies should be required to disclose the ownership of individual branches and be required to provide a true representation of how long they have owned and operated that business.

- (b) Trade groups and associations should be required to publicly disclose the legal structure of their organisation. The Directors and Committee Members should be legally required to publish their relevant commercial interests.
- (c) It would be helpful if government set up a website with information about:
- what people need to do in the event of a death
 - the legal requirements and procedures surrounding death
 - the role of funeral directors and the services they typically provide
 - an indication of the average costs of a funeral.

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

Respondents told us that in their view:

- (a) There needs to be legislation covering the provision of funeral services and the providers of these services. The industry would then be easier to monitor and regulate. This would give consumers more protection and confidence and help to eliminate bad practices.
- (b) An independent regulatory system needs to be put in place that requires individuals and companies to be licensed. This would raise professionalism and quality in the funerals sector and make it more difficult for companies to manipulate the market.

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

Respondents told us that in their view:

- (a) Comparison websites would help consumers make better informed choices.
- (b) Customer feedback and review sites might be beneficial.

Theme 2: Crematoria market power

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

Respondents told us that in their view:

- (a) Crematoria have local monopoly power and do not compete with other crematoria.
- (b) The prices charged by private crematoria were higher than those charged by local authority crematoria.

(c) Capacity constraints at existing crematoria incentivise new entry.

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

Respondents told us that in their view:

- (a) They do consider alternative crematoria if there are capacity constraints at the local crematorium. Price is not a consideration in their decision-making.
- (b) Given the limited number of crematoria in a local area, funeral directors can do little more than explain where the local crematoria are located and make a recommendation based on proximity.

What are the main barriers to entry for new crematoria?

Respondents told us that in their view:

- (a) Planning constraints and environmental factors act as barriers to entry, as does opposition from residents objecting to proposed crematoria developments near them.

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

Respondents told us that in their view:

- (a) Cremation fees are high because crematoria have a monopoly.