

Dear Sirs,

**Re: Competition & Markets Authority - Funerals Market Study**

Please find below my responses to the questions raised in your Statement of Scope document on behalf of my family company A W Lymn The Family Funeral Service.

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?

Aside from the general level of inflation there are a number of factors which need to be considered in regard to funerals.

1. The standard of funerals provided by Funeral Directors today bears no comparison to the standard of funerals provided historically. When I entered the profession in 1969 most funerals were impersonal and consisted of a very simple service at the crematorium with no specific music, hymns or personalisation. Families did not mind what time of day the funeral was and the service in the chapel generally lasted no more than 10 or at the most 15 minutes. These funerals usually took place within just a few days of death.

Today families generally select a personalised service, specific music, hymns, eulogies and printed orders of service, specific types of hearses and other vehicles and avoid services at any times other than the middle of the day. They are now quite happy to wait often several weeks in order to accommodate all their requirements and to work around the commitments of the family. Families also now prefer smaller funeral homes nearer to their own home, and not the large central offices as once used. The inevitable consequence of these changes is that the cost attributable to each funeral has increased materially as the costs of assets and staff are less efficiently absorbed over fewer funerals.

2. As a service industry we have been beset with additional labour costs to meet ever increasing Government legislation in terms of family friendly employment policy, working time directive, increased holiday pay, increases in National Insurance and latterly of course the introduction of the Workplace Pension. All of these inevitably add to the cost of providing an ever increasing labour intensive service to bereaved families.

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

Funeral Directors set their own pricing policies in much the same way as local hotels and restaurants set their prices. There is absolutely no reason to feel that a small independent office offering a budget service with unqualified staff, no mortuary facilities and very few choices should charge the same as a firm with purpose built premises, offering proper mortuary facilities with new hearses and limousines, qualified staff and a wide range of products and services.

There are also concession arrangements offered by some Local Authorities in liaison with funeral directors operating within the area. The Local Authorities involved in these arrangements are usually facilitating funerals for people normally resident within its boundaries, these normally have to be at a cemetery or crematorium under its control and the price for the use of these facilities is not discounted by the Local Authority. The contracting funeral director in return for endorsement, advertising and recommendation by the Local Authority contracts to carry out these funerals at set prices and sometimes these appear to be at less than cost.

One of these concessions offers funerals at £1,799.00 including all necessary disbursements. The disbursements vary from individual funeral to individual funeral but are usually about £1,200.00 and so the balance for the funeral directors' services is typically in the region of £600.00. The funeral firm providing this service is a national operator and for a funeral of a similar specification elsewhere its published price is excess of £2,450.00 or at least £1,850.00 or over 300% more than its concession price. As such these concession funerals are being offered at considerably less than cost and to do this the contracted funeral firm must be cross-subsidising the cost of these funerals.

The existence of these agreements, which are not available to all and are only sustainable by cross-subsidisation distort the local market and other firms who only operate locally cannot compete with these artificially low prices. These contracts may be to the benefit of the relatively small group of consumers to whom they are available but they do not work to the benefit of those consumers to whom they are not available and are being charged more to cover the cost of the cross-subsidy.

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

An increasing number of families are either selecting their funeral director or have their funeral director selected for them prior to death as approximately 200,000 funeral plans are being sold each year and the funeral planning companies all allocate a specific funeral company at that stage to service each plan at the time of death. In the longer term this should equate to 40% of all deaths.

The selection of funeral directors for those deaths without pre-paid plans is only made at the time of death and is not generally made purely on the basis of cost. The decision is therefore made at the hospice, nursing home, residential home, or anywhere that the death occurs. Only when there is no rush to move the body, such as following a death in a hospital where there is a mortuary, can the decision on the funeral director be left until later. The decision would then be made once the family had had an opportunity to discuss their options.

- d) What factors are important to them in making that choice? How far (in terms of distance / time) are consumers prepared to travel to reach a funeral director? Do consumers have sufficient information on the alternative funeral directors available locally?

In our experience the most important factor for families is finding a funeral director that they trust that will meet their wishes and that they can empathise with. Generally

speaking the family want a funeral director that is a local, and during the past 20 or 30 years most funeral companies have opened multiple smaller funeral homes to avoid the need for families to travel to the larger central businesses once used.

However, as a firm we conduct funerals from the South Coast to North Yorkshire and from the East Coast to the Welsh Boarder for travelling families that know we will provide the service and merchandise that they want even though we have no funeral homes other than those in Nottinghamshire and South Derbyshire.

- 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 own case we provide adequate information. We have had our prices available for upwards of 15 years and we try to ensure that every client has a printed copy of our services brochure before they commit to what services they want from us. I am not sure that families generally want to make a meaningful comparison of the services offered between funeral directors. Our experience is that they want to use a firm they have used before and found to be satisfactory or a firm recommended to them from close friends or family or a firm that they have attended a funeral conducted by them and have judged their standard. Our brochure is however widely requested and many families now arrive to make the funeral arrangements having already selected and priced the services that they require from us. A copy can be downloaded from the homepage of our website [www.lymn.co.uk](http://www.lymn.co.uk)

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

As detailed in e) above, but increasingly important is the use of genuine client evaluation sites such as FuneralZone. [www.funeralzone.co.uk](http://www.funeralzone.co.uk)

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

Price comparison sites do not normally work. They either restrict the options offered which, given that funerals are very personal, does not give indication of what will actually be paid or they only list the funeral directors that pay for the listing or the information given is incorrect. Funeral directors such as ourselves cannot get these corrected. An example of failure in this regard would be seen by looking at one national operator which offers a simple funeral at £1995.00 excluding disbursements, offers a limousine on their detailed price list at marginally just over £200.00, and yet, if a family want to add a limousine to the £1995.00 package, the charge is, in many areas, £600.00 or more thus taking the price not to £2,200.00 but to £2,600.00. This I believe is clearly misleading. Further this national firm also licences the use of its trading style but there is no guarantee that those using this licencing agreement will also offer the simple funeral at the same price.

Intermediaries are not generally helpful as they do not appear to fully understand the basis of a funeral or indeed the families requirements. They also take a commission from the funeral director and, as this is not disclosed to the family, it appears that the

decision on which funeral director they recommend is on the level of this commission rather than the level of service or price.

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

Industry Codes of Practice are very effective in protecting consumers as price lists have to be given and be available, written estimates have to be provided for every funeral and the Associations (in our case NAFD and the access to the FAS (Funeral Arbitration Scheme)) also provide assistance to clients on the odd occasion that things go wrong.

Arguably the codes do not particularly assist in facilitating consumer choice of which funeral director to use but they do ensure that with the funeral director selected the family are given full details of choices in the range of products and services offered by that particular funeral directing service and are thus able to make informed choices.

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

I am of the opinion that advertising in its normal and understandable form is a total waste of time for funeral directors. We advertise simply to ensure that bereaved families have easy access to our contact details. We compete by offering ever better and more accessible premises, experienced and better trained staff, more choices of vehicles, an ever greater selection, being flexible to clients wishes, adapting to the wishes of all cultures, creeds and religions and as such achieve self-advertising and growth by recommendation, repeat business and by prospective clients remembering how they have seen us perform at services they have attended.

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

There are very few barriers to entry and anyone can start a funeral business without any licence or qualification. In the last 20 years at least four funeral directors have commenced business in our trading area seeking to promote simple funerals purely on the basis of price rather than service. All four of those businesses decided after just a short time in business that there was not sufficient demand for the service they offered. They tried to adapt and move into full service funerals but the demand was already met by existing firms and consequently with their lack of investment, lack of high quality premises and fleet, poor levels of service and lack of knowledge they have all ceased trading. I think this speaks for itself. There are little or no barriers to entry to prevent someone offering “funerals” but there are barriers of entry to those wishing to offer the services of a professional funeral director as there is a need for major investment in things such as high quality fleet, purpose built or adapted premises, the provision of a 24 hour service and the employment of well trained staff,

In light of the evidence we receive, should we find a problem under this theme, we will consider what remedies may be appropriate. For example, we may consider whether measures requiring increased transparency are necessary; whether there is a case for requiring prices for certain types of funeral to be specified, or for requiring unbundled pricing; and/or

whether technological solutions may be appropriate. We would welcome initial views on the following questions:

- k) Could funeral directors providing enhanced online information enable effective comparisons, and if so, what information should they provide?
- l) Are there other ways to improve transparency of information that we should consider?
- m) Are there measures that could help consumers evaluate non-price factors, such as quality, together with prices?
- n) Are there technological or innovative solutions that could help consumers make more informed choices?

k, l, m & n) We have always advocated our prices being available online and as such we publish our services brochure on our website. We have published our prices in this way for over 15 years. The problem with price comparison sites is that we believe that on most funerals, no matter how carefully worded the comparison web sites and publications are, families who determine a price or are given a price without full discussions with a knowledgeable funeral director do not establish the correct price. I believe the more important factor to compare is the general appraisal rather than simply price. I would advocate sites that compare quality, judge client satisfaction and seek independent client reviews on all matters other than those that try to simply compare prices. Surely the level of client satisfaction is the key to assessing consumer protection and not just price. Again I would recommend a site such as FuneralZone whereby only those that have actually arranged a specific funeral can issue a review, there is no system for removing a bad review but there is only one review per funeral.

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

- o) Do crematoria compete to serve funeral directors and their customers and if so, how?
- 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?
- q) What are the main barriers to entry for new crematoria?
- r) Why have cremation fees generally increased and why do they differ across the UK?

o, p, q & r) Most crematoria are working in monopoly situations. In our own trading area 90% plus of clients selecting cremation decide on the crematorium based purely on its location in relation to the home address of the deceased person.

Under the terms of the cremation act 1907, outside of London, all crematoria have to be at least 50 yards from a highway and a least 200 yards from a residence to obtain a licence to cremate. This means the only possibility for a new site for a crematorium is either an urban plot of approaching 20 acres, which of course would have an alternative use for residences or would be prohibitively expensive, or a site in green belt open countryside. To obtain permission in the latter, being the only affordable option, very special circumstances have to be proven and part of this is a requirement to prove a need. In order to do this, it has to be demonstrated that the deaths of those people resident in that area are not already served by an existing crematorium and that approximately 1,000 cremations per annum would be served by a new crematorium where the cortege time to an existing crematorium would exceed 30 minutes but to the new crematorium would not. Therefore, by definition, if there is already one

crematorium serving an area, planning permission on an affordable site would not be given to build a competing crematorium.

Cremation fees vary markedly across the country as do the standard of the facilities offered. Some crematoriums are still working out of converted Victoria chapels whereas others are working out of multi-million pound new build facilities. Some offer very limited services and others offer a very good overall experience for the family. Crematorium fees have increased due to factors beyond the crematorium's control, such as emissions controls of the late 1990's, the introduction of second chamber cremators emissions controls, the mercury abatement equipment that has had to be installed and indeed retro-fitted to many crematoria which costs more than the cremators themselves, as well as a better standard of service being provided including sound systems, vision systems, sound insulation and perhaps most importantly longer service times which of course reduced the total number of cremations and increases the cost per cremation.

In closing my concern in all this is that there appears to be an assumption that bereaved families are driven by price whereas I believe strongly they have a requirement for informed service choices. We send both online and paper client appraisals to the families we serve and a few statistics from these may be useful.

- We have 1548 family reviews on FuneralZone of which over 1500 are 5\* and the lowest we have ever had is 3\* and we have only had six of those.
- On our paper questionnaires from 2017 our average overall score out of 10 was 9.8 and 95% of our clients thought our final account was either as expected or less than expected.
- When asked how they selected to use our family firm 48% said it was because they had used us before, 15% because we were the nominated funeral director in a pre-paid plan, 16% because they had attended a funeral we conducted, 11% because of a recommendation, 29% because we were a family firm, 22% because we were the most local, 9% because of our vehicles, 2% because of the price and 2% because of an advertisement. You will note that this does not add up to 100% as many clients select more than one reason. The point about price is interesting as we offer in our services brochure which every family receives the choice of a cardboard coffin at no charge, this is however selected by less than 2% of our clients.
- Further, 98.5% of our client's state that they would use our services again and of the 1.5% that would not several state this is simply because they have nobody left in our trading area.

I am also deeply concerned that the sale of pre-paid funeral plans by certain parties is affecting the at-need funeral market in that huge amounts are now being paid in undisclosed commissions which directly reduce the amount left to pay the funeral director. Whilst these currently represent a very small proportion of today's deaths for at-need funerals and therefore have little impact, when they represent a larger proportion of deaths in around 20 years' time, which may be up to 40% of at-need funerals, the amount payable to funeral directors for servicing these plans will become material and will then only be recouped by increasing the price of at-need funerals to cover these shortfalls.

Finally, one of the difficulties all funeral directors experience is obtaining some of the disbursement costings from local authorities, churches etc. while arranging the

funeral. Given that burial fees can now be such a high proportion of the funeral cost it is fundamental that these are made available in advance of the service and that the quoted prices are honoured.

I trust that my answers help with your market study and would confirm that I am more than happy to discuss this further with you should you wish.

Thank you.

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