

# **Funerals Market Study interim report**

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Glossary

## Appendix A: Regulation

1. This Appendix sets out the regulatory landscape for funeral directors and crematoria. It also considers the self-regulatory role of the main industry trade associations and the outcomes of previous examinations of issues in the supply of funerals at the point of need by the CMA's predecessor, the Office of Fair Trading (OFT).

### Funeral directors

2. Funeral directors are not regulated in England, Wales and Northern Ireland.<sup>1</sup> There are no licensing or registration schemes, no compulsory professional qualifications or training, nor other statutory restrictions on who can operate as a funeral director. Quality and service standards are not prescribed by law, and there is no statutory inspection regime for funeral directors' premises.
3. A regulatory regime is being introduced in Scotland.<sup>2</sup> The Burial and Cremation (Scotland) Act 2016 (2016 Act) was passed by the Scottish Parliament in March 2016 and provides the statutory framework to appoint Inspectors of Funeral Directors. The 2016 Act also makes provision for Scottish Ministers to introduce a licensing scheme for the funeral director industry, should licensing be deemed appropriate. In its 2015 Policy Memorandum to the Bill, the Scottish Government stated that regulation of the funeral industry "will address current concerns that there are few formal requirements to operate as a funeral director and that there is little independent scrutiny of funeral directors."<sup>3</sup>
4. Part 4 of the 2016 Act sets out a range of provisions in relation to the inspection of various parts of the funeral industry, including funeral directors, crematoria and cremation authorities.<sup>4</sup> In its Policy Memorandum to the Bill, the Scottish Government said that it expected the introduction of inspectors would improve

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<sup>1</sup> Funeral directors are subject to a range of generally applicable laws, including health and safety and public health law.

<sup>2</sup> The background to the introduction of regulation is reflected in the reports of the Infant Cremation Commission and the Report of the National Cremation Investigation. The Commission was established in April 2013, and led by Rt Hon Lord Bonomy was charged with examining the policies, practice and legislation related to the cremation of infants in Scotland. The Commission published its report in June 2014, setting out 64 recommendations to improve the processes in place when cremating infants in Scotland. Recommendation 63 of the Commission's report was for the appointment of an Inspector of Funeral Directors and recommendation 64 referred to regulation of the funeral industry. The National Cremation Investigation published its report in June 2016 and set out 15 general conclusions and recommendations. Recommendation 3, 4 and 5 of the investigation relates to the overall regulation of the funeral industry: "The Scottish Government should exercise its powers under the Burial and Cremation (Scotland) Act 2016 to regulate the Funeral Directing profession."

<sup>3</sup> [Burial and Cremation \(Scotland\) Bill Policy Memorandum](#)

<sup>4</sup> In July 2017 the Scottish Government issued a consultation containing high level proposals on the content of Inspection regulations. Once finalised, the Regulations will set out the powers and duties of inspectors in relation to funeral directors, burial and cremation authorities. Work has begun on a Business and Regulatory Impact Assessment for the regulations.

standards where necessary, address bad practice and improve public confidence in the funeral industry as a whole. Part 5 of the 2016 Act makes specific provisions relating to funeral directors. An Inspector of Funeral Directors has been appointed under the 2016 Act and she is currently undertaking a review of the funeral profession in Scotland with a view to making recommendations to Scottish Ministers on how it should be regulated, including whether to introduce a licensing regime.<sup>5</sup>

5. Under the 2016 Act, funeral directors must comply with any code of practice issued by Scottish Ministers about the carrying out of a funeral director's functions.<sup>6</sup> A draft of the statutory Code of Practice for Funeral Directors will be issued for public consultation in the coming weeks. The guidance will set standards to underpin the inspection regime established under the 2016 Act.
6. Part 6 of the 2016 Act provides Scottish Ministers with a power to issue guidance about the costs associated with making arrangements for a funeral.<sup>7</sup> The Scottish Government is currently seeking views on draft statutory guidance on funeral costs.<sup>8</sup> The overall aim of the draft guidance is to support transparency in the provision of funerals to help consumers understand, compare and choose the services that are right for them. Amongst other matters, the draft guidance sets out steps that funeral directors can take to improve transparency and availability of funeral pricing information.<sup>9</sup> In its consultation document the Scottish Government states that if any initial findings from the CMA's work are available later this year, these will be used to inform further development of the guidance. The guidance will not be enforceable.

### ***Self-regulation***

7. There is no obligation for a funeral director to belong to any trade association in the UK. However, many funeral directors are members of one or more trade associations, voluntarily agreeing to abide by their codes of practice which set certain conduct and service requirements.
8. There are two main trade associations representing funeral directors: The National Association of Funeral Directors (NAFD) and the National Society of Allied and Independent Funeral Directors (SAIF). Both set standards of service

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<sup>5</sup> Section 94 of the Burial and Cremation (Scotland) Act 2016 gives Scottish Ministers the power to create a licensing scheme covering the operation of funeral directors' businesses. Section 95 of the Act allows Scottish Ministers to make regulations in respect of how a licensing scheme will operate.

<sup>6</sup> Section 97 of the 2016 Act.

<sup>7</sup> Section 98 of the Act 2016 Act.

<sup>8</sup> <https://www.gov.scot/Publications/2018/08/2257>

<sup>9</sup> The consultation is focussed on themes including: use of language and terminology; display of pricing; definition of a simple funeral and transparency of pricing at point of sale.

through their codes of practice, carry out inspections of their members' premises and provide practical guidance and access to training and qualifications. Based on the overall numbers of funeral directors and branches in the UK estimated in a funeral director's internal document, we estimate that between them, their membership represents just over 75% of funeral director branches.

9. NAFD and SAIF's codes of practice have several common requirements, although the specific criteria or detail under each may differ. These include requirements relating to: professional conduct; provision of training to staff; transparency of information (including ultimate ownership details; availability of price lists on premises and in the home); marketing of services; complaints and redress.
10. The codes of practice differ in certain respects. For example, SAIF's Code of Practice requires that members must explain their full range of services that are relevant to the client, including the availability of a simple funeral, before giving them a written estimate.<sup>10</sup> The NAFD dropped the requirement for a simple funeral to be offered by its members, from its Code of Practice in 2014.<sup>11</sup>
11. The NAFD and SAIF monitor compliance with the codes of practice and carry out inspections of their members' premises:
  - Compliance with the NAFD Code of Practice is monitored by Standards and Quality Managers, who also inspect member firms under the NAFD's Code of Professional Standards, which covers more operational considerations in running a funeral home.
  - SAIF's Quality Assurance Programme requires member firm's individual offices to be visited and inspected to check for compliance with SAIF's Code of Practice. SAIF's Code of Practice also sets out certain requirements in relation to premises, vehicles and equipment.
12. Both codes of practice require member firms to have a formal written complaints procedure in place. People who are dissatisfied with a response to a complaint from a member firm have access to independent conciliation and arbitration.
13. NAFD and SAIF may enforce a range of sanctions on members, including suspension of membership and expulsion.

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<sup>10</sup> Section 4.2 SAIF Code of Practice

<sup>11</sup> The NAFD says it removed this for a number of reasons, including "that families did not want or like the idea of their loved one having a simple (basic) funeral." See full explanation in the [NAFD's response](#) to CMA Funerals market study statement of scope.



14. Both associations require training to be provided to staff, and this is assessed as part of the NAFD and SAIF's inspection programmes. The NAFD advised us that it actively promotes and encourages best practice by offering training benchmarked to national qualification standards.<sup>12</sup> SAIF pursues education and support through The Independent Funeral Directors College.<sup>13</sup>

### ***Previous investigations***

15. In 1976, widespread concern at the cost of funerals led the Secretary of State for Prices and Consumer Protection to ask the Price Commission to report on funeral charges and associated charges (including the price of coffins, burials and cremations). The Price Commission recommended that funeral directors should give clients a clear written estimate, and that a basic simple funeral should be made available and its price displayed in a prominent position on the premises. The Secretary of State asked the Director General of Fair Trading to negotiate a code of practice with the NAFD to cover these points.<sup>14</sup>
16. The Office of Fair Trading (OFT) published reports into the at-need funerals market in 1989 and 2001.<sup>15</sup> Recommendations from both reports focused primarily on increasing transparency (of price and ownership information) and the provision of information (by the industry and third parties) to help inform choice. Both reports focussed on industry self-regulation,<sup>16</sup> transparency of information and the role of the simple funeral, amongst other matters.
17. In 1989, the OFT concluded that people needed more information about the price of funerals. The report said that "there are few markets where price information is so hard to come by. The NAFD's code requires clients to be given a price list and a written estimate. Even if these requirements were complied with (and the evidence of our survey is that by and large they are not) the information probably comes too late. Very few people shop around (only 3 per cent of our survey) and, once they approach a funeral director the funeral is effectively sold."
18. The OFT recommended that funeral directors should allow all those who come into immediate contact with the recently bereaved – such as doctors, hospitals and registrars, to hold a supply of their price lists. The OFT also recommended

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<sup>12</sup> Diploma in Funeral Arranging and Administration and Diploma in Funeral Directing, endorsed by Birmingham City University.

<sup>13</sup> Units of the IFD training include Foundation Funeral Practitioner, Funeral Operative and Funeral Administrator leading to an NVQ Level 3 Certificate in Funeral Practice from ONE awards.

<sup>14</sup> As reported in the OFT's Funerals report, 1989.

<sup>15</sup> Funerals published in 1989, and [A report of the OFT inquiry into the funerals industry 2001 \(OFT346\)](#)

<sup>16</sup> The 1989 report focussed on the NAFD Code of Practice; by the time of the 2001 report there were three main trade associations all of whom required their members to comply with a code of practice: The NAFD, SAIF and the Funeral Standards Council.

that funeral directors should make their price lists available to those with no immediate need of their services, if they did not already do so. Additionally, that they should prominently display a price list and that the NAFD should amend its code of practice to make this a requirement for its members. The OFT also said that funeral directors should consider including some price information (for example the cost of the basic simple funeral) in their advertisements in Yellow Pages, local newspapers etc.

19. In 2001, the OFT noted that “what tends to be lacking is information on the practical aspects of arranging a funeral such as choosing a funeral director, the range of options available and what to do if you are unhappy with the level of service. There is also a need to ensure that the information provided is understandable, accessible and provided when needed. The industry produces a wide variety of literature, which is good, but it often fails to inform customers about prices and the ownership of the business they are dealing with, which is bad. Failure to provide adequate information on these matters means that people have to make decisions without seeing the full picture.” The OFT also noted that compliance with industry codes of practice was patchy.
20. The OFT said that people arranging a funeral “often have little experience of arranging a funeral and show a reluctance to shop around or seek out information. This acts as a dampener on competition making it all the more important for there to be measures in place which provide the consumer with adequate protection and encourage long term changes to increase the overall competitiveness of the market.”
21. In 2001, the OFT said that recommending new legislation was seen as a disproportionate solution. Instead, the OFT suggested that consumer safeguards could best be achieved by building on the OFT’s initiative for encouraging trade associations to develop robust industry codes of practice. The principal recommendations of the 2001 report were:
  - a. Price lists should be prominently displayed and made available for people to take away. This includes making them available during home visits. The price of each coffin should be given in the brochure produced by the funeral firm.
  - b. Written estimates and invoices should be provided for all transactions, with the principal services provided, including those provided by third parties, clearly itemised on both the estimate and the invoice, using descriptions that the public will understand. this should apply even where the funeral supplied is part of a package.

- c. Written estimates should be given out during the initial interview when the services available are discussed. Consumers should then be asked to confirm if they wish to proceed with the funeral arrangements.
- d. Every funeral outlet should publicise, in a prominent place, details of the organisation which has ultimate control of the business, preferably on the outside of the premises and on all promotional material relating to that business including that published in local directories. This requirement should be incorporated into the funeral industry codes of practice.
- e. Local authorities should strive to ensure that, when it comes to removals of bodies on behalf of the coroner, the contracted funeral business does not seek to influence the individual's choice of funeral director. The funeral business should be contractually obliged to provide information in a written form which sets out the consumers' right to choose another funeral business to carry out the funeral. This information should be produced or, at the very least, be overseen by the local authority, which should also take steps to monitor compliance. Similar mechanisms should be put in place by hospitals and nursing homes where contracts are also employed.
- f. The trade associations should seek to obtain OFT approval for their codes under the OFT's new approach to codes of practice. Compliance monitoring and complaints systems need particular attention.
- g. Funeral businesses that offer credit should take steps to find out whether they are required to obtain a consumer credit licence and comply with the Consumer Credit Act 1974 and the various Consumer Credit Regulations.
- h. The literature produced by local authorities and NHS trusts, as well as that produced by cemeteries and crematoria, should be made more widely available in places where those arranging funerals are likely to visit, particularly the Registrar's Office, and in institutions where deaths are likely to occur.

## **Crematoria**

### ***Provision of crematoria by local authorities***

22. Crematoria services are provided by local authorities and private providers. Local authorities are not obliged to provide crematoria services. The basis on which local authorities are permitted to charge for discretionary services varies across the UK.



23. In England and Wales, the provision of crematoria services by local authorities is discretionary, as set out in the Local Government Act 1972.<sup>17</sup> Powers contained in the Local Government Act 2003 (and duplicated in the Localism Act 2011 for England only) allow local authorities to charge for discretionary services on a cost recovery basis.<sup>18 19</sup> Local authorities can profit from services if they set up trading companies.<sup>20</sup> The 1972 Act requires local authorities to make a table of fees<sup>21</sup> available for inspection by the public at all reasonable times.<sup>22</sup> Many local authorities discharge this obligation via their websites.<sup>23</sup>
24. Provision of crematoria by local authorities is discretionary in Scotland, as set out in the Burial and Cremation (Scotland) Act 2016.<sup>24</sup> Under Part 2 of the Act, a cremation authority may charge such fees as the authority thinks fit in respect of cremations and cremation services. It must publish its fees in paper form and on the website of the cremation authority.<sup>25</sup> (Note that, at the time of publishing this report, these provisions of the 2016 Act are not yet in force).
25. Provision of crematoria by local authorities is discretionary in Northern Ireland, as set out in the Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1985.<sup>26</sup> The Local Government Act (Northern Ireland) 2014 enables local authorities to charge for services on a cost recovery basis.<sup>27</sup>
26. We note in relation to the operation of crematoria in Northern Ireland, that Belfast City Council is the only designated 'Cremation Authority' which can operate crematoria in Northern Ireland,<sup>28</sup> and that although legislation has been passed which would enable district councils to operate a crematorium in their local area,<sup>29</sup> we understand none has as yet done so.

### ***Laws on cremation***

27. Laws on cremation are predominantly set out within the Cremation Act 1902 (1902 Act), the Cremation Act 1952, the Cremation (England and Wales) Regulations 2008 and the Cremation (Scotland) Regulations 1935.

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<sup>17</sup> Section 214 and Schedule 26 Local Government Act 1972.

<sup>18</sup> Section 93 of the Local Government Act 2003; section 3 of the Localism Act 2011.

<sup>19</sup> See also guidance issued on charging for discretionary services in [England](#) and [Wales](#).

<sup>20</sup> Section 95 of the Local Government Act 2003; section 4 of the Localism Act 2011.

<sup>21</sup> As required by section 9 of the cremation Act 1902.

<sup>22</sup> Article 24, Schedule 26 Local Government Act 1972.

<sup>23</sup> See [Local Government Association in its response to the CMA statement of scope](#)

<sup>24</sup> Section 46 Burial and Cremation (Scotland) Act 2016.

<sup>25</sup> Section 63 Burial and Cremation (Scotland) Act 2016.

<sup>26</sup> Section 17 of the Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1985

<sup>27</sup> Section 81 Local Government Act (Northern Ireland) 2014

<sup>28</sup> By virtue of The Cremation (Belfast) Regulations (Northern Ireland), 1961 (SR&O (N.I.) 1961 No. 61)

<sup>29</sup> Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1985 (1985 No. 1208 (N.I. 15))



28. The Burial and Cremation (Scotland) Act 2016 provides for the repeal of all existing legislation relating to cremation in Scotland. It allows Scottish Ministers to make regulations which make provision about the management and operation of crematoria; the maintenance of crematoriums; the operation of any equipment; and persons employed by cremation authorities (including in relation to training, qualifications and membership of professional bodies). It is anticipated that such regulations will be laid before the Scottish Parliament in the coming months. An inspector of crematoria was appointed in Scotland in 2015.
29. The Cremation (England and Wales) Regulations 2008 (2008 Regulations) came into effect on 1 January 2009. The 2008 Regulations set out the requirements for the maintenance and inspection of crematoria. The Regulations also contain provisions relating to: medical referees' functions; the conditions under which cremations may take place and the documentation that must be provided before a cremation may be authorised; the incineration of body parts; the disposition or interment of ashes; the registration of cremations carried out and the preservation of documents relating to the cremation. The Cremation (England and Wales) (Amendment) Regulations 2017 introduced new forms for use in applying for a cremation.

### ***Construction of crematoria***

30. Amongst other matters, the 1902 Act contains restrictions on where a cremation may be constructed. Section 5 of the Act states that "No crematorium shall be constructed nearer to any dwelling-house than two hundred yards, except with the consent, in writing of the owner, lessee and occupier of such house, nor within fifty yards of any public highway, nor in the consecrated part of the burial ground of any burial authority." The London County Council (General Powers) Act 1935, s. 64 reduced this limit to 100 yards in the case of crematoria built by borough councils.
31. In Scotland, the Policy Memorandum to the 2016 Act notes that the Scottish Government was unconvinced that a minimum distance (i.e. as set out in section 5 of the 1902 Act) was necessary, because its purpose was not clear from the 1902 Act, and to the extent that this was linked to concerns relating to emissions, this had been addressed through Scottish Environment Protection Agency emission regulations. As such the 2016 Act contains no minimum distance, with the Scottish Government noting that it would rely on the planning system to consider development applications for crematoria in the general context of a given location, taking into account the development plan and all 'relevant material considerations,' such that land is used efficiently and new sites are not prevented unnecessarily.

32. All new crematoria are subject to local planning rules and require planning approval. Crematoria providers are required to support their planning applications with evidence of a local 'need' for new crematorium provision. This is particularly important when developing crematoria in Green Belt areas where it is necessary to prove that any harm from building on the Green Belt is outweighed by other considerations, as set out in the National Planning Policy Framework.<sup>30</sup>
33. The meaning of what constitutes a local 'need' for a crematorium has been shaped by a number of planning decisions and appeals. Past appeal decisions have defined the level of quantitative and qualitative need required to justify a new crematorium on open countryside.<sup>31</sup>
- Quantitative need refers to the number of people who will be closer to a new crematorium than any other crematorium. Recent appeal decisions have defined an area to have a quantitative need where a new crematorium will be the closest crematorium for between 136,000 and 171,000 people.
  - Qualitative need typically refers to the number of people who currently live further than 30 minutes from their closest crematorium but will live within a 30-minute drive of the new crematorium. Recent planning decisions have defined an area to have a qualitative need where between 59,000 and 95,000 people will benefit from the reduced travel time. More generally planning inspectors have found that a drive of longer than 30 minutes (at cortege speed) is unacceptable. Providers may also make a qualitative need case by submitting arguments in relation to factors such as waiting times, chapel capacity and crematoria design and facilities.
34. Guidance issued by the Department of the Environment in 1978 is referenced in some planning appeal decisions.<sup>32</sup> This guidance explains that sufficient land is required to provide an appropriate setting for the crematorium, internal access roads, parking space, and space for the disposal of ashes.
35. The Federation of Burial and Cremation Authorities (FBCA) represents 85% of all cremation authorities in the UK. It has issued guidelines as to how crematoria should be sited and designed.<sup>33</sup>

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<sup>30</sup> [National Planning Policy Framework \(July 2018\)](#)

<sup>31</sup> The numbers that follow are cited in a recent needs analysis as the level of quantitative and qualitative need used in a number of previous planning appeal decisions. For further details see page 5 of the [Bassetlaw Crematorium Needs Assessment](#) submitted to Bassetlaw District Council in support of a new crematorium.

<sup>32</sup> The Siting and Planning of Crematoria, LG1/232/36, Department for the Environment.

<sup>33</sup> Federation of Burial and Cremation Authorities, "A Guide to Cremation and Crematoria."

## ***Environmental rules***

36. A permit is required to cremate human remains, as set out under the statutory Local Air Pollution Prevention and Control (LAPPC) regime in England and Wales, Scotland and Northern Ireland.<sup>34</sup> Permits are issued by the relevant regulator: that is, local authorities in England and Wales; the Scottish Environment Protection Agency; and district councils or the Northern Ireland Environment Agency in Northern Ireland.
37. Environmental rules exist to control air emissions from crematoria and DEFRA has published Statutory Guidance for Crematoria, which applies to the whole of the UK.<sup>35</sup> The guidance is aimed at providing a framework for consistent and transparent regulation of installations regulated under the LAPPC regime.
38. The Environmental Protection Act 1990 required crematoria to improve their emissions performance, which in some instances required cremators to be replaced and crematorium chimneys to be increased in height. All crematoria had to make these changes by 1997.
39. Mercury abatement equipment was required to be fitted to crematoria to ensure that, by the end of 2012, 50% of all cremations were carried out subject to abatement. All new crematoria since 2006 have had to fit mercury abatement equipment while existing crematoria can fit mercury abatement equipment or 'burden share'<sup>36</sup> or choose a combination of both approaches.

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<sup>34</sup>That is: The Environmental Permitting (England and Wales) Regulations 2016; The Pollution Prevention and Control (Scotland) Regulations 2000; and The Pollution Prevention and Control Regulations (Northern Ireland) 2003. "Cremation of human remains" is defined as a relevant "activity" in Schedule 1, Part 2, Section 5.1 of each set of Regulations.

<sup>35</sup> Secretary of State's [Process Guidance Note 5/2\(12\) Statutory Guidance for Crematoria](#) issued in support of the Environmental Protection Act 1990.

<sup>36</sup> Provide a contribution to those crematoria that have had abatement equipment fitted. [CAMEO](#) is a scheme under which crematorium providers who could install abatement plant do so, and the cost is shared with those crematorium providers who could not install such abatement equipment.



## Appendix B

### Barriers to good decision-making

1. The process of choosing a funeral has been described by a funeral director as: “the ultimate distress purchase” “made infrequently by inexperienced, emotionally vulnerable clients under time pressure... clients don’t know what to expect, spend little time thinking about the provider and feel under pressure to sort things quickly”.
2. We consider below the key factors that impact on people’s ability to make informed choices in this market:
  - Time pressure
  - Customer vulnerability/Emotional distress
  - Difficulties in ‘shopping around’

#### *Time pressure*

3. After a death, the next of kin must register the death within five days. A funeral director cannot legally begin the process of arranging a cremation or burial until the death has been registered. The next of kin will also need to obtain a ‘green form’ from a registrar without which a burial or cremation cannot take place. Often, they will though have already contacted a funeral director ahead of the registration of death.
4. In the case of death in a hospice or nursing home, it may often be necessary to make the arrangements for the body to be collected quickly. Regardless of the place of death, both the CMA consumer survey and consumer research found that consumers were keen to put the funeral arrangements into the hands of a funeral director relatively promptly to discharge the immediate necessities (including removing the body from the place of death and storing the body until the funeral).
5. In addition, some people, for faith, cultural or personal reasons, may want to hold the funeral relatively soon after death.
6. The need and desire to make the arrangements quickly may mean that consumers are not making a sufficiently well-informed choice about the funeral director they choose to carry out the funeral. It may also reinforce their inclination to employ short-cuts, such as relying on their previous experience of funeral directors or recommendations from friends and/or family.



7. The 'normal' consumer approach to making a purchase, which may involve a degree of research and active 'shopping around', is often disrupted when it comes to purchasing an 'at need' funeral. Family pressures, grief and indecision can all add to the stress of organising a funeral. A YouGov poll found that almost a third (29%) of those who've done it saying they had to juggle competing demands from other members of the family and 39% saying it was very difficult to organise such an important event while grieving. Over a fifth (22%) said they didn't feel in control of the process and over a quarter (26%) said they didn't find it easy to make decisions about the funeral.<sup>1</sup>
8. People are emotionally ill-equipped to make choices and decisions at the point when the services of a funeral director are needed.<sup>2</sup> A large group in the CMA's consumer research reported emotional distress as one of the factors for not shopping around. When probed around reasons for not considering different funeral directors, many explained that they had been struggling to handle their grief and deal with practical arrangements at the same time. Reflecting on this experience, respondents felt that considering different funeral directors and shopping around would have made their task even more complicated, which they did not want at the time.
9. The Good Funeral Guide in its response to the CMA statement of scope said: "bereaved people are frequently at a complete loss and grateful for guidance – this puts them in the position of being a vulnerable consumer".<sup>3</sup> Consequently, people typically want to delegate the responsibility for the funeral arrangements to a funeral director as soon as they can.
10. A funeral director provides what might be described as a 'distress service'. Funeral directors told us that their role was to help people negotiate a difficult and emotional situation, and this part of their service was highly valued by their customers. Further, respondents to the CMA consumer research felt that they lacked the necessary skills to arrange the funeral themselves.<sup>4</sup> Funeral directors are trusted to take on the arrangements for the funeral, to guide their customers through the process and ensure that the delivery of the funeral on the day goes smoothly.
11. There may also be 'social pressure' on the person(s) arranging the funeral, either from family or the wider community, to provide the deceased with a send-off that is appropriate and fitting for that individual. An important

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<sup>1</sup> See [Planning a funeral is a daunting task](#).

<sup>2</sup> NAFD response to CMA statement of scope, page 1.

<sup>3</sup> The Good Funeral Guide response to CMA statement of scope, paragraph f), page 4.

<sup>4</sup> CMA consumer research, paragraph 4.4.3.

consideration was not to upset the family. This can be difficult to achieve, particularly if there is disagreement or absence of consensus about the sort of funeral that would be appropriate.

12. Funeral directors told us that they frequently see disagreements within families as to what should be spent on a funeral. Funeral directors explained to us that part of their role was to resolve differences of opinion about the arrangements. This may further explain why consumers are happy to defer to the funeral director, as a neutral third-party to the family, over the arrangements.
13. Some respondents in the CMA consumer research felt strongly that it was not respectful to the deceased to 'shop around', particularly on the basis of price, when making arrangements. Others were aware of cultural sensitivities surrounding funerals where 'shopping around' to save money may be perceived in negative terms (such as putting a 'price-tag' on the deceased).<sup>5</sup>
14. Given such circumstances, there is significant potential for people to make poorly informed purchasing decisions. There is also the potential for people in such vulnerable circumstances to be sold additional and unwanted services or products (upselling). Citizens Advice Scotland, for instance, told us that: "In carrying out our research for 'Funeral Poverty in Scotland' consumers raised the issue of upselling of coffins by funeral directors. A number of people we spoke to suggested that consumers were being led to mid-range coffins as a starting point".<sup>6</sup>

#### *Difficulties in shopping around*

15. The evidence and views we have received to date strongly indicate that most people do not 'shop-around' for funeral directors. As one party commented: "Not only are people unaware of prices and unwilling, unable or too exhausted to shop around - believing all undertakers to be 'much of a muchness', they are generally completely unaware of the choices and potential, alternative options available".<sup>7</sup> Another party similarly commented: "Bereaved people often feel out of their depth when choosing a funeral, they simply don't have enough experience to know about the options available, so they will just opt for the first service that is offered".<sup>8</sup> We were also told by a consumer representative body that some customers are not aware that lower cost

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<sup>5</sup> CMA consumer research, paragraph 4.3.6

<sup>6</sup> Citizens Advice Scotland response to CMA statement of scope, page 2.

<sup>7</sup> The Natural Death Centre response to CMA statement of scope, page 1.

<sup>8</sup> Citizens Advice Chelsea and Kensington response to CMA statement of scope, page 2.

options are available and can find it embarrassing to talk about money difficulties with a funeral director.<sup>9</sup>

16. The CMA consumer survey found that (without prompting) only 4% of respondents with a choice of funeral director said they had gone online to find out about the funeral director they used.<sup>10</sup> No consumer interviewed in either the CMA consumer research or the CMA consumer survey had used a comparison website. Even when consumers did wish to carry out some research and price information was available (we have found there is limited visibility of pricing, particularly online) the specific components of the funeral package were not always easily comparable with other funeral directors' offerings.
17. The CMA consumer research found that most people did not compare funeral directors unless the initial quote was very expensive.<sup>11</sup> In circumstances where consumers did wish to compare prices and service quality this could be challenging. The CMA's consumer research found that, for the small segment of the sample that had considered different funeral directors to help them decide who to use, they had found it difficult to compare prices online, because of:
  - a perception of limited information provided on funeral director websites
  - the way the pricing information was presented (it was typically shown as 'prices from £x')
  - a belief that prices on the website did not cover everything, principally because they were not itemised.<sup>12</sup>
18. It may also be difficult for consumers to compare funeral directors against certain aspects of quality. Co-op said in its response to the CMA's statement of scope that: "Standards of care for the deceased are very important, but differences in these standards may not be clear to the customer even after the funeral has taken place"<sup>13</sup> and that: "... transparency is not always achieved across the industry. This makes it difficult for consumers to compare packages across funeral directors and to understand if they're getting value for money and receiving the quality of service that they expect".<sup>14</sup> Dignity suggested that "consumers do not currently have a clear understanding of the

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<sup>9</sup> Quaker Social Action response to CMA statement of scope, page 4.

<sup>10</sup> CMA consumer survey, Tables 17/18. With prompting, 19% said they had searched online for at least some information about the funeral director (Tables 41/42).

<sup>11</sup> CMA consumer research, paragraph 4.4.15.

<sup>12</sup> CMA consumer research, paragraph 1.4.12.

<sup>13</sup> Co-operative Group response to CMA statement of scope, paragraphs 2.14.

<sup>14</sup> Co-operative Group response to CMA statement of scope, paragraphs 2.16.



differences in quality and standards between funeral directors and tend to assume that quality is consistent...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.”<sup>15</sup>

19. Other respondents, including some consumer organisations, suggested that it is difficult to compare quality.<sup>16</sup> Fairer Finance said that “even if customers are able to compare on price, it is almost impossible to compare on quality...customers do not have any way of comparing what good looks like – especially if this is the first funeral they have arranged.”
20. In summary, a lack of transparency may limit the ability of customers to compare funeral director offerings in terms of price, quality and range of services.

#### *Other*

21. In addition to the above, we also identified the following issues that may limit the ability of consumers to shop-around. These are listed below:
  - **The deceased’s body is in the care of the funeral director** –The CMA consumer research found that, by the time respondents met with the funeral director to discuss the funeral arrangements, they were already committed to using them because they had the deceased’s body in their care. At this point, even if there were issues with the service being provided by the funeral director, finding an alternative funeral director was not something that respondents wanted to consider because of both the potential cost (paying for the body to be moved) and the risk of delaying the funeral.<sup>17</sup>
  - **A perception that funeral directors provide the same level of service** - Research commissioned by Dignity<sup>18</sup> found that consumers believed that funeral directors operate to consistent quality and professional standards, regardless of any variation in costs. That is, people assume that all funeral directors will be able to provide them with a good standard of service and this may consequently further dampen consumer incentives to shop around.

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<sup>15</sup> Dignity response to CMA statement of scope.

<sup>16</sup> See, for example: [Citizens Advice response to CMA statement of scope](#) and [Fairer Finance response to CMA statement of scope](#).

<sup>17</sup> CMA consumer research, page 37.

<sup>18</sup> Trajectory Limited, [Time to talk about quality and standards](#).



- **Misleading ownership information** - We received comments from individuals and organisations responding to the CMA statement of scope about funeral businesses carrying a brand that suggested it was a local, family-owned business when in fact they were part of a larger business that had acquired them. This may adversely impact on consumer choice, particularly if the prospective purchaser has a strong preference not to use the services of a funeral director (or vice versa).
- **Misleading or inaccurate information** - Kensington and Chelsea Citizens Advice Bureau commented in its response to the CMA statement of scope that: "Funeral directors are not always clear about the criteria for DWP Funeral Payments, and some are unwilling to assist their customers with an application, so it is often the case that the customer believes they will get a grant when in fact they are not eligible. This might lead them to commit to a bigger package than they can afford".<sup>19</sup>
- **Retaining the 'green form'** – The 'green form' is obtained from a Registrar following the death of an individual. Without the 'green form' the deceased cannot be buried or cremated. The funeral director will need to ensure that the person(s) arranging the funeral have obtained the 'green form' before they can make the arrangements. Our review of an anonymised database holding complaints provided to us during this market study found several instances where it was claimed that funeral directors who had the deceased's body in their care had retained the 'green form'.

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<sup>19</sup> [Citizens Advice Chelsea and Kensington response to CMA statement of scope](#), page 2.

## Appendix C: The role of entry in crematorium competition

1. This appendix outlines the evidence that we have gathered and some analysis in relation to:
  - a) Barriers to entry;
  - b) Past entry and future plans for entry; and,
  - c) How existing crematoria have responded to previous instances of entry.

### ***Barriers to entry***

2. Crematorium operators have told us that barriers to entry exist in terms of the sunk cost of planning and constructing a new crematorium, identifying suitable locations, and planning regulations.
3. Private providers have stated that the cost of constructing a new crematorium is around £5 million and have told us that the planning process and construction can take up to ten years. Less complicated developments can take two to three years to gain planning approval and complete construction, while the process can take a significant longer time when planning decisions are appealed. Crematorium operators also face regulatory barriers to entry. Section 5 of the 1902 Cremation Act (1902 Act) states that no crematorium can be constructed within 200 yards of a dwelling or within 50 yards of a public highway.<sup>1</sup> This reduces the potential areas in which a crematorium development will be permitted and rules out many urban areas, thus pushing many new crematoria into rural or Green Belt areas.<sup>2</sup>
4. Furthermore, private providers have stated that the cost of constructing a new crematorium has doubled over the last ten years, with the increasing cost of land, advances in technology and need for mercury abatement equipment driving up the cost of constructing new sites. We note that most new crematoria that recently entered appear to be the smallest scale possible, with a single chapel, and therefore consider that the entry cost estimates that have been given to us are likely to be at the lower end of the cost of entry.<sup>3</sup>

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<sup>1</sup> [The 1902 Act, section 5](#).

<sup>2</sup> We note that even if these restrictions did not apply, this would not be likely to significantly increase the types of area over which crematorium operators would consider building a crematorium as areas close to highways or housing may not provide the secluded and private settings that a crematorium requires.

<sup>3</sup> In particular, we found that nearly all new crematoria constructed since 2008 have been single chapel crematoria.

5. In addition to the 1902 Act, other elements of the planning process can act as a barrier to entry. Crematorium operators, when seeking planning permission, typically support their planning applications with evidence of a local 'need' for new crematorium provision. The meaning of what constitutes a local 'need' for a crematorium has been shaped by a number of planning decisions and appeals. Past appeal decisions have defined the level of "quantitative" need<sup>4</sup> and "qualitative" need<sup>5</sup> required to justify a new crematorium.<sup>6</sup> Proving a local 'need' is particularly important when developing crematoria in Green Belt areas as in this case it is necessary to prove that any harm from building on the Green Belt is outweighed by other considerations, such as a 'local need'.<sup>7</sup> However, even for developments not on the Green Belt, given the high risk of a planning application being appealed by local residents or objectors, and the political element of decision making by a council planning committee, crematoria developers often support their application with an analysis of need to make the best possible case for a new crematorium. Finally, we note that even if planning permission is granted, it may be granted with conditions that restrict the ability of crematoria to operate at certain hours, potentially reducing the number of cremations that it can conduct.
6. It is important to note that proving a need for a new crematorium is likely to be more difficult if the new crematorium is going to be located close to an existing crematorium. This is because an aspect of the qualitative need assessment is that a sufficient number of people will benefit from reduced drive times to the new crematorium (in particular, being within 30 minutes of the new crematorium where they were not before). If a new crematorium is located close to an existing one, it is unlikely that a large number of people will have shorter drive times to the new crematorium.
7. We also note that the 'need' test may lead to a race to be the first to enter, with crematorium operators attempting to enter before rivals in the knowledge that further entry that may challenge their position is relatively unlikely. For example, an internal document from a private provider notes that 'once a crematorium has been established, it becomes unlikely that a

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<sup>4</sup> The number of people who will be closer to the new crematorium compared to any other. Previous decisions have considered a quantitative need exists where there will be 136,000-171,000 people for whom the new crematorium will be closest.

<sup>5</sup> Typically, the number of people who will now have less than a 30-minute drive time to the crematorium, who used to have greater than a 30-minute drive time, although other factors such as waiting times have also been taken into account. Previous decisions have considered a qualitative need exists where there will be 59,000-95,000 people who will, for the first time, have a crematorium within a 30-minute drive.

<sup>6</sup> Letchworth Crematorium Need Assessment, 2015.

<sup>7</sup> [The National Planning Policy Framework](#) states that construction of new buildings in the Green Belt should be considered inappropriate with some exceptions (e.g. agricultural buildings). Crematoria are not included in the list of exceptions.



proposed competing crematorium in the catchment area would be able to demonstrate need and be built.<sup>8</sup>

8. We have considered the role played by planning regulations as a barrier to entry and the expected result of weakening or loosening these regulations. It is not clear that weakening or loosening these regulations will lead to more entry. First, the economics of crematorium operation can act as a barrier to entry and contribute to a small number of suppliers being present in each local area. This suggests that removing the needs requirement or loosening other planning regulations may not necessarily lead to more entry and/or stronger head to head competition in local areas. Furthermore, it takes several years to build a new crematorium from planning to completion, and as such any effect of relaxing planning restrictions would only occur with a significant time lag.<sup>9</sup>
9. The identification of suitable sites may also be difficult for reasons other than proving need and satisfying the 1902 Act. Private providers have told us that suitable sites should be those of sufficient size, with good road access, and should be secluded, peaceful and screened. Furthermore, we have heard that even if suitable sites can be identified, they may be attractive to a wider range of developers (such as those building houses or retail units) and can reach a higher value under these alternative uses, increasing the costs of entry for crematorium operators.

### ***Past entry and prospects for entry***

10. There is a gradually increasing demand for cremation in the UK. The ONS predicts the number of deaths will increase to 630,000 in 2026.<sup>10</sup> Whilst we have not seen forecasts for the proportion of deceased being cremated, we note that this has also been increasing over time. In this context, and despite the high barriers to entry, entry has occurred and there are plans for further entry. Between 1 January 2008 and the present day<sup>11</sup> 46 crematoria have opened in the UK.<sup>12</sup> Of the new crematoria that have opened since 2008, only 4 have been opened by local authorities (three of which were new crematoria replacing older ones), with the remaining crematoria opened by private providers. Private providers have stated that they have current plans to open eight new crematoria across the UK.<sup>13</sup> In addition, the CMA is also

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<sup>8</sup> [X].

<sup>9</sup> We note in particular that receiving planning approval may continue to take a long time given the high risk of developments being appealed on grounds other than need.

<sup>10</sup> [Table A1-1, Principal projection - UK summary](#).

<sup>11</sup> 31 July 2018

<sup>12</sup> Three of these crematoria were replacements for older crematoria that had closed.

<sup>13</sup> One of which opened during the drafting of this report.



aware of a small number of local authorities (four) across the UK that have new crematoria under development.

11. We have considered the extent to which new crematoria can be expected to continue to be constructed.
12. At a national level, the evidence we have received suggests that the prospects of new entry are somewhat limited. A private provider stated that were cremation fees to increase, this would make entry more viable in more locations. If fees do not increase, the potential for growth in the number of crematoria will be related to the death rate. Moreover, one private provider has stated that the 'project' of new crematoria entering to meet demand is 'now all but complete', and as such there is limited scope for new crematoria, and an investor report notes that the scope for new crematoria is limited, noting that "it is estimated that only a single crematorium will be built in the country each year."<sup>14</sup> Although there has been entry, the average number of cremations per crematorium is relatively stable, suggesting that overall the increasing number of crematoria are keeping up with the growth in demand. This is consistent with our findings that new entry tends to occur in areas where existing crematoria are busy and potentially operating above capacity, and is consistent with the current planning regime that requires a potential entrant to identify the 'need' for a new crematorium.
13. At a local level, we have considered the incentives of private providers in constructing new crematoria. Due to the presence of high fixed costs and the resulting economies of scale that crematoria conducting high volumes can benefit from, potential entrants will want to ensure that they choose to locate in an area where they are able to conduct a high volume of cremations at profitable prices (so as to cover their fixed costs). Without the prospect to grow the market, given the overall demand is fixed, entrants are therefore likely to choose to enter in areas where demand is poorly served by existing crematoria and existing crematoria are operating above break-even. These may be areas where existing crematoria are very busy (with consequent long waiting times), or where for many people there is a significant drive time to the nearest crematorium. This is consistent with what we have been told by a private provider who stated that when deciding where to enter, "the economics of it [entry]" was to look for the potential to attract large volumes from existing crematoria and the market price being attractive (i.e. high).
14. Furthermore, whilst potential entrants have an incentive to locate relatively close to population centres (given the strong preference of customers to use

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<sup>14</sup> [§].

a crematorium nearby), they may also have an incentive to locate relatively far from existing crematoria to reduce any element of head to head competition on price or quality.<sup>15</sup> This is consistent with the evidence we have received.

15. One private provider states in an internal document that “it is rare for any competitor... to build a second one nearby as the capital cost is prohibitive... and might not be recouped; but this can still happen in those few areas where the demographics... permit.”<sup>16</sup> The same provider also told us that in identifying sites it is often not viable to enter close to an existing crematorium, and the only circumstances under which they would do this is if the existing crematorium had very high volumes. Another private provider told us that the “basic demographics” of entry was to enter at the opposite side of a city thus “pulling away” cremations from the existing crematorium.<sup>17</sup>
16. As such, it not clear that entrants will provide a significantly increased competitive constraint on existing crematorium operators.

### ***Response to past instances of entry***

17. In this section we assess the responses to past instances of entry to understand whether such responses are indicative of strong or weak competition between crematoria. Crematorium operators have provided evidence as to how they respond to entry, and the impact that entry has on their volumes and the way that they set fees.
18. Crematorium operators have stated that, as customers choose crematoria primarily on the basis of location, when a new crematorium opens there is little they can do to compete against it for the customers for whom the new crematorium is closest. In particular, a private provider noted that “lowering our prices is probably not going to get those people back.”<sup>18</sup> This suggests that price competition between existing crematoria and new entrants is weak. A private provider noted that as it was in the process of opening new crematoria it would be able to make up the volume for losses where the existing private provider crematoria lost volumes due to new entry. Evidence from funeral directors as to the competitive response of an existing crematorium after entry is mixed and anecdotal. For example, a funeral director chain has noted that when a new crematorium opened at Beetham Hall in the south of the Lake District, offering long slots, and modern

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<sup>15</sup> As discussed above, some aspects of the “need” test may reinforce this incentive.

<sup>16</sup> [REDACTED]

<sup>17</sup> [REDACTED].

<sup>18</sup> [REDACTED].

technological facilities, nearby crematoria did not change their offering or appear to respond in any way.<sup>19</sup> However, another funeral director has noted the reverse, identifying some competition between an existing crematorium and a new entrant in Oxfordshire potentially leading to better facilities being offered at the existing crematorium.<sup>20</sup>

19. We have assessed how the volumes and fees charged by existing crematoria<sup>21</sup> change when a new entrant<sup>22</sup> opens a crematorium. We found that, on average, existing crematoria lose 5% of their volumes between the year before entry and the year after entry. This loss is reduced as time passes, with existing crematoria losing 3% of their volumes between the year before entry and five years after entry.<sup>23</sup> We found that, generally, the closer the entrant is to an existing crematorium, the greater the loss of volume at the existing crematorium. Figure 1, below, demonstrates this point.

**Figure 1: Loss of volume between year prior to entry and year after entry, at existing crematoria based on normal drive time to entrant**

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<sup>19</sup> [REDACTED].

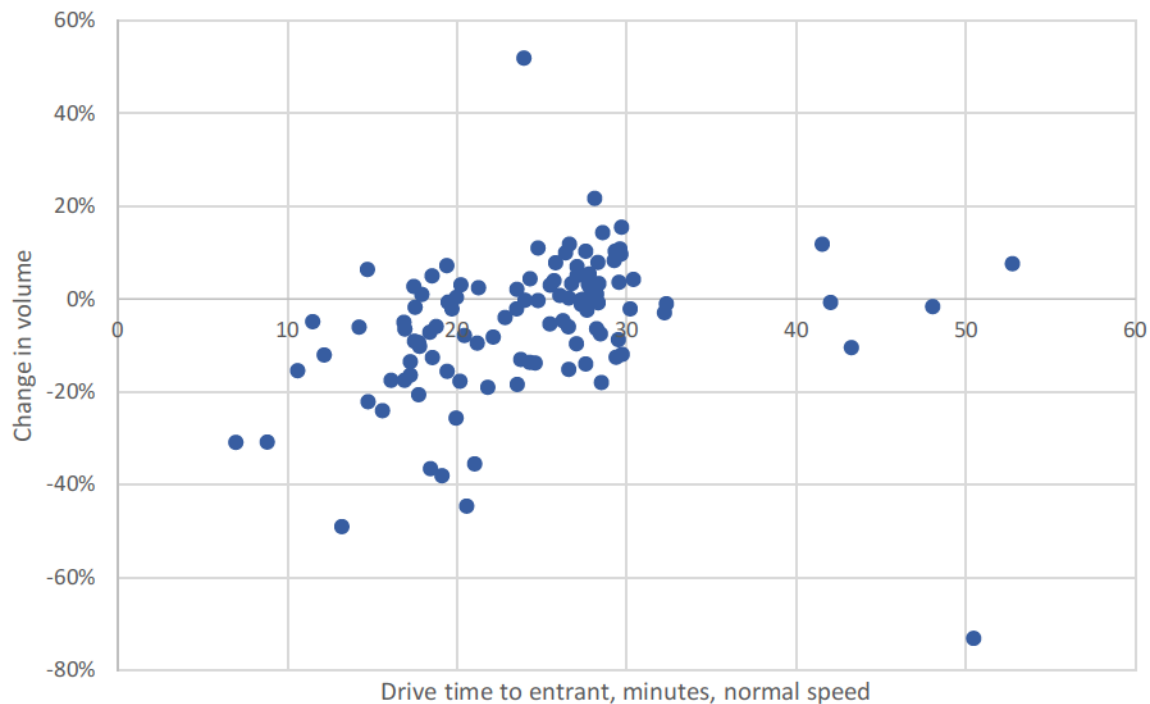
<sup>20</sup> [Individual Funeral Company response to the Statement of Scope](#). The respondent noted that when the new entrant opened, it offered a modern music system, and the ability to webcast the funeral. As a result, the incumbent crematorium responded by looking into offering these facilities

<sup>21</sup> For each example of entry identified, we considered incumbent crematoria to be all those crematoria within a 30-minute drive time (at normal speed) of the entrant, or, if there were fewer than two crematoria within 30 minutes the two closest crematoria to the entrant. We departed from an analysis at cortege speed to increase the number of existing crematoria for which we had observations.

<sup>22</sup> We looked at 29 instances of entry between 2009 and 2016. Our averages exclude one outlying existing crematorium that saw a large fall in volumes due to a fire and the subsequent closure of the site for some time.

<sup>23</sup> The five years includes the year of entry.



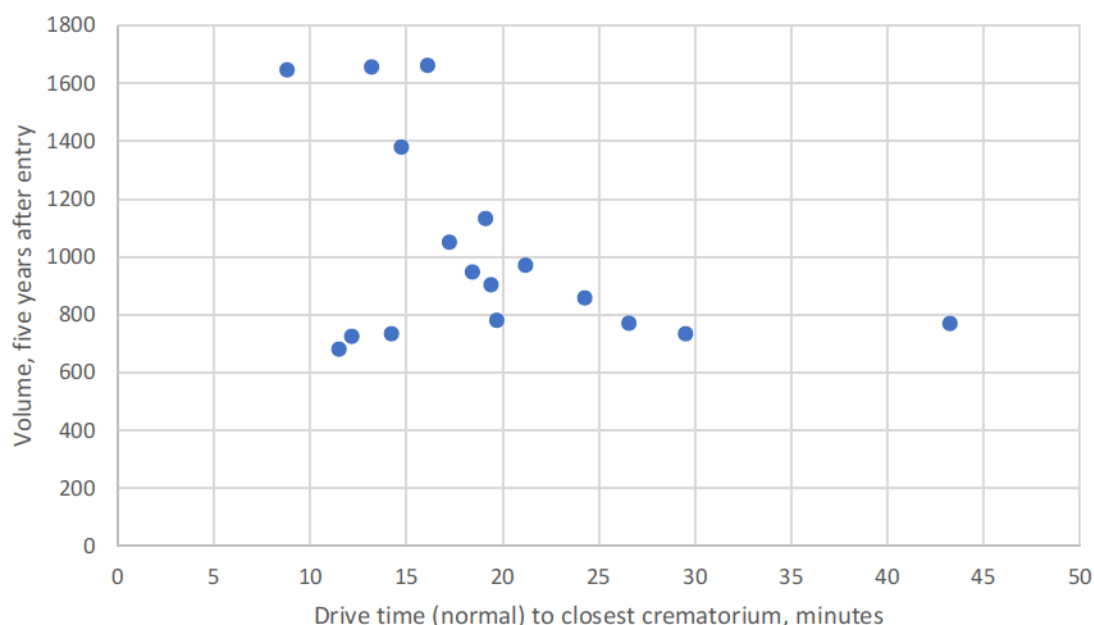


Source: CMA analysis of Cremation Society data. We note the significant outlier at 50-minute drive time. The fall in volume at this crematorium was likely due to a fire at this crematorium which led to the crematorium being closed for a significant period of time and not due to a new entrant. In this analysis we departed from using cortege drive times to increase the number of observations.

20. We have considered whether the large losses that certain existing crematoria incur after entry suggests that entrants should attempt to enter close to an existing crematorium (absent any needs test) to benefit from relatively large volumes. Evidence from entrants suggests that they have an incentive to avoid head-to-head competition on price and quality by locating relatively far from other crematoria (an incentive reinforced by the planning regime). However, we have found that in some instances entrants closer to an existing crematorium have higher volumes after five years<sup>24</sup> compared to those where the closest crematorium is further away, as demonstrated in Figure 2. This suggests that crematorium operators, absent a needs test, would need to weigh the costs of more intense competition on quality and price against the potential of gaining higher volumes by locating close to existing crematoria. We note that different strategies may be possible, for example crematoria may choose to enter in areas with a high level of demand and a very busy existing crematorium, in which large volumes can be gained in a short time period, or alternatively may choose to enter further away from existing crematoria and gain volume by serving a more captive area.

<sup>24</sup> We have heard that it can take up to five years for a new crematorium to build up their volumes and reach maturity.

**Figure 2: Volumes at new crematoria in their fifth year of operation**



Source: CMA analysis of Cremation Society data. In this analysis we departed from using cortege drive times to increase the number of observations.

21. We found that at the time of entry entrants tend to be more expensive than existing crematoria who are within 30 minutes of the entrant.<sup>25</sup> This suggests that new entrants do not provide a competitive constraint in terms of pricing, and, as such, even if regulatory entry barriers were removed or reduced it is unlikely that cremation fees would fall. Nearly 60% of existing crematoria price lower than the entrant. In particular, the closest existing crematorium to the new entrant is cheaper than the entrant in just over half of cases. Although existing crematoria tend to lose volumes following entry, existing crematoria do not respond by cutting prices. In particular, the two existing crematoria that are within 10 minutes of an entrant did not cut their prices, suggesting that to the extent that price competition exists between nearby crematoria it is weak. We also compared the average fee changes at existing crematoria that faced entry and the average fee changes among all crematoria. We found that crematoria that had experienced entry increased their fees by an average of 13% between the year prior to entry and the year after entry. The average fee change for all crematoria is 13%.<sup>26</sup> This

<sup>25</sup> We compared fees of entrants and existing crematoria (all those within 30 minutes of an entrant or, where there are less than two existing crematoria within 30 minutes, we examined the two closest existing crematoria). We looked at all instances of new entry between 2009 and 2016, noting that for some entrants and existing crematoria we did not have fee data for the year of entry.

<sup>26</sup> The average fee increase for incumbents is based on the fee of the year prior to entry and the year after entry. That is, if entry occurs in 2010, the percentage increase is the difference between 2009 and 2011. We have looked at instances of entry between 2009 and 2016, calculated the percentage fee increase of all incumbents and averaged to reach a 13% fee increase. When looking at fee increases for all crematoria we have calculated a rolling average fee increase over all the years we have considered. That is, we have calculated the fee increase

evidence suggests that existing crematoria are not changing their pricing strategy in response to entry. We have been told that if anything, existing crematoria may respond to entry by increasing prices, to cover the lost volumes that they may experience as a result of entry.

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between 2008-2010, 2009-2011, and so on to the fee increase for 2015-2017, for each crematorium, and then averaged all of these increases to reach 13%.



# Appendix D: Analysis of funeral directors' revenues

## Introduction

1. We have considered evidence on levels of, and trends in, the average revenue per funeral (excluding disbursements) and the average disbursements for at-need funerals (and various breakdowns). Our analysis was based on data provided by Co-op and Dignity, for the period 2013-2017.
2. The aim of this analysis was to understand:
  - i. the relative importance of funeral directors' charges and disbursements to the overall price customers pay to arrange a funeral;
  - ii. the extent to which funeral directors' charges and disbursements respectively have driven the increase in the overall funeral price paid by customers over the past years.
3. Finally, we have looked at the variation in average revenue per funeral between areas, based on branch level data.

## Average revenue per funeral: levels and trends

4. We set out below our analysis of volumes and average revenue per funeral over the period 2013-2017, broken down by type of funeral (burial and cremation; standard and simple).
5. In 2017, the proportion of at-need funeral volumes accounted for by standard funerals was [X]% (Co-op) and [X]% (Dignity). The proportion that were simple funerals was [X]% (Co-op) and [X]% (Dignity).<sup>1</sup> The average revenue per standard funeral (excluding disbursements) was £[X] (Co-op) and £[X] (Dignity). For simple funerals it was £[X] (Co-op) and £[X] (Dignity). The proportion of funerals that were cremations in 2017 was [X]% (Co-op) and [X]% (Dignity). For Co-op, this proportion was [X]. [X] for Dignity, this proportion was [X].
6. Over the period 2013-2017, the proportion of Co-op funerals that were cremations [X], while the proportion of Dignity funerals that were cremations [X]. The proportion of simple funerals [X] for Co-op [X] and [X] for Dignity [X].

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<sup>1</sup> [X].

7. For each of Co-op and Dignity we calculated the annual increase in average revenue per funeral (excluding disbursements) for each year over the period 2013-2017. We also did this separately for standard and simple funerals. The annual increases and the CAGR over the period are shown below. For comparison, we also report CPI.

### Dignity, increase in annual revenue

	% increase on previous year				CAGR
	2014	2015	2016	2017	2013-2017
Standard at need	[X]	[X]	[X]	[X]	[X]
Simple at need	[X]	[X]	[X]	[X]	[X]
Standard and simple at need	[X]	[X]	[X]	[X]	[X]
CPI	[X]	[X]	[X]	[X]	[X]

### Co-op, increase in annual revenue

	% increase on previous year				CAGR
	2014	2015	2016	2017	2013-2017
Standard at need	[X]	[X]	[X]	[X]	[X]
Simple at need	[X]	[X]	[X]	[X]	[X]
Standard and simple at need	[X]	[X]	[X]	[X]	[X]
CPI	[X]	[X]	[X]	[X]	[X]

8. The average revenue per funeral (excluding disbursements) [X] (Co-op) and [X] (Dignity) over the period 2013-2017. For Co-op, [X]. For Dignity, [X]. This compared to CPI which increased year-on-year by [X] on average.
9. The average revenue per funeral (excluding disbursements) increased year-on-year [X] for Co-op, [X]. It increased year-on-year [X] for Dignity, [X]. [X]:
- [X].
  - [X].<sup>2</sup>
10. The graph below illustrates the change in Co-op's average revenue per funeral between 2013 and 2017. The graph illustrates the changes in average revenue per funeral for both simple and standard funerals split out between cremation and burial funerals.

### Co-op average revenue per funeral 2013-2017

[X]

Source: CMA analysis [ ]

<sup>2</sup> [X].

11. The graph below illustrates the change in Dignity's average revenue per funeral between 2013 and 2017. It shows the changes in average revenue per funeral for both simple and standard funerals split out between cremation and burial funerals.

#### **Dignity average revenue per funeral 2013-2017**

[X]

Source: CMA analysis [ ]

### **Average disbursements: levels and trends**

12. We collected information on average disbursements from Co-op and Dignity over the period 2013-2017. In 2017, average disbursements per funeral were [X] (Co-op) and [X] (Dignity). Co-op disbursements display [X]. [X], Dignity disbursements display [X]. For Co-op, average disbursements were [X]. [X], for Dignity, average disbursements were [X].
13. The major component of these disbursement costs were the cremation fees and burial fees for cremations and burials respectively. Based on information received from Co-op, in 2017 the average burial fee was £[X] and the average cremation fee was £[X]. The minister's fee was another significant disbursement for both cremations and burials. Other significant disbursement items were: the church fee for burials and the doctor's fee for cremations.
14. For Co-op and for Dignity, average disbursements per funeral increased at an average rate of [X] and [X] per year over the 5-year period. For Co-op, this was [X]. For Dignity, this was [X].
15. Disbursements on burials increased year-on-year at an average rate of [X]% (Co-op) and [X]% (Dignity), while disbursements on cremations increased at an average rate of [X]% (Co-op) and [X]% (Dignity).

### **Average revenue per funeral between branches**

16. We analysed branch level revenue and volume data provided by Co-op and Dignity to determine what differences in average revenue per funeral exist between branches of the same operator. This is illustrated by the operator's interquartile range in average revenue per funeral, which measures the revenue difference between the branch with the lowest average revenue out of the most expensive 25% of branches, and the branch with the highest average revenue out of the least expensive 25% of branches. The interquartile range for Coop is £[X], while Dignity's branches have [X].



17. [REDACTED].

18. [REDACTED].

19. We investigated a number of factors that may be associated with different average revenue per funeral between branches. These included the type of area<sup>3</sup> (i.e. urban, rural, outer London and inner London) and the nation where the branch was located. We also considered the average income of the local area (using ONS data to categorise branches by the income decile of the population in their local area).<sup>4</sup> The results of this analysis were as follows:

- i. The average revenue per funeral for Co-op was [REDACTED].
- ii. The average revenue per funeral for Dignity was [REDACTED].
- iii. The average revenue per funeral for Co-op [REDACTED].
- iv. The average revenue per funeral for Dignity [REDACTED].
- v. For Co-op, the average revenue per funeral [REDACTED].
- vi. For Dignity, the average revenue per funeral [REDACTED].

## **Evidence on funeral prices and price inflation**

20. In this section we summarise some key evidence on funeral prices and funeral price inflation.

21. We note that the survey reports vary in terms of: time frame, methodology, and estimates.

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<sup>3</sup> As defined in the ONS document (page 5) [The 2011 Rural-Urban Classification For Small Area Geographies](#).

<sup>4</sup> The income decile data was obtained from the Ministry of Housing, Communities & Local Government, English indices of deprivation 2015 data set, <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015>. This data set does not include information on Wales, Northern Ireland or Scotland, therefore this analysis was conducted solely on branches located in England.

	Summary of methodology	What is included	Time period covered by each report	Average price (latest report)	Average annual price inflation over report series
CMA survey (2018)	Survey responses from 331 respondents involved in arranging a funeral in the last 2 years	Expenses associated with the funeral arrangement	Respondents had been personally involved in making arrangements for a funeral in the last 2 years	£3,000-5,000	n/a
YouGov funeral planning report (2017)	Survey respondents (at least 1200 each year) that had organised a funeral during the past five years	Average price paid for a funeral including discretionary services (but excluding post-funeral services)	Respondents had organised a funeral in the preceding five years	£3,618	7.65% per year 2014-2017
Sunlife Cost of Dying (2018)	Based on annual telephone interviews with 100 funeral directors	Average price of a 'basic' funeral, excluding discretionary items	Price data collected in 2018	£4,271	5.88% per year 2004-2018
Royal London funeral cost index (2018)	"A specific low cost funeral package"	Average price of a low-cost funeral package in the reporting year	Not specified	£3,757	1.42% between 2014-2018

## 22. Summary of each of these reports and their findings:

- i. The CMA survey asked respondents what the cost of the funeral arrangement was and found that people will typically spend between £3,000 and £5,000, with at least 16% spending more than £5,000.<sup>5</sup>
- ii. The Royal London funeral cost index (2018) states that, in 2018, the price of a specific low cost funeral package was £3,757. This had increased by an average of 1.42% per year between 2014 and 2018.
- iii. Sunlife Cost Of Dying Report (2018) states that the average cost of a 'basic funeral' was £4,271 in 2018. This represented an average annual rate of increase of 5.88% per year since 2004.<sup>6</sup> The basic funeral includes: the funeral director fees (stated to normally include: coffin, hearse, care of the deceased, professional guidance), fees for the cremation/burial; doctors' fees and clergy/officiate fees. Sunlife also collect information on expenditure relating to discretionary items

<sup>5</sup> CMA consumer survey, Tables 37/38. 331 respondents who had been involved in arranging an 'at need' funeral in the last two years.

<sup>6</sup> Based on annual telephone interviews with 100 funeral directors.

that are not included in the figures above (eg memorials, death notices, flowers, order sheets, extra limousines, catering etc);

- iv. YouGov (Funeral Planning, 2017) reports that the average cost of a funeral was £3,618 in 2017, with an average increase of 7.65% per year since 2014 (although the cost remained stable between 2016 and 2017). This was based on the average cost of a funeral among survey respondents who had organised a funeral in the preceding five years. Costs included: the ceremony/burial or cremation, and expenses including: cars, music, flowers, orders of service. It excluded expenses related to things occurring after the funeral (eg wake, memorials, etc).



## Appendix E: Analysis of cremation fees

1. This appendix provides additional background information:
  - (a) Background to the data that we have used to conduct our cremation fee analysis;
  - (b) Analysis of the most expensive and cheapest crematoria in the UK; and,
  - (c) Analysis of the relationship between quality metrics and cremation fees at private crematoria.

### Background to cremation fee data

2. We have used data from the Cremation Society for our analysis of cremation fees. The Cremation Society has stated that they gather information on fees from all crematoria in the UK.<sup>1</sup> The fee data we have used refer to the basic cremation fee, which applies to the vast majority of cremation service slots selected by customers of private crematoria.
3. Furthermore, we consider the basic fee as reported by the Cremation Society to be the most comparable fee across crematoria as it includes medical referee fees, environmental surcharges, and all fees for services necessary for a cremation, such as a chapel slot. In some circumstances crematoria charge extra for certain services (for example, an organist, webcasting the service or a weekend surcharge), and this is not reflected in the basic fee.<sup>2</sup> Throughout the market study third parties have told us that they consider the Cremation Society data reliable.<sup>3</sup> Providers have told us that the cremation fee as reported by the Cremation Society is the cremation fee paid by the vast majority of customers.
4. A private provider has argued that cremation fees are, in reality, falling over time because customers have the ability to choose reduced fee early morning slots or direct cremation.<sup>4</sup> We note that the Cremation Society data do not include information on reduced cremation fees and the proportion of volumes that are basic or reduced fee at each crematorium. However, data from two private providers shows that the proportion of cremations that are conducted at a reduced fee is not only low but has been stable over the last five years,

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<sup>1</sup> [REDACTED]

<sup>2</sup> [REDACTED]

<sup>3</sup> We have noted one instance where fee information reported by the Cremation Society may be inaccurate over a number of years. Given data availability we have not corrected for this. We note that the Cremation Society relies on returns from crematoria and the data is only as reliable as the returns that are completed. We do not consider this to significantly impact our analysis given the nature of the error identified.

suggesting that the take up of these lower price options have not increased. We also note that reduced fee early morning slots do not seem a close alternative to basic fee slots for many families. We also do not consider it appropriate to include direct cremation (also referred to as unattended cremation) fees in our analysis of cremation fees given it is a different proposition to a cremation (for example, mourners are not present and there is no service).

5. We also considered whether crematoria charged different fees depending on the customer (eg between different funeral directors) but did not find any evidence of this.

## **Most expensive and cheapest crematoria**

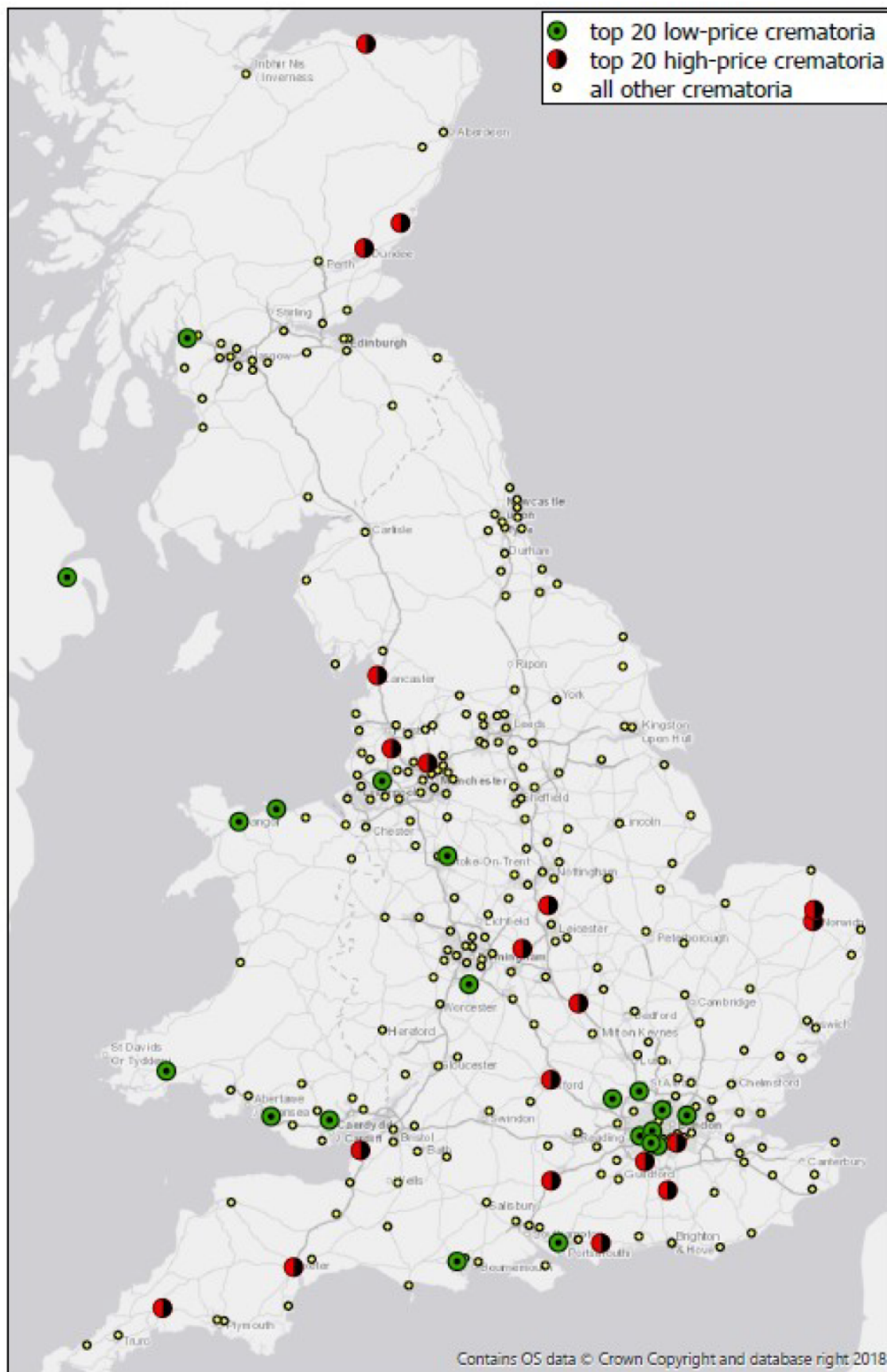
6. We have assessed the locations of the most expensive and cheapest crematoria in the UK to understand the extent to which there are parts of the UK that are cheaper or more expensive than others.
7. The locations of the most expensive and cheapest crematoria relative to all other crematoria are shown below. Figure 1 does not show that high and low-price crematoria are clustered in any particular part of the country. Each nation has low price crematoria and high price crematoria (except for Northern Ireland, where there is only one crematorium). Notable initial observations include:
  - a) The South East, whilst being identified by some respondents to the Statement of Scope as being potentially more expensive due to land and labour costs,<sup>5</sup> has a mix of high and low-price crematoria, some of which are very close to one another;
  - b) There are high- and low-price crematoria in both rural areas and in urban areas;<sup>6</sup> and,
  - c) Some crematoria that are isolated (i.e. they have long drive times to alternative rival crematoria) are among the most expensive crematoria in the UK, whereas others are among the cheapest.

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<sup>5</sup> See [LGA response to Statement of Scope](#).

<sup>6</sup> For example, in conurbations, there are low price crematoria in St Helen's (near Liverpool/Manchester), in Mortlake and Kingston-Upon Thames (London), and high price ones in Bury (Greater Manchester) and Beckenham (South London). In rural areas there are low price ones in Narberth in South Wales and Colwyn Bay in North Wales and high price ones in Weston-Super-Mare and Bodmin.

**Figure 1: Crematoria with the highest and lowest basic fee in the UK, 2017**



Source: CMA analysis of Cremation Society data



8. Based on the analysis above, there is limited evidence to suggest that there are parts of the UK that are particularly expensive or cheap.

## **Relationship between cremation fees and quality measures**

9. Private providers have stated that they offer a high-quality service compared to local authorities and that this can help to explain the difference in local authority and private crematoria prices.
10. There are many aspects of quality, not all of which are measurable. We note comments from a private provider's internal documents in which an industry expert states "the real mark of quality in a crematorium is the human service they provide," which is a measure of quality for which comparable data is unlikely to exist.
11. We have considered the extent to which longer slot lengths<sup>7</sup> and the availability of visual tributes and streaming services are associated with higher cremation fees.
12. In relation to booking slots, we have used data from the Cremation Society that shows booking slots and service times are longer, on average, at private crematoria, compared to local authority crematoria. The average length of a booking slot for a local authority crematorium in 2018 was 41 minutes compared to 53 minutes for private providers. Furthermore, we have found that booking slots and service lengths have increased over time. However, our analysis of Dignity cremation fees and the booking slot length at Dignity crematoria (the private provider for which we had the most observations) does not show any clear relationship between slot length and cremation fee, with some of the cheaper Dignity crematoria offering one-hour slots and some of the more expensive Dignity crematoria offering 45-minute slots.<sup>8</sup> Booking slot length appears to be driven by capacity considerations, and, as such we may not expect to find a strong relationship between the length of a booking slot and the cremation fee charged.
13. The same applies with the availability of visual facilities and streaming services, with some of the most expensive Dignity crematoria not offering these facilities, whilst some cheaper crematoria (including cheaper local authority crematoria) do.

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<sup>7</sup> Private providers have argued that being able to offer longer slots to families is a measure of quality.

<sup>8</sup> [§]. We also note that the average fee at Dignity crematoria offering 45-minute slots was £[§] whilst the average fee at Dignity crematoria offering one-hour slots was £[§].

14. Furthermore, a private provider told us that the prices initially set at their new crematoria may not be reflective of the quality differential relative to neighbouring crematoria or the investment made in the facility.<sup>9</sup>

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<sup>9</sup> [REDACTED].

## **Appendix F – draft terms of reference**

1. The Competition and Markets Authority (CMA) in the exercise of its power under sections 131 and 133 of the Enterprise Act 2002 (the Act) hereby makes a reference to the Chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 for an investigation in relation to the supply of funerals and related goods and services in the United Kingdom.
2. In accordance with section 133(2) and (3)(b) of the Act the group shall confine its investigation to the effects of features of such market or markets for funerals and related goods and services in the United Kingdom as exist in connection with the (a) the supply of services by funeral directors at the point of need; and (b) the supply of crematoria services.
3. The CMA has reasonable grounds to suspect that a feature or a combination of features of the markets for the supply of those goods and services in the United Kingdom prevents, restricts or distorts competition.

4. For the purposes of this reference:

- 'services by funeral directors at the point of need' means

services provided by a funeral director in connection with the arrangements for a funeral, and including but without limitation:

- guidance and support to the family;
- collection and care of the deceased;
- organisation and services carried out on the day of the funeral;
- the supply of goods and services to facilitate the arrangements, including for example, the coffin, hearse and limousine(s);
- intermediary services between the customer and third parties, such as the crematorium or burial site, the doctor and the minister; and
- discretionary services that are provided by the funeral director directly or as an intermediary between the customer and third parties, such as memorials, death notices, venue hire and catering, flowers, Order of Service etc,

but excluding:

- the provision of pre-paid funeral plans; and
- the provision of services provided pursuant to prepaid funeral plans.

- 'crematoria services' means

the services provided by a crematorium in connection with the cremation of the deceased, including the provision of a chapel for attended cremations, the committal and the associated sales of additional products and services, such as memorials, audio-visual support and hospitality.



## Glossary

<b>AEC</b>	Adverse effect on competition.
<b>‘At need’</b>	At the time of bereavement. Also referred to as ‘at the point of need’.
<b>Citizens Advice</b>	A national charity providing free, confidential and independent advice to people wanting help to solve money, legal and other problems.
<b>Citizens Advice Scotland</b>	A Scottish charity providing free, confidential and independent advice to people wanting help to solve money, legal and other problems.
<b>Customer</b>	The person purchasing a funeral at the point of need.
<b>CMA research</b>	Refers to the research carried out on behalf of the CMA, either the consumer research conducted by Research Works or the consumer survey conducted by Ipsos Mori.  Where we refer to CMA research the associated footnote will identify the source.
<b>Codes of practice</b>	The rules of membership for a trade body. A code is a set of written rules, which may be statutory or informal, that explain how members of the trade or profession should behave. Codes typically set minimum quality standards, responsibilities and details about how the code will be monitored and enforced.
<b>Co-op</b>	Co-operative Group Limited, including its Co-op Funeralcare division. Co-op operates funeral director branches under both its Funeralcare brand and local brand names.
<b>Cremation fee</b>	There are two types of cremation fee: a basic fee (also known as ‘full fee’), a reduced fee (for example, for public health funerals provided by the local authority or for early morning slots).
<b>Crematorium operator</b>	Refers to either a private or local authority provider of crematoria services.

<b>Crematoria services</b>	The services related to the cremation of the deceased.
<b>Cremation Society</b>	The Cremation Society of Great Britain is a registered charity which promotes the practice of cremation. It has assisted both private companies and local authorities in setting up new crematoria and has pressed government to ensure that cremations can be practised with the fewest possible restrictions.
<b>Dignity</b>	Dignity plc – a large provider of funeral services in the UK. It also operates crematoria and offers pre-paid funeral plans.
<b>Direct cremation</b>	A direct funeral including a cremation without a ceremony.
<b>Disbursements</b>	These are costs, such as cremation and burial fees, doctor's certificates, minister's fees and newspaper notices, that are out of the control of the funeral director and are passed on by the funeral director to the customer.
<b>Discretionary services</b>	Discretionary services are optional services provided by the funeral director directly, or, as an intermediary between the customer and third party. This could be for items such as memorials, death notices, venue hire, catering, flowers, order of service, etc.
<b>DIY Funeral</b>	A DIY funeral is where the family of the deceased undertakes all of the tasks that would typically be carried out by a funeral director.
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation.
<b>FBCA</b>	The Federation of Burial and Cremation Authorities provides services to the owners and operators of cemeteries and crematoria across the whole of the UK.
<b>Funeral Partners</b>	Funeral Partners Limited
<b>Funeral director</b>	A person or a business involved in making the arrangements for funerals and providing support and advice to the bereaved

<b>Funeral home</b>	Refers to the premises the funeral director conducts its business from. This will typically include a shop front and facilities to store and care for the deceased.
<b>Funeral package</b>	The bundle of services and products supplied by a funeral director to a customer.
<b>Funeral services</b>	Refers to the arrangements for the funeral provided by and made by the funeral director. These services can be quite broad, ranging from the time spent with the client, both planning the event and providing emotional support, to the logistics of the funeral itself.
<b>Green Belt area</b>	Is a designation used in land use planning to retain areas of largely undeveloped, wild, or agricultural land surrounding or neighbouring urban areas.
<b>Home area</b>	Refers to the area that was local to where the deceased had lived for a large proportion of their life.
<b>ICCM</b>	Institute of Cemetery and Cremation Management provides policy and best practice guidance to burial and cremation authorities and its corporate members.
<b>Independent funeral director</b>	Also referred to as 'independents'. Any funeral director that is not Dignity, Co-op, a regional Co-op, or Funeral Partners. Typically, these are small family owned businesses. However, some operate on a larger scale and may operate across a region or regions of the UK and have several branches under a branded identity.
<b>Inspector of Crematoria</b>	The Inspector of Crematoria is responsible for ensuring that Cremation Authorities in Scotland adhere to current legislation and best practice. In addition, the Inspector has a role in responding to complaints or queries from the public, can inspect cremation registers and other statutory documentation, provide direction to crematoria managers and staff, as well as supporting the development of future primary legislation on burials and cremations.
<b>Inspector of Funeral Directors</b>	The Inspector of Funerals carries out formal inspections of the funeral industry, in line with the powers set in the Burial and Cremation (Scotland) Act 2016 and the related regulations.

<b>Internal document</b>	Refers to all documents in the possession of the respondent to our information request, including documents prepared by external consultants and other parties employed to provide advice and expertise that would be subsequently used by the respondent to our information request.
<b>Large funeral director</b>	Refers to firms that have a large number of funeral homes and broad geographic coverage. Throughout the report, we use the term to include one or more of: Dignity, Co-op and Funeral Partners.
<b>Local authority</b>	An administrative body in local government responsible for providing a range of public services, including education, social care, roads and transport, waste management, leisure services, housing and planning and other related public services.
<b>Memoria</b>	Memoria Limited, a supplier of crematoria services.
<b>Mercury abatement</b>	As a signatory to the Oslo-Paris Commission (OSPAR) agreement on eliminating mercury emissions from crematoria, the UK has agreed that by 2020 all crematoria within the UK will have a zero emissions rate.
<b>MIR</b>	A Market Investigation Reference provides for a more detailed examination of whether there is an adverse effect on competition (AEC) in the market(s) for the goods or services being referred. Following a market investigation, a wide range of legally enforceable remedies are available to make the market(s) more competitive in the future.
<b>NAFD</b>	The National Association of Funeral Directors represents more than 3,700 funeral director firms nationwide, UK and overseas suppliers to the profession and overseas funeral firms.
<b>OFT</b>	Office of Fair Trading - one of the predecessor bodies to the CMA.
<b>ONS</b>	Office for National Statistics. The UK's largest independent producer of official statistics and the recognised national statistical institute of the UK.



<b>Pre-paid funeral plan</b>	A contractual arrangement with a provider that allows a person to pay in advance for their own or another person's funeral.
<b>Private providers</b>	Refers to operators of privately owned crematoria ie excludes local authority owned crematoria.
<b>Quaker Social Action</b>	Quaker Social Action is a registered charity that provides help and support to people on low incomes in East London and the UK.
<b>Regional Co-ops</b>	There are a number of regional companies operating under the Co-op brand.
<b>Respondents</b>	A person who was interviewed for the purposes of the CMA research.
<b>Royal London</b>	The Royal London is a mutual insurance society and publishes an annual funeral cost index.
<b>SAIF</b>	The National Society of Allied and Independent Funeral Directors represents more than 870 privately owned independent funeral director firms in the the UK.
<b>Simple Funeral</b>	Refers to a more limited, lower cost funeral that may: exclude provision of limousines; have no/limited choice of slot for the funeral service; have no viewing options and/or include a basic coffin with no/limited opportunity to upgrade.
<b>Slot</b>	Also referred to as booking slot and cremation slot: the amount of time that a crematorium allows for a cremation, including where relevant time allocated for a ceremony in the crematorium's chapel.
<b>Statement of scope</b>	A document setting out the purpose and scope of the CMA's Funerals market study inviting submissions from interested parties on any of the issues raised in the document and accompanying market study notice. Published on the CMA website on 1 June 2018.
<b>Standard funeral</b>	Refers to the most common types of funeral package sold by funeral directors ie typically including: <ul style="list-style-type: none"> <li>• Guidance and support to the family</li> <li>• Collection and care of the deceased</li> </ul>

	<ul style="list-style-type: none"> <li>• Organisation and services carried out on the day of the funeral, which includes an attended funeral service or ceremony prior to the cremation/burial.</li> <li>• Intermediary services between the customer and third parties (crematorium, minister etc)</li> <li>• Provision of discretionary services (flowers, order of service etc).</li> </ul>
<b>SunLife</b>	SunLife Limited is a financial services company that offers a funeral plan. It also publishes an annual analysis of the basic costs of a funeral (cost of dying report).
<b>UILs</b>	Undertakings in lieu. The CMA has the power under section 154 of the Enterprise Act 2002 to accept UILs of making an MIR.
<b>Westerleigh</b>	A trading name of Western Topco Limited and supplier of crematoria services.
<b>Work and Pensions Select Committee</b>	A committee appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Department for Work and Pensions and its associated public bodies. Currently chaired by the Rt Hon Frank Field MP. Published a report <i>Support for the bereaved</i> ( <a href="#">HC 551</a> ), 31 March 2016.
<b>The 1902 Act</b>	The Cremation Act 1902 – the 1902 Act is an <a href="#">Act of Parliament</a> of the Parliament of the United Kingdom. The major purpose of the Act was to allow burial authorities to establish <a href="#">crematoria</a> .