

Funerals market investigation

Overview of key research and analysis

30 January 2020

This paper should be read alongside the working papers which accompany it. These papers do not form the inquiry group's provisional decision report. The group is carrying forward its information-gathering and analysis work and will proceed to prepare its provisional decision report, which is currently scheduled for publication in April/May 2020, taking into consideration responses to the consultation on the working papers.

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Purpose

1. This overview of key evidence and analysis (the Overview) aims to provide interested parties with a guide to the main pieces of research and analysis that we have carried out so far in the course of the Funerals market investigation. It is published alongside, and draws upon, a number of working papers, and the results of a survey and a mystery shopping exercise that Ipsos MORI carried out on our behalf in 2019. All documents can be found on the [Funerals](#) market investigation web page.
2. This Overview and the working papers are published to assist interested parties to understand the work being carried out and to invite their comments and any further evidence for consideration by the Group conducting the investigation prior to the publication of its provisional decision report (currently scheduled for April/May). The market investigation timetable can be found at: [Administrative timetable](#). We should emphasize that the Group has not reached any (preliminary or otherwise) conclusions at this stage and that our analysis may change, as our work continues and as we consider additional evidence submitted in response to the working papers.
3. This Overview introduces and summarises the various papers we are publishing today under the following themes:
 - (a) Consumer choices under challenging circumstances: this section introduces *our consumer survey*; further research that we have commissioned; and *The Influence of income on funeral choices* working paper.
 - (b) The approach taken by funeral directors and intermediaries: this section introduces *the Mystery shopping report* prepared for us by Ipsos MORI; *the Funeral director sales practices and transparency* working paper and *The role of intermediaries in the process of choosing a funeral director* working paper.
 - (c) Issues relating to back-of-house quality: this section summarises *The quality of 'back of house' funeral director services* working paper.
 - (d) Competition between funeral directors: this section provides an overview of pieces of analysis that we are in the process of disclosing exclusively to a small number of parties because the analysis relies heavily on internal documents and commercially sensitive data provided by those parties. It also summarises a working paper setting out *Qualitative information obtained from independent funeral directors*.

- (e) Competition between crematoria: this section summarises two working papers: *Crematoria: background and market structure* and *Crematoria: evidence on competition between crematoria*.
- (f) Outcomes: this section summaries one working paper: *Crematoria: outcomes*; and introduces the additional pieces of analysis (including on pricing and profitability) that we are in the process of carrying out.
- (g) Potential remedies: this section puts forward a number of potential remedy options to elicit initial views from interested parties, recognising that the Group's views on what remedies may be appropriate will continue to evolve in the light of representations received and further analysis. Current working papers on potential remedy options include: *Information and transparency remedies* and *Quality regulation remedies*.

4. Next steps:

- (a) Parties wishing to comment on any of the papers being published today should send their comments to Funerals@cma.gov.uk by 27 February 2020.
- (b) We aim to publish further working papers in February relating to profitability, pricing, potential price control remedies and local authority procurement of funeral director services.
- (c) *The funeral director sales practices and transparency* working paper specifically seeks further evidence on certain issues (at paragraph 14 of the working paper). Parties should send any further evidence to Funerals@cma.gov.uk.

Consumer choices under challenging circumstances

- 5. Between 26 July and 22 September 2019, Ipsos MORI carried out a survey of people who had been personally involved in organising a funeral in the previous 2 years. 279 people answered questions focused on the provision of funeral director services and 376 answered questions focused on the provision of crematoria services. We have published the full tables and a summary of the results. We set out below some key highlights from this research. In addition, a number of the working papers published today refer to evidence from this survey where relevant to the issues being considered.
- 6. Alongside results from this survey, we are also considering consumer research carried out by the CMA in the course of the Funerals market study and consumer research commissioned by funeral directors. These pieces of evidence are not reflected below.

How people go about finding a funeral director and choosing a funeral

7. Funeral directors are local businesses with the vast majority of the funeral directors used located within a twenty-minute drivetime of the home of the deceased.
8. The CMA consumer survey revealed that only a minority of consumers compare the services of two or more funeral directors when deciding which one to use and consumers' propensity to compare does not appear to be increasing. Similarly, consumers' propensity to go online to find out about funeral directors is very low and does not appear to be increasing over time. By and large, people simply go back to a funeral director that is already known to them, follow recommendations or base their choice on local knowledge/word-of-mouth. A relatively small proportion said they followed the wishes of the deceased (i.e. knew what they were).
9. When consumers found out about the funeral director they used through a recommendation, the information they received as part of the recommendation tended to be practical and/or high-level/general information about the businesses concerned rather than specific information relating to the particular offering of the funeral director.
10. In over 80% of cases, the funeral director who collected the body also made the funeral arrangements. Very few customers considered switching funeral director at any point in the process.
11. At the point at which consumers notify the funeral director of a death, information on funeral prices, costs and options are generally neither requested by the customer nor offered by the funeral director.
12. When it comes to choosing a crematorium, less than half of customers considered that they had a choice of crematorium and, of those, a small minority compared the services of more than one crematorium. Cumulatively, nearly six in ten consumers considered that, effectively, there was no comparison to make, either because there was only one local crematorium (47%) or because they were honouring the express wishes of the deceased (10%).
13. For the avoidance of doubt, the above observations about the way customers approach the purchase of a funeral do not imply that they are at fault in any way. Their behaviour is likely to be a natural response to challenging circumstances in which they find themselves when facing the death of a loved one.

The circumstances in which people organise a funeral

14. Our survey implies that little planning takes place before the death occurs: of those who compared funeral directors, most did so after the death of their loved one had happened.
15. In addition, our survey shows that the decision on which funeral director to use, tends to be made rapidly after the death has occurred: in only 11% of cases will the body be collected by a funeral director more than three days after the death has occurred. The deceased who had died in a hospital were three times more likely to be collected by a funeral director after 3 days had elapsed than those who had died at home or in a care home/nursing home/hospice.
16. Time pressures are therefore likely to play a part in explaining why people take short cuts in choosing a funeral director and seldom compare options.
17. [The interviews with 100 people](#) that the CMA carried out in the course of the Funerals Market Study provide insight into what other factors contribute to the lack of engagement of customers with the process of arranging a funeral.
18. We heard from participants in roundtables about the impact of grief and emotional vulnerability on the decision-making process of those who purchase a funeral:
 - (a) Bereavement can impact upon a grieving person's cognitive skills and result in a feeling of helplessness and low self-esteem; these factors can make it more difficult for bereaved people to arrange and make decisions about a funeral (roundtable with ['progressive funeral directors'](#)); and
 - (b) bereavement cuts across socio-economic groups and geographic areas, and while it affects people in different ways, it will affect everyone (roundtable held in [Edinburgh](#)).
19. Our consumer survey shows that the majority (66%) of those who organised a funeral, did so for a spouse/partner, parent or child. Such people could be expected to be grieving for their loss, and a marked proportion (21%) attended the arrangement meeting on their own, while three-quarters (74%) were accompanied by someone who was also directly affected by the death.
20. We have commissioned the National Centre for Social Research (NatCen) to carry out a review of academic research and facilitate a roundtable to help us understand how bereavement influences decision-making. We shall publish NatCen's report in due course.

21. In assessing the market, we need to consider carefully the extent to which measures that are intended to improve choices or aid comparison might benefit consumers under conditions which will always be challenging for them, and/or whether other protective measures may be required or may be more appropriate.

Impact of income/deprivation on funeral choices

22. We have sought to understand whether income/deprivation may affect the way in which people engage with the process of purchasing a funeral. The results of our research and analysis are set out in the *Influence of income on funeral choices* working paper.¹
23. There were limitations to the quantitative analysis we were able to perform, but taken together, the quantitative analysis, internal documents and responses to information requests indicate that choices of funeral package made by customers are not strongly correlated with their level of income or deprivation.

The approach taken by funeral directors and intermediaries

Provision of information by funeral directors

24. In the summer of 2019, Ipsos MORI carried out 114 telephone mystery shops and 103 web audits on behalf of the CMA. The overall objective of the research was to find out what price information (if any) a random sample of funeral directors will provide to consumers who make an enquiry about funeral costs via the telephone and what price information (if any) they provide on their website. A report of the results of this research has been published on our website.
25. Below are some of the key highlights from the report.
26. While most funeral directors provided pricing information over the phone, in nearly a quarter of instances the funeral director did not explain what the price quotes covered, and in 20% of cases, the funeral director did not say what was excluded from the quote. Over a third did not mention that, in addition to the other costs quoted, disbursements (which may include cremation or burial fees) would have to be paid. Half were able to advise (usually after prompting) on ways in which costs could be reduced from the original prices they had

¹ We also sought evidence on any link between ethnicity and/or religion and funeral choices but could not obtain reliable datasets.

mentioned, though some had given their cheapest price at the outset. Less than one in five funeral directors offered to send additional literature.

27. Around half of the operational websites audited by Ipsos MORI did not contain any price information for a funeral organised at the point of need. Where the full price of a funeral was given (as opposed to the headline/indicative price, eg “prices from £2000”), it was mostly as a package, with an itemised list being very rarely provided. Disbursements were mentioned on a minority of websites.
28. The impact of the above practices for the minority of customers who actively seek information on the choices open to them is further discussed in the *Sales Practices and transparency* working paper.

The conduct of the arrangement meeting

29. We reviewed the results from the consumer survey and examined training material provided by a selection of funeral directors, in order to understand how the arrangement meeting (the meeting between the bereaved and the funeral director at which the details of the funeral are planned) is conducted. We considered, in particular, the way in which price information is provided to customers and the extent to which the practices adopted may have an impact on customers’ ability to understand the options open to them and make informed choices about services to be purchased and their prices.
30. As set out in the *Sales practices and transparency* working paper, the large majority of customers who responded to our survey did not report a problem with either the funeral director or the funeral purchased. Respondents also typically felt that they had received the right amount of information and at the right time. Some sales practices that result in a lack of transparency may therefore be driven by customer preferences.
31. Nevertheless, we consider that there is evidence of some sales practices that could influence customers’ decision-making, including potentially steering them towards higher cost options, although it is unclear how often customers are steered in this way in practice.
32. For instance:
 - (a) Some funeral directors do not discuss prices at all, or not when decisions are being made that have an impact on the total bill. In such cases, customers may not have a good idea of total funeral costs until late in, or at the end of, the arrangement meeting (and potentially not before the customer has committed to the funeral director).

- (b) The wide variation in embalming rates across funeral directors indicates that they have a significant influence over customer decisions on whether to purchase particular products or services.
- (c) Requesting upfront payments and/or charges for switching funeral director could, in principle, make it more difficult, or reduce the incentive, for customers to switch funeral director. In addition, requesting upfront payments for low-cost funerals could deter customers from purchasing such options.

Role of intermediaries

33. We have examined the extent to which the circumstances of a person's death may influence the choice of funeral director. The circumstances we considered were: whether the death was expected; where the death occurred; the actions/advice of care homes, hospices and hospitals, and the involvement of a coroner. The evidence we have gathered is set out in the *role of Intermediaries in the process of choosing a funeral director* working paper.
34. In this working paper, we note that:
- (a) It does not necessarily follow that people will plan the funeral ahead of the death or make their choice of funeral director based on an objective assessment even if a death is expected (for example after a long illness).
 - (b) In general, where care homes or hospices need to arrange for a funeral director to collect the deceased, the funeral director is chosen by the family. However, there is evidence of cases of the deceased being moved from care homes or hospices either without families' consent or with families finding it difficult to assert their own preferences, with this perhaps not always being justified by practical reasons.
 - (c) Although some care homes, hospices and hospitals have informal arrangements for the removal of the deceased to a particular funeral director's premises at the request of the care provider, we have identified few such arrangements at this stage.
 - (d) There is evidence that some staff in care homes, hospices and hospitals provide recommendations to their residents and the relatives of their residents, although this does not appear to be common practice. There is evidence, however, that some funeral directors seek to build relationships with care providers and we have been made aware of new initiatives that could have a distorting effect on the competitive process.

- (e) In relation to Coroner's contracts, where the funeral director takes the deceased to the Coroner's premises, the funeral director may have an opportunity to make contact with the bereaved, and this may give it an advantage in terms of influencing the choice of funeral director made by the bereaved. This is supported by evidence that some funeral directors have bid for coroner's contracts below cost. We do not have evidence on whether customers that a funeral director might gain in this way, pay higher prices than other customers.

Issues relating to back-of-house quality

- 35. We have published a working paper, the *Quality of back-of-house funeral director services*, focusing on issues associated with the way funeral directors care for the deceased from the point at which they collect the body to the time of the funeral. Consumers may find it hard to find information on the quality of care of the deceased provided by a funeral director. In any event, the bereaved may not want to, or may not recognise a need to, obtain such information. This limitation may undermine the competitive process, creating greater scope for poor quality market outcomes to arise and persist.
- 36. In the published working paper, we observe that:
 - (a) Certain aspects of quality relating to care of the deceased are important to customers but are typically not observable (or only partially observable) to them, even after purchase. Before purchase, consumers gather only limited information, primarily on observable quality (such as the standard of the public area of the funeral director's premises), and rarely compare it across funeral providers.
 - (b) In relation to back of house quality factors (such as the facilities for the storage of the deceased), the evidence suggests that many funeral directors provide an acceptable standard. However, there is a widespread view in the industry that some funeral directors provide poor back of house quality, and that the existing monitoring regimes are not sufficient to prevent this. We have heard compelling evidence that this is true in at least some cases.
 - (c) Whilst some funeral directors do monitor and invest in the quality of their services, we have not seen evidence of back of house quality investments being made in response to customer preferences or concerns or of higher prices being necessary to provide good quality back of house facilities.

Competition between funeral directors

How funeral directors compete

Large funeral directors

37. In order to understand the dimensions on which the three largest funeral directors (Co-op, Dignity and Funeral Partners) compete, we have obtained a large number of internal documents from these funeral directors.
38. We are examining how these companies monitor each other's activities; how the results of this monitoring influence their strategy; how they monitor their own performance, and whether they change aspects of their offering depending on the level of competition they face. Finally, we are assessing evidence on the impact of changes to their offerings on their performance.
39. This work is currently on-going.

Independent funeral directors²

40. We have published a working paper setting out the qualitative evidence we have gathered from a number of independent funeral directors through written questionnaires and interviews (an aggregated summary of the interviews is also available on our [website](#)). This paper summarises what we have learnt about the offerings of the independent funeral directors who engaged with us and their competitor monitoring activities; the size of catchment areas; the entry strategies adopted by new funeral directors and how existing funeral directors have responded to such entry.
41. The working paper includes the following observations about the practices of those independent funeral directors from whom we have obtained evidence:
 - (a) The independent funeral directors who we received evidence from have adopted a range of practices in terms of different funeral types offered. Some offer pre-set packages and others offer a price list from which customers build up a bespoke funeral package themselves. Standard funerals are the most common funeral type offered by all the funeral directors we contacted (except the direct cremation specialist) at around 80%-90% of at-need funerals in our questionnaire averages. Many of the independent funeral directors offer a simple funeral and/or direct cremation option, but for the majority of these funeral directors these

² In this section 'independent funeral directors' includes the next 10 largest independent funeral directors following Co-op, Dignity and Funeral Partners, as well as a sample of the long tail of smaller firms in the market.

funerals types account for a relatively small proportion of the total volumes. Our average results showing that simple funerals and direct cremations account for around 5-7% and 0-2% of total funerals respectively across the sample, seem broadly consistent across our branch level analysis, company level analysis and large regional co-op analysis.

- (b) In response to our questionnaire, a large number of respondents indicated that they monitored their local competitors in some form. Those that do monitor competitors, indicated that service quality was the most important aspect that they monitor, with a smaller number of respondents monitoring price, range and market share. Of those that monitor their competitors, over two thirds said that they use that information in their decision making in some capacity. Again, the most common response was that information was used to help inform decisions on service quality. A smaller number used monitoring information to inform decisions such as promotional/advertising decisions and pricing decisions.
- (c) In some cases, the independent funeral directors from whom we have received evidence, indicated that they did not pay much attention to what competitors were doing; although some of these providers still showed an awareness of competitor positioning/pricing in their responses. In other cases, independent funeral directors indicated that they made decisions on their own positioning in a way which implied comparison with others (for example, aiming to offer the highest quality or set prices which are lower than some others). A small number took a more structured approach to monitoring.
- (d) Independent funeral directors often commented that they set prices based on their costs. When setting prices, some said that they did not want to be the most expensive in their local area and/or said they wanted to provide value for money.
- (e) Among the independent funeral directors from whom we received evidence, experience of entry was common. However, most said that they had not been affected by the new entrant or were uncertain of the impact. Most also said that they did not respond to entry in any way. Those that did respond to entry said that improving service quality was the most common response, with changing prices and increasing advertising/promotional activity also mentioned. Fewer responded by changing their range. The responses described a variety of entrants: both traditional and non-traditional, larger funeral directors and small independents, start-ups and expansions. There were several mentions of

ex-employees of larger funeral directors leaving their old companies and starting their own.

- (f) Some of the independents we interviewed were themselves relatively recent entrants. These funeral directors indicated barriers to entry are generally low, although some investment is required (eg into vehicles or storage facilities) depending on business model, and there may be some other issues such as access to training or competitor price information.
- (g) The majority of the responses we received when asking funeral directors about their catchment area told us that most of their customers were from within 20-minute drivetime or a 6-mile radius, although some funeral directors attract customers from a wider area than this (eg due to reputation). This was consistent across our questionnaires and interviews.

42. The published *Aggregated summary of interviews with independent funeral directors* sets out the broader set of themes that we explored with the 15 funeral directors we interviewed.

Company-level revenue and market share analysis

43. We obtained firm-level data from Co-op, Dignity and Funeral Partners for the period from January 2013 to December 2018. This included monthly levels of sales and revenues and increases in their listed prices for each type of funeral they sell to their customers at the point of need.
44. We analysed movements in the ‘company-level market shares’ of Co-op, Dignity and Funeral Partners following price changes.
- (a) Over the 6-year period, both Co-op and Dignity experienced a gradual decline in their market shares, while Funeral Partners experienced an increase, which was at least partly due to a number of acquisitions.
 - (b) The current iteration of this analysis shows that following significant price changes by each of the three largest funeral directors, we do not observe large changes in each of their market shares following such price changes; nor do we observe corresponding large changes in the market shares of the other two funeral directors (although as noted in the paragraph above, there are some long term declines in market share observed in the data, and this analysis may not pick up the longer term effects of these price changes). There is some indication that the increase in the take-up of the simple funeral packages³ of these firms has derived

³ Dignity and Co-op’s Simple funerals and Funeral Partners’ Essential funeral.

partially from substitution from those firms' more expensive funerals, but again these changes are relatively small and did not prevent these funeral directors from increasing standard funeral prices over most of the period (until 2018).

45. We analysed the movements in the average revenue per funeral for the different funeral packages offered by Co-op, Dignity and Funeral Partners over time (from January 2013 to December 2018) in order to understand the strength of price competition between the three firms. The analysis showed that the three firms increased the prices of their standard funerals across most of the period, though with a significant decline in the price charged by Dignity in 2018, and that the differences between the firms' prices have widened over the period. The movements in the prices of the three firms' simple funerals have been more aligned, although price decreases by one firm are only matched by the other firms after a significant lag.
46. We examined the relative fluctuations in the average revenue per simple funeral and the average revenue per standard funeral for the three firms to inform our assessment of the constraints that these packages exert on each other. Our analysis does not point towards a strong correlation between standard and simple funeral prices.

The significance of the growth of low-cost funeral options

47. We have heard from Co-op and Dignity about the growth in sales of their simple funeral packages and increase in demand for direct cremation over recent years.
48. In order to understand the extent to which these lower cost funerals constrain the prices of more expensive funeral options, we obtained large amounts of data and internal documents from Co-op, Dignity and Funeral Partners. Below is a summary of the results of our analysis. We will be separately disclosing the detailed analysis to each relevant party, but not more widely, as much of the underlying evidence is commercially sensitive.
49. This section summarises the following pieces of analysis:
 - (a) constraints imposed on standard funerals by low-cost options; and
 - (b) branch level analysis of the take-up of simple funerals.

Constraints imposed on standard funerals by low-cost options

50. We obtained sales volumes by type of funeral from Co-op, Dignity and Funeral Partners for the 6 years from 2013 to 2018 and derived from these

figures the proportion of the funerals they sell at the point of need that is accounted for by their standard, their simple and their direct cremation packages.

51. Our analysis shows that, for all three, there has been a shift in the proportion of sales from standard funerals to simple funerals, with direct cremations accounting for a very small proportion of sales by 2018. In the case of Co-op, the shift to sales of simple funerals was most significant between 2015 and 2017, with a significant slowing down of the rate of increase in 2018. For Dignity, the increase in the sale of simple funerals occurred almost entirely in 2018, following its change of pricing strategy,⁴ with a very slow and gradual increase in the previous five years. The picture is less clear for Funeral Partners, as the overall change in sale of simple funerals was smaller and occurred relatively consistently over the period.

52. We asked the three companies to explain, and provide evidence on, the effect of lower-cost funeral types (i.e. any type of direct cremation or simple funeral) on the market (e.g. in terms of prices overall and for different types of funerals, the take-up of different types of funerals) and their expectation as to how this will affect market trends in the future. As part of their response, the three companies submitted a large number of documents, which we have reviewed. Based on this, we have observed that:
 - (a) There are a number of strategic reasons funeral directors offer direct cremations including to capture share in a new or under-exploited market, such as markets for celebration of life services in place of a traditional funeral service, and for publicity/corporate responsibility reasons to address affordability concerns. Direct cremations can also drive volumes of other funeral types, by initially attracting people who can then be sold a more traditional funeral. Direct cremations meet specific needs and (in their purest form) are unlikely to be suitable for many people, given cultural norms (and arguably psychological needs).

 - (b) Reasons for offering simple funeral packages include: winning (back) price sensitive customers; providing an attractive headline price; and to be seen to address affordability concerns. Simple funerals are generally marketed as part of funeral directors' main product set, while (with the exception of one of them) the larger funeral directors treat direct cremation as a separate proposition.

⁴ It [announced](#) in January 2018 that it would reduce the average price of its simple funeral by approximately 25%.

- (c) Simple funeral customers are more similar to those buying standard funerals than direct cremation customers, who have particular needs. However, there is some evidence of customer segmentation between those seeking a low-cost/value product and those who want a 'traditional' or premium service.
- (d) Simple funerals have more propensity to cannibalise volumes from standard funerals than direct cremation. However, simple funerals and direct cremation, both individually and combined, are likely to continue to account for a relatively small proportion of volumes despite significant price differences.

53. We have undertaken one further piece of analysis (and are in the process of carrying out another one) to test this relationship:

- (a) **Branch level analysis of the take-up of simple funerals:** In support of its contention that low-cost funeral options (and in particular its Simple funeral) act as a competitive constraint on other types of funerals (in particular its Classic and Traditional packages), Co-op submitted that the volumes of Simple funerals as a proportion of total volume sold in its branches appears to be linked to the price differential between the price of a Simple funeral and other types of funeral.

In order to test Co-op's submission, we obtained branch-level data from Co-op, Dignity and Funeral Partners and calculated the average revenue per funeral for each of their branches for their simple funerals and their standard funerals. For Co-op, we also obtained the listed prices of their funeral packages for each branch. Using this data, we examined the relationship between measures of relative price (of simple funerals against standard funerals) and the take-up of simple funerals. We did not find any positive relationship.

- (b) **Analysis of Dignity's pricing trial:** On 14 March 2018, Dignity announced⁵ that it would be carrying out trials of price and service combinations in various areas (the 'trial areas'). We obtained data on the volumes sold and revenues achieved for Dignity's different types of funeral packages within Dignity's trial areas and are in the process of analysing how Dignity's market share and average revenue per funeral were affected by changes in prices and types of funeral packages being offered in the trial areas.

⁵ Dignity plc. (2019) *Preliminary results for the 52 week period ended 29 December 2017* [Press release]. 14 March. Retrieved from <https://www.dignityplc.co.uk/> (Accessed: 22/01/2020).

(c) This work is currently on-going.

Competition between crematoria

54. We have published two working papers on competition between crematoria:
- (a) *Background and market structure*
 - (b) *Evidence on competition between crematoria.*
55. Key highlights from these papers are set out below.

Market structure

56. Our analysis shows that most crematoria face a limited number of rivals in their local areas. In particular, around half of crematoria face no rival within a 30-minute cortege drivetime, and only a small number of crematoria have three or more rivals within a 30-minute cortege drivetime (we would typically expect that in a local market with four or more competitors, competition may be sufficient). Some crematoria may be capacity constrained and may therefore not act as a strong constraint on any rival crematoria.
57. We have received evidence that barriers to entry exist in relation to the planning regime and the economics of operating a crematorium. The planning regime may reinforce the economic barriers to entry, as well as reducing the risk for existing operators of facing new entry. Crematoria providers have told us of only a small number of areas where entry would have likely occurred absent the needs test in the planning regime. Our analysis suggests that newer crematoria (which have been built predominately by private crematoria providers) have delivered additional capacity to help meet growing demand (on average, volumes at crematoria have remained stable over the last ten years, although this is variable, with crematoria experiencing nearby entry seeing reduced volumes).

Drivers of customer choice

58. Family connections and location/proximity are generally the most important factors in choosing a crematorium. Very few customers compare crematoria, and, for the few who do, the attractiveness of buildings and grounds and location/proximity are the factors most frequently compared on, whilst price and other aspects of quality (such as facilities available) are less important.

Competition on price

59. The evidence that we have seen shows that both private and local authority crematoria operators benchmark their fees with those of local rivals. We have not seen evidence that crematoria use benchmarking to try to undercut rivals on price. Rather, evidence indicates that the benchmarking activity is undertaken to make sure that their fees and fee increases are not ‘out of line’ with others. Many local authority crematoria appear to set their fee increases with reference to required percentage increases rather than competitors. Furthermore:
- (a) Internal documents and statements from Dignity indicate that their starting point is that they can impose relatively large year-on-year fee increases, and internal documents from Westerleigh indicate that they consistently projected relatively large year-on-year fee increases prior to 2018. Both providers have implemented average year-on-year increases that have been well above inflation until recently, unless specific local circumstances have prevented this for certain crematoria.
 - (b) We have seen limited evidence of funeral directors successfully pushing back against fee increases, and no evidence that funeral directors negotiate with crematoria on attended cremation fees.

Competition on quality

60. To assess the arguments made by Dignity, Memoria and Westerleigh that the fact that they attract a high proportion of customers who have a closer alternative crematorium (‘out-of-area customers’) is evidence of competition over quality, we have considered: the reasons why customers may choose a crematorium that is not their closest; the extent to which Dignity, Westerleigh and Memoria crematoria attract customers from out-of-area; and, evidence as to why certain crematoria are better than others at attracting out-of-area customers.
61. The results from our survey indicate that only a small number of customers choose a crematorium that is not their closest and, when they do so, this is often for reasons unrelated to quality. Submissions from funeral directors and crematoria are consistent in this regard and indicate the importance of factors such as family connections, and the logistics of the funeral (eg the location of the wake), which may mean that customers do not necessarily choose their closest crematorium. The larger private crematoria operators have also identified local factors such as access and “day-to-day associations” for each of their crematoria as reasons for why customers may choose a crematorium that is not their closest.

62. There is a high degree of variation in the proportion of out-of-area customers which different private crematoria attract. We have assessed whether measures of quality, price and capacity constraints are correlated with the proportion of out-of-area customers and found only weak relationships, or relationships contrary to what we might expect.

Responses to entry

63. Our analysis of entry indicates that a new crematorium attracts customers from existing crematoria. Volume losses are larger the closer the new crematorium is to the existing crematorium, which is consistent with what we have observed and have been told about customers' preferences for proximity.
64. After the initial migration of customers to the new crematorium, volumes at incumbent crematoria stop declining, and, three years after entry, volumes restart growing year on year at rates similar to those that prevailed before entry. This suggests that, after the initial migration of customers, there is limited ongoing diversion of customers between the incumbent and the new crematorium. Incumbent local authority crematoria do not respond to entry in terms of the prices that they set. However, on average, private crematoria that have experienced entry increase their fees.
65. Finally, incumbent crematoria do not appear to respond to entry by making investments or increasing slot lengths. Decisions around slot lengths and investments appear to be taken independently of competitive conditions.

Outcomes

Funeral director pricing

66. We are in the process of analysing data obtained from SunLife and some price comparison websites and aim to publish working papers based on this analysis in the course of February 2020.
67. Our working papers will explore:
- (a) Trends in average revenue per funeral across a range of suppliers;
 - (b) trends in average prices and professional fees (based on SunLife data);
and
 - (c) the dispersion of prices in local areas.

Crematoria pricing

68. We have published a working paper (*Crematoria: outcomes*) examining trends in crematoria fees over time and across providers; whether there is any link between local concentration and fees (and margins), as well as links between quality and local concentration. Key highlights from this work include the following:
- (a) Average standard cremation fees have increased across all providers in the period 2008-2018. Standard cremation fees have also increased (over the period 2014-2018) on a per-minute basis.
 - (b) On average, fees at crematoria with alternatives within 30 minutes tend to be lower than fees at crematoria without alternatives. For crematoria who have at least one rival within 30 minutes, differences in average fees, depending on whether the closest rival is located relatively close or further away, are often small, as are differences in average fees depending on the number of rivals located within 30 minutes. For example, average local authority fees when the closest rival is located 20-30 minutes away are £712, falling slightly to £691 when the closest rival is closer (10-20 minutes away). Private providers with two rivals within 30 minutes charge, on average £788, and this falls by less than £10 to £784 when there are three or more rivals within 30 minutes. Furthermore, while fees at private crematoria are materially lower on average when their closest rival is less than 10 minutes away (an average fee of £668 compared with average fees of over £825 when the closest rival is further away), there are very few instances of crematoria being located very close to one another (ie within 10-minutes).
 - (c) EBITDA margins are not clearly correlated with the drive-time to the closest rival, but, on average, EBITDA margins slightly decrease with the number of rivals within a 30-minute drive time. Crematoria with more rivals, charge, on average, lower fees, and conduct fewer cremations (and thus are likely to face higher average costs), with both factors likely explaining the lower margins that these crematoria earn.

Profitability of funeral directors

69. To date, we have obtained detailed financial information from the 13 largest firms of funeral directors and high-level profit and loss information from 45 smaller funeral directors.
70. We are in the process of analysing this data and aim to publish a working paper based on this analysis in the course of February 2020.

Profitability of crematoria

71. We have gathered an extensive amount of financial information from Dignity, Westerleigh, Memoria, the London Cremation Company and a sample of 22 independent crematoria, of which 21 are local authorities. Some of them operate more than one crematorium.
72. We are in the process of analysing this data and aim to publish a working paper based on this analysis in the course of February 2020.

Potential remedies

73. In the event that we find there are competition problems in the provision of funeral director services at the point of need and crematoria services we are required to decide what measures, if any, should be taken to address these problems.
74. Alongside our information gathering and analysis relating to possible competition issues, we have explored what potential remedies may be suitable to address any problems that we may find. When deciding whether (and if so what) remedial action should be taken, the CMA is required 'in particular to have regard to the need to achieve as comprehensive a solution as is reasonable and practicable'. In doing so, the CMA considers – individually or as a package – how comprehensively the potential remedy options address the competition problems and/or the resulting detrimental effects on customers; and whether they are effective and proportionate.
75. We will consider the likely impact of individual remedy options, and combinations of remedies, and consult on a preferred package of remedies as part of our provisional decision. In reaching our provisional decision on remedies, we will be mindful of the potential for the remedies in the working papers, taken together, to impose a significant cumulative burden on smaller funeral directors in particular. Responses to the working papers will inform our assessment of the choice and design of remedy options as well as their effectiveness and proportionality.
76. Below we set out a range of possible remedies that may be effective in addressing possible competition issues we may find in the provision of funeral director services at the point of need. The four possible remedies that we are considering are:
 - (a) The introduction of a quality regulation regime;
 - (b) measures to promote greater information transparency;

(c) price controls; and

(d) local authority procurement of funeral director services.

77. More detail on the first two of these remedies is provided in a number of working papers, each of which explores a variety of potential options for each of the individual remedy types. At this stage we have not yet undertaken an assessment of effectiveness or proportionality. We are continuing to examine what package of remedies would be effective in addressing any competition problems and/or their detrimental effects on customers.

The introduction of a quality regulation regime

78. As explained in paragraph 36, we have received evidence that some funeral directors provide poor quality with respect to their care for the deceased, which falls below commonly acceptable minimum standards, and that the existing monitoring regimes are not sufficient to prevent this. In the *Quality regulation remedies* working paper, we put forward possible remedies to address the issues we have found with 'back of house' standards.

Key elements

79. An effective and proportionate quality regulatory regime for funeral directors could include the following elements:
- (a) Clear requirements for funeral directors in the form of, for example, statutory minimum standards, which could either represent precise rules or a set of principles that funeral directors must comply with.
 - (b) Effective monitoring and enforcement of standards through, for example, a statutory licensing and inspection regime.
 - (c) An appropriate body to monitor and enforce standards.
 - (d) The collection and dissemination of information to customers on the quality of services provided by funeral directors.

Scope of services

80. The following back of house services provided by funeral directors are likely to be most appropriate to fall under the scope of any new quality regulatory regime:
- (a) Collection and transport of the deceased.

- (b) Care, storage and preparation of the deceased.
81. In order to provide these services to an acceptable minimum level of quality, funeral directors may require:
- (a) Suitable premises, facilities and equipment, including facilities for the storage and preparation of the deceased, having (or having access to) sufficient and appropriate refrigeration facilities, and (if embalming is to be carried out at the funeral directors' premises) access to embalming facilities.
 - (b) Appropriate education and training, including continuing professional development (CPD). This may include the necessary accredited technical education and/or training for relevant staff, management training for those with management responsibility, and some form of 'fit and proper' test for those with company director level responsibility.
 - (c) Appropriate governance processes and procedures to monitor quality standards, including suitable procedures to monitor premises, facilities and equipment and for the identification of the deceased.
 - (d) An appropriate complaint handling and customer redress process to ensure that any incidences of funeral directors failing to meet the required standards can be effectively resolved and the customer appropriately recompensed. This would also support customers in the resolution of complaints related to those services that they are only able to observe after they have engaged the funeral director. The funeral directors' own complaint handling and redress policies could be supported by an independent alternative dispute resolution (ADR) scheme and/or an independent complaints adjudicator.
82. A predominantly principles-based regulatory approach (rather than a set of prescriptive rules) may better take account of the diversity of funeral directors and their varying service delivery models. The working paper sets out what these two alternative approaches may involve in practice (for illustrative purposes).

Measures to promote greater information transparency

83. Paragraphs 24 to 32 outline some of the challenges customers may face due to the lack of readily available and comparable pricing and service information at all stages from the time of death to the funeral purchase.

84. The purpose of this section is to provide an overview of the measures that we are considering to address these challenges. More detail can be found in the *Transparency remedies* working paper.
85. The key elements are:
- (a) Making it easier for customers to assess and compare the prices and services offered by funeral directors and crematoria operators by, for example, the establishment of a platform to facilitate price and service comparison;
 - (b) improving customer awareness of price and service information and funeral planning before the point of need;
 - (c) introducing a 'reflection period' to enable customers to consider their options before paying for services, supported by a potential cap on the fees charged for the collection, transportation and storage of the deceased where a customer chooses to switch funeral director; and
 - (d) prohibiting certain forms of payment and requiring the disclosure of ownership structures and commercial relationships, in order to further increase transparency in the sector.

Regulating the price of funerals

86. The CMA's general preference is to deal comprehensively with the cause or causes of the competition problems it identifies wherever possible and by remedies which may significantly increase competitive pressures in a market within a reasonable period of time. However, our approach to remedies in any given case reflects both the scope for increasing competition to the extent necessary to tackle the underlying concerns and the degree and nature of any detrimental effect on consumers.
87. As set out above, the CMA is considering a range of remedies, including measures to promote greater information transparency. However, it is possible that these may be incapable of addressing the competition problems that we may find in their entirety, or in a reasonable period of time, particularly given the challenging circumstances which consumers face, having just lost a loved one.
88. Consequently, we are considering options for controlling the price of funerals at the point of need and intend to publish a working paper setting out our thinking in the course of February.

Local Authority procurement of funeral director services.

89. We are considering a remedy option involving local authorities tendering for a defined funeral package to be made available by the appointed funeral director(s) to residents at a negotiated rate, building on the example of existing such schemes. This approach may address the weak consumer engagement in the funeral purchasing process and benefit from existing procurement expertise to inject a degree of competition 'for the market', whilst also helping local authorities to address funeral poverty concerns.
90. We shall consider whether any such remedy would be better pursued by way of orders or recommendations.
91. We intend to publish a working paper setting out our thinking in the course of February.

Regulating the price of cremation

92. Given the intrinsic nature of the competition problems that our current analysis is pointing towards in relation to the supply of crematoria services, we are also considering options for controlling the level of cremation fees and intend to publish a working paper setting out our thinking in the course of February.
93. We should emphasise that at this point, we have made no decision (preliminary or otherwise) on whether the remedies described above may be appropriate in this case.

Next steps

94. Parties wishing to comment on any of the papers being published today should send their comments to Funerals@cma.gov.uk by 27 February 2020.
95. As indicated throughout this paper, we are in the process of carrying out additional analysis and aim to publish further working papers in February.