

# Funerals Market Investigation

## Influence of income on funeral choices

**30 January 2020**

This is one of a series of consultative working papers which will be published during the course of the investigation. This paper should be read alongside the [Issues Statement](#) published on 8 April 2019 and other working papers published. 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 Issues Statement and responses to the working papers as well as other submissions made to us. Parties wishing to comment on this paper should send their comments to [Funerals@cma.gov.uk](mailto:Funerals@cma.gov.uk) by 27 February 2020.

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The Competition and Markets Authority has excluded from this published version of the working paper information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [✂]. [Some numbers have been replaced by a range. These are shown in square brackets.] [Non-sensitive wording is also indicated in square brackets.]

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## Executive summary

1. This paper considers the extent to which income and the choices consumers make in relation to funerals are correlated. We do this by:
  - (a) comparing whether customers in local authorities with greater levels of average income purchase more or fewer simple funerals, or spend more or less on funeral packages; and
  - (b) analysing the responses to information requests and internal documents received from some, particularly the larger, funeral directors.
2. We have found that:
  - (a) there is no correlation between the take-up of simple funerals and the level of average income within a local authority area;
  - (b) there is a positive correlation between average income and standard and simple ARF, but that there is a significant amount of dispersion around the line of best fit; and
  - (c) the responses to information requests and internal documents suggest that some low-income consumers may seek to limit the amount they spend on funerals, but others choose to spend more, such that overall there appears to be a weak correlation, if any, between income and funeral choices.
3. There are a number of caveats to this analysis:
  - (a) With regard to the quantitative analysis, the local authority within which a funeral director is located may not always correspond to the geographic market in which it competes.
  - (b) The responses to information requests and internal documents are primarily provided by three larger funeral directors (Co-op, Dignity and Funeral Partners). It may therefore not be representative of all funeral directors and funeral customers.
4. Taken together, the quantitative analysis, internal documents and responses to information requests indicate that choices of funeral package are not strongly correlated with the level of income or deprivation.

## Introduction

5. This paper considers the extent to which income and the choices consumers make in relation to funerals are correlated.
6. This is relevant in two respects. It allows us to understand whether different groups are differently affected by recent trends and changes in the funerals market, such as changes in prices and take-up of low-cost options; and it allows us to understand whether remedies (such as price controls) are likely to affect customer groups in the same way and to the same extent.
7. We assess the correlation between income and funeral purchases in this paper in two ways:
  - (a) by comparing whether customers in local authorities with greater levels of average income purchase more or fewer simple funerals, or spend more or less on funeral packages; and
  - (b) by analysing the responses to information requests and internal documents received from some, particularly the larger, funeral directors.
8. As a sensitivity test, we also analyse whether customers in local authorities with greater levels of deprivation<sup>1</sup> purchase more or fewer simple funerals or spend more or less on funeral packages. This is to test whether factors other than income which drive deprivation, such as employment levels, education and health, correlate with consumers' purchasing decisions.
9. There are a number of caveats to this analysis:
  - (a) With regard to the quantitative analysis, the local authority within which a funeral director is located may not always correspond to the geographic market in which it competes.
  - (b) The responses to information requests and internal documents are primarily provided by three larger funeral directors (Co-op, Dignity and Funeral Partners). It may therefore not be representative of all funeral directors and funeral customers.

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<sup>1</sup> Based on the English Index of Multiple Deprivation, which is a measure of relative deprivation for small areas. It aggregates 7 domains of deprivation; in order of relative importance these are income, employment, education, health, crime, barriers to house & services, and living environment. It generates an index for each Local Lower Layer Super Output Area (LSOA), which are small areas with populations between 1000 – 1500, and ranks each of these. These are aggregated into the local authority level.

10. This paper is structured as follows:
  - (a) First, it outlines the quantitative analysis conducted and its results;
  - (b) second, it summarises the responses to information requests and internal documents received from some funeral directors.

## Quantitative analysis

### *Data and methodology*

11. We received branch-level data from the Co-op, Dignity and Funeral Partners. For each of their branches, we received data on the number, revenue and disbursements of all of their funerals for 2018. They provided this data split between cremations and burials, and across their different funeral packages (standard, simple, pre-paid, direct or unattended cremations, etc).
12. For each local authority area, we have aggregated the Co-op, Dignity and Funeral Partners branches within that area and calculated two measures which are used within this analysis:<sup>2</sup>
  - (a) The first measure is the proportion of at-need funerals which are simple funerals. This is calculated as the number of sales of simple funerals as a proportion of the number of sales of all at-need funerals (all at-need funerals include standard funerals, simple funerals, direct cremations and Dignity's 'limited' funeral).<sup>3</sup>
  - (b) The second measure is the average revenue per funeral (ARF) for at-need standard and simple funerals. The ARF is calculated by dividing the total revenue (excluding disbursements) by the number of funerals sold. The ARF reflects the average amount spent by consumers in total for the funeral (excluding disbursements), including optional add-ons and discounts.

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<sup>2</sup> The benefit of aggregating the branches within each local authority, rather than simply taking the average within each local authority, is that this places more weight on branches which did more funerals.

<sup>3</sup> Pre-paid, child, contract, and repatriated funerals are excluded from all further analysis, as the focus of this analysis are the funeral options available to customers at the point of need.

13. We have also collated data on the level of the average income for each local authority in the United Kingdom and the level of deprivation for each local authority in England.<sup>4,5,6</sup>
14. The local authority level is chosen for this analysis as it we consider that it covers a sufficiently broad geographic area to capture most of the customers of a funeral director's branch. However, a caveat to this analysis is that there are a number of reasons why a local authority may not always correspond to the geographic market in which a funeral director competes. For example, if a funeral director serves a small community within the local authority with distinct demographic characteristics, this may mean that the local authority population may also include individuals with different characteristics and so may not fully reflect the customers of that particular funeral director. Alternatively, a local authority population may also include individuals who purchased funerals from funeral directors outside of the local authority area and from funeral directors other than Co-op, Dignity and Funeral Partners. The effect of such situations would be to introduce a measurement error. This may mean that we may not be accurately capturing the correlation we aim to capture, and therefore our results should be considered indicative.

## *Results*

15. Figure 1 plots the average income within each local authority area against the proportion of simple funerals purchased in that area. If customers in local authorities with higher incomes purchase fewer simple funerals, we would expect to see a negative correlation (shown by a downward sloping line of best fit).

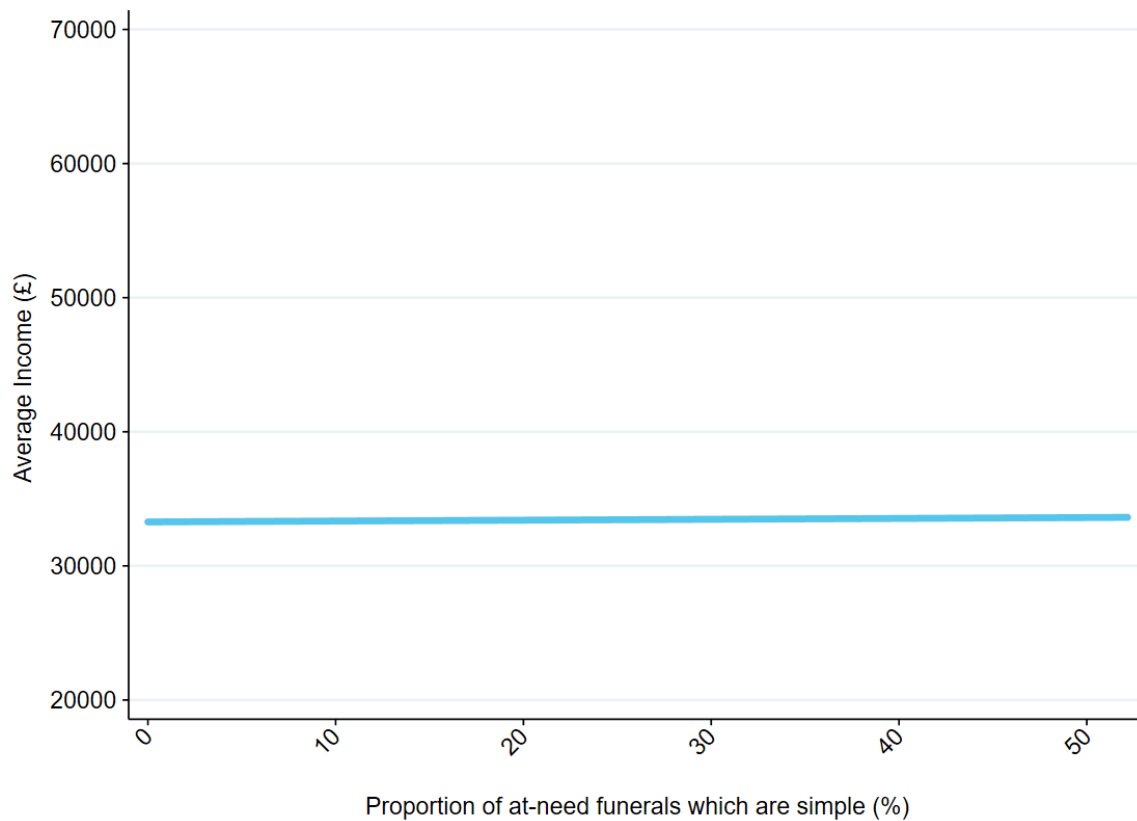
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<sup>4</sup> [English Indices of Deprivation: Local Authority District Summaries](#). Published by the Ministry of Housing, Communities and Local Government (2015).

<sup>5</sup> We did not collate deprivation data for Northern Ireland, Wales, and Scotland. This is because the deprivation data available for these nations are not comparable with each other. Therefore, we would have to conduct an analysis of each nation its own, and there are not enough branches within Northern Ireland, Wales, and Scotland to do this robustly.

<sup>6</sup> [Earnings gross annual timeseries, place of work by local authority](#). Published by the ONS (2018).

**Figure 1: Proportion of simple funerals and income**



Source: CMA analysis of data submitted by Co-op, Dignity and Funeral Partners and the earnings gross annual timeseries, place of work by local authority published by the ONS.

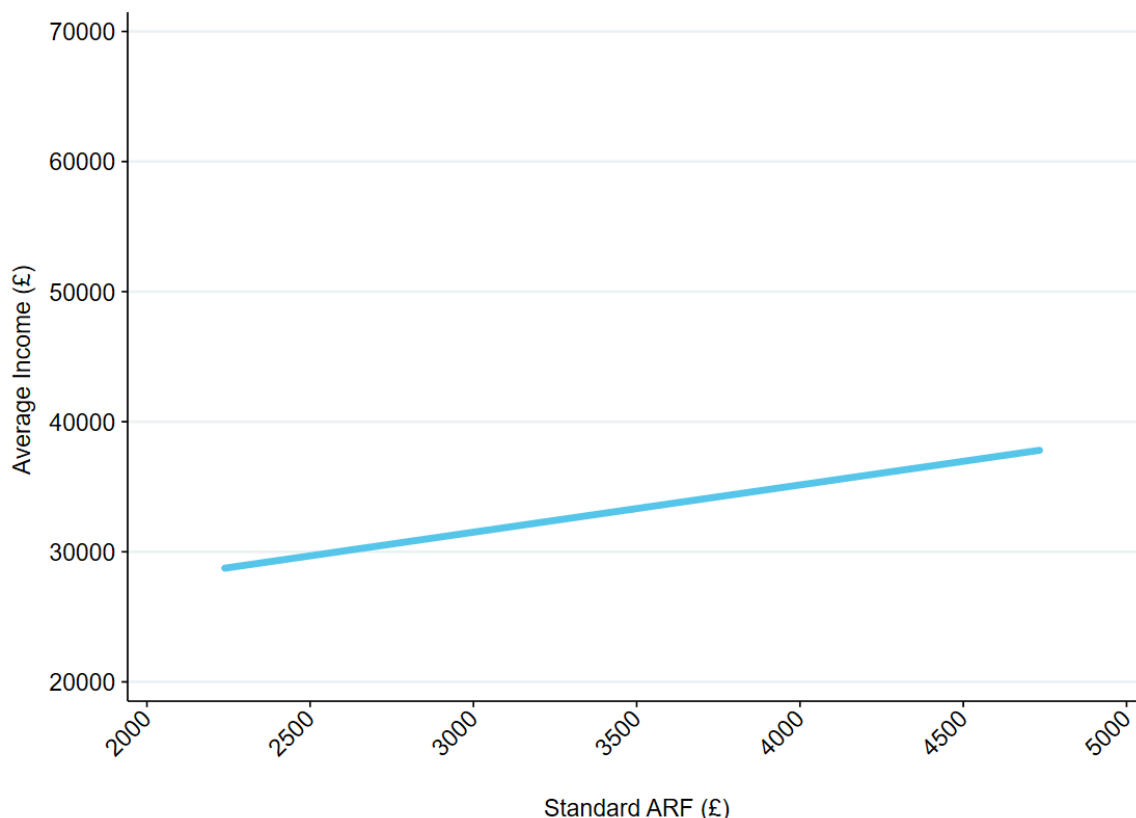
Notes:

- (1) For confidentiality purposes the points on this graph have been excised.
- (2) Correlation of 0.01 ( $p = 0.85$ ).
- (3) The light blue line represents a line of best fit. A downward sloping line would indicate that there is a negative relationship.

16. Figure 1 shows that there is no correlation between income and the proportion of simple funerals bought. It shows that the percentage of simple funerals varies between 0% and 50% across the entire range of incomes. The correlation coefficient is not statistically different from 0.
17. Figure 2 and Figure 3 plot the standard and simple ARF, respectively, against average income.



**Figure 2: Standard ARF and average income**



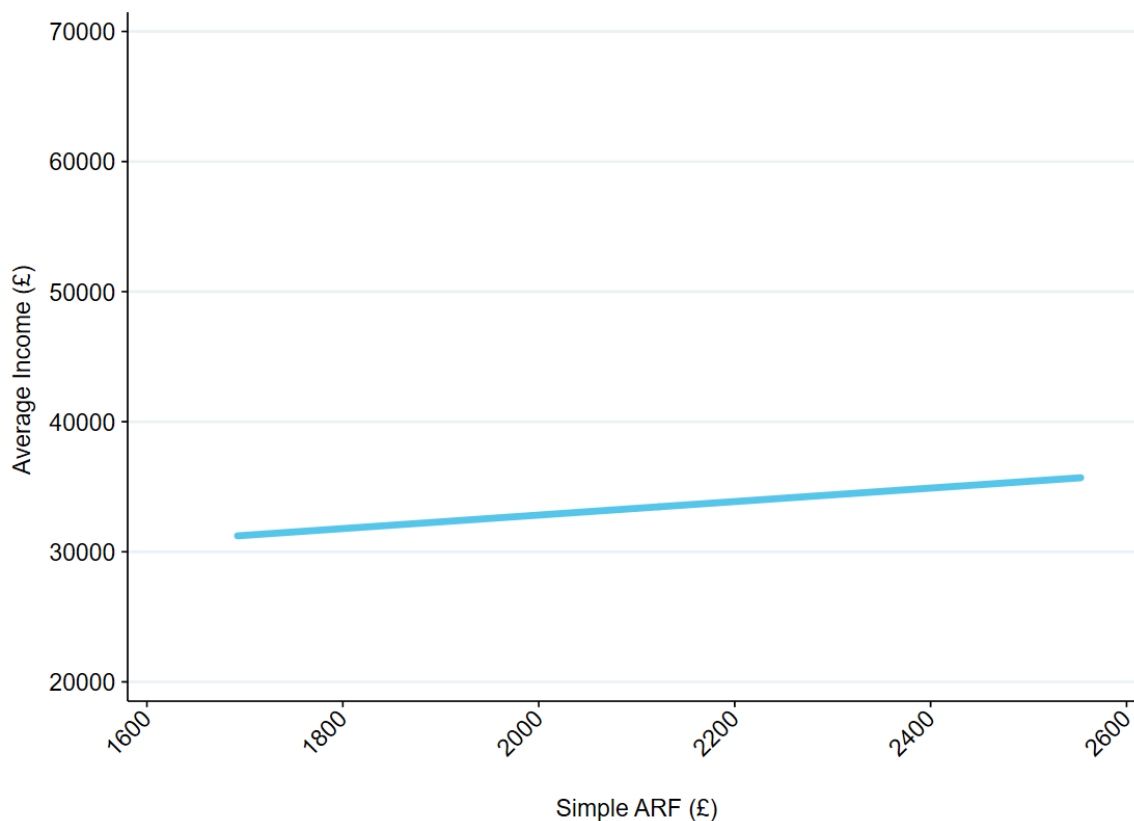
Source: CMA analysis of data submitted by Co-op, Dignity and Funeral Partners and the earnings gross annual timeseries, place of work by local authority published by the ONS.

Notes:

- (1) For confidentiality purposes the points on this graph have been excised.
- (2) Correlation coefficient of 0.24 ( $p < 0.001$ ).

18. Figure 2 shows that there is a positive correlation between the standard ARF and income within the local authority area, suggesting that in local authorities with a higher average income people spend more on standard funerals. However, the graph shows that there is a significant amount of dispersion around the line of best fit, indicating that average income is not the only factor that affects spending on funerals.

**Figure 3: Simple ARF and average income**



Source: CMA analysis of data submitted by Co-op, Dignity and Funeral Partners and the earnings gross annual timeseries, place of work by local authority published by the ONS.

Notes:

- (1) For confidentiality purposes the points on this graph have been excised.
- (2) Correlation coefficient of 0.13 ( $p = 0.02$ ).
- (3) One branch is excluded whose simple ARF is £1250.

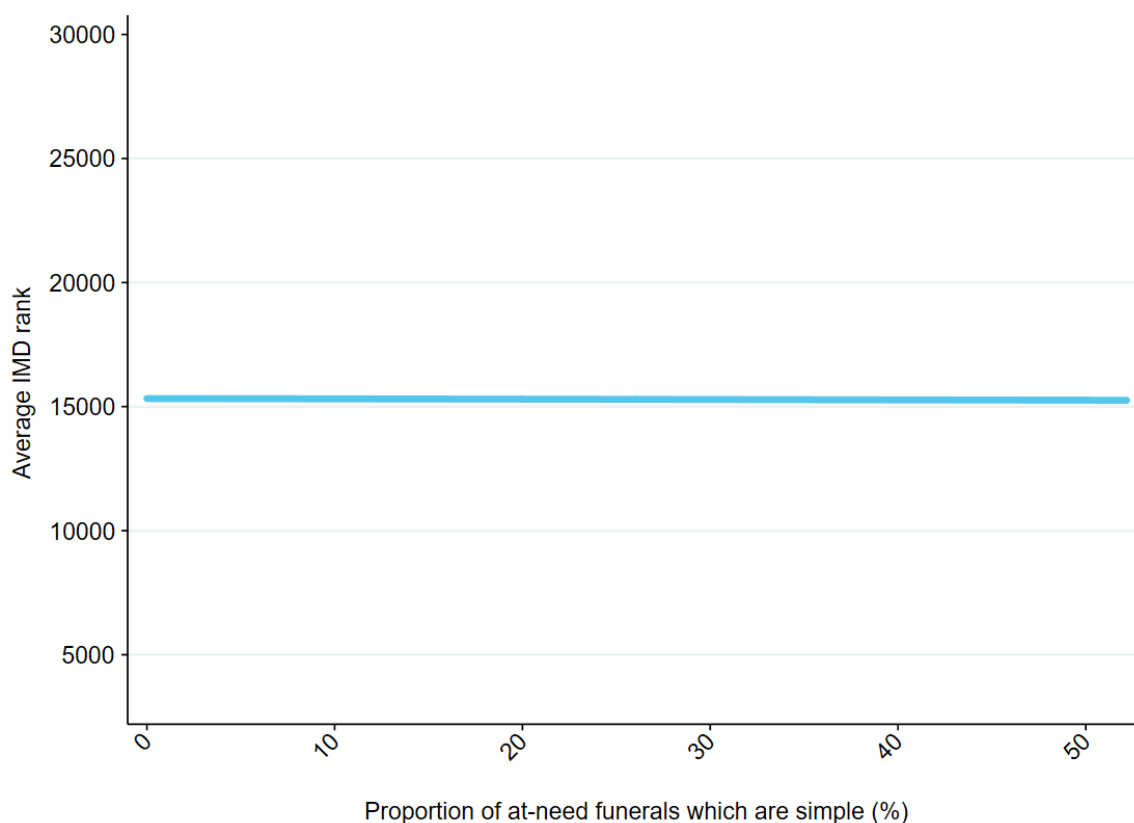
19. Figure 3 shows that there is a positive correlation between the simple ARF and the level of average income within the local authority area, although the correlation is less strong than for standard funerals. Again, the graph shows that there is a significant amount of dispersion around the line of best fit, indicating that average income is not the only factor that affects spending on funerals.

### *Sensitivity Test*

20. The Index of Multiple Deprivation (IMD), produced by the Ministry of Housing, Communities & Local Government, is a measure of relative deprivation for small areas in England. It aggregates seven domains of deprivation; these are income, employment, education, health, crime, barriers to house and services, and living environment. As a sensitivity test for the analysis set out above, we consider whether the IMD is correlated to consumers' purchasing decisions.

21. Figure 4 plots the average rank of the IMD of each local authority area against the proportion of simple funerals. A higher IMD indicates that an area is more deprived. If customers in more deprived local authority areas purchase more simple funerals, we would expect to see a positive correlation (shown by the line of best fit).

**Figure 4: Proportion of simple funerals and Index of Multiple Deprivation**



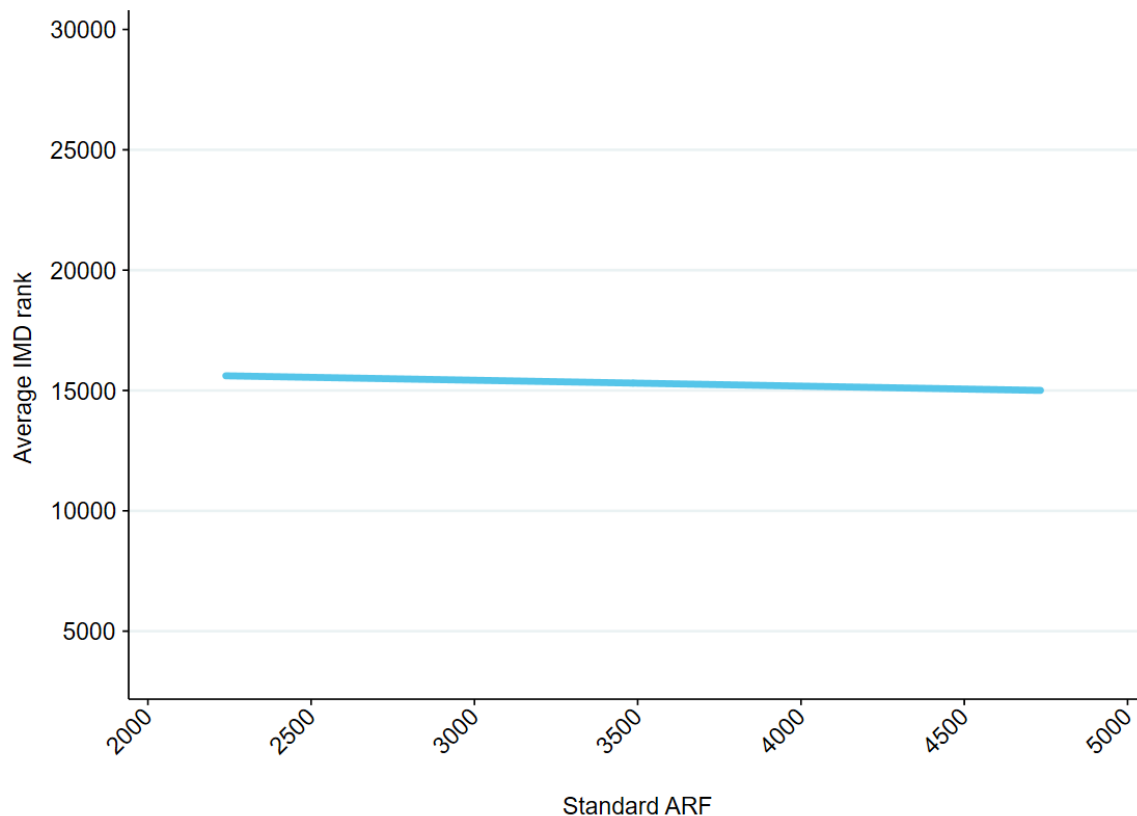
Source: CMA analysis of data submitted by Co-op, Dignity and Funeral Partners and English Indices of Deprivation: Local Authority District Summaries published by the Ministry of Housing, Communities and Local Government (2015).

Notes:

- (1) For confidentiality purposes the points on this graph have been excised.
- (2) Contains branches for England only. Each point represents a single Local Authority. 299 local authorities included in total.
- (3) Correlation of -0.03 ( $p = 0.60$ ).
- (4) The light blue line represents a line of best fit. An upward sloping line would indicate that there is a positive relationship.

22. Figure 4 shows that there is no material correlation between the IMD and the proportion of simple funerals. It shows that the percentage of simple funerals bought varies between 0% and 50% across the entire range of IMD. The correlation coefficient is not statistically different from 0.
23. We also test whether the ARF for standard and simple funerals differ across local authorities with different levels of deprivation. Figure 5 and Figure 6 plot the IMD against standard and simple ARFs. The higher the IMD, the greater the level of deprivation. If individuals in more deprived areas spend less, we would expect to see a negative correlation between these figures.

**Figure 5: Index of Multiple Deprivation and the standard ARF**



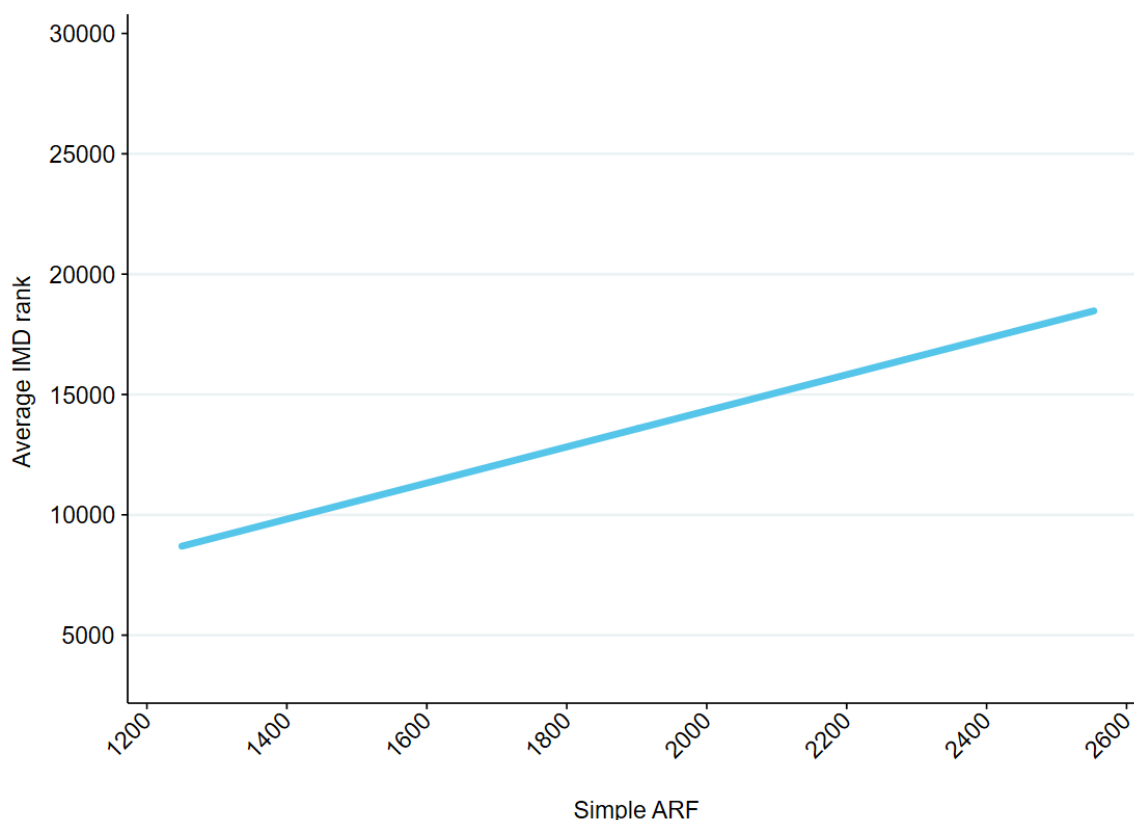
Source: CMA analysis of data submitted by Co-op, Dignity and Funeral Partners and English Indices of Deprivation: Local Authority District Summaries published by the Ministry of Housing, Communities and Local Government (2015).

Notes:

- (1) Correlation coefficient of -0.04 ( $p = 0.75$ ).
- (2) This relationship remains negative and statistically insignificant even when omitting outliers (ie considering only branches with a standard ARF greater than £2,500 and less than £4,500). The correlation coefficient is -0.056 ( $p = 0.92$ ).

24. Figure 5 shows there is a weak negative correlation between the IMD and the standard ARF. The correlation coefficient is not statistically different from 0, which indicates that there is no statistically significant difference in the amount spent on standard funerals across local authorities with different levels of deprivation. The graph also shows that there is a significant amount of dispersion around the line of best fit, indicating that there are also other factors which affect spending on funerals.

**Figure 6: Index of Multiple Deprivation and the simple ARF**



Source: CMA analysis of data submitted by Co-op, Dignity and Funeral Partners and English Indices of Deprivation: Local Authority District Summaries published by the Ministry of Housing, Communities and Local Government (2015).

Notes:

- (1) For confidentiality purposes the points on this graph have been excised.
- (2) Correlation coefficient of 0.18 ( $p < 0.01$ ).

25. Figure 6 shows a positive correlation between the IMD and the simple ARF, which suggests that in more deprived local authorities the average spending on simple funerals is higher than in less deprived local authorities. However, the graph shows that this positive correlation may be mostly driven by local authorities with outlier values of simple ARF. The graph also shows that there is a significant amount of dispersion around the line of best fit, indicating that there are also other factors which affect spending on funerals.

## Summary of responses to information requests and internal documents

### *Responses to information requests*

26. Some funeral directors we contacted highlighted that lower income groups may in some instances tend to spend more on funerals:
- (a) East of England Co-op submitted that 'those who seek and use the 'lower cost' funerals are not entirely from a financially disadvantaged

background. While clearly a number are, others are believed to be from a more affluent background, but just averse to spending larger sums on a funeral.'

(b) Mid Counties Co-op submitted that

Although there is some correlation between demographic and spend (i.e. due to available disposable income), this is often counteracted by the more affluent choosing not to spend when they do not need to, and the less affluent choosing to spend more on a 'final goodbye' as the last opportunity for them to counteract the fiscal restrictions of previous years – i.e. to provide the best possible 'send-off'.

(c) A small funeral firm noted that low income families can sometimes spend a great deal on funerals.

(d) Funeral Partners told us that:

Anecdotally, we believe it is not unusual for families in lower income groups to spend more on a funeral than those in higher income groups. This is seen in parts of London (but it is not exclusive to London) with certain populations in high-density social housing having larger funerals (e.g. several limousines and flowers) and whole families 'clubbing together' for a generally more lavish 'send-off'. To a certain degree, it may be the case that customers in affluent areas (and potentially higher income groups) may choose a less lavish affair, despite potentially having more disposable income.

(e) A small funeral firm told the CMA direct cremation became popular not due to the appeal of cost savings but more as a "rebellion" against the traditional funeral. It further noted that it is not the more deprived demographic that is likely to prefer direct cremation, as people from more deprived background tend to prefer traditional funerals.

(f) A representative of the National Association of Funeral Directors (NAFD) also questioned the suitability, in some circumstances, of direct cremation for those on low incomes:

'Direct cremation is concerning from our point of view in some ways in that where is the support for the family who are left behind? What do you do the day after? Do you just go back to work? There is concern from that point of view. So, it does not necessarily provide the needs that the family want. [...] the people who I deal with who are on lower incomes, that is not what they

want. The more money people have the less that they want, generally from a funeral’.

27. Other funeral directors thought that income had no clear correlation with what customers spend on funerals. One highlighted that low-income consumers may choose to have less costly funerals:

(a) Dignity told us that ‘There is no direct relationship between a customer’s income group and their choice of funeral director or willingness to spend.’

(b) Southern Co-op submitted that income group ‘tends to have little bearing on what is spent or the choices made.’

(c) A small funeral firm stated ‘[...] financial means and household income has got very little to do with most funerals [as most funerals] cost exactly the same from the lowest household budget to the highest.’

(d) Central England Co-op told us that

‘We aim to personalise every funeral so that customers ultimately purchase the funeral that is right for them, the family and any wishes expressed in life by the deceased. We are mindful that this should be also affordable for the customer. [...] The income group of a customer, their family or of a deceased may impact both the customer’s behaviour and their ability to make certain choices. If the cost of a funeral is troubling for a customer, they can often find the conversation about payment very stressful and uncomfortable. Their choices will often be based on the cost of the services or products as opposed to what they would like to have chosen for the deceased. This can be a less expensive coffin, choosing not to have a limousine or arranging an unattended funeral service. For this reason we offer individual elements that make up a funeral rather than set packages that may lead people into choosing elements that are not essential to the customer’.

It also told us that

‘In less affluent areas, it is common to see family’s (sic) book funerals where limousines are not included, less expensive coffins are chosen and other additional products such as orders of service are not ordered. There may often be a larger proportion of families in less affluent areas notifying us that they are making a claim to the Department of Work and Pensions for support with paying for the funeral’.

28. These responses show that some funeral directors consider there to be no correlation between income and funeral choices, while some funeral directors have found that lower income groups may in some instances tend to spend more on funerals. On the whole, these responses suggest a weak relationship between income and funeral choices.

*Internal documents*

29. We consider that the research and analysis conducted by the larger funeral directors and presented in internal documents need to be considered in context. This is because these internal documents are from three large funeral directors (Co-op, Dignity and Funeral Partners) and so may therefore not be representative of all funeral directors and funeral customers.
30. The internal documents summarised below show that there is no clear relationship between income and funeral purchasing behaviour. This is the case when funeral directors consider their own customers' average spending, choice of funeral package, or sensitivity to price; and when they consider the prices set by their competitors. It also appears to be the case when third-parties have analysed funeral director's prices.
31. In 2018, LEK undertook analysis for Dignity's transformation programme which sub-divided customers into eight distinct segments. Three of the eight customer segments defined by LEK relate to low-income groups: [REDACTED].

**Figure 7: Breakdown of LEK segment characteristics**

[REDACTED]

32. For these three groups:

(a) [REDACTED]:

- (i) had the highest spend of any group [REDACTED] and so had the highest spend as a proportion of available funds ([REDACTED]);
- (ii) had low pre-paid take-up ([REDACTED]); and
- (iii) had below average propensity to take a simple funeral ([REDACTED]).
- (iv) Dignity had a c. [REDACTED]% share of this group - they are identified as 'less likely to shop around'. The market size has been broadly flat [REDACTED]

(b) [REDACTED]:

- (i) had below average level of expenditure [REDACTED];



- (ii) had lowest pre-paid take-up ([x]); and
- (iii) had highest propensity to take a simple funeral ([x]).
- (iv) Dignity had a share of c. [x]% - they are identified as 'tend not to shop around'. The market size has been broadly flat [x].

(c) [x] :

- (i) had the lowest level of expenditure ([x]%)
- (ii) had highest pre-paid take-up ([x]%)
- (iii) had below average propensity to take a simple funeral ([x]%)
- (iv) Dignity had a share of [x]%. The market size has been broadly flat [x].

33. This shows that some low-income groups of consumers spend an above-average amount on funerals ([x]) and some spend a below-average amount on funerals ([x] and [x]).

34. However, we have not assessed how LEK has created these segments and we do not have data on the income of the groups which LEK have defined as having low-income. Further, there are other factors which are being considered in these grouping (eg the extent to which consumers plan ahead) which will also influence the amount spent by consumers and therefore this does not capture just the influence of income on funeral choices.

35. A Co-op document included some analysis of how pricing varied depending on estimated average income in the postcode of different funeral directors listed on two PCWs: Your Funeral Choice (YFC) and Beyond. This found that basic and simple funeral pricing excluding disbursements was relatively consistent across income levels, but when disbursements are included costs appear to 'vary upwards' with income (see Figure 8), which may be partly related to higher disbursement costs applying in Greater London. It also stated that 'There is greater local price flexing on a full-service funeral in the market', referring to Figure 9. However, we note that:

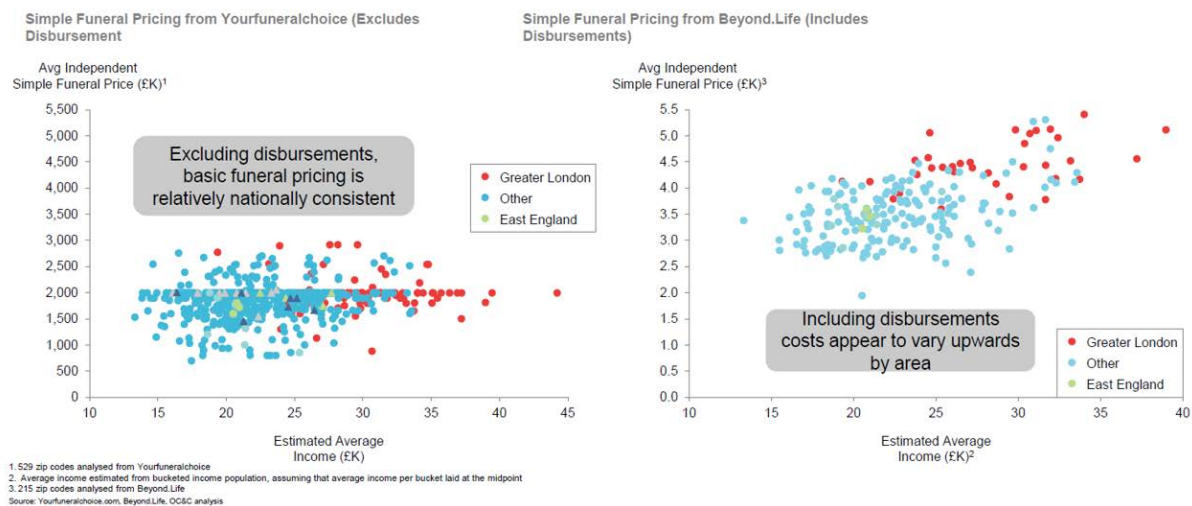
- (a) Beyond and YFC cover different independent funeral directors, and YFC have more prices listed. The analysis covers more postcodes for YFC than Beyond. This makes it difficult to compare the results of the analysis undertaken between YFC and Beyond data.
- (b) We do not know whether the analysis is made on a like for like basis in terms of what is included in the simple funeral which has been examined.

(c) This analysis looked at the prices offered by funeral directors, rather than what consumers actually spend (which may be different if they add or take away optional extras).

(d) The source of income information has not been provided.

**Figure 8: Independent funeral home pricing on simple package vs catchment affluence**

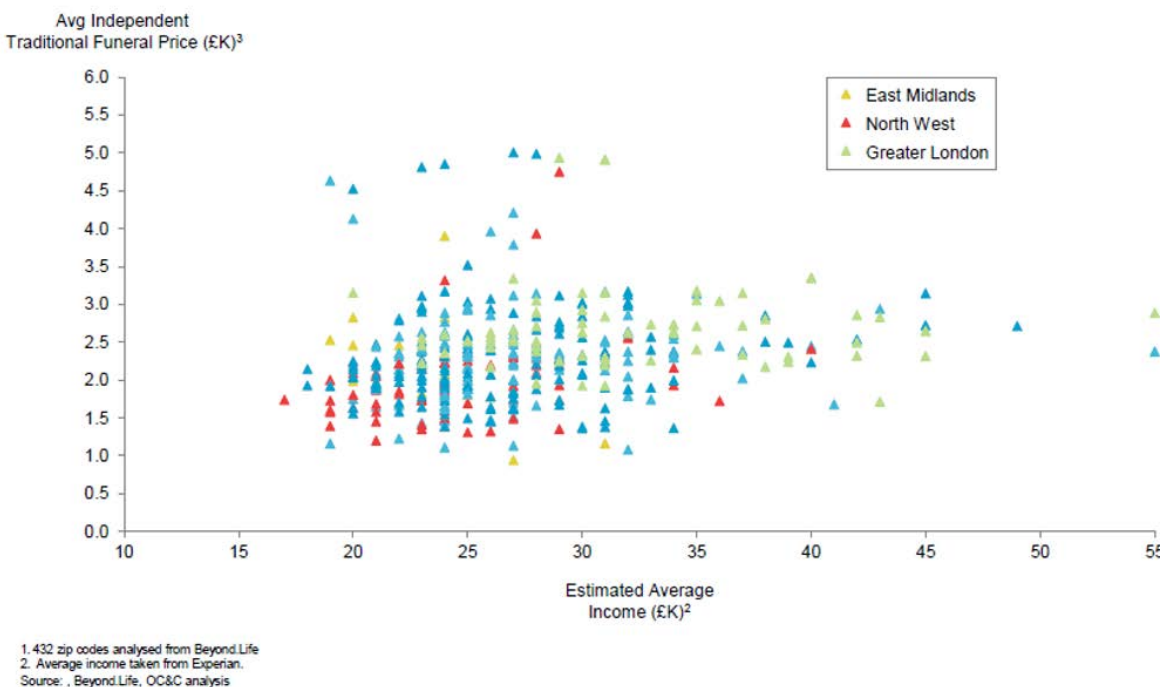
Independent Funeral Home Pricing on Simple Package vs. Catchment Affluence



Source: Co-op

**Figure 9: Independent funeral home pricing on traditional package vs catchment affluence**

Independent Funeral Home Pricing on Traditional Package vs. Catchment Affluence



Source: Co-op

36. Analysis was undertaken for Funeral Partners in January 2017 to assess pricing levels and structures within the funerals market at that time. This

included assessing customers' sensitivity to price changes and if there were any clear drivers of this. This is not the same as the amount these customers spend, but we might expect those on lower incomes to be less willing to spend large amounts, and so to be more sensitive to price changes, than customers on higher incomes. It found that households with very different income levels had similar median price elasticities, but with wide ranges (suggesting their price sensitivity is not significantly different) (see Figure 10). However, we note that this appears to be based on very small sample sizes and so may not be particularly robust.

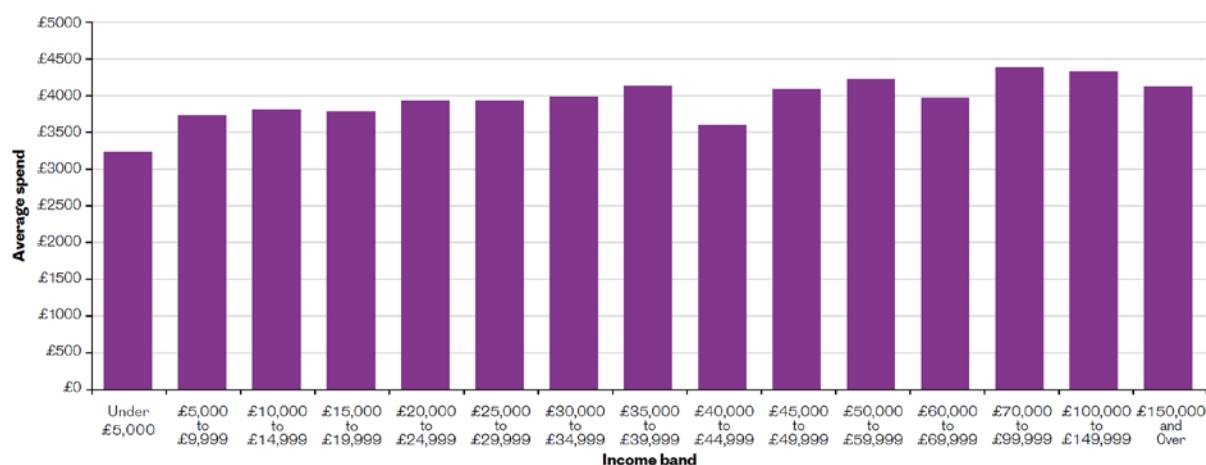
**Figure 10: Median elasticity estimates by weekly household income (RHS)**



Source: Funeral Partners

37. Finally, we note that Royal London research found that ‘there continues to be very little difference between funeral spend across different income groups. Those earning £150,000 and over per year spent on average £4,130 on a funeral while those on less than £5,000 a year spent £3,245, only £885 less – despite an income difference of more than £145,000 per year’ (see Figure 11). As a result, the average spend as a proportion of income is far higher for the lowest income group (65%) compared to the highest income group (3%).<sup>7</sup> We have not assessed Royal London’s methodology.

**Figure 11: Average funeral spend by household income**



Source: Chart 5, [Change on the horizon? National Funeral Cost Index Report](#) published by Royal London.

## High-level observations

38. This paper has primarily examined the correlation between income and funeral choices. From the analysis in this paper we have found that:

<sup>7</sup> Page 17, [Royal London National Funeral report 2019](#)

- (a) there is no correlation between the take-up of simple funerals and the level of average income within a local authority area;
  - (b) there is a positive correlation between average income and standard and simple ARF, but that there is a significant amount of dispersion around the line of best fit; and
  - (c) the responses to information requests and internal documents suggest that some low-income consumers may seek to limit the amount they spend on funerals, but others choose to spend more, such that overall there appears to be a weak correlation, if any, between income and funeral choices.
39. With regard to our sensitivity check with respect of the relationship between deprivation level in the local authority area and funeral choices, the quantitative analysis found that:
- (a) there is no statistically significant correlation between the take-up of simple funerals and the level of deprivation within a local authority area; and
  - (b) there is no statistically significant correlation between the level of deprivation and spend on standard funerals, and there is a positive correlation between the level of deprivation and spend on simple funerals but that this is likely to be driven primarily by outliers. There is a significant amount of dispersion around the line of best fit.
40. The benefit of using the average revenue per funeral (ARF) as a measure of price is that it reflects the average amount paid by consumers in total, including optional add-ons and discounts. However, the ARF aggregates the amount paid by each consumer and therefore does not allow us to identify the purchasing behaviours of individual consumers. Therefore, the quantitative analysis allows us to identify broad correlations, which should be considered alongside the internal documents and submissions by the funeral directors.
41. Taken together, the quantitative analysis, internal documents and responses to information requests indicate that choices of funeral package are not strongly correlated with the level of income or deprivation.