

Funerals Market Investigation

Crematoria: background and market structure

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 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 [✂]. Non-sensitive wording is also indicated in square brackets.

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Executive summary

1. This paper discusses the evidence we have gathered in relation to industry background and market structure, in particular:
 - (a) The number of cremation services conducted, revenue mix and uptake of optional services;
 - (b) the number of crematoria, and how many rivals they face; and,
 - (c) barriers to entry.
2. Our analysis shows that most crematoria face a limited number of rivals in their local areas. In particular, around half of crematoria face no rivals within a 30-minute cortege drive time, and only a small number of crematoria have three or more rivals within a 30-minute cortege drive time (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 rival crematoria.
3. 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).

Industry background

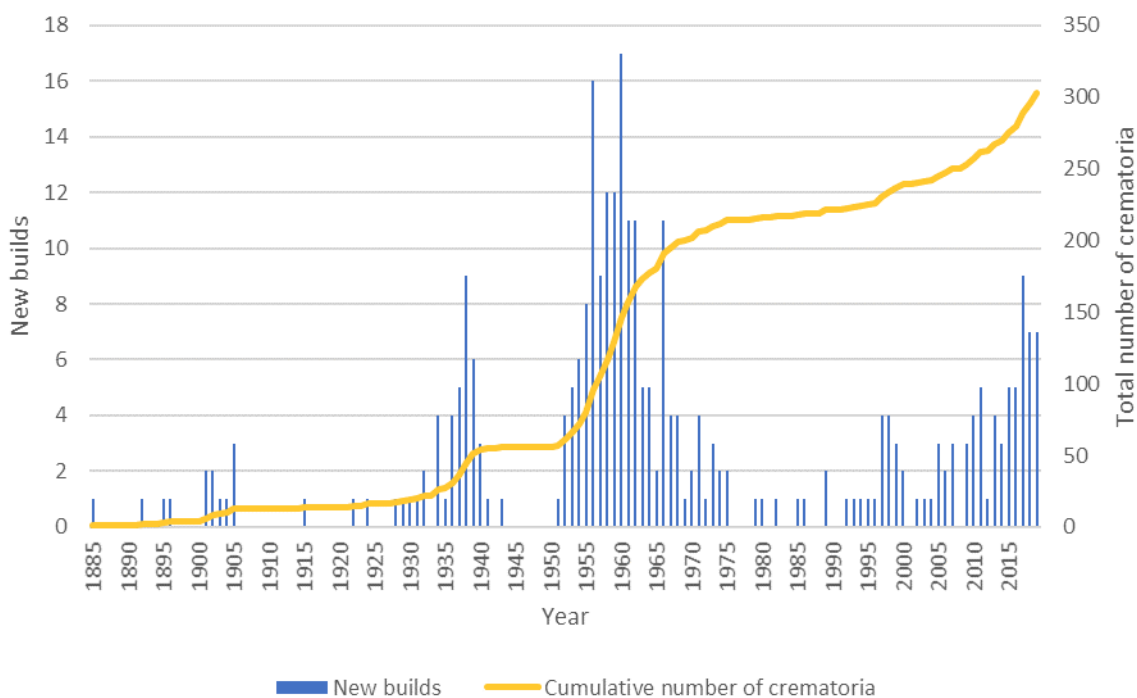
Number of cremations

4. The proportion of funerals involving a cremation has grown steadily in the past 60 years, from 35% in 1960 to 78% in 2018.¹

¹ Cremation Society, [Table of Cremations 2018](#).

- The number of crematoria has also increased, with significant waves of construction taking place in the 1960s and in the last decade, as shown in Figure 1 below.

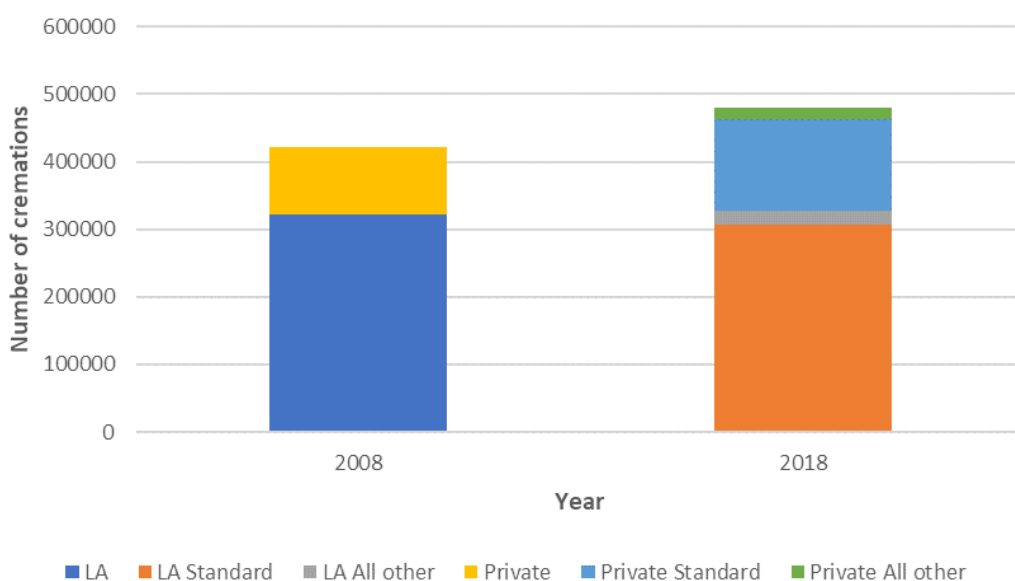
Figure 1: Number of crematoria in operation in the UK over time



Source: CMA analysis of ICCM information. 12 new crematoria directly replacing old crematoria not counted as new builds.

- The total number of cremations conducted by private and local authority (LA) crematoria has increased from just over 420,000 to around 480,000 between 2008 and 2018 (a percentage increase of 14%), as shown by Figure 2 below.

Figure 2: Number of cremations performed by provider in 2008 and 2018

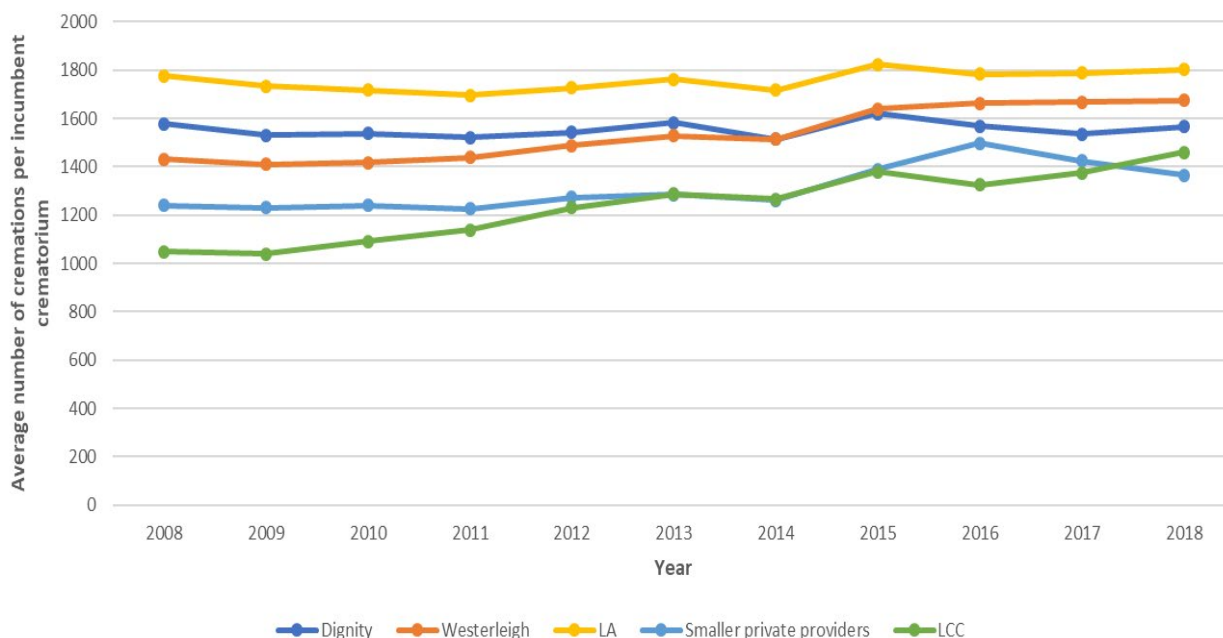


Source: CMA analysis of Cremation Society data and RFI responses from Dignity, Westerleigh, Westerleigh, Memoria, London Cremation Company and smaller private providers. All other services include unattended/direct cremation, reduced fee and all other types of cremation.

7. This graph shows that the increase in the number of cremations over the last ten years has primarily been met by private providers (who, during the time period between 2008 and 2018, opened 44 new crematoria, whilst local authorities opened only 2 new crematoria).² We have split 2018 volumes by standard and non-standard services. Standard fee services are those services charged at the full fee, normally during peak hours. Non-standard services include reduced fee services, which are services held in off-peak hours (eg 9am or 9.30am services) and unattended fee services, which are cremations without a service (also referred to as direct cremations). Non-standard cremations account for 8% of the services conducted in 2018.

8. We have also assessed how the average number of cremations per crematorium, across crematoria providers, has changed over time. We want to understand whether the opening of the new crematoria referred to in paragraph 7 means that existing crematoria are, on average, doing fewer cremations, or that new crematoria are meeting a growth in demand.

Figure 3: average number of cremations per crematorium (that opened during or before 2008), 2008 to 2018



Source: CMA analysis of Cremation Society data.

9. This graph shows that, for existing crematoria across any given provider category (ie those crematoria that opened during or before 2008), the average

² These figures do not include local authority crematoria that have been replaced over the stated period.

number of cremations at each crematorium has either increased slightly for Westerleigh, smaller private providers and the London Cremation Company (LCC) or remained relatively stable for the other providers. This suggests that newer crematoria have delivered additional capacity to help meet growing demand (as opposed to reducing average volumes at existing crematoria).

Mix of private providers' services over time

10. The following table shows the proportion of total revenue in 2018, for each of the three largest crematoria operators, generated by cremation services, memorial sales or burials. The largest private providers' revenue is predominately generated from cremation services. Burials are a very small part of the business for each of the main private, but we note that Dignity appears to have a significant proportion of revenue from memorials.

Table 1: proportion of total revenue in 2018, for each of Dignity, Westerleigh, and Memoria, generated by cremation services, memorials and burials

	<i>Cremation services, %</i>	<i>Memorials, %</i>	<i>Burials, %</i>
Dignity	[X]	[X]	[X]
Westerleigh	[X]	[X]	[X]
Memoria	[X]	[X]	[X]

Source: CMA analysis of RFI response from Dignity, Westerleigh and Memoria submissions of January 2020. Proportions may sum to greater or less than 100% due to rounding.

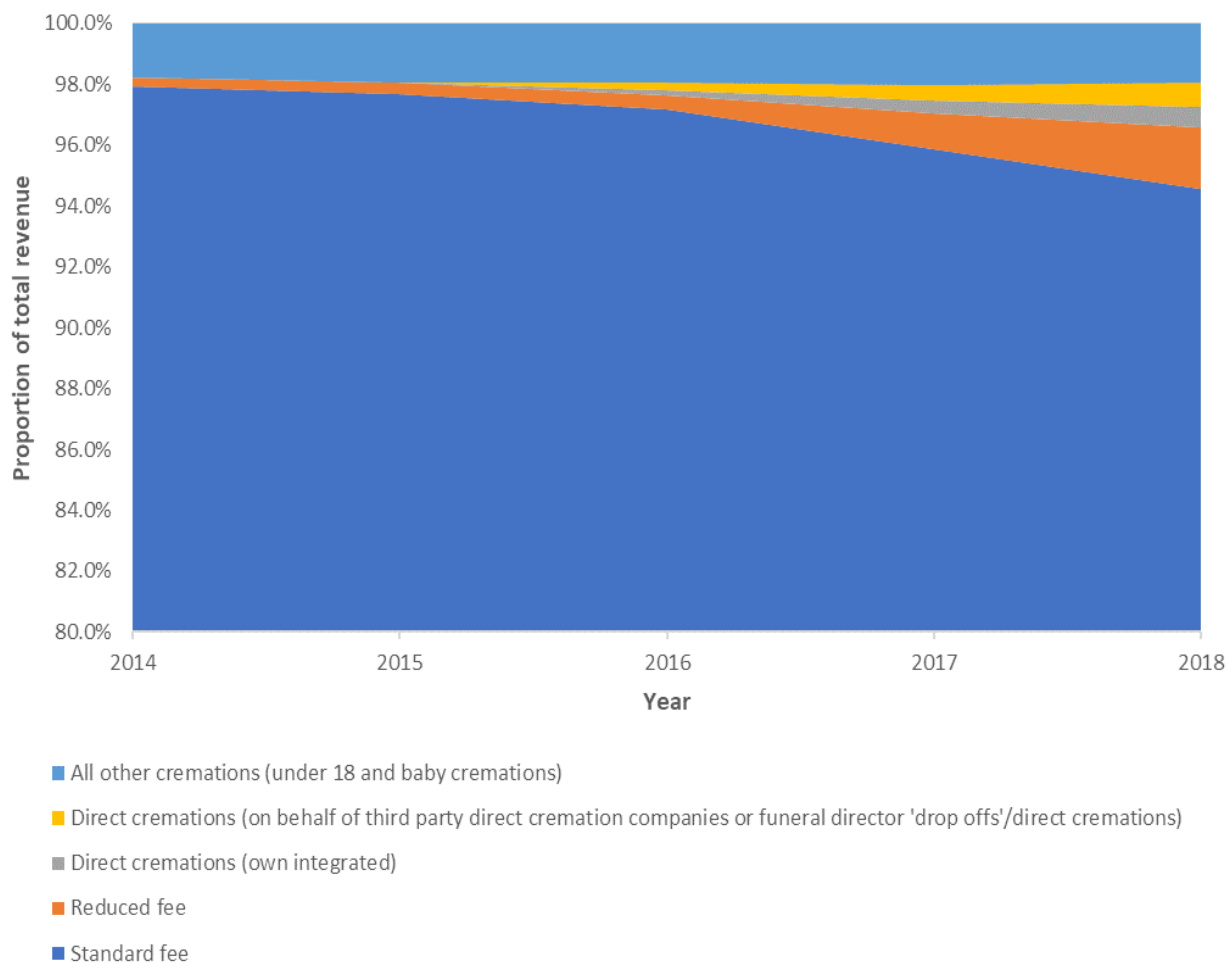
Notes:

- (1) Dignity's memorial revenue includes revenues generated from memorials sold in relation to both.
- (2) Westerleigh's burial revenue includes revenues generated from memorials sold in relation to burials.

11. When focussing on revenue from cremation services, Figure 4 shows how the average revenue mix from conducting cremations of the four largest crematoria operators has changed since 2014. Standard cremations remain the most significant source of revenue, accounting for 95% of total revenue across Dignity, Westerleigh, Memoria and the London Cremation Company in 2018. There has been a growth in reduced fee services to 2% of total revenue. The proportion of revenue from direct cremations, either via their own integrated business (for example, Memoria has its own direct cremation business)³ or on behalf of funeral directors/third party direct cremation companies (eg Pure Cremation or the Cooperative) remains low.

³ See: [Low Cost Funerals](#) website

Figure 4: Revenue mix, across Dignity, Westerleigh, Memoria and London Cremation Company, from 2014 to 2018



Source: CMA analysis of RFI responses from Dignity, Westerleigh, Memoria and London Cremation Company. We did not have data for other providers.

Pricing and uptake of additional services

12. In addition to revenue from cremation fees (which are generated by providing time in the chapel for a service and the cremation itself), crematoria may also generate revenue from the sale of additional optional services related to the cremation service, such as bearers, organists and hospitality services. We have gathered data from Dignity, Westerleigh and Memoria as to the number and value of additional optional services purchased by their customers. The most common additional optional services purchased from Dignity, Westerleigh and Memoria crematoria are bearers, visual tributes, organists and extended time slots. We have conducted some analysis to establish whether these additional optional services are a significant expense to the customers of crematoria, and found:

- (a) The price of an extra optional service is relatively low compared with the price of a standard service (for example, an organist typically costs

around £25-£50 and bearers around £15-£25 each). The average spend per optional service at a Dignity and Memoria crematorium was around £[redacted] (around [redacted]% of the average standard Dignity and Memoria fee - £936 and £838 respectively)⁴ and £[redacted] at a Westerleigh crematorium (around [redacted]% of the Westerleigh £860 average standard fee).^{5,6}

- (b) Around [redacted]% of Memoria and Westerleigh customers purchased at least one additional optional service, and around [redacted]% of Dignity customers purchase an extra. However, these figures may overestimate the proportion of customers who purchase an extra since multiple additional optional services may be purchased alongside the same cremation service and we cannot identify how often this occurs.

Market structure

Number of crematoria and crematoria operators

13. We have based the following analysis on:
- (a) A list of all crematoria in the UK as at 1 September 2019. We use data from the Institute of Cemetery and Crematorium Management (ICCM), who list the location of all crematoria currently operating in the UK;⁷ and,
 - (b) an analysis of driving times between all crematoria in the UK.⁸
14. Our analysis is based on 303 crematoria in the UK. A map of these crematoria is included in Figure 5.

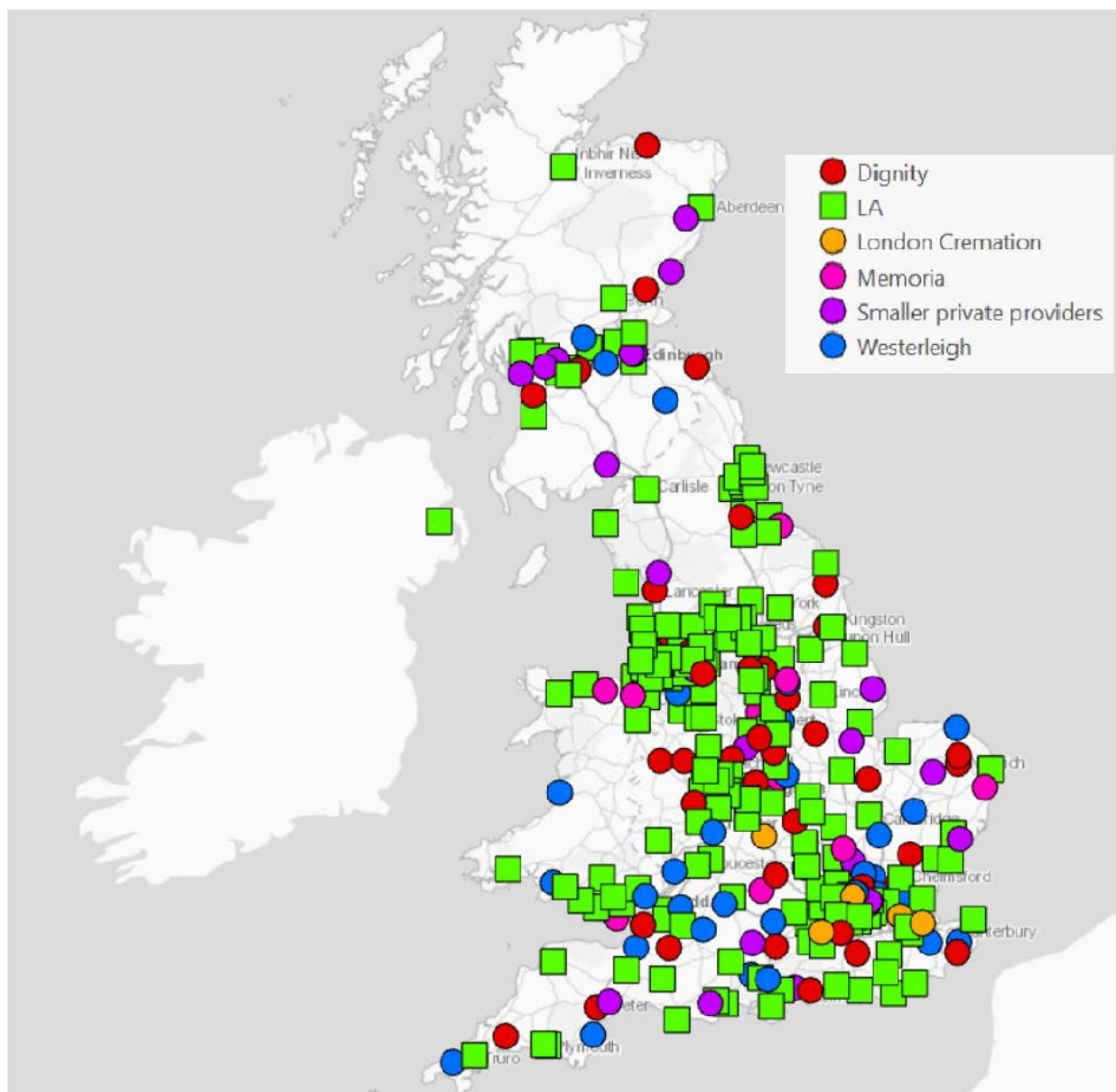
⁴ Based on Cremation Society data for 2018 fees. See working paper Crematoria: outcomes for further details.
⁵[redacted].

⁶ Based on Cremation Society data for 2018 fees. See working paper Crematoria: outcomes for further details.

⁷ <http://www.iccm-uk.com/iccm/> We have based our analysis on crematoria in the UK as at 1 September 2019 but note that two crematoria have since opened.

⁸ The CMA used ESRI UK Limited's Arc GIS Pro software. The drive-time network analysis is based on the StreetMap Premium network which uses speed profiles that are based on actual observed speeds.

Figure 5: Map of crematoria in the UK



Source: CMA analysis of ICCM data

15. As at 1 September 2019, there were 184 crematorium operators in the UK. The largest, Dignity, operates 46 crematoria (5 of which are managed on behalf of, or in conjunction with, local authorities).⁹ Westerleigh operates 34 crematoria (3 of which are managed on behalf of, or in conjunction with, local authorities).¹⁰ Other significant providers include Memoria (10 crematoria) and London Cremation Company (6 crematoria). There are 22 crematoria operated by smaller private providers (some of whom offer unattended

⁹ Dignity stated it currently holds five local authority contracts: Emstrey Crematorium, Enfield Crematorium, Weston-Super-Mare Crematorium, Rotherham Crematorium, and Stockport Crematorium.

¹⁰ Westerleigh stated that it has contracts with three local authorities to manage the operations of crematoria: Torbay Cemeteries and Crematoria, Forest Park Cemeteries and Crematoria, and Parndon Wood Cemetery and Crematorium.

cremations, for example, Fosters and Pure Cremation) and 160 local authorities operating 185 crematoria. Smaller private providers and local authorities tend to operate one crematorium each but there are a number of these providers operating up to three crematoria.

Measures of local concentration

16. Demand for attended cremation services is local. Our evidence suggests that customers have a strong preference for using a crematorium that is close to them (see working paper Crematoria: evidence on competition between crematoria). We consider a 30-minute cortege drive time to be an appropriate measure of local geographic markets based on various sources of evidence, including our analysis of crematoria catchment areas,¹¹ the CMA's Market Investigation consumer survey,¹² the CMA's Market Study consumer research,¹³ internal documents and commentary from the main private crematoria operators; and planning applications.¹⁴
17. All else equal, the larger the number of crematoria and/or the closer crematoria are to one another in each local area, the stronger the competitive constraints between crematoria are likely to be.
18. We therefore assess local concentration by looking at:
 - (a) The extent to which crematoria have a rival within a 30-minute cortege drive time, and the number of those alternatives within 30-minutes;
 - (b) the extent to which crematoria have rivals within their 80% catchment area¹⁵ and the distances between each other; and,
 - (c) the extent to which capacity constrained rivals may indicate that crematoria face weaker constraints than our concentration analysis may suggest.

¹¹ The average 80% catchment area across Dignity, Westerleigh, Memoria and a sample of local authority crematoria was 33 minutes at cortege driving speeds.

¹² Two-thirds of customers said the deceased lived within 25 minutes of the crematorium (CMA Market Investigation consumer survey, Tables 341-343, Question C10). The survey does not allow us to understand whether this was at normal or cortege driving speeds.

¹³ [CMA Consumer Research](#), paragraph 4.2.5.

¹⁴ A needs statement prepared on behalf of Dignity describes a crematorium's catchment area as: "a reasonable maximum acceptable drive-time to a facility, usually 30 minutes. A 30-minute maximum drive-time for catchment areas was used in the need assessments for [lists various planning applications]. This drive time is to be assessed by reference to the slower travelling speed of a cortège. This is usually calculated at 60% of normal driving speed."

¹⁵ 80% catchment areas are explained in paragraph 32.

19. We adjusted driving times to take account of the typically lower driving speed of a hearse/funeral cortege. We have done this by multiplying driving speeds by 0.6. This increases drive times by two-thirds.¹⁶ The 0.6 factor has been cited and used in numerous planning appeals and is an industry standard.
20. We adopted this approach in our phase 1 analysis of local concentration and catchment areas and asked Dignity and Westerleigh for their views. We did not receive any comments either in support of the approach or against the approach.¹⁷ We note our approach is consistent with how crematoria providers and planning authorities/planning inspectors think about drive times.
21. We consider that cortege drive times are particularly appropriate for attended services where the funeral is organised with the use of a hearse (and/or has a funeral cortege) given this is likely to travel at slower than normal speeds and as such, the area over which choice of crematoria is exercised may be smaller due to the slower speeds. Comments from funeral directors suggest that nearly all funerals use either a hearse and/or a limousine and/or a cortege. However, SAIF and Dignity have told us that the choice of crematorium is down to the customer, and the slower speeds of hearses/cortesges should not limit the crematoria that the funeral director will serve. Given the widespread use of funeral cortesges, and the use of the cortege drive times by crematoria providers in their internal documents and planning applications, we consider it an appropriate measure when considering local concentration.

Number of crematoria that have a rival nearby

22. We have looked at the distribution of crematoria based on cortege drive times to the nearest rival fascia.
23. Figure 6 shows the number of crematoria that have their nearest rival fascia within a given cortege drive time.

¹⁶ This is because time taken to travel is equal to distance divided by speed.

$$t = \frac{d}{s}$$

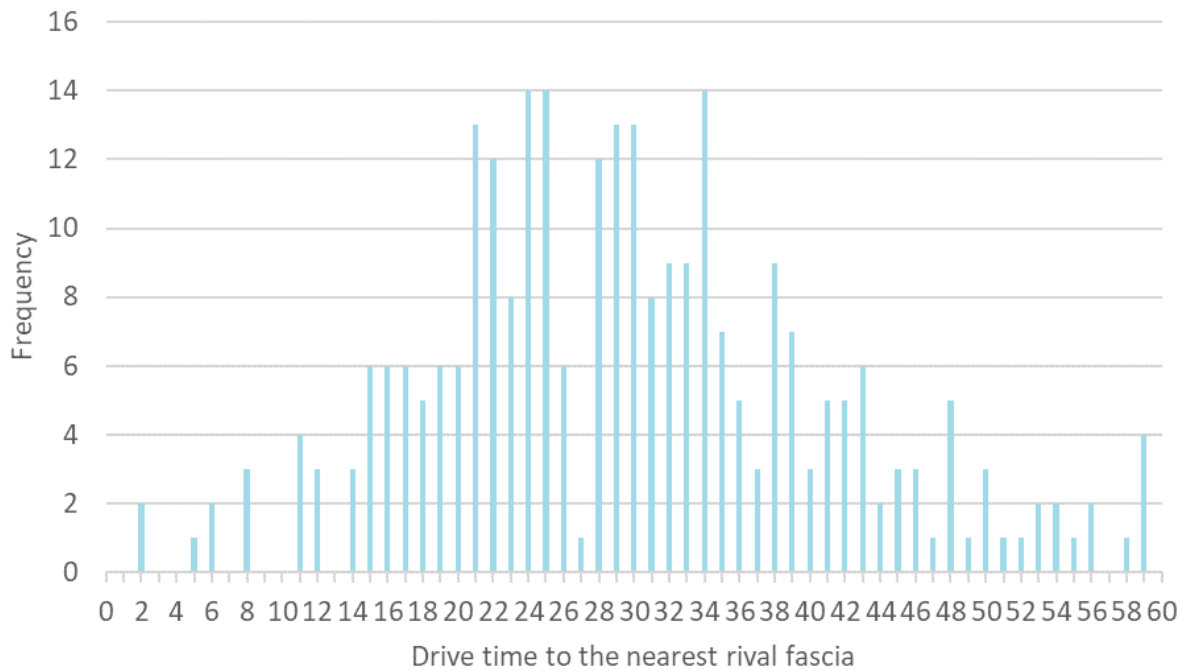
In this equation if speed is multiplied by 0.6, time needs to be divided by 0.6 such that the equation balances.

$$\frac{t}{0.6} = \frac{d}{0.6s}$$

Dividing a term by 0.6 is the same as multiplying it by 5/3 (or one and two-thirds).

¹⁷ We asked Dignity and Westerleigh at phase 1 to provide some drive time information and asked, "Please also explain how much slower you consider a cortege drive time speed to be compared to a standard drive time (we note planning decisions where a factor of 0.6 is applied)." Dignity and Westerleigh did not respond to this question.

Figure 6: Frequency of crematoria with nearest rival within given cortege drive time



Source: CMA analysis of ICCM data. Crematoria without rivals within a one-hour drive time are not included on this graph.

24. The graph indicates that most crematoria appear to face little to no competitive constraint, since the nearest rival fascia is located relatively far away. The graph shows that:

- (a) Approximately 84% of all crematoria do not have a rival within a 20-minute cortege drive time;
- (b) approximately 50% of all crematoria do not have a rival within a 30-minute cortege drive time; and,
- (c) approximately 17% of all crematoria do not have a rival within a 45-minute cortege drive time.

Proportion of crematoria facing more or fewer rival fascia

25. The analysis described in Figure 6 does not account for the number of rival fascia that a given crematorium faces - it only considers the travel time to the closest rival. We have therefore sought to account for this, by providing a table which categorises crematoria over two parameters: the cortege drive time to the nearest rival fascia and number of rival fascia within a 30-minute cortege drive time.

Figure 7: Frequency of crematoria that have closest rival within given time band and number of rival fascia within 30-minutes

Number of rival fascia within a 30-minute cortege drive time	Cortege drive time to the nearest rival fascia (mins)			
	0 to 10	10 to 20	20 to 30	30+
0				150
1	2	19	71	
2	4	12	22	
3 or more	2	10	11	

Source: CMA analysis of ICCM data.

26. In considering the number of competitors within a given area, in addition to the cortege drive time to the nearest alternative crematorium, we have found that there are 150 crematoria which may face little or no constraint, given that they have no rivals within half an hour, plus a further 71 crematoria where we would expect constraints to be weak, given that they face only one rival that is over 20 minutes away. Other crematoria may also face weak constraints given the generally low numbers of rivals and relatively large distances between crematoria. There is a limited number of crematoria that have three or more rival fascia within a 30-minute cortege drive time.

27. The above analysis indicates that in a high proportion of local areas across the UK, there appears to be a high degree of local concentration. This lack of choice of crematoria may be further restricted for particular groups of consumers who are of a certain faith (or indeed, any group who needs certain facilities that are not available at all crematoria, for example, a large chapel). The evidence as to the extent to which this is the case is set out in the following paragraphs.

28. The Ministry of Housing, Communities and Local Government (MHCLG) consulted with a range of organisations and individuals, both crematoria providers and users, to better understand the extent to which the current size of crematoria in the UK are equipped to meet the needs of certain faith groups and the extent to which current crematoria facilities in the UK are able to accommodate the needs of certain faith groups.¹⁸

29. The MHCLG commissioned a survey which found that some respondents reported they had experienced problems with the size of crematoria and

¹⁸ MHCLG, Crematoria Provision and Facilities, Government Response to the Review, 8th April 2019 p.4.

parking facilities,^{19,20} and the amenities available at crematoria (including religious iconography),^{21,22} in meeting the needs of their faith or community.

30. This suggests that there may be certain communities/people of certain religions/groups for which the choice of crematoria, within a local area, may be more restricted than as set out above, since existing alternatives may not have the facilities to adequately accommodate particular needs. Furthermore, we note that there may always be funeral services that are not typical, for example, they are very large, that some crematoria may not be able to accommodate adequately. We have been told by Dignity, Westerleigh and Memoria that they work with families and funeral directors to try to accommodate these services, for example, by offering extended time slots and displaying the service on screens outside the chapel. Furthermore, some crematoria have tried to meet local needs by adding facilities, such as Pooja rooms (including washing and other facilities) to accommodate specific needs.²³ Therefore, to some extent, existing providers attempt to accommodate these needs. We are not in a position to comment on the extent to which those groups of consumers who need certain facilities are accommodated, and, if they are not, the extent to which these groups have a more restricted choice of crematorium than that set out above.

Measures of concentration based on catchment area analysis

31. The analysis above has focussed on the closeness of rivals and the number of rivals within a 30-minute cortege drive time. We now describe our analysis in relation to catchment areas.
32. In a case involving local markets, a catchment area is defined as the area from which a supplier draws most of its customers.²⁴ The CMA has usually used catchment areas that capture 80% of a supplier's sales or customers - this is the '80% catchment area.'²⁵ Competition between suppliers is typically stronger the more their respective catchment areas overlap, as overlapping catchment areas may suggest that suppliers are alternatives for a significant proportion of their customers.²⁶

¹⁹ MHCLG, Crematoria Provision and Facilities, Government Response to the Review, 8th April 2019 p.11.

²⁰ MHCLG, Crematoria Provision and Facilities, Government Response to the Review, 8th April 2019 p.21.

²¹ MHCLG, Crematoria Provision and Facilities, Government Response to the Review, 8th April 2019 p.16.

²² MHCLG, Crematoria Provision and Facilities, Government Response to the Review, 8th April 2019 p.19.

²³ For example: https://www.greatglencrem.co.uk/GreatGlen_Spring2019_WEB.pdf

²⁴ CMA Retail Mergers Commentary, paragraph 2.1

²⁵ For reasons of data availability, we have based catchments on the location of the supplier ('supplier centred catchments'). In this context, 80% catchment areas refer to the area around the crematorium, in which the crematorium derives 80% of its total revenue from local funeral directors.

²⁶ CMA Retail Mergers Commentary, paragraph 2.1 and 2.2.

33. In what follows, we therefore consider the extent to which crematoria face rivals within their 80% catchment areas and the distances to these rivals, the extent to which there are rivals located just outside the 80% catchment areas, and the extent to which rival crematoria are serving common population centres.

Number of rival fascia within a crematorium's 80% catchment area

34. We asked Dignity, Westerleigh, Memoria, and a random, representative sample of 22 local authority crematoria for information relating to funeral director revenue²⁷ from which we have calculated catchment areas. We have excluded any data related to unattended cremations (where it is apparent) as our analysis is on the travel times to attended services.
35. For the main private providers, ie Westerleigh, Dignity and Memoria, our analysis is based on 72 of their crematoria (data was either not available or significantly incomplete for the remaining 18 crematoria). Out of the representative sample of 22 local authority-operated crematoria from whom we asked for data, we have data on 21 crematoria.²⁸ Of those 93 crematoria for which we have data, the revenue and postcode data for some funeral directors was missing.²⁹ However, we note that, where we have dropped funeral director locations in such cases, the revenue from these locations is small (on average 7% of the total revenue of the crematorium). Just over half the crematoria for which we have calculated 80% catchment areas are in urban areas and just under half are in rural areas.³⁰ Looking at each crematorium in turn, we assessed the number of rivals that a crematorium faces in its 80% catchment area. We found that:
- (a) Around 63% of crematoria (59) have no rival fascia within their catchment area;
 - (b) around 27% of crematoria (25) have one rival fascia within their catchment area;
 - (c) around 2% of crematoria (2) have two rival fascia within their catchment area; and,

²⁷ Dignity and Westerleigh provided data on funeral director revenue and location at phase 1, and as such we collected data on funeral director revenues from Memoria and local authorities at phase 2. We consider that the location of funeral directors may be a good proxy for the location of the deceased.

²⁸ One local authority crematorium stated that they were unable to provide the information requested.

²⁹ For example, inaccurate postcodes may have been provided or missing altogether. Further, in some cases, we were unable to isolate revenue associated with each funeral director customer.

³⁰ 54 urban, 39 rural.

(d) around 8% of crematoria (7) have three or more rival fascia within their catchment area.³¹

36. We found the average 80% catchment area does not vary significantly depending on who is the relevant provider or whether the crematorium is in an urban or rural area. We found the average 80% catchment area to be 33-minutes at cortege driving speeds.³² The average local authority catchment area is 29 minutes compared with private crematoria catchment areas of 34 minutes. Average rural catchment areas are 36 minutes compared with urban catchment areas of 30 minutes.
37. We applied the average catchment area to all crematoria to understand the proportion of crematoria that have no, one, two or three or more rivals within the average 80% catchment area. The results are summarised in Table 2. This shows that nearly three-quarters of crematoria have only one or no rival within 33-minutes at cortege speeds (the average 80% catchment area). Only 13% of crematoria have three or more rivals within the average 80% catchment area.

Table 2: Proportion of crematoria with rivals within the average 80% catchment area

	<i>Proportion with no rival fascia, %</i>	<i>Proportion with one rival fascia, %</i>	<i>Proportion with two rival fascia, %</i>	<i>Proportion with at least three rival fascia, %</i>
Average catchment (33 mins)	42	30	15	13

Source: CMA analysis of ICCM data and data provided by Dignity, Westerleigh, Memoria and local authorities.

38. We have also applied the average catchment area for local authority crematoria to all local authority crematoria and the average private catchment to all private crematoria. The results are summarised in Table 3. This shows that over 80% of local authority crematoria have only one or no rival within the average 80% catchment area (this is lower, at around three-quarters for private crematoria). Only 8% of local authority and private crematoria have three or more rivals in their average 80% catchment area.

Table 3: Proportion of local authority and private crematoria with rivals within the average local authority and private 80% catchment area

	<i>Proportion with no rival fascia, %</i>	<i>Proportion with one rival fascia, %</i>	<i>Proportion with two rival fascia, %</i>	<i>Proportion with at least three rival fascia, %</i>
Average local authority catchment (29 mins)	54	29	9	8
Average private catchment (34 mins)	39	35	18	8

Source: CMA analysis of ICCM data and data provided by Dignity, Westerleigh, Memoria and local authorities.

³¹ Of those 7 crematoria that had at least two rival fascia within their catchment area, 4 have three rival fascia, 1 has five rival fascia and 2 have 7 rival fascia.

³² 14 crematoria had a catchment smaller than 20 minutes, 30 crematoria had a catchment between 20 and 30 minutes and 49 crematoria had a catchment larger than 30 minutes.

39. Finally, we have applied the average catchment area for urban crematoria to all urban crematoria and the average rural catchment to all rural crematoria. The results are summarised in Table 4 which shows that nearly half of urban crematoria face no rivals in the average 80% catchment area. Only 12% of urban crematoria and 14% of rural crematoria have three or more rivals in their average 80% catchment area.

Table 4: Proportion of urban and rural crematoria with rivals within the average urban and rural 80% catchment area

	<i>Proportion with no rival fascia, %</i>	<i>Proportion with one rival fascia, %</i>	<i>Proportion with two rival fascia, %</i>	<i>Proportion with at least three rival fascia, %</i>
Average urban catchment (30 mins)	46	33	10	12
Average rural catchment (36 mins)	38	29	19	14

Source: CMA analysis of ICCM data and data provided by Dignity, Westerleigh, Memoria and local authorities.

The extent to which rivals inside a catchment area are geographically close

40. We tested, for the 34 crematoria³³ which have at least one rival fascia within their catchment area, whether their nearest rival is located either close to the catchment boundary or well within the catchment area (ie the two crematoria are close). As noted in paragraph 17, the closer the nearest rival is, the stronger the competitive constraints between the crematoria are likely to be.
41. We have compared the drive time to a crematorium's nearest rival fascia to the size of the crematorium's catchment area. This provides a measure of the relative degree of overlap³⁴ between a crematorium, and its nearest rival. For example, for a crematorium with a 20-minute catchment area:
- (a) If the drive time to the nearest rival fascia is 5 minutes,³⁵ then the degree of overlap would be 0.25 (5 minutes/20 minutes), where this 0.25 degree of overlap represents the nearest rival fascia being located well within the catchment area, thus likely to be competing to a large degree for the same customers and thus likely to pose a relatively stronger constraint;
 - (b) if the drive time to the nearest rival fascia is 15 minutes, then the degree of overlap would be 0.75 (15 minutes/20 minutes). This degree of overlap represents the nearest rival fascia being located close to the catchment

³³ Where we note that 9 crematoria out of 34 have more than one rival fascia within their catchment area.

³⁴ A crematorium with a very large catchment, of say one hour, who has a rival within 30 minutes, will have a relative closeness of 0.5, the same as a crematorium with a small catchment of 10 minutes with the nearest rival 5 minutes away. The measure is likely to be more meaningful for larger catchments, given that at very short distances the constraint posed by a rival is likely to be stronger.

³⁵ We conducted this analysis at cortege speeds, such that the catchment area and drive time to nearest rival were comparable.

boundary, and therefore likely to be competing to a relatively limited extent for the same customers.

42. We found the average degree of overlap, across those 34 crematoria, to be around 0.7, where the maximum is 0.98 (ie the rival is right on the edge of the catchment) and the minimum is 0.05 (ie. the rival is very close). Most of the 34 crematoria have a degree of overlap of over 0.5 (ie the rival is over half way towards the boundary of the catchment).³⁶ These results suggest that, in those instances where there is at least one rival fascia located within a crematorium's catchment area, the nearest rival fascia is, on average, located towards the boundary of the catchment area.

The extent to which rivals outside of a catchment are geographically close

43. We now consider if, in areas where crematoria do not face a constraint from a rival fascia within their catchment area, their nearest rival is located close to the catchment boundary, as opposed to well outside the catchment area. We compare the drive time to a crematorium's nearest rival fascia to the size of the catchment area, to understand how far outside the catchment the rival is. We have conducted this analysis as a sensitivity to test whether, for those crematoria with no rival within their catchment, they face a rival on the outside edge of their 80% catchment.³⁷
44. We provide a numerical example to demonstrate, where we take a crematorium to have a 20-minute catchment area:
- (a) If the drive time to the nearest rival fascia is 25 minutes, then the degree of closeness would be 1.25 (25 minutes/20 minutes), where degree of closeness of 1.25 represents the nearest rival fascia being outside the catchment area but still being located relatively close to the catchment area boundary;
 - (b) if the drive time to the nearest rival fascia is 40 minutes, then the degree of overlap would be 2 (40 minutes/20 minutes), where this degree of closeness of 2 represents the nearest rival fascia being located outside the catchment and still far away from the catchment boundary.
45. We found that the average measure of how close the nearest rival fascia is to the catchment boundary, across those crematoria that have no rival fascia within their catchment, is around 1.5. This means that the rival outside the

³⁶ 28 crematoria had a degree of overlap greater than 0.5. Only one crematoria had a degree of overlap less than 0.25.

³⁷ And, as such, if catchment areas were to be flexed these rivals would then be within the catchment area.

catchment is on average half as far away again, ie not close to the catchment boundary. We found the maximum to be 3 and the minimum to be 1.³⁸

Competition over common population centres

46. Crematoria that are not geographically close may still compete over a common population centre and pose a constraint on one another. We have considered the evidence which indicates the extent to which this may be the case. We have heard that, in the context of new crematoria opening, where a population is served by two crematoria, people will tend to choose the closest (with customers gravitating towards the closest one). For example, Derby City Council told us that although they “draw (customers) heavily within the Derby district”, it was “primarily from the south (of Derby) where [they] have lost volumes” due to Dignity opening a new crematorium in Trent Valley, which is to the south of Derby, whilst they had retained customers from the north of the city. Furthermore, Derby City Council told us that, within the same funeral director chains (such as the Co-op), they were drawing custom from the Co-op branches located to the north whilst they were serving the Co-op branches from the south less frequently since the Dignity crematorium opened.³⁹ Another example of such an area is the City of Leicester. Leicester City Council told us that, in light of Memoria opening South Leicestershire crematorium and Westerleigh opening Great Glen crematorium,⁴⁰ their “loss (in volumes) has been mainly from... non-city residents” where they were “previously...serving...the rural areas to the south of Leicester.” Maps from Westerleigh show that their Great Glen crematorium, south of Leicester, draws most of its customers from the south and east of Leicester (some of whom are closer to Leicester crematorium than Great Glen), but fewer from the north and West (and the vicinity of Leicester crematorium). Further analysis of the impact of entry on incumbent crematoria volumes is included in the working paper Crematoria: evidence on competition between crematoria.
47. Dignity and Westerleigh have provided maps of the address of the deceased for each of their crematoria. Generally these show that customers will gravitate towards the closest crematorium, even in areas where there may be multiple crematoria in the same population centre. [✂].

³⁸ 33 crematoria had a degree of overlap of between 1 and 1.5, 14 between 1.5 and 2, and 7 greater than 2. A degree of overlap greater than 2 means that the rival is further away than the catchment area twice over.

³⁹ Where Trent Valley crematorium is 13 minutes away at normal speed and 22 minutes away at cortege speed, from Derby City Council’s crematorium.

⁴⁰ Where South Leicestershire crematorium is 20 minutes away at normal speed and 33 minutes away at cortege speed, from Leicester City Council’s crematorium.

Figure 8: Addresses of the deceased using [X] Crematorium, 2018

[X]

Source: Dignity. Purple boxes highlight the crematoria ([X] is the central purple box).

Capacity constraints

48. We next summarise evidence as to the extent to which there are areas where crematoria face rivals, but these rivals are capacity constrained. These rivals may pose a weaker constraint because they are unable to accommodate new customers.

Measures of capacity

49. We have considered whether measures of capacity should be based on the availability of chapel slots ('front of house capacity') or the ability to cremate bodies ('back of house capacity').
50. We do not consider that capacity is restricted by back of house activities, as it is possible to run cremators round the clock (unless planning restrictions prevent this).⁴¹ In fact, it is more efficient to run cremators constantly. Services, however, cannot be held around the clock and as such we consider front of house capacity to be the binding constraint.
51. Turning to front of house capacity, Memoria and Dignity have described three different definitions of total capacity:
- (a) Theoretical capacity, which refers to the total number of booking slots available in a year;⁴²
 - (b) core or peak hour capacity (defined by planning appeal decisions), which refers to the number of booking slots available at *peak hours* in a year (typically defined as between 10am and 4pm), given that consumers generally prefer slots in the middle of the day and want to avoid early morning and late booking slots;
 - (c) practical, or factored, capacity (defined by planning appeal decisions), which is an adjustment on the number of booking slots available, at peak hours. Memoria states that, based on planning appeal decisions, "crematoria cannot work at 100% of their annual core hour capacity...because deaths are not spread out uniformly across the year

⁴¹ We understand that this is often not the case.

⁴² Which is dependent on the slot length a crematorium offers and opening hours. In Dignity's internal documents ([X]), they use an example where a crematorium operates from 9am-5pm at a 60-minute booking slot.

and in winter months can be as 40% higher than the average.” Dignity notes that “crematoria operating above practical capacity places a crematorium under pressure to offer a cremation service that meets an acceptable qualitative standard.”

52. We have gathered data across crematoria relating to the total number of booking slots that a crematorium has available (theoretical capacity), and capacity utilisation as the proportion of total booking slots that a crematorium actually uses. We have taken into account evidence from Dignity and Memoria in relation to core and practical capacity and our thinking about the extent to which a crematorium is capacity constrained is based on the following information:
- (a) Core hour capacity is around 75% of theoretical capacity. A crematorium operating between 9am and 5pm with 8 slots will have 75% of those slots during peak times (10am-4pm, 6 out of 8 slots).
 - (b) Planning documents prepared on behalf of Dignity, and a Memoria submission to the CMA, state that practical capacity is 80% of core hour capacity (Memoria notes that this recognised by planning inspectors in “multiple decisions”).
53. Using theoretical capacity as our measure, and given the above, we consider that a crematorium operating around **60-75% utilisation of theoretical capacity may be considered capacity constrained** (we consider 60% of theoretical capacity to be relevant if we consider capacity on a practical basis,⁴³ and 75% of theoretical capacity to be relevant if we consider capacity based on core hours).⁴⁴ We will consider both thresholds in the following analysis.
54. We gathered data from crematoria as to their theoretical capacity utilisation in 2018. On average, 54% of available booking slots were used.⁴⁵ Local authority crematoria had less spare capacity compared with private crematoria, with an average of 58% of slots used (compared with 49% for private crematoria).⁴⁶ Some newer crematoria had a low proportion of their slots used, whilst a small number of crematoria (12 out of 272) had 80% or more of their slots used. The majority of crematoria (slightly over two-thirds) used between 40% and 70% of their slots.

⁴³ As 80% of 75% is 60%

⁴⁴ As 75% of theoretical capacity is approximately core hour capacity.

⁴⁵ Based on data from 272 crematoria.

⁴⁶ Based on data from 169 local authority crematoria and 103 private crematoria.

Capacity utilisation and concentration

55. We now focus on areas where a crematorium has only one rival within a 30-minute cortege drive time in order to see how many areas have no 'effective' rivals (ie those with sufficient capacity to act as a constraint) within 30-minutes. There are 92 crematoria with only one rival within 30 minutes. Some of these 92 crematoria have a capacity constrained rival, and as such, these crematoria are likely to face no effective constraints within 30 minutes.
56. If we take capacity constraints into account, we find that the proportion of crematoria with no effective rival within a 30-minute cortege drive time increases from 50% to:
- (a) Around 52% (159 crematoria), if we include those crematoria that have their only competitor, within a 30-minute cortege drive time, operating at above 75% capacity utilisation;
 - (b) around 54% (163 crematoria), if we include those crematoria that have their only competitor, within a 30-minute cortege drive time, operating at above 70% capacity utilisation; and,
 - (c) around 60% (183 crematoria), if we include those crematoria that have their only competitor, within a 30-minute cortege drive time, operating at above 60% capacity utilisation.

Barriers to entry

57. This section describes the evidence that we have received in relation to barriers to entry.

Planning process

58. There are two specific aspects to the planning regime which can act as a barrier to entry: the Cremation Act 1902 (the 1902 Act) which constrains the potential location of new sites and the fact that crematoria providers generally support their planning applications with evidence of a local 'need' for new crematorium provision.
59. Section 5 of the 1902 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.”⁴⁷ This reduces the potential areas in which a crematorium development will be permitted and rules out many urban areas, and thus can push new crematoria into rural or Green Belt areas.⁴⁸ In London this limit is reduced to 100 yards and in Scotland there is no minimum distance and it is a matter for the planning system to consider development applications for new crematoria in the general context of a given location.⁴⁹

60. The requirement to prove a ‘need’ for a new crematorium to planning authorities can also act as a barrier to entry. Crematoria providers generally try to demonstrate both a ‘quantitative’ and a ‘qualitative’ need for new crematoria:
- (a) ‘Quantitative’ need is considered to be the number of people who will be closer to the new crematorium compared with any other. Recent appeal decisions have defined an area to have a quantitative need where there will be 136,000-171,000 people for whom the new crematorium will be the closest crematorium.⁵⁰
 - (b) ‘Qualitative’ need is typically the number of people who will now have less than a 30-minute cortege drive time to the crematorium, who used to have greater than a 30-minute cortege drive time, although other factors such as waiting times have also been considered by planning authorities. Recent 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 cortege drive time.⁵¹
61. The requirement to demonstrate a ‘need’ can raise a number of specific barriers:
- (a) Firstly, entry can only occur where a ‘need’ exists;
 - (b) secondly, demonstrating a need involves sunk costs and engaging in a planning process where the outcome is uncertain. We are gathering evidence on the cost of gaining planning approval. Dignity has noted that “the majority of applications for planning consent of new private sector crematoria tend to go through a rejection first and then approval on

⁴⁷ The 1902 Act, section 5.

⁴⁸ 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.

⁴⁹ [Market Study report, Annex A, paragraphs 34 and 35.](#)

⁵⁰ [Market Study report, Annex A, paragraph 37.](#)

⁵¹ [Market Study report, Annex A, paragraph 37.](#)

appeal” and that many of their recent planned openings have been subject to an appeal, and,

(c) private providers have argued that local authority planning departments may have an incentive to prevent entry by private providers to protect their own crematoria.⁵² However, we note that if this were to occur, it could likely be challenged or resolved through the appeals process. Westerleigh has made this point noting that “a local authority cannot refuse an application on the grounds that it has a crematorium of its own in the local area.”

62. Despite the barriers mentioned above, crematoria providers do not tend to consider the planning regime to be a significant barrier to entry. Westerleigh notes that “whilst there are barriers to the development of a new crematorium, recent experience has shown that these can be overcome.” Memoria notes that “although... the time and costs associated with the planning process for crematoria is an important factor in the analysis, Memoria does not believe the planning process is the main reason impeding the development of new crematoria.”⁵³ Plymouth City Council has stated that, in the construction of new crematoria facilities, there are “significant planning constraints”⁵⁴ but they “do not consider the planning regime as such... the barrier.”⁵⁵
63. The following market participants have argued that the planning regime is appropriate. Memoria noted that: “it is difficult to open crematoria. However, we would argue that is how it should be given the significance and responsibility of operating such important public service facilities... it is our view that neither the planning barriers nor the financial ones are too high. The planning process has been self-regulating and overall has ensured that crematoria have only been built in the UK where they are needed.” Leicester City Council noted that: “I think the planning regime is probably appropriate... what you do not want is an oversupply, because I think if there was an oversupply of crematoria, it would lead to perhaps not necessarily an improvement in quality, but maybe potentially the adverse effect of a reduction in quality, because there is less income to go around.” The Cremation Society has argued: “it is important to maintain the current restrictions on the positioning of crematoria to ensure suitability of location for purpose. In addition, it has been estimated that there is little need to develop new

⁵² [Horizon response to Issues Statement](#), paragraph 35. [Dignity response to Issues Statement](#), paragraph 4.19.

⁵³ Memoria response to Issues Statement, page 3.

⁵⁴ Plymouth City Council response to Issues Statement, paragraph 4.4.

⁵⁵ Plymouth City Council response to Issues Statement, paragraph 5.

crematoria to service the needs of the bereaved in the UK as very few crematoria are actually at capacity.”⁵⁶

64. We have been told by the following crematoria providers that consistency in the planning process could be improved to make the regime more effective at allowing new build crematoria to meet demand. Westerleigh told us that there is potentially “some confusion as to the needs argument, and when that should be applied, so consistency in that approach would be good.” The London Cremation Company has noted that there is an “inconsistent application of planning regulations.”⁵⁷
65. We note that the planning regime is not focussed on competition but serves a purpose to ensure that wider societal needs are met (for example, considering the possible impact new build crematoria may have both on the local environment and residents living within a local area).

Economic barriers to entry

66. The main economic barriers to entry relate to the high initial sunk costs required to enter in a given local area and the need to find a suitable area where the new crematorium will be able to conduct sufficient volumes to cover their fixed costs.
67. A new crematorium will incur high sunk costs in gaining planning approval and in construction:
- (a) We are currently gathering evidence on the cost of obtaining planning approval.
 - (b) The cost of recent new build crematoria have ranged between £3.4m and £8.5m.
68. Dignity, Westerleigh and Memoria have identified these high sunk costs as a barrier to entry/significant factor impeding the development of new crematoria. However, Horizon Crematoria, a new entrant, has noted that once planning permission is in place, raising capital is not intrinsically difficult as “banks will loan money for construction at normal commercial rates and venture capitalists are prepared to supply funding to help obtain planning permission and buy land. They are attracted by the intrinsic security of the sector with its actuarially measurable income streams.”⁵⁸

⁵⁶ Cremation Society of Great Britain response to Issues Statement.

⁵⁷ London Cremation Company response to interim market study report.

⁵⁸ Horizon response to Issues Statement, paragraph 41.

69. Crematoria, given their high fixed costs, need to conduct a sufficient volume of services (at a particular fee) for entry to be profitable. Dignity, Westerleigh and Memoria have all told us that a certain level of demand is required to enter, with Westerleigh stating: “a crematorium would need to be situated where a population requires additional provision. Crematoria can only be downsized to a small degree to reflect reduced level of expected demand. All new crematoria will require a minimum level of infrastructure, as even a crematorium expecting a small number of funerals in a year would need to be able to accommodate large sized services and have the appropriate site size, chapel size, car parking and other facilities necessary.”⁵⁹ We have a range of evidence on the number of cremations that a crematorium needs to conduct in order to be viable/profitable:
- (a) Dignity stated that a typical new crematorium would need to conduct 800 cremations per year in order to break even.
 - (b) Memoria stated that a crematorium would need to conduct 800 cremations per year (at £800 per cremation) in order to service its debt.⁶⁰
 - (c) The London Cremation Company stated that its model is [redacted].
 - (d) A former bereavement services manager states that the baseline for a profitable crematorium is 800 cremations per year.⁶¹
 - (e) The Federation of Burial and Cremation Authorities (FBCA) has stated that, in the past, a crematorium would need to conduct between 900-1,000 cremations per year to be financially viable, although this has fallen to around 600 cremations given the current level of cremation fees.
 - (f) Westerleigh provided slightly different evidence arguing that crematoria carrying out 1,000 cremations per year would not be busy enough to be efficient.
70. Dignity, Westerleigh and Memoria all note that identifying economically viable sites, that is areas where there is a sufficient level of demand to enter, is difficult. Westerleigh told us that “whilst a number of new crematoria have been developed in recent years, overall, the crematorium market is mature” where “as a result the market opportunity is limited” since the “stock of crematoria in the UK are well established in their local markets.” Memoria stated that “identifying new build crematoria opportunities is... challenging.” Dignity told us that “at current death rates large areas of the UK are not

⁵⁹ Dignity notes the need for a ‘clear market opportunity’ in its [response to the Issues Statement](#).

⁶⁰ [Memoria response to Interim Report](#), p13.

⁶¹ [Ken West response to Issues Statement](#).

suitable for such an investment,” and it noted that there is probably scope for around a dozen new crematoria. We note also that the FBCA has stated that “that there were potentially around ten opportunities left in England, Scotland and Wales to introduce new crematoria that are viable to carry out sufficient numbers of cremations a year.”⁶²

71. We have considered the extent to which the planning regime, which requires a ‘need’ assessment, and the economic need to conduct a certain volume of cremations interact. In particular, we have considered whether there are areas where entry is economically viable but has not occurred because it is difficult to prove a ‘need.’ We have asked Dignity, Westerleigh and Memoria to identify areas where they may have entered but did not so because they could not prove a ‘need’ for the purposes of the planning regime. Dignity provided two examples of areas where they did not enter because the planning regime deterred entry, once in [redacted] (the site could not pass the ‘200 yard rule’) and once in [redacted] (the site was too close to existing crematoria). Memoria provided one instance (noting that it tries to avoid the expense of progressing a development that through experience it considers unlikely to gain planning permission). More frequently, Dignity and Memoria did not proceed with developments because an alternative crematorium operator gained planning permission first (making the proposed development uneconomic). Westerleigh stated that “frequently as part of the site searching process, specific site locations are not pursued, despite considering that a ‘need’ existed... [given that] the significant cost and scale of risk involved limits the number of site applications that can be pursued at any time and results in the careful selection and prioritisation of those sites that are pursued and a large number are not pursued at that point in time as the risk/reward is not considered acceptable.”

Resomation (water cremation)

72. We have received evidence from a supplier of water cremation equipment, Resomation Ltd, in relation to potential barriers to entry faced by suppliers of resomation (water cremation) equipment and their potential customers.
73. Barriers to entry do not appear to be related to operational issues. Resomation Ltd notes that, “the system can be installed wherever there are the appropriate space and utilities available... [it is] safe and simple to operate. To perform a disposition, it requires very little technical knowledge.” Resomation Ltd met with Water UK⁶³ in 2008, to discuss whether the effluent

⁶² MHCLG Crematoria Provision and Facilities: Government Response to the Review, page 8.

⁶³ Water UK engages with companies and regulators to ensure customers receive high quality tap water, and that the environment is protected and improved. <https://www.water.org.uk/about-water-uk/our-team/>

generated by a water cremation can be safely disposed of. Resomation Ltd told us that Water UK agreed with them that there was “no technical reason why” water cremation could not happen in practice. Resomation Ltd is currently working with [X] to develop evidence that supports the safe disposal of effluent generated by the resomation process, in order to gain consents from water companies across the UK.

74. To the extent that barriers to entry exist in relation to water cremation, we have been told that they are predominantly due to the legal uncertainty around whether water cremation is permitted in the UK. There is uncertainty amongst local planners as to how to evaluate proposals in the context of the planning regime. Resomation Ltd told us that “various enquirers who are keen to install resomation are already in communications with local planners and are finding a varied response from very positive to stalling due to lack of clarity.”
75. Furthermore, we note the uncertainty as to how existing industry guidelines apply to water cremations. Resomation Ltd highlights that they “have been requesting to work with the sector to develop a Code of Practice similar to that for cremation only to find it difficult to get either engagement or agreement across the sector.” Many potential customers “have expressed concern over the lack of clarity provided from government and other associated regulators to give them the confidence...that the process can be introduced.”
76. Finally, we note that given this uncertainty, the Law Commission is currently considering the extent to which this new model can be integrated within the existing legal framework around standard cremation. It is unclear when this work will be complete.⁶⁴

Summary

77. Our analysis shows that most crematoria face a limited number of rivals in their local areas. In particular, around half of crematoria face no rivals within a 30-minute cortege drive time, and only a small number of crematoria have three or more rivals within a 30-minute cortege drive time (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 rival crematoria.
78. We have received evidence that barriers to entry exist in relation to the planning regime and the economics of operating a crematorium. The planning

⁶⁴ <https://www.lawcom.gov.uk/project/a-modern-framework-for-disposing-of-the-dead/>

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).