

## **FUNERALS MARKET INVESTIGATION**

### **Aggregated summary of interviews with independent funeral directors**

#### **Introduction**

1. This summary aggregates information the CMA obtained in the course of 15 interviews carried out with independent funeral Directors over several weeks in 2019.
2. The CMA visited 12 independent funeral directors located in various parts of the UK and had telephone calls with a further three. Aside from three, which the CMA contacted to request a site visit, all other funeral directors had made first contact to offer their assistance to our inquiry. This is therefore not a random sample of funeral directors and should not be treated as such (e.g. by seeking to derive statistics from the evidence gathered through this process).
3. However, the diversity of locations visited and circumstances that the interviewees have described to us provide useful insights into the way the market operates generally. We visited family businesses that had been in operation for around a century or more, others a few decades; while some had been set up in the last five-six years, sometimes by former long-term employees of large funeral directors, but also by people who were completely new to funeral directing. The areas we visited were also varied: we went to large conurbations; mid-size towns; and rural areas. The majority of the funeral directors we interviewed operated one-branch businesses, but we also talked to/visited a number of firms with multiple branches.
4. While our interviews have sought to be informal and adopted the format of a conversation, we used an interview guide, which enabled us to establish a level of commonality in the themes explored.

#### **Operations**

5. The companies interviewed all operated out of their own office, or from multiple offices. Some recent entrants said that they started out with no premises, arranging funerals in people's homes, but that this was not a long-term solution and business premises, normally located on a 'high street', was

seen as a requirement for long-term sustainability. There were some common features of the premises, such as a room set aside as a chapel of rest where family could visit and view the body of the deceased. All companies visited had either refrigeration units or cold rooms on-site, but there were variations in the other facilities that some firms had available.

### ***Embalming facilities***

6. There was a wide variety in the proportion of embalming procedures being carried out by companies:
  - (a) two companies did not carry out any embalming procedures. These companies believed that embalming was an unnecessary and invasive technique and that most families would not want their loved ones to be embalmed once it was explained to them what was involved.
  - (b) Seven companies had embalming facilities and staff and carried out embalming procedures in-house. These companies carried out embalming procedures on the vast majority of bodies as these companies said that the body was not suitable for viewing without this procedure.
  - (c) Six companies had arrangements in place to carry out any embalming procedures that were needed. Some of these companies had the facilities to carry out embalming on their premises, these companies brought in trade embalmers who carried out the procedure. Other companies did not have the required facilities and made arrangements for any embalming to be carried out elsewhere. Most of these companies did not believe that embalming was necessary as standard and carried out embalming on less than 10 percent of bodies. These companies mentioned that embalming would be more likely to be carried out if the body needed to be repatriated, if there was a lengthy time in care, or if the family particularly requested the procedure. There were also some communities (e.g. Afro-Caribbean; Portuguese, travellers) that required embalming for cultural reasons.

### ***Vehicles***

7. Companies recognised the need for access to a reliable and high-end fleet of hearses and limousines. Most companies invested in a fleet of vehicles as soon as the frequency of funerals being arranged meant that this made economic sense, although some maintained close relationships with carriage masters as an alternative to investing and maintaining a fleet of vehicles.

## ***Start-up costs***

8. We obtained start-up cost estimates from the new entrants we visited. One company quoted £10,000 (including advertisements, preparation equipment and essential equipment such as refrigeration units), another quoted £10,000 for all costs excluding refrigeration, while a third one thought overall costs would be around £18 to £20,000 (excluding refrigeration). Estimates for a refrigeration unit were in the region of £2.5 to £6,000.

## **Competition**

### ***Start-ups***

9. A number of recent start-up companies mentioned that they had entered the market with basic facilities, some mentioned that they used the facilities of a funeral director operating in a different area or catering for different types of customers. However, once these start-up businesses reached a particular volume of business, there was common agreement that a business could not operate without its own premises. These premises should have space for a reception, a chapel of rest and a private space for discussions with the family, but there was no consensus on whether funeral directors should prioritise investment in other facilities, for example refrigeration units and/or vehicles (hearses and limousines) or whether start-up companies should wait until they had the volume of funerals to justify this investment. It was clearly important for these start-up businesses that they had access to rent/hire any facilities and/or equipment that they did not own when they launched their business, however some believed that there came a point when the volume of business being carried out made it economic to invest in purchasing their own facilities and/or equipment, whereas others felt that the business would struggle to establish itself without first owning these facilities and/or equipment.
10. Pre-existing connections with the local community (e.g. through Church, family links and other acquaintances, or from having previously worked for another funeral director in the area) were also important to start-up businesses, as they helped secure customers.
11. A number of the start-up companies noted that their local competitors did not appear to react to them until they started taking significant volumes of business.

### ***Competition with Co-op and Dignity***

12. Companies were aware of the presence of Co-op and/or Dignity in their area. A number of the businesses were aware of the prices charged by Co-op

and/or Dignity and careful to price their offerings at markedly below similar offerings by these companies, but many said that they did not change their prices in response to price movements by them.

### ***Competition with other Independent funeral directors***

13. Companies were aware of the activities of other independent funeral directors but appeared to be less concerned with pricing competitively with respect to them than they were to ensuring they were priced below Co-op and/or Dignity in their area. Many of the companies were very aware of the business activities of the other independent companies in their area and some listed a number of new start-ups beginning in their areas, whereas others described their local markets as being 'stable' for many years.
14. One company explained that whilst there had been an increase in the number of competitors in its area, it hadn't seen an impact on its business from this expansion in competition. The company said that it believed that this was because the infrequency of people's purchases meant that the market was slow to react. This company said that it believed that the only thing that would significantly affect its business would be the entry of a much lower cost competitor.
15. Another company said that a new entrant had tried to undercut it on price. The company told the CMA that it had not responded in any way to the entry, and focused entirely on providing as good a service as it could at a reasonable price.
16. A third company noted that a start-up in its area was providing funerals significantly cheaper than it did. However, this company also told the CMA that by advertising as 'cheap, cheap, cheap' the start-up had attached a stigma to themselves such that people did not want to use them.
17. One company said that it tended to have its own catchment area and other firms had their catchment area.

### ***Competition in general***

18. Whilst most companies admitted to keeping an eye on what competitors were doing, including looking at competitors' websites, many claimed that this did not result in them reacting to changes made by their competitors. For example, one firm said that it didn't take much notice of what others did and did not change its prices in response to what competitors did.

## Customer behaviour

19. There was no consensus on the importance of the firm's website as a tool for consumers. Four firms said that they obtained the majority of their customers through their website, whilst nine firms said that they received the majority of their business through advertising and personal recommendations, with the website playing a less important role. Many of these companies believed that customers used the website to find contact details for their local funeral director rather than as a comparison tool. One company did not express a view.
20. The website appeared to be a more important tool for obtaining customers for start-up businesses than for established businesses. Three of the four companies who said they obtained the majority of their business through the website were new companies, whilst eight of the ten companies that obtained the majority of their business through other means (particularly recommendations and/or returning customers) were established companies.
21. One company said that it gained a material proportion of its customers through contacts it established while fulfilling a coroner's contract.
22. We heard different views about the propensity of customers to shop around. Some companies stated that very few customers shopped around; one company noted that the number of returning customers was decreasing, while another one said that customers were shopping around and asking questions more than they had in the past.

## Transparency

23. Most firms offered direct cremation, covering the cost of dealing with the deceased, and a cremation without service. The majority of the firms advertised a number of funeral package options on their websites. There was some level of conformity across these packages as the packages generally contained similar features. For example, the price of a 'simple' funeral would include the cost of dealing with the deceased, viewing of the deceased, and provision of a limousine and a hearse, but would not generally include disbursements, although one funeral director quoted all its packages inclusive of disbursements. There was little conformity about how information about any additional features and costs to these packages (such as crematorium fees, or additional limousines) were provided to consumers. Some companies provided a full price list on their websites; some prices for only certain features (such as disbursement costs); while others preferred to discuss the additional costs with customers face-to-face at the arrangement meeting. Two companies did not display funeral packages and prices on their website, one

of which explained that it used to have a full price list on its website but had since changed the website to show some example package prices as it came to a decision that the price list was too complicated.

## **Pricing**

24. All companies charged a standard price for their professional services. One company said that a funeral director's service was a professional service, so could, in principle, be charged on an hourly basis, but instead quoted a flat fee. Many firms agreed that they dedicated a variable number of hours to each customer and averaged out their charge. However, companies were keen to stress that they considered the availability of staff for their clients to be important. Most firms offered a 24/7 service for customers and were keen to stress that they allowed customers as much time as they needed.
25. There was no conformity as to how the companies pitched their pricing. Some companies, especially the start-up companies, set their prices to be markedly less than the prices charged by the larger firms, some companies went through their costs in detail and charged what they thought was appropriate for each good and/or service based on what the company could purchase the good/service for, some had had the same price (barring rises for inflation) for many years and had not considered changing it.

## **Arrangement meeting**

26. All companies discussed using an arrangement meeting to take the customer through the initial plans for the funeral. Companies tended to do this face to face, usually in the funeral director's office, but the meeting occasionally took place at the customer's home. All companies were sensitive to not discussing arrangements, or price, when they were first contacted by the customer with the news of the death. Price was, however discussed openly at the arrangement meeting and at least for some of the companies interviewed, an itemised written estimate was sent to the customer following the meeting. Companies were alive to the issue that customers may want to change the arrangements after the arrangement meeting and all were happy to accommodate these changes.

## **Time taken to organise a funeral**

27. There was little agreement in the assessment of hours dedicated to each funeral with estimates varying between ten hours and 52 hours. There was no standard for what activity companies believed should be included in this figure. For example, some firms included the time spent at the funeral service,

some did not. There were some common features: companies would spend between one and two hours meeting with the families in the arrangement meeting and a similar length of time after the meeting dealing with the paperwork; companies would spend a few hours each week speaking with the family and dealing with the arrangements for the funeral each week, the funeral itself would take three to five hours and could need the attendance of five or six members of staff (if pall bearers were required).

## **Time in care**

28. Companies said that time in care of less than a week, or, more than three weeks was unusual. Most companies said that time in care of between one and two weeks was the norm, but that the firm would be sensitive to the wishes of the family to arrange the funeral for when it would fit in with the wishes of the customer.
29. Some of the companies mentioned that one of the main sources of delay was dealing with the paperwork, in particular the need for two doctors to sign the certificates and for those signed certificates to be hand delivered to the crematorium at least two days before the service were brought up as reasons for delay. Companies also mentioned that whilst there can be some issues with getting a slot at the crematorium during busy times – particularly after a long bank holiday (Christmas and Easter), this was not a problem at other times.
30. A few of the individuals we spoke to who had previously worked for the larger funeral directors told the CMA that the larger funeral directors would blame being unable to get a slot at a crematorium as a convenient excuse to cover delays caused by their own management issues (in particular staffing and asset scheduling issues).

## **Competition between Crematoria**

31. Funeral directors agreed that the majority of customers had decided on the crematorium they wanted to use before the customer approached the funeral director. We were told that the main driver of choice was location, but the customer choice was also driven by other emotional factors, such as the family having used the same crematorium on many occasions and the desire that the newly deceased to be with their other deceased relatives.
32. Funeral directors told us that they discussed other options for the crematorium with customers, but very few of them changed their minds, some companies said that if there were limited funds to pay for the funeral, then customers were more likely to choose to change their choice of crematorium to a

cheaper one. For the majority of customers, the size of the crematorium fee did not appear to be an influencing factor in the choice of crematorium.

33. Customers would sometimes mention the quality of the facilities at a particular crematorium as a factor in their decision, but this would rarely be a deciding factor. On occasion facilities would be important, for example, if a particularly large congregation was expected.
34. For those who had not made their minds up, funeral directors would provide these customers with information on their options, including price. Customers would generally take this away, consider their options for a few days and come back to the funeral director with a choice.
35. Some companies told us that they were able to negotiate a discount on the price of direct cremations, but all agreed that there was no negotiation of the price for attended cremations.
36. All companies agreed that they would not alter their professional fee for attending any crematorium in their area. One company said that it was aware that other funeral directors apply a surcharge for any travel beyond 20 miles, but it didn't and absorbed the additional cost of travel.
37. Slots varied between thirty minutes and sixty minutes. Some funeral directors said that a 45-minute slot was sufficient, but others also commented on the benefits of a 60-minute slot. Companies commented that there were sometimes (e.g. when the congregation was particularly large) difficulties if there was no 60-minute time slot available. This would result in the funeral director needing to book a double time slot for a larger funeral.

## **Remedies**

38. Most companies commented that they supported an increase in the regulation of the funeral business, which should include minimum standards for the funeral director's equipment and qualifications for some staff. There was no consensus on who should manage these standards, some suggested that the existing trade associations should be responsible for these standards, possibly with input from the government. However, others disagreed with this approach, for example one company warned that the current trade associations should not be involved in this process, as they were part of the existing problem.
39. There was agreement that increased transparency in prices would be welcomed by consumers. Many companies were concerned that they were dealing with consumers at a vulnerable time and that the industry should take



additional steps to protect consumers. One company said that funeral directors dealt with people at a point of distress, and that having no visibility of prices was just not good enough.

40. There was a recognition from companies that customers had difficulty in comparing prices as there was little or no standardisation across the industry. Companies agreed that applying a set of standards that would allow consumers to compare prices from different firms would be welcomed, but companies recognised that setting common standards would be difficult. There was no unanimity across the companies as to what standards should be introduced.
41. There was a cautious agreement that a price cap would be a useful tool, but companies recognised that setting the right price cap would be difficult. Setting the cap too high could lead to raised prices for consumers, setting the price too low could make life difficult for small and medium companies who do not enjoy the economies of scale of the larger firms.
42. A few firms mentioned that an important aspect of any improvement in the consumer's interaction with the industry should be better education of consumers.