

## **FUNERALS MARKET INVESTIGATION**

### **Summary of hearing with Rowland Brothers Limited held on 20 November 2019**

#### **Introduction**

1. Rowland Brothers Limited (Rowland) said that it was a local, family run, funeral director company based in Croydon. Rowland said that it had acquired a number of rival companies in recent years and currently operated from ten branches. Rowland said that it carried out 1,204 funerals and 1,600 repatriations in the last year.
2. Rowland said that its turnover in relation to funerals was £4.975 million in the last financial year; £2.8 million was paid out in disbursements; gross profit was about £2.175 million; and its pre-tax profit was £134,000. Rowland said that profits in 2017 were £145,000, in 2018: £159,000 and to date in 2019: £106,000.
3. Rowland explained that the CMA should also be aware of two associated companies: Rowland Brothers International Limited, which was a global repatriation company, that worked with various organisations, such as the Foreign Office, Scotland Yard, and many organisations around the world, and Golden Leaves International Limited, and Golden Leaves Ltd a funeral plan provider Vulnerability of customers at point of need
4. Rowland explained that all customers of funeral directors are vulnerable - they are bereaved, in a state of grief - funeral directors cannot avoid finding themselves dealing with people in this position. Rowland said that most funeral directors provided funeral services because they wanted to help people, that it is a vocation not a job. Rowland explained that funeral directors were not in business to make money, and that it was 'not possible to become a multi-millionaire in the funeral business'.
5. Rowland said that customers are vulnerable when they approach a funeral director, but funeral directors did not take advantage of bereaved customers by, for example, upselling them something that they did not really need or a product or service that they could not afford.

## **Changing market dynamics**

6. Rowland told the CMA that historically, there used to be a standard funeral - a hearse and one limousine. Rowland said that the funeral service would be held at the Church - whether Church of England, Catholic or other denomination - it then took the family to the cemetery or the crematorium where the committal service took place, before taking the family home.
7. Rowland explained that the demographics of its local area had changed significantly over the last 20 to 25 years. It said that it now had about 30 different religions in the area that it had to cater for - varying from Church of England, where the full service would take place at the crematorium, to Baptist churches where there would be a four to five-hour church service, followed by a 90-minute service at the cemetery. Rowland said that, today it sometimes provided a funeral service for a whole day, whereas, historically, it would, typically, only be doing so for a two or three-hour period.
8. Rowland said that, in contrast to the above, it also now provided an increasing number of direct-cremation services. Rowland explained that it was becoming more common for customers to ask for a simple cremation and for the ashes to be sent to where the customer was living.
9. Rowland agreed that the internet has been having a significant impact in terms of providing information to families. It said that the internet was being used by funeral directors to provide information to families and to communicate with customers who did not live locally. Rowland said that it estimated that 70 per cent of its customers came from personal recommendations, others would have looked around, or searched the internet.
10. Rowland also commented on the lack of public resourcing for funerals despite large population increases in the Croydon area. For example, the strain on coroners meant that the deceased had to be stored for longer. Funerals used to take place within a week, and now the funeral usually takes place within 21 days. Rowland also commented on the insufficient refrigerated facilities available in the local hospitals which were often at capacity.

## **How customers take into account quality differentials between funeral directors and between crematoria**

11. Rowland said that it believed that it built relationships with its customers. Customers that used Rowland would often return. Rowland said that most of its competitors, and the industry in general, invested in quality facilities.

## Competition between funeral directors

12. Rowland explained that there were price variations between funeral directors both in its local area and throughout the country. Rowland said that it had not increased its prices in the last three years. Rowland told the CMA that it had decreased prices in some areas. Rowland said that it did not believe that the increase in the price of funerals had been excessive.
13. Rowland said it had based its strategy for providing funeral plans on: research carried out by Golden Leaves Funeral Plans; discussions held with major players within the industry, and on what Rowland's price increase strategy was likely to be over the next five years. Rowland explained that a major factor in its pricing strategy was crematoria fees. Rowland said that for example, Dignity had stated that it would only be increasing its crematorium fees by CPI or RPI for the foreseeable future. Rowland said that its future pricing strategy for Golden Leaves Ltd was based on these statements.
14. Rowland said that funeral prices were not increasing dramatically and that it believed that it would not be increasing dramatically in the future either (in terms of the disbursement element of a funeral).
15. Rowland said that it had a range of competitors in its locality who varied considerably in size. Its main competitors were:
  - The Co-op Funeralcare;
  - Dignity, trading as Francis Chappell & Sons and Ebbutt Funeral Directors;
  - JB Shakespeare, a similarly sized company to Rowland, and
  - A number of smaller companies, all of which had started up within the last ten years.
16. Rowland said that it considered itself to be the market leader in the Croydon area, with a market share of around 36 - 40 per cent. Rowland said it was not the most expensive funeral provider in its area: Dignity provided the most expensive funeral packages.
17. Rowland said that around the turn of the century, led by the father of the current owner, the business had really developed. Rowland said that people came to it because they knew the owner and they knew that Rowland would provide a funeral that they could afford. Rowland explained that its pricing policy was to make its prices ten per cent cheaper than the Co-op. However, if the customer could not afford this rate, then Rowland would do a funeral package at a price that they could afford.

18. Rowland said that Ebbutt and Francis Chappell were very good companies, before they were bought out by Dignity. Rowland said that ‘their prices skyrocketed’ as a result of the takeover and that they consequently lost market share.
19. Rowland said that there had been a number of smaller companies that had opened in the past ten years, such as DA Lindsay and Mark Rouse. Both were ex-employees of funeral businesses, DA Lindsay from Rowland and Mark Rouse from JB Shakespeare. Rowland thought that DA Lindsay probably conducted about 50 to 60 funerals a year, maybe more, and that Mark Rouse was doing very well, with very low prices. Another recent entrant, Fisher Family Funerals opened in the last two years. Rowland did not consider that there were too many funeral directors in the area.
20. Rowland said that price for its funerals varied significantly, ranging from £500 to £25,000. Rowland’s typical price for a funeral was around £4,000, including disbursements. Rowland said that a number of customers had told it that they chose to go with Rowland because its competitors were charging almost £6,000 for the same service.
21. Rowland said that, within this range of prices, it had two standard funeral packages. These were direct cremations and a basic funeral. However, Rowland said that the majority of its funerals were bespoke. Rowland commented that the elements of a basic funeral used to be prescribed by the NAFD, and that it, and others, used to use the basic funeral as a benchmark product. If customers wanted additional features added to either of these packages, then Rowland said that it would add on these features to the cost of the funeral (Rowland did not move customers onto another package).
22. Rowland said that it priced its funerals in response to the market. Rowland also explained that it increased funeral-plan payments by reference to increases in the retail price index.

## **The funeral sales process**

23. Rowland said that some customers shopped around for quotes from local funeral directors before making a decision about which funeral director to use.
24. Rowland said that it did not use comparison sites, such as Funeral Zone or Funeral Guide, to market its services Rowland explained that it had used such sites previously but decided that it was uncomfortable with paying the site £100 commission for each referral it received and stopped using the service. Rowland told the CMA that it was on some sites, such as the SAIF online directory.

## **Profitability of funeral directors**

25. Rowland said that the major component of its cost was staff. Rowland added that staff costs amounted to around 45 – 59% of the firms' costs. Staff costs increased by around 3% per year.
26. Rowland told the CMA that it had recently spent about £800,000 to renew its' vehicle fleet, as well as invested in more refrigeration.
27. Rowland said that although its costs had increased 3 per cent each year, it had not increased its prices in the last three years. Rowland had managed to improve efficiency – for example its staff now do ten funerals a day whereas previously they had only managed to handle four funerals a day. Because of this, Rowland said that it had been able to maintain its profit level over this period.

## **Competition between private and local crematoria services**

28. Rowland said that Golden Leaves Funeral Plans researched the price increases of crematoria across the UK in 2018. On average they found the price had increased by six per cent every year over the last ten years.

## **Potential Remedies**

### ***Price transparency/charging remedies***

29. Rowland said that it thought that prices across the industry were transparent. Rowland said that it did not put its prices on its website and were not under any requirement to do so. Rowland explained that its strategy was to encourage potential customers to call the firm. Rowland said that it believed that the key factor for customers was how the firm communicates with them and that providing that service within a reasonable price range would lead to success for the company. Rowland said that its goal was to look after families and help them on their road to getting over their bereavement. Rowland said that requiring firms to put their prices on the internet would increase the risk that customers would base the service purely on price and not on the professionalism and capability of the people who would be looking after them.
30. Rowland said that it believed that most firms displayed their prices publicly.
31. Rowland explained that, along with other major funeral directors, such as Co-op Funeralcare and Dignity, it displayed the prices for standard 'block elements' of a funeral. Rowland explained that these 'block elements' included: professional fees for arranging a funeral; making all the

arrangements; the care of the deceased; the provision of the vehicles on the day of the funeral, and the disbursements. Rowland said that customers did not need any additional breakdown of these 'block charges', although it acknowledged that some small funeral directors provided a more detailed breakdown. Rowland said that it believed that breaking down charges to 'the nth degree' simply caused confusion for customers.

32. Rowland said that any prospective licensing system must include some form of accreditation, it should also include continuous education and a rigorous inspection regime. Rowland said that it believed that initially SAIF and NAFD should be required to upgrade their standards of inspection. Rowland explained that introducing a statutory regulatory body would be expensive. Rowland stressed that any inspection regime would need to have teeth.
33. Rowland said that a price cap, or price control, would result in a reduction in investment in the industry and could result in firms exiting the market. Rowland said that a lot of firms had exited recently because of downward price pressures. Rowland said that if price controls were set too low then this could affect its ability to invest in facilities. In addition, Rowland warned that any price controls could result in smaller firms charging customers more, rather than less.

***Remedies to regulate the levels of service quality provided by funeral directors and crematoria operators***

34. Rowland said there should be regulation on the standards that are required to be a funeral director. Rowland explained that currently anybody could start up as a funeral business - there were no barriers to entry into the funeral market. Rowland said that funeral directors should be required - as a minimum - to provide appropriate mortuary facilities, they should also have a chapel of rest and they should have welcoming offices for families to come to.
35. Rowland agreed that ensuring such arrangements were in place would probably require a licensing regime. Rowland explained that this would mean that funeral directors should be properly qualified]. The industry should have accredited continual professional development for funeral directors. An inspection regime would need to be set up to ensure compliance.
36. Rowland said that if there was to be a licensing regime, then this should cover the provision of back-of-house services as well as front-of-house.
37. Rowland said that currently the trade associations sent inspectors to funeral director's premises, but the inspections covered basic compliance issues such as whether firms had a price list available, or, whether firms had a code of

practice on the wall. Rowland said that it did not believe that these inspections were fit for purpose. Rowland said that it believed that inspections should be checking, for example, whether a firm's mortuary facilities were appropriate, or whether a firm's tracking system was appropriate (for example, to ensure that the funeral firm could identify the deceased correctly at all stages of care).

38. If families were visiting people in the chapels of rest, then the inspection regime should also include formaldehyde testing in that area. Rowland thought that it was the only company in the country currently doing so. Rowland explained that inspections on formaldehyde were needed as formaldehyde is a carcinogen. Family members visiting the deceased should be protected from over-exposure to formaldehyde, however there were no health and safety measures in place to protect the public. Rowland said that it had chosen to adopt such procedures, but everyone should be adopting similar safeguards.
39. Rowland said that the industry should aspire to set very high standards for firms to comply with.

#### ***Unbundling funeral packages***

40. Rowland said it would be supportive of unbundling package funerals and providing prices of each component part as this was something it already did and commented that the vast majority of its funerals were bespoke. But Rowland also recognised the potential downsides. For example, Rowland said that it would be concerned if the CMA were to recommend that customers should be allowed to purchase products and services from different suppliers or funeral providers. This could cause difficulties for the firm and for customers as Rowland would have no quality control over what was being purchased.