



## **SAIF Independent Funeral Directors**

### **Should the CMA consider the Impact of COVID-19 on the Funeral Services Market?**

#### **1.0 CONTEXT**

It would have been contrary to the principles of fairness and equity, which the CMA seek to uphold in all their activities, not to have invited commentary on the impact of COVID-19 on this enquiry.

It is noted, with great disappointment and rejection from SAIF, that this CMA investigation at the tail end of the COVID national/global pandemic crisis lacks all sensitivity for those professionals in the funeral sector coping with 15-18 hour days for the last two months; and then having to address this enquiry on an unforgiving, unchanged timetable.

SAIF determines that the CMA's inflexibility and lack of understanding towards the funeral profession is disturbing and doubts greatly that HM Government would tolerate a similar in depth enquiry into the budgetary and operational conduct of the NHS over the same period; strict legislative timeframe or not, it is simply wrong.

Notwithstanding, SAIF sets out a series of points of view and the intention to provide some data for the CMA to seriously consider.

Further, SAIF questions the serious limitations and risks that the legislation's flaws have shown, specifically the inability to incorporate further flexibility or research due to the National Health Emergency the UK has faced over the past quarter in the UK the like of which has not been seen for a century.

The relevance of the COVID-19 crisis is that it directly impacts the funeral sector at a deeply critical point during the CMA's investigation. With over 42,000 excess deaths, funeral directors have been tested to deliver services to bereaved families with the support of colleagues in burial and cremation authorities.

The CMA appears to have overlooked that Funeral Directors are essential key workers and have remained standing as the UK passed through the eye of the COVID-19 storm. Consequently, HM Government did not need to exercise any interventions from the military as in other European nations where the funeral industry was overwhelmed with the mass fatalities. There were no news stories beaming footage of mass graves, mass removal by army vehicles as we saw in New York, Italy, Spain and other places. The funeral profession should be commended for saving HM Government this political embarrassment. Instead, they face continued investigation on an uncompromising and unforgiving timetable, with prices being regulated at the end of it all.



SAIF has serious doubts that any precedent exists where a market investigation the CMA may have conducted has witnessed such significant and sudden change in consumer behaviour, and industry profitability brought about by far reaching global circumstances, at such a critical point in any investigation.

There must be a point of learning in relation to any further CMA investigations into commercial markets and legislative amendments made to redirect an investigation during a time of national crisis. It is unfair on the CMA who are legally obliged to fulfil their mandate, and uncompromising toward the funeral sector, who are fatigued and currently recovering.

Crucially, it is SAIF's estimation that the coronavirus pandemic has seismically changed the UK funeral market. Changes are widespread affecting the death rate, the consumer journey with the necessary use of technology to communicate during the pandemic, the product and service offering by funeral directors due to the Government restrictions, consumers driving funeral choice towards more limited less expensive options due to the health risks of infection as well as restricted funerals mandated by the Government and cremation and burial authorities. Typical choices discarded by the consumer have been viewing of the deceased, use of limousines, "unnecessary" expenditure on premium options such as coffins and reduced mourner numbers.

## **2.0 What has SAIF identified from the COVID-19 pandemic upon funeral services?**

### **2.1 Funeral price professional fee reductions**

In telephone sampling among 20 of SAIF's member firms it has been identified that in those geographical areas across the UK, independent funeral directors have reduced their professional fees between £250 to £500/£800 per funeral because of the limited engagement, for instance if a deceased died of COVID-19, the body would not be washed and dressed, with infection control measures brought by Public Health England (PHE) and the number of bearers at a funeral service in attention if a wheel bier was used to move the coffin in the Crematorium chapel.

There has been a rise in Simple Funerals and Direct Cremations and far greater scrutiny from the public over funeral costs incurred as attendance at crematoria and burial grounds, the inability to access any church buildings and social distancing meant additional costs were immediately stripped out.

Independent Funeral directors were not scrutinised by the media on price reductions, nor as a Trade Association did SAIF direct members to reduce their professional fees. Many of those funeral directors heavily affected led the decision on price reductions motivated in treating customers fairly. This has been embedded in the majority of independent family funeral



directors over many decades and generations, since they dwell, work and live in their local communities, as local businesses.

Some firms offered a further reduction on the funeral invoice, as an incentive to pay in full for the funeral at the time of the arrangement. This was vital to ensure funeral firms had enough cash liquidity, whilst forward funding substantially increased levels of disbursements on behalf of the client in advance of funeral accounts being settled by the client. However, it should be noted in the same context we were not aware of any commensurate reduction in crematoria charges, whilst they reduced service times that were imposed on grieving families and mourners.

Most if not all funeral directors had additional expenditure for personal protection equipment (PPE) up to £60,000 over a quarter far higher than what they would normally purchase.

## **2.2 Increased costs**

The Funeral Profession is unique. Like no other, it has been essential in helping families and authorities cope during this pandemic. The Funeral Sector was not like other businesses where it could turn a machine off, furlough its staff, turn off the lights and go home. Its staff could not even work from home, they had to travel to work and be there in the front line, entering COVID homes, nursing homes and hospitals throughout, handling COVID deceased and placing their staff at risk, whilst struggling to source PPE at inflation rates approaching 1,000%.

As a private sector industry that charges for its service, people could be excused for thinking the increase in deaths would help improve the profitability of such an industry. This is absolutely not the case. The profession has operated under Pandemic Conditions, which in modern times is completely unprecedented and requires strict adherence to specific controls concerning deaths from the virus. Not only do these controls apply to the handling of the deceased, but also to the relatives in terms of social distancing and those attending any funeral.

The consequence is a double negative effect on the finance of a business; increased costs due to changes in practice, additional equipment and additional personnel whilst enduring a reduction in overall funeral income due to consumer's requirement for simple or direct funerals.

Very substantial costs have been incurred to increase temporary mortuary space to facilitate care of the deceased and support longer storage times which funeral homes have created with no financial support.

Prior to restrictions being put in place an average price for an Independent Funeral Director providing a first or second level funeral with a hearse and limousine would be approximately



£2,500. Direct cremation which is what is required for those dying from or suspected of dying from the virus is around £1000, a reduction of £1500. Consumers have rejected ancillary services such as limousines, flowers, coffin choice and service sheets.

We are currently approaching 50,000 excess deaths in the UK which equates to a downturn of £75m in income for funeral directors. Combined with an increase in costs this is already having a major effect on the Industry and we have not yet come out of this pandemic crisis. It is noted that Dignity PLC recently stated they could not even issue financial forecasts to the City as the configuration of the funeral market has changed so significantly having moved from 20% basic funerals to 60% basic funerals.

### **3.0 SAIF plans to provide some data from member firms to evidence the consequential impact of COVID-19 on funeral firms.**

#### **3.1 Data Collection**

SAIF will be collecting data from a number of its member firms to measure the impact of the coronavirus on operating practice. We will measure the period of March to June 2020, compared to the same period, March to June 2019.

In comparing the two years, we will look at the following:

Volume of funerals

Number of basic funerals and direct cremations

The average revenue for each funeral

The average disbursement cost per funeral

The average limousine revenue per funeral

The average coffin revenue per funeral

The total cost of personal protection equipment (PPE)

The total cost of casual labour/overtime for staff

The cost for a temporary mortuary

Total amount of business rate rebate

Applications for government loans (yes or no)

We seek to procure data on the systemic consequences of COVID-19 on the income and expenditure on funeral businesses and strongly promote SAIF's view that the CMA's reliance on financial analysis of data collected up to 2019 to shape price regulation is flawed and risks any such regulatory remedies will overly penalise a market that has dramatically undergone consumer led, natural correction induced by high levels of sudden mortality, public fear or a global viral pandemic that the world and the UK is not yet clear of.



This information will be supplied in mid-July to the CMA for their analysis and deliberation, in conjunction with the Deceased Management Advisory Group (DMAG) of which SAIF is a part.

### **3.2 Restricted funerals**

Many families have had the difficult experience of having a limited funeral service imposed upon them due to the coronavirus pandemic. This has taken the form of basic and very sparse funerals with only a few mourners. Furthermore, many consumers have opted for the direct cremation option given the risks to mourners health, with the hope to have a memorial service later. We do not know if these clients will opt for a memorial service, and when they will be able to safely accomplish this.

Will this pandemic fundamentally change the consumer's choice over the long term? Does it mean that basic funerals and direct cremation become the favoured option for funerals?

If the shift in funeral consumer behaviour seen in the last 2-3 months endures, it will deliver a seismic change to the business model of funeral homes. Many funeral homes work on the basis of a mixed economy of 60% of funerals being bespoke, fully serviced traditional funerals; with 35% being a basic funeral (or what SAIF terms a 'simple funeral'); with 5% being direct cremations.

If basic funerals and direct cremations see explosive emphasis in consumer choices reaching 60% of total funerals then the investment structure of funeral director businesses will need to change considerably, including reduction in staff numbers, reduction in funeral infrastructure, redundancy of expensive capital equipment such as limousines and reduction in investment into equipment for care of the deceased, mortuaries and staff training.

Will this pandemic influence future consumer behaviour and their journey to selecting a funeral?

We think it already has.

### **4.0 The UK death rate 2020-2030 will be distorted by COVID-19**

The sad outcome of the coronavirus has seen the premature deaths of vulnerable people who may have died within the next 1 to 3 years due to their frailty or morbidities. The death rate of people in their 60s has also escalated over the same period.

Consequently, the impact of the pandemic in 2020 is of a reduced annual death rate over the next 10 years. Speculation of a second wave and the re-emergence of mass deaths may further change the structure of the annual death rate.



The CMA need to be cognisant of this significant change to the death rate going forward, and the commercial and profit and loss (P&L) consequences upon funeral homes in the next few years.

Could the death rate dramatically fall that impacts the viability of many funeral homes? SAIF believes that this could happen in areas of denser population with too many funeral directors competing for the same opportunity to be of service. This will lead to a natural reduction in supply with several funeral businesses closing as a consequence of reduced economic viability.

Will the CMA conduct further research to ensure any decisions it makes and any statutory changes it imposes are not based on data that is no longer fit for purpose given the significant structural changes in the funeral sector and the changing consumer behaviour now on display?

#### **4.1 Price capping, profit margins and price regulation**

SAIF's submission to the CMA working papers dated 12<sup>th</sup> June 2020 rejects the proposed remedy for a price regulator to be imposed on the UK Funeral Sector. SAIF's response sets out that price regulation would be a blunt instrument in a fragmented, bespoke and small industry.

SAIF submits that these remedies risk damage and harm to the funeral service sector. It may encourage small to medium sized funeral homes to exit the market due to increased red tape, overbearing regulation. The vocational pursuit of caring for the deceased and families is potentially diminished in the pursuit of limiting costs that do not consider service and quality standards of care.

Historically independent funeral directors have consistently remained best value alongside personal and high quality professional service delivery.

If the CMA remedies, based on out of date analysis drives small to medium size independent businesses that offer best value, out of the market, then the detriment would ultimately impact the consumer negatively, as the larger more expensive corporate funeral directors are empowered and the market has less competitors.

We have seen over the last 20 years the exponential growth of new start-up companies (often these have been employees from the corporate sector) and the large chains in a predatory mode acquiring former independently owned businesses into their portfolio as owners exit.



If the CMA's remedy is misjudged, the longer term outcome on the funeral sector is to injure the very nature of this study, cause consumer detriment pick and dispose preference and quality control, and care of the deceased becomes obscure.

The care of the deceased in a state of the art temperature controlled mortuary, is exchanged for a garage where the deceased is not prepared or cared and funeral directing becomes a low cost disposal service.

#### **4.2 The exponential increase in disbursements**

SAIF's response paper dated 12<sup>th</sup> June 2020, sets out the serious questions of how disbursement costs particularly for cremations and burials have not been fully absorbed by the CMA.

Local Authority owned crematoria have seen double digit price increases over the past few years alongside the higher pricing of privately owned crematoria. Cash strapped Councils in an age of austerity have sought ways and means to increase their income to cross subsidise Council services.

We would like to understand how the CMA will address these price increases that impact the consumer and the funeral director who usually covers the advance payment of these disbursements, thus taking on added financial risk of debt if the client invoice is not paid? Incidentally, we see the rise of personal debt and thereby clients defaulting on their funeral invoices as a consequence. SAIF has been liaising with the Department of Work and Pensions to secure additional grants to families in financial distress whilst facing often multiple bereavements.

#### **4.0 How will the CMA avoid potential destabilising the funeral services market?**

It is vital that value and choice remains in the market. We concur with the CMA that price transparency is an absolute must, and the Funeral Services Consumer Review (FSCSR) Group are working toward a sensible solution on a basic funeral structure and importantly, a clear explanation of what services are essential, optional and preferable to customers.

SAIF are resolved to adapt the Code of Practice to include transparency of online pricing as essential for membership. (SAIF had planned a Special General Meeting in May/June 2020 for this very purpose to vote in the new rules and Code. This has been deferred until the coronavirus pandemic is under control and members are no longer under extreme pressure).

However, we fear that damage could occur especially within the SME part of funeral directing, which currently accounts for 70% of the preferred consumer choice. Local, community invested, private and family funeral directors.



If price capping occurs or profit limiting regulation is imposed, the income mix from basic funerals to standard funerals and the direct cremation funeral, will impact the viability to cover overheads and shift the choice to primarily low cost, low or no care of the deceased, which the client is not fully aware of how bodies are disposed by this means. One cannot envisage how a revised business income model could sustain such a quantum shift. It would be akin to doctors surgeries operating in libraries, or railway stations, or in shared community spaces.

Educating and informing consumers of their choices is paramount, and the CMA's investigation has shown this to be the case. Explaining the options to consumers, whether direct cremation, and what that really means for the dead. Basic funerals, and what services are included with care of the deceased, to a full ranging standard funeral.

However, death still remains a taboo subject. One wonders of the CMA funerals investigations team, how many of your households have discussed their preferences for end of life care. How much reticence, fear and uncertainty surrounds this subject.

We cannot force consumers to prepare for their end of life choices, we can educate from schools, to businesses, via local authorities. However, is it right that the way a person is discharged from this life is reduced to a commodity, a product?

It is often said about that the value of a culture can be seen in how they treat the aged, ill and disabled. How we treat the dead can also be added to that list. Care for the deceased reflects the ontological reality of the end of the gift of a human life, or are we moving to a commoditisation where disposal, the low cost lift and leave, says all we want to say of a person's life. Yes, it is a choice by the client and their next of kin, but does mean a lift and leave disposal service is right.

## **Conclusion**

It seems to us that either the proposed remedies are postponed for further investigation in five years' time when the funeral market will have readjusted and settled from the pandemic. This is a plausible option as the Office of Fair Trading has monitored the market from time to time, in 1987 and 2010. Or that any remedy determined is used in a targeted manner and light touch with specific outcomes that are measured over set time period and reviewed after two years.

Finally, SAIF will be submitting the data collection to the CMA approximately mid-July 2020 to provide the financial impact upon the funeral services profession from March to June 2020 with the comparable period in 2019.

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