FUNERAL MARKET INVESTIGATION

WORKING PAPER ON THE CMA'S MARKET INVESTIGATION RESEARCH PAPERS RESPONSE

CO-OPERATIVE GROUP LIMITED

1 Overview of the CMA’s Research Papers

1.1 The CMA conducted a quantitative survey of consumers who made arrangements for an at-need funeral since July 2017. A total of 279 respondents made up the ‘funeral director’ sample. The CMA also commissioned a mystery shopping exercise, comprising of phone calls to funeral homes and audits of their websites.

1.2 The key survey results are supportive of a well-functioning market. Looking at the survey results in isolation we would not conclude that the features of the funeral market are such that they have an adverse effect on competition (AEC).

1.3 The CMA’s findings indicate that nine in ten consumers considered that their expectations of the services provided by the funeral director had been met in full or had exceeded their expectations. Eight out of ten consumers indicated they had recommended or would recommend the funeral director they used to someone else. This suggests that consumers are satisfied with the service, both in terms of quality and prices. The results also indicate that the prices are sufficiently transparent. Further, consumers are aware of the possibility of switching, and there are no barriers to switching.

1.4 The sample sizes in the CMA’s research papers are small. Only 279 respondents were eligible for the funeral director questions, the mystery shopping exercises were based on fewer than 120 funeral directors. It is also unclear whether the sample for the mystery shopping is representative of the market as a whole. Conclusions based on these surveys with small sample sizes should therefore be treated with some caution.

1.5 Results of surveys with larger sample sizes suggests that shopping around is higher than indicated by the CMA survey. A third of consumers had compared two or more funeral providers.[1] There is also evidence that consumers increasingly use the internet to find and compare funeral directors.

1.6 Failure to comment on a particular element of the CMA's analysis should not be read as acceptance of it.

2 Structure of Response

2.1 In response to CMA’s research paper on consumer survey results and the Ipsos MORI mystery shopping report we discuss the following.

(a) Are these findings indicative that a feature or combination of features of the funeral market in the UK prevents, restricts or distorts competition or of having a detrimental effect on consumers?

(b) Evidence from surveys with a larger sample size.

(c) The robustness of the CMA’s findings.

[1] Steerco3 Consumer Insight Pack, slide 60.

3 Are these findings indicative of an AEC?

Findings from the consumer survey

3.1 The consumer survey results demonstrate that consumers are satisfied with the services provided by their funeral director, both in terms of price and quality. A third of consumers indicated that the services provided by the funeral director had exceeded their expectation while nearly six in ten consumers said that their expectations had been met in full. Eight in ten consumers said they had recommended or would recommend the funeral director they had used to someone else, with the level of care or standard of quality the most cited reason.

3.2 The CMA survey results showed that nearly two in ten consumers compared two or more funeral directors before arranging a meeting. Of these, 21% of consumers compared some form of price information and 17% said to have compared some form of quality indicator. More than 45% of consumers who did not compare used a funeral director they had previous personal experience with.

3.3 At least one in ten consumers switched to another funeral director after the deceased had been collected. Of the consumers that did not switch funeral director, more than three quarters did not switch because they were already using the funeral director they wanted to make the funeral arrangements. Only one in a hundred consumers indicated they did not want to incur the costs and only one in a hundred did not know it was possible. The results therefore show that the low level of switching is not due to switching costs.

3.4 The survey results demonstrate that the majority of consumers have good knowledge of prices. Nearly eight in ten consumers said that the full cost of the funeral was either less or about equal to what they had expected. The survey results show that this percentage does not increase for consumers who had compared funeral directors ahead of choosing a funeral director. Evidence suggests that there is transparency in price information. The CMA survey suggests that price information was sufficiently transparent during the arrangement meeting. The results show that nearly nine out of ten consumers considered they had received the right information about costs and/or options and the same proportion was said to have received this information at the right time. Equally, the Ipsos MORI mystery shopping report shows that total price information is sufficiently transparent when consumers make enquiries over the phone (see paragraph 3.6, below).

3.5 Overall, the results of the survey do ***not*** demonstrate that at-need funeral consumers are suffering detriment. ***In fact, the results are precisely what we would expect to see in a well-functioning and competitive market***. Consumers are satisfied with both price and quality of service. Prices are sufficiently transparent. Consumers are aware of the possibility of switching, and there are no barriers to switching.

Findings from the mystery shopping

3.6 The CMA commissioned Ipsos MORI to conduct mystery shopping, both online and by phone. For phone shoppers, most funeral directors that were spoken to gave some cost information. Of these funeral directors, the majority spontaneously indicated there might be other costs to pay. The report indicates that eight in ten shoppers felt that the price information they were given was sufficiently clear.[2] Almost all of the shoppers felt that the funeral directors did not attempt to upsell in any way.

3.7 Of the websites that were audited, just under half were found not to have any at-need funeral cost information displayed. When they were displayed, prices on homepages tended to be

[2] Ipsos MORI (2019), ‘CMA Funerals Market Investigation: Telephone mystery shopping and Website Audits’, page. 21.

headline prices and prices on other pages tended to be presented as package prices. Disbursement and third party costs were mentioned on 39% of surveyed websites.

3.8 Overall, the mystery shopping suggests that price information is relatively transparent over the phone, and to a lesser extent online. However, given the issues with the methodology used as explained in section 5, it is highly questionable whether these findings are representative of the market as a whole.

4 Evidence from surveys with a larger sample size

4.1 In addition to the CMA-commissioned survey, other surveys have recently been carried out. Two online surveys were conducted in 2019 [✂]. The Survey of Past Buyers considers respondents who have arranged an at-need funeral in the past 3 years, with a total sample of 2,542. The Future Buyer Survey asked 2,041 respondents to consider a scenario where they have to arrange a funeral in the near future. Though it is important to bear in mind that this is based on a hypothetical scenario, this type of survey can give a sense of where consumer trends are heading, rather than only relying on past behaviour.

4.2 [✂].[3] [✂].[4] [✂]. [5] [✂].[6] [✂].[7]

4.3 [✂].[8]

4.4 [✂].[9]

4.5 [✂].[10]

4.6 [✂].

5 Assessment of CMA's survey methodology

Consumer survey

5.1 The CMA commissioned Ipsos MORI to include questions about at-need burials or cremations within several 'waves' of face-to-face surveys. For questions relating to the use of a funeral director for an at-need funeral, a total of 6,084 respondents were interviewed. Only 279 were considered eligible to answer. For questions relating to the use of crematoria, the sample size was 376 from 10,144 total respondents. The report states that results based on less than 100 responses should be taken "qualitatively", with conclusions to be regarded as "indicative". With such a small total sample size, inevitably many of the findings presented in the Consumer survey results report fall into this category.

5.2 For example, the CMA finds that of consumers who at some point considered switching but did not do so, 1 in 10 cited not wanting to incur additional costs as the reason. However, this survey

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[10] [✂].

questions had a sample size of only 9 consumers.[11] When considering reasons why respondents did not recommend the funeral director, the CMA finds that when a specific reason was mentioned, it tended to be cost related. However, this is based on a sample of 30 consumers. Results from such small sample sizes are a weak evidence base for policy making. It would be extremely unwise for the CMA to rely this single, small survey while completely ignoring the wider body of evidence built of surveys with robust sample sizes.

Mystery shopping

5.3 The Ipsos MORI mystery shopping exercise used a sample of 120 funeral directors provided by the CMA. From this sample, 114 were assessed by telephone mystery shopping, and 103 had their website audited. As the report acknowledges, these are also small sample sizes and therefore the findings must be mainly seen as indicative and interpretation treated with care. In addition, no face to face mystery shopping was conducted as part of this research. Since the main aspects of funeral arranging are usually conducted in person, it is unclear how much value there is in conducting these exercises by phone or online in isolation. The absence of face to face mystery shopping is another major gap in the CMA's evidence base.

5.4 The report indicates that the sample of 120 funeral directors was randomly chosen by the CMA. There is no indication that the sample was designed to include a representative number of funeral homes from larger providers. About half of websites audited were found to display some cost information. However, it is not clear that this is an accurate representation of the market as a whole. If larger providers with several funeral homes have their websites counted only once, the audit results will be disproportionately weighted towards small providers. This bias in the sample would undermine the findings and result in a weak evidence base for policy decisions.

Conclusion of survey methodology

5.5 There are a series of significant methodological issues with the CMA-commissioned surveys. In particular, both the consumer survey and the mystery shopping were conducted with very small sample sizes. As such, the extent to which the results can be used with confidence is limited.

[11] Consumer survey results, Table 11.