

FUNERAL MARKET INVESTIGATION

WORKING PAPER ON THE QUALITY OF 'BACK OF HOUSE' FUNERAL DIRECTOR SERVICES RESPONSE

CO-OPERATIVE GROUP LIMITED ("Co-op")

1. The Co-op is supportive of the CMA's key findings that
 - a. customers care about back of house quality;
 - b. 'back of house' quality is not typically observable to customers, even after purchase: and
 - c. there is some poor quality provision in the sector which is not addressed by existing monitoring regimes.
2. There are nevertheless a number of points in the Working Paper on the Quality of 'back of house' funeral director services ('**Paper**') on which we comment below.
3. Failure to comment on a particular element of the CMA's analysis should not be read as acceptance of it.
4. We believe that the CMA has gone beyond the scope of the subject matter of the Paper in interpreting consumer survey results presented at paragraphs 12 and 13 to unjustifiably conclude at paragraph 14: *'These headline survey results indicate that funeral directors are likely to have relatively weak incentives to compete hard in relation to any aspect of their offer, including quality'*. For example, the CMA's survey finds that 17% of respondents compared the services of two or more funeral directors. It also finds that an additional 13% choose a funeral director based on the express wishes of the deceased. In such cases, the purchaser of the funeral is not directly comparing funeral directors, but the deceased has previously made that decision, most likely based on their own positive experience when arranging a funeral for someone else, or recommendation from others. In addition, there is a substantial body of evidence (that we have provided over the course of the inquiry and that the CMA has noted in other working papers) that funeral directors clearly monitor and compete on, among other factors, the observable quality of their rivals (for example front of house facilities, vehicles etc.)¹ and that this is driven by its importance to customers.
5. The CMA has differentiated between observable and unobservable 'back of house' quality. It believes customers can only indirectly assess unobservable 'back of house' quality in limited circumstances such as where there has been a significant failure (e.g. in poor condition of the deceased). It is certainly harder for customers to assess and engage in unobservable factors but Co-op differentiates its business on all aspects of quality, including unobservable 'back of house' quality. We believe it is simply the right thing to do to offer high 'back of house' quality standards and it is a key differentiator for our business in the market. We show our 'back of house' services to those who are interested (such as medical professionals) and we will show customers if they ask to see them.
6. Whilst concerns for reputation do not necessarily form a strong incentive to maintain back of house quality for all suppliers, the CMA has recognised that this is factor for the largest providers who face

¹ See for example paragraph 51 of the Paper, which notes that branch managers were able to comment on vehicles, premises and to an extent on the quality of staff.

greater media scrutiny.² As a provider with a recognisable national brand, this is a particularly important factor for Co-op: our entire brand is only as good as the weakest funeral home in our network of funeral homes. This has been intensified since we made the decision to move use a common brand/fascia for all of our funeral homes (a decision taken to ensure complete transparency of ownership for consumers). Other funeral businesses which retain 'private names' are more sheltered from this impact.

7. Funeral directors who are currently providing good quality 'back of house' care have made reasonable but significant investments in their premises and processes. We believe that families expect that their loved ones to be appropriately cared for while in the care of a funeral director and Co-op has put facilities in place in order to meet these reasonable customer expectations.
8. A major reason why customers compare less on quality than might be expected is that 69% of customers³ wrongly believe that the funeral industry is regulated. On the basis of this assumption, many customers incorrectly infer that all funeral directors adhere to a minimum set of standards and that quality comparison is less important.
9. Co-op's investment in our 'back of house' facilities and processes includes:
 - a. Professional development and training of our staff with an industry leading apprenticeship scheme to ensure the provision of the right standard of care for the deceased. We believe some such training is necessary for every funeral director;
 - b. Capital investment in mortuary facilities and refrigeration to ensure that the deceased are adequately stored, with the necessary capacity available given reasonably expected numbers of deceased. We believe that smaller funeral directors could achieve access to the same quality of care through arrangements with others, provided that they have the right governance in place to ensure quality of care in those facilities;
 - c. Appropriate security for storage of the deceased and their last effects. Those security measures may be different for a smaller funeral director operating a different model; and
 - d. Our internal assurance model to monitor quality (standards team, risk & assurance managers etc.), which is reflective of the necessary governance in a business of our size.
10. We believe that the investment we have made represents good value for money. It has allowed us to meet consumer's demands for quality services and has led to material and demonstrable benefits to our members and customers.
11. Minimum good quality back of house standards may well be achievable without necessarily incurring excessive expenditure; however, some businesses might want to compete on higher quality through higher investment (as Co-op does) while other firms might seek to underinvest in quality where it is unobservable. It is this latter issue that is concerning for customers. However, the scope to invest in and publicise quality is an important part of the dynamics of competition in this market.

² Paragraph 30(a) of the Paper.

³ See paragraph 59 of the Paper.