

18th June 2020

Dear Sirs

I write on behalf of Freeman Brothers Funeral Directors, in response to your request for further submissions.

Firstly, I would like to tell you a little about our business.

-Freeman Brothers started trading in 1855 in premises which we still occupy in Horsham, West Sussex.

-We have three further satellite branches in Crawley, Billingshurst and Hurstpierpoint in West Sussex, the latter of these having opened last year after we acquired and fully refurbished the premises.

-We are descended from the activities of a general builder and carpenter, who carried out funerals as one of his many activities. The current proprietor is a direct descendent, and his son, the sixth generation of his family to work in the funeral industry, also works within the business.

-I manage the company day-to-day, having been recruited to my role around thirteen years ago.

-In a normal year, we carry out in the region of [REDACTED]. We operate our own pre-paid funeral plan held in Trust; [REDACTED]; we have collected Deceased people on behalf of the Coroner's service since before there was even a tender process for such an activity.

You will have, on 27th February and 12th June, received our comments upon your two sets of working papers released in January and February respectively. Please find below our comments which come into the category of 'other commentary'. Inevitably, most of these relate to the recent COVID-19 pandemic and its effects, both real and potential, on the sector.

The potential changes to the funeral sector in the light of the COVID-19 pandemic

There is no doubt that the recent pandemic has the potential to change the funeral sector in many ways. Some of these are easy to understand but some do not have the potential to be truly realised for many years. All of these changes, some of which we break down into categories below, have the potential to completely alter the at-need funeral market and the income derived from it. We would therefore suggest that the financial analyses carried out of the sector (which, we opined in previous submissions, was already unsatisfactory in many ways) are now significantly outdated and cannot be used in making any assessments of the future UK funeral industry.

The impact of a large numbers of excess deaths

There is no doubt that there have been significant increases in the number of deaths in the last few weeks. West Sussex, where we are based, saw three consecutive weeks in April where more people died than had done so in any week since records began¹. [REDACTED]

It may well be the case that for some types of business, an unexpected increase in custom would be wholly welcome. Putting aside the obvious, but important point, that many deaths are a cause of great sadness for the family and friends of the person who has died, this sudden uptake in numbers is problematic for funeral businesses.

¹ ONS data provided by Sussex Resilience Forum. Historic high was 302 deaths; there were 303 in w/e 10/4/20, 307 in w/e 17/4/20, and 319 in w/e 24/4/20. Figures were distributed on 2/6/20 and are subject to revision.

Many people fail to remember that the key difference between funeral directors and other types of business is that every person can have only one funeral. Even a funeral director with an absolute monopoly in an area could not increase its workload above the number of people who die in any given period without expanding that area.

It is, of course, true, that older people- who would be more likely than younger people to die in the near future- are more likely to die of COVID-19. However, 65% of people who have died of COVID are under 85 and 12% under 65²- for that 12%, their chance of dying in the next year would otherwise be less than 1 in 100.³ Additionally, 28% of excess deaths recorded in England and Wales between 7th March and 1st May were not attributable to COVID-19, and while many of these are presumably of elderly people (because their deaths were caused by dementia, Alzheimer's disease, or 'old age and frailty') and/or some may well have had undiagnosed COVID⁴, there is no way to judge when this group may have died otherwise.

Therefore, while an increase in the number of people dying will probably lead to many funeral businesses seeing increased custom for that period, these are excess deaths- with the resultant inevitable equalisation. Additionally, the likelihood is that there will be excess deaths from other conditions, as an 'unintended consequence' of the pandemic, including at least 6,270 but up to almost 18,000 people in England from cancer⁵ within the next year. Some of these may be younger people who- if treated successfully- may well have lived for many years. This means many funeral businesses will face years of uncertainty- funeral numbers may well be lower in future years but there is no way of knowing whether this will be spread equally over a period of time or whether there will be some years which transpire to be significantly quieter than others. There is no way for even the largest businesses who are able to invest sums in data analysis to understand with certainty when the troughs are likely to fall.

This is a UK-wide picture but we have seen the pandemic has had substantially different effects on different regions of the country, depending on their make-up and demographics. Therefore, the funeral market may alter more in different areas at different rates, making any UK-wide system of regulation even less feasible.

Predicted death rates are obviously always based on modelling and likelihoods, but will be even harder to calculate with any degree of accuracy in light of these excess deaths. There is a possibility that many years of stagnation or decrease in the death rate could follow, and this in itself has the potential to alter the funeral market completely and render any previous analysis of profitability completely outdated- therefore using it to make legislative decisions would be a grave error. As we will outline later, capping profits in the face of this uncertainty would seem to be particularly unfair when the business' fixed costs will not alter if standards are to be maintained.

The impact of limited funeral choices

² As at 9th June, based on death rates taken from <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/articles/coronaviruscovid19roundup/2020-03-26>

³ <http://www.bandolier.org.uk/booth/Risk/dyingage.html>

⁴

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/articles/analysisofdeathregistrationsnotinvolvingcoronaviruscovid19englandandwales28december2019to1may2020/technicalannex#possible-explanations-for-non-covid-19-excess-deaths>

⁵ <https://www.bmj.com/content/369/bmj.m1735>

The exacerbating factor for this increase in the number of people dying in such a short time, instead of in a spread over future years, has been the restrictions which have been put in place which have prevented customers choosing some of the more profitable types of funeral.

[✂]

Equally, the inability to provide a limousine service (due to social distancing regulations) has led to a loss of profit not only in real terms, but in the fact that their continuing depreciation for age has not been outweighed by deriving income from them. Sundry items such as Orders of Service are less likely to be required. In the meantime, some of the business' costs have increased (see below) while fixed costs have remained consistent.

The trend for families to use a limousine or have a service in a Place of Worship may change over time, but there is no reason to suppose that some of the families arranging funerals now instead of later would not have chosen to avail themselves of these options whenever in the future the death took place. As emphasised above, many of these COVID-19 deaths would have happened in future years when these services would have been available. Therefore, these profits are not merely deferred. They are irrecoverable.

It may well be the case, especially in areas where crematoria closed their doors to all mourners, that direct cremations have seen an increase over the time of the pandemic, as families who intend to have large memorial services later (note: these will not require the services of a funeral director) were disincentivised to have any type of attended funeral at all. This will not only affect income for funeral directors (and may increase custom for direct cremation companies, distorting the market) but also for crematoria, making previous analysis of that market equally outdated.

The possible long-term implications of limited funeral choices at present

We stated in a previous submission that some families will make funeral arrangements with consideration of a previous funeral as a factor. For many, the funeral they have had to choose if they are bereaved during this pandemic may be completely different from their prior experiences.

At Freeman Brothers, we have had a lot of positive feedback from our clientele, saying that in spite of the restrictions placed upon funerals at present, theirs had been a good experience. Typical is one customer, who said 'it wasn't the funeral we would have wanted, but it was peaceful, simple, and beautiful'. There is no reason to suspect that this will not be a pattern repeated throughout the UK. Many people may have had their thoughts about smaller or simpler funerals challenged, and this may significantly alter their future plans. As stated above, there could be increased demand for direct cremations, increasing the popularity of these more quickly than would otherwise be expected.

Of course, the opposite could also be true, and people who felt obliged to arrange simple funerals for their partner or parent may have found them lacking, and make grander plans for when their own time comes. We have noticed that some clients have chosen more expensive (not necessarily more profitable) coffins during the pandemic. This is in spite of the fact that they may be expecting fewer people to see their choice in the light of reduced attendances. We do not know why this is- we could speculate that they have an idea of the money a funeral costs and/or that they want to spend, and having saved money in some areas, 'top up' by spending more in others. It also belies the idea that families come under pressure from funeral arrangers in making choices such as these- in the case of Freeman Brothers, we are providing customers with all the options in writing, letting them make choices at their leisure and taking note of them once the decisions have been made. This

simply shows that customer decision-making is difficult to predict, hard to classify, and reinforces the idea that a 'one size fits all' package is inappropriate for this type of customer.

This evolution of requirements is not a bad thing, and it need not be so for funeral directors- in a customer-focussed sector, client feedback is usually taken seriously. Most long-established funeral businesses have adapted over time- as is the case with Freeman Brothers where most funerals we arranged used to take place within a few days of the person dying, while now it is more in the region of three weeks.

However, because the changes in funerals taking place at present are imposed upon clients rather than being brought about through changing preference, the consequences of this are far less predictable. Regardless of what future trends may emerge in client choice as a result of the pandemic, it seems clear that past ideas about what these may be can no longer be seen as accurate. It is now no longer possible to make assumptions about the future shape of the funeral market, or to rely on previous analysis of it when forecasting likely future performance. We cannot see how plans to regulate funeral prices can possibly be justified in light of the fact that there is now a high possibility of the market altering permanently and unpredictably, one side effect of which might well be that prices self-correct as demand shifts.

Possible increase in takeup of pre-paid funeral plans and concomitant effect on the at-need funeral market

There is no escaping the fact that the news has covered death in a way which will be unprecedented for many people in living memory. It has been suggested that this may lead to 'record levels of interest in funeral planning', with 'plan considerations up 178% on this time last year'⁶. Therefore, the at-need funeral market may decrease in future if this interest translates to purchases of funeral plans.

Simultaneously, many firms may well have reduced their advertising of funeral plans over concerns that such activity might appear insensitive or that they could be accused of 'cashing in' on the current pandemic, with the attendant reputational risk that such suggestions might bring. Therefore, numbers of pre-paid funeral plan purchases could also decrease if customers do not see adverts and so defer their choice.

As a significant quantity of the people who have died with COVID are older, it may well be that they were already in possession of a pre-paid funeral plan- we know that, statistically, it is older people who are more likely to hold one (or otherwise have made plans for their funeral)⁷. Therefore, there is also a possibility that, once the pandemic has passed, there will be fewer people in the UK who hold a plan for future use, which also has potential to change the balance of the market.

Like much of the possible post-COVID environment, this is unpredictable. We know that investigations into the pre-paid funeral market fall under different auspices, however, any consideration of the at-need market which doesn't take into account possible significant changes to the pre-need market will, we would suggest, be flawed.

Operational difficulties in a pandemic- and how previous good financial performance and management helps to mitigate against them

⁶ Statistics taken from Golden Charter marketing literature, dated June 2020, quoting independent research by James Law Associates

⁷ <https://www.funeralguide.co.uk/funeral-planning-in-the-uk>

There have been many challenges around operating a funeral business in the current COVID-19 pandemic. These can be broadly broken down into the following areas:

- implications of need for extra PPE, coffins and associated materials, storage of deceased people, and staff time- all of which are a result of substantial increases in infectious deaths and funeral numbers
- implications of necessity to making changes to operations in light of both increased demand but also regulations around social distancing
- implications of changes to income in light of reduced service provision.

The proprietor of our company spent several years working in the business with his parents who had experience of the most recent previous pandemic- the 'Hong Kong flu' of the late 1960s. Estimates of the number of deaths in each of the waves of this illness are 30-40,000⁸, so this current pandemic has exceeded it, but as this is the nearest equivalent scenario within living memory, that experience can only be useful. Additionally, his parents had, in turn, worked with their forebears who had experience of other previous pandemics, and so long-established businesses have the advantage of relying upon memories not only of the experience of living through a pandemic, but how to operate a funeral directing business during one.

As soon as it seemed likely that we would be facing a pandemic, the benefit of this experience taught us it was a good idea to order a large extra supply of coffins. We also ordered significant quantities of PPE, although we tend to have larger stocks than many equivalent-sized firms because of the type of work we are required to do by virtue of possessing our local coroner's removal contract. Four years ago, we invested around £[£] in a large cold-storage facility which, together with our other capacity, enables us to store up to [£] deceased people, far in excess of what we expected to require other than for occasional periods of a few days if we faced a combination of both a large number of deaths and a delay in funerals. The large number of funerals we have been asked to fulfil in a relatively short period of time required some staff to work overtime, in activities such as furnishing coffins and mortuary work. There are cost implications for all of this.

The social distancing regulations have proved a significant problem for funeral directors. It is not possible to carry a coffin with colleagues at a social distance, or to collect a deceased person. Therefore, different working methods have to be employed and we have chosen to use 'cohorting' or 'partnering', keeping teams of two staff working together to minimise their contact with others and for ease if one of them became ill. To accommodate this, we have had to furlough some staff whose skill sets or availability did not fit into these safe working systems. However, we have 'topped up' their wages to 100% so they are not detrimentally affected. At the same time, we have had to allow some of their colleagues who do fit into this system to work paid overtime to fulfil demand.

Additionally, because we can no longer have clients visit us in our office- or visit them at home- our liaison has had to change completely to information conveyed in writing and by telephone. This has been challenging, but our administrative team is made up of excellent staff, most of whom have strong transferrable skills and all of whom have showed a commitment to ensuring they give the best possible service and work with customers to ensure they know what is possible. All of our team has risen to the challenge of the pandemic and we have been truly impressed with their work ethic in a role where they cannot- unlike so many people- work from home, and where- at least initially- there were concerns that exposure to deceased people with COVID-19 could put them, and therefore their families at home, at risk. As stated in our previous submissions, we have always prided ourselves on attractive terms and conditions which attract the highest-quality staff, but this is not without cost.

⁸ <https://www.kingsfund.org.uk/blog/2020/03/responding-covid-19-coronavirus-outbreak>

Because we value our staff and see the making of their working environment as safe as possible as a high priority, we have made some changes to our service provision which have had real impact upon our profitability as a business. Although the number of our customers who use our limousines is [redacted], in 2019 we still provided at least one limousine on around [redacted] of funerals. At the onset of COVID-19, we immediately ceased providing them- including cancelling existing bookings. This has a clear impact upon profitability because they still depreciate without 'earning their keep'. We also stopped carrying coffins where the service location permitted this, enhancing our cohorting practice and putting fewer staff into contact with each other and the public. Other businesses have made different choices and we have had to weigh up the safety of our staff and customers versus the reputational risk- and loss of profits- which our more conservative view may have resulted in. Of course, the impact of these choices may not just affect our present funerals but also the perception of our customers of our ability to fulfil their requirements and so it is impossible to know whether we have detrimentally affected our reputation, with the effect that the next time those customers have to arrange a funeral, they may be less positively disposed towards us. We hope this is not the case, as we have faith in the ability of our teams to explain our practices to our customers and ensure they understand them. However, we have been able to make these choices because of the position into which the business has developed over time.

We have been able to take all of the steps outlined above, in the face of an entirely unprecedented event, because of two factors.

The first of these is a level of charges which has enabled reasonable profits to be achieved, and prudent financial management of those profits. A business without sensible levels of reserves, accrued over time, might struggle to simultaneously spend more on consumables and staff costs, remove profitable service offerings and alter services in a way which may lead to present and future reputational risk. We do not believe that funeral businesses which operate on a shoestring will find themselves in nearly such a good position. The impacts of this could be various- they might have had to cut corners on areas such as PPE, or continue a limousine service (at a risk to both staff and clientele). They might not have facilities to store enough deceased people and so put increased pressure on an already overstretched NHS system. Businesses which rely upon cash-in-hand 'hired bearers'⁹ would be putting large numbers of people at risk of viral transmission, similar to that which was seen with the use of agency staff moving between different care settings.

We can only imagine what the impact of a profit cap or other restriction upon funeral businesses' ability to cope with the pandemic would have been. Certainly, those which have not been as well financially managed as Freeman Brothers will not have been able to cope in such an agile way.

Secondly, it is our contention that businesses which carry out a wide range of types of funeral- such as Freeman Brothers- are more able to scale their service down (or otherwise alter it), because of these types of experiences. They are used to funerals with small as well as large attendances, and graveside services, and understand how to fulfil very small and simple funerals without removing their ability to be meaningful.

[redacted]

We would suggest that trying to pigeonhole funeral businesses to provide 'only' certain types of services (benchmark package as standard, simple funerals through LA tender) or to otherwise affect their ability to simply provide each customer with the type of funeral they require, can only be a mistake. It is still possible that there may be a second wave of the pandemic- and, indeed, that we may have to go back in and out of these restrictions as time passes, perhaps for many years. There

⁹ We discussed this more fully in our submission of 12th June- see Appendix One for the text of that point

may be worse peaks in future, and in some local areas this might mean all funeral directors collaborating and everyone who dies being allocated to any firm on the basis of all provision being homogenous¹⁰. Anything which happens which discourages those funeral businesses which want to be diverse from offering the widest possible types of service, and serving the broadest possible customer base, building up their experience simultaneously, should be approached with extreme caution.

In conclusion, we would contend that there is significant likelihood that the COVID-19 pandemic has led to alteration of the UK funeral market in many ways. The effects of it may well continue and the shape of the future UK funeral market may have changed in unpredicted, and unpredictable, ways because of it. We would suggest that previous financial analyses, already (as outlined in previous submissions) potentially unsatisfactory, are now entirely outdated. As a result of this, the measures proposed are even more difficult to justify, as it can no longer be argued that the data provided supports them.

If there are any questions arising from our comments and answers, or if we may be of assistance in any other way, please don't hesitate to contact us. The details are in the signature of my email account from which this was sent.

Yours faithfully

Abi Pattenden
Manager
Freeman Brothers

Appendix One

Text of Freeman Brothers' point on 'hired bearers' from submission of 12th June

'One way to reduce staffing costs is to rely on informal, cash-in-hand 'hired bearers' who tend to operate to varying degrees of efficiency from many crematoria. This may reduce costs but leads to all kinds of potential issues which may lead to customer detriment: the hiring firm does not know who they are and has no control over what they wear or the level of their skill. There is no guarantee that they have any particular level of training, it is doubtful that they are insured; the lower costs include the hirer's abdication of responsibility to contribute to a pension or pay employer's NICs. Firms which operate in this way are not comparable to business like ours, [redacted]. We would suggest there comes a point at which lower costs can only be achieved through poorer practice and to imply that this is something to be aimed for is unsatisfactory and also presents a contradiction to the suggestion that standards are important and should be raised.'

¹⁰ Our Local Resilience Forum had discussions at the start of COVID on this basis, making early plans for scenarios where some firms or storage facilities were to be overwhelmed, and we are sure other areas will have had similar experiences