

## Funeral directors and crematoria services market investigation

### Dignity plc comments on CMA working papers published on 30 January 2020

Dignity plc (“**Dignity**”) welcomes the opportunity to comment on the working papers published by the CMA. While Dignity agrees with a number of the CMA’s observations on this sector, set out below are its observations on aspects of the working papers with which Dignity disagrees or considers that the CMA needs to gather further evidence.

Sr. no.	Para.	Extract from relevant paper	Dignity comment
<b><i>The quality of ‘back of house’ funeral director services</i></b>			
1.	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.	Dignity agrees with the CMA that many funeral directors have limited incentive to compete on quality because consumers do not often compare all qualitative elements. However, Dignity considers this is because consumers expect that the standard of care back of house is the same across the sector and that funeral directors are overseen and regulated to ensure that the deceased are cared for well (as recognized by the CMA at paragraph 18 of this paper). Dignity therefore considers that raising awareness about different degrees of care and standards, will translate into consumers exercising a more active choice and undertaking comparisons to ensure they are getting value for money.
2.	15.	However, we received submissions from funeral directors which argued that consumers are aware of (and respond to) the quality of a funeral director’s offer, including through their own past experience or recommendations they receive.	Dignity also considers that consumers do respond to certain aspects of observable quality and past experience and recommendations are a big contributing element; however this does not solve the problem as regards elements of quality that remain unknown and unseen even after the funeral director’s services have been provided.

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3.	54.	Such a price-quality relationship would be expected in a competitive market if quality was both costly to provide and observable. However, as discussed above, back of house quality is largely unobservable by customers. This is likely to significantly dampen incentives to make costly investments to improve these aspects of quality with the purpose of attracting customers, and recouping the costs through higher prices, since customers cannot observe these aspects and respond.	Dignity agrees with this proposition vis-à-vis independent, smaller funeral directors. However, Dignity submits that large providers such as itself have a greater incentive to keep both front of house and back of house quality high, as any reputational damage could be significant. Being a listed company, there is a greater pressure on Dignity to maintain excellent service standards as any reputational harm to one branch would be more likely to be picked up by the trade press and national press and have a cascading effect throughout the network, as compared to smaller local independents that may be able to curtail any reputational loss through the passage of time and limited press attention.
4.	55(d)	We undertook site visits with 12 independent funeral directors located in various parts of the UK. The companies had in common a strong belief that they provide a high quality service, and all the back of house facilities we saw appeared to us to meet at least acceptable standards, and in some cases were of extremely high quality	Dignity strongly recommends that the CMA team samples a greater variety of independent funeral homes and/or considers the extent to which there may be bias in its sample.
5.	55(d)	For nearly all those visited, prices were significantly lower than those of the larger providers. Based on our judgment, we did not take the view that the low prices charged by the firms we saw were explained by poor back of house standards.	Dignity agrees that some firms may be able to provide acceptable or high quality at relatively lower prices, depending on the history of the location, real estate and employment costs, and other factors specific to each branch. This however does not automatically mean that high quality can always be provided by everyone at a lower cost than present standards. As above, Dignity recommends that the CMA considers the extent to which there may be bias in its sample.

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<b><i>Funeral director sales practices and transparency</i></b>			
6.	11(c)	Some funeral directors request upfront payments and/or may charge the customer if they wanted to switch to a different funeral director. Most customers do not consider switching after they have initially instructed a funeral director. Nevertheless, we consider that if they did, these factors could make it more difficult, or reduce the incentive, to switch.	Dignity considers that this is too strong a claim to draw on the basis of the CMA's evidence. Paragraph 137 of this paper shows that the vast majority of customers do not wish to switch. Of the 4% (nine respondents) who did consider doing so, only one cited expected costs as a reason for not switching.
7.	11(c)	In addition, requesting upfront payments for low-cost funerals could deter customers from purchasing such options.	Dignity considers that this is inconsistent with the CMA's earlier points (see paragraph 11(a)) that prices are not discussed until late in the process.
8.	14(a) and 113	<p>There is evidence that some funeral directors restrict customers' ability to purchase coffins from third parties. We consider that, in principle, such restrictions could enable funeral directors to earn higher margins on these products but note that few customers seem to consider buying from third parties. We would like to hear further on this issue, particularly on what information should be available to consumers (and when) on coffin prices, options and policies on using third-party suppliers.</p> <p>It was submitted that funeral directors may not accept third-party coffins due to quality considerations (and that funeral directors face reputational risks from accepting third-party coffins, for instance, if the coffin failed in some way). One funeral director also referred to economies of scale in manufacturing coffins.</p>	<p>Prior to any cremation it is the responsibility of the funeral director to sign a declaration that the coffin is compliant with the crematorium's restrictions in terms of size, construction, composition, potentially hazardous contents, and overall weight (the latter of which is subject to a legal maximum in Scotland). Dignity therefore considers that a desire to have a certain amount of control over coffin used is understandable.</p> <p>However, Dignity itself does not restrict customers from supplying their own coffin under any package purchased with Dignity, and all coffins are available with Dignity's Tailored Funeral.</p>

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9.	37(c)	Where price information is given, it is often high level (eg with no itemisation) and, in many cases, does not include any guidance on third-party costs.	Dignity notes that heterogeneity of product means that it is very difficult to provide more than ball-park figures ahead of an arrangement meeting, which is the point at which a funeral director can ask detailed questions to understand the customers' requirements. Funerals are more personalised and varied than only a choice between 'simple' and 'full' packages. Prices can therefore only be accurately determined after a more detailed estimate of what the customer would like the funeral to entail. For example, the third party costs of a florist will vary significantly depending on the type of floral arrangement (if any) that a customer requires. Providing prices before knowing what a customer actually wishes to include may give rise to a risk of leading customers towards a package that is not suitable for them.
10.	43(a)	Consumer research conducted by LEK (on Dignity's behalf) found that price was often discussed only during the arrangement meeting, as opposed to earlier.	It is important to consider the reasons why this is the case, and the context of the first contact with a funeral director. A major factor will be that, when dealing with a customer who has been bereaved and is dealing with immediate grief, it may not be appropriate to bring up prices in an initial introductory telephone call. As the CMA recognises in paragraph 43(g) of this paper, customers are often in a state of grief such that they are not prepared to discuss prices in an initial telephone call.
11.	75(a)	The evidence suggests that, going into the arrangement meeting: ... Customers are generally committed to using that funeral director and would be very unlikely to switch away.	Dignity notes that the CMA's market investigation found that 72% of customers had an arrangement meeting with one funeral director only (footnote 62), implying that 28% of customers had an arrangement meeting (not only made initial enquiries) with two or more funeral directors. This is not an insignificant proportion, in particular given the time commitment for customers in attending such meetings.

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12.	101	CMA analysis of responses to the SunLife survey of funeral directors found that, overall, the median propensity for funeral directors to embalm the deceased in 2017 was 60%, with an interquartile range of between 5% and 85%.	Dignity notes that in 2019, 28% of its customers chose to embalm their loved ones. It notes that the 60% statistic is based on a relatively small sample (86 responses) which may not be representative.
13.	104	Despite these difficulties, in general, we note that oversupply of embalming could be consistent with there being a substantial proportion of deceased who are embalmed but not viewed.	As noted above, Dignity does not recognise the embalming rates described by the CMA. However, in general terms, the fact that a number of deceased are embalmed but not viewed could be indicative of customers changing their mind over time, or simply wanting the optionality that embalming provides. Dignity also notes that the lasting image of a loved one can have a profound impact on a grieving relative, and therefore it is important that funeral directors explain the impact of embalming, or not doing so, to customers.
14.	117(b)	Dignity submitted that just [●]% Full service funeral customers upgraded the coffin option. However, internal documents indicated that there is a greater propensity for customers of Dignity's lower-cost funeral packages to upgrade the coffin. One document stated that, on average, customers of the reduced-price Full Service funeral spent £[●] upgrading from a foil veneer wood-effect coffin. Another document estimated that [●]% of customers of the Tailored funeral would upgrade the coffin to either a veneer or solid wood coffin.	If the CMA is referring to Dignity's Limited Funeral package when it refers to "reduced-price Full Service" funerals, Dignity notes that this package was available only for a few months during pricing trials.  Dignity also clarifies that its Tailored funeral is not a low-cost package.
15.	121(e)	The concerns raised included that some funeral directors:... charge customers a mark-up over the celebrant's actual fee.	Dignity does not charge customers a mark-up over the celebrant's actual fee, but passes the cost directly to the customer.

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16.	122(c)	What information, if any, do you think consumers should be given about the choices of celebrant/minister available?	<p>Dignity considers that funeral directors have a duty to make sure that customers are aware of the options available to them and welcomes the CMA's interest in this particular area. Funeral directors should give consumers information on the various local officiants available and provide an opportunity to meet them before making a decision. Ultimately the officiant should be chosen by the customer, not the funeral director. Information including fees, background, biographies should be made available to customers in hard copy as well as online.</p> <p>By way of background, Dignity notes that the Anglican church works on a 'cure of souls' basis whereby there is an obligation for the incumbent to officiate for anyone that passes in the parish. Many catholic parishes operate the same parish protocol but would require the deceased to be of their faith. Baptist, Methodist Nonconformist etc. worshippers are linked to their congregation rather than their church's territory.</p> <p>There are a number of retired clergy that continue to operate often without the sanction of the diocese they operate within. In Dignity's experience they prove to be more flexible and available than full time clergy. Celebrants do not operate in a prescribed way.</p>
17.	160(a)	One internal document indicated that, in a particular week, c.9% of Dignity customers who were telephoned directly after the funeral expressed dissatisfaction and c.1% complained.	Dignity notes that this is not representative of Dignity's typical customer feedback: 99% of respondents to Dignity's customer survey in 2018 said that Dignity met or exceeded their expectations.
18.	168	Most consumers do not research funeral directors before the point-of-need. At this stage, most will choose a local funeral director based on	Dignity notes that its 2019 customer survey, out of 28,636 respondents, 84.7% had conducted some form of research or had some prior experience of Dignity before selecting Dignity as a funeral director (37.2% of

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		<p>recommendation or previous experience. They will typically undertake no, or only cursory research, before contacting the funeral director.</p>	<p>respondents chose Dignity based on previous experience, 19.8% of clients had chosen a Dignity funeral plan in advance, 13.4% cited local reputation, and 14.3% sought the opinions of others (family or friends) before choosing Dignity).</p>
<b>Qualitative information from independent funeral directors</b>			
19.	2(a)	<p>Standard funerals are the most common funeral type offered by all the FDs we contacted (except the DC specialist) at around 80%-90% of at-need funerals in our questionnaire averages. Many of the independent funeral directors offer a simple funeral and/or direct cremation option, but for the majority of these funeral directors these funerals types account for a relatively small proportion of the total volumes across the sample. Our “average” results of simple funerals and direct cremations accounting for around 5 to 7% and 0 to 2% of total funerals respectively, seem broadly consistent across our branch level analysis, company level analysis and large regional co-op analysis.</p>	<p>Dignity queries whether the CMA has undertaken a trend analysis in this regard and monitored the growth of these options in recent years and also gathered outlook from independents going forward. It is important that the CMA focuses not just on current numbers but also how these have evolved and are expected to grow. Dignity also refers to its comments at paragraph 21 below.</p> <p>Dignity submits in this regard research recently conducted by Trajectory, “Simplicity Cremations: Low cost and alternative funerals report (2020)”, which found that although the majority of funerals carried out in the UK are still ‘traditional’ in nature in terms of the service elements, when consumers are presented with a range of options and asked whether or not they would like each option in turn, traditional funerals are not the leading consensus choice. A slightly larger proportion of consumers (43%) would consider a simple funeral, as an acceptable option for themselves while 22% would want a direct cremation (see page 13 of the research provide at <b>Annex 1</b>). Provided there are continuous efforts to create greater awareness about and acceptance of these options, Dignity strongly considers (and this research supports) that simple funerals and direct cremations are viable alternatives that are likely to grow in uptake.</p>

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20.	16	Table 1 – metric “% of total”	Figure for Standard funerals given as 7%. This should be 78%.												
21.	21	Table 3 below shows how many of each type of funeral the four regional co- ops combined conducted as a proportion of their overall number of funerals.	<p>Dignity notes that in Table 3, the proportion of “standard” funerals has fallen over time, dropping by 11% within 5 years if all funerals are taken into account and 4% if only at-need funerals are taken into account. While it is unclear on account of redactions how this volume splits across the other categories, this is indicative of the growth of lower cost options and of consumers planning in advance and making more informed decisions. As Dignity has submitted, the funeral industry is indeed going through a period of change and further data for 2019 will potentially show a starker rise in the other options.</p> <p>The below table shows Dignity data for simple, direct cremation and pre-paid sales for 2019 vs. 2018:</p> <table border="1" data-bbox="1236 919 2042 1329"> <thead> <tr> <th data-bbox="1236 919 1529 994"></th> <th data-bbox="1529 919 1818 994">2018</th> <th data-bbox="1818 919 2042 994">2019</th> </tr> </thead> <tbody> <tr> <td data-bbox="1236 994 1529 1109">Simple (% of adult funerals, excl contract)</td> <td data-bbox="1529 994 1818 1109">11.5%</td> <td data-bbox="1818 994 2042 1109">13.2%</td> </tr> <tr> <td data-bbox="1236 1109 1529 1224">Pre-Need (% of adult funerals, excl contract)</td> <td data-bbox="1529 1109 1818 1224">27.9%</td> <td data-bbox="1818 1109 2042 1224">28.6%</td> </tr> <tr> <td data-bbox="1236 1224 1529 1329">Direct cremation (% of all cremations)</td> <td data-bbox="1529 1224 1818 1329">6.8%</td> <td data-bbox="1818 1224 2042 1329">10.0%</td> </tr> </tbody> </table>		2018	2019	Simple (% of adult funerals, excl contract)	11.5%	13.2%	Pre-Need (% of adult funerals, excl contract)	27.9%	28.6%	Direct cremation (% of all cremations)	6.8%	10.0%
	2018	2019													
Simple (% of adult funerals, excl contract)	11.5%	13.2%													
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22.	55(e)	A new entrant in a mid-size town said that by comparison, including disbursements, the local Dignity branch charges over £4,000 for a simple funeral.	Dignity disagrees with this anecdotal evidence. Some funeral directors may have an incorrect impression of Dignity pricing based on false information that was being published on the price comparison website, Beyond. Dignity filed a complaint with the ASA in relation to misleading information on the Beyond website, which the ASA upheld (see ASA ruling here: <a href="https://www.asa.org.uk/rulings/funeralbooker-ltd-cas-572290-h9b1q1.html">https://www.asa.org.uk/rulings/funeralbooker-ltd-cas-572290-h9b1q1.html</a> ).
<b><i>Role of intermediaries in the process of choosing a funeral director</i></b>			
23.	1(d)	There is evidence that some staff in care homes, hospices and hospitals provide recommendations to their residents and the relatives of their residents, although this does not appear to be common practice. There is evidence however that some funeral directors seek to build relationships with care providers, and we have been made aware of new initiatives that could have a distorting effect on the competitive process.	<p>Dignity does not agree that its development of its draft ACP document would have had a distorting effect on the competitive process as suggested in paragraphs 1(d) and 86(e). The ACP document provided useful factual information to consumers with terminal illnesses including information on powers of attorney, making a will and planning a funeral. Dignity's initial proposal was that Dignity would fund this publication in return for an advert for its funeral services. However, in principle, the intermediaries could have decided that they would prefer the document to be jointly funded by a number of local funeral directors in return for advertisements in the document with the intermediary being free to note that it does not endorse any of the organisations included.</p> <p>This type of funding arrangement is referred to as being common in NHS Trusts at paragraph 37 of the paper, without any adverse inference being drawn about the publication having a distorting effect on the competitive process. Care providers are responsible for supporting patients in documenting their advance care plan and an initiative like the ACP document raises awareness and encourages funeral planning. As Dignity</p>

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			noted in its previous submissions to the CMA, Trusts can and do develop their own such documents with advertising space. A number of NHS entities also produce guides on what to do when someone passes away and sells advertising space in these to local funeral directors.
24.	71	In our view, internal documents from Co-op, Funeral Partners and Dignity highlight the importance they place on attempting to gain recommendations from, or business via, intermediary organisations. For example, Dignity has told us that they will occasionally purchase advertising space in literature provided by intermediaries to patients.	The fact that Dignity “occasionally” purchases advertising space in such publications does not support the CMA conclusion that Dignity internal documents “highlight the importance they place on attempting to gain recommendations from, or business via, intermediary organisations”. Dignity clarifies that its marketing strategy does not rely on, or focus on, recommendations from intermediaries.
25.	76	A palliative care consultant at one Trust said that handing out the document was not about giving people choice and the service together refused to hand the document out to patients. One reason why the consultant refused to do so was that she ‘did not have a sense of quality control.’ She noted that the people she cares for in the area are generally poor and should have the maximum choice when choosing their funeral options and she did not have that assurance with the proposed system.’	Please see comments at row 23 above.  Dignity further notes that no Trust adopted the draft ACP document and no final version was prepared. It is therefore inaccurate to refer to the consultant refusing to supply the document. The Trust decided against adopting the draft.
26.	86(c)	Dignity, Co-op and Funeral Partners have told us that they have very few informal arrangements with care providers. The CMA considers that this may be driven by these arrangements being extremely informal and not centrally recorded.	The CMA appears to be suggesting that Dignity may have more informal arrangements with care providers than Dignity has told the CMA, due to their not being centrally recorded. This is not evidenced and Dignity assumes it is speculation on the part of the CMA. Dignity has provided all details available to it, to the best of its abilities.