

East of England Co-operative Society

Response to the Competition and Markets Authority Market Study in relation to the Funeral Industry

Introduction

This paper presents our thoughts, feedback and queries in relation to the CMA Funeral Industry Market Study.

Overview

- The East of England Co-operative Society agrees there should be independent regulation of quality of service provided by funeral providers (including premises and back of house facilities) and would welcome licensing of both premises and individual Funeral Directors.
- Whilst we agree this would go some way to protecting consumers; we feel this has only a tenuous link to resolving the concerns around pricing and transparency for consumers.
- With regard to remedying the five concerns first raised by the CMA, and the subsequent evidence shared, we question whether;
 - a) The evidence presented so far supports the concerns raised by the CMA; and
 - b) The proposed remedies would address these concerns and have the intended positive impact for the consumer

Our response

As raised by the CMA;

Concern 1. The rise in the cost of organising a funeral

Concern 3. Reluctance of firms to publish/disclose clear prices

Concern 5. High prices in relation to crematoria services

We accept that there has been a rise in the price of funeral services and the associated components and agree that there is a need for greater transparency for the consumer.

However, the evidence provided to date suggests that:

- Price is not a consideration for the majority of consumers, particularly at-need where minimal comparisons are made
- There is little to no correlation between income and the price consumers are willing to pay for a funeral service¹
- Only a minority of consumers compare the services of two or more Funeral Directors²
- Consumer propensity to go online to find out more about Funeral Directors is very low and does not appear to be increasing over time³
- Where prices have been lowered by the largest Funeral Directors, there were no large changes in each of their market share
- If price was the main consideration, this would have been a focus for Funeral Directors, particularly in relation to new entrants. The evidence suggests that increasing quality of service and marketing spend were deemed of greater importance in responding to new competition, above price changes.⁴

¹ Funeral Market Investigation; Influence of income on funeral choices, Feb 2020, page 11, para(s) 26 to 28

² Funeral Market Investigation; Overview of Key Research and Analysis, Feb 2020, page 4, para 8

³ Funeral Market Investigation; Overview of Key Research and Analysis, Feb 2020, page 4, para 8

⁴ Funeral Market Investigation; Qualitative Information from Independent Funeral Directors, Feb 2020

The evidence appears to suggest there is little or no concern from consumers or funeral providers in relation to price, and that there is little appetite for consumers to seek and compare information. Therefore, we would question whether the proposed remedies, particularly in relation to price capping, is proportionate to the low level of concern evidenced in this report.

Rather than imposing price capping, we believe that greater transparency would help to manage pricing. With evidence to suggest independent Funeral Directors do not want to be the most expensive and/or wanted to provide value for money⁵, the market is likely to find a natural equilibrium.

When discussing the price of funeral services, it is important to take into consideration that (a significant proportion of) disbursement fees are directly or indirectly dictated by Local Authorities and NHS England. Local Authorities are also responsible for setting the price of Local Authority crematoria services, which we would suggest is being used by privately owned crematoria as a benchmark when setting their own costs.

We feel that not involving Local Authorities in this Market Report is a significant oversight in relation to the concern around the increasing costs of funeral services.

In relation to the Local Authority tendering process for Public Health funerals, this is already carried out and managed by Local Authorities.

Whilst we acknowledge some funeral providers are tendering at below cost price in order to obtain contracts, as to our knowledge, the majority tend to be at cost plus VAT, making them affordable whilst still providing a professional level of service deserving of the deceased.

As outlined in the *Local Authority tendering remedy proposal*, which recommends that the price of Public Health funerals should be made public knowledge to the local community so as to provide a benchmark cost for a funeral service, we believe this could have a detrimental impact for consumers in relation to price, particularly if a standard package were to be enforced.

We believe this could lead to:

- a) Funeral service providers choosing not to tender, limiting the offers available to Local Authorities, and;
- b) Those tendering increasing their price so as to heighten the benchmark cost to bring it closer in line with their non-Local Authority services. This, in turn, would have a detrimental impact on funeral poverty, as well as increase local authority expenditure.

Local Authorities could support residents, as well as increase transparency, by publishing the lowest and highest priced packages available in their local area, to show the range of options available and provide an average price for local residents to benchmark against. This should be anonymised so as to retain fairness in the market. Concern 2. The vulnerability of many people when organising a funeral

⁵ Funeral Market Investigation; Qualitative Information from Independent Funeral Directors, Feb 2020, page 3, para (d)

Concern 3. Reluctance of firms to publish/disclose clear prices

We whole-heartedly agree that steps should be taken to minimise the opportunity for exploitation and would welcome independent regulation of the quality of services provided as well as licensing of both premises and individual Funeral Directors.

With evidence suggesting;

- a) The bereaved may not want to, or may not recognise the need to, obtain information in relation to the quality of care of the deceased⁶
- b) Bereavement can affect cognitive skills, making it difficult to make decisions

We feel combining statutory regulation, with the need for all funeral providers to share pricing (including itemising individual components) will help minimise the opportunity for poor service and encourage the market to find a natural equilibrium on pricing. It is our belief that this will have the most positive impact for consumers, in relation to the initial concerns raised by the CMA.

COVID-19 and its impact on the funeral industry

Whilst our response is based solely on the evidence provided, and we fully uphold our conclusion, we felt it right to acknowledge the impact of COVID-19 on the funeral industry.

The funeral industry has seen much change over the past few months. Services have needed to be adapted to support government guidelines on social distancing. This has resulted in the removal of standard services, such as limousines and floral arrangements, as well as a reduction in the number of those able to attend services limiting the need for stationary.

Due to these changes, we have seen the cost of a standard funeral reduce by as much as 20%. Our belief is that this will force market change and that lower prices could continue as a new equilibrium is established.

Changes to protect our colleagues have also impacted the way we do business. Operating from behind closed doors, it has been necessary to establish a much more in-depth digital offering. This has included;

- Making our brochures, product offer and pricing accessible on our website.
- Creating an online arrangement form to enable our clients to complete at a pace that suits them from the comfort of their own home. The details are then discussed and confirmed by phone and/or email by our Funeral team.

The necessity to work in this way during these difficult times, has in turn increased transparency and introduced new tools for consumers. We see these digital services remaining, developing and evolving over time.

Summary

In summary, we agree that;

- Greater transparency would help the market find a natural equilibrium in relation to pricing.

⁶ Funeral Market Investigation; The Quality of 'back of house' Funeral Director Services, Feb 2020, page 2, para 4

- There should be independent regulation of quality of service provided by funeral providers (including premises and back of house facilities) and would welcome licensing of both premises and individual Funeral Directors.

We question;

- Whether the evidence presented so far supports the concerns raised by the CMA; and whether the proposed remedies would address these concerns and have the intended positive impact for the consumer.
- Whether the proposed remedies, particularly in relation to price capping, is proportionate to the low level of concern evidenced in this report.
- The lack of investigation into Local Authority pricing and how their approach impacts the wider industry.

Whilst we acknowledge there is a legal requirement for this investigation to recommence at this time so as to meet the statutory deadline, we feel consideration must be taken as to the current situation and the long-term impact this may have on the funeral industry.