Appendix H: Qualitative evidence from funeral directors on competition

Overview

1. This appendix considers three sources of evidence in relation to competition in funeral director services:

   (a) Submissions and documents from the Largest funeral directors;

   (b) qualitative evidence gathered from Other Large and smaller funeral directors; and

   (c) evidence on funeral directors' policies and practices concerning the arrangement meeting.

2. We set out first the evidence and findings in relation to the Largest funeral directors, before separately setting out evidence from other funeral directors. We then set out evidence from Large funeral directors and trade associations on arrangement meetings. As the nature of the evidence and specific topics covered differ, the different parts follow different structures. These are explained at the start of each section.

Evidence from the Largest Funeral Directors

Introduction

3. The first part of this appendix considers the nature and extent of competition involving the Largest funeral directors. In particular, what and how they monitor and respond to rivals (or competitive conditions more broadly) and the effect this has on their performance.

4. It draws upon documents and evidence provided by the Largest funeral directors in the course of the Market Investigation.

5. This section of the appendix addresses the following questions:

   (a) How and to what extent do the Largest funeral directors monitor rivals and their own performance?

   (b) How and to what extent do the Largest funeral directors respond to competition?

   (c) What is the impact of varying parameters of competition on performance?

6. Our observations on these documents are then set out at the end of each section. We have considered points a) and b) in relation to a number of dimensions of competition, which we set out below in paragraphs 8 to 10.

7. [✄]. This would imply we should not attach weight to any documentary evidence it has provided. In investigations we review and consider a wide range of documents (in terms of age, purpose, drafts etc) and determine the weight to be attached to them based on the circumstances of the case. We consider such documents are still an important source of evidence, although clearly need to be read in the round taking into account context. We therefore do not agree that we should discount evidence from its past or current strategy documents.

Dimensions of competition

8. In this appendix, we set out evidence based on the documents provided by the three Largest funeral directors in the course of this Market Investigation in relation to the following aspects of competition.

   (a) Prices, including through launching new propositions to take a different price position (such as launching simple funerals or direct cremations). We note that elsewhere in the PDR, we consider range separately to price.

   (b) Quality, primarily relating to observable front of house aspects such as vehicles and premises.

   (c) Promotional activity, including advertising both in ‘traditional’ media and online, as well as activity in the community to raise their profile.

   (d) Location of branches, including new entrants and expansion by existing funeral directors.

9. These funeral directors also submitted some examples of innovation. These broadly relate to:

   (i) Processes – [✄];[1] [✄];[2] [✄].[3]

   (ii) Operating model – [✄].[4] [✄].[5]

---

[1] [✄]
[2] [✄]
[3] [✄]
[4] [✄]
[5] [✄]

(iii) Products/services – for example, [✂];[6] [✂];[7] [✂].[8]

10. We note that these funeral directors have sought to improve their operations and service range and quality over time (although at times with mixed results).[9] However, the examples provided (and the evidence below) do not suggest that innovation is a significant and distinct dimension upon which funeral directors compete separate from quality and/or range. We therefore do not discuss innovation further in this appendix.

Monitoring rivals

11. In this section, we consider evidence on the extent to which the Largest funeral directors monitor rivals, and how they do so.

12. We asked the Largest funeral directors what pricing trials, mystery shopping and internal audits they had undertaken since 2016, and also for examples of internal reporting on factors such as competitor activity. We have summarised their responses relevant to monitoring below. We have broadly categorised the evidence into the following categories: prices, entry, quality and marketing.

Prices

Dignity

13. [✂]:

(a) [✂],[10] [✂]:

[✂].[11]

(b) [✂][12]

[6] [✂]
[7] [✂]
[8] [✂]
[9] Co-op has noted the move to a more consistent operational model, in terms of organisational design, processes, controls and technology had also caused some disruption to its own business (Co-op hearing summary paragraph 18).
[10] [✂]
[11] [✂]
[12] [✂]

(c) [✂][13] [14] [15] [16]

(d) [✂][17] [18] [19] [20]

(e) [✂].[21].[22]

Co-op

14. [✂].[23] [✂].[24] [✂].

(a) [✂].

(i) [✂].

(ii) [✂].

(iii) [✂].[25]

(b) [✂][26]

(i) [✂].

(ii) [✂].

(c) [✂].[27] [✂].[28]

(d) [✂].[29] [30]

(e) [✂].[31][✂].[32] [✂].[33] [✂].

---

13 [✂]
14 [✂]
15 [✂]
16 [✂]
17 [✂]
18 [✂]
19 [✂]
20 [✂]
21 [✂]
22 [✂]
23 [✂]
24 [✂]
25 [✂]
26 [✂]
27 [✂]
28 [✂]
29 [✂]
30 [✂]
31 [✂]
32 [✂]
33 [✂]

Funeral Partners

15. [✂].

(a) [✂].[34]

(b) [✂].[35]

(c) [✂].[36] [✂][37] [✂].[38]

(d) [✂].[39]

16. [✂].

17. The above evidence shows that the Largest funeral directors monitor the prices of rivals. This has generally been via centrally organised research (eg large scale mystery shopping). These activities have generally included monitoring all rivals (ie including smaller funeral directors) but some have focused only on one other rival.

Entry

Dignity

18. [✂].[40]

(a) [✂].[41] [✂].

19. [✂].[42]

Co-op

20. [✂].[43] [✂].

---

34 [✂]
35 [✂]
36 [✂]
37 [✂]
38 [✂]
39 [✂]
40 [✂]
41 [✂]
42 [✂]
43 [✂]

Funeral Partners

21. [✂].[44] [✂].[45]

22. [✂].

23. Overall, we consider that there was evidence that, to varying degrees, the Largest funeral directors monitor instances of new entry on an ongoing and ad hoc basis.

Quality

Dignity

24. [✂].

Co-op

25. [✂].[46]

Funeral Partners

26. [✂]:[47] [48]

Marketing

27. The Largest funeral directors appear to undertake some, albeit limited, monitoring of rivals' marketing activities. The Largest funeral directors also take some effort to understand their rankings in search engine results (see section on 'own performance' from paragraph 112 below) including in comparison with their rivals. A broader description of funeral directors' own marketing activities is set out in Section 5.

Dignity

28. [✂].[49] [✂].[50]

---

[44] [✂]
[45] [✂]
[46] [✂]
[47] [✂]
[48] [✂]
[49] [✂]
[50] [✂]

Co-op

29. [✂].[51]

Funeral Partners

30. [✂].[52] [✂].[53] [✂].[54]

Summary

31. The Largest funeral directors' monitoring activities include centrally-commissioned research. These activities have generally included monitoring all rivals (ie including smaller providers) but some have focused only on one other rival. They focus on gathering rivals' price information (and service quality and marketing activity to only a limited extent).

Monitoring their own performance

32. Understanding what the Largest funeral directors look at to monitor their own performance may provide information as to what they consider drives performance and how this interacts with competition.

Sales performance

Dignity

33. [✂].[55] [✂].[56]

34. [✂].'[57]

Co-op

35. [✂].[58] [✂].[59]

36. [✂][60] [✂].

---

[51] [✂]
[52] [✂]
[53] [✂]
[54] [✂]
[55] [✂]
[56] [✂]
[57] [✂]
[58] [✂]
[59] [✂]
[60] [✂]

Funeral Partners

37. [✂].[61] [✂]:

(a) [✂][62] [✂].[63] [✂];[64]

(b) [✂],[65] [✂],[66] [✂],[67] [✂][68] [✂];[69] [✂]

(c) [✂],[70] [✂][71] [✂].[72]

38. [✂]:

(a) [✂].

(b) [✂].

39. [✂][73] [✂].

40. [✂].[74] [✂].

41. [✂].[75] [✂].[76] [✂].

Figure 1: [✂]

42. Based on the above evidence, we conclude that the Largest funeral directors monitor their own performance, including in terms of: volumes, market shares, funeral mix, take-up of discretionary or 'value added' services, and the resulting effect on average funeral revenues.

---

61 [✂]
62 [✂]
63 [✂]
64 [✂]
65 [✂]
66 [✂]
67 [✂]
68 [✂]
69 [✂]
70 [✂]
71 [✂]
72 [✂]
73 [✂]
74 [✂]
75 [✂]
76 [✂]

Customer surveys

43. The Largest funeral directors carry out frequent monitoring of customer survey and complaints data, and online reviews, which is shared with branches, including so that branches can take action in response to complaints. Each sends a survey to every (or almost every)[77] customer.[78]

Dignity

44. [✂].[79] [✂].[80] [✂][81] [✂].[82]

Co-op

45. [✂].[83] [✂].

Funeral Partners

46. [✂]. [✂].[84]

Community engagement

47. The Largest funeral directors also monitor community engagement and their relationship with 'influencers' [✂]:

Dignity

48. [✂].[85] [✂].

Co-op

49. [✂].[86] [✂] [✂].[87]

---

77 [✂]
78 [✂]
79 [✂]
80 [✂]
81 [✂]
82 [✂]
83 [✂]
84 [✂]
85 [✂]
86 [✂]
87 [✂]

Funeral Partners

50. [✂].[88] [✂].

51. [✂].[89] [✂]:

[✂].[90]

Internal audits

52. The Largest funeral directors have a number of formal means of monitoring their own quality. These include audits of facilities, vehicles, and process adherence including in relation to health and safety, and identification and management of the deceased, belongings, donations, and ashes.[91]

Dignity

53. [✂].[92]

(a) [✂].[93]

(b) [✂].[94] [✂].[95]

54. [✂]:

(a) [✂].[96]

(b) [✂] [✂].[97]

---

[88] [✂]
[89] [✂]
[90] [✂]
[91] [✂]
[92] [✂]
[93] [✂]
[94] [✂]
[95] [✂]
[96] [✂]
[97] [✂]

Co-op

55. [✂].[98] [✂];[99;100;101.102, 103.]

Funeral Partners

56. [✂]:[104]

(a) [✂];[105] [✂];[106] [✂];[107] [✂];[108]

(b) [✂];[109]

(c) [✂]; [110]

(d) [✂];[111]

(e) [✂];[112]

(f) [✂];[113]

(g) [✂];[114] [✂]

(h) [✂].[115]

57. [✂].

Summary

58. The Largest funeral directors monitor their individual branches' performance, including in terms of their volumes and local shares of supply. They also monitor what branches are selling in terms of funeral mix and take-up of

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98 [✂]
99 [✂]
100 [✂]
101 [✂]
102 [✂]
103 [✂]
104 [✂]
105 [✂]
106 [✂]
107 [✂]
108 [✂]
109 [✂]
110 [✂]
111 [✂]
112 [✂]
113 [✂]
114 [✂]
115 [✂]

discretionary or 'value added' services, and the resulting effect on average revenues.

59. They monitor a range of operational metrics covering their internal processes and facilities. There is also a focus on monitoring customer satisfaction (and, to various extents, community engagement) which is consistent with the results of the CMA Market Investigation consumer survey, which showed that reputation and recommendation are very important factors influencing consumer choice of funeral director.

Competitive responses

60. In this section, we consider evidence on the extent to which, and how, the Largest funeral directors respond to competition. This includes evidence on the extent to which they respond to:

(a) specific rivals (eg as a result of monitoring or observing specific actions);

(b) the level of local competition; and

(c) their own performance, particularly a deterioration of volume or market share at branch level.

61. We analyse the firms' competitive responses to understand the nature and extent of competition, as well the impact that competitive rivalry can have for consumers.

Price

Dignity

62. [✂].

(a) [✂].[116]

(b) [✂].[117][✂],[118] [✂].[119] [✂] ;[120] [✂] [121] [✂],[122] [✂] [123] [✂].

[116] [✂]
[117] [✂]
[118] [✂]
[119] [✂]
[120] [✂]
[121] [✂]
[122] [✂]
[123] [✂]

(c) [✂].[124]

63. [✂] [125] [✂].[126],[127] [✂].

64. [✂]:

(a) [✂] [128], [✂]

(b) [✂].

65. [✂].

66. [✂].

(a) [✂].’[129]

(b) [✂].[130]

67. [✂].[131]

Co-op

68. [✂].

69. [✂].[132].[133]

70. [✂].[134] [✂]:

(a) [✂];[135] [✂]

(b) [✂].[136]

(i) [✂].

---

124 [✂]
125 [✂]
126 [✂]
127 [✂]
128 [✂]
129 [✂]
130 [✂]
131 [✂]
132 [✂]
133 [✂]
134 [✂]
135 [✂]
136 [✂]

(ii) [✂].[137] [✂] [✂].[138]

71. [✂].[139]

72. [✂].[140] [✂].[141]

73. [✂] [142] [✂].[143] [✂].[144] [✂],[145] [✂].

74. [✂].[146]

(a) [✂],[147] [✂].[148] [✂].[149]

(b) [✂].[150] [✂].[151] [✂][152], [✂],[153],[154] [✂].[155]

(c) [✂][156] [✂]:

(i) [✂];

(ii) [✂];

(iii) [✂].[157]

(d) [✂].[158] [✂].[159]

Funeral Partners

75. [✂].

76. [✂]:

---

137 [✂]
138 [✂]
139 [✂]
140 [✂]
141 [✂]
142 [✂]
143 [✂]
144 [✂]
145 [✂]
146 [✂]
147 [✂]
148 [✂]
149 [✂]
150 [✂]
151 [✂]
152 [✂]
153 [✂]
154 [✂]
155 [✂]
156 [✂]
157 [✂]
158 [✂]
159 [✂]

[✂].[160]

77. [✂].[161]

78. [✂].[162] [✂].[163,164] [✂].

79. [✂]:

(i) [✂].[165] [✂]:

[✂].[166]

(ii) [✂].[167] [✂].[168] [✂].[169] [✂].

80. The above evidence shows examples of the Largest funeral directors taking rivals' prices/actions into account when setting their own prices (as well as other responses, such as increased marketing or pricing trials). On the other hand, there were also some examples of them not being responsive to rivals' pricing and/or local competitive conditions in their pricing decisions. Their approach to pricing has, however, become somewhat more responsive to competitors' activities in more recent years.[170]

Discounts

81. Targeted competitive responses may also take the form of discounts provided to customers who have indicated they would switch or otherwise indicate they are price sensitive. An increase in the number of discounts and/or the value of discounts provided may indicate an increase in the competitive pressure faced by the Largest funeral directors.[171]

82. We requested the Largest funeral directors to provide us with a summary of discounts provided since 2015.

83. We note that not all discounts provided necessarily related to competitive responses – some were offered to compensate for mistakes, or in line with

---

160 [✂]
161 [✂]
162 [✂]
163 [✂]
164 [✂]
165 [✂]
166 [✂]
167 [✂]
168 [✂]
169 [✂]
170 This does not include price increases in response to other providers' increasing prices, which would not reflect competition.
171 We note that discounts, as a competitive response, do not protect customers more widely, but only those sufficiently active or price conscious to request a discount or show dissatisfaction with the original price.

particular company policies (such as discounts for friends and families). We also note that some categories of discount are somewhat ambiguous and may not be used consistently over time or between staff. We therefore consider reviewing information on specific categories of discount (ie those that indicate the discount was given in response to competition) in combination with the overall level of discounting to be the most pragmatic approach to interpreting this information. This analysis will not capture discounts not recorded in the Largest funeral directors' systems (such as 'benefits in kind' which may not be captured in the same way as cash discounts). Given that these systems are used by the Largest funeral directors to monitor their performance, we consider it is unlikely that other forms of discount would not be captured in some way if they occurred on a widespread basis.

Dignity

84. [✂].

Table 1: [✂] [172]

[✂]

85. [✂].

86. [✂].[173] [✂].[174] [✂].

87. [✂].

Co-op

88. [✂].

Table 2: [✂]

[✂].

89. [✂].

90. [✂]:

> [✂].[175]

---

[172] [✂]
[173] [✂]
[174] [✂]
[175] [✂]

91. [✄]:

[✄].[176]

92. [✄].[177] [✄].

93. [✄].

94. [✄]:[178]

(a) [✄];

(b) [✄].

95. [✄].

96. [✄].[179] [✄].[180].[181]

97. [✄].[182]

Funeral Partners

98. [✄].

Table 3: [✄].

[✄].

99. [✄].[183] [✄].

100. [✄].[184]

101. [✄].

102. [✄].[185]

176 [✄]
177 [✄]
178 [✄]
179 [✄]
180 [✄]
181 [✄]
182 [✄]
183 [✄]
184 [✄]
185 [✄]

103. Overall, we observe that a consistently low proportion of funerals appear to have been discounted, particularly those identified as a result of competitive pressures (eg price matching rivals).[186]

Entry

Dignity

104. [✂].

105. [✂].[187] [188]

Co-op

106. [✂].[189,190] [✂]:

(a) [✂].[191]

(b) [✂].

(c) [✂].[192]

(d) [✂].

107. [✂].

Funeral Partners

108. [✂].

(a) [✂].[193]

(b) [✂].[194] [✂].[195]

---

[186] We acknowledge that, in some years, the value and number of Co-op price discounts is considerably higher if their member discounts are included (see Table 2). It is not clear, however, to what extent these have been driven by specific competitive pressures, rather than reflecting differentiated pricing for a particular customer group (from which it earns additional revenue in relation to non-funerals products [✂].

[187] [✂]

[188] [✂]

[189] [✂]

[190] [✂]

[191] [✂]

[192] [✂]

[193] [✂]

[194] [✂]

[195] [✂]

(c) [✂].[196]

(d) [✂].[197]

(e) [✂].

(i) [✂].’[198]

(ii) [✂].’[199]

(iii) [✂].’[200]

109. [✂].[201]

110. [✂].[202]

111. Overall, there are some examples of the Largest funeral directors responding to entry by taking actions such as: increased marketing, improving quality and lowering prices. Based on the evidence we have received, these responses appear to have been taken in only some instances or with a considerable time lag.

Own Performance

112. As noted above, the Largest funeral directors monitor certain aspects of their own performance, including volumes and market shares. In this section, we consider evidence on how funeral directors have responded to their own performance, particularly a deterioration of volume or market share.

Dignity

113. [✂].

114. [✂].[203] [✂].[204] [✂].[205] [✂].’[206]

---

196 [✂]
197 [✂]
198 [✂]
199 [✂]
200 [✂]
201 [✂]
202 [✂]
203 [✂]
204 [✂]
205 [✂]
206 [✂]

Co-op

115. [✂]:

(a) [✂].[207] [✂].[208]

(b) [✂].[209]

(c) [✂],[210] [✂].[211]

116. [✂].[212] [✂].,[213] [✂].[214] [✂].[215] [✂].[216]

Funeral Partners

117. [✂].[217]

118. [✂].[218] [✂].[219]

(a) [✂].[220]

(b) [✂]. [221] [✂].

(c) [✂]:

(i) [✂];

(ii) [✂];

(iii) [✂];

(iv) [✂].

119. [✂].[222] [✂]:

---

207 [✂]
208 [✂]
209 [✂]
210 [✂]
211 [✂]
212 [✂]
213 [✂]
214 [✂]
215 [✂]
216 [✂]
217 [✂]
218 [✂]
219 [✂]
220 [✂]
221 [✂]
222 [✂]

(a) [✂];

(b) [✂];

(c) [✂];

(d) [✂]

(e) [✂].

120. [✂].

(a) [✂].[223]

(b) [✂].[224] [✂].[225]

Quality

121. The evidence above showed that the Largest funeral directors monitor, and aim to maintain, a variety of quality metrics in respect of their own businesses, suggesting that there is at least some pressure to do so. However, we have seen only limited evidence of the Largest funeral directors changing their levels of quality significantly in response to competitive pressures.

(a) [✂],[226] [✂][227] [✂] [228] [✂].[229]

(b) [✂][230] [✂].

Summary

122. We have reviewed documentary evidence on how the Largest funeral directors have responded to competition:

(a) We have seen examples of the Largest funeral directors taking rivals' prices/actions into account when setting their own prices (as well as other responses, such as increased marketing or pricing trials). On the other hand, there were also some examples of them not being responsive to rivals' pricing and/or local competitive conditions in their pricing decisions (or pricing responses being relatively limited in scope). Their approach to

---

223 [✂]
224 [✂]
225 [✂]
226 [✂]
227 [✂]
228 [✂]
229 [✂]
230 [✂]

pricing has, however, become somewhat more responsive to competitors' activities in more recent years

(b) We asked the Largest funeral directors to provide information on discounts, on the basis that these could be a form of targeted competitive response (albeit one that would not necessarily benefit all customers). We observed that a consistently low proportion of funerals appear to have been discounted, particularly as a result of competitive pressures (eg price matching rivals).[231]

(c) From the available evidence, the most common response to new entry or branch poor performance was increased marketing activity. At a branch level, there were relatively fewer examples of responses involving price reductions. There was evidence that opening a new branch itself has been a defensive strategy to protect local market share.

(d) Overall, there was relatively little evidence that funeral directors substantially change the quality of their offering in response to competitive pressures.

Impact of competition on performance

123. Finally, we consider evidence on the performance of the three Largest funeral directors when their offering varies in comparison to their rivals or they (or their rivals) otherwise make changes (eg to price).

Dignity

124. [✂].[232] [✂].

125. [✂].[233] [✂].[234] [✂].[235]

126. [✂].[236] [✂].'[237] [✂].[238] [✂].[239]

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[231] We acknowledge that, in some years, the value and number of Co-op price discounts is considerably higher if their member discounts are included (see Table 2). It is not clear, however, to what extent these have been driven by specific competitive pressures, rather than reflecting differentiated pricing for a particular customer group (from which it earns additional revenue in relation to non-funerals products). [✂].

[232] [✂]

[233] [✂]

[234] [✂]

[235] [✂]

[236] [✂]

[237] [✂]

[238] [✂]

[239] [✂]

127. [✂].

Figure 2: [✂].

[✂].

128. [✂].[240]

129. [✂]:

  (a) [✂];[241] [✂]

  (b) [✂].[242]

130. [✂].

Co-op

131. [✂].

  (a) [✂].'[243] [✂]:

    [✂].[244]

  (b) [✂]:

    [✂].[245]

  (c) [✂].[246]

132. [✂].

133. [✂].[247]

Figure 3: [✂].

[✂].

134. [✂]:

  (a) [✂];

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[240] [✂]
[241] [✂]
[242] [✂]
[243] [✂]
[244] [✂]
[245] [✂]
[246] [✂]
[247] [✂]

(b) [✂];

(c) [✂];

(d) [✂]

(e) [✂].

135. [✂]. [248]

136. [✂].[249]

137. [✂].

Funeral Partners

138. [✂].[250] [✂].[251] [✂].[252] [✂].[253,254]

139. [✂].[255] [✂].

140. [✂][256] [✂]:

> [✂].[257]

Figure 4: [✂].

[✂].

141. [✂].[258]

142. [✂][259]

143. [✂]:

> [✂].[260]

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248 [✂]
249 [✂]
250 [✂]
251 [✂]
252 [✂]
253 [✂]
254 [✂]
255 [✂]
256 [✂]
257 [✂]
258 [✂]
259 [✂]
260 [✂]

144. [✂].

Figure 5: [✂].

[✂].

145. [✂]:

   (a) [✂]. [261]

   (b) [✂].[262]

   (c) [✂].[263]

146. [✂]:

   [✂].[264]

147. [✂].[265] [✂].[266]

148. [✂].[267]

149. [✂].

Summary

150. We considered evidence, including quantitative analysis undertaken by the providers, on the impact of price changes on the Largest funeral directors' volumes/share of supply. Overall, this indicated that only significant price reductions have had a material positive effect on volumes/share (at the expense of profit).

261 [✂]
262 [✂]
263 [✂]
264 [✂]
265 [✂]
266 [✂]
267 [✂]

Evidence from other funeral directors

Introduction

151. In this section we set out information received from funeral directors outside of the Largest providers. We have collected evidence from these funeral directors in multiple ways:

   (a) we sent questionnaires to a sample of 86 funeral director branches, covering both Smaller and Other Large funeral directors, from within a representative sample of 100 funeral director branches (questionnaire 1);[268]

   (b) we sent questionnaires to the Other Large funeral directors[269] (questionnaire 2); and

   (c) we carried out interviews with 15 smaller funeral directors and industry professionals during site visits and on phone calls.

152. We set out below information received in relation to;

   (a) monitoring of competitors;

   (b) experience and response to entry; and

   (c) setting prices.

Monitoring competitors

153. This section summarises evidence we received from funeral directors on monitoring competitors, and how monitoring may have affected decision making (if at all).

Questionnaire 1 responses

154. We asked funeral directors whether they monitored their competitors and if so, who/what they monitored and whether and how this information was used in their decision making.

[268] While our request was initially sent to a representative sample, the limited number of responses received means that the sample is no longer considered representative, but we believe the information obtained remains informative.
[269] We sent separate questionnaires to a number of regional co-ops.

155. We received responses relating to 26 branches, 15[270] from among the Smaller funeral directors and 11[271] from among the Other Large funeral directors.

156. A large number of the respondents[272] indicated that they monitor at least one competitor. Around half of the Smaller funeral director respondents indicated they monitored a competitor. [273] Almost all of the Other Large funeral directors' branch respondents monitored at least one aspect of a local competitor.[274] From across the sample, of those who indicated they monitor competitors, half of the respondents identified more than one competitor who they monitor.[275]

157. We asked these funeral directors the drive time between their business and the competitor that they monitored.[276] Half of the monitored competitors were within 5 minutes and just under half within 10 to 20 minutes' drive time.[277] None responded that they monitor a competitor further than 20 minutes' drive away.

158. We asked the funeral directors what they monitored: price, range, service quality, or other factors. We received 17 responses to this question,[278] with 12 of these branches also responding to which of the monitored factors is the most important:

(a) All of the Smaller funeral directors that responded said they monitored service quality. Most responded that they monitor funeral prices and funeral range.[279] Around half said they monitored 'other' factors as well.[280]

(b) The most common factor that the ten Other Large funeral directors said that they monitored was service quality.[281] The next most common factor was 'funeral prices' with around half of respondents doing so.[282]

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[270] From 14 companies.
[271] From five of the ten Other Large funeral directors.
[272] Eighteen out of 26 responses.
[273] Eight out of 15.
[274] Ten out of 11.
[275] Eighteen respondents identified a total of 32 monitored competitors.
[276] We received 28 responses on drive-time from the identified competitors.
[277] Fourteen out of 28 were within 5 minutes, 11 out of 28 were within 10 to 20 minutes and the remaining three responses were within 5 to 10 minutes' drive time.
[278] Seven from Smaller funeral director branches and ten branches from the Other Large funeral directors .
[279] Six out of seven for both price and funeral range.
[280] Three out of seven.
[281] Eight out of ten branches of the Other Large funeral directors responded that they monitor 'service quality'.
[282] Six out of ten branches of the Other Large funeral directors said they monitor prices, four responded that they monitor funeral range and two responded that they monitored other factors.

(c) The ‘other’ category was explained by respondents to be monitoring competitor’s volumes using various methods (eg market share, obituary notice numbers and annual sale of funeral plans).

(d) When asked to specifically single out the most important factor to monitor, most respondents stated ‘service quality’, with the remainder responding ‘funeral prices’.[283]

159. We asked the funeral directors how the information they monitored was used in decision making in the last three years: whether the provider changed its advertising/promotional activity, changed prices, invested to improve quality, changed funeral range/options, or other ways.[284] Of those that responded to this question;

(a) around half of the Smaller funeral directors said they used this monitoring information in decision making in some capacity;[285]

(b) most of the Other Large funeral directors’ branch responses said they used this monitoring information in decision making in some capacity at a local level;[286]

(c) the reasons that some branches gave for the lack of response to monitoring was a mixture of already being the most affordable in the area,[287] still within the branch’s maturity phase[288] or a universal pricing policy across its business;[289]

(d) around half of the Smaller funeral directors and the Other Large funeral directors’ branch responses used the monitoring information to help inform decisions on improving quality.[290] Responses detailed that the quality improvement decisions related to a wide variety of aspects such as staff training, refurbishment of premises, mortuary facilities and upgrading their fleets;

(e) a few of the Smaller funeral directors and around half of the Other Large funeral directors’ branch responses used the information to decide on advertisement/promotional activity, with one company detailing that it

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[283] Ten out of 12 responded that service quality was the most important factor and the remaining two responses said funeral price was the most important factor.
[284] All 17 responses that said they monitored a competitor also replied to this section.
[285] Four out of seven
[286] Eight out of ten.
[287] [✂]
[288] [✂]
[289] [✂]
[290] Four out of seven Smaller responses and six out of ten branches from the Other Large funeral directors that monitored competitors.

increased the quantity of funeral plan leaflets and another invested in its website.[291]

(f) around half of the Smaller funeral directors and a small number of the Other Large funeral directors' branch responses said they used the information in pricing decisions, with two branches detailing that they kept prices the same;[292] [293] and

(g) around half of the Smaller funeral director responses and a small number of the Other Large funeral directors' branch responses said they used the information in funeral range decisions, with two of the respondents specifically identifying the decision to offer direct cremations. [294]

Regional co-op company level responses

160. In the group of the Other Large funeral directors, the four largest regional co-ops[295] provided more detailed information on how they monitor competitors, as well as their approach to price-setting.

161. We summarise the regional co-ops' responses on how they approach monitoring below.

162. Central England Co-op stated:

(a) It does not actively monitor competitors' prices, quality or range through a defined process, but will learn when the larger funeral directors announce new products and pricing and consider its own offerings to ensure they are competitive and consistent with its company ethos. This does not necessarily mean it will react to competitor developments on a national scale as it will take into account the quality of service and degree of price transparency of the offerings.

(b) On a local level, Central England Co-op's homes may complete mystery shop phone calls on an ad-hoc basis and may also receive feedback from customers or potential customers shopping around. Information on changes in quality or range comes via customer feedback or observing

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[291] 2 out of 7 smaller and 6 out of 10 from the 10 Other Large funeral directors branch responses that monitored competitors.
[292] Three out of seven Smaller and two out of ten from the Other Large funeral directors' branch responses that monitored competitors.
[293] Except for an inflationary increase in one case.
[294] Three out of seven Smaller funeral directors and two out of ten from the Other Large funeral directors' branch responses that monitored competitors.
[295] Central England Co-op, East of England Co-op, Midcounties Co-op and Southern Co-op.

funerals day to day. Any relevant observations would be shared by the Funeral Director with the Senior Funeral Director.

(c) Its funeral homes are allowed to price match competitors on a case by case basis with authorisation from an Area Manager.[296]

163. East of England Co-op stated that it monitors prices and services from a selection of its competitors on a quarterly basis. Those compared are a representative cross section of its actual competitors, both locally and nationally owned, as relating to specific geographical areas and the locations of its branch network. It stated that this process looks at the actual price for funeral directors' services (including all parts of this service including removal of the deceased, arranging, coffin, hearse and bearers), and any changes that become apparent, such as charges for additional bearers. It explained that the collected information will be compared to its own prices, with the aim to advertise a 'fully inclusive' funeral director fee that is both competitive and has no hidden additions.[297]

164. Midcounties Co-op monitors competitors' activities in relation to at-need funeral services on a day-to-day basis at a local level (eg through local teams, local media, conversations within the community, and/or local observation).

(a) It said that this information is verified wherever possible, and then discussed with its management team. In addition, on average it typically reviews competitors' activities in relation to at-need funeral services every six months, focusing on their bespoke packages. It recently engaged [✂] to undertake a mystery shopping exercise in specific locations.[298] The [✂] reports provided indicate that this process also assessed the approach to handling the response (eg how long it took to answer, whether the respondents' manner was 'Disinterested/abrupt/ rude; Just Polite; or Friendly and happy to help') as well as the prices quoted.[299]

(b) Midcounties Co-op stated that it is trialling the possibility that some of its funeral homes could offer up to £[✂] discount on its bespoke package, this would be in response to competitors who use [✂].[300]

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296 [✂]
297 [✂]
298 [✂]
299 [✂]
300 [✂]

(c) Midcounties Co-op stated that it does not 'actively commit' to marketing of its at-need funeral services, except for 'generic information'.[301]

165. Southern Co-op stated it has no set format to monitor changes in quality or range from a competitor or new entrants to the market other than what can be observed. With regard to price, competitors' and new entrants' adverts/marketing and window displays can easily be reviewed should it be necessary. It gives its launch of a simple funeral in response to Co-op's simple offering as an example.[302] It stated 'Currently the published price of a competitor will have little impact on the main decision making of the business', noting price setting is instead based on volume, average income expectations, cost changes and what the business needs to make to meet an internal rate of return covering its costs and for it to be a sustainable business.[303]

Interviews

166. Smaller funeral directors we interviewed in some cases indicated that they did not pay much attention to what competitors were doing, although some of these providers still showed an awareness of competitor positioning/pricing in their responses. In other cases, smaller funeral directors indicated that they made decisions on their own positioning in a way which implied comparison with others (for example, aiming to offer the highest quality or set prices which are lower than some others).

167. Comments made in interviews which indicated monitoring of competitors (or lack thereof) include the following:

(a) A long-established firm [✂] in a large conurbation mentioned monitoring its competitors' quality, insofar as whether they are on time for the funeral; the number of staff attending the funeral; and how they interact with clients. It also looks at their websites and how much advertising they are doing. In response to competition, it said it has 'sharpened up a little bit'. It said that the addition of the 'simple choice' package has been a response to observing changes in the market. It does not however monitor other companies' prices.

(b) A new entrant in a large conurbation [✂] does not track what other smaller funeral directors do but is aware that the large firms have decreased their prices to try and match its prices, although Dignity, having

301 [✂]
302 [✂]
303 [✂]

reduced its price by £1,000, was still £1,000 more expensive than it. Because its profits are already so low, it would be very reluctant to reduce its prices further and does not want to compromise on quality.

(c) A well-established family firm in a mid-size town [✂] said that it does not take notice of what others do and does not change its prices in response to others. The only thing that has changed is the introduction of direct cremation (because the crematorium introduced a reduced fee).

(d) A new entrant in a mid-size town [✂] said that it does not monitor its competitors as other local funeral directors do not offer the same quality/price combination. There is another funeral director with similar prices, but their level of service is not as high. When it started out, its prices were £1,000 lower than its closest competitor – at the time, the company had very low overheads. Its knowledge of local prices came from the owner's previous employment and his wife getting quotes on the phone.

(e) A new entrant in a mid-size town [✂] does not consider that its business has an impact on what Co-op and Dignity, or anybody else, do in the area. It focuses on seeking to give first-class services at a fair price. Its prices are the lowest in [✂]. Its package prices include disbursements, unlike Co-op which advertises its simple funeral at £1,995, but once disbursements have been added, the full price will be £3,500. It also considers Co-op's price matching guarantee (a practice which is emulated by the other smaller funeral director in [✂], who will match it if a customer mentions its prices) to be unfair because it would result in people paying different prices, simply because one customer has challenged the price – this is, in its view, unethical. Its prices are the lowest and it is not prepared to decrease them further, unless a customer is in real financial difficulties.

(f) A long-established family firm in a rural area [✂] said its aim is to provide the best service in the area at a price that is neither the highest priced or the lowest priced locally. It showed good knowledge of its local competitors and how they were performing, both in terms of the facilities they have and the number of funerals they were conducting.

(g) A long-established family firm [✂] stated that most local competition has been taken over by the larger providers. It said that Dignity does badly in the area and historically Co-op has been its closest competitor. In terms of pricing it would not want to be higher than Dignity's price even if the quality it gives is better. For example, it said even though the cars that it has are better than Dignity's, it would not want its vehicles to be priced higher.

(h) A long-established family firm in a rural area [✂] showed good understanding of how its prices compared to local competitors: it said its standard funeral price was £2,495. This was lower than the price charged for an equivalent funeral by the local Co-op branch which charged £3,250. [✂], recently acquired by Dignity, were £100 more expensive than its prices. However, it noted that the [✂] price included a hearse, but not any additional limousine (which would add a further £300). It said that, as most people need additional cars, the higher price was more reflective of the actual cost. The Dignity site at [✂] charged £4,400 compared to its local site in that area which charged £2,495 for an equivalent service, a difference of nearly £2,000. It said that all funeral directors know what their competitors were charging. It said they were currently £200 lower than their nearest competitor, based 4 miles away. It said that in [✂] there were three funeral firms competing aggressively on price with each other for the last 30 years. While none had exited the market, they were not profitable and were unable to invest properly in their business.

(i) A new entrant in a large conurbation [✂] said it had a clear view about what it wanted to create. It felt that it had found a gap in the market but now it is doing more of what it would describe as 'mainstream' funerals and religious funerals. It also stated that 'independent' funeral directors on the whole will be as flexible as you want them to be. It said that Co-op, for example, do not have the flexibility to offer coffins beyond their existing range and also tend to rush the arrangement meeting.

(j) An established firm in a mid-size town [✂] noted that it does maintain an awareness of what others are doing (within the constraint of what information is available) but it does not necessarily follow what competitors do. It does speak to the other 'independent' funeral directors in Scotland to be aware of what is working well for them and what challenges they have experienced. It said if Dignity, for example, made changes to their offerings it would be aware of it but would not necessarily respond to the changes as it feels that its priority is its own service offering.

(k) A well-established firm [✂] stated that it will keep an eye on what its competitors are doing, and talk to other funeral directors to have an awareness of what they are doing. It gave an example where a local funeral director had tried to attract customers via advertising but it had not felt it necessary to respond to this as its ability to attract customers was already sufficient.

(l) A long-established family firm [✂] noted that its information of its nearest competitor's prices were likely out of date. It said that its nearest

competitors do not normally carry out many funerals in its area and vice versa (ie they have separate catchment areas) and as such, it generally does not respond to any actions by its nearest competitors.

(m) A well-established family firm in a rural area [✂] noted its main way of monitoring competitors was through what clients told it about their experience with other funeral directors. It noted only one competitor within 40 miles had its prices online, making it difficult to monitor. It has not reacted to what competitors are doing as it considers its prices are fair and that it is open about how and what it charges.

(n) An established firm [✂] in a large conurbation stated it monitors [✂] and 'independent' funeral director prices, but to date has not paid much attention to [✂]. It has responded to competitor activity by reducing its prices. It said that both independent funeral directors and [✂] have tried undercutting its prices in some regions, which it subsequently responded to by also lowering its prices. In the case of [✂], the price reductions were on all of its funeral types. It said that [✂] has also run advertisement campaigns against them which it responded to with its own advertisement campaigns. It said that price competition is now more aggressive than it used to be. It thinks that this is due to [✂] and [✂] now starting to compete with independents on pricing which did not used to be the case.

Summary of monitoring

168. In response to our questionnaire, a large number of respondents indicated that they monitored their local competitors in some form. Those that do monitor competitors indicated that service quality was the most important aspect that they monitor, with a smaller number monitoring price, range and market share. Of those that monitor their competitors, over two thirds said that they use that information in their decision making in some capacity. Again, the most common response what that information was used to help inform decisions on service quality. A smaller number used monitoring information to inform decisions on factors such as promotional/advertising decisions and pricing decisions.

169. The other smaller funeral directors who we have received evidence from, in some cases indicated that they did not pay much attention to what competitors were doing, although some of these providers still showed an awareness of competitor positioning/pricing in their responses. In other cases, smaller funeral directors indicated that they made decisions on their own positioning in a way which implied comparison with others (for example, aiming to offer the highest quality or set prices which are lower than some others). A small number take a more structured approach to monitoring.

Experience of entry

Questionnaire 1 responses

170. Our questionnaire asked funeral directors about entry – specifically: whether they had experienced entry in the last five years, who from (eg type of business, distance from their branch), what effect this entry had on their business and whether/how they responded.

171. We received 26 responses, 15[304] from among the Smaller funeral directors and 11[305] branches from among the Other Large funeral directors.[306]

(a) Just under half of branches that responded reported that they had experienced entry in the last five years.[307] The responses reported a total of 18 branches entering in the last five years. A small number of branches reported more than one entrant in the last five years.[308]

(b) Over half[309] of the reported entrants were small chain or 'independent' funeral directors, while a third[310] of the entrants were national chains, and one entrant was a local authority that set up its own funeral director service. A small number were reported to be low price providers and/or direct cremation specialists.[311]

(c) Around half of responses on drive time from the entrant said the entrant was within 5 minutes and under half within 5 to 10 minutes.[312] None reported an entrant further than 20 minutes' drive time.

172. We asked the funeral directors whether and how the entry had impacted on their business: fewer funerals, loss of market share, loss of revenue, or other impacts.

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[304] From 14 companies.
[305] From five of the ten Other Large funeral directors.
[306] From the 66 funeral directors, covering 75 branches, to whom we asked questions about experience of entry.
[307] Twelve out of 26 branches: five out of 12 smaller funeral director branches reported entry, seven out of 14 branches from the Other Large funeral directors reported entry.
[308] There were two branches that reported two entrants and two branches that reported three entrants.
[309] Eleven out of 18.
[310] Six out of 18.
[311] Three out of 18 were reported as low cost and direct cremation specialists, one was reported as only a low-cost provider and one was reported as only a direct cremation specialist.
[312] We received drive time information relating to 16 of the 18 entrants, seven out of 16 were within 5 minutes and six out of 16 were within 5 to 10 minutes.

(a) Half[313] of branches that responded reported an impact on their business of some kind, with few branches[314] stating that it was a significant impact.[315]

(b) The most common impacts reported were lower volumes and revenue with five out of six responses reporting an impact on each. The responses estimated an average impact of approximately 21% reduction in volumes due to entry[316] and an average impact of 16% on revenue.[317]

(c) Four branches also reported that they lost market share after entry and estimated an impact of 13%.[318]

173. We asked the funeral directors whether and how they had responded to entry: increased advertising/promotional activity, changed prices, invested to improve quality, changed funeral range/options, or other responses.

(a) All of the branches that had reported an impact on their business also reported that they responded to the entry in some way. In addition, two branches which did not report an impact on their business from the entry reported that they had responded to the entry in some way. [319]

(b) The most common response reported was investment to improve quality with over half responding to entry in this way,[320] for example through refurbishment of premises and expansion of fleet.

(c) Just under half reported changing prices as a response but did not specify how.[321]

(d) Half[322] responded to entry by increasing advertising/promotional activity, with one response detailing that this was via upgrading its website.

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[313] Six out of 12.
[314] Two out of 12.
[315] We considered whether there was a relationship between the distance from the entrant and whether an effect was reported, but the sample size was too small to draw robust inferences. This would also not be possible for branches that reported multiple entrants as it is not possible to identify to whom the impact is attributable.
[316] Based on four responses.
[317] Based on five responses (four companies).
[318] Based on four responses (three companies).
[319] Therefore, in total, eight out of 12 branches that experienced entry responded to the entry in some way.
[320] Five out of eight.
[321] Three out of eight.
[322] Four out of eight.

(e) Just under half responded to entry by changing their funeral range,[323] with one respondent giving the example of the introduction of offering direct cremation.

(f) Many of the respondents[324] also stated they used a different response than the categories suggested, [✄].

Questionnaire 2 responses

174. A number of the Other Large funeral directors we obtained information from commented on their experience of entry in their locality:

(a) Central England Co-op said that it reports on branches that have experienced entry separately, this is to allow it to try to understand the level impact from entry on its branches. It stated that it uses mystery shopping to monitor the entrant's price to ensure it remains competitive, but it will also try to evaluate the entrant's quality of service to ensure that the offerings are comparable. In particular, it noted that the 'headline' price quoted by a competitor usually has several caveats or exclusions which can be confusing for customers to understand the true cost of the funeral.

(b) Central England Co-op also uses CACI data in the form of a report based on the specific catchment area around the impacted home and is split into four sections covering key performance drivers available for the home (eg number of local care homes), competitors and points of interest (eg nearest competitors, care homes and hospitals), local demographics and number of deaths in the area. It stated that the report gives it information on which key areas to focus on when it experiences entry at one of its branches and where to open its own new branches.

(c) Midcounties Co-op stated that when responding to new entrants, it would usually try to raise its profile and strengthen its links to the local community. This includes local press coverage, and the promotion or sponsorship of local events and/or organisations.

(d) A long-established family firm in a large conurbation [✄] responded that there have been 13 new branches in its area including three of its own in the last five years. Three of these entrant branches were new funeral directors. It also mentioned that the area had experienced closure of local funeral director branches with seven branches closing over the 5-year

[323] Three out of eight.
[324] Six out of eight.

period, four of these were single branch companies closing. It stated that it had done 'very little' to respond to new entrants. It said it has however continued to be innovative in its advertising but that focuses predominantly on quality of service rather than price.

(e) A long-established family firm in a large conurbation [✂]noted that a [✂] branch had entered its local area in 2019, the impact of this entry is uncertain as it was unsure if the decline in funeral volumes this year is due to the new entrant or a decline in death rate this year. It stated that it has not responded by changing its offering or prices, as traditionally its customers come from recommendations and those looking for a personalised high-quality service. It has opted not to advertise based on price but instead focus on quality of service and customer choice.

Interviews

175. A number of the smaller funeral directors and other industry professionals we interviewed had observed entry in their locality. However, most said that they had not been affected by the new entrant or were uncertain of the impact. Most also said that they did not respond to entry in any way. The responses described a variety of entrants; both traditional and non-traditional, larger funeral directors and small 'independents', start-ups and expansions. There were several mentions of ex-employees of larger funeral directors leaving their old companies and starting their own. These responses are summarised in Appendix G.

Summary of experience of entry

176. Of the funeral directors we received evidence from, experience of entry was common. However, most said that they had not been affected by the new entrant or were uncertain of the impact. Most also said that they did not respond to entry in any way. Those that did respond to entry said that improving service quality was the most common response, changing prices and increasing advertising/promotional activity was also mentioned. Fewer responded by changing their range. The responses described a variety of entrants: both traditional and non-traditional; larger funeral directors and small 'independents'; start-ups and expansions. There were several mentions of ex-employees of larger funeral directors leaving their old companies and starting their own.

Setting prices

177. This section summarises the evidence received on how some funeral directors approach price setting and (from those we interviewed) advertising.

Regional co-op company level responses

178. Central England Co-op stated it reviews all prices charged across the business on an annual basis. When determining prices, it considers the overall 'Society' aspirations, within the context of competitor offerings, range, and choice structure. It also takes into account investment needs and changes in input costs (such as for raw materials for coffins and masonry, fuel, rent and personnel costs, noting it was recently able to reduce the costs of some traditionally 'out of hours' services due to restructuring).

179. Midcounties Co-op stated its approach to pricing reflects its decision to compete by offering 'excellent value' which means that it does not seek to offer the cheapest price but instead tries to offer high quality for the given price point. It stated that it sets itself high standards to follow which it achieves through investment. It said that it is therefore neither the cheapest nor most expensive in its area but feels that it offers value for money for the level of quality it provides.

180. Southern Co-op stated its 'pricing is generally reviewed annually for budgeting purposes', and prices will be set based on its expected revenue (average income per funeral across its range multiplied by its expected volumes) 'plus any increases in the fixed and variable costs of the business'.

Interviews

181. There were various approaches to setting prices among those we interviewed. In price setting, ensuring the funeral director's price is not out of line with others in the area or ensuring prices were 'fair' was mentioned in interviews, but with greater focus on covering costs.

(a) A long-established firm [✂] in a large conurbation said its prices are revised on an annual basis, but there is no fixed inflation rate being applied. The company simply looks at its costs. Thinking how these costs have increased over time, it believes that this has been in line with inflation.

(b) A new entrant in a large conurbation [✂] noted that some funeral directors [✂] would charge very low professional fees, and then would make their profits through the mark-ups on coffins, orders of service, flowers etc. It said that its professional fees are probably average, noting that the company was not competing on price. In pricing the coffins, it made a deliberate choice of applying a minimal mark-up. This is because the owner wants to move the business of funeral arranging away from the retail culture to that of a personal service focused on providing therapeutic

and emotional support. Its average revenue per funeral is circa £[✂], including disbursements.

(c) A new entrant in a large conurbation [✂] said that pricing was based entirely on costs, with the aim of keeping prices as low as possible. It noted that its fees are already higher than some of the other 'independents' in its area and it would not be consistent with its model to be very expensive. A lot of the services that it hires in are charged at cost plus VAT.

(d) A well-established family firm in a mid-size town [✂] stated the main way in which competition plays out is that, instead of simply quoting for a standard package, it will try to evaluate what sort of funeral the family want in order to establish the appropriate pricing level. The owner set the original prices just below the level set by his previous employer. The cost base it had when it entered was low, as hearses and staff were hired in when needed and PAYE overhead was minimal. It made a conscious effort to keep the prices of coffins constant and any price increases to be focused on the professional fees. It noted that other funeral directors would do the opposite, putting a large mark-up on coffins to keep professional fees down. It believes that its prices are competitive, being cheaper than the larger companies, but offering an equally good service. It considers that Retail Price Index (RPI) is a fair reflection of its own cost inflation, as a funeral director – in terms of fuel, coffins, rent and rates, electricity etc – which means that although the price increases that it applies are dictated by external forces, this does not create any issues.

(e) A new entrant in a mid-size town [✂] simply looks at its costs: of the simple funeral price, £994 is accounted for by disbursements. When the company started, disbursements added to £883 (with the cremation fee being £[✂]), so it was able to price the simple funeral at £1,900. It increased this to the current price in April 2019 to reflect the cremation fee increase, but otherwise has kept its price static and would intend to continue next year. It said that by comparison when last checked, including disbursements, the local Dignity branch charged over £4,000 for a simple funeral. The owner noted that when he was employed by Co-op it was putting price increases through twice a year and historically it had increased prices three times a year [✂]. Although there has been cost inflation, it does not explain the large increase in funeral costs, with funerals now being so expensive that many cannot afford them.

(f) A long-established family firm in a rural area [✂] said its approach to setting prices is that each year it looks at the RPI for guidance, taking into account necessary salary and other overhead increases, it then increases

charges by a similar percentage. It said its aim is to provide the best service in the area at a price that is neither the highest priced nor the lowest priced locally. It said it takes pride in families returning again and again and this is only achieved through excellent service at a price that the public knows is fair. It reiterated that it felt its business offered value for money and a better service than both the ‘multis’ and the ‘small guys’. It said that it feels it is cheaper than some of the big ‘multis’, who it believed had had to reduce their prices in the last 12 months ‘because they have just totally run away with themselves’.

(g) A long-established family firm [✂] gave pricing information which showed a 16% increase in its prices, comparing the price of the basic package (which it offered in line with the OFT 2001 report) between 2010 and 2019, which it estimated to have increased from £2,317 (including disbursements) to £2,695. This assumes use of [✂] crematorium rather than [✂]. As there have been changes to the way it operates, this is not an exact like-for-like comparison and it observed that today’s funeral equivalent to a basic package would be a better offering. It said that it looks at its overheads and profits when making pricing decisions, but this is only easy with coffins and such like. To illustrate other factors that are taken into account, it explained that when it was considering how to price a Chapel of rest it looked at similar services in other industries such as a simple hotel room as an upper bound on price, recognising that a hotel room is a more complex offering.

(h) A long-established family firm in a rural area [✂] explained when setting its funeral prices, it starts by reviewing its costs from management accounts and considering any additional staff costs needed. It would then consider whether to put through an inflationary rise of 3 to 4%. This would then be apportioned between the different parts of the business, with the funeral element divided by the number of funerals arranged. Typically, this figure comes out at around £80 to £100 and this is the price at which its funeral price then goes up annually. It noted it made a good return, but it needed to keep prices reasonable so that customers would return. It noted that it could charge the same as Co-op, as the services provided were worth the same, but it could not ‘morally’ do that. In terms of rising costs, while inflation had been low, staff cost had been increasing at a faster rate than inflation (pension costs were mentioned). Coffin prices were also increasing.

(i) A new entrant in a large conurbation [✂] stated it could not get information on prices when it entered and so its approach to pricing was cost plus analysis.

(j) An established firm in a mid-size town [✂] stated that it does not pay much attention to its profit margin percentages. Instead it says it focuses on its own quality of service and charges what it hopes is correct, it said this method has provided it with a 'comfortable' profit. It told us that when starting the business, it had set prices based on what it 'thought the starting prices within the local profession were, based on other independents.' It had not raised prices in three years, noting some price competition from Co-op and Dignity; it thinks that recently everybody has been a bit more careful about pricing. It said that it had raised prices by £100 after three years of not raising prices. It noted it had not increased prices as it was already comfortable with the margins that it was making.

(k) A well-established firm [✂] stated it tried to be somewhat cheaper than others, given it operates in a mid-market area. It sets its prices by reference to (but slightly below) a pre-paid funeral plan provider, as it said that they price at current prices so it can 'roughly' price in the 'right' range.

(l) A long-established family firm [✂] noted, in updating its prices, it had looked at changes in its costs and added a percentage (of between 10 and 15%) on top of this as it had not increased prices in the previous five years.

(m) An established firm [✂] in a large conurbation said that it is aiming to keep a differential of prices [✂]% below the market leader in its area although it varies by funeral type. It noted that its pricing strategy involves looking at its profit level at its current volumes and prices, which it uses as a starting point for future price changes. It noted it had reduced prices at the bottom end of its range and the top end of its range, and have lifted the price of the middle range. [✂] It stated that in setting prices it reviews all published prices, and mystery shops when they are not published.

182. In addition, some mentioned their approach to advertising. A number mentioned using print advertising in local publications, while others also mentioned television or using its own shop or website as a way to attract customers. Different funeral directors took different approaches in terms of their level of focus on advertising compared to other ways of attracting customers (such as reputation and community activity), and the channels used.

(a) A new entrant in a large conurbation [✂] said that funeral directors used their shop as the main advertising tool, while it used its website as its marketing method to attract customers from [✂]. It would then visit people at their homes to arrange the funeral.

(b) A new entrant in a large conurbation [✂] advertises in parish magazines, some local papers and in churches, and most of the funerals have come through these connections – friends, friends of friends and people introduced through church. It has invested in a new website and has started running Google ads. It considered that there was no point talking to care home managers, because all the other funeral directors did which decreased the odds of being the funeral director that gets recommended, and the residents are not the people who will be buying the funeral.

(c) A well-established family firm in a mid-size town [✂] has placed a couple of adverts in a couple of local church diaries, but relies on recommendations. As it has been in business for 20 years, there is a level of repeat business among the more local of its customers.

(d) An established firm in a mid-size town [✂] has tried television advertising and considered it had been successful, but it would generally not want to emulate the approach of the 'corporate' funeral directors to marketing as it is on a different scale.

(e) A long-established family firm [✂] stated that it does advertise in the local papers but does not know how effective it is because less people are reading newspapers.

(f) An established firm [✂] in a large conurbation stated that it spends significantly more on marketing than its competitors and this helps it gain a large amount of pre-paid funerals. It explained that as it started to have more pre-paid funerals built up it would require less marketing 'because one flows into the other'. It stated it peaked in total marketing spend at just under £[✂] a month but would like to [✂] that to around £[✂]. It also noted the focus of the marketing campaigns by it and its competitors, tends to be for the entry level package and the package priced 'the step up from that'.

(g) A well-established family firm in a rural area [✂] said its main way of attracting customers was advertising recommendation and community involvement. For advertising, it gave examples such as placing adverts on the obituary page in the local newspapers, in church diaries and magazines as well as its website and giving out calendars. It is also in a hospital booklet and a bereavement booklet.

Summary of price setting and marketing behaviour

183. Smaller funeral directors often commented that they set prices based on their costs. When setting prices, some said that they did not want to be the most

expensive in their local area and/or said they wanted to provide value for money.

184. In the interviews, we asked generally about whether and how these funeral directors advertised their business. A variety of advertising methods to attract customers were mentioned, including print advertising in local publications, advertisements on television, using high street shop presence and/or their websites. Others said they attract customers via reputation and/or community activity.

Policies and practices concerning the arrangement meeting

185. A key aspect of funeral directors' interaction with customers is the arrangement meeting. We gathered evidence on funeral director sales practices in the arrangement meeting by reviewing relevant internal documents.

186. We reviewed staff training materials (and internal documents discussing their sales practices) from the Largest and a number of the Other Large funeral directors, as well as the NAFD Manual of Funeral Directing. These materials suggest that:

(a) Some funeral directors have internally acknowledged previous problems with arrangement meetings, including that customers have not understood the options available or prices (for specific choices or overall) until late in, or after, the arrangement meeting.[325] Some have taken steps to address this, for example by providing more literature, or providing it earlier in the process.[326]

(b) There is no 'one size fits all' approach to conducting an arrangement meeting. Funeral directors tailor their approach to the customer's perceived state of mind, including with regard to the amount and order of information provided.[327]

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[325] For instance:

- [✂]

[326] For instance:

- A Co-op document stated that it intended to provide cost information and illustrations of funeral costs.
- Funeral Partners trialled providing a new brochure in the arrangement meeting with the stated objective of allowing customers to view options and increase transparency of pricing.

[327] For instance:

- Co-op staff are advised to provide information on the different types of funeral, either at the beginning, middle or end of an arrangement, as appropriate, to cater to different customer needs.
- A Central England Co-op document sets out a framework for the arrangement meeting but states that it is not intended to be rigid and may be adapted. Staff are advised that the amount of information provided to a customer should depend on the customer's preference.

(c) Funeral directors may provide or refer to materials containing information on prices and options (eg brochure; price list) in the arrangement meeting,[328] but the extent to which they are used, and how, is sometimes unclear.[329]

(d) Funeral directors have a dual role of providing guidance to customers on the most suitable funeral (or funeral elements) for them, while also ensuring customers realise there are alternative choices (but which may end up being summarised).[330]

(e) Some funeral director training materials indicate that prices should be discussed with customers throughout the meeting including when making decisions over individual elements (eg on limousines) but it was not clear if prices are discussed for each element.[331] We saw an example of customers only being shown a lower-bound reference price as they make choices (eg coffin prices 'from £...').

(f) Customers may not have a good idea of total funeral costs when making choices about individual items/elements of the funeral in the arrangement meeting that impact it.[332] The funeral director may give a running total of costs that builds throughout the arrangement meeting[333] and some large cost items, such as coffins may only be discussed towards the end.[334] Information on costs (or total costs[335]) may be provided only towards the end of the arrangement meeting. For instance, the NAFD Manual of

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[328] For instance:
- Co-op staff are expected to refer to the Funeral Choices folder during the arrangement meeting.
- Dignity staff are told to provide a branch price list near the beginning of the arrangement meeting.
- Funeral Partners have trialled the use of a new brochure to be provided at the beginning of the arrangement meeting.
- Midcounties Co-op recommend that their staff take customers through their brochure in the arrangement meeting.

[329] For instance, there was no evidence of customers referring to a price list in Dignity training videos

[330] For instance:
- Co-op staff may suggest a particular package to a customer during the arrangement meeting, based on earlier discussion with them. Staff are advised to go through the Funeral Choices folder, giving customers an opportunity to review alternative options but navigating them to the appropriate choices.
- Funeral Partners staff are told that during the arrangement meeting they should offer customers advice on the best option for them and to summarise alternatives.
- Midcounties Co-op staff are advised to match products/services in their brochure to customers' wishes.
- Dignity staff are expected to discuss lower cost options early in the arrangement meeting.
- Central England Co-op staff are told to provide information on options and alternatives and that they should offer choice otherwise the customer may not get what they want

[331]For instance, in a training video, the arranger states the price of the limousine when it is discussed.

[332] For instance, Dignity staff are given advice on how to respond if, upon discussing the total cost of the funeral, customers say that they cannot afford it.

[333] In a Dignity training video, the funeral director is shown giving a current running total of costs (at that point including the funeral director fee, cremation fee and minister).

[334] Funeral Partners staff are advised to leave discussing the coffin choice until later in the arrangement meeting ie after funeral director's charges, additional services and disbursement costs have been discussed.

[335] Funeral Partners staff are told: [✄].

Funeral Directing advises members to provide cost information only once the ‘majority of arrangements have been discussed and chosen’.[336]

[336] The NAFD stated that this was to ensure the funeral director had a full understanding of customer expectations before providing an estimate. It also advised that the guidance should not be read in isolation, and members should already have a price list on display, so customers have access to this information by the time they sit down to discuss arrangements. NAFD indicated that future guidance may refer to discussing the client’s budget at the outset of the arrangement meeting so that options outside their budget are not discussed.