

COMPETITION AND MARKETS AUTHORITY FUNERALS MARKET INVESTIGATION

Summary of hearing with Dignity Plc held on 9 October 2020

1. Dignity said that it welcomed the CMA market investigation and that there was much it agreed with in the provisional findings, though it did have some concerns about the CMA's analysis and findings, particularly in relation to the CMA's profitability analysis and customer detriment calculations. It explained that Covid-19 had an impact on its per funeral profitability, and said that it agreed with both the need for quality regulation and with the CMA's sunlight remedies which would help consumers make effective choices.

Consumer choice and quality

2. Dignity said that its consumer research told it that 'consumers care deeply about quality', and value price transparency and choice. Dignity noted that consumers did not realise that funeral directors' services were not regulated. Dignity said that a 'level playing field' in back of house quality across the sector would help consumers to make informed choices.
3. Dignity said that all funeral directors should have price lists and publish these on websites where they have them. Dignity also said that pricing should be at the same level of simplicity and integrity, regardless of where the funeral director was located or whether the client was in an urban or rural setting.
4. Dignity had invested in its websites and digital platforms in order to meet customer needs. If a funeral director did not have a website, Dignity said that the price list should be publicly displayed in their shop windows.

Standard Packages

5. Dignity hoped that a standard funeral package could allow for funeral directors to meet the varied needs of clients and not limit their choices or become over complicated or burdensome for them. Dignity said that giving a like-for-like comparator that will apply regardless of the size of a funeral director would be very helpful for clients. Dignity noted that the Scottish Government had produced a Funeral Director Code of Practice as well as guidance on funeral costs, which proposes a standard simple funeral, so that customers have a

comparator. Dignity said that most funeral directors would feel comfortable with offering a simple funeral package.

Market resilience and Covid-19

6. Dignity noted the 'profound' impact that Covid-19 has had on the market, while noting that peaks in the death rate were 'not unprecedented.' Dignity also noted how the pandemic had impacted on all aspects of its business. Dignity said it had invested in refrigeration and mortuary capacity in order to be able to cope with high demand. It said that it had an [X] % market share and provided [X] % of the private sector mortuary capacity and that it had further increased its refrigeration capacity by [X] % during the pandemic. Dignity commented that many independent funeral directors did not have the refrigeration capacity to store the deceased. As well as incremental expenditure on mortuary capacity, it had also had to invest in additional safety measures to protect its staff and its customers.
7. Dignity also said that a materially high proportion of its customers were choosing 'simple' funerals and direct cremation services. For those that did select a full service funeral, their choices were necessarily reduced because of the Government's restrictions.

Ongoing market changes

8. Dignity said that the market had been changing to a certain degree before the CMA's review. Dignity noted that the dynamics of the industry required a series of price cuts which Dignity commenced in January 2018, before the CMA began its market study. Dignity said that over the last four years, consumers had been increasingly selecting alternative funeral options and researching their options online.
9. Dignity said that while Covid-19 was 'accelerating the existing dynamics in the market', change was also happening through a number of factors that were driving 'continual improvement.' Dignity said that consumer behaviour was changing, and that innovation was supporting this change, for example, it points to its Funeral Now Service Later options, video conferencing arranging and its streaming of funerals.
10. Dignity also said that as well as increased competition within traditional cremation models, it was also seeing different types of business model entering the market and this was affecting both funeral services and cremation services.

Detriment

11. Dignity said that the CMA's detriment calculation overstated the level of average detriment, arguing that 2019 and 2020 data, even before the impact of Covid-19, had significantly reduced the CMA's detriment calculations contained in its provisional decision report. Dignity discussed the impact of its land values on the CMA's detriment analysis and ROCE analysis of crematoria. On funeral directors, Dignity argued that the CMA's profitability analysis did not reflect the 'true' costs of setting up and starting up a well-established, well-functioning funeral director. Dignity also questioned whether the same level of detriment that the CMA arrived at would be applicable across the entire market and therefore, across more than 3,000 independents.