THIRD ANNUAL REVIEW OF MARKET OUTCOMES IN THE FUNERALS SECTOR

Summary of anonymous responses to the CMA's insight gathering exercise

Introduction

1. We received a number of anonymous responses to our insight gathering exercise. This document summarises those responses.

Cost of conducting a funeral

2. Most respondents reported that the cost of conducting a funeral had increased since the market investigation due to increases in the costs of materials, energy, consumables, labour, energy and third-party services.

3. Some respondents also cited additional regulatory costs, such as the cost of complying with the Funerals Market Investigation Order 2021 (the Order) and the cost of complying with Financial Conduct Authority (FCA) regulations,[1] health and safety requirements and anticipated mortuary practice controls.

Price of a funeral

4. Most respondents reported an increase in the price of a funeral since the market investigation due to increases in costs (see above).

5. Some respondents reported that prices had increased at a higher rate than prior to the market investigation, some respondents reported that prices had increased at a lower rate than prior to the market investigation and some respondents reported that there had been no changes to prices. Where respondents reported price increases, they noted that the extent of that price increase varied between locations.

[1] The FCA regulates funeral plan providers in the UK.

Quality of funeral services

6. Although most respondents reported that the quality of funeral services had remained unchanged since the market investigation, some respondents reported that quality had improved, while other respondents reported that they had concerns that quality had declined as some funeral directors sought to reduce their costs.

7. Although most respondents reported that the quality of funeral services remained high, one respondent reported that the increased scrutiny of the funerals sector from the CMA may have negatively affected public perceptions of quality.

8. Some respondents also reported that whilst measures had been introduced to increase price transparency, consumers may still not have been aware of what they were purchasing or were being misled in a number of ways, such as the subcontracting of services without this being made clear to the consumer; lack of transparency where additional optional services were added to the services chosen by the consumer once a funeral director had been instructed; or consumers making poorly informed price comparisons of services offered by different funeral directors that consumers assumed were alike but were ultimately different services.

Consumer awareness of the quality of funeral services

9. Most respondents reported that there had been no changes in consumer awareness of the quality of funeral services since the market investigation.

10. Some respondents reported an increase in consumer vigilance of quality, which they considered may have been attributable to increased scrutiny of the funerals sector, such as through increased media coverage and public discourse about the quality of funeral services.

Relationships between funeral directors and crematorium operators

11. Most respondents reported that there had been no changes in the relationships between funeral directors and crematorium operators since the market investigation.

12. Some respondents reported that crematorium operators often changed their prices and different crematoria may have vastly different prices, which affected funeral directors who were required to update the pricing information required under the Order in response to these changes.

13. One respondent reported that the relationship between funeral directors and crematorium operators had changed and attributed this to several factors, including that some crematoria were now operating exclusively through their own funeral directing business, which they said limited consumer choice, as well as increased competition from direct cremation providers, who heavily invested in advertising.

Changes in how funeral directors and crematorium operators coordinate over the services the services and prices they offer to consumers

14. Most respondents reported that there has been no changes in how funeral directors and crematorium operators coordinated over the services and prices they offered to consumers since the market investigation.

15. One respondent reported that funeral directors were now able to select crematorium operators located further away if this suited a client's needs but also noted that many crematorium operators were now prepared to work directly with bereaved families, reducing, or even removing, the role of the funeral director in some cases.

16. One respondent reported several changes in the relationship between funeral directors and crematorium operators, including an increased prevalence of cheaper direct cremation services being offered to consumers directly by crematorium operators. The respondent reported that, as a result of this change, there had been a decline in collaboration between crematorium operators and funeral directors, with the relationship becoming strained, resulting in less integrated service offerings and less flexibility for consumers.

Changes in consumer behaviour

17. Many respondents reported that there had been an increasing demand for unattended funerals since the market investigation, particularly following the COVID-19 pandemic and the associated restrictions on attended funerals.

18. One respondent noted that increased price transparency had led to an increase in online tools and platforms to allow consumers to compare services and prices, thus allowing for more informed decision-making.

19. Although respondents generally agreed that more choice for consumers was positive, a number of respondents reported concerns that consumers were potentially making decisions that were not very well informed, such as comparing services largely on price without an understanding of the differences between the services offered.

20. Most respondents considered the changes in consumer behaviour since the market investigation to be permanent.

Impact of the Order on funeral directors and crematorium operators

21. Many respondents reported that the Order had increased their operating costs, although the extent of the cost increase varied from significant for some funeral directors and only marginal for others.

22. Most respondents reported that the Order had had limited or no impact on the conduct of funeral directors and crematorium operators. Five respondents reported that the limited impact on conduct was due to a lack of enforcement in response to non-compliant funeral directors.

23. One respondent reported concerns that a number of low-cost operators had taken advantage of negative publicity around funeral costs to position themselves as providers of affordable options, without being subjected to the same level of scrutiny as other funeral directors, and this had created an uneven playing field for funeral directors and potentially misleading practices and inconsistent service quality for consumers.

Impact of the Order on consumers

24. Most respondents reported that the Order had little or no impact on funeral prices, although some respondents reported that some consumers had become more conscious of price and were increasingly seeking lower cost options and some consumers were taking greater ownership of funeral planning, such as selecting specific services and taking personal responsibility for arranging other elements of a service.

25. Some respondents reported that the Order had a greater impact on larger businesses, which were pressured to lower their prices due to the increased transparency and competitiveness of the market.

26. One respondent reported that whilst the increased transparency brought about by the Order may have created a more competitive environment and potentially lowered prices, the Order may have also resulted in higher prices for certain services where the costs associated with compliance, such as administrative costs, may have been passed on to consumers.

27. Some respondents expressed concerns that consumers were becoming confused due to the itemised pricing of services required by the Order or were putting too much emphasis on price without realising that they may be comparing different services.

Evolution of the funerals sector

28. Most respondents reported that they expected there to be an increasing demand for unattended funerals, although attended funerals would remain the norm for most consumers.

29. Most respondents also reported that they expected the costs of conducting a funeral to continue to increase due to the cost of complying with regulatory obligations, inflationary pressures, and rising labour costs. However, these respondents reported that these costs may not be passed on in full to consumers in the form of increased prices, as funeral prices may be constrained by competitive pressure from low-cost options, creating a polarised market between low-cost providers and traditional, full-service funeral directors. Some respondents also anticipated that there could be a divergence in the quality of funeral services, particularly where some providers would seek to reduce their costs to enable them to compete on price.

30. Some respondents reported that the funerals sector required further regulation.

31. Some respondents also reported that there would continue to be increasing innovation, including the use of technology and a growing interest in eco-friendly options.