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### **CMA funeral market study interim report: Dignity response**

I am writing in response to the CMA's recent interim report on the funeral services market. Given the concerns that the CMA has identified, Dignity supports a market investigation which will enable the CMA to undertake a thorough analysis of the market. We have long argued that action is required to improve standards across the sector and deliver better outcomes for customers. We recognise that there are specific challenges relating to vulnerable customers – particularly those who are financially vulnerable – and would welcome thoughts about how to ensure the market works better for them.

There are some points we think worth clarifying at this stage in relation to your analysis in your interim report, and we look forward to discussing these further.

We also look forward to working closely with the CMA as you take forward your market investigation. We recognise that site visits – particularly to funeral directors – will be crucial to enable the CMA to understand the sector in greater depth, and we are keen to facilitate this.

#### ***A competitive market that works for customers***

In many respects, the funeral market is highly competitive: there are many competitors; no single provider has a market share greater than 16%; and the number of funeral directors has increased significantly in recent years. There is also growing evidence that customers have started to more actively 'shop around', driven in part by an increase in online searches for funeral directors.

In our view, a key issue the CMA should address is how best to improve the ability of customers to exercise the choice that already exists - providing them with clear and relevant information on prices, the range of different products available, and quality, in a way that will make comparisons easy for customers, allowing them to make *informed choices*.

Price lists are available in our branches and over the phone. We have already posted our crematoria prices online, have basic pricing available online for all funeral services and will expand funeral pricing information available online before the end of March 2019. This has taken time to deliver as recently

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acquired businesses have not yet been moved across to our standardised pricing. We would like to see all operators follow suit to ensure greater pricing transparency across the market as early as possible.

Central to transparency and greater information for customers must be a recognition that there is significant variation in the quality of funeral services, and quality differentials are not always visible to customers. Funeral services are not a homogenous commodity. We would encourage the CMA to explore ways to allow customers to compare the different service providers and their respective facilities and services. For example, we wonder if a 'Customer Scorecard' could be applied across the sector which allows customers to effectively assess and compare the provision and quality of service.

### ***Resulting in better outcomes for customers for the long term***

We note that there is a significant focus on historic pricing in the Interim Report. Price is hugely important for our customers, and we are committed to offering fairness and transparency in our pricing structure. While we understand the CMA has some concerns in this area, we believe there are some key points that warrant further consideration and clarification in a market investigation.

First, we have taken steps to reduce prices and change our pricing structure both on simple and full funeral services. Structural factors that contributed to historic price rises in the sector are now changing. Since reducing our prices in January 2018, we have seen volumes stabilise after the significant volume erosion that occurred during the period in which our prices rose. We therefore envisage a sustained, long term change of approach to pricing and have communicated this to our investors.

Second, we believe that many of our customers are price aware and actively exercise informed choice. In many cases where death is anticipated, the decision process can begin earlier. We know that our customers ask family and friends for recommendations, and that they care about quality, price and professionalism.

Third, we believe it is important to take into account quality in any analysis of how competition works in this market. Many aspects of quality are not observable to the customer in advance, and it may be the case that customers use pricing as a guide to quality in addition to recommendations from others. We would encourage the CMA to think about how best to measure customers' preferences for quality, and to understand the costs of quality in terms of operating costs, capital expenditure on maintenance and investment in both front of house and back of house facilities.

We consider that the interim report does not sufficiently consider these issues and see the full investigation as an opportunity to undertake a more thorough analysis.

### ***Supporting the most vulnerable customers***

We recognise that some customers face particular challenges in relation to funeral affordability, and the impact of funeral poverty. We are fully committed to ensuring the most vulnerable customers are protected and recognise that there are further steps that we need to take to support customers in these circumstances.

We believe it is important to distinguish specific factors that lead to vulnerability such as financial vulnerability from the emotionally difficult situation that our customers are often in. Our research shows that two thirds of our customers choose us through previous experience, recommendation and

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reputation. The decision process in many cases starts well before death. For example, many nursing homes will ask whether a family has a preferred funeral director on admission into the home. For this reason, we believe it is not correct to describe all customers as potentially vulnerable.

We already have processes in place to support these customers including affordability checks and signposting to more affordable options where appropriate. We have a longstanding policy of providing child funerals for free across both our funeral directing and crematoria businesses, with around 1,000 child funerals performed at no cost each year. We have introduced a number of new low cost, affordable options which increase choice for customers and in October 2018 introduced the lowest price, nationally available, attended funeral service through our Simplicity proposition.

We are keen to explore with industry stakeholders the challenges that financially vulnerable customers face in relation to the buying process and whether further steps could be taken to support these customers. We are exploring opportunities to undertake a research project with an external partner with clear recommendations for enhancing our current approach. It is important that the approach to the most vulnerable customers engages them effectively.

### ***Regulation of funeral directors***

Dignity has long been an advocate for the introduction of robust regulation of standards and transparency in the funeral sector. Regulation of standards could help customers compare providers more easily as they will know all providers are complying with minimum standards. Research Dignity has commissioned (<https://www.dignityfunerals.co.uk/media/3002/time-to-talk-about-quality-and-standards-v2.pdf>) suggests customers wrongly believe minimum standards exist in this market. We are working collaboratively with relevant stakeholders, customer representative bodies and faith groups to explore how this can be addressed. We believe the CMA investigation could play a useful role in examining whether regulation of standards would operate in the interests of customers.

### ***Crematoria***

We agree with the CMA's analysis that significant barriers to entry exist when opening a new crematorium. While the planning process is one obstacle to new crematoria, it is not the main barrier. In our view, remedies focusing on the planning system will not lead to the outcomes that the CMA is aiming for. The primary barrier for new entrants is the lack of economic viability. New crematoria are highly capital intensive and there are very few geographical areas where it is economically viable to build new crematoria.

### ***Working collaboratively to improve outcomes for customers***

We look forward to working closely with the CMA as you take forward your work in the funeral sector. While we think there is a need to consider and develop some of your initial analysis and potential remedies further, we do agree with your overall conclusion that this is a significant opportunity to improve outcomes for customers. We are committed to working with you to achieve this.

Yours sincerely,



Mike McCollum  
Chief Executive

