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JUST DYING TO KNOW
– ASPECTS OF THE AUSTRALIAN FUNERAL INDUSTRY

Bruce Watt

It’s said that there are only two certainties in this world – death and taxes. An estimates of how many humans have ever walked this planet is 108 billion. Seven billion of these are alive today. The Australian population reached 24 million in 2016 and during the year, 154,000 Australian will die. (55 million will die worldwide) At 7 deaths per 1000 Australia is in the middle of the worldwide mortality rate but it is expected to rise as population ages. Two thirds of deaths will occur in people over 75. There is a difference in life expectancy rate (at birth) of 4.1 years between males (80.3) and females (84.4).

In Aboriginal culture the funeral involved all of those close to the deceased person. Ceremonies involving smoking the body were conducted to encourage the spirit to leave. Mourners would then move away from the body to allow the spirit to leave. The dead person was then never spoken of again because if the spirit heard its name or could see its image it might attempt to come back to the world of the living. Contemporary media warnings that say ‘this show may contain images of persons now deceased’ is a reminder to viewers of this practice in Indigenous culture.

Many cultures recognised the separation of the physical body and the spirit. Ancient Egyptians mumified bodies so that they could continue in the after-life. Though funerals are becoming increasingly secular, the service continues to recognise the separation of the body and the spirit.

In Victorian England of the nineteenth century, funerals became very formal and ritualised. Queen Victoria wore black as a sign of mourning for her husband for nearly 40 years. In Australia up until the 1920s most deaths occurred at home and families were involved in laying out, preparing the body and organising visitor viewings. From then on the sick and dying began to be transferred to hospitals and the modern funeral industry evolved.

Consolidation

The $976 million Australian funeral industry employs 5,600 people in 824 businesses. However, whilst it may appear that there is a lot of competition, in reality ownership is heavily concentrated. Once dominated by independent family owned businesses it has become corporatised. In the 1990s two US funeral corporations, Service Corporation International (SCI) and Stewart Enterprises raided the Australian industry and bought up big, acquiring funeral homes, cemeteries and crematoriums. Both businesses were vertically integrated, often even owning flower shops. Though they retained the original names such as ‘White Lady’ funerals and ‘Simplicity’, these were in fact wholly owned subsidiaries. However in the early 2000s both companies withdrew from the Australian market.

In 2001, SCI was bought by a subsidiary of Macquarie Bank and a spokesman remarked that it was a better investment than tollways which they also invested in. It was then floated on the Australian Stock Exchange (ASX) as Invocare, now Australia’s largest funeral provider. Stewarts were bought by an Australian group and renamed Bledisloe. Invocare, Bledisloe, Tobin Bros. and John Allison/Monkhouse then controlled over 70% of the market.
It’s not the first time an InvoCare acquisition has drawn the attention of the Australian Competition and Consumer Commission. (ACCC). This body is the Australian competition regulator and national consumer law champion. The consumer watchdog has investigated and approved a number of its purchases in the last two years—including that of W.N Bull Funerals in NSW, Liberty Funerals in NSW and Chipper in WA. In a further move that has greatly increased industry concentration, the ACCC approved the takeover of Bledisloe by Invocare in 2015. The ACCC did fine Invocare $102,000 however for misleading consumer contracts. Invocare could control 83% of the market in some areas. It owns 178 funeral homes and 12 cemeteries. The latest acquisition from Invocare reflects the overall corporatisation of the Australian funeral industry.

With the aging population and relatively low barriers to entry in terms of qualifications, competition from independent funeral homes is expected to grow as more operators enter the market.

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<tr>
<th>State</th>
<th>Funeral directing brands</th>
<th>Cemetery and crematoria</th>
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<td>NSW</td>
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<td>Simplicity Funerals</td>
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<td>W.N. Bull Funerals</td>
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<td>David Lloyd Funerals</td>
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<td>White Lady Funerals</td>
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<td>Chipper Funerals</td>
<td>Mareena Purslowe &amp; Associates</td>
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<td>Purslow Funeral</td>
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<tr>
<td>ACT</td>
<td>Tobin Brothers Funerals</td>
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The industry

The Australian funeral industry is unregulated and there is no licencing system for funeral directors and/or embalmers. Qualifications for various skills, (Certificates 11 – 1V) can be obtained through Registered Training Organisations (RTOs). There is no national award that applies to the industry. Information about rights and responsibilities, employees entitlements, pay, leave and termination are provided by the Fair Work Ombudsman (www.fairwork.gov.au).

Positions within a funeral home may include managing director, funeral planner, funeral assistants, civil celebrant or clergy (if religious) and embalmers. In the past most deaths occurred at home and the family made the funeral arrangements. Today most people die in an aged care facility or in hospital. The funeral industry has grown to service this need.

Funeral homes are in the service area and the skills that they provide are customer or client orientated. These include planning and pre-planning funerals. Pre-paid funerals involve a contract paid in todays prices. The money is invested in a managed funeral fund. Funeral bonds are another specialised investment which enables an individual to accumulate funds to meet funeral expenses.

In the past the topic of death for some was taboo. Mourners now demand more involvement in planning and conducting services rather than being passive ‘passengers’. Funeral homes attempt to soften grief through marketing and providing specialist services. Grief counselling is an important service. Books and brochures, counselling seminars and workshops, conferencing with family members, videos, internet links and referrals to genealogy sites to help trace family connections are all part of the healing process.

Image 1. Civil Celebrant

Student activities

6. The Australian funeral industry is unregulated. Could this pose risks to consumers?

7. Customer focussed marketing has resulted in a range of services beyond the burial/cremation. Explain.

8. Outline how technology has expanded the role of funeral homes.

Broad marketing considerations

Since concentration has increased, the price of funerals has increased. The average funeral costs $8,000 - $10,000 though this varies with the amount of add-ons and the type of funeral – burial or cremation. Cremations are generally cheaper. A full service includes viewing, funeral service, hearse and burial or cremation. Marketing and merchandising of memorial books is part of the American legacy. There are certain fixed and variable costs. Staff are encouraged to ‘supersize’ the funeral by purchasing add-ons. Since takeovers and monopolisation of the industry by a few, seemingly independent operators are part of a broader market segmentation strategy involving specialised brand labels. These are pitched to various target markets. For example, Le Pine is an upmarket label. White Lady is targeting women and Simplicity is for the price conscious end of the market.
Resomation is another environmental possibility. In place of cremation, a chemical process reduces the body to a liquid which could be injected into tree roots or the bones pulverised to produce ash like cremation.

Memorial services take place where the body hasn’t been released by the coroner or it has been donated to science or where the body hasn’t been found. The traditional hearse may be replaced by other means. ‘Bikey’ burials may involve the coffin being transported on a side car.

**Student activities**

9. Examine the ways in which the overall industry is segmented to capture various target markets.

10. Comment on potential consumer vulnerability when negotiating funeral add-ons and expenses.

11. The physical disposal of the human body after death has varied throughout time and within various cultures. Comment.

**Industry codes of ethics**

The Australian Funeral Directors Association (ADFA) is a body that states that 60% of consumers choose firms associated with it from within the industry. Its members adhere to an industry code of ethics and practice in all aspects of service delivery including premises, equipment and vehicles. Members receive re-accreditation every three years. The opposite of trade unions that administer the work environment for employees, AFDA is an employer or industry association. ADFA members uphold standards with respect to OHS, public health and legal and community standards. The association adopts these standards:

**Changing customs and beliefs**

Australia’s multicultural demography exhibiting different customs and beliefs means that ceremonies other than the traditional Christian or secular (non religious) are performed. Death in Muslim custom dictates that burial must occur within 24 hours and the body is wrapped in a shroud without a coffin. Hindu belief dictates that the body be cremated to release the spirit. Increasingly ‘green’ burials are gaining popularity. The body is placed in a bio-degradable cardboard coffin and no embalming fluid or headstone is used. GPS coordinates may replace headstones in marking the burial spot.
1. Ethical principles

- Maintain business, professional and personal conduct
- Respect client confidentiality
- Conduct funerals regardless of religion, race, colour, nationality, gender or sexual orientation
- Comply with Federal and State laws with respect to payments and prepayments
- Not use any funeral merchandise that has previously been used
- Provide information on the range of services available and options
- Give a written estimate of financial charges and disbursements
- Advertise in good taste
- Take part in any dispute resolution
- Not pay a commission to a third party (nursing home, hospital etc) to secure deceased human remains for funeral purposes

2. Care of the deceased

- Only authorised personnel to prepare the deceased party and the party to be treated with dignity
- Only personal items relating to the deceased or directed by the family to be placed within the coffin

Though there are instances of corporate fraud, consumer intimidation, overcharging or gouging, the industry by-line is trust and operators recognise that vulnerable people will remember and recommend those operators who demonstrate integrity, compassion and honesty when these qualities are most needed.

The future

Australia, like the rest of the world is running out of cemetery space. A cultural change in attitudes to death is emerging. Burial plots, once considered eternal may have limited tenancy rights of say 20 years and plots may be recycled in the future. Burials may even be upright to save space.

The looming body disposal problem may attract private sector interest. Cemeteries may be developed on urban outskirts where graves are rented out for short term tenancies. Long term tenure may become the privilege of the wealthy. Alternatively, the ‘NIMBY’ syndrome (not in my backyard) may prevail, making the establishment of cemeteries near to residential areas difficult. Virtual graveyards may emerge where loved ones could view a site on-line without having to travel long distances.

It’s tempting to imagine that as burial plots become scarce that, like paintings, collectibles or car spaces, a tradeable market in burial plots might be established. A marketing strategy could see this become a lucrative investment.

Student activities

12. Outline the reasons why ‘virtual cemeteries’ may be a reality in the future.

13. Investigate differing death/burial rituals of Jews, Muslims and Hindus

14. Define these terms in their correct business sense:

- Mortality rate, life expectancy rate, raided, vertically integrated, wholly owned subsidiaries, Australian Competition and Consumer Commission, corporatisation, takeover, barriers to entry, civil celebrant, merchandising, fixed and variable costs, supersize, monopolisation, market segmentation, target markets, code of ethics, industry association, gouging, tradeable market.

References

Australian Funeral Directors Association (www.adfa.org.au)

Funeral Rights: What the Australian ‘death care’ industry doesn’t want you to know Robert Larkins 2007

Australian Bureau of Statistics (www.abs.gov.au)

Tobin Brothers Funerals (www.tobinbrothers.com.au)

Fair Work Ombudsman (www.fairwork.gov.au)

Images: hearse; www.intedrc.com.net

civil celebrant; www.suzanne.com.au
In late 2015, 7-Eleven made headlines with reports of wage fraud, failure to pay penalty rates and poor treatment of staff, raising concerns about the role of Head Office and the financial viability of the 7-Eleven franchise model.

This article examines the ethical and legal issues faced by 7-Eleven in the midst of this scandal and considers the implications of this for the individuals, the franchisees, the company and the wider community.

A Brief History

The first Australian 7-Eleven store was opened in Melbourne in August 1977, operating under license from the US based 7-Eleven Inc. Today, 7-Eleven Stores Pty Ltd. (a private company owned by the Withers and Barlow families) operates more than 615 stores across Australia. Through its store network, the company conducts more than 185 million transactions a year, serving an average six customers per second, generating sales of approximately $3.6 billion.

Scandal Breaks!

In 2015, a joint Fairfax Media and ABC Four Corners investigation uncovered widespread evidence of staff being underpaid and ‘forced’ to work long hours within the country’s biggest convenience store chain. Up to 4000 workers in the 7-Eleven chain have been underpaid.

The ‘Half-Pay Scam’

The ‘half-pay scam’ is a common form of payroll fraud employed by 7-Eleven franchisees. This is where staff are paid for only half the hours they work, which are falsely documented on modified timesheets (that are then sent through to Head Office).

Under this setup, an employee working a 40-hour week is recorded as working only 20 hours. Thousands of international student employees were encouraged to breach their visa conditions and work beyond their 20-hour-a-week limit while receiving reduced hourly wages. They would end up receiving approximately $12 per hour—well under the award rate of $24.69 per hour.

But that’s not where the misconduct ends. International students working at the global convenience giant were told they would be reported to the Department of Immigration & Border Protection if they spoke out about their wages.

The investigation also found evidence that franchisees were also failing to pay workers the set penalty rates. Overtime rates for shifts exceeding 10 hours were not being paid. It also revealed that many stores were not paying penalty rates for weekends, public holidays or night shifts. The range of apparently illegal activity by franchisees extends beyond wage fraud to include blackmail and withholding passports and drivers’ licences of staff.

“I would call myself modern century slave where all my rights are gone”

(Bharat Khanna, 7-Eleven)
A Worker’s Story ...

Sam Pendem, an Indian student, told Fairfax Media he was made to cover the cost if someone drove off without paying for petrol, as well as working 16-hour shifts. He was even criticised by his boss for not standing up to a robber with a knife.

A Flawed Franchise Financial Model?

Many franchisees accused of wage fraud have argued that this is the only way to run a profitable 7-Eleven store franchise. Owners of the company have denied that the 7-Eleven franchise agreement is ‘unviable’ and that franchisees were profitable only because of underpayment.

Under 7-Eleven rules for franchisees, stores open 24 hours a day, seven days a week, which makes salaries a significant expense, especially once weekend and late night penalty rates are included.

In Australia, 7-Eleven’s Head Office takes a 57 per cent cut of gross profit, while the franchisee receives a 43 per cent share. Out of the 43 per cent share of gross profits, a franchisee has to pay wages as well as pay for superannuation, Work Cover, the telephone at the store, cleaning, landscaping, store supplies, bad merchandise, business licences, tax and ‘miscellaneous store expenses’. Head Office pays the rent for the store and also covers the cost of new store fit-outs and the maintenance of equipment within the store. In many cases, after wages and loan repayments are accounted for, a number of stores are operating at a loss.

Fair Work Ombudsman: A Toothless Tiger

The Fair Work Ombudsman is an independent statutory agency created by the Fair Work Act 2009.

![Actions Taken by Fair Work Ombudsman:](https://www.wsws.org/en/articles/2015/09/05/seve-s05.html)

Another Worker’s Story...

Mohammed Rashid Ullat Thodi came to Australia to study architecture and worked at 7-Eleven where he was paid just $10 an hour. Required to travel 80 kilometres to work, he made as little as $5 an hour after paying his travel fares. Thodi took his case to the federal government’s Fair Work Ombudsman, and was eventually awarded $150,000 in damages. Unfortunately, the franchise owners placed the business into administration and he has received nothing.

“In broad terms, the role of the Fair Work Ombudsman is to promote harmonious, productive and cooperative workplace relations, and to monitor, inquire into, investigate, and enforce compliance with relevant Commonwealth workplace laws.”


Fair Work has ‘audited’ or raided 7-Eleven stores a number of times; however, reports indicate that franchisees continue to underpay staff even when caught out by the Fair Work Ombudsman.
7-Eleven Responds

7-Eleven has responded to the scandal with a number of strategies:

Leadership Changes

• 7-Eleven company founder Russ Withers resigned as Chairman shortly after the scandal broke and was replaced by former Deputy Chairman Michael Smith.
• Chief Executive Warren Wilmot and General Manager (Operations) Natalie Dalbo also resigned in 2015.
• Angus McKay recently appointed as the new Chief Executive Officer to help rebuild its reputation and to strengthen the company’s culture as a priority to guard against future scandals.

Independent Review Panel Established

7-Eleven established an independent panel to receive and examine claims including underpayment of staff by franchisees and franchise agreement terms. They have budgeted $25 million for back-pay claims.

The panel, headed by former ACCC chairman professor Allan Fels (managed by Deloitte www.deloitte.com.au), has received almost 3000 claims from past and present exploited foreign students on visas. Workers at 7-Eleven have, at this stage, received almost $10 million in compensation - an average payout of $33,284.

Offer to Help Franchisees

The company has committed that, for any existing franchisee who no longer wants to participate in the system, 7-Eleven Stores Pty Ltd will refund the franchise fee paid and help to sell any store where a goodwill payment has been made.

Stakeholders in HR - The SDA Union

The Shop Distributive and Allied Employees’ Association (a union that represents retail, fast food and warehouse workers) has said it would it would help win back wages for exploited 7-Eleven workers, launching a dedicated hotline for employees who had been ripped-off.

The SDA has also attempted to lobby the government to provide a visa amnesty for students who had breached their visa conditions by working more hours per week than permissible because their rates of pay were so low.

Wider Concerns

There are more than 1.3 million people on working visas in Australia (10 per cent of the workforce), many of whom are underpaid. As a result, there are concerns at a Government level about the impact on our economy - especially the impact of the exploitation of international visitors on Australia’s reputation overseas.

Since the Four Corners-Fairfax Media investigation into 7-Eleven began, the number of stores for sale by franchisees has risen from 50 to 76. The parent company makes millions of dollars a year on these store ‘changeovers’. In 2015 it earned more than $9 million in franchisee fees from franchises changing hands. This has resulted in outrage from franchisees.

After these reports came to light and received widespread attention, some employees had alleged to Fairfax Media that they had begun to be paid correctly through the 7-Eleven payroll system, however would then be asked by the franchisee to pay back half their wages in cash.

Not only 7-Eleven

7-Eleven is not the only high profile business accused of worker underpayment and exploitation. Earlier this year, widespread claims were made that Australia Post were also underpaying staff. Post and parcel delivery drivers were highlighted, with one case where the worker was being paid as little as $10 an hour.

The story of 7-Eleven, along with that of Australia Post, Commonwealth Bank and others, brings to light the importance of ethical business behaviour and the need for leaders to constantly monitor, control and improve their approach to management across all key business functions.
Student activities

1. Define the following terms: franchise, franchisee, private company, award, enterprise agreement, administration (cessation of a business), union.

2. Outline the rights and obligations of employers and employees.


4. Explain the role of Fair Work Australia in HR management.

5. Describe ONE internal and ONE external influence in the business environment impacting 7-Eleven.

6. Analyse the causes of this workplace dispute at 7-Eleven.

7. Examine the strategies used by 7-Eleven in an attempt resolve this dispute.

8. Explain the interdependence of finance and HR in this case study example.

9. Recommend TWO strategies that 7-Eleven could implement to improve their performance.

10. Research the causes of another workplace dispute (eg Australia Post). Analyse the response of the business to the dispute.

11. Watch the ABC Four Corners “7-Eleven: The Price of Convenience”
Australia’s third-largest retail pharmacy network, Terry White Group, is looking for acquisitions to boost store numbers ahead of a possible initial public offer.

After successfully bedding the $3 million acquisition of the 60-store Chemplus franchise group last year, chief executive Anthony White is eyeing other “like-minded” pharmacy franchises with a view to lifting the number of stores in his network to at least 400 from the present 225 in the next few years.

Pharmacy franchises need to build scale and strengthen sales from their retail and non-PBS operations as new players, such as Walgreens Boots Alliance (US), prepare to enter the market and margins from dispensing prescriptions are squeezed, Mr White says.

“We are looking to build our network to 400 or 500 stores in the next three to five years – you need that sort of scale to compete. Chemplus has been a great success … and we’d like to do something else like that in the next 12 to 24 months. We do see a role for ourselves acquiring other franchise businesses because we’ve invested so much in the core retail capabilities over the last five years.”

Fragmented market
Despite a series of mergers and acquisitions in the past few years, the $12-billion retail pharmacy market remains fragmented and there is room for further consolidation.

The three major banners, Chemist Warehouse, Priceline and Terry White, account for about $6.4 billion in revenues and 50 per cent of retail revenues, but only 20 per cent of stores by number. Outside the top five banners, there are another 70-odd franchises and hundreds of un-bannered pharmacies.

Terry White’s $3 million Chemplus acquisition was funded from cash reserves, but Mr White says the group could fund more substantial acquisitions with debt finance.

“Something in the order of $20 million is feasible,” he said. “We do have good cash on hand and our capacity to borrow is strong.”

Terry White is an unlisted public company with about 450 shareholders who include the company’s founders, Terry and Rhonda White, pharmacy owners and outside investors.

The company has been preparing for an IPO by strengthening its retail operations, (now running at 45-55 per cent of turnover) – establishing a customer loyalty program, building private label brands and investing in enterprise resource planning systems – to reduce its reliance on prescription revenues.
Student activities

1. What is the prediction for the traditional, independent, suburban pharmacy?

2. Name a chain that is likened to Bunnings as a ‘category killer’.

3. Which major pharmaceutical wholesale group does Terry White belong to?

4. Define the term IPO and give a reason why Terry White is intending to expand using this method.

5. Define ‘franchise’. Why is this popular form of business organisation in the pharmacy industry.

6. Traditional dispensing of prescription medicine is core business but growth is in retail sales. Explain.

7. How is Terry White trying to achieve ‘economies of scale’ within the industry?

8. Distinguish between a merger and an acquisition.

9. To purchase the Chemplus franchise Terry White used equity funding. Explain how this works.

10. Further acquisitions may be funded by debt financing. Explain how this works.

11. What is an ‘unlisted public company’?

12. Describe strategies being used to strengthen its business model.