

Completed Acquisition by VetPartners Limited of Goddard Holdco Limited

Decision on relevant merger situation and substantial lessening of competition

ME/6967/21

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

SUMMARY

- The Parties and the Merger
1. The CMA has found that the completed acquisition by VetPartners Limited (**VetPartners**) of Goddard Holdco Limited (**Goddard**) (the **Merger**) gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of first opinion veterinary care to small animals, on a commercial basis, during standard daytime hours (**standard small animal veterinary services**) in 11 local areas in Greater London.
 2. VetPartners and Goddard are together referred to as **the Parties** or the **Merged Entity**.
 3. VetPartners operates over 550 veterinary practices across the UK that provide veterinary services primarily for small animals (and also has some facilities providing services for farm and equine animals). VetPartners is ultimately owned by BC Partners, a private equity firm.
 4. Goddard is a provider of veterinary services relating only to small animals. Prior to the Merger, Goddard was the largest remaining independent veterinary providers in the UK, operating 47 sites. This includes three hospitals – Mandeville Hospital, Stone Lion Hospital and Wanstead Hospital – and 44 practices. The majority of these sites are located in Greater London.
 5. The Parties provide their services mostly at first opinion practices (unless specified otherwise, first opinion practices are referred to as **practices** in this decision) and a limited number of Royal College of Veterinary Surgeons (**RCVS**) accredited

veterinary hospitals (**hospitals**) (practices and hospitals are collectively referred to as **sites** in this decision).

- CMA jurisdiction

6. The Competition and Markets Authority (**CMA**) has jurisdiction to review a merger where either (a) the target company generates more than £70 million of turnover in the UK (the turnover test); or (b) the merger results in the parties having a share of supply of goods or services of any description in the UK of 25% or more, and the merger results in an increment to the share of supply (the share of supply test). Goddard's revenues do not meet the turnover test, but the CMA has concluded that VetPartners and Goddard have a combined share of supply exceeding 25% in several local areas in the UK, when measured by either their combined share of full-time equivalent (**FTE**) vets or by their combined 'share of shops' in those areas, and that an increment in share of supply is brought about by the Merger.

- Frame of reference

7. The CMA's investigation considered whether the Merger would lead to a loss of competition between VetPartners and Goddard and whether the competitive alternatives that would remain after the Merger would continue to sufficiently constrain the Merged Entity. To do so, the CMA considered in detail how the Parties' services overlap, which meant focussing its analysis on the most significant competitive alternatives available to the customers of the Parties. To this end, the CMA focussed on the supply of veterinary services that are:

- (a) first opinion as opposed to provided only after a referral for specialist care had been made;
- (b) provided to small animals as opposed to farm or equine animals;
- (c) provided on a commercial basis, instead of by charitable providers;
- (d) provided at a site as opposed to at the customers home or online;
- (e) administered during standard daytime hours, instead of as part of out-of-hours care; and
- (f) located in or around Greater London.

- Competitive assessment

Competitive dynamics in the supply of veterinary services

8. There has been significant change in the ownership of veterinary sites in recent years. While independent veterinary sites accounted for 89% of the UK veterinary industry in 2013, this had fallen to approximately 45% by 2021, primarily as the

result of the acquisition of large numbers of independent veterinary sites (or smaller groups of vet sites) by corporate groups.

9. These corporate groups, including VetPartners, typically use a significantly different business model to independent practices, in particular because other businesses that they own give them the ability to cross-sell products and services (such as referral treatment, out-of-hours care, and pet cremation). The evidence available to the CMA also shows that corporate groups often seek to establish a significant presence within specific localities, which can allow them to benefit from economies of scale and networks of linked services (but can result in competition concerns where an acquisition would reduce the competitive constraints that the acquirer would face in a given area following a merger).

The CMA's investigation

10. As part of its investigation, the CMA gathered information on over 100 small animal veterinary sites active in and around the local areas potentially affected by the Merger, as well as input from charitable providers of veterinary care, industry bodies and other interested third parties. This input, together with submissions from VetPartners and Goddard and internal business documents that the Parties had produced in the ordinary course of business, provides the basis for the CMA's decision.
11. In the course of its investigation, the CMA received a number of specific concerns relating to the Merger (as well as broader concerns, not limited to the local areas affected by the Merger, about the potential harms raised by increasing levels of concentration in veterinary services). Some third parties suggested that high levels of corporate consolidation in local areas through the acquisition of independent vet practices were leaving consumers with a lack of sufficient alternatives. Third parties also noted that the implications of corporate consolidation were not always obvious to customers because some corporate owners decide not to rebrand independent veterinary practices after buying them.

The loss of competition within the areas affected

12. The evidence available indicates that VetPartners and Goddard are close competitors in Greater London because their veterinary sites are often located in close proximity to each other, and they have similar competitive offerings.
13. As competition between individual sites takes place at the local level, the CMA carried out a local area analysis based on an estimation of the combined shares of supply of VetPartners and Goddard in the overlap areas. The CMA found that consumers generally select a vet within a relatively short distance of their home and so based its analysis on catchment areas for veterinary sites (reflecting where 80% of the Parties' customers are located) on a drive time of around 11-15 minutes.

14. The CMA calculated shares in these catchment areas based on the number of FTE vets working at each of the sites in each catchment area. Based on the evidence available to it in this case, the CMA believes that calculating shares of supply based on the number of FTE vets provides a good indication of a site's current competitive strength and capacity to compete for new customers, given that the number of vets at a site will broadly reflect consumer demand for its services. While the Parties suggested that market shares could be calculated on a 'share of shops' basis (ie shares of sites in specific local areas), the CMA found significant variance in the size of sites in the catchment areas, which limits the reliability of this method as a measure of competitive strength. On this basis, while the CMA recognises that no single measure can capture every aspect of competition in a market, it considers that the number of FTE vets is the most appropriate measure on which shares of supply can be systematically assessed in this case and will more accurately capture competition dynamics than the alternative method suggested by the Parties.
15. When calculating the shares of VetPartners and Goddard, the CMA considered the relevant competitor set to include other standard small animal veterinary services, with the weight of a competitor's site based solely on the number of FTE vets. The CMA considered that the constraint exercised by sites outside the primary competitive set described in paragraph 7 above (such as charities or home visit vets) is not material and therefore that such suppliers should not be included in market share calculations (or, for the reasons set out in the competitive assessment in this decision, be given material weight when assessing the market share threshold at which concerns are considered to arise).
16. The threshold chosen for determining whether competition concerns arise is made on a case-by-case basis, taking account of all the facts and circumstances of a given case. Based on the evidence obtained in this case, the CMA determined that a 30% share threshold is appropriate to identify areas in which there is a realistic prospect of an SLC arising. This reflects, in particular, the weak nature of the out-of-market constraints (from different types of veterinary sites and sites located outside the catchment areas), as well as the absence of probative evidence (for example from a consumer survey or previous detailed CMA analysis of the sector) that has been used to support higher thresholds in previous cases.
17. The CMA considered whether any additional factors or measures should be included in its local area analysis but did not identify any measure that could systematically capture other important aspects of competition in a sufficiently robust and consistent manner.
 - Decision
18. The CMA believes that it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in relation to the supply of standard small animal veterinary services in the local areas centred

around the Parties' following 11 veterinary sites: Goddard Wanstead, Forest Veterinary Centre Epping, Palmerston Veterinary Group Buckhurst, Goddard Chingford, Goddard Loughton, Goddard South Woodford, Goddard Walthamstow, Best Friends Isle of Dogs, Best Friends Oakhill, Forest Veterinary Centre Woodford and Palmerston Veterinary Group Walthamstow.

19. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (the **Act**). VetPartners has until 6 May 2022 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to section 22(1) and 34ZA(2) of the Act.

ASSESSMENT

PARTIES

20. VetPartners Limited (**VetPartners**) is an integrated veterinary services provider in the UK that is active across three main business areas: (i) veterinary sites (including over 550 within the UK), (ii) pet crematoria and (iii) diagnostic laboratories.¹ VetPartners is ultimately owned by BC Partners, a private equity firm.
21. The turnover of VetPartners in the UK in 2020 was £340 million.²
22. Goddard Holdco Limited (**Goddard**), trading as Goddard Veterinary Group, is a provider of veterinary services for small animals. Services are generally provided for cats, dogs, small mammals and certain birds, reptiles and/or insects kept as pets. Prior to the Merger, Goddard was the largest independent veterinary service provider in the UK, operating 47 sites.³ This includes three hospitals – Mandeville Hospital, Stone Lion Hospital and Wanstead Hospital – and 44 practices.⁴ The majority of these sites are located in Greater London.
23. In 2020, Goddard generated turnover of £[§<] million in the UK.⁵

TRANSACTION

24. On 26 October 2021, Scooby Bidco Limited, (a holding company of the VetPartners group, which includes VetPartners Limited and its subsidiaries) entered into a Share and Purchase Agreement to acquire Goddard Holdco Limited. The value of the Merger was approximately £[§<].⁶
25. VetPartners submitted the Merger was intended to provide it with a presence in Greater London, where it traditionally has had a limited presence. VetPartners also submitted that its interest in the business was also driven by Goddard being viewed as a highly respected and long-established veterinary business.
26. Goddard, pre-Merger, was independent and family-owned. Goddard submitted that the sale of the business was driven by the [§<].⁷

¹ VetPartners response to the Enquiry Letter, 23 December 2021 (**Enquiry Letter Response**), paragraphs 16, 46 and 61.

² Enquiry Letter Response, Annex 006 - VetPartners Group - annual report and consolidated financial statements - FYE 30 Jun 20, page 16.

³ Enquiry Letter Response, paragraph 123.

⁴ Enquiry Letter Response, Annex 022 - Project Oscar Information Memorandum, July 2021, page 15.

⁵ Enquiry Letter Response, paragraph 13.

⁶ Share Purchase Agreement, dated 22 October 2021.

⁷ Goddard response to CMA's s109 Notice dated 9 December 2021, paragraph 13.

27. The CMA found that these submissions are broadly consistent with the rationale for the Merger as set out in the Parties' contemporaneous internal documents. For example:
- (a) Internal documents produced by VetPartners stated a [§<].⁸
 - (b) In considering the Merger, VetPartners' board documents noted that VetPartners '[§<]'.⁹
 - (c) Goddard's internal documents revealed it is '[§<]'.¹⁰

PROCEDURE

28. The CMA's mergers intelligence function identified this transaction as warranting an investigation.¹¹
29. The Merger was considered at a Case Review Meeting.¹²

JURISDICTION

- Enterprises ceasing to be distinct
30. Each of VetPartners and Goddard is an enterprise. As a result of the Merger, these enterprises have ceased to be distinct.
- Relevant merger situation
31. The Parties overlap in the provision of first opinion veterinary care to small animals, on a commercial basis, during standard daytime hours (**standard small animal veterinary services**).
32. The Parties submitted that the CMA has jurisdiction based on their share of veterinary sites, as the Parties have a combined share of supply of at least 25% in 14 and 13 local areas when using 25 minutes' drive time and 4 miles driving distance, respectively.¹³

⁸ VetPartners response CMA's s109 Notice dated 9 December 2021, Annex 001 - VetPartners - full plan March 2021, slide 9.

⁹ VetPartners response CMA's s109 Notice dated 9 December 2021, Annex 029 - Scooby EquityCo update meeting minutes, 5 July 2021, page 3.

¹⁰ Enquiry Letter Response, Annex 022 – Project Oscar Information Memorandum, July 2021, page 42.

¹¹ See [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2revised\)](#), December 2020, paragraphs 6.4 to 6.6.

¹² See [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2revised\)](#), December 2020, paragraphs 6.4 to 6.6.

¹³ Enquiry Letter Response, paragraph 129.

33. The CMA considers that the Parties have a combined share of supply above 25%, with an increment brought about by the Merger, in at least 11 local areas, either measured by their share of full-time equivalent (**FTE**) vets (this is explored further in paragraphs 135 to 148) or by their share of veterinary sites in each of these areas.¹⁴
34. The CMA therefore considers that the share of supply test is met under section 23 of the Act.
- Statutory period for reference
35. The Merger completed on 26 October 2021 and was first made public on 27 October 2021. The four-month deadline for a decision under section 24 of the Act is 29 April 2022, following extensions under both section 25(1) and 25(2) of the Act.
36. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 2 March 2022 and the statutory 40 working day deadline for a decision is therefore 28 April 2022.
- Conclusion on jurisdiction
37. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.

COUNTERFACTUAL

38. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For completed mergers, the CMA generally adopts the pre-merger conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.¹⁵
39. In this case, there is no evidence supporting a more or less competitive counterfactual and the Parties and third parties have not put forward arguments in this respect. Therefore, the CMA believes the pre-Merger conditions of competition to be the relevant counterfactual.

¹⁴ See Table 2 below. The CMA also considered FTE vets as a basis for the share of supply test in *CVS/The Vet* [MER/6967/21] paragraphs 32 to 33: [Full text decision \(publishing.service.gov.uk\)](https://publishing.service.gov.uk).

¹⁵ See [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2revised\)](#), March 2021, from paragraph 3.12.

BACKGROUND

- Corporate Groups

40. Demand for veterinary services in the UK has grown strongly in the past few years. This is due to (i) the ‘humanisation’ of pets – where pets are increasingly viewed as key family members, resulting in pet owners seeking out increasingly complex care of their animals and driving increased expenditure in the veterinary services market; (ii) the increase in pet insurance,¹⁶ which similarly impacts on the demand for care, particularly complex care; and (iii) the increase in pet ownership in the UK since the COVID-19 pandemic.
41. There is a shortage of vets and veterinary nurses in the UK, which has been exacerbated by the COVID-19 pandemic and a reduction in the number of EU-qualified vets working in the UK over the last few years. In the course of the CMA’s investigation, both the Parties and their competitors submitted that a significant shortage of vets and nursing staff is a particular concern for operators in this sector.¹⁷

- Corporate Groups

42. VetPartners is one of six large corporate veterinary groups active in the UK – along with IVC-Evidensia, CVS, Pets at Home, Medivet and Linnaeus (collectively referred to as **Corporate Groups**). These groups are either owned by private equity firms (VetPartners, IVC-Evidensia and Medivet), publicly traded (Pets at Home, CVS), or ultimately owned by large multi-national business groups (Linnaeus is ultimately owned by Mars, Incorporated). Goddard (a family-owned business pre-Merger) and other smaller chains and independent practices not currently owned by a Corporate Group (collectively referred to as **Independents**) make up the remainder of veterinary sites in the UK.
43. There has been significant change in the ownership of veterinary sites in recent years. While Independents accounted for 89% of the UK veterinary industry in 2013, this has fallen to approximately 45% by 2021, primarily as a result of the acquisition of large numbers of Independents by the Corporate Groups.¹⁸ Third parties also noted that the implications of corporate consolidation were not always obvious to customers because some corporate owners decide not to rebrand independent veterinary sites after buying them.

¹⁶ Enquiry Letter Response. Goddard’s internal documents reveal pet insurance grew 60% in March-June 2020; Goddard, Annex 022 – Project Oscar Information Memorandum, July 2021, page 43.

¹⁷ See for example: Enquiry Letter Response, Annex 009. Third-party questionnaire responses of [X], [X] and [X].

¹⁸ Enquiry Letter Response, Annex 022 – Project Oscar Information Memorandum, July 2021.

44. The evidence available to the CMA indicates that inorganic growth strategies are an important commercial objective for Corporate Groups, including VetPartners. For example, the CMA notes that VetPartners employs a Director of Acquisitions. This is a dedicated senior level position who is employed to identify, assess and execute acquisition opportunities. VetPartners board documents reviewed by the CMA contain competitor surveillance of other Corporate Groups and target sites those Groups are acquiring. For example, the monthly board meeting minutes of [redacted].¹⁹ Public documents suggest that most (if not all) Corporate Groups have an acquisition strategy, and the websites of some of these Corporate Groups have webpages inviting vets to sell sites to their group.²⁰ The practical implications of these inorganic growth strategies is also highlighted by the very high volume of acquisitions executed by the Corporate Groups in recent years.
- Vertical integration
45. In addition to consolidation at site level, there is evidence of increasing vertical integration in the veterinary sector. Many Corporate Groups own services such as diagnostic laboratories, specialist small animal hospitals and referral services, out-of-hours (**OOH**) services and crematoria.
46. Corporate Groups, including VetPartners, typically use a significantly different business model to Independents, in particular because other businesses that they own give them the ability to cross-sell products and services. The evidence available to the CMA also shows that Corporate Groups often seek to establish a significant presence within specific localities, which can allow them to benefit from economies of scale and networks of linked services (but can result in competition concerns where an acquisition would reduce the competitive constraints that the acquirer would face in a given area following a merger).
47. Some third parties that responded to the CMA's investigation expressed general concern about the impact of Corporate Groups' vertical integration, for example, by reducing consumer choice for referral services. In particular, complaints were raised by independent pet cremation providers. These providers consistently noted that the increase in corporate ownership and vertical integration of Corporate Groups had resulted in a loss of business from previously independently owned veterinary sites.
- Hub-and-spoke business model
48. Some veterinary service providers operate 'hub-and-spoke' models where they build up a significant presence within a specific location and then link a larger practice or hospital ('the hub') with smaller surrounding practices ('branch practices'). This

¹⁹ For example, VetPartners response CMA's s109 Notice dated 9 December 2021, Annex [redacted] Update meeting held via Zoom on 29 March 2021 and Annex 034 – [redacted] Board meeting held via Zoom on 28 January 2021.

²⁰ See, for example, [Joining CVS - CVS Group plc \(cvsukltd.co.uk\)](https://www.cvsukltd.co.uk), accessed on 22 April 2022.

arrangement allows branch practices to offer clients services that otherwise would not be available at that practice. For example, a branch practice may be able to pass on a more complex first opinion procedure or a specialist diagnostics referral to the hub, or to use the hospital site to access more expensive equipment or 24-hour care that is not available at the branch. Vets may also split their work between the hub and one or more of the branch practices, allowing for more flexible staff arrangements. This allows each branch practice to operate as a local practice, while leveraging the strength of the hub to offer access to a wider range of veterinary services. Both of the Parties, as well as some of their competitors, operate this type of 'hub-and-spoke' business model.

FRAME OF REFERENCE

49. Market definition involves identifying the most significant competitive alternatives available to customers of the merger firms and includes the sources of competition to the merger firms that are the immediate determinants of the effects of the merger.²¹
50. While market definition can sometimes be a useful tool, it is not an end in itself. The outcome of any market definition exercise does not determine the outcome of the CMA's analysis of the competitive effects of the merger in any mechanistic way. In assessing whether a merger may give rise to an SLC, the CMA may take into account constraints outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will generally not need to come to finely balanced judgments on what is 'inside' or 'outside' the market. Not every firm 'in' a market will be equal and the CMA will assess how closely two merger firms compete. The constraint posed by firms 'outside' the market will also be carefully considered.²²
51. As part of its analysis of the competitive effects of the Merger, the CMA has considered the product and geographic frames of reference.
52. The Parties overlap in the supply of standard small animal veterinary services in a significant number of local areas.

Product scope

53. The CMA believes that veterinary services can be segmented by:
 - (a) the type of animals treated, ie small animals versus equine versus production/farm animals;

²¹ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 9.2.

²² [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 9.4.

- (b) whether the services are provided commercially or on a not-for-profit basis;
- (c) the nature of the consultation, ie first opinion versus referral (with some veterinary sites offering both types of service (**mixed sites**));
- (d) whether the services are predominantly provided during standard daytime hours or on an OOH basis; and
- (e) the type of site where the veterinary service is provided, ie veterinary practice, veterinary hospital, home visit or online.

- Type of animal

54. Goddard sites exclusively provide veterinary services to small animals. VetPartners has a limited number of sites providing services to other categories of animals. The Parties therefore overlap only in the supply of veterinary services to small animals.
55. The RCVS accreditation scheme registers sites as either treating small animals, farm animals or equine patients, or any combination of these. The CMA found in *CVS/The Vet* that veterinary providers compete with other providers of veterinary services to the same type/category of animal, and that farm animal or equine veterinary providers often operate very differently to small animal providers. For example, farm or equine veterinarians commonly provide services outside a practice setting, suggesting important supply-side differences that limit substitutability between these providers.²³ The CMA also found in *CVS/The Vet* that small animal veterinary sites can be identified based on whether they provide veterinary services to either cats or dogs.²⁴ The CMA has found no evidence in this case to support a different conclusion.
56. The CMA therefore believes that veterinary services provided to small animals is the appropriate product frame of reference and has excluded veterinary services provided to farm and equine animals.
 - Commerciality of the service
57. The Parties submitted that charitable providers of veterinary services should be included within the product frame of reference, albeit while acknowledging that ‘the evidence is inconclusive to ascertain the extent to which these competitors exercise a competitive constraint on private providers’.²⁵
58. Evidence gathered by the CMA indicates that:

²³ *CVS/The Vet* [Full text decision \(publishing.service.gov.uk\)](#), paragraph 60.

²⁴ *CVS/The Vet* [Full text decision \(publishing.service.gov.uk\)](#), paragraph 61.

²⁵ Parties’ response to Request for Information dated 8 December 2021 (**Parties’ Response to RF11**), Annex 004 - Oxera methodology note, Section 2.1.

- (a) Only customers who are eligible for particular income assistance are eligible to access the service of most charitable providers, and therefore they attract a different client base to commercial providers. This requirement excludes a large subset of potential customers.
- (b) Charities contacted by the CMA submitted that charitable veterinary providers do not compete with commercial providers such as VetPartners and Goddard.²⁶
- (c) There are differences in the business models of charities and commercial sites which would limit any competitive constraint for charitable providers in that:
 - (i) Commercial practices generate revenues through offering, among others, a wide range of services and membership plans that encourage recurring revenue streams through regular and repeat visits and preventative care. Commercial practices frequently compete to offer the highest quality service (eg using newer equipment and broader treatment options) and engage in marketing activities to attract more customers. VetPartners' internal board and strategy documents are focussed on retention and acquisition of new clients, with the aim to increase revenue.²⁷ Similarly, Goddard's internal documents demonstrate a strategy to grow organic revenues and improve margins.²⁸
 - (ii) In contrast, charitable providers of veterinary services are typically reliant on external funding. This can create limitations or uncertainty of the breadth of service offering that charities are able to provide over time; it also compels charities to restrict their services in order to operate within the limits of the available funds. For example, The Celia Hammond Animal Trust's veterinary clinic states on its website, '*our services are constantly in great demand and our clinics are very busy, so we do ask that if you can afford to use a private veterinary clinic that you please do so – in order that our services are available for animals that rely on our help*'.²⁹ This highlights that Celia Hammond is not a profit-maximising entity and seeks to actively discourage certain clients from using its services. This is in direct contrast from the objectives of VetPartners and Goddard.

59. Internal documents that the CMA reviewed in the course of its investigation support the conclusion that charities do not exert a material competitive constraint on the Parties. The CMA has not found any references to charitable practices in the

²⁶ See, for example, responses to third-party questionnaires of [3<] and [3<].

²⁷ Enquiry Letter Response, Annex 045 - VetPartners – Digital Strategy Core Deck, August 2021_.

²⁸ For example, see Enquiry Letter Response, Annex 050 - Goddard - One Practice Plan.

²⁹ [Celia Hammond Animal Trust Vet Clinic FAQs](#), accessed 12 April 2022.

Parties' competitor price monitoring documents. The CMA believes that the lack of references to charities in these documents, which suggests that charities have little influence in practice on the setting of the Parties' commercial strategy, shows that the Parties do not consider charitable practices as competitors.

60. The Parties argued that they do not have a culture of recording competitive threats in their internal documents. The Parties further submitted there is no basis for concluding from the lack of references to specific constraints (eg charities, home visit vets) in the internal documents that those constraints do not exist. The Parties suggested that it would make sense to rely on other available evidence.³⁰
61. The evidence available to the CMA in this case indicates that the Parties do not, in the ordinary course of business, produce large volumes of internal documents that analyse competitive conditions and the commercial strategies of their competitors in detail. The Parties do, however, produce some competitive analysis and do cite and monitor certain specific competitors in some documents. For example, [redacted],³¹ [redacted]³² and [redacted].³³ None of these documents cite charities as a competitive threat (but do reference other competitors).
62. The absence of references to charities in the Parties' internal documents is also consistent with evidence obtained from third parties, who did not consider that charities were material competitors to the Parties.³⁴
63. The Parties also argued that charitable practices are not an option for all users, but marginal customers are potentially important, particularly in some local overlap areas.³⁵ The Parties also stated that eligible customers will not necessarily choose a charitable provider.³⁶ To evidence this point, the Parties submitted data intended to show that clients of VetPartners had moved to charitable providers, and provided anecdotal evidence of customers switching [redacted].³⁷
64. As a starting matter, it is not clear that customers move from VetPartners to charitable providers as a result of a competitive process. The CMA's review of Goddard's [redacted]³⁸ indicates that a significant proportion of customer switches are accounted for [redacted].

³⁰ Response submitted by the Parties to the Issues Letter issued by the CMA on 10 December 2021 (**Parties' Response to the Issues Letter**), slide 11.

³¹ For example, VetPartners' response CMA's s109 Notice dated 9 December 2021, [redacted].

³² For example, Goddard's Response to CMA's 109 Notice dated 11 January 2022, [redacted].

³³ Enquiry Letter Response, [redacted].

³⁴ Note of call with [redacted], and Note of call with [redacted].

³⁵ Parties' Response to the Issues Letter, slide 17.

³⁶ Parties' Response to the Issues Letter, slide 17.

³⁷ Parties' Response to the Issues Letter, slide 19.

³⁸ Parties' Response to the Issues Letter, Annex 002 – [redacted].

65. Finally, the Parties provided evidence that PDSA advertises low cost treatment and medications, with prices 20 to 30% lower than private veterinary practices.³⁹ However, PDSA clearly states on its website that '*PDSA is a charity that helps pets in need: to qualify for PDSA help you must be in receipt of benefits and live in the postcode catchment area of a PDSA Pet Hospital or Pet Care Scheme practice.*'⁴⁰ Whilst PDSA may provide subsidised as well as free care, PDSA is not competing with the Parties for the same customers. [§<]. By contrast, the evidence available to the CMA suggests the Parties consistently charge [§<] higher prices than charities.
66. The purpose of market definition is to identify the most significant competitive alternatives for customers of the merging parties. However, for the reasons set out above, the CMA believes that none of the evidence provided by the Parties establishes that there is any material customer overlap or competitive interaction between the commercial sites operated by the Parties and those of charitable providers.

CMA's conclusion on charitable practices

67. In conclusion, based on the Parties' internal documents and third-party evidence, the CMA believes that charitable veterinary sites could only be alternatives for a limited subset of customers, and even for those customers it is not clear that there is competitive interaction between commercial and charitable veterinary services. As such, charitable veterinary sites do not offer any material constraint. On this basis, the CMA's analysis excludes charitable practices from the product frame of reference as . the CMA does not believe charitable services provide a material out-of-market constraint to the Merged Entity.

- Nature of consultation

68. The Parties overlap in the provision of both first opinion veterinary services and referral (specialist) services. First opinion services cover a broad range of services, including the popular procedures such as vaccinations, annual health checks and worming. First opinion services are generally provided by a customer's regular vet. A customer is not able to register directly with a referral practice without a prior referral from a first opinion practice.⁴¹ The Parties' referral sites accept referrals from both their own first opinion practices and from third-party first opinion practices. The CMA notes that there is not always a clear-cut distinction between first opinion and referral services – some first opinion vets provide certain types of referral services depending on their specific areas of focus.⁴²

³⁹ Parties' Response to the Issues Letter, slide 23.

⁴⁰ [Our services - PDSA](#), accessed 13 April 2022.

⁴¹ Note of call with [§<].

⁴² Parties' Response to RFI1, paragraphs 1 to 15.

69. The Parties submitted that referral services and first opinion services should be considered in the same product frame of reference.
70. The CMA understands that referral services are typically more specialised or complex than the majority of the services provided in a first opinion setting. These services are typically performed by specialists and often require specific equipment. The RCVS website has a number of listed categories of specialisms, with the most popular for small animals being anaesthesia, diagnostic imaging, oncology and surgery. To be included in the RCVS list of specialists, an individual ‘must have achieved postgraduate qualification at least at Diploma level, and must additionally satisfy the RCVS that they make an active contribution to their speciality, have national and international acclaim and publish widely in their field.’⁴³ The CMA believes that customers typically travel further to access these services.⁴⁴
71. For the reasons above, the CMA does not consider that referral services offer a material constraint on the Parties’ first opinion sites. Where third parties have confirmed that their sites provide only referral veterinary services, the CMA has deemed these to sit outside the product frame of reference and excluded them from its local analysis.
72. Where practices provide a mix of first opinion and referral services, the proportion of first opinion services is an important determinant of the degree to which they impose a competitive constraint on first opinion practices. The treatment of mixed sites is discussed further at paragraphs 149 to 160 in the context of the CMA’s competitive assessment.
73. Further, the CMA is aware of various specialty practices which only provide a limited range of services (eg vaccination-only ‘clinics’) or only provide veterinary services to a particular type of small animal (eg greyhound dog specialists).
74. The Parties argued that specialty practices compete against the Parties in the specific areas of specialty. The Parties argued that vaccination-only clinics compete with first opinion sites in an area that is very important to clients. The CMA understands from its investigation that vaccinations are one of the most common types of treatment and that vaccinations are an important regular revenue stream for veterinary sites. It is therefore plausible that the Parties and specialty clinics may be competing for some clients on particular services. However, the Parties have not provided sufficient evidence to substantiate that this constraint is material (within the context of the Parties’ overall service offerings). The CMA notes that vaccinations

⁴³ [Specialist status - Professionals \(rcvs.org.uk\)](https://rcvs.org.uk) accessed 22 March 2022. Veterinarians can also qualify as Advanced Veterinary Practitioners (**AVP**). The Parties submit that most AVPs are employed in first opinion practices, which is where their work is done, and some may also have a peripatetic caseload or work solely peripatetically, although this is less common.

⁴⁴ Parties’ response to Request for Information dated 2 February 2022 (**Parties’ Response to RFI2**), paragraph 10.

account for less than [X]% of revenues⁴⁵ at the VetPartners' practices it has examined in more detail and, in any case, no speciality practices are located in the local areas where an SLC has been found.

CMA's conclusion on referral services

75. The CMA considers that these services have very limited demand-side substitutability with the Parties' offerings and do not offer any material constraint. These referral services have therefore been excluded from the product frame of reference.
- Opening hours of sites
76. The Parties overlap in the provision of OOH services. OOH services provide 24-hour emergency care and treatment to animals. The RCVS Practice Standards Scheme requires all participating sites to have arrangements in place to provide OOH care.⁴⁶ Most sites either provide OOH services themselves, by having a designated vet 'on call', or outsource this requirement to third-party providers. Although both of the Parties have a few sites that offer OOH services to other practices, this service is [X] provided to their own sites and to [X] limited number of third parties.⁴⁷ The CMA understands that sharing these services between a number of sites helps the Parties ensure the viability of the services.⁴⁸ The Parties submitted that OOH services and standard opening hours services should be in the same product frame of reference.⁴⁹
77. The CMA does not believe that there can be material demand-side substitutability between veterinary services provided during standard daytime hours and those provided outside of these hours. The general nature of the services offered OOH is also different from those offered during daytime hours. For example, standard opening hours first opinion veterinary services typically include vaccines or other standard procedures administered during standard daytime hours. These treatments would not typically be conducted OOH. The provision of OOH care is usually in response to a veterinary emergency, when vets are not open and when an animal needs immediate treatment (or ongoing monitoring). The CMA also understands that OOH services can be significantly more expensive than treatments provided within standard hours. The purpose of OOH care is to provide an option when

⁴⁵ Based on revenue data provided by the Parties in Parties' Response to RF11, Annex 008 - VetPartners - Service Fee List - Top 10 Revenue.

⁴⁶ [3. 24-hour emergency first aid and pain relief - Professionals \(rcvs.org.uk\)](https://rcvs.org.uk), accessed 12 April 2022.

⁴⁷ Based on this and evidence of sufficient competitors offering OOH services in the relevant local areas, the CMA does not believe there are any plausible competition concerns arising in the provision of OOH services as a result of this Merger.

⁴⁸ Enquiry Letter Response at paragraph 35

⁴⁹ Enquiry Letter Response at paragraph 35.

customers do not have access to their regular vet and will generally incur premium pricing.⁵⁰

CMA's conclusion on OOH services

78. As such, the CMA believes that OOH services do not fall within the product frame of reference and do not offer a material constraint to the Merged Entity.

- Type of sites

(a) Hospitals

79. VetPartners and Goddard both operate practices and hospitals. Goddard operates three hospitals and VetPartners operates two hospitals in Greater London.

80. The Parties submitted that both hospitals and practices should be considered in the same product frame of reference.⁵¹

81. Practices can be understood as synonymous with 'first opinion', 'primary care' and 'general practice' facilities. In the veterinary sector, these terms are used to describe the initial treatment of an animal by its primary vet. VetPartners estimated that 90% of small animal veterinary sites in the UK operate as 'first opinion' practices.⁵²

82. Veterinary hospitals are generally larger in size and have a range of specialist equipment and specialist vets available. The RCVS accreditation – the Practice Standards Scheme ('PSS') – is a voluntary accreditation scheme that has a number of 'standards' for small animal sites, ie core, general practice, emergency services clinic and veterinary hospital. Under the PSS rules, a hospital needs to meet the requirements of a general practice as well as have 'additional facilities and protocols for the investigation and treatment of more complex cases'.⁵³ The CMA notes that practices are also able to use the term 'hospital' in their practice name without being accredited by the RCVS.⁵⁴

83. The Parties submitted that hospitals provide first opinion veterinary services as well as referral services (ie they are mixed sites) and compete directly with local practices for the many services that they offer. The Parties further submitted that some hospitals are not dissimilar to large practices in terms of size and number of vets.⁵⁵

⁵⁰ RCVS Code of Professional Conduct for Veterinary Surgeons, Chapter 3 – Part 2.

⁵¹ Enquiry Letter Response at paragraph 35.

⁵² Parties' Response to RFI1, paragraph 3.

⁵³ [Practice Standards Rules - Professionals \(rcvs.org.uk\)](https://www.rcvs.org.uk/practice-standards-rules-for-professionals).

⁵⁴ Note of call with [§<].

⁵⁵ Response to RFI 1, paragraph 38.

84. The CMA's assessment of the frame of reference, which is primarily based on evidence from internal documents and third-party responses, found that:

- Goddard's internal documents indicate that the three Goddard hospitals provide (in addition to first opinion services) OOH care, emergency services and advanced referral services. These referral services include dermatology, diagnostics and ophthalmology.⁵⁶
- The Goddard hospitals contributed [X]% of Goddard's overall revenues in FY20;⁵⁷ however, a vast majority of Goddard's hospitals revenues came from first opinion work – [X]% at Wanstead Veterinary Hospital, [X]% at Stone Lion Veterinary Hospital and [X]% at Mandeville Veterinary Hospital.⁵⁸
- Hospitals are large sites and are typically able to service more clients than practices. Goddard's Information Memorandum stated that the three hospital sites account on a combined basis for almost [X]% of Goddard's profit contribution.⁵⁹
- Revenues from referral work at VetPartners' hospitals, Forest Epping and Forest Harlow, represented a small proportion of these hospitals' overall revenues, ie approximately [X]% for Forest Epping and [X]% of Forest Harlow.⁶⁰
- VetPartners' hospitals and practices [X].⁶¹ Goddard informed the CMA that there are some '[X]'.⁶²
- Third-party responses indicate that there is some cross over between procedures carried out at RCVS-accredited hospitals and practices. Where basic procedures are carried out at RCVS-accredited hospitals (which are also carried out at practices) there will be competition (for example, where no specialist knowledge, care or equipment is provided).⁶³

CMA's conclusion on hospitals

85. Based on the evidence above, the CMA believes that hospitals should be included within the frame of reference for **standard small animal veterinary services**. The difference in the competitive strength between hospitals and practices, and the

⁵⁶ Enquiry Letter Response, Annex 022 – Project Oscar Information Memorandum, July 2021, page 16.

⁵⁷ Enquiry Letter Response, Annex 022 – Project Oscar Information Memorandum, July 2021, page 50.

⁵⁸ Goddard's response to CMA's s109 Notice dated 11 January 2022, paragraph 4.

⁵⁹ Parties' Response to RFI2, paragraph 32 and Enquiry Letter Response, Annex 022 – Project Oscar Information Memorandum, July 2021, page 50.

⁶⁰ VetPartners' response to CMA's section 109 Notice dated 9 December 2022, paragraph 32.

⁶¹ Parties' joint response to RFI2, paragraph 14.

⁶² Response to the Enquiry Letter, paragraph 104; Goddard's response to s109 Notice dated 9 December 2021, question 6.

⁶³ Response to third-party questionnaires, [X] and [X].

impact of the hub-and-spoke business model, is considered in more detail in the CMA's competitive assessment.

(b) Home visit vets

86. At a late stage in the CMA's investigation, the Parties submitted that there are some home visit vets located in the local areas affected by the Merger and that these should be considered as effective competitors.⁶⁴ The CMA notes that the Parties did not include home visit vets in their initial competitor lists submitted to the CMA.⁶⁵ The Parties also did not provide any evidence to support the assertion that home visit vets currently constrain the Parties – but rather identified a number of capabilities that such vets possess that would allow them to compete with the Parties and stated these providers may, in future, form part of the effective competitor set in these local overlap areas.⁶⁶ The Parties contextualised the existence of home visit vets as evidence of a dynamic market with low barriers to entry.⁶⁷
87. The Parties submitted that [a high proportion] of first opinion work can be carried out on a home visit. These services include: initial examination, lumps, blood tests, urine tests, subcutaneous fluids, blood pressure measurements, vaccinations, euthanasia and microchipping. Home visit vets are also able to provide a range of medication (pain relief, sedatives etc).⁶⁸ The Parties provided data of revenue split of two sites, which showed that the services listed on the website of one provider of home visit vet services (Home Vet) account for [a high proportion] of the revenue of the VetPartners' first opinion sites closest geographically located to the Home Vets offices.⁶⁹ The Parties also submitted that home visit vets often have arrangements in place for referrals to local clinics for emergencies and further treatment.⁷⁰ However, the CMA did not find any references to home visit vets as competitors, or any indication that the Parties monitor these providers. Third parties also did not consider home visit vets as a constraint.⁷¹
88. The CMA believes that while there may be some home visit vet providers that offer a range of services, it appears many others are limited to vaccination or euthanasia (eg the second home visit vet the Parties pointed to, Pallivet, provides a palliative care service). VetPartners has not provided evidence to the CMA to suggest that there is any material customer overlap between home visit vet services and commercial practices.

⁶⁴ Parties' Response to the Issues Letter, slide 48.

⁶⁵ Enquiry Letter Response, paragraphs 131 to 145;

⁶⁶ Statement made during Issues Meeting, 1 April 2022.

⁶⁷ Parties' Response to the Issues Letter, side 24.

⁶⁸ Parties' Response to the Issues Letter, slide 12.

⁶⁹ Parties' Response to the Issues Letter, slide 13.

⁷⁰ Parties' Response to the Issues Letter, slide 12.

⁷¹ Note of call with [§<].

89. As explained above, the purpose of identifying the relevant competitor set is to identify those suppliers that provide a material constraint to the Parties in practice. While it may be the case that certain home visit vets may offer a reasonably similar range of services to the Parties, there is no evidence that these vets have a material position in the market or that home visit vets in general provide a material constraint to the Parties.

CMA's conclusion on home visit vets

90. The CMA has excluded home visit vets from the product frame of reference as the CMA does not believe that home visit vets provide a material out-of-market constraint to the Parties in the supply of standard small animal veterinary services.

(c) Telemedicine

91. The Parties submitted that online services form an increasingly important part of the market. Telemedicine is when first opinion consultations take place via videolink. They offer an alternative to attending a first opinion site, and may have advantages in the form of convenience and comfort for the pet and client.⁷² While the Parties demonstrated that these providers exist (eg PawSquad, FirstVet), they were not able to provide any evidence that these providers constrain the Parties in practice in any material way.
92. Internal documents reviewed by the CMA indicate that most commercial veterinary practices are offering telemedicine services as a complement to, rather than a substitute for, their in-person offerings.⁷³ The CMA also understands that these telemedicine providers were mostly launched in response to the COVID-19 pandemic.⁷⁴ As a result, the CMA considers that the competitive significance of these services over the longer-term remains uncertain.

CMA's conclusion on telemedicine

93. In the absence of evidence that telemedicine providers are actively competing with the Parties, the CMA believes that these providers are not a material constraint on

⁷² Parties' Response to the Issues Letter, slide 24.

⁷³ VetPartners response to CMA's section 109 Notice dated 9 December 2022, Annex 013 - VetPartners board pack – 18 December 2020 (November 2020 board report), slide 13.

⁷⁴ VetPartners response to CMA's section 109 Notice dated 9 December 2022, Annex 013 - VetPartners board pack – 18 December 2020 (November 2020 board report), slide 29.

the Parties. The CMA has therefore excluded telemedicine providers from the product frame of reference.

Conclusion on product scope

94. For the reasons set out above, the CMA has considered the impact of the Merger in the product frame of reference of standard small animal veterinary services.

Geographic scope

95. The Parties submitted that competition in the supply of veterinary services takes place on a local level.
- Local competition
96. The CMA believes that competition between individual practices occurs on a local basis. On the demand side, owners of small animals are generally only willing to travel a particular distance to attend a first opinion veterinary practice. This implies that each veterinary practice has a catchment area, with customers coming from within this catchment area generating the majority of its business.⁷⁵
97. Third-party questionnaire responses highlighted the importance of local competition between practices. In instances where third parties provided reasons for the identification of their closest competitors, geographic proximity was the primary reason.⁷⁶
- National or regional competition
98. The CMA believes that certain elements of competition between Corporate Groups are national in scope, with some parameters of competition being set nationally.
99. The CMA believes that when parameters of competition are set at the national level, these parameters will generally be affected by the aggregation of local competitive conditions across the country.
100. The CMA found evidence that VetPartners provides [redacted]⁷⁷ [redacted] and that Goddard [redacted].⁷⁸ Given that the Merger only affects the Greater London area (as Goddard is only active in Greater London), and the CMA has not seen evidence to suggest that the acquisition of Goddard has a meaningful effect on the aggregation of local

⁷⁵ The methodology for identifying specific local catchment areas is set out in paragraphs 125 to 132132 below.

⁷⁶ Responses to third-party questionnaires from [redacted].

⁷⁷ Enquiry Letter Response, paragraph 109.

⁷⁸ Parties' Response to RFI 2, paragraph 15.

competitive conditions across the UK, the CMA has not found it necessary to further analyse elements of national competition in this investigation.

101. Similarly, the CMA considered whether Greater London might form a regional market where competition is materially different from other parts of the UK. However, while the CMA has, as noted above, found evidence of parameters of competition being set at the local and national level, there was limited compelling evidence of VetPartners flexing its offering on a regional basis to respond to specific competitive conditions in the Greater London area or, more broadly, of materially different competitive conditions within the Greater London area. The CMA has therefore focussed on the local effects of the Merger in catchment areas around the Parties' sites in areas where they overlap as detailed below in the competitive assessment.

Conclusion on frame of reference

102. For the reasons set out above, the CMA has considered the impact of the Merger on the supply of standard small animal veterinary services on a local basis.

COMPETITIVE ASSESSMENT

Horizontal unilateral effects

103. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.⁷⁹ Horizontal unilateral effects are more likely when the merging parties are close competitors. The CMA has assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the supply of standard small animal veterinary services on a local basis.
104. In order to assess the likelihood of the Merger resulting in unilateral effects, the CMA has:
- (a) considered the available evidence on the closeness of competition between the Parties; and
 - (b) conducted a local area analysis which looks at shares of supply within the Parties' catchment areas, including the competitive constraint exerted by alternative suppliers.

⁷⁹ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.1.

Closeness of competition

105. In its substantive assessment of a merger, the CMA will consider the degree of closeness of competition between the Parties – with competition concerns generally more likely to arise the more closely the Parties compete.⁸⁰ But the CMA notes that there is no requirement that merging parties be each other's closest competitors in order for a merger to raise competition concerns.
106. The CMA has received limited information with respect to the closeness of competition between the Parties. Within the confines of a Phase 1 investigation, in particular given this transaction was subject to a 4-month deadline as a completed transaction, it has not been possible for the CMA to gather information from individual customers about their preferences and whether they consider the Parties to be close alternatives to each other.⁸¹ However, the evidence available from other third parties, the Parties' submissions and the Parties' internal documents, which the CMA considers provides significant insight into competitive conditions in the areas at issue, is summarised below.
107. VetPartners submitted that the information it seeks to monitor on its rivals includes [REDACTED].⁸²
108. Goddard submitted that it undertakes an [REDACTED].⁸³ The CMA has reviewed Goddard's internal documents which present the outputs of this price monitoring exercise and these are discussed at paragraphs 115 to 118.
109. The Parties also noted that 'customers originally register with a practice due to its location and/or reputation'.⁸⁴ The importance of geographic location and reputation or quality of service was also emphasised by third parties and the Parties' internal documents. The CMA considers these parameters of competition in more detail below.
- Proximity
110. As set out in paragraph 95, the Parties submitted that competition between small animal veterinary sites takes place at a local level.
111. With respect to the strength of the competitive constraint provided by their own sites and those of third parties in the catchment areas, the Parties have argued that the relative geographic location of those sites is a key indication of closeness.⁸⁵ The Parties also listed 'geographic closeness' as a criterion that should be considered in

⁸⁰ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.8.

⁸¹ For example, by means of a customer survey.

⁸² Parties' Response to RFI 1.

⁸³ Parties' Response to RFI 1.

⁸⁴ Parties' response to Request for Information dated 18 February 2022 (**Parties' Response to RFI4**).

⁸⁵ For example, see slides 42 to 60 of the Parties' Response to the Issues Letter.

addition to market shares when assessing whether there is a competition concern.⁸⁶ In addition, third-party responses to the CMA's questionnaire highlight the importance of relative location. In instances where third parties provided reasons for the identification of their closest competitors, geographic proximity was the primary reason.⁸⁷

112. The CMA considers that proximity has already been taken into account within its competitive assessment through the use of the local catchment areas described in the 'Local Area Analysis' section below. The CMA has not received evidence to support a conclusion that geographic proximity within these catchment areas should be accounted for separately in its competitive assessment.

Reputation and quality of service

113. The Parties submitted that reputation is an important factor when customers are choosing a veterinary provider through 'word of mouth' from other local pet owners, online reviews and recommendations on social media.⁸⁸ This is consistent with the Parties' internal documents, where extensive guidance is provided to sites on their marketing and engagement with customers.⁸⁹
114. VetPartners' internal documents relating to the potential purchase of Goddard show that it considered Goddard to also have a strong reputation, a track record of providing excellent clinical service and a similar approach to managing its staff.⁹⁰ However, based on the information available to the CMA, all the competitors providing standard small animal veterinary services across the Greater London area appear to have a similar offering with respect to the nature and range of services provided. The CMA has not seen any evidence to suggest that the Parties, or any other supplier, should be distinguished, for the purposes of the CMA's competitive assessment, on the basis of reputation or quality of service.

- Price monitoring

115. The CMA generally found few references to local competitors within the Parties' internal documents. The Parties submitted that this was because they do not have a culture of monitoring competitive threats and their documents for individual sites have a [redacted].⁹¹
116. Some of the internal documents submitted by Goddard during the CMA's investigation show its internal price monitoring of competitors across its sites. The

⁸⁶ Parties' Response to the Issues Letter, slide 39.

⁸⁷ Responses to the third-party questionnaires: eg [redacted], [redacted], and [redacted].

⁸⁸ Parties' response to RFI 2.

⁸⁹ See for example, Annexes 036 to 045 of the Enquiry Letter Response.

⁹⁰ For example, Response to the Enquiry Letter Annex 018 - Project Oscar - Acquisition Board Report - 15 Oct 21.

⁹¹ Parties' Response to the Issues Letter, slide 11.

CMA understands this exercise was used to inform [redacted]⁹² [redacted],⁹³ VetPartners' sites are included in the small set of sites monitored by Goddard.

117. Goddard submitted that no weight should be attached to the selection of competitors in the price comparison exercise when assessing closeness of competition, stating that staff at these sites were '[redacted]'. Goddard noted that this is not an indication that the sites sampled are the only competitors for each site, and generally Goddard considers that each site competes in a much larger market.⁹⁴
118. The CMA considers that these documents are broadly consistent with the position that proximity of sites is an important competitive factor. They also provide evidence that VetPartners [redacted] competitors of Goddard in these local areas [redacted]. The CMA typically places more weight on documents such as these which are produced in the ordinary course of business and notes that they were produced by staff working in the relevant local areas who could be expected to have held local knowledge about relevant competitors. While the Parties have submitted that Goddard [redacted], the price comparison exercise can nevertheless be presumed to have been undertaken to inform Goddard's commercial strategy, and therefore to provide some insight into competitive conditions in the local areas at issue.

Conclusion on closeness of competition

119. Based on the available evidence, the CMA considers that there is material competitive interaction between the Parties and that the Parties are generally likely to compete at least as closely with each other as they do with other standard small animal veterinary sites located within the catchment areas.

Local area analysis

120. As competition between individual sites, including those operated by the Parties, takes place at the local level, the CMA has carried out a local area analysis to identify specific areas where the Merger gives rise to a realistic prospect of an SLC. The CMA has based its analysis on an estimation of the Parties' combined shares of supply in the overlap areas.⁹⁵ In this case, as in *CVS/The Vet*, the CMA has calculated these shares on the basis of the number of FTE vets employed at each of the practices in each catchment area.⁹⁶

⁹² As set out in the local analysis beginning at paragraph 120120 below.

⁹³ The Parties confirmed that such a comparison was not completed for the [redacted] (Goddard response to section 109 4).

⁹⁴ Parties' Response to the Issues Letter, slide 33.

⁹⁵ This approach is consistent with the CMA's approach in other recent local overlap cases such as *CVS/The Vet* [Full text decision \(publishing.service.gov.uk\)](#); *Huws Gray Ltd/Grafton Plc* [Full text decision \(publishing.service.gov.uk\)](#); *Stonegate Pub company/Ei Group Plc* [Full text decision \(publishing.service.gov.uk\)](#).

⁹⁶ This approach is discussed in greater detail below from paragraph 125 to 132.

121. The CMA notes that shares of supply are likely to be more useful evidence when there is persuasive evidence on demand- and supply-side substitution as to which potential substitutes should be included in or excluded from the assessment.⁹⁷ The CMA considers, for the reasons set out below, that sufficient evidence is available in relation to potential substitutes in each local area such that shares of supply should be given material weight within the CMA's competitive assessment.
122. In order to assess the competitive impact of the Merger at a local level, the CMA has considered:
- (a) which sites should be included in the effective competitor set, and the extent to which services provided by entities falling outside of this effective competitor set impose any competitive constraint;
 - (b) the appropriate catchment areas, and what other competing sites exist within those areas;
 - (c) which measure underlying the shares of supply is most appropriate for use in this case; and
 - (d) the appropriate threshold for the combined share of supply above which (and in the absence of other evidence to the contrary) a realistic prospect of an SLC arises.
- Effective competitor set
123. As described in the frame of reference section above, the CMA believes that the relevant competitor set consists of other commercial first opinion veterinary sites providing care to small animals during standard daytime hours.⁹⁸
124. The CMA does not believe that there are material out-of-market constraints in the supply of standard small animal veterinary services. As described above in the section on product scope, the CMA is aware of veterinary sites that operate outside of this effective competitor set, eg charitable sites and home visit vets. For the reasons set out above, the CMA believes, on the basis of the evidence available to it at present, that such sites impose no material constraint on the Parties.
- Catchment areas
125. The CMA has identified the relevant local catchment areas in keeping with the approach set out in its Retail Mergers Commentary.⁹⁹ The CMA notes that while it

⁹⁷ [Merger Assessment Guidelines \(CMA129\)](#), paragraph 4.14.

⁹⁸ The CMA has excluded specialty practices, referral-only sites and home visit vets from its local analysis but has been unable to identify OOH-only providers among competitor sites. Given the limited prevalence of OOH-only sites, the CMA does not consider that this has affected the outcome of its local analysis.

⁹⁹ See, for example, Retail Mergers Commentary ([CMA62](#)), [10 April 2017](#), paragraph 2.20.

may in some cases depart from that approach, there is no evidence to suggest that this would be appropriate in this case.

126. To derive the local catchment areas in its analysis, the CMA has considered the 80th percentile drivetimes based on revenues for all of Goddard's 47 sites and the 14 VetPartners sites in Greater London which could conceivably overlap (the **individual catchment areas**).
127. In some merger investigations, catchment areas have been found to differ based on the characteristics of different areas, eg for sites in urban versus rural areas.¹⁰⁰ The CMA considered the possibility that individual catchment areas might differ across London depending on factors such as the degree of traffic congestion or the prevalence of public transport. While the CMA does not exclude the possibility that catchment areas for veterinary sites could differ, for example, between rural and urban areas, the evidence in this case does not provide a basis to conclude that different catchment areas should be calculated based on the characteristics of different local areas. All of the catchment areas where the Parties' sites could overlap are in Greater London and the CMA did not find any evidence of systematic variation in the individual catchment area drivetimes across the Parties' sites.¹⁰¹ In addition, the Parties did not identify any sites where a different approach was needed until a very late stage of the CMA's investigation, when they suggested that the use of public transport travel time (rather than drivetime) would be a more appropriate approach in one catchment area where there is poor car access and limited parking.¹⁰² The CMA received no other evidence to suggest that this would be a more appropriate approach and, given the late stage at which the Parties first made this submission and the absence of any clear evidence provided to support such an approach, the CMA did not consider that there was a sufficient basis to depart from the approach used across all other catchment areas.
128. The individual catchment areas for the Parties' five hospitals are significantly larger than the majority of those for their practices. There is also substantial variation in the size of the hospital catchment areas. As set out in paragraph 48, the Parties' hospitals are linked to surrounding practices through hub-and-spoke arrangements to a greater or lesser degree. The CMA considers that the larger individual catchment areas of the hospitals are driven to a significant extent by patients being referred from the branch practices to the hospital hub for treatment and the individual catchment areas for the hospitals therefore do not reflect the area where

¹⁰⁰ For example, [A report on the anticipated acquisition by Celesio AG of Sainsbury's Pharmacy Business \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/).

¹⁰¹ For example, the data showed that the individual catchment area drivetimes were not systematically different between central London and the suburbs.

¹⁰² Parties' Response to the Issues Letter, slides 46 to 47.

competition takes place for patients using the hospital as their primary first opinion veterinary site.¹⁰³

129. As set out in paragraph Adjustments for the Parties' hub-and-spoke operating models¹⁵⁸, the CMA has taken into account the hub-and-spoke arrangements of the Parties through adjustments to the shares of supply data and therefore considers it appropriate that the catchment areas for the hospital sites should be in line with the catchment areas for the other non-hospital (practice) sites.
130. The CMA has calculated a simple average of the catchment areas for each of the Parties' non-hospital sites. This approach is consistent with that adopted in *CVS/The Vet*¹⁰⁴ and also aligns with that adopted by the CMA in the analysis of mergers involving human healthcare.¹⁰⁵ These average catchment areas (one for each Party) have also been used for the Parties' hospitals. This yields catchments of:
- (a) 15.5 minutes drivetime for VetPartners' sites; and
 - (b) 11.3 minutes drivetime for Goddard's sites.
131. The Parties noted that the CMA should take into account the presence of competitors located just outside the catchment areas because the catchment areas are 'assumed to correspond to the average 80% revenues catchment area, which leaves 20% out of the market by construction'.
132. The CMA considers that in all local area analyses there is the potential for competitors located outside the catchment area to exert some competitive constraint. This is inevitable given that a catchment area centred on a party's site and encompassing 80% of its customers will exclude some competitors that are nevertheless close to customers located at the perimeters of the catchment area. This is not a feature specific to this investigation and the CMA does not consider it a basis for departing from standard practice in this case.
- Measure of shares
133. When the degree of differentiation between firms is more limited (albeit that firms can still be differentiated to some extent), shares of supply can be useful evidence when assessing closeness of competition. In such circumstances, a firm with a

¹⁰³ It is noted that the larger catchment areas could also be driven by the revenues generated from patients receiving specialist referral treatments where customers are likely to travel further than they would for first opinion services. Also, it cannot be ruled out that the catchment areas are larger because customers are willing to travel further to access a higher quality care provided by hospitals thanks to the use of highly qualified vets, OOH services, better equipment etc.

¹⁰⁴ CVS/The Vet decision summary, paragraph 12 and 13.

¹⁰⁵ See for example: [National Fostering Agency / Outcomes First Group merger inquiry, Phase 1 Decision](#), paragraph 69; [FC Oval/Bupa merger inquiry, Phase 1 Decision](#), paragraph 43; [Cygnet Health Care / Cambian adult services division merger inquiry, Phase 2 Final Report](#), paragraph 5.115.

higher share of supply is more likely to be a close competitor to its rivals, and therefore a merger that removes the competitive constraint such a firm exerts on its rivals would be more likely to raise competition concerns.¹⁰⁶ There are several measures that can be used to measure concentration and the relevance of different measures will depend on the specific circumstances of a case.¹⁰⁷

134. During its investigation, the CMA contacted numerous third parties to inform its understanding of the competitive dynamics of the veterinary industry and what type of data is commonly held by veterinary sites that could most accurately capture these dynamics. The CMA recognises that there is no single measure that can capture every aspect of competition in a market, and instead seeks to identify the most appropriate measure on which shares of supply can be systematically assessed.
135. The CMA considered a number of different measures to calculate the shares of supply based on the availability of reliable data and the evidence of competitive dynamics in the veterinary market. The CMA has chosen to calculate sites' shares within each of the catchment areas where the Parties overlap using FTE vet data.
136. The CMA received FTE data directly from veterinary sites for the vast majority of the 63 sites included in its analysis. For the small number of sites from which the CMA was unable to directly gather data, the CMA has applied a proxy for FTE vets using, where possible, the number of vets listed for the site on the RCVS register. For the very small number of independent sites from which the CMA was unable to gather data directly and that also did not list vets on the RCVS register, the CMA has assumed that these sites employ the average number of FTE vets employed by independent sites for which the CMA was able to gather data directly.

The Parties' submissions on FTE as a measure of capacity

137. The Parties submitted a number of concerns with the use of FTE vet data in calculating the shares of supply.
138. The Parties raised several conceptual issues which suggest that FTE vets is not an accurate measure of the local importance of a site, noting that:
 - (a) customers do not actively choose a veterinary site based on the number of vets and there is significant variation in the number of active patients per FTE vets across the Parties' sites;¹⁰⁸

¹⁰⁶ See [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.14

¹⁰⁷ See [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.4

¹⁰⁸ Parties submission on 'Local area assessment' dated 16 March 2022.

- (b) the number of FTE vets at a site at the time of the CMA's market testing may not be representative of standard staffing levels;¹⁰⁹
- (c) not all FTE vets are equal, with highly experienced FTE vets being far more valuable than a recent graduate,¹¹⁰ as well as potential differences in how many hours constitute an FTE; and
- (d) veterinary nurses are not counted within the measure but represent a material proportion of total revenue contribution.¹¹¹

139. In addition, the Parties submitted that there were significant limitations with the data set used by the CMA, including:¹¹²

- missing data from third parties resulting in reliance on unreliable RCVS data or assumption where RCVS data is also unavailable; and
- third-party data being likely to have been provided on an inconsistent basis.

140. The Parties submitted that in light of these issues and the absence of a readily available concentration measure, the use of a fascia count may be more appropriate.

CMA's assessment

141. The CMA believes that FTE vet data provides a good indication of a site's competitive strength because it captures not only its current position in the market, as demonstrated by its capacity to sustain the number of FTE vets, but also its capacity to compete for new customers – which may be particularly relevant during periods of capacity constraints, such as those currently being experienced in the market, when a site's current number of FTE vets may limit the number of customers it can compete for.

142. The CMA considers that the number of FTE vets employed by a site likely reflects the degree of consumer demand for that site's services, including when customers are first selecting a veterinary provider. With respect to the Parties' submission that there is a weak relationship between the number of FTE vets at a site and the number of active customers, the CMA does not consider this to be a persuasive argument and notes that the correlation between FTE vets and active customers for the Parties' sites improves significantly once the adjustments to FTE vets are made (as set out in paragraphs 153 to 160) to reflect the Parties' hub-and-spoke operating models.

¹⁰⁹ Parties submission on 'Local area assessment' dated 16 March 2022.

¹¹⁰ Parties' Response to the Issues Letter, slide 34.

¹¹¹ Parties' Response to the Issues Letter, slide 34.

¹¹² Parties' Response to the Issues Letter, slide 34.

143. The CMA considers that the use of FTE vets allows for the consideration of important differences between sites of different sizes. Such differences would not be taken into account through the use of a share of shops measure or fascia count and the CMA therefore considers that FTE vets provides the best available means of assessing the relative competitive strength of veterinary sites. (The CMA also notes that the use of shares of shops to calculate market shares would not have, in any event, affected the outcome of this case, as the number and identity of sites that fail the filter set out below are the same using FTE vets or shares of shops.¹¹³)
144. While the CMA agrees that there will likely be some degree of variability in the FTE values for sites over time, any cross-sectional share of supply analysis will similarly provide only a 'snapshot' of market conditions at a given time. To help mitigate this issue, the CMA asked competitors to provide the FTE vets figure as an average across the latest calendar year.
145. The CMA also notes that there may be some variation in the level of revenue generated across FTE vets and between vets and other clinical staff. However, the CMA considers that there is no reason why this variation should be different for the Parties and their competitors who are all likely to use a mix of experienced and new vets, along with veterinary nurses at their sites. In addition, the CMA has analysed the relationship between the number of FTE vets and revenues where both of these metrics were available and notes that they are strongly correlated.
146. With respect to the quality of the FTE vets' data, the CMA has only had to rely on RCVS data or assumption to a limited extent in its local analysis. For the 11 local areas where the CMA has found a realistic prospect of an SLC, the CMA had complete third-party data for five of the areas. For the remaining six areas, third-party data was unavailable for only a small proportion of the sites and it was possible to identify all of these missing data points using the RCVS data.
147. The CMA also notes that FTE is a standard term and the businesses responding to the CMA's inquiry are likely capable of calculating these values. Whilst FTE values may not entirely represent the hours of work completed, and there may be some degree of measurement error in the data, the CMA does not consider that this will result in any material bias in the analysis, as these factors are likely to affect all sites included in the sample. Additionally, the CMA's data request asked third-party sites to provide data on the number of FTE vets employed, including the number of locums generally used by the site. The role of locums has therefore been accounted for in the analysis.

Conclusion on measure of shares

¹¹³ Indeed, the Parties combined share of supply was typically higher on the basis of share of shops than it was based on FTE vets.

148. Within the context of the data available to the CMA within a Phase 1 investigation, the CMA believes that FTE vets is the most appropriate measure to calculate shares in this case, with this measure capturing important variation between sites that would be absent were shares instead to be calculated on the basis of a 'share of shops'.

- Methodology for allocating FTE vets

Mixed sites and OOH services

149. As set out above, both referral (specialist) services and OOH services are not included in the frame of reference (for the reasons set out above). Some veterinary sites offer a mix of first opinion and referral services (mixed sites) and/or OOH services. These mixed sites or sites providing OOH services may be considered to compete with first opinion practices to the extent that they provide first opinion services. In the context of this analysis, the CMA notes that the evidence it has reviewed indicates that there are only a small number of mixed sites or sites providing OOH services located within the relevant catchment areas.
150. In such instances, the CMA considers that it may be appropriate to adjust the FTE vet numbers submitted to reflect the number of FTE vets that are involved in providing first opinion, rather than referral or OOH care at a practice.
151. The CMA considers that the total numbers of FTE vets submitted by third-party mixed sites or sites that provide OOH services may overstate their competitive significance (when assessing market shares) in relation to first opinion services, given that these vets will also spend time providing referral or OOH services. The Parties provided to the CMA adjusted FTE vet numbers for their own hospital sites where some of their vets are involved in providing referral services or OOH care.¹¹⁴ The CMA has not been able to obtain similarly adjusted data for third-party sites. At the same time, the CMA considers that these sites (including, for example, the Parties' hospitals) could provide a stronger constraint than first opinion-only sites as customers may consider them to be more attractive if they are able to offer a wider range of services in-house, more advanced or newer equipment, and have a reputation for quality care. On this basis, a reduction to the total number of FTE vets to account for those engaged in referral (specialist) work or OOH work could risk understating the competitive significance of those sites. The CMA has not received sufficient evidence in this case to conclude on this point.
152. The CMA has not made any adjustment (in the absence of actual data from third parties, as is available for the Parties) to the FTE vets data on the basis of time spent by vets on referral or OOH work. The CMA notes that there are only a small number of sites that provide mixed or OOH services within the relevant catchment

¹¹⁴ Goddard's email to the CMA dated 7 April 2022.

areas, and therefore that any adjustments would be likely to have only a very limited impact on the competitive assessment in this case.

Adjustments for the Parties' hub-and-spoke operating models

153. As set out in paragraph 48, the Parties and some other veterinary services providers that own multiple sites in a local area use a hub-and-spoke operating model, which means that the number of FTE vets employed by the hub and its branch practices may not be fully representative of the capacity of each site.
154. Evidence provided by the Parties indicates that the hub-and-spoke business model that they have adopted provides them with certain important competitive capabilities (which therefore form an important part of the competitive offering that each provided pre-Merger):
- (a) VetPartners submitted that the hub-and-spoke model provides operating efficiencies between their hospitals and branch practices and that it enables greater access to specialist care and equipment;¹¹⁵
 - (b) VetPartners' internal documents reference [redacted]¹¹⁶ and
 - (c) Every Goddard practice operates as a 'spoke' of one of the three hospitals. Goddard explained to the CMA that hub sites may access a material volume of patients [redacted].¹¹⁷
155. The Parties noted that the use of a hub-and-spoke model is not a binary choice and that different vet groups may choose to use a hub-and-spoke model to a greater or lesser extent. Some groups may choose to have more limited work done at branch practices with a large proportion being referred to the hub. In other cases, while a hub-and-spoke model is used, the branch practices are largely autonomous, with only a very small proportion of work being transferred to or supported by the hub.¹¹⁸ The Parties submitted that the fact that the hub-and-spoke model is not adopted by all suggests that it is not clearly superior in every respect to other business models.¹¹⁹
156. The CMA understands that for the Parties' sites which operate under this model, there is a significant degree of fluidity in relation to the use of vets across the hub and branch practices and that, in some hubs, a proportion of their FTE vets will be sent out to the branch practices or complete first opinion work at the hub which is a result of patients being sent from the branch practice.

¹¹⁵ Enquiry Letter Response, Annex 022 – Project Oscar Information Memorandum, July 2021, page 12.

¹¹⁶ Enquiry Letter Response, Annex 001 – VetPartners - full plan March 2021, March 2021 001 at Slide 10.

¹¹⁷ Parties' email dated 28 February 2022.

¹¹⁸ Parties' Response to the Issues Letter, slide 63.

¹¹⁹ Parties' Response to the Issues Letter, slide 63.

157. The CMA considers that branch practices which are linked to a hub (relative to practices with no such link to a hub) may therefore benefit from access to vets based at the hub that are not captured by the number of FTE vets allocated to just the branch practice. As a result, the competitive constraint from the branch practices may be understated (within the context of an analysis of market shares). Conversely, the number of FTE vets based at the hubs may overstate the competitive constraint from these sites, as a proportion of their vets may be used to serve patients from the branch practices.
158. To take account of this hub-and-spoke dynamic, the CMA has adjusted the allocation of FTE vets across the Parties' sites. Where the CMA is aware that vet resources from the Parties' hub site are sent out to surrounding practices or complete work at the hub which is a result of patients being sent from the branch practice, the relevant FTE vets at the hub have been allocated out to the branch practices in proportion to the respective revenues of each site.¹²⁰ While the CMA considers that this adjustment more accurately reflects competitive dynamics within the local areas at issue, it also notes that it has limited impact in practice, as the number and identity of sites that fail the filter set out below are the same both with and without the reallocation of FTE vets across the Parties' hub-and-spoke sites.
159. The CMA has not been able to obtain the information that would allow a similar reallocation for third-party hub-and-spoke arrangements.¹²¹ However, the CMA understands that not all of the Corporate Groups adopt a hub-and-spoke model and that, within the catchment areas where the CMA has found a realistic prospect of an SLC, there are no third-party hospitals or mixed sites which are likely to act as a hub.
160. While the CMA is unable to fully exclude the possibility that there are third-party competitor branch practices located within these catchment areas (with the hub positioned outside of the area), the Parties have not identified any such instances.

Weighting within the effective competitor set

161. Given the identified number of FTE vets at each of the sites within a catchment area, the CMA's analysis applies an equal weighting to each site. This is consistent with the approach adopted in *CVS/The Vet*.
162. The CMA has considered whether practices owned and operated by one of the Corporate Groups, and those owned and operated by Independents, ought to be

¹²⁰ This methodology has been applied to Goddard's three hospitals, Wanstead, Stone Lion and Mandeville, where [X], [X] and [X] FTE vets have been reallocated across [X], [X] and [X] branch practices respectively. For VetPartners, [X] and [X] FTE vets have been reallocated from Forest Epping and Palmerston Buckhurst Hill hospitals to their two branch practices respectively. For Forest Epping, revenue data was not available for both of the branch practices and so the [X] FTE vets have been allocated evenly across the two branch practices.

¹²¹ This limitation was noted by the Parties in Parties' Response to the Issues Letter, slide 34.

weighted equally. The Parties submitted that there is no compelling reason to adopt a different weighting.¹²²

163. The CMA has reviewed some evidence to suggest that there are various advantages and disadvantages to both ownership models.¹²³ The primary advantage that has been submitted with respect to independent ownership is some customers' preference for Independents. However, the CMA has received evidence that Corporate Groups often avoid advertising their ownership of veterinary sites in order to benefit from a perception that those sites are independent. The CMA has also seen evidence that suggests at least some Independents may pose a weaker competitive constraint (for example because Corporate Groups have more buyer power in procurement, are better able to advertise their services and brand, are able to offer a wider range of services, and are better able to recruit and retain vets).¹²⁴ As such, the CMA currently understands that there is significant variation among the competitive constraint exerted by different Independents, including in terms of capacity, facilities, marketing, etc. The CMA does not currently consider that it has sufficient information to determine whether weighting these sites differently is appropriate, and if so, what the correct weighting should be.
164. The CMA has also considered whether to weigh sites situated more closely to the centroid practice more heavily in its analysis. As set out in paragraph 112112, the CMA considers that proximity has already been taken into account within its competitive assessment through the use of the local catchment areas. The evidence available to the CMA does not support the position that more weight should be placed on proximity (as would be the case were weighting based on the distance between sites within the catchment areas to be applied) given that factors other than distance also appear to have a material bearing on customer-decision making.
- Threshold
165. The CMA believes that a threshold of a 30% combined share calculated on the basis of practices' FTE vets data is appropriate for the identification of areas in which there is (absent evidence to the contrary) a realistic prospect of an SLC in this case. In other cases, the CMA identified areas where the merger may give rise to competition concerns by identifying areas exceeding both a combined share threshold and an increment threshold of 5%.¹²⁵ The CMA notes that, in this case, the Merger gives rise to an increment exceeding 5% in all areas where the Parties'

¹²² Parties' Response to the Issues Letter, slide 32.

¹²³ Third-party questionnaire responses. [S<] consider that corporate veterinary clinics receive more substantial discounts from wholesalers; Note of call with [S<] stated that clients are not aware of the lack of choice in a local area because, after being acquired, the entity does not change the name of the sites; [S<] consider the larger corporate groups have the ability to offer the charity greater discounts on their fees.

¹²⁴ Third-party questionnaire responses of [S<], [S<] and [S<].

¹²⁵ See for example: Tarmac Trading Limited/Breed Group plc Decision [Tarmac Breedon full text decision \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/).

combined share exceeds 30%. As such, the CMA considers that it is not necessary to assess whether an additional threshold of 5% would be appropriate in this case.

166. The Parties submitted that this is a 'low filter' which is 'significantly out of line with the CMA's decisional practice'.¹²⁶
167. The CMA believes that a threshold of 30% is reasonable given the particular facts of the case. The thresholds chosen in a given case are based upon the particular evidence available in that investigation. As such, it is not possible to infer the correct threshold in one case from the thresholds applied in previous cases in other industries. Notwithstanding that position, a number of factors (summarised below) distinguish the position in this case from those in other cases.
168. A starting point of 30% to assess competition concerns is broadly consistent with the CMA's prior practice.¹²⁷ Higher thresholds have been used in cases where significant evidence or analysis was available to support such a position or/and there was evidence of material out-of-market constraints. For example:
- (a) in the case of pub mergers, the CMA adopted a more cautious approach when investigating earlier cases in the sector, using a threshold of 25%, when the CMA lacked probative evidence in relation to the strength of out-of-market constraints.¹²⁸ The CMA later adopted a higher threshold of 35% during the investigation of *Spirit Pub Company PLC by Greene King PLC* upon receiving robust evidence both from internal documents and from a survey that supported the strength of out-of-market constraints;¹²⁹ and
 - (b) in the case of *Ladbrokes/Coral*,¹³⁰ the CMA considered a range of 'candidate thresholds' of between 30-40%. In that case, the CMA opted for a threshold of 35%, and was able to reject the lower threshold of 30% on the basis of an analysis of concentration and competitive outcomes completed during an in-depth phase 2 investigation.
169. In this case, the Parties have presented little robust and probative evidence to support a higher threshold. The CMA is not able to call on existing research into the veterinary sector, such as consumer surveys, to inform the CMA's understanding on

¹²⁶ Parties' Response to the Issues Letter, slide 30.

¹²⁷ In the recent case of *Veolia/Suez* a threshold of 30% was used and the CMA considered that a threshold of 25% might be appropriate. The CMA did not need to conclude on whether a threshold of 25% was appropriate as this lower threshold did not result in any additional overlapping areas (*Veolia Environmental S.A/Suez S.A (December 2021)*, ME/6908-20 [Phase 1 decision](#), paragraph 723).

¹²⁸ See for example: *Punch/Spirit Decision* [Completed acquisition by Punch Taverns plc of Spirit Group Holdings Ltd \(publishing.service.gov.uk\)](#); *Greene King/Hardy and Hanson Decision* [Anticipated acquisition by Greene King plc of Hardys and Hansons plc \(publishing.service.gov.uk\)](#).

¹²⁹ See paragraph 111 of the Decision: [Greene King/Spirit full text decision \(publishing.service.gov.uk\)](#).

¹³⁰ [Ladbrokes/Coral Final Report \(publishing.service.gov.uk\)](#), paragraph 7.134.

the nature of competition and, as set out in the frame of reference section, the CMA considers there are limited out-of-market constraints.

- Additional measures considered for the local area analysis

170. The CMA may apply additional filters where the evidence suggests that such additional filters would provide a more accurate assessment of competitive constraints in the local areas. In this case, the CMA has not found that such additional filters would be appropriate.
171. The CMA invited the Parties to make submissions regarding the appropriateness of any secondary measures. The Parties submitted that a fascia count approach should be used as a cross check, noting that the number of competitors in an area is important from a consumer choice perspective.¹³¹ More generally, they submitted that the CMA's approach should be 'more nuanced', making individual assessments after an initial market share filter using objective criteria such as fascia count, charitable practices, home visit vets, competitors outside the catchment area and geographic closeness.¹³²
172. The CMA notes that the competitive assessment of local areas that fail a filter will typically be based on an assessment of factors that can be systematically analysed across all local areas (rather than an in-depth assessment of the varied indicators of competition).¹³³ As noted in the CMA's Merger Assessment Guidelines, it may be difficult for the CMA to verify whether the material presented to it within an individual assessment provides a balanced picture of each particular area, and to ensure that the same factor is taken into account across all local areas (including those that passed any initial filter).
173. The CMA has not identified any measure that would systematically capture important aspects of competition in the market that are not reflected in the 30% combined share threshold. As set out above, the CMA has already considered the constraint offered by out-of-market constraints such as charities and home visit vets when choosing the threshold. The CMA has not identified any appropriate measures that may be additionally used in this case and has therefore chosen to rely exclusively on a 30% combined share threshold, calculated on the basis of FTE vets.

¹³¹ Parties' Response to the Issues Letter, slide 37.

¹³² Parties' Response to the Issues Letter, slide 39.

¹³³ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.33.

Outcome of local area analysis

174. Based upon the methodology set out above, the CMA's local area analysis identifies 11 local areas where the Parties' combined share of supply exceeds the 30% threshold, as set out in Table 1 below.

Table 1: Combined shares of supply

Site type	Centroid site name	Centroid site owner	Range of combined share (by FTE vets)
Hospital	Goddard Wanstead	Goddard	90-100%
Hospital	Forest Veterinary Centre Epping	VetPartners	60-70%
Hospital	Palmerston Veterinary Group Buckhurst	VetPartners	60-70%
Practice	Goddard Chingford	Goddard	30-40%
Practice	Goddard Loughton	Goddard	60-70%
Practice	Goddard South Woodford	Goddard	90-100%
Practice	Goddard Walthamstow	Goddard	70-80%
Practice	Best Friends Isle of Dogs	VetPartners	40-50%
Practice	Best Friends Oakhill	VetPartners	60-70%
Practice	Forest Veterinary Centre Woodford	VetPartners	60-70%
Practice	Palmerston Veterinary Group Walthamstow	VetPartners	70-80%

Conclusion on horizontal unilateral effects

175. For the reasons set out above, the CMA believes that there is a realistic prospect of an SLC arising in the 11 catchment areas listed in Annex 1, in relation to horizontal unilateral effects in the supply of standard small animal veterinary services.

BARRIERS TO ENTRY AND EXPANSION

176. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.¹³⁴

- Access to vets

177. As noted in paragraph 41, the CMA has reviewed a range of evidence indicating that there is a shortage of vets, made more acute recently because of the EU exit and the COVID-19 pandemic. In the presence of such a shortage, the CMA considers that existing veterinary sites will likely face barriers to expansion and that this will also create a barrier to entry for new sites.

¹³⁴ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, from paragraph 8.40.

178. The Parties submitted that a shortage of vets in the wider profession is not a barrier to existing vets establishing their own veterinary sites and highlighted instances where senior vets had left [X] veterinary site to set up new premises, [X].¹³⁵ The Parties also submitted that there has been an increasing number of veterinary sites and associated employment in the UK, with a 50% and 52% increase respectively since 2013/2014.¹³⁶
179. The CMA recognises there may be some instances of existing vets setting up new veterinary sites but does not consider that the evidence submitted by the Parties shows this to be a material constraint on the Parties. In addition, the CMA notes that such entry will only provide an additional constraint where a competitor vet moves into an area where the Parties compete (having previously practiced elsewhere) or leaves either a VetPartners or a Goddard site. The CMA understands that vets working at sites that have been sold may be subject to restrictive covenants that could prevent them from practicing at a different site (in the area) for some time, making new entry less likely and timely.¹³⁷
- Other evidence on entry and expansion
180. The Parties also submitted evidence of entry in the last eight months in Greater London and within 25 minutes' drivetime of a Goddard site.
181. The CMA does not consider that the opening of the relatively small number of sites mentioned by the Parties provides evidence to support the position that future entry or expansion would be sufficient to prevent the loss of competition brought about by the Merger (even leaving aside whether past entry supports the position that future entry is timely or likely).
- Conclusion on barriers to entry and expansion
182. For the reasons set out above, in particular the evidence regarding the ongoing shortage of key staff in the veterinary industry, the CMA believes that entry or expansion would not be sufficient, timely or likely to prevent a realistic prospect of an SLC as a result of the Merger.

THIRD-PARTY VIEWS

183. The CMA contacted customers and competitors of the Parties as well as other interested third parties. Some competitors as well as other third parties raised

¹³⁵ Parties' Response to the Issues Letter, slides 26 to 27.

¹³⁶ Parties' Response to the Issues Letter, slide 29.

¹³⁷ Parties' Response to the Issues Letter, slide 26.

concerns regarding the effects of the Merger and the effects of corporate consolidation in the veterinary sector.

184. The CMA received input from the veterinary site owners of over 100 small animal veterinary sites active in and around the local areas where the Parties' activities overlap, charitable providers of veterinary care and industry bodies to inform its understanding of the veterinary industry in the UK and to provide context to its review of the Parties' submissions and internal documents provided throughout this investigation.
185. Third-party comments have been taken into account where appropriate in the competitive assessment above.

CONCLUSION ON SUBSTANTIAL LESSENING OF COMPETITION

186. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in relation to the supply of standard small animal veterinary services in the local areas listed in Annex 1.

DECISION

187. Consequently, the CMA believes that it is or may be the case that (i) a relevant merger situation has been created; and (iii) the creation of that situation has resulted, or may be expected to result, in an SLC within a market or markets in the United Kingdom.
188. The CMA therefore believes that it is under a duty to refer under section 22(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.¹³⁸ VetPartners has until 6 May 2022¹³⁹ to offer an undertaking to the CMA.¹⁴⁰ The CMA will refer the Merger for a phase 2 investigation¹⁴¹ if VetPartners does not offer an undertaking by this date; if VetPartners indicates before this date that it does not wish to offer an undertaking; or if the CMA decides¹⁴² by 13 May 2022 that there are no reasonable grounds for believing that it might accept the undertaking offered by VetPartners, or a modified version of it.
189. The statutory four-month period mentioned in section 24 of the Act in which the CMA must reach a decision on reference in this case expires on 29 April 2022. For the avoidance of doubt, the CMA hereby gives VetPartners notice pursuant to section 25(4) of the Act that it is extending the four-month period mentioned in section 24 of the Act. This extension comes into force on the date of receipt of this notice by VetPartners and will end with the earliest of the following events: the giving of the undertakings concerned; the expiry of the period of 10 working days beginning with the first day after the receipt by the CMA of a notice from VetPartners stating that it does not intend to give the undertakings; or the cancellation by the CMA of the extension.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
28 April 2022

¹³⁸ Section 22(3)(b) of the Act.

¹³⁹ Section 73A(1) of the Act.

¹⁴⁰ Section 73(2) of the Act.

¹⁴¹ Sections 22(1) and 34ZA(2) of the Act.

¹⁴² Section 73A(2) of the Act.

ANNEX 1: LOCAL CATCHMENT AREA SLC SITES

Site type	Centroid site name	Centroid site owner
Hospital	Goddard Wanstead	Goddard
Hospital	Forest Veterinary Centre Epping	VetPartners
Hospital	Palmerston Veterinary Group Buckhurst	VetPartners
Practice	Goddard Chingford	Goddard
Practice	Goddard Loughton	Goddard
Practice	Goddard South Woodford	Goddard
Practice	Goddard Walthamstow	Goddard
Practice	Best Friends Isle of Dogs	VetPartners
Practice	Best Friends Oakhill	VetPartners
Practice	Forest Veterinary Centre Woodford	VetPartners
Practice	Palmerston Veterinary Group Walthamstow	VetPartners