

Veterinary Services for Household Pets in the UK

Board Advisory Steer

Background

1. The CMA's procedural guidance on market studies and market investigations (the Guidance) states that, where the CMA undertakes a market study leading to a market investigation (MI), in addition to drafting the formal terms of reference for the MI (Terms of Reference), the CMA Board may append an advisory steer to the MIR decision setting out its expectations regarding the scope of the MI and the issues that could be the focus of the investigation. The Inquiry Group is expected to take this into account, although it will continue, as required by the legislation, to make its statutory decisions independently of the CMA Board.^{1, 2}
2. The CMA's report on the responses to its consultation on the Guidance notes that the steer is 'simply intended to provide additional clarity over the views (if any) of the Board on the expected scope of the MI, including issues to be addressed or issues that it considers do not require further consideration, based on the previous work undertaken.'
3. While the CMA did not conduct a market study in this case, the situation is analogous as we move from one phase of the CMA's work to another. Accordingly, and based on the previous work undertaken in relation to the relevant market, the CMA Board's advisory steer to the Inquiry Group for the MI relating to the supply of Veterinary Services for Household Pets in the UK (the Group) is set out below.

Advisory Steer

¹ [Market studies and market investigations: Supplemental guidance to the CMA's approach](#) (Paragraph 3.39, CMA3, July 2017)

² In its [Response to the consultation on guidance on market investigations](#) the CMA stated: 'We believe [the steer] will help maximise the potential synergies between MSs and MIs carried out by the CMA and reduce the risk of unnecessary duplication, by allowing the Board to take more explicit account of the work undertaken in an MS in setting out its views on the appropriate scope of an MI. We therefore consider that these changes are consistent with the creation in ERA13 of the CMA as a single competition authority, a key rationale for which was to avoid duplication and to bring about greater efficiencies in markets work, while preserving the independence of decision-making between MSs and MIs which remains central to the regime.'

4. This advisory steer forms part of the CMA's decision to refer the market for the supply of veterinary services for household pets in the UK (the Decision). It is separate from, but should be read in conjunction with, the Terms of Reference.
5. Based on the evidence gathered and analysis performed to date, the CMA's view is that there are reasonable grounds for suspecting that there are features of the market which, alone or in combination, may prevent, restrict or distort competition in the supply of veterinary services for household pets.
6. Our concerns include:
 - (a) Consumers may not be given enough information to enable them to choose the best veterinary practice or the right treatment for their needs. Evidence so far has shown that there is a lack of transparency on prices (the vast majority of vet practices provide no pricing information on their websites or do not always inform customers of the costs in advance of treatments), as well as ownership (in most cases a corporate group keeps the original name and branding when it takes over an independently owned vet);
 - (b) Concentrated local markets, in part driven by sector consolidation, may be leading to weak competition in some areas. Acquisitions of independently owned vet practices have resulted in some local areas having relatively limited choice of first opinion veterinary practices, with a large corporate group owning at least two vet practices and having a market share of more than 30% and, in some cases, owning multiple vet practices with no local competitors;
 - (c) Large integrated groups, which now own around 60% of first-opinion practices, have also invested in related services (eg crematoria, labs and referral centres). Whilst there may be resulting efficiencies and other benefits, these developments could give these groups incentives to favour higher priced, sophisticated treatment options to the exclusion of simpler, cheaper treatments which consumers might prefer if fully informed. We are also concerned that the self-preferencing of in-group services could be reducing consumer choice (which could increase prices or reduce service quality) and impacting the viability of independent providers of these services;
 - (d) Pet owners might be overpaying for medicines or prescriptions, which we estimate represent about 20-25% of income for practices within corporate groups, as they may not always be adequately informed of their options; and

- (e) The regulatory framework, based on legislation which dates from the mid-1960s, is outdated and may no longer be fit for purpose.
7. The supply of veterinary services to household pets is an important market which affects a large number of UK consumers, and where people may be making a purchase in emotional circumstances, advised by an expert professional in an area where they typically lack expertise. Furthermore, rapid changes have occurred in recent years, including the high number of acquisitions by corporate groups resulting in significant consolidation and vertical integration, which have affected the way in which veterinary services for household pets are supplied.
 8. The importance of the market for the supply of veterinary services for household pets is demonstrated in the scale of the public and professional interest in this MI (reflected in the vast number of responses to our Call for Inputs, the large media interest and the overwhelmingly supportive consultation responses). The scale and content of those responses also shows there is an appetite to deliver results for UK consumers and the veterinary industry as expeditiously as possible. We expect the Group to be mindful of both these points in devising its plan of work and setting its administrative timetable.
 9. In examining the various concerns highlighted above, we would expect the Group to focus in particular on those areas most affecting consumers, run an expeditious investigation (without compromising a thorough examination of the issues) and implement an effective communication and engagement strategy in the interests of consumers, veterinary professionals and other stakeholders. We deal with each of these points in more detail below.
 10. Given the importance of the market and the changes it has undergone, we would expect the Group to take account of the need to focus in particular on those areas of the market that are most likely to affect consumers. Those include the effects of new business models, vertical integration and local concentration following consolidation in the market, and factors that may lead to consumers over-paying for veterinary services or medicines.
 11. We expect the Group to consider also the role that pet insurance, and the insurers themselves, have in the supply of veterinary services for household pets, as well as the role they should have in a well-functioning market, taking into account, however, that the investigation is not an investigation of the market for the supply of such insurance.
 12. The Group will weigh up the evidence and reach its conclusions independently. If it reaches a view that one or more features of the market

lead to an adverse effect on competition and remedies are appropriate, we urge the Group to consider the full range of possible remedies and identify those appropriate to remedy, mitigate or prevent the adverse effect or its detrimental consequences for consumers. Where the Group finds an AEC in part or wholly arising from structural features of the market, we would expect the Group to consider the effectiveness and proportionality of structural remedies. Finally, where the Group considers that changes to the current regulatory framework are likely to be required, we would encourage early engagement with Government on this issue.

13. As regards the expeditious running of the investigation, without compromising a thorough examination of the issues, we would urge the Group to seek to identify at an early stage where there is sufficient evidence of an adverse effect on competition and, consequently, focus resources on the consideration of the appropriate remedies (rather than additional evidence gathering or analysis of that effect on competition). Conversely, if there are areas of the inquiry where early on evidence suggests that no adverse effect on competition exists, or that appropriate remedies are unlikely to be available, we would urge the Group to deprioritise such areas.
14. In relation to the adoption of an effective communication and engagement strategy in the interests of consumers, veterinary professionals and other stakeholders, we would expect the Group to consider:
 - (a) Whether, without prejudging the Group's conclusions on the statutory questions it needs to consider, there are discrete positive steps that the CMA can suggest for consumers and veterinary professionals to take at interim stages alongside the progress of the investigation.
 - (b) How to maximise effective engagement across the wide range of stakeholders that are present in this market, not all of whom will be equally well-resourced.
 - (c) How best to communicate with the public, media and other stakeholders to keep them appropriately informed of progress in the investigation.