Veterinary services for household pets in the UK

Issues Statement

Summary

1. The Issues Statement is an opportunity for the Inquiry Group to set out the areas that we wish to explore during the market investigation into veterinary services for household pets. We set out the types of information and evidence we intend to gather, the issues we will examine and the types of remedies we may consider if we find that there is an adverse effect on competition to address. This Statement also sets out the relevant framework for conducting this investigation, the types of decisions we need to make and the conditions under which we would seek to impose remedies. It provides an opportunity for the veterinary sector and other interested parties to comment on these issues and our planned approach.

Background

2. On 23 May 2024, following a market review launched on 7 September 2023 and a consultation opened on 12 March 2024, the Competition and Markets Authority ('CMA'), in exercise of its powers under sections 131 and 133 of the Enterprise Act 2002 ('the Act'), made a reference for a market investigation in relation to the supply of veterinary services for household pets in the United Kingdom.

3. During the market investigation, the CMA, acting through a group of independent members constituted from its panel ('the Group'),[1] is required to decide whether any feature or combination of features of each relevant market prevents, restricts, or distorts competition in connection with the supply or acquisition of any goods or services in the UK or a part of the UK.[2] If the Group decides that there is such a prevention, restriction, or distortion of competition, we will have found an 'adverse effect on competition' ('AEC').[3]

4. If the Group finds that there is an AEC, we have a duty to decide whether the CMA should take action, and/or whether it should recommend others take action, to remedy, mitigate, or prevent the AEC concerned or any detrimental effect on customers so far as it has resulted from, or may be expected to result from, the

[1] Martin Coleman (Inquiry Chair), Humphrey Battcock, Robin Cohen, Susan Hankey, and Keith Richards.
[2] See section 134(1) of the Act.
[3] As defined in section 134(2) of the Act.

AEC.[4] If we decide that action should be taken, we must also decide what action should be taken and what is to be remedied, mitigated, or prevented.[5]

The purpose of this Statement

5. The Issues Statement provides an opportunity for the Group to set out our views on what we will explore during the market investigation, based on the evidence we have reviewed so far.[6] This Statement sets out:

   (a) Our initial hypotheses about which features of the supply of veterinary services for household pets in the UK may be adversely affecting competition; and

   (b) which potential remedies may be suitable to address any AECs that we may find, or any detrimental effect on customers resulting from any such AECs.[7]

6. This Statement provides part of the framework for our investigation. In putting it together we have considered the complexity and size of the market(s) involved and the time we have under the 18-month statutory timetable in which to carry out our investigation.

7. The hypotheses set out in this document do not imply any pre-judgement of an AEC; rather they are areas that, at this stage, we consider to be worth further investigation and analysis. The hypotheses set out in this Statement may change as our investigation progresses. There is no presumption that any AECs will be found. Similarly, we will only put in place remedies if we identify that there are competition concerns (ie AECs) in the markets referred. The consideration of both competition issues and potential remedies is therefore hypothetical at this stage.

8. This Statement does not, therefore, represent our provisional views, findings, or conclusions on either the competition issues or any potential remedies (if they might be needed). We have yet to determine whether there are any competition concerns in the supply of veterinary services for household pets in the UK.

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[4] Section 134(4) of the Act.
[5] Section 134(4) of the Act.
[6] The principal evidence drawn on is the evidence referred to in the CMA's consultation on a proposal to make a market investigation reference into veterinary services for household pets in the UK and the Final Report of the consultation.
[7] As noted in paragraph 4 above, if the CMA finds that there is an AEC, it has a duty to decide whether (and if so what) remedial action should be taken as regards the AEC concerned or any resulting detrimental effect on customers. In paragraph 5 and in the remainder of this document, we refer to potential remedies to address any AECs that we may find as shorthand to mean potential remedies to the AECs concerned or any resulting detrimental effect on customers.

Background and approach to the investigation

Background

9. In September 2023, the CMA launched a market review into veterinary services for household pets to explore whether consumers were getting a good deal when buying veterinary services and receiving the information they need to make good choices.[8]

10. As part of this market review, the CMA inquiry team gathered information from, and/or met with, a range of other stakeholders, including the large veterinary groups, smaller vet businesses, industry bodies, insurance companies and animal charities. The CMA also ran a Call for Information ('CFI') which generated around 56,000 responses, including almost 45,000 from pet owners and over 11,000 from veterinary professionals, plus several hundred from interested third parties. Additionally, the CMA commissioned some qualitative consumer research with pet owners.

11. Having reviewed this evidence, the CMA was concerned that the supply of veterinary services in the UK might not be a well-functioning market, and that there might be ways in which this market could work better for pet owners and, potentially, for veterinary professionals themselves. The CMA Board considered that the CMA should use its statutory powers to gather additional information and further investigate this sector, and to put in place appropriate remedies if its concerns were borne out by the evidence.

12. Therefore, in March 2024 the CMA consulted on making a market investigation reference. The consultation was open for four weeks. Having considered the responses to this consultation, alongside the evidence already gathered, the CMA Board decided that the reference test was met and that it was appropriate to make a market investigation reference. Accordingly, the CMA made a reference for a market investigation in relation to the supply of veterinary services for household pets in the United Kingdom on 23 May 2024.

13. The statutory timetable for a market investigation runs for 18 months (with a potential additional 6 months for putting remedies in place), meaning that (barring any extension) we will need to deliver our final report – including outlining any remedies we decide to put in place – by 22 November 2025. The administrative timetable is available on our case page.

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[8] https://www.gov.uk/cma-cases/veterinary-services-market-for-pets-review.

Scope of the reference

14. This market investigation is in relation to the supply of veterinary services for household pets in the United Kingdom.

15. For the purposes of the reference;

    (a) ‘household pets' means an animal such as a dog or a cat (but not a farm animal or horse) that is kept for companionship or protection and habitually resides in the owner’s dwelling;

    (b) the relevant consumer is a pet owner, rather than an ‘animal owner’ (which includes a broader range of species) or ‘animal keeper’ (someone who takes care of animals in a professional capacity).

16. We do not intend to consider specifically veterinary services which are aimed at farms, stables, or petting zoos. We intend to concentrate on the provision of vet services for pet owners who, in many cases, may be less experienced consumers of these services and less able to navigate the complexity of the market. However, we may consider – to the extent possible – whether any remedies that we might implement to improve the way the market works for consumers and the most common pets might also help to improve outcomes for more exotic pets and for customers with farm animals and horses, to the extent that any remedies are not restricted to specific species or types of veterinary practice.

17. For the purposes of this reference, ‘veterinary services’ includes, but is not limited to, the provision of:

- first opinion practice services;
- out-of-hours first opinion services;
- diagnostic laboratory services;
- animal hospital services;
- referral centre services;
- pet cremation services;
- pet care plans;
- prescribed veterinary medicines.

18. The scope of this reference therefore includes all the services which a first opinion vet practice (‘FOP’), a referral centre, an out-of-hours (‘OOH’) vet service, or an animal crematorium might supply to an owner of a household pet.

19. We also intend to consider the role pet insurance and insurers have in the supply of the relevant services and their role in a well-functioning market but will not investigate the market for the supply of such insurance (which is outside the scope of the reference).

20. For the purposes of this investigation, the terms below have the following meanings:

- first opinion practice ('FOP'): the term used in this document, and in the sector, for general veterinary practices.
- referral centre: a veterinary practice or animal hospital that offers services accessed via a referral from one qualified vet to another and where such referral work forms a substantial part of the site's offering (ie they have Veterinary Hospital accreditation by RCVS or equivalent). Vets at a referral centre may have a particular specialism, and referral centres may, for example, offer specialist imaging, dentistry or complicated surgery.[9]
- animal hospital: a veterinary practice that has Veterinary Hospital accreditation by RCVS or equivalent. Animal hospitals offer more specialist veterinary services and may also offer such general veterinary practice services alongside them.
- diagnostic tests: any test with the aim of identifying a disease or condition or checking general indicators of overall health. This may include, but is not limited to, analysis of blood, tissue, urine or stool, as well as a range of scans and imaging tests.
- pet care plans: paid plans that cover routine medication and services which may include annual vaccinations, check-ups, and preventative treatments against fleas and worms.
- large corporate groups: the six largest veterinary groups in the UK (CVS, IVC, Linnaeus, Medivet, Pets at Home and VetPartners).

Our approach to this investigation

21. In the rest of this section, we explain some of the guiding principles that will inform our approach to this investigation.

22. We intend to:

[9] Referral work may also take place in other types of practices or settings, such as first opinion practices, and we intend to explore how to reflect this in our analysis.

(a) Define the relevant markets within which veterinary businesses including first opinion practices, referral centres, diagnostic labs and animal crematoria compete, to the extent this is appropriate or necessary;

(b) assess the nature of competition in those markets, taking account of any likely and foreseeable future developments in the sector, and

(c) reach a view on whether any features of the relevant markets prevent, restrict, or distort competition.

23. If we determine that any features prevent, restrict, or distort competition – and therefore that there is an AEC – we will have to decide whether the CMA should take action to remedy the AEC or any resulting detrimental effect on consumers, or whether we should recommend that others do so. Our approach to considering remedies is explained in paragraphs 118 to 124.

Proposed focus

24. In deciding where to focus our initial lines of enquiry, we have considered the evidence gathered and analysis carried out for the market review, as well as comments received in response to the consultation on making a market investigation reference. In addition, we have taken account of an advisory steer from the CMA Board.[10]

25. We intend to build on the evidence gathered during the market review. Our evidence gathering for this investigation will be wide ranging and will use a number of sources, including:

- questions to (and internal documents of) veterinary businesses of all sizes and suppliers to those businesses;
- site visits to relevant locations (eg FOPs and referral centres of different types in different parts of the UK);
- roundtables with veterinary professionals and relevant organisations and teach-ins given by the main parties to the investigation;
- formal hearings, and consultations on working papers and provisional findings; and
- (potentially) external research with consumers and veterinary professionals.

26. Within this framework, there are some overarching issues which we shall be particularly keen to explore throughout this investigation:

[10] Board Advisory Steer.

(a) How consumers make their decisions at different stages of purchasing veterinary services, for example choosing the FOP with which to register and use, and in particular, which tests, treatments, and cremation service(s) to purchase, including whether consumers shop around, seek quotes from different providers and switch providers.

(b) How the owner's and/or pet's circumstances may impact consumers' decision making at these various stages, for example the consumer's level of experience as pet owner or the severity of the pet's condition.

(c) What information is available to consumers, and how it is delivered, at various points to help them decide what services to purchase (eg on pricing, treatment options and outcomes, and options for purchasing medicines).

(d) The incentives on veterinary professionals to facilitate consumer choice, that is to help pet owners make informed decisions and choose the best veterinary services for their needs at a competitive price (eg advising pet owners on how different referral centres compare on price and treatments offered).

(e) The impact of different business models in the sector (ranging from those adopted by large vertically integrated groups to single practice independently owned vet businesses which may offer a more limited range of services). In particular, the incentives involved in these different business models (eg based on the profitability of different products and services and the relationships with any affiliated services), whether these incentives affect competition, and/or have any impact on pricing or treatments offered.

(f) Whether the regulatory framework contains the right combination of substantive requirements and enforcement mechanisms to help produce outcomes that are consistent with a market that is working well. The regulatory framework includes the legislation governing veterinary professionals, professional standards and codes under which veterinary professionals (vets and veterinary nurses) operate, and regulation of the vet practices and businesses where veterinary professionals work. It also includes how regulations are applied, adhered to and enforced, and guidance for following regulations.

(g) Whether there are barriers to entry and innovation.

Industry background

27. We provide a summary of the reference market, covering the characteristics of the market and the ways in which pet owners purchase veterinary services.

28. This market investigation will consider the veterinary services that consumers (owners of household pets) purchase from FOPs directly (eg consultations, diagnostic tests, medication and prescriptions for medication), as well as certain adjacent veterinary services or those which are purchased after a referral from their first opinion vet (certain diagnostic tests, surgical procedures, cremations).

Market characteristics

Supply-side: who supplies veterinary services

29. A major development in the veterinary sector over the last 10 years has been the rapid, significant, and ongoing growth of a few large suppliers. There are around 5,000 vet practices in the UK and around 1,500 owners of these, ranging from large groups to independent vets with a single practice. In 2013, around 10% of vet practices belonged to large groups, but that share is now almost 60% and has grown principally through acquisition of independently owned FOPs and smaller chains.

30. There are six large groups: CVS, IVC, Linnaeus, Medivet, Pets at Home and VetPartners. IVC is the largest supplier with over a thousand practices, and Linnaeus is the smallest of these six, with over 160 practices. There appears to be a significant gap between the turnover and number of FOPs owned by the smallest of these large groups and the next largest chain (DNA Vetcare, which has around 35 practices), and so we consider that it is a reasonable starting point to consider these six businesses as being different from the rest of the market. In common with the industry, we refer to these as Large Corporate Groups, or LCGs.

31. These large veterinary groups have also, to varying degrees, acquired businesses which sell related services such as referral centres, diagnostic labs, animal crematoria, and online pharmacies for animal medication. Of the six large corporate groups, IVC and CVS are the most integrated into other services, as shown in Table 1 below.

Table 1: Vet groups' related businesses and services, 2023

	CVS	*IVC*	*Linnaeus*	*Medivet*	*Pets at Home*	*VetPartners*
Referral centre / animal hospital	✓	✓	✓	✓	✓	✓
Specific out-of-hours businesses	✓*	✓*				
Diagnostic laboratory	✓		✓**	✓		✓
Crematoria	✓	✓				✓
Online pharmacy	✓	✓				✓

Sources: CVS, IVC, Linnaeus, Medivet, Pets at Home, Vet Partners
** CVS and IVC have confirmed ownership of specific OOH businesses. A specific out-of-hours business is a provider that focuses on out-of-hours veterinary care, including providing services to other FOPs to allow them to meet their obligations to make OOH available.*
*** Mars, Linnaeus's parent company, owns Antech Laboratories*

Demand-side: how consumers purchase veterinary services

32. The qualitative consumer research that we conducted for our market review found that the pet owners we spoke to do not tend to consider pricing to any significant extent when considering or purchasing veterinary services. Some consumers on lower incomes or under financial pressure mentioned sacrificing other expenses to pay for veterinary care, and some cancelled insurance due to affordability constraints.

33. The research suggested that pet owners tend to choose a first opinion practice based on location, convenience, or recommendation, rather than considering prices, in part because they (incorrectly) assume that all practices would charge the same. The consumer research also suggested that people rarely switch between veterinary practices except when moving house.

34. The research suggested that people do not consider themselves experts when assessing treatments for their animals and rely on the vet's recommendation, and that they generally do not feel confident in asking their vet to offer alternative options or questioning the price, especially if they are less experienced pet owners.

35. We consider that consumers purchasing veterinary services may be in a vulnerable position or may otherwise find it difficult to evaluate the commercial aspects of a decision about their pet's treatment. When a pet is very ill or when treatment appears to be very urgent, consumers may not be able to consider costs or make a reasoned judgement about options. Even when the situation is less urgent or upsetting, consumers may find it difficult to ask questions about alternative options because they do not want to appear to be questioning their vet's expertise. Consumers might also not ask questions about prices when their focus is on their pet's welfare, and transparent information about prices may not be offered at the right time.

36. The qualitative consumer research and responses to our CFI suggested that there may be a lack of transparency about prices. For example, a substantial share of respondents to our CFI told us that they had not received information on pricing before committing to tests or surgery. Our review of vet practice websites suggested that over 80% of them had no pricing information at all, even for standard services. Our qualitative market research and, to a lesser extent, our CFI indicated that many pet owners are not aware that they may be able to ask their vet for a prescription and obtain medication for their pet elsewhere, an option which may well save them money.

37. Evidence suggests that there is a lack of transparency over ownership of FOPs and suppliers of other services. We understand that FOPs belonging to four of the six large vet groups do not usually make it clear in their name or marketing materials that they are owned by a large group,[11] meaning that even the limited number of consumers who do seek to compare alternative options may not be aware that they are comparing practices under the same ownership. Consumers may also be recommended other services (such as surgeries at referral centres) without being told, or knowing, that the supplier is owned by the same group as the first opinion practice which employs the vet making the recommendation.

Regulation

38. The primary regulation in the industry dates from the mid-1960s: *The Veterinary Surgeons Act* 1966. The Royal College of Veterinary Surgeons ('RCVS') is the statutory regulator. It maintains a register of vet surgeons and veterinary nurses and is responsible for enforcing the industry regulations and for maintaining and developing professional standards for vets and veterinary nurses, in part through its Codes of Conduct and guidance.

39. The sector has changed greatly since this Act came into force; in particular, many veterinary businesses are now owned or run by non-veterinary professionals. The RCVS's formal remit, derived from legislation, is in relation to individual practitioners, not in relation to practice owners (who do not need to be qualified vets) or vet practices as businesses.

40. The RCVS operates a mandatory Code of Professional Conduct for all practising vets, which sets out their professional responsibilities. Supporting guidance provides further advice on the proper standards of professional practice and includes some elements which address how vets should interact with consumers,

[11] The affiliation can usually be found at the very end of certain pages on the individual FOP's website.

for example that they should provide sufficient clear and easy to understand information about fees.[12]

41. The current regulatory framework, which applies to individuals rather than businesses, might mean that the RCVS has limited leverage over the commercial and consumer-facing aspects of vet businesses. The RCVS runs a voluntary Practice Standards Scheme ('PSS') which applies to the vet practice rather than individuals, which might go some way to overcoming this limitation. This encourages best practice, including in areas such as how prices are communicated to consumers. We understand, however, that only around 69% of eligible practices have signed up to this voluntary scheme,[13] meaning that almost a third of the market has not committed to this approach. Our understanding is that practices within this scheme are monitored every four years. To remain in the PSS, practices need to achieve the Core Standards laid out in the RCVS Code of Professional Conduct, plus some additional requirements. There are seven additional requirements for general practice accreditation which relate to 'client experience'.[14] These cover such things as having sufficient capacity to meet the workload of the practice, having an efficient system for timely invoicing and all relevant team members having been trained in offering appropriate treatment options.

42. The RCVS Legislation Working Party was established in 2017 with a mission to examine the Veterinary Surgeons Act 1966, and to make proposals for reform 'to ensure that the RCVS can be a 'modern and efficient regulator'. One of the recommendations of this Working Party was that the RCVS should have statutory authority to regulate vet practices as well as individual vets and veterinary nurses.[15] Other industry bodies – such as the British Veterinary Association ('BVA') and the British Veterinary Nursing Association ('BVNA') – have also called for reform of the 1966 Act.[16]

The Profession

43. We have heard concerns from those working in the sector about the pressures they face, including acute staff shortages and difficult conversations with consumers, and the impact this has on individual veterinary professionals. As we proceed with this market investigation, we will be mindful of the burden on

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[12] https://www.rcvs.org.uk/setting-standards/advice-and-guidance/code-of-professional-conduct-for-veterinary-surgeons/supporting-guidance/practice-information-and-fees/, paragraph 9.8.
[13] RCVS, Practice Standards Scheme.
[14] See https://www.rcvs.org.uk/setting-standards/practice-standards-scheme/pss-accreditation-levels/#core, 'PSS Small Animal Modules and Awards – version 3.2', chapter 3.
[15] RCVS Recommendations for Future Veterinary Legislation summary, page 3. The full Report of the RCVS Legislative Reform Consultation is available: here
[16] https://bvna.org.uk/blog/bvna-presses-for-overhaul-of-veterinary-surgeons-act-1966-in-response-to-announcement-of-general-election/,

individual veterinary professionals, and we will continue to take care that our public communications are evidence-based and measured.

Market definition

44. A market is a collection of goods and services provided in a particular geographic area (or in some cases to a particular group of customers or at a particular time), connected by a process of competition. This process is one in which firms seek to win customers' business over time by improving their portfolios of products and the terms on which these are offered, so as to increase demand for the products.[17]

45. Market definition is a useful tool, but not an end in itself; identifying the relevant market involves an element of judgement. The boundaries of the market do not determine the outcome of the CMA's competitive assessment of a market in any mechanistic way. The competitive assessment will take into account any relevant constraints from outside the market, segmentation within it, or other ways in which some constraints are more important than others.[18]

46. While the boundary of a relevant market is usually determined by the degree of demand substitutability (the willingness of customers to switch to other products), the CMA will, where relevant, include supply-side factors in defining the market. There might, for example, be a possibility that firms supplying non-substitute products have the capabilities and assets to redirect production to goods and services that would be substitutes for those in the market.[19]

47. In some cases, the CMA may treat a group of product, geographic or other types of markets together for the purposes of assessing competitive effects. This can be the case where a feature manifests itself in a similar way across several different markets.[20]

48. At this stage, we intend to assess whether it is appropriate to define separate product markets for:

    (a) first opinion practice services;

    (b) out-of-hours first opinion services or other out-of-hours services;

    (c) diagnostic laboratory services sold to the consumer;

    (d) referral centre services;

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[17] CC3 revised, paragraph 130
[18] CC3 revised, paragraph 133.
[19] CC3 revised, paragraph 134.
[20] CC3 revised, paragraph 152.

(e) retail of pet cremation services; and

(f) retail of prescribed veterinary medicines.

49. We will review these potential product markets as we progress our investigation, to see if they remain the most appropriate and useful delineations. At this stage, we do not consider that it will be useful or necessary to consider separate product markets for different types of household pet, as the relevant features are likely to apply for all types of household pets, though we will keep this under review.

50. The provision of these services is often local in nature and for the purposes of assessing concentration concerns (set out below) we intend to define local geographic markets where appropriate. Most of the other possible concerns are features that would manifest themselves in a similar way across all of these local geographic markets. Where this is the case, we intend to assess these concerns across the whole of the UK.

Our hypotheses (or theories of harm)

51. Following careful consideration of the evidence we have gathered as part of the market review, and comments made in response to the consultation on making a market investigation reference, we have identified a number of issues on which we propose to focus our initial evidence-gathering efforts.

52. To provide structure to our assessment of whether there are any features leading to AECs, we set out below high-level hypotheses for investigation (also known as 'theories of harm'). We have not pre-judged whether there may be an AEC; these are hypotheses we propose to test. Our investigation is at a very early stage, and the purpose of identifying these hypotheses is to help frame our investigation and to present some early thinking on these issues for comment. These hypotheses are not necessarily mutually exclusive; indeed, some are closely related and connected to each other. Equally, they may not be exhaustive – there may be other issues that we choose to consider further as our understanding of the market develops. We may find, as our investigation progresses, that some or all of these hypotheses do not hold.

53. At this stage, we are focusing on the issues identified as part of the CMA's work to date, with some slight refinements. We intend to explore these issues through assessing six overall concerns:

(a) pet owners might not engage effectively in the choice of the best veterinary practice or the right treatment for their needs due to a range of factors including a lack of appropriate information;

(b) concentrated local markets, in part driven by sector consolidation, might be leading to weak competition in some geographic areas;

(c) large integrated groups might have incentives to act in ways which reduce choice and weaken competition;

(d) pet owners might not engage effectively and might lack awareness of their options when a pet dies and as result may be overpaying for cremations;

(e) pet owners might be overpaying for medicines or prescriptions due to a range of factors including a lack of awareness of their options;

(f) the regulatory framework is outdated and may no longer be fit for purpose and may currently be operated in a manner that does not facilitate a well-functioning market.

54. We briefly consider each of these concerns below and outline the particular issues we intend to explore to understand better whether any of them may be contributing to an AEC.

Pet owners might not engage effectively in the choice of the best veterinary practice or the right treatment for their needs due to a range of factors including a lack of appropriate information

55. Competition is unlikely to work well if customers are unable to understand and compare different options and prices. We have found that it may be difficult for pet owners to obtain and understand the information they need both to choose between local vet practices and to decide on a particular course of treatment.

56. Under this theory of harm, because of the difficulties that many pet owners may have in judging price and quality in veterinary services, and because of the limited information presented to pet owners up to the point of sale, vet businesses may have weaker incentives to offer attractive prices, raise quality, offer a range of treatment options, or innovate (eg develop lower cost treatments or more advanced treatments) than would exist in a well-functioning market.

57. We shall seek to explore a number of factors:

(a) what information pet owners are provided with, in what form, and at what stages;

(b) how pet owners engage with the information which is available and how this contributes to decision-making around which vet practice to use, and on routine and non-routine treatment options;

(c) how the characteristics and context of consumers (eg urgency, experience or financial circumstances) may affect decision-making or result in potential vulnerabilities, and how pet owners may be able to make use of additional information given these characteristics;

(d) the extent of shopping around and consumer perceptions of the benefits of this (for example, perceptions on whether they could pay less from doing so);

(e) the training that vets and veterinary nurses receive, during studies and on the job, to prepare them for dealing with consumers.

58. These areas for further assessment have been developed in the light of responses to the CMA's CFI and the qualitative consumer research that it has carried out. We intend to explore this further by accessing information from vet businesses as well as, potentially, conducting further consumer research.

Concentrated local markets, in part driven by sector consolidation, might be leading to weak competition in some areas

59. Consumers tend to choose a practice that is close to their home and therefore local competition is important. As we observe above, a major development in the veterinary sector over the last 10 years has been the rapid, significant, and ongoing growth of a few large corporate suppliers. In 2013, around 10% of vet practices belonged to large groups, but that share is now almost 60%, and many of the large groups have expressed an intention to continue expanding their business through the acquisition of independently owned practices.

60. Acquisitions on this scale have contributed to some areas having relatively limited choice of supplier of first opinion veterinary practices, even if that may not be apparent to the consumer on first review. As noted above, consumers will not always be aware that they are faced with a limited choice of supplier because the branding does not always indicate the ownership of the vet practice. This lack of transparency could be a problem because a consumer – if they did review pricing at local practices before selecting one – might think they had established the competitive price but in fact had only compared practices owned by the same supplier.

61. In the market review, we conducted some initial analysis of local concentration. We observed that there are some local areas, potentially representing around 12% of postcode districts,[21] where a large corporate group both has a market share of above 30% and owns at least two vet practices (ie the degree of concentration is due to ownership of multiple practices by the same group rather than an area having insufficient demand for competition between more practices). Some of these areas include instances of a large corporate group owning multiple vet practices with no local competitors.

[21] There are 2,831 postcode districts. A postcode district comprises the letter(s) and the number(s) which precede the space, for instance, N1, BN1 or SW19.

62. As part of the market investigation, we intend to do more robust analysis to understand better the competition each FOP faces, including how far pet owners may travel to visit their vet (which will inform the size of the areas around each FOP where it may face significant competition from other FOPs), the nature of local competition, and the most appropriate measure(s) to assess the degree of concentration in a local area. The CMA's merger reviews, for example, used the drive time within which 80% of the practice's customers were located to create a catchment area and used the share of full-time equivalent vets as a measure of market share.[22]

63. As part of this analysis, we intend to assess the role played by providers of veterinary services with different business models (including independent vets, charities, or health clinics offering a limited number of treatments) and to what extent consumers are aware of, and can choose between, types of business model in a local area.

64. We intend to undertake similar analysis on the degree of local concentration in related services such as referral centres and crematoria.

65. We intend to examine the drivers of concentration including acquisitions (as noted above) and explore barriers to entry. Barriers to entry[23] could include contractual restrictions on vets who have been employed by a large corporate groups from opening or working in new rival FOPs within a certain area, economic costs of setting up a new premises, and access to veterinary staff. It may also take time for a new practice to build up a client base, and such a practice may not be economic until it reaches a certain utilisation rate which could take a number of years.

66. In addition, we will seek to explore the link between concentration and outcomes in different areas, to the extent this is possible. Outcomes could be measured by prices or other metrics as available.

Large integrated groups might have incentives to act in ways which reduce choice and weaken competition

67. The expansion of large suppliers, and their integration with related services, creates the potential for efficiencies in terms of shared management costs and allows for reduced costs through greater purchasing power (eg when acquiring medicines for supply to consumers), as well as improved investment in diagnostics and sophisticated treatment options. This can bring benefits for pet owners. However, we are concerned that weak competition may mean that these efficiencies are not being passed on to consumers. We consider that the

[22] For further detail on the CMA's approach to the competitive assessment in these merger cases, please see CVS/The Vet decision paragraphs 12-16, VetPartners/Goddard decision paragraphs 12-17, IVC/multiple acquisitions decision paragraphs 16-20, Medivet/multiple acquisitions decision paragraphs 13-16.
[23] In this case by 'entry' we mean opening a new first opinion practice.

proliferation of this business model could potentially be harming competition in the following ways.

The incentive and ability of large groups to concentrate on providing higher cost treatment options

68. The large, integrated groups (especially those whose business models include significant investment in advanced equipment and/or affiliated services) may concentrate on providing more sophisticated, higher cost treatments in place of simpler, lower cost treatments even if some consumers would prefer that option.

69. Respondents to the CFI reported an increasing trend of providing sophisticated, higher cost treatments in place of simpler, cheaper treatment options. In response to the CFI, some veterinary professionals told the CMA that the provision (and expectation) of a 'gold standard' level of care, not necessarily related to the needs and circumstances of the pet owner and pet, was a significant factor contributing to increased vet fees. In circumstances when people might prefer a lower cost option if they were fully informed, consumers may be overpaying for their pet's treatment.

70. The large integrated groups may have the incentive to offer and promote highly sophisticated treatments because a) they have invested in expensive equipment in order to offer these services, and b) they own related services (such as diagnostic labs and referral centres) which might also receive revenue when additional tests or referrals are sold. If this is the case then, given that large integrated groups have become more prevalent across the sector, the full range of options – including lower cost treatments – might not be presented to pet owners as frequently as it could or should be.

71. Advances in animal medicines mean that increasingly sophisticated and complex treatments are available for pets and that conditions which would have been only addressed through euthanasia in the past can now sometimes be treated. We note that the increased provision of more expensive, sophisticated treatments – if indeed that is occurring – is to some extent due to the increased availability of these treatments for animals and 'humanisation' of pets. Some vets have told us (as part of our CFI) that it may also be driven in some cases by pressure from consumers to do as much as possible to assist their pet, particularly when they have seen successful case studies on TV programmes. We recognise that, in some cases, more sophisticated treatments may be appropriate and that this level of veterinary care (at the associated cost) is what the consumer would prefer if informed of all the options.

72. Various elements of the way in which consumers approach buying veterinary services suggest that a strategy of promoting more sophisticated and expensive treatments might be likely to be successful in present market conditions where

evidence suggests that consumers are not as well informed as they might be. These include an owner's desire to do the best for their pet (sometimes in distressing circumstances or under time pressure); their comparative lack of knowledge around options and prices; their need to trust their vet (as caregiver for their household pet); and potential barriers to seeking an alternative course of treatment (eg needing to pay a second consultation fee).

73. In many cases, a range of treatments and tests could be appropriate for the pet and the pet owner at the time of consultation, ranging from doing nothing to a fully comprehensive, risk-averse test and treat programme. Where competition is working well, we might expect suppliers to offer and promote a full range of treatments to reasonably well-informed consumers who are able to make choices between different treatments, based on knowledge of the cost implications, potential outcomes, and risks.

74. We will seek to understand how the presentation and sale of treatment options, are typically formulated and made. This includes assessing what information is provided to pet owners about their choice of treatment options and why. We will seek to understand how 'contextualised care' (ie one that considers the overall circumstances of a pet and its owner)[24] is offered and experienced in practice by vet practices, vets, veterinary nurses, and their customers. We intend to assess further whether the 'contextualised care' approach could be improved, for example by following what might be characterised as a choice-oriented care approach where all pet owners are offered choices, where possible, irrespective of their circumstances, or where recommendations are placed in the context of additional potential options with a discussion around the constraints of, and reasons for, this recommendation.

The incentive and ability to keep related services such as referrals, diagnostics, out-of-hours, and cremation services within the group, potentially leading to reduced choice, higher prices, lower quality, and exit of independent competitors

75. The large groups have, to varying extents, invested in related services such as referral centres, diagnostics, out-of-hours, and cremation services, and may therefore have an incentive to favour an in-group supplier for these services. Some responses to our CFI from vets working in the sector suggested that the large groups have policies that encourage consumers to use services owned by the same group. While this may have benefits (eg speed and continuity of service), this may also lead to bad outcomes for pet owners if there is a closer, cheaper, or otherwise more suitable referral option of which they are not aware. In some of its

[24] According to the BVA, 'contextualised care describes appropriate and proportionate care tailored to the needs of both the client and the animal'. We interpret this to mean taking an approach which is appropriate considering the overall circumstances of the pet and its owner (for example, budget constraints and the owner's ability to properly care for an animal recovering from surgery).

merger investigations, the CMA has found that the ability to generate additional revenue by directing increasing business to referral centres and other services can provide the motivation for acquiring new vet practices.[25]

76. In the case of referral centres, the vet will typically recommend a particular option to the consumer. It appears that many pet owners use the sole referral centre they are directed to by their vet practice. For example, only a minority (around one in eight) of respondents to the CFI who told the CMA about their experience of referrals said they were able to choose between different referral options provided by their practice.

77. In the case of cremation services, the vet practice will typically offer to organise a cremation with its usual supplier, though the pet owner could choose to find an alternative. It appears that many consumers do not consider alternatives to the cremation service offered by their vet, and that many do not wish to. Around two thirds of respondents to our CFI either did not feel that they had a choice of crematorium or said that a choice was not important to them at that time.

78. This 'self-preferencing' by vet practices could mean that consumers have a reduced choice of which service provider they use, which could lead to higher prices or a worse quality service (for example, having to travel further or wait longer).

79. If vet practices within the large groups increasingly direct their consumers to suppliers within their group, this could also have an impact on independent suppliers of these related services. If this leads to independent suppliers exiting the market, or no longer entering in certain areas, the weaker competition could lead to higher prices or reduced quality in these related services.

80. We wish to explore the impact that the increasing prevalence of large, integrated suppliers has had on the sector, both in terms of efficiencies generated and associated consumer benefits, as well as any potential impact on choice or pricing levels. As part of this, we would like to understand the changes that have occurred in particular FOPs after being acquired by one of the large groups.

81. We will seek to understand how the sale of diagnostic tests, the advice given about referrals, and the sale of cremations are typically formulated and made. This includes assessing what information is provided to pet owners about their choices at this point (eg in terms of referral centres that could be used and associated prices) and ownership of these services, and why.

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[25] See, for example, the Medivet merger decision, which notes that the factors considered by Medivet when acquiring a veterinary practice include location of the practice in relation to existing Medivet practices, particularly proximity to Medivet hubs and spokes. Completed acquisitions by Medivet Group Limited of multiple independent veterinary businesses, paragraph 28.

82. Taking referrals as an example (but noting that some of the same issues will likely apply in investigating the ability and incentives of the large corporate groups in relation to the use of diagnostic tests, sale of crematoria services and their focus on providing higher cost treatment options):

(a) We intend to look at relevant demand-side features which frame consumer understanding of their referral options. In relation to treatments provided through these referrals, we will consider relevant demand-side features such as the degree of consumers' trust in vets' recommendations, and our assumption that it is essential for consumers to have trust in their vets.

(b) We intend to explore the policies of the large corporate groups which are integrated with other services relating to referrals, and financial or other incentives which may impact vets' referral recommendations. We intend to consider the potential incentives of vet practices to increase revenues generated from different veterinary services, and whether additional incentives may arise due to vertical integration or other drivers of more sophisticated treatments (such as investments in advanced equipment).

(c) We intend to look at outcomes in terms of referral patterns and potential impacts on both consumers and independent providers of referral services. We will seek to understand outcomes with respect to treatments undertaken and consequent costs incurred.

(d) We intend to explore the impact on independent providers to understand whether there has been a decline in referrals from large corporate groups and how this has affected them.

83. Where FOPs are not part of an integrated group, we will also seek to understand the relationship between FOPs and suppliers of related services (including referral centres, diagnostic services and cremation services), how these suppliers are chosen or recommended by the FOP, and how these services are offered to consumers. We intend to explore whether independently owned FOPs have any difficulty in accessing diagnostic or cremation services supplied by large groups, including assessing the terms of access, and whether they have experienced any reduction in options for supplying these services. We may also consider whether customers of independently owned FOPs are unable to access referral centres owned by large groups on the same terms as customers of these groups.

Pet owners might not engage effectively and might lack awareness of their options when a pet dies and, as a result, might be overpaying for cremations

84. One aspect of the concern about services related to FOPs (noted in the previous section) relates to cremations. Consumers may be particularly vulnerable when their pet has died so this is an area where further work on how consumers are sold

cremations is likely to be important. Vet practices sell cremation services to pet owners, for example when the owner's pet has died at the FOP. Consumers may have other options available to them, such as arranging cremation with a crematorium directly or burying an animal at home, which may be substantially cheaper. As consumers may be particularly vulnerable when presented with cremation options at a FOP just after their pet has died and may not consider these outside options, this may result in consumers paying higher prices for cremation services or purchasing services which are not best suited to their needs.

85. We will seek to gain a better understanding of how crematoria set prices and sell their services, to both end consumers and to (or via) FOPs. We also intend to assess the extent to which FOPs add mark-ups when selling cremations to consumers, and the scope for these mark-ups to be lower, including the extent to which competition can reduce these mark-ups when pet owners may be particularly vulnerable given the recent death of a pet.

Pet owners might be overpaying for medicines or prescriptions due to a range of factors including a lack of awareness of their options

86. Vet practices sell prescription medicines as part of consultations and treatments, which may be convenient for the consumer (or necessary when the pet needs the medicine immediately or as part of a procedure). However, consumers can also buy prescription animal medicines from a third-party pharmacy, including online retailers, often at a lower price. Where a pet owner wishes to purchase medication from a third-party pharmacy, they need to request a prescription from their vet, who will charge a fee (which is likely to be in addition to any fee for the consultation itself). This may be particularly suitable for ongoing medication and ones that it is easy for the pet owner to administer directly (eg flea and worming treatments or antibiotics).

87. Vet practices must advise clients, by means of a sign displayed in the practice, that they can get a prescription and obtain the medicine elsewhere. However, around a quarter of respondents to the CMA's CFI were not aware that they could request a prescription and purchase the medicine elsewhere, and only about half of pet owners had actually done so for repeat medication. Most of the pet owners in the qualitative consumer research were unaware of this option. We would like to explore how these signs are used in practice, as well as consumer awareness of these signs and this option.

88. We have seen data from some large vet businesses which suggests that medicines account for around 20-25% of their revenue.[26] We are concerned that vet practices might have the incentive and ability to deter consumers from

[26] This figure may also include medicines which are administered to animals as part of procedures and where it would not be possible for the consumer to ask for a prescription and obtain the medicine elsewhere.

purchasing medicines elsewhere, for example, by not explicitly reminding them of this option, by charging a high prescription fee or by only issuing prescriptions for short periods of time, meaning that the consumer would have to pay for prescriptions more frequently. We will seek to understand how any profits are generated from the sale of medicines (included those administered as part of treatments), at independently owned vet practices, smaller chains and those belonging to large groups. We also intend to explore whether profit margins on medicine sales are used to cross-subsidise other elements of vet practice services, and potential implications if so.

89. The CMA received several representations from independent veterinary practices that online pharmacies sell animal medicines to consumers at a price lower than the cost to many vet practices of obtaining medicines via the wholesale channel. The regulatory regime stipulates that vet practices need to buy their medicines from a provider that is licensed for wholesale supply, so this cheaper channel is not available to them. We intend to explore the drivers of wholesale price differences for medicines purchased by the large chains, independent practices, and online pharmacies.

90. We will seek to understand the extent to which regulations – including restrictions on where vets and consumers can purchase medicines, and rules around prescribing medication for use by pets – are resulting in prices for animal medicines sold to consumers being higher than they would otherwise be, as well as understanding the rationale for why these rules are in place. We would also like to understand in more detail the rules and purpose of the prescribing cascade,[27] the extent to which generic medications are available for pets and why, in some cases, animal medicines cost considerably more (to vets and consumers) than chemically identical human equivalents.

The regulatory framework is outdated and may no longer be fit for purpose and may currently be operated in a manner that does not facilitate a well-functioning market.

91. As we noted in paragraphs 38 to 42 above, the primary legislation in the industry is almost 50 years old and has not been updated to take account of more recent developments in the sector. In particular, the current regulatory framework might mean that the sector regulator (the RCVS) has limited leverage over the commercial and consumer-facing aspects of veterinary businesses.

92. Given our concerns about the possibility of weak competition in some areas, and the demand-side factors we have identified, we would like to explore whether the

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[27] The prescribing cascade describes the provision under the Veterinary Medicines Regulations (as amended in 2024) which allows vets to prescribe medicines (for animals) that would not otherwise be permitted, for example, because there is no suitable veterinary medicine authorised. It also could encompass the circumstances under which they can do so and the steps they should take when doing it. See, for example, https://www.gov.uk/guidance/the-cascade-prescribing-unauthorised-medicines.

regulatory framework contains the right combination of substantive requirements for vets and veterinary nurses, as well as adequate mechanisms for their enforcement.

93. Respondents to the consultation on making a market investigation reference, who engaged with this issue, all agreed that the regulatory framework needs reform. The CMA also received some initial suggestions as to areas which we might explore further such as extending the statutory remit of the regulator to cover practices; expanding the permitted role of veterinary nurses; and exploring the possibility of regulatory changes allowing the prescription of human generic drugs where there is no proven detriment to animal welfare.

94. As well as considering whether there are aspects of the current Veterinary Surgeons Act which could be updated, we would like to explore whether the current framework could be more effectively applied or enforced in so far as it relates to interactions with consumers or, potentially, other providers (such as competing referral centres or crematoria). We will seek to understand whether and how the requirements of the RCVS Code facilitate competition and whether any of them might be amended to improve outcomes for consumers. Likewise, we wish to understand whether and how the RCVS is able effectively to monitor and ensure compliance with its Codes, supplementary guidance and Practice Standards Scheme, especially with respect to how information is provided to consumers and any potential conflicts of interest.

95. We note that the RCVS Code of Professional Conduct includes provisions such as:[28]

(a) Veterinary surgeons must provide independent and impartial advice and inform a client of any conflict of interest, and

(b) veterinary surgeons must provide appropriate information to clients about the practice, including the costs of services and medicines.

96. The accompanying guidance provides more detail and includes various elements which relate to interactions with customers. We present some examples of this guidance below.

(a) <u>On fees, price transparency and providing options</u>:

Veterinary surgeons should be open and honest about fees for veterinary treatment. Clients should be provided with clear and easy to understand information about how fees are calculated and what it is they are being charged for. Clients should be furnished with sufficient information about

[28] Code of Professional Conduct for Veterinary Surgeons - Professionals (rcvs.org.uk), 2.2 and 2.3.

the fees associated with treatment to be in a position to give informed consent to treatment.[29]

Informed consent, which is an essential part of any contract, can only be given by a client who has had the opportunity to **consider a range of reasonable treatment options** (including euthanasia), with associated fee estimates, and had the significance and main risks explained to them.[30] [emphasis in the original]

Discussion should take place with the client, covering a range of reasonable treatment options and prognoses, and the likely charges (including ancillary or associated charges, such as those for medicines/anaesthetics and likely post-operative care) in each case so as to ensure that the client is in a position to give informed consent. The higher the fee, the greater is the necessity for transparency in the giving of detailed information to the client.

It is wise for any estimate to be put in writing, or on the consent form.[31]

(b) On referrals:

Veterinary surgeons should not allow any interest in a particular product or service to affect the way they prescribe or make recommendations. This is the case whether the interest is held by the veterinary surgeon themselves, their employer, or any other organisation they are associated with. Veterinary surgeons should inform clients of any real or perceived conflict of interest.[32]

97. We intend to explore whether this guidance is adequately worded to produce the best outcomes for consumers (and indeed to provide sufficient clarity to veterinary professionals themselves), and whether it could be monitored or enforced more effectively.

98. We intend to explore whether the current regulatory framework may be inhibiting certain forms of innovation, such as the provision of mobile veterinary services, the use of telemedicine for certain treatments or prescribing and additional routes for vets or consumers to obtain medicines. We intend to obtain a better understanding of the implications for competition of any restrictions on these (or other) forms of innovation. As part of this, we would also explore what might be the potential impact on vet businesses, veterinary professionals and pet owners, both positive and negative, of removing or amending these restrictions.

[29] RCVS guidance on Code of Professional Conduct, paragraph 9.8
[30] RCVS guidance on Code of Professional Conduct, paragraph 11.2.
[31] RCVS guidance on Code of Professional Conduct, paragraph 11.24-11.25.
[32] RCVS guidance on Code of Professional Conduct, paragraph 23.9-23.10.

99. We are concerned that there might not be an adequate and well-functioning mechanism for consumers to obtain redress when things go wrong. We intend to explore the mechanism for redress, and how this could be improved to provide consumers with easy access to a straightforward process with a clear outcome, when needed.

100. We intend to explore the shortages in the supply of vets and whether any changes in regulations, policies or incentives might be able to address this, either by increasing the supply of vets, by improving retention or by allowing professionals other than veterinary surgeons to carry out certain treatments.

Outcomes

101. Our investigation will consider outcomes such as prices, profits and levels of choice and innovation which will help us determine whether there are AEC(s) and, if so, the extent to which customers may be harmed by them. These harms or detrimental effects could take the form of any combination of: (a) higher prices, possibly manifesting itself through higher profits; and (b) reduced choice, innovation and/or quality.

102. Where relevant, this assessment will be made relative to a 'well-functioning market', that is, a market without the feature(s) causing the AEC(s). We propose to focus on the outcomes that are likely to be most relevant in this case: pricing, profitability, range of consumer choice and innovation. We would welcome views on whether these potential effects are the right ones to be focusing on, and/or whether there are any other types of potential effects we should take into account in our analysis.

Pricing

103. We intend to analyse pricing trends and price differentials between vet practices. As part of this analysis, we intend to consider how prices may be impacted by trends in the complexity of treatments and other cost drivers. What specific pricing analysis we can undertake will depend on the data available. We therefore intend to explore with veterinary providers (and other stakeholders, such as insurers) what pricing data they hold.

104. Subject to what data is available, we intend to assess whether price differentials and trends are consistent with a well-functioning market. For example, significant differences in the price of the same service or treatment across practices may raise concerns if these differences cannot be sufficiently explained by factors other than weak competition.

105. We recognise that there may be challenges in understanding the drivers behind price differentials (eg the extent to which they are due to quality differences that

are difficult to measure or observe). We would welcome additional evidence from stakeholders that would assist us in understanding these challenges and the extent to which we can address them.

106. Given the possible challenges in assessing whether pricing outcomes are consistent with a well-functioning market, we intend to consider evidence on pricing outcomes alongside a range of other evidence, in particular profitability in the sector, as set out further below.

Profitability

107. The CMA did not undertake an assessment of profitability in the sector as part of its market review. However, this will form a part of our consideration of outcomes in the market investigation. Our objective will be to establish whether profits have exceeded a competitive level for a substantial part of the market. We will assess excess profitability in relation to different providers and, to the extent possible, in relation to different types of 'veterinary services' (eg FOPs, referral centre services, out of hours provision, diagnostic laboratory services, pet cremation services). Where we identify excess profits, we will seek to understand the reasons for our findings. To do so, we propose to obtain revenue and cost information from the large integrated groups and from a sample of smaller providers. We intend to carry out the following analysis:

   (a) For the large integrated groups, we shall seek to establish the economic profits that have been made over time. This will involve estimating the return on invested capital and comparing it to an estimate of the weighted average cost of capital ('WACC'). This analysis of return on invested capital relative to WACC may be corroborated by analysis of margins, should asset valuation require material assumptions/judgements to be made.

   (b) We shall seek to carry out profitability analysis for a sample of smaller businesses for the above services. This will be achieved through the use of publicly available accounting information and/or sending requests for information to a sample of smaller businesses for the above services. In the first instance, we shall explore both of these sources of information on profitability. Whether, and to what extent, we rely on publicly available information or targeted information requests will depend on the quality of information and market coverage that we obtain from our initial exploration of the two methods.

   (c) We shall also seek to analyse the mark-ups applied to the most frequently sold medicines in order to understand the extent, if any, of any cross-subsidy between medicines and veterinary services.

108. We plan to consult on our approach by publishing a working paper for consultation which will set out our methodology for assessing profitability.

Choice, innovation and quality

109. One of our possible concerns is that pet owners are not being offered as much choice as they could be relative to a well-functioning market. This includes offering pet owners a range of diagnosis and treatment options, a choice of providers (eg for referrals, medicines or cremations) and a choice of business model (eg from the service offered by an independent FOP to the service provided by large corporate groups). We intend to assess the extent to which pet owners are being offered such choices and how important such choices are for a well-functioning market. For example, we intend to assess whether certain business models are more conducive to vets offering impartial advice to pet owners and, if so, the extent to which such models exert competitive pressure on other providers to do the same (or could do so as part of a well-functioning market).

110. Innovation can also play a role in increasing the choices available to pet owners.

   (a) Innovation in diagnostics and treatments may include the development of more advanced options as well as lower cost alternatives.

   (b) Innovation may include enhancements to the overall experience of pet owners in the veterinary sector (for example the use of digital tools when booking appointments or being offered choices of treatment and/or treatment provider).

   (c) Innovation may also include the development and growth of alternative business models such as telemedicine and mobile vets, or the use of non-vets (eg veterinary nurses) to carry out additional functions.

111. We intend to assess the extent of all these different types of innovation and the extent to which innovation is increasing (or could increase) the choices available to pet owners.

112. Where choice or innovation appears to be lower than it could be, we will seek to understand the reasons for this, drawing on our assessment of the possible concerns in the sector (set out in the previous section). For example, one such concern is whether there are regulatory barriers impeding the development of alternative business models such as telemedicine, or the attraction of new vets into the industry.

113. Another important outcome is the quality of treatment. There may be some objective measures of quality in the sector (eg death rates following medical interventions) or indicators of quality (eg years of clinical experience), but in general an overall and objective assessment of the quality of veterinary care is

likely to be challenging. Pet owners and veterinary professionals may also reasonably have a range of views on what is the most appropriate care for a pet in the circumstances, in particular when there are ethical considerations involved (eg around the risks to a pet of certain medical interventions).

114. It may not be necessary to undertake an in-depth assessment of quality outcomes in the veterinary sector and the extent to which improvements in quality offer value for money (also factoring in the prices of higher quality care). To assess whether there is a well-functioning market in this respect, it may be sufficient to focus our assessment on the extent to which consumers are being offered a choice of feasible care options for their pets and are receiving impartial advice about these options from veterinary professionals.

115. We welcome submissions on what analysis to undertake on quality outcomes in veterinary care including how we could assess quality in the sector.

Remedies

116. Alongside considering initial hypotheses relating to possible competition issues and the extent of any consumer detriment, we shall explore which potential remedies may be suitable to address any AECs that we may find. We have identified some potential remedies that may help to address any AECs and competition issues we find, and/or the resulting detrimental effects on customers.

117. We are at a very early stage of considering potential remedies and, as our understanding of the markets and the potential issues develops, we expect our consideration of potential remedies to evolve. We reiterate that we have not found any competition concerns at this early stage of the investigation and that these potential remedies are hypothetical. Nevertheless, we are keen to receive comments and evidence on these potential remedies from an early stage in the inquiry to enable us to progress with our thinking.

The CMA's approach to remedies

118. When deciding whether (and if so what) remedial action should be taken to address an AEC, we are required 'in particular to have regard to the need to achieve as comprehensive a solution as is reasonable and practicable'.[33] In doing so, we consider – individually and as a package[34] – how comprehensively the potential remedy options address the AEC and/or the resulting detrimental effects on customers; and whether the remedy options are effective and proportionate.[35] In our assessment we will consider the links, complementarities and dependencies

[33] Sections 134(6) and 138 of the Act.
[34] CC3 revised, paragraph 328.
[35] CC3 revised, paragraph 329.

between any remedies that would appear to be effective and proportionate as well as the effectiveness of the package as a whole.

119. In considering effectiveness, we assess the extent to which different remedy options are likely to achieve their aims, including whether they are practicable and (among other considerations) the timescale over which they are likely to have an effect.[36] The CMA generally looks to implement remedies that prevent an AEC by addressing its underlying causes, or by introducing measures that can be put in place for the duration of the AEC. The CMA tends to favour remedies that can be expected to show results within a relatively short period of time. In line with the revised guidelines,[37] we consider whether or not to limit the duration of individual remedies by including sunset provisions in their design. This approach might be appropriate if, for example, the relevant competitive dynamics of a market are likely to change materially over the next few years, or the measure in question is intended to have a transitional impact, while other longer-term measures take effect.[38]

120. In considering the proportionality of different remedy options, we are guided in particular by whether a remedy:

(a) is effective in achieving its legitimate aim;

(b) is no more onerous than needed to achieve its aim;

(c) is the least onerous if there is a choice between several effective measures; and

(d) does not produce disadvantages which are disproportionate to the aim.[39]

121. We may also take into account the effect of any remedial action on any relevant customer benefits (‘RCBs’) of a feature or features of the market(s) (for example, benefits in the form of lower prices, higher quality, or greater choice or innovation).[40]

122. The purchase of vet services differs from many other markets in that the welfare of an animal – who cannot participate in the decision – is affected by the choices made. The CMA has heard concerns from stakeholders that some potential remedies might have unintended consequences on animal welfare. Where appropriate, we will take this aspect into account when considering remedies.

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[36] CC3 revised, paragraphs 334 and 337.
[37] CMA3, paragraphs 4.18–4.21 and 4.25.
[38] CMA3, paragraph 4.20.
[39] CC3 revised, paragraph 344.
[40] Section 134(7) and (8) of the Act.

123. Where we find that there is an AEC, the circumstances in which we will decide not to take any remedial action at all are likely to be rare but might include situations in which no practicable remedy is available, where the cost of each practicable remedy option is disproportionate to the extent that the remedy option resolves the AEC, or where RCBs accruing from the market features are large in relation to the AEC and would be lost as a consequence of any practicable remedy.[41]

124. Should we provisionally find that there are one or more AECs, then our provisional decision on any remedies would be contained in our provisional decision report, at which point interested parties would have a further opportunity to comment. Our final decision on any remedies will be contained in our final report.

The remedies we may consider

125. In this section, we describe the potential remedies which could be available to us to address any AECs that we may find. We describe each of these remedy options in turn.

126. As noted above, (paragraph 117) our consideration of these remedy options will develop in light of our emerging thinking on any potential AECs as our investigation progresses. As also noted above (paragraphs 7 and 8), we have not yet reached any conclusions on possible AECs. Nonetheless, we will start considering and evaluating the potential remedies we describe at paragraphs 132 to 144 below, at the same time as assessing the competition concerns.

127. We shall also consider other potential remedies if parties are able to provide relevant evidence and reasoning as to why these would be comprehensive, effective and proportionate.

Remedy categories

128. The various remedy options available to the CMA can be categorised in different ways. One means of delineating remedy types is whether a remedy is structural or behavioural in nature:

    (a) Behavioural remedies include remedies which influence the behaviours of firms and/or customers such as through the provision of information, introducing rules on conduct, enabling customers to use their data held by firms to their own advantage and placing limits on the levels of prices that can be charged.

[41] CC3 revised, paragraph 354.

(b) Structural remedies include measures which change the structure of an industry or sector, such as requiring the divestiture of assets.

129. Remedy options can also be thought of in terms of:

(a) Whether they seek to enable greater competition, for example, structural measures that increase the number of firms would be looking to intensify rivalry and enable greater competition. Similarly, providing customers with the means to make better informed decisions would be looking to increase competition and directly improve outcomes; or

(b) Whether they seek to address more directly any detriment, for example by limiting the levels of prices that can be charged by a firm.

130. There are various mechanisms available to the CMA to implement remedies:

(a) **Undertakings from parties.** Such undertakings would be a legally binding commitment from a party to put in place various measures, enforceable by the CMA, to address any AEC that is found.[42]

(b) **An Order requiring parties subject to the Order to undertake various actions.** An Order is usually adopted when there are more than a small number of parties subject to the remedies and/or when parties are unwilling to offer satisfactory undertakings to the CMA. Again, these are enforceable by the CMA.

(c) **Recommendations to government and other bodies to take forward actions that would address any AEC.** Recommendations to government can include a recommendation to introduce new legislation as well as recommendations as to what such legislation might include.

131. Given the diversity of the issues we are proposing to investigate and the evidence we have seen to date, we consider it likely that, to be effective, more than one type of remedy would be required if we found an AEC. These could be behavioural and/or structural, and also include remedies that seek to enable greater competition and/or directly address any detriment associated with any AECs we find. It may also be that our preferred package of remedies will be a combination of orders and/or recommendations to government(s) or other bodies. Our assessment of the effectiveness and proportionality of any remedies will be considered both individually and as part of a package.

[42] In the context of a market investigation, undertakings from parties are likely to be relatively rare.

132. We would like to receive initial views on the merits of a number of possible remedies, which we list below. We have broadly grouped the potential remedies into three categories:

(a) Information/transparency remedies;

(b) Price/charging remedies;

(c) Market opening remedies.

133. We have presented the potential remedies in this way for ease of exposition; it does not represent any initial prioritisation or ranking of the potential remedies.

Improving transparency and helping people make good choices

134. The aim of these remedies is to make it easier for customers to engage effectively over the choice of the best veterinary practice or right treatment for their needs, and to address the issues identified at paragraphs 55 to 58. Remedies of this type could also help consumers to make choices suitable for their needs when purchasing cremation services and medicines, to address the issues identified in paragraphs 84 to 85 and 86 to 90, respectively.

135. We propose to explore ways to provide consumers with adequate and timely information about pricing at various stages of the purchasing journey, such as when choosing a practice and when purchasing treatments, tests, medicines and cremation services. We also propose to explore ways to provide consumers with adequate information about their options (when alternative treatments are available) when choosing a practice, or purchasing services such as treatments, diagnostics, medicines or cremations. This could relate to understanding options (or reasons for professional recommendations) within treatment pathways or options as to the provider of the service in question.

136. The evidence we gather throughout our investigation will help us to explore what information consumers might find useful at different points in the treatment of their pet, and how that information might best be presented. We will also consider opportunities to conduct research on the likely effectiveness of potential information and transparency remedies, including to ensure they are designed in a way that enhances their effectiveness for consumers.

137. We are aware of the potential for comparison tools to provide customers with an ability to compare FOPs across the market, although we understand that the availability of comparison tools is currently very limited, that they often have incomplete coverage of practices and prices, and that the comparison tools that exist are sometimes owned by the large corporate groups. Our work in this area will seek to understand why the availability of comparison tools is limited and explore whether there are actions we could take to change this situation and what

such actions might be. This could involve establishing what information, and in what format, would need to be made available to support the development of such tools. We envisage that if this type of intervention is necessary it would cover, at a minimum, the provision of information on the price of certain treatments, and the range of the services provided. We would consider what, if any, information could be provided about service quality, and whether it would be relevant to note which practices are owned by which business.

138. The remedies aimed at improving price transparency and helping customers make good choices which we could consider include:

(a) Mandating what information should be provided to customers, as well as how and when this should be provided, in order to make it easier for pet owners to make an informed choice when selecting a FOP. This could include information on pricing (possibly for a standardised list of treatments), ownership of veterinary practice, quality/outcome-related measures.

(b) Mandating what, how, and when information is provided to customers to help give them more or better choice about treatments/tests and providers of related services such as referral centres and crematoria. This could include information on the range of options open to them, pricing, ownership of related services, quality/outcome-related measures, level of expertise of related services.

(c) Measures to enable the development of tools to allow consumers to access and utilise pricing and quality information. This could include ‘open data’ solutions to facilitate the provision of comparison tools, such as websites where consumers can compare veterinary practices.

(d) Annual ‘wake-up’ letters from vet practices to pet owners registered with them to reconsider their choice of FOP.

(e) Mandatory information to be provided to customers (and its form and timing) regarding the price of medicines separately from other charges (eg the consultation or prescription fee) and their right to purchase medicines from a third party, where appropriate, and to obtain more than 1-3 months’ supply of medicines at a time, where appropriate.

Price/charging remedies

139. This category of remedy would seek, likely in combination with other remedies, to address the potential outcome from any AECs that we may find, rather than the AECs themselves. Should we find through our work (for example in our profitability analysis) that current prices are well in excess of costs, one possible remedy would be to seek to re-align prices with costs plus a reasonable return.

140. For example, we could consider imposing maximums for prescription fees, or maximum prices or mark-ups for other services (eg cremations).

Market opening remedies

141. The purpose of these remedies is to lower barriers to entry or otherwise to promote competition in the provision of certain elements of veterinary services.

142. Remedies in this category could include targeted structural remedies, whether in relation to FOPs in some local areas and/or some related services. This would seek to address the issues of local concentration identified at paragraphs 59 to 66, and restrictions on self-preferencing or access to facilities discussed at paragraphs 75 to 83.

Recommendations or requirements for other bodies (eg government) to take forward

143. Remedies in this category could include making recommendations to regulatory bodies and government concerning changes to the regulatory framework (including deregulation). We intend to explore the extent to which, and how, any remedies we impose using our order-making powers could be incorporated within the RCVS Code of Professional Conduct and/or associated guidance.

144. We have so far identified the following areas where changes to the regulatory framework might address issues identified, and note that there may be further areas identified as our investigation progresses:

   (a) we intend to explore whether there are changes needed to the regulatory framework about how ‘contextualised care’ is offered and experienced in practice, to address the issues identified in paragraphs 68 to 74;

   (b) we intend to explore whether there are changes needed to the regulatory framework for animal medicines to address the issues identified in paragraphs 86 to 90;

   (c) we intend to explore whether the development of comparison tools and ‘open data’ solutions could facilitate entry and expansion, for example, by supporting the growth of new business models such as telemedicine or increasing competition from independent referral centres which do not have their own chain of FOPs from which to draw customers, to address the issues identified in paragraph 998;

   (d) we intend to explore whether an additional system for consumer redress would address the issues identified at paragraph 100.

Questions on potential remedies

145. We welcome views on the potential remedies including any general observations and views on each of the separate potential remedies we have identified and, in particular, on the following specific issues:

   (a) The potential for the remedies to effectively address any AECs and/or the resulting detrimental effects on customers.

   (b) The size of any associated costs and who would incur them.

   (c) The potential for unintended consequences and/or distortions to competition to arise from these potential remedies and how these could be mitigated;

   (d) Whether there are other potential remedies which we have not identified that would address either the issues we have identified or other issues we should consider (detailing what those remedies might be and how they would address the potential AECs in these markets).

   (e) Whether any such measures should apply to all suppliers of services (eg all FOPs), or only a subset, and if so on what basis.

   (f) The extent to which any of these remedies might also have an impact on practices which offer equine or farm services (either on a sole basis or within a mixed practice which also treats domestic pets), and whether these impacts would be positive or negative.

Responding to this Issues Statement: an invitation to submit views

146. We are publishing this Statement now to assist those submitting evidence to focus on the potential issues we envisage being relevant to this investigation and any potential remedies to address any AECs that we may find.

147. We invite parties to give us their views, with reasons, on whether:

   (a) the issues we have identified should or should not be within the scope of our investigation and are correctly described or are mischaracterised; and

   (b) there are further issues we have not identified but which we should consider.

148. We also welcome comments and suggestions on the approaches or methodologies that the CMA could use to gather evidence and carry out analysis in relation to the issues it has identified in this document.

149. We ask interested parties to support their views on the questions above with relevant reasoning and evidence (including internal documents and analysis). The

provision of underlying evidence is critical, as it allows us to test and assess the views put forward by different parties.

150. We intend to hold hearings / roundtables with interested parties to discuss the issues and potential remedies in due course. We shall also gather further information, evidence, and data to inform our understanding. As we undertake analysis and our thinking develops, we expect to issue further documents inviting comments from interested parties. We shall then publish a provisional decision report containing our provisional findings on the issues. If we were to provisionally find one or more AECs, the provisional decision report would also contain our provisional decision on remedies. We shall hold hearings with interested parties covering our provisional findings on any AECs and remedies, before publishing our final report. Our administrative timetable has been published on our case page.

151. Any party wishing to respond to this Issues Statement should do so in writing, together with any supporting evidence, no later than midnight, 30 July 2024 by emailing vetsMI@cma.gov.uk.