

## CVS Response to CMA Working Papers published on 6 February 2025

### 1 Introduction

CVS welcomes the opportunity to comment on the working papers published by the CMA on 6 February 2025 and expand on topics discussed at CVS' hearing held on 25 February 2025.

CVS was pleased to see the CMA's recognition of the "*dedication and commitment*" of veterinary surgeons and nurses to both owners and their pets.<sup>1</sup> CVS strongly agrees with the CMA's statement that "*nothing in [the CMA's] work should be taken to cast doubt on the professionalism, clinical skills or ethics of the vast majority of individual veterinary practitioners. This commitment and trust in the profession was clearly reflected in [the CMA's] pet owner survey: 88% of respondents agreed that their vet focused on the highest standard of care for their pet's health*".<sup>2</sup> CVS welcomes the CMA's recognition of the impact its findings have on dedicated veterinary professionals and encourages the CMA to keep this concern front of mind in the next phase of its Investigation.

It is also clear to CVS that the CMA recognises the complexities of this sector, which we deal with 'on the ground' every day. As the working papers identify, there are structural factors in the market which complicate how it operates. Many of these relate to the regulatory framework, but the shortage of vets and related recruitment and retention crisis in the profession are also critical context for all topics covered by the CMA. It is critical the CMA recognises that in the context of this crisis, what is required to recruit and retain vets will differ depending on the business model and in particular whether vets are *employees* or *owners* of the relevant veterinary practice.

The CMA's working papers identify numerous challenges. Many of these – key among them how to best communicate complex medical concepts and treatment options to non-vet customers – are front of mind for CVS in everyday clinical practice. We place great emphasis on supporting and training our colleagues to provide great care and to discharge their ethical responsibilities, not only in the care delivered, but in how information about this care and the choices available are communicated to customers. It is important at the outset to acknowledge that the challenges inherent in communicating medical information to customers can be mitigated, but – just as in human medicine – never eliminated.

The continuing uncertainty of the Market Investigation is having a significant impact not only on morale, but also on CVS' (and it believes others') ability to continue to invest in the veterinary services sector in the UK. It is important to the profession as a whole for the CMA to reach a timely resolution to the Market Investigation by the statutory deadline of 22 November 2025, or even before. In particular, as a publicly traded business, CVS has been impacted by the uncertainty of the Market Investigation and as a result has had to be more selective about investment in the UK, with very disciplined capital investment in facilities, equipment and IT and no UK acquisitions. A timely conclusion to the Market Investigation would enable CVS to review these decisions, to the benefit of UK consumers and its UK colleagues.

CVS believes the profession and consumers are best served by a swift resolution to the Market Investigation. We do not see a tangible benefit in spending significantly more resource precisely scoping and scaling known challenges. Rather, CVS is keen to work in close collaboration with the CMA and the wider industry to design solutions that further enhance the consumer's position as quickly as possible (whilst always ensuring clinical freedom and relatedly, animal welfare, remain

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<sup>1</sup> CMA, "Overview of our working papers", paragraph 1.8.

<sup>2</sup> CMA, "Overview of our working papers", paragraph 1.8; CMA Working Paper, "How people purchase veterinary services", paragraph 5.66.



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securely at the heart of veterinary practice). As noted above, the evaluation of appropriate interventions needs to be firmly rooted in the reality that no Market Investigation remedy can eliminate some of the intrinsic challenges of providing veterinary care. CVS addresses this issue first, in **Section 2** of this paper.

The CMA's five working papers are detailed and cover a number of topics, although CVS considers there are some common themes running through the papers. In this response, CVS outlines its observations in respect of the CMA's preliminary concerns, with a particular focus on:

- the connection between the care provided to customers, corporate business models, and the recruitment and retention challenge (**Section 3**);
- factors relevant to consumer choice, namely choice of FOP and subsequently, choice of treatments/medicines/referrals (**Section 4**); and
- factors relating to the pricing of treatments (**Section 5**) and veterinary medicines (**Section 6**).

This response is also supported by **Annexes** comprising analysis carried out by our economic advisors, CRA.

## 2 A collaborative, industry-led approach to remedies

CVS strongly believes that the interests of all stakeholders – including pets, their owners and the veterinary profession – would be best served by spending the next phase of the Market Investigation focusing on the design of workable remedies which balance promoting customer choice with maintaining vets' clinical freedom to make appropriate recommendations, taking account of both the animal's welfare and the customer's circumstances. Such remedies should apply across the sector to ensure maximum benefit for consumers.

CVS supports workable, timely and proportionate remedies that increase transparency and address three key areas of concern identified by the CMA, namely: (a) how customers choose FOPs; (b) how customers choose care (treatment, medicines, referrals); and (c) maintaining customer confidence. CVS outlines its views on each of these topics below.

### 2.1 Choice of FOP

A customer's choice of FOP is important, as this can drive their subsequent access to the veterinary services and veterinary medicines required for their pets. We agree with the CMA that the supply of FOPs (as discussed at Section 4.1) is not generally concentrated<sup>3</sup> and note that the CMA's own survey evidence supports the fact that at least a proportion of customers do shop around for their FOP – using a range of information including price.<sup>4</sup> We also note that there are no barriers to customers switching vet practices. Specifically, although CVS has some concerns over the CMA's survey:<sup>5</sup>

- Quality is of equal importance to location (with around 70% of customers mentioning a quality related reason for their choice of FOP), with customers judging this based on services offered, quality of facilities, reputation, reviews and word-of-mouth input from friends, family and others already using local FOPs;<sup>6</sup>
- A lower but substantial proportion of customers also consider price when making their choice, with 34% of uninsured customers who chose their vet within the last two years mentioning at least one price-related factor driving their choice of FOP.<sup>7</sup> Looking at customers who found out about prices before choosing their FOP, the overall share is 40%, rising to 48% if we focus on uninsured customers who chose their FOP in the last two years.<sup>8</sup> Therefore, although price reasons are less frequently cited than location and quality, clearly these proportions are much too large for CVS to ignore when setting the terms of its offer.

The CMA recognised that customers choose a FOP based largely on location, reputation, quality and price<sup>9</sup> – and this reflects CVS' experience in practice. However, CVS recognises that the sector could make this choice easier for customers by helping them meaningfully compare between

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<sup>3</sup> CMA Working Paper, "Analysis of local competition", paragraph 5.

<sup>4</sup> CMA Working Paper, "How people purchase veterinary services", paragraphs 5.60 and 5.61.

<sup>5</sup> **Annex 1**, "CMA Analysis of Survey Evidence".

<sup>6</sup> CMA Vet Users Survey, January 2025, Question 13. The following options were considered as quality related factors: "recommendations", "good impressions", "online reviews", "services offered".

<sup>7</sup> CMA Vet Users Survey, January 2025, Question 13. The following options were considered as price related factors: "price of consultations", "price of vaccinations & medicines". Question 112. Do you currently have pet insurance [INSERT IF OWNER OF MULTIPLE PETS Q2/Q3], for at least one of your pets, or have you had pet insurance in the past 3 years?

<sup>8</sup> This is computed by adding those respondents who considered a pricing factor when choosing their FOP (Question 13), and those who found out pricing information at their current FOP, of those that did not consider a pricing factor (Question 15).

<sup>9</sup> CMA Working Paper, "How people purchase veterinary services", paragraph 5.12.

different FOPs. CVS therefore proposes three transparency-based solutions to assist customers in making a more informed decision on their choice of FOP.

- First, CVS supports greater transparency in respect of FOP ownership. This should be made clear and readily ascertainable to customers by way of internal and external signage at each practice, as well as in all marketing channels and literature.
- Second, to help convey the quality and reputation of a FOP, CVS proposes that the CMA recommends clearer implementation of a type of standardised quality measure applicable across the sector. For example, CVS supports strengthening of the RCVS Practice Standards Scheme (“PSS”).<sup>10</sup> A first step that could be implemented fairly quickly could include enhancing consumer awareness of the PSS generally, as well as the different accreditation levels that can be met (which depend on the type of premises, services offered and species treated). Increased understanding of the PSS and its existing levels (such as Core Standards, General Practice and Veterinary Hospital) and features (such as PSS Awards)<sup>11</sup> would give consumers an objective means of assessing quality. This could be further improved by – for example – requiring FOPs to display any PSS accreditation and awards in a consistent format in-practice and online. In CVS’ view, this goes hand-in-hand with price transparency measures (on which see below), given FOPs will have strong incentives to communicate the quality of their offering clearly where customers are making direct comparisons on price.
- In due course, CVS would be supportive of further enhancements that help customers to better understand differences in quality. CVS would support the implementation of a type of “Kitemark” that further delineates within the existing PSS levels and is easily accessible to consumers. By way of example, within General Practice, that could include a classification that could be linked to the achievement of PSS Awards (that demonstrate excellence in specified areas and which themselves could be enhanced to cover more areas). However, CVS recognises that this approach would require an appropriate body (for example, the RCVS) with adequate funding and staff to administer such a programme effectively (by ensuring timely accreditation, appropriately regular reviews etc.) and that this may take some time to implement. In the meantime, CVS would also welcome publication of details of periodic inspections and would support a requirement to publish the qualifications (including advanced qualifications) of its vets, which should assist in enabling customers to make better informed decisions about the clinical expertise available at a FOP.
- Third, CVS considers that, in order to enable meaningful price comparisons to be made by customers selecting a FOP, price lists should be published by all FOPs (both LVGs and independently owned), both inside the practice and also online. To enable price comparison, the services covered by such lists would need to be consistently standardised, covering certain “entry point” services which could include, for example: consultation fees, vaccinations, health plan fees (on which see Section 5.4), prescription fees, microchipping, euthanasia, and cremations. They would also need to reflect, where relevant, variation in prices based on species, size etc. Given the complexity of many veterinary treatments and the variety of potential offerings (e.g. depending on type of equipment used, surgery type, aftercare provision etc.) ensuring a level of consistency is essential to enable meaningful,

<sup>10</sup> In this regard, while CVS considers that the PSS would benefit from a review to assess what elements (if any) are missing, and to ensure it remains fit for purpose, CVS considers that it is more efficient to further enhance the existing framework rather than looking to create a brand-new accreditation programme.

<sup>11</sup> Further detail regarding PSS Awards is available [here](#).

like-for-like comparisons between FOPs. Price lists should not therefore try to cover all the possible treatment options available at the FOP, as this would not be useful for consumers.<sup>12</sup> This could also ultimately result in unintended consequences such as a drive to focus exclusively on cost which could come at a detriment to animal welfare and ultimately a loss of consumer choice. Nonetheless, CVS estimates that a list focusing entirely on relatively more standardised/comparable services could cover around 40% of CVS treatment revenues (this is a higher percentage for a more “standard” FOP with fewer “advanced” services – as this figure also includes hospital status FOPs with some specialist / referral activity) and therefore would be a meaningful aid to consumer decision making.<sup>13</sup>

## 2.2 Choice of treatment/medicine/referral

Once a customer has chosen their FOP and seeks to make use of veterinary services, it is important to ensure that they are supported to make decisions about the health and treatment of their pets in a way that takes due account of their circumstances, their pet’s welfare needs and the clinical judgement of their veterinary surgeon. In order to achieve this, CVS would support training and transparency remedies across the profession, to ensure that options are clearly communicated to customers (and that they understand the balance between risk, outcome and cost).

To ensure that customers can decide on the appropriate care required (in respect of treatments, medicines, referrals and crematoria), CVS proposes that, as part of the mandatory annual CPD training requirement, vets should be required to complete a minimum of, for example, five out of their 35 mandatory hours of training on customer engagement and consultation skills.

In addition, as regards pricing transparency, CVS suggests that the following practices are mandated across the sector:

- a clear requirement to ensure that customers give informed consent in respect of the costs of all treatments/procedures and medicines, and for that consent to be recorded in writing where appropriate (which will not always be the case). In practice, this could mean:
  - requiring written price estimates to be included on consent forms for in-patient treatments, along with an explanation of reasons for the recommended treatment plan and options for reasonable alternatives with price estimates provided for each. CVS recognises that how this is implemented in practice will necessarily vary depending on the treatments/procedures being offered and the circumstances (e.g. routine/planned vs. emergency);
  - ensuring suitable wording is included on consent forms confirming that the vet has communicated appropriate options to the customer (e.g. a “tick box” confirmation);
- a requirement to inform customers as soon as reasonably practicable if the vet has reasonable grounds to believe that the actual cost of treatment will exceed the predicted cost by 25% or more;

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<sup>12</sup> An example that shows the difficulties in effectively comparing even common treatments such as a neutering procedure given the variations that can exist is outlined in Section 5.1. As such, providing an exhaustive price list could be misleading and would not result in any clear consumer benefit over and above a consistently standardised price list that covers appropriate entry point services.

<sup>13</sup> CVS identified a list of relatively more standardised/comparable services and estimated the share of revenues in 2023 associated with these treatments using data submitted in response to CMA RFI 8, Q1. **Annex 2** shows what products could be included, on both a narrower and wider basis – although CVS notes that within either approach there is nonetheless likely to be significant complexity – e.g. in relation to neutering (as previously discussed) and dental there may be substantial variations in pricing across different products and services, depending on the range of categories to be published.

- a requirement to ensure that customers are aware of the option to request a written prescription and that the active ingredient(s) is included on that prescription, so that customers have the information necessary to purchase medicines through other channels such as online pharmacies if they wish;
- a requirement to make clear that customers *may* be able to purchase certain veterinary medicines more cheaply elsewhere;
- prescription, medication and dispensing fees (as applicable) should be itemised on invoices;
- where recommendations are made for referral, and out of hours (“OOH”) services or pet crematoria, customers should be informed of group ownership where relevant; and
- any financial incentives for FOPs to refer internally should be removed. Although, as explained further in Section 5, CVS has long since removed any financial incentives for revenue generation/intra-group referrals.

CVS acknowledges that comparing medicine pricing across FOPs and online retailers may be challenging for customers. However, this is a highly regulated area – the veterinary medicines cascade is designed to safeguard animal welfare and also plays an important role in incentivising pharmaceutical R&D which ultimately leads to better patient outcomes. There are also restrictions on online advertising of prescription medicines (“**POM-Vs**”) by veterinary professionals, which in practice limits the ability of FOPs to publish medicine prices.

In CVS’ view, should the CMA look to enable greater pricing transparency in respect of veterinary medicines, given the need to ensure such transparency is meaningful to allow customers to make an informed choice, this would need to be done in a proportionate way. For example, in principle, CVS would support a requirement for all FOPs to display a list of their, say ten most frequently dispensed medicines, which includes information regarding the “trade” name of the product, the amount of the product (e.g., bottle size / pack size), the pharmaceutical form (e.g., liquid or a tablet), the strength of the medicine and the active ingredients of the product, in order to provide the customer with sufficient information to decide to purchase the product from elsewhere if they wish. However, this proposal would be challenging to implement in practice in light of restrictions under the Veterinary Medicines Regulations (further described at Section 6.5). As a consequence, any price list-based transparency remedy would currently need to avoid mandating the publication of a POM-V price list online. In that context, in order to ensure adherence to applicable regulations, CVS considers that the more practical and easily comparable approach would be to require transparency of injection fees and dispensing fees, alongside the ability to obtain written prescriptions (as further outlined above).

### **2.3 Maintaining customer confidence in the veterinary profession**

The CMA’s regulatory working paper identifies a number of shortcomings in the current framework that governs the veterinary professions. CVS is generally supportive of regulatory reform. As well as enhancing/adapting the existing PSS, as CVS has publicly stated previously, it fully supports the RCVS broadening its scope to have formal powers to regulate corporate veterinary entities and directors. This could include, for example, introducing appropriate accountability for the corporate group where price lists are not displayed uniformly.

In order to ensure consumers feel that veterinary practices are held appropriately accountable for any failings in professional standards, CVS recognises the need to have an effective and independent complaints/redress system in place for all veterinary practices. In that regard, CVS would also support making the use of an independent mediation service (such as the Veterinary



Client Mediation Service (“**VCMS**”) or similar) mandatory and requiring all FOPs to publish details of their internal complaints procedure on their websites, alongside details of the VCMS to support better awareness of routes for redress.

Finally, CVS continues to support reform of the Veterinary Surgeons Act to expand the role of the Registered Veterinary Nurse (“**RVN**”) and protect the RVN title. RVNs are a critical part of the veterinary profession but are not recognised in primary legislation. CVS also supports provision for expansion of the role of the RVN to further support animal welfare; this may include limited prescribing and diagnostic capabilities. The introduction of lay prescribers is a more complex issue that would be unlikely to bring significant benefit to the consumer with significant risk to animal welfare.

In CVS’ view, the remedies outlined in this Section 2 would be an effective means of providing consumers with the information required to make better choices on the treatment for their pets. There is a considerable risk that more interventionist remedies may result in unintended consequences that could perversely reduce competition in the market and ultimately lead to consumer detriment. For example, if too much attention is paid to price transparency without enabling consumers to effectively compare quality, this could encourage practices to focus on the provision of lower cost care at the expense of offering a broader range of options, ultimately resulting in a longer term impact on the sustainability of quality of care and consequential detrimental effect on animal welfare. As another example, if the CMA were to look at standalone elements of a FOP’s business (e.g. regulation of medicine pricing) without due regard for the commercial reality of the business as a whole, this may result in a rise in other prices in order to ensure the overall business remains viable, which could have adverse welfare consequences for pets.

CVS would welcome further dialogue with the CMA on the exact scope and practical implementation of the solutions outlined above, which would address concerns expressed in the working papers and importantly, deliver prompt and substantive improvements in the position of consumers.



### **3 Investments by LVGs not only deliver significant benefits to pets and their owners, but are necessary to recruit and retain vets and nurses**

The investments that LVGs like CVS have made over the last decade have driven clear sector-wide benefits for both consumers and veterinary professionals. The interrelationship between these two “sides” of the market is critical context for the CMA’s assessment.

Customer demand for quality veterinary services can only be satisfied if there is a sufficient number of highly qualified veterinary professionals capable of providing those services. Moreover, customer welfare and satisfaction is materially improved if those veterinary professionals stay in post long enough to build meaningful relationships with customers and their pets, in order to maximise the chances that appropriate contextualised care can be provided in as many cases as possible. Historically, veterinary practice operated predominantly on a partnership model, where vets worked in practices owned by one or more vets. The owner-proprietors were incentivised by the fact it was *their* business, in which they could build up relationships and capital (even if the hours were antisocial and salaries often low relative to the level of training and expertise required).

In a corporate context, it cannot be expected that veterinary professionals will work long hours for low pay. To attract and retain vets as employees presents different challenges, which are met through a range of mechanisms, including providing access to continued learning and development, ensuring access to high quality facilities and equipment, allowing for a good work/life balance, providing good career prospects in referral specialisms/management etc. These investments are costly, and ultimately can only be funded if CVS meets customer demand to a high standard at a reasonable cost.<sup>14</sup> CVS’ business model is therefore to provide a broad, high-quality service to its customers whilst ensuring that it can attract and retain veterinary professionals. This is why CVS prides itself on its aspiration to give the best possible care to animals and why its vision is to be the veterinary company most people want to work for. These two “sides” of CVS’ business model cannot be considered separately but are *intrinsically linked*.

As the CMA has identified in its working papers, the veterinary services sector is facing an acute retention and recruitment crisis.<sup>15</sup> To serve customers well, CVS necessarily looks to recruit and retain as many vets and nurses as possible that can service those needs. This is a key reason for CVS’ continued and long-term investment into the sector – in terms of ensuring practices have up-to-date equipment, technology and modern facilities to operate out of, and professionals have access to extensive training and knowledge resources. As employees, if CVS vets and nurses do not consider CVS’ facilities to be fit for purpose, they could easily move to another practice.

While the fierce competition CVS and other LVGs face from independent practices makes clear it is in no way necessary for a veterinary business to be “vertically integrated”, there are also numerous benefits to vets, nurses and consumers from CVS FOPs being part of a group. For example:

- Consumers and vets alike benefit greatly from the sharing of pets’ medical records between FOPs and OOH practices. Consumers can be assured that their OOH vet will have the

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<sup>14</sup> As made clear in the CMA’s survey, a large majority of customers (over 80% in each case) say “I clearly understand the options presented to me by my vet and I can make informed decisions”, “My vet focuses on the highest standard of care for my pet” and “My vet takes the time to clearly explain various treatment options to me”. (CMA Vet Users Survey, January 2025, Question 36).

Over 80% are satisfied with referral care and quality of referral service (CMA Vet Users Survey, January 2025, Question 75). Fewer than 10% of customers had considered making a complaint in the last 2 years (Question 116). 85% of respondents felt that they could change vet practices if they wanted to, and of these, 80% felt that switching practices would not be difficult (Questions 29/30).

<sup>15</sup> CMA Working Paper, “Business Models, Provision of Veterinary Advice and Consumer Choice”, paragraph 1.2(e).



necessary background to contextualise the treatment offered, and OOH vets are likely to reach more accurate and timely conclusions on the appropriate course of treatment.

- CVS' "Vet Oracle" tool offers vets across its practices a wealth of clinical knowledge which can be leveraged to provide better care. As CVS explained at its hearing, CVS FOPs are able to use Vet Oracle as a means of sharing knowledge and practical advice, particularly in relation to cases that are more unusual and would not be seen regularly by a given vet/at a given FOP.
- Newly acquired sites benefit from technical, systems and information economies of scale, with vets able to access information on the latest techniques and best practice, new drugs in the market, and guidance on how to improve staff retention and maximise efficiency in practices, as well as access to CVS' learning and development platform, centralised HR, finance and procurement platforms, etc.
- CVS continues to make investments into its practices after acquisition. As set out in previous responses, since 2019 CVS has an average capital spend on medical equipment per acquired site of over [§<], and an overall capital spend averaging over [§<] per acquired site. CVS sites will continue to benefit from both local and centralised investments long after acquisition, however. For example, CVS is currently exploring the roll out of AI technologies to improve monitoring of consumer-vet communications across its practices.

CVS' service offering is only possible because of its considerable investments, which are assessed in light of their benefit to the business as a whole. Put simply, CVS' investment in the provision of certain services would not make sense from a commercial perspective on a standalone basis. For example, as discussed at CVS' hearing, the provision of OOH services is typically low margin given the higher costs associated with the provision of that type of service. However, CVS is keen to ensure that its customers and their pets have access to the same, broad and high-quality OOH offering as they do at CVS' FOPs. Having a separate OOH function also improves the work/life balance of CVS' clinical staff. Similarly, referral centres are not highly profitable on a standalone basis, but make sense as part of CVS' overall veterinary services offer, ensuring that vets at CVS FOPs have access to highly trained specialist colleagues who can advise them on difficult cases, and also assuring a high quality of care for customers in areas where these referral centres operate. Neither activity would necessarily make commercial sense on a standalone basis – but these investments are justified as part of CVS' overall offer to customers and colleagues.

## 4 Consumer choice

### 4.1 Choice of FOP and local concentration

The CMA has carried out an analysis of the degree of local competition in FOPs, OOH care and referral centres. While CVS broadly agrees with some of the trends observed by the CMA (e.g. generally low levels of concentration in FOPs (except, unsurprisingly, in islands and coastal areas), CVS considers there are significant deficiencies with the analysis carried out to date. For example, and as set out in greater detail in an **Annex** to this submission:<sup>16</sup>

- The dataset is incomplete, meaning the analysis likely represents the “high water mark” of concentration. There are a total of 2,605 unconfirmed or duplicate sites from the RCVS and insurance data that the CMA has not taken account of – and it is likely that at least the 1,000+ missing RCVS sites are largely real FOPs that should be included. In several of the relevant areas there are additional rivals that the CMA has not included in its analysis.
- The analysis does not consider the impact of subsidised services such as charity provision, which is a relevant alternative for economically disadvantaged consumers and constitutes a competitive constraint.
- The number of areas affected is lower than the number of sites, as the [3<] attributed to CVS in fact only cover [3<]. The CMA's data also does not take account of differentiation between these sites – with different sites in a broad area often offering different levels or types of service (e.g. one standard FOP and one hospital, or one standard FOP and one satellite site) – or are right on the edge of each other's catchments, serving largely different populations.
- There are also often relevant competitors on the periphery of the CMA's catchment (and in several cases within the actual customer catchment of the relevant focal site) – bringing additional competitive options to customers in that area. Often these additional rival FOPs are within the actual customer catchment of the site in question.
- In several cases there is material differentiation between the CVS practices in question (that make each area a “multi-site” rather than single-site area), geographically and/or in terms of services offered.

With regard to referral centres, by their nature these are few in number. CVS agrees with the CMA's analysis that there is a low level of concentration in referrals, and does not consider it necessary to take into account specialisms in order to understand the market dynamics better because (a) CVS' own referral centres do not overlap (there are no centres less than 45 miles apart from each other) and (b) often only referrals with a certain specialism may be relevant to a customer's needs, which could skew the concentration data in either way (e.g. it could indicate that the concentration of referrals is even lower for customers who need access to specialist care). In addition, CVS' referral centres service customers from both CVS and non-CVS FOPs. CVS' own referral centre data shows that the share of referrals from CVS FOPs decreased from 49% in FY2020 to 38% in FY2024, with the share of referrals from non-CVS FOPs and in particular, independent FOPs, increasing from 20% to 27%. Overall CVS does not consider referrals to be concentrated and does not consider it necessary for the CMA to conduct further analysis in this area.

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<sup>16</sup> See **Annex 3**, “CMA Analysis of Local Concentration”.

The CMA found that the provision of outsourced OOH care is more concentrated than the supply of FOPs. However, having checked the CVS multi-site monopoly and duopoly areas identified by the CMA, CVS has found that [8<]. Once this is corrected, there [8<].<sup>17</sup>

CVS expects that the CMA's analysis of OOH provision in any case overstates the level of concentration more generally. Firstly, it focuses on outsourced OOH care, but only 31% of FOPs outsource their OOH services. CVS expects the majority of FOPs will provide their own in-house OOH services in order to satisfy the regulatory requirement that all FOPs ensure customers have access to an agreed OOH provider – and even in areas where an outsourced OOH offer exists (and therefore a larger proportion of FOPs take up the option of outsourcing these services), the option to take this in-house (either alone or working together with other local FOPs on a rota) remains open to FOPs. Secondly, there are some stand-alone OOH providers, which do not seem to be captured in the CMA's analysis but will be relevant in certain areas.<sup>18</sup> Thirdly, the analysis does not take account of alternatives to OOH care, including telemedicine. This means it is highly likely that the CMA's analysis fails to take account of a large proportion of OOH competition.

However in general terms, CVS would expect higher concentration in OOH provision than in relation to FOPs. In CVS' view, this is logical given the realities of running an OOH service, which – as explained in Section 3 – is generally low margin and only makes commercial sense if it can rely on a large enough customer base to ensure that the on-duty vet(s) and nurse(s) see enough pets to cover their costs. OOH care is typically used for emergency and urgent care, meaning there is not a routine or reliable demand for OOH care as there is for FOPs. In addition, the costs of providing OOH care are greater, including higher staffing costs overnight etc. This is reflected in CVS' earnings which demonstrates that gross margins on OOH services are much lower than for standard daytime services. CVS expects it is likely that in many local markets there is insufficient demand to support additional OOH clinics given the fluctuating nature of demand for, and costs associated with, OOH care which means they are often not commercially viable on a standalone basis. In CVS' view, given the market dynamics, it does not consider that further analysis of OOH concentration is necessary.

## **4.2 How treatment/medicine/referral options are communicated to customers**

### **4.2.1 No plausible “gold-plating” concern**

The CMA has identified some concerns with how vets communicate options to their customers. This is largely linked to the idea that, as better facilities and care become available, prices for those options will be higher and many customers will feel compelled to take the “best” (and most expensive) treatment option for their pets. While the CMA has not been able to evidence it in practice, the CMA identifies a specific concern around “gold-plating” – where vets may be incentivised to upsell more complex and expensive diagnostics, treatments and intra-group referrals where other, cheaper treatment options are comparable (or even potentially better) from an animal welfare perspective, or otherwise look to increase treatment intensity. CVS does not recognise this as a legitimate concern in the profession, particularly in light of the ethical obligations on vets. As CVS has made clear in its previous CMA submissions, CVS does not have targets/incentives for individuals in respect of the number and types of treatments sold and/or referrals made.

In this regard, whilst CVS tracks a variety of KPIs, none of these are aimed at upselling or increasing what the CMA terms ‘treatment intensity’. CVS has no targets linked to the amount of, or revenue generated from treatments sold or from referrals. For example, as outlined in Section 5.3, the Patient

<sup>17</sup> Again, further details are provided in **Annex 3**, “CMA Analysis of Local Concentration”.

<sup>18</sup> See for example Wirral Pet 999, which delivers emergency OOH care to customers in the Liverpool area (<https://wirralpet999.com/>).

Care Index (“PCI”) does not have an upper target and is not used as part of individual remuneration. Further, because CVS’ vets are employees rather than self-employed or joint venture branch partners, they do not have a vested financial interest in increasing ‘treatment intensity’ or in-house referrals. Treatment plans are formed based on the vet’s clinical judgement and the context of both the pet and their owner, and are designed to enable the customer to make an informed decision. This allows CVS to provide the best possible quality of care and service.

While “gold-plating” is not a phenomenon CVS recognises, CVS is conscious of, and seeks to provide training and support to its vets to avoid, the practice of so-called “defensive” medicine. Defensive medicine is a phenomenon whereby veterinary professionals may be nervous to make a mistaken diagnosis or recommend a treatment option which is not guaranteed to be effective, which could result in customer dissatisfaction and animal suffering. To minimise the risk of this occurring, a vet may conduct more diagnostic tests or encourage customers towards only the soundest treatment option available to feel secure in their decision making. This is more likely to be common with inexperienced or newly qualified vets who are not well-supported by more senior, experienced vets.

To address the challenges defensive medicine poses, CVS is committed to developing extensive training to its graduates and newly acquired FOPs, in addition to ongoing training to ensure vets build appropriate communication skills and feel confident in their clinical abilities when recommending treatment options. CVS also provides support to all vets through the Vet Oracle Telemedicine service, offering access to a wealth of clinical knowledge that can be used by CVS’ vets (at any stage in their career) to “sense-check” their approach if they feel the need to do so. This is in addition to local mentorship from dedicated “VetGDP” (part of the RCVS’ Veterinary Graduate Development Programme) advisors and Regional Clinical Leads, who are also able to offer similar support. Making use of these functions is very much encouraged within CVS.

#### **4.2.2 Approach to customer communications**

In any event, CVS recognises the sector continues to face a challenge in ensuring customers fully understand the options available to them and can make an informed choice. Communication is one of the most significant challenges for veterinary professionals. This is because of the inherent asymmetry in knowledge/expertise between vets and their customers which can make it difficult to understand and assess different options, coupled with the fact that customers often want their vet’s clinical recommendation. CVS acknowledges that in the CMA’s survey, only around half of customers said they felt their circumstances were accounted for by their vet. CVS considers this is partly down to the intrinsic tension between providing detailed information to customers and the risk of overwhelming them without specialist clinical knowledge.

In order to improve communication, the “contextualised care” approach, which in practice has always been followed, has been documented in CVS’ Clinical Governance Framework since March 2023. CVS applies a patient and owner-centred approach which: prioritises individualised care plans; accounts for the complex interaction of price, risk, and quality; explains appropriate options available; and places the customer’s needs and circumstances (including insurance cover) at the centre of the discussion. CVS has been advocating publicly for an uptake of this approach more widely in the veterinary profession. The graphic set out below is used extensively in CVS’ clinical training and is displayed prominently back-of-house in CVS’ FOPs, to ensure the key elements of a contextualised care approach remain front of mind for its clinical staff.

**Example of CVS training materials outlining the contextualised care approach to customer communications**



Approach to communication forms a key part of CVS’ programme of training for clinical staff, which aims to support vets to navigate conversations with customers. CVS would be supportive of industry-wide training requirements/initiatives, including the roll-out of mandatory (at least annual) training on customer engagement and consultation skills for all veterinary surgeons.

It is important to note that “contextualised care” is an evolving term within the veterinary services industry. A contextualised care approach does not necessarily mean providing the most expensive or the cheapest treatment option available. At its core, CVS’ contextualised care approach requires a vet to take into account the patient and their owner’s needs, including financial means, and building trust with owners to develop confidence in treatment plans and ensure options are presented appropriately. That does not mean providing an exhaustive list of all options, but rather individualised and appropriate options based on the vet’s clinical judgement. In recognising that the scope of the term and its usage across the industry is fairly new and evolving, CVS considers that any requirement around training should not refer to specific styles/approaches but rather focus on the core aim of improving communication skills between vets and customers.

## 5 Pricing-related factors – treatments

### 5.1 Clear deficiencies in the CMA's price analysis

CVS notes the CMA's concern that there has been a "*long period of sustained price rises*" in the sector. As a starting point, CVS fully appreciates that price is important to consumers and agrees that there has been a general upwards trend over the last 10+ years. However, CVS would like to stress that such increases are not a consequence of consolidation of market power – this is clear from the lack of local concentration identified by the CMA in CVS' FOPs (as more fully described in Section 4.1), and the fact that CVS' prices continue to be constrained by competition. This is clearly evidenced from the fact that CVS does not make excessive profits. In addition, the CMA's own survey shows that price is a relevant factor when choosing a FOP for over a third of respondents.<sup>19</sup> CVS knows that its customers are not price inelastic and can switch FOPs easily (given the ease of patient record transfer and the fact that CVS' pet plan (Healthy Pet Club ("**HPC**") – see Section 5.4) can be terminated at any time without penalties).

CVS strongly disagrees with the CMA's analysis that indicates that "*treatment prices increased by over 60% between 2015 and 2023*". CVS considers that the CMA's analysis is fundamentally flawed, as the methodology used to determine the increase in treatment prices does not take into account improvements in the quality and range of treatments and other services available, and associated increased treatment costs.<sup>20</sup> Consumers today have the option to access a broader and more modern/sophisticated set of treatments than ever before, as well as higher quality OOH care, for example. CVS has made significant investments into hiring additional clinical staff, training opportunities, adding more advanced medical equipment and other site improvements such as facilities, IT and software improvements. These investments directly translate into better quality services for consumers, which cannot be considered like-for-like comparisons to the average mix of treatments chosen by customers 10 years ago.

CVS recognises that customers will always want to do the best for their pets, and so the greater availability of more sophisticated treatments at higher prices may mean that customers' perception is that veterinary care can be expensive. Similarly, the greater range of treatments available can mean customers are more frequently in a position of having to choose between care options. But misinterpreting pricing trends by failing to recognise the commensurate increases in quality and associated costs of these new treatments risks misunderstanding the trends in the market.

The rise in treatment prices must also factor in increasing costs to practices. The CMA's analysis indicates veterinary salaries have only increased by 20-34%, but CVS' employment costs have increased by [8<] for vets and [8<] for nurses over the eight-year period from FY 2016/17 to FY 2023/24. In addition, CVS' staff costs have also increased beyond this level reflecting improvements in professionals' work-life balance, improved benefits (e.g. maternity pay) and a reduction in unpaid overtime. This is not only an improvement for CVS' clinical staff, but translates into direct quality improvements for consumers as vets and nurses are less likely to be over-worked and/or tired and can invest more time and energy in treating pets, as well as improving retention, and therefore the quality of the relationship and understanding that customers and veterinary staff can build with one another.

In addition, in failing to account for quality and cost, the CMA's analysis is also undermined by the approach to categorising treatments for price comparison. In CVS' experience, even for the same

<sup>19</sup> 34% of uninsured customers who chose their vet in the last two years.

<sup>20</sup> For further details, see CVS and CRA responses dated 22 January 2025 to the CMA's draft econometric working paper on the impact of corporate acquisitions on prices.



kind of treatment offered, the range and quality of service provided for that treatment can vary significantly. As highlighted at CVS' hearing, even comparing the costs of a common neutering procedure presents challenges, because this can depend on both the surgery type (open or keyhole – relevant to recovery time) and the level of pre-operative and aftercare included in the cost. Approach to staffing can also impact the cost – for example, at CVS practices RVNs monitor a patient during both procedures whilst under general anaesthetic and recovery post-procedure, whereas this may not be consistent across other practices. All of CVS practices are accredited under the RCVS' PSS, have advanced practitioner status clinicians operating directly in FOPs (rather than only in secondary or tertiary referral centres), and adhere to strict compliance with health and safety requirements. The efficacy and efficiency of equipment used can also impact the experience for a pet and consumer when comparing equivalent treatments. CVS' commitment to consistently providing a broad range of high-quality care needs to be taken into account when interpreting price trends. None of this is taken into account in the CMA's analysis, which only groups treatments at a very high level (e.g. "ultrasound", "fracture repair" or "tumour removal") which will not control for the significant shifts in quality and range of treatments offered within each category over time.

## 5.2 Profitability

CVS operates in a highly competitive market where entry and consumer switching are easy. Efficiency of operations is therefore critical to being able to provide quality veterinary care while remaining profitable.

CVS does not earn excessive profits. The veterinary services market in the UK is currently widely acknowledged to be underserved. There has been a significant surge in demand for veterinary services, due to both an increase in the number of pets (from 40% to 60% of households owning a pet over a very short period) and wider expectations of customers for the highest quality of veterinary care.

CVS can only invest to expand its provision of veterinary services by raising capital from equity and debt markets. Of course, these investors have return expectations that CVS must meet if it is to be able to continue to invest and grow. CVS' returns are only at the level required to attract such investment. Its profitability levels have not increased significantly, with operating profits for the Veterinary Practices business (before interest and tax) remaining relatively flat at 10% of revenues, which reduces to around 5% accounting for central overheads. CVS' ROCE is also broadly in line with its WACC, again indicating that CVS is by no means profiting excessively. Although this ROCE is calculated on a capital base that includes goodwill associated with acquisitions, CVS' view is that this "goodwill" is in fact a good reflection of the value of the assets acquired in such transactions: if it were not, CVS would build greenfield sites instead of making acquisitions.<sup>21</sup> A high ROCE figure would be expected were CVS increasing treatment prices to drive profits – that is simply not the case. CVS stresses that, to make the kind of investments valued by both sides of the market (i.e. vets and consumers), CVS requires a return on investments sufficient to cover its costs. This is the same for any independently owned practices, who naturally also consider whether improvements to their practices are profitable before introducing them. Otherwise they will fail to be able to realise a return on their investment in setting up and investing in their business, and would be better off to

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<sup>21</sup> The underlying assets captured by this "goodwill" figure in practice include over-depreciated/under-recorded tangible assets, as well as the intangible value of the practice built up by the vet(s) who built that practice: reflecting for example the cost of running a practice through its early years when it has not yet hit maturity and is incurring labour and facilities costs that are required to generate *future* revenues, rather than only to drive current profitability. CVS as a group also holds other intangible assets (in the form of know-how, systems, etc) that are not explicitly captured in its accounting asset base.



work for a corporate veterinary group (particularly once the risks associated with such investments are taken into account).

### 5.3 Quality

As explained above, CVS considers itself to be a high-quality service provider in direct response to consumer demand. If consumers did not value a high-quality offering, it would not be of sufficient benefit to CVS to continue making the investments required to provide these services.

Quality is therefore an important factor both for customers and vets. This is supported by the CMA's survey, which shows that 70% of respondents had at least one quality reason behind their choice of FOP. The main way in which customers choose their vet practice is through word-of-mouth and reputation – which CVS fosters through the quality of its offering, ensuring a happy customer base who will spread the word to friends and neighbours about the services and quality of care it offers. In fact, CVS has shaped its investment strategy to focus on quality, in order to compete effectively (by meeting demand for a broad range of modern treatments and incentivising the retention of clinical staff). For example, [8].

However, CVS is, at its core, a clinically-led business. CVS aims to offer consumers the widest breadth of clinically appropriate treatment options available. Naturally, those options will range in price, but recommendations made by CVS' vets are always guided by their professional judgement. A core principle of CVS' business is to safeguard clinical freedom. CVS firmly believes that consumers should have the choice to opt for a more effective treatment for their pet (which may be more expensive) should they wish to do so. It would be detrimental to pet welfare, innovation in the sector and consumer choice were CVS to be perversely incentivised (through a misleading focus on price) to limit treatments offered to only the most affordable options.

Whilst it doesn't detract from the importance of quality to customer choice, CVS does acknowledge that quality is hard to measure and compare across FOPs. Not only is it based on a mix of subjective and objective factors, but the measure of the way in which customers perceive quality and the way in which vets perceive quality can differ (although if vets do not feel they have the right facilities to provide high quality care they are likely to leave, and this will result in a decline in quality of a type that customers notice and act on). At its core, CVS considers that good quality will be reflected in both colleague retention and customer behaviour (remaining with a FOP, low levels of complaints etc.) and is a key aspect of word-of-mouth recommendations, which the CMA acknowledges is an important driver in FOP choice. This view is supported by evidence on the relationship between customer satisfaction and switching behaviour.<sup>22</sup>

However, given that some aspects of quality are more difficult for consumers to perceive directly, as noted in Section 2, CVS supports providing customers with more easily identifiable quality markers. This could include, for example, improving awareness of PSS accreditation (and in the longer term, implementing a "Kitemark" that helps customers discern differences within accreditation levels), by indicating the qualification experience of vets, by providing a list of equipment operated by, or procedures undertaken by, a FOP in-house, and transparency of complaints data. In CVS' view, these types of transparency measures would provide customers with a more tangible means of assessing the quality of treatment options available. Given FOPs compete not only on price but also on quality, CVS is firmly of the view that the price transparency measures discussed in Section 2 must be combined with appropriate measures that indicate quality, so that the true value to

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<sup>22</sup> Annex 4, "Consumer perceptions of quality".

consumers and their pets can be understood and feed into their choice not only of FOP but also of treatment/referral etc.

For completeness, CVS notes that it has a KPI – the PCI – that can be used by practices to self-assess their performance from a quality perspective. PCI is a fairly crude measure of how CVS practices are investigating and treating clinical conditions in pets. It is not gathered on an individual clinician basis and does not include medicines sales. The PCI can be used as a benchmarking tool to determine the approach of vets across all treatment options that are considered to be in the best interests of animals and taking into account the accepted standards of care in the veterinary profession. CVS does not actively monitor PCI statistics, and there are no upper targets for practices. To the extent that PCI is considered “low” at any given site (against a rough benchmark of all of CVS’ FOPs), at a regional level, CVS may consider, for example, whether the type of services typically carried out at the site could explain the score (e.g. a primarily non-surgical practice) or if the score could indicate a training or equipment need, such as underutilisation of new diagnostic equipment due to inexperience. Similarly, if a PCI score was abnormally high, this may be explained by the type of work carried out at the site or it could – at least in theory – indicate a training need on how to better communicate options to customers (although in practice, CVS has not experienced concerns over over-diagnosis or over-treatment at its FOPs).

#### 5.4 Pet care plans

While the CMA acknowledges that pet care plans can reduce annual spend for customers who would otherwise frequently use veterinary services, as well as helping them to manage costs over time, they have identified some specific concerns regarding the sale of such plans, and how comparable they are in practice.

CVS designed its pet care plan – HPC – to give customers a cost-effective way to provide their pets with the best possible preventive healthcare. The benefits of the HPC are clearly set out for customers, alongside costings based on the species, age and weight of their pet.<sup>23</sup> Benefits include: helping customers to save up to £200pa compared to purchasing the same routine core veterinary services (annual vaccinations, health-checks, flea & worming products), the ability to spread the costs across 12 monthly direct debit payments, the provision of additional discounts on related services including OOH care and long-term medications, as well as information resources such as the #BestForPets digital magazine that provides helpful information on pet care and frequently asked veterinary questions. As CVS has previously explained, whilst the precise benefits, costs and savings can vary depending on the type, size and age of animal, the savings used in CVS’ marketing material are conservative as they do not include the additional 10% discount on all FOP products and services and 20% discount on selected medicines, as well as multi-pet and dental treatment discounts. Moreover, for some treatments (such as parasiticides), clinicians can choose from a variety of flea and worm treatment options, depending on what is best suited to a pet’s needs resulting in increased costs to CVS compared to the “standard guidance”. As a result, any pet requiring medical intervention, age related on-going treatment or treatment for accidents / traumatic injuries would make an increased saving *over and above* the £200 used in CVS’ marketing materials.

CVS does not have any contractual incentives (such as bonuses) or targets to motivate its vets to increase HPC uptake. CVS also does not consider that HPC represents a barrier to customer switching – it is easy to set up a new plan account, and customers can halt HPC at any time (without penalties) and get refunds for options they have not used. Unlike insurance products, there is also no need to declare prior usage or pre-existing conditions on the next pet care plan.

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<sup>23</sup> [The Healthy Pet Club | The Vet Collection](#).



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As outlined, CVS considers that its HPC plan represents good value for the best preventative healthcare. However, CVS acknowledges that it can be difficult for customers to compare effectively amongst different pet plans, particularly given differences in scope. In order to enable customers to make better informed decisions with respect to plans, CVS would support industry-wide transparency measures that require the publication of: (i) clear pricing for the overall plan, (ii) benefits of the plan, including ease of switching, (iii) prices of pet care plan treatments and medicines/products on a standalone basis vs as part of the plan and (iv) the average annual savings achieved, provided on an appropriate basis (taking account of the inherent variance by species etc. explained above).

## 6 Pricing-related factors – veterinary medicines

At the outset, it is important to recognise that medicines are an important part of all veterinary business models. Having drugs available for customers to take away at the point of prescription is not only convenient for customers, but often essential for animal welfare. It is not feasible to disaggregate medicines from the provision of wider FOP services: an FOP cannot function without offering medicines on site, just as provision of a physical high street pet pharmacy would not be viable without the associated FOP service. For example, the provision of a prescription requires a consultation and expertise of the veterinary surgeon (assisted by training, internal knowhow, resources on medicine options etc.). Some medicines are sold as part of a service – e.g. at CVS FOPs, vaccines are not sold on a standalone basis but are provided as part of a vaccination service.

Veterinary medicine pricing is complex. The CMA has identified concerns with “*large mark-ups*” on medicine products, but these figures do not represent a true margin on medicine sales, but rather reflect the often significant costs associated with prescription, dispensing and administration – where the “margin” allocates only product costs to medicines sales, rather than the broader set of costs associated with storing, prescribing, dispensing and selling medicines at a bricks-and-mortar location.<sup>24</sup> Pricing is further influenced and complicated by the regulatory environment and the procurement process (including terms imposed upstream by medicine manufacturers)

### 6.1 Processes for prescription and procurement

At CVS, the ultimate decision as to which medicine to prescribe always rests with the veterinary surgeon, who has the freedom to choose based on their clinical judgement (in accordance with applicable regulation, including authorised use restrictions and the veterinary medicines cascade for unauthorised medicines). CVS does use “dedicated and preferred” lists (“**D&P List**”) in its FOPs. This has a number of benefits – primarily to help simplify prescription decisions for CVS’ vets while making product management more straightforward and minimising wastage (e.g. by stocking only one brand of a particular product where there are multiple brands of the same fundamental product in terms of formulation, active, strength, etc., rather than 2, 5 or 10). It also has the benefit of strengthening relationships with suppliers, and ensuring that customers can access the products they are used to receiving. However, a vet’s choice of medicine is not restricted by the D&P List – there is always the option to prescribe ‘off-list’.

In the same vein, procurement of veterinary medicines at CVS is first and foremost driven by clinical judgement. At the start of the process, CVS’ Clinical Advisory Committee (the “**CAC**”) undertakes a clinical assessment to choose the medicines they consider to be the most appropriate from a clinical standpoint (taking account of e.g. efficacy, ease of administration, formulation etc.), which will be added to the D&P List. This clinical assessment is entirely separate from the procurement process, meaning cost does not influence the decision-making process at this stage. Only after products have been selected by the CAC will the procurement team enter into commercial negotiations with manufacturers/wholesalers to secure supply and negotiate discounts. This division between the two steps of procurement is deliberate, in order to ensure that clinical freedom is always prioritised.

In the commercial negotiations phase of procurement, wholesale prices for POM-Vs are largely set by manufacturers. Wholesalers typically follow a recommended “veterinary professional” price list which is also set by manufacturers. CVS has observed that wholesale prices have increased by c.70% over the last 10 years. Wholesale price rises are imposed by manufacturers (generally with limited or no notice) and are often automatically reflected in the pricing file that wholesalers use to charge FOPs. LVGs such as CVS therefore have very little power over manufacturers or the way

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<sup>24</sup> Apparently higher margins for individual products can also reflect high levels of wastage.

that list prices are determined. However, CVS is able to negotiate rebates and discounts with manufacturers and wholesalers. CVS also enables independent FOPs to benefit from substantial rebates through its buying groups VetShare and MiPetClub. CVS does not have any forward-looking volume commitments in respect of veterinary medicines procured via wholesalers, although it does have minimum order quantity commitments for its own-label products procured directly from manufacturers (as explained further in Section 6.4).

## 6.2 Margins and costs

Within CVS, the sale price of a medicine product or product category is decided by the Small Animal Pricing Working Group which consists of clinicians from across CVS practices. The Working Group takes into account a number of factors to determine appropriate pricing, including:

- the cost of local storage (and wastage) of pharmaceutical stock including where such storage is more involved (e.g., cold chain products and controlled drugs). CVS does not routinely track the proportion of its medicines that require cold chain storage, but on a conservative basis, estimates that at least 1 in 6 POM-V products require refrigeration;<sup>25</sup>
- the level of wastage associated with a particular product (e.g., single use vials which once opened, have a short shelf life meaning that they are unlikely to be used for another patient); and
- the level of expertise required to dispense and/or administer the pharmaceutical, which is often aligned to the category in which it sits (POM-V, POM-VPS, NFA-VPS, AVM GSL).

CVS does not factor in the likelihood of a customer shopping around (which may be more prevalent in respect of medications used for chronic illnesses, for example), as part of its pricing decisions.

CVS does not consider the CMA's initial findings on medicine pricing "mark-ups" to be accurate because they do not properly account for associated costs, such as: (i) wastage costs which can be significant, particularly in injectables<sup>26</sup>, (ii) the c.70% increase in wholesale costs, (iii) the fact that supplying pharmaceuticals from a FOP inevitably results in higher costs than selling online, given transport, storage, wastage and logistical costs associated with delivering medicines to and storing medicines at individual practice sites across the country in the relatively small volumes typically required by a single FOP (in addition to the cost of working capital tied up) and (iv) as explained in Section 6.3, other costs associated with prescription of medicines – including veterinary surgeons' time, which cannot be sensibly disaggregated from broader FOP costs.

The CMA has also found that independent FOPs cited a broadly similar range of "mark-ups" to LVGs (which are also likely to reflect similar associated costs) and can achieve similar wholesale prices to LVGs via buying groups such as VetShare and MiPetClub. This indicates that LVGs are not looking to impose extraordinary mark-ups on medicines. In CVS' view, its medicine pricing largely reflects purchasing, storage, wastage, staff and other associated costs faced by all FOPs and not weak competition. Moreover, in CVS' experience customers do shop around for medicines – particularly

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<sup>25</sup> This is a best efforts estimate based on the main vaccines (such as those supplied by MSD) and injectables (such as Librela and Solensia) that typically require cold storage, calculated as a proportion of CVS FOPs' total POM-V spend in 2024. However this does not capture all refrigerated volumes as this is not recorded by CVS in the ordinary course. As such, it is expected to be a conservative estimate.

<sup>26</sup> In this regard, CVS notes that the CMA identifies mark-ups on injectables as high as ~~3x~~ but this typically reflects the high wastage on vials (so the margin is calculated against a part-vial, when in reality it is unlikely that the balance of the vial will be used, and therefore the full cost of the vial could be more correctly allocated). More generally CVS continues to have minimum stock levels to ensure vets can always offer urgent veterinary treatment to patients, however, from a commercial perspective CVS must sell these at an accurate price reflecting the significant costs incurred in storing and supplying them.



for chronic conditions. As an example, in a six-month period CVS sold c. 17,000 vials of Librela and Solensia (novel injectable treatments for osteoarthritis) in practice, and over the same period wrote prescriptions for c. 13,000 vials.

For completeness, as CVS has previously explained to the CMA, it does not systematically increase prices of medicines (or treatments) on acquisition of a new FOP. Price increases post-acquisition are not included in CVS' business cases for practice acquisitions. Indeed, CVS does not even review medicine pricing as part of its standard due diligence process. Where changes to pricing are made post-acquisition, these will generally reflect process or business improvements (e.g. relating to medicine procurement and distribution).

### **6.3 Relationship between medicines and other FOP services**

As noted above, medicine pricing cannot be viewed in isolation to the services provided as part of and alongside medicine prescription and supply. Consumers generally view the cost of their pets' healthcare holistically – they do not tend to distinguish between individual items but look to receive a good value on the service received overall. Similarly, CVS does not allocate its costs to medicines separately – for example it does not artificially allocate a portion of costs associated with consultations to the act of prescription.

CVS looks at the overall offer provided to its customers and seeks to price its services accordingly. Disaggregating the provision of medicines from the broader services a FOP provides would remove the freedom to price in ways that encourage customers to come to consult a vet when their animal is unwell. This model is not exclusive to CVS nor LVGs, as independent practices must also consider how to recoup costs across their business when pricing their range of services. For example, customers expect that their FOP can provide medicines on site, particularly for one-off, urgent needs. CVS in turn, must ensure that an appropriate range of medicines is available in every site. CVS notes that shopping around for alternatives to urgent or one-off medicines is less frequent as consumers value the convenience to have these available on site. This naturally comes at a cost, including (as explained in Section 6.2) the wholesale cost, logistics and transport, storage and wastage costs, and labour costs (expertise of veterinary professionals prescribing and dispensing the medicines). Of course, as any commercial operator would, CVS charges a mark-up on medicines above its cost, but this is not as high as the CMA asserts, netting off only the cost of obtaining the medicine, and none of the other costs associated with running what is effectively a veterinary pharmacy. Context is critical: as a business, CVS does not make excessive profits.

If the CMA were to consider some form of price control on medicines, preventing veterinary practices from making clinical and consumer-driven decisions on how to recoup the common costs of running a FOP across different elements of its service, this could clearly lead to unintended consequences that could be more detrimental to consumers. For example, it could result in higher consultation fees which could lead to poor animal welfare outcomes. Consumers may be discouraged from attending their veterinary practice by higher initial consultation fees and delay regular check-ups or avoid having a potential health issue looked at, until it becomes more serious and therefore more challenging (and potentially more expensive) to treat. Fundamentally, CVS views its business in a holistic manner, ensuring that all levels of the business are competitive and its profitability should be assessed on the same basis.

Notwithstanding the above, CVS notes that consumers naturally have much more flexibility to shop around for non-urgent and chronic types of medication. The CMA's survey data indicates that 63% of respondents purchasing ongoing medication from their FOPs were aware that they could request a written prescription to make a purchase elsewhere. This demonstrates that purchasers of long-term medication (who are likely to be more price sensitive as they put less value on convenience)



are aware of different supply channels (including online). As evidenced by the osteoarthritis example above, in CVS' experience such consumers also use those other channels. CVS' vets often actively encourage owners to shop around for their pet's medication in such circumstances. It appears this is common across the market, as the CMA's own qualitative research notes that "[m]any veterinary surgeons reported that they would proactively discuss written prescriptions for long-term treatments to reduce costs for pet owners".

CVS strongly supports transparency remedies being applicable across the market, to ensure that consumers both are aware of, and have the information necessary to use alternative sources of supply. As outlined in Section 2, such measures include: (a) ensuring customers are aware that they can obtain a written prescription that can be filled elsewhere; and (b) aiding consumers in finding alternatives by listing the active ingredient on prescriptions (meaning this is not limited to a single brand and is capable of being filled via different pharmacies).

#### **6.4 Own-brand medicines**

The CMA has expressed specific concerns that own-brand medicines may represent a barrier to customers purchasing medicines from third-party retailers. CVS has an own-brand medicine range called "MiPet", which are white label versions of existing products that are already available on the market under other brand names. CVS typically decides to add a product to the MiPet range where there is high volume purchasing – doing so enables CVS to agree a volume commitment with the manufacturer, which allows it to negotiate slightly better terms – in turn, these are partly shared with customers. Such commitments take the form of minimum order quantities that apply over a set period. MiPet products are not available exclusively via CVS FOPs. Rather, third party FOPs can purchase the range via CVS' VetShare and MiVetClub buying groups and can benefit from those terms. Other relevant factors include the ability to control stock where there are regular/persistent supply issues, and to a lesser degree, the ability to manage marketing and promotional messaging. CVS' contractual terms with manufacturers typically stipulate that CVS cannot sell its own-brand MiPet products at a cheaper price online (i.e. via its online pharmacy Animated Direct) without explicit permission from the manufacturer. However, CVS recognises that the prescription of own-brand medicines by reference to the brand name alone might reduce the customer's ability to identify and compare alternative options via another sales channel. CVS would therefore be supportive of a requirement that active ingredients are listed on written prescriptions to allow owners to compare own-brand products with clinically identical alternatives.

#### **6.5 Regulatory framework including the veterinary medicines prescribing cascade**

Veterinary medicines, licensing and the activities surrounding prescribing, storage and dispensing are regulated through the Veterinary Medicines Regulations 2013 ("VMRs"). Each veterinary medicine is authorised for specific conditions for specific target species, based on assessed data. These medication authorisations are defined in the Summary of Product Characteristics (known as the SPC). If there is no suitable veterinary medicine authorised for a condition in a specific target species, a veterinary surgeon is permitted to use their clinical judgement to prescribe unauthorised medications in accordance with the cascade. The cascade allows that vet to make prescribing decisions only on an individual case basis and, in CVS' view, is critical to protecting the safety of animals under veterinary care.

The VMRs set out the sequence of steps in the decision tree associated with cascade medicine prescriptions. Importantly, price is not a relevant factor: the VMRs make clear that vets may not prescribe a human medicine simply because it is cheaper than an authorised veterinary medicine. It also characterises misuse of the veterinary cascade as a criminal offence.



Despite the confusion and frustration that the cascade limitations may create, particularly from the consumer perspective, the veterinary profession and CVS recognise that the cascade is critical to the safety of veterinary medicines and animal welfare. In particular, the cascade ensures:

- a consistent approach to safety and efficacy data for authorised medications, allowing a veterinary surgeon to provide good advice to consumers on the safety of medicines;
- protection of food hygiene processes associated with drug residues in milk, meat, eggs, honey, etc.; and
- appropriate incentives for the development of novel molecules or species-specific safety profiles for human medicines, allowing for ongoing improvements in animal welfare.