

CMA veterinary services for household pets market investigation
Linnaeus response to the CMA's Working Papers, dated 6 February 2025
21 March 2025

1. Introduction

- 1.1 Linnaeus welcomes the opportunity to comment on the working papers published on 6 February 2025 (the **Working Papers**) in relation to the CMA's market investigation into veterinary services for household pets (the **Investigation**).¹ The CMA is investigating a range of potential issues in relation to the veterinary industry to establish whether any of them may be contributing to an adverse effect on competition (**AEC**).
- 1.2 Having read the Working Papers, it is evident that a considerable amount of work has gone into understanding how our industry operates – and Linnaeus recognises the efforts of the CMA to do so. Linnaeus is nevertheless concerned by certain aspects of the emerging thinking set out in the Working Papers, some of which amounts to no more than speculation and has the potential to seriously undermine consumers' trust and confidence in veterinary professionals.
- 1.3 The Working Papers place too much reliance on specific anecdotal (and, for the most part, unverifiable) statements from qualitative research and particular results from the consumer survey, at the expense of other more probative evidence (including, sometimes, more meaningful figures from the same survey). Sometimes, there are generalisations made about the industry, and LVGs as a group, without distinctions being drawn between the business models and behaviours of different companies – resulting in important nuance being lost. Often, evidence related to a small number of LVGs is the basis for emerging thinking which is applied to LVGs as a group, even where that evidence does not relate to Linnaeus and may be directly contradicted by evidence submitted by Linnaeus or by the CMA's own analysis of data relating to Linnaeus. And there is a lack of articulation of how any of the evidence presented – even where apparently negative – could ultimately amount to an AEC finding.
- 1.4 Linnaeus remains of the view that the industry – and the hard-working veterinary professionals within it – overwhelmingly seek to provide the best possible service across all metrics for pet owners. The balance of evidence gathered in this Investigation supports that this is a well-functioning market, and nothing presented in the Working Papers would merit an AEC finding. In this response, Linnaeus will expand upon various market dynamics that it considers are either not given sufficient prominence in the Working Papers or missed altogether from the analysis. Drawing on evidence gathered and presented in the Investigation, the response will explain how:

¹ Given the length of the Working Papers, Linnaeus has limited its response to key observations. No inference should therefore be drawn that Linnaeus agrees with any aspects of the Working Papers which have not been expressly referenced in this response.

- (a) Linnaeus operates in a highly competitive market and difficult commercial environment, characterised by two key features: **[Redacted - Confidential]** and intense local competition.
- (b) The first of those features is principally driven by: **[Redacted - Confidential]**;² and (ii) investments in repairs, maintenance and improvements for the Linnaeus estate, which also entail significant cost expenditure. More detail on **[Redacted - Confidential]** are included in **Section 2**. This is important context which is missed in the CMA's observation that the veterinary industry is one where prices are rising faster than salary costs³, **[Redacted - Confidential]**.
- (c) The second feature – the vibrancy of day-to-day local competition – takes place across a range of price and non-price metrics, including quality. Linnaeus is a quality-driven organisation and its success as a business depends on its reputation and ability to generate recommendations, which are hard-won yet can be quickly lost. **Section 3** describes the wealth of evidence available to the CMA, from materials submitted by Linnaeus during the course of the Investigation, of the intensity of competition faced by Linnaeus clinics and the steps they take to respond to this pressure. The Working Papers contain little recognition of the extent of this competition and instead focus on certain areas where the CMA has potential concerns. Linnaeus recognises the CMA's interest in exploring areas where levels of transparency could be improved to give consumers additional inputs on which to base their purchasing choices. However, a meaningful assessment of the effectiveness of competition for UK veterinary services cannot ignore the significant extent to which competitive pressure is already brought to bear with the current levels of transparency available in the market.
- (d) Having established these key features of the industry, **Sections 4-8** provide Linnaeus' specific comments on important aspects of each of the Working Papers (with additional comments on specific extracts of the Working Papers contained in **Annex 1**):
 - (i) Section 4: "How people purchase veterinary services" (the ***Demand WP***);
 - (ii) Section 5: "Business models, provision of veterinary advice and consumer choice" (the ***Business Models WP***);
 - (iii) Section 6: "Competition in the supply of veterinary medicines" (the ***Medicines WP***);
 - (iv) Section 7: "Regulatory framework for veterinary professionals and veterinary services" (the ***Regulation WP***); and
 - (v) in Section 8: "Analysis of local competition" (the ***Local Concentration WP***).

² See also Linnaeus' response to the CMA's working paper on profitability methodology (22 November 2024), **[Redacted - Confidential]**.

³ See for example, Overview Working Paper, Paragraph 1.10(d).

- 1.5 Linnaeus recognises there is always room for improvement across the industry and remains supportive of an industry-wide approach to address the potential issues raised in the Working Papers (**Section 9**). Linnaeus, along with a group of other LVGs, previously presented a package of transparency remedies aimed at improving the availability and comparability of information in the industry. Linnaeus believes that these remedies would be an effective solution to any concerns and easily implementable. Linnaeus is keen to work collaboratively with the CMA for the benefit of UK pet owners, pets and veterinary professionals.
- 1.6 At **Annex 2**, Linnaeus is also submitting a paper prepared by its economic advisers which reviews the results of the survey of pet owners commissioned by the CMA, and assesses whether it supports the CMA's key emerging views as presented in the Demand WP.

2. **Linnaeus faces [Redacted - Confidential] profitability**

- 2.1 The Business Models WP asserts that veterinary services is an industry where prices are rising faster than costs and therefore veterinary businesses are able to sustain price increases.⁴ **[Redacted - Confidential]** – as is detailed further below.
- 2.2 The Business Models WP observes that on average unit prices at FOPs grew by 60-70% between 2015 and 2023,⁵ and that this increase is greater than: (a) the general inflation for services during this period (the Consumer Price Index for services grew by 35% between January 2015 and December 2023);⁶ and (b) the increase in salaries of vet professionals. It concludes from this that changes in unit costs of veterinary professionals do not appear to explain the extent of price increases in the sector.⁷ It then speculates that the ability of vet businesses to sustain price increases (in excess of costs) may be explained by the way pet owners respond to the services and prices offered to them, combined with limitations in the effectiveness of regulation.⁸
- 2.3 The Business Models WP acknowledges that some LVGs have concerns over the accuracy of the CMA's analysis as it does not reflect changes in the product mix over time and in particular whether services have improved in quality and that this will be taken into further consideration in a subsequent paper.⁹
- 2.4 Linnaeus considers that it is difficult to control for changes in product mix in a systematic way and for this reason **[Redacted - Confidential]**.¹⁰ Linnaeus' internal financial data over the period 2020 to 2024 shows that **[Redacted - Confidential]**.
- 2.5 The table below summarises Linnaeus' data on **[Redacted - Confidential]**.¹¹¹²

Table 1 [Redacted - Confidential]¹³

- 2.6 As seen in the table above, **[Redacted - Confidential]**.¹⁴ Importantly, the table shows that **[Redacted - Confidential]**. This is illustrated in the chart below **[Redacted - Confidential]**.

Figure 1 [Redacted - Confidential].

- 2.7 As the chart and tables show, whilst **[Redacted - Confidential]**.¹⁵ However even **[Redacted - Confidential]**.
- 2.8 The table and chart below show the impact that the **[Redacted - Confidential]**.¹⁶

⁴ Business Models WP, Paragraphs 9-11 and 1.2.

⁵ Business Models WP, Paragraphs 9 and 2.10.

⁶ Business Models WP, Paragraphs 10 and 2.13.

⁷ Business Models WP, Paragraphs 9 and 2.14.

⁸ Business Models WP, Paragraph 11.

⁹ Business Models WP, Paragraph 9. See also **[Redacted - Confidential]**.

¹⁰ **[Redacted - Confidential]**.

¹¹ **[Redacted - Confidential]**.

¹² **[Redacted - Confidential]**.

¹³ **[Redacted - Confidential]**.

¹⁴ **[Redacted - Confidential]**.

¹⁵ **[Redacted - Confidential]**.

¹⁶ **[Redacted - Confidential]**.

Table 2 [Redacted - Confidential]

Figure 2 [Redacted - Confidential]

2.9 As seen in both Table 2 and Figure 2, **[Redacted - Confidential]**,¹⁷ there has been a **[Redacted - Confidential]**.

2.10 **[Redacted - Confidential]**.¹⁸

¹⁷ **[Redacted - Confidential]**

¹⁸ Business Models WP, **[Redacted - Confidential]**.

3. **The UK veterinary services market is fiercely competitive**

3.1 Linnaeus is concerned that the CMA's emerging thinking does not take into account the intense competition which occurs locally between practices. This applies both to primary care and referral practices, specifically:

- (a) Linnaeus' primary care practices compete to increase footfall through the door, and to win recommendations by upholding an excellent reputation (by providing high levels of quality at accessible pricing); and
- (b) Linnaeus' referral practices must also compete strongly, both in relation to maintaining their reputation amongst pet owners but also for recommendations from referring vets, who are vital gatekeepers for referral work. Linnaeus needs to give referring vets comfort that their referral centres will be able to accept their cases, will be predictable on pricing and of course that they will deliver high-quality clinical care.

3.2 Throughout the Investigation, Linnaeus has submitted a large number of internal documents which amply illustrate the high levels of competitive interaction between competing suppliers of veterinary services. Much of this is contained in documents describing local, clinic or brand-level business plans and competitive monitoring. Some of this is also driven by Linnaeus' central management team and executed by local clinic teams in light of the specific characteristics in their local areas.

3.3 Together, these documents paint a vivid picture of the vibrancy of competition between clinics which takes place across price and non-price metrics. **[Redacted - Confidential]**. There are also many examples of price-related competition involving **[Redacted - Confidential]**.

3.4 Representative samples of these documents provide detailed examples of how Linnaeus practices compete on the various quality and other metrics. These examples demonstrate that there are multiple levers available to flex as part of a competitive strategy, and that Linnaeus competes on the **[Redacted - Confidential]**.

A close focus on quality monitoring via NPS scores and customer feedback

3.5 In light of the inherent difficulty in measuring quality on a consistent basis between suppliers across the industry, Linnaeus has focused on Net Promoter Score (**NPS**) measurement and assiduous follow up of customer feedback.

3.6 Linnaeus conducted research **[Redacted - Confidential]**.¹⁹

Figure 3 [Redacted - Confidential]

3.7 **[Redacted - Confidential]**.

3.8 A central part of this initiative is **[Redacted - Confidential]**:

¹⁹ **[Redacted - Confidential]**.

Figure 4 [Redacted - Confidential]

- 3.9 There are plenty of other examples of specific Linnaeus clinics seeking to address customer feedback. Considered with the above, below are examples from a Linnaeus referral centre and an FOP on how they seek to obtain customer feedback and follow-up to ensure client satisfaction.²⁰ There are multiple other examples of these across Linnaeus' practices.

Figure 5 [Redacted - Confidential]

Figure 6 [Redacted - Confidential]

- 3.10 As set out in prior RFI responses and below in Section 7, Linnaeus has in place a detailed process for dealing with feedback and complaints submitted by customers, the aim of which is to ensure customer complaints are considered and addressed as appropriate, giving Linnaeus an opportunity to rectify any issues.²¹ Linnaeus collects data on both formal and central complaints, capturing the journey of each formal and central complaint from the date it is received to the date it is resolved.

- 3.11 **[Redacted - Confidential].**

- 3.12 The examples above demonstrate Linnaeus' focus on day-to-day competitive efforts **[Redacted - Confidential]**.

- 3.13 Reviews that customers leave on Google and other platforms also have a significant impact on the reputation of vet practices (and in turn their financial performance). High ratings are hallmarks of consistently providing quality care to customers, which can translate into increased recommendations and footfall. The ease with which potential new customers can search for practices online, and the accountability that comes with online reviews, requires Linnaeus' practices to consistently deliver high quality care and high customer satisfaction (and that includes being competitive on pricing). **[Redacted - Confidential]**. The below document – as an example – demonstrates that Linnaeus values **[Redacted - Confidential]**.²²²³ **[Redacted - Confidential]**.

Figure 7 [Redacted - Confidential]

Figure 8 [Redacted - Confidential].

- 3.14 Linnaeus is keenly aware of the critical impact that reputation has on success of a practice, and what can happen when quality metrics tip against a clinic; a clear illustration of the importance of reputation and the level of competitive pressure. By way of illustration, **[Redacted - Confidential]**:

24

²⁰ See **[Redacted - Confidential]**; and **[Redacted - Confidential]**, both submitted in response to RFI 3 tranche 6, 5 July 2024.

²¹ See Linnaeus' responses to question 21 of RFI 3 tranche 4, 23 May 2024; questions 5 and 6 of RFI 11, 25 November 2024.

²² See **[Redacted - Confidential]**, submitted in response to RFI 3 tranche 6, 5 July 2024.

²³ See **[Redacted - Confidential]**, submitted in response to RFI 3 tranche 6, 5 July 2024.

²⁴ See also **[Redacted - Confidential]**, submitted in response to RFI 3, tranche 6, 5 July 2024.

Table 3 [Redacted - Confidential]

3.15 [Redacted - Confidential].²⁵

Specific pricing initiatives

3.16 In addition to competing on quality, customer service and convenience – shorter phone wait times, software to enhance appointment booking – Linnaeus must also compete vigorously on price.

3.17 One example of this is [Redacted - Confidential].

3.18 [Redacted - Confidential].

Multiple examples of other price and non-price competition at the local level

3.19 Linnaeus' ordinary course documents provide multiple additional examples of the large number of other actions which its practices take in response to local competitive pressure, including: [Redacted - Confidential]. The following are illustrative examples:

(a) [Redacted - Confidential].²⁶

Figure 9 [Redacted - Confidential]

(b) [Redacted - Confidential].^{27,28}

Figure 10 [Redacted - Confidential]

(c) [Redacted - Confidential].²⁹

Figure 11 [Redacted - Confidential]

(d) [Redacted - Confidential].³⁰

Figure 12 [Redacted - Confidential]

(e) [Redacted - Confidential].³¹

Figure 13 [Redacted - Confidential]

(f) [Redacted - Confidential].³²

Figure 14 [Redacted - Confidential]

(g) **Competing to win new customers:** Practices must also fight for new customers, and [Redacted - Confidential].³³ As described in greater in detail in Annex 2, the CMA's survey also suggests that 10% of customers in the last year are new registrations, which is a

²⁵ See [Redacted - Confidential], submitted in response to RFI 3 tranche 6, 5 July 2024.

²⁶ See [Redacted - Confidential], submitted in response to RFI 3 tranche 2, 3 June 2024.

²⁷ See [Redacted - Confidential], submitted in response to RFI 3 tranche 6, 5 July 2024.

²⁸ See [Redacted - Confidential], submitted in response to RFI 3 tranche 6, 5 July 2024.

²⁹ See [Redacted - Confidential], submitted in response to RFI 3 tranche 6, 5 July 2024.

³⁰ [Redacted - Confidential], submitted in response to RFI 3 tranche 6, 5 July 2024.

³¹ [Redacted - Confidential], RFI 3 tranche 6, 5 July 2024.

³² [Redacted - Confidential], RFI 3 tranche 6, 5 July 2024.

³³ See Annex Q2, submitted in response to RFI 13 tranche 2, 24 January 2025.

sizeable portion of the overall customer base which can be won year on year.³⁴

CMA's assessment of the market must give appropriate weight to the high level of competition that already exists

- 3.20 The examples described above are not isolated instances. There are many other documents which contain similar illustrations of Linnaeus responding to competitive pressures across its estate.³⁵
- 3.21 Taken together, these documents reflect the day-to-day reality of operating a veterinary business in a tough commercial environment and competitive landscape. Linnaeus' practices (and Linnaeus as an overall group) would not expend all this resource on maintaining its high-quality service / reputation and responding to competitor moves if it were not highly aware of the risk of significant customer switching if any of its practices fail to respond to the strong competitive pressures which they face.
- 3.22 Linnaeus is concerned that these dynamics are not recognised to any significant extent within the Working Papers (which do not acknowledge that there is any significant competition occurring). This is a glaring omission from the CMA's analysis. A view of the market which does not appropriately recognise and weigh these features would be inherently flawed and could not be a valid basis for a finding of an AEC in the market.

³⁴ CMA Consumer Survey, Questions 12A and 33.

³⁵ See **[Redacted - Confidential]**, all submitted in response to RFI 3 tranche 6, 5 July 2024.

4. How people purchase veterinary services

4.1 The Demand WP sets out the CMA's key emerging views on how people purchase veterinary services as follows. It observes *inter alia* that:

- (a) contextual factors around how vet services are bought may limit pet owners' ability to consider material information, evaluate the advice of their vet, make effective choices and shop around;³⁶
- (b) a significant proportion of pet owners do not consider multiple options when choosing an FOP which may lead to weaker competition between FOPs;³⁷
- (c) switching rates may be lower than the CMA may otherwise expect in a well-functioning market;³⁸
- (d) while pet care plans can reduce annual spend for many pet owners, they may not offer value for money for some pet owners;³⁹ and
- (e) pet owners needing to choose an OOH provider do not typically shop around and have access to limited information.⁴⁰

4.2 Linnaeus recognises that there is room for improved transparency in relation to certain aspects of pet owner's customer journey. Linnaeus nonetheless disagrees with various aspects of the CMA's emerging views and explains below that (more detailed comments on specific statements are set out in Annex 1, Section A):

- (a) pet owners consider multiple options and shop around in greater numbers than acknowledged in the Demand WP, and the CMA's own consumer survey supports this;
- (b) price is a key factor for pet owners when choosing an FOP practice and awareness of price is significantly higher than the Demand WP estimates;
- (c) it is unsurprising that switching rates are low, given high levels of satisfaction in veterinary professionals;
- (d) the trusted relationship between vets and pet owners is the bedrock of Linnaeus' business. This is built over time but can quickly be lost if abused with repercussions for the reputation of a veterinary professional / practice – a dynamic which does not come across in the Demand WP;
- (e) **[Redacted – Confidential];**
- (f) Linnaeus' pet care plans deliver financial and health benefits by: (i) keeping pets healthier through preventive treatment; and (ii) providing cost savings to pet owners, both initially and in terms of reducing the risk of greater costs being incurred at a later stage. Linnaeus strongly rejects any suggestion

³⁶ Demand WP, Paragraph 4.24.

³⁷ Demand WP, Our emerging view on how pet owners choose FOPs.

³⁸ Demand WP, Paragraph 5.71.

³⁹ Demand WP, Our emerging view on how pet owners choose pet care plans.

⁴⁰ Demand WP, Paragraph 5.228.

that pet care plans are used to drive higher spend and may not offer good value for money for certain customers; and

- (g) It is not feasible or practical for veterinary practices to provide details for multiple OOH service providers.

- 4.3 Without prejudice to these views, Linnaeus has put forward a number of proposals to support increased transparency (set out in Section 9), which it considers would comprehensively address any AEC that could be based on the CMA's emerging thinking and would be easily implementable.

Pet owners consider multiple options and shop around in greater numbers than acknowledged in the Demand WP, and the CMA's own consumer survey supports this.

- 4.4 Linnaeus disagrees with the CMA's emerging view that consumers do not shop around effectively when choosing an FOP and this may lead to weaker competition between FOPs.⁴¹ The Demand WP states that based on the survey evidence, 51% of respondents said they only considered one vet practice; 29% said they considered two; 15% said they considered three or more; whilst 6% did not know, or could not recall.⁴²

- 4.5 As set out in further detail in Annex 2, these statistics overstate the proportion of pet owners who did not shop around with multiple practices and therefore understates the extent of competition within FOPs.

- (a) First, the analysis is based on respondents who chose their FOP in the last 10 years – Linnaeus does not consider that respondents who chose an FOP longer than the last two years are likely to provide meaningful insights because: (i) asking individuals to remember behaviour up to 10 years ago will likely result in a significant recall bias, this concern is consistent with the CMA's survey design guidance;⁴³ and (ii) the FOP landscape has changed over the last 10 years therefore such responses may no longer be relevant to the current market.
- (b) Second, a significant proportion of the 51% of respondents who stated they had only considered one vet practice did so because they only had one practice in their area, or only one practice that offered the treatment/services they needed. These respondents should be excluded from the results as they would not have had the opportunity to consider multiple practices even if they wanted to due to the lack of alternatives.
- (c) Third, when adjusting the survey in accordance with the above, the results show that the proportion of pet owners who shop around when choosing an

⁴¹ Demand WP, Our emerging view on how pet owners choose FOPs.

⁴² Demand WP, Paragraph 5.7.

⁴³ "If the last purchase was a long time ago, then respondent recall may be a problem. Much depends on the product or service being purchased; recall is likely to be better regarding the purchase of laser eye surgery than about a visit to a convenience store." See CMA, 'Good practice in the design and presentation of customer survey evidence in merger cases - revised', May 2018, available at: https://assets.publishing.service.gov.uk/media/5afd962340f0b6301d5dada4/Survey_good_practice.pdf (Accessed 11 March 2025).

FOP increases from 43% in the CMA's Demand WP analysis, to a majority of 56% of respondents.

- 4.6 In addition, the CMA's survey results show that a significant proportion of all respondents who only considered a single practice made their decision on the basis of a recommendation (43%) or an online review (12%). As set out further in Section 5, this demonstrates the importance of recommendations and reputation as a factor for customers when choosing a FOP – a mechanism that is a key driver of competition between FOPs and yet understated in the WPs.

Price is a key factor for customers when choosing a FOP practice and awareness of price is significantly higher than the Demand WP estimates

- 4.7 The CMA's survey explores a range of non-price and price metrics relevant to the decision-making of a customer when choosing a FOP. However, the Demand WP draws a conclusion from the survey that many pet owners do not seek out pricing information before choosing a FOP⁴⁴ and that this lack of information may be the cause of pet owners underestimating the value of shopping around because they mistakenly believe that all FOPs provide similar services at similar prices.⁴⁵
- 4.8 Linnaeus considers that the importance of price in decision-making is understated in the Demand WP and pet owners' awareness of pricing information is significantly higher than suggested. The Demand WP focuses on one particular data point: that 25% of survey respondents over a ten-year period listed "prices" as a reason for choosing a FOP. However, the focus on this data point means that the importance of price is then understated in the CMA's analysis for several reasons:
- (a) First, given the likely recollection bias and lower relevance of decisions in the past to the market today, it is appropriate to consider the views of customers who chose their FOP more recently i.e., in the last two years.
 - (b) Second, the majority of respondents (56%) to the CMA's survey had pet insurance, and as such the survey appears to oversample pet owners who have insurance. Pet owners with insurance may be less focused on price given that they are less likely to pay (although they may still pay for some proportion of it, on top of any policy excesses).
 - (c) Third, when considering whether customers compared prices when choosing their FOP, it makes most sense to look at those customers who considered multiple practices. Respondents who considered only one practice may have done so because they did not have other practices in their local area. Therefore, they are less likely to consider price given they do not have the ability to compare prices between different FOPs.
- 4.9 Table 4 below replicates the CMA's Demand WP analysis after making the adjustments described above – as seen in the table, these adjustments have the effect of increasing price as a relevant factor from 25% to 41%, second only to location.

⁴⁴ Demand WP, Paragraph 5.36.

⁴⁵ Demand WP, Our Emerging View on how pet owners choose FOPs.

Table 4 Reason for choosing FOP practice

<i>Q13: Still thinking about your current vet, thinking back to when you registered with them, why did you choose this vet practice?</i>				
	Listed as reason	Listed as reason	Listed as reason	Listed as reason
Location	68%	64%	65%	62%
Recommendations (friends, family, etc.)	44%	40%	40%	40%
Impression of the practice, staff or website	29%	29%	28%	32%
Prices	25%	31%	34%	41%
Appointment availability	28%	28%	29%	31%
Services offered	26%	29%	27%	32%
Opening hours	26%	28%	25%	24%
Parking and transport	25%	22%	25%	19%
Practice ownership	21%	21%	20%	20%
Online reviews	19%	24%	22%	30%
A special offer	4%	6%	5%	6%
I didn't have any choice	1%	1%	2%	2%
Other reason specified	3%	3%	4%	5%
Don't know/can't remember	<i>excl.</i>	<i>excl.</i>	<i>excl.</i>	<i>excl.</i>
Total	1,747	572	195	108
<i>Base</i>	<i>Have been with practice <10 years (excl. 'don't know')</i>	<i>Have been with practice <2 (Q11) (excl. 'don't know')</i>	<i>... and did not have insurance in last 3 years (Q112)</i>	<i>...and considered multiple practices (Q12B)</i>

Notes: Q11 identifies respondents who have been with the practice for less than 2 years (Q11: How long have you been with this vet practice?). Q112 identifies respondents who have not had insurance in the last three years (Q112: Do you currently have pet insurance, for at least one of your pets, or have you had pet insurance in the past 3 years?)

'Other' includes respondents assigned to the new categories "Specialisms - expertise etc.", "Pet plan available", "For a particular vet", "Vet/practice know my pet - have relationship".

Source: CMA survey data; CRA analysis.

It is unsurprising that switching rates are low given high levels of satisfaction in veterinary professionals

- 4.10 In addition to factors such as pricing and location, veterinary practices compete through providing a good service and customer experience. In doing so, veterinary practices seek to retain pet owners as customers and ensure those pet owners recommend the practice to other potential clients. The reputation of a business and recommendations by customers are ultimately determinative as to whether a practice is successful. Ignoring this context, the Demand WP notes the CMA's emerging view that customer switching rates may be lower (3%) than the CMA might otherwise expect in a well-functioning market.⁴⁶ Linnaeus disagrees for several reasons.
- 4.11 First, customers are more likely to move to a new veterinary practice in circumstances where satisfaction rates are low. Conversely, the CMA's identified switching rate of 3% as a national average would be consistent with high customer satisfaction. The evidence from the CMA's own survey supports that this is the case:

⁴⁶ Demand WP, Paragraph 5.71.

- (a) 88% of customers agree that their vet focuses on the highest standard of care for my pet's health,⁴⁷
 - (b) 88% of customers stated that they were satisfied with the care given to their pet,⁴⁸
 - (c) 85% satisfied with the quality of service;⁴⁹ and
 - (d) 82% are satisfied with the outcome of the visit.⁵⁰
- 4.12 Second, the CMA's identified switching rate of 3% – as with its satisfaction rates – represents an average at national level. Competition occurs locally in this industry. As set out in more detail in Section 3, **[Redacted – Confidential]** at a practice level.⁵¹ This illustrates that switching is likely to be higher in circumstances where a practice has a weaker performance and lower customer satisfaction. The need to obtain recommendations and safeguard reputation acts as a significant competitive pressure on Linnaeus practices.
- 4.13 Third, the Demand WP's focus on the identified switching rate of 3% as evidence that the market is not functioning well fails to address two important points: (i) the fact that in any analysis of switching rates, possible issues in the switching process that are driving those rates must be considered; and (ii) if there are no issues in the switching process, it is necessary to understand why relatively few people switch. When these points are considered, the available evidence shows that:
- (a) **There are no significant barriers to switching or concern with the switching process.** 88% of survey respondents either switched practice in the last 10 years, or think they could if they wanted to. The survey also asked respondents how easy or difficult they think it would be to switch practice – 69% of those who did not switch (but felt they could if they wanted to, or did not know), thought that switching would be easy. The vast majority (73%) of respondents did not see issues with switching and therefore the relatively low switching rates in and of themselves are not evidence of there being a problem in the market.
 - (b) **High satisfaction appears to be driving the relatively few switchers rather than a poorly functioning market:** Given the lack of issues with the ability or perception of switching, the CMA must ask itself why there are relatively low switching rates, and whether this is symptomatic of a problem with the market or evidence of the market working well, with customers happy with their practices. Whilst the survey does not explicitly ask about pet owners' overall satisfaction with their FOP practice, it does ask about their satisfaction with their latest visit.⁵² As set out above, over 80% of respondents, including those who did not switch in the last 10 years, were satisfied with the information and / or advice received; the care given to

⁴⁷ Demand WP, Paragraph 5.124; Pet owners survey, Q36.

⁴⁸ Demand WP, Footnote 416; Pet owners survey, Q55b.

⁴⁹ Demand WP, Footnote 416; Pet owners survey, Q55b.

⁵⁰ Demand WP, Footnote 416; Pet owners survey, Q55b.

⁵¹ **[Redacted – Confidential]**, submitted in response to RFI 1, 11 October 2023, Pages 5-8.

⁵² See Pet owners survey, Q55b: On this occasion, how satisfied were you overall with:

The information and / or advice you received; The care given to your pet; The quality of service you received; The outcome of the visit; The cost of the service.

their pet; the quality of service received; and the outcome of the visit. Whilst satisfaction with cost of service is lower at 58%, a more relevant question would have been to ask whether they were satisfied with the value for money that they received. Linnaeus notes the majority of customers are still satisfied with the cost of the service. Although there is no survey question to directly link these satisfaction rates to low switching, these results suggest that high satisfaction rates may be contributing to the lower switching rates – it is unsurprising that consumers are less likely to switch in a market where they also report high satisfaction. Furthermore, the high satisfaction rates are also an indication that the market is working well for consumers.

- 4.14 Finally, the Demand WP observes that the switching rate is low relevant to other industries. However, there is limited crossover between the veterinary sector and those industries referenced by the CMA in paragraph 5.69 of the Demand WP, i.e. retail banking, mobile network, internet, energy, car insurance, home insurance, mortgage, credit card or pay TV. As such, these comparisons do not provide meaningful insight into the way in which veterinary medicine and the trusted relationships built between vets and pet owners work. The results produced from the CMA's own survey undertaken during the Investigation – which demonstrate high satisfaction levels across the veterinary sector – are more relevant than cursory references to unrelated industries.⁵³

The trusted relationship between vets and pet owners is the bedrock of Linnaeus' business. This is built over time but can quickly be lost if abused

- 4.15 The Demand WP identifies an information asymmetry between pet owners and veterinary professionals which leads to a reliance by pet owners on veterinary professionals as trained experts to recommend what services a pet needs.⁵⁴ However, this asymmetry is unavoidable and intrinsic to any service that is provided by a highly-trained professional.
- 4.16 Fundamental to an understanding of this industry is that a pet owner will typically build a trusted relationship with their vet over time. Linnaeus considers that the development of this trusted relationship is the bedrock of the service that vets provide, and therefore Linnaeus' business. This relationship is built on a foundation of honest, open conversation and partnering with the pet owner to deliver quality pet care over the lifetime of the pet. This concept is also embedded in the principles of contextualised care.⁵⁵
- 4.17 The Demand WP raises several potential concerns relating to this trusted relationship, including that:
- (a) pet owners' reliance on vets for both diagnosis and treatment may potentially create a conflict of interest where vets, or the entity which

⁵³ Pet owners survey, Q55b.

⁵⁴ Demand WP, Paragraph 4.4 *et seq.*

⁵⁵ See, for example, Linnaeus' Customer Charter: [Linnaeus-Customer-Charter-2022-Linnaeus.pdf](#) (Accessed 13 March 2025).

employs the vets, have a financial incentive relating to the clinical recommendations they make;⁵⁶ and

- (b) non-routine treatments and diagnostics involve greater asymmetry between pet owners and vets, with contextual factors potentially meaning that pet owners need to trust their vet's clinical judgement, and there is limited or no opportunity for pet owners to obtain alternative advice.⁵⁷

4.18 These concerns are misplaced.

4.19 First, Linnaeus strongly rejects the implication – which is entirely unsupported by any evidence that relates to Linnaeus, or indeed to the UK veterinary services market – that Linnaeus vets may be swayed by financial interests to make inappropriate recommendations to pet owners. Linnaeus vets, in common with all UK veterinary professionals, have a clear ethical obligation to “*provide independent and impartial advice*” for the welfare of animals.⁵⁸ Any prioritisation of commercial considerations to suggest inappropriate treatment recommendations would be an egregious breach of these ethical obligations. The Demand WP refers to studies conducted in non-UK human healthcare settings which apparently suggest that, where an expert may benefit financially from the provision of certain treatments, information asymmetry can lead to the provision of more expensive treatments under comparable clinical situations. However, the CMA provides no evidence of this applying to any UK market – let alone the UK veterinary industry.

4.20 Second, as recognised by the CMA, the evidence shows that veterinary professionals consider individual pet owners' circumstances in addition to animal healthcare needs when recommending treatment. This is a cornerstone of the provision of contextualised care. The CMA's survey found that most pet owners reported feeling that they understood the options that were presented to them, that they were able to make informed choices, and that they had the capability to challenge the vet's treatment advice if necessary.

4.21 Third, the trusted relationship should be celebrated as a positive thing for pet owners and the profession as a whole. The relationship is built on being open, honest and partnering with the owner to deliver high quality pet care over the lifetime of the pet – this trust is built over time and once lost it is very difficult to regain. It is embedded in the principles of contextualised care and forms part of Linnaeus' Customer Charter as demonstrated below.

⁵⁶ Demand WP, Paragraph 4.10(a).

⁵⁷ Demand WP, Our emerging view on how pet owners choose non-routine treatments.

⁵⁸ RCVS Code, Principle 2.2.

Figure 15 Linnaeus' Customer Charter



- 4.22 It is of no surprise to Linnaeus that the CMA has not identified any Linnaeus internal documents which suggest that it exploits pet owners' trust in their vet to generate more sales and build client loyalty.⁵⁹ That would not reflect the values or ethos of the organisation. Quite appropriately, Linnaeus' documents are instead focused on clinical outcomes and providing the most appropriate care to its pet owners – consistent with its priorities as a business.⁶⁰
- 4.23 Fourth and finally, the CMA's survey suggests that the trusted relationship is not having the negative impact implied elsewhere in the Demand WP. 70% of respondents thought they could decline referral or consider alternative options after knowing the price, excluding those who didn't know/can't recall.⁶¹ This figure is

⁵⁹ Demand WP, Paragraph 4.8(a).

⁶⁰ For example, as noted by the CMA at paragraph 2.155(b) of its Business Models WP.

⁶¹ Pet owners survey, Q65; Figure 61.

70% in the context of diagnostics. This is not indicative of a scenario where customers are not aware of available options.

[Redacted – Confidential]

4.24 [Redacted – Confidential]

4.25 [Redacted – Confidential]

4.26 [Redacted – Confidential]

Linnaeus' pet care plans deliver financial and health benefits

4.27 Linnaeus strongly rejects any suggestion that pet care plans are used to drive higher spend and may not offer good value for money for certain customers. On the contrary, Linnaeus' PH4L care plan delivers cost advantages and health benefits by:

- (a) keeping pets healthier through preventive treatment; and
- (b) providing cost savings to pet owners, both initially and in terms of reducing the risk of greater costs being incurred at a later stage.

4.28 The CMA raises several potential issues with pet care plans in the working papers, including that:

- (a) pet owners do not have sufficient information to make an informed decision on whether they would benefit from a pet care plan, nor any ability to compare plans between providers;⁶²
- (b) some pet owners are not getting value for money from their pet care plans;⁶³
- (c) pet care plans may result in overall spend by pet owners increasing, and LVGs driving pet care plan sales in this light;⁶⁴ and
- (d) pet care plans increase barriers to switching.⁶⁵

4.29 This characterisation of pet care plans is entirely inaccurate as regards Linnaeus' PH4L care plan. Pet Health for Life (**PH4L**) is designed to provide preventive healthcare and economical access to veterinary care, for those who wish to purchase it for their pet. In establishing this package in late 2021, Linnaeus had the overarching goal of simplifying the pet care plan product across its estate to make this more understandable to pet owners, including the wind-down of the differing legacy plans being offered across Linnaeus' business.

4.30 The regularity of checkups and treatments included has been carefully selected to achieve an appropriate balance of care to optimise the health of the pet and achieve peace of mind for the pet-owner.

4.31 The PH4L plan provides the following key benefits to its customers:

⁶² Demand WP, Paragraph 5.86.

⁶³ Demand WP, Paragraph 5.80.

⁶⁴ Demand WP, Paragraph 5.108.

⁶⁵ Demand WP, Paragraph 5.67.

(a) **keeping pets healthier through preventive treatment.** This is achieved through regular check-ups, vaccination and anti-parasite medication. Linnaeus' PH4L includes the following:

- (i) Annual health check and vaccinations, including kennel cough for dogs;
- (ii) All year-round flea, tick, and worming treatment including lungworm in dogs and ear mites in cats;
- (iii) 2 x consultations with a vet;
- (iv) 2 x consultations with a nurse;
- (v) 10% off neutering;
- (vi) Microchipping;
- (vii) Nail-clipping; and
- (viii) Anal gland expression.

Vaccinations and anti-parasite medication are considered as the basic standard of preventive healthcare for pets across the veterinary services sector.⁶⁶

(b) **providing cost savings to pet-owners.** These savings are realised by immediate cost-savings of the plan and the ability to spread the cost of preventive and routine healthcare over the year. For example, across the Linnaeus estate the price of PH4L plan is designed to be less than the cost of take-up on a "pay as you go" basis of standard recommended vaccinations and anti-parasite treatments, even before using the other benefits in the plan. In the below worked example, Linnaeus calculates that the cost of a PH4L plan for a <25kg dog would be less than the cost of (i) a full course of vaccinations;⁶⁷ (ii) 12 x anti-parasite treatments (which cover a range of external and internal parasites); and (iii) 8 x worming products (for a range of worms not otherwise covered).⁶⁸ This level of treatment is the current standard approach for vaccinations and anti-parasite medication. Inclusion of the other benefits within PH4L for the same price, which may be taken up as needed during the period of the plan (and represent typically requested services), make additional value available to consumers.⁶⁹

⁶⁶ The British Veterinary Association has published numerous pieces of guidance for pet owners, including: "Getting your pet vaccinated" (9 June 2014), which explains why it is important for cat and dog owners to vaccinate their pets and the common diseases they are protecting against in doing so, see website here: https://www.bva.co.uk/media/2649/client_leaflet_9_-_getting_your_pet_vaccinated.pdf; and "Using parasite treatments safely", which explains why parasite treatments are important for protecting a pet's health and welfare, see website here: <https://www.bva.co.uk/pet-owners-and-breeders/advice-for-pet-owners/parasite-treatments/> (Accessed 11 March 2025).

⁶⁷ If a full course of vaccinations is not required, annual boosters are also included in the plan.

⁶⁸ Linnaeus' PH4L plan includes 12 anti-parasite treatments and 8 worming products – this is the maximum that can be used in a year by clinical standards. [Redacted – Confidential]









⁶⁹ See [Redacted – Confidential]

Figure 16 Extract from “[Redacted – Confidential]”

- 4.32 The issues raised in relation to pet care plans are misplaced, at least in so far as its PH4L plan is concerned.
- 4.33 First, Linnaeus provides plenty of information on its PH4L plan, both on practice websites and within its practices. Linnaeus’ PH4L plan was designed to help support effective consumer decision-making by making clear what was included in the plan from the outset.
- 4.34 The majority of Linnaeus’ brands now publicise clear information on their websites relating to the Cat and Dog PH4L plans in the following format:
- (a) Cat Plan:⁷⁰

Figure 17 Avonvale Veterinary Centre Cat Plan

What does the Pet Health for Life Plan cover?

-  Annual health check and vaccinations
-  All year-round flea, tick and worming treatment **including ear mites in cats**
-  2 x consultations with a Vet*
-  2 x consultations with a Nurse*
-  10% off neutering
-  Microchipping
-  Nail clipping** (as required, subject to availability)
-  Anal gland expression** (as required, subject to availability)

Our **Pet Health for Life** Plan has been priced to offer fantastic value with the option to spread the cost of your annual plan over 12 low monthly direct debit payments. Our **Pet Health for Life** Plan prices for cats and kittens **start from £18 a month** by direct debit.

If you have any questions [our expert team](#) at Avonvale Vets will be delighted to help you.

Cat	£18 (per month)
-----	-----------------

- (b) Dog Plan:⁷¹

⁷⁰ Avonvale Veterinary Centre, Cat Plan, <https://www.avonvets.co.uk/pet-health-for-life/cat-plan> (Accessed 13 March 2025).

⁷¹ Avonvale Veterinary Centre, Dog Plan, <https://www.avonvets.co.uk/pet-health-for-life/dog-plan> (Accessed 13 March 2025).

Figure 18 Avonvale Veterinary Centre Dog Plan

What does the Pet Health for Life Plan cover?

- 🐾 Annual health checks and vaccinations **including kennel cough for dogs**
- 🐾 All year-round flea, tick and worming treatment **including lungworm in dogs**
- 🐾 2 x consultations with a Vet*
- 🐾 2 x consultations with a Nurse*
- 🐾 10% off neutering
- 🐾 Microchipping
- 🐾 Nail clipping** (as required, subject to availability)
- 🐾 Anal gland expression** (as required, subject to availability)

Our **Pet Health for Life** Plan at Avonvale Vets has been priced to offer fantastic value with the option to spread the cost of your annual plan over 12 low monthly direct debit payments. Our **Pet Health for Life** Plan prices for dogs start from **£19 a month** by direct debit.

If you have any questions [our expert team](#) at Avonvale Vets will be delighted to help you.

Dog (under 25kg)	£19 (per month)
Dog (over 25kg)	£26 (per month)

- 4.35 Linnaeus vets and practice teams are available to talk through the benefits of a PH4L plan with the pet owner and discuss its suitability for their specific circumstances before it is taken out. Should pet owners request it, Linnaeus Associates will help calculate whether a plan is likely to be good value for money for them. Vets can also discuss with a pet owner what they have saved over the previous period, before they make a decision to renew. Linnaeus makes it clear that pet owners should only be advised of PH4L if this is beneficial to them.
- 4.36 The same principles apply with respect to the CMA's suggestion that pet insurance drives higher spend.⁷² None of the documents referenced in paragraph 5.162 of the Demand WP on the correlation between insurance and higher spending are Linnaeus documents, which is unsurprising given Linnaeus would not implement a strategy of targeting insured pet owners as an area for growth.
- 4.37 Additionally, the CMA's evidence at paragraph 5.163 of the Demand WP is not relevant to the review of the veterinary sector in the UK – it is focused on human healthcare, not pet care, and in US, China and Japan. No explanation is offered as to how this is relevant in the context of veterinary services the UK, and indeed it is not obvious to Linnaeus as to why it would be.
- 4.38 Finally, at paragraph 5.67 of the Demand WP, the CMA refers to its survey, suggesting that pet care plans increase barriers to switching. However, the CMA's own survey does not support the existence or perception of higher barriers to switching for customers with a pet plan. The CMA asks several questions with respect to switching barriers. To consider whether pet plans give rise to higher barriers, Linnaeus has looked at the responses for those with pet-plans, versus those without pet plans. None of these show a higher concern regarding switching barriers, or greater difficulty in switching for those with pet-plans versus those

⁷² See Demand WP, Paragraph 5.160 et seq.

without. For example when asked if respondents felt like they could change practices if they wanted to, an almost identical proportion of those without pet plans said no compared to those with pet plans (6% for both groups).⁷³ Similarly when asked 'How easy or difficult do you think it would be to change vet practices' an almost identical proportion of those without pet plans thought that it would not be difficult compared to those with pet plans (10% versus 11% respectively).⁷⁴

It is not feasible or practical for veterinary practices to provide details for multiple OOH service providers

- 4.39 Linnaeus notes that the Demand WP raises potential issues with respect to a lack of information for pet owners in relation to OOH services and in particular potential other options beyond a practice's preferred supplier.⁷⁵ While Linnaeus agrees that pricing information should be available for OOH services as well as information on the scope of service offered, it is not practical or feasible to require that practices provide information on alternative OOH providers that may be available in the area. Crucially, the RCVS "under care" requirements state that:
- (a) When a veterinary surgeon takes an animal under their care, they must be able, on a 24/7 basis, to physically examine the animal.⁷⁶
 - (b) Where a veterinary surgeon is not able to provide this service themselves, another veterinary service provider may do so on their behalf. However, it is the veterinary surgeon's responsibility to make these arrangements and such arrangements must also be made before an emergency arises with the terms confirmed in writing as part of the conditions of service agreed by the pet owner.
- 4.40 In other words, provision for care needs to be in place – including from a contractual perspective – with a third-party provider in advance of any OOH provision being required and it would be unduly burdensome to require that practices have contracts for OOH provision with multiple providers. This could also add to confusion for pet owners when they are in an emergency situation and clear instructions are required as to OOH provision.

⁷³ Pet owners survey, Q29 response crossed with Q108 response, excluding respondents who "Don't know". Respondents who answered "*There are no alternative vet practices in my area*" at Q31 are also excluded.

⁷⁴ Pet owners survey, Q30 response crossed with Q108 response, excluding respondents who "Don't know". Respondents who answered "*There are no alternative vet practices in my area*" at Q31 are also excluded.

⁷⁵ Demand WP, Paragraphs 5.228 and 5.231.

⁷⁶ RCVS Code, Supporting Guidance, Principle 4.13.

5. **Business models, provision of veterinary advice and consumer choice**

5.1 The Business Models WP sets out the CMA's emerging views that:

- (a) Competition between FOPs is not working as effectively as it might expect in a well-functioning market, including because: (i) there may be a lack of competitive and regulatory pressure to constrain prices and ensure that suitable recommendations and sufficient information are given to pet owners; (ii) vet businesses' legitimate incentives to make and maximise profits may not deliver the best outcomes for consumers, and (iii) there are some differences between outcomes at FOPs (price, treatment costs and spend per pet), **[Redacted – Confidential]**;⁷⁷ and
- (b) In relation to the supply of referrals services, (i) there is limited evidence on whether consumer detriment is arising that is specific to self-preferencing at vertically integrated groups; and (ii) there is some evidence that might suggest a broader potential concern that all types of FOP do not give enough pet owners sufficient information about a range of referral options.⁷⁸

5.2 The Business Models WP then goes on to carry out several types of analysis:

- (a) An analysis of treatment prices and costs, which finds that on average unit prices at FOPs grew by 60-70% between 2015 and 2023, and that this increase is greater than (a) the general inflation for services during this period (the Consumer Price Index for services grew by 35% between January 2015 and December 2023); and (b) the increase in salaries of vet professionals;
- (b) An assessment of competition on price, which finds that consumers appear unlikely to respond to price increases (or make decisions on choice of FOP and veterinary care which are principally based on price considerations) and therefore that there is limited competitive pressure on vet businesses to keep prices low⁷⁹;
- (c) An assessment of competition in relation to treatment intensity and veterinary advice, which finds that that there is limited empirical evidence as to whether treatment intensity is contributing to increased costs; and
- (d) An assessment of competition in referral services, which finds limited evidence on whether consumer detriment is arising that is specific to FOPs at vertically integrated groups favouring their own referral services.

5.3 Linnaeus notes that it is not clear from any of this analysis which precise aspects of competition the CMA considers might be leading to an AEC. The Business Models WP does not set out a clear basis for emerging thinking that an AEC exists. Beyond this, Linnaeus wishes to make a number of observations in relation to the issues identified above (more detailed observations on specific statements are set out in Annex 1, Section B):

⁷⁷ Business Models WP, Paragraph 7.

⁷⁸ Business Models WP, Paragraph 8.

⁷⁹ Business Models WP, Paragraph 2.62.

- (a) The CMA's analysis of the increasing costs of veterinary care **[Redacted – Confidential]**;
- (b) The Business Models WP is over-reliant on largely anecdotal statements and an insufficient evidence base, and generalises conclusions in respect of all LVGs on the basis of evidence that does not relate to Linnaeus, and in some cases is directly contrary to evidence submitted by Linnaeus or the CMA's own analysis;
- (c) As recognised by the CMA's findings, available empirical evidence submitted by Linnaeus shows that there is no trend to the increase the provision of more complex / expensive procedures by clinics after their acquisition by Linnaeus;
- (d) Linnaeus strongly rejects the suggestion that non-vet managers and the use of KPIs and targets may be pushing Linnaeus vets to prioritise commercial considerations, to the detriment of pet owners. The CMA has no evidence of such conduct by Linnaeus; and
- (e) Linnaeus does not self-preference its own referral centres. The CMA has no evidence on which to base such allegation. Referring vets are gatekeepers for referrals and will only make a referral that is in the pet and pet owner's best interests.

5.4 Without prejudice to these views, Linnaeus has put forward a number of proposals regarding the incentivisation of vets and wider regulatory changes (set out in Section 9), which it considers would address any AEC that could be based on the CMA's emerging thinking and would be easily implementable.

The CMA's view of price and cost trends in the veterinary services market
[Redacted – Confidential]

5.5 As discussed in greater detail in Section 2, the observation in the Business Models WP that FOP prices are rising faster than costs **[Redacted – Confidential]**.

5.6 **[Redacted – Confidential]** Further, the CMA's conclusions don't take into account that changes in treatment costs reflect both direct improvements in quality of service offered to customers, and the more indirect improvements via better vet professionals and investment into the development of clinical protocols, guidelines and research.⁸⁰

5.7 Moreover, the CMA bases its views on pricing trends in part on data submitted by an insurance company (**[Redacted – Confidential]**) in relation to average costs.⁸¹ Although Linnaeus has not reviewed the data in detail, Linnaeus notes the following:

- (a) First, the CMA's statement that **[Redacted – Confidential]**
- (b) Second, the table includes a mix of both FOP and Referral practices for each LVG group. Linnaeus considers that it is likely to have a significantly higher ratio of referral practices to FOPs than other LVGs. Given that the average

⁸⁰ See Linnaeus response to the CMA's Econometrics Working Paper, 23 January 2025.

⁸¹ Business Models WP, Paragraphs 2.29.

cost item cost of referral practices will generally be significantly higher than that of FOPs [**Redacted – Confidential**].

- (c) Third, whilst Linnaeus has not analysed the underlying data, it is likely that there are other potential factors that are influencing the results, particularly the mix of treatments and changes in quality over time, neither of which have been controlled for.

5.8 Linnaeus' more granular comments on the evidence presented by the CMA in this section of the Business Models WP are set out in Annex 1, Section B, but Linnaeus considers that the flaw with the CMA's starting point on its analysis of treatment costs is a critical one.

Business Models WP is over-reliant on anecdotal statements and an insufficient evidence base

5.9 There is no clear articulation in the Business Models WP of what any alleged AEC may be based on. The CMA has not found evidence of the concerns set out in its Issues Statement, namely that large integrated groups act in ways which weaken competition by focusing on more sophisticated, higher cost treatments; and/or keeping related services (e.g. referrals and diagnostics) within the group.

5.10 The Business Models WP is based on the premise that prices are rising faster than practices' costs ([**Redacted – Confidential**]), but does not put forward any clear evidenced view as to what has led to harmful effects, beyond speculative theories.

5.11 Instead of such a view, there are – first – numerous instances of the CMA's over-reliance on anecdotal material in the Business Models WP with regards to pricing trends, and more widely. For example:

- (a) the CMA refers to the views of a specialist operating out of different FOP practices, an individual vet working at independent vets' practices and a person who was formerly employed by an LVG as evidence of the pricing trends at LVGs;⁸²
- (b) the CMA quotes from a letter from an LVG employee to the RCVS in which the vet states that the LVG's targets were pushing them to make decisions that were not in the best interests the pet or pet owner;⁸³ and
- (c) the CMA refers to a submission by one vet who was formerly employed by an LVG who stated that the LVG had a meeting where staff were advised not to refer outside of their group, even if better care was available elsewhere at lower price.⁸⁴

5.12 Anecdotal examples from a small number of individuals drawing on their specific experiences of a single LVG are simply not reliable evidence from which the CMA can legitimately form views on the entire veterinary services market. In order to have any credibility, any concerns the CMA raises should be corroborated by compelling empirical evidence relating to a significant proportion of the market –

⁸² Business Models WP, Paragraphs 2.31-2.32.

⁸³ Business Models WP, Paragraph 2.122.

⁸⁴ Business Models WP, Paragraph 3.63.

not just isolated examples from individuals which may be subjective or contested views that have not been verified.

- 5.13 Second, conclusions are drawn about LVGs' strategies without providing a comparative analysis of the position of independent FOPs. For example, in its analysis of internal documents on pricing strategies at paragraphs 2.25 to 2.27, the Business Models WP references a few examples of internal documents detailing price rises at certain LVGs,⁸⁵ but seems to have conducted no comparative assessment for independent FOPs, leading to an entirely unjustified impression that LVGs take a different approach to price increases than independent FOPs.
- 5.14 In particular, the CMA's analysis on price competition, which leads the CMA to conclude, at paragraph 2.70, that *"there is likely to be a weak consumer response to price increases, and that vet businesses may be able to increase price levels above what we would expect in a well-functioning market, without constraints from pet owners switching to competitors"* is premised on:
- (a) survey evidence on low switching rates, which, as set out in Section 4 and Annex 2 ignores several points including the following:
 - (i) the CMA's switching rates only consider 'pro-active' switchers – which ignores the significantly higher numbers of new customers into practices either because they have moved address, or because they have a new pet. Linnaeus competes strongly for these new customers, and given the importance of price in the choice of FOPs, if it was to be uncompetitive on price it would gain a smaller share of them, reducing its performance;⁸⁶
 - (ii) in any analysis of switching rates, one must look at whether there are issues in the switching process that are driving those rates – the evidence shows that there are no significant barriers to switching or concerns with the switching process (with 88% either switching practice in the last 10 years or thinking that they could if they wanted to);
 - (iii) if there are no issues in the switching process, it is necessary to understand why relatively few people switch – for example high satisfaction with their practice and its offering is unlikely to signal a poorly functioning market (as evidenced by the high levels of satisfaction in the CMA's survey evidence);⁸⁷ and
 - (b) a handful of documents from LVGs (other than Linnaeus) and their private equity owners on assessments of consumers' price sensitivity.
- 5.15 By contrast, Linnaeus has identified a large sample of documents previously submitted which highlight the vibrant level of competition between clinics. There is no recognition within the Business Models WP of this clear evidence of intense rivalry.

⁸⁵ Business Models WP, Paragraphs 2.25-2.27.

⁸⁶ See Annex 2.

⁸⁷ Pet owners survey, Q55b.

5.16 Third, there is an overreliance at times on a small number of documents relating to a few LVGs or the results of analysis that relate only to certain LVGs, to extrapolate general conclusions that are applied to all LVGs, including Linnaeus. For example:

- (a) The CMA repeatedly references its Econometrics WP⁸⁸ and, in connection with this analysis, makes blanket statements⁸⁹ [**Redacted – Confidential**].
- (b) The CMA draws the conclusion that “*LVGs prioritise consistently charging for services provided, whereas independent vets may be more flexible in charging*” based on a small number of documents relating to two LVGs, with no suggestion that it has seen any evidence of this trend in relation to Linnaeus.⁹⁰
- (c) The CMA states it has “*seen evidence that all LVGs track the extent of outside-group versus in-group referrals, and often have targets for practices around the number or proportion of in-group referrals*”.⁹¹ However, Linnaeus does not track outbound referrals from its FOPs and does not monitor or set targets for the number or proportion of in-group referrals. [**Redacted – Confidential**]

In line with the CMA’s findings, the available evidence shows that there is no inappropriate overtreatment

5.17 The CMA has sought to understand whether there is a competition concern in relation to treatment intensity (i.e. vets focusing on more sophisticated, higher cost treatments at the expense of cheaper / less complex options that a pet-owner may prefer). Linnaeus is unsurprised that the CMA has not found any evidence to support this theory.

5.18 To the contrary, as acknowledged in the Business Models WP,⁹² Linnaeus has previously submitted empirical evidence⁹³ to show that it has not increased intensity for more advanced treatments. Usage of MRI machines was used as a proxy for more advanced treatments, as MRI is an expensive test used in a wide range of different complex cases, in particular neurological conditions such as brain and spinal problems. The available data (which covers [**Redacted – Confidential**]) Linnaeus practices for which data is available) shows no trend towards increased usage of MRI equipment over time by clinicians, including following Linnaeus’ acquisition of the referral centre in question.

5.19 Set against this empirical evidence, the only potential evidence that the CMA provides for a possible increase in treatment intensity across the industry is the anecdotal view of one independently owned group of vet practices⁹⁴ and an example of the concerns of a single vet who participated in the CMA’s qualitative

⁸⁸ CMA’s working paper on “The Impact of Corporate Acquisitions on Treatment Costs” (the **Econometrics WP**).

⁸⁹ For example, [**Redacted – Confidential**] (Business Models WP, Paragraph 3.18).

⁹⁰ Business Models WP, Paragraph 2.40.

⁹¹ Business Models WP, Paragraph 3.55 and Footnote 274.

⁹² Business Models WP, Paragraph 2.56.

⁹³ See CRA economic submission on self-preferencing and higher cost treatment, Figures 5, 6, 7, and 8.

⁹⁴ Business Models WP, Paragraph 2.57.

research.⁹⁵ This is a demonstrably insufficient basis for such a highly speculative and erroneous theory.

- 5.20 In any event, as the CMA itself acknowledges at paragraph 2.72, there would be no inherent problem with an increase in treatment intensity, provided consumers are receiving sufficient information and appropriate recommendations in order to make an informed choice. As the CMA has found, pet owners are increasingly “*humanising*” their pets and this is a driver of pet healthcare spending,⁹⁶ and therefore an increasing proportion of consumers may prefer to pursue more advanced care pathways for their pets. The results of the CMA’s consumer survey make clear that pet owners feel well-informed of the available treatment options and are satisfied with the advice that they receive:
- (a) 82% considered that their vet took the time to clearly explain various treatment options (compared to 6% that did not);⁹⁷
 - (b) 83% of participants felt they understood the options when presented them by their vet and were able to make an informed decision (compared to 5% that did not);⁹⁸ and
 - (c) 79% of respondents said that they were satisfied with the information and advice received from their vet in their most recent visit for non-routine treatment (compared to only 13% that were not satisfied).⁹⁹
- 5.21 The CMA highlights that it identified internal documents from LVGs [**Redacted – Confidential**] that set out an emphasis on providing contextualised care and ensuring that customers are aware of appropriate options.¹⁰⁰ The conclusion that vets across the market are providing contextualised care is clearly supported by the above consumer survey results, as well as the CMA’s qualitative research.¹⁰¹
- 5.22 Despite this overwhelming evidence, Linnaeus was surprised to see the CMA state that “*some pet owners may also not be as informed as they perceive themselves to be*”.¹⁰² This is entirely speculative and disregards the clear results from the consumer survey. This statement seems to be based on the fact that 47% of pet owners said they were only presented with one option during their most recent visit for non-routine treatment. This is not sufficient to suggest pet owners are wrong to believe that they are well informed – in many circumstances it is not appropriate or possible for a vet to provide a pet owner with multiple options, and the CMA makes no attempt to analyse whether the 47% figure is in line with what would be expected in a market where all vets were providing care in a contextualised manner.

⁹⁵ Business Models WP, Paragraph 2.59.

⁹⁶ Business Models WP, Paragraphs 1.2(g) and 2.63(c).

⁹⁷ Pet owners survey, Q36r4.

⁹⁸ Pet owners survey, Q36r5.

⁹⁹ Pet owners survey, Q55br1.

¹⁰⁰ Business Models WP, Paragraph 2.155.

¹⁰¹ For example, the CMA found that “**the majority of veterinary professionals interviewed** indicated that, in at least some cases, they adapted care based on a combination of both the pet owner’s and the pet’s circumstances”, and “many veterinary surgeons reported that their aim was to ensure pet owners were informed about all treatment options”, Qualitative research with veterinary professionals, Sections 6.1.3 and 6.2.3 (emphasis added).

¹⁰² Business Models WP, Paragraph 2.141.

Linnaeus strongly rejects the suggestion that its non-vet managers and the use of KPIs and targets may be pushing vets to prioritise commercial considerations, to the detriment of pet owners

- 5.23 First, the Business Models WP implies that LVGs may give greater weight to profitability for a number of reasons, including because non-vet managers are not subject to the RCVS Code and may be more strongly motivated by financial performance than vets (who the CMA considers are more likely to be driven by a vocation to care for animals).¹⁰³ Linnaeus strongly rejects any inference that non-vet members of Linnaeus' management may be pushing Linnaeus' vets to prioritise commercial considerations, which are contrary to their ethical obligations and the principles of contextualised care. Linnaeus management owes a duty to its employees and would never put its vets in the position of having to compromise their ethical obligations. As discussed in Section 7, Linnaeus is a medically-led business which has embedded medically-qualified members in its management team to give a clinical perspective on key commercial decisions. Linnaeus has a Chief Medical Officer who has oversight of key business and commercial plans (either directly or through a member of the medical team), ensuring they only progress if they are firmly grounded in delivering quality care.
- 5.24 Second, the Business Models WP also expresses the emerging view that vet businesses' incentives to make and maximise profits may not be delivering the best outcomes for consumers, including through the use that KPIs and targets might be aimed at increasing treatment intensity, which may not reflect pet owners' preferences. The CMA itself acknowledges that vet businesses have normal incentives to make and maximise profits and that KPIs are important for understanding how a business is operating and to support and encourage business efficiency.¹⁰⁴ However, it then goes on to infer that KPIs and targets may be resulting in an increase in treatment intensity (with a particular focus on LVGs), which may not reflect pet owners' preferences. Linnaeus strongly disagrees and notes that:
- (a) **[Redacted – Confidential]** Linnaeus strongly rejects the suggestion that the KPIs that the CMA references¹⁰⁵ may have the effect of increasing treatment intensity – these are simply a combination of standard commercial KPIs used to monitor operations and encourage efficiencies, and clinical KPIs that are used to maintain and improve clinical quality. **[Redacted – Confidential]**.
 - (b) **[Redacted – Confidential]**
 - (c) Due to the focus of the Business Models WP on LVGs,¹⁰⁶ the CMA has conducted this analysis without any acknowledgement that independent vet practices are typically owned by individuals whose earnings are directly related to the profitability of the business – and therefore that the entirely legitimate incentive to run a business successfully applies irrespective of whether a practice is an LVG or an independent.

¹⁰³ Business Models WP, Paragraphs 2.88-2.91.

¹⁰⁴ See, for example, Business Models WP, Paragraph 2.108.

¹⁰⁵ Business Models WP, Paragraph 2.102.

¹⁰⁶ Business Models WP, Paragraphs 2.110, 2.111 and 2.123-2.125.

- 5.25 Third, the CMA's concern that "*KPI targets may be having the effect of unduly influencing vets to be less likely to present the lower cost treatment options to consumers, where appropriate for their pets*"¹⁰⁷ is also not supported by evidence. It is contradicted by the fact that the CMA has not found material evidence of an increase in treatment intensity (as noted above), and the CMA's own qualitative research, which notes that "***most veterinary surgeons did not report that performance monitoring, targets, or financial incentives had influenced their clinical decisions***" and only "*a few veterinary surgeons at LVGs [...] described feeling that targets may have affected their colleagues' decision-making*".¹⁰⁸
- 5.26 Fourth and finally, the CMA's emerging views in relation to the provision of options and increases in treatment intensity conflate "*higher quality*" with providing complex care pathways and removing "*basic*" options. In particular, the CMA suggests that LVGs' focus on being higher quality providers may be to the detriment of pet owners as they "*may not realise that they might not be offered the more 'basic' options in certain FOPs*".¹⁰⁹ This is not correct:
- (a) Being a high-quality practice does not mean that pet owners will necessarily experience any differences in terms of care pathways available to them – it means that practices have talented vets, observe high clinical standards and provide high levels of customer service.
 - (b) Being able to offer more advanced options does not mean that "basic" options are not offered to pet owners. Vets discuss options with pet owners on a case-by-case basis, in line with the principles of contextualised care. The choice of treatment is always with the pet owner and depends on the circumstances of each case.

Linnaeus does not self-preference its own referral centres within the group

- 5.27 The CMA has not found any evidence that Linnaeus is favouring intra-group referrals inappropriately or that there is a consumer detriment arising more broadly in the industry as a result of self-preferencing.
- 5.28 Linnaeus can only speak for its own business, but does not have any strategy of self-preferencing its own referral centres within the group.
- (a) Linnaeus Associates at its FOPs have full clinical freedom as to where to make a referral.
 - (b) Linnaeus' referral centres receive cases from a broad spectrum of primary care practices, and do not receive disproportionate levels of referrals from Linnaeus primary care practices.¹¹⁰
 - (c) There are no financial bonuses or other targets for Linnaeus Associates to refer to Linnaeus referral centres and, at a practice level, there are also no direct financial incentives for a Linnaeus FOP to make intra-group referrals. Intra-group referrals are not cross-charged and primary care practices

¹⁰⁷ Business Models WP, Paragraph 2.165.

¹⁰⁸ Qualitative research with veterinary professionals, Sections 3.7, 12.3.1 and 12.3.2 (emphasis added).

¹⁰⁹ Business Models WP, Paragraph 2.128.

¹¹⁰ See CRA economic submission on self-preferencing and higher cost treatment, Figures 1, 2, 3 and 4.

therefore do not receive any benefit against their budget from referring cases to a Linnaeus referral centre.

- (d) Linnaeus' referral centres do market themselves to Linnaeus FOPs, but this is in the same way as they do with non-Linnaeus practices. If there was a policy that mandated or encouraged intra-group referrals, there would be no need for Linnaeus to spend time and money on marketing its referral centres to its own vets. Referral centres may be better able to raise awareness of their capabilities amongst vets at practices within their own group. For example, there may be greater opportunities during joint training and other events. However, this should not cause any competition concerns, provided clinical freedom is maintained and vets remain able to recommend what they consider to be the best option for the pet and pet owner.

5.29 The CMA's broad statement that "*some vets and vet nurses are sometimes encouraged to refer in-group*"¹¹¹ is not accurate for Linnaeus. The empirical evidence submitted by Linnaeus shows that Linnaeus FOPs do not systematically and disproportionately refer more to Linnaeus referral centres:

- (a) First, an analysis of referral rates over time shows there is no increasing trend in within-group referrals for Linnaeus over time.¹¹² Although Linnaeus has grown its network of primary care practices in the UK since 2019 through the acquisition of 58 practices, on an aggregated level the share of within-group referrals for Linnaeus has remained relatively constant over the same period. Specifically, during the period Q3 2020 to Q1 2024, Linnaeus' FOP estate grew by 6.3% p.a., but this increase did not lead to an increase in the proportion of within-group referrals for Linnaeus, which instead decreased.
- (b) Second, an analysis of one referral centre [**Redacted – Confidential**]¹¹³ [**Redacted – Confidential**], shows that the referrals that came from Linnaeus FOPs were not on average greater post-acquisition compared to the period prior to the acquisition ([**Redacted – Confidential**]).¹¹⁴ If the CMA's concerns regarding within group referrals were correct, one would expect to see an increase in the rate of within-group referrals following an acquisition of a referral centre by an LVG. However, this analysis shows that there is no evidence that the proportion of referrals that came from Linnaeus FOPs increased once [**Redacted – Confidential**] became part of the Linnaeus group.
- (c) Third, the proportion of inbound referrals at Linnaeus referral centres that come from Linnaeus' primary care practices is proportionate to Linnaeus' primary care share of supply in the respective referral centre catchment areas (i.e. there is no evidence that Linnaeus' primary care practices systematically and disproportionately refer more to Linnaeus referral

¹¹¹ Business Models WP, Paragraphs 29(c) and 3.127(c).

¹¹² CRA economic submission on self-preferencing and higher cost treatment, Figure 1.

¹¹³ [**Redacted – Confidential**]

¹¹⁴ CRA economic submission on self-preferencing and higher cost treatment, Figure 3.

centres).¹¹⁵ In the absence of any self-preferencing behaviour, one would expect that a Linnaeus referral centre would receive referrals from Linnaeus FOPs, which are roughly in proportion to the share of supply of these Linnaeus FOPs within the referral centre catchment. The analysis shows that this holds true for the majority of Linnaeus' referral centres.

5.30 In the Business Models WP, the CMA stated that the inbound referrals analysis that Linnaeus submitted suggests that Linnaeus is doing more within-group referral work than is proportional to its share of FOPs (and therefore concluded that self-preferencing is taking place to some extent) because as the Linnaeus FOP share increases, some of the referral centres have disproportionately higher within-group referral rates.¹¹⁶ Linnaeus does not agree with this assessment of the analysis. As set out in the previous submission, it is not disputed that there may be individual circumstances as to why a referral centre may attract a higher rate of referrals from an FOP – for example due to a long-standing historical relationship and/or close proximity to an FOP.¹¹⁷ However, it is clear that the vast majority of sites show no evidence of disproportionate numbers of self-referrals, consistent with the view that Linnaeus has no systematic policy of self-preferencing – and the CMA should therefore not draw the opposite conclusion from this analysis.

5.31 **[Redacted – Confidential]**¹¹⁸

- (a) **[Redacted – Confidential]**
- (b) **[Redacted – Confidential]**
- (c) **[Redacted – Confidential]**
- (d) **[Redacted – Confidential]**

5.32 Linnaeus views the key benefit of owning both FOPs and referral centres as being the opportunities to share learnings across all parts of the profession. For example, through CPD events and joint research projects, Linnaeus is able to bring together the knowledge and experiences of both primary care vets and referral centre specialists. Further, some graduate vets aspire throughout their careers to become Advanced Practitioners and Specialists, and to work at referral centres in a specialist field. Linnaeus' ownership of referral centres as well as FOPs gives it the ability to attract and retain talented vets and vet nurses within the group, by providing pathways for them to develop and move between primary care practices and referral centres.

Referring vets are gatekeepers for referrals (and are motivated to only make a referral that is in the pet and pet owner's best interests)

5.33 Linnaeus does not agree with the CMA's assertion that some pet owners may not receive sufficient information about a range of referral options, which could lead to weak competition in the supply of referral services. Linnaeus' experience is that referral centres compete fiercely for recommendations from referring vets, who are

¹¹⁵ CRA economic submission on self-preferencing and higher cost treatment, Figure 2.

¹¹⁶ Business Models WP, paragraph 3.102.

¹¹⁷ **[Redacted – Confidential]** See CRA economic submission on self-preferencing and higher cost treatment, Appendix C for further details.

¹¹⁸ **[Redacted – Confidential]**

very well informed and able to compare quality and pricing between referral centres and advise pet owners accordingly. This is supported by the CMA's consumer survey, which found that most pet owners stated that they were given relevant non-price information by their FOP vet to help them make the correct decisions regarding their pet's referral.¹¹⁹

- 5.34 Referring vets will seek to ensure that any referral recommendation they make is appropriate and in the best interests of the pet and pet owner; failing to do so will may mean they suffer a loss of reputation (and lose clients).
- 5.35 The CMA points to the fact that some pet owners are not given options of referral centres as a point that may indicate weak competition.¹²⁰ However, this fails to account for the fact that it is not always appropriate or possible to give multiple options.
- (a) First, as noted by vets as part of the CMA's qualitative research, referral options vary significantly by location, and in some regions, or for complex cases, there may be limited referral options.¹²¹ In some instances, there only be one possible option that is sufficiently local to the pet owner, for the specialist treatment that their pet needs.
 - (b) Second, in many cases there may be one option that is clearly the most appropriate option for the pet owner (in terms of quality of the relevant referral vets, location and price), considering the principles of contextualised care.

¹¹⁹ Pet owners survey, Q63 (excluding not applicable and don't remember).

¹²⁰ 62% of those respondents to the CMA's consumer survey that were recommended a referral to another practice said they were not given a choice of referral centre (Pet owners survey, Q66).

¹²¹ Qualitative research with veterinary professionals, Sections 10.2.1-10.2.3.

6. Competition in the supply of veterinary medicines

- 6.1 The Medicines WP sets out the CMA's emerging view that competition in the supply of veterinary medicines may not be working well for pet owners. It observes that: (a) trends in and levels of medicine retail prices at FOPs appear consistent with weak competition; (b) the sale of veterinary medicines appears highly profitable at LVG-owned and independent FOPs given the mark-ups applied to the purchase cost of medicines when setting retail prices; and (c) significant price differences between FOPs and online pharmacies suggest that online pharmacies are not acting as a sufficiently strong competitive constraint on medicine retail prices at FOPs, and that this may be the function of a range of factors such as lack of awareness of available options and the existence of certain barriers for pet owners.
- 6.2 Linnaeus disagrees with these emerging views and sets out below that (more detailed rebuttals of specific statements are set out in Annex 1, Section C):
- (a) Linnaeus' medicine retail prices [**Redacted – Confidential**], takes account of the constraint from online pharmacies, and makes the overall cost of care accessible. Vet practices compete on the combined cost of care - if medicine prices are set too high, customers are not only less likely to recommend a practice but may also switch their purchase of medicine, or switch their FOP practice altogether, both of which act as an important constraint on medicine prices.
 - (b) The profitability of medicines cannot meaningfully be assessed in isolation from other services at FOPs. Margins on medicines contribute to the wider cost of care across a practice and the market reality is that [**Redacted – Confidential**]
 - (c) The CMA presents its findings on medicines mark-ups and pricing trends in a way that materially overstates the difference between LVG-owned and independent FOPs, and Linnaeus' position. The CMA presents a misleading comparison of mark-ups by presenting the effective mark-ups on medicines of LVG-owned practices (which take account of rebates and discounts received) alongside the mark-up on list prices of independent FOPs (which do not account for rebates and discounts received). Further, the CMA's statement that LVGs charge effective mark-ups of 300-400% materially overstates Linnaeus' effective mark-up, [**Redacted – Confidential**]. The CMA's conclusion is therefore either inaccurate or an example of the CMA inappropriately applying a conclusion to Linnaeus that relates only to certain other LVGs.
 - (d) Price differences between FOPs and online pharmacies do not provide evidence that online pharmacies are not acting as a sufficiently strong competitive constraint on medicine retail prices at FOPs. Price differences reflect both the significant differences in cost bases and the service propositions between veterinary practices and online pharmacies. As such the fact that prices differ between the veterinary practices and online pharmacies is not informative as to the question of whether veterinary medicines are priced too high, or whether online and veterinary practices compete.

- (e) Most pet owners are already aware they can obtain written prescriptions from their FOP and purchase medication elsewhere. According to the CMA's consumer survey, 57% of pet owners who had acquired medicines in the past two years were aware that they could obtain a prescription,¹²² increasing to 76% in the context of repeat prescriptions.¹²³ This is a sufficiently large proportion of consumers to act as a constraint on veterinary practices.
 - (f) Linnaeus is not creating barriers – such as prescription fees or use of injectables – to prevent or dissuade pet owners from buying medicines elsewhere. Prescription fees are set at a level that reflects the expertise, time and cost involved in preparing the prescription. Any suggestion that injectables would be prescribed to further commercial aims is entirely unfounded in relation to Linnaeus.
- 6.3 Linnaeus remains of the view that the evidence does not support market-wide intervention in respect of veterinary medicines. Nevertheless, the remedies set out in Section 9 would comprehensively address any AEC that could be based on the CMA's emerging thinking, and would be easily implementable.
- Medicine retail prices are set [Redacted – Confidential] at a level that is competitive and in a way that makes the overall cost of care accessible
- 6.4 Linnaeus does not agree with the CMA's emerging view that trends in medicine retail prices at FOPs appear to be consistent with weak competition. With regards to its own FOPs [Redacted – Confidential], prices are set at a level that ensures the cost of care is competitive and accessible for pet owners. Vet practices compete on the combined cost of services and medicines – if medicine prices are out of line with competitors and drive the cost of care too high, a customer will be less likely to recommend the practice (see Sections 4.6 and 4.10 on the importance of recommendations) and may switch to another practice.
- 6.5 Linnaeus notes that given medicine pricing [Redacted – Confidential]
- The profitability of medicines cannot meaningfully be assessed in isolation from other services at FOPs
- 6.6 The CMA's emerging view is that the sale of veterinary medicines appears highly profitable at LVG-owned and independent FOPs given the mark-ups applied. However, Linnaeus considers that the profitability of medicines sales cannot meaningfully be assessed in isolation from other services at FOPs. The Medicines WP does not properly account for the fact that medicines prices reflect the significant cost bases which practices face, and the improvements in quality to which medicines margins may be contributing.
- 6.7 First, although the CMA notes evidence that FOPs may be charging high mark-ups on veterinary medicines, the CMA should not assume that medicines mark-ups equate to high profitability for Linnaeus. As detailed in Section 2, the market reality [Redacted – Confidential].

¹²² Pet owners survey, Q91.

¹²³ Pet owners survey, Q92.

- 6.8 Second, the margins that FOPs make on medicines sales must not only cover their direct costs (including delivery costs, wastage, and staff time), none of which is factored into the CMA's margin analysis, but they must also contribute to the wider costs of running practices. This includes the cost of investing in the quality of practices (for example, through upskilling staff through training programmes, investing in facilities and investing in staff offerings to attract the best talent). It is entirely legitimate that mark-ups on medicines may contribute to these common costs that directly impact the success of the business.
- 6.9 **[Redacted – Confidential]:**
- (a) **[Redacted – Confidential]**
- (b) Customers look at the overall cost of treatment on their bill (which includes both veterinary services and medicines prices) and this is what forms their view of whether a practice is good value for money. As a result, vet practices compete with each other on the combined cost of services and medicines – if medicines prices drive the combined price too high, a customer will be less likely to recommend the practice (see Sections 4.6 and 4.10 on the importance of recommendations) and may switch to another practice. Although customers may not (or may not be able to) directly compare the cost of individual medicines between FOPs, there is still a clear competitive constraint on medicines prices as they contribute to consumers' overall sense of value for money of the practice.
- 6.10 Third, the CMA states that it has heard evidence that "*revenues from the sale of veterinary medicines at FOPs allows them to keep prices lower for other veterinary services offered to pet owners*".¹²⁴ **[Redacted – Confidential]** Linnaeus considers that any intervention with regards to medicines prices has the potential to lead to unintended consequences, including by impacting the viability of practices and the costs of treatments (particularly for independent FOPs who may find it more difficult to adapt their pricing models and assess the level of price increases to other services that may be required).¹²⁵
- The CMA presents its findings on medicines mark-ups and pricing trends in a way that overstates the difference between LVGs and independents, and Linnaeus' position*
- 6.11 First, the CMA's statement that LVGs charge effective mark-ups of 300-400% (paragraph 2(c) and 3.24) on the purchase costs of medicines materially overstates the effective mark-up that Linnaeus applies to its medicines, **[Redacted – Confidential]**. Linnaeus receives an average combined discount and rebate of **[Redacted – Confidential]** (in comparison to 60-70% at another LVG¹²⁶ and applies an average mark-up of **[Redacted – Confidential]** on the list price of

¹²⁴ Medicines WP, Paragraph 3.44.

¹²⁵ See "Response to CMA Profitability and Financial Analysis", Federation of Independent Veterinary Practices: <https://assets.publishing.service.gov.uk/media/67769f356a79200ddfa21b95/FIVP.pdf> (Accessed 13 March 2025).

¹²⁶ Medicines WP, Paragraph 16(c).

medicines, which results in an effective mark-up of **[Redacted – Confidential]** - well below the lower end of the range provided by the CMA.¹²⁷

6.12 Second, the CMA frames the comparative mark-ups of LVG-owned and independent FOPs in a misleading manner, which presents a false picture that LVGs adopt a different approach to medicines pricing than independent practices:

(a) The CMA estimates that LVGs charge effective mark-ups of 300-400% on the purchase costs of medicines (which takes account of rebates and discounts received), alongside an equivalent figure of 100% for independent FOPs (which does not take account of rebates and discounts received).¹²⁸ Based on these figures, the CMA states that LVG FOPs' retail prices are "*between four and five times their purchase costs*", whereas independent FOPs' retail prices are "*around twice their purchase costs*". This is entirely misleading, as it compares two different metrics – the effective mark-up for LVG FOPs vs. the mark-up on list price for independent FOPs.

(b) By contrast, at paragraph 3.30 of the Medicines WP, the CMA further considers that the evidence it has gathered indicates that mark-ups applied to list prices by independents are "*broadly similar*" to those applied by LVG-owned FOPs. Further, the CMA also finds that buying groups (which most independent FOPs are members of, as identified in the Medicines WP)¹²⁹ obtain discounts and rebates that are "*broadly comparable to those obtained by most LVGs*"¹³⁰. Based on the evidence that the CMA has gathered, it therefore seems that the effective mark-ups of LVG-owned and independent FOPs would be broadly similar. **[Redacted – Confidential]**:

(i) **[Redacted – Confidential]**

(ii) **[Redacted – Confidential]**

6.13 Linnaeus is concerned that the CMA's misleading use of statistics in this respect risks: (i) incorrectly informing a narrative that LVGs' overall mark-up is greater than independents; and (ii) unjustifiably causing materially adverse consumer sentiment and consequent commercial harm to LVGs.

6.14 Third, as with the Business Models WP, Linnaeus is disappointed that the Medicines WP tars all LVGs with the same brush with respect to the CMA's Econometrics WP¹³¹ analysis and states general conclusions for all LVGs that – based on the CMA's own analysis – are simply not accurate for Linnaeus. The CMA repeatedly references its Econometrics WP and, in connection with this analysis, makes blanket statements¹³² that **[Redacted – Confidential]**¹³³ **[Redacted – Confidential]**.

6.15 To deploy this conclusion as generally applying to all LVGs therefore amounts to a misrepresentation of the CMA's own analysis and is materially inaccurate. The CMA should not draw sweeping conclusions in relation to all LVGs based on its analysis,

¹²⁷ Medicines WP, Paragraph 3.23.

¹²⁸ See, for example, Medicines WP, Paragraph 2(c).

¹²⁹ Medicines WP, Paragraph 6.28.

¹³⁰ Medicines WP, Paragraph 6.92.

¹³¹ CMA's working paper on "The Impact of Corporate Acquisitions on Treatment Costs" (the **Econometrics WP**).

¹³² For example, "**[Redacted – Confidential]**". (Medicines WP, Paragraph 3.18).

¹³³ **[Redacted – Confidential]**.

when these conclusions do not apply to Linnaeus. It is important that, on each occasion that the CMA notes a conclusion about LVGs and price rises based on this econometric analysis, it makes clear that this conclusion does not apply to Linnaeus.

Online pharmacy prices are not a reasonable direct comparator for veterinary practices in relation to medicine sales

- 6.16 Linnaeus considers that the CMA should not expect medicine prices at FOPs to be closely matched to the prices charged by online pharmacies despite the fact that they compete. The Medicines WP states that the price differences between FOPs and online pharmacies suggest that online pharmacies are not a strong competitive constraint on medicines prices, but those price differences reflect differences in cost bases and service propositions.¹³⁴ In Linnaeus' view, customers trade-off the relatively higher price of veterinary practices with the advantages that purchasing the medicine at the practice brings versus the relatively lower prices of an online pharmacy. Given these trade-offs, Linnaeus views online pharmacies as a significant and growing constraint.
- 6.17 The cost base of veterinary businesses is not comparable to that of online pharmacies. Linnaeus (and other veterinary businesses) have considerable cost disadvantages compared to online operators, including:
- (a) *Veterinary practices' fixed costs are typically higher.* Whereas a warehouse for an online pharmacy could be located anywhere in the country, a veterinary practice must be located near its customers, which often leads to significantly higher property costs within towns and cities.
 - (b) *Veterinary practices have less efficient storage options.* Online pharmacies store scores of medicines in a central warehouse, whereas veterinary practices have much less space available (typically a cupboard or small room) meaning they can only stock small amounts of medicines at a time.
 - (c) *Veterinary practices suffer from irregular take up of medicines.* Veterinary practices need to have certain medicines in stock, even if there is no guarantee of their usage. Particularly for more expensive products, this can lead to significant wastage write-offs.
 - (d) *Veterinary practices' associated staffing costs are higher.* Linnaeus Associates (who may be clinical professionals) will typically need to manually undertake stock counts [Redacted – Confidential], shelf rotation and general workload relating to receiving and organising products following deliveries. This drives significantly higher labour costs overall compared to online pharmacies, who are more likely to have automated and barcode-based systems.
 - (e) *Delivery costs to individual veterinary practices are typically higher per product.* While Linnaeus procures medicines centrally, deliveries are made to individual sites, increasing costs across the estate. In contrast, online

¹³⁴ Medicines WP, Paragraph 2(e).

pharmacies receive more frequent bulk deliveries of medicines, lowering the overall delivery cost per unit.

- 6.18 These precise costs cannot be easily calculated, as this would entail arbitrary allocations of staff costs and fixed costs, as well as analysis of wastage [**Redacted – Confidential**].¹³⁵
- 6.19 In addition, the service proposition is also not comparable between FOPs and online pharmacies:
- (a) Buying medications directly from a local practice is the most convenient option for pet owners. It gives them the certainty that they can immediately buy and take home the precise medicine that their pet needs, without needing to take any further steps.
 - (b) In addition to convenience, Linnaeus' experience is that many customers see value in buying medicines directly from their trusted vet as they can be confident that they have acquired the product in the exact form and quantity that they need. The practice is accountable for the product that they sell and the customer does not have to rely on their own ability to get the online order right. In some cases, customers may also value being able to speak to a nurse or vet at the time of acquiring the medicine about how it should be administered, and vets and nurses may also be able to demonstrate how to administer the first dose.
 - (c) Evidence gathered by the CMA as part of its consumer survey supports that pet owners value being able to buy medicines at their local practice. When pet owners who bought medications from their FOP were asked why they did so, 50% selected that "*it was the most convenient option*" and 36% selected that they "*trust that the medication is most reliable / best quality*".¹³⁶
- 6.20 In summary, given the fact that their proposition and underlying costs are different, the fact that vet practices charge higher price to online pharmacies is not evidence of prices being too high in vet practices, nor is it evidence that vet practices are not constrained by online pharmacies.
- Most pet owners are already aware they can obtain written prescriptions from their FOP and purchase medication elsewhere*
- 6.21 Linnaeus informs pet owners that they can obtain written prescriptions and purchase medication elsewhere. As required by the RCVS, Linnaeus FOPs display clear signs to this effect in practices and in some instances on websites.
- 6.22 The Medicines WP states that "*given evidence that suggests only a low proportion of pet owners requested a written prescription from their FOP, we would expect that many pet owners are unaware that they can ask their veterinary surgeon for a written prescription and for there to be a lack of effective promotion of this option to pet owners within FOPs*"¹³⁷. However, the evidence gathered in this investigation

¹³⁵ [**Redacted – Confidential**]

¹³⁶ Pet owners survey, Q99.

¹³⁷ Medicines WP, Paragraph 5.16.

demonstrates that most pet owners are already aware or made aware of this option by their vet where it may be suitable.

- 6.23 In its consumer survey, the CMA finds that 57% of pet owners who had acquired medicines in the past two years were aware that they could obtain a prescription, whereas 38% were not.¹³⁸ This is already a clear majority of pet owners who have communicated to the CMA that they are aware of the option to go to online pharmacies. In practice, this figure likely understates the level of awareness of pet owners, as it covers both one-off and repeat purchases of medicines. A significant proportion of one-off medicine purchases in practices (and particularly in referral clinics) will be made either in the context of surgical procedures or in circumstances where it is necessary for the pet to begin taking the medication immediately (for example, antibiotics or where a pet is in pain). In these instances, pet owners would not be able to buy the medications from third parties.
- 6.24 For this reason, the level of awareness of customers making repeat purchases in the past two years is likely to be a far better proxy for whether customers are aware of the option to obtain a prescription where appropriate. For that group, awareness levels were at 76% rather than 57% - i.e. the vast majority – in the consumer survey.¹³⁹ For online pharmacies to be a competitive constraint on medicines prices, it is not necessary for all customers to be aware that they can buy from online pharmacies. If 76% (or even 57%) of customers were to switch to using online pharmacies, this would have a significant impact on a practice and therefore the levels of awareness identified by the CMA are evidently sufficient to conclude that online pharmacies act as a constraint on veterinary practices.
- 6.25 Moreover, the CMA's qualitative research also states that most vets already proactively provide the option of a written prescription for repeat medication.¹⁴⁰ Vets stated that they tend not to proactively offer a prescription when prescribing one-off medication, as it may be more expensive for a pet owner to buy one-off medications online once a prescription fee is included, or medications that need to be administered immediately for clinical reasons.¹⁴¹ This is justified in those circumstances and consistent with the fact that most vets already proactively inform pet owners of the option of a written prescription in circumstances where this is appropriate.

Linnaeus FOPs are not creating barriers to prevent or dissuade pet owners from buying medicines elsewhere

- 6.26 Linnaeus rejects any suggestion that its clinics are using prescription fees to create barriers that prevent or dissuade pet owners from buying medicines elsewhere. The Medicines WP states that FOPs may have the incentive and ability to increase prescription fees to retain the sales of medicines, by acting as a barrier to pet owners purchasing medicines through third-party retailers.¹⁴² Linnaeus has seen no evidence to suggest that prescription fees are being used in this way.

¹³⁸ Pet owners survey, Q91.

¹³⁹ Pet owners survey, Q91 and Q92.

¹⁴⁰ Qualitative research with veterinary professionals, Section 8.2.3.

¹⁴¹ Qualitative research with veterinary professionals, Section 8.2.2.

¹⁴² Medicines WP, Paragraph 5.59.

- 6.27 First, prescription fees are set at a level that reflects the expertise, time and cost involved in preparing the prescription. As explained in our response to the issues statement, prescribing medicines is a high-risk service that must be carried out by a suitably qualified professional. Linnaeus estimates that the work involved for a veterinary professional to prepare a written prescription is approx. 5-10 minutes on average, with the typical steps including:
- (a) assessing the patient's details and clinical notes;
 - (b) considering relevant medication options and related matters such as a restrictions, allergies or side effects;
 - (c) preparing and including notes relating to the administration of the medication; and
 - (d) on some occasions, having prescriptions double-checked by another veterinary professional in the practice.
- 6.28 It is not the case that prescription fees are set high, relative to the work involved. Considering the time required to prepare a prescription (approx. 5-10 minutes), Linnaeus' average prescription fee of **[Redacted – Confidential]** for a written prescription across its practices is proportionately in line with or cheaper than its average price of **[Redacted – Confidential]** for a 15-minute initial consultation appointment with a veterinary surgeon in 2024.¹⁴³
- 6.29 Second, no evidence is presented in the working papers to suggest any practices (Linnaeus or otherwise) are deliberately setting high prescription fees to deter customers from buying medicines elsewhere.
- 6.30 As with the setting of prescription fees, Linnaeus rejects any suggestion that injectable medication is being intentionally prescribed because it cannot be easily administered at home and may therefore limit online purchases. The Medicines WP speculates that FOPs may act on a pet owner's nervousness about giving injectables to their pet in order to encourage the purchase of medicines from that FOP rather than a third-party retailer, and that FOPs may have the commercial incentive to do so.¹⁴⁴ Whether or not injectables are prescribed by Linnaeus clinics is purely a clinical decision of the vet, based on the needs of their patients and in discussion with the pet owner. This is clearly supported by the CMA's qualitative research, which states that vets "*made decisions about which format [of medication] to recommend based on circumstances of the pet owner or pet, such as the pet owners' mobility and ability to administer medication regularly, or the temperament of the pet*".¹⁴⁵
- 6.31 Linnaeus does not monitor centrally the use of injectables, or have any targets or central guidance in relation to this – any suggestion that injectables would be prescribed by Linnaeus vets to further commercial aims is entirely unfounded and hugely damaging. This is pure speculation on the CMA's part, and has the potential to seriously undermine consumers' trust in veterinary professionals, to the

¹⁴³ **[Redacted – Confidential]**

¹⁴⁴ Medicines WP, Paragraphs 5.85 and 5.95.

¹⁴⁵ Qualitative research with veterinary professionals, Section 8.1.2

detriment of consumers and the veterinary services sector. There is no basis to extend such an allegation to Linnaeus.

7. **Regulatory framework for veterinary professionals and veterinary services**

7.1 The Regulation WP sets out the CMA's emerging view that "*the current regulatory framework does not contain the right elements to support the competitive processes and outcomes*" that would be expected in a well-functioning market.¹⁴⁶ The CMA observes that: (a) the framework is too narrow as it does not apply to veterinary practices and non-vets; (b) the content of the framework does not appear to result in consumers having good information on price, quality and treatment options; (c) there are insufficient mechanisms for monitoring and enforcement, and for consumers to obtain redress; and (d) certain regulatory provisions relating to medicines may have the effect of limiting access.¹⁴⁷

7.2 Linnaeus is broadly supportive of the need to update the regulatory framework to better reflect the modern veterinary profession landscape in the UK.

7.3 Notwithstanding its support for reform and its commitment to work with the CMA to propose sensible improvements to the current framework (see Linnaeus' proposals set out in Section 9), Linnaeus has several observations in response the CMA's emerging thinking as set out in the Regulation WP:

- (a) The current regulatory framework focused on individuals is sufficient to ensure that Linnaeus, as part of its medically-led approach to running its business, gives full weight to ethical requirements when setting its commercial policy. Moreover, Linnaeus' voluntary adherence to the RCVS Practice Standards Scheme (**PSS**) scheme ensures that its clinics adhere to RCVS-endorsed standards of clinical care and submit to compliance monitoring;
- (b) Linnaeus has robust consumer redress mechanisms in place and actively engages with the Veterinary Client Mediation Scheme (**VCMS**) process;
- (c) Linnaeus is supportive of regulatory enhancements to PSS and VCMS;
- (d) Any amendments proposed to the 'cascade' regulations should be carefully considered to avoid unintended consequences; and
- (e) Linnaeus supports the protection of the "veterinary nurse" title and the increased use of nurses in the provision of veterinary care.

Linnaeus already ensures that full respect for ethical obligations and quality of care standards are embedded in its commercial decision-making

7.4 In the Regulation WP, the CMA states that the RCVS' statutory remit extends to individual practitioners, but it does not apply to businesses which sell veterinary services or to non-vet owners of vet practices.¹⁴⁸ The CMA notes that the absence of practice regulation can be explained by the evolution of the veterinary sector, where vets usually owned vet practices when the primary legislation was introduced in 1966.¹⁴⁹

¹⁴⁶ Regulation WP, Paragraph 7.9.

¹⁴⁷ Regulation WP, Paragraphs 7.9 *et seq.*

¹⁴⁸ Regulation WP, Paragraph 4.2.

¹⁴⁹ Regulation WP, Paragraph 4.3.

- 7.5 Linnaeus acknowledges that the RCVS currently has a limited remit and recognises that the regulatory framework in this regard has not kept pace with the modern realities of the veterinary profession today. However, Linnaeus already recognises that its Associates must observe their (individual) ethical obligations and makes its commercial decisions in a manner that fully respects this. More than that, Linnaeus' medically-led approach embeds best clinical practice and respect for ethical obligations in its commercial policy.
- 7.6 Linnaeus' practices also adhere to the RCVS Code of Professional Conduct (the **RCVS Code**). Linnaeus is proud that 98.5% of its sites are accredited to at least the 'Core Standards' level of the voluntary PSS, with the remainder on a pathway to this accreditation.¹⁵⁰
- 7.7 The PSS requires sites to demonstrate regular case monitoring and discussion, significant event reporting and clinical auditing, among other standards. By meeting these criteria, Linnaeus' practices uphold robust levels of clinical governance, ensuring safe, evidence-based, and high-quality care for pets, as well as continuous professional development for its teams. Linnaeus' practices therefore follow the relevant RCVS requirements and guidance. As a result, the RCVS Code and the PSS Rules underpin Linnaeus' best practice approach to providing veterinary care.
- 7.8 As mentioned, Linnaeus is a medically-led business with a commitment to uphold high levels of compliance with applicable regulation:
- (a) Linnaeus has embedded medically-qualified members in its executive / management teams (including a Chief Medical Officer), who participate in key commercial decisions alongside non-vets;
 - (b) all Standard Operating Protocols (**SOPs**) and Clinical Guidance issued by the Linnaeus Medical Quality team are in line with RCVS guidance; and
 - (c) the Linnaeus Medical Quality team issues evidence-based guidance that is formulated by the Linnaeus Clinical Board, an advisory body that includes subject-matter experts from across the range of services provided to patients.
- 7.9 Accordingly, Linnaeus does not consider that the RCVS' limited remit has resulted in any flexibility to ignore the ethical obligations of its veterinarians and vet nurses. Nonetheless, Linnaeus recognises that from an industry-wide perspective, certain aspects of the regulatory framework could be strengthened and improved, as discussed further below in this section.

Linnaeus has robust consumer redress mechanisms in place and actively engages with the VCMS process

- 7.10 The CMA's emerging view is that the regulatory framework does not contain sufficient mechanisms for consumers to obtain redress where problems occur.¹⁵¹ The CMA identifies a number of reasons for this, including the fact that the status quo relies on individual vet businesses having good in-house complaint handling

¹⁵⁰ There are 3 candidate practices, one of which has had their assessment and submitted evidence. The other 2 are due to be assessed.

¹⁵¹ Regulation WP, Paragraph 7.15.

processes, without any regulatory requirements in place that set standards for these processes which can be monitored and enforced at an industry level.¹⁵²

- 7.11 As noted in a number of responses to the CMA's RFIs,¹⁵³ Linnaeus has a detailed and robust complaints policy in place, as well as processes for ensuring customer complaints are considered and addressed as appropriate, giving Linnaeus an opportunity to rectify any issues. Should a customer have concerns or feedback regarding the service received at a Linnaeus practice, Linnaeus' policy encourages customers to either speak to a member of the relevant veterinary practice team or contact Central Support directly.¹⁵⁴ There are different processes in place based on the format of the complaint (once received) which are categorised as follows: (a) informal complaints/negative feedback; (b) formal complaints; and (c) central complaints.¹⁵⁵
- 7.12 Further, Linnaeus' experience of the VCMS has been positive and Linnaeus considers it to be an effective mechanism for resolving consumer complaints that cannot be resolved by practices. Linnaeus' practices have experience of the VCMS mediation process. This is the case regardless of whether the complaint has been made to the VCMS by the customer, or whether Linnaeus has involved the VCMS in an ongoing complaint where it has considered that its support would be beneficial. Considering whether to contact the VCMS to obtain their support is part of Linnaeus' formal complaints process.¹⁵⁶ Nonetheless, Linnaeus recognises that there are limits to the effectiveness of the VCMS for the veterinary industry as a whole, given that it is a voluntary scheme which requires both the consumer and the vet practice to opt-in.¹⁵⁷

Linnaeus is supportive of regulatory enhancements to PSS and VCMS

- 7.13 Linnaeus supports regulatory enhancements to drive increased industry-wide application of mandatory regulatory standards for practices and consumer redress mechanisms.

Mandatory application of PSS 'Core Standards'

- 7.14 Linnaeus agrees that an effective way to address any perceived regulatory gap would be a change in legislation to extend the RCVS' remit to veterinary practices in addition to individual vets. This would enable the RCVS to proactively assess and enforce action for failing to meet the RCVS Code. This would better reflect the modern landscape of the veterinary profession in the UK. Such enhanced monitoring and enforcement could include:
- (a) a commitment by practices to self-audit and report compliance with the RCVS Code to the RCVS on an annual basis. This would enhance the RCVS'

¹⁵² Regulation WP, Paragraph 5.46.

¹⁵³ See Linnaeus' responses to question 21 of RFI 3 tranche 4, 23 May 2024; questions 5 and 6 of RFI 11, 25 November 2024.

¹⁵⁴ See Linnaeus' Customer Complaints process here: <https://www.linnaeusgroup.co.uk/customer-complaints-process> (Accessed 13 March 2025).

¹⁵⁵ See Linnaeus' responses to question 21 of RFI 3 tranche 4, 23 May 2024 for more information.

¹⁵⁶ See [Redacted – Confidential], submitted as part of RFI 3 tranche 4, 14 June 2024.

¹⁵⁷ Regulation WP, Paragraph 5.36.

- ability to monitor compliance with the Code and will encourage practices to put in place systems to ensure compliance; and
- (b) a requirement on practices to allow the RCVS to inspect a clinic where it has good grounds to suspect a serious breach of the RCVS Code.
- 7.15 Each of these points formed part of previous proposals made by Linnaeus and other LVGs.
- 7.16 Linnaeus also supports making the PSS 'Core Standards' mandatory for all veterinary practices.
- (a) Linnaeus considers that this standard would not be too onerous for application across the industry, and indeed veterinary surgeons are already required to meet minimum practice standards equivalent to the PSS 'Core Standards' as laid down in the RCVS Code, regardless of whether they are part of PSS or not.¹⁵⁸
 - (b) The PSS 'Core Standards' covers the expected legal, regulatory and RCVS Code requirements, ensuring that practices have appropriate structures in place for the provision of care.
 - (c) Importantly, consumer requirements are also addressed within 'Core Standards'. These requirements include updating clients on fees on a frequent basis and having a means of recording and considering client complaints, among other requirements.
 - (d) Linnaeus recognises that there is scope for simplifying the procedural requirements of applying for 'Core Standard' accreditation. Aspects of the process can be time consuming, such as requiring practices to upload documents, and there is scope for its implementation to be streamlined. This would help ensure that the industry-wide application of the PSS 'Core Standards' would not be excessively burdensome for all practices across the industry.
- 7.17 Linnaeus considers that the RCVS is the most appropriate body to monitor and enforce compliance with the PSS 'Core Standards' given it was the RCVS that set up the PSS accreditation scheme. RCVS' PSS assessors have been assessing practices since 2005 when the scheme was first set up. Further, in November 2024, the RCVS wrote to veterinary employers to remind them of the RCVS guidance on consumer rights and professional autonomy, indicating that the RCVS engages with how veterinary practices are run. Linnaeus also notes that in 2021, the RCVS Legislative Working Party (**LWP**) recommended that the RCVS be granted statutory authority to regulate all practices.¹⁵⁹ Linnaeus is supportive of this recommendation, which would allow the RCVS to take a holistic approach to public assurance.
- 7.18 In order to ensure that the RCVS could be effective in administering a PSS scheme that was mandatory industry-wide, it would need an increase in funding and resource.

¹⁵⁸ See RCVS Code, Paragraph 4.3.

¹⁵⁹ See: <https://www.rcvs.org.uk/news-and-views/our-consultations/legislation-working-party-report/executive-summary/> (Accessed 18 March 2025).

Transparency of quality credentials

- 7.19 As noted above, the PSS Core Standards represent a suitable level of clinical standards for industry-wide application. However, it will be important that any industry-wide quality credentials permit consumers to assess where clinics offer a differential level of service/quality from those who offer the base level only.
- 7.20 As the CMA has recognised, there are different levels of PSS accreditation available depending on the type of veterinary practice, services offered, and species treated.¹⁶⁰ Within the existing PSS framework, practices can apply for enhanced levels of recognition. As a first step, it is possible to gain enhanced accreditation as a General Care practice, Veterinary Hospital or an Emergency Service Clinic. Beyond these accreditation levels, it is possible for clinics to qualify for PSS awards relating to 'Team and Professional Responsibility', 'Client Service', 'Patient Consultation Service' and 'Diagnostic Service', among others. Practices can be ranked either 'Good' or 'Outstanding' for the awards and are free to publicise the fact that they have earned these awards.
- 7.21 Linnaeus considers that these various further awards that take sites beyond the Core level of PSS attainment could become a good means to help pet-owners assess quality of care and client experience. This is already inherent within the current PSS awards and Linnaeus is willing to discuss any evolution of those awards. To be effective, it will be important that the RCVS has the resources to be able to assess compliance with a standard and issue relevant accreditations or awards on a timely basis.

Mandatory application of VCMS

- 7.22 Linnaeus also supports proposals to make it mandatory for all veterinary practices to engage with the VCMS process and for VCMS adjudications to be binding. Linnaeus also supports measures to boost consumer awareness of the VCMS. Linnaeus considers that by making the scheme mandatory and raising awareness of it with customers, the VCMS will be an effective redress for veterinary customers.

Amendments to the 'cascade' regulations should be carefully considered to avoid unintended consequences

- 7.23 As explained in the Regulation WP, the 'cascade' system (as set out in schedule 4 to the Veterinary Medicines Regulations (**VMRs**)) requires that when a licensed veterinary medication becomes available, vets must utilise the authorised medication over any medication not licensed for a particular animal (including human generics or medications licenced for different animals, which may have previously been used).¹⁶¹
- 7.24 The CMA considers that there appears to be evidence that, in certain instances, the cascade may be acting as a barrier to entry or expansion for products which otherwise might serve the needs of consumers at a lower price than the authorised medicine.¹⁶² Linnaeus recognises the frustrations of vets in relation to some outcomes of the cascade requirements, in particular where cheaper human

¹⁶⁰ Regulation WP, Paragraph 4.13.

¹⁶¹ Regulation WP, Paragraph 6.3.

¹⁶² Regulation WP, Paragraph 6.38.

medicines are initially used but then subsequently a more expensive animal medicine is authorised, ultimately leading to an increase in price for the pet owner. It can be difficult for vets to explain to pet owners why prices have suddenly increased.

- 7.25 However, Linnaeus is also conscious that any potential amendment of the cascade would have to consider carefully the impact on animal safety and the funding model for pharmaceutical companies and incentives for them to innovate in the veterinary space.
- 7.26 Linnaeus agrees with the CMA that the public bodies responsible for regulating the prescribing of medicines (Defra, VMD, RCVS) should carefully consider all relevant factors before any decisions are taken, to avoid any unintended consequences.¹⁶³

Linnaeus supports the protection of the "veterinary nurse" title and the increased use of nurses in the provision of veterinary care

- 7.27 Despite increasing demand for veterinary services, the industry suffers from a critical shortage of veterinary professionals. There are a range of factors at play: Brexit; evolution in ways of working and the expectations of veterinary professionals; and increased competition for UK qualified professionals globally.
- 7.28 In the Regulation WP, the CMA states that it has seen some evidence that entry requirements, especially for foreign qualified vets, may be set inappropriately, contributing to a shortage of vets in the UK.¹⁶⁴ Linnaeus recognises this concern, and considers that a transformation is needed in the approach to visas for veterinary professionals from overseas. The UK's shortage of vets has worsened since 2018 and the number of EU vets registering to work in the UK has more than halved since the UK left the EU, from 1,134 in 2019 to 536 in 2023.¹⁶⁵ The Skilled Worker visa reforms should be reviewed to consider the impact on the veterinary sector and the government should engage with the sector to determine how best to address the gaps in the current framework to allow more overseas veterinary professionals to enter the UK workforce.
- 7.29 Whilst Linnaeus agrees that registered vet nurses (**RVNs**) could be more fully and effectively utilised within the requirements of the existing legislation through greater clarity on interpreting the existing framework,¹⁶⁶ changes to the Veterinary Surgeons Act 1966 may be needed to extend RVNs' responsibility further. Linnaeus agrees with RCVS' recommendations to DEFRA to replace the 1966 Act and to enhance the RVN role (e.g. extending the role to allow RVNs to undertake cat castrations and to administer medicine to induce and maintain anaesthesia, without the requirement to be acting under the direction of a veterinary surgeon).
- 7.30 Linnaeus welcomes the CMA's emerging view that protecting the veterinary nurses title might enhance transparency and competition.¹⁶⁷ Linnaeus supports protecting the 'veterinary nurses' title. By allowing only those with the relevant qualifications

¹⁶³ Regulation WP, Paragraph 6.46.

¹⁶⁴ Regulation WP, Paragraph 2.24.

¹⁶⁵ Letter from Environment, Food and Rural Affairs Committee to the Secretary of State for DEFRA, 7 May 2024. See letter here: <https://committees.parliament.uk/committee/52/environment-food-and-rural-affairs-committee/news/201281/mps-raise-concerns-over-uks-vet-shortage/> (Accessed 11 March 2025).

¹⁶⁶ Regulation WP, Paragraph 3.25.

¹⁶⁷ Regulation WP, Paragraph 3.17.

and RCVS accreditation to use the title, this will ensure a better quality and consistency of care for pet owners.

8. **Analysis of local concentration**

- 8.1 The Local Concentration WP sets out the CMA's emerging view on the degree of local concentration in FOPs, out of hours (**OOH**) care, and referral centres.
- 8.2 Linnaeus is unsurprised that the CMA's analysis suggests the supply of FOPs is not generally concentrated and that the vast majority of referral sites may compete with at least five other suppliers.¹⁶⁸ Further, Linnaeus considers this analysis is consistent with its observations on the significant local competition faced by FOPs and referral sites and that competition between practices is intense at a local level (see Section 3).
- 8.3 Linnaeus notes that the analysis conducted by the CMA to date has focused only on the degree of local concentration in the supply of veterinary services, without yet considering if that has had an appreciable effect on price or other outcomes.¹⁶⁹ Demonstrating such an effect would be a fundamental aspect of the analysis should the CMA wish to use this work as evidence to support an AEC finding, and Linnaeus would expect ample opportunity to comment in more detail on all aspects of the analysis in those circumstances.
- 8.4 However, in light of the overwhelming conclusion that there is a high degree of local competition across the vast majority of the UK, Linnaeus considers that significant further information demands and analysis in this area would be a disproportionate burden on industry participants and an inappropriate use of resources in the context of the Investigation.
- 8.5 For the purposes of this response, Linnaeus has limited its representations below to several high-level comments on the Local Concentration WP:
- (a) with the possible exception of a limited number of local markets, the evidence demonstrates a high degree of local competition in relation to FOPs and referral centres;
 - (b) the extent of local competition may even be understated in certain local markets given material deficiencies in the CMA dataset; and
 - (c) the existence of fewer alternatives for outsourced OOH care is consistent with lower levels of demand and the fact such care need only be accessed in an emergency.
- 8.6 In addition, Linnaeus sets out its views on several methodological points raised in the Local Concentration WP.

The evidence demonstrates a high degree of local competition in relation to FOPs and referral centres

- 8.7 The CMA's analysis observes that:

¹⁶⁸ Local Concentration WP, Summary, Paragraphs 5 and 8.

¹⁶⁹ Local Concentration WP, Paragraph 2.74: "We are currently considering what, if any, analysis we may undertake in to order to determine if local concentration has an effect on price or other outcomes" (sic).

- (a) the supply of FOPs is not generally concentrated, with 85% of FOPs competing with at least three rivals;¹⁷⁰ and
 - (b) the vast majority of referral sites (79%) compete with at least five other local suppliers.¹⁷¹
- 8.8 As set out in Section 3, Linnaeus experiences significant local competition in both FOP and referral centres, so these overarching conclusions from the local concentration analysis are consistent with its expectations.

The extent of local competition may be understated given material deficiencies in the CMA dataset

- 8.9 The CMA's analysis uses a dataset that omits a significant proportion of FOP veterinary practices. Importantly:
- (a) the CMA has collected data from 79% of the market,¹⁷² with the deficit of information for the most part relating to independent practices and small group veterinary clinics; and
 - (b) the RCVS and insurance datasets used to identify the relevant competitor set (in addition to RFI responses received from a number of businesses, including the LVGs), have a significant amount of "unconfirmed" and / or duplicate sites: (i) 1,025 from RCVS; and (ii) 1,580 from the insurance data.
- 8.10 These gaps may well have an impact on the outcome of the analysis in certain local markets as competitors may have inadvertently been missed from the concentration figures.

The existence of fewer alternatives for outsourced OOH care is consistent with lower levels of demand

- 8.11 Linnaeus has only limited activities in the provision of OOH services to third parties but is unsurprised that there may be fewer suppliers of OOH emergency care given the much lower level of demand for this service. The CMA acknowledges that the nature of outsourced OOH care means that its provision is likely to be more highly concentrated than for FOPs since it is a service primarily used in emergencies and there is less demand in each local area. Consequently, it stands to reason that local areas would require a smaller number of OOH vets.¹⁷³

Other methodological points

- 8.12 **It is not necessary or feasible to apply additional concentration metrics beyond fascia count.** The CMA notes that it may, at a later stage, review additional metrics, in particular relating to the services provided and capacity of each site, including using share of FTE vets or share of consultation rooms to further assess competition in areas that did not pass its initial filter.¹⁷⁴ Linnaeus considers

¹⁷⁰ Local Concentration WP, Summary, Paragraph 5.

¹⁷¹ Local Concentration WP, Summary, Paragraph 8.

¹⁷² Local Concentration WP, Table 2.1, *Response rate by type of FOPs*.

¹⁷³ Local Concentration WP, Paragraph 3.19

¹⁷⁴ Local Concentration WP, Paragraphs 2.46-2.48.

fascia count to be the best metric for assessing competition in local markets given the limitations in the data shared by independent vets.

- 8.13 **It is not necessary or informative for the CMA to further segment the referral centre market by specialism.** The CMA has requested submissions on its analysis of concentration in referral centres, including whether this should be extended to specialism level.¹⁷⁵ Linnaeus considers that it would not be necessary or informative for the CMA to conduct further work looking at specialty level (of some description). Such an exercise would be time-consuming, costly, unreliable and unlikely to have any value to this investigation given that *inter alia*:
- (a) many multi-disciplinary referral centres have a range of specialists employed, because certain referrals require multiple specialists as part of the treatment received by the pet; and
 - (b) gaps in particular specialisms can be addressed with peripatetic vets who visit more than one practice in a given area.
- 8.14 In Linnaeus' experience, data on where specialists are located, and which customers have utilised a particular specialism, is typically incomplete and unreliable. Customers are often invoiced on the basis of a treatment received rather than specialist seen, and for some treatments it may often be unclear which specialists were engaged. Some practices may also offer services on their websites related to a specialism (e.g. oncology), but it is often difficult to decipher from this description whether treatment is available with a diploma or certificate holding veterinary professional (i.e. from an RCVS Specialist, Advanced Practitioner or an allied specialism). For example, some practices may state on their websites that they offer oncology care, but do not have a specialist oncologist, and instead cancer care is delivered by a medicine clinician and/or surgery clinician (dependent upon the problem). For this reason, it does not make sense to look at referral services by specialism, given the varying types of levels at which similar care may be provided.

¹⁷⁵ Local Concentration WP, Paragraph 4.26.

9. **An industry-wide solution to the potential issues raised in the Working Papers**

- 9.1 Linnaeus notes that the CMA intends to publish a working paper setting out its emerging views on possible remedies and inviting written comments in spring 2025 (the **Remedies WP**). Whilst this response has focused on the many substantive aspects of the working papers with which Linnaeus disagrees, Linnaeus is eager to work collaboratively with the CMA on an industry-wide solution that brings this investigation to a pragmatic resolution for the benefit of UK pet owners, pets and veterinary professionals – as well as the UK economy.
- 9.2 Linnaeus has previously put forward a package of remedies to the CMA together with several other large corporate groups that Linnaeus believes would comprehensively address the issues raised by the CMA in its working papers and be easily implementable. This section of the response outlines those remedies and explains how they would work in practice and why they would be effective. It builds on the observations on regulatory reform set out in Section 7.

Key proposals

- 9.3 The key measures previously proposed are summarised below.

- (a) **Enhanced monitoring and enforcement powers for the RCVS**, including:
- (i) a requirement for veterinary businesses to self-audit and report compliance with the RCVS Code on an annual basis;
 - (ii) the power to inspect a clinic where it has reasonable grounds to suspect a serious breach of the RCVS Code (which is not currently comprised by the PSS); and
 - (iii) the extension of RCVS' remit to clinics. As discussed in Section 7, Linnaeus considers that this measure could be best achieved by making mandatory the application of the PSS 'Core Standards'.
- (b) **Introduction of a "kitemark" type quality scheme** reflecting compliance with these requirements, and which provides a clear and easily accessible reference point for the public so as to promote competition on non-price metrics such as quality. As discussed in Section 7, Linnaeus' current view is that a refinement of the existing PSS awards scheme would be a good starting point for the introduction of a gradated "kitemark" type scheme.
- (c) **Publication of price lists** for certain specifically described "entry point" services, made available in-practice and online, allowing pet owners to readily compare prices for different practices at the point they choose a vet, thereby promoting price competition between practices:
- (i) Linnaeus considers that the set of services previously identified by Linnaeus and others includes the most common treatments across the life of a pet. While Linnaeus has considered whether additional FOP services might also be included, its view is that a longer list

would not be proportionate due to the number of possible variables. Equally, an overly complex list would also not be helpful to pet owners in facilitating a simple comparison between practices.

- (ii) An equivalent standard list of consumer-facing referral prices would be more complex than the list of “entry point” primary care services, given the complex and bespoke nature of services, but in Linnaeus’ view a limited set of comparable treatments could be practicable as part of a remedy solution.
- (d) **Proposals to formalise price estimates for services and medicines** by including a written estimate on or with the consent form (except in emergencies), and to inform clients as soon as reasonably practicable if there are reasonable grounds to believe that an estimate is likely to be exceeded by a material percentage.
- (e) **Measures to provide full transparency over corporate ownership**, including: (i) by way of internal and external signage at each practice (i.e. adding clear signage on the door, wall and / or the reception counter of each practice) and on all channels (i.e. including websites and social media); and (ii) the identification of any group ownership at point of referral.
- (f) **Transparency proposals in connection with the availability of medicines online**, including: (i) the delineation between dispensing fee and medication cost (and any other applicable charges) on invoicing, with a clear explanation of what they cover; (ii) clear itemisation and explanation of prescription fee on invoicing; and (iii) where there is the potential choice on medicine options (e.g. not including emergencies), a requirement to make clients aware that alternative channels for purchasing prescription medication include online retailers accredited via the Veterinary Medicines Directorate’s Accredited Internal Retailer Scheme (AIRS) on the prescription and on receipts for dispensed medicines (in addition to in-practice signage).
- (g) **Proposals to ensure consumers are aware of treatment options**, including: (i) a requirement to give price estimations together with an explanation of the reasons for the recommended treatment plan; (ii) where multiple treatment options are appropriate, such options should be presented and estimates for each of the relevant options provided and an equivalent explanation provided for each option. Linnaeus would also support the inclusion on the consent form of a statement which confirms that the vet explained the options for potential treatment or offered an explanation as to why no options are available, which would be reviewed and then signed by the pet owner.
- (h) **Proposals to restrict financial rewards that could encourage self-preferencing or over-treatment.** Requirement for financial rewards (i) to individual vets to incentivise them to refer-intra group, or (ii) which are tied directly to the revenues generated by vets on an individual basis to be removed and not introduced.
- (i) **A requirement to provide annual RCVS Code refreshers and training to all practicing vets on contextualised care.**

The proposals comprehensively address the potential issues described in the Working Papers

- 9.4 Linnaeus is confident that the proposals above would comprehensively address any potential issues described in the Working Papers. In particular:
- (a) The publication of entry-point treatment price lists and proposals relating to written estimates and informing clients when estimates need to change address the CMA's potential issues in the Demand WP that pet owners may not be engaging effectively with available information when making choices in relation to the purchase of veterinary services.
 - (b) The measures related to transparency of practice ownership directly address the CMA's potential concern in Demand WP that some pet owners appear unaware of practice ownership.
 - (c) The measures relating to medicines would address the CMA's potential issues in the Medicines WP that there is a lack of awareness among pet owners on the options available to them at the point of sale in FOPs.
 - (d) Measures relating to providing an appropriate range of options to pet owners; informing pet owners of any relationships between the practice and the supplier of the related service; and limiting the use of financial rewards to incentivise vets to refer intra-group, would address the CMA's potential issues in the Business Models WP that veterinary professionals may promote more sophisticated and expensive treatments or self-preference within their groups in a way which reduces choice and weakens competition.
 - (e) Proposals relating to changes to the regulatory framework including mandating PSS on an industry-wide basis, would address the CMA's issues in the Regulation WP that the current regulatory framework has not evolved to keep pace with the modern industry landscape and is therefore no longer fit for purpose.
- 9.5 In being effective, the proposals would also be proportionate for the industry compared with other more onerous remedy options that may be available.
- 9.6 Linnaeus looks forward to continued engagement with the CMA in the remainder of the Investigation and in particular the opportunity to comment on the Remedies WP in due course.

APPENDIX A

[Redacted – Confidential]