



CONFIDENTIAL – CONTAINS BUSINESS SECRETS

NATIONAL VETERINARY SERVICES LIMITED

RESPONSE TO THE CMA'S WORKING PAPERS DATED 6 FEBRUARY 2025

1. Introduction

- 1.1 National Veterinary Services Limited (**NVS**) welcomes the opportunity to respond to the CMA's working papers on its emerging views on the veterinary services sector.
- 1.2 NVS is a veterinary wholesaler and distributor of veterinary products including medicines and non-pharmaceutical products. We have reviewed the CMA's working papers and thought it would be helpful at this stage to provide some comments to the CMA, particularly on the benefits of the wholesale distribution model in the veterinary medicines supply chain.
- 1.3 By way of summary:
 - 1.3.1 wholesalers offer veterinary practices and other customers the convenience of a 'one-stop-shop' for the full range of veterinary medicines and associated services;
 - 1.3.2 we face a number of substantial pressures on our business not only through competition from other wholesalers but also, for example, the substantial negotiating power that both manufacturers and our customers are able to exercise over us. This is most clearly reflected in the findings in the CMA's working papers that wholesalers pass on the majority of discounts from manufacturers to their customers and that the supply of veterinary medicines to veterinary practices through either authorised wholesalers or manufacturers does not prevent veterinary practices from obtaining veterinary medicines at competitive prices;
 - 1.3.3 we agree with the CMA's working papers that suppliers with business to consumer models, such as online pharmacies with a current Wholesaler Dealer's Authorisation (**WDA**), could choose to pursue wholesale supply but currently choose not to;
 - 1.3.4 as a wholesaler of prescribed veterinary medicines, our view is that it is essential that veterinary medicines are regulated through appropriate licences and authorisations (e.g. the WDA and Home Office licence required to supply controlled drugs). This is not only for secure supply of veterinary medicines but also to safeguard animal, human and environmental welfare.

2. Wholesalers offer a broad range of products / services

- 2.1 We agree with the CMA's emerging view that the supply of veterinary medicines to veterinary practices through either authorised wholesalers or manufacturers (which the CMA's working papers describe as the "wholesale restriction") is *"unlikely to be a primary barrier to FOPs accessing wholesale supplies of prescribed veterinary medicines at*



CONFIDENTIAL – CONTAINS BUSINESS SECRETS

*competitive prices”.*¹ This reflects the CMA’s findings that “*wholesalers pass on the majority of their discount from manufacturers to their customers*”.²

- 2.2 As the CMA’s working papers recognise, “*Wholesalers typically hold a wide range of veterinary medicines in stock, enabling customers to access a variety of products that can be easily delivered to them when needed*”.³ This is fundamental to the service we provide to our customers.
- 2.3 However, our offering goes significantly beyond this. **We act as a ‘one stop shop’ for veterinary practices** supplying the full range of veterinary medicines as well as a number of different associated services. This means that we:
 - 2.3.1 **stock and supply higher cost to serve products such as ‘cold chain’ and ‘Controlled Drugs’.** These require us to put in place specific facilities and processes in order to enable us to supply these products end to end – monitored temperature controls, including ambient and cold chain supply of medicines within a highly regulated environment, complying with the Home Office regulations for the supply of Controlled Drugs. This is all supported by highly trained staff compliant with Falsified Medicines Legislation and the Disclosure and Barring Service;
 - 2.3.2 **provide flexible delivery schedules** (including next-day delivery, to meet the varying needs of veterinary practices);
 - 2.3.3 **supply a full, broad and diverse range of non-medicine veterinary products** (including, for example, dietary products, veterinary consumables and pet accessories);
 - 2.3.4 **provide practical efficiencies** (such as a single point of ordering medicines manufactured by multiple suppliers, through integration with all Practice Management Systems, a single delivery and invoice alongside commercial payment terms for customers);
 - 2.3.5 **add value to regular services** (for example, management of returns from veterinary practices, along with waste collection for onward recycling and storage solutions); and
 - 2.3.6 **provide dedicated customer service teams** (i.e., act as a conduit between the manufacturer and the customer to handle queries, provide information and pharmacovigilance reporting).
- 3. **Authorisations and licences provide an important mechanism for regulatory oversight of the distribution of veterinary medicines**
 - 3.1 As a wholesaler of the full range of veterinary medicines, for example, including controlled medicines, we are acutely aware of our responsibility to ensure the safe and controlled supply of prescription veterinary medicines. We believe that regulation/oversight of the

¹ Paragraph 6.72, CMA [Regulatory framework](#) Working Paper.

² Paragraph 2.48, CMA [Competition in the supply of veterinary medicines](#) Working Paper.

³ Paragraph 2.45, CMA [Competition in the supply of veterinary medicines](#) Working Paper.



CONFIDENTIAL – CONTAINS BUSINESS SECRETS

distribution of veterinary medicines is essential for enabling secure supply of veterinary medicines but also to safeguard animal, human and environmental welfare.

- 3.2 We therefore share the view of the Veterinary Medicines Directorate (**VMD**) that the WDA is “*important as it safeguards the supply chain for prescribed veterinary medicines*”,⁴ and we consider that other regulatory requirements, such as the separate Home Office licence required to supply controlled drugs, are also critical.
- 3.3 The CMA’s working papers, however:
- 3.3.1 question the WDA and the regulatory requirement for veterinary practices to purchase veterinary medicines from a WDA holder. In particular, the CMA refers to evidence from the VMD that the quantities that are involved in wholesale supply require a greater degree of control and scrutiny. The CMA’s working papers then query whether this “*quantity-related rationale*” is sufficient to justify the wholesale restriction;⁵ and
- 3.3.2 query whether a veterinary practice purchasing supplies of prescribed veterinary medicines from a retailer (such as an online pharmacy) would pose a specific risk (at least, in comparison to an online pharmacy delivering medicines to a consumer).⁶
- 3.4 Our view is that regulation is important. The WDA, for example, enables:
- 3.4.1 **Safety, efficacy and integrity of products:** WDA holders must comply with specific requirements, both for their dealing premises and for transportation. For example, premises must be free from contamination and capable of storing medicines in line with storage conditions. Certain medicines require cold or ambient storage and requirements that temperatures are consistently monitored, recorded and reviewed. Further, WDA holders must ensure medicines are accompanied by proper documentation and are correctly labelled. Controlled medicines must be stored in cabinets (that meet specific design standards) to prevent unauthorised access and must be locked away during transportation. Inadequate storage or transport poses significant threats to animal welfare.
- 3.4.2 **Accountability and traceability:** WDA holders are required to maintain detailed records of all transactions, including procurement, storage, and distribution activities. This includes records of all incoming and outgoing veterinary medicines. Controlled drugs must be audited weekly and a controlled drugs register must be maintained. This system mitigates risks around lack of traceability and accountability within the supply chain.
- 3.4.3 **Consistency, expertise and review:** WDA holders must have a WDA Qualified Person (**WQP**). This specific individual is responsible for ensuring WDA conditions are being met and must meet certain requisites (e.g. have at least one year of experience in handling, storing, distributing, supplying, managing medicines). This function ensures appropriate knowledge is applied to protect the proper handling of veterinary medicines. In addition, WDA holders are subject to regular inspections (e.g. by the VMD, Medicines and Healthcare

⁴ Paragraph 6.68, CMA [Regulatory framework](#) Working Paper.

⁵ Paragraph 6.69, CMA [Regulatory framework](#) Working Paper.

⁶ Paragraph 6.70, CMA [Regulatory framework](#) Working Paper.



CONFIDENTIAL – CONTAINS BUSINESS SECRETS

Products Regulatory Agency and the Home Office). Whilst inspectors are required to provide reasonable notice, standards must be consistently maintained to ensure readiness for inspections. Ultimately, authorisation and licences can be revoked, which ensures that such standards are upheld.

3.5 We think it is important that the CMA takes these factors into account when assessing regulatory controls on the distribution of veterinary medicines.

4. **Other suppliers can become wholesalers but may choose for commercial reasons not to do so**

4.1 We agree with the comments in the CMA's working papers that:

4.1.1 *"an online pharmacy business that wished to engage in equivalent wholesale to FOPs could obtain a WDA and do so – either as a wholesaler or by utilising an alternative business model that allows for both business-to-business and retail sales of medicines";⁷ and*

4.1.2 *"there are aspects where the business models of pharmacy businesses and wholesalers may differ – for example, in terms of delivery mechanisms to customers".⁸*

4.2 Other market participants (such as online pharmacies with a WDA referred to by the CMA) could provide the range of services offered by wholesalers if they were to choose to do so; there are no barriers to them doing this. However, currently, they choose not to do so as they operate different business models. For example, we understand that online pharmacies are primarily established as direct-to-consumer businesses and do not typically provide the full range of veterinary medicines that wholesalers provide.

5. **Pressures faced by the wholesale supply chain**

5.1 The CMA's working papers recognise the pressures faced by wholesalers within the supply for veterinary medicines from our customers (e.g. veterinary practices) as well as our suppliers, the manufacturers and our other competitors. These are described in further detail below.

(a) Manufacturers control their distribution model

5.2 As a wholesaler, we are dependent on manufacturers and how they choose to distribute their products. This is reflected in key findings in the CMA's working papers:

5.2.1 **Rebates are much higher than wholesale discounts:** Through rebates, manufacturers are able to offer veterinary practices and third party retailers the greatest level of discount from the list price; at a much higher level than we are able to. For example, the CMA's working papers refer to large veterinary groups (**LVGs**) achieving rebates at a level of 60-70% off the manufacturer list price,⁹

⁷ Paragraph 6.71, CMA [Regulatory framework](#) Working Paper.

⁸ Paragraph 6.69, CMA [Regulatory framework](#) Working Paper.

⁹ Paragraph 3.23, CMA [Competition in the supply of veterinary medicines](#) Working Paper



CONFIDENTIAL – CONTAINS BUSINESS SECRETS

whereas for wholesalers, manufacturers' strong bargaining power means that discounts are at a much lower level (the CMA refers to 15%).¹⁰

- 5.2.2 **Direct supply model:** Some manufacturers choose the wholesale model. However, others can decide not to do this and in recent years, as recognised in the CMA's working papers, there has been some move to a direct supply model. This involves manufacturers having a direct relationship to sell products to the veterinary practice, including any price negotiations. In this model wholesalers will typically have no involvement in the purchase or invoicing to the veterinary practices. Wholesalers can be involved in order management and logistics if manufacturers outsource their warehousing and distribution. The wholesaler's role in this model is solely to carry out third party logistics (e.g. order taking, picking, packing and shipping).¹¹
- 5.2.3 **Importance of the manufacturer list price:** The CMA's working papers recognise that the manufacturer list price "*is the price consistent across all buyers and is used as a reference point in negotiations*".¹² The CMA's working papers further indicate that the manufacturer list price is also the reference point used by some veterinary practices when setting their retail prices.¹³

(b) Competition between wholesalers

- 5.3 With competition from manufacturers moving to direct supply, short-line suppliers and other suppliers moving into a business to business supply model, competition between wholesalers remains fierce. This is most clearly reflected in:
- 5.3.1 the findings in the CMA's working papers that wholesalers pass on the majority of discounts from manufacturers to their veterinary practices¹⁴; and
- 5.3.2 [REDACTED]

(c) Veterinary practices play a key role in the wholesale supply chain

- 5.4 We agree with the CMA's "... emerging view ... that LVGs and buying groups have strong negotiating positions relative to manufacturers and wholesalers because of the scale of their purchases".¹⁵ It is also our experience that smaller vet businesses may increase their negotiating strength, for example, by joining buying groups.
- 5.5 Moreover, as the CMA's working papers recognise: "FOPs can choose between or switch wholesalers without having to change their chosen manufacturer because wholesalers stock and distribute all common veterinary medicines on behalf of a range of manufacturers".¹⁶

¹⁰ Paragraph 6.21, CMA [Competition in the supply of veterinary medicines](#) Working Paper.

¹¹ Paragraph 2.50-2.53, CMA [Competition in the supply of veterinary medicines](#) Working Paper.

¹² Paragraph 3.7(a), CMA [Competition in the supply of veterinary medicines](#) Working Paper.

¹³ Paragraph 3.21, CMA [Competition in the supply of veterinary medicines](#) Working Paper.

¹⁴ Paragraph 2.48, CMA [Competition in the supply of veterinary medicines](#) Working Paper.

¹⁵ Paragraph 16, CMA [Competition in the supply of veterinary medicines](#) Working Paper.

¹⁶ Paragraph 2.45, CMA [Competition in the supply of veterinary medicines](#) Working Paper.



CONFIDENTIAL – CONTAINS BUSINESS SECRETS

- 5.6 In addition, as new distribution models have emerged, notably manufacturer direct supply, we have seen some veterinary practices source veterinary medicines from more than one supplier e.g. not only from the wholesaler but also separately through a manufacturer's direct supply channel.
- 5.7 The negotiating power of veterinary practices can also be seen in the trend towards, particularly veterinary practices that are part of LVGs or buying groups, developing, for example, an own label range with a manufacturer. Wholesalers typically are not involved in this model of supply.¹⁷

(d) Pressures mean that we are continually adapting and innovating to remain competitive

- 5.8 Competition between wholesalers and the pressures described above from manufacturers and customers means that we must continue to adapt and innovate in order to remain competitive. Examples include offering alternative models to suppliers (such as third party logistics described above); providing flexible delivery options to meet the varying needs of veterinary practices; and diversifying offering to provide a full range of veterinary products (beyond just medicines).

¹⁷ Paragraph 2.25, CMA [Competition in the supply of veterinary medicines](#) Working Paper.