

Response to CMA market investigation into Veterinary services for household pets: Working papers

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Executive Summary

- ✦ The Inquiry Group's most recent working papers are highly instructive and benefit from drawing on valuable primary data from vet users and veterinary professionals.
- ✦ The working papers display sophisticated analysis of vulnerability issues (incl. context-dependent vulnerabilities) and the impact of private equity in large veterinary groups.
- ✦ The CMA has identified potential switching barriers created by the perceived (lack of) portability of pet medical records, validity of pet care plans, and pet insurance policies. Further exploration of the lived experience and assumptions associated with these barriers will inform a more targeted remedial response, if this is deemed appropriate.
- ✦ The CMA's preliminary observations bring into question the legitimacy of some LVGs maintaining local branding after acquiring FOPs, particularly as practice ownership stands to be an important consideration for a notable proportion of pet owners.
- ✦ By moving beyond an owner-agnostic approach and exploring the impact of different business models on market outcomes, the Inquiry Group has put itself in a position to consider the specific impact associated with activities characterised by private equity-backed LVGs.
- ✦ Despite the CMA's emerging finding that supply of FOP services is generally not concentrated at the local level, we encourage the Inquiry Group to consider investigating the extent to which LVGs may have been able to influence independent vet practices through non-ownership means, such as partnership models and minority shareholdings. If these influence channels are prevalent in practice, it may point to the presence of a higher level of *de facto* local concentration, which may more readily support e.g. the self-preferencing conduct the Investigation Team is currently exploring.
- ✦ We encourage the Inquiry Group to maintain its current course, in light of the draft strategic steer the CMA has received from the UK Government.

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General comments on the working papers

- 0.1 We unreservedly welcome the release of the Inquiry Group's most recent working papers, finding them to be highly instructive of the practical issues of concern within the veterinary services market, as well as providing an insight into the CMA's preliminary thinking on the themes it has previously identified, and more besides. We are encouraged by many of the avenues the Inquiry Group has chosen to pursue in depth, and—while there are opportunities to pursue some of these avenues further, which we are mindful the CMA is currently in the process of doing—we have been particularly reassured by the sophisticated analysis the Investigation Team has afforded to vulnerability issues (incl. context-dependent vulnerabilities) and the specific impact of private equity involvement in large veterinary groups (LVGs), which we have raised in previous responses to the investigation.¹ Moreover, each working paper is a clear testament to the steps the CMA has taken to engage, listen and learn from a range of stakeholders in the market.
- 0.2 We are also encouraged by the extent and quality of the response data arising out of the CMA's *Vet Users Survey*,² where we commend the joint efforts of the Investigation Team and Accent MR. We also thank the Investigation Team for considering our comments on the *Draft Consumer Survey*,³ and anticipate that the Inquiry Group will be in a strong position to draw conclusions and recommendations on a broad range of consumer issues as a result of the analysis of the primary data.
- 0.3 The astonishing response to the CMA's initial *Call for Information* at the beginning of this process stood to highlight the level of interest and concern in the veterinary services market, both from professionals and the public at large. We are pleased to see that this level of interest and engagement has been replicated in the quality of responses (incl. free-text comments) to the *Vet Users Survey* and—while we have not, as yet, had an opportunity to review it in detail—the *Vet Professionals Report* compiled by Revealing Reality, in collaboration with the CMA.⁴ This research highlights the amazing care and due diligence exercised by veterinary practitioners, and confirms the enormous value that UK pet owners attribute to the health and wellbeing of their animals. These are, very evidently, important factors to weigh-in to discussions around potential remedies for addressing any adverse effects on competition (AECs) that the investigation identifies.
- 0.4 We are enthused that the CMA has also identified and adopted the nuance around the role of 'animal welfare' within the market, rendering this market investigation unique in comparison to previous inquiries. Again, we acknowledge that the Inquiry Group will need to

¹ David Reader and Scott Summers, '[Response to CMA market investigation into veterinary services for household pets: Issues Statement](#)' (*Consultation response*, 30 July 2024).

² Accent and CMA, *Vet Users Survey* (Final Report, January 2025).

³ David Reader and Scott Summers, '[Response to CMA market investigation into Veterinary services for household pets: Consumer survey draft questionnaire](#)' (*Consultation response*, 27 September 2024).

⁴ Revealing Reality and CMA, *Qualitative research with veterinary professionals* (Research report, January 2025).

bear such welfare considerations in mind when reflecting on the investigation’s findings and ahead of proposing a remedies package. The complexities of the market—which the working papers present a stark account of, in terms of e.g. the drivers of consumer purchasing, the efficacy of the regulatory framework, vulnerable consumers, corporate interest in the sector, etc—all stand to present obstacles to achieving a well-functioning market (WFM) for consumers, commercial imperatives and animal welfare.

- 0.5 Very briefly, we are mindful of how the UK Government’s draft strategic steer to the CMA,⁵ published since the release of these working papers, stands to impact the enforcement priorities and intended outcomes of the CMA’s operations. In particular, the draft steer appears to place a greater emphasis on the on pace and efficiency of market investigations. Insofar as this steer—if adopted—has the potential to affect investigations that are currently ‘live’, we believe the Inquiry Group’s progress to date and its timeline for the remainder of the investigation is compatible with this strategic vision. We have further reservations about how the strategic steer’s onus on ‘delivering investments and economic growth’ stands to impact/restrict the Inquiry Group’s approach to recommending and consulting on remedies, given the prevalence and nature of investment—the kind the Government is looking to attract more of—in the veterinary services market. As the CMA itself states in its working papers, profitability is an important element of attracting investment to the market, which has the potential to benefit animal welfare. We note, however, that collision points exist between, for example, consumer welfare/animal welfare and profitability/growth, and that the strategic steer stands to sharpen these collision points. In managing these potential trade-offs, we encourage the Inquiry Group to maintain its current course and, given the wider social salience of the market, resist calls for the growth priority to ride roughshod through a pivotal point of its investigation. We believe the Inquiry Group, sitting independent of the CMA Board and, therefore, a further layer removed from Government, has the discretion to engage with these trade-offs through a lens of its choosing (subject to any limitations imposed by the *CMA Board’s advisory steer*).
- 0.6 The remainder of this response provides our response to each of the five working papers, in turn.

1. WP1: ‘How people purchase veterinary services’

General remarks

- 1.1 While our main comments on the first working paper relate to the CMA’s emerging findings on switching rates and insurance implications, we firstly wish to praise the Investigation Team for the rigorous, intuitive and holistic way it is undertaking its fact-finding and analysis of purchasing habits in the market, which has already drawn on a diverse range of sources. We

⁵ Department for Business & Trade, [Strategic steer to the Competition and Markets Authority](#) (Consultation on draft steer, 13 February 2025).

acknowledge, in particular, the significance of provisional interpretations that point to: (i) the importance pet owners attribute to trust in veterinary experts for diagnosis and treatment (WP1, para 4.7); (ii) the relatively little weight pet owners attribute to price when choosing a vet practice and when making treatment decisions (*Overview of Working Papers*, para 1.10(b)), potentially compounded by owners not always receiving the information they need to make informed choices; and (iii) a lack of evidence to establish a causal link between the increased humanisation of pets and increased veterinary expenditure (WP1, para 4.16). Assuming these interpretations are adopted as findings, they stand to allow the Inquiry Group to take a nuanced approach when proposing remedies.

- 1.2 The Investigation Team’s provisional analysis has reached compelling findings in relation to low consumer switching rates across veterinary services, and we recognise the tangible steps the Team has taken to identify reasons for consumer inertia in this environment. With regards to potential barriers to switching, we acknowledge the significant value that pet owners attribute to a relationship of trust with a veterinary professional, in addition to the continuity of care that an ongoing relationship facilitates (WP1, para 5.66). Drawing on its *Vet Users Survey* findings, the Team has also identified ‘other factors’ that may be contributing to low switching rates (WP1, para 5.67), including: (i) 29% of respondents perceiving difficulties in switching medical records between practices, (ii) 22% pointing to a lack of alternative vet practices in their area, and (iii) 16% indicating their pet care plan would be inapplicable/invalidated if they were to switch to a different practice.

Switching barriers created by portability of pet medical records

- 1.3 We are interested to learn more about the perceptions pet owners have towards the portability (or lack thereof) of their pet’s medical records when making decisions on whether to switch their FOP. Given 29% of consumer respondents cite difficulties in switching medical records between vet practices as a reason for feeling unable or unwilling to switch providers, the Inquiry Group would benefit from having knowledge of: (i) the extent to which portability of pet medical records is streamlined/cumbersome in practice, and (ii) how consumers have arrived at this perception of difficulty (i.e. whether it is driven by personal experiences, testimonies of friends/family, assumptions derived from general dealings with the profession, etc).
- 1.4 Further qualitative data on these perceptions stands to assist the Inquiry Group in determining whether this switching barrier arises from consumers’ lived experiences (indicating that tangible data portability obstacles are prevalent in the market),⁶ or whether there is ‘merely’ an oft-held assumption that transferring medical records between FOPs is onerous on consumers. This information will, in turn, afford the Inquiry Group a better sense of *where* remedies to address such a barrier should be targeted (i.e. on the supply-side and/or demand-side), assuming a remedy is found to be warranted. If there is evidence of a ‘lived

⁶ See para 1.5, below.

experience’ of pet owners struggling to make arrangements for their pet’s medical records to be transferred to a new FOP, we are concerned of an absurd outcome whereby pet owners may be deterred from switching in the future because of the difficulties they encountered when switching in the past.

- 1.5 We are keen to understand whether the specific electronic patient record (EPR) systems used by each veterinary practice/group are so unique that there is no simple way to export medical record data from one provider and import it on to another provider’s EPR system. We make no assertions about the existence or prevalence of this issue, but believe that a deeper dive into the question of data portability unlocks the potential for the Inquiry Group to consider recommendations along the lines of e.g. imposing requirements on providers to ensure their EPR systems offer export and import compatibility.⁷ While this would be a reasoned recommendation in theory, we appreciate the complexities and challenges of implementing such changes in practice, including the onus on veterinary providers and EPR system providers. If these issues are to be pursued further as part of the investigation, we encourage the CMA to also consider the approach the UK GDPR takes to data portability (specifically Article 20, and recital 68), as well as the requirements placed upon data controllers regarding interoperable formats. While we acknowledge that the data portability requirements of the UK GDPR do not apply in this context, the principle of data portability and the need for interoperability across providers merits consideration. In any case, we will endeavour to input more specific comments if the CMA chooses to pursue these issues further as part of its findings on ToHs and remedies.

Switching barriers created by validity of pet care plans

- 1.6 The *Vet Users Survey*’s finding that (only) 16% of respondents feel unwilling/unable to switch FOPs due to a requirement stipulated by their pet care plan infers only a limited scope for FOPs (LVG-owned or otherwise) to utilise pet care plans for foreclosure purposes; although, we note the potential for this switching barrier to have exclusionary effects, especially in combination with other barriers the CMA has identified. We also acknowledge the consumer benefits afforded by pet care plans, which the working paper clearly articulates.
- 1.7 In the *Vet Users Survey*, of the 37% of respondents who have purchased a pet care plan, we note that a higher proportion of LVG customers are subscribed to a pet plan (42%), relative to customers of independent providers (29%) (*WP1*, para 5.77(a)). The reasons for this variation are likely numerous, including that some independent providers may not offer a pet care plan at all. However, despite the seemingly limited scope for veterinary service providers to utilise pet care plans for exclusionary purposes, we are intrigued by the Investigation Team’s provisional finding that pet care plans may encourage consumers to purchase more routine treatments than they would otherwise (*WP1*, paras 5.108-5.114). To this end—and given the higher proportion of LVG customers subscribing to pet plans—we wish to draw

⁷ i.e. That data must be exportable in a common format that can easily be read and imported into another provider’s system.

further emphasis to the *added* ability and incentives of LVGs, in particular, to utilise pet plans for exploitative purposes. We await with interest the Inquiry Group’s findings on this concern.

Switching barriers created by pet insurance policies

- 1.8 In a previous consultation response,⁸ we have commented on the potential for a consumer’s choice of pet insurance provider/policy to influence their decision to register at—or switch to—a particular veterinary practice. This is because a vet practice may implement an approach of automatically accepting some policies in lieu of immediate payment (‘direct claims’), whereas consumers with other insurance policies may be required to pay up front. This is at the discretion of the individual vet practice, irrespective of whether the insurance provider is permissive of direct claims. We appreciate that the Inquiry Group may deem this potential switching cost to fall outside the scope of the insurance/veterinary services dynamic referred to under the *CMA Board’s advisory steer* (para 11),⁹ and we can understand its omission as a possible answer under Q31 of the *Vet Users Survey*—recognising, also, that ‘insurance’ does not appear to have been raised by respondents who selected ‘*Other, please specify*’ when answering this question.¹⁰ Insofar as it stands to inform how people purchase veterinary services, we believe the Investigation Team would derive value from considering the impact of insurance choices on switching rates—but, again, we defer to the Inquiry Group’s interpretation of the advisory steer it is operating within.
- 1.9 For completion, we also wish to reiterate the potential for the *type* of pet insurance cover—e.g. *lifetime cover* vs. *time-limited insurance* vs. *maximum benefit cover*—to impact consumers’ ability to switch insurance providers/policies in the long-term; an issue which we expect the Inquiry Group is more likely to determine as falling outside the scope of the *CMA Board’s advisory steer*. Nonetheless, we anticipate that barriers to switching between pet insurance policies stand to have significant implications on affordability in markets for veterinary services. Once a pet owner has made a claim on *lifetime cover* for the treatment of a particular condition their pet has encountered, other insurance providers will typically refuse to cover treatment of this condition (it will be classified as a ‘pre-existing condition’, that falls outside the coverage of the policy). This means consumers have limited incentives or ability to switch to a new insurance provider, choosing instead to remain with their incumbent provider—invariably on an elevated premium—in order to maintain cover for that specific condition. Evidence of this type of scenario arising in practice can be found in the open text responses to the *Vet Users Survey*: “*I find pet insurance a minefield as I have chosen lifetime cover [and] feel that I cannot change from my current pet insurance company...*”. (*Q136 – Open text responses*, Response 208).
- 1.10 As a final point on insurance, we have previously alluded to the potential concerns and justifications associated with the practice of pet owners being asked whether they have pet

⁸ Reader and Summers, *Response to Draft Consumer Survey* (n 3), para 2.10.

⁹ As articulated in the Inquiry Group’s Issues Statement; *Issues Statement*, para 19.

¹⁰ Accent and CMA, *Vet Users Survey* (n 2), p.36, Figure 31.

insurance *before* being presented with treatments options and prices.¹¹ In particular, we felt the market investigation afforded an ideal opportunity to understand more about: (i) the prevalence of this practice, (ii) the range of incentives for veterinary practitioners to engage in this practice, and (iii) whether corporate influence on practitioners—assuming it is present—puts pressure on vets to rely on this information when determining whether to ‘push’ more profitable treatment options. While we note the Inquiry Group’s position that it is not currently clear whether there is a causal relationship between insurance and expenditure, the apparent correlation between insurance uptake and higher vet bills (*WP1*, para 5.160) supports the case for investigating the incentives and outcomes—positive and negative—of asking pet owners to disclose their insurance before/during the consultation process. In open text responses to the *Vet Users Survey*, five respondents either refer to negative experiences/perceptions of being asked about their insurance status (including as an upfront question), or express concern about treatment being influenced by whether or not the pet owner has insurance. (*Q136 – Open text responses*, Responses 6, 315, 328, 512 and 587).

Pet owner perceptions of the ownership of veterinary providers

- 1.11 We highly commend the coding and cross-comparison undertaken by Accent and the CMA, enabling the investigation to identify that over half of LVG customers (53%) responding to Q34 of the *Vet Users Survey* were unaware that their vet was part of a large corporate group.¹² We have previously anticipated the CMA’s opportunity to use Q34 (in combination with the context data from Q9) to estimate the proportion of pet owners who believe their vet practice to be independent, when it is in fact under LVG ownership/part of a LVG partnership model.¹³ Drawing on the granular breakdown of these responses,¹⁴ we note that 30% of LVG customers erroneously perceived their vet practice to be independent or part of a small chain, with a further 23% not having knowledge or recollection of their vet’s ownership status. This contrasts to only 3% of non-LVG customers erroneously perceiving their vet to be part of a LVG, and a further 24% lacking knowledge or recollection of their vet’s ownership status.
- 1.12 Mindful of the CMA’s provisional finding that there appears to be, in some circumstances, ‘limited information’ available to consumers on the ownership of vet businesses (*Overview*, para 10(a)), we have concerns about the restriction this places on the ability of pet owners to make informed decisions, based on their preferences; particularly the 21% of respondents to the *Vet Users Survey* who considered ownership when selecting a vet practice, and the 68% of respondents who expressed a preference for independent practices (*WP1*, para 5.25).

¹¹ Reader and Summers, *Response to Draft Consumer Survey* (n 3), para 2.13.

¹² Accent and CMA, *Vet Users Survey* (n 2), pp. iii and 38. We note the finding that there is a greater awareness of practice ownership for customers of two of the LVGs, Medivet and Pets at Home, who have long operated under centralised/uniform branding (*WP1*, para 5.48). We also note that ‘only a minority of respondents at [LVGs who do not change the branding post-acquisition] were aware that their practice was owned by an LVG’ (*Overview*, para 10(a)(iii)).

¹³ *Response to Draft Consumer Survey* (n 3), para 2.12.

¹⁴ *Vet Users Survey* (n 2), p.38 (Figure 34).

Some of the LVGs outwardly acknowledge that the vet practices they target for acquisition/partnership have a preference for maintaining their existing ‘local’ branding,¹⁵ and—in addition to evidence the CMA has gathered about branding strategies from the internal documents of some of the LVGs and through qualitative research with veterinary professionals¹⁶—there is evidence that LVGs seek to reassure potential acquirers that their consumers are unlikely to realise that the vet practice has joined the LVG.¹⁷

- 1.13 We welcome the research the CMA has so far conducted into the branding strategies adopted by LVGs, anticipating that—in addition to informing potential remedies to allow consumers to make more informed decisions—its findings will also enable the Inquiry Group to comment on the legitimacy and impact of LVGs incorporating these strategies into their acquisition practices. Insofar as maintaining local branding may also preserve the sell-on value of veterinary practices, we encourage the CMA to also consider the incentives of short/mid-term investors in the veterinary services market (e.g. some private equity investors) to utilise these branding strategies as part of an acquisition exit strategy.

2. WP2: ‘Business models, provision of veterinary advice and consumer choice’

The investigation’s consideration of private equity practices

- 2.1 In publishing the second working paper, we welcome the Inquiry Group’s decision to move beyond an owner-agnostic approach by considering the different business models employed by firms operating in the market. This decision has afforded the Investigation Team an opportunity to consider the specific impact associated with activities characterised by independent vs. LVG-owned services. Beyond this, it also enables the Investigation Team to engage with concerns we have previously highlighted in relation to the short-term investment incentives and activities of some private equity-backed owners; particularly, those engaged in buy-and-build (and sell) strategies.¹⁸
- 2.2 We note that issues related to these concerns have been encountered by the Investigation Team in its: (i) review of internal documents from private equity investors (esp. increasing

¹⁵ For example, CVS’s website notes that: ‘Vendors find us an attractive option because we don’t change their practice, name, clinical care and culture’; CVS, ‘Interested in selling your practice?’

<www.cvsukltd.co.uk/selling-your-practice> accessed 27 February 2025. Moreover, Linnaeus’s website provides: ‘Our ethos ensures that your culture lives on and your practice retains its individual identity’; Linnaeus, ‘Be part of something amazing...’ <www.linnaeusgroup.co.uk/join-us> accessed 27 February 2025.

¹⁶ WP1, paras 5.27, 5.48–5.49 (esp. the qualitative finding from veterinary surgeons reportedly being discouraged from mentioning a change of ownership to clients).

¹⁷ For example, the IVC Evidensia website specifies: ‘In our experience, the majority of clients rarely realise that a practice has joined the group. Your clients have always come, and will continue to do so, because they value the service they get from you and your team. Joining IVC Evidensia shouldn’t change that – we don’t rebrand practices, change everyone’s uniforms or interfere in your local culture’; IVC Evidensia, ‘Becoming part of our group’ <<https://ivcevidensia.com/sell-your-clinic>> accessed 27 February 2025.

¹⁸ Reader and Summers, *Response to Issues Statement* (n 1), para 3.3.

profitability and realising returns on exit as a key driver of acquisitions);¹⁹ (ii) qualitative research with veterinary professionals (alluding to concerns expressed by ‘many vets and vet nurses’ towards a perceived practice of private equity-backed owners increasing prices as part of a short-term strategy to increase revenue);²⁰ and (iii) internal documents from private equity-backed owners alluding to the profit/revenue-enhancing strategies of *charging optimisation* (incl. revenue rebalancing and requiring stronger adherence to pricing structures),²¹ *increased treatment intensity*,²² and *self-preferencing* (as a motivator for vertical integration through acquisitions).²³ We acknowledge that these practices may not be exclusive to private equity-backed veterinary groups—nor to LVGs, as a whole—but we encourage the Investigation Team to continue exploring whether such practices are more commonly observed—and/or characterised—under private equity investment arrangements.²⁴ This will enable consideration to be afforded to any bespoke ToHs or remedies associated with this business model.

Self-preferencing and risks of vertical integration via partnership arrangements

- 2.3 We welcome the Investigation Team’s plans to continue its exploration into the prevalence and nature of self-preferencing conduct in the industry, and the effects—if any—this is having on treatment intensity, pricing, and quality of care. While we acknowledge that, at this stage, the CMA is not in a position to conclude whether the nature of this self-preferencing is beneficial or detrimental in the main, we are satisfied that the investigation’s emerging observations justify a deeper dive into this potential ToH.
- 2.4 The merits of a deep dive into potential self-preferencing harm are numerous, including: (i) LVGs’ historic investment in online pharmacies, crematoria, referral centres and diagnostic laboratories;²⁵ (ii) the Investigation Team’s emerging opinion that the ability and incentives exist for integrated FOPs to favour their own referral services;²⁶ (iii) evidence indicating that self-preferencing in referral services is—to different extents, depending on the LVG in question—an important motivator in LVGs’ acquisition strategies;²⁷ and (iv) evidence of practitioners sometimes being encouraged to refer in-group.²⁸

¹⁹ WP2, para 2.123.

²⁰ WP2, para 2.37; including a veterinary surgeon, who previously worked for a LVG, commenting: “*their business model is to own practices for four or five years to increase the turnover ... that’s their sole mechanism and the way they seem to have done that is just by jacking prices up constantly*”.

²¹ WP2, para 2.40; supported by low price elasticities, para 2.68(c).

²² WP2, para 2.61, potentially facilitated by KPIs, e.g. paras 2.100 and 2.125.

²³ WP2, para 3.26.

²⁴ Arguably, there is added salience of this line of enquiry, in light of recent rumours that one of the non-PE-backed LVGs is attracting takeover interest from a PE firm; Bryce Elder, ‘[Pets at Home: here’s how bid rumours start. . .](#)’ (*Financial Times*, 26 February 2025).

²⁵ *Overview of Working Papers*, para 1.5.

²⁶ WP2, p.12.

²⁷ *ibid* p.13.

²⁸ *ibid*.

- 2.5 In terms of FOPs playing a ‘gatekeeper role’ in access to referral services,²⁹ we acknowledge that risks of foreclosure and exploitative effects in related markets (via e.g. self-preferencing) is heightened where the local market for FOP services is concentrated. Despite the CMA’s emerging finding that supply of FOP services is generally not concentrated at the local level,³⁰ we encourage the Inquiry Group to consider investigating the extent to which LVGs may have been able to influence independent vet practices through partnership models and minority shareholdings. If these non-ownership influence channels are prevalent in practice, it might indicate the presence of a higher level of *de facto* local concentration.
- 2.6 When raising the issue of partnership models in previous consultation responses,³¹ we allude to Medivet’s *Branch Partnership model* and Pets at Home’s *independent practice ownership model* as examples of partnership models within the industry, and we are enlightened by the additional detail WP2 provides on each of these; namely: (i) only ‘a minority’ of Medivet’s veterinary practices fall under its partnership model,³² and (ii) Pets at Home (Vets for Pets)’s independent practice ownership model takes the form of a 50/50 joint venture model.³³ In addition, the phrasing on Linnaeus’s website also gives the impression that it engages in partnership arrangements,³⁴ albeit the extent and nature of these is unclear. From these observations, it may very well be the case that partnership arrangements do not represent a prevalent business model within the industry. However, we are mindful that even a single partnership arrangement may be capable of facilitating *de facto* market power for a LVG in a local area, particularly where concentration is nearing the HHI thresholds that would typically raise competition concerns. We therefore commend the work of the CMA on this front, and only wish to encourage some final checks and scrutiny in order to rule out these concerns; especially if, as has been the case in digital and AI markets in recent times, partnership and joint venture tie-ups prove to be a viable—and, potentially, more desirable—alternative to ownership acquisitions in the future.
- 2.7 We have several comments relating to the ability of merger control, under the Enterprise Act 2002, to capture and address roll-up acquisitions in veterinary markets, and others beside. These comments do not, in our mind, go to the heart of what WP2—or the other working papers—is seeking responses to, so we will omit reference to them at this stage of the investigation. However, we are of the view that particular adaptations of the roll-up acquisition strategy—incl. alternatives to ownership acquisitions, such as partnerships and ‘cooperative’ non-structural joint ventures—stand to improve the chances of large firms

²⁹ *ibid*, para 3.67.

³⁰ *ibid*, para 1.2(b).

³¹ *Response to Issues Statement* (n 1), para 2.7; and *Response to Draft Consumer Questionnaire* (n 3), para 2.11.

³² WP2, p.19.

³³ *ibid* p.18.

³⁴ Linnaeus (n 15): ‘We carefully select the practices we partner with to ensure the highest quality of care and service delivery across the group’.

being able to ‘side-step’ scrutiny under merger control and/or Chapter 1 of the Competition Act 1998, while still having the potential to distort market competition.

3. WP3: ‘Competition in the supply of veterinary medicines’

- 3.1 We commend the depth of the CMA’s analysis of the supply and pricing of veterinary medicines, and wish only to offer a general comment on the ‘premium pricing’ of veterinary medicines and associated fees.
- 3.2 The Investigation Team is of the working opinion that FOPs within LVGs have incentives to set the retail prices of veterinary medicines above incremental costs of supply, insofar as this enables these FOPs to recover a proportion of ‘*some other costs*’.³⁵ Moreover, the investigation has found evidence of vet businesses applying considerable mark-ups to medicines, but that these mark-ups ‘*may allow prices for other services to be lower than they might otherwise be*’.³⁶ We recognise the ‘medicine prices subsidising the prices of other services’ argument from anecdotal discussions.
- 3.3 We also wish to draw the CMA’s attention to related comments by a retired veterinary surgeon—Andrew Prentis BVSc, MRCVS—where, acknowledging the lack of transparency involved, he refers to a ‘logic’ whereby profits from the prescription of the pet version of a drug (rather than its, cheaper, human equivalent) enables veterinary pharmaceutical companies to invest more into research of animal medicines.³⁷
- 3.4 On this basis, the subsidising effect of the high mark-ups of veterinary medicines, if found to be accurate, and the relayed payoff for pharmaceutical companies stands to have potential benefits for animal welfare. We anticipate, therefore, that the Inquiry Group may consider these to be—for want of a better term—‘mitigating’ factors, in the event that the price of medicines is subject to proposed remedies. However, insofar as consumers face a market characterised by inherent complexity and transparency issues, legitimate questions may be raised about whether these practices are to the overall benefit of pet owners and their animals.

4. WP4: ‘Regulatory framework for veterinary professionals and services’

- 4.1 We look forward to having the opportunity to input our views into the discussion around proposals to remedy the existing regulatory framework, recognising that there is a strong appetite for reform from all corners of the profession. We await the final conclusions the

³⁵ WP3, para 3.26.

³⁶ Overview, para 1.10(e).

³⁷ Anna Webb, ‘[Andrew Prentis on the CMA](#)’ (A Dog’s Life with Anna Webb, 16 June 2024), at ~19:00 onwards: “[T]here is a practice whereby, if there is a pet version of a particular drug available, vets may be obliged to recommend/prescribe the label drug (if there is one), even though the human equivalent (which is identical) will be identical [...] the logic being that the profits from this can go into the veterinary pharmaceutical companies, which then pays for more research for more medicine...”.

Inquiry Group draws on the perceived limitations of the existing regulatory system, which may be too narrow (by failing to afford sufficient or appropriate weight to competition and consumer issues), while also lacking appropriate monitoring and enforcement, and an adequate system of consumer redress.³⁸

- 4.2 As well as substantive regulatory concerns, these provisional observations raise a number of questions related to the institutional arrangement of regulation within the industry, including: (i) the merits/desirability of the RCVS assuming responsibilities more akin to that of a ‘traditional’ economic regulator, while also continuing to serve as a regulator of veterinary surgeons and nurses; (ii) a potential extension to the role of courts and ‘external’ mediation services in disciplinary and complaints procedures; and (iii) the extent to which corporate governance and commitments to self-regulation stand to improve outcomes for competition, consumers and animal welfare in the industry.

5. WP5: ‘Analysis of local competition’

- 5.1 We welcome the Investigation Team’s efforts to collect and engage with the granular detail of local-level competition and concentration levels, thereby placing the Inquiry Group in a stronger position to draw nuanced conclusions on the experience of certain categories of vulnerable consumers in the market (including, potentially, those residing in rural areas).
- 5.2 We note the Investigation Team’s initial observation—as presented in the *Overview to the Working Papers*—that ‘*it appears that new vet practices are able to start up and grow... between 2014 and 2024, there were around 745 new vet practices (both independent and belonging to large groups)*’.³⁹ While this finding points to the prospect of low entry barriers and growth potential, we are interested to know whether the data analysed extends to how many vet practices closed or were consolidated within this same time period. Comparing start-up and closure rates stands to offer a more holistic overview of structural dynamics over the past decade, in addition to better understanding the impact of LVG acquisitions on consolidation more generally (i.e. in terms of the closure of vet practices post-acquisition).
- 5.3 The Investigation Team’s analysis indicates that, in most of the country, a least three competing vet practices serve a market (with the exception of ‘*a small number of areas where there are more limited (or no) options*’; [fn. *Overview*, para 1.9] namely, the roughly 6% of local areas that are served by only 1 or 2 FOPs, which the Investigation Team is currently examining for the potential for AECs to arise.⁴⁰ Moreover, we also note the CMA’s view that ‘*[t]here are some areas where population and level of demand cannot support more than one provider in a local area*’,⁴¹ and—in the context of referrals and specialist treatments—‘*[t]here may be limited consumer choice [...which] may be because of limited availability of such*

³⁸ *Overview*, para 1.10(j)(iii).

³⁹ *ibid*, para 1.9.

⁴⁰ *ibid*, para 3.11(d).

⁴¹ *ibid*.

*facilities [...or] may reflect ownership links or referral recommendations made by vet practices which deny consumers the full range of options that might otherwise be available’.*⁴² On this, we refer the Investigation Team to our earlier comments (in paragraphs 2.3–2.6, above), regarding the potential risks of detrimental self-preferencing being facilitated (specifically, via partnership arrangements), even where there are more than two FOPs based locally.

⁴² *ibid*, para 1.10(g).