

VETERINARY SERVICES FOR HOUSEHOLD PETS

Appendix A: Local concentration analysis and barriers to entry and expansion

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The Competition and Markets Authority has excluded from this published version of the final report information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure).

The omissions are indicated by [✂]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

Contents

1.	Introduction.....	4
2.	Local concentration analysis	5
	Methodology	5
	Local concentration for FOPs	6
	Local concentration in referral sites.....	7
	Local concentration in OOH sites	8
	Barriers to entry and expansion in FOP services	8

Tables

Table 2.1 : Fascia count in the catchment area of sites offering FOP services.....	6
Table 2.2 : Fascia count in the catchment areas of all sites offering referral services	7
Table 2.3 : Fascia count in the catchment area of sites of OOH providers that provide care to offsite pet owners.....	8

1. Introduction

1.1 In this appendix, we set out:

- (a) the results of the local concentration analysis performed in the provision of services in FOPs, referral sites and OOH sites; and
- (b) evidence relating to barriers to entry and expansion for FOPs.

2. Local concentration analysis

- 2.1 We first describe the methodology used and then report the results of the local concentration analysis for each of FOPs, referral sites, and OOH sites. A full explanation of our approach to this analysis is presented in our working paper on Analysis of Local Competition (**Local Competition**),¹ though we note that we have subsequently updated the figures presented in that paper in light of responses to the working paper, and following further information and analysis.

Methodology

- 2.2 Since consumers must physically travel to a FOP, referral site or OOH site to receive its services, the set of sites that consumers consider as substitutes will be limited by their willingness to travel. Accordingly, we are interested in both the size of local markets and the number of competitors operating in them.
- 2.3 We obtained data on sites through a questionnaire for independents, and through information requests for the LVGs. We further used data from two insurance providers, and data from the ONS for urbanicity classifications.² This allowed us to assign each FOP, referral and OOH site to urban/rural classifications.³
- 2.4 We estimated catchment areas (which are approximated by the maximum distance that the nearest 80% of customers travel in different urban/rural classifications)^{4,5} and then counted the number of different competing brands ('fascia') within the catchment area of each site.⁶ The fascia count refers to the number of distinct providers in a catchment area, regardless of the number of individual sites. A fascia count of one means that the area only has one provider; a fascia count of five means there are five different providers in an area, each operating one or more sites.⁷
- 2.5 We found that 80% of pet owners drive up to around 19 minutes in urban areas and up to around 29 minutes in rural areas for FOP services.⁸ For referral sites, we found that 80% of pet owners who use referral services travel up to around 18

¹ Working Paper on Analysis of Local Competition (Analysis of local competition, 6 February 2025 ('Local Competition')).

² The methodology used for our analysis, including information on the data we used, is set out in further detail in Appendix B of our Working Paper on Local Competition.

³ The urbanicity classification approach is described in paragraphs 7.18 to 7.21 in the Local Concentration Working Paper. Details on the classifications used in the analysis of FOPs is set out at paragraphs 2.25-2.29. For OOH sites it is set out in paragraph 3.15 and for referral sites in paragraph 4.12.

⁴ The CMA has used catchment areas as a pragmatic approximation of the geographic market in many previous markets and mergers cases, for example [Retail Mergers Commentary \(CMA62\)](#), 10 April 2017, paragraph 2.1. Also see [IVC/Multiple independent practices](#), [Medivet/Multiple independent practices](#), [VetPartners/Goddard](#), and [CVS/The Vet](#).

⁵ For OOH sites, we asked FOPs that told us that they outsource their OOH to provide details of who their OOH supplier is and their address. We used this data to calculate the drive time from each FOP to the OOH provider they used.

⁶ The CMA often uses a count of the number of providers competing in a local market to measure concentration. Such fascia counts have been used in numerous markets and mergers investigations across a wide range of sectors. See for example [Retail Mergers Commentary \(CMA62\)](#), 10 April 2017, paragraph 3.22.

⁷ The fascia count includes the focal site – namely the site that was centred on for the catchment area analysis.

⁸ Working Paper on Local Concentration, Table 2.2.

miles in urban areas and up to around 37 miles in rural areas.⁹ For OOH sites, in urban areas 80% percent of FOPs outsource OOH care to a site within around 25-minute drive time, while the drive time is longer in more rural areas (47 minutes).¹⁰

- 2.6 Our catchment area analysis provides a reasonable indication of the area over which veterinary sites compete. However, the analysis has not fully accounted for how specific local factors may impact competition, which means it has some limitations. For example, we have not specifically accounted for towns (or other areas with significant housing) that are between two rural vet practices located in villages far away from each other. Without such a town, the two rural vet practices would not be expected to compete for the same set of customers. With the town, it may be the case that the two rural vet practices are competing for predominantly the same set of customers (those living in the town). As our analysis did not involve considering the impact of such towns on competition, we may not have identified all the relevant competitors of a vet practice.¹¹

Local concentration for FOPs

- 2.7 There are around 4,417 FOPs in the UK.¹² Our analysis, as shown in Table 2.1 below, indicates the number of FOP competitors (fascia counts) in the catchment areas around these FOPs.

Table 2.1: Fascia count in the catchment area of sites offering FOP services

<i>Fascia count (including the focal site)</i>	<i>Number of FOP focal sites</i>	<i>Percentage</i>
1	49	1%
2	152	3%
3	270	6%
4	353	8%
5	389	9%
6	424	10%
7+	2780	63%

Source: CMA analysis of data responses collated through RFIs, our questionnaire to independents, ONS and desk research.

⁹ Working Paper on Local Concentration, paragraphs 4.12 to 4.13.

¹⁰ Working Paper on Local Concentration, paragraph 3.15 and Table 3.3.

¹¹ We were unable to identify the presence of such towns in a systematic way. Systematic approaches may be available but would involve significant computational challenges to implement across thousands of vet practices in the UK.

¹² We have updated the list of FOPs which was used in our Local Competition working paper – in particular, we have reviewed all of the unconfirmed sites and have added over 700 additional commercial small animal FOPs to the list of sites.

Local concentration in referral sites

- 2.8 There are around 236 sites offering referral services in the UK, of which 94 are referral-only sites and 142 are FOPs that also offer referral services.¹³
- 2.9 In this section, ‘referral site’ includes:
- (a) referral-only sites, such as multidisciplinary referral-only centres, where Specialists¹⁴ with expertise in a range of different areas work together in a single practice, or single speciality referral-only sites, for instance a site that specialises in oncology; and
 - (b) FOPs which choose to employ full time Specialist vets to work from individual sites, to give a practice that offers both FOP and referral services.
- 2.10 When considering the referral provider options available to pet owners in their local area, we have focused our analysis at a site, rather than specialism, level. This approach is appropriate for more common specialisms which are offered in most (or all) referral sites,¹⁵ but may not accurately reflect the choice available to pet owners looking for rare or highly specialist treatments. However, demand for the latter types of treatments is lower and insufficient to support a large number of sites, and thus catchment areas of sites that offer very specialised treatment are usually broader.^{16,17}
- 2.11 Our analysis, as shown in Table 2.2 below, indicates the number of referral providers (fascia counts) in the catchment areas around the referral sites in the UK.

Table 2.2: Fascia count in the catchment areas of all sites offering referral services

<i>Fascia count (including the focal site)</i>	<i>Number of referral focal sites</i>	<i>Percentage</i>
1	0	0% ¹⁸
2	6	3%
3	25	11%
4	20	8%
5	24	10%
6	15	6%
7+	146	62%

Source: CMA analysis of data responses collated through RFIs, ONS and desk research.

¹³ Our dataset excludes Universities. We have not included in this analysis FOPs to which peripatetic vets travel to conduct occasional work. We note that where FOPs use peripatetic vets to provide services, pet owners would not be required to travel to another site.

¹⁴ As defined by the RCVS, Specialists have at least a postgraduate diploma level qualification (<https://www.rcvs.org.uk/lifelong-learning/professional-accreditation/specialists-status>)

¹⁵ For example diagnostic imaging, orthopaedic surgery, and dentistry.

¹⁶ One LVG [X] told us that [X]. LVG [X] response to the ‘Analysis of local competition’ working paper (confidential version), paragraph [X].

¹⁷ IVC told us that ‘in rarer disciplines (eg neurology) the number of viable sites is limited UK-wide (given constraints in the numbers of vets with the relevant specialist training), let alone locally’. [IVC response to the February 2025 working papers, March 2025](#), slide 65.

¹⁸ When we looked at referral-only providers only, we observed that there may be six referral providers (6%) that are monopolies, though all of these have FOPs that offer referral services in their area.

Local concentration in OOH sites

- 2.12 There are around 356 sites providing outsourced OOH services in the UK.¹⁹
- 2.13 Since FOPs choose an OOH provider who will serve their customers, they are likely to prefer a provider located nearby as opposed to one located further away.²⁰ OOH providers located close to a FOP are likely to represent better alternatives to that practice (and its customers). This means that to the extent that OOH providers compete for FOPs, their closest competitors are likely to be geographically those closer to them.
- 2.14 Our analysis, as shown in Table 2.3 below, indicates the number of OOH competitors (fascia counts) in the catchment areas around each OOH site in the UK.

Table 2.3: Fascia count in the catchment area of sites of OOH providers that provide care to offsite pet owners

<i>Fascia count (including the focal site)</i>	<i>Number of OOH focal sites</i>	<i>Percent</i>
1	69	19%
2	89	25%
3	105	29%
4	75	21%
5	11	3%
6+	7	2%

Source: CMA analysis of data responses collated through RFIs, ArcGIS and ONS.

Barriers to entry and expansion in FOP services

- 2.15 Barriers to entry are obstacles that prevent new firms from effectively entering and competing in a market. These barriers can include legal restrictions, high capital costs, strong network effects, and customer loyalty. As indicated in the CMA's market investigation guidelines, barriers to entry may be a structural feature that harms competition.²¹
- 2.16 We have evidence of around 745 new FOP sites opening in the period 2014 to 2024.²² Just over half of these (388 FOP sites) are currently owned by independents, while 48% (357 FOP sites) are currently owned by LVGs. Of the 259 FOP sites that opened since 2020, 79% (204 FOP sites) are currently owned by independents, and 21% (55 FOP sites) are currently owned by LVGs. Pets at

¹⁹ These OOH site numbers and OOH concentration estimates are approximate as not all small animal FOPs and mixed practices responded to our information requests, which we used to identify OOH sites. The OOH concentration estimates are the same as those set out in Table 3.4 of our working paper on [Analysis of local competition](#) (published in February 2025). Some responses to this working paper indicated that minor amendments to our estimates could be made. Given that our estimates are approximate, we have not made such minor amendments.

²⁰ A FOP is likely to be a good proxy for the average customer of a site, as customers are likely to be fairly evenly distributed around a FOP, such that analysing the travel time from a FOP to its OOH provider should also proxy customers' willingness to travel. Additionally, OOH services are also often accessed in an emergency where a longer travel time may lead to worse outcomes. [Analysis of local competition](#), 6 February 2025, paragraph 3.18.

²¹ [CC3 \(Revised\)](#), paragraph 157

²² There are currently around 4,500 FOPs in the UK.

Home has opened 61% (216 FOP sites) of the new sites opened by LVGs since 2014.

- 2.17 We held a roundtable with independent vets who had set up new practices within the last few years. They told us that it was relatively straightforward to open a new practice and that the most challenging aspects were to find suitable premises and recruit veterinary professionals. They said that it was not particularly difficult to raise finance, as banks understood that vet practices were stable businesses. They told us that it was possible to win new clients by marketing in the local areas (for example with leaflets, contacts with dog walkers and Facebook groups).
- 2.18 Several parties have told us that it is easy to set up a new FOP. In particular:
- (a) IVC told us that almost 90% of all FOP sites had an opening in their catchment in the last 10 years and that the threat of entry is a constraint on existing operators;²³
 - (b) Medivet told us that new entrants can and do enter easily and grow, competing with established sites, and that the persistent threat of entry, alongside competition from existing sites, acts as a strong competitive constraint;²⁴
 - (c) Pets at Home told us that approximately a third of all FOP openings over the period 2014-24 were by Pets at Home. Pets at Home told us that all of its FOP openings in 2014-24 were done organically rather than by acquisition and that, over the next five years, Pets at Home plans to open over [X] new FOPs and to extend others. Pets at Home told us that there are challenges and risks to establishing FOPs, including the years of start-up losses that a FOP may face and that not all FOPs succeed;²⁵ and
 - (d) Vet Partners told us that new practices open up all the time and if there are areas with a relatively low number of sites, that is likely to be because there is insufficient demand.²⁶

²³ IVC response to WP, slides 58-59, [IVC.pdf](#)

²⁴ Medivet response to WP, para 4.11, [Medivet.pdf](#)

²⁵ Pets at Home response to the February 2025 working papers, 21 March 2025, paragraphs 1.3-1.5, [Pets_at_Home.pdf](#)

²⁶ VetPartners response to the February 2025 working papers, Local Competition, para 3.1e, [VetPartners_-_Analysis_of_Local_Competition.pdf](#)