

# **VETERINARY SERVICES FOR HOUSEHOLD PETS**

## **Appendix E: Other supporting evidence on market outcomes**

15 October 2025

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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 Some numbers have been replaced by a range.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.

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# 1. PSS accreditation rates, by ownership

- 1.1 This appendix sets out some further evidence regarding part A, section 7 of our provisional report (Market outcomes).
- 1.2 As set out in part A, section 7,<sup>1</sup> LVG practices have significantly higher rates of PSS accreditations than independent practices. These rates are summarised in Table 1.1 below.

**Table 1.1: Number and share of FOPs with PSS accreditations, by ownership**

| Ownership   | Total FOPs | Core Standard |            | Higher standard of accreditation |            | Accreditation in progress |            | Accreditation obtained or in progress |            |
|-------------|------------|---------------|------------|----------------------------------|------------|---------------------------|------------|---------------------------------------|------------|
|             |            | # of FOPs     | % of FOPs  | # of FOPs                        | % of FOPs  | # of FOPs                 | % of FOPs  | # of FOPs                             | % of FOPs  |
| Independent | 1,768      | 737           | 42%        | 439                              | 25%        | 66                        | 4%         | 803                                   | 45%        |
| All LVGs    | 2,655      | 2,330         | 88%        | 1,472                            | 55%        | 128                       | 5%         | 2,458                                 | 93%        |
| [REDACTED]  | [REDACTED] | [REDACTED]    | [REDACTED] | [REDACTED]                       | [REDACTED] | [REDACTED]                | [REDACTED] | [REDACTED]                            | [REDACTED] |
| [REDACTED]  | [REDACTED] | [REDACTED]    | [REDACTED] | [REDACTED]                       | [REDACTED] | [REDACTED]                | [REDACTED] | [REDACTED]                            | [REDACTED] |
| [REDACTED]  | [REDACTED] | [REDACTED]    | [REDACTED] | [REDACTED]                       | [REDACTED] | [REDACTED]                | [REDACTED] | [REDACTED]                            | [REDACTED] |
| [REDACTED]  | [REDACTED] | [REDACTED]    | [REDACTED] | [REDACTED]                       | [REDACTED] | [REDACTED]                | [REDACTED] | [REDACTED]                            | [REDACTED] |
| [REDACTED]  | [REDACTED] | [REDACTED]    | [REDACTED] | [REDACTED]                       | [REDACTED] | [REDACTED]                | [REDACTED] | [REDACTED]                            | [REDACTED] |
| [REDACTED]  | [REDACTED] | [REDACTED]    | [REDACTED] | [REDACTED]                       | [REDACTED] | [REDACTED]                | [REDACTED] | [REDACTED]                            | [REDACTED] |
| Total       | 4,423      | 3,067         | 69%        | 1,911                            | 43%        | 194                       | 4%         | 3,261                                 | 74%        |

Source: RCVS response to RFI 4 Question 1. Table 1.1 excludes 178 sites from RCVS' submission that have obtained or are in the process of obtaining a PSS accreditation as these could not be matched to the CMA's total list of FOPs.

<sup>1</sup> Part A, section 7: While LVGs have significantly higher rates of PSS accreditations, we do not consider PSS to be an accurate comparator of quality.

## 2. Internal document evidence on price rises

- 2.1 As discussed in part A, section 7,<sup>2</sup> we have seen no internal documents from LVGs that show a strong link between price increases to quality investments, despite requesting these documents from all LVGs. Also, we have not seen strategy documents to support LVGs undertaking a strategy to reposition their services as offering higher quality at higher prices. In contrast, we have seen some internal document evidence from LVGs that link price increases to a restricted customer response. We provide further information regarding these internal documents below.
- 2.2 LVGs have told us that prices are set by local practices with recommendations from a central pricing team<sup>3</sup> or [REDACTED] of local competition.<sup>4</sup> Four LVGs ([REDACTED], [REDACTED], [REDACTED], [REDACTED]) have told us that investments in quality (for example, improvements in facilities and equipment or professional staff) are considered when prices are set. This could be done at the head office level, where investments across an LVG's estate are reflected in pricing recommendations, or could be left to local practices to decide when they set their prices.<sup>5</sup>
- 2.3 However, LVGs have not been able to provide us with internal document evidence that show a strong link between price rises and quality investments. We have seen some internal document evidence of quality investments (for example, enhanced staff benefit packages<sup>6</sup> or purchases of equipment to offer additional services to clients<sup>7</sup>), but we have not seen internal documents drawing a link between these investments and price rises.
- 2.4 We have seen internal document evidence of price increase recommendations to local practices. This includes various fee calculators showing price increases and presentations suggesting price increases for specific practices<sup>8</sup> or general price rises to be applied across various practices.<sup>9</sup> However, these do not give a good indication of pricing strategies.
- 2.5 Where internal document evidence refers to price setting, we have found limited evidence referring to cost increases in the setting of prices:

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<sup>2</sup> Part A, section 7: Submissions from veterinary businesses regarding increases in their costs of supply over time; Other increases in costs.

<sup>3</sup> LVG [REDACTED] response to RFI 17, Q33; LVG [REDACTED] response to RFI 17, Q33; LVG [REDACTED] response to RFI 17, Q33; LVG [REDACTED] response to RFI 17, Q33 and LVG [REDACTED] response to RFI 17, Q33.

<sup>4</sup> LVG [REDACTED] response to RFI 17, Q33.

<sup>5</sup> LVG [REDACTED] response to RFI 17, Q33; LVG [REDACTED] response to RFI 17, Q33; LVG [REDACTED] response to RFI 17, Q33 and LVG [REDACTED] response to RFI 17, Q33.

<sup>6</sup> LVG [REDACTED] response to RFI 3 [REDACTED].

<sup>7</sup> LVG [REDACTED] response to RFI 3 [REDACTED].

<sup>8</sup> LVG [REDACTED] response to RFI 3 [REDACTED].

<sup>9</sup> LVG [REDACTED] response to RFI 3 [REDACTED].

- (a) [REDACTED].<sup>10</sup>
- (b) An LVG [REDACTED] presentation setting out the veterinary business budget for FY24 notes that the veterinary business has shown agility in pricing, recommending price increases where necessary as a response to increased costs.<sup>11</sup>
- (c) An LVG [REDACTED] script for a meeting of practice leaders in May 2023 notes the c.11% rise in minimum wage as a reason for the June price increase. It is also noted that the price increase will fund July salary increases and investments across the business, particularly in facilities and equipment.<sup>12</sup>
- (d) [REDACTED]<sup>13</sup>

2.6 The cost increases in these LVG documents do not directly refer to costs that have increased due to improvements in quality and appear to primarily be referring to general cost increases that are likely to affect the market as whole.

2.7 We have also considered further internal documents where LVGs discussed pricing adjustments post-acquisition. While some of these discuss increased costs and improvements in patient care and service range, opportunities to increase prices are justified solely or in part by the acquirers' evaluation of customer willingness to pay and comparisons with the prices charged by LVGs in other practices. In particular:

- (a) An internal [REDACTED] presentation evaluating the acquisition of a small group of two practices from 2013 does discuss improvements in patient care and service range, but opportunities to increase prices are justified in part by comparison with the prices charged by CVS in other practices.<sup>14</sup>
- (b) An internal [REDACTED] presentation evaluating the acquisition of an independent practice discusses possible improvements in staffing and service offering, but planned increases in prices are justified solely in terms of comparisons with the prices of local competitors and the valuation of local demand. The presentation states 'Pricing is below the local [REDACTED] practices, as demonstrated (sic) in table below, representing opportunities to gradually increase prices, post-acquisition. Plenty of demand, with books currently being closed'.<sup>15</sup>
- (c) Three [REDACTED] documents evaluating the acquisitions of small groups of independent practices state that price rises are required to achieve desired increases in 'synergised gross margin', without reference to quality

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<sup>10</sup> LVG [REDACTED] response to RFI 3 [REDACTED].

<sup>11</sup> LVG [REDACTED] response to RFI 3 [REDACTED].

<sup>12</sup> LVG [REDACTED] response to RFI 3 [REDACTED].

<sup>13</sup> LVG [REDACTED] response to RFI 3 [REDACTED].

<sup>14</sup> [REDACTED]

<sup>15</sup> [REDACTED] internal presentation [REDACTED].

improvements (although they do reference increases in staff costs, and one of these documents mentions that prices at the practice were 28% lower than another situated in the area).<sup>16</sup> One of the presentations states that 'A price increase of 3.0% has been factored into this calculation. We believe this is attainable due to the affluent location and the quantum and timing of the last price rise'.<sup>17</sup> Another presentation states 'our benchmarking of prices locally indicates Small Animal is significantly below our pricing expectations for certain high volume fees... Price increases at local [redacted] practices have not had a detrimental impact on volume. As such, we have assumed turnover growth in Small Animal will be driven by staged pricing increases over the next 12 months'.<sup>18</sup>

- 2.8 On the other hand, we have seen evidence that some veterinary businesses believe that there is likely to be a restricted consumer response to higher prices and that raising prices is likely to be profitable.
- 2.9 There are some internal documents from the LVGs and private equity owners of some LVGs which include reference to econometric analysis carried out internally to calculate how price sensitive their consumers are. Evidence from these documents suggests that overall price elasticity is low, meaning that few consumers will switch away or purchase less in response to high prices (or price rises). The documents also highlight 'back of house' treatments for which this finding is stronger. We understand 'back of house' treatments are diagnostics and procedures performed outside of the appointment time with the pet owner, such as when the pet is admitted to the clinic, and may include both routine and non-routine treatments. For example:
- (a) An LVG [redacted] document explains that 'price elasticity is not that high in this sector', and that '[redacted] items are clearly less price sensitive than the [redacted] items'.<sup>19</sup>
  - (b) An LVG [redacted] pricing plan document prepared independently by external consultants ([redacted]) states that an '[e]lasticity study of historic data found demand for fees and drugs to be inelastic. [...] indicating the revenue accretive effect of price increases, especially for treatments. Analysis provided evidence to weight price increases towards Back of House treatments where elasticity was lower'.<sup>20</sup> The same document explains that the '[p]rice experiment confirmed that strategy of price optimisation and price harmonisation allows prices to be increased with minimal volume loss'.<sup>21</sup>

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<sup>16</sup> [redacted] board reports: [redacted]

<sup>17</sup> [redacted] board report, [redacted]

<sup>18</sup> [redacted] board report, [redacted]

<sup>19</sup> LVG response to RFI3 [redacted] slides 4 and 7. [redacted].

<sup>20</sup> LVG response to RFI3 [redacted].

<sup>21</sup> LVG response to RFI3 [redacted].

- (c) Another document received from the same LVG [REDACTED] and prepared by independent consultants ([REDACTED]) indicates that a price increase of 12.4% on small animal first opinion treatment fees [REDACTED] notes that optimisation and category recommendations for the price increase have been designed to align with elasticity insights and strategy.<sup>22</sup>
- (d) An investment committee update for a private equity firm [REDACTED] from [REDACTED] stated that ‘charging optimization will continue to be a major value creation opportunity given low price elasticities exist in all markets’.<sup>23</sup> The presentation estimated that the impact on like-for-like pricing was around [0-10] [REDACTED]% and that, across the LVG group [REDACTED], charging optimisation had the potential to increase EBITDA by £[0-50] [REDACTED] million year-on-year.<sup>24</sup>

2.10 We received internal documents from the private equity investors of [REDACTED], [REDACTED] and [REDACTED] which evaluate the purchases of these businesses. The documents show that investors aimed to maximise the profit and quality of the businesses over the period of their fund’s investment, with a view to selling the businesses (or stakes in the business) after about four years.<sup>25</sup> Internal documents indicated that the potential to increase revenue was a key part of the acquisition rationale and an important ‘lever’ for private equity firms to increase profitability and realise returns on exit. We note that this is an expected rationale for investors of this sort.

2.11 The documents considered that revenue enhancement could be delivered through increased volume sales, increased spend per pet, increased quality, higher treatment intensity, higher prices or charging more effectively for services sold.<sup>26</sup> Several documents note that the availability of more sophisticated services and ‘humanisation of pets’ are likely to contribute to pet owners’ willingness to spend more.<sup>27</sup>

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<sup>22</sup> LVG [REDACTED] response to RF13 [REDACTED] We note [REDACTED] submission that [REDACTED]. We nevertheless consider that this document is relevant to understand [REDACTED].

<sup>23</sup> Private Equity response to RF11 [REDACTED].

<sup>24</sup> Private Equity response to RF11 [REDACTED].

<sup>25</sup> [REDACTED] Private Equity response to RF11, [REDACTED] Private Equity response to RF11, [REDACTED] Private Equity response to RF11, [REDACTED].

<sup>26</sup> [REDACTED] Private Equity response to RF11, [REDACTED]; Private Equity response to RF11, [REDACTED]; Private Equity response to RF11 [REDACTED]; Private Equity response to RF11 [REDACTED]; Private Equity response to RF11; Private Equity response to RF1.

<sup>27</sup> Private Equity response to RF11 [REDACTED]; Private Equity response to RF11 [REDACTED]; Private Equity response to RF11 [REDACTED].

### 3. A note on locums in the remuneration data

- 3.1 As set out at part A, section 7,<sup>28</sup> the remuneration per FTE figures submitted to us by LVGs do not include pay for locum veterinary surgeons. We consider that the exclusion of locum salaries is unlikely to have a significant effect on LVG remuneration per FTE worker data and set out our reasons here.
- 3.2 In general, locum salaries are a small proportion of total salaries and are therefore less likely to necessitate increases in prices compared to increases in permanent staff salaries.
- 3.3 However, if locum costs were rising more quickly than other salaries, the remuneration per FTE worker data submitted to us would tend to underestimate the growth in employment costs. Evidence submitted by five LVGs showed that the total amount spent on locum salaries as a percentage of the total amount spent on staff salaries remained roughly the same, or fell, over the time periods submitted (4-10 years to 2024).<sup>29</sup> As locum salaries are not rising as a proportion of the total salary bill for LVGs, remuneration per FTE worker data is likely to be a reasonable proxy for the rises in employment costs per worker that LVGs face.
- 3.4 The situation may be different for some independents, which may be more vulnerable to increases in locum salaries. One independent, [X], explained that it has struggled to recruit given higher salaries and benefit packages at corporates and so had to rely more on locums.<sup>30</sup> Many independents told us that since Brexit and Covid they were having to rely more on 'expensive locums' due to the scarcity of vets.<sup>31</sup>

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<sup>28</sup> Part A, section 7, Submissions from veterinary businesses regarding increases in their costs of supply over time; Increases in remuneration per FTE worker.

<sup>29</sup> Figures calculated from LVG data. LVG [X] response to RFI17, Q37; LVG [X] response to RFI17, Q37; LVG [X] response to RFI17, Q37; LVG [X] response to RFI17, Q37 and LVG [X] response to RFI 17, Q37.

<sup>30</sup> Independent [X] response to RFI1, Q1.

<sup>31</sup> For example: Independent [X] Response to RFI1, Q1; Independent [X] response to the February 2025 working papers and additional thoughts; Independent [X] Response to RFI1, Q1.

## 4. Investments in quality over time

- 4.1 As set out at part A, section 7,<sup>32</sup> we considered evidence submitted by LVGs and independents on investments primarily made to improve the quality of equipment and premises. These investments in quality may add to costs and therefore to rising prices. Here, we provide further details of the evidence submitted on investments in quality.
- 4.2 Four LVGs submitted evidence of business plans for investment in practices. These were mainly focused on improving facilities and the range of services on offer through relocation, site expansion and the purchase of equipment. The rationale for these investments was primarily aimed at improving quality and the range of services on offer, improving capacity, and improving facilities for staff.
- (a) [X] submitted multiple business cases detailing proposals for substantial investments in improving facilities including relocations, refurbishments and new equipment. This LVG explained that the rationale for investments in quality was to meet changing customer demands and ensure the recruitment and retention of veterinary professionals with the primary commercial rational to win and retain customers from rival FOPs.<sup>33</sup>
  - (b) [X] submitted two business cases with a range of rationale, including to improve ‘the client and patient experience’, improve or update branding, as well as to increase capacity and revenue and improve staff retention.<sup>34</sup>
  - (c) [X] provided evidence of four business cases to refurbish/extend sites to provide a wider range of services, improve capacity and quality standards for staff, patients and clients.<sup>35</sup>
  - (d) [X] provided evidence of many business proposals including increases in capacity and the range of services and improvements in staff facilities.<sup>36</sup> [X] also submitted a list of all capital expenditure spending below £150,000, totalling more than [X], approved in the period Jan 2021 to May 2024. This included a high-level breakdown of how that spending was used, for example, the total spending on health and safety compliance [X] installation and/or maintenance of X-ray machines and related equipment [X] and installation and/or maintenance of ultrasound equipment.<sup>37</sup>

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<sup>32</sup> Part A, section 7: Submissions from veterinary businesses regarding increases in their costs of supply over time; Other increases in costs.

<sup>33</sup> LVG [X] response to RF117, Q35.

<sup>34</sup> LVG [X] response to RF117, Q35; [X]

<sup>35</sup> LVG [X] response to RF117, Q35.

<sup>36</sup> LVG [X] response to RF117, Q35.

<sup>37</sup> [X]

- 4.3 [X] submitted a variety of internal documents including internal strategy documents with projections for investments in new openings [X].<sup>38</sup> There were also two proposals regarding staff recruitment and retention. [X]<sup>39, 40</sup>
- 4.4 [X] submitted evidence of three investments related to quality. These were (1) investment in performance measurement, (2) a [X] per year fund to enable IVC staff to support their research ambitions, and (3) investment in global health threat initiatives relevant to the veterinary sector such as the responsible use of antibiotics and the effective and responsible use of parasiticides.<sup>41</sup>

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<sup>38</sup> LVG [X] response to RFI17, Q35, [X].

<sup>39</sup> LVG [X] response to RFI17, Q35, [X].

<sup>40</sup> LVG [X] response to RFI17, Q35, [X].

<sup>41</sup> LVG [X] response to RFI17, Q35.