

## **FEDERATION OF INDEPENDENT VETERINARY PRACTICES (FIVP)**

### **Response to CMA Working Papers issued 6.2.25**

**March 2025**

**Federation of Independent Veterinary Practices (FIVP)** would like to thank the CMA for the opportunity to respond to the series of Working Papers published on 6.2.25 and after careful scrutiny, would like to offer the following response to each paper in order.

As a main party in the investigation, FIVP agrees with the thorough and rigorous response submitted by the British Veterinary Association (BVA), with the following observations which would impact very specifically on our independent practice members.

#### **Working Paper - Overview paper**

FIVP **agrees** with CMA that the veterinary industry has undergone significant change over the past decade and understands the need for scrutiny.

FIVP **notes and agrees** the need for a well-functioning veterinary market to ensure affordable, high-quality care for pets and price/service transparency and engagement for consumers.

FIVP is well placed to offer insight into the independent practice sector and looks forward to the CMA's continuing work to gather evidence and consult stakeholders in any proposals for potential remedies.

FIVP is **pleased to note** the acknowledgement from CMA regarding professionalism, clinical skills and ethics of our veterinary colleagues.

#### **Working Paper 1 - How people purchase veterinary services**

FIVP appreciates the comprehensive analysis presented in the CMA's working paper around how pet owners purchase veterinary services. We acknowledge the CMA's efforts to understand the dynamics of the veterinary services market and the challenges faced by pet owners in making informed decisions. However, we would like to highlight several points regarding the impact on independent veterinary practices.

Firstly, the paper underscores the significant role of trust in veterinary professionals, which is particularly pertinent to independent practices. Independent vets, nursing and support teams regularly build long-term trusted relationships with their clients, which is a cornerstone of the independent service model and differentiates from larger veterinary groups (LVGs). The paper notes that pet owners at independent practices report higher levels of confidence and satisfaction with the information provided by their vets.

Secondly, the paper highlights the challenges pet owners face in accessing and comparing price information. Independent practices strive to provide transparent pricing, but as a body representing many in the sector, acknowledge that there is room for improvement. The CMA's findings suggest that many pet owners do not seek out or receive sufficient price information, which can hinder their ability to make informed choices. Independent practices are committed to enhancing transparency and ensuring that pet owners have access to clear and comprehensive pricing information. We believe that this will not only benefit pet owners but also strengthen the competitive position of independent practices by highlighting our value proposition.

The paper also discusses the impact of pet care plans on pet owner behaviour. Whilst pet care plans can offer value for money and encourage regular veterinary visits, it is important to ensure that these plans are designed to meet the needs of pet owners without leading to unnecessary treatments. Independent practices are well-positioned to offer tailored pet care plans that reflect the specific needs of their clients and pets. Our members are committed to providing plans that offer genuine value and support the health and well-being of pets without encouraging over-treatment.

Regarding the choice of referral providers, the paper notes that pet owners often rely heavily on their FOP's recommendations. Independent practices typically have strong networks with specialist providers and prioritise the best interests of the pet when making referral recommendations. We support the CMA's emphasis on ensuring that pet owners are provided with sufficient information to make informed choices about referral providers.

Finally, the paper's analysis of cremation services raises important points about the need for transparency and choice. Independent practices often work with trusted local crematoria to provide compassionate and respectful end-of-life care. We are committed to ensuring that pet owners are fully informed about their options and can make decisions that best meet their needs during difficult times.

In conclusion, the FIVP supports the CMA's efforts to enhance transparency, trust, and informed decision-making in the veterinary services market. Independent veterinary practices are dedicated to providing high-quality, personalised care and will continue to work towards improving the information and services available to pet owners. We look forward to engaging further with the CMA to ensure that the needs of pet owners and independent practices are effectively addressed.

## **Working Paper 2 - Business models and provision of veterinary advice and consumer choice**

FIVP acknowledges the CMA's efforts to investigate the dynamics of the veterinary sector, particularly the impact of large veterinary groups (LVGs) on competition, pricing, and consumer choice.

The findings of this paper highlight several critical issues that resonate deeply with the experiences of independent veterinary practices. One of the primary concerns is the significant increase in treatment costs and prices at LVGs compared to independent

practices. The paper notes that the unit price of treatments at LVGs has increased by 60-70% between 2015 and 2023, which is substantially higher than the rate of inflation and the increase in veterinary staff salaries. This trend is alarming as it suggests that pet owners are facing higher costs without a corresponding increase in the quality of services.

This is particularly challenging for smaller practices that do not have the same economies of scale as LVGs. The paper's evidence that LVGs may recommend higher prices and consistently charge for services, while independents may offer more flexibility, underscores the different business models and their impact on pet owners.

The paper also highlights the issue of treatment intensity, with some LVGs potentially incentivising more extensive and expensive treatments. This practice can lead to higher overall costs for pet owners and may not always align with the best interests of the animals. Independent practices, on the other hand, often prioritise contextualised care, taking into account the pet owner's circumstances and preferences. This approach not only encourages trust but also ensures that pet owners are not burdened with unnecessary costs.

Another significant concern is the vertical integration of LVGs, which can lead to self-preferencing in referrals. The paper indicates that around half of the referrals from LVG FOPs are to within-group practices, potentially limiting consumer choice and increasing costs. Independent practices, which may not have the same referral networks, could be disadvantaged as they might struggle to compete with the integrated services offered by LVGs. This could lead to a reduction in the number of independent referral centres and limit the options available to pet owners.

The paper notes that some independent referral centres have reported a reduced workload due to LVGs prioritising in-group referrals. This trend could lead to the closure of independent centres, further reducing competition and choice in the market. Additionally, independent practices may find it challenging to access referral centres owned by LVGs, which could impact their ability to provide comprehensive care to their clients.

In conclusion, FIVP urges the CMA to consider the unique challenges faced by independent veterinary practices in this evolving market. We advocate for measures that ensure a level playing field, promote transparency in pricing and referrals, and protect the interests of pet owners. It is crucial to maintain a diverse and competitive veterinary sector that offers high-quality, affordable care to all pet owners. FIVP looks forward to engaging with the CMA and other stakeholders to address these issues and support the sustainability of independent veterinary practices.

### **Working Paper 3 – Competition in the supply of veterinary medicines**

FIVP appreciates the thorough investigation by CMA into veterinary medicines and for highlighting several critical issues that affect independent veterinary practices in particular.

Firstly, we acknowledge the CMA's findings that independent veterinary practices face significant challenges in negotiating competitive prices for veterinary medicines compared to large veterinary groups (LVGs). The report indicates that LVGs benefit from substantial rebates and discounts due to their larger purchasing volumes and the use of Preferred Products. This creates a disparity in the cost of veterinary medicines, putting independent practices at a competitive disadvantage.

Independent practices often lack the scale to negotiate similar rebates and discounts directly with manufacturers. Whilst joining buying groups can help mitigate this issue, the effectiveness of these groups varies. The report suggests that buying groups with Preferred Products can secure better terms, but not all independent practices are members of such groups. Additionally, the administrative costs and complexities associated with joining and adhering to buying group requirements can be burdensome for smaller practices.

The CMA's findings on the variability of dispensing and prescription fees also highlight a significant concern for independent practices. The wide range of fees charged by different practices suggests a lack of standardisation and transparency, which can confuse pet owners and hinder effective competition. Independent practices may struggle to compete with LVGs that can afford to offer lower fees due to their larger scale and higher profitability from medicine sales.

The report indicates that pet owners are often unaware of their ability to request written prescriptions and purchase medicines from third-party retailers. This lack of awareness acts as a barrier to competition. Independent practices, which may rely more heavily on medicine sales for revenue, are particularly affected by this issue. The introduction of 'Own Brand' products by LVGs further exacerbates this problem, as it limits pet owners' ability to compare prices and seek alternatives.

FIVP is concerned that the current market dynamics may lead to a further consolidation of the veterinary sector, with independent practices being squeezed out. This would reduce choice for pet owners and potentially lead to higher prices and lower quality of care in the long term. The CMA should consider measures to improve transparency in the pricing of veterinary medicines and associated fees which could help pet owners make more informed decisions. The CMA should consider regulating prescription fees to ensure they are fair and do not act as a barrier to competition.

In conclusion, the FIVP urges the CMA to take decisive action to address the competitive disparities highlighted in the report. Ensuring a fair and competitive market is essential for the sustainability of independent veterinary practices and the welfare of pets and their owners. We look forward to continuing to work with the CMA to achieve these goals.

#### **Working Paper 4 – Regulatory framework for veterinary professionals and veterinary services**

FIVP welcomes a comprehensive review of the regulatory framework for veterinary services as outlined in the paper. We appreciate the effort to address the evolving

landscape of veterinary services and its impact on competition and consumer outcomes. We do have a strong interest regarding the effects and impacts on independent veterinary practices.

The current regulatory framework primarily focuses on individual veterinary professionals while largely excluding veterinary businesses and non-vet owners. This regulatory gap is particularly concerning for independent practices, which often operate without the extensive resources available to larger corporate groups. The lack of regulation for non-vet owners and managers means that significant business decisions affecting service quality, pricing, and consumer protection are made without appropriate oversight. This can lead to inconsistencies in service standards and place independent practices at a competitive disadvantage.

Whilst the Practice Standards Scheme (PSS) aims to promote high standards of veterinary care, its voluntary nature limits its effectiveness. Approximately one third of practices are not part of the PSS, leading to a fragmented approach to maintaining standards. Independent practices that choose not to join the PSS may struggle to compete with larger groups that can afford the costs and resources required for accreditation. The lack of mandatory practice regulation means that independent practices are not uniformly held to the same standards, potentially affecting their reputation and consumer trust.

The regulatory framework mandates that vets provide information on costs and treatment options. However, evidence suggests that consumers often do not receive adequate information to make informed decisions. This lack of transparency can hinder competition and consumer choice, making it difficult for independent practices to differentiate themselves based on service quality and pricing. Independent practices, which rely heavily on building strong relationships with their clients, are particularly affected by this information gap.

The Royal College of Veterinary Surgeons (RCVS) reliance on complaints to monitor compliance limits its ability to proactively ensure standards are met. The absence of effective monitoring and enforcement mechanisms means that independent practices may face inconsistent standards and regulatory scrutiny. This can lead to a lack of trust in the regulatory system and place undue pressure on individual vets to reconcile their professional responsibilities with business demands. Independent practices, which often operate with limited staff and resources, are disproportionately affected by these regulatory shortcomings.

With regard to consumer redress, the Veterinary Client Mediation Service (VCMS) voluntary mediation scheme for resolving complaints is of a non-binding nature and low consumer engagement limits its effectiveness. Independent practices, which rely on maintaining strong client relationships, are particularly vulnerable to the lack of effective redress mechanisms. The inability to resolve complaints satisfactorily can impact consumer trust and satisfaction, further disadvantaging independent practices.

Restrictions on prescribing and the Cascade system, which limits the use of non-authorised medicines, can increase costs and reduce choice for consumers. The requirement for physical examinations before prescribing certain medicines also limits

the potential for telemedicine and other innovative service models. Independent practices, which may not have the resources to invest in new technologies, are disproportionately affected by these regulatory constraints.

Limited-Service Providers (LSP's), which offer specific services like vaccinations or neutering, face regulatory challenges, including the requirement to provide 24/7 emergency care. This can be a barrier to entry and limit competition from new business models. Independent practices, which may want to offer specialised services, are particularly affected by these regulatory requirements. The current framework may be overly protective of traditional business models, stifling innovation and competition.

In summary FIVP urges a review of the regulatory framework to ensure it supports competitive processes and good consumer outcomes while maintaining high standards of animal welfare and public health.

## **Working Paper 5 - Analysis of local competition**

FIVP acknowledges the efforts of the CMA to understand the competitive landscape of veterinary services in the UK, particularly the challenges faced by independent veterinary practices. However, we would like to highlight several key points and concerns regarding the impact and effect on independent veterinary practices.

The report indicates that Large Veterinary Groups (LVGs) own around 60% of first opinion practices (FOPs) in the UK. This significant market share places independent practices at a competitive disadvantage. LVGs benefit from economies of scale, allowing them to negotiate better prices for supplies, invest in advanced diagnostic equipment, and offer a wider range of services. Independent practices, on the other hand, often struggle to match the purchasing power and resource availability of LVGs, leading to higher operational costs and limited-service offerings. This disparity in resources creates an uneven playing field, making it challenging for independent practices to compete effectively.

LVGs' ability to offer a comprehensive range of services, including specialised treatments and referral services, attracts a broader customer base. Independent practices, while known for providing personalised care and building strong client relationships, may lack the capacity to offer such specialised services. This limitation can result in a loss of clients who seek advanced treatments that independent practices cannot provide. The report's findings that 11% of FOPs offer referral services on-site, with a higher percentage among independent practices (16%) than LVGs (10%), highlight the efforts of independents to diversify their services despite resource constraints.

The report reveals that a higher percentage of LVGs (78% to 98%) outsource OOH services compared to independent practices (58%). Managing OOH services is particularly challenging for independent practices due to limited staff and resources. Outsourcing OOH services can lead to dependency on third-party providers, potentially affecting the quality and continuity of care. Independent practices must

balance the need to provide 24-hour emergency cover with the financial and operational burdens it entails.

The geographic distribution of LVGs and independent practices across the UK presents another layer of competition. LVGs often operate multiple sites within close proximity, creating strong local competition. Independent practices, while also spread across the UK, may face more intense competition in areas with a high concentration of LVG-owned practices. The report's identification of 49 potential monopoly areas and 183 potential duopoly areas underscores the competitive pressures in certain regions.

Independent practices rely heavily on building strong, personal relationships with their clients to support loyalty and word-of-mouth referrals. However, LVGs can leverage their brand recognition and marketing resources to attract new clients and retain existing ones. The report's findings that 68% of respondents considered location when choosing a veterinary practice, with 34% citing it as the main reason, emphasise the importance of proximity and accessibility in client decisions. Independent practices must continue to emphasise their unique value proposition of personalised care to maintain and grow their client base.

LVGs' greater financial resources enable them to invest in new technologies, training, and facilities, enhancing their service quality and efficiency. Independent practices, with limited access to capital, may find it challenging to innovate and expand. The report's data on the availability of in-clinic diagnostic equipment, such as CT scanners and MRI machines, highlights the resource gap between LVGs and independent practices.

FIVP urges the CMA to consider the unique challenges faced by independent veterinary practices in its ongoing analysis and future recommendations. Ensuring a level playing field is crucial for maintaining a diverse and competitive veterinary services market in the UK. We advocate for measures that support the sustainability and growth of independent practices, enabling them to continue providing high-quality, personalised care to their communities.

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