Grant Thornton Response to the Competition Commission ("CC") working paper entitled "Barriers to entry: reputation and experience"

1 Introduction

1.1 This memorandum sets out the response by Grant Thornton to the Competition Commission's ("CC") working paper entitled "Barriers to entry: reputation and experience" ("the working paper") which was issued on 3 October 2012.

2 Reputation

2.1 In paragraph 55, bullets (a), (b) and (g) suggest an ‘IBM effect’ whereby companies choose one of the largest four audit firms as auditor, not necessarily on the merits, but because if things go wrong the company cannot be blamed as they chose the ‘safe option’. We consider that this point deserves further attention from the CC as it adds to the finding that reputation effects hinder the expansion of other audit firms into the FTSE 350 audit market.