DIFFERENTIATION: A powerful business concept

by Suzanne Lowe

Would merging with that big firm from across town set us apart from our competition? Will it help differentiate our firm if we create a new tag line or motto?

These are just a few of the questions accounting firms are asking today in order to establish, maintain or extend a competitive advantage.

Moreover, similar questions are being asked by firm leaders in many other professional service industries.

Differentiation — a marketing approach through which firms identify and promote a uniqueness that sets them apart from their competitors — is a hot topic these days. And for good reason. In addition to the experience of intensifying competition, accounting firms have also been grappling with a service mix increasingly perceived as commoditized, and clients whose demands continue to expand.

To these firms, differentiation appears to be the answer. But while much about this topic is new and unique, the pace is too fierce and the stakes are too high for firms to contemplate their marketplace in a leisurely manner.

The role of differentiation

The relationship of business strategy and marketing strategy can be described as a series of links that create a chain. Each link snaps into the link before it, and supports the link that follows.

To be effective, each concept should “cascade” into the concept that follows.

Strategy. Despite the apparent simplicity of this concept, many firms find it a challenging one to address. A firm’s strategy can be addressed by asking a series of questions. What are we in business to do? What services do we provide? Where, along a continuum of value, do we provide a benefit to our clients? What is our firm’s “end game” or strategic goal?

Suzanne Lowe is president of Expertise Marketing, a leading consulting firm serving professional service firms throughout the U.S. and Canada. The firm’s study “Differentiation: How are Professional Service Firms Using It to Compete?” is its fourth annual survey reviewing strategic marketing issues that impact professional service firms. Copies of the study and its companion report with case studies of actual differentiation programs can be obtained by contacting Expertise Marketing at www.expertisemarketing.com.

One firm’s differentiation strategy

A diva-based Habif, Argoget & Wynne was founded in 1962 and has provided traditional accounting services to businesses, financial institutions and individuals in virtually every industry. The firm’s objective is to provide expertise-oriented services that help their clients “do what they do better.”

In addressing its differentiation strategies, Habif, Argoget & Wynne recognized the important tenets of differentiation:

- Be credible and compelling.
- Be distinguished from the competition.
- Make sure that clients will consider it to be legitimate.
- Be distinguished from the competition.

A firm’s differentiation should have a direct relationship to its clients’ needs and interests. Realizing this, Habif, Argoget & Wynne chose to build, maintain and extend its competitive advantage through a focused, credible and compelling differentiation approach: its service offerings.

In early 1990, the firm scheduled an “Advance” (new term for “retreat”). During the Advance, the principals in the firm brainstormed new service offerings that would build on the existing expertise of the firm. After coming up with about 20 seemingly viable ideas, committees were formed by functional area to review the ideas. Eventually the list was narrowed down to three ideas to be implemented as new offerings.

- One of these services, fee-based asset management, was developed with current clients in mind. The firm has previously offered counsel to clients on selection of money managers on an hourly basis. Because the service was credible and compelling to clients, Habif, Argoget & Wynne sought to increase the perceived value of the existing service and create a new source of profitable revenue.

The resulting service is one in which: 1) Investors can take advantage of investment vehicles which would otherwise be available because of minimum investment levels, 2) Habif, Argoget & Wynne would act on behalf of the client to select and oversee management of the investment vehicles to ensure best possible performance, and 3) Habif would match individual investment vehicles to client needs and risk profiles based on deep understanding of clients developed over time.

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