Q How can accounting firms differentiate themselves from the competition?

A increasingly, differentiation is becoming an issue in all professions as firms look for ways to stand out from their competitors. Our company recently conducted a study, "Differentiation: How are professional services firms using it to compete?" and found this to be very much the case. The more than 400 respondents included accounting, consulting, law, architecture, engineering, construction and general contracting firms in Canada and the US.

Many survey respondents indicated that they were facing increased competition and, without a way to stand out, were relegated to competing on price or relying on the personality of the contact professional to sell an engagement.

So, what are some of the most common differentiation techniques? Those with the highest rate of use, and which respondents found to be most successful, were:

- embarking on a public-relations campaign
- entering into joint ventures, alliances or referral networks with firms that extend the firm's services
- adding new-to-this-firm services that are within the firm's own industry
- creating a new visual identity
- hiring specialists
- improving or evolving current services

There were also a number of differentiation techniques with low usage rates but reportedly high success, which indicates they may be areas in which firms can stand out from the crowd most effectively. These include embarking on an advertising campaign, adding new-to-this-firm services that blend into the services of another industry, implementing some sort of formal relationship-management program to strengthen the firm's bonds with current clients, and merging with another firm.

Accounting firms, when asked what they plan to do next year regarding differentiation, indicated a few trends. One is that the hiring of specialized individuals will continue to be the most highly used form of differentiation. Also, accounting firms will place increased emphasis on training professionals, and will continue to give attention to improving or evolving services. Finally, reorganization of practices or lines of business will be done far less frequently in the next year.
In all of the professions covered in the survey, plans for next year include significantly less emphasis on reorganizations than in the past. Our firm believes that this may mean either that the spate of reorganizations is over, or that firms have found these endeavours have minimal impact in building a successful differentiation.

Hiring specialized individuals continues to be a key form of differentiation. This seems to indicate that firms recognize that the expertise of their people is the most important and direct way to achieve differentiation.

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