

Is Your Firm Irreplaceable?

By Suzanne Lowe

In order to be irreplaceable one must always be different.

Coco Chanel (1883 - 1971)

What construction or engineering firm wouldn't want to be considered irreplaceable with its clients? Fewer bidding wars. Devoutly loyal clients. Profitable projects from which to choose. But to achieve this lofty position, a firm has to be different in some way – so different that it is the *only* firm that does exactly what it does, has exactly what it has, or is exactly what it is.

Differentiation is one of the most powerful initiatives a firm can pursue to achieve success in its marketplace. It helps a firm break out of the pack and proactively serve clients in new and innovative ways.

Let's suppose that one of the services a firm provides has turned into a commodity. If a firm offers essentially the same services as its competitors, clients soon realize they are able to buy based on price. Competitors drive prices down lower and lower in order to gain market share. Economic downturns make the situation even worse. Differentiation, done right, can help firms overcome the commoditization of their services and compete on a more favorable playing ground.

DeStefano Associates, a Connecticut structural engineering firm, steers clear of commodity projects by focusing on profitable niches, which is one of several potential foundations for differentiation “If you're in a niche market you can command premium fees for your services,” says founder Jim DeStefano. “If you're doing the same thing everybody else is doing, you're a commodity, and your services are driven by having the lowest fee, not by the services you're providing.”

When a firm moves away from the same old offering, the same old client base – indeed any “same old,” it can take advantage of new markets and opportunities. It can actually create a marketplace where it is the undisputed leader. And if the firm is truly the only one of its kind in the marketplace, there will be no competition! When prospective clients ask: “How are you different? Why should we choose your firm over the other firms we're looking at?” the answer should be clear.

Start by Pursuing a Distinction

Cowen Associates is a structural design firm in Massachusetts that has developed a reputation in the industry for its expertise not only in designing monumental staircases, but analyzing their structural integrity. Monumental staircases used in commercial buildings need to adhere to more stringent codes than those in homes. But a staircase that meets code might still move enough that people can feel the motion. Cowen Associates has developed a proprietary expertise to analyze the integrity of staircases to determine if motion will be perceptible – extremely valuable information to have *before* a staircase is built.

The firm's distinctive reputation for analysis has led to requests from across the United States to help with projects that have gone awry. “People will have me investigate a staircase that's already in place because it's unacceptable. Often, the problem is that people can perceive motion when using the stair. Helping in cases like these is what our specialty is all about,” says Fred Cowen, president of the firm.

While the monumental staircase work is only 10 percent of Cowen's business, this 10percent practically lands in the firm's lap because of its distinction as being *the* staircase firm. It's not a stretch to say that if the firm chose to do a deliberate marketing push in this area, a greater percentage of its work could be from staircases.

Differentiation Requires Focus

Achieving true differentiation doesn't happen by chance. The most competitively successful firms have a deliberate strategy to be unique. Thinking about how they *already* are different is not enough. Firm leaders must ask themselves “how can we be different in the *future*? How can we become different from any other firm in our industry?”

Taking a deliberate approach was how DeStefano & Associates found several areas in which it could be unique. The firm broke out of the pack by approaching projects in a way that was 180 degrees from its competition. When competitors were scaling back their role in projects in an attempt to eek out a profit from lower fees, DeStefano & Associates did the opposite: more participation in all aspects of projects and premium fees.

“While our competitors offer less and less, we have expanded our role in projects to offer more comprehensive services. We command high fees, but our projects have an excellent track record for which clients are willing to pay extra,” says DeStefano. This strategy, along with pursuing niche markets, has paid off with more interesting, profitable work than the firm can handle.

Dig Deep to Unearth Differentiation Gold

It's not hard to find construction and engineering firms that pursue some sort of differentiation. According to one of Expertise Marketing's recent studies, 81 percent of professional service firms reported they used differentiation as a marketing approach in the previous three years; unfortunately, many firms think of differentiation as simply an exercise in image enhancement.

But, like the color one paints a building, image-oriented differentiation strategies only go so far in their ability to deliver an effective marketplace advantage. Firm leaders will find that they need to explore different methods to achieve true uniqueness.

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In recent surveys, it appears that the most popular methods to differentiate firms were not necessarily the most successful, (for example, repackaging current services, or using new techniques and tools to "deliver" services).

The reality is that the more complex and operationally deep the differentiation strategy is, the more competitively potent it is. The "easier" and more operationally shallow methods reap the least rewards.

Examples of deep differentiation strategies include those requiring the implementation and alignment of human resources, financial, change management, technology or training and development processes. These differentiation strategies prompt a firm to add new-to-the-firm services that blend into the services of another industry, or implement a formal relationship management program to strengthen its bonds with its current clients.

When pursuing differentiation, Malcolm Pirnie, Inc., a national environmental engineering, science and consulting firm, dug deep into the very essence of the firm to develop a strategy that is equally relevant for a structural engineering firm. Pirnie implemented a formal quality program, took a stance on independence that meant turning away privatized and design-build projects, and spun off a new consulting division. The strategy included formally gathering client feedback and educating executives.

Deep and deliberate, Malcolm Pirnie's differentiation strategy earned the firm a wealth of projects, a strong balance sheet, satisfied employees and the envy of rivals.

Find the Sweet Spot

More often than not, chasing after commodity-level work can drag a firm down with lower fees, tougher competition, and run-of-the-mill projects. But the evidence is growing that successful firms work to find their differentiation "sweet spot" in order to be considered irreplaceable with their clients. Those that achieve differentiation will find it easier to get interesting, profitable work with clients who will be willing to pay premium fees because they are working with a true specialist that offers unequalled value.

Stay tuned for my next article in this series in STRUCTURE's January 2006 issue, which will provide more insights into how to achieve the goal of differentiation. ■



Suzanne Lowe is president of Expertise Marketing (www.expertisemarketing.com) and author of Marketplace Masters: How Professional Service Firms Compete to Win (Greenwood, 2004).