Q&A with Ed Kless

When talking about differentiation, Ed Kless, senior director of Sage Accountants Solutions and VoiceAmerica Talk Radio Host, says we may be mis-thinking the concept. We're quick to point to technology as a differentiator. While it serves as an enabler, it is not necessarily the essence of differentiation.

What is differentiation in relation to accounting?

This sounds like a wise-ass answer, but differentiation is doing things differently from other people. I have been asked more than once, "Can you tell me some of the things folks are doing to differentiate them so I can do them, too?" They don't get that using these ideas is not differentiation since others are already doing it.

How should a firm think of differentiation?

The default purpose of marketing is not to produce revenue; it's to produce profit. If you adopt this as your central focus, you will leverage a differentiation mentality. You have to be so different that people recognize you above the others in whatever area you want to be known for. You can't be both Ruth's Chris and McDonald's without alienating some percentage of your customers. If you walk into Ruth's and expect McDonald's prices, you're going to be sorely disappointed. The same holds true if you walk into McDonald's and expect a filet. Even if you're willing to pay significantly more at McDonald's, they don't have filet mignon.

So don't try to be everything to everybody, right?

You can be intensely appealing to a small group or you can be moderately appealing to a large group. Pick one and go for it. As soon as you go small and name a specialty, someone in your organization will say, "But what about this friend of mine who has a $15 million company we could get, but it's not in that target market?" And the rest of the partners say, "Let's make this one exception." Then there's no specialization.

What are the top things you need to do to successfully differentiate?

Have the courage to actually focus on it. You certainly need commitment too, and it can't be fly-by-night. Then you need to develop the strategy. Craft a workable plan and execute on it all while knowing you are taking a risk and have to be willing to make modifications along the way.

Many firms are focusing on data analytics, blockchain and artificial intelligence. How do you differentiate when everybody else is considering the same thing?

Everyone thinks innovation equals technology. The latest iPhone is not new technology. The differentiation is in the business model. For example, the success of the iPod was predicated by Apple's ability to get the music industry to do something they were never willing to do previously. Instead of selling us a CD with the one song we like along with 12 we don't, Apple got them sell us the one song we want for a dollar. That's a business model change because Apple figured out how to create value for the customer and capture a percentage of that value.

Is part of the difficulty with differentiation that people can't always see it?

There is important stuff coming down the pipe, but CPAs taking advantage of the technology is a table stake, not a differentiator. Technology is so easily copied. Once we have the first 10,000 accounts using the same document solution, then it's not a differentiator. Technology adaptation is quick, but the only real sustainable competitive advantage is out-innovating your competition.

How can a marketing professional get their partners beyond this?

Ask questions and position things so the partners realize they need to question their beliefs in order to change. Ask if they want to be Ruth's Chris or McDonald's. Both are successful businesses, but which do you want to be? If they say McDonald's, you can create marketing strategies to get as many people into the firm and churn through as many customers as you can. You'll have to figure out a way to deliver at a lower price because that's what McDonald's does. And if they say they'd rather be Ruth's Chris, then you need to have higher prices and a strategy to deliver at that level.