

Cut Price “ISO Certificates” and Eventual Death of “ISO Certification Bodies”

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Product price is based on perceived value by its customers. In this article the author has attempted to analyse current market situation of “ISO” certification in India and may be anywhere else, been prevalent for quite some time. To check whether falling prices of ISO certificates have anyway helped the certification bodies dealing in cut price certificates and their customers.

According to my analysis the certification bodies that start their business at the lowest price band are in position to do so because of the low entry barrier. These days all you need to start an ISO certification body is MNC sounding name and a claim that you are an international & independent certification body operating globally, a rented premises or lot easier a business centre address (there are certain innovative entrepreneurs who have their mail box offices in London or New York to impress that they are original British or an American), a plagiarised ISO 17021 Manual (if the Manual not available or its lack of understanding/ implementation - doesn't matter), colourful certificate template and of course a colour printer, a list of empaneled auditors, friendly “ISO Consultants”, jazzy website with animation and boom.... you are ready to issue “ISO” certificates.

These certification bodies do not have any brand recall in this crowded marketplace, where the certification value is established by its price and not by value addition as result of auditing process to determine if the organization has processes and practices in place to meet and exceed customer requirements and to establish if quality indicators driving the organizational growth. Instead, what I have heard on pesky telephone sales calls by these certification bodies that “Sir, all you require to send us is your company's registration certificate and such other documents so that we could issue your ISO certificate”.

In my view, all such certification bodies would have very challenging time ahead as they do not have any strength that they can leverage in the medium or long term future. These certification bodies are proprietary firms (even most of them been registered private limited companies) not been able to generate margins or loyal customer bases. They do not have strong differentiating factor, they lack brand recall, have poor “Place of Origin” impressions, and have no certification product that can be perceived by the customer as of high value and virtual lack of skill-sets to deliver value addition through auditing and certification process. Worst, these certification entrepreneurs keep on adding different certification bodies or certification brands horizontally to their portfolios so that they could offer certification solution from lower to the lowest price band.

There is a certain international association of accreditation bodies endorses a point of view that such cut price certificates are issued by their non-members or the certificates are non-accredited. However, the market intelligence has different story to tell. The market is flooded with certificates issued by the certification bodies who claim linkages to such international forums. More so, there is a strong indication that the accreditation bodies operating under local government support having no competitive pressure offers their accreditation services to the certification bodies at very low price, in turn these certification bodies offer low price certification services to their certification clients. I am aware of an accreditation body who charges their accredited certification bodies per certificate. However, their charges per certificate keep on reducing for more number of certificates. In other words, this practice encourages their accredited certification bodies to offer certificates at cut prices so that they could reach next lower level of levy per certificate as quickly as possible.

The customers who have acquired low priced certification would not mind switching to another certification body who would offer them further lower price either at the time of surveillance audits or re-certification audit. The combination of a lack of a distinct and differentiated value proposition and highly price-sensitive market (which now a days controlled by consultants or agents who go around bargaining with certification bodies once they have acquired a client or even before that) makes it difficult for the most players in this segment to make any margin. Having reached this scenario now, it is very difficult for these low cost certification bodies to climb the price ladder moving to the premium segment where new top-line MNC certification bodies still reported to operate.

As Chattopadhyay, Batra and Ozsomer noted that low prices and margins naturally do not create the resources to reinvest in the business and thus work against long-term viability: there is no take-off to the “virtuous cycle” of higher prices, higher margins, higher quality, and stronger, sustainable brands.

Now what is the solution?