

Product Certification: A Competitive Advantage for POU/POE Manufacturers

By Rick Andrew

Increasing competition is a familiar theme to many industries, with the POU/POE industry being no exception. There are several dynamics at play which foster this increase in competition:

- Globalization. Manufacturers seek to expand their reach as new markets continue to open up. The most significant of these is Asia. Not only are Asian consumers eagerly seeking POU/POE equipment, but Asian manufacturers are increasing their ability to market their products both domestically and internationally.
- Retail. With the increase in retail sales of POU/POE equipment, there is additional price competition among manufacturers seeking to operate in this area. It is also becoming more difficult to differentiate products in the retail space, which also affects dealers who have some overlap with the retail market.
- New entrants. The POU/POE area has become increasingly attractive to manufacturers in related areas, with several of those manufacturers making entry into the industry.
- Internet. Not only are there significant sales of POU/POE products occurring via the Internet, but also significant amounts of information about product options, features, reviews and recommendations are now available to consumers.

Strategies for competitive advantage

Feeling the impact of these competitive forces, manufacturers seek ways to create competitive advantage. There are many strategies available. Some of the basic strategic considerations for competitive advantage include:

- Pricing—offering more attractive prices versus products that are comparable across other dimensions
- Quality—offering higher perceived quality versus products that are comparable across other dimensions
- Unique technology—providing something new and different, such that other products are no longer directly comparable
- Superior service—offering service beyond the product itself, such as consulting on water treatment strategies, installation and maintenance
- Regulatory acceptance—some markets are closed without required regulatory acceptance
- Treatment capability for specific needs—offering products that can treat problem water or water with specific contamination issues

- Branding—offering a name that consumers know and trust

Each of these strategies is supported, initiated and sustained by various tactics. One tactic that supports several of these strategies is product certification.

Basics of POU/POE certification

Certification of POU/POE products encompasses several different aspects of the products. All products must meet requirements for material safety, which are based on a detailed review of the formulation of all materials in contact with drinking water, plus a comprehensive extraction test to ensure that no contaminants are leaching into drinking water at levels of toxicological concern. All pressure-bearing products must be tested for structural integrity, to ensure that they will remain watertight when installed. And all complete POU/POE systems must be tested for contaminant reduction claims. This testing verifies that the system performs as advertised by the manufacturer. Certified products are identified by Internet product listings and by certification marks or logos on the product, product packaging, product websites, or other product sales literature.

Competitive advantage strategies supported by certification

Product certification is a tactic that can be used as part of a plan to achieve several of the competitive-advantage strategies described above. Most notably, strategies enhanced through product certification include quality, unique technology, regulatory acceptance and branding.

Quality

Quality of water treatment products can be difficult for consumers to evaluate. There are so many different products in the category, with many different technologies and configurations. And, there is the underlying issue that, essentially, treated water isn't much different from untreated water. Or even subtler is that poorly treated water may not appear to be much different from effectively treated water. For products purchased over the Internet, there can be consumer skepticism over and above the level of skepticism displayed with products sold in retail stores. In retail markets, however, skepticism can occur at the point of the retail buyer as opposed to the end consumer. Additionally, American consumers may be leery of products manufactured in Asia. New market entrants do not have a track record to fall back on, leading to potential concerns about quality.

One option to help ensure buyers of the quality of water treatment products is certification. If the product has been independently evaluated according to rigorous, consensus-based, national standards, it has achieved a measure of quality that non-certified products have not.

Unique technology

POU/POE water treatment has long been an exciting marketplace, in large part because of the many new and innovative technologies that are being developed and utilized. It seems that each trade show brings new ideas forward. The big question with new or unique technologies is always the question of performance—does the technology really work? Beyond the theoretical, most buyers require actual testing to ensure confidence that new or unique technologies are truly effective. Testing conducted by the technology developer or by a university is certainly better than no testing at all, but actual independent certification of the technology will usually provide a solid basis for convincing many buyers of a technology's effectiveness.

Regulatory acceptance

Manufacturers with acceptance in regulated markets have a huge competitive advantage over manufacturers who do not. In the POU/POE industry, there are primarily three states where regulatory approval is required: California, Iowa and Wisconsin. Third-party certification is not required for approval in any of these states. However, testing to the appropriate standards conducted by a qualified laboratory is required in order to achieve state approval. The most common approach of manufacturers is to use a third-party certification laboratory to conduct the testing required for state approvals. Once the testing is done, most of the requirements to achieve third-party certification have been met, so it is a small, additional step to also obtain third-party certification. Additionally, third-party certifiers can often help manufacturers with their state certifications. This can take the form of sharing knowledge, advice, assistance with paperwork, or even processing certain applications through agreements with a given state. Manufacturers entering global markets can often benefit from knowledge, assistance and testing by independent certifiers as they seek to understand and comply with international regulations governing the sale of POU/POE products. These regulations are highly variable from country to country, ranging from no regulations at all to strict, comprehensive and mandatory government approvals. It is no small task to determine and adhere to all requirements as manufacturers expand distribution into more and more markets. Leveraging the knowledge, expertise and relationships of a product certification agency can be invaluable in this area.

Branding

Certain brands have immense value. Companies owning these brands devote incredible energy and focus to maintaining and enhancing their brands, as they recognize the equity these brands represent. Other companies with lesser brands actively seek to establish and build brand value. This is especially true for new market entrants who either have a new brand, or who have a brand that is not typically associated with high-quality POU or POE products. There are many methods to accomplish brand building. Co-branding is one such tactic. By aligning one brand with another well-respected brand, enhanced brand value can be developed. Product certification agencies with strong brand value can help manufacturers build their own value through co-branding. If buyers begin to associate a product brand with a certification brand, attributes of quality and trustworthiness can become attached to the product brand, which can help to build brand equity.

A marketing tool?

Some manufacturers think of product certification only as a necessary evil, or something that must be undertaken as part of the price of doing business. Their view is that it is a requirement for business along the lines of a permit or license, and nothing more. In the strictest sense, in markets that require regulatory approval, this view is correct. However, many manufacturers look beyond this concept of product certification and expand their vision of what can be accomplished through product certification. These manufacturers often involve their marketing team in product certification decisions and projects, as opposed to viewing it as a function solely for the regulatory group. By considering product certification as a marketing tool that can serve as a tactic to enhance several different strategies for competitive advantage, these manufacturers are well positioned to enhance their brand, build perceptions of quality for their products, establish the performance of new technologies and obtain market access.

About the author

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