ISO Strategy for Services Presentation
Introduction

The ISO services strategy

When you think of the car you drive, the food you eat or the house you live in, you know intuitively that manufacturers and builders must meet certain standards to ensure your car doesn't break down on the highway, your food is safe to eat and your house doesn't suddenly collapse over your head. Why should it be any different for services? You need to be sure that your tax payments arrive on time to avoid paying a fine, that the water you drink complies with sanitary requirements, and that your scuba instructor has all the relevant certificates of competence to be able to teach.

ISO’s commitment to developing service standards is borne out by the ISO strategy for service standardization, which was adopted in 2016. Trade in services is expanding at a faster rate than trade in goods. Based on this observation, ISO anticipates that market demand for service standards will steadily increase and we want to make sure that the organization and its members will have the necessary tools and knowledge to respond to this demand, and to the challenges and opportunities it brings. Our mission? Raising ISO’s profile as a provider of service standards while continuing to respond to market expectations and helping our members to do the same.
For those not familiar with ISO, we are a membership-based network of national standards bodies that come together to develop International Standards ensuring products, processes and services are fit for purpose. ISO standards provide practical tools for tackling many of today’s global challenges, bringing tangible benefits to business, society and the environment. ISO has already published more than 700 standards related to services in various sectors, including finance, business, brand valuation, customer contact centres, outsourcing, assessment services, IT services, marketing, network billing and many more.

ISO defines a “service” as the “result of at least one activity, necessarily performed at the interface between the supplier and customer, that is generally intangible”\(^1\). However, the concepts of “services” and “service standards” are broad, and many different definitions and classifications exist. Some standards purely support the provision of a service. Others may support the infrastructure (e.g. IT or financial) necessary for the provision of a service. And then we have horizontal standards such as management system standards that can be applied to the provision of a service, but also much more broadly.

Rather than concentrate on questions of definition or classification, ISO has chosen to develop case studies to illustrate the use of these different kinds of service standards and to give real-life examples of how standards are being implemented in different industries,

citing tangible results in terms of service delivery and consumer satisfaction. By looking at success stories of how standards are opening up new areas of business and improving quality and consumer trust, these case studies try to understand where standards are being implemented, how they work, and why the benefits more than outweigh the investment. This brochure is designed to be read alongside the case studies, to provide a general introduction to ISO, its strategy for services, and how service standards fit into the larger context of international trade and development.

2) The five case studies are: ISO/TS 13131, Telehealth services, ISO 24510, Activities relating to drinking water and wastewater services, ISO 17680, Thalassotherapy, ISO 20121, Event sustainability management systems, and ISO 20022, Universal financial industry message scheme.
Insights

Trade, sustainability and regulations – Why service standards?

The growing importance of the services sector in the global economy is not only a well-documented trend, it is also a powerful opportunity to leverage millions of jobs and encourage the creation of more innovative companies. According to World Trade Organization (WTO) statistics, trade in services represented 21% of world trade in 2014 for a total value of USD 4,800 billion. What’s more, despite global economic fluctuations, trade in services remained resilient, showing a steady growth of 5% in 2014 compared with a 0.5% increase in trade in goods. Although the services sector is most important in high-income countries (representing 72% of GDP in 2007), it also makes up a significant – and growing – percentage of GDP in both middle- (53%) and low-income (46%) countries. With such clear trends on the horizon, government and industry alike are looking for ways to promote trade in services and reap the benefits that come with it.


Services, however, are not just about economic growth; they are also the road to development. Increased trade in services has been correlated with poverty reduction\(^5\), as it is a catalyst for job creation, in particular jobs for women in developing countries. A closer look at the United Nations Sustainable Development Goals (SDGs), adopted in September 2015, also highlights the crucial role of public services and the urgent imperative for governments to improve and reform public utilities. There is no doubt that reforming and adapting public-sector services has its challenges as it means taking a number of socio-economic, environmental and political factors into consideration in the provision of services. Harnessing standards for trade and development must therefore take a realistic and inclusive approach that encourages actors from the private and public sectors to work together.

As an international organization which places stakeholder consultation at the core of its standards development process, ISO is uniquely positioned for this role. Through its network of members, ISO ensures participation in standards development from a wide range of stakeholder groups, including industry, government, consumers, labour, academic bodies, and NGOs. The resulting standards for services represent consensus between all interested parties at the international level and can therefore provide objective, substantial and neutral criteria for service provision, which is one of the main reasons why ISO standards are used by policy makers and companies worldwide. ISO also has a number of standards that help service providers achieve the highest sustainability requirements, such as ISO 24510 for water management or ISO 20121 for event sustainability management system. The services standards developed within this framework meet the highest levels of excellence while addressing all aspects of sustainability, which makes them instrumental in accomplishing the SDGs.

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5) ITC Website, “Trade in services”, accessed 1 April 2016: www.intracen.org/itc/sectors/services/.
Promoting the expansion of trade in services also involves regulation. A trade policy paper published in 2015 by the Organisation for Economic Cooperation and Development (OECD)\(^6\) highlighted that an important part of trade costs are linked to service-related regulations. Results showed that the more restrictive a country is in terms of trade, the more its imports and exports of commercial services are affected interestingly, with exports being the most negatively impacted\(^7\). Non-tariff barriers (NTBs), namely the restrictions resulting from prohibitions, conditions or specific market requirements that make importation or exportation of products difficult and/or costly, are becoming an even greater danger for trade than tariffs, making it all the more important for all stakeholders involved in trade to come up with solutions to address this issue.

One possibility might be to promote the use of international standards in the General Agreement on Trade in Services (GATS) – a WTO treaty extending countries’ commitments to open-up trade to some services sectors – in order to encourage members to reference international standards in their regulations. As voluntary requirements, these standards would offer added flexibility and foster industry best practice without becoming an administrative burden that, ultimately, impedes trade. In that sense, ISO service standards have the potential to help states pursue their policy objectives through regulation without them being too restrictive.

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7) Ibid. p.7.
New trends in services and benefits for businesses – What can ISO standards do?

The GATS agreement identifies four ways, or “modes”, of supplying services. As well as covering traditional cross-border supply (Mode 1), it covers consumption abroad (Mode 2), commercial presence abroad through a subsidiary or a branch in a foreign country (Mode 3), and movement of natural persons, for instance a consultant travelling to deliver services in a foreign country (Mode 4). Today, a new mode of supply has made an appearance on the market, referred to by Lucian Cernat, Chief Economist at the European Commission, as “Mode 5”, covering the delivery of services as part of goods 8). This is commonly designated as “servicification” or “servitization”, where services are being embodied in manufactured goods and traded as a “package”.

Not surprisingly, this trend is creating new challenges for trade agreements and the categorization of “goods” and “services”. A direct corollary of this phenomenon is the “modularization” of services, i.e. the breaking down of services into modular components that are subsequently improved by the use of new technologies. The recombination of all these service modules has resulted in a new, and more efficient, business model. One good example is the online transportation network company Uber Technologies Inc., which offers a new and competitive service centered around its core business: transportation.

Servitization and modularization are two market trends\textsuperscript{9) that ISO is following closely and these are at the root of its strategy on services. Despite its specialization in standards for goods and industry, this “hybridization” of companies’ offerings, namely the integration of services into the goods sold, has spurred ISO to look more closely at evolving market needs in the services sector.

Moreover, as goods become increasingly interconnected, relying on each other to function properly, it is crucial to ensure their interoperability and compatibility. Hence, turning its attention to services is the logical continuity for ISO in order to keep up with innovation and better respond to the needs of its members. The service standards currently being developed by ISO could eventually set the benchmark for new business opportunities while maintaining a quality framework.

Standards for services can adopt many formats. For industries following a Business-to-Consumer (B2C) type business model, standards focus on improving quality and efficiency of the supply part while, at the same time, opening access to new markets. The standards from technical committee ISO/TC 228, Tourism and related services, are a prime example of this as they are invaluable in helping companies align with the requirements of the sector.

One notable success story is ISO 24801, a three-part series on recreational diving services, which sets out the competencies, in terms of security and training, required in order to obtain a scuba diver qualification from a training organization. In so doing, it levels the playing field for competitors who now have a benchmark for ensuring safe, high-quality services to customers.

\textsuperscript{9) UNCTAD, 2016, “Services, development and trade: The regulatory and institutional dimension”, Note by the UNCTAD secretariat, p.8.: “The growing share of services value added into the gross value of merchandise exports, is estimated at 59% for developed economies and 43% for the others.”}
The Business-to-Business (B2B) format is also an important one, where standards can bring about benefits by facilitating the sharing of costs and cooperation between different actors. In today’s globalized and interconnected world, interoperability between systems is necessary to prevent certain industry models from being killed off by a “winner takes all” situation. Interoperability can also facilitate and accelerate the provision of certain types of services that require collaboration between different institutions. ISO 20022, a multipart standard that provides a universal financial industry message scheme is a perfect instance of this mutual dependency. The financial system relies on the ability to transfer money from one account to another, even between different banks. Streamlining the payment process not only cuts costs, it also speeds up transactions and facilitates administrative procedures, creating a win-win situation for all parties.

Learn more about standards for services

We hope that this brief journey through the service standards landscape has provided a clear picture of the opportunities ahead. At ISO, we feel that service standards not only provide a much needed framework for the supply of services, they also provide an opportunity to drastically improve the quality of the services offered, contributing a growing share to the added value of a product. The more diverse and competitive a market, the more guidance consumers need to be sure they are purchasing the service they want at the best price. International Standards will help to maintain a healthy competition in the marketplace by ensuring that those companies which have already invested considerable amounts of money in order to offer better quality at affordable prices are rewarded accordingly.

To learn more about ISO’s work in the services sector, go to www.iso.org/iso/services, or contact your national ISO member.
About ISO

ISO (International Organization for Standardization) is an independent, non-governmental international organization with a membership of 161 national standards bodies. Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market-relevant International Standards that support innovation and provide solutions to global challenges.

ISO has published more than 21 000 International Standards and related documents covering almost every industry, from technology to food safety, to agriculture and healthcare.

For more information, please visit www.iso.org.

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