

How to reduce your Total Cost of Quality!

Nowadays, quality is no longer a unique selling point; on the contrary, poor quality leads to dissatisfaction and, in the worst case, to customer churn. However, it is interesting to note that very few companies have a transparent picture of exactly what quality costs them. The consideration of the total cost of quality and therefore all costs that arise in connection with quality assurance distinguishes successful companies from those less successful. Increased competition forces companies to systematically reduce their quality costs. However, the main focus of reduction today is primarily on troubleshooting and not on fault prevention. To successfully reduce the total cost of quality, they must be broken down into their individual components, which can then be used to define preventive measures.

Basically, "the later a fault is discovered in the process - i.e. the closer to the customer - the more expensive it is to correct it. The elimination of the causes alone means the permanent elimination of the fault¹."

What possibilities are there to reduce quality costs?

To sustainably reduce quality costs, it is first necessary to analyse and transparently record all relevant quality-related cost items in the company. However, many of these positions are not transparent in most companies today, although they have a significant impact on the profit-and-loss account and can lead to customer dissatisfaction and competitive disadvantages. It is therefore recommended to proceed as follows:

- ◆ Determine quality-related costs taking into account individual company requirements (no off-the-peg solution).
- ◆ Analyse the determined quality costs and compare them in a benchmark with competitors and similar industries.

- ◆ Quality costs form the base for decisions regarding the implementation of quality-improving measures, therefore select the “right” cost categories with the highest monetary benefit.
- ◆ Focus on quality issues with “costs” as the benchmark.
- ◆ Quality-related / quality-relevant investments generally have a positive business case.
- ◆ Focus on a preventive instead of reactive optimisation of quality-related costs.
- ◆ Ensure the support of top management in the implementation of quality measures.
- ◆ Anchor the quality costs in the key figure reports of the company.
- ◆ Already anchor the responsibility for quality costs in the development phase.

In a study ², KBC also found that companies with a high implementation rate of quality methods have 30% lower quality costs. Localising fault causes enables investment in the right prevention and testing activities in order to sustainably reduce fault costs.

Feel free to contact us to define an individually tailored package of measures for you. We are always available for an exchange of experience on “reducing the total cost of quality”.

¹ (Campanella, J., 1999).

² http://kbc-consultants.com/wp-content/uploads/Studie_KBC_2015_web2.pdf

