

# A new approach to quality profitability

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- **„ Quality must be effectiveness“**

**Author**

# Quality Triad

**Quality is a very complex phenomenon influenced by numerous factors. When elaboration any quality programmes, three major aspects have to be taken into account:**

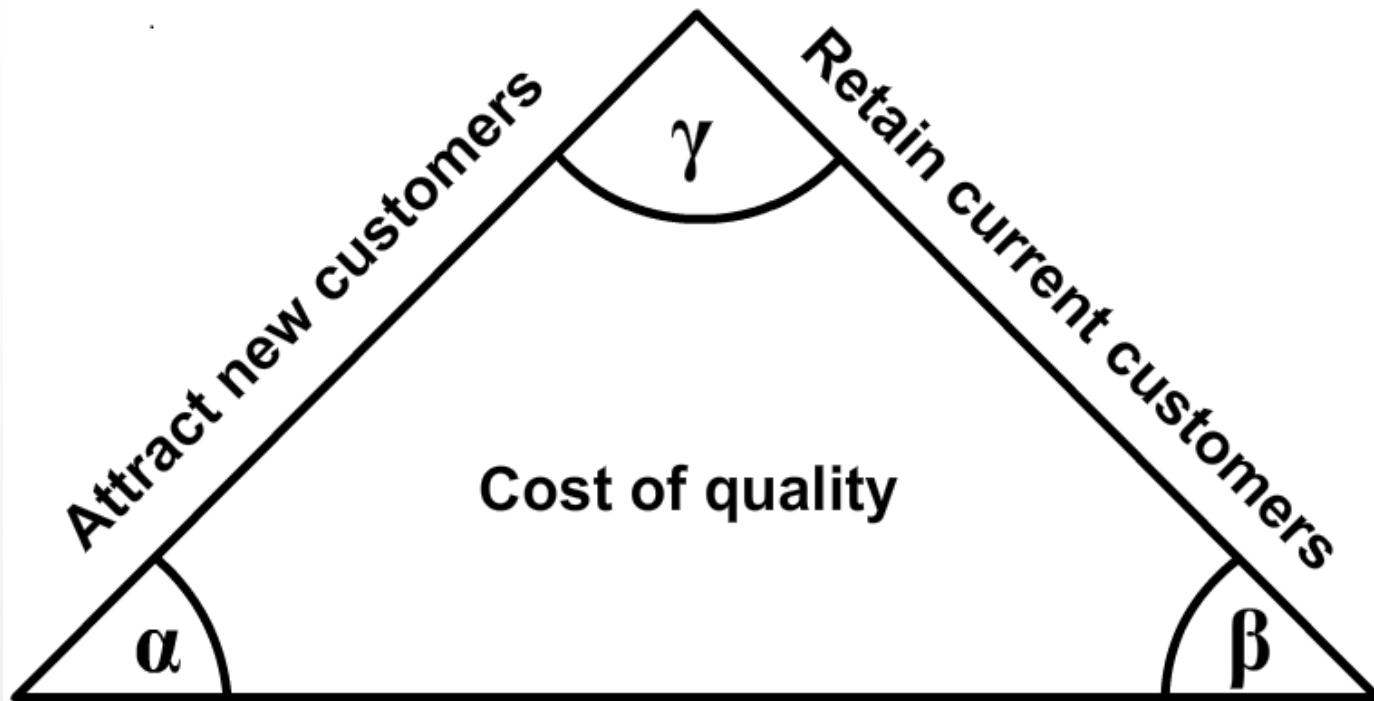
- Technical aspect – product must be designed and manufactured with the properties assuring that the customer satisfaction will be met,**

- **Communication aspect – customers must be convinced about the advantage of an offered product's purchase, thus the acquisition of new customers and retention of current ones are the matter of communication aspect, yet it is the communication aspect which is not sufficiently regarded in quality programmes,**



- **Economic aspekt – the aim of the quality programmes should be neither increasing the technical level of individual properties of the manufactured products, nor increasing the level of satisfying the customer needs, but achieving the advanced technical level of the manufactured products and satisfying the customer needs, i.e. Achieving better economic results and profitability of the enterprise.**

# QUALITY TRIAD



Research, development, preproduction

$\alpha$  - product attributes

$\beta$  - market share

$\gamma$  - return on quality

- **The sequence of the quality increase process can be expressed by four basic steps:**

**Step 1: carrying out the research targeted to determining the customer requirements and assessing the organisation's ability to meet those requirements, elaborating the list of requirements and harmonising the customer requirements with the organisation processes.**

**Step 2: carrying out the communication with customers in order to convince them about the organisation's ability to meet customer expectations,**

**Step 3: assuring the impact of the manufactured product's quality on customer satisfaction,**

**Step 4: measuring the market share and the impact of quality on the achieved profit. Within this step, it is necessary to determine the quality programme related costs, net present value (NPV) due to the increased market share and to compare the profit improvement with the costs associated with the implementation of quality programmes.**

- **The structure of quality costs comprises the following groups:**
  - **Costs for research, development and preparation of production,**
  - **Costs for retaining current customers (defensive strategy)**
  - **Costs for acquiring new customers (offensive strategy)**

**The effectiveness of such approach requires building a system for monitoring and assessing the quality costs, comprising the following steps:**

- Defining the cost issues that will be included into particular groups of quality costs,**
- Determining responsibility for issuing the initial documents for individual cost issues,**
- Establishing a system for collection and summarisation of quality costs,**
- Assessing the impact of quality costs on the company profit.**

# New indicator's of the Effectiveness of Communication with Customers

- $ROQ = P / QC$
- $QC = CRD + CD + CO$
- $ROI = P / CRD$
- $ROC = P / CC$        $CC = CD + CO$

ROQ – Return on quality

P – Profit

QC – Quality costs

CRD - Costs for research and development

CD – cost for defensive communication

CO – cost for offensive communication

CC - cost for communication with customers

ROC – Return on communication with customers

- $ROQ = P / (QC / TC) / QC$  ➤ 1
- $ROIA = P (CRD / TC) / CRD$  ➤ 1
- $ROC = P (CC / TC) / CC$  ➤ 1
- $ROC = L (CC/TC) / CC$  ➤ 1

ROQ – Return on quality

TC – Total costs

QC – Quality costs

P – Profit

L - Loss



# Thank you !

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