



COST OF POOR QUALITY / COPQ

WHAT IS COPQ?

COPQ are costs related to the poor quality of goods and services. The most obvious of these costs are the ones that are visible and easily tracked; like returned products, extra shipping and scrap. There are 2 other types hidden costs and non-visible costs.

Hidden costs can be found and seen, usually in the form of extra wages like overtime pay. They can be tracked, but its sometimes difficult to split out. Non-visible costs are those that can't be seen or easily tracked. Usually lost customers and sales. Managing COPQ is part of Risk Management and is critical to small business success. Below is a good example of COPQ.

“I thought I'd share a personal example I recently experienced around COPQ. We bought two identical rocker/recliner chairs from a high-end furniture store. These were name brand from a company with an excellent reputation for producing quality products. After trying out both chairs for a few hours, I noticed that one made a loud clicking noise when I rocked in it. The other was perfect.

We called the furniture store and asked that the apparently faulty chair be replaced. They said they would be glad to do so with no hesitation. They delivered the new chair today and it is perfect.

As they took the original chair away, I thought of the COPQ incurred by both the furniture store and the furniture manufacturer for this incident. Here's a \$500 chair that will have to be repaired before resale, probably at a much-reduced price. Plus, there's the extra delivery costs for the furniture store. There's not likely much cost or a big deal to either. BUT, if there was a pattern of recurrence, it could quickly become a big deal for both.

But are the costs I listed really the full cost of doing to their businesses? What about the hidden cost of damage to both companies' "quality" brand? I could possibly tell others about my experience that might cause them to look elsewhere for their furniture needs or choose another brand of furniture. That could raise the COPQ for this event significantly for either or both companies involved.

I wonder if either company will investigate this occurrence, or just accept that things like this will happen occasionally and go ahead with business as usual and just write it off as the price of doing business? Probably so in that it's just one customer and one small piece of furniture.”

“You'll get no better than you're willing to accept AND you're willing to invest sufficiently in obtaining.” Ron Smith, Engineer and Operations Management