

The Bottom Line

Classification Of Quality Costs				
	Control Costs		Failure Costs	
	Prevention	Appraisal	Internal	External
Definition	The costs of preventing problems before they occur.	The costs of assessing the actual quality level.	The costs of failures discovered within the organisation.	The costs of failure discovered outside the organisation.
Cost Categories	Quality Planning Design Review Training Process Capability Studies Quality Reporting Quality Improvement Problem Solving Procedure Preparation Measuring Equipment Vendor Surveys	Incoming Inspection In-process Inspection Final Inspection Testing Calibration Process Control	Scrap Rework Re-inspection Re-test "Fire Fighting" Quarantined Inventory Re-manufacturing Downgrading Allowance	Warranty Complaint Investigation Re-manufacturing Downgrading Product Liability Claims Recall Costs Lost Sales Goods Return Rework Downgrading Allowance

Quality Costs Money!

Over many years, studies have been carried out to identify the **cost of** poor quality. To make these studies easier, quality costs have been broken into four groups, two of them fully controllable (they are the result of management decisions), and two uncontrollable (although all too often, these are also the result of management decision). The table below shows these groups, and gives examples of them.

How Much Does Quality Cost?

The studies have generally indicated that the total costs of quality are between 15 and 40%

of manufacturing costs, with an average of around 30%.

Cost Progressions

Detailed analysis of quality costs will only bear fruit if the specific causes of costs can be identified (specific processes, products, projects, problems, etc). However, whilst all work to improve quality will reduce quality costs in some way; the trick is to reduce them most significantly. This can best be achieved by redirecting resources from inspection and repair activities to planning and prevention.

Eliminate waste no matter how much it costs.