**Quality - Costs of Poor Quality**

The potential costs of poor quality go well beyond the actual cost of the product or service that has failed to meet customer expectations.

You can probably come up with several examples from your own experience of when you have come across poor quality: e.g.

* Product fails – e.g. a breakdown or unexpected wear and tear
* Product does not perform as promised (or what the customer thought was promised!)
* Product is delivered late
* Poor instructions/directions for use make using the product difficult or frustrating
* Unresponsive customer service

Poor customer service as listed above results in additional business**costs:**

* Lost customers (expensive to replace – and they may tell others about their bad experience)
* Cost of reworking or remaking product
* Costs of replacements or refunds
* Wasted materials

You can see from the list above that poor quality is a source of competitive disadvantage. If competitors are achieving higher quality, then a business will suffer.

The flip side of the above is that a business can benefit by improving its quality. The key benefits of improved quality are:

* Improved image & reputation, which should result in
* Higher demand, which may in turn mean
* Greater production volumes (possibly providing better economies of scale)
* Lower unit costs because of less waste and rejected output
* Fewer customer complaints (& more satisfied customers)
* Potentially higher selling prices (less need to discount)