

20-30% of Total Revenue

The Real Cost of Poor Quality (COPQ) in Retail

The Cost of Poor Quality (COPQ) is the total of direct and in-direct costs associated with defective or substandard products or services that don't meet quality standards, as well as the resources required to correct defects, address customer complaints, and remedy issues. These costs are both visible

and hidden and incurred throughout the product or service lifecycle, impacting profits, efficiency, customer satisfaction, and competitiveness in the marketplace. This at-a-glance infographic will reveal tangible costs associated with the COPQ in retail.

Cost of Poor Quality = Internal Failure Cost + External Failure Cost

15-25%
of retailer revenue
is lost
due to bad data
(MIT Sloan)

20 - 30%
of total revenue is lost
due to delivering poor
quality products
(SinglePointQMS)

30%
of online purchases
are returned
in the U.S.
(Commerce Tools)

76%
of online shoppers in
the U.S. want
free returns
from retailers
(Commerce Tools)

15-30%
of COPQ losses can
be mitigated by
moving up one
Six Sigma level
(Buthmann)

Poor Quality Impacts Resulting in Direct Costs

PREVENTION COSTS

- ✓ Quality Planning
- ✓ Training
- ✓ Preventative Maintenance
- ✓ Housekeeping

Costs associated with reducing failure costs

APPRAISAL COSTS

- ✓ Testing
- ✓ Inspection
- ✓ Audits
- ✓ Surveys

Costs associated with meeting conformance

INTERNAL FAILURE COSTS

- ✓ Scrap
- ✓ Rework
- ✓ Downtime
- ✓ Re-inspection

Pre-delivery non-conformities or poor processes

EXTERNAL FAILURE COSTS

- ✓ Product Recalls
- ✓ Returns
- ✓ Warranty Claims
- ✓ Lost Sales

Costs identified after delivery due to deficiencies

HIDDEN COSTS OF QUALITY

- ✓ Process changes
- ✓ Software changes
- ✓ Downtime
- ✓ Cost of errors in support processes
- ✓ Ancillary indirect charges, i.e. space charges

Redesigning poor quality products

Strategies to Minimize the Cost of Poor Quality

- 1 Develop a Cost of Poor Quality (COPQ) Plan
- 2 Implement tools like Lean Six Sigma, 5s Workplace, Value Stream Mapping
- 3 Identify, track, and monitor all potential costs associated with poor quality
- 4 Create mitigation plans to reduce or eliminate these costs
- 5 Regularly review and adjust the COPQ Plan for effectiveness
- 6 Work with a trusted quality engineering consultant with experience in the retail market

Take control of your organization's COPQ.

Ready to get started?

or go to qaconsultants.com/industries/retail and fill out the form requesting our COPQ Assessment

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