

Cost of Poor Quality (COPQ)

COPQ is divided into 4 categories:

- ❖ Appraisal costs (costs associated with inspection and testing to monitor and measure quality parameters)
- ❖ Prevention costs (costs associated with quality planning and preventing errors from reaching final customer through testing, audits, process controls, etc.)
- ❖ Internal error costs (internal costs associated with rework)
- ❖ External error costs (impact of poor quality product on customer such as loss of goodwill, returned sales, service problems and warranty obligations, etc.)

Savings Associated with Reducing COPQ

- ❖ Hard savings
 - Direct flow to the Profit and Loss (P&L) statement
 - Tangible
 - Can be directly measured
 - Examples:
 - Decreased costs
 - Reduced rework
 - Reduced cycle time
- ❖ Soft savings
 - Intangible
 - May not be directly measured
 - Examples:
 - Loss of goodwill
 - Loss of competitive advantage
- ❖ Cost avoidance savings
 - Difficult to quantify
 - Savings resulting from actions taken to reduce future costs