

Product management

Product quality and communication

Lecture 10

Theoretical view on quality....

- Experts view:
 - **Quality is crucial factor of competitiveness,**
 - **Quality is important for market efficiency and economic based consumer decision process (rational choice approach) .**
- Experts recommendation
 - Consumer should prefer quality products.
- Reaction of consumers
 - **Quality belongs to the crucial customers decision making factors** (normally among two main factors together with price)
 - **Customer follows the quality of product and apply it in his/her consumption.**

Business reaction

Companies understand the importance of quality for competitiveness and consumers decision making process

Practical Result of quality approach by business...

- Only product of high quality are available on the market
- Consumer don't risk to purchase dangerous, hazardous or unsafe products
- Companies are trying harder to achieve higher quality of products rather than to decrease the costs of production....

Do you agree?

Identifying problem....

- If theory is not applied in practice question arises?

WHY?

- „communist“ answer – businesses are misleading and deceive consumers
- „conservativist“ answer – consumers are stupid and can not behave rationally

It can be partly right, my suggestion is

... Maybe

- We perceive quality oversimplified and use it instead of something what we can not rationally explain
- Course question:
- What is quality ?
- How is/can be quality perceived ?
- How can we connect perception of quality by producer and customer?
- How we can prove our information about quality?

- Companies have different perception of quality
- Consumer segments have different requirements and their quality perception is therefore different.
- Price is on one side indicator of quality on other side relative factor of value

- There are similar terms describing product, i.e. attributes, benefits, values characteristics and there is no unified distinction among them
- Marketing added values are by experts not considered as quality factor, but consumer use them as quality indicators (i.e. brand)

Some Reason why quality is not the same as quality

2. DEFINITION AND MEANING OF QUALITY

Why quality is important?

- Quality has direct impact on economic results in both ways
- Costs
 - Quality assurance
 - Poor quality costs
- Incomes
 - Higher amount of sale by good perception of customers
 - Higher price that consumers are willing to pay

Three balloons (yellow, blue, and purple) with yellow streamers are positioned on the left side of the slide.

Cost of Achieving Good Quality

- Prevention costs
 - Quality planning costs
 - Product design costs
 - Process costs
 - Training costs
 - Information costs

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Cost of Achieving Good Quality

- Appraisal Costs
 - Inspection and testing
 - Test equipment costs
 - Operator costs

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Costs of Poor Quality

- Internal Failure Costs
 - Scrap costs
 - Rework costs
 - Process-failure costs
 - Process downtime costs
 - Price-downgrading costs

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Costs of Poor Quality

- External Failure Costs
 - Customer complaint costs
 - Product return costs
 - Warranty claims costs
 - Product liability costs
 - Lost sales costs



Costs of Poor Quality

- External market situation losses
 - Decrease of brand loyalty
 - Reduction of brand equity
 - Deterioration in the competitive situation
 - Loss of trust by stakeholders



Definitions of Quality

1. Customer-Based- Fitness for use, meeting customer expectations.
2. Manufacturing-Based- Conforming to design, specifications or requirements, having no defects.
3. Product-Based- The product has something that other similar products do not that adds value.
4. Value-Based- The product is the best combination of price and features.
5. Transcendent- It is not clear what it is, but it is something good...



Dimensions Of Product Quality

1. Performance - basic operating characteristics
2. Features - “extra” items added to basic features
3. Reliability
4. Conformance - meeting pre-established standards
5. Durability - life span before replacement



Dimensions Of Product Quality

6. Serviceability - ease of getting repairs, speed & competence of repairs, probability product will operate over time
7. Aesthetics -look, feel, sound, smell or taste
8. Safety - freedom from injury or harm
9. Other perceptions - subjective perceptions based on brand name, advertising, etc

Dimensions Of Product Quality

- According to relation to product
 - Product-oriented quality - direct declared quality
 - Process-oriented quality- high quality product is result of high quality processes
 - Company-oriented quality- only company with high quality in all activities can produce high quality product .
- According to time
 - Immediate quality – quality at the moment of evaluation
 - Short time quality - quality at the moment of use
 - Log time quality - ability to be used for long time
 - Sustainable quality – ability to be used without negative impact on society

3. QUALITY AND THE OTHERS

Product description besides quality

- In practice we can meet with various concepts of characterization and description of product
- Sometimes they are direct connected with quality and quality evaluation
- Some concepts are very close to each other,
- Majority of concepts has origin in technical sciences and are used for technical description of product, i.e. product design and designing production processes

Product Features

- product characteristics that deliver benefits; we buy products for their benefits.
- product characteristics such size, color, horsepower, functionality, design, hours of business, fabric content, etc.

Product Attributes

- Words or phrases that express the impressions of or characteristics of a product or service, such as durability, reliability or good taste.
- distinctive tangible and intangible features of a product that give it its value to a user.

Product Characteristics

- Product characteristics can be viewed as technological, consumer and market:
 - **technological:** raw materials, composition, structure, size/shape, processing method, storage method, product type;
 - **consumer:** convenience, sensory properties, use, nutrition, safety, psychological, social;
 - **market:** type of market, marketplace, sales, price, promotion.

Product Functions

- Are abstractions of what a product should do
- There is a limited number of elementary (general) functions on a high level of abstraction
- On them are develop other functions with different mutual relations
- Together they built function structure – abstract model of the new product without material feature such as shape, dimension and material of the parts .

Product Benefits

- product attribute expressed in terms of what the user gets from the product rather than its physical characteristics or features.
- are often paired with specific features, but they need not be.
- they are perceived, not necessarily real.




Product Parameters

- Qualitative and quantitative aspects of physical and functional characteristics of a component, device, product, or system that are input to its design process
- Design parameters determine cost, design, and risk tradeoffs in the item's development.



Product Values

- in marketing can be defined by both qualitative and quantitative measures.
- On the qualitative side, value is the perceived gain composed of individual's emotional, mental and physical condition plus various social, economic, cultural and environmental factors.
- On the quantitative side, value is the actual gain measured in terms of financial numbers, percentages, and money.



Importance of different approaches

- Many terms are using other terms to defined their content
- Many terms are indirectly indicating their fulfilments as quality prove
- Majority of terms is technical oriented and tend to use objective and measured values



4. SATISFACTION AND QUALITY