

The article below appeared in the June, 1990 issue of Business Month magazine

BEWARE THE GOD OF QUALITY

By Russell G. Redenbaugh

May 2, 1990

Copyright (c) 1990 Russell G. Redenbaugh

Companies that saw their market share shrink in the 1980's are now embracing a new religion, quality. They are convinced that their salvation lies in zero defects. As a professional investor and business analyst, I can tell you that they are badly misguided.

Quality cannot be produced the way we produce a product. There is no one single measurement of quality. Quality is an assessment. It is an opinion. It is a verdict. Like beauty, honor, or fairness, it is hard to pin down. The quality of a Mercedes-Benz is assessed in many ways: style, engineering, performance, even how it supposedly enhances the driver's prestige. What we really should be concerned about is customer satisfaction.

Motorola, now the darling of the quality movement ("Stalking Six Sigma," Business Month, January, 1990), produced a great breakthrough by dramatically reducing the number of defects in its two-way radios. But it also did something that to me is far more important: It cut the time from receipt of a customer order and shipment of the product from two months to two hours. The satisfaction of a quick, certain delivery may be equally important to the customer as fewer defects.

Customers do not buy quality. They buy satisfaction. The two are categorically different.

McDonald's has sold 75 billion hamburgers in the past 35 years. It has annual sales of \$6.1 billion, pretax return on equity of 31%, and its sales have grown 12 percent a year in the last decade. It has continually increased its market share and eliminated competitors.

Does McDonald's sell quality? It has won no culinary or nutrition awards that I know of. McDonald's sells customer satisfaction, and it manages this religiously. It obsessively measures, monitors, and promotes customer satisfaction.

Deluxe Corp. does not sell printed checks. It sells satisfaction. Customers get error-free checks within 48 hours. Not sometimes, or mostly, but every time.

BEWARE THE GOD OF QUALITY

By Russell G. Redenbaugh

May 2, 1990

If we confuse quality with customer satisfaction, we fall into big trouble. Satisfaction is what people pay for, over and over again. It is this recurrence that produces profitability. Companies that forget about customer satisfaction may disappear. Dissatisfied customers return products (and increase service costs), don't buy again, and tell their friends how dissatisfied they are.

Companies that are winning market share avoid this. They listen to the market. They listen to their customers, and listen for dissatisfaction.

I have seen many corporate fads produce excitement, then failure. Remember T groups, sensitivity training, quality circles, Theory Y and Theory X management, "The Search for Excellence?"

The quality movement is a good idea. But it isn't quality that we should be managing. Customer satisfaction is what produces lasting results.

Russell G. Redenbaugh

Partner & Director,
Cooke & Bieler, Inc.
Philadelphia, PA

Chief Executive Officer
Action Technologies, Inc.
Alameda, CA

c) Copyright 1990 Russell G. Redenbaugh

PRIVATE COMMUNICATION--BUSINESS CONFIDENTIAL

THIS IS A PUBLISHED WORK OF AUTHORSHIP PROTECTED BY THE
COPYRIGHT

LAWS OF THE U.S.A. IT MAY NOT BE REPRODUCED, COPIED, OR
PUBLISHED WITHOUT THE EXPRESS, WRITTEN CONSENT OF THE AUTHOR