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New Consumer Behaviors Force Manufacturers to Recalculate the ROI of Quality

Online marketplaces are flooded with cheap, low-quality goods. Approximately 25% of online shoppers describe an experience where they've been tricked into purchasing a low-quality item—and Amazon recently reported that it destroyed 2 million counterfeit goods in 2020.

This problem has contributed to changes in consumer behavior that affect all industries, regardless of whether they sell directly to the consumer or online marketplaces.

- **Quality is becoming more important than price.** One problem with low-quality goods is that you have to keep buying them because they break so often. Consumers prefer paying more for a product they know functions as advertised and lasts for a long time—this saves money in a way because they can amortize the cost of more expensive goods.
- **Consumers are performing more research.** There are so many identical products in the marketplace right now—is that pair of wireless headphones a good deal or instant garbage? The only way of telling is by reading someone else's reviews, finding an online review site, and making a bunch of comparisons. All this means that almost 90% of consumers research before making a purchase. That goes for retail verticals as well, with over 80% of consumers using their phones to research products they're about to buy in person.
- **The cost of poor quality is increasing.** The consumer who does extra research before buying a new smartphone might be the same person in charge of purchasing medical devices at a hospital or new food and beverage products for a supermarket chain. Vendors and distributors apply the same rigor they've learned as consumers. In short, customers across every industry have an even lower tolerance for poor quality.

If customers' rejection of poor quality is high, does that mean that the ROI of good quality is high? Signs point to yes. Organizations pointing to quality as a strategic revenue driver will rise through the marketplace, earning customer loyalty and ultimately outperforming a sea of also-rans.

New Ways to Achieve Quality ROI

Now that customers are more rigorous about quality, manufacturers have a few things to understand. First, what aspects of quality are customers seeking? Are they interested in longevity and durability, or do they want expanded feature sets and improved functionality? Both? (It's probably both.)

This information used to be largely inaccessible. First, it was inaccessible because the internet didn't exist. Then it was inaccessible because, although the internet existed, customer feedback remained siloed. Customer complaints stayed at the service desk; customer reviews stayed in the marketing department. Little of this information made its way back to product designers.

That leads us to our first new way to achieve quality ROI—breaking down silos. Companies can improve their quality of ROI when information from the end of the product life cycle can flow back to the beginning of a different product life cycle. Not only does the product improve, but it also improves in the specific ways customers want, making them feel that they're being listened to—making them into more loyal customers and increasing quality ROI.

What's the ROI of Avoiding Quality Issues?

Another new way to approach quality ROI is to think about how much it costs to correct things when you get things wrong. That is the effect of yet another consumer behavior pattern that has changed very recently! Almost 80% of customers want free return shipping, for example. Most online sellers now offer extended grace windows for product returns because of COVID—don't expect this to change back soon. Online marketplaces, including Amazon and Walmart, penalize or downrank sellers who experience high return rates or a significant number of bad reviews.

Poor quality has always cost companies a significant amount of money—but now it's poised to cost more and in more ways. A single irate customer can garner more eyeballs than ever before with a single bad review, and restitution costs can be extremely high. It's hard to calculate a monetary benefit for preventing bad reviews, but there's definitely an ROI.

Invest in Quality to (Safely) Meet Increasing Customer Demand

Finally, there's the fact that consumers right now are demanding more of everything. Industries from semiconductor manufacturing to lumber are experiencing increased scarcity and higher prices partly because of customer demands. Manufacturers are working furiously to bring capacity online, and they're working their existing production lines faster and hotter.

Quality is invaluable in this context. Because assembly lines are running faster, a production error could affect a more significant number of goods before it's caught. Worse, there's a higher chance that a production error could cause an unplanned shutdown. In the very worst-case scenario, a quality defect could cause the loss of your production facility. Here, investing in quality means making sure that you can meet growing customer demands without losing money.

Investing in quality means that you'll be able to increase production, avoid adverse reputational effects, and optimize your product life cycle to add features that consumers want. By promoting quality as a strategic initiative throughout your business, you'll be able to stand out from a sea of identically mediocre products.

ETQ helps organizations realize the business opportunities that quality creates. Our industry-leading Reliance quality management system SaaS solution features built-in best practices and best-in-class flexibility, adaptability, scalability, and usability to optimize the critical processes that drive excellence through quality.

To learn more about how ETQ can help you unlock the value of quality management system software, contact us today. Alternatively, reach out for a demo and find out how to move through your quality journey.