Product Competitiveness – A Case for Quality in the Market Place

Oswald Chinyamakobvu
Technical Advisor – TBT/SPS/Quality Infrastructure
Presentation Outline

• The market
• Market requirements
• Quality and the market place
The market – it’s a jungle out there....!

- A place of fierce competition
- Domestic dominance no longer applies
- Protectionism now an international no no!
- In any given market we have local and foreign players
- Domestic focus is no longer sustainable
- Have to look at the market as global
- Consumers more demanding and selective
- Social responsibility pressures
Success on the market depends on...

• Speed to market
• Meeting regulatory requirements
• Price
• Quality

• But which of these really give you the edge???
Speed to market depends on....

- Physical infrastructure
  - roads,
  - rail,
  - airports,
  - transportation,
  - communication
  - Internet
  - buildings

- Generally outside the control of the entrepreneur and so affect everyone equally
Regulations....

• Liberalization comes with its own risks;

• To protect people, animals, plants and the environment from capitalist excesses governments have had to regulate the market;

• However they are obliged to do so in a way that does not stifle trade/business or discriminate;

• Impact of regulation therefore applies more or less equally to all players;
Maybe the price?

• Unless you are a very lucky monopoly your price will be determined by:
  - Raw material cost
  - Labour costs
  - Factor costs (electricity, water, etc)
  - Processing costs
  - Packaging costs
  - Distribution costs
  - Your mark up

• It is reported that the price variability for the majority of consumer products is generally in a 7% range: (P=100; L=93; H=107)
Could QUALITY therefore possibly be the secret weapon to give you that competitive edge......?
What is quality?

• ISO 8402-1986 standard defines quality as “the totality of features and characteristics of a product that bear on its ability to satisfy stated or implied needs”;

• A modern definition of quality derives from Juran's "fitness for intended use." This definition basically says that quality is "meeting (or exceeding) customer expectations“ – *Fitness for purpose*...
What is quality? cont’d

According to many definitions, quality is a relative concept.

ISO 9000:2005 – degree to which a set of inherent characteristics fulfill requirements;

By linking quality to requirements, ISO 9000 argues that the quality of something cannot be established in a vacuum; quality is always relative to a set of requirements.
• **Quality assurance** (QA) is a broad concept that focuses on the entire quality system including suppliers and ultimate consumers of the product or service. It includes all activities designed to produce products and services of appropriate quality. QA includes all those planned or systematic actions necessary to provide adequate confidence that a product or service will satisfy given needs. *(Quality control [QC] has a narrower focus than quality assurance. Quality control focuses on the process of producing the product or service with the intent of eliminating problems that might result in defects.)*

• **Quality management** is the totality of functions involved in the determination and achievement of quality (includes quality assurance and quality control).
The requirements..

- Will find these in a standard;

- In essence, a standard is an agreed way of doing something. It is put together by interested stakeholders to define some agreed comparative basis, platform, reference point, etc. It could be about making a product, managing a process, delivering a service;

- Why use it? Not a lot of extra effort to make according to standard requirements, what you are already making anyway;
What will standards do for me?

- Provide me a framework for achieving economies of scale, efficiencies and interoperability;
- Enhance consumer confidence in my products;
- Avoidance of re-works, recalls;
- Inculcate a quality culture in my organization;
- Help me meet product requirements consistently;
- Facilitate trade;
- Underpin good regulatory practice (meet mandatory safety, health, environmental requirements);

- **Standardization alone leads to growth of 1-3 % in GDP (DIN study).**
What are the other requirements?

- Demonstrate that you are meeting standard requirements in a way that convinces customers;

- How? Independent attestation of compliance to standard using available and appropriate conformity assessment services;

- Do it consistently;
CISCO

• A global Digital Technology company shaping the future of the Internet by creating unprecedented value and opportunity for customers, employees and investors.

• They are a worldwide leader in networking - transforming how people connect, communicate and collaborate;

• Their slogan: \textit{delivering lasting value...}
Cisco's Business Management System is made up of two parts; the *Quality Management System* and the *Environmental Management System*.
• **Internal Audit Process** - Process to monitor the on-going effective implementation of the quality and environmental management systems. Internal Audits are used to identify best practices, identify potential areas for improvement and verify conformance to ISO 9001 and ISO 14001 requirements.

• **Annual Customer Satisfaction Surveys** - Ongoing web based surveys of the customer's perception of all aspects of Cisco's performance.

• **6-Sigma** - One of the methodologies used for problem solving and continual improvement of our business processes.
Plastic Pipes and Products Piping Systems Ltd.

- PPP PSL is well-established in Mauritius, and is part of the Desbro Group of Companies.

- Manufactures plastic pipes and fittings made of PVC-U in sizes ranging from 20 mm to 250 mm.
Attitude of the company towards standardization

• Quality is the guiding principle at PPP PSL.

• All PPP PSL products are manufactured according to international or European standards.

• The company uses standards as a strategic tool to improve the quality of its products, and to enhance competitiveness.
And the benefits.....!

- **QMS** and **product certifications** have assisted the company in obtaining tenders from public organizations in Mauritius (the Central Water Authority and the Irrigation Authority) for the supply of plastic pipes, and have opened up access to regional markets.
Juhayna Food Industries S.A.E.

- Juhayna is a leading producer and distributor of packaged milk, juice and yogurt products in Egypt.

- According to the Middle East Market Research Bureau (MEMRB), it held market-leading shares of 69% of the plain packaged milk market, 31% and 86% of the spoonable and drinkable yogurt markets, and 35% of the carton-packaged juice market in 2009.
• Juhayna is a strong believer in standards and has been involved in the development and the implementation of standards in Egypt for more than 25 years.”

• Committed to maintaining high quality standards and adopting best international practices in order to deliver quality products at best value and service to their customers.

• It is certified against ISO 9001:2008, ISO 22000, ISO 14001 and OHSAS 18001.
Juhayna – Regulatory environment

• As a dairy and juices manufacturer Juhayna is supervised by the Egyptian health and industry ministries, and is regulated by Law No. 48 of 1941 (amended by Law No. 281 of 1994) pertaining to Trade Deceit, and Law No. 10 of 1966, regulating foodstuffs and their circulation.

• According to Law No. 48, a producer shall be liable in the event that he sells or distributes defective products.

• Law No. 10 prohibits the production, preparation, presentation or offering of products, or the storage, transfer or delivery of the same if this is not in compliance with the requirements specified by applicable laws and regulations; the products contain harmful ingredients; or if the labelling is misleading.
<table>
<thead>
<tr>
<th>Business Function</th>
<th>Operational Indicators</th>
<th>Impacts</th>
<th>Contribution of Standards (as % sales revenues) 2008 - 2012</th>
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</thead>
<tbody>
<tr>
<td>Supply Chain</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Procurement</td>
<td>Time for orders</td>
<td>Reduced by 50%</td>
<td>0.08</td>
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<td></td>
<td>Manpower to deal with suppliers</td>
<td>Reduced by 50%</td>
<td></td>
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<tr>
<td>Inbound Logistics</td>
<td>Downtime</td>
<td>Reduced by 2%</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Manpower for testing incoming raw materials</td>
<td>Reduced by 50%</td>
<td></td>
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<td></td>
<td>Risk of using defective materials</td>
<td>Reduced by 25%</td>
<td></td>
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<tr>
<td>Manufacturing</td>
<td>Efficiency</td>
<td>Increased by 70%</td>
<td>10</td>
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<tr>
<td></td>
<td>Energy used in the units</td>
<td>Reduced to lowest level</td>
<td></td>
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<tr>
<td></td>
<td>Waste</td>
<td>Reduced by 2%</td>
<td></td>
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<tr>
<td>Distribution (Outbound Logistics)</td>
<td>Nonconforming products in the market</td>
<td>Reduced by 5%</td>
<td>1.5</td>
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<td>Total percentage contributed (compounded over five years):</td>
<td></td>
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<td>16.58</td>
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<td>Average annual contribution</td>
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<td>3.32</td>
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Summary

• In business everything is important;
• There is need to optimize on all aspects of business operations;
• Standards and quality are an investment whose benefits will be competitive products, better legal compliance, customer retention, sustainable operations; and...

• *Lasting value!*
Thank you for your attention!