



THE TIMES 100

BUSINESS CASE STUDIES

Quality management - Zurich

Zurich Insurance Group provides insurance and other financial services to both individuals and businesses. Zurich products and services include insurance for properties, accidents, cars and life. In a service industry many companies offer broadly similar products. Quality is one way in which Zurich can differentiate its services from those of its competitors. Quality can be described as 'fit for purpose'. Note that quality does not necessarily equate to 'luxury'. For example, if someone wants to hire an economical and easy-to-park car, then a model such as a Smart car would adequately meet the customer's need so would be fit for purpose. Quality is linked to what the customer needs and expects. If a product meets these needs and expectations, then it can be considered a quality product. Quality is equally relevant to a service business as to a manufacturing one.



Quality can be managed in several ways. It can be measured at the end of a process to make sure that any sub-standard products do not reach customers. This is known as quality control (QC). This procedure is most often used in product manufacturing. The process involves testing a sample of the product as it comes off the production line. Putting things right at the end of a process is often costly. In a service industry, a quality control approach is rarely enough to maintain standards. This is because many aspects of a service are only realised as they are delivered to customers. This is why many businesses use other ways of managing quality. One approach is quality assurance (QA). Quality is not simply considered at the end of a process but at every stage. Processes or procedures can be measured against set standards or 'best practice' benchmarks within the industry. Total quality management (TQM) is an approach that seeks to ensure that all parts of a process are 'right first time'. The aim is for 'zero defects'. A TQM approach requires every employee to take responsibility for delivering quality. TQM looks at improving both the people and processes involved in the business through continuous improvement.



Zurich's approach to managing quality uses a combination of the methods above. Firstly, it uses iQUALITY to embody the principles of TQM, helping to bring this to life in the minds of its employees so they apply it to the customer care experience every day. Secondly, Zurich carries out regular quality sampling of the customer care it provides and the outputs it produces, e.g. letters and benefit statements. In practice, it is difficult to remove errors completely from a

business process. To drive continuous improvement, what an organisation can do is identify errors and put them right. Zurich uses a process known as 'root cause analysis'. This is a way to find out why something went wrong and to find ways to stop it from happening again. Once the root cause is identified, Zurich can devise a suitable solution to stop it happening again and then monitor outcomes to make sure that the solution is addressing the problem. For example, one issue facing Zurich was that it was receiving a number of similar complaints from customers about not receiving payments promptly when their savings policies matured (came to an end). Zurich found the root cause was that the manual process for issuing claim packs and sending payments for these policies was causing delays. Zurich changed the process so that packs are now sent out earlier and the payments are sent out automatically 10 days before a policy matures. There has since been a 78% fall in complaints related to this issue.

In order to measure quality, a business needs to establish key measures to track how well it is meeting standards. It could, for example, measure how many customers buy other products from the company (repeat business) or how fast it responds to customer queries (customer response rates). It is also important for a business to capture and regularly review the results of its quality management processes against its own or industry-set benchmark standards. Zurich uses a quality framework to regularly review the results of its quality measurements against benchmark standards. A business may also use measures set by outside bodies such as the British Standards Institute (BSI) or against the performance of other businesses in its industry. As part of its customer impact scheme, Zurich asks customers to rate the company's performance. Most recent results show that most customers rate Zurich as good, very good or excellent in the three key areas aligned to its business objectives.



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There are costs involved in setting up systems to manage and improve quality. It requires staff to spend time in training or in monitoring processes. It requires investment in quality measurement systems. A quality-conscious business recognises that these costs are a good investment. Providing quality services delivers benefits to the business. It can gain savings from having more efficient staff and processes, higher productivity and fewer rework costs. Some benefits are harder to measure but also add value within the business, such as improved staff morale and motivation. These help to retain staff, build experience within the business and save on recruitment costs. Good quality should also be reflected in the bottom line – in sales and profits. High levels of customer care create high levels of customer satisfaction which can give the business a competitive advantage. In the Financial Services industry, products and prices can appear very similar to customers so customer care is the differentiating factor between providers. Customers that have a positive experience are much more likely to renew their policies, buy other products and services and recommend the company to others.

Questions

1. What is meant by quality?

2. Explain the difference between Quality Control and Total Quality Management.

3. Explain why high quality customer service is particularly important in the Financial Services industry.

4. Analyse the benefits of managing quality to organisations

Task

For a business with which you are familiar, devise a quality management plan. This should include how quality can be measured and what quality management methods should be put in place. You should justify your decisions.

What have you learned?

In exactly thirteen words...write about something you have learned in this session about quality and quality management.