

# PARETO CHART

# WHAT IS PARETO CHART?

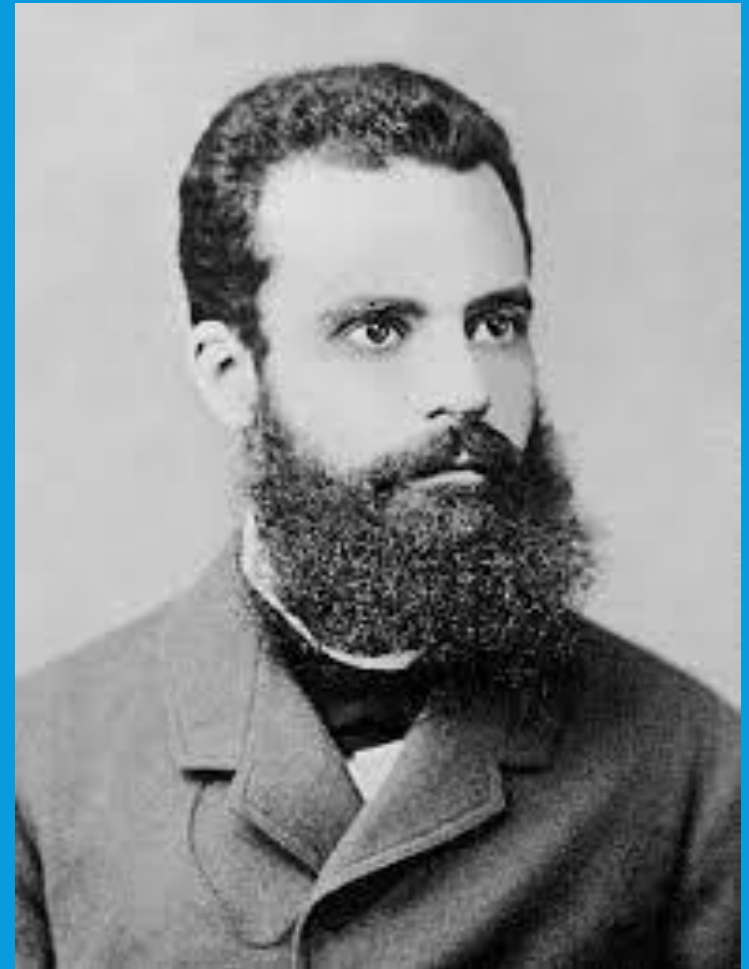
- ✓ A technique used to identify quality problems based on their degree of importance improvement.
- ✓ The logic behind Pareto analysis is that only a few quality problems are important, whereas many others are not critical.
- ✓ It has a concept often been called the 80 – 20 rule. The law of the vital few and trivial many.
- ✓ It identifies which initiatives to prioritize that make the most impact.

# WHAT IS PARETO CHART?

- ✓ In quality management the logic behind Pareto's principle is that most quality problems are a result of only a few causes.
- ✓ A chart that ranks the causes of poor quality in decreasing order based on the percentage of defects each has caused.

# A LITTLE BIT OF HISTORY

Developed by Italian economist **Vilfredo Pareto** in 19<sup>th</sup> century.



# EXAMPLE

A team wanted to reduce the number of billing problems. Customer service reps were asked to record the type of defects (or billing problems) for each customer call during a one-week study period. At the end of the week, the team collected the check sheets and tallied the results by specific cause.

Defect Type	Frequency
Service Coding	32
Time Incorrect	20
Address Wrong	8
Format Confusing	6
Rate Factor Incorrect	4
Payment Not Credited	3

# HOW TO CREATE A PARETO CHART?

1. Total the data on effect of each contributor and sum these to determine the grand total.
2. Re-order the contributors from the largest to the smallest.
3. Determine the cumulative-percent of total.
4. Draw and label the left vertical axis.
5. Draw and label the horizontal axis.

# HOW TO CREATE A PARETO CHART?

6. Draw and label the right vertical axis.
7. Draw bars to represent the magnitude of each contributor's effect.
8. Draw a line graph to represent the cumulative-percent of total.
9. Analyze the diagram.
10. Title the chart, label the "vital few" and "useful many".

**THANK YOU!!!**