

GREEN PRICES – A REFLECTION OF ENVIRONMENTAL PROTECTION

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Abstract

The price is generally a very important factor in taking the purchase decision; it will influence the acceptance or rejection of organic products. For those who believe market forces represent a path to sustainability, it is vital to include eco-costs in the product costs and, further, in their prices. Otherwise, consumption growth will result in a continuous degradation of ecosystems, taking into consideration that environmental costs are not reflected in the price. To what extent a company is considering the ecological policy will be reflected in its cost structure. Organic products, most of the times, will incur additional costs generated by preservation and improvement expenses for environmental. These expenses will be reflected in costs, the price will reflect the value of the main benefits required by the consumer.

Key words: cost, ecosystem, environment, price

INTRODUCTION

Paul Hawken emphasized the idea that "consumers are offered incomplete information because the business environment does not support the true costs of the product sold. When they will receive the correct information, not only about the price but also the cost, people will make smart and accurate decisions in order to improve their own lives, but also that of those around them"[4] This incomplete information refers to underestimation or exclusion of eco-costs (costs associated with environmental protection) from the unit cost structure, leading to the establishment of unrealistic prices.

MATERIALS AND METHODS

Based on the price role as an element of the marketing mix in order to provide an indicator of the transaction amount and additionally to reflect the sale terms through quantitative reductions, allowances, etc., we can sense its importance in shaping an environmental behaviour. Through price an offer from the seller to the buyer is being realized, which he can accept or reject.

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influence the acceptance or rejection of organic products. For those who believe market forces represent a path to sustainability, it is vital to include eco-costs in the product costs and, further, in their prices.[7]

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RESULTS AND DISCUSSIONS

To what extent a company is considering the ecological policy will be reflected in its cost structure. Organic products, most of the times, will incur additional costs generated by preservation and improvement expenses for environmental conditions (for e.g., only the firms in the EU spent annually approx. £ 30 billion for environmental protection and safety). [7]

These expenses will be reflected in costs, the price will reflect the value of the main benefits required by the consumer, all costs involved by classic marketing, all those costs that would confer environmental attributes (increased costs due to the introduction of eco-compatible materials, investments for the greening of processes and technologies investment (170 billion dollars was only the

amount needed by the U.S. to eliminate chlorofluorocarbons), additional costs required for complying with new environmental regulations (for e.g. expenses with the introduction of catalytic converters, reserves for additional costs for remediation, necessary in the situation where environmental disasters occur, costs associated with environmental taxes).

However, there are a number of savings connected to conferring environmental attributes generated by reducing the quantities of raw materials, materials, energy required to manufacture the product, the "dematerialization" of packaging, switching to cheaper fuel in achieving transport within the firm (for e.g. the use of unleaded petrol).

Prices for green products may be higher as a result of awards or compensation awarded to producers for their environmental efforts. For example, for every litre of organic milk taken by the English state from the farmers such an award shall be granted. It is granted if the cows are fed organic, feed produced without the use of chemical fertilizers, fertilizers, insecticides. [5]

Although, in general, there are higher prices for organic products, however this kind of products can lead to significant savings during use (for e.g. economic bulbs, besides the fact that they have a much lower energy consumption, they have a much longer life - seven times higher than ordinary bulbs).

In making decisions regarding "green" prices, three key issues are required to be taken into account: the structure of unit costs, consumer perception, products and competitors' prices.

Unit costs play a crucial role in pricing, they: quantify the expected unit cost per volume, set the lower limit of the price, represent one of the two factors involved in determining profit. Profit is a key criteria of the economic activity, setting unrealistic costs or setting them incorrectly (by not performing and not including eco-costs), generates false signals about what is profitable and what is not.

Most of the times the prices of organic products are higher, due to the inclusion of environmental costs.

In this context, Ken Peattie makes a

significant statement which changes the view on the problem. He says: "The idea that organic products are somehow unusually expensive is probably an illusion. The reality is that "grey" products (traditional, ordinary) are unrealistically cheaper. Costs associated with environmental degradation in the case of "grey" products are not reflected in their prices, so that the environment provides a subsidy".[7]

The ratio beneficial fauna/pest fauna indicates the equilibrium or non equilibrium state in the researched corn field and imposes applying the measures of amelioration that are adequate for a lasting economic development in the benefit and for the welfare of the entire community. [1]

Therefore, the issues to be considered and resolved are: identifying the numerous sources of eco-costs and developing ways in which they are allocated to products responsible for them. In order to solve the second problem it is necessary to reflect specific accounting, record them separately and not together with other expenses, in order to be considered in making decisions about the products that will be achieved, technologies and materials that will be used. Further more, regulations pressure, public opinion, organization commitments towards community make this separate and distinct efforts evidence necessary for the protection of the ecosystems. [2]

As pointed out by Philip Kotler, "ultimately the consumer will decide if the product price is right." He believes the value consumer perception as the key to pricing. It has the essential role and not the seller's costs. Pricing oriented to the consumer means knowing the value it assigns to benefits obtained through the consumption or use of the product. [6]

The value perceived is given by the relationship between the perception of primary and secondary benefits and monetary sacrifice. [3]

Consumers make the buying decision based on the perceived benefits. Usually, the environmental benefits take the form of intangible promises on further improving the quality of life, they are usually secondary

benefits and consumers are not concerned in particular. They are rated favourably if any, but not vital if they don't exist.

In addition, consumers may not have the necessary know-how about the environmental attributes or not to inquire about them and then we can not speak of any association between perceived value and perceived environmental attributes and the number of those who would pay more for organic products is small. However, experts agree that increasing the level of education, of knowledge regarding environmental issues; environmental attributes are transformed into purchase decision making factors, when price and quality are perceived as equal for more alternatives. [7]

Another important element to be considered when setting up prices are competitors decisions, prices and costs. Organic products and their prices will be competitive with conventional ones, so they will have to deal with strong competition. With similar products perceived as having the same quality and the same price, the environmental attributes can become elements that are considered in the purchase decision, becoming a competitive advantage. The consumer can then say to himself that he did the right thing by choosing organic products without having to pay a higher price and without compromising the primary benefits.

But also based on the price charged by the seller, organic products can compete, so is the case of the supermarkets in Great Britain. [8]

In the UK, supermarkets are widely criticized as they practice for organic products higher prices than those charged by small retailers. At Tesco, the largest supermarket chain, organic foods are up to 63% more expensive, at Sainsbury's by 59%, at Waitrose's by 38% (Eurofood, 2002). Obviously these higher prices can estrange consumers from organic products, and the number of clients served by supermarkets is higher compared to the clients represented by small specialized retailers.

CONCLUSIONS

To what extent a company is considering the ecological policy will be reflected in its cost

structure.

In making decisions regarding "green" prices, three key issues are required to be taken into account: the structure of unit costs, consumer perception, products and competitors' prices. Another important element to be considered when setting up prices are competitors decisions, prices and costs. Organic products and their prices will be competitive with conventional ones, so they will have to deal with strong competition. With similar products perceived as having the same quality and the same price, the environmental attributes can become elements that are considered in the purchase decision, becoming a competitive advantage. The consumer can then say to himself that he did the right thing by choosing organic products without having to pay a higher price and without compromising the primary benefits.

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