

Pricing of Certification for Ecological Products' Processing for Sustainable Business Management

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Introduction

In formation of a company's pricing policy for goods or services, it is important not only to set a price that will cover operating costs incurred and earn some profit, but also to ensure that pricing decisions are based on the principles of sustainable business management and fairness.

The aim of the research is to develop a methodology for pricing of ecological products' processing certification in order to achieve sustainable business management.

Research methodology

The analysis of the specifics of the pricing methods and their application to the certification of processing of ecological products' was performed under the methods of scientific literature analysis, comparison, logical analysis and synthesis.

The methodology for pricing of ecological products' processing certification was designed under the methods of focus group interview, logical analysis and synthesis, comparison and modelling of the criteria and factors which determine the certification fees for ecological products' processing.

Actual data of the certification body, interviews with the management of the certification body and divisional management, analysis of their experience were performed in the process of development and implementation of the methodology for determination of the certification fees for ecological products' processing.

The methods of logical analysis and synthesis, logical abstraction and comparison were used to propose new certification fees for ecological products' processing based on the empirical calculation results.

The resulting fees are adjustable for any future amendments to the values of the indicators used in the methodology for determination of certification fees, using the respective information technologies.

Research limitations: The developed methodology has been verified using the data by a company holding monopoly rights in this area as well as its business partners/customers.

Results

Pricing methods differ depending on the goals of the company. After analyzing the international experience in forming the pricing of certification services, it can be stated that different foreign certification companies apply different methodologies for setting certification fees.

The fee for certification services is usually chosen to be based on ecological turnover, i.e., the certified company's income from environmental activities. In addition to this contribution, there are optional bonuses for the complexity of the control, the time spent, the distance traveled. Another methodology for pricing certification services is based on the costs incurred by the certifying company. However, this methodology also takes into account the environmental friendliness of production, the number of products to be certified, the complexity of the product to be certified.

Considering the objectives of pricing, pricing models and their application opportunities in setting the prices of certification services, methodology for certification services of ecological products' processing has been developed (Fig. 1).

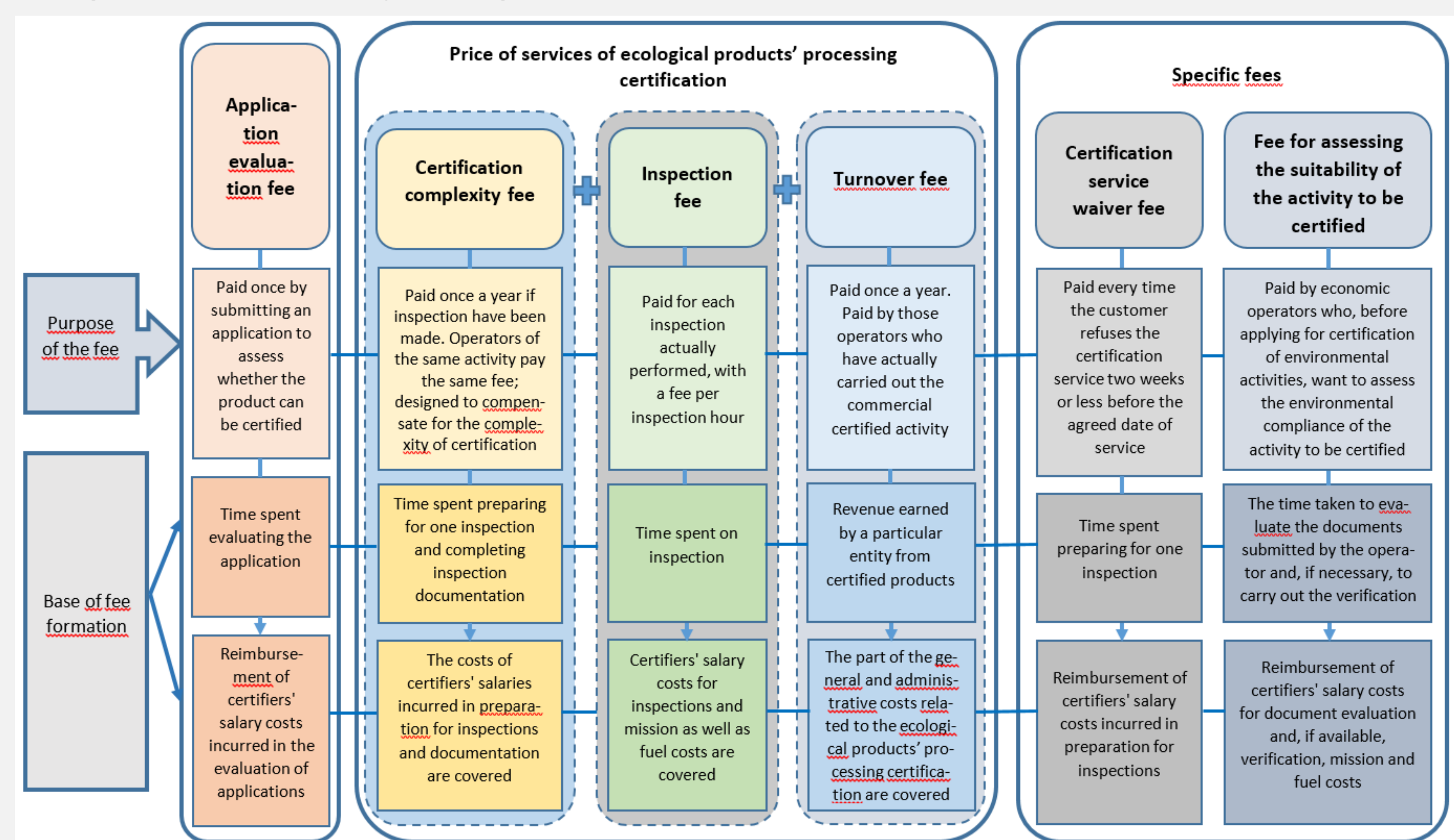


Fig. 1. Logical scheme of certification pricing methodology for ecological products' processing

According to the proposed methodology for ecological products' processing certification services pricing, an operator should pay an application evaluation fee when registering for the first time for ecological products' processing activities and submitting an application for certification of ecological products' processing activities. Meanwhile, two weeks or less before the date of the certification service, it is proposed to apply a special fee for the withdrawal of the certification service for ecological products. Operators who wish to assess the suitability of their activities for certification before applying for certification of ecological products' processing activities are proposed to apply a new suitability assessment fee for the activities to be certified. The price of ecological products' processing certification consists of three components: the complexity fee for ecological products' processing certification, the inspection fee and the turnover fee. The methodology for calculating the first two fees is based on the cost plus method, while the turnover fee is based on a pricing method based on customer revenue. This combination of pricing methods ensures both the coverage of the costs incurred by the certification body and the assessment of the financial capacity of the clients of the certification services, taking into account the potential operational risk and is based on the principles of sustainable business management and fairness.

Main conclusions

After evaluating the advantages and disadvantages of pricing methodologies applied in foreign countries, taking into account the financial capabilities of certification service users and the company's costs to develop activities, a certification pricing methodology for ecological products' processing was developed by choosing the combination of covering the costs incurred for the provision of certification services and the received customers' income (turnover) from ecological activities as the basis for the pricing of these services.

The developed certification pricing methodology for ecological products' processing allows not only to seek pricing solutions based on the principles of sustainable business management and fairness, but also promotes the development of ecological products' processing activities in enterprises and farmers' farms. Particular account shall be taken of the reduced financial capacity of small operators, enabling them to pay less for the certification services provided.