The Quality Impact in Substantiating the Price Decisions

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Abstract

The price plays a decisive role in achieving the company's objectives, no matter what they are and, generally speaking, in ensuring the success of the company's overall strategy, its proper level relative to the product's quality being the crucial aspect, considering that the situations in which wrong price decisions compromised the overall company strategy were not rare.

The substantiation of the price decisions is a science and an art in the same time*, being based on precise calculations and sound reasoning, which doesn't exclude elements based on intuition, flair, presentiments, experience, elements that relate to the management seen as art. A sound reasoning implies the right types of questions from the persons involved and an understanding of the overall factors that determine the success of some price decisions and the failure of others.*

Keywords: *price substantiation, relevant costs, irrelevant costs, total sacrifice, domination through quality, luxury price.*

1. The price impact on the strategic objectives of the company

Lately it has been discussed, especially in our country, the fact that the lack of economic performance can be explained by the lack of some relevant strategies or by their faulty implementation, in the circumstances in which they exist. The practical endeavour of formulating a certain strategy, having in mind the company's mission, results from the main strategic objective that has to be reached through that respective strategy, an objective that differs from a company to the other, even if they are competitors and from a period to another, even inside the same company.

Companies can have extremely different strategic objectives; this way, we can speak about profit oriented objectives (profit maximizing, this being the ultimate purpose of every economic company, obtaining a certain level of profit on the short term, etc.), sales oriented objectives

(obtaining a certain sales level, reaching a certain market share, etc.), objectives referring to the company survival (especially in a crisis context or in case the competition is fierce), price domination through product quality etc. But, whichever the intended objective is, the price has a decisive role in reaching it and, usually, in ensuring the success of the overall company strategy, the proper level of the price relative to the product quality being the crucial aspect; the cases in which wrong price decisions compromised the overall company strategy aren't rare at all.

Having in mind the main objective of any given company, respectively the profit maximizing, the factors that influence it are: **the cost, the price and the sales volume**. Among these three factors, **the price is by excellence the primary factor**. Now, after the companies reduced to the maximum the costs levels and transformed their selling force into a primary weapon, they focus more and more on the possibilities the price involves.

In the competitive environment, the price is always perceived as problem generator: the clients lament that it's too high, the competitors use it as a weapon of the competitive attack, in order to gain a large market share, the distributors exert a high pressure over it, all these being inevitable realities related to a modern competition.

The question that arises is the following: what should be a product's price level that should warrant a high competitiveness of a company on the market? The answer to this question is extremely difficult, but what we should have in mind is that there isn't a certain recipe of price substantiation capable to warrant a sustainable success on the market, but what is certain is that the price level must be established taking into account the following main factors: **the company's marketing objectives (that derive from the main company objectives), the demand and offer level, and the production and retail costs.**

The more explicit the marketing objectives are defined by a certain company, the easier it is for that company to substantiate the price decisions, as well. As it was previously asserted, the companies can have extremely different strategies, but a beneficial price, having in mind any of these objective, won't be determined by simply calculating the costs (considering that you can't anticipate the way the clients will react), but it can't be determined according to the clients, either (as long as the competitors' reaction can't be anticipated, either). The conclusion is that none of these factors can be established without taking into account the others, the decision of substantiating the price being extremely complicated and subtle, having in mind its multiple effects. We can assert that the **prices substantiation is a science and art in the same time**, being based on precise calculations and solid reasoning, which doesn't exclude elements based on intuition, flair, presentiments, elements that relate to the management seen as art. A sound reasoning implies the right types of questions from the persons involved and an understanding of the overall factors that determine the success of some price decisions and the failure of others.

It's obvious that the price level directly determines the profit margin, a higher price increasing the margin obtain at its sold product, but the price raise will determine almost every time a decrease of the sales volume, which can decrease the profit level. In the same time, the price has consequence over the costs, for example, a **price decrease can determine an increase of the sales volume, and, at the end, a decrease of the total unitary costs related to scale economies and the experience effect. We must also have in mind that a price decrease, which may seem insignificant, can substantially diminish the obtained profit margin and, in the same time, a slight price increase can determine a significant improvement of the profit margin, even if the sales level is significantly decreased.**

Likewise, **the price impact not only that it's much more powerful, but it's also much faster than the other components of the marketing mix.** For example, the performances of an advertising company or of a new product politics must be evaluated during

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several months or even years (when it comes to new product policies), but the effects of a price change can be estimated in a few days or even hours [9].

Besides, **the price is the only element in the marketing mix that brings revenues, all the other components involving extra charges or prior investments.** Considering this, a price optimization is always possible, especially in the cases in which the company's budget is limited and in an economical and financial crisis context. The advertisements, the research and development that are meant to improve the products involve high expenditures and investments, the company not being in the position to afford them, and, in case in which they were done, it will take a certain time for the results to be visible.

2. Cost information in substantiating the price decision

The production costs and the selling costs should never be the most important fact of the price substantiation, but they will play a critical role in formulating a pricing strategy, having in mind that the decisions related to establishing the prices are inexorably related to the decisions referring to the sales' volume, and the volume implies the level of the production prices and selling. It's common knowledge that the sum which the buyers will pay isn't related to the selling costs, but it's also true that the decisions related to establishing the products which are going to be manufactured and in what quantities depend greatly upon the production and selling costs. **Any company wants to establish a price that, from one side, to cover all the production and selling costs and, from the other, to bring a profit proportional to the efforts and the risks that had been assumed. We could say that** ***the level of the production and selling costs represent the inferior limit of the prices.***

But no one can establish the prices in an efficient way without a prior understanding of the costs, the costs' understanding being probably the most challenging aspect of establishing the prices. Costs' understanding doesn't only imply knowing the total sum of the costs. It's very easy to know the costs with raw materials, with salaries, with management expenses (these costs are easy to establish keeping the accounts), but **costs understanding implies a lot more than knowing their level, respectively knowing the way in which the prices are going to change and which is the impact on sales that results from the decisions of establishing or modifying a certain price level** [2].

In our opinion, in business management, the production and selling costs typology differs a lot from the theoretic perspective of the politic economy or from the rigid perspective of the community, from the price substantiation perspective, giving a different signification to the prices.

In a company, we meet a lot of costs' categories, but not all these costs are relevant for each decision of establishing a price and, therefore, the first step in establishing the price is the **identification of all the relevant costs, meaning the ones which determine the impact on the profit**. This aspect is very important, having in mind the wide range of costs inside a company and the array of classification criteria (variable costs-fixed costs; direct costs-indirect costs; production costs-administration costs-selling costs; simple costs-complex costs; preliminary costs-current costs-anticipated costs), and the array of methods of calculating the costs (absorbing methods, partial methods, effective plan methods, evolved methods of calculating the costs).

In order to complicate the array of costs, having in mind the relevance of various categories of costs in the price decisions, we will have to consider just two categories of costs, other ones than the already known ones, respectively the **relevant costs** and the **irrelevant costs**. Practically, identifying all the costs that can be included in the two categories of costs can be pretty difficult, involving solid analyses and reasoning.

For example, if a decision of decreasing the price, in order to exploit an opportunity of increasing the sales volume, involves an increase of the production capacity, the fixed costs trained by the new capacities will become irrelevant costs, when it will be decided that the company can decrease the price in a profitable way (in the current production conditions the fixed costs related to the production capacity being irrelevant costs).

An opportunity that is often overlooked, in using the prices as an advantage in price substantiation is the one offered by the possibility of a better management of the company costs structure. In the circumstance in which in a company there are several cooperation relationships in product manufacturing with other independent companies or interdependent divisions (established as profit centres of the same company, that establish the price of the products which pass from the one to the other), this can be much less competitive and profitable, from a price perspective, than the competition's company which are vertically integrated [7]. As a result, a maneuver of price modification taken by a company from the field can be perfectly viable from the point of view of its profitability in this company's case and completely uninspired when it comes to other competitive companies, whose cost structure is different, as a result of the different degree of production cooperation. In the case of the companies with a high cooperation degree in manufacturing its products (in the case of the automobile manufactures, like Dacia Mioveni, for example, cooperate with over 70 suppliers of replacements, assemblies and subassemblies), the price of all the entries of the various prices, assembles and subassemblies being considered as (variable) costs relevant in the price substantiation. But these costs, in reality, cover the fixed costs of the companies from which these entries come, at which is also added their own profits, which aren't, most of the times, relevant from the point of view of price substantiation.

The cooperation degree of the companies belonging to the same field is finally reflected in a different price structure, respectively a high weight factor of the variable costs and a low one when it comes to fixed costs, in the companies with a high cooperation degree, as opposed to the case of the companies which are vertically integrated, where the opposite is true. This different structure makes the answers to a decision of price modification to be completely different.

3. The quality impact over the price and the customers' buying behavior

Considering that a product is a material asset or a service whose purpose is to answer a basic need or a characteristic request, the quality impact in substantiating the price decision is manifested, in most cases, when we have in mind the second case.

The consumers are usually given the possibility to choose from a wide array of products that could satisfy a certain need. How do they choose between these products? Let's suppose that you are building a house and you must choose the heating system. This basis need, the need of assuring your house' heat, could be satisfied by a wide array of products, from the classical stove heating, the various thermal stations with different types of fuel (solid, liquid or marsh gas), to the helio-thermal and the wind-driven power stations. *All these kinds of power stations answer the basic need(the need to heat the air), but, beside this basic need, each buyer has another type of need: the need to benefit from an increased degree of comfort, a greater safety, lower functioning costs, protecting the environment*. Each of the solutions chosen satisfies these needs in a different way: the classic wood stove will offer a lower degree of comfort (you must buy wood, to supply the stove with wood, to take off the ashes, it pollutes the environment), but it's much cheaper that a helio thermal power station (which ensures a greater comfort, protects the environment, but it isn't functional in the periods without sun and it's much expensive). **The choice will be different, according to different buyers, according to the value perceived by each of them, according to these needs and of the price of the respective product.**

Analyzing the price taking into account the consumers' buyer behaviour, we think that **this behaviour represents the total sacrifice the client decides to make in order to buy a product or a service, the client systematically comparing this sacrifice with the value he assigns to the product he wants to buy** [2]. *The price*

and the perceived value are the two major fundaments of all economic transactions. This "**total sacrifice**" the client decides to make, according to our own opinion, is in part objective (and we can talk about an "**economic sacrifice**") and in part subjective (and we can also talk about a "**psychological sacrifice**"). The **"economic sacrifice"** the client decides to make is given by the totality of the costs the client stands for obtaining and using the respective product, this kind of indicator consisting of the buying price of the product and from the supplementary costs for making the product functional (the transport, manipulation, installation) and the costs of using the product (maintenance costs, repairs, standing the risks of malfunctioning or that of a lower performance). The **"psychological sacrifice",** which can't be quantified, but with a great impact in the buying decision in some situation, is given by the state of discomfort (cognitive dissonance), which the buyer feels when he decides to buy a product when the products' performances don't correspond the initial expectations (taken into consideration that no brand is perfect, the buyers aren't satisfied with some flaws of the brands they chose and with the fact that they lost some advantages of the brands that weren't bought by them) or, for various reasons, he had to renounce to buy other products or options he could choose when he invested the money he possessed.

As a result, **from the consumer's point of view, the price transforms more likely into a cost element, the buyer trying, by all means, to minimize this cost** [6]. Therefore, being given a range of options, the client prefers the product that offers him the greatest net value, meaning the biggest difference between the perceived value (that decides the level of the maximal price) and the actual buying price. **If the production costs and selling costs relate to the minimal limit of the price, the value perceived by the client relates to the maximal limit of the price.**

The concept of "value perceived by the clients" refers, currently, to the totality of the savings, of the financial gains or the satisfaction which a buyer feels when he buys a product. The producer's practical understanding of the way in which the buyers perceive that value when they use the respective product is a complex and difficult issue, needing detailed information about the product's users. We must take into consideration the fact that the "benefits" offered by the product, which are the major factors for determining the value, are in part quantifiable and in part unquantifiable, less palpable, an aspect that raise more problems in quantifying the value (from the producer's perspective). Taking into consideration this aspect, the first step in quantifying the value consists in the correct identification of all the factors that influence this value. The range of factors that influence that perceived value is a wide one; these factors can be classified, in our opinion, in two major categories.

a) **Objective factors**

In this category are included those objective needs of the clients on which the producer's products would have a direct impact, as: increasing the productivity, savings in different categories of costs (energy, fuel, in raw materials, in labour force, in product's maintenance), a greater reliability, necessary supplementary attributes, saving time, etc. This fact is true both in case in which the consumers are natural persons, talking about individual consumption goods (for example, I think that the fridge produced by the brand X has a greater perceived value and I am willing to pay a higher price, because saves electric energy, has a greater reliability and the warranty I am offered is on a longer period than that of the competition), and in the case of industrial goods (industrial equipment, raw materials), talking about the corporate bodies (I choose to buy the Y equipment with a lower price because it has a higher efficaciousness and I will lower the costs with the labor force, or I buy alumina from the producer Z, in spite of a higher price, because I will obtain greater savings with the electric energy). In this category we include the cases in which, because of the fact that the producer's product is included in the buyer's products, a fact that bestows on it a greater value, giving the buyer the possibility to raise the prices and implicitly, the profits (for example, Intel Company tries by all means to convince the buyers that their microprocessors are truly the best. In order to do that, they fund the advertisements of those producers of PCs that wear the trademark "Intel Inside", to convince every buyer that the PC he bought has an Intel processor, the producers of PCs sustaining that through this advertisement the value of the products and the efficiency of the advertisements made by them was enhanced [7]).

These kinds of objective factors are met especially in the case of **the products whose functionality matters the most.** In general, the producers try to quantify this value offered to their products by these factors, taking in consideration that they think that they **sell the consumers only the product's features and that the superiority offered by these features are decisive and important for the consumers,** who are willing to pay for these features.

b) **Subjective factors**

This category includes the factors that determine the spiritual, psychological value of a product, and these kinds of factors are related to the **products in which the emotional value is important** (comfort, pleasure, safety, satisfaction, status, prestige, etc.). In practice, these kinds of factors are extremely difficult to estimate and quantify, almost impossible in a direct way, they representing natural extensions of the clients' objectives (for example, the technical features of a luxury can be described and even observed very rigorously, but it's impossible to determine which of them are the most relevant for a certain buyer).

The subjective factors are different from client to client, because, what represents something natural, normal for a client, for others the same element has no justification at all (if for a person buying of a Rolex Daytona Platinum watch with 190 000 lei is something normal, because he wants to impress his friends and business partners, projecting for himself an image of a successful man, for others it may seem extravagant).

In general, **the value conferred by these subjective factors, which have a greater importance when it comes to prestige (luxury) products can be a much superior one, an aspect which is exploited by the seller, in order to increase the prices and implicitly the profits obtained**.

Exploiting these psychological factors, the companies that adopt a strategy of ***dominating through quality try***, in fact, to attract the buyers through an emotional implication in the detriment of the functional one. A typical case is that of Starbucks Company, who, in the end of '80s, started to transform coffee from a functional product, drank out of routine, into an emotional experience or in what the consumers called "oasis created by coffee", selling the concept of "place of drinking coffee": *the café*. These cafes not only offered a good coffee, but also a pleasant place for meeting people, a certain kind of status, relaxation and conversation. Starbucks transformed the coffee into an emotional experience, and also transformed the usual consumer of coffee into "connoisseurs" of coffee, for whom the price of three dollars per cup of coffee was considered to be reasonable. This way, Starbucks brand became the national brand with a profit that was five times higher than that industry's average [3].

What Starbucks achieved for coffee, Swatch Company achieved for the regular watches. Considered for a long time a functional item, these watches were used to be bought only to measure time. Citizen and Seiko companies, the industry's leaders were in competition concerning the technological advance related to their watches' functionality, using the quartz technology in order to improve the precision or the electronic display (which is easier to read). Swatch explored the emotional potential of the watches, transforming them into fashion accessories. This action was copied by other companies in the domain (we have in mind the famous diamond watches which cost tens thousands Euros, considered to be true jewels), or from other domains, the most recent being in the mobile phones industry, from the famous phones that suit the clothing to the diamond mobile phones, which are considered to be jewels.

Just a few industries are more oriented towards the emotional attraction, exploring the subjective factors, than the cosmetic industry. This industry sells brightness and beauty, hopes and dreams, in the same way in which it sells products. On an average, the wrapping and the publicity represent 85% of the costs of the companies from the cosmetic industry [4].

Beside these two main categories of factors, there are also other factors that influence the value perceived by the clients. The more informed the buyer is, the more he knows about the product, the lower is the perceived value, the client willing to pay a reduced price (for example, you can sell a laptop with a higher price to the ignorant consumer, who knows that he can impress people with a laptop, that having a laptop is a fashionable thing, than to a specialist in informatics).

If the normally price of a water bottle is 2 lei, for the same water bottle you are willing to pay 10 times more money in the circumstances in which you are in a safari in the desert and you are thirsty or in an airport, waiting for the bus, you're on the beach, feeling the need to drink a bottle of water, etc. In these kinds of circumstances, even if the seller knows that the perceived value can be a great one, he is aware that he can't ask for a similar price for this value, having in mind that there are few sellers that are willing to pay this price. The buyers know that they are never forced to pay the whole value they perceive, being aware that the competition is going to come with a better offer and, if we have in mind the situations we presented, waiting for a little bit, they will have much better options (for example, in the last example presented by us, taking the risk of "smearing your image" and making the effort of moving a little, you can choose to buy the respective product with at a much lower price).

But it's also true that, the in circumstances in which the respective acquisition implies spending other people's money (companies in general), the direct buyers aren't as stimulated as in the circumstances in which there are their own money to try to find the best offer.

More than that, if we have in mind a crisis context, like the one we in which we live today, the elements related to the values we presented before are seen in a new light. The clients inform themselves better, are tougher negotiators, are more prudent, establish their own priorities better. If the clients understand the value of their product and in a normal context they would be willing to pay for the price they are asked, in a crisis context this economic sacrifice can be perceived by some clients as being too big and, as a consequence, they may renounce to buy the product, even the price is lower.

From the elements we presented above it results that the notion of maximal price depends on the context, on the circumstance, but by every client, as well, the clients' diversity determining the segmenting of the price according to the clients groups' preferences, of the differentiation of prices on each segment and practicing different prices according to each context. In the same time, the concept of valued perceived by the client suggests the fact that the price must be decided in a dynamic manner, it varies in time and it depends on the maximal price each client is willing to pay.

Taking into consideration the things we presented, it results that the greater challenge for the producer, in taking the price decision, **is the identification and understanding of that "something" that creates the concrete value for different clients (which can be related to economics and/or and establishing the price according to that value,** this way that value being best exploited.

4. Product differentiation – Domination through quality and more

According to M. Porter [8], the strategy for differentiation or domination through quality consists in giving buyers the feeling that the product is unique, in other words, that there is no equivalent product on the market, based on one or several attributes favorably noticed by the buyers. Some of the most frequently used differentiation criteria are: the product quality (as in the case of the companies BMW, Mercedes); the post-sale service (as in the case of Caterpillar); the brand image (as in the case of the brand Dunhill), etc.

Actually, multiple differentiation criteria are possible, considering that there are, in general, several aspects based on which one product can be differentiated from other products.

Among the differentiation factors, M. Porter underlines the following: **general strategy and policy choices, the existence of internal integration effects** (between elementary activities of the organization) or **external integration effects** (towards the suppliers and the clients), **the time the enterprise joined the industry, the geographical location of the headquarters/business quarters, the existence of interrelations given by wide range of products or by the simultaneous activity of the organization in several industry sectors** (a wide action field), **the degree of integration, the size and diversity of actions, the relations with political and social actors** [8].

A company **that is trying to differentiate itself will have to carefully select the product attributes it tries to improve, in order to pass the "originality test".** For instance, Google has created an innovative search engine, by which it established itself on a dominating position in internet searches, so that it will take competitors a long time to match its performance, but meanwhile, Google will continue to evolve as well.

Not all attributes are equally important for the client. The client is willing to pay a bigger or lesser bonus, according to the type of improvement the product has received. The producer should choose that particular type of differentiation that allows him to obtain the biggest difference between the price rising and the unitary cost, since it is basically impossible to differentiate in all product attributes. **On the contrary, in order for a positioning to be lucrative, it is necessary that all components of the product that are not affecting the differentiation remain similar to the competitors' products and therefore of an equal or lower price. As a conclusion, the differentiation must be based only on certain elements, namely those elements that the clients are more sensitive to, while the other elements remain undifferentiated.**

Speaking of product differentiation, specialists in the field used to consider that the budget assigned by the company for advertisement or research-development is essential, and each of these factors seemed to represent an ace up sleeve for competitiveness in all industries.

Nowadays, reflections on the competitive advantage have become less dogmatic: it is now widely accepted that the competitive advantage results from a multiplicity of factors (without any particular importance of one or the other). In the current stage of extreme competition, when companies have reduced their costs to the minimum, the concept of differentiation receives and always growing attention, as a survival opportunity for companies. However, in our opinion, differentiation does not necessary imply prevailing over the given domain through quality, such as in M. Porter's concept. Jack Trout [10] underlines the necessity for a company to identify the exact modalities in which it can truly differentiate itself (with emphasis on: the presence of an attribute/a feature, a specific particularity of the respective product; occupying the leading position, considered by the author to be the strongest modality through which one can differentiate a brand; tradition, which has the power to make your product stand out; specializing on one specific activity or product, or incorporating a "magic ingredient" into the product, in order to distinguish it from the competition; the capacity to position oneself as a new and better brand, underlining the "new") and to protect oneself from those elements that sound different, but that, actually, do not bring differentiation (for instance, in Trout's opinion, quality and client orientation are nowadays rarely ever modalities of differentiation, given that these elements are most of the times taken for granted).

The question we could ask is: **is the price an element of differentiation or a vector of quality?**

Many consider that the answer to this question can only be yes, given that, by definition, differentiation implies *"to create something that is perceived by the buyer as unique",* that may justify a price increase or at least a price similar to that of the competitors.

If a company's message regarding a product is "the lowest price", where the price is actually the only element of the message, then there are very few chances that it may be perceived as something "unique", firstly considering the inversion of the conditioning relation value – price, and secondly, because almost every competitor can resort to the action of lowering the price. Michael Porter states that lowering the prices in order to distinguish the own product is, normally, a madness, given that the competition can lower them just as much (in order to lower the price, only one marker is enough). This does not mean that a strategy of low prices as a differentiation modality is impossible (economic reality demonstrates that it is possible), only that it is very difficult and must rely on that "something" that creates a supplementary value for the same price or the same value at a lower price. M. Porter himself brings the example of the Swedish furniture retailer Ikea: it has a clear price and market positioning strategy. "IKEA targets young furniture buyers who want style at low cost. What turns this marketing concept into a strategic positioning is the tailored set of activities that make it work". In the case of IKEA, that "unique something" is represented by style, elegance, functionality, etc., while the low prices are sustained by the efficient management of that set of activities that form the famous value chain of the company Ikea[1].

The strategic approach of low prices, under the motto *"Always Low Prices"*, is another example of success in the field of mass trade, but this present day success has its origins in the great efforts undertaken in less populated regions of the U.S.A., where competition was represented by small department stores, family businesses. Since their response was basically null, this allowed for the company to continue building its technological base and to open new stores (the efficient distribution system it is so famous for), and the more the sales volume continued to grow, the more "aces" and "provider power" it continued to get. Nowadays, Wal-Mart holds a substantial cost advantage that allows it to sustain a strategy of always low prices [4].

How much can prices be lowered, without affecting the product's quality? The answer is much simpler than it may seem at a first thought, and does not even require as complicated calculations as one might think. Starting from the reality that the best price is gratuitousness (and when we mention this, we do not refer to coupled sales, when one product is "sacrificed"), the price can be lowered down until it is free. The fact that many internet companies have adopted the no charge policy in their attempt of increasing traffic and to the point of offering even free computers or free software, hoping that they will finally get profits from the advertisements they do for clients who pay, comes to support the previously stated. Since this type of business not only exists, but even proliferates, it means it is also profitable! You might now wonder: is it possible to "buy" something and, instead of paying yourself for it, the salesman to give you a sum of money himself? I can assure you that in Romania of the '90s, such phenomena took place (in this manner, several foreign companies have gotten rid of their countries' "toxic bombs").

If there are also clients who are impressed by companies who are at the opposite pole, adopting a **strategy of dominating through quality,** practicing high prices in order to differentiate, by using the phrase **"the price of luxury",** we already have a clear selection of the market segment addressed by these companies. **"Luxury is not just a trade factor, but a state of the human soul, ready to receive pleasure. Those who have it will always want more, and those who never got to afford it, crave for it and this market will never disappear", Coco Chanel once stated** [2].

Even more so, **at the basis of this quality dominating strategy, we find that "unique something", be it the very powerful brand of the product/the producer, be it the image, the social status, prestige, pleasure of the buyer.** Furthermore, what confers a supplementary value to the "luxury" is either the product's uniqueness, or the production in limited number, both being attributes that are very well speculated by the producers that have a significant price-rising effect, considering the disposal to pay of this elitist segment of clients (for instance, for the golden edition of the Vertu mobile phone, costing 24 000 euro, there was "even a waiting list", according to the Cellini's brand manager for Romania, the exclusive vendor of this product).

There are also opinions according to which the intention to buy is the result of the perceived value, given by the relation between the perceived quality and the perceived monetary sacrifice, resulting from the price existing on the market [5]. As a consequence, the price results to be an element that determines the perceived value, especially in those cases when it is difficult for clients to determine this perceived value, so that they will mostly use the price as a representation of the perceived quality (the higher the price, the higher the perceived quality). **We consider that the relation of dependence must be precisely the opposite. A product does not have a high perceived value (quality) because it is expensive, but a product with a high perceived value (quality) will be sold at a higher price.**

5. Conclusions

In this article, we have tried to highlight the essential aspects to be considered when scientifically establishing prices.

Not only the sociologic studies undertaken, but also the economic reality shows that, both for the companies and for the natural persons, one of the most difficult problems faced at the current stage is product pricing. Our country is not the only to encounter this problem, given the fact that in a survey undertaken in Western Europe and the U.S.A., when marketing managers were asked about the most challenging problems of their activity, most of them answered that the price was the first element to be mentioned, with a score of 4.3 (on a scale from 1 to 5), exceeding by far other answers such as the legal aspects related to competition, market saturation, etc. [9]

However, speaking of our country, we consider that **the real problem Romanian buyers are facing, both natural persons and companies, is, at the current stage, not one of a correct correlation between the products' quality and their price, but that of the affordability of these prices, without considering quality aspects altogether.** This harsh reality has raised our interest to continue researching the paradoxes of price establishing in Romania, an aspect we shall address in a future article. **Q-as**

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