

# Cost-oriented quality management and its utilisation in the wood-processing industry

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Recent significant foreign investment into this area in the Slovak Republic has contributed to nearly 10% total industry revenues. To make this trend continue, it is necessary to produce competitive products manufactured under the customers' quality requirements. Another prerequisite is the introduction of innovative approaches to pricing products, based on cost-oriented quality management.

# PRICE VS. QUALITY

Although they already have influence on the decision of customers and other factors, the price of traditionally plays a significant role.

Price is basically the only element of the marketing mix that produces revenue and at the same time and very flexible in response to market demands and adjusting to the competitive environment.

Very interesting and seem to be pricing strategies in response to product quality. Today it is a rule that supply exceeds demand usually and therefore, organizations must strive to differentiate from their competitors. One possibility is a variation and a greater emphasis on the quality of their products.

If we want to show the impact of product quality for the price, we could generate the nine possible strategies that work in their Marketing Management described the well-known marketing expert Philip Kotler.

In value-oriented quality management is given considerable importance to the economic aspects of quality. In organizations, however, the quality of the entire area of the economy often narrows to only one part, devoted to the costs relating to quality, which is already inadequate.

Economics of quality that actually administered and should be focused on these three basic areas:

1. Monitoring and evaluating quality costs (including life-cycle cost) - advantage of this decomposition is that by the cost of quality can:
  - Define the amount of loss caused by defects in ensuring product quality,
  - To identify any significant impacts on the quality of a corporate performance,
  - Eliminate the deficiencies which give rise to increased costs for quality,
  - Reduce overall costs to the organization.

2. Monitoring and evaluation of the effects, respectively effectiveness of quality - an advantage of this decomposition is that we can:
- Monitor the impact of quality on economic performance organization
  - Quantify the benefits of high quality in production and user domain
  - To identify those products which, thanks to its quality become the main carriers of economic prosperity organizations.

3. Pricing of products depending on their quality - that decomposition should be directed to:

- Creating conditions for proper pricing of products so as to be equally beneficial for all market participants,
- The possibility to transform the economy into the so-called quality. "Money talk" and so difficult to express definable activities in the area of quality management.



It is obvious that the quality management as such, has brought new ideas and ways to reduce costs in general economic organizations. Market-oriented production, has changed the cost approach to the creation of the unit price of the product. The emergence of so-oriented production, the unit price of the product reflect simplified as follows:

**Selling price = cost + own profit**

The difficulties of implementing products that are in the current crisis period demonstrate multiple, led to a fundamental starting point for determining the price became the market. This shift caused a change in the calculation of prices.

We can say that the elements determining the price remained unchanged, their role has changed. The basic relationship in these conditions would then be expressed with the following:

$$\text{selling price} - \text{target profit} = \text{cost}$$

As already indicated above, in a market-oriented economy plays in determining the unit price of the product, the primary role of the customer. Increasing the price of the product without the appropriate increase its performance and, in most cases leads to loss of customers. As a result, the projected profit that can be achieved only if a pre-determined targets and compliance costs.

# Thank you for your attention

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