Customer based pricing
The implementation of standardization and adaptation in the international pricing strategy

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Abstract

Summary

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Problem: In a world that is becoming increasingly globalized, firms try to exploit the opportunities of a more interconnected world. Although the world is becoming more homogenous differences still exist. This creates the need for studying when the two strategies of standardization and adaptation should be adopted.

Purpose: This thesis investigates international pricing strategies of Swedish SMEs and the implementation of standardization and adaptation.

Research Question: How are Swedish SMEs standardizing and adapting prices as part of their international pricing strategy?

Methodology: This thesis is a qualitative study conducted with an abductive approach. An exploratory design was applied, researching four Swedish SMEs.

Conclusions: Results shows that Swedish SMEs are not standardizing or adapting exclusively but instead the level of utilization ranges between them. When adaptation in price is being made, it is mainly to target the customers. The study also distinguished a trend where SMEs is striving for a uniform pricing strategy as well as that firms using distributors tend to acquire decreased control over the end price.

Keywords
International business; international pricing; standardization versus adaptation; centralization versus decentralization
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Introduction
This introductory chapter will provide a background to the issue that will be the focal point in this thesis, followed by a discussion of the relevance of the researched topic. The chapter will be summarized with a presentation of the research gap, the research question, purpose and the outline of the thesis.

1.1 Background
Globalization is a process, that results from human innovation and technological progress (IMF, 2002). It refers to the increasing integration of economies around the world, particularly through trade and financial flows. Movement of people (labor) and knowledge (technology) across international borders is also included in the globalization process (IMF, 2002). In order to capture the possibilities of the globalization companies are expanding from their domestic market into new markets. In that regard, companies are able to take what has been successful in one market, tailor and redeploy it to other markets which has become a critical capability for global brands (Forbes 2015).

As the globalization goes on the world is becoming smaller and it becomes easier to operate over larger areas thanks to increased communication possibilities (Levitt, 1983). It is also being argued that differences in taste and how tasks are being fulfilled slowly being erased. But there are still differences between countries that must be considered (Alashban et al., 2001). Aspects such as language, education and the economic level of a country is varying and creates different needs between countries. This puts internationalizing firms in the situation where they must consider their internationalization strategy. One decision to make is whether to use the same strategy within the marketing mix (product, price, place, promotion) globally or customize the strategy to each market.

These two approaches have been researched for a long period of time with the two expressions of adaptation and standardization (Vrontis, 2003). It is being argued that when the world is becoming more homogenous, firms should standardize their marketing strategy since a uniformed approach is beneficial from an economy of scale perspective (Levitt, 1983). Economy of scale is defined as having the benefits of making products functional and reliable and at the right price on a global scale (ibid). One argument is also that when the movement of people is increasing, a uniformed brand will make it easier for them to find and buy the same product regardless of where in the world they are located (ibid). Moreover, it is claimed that by using a single marketing strategy firms are able to minimize costs and promote a global image (Alashban, Hayes, Zinkhan, Balazs, 2001; Terpstra & Sarathy, 2000; Albaum, Tse, 2001; O’Donnel & Jeong 1999).

In contrast, adaptation strategies are anchored in the need to make adjustments to capture the opportunities in other markets (Terpstra and Sarathy, 2001). Advocates for adaptation argue that firms should adapt the marketing mix to fit the unique dimensions of each local market (Vrontis, 2003, Terpstra and Sarathy 2001, Svensson and Barford...
As firms are becoming more internationalized the intensity of rivalry is increasing and it is being argued that firms should use adaptation to become more competitive and maximize the exploitation of each market (Alashban et al., 2001).

Furthermore, Johansson and Arunthanes (1995) argue that there is a problem within firms where conflicts occur between marketing managers and product managers. The product managers often tend to lean towards standardization while the marketing managers operating in different markets enhance the adaptation approach with adjustment to different markets to meet individual needs.

Interestingly, research in the fields of standardization and adaptation of the marketing mix has extensively been conducted on product and promotion whereas price and place has received little attention (Waheeduzzaman & Dube, 2004). Nevertheless, Price is an important part in the marketing mix as it is the part that decides the margin and further on what profits a firm could enable (Hollensen, 2011).

Price is sometimes considered to have the attribute that it is easy and quick to make changes without vast cost implications for the company (Hollensen, 2011). Research points out that price often is being misused, since companies are making price changes to cope with problems that in reality is due to issues in other parameters than the pricing (Johansson et al., 2012). This is most likely since the other elements comes with a cost and the pricing strategy many times is considered to be costless (Hollensen, 2011, Johansson et al., 2012). This however is argued to be a myth (Johansson et al., 2012) since Zbaracki (2004) argued that beneficial pricing comes with the use of costly resources. This might cause companies to make the risky move of conducting price changes whereas changes should be made in other marketing areas instead (Hollensen, 2011, Johansson et al 2012). One mistake often made is that firms treat the pricing as a tactical activity and as a response to local market condition while, in fact, effective pricing requires vast resources and capabilities (Johansson et al., 2012). Another mistake is that firms assume that they can easily purchase these capabilities (ibid).

It can be argued that price has an impact on whether a product is competitive or not. In some markets the price needs to be lower than others because the customers are more sensitive to the prices (Hill & Still, 1984). In some markets consumers are willing to sacrifice product features, functions and design to be able to purchase a product to a lower price (ibid). In fact, emerging countries are especially sensitive to pricing and using the same price in a developing market as in the home market might be devastating for a firms’ competitiveness. As Vrontis (2003, p.291) notes: "Customers cannot afford to pay more. If we want to remain competitive in developing or undeveloped countries, our price should be considerably lower than the one set in the home market".

Centralization and decentralization of the firms’ decision making is corresponding with standardization and adaptation (Solberg et al., 2012). Centralized firms are more likely to have a uniform pricing as the headquarter (HQ) is having more influence on the pricing in different markets. This enables them to set a framework that is giving
intermediaries less liberty in setting the end price. On the other hand, decentralized firms are giving more autonomy to distributors, agents and subsidiaries, which increases the chances of diverging prices (ibid). In addition, the firms power over pricing is depending on the strength of the firms’ brand (Solberg et al., 2006). Therefore, firms that are market leaders and possesses significant amounts of the market shares have more power over market price compared to firms with less market shares. They are referred to as market price setters while the others, less strong brands are considered market price followers. This could exist on both a global level and on specific markets. A global market leader might not possess the same power in all markets, as some markets consist of strong domestic brands (ibid).

Sweden is heavily reliant on export as 45 percent of the GDP derives from export (Government office of Sweden, 2015). For future prosperity and employment, it is argued that increasing export is of importance. The Swedish government further argue that for future growth the performance of Swedish SMEs export activities is of importance and it is argued that most new job opportunities derives from SMEs (Government office of Sweden, 2015).

When Swedish SMEs is expanding across border for further growth they need to determine and implement an international pricing strategy. Hence it is argued by Stöttinger (2000) that there is a blind spot in research in international pricing. Consequently, firms are struggling to implement an efficient international pricing strategy. Pricing is further argued to be one of the most essential factors for firm growth as it has a direct impact on profit and sales.

As pricing is argued to be an important element for firms’ success internationally and as future job creation will derive from SMEs export performance, more research needs to be conducted within the topic. This is due to that there is no empirical base on how firms should implement an efficient international pricing strategy. The research conducted regarding standardization and adaptation of international pricing have been conducted on large and well established firms (Mcdougall et all 1996). This has led us to investigate about Swedish SMEs international pricing strategies and whether they are adopting to meet local needs or standardizing to implement a uniform strategy. The aim is to contribute with research that may help managers in Swedish SMEs to implement a successful pricing strategy globally.

1.2 Problem discussion
Research has shown that benefits such as global uniformity, image, economy of scale and synergetic and transferrable experience bring firms towards standardization whereas differences in culture, market development, competition and customer perceptions are reasons for adaptation (Vrontis, 2003).

Nevertheless, the clear majority of research conducted in the field of standardization and adaptation of pricing strategies (Waheeduzzaman & Dube, 2004) claims for dual approaches. Those in favor for the customized approach of adaptation that is argued to
exploit market differences (Alashban et al., 2001) and those in favor of standardization as the world is becoming more homogenous and a customized approach is not feasible (Levitt, 1983). Other researchers (Quelch & Hoff, 1986; Onkvist & Shaw, 1987; Jain, 1989; Cavusgil & Zou, 1994) argue that standardization and adaptation should not be seen in isolation to each other, where it can range between the two concepts. The decisions to standardize or adapt is situation specific, which should be evaluated through an analysis. Recently most researchers have leaned towards this approach (WAheeduzzaman & Dube, 2004).

Interestingly, research has also shown that multinational firms are using both adaptation and standardization simultaneously in their marketing strategy where price, place and promotion to a large extent is adapted and product and service is more frequently standardized (ibid). One example of when price has been adapted by firms entering a new market is in the Swedish home electronics industry. Several multinational retailers have been trying to penetrate the Swedish market by communicating that they have the lowest price (Dunér, 2011). This pricing strategy resulted in a price war that became beneficial for the consumers buying their home electronic hardware as it has pushed down the prices significantly (Stengård, 2013). With the help from electronic price tags, the retailers have been able to rapidly change their prices as a reaction to the competitors (Lindblad, 2015). This ended up in news spread that one of the giants of home electronics retailers had made too much losses thanks to their aggressive pricing strategy and has chosen to leave the Swedish market thanks to the unfavorable conditions for the firm’s profits (Mothander, 2017).

The pricing strategy of these firms has to a large extent been considering market price to a larger extent than setting their prices in regard of the costs. Several retailers went bankrupt and one of Europe’s largest retailers was forced to leave the Swedish market after years of losing money (Mothander, 2017). By using a standardized pricing strategy, it is claimed that firms benefit from having lower production costs and that the products are becoming more reliable and functional (Levitt 1983). By having the benefits of lower production costs without having to impact on the product quality enables firms to charge a lower price for qualitative products, which give them a competitive advantage.

Pricing in the regard of the company costs is an effective strategy in order to price the products in a way that ensure profits but as seen in the example of the home electronics retailers market price is not in symmetry with the costs. One example where cost-based pricing has been favorable is in the case of the fashion industry. Fast-fashion brands like Zara, H&M and Forever 21 are producing clothes with low costs and selling well designed clothing for low prices (Rosenblum, 2015). This is the opposite of how fashion brands have done traditionally where traditional fashion brands sell similar-looking clothes for a considerable higher price (Rosenblum, 2015). This has become a disrupting force in the fashion industry with faster supply chain process where the most high-performing brands can have a piece of clothing in store within two weeks.
compared to how the industry has been working until now with twelve to eighteen months’ product lifecycles and higher production costs (ibid). Thus, we can claim that this pricing strategy is focused on offering design apparel to a significantly lower price than the competitors. The consumer does not acquire a product with the same quality as the more expensive brands (Rosenblum, 2015), but consumers has been shown to be willing to sacrifice quality to be able to acquire products to a lower price.

Previous research of international pricing has mainly been focused on large well established firms which persist a high degree of resources to determine the price (McDougall et al., 1996; Stöttinger, 2000). As SMEs possess less resources when conducting international pricing that is argued to be resource intense, more research about SMEs needs to be conducted (Desouza, 2006). Pricing is argued by Stöttinger (2000) to be the most powerful marketing tool a firm can use with immediate effect on profit and sales and therefore an important key for firms’ future growth. Therefore, it is an essential element for SMEs which operates internationally as well. As it is argued by Stöttinger (2000) that pricing decisions comes with a high degree of complexity for managers where they struggle to determine the price in each market. This has led us to investigate if SMEs is standardizing or adapting in their international pricing strategy. To contribute with research which may help mangers at SMEs to determine an efficient international pricing strategy.

1.3 Scientific research gap
As stated before, the clear majority of research conducted in the field of standardization and adaption has focused on product and promotion, whereas there is a lack of research regarding the price and place elements of the marketing mix (Solberg et al., 2006). As the world is changing, as part of the globalization process and consumers needs and demands, there is a need for more research of how companies today are operating in the international markets.

Stöttinger (2000) argues that no other marketing tool has such a powerful immediate effect on firm’s sales and profitability as pricing and states that export managers often get overwhelmed due the complicity of export pricing. They have no empirical base to decide the price upon as international pricing is a blind spot in research as it receives little attention even though its importance. McDougall et al (1996) argues that most research has been conducted concerning larger firms which persist more resources. Hence Desouza (2006) argues that SMEs persist less resources than larger firms. As pricing is considered to be resources intense research need to be made about how SMEs is standardizing or adapting pricing in the international pricing strategy.

A theoretical research gap has been identified as research regarding adaptation and standardization in international pricing has been concerning larger firms. Therefore, this thesis will investigate further how SMEs is conducting international pricing

1.3.1 Research question
In a world that is becoming increasingly globalized, firms try to exploit the opportunities of a more interconnected world. Although the world is becoming more
homogenous differences still exist. This creates the need for studying when the two strategies standardization and adaptation should be adopted. In the continuation of previous research, this thesis aim to answer the research question:

How are Swedish SMEs standardizing and adapting prices as part of their international pricing strategy?

1.3.2 Purpose

We have concluded there is a need to understand how Swedish SMEs is standardizing or adapting prices in their international pricing strategy. Therefore, this study will investigate how Swedish SMEs is conducting their international pricing strategy. This knowledge would be of practical interest for managers who are established internationally or with intention to expand across borders.
1.4 Outline

Chapter 1
• Introduction
  • The introductory chapter will provide a background to the issue that will be the focal point in this thesis, followed by a discussion of the relevance of the researched topic. The chapter will be summarized with a presentation of the research gap, the research question, purpose and the outline of the thesis.

Chapter 2
• Theory
  • In this chapter, relevant theories will be presented. This information will later be connected to our empirical research and the analysis of the collected data. Firstly, the concepts of Standardization and adaptation is being presented. Followed by standardization and adaptation of the marketing mix to give understanding how it affects the overall marketing strategy. Price as a part of the marketing mix will be introduced followed by further theories about pricing strategies and how it is being affected by standardization and adaptation.

Chapter 3
• Methodology
  • In the following chapter, an explanation will follow of the methodical framework. The chapter will consist of what methods that has been used together with motivation of why they make the most suitable choices.

Chapter 4
• Empirical Findings
  • The following chapter will consist of the empirical findings collected from the interviews. The findings are being structured company-wise under each of the researched constructs in the order of 'standardization and adaptation', ‘decentralization vs centralization’, ‘price setter vs price follower’ and ‘cost based vs market based pricing’.

Chapter 5
• Analysis
  • This chapter will consist of the analyse that has been made on the empirical data in connection to the theoretical framework. The similarities and differences between theory and the findings will be stated and discussed.

Chapter 6
• Conclusion
  • This chapter includes a presentation of the answer to the research question deriving from the analysis in the previous chapter. This will be followed by theoretical and practical implications together with limitations and recommendation for further research.
2 Theory

In this chapter, relevant theories will be presented. The constructs will later be connected to our empirical research and the analysis of the collected data. Firstly, the concepts of standardization and adaptation is being presented. Followed by standardization and adaptation of the marketing mix to give understanding how it affects the overall marketing strategy. Price as a part of the marketing mix will be introduced followed by further theories about pricing strategies and how it is being affected by standardization and adaptation.

2.1 Internationalization

As a result of an increasingly interconnected world, firms attempt to expand their business into foreign markets. By international expansion, firms are facing potentially increased profitability, competitiveness and further technological development (Knight, 2000). But profitable international expansion does not come easy. Johanson and Wahlne (1977) claims that market knowledge and uncertainty reduction are two decisive factors for successful internationalization. A trend is argued to be indicated that the ongoing globalization and increasing interconnection generates increased competition (Freidman, 2005). The rivalry is becoming more intense thanks to that firms from all over the world is competing for the same customers. As the globalization opens for easier access to foreign markets, the competitors might possess competitive advantages accessed in other markets such as, lower production costs, high technological knowledge or intellectual capital. To create possibilities for successful internationalization of the business, firms need to develop a global marketing plan (Hollensen, 2011). The purpose of creating a global marketing plan is to create sustainable global competitive advantages. International marketing activities are based upon the marketing mix (product, price, place and promotion) and there has been an extensive research on whether to use adaptation or standardization in the international marketing mix (ibid).

2.2 The Marketing Mix

The original marketing mix derives primarily from research made on manufacturing companies selling business to consumer. It is being a toolkit that can be used to influence customers (Hollensen, 2011). Nevertheless, especially in business to business marketing, the marketing mix is influenced also by the interaction process between the buyer and seller. This means that the marketing mix in business to business, persuasion is replaced by negotiation.
2.2.1.1 Product

Product is about the actual offering, which could be both tangible and intangible depending if it consists of physical products or services. (Vrontis, 2003). As a part of the marketing mix, decisions are made about the features of the product together with visualities such as packaging, color etc. Also, supporting services are included in this section of the marketing mix. In the context of standardization and adaptation, marketing of products is used differently depending on which of the two concepts being used. Standardized products are benefitting from economy of scale, which according to the literature creates lower production costs as well as increased quality. This is owing to that standardized products are sold in all markets in the same exercise. By using adaptation, products are developed and customized to fit certain needs and requirements.

2.2.1.2 Place

In the marketing mix, place is considering where the products are sold. Both the physical place and the distributor. Researchers have argued that distribution channels cannot be standardized globally due the differences in government regulations, marketing infrastructure, character of the market, industry conditions and other factors. They argue that it is unrealistic for a company to develop identical channel structure for each of its international markets. However, it may be feasible for a company to develop standardized channel structure in some of their markets (Rosenbloom, Larsen & Mehta 1997).

2.2.1.3 Promotion

The promotion element in the marketing mix is regarding the different parts of promotion, namely advertising, direct sales and public relations (Vrontis, 2003).
Researchers make a distinction between prototype and pattern standardization in the context of global advertising strategy (Peebles, Ryans, & Vernon 1977; Walters and Toyne 1989). When a firm uses prototype standardization of the global advertising in the areas of campaigns or advertisements the message will be the same across markets with slight adaptations in terms of translation. Pattern standardization of global advertising refers to a standardized advertising concept with adaptations if necessary to each market to create a uniform pattern in the communication (Rosenbloom, Larsen & Mehta 1997). With adaptation, promotion is customized to different market traits such as culture and tradition (Terpstra & Sarathy, 2000).

2.2.1.4 Price

Price is the part of the marketing mix where decisions of what margins the firm will gain from selling their products (Vrontis, 2003). The strategical decisions regarding price includes price levels, list prices and price changes. It does also consider possible discounts, credits and the terms of payment. Price will be further discussed throughout this chapter.

Most of the international marketing research on the concepts of standardization and adaptation has been conducted with research being made of the marketing mix mainly focusing on product and promotion (Solberg et al., 2006). The different parts of the marketing mix are however affecting each other as one of the parts cannot be changed without having an impact on the other parts of the mix.

2.3 Standardization versus Adaptation

Two standpoints often being discussed in international marketing literature are standardization and adaptation. Standardization is defined as a uniformed marketing strategy and is addressed to minimize costs and promote a global corporate image (Levitt, 1983). On the other hand, adaptation is conceptualized to the need for marketing adaptation to fit the unique dimensions of the local markets (Alashban et al., 2001).

Standardization proponents claim that differences in taste and the way of performing tasks is becoming less distinct as the world is becoming more homogenous (Levitt, 1983). As the needs, wants and requirements of the consumers decrease in their variety, the importance of customized marketing activities decreases as well (Fatt, 1967; Levitt, 1983; Yip, 1996). Proponents for standardization is also arguing that the increased movement of people is creating incitements for having a uniform offering (Vrontis, 2003). In fact, a uniformed offering is ensuring that consumers are able to find the products they use to buy regardless of where in the world they are. It also gives the benefits of having a uniformed marketing strategy where little adaption is needed to be made which creates the possibility of improved marketing costs (Levitt, 1983).
Research has shown that standardization creates higher sales volume together with cost savings (Alashban et al., 2001). With a uniformed brand and uniform products, firms are benefitting from economies of scale (Vrontis, 2003). Selling and producing large quantities of the same product and buying components in bulk reduces the cost-per-unit (Alashban et al., 2001). Improved research and development also comes together with standardization as the focus is on a limited number of products. The result is that firms are able to sell high quality products with better margins together with the competitive advantage of being able to lower their price.

Another trend of research also indicates that the degree of standardization varies depending on what product the firm is offering (Ozomer, Bodur & Cavusgil, 1990). It has been shown that when market conditions between host and home market is similar, standardization is used to a larger extent and that product was the element in the marketing mix that was most standardized (ibid).

Even though there are globalization tendencies it is being argued that variations between countries exists in dimensions such as consumer needs, use conditions, purchasing power, commercial infrastructure, culture and traditions, laws and regulations and technology development (Terpstra & Sarathy, 2000). The adaptation advocates claim that this creates the need to adjust in the firm's marketing strategy to each specific market (Terpstra & Sarathy, 2000). Instead of focusing on short term cost reduction through standardization the focus should be one long-term profitability achieved through higher sales acquired by better exploitation of different customers’ needs in each specific country (Onkvisit & Shaw, 1990; Rosen, 1990; Whitelock & Pimblett, 1997).

There are several studies that link adaptation to export performance. Johansson and Arunthues (1995) found a positive relation between product adaptation and profits that is furthermore confirmed in a study by Calantone et al. (2006), showing that product adaptation strategy is positively related to export performance. In a study by Albaum and Tse (2001) they found a link between adaptation, competitive advantage and firm performance. The authors argue that the adaptation strategy defines a firm's competitive advantage in a foreign market, which lead to firm performance (ibid)

There are some factors that influence a firm's marketing strategy in a foreign market. The greater the intensity of competition between buyers and distribution the more adaption (Alashban et al., 2001). Simultaneously, it is shown that the economy of a country plays a large role when it comes to standardizing or adapting a brand name to selected markets. In fact, the economic level of a country may limit the market segment that afford a certain offering. In that regard, firms that market in developing countries may develop a cheaper low quality brand to reach more customers (Alashban et al., 2001). The benefits from adaptation does however come with a cost (Vrontis, 2003). A study of UK multinationals showed that firms consider successful customization to come with high costs as the collection of market knowledge is resource intense.
To overcome the polarization between the different approach between standardization and adaptation, a group of researchers proposed a contingency approach. In their view, standardization and adaptation should not be seen in isolation to each other, but as two ends of the same continuum, where the degree of firms marketing can range between them (Jain, 1989). The decision to adopt or standardize is situation specific, which should be evaluated based on an analysis. Each situation should be evaluated at a specific time in a specific market. Furthermore, the selected marketing strategy of standardization or adaptation should be evaluated through its impact on company performance in international markets (Quelch & Hoff, 1986; Onkvisit & Shaw, 1987; Jain, 1989; Cavusgil & Zou, 1994).

In a quantitative study made by Demitris Vrontis in 2003 with 124 responding companies representing some of the 500 largest multinational companies in UK, the result showed that large corporations seem to standardize product and service while price, place and promotion was adapted to a larger extent. Further analysis of the research pointed that global uniformity and image, economies of scale and synergetic and transferable experience was the most important reasons for standardizing as consistency with consumers, easier planning and control and stock reduction were of less importance.

Vrontis (2003) argues that both standardization and adaptation is used in the same time and that there is a matter of degree. The level of integration depends upon the relationship between reasons and elements and how they are affected by different factors. In that regard, Vrontis (2003) proposes a concept called the AdaptStand Process. The concept outlines the different stages that multinational companies need to consider when identifying the level of integration across the marketing mix elements.

On the other hand, Svensson (2001) and Tai and Wong (1998) approach the dilemma of standardization and adaptation in a different way. They argue that it is possible to construct international marketing strategies and divide them into two dimensions, the ‘decentralized and centralized’ dimension and the ‘standardization and adaptation’ dimension. This further creates four strategic approaches, the Global, Glocal, Local and Regcal approach.

The Global approach involves standardization and centralization (Svensson, 2001). In this approach firms have formulated and implemented a standardized set of marketing programs within their headquarters. The firm’s strategic elements in the host market are identical with those in the home market. With this approach firms can maintain their consistent offer across all markets they operate in. L’Oreal is an example of a firm that has adapted the global approach for their international operations (Tai & Wong, 1998; Solberg, 2000). The Glocal approach is the combination of standardized strategy and a decentralized decision making structure. Firms have formulated a standardized set of strategies at their headquarters but leave the implementation of these strategies to local representatives. Local representatives are authorized to locate a proper target segment for the standardized programs (Chung et al., 2011). The local approach is a combination
of adaptation and decentralized decisions making. Each host market is viewed differently from the others and is served by a customized marketing program that is formulated and implemented by local representatives. Nestle and Unilever is reported to use this approach in their international operations (Solberg 2000). Finally, Regcal approach is a combination of adaptation and centralized strategies. In this option firms establish a centralized decision making structure to formulate an adapted strategy in each regional market (Chung et al., 2011). With this approach, the firm’s headquarters gain knowledge about each market, which they could use in other markets.

2.4 Pricing
The task of price setting involves considerable amount of resources (Bergen, Dutta, Levy, Ritson & Zbaracki, 2003). In contrast to previous beliefs, research on some of the world’s largest, most influencing companies, has shown that pricing comes with substantial costs (Bergen et al., 2003). Firstly, pricing should be based on research and secondly, with the use of the gathered information convince the decision makers (ibid). When that task is fulfilled, the rest of the company needs to be convinced about the idea of changing prices as internal resistance often is met. This causes intangible costs such as managerial expenses and working hours of employees. In addition, changes in price-lists, printed material etc. needs to be made that causes material costs (ibid).

2.4.1 International Pricing
Most managers feel overwhelmed with the complexity of export pricing as they are aware of the powerful impact pricing has on their firms’ prosperity and growth (Stöttinger, 2001). The empirical studies that has been conducted has pointed out that managers judge international pricing to be the most crucial decision in business practice (Gaul & Lutz, 1992).

Compared to domestic pricing decisions, the process of setting prices internationally consists of complexity as there are several external factors to be considered that needs less consideration in the domestic market (Hollensen, 2011). Such factors are (Cavusgil, 1996):

- The nature of the product;
- Fluctuation in price and availability of raw materials;
- Location of production;
- Distribution system;
- Location and environment of the foreign market;
- Foreign currency fluctuation.

When a product is unique and specialized, it enables firms to keep a stable and somewhat constant price as they can use a ‘skimming’ price strategy (Cavusgil, 1996). This strategy can only be used if the competitors has not yet reacted to the offering.
The most common way of exporting products is that they are produced in the home country and then exported to other countries (Cavisgil, 1996). This creates an inflexible situation for the firm as they are highly dependent by the situation in the home country. Nevertheless, Firms with manufacturing in several countries are given the advantage of being more flexible in their pricing as the dependability to one single country is not as high. This could for instance be embargoes, environmental issues or political instability.

The system of distribution is affecting the firms control over the end price (Cavisgil, 1996). Moreover, Firms using independent distributors tend to have less control over the end price as the distributor often mark up the prices significantly. In some countries, this mark-up could be as high as up to 200 percent.

2.4.2 Standardization and Adaptation of pricing
Two influences affecting firms international pricing activities are the continuing communication development together with currencies (Stöttinger, 2001). As communication access is increasing throughout the world and an increasing number of countries using Euro as a common currency, there is an increasing price transparency. The increasing access of prices makes a solid argument for using standardized pricing. Even if most firms are present on internet and perceive it to be a source of information towards customers they consider their products to be too complex and tailored to enable them to publish their prices online (ibid). Shortening of the product life cycle and disappearing retail price maintenance creates a need for more sophisticated pricing practices to enable quicker payback times (Stöttinger, 2001). This together with the liberalization of trade, growing economic integration the traditional market-per-market pricing becomes obsolete and improved pricing strategies are becoming required. Two strategies that often is being debated in international marketing are standardization and adaptation, but further research is needed in how they are used regarding price (Stöttinger, 2001).

The price standardization implies that the prices are the same between all markets as the price is a fixed world price with slight adjustment to different markets in consideration to factors as foreign exchange rate and variances in the regulatory context (Hollensen, 2011). This is being considered a low-risk strategy but the approach is simultaneously not going to maximize profits as no effort is being made to respond to local conditions. The standardization approach is shown to benefit firms selling to large customers with companies in the whole world, as they demand similar pricing for every country subsidiary (ibid). Standardized prices do furthermore require less resources as the struggle of making several price lists and acquiring advanced market knowledge is limited (Stöttinger, 2001).

On the other hand, price adaption implies that prices are being customized to fit the different attributes of markets (Vrontis 2003). This allows local subsidiaries and partners to set prices according to what they see as the most appropriate for the local conditions (Hollensen, 2011). In contrast to standardization, no effort is being made to
coordinate prices between markets. This creates the weakness in lack of control that the company headquarter has over the local price setting and the risk that multinational firms may view the company in a bad way (ibid). Firms that use adapted prices is argued to do so because there are some markets where they have the possibility of getting a higher price and some markets where they cannot.

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2.5 Centralization vs Decentralization

Centralization and decentralization is two different concepts regarding pricing decisions. Baker and Ryans (1973) emphasize two criteria as vital for a firm’s export policy. The first is at what hierarchical level the decision for pricing is located and the second how autonomously pricing may be outside the key corporate management. It is being argued that centralized pricing decisions may lead to more uniformity, control and continuity as decentralization offer more flexible reactions to market characteristics (ibid). The fact that managers at different levels may have different objectives is being stressed as managers at sales level might be more concerned with volume objectives and higher-level management tends to value to profit margins (Stöttinger, 2001).

Generally, the price is set by the headquarters and is relative to the prices of competing local products in each market (Cavusgil, 1996). If a firm for example is aiming to be a premium brand, the price could be set as, say, 20 percent above the price of the most expensive locally produced product (ibid). Even though a firm is competing with local brands, they also meet competition at a global level. The same competitors are encountered in many markets which, requires global coordination of the competitive strategies (ibid). Some firms relate their pricing closely to the planned production-volume (Cavusgil, 1996). As the volume planning, usually being made at corporate level, centralized pricing is required. The parent company often wants to plan the annual revenues on a global scale. This typically requires centralized price setting or imposed guidelines given to the subsidiaries to follow in the price setting procedure.

The more decentralization of the company the more adaptation (Cavusgil, 2015). Firms with direct export is having a greater control over the pricing situation in different countries and has therefore a greater ability to standardize. A firm using distributors is losing the control to the distributing company as they have the power over the end pricing (Stöttinger, 2001). It is shown that distributors not surprisingly tend to increase
the prices to the end customer to gain higher margins on the sale (Cavusgil, 2015). Even firms with subsidiaries tend to standardize both thanks to that the ability to analyze and find out the best price is a lot better with market presence and that the headquarter to some extent loses the control over what happens in the end market when they set up subsidiaries (ibid).

In some cases, decentralization is more beneficial to use (Cavusgil, 1996). In markets where there is a need for quick responses to changes in the market pricing decentralization is creating greater possibilities to do so (Stöttinger, 2001). When competitors change their prices, a rapid response is much more likely to be performed as the road to decision is less complex (Cavusgil, 1996). The need to make rapid price changes is greater when a brand is having a relative market share and is forced to follow market leaders and their pricing levels (Solberg et al., 2006).

Decentralization is also beneficial in markets where end-user characteristics is needing large consideration in the sense of pricing levels (Stöttinger, 2001) With more local presence, these characteristics are easier to adapt to. In extent to this there are also specific local cost factors like value added taxes and adaptation costs as well as differences in transportation costs that calls for the greater price flexibility given by a decentralized structure. Even in decentralized firms the decision making is influenced by top-level executives. Although the pricing decision is delegated to the local sales force that has the power over the realized price (Stöttinger, 2001). This structure also allows the subsidiaries to react to changes in economic and financial conditions such as interest rates and inflation, which is needed to be considered as they could cause pricing to differ from the corporate pricing guidelines. Lastly, decentralization enables the subsidiary to lower the prices to cause higher demand or higher the prices when the demand is high in order to maximize the earnings in the specific market (ibid).

2.6 Price setter vs price follower

As a part of the international competitiveness, the level of market share a firm possesses is impacting its competitive advantage (Solberg et al., 2006). With a large part of the market share, a firm is possessing more influence on the price level in the market.

Solberg (1997) has developed a framework in which two dimensions are included (figure 2): Industry Globality and the degree of the firm’s preparedness for internationalization. Industry globality is defined “as a condition in which the actions of the players that operate in world markets are affected by one another to the extent that a relatively stable price level is created across the markets in which they operate. Thus, prices vary as a function of only tariffs, transport, and distribution costs, expenditures that are outside the control of the exporter for the most part” (Solberg et al., 2006 p29). In the framework, a global industry is centralized by a few, major competitors that is in charge of their segments in the global markets within their product category. The degree of globality in this dimension is according to Solberg (1997) considered to vary between monopoly and atomistic competition where the monopoly actor is the price setter and
that firms in the atomistic market setting will have to follow market prices in every case. Furthermore, the author argues that most firms fall into intermediate positions.

When it comes to the parameter of ‘international preparedness of the firm’ Solberg (2006) argues that experienced firms find international pricing to be a more complicating matter, even if they are devoting additional resources to gather and analyze great amount of information. It has been found that these firms have the international preparedness (Solberg et al., 2006). Simultaneously, smaller and more inexperienced firms seem to be less prepared and that they are weaker in generating local market insight and the ability to determine effective price levels in foreign markets. This leads to that they tend to possess smaller market shares and that they are following the price levels set by competitors or segment leaders (ibid)

In conclusion, research shows that large internationally experienced exporters are more likely to centralize their pricing decisions, whereas smaller more inexperienced firms are more likely to be more opportunistic in their price setting behavior and that they tend to decentralize their decision making (Solberg 2006).

Figure 2, Source: Solberg et al., 2006 p31

### 2.7 Cost based vs market based pricing

When firms are pricing their products, there are several parameters to consider (Stöttinger, 2001). Two frequently researched concepts are cost based and market based pricing (Tzokas et al., 2000)

According to Tzokas, Hart, Argouslidis and Saren (2000), cost based pricing method consists of three ways to approach the method. These are Cost-plus, marginal costing, or target costing. Cost-plus is essentially based upon the full cost of a product, which
could be both fixed and variable. The firm then add a profit mark-up that is either fixed or flexible (Tzokas et al., 2000). Especially industrial firms use this method, as it is simple as well as a safe method as it covers all costs. Firms whose fixed costs make up a large proportion of their total operating costs use marginal cost pricing. It does on the contrary to cost-plus pricing (Tzokas et al., 2000), only consider variable costs during price calculation. Target costing is focusing on return on investment (ROI) and the method is also cost based. The price is calculated considering the full cost of a product with the addition of a predetermined target rate of ROI (ibid).

Cost-based pricing methods have however received criticism (Tzokas et al., 2000). It is argued that cost-based pricing methods are based on supply conditions and gives little consideration to demand and competitor’s actions (Litvak et al., 1967 and Shipley 1983). Shipley (1983) also argues that using mark-up pricing is reducing the flexibility of pricing. Monroe and Zoltners (1979) argued that the methods lead to unavoidable assumptions about costs that might not be correct.

Another method category of industrial pricing comprises market-based methods. This category includes competitive, perceived value and value pricing (Tzokas et al., 2000). With competitive pricing firms calculate their prices considering competitors prices rather than their costs. The perceived pricing method is about trial and error and sets the final price by investigating consumer reactions to different price levels (ibid). Value based pricing is set from the customer’s perspective, and focuses on what the customer perceives valuable in a product or service (Armstrong & Kotler, 2009). If customers value the offering highly, firms are able to increase the price. Firm’s using the value pricing method delivers high quality products and charge a low price to reduce the perceived sacrifice of the customer (Tzokas et al., 2000).

In general, market based pricing is about finding out what price the customer is willing to pay (Stöttinger, 2001). A common way of gaining knowledge about the market situation is to use information provided by the firm’s own sales channels. Research has shown that firms rarely consult external sources of information (ibid). An often-used method is to use competitor’s prices as benchmarks for what the customers are willing to pay, and price the firm’s products accordingly (Stöttinger, 2001).

In a study made with British exporting companies, it was shown that cost was the most important single factor to pricing (Tzokas et al., 2000). It also showed that the pricing orientation was to a large extent market oriented and that competitors and consumers was more important than product factors. Douglas and Wind argues that consumers around the world are willing to sacrifice product features, function and design to get a lower price. Firms taking this approach are believed to expand the global market facing the firm. Hill and Still (1984) found evidence that in developing countries where consumer are price sensitive a simplification of the products which could be offered to a lower price may be effective. However (Waheeduzzaman & Dube, 2004) argued that this strategy offers no long-term competitive edge in international markets. Firms taking
this strategy are vulnerable for technological developments and against competitors that could produce products for a lower cost and then offer the products for a lower price. Furthermore, customers that are price sensitive is not loyal and may make the purchase from another firm if the price are lower (ibid).

Tzokas et al (2000) suggests that industrial exporters should use a “balanced” approach in their exporting process by incorporating concern for customers and competitors as well as the product issues. Simultaneously, Johansson et al. (2012) consider customer value based pricing to be the superior approach, where the value delivered by a product or service to the customer is being utilized. Despite this, few industrial firms use customer valued based pricing as their method. In fact, Research has shown that 80 per cent primarily base their pricing on costs or on competitor’s prices (Hinterhuber, 2008).

2.8 Conceptual Framework
The literature review has shown that whether a firm is standardizing or adapting as a part of the international pricing depends on several constructs. The first construct is the cost based and market based pricing. Which strategy being used when determining the price might affect if a firm will have a standardized pricing strategy or an adaptation strategy.

The second construct that may affect the firms’ choice of standardization or adaptation in its international pricing strategy is the dimension of centralization and decentralization. When a firm has a centralized structure the price is decided by the headquarters and the pricing tend to be standardized. When the firms structure is decentralized, the headquarters leaves a part of the pricing decisions to the sales channel in each market and adaptation of pricing is often made. The local sales force is closely integrated to the market and they can decide the price in accordance to factors in the specific market.

What export mode is being used is affecting whether the pricing decisions is centralized or decentralized. When a firm use distributors, they lose control over the end price to the distributors as the decision is decentralized. When direct export is being used, firms are given more control over the end price and the pricing decision tend to be standardized. When firms are experiencing a mix between the dimensions it can range between standardization and adaptation where both standardization and adaptation is used in the international pricing strategy.

The third aspect is whether a firm is price follower or price setter. Their position is dependent on the firms’ strength in the market. When a firm is market leading, they are price setters and decides the price in the market. However, when firms position in the market is weaker they tend to become price followers. As they have limited control over the market price they need to adapt to competitors with a stronger position in the market.
The conceptual framework demonstrates how the aspects are expected to impact firms international pricing strategy. The thesis aims to describe how the concepts are impacting how firms are using standardization and adaptation.

![Conceptual framework](image)

Figure 3: Conceptual framework

3 Methodology

*In the following chapter, an explanation will follow of the methodical framework. The chapter will consist of what methods that has been used together with motivation of why they make the most suitable choices.*

3.1 Abductive research method

Traditionally, Silverman (2013) argues that research methods have been divided into two approaches; the inductive and deductive approach. The inductive approach derives from empirical evidence and is seeking to find a general truth out of it. The empirical evidence is based on observations or cases about the topic researched. The deductive approach is based on existing knowledge and theories and is therefore associated with less risk.

However, there is other ways of conducting scientific research. Creswell (2013) argues for an emerging approach that combines elements from both the inductive and the deductive approach. This approach is the abductive approach which derives from theory but accepts a preconditioned theoretical framework, where the theory can be refined and adjusted during the research. The abductive approach is flexible since it allows the researcher to introduce new aspect that have been detected during the research. Arthur, Waring, Coe and Hedges, (2012) further state that the abductive method views existing models, concepts and frameworks as modifiable and open to scrutiny, keeping every possibility probable.
This study take the standpoint from theory with a theoretical framework consisting of relevant theories about standardization, adaptation and the elements of pricing. However, since there is limited research of how Swedish SMEs approach the problem of international pricing, the practical implications, views and perceptions from the respondents may differ from the content in the theoretical framework. This creates an urge for openness and flexibility throughout the process. With an abductive method in this research these practical implications are accounted for due the ability to refine and adjust the theoretical framework during the process. Allowing new aspect to be implemented during the process enhance the accuracy of making the most accurate interpretation. In this study, the theoretical framework has changed during the process where aspect important to the study was identified and refined. Where the construct of centralization and decentralization needed to be further elaborated. As when conducting the interviews the relevance of the constructs where recognized. The abductive approach has a consequence allowed the theoretical framework to be refined which could be helpful in the analysis.

3.2 Qualitative study

When conducting a study the aim is to answer the research question, the method the researcher take to find an answer to the research questions is described as the research method (Kumar, 2014). Creswell (2013) argues that there are mainly two methods used by researchers; the qualitative and the quantitative method. The qualitative method is considered to be a flexible and unstructured approach. This emphasizes the role of perceptions and experience from each participant. Furthermore, the qualitative method target a smaller sample where more information is gathered from each participant compared to a quantitative method.

The quantitative method is a structured approach which follows a set of practices to collect empirical data to answer the research questions. The method uses a larger sample and creates the benefits of being able to generalize opinions, attitudes and behaviors. This is often made by conducting standardized fields studies and surveys. Qualitative findings are considered descriptive as the quantitative is analytical (Kumar, 2014).

The undertaken method in this study is the qualitative method since it is the most applicable method to gain in-depth understanding of how Swedish SMEs is using standardizing and adaptation in their international pricing strategy. The focus is to gain deep understanding of the participants’ views, perceptions and interpretation of the problem. Therefore, the most applicable method is to target a small sample whereas targeting a large sample the requirement of capturing the respondents’ interpretations of the problem is harder to meet. Furthermore, is the qualitative approach not giving the ability to generalize the findings.

Hence this study focus on describing how Swedish SMEs is using adaptation and standardization in their international pricing strategy. This creates an urge for flexibility...
to this study which is one of the characteristics associated with a qualitative study. Flexibility is required since having a structured procedure during the research deludes the ability to capture all aspect relevant to the research question. With flexibility, these aspects will be captured during the process and thereby the study will receive the most accurate findings towards the research questions.

3.3 Research Design
A research design is the road map the researcher follow in search of the most accurate findings (Kumar, 2014). The research design has mainly two functions. The first relates to the process and activities required for the study. The second is about the quality during the process, ensuring that the study becomes as accurate as possible (Kumar, 2014). The choice of research design depends on the research purpose and objectives (Ghauri & Grønhaug, 2010). According to Kumar (2014) there is four types of research designs; descriptive, correlational, explanatory and exploratory research design.

The descriptive design, aims to describe a situation, problem or provide information to describe attitudes towards an issue. The main purpose is to describe what is relevant to the problem in the study. The correlational design aims to find or establish relationships, or associations between two or more aspects of a phenomena. The correctional design is mainly suitable in a quantitative study since it generalizes with larger samples. An explanatory design explains why and how there is a relationship between two or more aspects of a situation. It could be seen as an explanation of the findings in a correlational study (ibid). An exploratory design is when the objective is to explore an area of research where little is known. This approach gives the researcher flexibility and focus is to gather a large amount of information to get an answer to the research questions. The exploratory design is often used in qualitative studies where the focus is to explore a situation/problem where there is a lack of research. Further the exploratory design emphasizes the discovery of ideas and insights (Ibid).

As our research question research ‘how’ Swedish SMEs are using standardization and adaptation in their international pricing strategy, further arguments are given to use the exploratory design. Furthermore, the research will consist of a vast amount of empirical data of how the respondents are perceiving the issue. The exploratory design will enable the study to generate a deep understanding and describe the responding firms’ way of doing. As the study seeks to discover ideas and insight from the respondents relevant to the research questions the exploratory approach is the applicable research design for this study. Furthermore, both the correctional design and the explanatory design is excluded. This study is not seeking to establish relationship between one or more aspects or to explain why there is a relationship between the aspects.

3.4 Structure of interview
According to Patton (2002) we cannot observe and understand all situations, therefore having interviews is a commonly used approach. By conducting interviews, it allows the researcher to understand another person's perspective (Patton, 2002). The objective
of this thesis is to gain an understanding of how Swedish SMEs are using standardization and adaptation. To gain that understanding, a storytelling needs to be made by representatives from each company. This storytelling will be made with the help from a well-developed and thought-through set of questions. By asking questions, the answers will create the insight of how the firms are perceiving and approaching this issue that is needed to answer the research question. The questions will derive from what has been found in the literature review and will give the interviewee the possibility to share his or her view of the issue.

According to Ryen (2004) there is a discussion between researchers about the structure and which technique to use during the interviews. The researcher can choose to make a structured, semi-structured or unstructured interview. The degree of structure for the interview depends on the research question, focus and sample criteria. Further, Ryen (2004) argues that by having a structured interview the researcher could avoid collecting unnecessary amount of information. By collecting too much information, it may lower the reliability and validity of the research. The structured interview also prevents the research from being biased by questions that are not neutral. As the objective of interviews is to capture the respondent's perspective, a structured interview may however contradict the purpose of the interview (ibid). This is because the structured interview may cause the interaction to become mechanic and make the researcher less observant. Aspects of the problem that is important for the respondent might otherwise be missed by the researcher.

A structured interview approach is not applicable in this research as it strives to capture the perspective from the respondents and the structure may be contradictory to the purpose. However, Ryen (2004) further argues that it is necessary to have some structure when making the interviews with several responding firms and suggest that researcher could use semi structured interviews instead. The semi structured interviews allow follow up questions where more detailed information about the topic may be perceived. In this study, semi structured interviews will be used. By taking this approach the researchers will have clear guidelines with enough flexibility to capture the respondent views of the pricing strategies in different markets.

Before the interview, a semi structured guideline was prepared to follow during the interviews. Questions where made from the constructs to assure all parts were covered. Furthermore, the questions where translated into Swedish to make it convenient for the respondents. Before the interviews the respondent were informed about the topic for them to prepare and create an insight about the studied issue. During the interview follow up questions were asked when there was a need for the respondent to elaborate the answers further.

3.5 Data collection
When doing a qualitative research there is several possible ways of collecting data (Corbin & Strauss 2008). Which method the researchers use depends on the research
question and the purpose of the study. Qualitative data often comes from fieldwork in an area of subject and it could be done through interviews and observations (Patton, 2002). There is two type of data, which is secondary and primary data (Bryman, 2016). In this research, we will use both primary data and secondary data.

3.5.1 Primary and secondary data
This study will mainly focus on primary data which according Kumar (2014) derives from first-hand information. The primary data in this study will be collected by conducting interviews. Interviews is effective in research because by collecting data from the real world makes it possible to get practical interpretations of theoretical problems. In this case, the interviews will give in-depth knowledge about how Swedish SMEs are standardizing and adapting prices as a part of their international pricing strategy. This knowledge is beneficial because it gives practical interpretations to the problem. Practical interpretations though the respondents will explain how they are standardizing or adapting pricing as a part of their international pricing strategy.

However, in this research, secondary data was also used. These can be gathered through articles, journals, magazines, books and periodical to obtain historical data and other types of information (Kumar, 2014). In our thesis, secondary data was collected at the company’s websites. This data was used to provide the researcher with information necessarily for creating an understanding about the chosen companies before the interviews, Information describing their products, whom the customer is and to which countries they are exporting to.

3.6 Sampling
Prior the start of the data collection the researcher should choose a sample. The researcher then needs to choose what, when, where and to whom to observe or interview (Meriam & Tisdell, 2016). There are two types of sampling which are non-probability and probability (Kumar, 2014). Probability sampling allows the researcher to generalize results and it often used in quantitative studies (Meriam & Tisdell 2016). This study is a qualitative study and it focus is not to generalize results therefore probability sampling will not be used in this study. Hence the non-probability method is often used to solve quantitative problems (Kumar, 2014). Meriam and Tisdell (2016) argues that this method is useful in particular when the researcher is discovering what occurs and the implications of it. Within the non-probability method there is a type of sampling called purposeful sampling (Meriam & Tisdell 2016).

Purposeful sampling is based upon the assumption that the researcher wants to discover, understand and gain insight and therefore most choose sample from which the most can be learned (ibid). Purposeful sampling will be used in this thesis to discover, understand and gain insight about whether Swedish SMEs is standardizing or adapting prices as a part of their international pricing strategy. To identify a sample from where the most can be learned sample criteria was created. The chosen companies need to meet these
criteria’s to participate in the study. Furthermore, sample criteria’s specifically for the interviewee was created to assure they persisted knowledge about the companies pricing strategy in international markets.

The companies must:
- Be Swedish
- Be an SME
- Operate internationally

The interviewees must:
- Be familiar with the company’s international operations and pricing strategies.

3.6.1 Responding companies
As the responding firms wish to be anonymous, the presentations of the firms are being brief, excluding exposing information.

3.6.1.1 Company A
Company A is a manufacturing company based in Sweden. The firm has its own subsidiaries in China and Poland. In China, they test their new products and produce low cost, high volume best-selling products mainly for the Asian market. The interviewee is employed as business developer and is partly responsible for the pricing in the company.

3.6.1.2 Company B
Company B is one of the leaders in the flooring industry in Scandinavia with a wide variety of products as tiles, textile floors, vinyl flooring and hardwood floors with an emphasis on design and style. The headquarters is located in Sweden where they also have a production facility for their wooden floors. Company B has exporting activities all over Scandinavia, Germany and the United states. The interviewee in this company is the exporting manager of the firm and has a good understanding in the firms pricing strategies.

3.6.1.3 Company C
Company C is a Swedish manufacturing company. They produce plastic flooring to fit a variety of fields of application. The HQ and production is both positioned in Sweden and they sell their products all over the world through both direct export and with the help of distributors and retailers. The interviewee is the Chief Financial Officer of the company.

3.6.1.4 Company D
Company D is a specialist in high frequency welded foil products with an emphasis of quality and technology. The firm conduct contract manufacturing but also, they offer their own products to the furniture industry and the leisure sector.

Approximately 50 % of the sales is direct export. Including indirect export the export share is 60 %. Company D also have a smaller machine fleet for simpler manufacturing in Romania where they produce products for garden protection. The interviewee is the Owner of the company.
3.7 Operationalisation

The process of operationalization could be explained by taking the theoretical and transform it to something real (Trochim & Donnelly 2006). Patel and Davidsson (2011) argue that the theoretical needs to be functional in the real world therefore it needs get deconstructed and transformed into questions that is more concrete. To be able to do this an interview guide have been created for this thesis consisting of four constructs from the theory chapter. From the constructs ten theory related questions where made. Furthermore, two other sections in the interview guide was created that is headed as business operation and other. From the business operations four questions where created. These questions were asked to gain an understanding of the firm’s business operations with a focus of the internationalization of the firm. These questions were necessarily to gain better understanding of the theory related questions. The section, ‘other’ aim to detect aspects that the respondent might have missed to mention during the interview that they believed are of importance. Here the respondent where speaking more freely about their view and interpretations of the researched subject. These questions are found in the (see ‘appendix table 1. Operationalization’ in appendix).
<table>
<thead>
<tr>
<th>Concepts</th>
<th>Interview questions</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business operations</td>
<td>1-4</td>
<td>These questions were asked to get an understanding of the company’s business operations. With a focus on the internationalization of the firm. These questions were necessary to perceive a better understanding of the following questions.</td>
</tr>
<tr>
<td>Price standardization/Adaptation</td>
<td>5-10</td>
<td>The interviewee was asked questions about their pricing strategies in different markets. The first questions was broad to capture the respondent’s views about pricing followed by more specific questions about the constructs.</td>
</tr>
<tr>
<td>Centralized/Decentralized pricing</td>
<td>11-12</td>
<td>Questions were asked regarding whether the company had control over the end price. Also if the pricing decision was centralized and decentralized.</td>
</tr>
<tr>
<td>Price follower/price setter</td>
<td>13</td>
<td>A question were asked concerning price structure in an international context. In order to receive knowledge about who or whom that deciding the price in the company’s markets. Too get a perceptions if the company was a price follower or price setter.</td>
</tr>
<tr>
<td>Cost based/market based pricing</td>
<td>14-15</td>
<td>The interviewee was asked questions regarding market based and cost based pricing in an international context. Too gain knowledge of the company’s pricing strategy with these constructs in mind.</td>
</tr>
<tr>
<td>other</td>
<td>16</td>
<td>We asked the interviewee if there were anything specific that was missed during the interview that the interview thought was of particular importance regarding international pricing. In order to not miss phenomena that is of importance.</td>
</tr>
</tbody>
</table>
3.8 Quality of research

In a quantitative study measures such as, reliability and validity, are widely used (Sarantkos, 2013). Hence in a qualitative study researchers often use other methods more plausible in such research, as, dependability, credibility, transferability and confirmability (Ibid). These instruments will be used in this study to assure the quality of the research. According to Bryman (2016) these four criteria can be seen as a valuation of the trustworthiness of the thesis.

3.8.1 Credibility

Credibility is according to Kumar (2014) that the results of the qualitative research is credible and believable from the perspective of the participants in the research. A qualitative research aims to explore people's experience, feelings and beliefs therefore it is argued that the respondent of the research is the best judge whether the study have been able to reflect their views accurately (Kumar, 2014). Credibility is therefore judged by the respondents and refers to the degree the respondents agree with the findings in the research (Ibid). An instrument to assure the credibility of the research is to use respondent validation (Bryman, 2016). Respondent validation is when the researcher provides the respondents in the research with a draft of what has been said during the interview to ensure that the respondents agrees with the researchers’ interpretation of the interview (Ibid). In this study, it entails that the interviewee receive a transcript made from the interview. The interviewee reads it and either agree with it or argue for changes to be made. By receiving respondent’s validation, we can assure to reflect the respondents’ views and perception in an accurate way.

3.8.2 Dependability

Dependability concerns whether the researchers would get the same result if the research was made twice (Kumar, 2014). Bryman (2016) further argues that to receive a high degree of dependability researchers should entail an auditing approach. This approach requires that the researchers should keep an auditing trail to ensure complete records are kept of all steps of the research. This trail should be available for others for them to review the process (Ibid). Hence Meriam and Tisdell (2016) argues that in a qualitative research dependability is not whether the same results would occur again if the research was made again. A repetition of the study will not give the same results even if it was made by the same researchers because the context and the respondents perception would transform over time. Instead, dependability is concerned whether the findings is consistent with the data collected. To achieve dependability a key is to explain how the researcher got there (Ibid). To assure dependability in this thesis an auditing trail was taken to explain the path taken throughout the study. With a methodology chapter that explain the path taken and the purpose of it. The transcript and recordings made from the interviews will be available for request for others to evaluate if the data is consistent with the data collected. By allowing others to follow the trail of the research, dependability of this research can be assured.
3.8.3 Transferability
According to Kumar (2014) transferability concerns whether the findings of the study could be generalized or transferred to another context or situation. Hence it also argued that a generalizability in a statistical sense cannot take place in a qualitative research (Meriam & Tisdell 2016). In this research, a purposeful sample has been made to understand the particular. The purpose is not to generalize our findings to other settings. Hence it is further argued that the researcher should provide descriptive data to make transferability possible. Then it is up to the researcher or person who which is to transfer the study to another situation to account how manageable the transfer is (Ibid). To make this study transferable to other situations an explanation of the path taken during the research has been made in the methodology chapter. Furthermore, another step to make the study transferable is to make the transcript and recording available upon request. Lastly the interview questions are attached in this documents for other to follow the path taken.

3.8.4 Confirmability
According to Bryman (2016) confirmability is concerned ensuring that the researcher have not allowed personal values or theoretical preference to influence the finding in the study. Kumar (2014) argues that this concerns to which degree the finding could be confirmed or verified by others.

To achieve confirmability in this study the authors identified a potential bias in this research. The bias found was that the interview would be too based upon theory and consequently aspects that may be important for the interviewee might be missed. However, by having semi-structured interviews the respondent could reflect upon their aspect of the problem. Furthermore, the interviews started with open questions about the topic where the respondent could reflect on their views instead of being interfered by theory.

4 Empirical Finding
The following chapter will consist of the empirical findings collected from the interviews. The findings are being structured company-wise under each of the researched constructs in the order of ‘standardization and adaptation’, ‘decentralization vs centralization’, ‘price setter vs price follower’ and ‘cost based vs market based pricing’.

4.1 Standardization and adaptation
4.1.1 Company A
Company A is having a diverse product portfolio and are selling to a variety of customers depending on what line of products they are demanding. In general, their products are standardized and they sell the same products to all customers with some exceptions. When customization is made, the adaptions is matching the needs of a certain firm and not to meet differences in certain markets. Where adaptation in price often is made towards high volume customers whenever they state the price is to high
they continuously strive for changes in production to decrease the cost and to lower the price. The respondents stress that they have products that have been customized for a specific customer. Tough the use conditions differs products have been developed to one customers to meet the requirements associated with the situation.

The firm recently hired a product developer with the objective to diversify their product portfolio and to create a framework for price setting within the firm. The aim of the framework is to create more uniform pricing to all customers. As a customer is being offered a price for the products they demand, there is a set framework with discounts varying in between the purchases accordingly to the volume of the purchase. Up to a certain level, the customers are being offered a standardized discount depending on the purchase size. In this framework, there is a unique factor for each customer to calculate the price whereas adaptation in price is made for each customer.

Even if the firm is striving for uniform pricing between markets, the interviewee perceives prices to be higher in the home market as the brand is more acknowledged by the customers. When the firm is entering new markets, there sometimes are other manufacturers and distributors with a high market share needed to be taken into consideration. Therefore, the price often tends to be lower in these markets. When comparing the price list for small customers the price is lower in foreign markets. Furthermore, that distributors are as well having higher prices in their home markets and lower price levels in foreign markets.

Europe is perceived by Company A as one market where the sales manager is targeting potential high volume customers. When doing so he makes an estimate about what price the competitors would offer the products for. Taking the competitors into consideration in each market a price is decided. Furthermore, the interviewee stresses that sales managers often have negotiations with the customers where factors in each market is taken into consideration.

**4.1.2 Company B**

Company B is standardizing 85% of their products while the remaining 15% are being customized to fit customer needs. The same goes for pricing where the products being sold to distributors are having similar price levels with some adaptions made regarding the size of the deal. The trend is that distributors buying large volumes are given a lower price-per-unit. When price is being adapted, it is in consideration to the amount of work required by the firm to deliver the products. In deals with no intermediaries, the firm are able to charge higher prices that are adapted to the specific situation and project. Customization of product is made for a specific customer to create an exclusive product where they can charge a higher price.

Even though the company enhance standardization it is argued that they need to take market conditions into consideration and occasionally adapt to it. The respondent claim that the demand differs between markets due historical factors. Company B cannot
adjust too much to the market due they must think what’s best for their own good. With an emphasis of their own values where quality is one of them. By focusing on their values, they can charge a higher price and offer a better product. For company B the pricing rationale is to not make it too complicated. As pricing comes with a cost and by making it simple the managerial and administrative implication of it gets easier to manage which have high value in itself for the firm by taking this approach.

4.1.3 Company C
Company C is offering the same products all over the world and their customers are able to acquire the same product regardless of where in the world they are positioned. However, the customer which is distributors or retailers decides which product to purchase and to which market the product should be sold to. In some markets however, the needs are different and customers are demanding customized products. There is a discussion between the company and the retailers and distributors were factors in each specific market is taken into consideration. Negotiations is being made with the customer where the firm is trying to figure out what the customer is ready to pay. The interviewee claim that market differs in many terms whereas in some markets alternative product is being used instead of their product. Alternative products that might be expensive in the home market but much cheaper in the host markets. In some cases, they develop products that could be offered to a lower price to penetrate one market. It is often made when larger distributors or retailers in one country state that they need a product for a certain price. Then it is brought up for suggestion of changes in product features and if production could be done to reach the target price. To gain knowledge about each market the key is a dialog between the firm and the distributors and retailers where the distributors and retailers have great market knowledge. The distributors and retailers may come up with suggestions on different colors or patterns that they want in their portfolio. If the company believe that the product has potential of future sales, they realize the suggested changes. Other factors than price is also of importance such as delivery time and quality. When these factors are perceived, a higher price could be taken in accordance to competitors. The company is selling to different branches where usage of the product differs. Thereafter depending on the branch the need for quality differs and consequently the price. The company also have different price levels depending on if they are selling to a retailer or a distributor since they are in different stages in the distribution cycle.

4.1.4 Company D
Company D is selling products to different sectors where the products are customized for each customer. The pricing strategy is uniform to all markets but simultaneously customized to fit customer needs. Company D is selling their products to customers in all sizes and the price is depending on the volume of the deal where large orders are priced with a lower price-per-unit and smaller orders are priced higher. Products is also priced differently depending on which sector they sell to where some puts higher pressure on their ability to deliver products to a certain price. In some cases, they must adapt their production and the production costs to reach the target price. Even though
the pricing strategy is the same across the globe, they are considering currency
fluctuations and the margins are adapted to reduce risk. Also, the economic situation of
each customer is considered where considerably weak customers are targeted with a
higher price to take height for the risk of not getting payed. Furthermore, for company
D there is no difference if the customer is Swedish or foreign because when the
customer assembles their product to the end product it will be sold abroad anyway.
Then the customer may have different price level depending on which market whom is
selling to. Company D explains that even though the price is important for their
customers’ other factors also influence if they get the deal or not. When the relationship
with the customer is perceived good they have a competitive advantage where they can
ask for a higher price than then the competitors and still get the deal.

4.2 Decentralization vs Centralization

4.2.1 Company A
In general, company A is using direct export as the way of distributing but other
distribution channels are being used, such as distributors selling to retail chains with
stores in several countries. In addition, competitors sometimes use company A as a
second source when they receive orders they cannot deliver with the volume they have
in stock. The price levels for the different types of distribution channels are differing.
The end price of the products could also differ for the same distributor. The respondent
claims that they have seen that the price level is higher in the distributors home country
and that the price levels is lower in other countries. The control over the end price is
also varying dependent on what distribution channel being used. Especially retailers
tend to require higher autonomy in setting the prices to the end user. The interviewee
does however see that there is a trend where distributors and retailers are following
firms price recommendations to a higher degree. When products are sold through direct
export the firm is perceiving greater control over the end price.

When selling products to foreign distributors and retailers the export sales manager has
a high degree of autonomy. Where the manager has negotiations with the distributors
and retailers to get the deal. When selling to these the sales manager take conditions of
the foreign markets into consideration since the competition differs where there are
others manufactures and distributors with a high market share. The manager often
calculates on an estimate on what the other players in the foreign market could sell for.
After taken the competition of the market into consideration the manager make
adaptation in price towards these distributors and retailers to get the deal.

4.2.2 Company B
Company B is using different distribution channels depending on which market they are
selling to. In market where they possess limited market knowledge they see benefits
from using agents with knowledge about market conditions. The perception is that an
agent sometimes could be less costly than using own sales representatives as inefficient
sales representatives could become expensive. In the sector that company B is active,
the pricing is transparent thanks to the easy access to competitor’s prices gained by internet. The firm sometimes experience that retailers and distributors add to little on the price, which creates an issue where customers might buy from another market because they are able to find the same product to a better price.

The company cannot leave to much autonomy to the salesperson since the purchaser often is better at negotiating than the salesperson. Therefore, the salesperson is given a framework with guidelines on what whom may sell the products for. However, company B also perceive that they must give the salesperson some autonomy and therefore the guidelines leaves some autonomy for negotiating the price with the customer. Company B argues that it is a complicated matter where they seek to find the most optimal balance. Where the salesperson cannot be given too much autonomy over the pricing but at the same time need room for negotiation.

4.2.3 Company C

Company C is mainly using distributors and retailers as their distributions channels but is in the middle of the process of creating a website that enables direct export to a larger extent. Depending on what kind of distribution channel are being used, the prices are varying. It is also varying depending on where in the distribution channel the sale is being made and the number of intermediaries. The perception within the company is that they have great control over the end price when the sale is made to retailers as they are giving recommendations of what the prices should be. When the sale is made through a distributor they however experience less control over the price that the end user is paying, especially when distributors are packaging their products along with other products and sell it as a package deal.

The export sales representatives are having great power over the pricing as they are deciding what prices are being communicated to the customer. The HQ has developed and implemented system that sales representatives uses to calculate what margins to add. In the cases of deals where the sales representative receives high pressure from the customer regarding price and is not confident enough to take the decision himself. The sales person then brings the issue to the board where they decide if they should continue the negotiation.

Company C give export sale manager autonomy since they are perceived to persist the greatest knowledge about the sales in foreign markets. Knowledge about the characteristics of each market which need to be taken into consideration when determining the price together with knowledge about competitors and alternative product which may be used instead. Also, what end price the customer are willing to pay in each market is of importance. The sales managers receive this understanding by creating relationships with retailers and distributors through discussions concerning market conditions. As the export sales manager is one of a few that convey this awareness crucial for the export ventures the manager is the one most capable to determine the price. Although the manager also base the pricing on instructions from the headquarters.
4.2.4 Company D
Company D is using direct export as their distributing method and they perceive that they have little control over the end price as their customers are buying parts that is going to be mounted on a product consisting several parts. This gives the company no possibility to find out how their products are adding to the end price.

Company D is a small company and the owner is responsible for many functions within the firm where the export is one of them. The owner has full autonomy over the company and over the pricing. Where the owner is knowledgeable about competitors, customers and internal factors within the firm. With a base on the firm ability, competitors and customers the owner decides a price. However, by having autonomy the owner can make quick changes for the customers and respond to price changes urgently to meet customer needs.

4.3 Price setter vs Price Follower
4.3.1 Company A
In the case of company A there are only two major manufacturers that is having a good automatized production process. These firms are company A together with another company. This gives them the possibility to more or less be the price setter for the market, especially in some parts of Europe where they are delivering the high quality that is demanded. There are some manufacturers in Asia that produces the same kinds of products but with fluctuating quality which, gives them less power over the pricing due to the high-quality requirements in the market. However even though the Asian manufactures could not achieve high quality some customer started purchasing product from Asia due the lower prices. Recently the price level from Company A and the Asian manufactures have decreased. Thereafter plenty of customers started to purchase from company A instead due higher quality and a competitive pricing.

In some markets in Europe there are other competitors and distributors with a high market share that are influencing the price. The sales representatives take this into consideration before determining what prices they set. Before determining the price, an estimate of what price the competitors may offer is made. Continuously, internal factors are considered to create an idea on what price could be taken.

4.3.2 Company B
In the sector where Company B is active, there is, in contrary to many markets, no companies with a large market share, who is the price setter. The interviewee firm perceives that there are firms having an overcapacity that impact the price levels in the market as they are setting low prices. As the market have been attractive many stakeholders entered the market. Consequently, firms have been focusing too much on chasing volume and too little on making profits. In contrary to those firms, company B is focusing on creating good margins. Their sector is consisting on a vast number of
firms where all firms are having incentives to strive for higher market shares. Where many firms within the industry is struggling to make a profit.

Company B made the opposite to create good margins. Where instead on focusing too much on competitors and lower the price. They enhance the meaning of their own values and were focusing on quality. By taking this approach the company can offer a product with high quality which is sold for a higher price.

4.3.3 Company C
The Interviewee of company C argue that they partly are the market price setter. However, they need to consider how other sets their prices. Often, negotiations with the customers are carried out about the pricing. The firm encounter competitors from China that offers identical products for a lower price, however these products is of lower quality whereas they do not need to take it into consideration when setting the price. In some markets the firm encounter alternative products that may be used instead and they need to take those into considerations when determining the price. For company C, other factors than price is of importance. Where it is about offering an interesting product for an appealing price and by being a helpful supplier to the customer where the delivery is efficient and on time. For some occasions their product need to be at one place at a certain time, then it is of big importance to be able to deliver in time. By having a successful relationship with the customer, the process can go on efficiently even when problem occurs. When achieving these factors the customer tend to choose them even though the competitors may offer a lower price.

4.3.4 Company D
The customers of Company D often tend to choose the company able to sell for the lowest price. The customer sends out propositions to several companies of what they need and the company which can sell for the lowest price often take home the deal. The firm have competitors with factories all over the world which enables them to deliver the product with higher efficiency. The company is continuously seeking to reduce production cost to offer products for a lower price. One way of doing it is to try to negotiate with their material suppliers to get a lower price for the material. However, this is difficult since it exists very few material suppliers in the market whom makes up the characteristics of a cartel. The competition in the market is very high and they often must decide that they cannot continue with the negotiation since it is not profitable. However, the profit and pricing vary depending on what sector being targeted.

4.4 Cost Based vs Market based pricing
4.4.1 Company A
Company A has an expressed strategy to always communicate and work with market based pricing, but that is not always the case. It becomes easier for their sales representatives to calculate with cost-plus pricing. Continuously he is stating that the management is having the task of giving the sales representatives the right tools to give them the possibilities to charge higher prices. The gross price the firm is communicating
through their website and to customers without customized price-lists is based upon market pricing. When the export manager at company A is targeting potential high volumes customers in Europe it is of importance to take the market conditions into consideration. He then estimates what price the competitors in respective market may offer and then tries to match the estimated price.

4.4.2 Company B
The interviewee says that the company must have control over the firms costs but that the margin could be decided thanks to market based pricing. He further claims that if you are having competitive advantage or having a very good and attractive product firms are able to have higher price margins. With products having worse competitive advantages like the buy-in price or weaker process, the firm must settle with lower margins to stay competitive with that certain product. He furthermore claims that the pricing cannot be focusing too much on the costs without taking in the market prices and that if the costs are high they should try to adjust the costs or consider to not sell that certain product.

The interview claims that firms in the sector have been focusing too much on chasing volumes and thereby lowered the price. Consequently, plenty of firms in the sector is struggling to make a profit. He claims that company B have been doing the opposite and focus on quality instead and consequently they do not have to follow market price to the same extent. As a result, they can charge a higher price for their product.

4.4.3 Company C
Company C audit their prices every year and change their pricing based on the costs from last year. Hence when this is done the sales representatives have a discussion with retailers and distributors of pricing for each market. The respondent stresses the importance of taking the conditions of the market in consideration when determining the price. As you cannot go out and decide the price and assume that the customer will purchase the product without taking the market into consideration. Company C sells their product to different branches and as the competition differs they need to decide a price applicable for the branch.

Company C create contracts with their high-volume customers where the price is predetermined on a yearly basis. Hence, this it is of complicity as the costs for the material used for making their products have been fluctuating. This has made it a challenge to calculate as the price can change dramatically over time. When the price is high they are seeking for new solutions with alternative material or by creating products that require less material in order to offer a product portfolio interesting for the market. If the price get too high, alternative products may be more applicable for the customers.

4.4.4 Company D
Company D account for every cost in the manufacturing process for their products. Then the overhead is added and a profit margin which depend on which customer they
are targeting. However, the customer often decides the price as they have a target price they are seeking to reach. The customers send out propositions to several suppliers and the one with the lowest price often gets the deal. This ends up in a discussion within the company if they are able to lower costs to reach the target price. They take into consideration the possibilities of being able to deliver larger volumes to the customer as the demand might increase over time which sometimes end up in that they accept to sell products with low margin with the expectation of getting larger orders.

Company D sell their products to different segments where the pressure on low prices differs. It is possible to have a higher price in one segment than the other. When company D is competing with other companies in terms of price, a solution is to try to cut down cost. Where one approach is to try to negotiate with the suppliers to decrease the cost for the material which is demanded for the products.

5 Analysis

The following chapter will consist of the analyze that has been made on the empirical data in connection to the theoretical framework. The similarities and differences between theory and the findings will be stated and discussed.

5.1 Standardization and adaptation

The theory in standardization is arguing that the world is becoming homogenous and that differences between markets is being erased which, calls for a uniform marketing strategy (Levitt, 1983). It is also being argued that the technological revolution has increased the movement of people together with an increasing movement of information (ibid). During this research, all responding companies see tendencies that prices has become more easily accessed and that pricing is getting more transparent during the years thanks to the technological development and the growth of the internet. Company B is stressing several times during the interview that prices and the market is becoming more transparent and that it leads to less play-room as they must adapt to the market. If they make things too differently, customers have easy access to their competitors. As mentioned in the empirical findings, Company B is standardizing 85% of their products, but they do however argue the importance of communicating the firm’s own values in order to enable a higher pricing. Also, Company D is stressing the easy access that the customers are having to competitors’ prices. The interviewee states that if they charge to much, the buyer contact one of their competitors to get the deal at target price.

Standardization is further explained as having a uniform marketing strategy in all markets with slight adaptions to language etc. which makes the brand recognizable regardless of where in the world it is being encountered (Alashban, 2001). A standardization strategy is further explained to benefit from economy of scale which, creates the competitive advantage of lower production costs due to that the same products is sold to all markets without adaptions being made (Vrontis, 2003). Also, the pricing is uniform to all markets with a standardized strategy with slight adaptions to currency fluctuations. The responding firms is all claiming that they are benefitting
from large-volume-production as the cost-per-unit is becoming lower at higher volumes. All firms are simultaneously stressing that the do not have economy of scale benefits from all their products as it depend on the volumes that the customers want to buy. In general, all firms have higher prices when the volume being purchased is low and the opposite for high volume orders. Company B is to a large extent working with a standardized process in most parts of the marketing process. Products are standardized to a large extent together with pricing. They see that the global market is transparent to the extent that there are no room for having different prices between markets. Company C is selling the same products regardless of where in the world they sell to. This enables them to benefit from economy of scale. All respondents do state that they are customizing products to certain customers if they see a demand for it. Company D is manufacturing fully customized products and it is clear that they are not benefitting from low production costs to the same extent as the firms with more standardized manufacturing procedures. It is however stated by Company D that when they sell one product to a high volume, they do benefit from lower production costs, but that those advantages often get lost from customers’ demands for lower prices.

Not only the movement of people and the access to internet is impacting the marketing actions of the responding companies but rather the movement of information. As information about products, the brand, the company and prices is becoming more accessible, the firms lose the flexibility to set different prices in different markets. As fluctuation of currency is mentioned, the findings indicate that the increasing transparency may be occurring thanks to that several European markets are using the same currency in accordance to Stöttinger (2001). Further, the findings indicate that standardization is being used in similar markets and a parallel could be drawn to the regal approach (Chung et al., 2011) where firms are acting more uniform in some regions.

In the adaptation literature, it is being argued that there are differences between markets that firms need to consider to maximize their profits (Alashban et al., 2001). The literature states that customization is made between markets, but the findings however show that the adaptations being made are to a small extent made to fit certain market needs but to be able to cope with differences between the customers. Company C is the only firm that emphasize that they perceive clear differences between markets that is being considered by them. The adaptations being made towards customers was found to differ between the interviewed firms depending on what they are selling. It was shown that all firms were very flexible when it comes to their production. As they are small firms with the ability to quickly respond to customers’ requirements, they sometimes customized their production only to fit one customer’s needs. In those cases, a discussion was made between the buyer and the sales representative. A common situation that was shown in the empirical data is that the customer has a target price of what price they want to buy the product for. It was then up to the sales representative together with managers to investigate the possibilities to sell the products to a price suitable for the customers target price. In some cases, they were able to cut the costs and were able to reach the target price. In those cases where they experienced the costs to
exceed a profitable level, they were forced to turn down the deal. Company C stated that they sometimes sell products to a price that is not satisfactory. In those cases, they have the belief that the customer will buy more products with an increasing volume over time and that the manufacturing costs-per-unit would decrease.

All firms except one is using a somewhat standardized framework for what prices the sales representatives are allowed to accept. The one firm without a pricing framework are exclusively working on a case-to-case basis where all products are customer specific. The level of adaptation and standardization was not constant but did vary depending on what kind of customer the firm was targeting. It is once again shown that the interviewed firms are not making adaptations to fit certain markets needs but to cope with differences between customers.

Company A and B both argue that there is a trend where pricing is becoming more uniform between markets. Changes are being made to simplify the administration of pricing within the firms by creating frameworks for pricing together with a lower number of pricelists. This is due to that the managers perceive the work to manage several pricelists to be too substantial. The findings further indicated that managers perceived sales to be more important than developing a clear framework of how pricing should be set both by the firms’ internal sales force and intermediaries. This confirms the findings from Bergen et al (2003) who’s research state that price setting involves a vast amount of resources and that it comes with substantial cost such as managerial cost and intangibles cost.

Furthermore, none of the interviewed companies exclusively used one of the approaches of standardization and adaptation. It is clear that what strategy they used was situation specific. This is in accordance to the contingency approach and the AdaptStand model which is taking the midway between standardization and adaptation and argues that the two strategies may be used at the same time (Vrontis, 2003; Cavusgil & Zou, 1994).

5.2 Centralization and Decentralization
According to previous research centralized firms seek tight control over the global pricing situations and seek to create uniform branding (Cavusgil, 1996). This is in organizations where the HQ is deciding the price levels in all markets to create global consistency. Decentralization is beneficial when there is need for rapid response to market changes and is carried out by giving more autonomy to intermediaries (ibid). In all responding companies the price decision is partly centralized as the HQ is creating frameworks for the end pricing. Company A, B and C are all having price lists with recommendations to distributors and retailers to consider. They did however enhance the importance of gaining knowledge from their distributors and retailers in order to offer a price which the end customer in each market is ready to pay for.

Even though the firms set frameworks for their sales representatives, the general perception is that they often tend to sell to the lowest price. The interviewee of
Company B claim that the buyers often besits greater negotiation skills than the sales representatives which results in that the sales representatives sell to the lowest price. That creates incentives to limit the sales representatives autonomy in pricing. In the case of company C, they sell a significant part of their products to retailers that wants little control from their suppliers in the price setting. The general perception is however that there is a trend where the producers is getting more control over the pricing and that the intermediaries to a larger extent follows the price recommendations. This indicates that the growing transparency of pricing is making distributors and retailers more concerned to have a competitive pricing.

According to the literature firms using distributors is losing the control to the distributing company as they have the power over the end pricing (Stöttinger, 2001). This is being verified by the responding firms. All firms perceive to some extent that they lose the control over the end price the more intermediaries involved. Company B have experienced that distributors and retailers sometimes charge too low prices in accordance to what they recommend. In a transparent market this might cause problem for the distributor/retailer as the customers have easy access to retailers’ price-lists through internet and the respondent perceive the customers to be open to ordering their products from other markets if they can buy them to a better price. This could also create the problem where distributors are competing with the same products. If the customers are able to access the same products for a lower price, there is nothing to stop them from buying from another distributor. Not mentioned by the interviewees is whether they use one distributor per country or if they have several distributors in the same country. Using several distributors in the same country could become a problem if the distributors would create rivalry between each other. Company D experience that they lack control over the end price as they often sell parts that is being used to complete a more advanced product consisting from several parts from a vast number of suppliers. Company C perceive their control to vary and that it is situation specific. In some processes, they experience the same difficulties as Company D, as they sell to distributors that is packaging their products together with others in order to deliver a turnkey solution.

The analyze is that the firms strive for control over the end pricing but that it is a hard task of getting. Distributors and retailers wants pricing autonomy as far as it is possible as it creates more flexibility. The issue that might occur is however that by giving too much power to distributors down the supply chain could make the prices differ depending on where it is being sold. This could down the line create a situation where some distributors sell less as distributors with lower prices are outcompeting them. One alternative could be to use direct export, but as Company B states during the interview, agents and distributors are valuable as they possess market knowledge thanks to their closeness to the customers.
5.3 Price Follower, price setter

According to Solberg (2006) markets consist of price setters and price followers. The theory is arguing that market leaders are having greater impact on the market pricing and that smaller firms need to follow the price set by them. In the case of Company D, they are experiencing tough competition in their field of work as their competitors experience competitive advantage from economy of scale. The three other firms perceive themselves to having more power for the market price levels due to a stronger position in the market. Company A and C are arguing that they are having a significant market share that allow them to be more flexible in their pricing. But even if the market share is great, other factors are needed to be considered to stay competitive over time. In the case of Company B, the incentives for gaining a greater share in the market are plenty for all firms competing in the industry as there is no clear market leader. Company D is facing a market with great rivalry, which creates high pressure on the suppliers to deliver products at good prices.

The data further indicate that the situation of being price setter or price follower does not seem to be consistent but vary between markets. In general, the brand and the influence on pricing is noticed to be greater in the home market. This does not only imply the manufacturers but also distributors and other intermediaries as they tend to sell to lower prices in foreign markets. The empirical findings further point out that firms are having a stronger brand in their home market and distributors are having more ease of communicating the brand in their domestic market as well. Also, notably is that relations between the exporter and the customer seem to have great influence on what price the customer are willing to pay. When the business relation is well functioning, it is indicated that customers tend to stay loyal even if the supplier is having higher prices.

The findings indicate that the responding firms seem to be reacting to the market differently depending on the traits of the product and service. When the market is indicating competition with having the lowest price, they have the ability to market the company strengths and use as incentives for selling their products to a higher price. This is argued for by Company B. They try to always communicate their strengths instead of competing with price. Pricing is of course important, but with the right approach firms seem to be able to motivate higher price levels than their competitors.

Regarding standardization and adaptation, it was indicated that in markets where the firms are market leaders, they tend to have more ease of standardizing their prices. As they were having more extensive power over the pricing in the market, the firm also seem to have the benefits of being able to charge prices that creates satisfying margins. Surprisingly, the findings further indicate that even if a firm is regarded as a price follower, they could have the possibility to standardize their prices. They created that possibility by marketing the uniqueness of their offering and the strengths of their products that was not possessed by their competitors. So instead of competing with price, they competed with the strengths of their offering.
5.4 Market Based vs Cost Based

Market based pricing is considering the price-levels in the market (Tzokas et al., 2000). The pricing strategy takes in competitor advantages, perceived value and value based pricing. Cost based pricing is based upon the cost of production and is carried out by using cost-plus, marginal costing and target costing (ibid).

All the respondents argue that they see an importance of keeping track of the costs. Simultaneously the findings indicated that conditions occur differently between the responding firms and therefore also their pricing strategies. The management of Company A is having the aim that they always want to communicate market based pricing and they are having an online price list that is based on market prices. Their aim is to always have the same price or lower than the cheapest competitor. Company A and C imply that sales representatives often base their offers on cost-plus pricing and set the prices so that the firm receives satisfactory margins. They further explain that most of the prices are set after negotiations with the customer.

In markets where the price pressure is high, the responding firms price strategy seem to be a mixture of cost based and market based pricing. The interviewee of Company B stresses that the company must have control over the firms costs and that it is the market price levels that decides the firms’ margins. This is in accordance to the perceived value pricing where the customers’ perception of what the offering is worth is considered (Tzokas et al., 2000). As mentioned before the customers sometimes demand lower prices and the exporting firm calculate on what price they are able to deliver and if they realize that the price still is too high they look into the possibilities to lower the production costs in order to reach the target-price. If the capacity of producing with costs that enables them to reach the targeted price without gaining profits, they might need to back out from the deal. Company D states that they sometimes accept to sell to prices with low margins when they see the potential of being able to deliver higher, more beneficial volumes over time. It seems like the customer are having big impact on not only the price but to some extent also on the production costs. As company D and A is stating, they sometimes try to produce their products to lower costs to have the possibility to deliver products to the price that the customer demand. This imply that it appears to be a mixture of what the customers want to pay and what costs the manufacturer is having.

6 Conclusion

This chapter includes a presentation of the answer to the research question deriving from the analysis in the previous chapter. This will be followed by theoretical and practical implications together with limitations and recommendation for further research.
6.1 Answering the research question

In a more globalized world, companies are trying to exploit the opportunities of a world becoming narrower by expanding their business outside the borders of the home country. Although the world is becoming homogenous, differences still exist. This creates the need for studying what could be standardized and what should be adapted. Previous research has been divided into mainly two concepts; the standardization approach and the adaptation approach. In the continuation of this, the purpose of this thesis has been to answer the research question (RQ): How are Swedish SMEs standardizing and adapting prices as part of their international pricing strategy?

The research question aims to explore how Swedish firms are using standardization and adaptation when they are setting their prices in foreign markets. The literature review showed that firms can benefit from both standardization and adaptation and that both concepts do not need to be used exclusively but could be applied simultaneously based on specific situations. The empirical findings in this research show that neither standardization or adaptation is used exclusively but it is depending on a series of implications.

The outcome of this thesis displays that standardization and adaptation is being used differently by Swedish SMEs and that the extent of application of these two features is situation specific depending on what the market and the customers allows. It is moreover shown that the features of the firms offering together with the position in the market is impacting in what level of adaptation and standardization of pricing is being used. The findings correspond with previous research of the contingency approach and with the AdaptStand model (Vrontis, 2003), but is contradictory to the researches made arguing for strict use of one of the concepts.

In accordance to the theory about standardization (Levitt, 1983; Stöttinger, 2001), it is conformed that the world is becoming more homogenous regarding pricing due to the increasing development of communication technology. When information about competitors is becoming more accessible, it calls for having similar pricing. Having diverging price between markets may cause that the exporter is put in a bad light from the buyers as they are paying different prices depending on what market their subsidiary is positioned. Having diverging prices also creates the risk of competing distributors. As the world is becoming more accessible the barriers for buying from another country is being erased and could end up in that a distributor loses business to a competitor in another country. Furthermore, is a standardized and uniform price strategy ensuring the customers that they always pay the best price regardless of where in the world they are making the purchase. The findings of this research clearly show that the interviewed firms are all regarding this fact. They do however see it difficult to ensure a uniform pricing all over the globe as they lose the control over the price when middlemen are included. By using direct export one could ensure that the prices are all the same but direct export do demand a vast amount of resources as market knowledge needs to be gained as well as the physical presence. These are easily gained by using distributors
and agents. We believe it to be a fine line between the choice of using direct export or middlemen and what pros and cons it brings. The empirical data indicate that whether a firm is price setter or pricefollower is impacting the possibilities for a firm to use standardization or adaptation. With a strong brand and a large market share the possibility to standardize is increasing as, a firm that is market leader is having greater power over the pricing levels in the market. It is shown in this thesis that the firms that is being perceived as market leaders are using standardized pricing in the markets where they are market leaders. None of the firms are global market leaders but are having great market shares in some markets or regions. In those regions, the pricing tends to be uniform. In contrary, firms with less significant market shares tend to be price followers. As price followers, the findings indicate that the firms are using adaptation of their prices to a large extent. To cope with the competition in the markets where they are not having the same influence, they need to adapt their pricing to gain more adequate price levels in the certain market. It was also shown that the firms tend to be having a stronger position in the home market and the home region.

Furthermore, a clear majority of researchers has argued that there are the two concepts of using market based or price based pricing (Tzokas et al., 2000; Shipley, 1983). This research has found that both these two concepts are used. We argue for that rather than exclusively using these two methods for price setting, firms are using customer based pricing. This is being made by taking in the needs and requires of the customer and then develop an offering that fits the needs and wants of the customer. We further argue that creating a defined strategy of how pricing is being made internally would enable pricing to become more beneficial for the company itself.

We argue that there are several parameters impacting the firms’ decision to use standardization or adaptation. We have found it to be a complex issue with no generic answer. We have however found that the parameters that are presented in this thesis is giving firms the opportunities to use one or the other and that these parameters do not seem to be constant. The strength of the brand, the pricing strategy and the power over pricing are all impacting the choice of strategy and they are not the same all over the world as markets, companies and many other factors are different depending on what market or region business are being made. We believe that firms would benefit from adapting their strategies on a regional level rather than making changes to every single market. This makes the firm more competitive and the strategy becomes less resource consuming. Changes due to currency changes and such is however needed to be considered.

6.2 Theoretical implications
There has been a vast amount of research in the topic of standardization and adaption, but so far, very little research has been done regarding standardization and adaptation of firms pricing strategies. Thus, has a research gap been identified that this research should fill.
This thesis is contributing to theory in pricing strategies as it adds an explanation of how Swedish SMEs are using standardization and adaptation in their international pricing strategy. Our research show that the issue of standardization and adaptation of pricing is a rather complex matter. Swedish SMEs perceives the task of setting prices is resource intense and time consuming. We argue that firms are finding this issue very important and would like to give this matter more recognition but, they do not have the time nor the resources to do so. Therefore, is this research an important contribution in the subject of pricing as it shows how Swedish SMEs are managing their pricing. We further believe that there is a great need of continuous research in order to find ways that could make the task of pricing more efficient.

The thesis has further indicated that firms base their pricing on the customer rather than on market and costs. We argue that there is a third strategy in addition to cost based and market based pricing that we call ‘customer based pricing’. Customer based pricing is a mixture of cost based and market based pricing but is situation specific based on the certain customer.

6.3 Practical implications and recommendations
The empirical findings in this thesis shows that there are several factors impacting the possibilities to use standardization and adaptation. These are market specific but also depending on the traits of the product being offered along with the strength of the brand. It also shows that firms are not prioritizing development of resource planning systems. A recommendation is that firms should create a strategy of how prices are being set. By having a company policy on price setting, the way prices are communicated is becoming more uniform and creates reliability for the customers that they are paying a fair price. A further recommendation is that firms should take in the trends on the market when it comes to pricing, but not follow the trend in the cases where it is possible to argue for a higher price with the help from unique strengths.

As mentioned previously, firms base their pricing on their customers’ demands to a large extent. By doing so, the customers are given a lot of power over the pricing. This could many times be right, but we do want to highlight the fact that firms should evaluate some of the situations to see if there are situations where they could charge higher prices than they are doing.

6.4 Limitations
As the research progressed, we identified some limitations that is believed to have impact on this research. Firstly, the fact that just one interview took place at each firm create a limitation. The respondent had different task like sales, accounting, finance, management and more and also different area of expertise. Depending on the respondents task an expertise it may have had an impact on the empirical findings. By having more than more than one interview at each firm this issue could have been distinguished as aspects from more than one respondents with different task and areas of expertise would been captured.
Secondly, we believe it to be a limitation to have a study about pricing that is such a sensitive subject to share information about. The respondents are seeking to avoid sharing information due the believed consequences of it. They seek to avoid the risk of making the information available for competitors and customers which may affect them badly. Even by stating that they will be anonymous and that no sensitive information will be shared may create implication to the empirical findings. Where they might choose to not mention information with a sensitive nature that might be of importance within the subject.

6.5 Suggestions for further research
Research regarding international pricing is somewhat limited and during this research, several relevant issues to conduct further research on was distinguished:

(1) To investigate the increasing transparency of pricing owing to the increasing access of information. We have during this research noticed that the world is becoming more transparent thanks to easier access to different actors all over the world. The increased communications have also decreased the barriers of buying products from another market. This makes it a highly relevant topic to investigate as underdeveloped markets are keeping up with the more developed countries and the access to internet is growing all over the world. A research in this topic may increase the understanding of how to globally create pricing strategies.

(2) To investigate the possibilities, limitations and expenses of creating resource planning systems for pricing. As this study has shown that pricing is considered to account for vast expenses, research in this topic will create an understanding of if there is possible to make pricing more resource effective. With the help from more research of this issue, knowledge might be gained that is beneficial for firms in their task of setting international prices. The results may become useful in the way that internationally acting firms can base their pricing from a theoretical framework.

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Books


Online resources


7 Appendices

Appendix A, Operationalization, interview guideline

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<tr>
<td>1.</td>
<td>In how many markets is your company represented?</td>
<td>I hur många marknader finns företaget representerat?</td>
</tr>
<tr>
<td>2.</td>
<td>Who is your customers?</td>
<td>Vilka är era kunder?</td>
</tr>
<tr>
<td>3.</td>
<td>Approximately, how large is the company export share?</td>
<td>Uppskattningsvis hur stor del av er försäljning är genom export?</td>
</tr>
<tr>
<td>4.</td>
<td>Which kinds of products are you exporting?</td>
<td>Vilken typ av produkter exporterar ni?</td>
</tr>
<tr>
<td>5.</td>
<td>How do you distribute your products? (Direct, indirect, distributors)</td>
<td>Hur distribuerar ni era produkter?</td>
</tr>
<tr>
<td>6.</td>
<td>Are the products the same in all markets?</td>
<td>Erbjuder ni samma produkter i alla marknader?</td>
</tr>
<tr>
<td>7.</td>
<td>Describe your company’s pricing strategy, briefly?</td>
<td>Kan du kortfattat beskriva företaget prissättningsstrategi?</td>
</tr>
<tr>
<td>8.</td>
<td>Is it possible for your company to have the same pricing in every market?</td>
<td>Är det möjligt för ditt företag att ha samma prissättning i alla marknader?</td>
</tr>
<tr>
<td>9.</td>
<td>Does the pricing differ between countries?</td>
<td>Skiljer sig prissättningen mellan olika länder?</td>
</tr>
<tr>
<td>10.</td>
<td>Does the company change products to capture price issues in emerging countries?</td>
<td>Gör företaget produktförändringar för att fånga marknaders olika prissättningsförutsättningar?</td>
</tr>
<tr>
<td>11.</td>
<td>What are the main factors for your company when deciding price? (External, Internal)</td>
<td>Vilka är de huvudsakliga faktorerna som tas i beaktning vid internationell prissättning? Intern/externt</td>
</tr>
<tr>
<td>12.</td>
<td>Whom do you perceive to be the price setter in the market?</td>
<td>Vem eller vilka upplever du bestämmer priset på marknaden?</td>
</tr>
<tr>
<td>13.</td>
<td>How much control do you perceive HQ to have over the end price (that the customer pay)?</td>
<td>Hur stor kontroll upplever du att huvudkontoret har</td>
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<tr>
<td>Question</td>
<td>Answer</td>
<td></td>
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<tr>
<td>14. To what extent is the pricing decisions build upon cost calculation?</td>
<td>Till vilken utsträckning sker prissättningen med kostnadskalkyler som grund?</td>
<td></td>
</tr>
<tr>
<td>15. To what extent is the pricing decision build upon market conditions?</td>
<td>I vilken utsträckning är prissättningen baserad på marknadsförutsättningar?</td>
<td></td>
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<tr>
<td>16. Is it anything more you would like to add?</td>
<td>Är det något du vill tilläga?</td>
<td></td>
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