Vaasan yliopisto
UNIVERSITY OF VAASA

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Master's Thesis

Developing Export Pricing Strategies: Decision-making on price adaptation in B2B industrial trade

School of Marketing and Communication
Master of Science in Economics and Business Administration

Vaasa 2021

UNIVERSITY OF VAASA
School of Marketing and Communication
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Topic of the thesis: Developing Export Pricing Strategies: Decision-making on price adaptation in B2B industrial trade
Degree: Master of Science in Economics and Business Administration
Master's Programme: International Business
Supervisor: Arto Ojala
Year of entering the University: 2016
Year of completing the thesis: 2021
Number of pages: 85

ABSTRACT:

In nowadays globalized economies companies tend to expand their presence in the foreign markets by exporting their product offerings, which requires managers to revise their strategies to match the international environment. Furthermore, special attention must be paid to pricing since prices are indicated to be an essential strategic tool and have direct influence on profit. It is also known that there are internal company- and external environment-specific contingency factors that incline managers towards adaptation of their pricing strategies and affect export performance of companies. However, little is known about the process that leads managers to certain decisions on export pricing and the roles of different contingency factors in the process are unclear. Therefore, this research develops a theoretical framework to outline the weightiest contingency factors considered by decision-makers and get deeper understanding on the process of developing and adapting export pricing strategies. In addition, the focus is on industrial business-to-business (B2B) trade that has its specificities compared to the business-to-customer (B2C) context while being characterized by more rational trade participants and more complex processes.

The empirical data collected in the semi-structured interviews indicate that the most influential factors affecting decisions on export price adaptation in the context of B2B industrial trade are related to competition, market characteristics, product and distribution, together with company goals. Moreover, customer and its situation revealed to play a significant role in the process, which is in line with the theoretical background for the B2B trade pricing, but not considered in the contingency theory. Finally, the heuristic model of the process of making export pricing decisions in B2B industrial trade is proposed to provide industrial managers with indicative guidelines about how to approach export pricing.

KEY WORDS: Business-to-business commerce, Export, Pricing, Decision making, Contingency theory

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1 Introduction

Pricing has always been a crucial element of every business activity as prices determine the profit and consequently affect survival of businesses directly. Moreover, price is considered as the most flexible element of the marketing strategy and thus can be perceived as important strategic tool. (Indounas, 2019.) Therefore, in strategic planning all the pricing-related decisions are considered as the most important ones. (Forman & Hunt, 2005; Lancioni, 2005 ; Czinkota & Ronkainen, 2010: 344; Zeng, Yang, Li & Fam, 2011; Cateora, Gilly & Graham, 2013: 536; Cant, Wiid & Sephapo, 2016.) Furthermore, nowadays evolving globalization of markets is encouraging companies to expand their business activities through distributing their products or services overseas, which creates a need to approach pricing strategies from the export point of view (Myers, Cavusgil & Diamantopoulos, 2002; Sousa & Bradley, 2009; Tan & Sousa, 2013; Sousa & Novello, 2014; Al-Tawalbeh, Ariffin & Mohaidin, 2017).

In addition, there exist different external and internal contingency factors that are continuously affecting companies and their business activities. External factors refer to the industry- and market-related circumstances, whereas internal factors are company-specific characteristics. It can be argued that export pricing strategies are significantly differing from domestic pricing as the acting scene broadens and dimensions of the factors deepen. This is because of the need to consider cultural, economic, and legal environment of each export market to be able to take the appropriate approach on export pricing. Furthermore, number of possible combinations of factors increase, which requires broader angle on reviewing and analyzing the business environment. (Tan & Sousa, 2011; Sousa, Lengler & Martinez-Lopez, 2014; Sousa & Novello, 2014.) Recent research in the field of exporting shows that one of the main reasons behind failures is inability of companies to acquire appropriate information and consequent lack of knowledge about foreign markets. This is especially true in the context of export pricing since managers have to deal with unknown combinations of factors influencing their decisions to be implemented in uncertain environment. (Sousa, Lengler & Martinez-Lopez, 2014; Sousa & Novello, 2014.)

Finally, in the context of business-to-business (B2B) export there is even more pressure on pricing managers due to complex structures and processes involved in industrial trade. The individual managerial decisions have direct effect on the industrial companies' international performance while there is higher degree of uncertainty involved. (Madhavaram, Badrinarayanan & Granot, 2011; Helm & Gritsch, 2014; Monroe, Rikala & Somervuori, 2015.) Therefore, Helm and Gritsch (2014) underline the need to carefully review every export market as separate entity to identify the challenges and succeed in overcoming them accordingly. Moreover, according to the researchers, industrial B2B trade is characterized by technical and knowledge-intensive business where there are numerous people involved, which requires paying even more attention to the processes of decision-making.

1.1 Justification for the research

Since there are managerial decisions behind every pricing strategy (Smith, 1995; Forman & Hunt, 2005; Lages, Jap & Griffith, 2008; Sousa & Bradley 2008, 2009; Piercy, Cravens & Lane, 2010; Fuchs & Kostner, 2016; Guerreiro & Amaral, 2018; etc.), it is important to provide managers with appropriate knowledge and tools in order for companies to keep their competitive advantages and succeed in export pricing (Indounas, 2006; Sousa, Lengler & Martinez-Lopez, 2014; Sousa & Novello, 2014). However, pricing strategies have not gained much attention in the international business literature (Theodosiou & Leonidou, 2003; Lages & Montgomery, 2005; Gullstrand, Olofsdotter & Thede, 2014). Furthermore, according to Sousa and Bradley (2009), the process of export pricing strategy development is not defined, and the stages are not known in detail. In his turn, Lancioni (2005) argues that it is essential for companies to view price setting as strategic process while having a pricing plan integrating all the components. Nevertheless, in his paper Rusetski (2014) indicates that there is limited knowledge about decision-making paths and inputs utilized by pricing managers.

This neglect can lead to unpredictable consequences as there are plenty of internal and external circumstances (i.e. contingency factors) in which multinational companies are operating and which are affecting their pricing decisions (Tan & Sousa, 2011; Sousa, Lengler & Martinez-Lopez, 2014; Sousa & Novello, 2014). Namely, certain combinations of factors may incline pricing managers towards creating adaptable export pricing strategies, whereas other factors allow companies to apply more standardized pricing in their export markets. However, both strategic perspectives are not exclusive, and in the international pricing literature, there are different opinions on the extent to which export pricing strategies should be adapted as external and internal contingency factors are differing among markets and companies. (Theodosiou & Leonidou, 2003; Chung, 2005; Sousa & Bradley, 2008; Brei, D'Avila, Camargo & Engels, 2011; Sousa & Novello, 2014; Sudarevic, Radojevic & Lekovic 2015.)

According to Lages and Montgomery (2005), understanding the factors inclining companies to certain extent of adaptation of their pricing strategies is even more important than the extent itself. Moreover, the research conducted by Sousa and Novello (2014) reinforced the view about relationship between price adaptation and export performance being non-linear but U-shaped. This means that as far as the degree of price adaptation is low, the export performance of the company is negatively affected due to the higher cost implications in the beginning. However, after continuous investments in adapting pricing strategy the costs are paying themselves back through improved export performance. In other words, the positive effect of price adaptation on export performance in long-term is greater than the investments it requires. Furthermore, nowadays rapidly changing markets force export managers to be reactive and continuously adapt their strategies to the environment (Chen, Sousa & He, 2019). Based on the arguments above, the antecedent factors of price adaptation require more research.

In the research conducted by Tan and Sousa (2011) there appeared another inconsistency which is a lack of common agreement about the factors influencing export pricing decisions and, in particular, price adaptation (*see Appendix 1.*). Therefore, while other authors (e.g. Gullstrand, Olofsdotter & Thede, 2014; Sousa, Lengler & Martinez-Lopez, 2014; Sousa & Novello, 2014; Blengini & Heo, 2020) are making empirical research and concentrate on the end result which is export performance, the aim of this paper is to get qualitative understanding of the process that leads to certain managerial decisions on export pricing strategies and their adaptation. Moreover, the focus is on B2B industrial context since it appeared that the topic in question has gained little attention in the field of industrial business, that has its specificities compared to the business-to-customer (B2C) context (Hallberg, 2017; Indounas, 2019). Namely, the parties involved in B2B trade are not the end-users but represent interests of organizations and therefore can be characterized as "rational" and objective decision-makers. Consequently, industrial buyers have different process of value creation which has its effect on price perception. (Farres, 2012; Monroe, Rikala & Somervuori, 2015.)

Based on the discussion above and according to the field researchers (e.g. Tzokas, Hart, Argouslidis & Saren, 2000), it is evident that industrial pricing requires further investigation in the international settings, namely in the context of export markets. Furthermore, in his review Hallberg (2017) indicates that while there is research focusing on the implementation of industrial pricing strategies, there is a lack of the empirical analysis on how those strategies are approached by individual decisions of managers representing the organizations. In their turn, Toytari, Keranen and Rajala (2017) support Hallberg (2017) by indicating the need to investigate how individual managers affect the industrial pricing process with their decisions, and what is affecting those decisions in particular.

1.2 Purpose, research question and objectives of the research

The main purpose of this paper is to clarify the process of developing export pricing strategies in the context of B2B industrial trade through determining its stages. Moreover, indicative guidelines are aimed to be provided for pricing managers in international industrial companies about how to approach decisions on export pricing. Consequently, the aim is to reveal holistic picture of the process and to define the most crucial elements with support of qualitative data and theoretical framework of the paper. Furthermore, the most weighty and relevant internal and external contingency factors affecting managerial decisions on price adaptation in the context of B2B exporting are aimed to be indicated. This requires quality primary data collection, providing comprehension of how managers identify, consider and weight the factors when making export pricing decisions.

Based on the discussion above, the research question of the thesis is the following:

> *“How are managers approaching internal and external contingency factors when making decisions on export pricing strategies and price adaptation in B2B industrial trade?”*

Consequently, in order to provide the detailed and structured answer to the research question, the following research objectives are set for this thesis:

- *To provide a theoretical framework explaining the main concepts related to export pricing strategies in the context of industrial B2B trade and price adaptation.*

- *To indicate the most common contingency factors discussed in international pricing literature and identify the main ones affecting managerial decisions on price adaptation.*

- *To identify the stages in the process of making export pricing decisions in B2B industrial trade and to propose a heuristic model of the process.*

1.3 Delimitations of the research

This paper examines the export pricing strategy development process from the perspective of three industrial companies that are established in Finland and exporting their products in B2B context. The scope is not limited to any particular industry which enables getting a more comprehensive overview of the export pricing strategy development process. The chosen companies also have different business models and significant differences in size and international presence, which makes it possible to compare and see whether there are clear differences in pricing processes due to that. Also, in this paper the term “export pricing strategy” is used as synonym of “export pricing decisions” in order to avoid any conceptual misunderstandings. This view is also adopted in research papers conducted by Carlos M. P. Sousa and his colleagues, who are representing one of the most cited tandems of authors in this paper.

The topic of export pricing strategy development is approached from the perspective of contingency theory, which assumes that there are no “right” or “wrong” strategic decisions, whereas internal and external environment determines the most appropriate strategies. (Sousa & Bradley, 2008; Tan & Sousa, 2011; Chung, Wang & Huang, 2012; Obadia, 2013; Carricano, 2014; Fuchs & Kostner, 2016). Moreover, as nowadays mobility is simplified and the decision makers can be located in different geographical areas, in this paper the term “export” is approached from the wider perspective, presuming that not all the components of the product must be necessarily produced in the same country as the headquarters of the exporting company. Thus, the focus is on the final products or solutions that are sold in international markets.

In addition, in this paper the contingency approach represents compromise between the two strategic perspectives on pricing that are price adaptation and price standardization (Theodosiou & Leonidou, 2003; Sousa & Bradley, 2008; Czinkota & Ronkainen, 2010: 683; Chung, Wang & Huang, 2012; Sousa & Novello, 2014). As the main focus is on export pricing strategies and their adaptation in B2B trade, in the next chapters these concepts are explained in more detail. Followingly, the internal and external contingency factors, that are antecedents of export pricing strategies' adaptation, are discussed forming the base for the research. Moreover, the definition of export pricing strategy adopted in this paper is clarified as in the academic literature there exist different opinions on the aspects included in that concept.

1.4 Structure of the paper

The paper starts with the first introductory chapter that covers the background of the researched topic, justification for the research, the main research question together with objectives, and finally delimitations and the overall structure of the paper.

In turn, the next three chapters are dedicated to the theoretical framework forming the base of the research. The theoretical chapters discuss the concepts of *export pricing strategy*, *pricing in the context of B2B trade, price adaptation*, and *contingency factors*, that are indicated to be the antecedents of export pricing strategy development.

In the fifth chapter, research methodology is explained and justified, followed by the introduction of case companies and background of the research participants. Also, data collection and analysis technics are revealed and justified, after which validity, reliability and research ethics are discussed.

The sixth chapter of the paper consists of the findings discussion that is based on the analysis of the collected data. Consequently, conclusions of the research are made, and the heuristic model of the process on making export pricing decisions in the context of B2B industrial trade is proposed, representing the stages of the process and relations between the concepts discussed in this paper.

Finally, the seventh chapter concludes the paper with summary of the main research findings, discussion on the managerial implications, evaluation of the research limitations, and following suggestions for further research.

2 Export pricing strategy and approaches on pricing

In the international pricing literature, export pricing strategy is defined as a key determinant of export performance since it affects companies' profits directly (Stottinger, 2001; Jobber, 2007: 458; Sousa & Bradley, 2009; Piercy, Cravens & Lane, 2010; Tan & Sousa, 2011; Obadia, 2013). Export pricing strategy can be seen as monetization plan (Ramanujam & Tacke, 2016: 97), that consists of pricing practices, and is integrated into the overall export strategy of the company (Myers, Cavusgil & Diamantopoulos, 2002; Farres, 2012; Ingenbleek & Lans, 2013). Moreover, pricing strategy can be also seen as a part of the pricing plan, where the inputs required to achieve the pricing objectives are determined and the resources are allocated (Lancioni, 2005).

As in this paper the focus is on export perspective, it is essential to understand the main aspects that differentiate export pricing from that of domestic market. First, the company operations environment becomes international and there appear specific external differences in cultural, economic, and legal landscapes between the domestic and export markets, that can be more difficult to observe without the appropriate knowledge and skills. Second, while the operations scene broadens, the number of actors multiplies and the level of competition increases, which reflects on criticality of the role of pricing strategy in foreign markets and its direct influence on the success in exporting. In addition, in nowadays globalized business environment actors in each foreign market have simplified access to information, including that on pricing, which requires more careful approach on export price setting. (Tan & Sousa, 2011; Sousa, Lengler & Martinez-Lopez, 2014.)

However, there exist different opinions on the relation between pricing decisions and pricing strategy. For example, some researchers (e.g. Ingenbleek & Lans, 2013) argue that pricing strategy is being developed before the pricing decisions are made, while others (e.g. Forman & Hunt, 2005; Piercy, Cravens & Lane, 2010) see pricing decisions as predecessors of pricing strategy. In order to avoid any misunderstandings that would result in misleading information, this paper follows the point of view supported by the main authors in the field of export pricing strategy adaptation (i.e. Sousa & Bradley, 2008, 2009; Tan & Sousa, 2011; Sousa & Novello, 2014). According to them, export pricing strategy is seen as entity of pricing decisions, that are forming a plan on pricing of the products to be exported to foreign markets. In other words, in this paper the term "pricing strategy" is considered as synonym to "pricing decisions".

Moreover, in their research, Ingenbleek and Lans (2013) argue that pricing strategies are being implemented through price-setting practices with the use of different types of information: cost-based, value-based, and competition-based (*see Figure 1.*). In the following sub-sections these three pricing approaches are explained further.

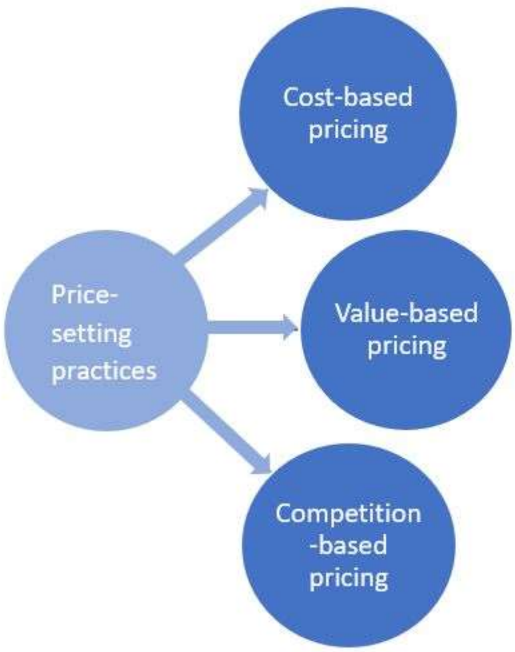

Figure 1. Price-setting practices, through which pricing strategies are implemented according to Ingenbleek and Lans (2013).

2.1 Cost-based pricing

Cost-based pricing refers to the approach where prices are being set primarily based on the accounting data while targeting certain return on investment or certain margin on costs. This approach is relatively simple to implement as all the required information is internal from the company perspective and thus can be easily acquired and processed. Usually, the costs are being calculated and the desired profit margin added to form the price. (Hinterhuber & Liozu, 2012; Guerreiro & Amaral, 2018.)

However, when exporting products that are requiring adjustments at the production stage or being involved in more complicated production processes, there can be uncertainty in estimating the costs. In these cases, risks and other contingencies may be included in the cost structure to cover possible losses arising from inaccurate cost estimations, quality issues, and other unpredictable circumstances. (Borenich, Greistorfer & Reimann, 2020.) In addition, there exists a concept of product life cycle cost, which includes the prospective costs of maintenance of the product and possible after-purchase services. In their paper, Ebrahimipour, Shoja and Li (2016) address that product life cycle costs may be also considered at the pricing stage predicting probable future expenses.

According to Guerreiro and Amaral (2018), pricing managers prefer to base their price strategies on the cost-related information because of its straightforwardness, it is not only effortlessly accessible, but also simple to interpret. However, the main disadvantage of the cost-based pricing approach is that it completely neglects customer point of view and influence of competition, which can lead to either too low prices and waste of margin, or too high prices discouraging sales instead (Hinterhuber & Liozu, 2012; Michel & Pfaffli, 2013).

2.2 Value-based pricing

Value-based pricing is an approach where customer perceived value of the product determines the price. This approach takes into account market demand, customer needs and willingness to pay, as well as overall preferences of potential customers. Practically this means that after added value of the product for the customer is determined, the contribution to profit is taken as a result. (Farres, 2012; Hinterhuber & Liozu, 2012; Michel & Pfaffli, 2013.)

Because of taking customers (i.e. revenue drivers) into consideration, in the pricing literature value-based pricing is often perceived as the most appropriate pricing approach (Liozu & Hinterhuber, 2012; Guerreiro & Amaral, 2018). Nevertheless, the biggest disadvantage of this approach is difficulty not only to obtain the customer-related data, but also to interpret it correctly and to determine the added value. Furthermore, in case the added value is determined as too high, there is a risk of competitors or new entrants to take their opportunities and win the market share. (Farres, 2012; Hinterhuber & Liozu, 2012; Michel & Pfaffli, 2013.)

Hinterhuber and Liozu (2012) argue that value-based pricing approach is extremely relevant in the context of highly competitive industries where it is crucial to understand and meet the customer expectations and fulfill their needs. Moreover, according to the researchers, in the situation of high competition there is a risk of pricing managers to focus excessively on actions of their rivals and competing on price, while neglecting the customer value creation. However, the paradox is that the price pressure can be overcome through differentiation, which in its turn can be implemented by identifying customer value and needs.

2.3 Competition-based pricing

As the name suggests, in competition-based pricing the price level is determined by the competitive environment, including competitors' actions, prices and offering. In other words, prices are set after making a competitor analysis, identifying directly competitive products, and adding the targeted price difference. This pricing approach is relatively easy to maintain as the required information is often visible on the markets, and competitive situation is under observation. However, this is not always the case in situations where products are being manufactured and exported on a project base, that takes place especially in the B2B context. (Hinterhuber & Liozu, 2012; Michel & Pfaffli, 2013; Guerreiro & Amaral, 2018.)

Regarding disadvantages, like in the case of cost-based pricing, strong competitive position often leads to neglecting the customer perspective which can result in price wars instead of satisfying the actual demand. Price wars refer to price conflicts where businesses are cutting their prices forced by the actions of their competitors, and which often leads to bankruptcy. (Van Heerde, Gijsbrechts & Pauwels, 2015.) Therefore, competition-based pricing approach can be seen to be based on mechanical reactions to competitors' behavior rather than on customer expectations (Hinterhuber & Liozu, 2012; Michel & Pfaffli, 2013).

2.4 Price formation

To summarize and further explain the pricing approaches discussed in the previous subsection, *Figure 2.* shows the steps of price formation and its relation to other variables in the process. The process of cost-based pricing naturally starts by determination of the offering and calculating the costs, after which the desired margin is added forming the price. This results in a product-oriented sale, where customers are provided with the offering and already set price which creates the value at the end of the process. In turn, pricing based on value perceived by customer starts with consideration of customer needs, desires, and willingness to pay. When the value is defined, the corresponding price is set, after which the offering is specified, and the numeric indicators are recorded. Finally, competition-based pricing also starts with defining offering and costs, but the situation on the market and actions taken by competitors are significantly influencing the price set for the value. (Hinterhuber & Liozu, 2012; Michel & Pfaffli, 2013; Guerreiro & Amaral, 2018.)

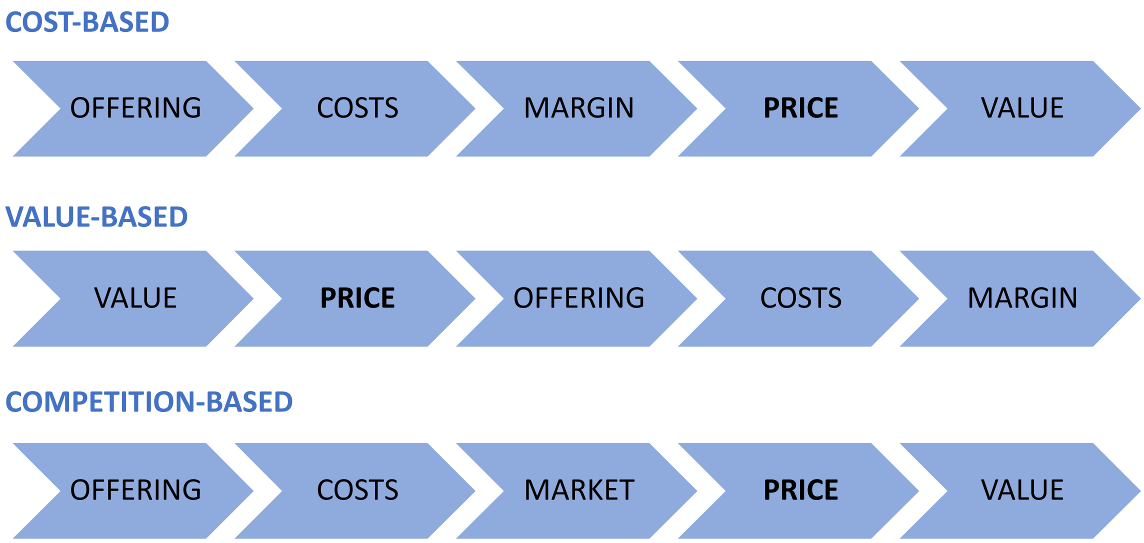

Figure 2. Processes of cost-, value-, and competition-based price formation.

3 Pricing in the context of B2B trade

In the business literature, there is a prevailing assumption that business-to-business (B2B) trade is characterized by “rational” sellers and buyers, who represent organizations and therefore assess information objectively. In comparison to B2C trade, in organizational context processes are more complex, involving several people interacting with each other to accomplish organizational goals. In addition, the trade is mainly occurring between limited number of participants since there are fewer customers buying in larger volumes. Moreover, in B2B context offering is approached from a more objective perspective, with focus on technical and quality characteristics rather than on emotions and personal feelings. Added value is also assessed in terms of the customer value chain, not the perceived value of the end customer. (Farres, 2012; Monroe, Rikala & Somervuori, 2015.)

However, in their research on behavioral pricing Monroe, Rikala and Somervuori (2015) argue that there are always human beings behind every organization, and individual behavioral characteristics are taking over objectivity in the situations of making decisions. Pricing and purchasing decisions are not an exception, since there is always a question of perception and subjective interpretation of the perceived information. Therefore, the researchers argue that the behavioral attitudes towards pricing, and consequently the pricing practices, are mainly the same in both B2B and B2C trade.

3.1 Pricing approaches in the context of B2B trade

In the research field of pricing strategies, there is much discussion about the pricing approaches and nature of information on which the pricing decisions are based in B2B context. In their paper, Guerreiro and Amaral (2018) state that one of the main differences between B2B and B2C companies determining their pricing decisions is that the latter ones are dealing with the end users and have opportunities to gather more complete market information. That is why B2C companies can be perceived as “price takers”. Meanwhile, B2B companies mainly determine their prices with consideration of internal information, adopting a role of “price-makers” instead. Because of the difficulty to collect and assess the information about the prices of competitors in B2B markets, the B2B companies lacking market intelligence incline towards cost- or value-based pricing approaches. However, even though in the organizational trade the cost-based approach on pricing prevails, all the three approaches are not exclusive (Johansson, Hallberg, Hinterhuber, Zbaracki & Liozu, 2012). For example, in Guerreiro and Amaral (2018) discuss how the cost-based pricing creates the base for the application of information on customer perceived value. Nowadays companies combine these two supplementary approaches by using formulas where costs and margins are one of the elements, but not considered as the only determinant. Furthermore, according to Toytari, Rajala and Alejandro (2015), nowadays industrial companies aim to review their business models and update their offerings with value-adding activities.

In his paper Farres (2012) underlines the importance of understanding customer value creation processes in order to succeed in communicating value to the customer and setting appropriate prices. Moreover, to primarily implement value-based pricing in industrial context, organizational processes and tools must be designed accordingly to support the decisions (Toytari, Keranen & Rajala, 2017). However, in B2B trade it is more complicated as product is only the element of the customer value chain, and those are technical features and quality aspects of the product that mainly guide the organizational purchase decisions. This leads to inevitable evaluation of competitors’ offering and consideration of the added value that they offer for the certain price. Consequently, Farres (2012) argue that “competitor pricing intelligence” is required to understand the pricing moves, price differentiation, and motives of the competitors. In addition, anticipation of the competitors’ reactions on certain pricing moves gives B2B companies advantages in pricing negotiations with the customers, and accordingly more possibilities to control the market.

Besides the information on customer perceived value and actions of the competitors, in B2B trade pricing managers often link prices to costs (Guerreiro & Amaral, 2018). This requires deeper understanding of both production and distribution costs, as well as categorizing them to fixed and variable costs (Farres, 2012; Guerreiro & Amaral, 2018). Moreover, Farres (2012) argues that the costs structure can be determined by considering the "incremental costs", referring to the costs per additional product unit produced. Consequently, incremental costs must define the lowest price limit in case the company aims to stay at the break-even level or higher.

There are also circumstances under which production costs cannot be neglected while setting prices in B2B context. For example, this is the case in highly competitive industries, where companies are making aggressive moves through lowering their sales margins to the minimum and putting pressure on the competitors. Such strategy can be adopted in the situations of market overcapacity or underutilized production resources. In order to survive companies are led to fighting for sales volumes, which makes it crucial for them to understand their costs while considering the future market trends. (Farres, 2012; Van Heerde, Gijsbrechts & Pauwels, 2015.)

3.2 Theoretical review on B2B pricing processes

In his paper, Lancioni (2005) proposes six-step process to establish pricing policy and set the prices in the B2B context (*see Figure 3.*). The steps are (1) selecting the pricing objective, (2) estimating and determining demand, (3) estimating and determining costs, (4) competitive analysis of costs, price tactics, and discounts, (5) determining a pricing methodology, and finally (6) setting the price. Traditionally, the process starts with determining the objective, followed by stages of understanding the background for the process, namely demand, costs, and actions of competitors. Finally, the pricing methodology and tactics must be decided, after which the prices can be set.

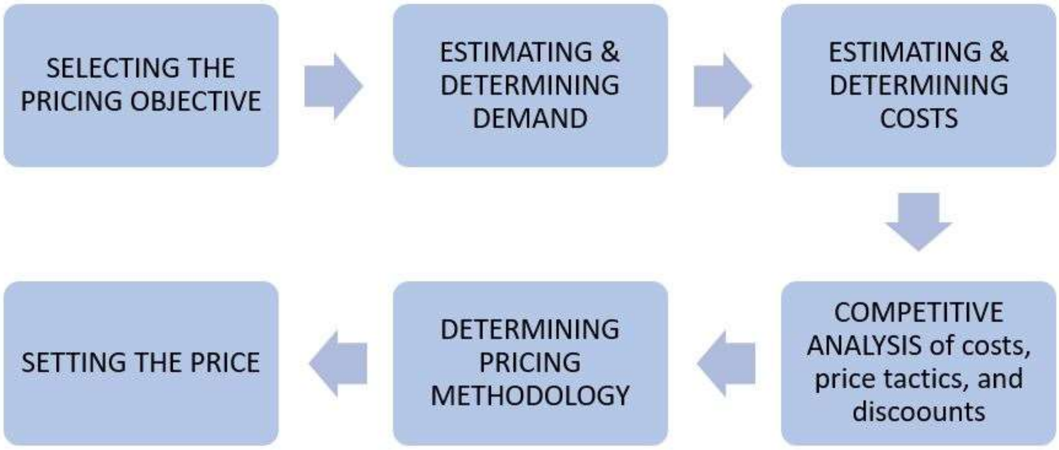

Figure 3. Traditional steps in establishing pricing policy and setting the prices in B2B trade according to Lancioni (2005).

In addition, Lancioni (2005) proposes seven components that form a general pricing plan, including (1) overall summary of the pricing goals, (2) overview of the current marketing situation, (3) pricing SWOT analysis, (4) determination of the pricing strategy, (5) determination of the pricing goals, (6) introduction of pricing programs, and (7) pricing control and review. The steps below contribute to managers' commitment to the process and appropriateness of their pricing mindset, enabling companies to implement appropriate pricing actions and understanding the market situation. Moreover, according to Lancioni (2005) success of the pricing plan relies on the managers' understanding of the variations of value-added levels among different customer segments.

However, within their analysis Formentini and Romano (2016) argue that the approach on pricing process suggested by Lancioni (2005) is oriented mainly on internal processes of the seller (i.e., supplier) while limiting the involvement of external parties (e.g., the buyer). In their turn, the researchers present price setting as collaborative process by discussing dyadic and extra-dyadic approaches on supply chain relationships, that consider involvement of buyer and/or other third parties in the supply chain processes.

Moreover, the researchers argue that collaboration between the supply chain members has an important role in achieving sustainability in the processes.

Regarding the collaborative pricing processes, Formentini and Romano (2016) assume that there is always the “process-owner” who plays a role of initiator. Consequently, the researchers identify the direction of collaboration as another dimension of the buyer – supplier relationship and their pricing processes. Namely, the pricing collaborations can be classified as *dyadic – downwards*, *dyadic – upwards*, *dyadic – bi-directional*, and *extra-dyadic*. These pricing collaboration types are explained and discussed further in the following subsections.

3.2.1 Dyadic – downwards pricing collaboration

According to Formentini and Romano (2016), dyadic pricing collaboration (*see Figure 4.*) refers to the relationship between the buyer and the supplier that are involved in the pricing process. In turn, in the dyadic – downwards collaboration the supplier is perceived as a process-owner while the buyer is involved in value creation, which contributes to overcoming the limitations of the cost-based approach on pricing prevailing in the B2B context (Liozu & Hinterhuber, 2012; Guerreiro & Amaral, 2018). In other words, active interaction with the buyer enables supplier to set prices based on the customer perceived value, opening the opportunity to maintain mutually beneficial supply chain relationships in a long-term perspective. Moreover, in the context of dyadic – downwards collaboration, pricing is perceived as the component of the joint value and is strongly linked to the value creation process. (Formentini & Romano, 2016.)

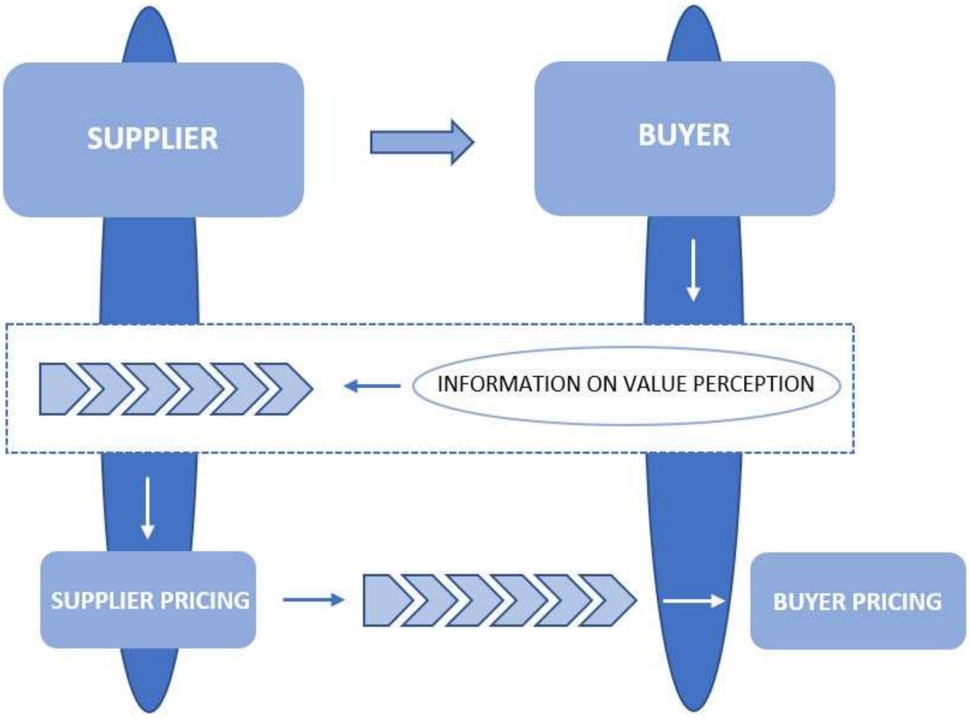

Figure 4. Dyadic – downwards pricing collaboration, adopted from Formentini and Romano (2016).

3.2.2 Dyadic – upwards pricing collaboration

Formentini and Romano (2016) argue that in industrial markets pricing can also be approached from the perspective of the buyer, who can act as owner of the pricing process. In the literature, this phenomenon is called dyadic – upwards pricing collaboration (*see Figure 5.*). Namely, the idea is that the price set by the supplier is the same as cost for the buyer, who can in its turn have the dominant role in initiating the joint cost reductions. This requires cooperation in such initial stages like product development and design, but without neglecting the support. Accordingly, when it comes to the pricing process, there is a joint focus on cost management initiated by the buyer. This approach on buyer – supplier collaboration contributes to creation of long-term supply chain relationships and mutual development.

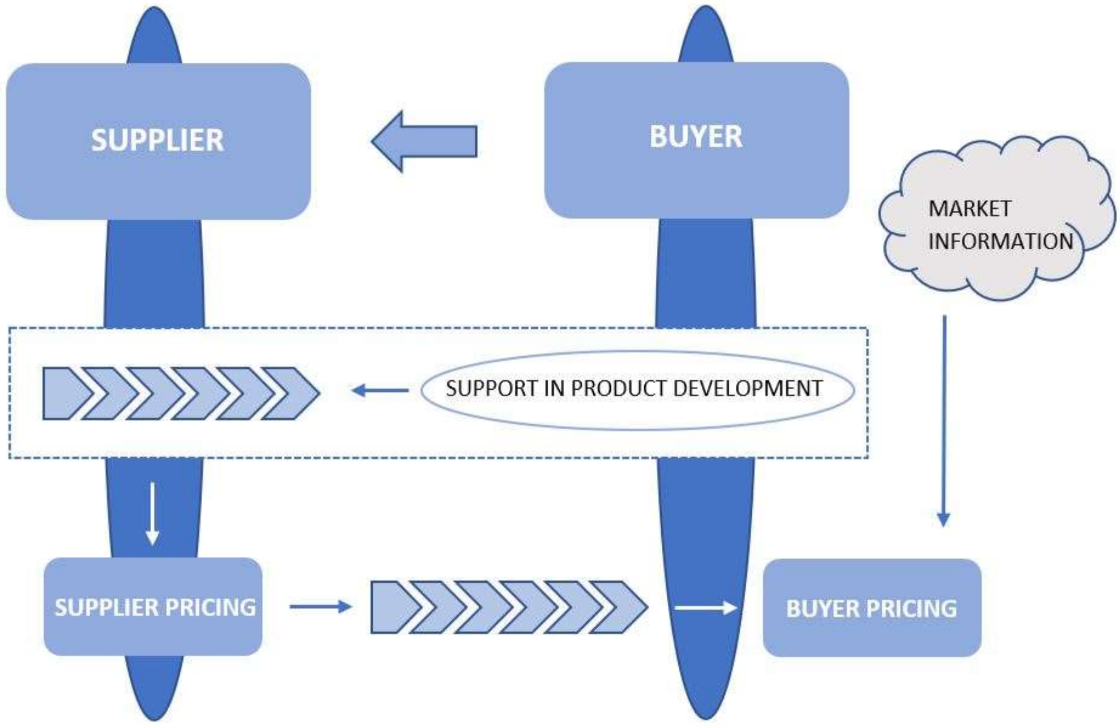

Figure 5. Dyadic – upwards pricing collaboration, adopted from Formentini and Romano (2016).

3.2.3 Dyadic – bi-directional pricing collaboration

In turn, the dyadic – bi-directional pricing collaboration (*see Figure* 6.) is characterized by the rational buyer and supplier, who aim to make decisions and act in a way that would be optimal for the whole supply chain. Accordingly, the pricing processes of both parties involved are inevitably influenced by the joint agreement, i.e., supply chain contract. (Formentini & Romano, 2016.) Van der Rhee, Van der Veen, Venugopal and Nalla (2010) argue that contract mechanism is an effective method to achieve coordination between the supply chain members and ensure that the risks and/or profit are shared. Moreover, in the desired situation, the contract contributes to win-win outcome, underlying that benefits for both buyer and supplier are higher compared to the decentralized setting (Van der Rhee, Van der Veen, Venugopal & Nalla, 2010; Formentini & Romano, 2016). Regarding the pricing process, it is seen as not only the instrument for the profit distribution, but also as a tool to participate in the value creation. However, this approach requires transparency of the cost information and other actions of the parties involved. (Formentini & Romano, 2016.)

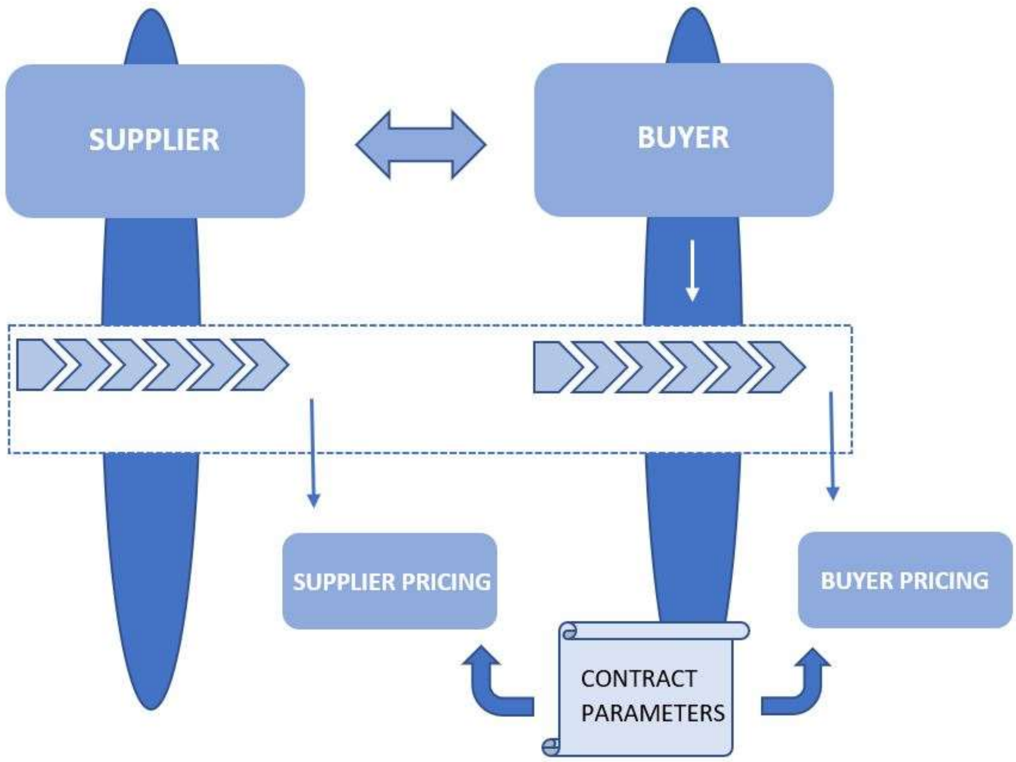

Figure 6. Dyadic – bi-directional pricing collaboration, adopted from Formentini and Romano (2016).

3.2.4 Extra-dyadic pricing collaboration

In addition to the dyadic approaches on pricing collaboration, there exists the extended perspective where several parties are cooperating in the supply chain processes. In their paper, Formentini and Romano (2016) refer to this phenomenon as to "extra-dyadic pricing collaboration" (*see Figure 7.*). To further develop the idea of pairwise contracts described above, Van der Rhee, Van der Veen, Venugopal and Nalla (2010) introduce the contract mechanism, called *spanning contract*, that applies to multi-actor setting in the supply chain context. The assumption is that one of the supply chain participants takes a leading role in a single contract negotiation with other entities involved. Moreover, the researchers assume that regarding pricing, the most downstream participant has a role of process-owner, who initiates the contract in order to encourage the upper entities to decrease their prices. This enables increased order volumes and achievement of even higher revenue throughout the supply chain. The efficiency of spanning contract can be guaranteed only in case all the parties involved sign the contract, otherwise the win-win outcome will not be achieved. (Van der Rhee, Van der Veen, Venugopal & Nalla, 2010; Formentini & Romano, 2016.)

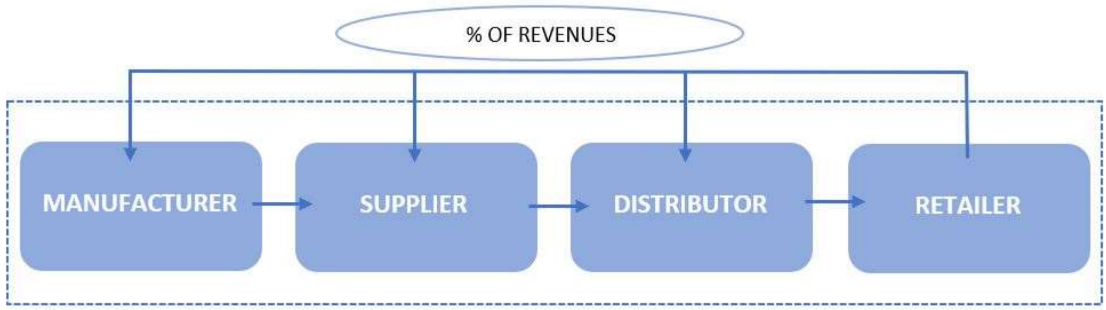

Figure 7. Extra-dyadic pricing collaboration, adopted from Formentini and Romano (2016).

4 Price adaptation and contingency factors

Nowadays, international heterogeneous markets underline the need for the exporting companies to adapt their strategies, not forgetting the price, the most crucial marketing mix element (Theodosiou & Leonidou, 2003; Powers & Loyka, 2010). In turn, level of price adaptation is affected by environmental (i.e., external) and company-specific (i.e., internal) contingency factors (Sousa & Bradley, 2008; Powers & Loyka, 2010; Tan & Sousa, 2011; Chung, Wang & Huang, 2012; Obadia, 2013; Carricano, 2014; Fuchs & Kostner, 2016), that are discussed further in this chapter.

4.1 Price adaptation

Price adaptation is the concept of adapting pricing models and practices across national boundaries that can be defined as the degree to which the pricing strategies for the same product differ in all the export markets (Lages & Montgomery, 2005; Czinkota & Ronkainen, 2010: 683; Chung, Wang & Huang, 2012; Sousa & Novello, 2014). The contrary strategic perspective of price adaptation is price standardization which, according to contingency theory, is considered as the other end of the same continuum (Theodosiou & Leonidou, 2003; Lages & Montgomery, 2005; Sousa & Bradley, 2008; Chung, Wang & Huang, 2012). While price represents only a quarter part of the marketing mix, in their research Helm and Gritsch (2014) justified the need to approach price adaptation separately from adaptation of the other marketing mix elements due to the critical effect of price on export market performance.

Proponents of price adaptation argue that international markets are heterogeneous, where the consumers have different needs, expectations and purchasing power, which requires the exporting companies to be flexible in terms of their international marketing strategies (Theodosiou & Leonidou, 2003; Sousa & Bradley, 2008; Brei, D'Avila, Camargo & Engels, 2011; Sudarevic, Radojevic & Lekovic, 2015). Naturally, according to Hollensen (2017: 573-574), development of adjustable pricing strategies is advantageous for companies that aim to satisfy customer needs and get market share in export markets. In turn, decrease of the control power and higher resource requirements can be considered as main disadvantages, but in a long-term perspective the costs are indicated to pay themselves back (Sousa & Novello, 2014).

To specify, in this paper price adaptation is considered as a synonym of pricing strategy adaptation and refers to setting different prices and/or applying different price-setting approaches and practices (e.g., price discount and margin formation policies) on the same product or product category to be exported in different markets. This approach was adapted from the papers of Lages and Montgomery (2005) and Sousa and Bradley (2008), who made a comprehensive review on the corresponding literature when developing their measures.

4.2 Contingency factors

As mentioned above, in the international pricing literature, there exists a contingency perspective which draws a compromise between price adaptation and standardization. According to contingency theory, there is no one optimal pricing strategy that suits every exporting company, but the balance between the internal and external circumstances must be found. In other words, there are contingency factors (*see Figure 8.*) affecting operations and strategic decisions of every company, and export pricing strategies are not an exception. (Sousa & Bradley, 2008; Tan & Sousa, 2011; Chung, Wang & Huang, 2012; Obadia, 2013; Carricano, 2014; Fuchs & Kostner, 2016.) In the following subsections, the contingency factors that are most discussed in export pricing literature are presented from the perspective of price adaptation.

Figure 8. Most common contingency factors that are indicated to be antecedents of export pricing strategies according to the literature review of this paper.

4.3 External contingency factors

In the international pricing literature, external contingency factors are environmental circumstances related to the nature of the industry on which the exporting company is specializing, and the characteristics of the targeted export markets (Czinkota & Ronkainen, 2010: 347).

4.3.1 Industry -related factors

Considering the industry, it is essential for exporting companies to be aware of their competitors as intensity and nature of competition have significant influence on export pricing strategies (Tzokas, Hart, Argouslidis & Saren, 2000; Obadia, 2013; Fuchs & Kostner, 2016). In his study Obadia (2013) underlines the correlation between knowledge on the competitive situation and success in export pricing. For example, it was indicated that the more competitive the export market, the more companies are forced to adapt their strategies in order to be able to compete with the rivals (Fuchs & Kostner, 2016). Instead, in industries with lower competition intensity price adaptation may also be required, but there is less time pressure to identify the key elements to be adapted (Powers & Loyka, 2010).

Moreover, Theodosiou and Leonidou (2003) along with Powers and Loyka (2010) argue that technology orientation and technological turbulence in the industry affect decisions on price adaptation directly. Technology orientation refers to intensity of the technology use in the industry, assuming that the more technology-intensive the industry is, the more research and development is required on a continuous basis. Accordingly, there are higher costs behind every innovation brought to the market, and more standardized strategies are favorable to optimize the processes. (Theodosiou and Leonidou, 2003.) In turn, technological turbulence is a rate of change in the technology applied for producing offering. For example, it is argued that companies operating in industries that can be characterized as technologically stable have abilities to focus more resources on price adaptation, while usual or radical changes in technology require continuous follow-up. (Powers & Loyka, 2010.)

4.3.2 Market -related factors

In his research, Indounas (2019) indicated that market structure, which includes the market size, growth rate, market offering, etc., has its influence on pricing decisions in B2B context. In addition, export market development, including education levels, economic development, and standards of living, is another external factor that reflects on the pricing strategies and their adaptation. For example, highly educated consumers having higher incomes may be critical towards products and services offered on the market, which may require possible adjustments to the cost structure and, consequently, the pricing may be affected. (Lages, Jap & Griffith, 2008.) Consumer preferences and purchasing behavior are strongly linked and affected by the social environment including the religious doctrines, political regimes, and other social influences. Consequently, one of the main elements forming the base for the social environment is the culture. (Powers & Loyka, 2010.)

Cultural differences between the export markets of the company represent another concern that cannot be avoided as culture determines the customers' attitudes (Newburry & Yakova, 2006; Hassouneh & Brengman 2011). For example, in the context of B2B culture plays a significant role in possible pricing negotiations (Pickle & Van, 2009; Helm & Gritsch, 2014). Moreover, cultural compatibility of the exported product significantly affects its acceptance in the export market. (Powers & Loyka, 2010.) According to Evans, Mavondo and Bridson (2008), it is essential to adapt pricing in case of cultural differences as people around the world have different consumption habits and the values that international consumers give to the same product can differ surprisingly. In addition, some products cannot be sold in some countries at any price due to cultural or religious specificities, which requires adjustments of the company offerings. This kind of adjustments are costly for companies and require reconsideration of the export strategies, including those of pricing (Sousa & Bradley, 2009).

Furthermore, climate differences between home and export markets can also affect pricing strategies. A typical example is packaging of products that need special treatment, e.g., packages of rust-sensitive products may be modified to more insulative when exporting to the countries with high humidity; in turn outdoor products may be treated with antifreeze before sold to countries where the winters are cold. Adjustments of packaging and other special treatment require investments that may incline companies towards price adaptation. (Sousa & Bradley, 2009; Powers & Loyka, 2010.)

Finally, political reasons, like diplomatic sanctions, and government regulations are considered as the most effective external factors since usually they cannot be overcome. For example, there are various customs and tax regulations for exporting outside

European Union, that should be considered when developing pricing strategies. Furthermore, technical and qualitative requirements are common also under the free trade zones, which makes price adaptation even more favorable. (Shoham, Brencic, Virant & Ruvio, 2008.) Currency issues also attract attention of pricing managers as every time the product is being sold in a country, the currency of which is different from the country of original, differences and instability in currency rates impact financial gains and losses of companies directly. For example, the exporting company can achieve price advantage when the foreign currency in the export market is undervalued, while price disadvantage occurs in case of overvaluation. (Sousa & Bradley, 2009.)

4.4 Internal contingency factors

Internal contingency factors affecting export pricing are company-specific and can be modified depending on the managerial decisions. Naturally, internal contingency factors cover aspects related to company and its management, as well as the rest three elements of the marketing mix, that are product, distribution, and promotion. (Czinkota & Ronkainen, 2010: 346-347.)

4.4.1 Company- and management -related factors

Company itself represents one of the main factors having influence on price adaptation as the overall strategy of the company and its goals are inevitably reflected in export pricing strategies (Myers, Cavusgil & Diamantopoulos, 2002; Farres, 2012; Ingenbleek & Lans, 2013). Another influencing characteristic is the company size, which plays a big role in export pricing strategy adaptation since it requires greater human and financial resources to be put into strategy development and implementation (Sousa & Bradley 2008, 2009; Sousa & Novello 2014). Naturally, bigger companies have more flexibility in allocating their internal resources which determines their preference of price adaptation (Chung, 2005, Sousa & Bradley, 2008; Chung, Wang & Huang, 2012; Sudarevic, Radojevic & Lekovic, 2015). Moreover, organizational structure of the company has its effects since e.g., the more the subunit is compliant with the requests from headquarters, the less adaptation of the marketing strategies is possible. In contrast, subunit cooperation, that refers to the extent to which subunits and the headquarter are working toward common goals, contributes to price adaptation. (Powers & Loyka, 2010.)

International experience is another company-specific factor that affects price adaptation. Evans, Mavondo and Bridson (2008), along with Tan & Sousa (2013), argue that companies' extent of internationalization and experience in exporting reflects on their abilities to recognize differences between the markets and to consider them in export pricing strategy development. Furthermore, internationally experienced managers, who are committed to exporting and have better knowledge about the target markets, are more likely to succeed in that task and, consequently, prefer to adapt their pricing strategies (Lages, Jap & Griffith, 2008, Tan & Sousa 2013, Fuchs & Kostner 2016). This underlines the role of human beings i.e., pricing managers in decisions related to export pricing strategies and price adaptation underlined by several authors (Smith, 1995; Forman & Hunt, 2005; Lages, Jap & Griffith, 2008; Sousa & Bradley 2008, 2009; Piercy, Cravens & Lane, 2010; Johansson, Hallberg, Hinterhuber, Zbaracki & Liozu 2012; Monroe, Rikala & Somervuori, 2015; Fuchs & Kostner, 2016; Hallberg, 2017; Guerreiro & Amaral, 2018).

Moreover, in his research Hallberg (2017) indicates that in the context of industrial trade, individual judgement together with overall commercial and negotiation experience of the pricing managers affects their industrial pricing decisions and readiness to adapt the strategies. Besides, in his research, Kienzler (2017) studied relation between personal characteristics of pricing managers and their attitudes in developing pricing strategies in uncertain conditions. The results indicated that managers characterized as agreeable (i.e., friendly and compliant) are those who focus on competition- and cost-related information when setting prices in the uncertain conditions, whereas conscientious (i.e., ambitious and cautious) managers tend to primarily evaluate customer value. In turn, extravert (i.e., socially active) managers do not concentrate on cost-related information when setting prices under uncertainty. Therefore, it can be argued that personal characteristics of managers can also have significant effect on acquisition and application of pricing information and consequent decisions on export pricing strategy adaptation (Estelami & Nejad, 2017).

4.4.2 Marketing mix -related factors

Finally, the remaining marketing mix elements, that are product, distribution, and promotion, were identified as the most significant influencers on export pricing strategies since it is not appropriate to consider all the elements separately from each other (Sousa & Bradley, 2009, Powers & Loyka, 2010; Brei, D'Avila, Camargo & Engels, 2011). For example, it must be recognized whether the product meets the needs and expectations of the consumers in the export market, governmental requirements, as well as how easily can it be modified or replaced (Sousa & Bradley, 2008, 2009). Moreover, labelling and packaging of the product cannot be neglected (Chung, Wang & Huang, 2012), as in B2B trade products are often customized to meet the specific needs of the customer (Guerreiro & Amaral, 2018).

When it comes to distribution, it is essential for the company offering to be easily accessible to the consumers, but there can be differences between distribution infrastructures in home and export markets. For example, longer distribution channels automatically mean higher costs to the exporting company. (Sousa & Bradley, 2009; Brei, D'Avila, Camargo & Engels, 2011.) In addition, in his research Stottinger (2001) indicated that market-entry mode has a significant role when considering price adaptation. For example, in case of exporting through independent distributors, companies may be forced to adapt their pricing strategies relying on market knowledge of their local partners while having no control on their prices. Moreover, specifically in B2B trade, the buyer is not the end user but the distributor, assuming that there is a division of profit in which both the buyer and the seller are involved. Accordingly, the future profit of the distributor is often taken into account in the price setting stage of the exporter. (Formentini & Romano, 2016.)

Promotion is another internal factor that requires financial resources and consequently affects pricing strategies (Sousa & Bradley, 2009; Powers & Loyka, 2010). There are different governmental regulations on advertising, and perceptions of symbols and attitudes vary across consumers in foreign markets. For example, promotion of tobacco products is strictly controlled in Europe, whereas in Eastern countries public morality must be respected. Accordingly, the bigger adjustments are required to advertising activities, the more favorable is price adaptation. (Evans, Mavondo & Bridson, 2008; Merz, He & Alden, 2008.) However, it is notable that in the context of B2B trade promotion does not play as significant role as in B2C settings, as brand recognition seldom determines the choice of organizational buyer (Farres, 2012; Guerreiro & Amaral, 2018).

4.5 Relation of the contingency factors to decisions on price adaptation: summary

As discussed, the contingency approach assumes two opposing strategic perspectives – standardization and adaptation, that are perceived as two extreme dimensions of international marketing strategies, including those on pricing (Sousa & Bradley, 2008; Chung, Wang & Huang, 2012; Sudarevic, Radojevic & Lekovic, 2015). To conclude the theoretical part of the paper, below is the summarizing figure (*See Figure 9.*) that visualises the placement of the contingency factors on the price standardization – price adaptation continuum based on the literature review.

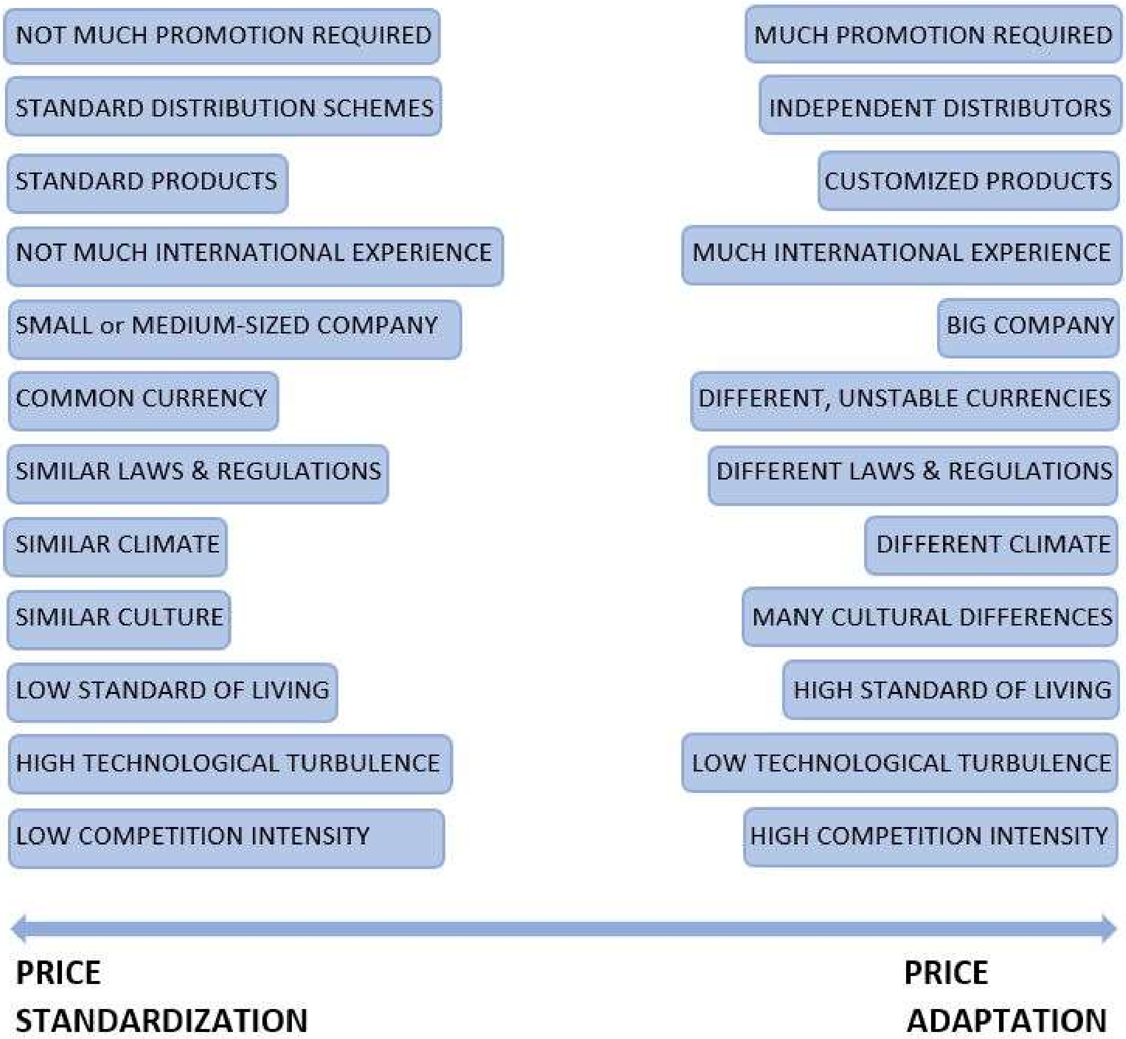

Figure 9. Summary of the contingency factors affecting decisions on price adaptation, positioning on the price standardization – price adaptation continuum.

5 Methodology

In this chapter the methodological choices of the research paper are discussed and justified. In addition, case companies and research sample are presented together with the structure of interviews. Finally, data analysis process is explained, and credibility of the research is discussed.

5.1 Methodological approach

As this research focuses on the process and the research question is descriptive, the *qualitative research design* is applied. The aim is to collect and analyze qualitative data, which refers to non-numerical and non-quantified explanatory data that gives researcher an opportunity to explore the subject as multilaterally as possible. Both primary and secondary data are collected in a form of interviews and by overviewing the existing literature, after which the analysis is made to add reliability to the research and to ensure that the findings are consistent. (Saunders, Lewis & Thornhill, 2007.) Moreover, overview of the existing literature enables identification of the main concepts discussed by the interviewees and provides base for recognizing the tendency of findings in the research field (Eisenhardt, 1989).

The research approach applied in this paper is *deductive*, which means that the theoretical framework is built on before the data collection. In addition, *inductive approach*, where the theory is formulated after the data is collected, is applied as possibly proposed theory-based models may need corrections. (Saunders, Lewis & Thornhill, 2007.) Moreover, the approach of systematic combining named *abduction* is taken into consideration, since it implies modification of the original theoretical framework after possible surprising or unpredictable empirical findings (Dubois & Gadde, 2002). All this contributes to designing a heuristic model of making export pricing decisions based on the analysis of the findings and applying them to the theoretical framework of the paper.

5.2 Research methods

Since this research is explanatory by its nature and focusing on the process, a *case study research* was chosen to be adopted as it contributes to getting deeper understanding of complex processes within specific settings while answering to the questions “how?” and “what?” (Saunders, Lewis & Thornhill, 2007.) Moreover, according to Woodside and Wilson (2003), understanding of the process participants’ perceptions and the situational process influencers is the main purpose of case study research. In addition, the researchers identify case-study method useful to apply in industrial context, revealing the subconscious thinking of individuals representing organizations. In her turn, Eisenhardt (1989) argues that case study can be sufficient to explore process-based phenomena and not only describes or tests the existing theory, but also contributes to development of new theories. In the research concerned, it is appropriate to incorporate multiple cases in order to see whether there are similarities in the companies’ export pricing strategy processes and to draw the conclusions accordingly.

As it is a standard practice in case studies, the semi-structured interviews were selected as data collection technique to provide respondents with the possibility to give extended and constructive answers. According to Gillham (2000), semi-structured interviews is one of the most important data collection technique in case studies, providing the opportunity for as deep conversation as possible. In this research, the structure of interviews was kept the same in order to ensure that all the respondents would stay in the topic, as well as to facilitate the data analysis process. Instead, the in-depth interviews were considered as too broad for the topic of this paper, and depth of the answers aimed to be ensured by leaving the interview questions open-ended. This gives respondent the opportunity to reveal as many aspects of the described process as he or she recognizes, ensuring that none of the process stages is neglected. (Saunders, Lewis & Thornhill, 2007.) In addition, the research background including the key concepts was given to the respondents in advance in order to increase the validity of the research.

5.3 Description of the case companies and sample

The case study concerns three industrial business companies that are established in Finland and participating in B2B trade in the context of industrials business sector. There are still significant differences in the operations of the chosen case companies as Companies A and C are offering a wide range of standardized products, while Company B provides its customers with project-based solutions, consisting of different product configurations. In addition to the differences in offering and business models, there are significant differences in companies' sizes and international presence. While all the three companies are established in Finland, Company A is a medium-sized enterprise that has subsidiaries in Scandinavia, Baltics, Poland, and Russia, and doing direct export to Eastern and Western Europe. In their turn, Companies B and C represent global organizations. Consequently, when it comes to the companies' international experience, Companies B and C are mainly focusing on exporting their solutions all over the world due to the limited size of domestic market. In turn, Company A has a strong position in its domestic market (Finland) and reached the export rate of over 50% in 2020. These three different industrial companies were selected to provide more comprehensive overview on the topic and see whether there are significant differences in the decision-making processes. Below, *Table 1.* summarizes the main distinguishing characteristics of the case companies.

Company	**Size + export rate**	**Offering**
A	Medium-sized, export over 50%	Standardized
B	Global, focus on exporting	Project-based, configured from standard products
C	Global, focus on exporting	Standardized

Table 1. Summary of the case companies.

As for the respondents (*see Table 2.*), they all had at least several years of experience in sales and exporting, and some of them gained that experience in different international companies and on different export markets. First, one person from each company was invited to the interviews based on his/her position and nobody refused to provide their insights on an anonymous basis. Moreover, the sample was not predetermined, and rest of the interviewees were contacted after their role in the process revealed in other interviews. This ensured that the appropriate people were interviewed regardless the title of their position. The participants were also open to provide additional information on their answers afterwards.

Company (A/B/C)	**Position**	**Markets**	**Duration of interview**
Company A	Sales Manager	Baltics	43 min
Company A	Export Manager	Central and Western Europe & UK	35 min
Company B	Senior Proposal Engineer	Europe & CIS countries	40 min
Company B	Sales Director	Europe & CIS countries	46 min
Company B	Business Development Manager	Global	41 min
Company C	Sales Manager	Finland & Sweden	45 min
Company C	Pricing specialist	Global	37 min

Table 2. Research sample and duration of the interviews.

5.4 Data collection and structure of interviews

As mentioned, the data was collected through semi-structured interviews, meaning that the list of themes and questions to be covered was conducted in advance *(see Table 3. & Appendix 2)*, and in each interview setting the interviewer slightly adjusted or added the questions to suit the discussion. In other words, the advantages of flexible data collection characterizing the case study research were availed to have opportunity to get deeper knowledge on the aspects revealed during the interviews (Eisenhardt, 1989). Confidential interviews were recorded in Teams and transcribed afterwards, which ensured that none of the aspects would be neglected.

Background of the company and the respondent	- Offering, customization rate of the products - Position in the company - Responsibility area (markets) - Company experience in exporting - Personal experience in exporting - Pricing on different markets
Price formation and margins policy	- Price structure - Margins policy - Pricing approaches
Price discounts policy	- Supply via intermediates or wholesalers? - Price discount policy (if exists)
Development and determination of pricing strategy	- Factors affecting pricing decisions - Pricing process

Table 3. Structure of the interviews.

The pricing strategy measure was adopted from Lages and Montgomery (2005) together with Sousa and Bradley (2008) and was performed by asking respondents to indicate their price formation and margins policy together with possible price discounts policy. In turn, determination of pricing strategy was covered by discussion of contingency factors and possible other determinants affecting the respondents' pricing decisions. When it comes to price adaptation, it was assumed by assessing the differences between the policies and approaches on pricing described by the respondents. Finally, the process of making decisions on pricing was approached by both asking leading questions and looking at all answers from the process-based perspective, that is described further in the following subsection.

5.5 Data analysis

Saunders, Lewis and Thornhill (2007) argue that to provide meaningful analysis of the qualitative data it is essential to understand its specificity. For example, the most significant aspect is that the meanings that were collected qualitatively are expressed through words and are non-standardized. Consequently, qualitative data requires classification into categories and analysis through conceptualization. Moreover, the analysis process usually starts already at the stage of data collection when the interviewer gets an overview of the answers and makes possible notes. Summaries of the key points of the interviews can be also written to simplify the data processing and analysis (Gillham, 2000).

Gillham (2000) underlines the importance of information processing and performance of reflective overview of the collected evidence on the researched topic. In this research, after obtaining the data in the interviews, the answers were immediately transcribed and sorted in the table according to the theme covered. This was possible as the interviews were held on different days, to ensure that the answers and the overall scenarios will not be mixed. Since in this paper deductive research approach was mainly applied, and the theoretical framework was built up before the data was collected, the main themes were determined already at the stage of structuring the interviews. After sorting the data, the key points were highlighted which enabled to get clear view on the main aspects and identify the main differences in the answers. Next, the substantial analysis of each respondent's answers was made to reflect on the theory and make possible conclusions.

Regarding the pricing process itself, as the respondents were not directly asked to describe their processes of making pricing decisions, the processes were generated afterwards based on the collected empirical data. First, the answers were carefully analyzed, and the process of each respondent was modelled. This concerns within-case data analysis that enabled identification of process patterns in each unique case before generalizing the findings (Eisenhardt, 1989). After, the processes were compared to each other and further analysis was made on the observed differences and similarities. Finally, the heuristic model of making export pricing decisions was designed considering the analysis and theoretical framework of the paper.

5.6 Reliability, validity and research ethics

The academic research, aiming to reinforce the existing theory and/or to provide new insights on the research field, has to be reliable and valid. Reliability is an extent to which the data collection and analysis methods execute consistent findings. In other words, in reliable research the same results will be obtained regardless of the researcher or other occasions. In turn, validity refers to extent to which the research measures exactly what it aims to measure. (Saunders, Lewis & Thornhill, 2007.)

Even though qualitative research may have to some extent more subjective and unique nature, in this research reliability was enhanced by transcribing the interviews word for word (Gillham, 2000). In addition, the direct quotes were used in analysis to avoid misinterpretation of the answers. In turn, the validity aimed to be secured by inviting appropriate respondents to the interviews. For example, the first candidates were selected based on their positions in companies, and after the pricing processes were revealed, the other actors in the process were invited to approach the process from different points of view. Moreover, the interview questions were tested on the person from the field of business pricing and modified according to his comments. This ensured that the questions aimed to reveal knowledge on the phenomena discussed in this research (Gillham, 2000). However, the interviews were held in English that is not a mother language of any of the respondents, which may have affected the expression of some thoughts on the given topic.

In terms of ethicality, the research has followed the main ethical principles that are respondent's right not to take part or to withdraw from the research at some point, respecting respondent’s privacy and not misusing the information gathered, as well as safe storage of that information (Saunders, Lewis & Thornhill, 2007). The respondents were selected based on their positions in the selected companies and contacted individually, aiming to avoid any possible pressure to participate because of social motives. In addition, at the beginning of interviews the respondents were informed about the purpose of data collection and its confidential nature, as well as respondents’ right to stay anonymous throughout the whole process. Furthermore, the data was transcribed and analyzed objectively, without selecting the most “appropriate” answers that would perfectly match the theory, or vice versa.

6 Findings

In this chapter, the answers of the interview respondents are analyzed in light of the theoretical framework of the paper contributing to the research purpose, and empirical evidence is provided to support the conclusions made by the author. As the main research question is *“How are managers approaching internal and external contingency factors when making decisions on export pricing strategies and price adaptation in B2B industrial trade?”*, first, the contingency factors affecting decisions on pricing strategy adaptation identified by the respondents are discussed, after which the pricing approaches and stages of the process itself are defined. Finally, the heuristic model of making export pricing decisions in the context of B2B industrial trade is proposed.

6.1 Contingency factors affecting decisions on export price adaptation in B2B industrial trade

Before discussing the contingency factors that affect the export pricing decisions of the research participants, it is worth noting that linkage between pricing strategies and the overall organizational strategy was evident from the answers. Moreover, adaptation of export pricing strategies among different markets and product groups revealed from the respondents’ discussion:

> *“…Well, it* (overall organizational strategy) *does play a part, of course, if we bring out a new product line, for example, that’s something that we discuss the pricing before and between all the managers for the different areas and try to come up with the baseline for pricing, …and then there can be some way for each manager to then adapt the pricing into their own market.”* (Company A, Export Manager)

> *“…It* (pricing) *is very much* (integrated in the overall organizational strategy) *and it depends on which product or solution we sell. We have two main solutions and very different landscape…”* (Company B, Sales Director)

"…pricing is different, it's because of the strategy of our company, positioning of prices comes from the market…." (Company C, Sales Manager)

To clarify, below are the tables that summarize the most significant factors having direct influence on the decisions on export pricing based on the answers of the research participants. While *Table 4.* summarizes the most important factors that were determined by the respondents in the end of each interview, *Table 5.* presents all the factors mentioned during discussions. After, in the following subsections, each group of the contingency factors is discussed to provide deeper overview on the respondents' thoughts on the relations between the factors and managerial decisions on export pricing in industrial B2B trade.

Respondent	**Main factors affecting pricing decisions**
Company A, Sales Manager	**Customer** situation, **market** situation, **competition**
Company A, Export Manager	**Distribution** channels, **market** situation, **competition**
Company B, Senior Proposal Engineer	**Competition**, **customer** expectations, **product** costs
Company B, Sales Director	**Customer** situation, **company goals**, **competition**, **project scope**
Company B, Business Development Manager	Specificity of the **product**, **competition**, value to the **customer**
Company C, Sales Manager	**Market**, **customer**, **company goals**
Company C, Pricing Specialist	**Customer** willingness to pay, **market** situation, **competition**, **product**

Table 4. Summary of the most significant factors affecting decisions on export pricing according to the research respondents.

	Contingency factor	Mentioned by /respondents
INDUSTRY	**Competition intensity**	**7/7**
	Technological orientation	0/7
MARKET	**Market development**	**5/7**
	Standards of living	**1/7**
	Cultural aspects	**1/7**
	Climate	0/7
	Laws & regulations	**2/7**
	Currency issues	**2/7**
COMPANY & MANAGEMENT	**Company goals**	**3/7**
	Company size	0/7
	Company international experience	0/7
	Personality of the decision-maker	0/7
MARKETING MIX	**Product characteristics**	**5/7**
	Distribution schemes	**4/7**
	Promotion	0/7

Table 5. The contingency factors having direct influence on export pricing decisions according to the research respondents.

6.1.1 Industry -related factors

As discussed in the chapter 4, industry -related contingency factors presume competitive environment (Obadia, 2013; Fuchs & Kostner, 2016) and technology orientation in the industry (Powers & Loyka, 2010). In the interviews, it revealed that each of the respondents considered competitors when making export pricing decisions, and several respondents determined competition as one of the most significant factors affecting export pricing strategies in their companies:

> *"...And then again, the higher the price the more difficult is to make volume, and that's why you need to search for optimal ways to margin keeping in mind what competitors are doing, also."* (Company A, Sales Manager)

> *"...And then the third thing* (that we look at) *is how is the competition landscape, because depending on the specifications of our offering we may have better products solution than competition or not so good."* (Company B, Sales Director)

> *"But basically, our strategy is to follow the market and competitors, and sell depending on the market, that's why prices are different on every market."* (Company C, Sales Manager)

The citations above justify the linkage between competitive environment and price adaptation suggested by Fuchs and Kostner (2016) and other researchers. Namely, in their research Powers and Loyka (2010) identified market and competition to be the most affective factors of price adaptation in export markets. Moreover, the fact that competitive environment was the only factor that was covered by every respondent indicates the significant weight that industrial companies give to competition and competitors' actions when making pricing decisions. In their answers, the respondents indicated how competitive environment can determine the monetary value of the product on the market and how the final price is adjusted to beat the competition. This is in line with the research conducted by Fuchs and Kostner (2016) who underline the role of external factors and confirm the positive relation between export sales growth and adaptation of export prices to meet the competitors' actions in the foreign market.

As for the technology orientation, the respondents from Company B mentioned technological features of their offerings, but not in the context of industrial characteristics, which may be a specificity of the industry in question. In turn, there were also the industry-specific differences mentioned by the respondents from Companies A and B, indicating that in industrial trade decision-makers weigh not only the competition, but also develop knowledge on specificities of their industry in every export market:

> *"I'd say that the biggest differences come from our industry -- even though inside the EU they try to harmonize the legislation a lot, when it comes to our industry, there is still a lot of differences…"* (Company A, Export Manager)

> *"In our business area Western European markets are developed, and even Eastern European countries are quite developed, too, this might be specificity of this industry."* (Company B, Senior Proposal Engineer)

6.1.2 Market -related factors

The factors related to export market consider market development (Lages, Jap & Griffith, 2008), standards of living, cultural landscape (Evans, Mavondo & Bridson, 2008; Powers & Loyka, 2010), climate (Sousa & Bradley, 2009; Powers & Loyka, 2010), currencies (Sousa & Bradley, 2009), and government regulations (Shoham, Brencic, Virant & Ruvio, 2008). The respondents from Companies A and B mentioned level of industry-specific market development, regulations and processes as characteristics that distinguish markets from each other and affect the organizational operations:

> *"…even though the European markets as a whole are growing, individually they are quite small, which means that it's very fragmented, and there is a lot of micromanagement on the markets when it comes to pricing, as well, so a lot of times we do it case by case."* (Company A, Export Manager)

> *"For example, Western European countries are more mature, and the purchasing processes are more developed and demanding. But to Western Europe we can offer directly by passing intermediates, and Eastern European markets are more specific, there are some local content and not clearly defined regulations..."* (Company B, Senior Proposal Engineer)

In addition, the respondents from Company A mentioned the income levels, customer behavior, and other cultural specificities affecting ways of living on the markets and considered in the context of export pricing. In their turn, the respondents from Company B have not considered the behavior and preferences of the end customers nor the target market environmental characteristics when discussing pricing strategies. This can be explained by the more complex nature of the solutions offered by the company, which requires longer supply chain with the end consumer being located farther from the company than in case of Company A. Moreover, according to Hallberg (2017), it is often challenging for companies with bigger offering and more complex organizational structure to distribute appropriate market-related information across all the decision-makers involved, which may result in difficulties to make consistent market analysis.

When it comes to Company C, there analysis of each foreign market has a crucial influence on pricing decisions while the first things the decision-makers consider are environmental forces affecting potential customers and their buying motives:

> *"…so, each country has their own pricing, in each of the market we will make an analysis – what is this product worth for the customers in this market, and for that you make a country plan, how you want to price your product."* (Company C, Pricing Specialist)

Some of the mentioned factors affecting customers' perceptions on different markets were, for example, consumer preferences, geographical location, and even brand image the manufacturing company has in export market. Even though in B2B literature it is assumed that in industrial business context the brand recognition does not play a big role, in cases where industrial products are making part in the solutions offered to the final consumers, brand image can be considered by the buyer already from the early stages of supply chain (Farres, 2012; Guerreiro & Amaral, 2018). This phenomenon is also linked to the product, the role of which will be discussed further in the context of other marketing mix elements.

6.1.3 Company- and management -related factors

When it comes to company- and management -related contingency factors, they refer to purely company-specific characteristics as organizational goals (Farres, 2012; Ingenbleek & Lans, 2013), size (Sousa & Bradley 2008, 2009; Sousa & Novello 2014), and international experience (Evans, Mavondo & Bridson, 2008; Tan & Sousa, 2013), as well as to managerial knowledge and attitude towards exporting (Piercy, Cravens & Lane, 2010; Monroe, Rikala & Somervuori, 2015; Fuchs & Kostner, 2016; Guerreiro & Amaral, 2018), or even personalities and experience of the people that make decisions (Hallberg, 2017; Kienzler, 2017). Considering the collected data, none of the respondents mentioned personal characteristics of the individuals involved in the process of decision-making. This can be explained by the methodological choice of this research, the interview technique may be insufficient for indicating personal characteristics of each respondent and makes it inappropriate to draw conclusions based on their answers. Instead, it is evident that, for example, in bigger Companies B and C the organizational goals have direct effect on the pricing:

> *"We are business and not charity, we need to generate profit, there is a minimum profit requirement determined by company."* (Company B, Senior Proposal Engineer)

> *"We have several indicators, we have net price variance…so I have to control this KPI* (= key performance indicator) *about increase of market price."* (Company C, Sales Manager)

While mentioned by one of the respondents directly, key performance indicators (KPIs) are widely used in companies to manage the set company goals and monitor their achievement in different organizational processes (Min, Roath, Daugherty, Genchev, Chen, Arndt & Richey, 2005). Moreover, there can be exceptional situations where the overall company goals are aimed to be achieved through making deviating strategical decisions and compromising on organizational pricing policies. In these cases, especially in bigger companies, organizational structure and hierarchy of decision-making is having significant influence on all the processes, including export pricing:

> *"There are different levels in the process of approvals, so I can approve a certain level of margin, my sales guys they have free hands up to a certain level of margin, they cannot go below certain level, and then it comes to me, and then it comes to my boss, and then it comes to the committee for the area who will say yes or no."* (Company B, Sales Director)

> *"…based on specific project and competitive situation there can be a decision taken to cross this line and offer lower margin to get the strategically important projects, and then also support all the company's activities… this also influences some decisions."* (Company B, Senior Proposal Engineer)

> *"…we have a threshold, so we are not selling with negative margin, only if it's some strategic customer, strategic project, we can, but in that case it's not me who decides, but higher management."* (Company C, Sales Manager)

In turn, the respondents from Company A have not mentioned any company- or management-specific factors when discussing pricing strategy development. The lack of attention paid to the company- and management-specific factors can be explained by the company size as compared to Companies B and C, Company A is smaller and has more simple organizational structure. According to Kloot (1997) along with Dropulic (2013), management control is essential in more complex and larger organizations. This explains higher hierarchy involved in the process of controlling export pricing decisions in Companies B and C. Moreover, it is argued that due to simpler structures smaller companies have advantage of availability and more appropriate allocation of the resources and therefore can better succeed in international environment without the high-level control (Sousa & Novello, 2014).

6.1.4 Marketing mix -related factors

Regarding the other marketing mix elements, that are product, distribution, and promotion (Powers & Loyka, 2010; Brei, D'Avila, Camargo & Engels, 2011), the collected data was in line with the theoretical framework of the paper. Namely, product characteristics and distribution channels were discussed by the respondents from all the three companies, while promotion has not been considered in the context of export pricing decisions. According to Farres (2012) along with Guerreiro and Amaral (2018), this may be seen as specificity of the B2B trade where promotion does not play the determining role. Moreover, it is probable that people involved in the processes on final price setting do not directly link their decisions to farther activities taking place in other organizational departments.

As for the product, the respondents from Companies A and C, having more standardized product solutions than Company B, mentioned the product group to be one of the differentiating factors, that consequently determines the competition as well as customer segments:

> *…"for example, there are different product groups, there are products where competition is more intense,…-- And then products that don't have direct competitors, it's a good solution, not much competition, so you want to keep margin as high as possible, as high as the market can psychologically stand."* (Company A, Sales Manager)

> *"Well, again, margin depends a lot on the product as well as we manufacture products for different customer groups…"* (Company A, Export Manager)

> *"…we have certain level of discounts for certain segment, so different customer segments have different discounts on different product categories."* (Company C, Sales Manager)

In turn, Company B often configures its product offering to meet the project requirements, and there pricing can be influenced by the history and reputation of certain product on the market:

> *"It* (pricing) *depends on which product or solution we sell. We have two main solutions and very different landscape. On the first solution, it is a business that we are since many years, we have developed lot of references, very respected on the market, very known for high quality and also high price. And we have a position that is well established and of course we are adapting ourselves because we are pushing new products"* (Company B, Sales Director)

In their paper, Chang, Ouzrout, Nongaillard, Bouras and Jiliu (2014) discuss the role of reputation in supply chains and its role in decision-making. Authors define reputation as view or opinion being formed in certain time and being updated along with direct interactions or information received indirectly. Especially in the era of Internet information became accessible, enabling B2B buyers to develop their relations to the seller companies and creating opinions about the products based on trust and reputation. Followingly, reputation influences purchasing decisions of the customer while contradicting or adapting to their values and requirements. The citation above indicates the awareness of managers about the reputation of their product solutions and its positive or negative effects on pricing. Moreover, objective product characteristics determining product excellence as well as provided support in export market revealed to play their role in export pricing:

> *"That information how you want to be priced yourself has to be based also on the product excellence, so how good is your product, how good is your local service in the country…"* (Company C, Pricing Specialist)

As for the distribution, in their answers the respondents paid attention to the distribution schemes, namely route to the market was highlighted, but also supply chain level the products are sold to revealed to have its effect on export pricing decisions in the end:

> *"…So sometimes on some markets we actually work only with wholesaler -type of customers… Or, on some other markets we may have just retailers, on other markets we might have just like.. we call them strategic partners…-- So, it depends a lot, so basically the market picture or our like route to market, on that specific market, does affect the margin"* (Company A, Export Manager)

> *"For example, in my area in some Eastern European countries route to the market is quite long, there are more intermediate players and there is also higher markup level so there is potential to gain more margin from those markets compared to Western Europe. So, then our starting point for pricing might be different for theoretically similar projects, we can have different pricing strategy."* (Company B, Senior Proposal Engineer)

As it was argued by Sousa and Bradley (2009), the longer the route to the market the higher the distribution costs. This can be explained by the higher number of parties involved, each having their own costs (e.g., logistics costs, customs fees, local taxes). Therefore, the delivery terms can also have direct influence on export pricing while they regulate the division of transportation risks and costs between the seller company and the buyer:

"…we mainly sell with EXW, but there are some clients who have prices including delivery,…--…if delivery is included in price, the margin is even higher I would say than in EXW. So EXW is better when you have to offer as good price as you can on the market, and then you go with minimal margin if you want to offer better price and so the client thinks about transportation itself." (Company A, Sales Manager)

Furthermore, the respondent from Company C indicated how the situation of distributor and the associated costs are considered in price calculation:

"…you start to calculate the price down in the chain to say okey, if this is the end customer price, how much margin does the distributor need,… then what are their costs, so how much is the customs fees, do they need to pay local taxes, who covers for the logistics costs, so you are basically taking into consideration the cost and then you finally end up with the calculation of this is the price that the distributor can pay." (Company C, Pricing Specialist)

The process described above can be perceived as replicating the extra-dyadic pricing collaboration proposed by Formentini and Romano (2016), where the costs of each party involved in the supply chain are taken into consideration and reflected in the final price. Followingly, it is evident that there is influence of the distributor interests who can simultaneously act as the customer in B2B context. Based on the discussion above, the significance of customer influence on export pricing is evident. Consequently, the following sub-section is dedicated to overviewing the role of customer in decisions on export pricing indicated by the research participants.

6.1.5 The role of customer

According to majority of the respondents, one of the factors considered as most important antecedent of export pricing decisions after the competition is the customer, namely its overall situation, expectations, and needs. Surprisingly, in the literature review forming the theoretical framework for this paper, the role of customer is not included in the list of most common contingency factors. After reviewing the collected data, this phenomenon can be explained by the specific nature of B2B trade, where the buyer is more active in interactions and can be known in advance due to the limited number of customers. Furthermore, in B2B context customers often represent other organizations, that are rational and make decisions keeping in mind their own goals to achieve. (Farres, 2012; Monroe, Rikala & Somervuori, 2015.) Therefore, the individual approach and focus on limited number of customers may be required (Helm & Gritsch, 2014).

The individual customer approach was also reconfirmed by the research participants. Furthermore, from their answers, it is evident that there are several customer characteristics or dimensions that are considered when developing export pricing. For example, it is worth noting how the overall situation and intentions of particular customer affect pricing decisions in international environment, e.g., how the customer will benefit from the product, what will be its opportunities and possible behavior after purchasing, etc.:

> *"…So, you approach every client individually, first trying to make more money and second thinking about his behavior, what he can do on the market."* (Company A, Sales Manager)

> *"In all the projects we will analyse the business case, all, we gonna call kind of business analysis where we mainly look at three different things: the first one is the business case for the customer, how is the customer making money with our* (product)*…"* (Company B, Sales Director)

Aim to understand every customer individually can be also perceived as a process of assessing the customer added value, as it was explained by the respondents from Companies B and C:

> *"For sure, customer added value is part of the analysis that we do… does it make more money in the end with us or with others."* (Company B, Sales Director)

> *"…basically, the starting point for the pricing is the customer willingness to pay for the product…--…there are still someone who are willing to invest a bit more because the product has some added feature, so then it's valued differently."* (Company C, Pricing Specialist)

In addition, customer needs and requirements can determine possible product modifications, that are in their turn affecting the cost base of the products and pricing accordingly:

> *"…But then again, in the markets that I am mostly active in, there can be quite a lot of modifications and adaptations, that's for customer needs, so.."* (Company A, Export Manager)

> *"Customer requirements are considered for cost estimations. If we know the product we are offering is very suitable for the customer and is the best for him in this case and competitors cannot offer similar solution, then we might be more aggressive and go with higher gross margin."* (Company B, Senior Proposal Engineer)

Finally, as in B2B industrial environment customer is representing another organization (Farres, 2012; Monroe, Rikala & Somervuori, 2015), the "company-characteristics" of the customer, like size or foundation, are also taken into account:

> *"…but when it comes to that kind of small customer, like two ways how you can do it, if you have some kind of partnership with us and you negotiate based on your size, discount, average discount on different levels, but then we have this… tricky customers who are typically this kind of governmental or something like that, who are forced to take quotations."* (Company B, Business Development Manager)

The discussion above provides an overview on customer characteristics affecting export pricing decisions directly. Even though the customer is not considered as contingency factor according to the theoretical background on the contingency theory *(Chapter 4)*, the possible role of customer in the pricing process was discussed in the context of the theory on pricing processes in B2B trade *(see Chapter 3)*. Accordingly, in the subsection dedicated to the process of making decisions on B2B export pricing the role of customer is discussed further by reflecting the collected empirical data on the theory on pricing practices and processes in B2B trade discussed in this paper.

6.2 Price-setting approaches

Overall, as it was argued by Guerreiro and Amaral (2018), from the citations below it is obvious that the cost-based pricing approach prevails in Companies A and B:

> *"…I'd should probably say that traditionally we've used really just cost-based pricing. So, seeing what the manufacturing cost, the production cost is, then adding an internal margin on it, to cover basically the labor that we do ourselves, and then we add the margin on top, and then adjust according to the market."* (Company A, Export Manager)

> *"We always base on the cost, for sure, and then we gonna put some risks and contingencies on top of it, we gonna analyze the different risks and opportunities we have with this business case, and we gonna value that in terms of percentages -- and then you gonna put your margin."* (Company B, Sales Director)

In turn, in Company C the base for the price is dictated by the competitive situation on the market together with the customer willingness to pay:

> *"In our world we calculate the pricing on a market minus approach…--…you make a plan – this product in a country A where I see this competitive field of products available, I want to price my product X…"* (Company C, Pricing Specialist)

> *"Either you base your price on how much the customer is ready to pay, I mean if he is open to tell you that, or… basically you take published price lists of competitors and the prices are like… you compare different prices and depending on product functions you offer something similar."* (Company C, Sales Manager)

The citations above indicate intentions of decision-makers to base their prices on the competitive situation in export market, but at the same time to take into account the customer value for each product. According to Farres (2012), the main challenge in competition-based pricing is to gather correct information on competitors' actions and to determine the true price on the market. In addition, while this approach works with standardized and comparable products, companies may tend to differentiate themselves from the competitors by transferring advantages of their offerings to value perceived by the customers. This is evident from the citations below:

> *"…then we are trying more to have this kind of value-based pricing that we try to understand how much additional value does this bring to the customer…"* (Company B, Business Development Manager)

> *"Also, we try to transform to more value-based pricing and move from product focus to selling solutions."* (Company C, Sales Manager)

In their research, Toytari, Rajala and Alejandro (2015) argue that nowadays more and more industrial companies try to understand the customer perceived value and base their pricing on that. In addition, it is worth noting that in the B2B context the added value refers to the quality and technical characteristics adding value to the customer's own value chain, instead of emotions or personal preferences that are valued by the end consumers (Farres, 2012; Monroe, Rikala & Somervuori, 2015). However, the idea behind value-based price and its formation process follows the same path regardless of whether it is B2C or B2B pricing context (Guerreiro & Amaral, 2018). In addition, in their research Liozu, Hinterhuber, Boland and Perelli (2012) indicated that the conceptualization and understanding of the value-based pricing can vary within managers and companies, but it is essential that the main idea of this approach remains the same and the main focus is on the customer.

Furthermore, since competitors' actions are not excluded from the considerations of decision-makers, extensive knowledge on competitors' actions is required (Farres, 2012). Even though it is known that competitors do not reveal their prices publicly which makes it difficult to make the assessment of actual competitive situation (Guerreiro & Amaral, 2018), the respondents from all the case companies mentioned their ways to get the knowledge about the competitive environment in foreign markets. For example, managers rely on their experience and understanding of the business "rules" in the industry, in addition to the information collected through their business networks. Moreover, in Companies B and C, being global and having more resources, information on competitive situation is based on the previous cases as well as gathered by special departments responsible for industry-specific business intelligence:

> *"You need to collect that information, you can't find complete information anywhere, so first you need to have some experience in the industry, together with experience you also have contacts, network… if you understand how the business is built in one country, you can calculate approximately what prices competitors offer if you know the price to the final customer."* (Company A, Sales Manager)

"Based on the business intelligence we have and reference cases or the previous sales cases, we know more or less what the competition will offer and what is the level of performance and therefore we know where we are, and then based on that we adjust our pricing and our margin. -- So, we have department for business intelligence who are collecting information that is public." (Company B, Sales Director)

"…we have always somebody present in the local market, usually it's the specialist for that product and they are able to analyze the competition in the country…" (Company C, Pricing Specialist)

The citations above comply with the theoretical propositions. For example, Farres (2012) was the one who discussed the importance of not only monitoring competitors' actions, but also understanding their motives in order to succeed in maintaining the market share. In addition, in their research, Fuchs and Kostner (2016) demonstrated that market and industry-specific managerial experience has crucial role in ability to construct a comprehensive overview of the external environmental conditions in foreign markets. In their turn, Helm and Gritsch (2014) indicated that networking is another efficient way to supplement the competition and market information guiding managerial decisions. All this confirmed by the collected empirical data indicates the importance of extensive knowledge base in the export pricing process.

Based on the discussion above and according to the cases of the respondent companies, it can be argued that the industrial prices are mainly based on costs and competition, but the margin is still adjusted with regard to the customer perceived value gaining more and more importance in B2B trade (Farres, 2012). Moreover, Tzokas, Hart, Argouslidis and Saren (2000) identified that especially companies that aim to gain strategic advantages at the stage of decision-making are more likely focusing on meeting customer needs while monitoring and analyzing the competitive landscape. Overall, it can be argued that the collected empirical data reconfirmed the theoretical proposition on combining and adapting pricing approaches in B2B trade stated by several researchers cited in this paper (e.g., Johansson, Hallberg, Hinterhuber, Zbaracki & Liozu, 2012; Guerreiro & Amaral, 2018).

6.3 Process of making export pricing decisions in B2B industrial trade – proposition of heuristic model

Every business process can be defined as an organized set of activities that are related to each other and function together to the result that will create value to the customer (Hammer, 2002). When it comes to the process on making export pricing decisions and developing export pricing strategies in the context of B2B industrial trade, based on the analysis of the answers received from the research participants it can be divided into five stages. The stages can be defined as (1) collection or receipt of information; (2) assessment of the collected or received information; (3) price formation; (4) internal approval; and (5) negotiations with the customer.

According to Vergidis, Saxena and Tiwari (2012), every business process consists of tasks that can be connected in different ways and result in different processes, while the purpose is to utilize the inputs and produce the outputs. Therefore, the first and the last stages of the suggested process on making export pricing decisions can be perceived as process input and output accordingly. Namely, the information on the export market, competitive situation, and other contingency factors that B2B pricing managers gather by their own selected way (e.g., experience, networks, business intelligence, etc.) enables the process on setting export prices to start. In their research, Helm and Gritsch (2014) underline the importance of sufficient information that reduces uncertainty in decision-making processes. Moreover, the authors indicate that reduction of uncertainty plays crucial role in pricing strategy adaptation across industrial export markets.

As for the central stages of the process, after the required information is gathered, the pricing process is moving to the assessment stage. There, the accurate analysis of the determining external and internal contingency factors is performed to get a holistic overview on the situation and secure the position of the company. Based on the collected empirical data, the most significant factors affecting managerial decisions are customer situation, company offering (e.g., product, project scope, etc.), as well as market and competition. In addition, it is worth noting that there are also other contingency factors that form the environment of the process and are taken into account by the decision-makers. Despite of acting as a scene of the pricing process, these background factors can at some point become determining since international markets and industries are predicted to be transforming over the upcoming years (Muliro, 2015; Chen, Sousa & He, 2019).

Next, after the determining external and internal factors are reviewed and analyzed from the company perspective, the actual price formation is taking place. As it revealed in the interviews, in industrial business prices are based on costs, after which the margin is adapted based on the analysis of contingency factors performed at the previous stage. Consequently, the decisions on the extent of price adaptation are made simultaneously at the stage of price formation, where the margin is considered after the contingency factors are reviewed. The research findings indicated that even though customer added value is considered to some extent in every case, industrial pricing mainly follows the process of cost-based price formation, where the costs are calculated at the initial stage to form the base (Hinterhuber & Liozu, 2012; Michel & Pfaffli, 2013; Guerreiro & Amaral, 2018). In addition, as revealed by the respondents from case Company C, competitive situation on the market can also be a starting point in cases where there is public information on competitors' pricing available. Moreover, after determining the costs, for example in Company B risks and contingencies are added on top to cover possible financial losses resulting from inaccurate internal calculations or unpredictable external events. This indicates the awareness of decision-makers of the direct impact that contingency factors have on pricing and provides practical example of how inaccuracy of the analysis can be secured.

In turn, the fourth stage in the process is related to the internal approval of the decisions made and can be defined as optional because of its dependence on the company structure and policies, that are differing among organizations. For example, bigger companies tend to have more complex structures and thus more resources to allocate to controlling activities (Sousa & Novello, 2014). Namely, the stage of internal approval has a controlling function and can be linked to the concept of organizational pricing control discussed by Hallberg (2017). In his research, the author identifies control over the pricing processes and the involved decisions-makers to be one of the challenges that international industrial organizations face due to complexity and need to adapt. This stage can include both control over individual behavior of decision-makers (e.g., authorized managers approving final prices before informing the customer) and systematic controlling arrangements (e.g., hidden margin, pre-cost calculation system, etc.) (Hallberg, 2017).

Finally, as the output, after the process has gone through its central stages the set price can be negotiated with the customer. Customers involved in B2B trade represent other companies and can be thus characterized as “rational”, they are following their own organizational policies and aim to achieve their own company goals (Farres, 2012; Monroe, Rikala & Somervuori, 2015.) Moreover, as in export pricing companies are dealing with international customers, cultural differences of the negotiators cannot be neglected since they have influence on the negotiation strategies and following outcomes (Pickle & Van, 2009; Gunia, Brett, Nandkeolyar & Kamdar, 2011). Therefore, as it revealed in the research, customer has significant impact on the industrial pricing process and the end result of customer negotiations determines whether the process was worth the resources used. In other words, the mutual agreement can be either achieved or return to the initial stages of the process may be required to revise the information.

To visualize the proposed process discussed above, a heuristic model of the process on making export pricing decisions in the context of B2B industrial trade is designed in *Figure 10*.

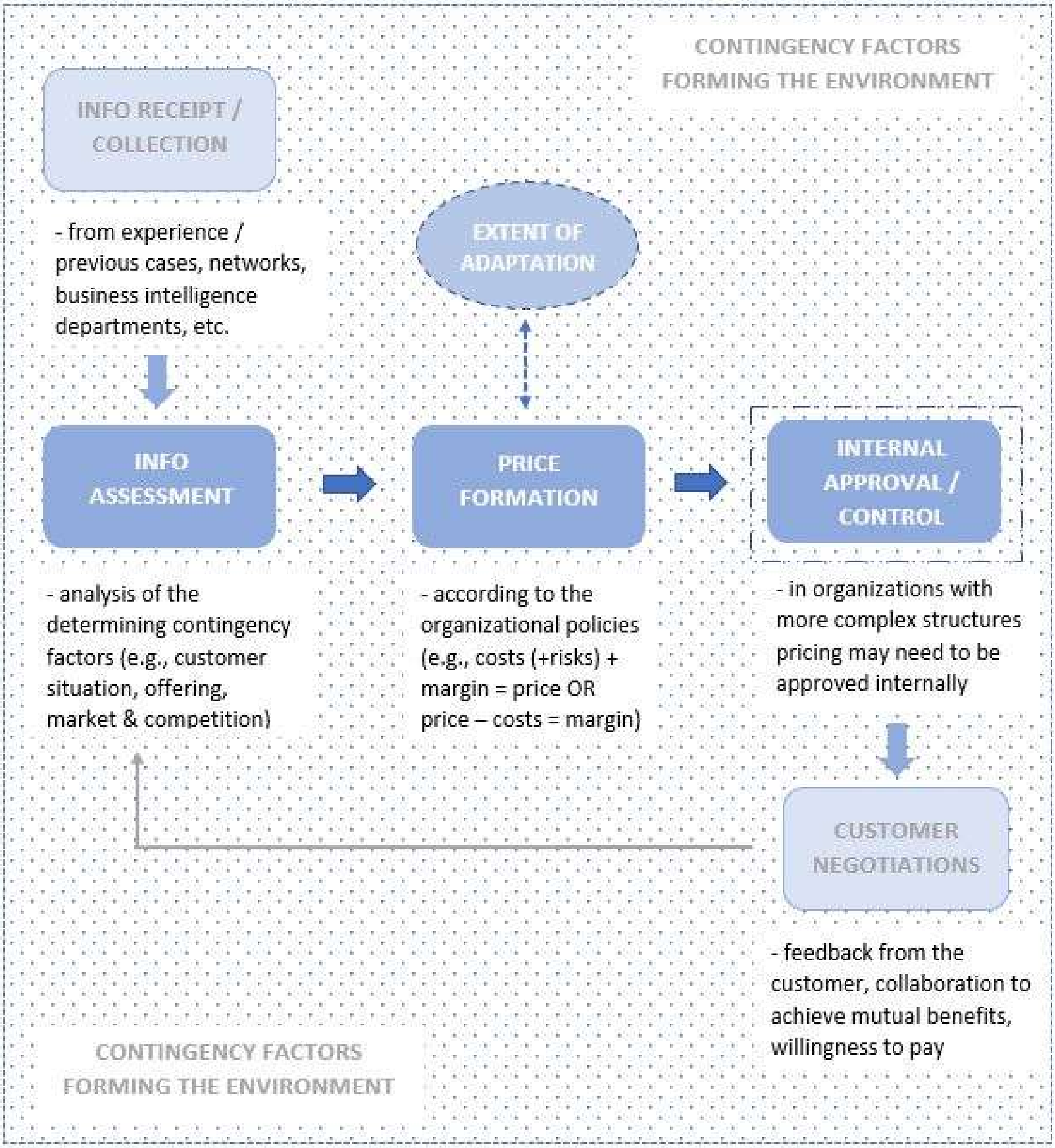

Figure 10. Heuristic model of making export pricing decisions in the context of B2B industrial trade.

6.3.1 Collaborative approach on pricing

As it was argued by Formentini and Romano (2016), analysis of the collected data indicates that the process on making export pricing decisions in the industrial B2B trade can be characterized as collaborative. While in 2005 Lancioni noticed that industrial managers do not perceive pricing as a construct of relationships with their customers, the findings of this research address the awareness of decision-makers about the customer involvement in the process. Generally, the customer can be involved both passively – by communicating its needs and requirements for the product or expectations for the pricing; as well as actively – by participating in the pricing negotiations at the ending stage of the process and demanding changes. For example, Farres (2012) argue that in most cases B2B relations cannot avoid negotiations, while Formentini and Romano (2016) support this view by defining B2B pricing process as collaborative.

In addition to the discussion above, in one of the interviews with the respondent from Company A, it revealed that customer can act as a source of price sensitive information that can be used by managers in the process of pricing strategy development:

> *"…we can see pricelists of colleagues so we know some nuances.. and also from the businesses of our clients who sometimes try to export our products and meet some misunderstandings, yeah, and it reveals specific things in pricing…"* (Company A, Sales Manager)

Accordingly, customer involvement at different stages of the pricing process enables industrial companies rational saving of resources and contributes to achievement of sustainability across the process and parties involved (Formentini & Taticchi, 2016).

7 Summary and conclusions

In this chapter, the main findings of the research are summarized to provide an overview on the contribution of this paper. After, the managerial implications are presented to provide action guidelines for the managers and other decision-makers dealing with export pricing in B2B trade. Finally, the chapter ends with discussion on the research limitations and suggestions for further research.

7.1 Summary of the main findings

The purpose of this paper was to get deeper understanding of the process that leads to certain managerial decisions on export pricing strategies and their adaptation in the context of B2B industrial trade. Moreover, the purpose was approached through discussion on the environmental and company-specific contingency factors determining the final managerial decisions on export pricing. Based on the semi-structured interviews held with the people involved in the international pricing processes in industrial companies, the main or so called determining contingency factors affecting industrial pricing decisions in industrial export markets are related to the *competition* in the industry (mentioned by 7/7) together with *market* and *customer* characteristics (both mentioned by 6/7). In addition, *product* (mentioned by 5/7), *distribution* schemes (mentioned by 4/7) and *company goals* (mentioned by 3/7) have their impact on the international pricing strategies and their adaptation across export markets. Overall, these findings are in line with the theoretical framework of the paper, except the influence of customer-related factors that is not considered in contingency theory.

Consequently, a significant observation revealed is that in industrial B2B context customer is mostly involved in the process of making pricing decisions, either passively or actively, and therefore can be considered as affecting contingency factor. While in the literature forming the background for this research customer is not perceived as independent antecedent of pricing strategies, the findings indicate that in B2B pricing context influence of the customer situation is often inevitable. For example, the price setting process in B2B context often ends with negotiations with the customer, since trade between organizations is characterized by limited number of “rational” participants, and the purchase volumes can be significantly bigger than in case of B2C (Farres, 2012; Monroe, Rikala & Somervuori, 2015). In addition, during the process customer can communicate its needs and requirements that can also affect the pricing in the end.

Furthermore, the research findings indicate that in international context industrial B2B pricing is mainly based on the costs-information, but also competition and customer added value are taken into account in the process of decision making and reflected in the margin. This finding is reconfirming the revealed effect of competition- and customer-related information on adapting pricing strategies among export markets. Moreover, as discussed by Borenich, Greistorfer and Reimann (2020), in industrial business the cost structure included in the final price can differ among organizations while in addition to the manufacturing costs there can be calculated cost for risks and contingencies added on top.

Finally, the heuristic model of the process of making export pricing decisions in industrial B2B trade is proposed including five stages, three of which are central. Moreover, each of the stages can include a set of actions and considerations happening simultaneously and including different decision-makers and supporting processes. As a result, the main identified stages of industrial export price setting are (1) collection or receipt of information; (2) assessment of the collected or received information; (3) price formation and decision on the extent of price adaptation; (4) internal approval; and (5) negotiations with the customer.

7.2 Managerial implications

The research findings contribute to improved understanding of how decisions on export pricing strategy adaptation are made in industrial companies, and how the internal and external environmental circumstances affect those decisions. Consequently, this paper provides several managerial implications in the field of international marketing and pricing. First, suggested model of making export pricing decisions in the context of B2B industrial trade provides industrial managers an overview on the process and proposes indicative guidelines on how to approach export pricing considering the contingency factors. Second, assuming that there are plenty of external and internal contingency factors present on the background of all the organizational operations, it is important to identify the determining contingency factors having direct effect on export pricing and distinguish them from those that are more stable and only form the environment. This enables more effective situational analysis of the factors and concentration of the resources on the relevant aspects.

In addition, it is important to keep in mind that even though the final pricing decisions may be made or approved by managers who are competent in the field of sales and marketing, there are often many other people across organizations involved in the process on making those decisions. Despite contributing to the appropriate division of tasks and authorities internally, this enables companies' management to revise their recruitment policies or organizational structures. Moreover, by knowing and understanding the antecedents and stages of the process itself, managers can develop appropriate tools to manage B2B export pricing productively and achieve overall better export performance.

Finally, as customer is playing a significant role in B2B trade relations and pricing decisions are not making an exception, managers need to learn their customers and understand their needs and expectations. As it was argued by Formentini and Romano (2016) and supported by the findings of this paper, in B2B context price setting must be perceived as collaborative process enabling achievement of mutual benefits. Therefore, managers should not only give their companies' organizational customers possibility to communicate their expectations, but also listen to them and provide respond by actions and decisions.

Furthermore, collaborative approach on the pricing process leads to the discussion of relationship pricing, the concept where the development and maintenance of quality customer-relationships is enabled by the pricing process. In relationship pricing the customer is invited in the pricing process to collaborate and give comments on the price, which enables trust development in the seller-buyer relationship. Naturally, relationship pricing is especially relevant in B2B trade where the long-lasting customer relationships play a big role. (Argouslidis & Indounas, 2010.) Even though this paper does not discuss the concept of relationship pricing, based on the discussion on the role of customer in B2B pricing, managers may be interested in transforming their processes towards more relationship oriented.

7.3 Limitations of the study and suggestions for further research

When interpreting the findings of the paper, it is important to acknowledge the limitations of the conducted research in order to prevent the misleading information to spread. First of all, the sample of the research was limited to the three industrial companies that are established in Finland, and that are exporting their products in B2B context. Naturally, to define and generalize the set of contingency factors determining export pricing, the same questions should be asked from a wider range of people and companies involved in industrial B2B export. In addition, the research was not limited to any particular industry, meaning that industrial specificities were not taken into account in the analysis of the findings, which also can have its effect on the received results.

Based on the discussion above, further research may be needed to support the findings and to develop further knowledge on export pricing decisions in the context of B2B industrial trade. At least, the commonly discussed contingency factors could be revised to match the specific conditions of B2B export pricing, and possible additional factors proposed. For example, the role of customer in pricing process and its influence on pricing decisions are obvious from the findings of this research. It may be considered if the customer should be added to the external factors or even approached as a third independent group of factors, e.g., including customer size, financial situation, motives, needs and requirements, etc. In addition, further research could be made with focus on specific industries while taking into consideration company size and international presence, contributing to the development of qualitative knowledge, and providing managers from different industries and organizations with relevant practical implications. Finally, research on personal characteristics of the decision-makers involved in pricing process could develop the existing knowledge and indicate whether there are significant causal links that were neglected in the existing literature on international marketing and pricing.

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APPENDIX 1. Overview of the reference literature: factors influencing export pricing decisions and export pricing strategies.

	FACTORS	INFLUENCE ON EXPORT PRICING DECISIONS	INFLUENCE ON EXPORT PRICING STRATEGY
EXPORT COUNTRY	COMPETITIVE ENVIRONMENT	Tzokas et al. (2000) Myers et al. (2002) Fuchs & Kostner (2016)	Myers et al. (2002) Fuchs & Kostner (2016)
	EXPORT MARKET DEVELOPMENT	Sousa & Bradley (2009)	Sousa & Bradley (2009)
	CULTURE	Newburry & Yakova (2006)	Newburry & Yakova (2006) Pickle & Van (2009) Hassouneh & Brengman (2011)
	CLIMATE	Sousa & Bradley (2009)	Sousa & Bradley (2009)
	GOVERNMENT REGULATIONS	Tzokas et al. (2000) Myers et al. (2002) Sousa & Bradley (2008,2009)	Myers et al. (2002) Forman & Hunt (2005) Sousa & Bradley (2008,2009)
	CURRENCY	Tzokas et al. (2000) Myers et al. (2002) Sousa & Bradley (2009)	Myers et al. (2002) Forman & Hunt (2005) Sousa & Bradley (2009)
COMPANY	COMPANY SIZE	Sousa & Bradley (2008, 2009) Sousa & Novello (2014)	Sousa & Bradley (2008, 2009) Sousa & Novello (2014)
	INTERNATIONAL EXPERIENCE	Tzokas et al. (2000) Myers et al. (2002)	Myers et al. (2002) Forman & Hunt (2005)
MANAGEMENT	COMMITMENT TO EXPORTING	Lages et al. (2008) Fuchs & Kostner (2016)	Lages et al. (2008) Tan & Sousa (2013) Fuchs & Kostner (2016)
	CAPABILITIES, KNOWLEDGE, INTERNATIONAL EXPERIENCE	Lages et al. (2008) Fuchs & Kostner (2016)	Lages et al. (2008) Tan & Sousa (2013) Fuchs & Kostner (2016)
	PERSONAL CHARACTERISTICS	Estelami & Nejad (2017)	Estelami & Nejad (2017)
MARKETING MIX	PRODUCT	Tzokas et al. (2000) Myers et al. (2002) Sousa & Bradley (2008,2009) Chung et al. (2012)	Myers et al. (2002) Forman & Hunt (2005) Sousa & Bradley (2008,2009)
	DISTRIBUTION INFSTRUCTURE	Sousa & Bradley (2009) Sousa & Novello (2014)	Sousa & Bradley (2009) Sousa & Novello (2014)
	PROMOTION	Sousa & Bradley (2009)	Sousa & Bradley (2009)

APPENDIX 2. Guiding interview questions.

Background (company + respondent)

On what markets your company is present?

What is your position and responsibility area? What export markets you are responsible for?

How are they different? What are the similarities?

Are all the markets established or are there ”emergency” markets, too?

Export rate? Experience in exporting (company + respondent)?

Do you mainly export modified/adjusted products/solutions? Customization rate?

Different prices on every market? Is it because of the strategy on that specific market?

How much the overall strategy affects your pricing decisions?

Price formation and margins policy / export market

How about the price formation? What is included in the price?

What are the margins policies on your markets? Do they differ?

Price discounts policy / export market

Do you supply via intermediates or wholesalers? Do you have any discount system?

If yes, what are the price discount policies on your markets? Do they differ?

Development and determination of pricing strategy: contingency factors

How do you approach pricing? What factors do you consider when making pricing decisions? What affects your decisions on pricing? What is the process you go through?

(e.g. Do you make market research?

How would you assess the intensity of competition in the industry your company operates in?

Prices in local currency? Do currency rates affect your decisions?

Are there governmental regulations that significantly affect your pricing processes?

Is there a high need for marketing and promotion?)