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Positioning of premium priced kitchen knives in the German market

– A Case Study of Swedish SME Damasteel

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Abstract

Title: Positioning of premium priced kitchen knives in the German market – A case study of Swedish SME Damasteel

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Aim: This study aims to identify the main factors that SMEs need to consider when positioning a premium priced product in the international market. In addition, this study aims to acquire in-depth knowledge regarding the market conditions in Germany.

Methodology: This study follows a qualitative research method, where a Swedish SME Damasteel acts as the case company of the research. In addition to the case company, four of their German distributors were interviewed using semi-structured interviews. The data were processed and presented by dividing the findings into six different categories.

Findings and conclusions: The empirical findings suggest that the German kitchen knife market is rather competitive, however, there is still potential for further growth and demand has been growing during the past few years. Personalisation of the products is considered one of the current trends. High quality of a product is often linked with high price, therefore, the main factors justifying premium price are the brand name, origin of the product, and customisation.

Contribution of the study: This study contributes to the existing literature by adding new knowledge regarding product positioning and pricing strategies in the German market from the perspective of a Swedish SME. This study highlights the importance of premium price when positioning a high-quality product, therefore, it suggests that a premium product cannot be targeted to a mass audience. Practical recommendations offer insight to the case company Damasteel of the local market conditions in Germany, by providing an overview of the competition and customers in this segment.

Reflections and suggestions for future research: The focus of this study was on a niche market without offering any detailed information of the different factors influencing the market itself. Future research could supply an insight into how to better target the final customers of a specific market, and how to market a premium priced product for them. In addition, the pricing methods of the new product planned to be launched by the case company Damasteel and the impact on the current sales could be further investigated.

Key words: SMEs, Internationalisation, Differentiation, Pricing strategies, Customers, B2B

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1 Introduction

This chapter starts with introducing the background of the study. In problematisation, a research gap identified from the existing literature will be presented. This gap aims to give the reader an explanation of why this study has been conducted. Thereafter, the project aim will be discussed and the research question that acts as a guideline throughout this study is presented. In addition, the scope of this study will be discussed. Lastly, an overview of the structure of this study will be given.

1.1 Background

In the global economy of the 21st century, small and medium-sized enterprises (SMEs) are essential (Andrei et al., 2011; Paul et al., 2017). Quite reasonably, Paul et al. (2017) consider SMEs as the “backbone of national economy”, because SMEs often are remarkable contributors in a nation's employment growth, innovation, and GDP (Cambra-Fierro & Pérez, 2014). There are two factors determining whether an enterprise can be classified as an SME: staff headcount and either the turnover or balance sheet total. SMEs have less than 250 employees, and their turnover is less than 50 million Euros. Alternatively, the balance sheet total must be less than 43 million Euros (European Commission, 2021).

However, it is not only the home market where SMEs play a significant role. In their study, Knight et al. (2020) indicated that the contribution of SMEs to international trade is also indisputable. According to the European Commission (2021), small and medium-sized enterprises account for 99% of all the businesses in the European Union (EU). Research also shows a positive correlation between SME innovation and sales growth (Newton et al., 2015). Furthermore, SMEs can often help to develop the framework for entrepreneurship abilities due to their innovative nature (Andrei et al., 2011).

Considering the continuing development of globalisation, the process of internationalisation denotes plenty of opportunities for businesses to expand and a good basis for SMEs to take those chances (Anand, 2015). Paul et al. (2017) have defined internationalisation as “*the process by which firms increase their awareness of both the direct as well as indirect influences of international transactions in their future*”. According to the European Commission, internationalisation consists of the following activities: exporting and importing, foreign direct investment (FDI), cooperation in

research and development (R&D) and innovation, involvement in either national or global value chain, and licensing or franchising activities (Harc, 2019).

Anand (2015) considers the diversification of SMEs into different markets as crucial. He also describes SMEs as a “powerhouse of growth” with major contributions to the GDP and crucial roles in the socioeconomic profile of nations. Paul et al. (2017) name globalisation, as well as the changes in technology and political and economic environment as some of the main reasons for the growing number of SMEs aiming to internationalise.

As discussed, SMEs play a crucial role in the international economy (Paul et al., 2017; Ribau et al., 2017) by often making valuable contributions to the economy (Pangarkar, 2008), for example to European Union exports and imports (Harc, 2019). Therefore, one of the main priorities of the European Commission is the internationalisation of SMEs, which is hoped to have a positive influence on economic growth and employment, innovation, and competition in the European Union (Harc, 2019).

Competitive advantage is a ‘dynamic concept’, which occurs when a company has a certain advantage over its competitors (Celic & Pavlovic, 2020). The most common ways for firms to achieve competitive advantage is to focus on either cost leadership, or differentiation (Celic & Pavlovic, 2020). In highly competitive markets with low barriers to entry, it may be difficult for SMEs to differentiate successfully (Newton et al., 2015). However, firms applying differentiation strategy may perform superior to companies aiming for cost leadership strategy (Newton et al., 2015), and differentiation strategy may be a significant factor in SMEs survival (Ulubeyli et al., 2018). Furthermore, differentiation strategy can be one of the reasons why exporting SMEs have gained international success (Knight et al., 2020).

According to Aricova (2019) analysing the product positioning in the market is crucial in order for a firm to establish a competitive setting. In addition, mispositioning a product may have notable negative implications on a firm's performance (Gregoriades & Pampaka, 2020). Knowledge regarding the positioning is necessary when developing marketing strategies and promoting a product in a specific market (Aricova 2019), as well as when aiming to maximise a firm's profitability (Gregoriades & Pampaka, 2020).

Moreover, positioning may improve customer satisfaction which often leads to better customer loyalty, which, in turn, may enhance competitive advantage and profitability of the firm (Gregoriades & Pampaka, 2020).

1.2 Problematisation

Celic & Pavlovic (2020) describe how today's business world is characterized by changes. In order to compete in the modern world, companies must regularly update their product and service offerings to meet the customer demand (Celic & Pavlovic, 2020). In addition, companies have to be flexible and innovative in order to cope with the changes occurring in the market, because these changes can either be opportunities or problems for them (Celic & Pavlovic, 2020).

Furthermore, Aricova (2019) highlights the fact that many companies are not able to utilise positioning and hence their marketing opportunities to full potential. This would be important, because positioning is often connected to branding by advertising the characteristics that make the product different from competition and meet the demand of the target consumers (Gregoriades & Pampaka, 2020).

There are several studies discussing how globalisation has opened more possibilities for SMEs to internationalise (Paul et al., 2017; Anand, 2015) and how the internationalisation process of SMEs has become a popular subject in research (Pett & Wolff, 2017; Ribau et al., 2017; Ferreira & Morais, 2019; Castagna et al., 2020). In addition, there are studies discussing market positioning (Ramona 2011; Floričić 2016) and explaining the benefits that differentiation strategy may bring for exporting SMEs (Cerne & Rant, 2017; Pett & Wolff, 2017; Celic & Pavlovic, 2020). Furthermore, as discussed by Fleig (2021), when selecting the right pricing strategy, firms must choose their target spot in the product portfolio of their industry.

However, according to our best knowledge, there is no research conducted that aims to look at how a Swedish SME trading in a business-to-business (B2B) environment can position their premium priced product in the German market. Therefore, the focus of this study is to bridge the gap between product positioning and pricing strategies in an international market.

In addition, as indicated by Butt et al. (2017), product positioning is often discussed from the perspective of customers, not from a perspective of a company. This study, therefore, focuses on gaining an insight on product positioning from the perspectives of the firms who manufacture and sell the products to the end customers.

1.3 Project aim

This study aims to identify the factors that an SME needs to take into consideration in order to understand how to position a premium priced product, a high-quality kitchen knife, in the German market.

Therefore, this study aims to gain in-depth knowledge regarding the local market conditions in Germany and provide more detailed information of the end customers.

The research question (RQ), guiding this case study is the following:

RQ: What are the main factors for an SME to consider when positioning a premium priced product in the international market?

1.4 Delimitation

In order to narrow down the geographical focus of this study, one target country had to be chosen. During the introductory meeting with the case company Damasteel it became apparent that they have faced challenges especially in the German market. To gain a deeper understanding of the specific market conditions and the market related issues, this study will concentrate on the German market only. Therefore, it cannot be generalised to other markets. Furthermore, due to the strong focus on the premium priced kitchen knife segment this study is not applicable to other fields of businesses.

1.5 Disposition

The structure of this study is the following. The first chapter explains the background and the problematisation of this study by justifying why this research has been conducted in

the first place. In addition, it presents the research gap that we have identified, as well as the research question that has been chosen as the guideline for this study. The second chapter introduces the main literature and theories we have used for this study. Furthermore, the theoretical framework that we have developed based on the literature review will also be presented. Third chapter introduces the different methodologies of this study and discusses how the data were collected and analysed. In the fourth chapter, the empirical findings of our research will be presented, moreover, they will be analysed in more detail in the fifth chapter. Chapter six, on the other hand, concludes this study, presents the final contributions, and gives suggestions for future research.

2 Literature review

The following chapter presents the main findings from the literature. First, the Uppsala model explains the process of internationalisation. After that, internationalisation of SMEs is being discussed in more detail, including the main factors and challenges influencing internationalisation. Thereafter, different market attributes, product positioning strategies, and pricing strategies that firms need to consider when doing business internationally are explained. Furthermore, a theoretical framework that has been developed based on the findings from the literature review will be presented. To conclude this chapter, a summary of the literature review will be provided.

2.1 The Uppsala model

The Uppsala model was first published in 1977 (Johanson & Vahlne, 1977; Vahlne & Johanson, 2017), and it relies on organisational behaviour theory (Armario et al., 2008). The model aims to explain the internationalisation process of organisations (Vahlne & Johanson, 2017). During the past decades, several adaptations have been made to the original model based on newer theories (Vahlne & Johanson, 2017).

The Uppsala model is a micro-level tool of analysis which mainly focuses on processes, such as resource commitment and knowledge improvement, and it aims to connect processes and content (Vahlne & Johanson, 2017). When it comes to the internationalisation process, the Uppsala model indicates both international exposure and increasing process of involvement (Ribau et al., 2017).

The assumption of the Uppsala model is that organisations go through the internationalisation procedure gradually (Paul et al., 2017), or as a causal cycle (Armario et al., 2008). The knowledge of an organisation is viewed as an explanatory variable, and firms begin their development in the home markets before taking the steps towards internationalisation (Armario et al., 2008). The decisions regarding internationalisation are restricted by both information and resources, which are also considered the main obstacles in internationalisation (Armario et al., 2008).

According to the Uppsala model, companies first choose those foreign markets as their target markets who accomplish the criteria of “psychological distance”. Psychological distance refers to differences in culture, language, and political systems, which can all influence the flow of information between the foreign market and the organisation (Paul

et al., 2017). Therefore, organisations tend to choose markets with less uncertainty in order to minimise the potential risks (Armario et al., 2008). After gaining some experience from foreign markets, companies' decisions regarding market entry will be affected by other variables, such as the size of the target market (Armario et al., 2008).

Even though the Uppsala model was first based on large organisations, it is also useful when identifying the challenges and possibilities of internationalisation for SMEs (Paul et al., 2017).

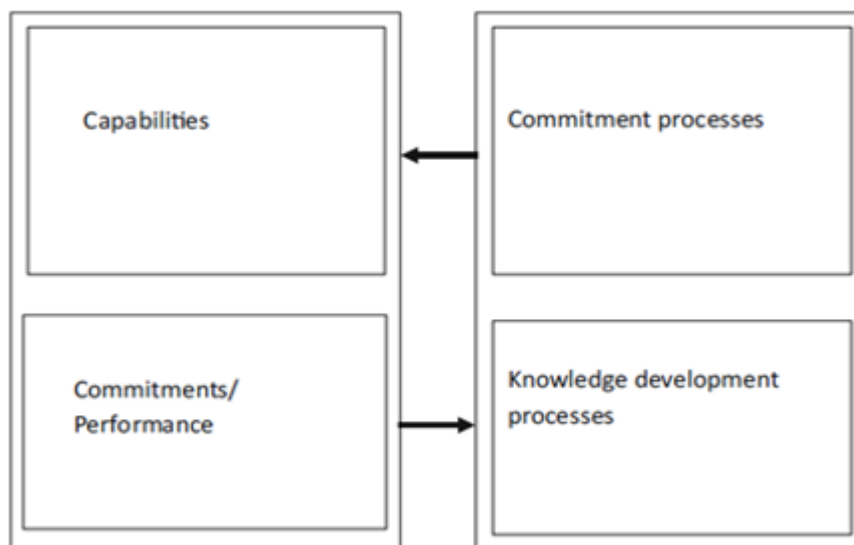


Figure 1: The Uppsala model

Source: Vahlne & Johanson, (2017)

2.2 Internationalisation of SMEs

Research regarding the internationalisation of SMEs has significantly increased during the last couple of decades (Pett & Wolff, 2017; Ribau et al., 2017; Ferreira & Morais, 2019; Castagna et al., 2020). In the past, the predominant focus of internationalisation research was on large organisations (Johanson & Wiederheim-Paul, 1975; Pangarkar, 2008; Hilmersson et al., 2021). Quite often the process of going international is more challenging for SMEs than for large organisations (Ferreira & Morais, 2019; Castagna et al., 2020). On the other hand, SMEs may benefit from flexible decision-making processes and motivation (Paul et al., 2017) which may offer them a competitive advantage (Hilmersson et al., 2021).

The importance of SMEs in both local and global context is increasing due to the growing number of SMEs aiming to internationalise some of their operations (Ferreira & Morais, 2019). Entrepreneurs are also considered important in internationalisation, which in turn impacts the SMEs since managers are also often the owners (Ribau et al., 2017). Therefore, they have an important role when deciding the right strategy for the SME (Pett & Wolff, 2017).

When it comes to choosing an entry mode, SMEs quite often start with exporting, since this approach implicates the least amount of commitment in the foreign market (Ferreira & Morais, 2019), and it is a way to avoid redundant risks (Ribau et al., 2017).

Most SMEs expand their operations to similar geographical areas as where they are located (Hånell & Nordman, 2018; Johanson & Wiederheim-Paul, 1975). Hånell & Nordman (2018) refer to these SMEs as “born regional”. “Born globals”, on the other hand, refer to SMEs whose intention is to internationalise in a more global perspective (Hånell & Nordman, 2018). These companies are often technology-based (Kuivalainen et al., 2018), and innovative (Harc, 2019).

2.2.1 Factors influencing internationalisation of SMEs

Some of the key factors driving the internationalisation of SMEs are the international opportunity (Hilmersson et al., 2021), companies’ global mindset (Castagna et al., 2020), weak domestic demand (Denicolai et al., 2021), and poor performance in the domestic market (Ribau et al., 2017).

One of the main motives behind the internationalisation of SMEs are the market opportunities (Ribau et al., 2017; Ferreira & Morais, 2019), and the potential growth they could gain (Azari et al., 2021; Pett et al., 2009). The European Commission has stated that those SMEs that are engaged in internationalisation grow more than double as much compared to the SMEs who do not internationalise. In addition, for international SMEs the chances to introduce new products more than tripled compared to SMEs only operating in domestic markets (Harc, 2019).

Azari et al. (2021) and Pangarkar (2008) also state that SMEs are able to gain valuable knowledge when expanding internationally. Furthermore, niches in foreign markets may

increase SMEs' revenue and profit potential (Pangarkar, 2008). Therefore, one of the main reasons for SMEs to internationalise is also the aim to improve the organisation's financial status (Ribau et al., 2017). Zahoor & Al-Tabbaa (2021) also suggest how several environmental factors, such as technological changes and competition, in the domestic market encourage SMEs to internationalise. Pett & Wolff (2017) describe the proactive factors driving internationalisation as offensive, and the reactive factors as defensive.

Ribau et al. (2017) explain that going international is not necessarily an alternative for many SMEs, but rather something they have to do in order to survive or achieve growth. To achieve growth, SMEs often need to consider digitalisation (Denicolai et al., 2021). On the other hand, Pangarkar (2008) encourages SMEs to internationalise because the benefits of doing so often tend to surpass the costs of it.

Research has shown a link between internationalisation and organisation's positive performance (Ribau et al., 2017). This correlation, however, may not always be the case with SMEs due to their internal limitations (Ribau et al., 2017). Pangarkar (2008) found in his study how degree of internationalisation (DOI) has a positive influence on SMEs performance. Therefore, he suggests SMEs to internationalise rather aggressively, similar to what "born global" firms tend to do.

2.2.2 Challenges in internationalisation of SMEs

Still, a majority of SMEs do not aim to internationalise due to the challenges and barriers they may face (Harc, 2019). Harc (2019) identifies complicated administrative processes, difficulties in finding the right business partners in the foreign market, and high delivery costs as some of the main challenges in internationalisation for the SMEs. Furthermore, solving cross-border complaints and managing foreign taxation can be rather expensive (Harc, 2019).

According to the European Commission survey, the main challenges in internationalisation can be divided into external and internal factors (Harc, 2019). The external factors mainly include lack of knowledge, awareness, or understanding when it comes to the foreign markets. Internal reasons, however, mainly consist of issues related

to the staff, for example language barriers, or financial difficulties in investments (Harc, 2019).

When it comes to exporting, Paul et al. (2017) also have divided the major challenges faced by SMEs into internal barriers (micro level) and external barriers (macro level). Micro level challenges, for example, consist of difficulties in finding the right distribution partners, or general lack of understanding of the target market. Access to reliable information and limited international experience may also act as barriers. Macro level challenges, on the other hand, are issues out of the company's control. These often relate to the political climate and the legal issues of the target market. Different institutions, for example trade associations or governmental organisations also play a significant role. (Paul et al., 2017).

Due to more limited resources and experiences compared to large organisations, SMEs may encounter more risks in the global market (Hilmersson et al., 2021). It is often the lack of resources, especially financial limitations (Ribau et al., 2017) and knowledge-based resources (Paul et al., 2017; Harc, 2019) that stand in the way of internationalisation for SMEs (Denicolai et al., 2021). Any internationalising attempt will require a bigger share of SMEs resources than of a larger firm (Pangarkar, 2008; Paul et al., 2017). Therefore, according to Hånell & Nordman (2018), SMEs must discover other ways to get access to those resources required for their internationalisation desires, as well as find ways to avoid risks and save costs.

Due to the limited resources and the market power, SMEs often depend on their network relationships when aiming to internationalise (Paul et al., 2017). This is also known as the network approach, and it aims to explain how the process of internationalisation could be made easier for SMEs. The networks, or relationships, encourage information exchange and building close relationships with all the relevant players in the market, for example customers, distributors, and suppliers (Paul et al., 2017).

Pett & Wolff (2017) also discuss in their study how managerial actions may play a critical role. Some SME managers (or owners) see possibilities where other managers would normally see threats. This, in turn, has an influence on whether that SME will be willing to internationalise or not (Pett & Wolff, 2017).

2.3 Market attributes

Market analysis seems to have a positive influence on a company's price-making capabilities (Banterle et al., 2014). When carrying out a market analysis, firms must analyse the suppliers, distributors, competitors, and the customers who are present in the market (Banterle et al., 2014). In order to fully understand the market and to make successful pricing decisions, information from these sources is critical (Banterle et al., 2014).

Bennet (2003) describes the competitor analysis (CA) as a process, gathering data on rivals and using the result for evaluating and interpreting the managerial decision making. Positioning the company on the market, while differentiating it from its competitors is one of the main goals (Porter, 1979). Non-detailed investigations can entail substantial consequences (Hatzijordanou et al., 2019) and getting "outcompeted" is one of the top four causes for enterprises to fail (CB Insights 2016).

The competitor analysis, therefore, is a key factor for the strategic decision process (Hatzijordanou et al., 2019). Due to the internationalisation process of business, the market environment became less predictable, the competition grew (Jennings and Jones 1999), and thus more knowledge is necessary to strengthen the decision-making process (McEwen 2008).

To start the process, a deliberate analysis of the corporate environment, as well as the market and the company's situation is needed (Homburg, 2017). Understanding the corporate environment plays a crucial role, not only for the strategic, but also for the marketing management. The amount of information that can be gathered reduces the probability for information asymmetry and subsequently decreases the risk emerging from wrong conclusions (Prašnikar et al., 2005). The analysis of the corporate environment is therefore an essential requirement, both in strategic management and in marketing management (Hatzijordanou et al., 2019).

In addition to monitoring the competition, organisations also need to observe the customers in order to understand which factors create value for them, and how the firms can minimise their marketing actions (Frambach et al., 2003). This is significant in terms of profitability, and also when a company positions themselves against competition, especially in business-to-business (B2B) markets (Frambach et al., 2003). B2B refers to

different business arrangements or trade that is conducted between other businesses, instead of a business selling their goods or services directly to the general public (Cambridge University Press, 2021).

Market-oriented firms pay specific attention to customers' needs (Armario et al., 2008). Market orientation can be considered an intangible resource of a firm because it can lead to sustainable competitive advantage (Armario et al., 2008). Furthermore, it is often difficult for the competitors to try to copy this kind of resource (Armario et al., 2008).

Superior value that has been offered to the customers often leads to customer satisfaction. This, in turn, has a positive influence on organisation's financial performance (Armario et al., 2008). Customer orientation and understanding customer needs, therefore, requires long-term commitment from a firm (Frambach et al., 2003). In order to build and sustain long-term relationships with the customers, firms need to offer superior value for them (Cambra-Fierro & Pérez, 2014). To do that, they must understand the complexity of value-generating processes (Cambra-Fierro & Pérez, 2014).

Value creation should be prioritised in the business-to-business (B2B) world (Cambra-Fierro & Pérez, 2014). Therefore, it is important to manage the inter- and intra-organisational relationships to ensure that value is being created for the final customer (Cambra-Fierro & Pérez, 2014).

2.4 Product positioning strategies

When a firm is aiming to position a product, they must apprehend how it will influence the competition in the market (Thomadsen, 2007). Positioning needs to be competitive because the goal for a firm is to differentiate from competition in order to achieve competitive advantage (Ramona, 2011). Therefore, positioning can be considered as one of the factors of strategic planning in marketing (Ramona, 2011).

Butt et al. (2017) define positioning as designing a company's products in a way that they have a meaningful position in the eyes of the targeted customers. Both competitor and customer orientation are often considered as the core of the positioning strategy, however, as Butt et al. (2017) found in their study, customer orientation seems to have a greater influence on the positioning strategy. Therefore, as Butt et al. (2017) argue, understanding

the customer needs plays a major role when a firm is developing its positioning strategy. This is due to the fact that improved organisational performance can be achieved by either offering customised products or by focusing on the brand image, which can both lead to greater customer satisfaction and therefore to better financial performance (Butt et al., 2017).

Aricova (2019) explains that when it comes to choosing a positioning strategy, firms have three alternatives. They can either focus on the current position of their product, try to develop a niche market, and attract customers there, or aim to win market share from competitors (Aricova 2019). Alternatively, firms can focus on developing a more competitive product than what their competitors are offering, or they can aim to invent a product that has no equivalence in a specific market (Aricova 2019).

Optimal product positioning, therefore, requires not only designing the product, but also shaping the perception of the product in the eyes of the potential customers (Gregoriades & Pampaka, 2020). This is why firms must constantly observe their product positioning by gathering data from the market (Gregoriades & Pampaka, 2020). Social media channels are valuable tools in product positioning due to their relevance in customer engagement (Gregoriades & Pampaka, 2020).

2.4.1 Competitive positioning

When a company is choosing a competitive position, it needs to take two factors into consideration. First their choice of target market and therefore a clear view on that market and second the differential advantage the company is pursuing to set up (Hooley et al., 2007).

Factors such as better customer service or enhanced long term relationships with customers can be considered as alternative positioning where the company has to make choices that lead to establishing a unique positioning (Schlie, 1985). Other factors mentioned by Mathur (1988) are merchandise and support. While merchandise includes tangible and intangible items, support includes mainly advice, training and service. Consequently, support differentiation can be achieved, for example through expertise disparity. In 1996 Porter suggested three ways for companies to position themselves in the market: variety-based positioning, needs based positioning and accessed based

positioning. Each of those can be ‘conceptualized as a continuum along which the offerings of firms are positioned’ because the accomplished position is the exclusive combination of position on each core characteristic (Hooley et al., 2007). However, the exclusivity of any position varies on the combinations throughout the different dimensions.

In addition, it needs to be mentioned that the competitive positioning can be forced to be changed by the market itself, especially in the course of time and with new competitors constantly entering the market and market segment requirements shift or drop in value or attractiveness. For keeping a firm's competitive positioning, it is therefore necessary to be constantly reviewed in order to adapt or change the strategy to meet the market requirement (Hooley et al., 2007).

2.4.2 Differentiation

Pett & Wolff (2017) suggest that due to the lack of resources and economies of scale, SMEs aim to attract niche markets. Therefore, differentiation might often be the most successful strategy for SMEs (Cerne & Rant, 2017; Pett & Wolff, 2017; Celic & Pavlovic, 2020), and it can provide specifically significant competitive advantage for them (Knight et al., 2020).

Differentiation refers to the unique product offering (Pett & Wolff, 2017), where firms aim to be exquisite in the eyes of the customers (Celic & Pavlovic, 2020). Differentiation strategy allows SMEs to distinguish themselves from competition in the markets where they operate (Knight et al., 2020). Companies applying differentiation through product innovation aim to introduce a product in the market that is superior compared to their competitors’ offerings by quality, design, or style (Cerne & Rant, 2017). Differentiation can be utilised when an SME has an advantage of innovation, and innovation may be necessary when implementing differentiation strategies (Ulubeyli et al., 2018).

Due to the unique characteristics of the products, companies implementing differentiation strategy are also often able to charge premium prices (Celic & Pavlovic, 2020), which can lead to higher profit margins (Knight et al., 2020). These companies are also active in developing and launching new products (Frambach et al., 2003).

Differentiation can also be achieved through the firm's marketing activities and promotions (Pett & Wolff, 2017). With this strategy, differentiation is gained by establishing a unique image for a firm's product via their marketing activities (Cerne & Rant, 2017). In this case, companies must have a decent understanding of what their customers' preferences are (Cerne & Rant, 2017).

By differentiation, firms may be able to gain a unique position in the business segment where they operate (Celic & Pavlovic, 2020). Furthermore, differentiation strategy is valuable when meeting the unique needs and preferences of the consumers (Celic & Pavlovic, 2020). SMEs can often utilise differentiation in order to create and enhance customer loyalty in foreign markets (Knight et al., 2020).

2.4.3 Segmentation

Due to the lack of resources, segmentation as part of the strategic marketing planning is specifically significant for SMEs (Andrei et al., 2011). Segmentation can lead to better financial performance as well as improved comprehension of the market (Andrei et al., 2011).

According to Di Vita et al. (2021), product segmentation is often necessary if a firm aims to attract customers from different socio-economic backgrounds. Di Vita et al. (2021) found in their study how well-known brands and their geographical origin have an influence on customers' buying behaviour, especially when it comes to high-quality products.

Quality-based segmentation exists in nearly every product category (Desai, 2001). High price and high-quality products are mostly targeted to those customers to whom quality is an important product feature, and who are eager to pay higher prices for them (Desai, 2001). For those customers who are not as concerned about quality, low-quality products with lower prices are an option (Desai, 2001).

Desai (2001) explains in his study the effect of the cannibalisation problem when segmenting the market based on quality characteristics. This means that lower-quality products may cannibalise the sales of higher-quality products if consumers find them attractive enough, in spite of the firm's attempts to target higher-quality products for

them. Furthermore, as discussed by Desai (2001), cannibalisation effect may oblige companies to serve only the high-quality segment and leave the low-quality segment completely out of its product offering. This can be done by making lower-quality products unattractive to high-end customers. Cannibalisation effect also impacts firm's pricing policy, because the characteristics of the customers in each segment, as well as the differentiation between organisations influence companies' pricing decisions (Desai, 2001).

Salazar-Ordóñez et al. (2018) discuss in their study, how brand equity becomes important when products can easily be substituted. When the product features are more or less the same, it is necessary for firms to focus more on their brand image due to the fact that brand equity may have higher influence on customers' purchasing decisions than quality of the products does (Salazar-Ordóñez et al., 2018). In addition, many customers seem to associate leading brands with better quality, which is why the reputation and credibility of a firm is crucial (Salazar-Ordóñez et al., 2018).

2.5 Pricing strategies

Salmani et al. (2014) proved in their study that there is a profound correlation between pricing strategy and reaching better market share. According to Lancioni (2005), especially industrial firms consider it a challenge to set a pricing strategy due to organizational and operational hurdles. Lancioni (2005) also states that in industrial markets, pricing does not get the attention it would deserve. Managers would usually 'give up' as they believe that the market dictates the prices anyway.

Choosing the right pricing strategy is a key factor in a company's success. According to Ingenbleek and van der Lans (2013) pricing is the only component of the marketing mix creating revenue. In order to select the right pricing strategy, the company must choose their target spot in the product and service portfolio of its industry as well as conquer and defend it (Fleig, 2021). With the pricing strategy a company defines a framework on which the pricing decisions will be based. The pricing strategy is derived from the corporate and the marketing objectives and is closely linked to the company's positioning on the market (Fleig, 2021). The operational price management and pricing measures are derived from the price strategy (Recklies, 2015).

Although it is a fundamental part of the market positioning strategy, common mistakes in pricing are setting the price rather independently from the other marketing mixes (Khorioni et al., 2018). The process of ascertaining a price includes several steps. Before deciding on the pricing strategy, the pricing policy (meaning the goals/objectives of the company) need to be set (Recklies, 2015). Some examples for strategic goals are: expand market share, conquer new markets, open up new market segments or increase customer loyalty. Those goals can lead to a conflict of objectives. The company therefore needs to prioritize their goals and choose the strategy based on their priority (Fleig, 2021).

According to Fleig (2021), some factors, that need to be considered before choosing the right strategy are for example the company's goals and marketing objectives, especially to put them in a relationship with the price of the products as well as ascertain the market potential of the respective customer segments measured in terms of possible sales figures and turnover. In addition, strengths and weaknesses of the company, its brand, its offerings, and marketing activities in the market segment and at the corresponding price position should be discovered. Moreover, possible effects of the measures and the price positioning with regard to the company's goals and marketing objectives and how well they are achieved need to be taken into account.

Companies aiming for a quality leadership often occupy a lucrative niche, where a very high price level can be maintained. These high prices result on the one hand from the higher costs of manufacturing and research and development associated with product quality. However, they also correspond to customers' expectations that quality has a certain price (Recklies, 2015).

Choosing to sell products for one of the highest prices on the market “in order to encourage favourable perceptions among buyers, based solely on the price“ (Jensen, 2013) is called premium pricing, synonymous prestige pricing or image pricing. As mentioned before, the high price is chosen intentionally, because of the popular opinion that a high price equals a high-quality product (Utaka, 2007). Businesses operating in the premium segment are usually smaller with a smaller amount of sales, but are normally more profitable (Jensen, 2013).

According to Allsopp (2005) picking premium price quality extremely correlates with ‘finding the experience interesting/enjoyable’ and ‘gathering information beforehand’, leading to the assumption that choosing a premium priced product correlates with interest.

Even though people might be willing to spend more money on premium priced products, there is also a limit to it (Jensen, 2013). Therefore, another crucial factor that should not be underestimated while choosing premium pricing, is the increasing importance of value for intangible components, such as occasion-led or having new experiences (Allsopp, 2005).

2.6 Theoretical framework

In order to appropriately investigate our research question and to understand the most important factors that SMEs need to consider when positioning a premium priced product in the German market, numerous aspects from the literature review have been considered. As a result, the theoretical framework as shown in figure 2 has been created to allow an explicit interconnection between current theory and the research process. This aims to enable answering the central research question of what the main factors for an SME are when positioning a premium priced product in the international market.

As one of the bases of our literature review, we investigated the internationalisation process of SMEs as well as factors influencing this process and the challenges they are facing. Likewise, the Uppsala model, a theory that describes how companies gradually increase their internationalization activities, was under examination.

Derived from the interconnection between those factors, a conclusion as well as recommendations and managerial implications can be drawn by this individual theoretic framework. The research also aims to create a theoretical framework that will be useful for SMEs to overcome challenges they face in their process of internationalisation and positioning themselves in a foreign market.

When it comes to the product positioning, differentiation strategy and potential customers may be able to create value for a company. In addition, the current competition in the market needs to be taken into consideration, since it may have an influence on how the company should position its products. In order to bridge the gap between product positioning and pricing strategies, the latter also need further attention. Especially the

premium price segment has been considered important in terms of this study. All of these factors, therefore, may lead to competitive advantage and gained knowledge of the target market, as illustrated in the figure below.

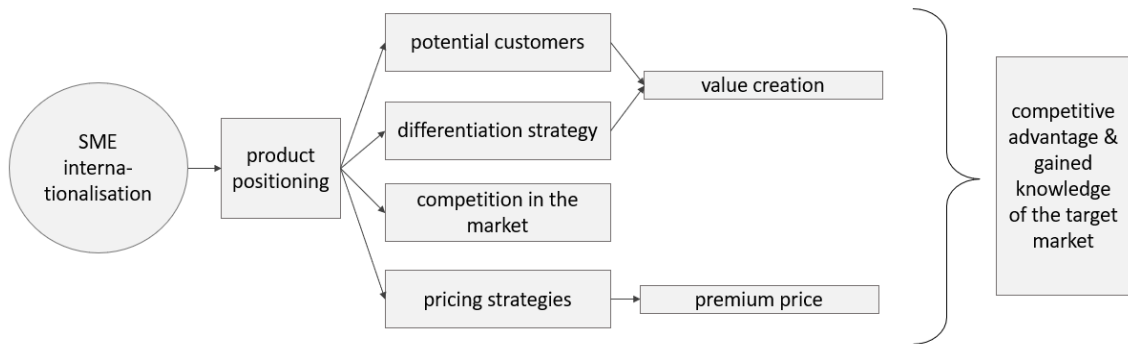


Figure 2: Theoretical framework

Source: Own illustration

2.7 Summary of the literature review

The main findings and the most common themes identified in the literature review will be presented in the table below. In addition, the main studies are linked to the themes. These themes also acted as a basis for the theoretical framework of this study.

Furthermore, these themes will play a major role as theoretical references to the interview questions used for the empirical part of this study. These interview questions will be discussed in more detail in the methodology part of this study in chapter three.

MAIN THEMES	PRIMARY STUDIES
The important role of the SMEs in both national and the global economy	Paul et al. (2017); Ribau et al. (2017); Cambra-Fierro & Pérez (2014); Anand (2015); Ferreira & Morais (2019); Pangarkar (2008); Harc (2019); Knight et al. (2020); Andrei et al. (2011); Ulubeyli et al. (2018)
The value gained from networks and customers in international markets	Paul et al. (2017); Harc (2019) Frambach et al. (2003); Celic & Pavlovic (2020); Cambra-Fierro & Pérez (2014); Gurau (2004); Armario et al. (2008); Allsopp (2005); Banterle et al. (2014)
Influence of pricing strategy in company's overall performance	Utaka (2007); Salmani et al. (2014); Recklies (2015); Banterle et al. (2014); Allsopp (2005); Ingenbleek & van der Lans (2013); Fleig (2021); Khorioni et al. (2018); Jensen (2013); Frambach et al. (2003)
How SMEs are able to gain competitive advantage	Ribau et al. (2017); Gurau (2004); Knight et al. (2020); Fleig (2021); Hilmersson et al. (2021); Armario et al. (2008); Celic & Pavlovic (2020); Cambra-Fierro & Pérez (2014)
Benefits that differentiation strategy may bring for exporting SMEs	Cerne & Rant (2017); Pett & Wolff (2017); Frambach et al. (2003); Knight et al. (2020); Celic & Pavlovic (2020); Ulubeyli et al. (2018); Newton et al. (2015); Porter (1979)
Utilisation of competitor analysis when positioning a company in a foreign market	Hatzijordanou et al. (2019); Porter (1979); McEwen (2008); Frambach et al. (2003); Bennet (2003); Prašnikar et al. (2005); Homburg (2017); Jennings & Jones (1999)
Theoretical framework: what factors need to be considered when positioning a product in order to achieve competitive advantage	Recklies (2015); Fleig (2021); Pett & Wolff (2017); Celic & Pavlovic (2020); Cambra-Fierro & Pérez (2014); Homburg (2017); Banterle et al. (2014); Bennet (2003)

Table 1: Summary of the literature review

Source: Own development

3 Methodology

To identify the most important factors that an SME needs to take into consideration in order to understand how to position a premium priced product on the foreign market the following chapter introduces different research philosophies and research approaches. The most relevant ones for this study will be explained in more detail. Also, both the qualitative research method and case study research will be discussed. Furthermore, this chapter looks into the practicalities behind the data collection and presents the interview questions, as well as the reasons why these specific questions were chosen. Thereafter, data analysis, ethics in research, and reliability and quality of the research will be discussed. In the end, an overview of the methodology will be provided.

3.1 Research philosophy

When conducting this qualitative research, we started the research design process by familiarising ourselves with different philosophical assumptions, as suggested by Creswell (2007). Furthermore, we followed the advice of Creswell (2007) of how choosing between different philosophical assumptions had an influence on how we decided to design and carry out our research in practice. In this chapter we will briefly introduce both epistemological and ontological research philosophies, as well as provide an insight to why the latter has been considered more relevant in the context of our study.

3.1.1 Epistemological assumption

When conducting qualitative study with the epistemological assumption, researchers aim to be as near as they can to those individuals who are being studied, which means that studies are often performed in the field where the research subjects either live or work in order to gain a better understanding of why they respond in a certain way (Creswell, 2007). In the context of our study, this would not have been possible due to the geographical distance between the study participants and ourselves. In addition, Covid-19 prevented us from conducting any face-to-face interviews with the respondents. Hence, as Creswell (2007) suggests, shortening the distance between ourselves and the individuals being studied and thus becoming “insiders” was not an option for us.

Therefore, another philosophical assumption more relevant for our study needed to be considered.

3.1.2 Ontological assumption

Ontological assumption has been considered relevant in the context of our study due to its nature of multiple realities. This assumption allowed us to consider different factors related to the nature of reality and the distinctive features of reality, as suggested by Creswell (2007). In practice, these multiple realities are the different quotes of what the study respondents said, as well as evidence of different perspectives of those individuals (Creswell, 2007). These quotes and perspectives will be discussed in more detail in chapter four, where the empirical findings of this study are presented.

Our aim was to fill in the research gap by answering the research question, therefore, in order to get an insight into the problem interviews with selected participants were conducted. These interviews provided us with multiple different perspectives, and it was left to us to interpret these different perspectives to the best of our abilities. This is why both the case company Damasteel and their distributor network in Germany were involved in this study. This allowed us to gain understanding of the phenomenon from multiple different perspectives, and we were able to present the findings from both the distributors' and Damasteel's point of view.

As Højjer (2008) indicates, we considered it important to address what the participants of this study actually represent: not themselves as private persons, but rather their organisation. In addition, all the different perspectives were taken into account when analysing the empirical findings, because each respondent based their answers on their own unique experiences and knowledge regarding the topic areas. Furthermore, the subjective nature of the study has been noted, because the interviewees have been asked to provide their insights into particular topics and phenomena.

3.2 Research approach

In order to collect and analyse qualitative data, there are two different approaches to choose from: the inductive approach and the deductive approach (Burnard et al., 2008).

These approaches technically mirror each other (Eisenhardt & Graebner, 2007), and based on the expected findings of the study it can be determined which one is more suitable for that particular case (Burnard et al., 2008).

3.2.1 Inductive approach vs deductive approach

The deductive approach in research describes the process of moving from something general to the particular. A hypothesis that is based on theory is developed and tested afterwards, based on an investigation of truths. (Park, 2007). It therefore aims to test existing theories associated with scientific investigations (Vogel et al., 2011).

The inductive approach signifies those particular facts are used to form general rules and principles. An inductive approach thus seeks for developing a theory at the end of the research project, but starting with observations (Goddard et al., 2004).

Based on the context of our study, the inductive approach has been considered the most suitable. As Burnard et al. (2008) suggest, when conducting the empirical research, we already had a predetermined framework in place. This framework was discussed in detail in chapter two. By choosing the inductive approach, conducting interviews and moving from those particular experiences to a more general set of propositions we aim to extend the existing theory.

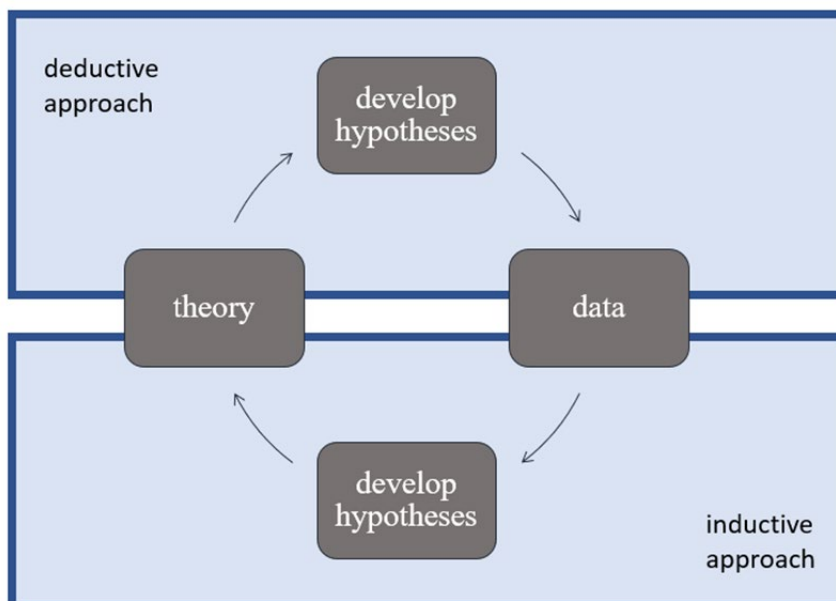


Figure 3: Comparison of deductive vs. inductive approach

Source: Own illustration, inspired by Shah (2009)

3.3 Qualitative research

Qualitative research can be used when the researcher wishes to explore and understand a social issue and how individuals and groups relate to it (Creswell, 2014). Therefore, as Doz (2011) suggests, a qualitative research method can offer versatile descriptions of the phenomena, as well as encourage profound thoughts.

As Creswell (2014) suggests, the data are often collected using open-ended questions and interviews. By open-ended questions we wanted to encourage the respondents of this study to provide as detailed and thorough answers as possible, without unnecessarily limiting their perspective. Furthermore, this allowed us to ask follow-up questions during the interviews, in case a certain topic required further explanation or if other interesting factors not previously considered by us were mentioned by the interview participants. This also allowed us to make our own interpretations of what the data mean, as suggested by Creswell (2014).

When carrying out qualitative research, participants' perspectives are not necessarily known to the researchers before conducting the study (Boeije, 2010). This is what we also noticed in our study. Before conducting the interviews, we could not predict the kind of information the study participants would provide. As suggested by Boeije (2010), the problematisation of the study may require amendments and flexibility. Therefore, several modifications needed to be done along the way.

Furthermore, qualitative research can be crucial when studying differences between countries because certain parameters cannot be specified from the outside without having experience in it (Doz, 2011). Therefore, as discussed earlier in chapter one, the case study company in this study is the Swedish SME called Damasteel. In order to be able to answer our research question regarding the market positioning in the German market, the local distributors of Damasteel have also been included in the empirical part of this study. Having different perspectives from both Damasteel and their distributors allows us to provide an in-depth overview of the German market conditions from both Damasteel's and their distributors' perspective. As explained by Creswell (2014), this allowed us to utilise the study participants' perspectives when attempting to demonstrate the meaning of a certain phenomenon.

3.4 Case study research

Case study research is a form of a qualitative study, where a bounded system (a case) is being studied over a certain period of time via thorough and in-depth data collection (Creswell, 2007). We chose case study research for our study, because as Creswell (2007) indicates, case study method is appropriate when an in-depth understanding of a clearly identifiable case is required. Our case involves Damasteel as the case study company, and the case itself relates to positioning a premium priced product in the German market. Why Germany specifically was an attractive market for our study, will be discussed in more detail later in this chapter.

As Eisenhardt & Graebner (2007) indicate, case studies offer empirical description of a certain phenomenon which is often based on several different data sources. Therefore, our aim was to gain in-depth understanding of the research phenomenon in order to be able to analyse the phenomenon from multiple different perspectives.

This case study is conducted as a part of an ongoing research project at the department of business and economics studies at the University of Gävle, Sweden which has its focus on SMEs internationalization and regional development. The project is supported by the European Regional Development Fund (ERDF)¹ which “aims to strengthen economic, social and territorial cohesion in the European Union” (UN) (European Commission, 2021) and the Swedish Agency for Economic and Regional Growth (Tillväxtverket). The “Tillväxtverket” is a Swedish government agency coordinated by the Ministry of Enterprise whose main task is to “promote sustainable business development and sustainable regional growth in all parts of the country and to implement Structural Fund programs.” (§ 1 Förordning (2009:145) med instruktion för Tillväxtverket). Another partner is the Swedish regional municipality “Region Gävleborg” which is inter alia is responsible for infrastructure and business development (Region Gävleborg, 2021).

3.5 Overview of the German market

As measured by the gross domestic product (GDP), an indicator of the size and health of a country’s economy (Beauchamp, 2019), Germany's economy is the largest in Europe

¹ in Swedish: Europeiska regionala utvecklingfonden

and the fourth largest in the world, with the United States, China and Japan being the top three. (Statista (a)). The two biggest sectors of the German economy are services with 70.4 % and the production industry with 22.9 % (statista (b)) and according to the Global Competitiveness Index of 2019, Germany even ranks 7th of the most competitive countries in the world (World Economic Forum). Another strength of the German economy is the export of goods. Since 1952, Germany has generated a growing export surplus with a peak in 2019, followed by a 9 % drop in the year 2020 (bpb).

Being the largest steel producer in the European Union (Wirtschaftsvereinigung Stahl) and seventh largest crude steel producer in the world (BMW), Germany produced 36 million tons of crude steel in the year 2020 (Wirtschaftsvereinigung Stahl) while exporting 20 million tons of it. Therefore, Germany's steel industry is of particular importance for the industrial value chains. The largest steel producers in Germany include "thyssenkrupp Steel Europe AG" producing approx. 12 million tons, "ArcelorMittal Germany Holding GmbH" producing approx. 8 million tons and "Salzgitter AG" with approx 6.6 million tons of crude steel produced (BMW).

Parties in the downstream industry – such as knife makers – profit from the well-established steel industry. In addition, the demand for kitchen knives in the US and in Europe itself is currently higher than the present production, which leads to higher exports and making the kitchen knife market interesting for producers and steel distributors. However, the market share in the kitchen knife industry has a low concentration in terms of market share. Therefore, huge companies benefit from brand recognition. Nevertheless, the kitchen knife business, especially for smaller companies, was influenced by an intense and growing external competition, over the last five years (Planetmarketreports).

In addition, the compound Annual Growth Rate (CAGR) for the global kitchen knife market is expected to be 8,6 % in the next four years and the growth rate for hand forged manufactured products is expected to grow even faster (9,1 %) (Kitchen Knives Market Report, 2019). Growth driving factors mentioned by the Kitchen Knives Market Report (2019) are reality shows and a rising impact on social media platforms.

3.6 Operationalisation of interviews

The term operationalisation refers to measuring, examining, and discussing specific concepts (Olsen, 2012). In the context of our study, qualitative research design, more specifically case study research, has been applied. Therefore, interviews with chosen participants were conducted in order to be able to answer our research question. The operationalisation process of this study will be discussed in more detail below.

Due to the language and cultural norms, contextual sensitivity and accuracy are often needed, because the interviewing skills, for instance, may be dependent on cultural contexts (Doz, 2011). When conducting the interviews with the German distributors of Damasteel, we benefited from one of the authors of this study being German as well. This allowed us to lower the potential risk of missing something a participant brought up in the interview due to the different cultural interpretations, as described by Doz (2011).

In order to successfully carry out this research, we had to make sure that all the participants understood the key terminology exactly the same way. In addition to the different cultural interpretations, the specific vocabulary used in this field of business also required further clarification. For example, it was noticed during our first interview with Damasteel that there might be some confusion between the concepts of “customer” and “end user”. Due to the fact that Damasteel is engaged in business-to-business (B2B) selling, their customer is the company buying the raw material (Damascus steel) from them, hence the distributors. End user, on the other hand, refers to the consumer who buys the final product, in this case the premium priced kitchen knife.

As Poulis et al. (2012) indicate, it is important to acknowledge that contextualisation occurs in several different phases of the research process. Defining the key concepts in the beginning with the case study company and ensuring that it was clear to all parties what was meant by them reduced the risk of misinterpretation of data in the data analysis stage. This was specifically important because neither one of us had any previous experience from the field of business Damasteel operates in.

According to Eisenhardt & Graebner (2007), interviews are effective when the aim is to collect empirical and rich data. Therefore, in order to be able to answer our research question, in-depth interviews were chosen as the most suitable data collection method. When developing the interview questions, we followed the advice from Boeije (2010),

who suggests that the research question is first divided into different topic areas. The topic areas we chose were related to market characteristics, product positioning, pricing strategies, and customer attributes. The interview questions, therefore, were based on these topics and acted as a groundwork for the final questionnaire. This is also how the interview questions were connected to the main research question of this study, as indicated by (Boeije, 2010).

After that, we analysed which question would fit into which category, and ensured that they form a logical sequence, as suggested by Boeije (2010). In the end, all the questions were re-checked and their relevance to this study was carefully considered. The questions were also sent to the thesis supervisor for review, and the feedback was taken into consideration when doing the final amendments. This is how we aimed to make sure that the interview questions would be relevant to our study by providing answers to our main research question.

The table on the next page presents all the interview questions, as well as highlights the theoretical references from the literature review behind each question.

INTERVIEW QUESTIONS	THEORETICAL REFERENCE
1) In what area of the company are you working?	Busetto et al., (2020)
2) What is your relationship with Damasteel knives? Option 1: Developing kitchen knives Option 2: Selling kitchen knives to end customer	Cambra-Fierro & Pérez, (2014); Gurau, (2004)
3) Do you have a network of other knife manufacturers that you develop the knife with? If so, could you describe the network?	Paul et al., (2017); Cambra-Fierro & Pérez, (2014); Gurau, (2004)
4) What factors are important when choosing a steel supplier for the kitchen knives?	Harc, (2019); Banterle et al., (2014); Paul et al., (2017); Cambra-Fierro & Pérez, (2014)
5) How would you describe the demand for kitchen knives in Germany?	Beauchamp, (2019); Harc, (2019); Celic & Pavlovic, (2020); Ribau et al., (2017); Ferreira & Morais, (2019); Pett & Wolff, (2017)
6) How has the kitchen knife market developed in the last few years?	Homburg, (2017); Hatzijordanou et al., (2019); Celic & Pavlovic, (2020); Ulubeyli et al., (2018); Jennings & Jones, (1999)
7) Have you identified new trends or potentials in this market?	Homburg, (2017); Hatzijordanou et al., (2019); Celic & Pavlovic, (2020); Ulubeyli et al., (2018)
8) Do you think there is potential for market growth in the kitchen knife market? If so, please specify.	Beauchamp, (2019); Hatzijordanou et al., (2019); Cerne & Rant, (2017); Ribau et al., (2017)
9) Who are the main competitors in the German kitchen knife market?	Bennet (2003); Porter, (1979); Hatzijordanou et al, (2019); Homburg, (2017); McEwen, (2008); Banterle et al., (2014)
10) How would you describe the competition in the kitchen knife market?	Bennet (2003); Porter, (1979); Hatzijordanou et al, (2019); Homburg, (2017); Jennings & Jones (1999); McEwen, (2008)
11) What do you think makes your product competitive in the market?	Ribau et al., (2017); Cerne & Rant, (2017); Pett & Wolff, (2017); Celic & Pavlovic, (2020)
12) What factors do you consider when you set the prices for the final product?	Lancioni, (2005); Recklies, (2015); Khorioni et al., (2018); Banterle et al., (2014); Ingenbleek & van der Lans, (2013); Fleig, (2021); (Celic & Pavlovic, (2020)
13) Why do you think customers are willing to pay a premium price for kitchen knives?	Jensen, (2013); Utaka, (2007); Recklies, (2015); Ingenbleek & van der Lans (2013); Fleig, (2021); Knight et al., (2020); Cerne & Rant, (2017)
14) How would you describe the main challenges when selling the premium priced kitchen knives?	Jensen (2013); Utaka, (2007); Hatzijordanou et al., (2019); Recklies, (2015); Harc, (2019)
15) What do you need to consider when positioning your products in the market?	Ramona, (2011); Floričić, (2016); Knight et al., (2020); Gurau, (2004); Newton et al., (2015); Celic & Pavlovic, (2020); Homburg, (2017)
16) Who are your main customers?	Cambra-Fierro & Pérez, (2014); Frambach et al., (2003); Armario et al., (2008); Cerne & Rant, (2017); Banterle et al., (2014)
17) How do you target your customers?	Cambra-Fierro & Pérez, (2014); Frambach et al., (2003); Celic & Pavlovic, (2020); Knight et al., (2020); Cerne & Rant, (2017); Armario et al., (2008)
18) How do you market your kitchen knives to attract new customers?	Ribau et al., (2017); Frambach et al., (2003); Gurau, (2004); Knight et al., (2020); Harc, (2019); Pett & Wolff, (2017)
19) How would you describe the main characteristics that make your product valuable for the customers?	Armario et al., (2008); Frambach et al., (2003); Knight et al., (2020); Celic & Pavlovic, (2020); Cerne & Rant, (2017); Newton et al., (2015)
20) Could you describe what you believe influences the customers' purchasing decision?	Frambach et al., (2003); Knight et al., (2020); Celic & Pavlovic, (2020); Pett & Wolff, (2017)

Table 2: Operationalisation of the interview questions

Source: Own development

3.6.1 Participants of the study

The case company of this study, as discussed earlier, is the Swedish SME called Damasteel. Below is a short description of the history and the main business functions of Damasteel.

The tradition of steel production in Söderfors (Sweden) has an impressive long history, starting in the Middle Ages (1676). According to Damasteel (2021) the steel industry developed Sweden into a modern and internationally competitive society. Damasteel AB itself emerged in the nineties of the last century, with Pelle Billgren as CEO. He was being sold on the idea of creating patterned steel, a new niche product was devised and a patent application was filed in 1995, making Damasteel the only company to create Damascus patterned steel through powder metallurgy.

Damasteel's unique selling point is their exclusive way of creating stainless steel through powder metallurgy which allows them to repeatedly produce a variety of different patterned steel, creating a unique user experience while keeping an outstanding quality. The company follows a business to business (B2B) strategy, providing steel for other businesses to produce inter alia high-quality knives. Damasteel is located in Söderfors, and it employs 15 people. The company holds around 25 distributors on five continents. (Damasteel, 2021)

In order to gain a deeper understanding of the phenomenon being researched, it was decided together with Damasteel that their distributors would be contacted for the interviews. As Eisenhardt & Graebner (2007) suggest, knowledgeable individuals with multiple perspectives regarding the studied phenomena should be utilised. Since this study focuses on the German market, the selected distributors were naturally located in Germany. In addition, because the aim of this research was to gain more knowledge regarding the market conditions in Germany, it was agreed that the local distributors would most probably have the most valuable and useful information regarding the market, such as competition and the customers.

Due to the confidentiality agreement signed by us and the distributors, we will not publish their names in this study.

3.6.2 Interview process

According to Gill et al. (2008),” there are three fundamental types of research interviews: structured, semi-structured and unstructured.” While structured interviews are considered ‘verbal questionnaires’, that only allow participant responses to some degree and are therefore not very useful when ‘depth’ is required, unstructured interviews do not reflect any predetermined theory and are therefore most useful in areas where not much is known about the actual subject so far.

Semi-structured interviews, however, contain several key questions to guide through the topic, while allowing the interviewee to explain specific issues more deeply. This approach is considered more flexible and permits to uncover or specify information that may not have been thought earlier (Gill et al., 2008). For this particular reason, the semi-structured interview approach was chosen for this research.

The distributors were first asked for permission to be contacted by us, by Damasteel. After receiving the permission, they were contacted by us via e-mail and a date for the actual interview was scheduled. If a possible interviewee had not replied to a previous email, they were contacted again by phone. Within the email of appointment confirmation, the questionnaire (both in English and in German) and a confidentiality agreement was sent.

Receiving the interview questions a few days in advance gave the interviewees the possibility to prepare themselves and to ask questions beforehand. The confidentiality agreement, on the other hand, gave us permission to record the interviews as well as legally use the information given to us.

Due to the fact that all interviewees preferred to conduct the interview in German, it was indispensable to record the interviews in order to transcribe and translate them afterwards. For the transcription process, Microsoft Word Online was used, which enables semi-automatic audio transcribing. Unfortunately, some of the interviewees' accents were very strong, leading to a higher amount of manual editing.

Giving the interviewees the possibility to speak in their native language, we hoped to gather more detailed information, due to the reduced language barrier. If two distributors attended the same interview, both had the same option to answer each question. Most of the time, there was one person who answered the question more profoundly, whereas the other person only added if something else came into their mind.

In order to transcribe the recordings, they were uploaded on the office program 'Word' and reviewed manually. Too personal information, which could lead to the interviewee's identity, as well as parts that are not considered relevant for this study were deleted. To reduce the probability that information would get lost in translation, the interviews as well as the transcripts of records (in both German and in English) were checked by two independent volunteers.

The interviews lasted between 30 and 70 minutes, leading to an average interview time of 50 minutes. All the interviews were conducted either via Zoom or by phone.

3.7 Data collection

This study combines both secondary and primary research. With the aim of understanding what main factors for an SME need to be considered when positioning a premium priced product in the German market, the present academic literature was reviewed. This permits us to detect the most significant theories that are relevant for this study. Thereupon, a theoretical framework was designed. The framework, playing the role of an analytical tool, helped to evaluate the primary data and to make certain that the represented findings are based on an academic discourse.

According to Philipsen (2007) qualitative research is "the study of the nature of phenomena" that contains the "quality, different manifestations, the context in which they appear or the perspectives from which they can be perceived" while eliminating "their range, frequency and place in an objectively determined chain of cause and effect". In other words: "qualitative research generally includes data in the form of words rather than numbers." (Busetto et al., 2020)

While there is a high variety of methods to collect data in qualitative research, the most common methods are interviews and focus groups (Gil et al., 2008), creating multiple forms of data in preference to relying on one particular data source. (Creswell and Creswell, 2018).

As a result of qualitative research being considered as "flexible, open and responsive to context" (Busetto et al, 2020), the parts of data collection and analysis are less distinguishable and successive compared to a quantitative research approach.

Consequently, the process of data collection, analysis and interpretation is more cyclical (Fossey et al. 2002)

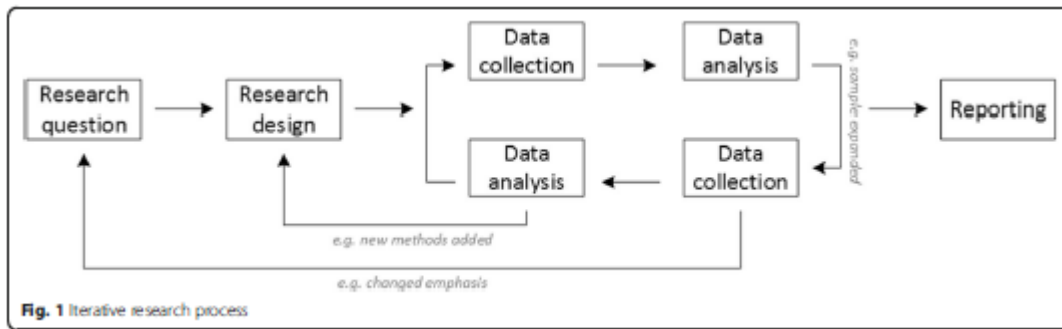


Figure 4: Iterative research process

Source: Busetto et al. (2020)

As shown in the table (Busetto et al., 2020), those circumstances can lead to circular motions between data collection and data analysis, influencing the original plan. Some important findings might lead to the necessity of reviewing the research question, or even the research design.

The process can be considered completed when saturation is accomplished.

The table on the next page presents a summary of the interviews by showing the date and length of the interviews, the date of first contact, as well as the role of each participant(s) who took part in the interviews.

Interviewee company	Interviewee position(s)	First contact (2021)	Date of the Interview (2021)	Interview length
Damasteel AB	Sales Manager	5th of November 2021	9th of November 2021	75 mins
	Marketing Communication Manager			
Damasteel AB	Sales Manager	15th of November 2021	18th of November 2021	60 mins
	Marketing Communication Manager			
Damasteel AB	Sales Manager	16th of December 2021	21st of December 2021	45 mins
	Marketing Communication Manager			
Respondent #1	CEO	24th of November 2021	2nd of December 2021	40 mins
Respondent #2	Trainee industrial clerk	24th of November 2021	2nd of December 2021	30 mins
Respondent #3	Purchasing Manager	24th of November 2021	3rd of December 2021	45 mins
	Sales Coordinator			
Respondent #4	CEO	24th of November 2021	3rd of December 2021	70 mins

Table 3: Interview respondents

Source: Own development

3.8 Data analysis

According to Boeije (2010), it is typical for qualitative research that instead of presenting ‘raw data’, it is important to decrease, select, and decide which data to include in the findings. When conducting the data analysis, we had to carefully estimate which data

would be the most relevant in terms of the research aim and the research question of this study. Therefore, not all data gained from the interviews are presented in this study. In addition, this also allowed us to discover the most relevant items worth reporting, as proposed by Boeije (2010).

Due to the fact that the distributors of Damasteel were from Germany, we gave them an option whether they would prefer to have the interviews conducted in English or in German. All four distributors chose German, because they felt more confident answering the interview questions in their native language. This also allowed us to gather more detailed and in-depth data. Therefore, after each interview, the transcript had to be first written down in German and then translated into English by the authors. The transcribing process was completed by uploading the interview recordings on the office program 'Word' and they were then reviewed manually by us. Transcription of audio allowed us to work with texts together with the original recordings, as proposed by Boeije (2010). All three interviews with the case company Damasteel, however, were conducted in English.

Furthermore, since the distributors interviewed for this study were promised confidentiality, we had to ensure that they could not be identified based on their answers. Therefore, when organising the data, we removed factors that could link the results and the respondent. Hence, as Boeije (2010) suggests, we have assigned code numbers to each distributor and instead of using their company names, we will be referring to them as "D1", "D2", "D3", and "D4" respectively. All four distributors are located in Germany, and they buy the raw material, Damascus steel, from the case company of this study, Damasteel. The distributors then further process the raw material, and sell the end product, a premium priced kitchen knife, to the end customers in the German market.

According to Creswell (2014), it is typical for a qualitative study that data analysis occurs simultaneously to other actions, such as data collection and drafting the findings. As soon as one interview was conducted, we could already start analysing the findings of that particular interview. Also, once all the interviews were conducted, we followed the suggestion of Boeije (2010), of how breaking down the data into manageable units would help us to identify the patterns and the common themes in the findings.

The secondary data gained from the thorough literature review provided us a guideline for the interviews and a basis for our theoretical framework, hence the secondary data were utilised when analysing the empirical findings of this study. The theoretical framework discussed in chapter two was also used in the data analysis, however, a new model was developed based on the empirical findings and the new knowledge gained from this study. This model will be explained in more detail in chapter five.

The figure below illustrates the different steps taken in the data analysis process. At first, raw data were acquired from the interviews. The interviews were recorded, and the audio files were turned into transcripts. Since the interviews were conducted in German, they had to be translated into English in order to be further processed. However, the interviews conducted with Damasteel were in English, therefore, no translation was required with them. All the interview transcripts were manually revised, and main findings from each interview were concluded. These findings allowed us to detect similar patterns, and therefore identify the common themes. In the end, the findings and the themes were linked to the secondary data.

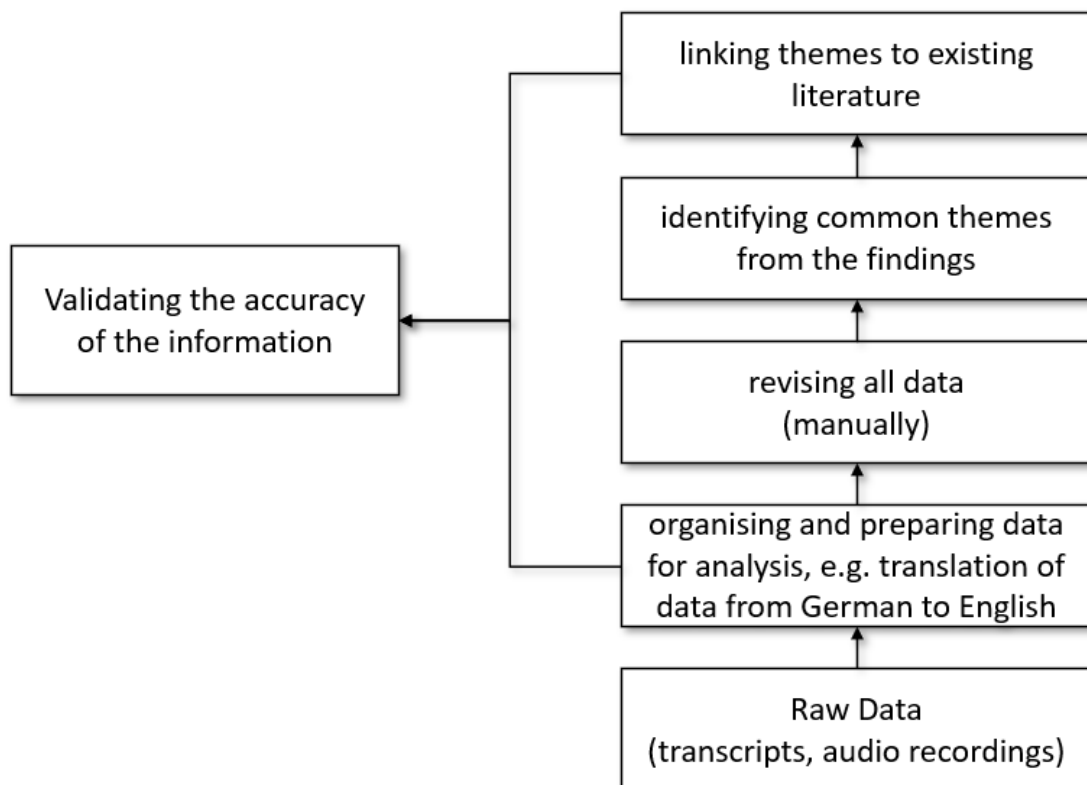


Figure 5: Data analysis process

Source: Own illustration, inspired by Creswell (2014)

3.9 Ethics in research

“The term research ethics refers to a wide variety of values, norms, and institutional arrangements that help constitute and regulate scientific activities.” (Forskningsetikk, 2019)

Research includes gathering data “from people about people” (Cresswell, 2014) and to avoid harming others. Social scientists should therefore follow ethical rules of behaviour (Boeji, 2010).

According to Boeji (2010), beneficence is considerably an “umbrella principle” leading to a maximum output for science while preventing harm. This main principle is addressed in three dimensions: informed consent, privacy, and confidentiality (Boije, 2010), and correspond with the key principles for research mapped out by the American Psychological Association (APA) (Smith, 2003).

Every participant of a study needs to be informed about being participants in a study and has to give their consent. It needs to be assured that they are fully aware of the risks and benefits the study contains (Endacott, 2004), as well as that their participation is voluntary (Smith, 2003).

According to the APA’s ethics Code, participants need to be informed (inter alia) about the purpose of the research expected duration and procedures as well as the participants’ rights to decline to participate and to withdraw from the research, as well as the anticipated consequences of doing so.

Researchers also need to respect confidentiality and privacy. While privacy describes the concern of the individual to have control over the information others have about them (Sieber, 2008), confidentiality relates to data such as digital recordings of interviews and how this data is being handled (Boije, 2010). Confidentiality is also interlinked with anonymity (and therefore also privacy) where sensitive data, such as unique identifiers like address, are not enclosed to the data (Sieber, 2008).

Taking these principles seriously and to prevent harm from the participants, we ensured to follow the basic concept of ethics in research. To avoid possible dilemmas, a short introduction before every interview was held for clarification of the general set up. During

that time, the context of data usage was justified, and a privacy and confidentiality agreement was sent to each respondent.

According to Boeije (2010), trust is a basic concept when it comes to conducting interviews. It was therefore one of our main priorities to create a trustworthy environment in each interview in the best way possible.

Following the ethics, our study supports the purpose of research, such as expanding knowledge. Especially because of the collaboration with Damasteel, it is important to show mutual respect and fairness.

3.10 Reliability, validity, and quality in research

Reliability and validity in qualitative research are important factors linked with quality, or objectivity (Boeije, 2010). The challenge in qualitative research, however, is that there are usually no standard instruments involved in the measurement, but they are established to a specific context and even adapted later on if required (Boeije, 2010). Therefore, in order to ensure reliability in our study other measures of quality were required.

In order to ensure the validity of the interview questions, they were sent to our thesis supervisor for review before the interviews took place. It was important to make sure that the interview questions supported our research question, and that they could help us to gain as much knowledge as possible to be able to answer the research question. In addition, it was important to verify that the terminology used in the questions was clear and explicit. Based on the feedback from the supervisor amendments to the interview questions were done accordingly. This method is also called content validity, and it is one of the most common ways to estimate validity in research, as indicated by Boeije (2010).

Furthermore, the interview questions were sent to the participants of the study two days before the interviews were conducted. The participants were also able to get clarification from us, in case something was uncertain. By doing this we wanted to ensure that the participants fully understood what was being asked from them, and to avoid a risk of misinterpretation. Due to the fact that the interview questions had to be translated into German, extra caution had to be paid to ensure that the translation would match the

original version as closely as possible. The same applies to the translation of the transcripts, which in turn had to be translated from German to English.

When it comes to presenting the empirical findings, we followed the advice of Creswell (2014), who states that detailed descriptions and multiple perspectives regarding the themes are encouraged, because they will make the findings more realistic, and also add validity to them. In the context of our study, selected open-ended questions encouraged the respondents to provide a thorough overview for each topic that was being discussed. The different perspectives of each respondent was something we had to keep in mind when presenting and analysing the data, and as chapters four and five indicate, the answers from the respondents were not always uniform. However, we wanted to discuss potential discrepant information as well, because it may also commit to the validity of the research, as indicated by Creswell (2014).

In order to reduce the potential bias in data collection and data analysis, it is often beneficial if a study has more than one researcher (Boeije, 2010). Since both of us were present at all stages during the data collection and the data processing, the risk of misinterpretation was significantly reduced.

3.11 Limitations of the methodology

Due to the geographical scope of this study as well as the ongoing Covid-19 pandemic, there was no possibility for us to conduct any face-to-face interviews. This is why all the interviews were completed on either Zoom or by phone. Therefore, there is a risk that the data are not as in-depth as could have been if collected in face-to-face interviews.

Furthermore, this thesis has been completed in English due to the fact that the Master Programme of Business Administration at the University of Gävle is being taught in English. However, neither of us, nor the case study company interviewed for this study are native English speakers. By teamwork we did our best to ensure that the topics discussed during the interviews were not misunderstood due to the language barrier. In addition, the distributor interviews were conducted in German, and after that translated into English. Therefore, there is a possibility that some items discussed during the interviews were lost in translation, even though one of the researchers of this study is a

native German speaker. The quality of the transcripts was ensured by listening to the interview recordings and by making manual corrections to the transcripts if needed.

3.12 Summary of the methodology

The figure below presents a summary of the methodology for this study by combining the different steps that are the most relevant in the context of this research. As illustrated below, research ethics as well as reliability and quality of the research are connected to each part of the methodology, which is why they were closely followed throughout the whole study.

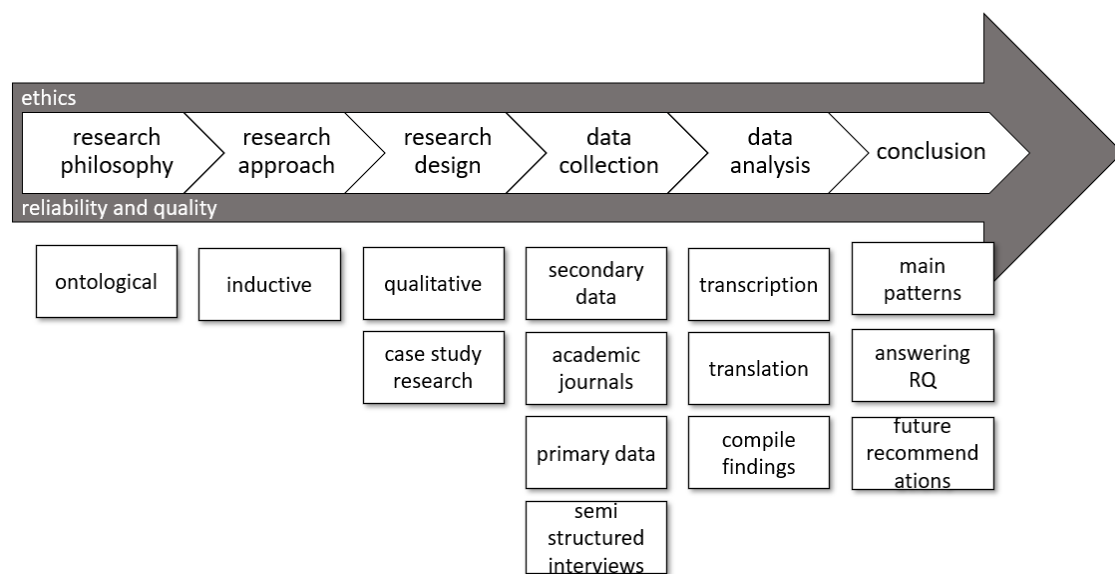


Figure 6: Overview of the methodology

Source: Own illustration

4 Empirical findings

In this chapter, the empirical findings of the research will be presented in detail. The chapter will begin with the contextualisation of the study. After that, the findings from the interviews conducted with Damasteel and their German distributors will be discussed. These findings are divided into six different subchapters in order to make it easier for the reader to follow them. Lastly, to give a better overview of the results, the findings will be summarised, and main themes based on the findings will be identified.

4.1 Contextualisation

During our first interview with Emilie Hildebrand, Marketing Communication Manager at Damasteel and Oscar Lundvall, Sales Manager at Damasteel, we received an overview of the business segment where Damasteel operates. Damasteel is the manufacturer of the raw material, Damascus steel, and they sell it to their distributors in different countries who then process it further. The final product, a high quality kitchen knife, is then being sold to the end customers.

In addition to the general business information, some of the obstacles that Damasteel has currently been facing were discussed. For instance, it was mentioned how challenging it has been for them to operate in the German market, in spite of them successfully exporting to several other countries around the world. Another main obstacle that was brought up was related to the customers. Since Damasteel is located one step away from the final customer, they were wondering who the end customer actually is, and what makes them want to buy a premium-priced product. Damasteel was also interested in finding out how they could make the right pricing decisions without jeopardising their current sales.

Three interviews were arranged with Damasteel, but in order to answer the research question four distributors of Damasteel active in the German market were also interviewed. However, because Damasteel is based in Sweden and their distributors are located in Germany, differences may occur in the findings due to the distinct knowledge regarding the German market conditions. In addition, it is important to acknowledge that the distributors are all customers of Damasteel, due to the business-to-business (B2B) nature of the trade. When the distributors are discussing customers, they refer to their final customers in Germany. Damasteel, however, would consider these final customers

as their end users. In order to make it more clear for the reader, these final customers or end users will simply be referred to as ‘customers’ from now on in this study.

4.2 Case study findings

In this section, the empirical findings of the interviews will be presented in more detail. The findings have been divided into the following subchapters: requirements for the supplier and/or distributor (depending on the distributor or Damasteel point of view), market characteristics, competition in the market, pricing strategies, product positioning, and identifying and targeting customers. For each subchapter, the findings from each distributor interview will be described respectively. In addition, the main findings identified from the interviews with Damasteel are added to each section in the end.

The premium priced kitchen knife market in Germany is rather small and it became obvious during the interviews, that the interviewees know each other. Therefore, we decided to make sure to comply with the ethics in research and to adhere to what we assured the interviewees by signing the confidentiality agreement. For this reason, the transcript of records will only be made available on justified request.

4.2.1 Requirements for the supplier and/or distributor

According to D1, it is all about the product when it comes to choosing the steel supplier. It is important that the product works, and the quality should always come before the price. The criteria for quality consist of workability, hardenability, and accessibility. In addition, as highlighted by D1, reliability is also considered an important factor. It is necessary that the communication with the supplier works well. Even longer delivery times are not an issue if everything else works well.

D2 did not have any information available regarding the supplier choice.

According to D3, the main criterion for the supplier is the quality of the steel itself, as well as the reliability that the quality is always guaranteed throughout the process. Due to their importance for the customers the name recognition and the reputation of the company must also be considered because the customers tend to value a brand name

behind the supplier. Furthermore, it is important to guarantee that the steel has been produced under the right conditions, which D3 summarises as per following: *“for the customers it is important that there is a brand name behind it, and that it is not steel that comes from somewhere in the Far East and is produced under questionable conditions, so that is why it is really important, because the name is behind it.”*

D3 indicates that another important factor determining the supplier choice is continuous availability of the raw material. The distributor cannot afford to have a product run out of stock; hence uninterrupted supply of goods is critical. In addition, the price of the raw material is also an important factor, due to the margin that remains for the traders.

According to D4, the main criteria are the steel quality and reliability when it comes to choosing a steel supplier. Quick delivery times and ability to keep a large stock are also highly valued. In addition, as highlighted by D4, in case the delivery times are longer than expected, communication is important. D4 describes the process as follows: *“if there are waiting times and if there are bottlenecks, if they have a lot of orders, it can take two weeks longer, but I'm told that in advance, I can adjust to it.”*

The desired target market position of Damasteel, however, is to be the number one supplier for Damascus steel in the German market. When it comes to the requirements regarding the distributors, Damasteel indicated that it is important that they are well known in the market. In addition, a good presence on social media, as well as having a good website and webshop are necessary. Correct vocabulary regarding the product names and trademarks must be used and presented on the websites. Furthermore, the distributors should also be able to keep a certain amount of the material in stock.

4.2.2 Market characteristics

D1 considers the cooking programs on television as one of the most important factors driving the demand for the kitchen knives. D1 describes it as follows: *“you can generally see the demand or the acceptance for high-quality knives, that through these television programmes and the cooking programmes and what it triggers in the minds of the viewers.”* Demand is currently positive, and has increased, however, it could be even better especially in the higher price sector. It has an influence on demand that there still

is a rather large offering in the cheaper product sector. According to D1, one of the biggest potentials in the market is the design of knives, which seems to be going in the Japanese direction.

According to D2, there seems to be great demand for kitchen knives in Germany, however, it is difficult to estimate how the demand has developed over the last few years. Germany seems to be quite known for good quality knives, also worldwide. D2 has also noticed how currently in the market there seems to be higher demand for the cheaper knives. The more expensive knives are more likely to be bought by knife collectors, who put them in a showcase and do not use them at all. However, Damascus knives seem to be popular among the customers and this could be considered as a trend in the market.

According to D3, demand in the market in 2021 compared to 2020 has been growing approximately 15-20 %. The growth in demand in 2018 and 2019 was also in double figures. This is mainly due to the expansion of the product range. D3 considers one of the current trends in the market to be customisation. This means that the customer can choose an individual product by personalising the knife and getting it delivered according to their wishes. D3 explained this as per the following: *“Maybe one to mention is the topic of individualization by the customer. In the meantime, there is also the possibility (...) that the customer can put together his personal chef's knife via a kind of configurator. That means that in the case of Damascus steel, they might choose a sample and a handle material to go with it, and then they order it and get it delivered according to their wishes.”*

According to D4, the market in general for handmade knives is currently growing, and it has been growing for a while now. Both the quality and the awareness of expensive knives clearly seem to exist in the German market. In addition, the importance of customised products is inevitable. Consumers are becoming more and more aware of the quality of the products, especially in the case of the kitchen knives. Some of the main reasons behind this are the cooking programmes on television and newspaper articles.

D4 summarises this as follows: *“but the market in general for handmade knives, not only for chef's knives, is growing, that's a fact, it's been growing for years. And in the case of chef's knives in particular, you could say that people are becoming more and more aware of quality, especially in the case of chef's knives, because there are always cooking*

programmes on, things are being published in many newspapers, and in the end, of course, you also notice that customers, I call it quality awareness, simply go to the specialist shops.”

D4 explains that during the past ten years the demand in the market has increased by at least 15 % every year. In addition, due to the ongoing Covid-19 pandemic demand in 2020 grew significantly. The whole online business has exploded during the pandemic. However, demand is not expected to stay this way, but it will most probably calm down especially in the kitchen knife sector.

Furthermore, demand for high-quality knives is increasing as indicated by D4. However, a problem in the German market seems to be the lack of experts, who cannot properly explain to the customer what a high-quality knife is. Instead, the knives are only sold by price, where the more expensive one automatically refers to the better one, even though this is not always the case. D4 describes the market conditions in Germany as follows: *“it's difficult, I think in every country on this earth you will get different answers. Germany is certainly not easy in this area, when I see what's going on in the USA, the people who live there simply have a different understanding. That so many extremely high-priced knives are sold, that simply doesn't exist here in Germany.”*

When it comes to identifying the current trends in the market, D4 indicates: *“that's always difficult. It's like fashion, yes.”*

According to Damasteel, there is definitely more growth potential in the German market. At the moment demand seems to be rather good, and the future still looks positive in spite of some uncertainties occurring currently, such as the coronavirus. Damasteel also indicates that if the brand name Damasteel was better spread in the market, that could possibly increase the sales of the distributors. Therefore, creating better brand recognition is considered important.

4.2.3 Competition in the market

According to D1, the German market is considered competitive, and prices clearly play an important role. For a small business it is impossible to lower the prices of the final products and still invest a lot of time in producing them. Even though the so-called price

war currently taking place in the German market is not attractive, it will ensure that the prices stay competitive. D1 explains this as follows: *“for me this price war is not interesting and for me it's also the wrong approach, but I do believe that the manufacturers simply have to be subject to the price so that they remain competitive.”*

This price war refers to the fact that different retailers all have different prices. In addition, according to D1, it would be better to have less players selling raw steel in the market.

Price stability, however, is considered important and it should be ensured as emphasised by D1. Furthermore, when all products available in the market have similar characteristics, for instance when there is no difference in quality, it often comes down to the company's marketing activities and its reputation when a customer is deciding which product to choose.

D2 also mentioned that there are a few competitors in the German market.

D3 considers the competition in the kitchen knife sector as difficult to define. However, the competitive situation has been considered relatively large, due to the multiple knife makers there are present in the German market. In addition, both the price war and the price pressure have been immense. In spite of that, D3 adds that: *“I would say that the competitive situation is still rather good for Damasteel at the moment.”*

D4 points out that even though the competition and price war in Germany are high in general, there are manufacturers of mass-produced kitchen knives who cannot be referred to as competition. This is because they operate in a completely different segment. In addition, D4 reflects that entering the market now would probably be relatively difficult for newcomers.

Regarding the competition in the market, D4 states the following: *“the difficult thing with the German knife makers is that they only look out for themselves. You notice that at every fair, at every exhibition, everyone is fixated on themselves, everyone tries to get the most money for themselves and not to give anything to the right or left. That's actually a big problem, but no one recognises it.”*

For Damasteel, the main competitors are considered to be the other producers of Damascus steel. Other competitors, however, are those knife makers producing premium-

priced knives, but without the pattern. In the German market specifically, one main competitor exists. In addition, there are some smaller players in the market.

4.2.4 Pricing strategies

To begin with, D1 highlights the importance of the price having to be internationally comparable. Therefore, prices in other markets also influence the prices in Germany. This must be kept in mind when setting the price for the final product. In addition, material costs as well as the time and effort it has taken to manufacture the final product must be taken into account. D1 highlights that setting the correct prices often comes with experience.

According to D1, certain television shows where someone is shown making the knives may have an influence as to why customers are willing to pay a higher price for them. This is because these television shows can generate an understanding around what may cost more.

In addition, D1 also points out several challenges that occur with high prices. It is not necessarily the product itself, but who has made it that counts the most. This is due to the fact that the geometries are often comparable among competitors. Furthermore, it is usually the design that has the decisive role, because how the product is used is more or less the same. In addition to the actual product, the package is also important. Also, according to D1, when setting the sales prices, it is important to ensure that the product cannot be devalued in marketing.

D1 summarises the issues related to pricing strategies as the following: *“there are simply uniform prices and uniform margins, perhaps through the purchase quantities, and then the discounts, but that's just the kind of thing where you say you have to move. I know it's not legal, it's actually a price agreement, but at the end of the day it would also protect us from a devaluation of the material (...) If it suddenly costs nothing more, then it is no longer worth anything.”*

According to D2, there are a few important factors that need to be considered when it comes to setting the prices for the final products. First, the time and effort it has taken to

produce the goods are analysed. In addition, the quality of the knife determines the price for it, as well as the kind of steel that was used to produce the knife.

D2 indicates that the customers are often willing to pay a higher price if the quality of the product is good. Also, customers tend to appreciate locally produced goods, rather than imports from abroad. Therefore, the knives sold in Germany are always labelled as “Made in Germany”. The challenge, however, might be to convince the customer that the product really is worth the higher price.

D3 emphasises the importance of first analysing the competitive situation in the market when determining the prices for the final products. The profit margin also plays an important role, as discussed as follows *“and then, of course, what is the margin? Is it a product, is it worthwhile for us to sell it or is it no fun to sell the product because the margin is so low?”*

Currently the prices are down due to too much competition in the market, as well as too many discounters. Therefore, an important question is how to place the products in the high-price segment. In order to successfully do that, the product has to be something individual. Therefore, it would be good to have a product in the medium-price segment, without compromising the quality of the product. The problem is that currently there is only the high-price segment, as explained by D3.

When it comes to setting the price for the final product, D3 summarises the process as the following: *“then there is the gut feeling (...) We have a personal price feeling. How would you personally see the product on the market at what price? That also plays a role.”*

According to D3, customers are mainly willing to pay high prices due to the high product quality and confidence they have on both the steel and the knife manufacturer. Furthermore, the customer is often willing to pay a higher price if the product is customised according to their wishes, but not if the product is something that everyone can buy. D3 highlights that *“the customers want to keep the individuality in place.”*

D3 stresses the fact that especially with the products in the high-price segment, the price loyalty of the dealers is considered very important. It should be in the interest of the manufacturer and also in the interest of the dealers to offer a uniform price on the market. This means that the price cannot be pushed down artificially, and it ensures that everyone

is able to collect their margin. Due to this no discounts should be given because the prices must be kept stable.

When it comes to the question of offering the products at a cheaper price, D3 summarises the issue as the following: *“I actually think if you lowered the prices a little bit, you might be able to bring a little bit more volume to the market. It's a double-edged sword. On the one hand, we would have to bring more products to the market in order to make the same turnover if prices were lowered. That is difficult. So, from today's perspective, I would probably refrain from lowering the prices. So, I would probably leave the price level as it is for the time being.”*

According to D4, good quality often has its price. Exclusivity is considered to be an important factor, because Damascus steel is known as a high-end product. This is not only in terms of the way it is produced, but also in terms of the quality, and the appearance. All these factors are also reflected in the price of the final product.

D4 also indicates that due to the fact that many customers already have experience with some of the products, they are aware of certain product features, such as the quality and durability. This is mainly why they are willing to pay higher prices for the kitchen knives.

When it comes to pricing, it is important for Damasteel that the product is not being sold too cheap. Otherwise, this could have a negative impact on the current sales. Hence, they are not competing with the price of the product, but with the quality of the product. The angle on pricing is in the premium knife market as well as in the premium-price segment. Furthermore, it is important that the price is consistent, and therefore the same in every market.

4.2.5 Product positioning

According to D1, when it comes to positioning a product in the market, marketing plays an important role. It is all dependent on the costs, and it is a crucial decision to make how much money should be invested in marketing.

D1 considers the overall concept as the most important product feature. Customised knives have been widespread for approximately 30-40 years now. Design and packaging

of the product are very important, and often the most crucial factors influencing customer demand, and why the customers choose a certain product over the competition. It is important to keep in mind, however, that since the product is something very exclusive and expensive, it is not suitable for the masses. D1 describes the product as *“high-quality product manufactured in a modern way, but also at a very consistent price”*.

Regarding the origin of the raw material, D1 states the following: *“there are patterns and such that are only made by Damasteel, and you can actually already tell from a blade whether it's Damasteel, so mostly 90% of the time you can see immediately that it's Damasteel, so it's really easy to recognise very well. (...) Where Damasteel is actually at home is in the top range, and that's where it has to stay and must not be allowed to get into the cheap, junky (...)”*

According to D2, the origin of the product often makes it valuable for a customer, and customers tend to pay a lot of attention to where the product has been produced. In addition, the quality of steel that has been used to produce the knife is an important product characteristic. Therefore, as highlighted by D2, kitchen knives made of Damascus steel can be seen as one of the most important factors that make the product competitive in the market. D2 describes them as the following: *“so a Damascus knife for 2000€ is probably not used for cutting cucumbers”*. In addition, D2 also indicates how the brand name plays an important role in the market.

D3 considers it an advantage in making the product competitive in the market when a firm is able to cover all the price segments. In that way, they are also able to offer a diversity of products for the beginners, semi-professional knifemakers, and the professionals.

Another important factor regarding the product positioning is described as the following by D3: *“to be honest, Damasteel is well positioned in the market with its products. That means that customers know the prices and are prepared to spend the money accordingly. (...) the comparability to other products, to competitors, for example. Therefore, if the customer wants to buy something cheaper, maybe goods from Russia, there are still some things to buy or maybe China or something like that. But otherwise in the quality level, I think Damasteel is alone in the market segment.”*

Long-term relationship with the customers is crucial and something to aim for. As D3 points out, it is important to grow with the customers, and the customers can also grow with the firm, and thus the customer demand grows as well. The products the customers buy, therefore, will also become more valuable over the years.

According to D3 the image is very important when positioning a product in the market. This also refers to the image of the manufacturer. Reputation is crucial, and if it is ruined, there is a severe danger of going out of business.

One problem regarding the product positioning in the market is summarised by D3 as the following: *“I’ll just summarize knives from the Far East. They are all made in the Japanese style, but of course they are of much lower quality and come from China at much lower prices. And the problem here is, of course, that the customer can’t tell the difference. He sees a knife somewhere at the dealer that looks like Japanese style and that also looks like Damascus steel, but I don’t think he can distinguish the quality on the Internet or at the local dealer.”*

D4 indicates that when positioning the product, it is important to keep in mind that these products are not for the masses. Therefore, not everyone has them at home. When something becomes a mass product, it usually becomes uninteresting as well.

According to D4, the price itself often makes a product competitive. In addition, it is important to ensure that every product is always an absolutely unique piece. A certificate guaranteeing that comes with the purchase. Therefore, every product is considered to be a new product. The main features that make a product valuable are high-quality materials, good workmanship, and symmetry.

According to Damasteel, there are a lot of quality knife makers in Germany. The most important attribute of the product is that it cannot become a commodity. Quality of the raw material, therefore, plays an important role. Currently, they are planning on launching a new product that has gone through a streamlined production process. However, this is still in the testing phase, and it has not yet been determined how to sell the product or how to market it. The price will be lower than for the existing products, however, the challenge is to not enter into competition with themselves.

4.2.6 Identifying and targeting customers

D1 considers most important customers to be the ones who are their followers on either Facebook or Instagram. These social media platforms have become more important than the trade fairs when reaching the customers. One of the reasons behind this is the more effective and rapid response rate social media channels and emails can offer compared to the traditional trade fairs. However, it is still considered important to attend these trade fairs.

Furthermore, as D1 points out, it is often customers who have already made several purchases who buy the products. In spite of this, the buying behaviour of the customers has changed completely. There is no longer similar customer loyalty as there used to be, and the internet has made it easy for customers to go online, compare the products, and make the purchase decision.

D1 summarises the customers' purchasing decision as the following: *"the decision to buy, yes, that is often difficult. Sometimes you think you're talking your head off and you don't sell, and someone comes along and just takes it. It's more like buying for pleasure."*

D1 highlights that having a network of customers in different countries is not always only about the customers per se, but these networks can also lead to friendships. Furthermore, it is interesting to find out what other things these customers buy. D1 summarises the process as per the following: *"these are little things where I actually like having such a network, it is always a recognition and when someone spends a lot of money, they also have the confidence to buy it and that is connected to a long-term marketing that you build up, quality and reliability and that is finally a very important factor if we want to be on the market in the long term"*.

According to D2, one of the main ways to reach the customers is via the company's Instagram account. In addition, the company's website plays an important role. Catalogues are also being sent out once a year, and newsletters are regularly sent to those customers who sign up for them. Discontinued models at a lower price can be sold at summer and winter specials. D2 considers the most important customers to be all the private customers as well as the specialist dealers who further resell the knives.

D3 explains how the customers are mainly reached via newsletters, which is sent approximately every 3-4 weeks. Social media channels, for example Facebook and Instagram are also important. Customers are also targeted via online shop and advertising, which is placed accordingly in the search engines. Advertising in trade journals is considered an effective way to draw general attention to both the company and the entire product range. Personal advice on the phone, by email, or on the site can also be provided, which can result in multiple personal conversations with the customers. This ensures that the customers are being advised accordingly based on their requirements. It is crucial to have an open ear for the customer and to respond to their wishes. That is also how the product range has developed over the years.

Regarding the brand name of Damasteel and how well known it is in the market, D3 explains the following: *“I would say that among customers who produce knives, i.e., in the semi-professional sector, or among knife manufacturers, Damasteel is already known. But I could imagine that it is not yet so well known among the normal end customers, because I think a lot of it is about the price.”*

D3 highlights that every question asked by the customers is taken seriously and discussed within the whole team if necessary. In the medium and long term, these questions may have an impact on the product range in the form of amendments to existing products or introducing new products. This also applies to quality improvement. Customer service is also considered important both before and after the sale of the product. It is crucial to be able to fulfil the customer orders as quickly as possible. Furthermore, one of the biggest benefits for the customers is the experience that can be offered to them. Trust also plays an important role, hence it is necessary to build trust together with the customer over the years, by being a reliable partner. The customers should always have a contact person for every product. In addition, as D3 points out, in the past they have actually underestimated the importance of customised products.

According to D4, there are no trade fairs being held for the time being. These would be important due to the personal contact that is always significant when selling high-priced products, as indicated as follows: *“yes, unfortunately no fairs at the moment. Trade fairs are definitely important, personal contact is always important for high-priced products, yes, and not so I'll just say that I sell Damascus knives for 500€ in the shop without any*

problems, but if it costs two and a half thousand, then the customer wants to hold it in his hands. So from that point of view, trade fairs are important.”

In addition to the trade fairs, the most important marketing tools are the shop itself, newsletters (sent approximately every 3-4 months), and social media channels, such as Facebook and Instagram. Also, good pictures of the products as well as thorough description of them are important. When acquiring new customers, D4 indicates how Facebook is commonly used due to the opportunities it offers to present oneself. Also, it does not cost anything but time.

D4 considers the most important customers are all those small customers who order regularly. Even though the quantities these customers order are rather small, they are considered very important. According to D4, everyone should own three knives, because *“every cook can get by with that. Everything else is luxury.”*

Specialising only on one large customer would be considered a mistake, since losing that customer would mean a big loss for the whole business.

When it comes to identifying the customers, D4 explains how cooks tend to buy these more expensive knives for their homes, but not for industrial use. Usually in the catering business, people already work with high-quality knives, but working with Damascus knives would be very rare. D4 summarises this as follows: *“it's quite simple, it's hectic, yes, they can't take care of the knives and put them away in the way that you should actually take care of a knife. As I said, these chefs who work with these high-quality knives appreciate it, but they use them at home.”*

According to D4, when a customer is making their purchase decision, it is important that they know what makes the knife special. However, it can be a problem in the specialised trade because it is difficult to explain what is actually being sold.

When discussing the customers, the main issue for Damasteel has been that they are located one step away from their customers due to them being in a different country. Therefore, it has been difficult to determine how to find the customers, and how to market the product for them. In order to develop a successful marketing strategy, it needs to be clear first who actually buys the premium-priced kitchen knives and why. Hence, at the moment the marketing of Damasteel only focuses on the knife makers.

4.3 Summary of the findings

The table below summarises the main findings and the themes from the empirical part of this study. The findings section in the table combines the answers from the four distributors, in addition, the perspectives from the case company Damasteel have been included. Based on these findings the main themes have been identified. N/A refers to no answer from that particular respondent.

MAIN FINDINGS	THEMES
<ul style="list-style-type: none"> • Quality before price, reliability (D1) • N/A (D2) • Quality, reliability, reputation of the company, continuous availability (D3) • Quality, reliability, communication, quick delivery times (D4) • Aim to be the number one supplier in the German market. Distributors should be well known in the market with good presence on social media. Good websites and web shops are also required. (Damasteel) 	<p>The most important factors affecting the supplier and/or distributor choice</p>
<ul style="list-style-type: none"> • Positive, increasing (D1) • Currently great demand in the market (D2) • Positive, 15-20% increase in the last few years (D3) • 15% increase in the last few years, increase in online business due to Covid-19 pandemic (D4) • Good, future looks positive (Damasteel) 	<p>Changes in demand in the German market</p>
<ul style="list-style-type: none"> • More potential in high-priced sector, still too large offering in the lower price segment (D1) • Currently more demand for the cheaper products (D2) • Expansion of product range could lead to bigger growth (D3) • Demand for high-quality knives is increasing (D4) • More potential for growth, better brand recognition could increase the sales (Damasteel) 	<p>How to achieve growth in the German market</p>
<ul style="list-style-type: none"> • Design of the knives (D1) • Popularity of Damascus knives (D2) • Customisation, personalised products (D3) • Customers focusing more on product quality (D4) • N/A (Damasteel) 	<p>Current trends in the German market</p>
<ul style="list-style-type: none"> • Competitive, price war existing in the market (D1) • Few competitors in the market (D2) • Relatively large, price war and pressure immense (D3) • Competition and price war high, difficult market to enter for new companies (D4) • Both direct and indirect competition in the market, main competitors are other Damascus steel producers in the premium- 	<p>Competition in the German market</p>

price category. One main competitor in the German market. (Damasteel)	
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Table 4: Summary of the empirical findings (1)

Source: Own development

MAIN FINDINGS	THEMES
<ul style="list-style-type: none"> • Material costs, time and effort, price must be comparable to other markets (D1) • Time and effort, quality of the raw material (D2) • Competition in the market, individuality of the product (D3) • Good quality, exclusivity, quality of the raw material (D4) • Quality of the product, focus on the premium-price segment, price should be the same in every market. (Damasteel) 	Factors influencing the price of the final product
<ul style="list-style-type: none"> • Overall concept, design, marketing activities, company's reputation (D1) • Origin of the product, quality of the raw material (D2) • High quality, customisation (D3) • Price, uniqueness, high-quality materials, every product is a new product (D4) • High quality raw material, premium price (Damasteel) 	What makes the product valuable in the eyes of the customers
<ul style="list-style-type: none"> • Marketing activities, exclusivity of the product (D1) • Brand name (D2) • Product image and reputation, ability to cover all the price segments (D3) • Cannot be a product for the mass audience, or it will become uninteresting (D4) • Product cannot become a commodity. New product about to be introduced to the market, still in testing phase, unclear how to market and sell it (Damasteel) 	Important factors to consider when positioning a premium-priced product in the German market
<ul style="list-style-type: none"> • Customers making repetitive purchases (D1) • Private customers, dealers reselling the products, knife collectors (D2) • Importance of customer service and trust, which can lead to reliable partnerships (D3) • Small customers making regular purchases, home cooks, knives not used in professional kitchens (D4) • Customers are the companies producing the knives, but the main issue has been to identify who the final customers actually are (Damasteel) 	Identifying the customer base and the most important customers
<ul style="list-style-type: none"> • Trade fairs, social media (D1) • Social media, company website, catalogues (D2) • Newsletters, social media, online shop, advertising (D3) • Trade fairs, newsletters, social media, shop (D4) • Digital seminars, marketing directed to knife makers (Damasteel) 	Ways of targeting the customers

Table 4: Summary of the empirical findings (2)

Source: Own development

5 Analysis and discussion

In this chapter, the empirical findings of the study will be thoroughly analysed and discussed. Same six categories that were used in the findings in the previous chapter will be discussed separately in order to give the reader a better overview of each topic. Furthermore, the theoretical framework will be used as a tool to analyse the findings of this study, with some adaptations made to the original model that was presented in chapter two. Thereafter, the analysis will be summarised, and they will be connected to existing literature and theories.

5.1 Requirements for the supplier and/or distributor

The process of internationalisation almost always includes the export of goods. Finding suppliers abroad is not easy and the internal barriers on a micro level are challenging (Paul et al., 2017). It is therefore even more important to maintain sustainable relations. In order to build those relationships, firms need to offer superior value (Cambra-Fierro & Pérez, 2014). To position a product on the market, especially in the field of business to business, fulfilling the requirement of the supplier, is crucial. Even more in a niche market, where the amount of suppliers is by some means limited. Mainly in a B2B world, value-generating processes need to be prioritized, because it is also through this relationship, that the value is created for the final customer (Cambra-Fierro & Pérez, 2014).

As mentioned by all interviewed distributors that answered this question, one of the most important factors is the quality. As a matter of fact, quality is considered even more important than price by D1. Those results are in line with Recklies (2015) where companies that are often occupying lucrative niches are aiming for quality leadership, where a high price level can be maintained. Other important factors mentioned, for example by D1, D2 and D4, are reliability and communication with the supplier. Associated therewith are Cambra-Fierro et al. (2014), who assert that communication, which leads to additional knowledge enhances the competitive position of SMEs.

Furthermore, compliance with delivery dates and deadlines is considered as a part of a vital supplier-distributor-relationship. The distributor hardly depends on the scheduled delivery to keep the end-customer pleased (D3). As mentioned by D1, longer delivery

times itself are not an issue, as long as they are well communicated. And while D4 agrees, he also mentions that he would prefer quick delivery times, especially to satisfy restless customers. Customer satisfaction in turn has a positive influence on a company's financial performance (Armario et al., 2008).

5.2 Market characteristics

Comprehending the corporate environment is important (Homburg, 2017) and in order to compete in the modern world, companies must regularly update their product and service offerings to meet the customer demand (Celic & Pavlovic, 2020).

According to D3 and D4, the kitchen knife market has been growing significantly at about 15-20 % over the last five to ten years. Comparable results are shown in the Kitchen Knives Market Report from 2019, where a worldwide compound annual growth rate in the kitchen knife market was forecasted. Reasons for Germany scoring higher could be that, as by D3, Germany is worldwide known for quality knives. At the same time Germany is the seventh largest crude steel producer in the world (BMWi) and therefore being of particular importance for the industrial value chains (Wirtschaftsvereinigung Stahl).

Driving factors for this growth are mentioned by D1 and D4, who name a rising number of cooking programmes which corresponds to the findings in the Kitchen Knives Market Report from 2019, were the growth driving factors that were mentioned there are also reality shows and a rising impact on social media platforms. This could also be confirmed by the interviewees.

Today's business world is characterized by changes and in order to compete in the modern world, companies must regularly update their product and service offerings to meet the customer demand (Celic & Pavlovic, 2020). Due to their flexible structures, many SMEs are fortunately able to quickly react to the changes occurring in the economy (Ulubeyli et al., 2018) Current potentials in the kitchen knife market are Japanese designs (D1) and customisation (D3, D4). Customisation in this market allows the customer to choose an individual product by personalising the knife and getting it delivered according to their wishes (D3). According to D2, Damasteel knives are popular as well and could therefore

be considered as a trend in the market itself. Luckily, due to the unique characteristics of the products, companies are also often able to charge premium prices (Celic & Pavlovic, 2020).

A study from 2003 could show that picking premium price quality extremely correlates with 'finding the experience interesting/enjoyable' and 'gathering information beforehand', leading to the assumption that choosing a premium priced product correlates with interest (Allsopp, 2005).

5.3 Competition in the market

The market share in the kitchen knife industry has a low concentration in terms of market share, but nevertheless, the kitchen knife business over the last five years, especially for smaller companies, was influenced by an intense and growing external competition, (Planetmarketreports). Corresponding to D1, the German market is considered competitive, and it is impossible for a small business to lower the prices of the final products. Therefore, companies have to be flexible and innovative in order to cope with the changes occurring in the market, because these changes can either be opportunities or problems for them (Celic & Pavlovic, 2020). The competitor analysis is therefore a significant key factor for the strategic decision process (Hatzijordanou et al., 2019).

Due to the internationalisation process of business, the market environment became less predictable, and the competition grew (Jennings and Jones 1999). According to D1, having less players selling raw steel in the market, thus could reduce price wars and at the same time ensure price stability. D3 also confirms that price war and the price pressure have been immense. Price stability, however, is considered important and it should be ensured as emphasised by D1. Furthermore, when all products available in the market have similar characteristics, for instance when there is no difference in quality, it often comes down to the company's marketing activities and its reputation when a customer is deciding which product to choose. Therefore, huge companies benefit from brand recognition (Planetmarketreports).

5.4 Pricing strategies

In order to justify the high price of the product, all the respondents mentioned how high quality comes with a certain price. This finding is also supported by Recklies (2015), who found in his research how quality leadership allows a firm to charge a high price. In addition, Recklies (2015) indicates that even customers expect good quality to cost more. This is closely related to how D1 summarised the importance of quality: if the product does not cost more, it will not be worth more either. Also, as discussed by D2, customers are willing to pay more for a good quality product. D4, on the other hand, mentioned that it could be the customers' previous experience of a certain product that makes them aware of the quality. This is also closely related to the findings of Jensen (2013), who suggest that price can encourage certain perceptions in consumers.

Therefore, as per the findings of this study, it seems as though customers tend to correlate high price with high quality. This is supported by Utaka (2007), who describes the relationship between high price and high quality to be a popular opinion. Interestingly, according to D3, there seems to be demand for the medium-priced segment. However, how this could be done in practice without compromising the quality of the product still remains a question.

Fleig (2021) highlights how the brand of the company may have an influence on the selected pricing strategy. This can be linked to what D3 mentioned about the confidence the customers have on the manufacturer justifying higher prices. Furthermore, as D2 explained, the customers tend to appreciate local products over the imports. Hence, the origin of the product can also be connected to the brand image.

In addition, as explained by Recklies (2015) another reason for a higher price may be the cost of manufacturing the goods. When setting the prices for their final products, several respondents mentioned how the cost of the raw material, as well as the time and the effort it has taken to manufacture the goods must be taken into consideration. D3 highlighted the importance of analysing the competitive situation in the market when setting the prices for the final products. As discussed by Hatzijordanou et al. (2019), competitor analysis is necessary when making strategic decisions, especially successful pricing decisions (Banterle et al., 2014). In this case, therefore, those strategic decisions refer to pricing methods. Fleig (2021) also mentions the competitor perspective when considering the

right pricing strategies. Due to the competition in the market, the prices are currently down, as indicated by D3.

Celic & Pavlovic (2020) discuss how premium prices can often be charged by those firms offering unique products. This factor was also discovered in our research, since D4 highlighted the importance of exclusivity of the product. Moreover, D3 discussed how a premium priced product cannot be something that anybody could buy, but rather something customised and individual. These findings support the differentiation strategy, which refers to the company's unique product offering (Pett & Wolff, 2017).

5.5 Product positioning

When it comes to product positioning, D4 highlights the uniqueness of the product. Hence, the product cannot be for the masses, otherwise customers may lose their interest in it. D1 agrees with this by stating how exclusive and expensive products cannot be targeted for large audiences. These findings correlate with Pett & Wolff's (2017) explanation of differentiation, which refers to the uniqueness of the goods. Furthermore, as Cerne & Rant (2017) indicate, differentiation through product innovation relies on a firm's ability to offer something superior compared to its competitors, such as in the form of design or quality. This is supported by the findings from D2 and D4, who emphasise the importance of high-quality raw material. D1, on the other hand, mentioned the design of the product as one of the most important features which may have an influence on why a customer chooses a certain firm over its competitors.

Pett & Wolff's (2017) suggest how SMEs often tend to operate in niche markets. This is supported by D1's statement of how customisation is considered to be one of the most important product characteristics. The importance of customised products is also closely linked to the findings of Celic & Pavlovic (2020) regarding how it is necessary to update the product offering in order to meet customer demand. This is specifically important in today's rapidly changing business environment, as indicated by Celic & Pavlovic (2020).

D3 highlights the importance of the diversity of product offering depending on who the customer is. This can be linked to what Frambach et al. (2003) indicated regarding the firm's ability to understand the customer needs.

D1 discusses the importance of marketing, when positioning a product. Main feature is the cost, and the decision of how much money should be invested in the marketing activities. Pett & Wolff (2017), on the other hand, indicate how differentiation can be achieved via a company's marketing actions.

When discussing the product positioning, D2 mentioned the brand name and D3 the image and reputation of the company as crucial. This is closely related to what Celic & Pavlovic (2020) indicate, a firm implementing a differentiation strategy aspires to be exquisite in the eyes of their customers. In addition, this supports the findings from Salazar-Ordóñez et al. (2018) who found in their study how brand equity plays an important role. Also, credibility and reputation of the firm are considered crucial, especially if competitors are offering similar products (Salazar-Ordóñez et al. 2018).

5.6 Identifying and targeting customers

Social media channels, especially Facebook and Instagram, are important when targeting the customers according to all the respondents. These are viewed as cost-efficient options, and they allow companies to communicate with customers in real-time. Frambach et al. (2003) discuss in their study how it is important for firms to minimise their marketing actions in order to achieve higher profitability. On the other hand, Gregoriades & Pampaka (2020) highlight the importance of different social media channels in customer engagement. In addition, the respondents mention either the trade fairs or newsletters as effective ways of reaching their customers. Personal contact is considered crucial, as highlighted by both D3 and D4.

Superior value that has been offered to the customers often leads to customer satisfaction, which in turn often means better performance financially, as stated by Armario et al. (2008). Both D1 and D4 indicate the importance of those customers making repetitive purchases, in spite of the quantities that are being ordered are rather small. D4 indicated how focusing on one big customer instead of multiple smaller ones could be a costly mistake for a business. In addition, D2 emphasised the meaning of private customers instead of corporations. Nobody, however, mentioned that Damascus knives would be used in professional kitchens.

D1 indicated how important different networks can be. Cambra-Fierro & Pérez (2014) indicated in their study how it is necessary to manage both the inter- and intra-organisational relationships in order to make sure that value is being created for the end customer.

According to D3, buyers often tend to value customised products. In addition, as discussed by D4, customers need to know which features make a certain product special. This is supported by several studies that indicate the importance of a differentiation strategy for SMEs (Cerne & Rant, 2017; Pett & Wolff, 2017; Celic & Pavlovic, 2020), specifically in the form of a unique product offering (Pett & Wolff, 2017). Furthermore, as discussed by Ulubeyli et al. (2018), firms implementing differentiation strategies need to be innovative. This was also presented in our study, where D3 explained how customer feedback can be utilised in product improvement or in new product development. This finding is also supported by Celic & Pavlovic (2020), who indicate that firms must constantly update their product offerings to meet the customer demand and to be able to compete in the modern world.

Cambra-Fierro & Pérez (2014) highlight the importance of offering superior value for customers when aiming to build long-term relationships with them. D3 explained how all customer inquiries should be taken seriously, and that good customer service is crucial for a firm. According to D3, firms must be able to listen to what their customers have to say, and also to react to their wishes. This finding is supported by Frambach et al. (2003), who highlights the importance of listening to the customers in order to find out how to create value for them. Paying attention to customers' needs can increase the profitability of the firm and it is also important when a company is aiming to position themselves against competition (Frambach et al., 2003).

5.7 Model of positioning premium priced products (4P-Model)

Theoretical framework was created based on the literature review and discussed earlier in chapter two. After completing the empirical part of the study and analysing the findings, it became obvious that minor changes were required for the framework. Hence, we have named this model of positioning premium priced products, 4P-Model.

First, we underestimated the influence of the brand image. Our study showed a clear connection between the brand of the firm and product positioning. Furthermore,

reputation can be rather vulnerable, since when it is ruined, there can be a high risk of going out of business. Salazar-Ordóñez et al. (2018) discuss in their study, how brand equity becomes important when products can easily be substituted. However, our study shows that even though no similar alternative exists in the market, brand image is still important. Perhaps the brand image itself is the factor that makes the product valuable in the eyes of the customers.

Second, instead of focusing on the potential customers in the market, the focus should rather be on the existing customers. Our study showed how the most important customers are often the ones who make repetitive purchases; therefore, customer service is considered crucial. This can lead to better customer satisfaction and customer loyalty, which in turn can have a positive impact on a firm's financial performance, as indicated by Gregoriades & Pampaka (2020).

Third, competition in the market does not seem to have as significant influence as we originally anticipated. Instead of focusing on what the competitors are doing, the most successful strategy seems to be to focus on differentiation and offering customised products to the customers.

As presented below in figure 7, these factors can eventually lead to competitive advantage and better knowledge of the target market.

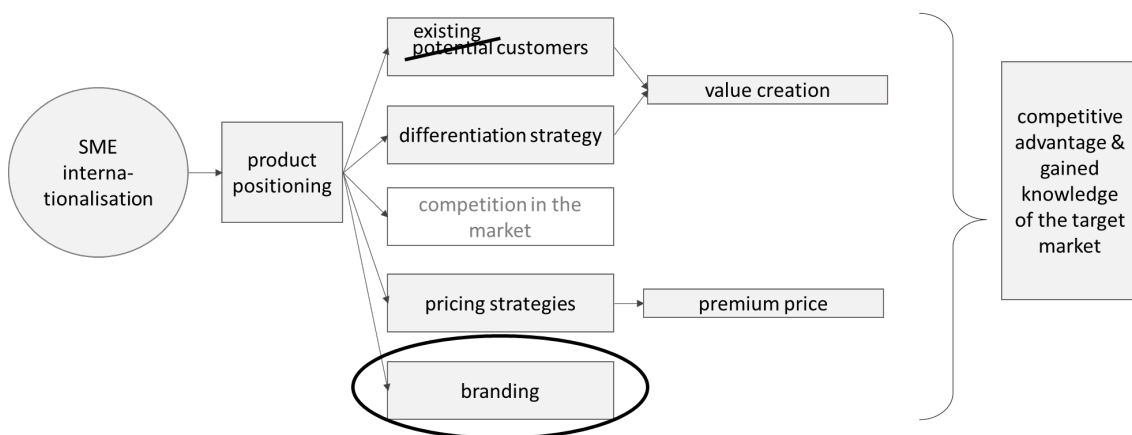


Figure 7: Model of positioning premium priced products (4P-Model)

Source: Own illustration

5.8 Summary of analysis

The table below illustrates the summary of the analysis. The most relevant empirical findings will be presented first. After that, themes from the findings have been identified, and are listed in the table as “main themes”. In addition, theoretical connections linked to each theme are presented, as well as the final outcome of the analysis.

EMPIRICAL FINDINGS	MAIN THEMES	THEORETICAL CONNECTION	ANALYSIS OUTCOME
High quality means high price; customers pay more for good quality products	Correlation between high quality and high price	Quality leadership and high price, customer expectations (Recklies, 2015); consumer perceptions (Jensen, 2013)	High quality must come with high price, and superior quality is one of the main reasons why customers are willing to pay high prices.
Exclusivity; customisation; individuality, expensive products not for everyone	Product differentiation justifying the premium prices	Premium price charged with unique products (Celic & Pavlovic, 2020)	The product cannot be for everyone, since it is often individuality that makes a certain product more valuable in the eyes of the customers.
Repetitive purchases, feedback from the market; product development; focus on small customers	Importance of good customer service and value creation for customers	Value for customers, long-term relationships (Cambra-Fierro & Pérez, 2014), customer needs (Frambach et al., 2003); product offering linked to customer demand (Celic & Pavlovic, 2020)	Important to listen to customers and build relationships with them. Existing customers often return. Feedback from them leads to improved or new product offerings.
Marketing; customised products; diversity of product range; every product is a new product	Successful product positioning with unique product offering and customisation	Exclusive offering, differentiation through product innovation (Cerne & Rant, 2017); superiority in the eyes of customers (Celic & Pavlovic, 2020)	The importance of unique and customised products in product positioning. Feedback from the market can lead to product development.
Brand name, image, and reputation of the firm	Influence of firm's reputation and brand image on sales	Brand equity, reputation of the firm (Salazar-Ordóñez et al., 2018)	Brand name is considered crucial, and it can be used to target customers. Important to have a good reputation in the market.

Figure 6: Summary of the analysis

Source: Own development

6 Conclusion

This chapter will begin by providing answers to the research question of this study. Thereafter, theoretical and practical contributions of this study will be presented. Furthermore, this study will be critically assessed, and its limitations will be discussed by identifying what we would have done differently if we had the knowledge back then that we have now. Lastly, suggestions for future research are given.

6.1 Answers to the research question

The empirical findings of this study provided us with plenty of useful information that helped us to provide answers to the research question. To remind the reader, the research question (RQ) that has been guiding our study is the following:

RQ: What are the main factors for an SME to consider when positioning a premium priced product in the international market?

In general, high quality of a product seems to be connected with high prices in the eyes of the customers. In addition, customers seem to appreciate the prestige image of both the product and the good reputation of the company selling that product. This is why firms must constantly observe their product positioning by gathering data from the market, as suggested by Gregoriades & Pampaka (2020).

One of the most important things that was discovered to have an impact on the product positioning was customisation of the products. In order to successfully position a premium priced product, it is important that the product is not targeted for a mass audience, but rather to a smaller number of individual customers. This is similar with the findings of Celic & Pavlovic (2020), who argue that differentiation strategy is valuable when meeting the unique needs and preferences of the consumers. Therefore, as indicated by our study, exclusivity plays an important role, and differentiation is something that firms should focus even more on in the future.

Furthermore, our study indicated the importance of good customer service, because the most important customers are the ones who come back. Therefore, SMEs can often utilise differentiation in order to create and enhance customer loyalty in foreign markets, as indicated by Knight et al. (2020). Gregoriades & Pampaka (2020) also argue that

customer satisfaction and customer loyalty can often have a positive impact on a firm's financial performance. Cambra-Fierro & Pérez (2014) highlight the importance of offering superior value for customers, when aiming to build long-term relationships with them.

In addition, quality of the product is important, and it is often one of the main features to justify the high price. On the other hand, price itself can be an important factor. When a certain product has a high price, it gives the product a prestige image in the eyes of the customers. Premium price can be charged with unique products, as has been argued by Celic & Pavlovic (2020). According to our study, customers tend to automatically correlate high price to high quality. These findings are in line with Recklies (2015), who indicated that customers often expect good quality to cost more.

For many customers the origin of the product and where it has been manufactured is important. Customers seem to prefer locally produced goods instead of exports from abroad. In addition, a good reputation and the brand image of the firm selling the goods is important, which is why companies should pay more attention to branding as a marketing tool. This is similar to what Salazar-Ordonez et al. (2018) highlight in their study, when it comes to the importance of a brand image and the reputation of the company.

Furthermore, the ability to follow the current trends as well as knowledge of what is going on in the market is necessary when positioning a product in a foreign market. This includes for instance knowledge regarding the competition and demand in the market. The competitor analysis is a significant key factor for the strategic decision process for a firm, as indicated by Hatzijordanou et al. (2019).

In addition, it is important for a firm to know who the customers are and the reasons that influence their purchase decisions. Customer orientation and understanding customer needs, therefore, requires long-term commitment from a firm, as indicated by Frambach et al. (2003). Also, it is important to know how to target these customers. Our study indicated the importance of different social media channels. Social media channels, therefore, can be valuable tools in product positioning due to their relevance in customer engagement (Gregoriades & Pampaka, 2020).

6.2 Theoretical contribution

This study contributes to the relevant literature in various ways.

First, this research progresses our understanding of particularly Swedish SMEs operating in a business-to-business (B2B) environment and how they can position their premium priced product in the German market. Therefore, this study aims to gain in-depth knowledge regarding the local market conditions in Germany.

Due to the business-to-business nature of this particular trade it is not necessarily as straightforward to get information from specific markets as it could be, if selling directly to local end customers. In order to contribute to the already existing theory, local distributors in the German market were interviewed.

By exploring the correlation between high quality and high price, especially in a niche market and with Recklies (2015) already assuming, that due to customers' expectations quality has a certain price or Utaka (2007) mentioning, that a popular opinion is, that a higher price equals a high-quality product, this study extends that high quality must come with high price, and superior quality is one of the main reasons why customers are willing to pay high prices.

To justify a premium price, the product needs differentiation, for example through product innovation (Cerne & Rant, 2017). As to (Celic & Pavlovic, 2020) premium prices can be charged, especially when the products have a unique character. The product cannot be for everyone, since it is often the individuality that creates value to a certain product. The factor of individual product configuration as a justification for high price is also mentioned by the distributors.

Besides the uniqueness of the product itself, good customer service and value creation for the customer (Cambra-Fierro & Pérez, 2014) and the customer needs (Frambach et al., 2003) play another crucial role. Therefore, companies need to be flexible (Celic & Pavlovic, 2020). Our study could also show that it is important to listen carefully to their customers and aim for a strong customer relationship. Especially, because existing customers often return. In addition, as found in our study, feedback from the customers often leads to improved or new product offerings.

Our research findings on the influence of firm's reputation and brand image on sales go along with the findings from Salazar-Ordóñez et al. (2018), where brand equity may even have a higher influence on customers' purchasing decisions than quality of the products does deepens the importance of brand name and brand image. Second, through the empirical evidence of brand equity and reputation of the firm, this study adds that brand name is considered crucial, and it can be used to target customers.

All things considered, the study contributes to the existing literature by filling in the research gap regarding product positioning and pricing strategies in the German market from the perspective of a Swedish SME. Furthermore, as discussed by Butt et al. (2017), product positioning is often discussed from the perspective of the customers, not from a perspective of the company. This study, however, provides an insight of product positioning from the firms' point of view.

6.3 Practical contribution

One of the practical contributions of this study is the detailed market insight gained from the empirical findings. These findings allowed us to answer some of the questions regarding the market conditions of the German kitchen knife market. In B2B trade it can often be an issue that the company producing the raw material for a product is located one step away from the customers. Therefore, it might be unclear who the end customers actually are, and what makes them buy a premium priced product. Furthermore, it can be challenging to find these customers, and how to market the products for them.

This study, therefore, contributes to the gap in knowledge of the market conditions. It provides information of who the most important customers are and based on this information it could be easier to target these customers more effectively. This study also highlights the importance of the existing customers. Therefore, good customer service is crucial since it may lead to better customer satisfaction and loyalty, as discussed by Gregoriades & Pampaka (2020). These factors, on the other hand, can lead to more repetitive purchases which can bring more profit for a firm, as indicated in our study.

Since this study showed how demand for high quality kitchen knives has been growing during the past few years and the future prospect looks rather promising, knowledge of the current trends in the German market can be important. Demand for customisation and

personalised products seem to be growing in the market, which provides guidance of where the future focus should be.

This study revealed important information regarding the connection between product positioning and pricing strategies. This information could be useful when planning on a new product launch and when determining the right price for a new product. As discussed earlier in this study, customers seem to correlate high quality with high price. Therefore, it is important that the product has a prestige image, and it is not being targeted for a mass audience. Therefore, as indicated by Desai (2001), firms must avoid the cannibalisation effect where lower-quality products may cannibalise the sales of higher-quality products if consumers find them attractive enough, in spite of the firm's attempts to target higher-quality products for them. Lowering the prices could potentially jeopardise the existing sales and damage the brand image of the firm, as indicated in our study.

Moreover, this study indicated the importance of networking. The distributors in Germany were able to offer valuable information regarding the local market conditions. Since they are working closely with the end customers, they could provide us in-depth knowledge regarding the factors that affect the purchase decisions of the final customers, as well as the current trends and growth potentials in the market. Therefore, whenever detailed knowledge of a specific market is required, it could be a good idea to arrange meetings with the business partners who operate close to the market and its end customers.

6.4 Reflections on the study

To begin with, the literature on this specific market is very limited and, in some cases, expensive. Another complicating factor is that the studies do not always clearly address premium priced kitchen knives, or kitchen knives in general. Articles also often use different terms such as premium pricing, prestige pricing or image pricing which leads to problems of comparability.

Upon request of an interviewee, one interview was conducted on the phone, which led to some connectivity issues and lastly to a possible loss of some information. In addition, conducting an interview via video-call creates a more comfortable atmosphere and allows

interpreted somebody's physical reaction, as well as to read between the lines and also reducing interruptions.

Although we are convinced that it was a good decision to conduct the interviews in German (as requested by all interviewees) in order to receive as much direct information as possible, the interviewees partially had a strong accent and were using proverbs which were hard to translate. Even though it was made sure that the interviews are transcribed and translated correctly, it is inevitable that some information still might get lost in translation. In addition, recorded interviews leave room for interpretation. Another listener could have interpreted the data differently or put on another focus.

From the vantage point of the present, and even though this study has its focus on a niche market, additional interviews would have been helpful in order to collect more information and to increase the significance of the outcome.

Damasteel was more than helpful getting us in contact with the distributors. Unfortunately, waiting for the distributor's responses took quite some time and we were therefore not able to schedule more interviews. In addition, in one case of the interviewees we felt that it could have been helpful if this person would have been working in this field for a longer time, especially to make the results easily comparable to the others.

From today's view we might have liked to aim for research that allows us to draw more general conclusions. This thesis does not give an overview of the German market but focuses on a niche market. Therefore, the gathered data may not be sufficient enough to draw more common conclusions.

6.6 Suggestions for future research

The results of the study have been affected by the limited amount of time that was given. It would be highly appreciated if a longitudinal study on future market developments could be conducted.

In particular the effects on the company Damasteel and also on the end customer of the finalised knives when Damasteel would introduce a new, slightly less costly steel to the market could be investigated. The question would be, if this will either have a positive or

even negative effect on the amount of end customers and on the profit itself. As mentioned by D3, he in fact assumes that if Damasteel would lower the prices a little bit, it would be possible to bring more volume to the market. On the other hand, he also mentions that the knife maker also would have to bring more products to the market in order to achieve the same turnover. D3 also mentioned that in his opinion Damasteel is well positioned in the market with its products, implying that the customers know the prices and are prepared to spend the money accordingly. D4 shares a similar opinion. When asked if Damasteel should offer a similar product for only 70 % - 80 % of the current price, he replied that he personally would not recommend them to do it. Damasteel would be known for high quality, and quality has a price.

This statement is in accordance with several researchers, such as Recklies (2015) mentioning a correlation between high quality and a high price in the customer's expectations and Celic et al. (2020) stating, that premium prices can easily be charged, when the products have a unique character, which would be the case in the premium knife market.

Future research could supply an insight into how to better target the final customers of this niche market, and how to market a premium priced product for them. Even though this study provided an overview of who the current customers are and highlighted the importance of them, it could be further investigated how to attract new customers. Perhaps this could be investigated together with the brand equity, since Damasteel was also wondering if better brand recognition could lead to growth in sales.

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Appendix

Email for the first contact with the respondents of the study

Dear XX,

We hope you are well.

Oscar Lundvall from Damasteel forwarded us your contact information.

We are two Master Students at the University of Gävle, studying Business Administration.

For our Master thesis we are investigating how to position premium priced kitchen knives in the German market. We would like to find out factors related to market positioning of Damascus steel knives, for example competition in the market and your customers.

Therefore, we would be very pleased if you would have time for an interview sometime next week.

The interview questions as well as the invitation link to the Microsoft Teams meeting will be sent to you 2-3 days before the interview takes place. The duration of the interview will be approximately one hour. In case you don't want your name or the company name published, we can guarantee you anonymity by privacy and confidentiality agreement.

We really appreciate your time and help with our Master thesis.

Please let us know which date and time next week would suit you the best.

Kind regards,

Emilia Hämäläinen and Kristina Hartung

Confidentiality agreement

Privacy & Confidentiality Agreement

This form is used for a study for Master Thesis, as a part of an ongoing research project at the department of business and economics studies at the University of Gävle, Sweden which has its focus on SMEs internationalization and regional development.

The research subjects are asked to sign this agreement for their participation in this Master Thesis study. With this, the research subjects agree on the terms listed below.

The research subjects have the right to be informed about the nature of the study and why it has been conducted.

Project title: Positioning of premium priced kitchen knives in the German market

We, Emilia Hämäläinen and Kristina Hartung, the researchers of study, agree to keep all the research information shared with us confidential and secure. Therefore, we will not publish the name of the company, or interviewee in the study.

The respondent of the study, _____ agrees to grant the researchers with the rights to use collected data from the interview (e.g., recording or editing image or sound data, transcribing, interpreting, translating, entering data, destroying data) for the purpose of this study.

(Name of Respondent)

(Signature)

(Place and Date)

Researcher(s)

Emilia Hämäläinen

Emilia Hämäläinen

Gävle, 30.11.2021

(Place and Date)

Kristina Hartung

Kristina Hartung

Uppsala, 30.11.2021

(Place and Date)

The plan for this study has been reviewed for its adherence to ethical guidelines of the University of Gävle, Sweden. For questions regarding participant rights and ethical conduct of research, contact the researcher Emilia Hämäläinen (Hamalainen.Emilia@hotmail.com) or Kristina Hartung (Kristina_Hartung@gmx.net).

Questionnaire (English version)

Questionnaire on the subject: “What are the main factors for an SME to consider when positioning a premium priced product in the German market?”

Authors: Emilia Hämäläinen and Kristina Hartung

1. In what area of the company are you working?
2. What is your relation with Damasteel knives?
 - Option 1: Developing kitchen knives
 - Option 2: Selling kitchen knives to end customer
3. Do you have a network of other knife manufacturers that you develop the knife with?
 - a. if so, could you describe the network?
4. What factors are important when choosing a steel supplier for the kitchen knives?
5. How would you describe the demand of kitchen knives in Germany?
6. How has the kitchen knife market developed in the last few years?
7. Have you identified new trends or potentials in this market?
8. Do you think there is potential for market growth in the kitchen knife market?
 - a. and if so, please specify
9. Who are the main competitors in the German kitchen knife market?
10. How would you describe the competition in the kitchen knife market?
11. What do you think makes your product competitive in the market?
12. What factors do you consider when you set the prices for the final product?
13. Why do you think customers are willing to pay a premium price for kitchen knives?
14. How would you describe the main challenges when selling the premium priced kitchen knives?
15. What do you need to consider when positioning your products in the market?
16. Who are your main customers?
17. How do you target your customers?
18. How do you market your kitchen knives to attract new customers?
19. How would you describe the main characteristics that make your product valuable for the customers?
20. Could you describe what you believe influences the customers’ purchasing decision?

Questionnaire (German version)

Fragebogen zum Thema „Welche Faktoren sollten klein- und mittelständische Unternehmen im Ausland beachten, wenn sie ihr Produkt im deutschen Premium Preissegment positionieren wollen?“

Autoren: Emilia Hämäläinen und Kristina Hartung

1. In welchem Bereich des Unternehmens sind Sie tätig?
2. In welchem Bezug stehen Sie zu der Damasteel Messern?
Option 1: Entwicklung neuer Produkte/neuer Messer
Option 2: Verkauf an Endkunden
3. Gibt ein Netzwerk aus anderen Messerherstellern, mit denen Sie das Messer entwickeln?
 - a. Wenn ja, können Sie dieses Netzwerk beschreiben?
4. Nach welchen Kriterien wählen Sie ihre Zulieferer für den Stahl aus dem sie die Messer herstellen?
5. Wie würden Sie die Nachfrage nach Küchenmessern in Deutschland beschreiben?
6. Wie hat sich der Markt für Küchenmesser in den letzten Jahren entwickelt?
7. Welche möglichen Trends oder Potenziale haben Sie auf diesem Markt ausgemacht?
8. Sehen Sie Wachstumspotential im deutschen Markt für Küchenmesser?
 - a. Wenn dem so ist, können Sie diese bitte erläutern?
9. Wer sind die wichtigsten Wettbewerber im Bereich Küchenmesser auf dem deutschen Markt?
10. Wie würden sie den Wettbewerb im deutschen Markt für Küchenmesser beschreiben?
11. Welche Eigenschaften ihrer Produkte machen diese wettbewerbsfähig?
12. Welche Faktoren berücksichtigen Sie, wenn Sie die Preise für das Endprodukt festlegen?
13. Warum, glauben Sie, sind die Kunden bereit, einen höheren Preis für Küchenmesser zu zahlen?
14. Was sind Ihrer Meinung nach die größten Herausforderungen beim Verkauf von hochpreisigen Küchenmessern?
15. Auf was muss bei der Marktpositionierung eines Produktes besonders geachtet werden?
16. Wer sind Ihre wichtigsten Kunden?
17. Wie erreichen Sie ihre Kunden? / Wie können Sie Ihre Kunden ansprechen?
18. Wie vermarkten Sie Ihre Küchenmesser, um neue Kunden zu gewinnen?
19. Welche Eigenschaften ihres Produkts machen es besonders wertvoll für den Kunden?

20. Können Sie Faktoren nennen, mit denen Sie die Kaufentscheidung des Käufers beeinflussen?