LS
ADVISORY

PRICING

The exchange rate is not a pricing strategy.

One product, one price list, several markets. Converting your home price into a new currency is a pricing decision, even when nobody makes it. And a year of sales data can't tell you whether it was the right one.

THE CONVERSION

One price list. Five different prices.

When a company expands abroad, its price list usually travels by spreadsheet. Take the home price, apply the exchange rate, round to something tidy. It feels neutral, the same price expressed in another currency. In economic terms it is nothing of the kind.

The OECD measures how expensive each economy is overall, compared at market exchange rates. Set the OECD average at 100, and the 2024 figures for the markets a technology company expanding into Europe is most likely to consider look like this.

79

Japan. Comparative price level, 2024 (OECD = 100). JILPT, from OECD data

97

Germany. France sits close by at 95

110

United Kingdom. The United States is 126

139

Switzerland. The highest of the markets shown

A price set in Japan and converted at the market rate lands in a Swiss economy whose general price level is 76% higher. For a UK company, the same conversion sends a sterling price into a German market around 12% cheaper overall than home, and a Swiss market around 26% more expensive. The price on the quote is "the same". Its position relative to everything else the buyer pays for is not.

These positions also move without anyone deciding anything. Japan's comparative price level was 116 in 2005. By 2024 it was 79, a fall of about a third, driven largely by the currency. A yen price list that was sensible against European price levels twenty years ago is not the same commercial proposition today, even if nobody has touched it.

Within Europe, Eurostat's consumer price comparison tells the same story. In 2025, with the EU average at 100, Switzerland stood at 171, the UK at 123, France at 110 and Germany at 108. On that measure Switzerland's price level is 58% above Germany's, though the two markets share a border, a language region and a great many customers.

A caution worth stating plainly. These are economy-wide measures, not B2B prices. Neither tells you what a German chemicals company will pay for a piece of software. Even the two measures disagree on France and Germany. What they establish is narrower and more useful: the assumption that one converted price is "the same price" in every market is wrong by tens of percentage points before any customer has been consulted.

THE VALUE

The same hour isn't worth the same.

Price levels describe what buyers are used to paying. Value describes what your product is worth to them. For technical products sold on productivity (faster R&D, fewer engineering hours, less downtime, quicker qualification) value is usually measured in time saved. And time costs very different amounts in different countries.

€49.80

Hourly labour cost in German industry, 2025. Eurostat

€47.70

France, same basis. The EU average is €35.20

4.6×

Gap between Germany and Bulgaria (€10.90), the EU's lowest

2.8×

German vs Japanese manufacturing labour cost at exchange rates, 2024. JILPT

Eurostat's 2025 figures for industry, covering businesses with ten or more employees, put an hour of labour in Germany at €49.80 and in France at €47.70, against an EU average of €35.20. The highest was Denmark at €56.30 and the lowest Bulgaria at €10.90. Germany's hour costs roughly 41% more than the EU average and more than four and a half times Bulgaria's.

The gap with Asia is wider still. On figures compiled by Japan's labour research institute, an hour of manufacturing labour in Germany cost 2.8 times as much as in Japan in 2024 at market exchange rates, and France more than 2.6 times as much. Even after adjusting for purchasing power, the multiples were 2.3 and 2.2. The national data are collected on slightly different bases, so treat the multiples as orders of magnitude rather than precise ratios.

The commercial logic is simple. If your product saves an engineer ten hours a month, that saving is worth several times more, in euros, to a manufacturer in Stuttgart than to one in Sofia or Osaka. A single price anchored to home-market value leaves money on the table in high-cost markets. A single price anchored to the most expensive market prices you out of the others.

Labour cost is not willingness to pay, and no customer hands over the full value they receive. But value-based pricing starts with the customer's economics, and the customer's economics are local.

THE BUYER

The person in the pilot doesn't set the price.

A technical champion who loves the product is the start of a sale, not the end of one. Gartner's B2B buying research describes buying groups of five to eleven stakeholders for a typical purchase. Only some of them will ever use what you sell. The rest are judging cost, risk, compliance and precedent, and they judge the price differently from the champion.

From the buying side, in central government procurement, we saw this repeatedly: a preferred supplier sent back to restructure a proposal, not because the solution was wrong but because the commercial terms didn't fit how the organisation buys. The price was acceptable to the user. It was the shape of the offer that failed.

Each market adds its own approvers.

Germany is a clear example. Under the Works Constitution Act, a works council has the right to participate in decisions on "the introduction and application of technical devices which are intended to monitor the behaviour or performance of employees" (§87(1) No. 6 BetrVG). Since 1975, the Federal Labour Court has held that a system counts if it is objectively capable of monitoring, whatever the employer intends, and it restated that position in 2024. In practice, a great deal of business software can fall within scope. For a vendor, that can mean another stakeholder and another timeline, in a market where no such step existed at home.

Attitudes to risk differ too.

Hofstede's cultural research scores countries on uncertainty avoidance, the extent to which people feel threatened by ambiguity. Japan scores 92, France 86, Germany 65, Switzerland 58 and the UK 35. The data are national averages from a survey programme that began decades ago, and they are no substitute for talking to buyers. But they are a reasonable warning that appetite for pilots, guarantees, references and risk-sharing terms will not be uniform. Those terms are part of the price, whatever the number on the quote says.

> **A converted price is still a pricing decision.**
> **It just isn't one anyone made.**

THE BLIND SPOT

A year of sales tells you who said yes.

The most reasonable objection to all of this comes from companies already selling in a new market. We have been selling in Europe for nine months, the argument goes. We have customers. We already have the information.

Sales data is valuable, and any pricing work should start from it. But as evidence about price it has three structural limits.

01 **It only records the prices people accepted.**
You see the deals that closed at the price you offered. You never see the deals that would also have closed at a higher one, and lost deals rarely report price honestly as the reason. Statisticians call this censored data: the most important part of the distribution is the part you cannot observe.

02 **Early customers are not the market.**
In Everett Rogers' model of how innovations spread, innovators and early adopters make up the first 16% of a market (2.5% and 13.5%). The early majority, the next 34%, buy for different reasons and need different proof. A company's first customers in a new country come disproportionately from that first 16%. Their tolerance of a price says little about the customers who make a business scale.

03 **The samples are too small to separate the effects.**
A handful of customers spread across Germany, Switzerland and the UK cannot tell you whether a deal closed because of the country, the sector, the champion or the discount. Every one of those explanations fits the same data.

None of this makes early sales worthless. It makes them a source of hypotheses rather than a test of them. Nine months of selling tells you who is interested, what they ask for and where the friction is. It does not tell you what each market would pay, because nobody has asked in a way that could produce that answer.

The question is not whether to replace the sales data. It is whether to keep treating it as proof.

STANDARDISATION

Standardise the logic, not the number.

The instinct behind a single European price is a good one. Founders want something the sales team can explain, partners can resell and finance can forecast. Standardisation is the right goal. It is usually applied to the wrong layer.

The structure of a pricing model travels well between markets. The price point usually doesn't.

STANDARDISE	LOCALISE
The value metric What you charge for: per user, per project, per site, per outcome. Changing it between countries creates confusion and arbitrage.	**The price point and currency** Set from local evidence, not from a conversion. Decide deliberately how often it moves with the exchange rate.
The package architecture The tiers, what sits in each and how they step up. One product story everywhere.	**The entry offer** Pilot length, scope and terms, set to each market's appetite for risk and the proof its buyers need.
Discount rules Who can discount, how far and in exchange for what. One set of rules protects every market's reference price.	**The approval path** Who signs off, what each stakeholder needs to see, and how long it takes.
The evidence method The same research design in each market, so results are comparable and decisions are consistent.	**Commercial terms** Contract length, payment terms and the risk-sharing that local buyers expect.

Standardising the architecture and localising the number gives the sales team one story and each market a price it can accept. It also makes later decisions easier: when a market's price needs to move, the change is to a number inside a framework, not to the framework itself.

WHAT THIS MEANS

Convert the evidence, not the price.

For a company entering its second, third or fourth country, the practical conclusion is not that every market needs a bespoke pricing strategy. It is that a market's price should come from that market's evidence. The questions worth asking are straightforward.

01 **Where did our price in each market come from: evidence, or an exchange rate?**

02 **What is our product worth to a customer in each market, measured in their costs rather than ours?**

03 **Who signs off in each market, and what do they need to see?**

04 **Which of our current customers are early adopters, and what can they not tell us about the majority?**

05 **Which parts of our pricing should be identical everywhere, and which should flex?**

For a company already selling across several markets, the conclusion is related. The data you have is the right place to start and the wrong place to stop. It shows where to look. Structured willingness-to-pay research in each priority market shows what you will find there.

In both cases the pattern in the evidence is consistent. General price levels vary by tens of percentage points across neighbouring markets, and move with the currency whether or not anyone is watching. The value of the time a product saves varies by multiples. Buying groups are large, and each country adds its own approvers and its own attitude to risk. A single converted price absorbs all of that variation by accident. The companies that price well across borders decide on purpose.

ABOUT THE DATA

Price levels. Comparative price levels are GDP purchasing power parities divided by market exchange rates, so they measure economy-wide price levels, not prices for any particular product. The 2024 figures are as compiled by JILPT from OECD data (July 2025 vintage); OECD has since revised some PPPs slightly. Eurostat's price level indices cover household final consumption and are a different measure, which is why France and Germany rank differently on the two.

Labour costs. Eurostat figures cover industry excluding construction, in enterprises with ten or more employees. The Japan comparison uses JILPT's compilation: Japanese data cover manufacturing establishments with five or more regular employees, European data enterprises with ten or more. Multiples are rounded and should be read as orders of magnitude.

Buying behaviour. Gartner's buying-group figure comes from its 2022 B2B buyer survey. Hofstede's scores are national averages from long-running survey research and describe tendencies, not individual buyers. The BetrVG wording is from the official English translation of the Act.

What we left out. Several widely repeated statistics on B2B buying could no longer be traced to a current primary source, and we have not used them. We found no large independent dataset on how B2B technology prices actually vary between European countries; the argument here rests on the structural evidence above, not on such a dataset.

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ABOUT

LS Advisory.

A commercial strategy consultancy working with technology, deeptech and hardware companies on pricing and market entry. This paper draws on published research and on our own client and internal work. Client examples are anonymised.

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