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WHITE PAPER

Seven Mistakes Technology Companies Make When Entering the United States and How to Avoid Them

CONTENT

INTRODUCTION	3
1 | FUNDING CONSTRAINTS FOR MARKETING & SALES	4
2 | SALES TEAM LEADERSHIP	4
3 | NAVIGATING THE LEGAL & REGULATORY ENVIRONMENT	5
4 | CULTURAL DIFFERENCES & ADAPTING MESSAGING	5
5 | FAILURE TO LAUNCH PRODUCT QUICKLY	6
6 | LOCATION	6
7 | UNREALISTIC FINANCIAL EXPECTATIONS & ASSUMPTIONS	7
CONCLUSION	8

INTRODUCTION

The United States (U.S.) is the largest consumer market in the world, albeit by narrowing margins.[1] For non - American technology companies, successful U.S. market presence is integral when looking to scale operations globally and substantially grow revenues. In addition, the U.S.'s standing as a leading global tech innovator renders it a particularly pertinent market for these companies. Gaining access to American tech expertise and inventiveness can precipitate the kind of cutting-edge product/service enhancements that help companies position themselves as market trailblazers.

While the benefits of an American market presence are significant, there are numerous challenges that must be addressed when planning a successful launch in the U.S. American corporate. In this White Paper, we have detailed the key entry difficulties and concisely explained how we at Momenta Partners can help companies tackle them. These obstacles may seem daunting, but embracing them will help instill a stronger understanding of the U.S. market, a benefit that extends well beyond a company's initial launch.

1 | FUNDING CONSTRAINTS FOR MARKETING & SALES

When establishing their U.S. presence, international companies often underfund their marketing and sales programs. Common reasons for this are:

- Executive management's general relucatance to spend money on marketing and sales efforts. Even in their home countries, companies are often hesitant to commit adequate marketing capital and this cautious approach is even more glaring in a new market. With limited or no funding for PR, basic marketing, trade show participation, and direct marketing programs, international companies rarely generate the "buzz" and brand awareness necessary for a successful launch. As a result, their U.S. operations struggle – or even fail – to drive revenue and build market share.

- Executive management teams often believe that sales can be generated by commission-only U.S. sales representative firms or agents and are unwilling to invest in concrete sales efforts. Management also believes that because they've been successful internationally, there's no need for U.S. - specific branding, PR, and marketing.

- Executive management teams frequently underestimates the amount of time, effort, and funds necessary for developing sales leads. Even worse, they sometimes believe that a lead - generation plan is entirely unnecessary. To be successful, sales teams require a constant inflow of warm sales prospects which is tougher to achieve when lacking an adequately focused and funded plan.

SOLUTION

Momenta Partners can help companies prepare U.S. market launch strategies that are based on maximizing financial resources and an entry timeline. We utilize our extensive market and industry expertise to evaluate market opportunity, competitive landscapes, and growth areas. Once strategy and budget are defined, we create a detailed marketing plan focused on establishing a market presence. This enables companies to quickly secure new customers and revenues. Our team then prepares and executes a tactical go - to - market sales plan that includes direct and/or indirect channel-focused programs.

2 | SALES TEAM LEADERSHIP

When an international company is ready to enter the American market, deciding who will drive U.S. business development and lead domestic sales is an absolutely crucial decision. Several options are usually considered:

- Relocate a current executive to the U.S. This strategy seems ideal because that person is highly familiar with the company's products, corporate personnel, and challenges. However, this executive often doesn't know the U.S. market's nuances, such as the competitive environment, available sales channels, and demographic makeup. In addition, he or she does not usually possess the existing enterprise, channel, or distribution relationships that are critical to success. This option may also entail significant immigration hurdles that need to be considered.

- Use a reputable sales representative firm or independent contracted agent. This option entails the company entrusting its U.S. brand recognition, market share, and revenue to a firm/agent it's never worked with. While finding quality rep companies and agents isn't all that difficult, issues such as miscommunication or simply overpromising and under delivering can quickly complicate market entry. For an international company, this kind of sales outsourcing is ideal for complementing an already established domestic in-house sales department.

- Hiring someone who's already U.S-based. Perhaps the most suitable option of all, this approach can work if the person is knowledgeable on a particular industry's competitive landscape, can quickly master the company's portfolio, and has the relationships necessary to line up sales channels and close deals. Unsurprisingly, such talent is hard to find and doesn't necessarily guarantee success. For example, the new executive may be undermined by corporate decision delays or by the difficulty in explaining why strategies that worked in other countries won't translate to the U.S. In these situations, new hires usually spend more time addressing corporate communication issues rather than focusing on customer acquisition. It is absolutely key that any U.S.-based hire is vetted and thoroughly evaluated to ensure that they will be a constructive part of U.S. expansion.

SOLUTION

Momenta Partners has the industry relationships and resources necessary to help companies find and evaluate strong executive candidates that will ease their U.S. market entry. The Momenta team can assist in streamlining a company's U.S. talent search and ensure that they find professionals that are best suited to address their needs.

3

NAVIGATING THE LEGAL & REGULATORY ENVIRONMENT

International companies new to the U.S. are frequently overwhelmed by the country's complex legal and regulatory systems. The Internal Revenue Service (IRS), Federal Communications Commission (FCC), United States Citizenship and Immigration Services (USCIS), and Underwriters Laboratories (UL) are examples of government agencies and other organizations that technology companies typically interact with when expanding to the U.S. All companies have to abide by federal, state, and municipal laws and potentially pay sales taxes in more than 9,000 jurisdictions. Legal adherence requires a company to expend a significant amount of temporal and financial resources in order to identify the relevant government entities and their applicable requirements. Examples of legal responsibilities include (but are not limited to):

- **Registering for** patents, copyrights, and other intellectual/product protections.
- Establishing the U.S. business entity (e.g. C/S-Corp, LLC.) and doing so in one or more states. The location also affects how much tax, if any, needs to be levied on Internet sales.
- **Understanding how** labor laws impact business operation, A notable example relevant to technology companies is how these laws determine whether a person is an employee rather than an independent contractor. Tech companies often use contractors to avoid the cost and time required for hiring highly specialized full-time employees such as radio frequency (RF) engineers.
- Filing the necessary immigration and employment authorization forms for staff transferring from abroad.

SOLUTION

The Momenta Partners team works with vetted partners who have the expertise necessary to ensure compliance at launch and going forward. Our third-party associates typically provide legal and regulatory services at a lower cost than if a company's U.S. division established internal compliance departments.

4

CULTURAL DIFFERENCES & ADAPTING MESSAGING

Without making revisions to reflect American market nuances, sales and marketing strategies that were successful in Asia, Europe, or Latin America often fail when applied to the U.S. When international technology companies have expanded into the U.S. successfully, it's often because they took the time to understand the market's attributes and developed their strategies accordingly. Alternatively, when U.S. companies are successful abroad, it is typically because they hired experienced professionals to help them navigate the intricacies of their new target geographic market(s). The importance of U.S.-specific marketing and launch strategies that consider cultural complexities cannot be understated. Perhaps more so than any other western country, the American populace is incredibly diverse and being successful requires a bevy of go - to - market approaches.

Adapting social media strategy towards a specific country and/or region is an important part of eliminating cultural dissonance for an international company. Tech companies frequently rely on social media to build awareness of new products and promotions. Social media usage varies significantly (e.g. specific outlet, consumption amount, etc.) not only between countries themselves but also amongst demographic groups within those countries. Savvy European tech companies understand those differences and leverage them when disseminating social content across the continent. However, when it comes to American expansion, they often stumble and attempt to force a European strategy in the U.S. rather than seeking out new and lucrative market opportunities.

This mistake is often made in concurrence with the erroneous re-using of sales and marketing collateral from Asia, Europe, or Latin America. Not only are these recycled messaging materials wrong for the new target audience, the translation process often doesn't account for country-specific colloquialisms that only resonate with the original audience. In addition, ensuing grammatical and Vocabulary errors are often perceived by customers as professionally indolent and make them less willing to embrace a new company. First impressions are crucial, and when a new company makes a poor introduction to its target market, it becomes even more difficult and expensive to establish mind and market share.

SOLUTION

The Momenta Partners team analyzes a client's strategies, website, and collateral and works collaboratively to ensure that everything from messaging to grammar will resonate with American audiences. We help determine a market's size, trends, entry issues, import requirements, and certifications. We subsequently prepare a holistic competitive analysis which helps us develop a clear go-to-market strategy that's in sync with stakeholder objectives. This is followed by our review of all customer-facing materials, a process that includes catering the company's website, product presentations, data sheets, manuals, user guides, and license agreements to specific locales.

5 | FAILURE TO LAUNCH PRODUCT QUICKLY

Innovative and disruptive technologies have a limited period of time to establish a market before competitors can respond. American companies are cognizant of this and utilize this time window to develop their own offerings. New international market entrants must be counter-savvy and have a plan to deal with the competitive realities that come with launching a ground-breaking product.

Being a technological first mover can be a painstaking and risky process largely because a company can't reference a prior successful product template. As a result, inventive products often have lengthy development phases. This is true in any country, but the challenge is even greater when an international company wants to use a disruptive product to highlight its entry into the U.S. As a result, new companies often tinker with products longer than necessary in pursuit of perfection. Competitors then have more time to develop and launch products that are good enough for existing customer bases and this becomes a significant advantage regarding U.S. market capture.

SOLUTION

The Momenta Partners team shows companies how to balance engineering and marketing to minimize time to market while maximizing associated revenues. By identifying when a product has enough differentiating features, a company can distinguish its offering from legacy technologies and obtain mind and market share while positioning itself as the new industry standard.

6 | LOCATION

When a new company establishes its headquarters in its country of origin, management will usually select the metropolis offering the best infrastructure, talent pool, and business-friendly environment. International companies, however, don't often utilize the same criteria when selecting the location(s) of their first U.S. office(s).

Cities/regions that superficially appear ideal for a specific business can often be the wrong choice. For example, international tech companies often flock to Silicon Valley because of its reputation as an innovation and talent hub. The location alone is perceived as a credibility boon for the company as it relates to potential customers, investors, and partners. While Silicon Valley can, and often is, the right choice for many new tech businesses, other less heralded cities can offer significant benefits that are perhaps more industry appropriate. Dallas could be a better fit if the company is developing telecom products whereas health tech businesses will find Boston to be a more apt environment. Time differences factor into location decisions as well. For example, it's easier for Tokyo headquarters to collaborate in real time with the U.S. team if they're based in San Diego rather than on the East Coast. State corporate tax situations should also be considered as rates are highly variable across the U.S.

SOLUTION

As part of an initial industry and market assessment, the Momenta Partners team will determine the geographic areas in the U.S. with the greatest sales potential for a company's products or services. We will suggest locations that align with customer and revenue objectives and minimize operating and travel costs throughout the go - to - market phase.

7 | UNREALISTIC FINANCIAL EXPECTATIONS & ASSUMPTIONS

When establishing a U.S. presence, technology companies often enter the process with lofty revenue expectations. These outlooks tend to be overly optimistic and can be driven by companies looking to offset the high cost of launching in a new country. Detrimentally, these revenue goals can lead to exorbitant product pricing which ultimately shrinks the addressable market.

Unsurprisingly, a series of negative business consequences can ensue. When initial sales are underwhelming, revenues end up nowhere near the initial target and corporate often hastily reacts. Example consequences include replacing U.S. management, scaling back to lower costs, unnecessarily committing more capital, or abandoning the market entirely.

To develop realistic revenue targets and pricing, international companies must understand the unique features of the U.S. market including taxes, business costs, and price feasibility. In pursuing a perfect product, companies often falsely believe that people or businesses will be willing to pay far more than actual value.

SOLUTION

The Momenta Partners team will prepare an industry report that details market size in terms of units and dollars. We subsequently provide a detailed analysis of market competitors while elaborating on their products, pricing, and go - to - market strategies. This enables new companies to see what works in the market and provides a realistic starting point for launching operations and carving out share. The Momenta team will help define a market entry approach and work closely with the client's marketing team to establish a feasible pricing structure for products and services.

CONCLUSION

For international technology companies looking to globalize and establish themselves as industry leaders, successful entry into the U.S. is integral. If the aforementioned challenges are wholly acknowledged and properly addressed, companies will undoubtedly be better positioned to enter and operate in the American market.

At Momenta Partners, our team of leading industry and technology experts is well positioned and eager to help you face these obstacles head-on.

REFERENCES

1. https://data.worldbank.org/indicator/NE.CON.PRVT.CD?most_recent_value_desc=true&year_high_desc=

ABOUT MOMENTA PARTNERS

As Digital Growth Partners, we help drive digital transformation within and assist with organic or inorganic growth. We place key talent and professional teams and invest in Connected Industry leaders and challengers to accelerate time-to-value, for companies in Energy, Manufacturing, Smart Spaces and Supply Chain/Logistics.

Schedule a free consultation to learn more about our Connected Industry practice. Learn more about our team, capabilities, and experience at www.momenta.partners

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