



Launching Your Business in the United States of America ... A Market Entry Guide

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Companies around the world know that to build a viable, sustainable business, they eventually need to have a presence in the United States and eventually Canada and Mexico.

As the largest market for products and services in the world, the United States (USA) also represents enormous challenges that need to be faced by small and mid-sized companies (SME's/Scale-ups). Often, they have limited financial and personnel resources and limited knowledge of the USA market. And competition in the USA market is formidable and not being properly prepared to enter the market can result in unacceptable performance, wasted precious financial and personnel resources and create a poor company image with potential customers and business partners that can inhibit initial and long-term success.

There are **SIX FUNDAMENTAL STEPS** to consider when your Company decides to enter an International Market such as the USA:

- 1. Assessing YOURSELF / ORGANIZATION**
- 2. Choosing & Assessing your TARGET MARKET**
- 3. Assessing your PRODUCT(s) / SERVICES / Solutions**
- 4. Developing a thorough MARKET ENTRY PLAN**
- 5. GATHER your RESOURCES & SUPPORT**
- 6. MANAGE the International Initiative & EXECUTE on your PLAN!**

1. Assessing YOURSELF / ORGANIZATION

- Does this Market Entry initiative have the support of the key stakeholders of the Company?
- “Size” alone does not guarantee or limit “Success”.
- Success in one-off sales or in one country DOES NOT GURANTEE SUCCESS in another country.

- Beware the MYTH – “The Costs of International Expansion will be paid by the Profits from that expansion”. Profits are often unpredictable in the early years and your budgeting needs to allow for this.
- Cultural/Business sensitivity – are you willing to accept different business and social cultures?
- Entering a foreign/overseas market will require INVESTMENT. Are you prepared for that?
- Beware the possibility of an International Expansion having a negative effect on your existing organization.
- What is your financial Risk tolerance – unexpected costs of entering the market.
- Are you ORGANIZED with the appropriate experience and resources to enter the USA market?
- Do you have a local support group – Bank, Attorney’s, CPA’s, Consultants – experienced in International Business – SOFT LANDING RESOURCES?
- Are you COMMITTED to the expansion as success may be longer term?
- Is this a Strategic/Competitive Necessity for your Company compared to an easier expansion in your home country?

2. Choosing & Assessing your TARGET MARKET

- You have chosen the USA market – have you compared this choice with entering other markets – costs, size of market?
- Have you done your MARKET RESEARCH on this market (in this case the USA) – customers, buying/distribution process (agents, distributors, joint ventures), resources/talent supply and costs, similar products/services (competition), growth of the market, regulatory requirements, landed cost (customs duties, transportation, localization)?
- Do Free Trade Agreements apply? (The USA has free trade agreements in force with 20 countries Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Korea, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Singapore.)
- What is the Political, Social & Economic Risk? This is not so important for the USA but extremely important in some areas of the world. However, USA Administration policies do have an influence on certain businesses.

3. Assessing your PRODUCT(s) / SERVICES / SOLUTIONS

- Is (are) Your Product(s) / Services / Solutions “Export-Ready”? Have you done a product selection and SWOT (Strengths, Weaknesses, Opportunities & Threats) analysis of your product(s)/services/Solutions? Not all may be “EXPORTABLE” or transferrable to a new country.
- Have you considered the efforts/costs of internationalization (packaging, measurement, i.e. metric, language, maintenance/support, documentation, regulatory requirements).
- Have you considered the efforts/costs of export or transferring solutions - transportation, customs duties/taxes? (See Free Trade Agreements Above).

- Your Industry – what is the involvement of your industry and competitors in delivering to the new market (USA)? Is there a reason they are/are not doing this?
- Is your product(s)/services/solution potentially exportable or is it focused on your local market?
- Where does your product(s) rank in the USA market – leader, also ran, price competitive, quality, IP protection?
- Country of Origin of the product/components – this can determine customs, taxes, Free Trade Agreement application.
- Take care that your product/solution/service can be easily replaced by a similar product/solution/service - in other words you should look at potential competition WORLDWIDE even though you are focused on the USA.

4. Developing a thorough MARKET ENTRY PLAN

- **Part One: Develop your Management/Financial/Human Resources Strategy**
 - a) Effect on Current Business/Management
 - i. Anticipate distraction from current day-to-day business.
 - ii. Anticipate the drain on human resources.
 - iii. Plan for the human resources/outside assistance needs.
 - iv. Understand the knowledge base/experience required.
 - b) Financial:
 - i. Consider the cash dedicated to the Product(s)/Services/Solutions being introduced to the USA Market – what is the Budget?
 - ii. What kinds of Bank covenants are required, i.e. foreign sales collections & management?
 - iii. What is your currency risk and how will the repatriation of earnings be managed?
 - iv. What is your financial risk tolerance, unplanned (strikes, etc.)
 - b) Business Structure:
 - i. Often this should not be decided until Parts 2 & 3 of the Market Entry Plan are completed. Forms can include a) a USA subsidiary (C-Corp./LLC) with a single or multiple geographic offices or b) a joint venture with a USA company or similar structure.
 - ii. This decision should be made in conjunction with the home company's existing requirements.
 - c) Presence/Location in the USA:
 - i. Do you plan to set up an office(s) in the USA and hire local staff?
 - ii. Do you plan to send home-company employees to the USA to run the business or hire local management to start and run the business?
 - iii. Have you considered the right geographic location to situate in the USA?
 - a. Somewhat dependent on the structure and staffing-support requirements of the business.

- b. Variables to consider in selecting the appropriate location (and Texas/Richardson in the USA is ideal for most companies):
- i. What location can best serve the time zones as it may better to be centrally located to minimize travel and provide office hour coverage to both east coast and west coast customers and partners that need to be covered?
 - ii. Where are your target customers and partners located?
 - iii. Where can you find employees with the technical expertise for your product(s)/services/solutions, industry/ technology clusters?
 - iv. What is the proximity to universities & colleges (especially those doing research in your industry)?
 - v. Where is the most cost-effective place to set up headquarters?
 - vi. Where would you find competitive wages?
 - vii. Where would you find low taxes, a high standard of living/ good lifestyle?
 - viii. Are there potential city, state and local business incentives?
 - ix. Where is a business-friendly state and local government with minimal regulation?
 - x. What is the proximity to a major airport hub for lowest airfares and best market coverage?
- d) Richardson, Texas is the ideal location for Technology-based Innovative Companies to locate their USA Headquarters. Specifically, the Richardson Innovation Quarter – www.RichardsonIQ.com



The Premier Tech hub in North Texas. Home to 5 Research Centers for the University of Texas at Dallas in Richardson, Texas.

- e) More on the Culture differences between your home country and the USA:
- i. The challenges of language and cultural differences are the most obvious ones that need addressing for any foreign company. English as a second language is very important for home country employees to have, when dealing with customers and partners, but knowledge of cultural differences and business practices, methodologies, ethics and rules are equally important for any foreign company to grasp when launching their business in the USA.

- ii. Consider having employees from your overseas headquarters that will be involved in the USA launch to brush up on their English skills. English as a second language is taught worldwide.
 - iii. Consider hiring a cultural business coach to assist employees being assigned to the project to be aware of USA business practices and ethics. The laws of your home country may not apply to the USA regarding business-conduct and they can be big legal and financial liabilities for the employees and the company.
 - iv. Your country embassy or consulate or country-chamber of commerce in the USA can be a good source for the rules, ethics and policies.
- **Part Two: Develop Product/Services/Solution Strategy**
 - a) What is the similarity of Product(s)/Services/Solution in your HOME Country vs the Product(s)/Services/Solution you are planning for the USA
 - b) Are you considering competing on price?
 - c) How strong is your brand?
 - d) Is there a need for regulatory compliance (medical, electrical, measurement, etc.)?
 - e) What is the Cost structure for delivering the Product(s)/Services/Solution to the end customer?
 - f) Is your documentation and software localized in English for the USA and potentially English/French for the Canadian market and Spanish for Mexico and other Latin American markets?
 - g) Have you secured beta sites in USA prior to the launch to use as product testing sites and potential reference accounts?
 - h) Are all major bugs identified and have they been fixed to insure a successful launch to gain referenceable customers?
 - i) Do you have a high confidence in product quality, reliability and supportability (any major failures and poor first impression could take a long time to repair and establish a good company reputation)?
 - **Part Three: Develop your Marketing & Distribution Strategy**
 - a) Determine the Sales & Distribution Channels:
 - i. Are you considering a Direct Sales model to end customers with USA based sales personnel and supervision from home-country management and occasionally send company managers to the USA to build, interface and support your channels?
 - ii. Are you considering an Indirect channel?
 - a. Sales Agent – Acts as a Commissioned agent
 - b. Distributor – Customer is the distributor
 - c. Do you plan to use channel partners to distribute and sell your products and services versus direct selling presence?
 - d. Is your technology better suited to licensing to OEM vendors versus building your own brand?
 - iii. CONSIDER the PROS/CONS of INTERMEDIARIES (Distributors, Agents., etc.) and the effectiveness of each.

- b) In the case of Products Consider the longer term for the product(s) – can it(they) be manufactured or assembled in the USA market (or possibly Near Shore – Mexico or Canada – with the application of the USMCA) and what are the advantages/disadvantages?
- c) Doing this assessment at the time of market entry planning highlights a number of factors:
 - i. Cost flexibility
 - ii. Market acceptance
 - iii. Competitive advantage in the market
- d) Do you (will you) have sales and support organizations in place (outsourced reps, direct sale force, resellers, distributors, OEMs) and a program to train them on the products prior to the launch?
- e) Who will install and support your products? Will you have USA based on-site support, phone support, customer service?
- f) Will you need 24/7 support coverage?
- g) Have you considered what 3rd party plug-in or solutions are needed for your product/service/solutions and is that 3rd party solution available in the target market (USA)?
- h) Do you have a Sales Launch Plan complete?
 - i. Start planning a product sales launch six months prior to the launch date.
 - ii. A coordinated effort with engineering, production, marketing, sales, support, logistics and order entry will be required.
 - iii. Everyone must be ready with their part of the process before you launch. Doing these things “on-the-go is risky.
- i) Develop a detailed **Marketing Plan**:
 - i. KNOW and UNDERSTAND the USA market and HOW your product(s)/Service/Solutions are currently sold and distributed!!
 - ii. Engaging an experienced Marketing Agency that has experience with Companies entering the USA market is critical. Many solutions are marketed on-line so ensure that you are prepared for this.
 - iii. Are your target markets and target customers identified?
 - iv. Has a competitive analysis been completed to provide adequate product positioning, pricing, licensing, services offerings?
 - v. Is your advertising and PR campaign properly aimed at your target customers?
 - vi. Are your website and sales materials updated to accommodate the USA and potentially the North American market? To do business in the U.S. you must look like you know the market and the local language.
 - vii. Have you worked with a PR firm to schedule a press and analyst tour to maximize launch exposure?
 - viii. Do you have local customer references documented and success stories available to the sales team, channels, press?

- ix. If a technology solution, have you had your product reviewed with third party testing organizations?
- x. Have you targeted strategic partners and developed a business relationship with them to leverage your sales efforts?
- xi. Are there on-going marketing programs after the launch to maintain lead generation?
- xii. Have you mapped out and committed to key industry event participation such as trade shows, and other conferences for maximum exposure?
- **Part Four: Incorporate your Market Entry Plan with your Company's overall Business Plan**
 - a) This is essential, especially depending on the size of the international expansion relative to the size of the Company.
 - b) Attaching the Market Entry Plan to the Overall Business Plan for the Company elevates the importance and visibility of the effort.
 - c) The Market Entry Plan for the USA should have its own Financial Model that fits with the Business Plan of the Company
- **The Market Entry Plan has to be a living document that is updated as new information is received.**

5. GATHER your RESOURCES & SUPPORT

- Choose a senior Key Contact that has the ability to make (or get) decisions expediently.
- Assemble local in-country (USA) resources to guide you through this process. There are external consulting organizations that specialize in this process.
 - a) Have you engaged with a legal firm to start the incorporation process, handle legal issues such as office lease agreements employment agreements, governmental documentation requirements (federal, state, local)?
 - b) Have you set up a banking account in the USA with a bank that can handle currency exchanges between the USA and your home country?
 - c) Have you identified an accounting firm (CPA) (or contract staff) to handle issues like payroll, taxes, billing and accounts receivable/accounts payable?
 - d) If you plan on sending company employees to the USA, have you found an immigration lawyer to assist in acquiring proper USA visas?
 - e) If you plan to hire local employees have you found a professional recruiting organization to help find qualified talent?
 - f) If necessary, have you selected employee benefits providers for company health, dental, vision insurance or do you plan to outsource this function to a third party Human Resources outsource firm?
- The Richardson Economic Development Partnership has an award-winning selection of such resources (Soft Landing) and can help in this process.
- Choose your external resources wisely!!! Use them wisely!!!

6. **MANAGE the International Initiative & EXECUTE on your PLAN!**

- Focus on the “WHY” you are considering expansion into the USA market and execute against it.
- Monitor and reassess at the CEO/Managing Director level – Senior management must focus on staying in contact with the foreign initiatives at all times – delegation can be dangerous and small companies often don’t have the staff/experience to have this responsibility delegated.
- Don’t be afraid of “pulling out” or terminating and plan for this risk as often companies don’t have the resilience to withstand costly failures – again high visibility a must.
- Small companies often want to boot-strap a global initiative. Ensure that you have the financial resources to enter the USA market. (FINANCIAL PLANNING).
- If it is not already in your Company, you need to establish a “global” culture within your organization – understanding the USA market is “different” from your home country in many areas.
- Understand the resources requirement – time, \$\$ and effort – all of which are substantial – and manage accordingly.
- The length of time to get established in the USA must always be considered and managed – and it is critical to a small business’s financial planning.
- Ensure there is CLEAR communications between senior management and vendors, customers, partners and business advisors during this process.
- Beware of filtering and set up a dual information channel where key information is available from different sources (information sources are not “simply “in the next office” but often thousands of miles away!!

This **Market Entry Guide** is not meant to be a complete list of considerations when preparing your Company to enter the USA market.

The **Richardson Economic Development** Partnership enjoys the services of an award-winning **SOFT-LANDING** program, consisting of experienced service providers prepared to engage with your company assisting companies entering the USA (and North American) markets and locating in Richardson, Texas.

- *2017-18 - “Best of the Best Soft-Landing Programs” – (Financial Times of London)*
- *2017-18 - Ranked “Best of the Best” Soft Landing Program – (fDi Magazine)*

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