

## IS YOUR COMPANY READY TO ENTER THE US MARKET? REVIEWING THESE CRITICAL QUESTIONS WILL HELP YOU FIND OUT

Many companies approach us from their home markets outside of the US and ask for our assistance with entering the US market. In order to ensure that our clients are maximally successful, over the years we have developed a set of criteria that companies must be able to adequately address when they are considering entering the US market from another country.

### ***One Company's Tale***

Company "X" sought introductions to potential partners and customers in the US market. X had an excellent product, technologically advanced and with attractive benefits. X had received high praise in its home country for its superior technology and potential, had attracted some interest on the part of prospective partners/customers, and was in discussions with one multi-national corporate giant. X was self-funded and had not needed to attract external financing in its home market activities. X had an appealing story to spin.

**X believed itself to be ready** and eagerly jumped on a government-funded opportunity to participate in a cross-border market program. **But was it?**

X knew the US represented a sizeable market for its industry but had done no homework on how well differentiated its own product would be in the US market, where other players already dominated. X had no written strategic business plan and therefore no clearly articulated set of criteria for entering the US and no timeline for decision-making. Further, X's products were highly priced relative to existing competitors and substitutes in the US, leaving in doubt the positioning within this market opportunity. When X's US-based alliance partners successfully did make introductions between X and potential US customers, X took many weeks to respond to the (now ex-) prospective customer and claimed the company was unable to send someone to travel to the US to meet with the customer and gain valuable feedback from a supportive stakeholder.

Was the company truly ready for and committed to entering the US market? Probably not. Instead, the company wasted its own and its government's resources in foolishly playing at a US market entry plan without commitment and preparedness.

### ***Is Your Company Ready to Enter the US Market?***

Developing your own answers to the following questions will help you to become more successful in achieving your company's desired outcome in the US market, regardless of whether you do so yourself or work with an advisor or partner to do so:

- **Why do you want to enter the US market?**


Of course you want to generate revenue in the US. However, just believing "it's a big market, and we can make a lot of money there" is not a sufficient reason.

The **process of reaching that objective will cost your company significant resources** (time, money, effort, and focus) well before you will generate revenue in the US; the more broadly and deeply you can justify this investment, the more powerful your US strategy and the more likely it is that your company will be successful.

- **What has led you to conclude that there is a market for your products in the US?**

On what basis are you concluding that the US market is a large enough one for your company in





order to make the investment worthwhile? Is your market research thorough? Is it based on recent and reliable data? Thinking through realistically before you commit to investing resources how large your company's share of the US market will ultimately be will help you to determine whether this is a worthwhile investment.

We see many companies developing their forward looking plans based on 5 or 10-year old data. These data may be inexpensive to obtain; however, you may find that they were "off" in predicting today's reality. How accurate will they be in predicting the future 5 – 10 years from now?

Your company's **expectations must be realistically matched to market data and trends** – assuming you want your efforts to be taken seriously by investors and by strategic alliance partners, and assuming you want your company's investment of resources to be a wise one.

- **Is your company producing revenue in its home market? If yes, how much?**

Even if your company has the resources to enter the US market, if you haven't yet thought through and implemented what it takes to enter your home market (as evidenced by successful revenue-generation in your home market), then how do you know what it takes for your company to enter any market, **including one as large and complex as the US market?**

"No" may be acceptable depending on your company, your industry, and your goals. You should know, however, which category your company is in and what needs to be done over the next 1-5 years.

- **How are you preparing your company in order to be successful in the US market?**

What resources will be required to enter the US market? How have you figured into your corporate budget what resources are required? Does your company have adequate human and technical resources now? What additional data and support may be required? Does your company have **adequate financial resources to obtain the support when and where you need it?** If not, what is your plan for obtaining additional financing in a timely fashion?

You do not necessarily need to be able to prepare your company fully based solely on your company's internal human and other resources; **it may be more cost effective for you to rely on external support in selected key areas**, such as regulatory expertise, local business culture knowledge, and others. However, it is a waste of everyone's resources if others helping your company enter the US market do their part, and you then cannot afford to do yours.

- **What is your company's timeline for entering the US market?**

How long does it take from the day your company commits to entering the US market to the day revenue starts flowing? You must be able to address when you expect to begin receiving (and ramping up) a revenue stream from the US market.

What happens if the timeline is extended due to unforeseen circumstances, and revenue begins one or several years later? Will the company need additional capital in order to continue along its path or even survive? Will you be able to access needed capital from external sources in a timely fashion? At what point would you make the decision to start that process?

Particularly for companies that have not previously entered the US market with any products or services, it is frequently difficult to accurately estimate how long everything will take. Running out of resources because of **underestimating the timeline or the investment required wastes many of the resources invested to date.**



- **How long has the company been in business?**

How long has each member of the existing management team been with your company? There is no one magic number, and the specific length of time is not critical. You should realize, however, that entering the US market is a complex, resource-consuming, and often frustrating process.

If your company does not have a track record of experience and in particular, if your management team has not had the benefit of working out substantial business problems as a team before it reaches the US market, you may find that **the challenges of the US market cause an inexperienced team's weaknesses to come to the surface**. Going through this experience without proper support may put at risk the overall desired US outcome.

- **What is the management team's willingness and ability to travel to the US?**

Are senior executives within your company willing and able to travel to the US regularly for meetings with strategic partners, customers, and other needed US-based resources? Does the management team have the budget, and is the US market a sufficient priority relative to other business initiatives that key executives will make the time to do so?

Becoming a player in the US market requires a presence in the US market. This may be accomplished by creating an office in the US or by working with a US-based partner that can represent your company. In either event, the company's key management's presence must be felt. Especially in the early stages when relationships are being developed, **there is no substitute for a warm physical presence** to reassure your US stakeholders that you are, in fact, very "close" to them. Expect and budget for frequent travel to the US.

- **Who is the ultimate decision-maker on plans pertaining to the US market?**

Is entering the US market a fond hope of one or more people in the company but not a priority for the key decision-maker? Is the company's governance structure defined in a such a manner that it is clear who ultimately makes the final decision regarding whether to enter the US market and if so, how? Who within the company will champion this complex business initiative?

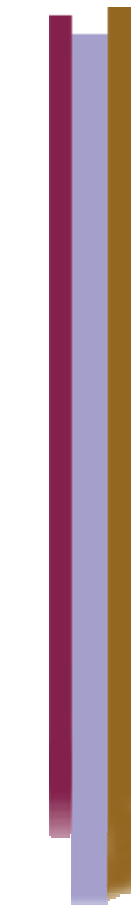
Without a clear decision-maker and an empowered champion, your company **risks wasting tremendous resources in pursuing a goal that is ultimately not supported** by the most senior leaders within the company. For some companies, the CEO may make this decision; in others, a Vice President may champion the initiative but with the CEO's firm support; in still others, the board of directors may hear recommendations from management and make the final decision. Regardless of your company's decision-making structure, be clear about who makes the decision and who has the power to stall or even reverse the decision.

- **Is there available an English language web site and other collateral?**

Your company may be situated in an English-speaking country or it may not. Despite cultural, ethnic, and linguistic diversity in the US, most companies entering the US market will find that their customers and especially their strategic partners expect the company's communications to occur in a familiar American English.

If your company's objective is to enter the US market, English language collateral, written **in a manner that is familiar to the US audience**, is critical to facilitating key introductions. Without this collateral in hand, companies risk having their capabilities underestimated and failing to build comfort and trust within the target US audience.





- **Is there a comprehensive and strategic business plan?**

What kind of a business plan exists? For what purpose was it originally created and when? Was it written for internal guidance? Was it created for financing purposes? Does it adequately address external factors, such as market trends, as well as internal factors, such as company culture and management strengths? How does the plan address the company's long-term objectives, and what role does the US market play in that plan?

Sometimes companies claim they “just know” they should enter the US market, even in the absence of a comprehensive and strategic plan. Doing so before creating a plan, however, risks wasting substantial resources by making ineffective choices that may be counteractive to the company's larger goals or that may be premature if the company is not yet ready for the US market for other reasons, such as internal structural reasons. For these companies, the **first step in entering the US market should be creating an overall business plan** and ensuring that the US market can be adequately justified and the timeline and resources for doing so are clear and realistic.

- **What skill-set is necessary for overseeing the process of entering the US?**

For your company and your products/services, what specific management, leadership, and technical skills are needed to successfully enter the US market? Does your company currently have all of that expertise in its current team? What needs to go into a plan to strengthen the existing expertise and skill-sets in the company?

Successfully completing any complex business initiative requires the right team with the right expertise and skills at the right time. This team may be composed entirely of internal resources; alternatively, **it may be more effective to augment your company's internal team with external support** for whatever amount of time is required for the team to achieve its objectives.

Authors: Schuyler Morgan and Karin Hollerbach bring financial and transaction expertise as well as real-world management experience to work with companies to complete successful financings, mergers & acquisitions, and strategic partnerships. To us, deals are not just financial and legal transactions; they are relationships among organizations powered by humans.

Karin Hollerbach, PhD  
+1 510 482 3427 tel  
karin@takugroup.com

J. Schuyler Morgan, PCC  
+1 510 653 6868 tel  
schuyler@takugroup.com