

Question the Questions

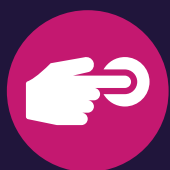
Applying some Socrates to your US expansion plans



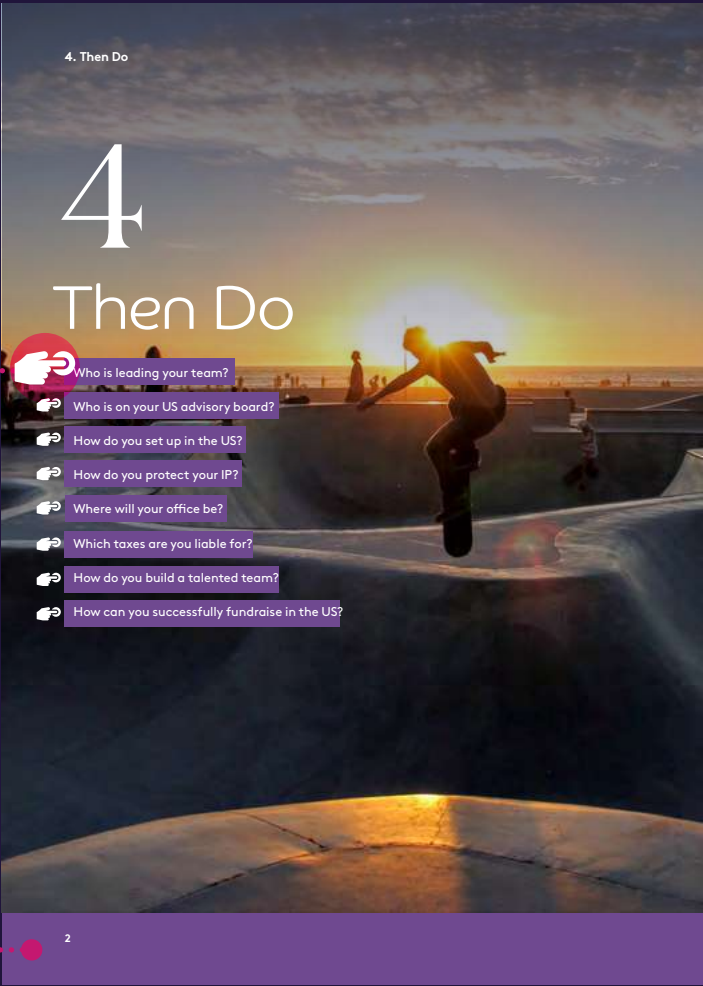
octopus ventures
A brighter way

Before we start

Since big documents can be hard to navigate, here's how you can make the most of all the content we created and curated for you.



On the first page of each section you'll find a clickable content list, so you can quickly access all your favourite topics.



4. Then Do

Each section is presented with a different colour and clearly highlighted so you always know where you are.

Who is leading your team?

If the US is your most important market, it merits a key member of the core team. Who will you send over from Europe to build up culture?

"Americans love an underdog story, but they want to hear it from the hero's mouth."

The choice of US lead is critical: You need someone trusted by the CEO to build, sell and have complete dedication to the effort. We've written before about the various lessons learned by over 50 VC-backed CEOs in the US, and the consensus around one particular issue is clear: CEO and/or Founder DNA is a necessary - if not sufficient - condition for success in the US. When asked about the #1 insight the CEOs tell other entrepreneurs about entering the US, the most cited phrase was a variation of "a founder has to move to make it work."

It's a point worth emphasizing, given its importance to your success at home and abroad: If you cannot spare a key member of the team, the domestic business is likely not ready for the expansion; if you cannot have a key member of the team on the ground, the US operation is likely to suffer on a variety of fronts:

US customers will be less likely to trust your commitment to this market.

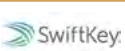
Market credibility and signaling commitment are important given the level of competition in the US, purchase products and services from local companies.

The internal culture is likely to diverge - and suffer.

Culture is critical for hiring, retention and brand identity - and consequently critical for your success as a company.

Category	Good	Best
LTV	\$50	\$200+ (repeat spending)
Market Size	\$5bn	\$100bn+ (growing market)
Revenue Growth	100%+	300%+ (organic growth)

"If it is your most important market: send a key member of the core team. Don't hedge. Commit." - Rhodri Thomas, Swiftkey



Confessions of ventures who launched in the US

The resource buttons direct you to the relevant references and you can instantly find out more.



Just click the icon to be redirected to the section you'd like to explore.



Just click on logos at the end of each testimonial to check out the companies that have already expanded to the US.



This icon helps you identify the resources that are also available in the Toolkit section.

Question the Questions

—Applying some Socrates to your US expansion plans—

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Prologue

The Question the Questions report first appeared in October 2017.

It captured the attention of many, so here we present it again with a few more questions and plenty of answers.

The intention however remains the same: by feeding these questions through your planning process, you will emerge clearer about your intentions, your ambitions and your readiness to cross the Atlantic.

Introduction

The most famous of all philosophers wasn't into preaching. Socrates just asked disarmingly, devastatingly simple questions.

(They killed him in the end, but that's another story). Applying just a bit of his technique to your preconceptions, hopes and plans for US expansion could save you months of work and possibly even your business.

The US is a massive market and requires a commensurate amount of dedication, resources and time. In some cases, the cost will be too high, or the timing won't be right; in others, the rational choice will be to accelerate the US expansion. Ultimately, we'd like to help you arrive at the strategy that is right for your business.

If you're looking for simple encouragement, this won't be the guide for you. International expansion adds a significant amount of complexity and risk to any business, and there are no single right answers. We've seen companies succeed (and fail) by being fast or slow, first or late, big or small.

That's not to say there are no patterns to success. While we're not offering you silver bullets, there is a lot you can do. Successful US expansion cases were extensively planned; failures succumbed to a sense of "inevitability" and rushed to market entry without robust validation.

The framework of this document is not intended to be exhaustive; rather it is a starting point to drive and focus your discussion and help you interrogate your US ambition: Could the land of the free cost you the Earth? If the risk is too high, slow down and focus at home. If the strategy is sound and the time is right, we'll help you take the US by storm.

Joy + hustle from New York,
Team Octopus

Disclaimer: We consider this work a living document. As technology, cultures and market dynamics shift, we are ready and eager to evolve with them. After reading this guide, let us know: Did we miss something here? We welcome your experiences, counterexamples, additional learnings and input - let's make version 3.0 together.

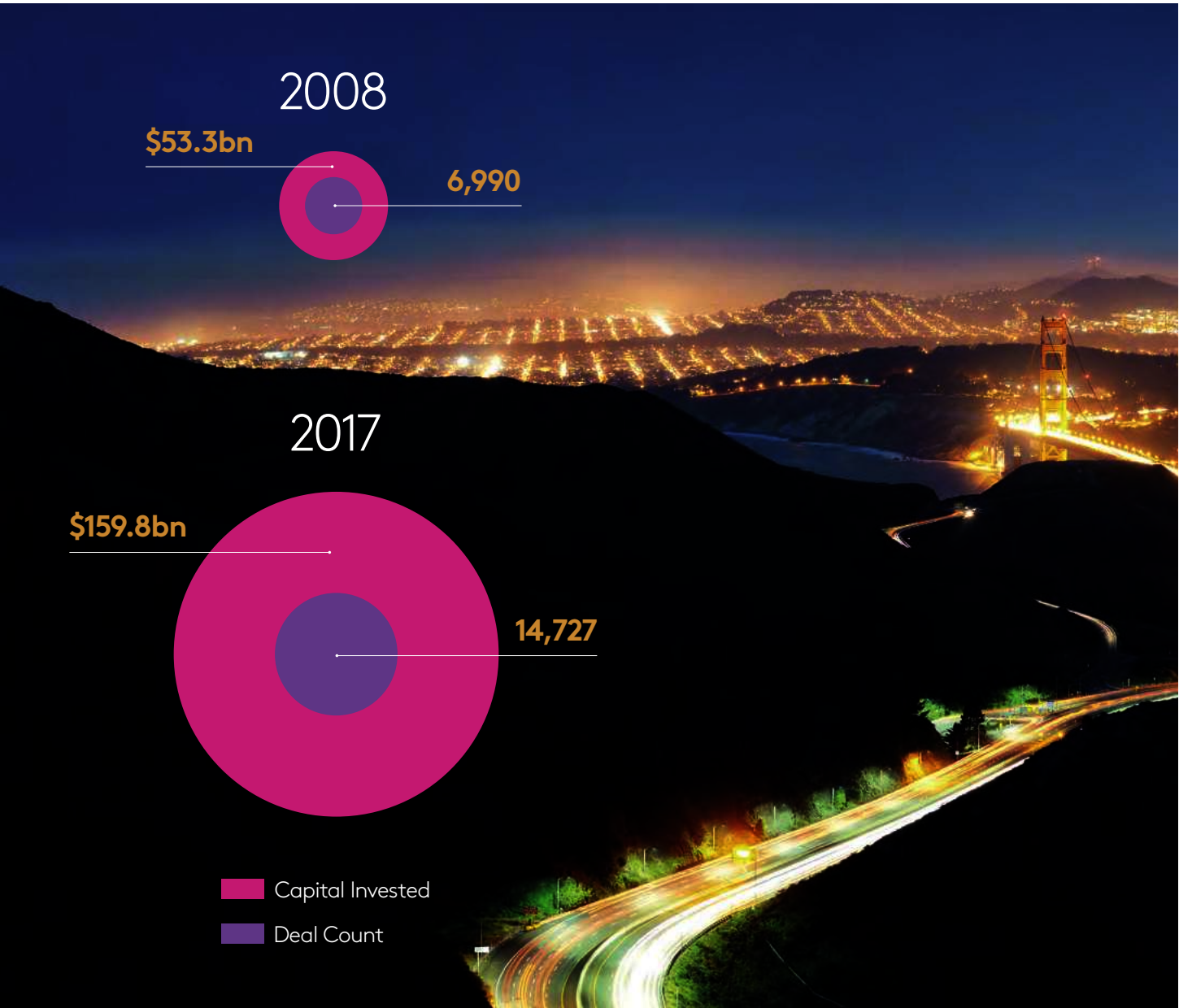
“The secret of change is to focus all of your energy not on fighting the old but building the new.” – Socrates

What makes the US so attractive?

While its dominance in global VC funding is being curtailed, the US is still a leader in innovation investments. In 2017, 53% of the \$160 billion venture capital invested globally was invested in the US.

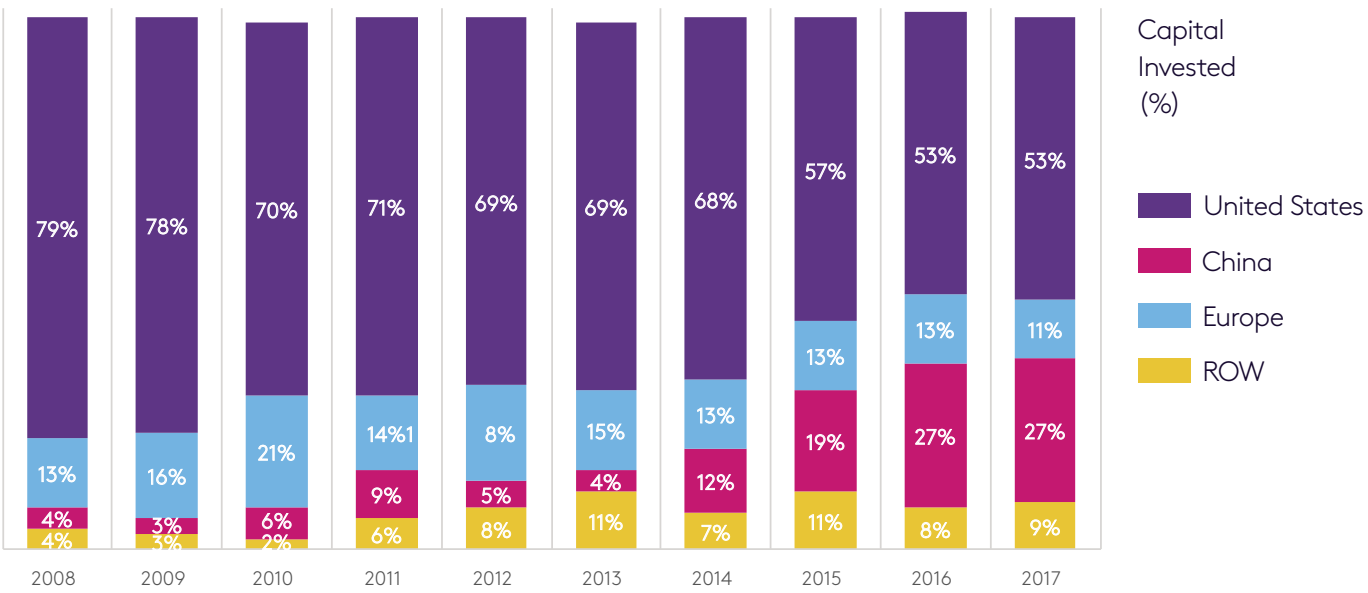
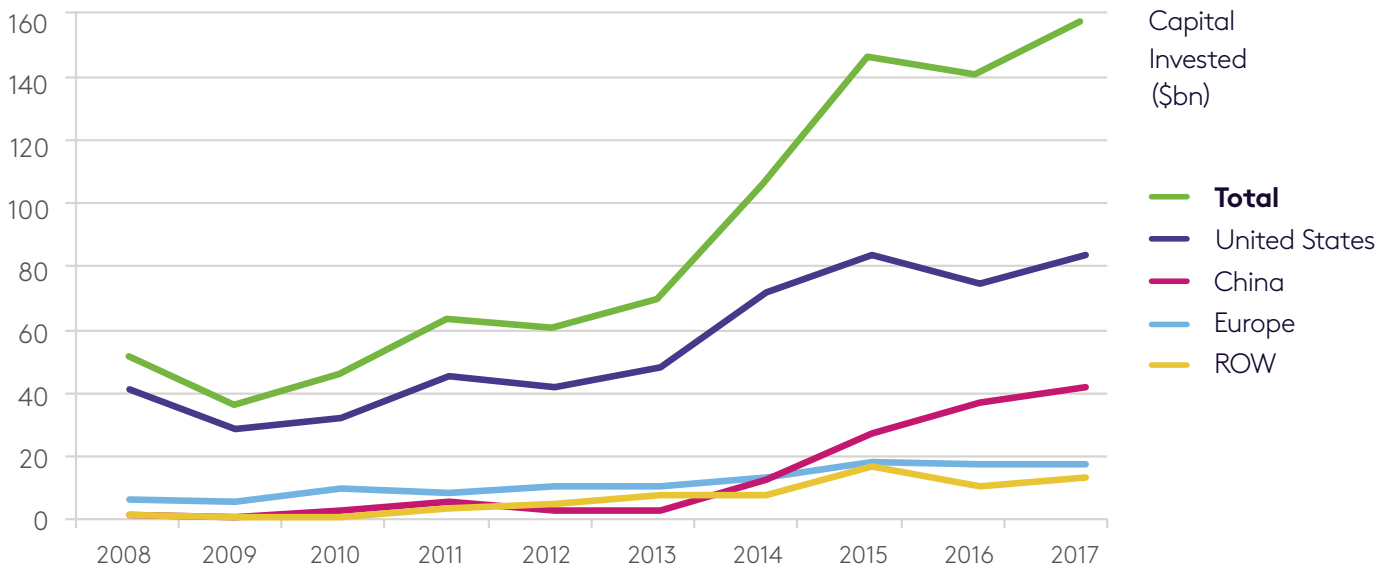
Globally, the sum of capital invested into the venture asset class continues to accelerate.

Global venture capital invested (10 years)¹



And while the US is still a critical player, its dominant position is falling relative to, with investments growing in other world geographies²

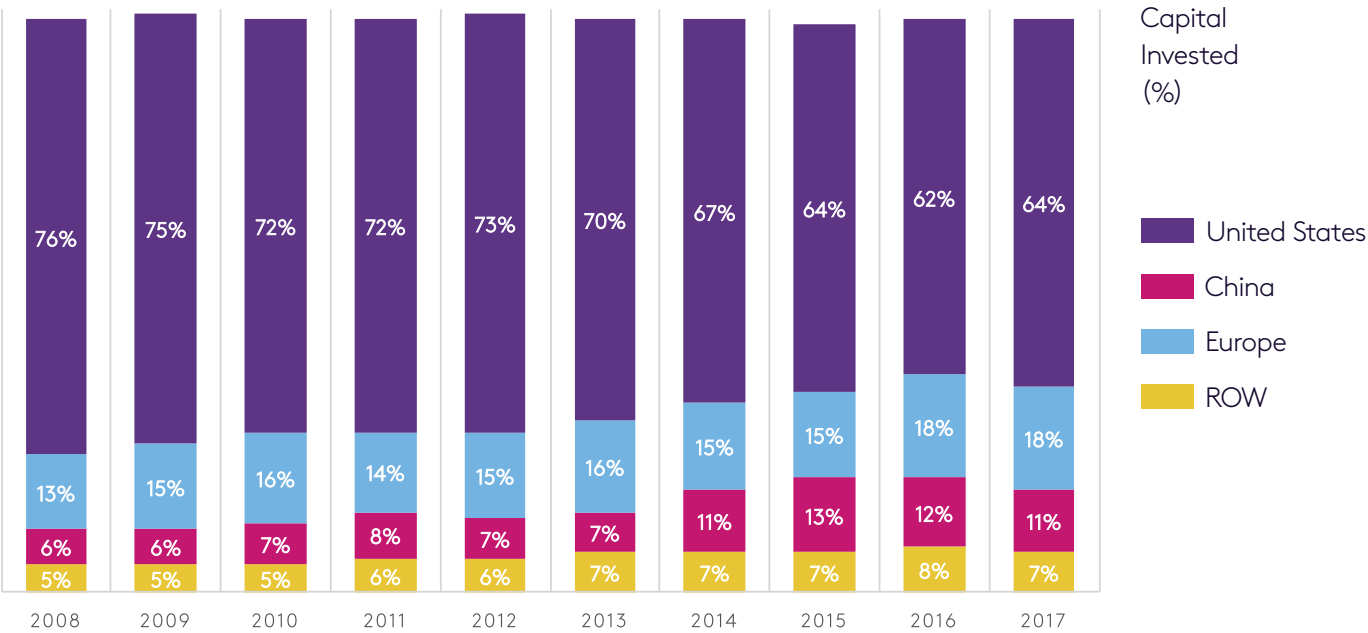
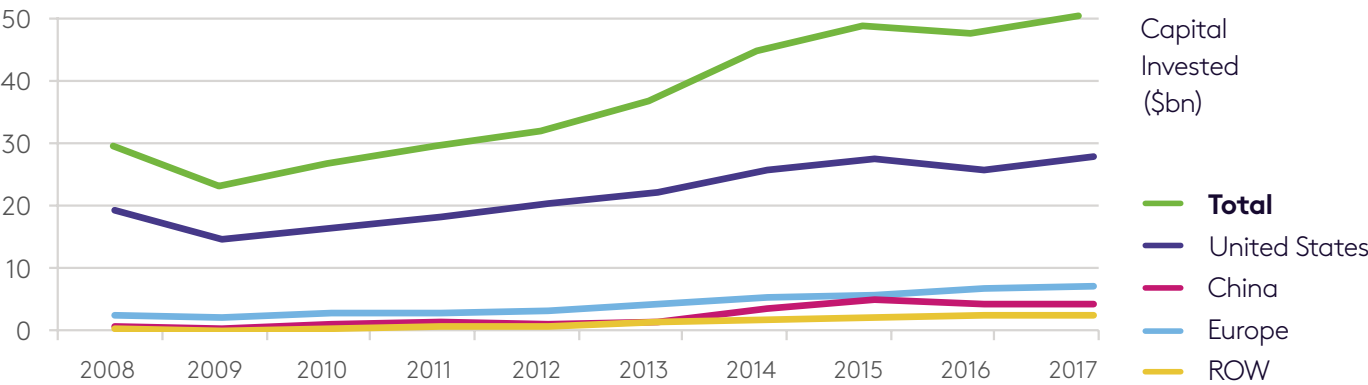
Global venture capital invested (10 years)¹



¹ Pitchbook
² Ibid

Nonetheless, the US still leads in total capital investment into early stage venture deals.

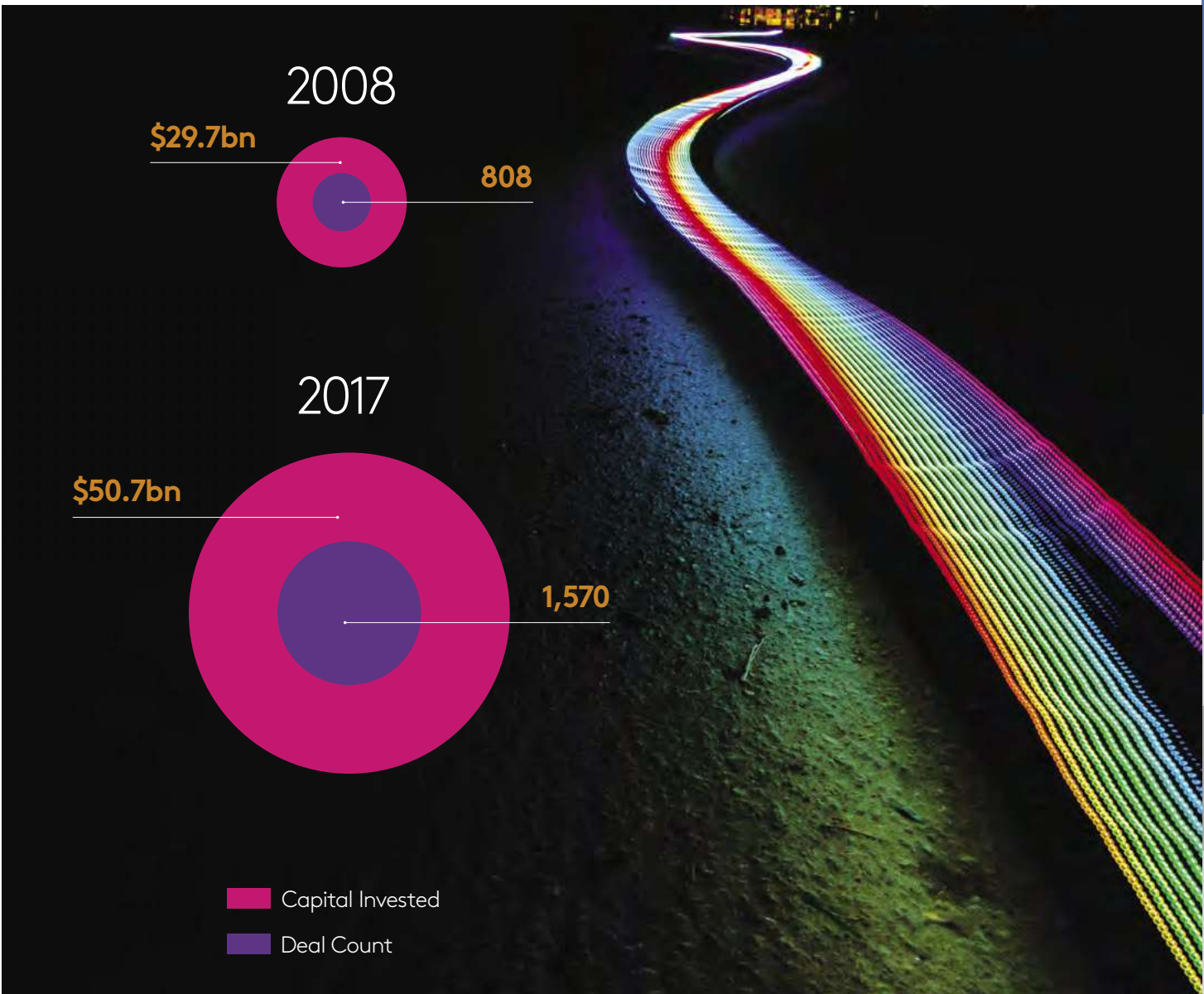
Total amount raised in Early Stage VC deals \$1M-\$25M:³



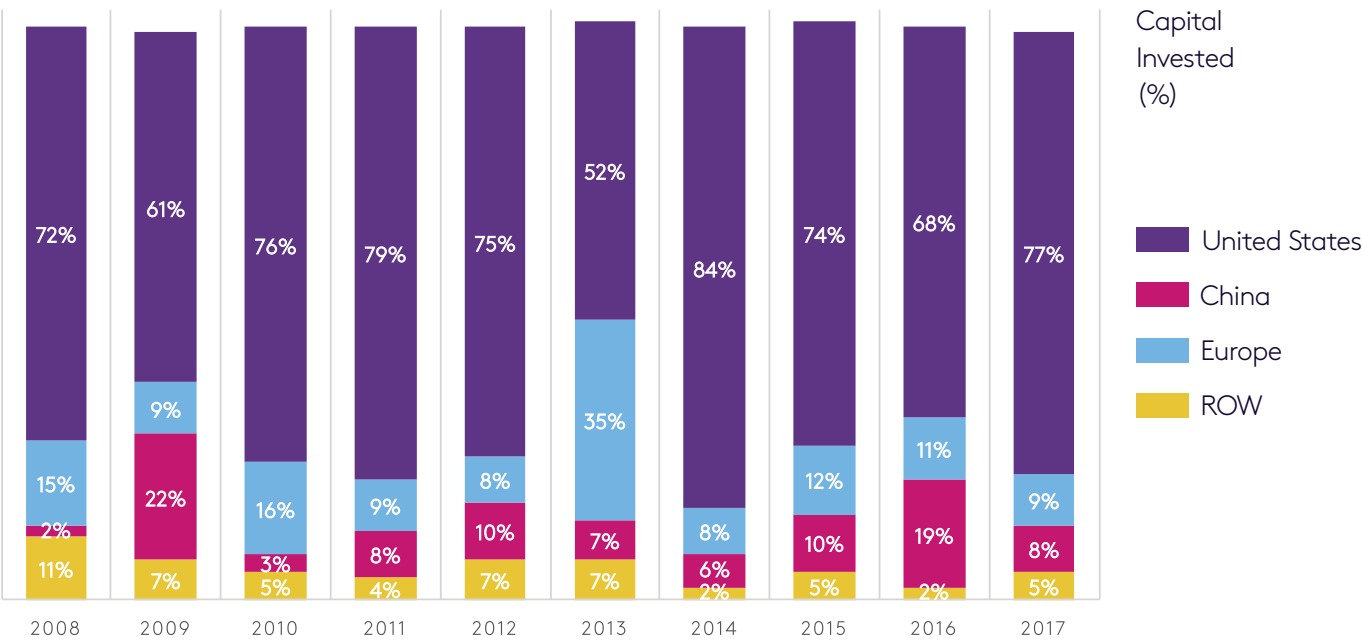
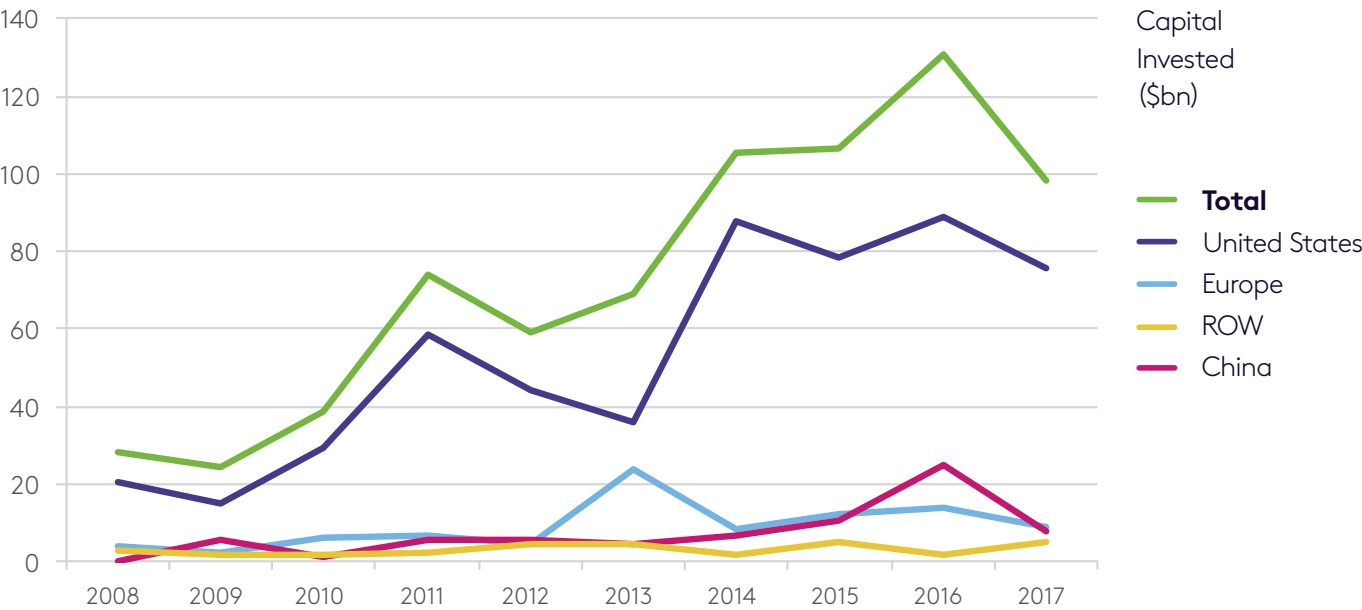
^{3, 12, 13} Pitchbook
⁴ World Bank
⁵⁻⁹ Statista - Internet usage in the US
¹⁰ Converted from £ to \$ using the December 31, 2017 conversion rate of 1.289 from OFX
¹¹ Gartner

When you combine the proven expertise and availability of capital in the US with a population of 324m⁴, internet penetration at 89%⁵, mobile phone penetration at 81%⁶ and smartphone penetration at 67%⁷, the US is a prime market for new technologies. As of 2017 the US GDP stands at \$19.39T⁸ (versus the UK at £1.98T⁹, or \$2.5T¹⁰). According to Gartner's 2018 assessment, annual IT spend of Fortune 2000 companies tops \$3.7T¹¹.

Global Early Stage VC deals \$1M-\$25M:¹³



US Corporations are acquisitive: 55% of the 1,570 acquisitions of VC-backed companies in 2017 were made by US companies.



The US benefits from strong positioning in certain sectors¹⁴

Subsector	Potential
Semiconductors & Electronic Systems	The US boasts 50% of the global market for semiconductors.
Cyber-security	US is home to 2/3 of the world's privately-owned cybersecurity companies.
Cloud computing	The US will be the largest market for cloud services, accounting for \$163bn by 2021 – which is 60% of worldwide revenue. ¹⁵
SaaS	Fastest growing segment of cloud-based market. 28 states in the US do not levy sales tax on SaaS products including California, Illinois, New Jersey and Maryland, making these great locations to consider.
Autonomous Systems & Machine Learning	The West Coast of the US has attracted over 40% of all global investment in Artificial Intelligence and Machine Learning.
AdTech	There's a very large advertising industry in the United States - \$216bn in 2018, accounting for 39% of global ad spend. ¹⁶ New York is an innovation hub for the industry.

These headline fundamentals, combined with a robust business infrastructure and openness to innovation, make the US seem like a logical next step. That said, succeeding in the US means overcoming substantial risks. Launching and scaling in the US market is hard, and even when it is the right answer for your business' expansion, winning here is far from certain.

¹³ Pitchbook
¹⁴ A special thank you to the UK Department of International Trade (DIT) (<https://www.gov.uk/government/organisations/departments-for-international-trade>) for their contributions. Aside from developing, coordinating and delivering new trade policy for the UK, the DIT helps UK businesses export and grow into global markets as well as expand in the UK
¹⁵ www.idc.com
¹⁶ Statista

2

First Ask

- Should you expand abroad?
- Should you enter the US?
- Is the timing right?
- What milestones must you meet?
- What are the industry dynamics in the US?
- Who is your competition?
- How do you know you have product-market fit?
- What is your ideal US customer profile?
- What is your regulatory burden in the US?
- What legal considerations are key?
- Which visa do you need?
- What is your budget?

Should you expand abroad?

Before making the leap to go international, it's worth starting from square one. Why is expansion abroad critical to your company versus focusing on your home market?

Without a well-developed, strategic rationale for international expansion, companies risk under resourcing their foreign entry, under-committing executive time and focus, and struggling to scale operations abroad. Stress-testing your answers to these questions can help ensure your team and Board are fully committed to the success of the international expansion.

Revenue limitations

- What is the potential in the home market?
- Is success in the home market sufficient for continued growth or an IPO?
- What are the limitations on the home market?
 - Is it a team constraint?
 - Is it a product constraint?
 - Is it a market constraint?

Sustaining competitive advantage

- Is presence in a single geography detrimental to your competitiveness?
- Do customers demand global services?
- Must you look abroad in order to access specialized talent needed to grow the business that is otherwise not available in its home market?
- Do you need access to foreign capital that is not available in the home market?

Expansion abroad is unlikely to solve a lack of product-market fit (and might require new products), so watch out for expansion rationales that change the geography of an underlying problem.

“Our trigger to go to the US was competitor related; someone else was going to take the opportunity and it was quite unusual to be in a situation as a consumer business where, in the US at the outset, there weren't any peer models.” – Ed Boyes, Hello Fresh



Should you enter the US?

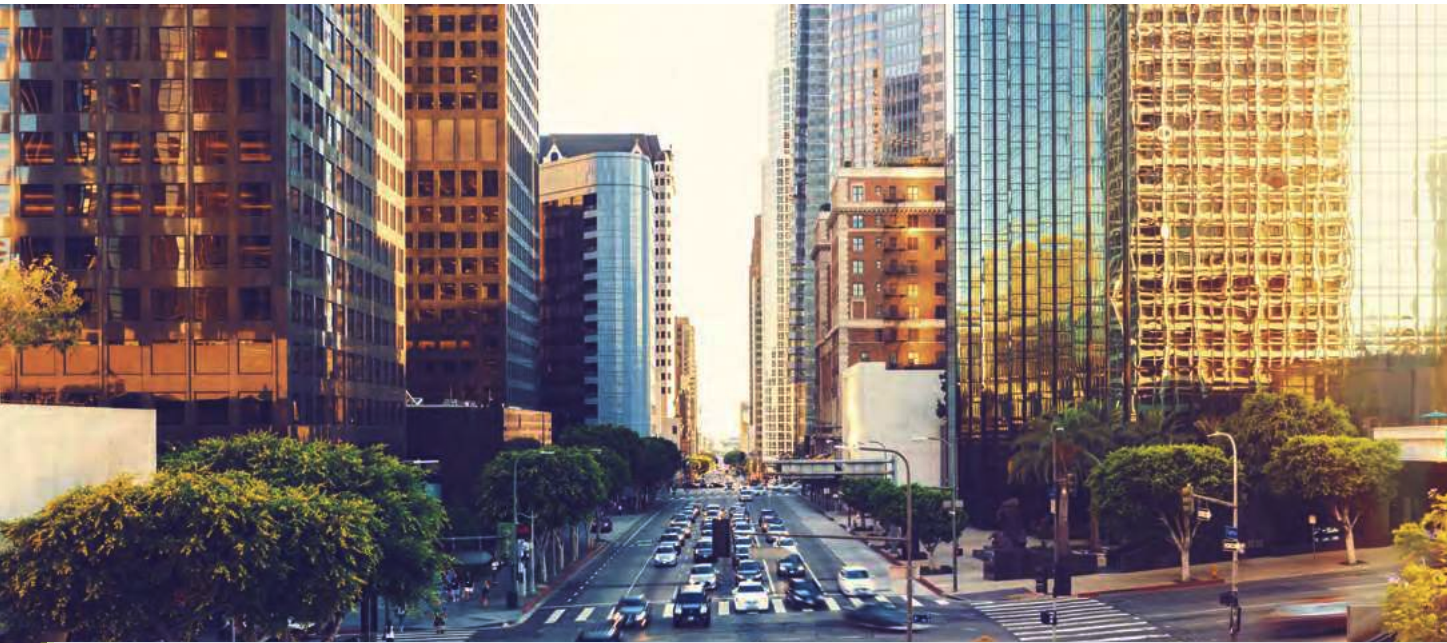
If you've decided the US is a critical market relative to other international expansion options (i.e. other European markets, Asian markets), it's valuable to test its fit to your product.

Have you validated the US market?

- Do you have a deep understanding of product-market fit in the US?
- Do you have a good understanding of sales cycle differences in the US relative to your home market? Have you closed multiple reference customers in the US from Europe, or have you run representative consumer pilots?
- Do you have ROI/use cases from customers in the US?
- Do you have organic inbound leads from the US?

Do the financials work?

- Does the business model work under US constraints?
- Have you stress-tested your financial requirements against US costs?
- What is the competitive landscape in the US, and how does it affect your customer acquisition cost and positioning?
- Will the investment and growth required to make the US entry a success hurt the domestic business?



Most companies are drawn to the absolute size of the US, unaware of how it is fragmented and regional. Differences in consumer preferences, regulatory environments and regional costs can all pose challenges to achieving scale in the US.

Is the timing right?

Timing is key. In our work with European companies, we've seen a pattern of success and risk mitigation emerge: companies enter the US either very early in their life or later on, when they have a strong business in their home market.

1 Go early

- Is the US the Company's primary market?
- Is your primary distribution channel global in nature (i.e. via app marketplaces and platforms)?
- Are you focused on digital health or education (or another market where the US is substantially larger than European markets, and a complete move can be a strategic decision)?

Often European entrepreneurs start building their startup in their home territory and then recognize that the market opportunity there pales into insignificance compared to the market opportunity for the same problem in the US. The early US entry is in effect a company move, whereby the European home market will be sacrificed in the near term. At an early stage, having two offices is often unrealistic from a funding, culture and operations standpoint. The founders elect to sacrifice (or at the very least substantially reduce activity) in the home market and commit to the new market completely.

The benefit of this approach is that the team will build only one product or service and it will be entirely focused on the new market. The startup's stage, funding raised, and customer traction then aligns with an early company in the US.

2 Go late

- Have you saturated the local market?
- Have you gone through renewal cycles?
- Is the domestic management team sufficiently strong to manage and grow the business in the absence of the CEO?

Once a sustainable core revenue and operating base has been built in the home market, the CEO or a core founder will be able to leave the home market and focus on the US with less risk of disruption. Many entrepreneurs who have successfully entered the US have chosen to do this much later in their company's evolution, often post Series C and when the core business is cash-flow break even. The Company's internationalization is less of a make-or-break move with a self-sustaining business at home. Teams can then afford to be measured and somewhat clinical, testing, iterating and only recruiting behind success. By having a stable core business, the pressure on the founder to make the new market work is greatly reduced.

Many companies enter the US at the wrong time: When they have initial traction in the home market, but before repeatability and scale have fully taken hold. That can put strain on a vulnerable position.

Beware of the in-between

Those founders who launched an international market before reaching scale in their home territory found both markets hard to deliver. The home territory was required to continue to be the engine of growth for the business, but with focus and resources now strained, the company now deals with double the level of complexity without operational scale. In many cases, those founders had to make the painful decision to retrench one to two years later. The knock-on effects of this can also be very painful: a business that is subscale in its home market and unproven internationally may struggle to raise additional fundraising and may be forced to seek several rounds of potentially dilutive internal funding.

“It’s easy to go too fast or be too early with the US launch before the company is prepared to take this challenge. It’s a differently structured and hyper-competitive market; therefore, European entrepreneurs might benefit from considering soft launching there first.” – Rytis Vitkauskas, YPlan

YPlan



What milestones and timelines must you meet?

Having milestones and hurdles will help in qualifying your budget and in focusing your spending on high performance. What goals do you want to set yourself?

A lot of preparation for a move to the US can be done from Europe. Expect to have a 6 to 9-month planning phase, then a 6 to 12-month deployment phase where you establish operations on American soil and build out your team.

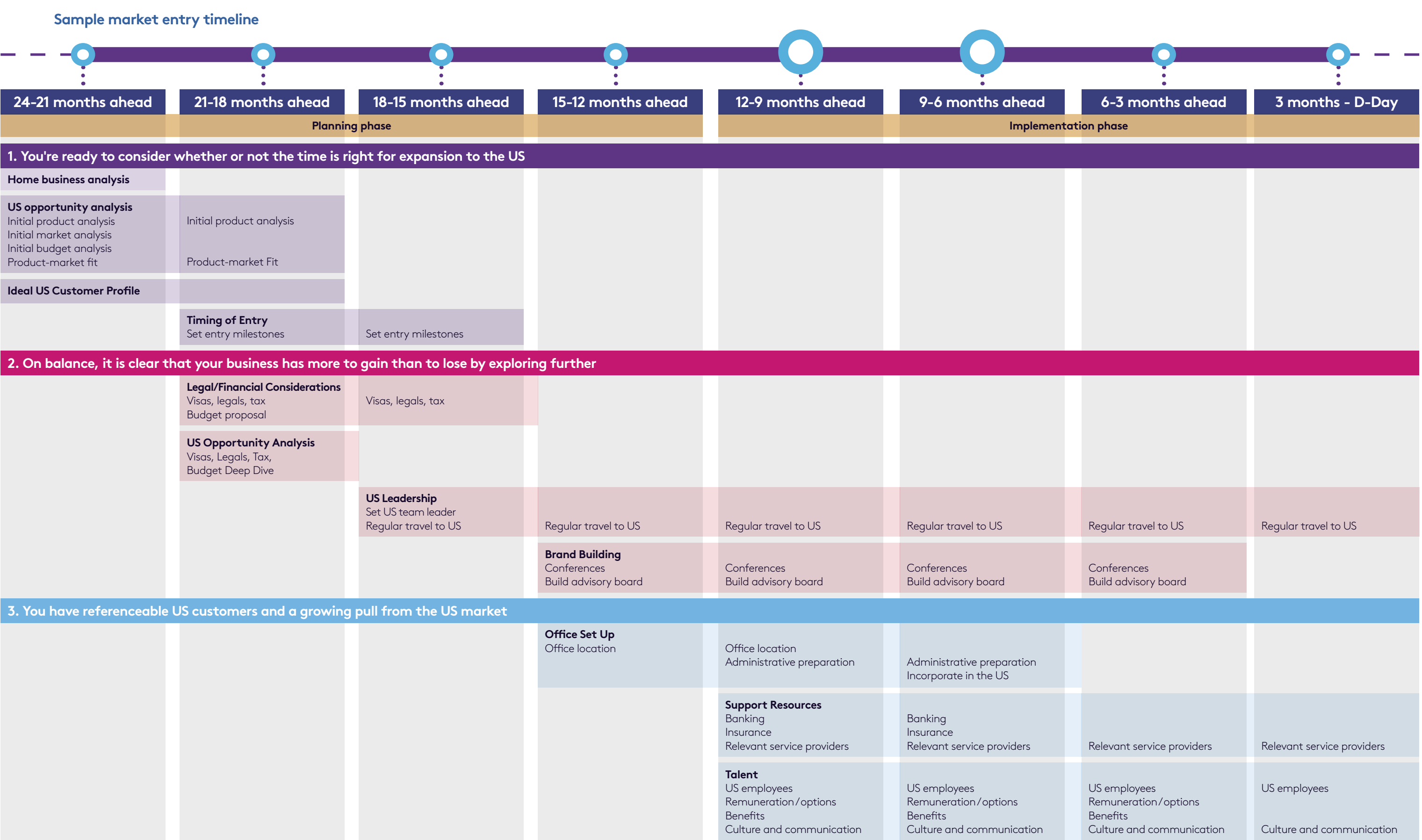


graze

Graze wanted to test if its proposition resonated with US consumers. It allocated an initial budget to build a campaign and serve the US from Europe. The team created a landing page to collect US emails and started mailing snacks to the US directly from the UK. Once they had established that their proposition wouldn’t change, they invested in New York operations.

“For six months, we went into NYC for one week at a time monthly before launch (until we made our first hire). We wanted to talk to the key people and get to know all the players in the podcast market; I invited people to breakfast – the key NPR and WNYC podcasters – and became friends with many of them. That helped us very much” – Karl Rosander, Acast

acast



What are the industry dynamics in the US?

Often the industry dynamics in the US are very different from your home market. It's worth validating that you are well placed for sustained growth.

Many European entrepreneurs see the US as an incremental progression from the work they've done in the home market, when in most cases, a US operation is a return to square one. The expertise you've amassed at home could lead to blind spots in this new environment, if it steers you to make unfounded assumptions. Successful entrants question what they know.

Key questions

- What are the existing market restrictions?
- How easily and how frequently can your consumers switch between different companies that sell similar products?
- Why will it be easy for you to enter this industry, but difficult for others to follow in your footsteps?
- How many companies can the industry reasonably sustain?
- What is the value chain for your product/vertical in the US? Who is currently capturing value and how are they doing it?
- Do industry participants in the US control any proprietary methods or processes that are crucial to your expansion?

A cautionary tale is that of London-based ridesharing app Hailo. Hailo invested heavily and then spent less than six months in the US before it realized there were almost no margins to be made due to the price war between Uber and Lyft.

When Hailo arrived in New York in 2013 it tried to use the same go-to-market strategy it had for London – working with local cab drivers to launch its service. It failed to build a close relationship with New York cab drivers and since Uber dominated the more expensive town car market, Hailo was left to try and make money from inexpensive rides. It didn't work.

Hailo was forced to lay off 40 employees in New York, and the undertaking eventually led to CEO Jay Bregman leaving the company.

Despite raising more than \$77M from high profile investors in the US and Europe, the company pulled out of North America in October 2014, shutting its operations in Washington, Chicago, Boston, Toronto and Montreal.

The Full Story



“ In the US, you can build to \$10M in revenue and not have product-market fit – we treated the first customer as beacons and to prove the fit of our products.”

Tim Robertson, Vium



Who is your competition?

With a large opportunity comes more competition. A detailed competitive analysis is a cornerstone of a sound decision-making strategy.

In 2017, US per capita advertising spend was \$610, compared to \$365 in the UK, \$276 in Germany and \$184 in France.¹⁷ Most Europeans underestimate how crowded and loud the US market is, and the sophistication of the marketing and lead generation efforts of the competition. A great product, crisp value proposition, and effective differentiation are paramount to traction in the US.

Current competition

- Who are your competitors — direct, indirect, adjacent, up and down the stack?
- What are their growth rates?
- Where will they be in one year when your US operations are up and running?

New entrants

- What are the barriers to entry in your industry?
- If you do well, are you going to be hit by a wave of new entrants - all chasing after the same market?
- What moats can you build around your offer?
- What are your key differentiating factors? Are these sustainable?

Want insights on your competition? Head to the library

When it comes to evaluating the competitive landscape or conducting bottom up market sizing, you should explore the many resources available behind research paywalls.

- **University libraries:** University libraries hold a treasure trove of resources for conducting market or competitive analysis. Many offer free access to otherwise costly research databases such as IBIS World, Gartner, and Frost and Sullivan (though subscriptions may vary across universities). In most cases, one can access these resources remotely if affiliated with the university.
 - University libraries can also provide access to pricey equipment, such as Bloomberg terminals.
 - A formal affiliation with the university typically grants you access to these resources. However, having members of your team that are students, faculty, researchers, or alumni could also grant you access.
- **Public libraries:** Many city or county public libraries similarly offer access to a variety of databases, though access can be more limited than that of university libraries.
 - If you're in New York, a great resource is the New York Public Library's (NYPL) Science, Industry and Business Library (SIBL).
 - If you're in Boston, the Boston Public Library (BPL) also offers industry research articles and abstracts from over 600 leading trade and general business periodicals from over 30 countries.
 - In order to access public library's resources, you usually need to sign up for a library card by presenting ID and proof of residency in the area covered. In some cases, merely visiting the library and accessing/requesting the data from a librarian is an option.



¹⁷Statista - total ad spend in country/population

How do you know you have product-market fit?

Tesco who? Carrefour what? European reference customers will not mean much to a US audience. Unless you have local reference accounts and local traction, beware of assuming you have or will get fit.

Many European brands - even household names - will be unknown to American customers. Your list of European references will carry little to no weight with Americans, who in many cases think of even international operations of the same company as different businesses.

Customers will expect you to prove that your product addresses a local pain point. Doing this will also help you understand how to position, localize and in many cases, redesign, your product for the US.

To be successful it is not enough to have good technology—you also need to overcome your prospective US customers’ reluctance to buy from non-US firms: risk and politics. This means being hyper-focused on target prospects that you can impact more significantly than the local competition.



Given differences in the retail industry in the US, **Conversocial**’s success with retailers in Europe did not translate to the US; instead it found traction with telecommunication companies among other sectors.

Before you take your product to the US, do your research and find out if your customers like what they buy. Do you have significant inbound requests from customers? What do they want your product to look like? Just as you did at home, you’ll need to test your value hypothesis. What are the features you need to offer in the US? Who is the audience that is likely to be interested? How will they buy your product?



The US is BIG... and that can be misleading

The size of the US market, and its consequent share of “innovator” customers, who want to be at the forefront of new technologies, allows for companies to hit millions in revenues without proper product-market fit - and that can be dangerous.

Your company might be lulled into believing you’ve found a repeatable formula for scale, right until renewals slip, churn increases, and growth slows.

A study conducted by **Startup Genome** concluded:

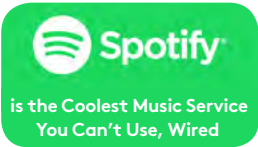
“Startups need 2-3 times longer to validate their market than most founders expect. This underestimation creates the pressure to scale prematurely... In our dataset we found that 70% of startups scaled prematurely along some dimension. While this number seemed high, this may go a long way towards explaining the 90% failure rate of startups.”

More importantly, if you don’t have product-market fit in Europe, moving to the US will compound your problems, not solve them. What “tells” can you see that demonstrate that fit is real? Is your product growing in the US with no marketing?

“ We took recipes from the UK and things like curry and lamb just didn’t translate, which we quickly adapted.”
Ed Boyes, Hello Fresh



Case study: Spotify



In Spotify's case, customer demand for a US version was evident. European adoption had been explosive and soon after, there were "breathless blogs and fan sites dedicated to discussing the service's US potential." But even this demonstrable demand—and growing knowledge of US music listener preferences—was insufficient in justifying a US move.

? Who - The customer

- **Customer preferences:** What are the US customer's preferences? Is my customer's behavior aligned with her preferences?
- **Customer acquisition:** What is the CAC in the US market?
- **Competition:** Who are the domestic and foreign alternatives? What is my competitive advantage?

Spotify's business model relied on securing the music rights held by the major US record labels. This would require building the right relationships within the US music industry. The company's decision to expand ultimately hinged on the reality of securing these relationships and aligning them with their knowledge of customer preferences.

? What - The product

- **Product value:** What value does the US customer extract from the product?
- **Product features:** What features of my product are context-specific and need to be revised for the US?
- **Product economics:** What is my predicted ROI? What are my projected costs, revenues, and breakeven point in the US? What new revenue-generating opportunities exist in the US?

In Spotify's case, though its value in Europe—free, legal access to vast amounts of music—was indispensable to success in the US as well, it made negotiations with US record labels particularly slow and challenging. Critics within and outside the labels expressed skepticism at the company's ability to convert free users to premium users under its "freemium" model. To assuage the labels concerns, the company tweaked its business model for the US, introducing a mid-tier premium customer category and several new features based on US listener preferences.

? Where - The local context

- **Regional opportunities:** Which regional markets in the US best optimize ease of access, speed of product adoption, profitability, and sustainability?
- **Local restrictions:** What US restrictions (legal and regulatory) exist for producing, marketing, distributing, and selling my product? How can I surmount them?
- **Distribution outlets:** Through what media could I develop customer interest in my product? Where could I best sell my product to my target customer?

Acquiring licensing rights in the US did not require regional relationships, but Spotify did need to map out alliances with regional advertisers—yet another subset of customers. In so doing, the company developed new revenue streams by delivering ads filled with local content to "free users" based on their locations. Thus, Spotify's regional strategy helped it retain its crucial freemium model and justify its expansion plan.

? When - Market timing

- **Developing demand:** How long does my target US customer need to be educated about my product?
- **Adoption time:** How long do customers take to adopt novel offerings in the target market?
- **Necessary partnerships:** How long would it take to build essential partnerships? When do these relationships need to be developed relative to my market entry?

Perhaps because Spotify took two and a half years to prepare and launch in the US, demand for its product was at fever-pitch when it launched. Notably, the company entered at a time of uncertainty in the US industry: physical album sales numbers had been falling dramatically, and streaming competitors like Rdio had failed to capture popular demand. The industry climate, hype around Spotify's product, and the minimal effort needed for customers to test the free product accelerated the time between market entry and mass adoption in the US.

The missing "magic metric" for customer success

What is your US ideal customer profile?

All companies claim that their strategies are customer driven these days. Your ideal US customers may look different from their European counterparts.

You have grown in your home market and are now eager to expand your sales in the United States. However, what was valuable to your customers at home might not translate seamlessly to US clients. Validating your Ideal Customer Profile and testing your sales process within this new cultural context will be crucial to ensure your scalability in the new market.

Identify a primary customer

Founders sometimes sidestep difficult choices by not singling out a definitive group as the primary customer. But companies who do that risk not being focused on anyone.

Define your product or service from the American customer’s point of view. A frequent comment from founders is that the US market is saturated and competitive. How do you stand out from what your customers already have?

Many customers expect a local presence and local services, but not all. You can get started building a book of business before you establish operations on the ground.

Direct-to-consumer

Direct-to-consumer companies can often acquire their customers without a physical presence in the US, since digital marketing can drive the sales process.

Having a transferable marketing strategy is important here – does your message translate well into American?

“Interestingly for us, there were two clear learnings early on – first, US customers were more willing to try new products and were easier to convert, so CAC was much lower than in Europe. Second, even with the same level of customer satisfaction, willingness to refer the product to new customers was far higher in the US. Our marginal dollars in the US were therefore going a lot further and this created an incredibly appealing proposition as it was going to be so efficient to grow the business.”
Ed Boyes, Hello Fresh



Building your US ideal customer profile

1 Determine the customer’s needs

- What pain are they trying to solve?
- How does that pain impact them?
- How do they value that impact (\$)?
- What results would they like to achieve: on an individual basis, and if B2B, a department and company-basis?
- What are the potential outcomes of those results?
- How will those outcomes impact them, on an individual basis, and if B2B, a department and company-basis?

2 Define the ideal sales target within the customer profile

- **B2B:**
 - i. Who are the executives that own the pain point and are empowered to act?
 - ii. What other roles within the target company (between one and three) would be productive entry points for outreach?
- **B2C:**
 - i. Who are the individuals most likely to seek a solution that addresses the pain point?

3 Identify how competitors service the customer’s needs

- Are they considering other vendors or using an in-house solution?
- On which criteria are you being evaluated?

4 Define the best process for connecting with the customer

- What is their typical buying process for a product such as yours?
- Can you realistically engage your ideal customer directly or do you need the help of a partner with pre-existing relationships?
- Where is a critical mass of your ideal customers concentrated?
- Does the customer have to be sought out, or would they come to the service?

5 Understand the customer’s ideal timeline

- How long does their typical buying process take? How satisfactory is this to the customer?
- What can complicate/extend their buying timeline? When do they plan to buy?

Validating your US ideal customer profile

1 Test your product on the new customer

- How do these leads respond to your solution?
- What objections do they raise?
- What characteristics of those who respond validate your ideal profile?
- What lessons can you learn from those who reject your sales outreach?

2 Compare your new customer profile to your existing customers

- Did you discover significant differences between the US leads and your existing successful customers?
- How do these differences affect your sales process?
- How do these differences affect your product development roadmap?
- Is the competitor group you are up against the same as that of your home market, or are there significant local players you haven’t yet faced? What is your key differentiation?

3 Tweak your new customer profile based on the feedback

- How do access to leads and conversion rates increase after you make changes to your ideal customer profile?

Resources

Blueprint for sales growth

How do I get the biggest bang for my new investment buck?

Expanding your B2C business into the US

Choosing the right customer

“In enterprise sales Americans will buy from domestic vendors unless you can prove you are two to three times better, or you have US marquee clients that you can showcase.” – Ian McCaig, Qubit

Qubit.

What is your regulatory burden in the US?

Many registrations, licenses, oversight bodies and regulations vary on a state-by-state basis, so local counsel is key to assess the business impact of compliance.

Is your business operating in a regulated sector? If so, you'll likely be subject to the rules of a number of regulatory agencies. Applying for licenses is straightforward, if time-consuming. You'll need counsel to establish which licenses you need and what regulation you'll be subject to. The days of entering a market, gaining market share and getting regulator blessing retrospectively are ending – regulators are taking an increasingly harder stance on this front and want to be approached pre-launch. A significant regulatory variation between states is in taxes, which we will cover separately.

Data privacy

Unlike the EU, the US does not have a single overarching privacy law. On a federal level, the United States maintains a sectoral approach towards data protection legislation where certain industries are covered and others are not. This has significant commercial implications for direct-to-consumer digital marketing, for example. If you are purchasing Facebook ads in the US, you have a much more expansive set of targeting criteria and tools than in

Europe, where there are more extensive limitations on what customer data can be made available. Given the current privacy regulation landscape, your ability to use these tools may be further restricted in the near future.

At a state level, most states have enacted some form of privacy legislation. This may have an impact on where you want to locate your HQ.

Resources

Legal challenges after expansion

Applying for licenses and permits

General Data Protection Regulation (GDPR)

Specialists in the field

Cheryl Young - Securities Compliance Advisors (SCA), focus on fintech

Ashford Tucker - Fross Zelnick Lehrman & Zissu, focus on healthcare

Ingrid Brydolf - Davis Wright Tremain, focus on healthcare

Heidi Lawson & Greg Hoffnagle - Cooley LLP, focus on insurtech

What legal considerations are key?

The American approach to law is very different from Europe, and legal counsel is part of the cost of doing business. 'Lawyer up' during the planning phase or you risk falling over the complicated laws in place across the US.

Companies in the US spend nearly triple the amount on legal services for every dollar of revenue than their counterparts around the globe: On average, 0.4% of every dollar of revenue versus 0.15% for the rest of the world.¹⁸ The substantial difference stems from both higher legal costs and requirements for more services.

In the US, each party to a lawsuit bears her own legal costs. If you're sued, you'll have to pay your legal bill regardless of the outcome of the case. Given the high costs of litigation, the opposing party knows you're likely to settle instead of fighting the case in court. This practice leads to a much more litigious culture, and the threat (and fact) of litigation is used more extensively to further business outcomes.

Extensive employment regulations at the federal and estate level will influence every step of hiring, managing and terminating employees. Employment discrimination claims are common and expensive.

Because states treat business regulations so differently, it's important to have experienced, localized counsel to evaluate the different regulatory requirements.

States will differ on legal requirements for setting up operations, hiring talent and business reporting.

The upfront cost of expert advice aimed at avoiding potential problems and crafting well-worded contracts is well invested, considering the price and disruption of a lawsuit.

Specialists in the field

Daniel Glazer - Wilson Sonsini Goodrich & Rosati

Ed Zimmerman - Lowenstein Sandler

Victor Boyajian - Dentons

Ted Rosen - Akerman

“In the US, lawyers are part of the competitive dynamic, whereas in Europe they confirm agreements.” – Chris Wade, Isomer Capital



¹⁸ Source: Law360, Acritas Research

Which visa do you need?

Visas and immigration are complex subjects in the States, especially in the current political climate. Seek professional counsel and consider your options at the beginning of your planning process – it could determine who you send to the US.

E-2 visa	E-1 visa	H-1B visa	L-1 visa	O-1 visa
You are planning to start a company in the US	Your company is actively involved in substantial trade with the US (at least 50% of volume)	You are an employee	You have been employed by your company for at least one year out of the last three years	You are an individual or entrepreneur who can demonstrate extraordinary abilities
You are planning to invest a significant amount of money in the US	You are a citizen of a "treaty country"	The US based position requires a bachelor's degree or a foreign equivalent	You are in an executive, manager, or "specialized knowledge" capacity	-
You are a citizen of a treaty country	Your company is at least 50% owned by citizens of a treaty country	Your employer is willing to fill out a Labor Condition Application	The foreign company will remain open and operational during the period of your L-1 employment in the US	-

A straightforward VISA you can get is an **E-1 visa**, issued for a company that is trading internationally with the US. Importantly, the employees of the company must be of the same nationality as the company to be eligible for E-1 visas.

Otherwise, an **L-1 visa** (intra-company transfer) is the most likely to suit your needs.

If you're a successful entrepreneur, or have extraordinary credentials, you could apply for an **O-1 visa** (applies to science, education, business or sport).

Finally, if you are ineligible for or unlikely to get those visas then you could apply for an **H-1B visa**. This is a capped visa – companies apply at the beginning of April for a start date of October. It is essentially a lottery, with your chances of success at roughly 1/3, because a limited amount of H-1B visas are provided each year.

Australia, Singapore and Chile have specialist visa treaties with the US that grant nationals of those countries additional visas to work in the US. If you are of one of those nationalities, research these additional options.

Business visitor visa

This is an easy visa to get but be careful – the restrictions on it are quite tight. You can use this visa for visits during your planning process; some allowed activities include:

- Merchants taking orders for goods manufactured abroad;
- Negotiating contracts;
- Consulting with clients or business associates;
- Litigating; and/or
- Undertaking independent research.

Bottom line

When it comes to American work visas, there are many categories to choose from. Immigration policies often change with each new Administration and new legislation.

Keeping up with those changes is a full-time job in itself; our advice is to start early and maintain regular contact with a reliable immigration attorney.

- Coming to America: a primer on visas for foreign entrepreneurs
- Employment visas: changes and what to expect

Specialists in the field

- Paul Samartin - Ganguin Samartin
- Gloria Lin - Immigration Law Group
- Daniella McGuigan - Ogetree Deakins
- Dana DiRaimondo - D&S Boutique Business Immigration

“ The visa process can be a huge battle you’ve got to be mentally ready for. A good immigration attorney will know the details of your various options and can set expectations and plan accordingly.” – Danny Hakimian, Onfido



What is your budget?

Personnel is more expensive in the US, as is building a brand. Ensuring you have sufficient resources set aside will enable you to stay competitive in the fast-paced US market.

Many founders underestimate how long it will take to establish operations in the US. When planning, many companies found it crucial to have someone dedicated exclusively to the forecasting and due diligence of the US expansion. In a world of high costs, it is also advisable to have a finance person as part of the team, especially if you'll be managing a P&L in country.

It is not uncommon for companies to spend around 2 years to set up shop in the US properly.





The US employment market for tech-related talent in the large centers is very liquid, and as such employee retention is low and costs are high. For example, In London, a Senior Account Executive might cost you £40-60k (\$51.5-77k) base salary, whereas in San Francisco the same person would command a base of \$90-120k.

Additionally, it can be hard to attract high quality local talent without local product-market fit validation. That said, hiring from the competition will send a strong market and talent signal and cost you commensurately. If you build your budget and planning strategy around specific milestones for performance and de-risking, and stick to them, you are likely to invest behind success, and to minimize costly course-corrections.

Budget benchmarks

This is a sampling of what salary and variable compensation could cost you in different geographies, before taxes, healthcare and other benefits, which can be an additional 25% of salary.

2018 average salary ranges¹⁹

	 San Francisco, CA		 New York, NY		 Austin, TX		 London, UK*	
Sales	base	OTE**	base	OTE**	base	OTE**	base	OTE**
Sales Development Rep.	\$45-60K	\$65-85K	\$45-60K	\$65-85K	\$40-50K	\$60-70K	\$33-47K	\$47-67K
Account Executive	\$70-90K	\$140-180K	\$70-100K	\$140-200K	\$50-70K	\$100-140K	\$53-80K	\$106-160K
Sr. Account Executive	\$90-120K	\$180-240K	\$90-120K	\$180-240K	\$60-90K	\$120-180K	\$67-93K	\$133-186K
Enterprise Sales	\$120-160K	\$240-320K	\$120-160K	\$240-320K	\$120-150K	\$240-300K	\$80-120K	\$160-239K
Sales Operations	\$80-100K	(+5-20%)	\$80-100K	(+5-20%)	\$60-80K	(+5-20%)	\$53-80K	(+5-20%)
Sales Engineer	\$80-120K	\$150-160K	\$80-120K	\$150-160K	\$70-110K	\$95-145K	\$53-120K	\$73-160K
Customer Success Mgr.	\$55-90K	\$75-120K	\$55-90K	\$75-120K	\$55-80K	\$75-105K	\$53-73K	\$67-100K
Sr. Customer Success Mgr.	\$80-125K	\$105-165K	\$80-125K	\$105-165K	\$70-110K	\$95-145K	\$73-106K	\$100-140K
Account Manager	\$75-95K	\$105-135K	\$75-95K	\$105-135K	\$55-75K	\$80-105K	\$71-106K	\$106-113K
Sr. Account Manager	\$90-120K	\$130-170K	\$90-110K	\$130-155K	\$70-90K	\$100-130K	\$80-106K	\$113-153K
Marketing								
Marketing Coordinator	\$50-80K	(+5-10%)	\$50-80K	(+5-10%)	\$45-70K	(+5-10%)	\$27-40K	(+5-10%)
Demand Generation Mktr.	\$115-135K	(+10-20%)	\$110-130K	(+10-20%)	\$75-95K	(+10-20%)	\$60-80K	(+10-20%)
Product Marketer	\$140-160K	(+5-10%)	\$140-160K	(+5-10%)	\$100-120K	(+5-100%)	\$53-67K	(+5-10%)
Content Marketer	\$90-\$110K	(+5-10%)	\$90-110K	(+5-10%)	\$50-85K	(+5-10%)	\$27-40K	(+5-10%)
Sales leadership								
SDR Manager	\$90-130K	\$120-170K	\$90-120K	\$120-160K	\$80-90K	\$115-120K	\$73-87K	\$100-113K
Inside Sales Manager	\$120-140K	\$240-280K	\$130-150K	\$260-300K	\$100-130K	\$200-260K	\$106-120K	\$212-239K
Head / Director of Sales	\$125-150K	\$250-300K	\$110-140K	\$220-280K	\$100-120K	\$200-240K	\$120-133K	\$240-266K
VP of Sales***	\$170-220K	\$340-440K	\$200-230K	\$400-460K	\$150-170K	\$300-340K	\$133-166K	\$266-333K

“ Given the amount of cash you can burn with a market at least five times bigger than a European market, higher salaries and more competition, you need to be clinical in execution.” Ian McCaig, Qubit

Qubit.




“ It costs a lot to hire here; a lot more than we assumed. The competition in the industry for talent is fierce, so expect \$100k salaries for the best sales people in NYC as the norm. They cover costs if they're good though.”

¹⁹ Betts Salary Recruiting Data




*Exchange rate of £0.77 = \$1 | ** OTE refers to On Target Earnings
*** VP of Sales data gathered from clients with \$0-20M in revenue that are pre-series A to series C

What else is in your budget?

A typical US expansion budget includes a number of standard considerations. The cost of each line item exemplified here will vary significantly depending on where you set up the company. There is a trade-off between being downtown in a city (i.e. San Francisco or New York) and saving between 10%-45% on operating overhead costs by being as little as

				
Sample budget for new ventures		Silicon Valley	New York	London
Activity	Rate	\$ Range	\$ Range	\$ Range
Corporate setup				
Incorporation legal fees	Annual	\$1,000-10,000	\$1,000-10,000	\$500-2,000
Legal fees (per hour)	/hr	\$300-900	\$500-1,000	\$175-715
Facilities				
Hardware essentials	/employee/year	\$24,000-72,000	\$24,000-72,000	\$24,000-72,000
Plus furniture (not at co-working)	/employee/year	\$12,000-120,000	\$24,000-72,000	\$24,000-72,000
Office space				
Lease in SF Bay Area	/SF/year	\$60-200	\$42-100	\$53- 112
Co-work space	/desk/year	\$400-600	\$500-1,000	\$405-400
Employee cost				
Salary ranges				
VP level	Annual	\$200,000-400,000	\$200,000-400,000	\$120,000-200,000
Director marketing	Annual	\$120,000-220,000	\$100,000-210,000	\$90,000-190,000
Marketing staff experienced	Annual	\$70,000-140,000	\$75,000-100,000	\$45,000-100,000
Marketing staff entry level	Annual	\$50,000-80,000	\$50,000-75,000	\$20,000-26,000
Admin				
Director (Acct. HR)	Annual	\$140,000-180,000	\$150,000-200,000	\$70,000-140,000
Staff experienced	Annual	\$75,000-140,000	\$90,000-120,000	\$30,000-50,000
Staff entry-level	Annual	\$50,000-85,000	\$50,000-75,000	\$20,000-26,000

10-20 miles away: the distance can affect talent attraction and retention, so it's important to evaluate the talent requirements of your company, and the distribution of the population with the requisite skills for your business.

				
Sample budget for new ventures		Silicon Valley	New York	London
Activity	Rate	\$ Range	\$ Range	\$ Range
Employee cost (continued)				
Outsourced accounting/HR				
CFO	/hr	\$200-350	\$200-300	\$285-500
Controller/ HR. Director	/hr	\$120-190	\$125-175	\$110-275
Senior accountant / bookkeeper	/hr	\$85-150	\$85-125	\$45-100
Benefits and payroll				
Payroll taxes and workers comp	of payroll	15%-30%	15%-30%	13.8%-14%
Health insurance	/employee/year	\$350-1500	\$400-600	\$115-205
Vacation	of salary	0-4 weeks	0-4 weeks	0-4 weeks
Payroll service (5 - 10 employees)	/year	\$500-12,500	\$500-12,500	\$625-11,000
Recruiting	of annual salary	20%-35%	15%-25%	18%-35%
Employee morale	/emp/year	\$1,200-7,200	\$1,200-3,600	\$960-8,700
Other				
Marketing	Annual	\$12,000-120,000	\$12,000-120,000	\$8,000-90,000
Insurance	Annual	\$3,000-5,000	\$10,000-25,000	\$1,000-1,850
H1B visa cost	/employee	\$3,000-4,000	\$3,000-5,000	\$2,220-8,880
Travel	/employee/flight	\$1,000-3,000	\$1,000-3,000	\$1,000-5,000
Bank fees	Annual	\$0-1,000	\$100-250	\$50-500
		\$1,115,431 - 3,235,450	\$1,128,395 - 2,894,888	\$729,450 - 2,121,330

3 Then Test

- How much do you like flying?
- Have you built a local network?
- Can the industry name your brand?
- Can you sell like an American?
- How will you price your products?

How much do you like flying?

Before you open your doors to customers in the US, you should research the market in person. There is no substitute for physical presence.

Spend time on the ground

Your competition in the US is highly likely to include American startups and established American companies, groups who live and breathe the US market and culture. The reality is that many European companies tend to prepare less for US entry than their American counterparts, placing themselves at a disadvantage.

Europeans who had the most success with US entry typically planned an entry phase of at least six months.

During that time, the CEO would travel to the US frequently to meet potential customers, suppliers, business partners, and other people crucial to the early success of the business.

This engagement phase allowed companies to strengthen their US strategy and business case before committing to hiring and building out a physical presence. You should set up processes in your company so that you are able to work remotely during the time that you're on the ground in the US: How does the team at home perform under those circumstances?

Contractors

Contractors are useful because they're quick to hire and require minimal paperwork to employ. You can use contractors for these months of tests while you spend time hiring the right people and building out your permanent staff.

Key questions

- Have you exhausted the extent of necessary adaptations your business will need to undergo to have a compelling offer for American customers?
- Do you have product-market fit?
- Do you have two to five reference customers?
- Do you have a replicable sales strategy?



“My view is that founders should move to the US for a while, live here six months and then assess how to proceed. Familiarity with the market is one of the most predictive factors of success when going abroad.” – Ari Salonen, Midaxo

Midaxo®

Have you built a local network?

Your local network in Europe was likely instrumental to your success there. The same is true in the US – connections and trust will accelerate your expansion in the new market.

Setting up business in a country where you don't have a soft network of ties, experience and trust is a daunting task.



Elvie had a small but growing proportion of sales from the US, without a US-based team. The team had a limited network in the US and was unsure about how to resource this market. After 30+ conversations, Elvie had a soft network of entrepreneurs who had scaled businesses with similar products in the US, experts and consultants in US retail, leading hospitals which could partner with or purchase from Elvie and senior decision makers at target retailers. With these local connections, Elvie uncovered additional go-to-market risks, commercial opportunities and data that helped it refine its US strategy.

Being part of a US incubator or accelerator can also help with the transition, since you'd likely be provided space, advisors, coaches and a network of fellow companies and prospective customers.

Resources

Federal programs and incentives

State business incentives database

Business incentives by state and territory

“ This can be a reality for the newly-arrived outsider. A lot of contract business gets done via informal networks built on local knowledge into which you have little insight. If you're a local, you know how much a good lawyer should cost, who to contact, and what to avoid. As a newcomer it can be difficult to assess a situation no matter how long you look at it, even though all the information is 'knowable' in a concrete way. It just takes a bit of time.” – Will Grogan, VanMoof

VANMOOF

“ Preparation is key. We had senior staff travel to the US to scope out offices, interview potential candidates for roles, and we ran, and continue to run, certain group operations in the UK – marketing, CRM, customer service, finance, product and tech. It makes no sense to replicate central functions for what should be a trading hub. Centralize as much as possible, but for us, human relationships with hotel partners meant we had to double down on building a supply team entirely based in the US. We wouldn't scale without being able to face-to-face.”

Rob Day, Secret Escapes

secret escapes



Can the industry name your brand?

Conferences and tradeshow can give you insight on industry trends and show partners and customers that you’ve arrived.

Another way to promote your company is to attend conferences and tradeshow. The scale and caliber of the chosen events can help you meet a lot of key people in your sector in a condensed amount of time. Look at conferences as a ground war and turn them into competition games for your team: for example, one point for each lead, three points for meetings within 30 days of the event.

If your product is an episodic sale, think about how you can become part of the daily conversation in your industry. Equip potential evangelists to be seen as market leaders. Have a point of view and narrow down your message - it’s hard to cut through the noise and get a customer even when you’re unique.

Partnerships with complementary brands can also assist in building a profile for your business and becoming known to the industry. Ask to sponsor conferences and request their list of last year’s attendees: you can connect with attendees by having the conference as a point of contact (i.e. “sorry I missed you at XX conference last year – will you attend again?”).



When it comes to conferences, the **GRMA** comes up as one of the best (in Retail, and now Finance & Insurance) – 30-40 CMOs of large corporations in one spot. Find these niche conferences for your space.



And finally, send really good cookies. Response rates for these are 20x that of an email outreach. For example, **Yext**’s sales team is a fan of sending **Jars By Dani** to their B2B prospects.



Relevant industry conferences

Industry	Conference / City	City	Link
Agriculture	SV AgTech Conference	Silicon Valley	www.svagtech.org/wp/
Blockchain	The Blockchain Conference	Austin	www.theblockchainconference.com/
	Consensus	New York	www.coindesk.com/events/consensus-2018/
Cloud	Dockercon	San Francisco	2018.dockercon.com/
	Google Cloud Next	San Francisco	cloud.withgoogle.com/next18/sf/
	KubeCon / CloudnativeCon	Seattle	events.linuxfoundation.org/events/kubecon-cloudnativecon-north-america-2018/
	Microsoft Build	Seattle	microsoft.com/en-us/build
	Reinvent	Las Vegas	reinvent.awsevents.com/
Consumer	QCon	New York	qconnewyork.com/
	Consumer Electronics Show (CES)	Las Vegas	ces.tech/
	Grocery Shop	Las Vegas	groceryshop.com/
	Internet Retailer Conference Exhibition (IRCE)	Chicago	irce.com/
	eTail	Boston	etaileast.wbresearch.com/
	Shop.org	Las Vegas	shop.org/
	ShopTalk	Las Vegas	shoptalk.com/
Education	ISTE	Chicago	conference.iste.org/2018/
	NY EdTech Week	New York	nyedtechweek.com/
	SXSW Edu	Austin	sxswedu.com/
	LearnLaunch	Boston	learnlaunch.com/
	GSV	San Diego	asugsvsummit.com/

Industry	Conference / City	City	Link
Energy	WEEC	Charlotte	www.energycongress.com/
	EIA Energy Conference	D.C.	eia.gov/conference/2017/
Fintech	Money 20/20	Las Vegas	money2020.com/
	Finovate	Multiple Cities	finovate.com/
	Future of Money	San Francisco	futureofmoney.com/
	Empire Startups FinTech Conference	New York/San Francisco	empirefintechconference.com/pages/ny2019
Food	Future Food Tech NYC	New York	futurefoodtechnyc.com/
Gaming	Game Developers Conference	San Francisco	gdconf.com/
	E3	Los Angeles	e3expo.com/
	PAX	Multiple Cities	paxsite.com/
Healthcare	Digital Health Summit	Las Vegas	digitalhealthsummit.com/
	HLTH	Las Vegas	hlth.co/
	HIMSS	Las Vegas	www.himssconference.org/
	Rock Health Summit	San Francisco	rockhealthsummit.com/
	JP Morgan Healthcare Summit	San Francisco	jpmorgan.com/global/healthcareconference
Hospitality	The Hotel Experience	New York	thehotelexperience.com/HX2017/Public/Enter.aspx
Insurance	InsureTech Connect	Las Vegas	insuretechconnect.com/
	DigIn	Austin	dig-in.com/conference/digitalinsurance-2018

Industry	Conference / City	City	Link
Manufacturing	QCon San Francisco	San Francisco	qconsf.com/
Media	New York Media Festival	New York	mefest.com/
Real Estate	National Association of Realtors Conference	Boston	nar.realtor/convention.nsf/
Robotics	TC Sessions: Robotics	Berkeley	techcrunch.com/events/tc-sessions-robotics-2018/
SaaS	SaaStr Annual	San Francisco	saastrannual.com/
Telecoms	Telecom Exchange NYC	New York	thetelecomexchange.com/nyc/
	Content Delivery Summit	New York	contentdeliverysummit.com/2018/
Travel	Travel & Adventure Show	Chicago	travelshows.com/

“From day one we knew we needed to take it to the US. The timing for that was as soon as we had product-market fit.”
Alastair Paterson, Digital Shadows

digital shadows_

Can you sell like an American?

Many Europeans think that common language means understanding, thereby skipping clarifications and confirmations. Until a contract is signed, it is unwise to assume agreement.

Communication

American culture is direct and emotionally expressive. Even if you’ve spoken English your whole life, its style might not come naturally. To close deals, you need to say what you want and what you offer clearly and persuasively.

Conversations will involve less small talk than might be your custom; instead, many Americans “cut to the chase” in a way that can appear cold to Europeans. Americans are not used to the European custom of self-deprecation; instead, Americans value projecting confidence and self-promotion. Direct feedback (which can feel harsh to a European) is much more common and should not be cause for alarm.

Going native

Localization is a key part of your US market entry. More than the language, it speaks to the message: The arguments and phrasing that resonate with your American audience. This message might be very dissimilar in content and style to your European pitch, so make sure you have local input from trusted and seasoned partners in developing that content. Contracts, currency, marketing collateral, customer service - all require revisions. Small slips - such as date formats (M/D/Y vs. D/M/Y) can cause miscommunication.

Meetings

Americans are inherently more forward. The US approach to business networking is quite different to Europe: it is quicker and more transactional. Americans have shorter meetings than Europeans: 30 minutes is a common standard.

Regional differences in the US can play a significant role in business demeanor. A meeting that seemed cold in New York might yield a contract on the same day, while a warm and enthusiastic reception in Los Angeles might only be a measure of politeness and hospitality, not of real business interest.

Web demos

If you’re doing enterprise sales in Europe, you’ll likely be expected to attend a meeting in person. In the US, it is not uncommon to sell over web demo or video call, given the country’s geographic scale. In large and complex deals, some face-to-face meetings will still be required but the relationship can be developed and nurtured remotely.

“Early sales wins are crucial; you’re burning cash here and you need to have momentum; until you have happy flagship accounts you shouldn’t scale the sales organization.”

Tim Brown, Maxymizer

ORACLE®
Marketing Cloud

“You need to have ‘aggressive selling and marketing’ as a mental model in the US. It is a market that requires a combination of boldness, assertiveness, and professionalism. European founders could rev up their approach by a couple of notches.”

Ari Salonen, Midaxo

Midaxo®



How will you price your products?

Pricing is often one of the most overlooked drivers of growth. Just as most other aspects of your business, your pricing may also need adjustments in your US expansion.

Your pricing model

The unit economics of your business and the timing when you can expect to achieve profitability should be clear to you. Identifying your basic pricing unit will allow you to calculate the Lifetime Value (LTV) of a customer once you understand your Customer Acquisition Cost (CAC). At a minimum, a profitable pricing model requires a LTV/CAC ratio greater than 1 for each customer. Overall, the lower the LTV/CAC ratio, the longer it will take to recoup the cost it took to acquire each customer.

While it seems basic, don't take it for granted that economics that work in Europe will be viable in the US. Competitive pressures on the pricing side coupled with higher CAC in the US can make the economics unviable for many businesses.

With a firm understanding of your unit economics, you can find the right pricing model for your company's short- and long-term growth strategy:

- **Value-based pricing** – setting prices based on the perceived value of your product to the customer.
- **Competitor-based pricing** – using competitor pricing as a benchmark to determine pricing instead of looking at costs or consumer demand.
- **Cost-plus pricing** – pricing your products to cover not only the cost of production and overhead but also the percentage of profit you need.
- **Demand-based pricing** – as the name suggests, pricing that uses perceived consumer demand to predict the optimal combination of volume and profit. This is more common for wholesalers and retailers.

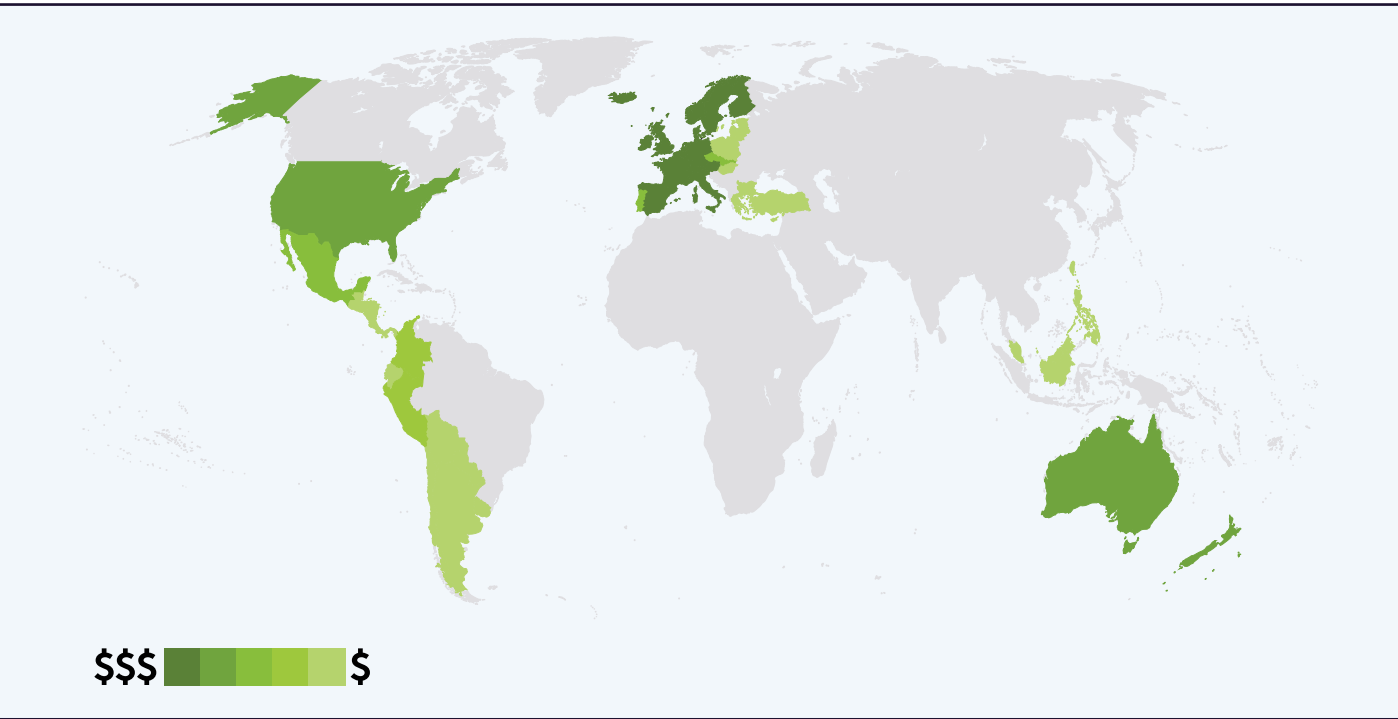
Of the four pricing models, most early companies are best suited, and should aspire to, value-based pricing when going to market internationally. Value-based pricing requires deep understanding of your target customers and the market segment in which you are entering – pre-work that helps you determine your localized strategy.

“ On your unit economics, take every single metric and stress-test every single variable against comps in the US” – Rytis Vitkauskas, YPlan

YPlan

Localized strategies

Spotify is a great case study in localized pricing strategy. Spotify came up with over 25 different pricing models when entering new international markets.



Knowing how vital it was to get pricing right, particularly in markets where paying for music was rare or an outdated concept, Spotify spent time and effort understanding the variables that might lead to different pricing sensitivity. That's why in the US market they came up with a tiered plan: one for families, one for students and one for standalone users.

Understanding the buying decision process for each of its personas, in each of its geographies, Spotify was able to develop a local strategy that was appropriate for each market.

Get feedback from your team

Pricing should include input from your Management and Finance teams but also Sales, Marketing and Product teams – those functions are close to the customer and can help you figure out what customers are willing to pay. Additionally, each function uses pricing in different ways: Marketing thinks about how pricing reflects the brand's overall positioning; Sales uses pricing to close sales and convert customers; Product needs to understand the value of what they are creating in the eyes of the customer. Consider creating a pricing committee with a member of each of these teams to meet and assess pricing regularly.

Pricing shouldn't be static

The final rule of pricing your product in a new market: **do not set it and forget it.** Even in the off-chance that you enter the market with the perfect price point to achieve strong market penetration, competitive dynamics can quickly shift as can the perceived value of your product in the eyes of consumers. In the age of the empowered consumer, companies should approach pricing with a more flexible and iterative mindset, evaluating pricing every 3-6 months.

4

Then Do

- Who is leading your team?
- Who is on your US advisory board?
- How do you set up in the US?
- How do you protect your IP?
- Where will your office be?
- Which taxes are you liable for?
- How do you build a high performing team?
- How do you successfully fundraise in the US?
- What are important considerations in fundraising from US Investors?

Who is leading your team?

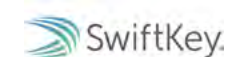
If the US is your most important market, it merits a key member of the core team. Who will you send over from Europe to build up culture?

"Americans love an underdog story, but they want to hear it from the hero's mouth."

The choice of US lead is critical: You need someone trusted by the CEO to build, sell and have complete dedication to the effort. We've written before about the various lessons learned by over 50 VC-backed CEOs in the US, and the consensus around one particular issue is clear: CEO and/or Founder DNA is a necessary - if not sufficient - condition for success in the US. When asked about the #1 insight the CEOs tell other entrepreneurs about entering the US, the most cited phrase was a variation of "a founder has to move to make it work."

Irrational "inevitability" & other confessions of venture who launched in the US

"If it is your most important market: send a key member of the core team. Don't hedge. Commit." – Rhodri Thomas, Swiftkey



"Do it yourself or don't do it at all. And hire local talent in any new market that you are going after" – Ryan Gallagher, Iovox

IOVOX

"When you're first on the ground there's a lot to do and there often isn't a team physically there to support you. The default expectation can be that, being local, you're going to do everything. Ask for help from HQ: for example, calling real estate brokers, getting referrals for people to interview, introductions to the right connections. If you're the first on the ground, you should make sure you're spending your time doing the things that actually require you to be there in person so that you have maximum impact." – James Allgrove, Stripe

stripe

It's a point worth emphasizing, given its importance to your success at home and abroad: If you cannot spare a key member of the team, the domestic business is likely not ready for the expansion; if you cannot have a key member of the team on the ground, the US operation is likely to suffer on a variety of fronts:

US customers will be less likely to trust your commitment to this market.

Market credibility and signaling commitment are important given the level of competition in the US. All things being equal, Americans are more likely to purchase products and services from local companies. The absence of key executives on the ground can signal that the US is secondary and raises questions about the company's commitment to the market long-term. Ultimately, "Americans love an underdog story, but they want to hear it from the hero's mouth."

The internal culture is likely to diverge - and suffer.

Culture is critical for hiring, retention and brand identity - and consequently critical for your success as a company. The culture of the organization is defined as the collective behavior of all its members, and it takes intentional and concerted effort to model it and incentivize its healthy development.

A common mistake is to assume the culture you've built will transition to the new US office seamlessly. Even with a leader on the ground there will be challenges, as local practices and the lack of corporate memory of the new office influence the behaviors of the new members of the team.

Effective remote communication and decision-making in transcontinental teams is still a challenge. While collaboration tools have improved across the board and video calling and project management software are having their best day yet, those tools are most beneficial for well-defined, structured and agreed-upon projects. When it comes to defining, structuring and agreeing on projects, remote tools still fall short of the benefits of in-person communication and decision-making, particularly in situations of scarce resources and important trade-offs. Company building is about prioritization, and prioritizing in the midst of different contexts is much harder.

What is your plan to mitigate these shortcomings?

Being the US lead is a huge challenge, so rely on support from HQ and give yourself a pat on the back from time-to-time.

“ There’s no smooth way to set up in the US; there will be mistakes; you just have to adapt quickly; the nucleus of the team has to be a completely trusted exec person who built it in Europe - they bring the culture, the product knowledge, the value of the service or product, the zeal to the operation that you can’t replicate with a US newcomer” – Tim Brown, Maxymizer



“ You don’t end up running a company in a new country by accident. It’s worth remembering that you asked for the fight and fights don’t go all your way all the time. If it were easy, everyone would do it. Remembering that helps you stay motivated and to come out fighting!” – Will Grogan, VanMoof



“ You need to figure out where you need to adapt to American culture and where its more valuable to keep your European DNA. There’s a lot to be said for applying the rigorous, disciplined and detailed approach taken by many European founders. You can build some really big businesses that way.” – Ed Boyes, US CEO, Hello Fresh



“ It’s really important to have people spend time in other offices and transfer their learnings, not just coming together at offsites, but actual tangible working time.” – Joel Frish, Prodigy Finance



Who is on your US advisory board?

Building a strategic advisory board can be an effective way to speed up your sales cycle, gain credibility and be introduced to key stakeholders at your prospect customers in the US.



When Yext, a B2B tech company that powers location data in search results, wanted to grow its customer reach in the US, its team was intentional about the verticals it wanted to dominate. It set out to recruit a 12-person advisory board within those verticals, with equity grants. The result? Several key sales conversations and successes at large US corporates. One advisory member alone opened doors to three major food accounts for Yext, garnering its needed beachhead in that market.

? Why?

An advisory board is not the same as a Board of Directors – it has no fiduciary duty or authority over the company. Its purpose is to fill knowledge and network gaps within your company or your own background.

Most companies don’t engage their advisory board in meetings as a group; instead they reach out to specific advisors as needed and set different frequency for those interactions.

? Who?

An advisory board can be a bounty when you find the people who are experts at solving a set of problems you have, engage them with clear expectations and rewards, and turn to them whenever you have issues related to that problem. To find the right people, you have to be clear on what problems you want them to help you solve.

When it comes to engaging advisors, think of it as the same recruiting challenge you have for roles in your company: you want expertise and you want results, and therefore finding the right advisors is key. Once you’ve identified the clear objective for your advisor, it is easier to have targeted conversations, since you can be specific in your wish list. For example, if your goal is to grow a base of customers in a particular vertical—as was the case with **Yext**—one possible strategy would be to:

? How?

Many companies use advisory boards to help with product development or sales strategy, or to introduce them to valuable clients, suppliers and investors.

Since advisory boards are not engaged with governance, you can focus the work and input of those advisors much more narrowly to their expertise.

There is more flexibility on the time and level of engagement the advisor can offer and you can reach out to specific advisors individually as needed. Remuneration should reflect the advisor’s level of engagement.

- **Ask your customers or prospect customers who they respect.**
- **Ask your Board of Directors and industry connections for referrals.**
- **Have a point-of-view related to the industry, and build a profile and relationships based on your expertise.**

Compensate advisory members appropriately

It is a good idea to compensate your advisors, either with cash stipends or stock awards. In addition to aligning incentives and recognizing that expert time is valuable, compensation will make you more disciplined about the caliber of advice and support you are seeking and getting.

Equity grants are a very cash-effective way for ventures to gain credibility within the market by enlisting decision-makers to support their efforts. In the United States, grants usually range from 0.10% to 1% depending on company stage and the level of involvement of the advisors. For example, the Founder Institute suggests in their advisor template that compensation be set at:

Standard performance level

Commitment	Services	Compensation
Attend quarterly meetings to provide feedback on Company’s strategy for at least one hour. Provide reasonable response to email requests by Company.	Promotion: On top of the regular advice and insights, Advisor agrees to actively promote and make introductions on behalf of the Company through Advisor’s overall network of business contacts, including forwarding the Company’s business plan and other materials as requested by the Company.	 Idea Stage is 0.25%
		 Startup Stage is 0.20%
		 Growth Stage is 0.15%

“ As well as the quality of ‘content’ of their advice, there is a reputational benefit to Advisory Boards. Ours has very credible people, and their credibility reflects back onto us.” – Rupert Baines, UltraSoc



Strategic performance level

Commitment	Services	Compensation
Standard performance plus: Attend monthly meetings to provide feedback on Company's strategy for at least one hour. Attend one additional monthly meeting for up to one hour with a potential customer, investor, strategic partner, vendor or employee.	Standard performance plus: Recruiting: Advisor agrees to assist Company in finding additional, potential founding team members and employees through the Advisor's overall network of business contacts.	 Idea Stage is 0.50%
		 Startup Stage is 0.40%
		 Growth Stage is 0.30%

Expert performance level

Commitment	Services	Compensation
Strategic performance plus: Twice monthly meetings to provide feedback on Company's strategy for at least two hours each.	Strategic performance plus: Contacts: Advisor agrees to make introductions to and assist in the acquisition of marquee customers, strategic partners and key industry contacts and attend meetings with such potential customers, partners and key contacts. Projects: Advisor agrees to assist the Company on at least one strategic project as requested by the Company during the term of this Agreement.	 Idea Stage is 1.00%
		 Startup Stage is 0.80%
		 Growth Stage is 0.60%

If you choose to compensate advisors with stock, consult professional advice to create vesting schedules. For example, one common approach is straight-line with 3-month cliff, 2-year vesting with single-trigger full acceleration upon a liquidity event. Plan for a proper stock transfer and have an exit plan should your advisors want to sell their shares. Seek professional advice on potential conflicts-of-interest that might arise if your advisors work for other companies.

Have it in writing

Speak to your lawyer before establishing and engaging an advisory board; by and large, it is wise to have members sign non-disclosure agreements, draft a charter outlining advisory board responsibilities and compensation, and provide advisory board members with written indemnification. Also consider incorporating an annual review process into the agreement, such that there are ongoing occasions to review and discuss whether the relationship is productive and should continue.



Resources

[How advisory boards power up your venture](#)

How do you set up in the US?

When setting up a US legal entity, take advice early and account for commercial, legal and tax implications of US incorporation.

How do you establish a US corporate entity?

- ? When and why incorporate a US entity?** If a non-US company is generating revenue and profit in the US it will be required by law to pay the applicable Federal, State and City taxes. If you're hiring US employees, you should consider establishing a US corporate entity.
- ? What is the best legal structure for your business?** The most common options for high growth small businesses are C-Corporation, S-Corporation, or a Limited Liability Company. For many startups the foreign ownership restrictions will eliminate the option of setting up an S-Corp and the desire to have robust ownership principles and division into stocks or shares will eliminate the option of an LLC. C-Corp is the most popular structure.

	C Corp	S Corp	LLC
Foreign ownership	Can be owned by an overseas entity	Non-US citizens cannot retain shares in these	Can be owned by an overseas entity
Tax	A corporation is considered a separate legal entity and must submit a tax return and pay income taxes on its profits. In some cases, this can lead to "double taxation," where the corporation is taxed on its profits, then when the owners take those profits out, they will need to report the dividend on their personal tax returns.	Can opt for Pass-through taxation or more conventional Corporate Taxation	Pass-through taxation - This means that the business itself doesn't pay income taxes on its profits; rather any profits or loss are passed through to the owners (called members) and reported on their personal tax returns
Meetings	AGMs Required	AGMs required	No requirement for an AGM
Owners	Owners are called shareholders	Owners are called shareholders	Owners are called Members
Ownership	Ownership represented by shares	Ownership represented by shares	Ownership divided by members as they see fit, no concept of shares

Source: USA-Corporate.com

	C Corp	S Corp	LLC
Governance	Governed by Directors	Governed by Directors	Governed by Members
Official documentation	Articles of Association, Certificate of Incorporation	Articles of Association	Articles of Organization, Certificate of Organization
Other	Certain retirement plans, stock option and employee stock purchase plans are only available for C corporations		

- ? In which state should you incorporate?** The vast majority of Fortune 500 companies are incorporated either in Delaware or Nevada. Delaware is the most favored within the venture community for a number of reasons:
- Has a well-established set of case law and precedent;
 - The new entity can base itself anywhere in the US since advisors US-wide will give Delaware corporate advice;
 - Has a dedicated Court of Chancery focusing on resolving corporate disputes;
 - Does not tax income earned from intangible assets such as trademarks and leases;
 - Offers flexibility in the organization of a corporation and the rights and duties of board members and shareholders; and
 - Provides greater privacy for director and shareholder identities.

The basic requirements for incorporating in Delaware include:

- Completion of an annual report submitted online;
- Payment of franchise tax: the range is between \$175 - \$180,000 and is linked to the number of authorized shares; and
- Maintaining a "registered agent." If a company incorporates in a State but does not have permanent operations there (for example no employees), it will need to appoint a "registered agent." This is an additional cost, typically under \$200 per year. Service providers such as NRAI or BizFilings will fulfil this requirement and will forward mail sent to the registered address as required.

How to calculate franchise taxes

BizFilings

NRAI

“Get expert advice for all legal and admin issues; don’t try to find out answers on your own - focus your efforts on key hires and goals for your first year.”
Pablo Graiver, Antidote



How do you incorporate a company in the US?

The process is set out in five steps below. Although this looks straightforward, it is sensible to ask the company’s lawyers to handle this process as the cost of a mistake or remedial action may be significant. The typical cost to incorporate a C-Corp in Delaware is \$2,000-5,000.

General information

Completed by	Estimated Cost
Local counsel, engaged by the Company	\$2,000-5,000

Steps to incorporate

- 1 **Apply** to incorporate in specific state.
- 2 **Establish** a registered agent in that state.
- 3 **Submit** formation documents.
- 4 **Maintain** registered agent.
- 5 **Maintain** state specific taxation and reporting requirements.

Resources

Establishing the right corporate entity in the US

The differences between an LLC and a Corporation

Putting the right insurance in place for the US

How to incorporate in the US from outside the US geographies

Specialists in the field

Daniel Glazer - Wilson Sonsini

Ed Zimmerman - Lowenstein Sandler

Victor Boyajian - Dentons

Ted Rosen - Akerman

What is the right banking solution for you?

While opening a business bank account as an international entity is generally less onerous in the US than in Europe, there are several things founders should know before starting the process. With a seemingly endless range of options for who to bank with, here are a few key points to consider before selecting a provider.

Legal requirements

Regardless of which bank you go with, in order to open a business bank account in the US you will be required to provide four pieces of information: the articles of incorporation for your company, an EIN number, government-issued photo ID and Know-Your-Customer (KYC) information for whomever is signing. Those requirements are uniform across the board regardless of banking institution.

Individual bank requirements

In addition to the legal requirements above, banks will likely require additional information from you that may vary, and some will have more requirements than others. Some common items and disclosures required by banks, like First Republic:

- **US business address** - if you are opening a bank account prior to setting up your physical office, you will need to choose a bank that does not require a US business address.
- **Minimum deposit** - varies by bank, but generally a nominal amount.
- **Certificates of good standing** - some banks require these documents to prove you are authorized to do business in a particular state.
- **Certificate of incumbency** - this document simply identifies and verifies the directors and officers at your company that are authorized to enter into legally-binding contracts on behalf of the business.
- **Banking resolution** - this document specifies who may sign checks, open a bank account or make banking decisions on behalf of the company and is issued by the Board of Directors.
- **Operating agreement /corporate bylaws** - these are generally not required by most banks but are considered “nice-to-haves.”

Certain banks may allow your company to bypass some of the non-legal requirements or can expedite the setup process if you have a reliable and trustworthy referral source with whom the bank already has a relationship. For instance, if you are VC-backed and your VC firm has a well-established reputation, your VC can vouch for your company and help reduce some of the information requirements.

“ Build a book of business or sufficient demand before building your base of operations in the US. Start small and test the market; you don’t need to invest heavily to assess traction.” – Paolo Wyatt, graze.com



Setting up an account in-person vs. online

Most of the bigger, international banks like First Republic, SVB, HSBC, will allow you to set up your US bank account online without being physically present in the US. However, even when that is the case, it is usually recommended to have someone present in the US either from your team, your VC or accounting firm. If there are follow up questions about your business, banks sometimes prefer to handle that face-to-face rather than online.

In general, banks are more concerned about what your business does and what your intentions are with your move to the US. They may also have lists of companies, business lines or industries with which they will not work - an example currently is crypto-wallets or blockchain companies that may be pursuing an ICO. These types of companies are somewhat unregulated and could be considered a risk which a bank may not accept.

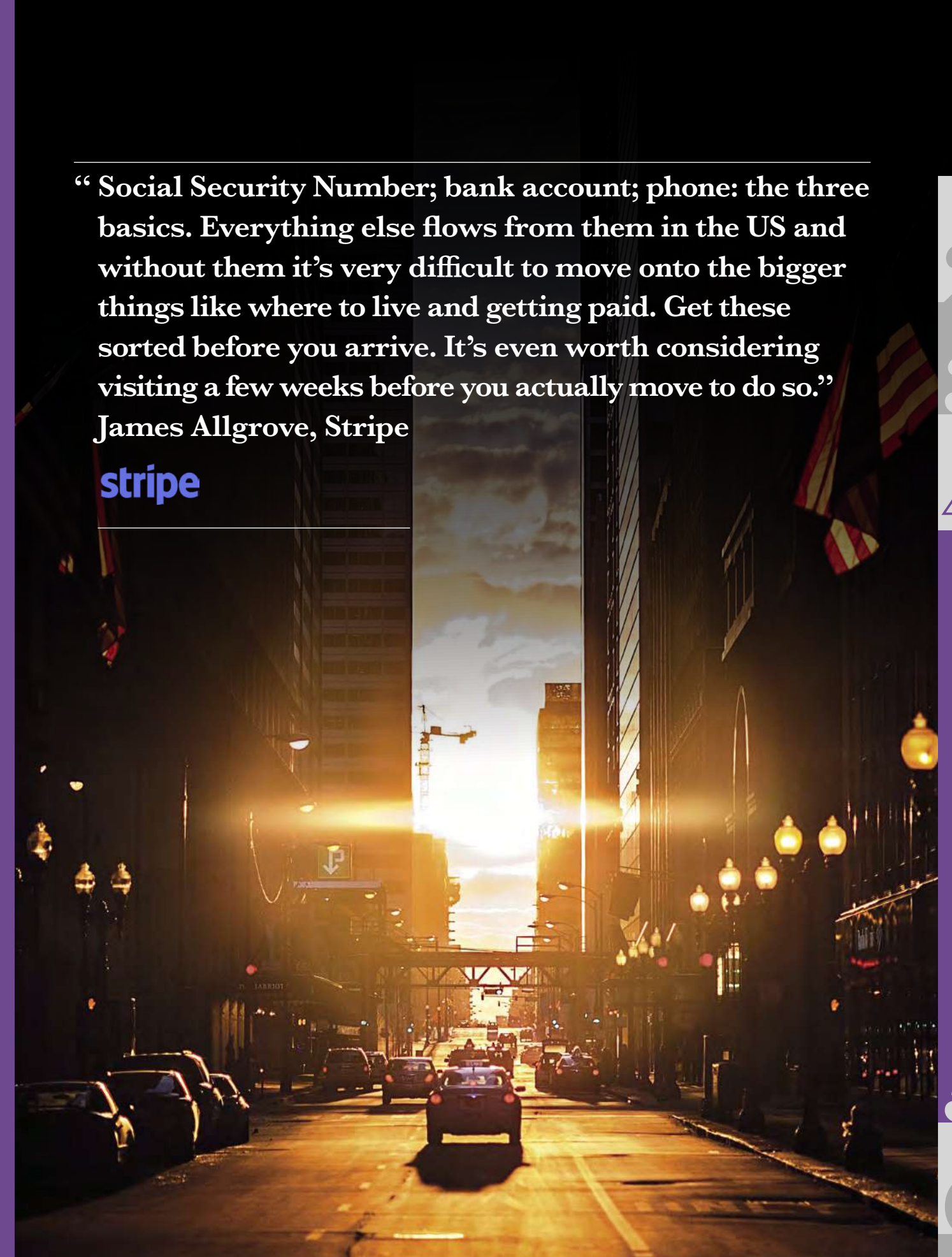
Choosing a banking provider: key considerations

Just as banks have a set of criteria from which they choose businesses to work with, you should also have criteria for choosing a banking provider. Here are some of the key things to consider when evaluating a bank:

- Do they have a **dedicated banking team** that you can call or email directly? Making sure you have direct access to your bank in the case of an emergency is crucial.
- Can all the **banking be done seamlessly on mobile** or through an online portal? One thing to keep in mind if you are using the same bank in the US that you use in Europe: you will most likely have separate portals for each account. Banks rarely have one portal for US and European bank accounts which means two sets of login credentials and two accounts to manage.
- **What fees and charges** does the bank have? In particular, pay attention to late fees, interest charged and withdrawal limits often hidden in the fine print of banking agreements.
- Do they have a division that **specializes in working with startups**? Having a bank that works with other startups can be important in the long-run. Startups operate differently than other small and large businesses and it's helpful to have a bank that understands the needs of startups and how they operate.
- What can the bank provide **other than banking services**? While a business bank account might be all you need right now, it doesn't hurt to think long-term about how your banking relationship can benefit your startup. Is the bank a potential customer? Will the bank be willing to provide introductions to investors, attorneys or provide other financial advice?

“Social Security Number; bank account; phone: the three basics. Everything else flows from them in the US and without them it's very difficult to move onto the bigger things like where to live and getting paid. Get these sorted before you arrive. It's even worth considering visiting a few weeks before you actually move to do so.”

James Allgrove, Stripe
stripe



How do you choose the right business insurance?

Insurance is one of the first things your startup will need after incorporating in the States. There are few off-the-shelf insurance products for technology-based businesses, so getting specialist advice is essential in understanding your business' insurance risk implications.

Some of the risks faced by European entrepreneurs enticed by the promise of the US marketplace can be mitigated and controlled with intelligent insurance planning.

What insurance policies should you consider?

We break down the insurance world into three categories: Mandatory, Sensible, Additional.

- 1
- Mandatory:** In the US, certain insurance is required by law.

 - **Workers' compensation** is insurance against your liability to employees for injury or illness arising from the work they do for you. You should put this in place especially if you have employees working in the US for extended periods of time.
 - **Third party motor insurance** is mandatory if you use vehicles on the road in the USA on company business, and may be mandatory for personal use (depending on your state).
- 2
- Sensible insurance protection:** Although these may not be legally mandated, they're of critical importance to most organizations in the US. Your clients and suppliers may also require that you have them in place.

 - **General liability insurance** protects your business against allegations of negligence resulting in injury to third parties or damage to their property. It also protects you where you're legally responsible for any damage or injury caused by a product you have supplied.
 - **Errors & omissions insurance** protects you against allegations that your negligence has led a third party to suffer financially. This is particularly relevant if you offer professional services or skills for a fee.
 - **Directors & officers liability insurance (D&O)** - The term "limited liability" can be a misnomer; individual directors and managers within an organization may face potentially ruinous personal liability for the decisions and actions they make. Protect your key decision-makers with a "D&O" policy.
 - **Property insurance** protects your physical assets including buildings, improvements, office and laboratory machinery & equipment, computers & data, stock, documents, lab books, prototypes and R&D materials, temperature-sensitive stock and mobile equipment.
 - **Consequential loss insurance** protects your income streams where there's an unexpected interruption to business operations. The insurance can protect you against loss of revenue, profit and other unexpected costs.

- 3
- Additional:** other types of insurance you should consider.

 - **Marine cargo/inland marine** - It's much safer to insure your own property in transit. Reliance on your freight forwarder's insurance policy for lost or damaged freight could leave you significantly out of pocket.
 - **Employment Practice Liability (EPL)** - The cost of employee-employer disputes through tribunals and court actions is a significant threat to profitability. EPL protects against allegations of harassment, discrimination, unfair dismissal, and wrongful disciplining.
 - **Cyber and data liability** - In the wake of numerous high-profile cybercrime cases, including network and data breaches, businesses can buy insurance that protects against costs, expenses and liability arising from Breach of Privacy, Data Breach Notification Costs, Cyber Liability, and costs of restoring or recreating data.


What type of insurance do start-ups need in the US?

	LLC	S Corp	C Corp
General liability insurance + business property insurance	✓	✓	✓
Errors and omissions insurance	✓	✓	✓
Cyber liability insurance	✓	✓	✓
Directors and officers insurance	-	✓	✓
Key man insurance	-	✓	✓
Employment practices liability insurance	-	-	✓

Key questions

- What additional risks need to be considered?
- Are you with the right insurer?
- Do your existing policies provide the requisite cover for the US already?
If not, can they be easily extended?
- How much is it all likely to cost?

Items of note:

- It's also worth checking your investment agreements, since specific types of insurance are often required by investors.
- If you have employees operating in the US on a short-term or secondment basis, your company's travel insurance may not cover them for an extended period of travel. As a result, it is advisable to check this in advance.  Monthly insurance plans for foreign travelers such as IMG Global are intended to replicate the level of health cover that a full-time employee may receive as part of an employment package.
- It can be worth reviewing the terms and conditions that you will give to US clients in order to make sure this matches with the level of cover you are comfortable giving. In many instances, restricting the level of "consequential loss" is also advisable.
- If you are thinking about launching in the US in the next 12-18 months, it is worth considering that you may need to change insurers in the near future so do not agree to any long-term arrangements with your underwriter.
- Whenever there are any material changes in the business, such as a change of address or alteration of business activity, you are required to update your insurer or broker as this may otherwise invalidate your protection.
- From talking to specialists, having a group policy which covers all the international entities is far more robust than having multiple different policies covering specific geographies. Otherwise, there is a risk that otherwise a claim that may arise could fall between policies.

Specialists in the field

Elaine Lamb -
La Playa Insurance


Melissa Gato -
Shoff Darby Insurance Agency

Ralph Torrez -
Sweet and Baker Insurance

How do you protect your IP?

IP related issues deal both with maximizing a company's value and minimizing the risk of other players making a legal claim that can damage your business.

Patents

 In the US, a single patent covers the whole of the US. A US patent is granted by the federal **US Patent and Trademark Office** (USPTO) but enforced by any district court which considers its use across the whole of the US. Since 2013, the US operates on a 'first-to-file' system.

In IP litigation there is little likelihood of a 'loser pays' judgement, so US IP litigation costs can become expensive quickly. Do your research up front to understand the patent landscape. Market entrants are unlikely to be targets for 'patent trolls,' who typically go after larger companies. Instead, competitors may use patents to stop a new entrant from gaining a foothold.

What to put in place

Assessing the level of risk associated with moving to the US is best achieved with a specialist IP advisor.

Whenever filing for IP in Europe you should consider a US filing, at least for the main inventions.

- Have you completed an IP review for any new product launches?
- Have you translated employee IP invention clauses into US contracts properly?
- Do you have a dedicated IP champion?
- Do you have a well-documented Trade Secrets policy?
- Have you considered IP insurance, especially if a risk audit highlighted IP as a key risk?

How the US is different from Europe

The main ways in which the US market differs include:

- The US market is half the size of the EU, but a single patent covers the whole of the US rather than several national patents in Europe;
- A US patent is granted by the federal USPTO ([uspto.gov](https://www.uspto.gov)), but enforced by any district court which considers use across the whole of the US; and
- IP litigants each cover their own costs in the US. There is very little likelihood of a 'loser pays' judgment. This is a stark contrast to the EU and, with US litigation costs being so high, avoiding litigation is a sound strategy.

Octopus Ventures IP blog post

The investor’s perspective

Not all businesses are created equal when it comes to IP. It is important for founders to be clear about the role IP plays within their business, both with themselves and with their prospective investors. For some companies, IP will be core to the strategy and a primary reason why the business was founded in the first place: for example, to commercialize a unique invention incubated by professors at a world class university. For other companies, it will be an asset, but one of many held by the business.

The IP position of your business is very unlikely to be the reason an investor will not invest in your business - they may make it a term of the investment to put some of the funding towards progressing a patent grant process or engaging suitable attorneys but would rarely walk away altogether.

In discussing the investor’s perspective on IP, we discovered the following:

- **IP is a valuable asset which**, ideally, is fully protectable and defensible, creating a barrier to entry for other competitors.
- In diligence, there should be **no red flags in relation to potential infringements of others’ IP** nor should there be a credible risk of infringement claims being made by others against the IP of your business.
- Investors understand that generating and securing IP (particularly patents) can take a **great deal of time and money** and divert attention from executing on business strategy.
- Spending vast amounts of time and money on your IP portfolio is unlikely to make sense before a Series A fundraise.
- **An equity investor is not a bank** and is not looking to protect its downside by neatly packaging up your IP for a sale, should the business start failing.



Specialists in the field

US patent attorneys:

- Jon Calvert -
Clearview IP
- Melissa Gato -
Shoff Darby Insurance Agency
- David L. Cohen -
Kidon IP Corporation

UK patent attorneys:

- Chris Tunstall -
Carpmaels & Ransford
- Ian Armstrong -
HGF
- Clare Cornell -
Finnegan
- Peter Langley -
Origin

Resources

- A summary of the US policies by the World Intellectual Property Organisation
- Global comparison of trade Secrets protections
- Global patent filing trends
- Good explanation of trade secrets from the USPTO
- Interesting article on the small Texan town of Marshall, one of the most active courts in IP globally
- Get your Intellectual Property story right: Managing IP risks for success

Where will your office be?

While many European entrepreneurs think Silicon Valley, New York or Boston are the hubs where they should be localized, there are a variety of reasons why taking a closer look at other cities in the US might be better for your business.

New headquarters or subsidiary?

If you're setting up a new HQ, you'll be sourcing most functions in your business. In that case, you should consider the talent pool of geography, as well as the local ecosystem. For example, New York City is central to finance, media and fashion, while cutting edge AI technical talent is more prevalent in Silicon Valley. If setting up a subsidiary you should think about operational costs as well as talent needs.

Do you have a firm grasp on the costs and regulatory burden of the new location?

Unlike European geographies where businesses are subject to just national regulations, the US gives its states autonomy to regulate businesses on a local basis. It is key to have experienced local counsel to evaluate the different regulatory requirements of across different states.

Many Europeans are unaware of the fact that Americans regulate on a federal, estate, county and, in many instances, city level: in many places, you need a specific address to know exactly what your regulatory burden will be, especially in regard to employment law.

Setting up operations

Hiring talent

Business reporting

Americans regulate on a federal, estate, county and, in many instances, city level

“ We had several ideas to locate satellite offices on both coasts, then realized we were just stretching ourselves too much. We chose NYC given our business is travel related and hotel clients are based here, as well as being East-side for easy travelling to and from our European bases in London and Berlin. In the end, we had a co-working space in Oakland on the west coast, but we decided to embrace work-from-home culture here and it’s allowed us access to talent from across the country without the infrastructure requirements of many satellite offices.”
Rob Day, Secret Escapes



Are you aware of state/government sponsored support for your business in different geographies?

While the regulatory complexity is a downside of operating in a decentralized system such as the United States, one of its benefits is that states find themselves in competition for investment and have an incentive to attract businesses to their geographies. Many states operate incentive plans to support new businesses, including grants for job creation, training, and facility improvement.

You should research the jurisdiction’s local economic development agency – in the US, every state and major city has one.

Key factors to consider in location rankings

The table below provides a starting range of possible categories and decision weights in assessing the competitiveness of various locations. Use it as a starting point to your evaluation, but adapt it to the needs and priorities of your operation, according to your answers to questions such as:

- What are the new location’s objectives?
 - Which functions will be at the new location?
 - Is there a time zone that supports/complements our existing work?
 - How valuable is proximity to our strategic partners?
 - Which infrastructure does the new location need? (i.e. proximity to airports, dedicated and secure servers, utility load, etc.)
 - What is the profile of talent we’ll need?
- What are the work-visa requirements for secondments/foreign nationals?
 - What is the available level of government/state-sponsored support?
 - What are the salary and benefits expectations of talent in the proposed location?
 - How robust is the local infrastructure for employees? (i.e. cost of housing, education, public transport, cultural options etc.)

Dimension	Category	Metric
Economic considerations (60%)	Labor cost	Annual salary cost (fully loaded for selected finance, HR, IT and procurement positions) in US\$
	Cost of office space	Office rent for Class A office space
	Other costs	Average cost of telecom charges, average flight cost to capital
Workforce quality (20%)	Workforce availability	University workforce availability, total workforce availability
	Workforce quality	Quality of education, labor productivity index
	Rigidity of labor law	Index of ability to hire and fire personnel
	Language availability and quality	Availability and mastery of language skills
Infrastructure availability & quality (10%)	Availability of office infrastructure	Availability of office space
	Availability of general infrastructure	General infrastructure, electricity supply, airport availability

Dimension	Category	Metric
Risk assessment (5%)	Fraud risk	Corruption perception index (CPI)
	Political risk	Political instability index
	Data and intellectual property (IP) security risk	Intellectual property (IP) protection, electronic data protection
	Foreign-exchange rate risk	Index of exchange-rate fluctuation (against US\$)
	Natural disaster risk	Natural disaster risk index
	Quality of judicial system	Enforcing contracts index
Quality of business environment (5%)	General economic climate	Ease of doing business index, wage rate inflation, economic health, tax burden
	Politics and quality of life	Freedom index, quality of life index

Source: The Hackett Group

Rental costs in US metro areas²⁰

Location	Avg annual rent (\$/Sq Ft)	Location	Avg annual rent (\$/Sq Ft)
San Francisco	84.51	Denver	35.61
New York - Manhattan	78.3	Nashville	33.67
Washington DC	60.27	Atlanta	30.34
Boston	59.63	Raleigh-Durham	29.9
Austin	50.39	Pittsburgh	29.59
Seattle	46.5	Richmond, VA	23.98
Chicago	44.63	Colombus, OH	19.7
Los Angeles	41.57		

²⁰ Q4 2017 US Office Market Outlook Report, Colliers International 15 March 2018

Do you need capital?

One of the common drivers when considering where to set up a new operation will be your ability to access capital as you scale your business. Does that mean you have to head for Silicon Valley or New York to be as close to the capital as possible? Do US VCs prefer to work with startups that they can engage with face to face on a regular basis? While most venture capital flows to dense and dynamic innovation centers, usually large global cities, an increasing array of US metro areas is seeing rising numbers of investments.

If your startup is compelling enough, your office location will not be a deal breaker for investors, and when it comes to the West Coast in particular, our default position would be to encourage you to look elsewhere as the Bay Area could cripple your budget.

VC Funds are investing in areas outside of Silicon Valley and New York City

VCs are investing beyond their back yard

US venture investors' State-based "local loyalty" by stage & role²¹

Angel-Seed stage		
	Company is in the same State as investor	Company is out-of-State from investor
Lead Investor	61%	39%
Participant	60%	40%

Early Stage-Seed stage		
	Company is in the same state as investor	Company is out-of-State from investor
Lead Investor	50%	50%
Participant	56%	44%

Late stage		
	Company is in the same State as investor	Company is out-of-State from investor
Lead Investor	40%	60%
Participant	51%	49%

²¹Crunchbase: Counts of Venture Deals by Investors of Known Location Between Q1 2012 and November 1, 2017

VCs are investing all over the US

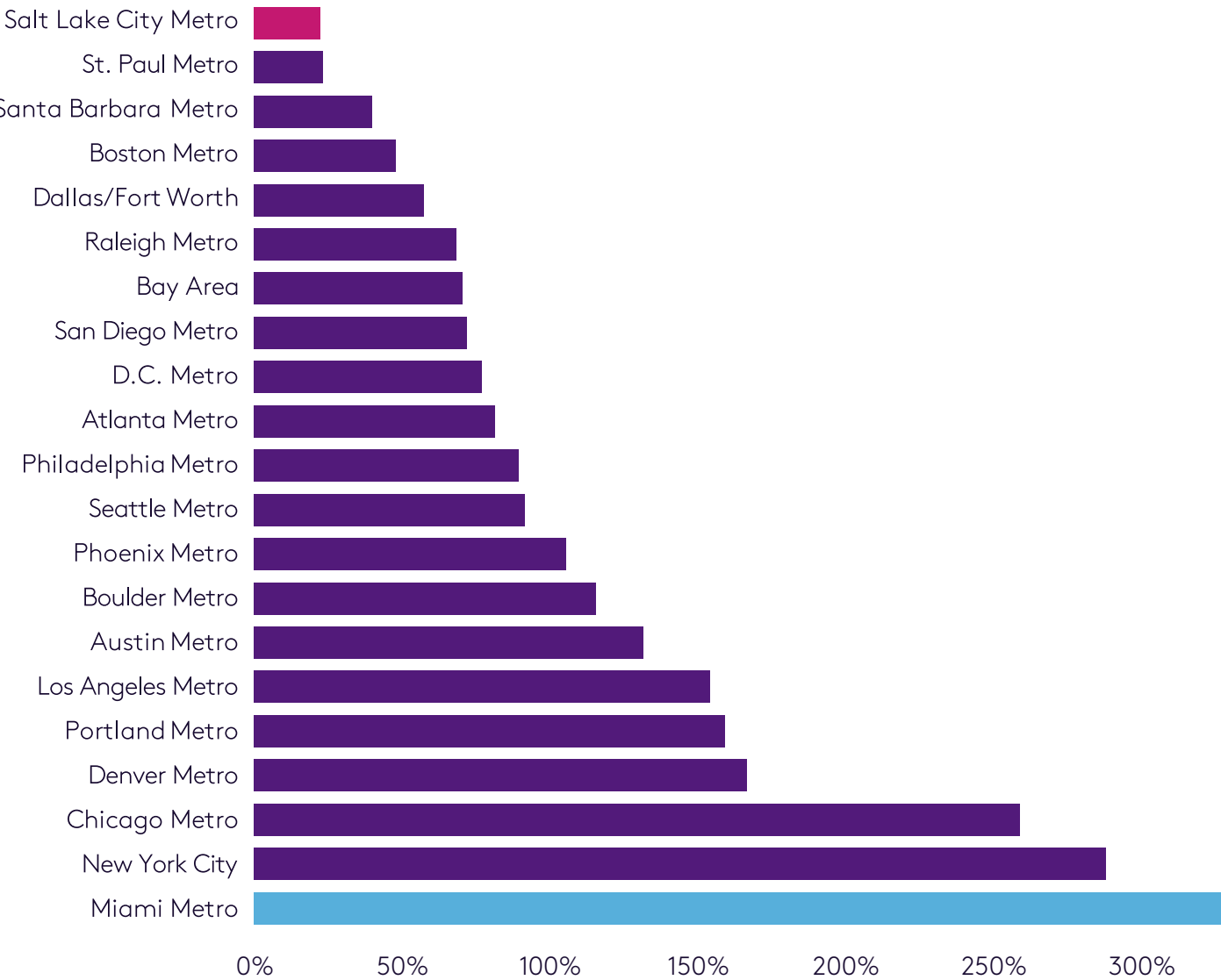
VC investment activity by metro area (# of deals)

Metro Area	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bay Area	1233	1337	1232	1334	1779	2016	2365	2723	2654	2221	2097
New York City	239	304	280	414	605	743	923	1118	1108	940	927
Boston Metro	365	376	336	407	450	491	575	571	632	517	540
Los Angeles Metro	231	262	236	301	368	478	535	655	677	542	586
Seattle Metro	161	166	152	187	210	249	297	279	350	269	308
San Diego Metro	132	141	130	152	161	178	212	246	241	222	227
Austin Metro	98	98	101	134	149	190	233	265	274	216	226
Chicago Metro	61	86	51	119	154	197	213	253	225	244	219
D.C. Metro	100	112	82	129	140	164	197	240	194	198	177
Denver Metro	58	77	67	67	83	116	116	157	174	125	154
Dallas/Fort Worth	65	66	72	76	92	115	170	143	161	138	102
Atlanta Metro	64	73	64	85	103	117	132	155	144	113	116
Philadelphia Metro	64	69	72	82	103	119	112	138	116	122	121
Miami Metro	26	34	39	50	69	91	116	160	132	107	111
Raleigh Metro	59	60	64	67	67	78	83	102	123	98	99
St. Paul Metro	62	52	57	65	83	91	86	102	106	92	76
Boulder Metro	47	51	50	70	81	66	80	92	97	88	101
Portland Metro	34	38	41	46	58	69	85	97	83	95	88
Phoenix Metro	38	44	37	38	50	66	80	106	114	80	78
Salt Lake City Metro	51	36	44	42	53	57	58	91	80	55	62
Santa Barbara Metro	20	24	20	27	20	26	34	36	27	41	28

*Data as of 7/26/2018

VC investment activity by metro area

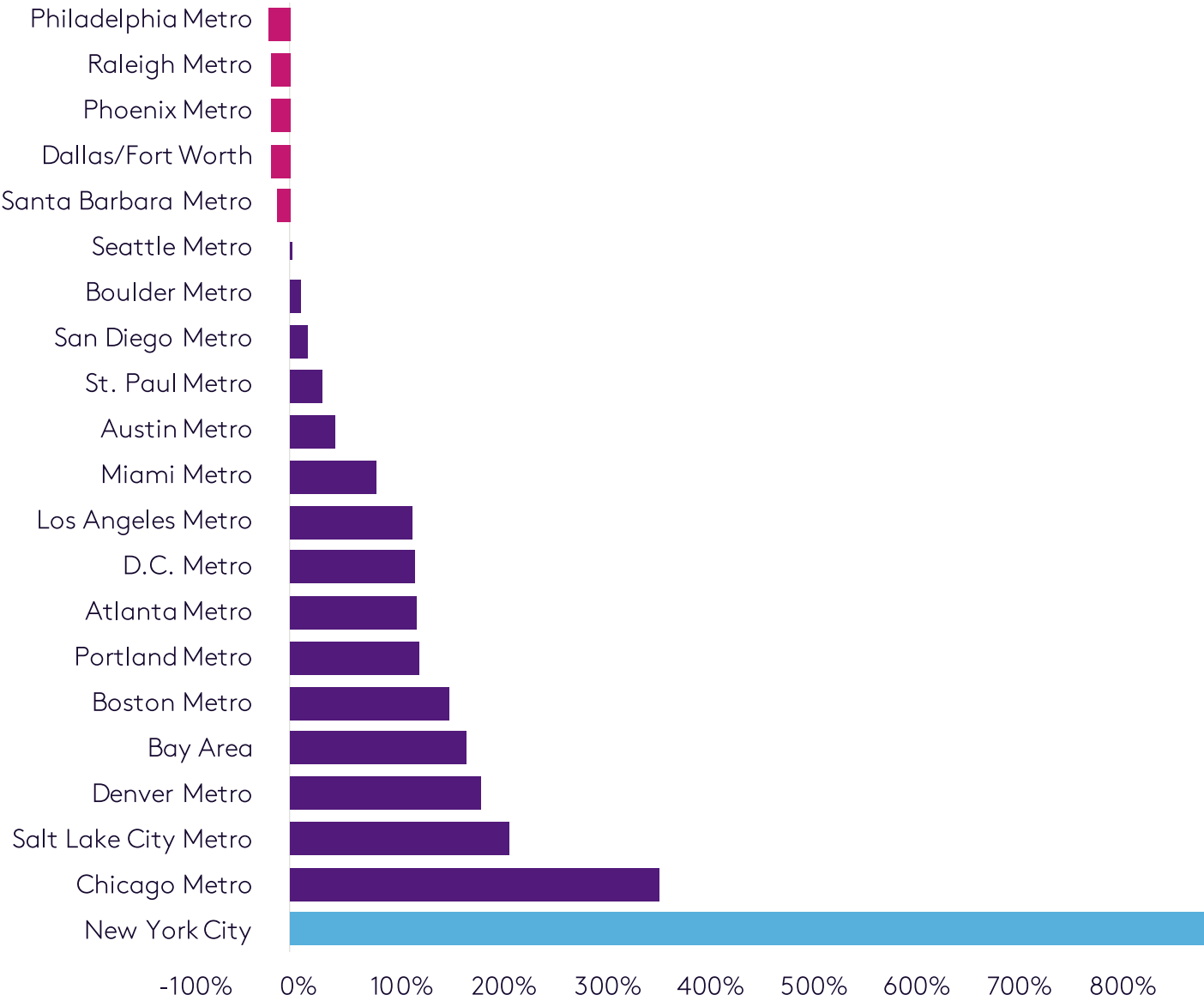
10-year growth in # of deals



VC investment activity by metro area (\$bn invested)

Metro Area	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bay Area	\$12.2	\$13.3	\$11.0	\$11.0	\$18.2	\$15.0	\$17.9	\$31.8	\$35.3	\$33.4	\$33.0
New York City	\$1.3	\$2.0	\$1.1	\$1.8	\$3.1	\$2.6	\$4.2	\$6.2	\$8.5	\$8.5	\$13.1
Boston Metro	\$3.4	\$3.3	\$2.5	\$3.1	\$3.5	\$4.0	\$4.6	\$4.5	\$7.3	\$6.3	\$8.6
Los Angeles Metro	\$2.2	\$2.0	\$1.3	\$1.7	\$2.2	\$2.8	\$2.4	\$3.8	\$5.0	\$5.3	\$4.8
Seattle Metro	\$1.6	\$1.1	\$0.7	\$0.7	\$0.7	\$1.3	\$1.2	\$2.2	\$2.1	\$1.5	\$1.7
San Diego Metro	\$1.6	\$1.4	\$1.1	\$1.1	\$1.2	\$1.7	\$1.3	\$1.7	\$1.7	\$1.9	\$1.9
Austin Metro	\$0.8	\$0.9	\$0.4	\$0.7	\$0.8	\$0.9	\$0.9	\$1.4	\$1.3	\$0.9	\$1.2
Chicago Metro	\$0.4	\$0.9	\$0.3	\$1.1	\$1.8	\$0.8	\$0.8	\$1.7	\$1.4	\$1.2	\$1.9
D.C. Metro	\$0.7	\$0.8	\$0.5	\$0.9	\$1.4	\$0.6	\$1.1	\$1.0	\$1.2	\$1.1	\$1.5
Denver Metro	\$0.3	\$0.8	\$0.3	\$0.3	\$0.3	\$0.4	\$0.5	\$0.7	\$0.9	\$0.6	\$0.7
Dallas/Fort Worth	\$0.6	\$0.4	\$0.5	\$0.4	\$1.3	\$0.3	\$1.6	\$0.6	\$0.3	\$0.7	\$0.5
Atlanta Metro	\$0.5	\$0.3	\$0.3	\$0.5	\$0.3	\$0.5	\$0.7	\$0.6	\$1.1	\$0.6	\$1.1
Philadelphia Metro	\$0.7	\$0.4	\$0.5	\$0.5	\$0.4	\$0.5	\$0.4	\$0.8	\$0.7	\$0.8	\$0.5
Miami Metro	\$0.3	\$0.2	\$0.1	\$0.3	\$0.3	\$0.4	\$0.6	\$1.3	\$0.5	\$1.3	\$0.6
Raleigh Metro	\$0.5	\$0.5	\$0.3	\$0.6	\$0.4	\$0.4	\$0.4	\$0.4	\$0.8	\$0.7	\$0.4
St. Paul Metro	\$0.4	\$0.5	\$0.4	\$0.2	\$0.4	\$0.5	\$0.5	\$0.5	\$0.6	\$0.5	\$0.6
Boulder Metro	\$0.3	\$0.4	\$0.4	\$0.2	\$0.4	\$0.3	\$0.2	\$0.5	\$0.4	\$0.4	\$0.3
Portland Metro	\$0.2	\$0.2	\$0.1	\$0.2	\$0.4	\$0.1	\$0.2	\$0.3	\$0.3	\$0.3	\$0.4
Phoenix Metro	\$0.3	\$0.3	\$0.1	\$0.1	\$0.2	\$0.4	\$0.4	\$0.4	\$0.2	\$0.2	\$0.2
Salt Lake City Metro	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.3	\$0.4	\$0.4	\$0.3	\$0.6
Santa Barbara Metro	\$0.2	\$0.2	\$0.1	\$0.2	\$0.1	\$0.4	\$0.3	\$0.3	\$0.4	\$0.3	\$0.2

VC investment activity by metro area (10-year growth in investments)



*Data as of 7/26/2018

VC Funds are increasingly setting up outside of Silicon Valley and New York City

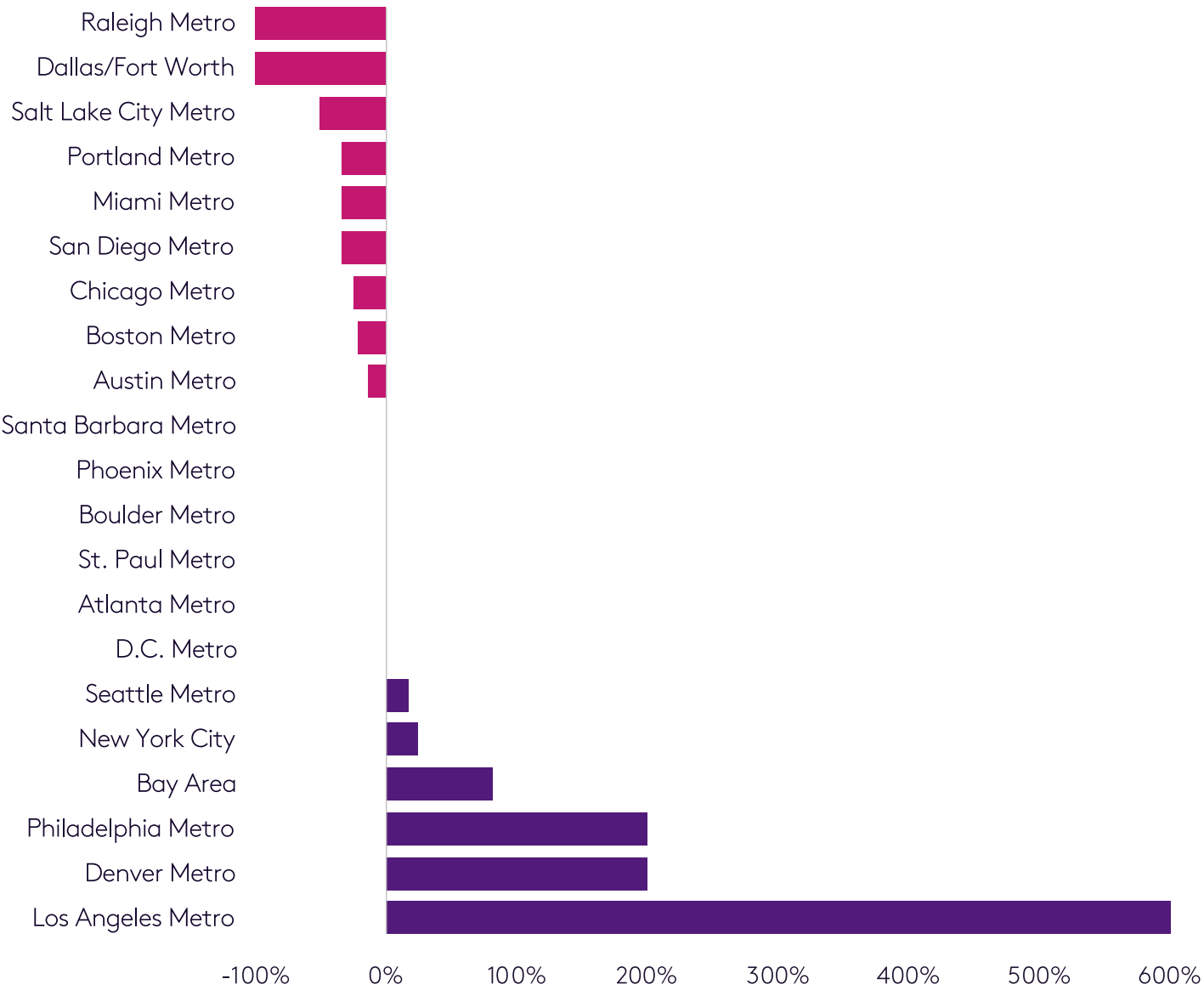
While VCs in the Bay Area and in New York City raised \$17.98bn and \$2.24bn in 2017 respectively, over 100 VC funds not headquartered in either metro area have raised a fund of \$100m or more in the last 5 years.

VC funds set up by metro area (# of funds)

Metro Area	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bay Area	55	72	38	54	57	64	73	111	112	105	100
New York City	24	10	12	23	24	31	22	40	31	43	30
Boston Metro	28	14	17	12	11	13	24	21	27	31	22
Los Angeles Metro	3	6	3	2	4	6	10	16	18	12	21
Chicago Metro	6	8	5	4	8	10	8	5	11	9	7
Seattle Metro	6	7	1	2	0	4	4	4	15	12	4
D.C. Metro	7	4	1	1	2	2	2	5	6	5	6
Philadelphia Metro	4	4	6	1	1	3	4	2	2	4	3
Austin Metro	1	4	2	3	3	0	4	6	2	3	1
Boulder Metro	1	2	1	2	0	4	3	2	6	4	3
Salt Lake City Metro	3	3	2	2	1	2	5	3	2	1	0
Phoenix Metro	0	1	0	0	2	3	4	5	4	4	1
San Diego Metro	1	2	0	1	5	2	3	1	1	1	3
Atlanta Metro	3	3	2	1	1	1	3	2	3	1	2
Dallas/Fort Worth	1	2	3	2	4	2	1	3	3	0	0
Raleigh Metro	2	1	1	0	0	1	2	2	3	4	2
Portland Metro	1	1	1	2	1	2	1	1	4	2	1
St. Paul Metro	3	3	2	1	0	1	2	1	1	0	2
Miami Metro	1	2	1	1	0	1	0	1	1	2	1
Denver Metro	2	0	0	0	0	0	1	2	0	1	1
Santa Barbara Metro	0	0	0	0	0	0	1	0	0	0	0

*Data as of 7/26/2018

VC funds set up by metro area (# of funds – 10-year change)



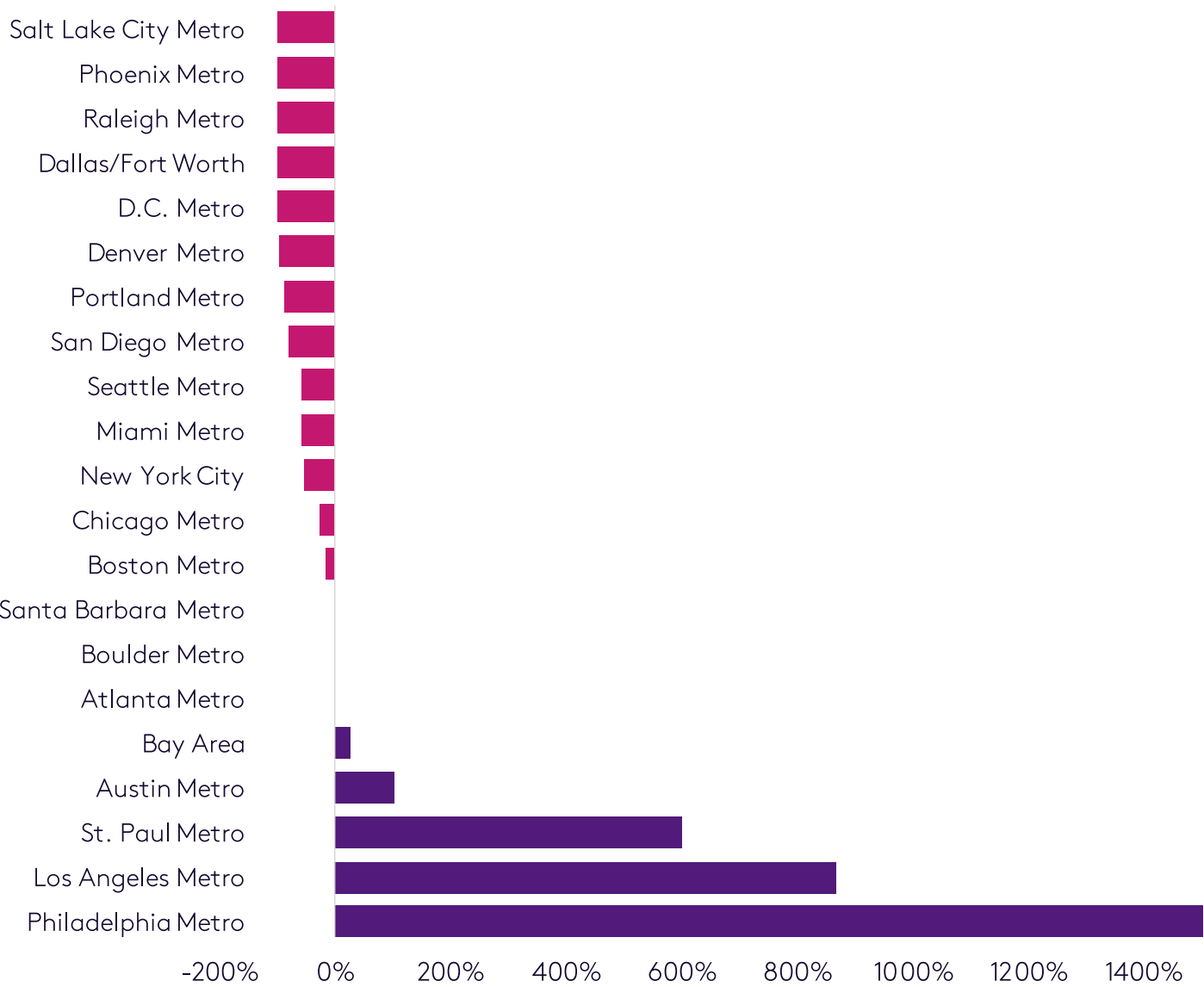
*Data as of 7/26/2018

Funds raised by VCs by metro area (\$bn)

Metro Area	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total YTD
Bay Area	\$16.57	\$14.47	\$15.57	\$4.68	\$10.74	\$14.34	\$13.32	\$9.50	\$21.06	\$20.02	\$24.67	\$17.98	\$15.22	\$198.13
New York City	\$3.40	\$5.05	\$1.35	\$0.76	\$2.32	\$4.33	\$4.56	\$1.61	\$7.08	\$5.94	\$2.58	\$2.24	\$2.75	\$43.97
Boston Metro	\$4.80	\$6.91	\$3.40	\$3.16	\$2.55	\$4.04	\$2.26	\$4.92	\$3.02	\$5.06	\$6.12	\$5.74	\$4.15	\$56.13
Los Angeles Metro	\$0.26	\$0.22	\$0.31	\$0.27	\$0.02	\$0.05	\$0.11	\$0.24	\$0.68	\$0.34	\$0.55	\$2.13	\$0.58	\$5.77
Chicago Metro	\$0.37	\$0.82	\$0.86	\$0.27	\$0.45	\$0.71	\$0.16	\$0.28	\$0.50	\$0.48	\$0.88	\$0.33	\$0.21	\$6.31
Seattle Metro	\$0.54	\$2.33	\$2.90	\$0.00	\$0.01	\$0.00	\$0.33	\$0.55	\$0.19	\$0.69	\$0.56	\$0.43	\$0.38	\$8.92
D.C. Metro	\$0.69	\$1.15	\$0.64	\$0.12	\$0.44	\$0.11	\$0.02	\$0.43	\$0.13	\$0.55	\$0.31	\$2.32	\$0.19	\$7.10
Philadelphia Metro	\$0.64	\$0.15	\$0.69	\$0.59	\$0.13	\$0.10	\$0.22	\$0.15	\$0.18	\$0.24	\$0.18	\$0.11	\$0.00	\$3.38
Austin Metro	\$0.82	\$0.02	\$1.07	\$0.00	\$0.08	\$0.13	\$0.00	\$0.52	\$0.29	\$0.11	\$0.08	\$0.00	\$0.49	\$3.62
Boulder Metro	\$0.02	\$0.23	\$0.11	\$0.01	\$0.25	\$0.00	\$0.09	\$0.23	\$0.06	\$0.64	\$0.06	\$0.01	\$0.00	\$1.71
Salt Lake City Metro	\$0.13	\$0.35	\$0.09	\$0.16	\$0.07	\$0.03	\$0.13	\$0.57	\$0.12	\$0.25	\$0.25	\$0.00	\$0.08	\$2.22
Phoenix Metro	\$0.00	\$0.00	\$0.02	\$0.00	\$0.00	\$0.04	\$0.06	\$0.13	\$0.16	\$0.01	\$0.03	\$0.01	\$0.05	\$0.49
San Diego Metro	\$0.06	\$0.01	\$0.83	\$0.00	\$0.03	\$0.50	\$0.37	\$0.02	\$0.17	\$0.10	\$0.20	\$0.16	\$0.00	\$2.46
Atlanta Metro	\$0.22	\$0.26	\$0.14	\$0.16	\$0.03	\$0.00	\$0.05	\$0.11	\$0.04	\$0.26	\$0.05	\$0.11	\$0.00	\$1.42
Dallas/Fort Worth	\$0.02	\$0.01	\$0.10	\$0.01	\$0.06	\$0.33	\$0.03	\$0.00	\$0.03	\$0.05	\$0.00	\$0.00	\$0.03	\$0.65
Raleigh Metro	\$0.34	\$0.04	\$0.08	\$0.10	\$0.00	\$0.00	\$0.00	\$0.22	\$0.04	\$0.03	\$0.21	\$0.28	\$0.01	\$1.34
Portland Metro	\$0.00	\$0.00	\$0.00	\$0.00	\$0.02	\$0.00	\$0.01	\$0.01	\$0.01	\$0.02	\$0.06	\$0.01	\$0.00	\$0.14
St. Paul Metro	\$0.40	\$0.33	\$0.48	\$0.03	\$0.00	\$0.00	\$0.15	\$0.11	\$0.07	\$0.01	\$0.00	\$0.04	\$0.00	\$1.60
Miami Metro	\$0.00	\$0.02	\$0.16	\$0.01	\$0.00	\$0.00	\$0.27	\$0.00	\$0.30	\$0.02	\$0.05	\$0.00	\$0.03	\$0.85
Denver Metro	\$0.00	\$0.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.13	\$0.00	\$0.00	\$0.00	\$0.00	\$0.33
Santa Barbara Metro	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.03	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.03

*Data as of 7/26/2018

Funds raised by VCs by metro area (10-year growth)



Which other US metro areas are worth exploring?

There are many options for subsidiary operations across the United States. Hubs such as Chicago, Seattle, Austin, Denver, San Diego, Portland, Atlanta, Minneapolis or Miami among others offer strong talent and infrastructure. A number of Canadian cities also merit a close look, including Toronto and Vancouver, two vibrant technology hubs north of the US border.

Some notable areas²³

Texas / New Orleans





Austin and Dallas are the major tech hubs in this region, which also boasts smaller clusters in Houston, San Antonio and New Orleans. UK tech companies in Austin: BrainLabs Digital, BYND, Austin Fraser, Safeguard World, GCS Recruitment, Beamery.

Information on the Texas cities

Information on New Orleans

San Diego





San Diego is currently ranked 4th in the nation for start-up activity by the US Chamber of Commerce (behind Boston, Silicon Valley, and New York) and is ranked in the top-ten for venture capital investment. A quarter of San Diego's GDP comes from the "innovation economy" – knowledge intensive industries that lend themselves nicely to start-up activity. Ecosystem includes: Qualcomm Ventures, UCSD Office of Commercialization & Innovation, JLABS (Johnson & Johnson life science incubator), San Diego Airport Innovation Incubator, San Diego Venture Group (800 members), TechCoast Angels (largest Angel network in the US). Notable homegrown companies: Classy, Measurabl, Raken.

Portland / Wider Oregon





Oregon has an established computer (semiconductor) and electronics sector, led by Intel and Mentor Graphics, which have significant presences there. Software is emerging / established; leading home-grown lights include: PuppetLabs, Cloudability, Elemental Technologies, Jama Software, Janrain, Jive, Act-On, Simple, Viewpoint, and investments from Salesforce, AirBnB, Amazon, McAfee, Mozilla. The Portland high-tech industry continues to grow, with high-tech employee hiring reaching a 12-year high in 2018. Software investments have grown almost 50% in the past 10 years. The region is very cost competitive with the Bay Area and Seattle.

Tech association of Oregon's Techlandia overview

Greater Portland

The Research Triangle





The region of Raleigh/Durham/Chapel Hill in North Carolina is anchored by **three major research universities**: North Carolina State University, Duke University and University of North Carolina at Chapel Hill. This "Research Triangle" is a thriving Tech hub, home to Red Hat, Inc. and SAS Institute. In 2017, North Carolina start-ups raised more than \$1 billion in funding.

Greater Washington DC Area



The Washington DC, northern Virginia and central Maryland area encompasses large clusters in Cyber Security, Life Sciences, Big Data, and Analytics. This Information, Communication, and Technology (ICT) cluster was originally fostered by the founding of internet portal pioneer AOL. Maryland's Montgomery County gave \$100,000 of direct incentives to attract cybersecurity startups, and Arlington, VA has enhanced its High Tech Zone Incentive Program to provide tech firms with a broader range of tax incentives.

²³ A special thank you to the UK Department of International Trade (DIT) (<https://www.gov.uk/government/organisations/department-for-international-trade>) for their contributions. Aside from developing, coordinating and delivering new trade policy for the UK, the DIT helps UK businesses export and grow into global markets as well as expand in the UK

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Pittsburgh



Pittsburgh is a booming tech cluster for **Artificial Intelligence and Robotics**, anchored by outposts of Google, Uber (autonomous vehicle test bed), Apple, Facebook, Philips, and the National Robotics Engineering Center. Notable home-grown companies include Duolingo, Argo AI (\$1bil investment by Ford), and Petuum Inc. (\$93mil Series B). Growth is supported by Carnegie Mellon University, University of Pittsburgh, InnovatePGH, and the Pittsburgh Technology Council. Alphalab is a software accelerator providing access to funds and an immersive 4-month training program.

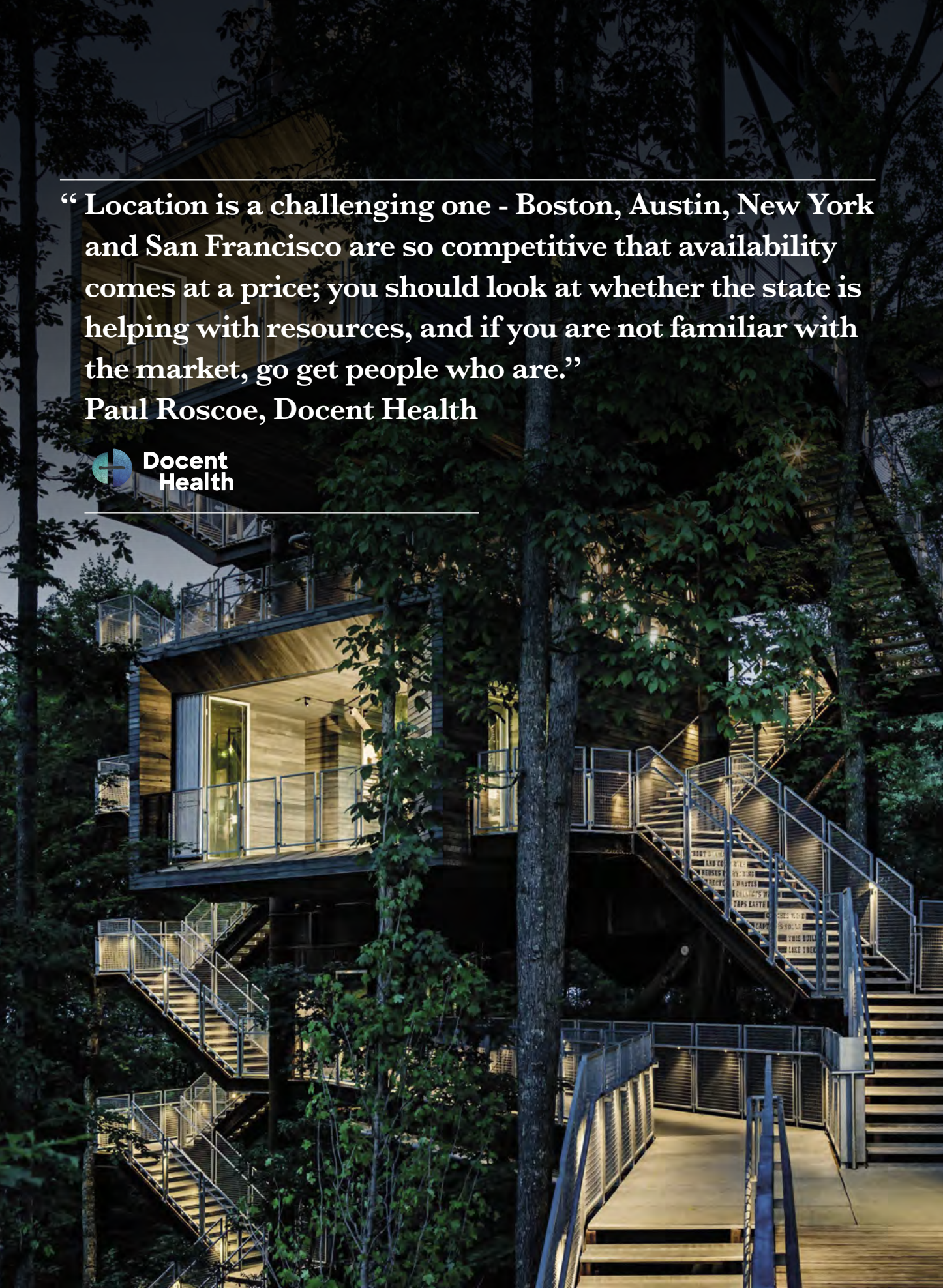
[More here](#)

Philadelphia



Philadelphia is strong in **biotech, digital health, edtech, & SaaS**. Its ecosystem is supported by StartupPHL, Philly Startup Leaders, Ben Franklin Technology Partners, PACT, University of Pennsylvania, Temple, & Drexel University. Healthcare investments represented nearly 80 percent of the \$529.6 million in deal value that Philadelphia saw in 2017. The largest raise in 2017 was that of biotech company Complexa, Inc (\$63mil series C).

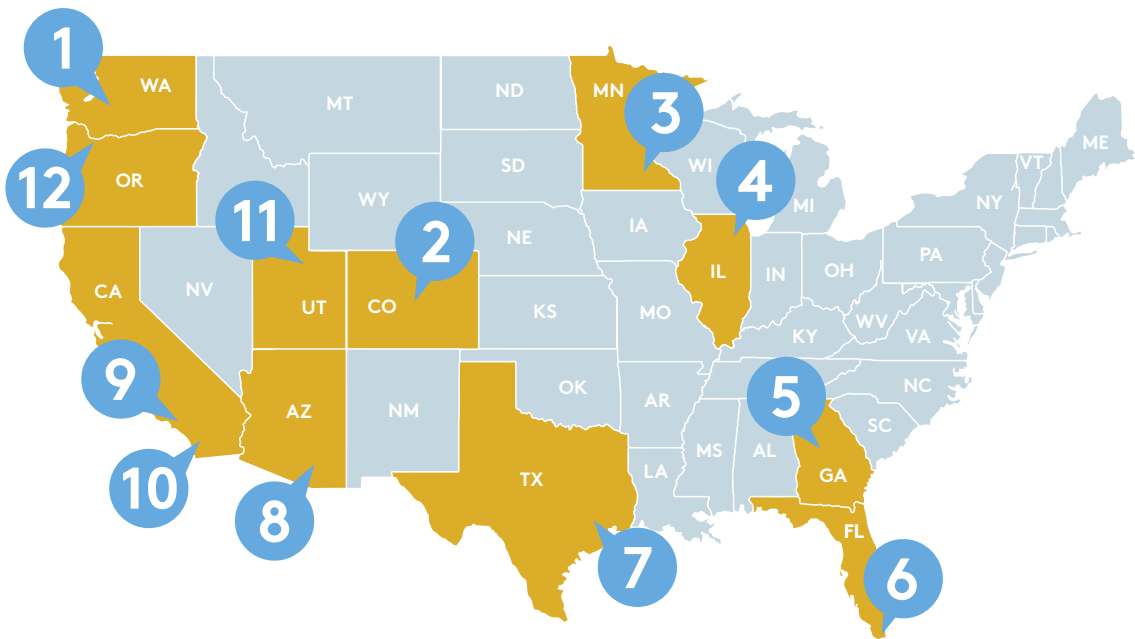
[More information on notable startups](#)



“Location is a challenging one - Boston, Austin, New York and San Francisco are so competitive that availability comes at a price; you should look at whether the state is helping with resources, and if you are not familiar with the market, go get people who are.”
Paul Roscoe, Docent Health



Which other US metro areas are worth exploring?



1 Seattle, WA

Avg. Software Engineer Salary: \$132k
Metro Population: 2,944,900
Major Industries: Clean Energy, Aerospace & Defense
Gross Metro Product: \$265bn
Median Household Income: \$84,288
Cost of Living: 27% above nat'l avg
College Attainment: 46.2%

2 Denver, CO

Avg. Software Engineer Salary: \$112k
Metro Population: 2,857,700
Major Industries: Aerospace, Telecoms, Technology
Gross Metro Product: \$183.6.2bn
Median Household Income: \$73,250
Cost of Living: 10% above nat'l avg
College Attainment: 42.5%

3 Minneapolis, MN

Avg. Software Engineer Salary: \$88k
Metro Population: 3,555,500
Major Industries: Financial Services, Technology, Biomedical, Retail
Gross Metro Product: \$233.9bn
Median Household Income: \$72,629
Cost of Living: 1% above nat'l avg
College Attainment: 40.5%

4 Chicago, IL

Avg. Software Engineer Salary: \$113k
Metro Population: 2,716,450
Major Industries: Aerospace, Telecoms, Technology
Gross Metro Product: \$178.2bn
Median Household Income: \$69,908
Cost of Living: 7.8% above nat'l avg
College Attainment: 41.8%

5 Atlanta, GA

Avg. Software Engineer Salary: \$90k
Metro Population: 5,802,100
Major Industries: Financial Services, Technology, Telecoms
Gross Metro Product: \$334.8bn
Median Household Income: \$62,437
Cost of Living: 2% above nat'l avg
College Attainment: 37.7%

6 Miami, FL

Avg. Software Engineer Salary: \$88k
Metro Population: 2,718,800
Major Industries: Financial Services, Tourism, Trade, Media
Gross Metro Product: \$134.3bn
Median Household Income: \$45,214
Cost of Living: 13% above nat'l avg
College Attainment: 27.9%

7 Austin, TX

Avg. Software Engineer Salary: \$118k
Metro Population: 2,063,500
Major Industries: Technology, Pharma, Biotechnology
Gross Metro Product: \$124.4bn
Median Household Income: \$68,034
Cost of Living: 13% above nat'l avg
College Attainment: 42.8%

8 Tucson, AZ

Metro Population: 1,018,400
Major Industries: Technology, Education
Gross Metro Product: \$41.8bn
Median Household Income: \$49,116
Cost of Living: 3% below nat'l avg
College Attainment: 31.9%

9 Los Angeles, CA

Avg. Software Engineer Salary: \$129k
Metro Population: 10,140,200
Major Industries: Entertainment, Aerospace, Tourism, Technology
Gross Metro Product: \$721.6bn
Median Household Income: \$61,931
Cost of Living: 26% above nat'l avg
College Attainment: 31.5%

10 San Diego, CA

Avg. Software Engineer Salary: \$108k
Metro Population: 3,320,600
Major Industries: Defense, Tourism, Technology
Gross Metro Product: \$232.4bn
Median Household Income: \$70,141
Cost of Living: 28% above nat'l avg
College Attainment: 37.4%

11 Salt Lake City, UT

Avg. Software Engineer Salary: \$91k
Metro Population: 1,135,649
Major Industries: Tourism, Healthcare, Transportation
Gross Metro Product: \$89.5bn
Median Household Income: \$68,196
Cost of Living: 8% above nat'l avg
College Attainment: 32.7%

12 Portland, OR

Avg. Software Engineer Salary: \$98k
Metro Population: 2,432,600
Major Industries: Real Estate & Construction, Technology
Gross Metro Product: \$157bn
Median Household Income: \$66,971
Cost of Living: 10% above nat'l avg
College Attainment: 38.9%



²⁴ Forbes, Software Engineering Salary from Hired (<https://hired.com/state-of-salaries-2018>) & Glassdoor

Which taxes are you liable for?

As soon as you land in the US you will be subject to taxation, and tax-related questions will increasingly become a consideration in many of your commercial decisions.

Federal	Corporation Tax	Social Security	Medicare	Unemployment Tax	
State	Corporation Tax	Sales Tax	Franchise Tax	Unemployment Tax	Corporation Tax
District	Corporation Tax	Sales Tax			

Corporation Tax

Corporation Tax is collected at Federal, State and sometimes District level.

It is applied at graduate rates to the net profits (not until you're profitable). In 2018 the Federal level of the US corporation tax rate is a flat 21% due to the passage of the "Tax Cuts and Jobs Act" on December 20, 2017. Additional State tax varies from 0-12%.

Unemployment Tax

An employer must contribute at State and Federal level for Unemployment Tax. In 2017 this was charged at 6% of an employee's salary, but with 5.4% of this refundable if an employer paid unemployment tax at a State level.²⁷

The maximum amount is capped at \$450 per employee.²⁸

Social Security & Medicare

These two separate taxes are often referred to as payroll taxes and are typically deducted from payroll on an ongoing basis. They are processed by a PEO or payroll provider. Social security is currently charged as 12.4% on an employee's salary up to a maximum cap of \$128k²⁵.

Medicare contributions account for an additional 1.45%²⁶ tax on an employee's salary.

Federal	Corporation Tax	Social Security	Medicare	Unemployment Tax	
State	Corporation Tax	Sales Tax	Franchise Tax	Unemployment Tax	Property Tax
District	Corporation Tax	Sales Tax			

Sales Tax

Sales Tax is a pass-through tax similar to VAT in the UK that a merchant must collect from customers.

Sales Tax is payable in all but 5 States and varies from 0% to 15%²⁹.

Most businesses offering 'services' do not pay sales tax but where tangible goods or software are involved you should definitely factor the sales tax into your pricing.

You should check whether you are liable for Sales Tax in each State.

Sales Tax on e-commerce

As of June 2018, the US Supreme Court decided that States can require e-commerce companies to collect sales tax, overturning a 1992 decision in Quill Corporation vs. North Dakota which did not let States ask companies without a physical location in the State to collect sales tax.

Franchise Tax

Franchise Tax is paid to the State and reflects the privilege to operate in a given geography.

In addition, your State of incorporation will typically expect franchise tax.

Franchise Tax varies significantly between States - e.g. in Delaware it is linked to the total number of authorized shares up to a cap of \$180k, whereas in Alabama it is a graduated tax of 0.175% on income over \$2.5m up to a cap of \$15k.

Property Tax

A State level tax is paid on all tangible property and some States also include a tax on intangible property.

This tax has increasingly shifted from being a State level tax to a district or city level tax.

²⁵ <https://www.ssa.gov/news/press/factsheets/HowAreSocialSecurity.htm>
²⁶ https://www.ssa.gov/policy/docs/quickfacts/prog_highlights/RatesLimits2018.html
²⁷ <https://taxmap.irs.gov/taxmap/pubs/p15-013.htm>
²⁸ <https://www.nolo.com/legal-encyclopedia/collecting-unemployment-benefits-california-32504-2.html>

²⁹ <https://wallethub.com/edu/best-worst-states-to-be-a-taxpayer/2416/>

Specialists in the field

Given the specialist and technical nature of these topics, speaking to accountants and advisors such as those below is strongly advised:

Eric Collins - Frank Hirth	Michael Hamilton - KPMG
Bradley Smallberg - Schissel Smallberg	Alexander Wang - Marks, Paneth & Shron
Don Dismuke - Dixon Hughes Goodman	Matthew Foreman - Foreman Tax Law

More resources

Understanding US Corporate and Federal Tax	Products subject to Sales Tax
Understanding US Sales, franchise and Property Tax	Corporation Tax by State
Sales Tax agencies in each US State	Payroll Tax by State

“ Make sure the company has the right advice and the team has support on state tax; for example, each state has a different set of interpretations on whether SaaS companies need to pay state tax” – Tim Brown, Maxymizer

ORACLE
Marketing Cloud

How do you build a high performing team?

For rapidly growing companies, hiring is a critical, resource-intensive responsibility. Whether you are a company of founders looking to build your team out, or a 400-strong entity seeking to hire specialty roles, your recruiting process can make or break the livelihood of your company.

Know thyself

Recruitment demands that you know your own business to the core. Your recruitment briefs should be blueprints of your corporate DNA. Know yourself – your values, your mission, your objectives – inside out and you’ll know exactly what to look for in your next hire.

By your actions...

How you hire is almost as important as who you hire. Every stage of the recruiting process communicates something about your business to the outside world. Building the right team is the goal, but how you go about it speaks volumes as to who you are as a company.

Some golden rules

- 1 You never outgrow the use of both external and internal recruiters, no matter your size. You should be clear of your reasons (explained below) of using one over the other.
- 2 Just as you evaluate recruiters, recruiters evaluate your company. They produce the best results for the clients who provide an intriguing value proposition for the prospective employee. For example, when a Seed stage company reaches out to a recruiter for an executive role, she may ask herself, “why can’t this company attract good talent at such an early stage?”
- 3 Developing great internal recruiting resources is crucial, at any stage. When working with external providers, committing the time, money, and effort towards defining the position you want and how it fits strategically in your company’s plans is essential to getting good results.

“ Every interviewer will bring certain variables and biases, so there have to be a core set of principles and values that the company believes that must be brought into the interview process” – Bec Sankauskas, Bexouce

Bexouce International

When should you keep it internal?

The general rule of thumb seems to be: use internal recruiting as much as you possibly can, at every step of the recruiting value chain.

Here’s why:

- **Soliciting interviews and designing the recruiting process:** Internal recruiters understand your company’s people needs as well as its broader strategic goals. They are committed to these goals every work day, more than any external recruiter can claim. As such, they are best positioned to design an interview process that truly reflects your company’s values and strategy. Equally, they can best assess whether the choice to interview or the language used to describe advertised positions aligns with your company’s values.
- **Conducting the interviews and communicating with candidates:** Just as crucial is the task of communicating your company’s identity and value to a prospective employee. As Shelly Duong from

Mochi HR Consulting said, “internal recruiters best represent the company and the culture [to prospective employees].” A candidate is interviewing your company just as you are interviewing the candidate: using your people, who can best communicate and embody the company’s ethos, can be key.

- **Negotiating with potential employees:** There is value in having a third-party objectively present to negotiate an offer package. But this value rarely supersedes that of a team member articulating why a candidate should join your team. By removing one link in the negotiation chain, it allows the candidate and the negotiator to flexibly (and inexpensively) respond to counters or adjust the offer package as necessary.

Why else might you choose to use internal capacity?

When internal capacity is not exhausted:

- **Rule of Thumb #1:** The maximum capacity an internal recruiter can handle is about 10-15 active job descriptions per recruiter (managing recruiting responsibilities full-time). Anything beyond this number typically becomes unwieldy and should therefore be outsourced to external recruiting firms. Failing to do this might risk a drop off in quality of recruiting.

When recruiting for non-senior roles:

- For recruiting senior roles, the demands are such that the process might need to be confidential, technical or demanding beyond the internal team’s competency, or might require access to niche networks of executive candidates. In such cases, relying on external search firms is likely a better course of action.
- Given this point, prioritize using internal capacity to conduct searches for positions other than director or senior executive roles.

In times of slow employee growth (short to medium-term):

- **Rule of Thumb #2:** Use an internal capacity if you have conservative growth plans in the short to medium term. If your company wishes to increase by greater than 50 employees in a 12 to 18-month period, you would need at least one internal employee dedicated full-time to recruiting, perhaps more.

How should you utilize your internal recruiting team most effectively?

Ideally, everyone in your company should be involved in the recruiting effort in some way:

- Recruiting the best talent is of direct strategic value to any company, especially smaller growing companies. Some teammates can participate directly, others indirectly, such as by recommending candidates, preparing recruiting material, or creating a welcoming interviewing environment.
- The founders/CEO should participate directly on the recruiting effort. At least 10-20% of every founder’s time should be spent on recruiting.
- If internal capacity is limited, you can pursue a number of hybrid internal-external arrangements:
 - 1 **Alternative 1:** Pairing limited internal capacity with the work of research firms that map the market and find a list of candidates based on your criteria. These can be valuable support for a fraction of the price of a recruiter. Some foreign research firms can cost as little as \$20/hour.
 - 2 **Alternative 2:** Employing a part-time recruiter – many can be hired via agencies – can alleviate the burden.

Do not spend too much time burning internal resources before moving to an external recruiter:

- Limit the amount of time you give your team to determine whether it can conduct a successful search internally. Give your staff about 2-3 weeks to search in the market, after which they should determine if they’d need external help.

“If your employees aren’t inviting their friends and personal networks to apply for open positions, that might be a reflection of their generally negative feelings about your company.” – Sebastyan Zaborowski, Semmle

Semmle

“No matter what your stage, about 80% of the roles in your company should be filled by internal capacity... doing something so key or strategic to your company should not be done by someone that doesn’t care about the outcome as much as you would.” – Will Champagne, Ivy Scale

IVYSCALE

When should you look for external recruiters?

Look to external search firms when recruiting roles of special quality, which fall outside of your internal capabilities. Examples of special qualities might be a role that is senior, technical, difficult to identify candidates for, or that requires a confidential search.

These aren't always senior roles. For example, Executive Assistant roles can result in an overwhelming amount of resumes, so finding the right candidate might justify using an external recruiter over limited internal capacity.

Who should you choose as an external recruiter?

Choose the recruiter best connected to the type of person you want to recruit. Always ask: Who has the relationships with people you would like to hire? Those people would pick up the phone when the recruiter calls them.

Specialist, region-specific, or industry-specific recruiters are most effective for targeted searches, as they understand the market and the role you are sourcing for. Rely far less on generalist recruiters, most of whom are best at sourcing "generalist" candidates.

3 types of recruiter engagement

1 Retainer: This involves a fixed fee, time-constrained relationship, wherein the company pays the search firm over three periods of time: at the start of the engagement, after a few candidates have been interviewed, and once a candidate signs an offer letter.

These are best for senior or executive-positions, where there is no sparing expense or, in some cases, little time to get the best candidate.

2 Contingency: Only one payment is made to the search firm, on the date the candidate sourced by the firm begins her role. These are best for filling junior positions in a company.

3 Container: A hybrid between a retainer and a contingency engagement. This involves just two payment instalments: a deposit to initiate the search and a payment once a candidate signs an offer letter.

This form of engagement is best used with critical mid to senior-level hiring needs that must be completed urgently (in say, 6-8 weeks).

#protip: The best recruiters tend to gravitate towards working at retainer firms, so the choice of type of firm might affect the quality of outcomes you get from your recruiter.

“As great as hiring a ton of MBAs may sound, we have taken the approach of hiring folks who know the local market really well. This is such a valuable asset.” – Joel Frisch, Prodigy Finance



How do you choose the ideal firm for your search?

References: Seek references on recruiting firms from partners, investors, and other companies—maybe even competitors! Don't rely on reviews alone.

Individual recruiters: Seek out and develop relationships with individual recruiters within a firm, instead of focusing on reviews of the firm alone.

Long-term understanding: Look for recruiters who understand your company, team, and the role defined, and with whom you can develop a long-term relationship. In many cases, recruiting firms that you have worked with in the past will be best at filling this role, but this may not always be the case.

A full service, executive and non-executive recruiter firm provides the potential for a longer-term relationship across all roles. That said, some exec-only firms also have close relationships with non-exec firms, so developing a relationship with an exec-only firm does not foreclose the possibility of easily connecting with non-exec recruiters.

“National” searches: Understand whether the recruiter you paid for is actually taking the lead on a search in a certain location/region, or whether they are outsourcing the work to another vendor in your target location.



Vertical specific recruiters

Executive search

• East Coast

Diane McIntyre - Calibre One (retained)	Jamie Sanger - Daversa (retained)
Rick Bank - True Ventures (retained)	

• West Coast

Simon Bromwell - Robert Walters (contained)	Joe Griesedieck - Korn Ferry International (retained)
Mark Lonergan - Lonergan Partners (retained)	

Non-exec

Ben Christian - Carbon Partners (retained)	Julia Horiuchi - Robert Walters (contained)
Spencer Tashima - Essential Solutions (retained)	

Engineering

Tony Zammikiel - Equity Search Partners (contingency)	Dirk Cleveland - Riviera Partners (retained)
Chris Johnson - Artisanal Talent (retained)	

Sales

Cathy Cairns - Elite Technology Sales Recruiters (contingency)	Bill McHargue - Talent House (contingency)
Katie Pouch - RJR Partners (retained/contingency)	Jennifer Carlo - Betts Recruiting (contingency)

Human Resources

Cathy Cairns - Elite Technology Sales Recruiters (contingency)	Bill McHargue - Talent House (contingency)
Katie Pouch - RJR Partners (retained/contingency)	

Industry specific recruiters

Healthcare

Robin Toft - Toft Group (retained)	Sean Walker - Bowdoin Group (retained)
Mia Jung - Oxeon Group (retained)	Greg Button - Korn Ferry International (retained)

Enterprise

Joel May - BridgeGate (retained)	Sean Lucq - SPMB (retained)
Douglas Madden - Fortra Search (retained)	

A Benchmark for “good”: conducting a foolproof interview process

Get the interview right and the right candidates will become the right employees. This page provides a basic how-to guide for successfully setting up and executing an interview process for US candidates.

1 Building the interview process

- Define your company’s core values before your interview process. These will directly what interview questions you ask and what kind of answers you seek.
- Map the interview process and timeline of each step before beginning the process.
- Your HR team should work alongside your relevant functional team to develop the interview process for candidates.
- Standardize processes, especially one for sharing feedback/evaluations amongst interviewers after the interviewees.

2 Setting your team members’ responsibilities in the interview process

First, determine who will be conducting interviews of candidates. Strongly recommended participants include:

- Your employee to whom the candidate would be reporting (to test skills)
- The HR rep who would be responsible for the person/team (to test culture)
- A senior executive of the company (to test fit to company and strategy objectives)

Other participants could include an employee with whom the person would be working, and someone influential to the culture of the team.

Then, consider how to indirectly engage other members of your company:

- Encourage people to introduce themselves to interviewees when in the office
- Seek out indirect feedback on interactions with candidates
- Ask for help to cover interviewers’ business-as-usual responsibilities during interview season.

3 Designing interview questions

Seek to evaluate three aspects of a candidate: Relevant skills, subject experience and cultural fit.

- **Standardize interview questions beforehand:** Create standard sets of questions, aligned with the skills sought. During the interview, an interviewer can then choose which questions within the set are applicable.
- **Align behavioral questions to your company values:** These types of questions are most effective for testing cultural fit, so align them to the values that define your company’s culture.
- **Ask simpler questions to candidates, especially in US interviews:** Interviewees tend to expatiate and will be more revealing when simpler questions are asked.
- **Consider including a case study in the interview process:** Americans are hardwired to sell themselves well, so use a live case study as a means of truly testing skills and experience in action.

“ US candidates interview well and are often very effusive and great at the larger vision of the business. Pre-warn candidates you are going to drill into detail. This is more insightful.” – Ed Boyes, US CEO, Hello Fresh



4 Diversity and inclusion

Consciousness in this area is now standard, but how it lives in your process will be determined by your company’s unique culture. Design a hiring process that accounts for diversity and inclusion in the following ways:

• Encouraging diverse applications before the interview

Distribute job application to multiple channels, and, if possible, target channels accessible to diverse applicants. If working with external recruiters: mandate they provide diverse candidates

• Creating inclusive interviews with control for unconscious biases

Conduct a blind evaluation process of candidates’ written material (e.g. remove names or gender/other status identifications from interviewers’ answers). Make no concessions on critical skills but be more flexible with nice-to-have skills that can be taught or are not essential in the position. This may help account for disparate access to previous skill development opportunities.

Commit your executive leadership to prioritize diversity and inclusion throughout the company. If these are true priorities, these efforts will succeed.

5 Informal references

Put weight on informal references: informal references are better positioned to give unbiased views. US applicants, perhaps better than others, likely select primed referees who have positive things to say about them. Therefore, identify informal references through conversations with the candidates, LinkedIn connections and connections from other social media platforms.

6 Extending an offer and negotiating with candidates

Consult with others directly involved in the interviewing process before extending an offer to someone (this could set a new hire up for failure and/or fray team collaboration). Once done, set out a strict timeline for making offers and responding to candidates.

7 Benchmarking against competing offers

Discourage benchmarking your offer to those from competitors or other companies (besides understanding what the general market package tends to be for the position). Instead, focus your pitch to the candidate on the opportunity to work with an amazing team building a meaningful product. American candidates are significantly influenced by a sense of purpose and mission in their work. Broadly: ask “what would make this person come here?” and provide, to the best of your ability, a pre-emptive answer to the candidate.

“ US folks are hard wired to sell themselves. At the final stage, get them to come in and present a case study. People are always presenting themselves internally or externally to various stakeholders and it’s a great way to see if they have taken the time to understand the business and come prepared. It really weeds out some people who on paper, or after an initial chat, you thought were great.”
Joel Frish, Prodigy Finance



How do you hire for a remote role?

The life adjustments, unique work dynamics, and tactical outcomes typically expected of a remote role require someone experienced at working remotely. Prioritize candidates with a history of demonstrated success in remote roles.

Hiring process best practices for a remote office/position

Do more cultural interviews for a remote position than for an in-person position. The cultural connection is even more essential remotely than in-person, where proximity helps foster collaboration and create accountability.

Replicate the work environment as much as possible in the interview process. Video calls and phone screenings evaluate the candidate’s communication style and ability to complete and convey work remotely. A good rule of thumb for gauging effective phone and video screenings is the following: did you feel like you were sitting in the same room with the candidate?

Structuring effective flex (or part-time) arrangements

It is important to note that not every position in your company would work as a flex or part-time arrangement. The ideal flex or part-time position is...

- primarily a **tactical** role, **without many strategic functions**.
- **independent**, in some cases **project-based** work distributed piecemeal across the team.

When flex roles take on strategic responsibilities, the work process could grind to a halt: “Let’s table the conversation until Jenny comes back and approves.”

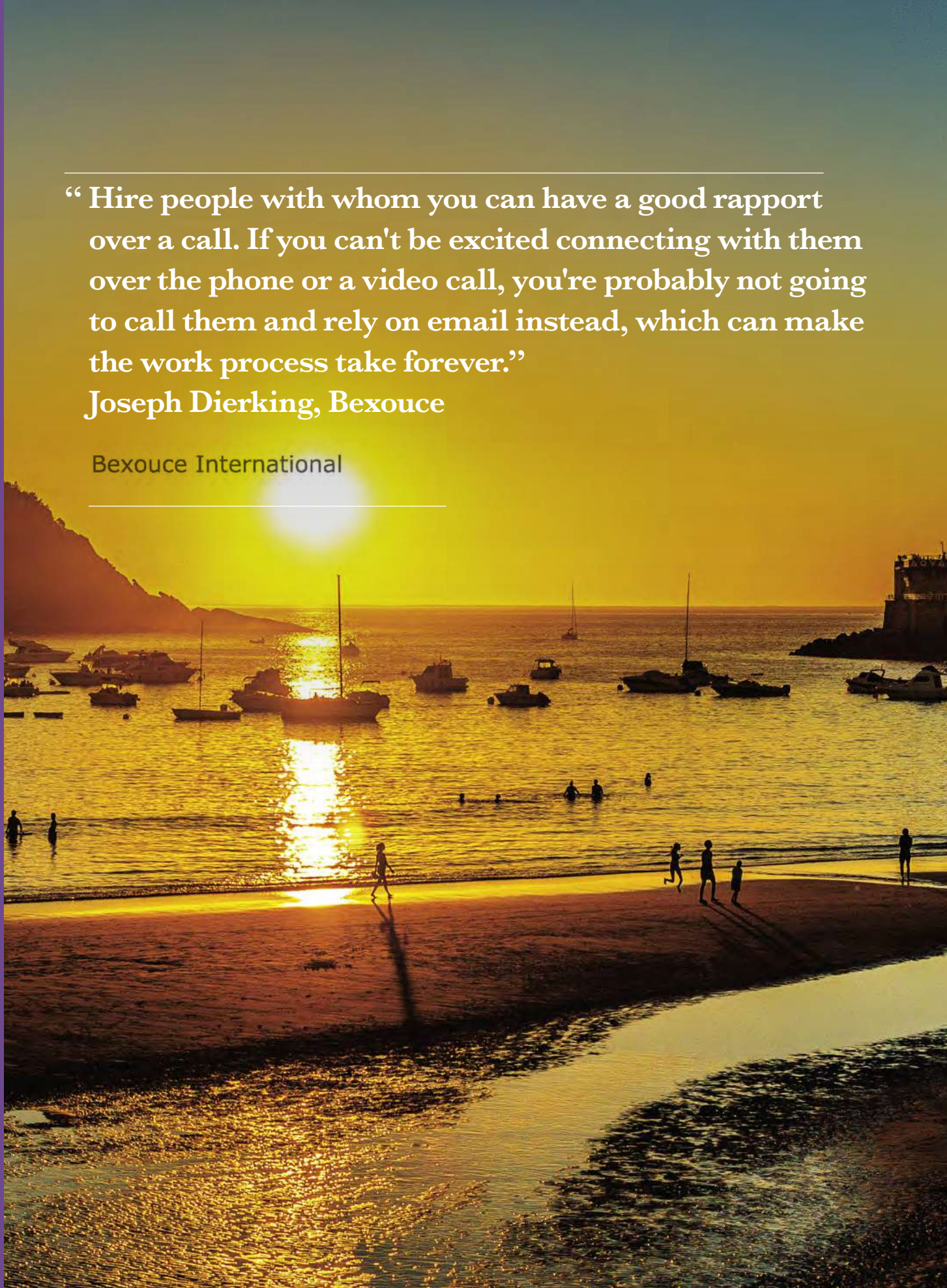
That said, there is significant value that flex roles can provide in encouraging diversity in your company:

- providing flex opportunities allows a company to easily accommodate good employees with a diversity of life experiences and identities.
- providing a flex opportunity can create positive incentives for employees: e.g. a new mother provided the choice of a flex role can self-determine, upon returning to work, when in the day she would be most productive.

Beware: The expectations of a flex role, if not handled correctly, can turn it into a de facto full-time role. In one example, a two-day a week HR worker actually ended up working 35 - 45 hours a week because the company consistently sent her assignments outside of work hours.

“ **Avoid hiring junior people as remote workers – if they are inexperienced workers, they might not know what this [type of work arrangement] entails/requires**” – Bec Sankauskas, Bexouce

Bexouce International



“ Hire people with whom you can have a good rapport over a call. If you can't be excited connecting with them over the phone or a video call, you're probably not going to call them and rely on email instead, which can make the work process take forever.”

Joseph Dierking, Bexouce

Bexouce International


What is your remuneration strategy?

There is intense hiring competition from American companies. The job market is very liquid, driving up prices and lowering retention.

Remuneration considerations

The US job market is normally cited as setting salary levels above those for similar roles in different geographies. However, it is hard to generalize as there are significant variances within the US depending on the city, role and level of seniority. For example, the average salary for a developer in Palo Alto is \$124k compared to \$92k in Texas.

As you would at home, it is worth investing time to set out the principles around which remuneration will be governed. Specifically addressing what level of salaries you wish to pay (i.e. 60th percentile), how and when options will be granted, and whether or not there is a variable pay element will help you implement a consistent strategy.

 **buffer**

The salary formula used by **Buffer** is a useful example of key salary considerations and the weighting assigned between general factors - i.e. location, cost of living, "role value adjustment" - and experience.

When using benchmarking tools such as salary databases, it's useful to compare your offered salary range to those of the companies you are competing with for talent. This may involve more established businesses than your own.

A compensation philosophy that is fair, competitive, simple and rewards performance will set your company up for success.

Key questions

- What state regulations and requirements apply to your business?
 - Does your business have a consistent policy and formula for how to determine salary levels?
 - What will be your Paid Time Off policy?
- Are you aware of the legal implications of Holiday Debt?
 - Once you've set the strategic principles guiding your company's compensation policy, it's worth getting professional support to execute it. Mistakes are costly and easily avoidable with proper counsel.

New joiners

In the US, the official process of hiring new employees includes filing the following documents:

- Form I9, employee eligibility form.
- Form W4, employee tax withholding calculation (requirements vary by State).
- Specific State reporting requirements will involve information being provided to the Department of Health and Human Services.
- Under federal law, reports must be submitted to the appropriate State agency within 20 calendar days of the date of hire, although some States may require shorter reporting windows.
- Each year, Form W2, completed with any new employee SSN and identity details.

As this process is subject to change and updates, it is prudent to check with the IRS, city and State regulations. It is worth noting that many payroll providers or PEOs will manage this process and advise on specific filing requirements.

Another important policy to note is Workers' Compensation Insurance. Employers pay for this insurance and cannot require the employee to contribute to its cost. Workers' Compensation Insurance covers cash benefits and/or medical care for workers who are injured or become ill as a direct result of their job.

Specialists in the field

Stuart Bagshaw -
BAB Leap

David Ehrenburg -
Early Growth Financial Services

Greg Capitolo -
Attivo

Resources

Free cost of living data
from Numbeo

Tax withholding regulations
shown State by State

IRS requirement for new employees



How do you determine stock options for your US employees?

Before making any local US hires, it is important to have fully thought through proposed compensation packages, which may include stock options.

- 1

Retain advisers: Above all else, tax and legal advisers should be engaged early on to help you think this through and to understand how to establish and maintain a stock option plan for your US employees.
- 2

Employee expectation: US employees who are working for a start-up (even a ‘mature’ one), will typically expect some form of their compensation to be in equity (whether this is a direct issuance of shares or, more commonly, stock options).
- 3

Keep it simple: However, given the ease with which US employees can leave employment and the administrative burden of managing a large option plan at the outset, we would suggest that with your first US hires, you only offer equity for your senior or key roles.
- 4

Use your existing incentivization framework: You should have an existing framework which sets out how you, as a company, think about granting options to employees. There is no ‘right’ way to do this (and much has been written and continues to be written on this topic). Once you have an objective calculation methodology, we suggest that you use the same principles to build a US-focused option framework.
- 5

Have a separate option plan for your US employees: You will likely need a separate option plan for your US employees and, while it should take account of your company’s overall remuneration philosophy, it may also include nuances for the local market (eg. what equity stake do other US country heads get offered in similar size/ stage companies; how are leavers treated; what does a vesting schedule look like). Inequalities may creep in from location to location, and yet this flexibility is something you will need to be comfortable with in order to hire the best talent.
- 6

409A Valuation: In the US, it is an absolute prerequisite for the company to have a 409A Valuation at the time of each option grant. A 409A Valuation is simply a fair-market appraisal of the stock of your parent company. We recommend you do this externally and pay the \$2-\$5k for the valuation. This will ensure that any challenges to it from the IRS, require the IRS to do the leg-work to disprove the methodology applied by the external valuation firm.

“Europeans might be averse to giving options, while in the US, employees expect a piece of the action and they know how to calculate the value of options. It’s a major factor for the people you are hiring in the US...and if it’s a not a major factor, you might be hiring the wrong people here!” – Ari Salonen, Midaxo



Top tips:

- a.

Synchronize valuations (conducted in the US and the other jurisdictions) at the outset to avoid complicated retrospective synchronizations of separate plans.
- b.

UK and US tax authorities, in particular, don’t have a similar approach to **assessing what the exercise price of the options should be**. You will need to understand how you can make pricing ‘equal’ – are you going to have different exercise prices in simultaneous grants of your options to your UK and US employees and if so, does this impact the number of options you are willing to grant an employee?
- c.

Have excellent communication with your employees. Explain how the grant and exercise process works, what happens if they leave and what happens if there is an exit. Be mindful that options are only truly valuable if employees understand how they work.

• How EMI Works in the UK

Under the EMI scheme, a company can “self-assess” to set up the plan and HMRC should be notified whenever options are granted. There are annual limits for participants and a restriction on the total value of options in the pool. The exercise price must be agreed with HMRC in advance to ensure that the tax breaks are achieved. The exercise price for ordinary shares (typically the share class for options) can be at a discount to the share price for preferred shares and this discount can be up to 70% or more. The valuation methodology and calculations are normally sent to HMRC as part of a short one to two-page letter. HMRC valuations are typically refreshed after a funding round or if company performance materially changes. HMRC valuations can only be agreed when new options are to be issued—HMRC will not do “speculative” exercises to try and gauge a likely price.

• How “Stock Options” work in the US

There are two main categories for option plans in the US; **ISO (Incentive Stock Options)** and **NSOs (Non-qualified Stock Options)**. The ISO is the closest equivalent to the UK EMI scheme. The differences in both US structures are laid out below:

	ISO	NSO
Summary	Only for employees, more favourable tax treatment if held / exercised within specific time frames	Available for anyone, no maximum cap, less limits but less favourable tax treatment
Recipient	Only employees, directors & consultants	Anyone
Maximum exercisable value per year	\$100k	No maximum. Typically, the first \$100k is structured as a ISO then the rest via NSO
Options must be granted within [X] years of plan adoption	10 years	no limit

	ISO	NSO
Summary	Only for employees, more favourable tax treatment if held/exercised within specific time frames	Available for anyone, no maximum cap, less limits but less favourable tax treatment
Exercised within [Y] months of termination	Three months	Unlimited
Taxation (grant)	No taxable event	No taxable event
Taxation (exercise)	The spread (difference between strike price and fair market value) is included in your calculation of Alternative Minimum Tax (AMT) if held for more than one year	Spread taxed on Ordinary tax level
Option sales (qualifying disposition)	Proceeds attract Long-term capital gains tax (if held more than one year post exercise and two years post grant)	Proceeds attract long-term capital gains tax (if held more than one year post exercise and two years post grant)
Option sales (disqualifying disposition)	Proceeds attract Ordinary income tax rate (if sold within one year of exercise and two years of grant)	Proceeds attract Ordinary income tax rate (if sold within one year of exercise and two years of grant)

- Capital gains tax was up to 23.8 per cent;
- Long term capital gains was up to 15 per cent; and
- Ordinary income tax rate was between 10–3y per cent.

Incentive stock options

New tax law: here's what to know

For companies that already qualify for the UK EMI scheme, many will also qualify for treatment as an ISO in the US. This is however worth checking with your US lawyers.

Where to go next

[Great Article on ISO and tax from the Y Combinator forum](#)

[Very simple infographic on 409a valuations](#)

[How Pinterest lets employees keep options earned up to 7 years after leaving](#)

[Some great principles from Andy Rachleff on the Wealthfront equity plan](#)

[Difference between ISO and NSO](#)

[Fred Wilson blog on strike price](#)

[The Wealthfront Equity plan presentation](#)

[Guidance on equity to give advisors and template engagement documents](#)

Specialists in the field

Setting up and maintaining an option plan typically involves input from lawyers, accountants and valuation experts.

[Eric Collins - Frank Hirth](#)

[Don Dismuke - Dixon Hughes Goodman](#)

[Greg Capitolo - Attivo](#)

[Tony Hindley - Valuation Solutions Ltd](#)

[Alexander Ardente - Silicon Valley Bank](#)

What benefits do you offer your team?

Your company may offer a compelling set of benefits to attract and retain talent in Europe, but the key elements of a benefits package can differ significantly in the US.

Beyond the basic benefits any US company would provide, there are many and varied ways to attract and maintain the best employees. The diplomacy of reward-giving is an art in itself and the benefits on offer can be imaginative as well as practical.

After salary and bonus, a critical component of any offer to a candidate will be the type and level of health insurance offered (often referred to as just “Healthcare”). Data suggests that this often ranks in the top five considerations for employees looking at a job offer and often higher for a candidate with a family.

Minimum benefits packages

Benchmark benefits categories in the US (based on number of employees)

Benefit category	< 10 employees	11 - 50	50 - 200	> 200
Medical	Yes	Yes	Yes	Yes
Dental	Yes	Yes	Yes	Yes
Vision	Yes	Yes	Yes	Yes
Holidays	~ 20 days	~ 20 days	~ 20 days	~ 20 days
401K	No	Yes	Yes, w/matching	Yes, w/matching
Equity	Yes	Yes	Early and select employees	Early and select employees
Other perks	Context-dependent	Context-dependent	Context-dependent	Context-dependent

How does a company get a healthcare plan in the US?

There are two main ways to arrange healthcare in the US. The Company can instruct an insurance broker who will tailor the appropriate package through a specific healthcare provider (i.e. Blue Shield) or the Company can use a Professional Employer Organization (a PEO) to offer a range of policies to the employees, often delivered on an online platform.

When first setting your company up in the US, you can opt for a temporary alternative to providing new health coverage to your first employees by paying for their COBRA coverage (continued healthcare coverage from their last employer, paid for by the employee), if they were eligible for it.

What are the key components of US healthcare?

When you are creating a healthcare scheme for your US full-time employees, your company will have to decide on several key components, and your starting point should be understanding the basic terminology.

- 1 An individual enrolled in a health insurance plan or policy is known as a **beneficiary or member**. The person who purchases the insurance is the subscriber and any other people on the policy (spouse or children) are **dependents**. The insurance company charges the subscriber a monthly fee called the **premium**. When a beneficiary receives health care services, the insurance company will pay the healthcare provider, clinic or hospital on behalf of the beneficiary. However, the beneficiary is still required to pay for some of the cost he or she incurs—this is known as cost sharing. Common terminology related to cost sharing includes:
- 2 The **deductible** is a fixed-dollar annual amount of healthcare costs that the beneficiary must pay entirely out of pocket. For example, if the deductible is \$500, the first \$500 in medical costs incurred each year is paid by the beneficiary; for costs beyond \$500 the insurance company may pay completely or require a co-payment or co-insurance;
- 3 A **co-payment (or “co-pay”)** is a fixed dollar amount that the beneficiary must pay for certain services. For example, the policy might say that the beneficiary pays \$15 out of pocket for each primary care visit and \$25 for each specialist visit, while the insurance company pays the rest of the bill;
- 4 **Co-insurance** is similar to co-payment but it’s a percentage of the bill rather than a fixed amount. For example, the beneficiary might pay 20 percent of the cost of a primary care visit and 25 percent of the cost of a specialist visit, and the insurance company will pay the remainder;
- 5 The **out-of-pocket** max is the total amount that the beneficiary must pay in a given year. This includes what the beneficiary pays towards to the deductible, any co-pays, or co-insurance. After this amount has been reached, the insurer pays 100 percent of the costs for all covered services.

How best to create a budget for US healthcare costs?

When it comes to forecasting healthcare costs, the simplest way to start is to budget a monthly contribution of \$600-\$800 per employee for Healthcare, \$50 per employee per month for Dental, and \$15 per employee per month for Vision. **Sequoia’s research shows that over 95 percent of companies offer Vision and Dental care to employees if they offer a healthcare plan.** The table below sets out the range of employer contributions for employee health insurance by size of company and also distinguishing between employees and dependents.

For employees:

		100% covered	95% covered	90% covered	85% covered	80% covered	Other	Average
Tech	<50 employees	45%	18%	27%	9%	0%	0%	95%
	50-99 employees	59%	6%	29%	0%	6%	0%	96%
	100-499 employees	65%	4%	22%	9%	0%	0%	96%
	500-999 employees	54%	15%	23%	8%	0%	0%	96%
	1000+ employees	100%	0%	0%	0%	0%	0%	100%

For dependents:

		100% covered	90% covered	80% covered	70% covered	60% covered	50% covered	0% covered	Other	Average
Tech	<50 employees	0%	0%	30%	0%	10%	20%	20%	20%	57%
	50-99 employees	6%	6%	12%	18%	12%	24%	0%	24%	69%
	100-499 employees	17%	13%	4%	30%	0%	17%	0%	17%	76%
	500-999 employees	8%	8%	8%	39%	8%	0%	0%	31%	76%
	1000+ employees	25%	0%	0%	25%	25%	0%	0%	25%	76%

Key questions about healthcare

- What is the right level of coverage to offer to your team and their dependents?
- Do you want to include dental and vision plans as part of the package?
- What are the total employer contributions likely to be, given the forecasted team size?
- How much control should the company have on policy selection as an employer or are the policies provided by the PEOs sufficient?
- When assigning European employees to the US for a secondment, what level of healthcare insurance will enable you to replicate the same experience they have in Europe?

The value of PEOs

Professional Employment Organizations, known in the US as “PEOs”, enable businesses to purchase healthcare for their employees quickly and easily. They also offer a Company a range of other useful services such as payroll and payroll tax administration, compliance with Federal and State employee filings, Workers’ Compensation, and the provision of various other additional benefits such as Employee Handbooks, pension plans, and supplementary healthcare, including dental and vision insurance. The process of setting a healthcare scheme can take up to four weeks, from the point of the first call.



The value of PEOs

	Provider	Product			
		Payroll	Healthcare	401 (K)	Integrations
PEO	Insperty	Y	Y	Y	1 month
PEO	JustWorks	Y	Y	Y	<1 month
PEO	Sequoia One	Y	Y	Y	1-2 months
PEO	TriNet	Y	Y	Y	1-2 months
Bundled	Gusto	Y	Y	Y	<1 month
Bundled	Namely	Y	Y	Y	1-2 months
Bundled	Zenefits	Y	Y	Y	3-6 weeks

Commercial					
Minimum team size	Cost per employee per month	401(k) notes	Set up fee	States	Other
5	\$175-200	Multiple offerings	6% first month's payroll	all	70 offices, listed company, good basic HR advice
1	\$39-\$99, Max \$8k	Provider is Slavic 401k	0	all	Tech first, strong UX, OneMedical integration, Health Advocate
1	\$107 per employee per head, minimum \$2k per month	Multiple offerings	\$2,750	all	OneMedical integration, comprehensive perks and benefits program
1	\$140 minimum	Multiple offerings	Variable	all	Good HR advice and guidance, various health coverage programs
1	\$39 + \$6 minimum	401k through a broker Guideline	0	Payroll in all states; medical benefits in 22 states	3 month free trial; Free migration service for companies with 10+ W2 employees
20+	\$10-30	Can work with any 401k provider; Vestwell is preferred partner	Circa 20% of annual fee	all	Namely focuses on serving mid-sized+ companies
1	\$40 + \$5 minimum	401k through a partner network	Variable	all	Integrates with popular business apps, i.e. expensify



Key questions about PEOs

- How do the PEO's fees scale as your US team grows?
- What other fees may you incur?
- Can your employees update their information on their own, electronically?
- Is the PEO licensed in the State(s) where your employees will be? If you plan to have remote employees, make sure these locations are covered.
- What is the minimum number of employees in your team the PEO will service?
- What happens if you wish to change vendor or wish to change vendor for a subset of the service (e.g. pension plans/401(k))?
- Where does the liability lie for non-compliance? Understand how liability is split between the PEO and your company.



Other benefits

Holidays/Paid Time Off (PTO)

In the US, the **standard for young companies is two to three weeks of vacation**, not including about 10 public holidays per year. Some companies opt to provide flexible holiday policies and some provide suggested total holiday days (typically ~20 days).

Retirement 401(k)

A **401(k)** is a program that allows employees to contribute pre-tax dollars into a retirement savings fund that also grows tax-free. It is not typically provided for small and relatively young companies with limited funding. Once the company is established and well-funded, employees begin to expect the employer to provide a 401(k) plan, as such a program can be set up at minimal cost to the company.

However, even if a young company has set up a 401(k), it usually does not provide the option of matching contributions to the fund made by the employees until it is secure in its funding.

Other optional benefits and perks

It's important for your employees to draw a **clear distinction between benefits and perks**.

Phone and internet costs covered; meals; transportation costs; gym membership and remote or flexible working arrangement are commonly perceived as perks – “nice-to-have” but not essential or mandated by regulation.

That said, pay attention to perks that are standard in a particular local context: for example, free meals provided by companies in Silicon Valley. Providing these might be important to your competitiveness in the eyes of candidates in these contexts.

Key Questions about Paid Time Off (PTO)

- What state regulations and requirements apply to your business?
- How do you plan to monitor PTO being recorded?
- Are you aware of the legal implications of Holiday Debt?
- What plans have you made for maternity/paternity cover?

Key questions about perks

- How well does your standalone benefits package communicate your company culture?
- Are there additional benefits which can deal with specific challenges your business may have?



Should you standardize benefits for employees across your offices?

It's **best to provide one standard set of benefits for employees across all global and local offices**. Exceptions can be made for special positions (e.g. sales people getting car allowances or transportation reimbursements).

That said, benefits packages will necessarily differ in situations where social services provided in one country differ significantly from those in another. This is especially the case with medical/dental/vision coverage (e.g. public health insurance in the UK vs. the US) and retirement savings.

In the US, the level of benefits, HR compliance rules, taxes, and payroll requirements can vary depending on the state. Therefore, before determining the package for employees in your US office, evaluate what would make for a competitive package in the specific market.

How do you determine what level of benefits to provide in each category?

- Consult an HR consultant with knowledge of benefits in the local context. A part-time HR consultant in the US can recommend location-specific benefits packages.

Getting help from relevant consultants

- Word-of-mouth recommendations on a relevant consultant work well. Get these from your locally-based country manager, HR groups/Listserv, and others.
- Consult an accountant (in-house or external) for relevant tax and regulatory considerations
- Seek out up-to-date salary and benefits information from local recruiters and search firms.



How are you managing your culture?

Keeping the team as one across Europe and the US requires considered behaviors and processes: CEOs found the outcomes are well worth the investment.

Building up and supporting a high functioning team is hard, even when people are working in the same space and come from similar cultures. When they are located thousands of miles away and have different ways of working, miscommunications can ensue, and cooperation and engagement can deteriorate.

People rely on body language, and on all the other signals and conversations that happen in between meetings (what you see and hear being together in the office) to validate the meaning of messages they receive. Without those confirmations, trust and cooperation can erode. Clear processes and norms, a strong corporate culture, and opportunities for real time collaboration increase collegiality, build trust, and help avoid the rise of “us vs. them” perceptions.

Big Health

To overcome the challenges of distance, Big Health encouraged all processes and decisions to be clearly documented, and put in place a variety of initiatives:

- In person summits every 6 months; quarter summits otherwise
- Two-day hackathons and fun days
- Weekly global team meetings, including a rotating spotlight on one team
- Bi-weekly “office hours,” open time to ask the CEO questions.

“ Keeping the culture of the team as one across the US and UK blindsided me; we spent a lot of time on the mechanics of being apart.” – Peter Hames, Big Health

Big Health









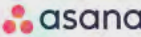











“ If you have to develop core values, source them from the people in the organization, not just the CEO or the senior leadership. If nobody knows these values, nobody lives these values.” – Colleen McGarity, Apto



Use technology

Generally, invest heavily in communications technology. How effectively the team connects with others can single-handedly make or break a new office.

Be aware of what you want out of a communication/collaboration tool and use it for its discrete function only. Choose software that aligns well with your use case and culture.

Category	Software			
Social communication tools	 (video)	 (chat + video)	 (video)	 (video)
Project management/ cross-team collaboration	 Business*		 (whiteboarding)	 
Marketing/external communication				
Applicant tracking system				
CRM software				
All-in-all solutions	 (subscription businesses)			

*For a company moving to Silicon Valley, adopting the G-suite could be seen as best practice, since so many other companies and partners there use this software.

The basics

- Use live, collaborative tools wherever possible
- Make sure work processes, individual and collective, are visible and available to all necessary stakeholders
- Address tactical, task-heavy communication through collaborative software. Save check-in meetings, one-on-ones, project reviews and other meetings for addressing broader, strategic issues.

Time zone differences can be your advantage

Staggering work done by teams split across time zones allows you to minimize dead times and maximize collaborative efficiency. Employees shouldn't feel obliged to work after-hours just because another time zone is doing so. This should be part of your company's culture.

Develop an anchor leader within the remote office

Whether you choose one or not, a leader will emerge. So, it is prudent that the company choose, or risk the wrong person taking the role.

Resource:

Global teams that work

“ A remote team MUST have executive buy-in and participation or it cannot be a success.” – Joseph, Bexouce

Bexouce International

“ You have to hire a good country leader because the leader makes all the difference. That leader will know how to hire, when to communicate, when to travel to visit employees, how to engage employees. In other words, that leader will know what they are supposed to do.” – Shelly Duong, Mochi HR Consulting

mochi HR

How do you successfully fundraise in the US?

Do you need a US Investor? If capital is what you are after, don't be fooled into thinking that there's only capital in the US or that only US investors are able to scale a company to unicorn status and a healthy exit. Both sides of the pond have plenty to offer, so keep an open mind.


Various European companies have become successful while having only a European investor base





US Investors are increasingly investing in European companies

Nonetheless, US VC activity in Europe is increasing. In 2016, 12.8% of all VC deals involved a US investor, and this increased to 17.3% in 2017. The amount invested into UK companies by West Coast investors surpassed £1 billion in 2017 for the first time, increasing 252% since 2011. East Coast investors also strongly invested in UK companies, contributing £1.3 billion in 2017 .

Below are those funds who have actively invested in European startups in the last 3 years (without having a local office there).

Fund	European startups backed in last 3 years	Rounds in which these funds participated
	ResearchGate (Nov 2015)	Series D - \$53m
	Citymapper (Jan 2016)	Series B - \$40m
	Zenly (Sept 2016)	Series B - \$22.5m
	Contentful (Dec 2017)	Series B - \$13m (and Series C - \$28m)
	NewVoiceMedia (Jan 2016)	Series F - \$30m
	ZenMate (Jan 2016)	Series A+
	Hibob (Jan 2017)	Series A - \$17.6m
	Wandera (May 2017)	Series C - \$27m
	Crowdjustice (May 2017)	Seed - \$2m
	Zopa (June 2017)	Series F+ - £32m
	Kandou Bus (June 2018)	Series B - \$15m
	Codex (June 2018)	Series A - \$5.7m
	Deliveroo (Aug 2016; Nov 2017)	Series E - £210m Series F - £371m
	Brainly (Oct 2017)	Series B - \$14m
	Shift Technology (Oct 2017)	Series B - \$28m
	Contentful (Dec 2017)	Series C - \$28m
	RosieReality (Dec 2017)	Seed - \$700k

Fund	European startups backed in last 3 years	Rounds in which these funds participated
Greycroft 	Farfetch (March 2015)	Series E - \$86m
	Blinkist (Jan 2017)	Series B
	Wonderbly (July 2017)	Series B - \$8.5m
	Deposit Solutions (Nov 2017)	Series A+ - €15m
	Peanut (Nov 2017)	Seed
	Azimo (May 2018)	Series C - \$20m
	Blinkist (June 2018)	Series C - \$18.8m
Insight Venture Partners 	Hellofresh (Feb 2015)	Series E - \$128m
	Chrono24 (July 2015)	Series A - \$23m
	Zenly (Sep 2016)	Series B - \$22.5m
	SonarSource (Nov 2016)	Growth - \$45m
	Darktrace (July 2017)	Series D - \$75m
	Receipt Bank (July 2017)	Series B - \$50m
	HomeToGo (Oct 2017)	Series B - \$20m (and Series C)
	Duco (Jan 2018)	Series C - \$28m
	Showpad (Jan 2018)	Series C - \$25m
	Templafy (Feb 2018)	Series B - \$17m
	Detectify (March 2018)	Series A+ €5m
	AMCS Group (April 2018)	Growth
	Blinkist (June 2018)	Series C - \$18.8m
	Tractable (June 2018)	Series B - \$25m
	YOOBIC (June 2018)	Series B - €21m

Fund	European startups backed in last 3 years	Rounds in which these funds participated
Kleiner Perkins Caufield and Byers 	GoEuro (Oct 2016)	Series C - \$70m
	Relayr (Feb 2018)	Series C - €30m
	UiPath (March 2018)	Series B - \$153m
	Bump (April 2018)	Seed - undisclosed
	Prisma (May 2018)	Seed - \$4.5m
	Spotahome (June 2018)	Series B - \$40m
New Enterprise Associates 	CCP (Nov 2015)	Growth - \$30m
	Global Savings Group (Dec 2015)	Series B - €10m
	GoEuro (Oct 2016)	Series C - \$70m
	WayRay (March 2017)	Series B - \$18m
	Peanut (Nov 2017)	Seed
	Fire1 (Jan 2018)	Series C - €40m
	Konux (April 2018)	Series A - \$7.5m
	NordSense (June 2018)	Seed - \$2.2m
Sequoia Capital 	Cambridge Epigenetix (March 2016)	Series B - £14m
	WayRay (March 2017)	Series B - \$18m
	Graphcore (Nov 2017)	Series C - \$50m
	Mapillary (March 2018)	Series B - \$15m
	JollyChic (May 2018)	Series C
	PatSnap (June 2018)	Series D - \$38m

Fund	European startups backed in last 3 years	Rounds in which these funds participated
<div>Spark Capital</div> <div></div>	eToro (April 2015)	Follow on Growth - \$39m
	GetYourGuide (Nov 2017)	Series D - \$75m
	Badi (Feb 2018)	Series A - \$10m
	Tourlane (March 2018)	Series A - \$9m
	TravelPerk (April 2018)	Series B - \$21m
	Careship (April 2018)	Series A - €6m
<div>Union Square Ventures</div> <div></div>	La Ruche Qui Dit Oui (June 2015)	Series B - \$9m
	Simscale (Dec 2015)	Series A
	Auxmoney (Feb 2016)	Series D - €10m
	Clue (Nov 2016)	Series B - \$20m
	Jobbatical (Sept 2017)	Series A - \$3m
<div>Valar Ventures</div> <div></div>	N26 (April 2015)	Series A - \$10m
	Kreditech (March 2016)	Series C - \$103m
	Brolly (July 2017)	Seed - £1m
	Coya (August 2017)	Seed - \$10m
	Deposit Solutions (Nov 2017)	Series A+ - €15m

What are important considerations in fundraising from US investors?

1 The US VC perspective

With thanks to Bessemer, Insight, Bain Capital and others for their insights.

✓ Do you have a good reason to be raising funds from US-based investors?

- If you are a Seed or Series A company and you are not based in the US, it's unlikely (though not unheard of) that your seed or A round will be led by a US investor. Geographical nexus is important for early stage deals. Since there is significant capital in Europe, looking for a US institutional investor to lead this early-stage round may raise a red flag without a good explanation as to why local investors are not committed to the deal.
- If you are a company with at least \$3m ARR and on a strong growth trajectory, US investors will be happy to look more closely at you. Pure growth equity investors are more likely to get excited at closer to \$10m ARR.
- Silicon Valley A rounds look like European B rounds. You may think this will mean you'll get a higher valuation than in Europe, but the US investors may be looking at a European investment as a chance to get better pricing. Higher valuations are also a product of larger market opportunity – and in early stages, it is not a given that your product or positioning will be a fit to the US. Make sure you search out European growth funds as well.

✓ Do your homework and create a shortlist

- Given the sheer volume of VC funds operating in the US, it's more important than ever that you have identified sensible, value-add partners who fit your business stage and plans for the future.
- Understanding and thinking through how your proposed fundraise aligns with your intended investor's fund profile, required return, and exit requirements is the first part of this process. A \$300m exit to a founder may sound exciting (and make them rich) but for a \$5bn fund that has invested – this just won't make sense. This doesn't just mean looking at the investor's website. Funds' strategies often change, so you will still want to glean information from folks close to them.
- Reference these funds within your network, including your current investors. It's always good to know what value the investor brings to the table, as well as any egregious terms they may try to get included in the deal.

✓ Think about relationship building early, but not too early

- You can lose the interest of a VC very quickly, so make sure you are introduced when the timing is right. If you are growing very rapidly and about 6 months out from fundraising, this is probably the most efficient time to connect.
- Similarly, coming onto their radar very late may leave a poor impression. While there may be a hot race to fund you, VCs far prefer being able to spend at least a week making their decision and feeling rushed or pressured can end up in you having less offers on the table or missing out on the right partner.

✓ Start with your "tier 2" VCs

- Do your first pitches and meetings with VCs you are less attached to. If you start with your perfect partner, the likelihood is it won't be your best pitch and you'll miss the chance to make a strong impression.

✓ Simplify your cap table and board structure

- Growth funds do not want to deal with a long-tail, messy cap table with multiple angels, or a large, unwieldy board.
- If you haven't done this before the round, quickly identify how to clean up the cap table as part of the round and include this in your pitch appendix.

✓ Don't be too candid in your pitch

- European founders can often sell themselves short. Americans are (generally) hustlers and salesmen by culture. They have grown up as part of a very large market and feel comfortable explaining how they will easily become a billion-dollar company.
- European founders, by contrast, can deliver their pitches far too honestly and self-critically. Suggested market sizes may end up being the sort that the investor would expect to come up with themselves after some diligence and the approach from start to finish can often be far too conservative. Make sure the vision is big and visionary.
- You’ve got to get that second meeting; don’t give a VC an easy excuse not to take it.

✓ **Demonstrate that you are a dynamic and inspirational leader**

- VCs are looking to you to scale a successful team.
- The biggest challenge the CEO will often have ahead of her is building and retaining a successful, high performance team able to execute strongly against the business plan.
- The investor wants to feel inspired by you, and to gain an insight into what your future employees are going to see – and they will be analyzing this throughout your pitch.
- If an investor doesn’t think you appear coachable, or if you miss out small talk and are straight down to business, they may not want to back you. You’ll hear time and again that the average VC-founder relationship lasts longer than the average marriage, so they must be able to foresee a strong working relationship blossoming.

✓ **Let everyone in the room talk**

- If you bring your CTO, CMO or any other team member, make sure they speak, particularly when there are questions relevant to their area of expertise. If someone attends the meeting and doesn’t speak, this can appear odd and be a red flag.
- Don’t forget a VC will be looking at how you communicate between yourselves, and they do not expect the CEO to be the only responder. Team chemistry, especially at the senior leadership level, is scrutinized closely.

✓ **Metrics, metrics, metrics**

- There should be one solid slide of key metrics in your deck and you should be able to talk to these very easily. At growth stage in particular, the data is incredibly important. Have it at your fingertips – and have it be more than topline revenue growth.

✓ **Give a clear, rational explanation for the size of your fundraise**

- Don’t double the size of the round simply because you are in the US. Yes, there is more capital available across the Atlantic and a number of deep-pocketed funds, but they won’t write a bigger check just because you say \$20m when you need \$10m.
- Articulate very clearly what the funds will go towards and what effect you expect this to have on the key metrics of the business.

✓ **Know your competition**

- No VC wants to feel like they know the competition better than you do.
- This goes for direct and indirect companies, younger and more mature companies and all that is in between. You should know the competition inside out: you’ve used their product, may know some of their key team members, have spoken to their customers and generally, have done your homework.
- Explain why you’re different and how you think you can protect that difference.
- Don’t miss out anyone obvious or be dismissive of any competitors. It is far better to discuss it head on.
- Don’t forget, competition is often good validation, so don’t be afraid of discussing it openly.

Guidance on baseline metrics

What are some of the metrics that you should meet before a US investor will take a closer look? As always, there will be outliers and edge cases that do not meet any of these requirements who have been funded. Those are the exceptions, not the rule.

Software

Category	Good ★★☆☆☆	Best ★★★★★
ARR	\$5-12m	\$13-20m
MRR growth	100%	++
Repaying customer acquisition cost timeline	18-24 months	8-17 months
Gross retention	85%+	90%+
Gross margin	70%+	85%+
Net churn	100%+	140%+

Marketplaces

Category	Good ★★☆☆☆
TAM core vertical	\$5bn+
GMV organic growth MoM	10%+
6-month retention (both sides)	10%+
Payback timeline for cost of acquiring both sides	24 months or less

Category	Good ★★☆☆☆	Best ★★★★★
LTV	\$50	\$200+ (repeat spending)
Market size	\$5bn	\$100bn+ (growing market)
Revenue growth	100%+	300%+ (organic growth)

Consumer

Category	Good ★★☆☆☆
Product	Better; faster; cheaper; more fun
Revenue	At least \$5m annual
Minimal awareness	Less than 0.1% penetration
Customer base	Diverse demographically and geographically
Gross margin	70%+
Net churn	100%+

Fintech

Category	Good ★★☆☆☆
Fundamental question	Growth and user acquisition - how can you scale this business?
User growth	10-15% MoM
ARR	\$5m+ by time of investment
Upsell/cross-sell	10-20% expansion
Payback of cost of acquiring customer	24 months or less
Churn	Less than 20%
CAC	Show that organic growth is very strong

What are important considerations in fundraising from US investors?

2 The founders’ perspective

With thanks to Hello Fresh, WeFarm, Behaviosec and others for their insights.

✓ Hot intros are better than warm ones

- It will be much harder to get in front of a VC in the US than in Europe. A relationship you thought was warm 6 months ago may now be dead and your emails will go unanswered.
- Intros are most successful from other VCs or CEOs, but these need to be very trusted, long-time, close allies and friends of the VC you are approaching.
- Your investor(s) should really come into their own during this process. Hopefully, they have some US funds who they have done other successful deals with. For example, Insight Venture Partners had successfully invested in Delivery Hero prior to partnering with Rocket Internet again with Hello Fresh.
- By talking regularly with investors when you aren’t fundraising, you can outline in one meeting how you see the market and your strategy, and at the next meeting you should be able to demonstrate how you executed against that strategy. These informal catch-ups can lead to invitations to pitch and even requests to do a deal which is not taken to the wider market (a real win when you think of the time and effort that goes into fundraising).

✓ Prepare for a quick decision and a quick process

- A yes or no is reached and delivered extremely quickly.
- Often, diligence is being conducted in the background, so expect to be soft referenced.
- On one extreme, a company had its first meeting with a US VC, had a verbal yes two days later, then an in-person diligence and term sheet negotiation two days after that. From the first meeting to signing a term sheet took no longer than a week.
- After the term sheet, everything was sent across to the lawyers, and the investment team didn’t come back on the scene until they were about to sign the deal.

✓ Terms may be different than you expect

- A US investor may look at your financial plan, agree with its fundamentals, but significantly increase your numbers, suggesting you raise a far bigger round than you originally set out to raise.
- They may propose harsher terms but with a focus on the long-term value your partnership will create.

✓ Conversations feel different

- From investors to executives to customers, conversations have a different feel to those in Europe. The US can feel more strategic and “blue sky” compared to the more pragmatic and granular European culture.
- Nevertheless, certain US investors are extremely hands-on. They typically come from an operating background and like to be involved with every decision made by the business, from hiring to press releases. Look out for this when diligencing the background of your future board director and try to set the parameters of their ongoing engagement from the outset so you don’t feel suffocated.

✓ Diligence centers around customer and co-investor reference calls

- US investors already know whether they like the market you are operating in or not. They want to understand what your existing and prospective customers make of the team and the product offering. References are taken from other team members, employers and existing investors. US VCs can accomplish this quickly due to extensive and willing networks. The result is a quicker diligence process.

- Data is a focus at Series B+ rounds but before that, while European VCs appear to care far more about slicing and dicing the data at every stage, a US VC cares more about your vision and the strategy which will make that vision a reality.
- If you are lucky enough to be a successful entrepreneur who has built and sold a business previously, the diligence is likely to be based on the key founding team members. This will be a test of chemistry (on both sides) and developing a trust-based relationship. The investor will be making a bet on you but will seek to understand if you know what you want to achieve and how you are planning to get there.

✓ **Get them bought into your mission and your vision - and make sure that it's a big and bold one**

- US investors are more excited by the big vision that is presented to them. European investors tend to be more skeptical and cynical.
- It's vital to get the US investors bought into your mission early in the pitch process. You can often determine how the meeting is going to go within the first 15 minutes.

✓ **You don't necessarily need to be expanding to the US**

- It is not a prerequisite to be expanding to the US or to have existing customers and traction there in order to get funding from a US investor.
- However, founders and investors alike make the same point: know why you think this investor is a good fit for you, wherever they are based, and be able to explain this with conviction.
- If they have a history of successfully investing in consumer businesses coming to the US from Europe, that's a pretty good reason for a consumer startup following the same pattern to look closely at them.
- If you do have traction in the US but don't yet have a senior presence out there, don't be surprised if a US investor expects a senior team member to permanently move to the US. They may also insist that the company they invest into is a US entity. This will make for extra fun in the fundraising (watch those legal fees and use lawyers who have done this many times before) but, if you ultimately think 60%+ of your revenue will be from the US, it can be a sensible move.

✓ **Top tip - get an early agreement on the exchange rate**

- If you are getting an investment in dollars but issuing your shares with a GBP or EUR share price, don't forget to get the agreed exchange rate locked in early on, and preferably in the term sheet. This may work for or against you when it comes to funding, but at least everyone knows what has been agreed and the number of shares being issued and at what agreed share price.

✓ **Expect other offers to come in if a Silicon Valley fund issues a term sheet**

- It is likely that you'll have received various rejections and reasons why you were not getting funding.
- As soon as you receive a term sheet from a US investor, expect to be the hottest ticket in town, and don't be surprised if investors who turned you down originally, come back to ask to be a part of the round. It's simply the herd mentality in play.

✓ **Be more bullish**

- Immediate addressable markets are, on the whole, smaller in Europe than in the USA, and it can therefore appear harder to build a very large business in Europe alone. The level of sophistication and quality of execution in Europe can, however, often be much higher because it simply has to be in order to build a successful European business. In the US, you have the good fortune of simply having a really big market in front of you which can lead to apparent success. European founders should have more confidence when thinking about tackling the US market and remember that their ingrained discipline may well be the first stepping stone to success.

“In the US, if you cannot pitch a vision/purpose/huge problem, then people won't listen. Investors care about what you are trying to solve; the product is the consequence of that problem”

5

Wrapping Up

👉 “Could the land of the free cost you the Earth?”

👉 Where to go next

👉 About Octopus Ventures

“Could the land of the free cost you the Earth?”

The US will demand all your tenacity, focus and hustle. If you’re ready to take the challenge head on, the rewards can be tremendous.

Is your company ready to manage the complexity of a multinational operation? While the US’ large market holds great promise for scale, even the most successful CEOs had to contend with many unexpected challenges.

A US entry is expensive and not always strategic. If the business is not yet successful and resilient in the home market, the expansion adds strain to a vulnerable position. There’s consensus that CEO and/or founder DNA is a necessary (though not sufficient) condition to effective US entry, and splitting attention between the two continents can diminish the probability of high success in both markets.

Every CEO interviewed spoke of the **difficulties of maintaining culture across continents**, of underestimating the impact of miscommunication and of the toll of constant travel on focus and energy.

Additionally, US revenues can take longer to ramp up and costs are substantially higher than European markets, up to the point where they can undermine the viability of a company’s business plan.

Extensive pre-marketing, market assessment and network building – all activities that can de-risk the US entry – are almost always overlooked. It is important to distinguish between being operational in the US and having people on the ground here. US entry requires dedicated focus from a company executive, and hiring strong local talent can be difficult.

How will you address these common challenges?

Asking questions doesn’t mean dampening your ambitions; instead, it signals deliberate action with measured risks. The opportunity is massive if you’re prepared for it. What other questions will you ask?

Where to go next

Are you a US-based executive of a European VC-backed business? Join a group of CEOs and senior executives who are willing to share their insights and experience to help the next generation of European companies make it in America.



About Octopus Ventures

We are a team that backs entrepreneurs. We like to be in early and follow through from one defining moment to the next. We aim to be helpful and straightforward and we value boldness - qualities we seek in our entrepreneurs and partners. Our average investment is £4.5m and in recent years it has ranged from £350k to £25m.

We support, we don't micro-manage. We're able to expose entrepreneurs to the people, the organizations and the networks which will illuminate their ambition and broaden their horizon. Direct access to powerful resources of influence and hard-won know-how have fueled each of our portfolio's successes.

We are part of Octopus Group, managing over £7 billion on behalf of more than 50,000 investors, spanning investments, healthcare, energy and property.

We are one of Europe's largest Venture Capital teams.

Head-quartered in London and New York, with Venture Partners in San Francisco, Singapore and China, we help entrepreneurs scale globally.

Octopus Ventures US Team

Octopus Ventures website

octopus ventures
A brighter way

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6

Toolkit

Guiding questions

First ask the fundamental questions...

Should you expand abroad?

- What is the potential in the home market?
- What are the limitations in the home market?
- Do customers demand global services?

Should you enter the US?

- Do you have inbound leads from the US?
- Do you have a deep understanding of product-market fit in the US?
- Will investment in the US hurt the domestic business?
- What does the competitive landscape look like?

Is the timing right?

- Is the US your primary market?
- Are you focused on a market where the US is substantially larger than Europe?
- Have you saturated your home market?
- Is the team at home strong enough to grow the business in the absence of a founder?





And think about the critical details...

What milestones and timeliness must you meet?

- Which measured tests can you deploy from your home market?
- Are pricing assumptions still valid in the US?
- What market share targets are realistic?

What are the industry dynamics in the US?

- What does the value chain in the US look like?
- Do US players control any resources that are crucial to your expansion?

Who is your competition?

- What are your key differentiators?
- What moats can you build around your offer?

How do you know you have product-market fit?

- Do you have product-market fit at home?
- Do you have significant inbound requests from US customers?

What is your US ideal customer profile?

- What specific business pain are you trying to solve for your ideal customer?
- What results would they like to achieve, on an individual, department and company level?

What is your regulatory burden in the US?

- Is your business operating in a regulated sector?
- Are you subject to both federal and state regulation?

What legal considerations are key?

- Have you found experienced local counsel?
- Are you prepared to deal with a more litigious culture?

Which visa do you need?

- Would an E-1, L-1 or O-1 visa be suitable?
- Do you need to apply for a H-1B Visa?

What is your budget?

- How much sensitivity have you modelled in your projections?
- Do you have the support of your investors?

Test the market...

How much do you like flying?

- Are you invested in testing the market on the ground?
- Have you planned an entry phase of at least six months?

Have you built a local network?

- Do you have a soft network to help refine your strategy?
- Have you looked into US incubators or accelerators for your sector?

Can the industry name your brand?

- Do you understand how reputations are built in your industry?
- Have you mapped out relevant conferences for your sector?

Can you sell like an American?

- Do you have a replicable sales strategy?
- Are you prepared to sell more aggressively and have more direct conversations?

How will you price your products?

- Have you established your US-specific pricing model?
- Are you willing to adapt your pricing when necessary?



Then do

Who is leading your team?

- Can you spare a key member of the domestic team to lead the charge in the US?
- What is your plan for remote communication and decision-making?

Who is on your US advisory board?

- What specific expertise do you need to bring in?
- What objectives can you set for advisors?

How do you set up in the US?

- What is the best legal structure for your business?
- In which state should you incorporate?
- What banking and insurance choices must you make?

How do you protect your IP?

- What is the level of risk associated with your IP in the US?
- What are investors' expectations about IP protection for your product?

Where will your office be?

- What are the costs and regulatory burdens associated with ideal locations?
- Does your location align with your key considerations as a company?
- Should you locate in the usual startup hubs, or several other US metro areas?

Which taxes are you liable for?

- What federal taxes will you need to pay?
- What state and local level taxes will you need to pay?

How will you build a talented team in the US?

- How will you manage working in distributed teams?
- What state regulations and requirements apply to your business?
- What is your remuneration strategy in the US?
- How will you determine stock options for your employees?
- What benefits will you offer your team and how does this relate to your size and location?
- How will you manage your team culture?

How can you successfully fundraise in the US?

- Do you need a US investor, and can you get European funding?
- What are the expectations of US VCs?
- What experiences have European founders had in fundraising in the US?

Irrational “inevitability” and other confessions of venture backed European CEOs who launched in the US

Launching and scaling in the US market is hard. We spoke to over 100 VC-backed European CEOs who are on this journey, some with incredible success. While the potential of the US market is undeniable, winning here is far from certain.

Succeeding in the US means overcoming substantial risks as attested by the trail of talented and well-funded teams who retreated back to Europe. In our conversations, even the most successful CEOs had to contend with many unexpected challenges—we hope their cautionary tales will help you think through various risks and plan your own US entry appropriately.

“On reflection, the decision to enter into the US felt irrationally 'inevitable'.”

In their eagerness to seize the US market opportunity, many did not stop to ask whether expanding overseas was in their company’s best interests. For most, there was no limitation on the growth in their home market. The option for continued rapid growth was there to be taken, with no risk of the company reaching a saturation point in their home market in the near future.

“We may have chosen to expand internationally for the wrong reasons.”

Worse, some decided to expand internationally to compensate for a lack of growth in their home market, even if their share of the home market remained very small—suggesting that the company had yet to find product-market fit or a repeatable, scalable, measurable sales process in their home market.

“Wow, this feels like therapy.”

Yes—this was the reaction from several of the CEOs we spoke to—and it underlined to us how isolated many of the founders felt in making the bridge to the US. The decision to expand internationally was often made quickly by the Board and then left to the CEO to execute with limited further guidance or support.

“The US market is massive, but we underestimated or were unaware of the competitors.”

While this observation is made time and again, most companies underestimate the breadth and depth of the US market, its regional differences, and the fullness of the competitive landscape. The fear of missing out is often anchored to a headline market sizing, without an appreciation for the number, diversity and accessibility (or not) of markets that make up the total number.

“Setting up in the US was incredibly expensive.”

Again, this is a well-known fact, but all the CEOs spoken to underestimated the cost of entering the US market. The hidden costs included the extent and degree the senior management team focused on US market entry, the time and cost of hiring (and then firing and starting again), and the time and cost of pursuing the wrong strategy and not acting swiftly enough to correct course (as well as all the basic costs of setting up in the US).

“I was not sure whether to move to the US or when to do so. Who would run the business day to day at home?”

If a business is not yet successful and sufficiently resilient in the home market, the expansion adds strain to a vulnerable position. There’s consensus that CEO and/or founder DNA is a necessary (though not sufficient) condition to effective US entry, and splitting attention between the two continents can diminish the probability of high success in both markets.

“We made the wrong first hire and this cost us 12 months.”

Hiring strong local talent can be a challenge, as there is intense competition from American companies. The job market is very liquid, driving up prices and lowering retention. Meanwhile, customers expect a local presence and local services. Strong local partners—experts, service providers, strategic partners—are impactful for success.

Knowing which role / level to hire is also not obvious. A B2B business may choose to hire a junior salesperson to surface leads for the CEO to close, as there’s a very limited prospect of hiring an AI Sales leader to join a European startup with a limited presence in the US. Conversely, a B2C business may opt to hire a senior GM given that there may be data to support US market readiness. The advantage of this later strategy is that US GM can build a quality team around them.

“We could have done so much more before we hired people here.”

Extensive pre-marketing, market assessment and network building are almost always overlooked. The variety of activities that a European business can do before entering the US to de-risk the market entry is often overlooked. Distinguishing between being operational in the US and having people on the ground there full-time is critical.

“We struggled to maintain our culture across the two offices.”

Every CEO interviewed spoke of the difficulties of maintaining culture across continents, of underestimating the impact of miscommunication and of the toll of constant travel on focus and energy.



Coming to America: relocation tips from the (street) wise

Generally

- **Get global entry.** This gives you priority through immigration on the way into the US and also gives TSA pre-approval which is priority access through security. Costs \$100 + £42 and takes a simple interview at a US embassy. Well worth it.
- **Bank account; phone; Social Security Number.** This Golden Trio will get you access to living and getting paid! Seamless. It's the JustEat equivalent for takeaways. Essential.
- Venmo app for **instant cash transfers.**
- **Set up in a co-working space** – WeWork; Spacious; The Wing; Knotel; the Neue Collective; AG collective.
- **Downsize everything other than your budget** – which needs to be upsized!

“They put on events all the time. You’ll meet people in the same boat as you.”
Julie Paolucci, Workwell.io



“I literally got laughed at for getting cash out. 'What are you going to use it for?' was the incredulous question.”
Peter Hames, Big Health



“If getting a bad haircut from a new barber or not having your favorite cheese in the supermarket is going to bother you, it’s going to be a struggle. You obviously get more in to a routine as the months go by, but part of the excitement is knowing there’s always something different around the corner.”

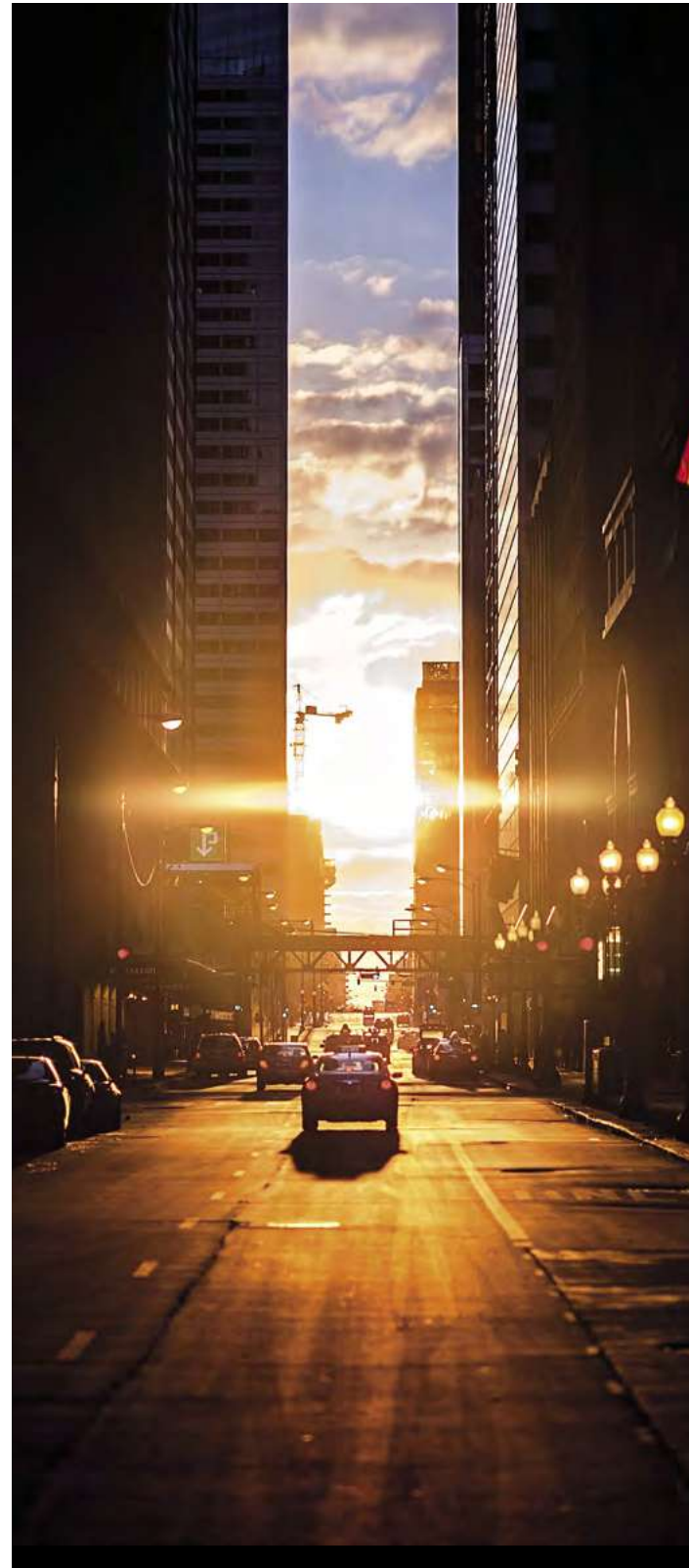
Danny Hakimian, Onfido



New York

- **StreetEasy app** – great for initial apartment hunting.
- **For transportation**, use Via; Uber; Juno; Lyft AND a MetroCard for longer journeys.
- Ear-covering hat and solid winter coat, plus snow-proof boots, are essential for **New York winters**.
- A friend with a house in the Hamptons, Fire Island, Montauk for summer weekends!
- Comfortable walking shoes and the courage to jaywalk.
- **Adopt the lingo** - HOUSE-ton; 'The City' 'The Bridge' 'Downtown' 'Uptown' 'The 4' 'The L' (train/subway not tube or metro); waiting 'ON' line.

“I’ve lived in four cities on three continents... and New York’s real estate scene is unlike anything I’ve seen. If you’re on a tight budget and want to live in Manhattan, you’re going to have to accept some very small spaces. New York does have a great public transport system, so if you’re okay with a commute there are plenty of outer boroughs with a ton of character and good access to the city. The StreetEasy app is your best friend.” – Danny Hakimian, Onfido



San Francisco / Bay Area

- **Craigslist is not just for apartments** but also furniture (given how transient the population is you can always pick up brand new CB2/Crate & Barrel for half price, pay with Venmo then use Lugg to go get it for you).
- **Clipper card in SF for BART and Muni** (the much-underused tram/tube system)...it's even good on ferries to Sausalito. Use the Caltrain to travel down the bay.
- **Never leave the house without a jacket.** Weather changes frequently from sunshine to fog, and there can be a 10-degree spread between neighborhoods. East Bay (Oakland) is reliably warmer than SF.
- **Adopt the lingo:** San Francisco = The City, SF, San Fran...never Frisco. SV = South Bay, the peninsula, the valley. Although the valley can also mean the central valley and the south bay is known just as "the bay".
- **On the weekend, get out of the city.** Everyone's squeezed into the 7x7, and escapes on the weekend to get fresh air, particularly north to Marin. Outdoor stuff is a major social activity - it's pretty normal to "go on a hike" (i.e. a walk) with someone you barely know. Bolinas or Pacifica for surfing, Mount Tam for hiking, camping or cycling.
- **Get ready to spend more on everything than you thought possible.** If you want a laugh, go to Bi-Rite and take a look at some of their price tags.



Specialists in the field

Below is a list of specialists we have worked with in the past or we know offer these types of services. Octopus recommends that you undertake your own research and due diligence as other suppliers are available and you want to be sure that you use the right people for your company and your specific circumstances.

Tax

- Eric Collins -**
Frank Hirth
- Don Dismuke -**
Dixon Hughes Goodman
- Bradley Smallberg -**
Schissel Smallberg
- Michael Hamilton -**
KPMG

Regulatory

- Cheryl Young -** Securities Compliance Advisors (SCA), focus on fintech
- Ashford Tucker -** Fross Zelnick Lehrman & Zissu, focus on healthcare
- Ingrid Brydolf -** Davis Wright Tremain, focus on healthcare
- Heidi Lawson & Greg Hoffnagle -** Cooley LLP, focus on insurtech

IP

- Jon Calvert -**
Clearview IP
- David L. Cohen -**
Kidon IP Corporation
- Karen Lee -**
Edwin Coe, LLP

Immigration specialists

- Paul Samartin -**
Ganguin Samartin
- Gloria Lin -**
Immigration Law Group
- Daniella McGuigan -**
Ogetree Deakins
- Dana DiRaimondo -**
D&S Boutique Business Immigration

Attorneys

- Daniel Glazer -**
Wilson Sonsini Goodrich & Rosati
- Victor Boyajian -**
Dentons
- Ed Zimmerman -**
Lowenstein Sandler
- Ted Rosen -**
Akerman

Accountants

- Stuart Bagshaw -**
BAB Leap
- David Ehrenburg -**
Early Growth Financial Services
- Greg Capitolo -**
Kranz Associates

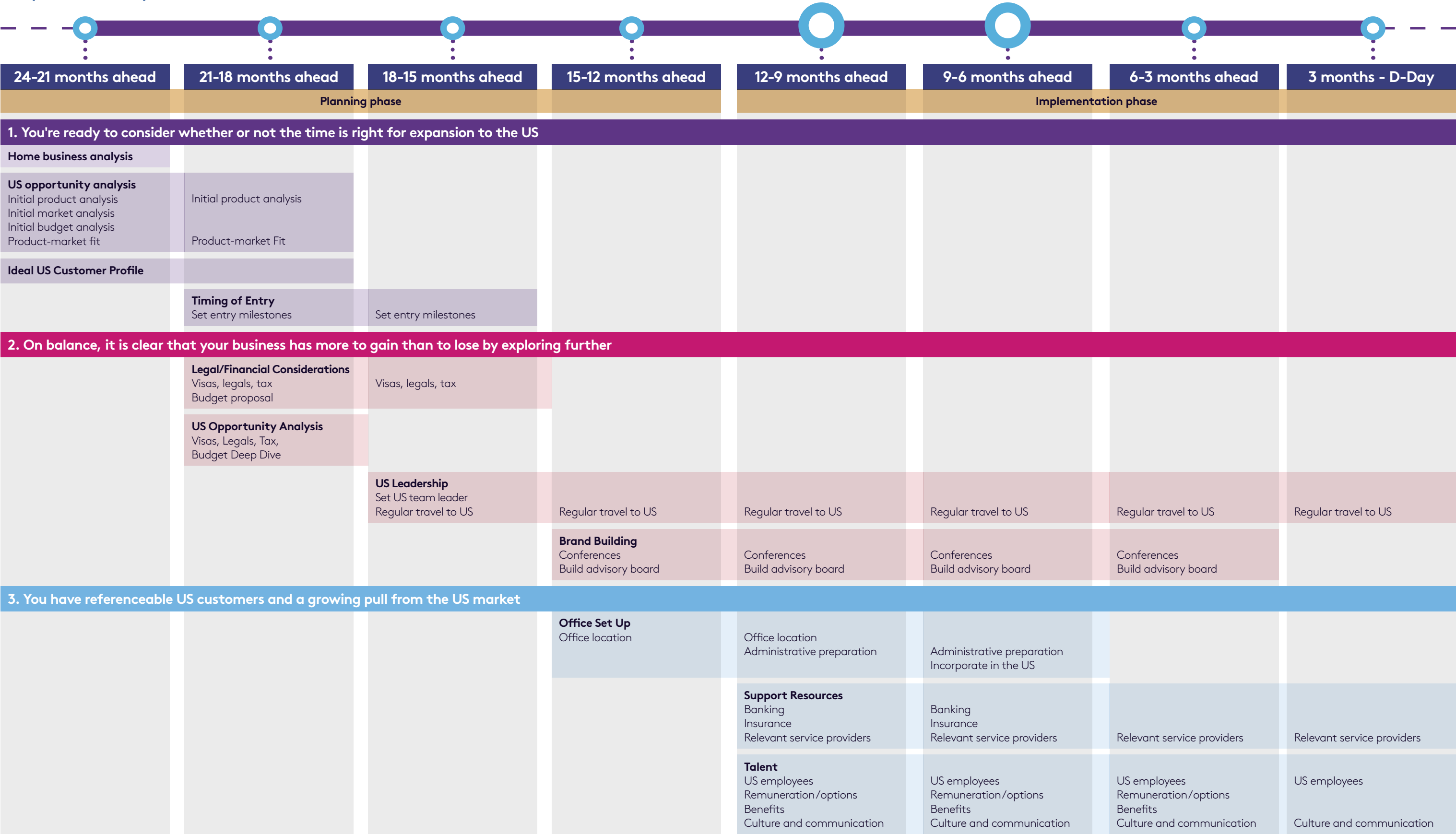
HR consultants

- Bec Sankauskas -**
Bexouce International
- Kim Fields -**
Insperity
- Shelly Duong -**
Mochi HR Consulting
- Mark Berkowitz -**
Sequoia One

Insurance

- Elaine Lamb -**
La Playa Insurance
- Melissa Gato -**
Shoff Darby Insurance Agency
- Ralph Torres -**
Sweet and Baker Insurance

Sample market entry timeline



The 4Ws of product-market fit



The Who	
Customer preferences	How do US customer preferences vary from those at home? Is my customer’s behavior in alignment with her preferences?
Customer acquisition	What is the CAC in the target market? What is my predicted ROI?
Competition	How saturated is the market? Who are the domestic and foreign alternatives? What is my competitive advantage?
Support stakeholders	What other stakeholders are essential to the delivery of the product’s value to the customer? (vendors, distributors, partner organizations, funders, etc.)? What will developing these necessary relationships entail?



The What	
Inherent value	What element of my product has been essential to success in my home market, and what value does the customer extract from the product? Would this value address the customer’s need in the US?
Product features	What features worked in my home market? What features are context-specific and would need to be revised for the US?
Unit economics	What are my projected costs, revenues, and breakeven point in the US? What new revenue-generating opportunities exist in the US?



The Where	
Regional market opportunity	Which regional markets in the US best optimize ease of access, speed of product adoption, profitability, and sustainability?
Location restrictions	What US restrictions (legal and regulatory) for producing, marketing, distributing, and selling my product exist? How can I surmount them?
Distribution outlets	Through what media could I develop customer interest in my product? Where could I best sell my product to my target customer?



The When	
Developing demand	How long does my target US customer need to be educated about my product? How long do customers take to adopt novel offerings in the target market?
Timing the market	At what stage is the US market for my product? Expansion, contraction or stagnancy? In what development stage is necessary partner technology/ infrastructure?
Building necessary partnerships	How long would it take to build essential partnerships? When do these relationships need to be developed relative to my market entry?



Building your US ideal customer profile

First, define the ideal customer profile

1

Determine customer's needs

What business pain are they trying to solve?
How does that pain impact their business?
How do they measure that impact (\$)?

What results would they like to achieve, on an individual, department and company-basis?
What are the potential outcomes of those results?

2

Define ideal sales target within customer profile

Who are the executives that own the pain point and are empowered to act? **(B2B)**
What other roles within the target company (between one and three) would be productive entry points for outreach? **(B2B)**

What results would they like to achieve, on an individual, department and company-basis?
What are the potential outcomes of those results?

3

Identify how competitors service the customer

Are they considering other vendors or using an in-house solution?

On which criteria are you being evaluated?

4

Define best process for connecting to customer

What is their typical buying process for a product such as yours?
Can you realistically engage your ideal customer directly or do you need the help of a partner with pre-existing relationships?

Where is a critical mass of your ideal customers concentrated?
Does the customer have to be sought out, or would they go to the service?

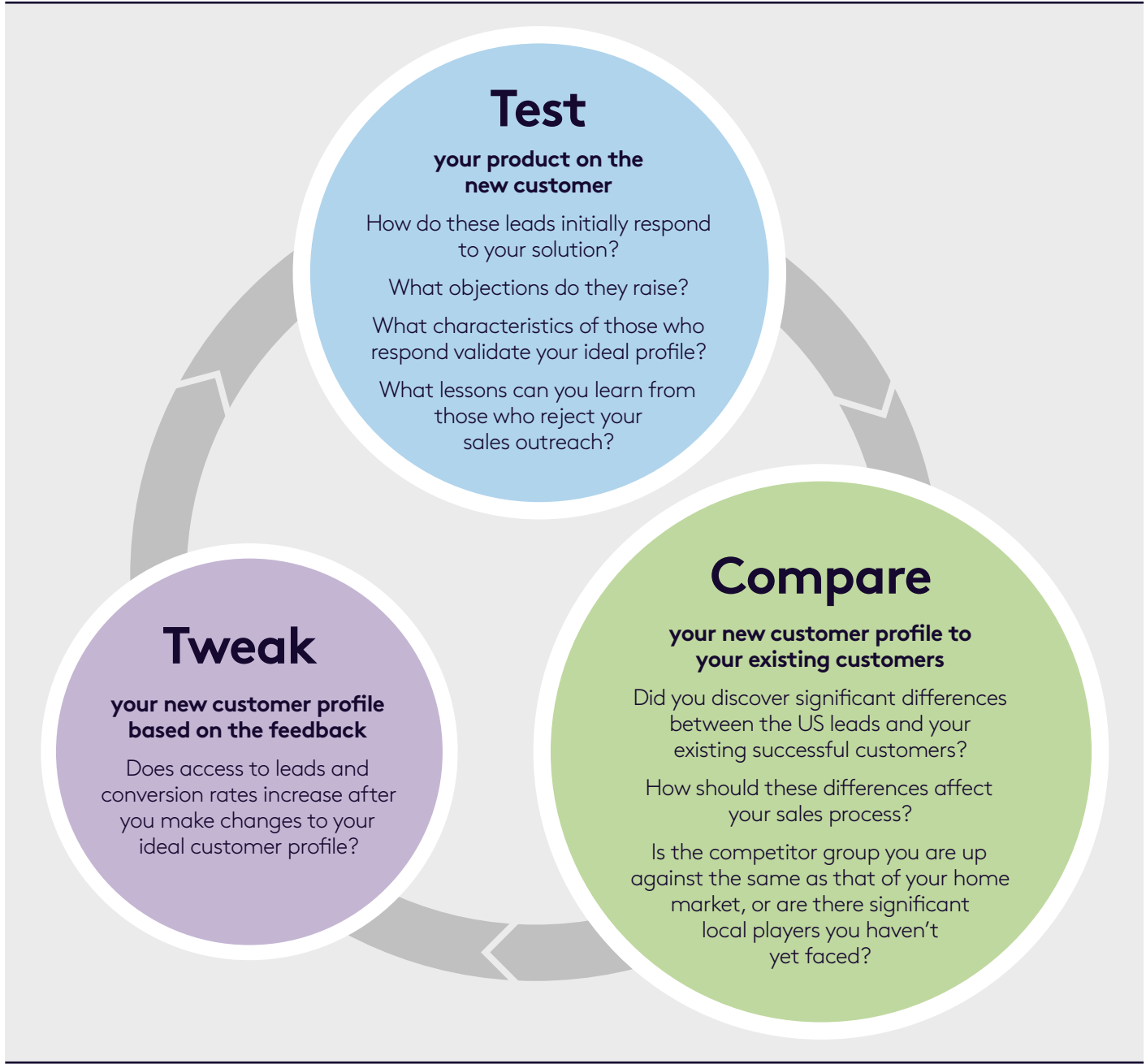
5

Understand customer's ideal timeline

How long does their typical buying process take?
How satisfactory is this to the customer?

What can complicate/extend their buying timeline? When do they plan to buy?

Then, validate your information on the customer




Relevant visas

E-2 visa	E-1 visa	H-1B visa	L-1 visa	O-1 visa
You are planning to start a company in the US	Your company is actively involved in substantial trade with the US (at least 50% of volume)	You are an employee	You have been employed by your company for at least one year out of the last three years	You are an individual or entrepreneur who can demonstrate extraordinary abilities
You are planning to invest a significant amount of money in the US	You are a citizen of a "treaty country"	The US based position requires a bachelor's degree or a foreign equivalent	You are in an executive, manager, or "specialized knowledge" capacity	-
You are a citizen of a treaty country	Your company is at least 50% owned by citizens of a treaty country	Your employer is willing to fill out a Labor Condition Application	The foreign company will remain open and operational during the period of your L-1 employment in the US	-




Budget




2018 average salary ranges³²

	 San Francisco, CA	 New York, NY	 Austin, TX	 London, UK*
Sales	base OTE**	base OTE**	base OTE**	base OTE**
Sales Development Rep.	\$45-60K \$65-85K	\$45-60K \$65-85K	\$40-50K \$60-70K	\$33-47K \$47-67K
Account Executive	\$70-90K \$140-180K	\$70-100K \$140-200K	\$50-70K \$100-140K	\$53-80K \$106-160K
Sr. Account Executive	\$90-120K \$180-240K	\$90-120K \$180-240K	\$60-90K \$120-180K	\$67-93K \$133-186K
Enterprise Sales	\$120-160K \$240-320K	\$120-160K \$240-320K	\$120-150K \$240-300K	\$80-120K \$160-239K
Sales Operations	\$80-100K (+5-20%)	\$80-100K (+5-20%)	\$60-80K (+5-20%)	\$53-80K (+5-20%)
Sales Engineer	\$80-120K \$150-160K	\$80-120K \$150-160K	\$70-110K \$95-145K	\$53-120K \$73-160K
Customer Success Mgr.	\$55-90K \$75-120K	\$55-90K \$75-120K	\$55-80K \$75-105K	\$53-73K \$67-100K
Sr. Customer Success Mgr.	\$80-125K \$105-165K	\$80-125K \$105-165K	\$70-110K \$95-145K	\$73-106K \$100-140K
Account Manager	\$75-95K \$105-135K	\$75-95K \$105-135K	\$55-75K \$80-105K	\$71-106K \$106-113K
Sr. Account Manager	\$90-120K \$130-170K	\$90-110K \$130-155K	\$70-90K \$100-130K	\$80-106K \$113-153K
Marketing				
Marketing Coordinator	\$50-80K (+5-10%)	\$50-80K (+5-10%)	\$45-70K (+5-10%)	\$27-40K (+5-10%)
Demand Generation Mktr.	\$115-135K (+10-20%)	\$110-130K (+10-20%)	\$75-95K (+10-20%)	\$60-80K (+10-20%)
Product Marketer	\$140-160K (+5-10%)	\$140-160K (+5-10%)	\$100-120K (+5-100%)	\$53-67K (+5-10%)
Content Marketer	\$90-\$110K (+5-10%)	\$90-110K (+5-10%)	\$50-85K (+5-10%)	\$27-40K (+5-10%)
Sales leadership				
SDR Manager	\$90-130K \$120-170K	\$90-120K \$120-160K	\$80-90K \$115-120K	\$73-87K \$100-113K
Inside Sales Manager	\$120-140K \$240-280K	\$130-150K \$260-300K	\$100-130K \$200-260K	\$106-120K \$212-239K
Head/Director of Sales	\$125-150K \$250-300K	\$110-140K \$220-280K	\$100-120K \$200-240K	\$120-133K \$240-266K
VP of Sales***	\$170-220K \$340-440K	\$200-230K \$400-460K	\$150-170K \$300-340K	\$133-166K \$266-333K

³²Betts Salary Recruiting Data
*Exchange rate of £0.77 = \$1
** OTE refers to On Target Earnings
*** VP of Sales data gathered from clients with \$0-20M in revenue that are pre-series A to series.

Sample budget for new ventures

				
Sample budget for new ventures		Silicon Valley	New York	London
Activity	Rate	\$ Range	\$ Range	\$ Range
Corporate setup				
Incorporation legal fees	Annual	\$1,000-10,000	\$1,000-10,000	\$500-2,000
Legal fees (per hour)	/hr	\$300-900	\$500-1,000	\$175-715
Facilities				
Hardware essentials	/employee/year	\$24,000-72,000	\$24,000-72,000	\$24,000-72,000
Plus furniture (not at co-working)	/employee/year	\$12,000-120,000	\$24,000-72,000	\$24,000-72,000
Office space				
Lease in SF Bay Area	/SF/year	\$60-200	\$42-100	\$53- 112
Co-work space	/desk/year	\$400-600	\$500-1,000	\$405-400
Employee cost				
Salary ranges				
VP level	Annual	\$200,000-400,000	\$200,000-400,000	\$120,000-200,000
Director marketing	Annual	\$120,000-220,000	\$100,000-210,000	\$90,000-190,000
Marketing staff experienced	Annual	\$70,000-140,000	\$75,000-100,000	\$45,000-100,000
Marketing staff entry level	Annual	\$50,000-80,000	\$50,000-75,000	\$20,000-26,000
Admin				
Director (Acct. HR)	Annual	\$140,000-180,000	\$150,000-200,000	\$70,000-140,000
Staff experienced	Annual	\$75,000-140,000	\$90,000-120,000	\$30,000-50,000
Staff entry-level	Annual	\$50,000-85,000	\$50,000-75,000	\$20,000-26,000

				
Sample budget for new ventures		Silicon Valley	New York	London
Activity	Rate	\$ Range	\$ Range	\$ Range
Employee cost (continued)				
Outsourced accounting/HR				
CFO	/hr	\$200-350	\$200-300	\$285-500
Controller / HR. Director	/hr	\$120-190	\$125-175	\$110-275
Senior accountant/ bookkeeper	/hr	\$85-150	\$85-125	\$45-100
Benefits and payroll				
Payroll taxes and workers comp	of payroll	15%-30%	15%-30%	13.8%-14%
Health insurance	/employee/year	\$350-1500	\$400-600	\$115-205
Vacation	of salary	0-4 weeks	0-4 weeks	0-4 weeks
Payroll service (5 - 10 employees)	/year	\$500-12,500	\$500-12,500	\$625-11,000
Recruiting	of annual salary	20%-35%	15%-25%	18%-35%
Employee morale	/emp/year	\$1,200-7,200	\$1,200-3,600	\$960-8,700
Other				
Marketing	Annual	\$12,000-120,000	\$12,000-120,000	\$8,000-90,000
Insurance	Annual	\$3,000-5,000	\$10,000-25,000	\$1,000-1,850
H1B visa cost	/employee	\$3,000-4,000	\$3,000-5,000	\$2,220-8,880
Travel	/employee/flight	\$1,000-3,000	\$1,000-3,000	\$1,000-5,000
Bank fees	Annual	\$0-1,000	\$100-250	\$50-500
		\$1,115,431 - 3,235,450	\$1,128,395 - 2,894,888	\$729,450 - 2,121,330

Conferences










Industry	Conference / City	City	Link
Agriculture	SV AgTech Conference	Silicon Valley	www.svagtech.org/wp/
Blockchain	The Blockchain Conference	Austin	www.theblockchainconference.com/
	Consensus	New York	www.coindesk.com/events/consensus-2018/
Cloud	Dockercon	San Francisco	2018.dockercon.com/
	Google Cloud Next	San Francisco	cloud.withgoogle.com/next18/sf/
	KubeCon / CloudnativeCon	Seattle	events.linuxfoundation.org/events/kubecon-cloudnativecon-north-america-2018/
	Microsoft Build	Seattle	microsoft.com/en-us/build
	Reinvent	Las Vegas	reinvent.awsevents.com/
	QCon	New York	qconnewyork.com/
Consumer	Consumer Electronics Show (CES)	Las Vegas	ces.tech/
	Grocery Shop	Las Vegas	groceryshop.com/
	Internet Retailer Conference Exhibition (IRCE)	Chicago	irce.com/
	eTail	Boston	etaileast.wbresearch.com/
	Shop.org	Las Vegas	shop.org/
	ShopTalk	Las Vegas	shoptalk.com/
Education	ISTE	Chicago	conference.iste.org/2018/
	NY EdTech Week	New York	nyedtechweek.com/
	SXSW Edu	Austin	sxswedu.com/
	LearnLaunch	Boston	learnlaunch.com/
	GSV	San Diego	asugsvsummit.com/

Industry	Conference / City	City	Link
Energy	WEEC	Charlotte	www.energycongress.com/
	EIA Energy Conference	D.C.	eia.gov/conference/2017/
Fintech	Money 20/20	Las Vegas	money2020.com/
	Finovate	Multiple Cities	finovate.com/
	Future of Money	San Francisco	futureofmoney.com/
	Empire Startups FinTech Conference	New York/San Francisco	empirefintechconference.com/pages/ny2019
Food	Future Food Tech NYC	New York	futurefoodtechnyc.com/
Gaming	Game Developers Conference	San Francisco	gdconf.com/
	E3	Los Angeles	e3expo.com/
	PAX	Multiple Cities	paxsite.com/
Healthcare	Digital Health Summit	Las Vegas	digitalhealthsummit.com/
	HLTH	Las Vegas	hlth.co/
	HIMSS	Las Vegas	www.himssconference.org/
	Rock Health Summit	San Francisco	rockhealthsummit.com/
	JP Morgan Healthcare Summit	San Francisco	jpmorgan.com/global/healthcareconference
Hospitality	The Hotel Experience	New York	thehotelexperience.com/HX2017/Public/Enter.aspx
Insurance	InsureTech Connect	Las Vegas	insuretechconnect.com/
	DigIn	Austin	dig-in.com/conference/digitalinsurance-2018

Conferences

Industry	Conference / City	City	Link
Manufacturing	QCon San Francisco	San Francisco	qconsf.com/
Media	New York Media Festival	New York	mefest.com/
Real Estate	National Association of Realtors Conference	Boston	nar.realtor/convention.nsf/
Robotics	TC Sessions: Robotics	Berkeley	techcrunch.com/events/tc-sessions-robotics-2018/
SaaS	SaaStr Annual	San Francisco	saastrannual.com/
Telecoms	Telecom Exchange NYC	New York	thetelecomexchange.com/nyc/
	Content Delivery Summit	New York	contentdeliverysummit.com/2018/
Travel	Travel & Adventure Show	Chicago	travelshows.com/

Advisor compensation

Commitment	Services	Compensation
Attend quarterly meetings to provide feedback on Company's strategy for at least one hour. Provide reasonable response to email requests by Company.	Promotion: On top of the regular advice and insights, Advisor agrees to actively promote and make introductions on behalf of the Company through Advisor's overall network of business contacts, including forwarding the Company's business plan and other materials as requested by the Company.	 Idea Stage is 0.25%
		 Startup Stage is 0.20%
		 Growth Stage is 0.15%
Commitment	Services	Compensation
Standard Performance plus: Attend monthly meetings to provide feedback on Company's strategy for at least one hour. Attend one additional monthly meeting for up to one hour with a potential customer, investor, strategic partner, vendor or employee.	Standard Performance plus: Recruiting: Advisor agrees to assist Company in finding additional, potential founding team members and employees through the Advisor's overall network of business contacts.	 Idea Stage is 0.50%
		 Startup Stage is 0.40%
		 Growth Stage is 0.30%
Commitment	Services	Compensation
Strategic Performance plus: Twice monthly meetings to provide feedback on Company's strategy for at least two hours each.	Strategic Performance plus: Contacts: Advisor agrees to make introductions to and assist in the acquisition of marquee customers, strategic partners and key industry contacts and attend meetings with such potential customers, partners and key contacts. Projects: Advisor agrees to assist the Company on at least one strategic project as requested by the Company during the term of this Agreement.	 Idea Stage is 1.00%
		 Startup Stage is 0.80%
		 Growth Stage is 0.60%

Incorporating a US entity

General information

Completed by	Estimated cost
Local counsel, engaged by the Company	\$2,000-5,000

Steps to incorporate

- 1 **Apply** to incorporate in specific state.
- 2 **Establish** a registered agent in that state.
- 3 **Submit** formation documents.
- 4 **Maintain** registered agent.
- 5 **Maintain** state specific taxation and reporting requirements.

Insurance

	LLC	S Corp	C Corp
General liability insurance + business property insurance	✓	✓	✓
Errors and omissions insurance	✓	✓	✓
Cyber liability insurance	✓	✓	✓
Directors and officers insurance	-	✓	✓
Key man insurance	-	✓	✓
Employment practices liability insurance	-	-	✓

Taxes

Federal	Corporation Tax	Social security	Medicare	Unemployment Tax	
State	Corporation Tax	Sales Tax	Franchise Tax	Unemployment Tax	Property Tax
District	Corporation Tax	Sales Tax			

Benefits for employees

Benefit category	< 10 employees	11 - 50	50 - 200	> 200
Medical	Yes	Yes	Yes	Yes
Dental	Yes	Yes	Yes	Yes
Vision	Yes	Yes	Yes	Yes
Holidays	~ 20 days	~ 20 days	~ 20 days	~ 20 days
401K	No	Yes	Yes, w/matching	Yes, w/matching
Equity	Yes	Yes	Early and select employees	Early and select employees
Other perks	Context-dependent	Context-dependent	Context-dependent	Context-dependent

Recruiters in the US

Industry specific recruiters

Executive search

East Coast

- Diane McIntyre -**
Calibre One (retained)
- Jamie Sanger -**
Daversa (retained)
- Rick Bank -**
True Ventures (retained)

West Coast

- Simon Bromwell -**
Robert Walters (contained)
- Joe Griesedieck -**
Korn Ferry International (retained)
- Mark Lonergan -**
Lonergan Partners (retained)

Non-executive

- Ben Christian -**
Carbon Partners (retained)
- Julia Horiuchi -**
Robert Walters (contained)
- Spencer Tashima -**
Essential Solutions (retained)

Engineering

- Tony Zammikiel -**
Equity Search Partners (contingency)
- Dirk Cleveland -**
Riviera Partners (retained)
- Chris Johnson -**
Artisanal Talent (retained)

Sales

- Cathy Cairns -**
Elite Technology Sales Recruiters (contingency)
- Bill McHargue -**
Talent House (contingency)
- Katie Pouch -**
RJR Partners (retained/contingency)
- Jennifer Carlo -**
Betts Recruiting (contingency)

Human Resources

- Cathy Cairns -**
Elite Technology Sales Recruiters (contingency)
- Bill McHargue -**
Talent House (contingency)
- Katie Pouch -**
RJR Partners (retained/contingency)

Industry specific recruiters

Healthcare

- Robin Toft -**
Toft Group (retained)
- Sean Walker -**
Bowdoin Group (retained)
- Mia Jung -**
Oxeon Group (retained)
- Greg Button -**
Korn Ferry International (retained)

Enterprise

- Joel May -**
BridgeGate (retained)
- Sean Lucq -**
SPMB (retained)
- Douglas Madden -**
Fortra Search (retained)

Metrics for fundraising

Software

Category	Good ★★☆☆☆	Best ★★★★★
ARR	\$5-12m	\$13-20m
MRR growth	100%	++
Repaying customer acquisition cost timeline	18-24 months	8-17 months
Gross retention	85%+	90%+
Gross margin	70%+	85%+
Net churn	100%+	140%+

Marketplaces

Category	Good ★★☆☆☆
TAM core vertical	\$5bn+
GMV organic growth MoM	10%+
6-month retention (both sides)	10%+
Payback timeline for cost of acquiring both sides	24 months or less

Category	Good ★★☆☆☆	Best ★★★★★
LTV	\$50	\$200+ (repeat spending)
Market size	\$5bn	\$100bn+ (growing market)
Revenue growth	100%+	300%+ (organic growth)









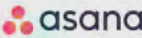











Consumer

Category	Good ★★☆☆☆
Product	Better; faster; cheaper; more fun
Revenue	At least \$5m annual
Minimal awareness	Less than 0.1% penetration
Customer base	Diverse demographically and geographically
Gross margin	70%+
Net churn	100%+

Fintech

Category	Good ★★☆☆☆
Fundamental question	Growth and user acquisition - how can you scale this business?
User growth	10-15% MoM
ARR	\$5m+ by time of investment
Upsell/cross-sell	10-20% expansion
Payback of cost of acquiring customer	24 months or less
Churn	Less than 20%
CAC	Show that organic growth is very strong

Software tools for people/ talent functions

Category	Software				
Social communication tools	 (video)	 (chat + video)	 (video)	 (video)	
Project management/ cross-team collaboration	 Business*		 (whiteboarding)		
Marketing/external communication					
Applicant tracking system					
CRM software					
All-in-all solutions	 (subscription businesses)				

*For a company moving to Silicon Valley, adopting the G-suite could be seen as best practice, since so many other companies and partners there use this software.



octopus ventures
A brighter way