



Keys to Successful Entry into the US

Businesses are welcome, but need local knowledge to succeed

At Samson Atlantic, we partner with companies to find the best locations across the Atlantic – providing market research that is tailored to the needs of your company, your clients, and your employees. In this paper, we will highlight the major challenges European businesses face attempting to expand into the U.S. market. By providing you with some key considerations which would impact your company’s ability to successfully grow into the United States, we hope to jump-start the thought process on how you can best take advantage of the opportunities abounding in this critical and dynamic market. If you wish to pursue a market entry or site selection research project, please contact Samson Atlantic for a **free** proposal!

America – the land of business

The US economy is the largest national economy in the world based on World Bank statistics, with a larger GDP than the EU and a substantially larger GDP per capita than the EU member states, which is a fairly intriguing indication as to the remarkable productivity and buying power the market reflects. The U.S. is the EU’s largest trading partner, and economic indicators in 2017 show that the national economy is stabilizing and continuing to manifest stronger growth than the EU in the wake of the 2008 financial crisis. US economic growth will outstrip the EU by a solid margin for the next few years based on projections, especially when the negative impacts on the Brexit process are taken into consideration. The US is ranked 8th on the ease of Doing Business rankings, behind only two EU nations (Denmark and the UK), includes a wealth of intriguing and exciting business locations, the best universities and research opportunities in the world, and an excellent quality of life for your employees. It offers endless possibilities, but is potentially overwhelming as there are so many places where a company could consider expansion. We hope that this paper will help you to avoid the major pitfalls that can trip up your attempts to find a successful new home in the United States.



Understand and overcome the challenges

America is a land captured in film, radio, books and academic research like no other. Courtesy of this open and lengthy self-inspection, all aspects of American culture, including the political and business environment, have been investigated and displayed for all to see over the centuries. Why is it, then, that so many companies fail to appreciate the challenges that they would face coming in to the U.S. market and see their expansions fail? Why is it that foreign companies rely on their stereotypes and assumptions to plan their expansion into the U.S.? No culture is so available and catalogued as that of the United States, should they take the time to investigate. Generally, failed expansions can be traced to three broad areas, discussed below, which can hamstring and ultimately doom any company if not assessed and prepared for prior to market entry.

The first is culture. This is likely true in almost any country, but many foreign investors assume to understand the intricacies of the U.S. culture based on their long exposure to America media and entertainment. What they fail to appreciate is the complexity and variations within the famously 'homogenous' U.S. culture and how they complicate the ability of new players to adjust to the challenges and thrive. U.S. culture, as we discuss below, has the same complexity as most regions in the world, but those divisions are obscured to outsiders by the prominence of English and the predominance of national media outlets.

There are major 'muscle movements' in the cultural differences between American regions that are easy to spot – for example, so-called 'red states' versus 'blue states' (those that tend to vote Republican and Democratic, respectively), but there are striations under these obvious statistical differences that are bewildering for foreign businesses that are looking to establish a foothold in the U.S. market. For example, consider the major business states of California and Illinois: both are ostensible 'blue states' with fantastic universities, an educated work force, and major metropolitan areas with superior logistics hubs for national-level commercial enterprise. The average income of both states is comparable. Nevertheless, the business environments could not be more different, based on everything from historical industrial specializations, diversity, geographic location/climate, and even social and religious attitudes. What may work well in California could fail catastrophically in Illinois and vice versa. Lack of cultural understanding and market insight is the number one reason for business failure.



Further clouding the picture for outsiders is the important role played by state law. While nations in the EU (or associated with it) have seen more and more of the regulatory environment switch to a centralized authority in Europe, that trend ground to a halt decades ago in the United States, and the tug of war between state and federal regulation has been a bitter battle ever since the Constitution was ratified (and even more so since the 1824 Supreme Court case of *Gibbons v. Ogden*). Regulations on critical topics such as labor rules (including minimum wage levels), safety requirements and environmental standards can differ substantially between states and cities. Paired with the independent taxing powers which the states and municipalities maintain, the cost of producing and selling the same product a few kilometers away can vary dramatically.

Finally, the U.S. is a litigious society *par excellence*. U.S. companies that do not have their own robust legal staff have attorneys on speed dial. Despite the growing trend towards arbitration, business litigation, especially regarding contract disputes and consumer complaints, is a fact of life for U.S. business. The U.S. has the greatest number of attorneys per capita in the world, and the litigation trends are similarly high. Additionally, the treble damages opportunities in anti-trust cases and other realms of business-related litigation means that the stakes are higher for similar litigation compared to most of Europe or other major economies. Hire an attorney up front, and include that cost (and insurance) as part of your business expansion plans.

Summary: How can you enter and win in the United States?

The United States can be a gold mine for companies that have a unique product or service, are ready to provide competitive support to established businesses, or are looking to take advantage of the great intellectual and research capital resources. But as the adage goes; you can't win if you don't play. In order to exploit the market, you must be present, not just virtual. Expanding into the U.S. should be done with expert assistance and we stand by to help you make strategically sound, successful steps towards a bright future in the U.S. market and can help you negotiate incentives and support packages with state and local governments to maximize your advantages. If some of these positives or negatives about the market struck a chord with you, please reach out to us at Samson Atlantic for comparative market research information. The wide variety of options available in the diverse American market ensures that there is a perfect place in the U.S. for your business to expand and to thrive. We look forward to helping you find it!