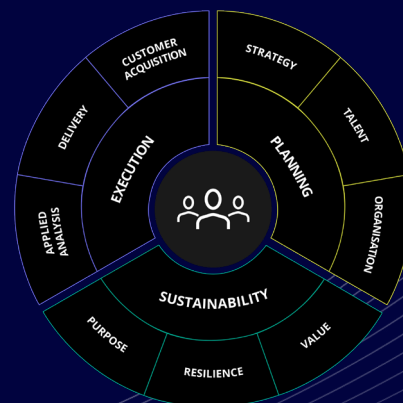


# Expanding to the US

**This toolkit includes:**

- Our methodology for a successful expansion into the US
- Checklists to help you plan your US expansion effectively

# The Opportunity



With a GDP of \$21.4 trillion and a 24% share of the global economy, the world's largest market can be an almost irresistible target for Europe's entrepreneurs.

In 2018 53% of the \$165 billion of venture capital invested was in the US. It has a population of more than 320 million with 90% smartphone and internet penetration, nationwide. From a commercial perspective, it's the world's largest cloud services market, has more SaaS businesses than anywhere else and the west

coast dominates investment in the AI and data sectors. In acquisition terms, the US also leads the way with over half of all venture capital backed acquisitions taking place stateside.

Here at Frog Capital, we see ourselves as the operational experts for Scale-Ups in Europe. We have spent years defining the major elements which we believe are essential for any CEO looking to succeed in the Scale-Up phase.

**We call it the Scale-Up Methodology.**

“As a young, sales-led CEO, expansion to the US felt like being promoted to the Premier League. We'd dominated our domestic market, growing year-in year-out. However, this was a big step-up in terms of scale, expectations and effort – for the whole business. It was far from easy; we made a tonne of mistakes. I'm convinced that the input of a seasoned advisor with a plan born out of experience, would have made a fundamental difference to those first few years of trying to 'crack the States'.”

**James Bagan,**  
**Frog Operating Partner**

## Execution:

Execution is the 'here and now'. It's the daily, weekly winning of customers, delivering for them and continued improvement.

## Planning:

The '6 month view'; clarity of your strategy, attracting and retaining talent, and scaling into the right organisation.

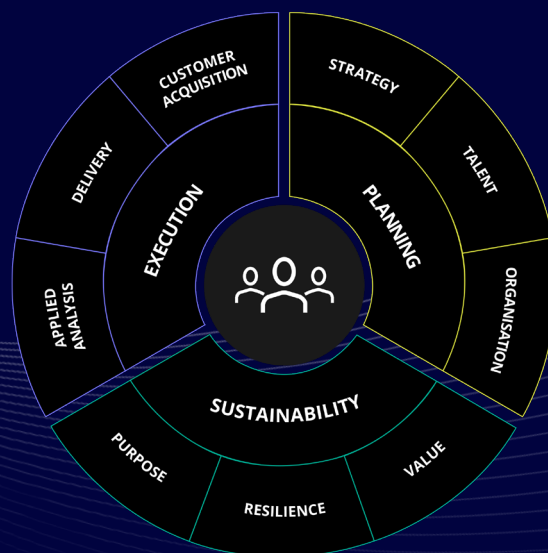
## Sustainability:

The 'longer term'; driving the shareholder agenda, delivering the right type of funding, and building a long-term, profitable business.

- Product market fit
- Ideal customer profile
- Competitive differentiation
- Recruitment
- Culture
- Leadership & support

- Intellectual Property
- Pricing strategy
- Partner programme
- Budgets
- US networking

- Performance management
- Visa & permits
- Banking & Insurance
- Tax
- Go-to-Market
- Technology



Given the fantastic opportunity the US presents, it's no surprise that our businesses are keen to understand how best they can establish a foothold in North America. At Frog we are extremely fortunate to have decades of US experience across our teams. We also have several current portfolio businesses with locally led US based

outfits. Through a series of interviews, we have tapped into this insight and created a series of checklists (pages 4, 5 and 6) within the Scale-Up Methodology framework.

**This is now an essential toolkit for the CEO considering launching their business in the New World.**

## Contents

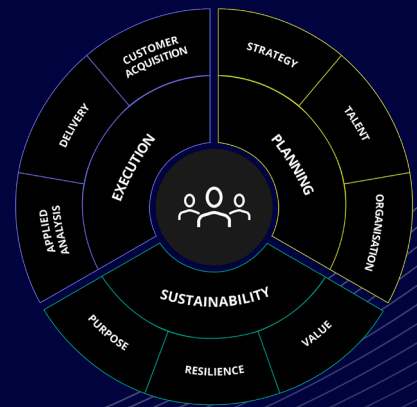
*Click to navigate*

[The Decision Scale-Up](#)

[Summary Case Study](#)

[Planning](#)  
[Sustainability](#)  
[Execution](#)

# The Decision



“Over the years, we’ve heard too many business leaders talk about the US as an easy target, due to its market size and English speaking buyers. Nothing could be further from the truth. There are huge cultural, regulatory and operational differences, in addition to the main challenge of taking a European proposition to a market that may not need it. But, if you get it right, it can be transformative.”

**Mike Reid, Frog Senior Partner**

Whilst there are clearly challenges (geographical scale, travel costs, time zone differences, regulatory burdens, employment expenses) in the way of an American expansion, if you get it right

the possibilities a successful launch can present your business, could be off the scale in terms of value. Whilst it’s right that you should fully think through your decision to go, you should not lose sight of the ambition that first fired the idea of a US arm to your business.

So, the first challenge is an internal one, you must be honest with yourself as to why you’re going and, just as importantly, why now, as this will help frame your plan.

Through the course of our interviews, we found some misplaced, rather defensive reasons to ‘push the button’, including: responding to competitive threat,

struggling in their home markets or even not wanting to lose a valued employee who was determined to relocate to the US. Here at Frog, we believe that possibly the most significant business decision you might ever make, should be a positive, opportunity led determination.

The first task for Management (and the Board) is to fully analyse their current position in their home market. For many businesses it’s likely that they could ‘do their number’ 10 times over just from their own capital city. So, by being honest with ourselves about how well (or not) we’ve capitalised on easier-access markets before embarking on an expensive and distracting enterprise is advised.

**If you’re clear that the domestic market situation is optimal and its limitations unavoidable, here are some key questions to ask yourself:**

1. Can you take a less risky path by diversifying your products and services in your home markets, broadening their appeal to an already captive base?
2. If you were to invest more in sales and marketing at home, would that generate more revenue and/or perhaps a higher quality of earnings?
3. Are you already outperforming a US competitor or have European market conditions catalysed the development of a world-beating product?
4. Are your customers demanding a global service? Will they churn if you don’t respond?
5. Are you convinced that the likely acquirer or next investor will come from the US?

**If your answers to these questions leave you in no doubt that international expansion in the US is critical to your success and will create significant value, then the next step is to start your planning.**

“I took my company to the US out of necessity as my competitor was hammering me in Europe. I needed to go where they were not. Having made that decision, I then dedicated my entire company to be successful in US. This was an all or nothing strategy, highly risky but I knew if we succeeded it would be highly rewarding. At the beginning it was just me and a talented engineer of mine, and we both lived out of a suitcase for a year before we cracked a big whale called AT&T. I know for sure had I not made that decision, I would not be writing quotes in this document today.”

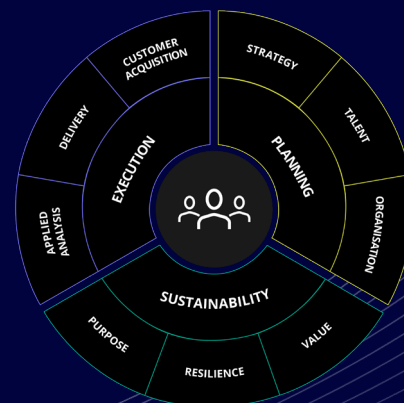
**Shirin Dehghan, Former Frog Operating Partner**

“On the surface it is easy to think the UK and US will operate the same based on similar culture, language, and perceived ways of doing business. While that is true at the macro level, the true nature of how a business operates and engages with customers is very different. Unique regulations, marketing messaging, and types of buyers can quickly disrupt plans for a simple copy and paste approach.”

**Josh Yulish, President at SHE Software, USA**



# Scale-Up



So, you've decided to tackle the US market, now you need to work out how. **This is where the Frog Scale-Up Methodology can make a material difference.** In simple terms, it is the result of combined learnings from across our network over the last 25 years. It is broken down into 3 core elements and 9 sub-elements.

Through our interviews, we have identified **17 key work streams that require special attention** when thinking through how to build a winning approach to a US launch.

## Planning

Strategy  
Talent  
Organisation

1. Product Market Fit
2. Ideal Customer Profile
3. Competitive Differentiation
4. Recruitment
5. Culture
6. Leadership and Support

## Sustainability

Purpose  
Resilience  
Value

7. Intellectual property
8. Pricing Strategy
9. Partner Programme
10. Budgets
11. US Networking

## Execution

Applied Analysis  
Delivery  
Customer Acquisition

12. Performance Management
13. Visas and Permits
14. Banking and Insurance
15. Tax
16. Go-to-Market
17. Technology

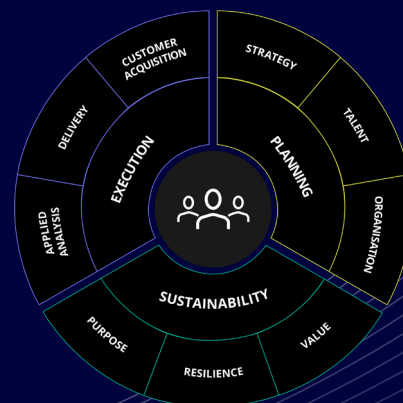
This list is by no means exhaustive nor exclusive, however it is designed to capture the key issues for consideration, based on the feedback from the Frog team and across our portfolio.

**We will now look at these areas in more detail and provide the key questions checklists for each.**

"Once I made the decision my company was going to crack the US market, I did not spend months planning being stuck in analysis paralysis, I just did it. I packed my bags, went there and made it happen. As a CEO/leader if you are not prepared to spend significant time in the US market, don't bother."

**Shirin Dehghan,  
Former Frog Operating Partner**

# 04 Planning



Just because a product is appealing on one side of the Atlantic doesn't necessarily mean it will get traction on the other. Start your research by looking at whether the problems your proposition solves in one region are the same in the US. If that problem does exist, **what is the state of any competition and would you need to re-engineer your offer to meet US needs and still be differentiated?**

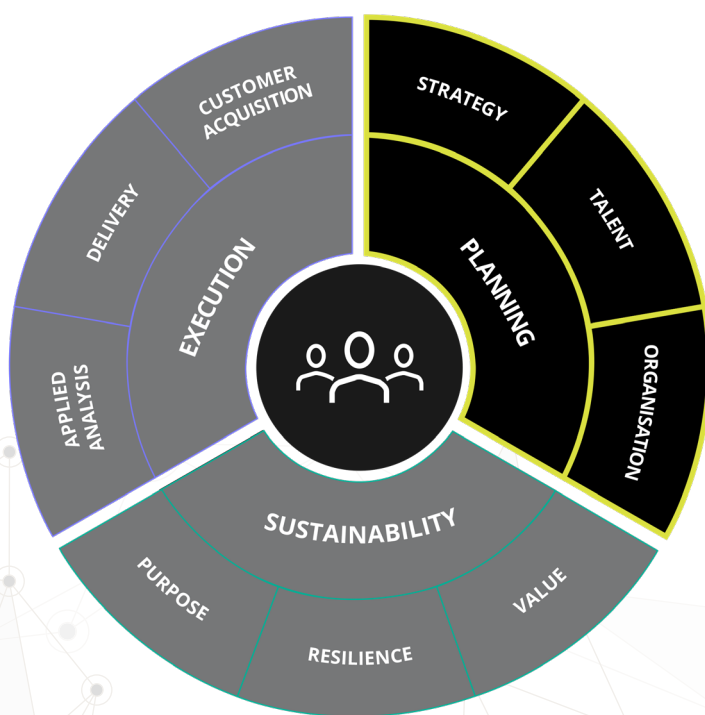
To be able to properly understand these areas, it is not enough to rely on simple desk-based research, although this does have a part to play. **If existing clients or partners have US contacts, it sounds obvious but take the time to speak to them.** Build out a structured questionnaire, capture the responses and listen hard to what they're telling you. These conversations

will start to sow the seeds, not only of a nascent pipeline, but also the critically important networks you will need to go-to-market effectively. One other benefit here, will be an emerging understanding of acceptable price points, this will be crucial as your CFO builds their budget. These are all key areas where Frog Capital can make a fundamental impact by introducing you to the right mentors and advisors stateside.

**One of the most common mistakes made by European business leaders, has been their unwillingness to accept the commitment and cost of travelling to and from the States.** There is no doubt it is tiring, especially if finances won't allow for a business class flight back east, however it is of the utmost importance that you're

visible. Too often we hear from US colleagues that they're simply not getting the attention their region deserves. Having to dial into obscenely early calls (if on the west coast) or coercing European teammates to speak late at night, are all too common stories.

Our advice would be that at the beginning of the process, make a public commitment to your colleagues, your Board and most importantly your family, that you will be in the US every month for the first year. And then, going forward, we would expect the leadership team to rotate their appearances in such a way that at least one of the Directors is always there.



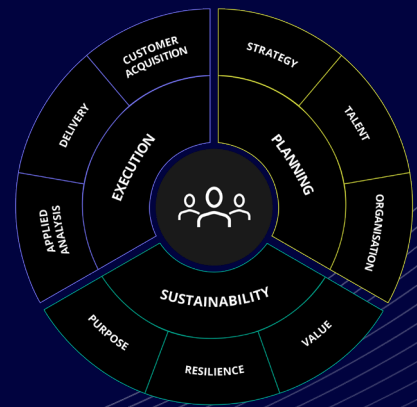
"Hiring great American sales people is really hard for Europeans because over there everyone is great at selling themselves, even the crap sales people. When you review CVs look at quota versus achievement, and definitely reference check the hell out of these. Also don't hire anyone who's jumped around a lot; they are either really bad at selling or bad at choosing the right company/product to get involved with, either way they don't have the nose for money."

**Shirin Dehghan,**  
Former Frog Operating Partner

"While the US is an attractive market opportunity it is also important to realize that it is not as simple as selling to a single country. The geographic expanse and sub-cultures can be lost on companies not based here. Understanding that someone might need to get on a 6 hour flight just to go see 1 customer or that a sales employee in one part of the country might not resonate with a customer in another can be challenging."

**Josh Yulish,**  
President at SHE Software, USA

# Planning



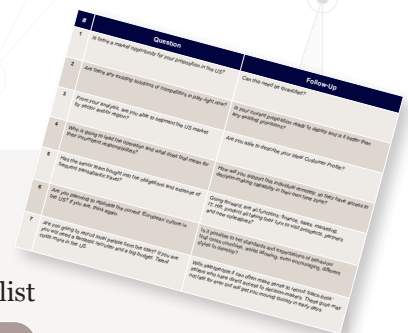
## Planning checklist

Fill in your answers below each question:

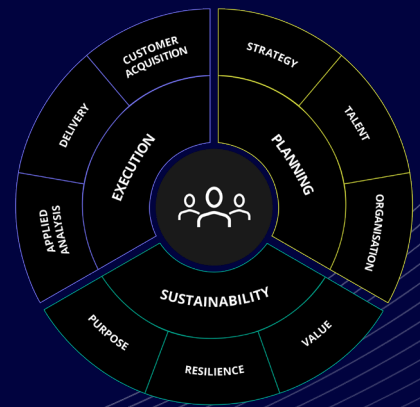
#	Question	Follow-Up
1	<i>Is there a market opportunity for your proposition in the US?</i>	<i>Can this need be quantified?</i>
2	<i>Are there any existing solutions or competitors in play right now?</i>	<i>Is your current proposition ready to deploy and is it better than any existing provisions?</i>
3	<i>From your analysis, are you able to segment the US market by sector and/or region?</i>	<i>Are you able to describe your Ideal Customer Profile?</i>
4	<i>Who is going to lead the operation and what does that mean for their incumbent responsibilities?</i>	<i>How will you support this individual remotely, so they have access to decision-making capability in their own time zone?</i>
5	<i>Has the senior team bought into the obligations and expense of frequent transatlantic travel?</i>	<i>Going forward, are all functions: finance, sales, marketing, IT, HR, product all taking their turn to visit prospects, partners and new colleagues?</i>
6	<i>Are you planning to replicate the current 'European' culture in the US? If you are, think again.</i>	<i>Is it possible to set standards and expectations of behaviour that cross countries, whilst allowing, even encouraging, different styles to develop?</i>
7	<i>Are you going to recruit local people from the start? If you are you will need a fantastic recruiter and a big budget. Talent costs more in the US.</i>	<i>With salespeople it can often make sense to recruit 'black-book' sellers who have direct access to decision-makers. These guys may not last for ever but will get you moving quickly in early days.</i>

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# Sustainability



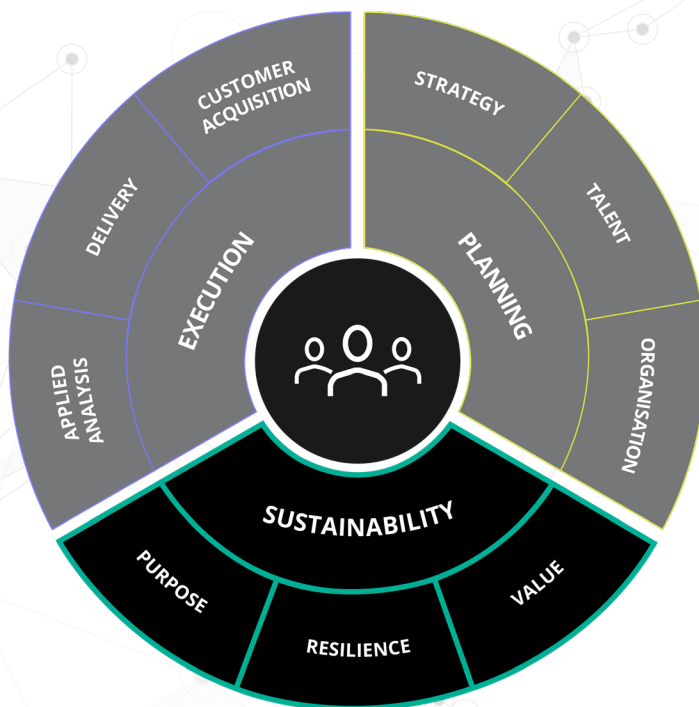
**A realistic budget with high levels of prudence built in (including what-if scenarios) is an absolute must, as is a recognition that everything will likely take longer than you expect.** We would recommend that either the CFO or a trusted lieutenant, perhaps the FC, take personal control of both the creation of the original model and its ongoing review. The Board should insist on a series of 'tripwires' that allow nimble scrutiny and re-mediation whenever required, not just at set meetings every 30 days.

Unsurprisingly legalities are different in the US and your understanding of them can be further complicated by a mix of federal and state rulings. You

will find that some things will work in your favour and some not. The critical piece of advice here is to **get some decent legal counsel early in the process.** We would absolutely work on a recommendation, again the Frog Team can help here.

We have a perception that the Americans operate in a much more litigious society and that is supported by the comparative amounts spent on legal services when compared to Europe. Also, given that you are always liable for your own costs in the US, **threats of legal action are more common as the opposing party will bet on you settling. Be prepared.**

Perhaps the biggest risk of all is money, or more specifically cash. **US expansion can become a huge drain on cash reserves, especially for the first few years.** This paper assumes that the business has either secured funding for this specific need or has sufficient headroom provided by the home trading position. If it is the latter, it is crucial therefore, to ensure that the existing business does not suffer a downturn due to lack of focus from the leadership teams as they strive to build their US enterprise.



"The novelty of the British or the European accent wears off after a while and you need to hire Americans to sell to Americans. If your product and company is based on deep tech, like mine was, I recommend hiring an American CTO as well. You think it's all about sales in US, it's actually not, it's all about credibility and trust in the market."

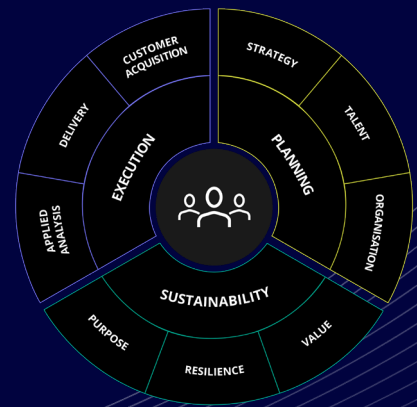
**Shirin Dehghan,**  
Former Frog Operating Partner

"When I was Chair at a European visual effects company with an LA office and 47% of its revenue stateside, we had to be highly aware of our position with the US Patent and Trademarks Office. With cutting edge tech, it was vital to stay ahead of the competition. A small but significant line item in our budget was kept aside for refreshing our IP protections every year."

**James Bagan,**  
Frog Operating Partner



# Sustainability



## Sustainability checklist

Fill in your answers below each question:

#	Question	Follow-Up
1	<i>Have you built a realistic financial model which has been rigorously scrutinised? Can the Frog team help here by reviewing it too?</i>	<i>Is there a proper set of controls and proof points in place at all levels? Does the US leader know what their authority level is? How are Board expectations set and managed?</i>
2	<i>Have you qualified the level of risk around your Intellectual Property in the US?</i>	<i>Will you need to invest in proper protection through the USPTO?</i>
3	<i>If you have limited or no US client exposure, you have no brand. Have you fully considered both the time and cost of doing this properly?</i>	<i>Marketing is very different in the US, look to hire someone with experience of working in your primary sector.</i>
4	<i>Is your customer research detailed enough to inform an emerging pricing strategy?</i>	<i>Will you 'price-to-win' early on or is there sufficient margin for value-based pricing?</i>
5	<i>Are you able to identify a cohort of partners who can help deliver long-term revenue streams?</i>	<i>Can these partners be organised into a professional programme? Is there a potential acquirer in here?</i>
6	<i>Is there a native, well connected industry heavyweight who can facilitate introductions?</i>	<i>Could this person also act as a Board Advisor or NXD, supporting the US leader?</i>

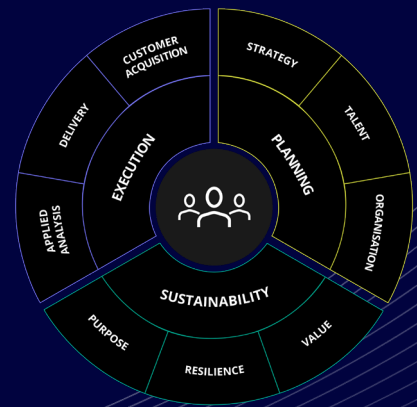
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# Execution



"I loved doing business in the US. Unlike Europeans, they are actually pretty straight forward when doing business. If they like you and your product, their appetite for trying new things and paying a descent amount for it is much higher than European customers."

**Shirin Dehghan,**  
Frog Operating Partner

Having settled on the obligations of the Senior team, you need to turn your attention to the other functions in your business. What would you want to lift and shift from the base and what can stay as it is? **Central functions like HR, Finance and IT should all be prepared to support the transatlantic endeavour but also give thought to whether existing technology (like the CRM for example) will be the right option in the new geography.** Speak to both departmental leaders and your new US team.

Post these conversations, you may have to start thinking about which of your existing team can either spend time working in the US or perhaps even relocate. **Visas and immigration have always been complicated in America** and, over recent times, has got even harder to navigate. Through these interviews it wasn't hard to uncover some very tough tales about this process, often ending in failure. Again, up-front, professional advice is critical.

**If you are incorporating a US business, then both banking and taxes (of all types) will be something you need to become familiar with quickly.** Fortunately, interim finance costs are usually somewhat a little cheaper in the US than in London, Berlin or Gothenburg.

One of the main differences between the US and the rest of the world, is how professional people view sales and salespeople. It is seen to be much

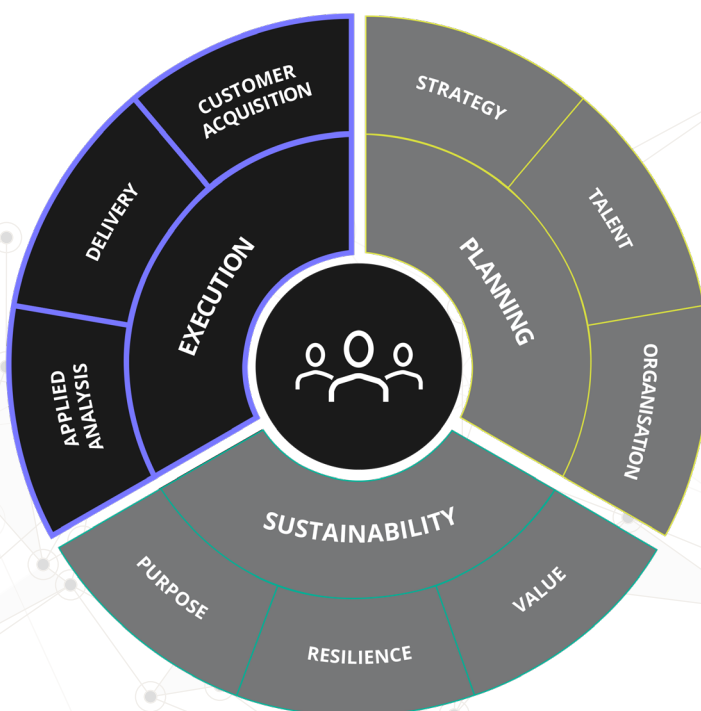
more of a vocation, something that can be learned, improved and accredited. This means that **while there is an expectation that you will be sold to, their standards are higher.** Also, marketing techniques which might be effective in the UK or Europe are likely to need tweaking or even wholesale change. **Having native marketers, initially probably an agency with domain knowledge, is a must.** There will be some novelty value to a British or European brand but that does not remove your obligations to deliver value. As you will no doubt be aware, there is a much more pronounced sense of nationhood and patriotism in the US and in some states, **there is an overt desire to 'buy American'**. This is where having US components (and US commercial people) can make a substantive difference.

"Some CEOs think they can crack the US market remotely by hiring a team out there. It won't happen. You or one of your trusted senior team members need to move to the US. This helps on two fronts; shows real dedication to the market which the US customers appreciate and builds the right culture and values from the outset. I cannot stress how critical it is for the CEO to be visible in the market."

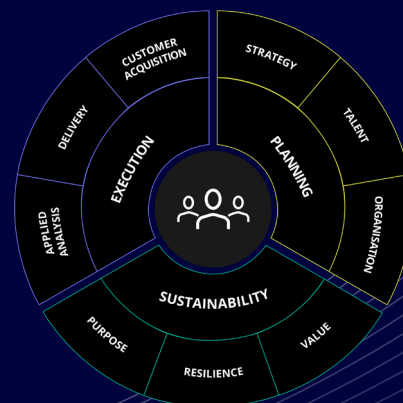
**Shirin Dehghan,**  
Former Frog Operating Partner

"There are some basics to factor in, to have success and appear that you have roots in the US. It is important that your external content and messaging have the appropriate localized spelling and wording. Americans will quickly point it out and build assumptions you don't understand them otherwise. While easy to fix, it does mean maintaining multiple versions of websites, sales decks, marketing content, and more."

**Josh Yulish,**  
President at SHE Software, USA



# Execution



## Execution checklist

Fill in your answers below each question:

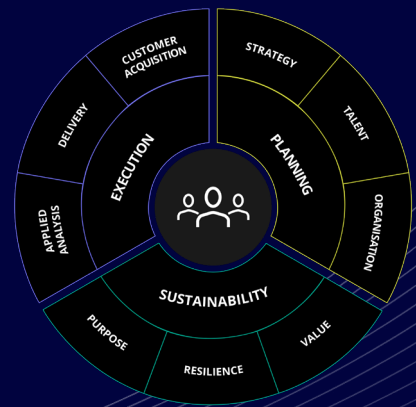
#	Question	Follow-Up
1	Which centralised functions can provide support to the new US satellite? Is this services and/or technology based?	Remember to factor in time zones (9 in the US!) when organising support services. And ensure, that any tech you redeploy is properly licensed and serviced (e.g. training or bespoke reports).
2	Are you clear on both your federal and state tax obligations?	Will you be in a regulated sector, e.g. financial services?
3	Do you fully understand your position on visas, office permits (if taking premises) and other regulations?	Have you found experienced, referenceable US legal counsel?
4	If incorporating in the US, do you have the right banking and insurance options?	Do you understand your obligations as an employer, e.g. social security, Medicare etc?
5	Is there a specialist agency, who can begin raising awareness and creating interest?	Working with them, are you able to start building a realistic marketing budget for year 1 at least?
6	If you have limited or no US client exposure, you have no brand. Have you fully considered both the time and cost of doing this properly?	Marketing is very different in the US, look to hire someone with experience of working in your primary sector.

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# Summary



When reading this Scale-Up toolkit, it could be perceived by an enterprising CEO that they are being actively discouraged from launching in the US, given the sheer weight of cautionary advice. *Absolutely not.*

The potential rewards, be they economic, strategic or personal – can be enormous, life-changing even. However, there are an awful lot of things that if not properly prepared for, can have a hugely detrimental impact. That is why the main output of this toolkit is checklists.

**Take as much time as you reasonably can (without losing first-mover advantage) to analyse your current position and plan out your next set of moves. Question everything, listen to what US prospects are telling you and take advice from people who have done it before.**

“The US is different in almost every way from Europe; the scale, the challenge, the culture, the approach, however, so is the opportunity! We have more prospects here, more partners and more acquirers. European leaders have to get over here though and really listen to their American colleagues, to ensure they have the right product set and resources to fully exploit the potential the US market represents.”

**Mark Reich,**  
Senior Vice President  
– Sales at Sellics



**James Bagan**  
Frog Operating Partner

Previous US leadership roles:  
Global Sales VP — Autologic Inc (2 years)  
VP of Sales — Harte Hanks Inc (2 years)  
Govt. Sales Leader — Experian (6 years)  
Exited Language Line to Teleperformance USA for \$35m



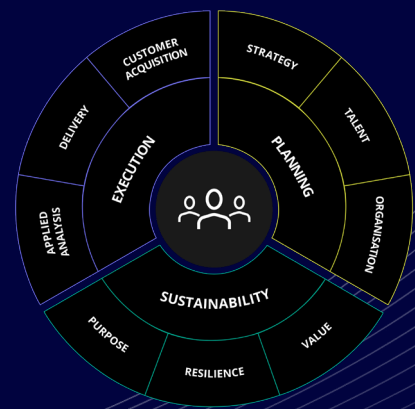
**Shirin Dehghan**  
Former Frog Operating Partner

Founded, led and sold Arieso, achieving >\$40 million sales and sale of 40x EBITDA

Visit our website for more Scale-Up Insights



# Summary



## Summary checklist

Here are the top ten takeaways from this paper:

#	Question
1	<i>Have you fully exploited the potential in your current markets?</i>
2	<i>Can you clearly identify US opportunities now, from existing clients and partners?</i>
3	<i>Will your proposition be compelling for US customers, or does it need radical development?</i>
4	<i>Can you sell it at a price they will buy without seeing your margins compromised?</i>
5	<i>Do you fully understand your US competitive positioning?</i>
6	<i>Do you have the cash and a realistic budget to give your expansion the time to succeed?</i>
7	<i>Have you identified the right operational leader and protected their existing responsibilities?</i>
8	<i>Is your go-to-market plan fully funded with US sales and marketing expertise baked in?</i>
9	<i>Have you thought through US issues such as taxes, IP, employment, office locations and legals?</i>
10	<i>Can your investor actively support you throughout all the stages of a US expansion?</i>

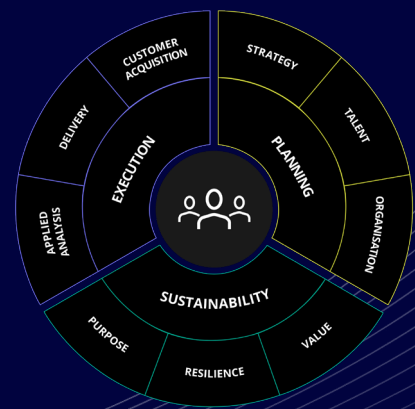
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# Case Study



In 2004 I was running a European sales and marketing operation for a PE backed, UK based technology outfit. Despite being a British business based in London, there was always a recognition that the real value for the business was in the US and also, most likely, the ultimate acquirer.

After a very successful growth year for our region I was asked to fly to New York to make an assessment of the resources required to establish a bridgehead in the US.

I started by 'reaching out' (as they say in America) to US based contacts in our global customers and asked our

European partners to make some appointments for me to meet their east and west coast-based colleagues. After a week in Long Island on a frantic schedule of meetings, followed by 4 days in San Francisco, we had come away with some unequivocal direction from almost all the discussions.

We would need indigenous salespeople who had a black book of existing contacts.

Marketing had to be crafted and driven by Americans, ideally an agency who had some previous experience in our sector.

UK leadership would need to be open-minded about doing things very differently.

They would also need to be patient as it would take time to build scale and credibility.

In early days we might need to 'buy business'.

We had to have 'boots on the ground'. Europeans couldn't issue orders over email from a command and control centre thousands of miles away.

It is still a mystery to me, how and why we failed to listen to any of this advice.

The initial launch was carried out virtually from London, with the help of a Canadian partner who had a New York office. Pricing was identical to the established European market, just converted into dollars. And most

criminally, marketing communications was directed by a CMO who never once in 4 years, set foot in JFK airport.

After a year of desperately poor performance and the arrival of a new Group CEO, we decided to listen to our customers and partners and set about trying to find a US sales leader who

could also operate as a local General Manager. Armed with a new budget, where he had a high degree of financial autonomy, proper US based resources were recruited and allowed to develop their own unique culture, whilst staying true to the Group values.

A new go-to-market-strategy was conceived by an industry luminary based in Denver, which was designed to appeal to the American psyche and address quite specific requirements. Both these things meant we had to include US manufactured elements in the product and assemble the final product in California. Despite this process driving the price up, it significantly increased appeal.

The main change for me, was an initial commitment to work out of Boston for 3 months. And then a longer term undertaking to spend 2 weeks a month in the US for a full year. This was not only warmly received by the team, it massively increased my own understanding of market dynamics and helped cement relationships I still maintain today. It was a not an easy conversation to have with my family, but we made it work.

The US operation, after a very shaky first 24 months, grew year-on-year under local leadership and, sure enough, the eventual acquirer, and current owner of the business, emerged from the partner network to deliver a great deal for all stakeholders.

— James Bagan



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London WC1H 8BA

**See more at** [www.frogcapital.com/scale-up-methodology](http://www.frogcapital.com/scale-up-methodology)

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