

B2B Sales for European Technology Companies in the U.S.

The United States market represents a major growth opportunity for European companies. While it may seem like a logical step in business expansion, however, the risk of expensive failure far outweighs the likelihood of success in making the leap across the ocean. This paper endeavours to explain some of the challenges and risks, and what you can do to mitigate them and succeed in this potentially lucrative marketplace.

Challenges and Risks

The US market is vast

While the EU consists of 28 countries and a population of 500mn, and is thus comparatively fragmented, the US is one country with a population of over 300mn. Many European destinations can be reached by a one or two hour flight from major centres in Europe, while in the US the five hour red-eye is an all too common phenomenon.

European technology start-ups entering the US market have tended to prioritise San Francisco as an initial location, with some also choosing Boston and New York. On deciding to enter the US market, though, it is all too easy to underestimate the time and cost and what it takes to hire, start and ramp up operations, build a network of prospects, establish a viable pipeline and finally begin to close initial sales.

Competition is ferocious

As is well known, Silicon Valley in Northern California is a magnet for technology and technology start-ups. Several European start-ups have fallen foul to aggressive US venture capital funded start-ups. To take an example from the taxi app market, Hailo, a UK entrant to the US with \$100mn in funding, failed in the face of heavily capitalised domestic competition from Uber and Lyft. Many US companies also struggle in the face of intense competition.

European businesses need to adapt to US business culture

The US speaks English as its first language, but many English speaking Europeans are misled into thinking that because they speak English they understand the business culture. In fact, US business culture is different. Some traps that Europeans fall into are not understanding the pace of US business; where formality in communications does and more importantly does not apply; and fundamentally, the strategies and tactics needed to penetrate the US market successfully.

Minimum first year entry costs for a European firm can easily be \$500,000 USD

Professor Steve W. Martin's study suggests that the average annual on-target earnings for an inside salesman is \$96,250 USD and for an outside salesman \$195,000 USD. On top of this comes any assistants and additional office expenses. The most common estimates are that it costs a minimum of \$300,000 USD in the first year for a European technology firm to enter the US with just one outside salesman, and costs can easily escalate to \$450,000 or \$500,000 when you factor in facilities, support staff, and taxes. San Francisco and New York are the most expensive cities in the US, with daily expenses including an overnight costing more than \$500 USD on average (Source: Statista).

Significant effort is required to establish new products and services

It can take 7 to 13+ touch points to generate a sales-ready, qualified lead. (Source: Online Marketing Institute). Complex products can have a significant sales cycle. Professor Steve W. Martin's study reported that for Inside sales 70% reported a sales cycle of 60 days or less, but for Outside sales, 54% reported a sales cycle of 90 days or more. Analysis from LinkedIn reports that 5.4 people are now involved in the average buying decision. The average account team needed to support these kinds of sales can consist of 2 to 5 sales and sales support people (Source: MPACE estimate), which can be difficult as well as cost prohibitive for a new market entrant to match.

New sales people need time to learn how to sell your products

Ramp Up Time is the time required for a sales person to reach 100% effectiveness. A recent study by the Bridge Group found that the average Ramp Up Time was 4.2 months. They also found that 24% of companies said their Ramp Up Time was greater than 6 months. This is data for US companies, not new European entrants. Based on this data, this points to a lean first year for most new entrants.

Inside sales, e-mail marketing and the Internet are becoming dominant channels

Inside sales has grown very rapidly in the US over the past years. An MIT Lead Management Study reports that inside sales hiring is outpacing traditional (or outside) sales hiring 15:1. "Selling by Skype" over the Internet has become the norm. A majority of meetings in the US take place virtually now, utilizing skype calling technology and web conference software. This is far less costly and is perceived as a more time-efficient alternative preferred by most US business people. An anecdote: when one of MPACE's sales teams recently attended a meeting in person, their counterparts reacted somewhat surprised: "So you actually came".

In Europe, in contrast, face to face selling is still more normal, partly because as noted above distances are smaller, and most countries' economic activity is concentrated around one or two hub cities. Nevertheless, we can expect more of this as time goes on in Europe.

E-mail marketing is another sales support method rapidly gaining traction in the US market. If properly executed it can be extremely valuable in lead generation, qualification and nurturing. Plus it offers a vital mechanism to build trust in prospects, which is essential in establishing meaningful contacts.

Tackling the challenges and risks

The first challenge: communication -- You may speak English fluently, but unfortunately that is not enough to ensure any degree of success in the US market. One of the major mistakes European companies make is placing an English-speaking person from their European corporate headquarters in the US and expecting that this person's knowledge of the company, products and services will translate into an equivalent level of success in this vastly different and diverse market. Despite their best intentions and efforts, this often does not work out as the company might hope or expect.

Hiring an American sales person -- while it may seem like a logical viable alternative - can be equally if not more risky. If the person has no experience in working with European companies, he or she can have inherent issues with operating and communicating in a way that meshes well with your company and national culture. Plus, a single sales person is most likely not going to be able to handle all of the activities and contact points required to be effective. The friction that results from these combined factors can create frustration on both sides at best, or devolve into conflict that leads to deterioration in the working relationship over time.

An alternative option is to find a company that specialises in introducing technology based products and services into the US market, and contract with them to assist with your market entry. Ideally you want to work with a company that has experience in both Europe and the US, to ensure that you can effectively bridge the communication and market knowledge gaps.

The second biggest challenge: positioning against the competition – Knowing who you are going to go up against competitively in sales situations is vital in selling effectively. But in the US market, there are potential competitors cropping up all the time. Adding to this, there is so much hype and “noise” in the market, it can be difficult to get your messages heard at all, let alone heard without the filter of your competition’s messaging potentially skewing perceptions.

If you elect to work with a US company to help with your market penetration, you want to make sure that the company also has technology marketing skills to draw on. This will enable them to accurately identify and assess competitive threats, and craft or refine your messaging to position your offering favourably in the volatile, dynamic US market.

How MPACE Can Help

MPACE is a sales service offering both for new entrants to the US and those who have already entered who would like to accelerate their revenue generation activities. MPACE’s offering addresses many of the challenges and risks of the US market.

Experience of B2B sales. MPACE builds on 15 years’ experience of successfully supporting firms in B2B sales in the US market through its parent company, Agilis Associates (www.agilisassoc.com). The MPACE team includes senior technology marketers, email specialists, cold and warm callers adept at opening doors and qualifying leads, and experienced enterprise sales people who can take a deal all the way to sales closure or optionally hand off well qualified and prepped prospects to your sales team.

Covering the US. MPACE is an American firm with personnel who are either American or who are European with US experience. We have significant experience of the US market and its business culture. We have people physically located in the North East, South East, Central Region and the West Coast, who through e-mail, internet and phone can cover the entire US, geographically as well as its multiple time zones.

MPACE will typically initiate e-mail marketing campaigns that go out to an acquired list of your best potential clients. This allows MPACE to target either specific vertical market sectors, certain geographies or the whole US. MPACE can even enable you to operate in stealth mode.

Reduced costs and benefits. Working with MPACE costs around \$60,000 to \$80,000 USD for an initial six months compared with a minimum of \$300,000 USD for full entry for a year if you go into it on your own. MPACE’s offering allows you to test the market, understand the reaction to your product or service as well as the level of competition, and plan a full entry with far less cost and risk.

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