

Considering US expansion?

What founders need to know



To provide a more nuanced take on the topic of US expansion, our Mercia Ventures' team created this guide based on our expertise, shared portfolio experiences and insights solicited from experts with hands-on experience developing US entry strategies for UK companies.

While the opinions shared here may or may not be relevant to your situation, we hope these examples — in addition to the support and resources available from Mercia Ventures — give you a better sense of what pursuing a US strategy might look like for your business.

Before we begin

Julian Castelli, Mercia Ventures Growth Partner


At Mercia Ventures we recognise the opportunities and challenges that US expansion represent and we want to do everything that we can to help you succeed on your expansion journey.

This playbook is a short summary of some of the critical areas to consider when thinking about US expansion. As you will see, there is not one set of rules that are applicable to all companies and all markets, but there are absolutely patterns and lessons. By sharing these, we hope to increase your likelihood of US expansion success, and spare you experiencing some of the common pitfalls.

We want you to have resources and network in the US to meet you as you begin your journey. Edwin Abl and I are Mercia Ventures Growth Partners. We live in the US and have been helping technology companies grow in the US market for most of our careers. We are here to help and are excited to partner with you as you embark on what is a hugely exciting growth opportunity! At Mercia Ventures we recognise the opportunities and challenges that US expansion represents and we want to do everything that we can to help you succeed on your expansion journey.



Julian Castelli



"The best indicator for coming to the US is to already have some established customers. My rule of thumb is to have five customers in place that you already service."

Bill Spruill, exited founder & Board advisor

What you need to know

The UK has a rich history of entrepreneurial expansion into the new lands of America dating from the late 1500s. Like those courageous explorers and settlers, today's technology founders and entrepreneurs see the United States as a large, expansive market brimming with opportunity - which of course, it is! Opportunity, however, is often elusive and rarely as easily unlocked as we all wish that it was.

The US is a vast market, but also a collection of multiple markets, states, regulatory systems and cultures. It is also the most competitive technology market in the world, creating innovative technology companies almost as fast as the opportunities for innovation present themselves.

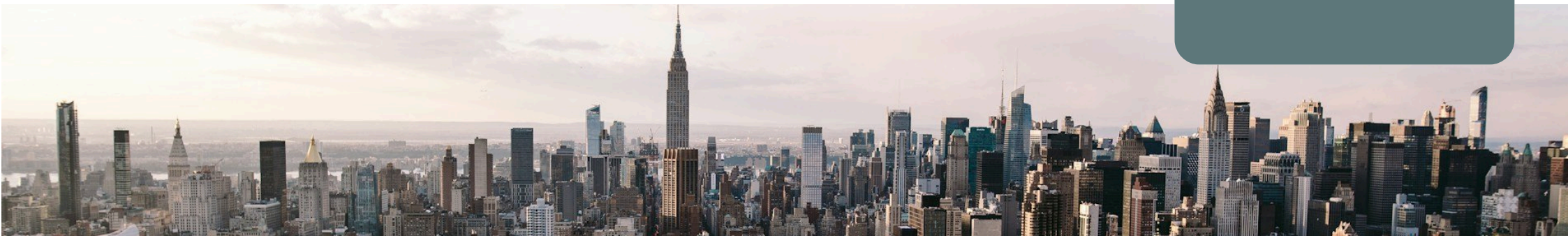
Despite this, expanding to the US is commonly seen as a natural next step for UK companies, thanks to the country's favourable market size and shared language. A significant number of UK-headquartered companies that put down roots in the US do however end up retrenching to the UK having found it challenging to replicate or build on their initial home market success in this new and very different market.

Why does this happen? And if you are seriously considering establishing a US presence, what steps can you take to increase your likelihood of success?



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Making the decision to pursue a US strategy



Should I stay or should I go?

Before developing a US entry strategy, your leadership team, with the support of your investors, must confirm that doing so is the right choice. Recognise that going to the US requires a substantial investment of time, money and resources. If you do not wholeheartedly see the opportunity nor embrace it, then the effort will eventually fail.

Factors in favour of going to the US

The existence of motivated management team that is hungry to grow

The favourable US market size

The potential to capitalise on a first-mover advantage

The presence of investors interested in acquiring technology like yours

Industry-specific advantages (for instance, the US is the largest worldwide market for medical products and services)

The US's culture of innovation

Access to the US's deeper start-up ecosystem and talent pools

Access to talent that may come with fewer long-term contracts and entrenched attitudes

Greater deal velocity in many sectors

Factors that suggest delaying a US entry

The inability to sustain the costs of making a serious play in the US, including the requisite leadership travel, on-site office expenses, US employee salaries and more

Existing market saturation of your offering in the US

The existence of other markets you should attempt before the US

The potential for challenges associated with the more litigious nature of the US, including required compliance with state-specific legislation such as the California Privacy Rights Act (CPRA)

An imminent exit in the next 2-3 years

A move that is being driven by investors, not management

If you have no inbound interest from US-based customers

Not yet sought professional legal, immigration and financial advice on establishment

One of the phenotypes I noticed as an investor, and as a banker, was that companies did well if the CEOs and leadership teams were always committed to being in the markets they were targeting. They didn't hang back.



Before making the move



NEXT
4 MILES





Your US strategy

According to Matt Little, Founder and CEO of Blue Ocean Insights, “If I think about the two or three companies I've personally been involved with, they had a clear vision as to what their strategy was throughout the US. Were they going to be a global company with US customers? Were

they expecting that, in 2-3 years, 60% of their customers will come from the US? You really have to think that out and then resource appropriately. Your whole go-to-market efforts to need to pivot.”

At the same time, it is important to remain open to adapting your strategy as you go. Glenn

Timms, an investor and plural chair of multiple venture-backed tech businesses, notes that, “I've seen quite a lot of businesses pivot off what's worked versus what hasn't and somewhere between modify and outright change their strategy.”

Relocating leaders to the US



Once you have determined that going to the US is right for your company, the question of how to properly balance investment in both countries arises.

In particular, one common question we hear from our founders is: “Do we need to have leadership on the ground in the US or can teams in the UK effectively lead & manage remotely?”

Understand that experts’ opinions vary on this topic:

- Experienced chair, Ross Miller, suggests that leaders should take the step of relocating to the US, “You have to appreciate that America is just a world all of its own. You've got to be prepared to

build a company there. You, as a CEO, have got to be prepared to go and live there. Because you've got to live and breathe it to make it successful; otherwise, it's a bit of an offshoot.”

- John Milad, on the other hand, has seen leaders successfully operate from the UK—if they can spend roughly 80% of their time traveling to the U.S.
- Glenn Timms believes you have to be prepared to do both. “You have to send people over, and you have to recruit behind them locally. Ultimately, you've got to build local.”
- Hiring a good COO or delegating to existing teams in the UK is

MERCIA TIP

Having leaders in the US means that you will need both systems and talent in the UK that can sustain operations in their absence. Hiring a good COO who can take the operational lift off the CEO is one common step.

important because the CEO/founder should be the one to go out and open the US operation via founder-led sales approach. Having the founder on the front line of the effort, will help make sure active feedback loops are in place and whatever efforts needed are invested in appropriately. The founder also can drive the US hiring this way. It’s important that there is alignment at both a management and cultural level.

Choosing a US headquarters location





Where are you headed?

When and where to establish headquarters

First, do not assume that you need a US headquarters right away. Yes, having an office on the ground establishes credibility while helping to bring employees together, generate excitement, and increase their buy-in, however, this move is expensive and is not necessary on Day-1, especially given the COVID-accelerated preference for remote work.

According to GTM growth advisor Simon Peel, “The dirty little secret is most US sales these days are done remotely; most clients prefer online meetings over in-person sales.”

He suggests that organisation size should factor into the decision to have (or not have) an office. “Look at the business plan, and if it’s 20+ people in the first year, look for a location,” he says. But if it’s going to be 5-7 people, they’re not going to benefit from travelling hours, just to sit in an office and look at each other.”

How to select a headquarters' location

Recognise that your industry does not necessarily lock you into a specific headquarter location. Let the following criteria guide your decision-making process:

- **Accessibility from the UK:** Collaboration between the UK and the East Coast of the US is generally easier than the West Coast due to time zones.
- **The depth of specialised talent in the area:** Does a given area have access to the skills you need? Where are your future staff likely to be based? Locating in a city where your competitors are based is actually a good idea as there can be better access to relevant talent.
- **State and local taxation:** Be aware of state-to-state differences in taxation (Delaware and Texas are common states for incorporating in the US for this reason). Get outsourced back-office support to assist with filings.
- **State-specific regulatory rules:** The majority of US states recognise non-competes but there are a few that totally ban these agreements such as Californian, North Dakota and Oklahoma.
- **Localised costs:** How is the cost of living in a given area? What about the cost of hiring local talent, compared to other areas? What is the average lease length in each area you are considering? Will employees be expected to travel extensively in the US – if so, centrally located hubs like Chicago, Dallas or Denver could be best. Regional variance: Is the local market primed for growth? Does the pace of life in the area support growth in your sector? If supply chain matters to you, does the area meet your requirements?
- **Ease of travel:** Locate your operations near an international airport with frequent, direct flights to the major US cities and business hubs. Also consider drive times to nearby cities when choosing a US HQ location.
- **Politics:** The variance of state policies on a wide range of topics may or may not align with a given company's culture and values.



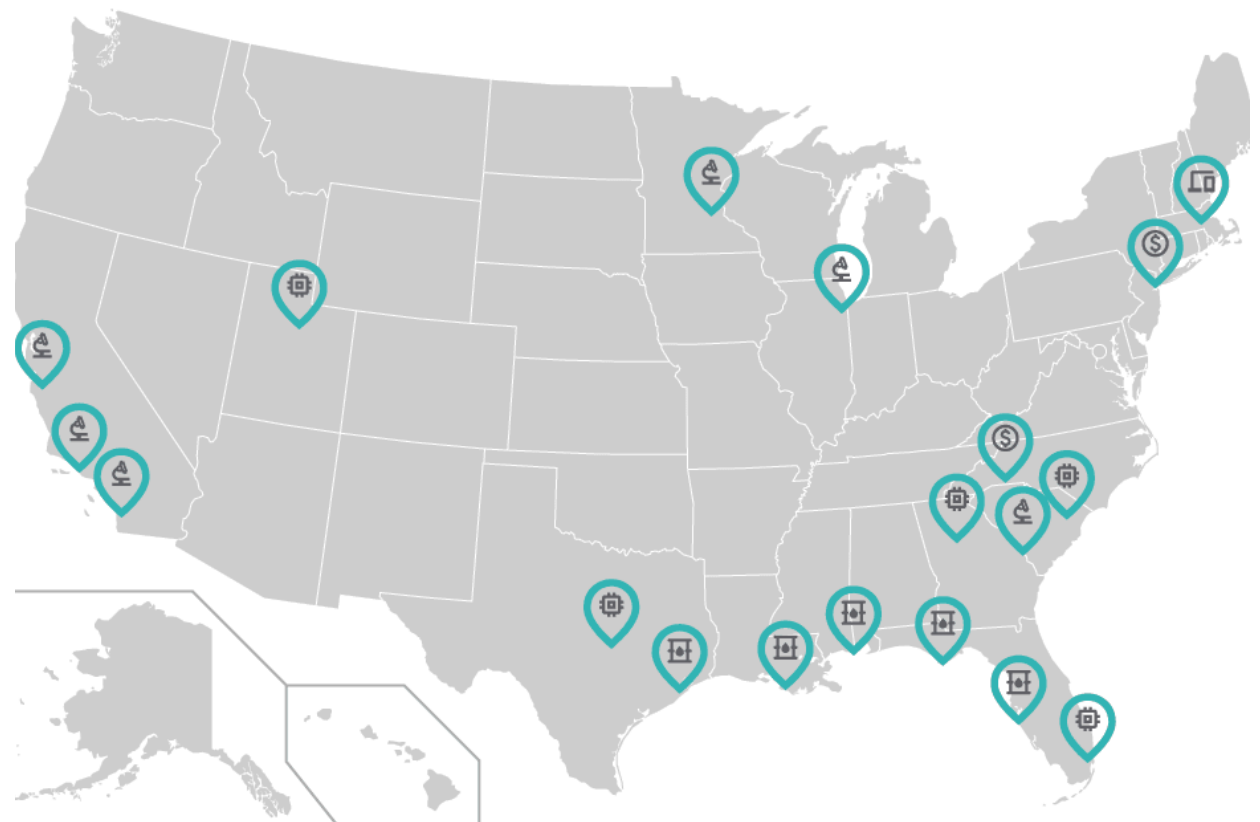
Location considerations: Think beyond Silicon Valley

While there is still opportunity to be had in the famed technology areas in the US, our experts recommend exploring the following alternative areas:

- **Technology:** Austin, TX; Salt Lake City, Utah, Research Triangle Park, NC; Atlanta, GA; Miami, FL
- **Finance:** New York, NY; Charlotte, NC
- **IT:** New York, NY; Boston, MA
- **Oil and Gas:** Houston, TX; U.S. Gulf Coast states
- **Biotech and Medtech:** Boston, MA; San Francisco, CA; Minneapolis, MN; Chicago, IL; Irvine, CA; San Diego, CA; Research Triangle Park, NC

To help you make decisions around location visit:

US Expansion Partners



"Generally speaking industry sector doesn't matter when choosing a city location. I built a global fintech company from Raleigh NC. Our best competitor in the market built their company in Vancouver. A good airport is a must, and frankly, coming from the UK it is best to set up shop on the East Coast due to the time difference.

"I recommend Washington DC, Charlotte, Raleigh, Philadelphia and Atlanta as cities with talent, reasonable costs and good airports." - Bill Spruill

Hiring in the US



Supporting your needs

Before opening up your first US position, consider whether or not you need to hire in the US at all. You may, for instance, be able to bring your UK talent to the US through L1 or E2 visas, though doing so can be difficult. If you do anticipate needing to bring on local staff, who should your first US hire be? And when should you hire them?

Emma Brown - Upscale Partners

There are important key differences between hiring in the US and UK/Europe. Here are a few pointers to think about:

- US hires can be expensive, sometimes double, before you factor in benefits like 401(k), family health insurance, dental cover, etc.

- In some US states, it is illegal to ask candidates what they are currently earning, so when interviewing, it is better to ask about their salary expectations instead.
- Likewise non-compete clauses are also illegal in some states and can often be met with pushback elsewhere.

- 'Off-market candidates' in the US are generally more open to exploring opportunities than their European counterparts. The US culture tends to be more focused towards personal progression, (although beware of this when thinking about employee retention perspective!).

- Notice periods are shorter (can be as little as two weeks) and so US candidates will likely be used to a fast-paced hiring process. Plan your interview process in advance, with a focus on maintaining efficiency and momentum.
- Be conscious of the more litigious culture...be extra careful not to ask anything that could be seen as discriminatory when interviewing. Make sure you seek the advice of a US-based employment lawyer when it comes to getting contracts in place.



Talent readiness

If your company wants to compete for top talent in the US, you had better be prepared to answer the detailed questions a potential employee may ask during the interview process. Being 'talent ready' to hire in the US market requires extensive pre-planning, research, and decision making.

Hiring talent in the US is very competitive and employees can be quite savvy on employment details. If you don't have firm answers on

candidate questions during the first interview such as "who is your health insurance provider?", "how much does the company contribute to my 401K plan?", "how do you calculate my employee stock options grant?", or "how may unused paid-time-off (PTO) days can I roll into the next year?" you will very likely not have an opportunity to interview that candidate a second time.

David Rose - US Expansion Partners

Before scheduling your first interview with a US candidate be sure to have answers prepared on a wide range of topics including:

- **Health Insurance:** carrier, employer contribution, employee rates, pre-tax plans
- **401K:** employer contributions, vesting schedule, investment options
- **Employee Stock Options:** strike price, exercise window, number of shares
- **Sales Policies:** commission structure, pay out schedule, splits, ramp up period
- **HR Policies:** remote work, PTO rollover, performance reviews, raise cycles
- **Travel & Expenses:** travel budget & policies, expense management platform.



‘At will’ employment

In the US there is a doctrine known as “at will employment” that allows employers to terminate employees at any time and allows employees to leave their job at any time. Employment contracts with defined periods of time that are common in other parts of the world are not common in the US.

Don’t use the term “employment contract” when talking to a potential hire as they may find that language confusing. In the US an offer of employment is extended through an “offer letter” that outlines the basic job title, start date, compensation, benefits, location, and reporting structure.

In the US it is also common to include confidentiality, non-disclosure, and/or intellectual property assignment provisions or side agreements with the offer letter. Additionally, most offer letters include contingencies (background check for example), an offer expiration date and an acceptance section for the candidate to sign and return indicating their acceptance of terms.



When should you make your first hire?

Bill Starr, Managing Director at Starboard Services Inc., suggests that **“You can manage \$1 million out of the UK with your executive team there. I wouldn't hire anybody until you could support it financially with the clients that are in the US.”** Simon Peel offers a different take, stating that you should hire locally, **“as soon as you feel you have product-market fit.”**

In any case, remember that it will take time for your new US team to get up to speed. Plan on needing to fund your operations for at least 3-6 months before you see any revenue from them.



3-4 months

Before you will see any revenue from new starters.

c.£110,000 p/a

Typical salary of software developer in the US. In the UK it is c.£47,500

25 days

Is typically paid for leave in the UK. In the US it is 10 days.



Who should you hire first?

Most UK businesses imagine starting with a US sales hire, but is that the right move? Here are some pros and cons for organisations' most common first hires:

Salespeople: Be aware that, in the US, salespeople receive much higher compensation than in the UK, and too many of them expect to be fed a steady stream of opportunities. If a sales hire is critical to your organisation, look for what Simon Peel describes as a 'player/coach' who can find the secret sauce for selling your solution then train others, rather than an individual sales rep who won't scale.

Tech roles: In most cases, there is no reason to rush hiring these roles in the US, unless having technical pre-sales on the ground is important. Often, it is better to wait until you have a proven sales strategy in the US.

Product managers: Product managers may be helpful to have on hand to support the development of US-specific product offerings.

Who you shouldn't hire first: Hiring a senior executive to lead your US company launch is often a mistake. Though they bring experience, they likely haven't started a new company and may miss early product-market fit signals. They might also struggle without a large staff and budget. These hires are costly, prone to failure, and can delay a successful US market launch by months or even years.

Adapting your GTM strategy



Don't get lost in translation

Your UK offer and GTM strategy may translate to the US market, though several factors could suggest the need to adapt your approach.

For example, take your cost structures. Your US pricing strategy needs to account for the additional costs of doing business in the US. Fortunately because the US cost of living is higher, higher costs are often more accepted or expected. That said, expectations around scale can impact your pricing, as companies licensing seats for 10K+ users may expect larger volume discounts than you would encounter in the UK.




US sales strategy

- Money-driven, with benefits defined in dollars and cost-savings
- Reference selling is more impactful
- Americans like to connect directly with the C-Suite
- Technical founders are often better received than sales founders
- Americans are more serious and less likely to gather informally outside of work hours
- Less friction; deals can often move more quickly.

US marketing strategy

- Value prop language may change
- Preference for localised marketing (including having a .com website, US SEO agency, US support hours, and US English documentation)
- Service providers can be strong network connections and referral partners
- Conferences and networking events are especially impactful.



“One thing I've started to see is that American companies at series A or B are already thinking about reimbursement, market channels, value-based or risk-sharing commercial models—they're very up-to-speed with the US health systems.”

John Milad

Multiple markets

The key to understanding how to adapt your strategy is to recognise that the US is not a single market, but a collection of multiple markets.

“Don't assume the US is a larger UK,” says Matt Little. “I'm generalising broadly, but I don't see a huge difference between a customer in Edinburgh and a customer in London. But a customer in New York and a customer in California can be quite different, and the way they want to do business can be quite different as well.”

Glenn Timms agrees, stating, “Even if you're in the US, if you're based in Chicago, or New York, or somewhere, if you're trying to penetrate Texas, you may not have the local knowledge to do that.”

Getting support for your US expansion

Ultimately, going to the US can be a major opportunity for UK brands. Not only is there significant value in US markets, but going multinational has the potential to increase your valuation dramatically.

The caveat, of course, is that you need to be prepared to develop a sound US strategy and spend the money to properly implement it. Without proper investment and infrastructure development, you risk your US expansion becoming a peripheral activity that consumes resources but does little to help you actually grow.

US demand generation & marketing

There is a common misperception that salespeople in the US possess magical abilities and can sell 'anything to anyone.' However, their true expertise lies in selling themselves. Following an initial interview, you might assume that once you hire such an individual, they will automatically generate millions of dollars in annual licenses for your product.

In reality, the US market is highly competitive, and selling—even for great products—can be challenging. The best salespeople excel at guiding qualified leads through the sales process to successful closures. These top performers are typically bolstered by a consistent stream of inbound leads generated through demand generation campaigns and pre-qualification efforts by sales development representatives.

Failing to provide salespeople in the US market with a steady lead flow is a critical mistake. US sales professionals are an expensive resource and retaining them will prove difficult if they are not achieving sales and earning commissions. Proper planning and budgeting for lead generation are essential for successful selling in the US market.



With thanks to our contributors

We could not have provided such in-depth insights and contributions without the support of our network of experienced operators and non-executive directors.



Emma Brown - Upscale Partners



Adam Lovell - Mercia Ventures



John Milad - ERS Genomics



Ross Miller - Audacia Consulting



Simon Peel - Growth Strategy
Ventures



David Rose - US Expansion Partners



Bill Spruill - nCino, Inc



Bill Starr - Starboard Services Inc

If US expansion is on your horizon, then Mercia Ventures can help. Reach out to our team for further information or support.

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