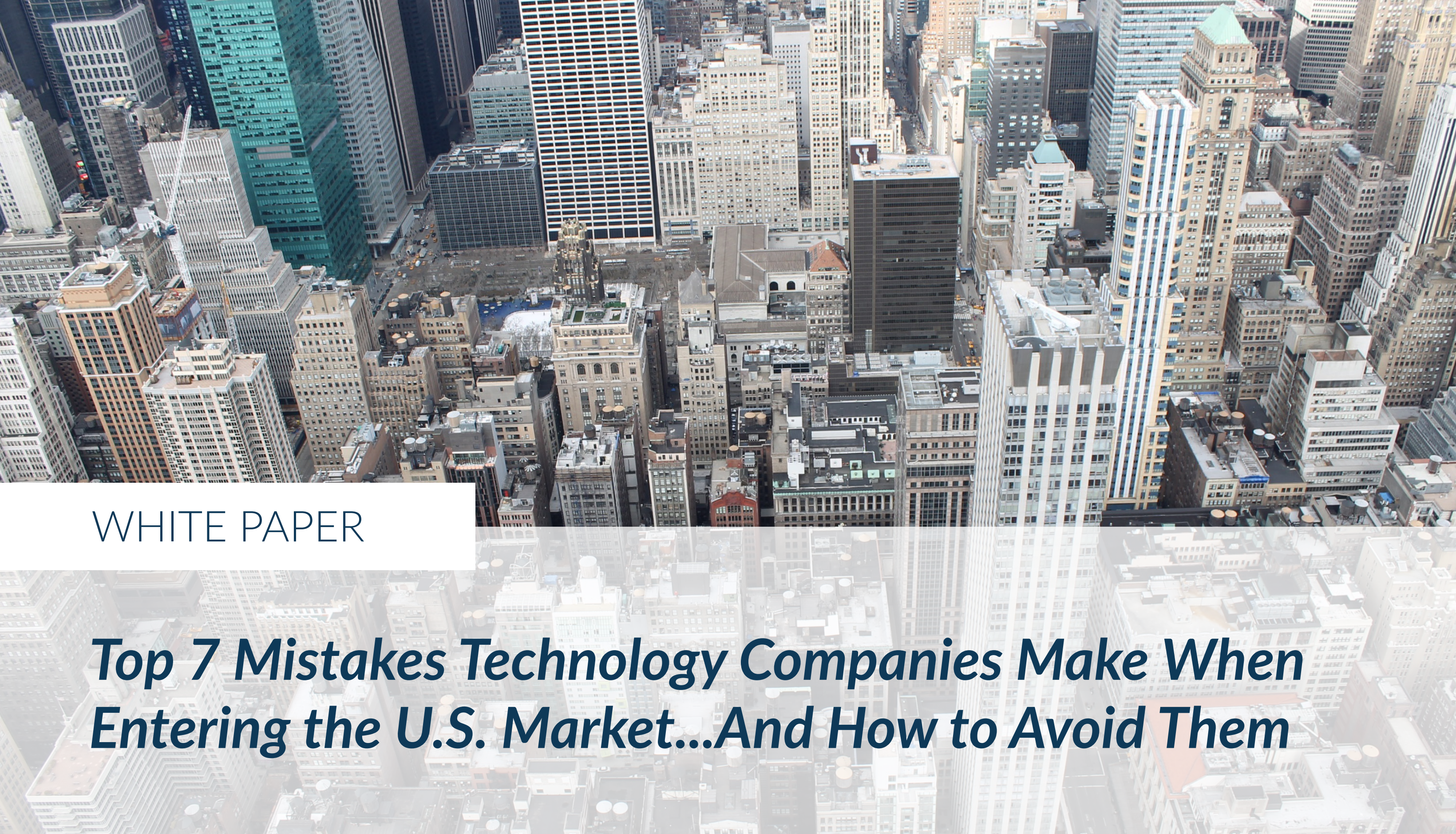


WHITE PAPER

Top 7 Mistakes Technology Companies Make When Entering the U.S. Market...And How to Avoid Them

Over the past nine years, 151 Advisors has helped dozens of international technology companies successfully enter the U.S. market. Those companies all had a few things in common. They were convinced their application, product or service would be the next big thing and they believed it would be simple to set up shop with or without a physical presence, support sales, and customers, market to their targeted audience and build a business in the U.S.

They all quickly learned that entering the U.S. market isn't that easy. In fact, it's rare for international technology companies to enter the U.S. market as quickly, cost-effectively and profitably as they assumed. That's why so many now turn to 151 Advisors to ensure that their U.S. strategy delivers maximum revenue and shareholder value.

The 151 Advisors team has more than 150 years of combined experience building profitable companies in technology sectors such as mobile, cloud, consumer and enterprise software. In the process, we've identified the seven pitfalls that frequently derail international technology companies' expansion into the U.S. market. This white paper describes those seven pitfalls and how to avoid them.

Top 7 Mistakes Technology Companies Make When Entering the U.S. Market

1 LIMITED OR NO FUNDING FOR MARKETING AND SALES

International companies typically underfund their U.S. marketing and sales programs. The most common reasons are:

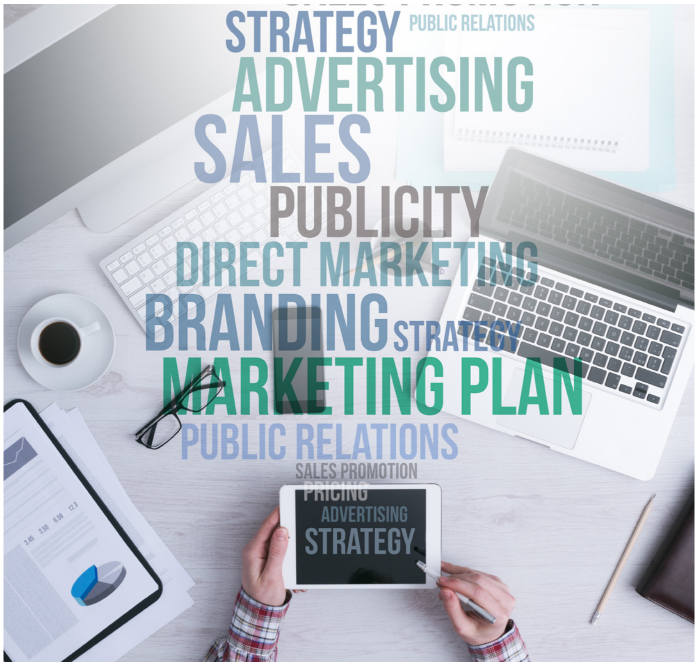
- Executive management is reluctant to spend money in their home market, let alone a new territory. With limited or no funding for PR, basic marketing, trade show participation and direct marketing programs, international companies rarely generate the "buzz" and brand awareness necessary for a successful launch. As a result, their U.S. operations struggle – or even fail – to drive revenue and build market share.

- Execution management believes sales can be generated by commission-only U.S. sales rep firms and agents, so they're unwilling to invest in any real sales efforts. Management also believes that because they've been successful internationally, there's no need for U.S. specific branding, PR, and marketing.

- Executive management underestimates the amount of time, effort and funds needed to generate leads for their company and its sales channels, or they believe that a lead-generation plan is unnecessary. Direct and indirect sales teams require a constant feed of warm prospect leads, and those aren't possible when the company lacks a focused and funded marketing plan.

SOLUTION

The 151 team has the market and industry research resources to evaluate the market opportunity, competitors and growth areas to prepare U.S. market launch strategies based on the company's financial resources and how fast or slow they want enter the U.S. Once the strategy and budget are defined, we create a detailed marketing plan focused on establishing a market presence that allows us to quickly secure new customers and revenue. The 151 team then prepares and executes a tactical go-to-market sales plan that includes either a direct and/or channel-focused program with the client's support.



2 THE WRONG SALES TEAM LEADERSHIP

One of the most crucial decisions an international company needs to make when it decides to enter the U.S. market is, who will drive new business development and lead the sales team? Several options are usually considered:

- Relocate an existing executive to the U.S. and start the visa process. This strategy seems ideal because that person knows the company, the products, the people back at headquarters and the challenges in front of them. But that person often doesn't know the U.S. market's nuances, such as the competitive environment and the available sales channels. He or she also usually does not have existing enterprise, channel or distribution relationships that are critical to success.

- Use a manufacturer rep firm or independent agent, such as one that reached out to the company via email or stopped by its trade show booth and provided a program outline. Going this route means the company is betting its U.S. brand recognition, market share and revenue on a firm or agent it's never worked with before. Sometimes the company selects a capable firm or agent but still, suffers from a botched launch for reasons such as miscommunication or simply overpromising and under delivering. That can lead to additional delays and revenue losses if hard feelings and finger pointing stand in the way of quickly resolving the problems.

- Hire someone who's already based in the U.S. This strategy can pay off if the person knows the industry's competitive landscape, can quickly master the company's portfolio and has the relationships necessary to line up sales channels and close sales. Such people often are hard to find and expensive to lure out of their current position. Even then, the perfect hire doesn't guarantee success. For example, he or she could be undermined by headquarters' delays in making decisions or difficulty explaining why strategies that worked in other countries won't work in the U.S. In these situations, the new hire usually spends more time on communication issues with headquarters rather than focusing on finding new customers.

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3 DIFFICULT NAVIGATING THE LEGAL AND REGULATORY ENVIRONMENT

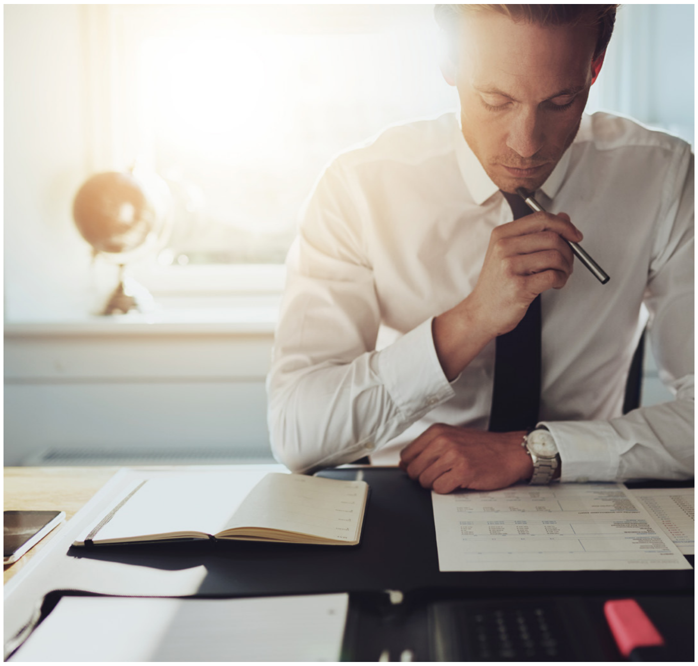
The Internal Revenue Service, the Federal Communications Commission (FCC) and Underwriters Laboratories (UL) are just a few examples of the government agencies and other organizations that technology companies typically interact with once they expand to the U.S. All companies have to follow the state and municipal laws and potentially pay state and local sales taxes in more than 9,000 jurisdictions. It takes a significant amount of time and resources to identify all of the relevant government entities and their applicable requirements, such as:

- Patents, copyrights and other product protections.
- Establishing the U.S. business entity in one or more states. The location also affects whether and how much tax needs to be levied on Internet sales.
- Labor laws, including how those laws determine whether a person is an employee rather than an independent contractor. That's particularly important for tech companies, which frequently use contractors to avoid the cost and lead time of hiring staff with highly specialized skills such as radio frequency (RF) engineering.
- Restrictions on the types of digital content that can be sold to minors and protections against children running up big bills using their parents' app store accounts.

International companies new to the U.S. are frequently bewildered by the legal and regulatory environment. That can lead to problems such as a launch delayed at the last moment because the necessary business licenses weren't obtained or steep fines because products aren't in compliance. One example is the FCC's Part 15 rules, which govern RF emissions from electronic devices.

SOLUTION

The 151 team works with a vetted list of strategic accountants, attorneys, public relations firms, certification houses and others with the expertise necessary to ensure a successful launch and beyond. These third parties typically provide those services at a lower cost than if the company's U.S. division created internal legal and regulatory teams.



4 STRATEGIES AND COLLATERAL THAT IGNORE CULTURAL DIFFERENCES

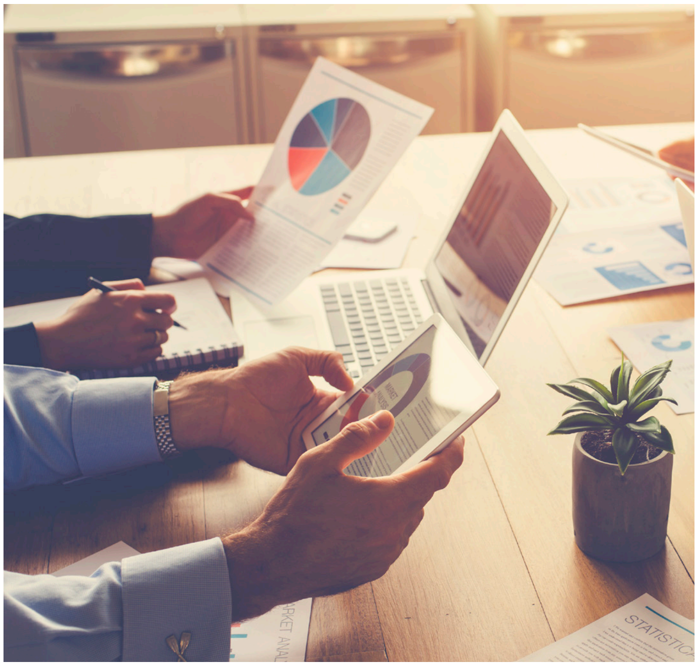
Sales, marketing and other strategies that were successful in Asia, Europe or Latin America often don't work when they're applied to the U.S. without revisions to reflect U.S. market nuances. When international technology companies successfully expand to the U.S., it's typically because they took the time to understand the market's attributes and then developed their strategies accordingly. This is no different than when U.S. companies expanding into Europe, Asia or the Middle East. They typically hire an experienced guide to help them navigate the market nuances.

For example, technology companies worldwide frequently rely on social media to build awareness of new products and promotions. The type and amount of social media usage varies significantly not only between European countries but also among demographic groups within those countries. Savvy European technology companies understand and leverage those differences as they expand across the content. Yet when they're ready to expand across the Atlantic, those companies often stumble because they try to force-fit a European strategy to the U.S. instead of analyzing its diversity for market opportunities.

Often this mistake is accompanied by another: re-using sales and marketing collateral from Asia, Europe or Latin America. The result is that not only is the messaging wrong for the target audience; it's also baffling because the translation process didn't include identifying and removing colloquialisms and sayings that only make sense to the original audience. Spelling and grammatical errors also often undermine potential customers' confidence and make them less willing to try a company they've never heard from. When an international company makes a poor first impression, it's even more difficult and expensive to build mind share and market share.

SOLUTION

The 151 team analyzes clients' strategies, website, and collateral and works closely with the client to ensure that everything from messaging to grammar will resonate with a U.S. audience. We help determine the market size and trends, market-entry issues, import requirements, certifications and prepare a complete a competitive analysis which helps us develop a clear go-to-market strategy that's in sync with stakeholder's goals and objectives. This is followed by our review of all customer-facing materials, a process that includes helping localize company and product presentations, product data sheets, product manuals, user guides, license agreements, and website.



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5 FAILURE TO LAUNCH PRODUCT QUICKLY

Innovative and disruptive technologies have a limited period of time to establish a market before competitors can respond. U.S. companies fully understand and exploit this window of opportunity, which means new entrants from abroad must be equally savvy.

Innovation is a messy process simply because breaking new ground means companies can't fall back on what's worked before. As a result, innovative products often have a long gestation and difficult birth. That's true in any country, but this challenge is even greater when an international company wants to use a disruptive product to highlight its entry into the U.S. market. As a result, the company often tinkers with that product longer than necessary because its goal is utter perfection. Tinkering often means more time for competitors to develop and launch products that are good enough in the eyes of customers. If those products are in a category where contracts are the norm then the one that captivates the U.S. market's attention first will lock in those customers for a year, two years or longer.

SOLUTION

The 151 team shows companies how to balance engineering and marketing to minimize time to market and revenue. By identifying when a product has enough market-differentiating features to drive mind share and market share, a company can distinguish itself from legacy systems and obtain market share while also positioning itself as the new standard against future direct competitors.

6 THE WRONG LOCATION

Ask a company's management why its global headquarters is in a particular city and they'll list reasons such as infrastructure, access to talent and the cost of doing business. Yet, international companies often don't apply the same thorough analysis when selecting the location(s) of their first U.S. office(s).

Locations that initially appear ideal don't always turn out to be that way. For example, international tech companies often flock to Silicon Valley because they believe that's where all of the top talent is or that the address gives them more credibility with potential partners and customers. Sometimes that turns out to be the right choice. But Dallas could be a better fit if the company is developing telecom products or Boston if it's targeting telemedicine. Even time zones are a factor: It's easier for the staff at the Tokyo headquarters to collaborate in real time with the U.S. team if they're based in San Diego rather than Boston.

SOLUTION

As part of the initial industry and market assessment, the 151 team will determine the geographic areas in the U.S. with the greatest sales potential for the company's product or service. The 151 team will suggest locations that are in line with customer and revenue objectives that also minimize operating and travel costs while executing the go-to-market plan.

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7 UNREALISTIC FINANCIAL EXPECTATIONS AND ASSUMPTIONS

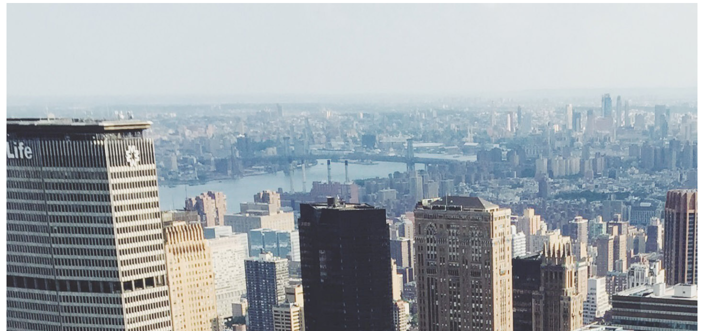
This problem often is twofold. The company sets out with overly optimistic revenue expectations, typically due to the high cost of launching a venture in a new country. These expectations then wind up dictating prices so high that they shrink the product's addressable market.

These problems inevitably lead to other problems. When initial sales are so low that revenue is nowhere near the target, the company's global headquarters often has a knee-jerk reaction, such as replacing U.S. management, scaling back operations to save money, pumping in more money or abandoning the market.

To develop realistic revenue targets and pricing, international companies must understand the U.S. market's nuances, from taxes and other costs of doing business to what the target demographics are willing and able to pay. The aforementioned quest for the perfect product sometimes deludes companies into believing that people or businesses will be so impressed that they'll pay anything to have it. Another common pitfall is underestimating start-up costs, such as establishing sales channels and building brand recognition.

SOLUTION

The 151 team will prepare a market and industry report that defines the market size in terms of units and dollars and identifies the competitors. This is followed by a detailed competitive analysis of the competitors, their products, and pricing as well as the go-to-market strategies. Armed with this information, the 151 team will define the go-to-market approach and work closely with the client's product marketing team to establish the pricing structure for the company's products or services. In many situations, the recommendation is to raise the product or service pricing.



INTRODUCTORY CONSULTATION

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