Expanding to the US

The playbook for European founders

#DestinationUSA

Index Ventures

The Hand Books
Number Three

Expanding to the US

The guide for European entrepreneurs

Methodology

25
25 years of
Index's experience

353
Analysis of 353
VC-backed startups
that have expanded
into the US over the
last 10 years

23
In-depth interviews
with the founders of
23 European companies
at different stages of
US expansion

11
Including
11 unicorns

33
Deep-dive research
into 33 European
unicorns that have
succeeded in
the US

Europe is creating more and more US winners

Europe is not short of examples of success stories, including two tech leaders, Adyen and Spotify, approaching $50bn valuations

	unity	outsystems
	Spotify	UiPath
	HelloFRESH	Klarna.
	blueprism	grammarly
	SITECORE	Tradeshift
	hotelbeds	pipedrive
	adyen *	celonis
	SUPERCELL *	DARKTRACE
TeamViewer	NET-A-PORTER *	GitLab
SUSE	SOPHOS	mimecast *	GRAPHCORE
Business Objects	Skype *	criteo. *	FARFETCH	Collibra
Booking.com	MySQL *	King *	elastic *	Transfer

Exit year	Up to 2004	2005–2009	2010–2014	2015–2020	Not exited

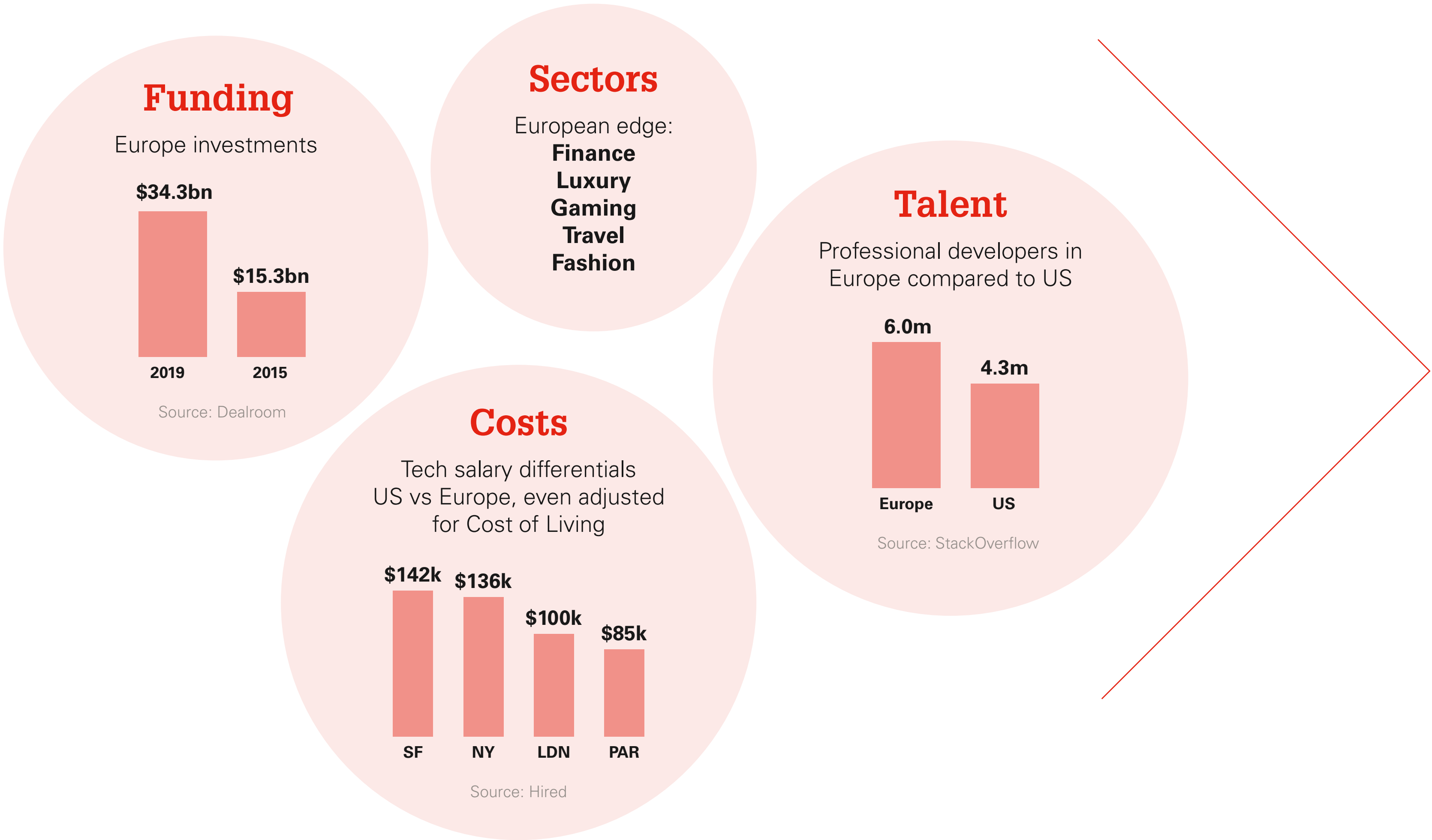Read our handbook to find out more

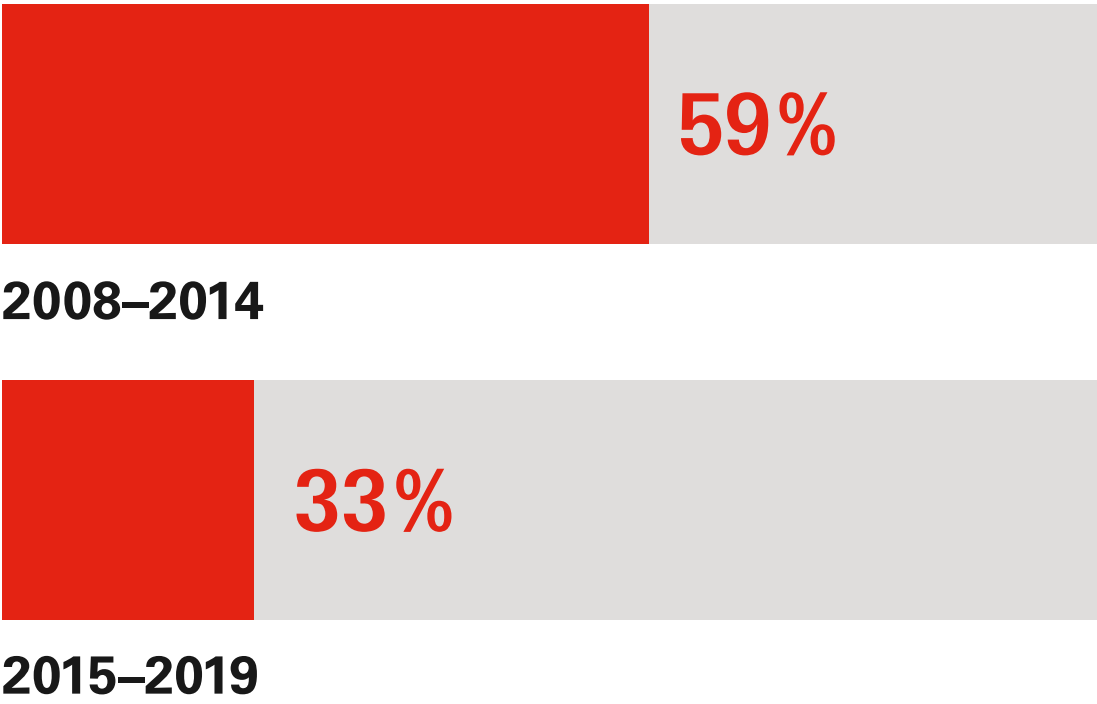* Companies that Index have invested in   4

The European landscape has dramatically improved

Startups are taking advantage of this evolution and 'building out of Europe' before expanding to the US

Funding
Europe investments

$34.3bn

$15.3bn

2019   2015

Source: Dealroom

Sectors
European edge:
Finance
Luxury
Gaming
Travel
Fashion

Costs
Tech salary differentials
US vs Europe, even adjusted
for Cost of Living

$142k **$136k**
$100k **$85k**

SF   NY   LDN   PAR

Source: Hired

Talent
Professional developers in
Europe compared to US

6.0m
4.3m

Europe   **US**

Source: StackOverflow

US expansion is happening later

59%

2008–2014

33%
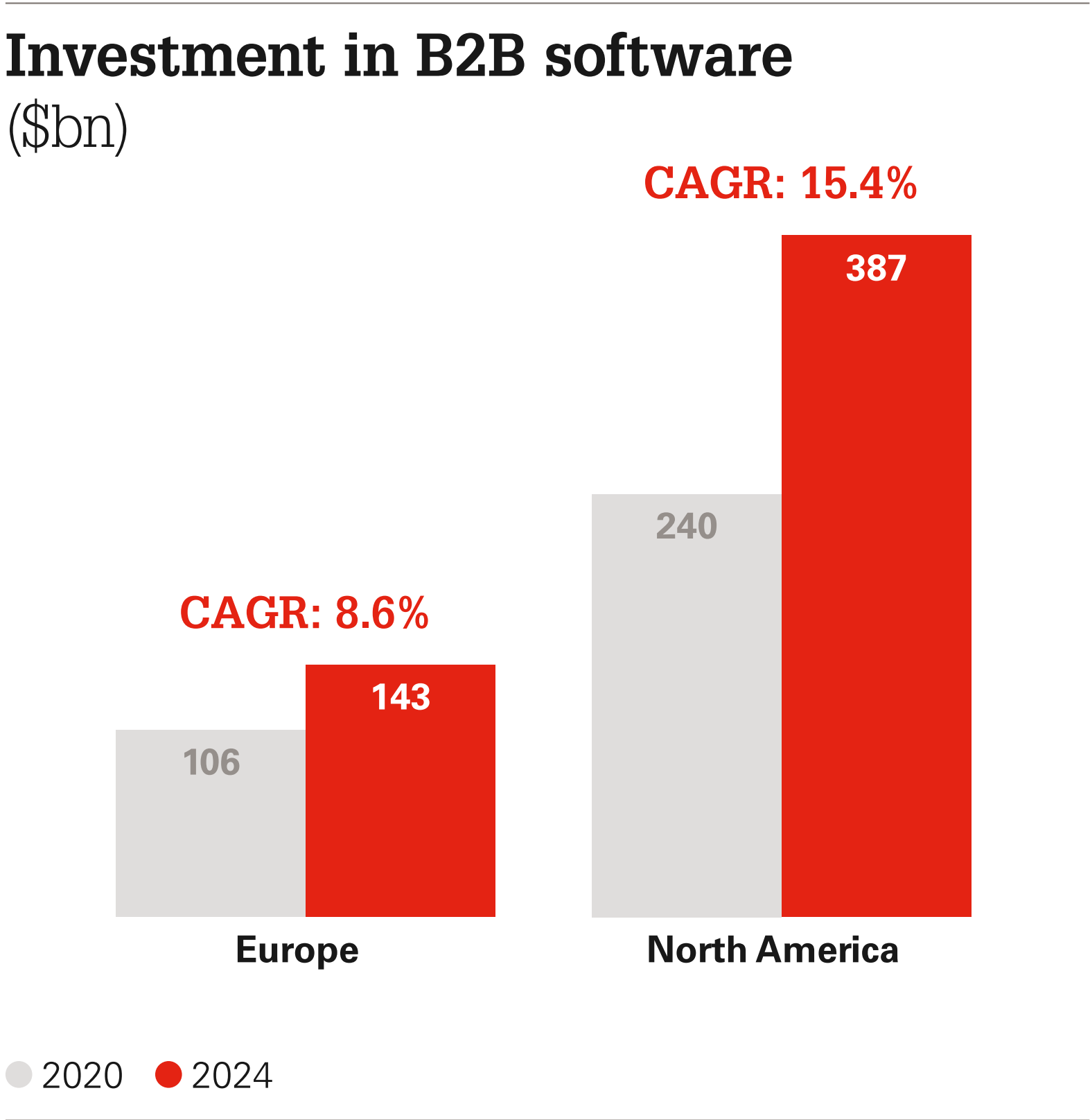
2015–2019

● Preseed + Seed   ○ Series A+

Index Research. Total sample size =

5

ABNASIA.ORG

In one area Europe continues to slip behind

Corporations are too conservative when it comes to innovative technology
This forces B2B startups to pivot to the US, and away from Europe

Investment in B2B software
($bn)

CAGR: 15.4%

CAGR: 8.6%

387

240

143

106

Europe

North America

● 2020 ● 2024

Source: Gartner

"The biggest difference in the US is that enterprises see the value of paying more for software."
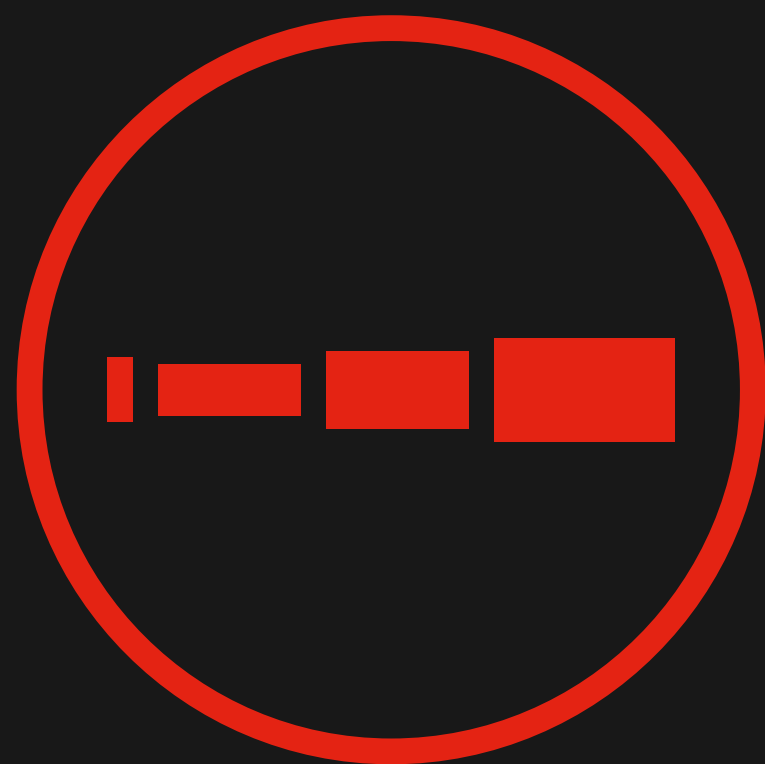
Felix Van de Maele
CEO, Collibra

"We've just landed a European blue-chip after 3 years. In the US, the same decision would have taken 3 months – they are just more open to innovation."

Sacha Hermann
CFO, Nexthink

ABNASIA.ORG

Your startup will match one of our expansion archetypes

Index Ventures has identified four distinct organisational templates

Telescope

Compass

Pendulum

Anchor

Discover your archetype

R&D will remain in Europe, but the location of GTM teams and leadership will vary

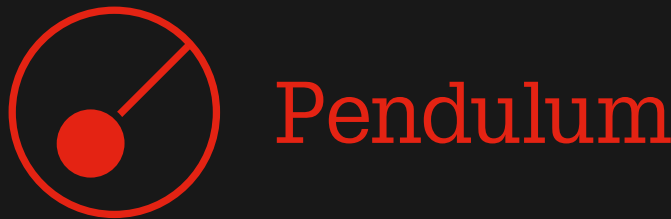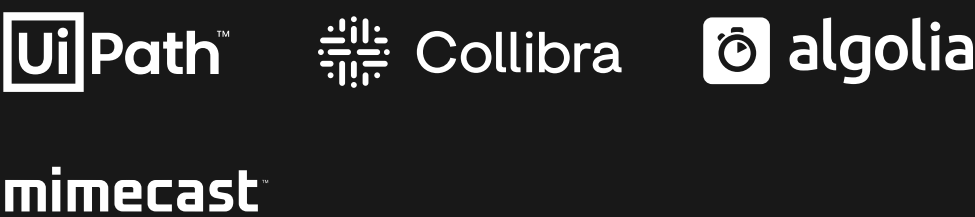| Telescope	Compass	Pendulum	Anchor
Focus on US through a lens in Europe	**Built in Europe, Sold in the US**	**Distributed customers, Distributed organisation**	**Tethered, like an anchor, in Europe**

- This is the main archetype for startups when distribution is self-serve, or through app stores or digital marketing channels.

- The US might represent a large portion of your total addressable market.

- But most leadership and headcount remains in Europe.

- Compass is the main archetype for enterprise software startups, but is much rarer for consumer-oriented startups.

- US market representing >50% of TAM.

- Organisation and leadership pivots to the US.

- Pendulums are usually companies that have delayed their launch into the US market.

- US market representing 30-50% of TAM.

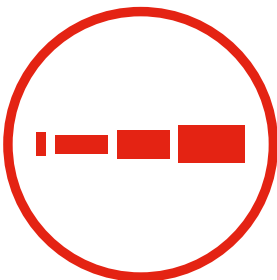- As traction builds in the US the organisation needs to become distributed.

- The Anchor archetype is common where US expansion comes later in the journey.

- US market representing 15-30% of TAM.

- Organisation and leadership remain in Europe.

King   Lemonade   Typeform   pipedrive

UiPath   Collibra   algolia   mimecast

Spotify   criteo.

FARFETCH   adyen   ...ansfer...

View our ExpansionPlan app

8

Telescope Archetype – US expansion journey

Focus on US, through a lens located in Europe

	Series A	Series C	Series E
REVENUE (Total)	**$2m** 50% US	**$30m** 57% US	**$120m** 55% US
HEADCOUNT (Total)	**12** 0% US	**250** 12% US	**800** 15% US
LEADERSHIP	• All in Europe	• All in Europe, except US [VP Business Development]	• Mostly Europe US [VP Business Development] [VP Customer Support]
FUNCTIONS	• All in Europe	• All in Europe except BizDev team in US	• Mostly in Europe, ~~BizDev~~ team, plus % of ~~Customer~~ Support, and Fina~~nce~~

📕 Discover the full Telescope journey

9
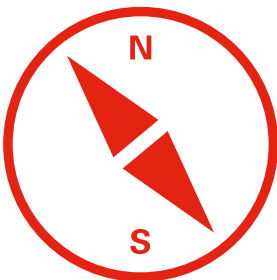
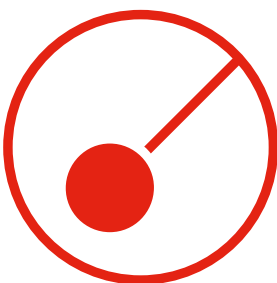# Compass Archetype – US expansion journey

Built in Europe, sold in the US

	Series A	Series C	Series D
REVENUE (Total)	**$2m** 10% US	**$15m** 33% US	**$60m** 60% US
HEADCOUNT (Total)	**12** 0% US	**100** 20% US	**500** 40% US

LEADERSHIP	Europe (founders only)
	 `CEO` `CTO`
		Europe
		 `CTO` `VP Product`
		 US
		 `CEO` `CRO` `CMO` `VP Sales`
			Europe
			 `CTO` `VP Engineering` `VP Product` `GM EMEA`
			 US
			 `CEO` `CRO` `CMO` `CFO` `VP Sales` `VP Customer Success`

FUNCTIONS	• All in Europe	• R&D in Europe • G&A in Europe • GTM increasingly in US	• R&D in Europe • G&A mostly US • GTM mostly US

Discover the full Compass journey
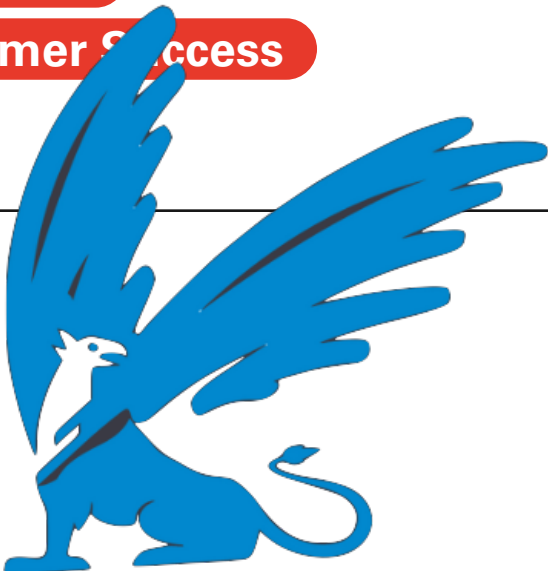
Pendulum Archetype – US expansion journey

Distributed customers, distributed organisation

	Series A	Series C	Series E
REVENUE (Total)	**$2m**	**$30m**	**$120m**
	0% US	**12% US**	**30% US**
HEADCOUNT (Total)	**12**	**250**	**800**
	0% US	**10% US**	**20% US**
LEADERSHIP	• All in Europe	Europe CPO CTO • Others distributed between Europe and US	• Distributed between Europe and US
FUNCTIONS	• All in Europe	• R&D in Europe • GTM, G&A distributed	• R&D in Europe • GTM, G&A distributed

Discover the full Pendulum journey

Anchor Archetype – US expansion journey

Tethered, like an anchor, in Europe

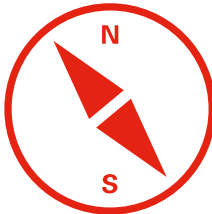|	Series A	Series C	Listing
REVENUE (Total)	**$2m**	**$30m**	**$200m**
	0% US	0% US	20% US
HEADCOUNT (Total)	**12**	**250**	**1200**
	0% US	2% US	17% US
LEADERSHIP	• All in Europe	• All in Europe, except **Landing Team**	• All in Europe, except **US President**
FUNCTIONS	• All in Europe	• Mini-org in US across all GTM functions	• R&D in Europe • Mirror-org in US across all GTM and G&A functions

Discover the full Anchor journey
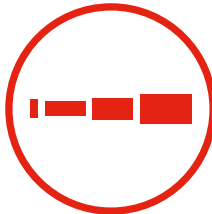
12

Use your archetype to decide when to expand

Typical timing for US expansion, for each archetype

Funding Round	**Series A**	**Series B**		**Series C+**
	Compass	Telescope	Pendulum	Anchor

However three factors may hold back expansion

i) Localisation & regulation

- If you need to acquire licenses to operate, or if you require extensive product localisation, US expansion could be delayed by 18m+

ii) Competitive environment

- Having strong US competitors requires more product differentiation and fundraising ahead of expansion

iii) Human & financial capital

- You need sufficient bench-strength in your team to tackle growth across two continents

- You may also need a Series B or C fundraise to support rapid US roll-out

> "The US isn't a simple, single market. People flagged this to me, but I didn't fully appreciate it until I experienced it. Each state has its own regime, and our compliance team had to pitch each one separately, in-person, for regulatory approval."
>
> **Joe Cross**
> Former GM US, TransferWise

> "The US is much more competitive, and the companies you compete with there are much better, and much better-funded."
>
> **Samir Desai**
> CEO & co-founder, Funding Circle

Read our handbook to find out more

14

Qualifying the US market — our ten step guide

1 Create a research brief

- 3-4 month timetable
- Value chain comparison
- Customer research
- Competitor research & positioning
- Product localisation
- Location recommendation
- Regulation
- Operations (legal, financial, HR, IP, subsidiary, etc)
- Pre- and post-launch timetable
- Year one budget, and staffing plan

2 Find a researcher

3 Assess product readiness

4 Create a US squad and communicate regularly

7 Go/No-Go Decision

6 Draw up a budget

5 Conduct US research in-market

8 Select and prepare your landing team

9 Create launch plan

10 Anticipate pl__ for "quadruple-____n" success

Read our handbook to find out more

15

Set up your US hub in New York, the Bay Area or Boston

Weigh up customer locations, your sector, time zone, talent, cost and personal networks while making this decision
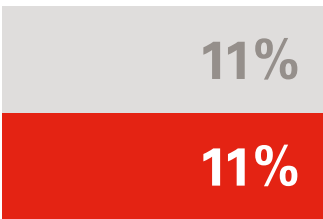
Where do European startups set up?

● 2008–2014   ● 2015–2019

New York
- 37%
- 44%

The Bay Area
- 37%
- 28%

Boston
- 11%
- 11%

New York
- Hub for Finance, Fashion, Media
- 6-hour time difference
- Magnet for talent
- Super-expensive

The Bay Area
- Silicon Valley!
- By far deepest tech talent pools
- Early-adopting customers
- 9-hour time difference
- Super-expensive

Boston
- World-class research universities
- Strong SaaS heritage
- 6-hour time difference
- Good lifestyle for families

"Developer tech is best done in the Valley, everything else can be done as well or better elsewhere."

Ari Helgason
Index Ventures

Read our handbook to find out more

Top leadership talent is concentrated in these 3 hubs

- 60% of proven SaaS execs are to be found in the San Francisco Bay Area, with 15% in each of New York and Greater Boston

- For B2C executives, approximately 60% are in the San Francisco Bay Area, 25% in New York, and 15% elsewhere

SaaS scaling journey – leadership talent pools	
Stage of scaling (ARR as a proxy)	**Number of experienced executives (e.g. CRO, CMO, SVP Sales)**
Early (Series A-B) $0-15m	1,500 proven US candidates 60% in the Bay Area
Middle (Series C-D) $15-75m	500 proven US candidates 70% in the Bay Area
Late (Series E to listing) $75m+	150 proven US candidates 80% in the Bay Area

"If I were rating the concentration of B2B leadership talent, the Bay Area is a 10, New York is a 7, and Boston is a 5."

Mannie Gill
Renovata & Company

Read our handbook to find out more

17

ABNASIA.ORG

Open a secondary hub once your US footprint grows

Secondary hubs offer lower-cost locations for your support functions including SDRs,
inside sales, customer support, and operations (billing, compliance checking, etc)

**Selection of
secondary hubs
in the US**

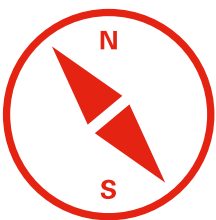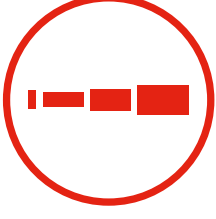| City, State	US-born secondary hub	European-born secondary hub
Denver, CO	Robinhood, Slack, Datadog, Freshworks, StackOverflow	Trustpilot, MOO, Funding Circle
Austin, TX	MongoDB, Airtable, Miro, Restaurant365	UiPath, Unity, Blue Prism, Darktrace, Beamery
Atlanta, GA	Square, New Relic, PagerDuty	Collibra, Algolia, Alfresco
Tampa, FL	Drift, Asure	TransferWise, TeamViewer, Scytl
Phoenix, AZ	Prosper, Opendoor, Oscar Health	Lemonade
Raleigh-Durham, NC	Indigo, View	Celonis
Dallas/Fort Worth, TX	Splunk, Blue Apron, Peloton	HelloFresh
Columbus, OH	Quest Software	Klarna
Nashville, TN	Warby Parker, Lyft, Eventbrite, Houzz	

"We had a lot of success hiring outside of SF in hubs like Austin, New Jersey, Chicago and Phoenix with advantages ranging from cost, to talent retention, to time difference with London."

Abakar Saidov
CEO & co-founder, Beamery

Read our handbook to find out more

Founders don't always have to move to the US

Archetype	Founder move?	When?	US leadership
Compass	Essential	First boots	Founder/CEO
Pendulum	Probably	Later in expansion	Founder/CEO, or local GM/President
Anchor	Not necessary	—	Local GM/President
Telescope	Not necessary	—	Functional leads: - Business Development - Customer Support

"Saying 'the founder has to move' is a very over-simplified way of thinking about things."

Andrew Robb
Former COO, Farfetch

"When the founder moves, it shows your level of commitment to the cause. It puts you in a category and signals your seriousness to the market."

Martin Mignot
Index Ventures

Read our handbook to find out more

19

Landing teams are usually key for launching in the US

Landing teams are usually 2-4 strong, and should include both senior and junior/mid-level members
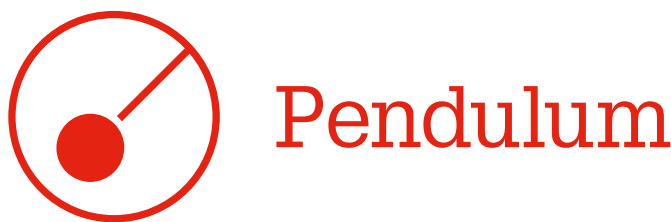Who you send should complement who you will hire in the US

Compass

- Founder is part of your US landing team
- It usually makes sense to hire a US sales leader first

Anchor   Pendulum

- Founder doesn't need to be in the US
- You will initially rely upon a larger landing team covering multiple functions…
- …before hiring a US General Manager or President

Telescope

- Landing team not essential
- You are looking to build new competencies in the US, hiring locally is essential from the start
- This is most commonly the case for business development or strategic partnering

Collibra sent their co-founding COO alongside their Chief Science Officer to set up the NY office. Their VP sales also spent 60% of his time there.

Collibra case study

"Setting up the US involved a trade-off between local knowledge (US hire) and culture fit (transplant from Europe). TransferWise decided to send a landing team for culture fit, who could then hire for local knowledge."

TransferWise case study

"You can support culture by sending people from your HQ to the US. But do not optimise for culture at the expense of skillset you will need."

Robert Muñoz
co-founder, Typeform

Read our handbook to find out more

Europeans can struggle to assess and hire US candidates

Perception

"We find that candidates are usually neutral to slightly suspicious of European companies. They'll ask; what's the company called? – never heard of them; where are they from? – where the hell is that; who are the investors? – never heard of them; how much have they raised? – meh; who's their biggest client? – never heard of [insert European blue-chip such as Santander, Danone, or Siemens]; where's their office? – they've got two desks in a WeWork?!'"

Mannie Gil
Renovata & Company

International flavour

"International outlook or experience is a key criterion for all our exec hires. And these types tend to be attracted to us too."

Jarlath Doherty
Chief People Officer, Collibra

Confidence

"Everyone appears to be amazing. We used to ask candidates how they rated themselves on a scale of 0-10. In Europe people would say between 6 and 8. In the US they were giving us 11's and 12's!"

Felix Van de Maele
CEO & co-founder, Collibra

Compensation

"US talent is far more focused on equity – you need to pay to play, and they'll do a lot of due diligence."

Andrew Robb
Former COO, Farfetch

"US talent is so much more aware of benchmark compensation, as well as the mechanics and vocabulary of stock options."

Sacha Herrmann
CFO, Nexthink

Read our handbook to find out more

Culture is the second biggest challenge for European founders following US expansion

Operating across continents makes everything harder – you'll need to rethink your people strategy

People practices to address
- Travel and mobility policies
- All-hands
- Global and team offsites
- Documentation
- Staffing project teams across offices
- Weekly Executive meetings
- Hiring an EA or Chief of Staff
- Engagement surveys
- Onboarding
- Video conferencing

"Official get-togethers are important, but not enough. Feeling part of a team in your day job is more deeply effective than a company-wide event. Shared projects, job swaps, and the like are powerful."

Joe Cross
Former GM US, Transferwise

"Our geographic differences run alongside the cultural differences between engineers [Europe] and sales [US]."

Jarlath Doherty
Chief People Officer, Collibra

"Not being in HQ [Barcelona] requires us to be more vocal across all channels: All-hands, Slack, etc."

Nicholas Grenié
Developer Advocate, Typeform

"Pay careful attention to your meeting room setup – positioning of cameras, microphones, screens, and furnishings. You can dramatically improve your video conferencing experience and make it feel much closer to 'being there' for minimal extra cost."

Avron Marcus
Index Ventures

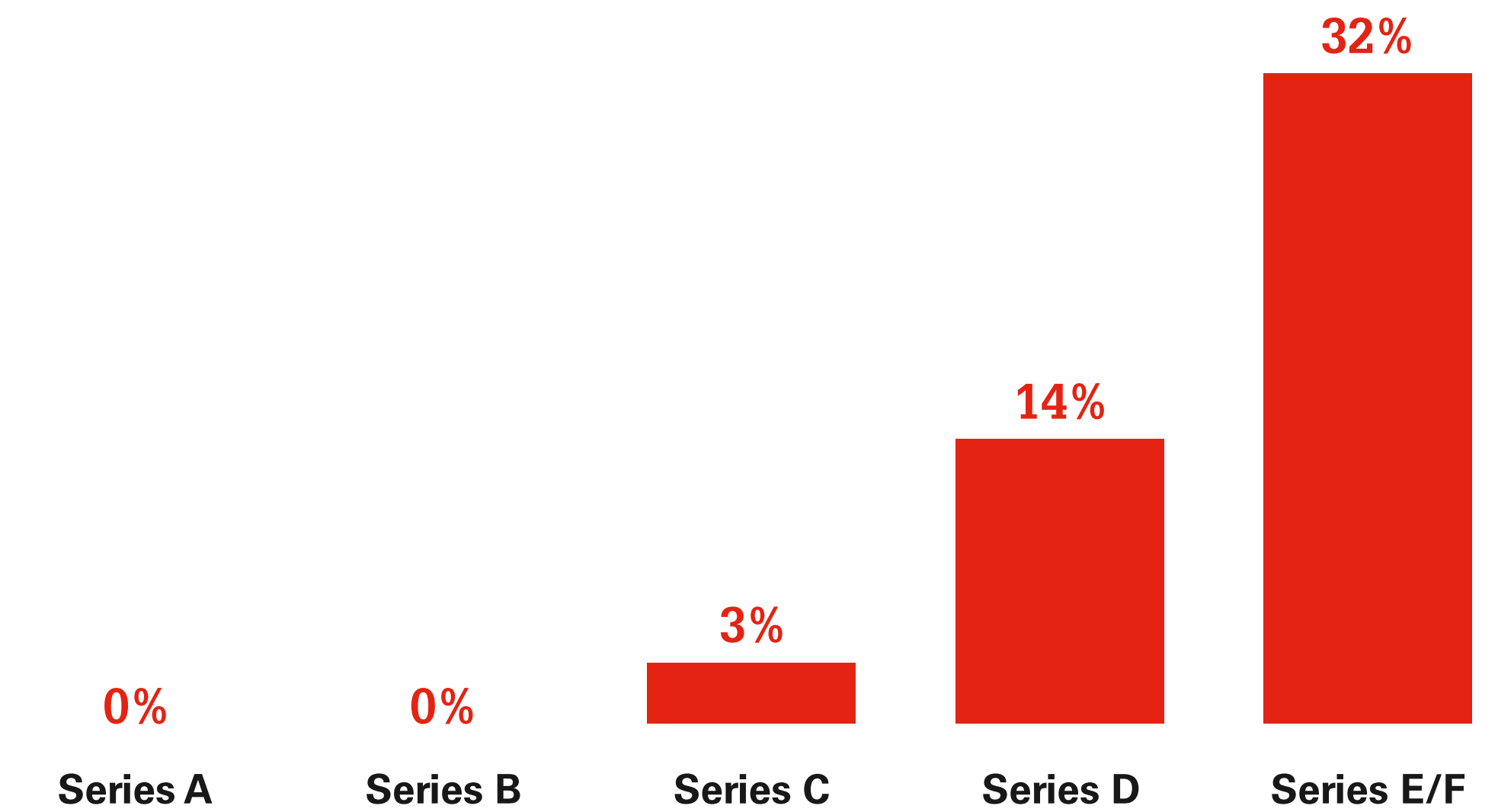Read our handbook to find out more

Keep engineering in Europe even as you scale

Only 18% of startups that have expanded to the US have ANY developers in the US

What % of R&D headcount do European companies have in the US?

32%

14%

3%

0%   0%

Series A   Series B   Series C   Series D   Series E/F

Sample size 275, across Europe

"We reviewed hiring developers and UX in New York, but the cost of doing so was astronomical compared to London."

Joshua Jian
Head of Corporate Development, Credit Benchmark

"The problem with engineering talent in the US, particularly in the Bay Area, is that there is just no loyalty. In Europe, they are genuinely excited about what they are working on, and are more likely to stick it out through the highs and lows."

Danny Rimer
Index Ventures
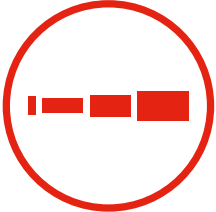
Read our handbook to find out more

US investors only make sense once you are executing on US expansion

Before US expansion, you'll get more value and support from hands-on local or European investors

Optimal timing for approaching US investors, for each archetype

Funding Round	Series A	Series B	Series C+
	Compass	Telescope	Anchor
		Pendulum	

"The reality is that US investor engagement will be low if you're not actually in the US."

Dom Vidal
Index Ventures

Read our handbook to find out more

24

The expansion playbook needs adapting post-Covid

But addressing the US market will remain critical for most European tech startups

|	Short-term	Longer-term
Landing Teams & Founder Moves	Not possible until air travel and visa restrictions are lifted	Will remain a critical part of the playbook
First Local Hires	First hires may need to be made fully remotely, before a landing team is in place. As a result, first hires likely to be less senior than planned. e.g. ICs not managers	Will remain a critical part of the playbook
Sales and Customer Engagement	No face-to-face meetings possible, entirely remote model	Wider acceptance of 'inside' sales model, even for big-ticket purchases. But sales cycles and complexity unlikely to be reduced
Remote Teams	Enforced work-from-home for all	Fully remote models will become more common versus the idea of a US 'hub'. But most companies will adopt a hybrid, flexible model
Travel between US/Europe offices, including full-team offsites	Not possible	Will shift towards fewer, but longer, trips and gatherings

"Although we expect sales travel to decline substantially, we believe that in-person meetings will still hold significant value with particular customers or at certain points in the sales cycle."

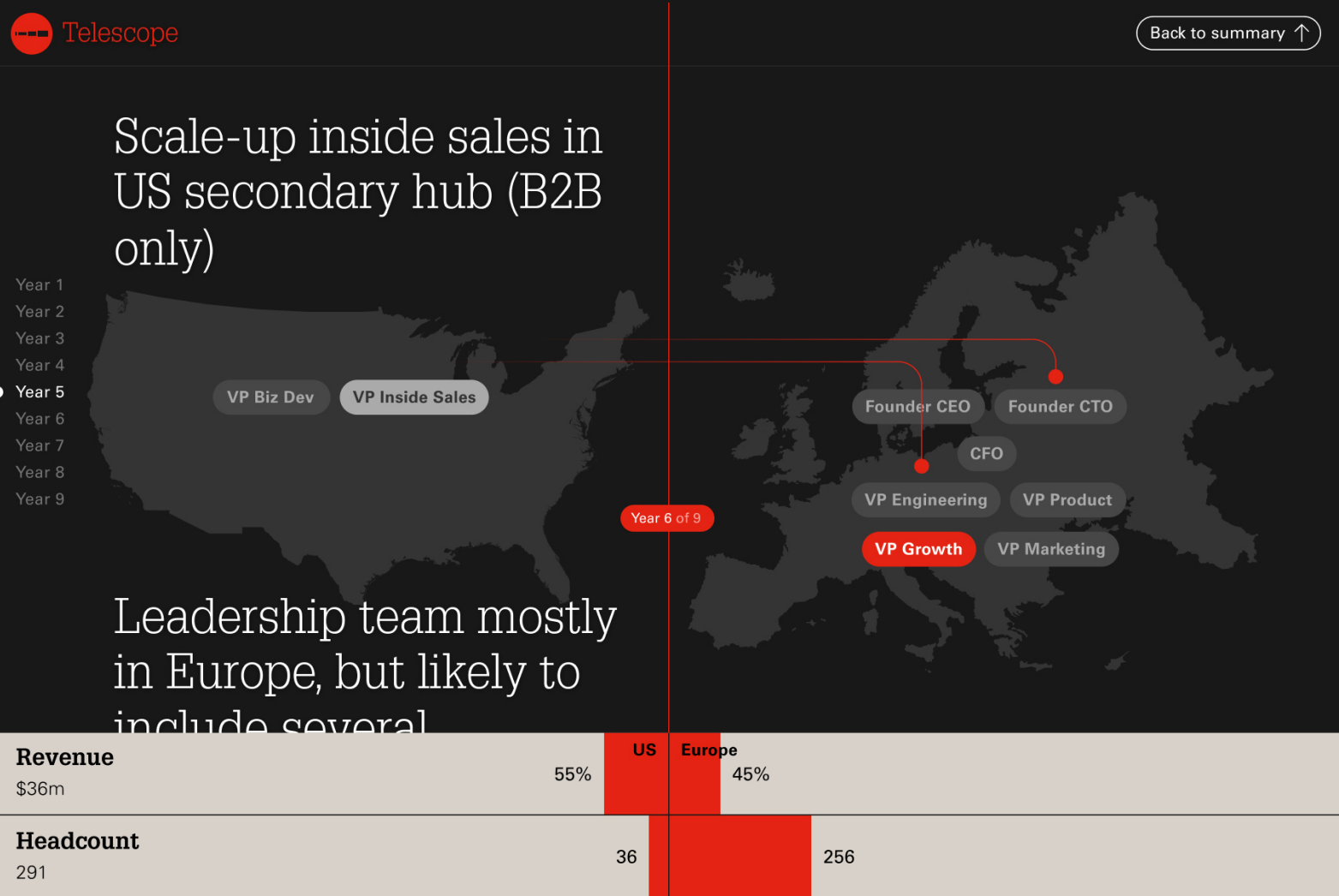**Abakar Saidov**
CEO & co-founder, Beamery

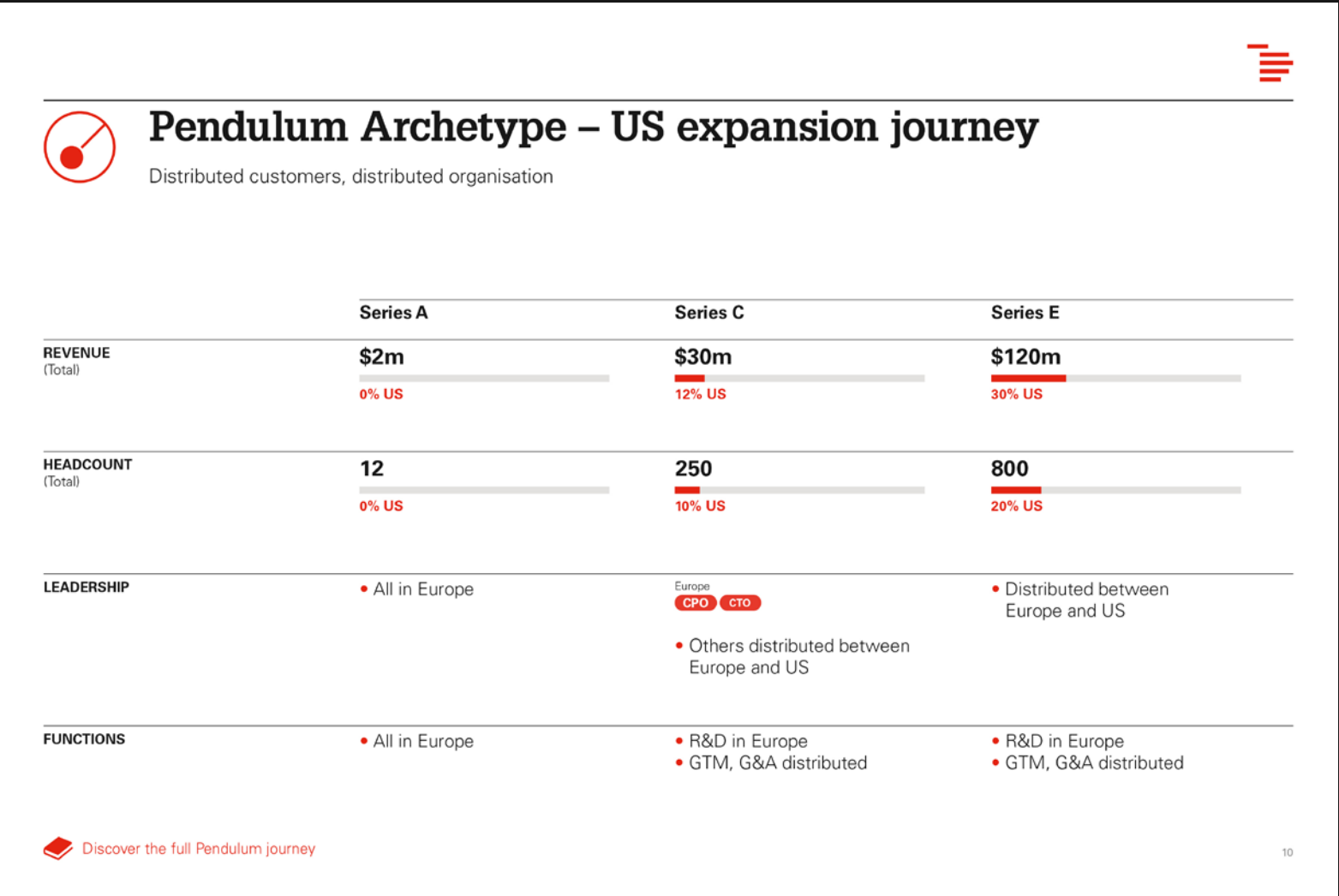Read our handbook to find out more

#DestinationUSA

All resources available for free on **indexventures.com/resources**
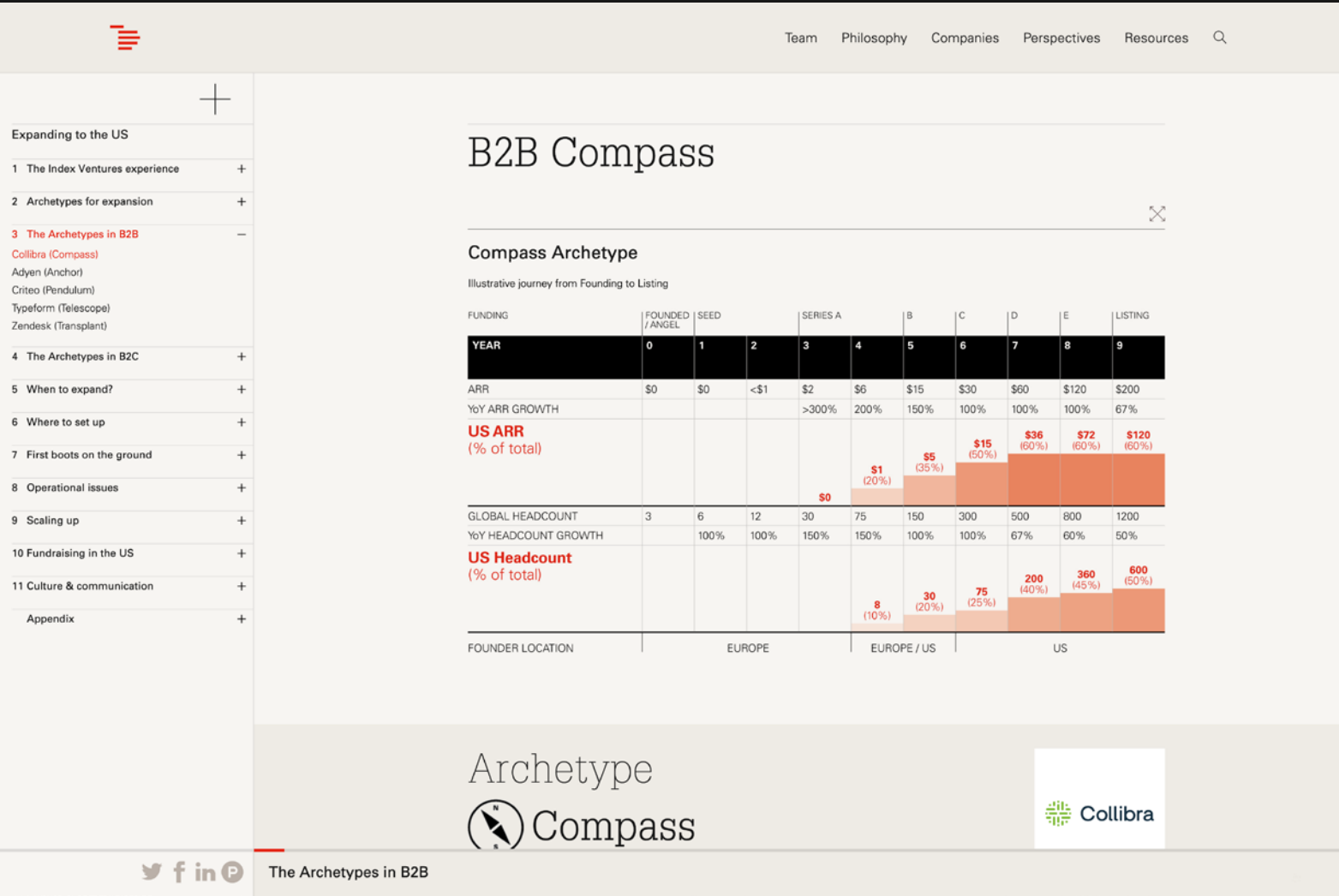
Digital Handbook

ExpansionPlan app

Quick Guide