



Do's and don'ts expanding your business in Europe

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"It's a small world!"

More and more we recognize consultancy companies actually promising the world to US vendors in exploiting Europe and Asia, advocating to quickly "triple" business with your currently operational setup and up to now local successful existing product portfolio. Globalization of selling SAAS software and non-complex manufactured products are examples easily considered to be a small step into new markets across the seas and an easy win. It almost appears acting as a fool to not take the opportunity and start selling abroad instantly. It's a small world, isn't it?

The reality is different of course. Obliging employment laws, unique contract complexities, and language translation requirements are a few that are also often mentioned, and can be overcome, by consultancy companies. However, there are also many other items to consider and this also includes European specific channel approach and development, understanding local and regional regulations (to avoid unexpected legal costs and actions), and the tax complexities that vary from country to country in Europe that all can result in disappointment, unexpected financial consequences and business turmoil, potentially decimating your expectations in building additional business revenue overseas expansion. What to do?

Different markets – a different reality

The type of clients you hope to attract with a product taking the lead in a new market do not think of all these implications when initially evaluating purchase, they are excited about obtaining the solution. For instance, German Intellectual Property Tax claimed three months later by the German tax authorities after completion of the sale, adds to the total cost of the sale. A 260K solution is now suddenly 325K. The client unexpectedly adding up the ultimate total investment up to 325K (unless you calculated the share of the burden) can result in loss of future sales or you taking the unplanned tax hit reducing your earlier claimed sales margin significantly over plan. Your initial successful win will shift and puzzle your boardroom, forcing you to explain the details of a deal considered closed, you then trying to convey the details in all its complexity that added to the sales cost. The average expectation in Europe is that vendors have their act together before they sell unique features to them.

(If you are interested to know how to prevent from paying the Intellectual property Tax; you land the product in the Netherlands, and then export it to Germany. You file the reimbursement form with the German Tax Authorities who will reimburse the tax with the first shipment. All following shipments of the listed product will then be released through a Dutch-German trading act as long as they are registered with a registered Dutch accountant. Once the solution is installed you save 25% over all shipping goods (SRP).)

Quick wins vs. long-term approach

Underestimated local circumstances lead to unexpected situations. Where one of your best commercial wins, initially successful beating the competitor, lead to unexpected VAT claims, which if not proactively addressed, can result in temporary seizure of your product by tax authorities. Your recently acquired client has not had their expectations met, you will revisit sending your best sales rep to Europe to obtain what you thought was low hanging fruit, and your new revenue plans from Europe been halted. In the competitive battle, experiences about

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these failure will be exchanged easily between competitors and used against you. To overcome this many become dependent on expensive consultants afterwards, making the consultants profits that impact the operational or cost of sales budget. And believe me, the invoices consumed by your CFO will definitely contain the VAT coming with their exclusive services!

If you are just in for a quick win in Europe you should immediately stop reading this article and instead use your time to book your flight to Paris or Munich and probably join the final meeting in signing a winning contract, consume some great Bavarian beers and return as a winner! The consequences be damned. Achieving a predictable level of collecting repetitive deals for sustainable revenue requires a slightly different approach.

Working with experts who know the complexity

The most common and effective way to prevent these issues is to align with experienced (pan) European distributors understanding and taking over the European aftermath of doing business overseas, even if this is in contradiction with your domestic attitude to close large deals direct and optimize your profit, secure your quarterly sales objectives, and install direct support for your recent win. So what to do?

It is common knowledge in the US that doing business with European distributors often leads to longer lead times, shared and hidden competitive offerings, and last but definitely not least, huge costs involved with local distribution and marketing campaigns with contractually agreed prepaid painful experiences for your marketing team and their budgets. The option of sending your best performing sales representative to Europe selling direct is likely to become an initial success with many unexpected surprises! We are packed with examples of US company representatives leaving Europe after being confronted with unprecedented and complex issues to then trying to explain the situation as it exists to their boss, and the dialog going back and forth between all the sales barriers and by the way "why are we not hitting our numbers." Death of a salesman!

Avoid discussions – Gain results

The vast majority of European local sales representatives that you get to know during your visit(s) to Europe, or acquired by local European recruitment companies, are probably fantastic sales peers often having worked for US companies abroad, however their experience can be only with a regional understanding and not of the larger European legal circumstances that can vary. You may find yourself limited to one country, when your plan was all of the EU. Even worse is that you negotiated with your European representative the right to the EU as a territory or to become the VP Europe once they flourish, but cannot deliver upon that promise.

A company's executive team, depending on sales quotas, will not be interested in the unforeseen legal hurdles in selling direct to Europe by your recent local hire.

You do not want to have a discussion, after the fact, with your boss and explain how to liaise and redirect the company's sales plan to conform to the business protocol and policies to Europe or explain the significantly lower net profits in Europe, caused by limited penetration on contracts closed with the wrong distributors, or need to a recently installed, -fully web savvy- direct sales team. You can avoid the potential international expansion millstone around your neck.

Avoiding being found in a defensive position, or on the wrong side of the board-room, can be mitigated by making sure your entire executive team (including yourself) has an *expert* to propose and guide your path to Europe, outlining and explaining all areas, before you set sail. Leave it to a local European expert to present, share your final judgement, and guide you in the beginning to meet the milestones with your executive team.

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Inadequate consideration of the European landscape has caused hundreds of companies to be confronted with the tax complications, 'illegal' transactions caused by US price offerings and missing VAT on the invoice, and ignorance of a wide variety of local taxes in Europe. A number of currently shipped solutions coming from the US are falsely "competing" offering non VAT invoicing direct shipments. Why you may win the initial business, you will be surprised during your next visit to the Hannover Messe (CeBIT) for example and be invited to explain and resolve your last three-year software sales results with German Customs.

A matter of preparation and consideration

In no way is this article meant to discourage a successful entry into Europe that is as ripe an opportunity as your local market. The EU market on itself, with over 600 million consumers, is a quickly and dynamically growing industry with standards and central buyers ready to accept good competitive opportunities (in quality, standards and price) into consideration. Over 80% of software solutions in Europe are sourced from the US. Hardware solutions are quickly gaining relevance again due to the high quality of US technical standards.

I suggest that instead of being involved in the turmoil of failing expectations with your access to Europe, you focus on your next product and solution focused era. Allow for balanced preparation in your next step in growth and be more careful and considerate in the approach to touch the big opportunities in Europe. Once you are effectively selling into a few first corporates in the EU, things can move fast due to the well-organized communication structures in Europe. By winning over the competition, and playing within the European rules, you can set the standard overseas and enjoy repetitive revenue as part of your established success. Cultural differences are often claimed as one of the grand barriers for future business. I believe it is a matter of good attitude and common sense.

Foresee the Unforeseen

There is a wide variety of professional companies (not consultants!) available in Europe with the right expertise and in a good position to advise and set the schedule for balanced and predictable growth into the EU Market. They can help establish your brand, help navigate through the demanding interest of distributing partners claiming the market in their pocket already, and providing you non-biased advise acting on the depth of their marketing and sales experience. These advisors become interim partners, bringing the European market in perspective and bring it in effectively.

Step-by-step approach with a real partner

A professional company providing you with solid advice, guidance, and planning support you to address your executive board and sales and marketing team with workable conditions and support them to get connected with new sales and marketing cultures. It will grow them from a local successful team into an international service organization understanding the impact of growing an international brand. The only thing you need to do is safeguard and control that roll out process and be prepared when you secure your new world wide sales.

An option with, simple steps, to go from initial sales to international presence can be done by contracting and leveraging interim staff ending in a successful branch office and/or warehouse in Europe. To do this, you must make sure you have trusted partners that:

- have respect with local European flexible companies
- that understand the US board culture

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- have trusted and experienced sales agents
- and will migrate in time from interim management to a vested and US controlled sales entity in Europe

This step-by-step approach will contribute to your sales results, build a brand overseas, control investment costs, and internationalize your company with a positive image.

Grow and brand with attitude

Every VP Sales shares your questions in how to conquer the European and Asian market and to secure competitive positioning to increase sales, market share for future growth, and to help ensure expansion and marketing efforts as a predictable cost centre. The investment overseas should only have an initial impact on your HQ budget for approximately three months during the interim management, roll out and intelligence/research stages. Then, you will see financial returns on your expansion efforts.

If the step overseas doesn't pay out immediately, something is incompatible on an international stage with the concept or the execution. Your European investment needs to pay for itself or you shouldn't even consider the expansion. The extra costs involved with your move overseas should not make a difference in the long run, not unlike investing in domestic expansion opportunities. However, this balance is made by engaging an advisor, with the option in acquiring interim management, to methodically sell and eventually transition to installing your international team in Europe.

Grow and brand!

Rob Meyer is founder of Global301 with branch offices in the Netherlands and the USA for eight years, a company introducing and vesting US vendors successfully in Europe. Global301 is an official Alliance Partner with Global Kinetics based in the United States. You are cordially invited to connect, if any questions or remarks on the article.

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