

Silver Advantage **Consulting Alert**

International Expansion to the US – Twice the Time, Twice the Cost

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When a prospective client is looking to expand globally, assuming the company has a great product or service in their home country, it is recommended that the company plan to double its existing time investment and financial budget for the expansion. This is especially true when expanding into the United States.

Why does success in the US take so long? Here are some of the facts that affect US businesses and their operations.

- Buying habits in the US are different and take time to learn. For example, there is a greater emphasis on price in the US. US consumers also spend less on travel and purchase cars less often.
- Competition is greater. There are more brands and styles to choose from. Retail stores, outlet malls, and internet shopping, including eBay and Amazon, are all chasing the same consumers. Strategies need to be designed to compete.
- The geography of the US market is greater with varying buying patterns in the Northeast, Southeast, Midwest, Northwest, and Southwest regions, thereby creating a need for sufficient market research prior to starting sales.
- Establishing relationships with the right advisors (accountants, attorneys, bankers, consultants, insurance professionals, and marketing experts) takes time and involves many decisions, agreements, applications, and negotiations. Some decisions include:
 - What form of entity should be used for tax and legal purposes?
 - Where should the business be located?
 - Negotiate the lease
 - Get the leasehold improvements completed
 - Who should I hire?
 - Immigration issues
 - Employment contracts
 - Employee benefits
 - What business licenses and tax registrations need to be completed?
- Banking laws in the US make it more complicated for international companies to open bank accounts, obtain credit cards, and establish credit.

- US insurance requirements such as general coverage, workman's compensation, product liability, errors and omissions, and employee insurance are greater.

Since the time required to properly address the above matters is increased, the costs to expand into the US are also increased. Some of those costs include:

- Professional fees are higher due to US rates, as well as frequency and complexity of service. For example, a business tax return in another country might consist of less than 10 pages, while the comparable return in the US could be over 100 pages. Each of the 50 states has different income tax, sales tax, and payroll tax laws. There are also more lawsuits in the US, which dictate a greater need for contracts. The many intellectual property rights issued also need to be addressed.
- Marketing costs such as advertising and public relations are more expensive and may require greater coverage depending on who and where the targeted customers are.
- Employment and benefits costs are typically higher in the US.

Resolving all the myriad of decisions that need to be addressed and planning for the necessary expenditures can be mind-boggling. The International Team at Michael Silver & Company has helped companies all over the world with these and other matters. Please contact Steven Handler, Partner-in-Charge of International Services, at 847-213-2107 or Stevenh@msco.net if you would like to discuss expanding your business into the US.