



GOING GLOBAL EXPORTING TO THE UNITED STATES

A guide for clients





Population
318.9m¹



GDP
\$19.39tn²



GDP per capita
\$59,535³
(2017)



GDP growth
+2.8%⁴



Unemployment
4.4%⁵



Currency
USD



Capital city
Washington DC



Enterprise Ireland client exports (2017)
€3.6bn



EUR/USD exchange rate
€1.00=\$1.17
(as of 27/8/18)

WHY EXPORT TO THE USA?



From Boston and Silicon Valley's booming pharmaceutical and high technology scene to Chicago and Austin's industrial and oil and gas, the USA is a land of opportunity for Irish companies.

The US economy is one of the most developed and diversified economies in the world - with a GDP of \$19.39 trillion. The services economy is its largest, in terms of both output and employment, and it accounts for nearly 80% of GDP. The US is also the world's second largest manufacturing economy, being surpassed by China in 2010 .

Consumer and business confidence in the economy is high, with strong GDP growth - accelerating from 1.5% to 2.8% in the past year .

Imports rose between 2016 and 2017 - from \$2.7 trillion to \$2.9 trillion. With recent increased tariffs and the eroding of free trade rules, US imports are expected to decrease over the coming months in traditional manufacturing markets.

Ireland's services and high technology sectors are well positioned globally to enter the US market - with a European free trade deal mostly intact. Ireland enjoys deep cultural, heritage, economic and language ties. There still is great opportunity for Irish innovation and enterprise in the USA.

Sectoral Success

- Autonomous driving and new car ownership models have created an existential threat for incumbent car manufactures. With companies like Tesla and Apple entering the space it has created an innovate or fail attitude in an industry which previously suffered from incremental innovation. This desire for new innovation creates a burning platform on which Irish technology enterprises can succeed.
- Artificial Intelligence (AI) and Machine Learning have dominated headlines worldwide for the past two years. US public and private research organisations have been leading the pack in these spaces - and US companies look like they will be the first to bring disruptive applications to market like autonomous vehicles.

REASONS TO CONSIDER THE US IN YOUR EXPORT STRATEGY

6th in Ease of Doing Business.⁷



2nd in the world for competitiveness.⁸



2.7% GDP expenditure on R&D.⁹



Leader in number of scientific publications - with a clear lead in Machine Learning research.¹⁰



Leader in number of patents filed -three time as many applications to US Patents office in 2017 than that of Japan, its closest competitor.¹¹



- The factory of the future is becoming the factory of today. US manufacturing is becoming increasingly automated, machines are becoming more connected and 3D printing has entered the factory floor, disrupting traditional supply chains.
- Healthcare prices in the US have are the highest in the developed world - with more people insured in the US then in any other time in recent history, a growing older population and increased regulation has incentivised hospital systems and insurers to look for new ways to increase quality of care and decrease overheads.
- Widely reported in US business media is that millennials (and the internet) are killing traditional retail in the US. Traditional retailers are either closing shop or going online, with big names like Walgreens, Gap, and Toys R'Us closing a substantial number of stores in 2018.

GET READY TO DO BUSINESS IN THE USA

As the third largest country in the world and the world's richest country by total GDP¹⁵, there is a huge diversity in people and culture; given that, there are still shared expectations in the business culture, including speaking directly and being timely.

Travelling and Geography

It has never been easier and cheaper to travel to the US. Including seasonal routes there are direct flights to New York, Boston, Chicago, Orlando, Miami, Philadelphia, Charlotte, Seattle, San Francisco, Los Angeles and starting summer 2019 a seasonal direct flight to Dallas.

The US has 50 states, four time zones and takes five hours to cross by plane. To put it into context, Ireland would fit into the US 130 times over. There are also cultural differences between the north, south, as well as the east and west coasts. For this reason, it's important not to treat the US as one market.

It is crucial that you first identify the type of customer you hope to sell to, find the areas where they are most densely clustered, and how those customers like to buy their products. In relation to time zones, working on a project in San Francisco or Seattle from Ireland may be difficult. Having an office in New York, or another city on the East Coast, could act as a mediator between Irish time and the rest of the US.

Along with this, the US not a national single market, it's a federal system, each state must be treated as its own entity with separate procedures, regulations and tax levels.

Language

While we share a language, there are distinct differences in the use and format of language. When developing marketing collateral for the US market it is important to ensure you Americanise your language, dropping U's in colour and replacing S's with Z's in words like specialization. Changing your word processors spell check language from English (Ireland) to English (USA) will highlight most issues.

There are common phrases or terms that we don't share. In the US it is no longer a mobile, as this is a city in Alabama, it is a cell phone or simply just a *cell*.

Routes to Market

Direct Sales

Direct sales can be the cheapest option, and it is also the fastest route to getting to know your customer. But there are things to consider first: Does your team have the capacity to service a new market in a significantly different time zone? Is your USP as effective in this new setting? How often can a team member travel to this market to maintain relationships? Or can you afford to place team members in market?

Distributor

A distributor can help you with a soft landing into the US, giving you physical infrastructure to get your products to your consumers. This comes at a cost, which on top of costs of getting goods to the US could diminish or destroy any pricing advantage you may have. Awarding nationwide partnership agreements should be avoided as with rare exception there are few companies that have that level of coverage, although they may claim to.

Agent

Outsourcing your sales team and distribution sounds like an interesting proposition. You do lose on margin, but you can gain quick and easy access to a countrywide sales team with connections in the right places. If your product is a not a "like-for-like" of an existing product the sales team might not be too keen to educate your potential customers on its advantageous. Working with your agent to educate and motivate your new sales capability can be an achievable, but a noteworthy challenge.

Partnerships

Partnerships have entered the strategic vernacular in a big way over the past two years. As more incumbents across industry are joining forces through mergers and acquisitions to stave off the advances of the upstarts - those looking to tackle industry incumbents are partnering alongside companies with complementary technologies to gain competitive advantage.

THINGS TO CONSIDER

Market landscape

The US market is quite receptive to Irish business – with strong ties of heritage and history there is a lot of good will across the US to help indigenous Irish enterprises grow.

Market trends

The current administration is trying in earnest to create a better environment for enterprises which operate in the US, this includes deregulation and lower corporate taxes.¹⁶ There is an active agenda to reduce goods trade deficits the US has with many of the countries they trade with. Although when services are included it is a more balanced picture.¹⁷

Target market

How does your target market make buying decisions? Who are the relevant decision makers and what are their job titles and responsibilities?

Market segmentation

The North American Industry Classification System (NAICS) is a good tool to spot identifiable market segments. This is a standard federal classification system for US enterprise and with these codes you can search market intelligence platforms, such as D&B Hoovers for company and executive information.

Competitors

Who are your rivals in the market and how does their offering compare and differ from yours? Due to the size of the market many Irish companies discover competitors with products and business models they never knew existed.

The US is also a large and mature market with many advanced technologies. What may seem novel in the Irish context might not carry the same “wow factor” in the US. You should concentrate on demonstrating effectiveness and cost benefit.

Market research resources

Being abreast of local market trends in your sector is hugely important when it comes to building your knowledge of the US market. Search for and subscribe to US industry magazines and newsletters in your sector to stay on top of recent news and trends.

Enterprise Ireland’s Market Research Centre is the first stop in any marketing intelligence gathering – with access to journals, scientific papers and market intelligence databases.

Customer service

Service is expected to be available, and customers are willing to pay more for it. For all services it will be expected throughout the working day, which runs from 2pm to 11pm (GMT) on the East Coast and 5pm to 2am (GMT) on the West Coast. For critical services customer support may be required 24 hours a day. Be wary that daylight takes effect at different days in the US than in Europe.

Boots on the ground

Maintaining consistent contact with leads is key to success, and this can be best enabled with having boots on the ground by flying a team member over every few weeks, contracting a sales person to represent you abroad or placing a team member in your desired market.

KEY GROWTH OPPORTUNITIES IN THE USA

Life sciences

With an aging population and relatively new regulatory structure, US hospitals are incentivised to lower costs, reduce readmission and increase the value of care for patients. With more US patients insured than any point in modern history and with healthcare costs highest in the developed world there is significant opportunity in the US healthcare market for new products and services.

In fear of facing fines, and to increase their own competitive advantage, hospital systems are becoming more progressive in dealing with these issues looking more outward to partner, and in some instances acquire, companies.

Incumbent medical technology manufacturers are increasingly looking into the start-up arena for products and services to augment their current product offering and stay ahead of the pack. Reaching into the new technology ecosystem under structured programs on incubation and investment is becoming more common.

Genome sequencing is playing an increasing role in patient care. Consumers and corporates seeing the opportunity in this big data space to be able to better predict patient and patient population lifetime outcomes.

Big Pharma is taking advantage of new data sets to better understand global patient profiles – to inform them on their drug discovery efforts and to pull together patient cohorts for rare disease research. But buyer beware, law enforcement has been using these data sets to nab crooks, creating unrest with civil rights activists and calls for greater control and regulation.

Large technology multinationals are entering the healthcare space with increasing enthusiasm. Amazon's recently acquired PillPack – a company with a license to deliver prescriptions directly to consumers in all 50 states. PillPack's model and design increases patient medical adherence, an ongoing issue in the US with the ire of hospitals, insurers and pharma companies alike.

Google and IBM, among many upstarts, are attempting to bring their Artificial Intelligence (AI) platforms to do jobs like sifting through handwritten medical records and assisting radiologists in pinpointing tumours. While Google, Microsoft and

Amazon are competing to take a larger proportion of the healthcare cloud-computing and storage market.

Agritech

The agricultural value chain has seen a wave of disruption driven by increasing land turnover and altered land use, renewed focus on sustainability and changing consumer preference. "Big Ag" is experiencing declining margins as a result of a continued slump in commodity prices which has prompted a focus on cost efficiency, as well as a search for new innovation.

The Agritech investment landscape has exploded over the last decade, from a niche, opportunistic group of venture capitalists, to a legitimate asset class attracting focused and generalist funds with dedicated Agritech investment allocations. There is more demand for these technologies as companies chase efficiencies and try to create a competitive advantage. Opportunities exist for Irish companies across precision agriculture, next-gen farms, robotics and automation, connected devices, biotechnology and analytics.

Energy

The US energy / oil and gas market has gone through a tumultuous cycle in the last four years since the crude oil downturn, despite the US becoming a net energy exporter in 2017. Significant declines in expenditure in exploration combined with a decline in new discoveries is expected to place longer term pressures on this traditional sector of the industry.

However, recent years have seen accelerating market focus for renewable and distributed energy, driven by technological progress, declining costs, and evolving societal and consumer preferences. As renewable energy adds scale, the favourable underlying forces look set to remain strong.

In addition, what is defined as a traditional, conservative industry is starting to more quickly embrace digital technologies. The proliferation of increasingly affordable digital technology is starting to unleash innovations across the oil and gas value chain, affecting everything from how companies develop fields, procure goods and services, and move product all the way to the HR and back-office services used to support the core businesses. The



opportunities for Irish companies in this sector of the US today are increasingly more aligned to digital technologies than to the more traditional provision of engineering contracting products and services

Fintech

Fintech continues to be seen as an integral part of the US financial services sector, highlighted by the fact that Fintech investment in the US reached \$14.2bn during the first half of 2018.¹⁸ This has been partly spurred by the diverse nature of FinTech, which includes payments, lending, insurtech, wealth management and digital banking.

RegTech in particular has emerged as a key component of FinTech investment. Over the last ten years, banks in the US have spent more than \$160 billion in fines, penalties and settlements for non-compliance of regulations.¹⁹ The rise in compliance costs has led many traditional banks to embrace RegTech as a way to cut costs and more efficiently manage regulatory reporting requirements. This is set to continue as more regulations are imposed, such as the recently enacted IFRS9.

As a subsector, payments and lending are at a more mature stage. There is a growing trend of collaboration between financial institutions and fintechs, with more banks allowing for open APIs and exploring how new technologies can improve payment channels for consumers and businesses. Whilst a lot of this activity is being conducted by Tier 1 and global banks, more mid-size and smaller US banks are allocating budget to innovation and sourcing new tech from third-party providers.

In terms of emerging technologies, Artificial Intelligence and Blockchain have risen to the top of the FinTech agenda in the US. This is largely due to the potential of these technologies to be applied across a wide range of banking functions, from using blockchain for tracking compliance or registering transactions, to utilising AI to drive customer engagement across digital banking platforms. As the digitalization of financial services continues, industry regulators are paying a lot more attention on how to foster innovation whilst at the same time, ensuring there are adequate protections in place when it comes to areas like cyber-security and data privacy.

Digital Technologies

Big data

With market revenues for big data being projected to go from \$42 billion in 2017 to \$103 billion in 2027, there is a worldwide focus on the sector. With 13 of the top 15 big data companies being US based, the majority of the momentum and appetite are in the local market. The most commonly leveraged use of big data is in understanding, targeting and servicing customers. Primarily, the focus in this regard is to use big data to get to know customers' preferences and behaviors. In enriching their data sets with text analytics, social media data and browser logs, businesses are equipped with a more expansive view of their customers and therefore, are able to create predictive models.

Enterprise Applications / SaaS

The wider ecosystem is inclusive of established technology corporations, earlier stage companies and a large amount of capital from traditional venture capital, private investors, corporate ventures arms, and others. There is a huge amount of momentum around companies that want to contribute to the digital tech space within the US market and that energy can be leveraged for growth.

Cybersecurity is a space that contains a lot of opportunity in the near future. Considering the current political climate in the USA, GDPR concerns, and the increasing frequency of data breaches, there is a large opportunity for cybersecurity companies to make an impact within the market.

With cybersecurity concerns on the minds of executives, top-tier solutions with solid tech and capability to support a large volume of customers will have a massive opportunity. Companies that offer solutions related to the defense of sensitive data – inclusive of data centres, hybrid computing environments, and cloud storage – will have a place to make an impact within the local market, inclusive of the West Coast.

LEGAL & TAXATION INFORMATION

Please note that US immigration, customs, employment and tax laws are complex, highly regulated and constantly changing and therefore specialised legal advice is necessary.

To read about these options in greater detail please refer to Enterprise Ireland's *Going Global USA: Learn your Legals*, see <https://www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre/Going-Global-USA-Learn-Your-Legals.PDF>

Visa requirements

It is important to ensure while traveling to the US for business you are doing so under the correct visa; failure to do so can lead to future refusal of entry for prolonged periods of time.

There are two predominant methods of entry, Visa Wavier program and B-1.

The Visa Waiver (VW) program allows for travel to the US without a visa for "limited business purposes" but not employment in the US. Visa waiver travellers must apply for electronic system travel authorization (ESTA) online in advance of travel, see: <https://esta.cbp.dhs.gov/>

Visitor visas are also available to individuals who wish to enter the US for short periods of time and/or cannot use VW for any reason. The B-1 visa is intended for temporary visits specifically for business purposes. An embassy interview is required. Although the B-1 visa is attractive in some cases, because it permits longer stays than VW, it is important to note that the B-1 visa does not permit employment and exactly mirrors allowable business activities of the VW program, it does not expand them.

B-1 visas are granted to Irish nationals, in the normal course, for 10 years, though each entry to the US is for a maximum of six months.

Customs information

- Can the goods be legally exported? Are there restrictions on, or special forms required, for delivery to the US?
- Are the item(s) being brought to the US for commercial or non-commercial purposes? Are you importing the goods yourself to then sell in market or do the goods already have a buyer? This will determine the obligations between the exporter and importer.
- Who is responsible for shipping costs? How is the product being shipped (e.g. freight, express carrier or international postal service)? If you're not careful, transportation and handling costs could far outweigh the purchase price. Sometimes, the seemingly cheaper methods can be more expensive in the long run because they are more susceptible to theft, mis-deliveries and logistical problems.
- What information about the item being shipped and relevant documentation needs to be provided?

Corporate structures-intellectual properties, contractual terms and conditions, employment.

Typically establishing a US subsidiary makes sense for both tax and liability reasons, particularly if you will be employing local staff or plan on raising US sources of capital. Establish appropriate arm's length arrangements between the Irish parent and US subsidiary to separate taxable income. This is particularly important as US tax rates are comparably high. You will be expected to pay both Federal tax (at 21%) and State tax (between 3% and 12%).

Intellectual Property (IP)

Address US trademark issues defensively (confirming that no one else has prior registered or unregistered rights in respect of name and key brands); and

HELPING YOU WIN IN THE USA

offensively (by filing a US trademark application). Patent issues may need to be addressed depending on the business.

Contractual Terms and Conditions

These must be converted to the laws of a US state, for legal and commercial reasons.

Employment

Get professional employment advice locally. Most US employees do not have employment contracts but employers are bound by offer-letter terms, employee manuals and other undertakings. Also, ensure confidentiality and IP assignment agreements with all employees are established.

Tax structures

Have appropriate compliance procedures in place to address Federal and State Corporate Income tax, as well as other potentially relevant tax regimes (Sales tax, Personal Property tax, etc.), particularly at the State and local level.

Enterprise Ireland assists clients entering new markets with:

Pre-visit support

- Sector overview
- Validation of the opportunity for your product or service
- Evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary

In-market support

- Introductions to buyers and decision makers
- Identification of potential partners
- Facilitating buyer visits to Ireland
- Assistance with product launches and workshops
- Securing reference sites

International trade events

- Inward buyers' missions to Ireland
- Group stands at international trade fairs
- Overseas trade missions
- Market study visits
- Client knowledge seminars
- Networking events with market contacts

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UNITED STATES OF AMERICA OFFICE
LOCATION AND CONTACT DETAILS

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International-Office-Network-Services-and-Contacts/
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