



MANAGEMENT

Navigating the Challenges of the Americas Market: The Comparatively High Cost of Doing Business

By Lance A. Scott, Founder and CEO, Alliance Technologies

The vastness of the American market has a strong influence on the cost of doing business. There are also additional factors related to the uniquely capitalistic environment that also impact the expense of operating a U.S. office. Planning appropriately for retention of employee talent, securing attractive office space, acquiring new customers, and developing distribution and sales channels will help organizations to avoid the shock of the comparatively high cost of doing business in America.

American Labor Market

Given Europe's reputation as having one of the most expensive labor markets in the world, international executives are often astounded at the requested salary levels for U.S. employees. According to the U.S. Consumer Expenditure Interview Survey, U.S. employees rank highest among any other country for both disposable and gross income.

It is vital for European management to recognize that U.S. employees and employers typically endure much higher social costs, due to comparatively limited government support. Employees and employers alike are confronted with the rapidly in-

creasing expense of health insurance, retirement savings accounts (e.g. 401(k), SEP), disability insurance, unemployment insurance, workers compensation insurance and the daunting task of saving for university education — often for multiple children. A common understanding of these economic differences is essential to avoiding international tension and misinterpretation.

Not unlike Europe and Asia, commercial properties in major population centers in the Americas come with a substantial price tag. However, vast geographic distances between major American cities and industry-specific key customer concentrations underscore the importance of U.S. office location.

Higher lease rates and expensive real estate are typically associated with these "megaregions" as they also provide easier, more convenient access to customers, resources, capital, and an educated, well-trained talent pool.

While international companies could save money in securing space in more remote areas, they have to consider the additional costs of locating away from population centers and the corresponding concentrations of talent, capital, education, health care, and other resources.

Travel Expenses

Due to this broad geographic dispersion of customers in the Americas, the majority of European nations benefit from a much higher key account density with most customers accessible by auto or rail within a day of travel. Traveling within U.S. megaregions is often restricted by heavy auto congestion and a very limited passenger rail infrastructure. Travel between megaregions is almost always planned as part of a multi-day itinerary.

Although efforts are finally underway to modernize the passenger rail infrastructure within and between North American megaregions, this is heavily influenced by local political and economic status and likely to take decades to evolve. Traveling between North American megaregions is therefore even more cost-prohibitive, because most journeys require air travel, hotel stays, rental cars, meals, and related expenses.

While the frequency of customer visits is typically less than that of their European or Asian counterparts, companies can generally anticipate much higher expenses com-

pared with other geographic regions.

The lure of the North American market attracts nearly all top global competitors from the Americas, Europe and Asia, elevating the importance of capturing and retaining customer attention in a crowded competitive space. An often-decentralized sales team requires consistent and effective training and sales tools. The drive toward digital communication demands nearly continuous accessibility for customer service, product information, and customer educational resources.

Coupled with the high costs of travel, qualified personnel and intense pricing/margin pressure, there is an elevated demand for companies to invest in the development of highly effective marketing materials, whether focused on the customer experience, lead generation or brand recognition.

Companies must prepare for comparatively higher investment in websites, digital communication tools, webinars, trade shows and exhibitions, conferences, sales training, product demonstrations, promotional items, and other constantly evolving marketing collateral.

Implementing Strategy

Without a well-considered and collaborative implementation strategy, the increased reliance on distribution and sales channel partners can negatively influence margins. While these highly sophisticated channel partners can greatly accelerate market access for a global organization, companies must consider pricing structures carefully to protect contribution margin, entice direct OEM business for higher-volume needs and to remain competitive in an aggressive American marketplace.

Careful research and planning can help international advanced manufacturing companies to prioritize investments and avoid costly mistakes entering the American market. Each company must carefully tailor its strategy, based on company size, industry, product portfolio, and technical complexity, to best address the challenges and opportunities of the U.S. market. Alliance Technologies is able to provide actionable steps to help companies overcome these challenges.

Contact: Alliance Technologies, LLC, 26 Davis Hill Road, Weston, CT 06883 ☎ 203-226-8895
E-mail: sales@allianceamericas.com
Web: www.allianceamericas.com □



Navigating the Challenge of the American Marketplace

Helping international advanced manufacturing companies to accelerate strategic growth in the American market through direct operational management and expert guidance.



Getting Started in the Americas



Restructuring Your American Operation



Managing Your American Operations



Advising Your Board of Directors



Accelerating Growth Through M&A

Wherever you are on your journey to expansion into the American market, we can help. Contact us to discuss how we can grow your business, together.

+1 203 226 8895
sales@allianceamericas.com
allianceamericas.com



YOUR PARTNER FOR SUCCESS IN THE AMERICAS