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## Made It In America

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### Preview:

Many benefits for small enterprises might flow from the free-trade agreement, but a formidable barrier - the cultural barrier between Australian and US firms - remains. Bob Beaumont, a business angel and the founder of Tech Angels Australia, says: "The US market and the way it operates is 20 years ahead of us."

### Article:

Karen Cariss has always had America in her sights. The managing director of PageUp was confident that her online recruitment software would find many willing customers and investors in the United States. But a short visit a few years ago convinced her otherwise. "America was not the best market for us to enter, mainly because of the culture. There are so many things there that are different. Our early marketing was word of mouth and [we expanded by using] cashflow, but the US has a much greater focus on raising funds and has lots of systematised processes. They might ask, 'Are you at B or C round?' and everyone knows what it means."

Many benefits for small enterprises might flow from the free-trade agreement, but a formidable barrier - the cultural barrier between Australian and US firms - remains. Bob Beaumont, a business angel and the founder of Tech Angels Australia, says: "The US market and the way it operates is 20 years ahead of us."

What is more, Australians have to be 20 times better to make it in the US, according to the chairman of LookSmart, Evan Thornley. "They can spend 20 times as much on the same product as we can. They have the scale to do so. This means we have to be really good to make it."

The good news is that the trade agreement has sparked interest from US service providers

who want to work with Australian entrepreneurs. Beaumont says he has been fielding phone calls from the US - mainly from Australian expatriates - who think that with the trade agreement there will be many more companies that want to operate in the US. "Look at the way Americans assist their entrepreneurs. That best practice will come here. And it won't just affect exporters. This will change our culture for all entrepreneurs."

Tony Surtees, who runs Santa Clara Group, which provides advice and investment to rapidly growing companies, says it is crucial when dealing with Americans to understand their needs and psychology. "The US is not one market; it is more like six quite different regions. Silicon Valley is not so much a place, as a state of mind. Understanding that perspective means you're able to compete on more equal terms with your US competitors."

Surtees was founding vice-president and general manager of Yahoo's Commerce Group. He says: "Americans are trained to look for certain things and they have certain assumptions about how business works and the way people should be rewarded. They also specialise. They are two miles deep and two inches wide. Australians are great generalists, so the very thing Americans are looking for is often not what Australians show."

It is no good theorising from Australia about what US customers want, Surtees says. "It is essential to get close to consumer needs and emerging trends. You have to get out into different parts of the US marketplace and test."

Surtees says that once the business model and technology have been proved, it is essential that the company looks, smells and sounds like a US firm. "You don't need a US office in the first 10 minutes but you need to be seen to be accessible to the centres of decision-making. These exist in clusters. For entertainment and media, it's New York or LA; for IT, it is the Bay Area, Redmond, Boston or San Diego. Go to the US regularly - once every two months - and have a US address or, better still, a US office with US partners."

Do not dwell too much on Australian clients when impressing potential partners, customers or investors but name-drop international clients - "names they know", Surtees says. And make sure you ooze confidence. "Australians have to get past their conservatism, introversion and shyness, and have front."

That confidence includes the freedom to talk about failed business experiences, lessons learnt and steps put in place to ensure that it does not happen again. Surtees says: "You must be willing to be intellectually frank about your strengths and weaknesses if you want to be taken seriously." And if you say you have never failed? "You're dumb, lying or haven't tried."

Finding the right contacts also involves a different set of rules. Surtees says: "You need to find good service providers and really useful mentors who can open the right doors. Find out who has credibility in the markets you're interested in."

Prominent people with a successful record in the industry, returned Australians and

Austrade can all be useful sources of names. The mentor should have a good record in the US and be trusted by people who have the capacity to develop the right alliances, have access to capital and understand how the market works.

When looking for service providers, the test is that who the service providers know is more important than who knows the service providers.

Surtees says: "Call up the referees. Americans are well acquainted with a due diligence process and are happy to respond and keep the matter in confidence, so ask what you like. And don't feel that you are using people. Ask away, as long as you are prepared to ask how the favor can be repaid."

When raising finance from US investors, entrepreneurs who think they have a world first should temper their enthusiasm, says Karl Rodrigues, a former investment manager of Intel Capital who now runs Adventia, a Sydney consultancy for rapidly growing companies. "The common thing we hear from companies is that they have no competition."

This means, Rodrigues says, that the entrepreneur has not done their homework and does not know how to position the product. "Don't forget: the guys in the US have enormous market awareness and knowledge."

Australians also tend to present overly complex and broad business plans, probably because their companies have far fewer potential customers and cover more markets than their US peers, who can focus on a niche market that is giant by Australian standards. Rodrigues says: "But the Americans say, 'I have a problem. Can you solve it?' Your answer is, 'Yes, and in this way'. It is far better to be highly specific about how the business product or technology can add value to existing products, and to be very aware of the different solutions, than to address all markets."

Australian companies list on the stockmarket too early or give too much equity away too early to investors, according to Rodrigues. "Too many shareholders reduces the chance of professional investors coming in."

The biggest weakness for many Australian companies in the US is sales and marketing. Cariss says her firm, PageUp, had no marketing when she went to the US. "We were one of Australia's best-kept secrets and didn't have a reputation in the marketplace. But while Australians start with an idea, Americans start with sales and marketing and they raise money on the back of it."

When Cariss returned to Australia, PageUp, which has revenue of \$2 million, employed a marketing manager and started a marketing program. "We now go to key exhibitions, hold seminars, do customer focus groups. We don't just market to potential customers, we market to existing ones too. All this is helping build our position so we are the market leader."

Surtees says marketing in America is far more sophisticated than in Australia. "Average products and good marketing beat good products and average marketing any day."

Marketing is generally our weakest skill and America's greatest strength."

The US is a sophisticated market with many structures, distribution channels and intermediaries. Surtees says: "You need to understand how to tap into and reward them. You just can't depend on calling suppliers and customers direct. Australians, particularly in the technology industry, don't have much track record building effective reciprocal alliances."

Surtees says a company is ready for the US when its technology and business model have been proved, it has an excellent team with the relevant skills, it has US partners, it is packaged to be attractive to a US financier, and it smells, feels and looks American.

Australians expecting the US trade deal to put them in the spotlight are likely to be disappointed. "Don't think you'll be distinctive because you are Australian," Surtees says. "You have to be distinctive despite it. It is all about the relevance of what you offer to the customers, their needs and how well you meet them."

Talking turkey

A typical conversation between an Australian company and an American investor.

**Australian company:** We don't have any competition.

**U.S. investor:** You have not done your homework. Come back when you really know what the market is doing ... better still, don't come back.

**Australian company:** You don't get it.

**U.S. investor:** How ironic. I was thinking the same thing about you. Perhaps if you learnt how to describe it intelligently you would not be wasting my time.

**Australian company:** Look at my awards.

**U.S. investor:** I don't care about them.

**Australian company:** Our valuation is based on discounted cashflow calculations.

**U.S. investor:** You've had bad advice.

**Australian company:** I have lots of shareholders who see the value of this proposition.

**U.S. investor:** Too hard to invest. Your shareholders would be a nightmare to deal with before and after the deal. I don't want the hassle.

Source: Adventia