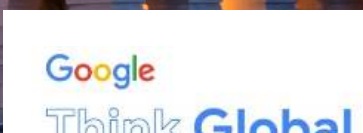


# Growth amid uncertainty: Strategising for growth in the US Market

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The US is one of the most attractive markets for exporters and investors worldwide, and not without reason. US consumer spending, despite high inflation rates causing it to cool a little, still represents around 70% of its economy<sup>1</sup>. The US consumer base is also very diverse, so there is demand for a vast range of products and services, opening up investment opportunities across all sectors and industries.

A central factor that may deter investment decisions is the possibility of a recession. According to the Economist Intelligence Unit (EIU), inflation will start to come down from its peak of 8% throughout 2023<sup>2</sup>. To achieve this, the US Federal Reserve is likely to raise interest rates to 4.5%-4.75% in an effort to curb demand.<sup>3</sup> However, consumer spending is still set to record an increase, due to residual demand from the pandemic. Combined with a strong US dollar and sharper slowdowns in other parts of the globe, the US is likely to experience only a mild recession in the early half of 2023, compared with other regions, such as Europe.<sup>4</sup>

In light of this, the US will remain an attractive market for companies wanting to expand beyond their domestic market. Allyson Stewart-Allen, CEO of International Marketing Partners Ltd, stated that, "the US is always on the menu for companies, regardless of economic cycle, because of its consumers, and it is always open to new ideas and innovation". She also added that, "the US spends its way out of economic crises". Both of which highlight the enduring importance of the US consumer market.

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Allyson Stewart-Allen, CEO of International Marketing Partners Ltd

## Strategising and prioritising by State

Before expanding into the US, individuals and businesses must do their due diligence on the specific geographies and sectors that best suit their interests. Not doing so could prove far more costly than expected, with consequences ranging from funding restrictions to resource issues.

Looking at the US as a segmented market rather than a single market is essential. The 50 states each function differently. Business practices such as manufacturing processes and marketing plans vary, as do regulatory regimes and corporate laws. Different states have different corporate codes, with federal law only overseeing certain aspects of trade.<sup>5,6</sup> Differences can also be seen in tax systems. For example, California has a minimum franchise tax, which it collects aggressively, whereas Texas only collects from businesses that meet a minimum revenue threshold. State income taxes differ between the two states, with Texas being one of nine with no state income tax, whereas California imposes a progressive tax rate.<sup>7</sup> Differences can also be seen in employment law and amenities offered. Viewing each state as a unique market can make an entry strategy into the US appear far more manageable than attempting to conquer the whole country at once. Nicola Watkinson, Managing Director, International Trade and Investment at TheCityUK, aligns with this approach. She stresses the need to look at the US from the perspective of 50 markets, each possessing a unique trait. Businesses would be wise to choose their target geographies as the first step to gaining a footing in the US market whilst simultaneously increasing the value-add for the US consumer.



## Localise for success

Consumer culture in the US is very diverse, and businesses need to understand this diversity. To best achieve this in such a large market, it is necessary to have a local presence and be on the ground to see what and how the competition is doing and keep abreast of developments. Ms Stewart-Allen reiterated the often-used quote, "culture eats strategy for breakfast". In other words, you can do all the preparation you want, but without the added cultural context and market immersion, it is hard to win in the US market.

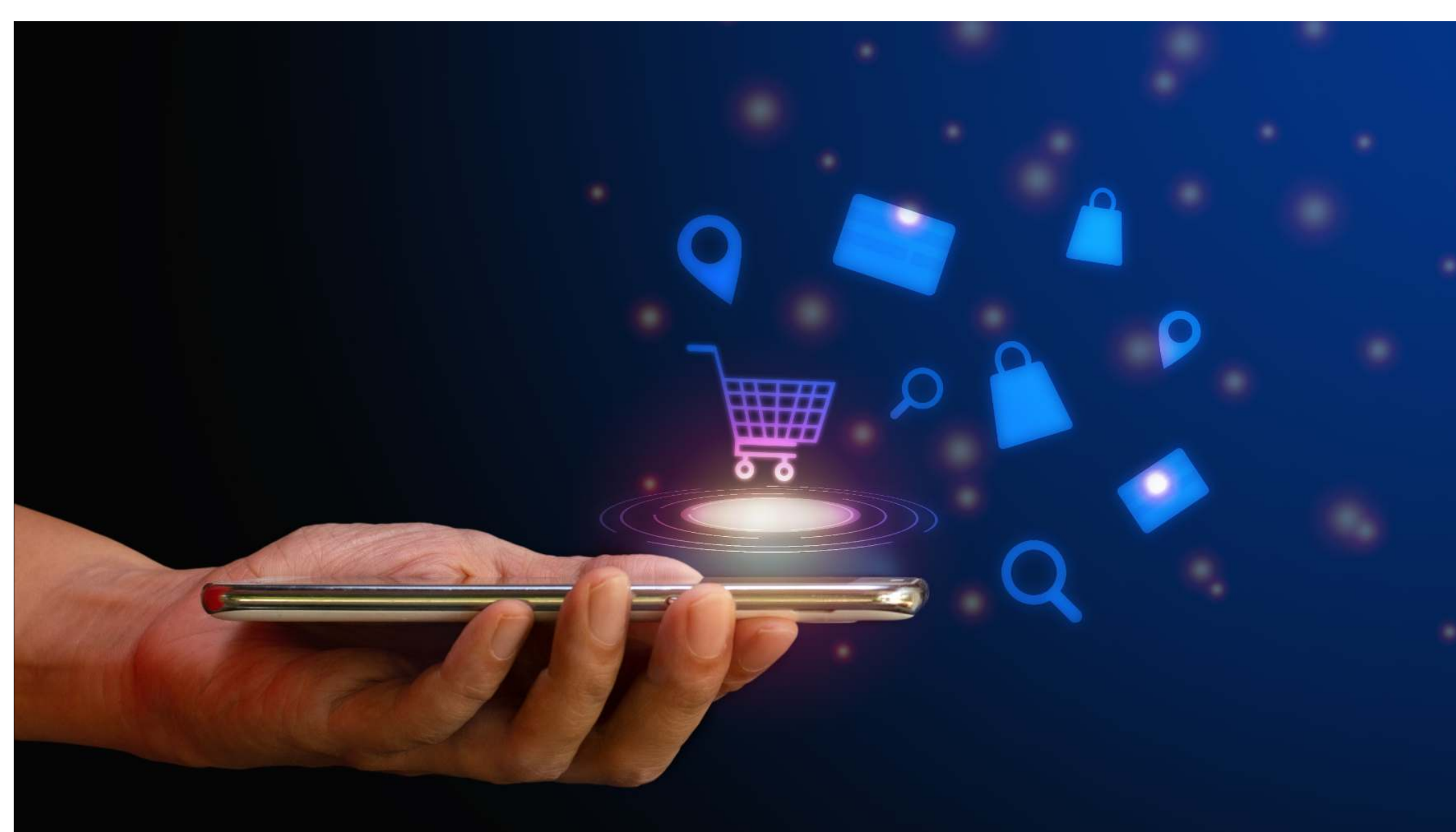
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More than just understanding the culture, it is necessary to build trust. Within the US market, it is essential to allocate resources to investigate how best to build a presence and trust among US consumers, a feature they value highly. Another important feature of the US consumer base is that they like things fast and simple, be it returns, repairs or delivery times. It's a fast-paced market and businesses need to be able to respond rapidly to succeed. Localisation can help to achieve this.

## Harnessing digitalisation to capture consumer attention

The ever-growing shift towards digitalisation was one of the biggest impacts of the pandemic. The growth in online shopping and the adoption of contactless payments as markets move towards a cashless society highlight this. According to Ms Watkinson, US consumers are already quite 'tech-savvy', necessitating businesses further expand their digital capabilities if they want to invest in the US market.

If a company's goods or services can be delivered digitally, it will have a better chance of succeeding. Digital innovation is, therefore, central when expanding or investing in the US. Businesses need to innovate, by adopting apps to increase their reach, for example, whilst also providing solutions for everyday tasks and problems, such as tracking spending and enabling the easy transfer of money. The US ranks third in terms of app downloads, with over 12 billion downloads in 2021.<sup>8</sup> They sit below only China and India, whose populations are more than four times the size.



Including a suite of payment options, such as 'buy now, pay later', is also valuable as it offers additional flexibility, which US consumers appreciate, particularly in the current economic climate. It also facilitates access to real-time information on how and where money is being spent by consumers,<sup>9</sup> thereby increasing profitability, safety and convenience.<sup>10</sup> Moreover, digital delivery and payment models will help to lower market entry costs as they can reduce operational costs, require fewer staff and decrease the need for in-person appointments when dealing with tax and compliance, among other features.<sup>11</sup>

The US has a great digital infrastructure, comments Ms Watkinson. She further states that American consumers are "happy to get various financial services online or through an app". An example she provides is that consumers are happy to get a mortgage online, without ever having sat in front of a bank manager. With financial services becoming increasingly popular, certain states will be pushing for inward investment in this sector to meet this demand. This is particularly true for areas of financial services where Europe or other regions have a competitive advantage. Online banks, like Revolut, are one example where the Europe, Middle East and Africa region is far ahead, providing an opportunity that can be further explored or invested in, in the US.

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## Actionable insights

With consumers already facing a lot of stress, namely the rise in inflation, many are developing a cost-conscious approach to buying, according to Ms Stewart-Allen. But, this does not mean that clients are not buying. To attract consumers businesses wanting to invest in the US need to prioritise by focusing on specific states; localising to understand target consumers wants and needs; and providing digital solutions, particularly in the financial services sector. By strategising, companies will be better prepared to succeed.

**The success of businesses growing internationally depends on an understanding of global and regional consumer trends. Explore these trends to determine what they mean for the future.**

## References

<sup>1</sup> <https://fred.stlouisfed.org/series/DPCERE1Q156NBEA>

<sup>2</sup> Economist Intelligence Unit

<sup>3</sup> Economist Intelligence Unit

<sup>4</sup> Economist Intelligence Unit

<sup>5</sup> <https://iclg.com/practice-areas/corporate-governance-laws-and-regulations/usa>

<sup>6</sup> [https://thebusinessprofessor.com/en\\_US/business-governance/state-law-and-corporate-governance](https://thebusinessprofessor.com/en_US/business-governance/state-law-and-corporate-governance)

<sup>7</sup> <https://www.pashalaw.com/california-v-texas-which-is-better-for-business-e313/>

<sup>8</sup> <https://www.statista.com/statistics/1287159/app-downloads-by-country/>

<sup>9</sup> <https://www.forbes.com/sites/forbesfinancecouncil/2021/06/16/how-digital-payments-can-change-your-business/?sh=e00e85a33893>

<sup>10</sup> <https://woliza.org/articles/how-digital-payments-can-benefit-entrepreneurs/long>

<sup>11</sup> Ibid.