

## US - Geographical Differences

### Legal Distinctions

- The United States is a federation of 50 states, plus the District of Columbia (DC), which does not have the status of statehood. In addition, there are US territories, which are not part of the 50 states (Puerto Rico, the US Virgin Islands, Guam, etc...).
- Federal law applies in the entire territory of the United States as defined above.
- In addition, each individual state has its own laws, while within each state most cities have their own additional laws. Sales tax is defined on the state and city level. All this means that depending on where you are located, where you deliver your product, or where the business transaction will take place, you may be subject to different laws. For example, when selling cars in California, the environmental requirements are different from the requirements in for example Texas. In one state your product may be subject to sales tax, but not in another. Because laws are continuously changing, we recommend that you get an expert to help you.

### Technology Hubs

- Careful consideration needs to be given before determining where to open a subsidiary.
- Although at first sight, the US looks like one contiguous market, there are regional differences driven by the availability of educated talent, location of technology clusters and governmental support for specific industries.
  - Companies tend to cluster around where they can find talent and facilities that they need for their business. Consequently, many high tech companies are concentrated near major technology universities with research institutions in their field of expertise. With so many new companies starting up in these areas, a strong ecosystem of venture capitalists, financial services companies and law firms developed to support them, making it even more attractive to start high tech companies in these areas. Examples are:
    - Boston, where the Massachusetts Institute of Technology (MIT) and Harvard University have spawned many start up companies, but also other universities in the area promote the incubation of start ups. Most companies are situated along Route 128, the beltway around Boston, and in Cambridge, the home of MIT and Harvard.
    - Silicon Valley near San Francisco, situated around Stanford University.
    - Some high tech companies move into unexpected areas, benefiting from local special skills built up over many years. An example is medical device companies working with the fine-mechanics industry around the Smith and Wesson gun manufacturing plant in Springfield in western Massachusetts.
    - Spread over the US there are other areas where smaller numbers of high tech companies congregate. Examples are the Research Triangle in Raleigh, NC; Provo, Utah (software); Denver, CO; Seattle, Washington (software); and Northern Virginia (near Washington, DC: telecom, government business).

- Companies also tend to settle in areas where many of their customers are. Here are some examples of areas where specific markets are situated for types of products:
  - Biotech - Boston area
  - Networking products - Boston, Silicon Valley, Dallas, Northern Virginia
  - Financial services - North East (NYC, Hartford, Boston)
  - Entertainment - California, especially the Los Angeles Area
  - Oil industry - Houston, Dallas
  - New media - Silicon Valley (content); Boston (distribution platforms)
  - Medical devices, health care - Boston (major hospitals!)
  - Government - around Washington, DC
  - Clean tech - Boston, California
- A third factor that may determine the location where companies settle, is local tax incentives. Non-US companies should get help finding what incentives apply to their business.

### Time Zones

- Another consideration for determining where to establish a US subsidiary is the time zone of the new office in relation to the time zone of company headquarters. European companies may prefer to open an office on the East Coast, to maximize the overlap of the business day of their US office and European headquarters. Likewise, Asian companies may prefer the West Coast. In most cases there is a trade-off of benefits. For example, the ideal spot for a European company selling into the entertainment industry would probably be California, and not Boston.

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