

GeoPhy



Nils Kok,
Chief Economist - GeoPhy

Industry: AI/Blockchain/Cybersecurity, Finance

Mission statement: "Introducing data science and AI-powered valuation solutions that help you understand commercial property values and their underlying drivers."

Headquarters: The Hague (Waldorpstraat 11A, 7th floor, 2521 CA Den Haag)

Founded: 2015

GeoPhy is a Netherlands-born AI based real estate appraisal platform with offices in Delft, London and Lithuania - but we were particularly interested in the success of its New York operation when we chatted to Chief Economist Nils Kok, about GeoPhy's expansion into the USA.

Key takeaways:

- Start with a list of 5-10 attorneys with experience helping startups set up an LLC
- Keep in mind that there's great talent in NYC but salaries will be significantly higher
- Using a payroll provider is a must have - especially if you have remote staff across different states
- Hiring a Certified Public Accountant can be helpful when figuring out your subsidiary duty and taxes both at the state and federal level
- People in NYC are generally more open to new and innovative products, they're also willing to pay a bit more
- However, you have to have great storytelling skills to win at the marketing game in NYC

Where the New York story began

The company was founded in 2014 by CEO Teun van den Dries. At the close of 2016, a breakthrough moment occurred in terms of scaling up: GeoPhy was approached to help a large U.S. government-sponsored enterprise (GSE) develop faster, more accurate property valuations for its multifamily loan books - worth over US\$280bn. Nils joined the firm around this time, to help get the company's new U.S. office up and running.

"At the time, our most important client was in the U.S.," says Nils. That was Fannie Mae, a large residential real estate lender, and primarily the motivation behind opening the New York office Nils explained.

Most of the firm's business was going to be in the U.S. going forward, and then of course, the U.S. had a lot of industry talent. Even though some of GeoPhy's U.S. staff would be working remotely, it made sense to have a physical presence at the heart of fintech: New York City.

What important steps had to be taken to launch the U.S. office?

"We started with the Delaware incorporation; that was all pretty straightforward," Nils explained. A Delaware corporation is a company that is legally registered in the state of Delaware but allowed to do business in any state. Delaware has laws more favourable to businesses than some other states, so a lot of companies incorporate there. After that, he says, GeoPhy took up a WeWork address in New York.

Those were the simple first steps. However, when it came to employing people in the U.S., things got a little more complex:

"I was easy (as an employee), because I was just a consultant and was arranging my own stuff - healthcare, etc. But once you start to employ people physically on your payroll, a helpful step we took - and I would definitely recommend it - is that we started working with a payroll provider."

Nils says that working with a payroll provider proved very helpful in navigating the intricacies of employment in the U.S. - "you cannot figure all that out yourself" - as well as healthcare coverage. Companies in the U.S. with 50 or more full-time employees must provide health insurance. A payroll provider can quickly assess the best packages to go with, plus oversee other kinds of employee benefits on the company's behalf.

The majority of staff were sourced from within the U.S., says Nils. GeoPhy is big on remote work and doesn't have employees just in New York, but also in Denver, Colorado and Nashville, Tennessee. The New York office numbers about 20 people, but could grow to 30 this year and then probably 50 by the end of 2020. This makes it GeoPhy's fastest-growing office.

"Then we also looked at what we needed from a tax perspective if you have a Dutch company within a foreign subsidiary. Ultimately, we decided to set it up so that most of the profit is actually made in the Netherlands. We found a local Certified Public Accountant (CPA); a company that understands that you're part of an international company and understands your subsidiary duty to taxes - both state and federal," Nils explained.

Once the major fundamentals are in place - incorporation, payroll, healthcare, taxation - Nils assured us that things became a bit easier.

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What is the most difficult part of moving into the U.S. market?

"I think the process of setting up the initial LLC (Limited Liability Company)", says Nils.

"I mean, in principle, that's not hard, but you need to find a company or a person that can do that for you in a cookie cutter way. If you're in the Netherlands and have never done that it will be great to have a list of five or ten attorneys who can help start-ups. Then the next step - you need a bank account. How do you do that? Without a credit history and without much initial revenue to show, these things can be quite challenging."

What are some things to keep in mind when recruiting staff in the U.S.?

Nils advises that Dutch companies should be prepared to pay higher salaries than they may be used to in the Netherlands:

"If you want to hire in Boston or New York, you're going to pay significant salaries. That said, I also think that you can find and hire really good people".

Nils says they did their initial hiring in the U.S. for data scientists and that it went surprisingly well:

"They were mostly American but were definitely attracted to the idea of working for a company with its headquarters in the Netherlands where they would get to visit a couple times a year. Our employees also take European holidays. I think that was really a plus in attracting good people and still is."



GeoPhy team

Don't let culture get lost in translation

However, Nils pointed out the challenge of instilling a company's (Netherlands-based) culture into its new U.S. based office. This was important for GeoPhy, whose New York office was people primarily by all-new employees, primarily U.S. citizens (furthermore, some of them were remote workers). So it made sense to build strong ties between the New York office and headquarters in Delft:

"We brought in a lot of people from our Delft office to New York. For the first four or five months, we always had one person in from the Delft office, whether that was a data scientist, a data engineer, the CTO, or somebody from HR coming out to New York to spend a week and you know, go for dinner and talk about stuff, which I think was very helpful in terms of onboarding. I don't think we really tried to be a 'U.S. company', we tried to instill our own identity, but also fit in where we needed to fit in."

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Getting marketing right in the big apple

The physical presence is important, says Nils, and has impacted the company in a very positive way, enabling it to secure many more contracts. However, he says, just being there is not enough; you also have to do some marketing in the U.S.:

"We didn't realize that even though we had a physical presence here we'd still need to up our marketing to such an extent. We're not a B2C company but still, even within the B2B space, you want to have more of a profile. So I would say that we still have a lot of work to do in terms of establishing ourselves here in this market."

Nils also highlighted the importance of story-telling in the U.S.

"I think we're a good company, we're an interesting company, we do interesting things - but we're still not great at telling our story. And so now we're hiring a VP of Marketing. Here you just need to position yourself to tell your story in a crisp, consistent way. What I found is that we're perhaps too modest in how we frame ourselves. We're not focused enough on marketing and here we need to know how to craft our message. And that the level of thinking is much more advanced in the U.S."

What are some differences you noticed in doing business in the U.S. vs the Netherlands?

"I think that in the U.S., there's more of an openness to innovate," he answers. "So we have a product that is innovative. It requires some imagination on the side of the user. I find that in the U.S., it's a little easier to sell innovative products, they're much more open to it. Also, I've always found that there's more willingness to pay. The market is bigger and the opportunities are typically a little bigger."

In the Netherlands, it's a relatively small market. You open your market here not just to 327million people, but also to a large financial industry that is very competitive."

Nils also believes that the directness of New Yorkers can be helpful to entrepreneurs:

"They'll just say, 'okay, we like it,' or, 'we don't think this is a good fit.'" He sees an alignment with the Netherlands there but not with say, cities like Paris, Berlin or London - where "Oh, that's ...very interesting" can actually mean: "We don't like it."

Why it's worth transitioning into the U.S. market

For entrepreneurs thinking of expanding their startups from The Netherlands into the U.S., it's worth pointing out the many benefits that GeoPhy has reaped as a result of this move. From securing funding, to a significant increase in revenue, there are a broad range of reasons as to why the expansion has been worth it.

"At GeoPhy, we're now really at a point of having hired exceptionally good people and our hiring standards have gone up significantly. Equally important is the fact that we're now able to build and release increasingly-better products in a market that's more open to innovation - and one that is underpinned by a culture of honesty and directness."