

Karma



Steven van Wel,
CEO & Co-Founder - Karma

***Not in operation anymore, CEO Steven van Wel has since founded Walter Living**

Industry: Telecommunications

Mission statement: To make internet access on every device better than ever before.

Headquarters: N/A

Founded: 2012

Karma was a mobile WiFi provider that was founded in 2012 in the Netherlands. Its product consisted of a pocket-sized personal hotspot, which has an open network that allows customers to share its connection with the people around them. Each time someone would join, the owner received free data.

With its ambition to become a nationwide provider, its founders quickly decided not to focus on the Dutch market, but on the United States.

We spoke with its former co-founder Steven van Wel to understand their motivations at the time, what lessons they've learned from their quick expansion and insights for Dutch entrepreneurs who wish to do the same.

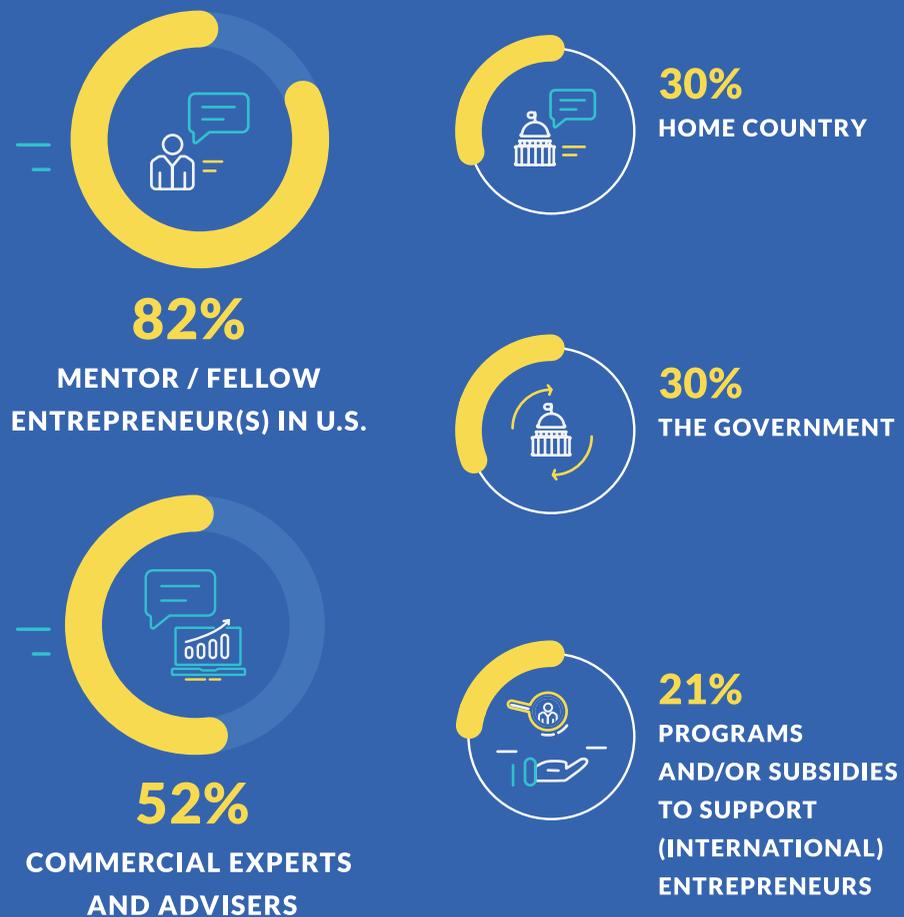
Key takeaways:

- In order to become successful it was crucial for Karma to expand to a major market. The quickest way to do this was not to focus on the European market, but on the U.S.
- They benefited hugely from their enrollment in the accelerator program TechStars in New York. Thanks to the program and its tremendous network, they had a great learning experience and were able to raise the required capital.
- Preparation is key for a successful transition to the United States. The legal, financial and administrative processes cost time and money, but in the end it's just paperwork. Karma hired good lawyers to help them with setting up their business.
- The hardest about expanding to the U.S. is the amount of competition. Penetrating the market is difficult as your new product has to be really unique and functioning well. On top of that, being successful is a combination of timing and opportunity.

Halve Maen's research finds...



The Dutch startups and scale-ups that have expanded to the U.S. rely on the following sources of advice and support most:



Source: HM Video Report



Where the story starts

In early 2012 the three founders of Karma had an important question to answer: in which market would they have the biggest chance for a successful product? Although the European markets definitely had potential, launching in the United States would be the most convenient option. In order to build their nationwide network, one agreement with a large carrier would be sufficient in the United States, while in Europe they would have to make numerous agreements.

Also, the opportunity in the United States was much bigger. While the maximum market size in the Netherlands would only be a few million, there would be about 2 billion in New York alone. On top of that, Karma was accepted into the American accelerator program TechStars. The decision to focus on the U.S. was made.

According to Steven, it was pretty straightforward for them to concentrate their fundraising efforts on New York or Boston. Most hardware companies were located there, which meant there were more opportunities for them there than in San Francisco. This difference seems to have faded by now though, with a general rise in consumer products and VC money in the United States. Thanks to the extensive network of funders and mentors of TechStars, Karma was able to find capital in New York so that it could build and launch their product.

How did Karma transition to the United States?

After the TechStars program, the team migrated to New York step-by-step. Soon they worked with a split team, with marketing and growth based in the United States and engineering in the Netherlands. Eventually almost everyone moved to New York.

“One of the hardest parts of transitioning to the United States is getting the team to work in two different time zones”

In order to transition to the U.S. successfully, preparation is key. Legal, administrative and financial considerations need to be taken into account. But, as Steven mentions, in the end it's all just paperwork.

“A big struggle is the preparation you need to take. But you have to simply accept that that's the way it is. Spend some money on good lawyers and make sure you time everything well.”

With the assistance of good lawyers, Karma was able to manage their processes well, such as getting the required visas on time, as well as the hiring process of new employees. Also, they registered the company as a cooperative, which meant they were operating not as a Dutch but as a U.S. company. This made their financial procedures much simpler.



Important to note are the numbers.

48% of survey respondents indicated that it took 1 month to make their first hire. For another 34.8%, it took 3 months.*



* Source: Halve Maen's Best Practices Report, "How to Make it Big in the Big Apple"

What to know when you're thinking of expanding to the United States

"Be prepared for a lot of competition and think big"

Steven mentions that they quickly noticed differences between the Netherlands and the U.S. In general, ambitions are much higher and ideas much bigger. For instance, in the Netherlands, launching a nationwide network would be considered unrealistic. However, in the U.S., Karma was encouraged to go for it. This shift in mindset is "a subtle, but very big difference."

"If you have the opportunity to get into the accelerator program TechStars or Y Combinator, definitely do it"

The biggest challenge to success in the U.S. is the amount of competition. Having a unique and well-functioning product is crucial. Steven mentions that, whatever product you're launching, there are probably already 10 competitors in New York. So even though there are many investors in the United States, fundraising is still difficult. Karma benefited hugely from the TechStars program and its network, so he recommends founders to do the same when they have the opportunity.

"When recruiting, take into account that it will cost more time and money to find the right talent"

More competition also means that it costs more time and money to find the right talent. For a

good engineer you're competing with Google, Facebook, Uber, and literally every other hardware company.

Another difference in the startup culture is that it's natural for founders in the U.S. to help each other. For instance, it's fairly easy to get introductions to the right people fast, while in the Netherlands that can be quite a hassle. According to Steven, this is something the Dutch startup culture can learn from.

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Karma team

So what is Karma's biggest success?

Karma's biggest success was to actually penetrate the U.S. market, by bringing a new product to a very old-fashioned market. They were able to raise enough capital to build two generations of hardware. According to Steven, they could not have done this if they hadn't moved to the U.S.

From his perspective, Dutch entrepreneurs can be successful in the U.S. when they are committed, have a truly unique product and move to the U.S. for at least 3 years to raise capital and build a team. Overall, it was a great experience for Karma.

Steven has since founded a new company, Walter Living, a platform that helps people buy and sell their homes by providing data driven insights on home valuations, market trends and more.

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