

WHERE TO LAND?

SELECTING YOUR EUROPEAN HQ

2021 Edition



Frontline

FOREWORD

Is a European HQ still relevant in a post-Covid world?

The answer is Yes - although decision making has become increasingly decentralised, selecting the right location for a European headquarters is a critical step on the journey to becoming a global business.

Even if you are currently working with a distributed team and have no plans to invest in a physical office right away, you still need to think about where your customers are, where the talent you need is concentrated, and where you can best access markets and opportunities for long term growth.

We've written this guide to help you answer "*where to go*" in Europe. On the surface, this may sound like an easy piece of the internationalisation puzzle. But Europe is not homogenous. Where you land - and how effectively you do it - can have enormous consequences on your global business's success.

FOUR CRITERIA, THREE CITIES

Europe has a sprawling tech ecosystem - Unicorns have been built in 40 different cities across 20 countries. That said, a robust local start-up scene in and of itself, does not make a particular city the *right* location for your base in Europe.

When selecting your European HQ location, we have found the following criteria to be critical factors in your decision-making process:

- **Customers** - Market prioritization, GTM model, network/cluster effects
- **Talent** - Talent pools, leadership, language coverage, network/cluster effects
- **Cost** - Compensation, real estate, taxes
- **Business Environment** - Regulation, data privacy, access & connectivity

The Cheat Sheet referenced on page three of this report analyses the five most popular landing spots in Europe; London, Dublin, Amsterdam, Paris

and Berlin – against our four criteria. When seen through this lens, three cities stand out from the pack:

- London
- Dublin
- Amsterdam

Data uncovered in our recent [European Expansion Report](#) (June 2020) agrees, with 75% of companies choosing London, Dublin or Amsterdam as their European HQ base.



WHERE TO LAND?

A Guide to Selecting Your EU HQS

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THE CHEAT SHEET



LONDON



DUBLIN



AMSTERDAM



PARIS



BERLIN



SUMMARY



CUSTOMER ACCESS

ENTERPRISE

SMB / MM

Best location to serve enterprise clients. Great availability of talent across functions and seniority, but the most expensive city to operate in

Large local market, Enterprise customers within walking distance

Go-to location for companies with an inside sales motion - deep junior talent pools, low operating costs and low corporate tax rates

Limited local market. Possible but challenging to service UK businesses

Historically viewed as an inside sales hub, but has a growing PM & Eng community and is a base for leading creative industries

Limited local market. Possible but challenging to service UK businesses

Typically used as a second or third European office location in order to serve French-speaking markets

Large local market, requires a local presence to effectively sell into Enterprise segment

Typically used as a second or third European office location in order to serve German-speaking markets

Large local market, can also serve rest of DACH from Berlin hub

Can serve large proportion of total EU market from London, Dublin or Amsterdam

Gives access to large SMB/MM market, but higher operating costs and smaller English-speaking talent pool means it's a less attractive location for inside sales than Dub & Ams



TALENT

FIELD SALES

INSIDE SALES & CS

ENG & PM

EU LEADERSHIP

Excellent availability of talent across all functions



Depth of inside sales, CS, and junior engineering talent, but limited senior leadership



Good talent pools across functions with a spike in Product & Eng leadership



Good availability of talent across all functions



Good availability of talent across all functions



Good availability of leaders with multifunctional and global experience

Small but high-quality pool of senior leaders

Small but high-quality pool of senior leaders

Good availability of senior mgmt, but rarely selected a European HQ for US businesses

Good availability of senior mgmt, but rarely selected a European HQ for US businesses



COSTS

COMPENSATION

REAL ESTATE

CORPORATION TAX

COFFEE PRICE

\$\$\$

\$\$\$

19.0%



\$\$

\$\$

12.5%



\$\$

\$

25% (15% on first €245k)



\$\$\$

\$\$\$

27.5%



\$\$\$

\$

30.0%



BUSINESS ENVIRONMENT

EMPLOYMENT LAW

POLICY STABILITY

CONNECTIVITY

Employer-friendly – stronger employee protections than the US, but weaker than the rest of Europe

Less Stable - short-term uncertainty due to Brexit

Well connected - regular direct flights to US and rest of Europe

Employer-friendly – similar employment law to UK

Stable - FDI is high political priority

Well connected - Daily direct flights to US and rest of Europe

Employee-friendly – less hiring freedom, contract flexibility and termination processes than UK&I

Stable – no major uncertainty on business-facing policy

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CUSTOMERS

Questions that matter:

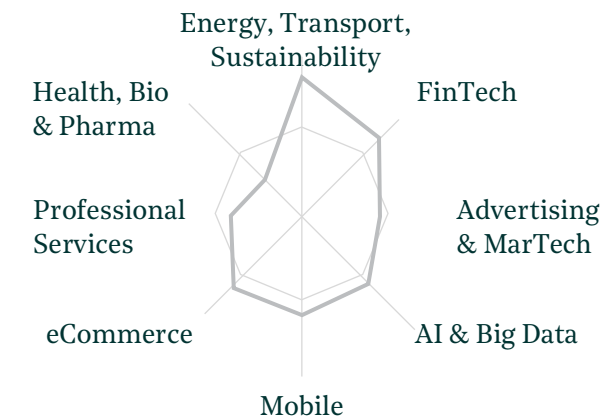
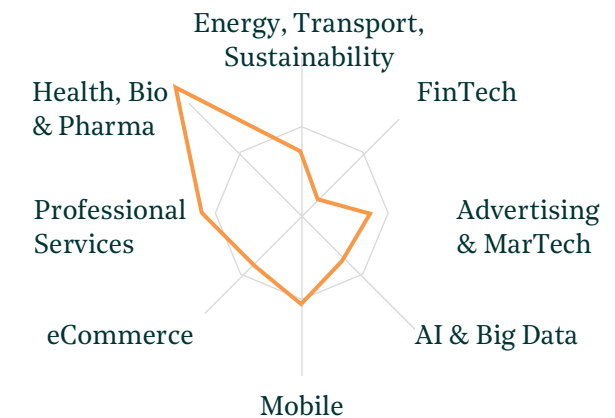
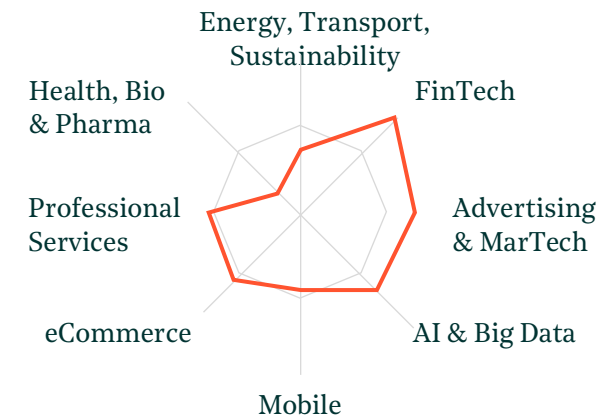
1. Where are our current and future customers?
2. What markets segments (SMB, Mid-market, Enterprise) are we targeting?
3. Is our GTM motion self-serve or sales-led?
4. What language or regulatory requirements does our product have?

The first criterion to focus on when considering locations in Europe are your customers. Market prioritisation can primarily be driven by looking at your customer base and identifying where they already are. Similarly, the customers you target and your GTM strategy will influence which location is best suited for your initial expansion.

For example, suppose your focus is large enterprise customers. In this case, London might be your ideal location because of its proximity to prominent European companies - and the requirements of a higher-touch sales cycle.

You should also take into account what industries you are prioritising. In the same way that New York is a finance hub and Los Angeles the centre of the entertainment industry, European cities have substantial concentrations around specific industries. Dublin has emerged as a thriving tech centre of excellence, and Amsterdam boasts a solid media and creative arts presence, bolstered by the likes of Netflix (and others). This industry clustering in our top three cities drives significant network effects across both customers and talent.

Indeed, it is no surprise that London, Amsterdam and Dublin's dominance has increased over time. Fifteen years ago, 50% of expansions landed in one of our three cities. Today that figure is 75%. The deepening of talent and industry knowledge pools, especially at the executive level, makes it increasingly complex for other locations to break into the club.



Industry mix of VC-backed start-ups operating in each city.

Source: Crunchbase

TALENT

Questions that matter:

1. What industry or role-specific talent do I require?
2. What level of seniority do I need?
3. What language requirements do I have?
4. How are hiring/firing policies different?

When assessing potential headquarters locations for talent, it is crucial to consider more than just cost (which we'll look at in the next section). Breadth and depth of specific talent pools, language diversity, employment law and senior leadership strength are all critical factors to consider.

Dublin, for example, is known for high-quality leadership talent, particularly with VC-backed technology company experience (though competition for these leaders is intense and reserves are scarce). Dublin also has a deep multilingual talent base, particularly for high-velocity sales and scalable support roles. On the other hand, London has the largest talent ecosystem of our top three, but it is also the least dense network. London lends itself primarily to enterprise sales and marketing talent.

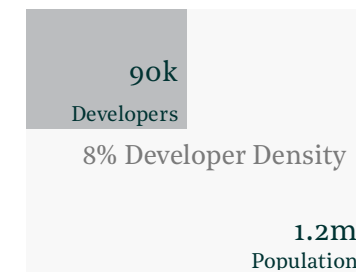
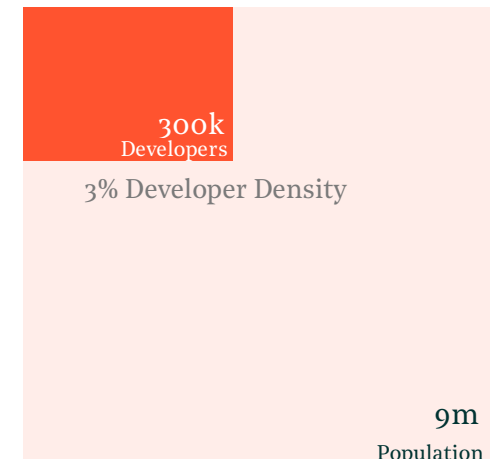
All three locations have a similar functional composition of talent, but Amsterdam is slightly more balanced towards product & engineering functions. London and Dublin are somewhat more liquid job markets - meaning new postings are generally easier to fill.

Employment law varies significantly between the US and Europe. Unlike California or New York, European employees do not work "At Will". In Dublin, London and Amsterdam, employers are legally mandated to issue written work contracts containing key terms and conditions at the start of a commitment. Resignation notice periods are also different, ranging from 1-3 months in the UK (for example) vs 1-2 weeks in New York. Looking across our European cities, all three include "probationary" work periods during which employers and employees can choose to end working relationships. However, once an employee is past their probation period, employers must follow protocols that include formal notice periods, additional training or alternative placement within the firm before they can process a

termination. It is worth spending some time getting up to speed on the various differences, as this will undoubtedly impact your ability to scale talent once you land.

LONDON IS THE LARGEST, BUT LOWEST DENSITY, NETWORK OF TECH TALENT

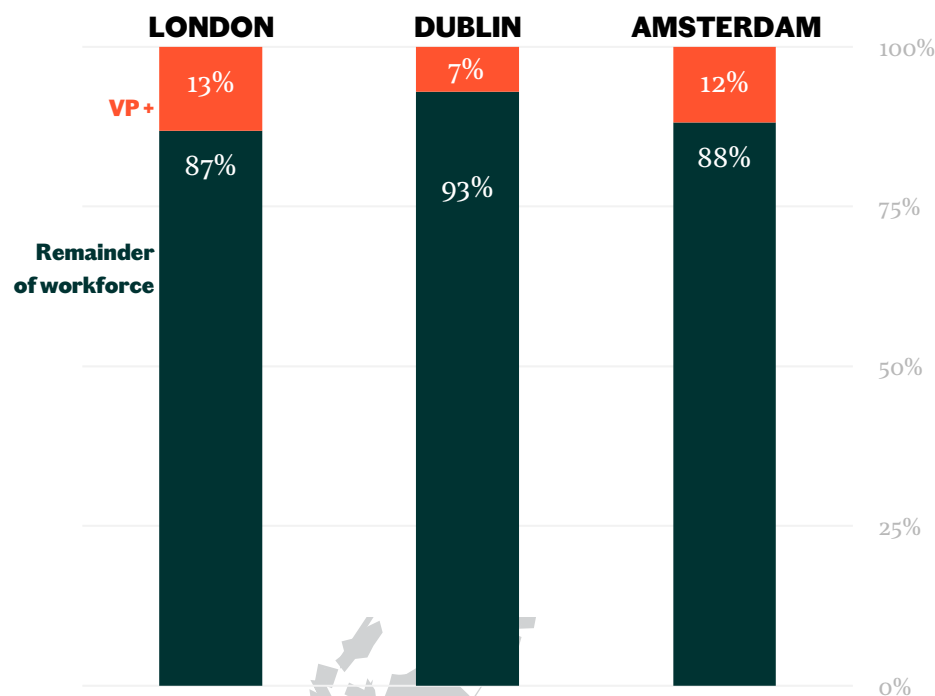
Developers and total employees within Tech, by City



Source: Atomico/ Stack Overflow, World Bank

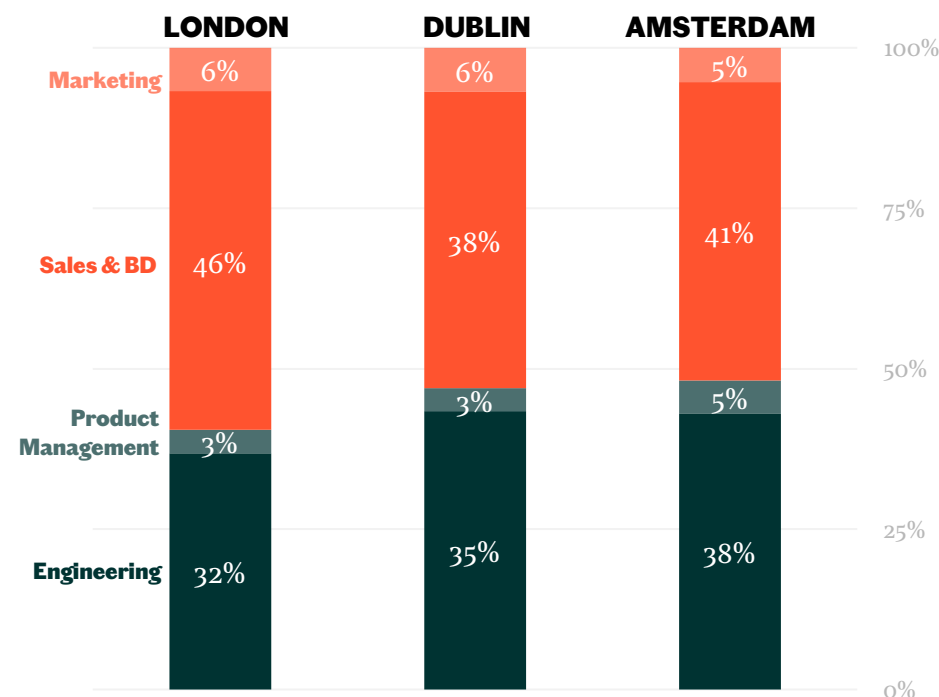
LONDON & AMSTERDAM BOAST DEEPER SENIOR TALENT POOLS THAN DUBLIN

Tech workforce composition by Seniority



CITIES SHARE A SIMILAR FUNCTIONAL MIX, WITH DUBLIN SALES LEANING, AND AMSTERDAM TOWARDS PM & ENG

Tech workforce composition by Function



Source: LinkedIn

SIDEBAR: MIS-HIRES

Many CEOs jump straight into hiring mode when they land in Europe. But 50% of companies end up firing their first senior hire in two years (!) By not clarifying org design in advance, companies accrue unnecessary “management debt”. Slack, Segment, Pendo, Cloudflare and many others all swapped out the key leader early in their expansion story. These companies survived the misstep and went on to thrive, but many are not so fortunate and end up in a cycle of reboots.

COST

Questions that matter:

1. What is my talent budget?
2. What is the ideal corporate and tax structure?
3. What foreign direct investment incentives are available?
4. What might future real estate costs be?

As with many business investments, labour is often the highest cost when considering your European HQ location. Employee cost differences between the top three cities are often tied to the type of roles you are looking to fill, rather than material differences in talent cost. If you're in the market for enterprise sales talent, you'll find the deepest talent pool in London. And similar to the US, these roles will be expensive - not because London talent is significantly more expensive than Dublin or Amsterdam, but because enterprise sales talent itself is costly, and that's where these professionals are concentrated.

Tax schemes and real estate costs are also important considerations, particularly in the long run. Corporate tax rates in Amsterdam are 25% (15% on first €245k), 19% in London, and Dublin is 12.5%. As a rule, we would caution not to overweight taxes in your location decision. Choosing the most favourable location for taxes and then struggling to find the talent you need or being too far from your customers will only lead to a painful waste of time and capital.

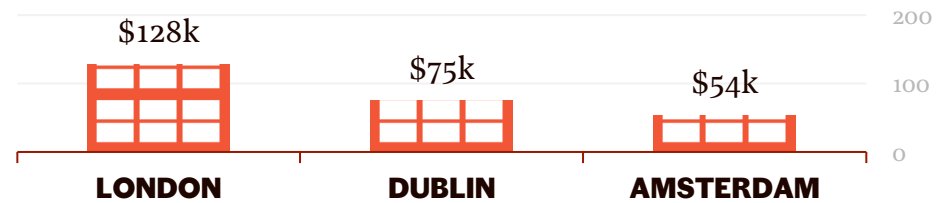
If you build a product & engineering team in Europe, you'll be eligible for rebates on R&D spend. 14.5% and 25% of spend in [London and Dublin](#), respectively, can be recovered through Government schemes. Spend can include employee costs, software licenses and even subcontractor costs and is issued as tax relief or a payable credit if you're loss-making.

In [Amsterdam](#), you'll need to apply in advance of any R&D projects. You can recover 16% of employee costs and 14-60% of other costs dependent upon the category and expenditure level. The credit isn't payable but it will be deducted from payroll tax returns. You can also avail of an "innovation box" that would allow you to pay 9% corporate income tax over the profits, instead of the normal 25%.

In London, [further relief](#) is available for companies within the creative industries. Software companies within Media and Gaming can claim 25% of the costs involved in content production.

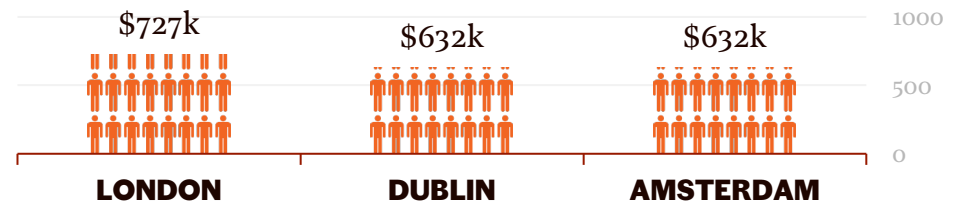
REAL ESTATE COST

Annual Cost for 1,000 sq ft Prime Commercial, USD



LANDING TEAM

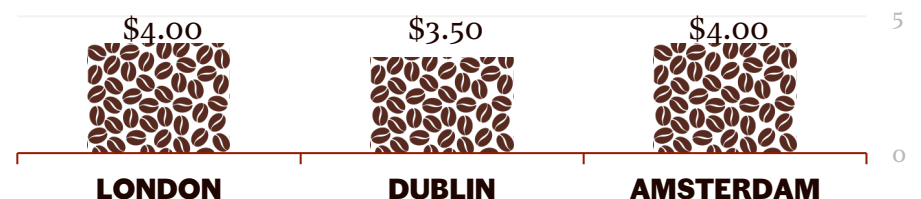
Fully Loaded Cost* USD



*OTE + Payroll Tax for 1x Head of Sales, 2x MM AEs, 1x CS Mgr

COFFEE COST

Flat White, USD



Sources: The Financial Times, Statista, Radford, Mason Alexander

SIDEBAR: TAXES

The OECD has been working towards corporate tax reform for years. As of this writing, the Biden administration has now joined the fray with calls for a global minimum tax rate and a redistribution tax based on sales rather than physical presence. Such a plan would effectively close the gap between tax rates in various European countries but it shouldn't change the cities on your shortlist. As discussed at length in this document, your successful expansion will hinge much more on talent and customers than tax.

SIDEBAR: A CAUTIONARY TALE

When it comes to consideration around costs, our strong advice is that CEOs adopt an *efficient growth* perspective vs an overall *lowering of costs* perspective.

Cost can often cloud perceptions around HQ locations; Tax schemes, real-estate costs and government benefits are great yes, but far more important is to choose your HQ location based on talent and customer demographics.

If not, you may find yourself in similar shoes to our cautionary tale - a billion-dollar SF based SaaS business that landed on the Portuguese island of Madeira as their HQ location by optimizing for cost. In this case, favourable tax rates.

Madeira has its charms - subtropical climate, ocean breezes, and fortified wine. But, to build a SaaS sales and support team is an unworkable choice. The island is an archipelago practically isolated in the north Atlantic Ocean - total population of around 289,000. It is not close to customers, does not have access to senior talent and, as a result, is not a sustainable growth choice. The company quickly learned that there are limitations to borderless SaaS, and a tax haven on its own does not a good decision make.

BUSINESS ENVIRONMENT

Questions that matter:

1. *How easy is it to do business across Europe?*
2. *How vital is synchronous working for your team?*
3. *Does GDPR/Brexit matter?*

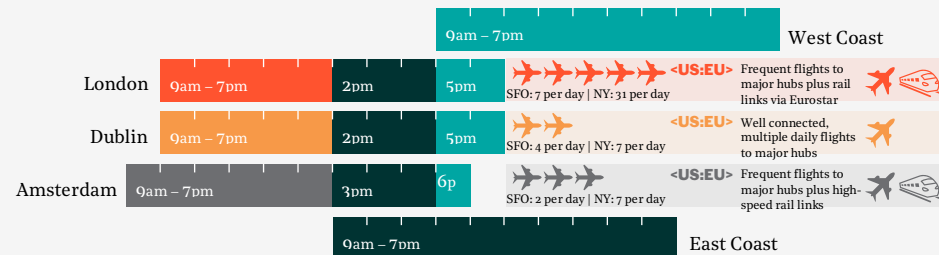
By definition, all three of these top cities are the "right" places to do business. The professional language of choice in London, Dublin and Amsterdam is English, and all three cities enjoy ease of access to every major city in Europe and relative proximity to the US.

The chart below represents the most active flight paths between the US and Europe. London and Amsterdam boast the highest frequency of flights to San Francisco and New York City. London is also a quick train journey away from other rising European hubs (such as Paris). Regarding synchronous hours, all three cities are on a par with roughly five hours of synchronous overlap with US East Coast cities, but only 1-2 hours with the West Coast.

SYNCHRONOUS HOURS

Synchronous Hours

Connectivity



SIDEBAR: BREXIT

A word on Brexit is essential here: although the UK government is negotiating to retain free movement of goods, services, and people across Europe, it is fair to expect some lagging issues related to the UK's actual exiting. It is hard to accurately predict the impact of visa impositions on Talent wishing to work and/or travel to and from the UK, but our prediction is that disruptions will be short-lived, as the British Government has already started to rollout visa schemes directed at highly skilled foreign nationals.

Brexit will also have an impact on how the UK conducts its data privacy operations. As it currently stands, Data Privacy regimes are the same across Dublin and Amsterdam (i.e., under the same GDPR restrictions, although different enforcement agencies). At the time of this writing, the UK is still awaiting an 'adequacy' decision from the European Commission on its "UK GDPR" policy (in simple terms, the EC must decide whether the UK has adequate data protection measures for EU countries to work with). Again, although there is no reason to suspect any long-term implications for the general business environment, it is important to keep an eye out for policy changes in this area as data privacy is a critical aspect of any business dealing with end-user data management in Europe.

Initial data gathering post-Brexit has demonstrated that despite a brief referendum induced lull, companies already located in London quickly resumed hiring at top speed in their European hub[1]. There is no doubt that Brexit has brought a measure of uncertainty for the UK. However, we believe that this will be short lived, and that the UK will retain its status as the preferred landing location for US SaaS businesses in Europe.

CONCLUSION

Even though business norms have forever shifted towards virtual meetings and distributed teams, selecting the best location to headquarter your company in Europe remains as important as ever. Success is always predicated on being close to your customers, finding the best talent to compete and scaling your operations in a cost-effective way. London, Dublin and Amsterdam each provide a strong foundation across these dimensions - which is why the majority of US companies end up in one of these three cities.

While all of the four criteria we've highlighted are important, every business is different and choosing the right location for you can be nuanced. How these factors are weighted will differ for each company but focusing on customers and employees **before** costs is always our recommendation.

On the journey to building a global company there are countless decisions, but only a handful have an outsized impact on your growth trajectory. Selecting your European headquarters is one of these, and it's extremely painful to unwind if you get it wrong. Above all else, spend the time to make a thoughtful decision. Do your research, properly evaluate your options and get advice from experienced leaders who have gone before.



ABOUT THE AUTHORS



[Brennan O'Donnell, Partner](#)
[Frontline X, San Francisco](#)

Based in Silicon Valley, Brennan brings 20 years of experience building technology businesses and scaling global teams. He spent nearly a decade at Google, where he held multiple go-to-market leadership roles in the US and EMEA, building teams across both the Cloud and Ads businesses. After Google, Brennan went on to hold c-level and executive roles in several early stage and high growth SaaS startups, including Yammer (acquired by Microsoft), SurveyMonkey (IPO), Euclid (acquired by WeWork) and Airtable.



[Stephen McIntyre, Partner](#)
[Frontline X, Dublin](#)

Stephen's experience as a European executive in the early days of both Google and Twitter led to the creation of Frontline's growth fund, FrontlineX. Prior to joining Frontline in 2016, Stephen was Twitter's Vice President of EMEA, where he grew regional revenues from \$0 to \$250m as a private and public company. Before that, he spent seven years at Google in a variety of executive roles.



[Jamie Bristow, Investment Associate](#)
[Frontline X, London](#)

As a member of the FrontlineX investment team, Jamie is primarily focused on supporting US-based, IPO track SaaS companies to plan and execute their European expansion. Jamie came to Frontline from Management Consulting. Having worked at a boutique specialising in data strategy & advanced analytics, he has advised Exec teams in a range of environments – from PE-backed, high growth tech businesses, to FTSE 100s and Public Sector bodies.



[Carolina Küng, Head of Platform](#)
[Frontline X & Frontline Seed, London](#)

Carolina manages all Platform and Marketing efforts across Frontline, helping both Frontline Ventures and the Founders we support get to the next level of growth. Prior to Frontline, Carolina was Head of Portfolio Engagement at Insight Venture Partners, where she led platform and community as part of the Onsite growth strategy team. Carolina's background includes operations at B2B SaaS start-ups in NYC and Zurich, and business and tech reporting at Al Jazeera and Newsweek.

ABOUT FRONTLINE X

Frontline X is a growth-stage fund for US companies expanding to Europe. It's go-to-market first, capital-second fund, built on senior operational experience, and powered by a deep network of advisors across Europe and the US.

Our team, LPs and advisors are or have been executives at some of the world's most successful tech companies (Segment, Stripe, Looker, LinkedIn, Airtable, Facebook, Cloudflare, Google, Pinterest, Dropbox and Workday to name a few). We know two things better than anyone else: the size of the European opportunity and how to capture it.

Our process is simple: we invest up to \$5m alongside your lead investor in a Series B, C or D round and work hands-on with you to ensure a fast and frictionless European Expansion. To date Frontline X has invested in Attentive, Tripactions, people.ai, Clearbanc, Lattice, Greenhouse, Drone Deploy and Lob.

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