

NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION



INDEPENDENT CONSULTANTS – GUIDES TO FOREIGN MARKETS



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SUCCESSFUL MARKET ENTRY WITH INDEPENDENT CONSULTANTS

Is there a demand for our products in India, Russia or Central Asia? How big is the local market? What certifications are necessary? How is the competition structured? What are the needs of the local consumers? Which sales model should be chosen: export via an importer, a representative office for setting up and maintaining a dealer network or direct sales through a local subsidiary? How can maintenance and service for technical products be ensured?

There are many issues that must be effectively addressed when developing a market entry strategy. Decisions made in the beginning can have long-term consequences.

When entering the market, it is important to consider which financial and organizational investments can be expected to generate which income. To minimize risk, many medium sized companies choose a step-by-step approach: first sales through importers, then the establishment of a representative office, and finally, opening a subsidiary in the target country.

Export managers are faced with a chicken and egg problem, when management boards define sales targets which are to be reached before a subsidiary can be established in the target country. But how can one generate an annual revenue of five million euros in, for example, Central Asia, without a sales structure being available?

Companies that fear making a bad investment may risk possible revenue losses due to delays. While a company hesitates, its competitors have the opportunity to establish themselves in a market. Replacing the early movers later is laborious, if it can be done at all.

Management consultancies often provide generic recommendations

To prepare for a possible market entry, companies usually commission a foreign trade promotion institution or, depending on their budget, a consulting company. The consultants then carry out a market analysis and develop a market entry strategy.

The analyses are usually carried out by consultants who have little industry knowledge and no contacts in the respective industry. Accordingly, the conception, data collection and conclusions are often generic and predictable.

It remains unclear how the recommendations for action should be implemented if the company does not have any resources and employees who are familiar with the target region.



Christian Tegethoff
Managing Director
CT Executive Search

Independent consultants and contractors as guides to a successful market entry

Engaging the services of an external industry expert who knows the economic and regulatory environment of the respective company from the inside - for example, due to previous tenure with a competitor, a distributor or a company from the target industry, is a very viable and highly recommended strategy for successful market entry. These are highly skilled professionals with extensive operational experience in the target country.

The independent consultant is contracted to analyse the target market based on the market entry expectations of the client company. The recruiting company usually expects the consultant to provide all the necessary information regarding the potential competitors, the pricing system and margin levels, and country relevant sales models. The consultant is then expected to develop a suitable business plan that includes expected expenditure and subsequent revenue.

Unlike a consulting company, the consultant or contractor can access insider knowledge about the respective industry. Ideally, he knows the key players in the market personally - dealers and end customers - and can assess which cooperation options actually make sense. The independent consultant's vast network within the industry is an invaluable asset that sheds insight into what a company should expect when setting up operations in its country of interest. Relevant data is collected and specific recommendations are provided, which, if necessary, can then be implemented by the consultant as well.

MARKET ENTRY VIA AN INTERIM CONSULTANT:

SUMMARY

CONCEPT

- Instead of hiring an external consultancy, a freelance consultant is recruited who has practical experience in the sale of relevant products into the respective industries.
- The consultant examines the target market (competition, demand, prices, dealer structures, existing delivery relationships, etc.) over a period of three to six months. The consultant leverages his existing market knowledge and the network of contacts with authorities, dealers and end customers.

RESULT

- The consultant creates a final report, which processes the data obtained and derives concrete recommendations for further action (Establishment of subsidiary? Representative office? Export business via dealer? Dealer and service strategy?). This includes a to-do list with time and cost estimates.

IMPLEMENTATION

- The possibility of continuing to work with the consultant to implement the recommendations or taking on a permanent position (e.g. as representative or managing director) is taken into account from the outset.

Ideally, the consultant is also available in the long term as a Managing Director or Representative if the decision to set up a subsidiary organization is made.

Independent consultants to adapt business models / revitalize "sleeping" markets

Local industry experts are not only useful when entering the market, but also when evaluating and adapting business models in dynamic environments. Import substitution in Russia, Iranian sanctions, government reshuffling in Ukraine - the foreign markets beyond the European Union are complicated, and dynamic.

Implemented business models need to be periodically reviewed to meet the needs of a dynamic market.

In Russia, for example, the environment has changed fundamentally in the past seven years - sanctions, a devalued rouble and import substitution policies make it impossible in many sectors to rely solely on exports. An external industry specialist can, for example, determine whether a (partial) production localization is expedient, whether the corresponding supplier parts are available and which model (green-field, JV with local partner, license regulation) is promising.

Most exporting companies have a number of "sleeping" or "forgotten" markets - countries in which an importer has generated little or no turnover. In most cases, it is worthwhile to investigate the causes - a specialist from the respective market can often point out and implement effective sales structures.

THE BENEFITS OF WORKING WITH AN INTERIM ADVISOR

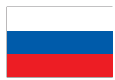
- Cost savings compared to commissioning a consulting firm
- Use of in-depth industry and product expertise by consulting an expert from the market
- Consulting result not generic, but industry-specific and supported by practical knowledge
- Focus on practical relevance and realistic feasibility
- Possibility of continued employment of the consultant as Representative / Managing Director

Recruitment of external specialists

CT Executive Search supports companies by identifying and approaching experts in the respective target markets, leveraging our proprietary research and international partner network in Eastern Europe, the Middle East, China, India and Africa.

CT Executive Search works closely with its clients to identify and recruit the ideal independent consultant. When necessary, we also help brief the chosen candidate on what the client expects in terms of results.

Case studies:



I

Country: Russia

Client: European producer of wear goods for the mining industry

Mission: Against the backdrop of weak sales of an exclusive long-standing importer, a realistic picture of the market status quo should be obtained. Subsequently, a strategy for the Russian market should be developed and implemented, possibly including the establishment of a subsidiary.



II

Country: Qatar

Client: European manufacturer of products for explosion protection

Mission: The consultant should analyse the local structures with the aim of establishing a supply relationship with the Qatari oil and gas industry.



III

Region: Central Asia

Client: European producer of measurement technology

Mission: Analysis of the markets in Kazakhstan, Uzbekistan and the other Central Asian countries with the aim of developing a sales strategy. The market analysis included existing supply relationships, current competition, prices / margins as well as the identification and evaluation of potential sales partners / end customers in the countries of the region.

„COOPERATION PROVES ITSELF ON UNCHARTED TERRAIN“

Why did you decide to work with an independent market consultant in Russia?

For over 20 years REMA TIP TOP worked with an official distributor on the Russian market. In recent times, we noticed that there was little to no changes in sale. This prompted us to look for alternative ways to generate growth. Eventually, a decision was taken to do so through market entry.

A successful market entry strategy depends on an accurate analysis of the market and its potential. Options for getting a clearer picture of what the Russian market has to offer included working with a consulting agency or an independent consultant. The former, however, came with the risk of hiring a firm that was just as short sighted as us when it comes to the intricacies of the Russian market. Hence, it could have been a case of the blind leading the blind. We also needed someone with hands on experience in this sector.

Therefore, we opted for an independent consultant – someone who would do a complete market survey in six months, present us with a business plan based on the data collected, and see to its subsequent implementation.

What criteria did you use to select the consultant?

In addition to a very good command of English, experience in market analysis and business plan preparation, a high willingness to travel, experience in working with international companies and, of course, knowledge of our industry in Russia were among the decisive factors.

Where do you see the advantages of working with an independent market consultant, also compared to a management consultancy?

A management consultancy would certainly have done a thorough analysis that would have been followed by an equally great presentation. However, we needed someone who could also implement the subsequent strategy developed. This final task required someone who would be committed to actually achieving the goals set. For me it was very important that it didn't stay with the theory, but that things were actually implemented.

We have been very successful with this approach so far and have now established subsidiaries in Russia and Kazakhstan. In addition to the successfully implemented strategy, our independent consultant has also seen to the recruitment of qualified personnel in both countries. Our consultant's network was very helpful in boosting customer relationship management and building the local team.



Horst Heinrich Kübel,
Global Director Marketing & Sales at REMA TIP TOP AG. Based near Munich, REMA TIP TOP AG is a globally operating system provider of services and products in the field of conveying and processing technology as well as tyre repair. The company has 8,000 employees and an annual turnover of over 1 billion euros. CT Executive Search worked with REMA TIP TOP in the search and selection of an independent market advisor for Russia and Central Asia.

What is the best way to ensure a successfully partnership with an independent consultant?

We have assigned a „double“ to our man in Russia at the company headquarters, a permanent contact person. This enabled the market consultant to concentrate on the work on site while the double led him through the thicket of company processes. The consultant actually had two doubles – the sales controller and me! This intensive cooperation at the analysis phase was the basis for the subsequent smooth implementation of the business plan.

Later, we got the new colleagues in Russia and Kazakhstan on board through virtual training and ensured serious induction even under corona conditions. The whole company now benefits from the resulting virtual training concept.

In what situations does it make sense to work with an independent market expert?

This is certainly a great option for any company looking to enter a market they know little or nothing about, but believe to be viable. Russia and Central Asia have many facets, economically and culturally. Hence in cases such as these, the smart choice would be to work with an expert who knows the terrain, and is interested in a medium to long term partnership.

A consultant based in Germany may also have an on-site network and can provide the needed information. However, once the analysis is complete, I am left with having to find someone who can then implement the developed strategy.

Using a local market advisor, on the other hand, is a very practical and implementation-oriented way of entering a new market. Of course, working with the right person is also crucial here, and CT Executive Search brought the right candidates to the table at the time.

How do you assess the situation in Russia at the moment? What prospects does the market offer?

The mining sector is particularly interesting for us. In Russia, investments of USD 91 billion are planned here within the next 6 years in order to further advance the raw materials industry / infrastructure of the mining industry. For us, Russia is therefore an absolutely important target market in which we cannot rely on just one distributor. That is why we have set up two branches here.

Most of the Russian mines are privately owned. A large part of the management is done by expatriates such as the Australians and British, some of whom we have known for a long time. This is one of the reasons why I see a large market for our products.

„CAPITAL INVESTMENT IS MODERATE“

Did the companies that you worked with over the years resort to external advice? What experiences have you had?

Yes, we have resorted to external expertise on various occasions - especially if something did not go according to plan, or new issues arose during strategy implementation or operations.

Working with an external consultant is always recommended if the required knowledge is not available in-house. When it comes to handling business-related issues that arise, there are definitely differences between Russian and German companies.

In the latter, there is a greater willingness to turn to consultants. In Russian companies, resorting to external advice is quickly seen as an admission of their own ignorance, especially among old-style executives. In addition, the pool of qualified consultants in Russia is relatively small. Usually, it is a twenty-five year old professional with three years of experience at EY or PwC, who offers his services on a freelance basis. In Germany, on the other hand, companies can draw on practically unlimited resources and hire consultants who have a verifiable and long-standing track record.

In general, my experience in working with consulting firms is heterogeneous, especially, on issues beyond legal and financial advice.

Should companies rely on consultants from the respective country or rather on international specialists?

Foreigners often have great problems in adapting their expertise to the local context. The lack of cultural knowledge also affects credibility. The more technical a task, the more suitable a foreign expert is. This means that expatriates are rather unsuitable for sales or marketing-related issues.

What are the advantages of using an independent consultant over a consulting firm?

In my opinion, hiring a local specialist from the respective industry is a good option to manage a market entry, to restructure a market presence and to carry out the preparatory analyses.

The capital investment is moderate, and no long-term obligations in the form of fixed costs or taxes are created.

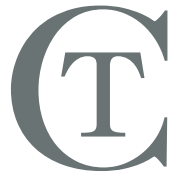


As Managing Director of the private equity firm Quadriga Capital Russia, **Dr. Reinhard Kohleick** has worked with numerous businesses. As a private investor, he currently acts as a supervisory board or management board member for several technology companies that are expanding internationally. Dr. Kohleick is a member of the CT Executive Search Advisory Board.

What can companies do to work successfully with a contractor?

In my opinion "hire & forget" is the biggest problem. The consultant needs organizational support, his involvement is crucial - an aspect that should not be underestimated. This includes close communication throughout the project.

Being able to trace the consultant's work and knowing his sources of information are also crucial. Otherwise, there is a risk of becoming too dependent on the assessments of a single person.



EXECUTIVE SEARCH



EXECUTIVE SEARCH EXPERTS IN EASTERN EUROPE AND THE EMERGING MARKETS

CT Executive Search focuses on placing key positions in Eastern Europe and the Emerging Markets – in Russia / CIS, Africa, the Middle East and Asia. We are experts in cross-border search processes and identifying high-performing candidates, adding value to international companies. Leveraging a broad network of analysts and consultants across Eastern Europe and the emerging markets, CT Executive Search has established itself as a reliable partner to well-reputed multinational companies.

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