

**NEWSLETTER**

**INTERNATIONAL**

 ENGLISH VERSION



## INDEPENDENT CONSULTANTS – GUIDES TO FOREIGN MARKETS



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**Christian Tegethoff**

MARKET DEVELOPMENT AND OPTIMIZATION  
WITH INDEPENDENT MARKET EXPERTS ►



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**Dr. Reinhard Kohleick**

„THE CAPITAL INVESTMENT  
IS MANAGEABLE“ ►

## MARKET DEVELOPMENT AND OPTIMIZATION WITH INDEPENDENT MARKET EXPERTS

**When entering new markets, companies face many questions such as:**

- Is there demand for our products in India, Saudi Arabia, or Central Asia?
- How large is the local market?
- What certifications are necessary?
- What is the competitive landscape?
- What are the needs of local customers?
- Which sales model should be chosen: export through importers, a representative office for building and managing a dealer network, or direct sales via a local subsidiary?
- How can maintenance and service for technical products be ensured?

Initial decisions can have long-term consequences. It's important to consider which financial and organizational investments are likely to yield what returns. Many mid-sized companies choose a step-by-step approach to minimize risk: initial sales through importers, then establishing a representative office, and finally setting up a subsidiary in the target country.

**Export managers** often face the 'chicken-and-egg' problem, when mid-sized company executives set revenue targets that must be met, before establishing a local presence is approved. How are five million euros in annual sales to be generated in Central Asia without a sales structure in place?

The risk of a poor investment is balanced against potential losses from delays. Hesitation may mean bigger market entry opportunities for competitors, making it difficult to catch up or even overtake later on.

To prepare for a potential market entry, companies usually commission an export promotion organization or a consulting firm, if the necessary financial resources are available. The consultants conduct a market analysis and develop a market entry strategy. These analyses are often conducted by consultants with little industry knowledge and no contacts in the specific industry. As a result, the concepts, data collection, and conclusions are often generic and predictable. It remains unclear how the recommendations should be implemented, if the company lacks resources and employees with knowledge of the target region.

**An alternative is the temporary engagement of an external industry expert.** This expert knows the economic and regulatory environment of the respective market from personal experience – for example, through previous work at a competitor, distributor, or a company in the target industry. These experts are not conventional consultants, but specialists with operational experience in the target country.



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Their initial task is to analyze the target market from the client's perspective, focusing on the competitive situation, local price and margin levels, selecting the appropriate sales model, and creating a concrete business plan, including cost estimation.

Unlike consulting firms, the independent market specialist can access insider knowledge about the respective industry. Ideally, they know the key players in the market personally – such as dealers and end customers – and can assess which cooperation options are genuinely viable. With their network, the market specialist can provide concrete analyses and recommendations and, if desired, implement these themselves. The expert can also serve long-term as a managing director or representative office leader, if the decision is made to establish a subsidiary.

**Local industry experts** are useful not only for market entry, but also for evaluating and adjusting business models in dynamic environments. Conditions change due to sanctions (e.g., Russia, Iran), localization efforts (as in India and Saudi Arabia), or geopolitical developments, such as in China. Once tapped, markets cannot be operated indefinitely with the same business model. Companies must continuously review and adapt their activities in the target countries.

In India, for instance, the environment has fundamentally changed in recent years – it is becoming increasingly difficult to rely solely on exports. An external specialist from the same industry can assess whether (partial) production localization is sensible, whether corresponding supplier parts are available, and which model (Greenfield, Brownfield, a Joint Venture with a local partner, or a licensing arrangement) is promising.

In many exporting companies, there are "sleeping" or forgotten markets – countries, where an importer was once found but has since generated little or no revenue. Investigating the causes often pays off here. A specialist from the respective market can often identify more effective distribution structures and implement them.

## MARKET ENTRY CONSULTING VIA INTERIM CONSULTANT:

### SUMMARY

#### CONCEPT

- **Recruitment vs Consulting Firm:** Instead of hiring an external consulting firm, an independent consultant is recruited with practical experience in selling relevant products in the target industries, for example, through years of experience as a sales manager of an international company in the target country.
- **Market Analysis:** The consultant examines the target market over three to six months (competition, demand, prices, dealer structures, existing supply relationships, etc.) using their existing market knowledge and network of contacts with authorities, dealers, and end customers.

#### OUTCOME

- **Final Report:** The consultant creates a final report that compiles the collected data and provides concrete recommendations for further action (establishing a subsidiary, representative office, export business via dealers, dealer and service strategy). This includes a to-do list, with well-founded time and cost estimates.

## IMPLEMENTATION

- **Continuation:** The possibility of continuing to work with the consultant to implement the recommendations or taking them on as a permanent employee (e.g., as a representative office manager or managing director) is considered from the onset.

## ADVANTAGES OF WORKING WITH AN INTERIM CONSULTANT

- **Cost Savings:** Lower costs compared to hiring a consulting firm.
- **Industry and Product Expertise:** Leveraging deep industry and product expertise through an expert, with experience in the respective market.
- **Industry-Specific Advice:** Consulting results are not generic but industry-specific and supported by practical knowledge.
- **Practical Approach:** Focus on practical and realistically implementable recommendations.
- **Long-term Collaboration:** Possibility of continued employment of the consultant as a representative office manager or managing director.

### Case studies:



I

**Land:** India

**Client:** Medium-sized supplier in the steel industry

**Mission:** Due to the weak sales of a long-standing exclusive importer, a realistic picture of the current status quo should be created. Based on this, a strategy for the Indian market should be developed and implemented, possibly including the establishment of an independent sales company.

**Consultant Profile:** Former Sales Manager India of an international manufacturer of consumables for the steel industry. Experience in the technical and commercial evaluation of investment projects.



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.

## „THE CAPITAL INVESTMENT IS MANAGEABLE“

**Have the companies you worked with relied on external consulting? What has been your experience with this?**

Yes, we have frequently relied on external expertise, especially, when challenges arose or new projects were initiated. Working with consultants is always beneficial, when the necessary knowledge is not available within the company, and this need is recognized.

There are culturally driven differences in the perception of knowledge gaps, for example, between Eastern European and German companies. In German firms, the willingness to engage consultants is greater. In Eastern European companies, external consulting is often seen as an admission of ignorance, particularly, by traditional leaders. Additionally, the number of relevant consultants in some Eastern European countries is limited.

Typically, you have the 25-year-old with three years of work experience at EY or PwC working as a freelancer. In Germany, companies have the option to choose from a wide range of consultants with proven track records. My experiences with consulting firms are generally heterogeneous, especially, on topics beyond legal and financial consulting.

**Should companies opt for local or international consultants?**

Foreign consultants often struggle to adapt their expertise to the local context. The lack of cultural knowledge can impair their credibility. The more technical the task, the more suitable a foreign expert is. However, they are less suitable for market-related topics.

**Why should companies hire local consultants instead of established consulting firms with a multinational presence in some cases?**

Engaging a local specialist from the respective industry environment is, in my view, a good option for shaping market entry, restructuring market presence, and conducting the preparatory analyses. The capital investment is manageable, and there are no long-term obligations in the form of fixed costs or tax issues.



**Dr. Reinhard Kohleick**

has accompanied numerous companies as Managing Director of the private equity firm Quadriga Capital. Today, as a private investor, he serves as a supervisory board member, executive board member, or advisory board member for several technology companies expanding internationally. Dr. Kohleick is a member of the advisory board of CT Executive Search.

## **What can companies do to make the collaboration with an independent consultant successful?**

In my opinion, "hire & forget" is the biggest problem. The consultant needs organizational support, and their integration is crucial – an aspect not to be underestimated. This includes close communication throughout the project. It is also important to ensure the traceability of the consultant's work and knowledge of their information sources. Otherwise, there is a risk of becoming too dependent on the assessments of a single person.

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## EXECUTIVE SEARCH



### EXECUTIVE SEARCH EXPERTS IN EASTERN EUROPE AND THE EMERGING MARKETS

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