International Marketing For The Turkish Leatherproducts: Opportunities and Threats

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ABSTRACT

Turkey is the one of the leader countries in leather production and export in the world. Our country is also a very qualified leather exporter. Turkey’s leather exports demonstrate ups and downs on a yearly basis because of leather production and processes. Business technologies, marketing policies and leather production rivalry affect our exports substantially. International market demand and production play a significant role concurrently.

International marketing methods of comparatively advantaged leather products of Turkey will be analyzed and the opportunities and threats in this area will be find out with the SWOT (Strength, Weaknesses, Opportunities and Threats) Analysis and a survey will be conducted in this study. To propose new methods for the international marketing of Turkish leather products is a key point of this study.

Key words: Leather products, international marketing, export, SWOT analysis.

THE STATE OF THE LEATHER INDUSTRY IN TURKEY AND IN THE WORLD

The export of global leather products reached $106 billion as of 2005. The importance of the leather trade in the global market is well understood when respectively $169 billion and $226 billion worth of global textile and ready wear exports are considered. However the exports of our country only account for around 1 percent of global leather exports (ITKIB, 2005).

The Turkish leather industry is one of the most important industries of our country in terms of the export potential of our country. The leather and leather products industry of Turkey maintained its development and entered into the competitive environment in international markets. Especially in the post-1980 era, the industry developed rapidly thanks to the policies which supported exportation. In the 1990s, the main factors in the development of the Turkish leader industry were the collapse of the Soviet Union and the increase in exports to East European countries, as well the sales directed to tourists incoming from those countries (Bektaş, 2005 and ISO, 2004).

In 1990, the ratio of our leather products export to our total export was 5.7 percent, while it regressed to 1.2 percent in 2004. As stated in Table 1, although our total export increased approximately 5 times through 1990-2005, there has not been a significant development in the leather product export.

Table 1.Turkish Leather Industry Leather Products Exports on a Yearly Basis

Leather Products Exports on Yearly Basis (Unit: $1,000)			
Year	Leather Product Export	Total Export	Share of Leather (%)
1990	742,078	12,959,288	5.7
1995	657,786	21,635,901	3.0
2000	563,693	27,774,906	2.0
2005 (9 months)	578,069	52,937,467	1.1.

Source: ITKIB and IDMIB, Türk Deri Sektörünün Güncel Durumu Sorunları ve Çözüm Önerileri, November 2005.

OPPORTUNITIES AND THREATS IN THE LEATHER INDUSTRY EXPORT

Similar to other industries, the selling of a good or export or increase in demand of a product in the leather industry is not always an indicator showing that the product is perfect or well-marketed. Besides, it is known that many leather businesses in Turkey faced a bottleneck and went bankrupt despite producing very high quality products. Especially in the Aegean region, the companies which suddenly faced growth to very large capacities went bankrupt in a short time. Ensuring the demand for a product is in fact on top of all important issues faced by company and is needed in order to maintain the sustainability of the company. Issues such as product quality do not have much importance without marketing and sales. Therefore, the consideration of these issues, the determination of the strengths and weaknesses of a company and a vision of the opportunities and threats are highly efficacious in future-oriented decision making. Thanks to that, making up the deficiencies, greatly improving the strengths and accelerating company growth can be possible. This research includes a performance of the SWOT analysis on the leather industry by benefiting from the survey method.

Objectives of the Research:

This research aims at determining the practices and the methods employed by Turkish companies in the international marketing of leather products which have comparative superiority in the world markets. Furthermore, the opportunities and threats of the leather industry under existing circumstances will also be established through the SWOT analysis and the survey.

Importance of the Research:

The approaches of the companies in marketing are brought to light through determining the strengths and weaknesses in the leather clothing industry and the opportunities and threats foreseen by the company based on research carried out. Accordingly, research will help in building an activity plan in order to correct defects related with marketing for the future, and it can also be characterized as an instrument which the exposure of basic problems.

Scope of the Research:

This research is performed on the leather industry of the Aegean Region. The application of this research on all leather industries in Turkey will be highly influential in determining policies related with the industry and improving subsidies. This research is based on exporting companies which are included in the leather clothing section of Aegean Exporters Associations' web page, acting in this field. There are completely 54 companies under the leather clothing option of the web site addressed (http://egeliihracatcilar.com/Asp/FirmaKatalogSearch.Asp?page)

Method of the Research:

The research has been carried out via face to face questionnaire method. The preliminary test of this research was based on six companies and ambiguous questions were re-examined. Later, the research was carried out with 22 companies in total.

Research Limitations

The research has only been applied to leather clothing manufacturers of the Aegean Exporters Union. In other words, it has been applied regionally and it does not cover the entire industry of the country.

Research Findings

Approximately 59 percent of the companies participated in this research. The leather clothing industry is compromised of family businesses and 32 percent are local ventures. 91 percent are entirely domestic while the percentage of the companies acting in affiliation with foreign companies or as 100 percent foreign venture has been identified as 5 percent.

The research of the companies shows that most of them in the industry (72.64%) are manufacturers. The number of export-bound contract manufacturing companies is also noteworthy with 18.16 percent, while the companies that manufacture as suppliers account for less than 5 percent.

Regarding history since its establishment, the percentage of the companies acting for 15 years and more is approximately 60 percent. The companies acting in the industry for 6 to 15 years account for 31 percent while the companies with less than a 5 year lifetime account for 9 percent. Research of the companies implies that most of the companies have a long manufacturing history. It was identified that around 59 percent of these companies have been exporting for less than 15 years. The ratio of those exporting for 15 years and above is 27.4 percent, which suggests that the companies in the industry generally are new in this particular business. Approximately 60 percent of the companies in the industry deal with continual regular exports while the ratio of temporary and discontinued exporting companies corresponds to 23 percent.

The bulks of the companies (63.56%) examined in the field of the research, are made up of small and medium enterprises with SME characteristics and employ less than 100 people. The ratio of the companies with 101 and more employees is 36.04 percent. Especially the companies with SME characteristics should join their forces in order to raise their exports to a higher level.
The industry exports intermediary products. The ratio of finished products to unfinished product industries is 40%. The export levels of finished product exporting companies follow an irregular pattern on a yearly basis in terms of quantity and income, while the change in total export income does not present any remarkable change.

The EU market covering countries such as mainly Germany, France and Netherlands, and Eastern European countries, mainly Russia, Romania, Georgia stand out as the markets where the Turkish industry focuses for exports. Although not as important as these two markets, the North American and Far East markets also have big potentials. Therefore, giving importance to market diversity is important in terms of the future of the industry.

It is well-known that the marketing activities of the companies acting in the leather industry are generally inadequate. In this research, 70 percent of the companies under the existing circumstances can be considered as only production oriented companies in terms of their existing marketing activities as they primarily depend on customers to find them instead of looking for customers themselves. The ratio of the companies which try to determine and communicate with potential customers remains at 32 percent. At very low ratios, there are companies which receive support from exporter unions (4.54%), whose numbers attend fairs as visitors (4.54%) and whose numbers use people with foreign connections (4.54%). The IGEME (Export Promotion Center) and Chambers are hardly used by the companies in this industry.

The ratio of the companies which do not carry out effective market research before entering into foreign markets reaches 55 percent. The ratio of the companies which obtain information through company authorities is around 40 percent. Furthermore the Internet (13.62%), statistics (4.54%) and fairs (4.54%) are used to provide information about foreign markets. However, it is understood that this vehicles have not had enough use in the industry.

While the companies in the industry determine their export prices, they take into consideration cost and profit (70%). Then, world prices (18%) and their competitors' prices (9%) follow. Company's minor issues are the prices of the year, domestic market prices and their production status, respectively.

According to the examination performed regarding the standards of the export items, it is seen that almost all of the companies which participated in the survey give priority to quality (raw material, product, craftsmanship etc.). Qualified staff ranks after quality. In our understanding, companies believe that obtaining quality certificates such as CE (Conformité Européene) and TSE (Turkish Standards Institution) are essential and they also give importance to safety. Therefore, they make sure to obtain the supplies of raw materials and chemicals from the same source, as well as to use standard raw materials and chemicals. It has also been identified that some companies settle for existing production. Issues such as the continuity of the technical staff, conformity to the time of delivery, productivity cost, market conditions and customer demand are not quite as much taken into consideration by most of the companies.

In exports, the ratio of the companies which export their entire production by themselves is approximately 75 percent. The companies which export in cooperation with another company are slightly above 25 percent.

Under the existing condition, the only thing important for companies is promoting their products on a customer visit basis. This ratio is approximately 80 percent. Sales promotion and brochures are the promotional tools used by only 13.62 percent of the companies regularly. Visiting domestic and foreign fairs is among the most preferred methods, although its ratio is not as much as customer visits. However, these are generally not conducted more than once a year and do not go beyond the status of only being visitors.

Regarding the intermediaries used in the export market, the ratio of the companies which employ their own sales company is 60 percent. The ratio of the companies that depend on their customers' sales offices and local foreign trade companies is around 23 percent. Using foreign trading companies from other countries is the least adopted method with 4.54 percent.

SWOT analysis of the leather clothing industry is as follows.

Strengths of the Leather Industry
To abide by the time of delivery To have good relations with intermediaries To produce world standard products To provide a multitude of intermediaries in the distribution channel To employ a foreign language speaking staff To conduct research for country information To collect information related with competitors To hold a positive approach on closely monitoring the fashion

Weaknesses of the Leather Industry
High input costs Problems in pricing policy Insufficient promotional activities of companies Environmental pressure on production Lack of brand-building of companies Insufficient budget allocation for marketing activities Insufficient government support for leather industry Failing to act in cooperation with other companies in determining the export price Low prices Insufficient publicity efforts. Lack of a developed sales promotion Insufficient public relations Lack of the government's subsidy for sales Delays in VAT rebate payments Lack in differentiating the insurance premiums of exporter companies from that of others

Opportunities in the Leather Industry
Having engineers educated in manufacturing
Developing production techniques
Finding new markets
Opportunity of institutionalizing the promotion of leather products
Caring for human health in leather production
Having leather factories in free trade zones
Initiating publicity activities by companies
Changes in prices
Joint pricing policy application
Continuity of exports for brand creation
Introduction of Turkish companies to the world

Threats in the Leather Industry
Gradual climb in international competition
China's entry into the leather market
Volatile prices
Environmental pressure on leather production
Human health problems in leather production
Lacking efforts to improve product standards
Inadequate marketing activities
Changes in prices
Inadequate governmental subsidy
Acting collaboratively in determining the export price
The abundance of risks in working without raw material and inventories
Excess inventories

CONCLUSION

According to our study of the leather industry in Turkey, it can be defined as an industry occupied by local companies. The leather industry, which is of great importance for the global economy, is also very important for Turkey. This research aims at performing a SWOT analysis on the leather clothing industry companies with regards to determining their approach to international marketing.

The companies of the leather clothing industry that are the subject of the research posses either manufacturing company or contract manufacturing company properties, therefore it leans mainly on production oriented efforts; however, marketing is not considered quite much. Furthermore, most of the companies acting in the industry are family companies with SME qualities, and most of these companies have been dealing with exports for less than 15 years. Meanwhile, the companies can also be defined as new or inexperienced in terms of their total lifetime years. Most of these companies have appeared by benefiting from the marketing opportunities which arose in time. Again, approximately 60 percent of these companies have been dealing with exports continuously and regularly. However, the industry generally exports semi-finished products and the companies which export finished products follow a lumpy route on the basis of year, quantity and income. However research has revealed that total export revenue of the companies has increased.

The industries where the markets are focused on mostly for export are the EU and the East European markets. Although not having as much potential as these two markets, the markets such as the North American market –mainly the USA- and the Far East market provide great potentials. However, these potentials have not been considered well so far and there are no attempts towards that. Furthermore, giving importance to market diversity is required with regards to the future of the industry.

It is known that the marketing activities of the companies acting in the leather industry are generally insufficient. Similarly in this research, most of the companies started exporting their products when their customers first contacted them. The fact that customers are the ones who find and contact the companies is an obvious indicator that the companies are production oriented. There are also serious problems in determining potential customers and building contacts with them. On the other hand, the Export Promotion Center of Turkey (IGEME) and the Chambers are hardly being used by the companies in the industry. Such institutions' being not used is quite interesting, because the main aim of such unions and chambers is to reinforce international relations, find potential customers and match them up with the member companies. The reasons of this may constitute a subject for further analysis.

Making the activities of IGEME or Chambers beneficial for companies and especially giving importance to their marketing oriented activities would be beneficial. Because generally all companies think that they have inadequate promotion. An effective marketing research is not carried out before companies are entering into foreign markets. Besides, although not so much, Internet, statistics and fairs provide information related with foreign markets. It has also been determined that less than 5 percent of the companies participate in fairs. However those companies can only participate as visitors to such fairs.

When determining the export prices, the companies in the industry consider cost and profit, global prices and their competitors' prices, respectively. The less important issues for companies in determining their prices are the prices of the year, domestic market prices, and the production conditions.

According to the research carried out regarding the standards of the export items, almost all of the companies which participated in the industry give the highest importance to quality (raw material, product, craft etc.), because customers' demands on the quality are influential. Because of such and similar reasons, companies believe that certifications such as the CE and the TSE are necessary. Most of the companies are satisfied with their own production and consider the continuity of the technical staff more important than conformity to delivery time, efficiency cost market conditions and customer demand, which may be due to putting emphasis on production and lack of information on marketing in our opinion.

Companies give the highest importance to customer visits among the available promotional tools. Although such efforts are important in developing exports, they are not adequate. Other promotional tools such as sales promotion and brochures should also be used. Here, it is understood once more that the companies in the leather industry do not consider marketing activities enough.

In the export market, companies mostly use their own sales companies, while the number of companies which use their own purchasing offices or domestic/foreign trade companies is also high. Foreign trading companies in other countries are used at a rate less than 5 percent. However, they are not informed that Sogo Shoshas – The Japanese Foreign Trading Companies in exporting to the Far East- have a great importance.

Regarding the strengths of the leather clothing industry, the issues such as conformity with the delivery time, having good relationships with intermediaries, producing world standard products are brought forward. Meanwhile, the multitude of intermediaries in the distribution channel and work with qualified staff are also identified as strengths, emphasizing that research is being carried out for country information and there is awareness towards obtaining information on competitors. The positive approach on the close monitoring of fashion also appears as strength.

The main weaknesses are identified as issues such as high input costs, problems in pricing policy, inadequate promotional activities of the companies, and environmental pressure. Furthermore, the companies have not built brand awareness and they do not allocate a sufficient budget for marketing activities, publicity, and public relations; therefore these efforts are inadequate, and there is a need for developing sales promotions. Meanwhile, governmental subsidies are inadequate for both production and sales in the leather industry, prices are low, VAT rebates are not paid on time, and the companies do not act together in determining export prices.

In order to create brand awareness the continuity of export and the global promotion of Turkish companies are also among the leading opportunities. Meanwhile, the existence of engineers trained in production as qualified staff, and the development of new production techniques are also considered among opportunities. It is stated that finding new markets and institutionalizing them in the promotion of leather products might also be an opportunity. Giving importance to personal health in leather production and the building of leather factories in free trade zones are also considered as opportunities. Giving a start to promotional activities and the application of mutual pricing policies in price adjustments are also considered as opportunities.

Among the threats, the gradual increase in global competition with China's entry into the leather industry, the inadequacy of marketing activities, volatile prices, environmental pressure on leather production and human health issues, insufficient efforts on increasing product standards and price changes are listed. Failing to act together in determining the export price, the risk in working without raw material and the high levels of inventories are also among the threats which deeply concern leather manufacturers.

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