

Presentation

**Market Entry  
Turkey**

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# What I'll cover

- Turkey
- Entering the Market
- Direct Sales
- Agents and Importers
- Liaison Offices
- Connecting Company
- Limited Company
- Joint Ventures
- Top Tips
- Questions



**TURKEY**

Istanbul

Ankara

Yerevan

Black Sea

Caspian Sea

Mediterranean Sea



# What to Expect

- 72.5 million inhabitants
  - Average age of 28.8 (UK = 38)
  - 400,000+ graduates/year
- Approx. USD400 billion Gross Domestic Product (2006)
  - 9,333USD GDP per head (2013 →10,000USD)
  - More than 7% GDP increase (since 2002)
  - 4.5% decrease of the inflation (on approx. 10%)
  - Currency parity with UK – c.2.5TL:GBP1
- Overall impact of recession = negligible
  - High cash liquidity
  - Boom & Bust sectors – e.g energy and automotive

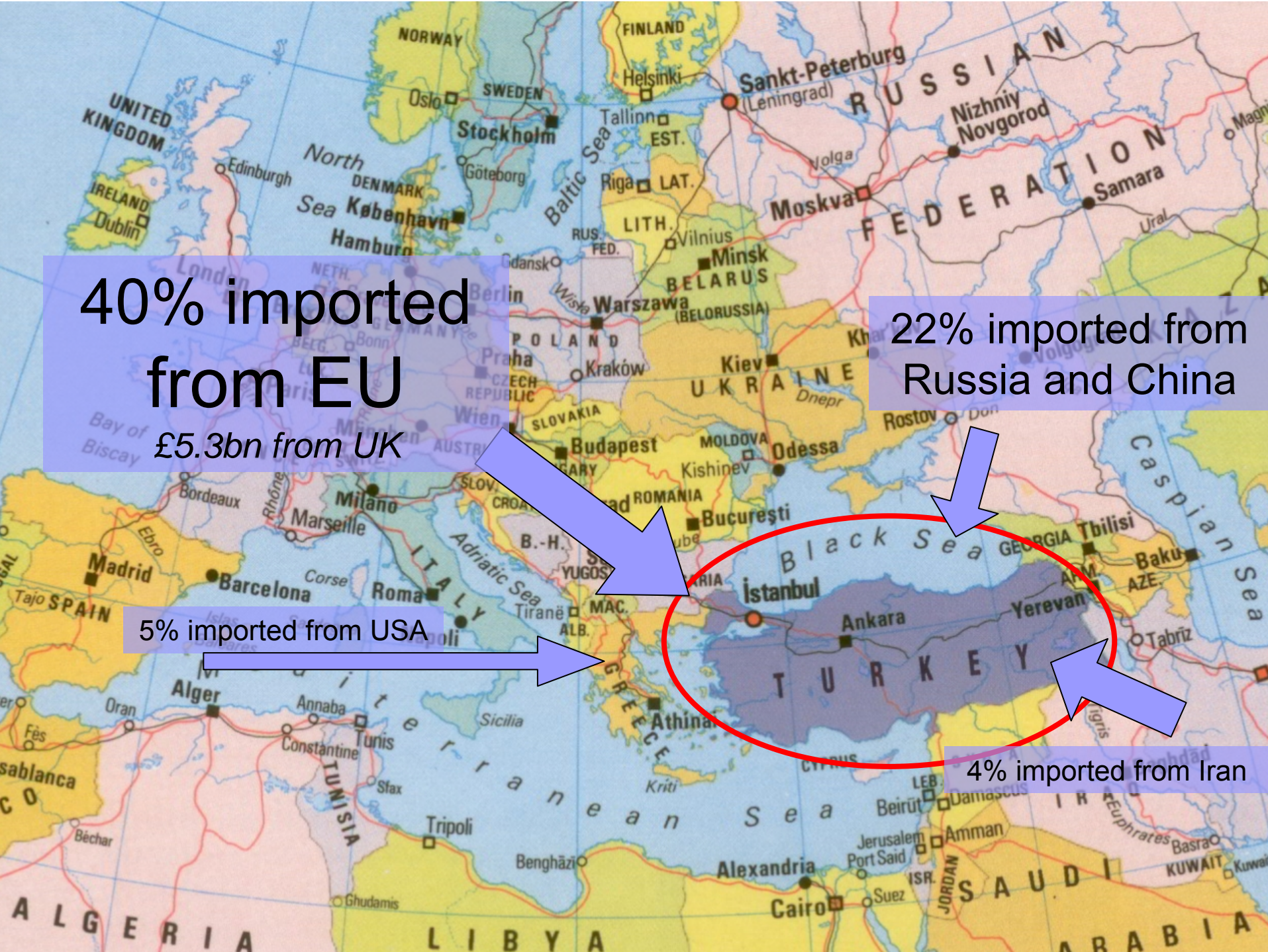
40% imported  
from EU

£5.3bn from UK

22% imported from  
Russia and China

5% imported from USA

4% imported from Iran



56% exported  
to EU  
£8.2bn to UK

3% exported  
to Romania

4% exported to Russia

6% exported to UAE  
and Iraq





# Turkey's Main Imports (2007)

## Categories of commodities over 10Bn USD

- 33.9** Mineral fuels and oils
- 22.6** Machineries. mechanical appliances. boilers and ; parts thereof
- 16.2** Iron and steel
- 13.3** Electrical machinery and equipment
- 12.4** Vehicles other than railway

## Categories over 1Bn USD

- 2.8** Cotton. cotton yarn and cotton fabric
- 2.5** Paper and paperboard
- 2.4** Aluminium and articles thereof
- 1.9** Man-made staple fibres
- 1.9** Rubber and articles thereof
- 1.8** Articles of iron and steel
- 1.6** Man-made filaments
- 1.5** Miscellaneous chemical products
- 1.5** Tanning or dyeing extracts
- 1.2** Wood and articles of wood
- 1.1** Aircraft
- 1.1** Inorganic chemicals
- 1.0** Oil seeds and oleaginous fruits

## Categories over 3Bn USD

- 8.7** Plastics and articles thereof.
- 5.9** Pearls. precious stones. coin
- 4.0** Organic chemicals
- 3.5** Pharmaceutical products
- 3.2** Copper and articles thereof
- 3.0** Optical instruments and apparatus

## Categories over 0.5Bn USD

- 0.99** Fertilizers
- 0.99** Furniture
- 0.97** Cereals
- 0.86** Articles of apparel and clothing acc. not knitted
- 0.80** Animal or vegetable fats and oils
- 0.75** Essential oils and resinoids
- 0.72** Ores. slag and ash
- 0.71** Ships. boats and floating structures
- 0.64** Miscellaneous articles of base metal
- 0.62** Glass and glassware
- 0.61** Raw hides. skins and leather
- 0.57** Footwear and the like
- 0.55** Waste from the food industries. animal fodder
- 0.54** Articles of apparel and clothing acc.knitted
- 0.52** Zinc and articles thereof
- 0.51** Soap



## Other Growth Areas for Import

- Hotel and Catering Trade
- Building Industry Services
- Financial Service Provider
- Infrastructure & Energy (Investment and Privatisation)



# Entering the Market



# Strategic considerations

- Market Chances?
- Competition?



## Ask the following questions...

- How large is the market potential and how is it developing?
- Are the potential customers regionally based?
- Do your potential customers import direct or do buy locally?
- Which local and international competitors are active?
- How are your competitors set up and what strategies do they employ?
- Are your potential customers happy with the products and services currently available?
- What are the strengths/weaknesses of your products?
- What are the sales structures in the industry?
- What is the price situation and which products are sold?
- How is your own brand image in Turkey?

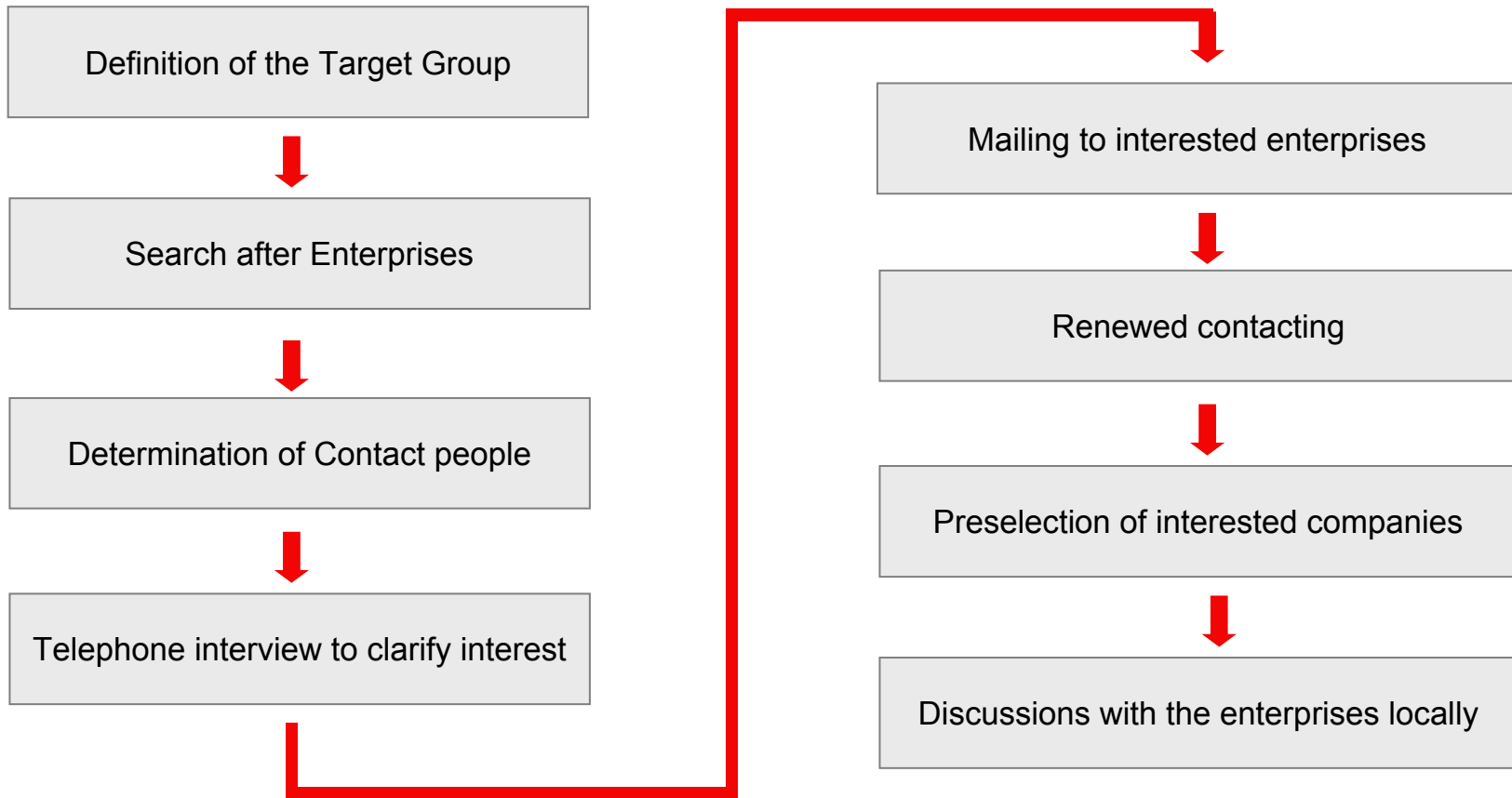


# Market Entry Options

- **Market entrance without direct investments**
  - Direct sales
  - Co-operation with an agency or an importer
  - Selling over a commercial agent
  - Establishment connecting office
- **Market entrance with direct investments**
  - Establishment of an address
  - Reestablishment of an enterprise
  - Participation in a society
  - Assumption of an enterprise
  - Joint venture



# The Market Test





# Direct Sales

- A small number of customers
- The customers are larger enterprises, which are accustomed to buying and importing directly
- Price inelasticity – high demand and price insensitive
- The products require explanation are typically customized.
- An agency could not support sales with the requisite know-how
- The market is not large enough to warrant dedicated sales efforts



# Direct Sales

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>• Direct customer contact</li><li>• No price increase by agent commissions</li></ul>	<ul style="list-style-type: none"><li>• A number of complex customers</li><li>• Smaller enterprises prefer to buy locally in Turkey</li></ul>



## Agent or Importer?

- Market potential < 1 million €
- Municipalities or Government customers



# Our Customer Experience

- In practice substantially less successfully than own representative office
- Inter-cultural differences critical



# Agent or Importer

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>• Favorable cost situation</li><li>• Fast market access</li><li>• Use of existing resources</li></ul>	<ul style="list-style-type: none"><li>• Short termism</li><li>• Difficult to control</li><li>• No direct determination of the strategy</li><li>• Filtered market information</li><li>• Less customer confidence (Relative to own representative office)</li></ul>

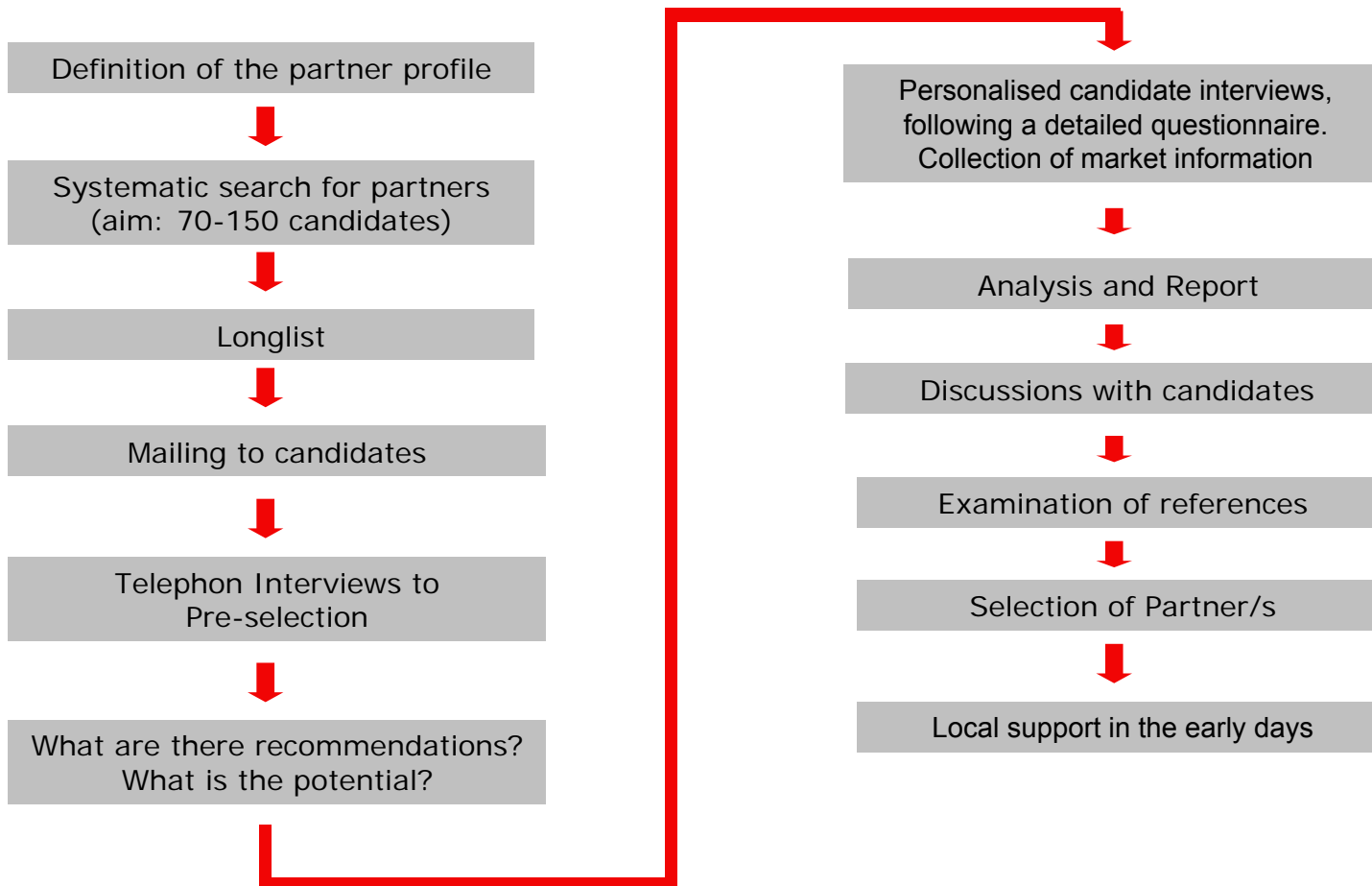


# Problem Areas

1. Good customer contacts, but only in one of several goal industries
2. Sales Partner has too many suppliers
3. A representative with a “traditional mindset”
4. An inactive Agency is selected
5. The partner works from short term plans
6. Filtering of market informations



# Search for a Sales Partner





# Commercial Agent

- In practice a “Commercial Agent” has little meaning in Turket.
  - Simply employees of an agent or an importer?
- Individual coworkers. only on commission work are hardly to be found



# Liaison Office

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>• Easy to enter the market</li><li>• Relatively little expenditure</li><li>• No income taxes for the workers</li><li>• Workers' Social Security paid by you</li><li>• Can own equipment</li></ul>	<ul style="list-style-type: none"><li>• Not a full legal entity</li><li>• VAT not deductible</li><li>• A short term solution</li></ul>



# Branch Office

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>• Direct control of strategy and workforce</li><li>• No income taxes for the workers</li><li>• Turkish address and telephone</li><li>• Simple expenditure bookkeeping</li><li>• Customer trust</li></ul>	<ul style="list-style-type: none"><li>• No possibility of local accounting</li><li>• No possibility of import or storekeeping</li><li>• VAT not deductible</li></ul>



# Limited Company

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>• Full control of operations, market knowledge and competitive advantages</li><li>• Customer proximity</li><li>• Trust</li><li>• Workforce quality assurance</li></ul>	<ul style="list-style-type: none"><li>• Running costs Administration expense</li></ul>



# Joint-Venture

- Only recommended if the strategic benefits are very high
  - Many Joint Ventures fail!



# Some Hints

- Do your homework
  - Research and explore
  - Apply business sense
  - Use local know-how
- Take a long-term position
  - Be flexible
- Patience
  - Some things happen slowly. Other things happen very quickly
- Win the confidence of your Turkish customers
  - Personal relationships still at the heart of business
  - Understand the intercultural differences



# Foreign Market Consulting Newsletter

- Foreign Market Consulting publishes a free. monthly newsletter. which informs briefly and concisely by email about the current economic and political developments of Turkey.



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