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# MARKET RESEARCH ON THE TURKISH SHIPBUILDING INDUSTRY

Case: Koskisen Oy

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## ABSTRACT

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This market research of the Turkish shipbuilding industry and shipyards was carried out as an assignment for Koskisen Oy, a Finnish plywood manufacturer. The main objectives of the research were to describe Turkey as a business environment from an importer's point of view, to introduce the Turkish shipbuilding industry and find contacts among the shipyards.

The theoretical framework of the study is based on both published and electronic sources regarding internationalization and organizations as customers. Companies do not operate in a void; they are affected by different factors that the surrounding environment consists of. These factors not only affect the business operations of every company, they also affect the companies themselves and their relations to the customers. In order to understand the concrete environment that Turkey as a country creates for business operations, the political, economic, socio-cultural and technological characteristics of the country were covered in a PEST-analysis. The industry and competition along with the customers were viewed in regard with a theory of forces that drive the market.

The analyses part of the study is based on secondary and primary data about the industry, the shipyards, competition and Turkey. Data was collected by e-mail inquiries, personal interviews and research on previously completed studies of the same subject. The research shows that shipbuilding in Turkey is an important and versatile industrial sector with a long history. The shipyards have modern facilities and generally they offer also ship repair, conversion and maintenance services in addition to the new construction of vessels. The wood product industry in Turkey is strong and there are many companies that are involved in the marine plywood sector.

Stepping into Turkish markets may become easier by networking, Turkish culture is very much people-oriented and business is preferably done with a person that can be trusted. Reaching a contract with a shipyard requires building a personal relationship by visits and a lot of communication.

Key words: Turkey, shipbuilding, shipyard, international business environment

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## TIIVISTELMÄ

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Tämän markkinatutkimus Turkin laivanrakennusteollisuudesta ja telakoista on tehty toimeksiantona Koskisen Oy:lle, joka on suomalainen vanerinvalmistaja. Työn päätavoitteina on kuvailla Turkia maahantuojaan liiketoimintaympäristönä, esitellä turkkilaista laivanrakennusteollisuutta ja löytää kontakteja telakoiden joukosta.

Työn teoreettinen viitekehys perustuu sekä julkaistuihin että elektronisiin lähteisiin kansainvälistymisestä ja organisaatioista asiakkaana. Yritykset eivät toimi tyhjiössä, vaan niihin vaikuttavat erilaiset tekijät, joista ympäristö koostuu. Nämä tekijät vaikuttavat jokaisen yrityksen toimintaan, yrityksiin itseensä ja niiden asiakassuhteisiin. Jotta olisi mahdollista ymmärtää Turkin maana luoma konkreettinen liiketoimintaympäristö, maan poliittinen, taloudellinen, sosio-kulttuuri- ja teknologinen ympäristö on käsitelty PEST-analyysissä. Teollisuudenala ja kilpailu asiakkaiden lisäksi ovat käsitelty viitaten teoriaan, joka kuvaa markkinoita ohjaavia voimia.

Työn analyysit pohjautuvat sekundaarisiin ja primaareihin tietoihin teollisuudenalasta, telakoista, kilpailusta ja Turkista. Tietoa kerättiin sähköpostikyselyillä, haastatteluilla ja tutkimalla aiempia samaa aihetta käsitteleviä tutkimuksia. Tutkimuksessa selvisi, että Turkin laivanrakennusteollisuus on tärkeä ja monipuolinen sektori, jolla on pitkä historia. Telakoilla on modernit toimitilat ja yleensä ne tarjoavat myös laivojen korjaus-, muutos- ja huoltopalveluja uusien alusten rakentamisen lisäksi. Turkin puuteollisuus on vahva ja maasta löytyy monta yritystä jotka tekevät myös laivanrakennukseen käytettävää vaneria.

Turkin markkinoille astuminen on helpompaa verkostoitumalla, turkkilainen kulttuuri on hyvin ihmiskeskeinen ja liiketoimia tehdään mieluiten sellaisen ihmisen kanssa, johon luotetaan. Jotta olisi mahdollista saavuttaa sopimus turkkilaisen laivatelakan kanssa, on rakennettava henkilökohtainen suhde vastapuoleen vierailujen ja laajamittaisen yhteydenpidon avulla.

Asiasanat: Turkki, laivanrakennus, telakka, kansainvälinen liiketoimintaympäristö

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# 1 INTRODUCTION

## 1.1 Background

My internship at the plywood manufacturer Koskisen Oy in Järvelä led to the idea of a thesis carried out as a project for the company. Working with the export assistants in the office and hearing their descriptions of the customers and their peculiar ways of doing business raised my interest in making a country report. Understanding a person's culture and background would surely help to understand the way that person acts and does business.

Koskisen needed information about Turkey; they had some insight to the country due to a couple of customers but wanted to broaden their knowledge and concentrate on one industry at a time. After a couple of meetings with the representatives of Koskisen who wanted to be involved in the project, the subject area of the thesis was narrowed down to products that are especially designed for vehicles. After mapping out a few of the target industries we chose shipbuilding due to the company's previous experience in the Turkish market and the size of the industry.

In the meetings the objectives of the research started to take shape. Koskisen wants to know if there are any more business possibilities in the Turkish shipbuilding market and what kind of companies operate in the target industry. The goal is to find a couple of potential customers in Turkey. In order to understand the customers and the market dynamics, information about the environment and possible competition also has to be acquired.

Around 60 % of the plywood produced in Järvelä and Hirvensalmi business units goes for export. (Koskisen Oy 2013a.) Therefore Koskisen takes pride in good quality:

*“We strive to surpass our customers' expectations every time. We know all about the demands placed on the products' end uses and we promote our customers' businesses through innovative product and service solutions. Koskisen's core values are integrity, courage, creativity and profitability.” (Koskisen Oy 2013c.)*

Koskisen Plywood Industry's high quality products are well-known for providing ad-hoc solutions and thus high customer satisfaction. The special requirements of the customer are borne in mind when designing the product. Finnish Birch, which is both durable and strong, is the main raw material that is used for the Koskisen's plywood products and it is suitable for a wide range of industrial uses like for example flooring, shipbuilding and construction. Birch plywood that is manufactured in the Hirvensalmi business unit is also suitable for finer end-uses like interior design and furniture manufacture. (Koskisen Oy 2013a.)

The Koskisen's products designed for shipbuilding industry combine attributes like light weight with high strength and hygiene. The high quality of the products used in the shipbuilding industry is guaranteed by international classification agencies. Koskisen's products for ships are certified by Det Norske Veritas (DNV) certificate numbers K-4687 and K-4688 for deck and linings. (Koskisen Oy 2013b.)

Koskisen panel solutions for ships are always coated with a taint and odour free overlay, which makes them an excellent cladding material in fishing vessels or vessels carrying food products. The material used does not corrode metal parts or fittings and can be used for example as lining material in cargo hold linings, tank top linings, fishing boat linings decking material in cargo car decks, carriage ramps and pedestrian bridges (Koskisen Oy 2013b.) The wall and deck materials of fishing vessels are required to have certain attributes like strength, high resistance to humidity and good hygiene. (Puun Maailma 2/2012.)

## 1.2 Objectives and definition of the subject

The objective of this market research therefore is three-fold; to describe the Turkish shipbuilding industry and shipyards, to map out the business environment that Turkey as a country creates and to act as a preparatory work for further investigation and activities in Turkey.

The subject area of this research is limited in the preparatory work of internationalization. Questions about the last phases of internationalization such as marketing program and marketing organization, that is, modifying the products to

fit the demand of the target market and pondering the possibility of a sales representative or further investments in the target country will be the responsibility of the senior management of Koskisen and do not base solely on this research.

### 1.3 Structure of the study

This research's theoretical part is based on the theories about internationalization and the environments in which a company operates. Internationalization is often thought to happen in phases; the company steps little by little into a new operating environment. The environment consists of two levels, micro- and macroenvironments and these consist of different factors that affect the company and its operations.

The following empiric part is an analysis of Turkey as a business environment and the Turkish shipbuilding industry as a target market. The analyses base on PEST-analysis and a business environment analysis by Porter. The last part of this research gathers the results of the analysis and presents proposals for further actions that Koskisen could take.

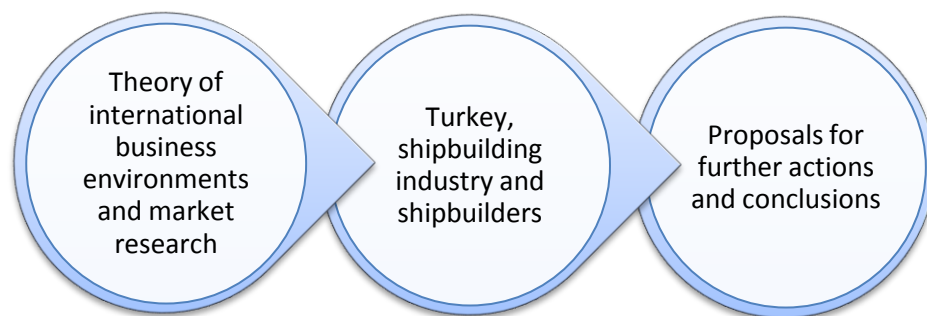


Figure 1: Structure of the study.



## 2 INTERNATIONAL BUSINESS ORGANIZATIONS

In this chapter the internationalization, the organizational buying process and the importance of networking are given a closer look in order to create an understanding of the groundwork that is needed when a company decides to go international.

### 2.1 International business

The concept of international business organizations and the operations carried out by them are similar to the domestic, only taking place outside the national borders. Foreign environment adds challenge to business but also offers great opportunities for growth that may be out of reach if staying in the domestic markets only. As the environment in which the company functions, also the clientele of the company may define the operations.

To understand the whole idea of international business and its operation it is crucial to define the concept of international business. It can be defined as transactions that are planned and executed across national borders in order to reach the goals of individuals, companies and organizations. These transactions can be divided into two main types of operations: trade (import and export operations) and foreign direct investment (FDI). (Czinkota, Ronkainen & Moffett 2009, 4.)

The definition of international business includes more than just sales and investments, international business is also including transportation. The goals of private companies are mostly profit-oriented –however, governments may practice international business in order to reach either profit or other goals. (Daniels, Radebaugh, Sullivan 2013, 49.)

The fast growth of the internationalization of the companies has many different reasons. Some these reasons include amongst others the rapid development of the information technology and the increasing amount of information available. The amount of foreign direct investment around the world has increased due to changes in the location of the production as well as the continuing lowering of the

trade barriers and tariffs on goods, services and intellectual property. (Albaum & Duerr 2008, 2-3.)

The lowering of the trade barriers according to the World Trade Organization is one of the most important ways of increasing trade between countries (2013). E-commerce has increased fast in the consumer market. For example in year 2011 Finnish consumers bought products with 10.1 billion euros from online-shops which means a 10 percent growth from the previous year. Purchases from foreign country-based online-shops increased 15 percent during 2011. (TNS Gallup 2012.) The Internet offers also almost unlimited information about international business-to-business possibilities. It is possible to stumble across an unsolicited order that was placed on the basis of the information given on the seller's web-page.

Internationalization can be seen as a process or an end result. The more a company is involved in the markets outside its homecountry's borders the more internationalized it is considered to be. What drives companies in other countries might be a planned process to expand the business or it can be a reaction to an opportunity in the new market area or a threat in the home market. (Albaum & Duerr 2008, 10; Luostarinen R. 1994).

## 2.2 The process of internationalization

In 1975 Jan Johanson and Finn Wiedersheim-Paul published an article about their discovery of a pattern that companies seem to follow when they internationalize. (Feldhusen, Schmidt & Strauch 2006, 15; Johanson J. & Wiedersheim-Paul F. 1975, 307.) This gradual involvement is also known as the Uppsala model (Zimmerman & Blythe 2013, 152).

The Uppsala model is one of the most commonly referred to theories when analyzing a company's international operations. According to the theory, exporting is the first step for most companies in the process of becoming more international. Next step in the process of internationalization is foreign sales subsidiary stage, meaning the company establishes a foreign sales office in the foreign market. When the company starts licensing activities and contracting

alliances, it considered to have entered the third stage of the process. The fourth and last stage of the internationalization happens when the company establishes a foreign manufacturing subsidiary or an alliance. (Albaum & Duerr 2008, 85.)

Exporting can be also described in four different levels, the first level being the exportation of the surplus production and the last and most committed level when the company develops new products to meet the demand better. (Albaum & Duerr 2008, 84.)

However, companies follow these patterns at their own pace. Some companies will stop at the first or second stage of internationalization and exportation. Also, a company might be at different stages depending on the target country: in some countries the company has sales offices, in some it has established manufacturing and to some countries the company just exports.

### 2.3 International marketing decisions in B2B market

Internationalization requires more than just the decision to do it. In fact, there are major marketing decisions when thinking about going international. The company has to start by looking at the global marketing environment. This includes not only the understanding of international trade system but the economic, political, legal and cultural dimensions of the markets. After evaluating the global situation, a company is able to make a decision whether it will start its international operations. Next steps are to decide which market or markets to enter and to choose the entry mode used for entering. (Kotler & Armstrong 2012, 577-586.)

In the case of Koskisen, Turkey is seen as a Business to Business (later B2B) market; the target customers are companies, not individual consumers. Although the basics of the marketing are quite the same both in the B2B and consumer markets, there are some distinct features to them that should be reflected.

The biggest difference between the B2B and consumer markets is the customer. In consumer market there might be millions of customers depending on the product that is being sold. In B2B the customer is an organization, institution or government even and their purchasing decisions rely on a mutual decision of usually more than one decision-maker (Decision Making Unit, DMU) and also on

much more rational thinking than a single consumer's decision. (Zimmerman & Blythe 2013, 8-9.) Rope (2005, 60) adds to the list the communication between the buyer and the seller. Usually in the B2B market the products are more expensive so the orders are more detailed and reaching a contract might be a lengthy process.

## 2.4 Organizational buying

Organizational and individual decision making processes differ from each other. Organizational buying is more rational and somewhat more complicated process than an individual consumer's buying decision.

Classification of the business customers depends partly on the classification of the products that they buy. These three different classifications are entering goods, foundation goods and facilitating goods. The first includes the rawmaterial, components and material that will be used as a part of the ready product, for example the plywood panels that Koskisen wishes to sell to Turkey. The second class of the products consists of the products that are used in order to be able to make new products but do not become a part of the ready product; an example is the machinery in the plywood factory. The third and last category is the facilitating goods that don't enter the production at all but facilitate it, for example the maintenance services for the machinery. (Zimmerman & Blythe 2013, 11-12.)

Rope (2005, 61-62) categorizes the B2B customers in three sectors: governmental, corporate and institutional. Zimmerman and Blythe (2013, 24) present four different categories that base on the products that the customers are buying and the rules under which they are operating. The business and commercial organizations buy all three types of products (entering, foundation and facilitating products) whereas the reseller organizations sell ready products to the final customer. Governmental and institutional organizations may buy products of all categories but need a specific approach due to the operating rules or the character of the organization and therefore have their own categories.

Organizational buying behaviour has been modeled in many different ways from the new task and re-buy model of Robinson, Faris and Wind (1979) to the

relationship-based models of Chaffey (2002) (Lee & Carter 2005, 88). The new task model pictures the situation Koskisen's possible new customers in Turkey are facing. In the new task situation the buying process is led by the long planning on the buyer's side and if the negotiations result a contract between the supplier and the customer, the relationship will most likely be long-term and quite close (Zimmerman & Blythe 2005, 28). To put it briefly, new task situation offer both good opportunities for continuous orders and a high level of risks of not meeting the requirements of the customer and therefore not easily being considered again if the customer decides to change the supplier after all.

## 2.5 Customers and networking

Organizational customers are segmented according to the types of products they buy. Business and commercial organizations can be divided into different categories as well. Zimmerman and Blythe divide them into original-equipment manufacturers (OEMs), users and aftermarket customers. (2013, 23.)

OEMs buy foundation, entering and facilitating goods that are used to manufacture products and which are used directly in the final product. For OEMs the key issue in the buying process is the quality of the products or services. The buying is highly controlled by the unalterable specifications introduced by the customer's own designing and engineering departments; the supplier has very little say in the matter. (Zimmerman & Blythe 2013, 23) Therefore the supplier has two options: either their own product has to fit the needs of the customer exactly or they need to work for achieving a long-term relationship with the customer and that way give the customer influence in the design of new products.

The ever-growing fluctuation and diversity in the market has also lead to the growth of relationships. Companies have to be able to respond quickly to the changes in the demand and seek partnerships with other companies in order to serve scattered markets. From the supplier's point of view acquiring new customers can be of high cost but established customers tend to be loyal and place continuous orders and if satisfied with the supplier, sometimes refer new customers through Word of Mouth. Also, established relationships in a certain

market can be a significant entry barrier for competitors. (Lee & Carter 2005, 418-19.)

Networking is necessary in today's business world. Professor Erickson from University of Toronto states that there are various types of networks between the individuals, companies and the society, and these connections are both a great opportunity and a risk for the companies. A company benefits from the networks that its employee brings in: it can strengthen its network of new and already existing customers and subcontractors and collect valuable market information. (Suomen Akatemia 2007.)

Networking within companies varies according to the size of the company and the industry. Cooperation with other companies in the same industry may be minimal if the competitor is fairly unknown. In this case the companies make decisions in accordance with their own competitive position and the business operations vary greatly between the companies. This may cause confusion within the customers. Companies that are specialized in the same industry field and know each other well, have firmer networks and on the other hand tighter competition among themselves. Bigger companies that know each other's businesses find it easier to create strong networks. (Suomen Akatemia 2007.)

### 3 EVALUATION OF THE MARKETING ENVIRONMENT

#### 3.1 Macro- and microenvironments

The saying “carefully planned is half done” applies to business and exports as well. Companies do not operate in void and in order to enable cooperation the exporter has to acquire knowledge and understanding of the actors and forces that affect the relationships between the producer and customer. A good market research requires the understanding of the target country’s different characteristics and the ability to see the interdependence between those characteristics (Kotler & Keller 2012, 96). These characteristics can be divided into two distinct environments: macro- and microenvironments. Macroenvironment consists of the larger factors that affect the operations of the company: demographic, economic, political and legal, technological and cultural features. These macroenvironmental factors affect the microenvironment that affects the companies and their relationship with their customers, i.e. the company itself, other suppliers, customer markets, and competition. (Kotler & Armstrong 2012, 90.) Figure 2 (next page) presents the four different dimensions that will be analyzed in this research.

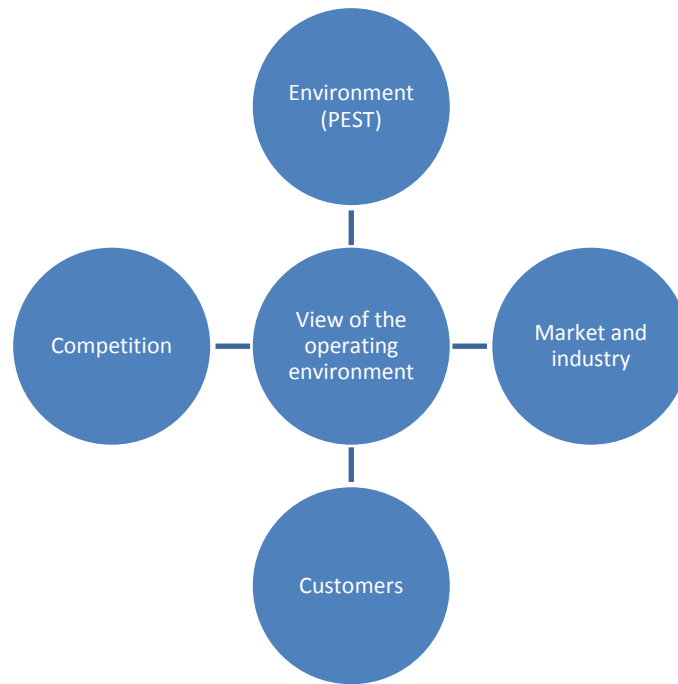


Figure 2: Dimensions in the analysis of an operating environment including both macro- and microenvironments.

### 3.2 Target country profile

PEST-analysis is used for spotting business opportunities and any significant threats in the new market area; it reveals the trends within a chosen business environment. This enables the companies to work with change. PEST-analysis helps the company representatives to develop an objective picture of the new environment with its specific traits that are often beyond the company's control. (Mindtools 2013.) This analysis gathers specific features of the country's macro environments such as Political and legal, Economic, Socio-cultural and Technological environments, hence the name of the analysis.

#### *Economy*

An economic analysis helps to “assess the country's development, explain its performance and estimate its potential” (Daniels, Radebaugh & Sullivan 2013, 184). These three points are analyzed by studying the economic situation through key figures and special features of a nation's economy. It is important to study the



economic forces that have influence on the target market's potential and how the economic situation may be influenced by other characteristics such as the infrastructure for example (Albaum & Duerr 2008, 128-9).

Features like the type of economic system and the income and debt as well as inflation and unemployment related figures give information about the country's stability and indicate the possible coming trends in the market. If the inflation and unemployment are high, it does not only affect the buying behaviour of the consumers but is likely to change the investment and spending behaviour of the companies as well. This, however, depends on the industry; some are affected more easily than others.

### *Culture*

Culture is probably the most complicated feature in the foreign market place analysis since it is affecting the behaviour of absolutely everyone. The famous professor Geert Hofstede defined culture as "the collective programming of the mind distinguishing the members of one group or category of people from others" (The Hofstede centre 2013a). Understanding other person's culture may not be easy, many of the actions and interpretations of the environment springs from deeper inside and can be hard to identify. Often the culture is described as an iceberg (see Figure 3); there lies a lot more under the surface than what people can perceive by just observing the visible parts of the culture such as food and the greeting rituals for example (Language & Culture Worldwide 2013).

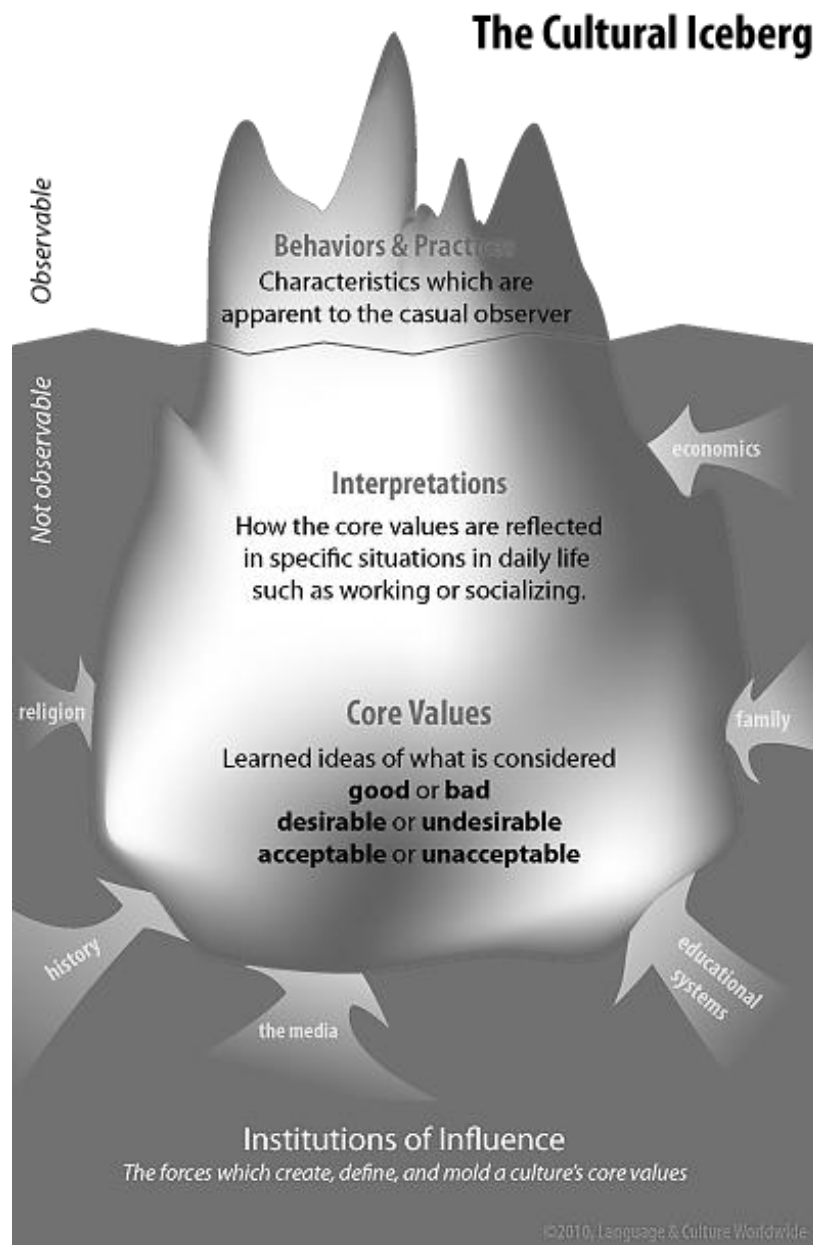


Figure 3: The Cultural Iceberg (Language & Culture Worldwide 2010).

The cultural dimensions are based on the study of values and culture in the workplace conducted in the late 1960s and early 1970s by Geert Hofstede. The study was of remarkable size covering 70 countries and the results, the values that distinguish countries from one another, were grouped into the four dimensions: Power Distance (PDI), Individualism-Collectivism (IDV), Masculinity-Femininity (MAS) and Uncertainty-Avoidance (UAI). These dimensions make countries and

their cultures comparable. Without comparison the dimensions lose their significance. (The Hofstede Centre 2013a.)

In a B2B perspective, the culture may be a little less influential feature since the buying process is based on a mutual decision of the DMU. However, it is important to remember that the buyers, whether they represent just themselves as individual consumers or an organization, are still human and their behaviour is strongly controlled by both their national and organizational cultures.

In a B2B approach to a country the demographic picture does not have such an important role since the target customers are not individual consumers but organizations. However, demographic factors such as education and age structure of the population will give information about the end-users and therefore has to be included in a country profile even if it is a part of a B2B export plan.

### *Technology*

“New technologies create new product and market opportunities.” Producers and marketers should follow the latest news on the technological environment very closely; companies that do not keep up with the latest development will lose business and market opportunities (Kotler & Armstrong 2012, 104-5). However, it is impossible to sell products that require more developed an environment than what the target country can offer; the level of technological development has to be compatible.

The Internet has reduced the cost of worldwide communication and offers almost unlimited information about suppliers around the world. The customer no longer has to settle for the local suppliers, it can now compare prices and product details from other suppliers from foreign countries. The Internet is the modern “crystal ball for anyone wanting to predict where society is going in real time” (Kotler & Armstrong 2012, 117). This applies not only to today’s hot topics in the culture, but also to the end-users attitudes toward a certain product, for example a luxury boat.

### *Legal and political factors*

“Managers study political and legal environments in order to adjust company activities to local circumstances” (Daniels, Radebaugh & Sullivan 2013, 136). It is important to understand the local legal environment, since it has impact on the planning and implementation of all marketing related actions such as pricing, advertising and packaging. The legislation can also affect the product development. (Lee & Carter 2005, 42-3.) Facts about the taxation and restrictions on imports also help the company to adjust to the market and minimize the risk of problems.

The most important political factors in a foreign market are the government’s role in the economy and the political stability and risk (Lee & Carter 2005, 40-2). Pasanen (2005, 19) lists factors that help the company to recognize the environment and its “abnormalities” that affect the decision making. These include the earlier mentioned factors but also the political system, role of the religion, and the attitudes toward foreign companies and their products.

### 3.3 Customers

There is no business without a customer. However, it is not beneficial for a company to try to attract every single customer in the market, which in some cases can be the whole world. By dividing the market into distinct customer segments the company identifies groups of target clients, with the aim of finding those groups that are most profitable (Rope 2005, 154). An attractive segment is described homogenic within, meaning that the members of one segment demand for same kind of solutions for their problems, and heterogenic when compared to the other segments. The ideal segment is large, stable, accessible and reactive enough to be worth the marketing efforts. (Albaum & Duerr 2008, 184.)

Business customers are segmented using basically the same variables as the consumer customers, geography, demography (size of the company, industry etc.) or the benefits the seller is looking for; for example long-term relationships or frequent orders. However, best segmentation basis seems to be the buying

behaviour and benefits, both in consumer and business markets (Kotler & Armstrong 2012, 222-3.)

After identifying different segments the company has to choose the one(s) it wishes to focus on i.e. the target segments. The target segment consists of buyers that share the same needs or characteristics that the company finds most profitable. The company can target very broadly by seeing the whole country as one target market or it can target narrowly and focus on individual marketing, with every possible variation (segment and niche marketing) in between. (Kotler & Armstrong 2012, 225.)

*Choosing the most rewarding market segments is probably the most important strategic decision a firm must make. It is also perhaps the most demanding of decisions. When a firm chooses the market segment(s) it wishes to pursue, by necessity it is also eliminating a number of potential market segments from its customer base. (Zimmerman & Blythe 2013, 119.)*

### 3.4 Competition and industry profile

In a B2B approach the industry profile of the target country plays a huge role since it usually gives a picture of the actual clientele for the importer. Important features of the industry to map out are for example: how many companies operate in the said field, how big are the companies, whether they are domestic or foreign based, who are their clients (the end-users of the ready products) etc.

Industry, market and competition analyses are tasks that are implemented at the end of the country selection process. Ready reports are rare and the company has to make its own interpretations and analyses from the collected data. (Pasanen 2005, 31.) Industry profile gives detailed information about the structure of the industry in the target country and the level of difficulty in entering the market (Pasanen 2005, 20).

In order to understand industry competition and profitability, the industry's structure has to be analyzed. "A company's marketing environment consists of actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers" (Kotler & Armstrong 2012, 90). One of the methods to analyse the microenvironment is the

theory of Porter's 5 forces. If the forces are strong, so is the competition and it is hard to become profitable in the said industry. If the forces are weaker, many companies can get profitable. The emphasis of the five forces differs by industry. The strongest competitive force or forces determine the profitability of an industry and affect a lot in the developing of a strategy. (Porter 2008, 25-6.)



Figure 4: Porter's 5 forces (adapted from Michael E. Porter 2008).

### *Threat of entry*

When new companies enter to an industry they put pressure on the existing companies in the means of prices, costs, and the rate of investment necessary to compete in gaining market share. Especially when entering companies are broadening their operations instead of starting from scratch in the new market, they can use existing capabilities and cash flows to shake out competition. The threat of entry puts a limit on the profit potential of an industry as the new entrants force the established participants to re-think their strategy. When the threat of entry is high, the more stabilized participants in the market must keep down their

price level or make investments to stop new competitors from gaining more market share. (Porter 2008, 26.)

### *The power of suppliers*

Powerful suppliers capture more value for themselves by for example raising the price level and limiting quality of their products or services. Very powerful suppliers can put pressure on an industry that can not pass the supplier's higher price in its own prices and that way the supplier is able to get more profit.

Companies depend on groups of different suppliers. A powerful supplier is one that does not depend much on the industry for its revenues because suppliers that serve more than one industry will not hesitate to squeeze the most profits from each industry. Also if the suppliers offer differentiated products that have no substitute available, it is possible to ask for a price as high as the supplier wants. (Porter 2008, 29-30.)

### *The power of buyers*

Powerful customers are the flip side of powerful suppliers. A group of buyers with a lot of power on the industry and consequently on the suppliers as well, can get more value by forcing down prices or demanding better quality and more service and that way raising the costs of the suppliers. Powerful buyers can also affect the industry profitability by playing off suppliers against one another.

Buyers are powerful if they have influence in the negotiations that affect the industry participants, especially if they are price sensitive and use their power mostly to get prices to a lower level. Just like there are different groups of suppliers, there may also be many groups of customers who have distinct bargaining power. A customer group has a lot of influence on the negotiations if there are few buyers in the market or each one of them buys in quantities that are large in comparison to the size of one seller. Large-volume buyers are especially influential in industries that have high fixed costs. (Porter 2008, 30.)

### *The threat of substitutes*

A substitute product is used in the same or a similar way as an industry's product but is actually a distinct product. Substitutes are easily overlooked because they might seem very different from the industry's product that is usually used, however, the substitute products are always present in the market. As with all the previously mentioned threats, with a high threat of substitutes the industry profitability suffers again. Substitute products or services are creating a limit on prices and if an industry does not differentiate itself for example by product performance or marketing, it will suffer loss of profitability and growth potential. (Porter 2008, 31.)

### *Rivalry among existing competitors*

Rivalry among existing competitors is the easiest to perceive, including price discounting, new product introductions, advertising campaigns, and service improvements. Industry potential is influenced according to the intensity which companies compete with and on the basis on which they compete. (Porter 2008, 32.)

## 3.5 Risks

As any business operation, export as well has its risks. Important export risk factors should be considered carefully. These are the country risk and the risks regarding the contracting parties, type of contract, object of contract and the carriage of the sold products. (Grafers & Schlich 2006, 158.) The main risks in the case of Koskisen are the country risk, customer risk and the risk of the exported product. These risks are given a closer look in this chapter.

Country risks can occur in the environments that the country profile aims to map out. One of the country profile's and a market research's objective is to identify risks that the exporter may face when going international. Country risk can be political, economic or social (Grafers & Schlich 2006, 158-9). Sometimes it is hard to categorize the occurring country risks because one environment automatically affects the others. A legislative change that takes away foreign companies' local property rights will affect the flow of investments into the



country and change the economic environment just as corruption which is classified as a social risk by Grafers and Schilch, affects the politics of the country as well as it complicates the operations of companies. A bigger social risk, such as threat of war or revolution, can slow down or stop the economy of a country altogether. This could be seen in the North African countries in 2011 at the time of the so-called Arab Spring.

Risk around the exported product comes down to the question whether the quality is what the customer demands, and whether the exported product suits the purpose that the customer bought it for. One of the biggest risks is the cost of “selling” the product to the customer, whether the marketing efforts are paying off.

Manufacturing the product is more beneficial to a customer that will order more for sure than for a one-timer. Other matters to take in notice are the failure of the marketing positioning and the competing manufacturers that sell basically the same product with lower price.

## 4 INTERNATIONAL MARKET RESEARCH

### 4.1 Market research process

Market research means the identification, collection, analysis and sharing of systematic and objective information. A need for a market research derives from the demand of information in order to make wise marketing decisions that will benefit the company and lead to sustainable growth of the business. Market research is carried out to identify and define opportunities and problems regarding the marketing of a company. (Hair, Bush & Ortinau 2004, 28.)

This definition can be used as a basis for the classification of the market research. There are two types of researches: problem identification research and problem-solving research. This research about Turkey falls in the category of problem identification research that includes all sorts of researches on market potential, image, market characteristics, forecasting etc. (Malhotra & Birks 2003, 7.)

The market research process can be defined to consist of four different phases. Each of the phases consists of specific tasks that have to be performed in order to get the most value out of the research. First, the research problem has to be determined. This phase requires focusing on the need of information, analyzing the company and the problem observed by its administration. After defining the research problem an appropriate design for the research has to be settled. This phase includes determining and evaluating the type of research and the sources of information as well as the methods of data collection. Last two phases include the collection and analyzing of the collected data and the presentation of the results. (Hair, Bush & Ortinau 2004, 37-46.)

International market research process doesn't differ from the domestic process in the principle level, but is somewhat more complicated. There are various challenges that market research faces when it is to step outside the national borders. Coordinating an international research faces challenges of the geographical, linguistic and cultural dimensions. This complicates the comparison and equivalence of the results, the research instrument design and data collection

process as well as the interpretation of the research's results. (Craig & Douglas 2005, 443.)

B2B market research faces different kinds of problems than B2C research. The share of the respondents in the total population is quite limited, even more so if the research is about a defined industry category. The respondent accessibility and cooperation are big concerns in a B2B research, many respondents can be hard to reach and usually have other priorities than answering researcher's questions. The sample size is usually much smaller than in a B2C research, however, the statistical confidence is equal to the relationship of the sample and the total population. One major consideration is the product knowledge of the interviewer, in order to ask the right questions the interviewer should have at least a working knowledge of the product. (Zimmerman & Blythe 2013, 92.)

A proper study meets two requirements; it has to be both reliable and valid. The researcher has to keep these requirements in mind when carrying out a research. However, the meeting of the requirements is evaluated at the end of the research.

A study is reliable if it can be repeated in other occasions and similar observations will be gathered by other researchers. Also the logic which was used to form information from the collected data is one measure of the reliability. Reliability can be affected by an error or bias caused by the subject or the participant of the research but as well by the researcher himself. (Saunders, Lewis & Thornhill 2009, 156-7.)

The validity of research refers to the question whether the research findings really answer the research question. The results of a research should also be able to generalize in some cases. In a research that is conducted in a small number of companies or in one company, the results may not be generalizable, neither is the purpose of the research to be so. (Saunders, Lewis & Thornhill 2009, 157-8.)

## 4.2 The research design

“In a very real sense, problem formulation is the ‘heart’ of any research process.” The information requirements derive from a management problem that the researcher needs to understand and be able to rephrase into a research problem

that represents the management's problem and specifies the types of information needed. (Albaum & Duerr 2008, 238.)

After having understood the managerial problem and rephrasing it into a research problem it is necessary to determine what kind of information serves best. Does the researcher need deep understanding of some certain phenomenon? Or can the answers be found in quantitative information? "The purpose of a qualitative research is to find out what is in a consumer's mind. It is done in order to get a rough idea about the person's perspective." (Aaker, Kumar & Day 2007, 189.) This purpose can be applied into the business customers as well. Qualitative research focuses to explain phenomena that cannot be measured in numbers or analyzed through a quantitative method.

Choosing an appropriate research method depends greatly on the nature of the problem itself. The methods can be divided into two broad categories: experimental and non-experimental. The difference between these two methodologies is in the control of the variables. In experimental research the variables are manipulated by the researcher whereas in the non-experimental research the variables are not manipulated more than is necessary. (Albaum & Duerr 2008, 238.)

Next step is to develop a research design which can be either exploratory or conclusive. Conclusive researches measure specific phenomena in the market and are structured to a high degree. An exploratory approach aims to provide understanding and insight to a phenomenon in the market. It is used when the subject of the research cannot be measured in quantitative ways and when the research's aim is to define a problem using research questions rather than precise hypotheses and actual measurements. The research process in an exploratory research is usually described as loosely structured and flexible. (Malhotra & Birks 2003, 62-3.)

Conclusive research can be divided into descriptive and causal research designs. Descriptive research, as the name reveals, is used to describe a phenomenon, usually a market characteristic or function. The biggest difference between exploratory and descriptive researches is the setting of research questions or

hypotheses. In a descriptive research the need of information is clear and therefore the research can be planned and structured in beforehand. (Malhotra & Birks 2003, 65.)

#### 4.3 The secondary and primary sources of information

The data collected for the research comes from different kind of sources. First phase of the research process also includes the examination of prior researches. Market researches can become very expensive depending on the amount of work required and it is important to know if same research problems have been discussed in other studies earlier. Prior research may be of help in developing the research's conceptual framework and background for the study. Studying prior researches may also be useful for forming the research questions. (Craig & Douglas 2005, 38.)

If the research problem can't be answered with prior research results and needs more investigating, the next step is to decide the research method or methods and what kind of sources of information will be used, secondary or primary. This is based on the type of information needed.

Secondary data mean data that have already been collected by someone else to answer some other research problem. In a research process secondary data is usually gathered before the primary data in order to develop an approach to the research problem and formulate an appropriate research design. Information from secondary sources can also answer certain research questions and help in the interpretation of primary data. (Malhotra & Birks 2003, 85-7.) "Secondary data play an important role in international marketing research, particularly in initial entry into international markets. In some cases, secondary data may be adequate to answer the research questions of interest." (Craig & Douglas 2005, 38.)

However, since the secondary data were collected to answer some other research question, the researcher should bear in mind that the usefulness of the data may be limited in different ways. (Malhotra & Birks 2003, 87.)

When using secondary sources, the researcher has to evaluate the data: its use, exactness and credibility. Some of the most used and trustworthy sources of

secondary data are external data of the market, data of the clients and the company's internal data. (Hair, Bush & Ortinau 2004, 97-9.)

Primary data means data that has been collected by the researcher to answer the research problem. These kinds of data are generated from sources like personal interviews, questionnaires and observation and are especially tailored for the research. Compared with secondary data, primary data take longer to collect and are therefore also more expensive. (Malhotra & Birks 2003, 85.) However, primary sources offer straight and trustworthy answers to the research questions. For example gaining a deeper understanding of some phenomenon is easier in an interview where the interviewer can ask supplementary questions instead of interpreting some table concerning the same phenomenon.

## 5 TURKEY AS A BUSINESS ENVIRONMENT

### 5.1 Overview of the country

The modern secular republic of Turkey was established in 1923 by Kemal Atatürk after centuries of Ottoman rule (BBC 2013). Turks constitute up to 75 percent of the 80.7 million inhabitants, with a relatively large Kurdish minority of 18 percent. 99 percent of the population is Sunni Muslims accompanied by tiny Jewish and Christian minorities. (CIA 2013a.) The population is concentrated mainly in the coastal areas. The average population density is 82 persons per square kilometre and about 60 percent of the population lives in cities. The largest cities are Istanbul (estimates vary from 10 to 16 million), Ankara (4 million), Izmir (3 million) and Bursa (2 million). (Ulkoasiainministeriö 2011.)

### 5.2 Economy and trade with Finland

The well-established Turkish market economy is among the world's 20 largest economies. The state's role in the economy is strong. (Ulkoasiainministeriö 2011.) Turkey's progress towards a market economy has been a complex process; the country was close to economic collapse before the International Monetary Fund stepped in with a strict recovery program in 2002 (BBC 2013). Thanks to the tough measures imposed by IMF, Turkey faced a steady growth of GDP averaging more than 6 percent every year until 2008. Due to the well-regulated financial markets and banking system the global financial crisis of 2008 didn't affect Turkey as badly as many other countries and GDP revived to 9.2 percent in 2010, when exports returned to normal after the recession. (CIA 2013a.)

Turkey's economy is driven more and more by its growing service and industry sectors that together employ some 74 percent of the labour force which consists of 27 million people. The traditional agriculture sector still accounts for about 25 percent of employment. (CIA 2013a.)

“The gross domestic product (GDP) measures national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a

stipulated period of time.” (Trading Economics 2013a.) The GDP of Turkey was in average 185.52 billion US dollars from 1960 until 2012, and reached the highest peak of 789.30 billion US dollars in December 2012. (Trading Economics 2013a.) In 2012 the GDP of Turkey grew 2.6 percent (CIA 2013a). Together with an annual stable economic growth, Turkey has also controlled strictly its public finances with the possible EU membership in mind (Invest In Turkey 2013a). In 2012 the public debt accounted 36.10 percent of the GDP which was less than for example in the case of Finland (53.00 percent) (CIA 2013a). Also the GDP per capita rose up to 10504 US dollars from 3500 US dollars in the years from 2002 to 2012 (Invest In Turkey 2013a).

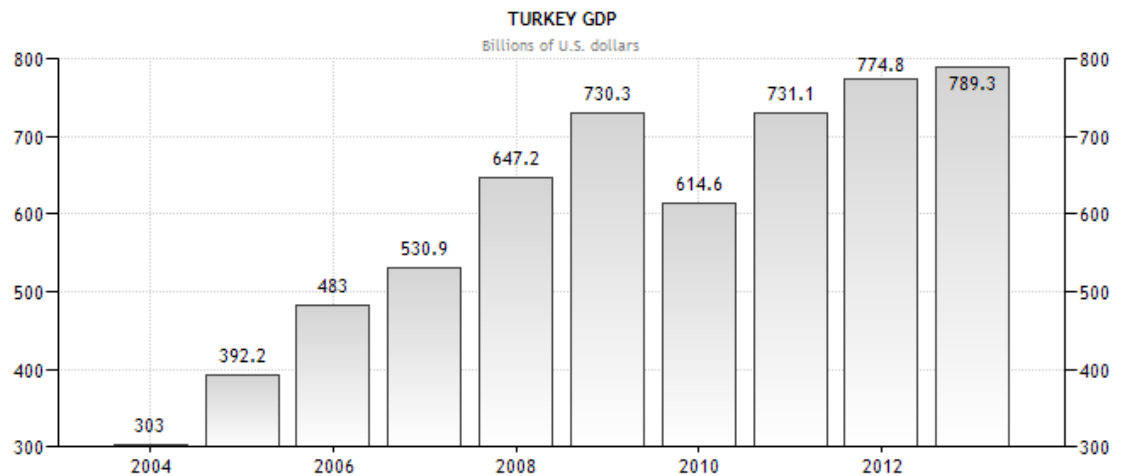


Figure 5: Turkey’s GDP 2004-2012 (The World Bank Group according to Trading Economics 2013a).

“Inflation posted a more-than-expected increase in the second quarter of 2013 and stood at 8.3 percent at the end of the quarter. This higher-than-estimated course of inflation was mainly attributed to developments in unprocessed food prices.” (Central Bank of the Republic of Turkey 2013.) However, the inflation rate has come down from last year’s 8.9 percent (CIA 2013a).



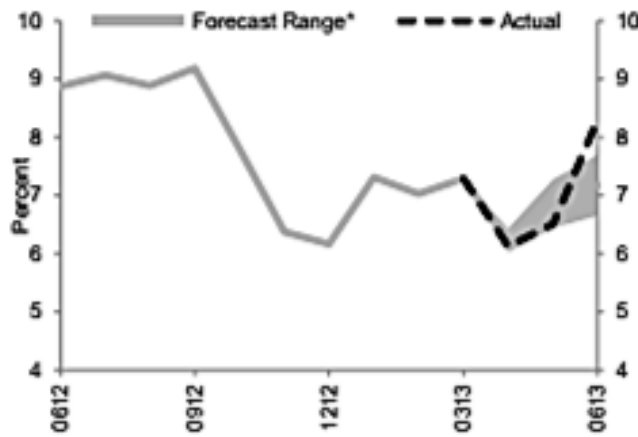


Figure 6: April 2013 Inflation Forecasts and Realizations (percent) (Central Bank of the Republic of Turkey 2013).

The number of people who are actively looking for a job is compared to the labour force of a country and that percentage describes the unemployment rate in a country. The Turkish Statistical Institute (TURKSTAT) publishes statistics of the unemployment rate which was 9.30 percent in April 2013 (Trading Economics 2013b).



Figure 7: Turkey's unemployment rate 2011-2013 (Turkish Statistical Institute according to Trading Economics 2013b).

The improvement of the Turkish economy has promoted foreign trade and the government “continues to pursue privatization in the power sector and other areas to attract foreign investment” (Finpro 2012). By the end of 2012 Turkey’s exports had reached 153 billion US dollars, while ten years back it was just 36 billion dollars. Service sector has also boomed with the revenue brought in by tourism – which exceeded 25 billion US dollars in 2012. (Invest In Turkey 2013a.) The Turkish automotive, construction, and electronics industries are gaining more and more importance within the country’s export mix and have exceeded the traditional textile industry (CIA 2013a).

The most important export countries for Turkey are Germany, France, Great Britain, Italy and neighbouring country in east, Iraq. Turkey exports mainly clothes, electronics, automobiles, agricultural products and raw materials such as iron and steel, mineral fuels and oil as well as precious stones and tobacco. (Finpro 2012.) The biggest import countries are the USA, Russia and China in addition to Germany, Italy and Iran. Turkey imports mostly electrical and mechanical equipment, chemicals, semi-finished goods and fuels. (CIA 2013a.)

The Turkish import system emphasizes the liberalization of imports in order to meet the requirements of the Customs Union with the EU, its commitment with EFTA, and its duties under the World Trade Organization (WTO). Turkey focuses on reducing customs duties with the object of unifying with the Common Customs Tariff. The Customs Union with the EU came into effect January 1, 1996. (Invest In Turkey 2013b.)

The basic goals of Turkey’s import policy can be summed up as follows:

- *To reduce protectionist measures in conformity with the new GATT rules*
- *To reduce bureaucratic procedures*
- *To secure a supply of raw materials and intermediary goods at suitable prices with certain quality standards*

*(Invest In Turkey 2013b.)*

Turkey's trade with the European Union in 2012 exceeded 114 billion euros, of which the imports to Turkey covered over 75 billion euros. In the table below Turkey's imports have been divided into SITC sections according to the imported product. (European Commission 2013a.)

TABLE 1: EU's exports to Turkey in 2012 (European Commission 2013a).

SITC Codes	SITC Sections	Value (millions of euro)	Share of Total (%)
<b>TOTAL</b>		<b>75,172</b>	<b>100.0%</b>
SITC 7	Machinery and transport equipment	31,403	41.8%
SITC 5	Chemicals and related prod, n.e.s.	12,211	16.2%
SITC 6	Manufactured goods classified chiefly by material	11,190	14.9%
SITC 3	Mineral fuels, lubricants and related materials	6,157	8.2%
SITC 8	Miscellaneous manufactured articles	5,316	7.1%
SITC 2	Crude materials, inedible, except fuels	5,156	6.9%
SITC 0	Food and live animals	1,723	2.3%
SITC 9	Commodities and transactions n.c.e.	892	1.2%
SITC 1	Beverages and tobacco	540	0.7%
SITC 4	Animal and vegetable oils, fats and waxes	17	0.0%

The total value of Finland's export to Turkey exceeded 789 million euros in 2011. The largest share of the exported goods was paper, paperboard and articles thereof with a total of 181.8 million euros. Second largest share was power generating machinery and equipment worth 168.7 million euros. Also machinery for specialized industries and equipment for telecommunications, raw materials like iron, steel, plastics and pulp were imported to Turkey for more than 200 million euros in total. (Finnish Customs according to Finpro 2012.)

TABLE 2: Trade between Turkey and Finland 2007-2011 (Finnish Customs according to Finpro 2012).

Million EUR	2007	2008	2009	2010	2011
Finnish Exports	669.2	642.2	493.9	774.7	789.6
Finnish Imports	377.0	332.3	253.0	333.8	432.1
Trade Balance	292.2	309.9	241.0	440.9	357.5

Finnvera rank Turkey in the category of moderate ability to pay (4/7) (Finnvera 2013a). Factors that are taken in account when giving a country a ranking include “evaluation of the country's ability to manage its external obligations, expectations of its future economic developments, the political stability and the legislative environment of the country” (Finnvera 2013b).

### 5.3 Political and legal environment

According to the Constitution of Turkey the state is “an indivisible entity, and a secular, democratic, social state under the rule of law. All individuals are equal without any discrimination before the law, irrespective of language, race, skin color, gender, political orientation, philosophical creed, religion and sect, or any such considerations.” All basic human rights and freedoms including the freedom of speech and the press, freedom of religion, thought and opinion, the right to privacy and to property, right to hold meetings and demonstrations, as well as the guarantee of lawful judgment are recognized by the Constitution dating back to 1982. (Invest In Turkey 2013c.)

The modern secular state was formed by Kemal Atatürk in 1923 (CIA 2013a). Turkey's political system is a multi-party democracy which is based on the tripartite division of power. The legislative branch is the unicameral Grand National Assembly of Turkey (Türkiye Büyük Millet Meclisi) that has 550 seats and the members are elected by popular vote every four years. Executive branch consists of the president (Abdullah Gül, since 2007) and the council of ministers with the lead of Prime Minister Erdogan. (CIA 2013a.) The legal system is

independent and courts are divided into general, administrative and military courts. Turkey also has Constitutional Court, which oversees the constitutionality of the laws and regulations. (Ulkoasiainministeriö 2011.)

The legal system of Turkey is a civil law system that bases on various European legal systems, especially the Swiss civil code (CIA 2013a). When Turkey became an EU candidate country in 1999 EU it introduced major reforms considering human rights and economy in order to be in line with the requirements; the death penalty was prohibited, tougher measures were introduced against torture and the penal code was updated. However, concerns over a potential conflict between the secular state and a traditional Muslim society popped up when the Islamist-based Justice and Development Party (AKP) won the 2002 election. Concerns over quiet growth of Islamisation have resulted mass protests and violence in various cities in the summer of 2013. (BBC 2013.)

When EU membership talks started in October 2005, 70 percent of the Turkish wanted the country to become member of the EU while in 2013 only 33 percent of the people would like Turkey to become a member. This is partly consequence of the vast growth of the Turkish economy; the country now ranks among the 20 biggest economies in the world. (mtv3.fi 2013.) Regardless of the steady economic growth several European countries still have doubts about Turkey's EU membership due to the country's problems with the basic human rights that Turkey itself claims to have in order. Some countries would still prefer a "privileged partnership" with the EU instead of Turkey's becoming a full member of the union, at least partly due to the following issues in the human rights:

*Turkey is home to a sizeable Kurdish minority, which by some estimates constitutes up to a fifth of the population. The Kurds have long complained that the Turkish government was trying to destroy their identity and that they suffer from economic disadvantage and human rights violations. Reforms were introduced in the areas of women's rights and Kurdish culture, language, education and broadcasting. Women's rights activists have said the reforms do not go far enough and have accused the government of lacking full commitment to equality and of acting only under EU pressure. (BBC 2013.)*

The recent events in the Turkish politics concerning both the domestic and foreign affairs have had a fair share of publicity lately, especially those regarding the

neighbouring country Syria and the Arab world, particularly Egypt. A Human Rights Watch report that was published recently warned Jordan, Iraq and Turkey that blocking people that are escaping the war zone of Syria is against the international human rights law. However, handling of the refugee crisis has cost Turkey so far 1.04 billion Turkish liras (approximately 416 million euros) and Turkey has claimed that the international community has stayed too passive instead of helping out. (Letsch 2013.) Relations between Turkey and Egypt cooled when Turkey pulled back its ambassador due to the blood-shedding protests in Egypt in August 2013 (HS.fi 2013).

Turkey is cooperating with many international organizations such as NATO, IMF, WTO, WHO and OECD (CIA 2013a). It also participates in international agreements and is party to treaties considering air pollution, Antarctic, biodiversity, climate change, desertification, endangered species, hazardous wastes, ozone layer protection, ship pollution and wetlands (CIA 2013b). A Customs Union between Turkey and the EU was put in effect in 1996 (The European Union 2013). With the Customs Union the following was guaranteed:

- *The alignment of Turkey on Community common customs tariff, including preferential arrangements, and harmonisation of commercial policy measures*
- *The free movement (elimination of customs duties and quantitative restrictions) between the two parts of the customs union for goods either wholly produced or put in free circulation after their importation from third countries in either Turkey or the Union. The proof of this customs status of 'goods in free circulation' is established by an A.TR. movement certificate. (European Commission 2013b).*

The scope of the customs union however, is limited in case of some certain products: “it does not cover agricultural products as defined in Annex I of the Amsterdam Treaty and coal and steel products.” (European Commission 2013b).

#### 5.4 Culture

Culture is a multidimensional concept that affects a person's decision making, behaviour and interpretation of the surrounding environment on both conscious

and sub-conscious levels. Members of same culture tend to have similar values, attitudes and norms that may differ significantly from other cultures. Geert Hofstede studied these differences and with his dimension theory it is possible to compare cultures and their distinct features. A comparison between Turkey and Finland is presented below (Figure 8).

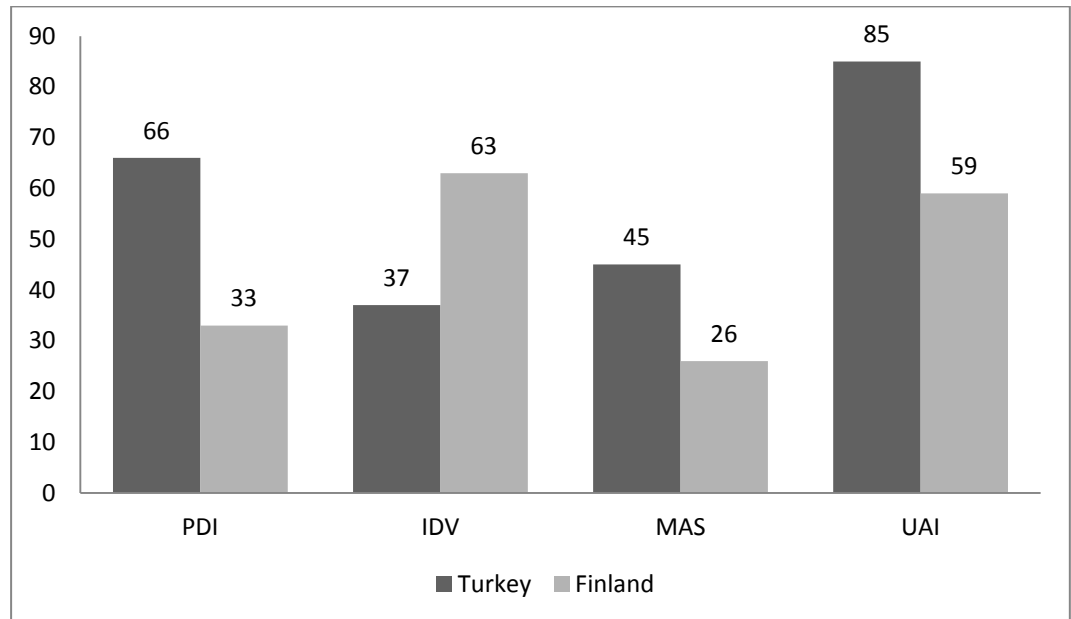


Figure 8: Turkey and Finland through Geert Hofstede's five cultural dimensions (adapted from The Hofstede Centre 2013b).

#### *Power distance PDI*

Hofstede defines power distance (PDI) as “the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally”. Turkey's PDI score is high (66) and in comparison to Finnish people and society the Turkish may seem more dependent and hierarchical. In business life bosses and rules are respected and relied on. Employees expect guidance and control and their attitude towards managers is formal. The same inequality can be seen in the families too, where the man is the head of the family and whom others look up to. (The Hofstede Centre 2013b.)

The relatively high PDI score can be seen in the business life in the boss-secretary relationship; secretaries seldom have the right to take and deliver important messages or know about their boss's schedules. Thus getting in touch with a person in a higher position in the hierarchy without an agreed appointment can be tricky. (Finpro 2011.)

### *Individualism IDV*

Members of individualist societies only look after themselves and their closest family. In collectivist societies people belong to certain groups whose members may not be related by blood but take care of each other on the basis of loyalty. Turkey is a collectivistic society with a low IDV score of 37, meaning that "We" (groups such as families, clans or organisations) is more important than "I". The harmony within a group is maintained by avoiding open conflicts and giving indirect feedback. The relationships are regarded more important than the tasks, therefore the connections are valued; nepotism occurs more often. (The Hofstede Centre 2013b.)

The importance of the networks one has is highlighted in the business life since the Turks prefer to do business with people they know and can trust. Relationships base on trust and business is done face-to-face, especially in the beginning of the relationship. Foreigners are advised to put effort in the personal long-term relationships in order to make business transactions easier. One way of showing trustworthiness is to be able to small talk. In Turkey business is not just negotiations over contract details, it is actually a part of the friendly talks that partners have in order to strengthen the relationship. (Finpro 2011.)

Doing business with the Turks may require patience, the other party may arrive late to the appointments and negotiations might be interrupted by incoming phone calls or surprise visitors. The intention is not to hurt anyone's feelings. (Finpro 2011.)



### *Masculinity MAS*

*“A high score (masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organisational behaviour. A low score (feminine) on the dimension means that the dominant values in society are caring for others and quality of life. A feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable. The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine).” (The Hofstede Centre 2013b.)*

Turkey’s score of 45 places in the “middle” of the scale, however a tad more on the feminine side. This means that the softer aspects of culture are valued and encouraged. (The Hofstede Centre 2013b.)

### *Uncertainty avoidance UAI*

The dimension of uncertainty avoidance describes the way that a society deals with the fact that the future is unknown and that the people can not control it.

Turkey’s high score (85) explains the need for laws and rules that try to make the future more predictable and controllable. In a high UAI culture the people have also more rituals than in a country with a lower score. (The Hofstede Centre 2013b.)

Some of the rituals arise straight from the religion like the use of veils in the more conservative Muslim areas of the country (Finpro 2011), some just seem religious like the many sayings including the word “Allah” but are actually just traditional social patterns used in different situations (The Hofstede Centre 2013b).

#### 5.4.1 Buying behaviour

In making a buying decision in the private sector the quality is the most important critetry but price also is noted. Flexible terms of payment, quality of service and customer support contribute greatly to the contract formation. Since Turks like to do business face to face it is recommended to visit the company or have a local agent. (Finpro 2011.) However, Koskisen has experience in sales agency and it turned out not to be a good solution due to the nature of the products that

Koskisen wishes to export. Agency bases on sales volume and the products of Koskisen are that much specialized that they are not sold in huge quantities but to answer a specific need. (Andersson & Saarinen 2013.) Potential customers have to be convinced with personal contacts (Finpro 2011).

## 5.5 Technology

Turkey's technological development is at the same level as that of any other European country. Gross domestic Expenditures on Research and Development (GERD) covered 0.85 percent of the GDP in 2009. The Science, Technology and Innovation report of The Scientific and Technological Research Council of Turkey (TÜBİTAK) states that the goal was to raise the number up to 2 % by 2013. There are several parties active in the Science and Technology field, including The Supreme Council for Science and Technology (SCST/BTYK), The Council of Higher Education (YÖK), Ministry of Industry and Trade (MoIT/STB) and Undersecretariat of Foreign Trade (DTM). (TÜBİTAK 2011.)

The brand awareness increases due to urbanization and westernization of the Turkish people (Finpro 2011). In 2009 there were over 29 million Internet users (CIA 2013) and the Internet may well be one of the most influential reasons behind the growing awareness of foreign brands and products. Companies selling or producing raw material and machinery use a lot of industry journals and fairs to create contacts and to promote their products. However, the Internet and personal visits to companies have somewhat reduced the importance of fairs because almost all the information is available on the Internet. (Finpro 2011.)

## 6 SHIPBUILDING IN TURKEY

Business environment is affected by different forces that were introduced earlier in chapter 3. This chapter presents factors such as rival suppliers and their products and customers that affect the operating environment. Proposals for Koskisen are presented at the end of this chapter.

### 6.1 The global shipbuilding industry

In order to understand the size of the Turkish shipbuilding industry it is necessary to understand how big an industry global shipbuilding is.

*The global shipbuilding industry supplies the most essential tool for the world economy to conduct global trade. Without ships, less than 10% of global trade as we know it would take place. Consequently, as long as the world economy grows, the shipbuilding market will remain a growth sector. (CESA 2011, 4.)*

The shipbuilding industry can be divided into two main categories; ship construction and marine equipment. Ship construction includes the sectors of building, conversion and maintenance of ships of all types. The types are presented in Figure 9 on the next page. European Marine Equipment Council (EMEC) defines marine equipment as follows: “the term marine equipment refers to all products and services supplied for the building, conversion, and maintenance of ships (seagoing and inland). This includes technical services in the field of engineering, installation and commissioning, and ship maintenance (including repair)”. (Ecorys 2009, 22-3.)

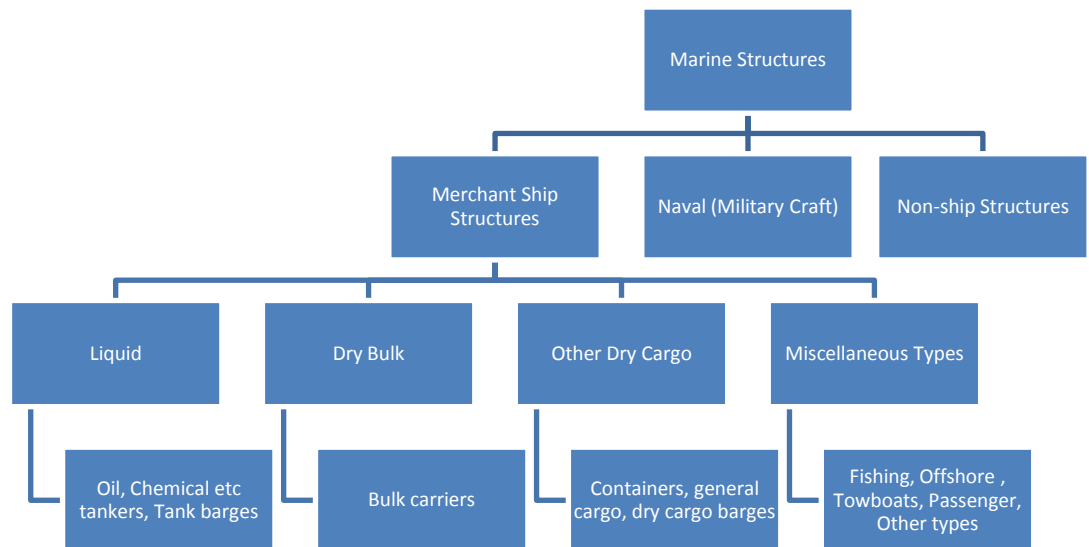


Figure 9: The International Classification of Ships by Type (ICST (94)) (adapted from UK Department for Transport 2013).

Shipyards' activity is measured in Compensated Gross Tonnage (CGT) that was created in the cooperation of CESA, the Shipbuilders' Association of Japan (SAJ) and the Korean Shipbuilders Association (KSA). The CGT system is a "statistical tool developed in order to enable a more accurate macro-economic evaluation of shipbuilding workload than is possible on a pure deadweight tons (dwt) or gross tons (gt) basis... It is intended to provide a common yardstick to reflect the relative output of merchant shipbuilding activity in large aggregates such as the world, regions or groups of many yards". (OECD 2007.)

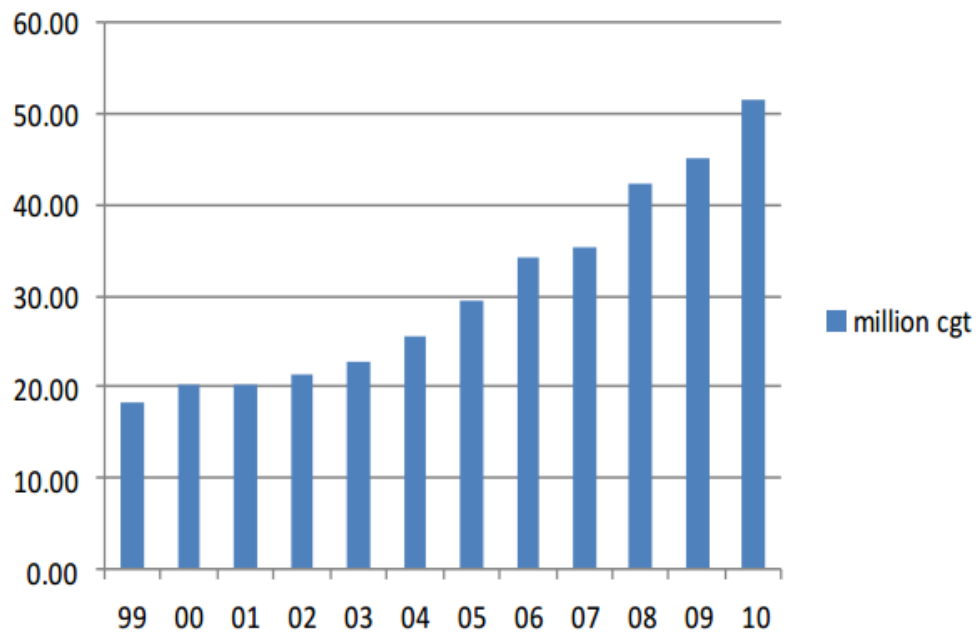


Figure 10: Total world newbuilding completions 1999-2010 (IHS – Fairplay World Shipbuilding Statistics according to WP6 2011, 30).

The number of the completions increased despite the recession that started in late 2007 because basically all of the world's shipyards had had large order books ever since the turn of the millennium. Shipyards everywhere continued with the production in order to deliver the ordered ships in time, even though many buyers started to have problems with the financing of the project as the capital markets quieted down. Some orders were cancelled and some deliveries delayed, however, the majority of orders were completed. The changes in the market conditions had different impact on shipbuilders; some added their share of world production, whereas others suffered a decrease of the completions regardless of the still growing global production. (WP6 2011, 30.)

The dramatic change in the world's economic situation also created a major structural change in global shipbuilding. For example China sought to become the world's biggest shipbuilding nation by 2015 and it did spring up from the world's third largest to the world's largest producer, in two years time from 2008 to 2010. (WP6 2011, 30.) A fast and dramatic change like the rise of China in the shipbuilding industry brought the supply and demand of vessels out of balance

and the shipping markets were also influenced negatively because new tonnage was entering the markets in too big quantities. (CESA 2011, 4.) At the same time demand was dominated by the Europeans, most of the built ships were bought to Europe (Ecorys 2009, 23).

Due to China's effect on the industry, also in the non-cargo and passenger ships segments a subtle increase of delivered tonnage was perceived. However, the market remained without indications of oversupply, unlike the building of cargo-ships. In 2010 the ordering of specialized ships increased to 7.4 million CGT, when in 2009 it was only 2.4 million CGT. European shipyards obtained 30 percent of these orders. (CESA 2011, 7.)

## 6.2 Turkish shipbuilding industry

Turkey is located in both Southeastern Europe and Southwestern Asia, bordering Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Iran, Iraq and Syria (CIA 2013.) With over 8 300 km of coast line Turkey has an ideal location when it comes to the strategic waterway from Mediterranean to the Black Sea as well as the Bosphorus and the Dardanelles straits and the Marmara Sea (Ulkoasiainministeriö 2011). Turkey's shipyards are located mainly in the Marmara Region, in Tuzla, Yalova, and İzmit, which have in fact developed into large shipbuilding centres. In recent years also the Black Sea and Mediterranean regions have started to interest shipyards and investors because Tuzla bay, the centre of Turkish shipbuilders is getting overcrowded and can no longer offer space for new shipyards. (WP6 2011, 4, 22.)

Turkish shipyards have a history covering eight centuries and it starts with the time of the Ottoman Empire, where shipyards built large naval vessels. The yards continued their modernization and after 1983 the yards began to move from Haliç İstanbul to the today's shipbuilding centre in Tuzla region. Regardless of the long history, the Turkish shipbuilding has grown to an internationally recognized and strong industry very quickly starting from the 1990's. (WP6 2011, 4.)

The shipbuilding and repair industry is considered one of Turkey's most potential industrial sectors. In 2011 there were 70 shipyards operating in Turkey when in

2002 the number was only 37, and 56 (mostly medium size) yards under construction, even though this number may have been affected since by the world's economic situation. In 2011 all the commercial shipyards were privately owned, yards building military boats were owned by the state. (WP6 2011, 21-2.)



Figure 11: Location of shipyards in Turkey (UMA of Turkey according to WP6 2011, 22).

The growth rate of the shipbuilding industry was negative in the beginning of 2012 because of low foreign demand (MEYS Emerging Markets Research 2012). Small and medium size oil and chemical tankers have been the Turkish yards' strength during the past decades and the expertise in that field may carry the industry over the economic downturn. Most of the orders made to the Turkish yards consist of these kinds of vessels. Many yards carry out both new builds and repair works due to the Turkish history of the industry so there are no shipyards that specialize only in the repair, maintenance and conversion of vessels. The multipurpose approach to the industry has kept the yards active even when the number of orders for new vessels dropped. On the basis of the 2010 numbers, with

the 0.47 million CGT Turkey was the world's eighth largest producer of vessels. (WP6 2011, 28-9.)

TABLE 3: Total completions by Turkish yards – (cgt million) (Lloyd's Register-Fairplay and IHS-Fairplay 'World Fleet Statistics' according to WP6 2011, 29).

Year	1999	2000	2004	2005	2006	2007	2008	2009	2010
CGT (million)	0.17	0.11	0.26	0.34	0.42	0.66	0.82	0.68	0.47
World share (%)	0.91	0.51	1.00	1.17	1.28	1.88	1.93	1.52	0.90

Generally the yards in Turkey have modern facilities that can build ships, yachts, mega-yachts, and sailing boats. Yachts and smaller commercial vessels have been Turkey's speciality but in past years the yards have started to improve their capacity of building larger ships. This results in yards that are capable of building a wide range of new vessels and also carry out huge repair and conversion works. (WP6 2011.)

*The specialisation of the industry is also evident in recent production statistics. Turkish shipyards are considered to be highly ranked in the world in the production of small tonnage chemical/oil tankers (up to 10 thousand dwt), and this is certainly supported by the order book held by Turkish yards, which in January 2011 showed 62 orders for this class of vessel, second only to the 74 orders held by yards in China (Clarkson, 2011).(WP6 2011, 5.)*

Turkish yards have also noticed the potential and fast development of the markets for yachts in the past two decades. Yacht building has become an important activity for the Turkish yards and was recognized by a respected boating magazine that ranked Turkey's yards as world's third best yacht builders. Yacht building offers many interesting and attractive opportunities because the



development and mixing of construction materials and techniques is continuous. (WP6 2011, 9.)

The industry employed just 2800 people in 1998 when two decades after in 2008 the number was the highest recorded so far, 33500 people (WP6 2011, 28). This number had dropped to less than 20000 people in 2011 as a consequence to the world economic downturn (MEYS 2012). WP6 claims that the shipyards have also become significantly more efficient with fewer employees and MEYS suspects a positive push from the state's side as the naval fleet's modernization projects kick off. The biggest threat for the Turkish shipyards is the threat of new entrants encouraged by the economic situation to gain more world market share (WP6 2011, 28).

In the last decade, the industry increased its production and export capacity, including major diversification in the product range which led to growing of international trade in new ships and in the marine equipment manufacturing sector. Turkey was regularly being placed in the top ten countries on the basis of its deadweight (dwt) production, and in the top five by the number of ships. These developments may be partly due to the strategic location of the yards, the experienced workforce and the high quality of production. (WP6 2011, 4-5.)

The exports were also affected by the economic slowdown, it peaked in 2008 at 2.7 billion dollars, but had dropped to just over 1 billion dollars in 2010 (Undersecretariat for Maritime Affairs-UMA, 2011 according to WP6 2011, 4). According to the association of shipbuilding companies in Turkey GISBIR, export volume in 2011 was about USD 1.2 billion (MEYS 2012).

Turkish marine equipment industry is already supplying a range of distinct components that are necessary for the building and repairing of ships. These components include for example deck equipment, windlasses, electrical equipment, hydraulic units, ship chains and anchors. However, the items that are more complicated to manufacture are still beyond the capability of the Turkish manufacturers, and therefore the commercial shipyards in Turkey still need many imported materials and components. The local enterprises are still quite small and may struggle with the production of complex products that require international

certifications which creates a good opportunity to Koskisen to step in. However, the country is trying to reduce the dependency to imported products with the lead of UMA, Undersecretariat of Maritime Affairs. (WP6 2011, 12.)

*The Turkish government is also taking into consideration the possibility of boosting the domestic production of basic materials used in ship and yacht building, in order to reduce dependence on imported components and increase the flexibility and capability of domestic support industries. Such a symbiotic relationship, if it can be fostered to develop complementary capabilities, would certainly strengthen the ability of the Turkish shipbuilding sector to compete effectively on the open market. (WP6 2011, 9.)*

### 6.3 Plywood in Turkish shipbuilding

The Turkish plywood manufacturers have a home advantage in both geographical and cultural senses. The prices of a local producer in comparison with a foreign importer may be low and inadventagous to Koskisen. Also being able to negotiate with the customers face to face most probably leads to a contract easier than fishing a deal just by telephone and e-mail.

Eventhough the prices of the Turkish producers may be more attractive to the shipbuilder, it has to be taken into consideration that these companies are fairly young and their production is quite small in comparation with Koskisen. UPM is a chapter of its own and not in fact looking for customers from the same segment; their shipbuilding products go to big LNG tanker builders and do not compete in the exactly same category as the products of Koskisen (UPM Kymmene 2013).

There are 12 plywood manufacturers in Turkey. This chapter presents six companies that were chosen because they produce marine plywood which is used for the same purposes as the Koskisen products. Therefore these companies represent the substitute and rival forces in the competition in the Turkish market. These companies also put pressure on the Koskisen price level, if Koskisen can not answer to the local price level it can be hard to reach the wanted results in the market.

The companies were mentioned by Mr. Mehmet Yentür who is a Turkish timber agent importing raw material to the Turkish wood product industry from all over the world.

### *Bayrak*

Bayrak is situated in the Sakarya region about a 120 km east from the shipbuilding industry's hotspot in Tuzla. It is a family-owned company that started in the 1950s with timber trade and expanded to plywood manufacture in the 1970s. Bayrak produces 1500 m<sup>3</sup> of plywood per month and sells imported plywood as well. (Bayrak 2011a, 2011b.)

The products include uncoated and phenol film coated plywood that are made of mainly African-origin tree species and beech and used in concrete casts and automotive industry. The phenol film coated panels have surface patterns that resemble Koskisen's KoskiCrown and wiremesh patterns. The marine plywood of Bayrak is uncoated panel made of hard debarkable African-origin wood species and apparently "water, heat and acid resistant". (Bayrak 2011c.)

### *Cezmi Acka*

Cezmi Acka operates in the Çorum region located about 600 km east from Tuzla. The company has participated in the timber trade for three generations but the actual plywood factory was established in 1998. The majority of their products is exported to the Middle East and European countries. Raw materials that they use are both domestic and imported: a large portion from Africa and Russia. (Cezmi Acka, 2013.)

The products of Cezmi Acka include plywood products that are also called "Marine plywood". These panels are made of north European birch, African species, maple and pine. The glue that Cezmi Acka uses is mentioned to be phenol formaldehyde (WBP) glue. The marine plywood that is sold for shipbuilding is made of African timber and comes with various coatings such as phenol film and melamine. (Cezmi Acka 2013.)

### *Dastaş*

Dastaş is a partnership of two Turkish major wood industry companies Dastaş and Bizon, that established a third company together, a marketing company for wood materials. All three companies are located in the Sakarya region and have more than 30 years experience in the plywood and timber industry. (Dastaş, 2007a.)

The product range of Dastaş is wide and many of their products are suitable for yacht- and boatbuilding. The exotic timber that is used for manufacturing plywood is from Africa, species include Okoume, Ozigo, Eyang and Tetra. Other timber is either imported or domestic species such as Pine, Poplar and Beech. Dastaş uses different kinds of resins to suit the purpose of use of the plywood. For plywood used indoors it uses 74455 urea formaldehyde and for plywood that needs to be water and humidity resistant they use 47 phenol formaldehyde and 8755 melamin resin. (Dastaş 2007b.)

### *Kuris*

Kuris has been in the business for over 100 years, and it is manufacturing, distributing, wholeselling, exporting and importing timber and other wood products and in fact is one of the biggest companies in Turkey. It is a well-known family-owned company employing more than 350 experienced people in the factory and 8 warehouses around the country. (Kuris 1996a.) Their plywood is produced from wood logs such as Okoume, Tetra, Poplar, Birch, Beech, Ozigo and Oak. For gluing Kuris uses Fenolic and MR (melamine) glues. (Kuris 1996b.)

### *Taskopru*

Taskopru plywood manufacturer started its business in 1998 in the Kastamonu region about 450 km from Tuzla. Taskopru has had cooperation with European countries and exports a lot of its production to all over the world. They produce plywood 9000 m<sup>3</sup> per year and have products such as Marine Plywood, Exotic Plywood, Poplar Plywood and Decorative Plywood (Eyang). Taskopru also produces acoustic panels for the transport industry (Taskopru 2013a, 2013b.)

*TKS*

TKS has offices in Ankara and Istanbul and the factory located in Kastamonu started its production in 1995. Marine plywood is one of their 3 main product lines and the company has sold the plywood for LNG tankers due to its great electrical insulation and corrosion-free nature. (TKS 2013a, 2013b.)

#### 6.4 Shipyards in Turkey

As mentioned earlier, on the flipside of powerful suppliers are the powerful buyers. The customers can ask low prices and if Koskisen can not come down to the wanted price level, it is possible that the customers go for a local producer. As a supplier, Koskisen is not powerful until it has made a name of itself.

This chapter presents nine Turkish shipyards that may interest Koskisen the most due to the type and size of the vessels they build. From the 70 shipyards in Turkey many concentrate on chemical tankers and bigger commercial vessels that are mainly using raw materials from the steel production industry. Therefore I contacted Mr. Mehmet Yentür, who has contacts with many different industries that use wood products. I also collected information from the Turkish Shipbuilders' Association which is "a professional, non-governmental organization and principally not involved in commercial activities" (Çakmak 2013). However, the association has a long up to date member list and the companies that Mr. Yentür mentioned were on it as well, so it can be assumed that these shipyards are active also in year 2013.

##### *Company A*

Company manufactures wooden yachts and boats of all kinds of wood. It is a relatively small company. (Company A 2013a.)

What makes Company A particularly interesting for Koskisen is their use of plywood in the shipbuilding; the vessels that the company builds vary between 7 and 20 meters and are made completely of wood. (Company A 2013b.)

### *Company B*

The company started by building wooden boats in various sizes up to 22 meters and later started to build steel vessels. Today they build all kinds of vessels and also offer modification, maintenance and repair services. (Company B 2013a.)

What makes this company interesting for Koskisen is the many different services from designing to building and repairing of the boats that the company offers its customers. (Company B 2013b).

Even though nowadays the boat hulls are made of steel, Koskisen linigs for fishing boats could still make a nice addition to the product range of Company B. Also the birch products from Hirvensalmi could be offered because the shipyard also does furnishing and decoration works. (Company B 2013c.)

### *Company C*

The activities of Company C started on the European side of Bosphorous. However, in 1984 the shipyard moved to the site in Tuzla due to the government's policy to re-locate all shipyards to a modern industrial zone which has proper infrastructure. Since its establishment Company C has built and delivered 58 different types of ships and tug boats, two of them in year 2013. The shipyard also offers different services to shipowners. (Company C 2013a.) Company C builds fishing vessels, passenger vessels, tankers and workboats such as tugboats and patrol boats (Company C 2013b). From the many activities of Company C the most interesting for Koskisen would be the fishing boat production.

During the past decade the shipyard also started export activities. Among these vessels were three multi-purpose trawlers in year 2000 and 2001. Company C has ISO-9001, ISO 14001 and OHSAS 18001 certificates to ensure the quality. (Company C 2013a.)

### *Company D*

Company D is an interesting case because in addition to all normal types of vessels such as fishing boats, yachts and sailing boats it also constructs ancient ships; vessels that are built using traditional methods and materials. The shipyard

offers repair services as well. Until today the shipyard has built over 200 motor yachts, sailing and fishing boats and tour boats using both traditional and modern building techniques. (Company D 2012.)

#### *Company E*

Company E, as many other shipyards as well, is a family company. The shipyard started its operations in 1990s and is building, repairing, offering maintenance of vessels up to 75 m. Main materials used in both construction and repair are wood of all kinds, metal, aluminium and fiber and composite materials. The company offers interior design services as well and also purchases and sells second hand vessels. (Company E 2006.)

#### *Company F*

The company started in 1997 and has two wholly-owned shipyard facilities in Istanbul. (Company F 2013.) The main reason to choose Company F in this research is the interior design that repeats in all of their completed yachts; a lot of wooden surface can be seen. Company F does not construct fishing vessels that would need linings but the product range of Hirvensalmi could interest them.

#### *Company G*

With its capacity to build vessels up to 180 meters and 50 000 DWT (Company G 2012b), this is the largest of the presented shipyards. The shipyard was founded in 1970s. It constructs steel, aluminum and composite boats. Nowadays the company operates in Tuzla area, specializing in building, repairing and maintenance of commercial and naval vessels and super yachts. (Company G 2012c.) It was chosen to this research because of the repair services of all types of wooden yachts (Company G 2012a.) Also the interior design of the yachts is again something that could interest the Hirvensalmi branch.

#### *Company H*

Company H also is a family-owned company that started operations in the 1980s. The shipyard builds cargo ships, tankers, fishing boats, cruise ships, yachts and tugboats up to 125 m and offers repair, alteration and maintenance of these vessel

types. (Company H 2013a.) The shipyard has many projects going on; two new fishing boats under construction and various vessels in for alteration, maintenance and repair services. (Company H 2013b.)

### *Company I*

Company I is a North-European style shipyard and was established for the construction and refit of luxury yachts up to 65 m. Company I has an international team of designers, naval architects, engineers and craftsmen. (Company I 2010a.)

The Company I's shipyard is organized as an "assembler" which bases loosely on the model familiar from the car industry. (Company I 2010b.) The yacht sizes vary between 45 and 63 metres and the yachts have steel hulls. (Company I 2010c.)

During this market research project Company I was contacted by e-mail and a reply came back showing some cautious interest in the Koskisen products.

Figure 12: Locations of the shipyards (Original map from CIA 2013c).

## 6.5 Reliability and validity of the research

In order for a research to be reliable it must be able to be repeated in other occasions and other researchers have to be able to collect similar observations. Reliability can be affected by an error or bias caused by different participants of



the research. The validity of a research means that the research findings answer the research question and fulfill the objective.

The findings of this research were gathered from trusted public secondary sources that were chosen with care and some primary sources. The shipyards are responsible for their own websites but being mentioned by Turkish businessmen and being a member of a professional association can be considered to be enough of a proof that the companies actually exist. This research describes Turkey and the shipbuilding industry as a business operation environment, which were objectives of this research and therefore it can be considered to be valid.

## 6.6 Proposals for Koskisen

Eventhough the global shipbuilding has suffered from overproduction due to China's growing participation in the market and lower demand, the Turkish shipbuilding industry has shown its potential by the adaptability to changes. During the years of growth Turkey rose to join the world's top 10 shipbuilding countries. The world economic downturn was handled quite well by the state and the shipyards; the state's economy was influenced less than in many other countries due to the strict financial politics and the industry was saved partly because of the repair, conversion and maintenance services that the yards offer and partly due to the projects that the state is presenting to the yards.

The Turkish shipbuilding industry offers great opportunities due to its size and the diversity of the shipyards, both in the types of vessels being built and in the many services that the yards offer. A shipyard offering both repair and new build services has more needs for different raw materials than a shipyard that has only one production line or one service. The majority of the shipyards concentrate in building and repairing bigger commercial vessels such as LNG tankers for example but there are many that build smaller types of boats and ships and are ideal customers for Koskisen.

Coming along with the strong shipbuilding industry is the growing domestic production of raw materials and equipment needed in the shipbuilding and repair. The industry still relies on imported components especially in the more complex

items but is step by step increasing the domestic manufacture with the help of the state and other parties. If Koskisen wants a share in the market it should make a move before the domestic production grows much stronger. After that it may be harder to convince the shipyards to change the local product to an imported and possibly more expensive one. In the scope of this research there were no signs of an exactly same kind of product as the plywood that Koskisen is selling but the development of substitute products is continuous and should not be ignored.

Because of the ad-hoc nature of Koskisen products and the culture of Turkey valuing personal contacts it would be beneficial for Koskisen to send representatives to Turkey to meet the people of the industry. Eventhough the Internet has reduced the importance of exhibitions and business visits, it would still be recommended to make a trip to Turkey and find out more about the companies. This would help Koskisen to understand what kind of companies the shipyards really are and what kind of needs they have when it comes to plywood. Also it would give the potential customers an impression of Koskisen as a trustworthy supplier that cares for its customers.

Good opportunities this year for Koskisen to create contacts are the exhibitions that are yet to take place in Istanbul. These include among others the International Istanbul Boat Show in Marinturk Istanbul Cityport on September 21-29<sup>th</sup> that brings yacht builders from all over the world together. (Boat Show 2013.) The Boat Show would also open the concept of shipbuilding to a new extent and maybe show where and how plywood can be used in shipbuilding other than in linings of fishing boats or interior design of luxury yachts. Full contact details of the presented shipyards are delivered to Koskisen separately so that the company can put the details in their database.

If the Boat Show is coming too soon there is a great way to get to know the Turkish competition in plywood manufacture: a visit to the Intermob exhibition which is a furniture side industry, accessories, forestry products and wood technology exhibition. Intermob gathers professionals of the wood product industry at the Tüyap Fair Convention and Congress Center in Istanbul on October 5-9<sup>th</sup>. (Tüyap 2013.) It would be a good way to compare the products of

the local plywood manufacturers with the Koskisen products and to network with the Turkish professionals.

## 7 SUMMARY

This market research on the shipbuilding industry in Turkey was carried out under a contract for the Finnish plywood manufacturer Koskisen Oy. The shipbuilding industry was discussed from an importer's point of view through a business operation environment analysis. The main objectives of the research were to provide Koskisen with information about the Turkish shipbuilding industry and shipyards and to describe Turkey as a business environment for an importer. The research also aimed to find possible contacts in the shipbuilding industry.

In the theoretical part of the study, the subject was discussed on the basis of published and electronic sources of information. The first chapter of the theory presented the general idea of internationalization and what kind of customer an organization is. The Internet has sped up the internationalization of companies and a customer is now able to gain almost all information about the products that it wishes to buy more easily. Organizational customers base their buying decisions on different reasons than consumers and therefore the marketing is slightly altered.

The second chapter introduced the theories of a business environment and the factors that it builds on. The business is affected by macro- and microenvironments. These two environments consist of factors that affect the business operations, the company itself and its relations to the customers. These environments are analysed through a so called PEST-analysis that covers macroenvironmental factors such as Political and legal, Economic, Socio-cultural and Technological ones. The industry and competition were discussed in perspective with Porter's theory of the market forces that define the market mechanics and the profitability.

This is a qualitative research that was carried out as a business environment analysis that consists of analyses of Turkey as a business environment and the shipbuilding industry as a target market. Information regarding Turkey and the shipbuilding industry was collected, among other sources, from international organizations and the Turkish state. The more detailed information about Turkish competition and the customers was collected from companies, with the help of a

local contact person and industry related organizations. Some of the possible new customers were also contacted.

The analyses showed that Turkey as a business environment is basically like any other European country, the biggest twist to the business comes with the culture: it is a people-oriented culture meaning that organizational relationships also build on personal relationships and trust. Turkish shipbuilding has grown to an internationally recognized industry and is considered one of Turkey's most potential industrial sectors. The shipyards generally have modern facilities and many of them offer both newly built and repair services, this multipurpose nature of the shipyards has kept the industry alive and kicking even when the market has quieted down due to the world economic situation. The industry is still pretty much dependent on the import of complex components such as engines and navigation systems, although the country is trying to reduce the need for imported components.

This study introduces the basic trends of Turkish shipbuilding and proposals for further actions for Koskisen were based on the results of the analyses. It is very hard to create a relationship with a Turkish shipyard without visits and negotiations in person because of the Turkish culture and the nature of the products Koskisen wishes to sell. Therefore creating networks through exhibitions and visits to the companies would probably pay off for Koskisen and result in deals.

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