

Full Length Research Paper

An analysis and a solution for the existence of Turkish leather industry

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Leather industry is one of the leading sectors of the Turkish economy in terms of industrial production and employment. The gradual transformation of leather companies towards automation in their production processes, and towards transferring a portion of the company and product promotions to the Internet via computers can be considered as the early steps of e-commerce entrepreneurship in this regard. This paper attempts to analyze the Turkish Leather Industry in the light of e-commerce and e-marketing practice issues.

Key words: E-commerce, e-marketing, leather industry, Turkey.

INTRODUCTION

The leather industry is one the oldest industries known to mankind. Because of the economical and environmental issues the leather industry pushed into scientifically based approach and should be ready for the new technological developments. Developed countries started to quit the leather processing industry since 1970s because of the emerging environment pollution, excess water consumption in the industry, growing production, and growing labor cost. Due to the growing number of low cost leather imports to these countries, their growing number of environment protection regulations, and high cost, they have started to leave the sector. After the second part of 1980s with the separation of the Soviet Union and the Eastern Block, and growing importance and expansion of market economy caused balances in the leather trade and leather industry change. Consequently, leather production center started to leave Europe and enter to the East. Especially, China, due to low labor cost, and input cost advantages, is well known as the leader in the shoe sector with its export nearly 19 billion dollars. India, Brazil, Indonesia, Italy, Mexico, Thailand, Pakistan, and Turkey follow China, which is the largest

producer and exporter of the sector holding the 50% share (ITKIB, 2005). Besides it has been suggested since 2008 that the global economy of the world may enter into a deeper and longer recession period than actually estimated.

As the tight lending conditions continue in the overall world, serious decreases in industrial production and employment are experienced; and the consumption and investment expenditure is narrowing down. This causes to a serious decrease in the global demand. Under these circumstances, the organizations such as IMF, the World Bank and OECD have revised downward their global growth forecasts. As a matter of fact, similar to many other countries, Turkey has also experienced a significant shrinkage. The growth is not expected to rebound at any time before 2010 (Şişman, 2009). This also has effected to the leather industry.

There need to be creation of the new business models caused to the appearance of a new enterprise culture within this critical period. E-commerce has taken its place among the new business types that have emerged (Kırçova, 2000). The leather industry should keep pace with changes in the environment to be able to survive and to compete with its competitors. In the competitive environment, the leather industry is expected to choose the electronic trade as well as an important path to

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improve its current status and to improve export potential in light of the development of information technologies. Marketing activities and the contemporary general trends following to e-marketing efforts are main issues which must be monitored carefully in the leather industry (Yamamoto et al., 2009).

ELECTRONIC COMMERCE

Definition

There are several definitions of e-commerce some researchers explain this in sales transactions on electronic environment some other have been taking into account the given services via telecommunication networks, some others concerns with the consumption activities held with electronical devices (Banaghan and Bryant, 1998; Grover and Ramanial, 1999; Kırçova, 2000; Wilson and Abel, 2002; Nakilcioğlu, 2000; Sevinç and Öğüt, 2003; Aydemir, 2001; Wilson and Abel, 2002; Pires and Aisbett, 2003). These definitions lead to the evaluation of e-commerce as the new opportunities suggested by the electronic environment where the buyer and seller come together which brings e-marketing to front.

According to Steyaert (2004) e-marketing is a business with all parties (customers, suppliers, government, workers, managers, etc.) process to develop the communication and includes the use of information technology. E-marketing is also defined as using the Internet and other interactive technologies to create and mediate dialogue between the firm and identified customers (Brodie et al 2007). Therefore these concepts altered in this article.

Advantages and disadvantages of electronic commerce

There are several advantages of electronic commerce. These are:

- Enabling businesses in the global arena
- Equal opportunities for the entrepreneurs
- Small enterprises accession to the global market
- No time restrictions
- Diminish the mediators
- Reducing the costs in general.

Today's trading conditions should be evaluated for the leather industry. This can provide advantages for businesses to outmaneuver competitors and to satisfy their customers. This brings standardization in processes and understanding and getting involve in the market more easily. Electronic trade value, manufactured products and related services to customers of enterprises provide detailed information, traditional channels abbreviated to make rapid deployment and thereby businesses save on

marketing costs to provide to its customers additional support and services to provide, given the creation of database, transaction prices to drop, and stationery costs to reduce or many eliminated the geographical boundaries transaction occurs in the waste of time reduce or even 7 days 24 h active status will be in electronic shops with time the problem completely eliminated.

The companies could reach the global market, qualified their products and brands to compete with the global competitors. This means to increase their potential customers and avoid of purchasing in the single market. Leather products consumed faster as of the other industrial properties do not. In addition, end-user products offered products are not used at a year or more with long-term use. In a sense, these products may be included in the prestigious product group such as furs. E-commerce products with prestigious brand presentations highlighting particular points, such as intensive as can be observed. Leather industry should create global brands to the global market with e-channel which can reach a broader extent.

The advantages of electronic commerce as well as the disadvantages are also present. These disadvantages can be listed as follows:

- Trust and security issues for the consumers
- Elimination of accustomed intermediaries
- Time/order/price boundaries
- Harsh competition which are completely affects the leather industry.

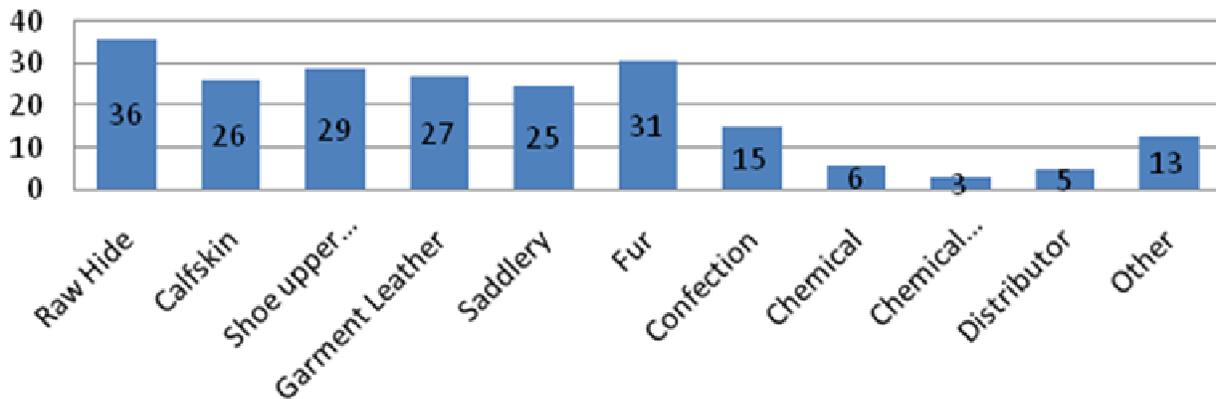
METHODS

We conducted this study in Turkey one of the very important leather exporting countries. We chose long interview for data gathering because informants would be able to elaborate on their beliefs, priorities, and activities of e-business in their words (Mc Cracken, 1988). The long interview lets the researchers map out the organizing ideas of the person for some subjects such as e-business and determine how these ideas enter into their business life. These interviews were carried out with 68 leather companies considering their productivity.

The number of leather companies in Turkey was 1402 in year 2005 and decreased to 402 in year 200 according to research of Leather Manufacturers' Association of Turkey. However, only a small fraction of these companies continue to function as productive. The range of the study area of these companies is as follows: 28 Cattle Hide Company, 32 Fur Company, 3 Garment Company and 5 Chemical Company. For the purpose of determining the current status of Turkish Leather Industry Foreign Trade Undersecretariat (DTM), Computing Center, Export Promotion Center (IGEME), Istanbul Chamber of Industry (ISO) datas are used.

Informants were the main players of the sector such as general managers or IT managers of the group. All the informants were male due to the nature of the sector. The analysis was interpretive and to gain insight into how the companies manage their e-business applications.

This study tries to outline the benefits that can be provided by modern information technologies through the employment of electronic commerce methods to accelerate the development of



Graphic 1. Participants' production/service ownership to varieties bar graphic.

Turkish Leather Industry from the aspects of complying with the developing information society mainly for the development of marketing strategies and to bring the industry to the place it deserves in the overall world.

The aim of the study is to understand the e-commerce developments in Turkish leather industry and to determine point of view in the industry organizations and trends of electronic commerce by using long interview method. The study further considers drawing an e-marketing map.

Data collection

In this study, face to face long interview data collection method is used. In-depth interview long interview method was applied to sector managers and members of related non-governmental organizations, and to decision makers in the light of findings in the literature review. In order to prevent directing the applicant, and to attain the information completely and correctly, interviews were held in a chatty environment (Graphic 1).

Constraints

Long interview of the structure caused by the leather industry is being made to implement a number of difficulties have been encountered. Some companies have privacy issues to declare company information and did not want to share their knowledge to this type of long interview then application could not be accepted. Leather industry in Turkey is very scattered because of all the companies could not be reached. Time scarcity stands as another impediment of this kind of studies.

Most of the companies and company managers' educational levels were low. Valid interviews were 68. Interviews began with some simple questions such of education level and status. Some questions were formed as close and open ended in our questionnaire. Then probes elicited a deeper understanding of their approach to e-business, obtain supplies from vendors, interact with customers, manage resources, imports and business tasks. Interviews were lasted 60-90 minutes.

An analysis for the existence of Turkish leather industry

After the long interviews we classified under the main headlines of the problems that threaten the presence of Turkish leather industry. It can be seen clearly that they accumulate under a particular

framework as some economic fundamental problems, production problems (supply of raw materials, etc.), marketing problems, administrative problems (lack of capital, etc.), financial problems and environmental problems as issues collected in a certain context. The electronic commerce may be a solution to this problem for retail companies in leather industry, especially the companies that produce leather for garment and footwear, and working for retail markets in terms of potential to create new markets.

The most important problems threatening the existence of Leather industry in Turkey are shown in Table 1.

Basic problems of economic development issues within the framework of the general economy are also bringing some issues for the leather industry. Administrative problems are arisen from being family companies which forms the overall structure of Turkey and incompetence of management after a certain level in this kind of companies. Financial problems or economic problems, as not only the leather industry in other sectors of the many materials we imported from abroad (other than addiction to) reasons or for credit and debt in the current financial problems is like. In our study the marketing problems and the solutions are for these problems emphasized mostly. And also, in this study the current status of the of leather industry and e-marketing trends for the purpose of determining the basis of a comprehensive survey of the sector is made and sector issues and recommendations for their views about the solution is identified. The marketing problems require the development of the market or to variations as well as marketing efforts and the issues of apathy and failure of companies, some of the basic input dependence on foreign taxation direct or reflected to the receiver, such as payment problems are not receiving. In addition, production is mainly in terms of subcontracting work brought problems such as clumsiness and standard product development are among the highlights at a glance.

One of the most important problems of leather industry exports of Turkey is lack of market variations. Sector has followed a strategy that is focused on Soviet Union and CIS countries for many years. This region and then Russia and Ukraine market-oriented strategy has been applied. Because of geographical proximity to the Soviet Union and Ukraine and the political changes that still continue, many things has not been fit on standarts, make these markets attractive in terms of importance. Not able to provide diversity of market and to be dependent on a single market cause many problems. Especially to Russia, Eastern bloc countries, the Soviet Union completed the process of integration into world trade and exports to these countries as the former was removed as easy or profitable. Moreover, after Russia is become rich, branded products increased demands, the situation such as begining stage which each incoming product acceptance has been eliminated. Leather

Table 1. The problems threatening the existence of leather industry.

The problems threatening the existence of Leather industry	
Economic crisis.	Low labor force of competitors (China, India, Pakistan, Bangladesh and others)
Focus on the single market	Unfair competition
Low management capabilities	Hardness of draw in a loan
Short-term rapid growth of debt	High credit interests
Not to have a standart products	Long-term payments and delay problems about payments,
Problems to make continuous production,	Unfair competitive environment
Insufficient markets and marketing activities,	Environmental issues
Inadequate encouragement from the government	High costs of refining facility in order to protect environment,
High customs duties, special consumption taxes	Financial deficiencies
Dependence on foreign for raw materials and leather chemicals	Lack of R and D efforts and technology
Lack of domestic raw leather	Small capacities
Scant control for imported products	Lack of equity capital
High prices of energy	Lack of e-business awareness
High energy usage	

Industry which provide its raw material needs through import and this high value added products to make a large portion of the suitcase trade with the northern countries, has started to weigh on registered export after decreasing this trade gradually. After the Russian crisis in 1998 in approximately half of its production exported to this market from Turkey in which dependence on the single market has occurred due to a serious concussion at the sector.

To overcome these problems, leather industry sub-sectors with the Sectoral Foreign Trade Companies (STFC) or other partners and target markets should go to the formation of joint action. Thus, the problems arising from the internal legislation can be overcome more quickly, such as overseas promotion and marketing activities will also gain momentum. On the other hand, in 2005 Turkish Leather Council (TCL) has established a good breakthrough in terms of the presentation and promotion. This group has identified U.S. market as a target market at the first stage. Then, set as a target market, especially the footwear sub-sector, mainly in Japan, a variety of markets to create and strengthen the image of "Turkish leather". This group's activities are funded by donations which are the one-thousand rate cuts during the export sector organizations and additional contributions. The first fruits of the TLC activities have begun to be taken by increasing of domestic and touristic sales.

These and these kind of joint promotional activities will provide to known "Turkish leather" more and will increase the market share in the world. However, together with Sectoral Foreign Trade Companies (STFC) existance and TLC activities, total projects which strengthen the country image at the international markets are needed. (Turkiye Ihracatçılar Meclisi Araştırmaları, 2007). However these activities are not sufficient enough to increase the market. There need to be other kinds of operations such as e-commerce.

Conclusion

As an analysis of our study about existence of Turkish leather industry there are several problems faced most of them come from the basic economic requirements and some conventional situations. There are several ways to

overcome these kinds of problems. One of the solution is E-commerce. In our study it is found that electronic trade is preferred in chemical and other raw materials, so it is considered on that it can widespread in Turkey. On the other hand, it is found out that the companies manufacturing calfskin, skins for shoe- bags, footwear, and ovine skins for clothing, leather ornaments and carpet can be present more efficiently in e-commerce after they completed their branding processes. When survey is evaluated, the view which indicates that applicability of e-commerce in leather industry mostly requires special projects for its success. Apart from that, the view which indicates that only presence of fur and fur sued manufacturing companies in the electronic trade with sales purposes could be difficult since their manufacturing style.

It is seen that companies who pays importance to branding oriented more towards export and carry out more extensive research about foreign markets. According to our survey results, among companies who has a brand or genuine collection, the opinion of that brand effected their exports positively is higher. The success of leather industry is evaluated with export potential. This sector also shows an effort in increasing export potential and taking necessary steps in terms of branding. The export potential could also be step up with e-marketing activities.

Leather industry faces difficulties in respect of fashion and branding. In this area, imitating is in more forefront than originality and creativity. Works done with designers and resource allocation level for these works is insufficient. It is quite important to be aware that marketing is the art of creating demand for new products, and innovativeness and creativity must be in the forefront. In this respect, Turkey should be the leader in

fashion, and branding as the new center of leather. Fashion and design contests organized thus far indicate that Turkey possesses knowledge, and creative young designers that cannot be undervalued. A special attention should be paid to sector. A quantum leap should be actualized for not only leather product such as apparel or shoe, but also for processed semi-product leather products by Turkish leather industry. But in order to have sustainable and permanent export, tanneries must specialize on leather they process one by one or in groups.

The first three areas of that have an importance are quality manufacturing, customer satisfaction and fashionability for the Turkish Leather Manufacturers and Exporters. They also try to do their best performances in promotion and cost reduction because of the competition.

One of the methods for the existence of Turkish Leather Industry existence is e-commerce. There need to be a lot of activities which could be done with e-channels in the global arena. Participation of fairs has taken on the most important factor for the promotion. On the other hand web sites seem an important module for the export companies for their marketing and information gathering activities. Therefore the managers should have sense to e-commerce in Turkish leather sector. They would have more successful if they notice the importance of the e-commerce applications under conditions of global competition.

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