



Turkey in Transition

Expectations in the Textile and Apparel Industry for the Next Two Decades

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Introduction

This paper aims to highlight the radical changes occurring in both the Turkish economy and its textiles and apparel industry. While important developments are on the agenda, there are still crucial steps to be taken in the short and medium term, and thus, this paper examines the next 20 years.

The recent developments of the Turkish Economy and the transformation of the Turkish Textile and Apparel Industry are examined. In this context, two distinguished examples of Turkish brands, namely, Mavi Jeans and Bill's, are also covered.

The phenomenon of 2005 quota removal, its initial impact, the sectors response and future safeguard measures has also been tackled. The concluding section discusses the Turkish consumer

Turkey's Economy

Today, the adverse effects of the 2001 economic crisis are almost over, and the Turkish economy appears to have now stabilized, providing a solid base both for private domestic and foreign investment. This is not to say that the Turkish economy is completely immune from foreign shocks, particularly when one considers its mounting current account deficit at 6.5%. Despite this, it is possible to argue that its economy is now more robust having gone through such a crisis. A steady decline in public borrowings, interest rates and inflation can be considered as the key indicators for a more stable business environment. Recently, the growth rate has surged over 5.5%, while the year-end inflation rate declined to 7.2%; the first single-digit annual inflation rate in 30 years. The 2006 annual inflation rate is expected to be around 5%, and interest rates are now under 14%. The unemployment rate this year, however, is expected to see a trivial decline of around 0.01% from the rate of 9.4% last year.

The main factor which has contributed to the improvement in Turkey's business environment was from the introduction of the IMF stabilization programme that had a strong emphasis on tight fiscal policies. The programme started in 2001, and has been implemented by two successive governments without any concessions. This has been the first IMF programme successfully implemented. Over the past few decades, discussions between the IMF and Turkey crumbled before reaching any meaningful conclusion. IMF programmes are not, of course, without criticism, noting the conflicting results in programs instituted around the world, however in light of Turkey's economic crisis and huge public debt it was clearly necessary to begin such a program.

Although there has been another key factor which contributed to the success of the stabilization programme; the EU Anchor. The EU Anchor has been the primary reason that enabled Turkey to achieve such impressive macroeconomic figures. It heightened the expectations for a safer business environment in turn attracting large sums of Foreign Direct Investment (FDI).

Also, the initial effect of the EU accession discussions, on the 3rd October 2005, have had a considerable impact, with income from FDI reaching record levels since that date. For instance; the most recent sale of Telsim in December to British Vodafone for 4.5 billion has verified this confidence

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in the Turkish Economy. Telsim was the second largest GSM operator in Turkey with 10 million subscribers, which was forfeited due to bad debts from the Uzan Group to the second largest GSM operator in the world, Vodafone.

Another example of the increasing interest in the Turkish economy has been the visit of a group of 400 Italian businessmen in December 2005 who were seeking to invest in the domestic production, service and retail industries. In the *Hürriyet* newspaper on the 8th November 2005, Mr. Santo Versace, the chairman of Versace, in a meeting in Istanbul, likened Turkey to Italy some 10 to 15 years previous, and compared his impression of his first visit to Turkey in 1997 with today and stated:

“...I am amazed to see the difference that came about since 1997. Turkey will rise up to the level that Italy has for ready-to-wear clothing in a short time. There is a lot of energy in this city. All the energy which is needed to create fashion is currently here. To use this energy properly, Turkey should perform this task with passion. Turkey has a young population and I cannot see this energy neither in Rome or Milan. Europe also needs Turkey’s energy. In my view, Istanbul, from now on, is a European city. This is understandable from the young and the ambiance of this city. Turkey’s place is within Europe.”

At this point, it is crucial to point out that the accession talks have not been easily granted to Turkey. An important reason for this is due to the relatively large and young population, and with it Turkey could push the limits of unemployment in the EU, which is already a contentious issue. Conversely, it is often argued by both Turkish officials and spokespeople from international organizations that if the free movement of Turkish labour within the EU is granted in 10 to 15 years time (in fact, Turkey is not insistent on such liberalization) the unemployment concern may no longer be an issue. The state minister, Ali Babacan, argued that as long as Turkey keeps growing at an annual rate of 6 percent, then in eight to ten years time, Turkey would have a GDP of 1 trillion USD. Estimates of the population growth during the same period are also considered to be low. He adds that most of the money that is transacted in the informal sector (unrecorded) is likely to be included during this period in the formal sector and thus, by the end of this period, Turkey would be the sixth largest economy in the EU (*Hürriyet*, November, 2005).

This Argument is also supported by Andrew Vorkink, the director for Worldbank Turkey, but he also draws our attention to the issue of the lack of credit to the private sector which could frustrate the process.

The next section will cover the issues of how Turkey would become a European Tiger and the factors needed to be considered to fulfill this goal.

Unleashing A European Tiger

In December, 2005, Andrew Vorkink, the director for Worldbank Turkey compared Turkey with Asian Tigers--Malaysia and Korea, and also with European Tigers--Ireland and Spain. He suggests that several countries in East Asia enjoyed and sustained annual per capita income growth of about 5 percent for three decades. Turkey, during the same period, achieved only 2 percent, less than half of the growth of these other countries. In 1975,

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Turkey had higher per capita income than two Asian Tigers--Korea and Malaysia. Had Turkey experienced the same growth of per capita as Korea¹ since 1975, today, Turkey would have a per capita income about 2.5 times



higher than it currently has.

Source: Remarks of Andrew Vorkink, Turkey Country Director, delivered at the 3rd International Finance Summit, Istanbul, December 1, 2005.

Andrew Vorkink proposes that the success of Asian Tigers is not a secret. It has been their ability to deploy good economic policies; by opening up their economies to international competition and promoting a high level of savings channeled by the financial sector to fund investments required to maintain growth. European counterparts, Spain and Ireland, have also deployed similar policies.

In this same light, Turkey has some advantages which could help them deploy their resources more formidably, such as:

- The banking sector has an advanced depositor and payment system, like internet and phone banking, a large ATM and branch network, and widespread use of plastic cards.
- Credit card loans, mortgage loans, and other customer loans are growing rapidly.
- The financial sector mobilises bank deposits fairly well, and the mutual fund deposits have become an important alternative to time deposits.

Conversely, Turkey has some drawbacks which has, in the past, contributed to challenges in the economy, like:

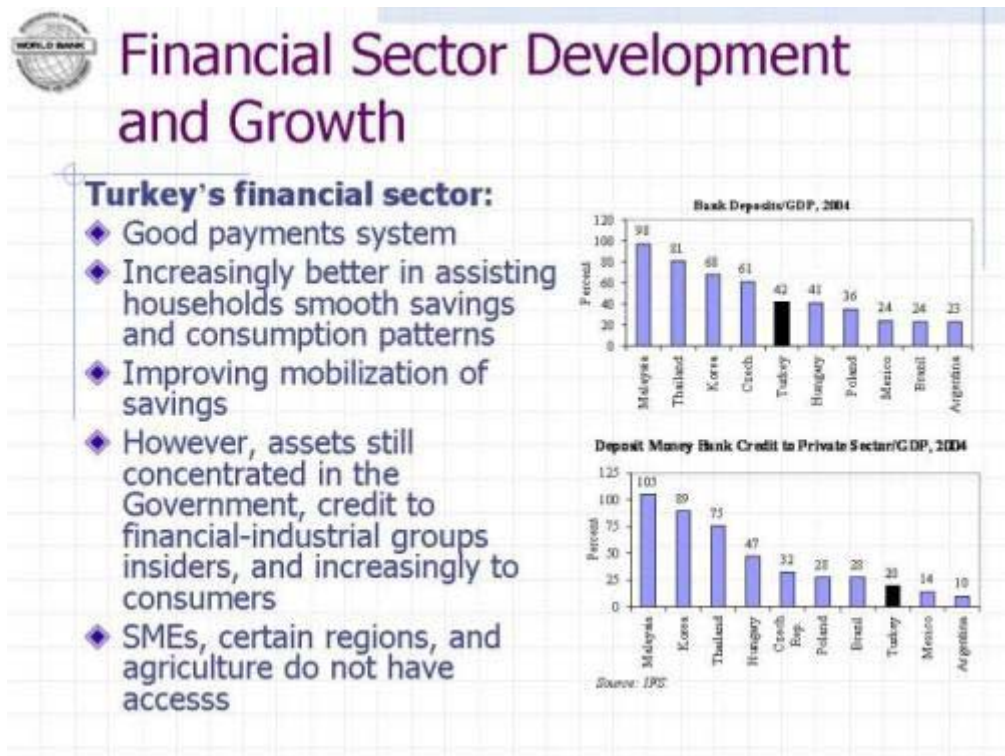
- Underdeveloped and small life-insurance and pension fund savings.
- Credit to private sector as percentage of GDP is fairly small compared to both European and Asian Tigers.
- Financial and Industrial Conglomerates get a large share of the credit outstanding in Turkey.

¹ Demetriades, P (1996)

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- There is still a large presence of government securities in the bank balance sheets, even though its improving.

Vorkink suggests that Asian Tigers have achieved high-growth rates due to their ability to allocate credit to the private sector of these economies. As shown in the graph, Korea and Malaysia doubled or tripled their credit to the private sector over the last three decades; whereas, Spain and Ireland significantly increased their credit to private sector in recent years. The credit allocated to the private sector in Turkey, during the same period remained stagnant.



Source: Remarks of Andrew Vorkink, Turkey Country Director delivered at 3rd International Finance Summit-Istanbul, December 1, 2005

The other key problem is the large portion of credit allocated to the private sector which goes to Industrial Conglomerates. Large industrial conglomerates have created their own banking entities, which was one of the primary drivers in the 2001 crisis. Additionally, the deficiencies in the legal and institutional infrastructures were great. They needed to manage the risks of lending to new parties, but insufficiently used movables (planes, automobiles, ships, furniture, personal property, etc.) as collateral for credit borrowed.

Due to inadequate legislation, slow and inefficient operation of courts in resolving commercial disputes added to the problem; while unreliable financial reporting for assessing credit risk compounded it. Corporate governance is full of weaknesses and the state crowds out private investment. Since the public required large loans, most of the credit resources available in the economy was directed to the government and little remains for the private sector, For all these reasons, the conglomerates established their own banks.

Since credit was directed mostly to large enterprises, the SMEs (small and medium size enterprises), the dynamic force of any economy, had many

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difficulties in accessing the credit needed to fund their operations and investments.

Vorkink argues that when additional steps are taken to remedy the financial sector (the sector that has seen radical change for the good since 2001) it would be possible to unleash a European Tiger. In December 2005, he suggested that:

“...Turkey does have the ability to become a European Tiger over the next ten years, if all these parties work together by doing their part in making the financial system safe and sound while financing the development of the country. I am confident that if all these parties work together, the Turkish Tiger can be unleashed.”

Privatisation

Although privatisation first entered Turkey’s agenda in 1985, the practice did not produced the desired results of efficiency or the potential income; and until 2002, the total income received from privatization had only reached 8 billion USD.

The recovery after the 2001 economic crisis heralded the start of a new age of confidence in the Turkish economy with the surge in foreign capital. 2005 saw the largest number of privatisations, namely, Turkish Telecom with 6.55 billion USD; Tüpraş with 4.14 billion USD, and Erdemir with 2.77 billion USD. The total privatisation income reached a record level of 22.2 billion USD in 2005.

Foreign Direct Investment (FDI)

FDI is a type of investment carried out by foreign individuals or companies, either made by acquisitions or by creating new businesses, i.e. production plants, capacities, etc., in a targeted country. In the first case, FDI assists in lifting the countries current idle production capacity and increases the level of production. While the second scenario implies an increase in the total production capacity of the country. Either way, FDI is very beneficial to a country’s economic growth and development compared to international portfolio investments.

Portfolio investments are financial undertakings carried out by international investors, and often called “hot money.” The term, “hot money,” underlines the fact that portfolio investments are fast to enter a country’s financial system, but just as fast to leave that country in the case of an uncertainty or loss of confidence in the economy. FDI is more beneficial and implies a long-term commitment since plants and factories cannot be liquidated quickly in the face of financial turmoil.

Recently, Turkey has been seen as a country that symbolizes a lot of positive investment opportunities; yet, it has not attracted as much as its potential as it has hoped for. Nevertheless, this scenario now appears to be changing for the better due to the positive expectations created by the accession talks between Turkey and the EU. The latest significant example of FDI inflow to Turkey has been the sale of Telsim to British Vodafone for 4.5 billion, in December last year.

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An indicator, of the increasing popularity of investment in Turkey, is its rankings in the "Foreign Investment League". According to the World Investment Report of United Nations, Turkey jumped to 35th place from 57th in 2004, with foreign direct investments worth 2.7 billion USD. Furthermore, according to YASED (Foreign Capital Association), if Turkey surpasses \$10 billion in foreign investment in 2005, the country could be ranked within the top 20 countries key FDI countries.

In the following section, we will cover future prospects and a SWOT (Strength Weaknesses Opportunities Threats) analysis of the Turkish Textile Industry for the next 20 years. An overview of the past will provide foundation, and then the next 20 years of the world industry will be addressed. Establishing the future prospects of the world textile industry will be essential, as the Turkish Textile industry is not free from the prevailing trends of the global industry.

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The 20 Year Projection of the World and Turkish Textile Industry

The trade of Turkish textiles and ready-to-wear clothing has dramatically increased compared with production. During 1980-1999, world textiles trade had increased 150%, while production had only increased 15 percent. With the removal of textile and apparel quotas in 2005 this trend is likely to continue. Intra-block trade is also expected to increase within the EU, NAFTA, and Far East, etc².

Considering the global distribution of textile and apparel production, developing countries have been increasing their relative share of both production and trade. During 1980-2000 textile production increased on the American continent by 75% (more notably in Southern America) and by 100% on the Asian continent; while it had fallen by around 30% on the European continent. While Europe produced approximately half of the world's textile in 1980; this share has now fallen below 30%. Asia in the meantime has increased its relative share from 20% to 25-30%. It is anticipated that Asian countries, particularly China, will continue to increase their relative share in the years to come.

Fibre Production:

By 2023, global consumption of textile fibres will reach 100 million tonnes, from today's figure of 55 million tonnes. It is forecast that approximately 75% of raw fibre production will be conducted in Asia and almost half of this raw material will be processed in Asia.

While the production of synthetic fibres after World War II gathered pace, cotton production in the 1950s still constituted for more than 70% of the global fibre production. Although, in the 1970s its relative share of began to fall under 50% and in the 1990s it dropped below 40%. In 2023, polyester is anticipated to be the most produced and consumed fibre in the world.

In the beginning almost all production of synthetic fibres was performed in Western Europe, the USA and Japan. Today, 60% of this production is carried out in the South and Southeast Asian countries, including China, Taiwan, South Korea, and India.

Nevertheless, while the share of synthetic fibres in Western Europe, the USA and Japan will drop to under 10 percent by 2023, the value of the textiles products will dramatically increase at incomparable rates. These countries will stop producing cheap synthetic fibres and yarns, like polyester and polypropylene and will begin to develop and manufacture high-performance, new-generation special fibres, including the cellulose-based ones.

So, considering these prevailing trends of the World Textile Industry, how should one expect Turkey's role to develop in the process over the next two decades?

Turkish Textile and Ready-to-Wear Industry

The Turkish Textile Industry accounts for one-tenth of the value added (GNP) and more than one-third of its exports. Textiles and the ready-to-wear industry constitute the value-added share of one-sixth of the

² Tübitak, (Tekstil Panel, 2003)

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manufacturing sector. Considering the clothing sector is a labour-intensive one, it provides employment to some 523,000 people within 27,500 workplaces. It is a crucial industry for Turkey's economy considering that more than two million people, including the supportive industries, have been employed in the sector.

Turkey's exports of textiles and ready-to-wear is worth almost 15 billion USD. It is the largest producer of textiles for Europe and 14th largest in the world. Furthermore, it is the 2nd biggest of the ready-to-wear producer for Europe and the 7th for the world.

To be able to maintain today's strong position, Turkey needs to develop its technology beyond its key competitors, in order to produce products which are highly sophisticated and that attract a higher end values. To do that, Turkey needs allocate resources to R&D (Research and Development), and develop technologies in the area of yarn, knitting, non-wovens, weaving, textiles finishing, and apparel making.

SWOT Analysis

Strengths:

- Turkey owns a developed infrastructure which has extensive experience in the sector and is able to adapt to new technologies and fashion.
- Turkey comply's with international specifications on environmental-friendly production standards.
- It has a sophisticated logistics, transportation and communications infrastructure,
- Competitive labour costs, compared with developed countries
- Turkey has an entrepreneurial spirit and a developed labour force in the textile industry.

Strengths for processes of production, sources and inputs include:

Abundance of raw materials³; variety of product and process richness; flexible and fast production and swift decision-making; tendency to small-scale work that exclusive demand requires; machinery less than 10-years old producing three-quarters of the total work; and a young and trainable population in the country.

Weaknesses: What puts the industry in difficulty involves:

- insufficient proprietary capital,
- lack of venture capital,
- deficiencies in the management of working capital and cash flows;
- high input costs, particularly energy and employment tax;
- staying out of the global retail market due to lack of skills in direct distribution channels; and insufficient participation in global network structures and global integration;
- an inability to create a large number of brands;
- a large, informal black-market sector
- deficiencies in developing technology with a lack of R&D. Insufficient

³ Özben, et. al (2004) "Cotton, for example, as an abundant raw material found in Turkey, has contributed positively to the development of the sector. Turkey holds almost 2% of the 34 million hectares of the World's irrigated land area for Cotton."

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use of international R&D funds;

- an under-developed IT-sector
- a weak textiles machinery production and chemicals industry;
- less developed technologies for quality control; process automation and virtual production;
- no domestic and foreign benchmarking practice;
- inability to create synergy between textile and apparel industries⁴;
- burdensome bureaucratic legislation, insufficient legal infrastructure, and gaps to legally protect intellectual property rights.

Opportunities: The chances ahead for the industry are:

- the geographical position of the country (easy access to EU, Russia and Turkic Republics); developing relationships with the regional countries; the low level of penetration to these markets so far;
- finding new markets through quota removal and increasing economic conjuncture and expanding possibilities of tourism sector cooperation.

Threats: The industry expectations of danger would comprise:

- a politically unstable region;
- lack of resources; scarce, expensive, short-term, risky financing;
- a poor image of the country;
- imports and exports legislation inconsistent and unstable;
- insufficient development of free trade rules and institutions.
- Due to the decline in transportation costs, the advantage of vicinity to the market over rivals does not hold as it once did.
- Global supply surpluses in this sector;
- current and future regional and bilateral agreements;
- distance to U.S. markets and the growth of the Far East countries due to the removal of quotas.

Having noted the strength and weakness of the Turkish textile and apparel industries, it is necessary to highlight what needs to be done to improve the Turkish industry. The following section provides a framework that presents a future vision regarding the sector (Tekstil Panel, 2003).

Future Vision and Targets of the Sector

According to the Textile Panel held by Tubitak (The Scientific & Technological Research Council of Turkey), the vision of the Turkish Textile sector should be: to innovative and add-value/differentiate their products to increase Turkey's relative share of world trade. To fulfil this vision the sector needs to have two groups of targets.

Macro Targets:

- To acquire 5% of the world textile trade.
- Double the contribution provided to the country (not related to GNP).
- At least 15% of the export income should be from technology advanced products.

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- Remove the non-productivity resources.

Other Targets:

- Pioneer the establishment of textile faculties and research centres with related institutions and associations.
- Search for, adapt and implement practices and textiles technologies to increase global competition.
- Strengthen the sector and internal-sector information flow and cooperation.
- Fashion, brand and distribution channels formed toward global trends.

Increase innovations, high value added, and multi-purpose products with increased use of high technology while preserving the environment.

The Technological Priorities of the Textile Sector

The Textiles Panel suggests that the sector should have both medium and long-term priorities. Medium term priorities should increasingly involve original design, quality, productivity, marketing and distribution techniques, and the production of technical textiles and high-class fashion products. In the medium term, the priorities should also involve the search, attainment and further development of intelligent and multi-functional textile products. Thus, the competition mounting from Asian and African countries producing commodity textiles for the lower end of the market can be avoided; and instead, the sector can upgrade their know-how and information-intensive high-value added products, and market to the world.

Taking into account the technological trends that will shape the industry within the next 20 years, the textile panel established that the priorities should include:

- Use of environmental-friendly and energy-efficient technologies in textiles finishing.
- All information and data flow in textiles should be in electronic settings.
- Computer-aided knitting design and production.
- Special production specific to individuals and techno-tailoring in apparel making.
- The development of intelligent, multi-dimensional/multi-functional textiles.
- Automate machinery calibrations and adjustments.

A brighter future seems to be on the horizon for Turkey considering this analysis of the Turkish textile and ready-to-wear industry. The Textile Panel set the industry's vision and implementation for the next 20 years, along with short and medium-term and technological priorities, to provide a synergy and cooperation among all the institutions in the industry. This synergy would give birth to new global fashion/brand trends coming to life as a result of new R&D, design, and technologies that also care for the environment. Finally, by doing so, the adverse effect of rising competition from Asian countries like China and India, particularly after 2005, would be avoided.

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What are Turkey's Recent Developments?

Having made a projection as to what Turkey should be doing within the next two decades, we must examine what steps Turkey has been taking recently to achieve its goals. In this respect, two topics will be covered in this next section: Turkey's resistance to the Chinese invasion and some examples of increasing brand awareness in the country.

China's Effect on Turkish Textiles and Apparel Industry: Turkey's Resistance

While it is too early to draw definite conclusions regarding the relative dominance of China on textile and apparel trade, it is quite clear that China has been able to demonstrate how powerfully it can force and invade world markets, including Turkey. Turkey, however, acted swiftly after the removal of quotas at the beginning of 2005 and has somehow managed to preserve its textile industry from complete destruction. Over the past few years, Turkey has initiated some trade barriers against China.

To our knowledge the primary effect of China on the Turkish textile industry was first felt by the spinning industry, with most spinning companies either downsizing their operations for closing down at least one of their factories. Woolmark spinner licensees were also among the first to be affected. These licensees claimed that Chinese fabrics were being sold for the price of yarn.

During the first nine months of 2005, Chinese imports into Turkey reached record levels at \$4.8 billion USD, while exports to China remained stable at \$414.1 million, leaving a foreign trade deficit of \$4.385 billion, 54% higher year-on-year. Footwear imports from China rose 131%, apparel lifted 37% and leather and fur apparel was up 57%.

Prior the removal of quotas, the Turkish textile and apparel industry initiated some steps to protect its market. In Istanbul in 2004, a coalition of representatives from textile and clothing manufacturers from around the world gathered together to address the Director General of the World Trade Organisation (WTO). In short, this coalition were seeking to postpone the elimination of textiles and apparel quotas until the 31st December 2007. This was in response to the signing of the Istanbul declaration:

The textile associations claim that, if quotas were removed, thirty million textile and clothing manufacturing workers in the US and the EU may lose their job, as the influx of cheaper products from low cost countries, notably China and India, enter the market place.

A spokesperson from the coalition said that they are concerned with "China nearly monopolizing the world textile and apparel market" and that "a crisis of unprecedented dimensions in textiles and clothing is now at hand".

As a result of this declaration, the Turkish government took some steps toward stopping some Chinese textile products from freely entering its domestic market until 2008. Similarly, the United States entered a "safeguard agreement" with China, imposing on 34 product groups in November 2005. The agreement came into effect on 1 January 2006.

The President of İHKİB (Association of İstanbul Ready-Made Garment Exporters) Mr. Süleyman Orakçioğlu, also the President of GAFTT (Global Alliance for Fair Textile Trade) stated that:

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"...the safeguard agreement is a product of the GAFTT coalition in which Turkey was the founder of the alliance...secured categories with the agreement to include socks, towels, bras and underwear, shirts and cotton trousers in which Turkey is confident...since April 2004, we worked with the U.S. like strategic partners and claimed important victories. This decision is made in favour of the world economy and many countries like Turkey will reap the benefits." (Dünya Tekstil, December 2005).

GAFTT is an alliance of textile and apparel groups from around the world who fight for the principles of fair trade. These groups united under the Brussels Communiqués, the successor to the Istanbul Declaration, which drew attention to the looming takeover of the textile and apparel trade by a few large countries. As of June 17th, 2004, 91 trade groups in 49 countries had joined the alliance.

Increasing Brand Awareness in Turkey

The Turkish Apparel Industry has started to move away from commission manufacturing towards branded products. The concept and the logo of "Turquality" and "European Quality Awards" and "Superbrands" have all attracted the interest of Turkish Firms.

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With the increased awareness amongst Turkish manufacturers that they can no longer afford to survive simply by price competition and the sale of basic textile goods, a branding programme called "**Turquality**" was introduced in January 2004 jointly by Under Secretariat of Foreign Trade (DTM), the Turkish Exporter's Association (TİM), and the Istanbul Association of Textile and Apparel Exporters (ITKIB). Turquality embodies the words *Turk* and *Quality*.

Turquality aims to be the symbol which highlights the quality of products and services made in Turkey. In other words, Turquality plans to upgrade the international perception of products made in Turkey. The project also aims to provide a stimulus for the textile industry to upgrade their technology and reposition themselves in the international market as the higher-end/quality apparel producers. Turquality is described as a unique tool, as it is a complex mix of marketing, quality upgrading and strategic positioning, implemented for the first time, not only in Turkey, although perhaps globally.

In 2004, Werner International was assigned as the only consulting company, to provide the Turkish industry with some strategic guidance for the establishment of this brand. The apparel industry was selected as the pilot industry.

Fifteen apparel firms have, so far, qualified for the Turquality certificate. These firms are:

Altınyıldız Mensucat ve Konfeksiyon Fabrikaları A.Ş.; **Bilsar** Tekstil Sanayi ve Dış Ticaret A.Ş.; Çak Tekstil Sanayi ve Ticaret A.Ş.; **DSD** Deri Sanayicileri Dış Ticaret A.Ş.; **Eroğlu** Giyim Sanayi ve Ticaret Limited Şirketi; **Esas** Tekstil Sanayi ve Dış Ticaret A.Ş.; **Harmanlı** Deri A.Ş.; **İpekyol** Giyim Sanayi Pazarlama ve Ticaret A.Ş.; **Mercek** Holding A.Ş.; **Mithat** Giyim

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Sanayi ve Ticaret A.Ş.; **Orka** Tekstil San. ve Tur. Ticaret A.Ş.; **Pasha** Deri Konfeksiyon San. ve Tic. Ltd. Şti.; **Polo** Giyim Sanayi ve Ticaret A.Ş.; and **Ramsey** Giyim Sanayi ve Ticaret A.Ş. with **Sarar** Giyim Tekstil Sanayi ve Ticaret A.Ş.

Altınyıldız, İpekyol, Sarar and Ramsey are also **The Woolmark Company (TWC) apparel licensees** which highlights that these companies are highly committed to quality branding. The designers, Atıl Kutoğlu, Ayşe and Ece Ege, and Hüseyin Çağlayan were selected to take part in the project.



Source: Express Textile, April 2005
"Turquality": A branding programme to promote Turkish excellence in apparel production & marketing.

Why use Turquality, instead of made in Turkey?

The state minister, Mr. Kürşat Tüzmen, explains that:

"*Turquality* ... is not only an indicator of the country of origin... It should be perceived as a support programme to differentiate the value-added goods produced in Turkey from domestic and foreign competition."

The Turquality Logo



Source: DTM web site

The implementation of this project started in Moscow, an important target market, in December 2005, and will be followed by promotional activities in Paris, London and Madrid.

Success Stories of Global Turkish Apparel Producers

This section will cover two outstanding examples of Turkish apparel firms which made their way to be a brand and a truly global firm.

These two cases demonstrate that there are Turkish firms, among many, which are fashion and brand minded.

Mavi Jeans

Mavi Jeans is an exceptional example of the transformation of a Turkish commissioned manufacturer to a brand leader. Mavi Jeans is now an established international market leader. It is renowned as a high quality, great fitting and fashionable denim producer.

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In 1990, Mr. Sait Akarlilar wanted to create an entirely new denim brand, one with Mediterranean roots and Mavi, which means blue in Turkish, was founded in 1991, by Akarlilar, in Turkey. Mr Sait Akarlilar had previously had 30 years experience in producing international brand and he felt it was time for Turkey to have its own line of branded jeans.

In 1996, Mavi became the number one jeans label in Turkey, and at that time the organisation decided that it was the right time to market itself to the US market. They knew if they could be successful in the U.S., then all the other markets would be much easier to capture. They entered into the market with a unique angle, selling themselves as a designer brand targeting teenagers and college students, who loved the fit, the quality and the price.

Mavi's never-ending goal is to create the perfect pair of jeans. In the early years, success grew from a fresh approach, establishing itself as a new talent in the denim world with styles like the *Molly* and *Mindy*. These fits are still popular today. Similar to the people that wear them, each pair of Mavi jeans has distinct traits. Over the years Mavi has grown from just selling great fitting jeans to offering an entire collection.

In the US it was soon cited in the Turkish press that Mavi was not only popular among teenagers and college students, however it had also become the choice for some of the Hollywood stars.

Another key factor which had driven to the success of Mavi in the United State was the creation and support of fostering art and artisit. Mavi seek to complement their customer's lives, adding a layer of creativity and self expression. In 1997, building on this theme Mavi founded its own magazine, named Maviology. It was a free quarterly magazine and it featured everything from music festivals, groundbreaking photography, to personal essays.

Mavi jeans are sold in over 4,600 specialty stores and department stores in 28 different countries including the U.S., Australia, Canada, Turkey, Germany, Italy, England and Denmark. There are also ten Mavi showrooms located all over the world in Istanbul, New York, Milan, Los Angeles, Vancouver, Montreal, London, Frankfurt, Copenhagen, and Sydney, making it one of the few Turkish products that is a truly global brand.



The flagship store in New York's Union Square highlights the creative vision that is key to the success of Mavi Jeans.

New York Times, December 10, 2005

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Bil's

Although Bil's sounds like an English name, it is, in fact, a famous Turkish white shirt brand created by Bilsar. Bilsar is a leading shirt producer in Turkey and has doubled its exports from 13 million USD in 2002, to 24 million USD in 2004. Mr. Selman Bilal, the owner of Bilsar, comments:

"This increase did not stem from an increase in production but from an increase in higher value added products. We created a superior service that utilised technology to create a flexible production model. This model helped exporters, who are racing against time with zero-fault tolerance, to have a high competitive service. It is this area of service which countries like China will never constitute as a threat." (Milliyet, 20th November 2004)

Bilsar was founded in 1947. The company relaunched itself in 1990, with a new business focus. Today, Bilsar exports over 90% of its production, 1.5million shirts, to a select client base in the US and Europe. They work with a small number of clients, all of which are major international fashion brands or large-scale resellers.

Bilsar has a state of the art manufacturing plant, which is continually updated with the best sewing, pressing, button holing, ironing and folding systems in the world. These systems are performed by over 600 highly skilled operators.

The organisation is structured to provide their clients with the best possible service, including research, development, collection design, distribution, sales and after-sales service. Preliminary simulation tests are conducted to anticipate problems and provide solutions before production commences. Bilsar's production and client management team attach a special importance to speed, efficiency and reliability.

Bilsar has launched a new store concept, whereby they do not only sell shirts but they also sell a life-style. This store opened in the Capitol Shopping Centre in Istanbul, selling a wide range of products including; cosmetics, stationary, cartoons, aromatic teas, Toys for Big Boys, Ipods and so on..

Bil's, the Bilsar brand, represents white and unisex shirts. Bil's shirts are created by an international team of young designers from Turkey, Italy, Britain and the USA and marketed across the world. Bilsar claims that every Bil's collection embodies an idea and a life style statement. Bil's shirts have attracted an enormous amount of attention across the world.

Finally, Bil's is listed among the distinguished brands of Turkey on Superbrands European Portal. Superbrands is an independent international arbiter on branding. Bil's is also one of the 15 apparel companies which qualified for the *Turquality* Certificate.

Turkish Woolmark Licensees Exporting under their Own Brands:

A recent survey carried out by The Woolmark Company among their Turkish exporters (apparel and interior) licensees revealed that almost more than half sell their products under their own brands to varying degrees. The Woolmark Company currently has 40 active licensees in Turkey and 31 of these are involved in exporting.

Of the 31 exporters (26 Textile and Apparel, 5 Interiors), eight export products with 100% (6 textiles and apparel, 2 carpet) of their branding, two over 90%, six export between 50-89% and twenty-one export between 15-100% (20 textiles and apparel, 1 carpet) and two carpet exporter between 0-20%.

Based on this we can conclude that the majority of Turkish licensees export product using their own brand.

In the domestic market, the recognition of the Woolmark as a quality assurance logo is somewhat limited, except for wool underwear products. Younger generations are almost totally oblivious of the exact meaning of the logo. Therefore, while Woolmark is well published in the domestic textile industry magazines, it is hard to claim that these publications reach the mass market.

Turkey: A Consumer Market?

The potential of the Turkish economy coupled with its skilled labour force is well documented. Conversely, information regarding its consumer market is not widespread and not readily available, although there does exist a few excellent resources on the topic.

What these resources commonly tells us about Turkish consumers is that the young, fashion-oriented consumers spend remarkable amounts of money on designer goods, clothes, etc⁵. There are, however, large numbers of people are living below these means. Although as the GDP of the country increases, so does the tendency to spend on higher quality and luxury products. Turkey, has also been identified as an **investment havens** in a PWC (2004) study which highlighted the top markets for retail and consumer investment.

One should not omit the fact that income distribution is not evenly balanced in Turkey, although, the size of the affluent minority and upper middle class is comparable to the entire size of some small European countries.

Euromonitor suggests that Turkey is now the fastest growing consumer market in Western Europe. With its rapid economic expansion of late coupled with the now higher standard of living enabling Turkish consumers to purchase higher-value products.

Furthermore, according to a consumer survey conducted by IBS highlights that Turkish consumers are becoming more brand orientated and seek to purchase international brands.

Conclusion

The Turkish Economy has moved toward a safer and stable business environment over the past decade and it has since gathered pace with the EU accession talks. There has been growing interest in its domestic textile and apparel industry with increased FDI, portfolio investments and privatisation.

While the textile industry is not without its problems (high energy costs, high labour taxes and the recent appreciation of the Turkish Lira), proposed

⁵ Özben et.al, (2004)

government policies of the restructure of credit funds and the lowering of employment taxes and energy costs should assist this industry.

Other primary demand issues for the Turkish textile industry are projected to be resolved by co-operation of the industry to bring Turkish textile brands onto the international market, through higher levels of R&D, improving technology etc. This could also assist the industry to overcome the fierce competition posed by Asia, particularly China.

Finally, apart from being a key global producer of textiles and apparel Turkish consumers are increasingly becoming more brand-orientated, with its young, dynamic population dominating this trends.

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