

T.C.
MARMARA ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ
İŞLETME ANABİLİM DALI (İNGİLİZCE)
ÜRETİM YÖNETİMİ VE PAZARLAMA BİLİM DALI (İNGİLİZCE)

**Identifying Market Entry Modes and Critical Success Factors as
Related to the Internationalization Process and Operations of Turkish
Specialty Apparel Retailing Firms in the CIS Countries – Four Case
Studies**

Yüksek Lisans Tezi

Ruslan Mamadaliev

İSTANBUL-2013

T.C.
MARMARA ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ
İŞLETME ANABİLİM DALI (İNGİLİZCE)
ÜRETİM YÖNETİMİ VE PAZARLAMA BİLİM DALI (İNGİLİZCE)

**Identifying Market Entry Modes and Critical Success Factors as
Related to the Internationalization Process and Operations of Turkish
Specialty Apparel Retailing Firms in the CIS Countries – Four Case
Studies**

Yüksek Lisans Tezi

Ruslan Mamadaliev

Tez Danışmanı: Prof.Dr. F. Zeynep Bilgin

İSTANBUL-2013



T.C.
MARMARA ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ

TEZ ONAY BELGESİ

İŞLETME (İNGİLİZCE) Anabilim Dalı ÜRETİM YÖNETİMİ VE PAZARLAMA (İNGİLİZCE) Bilim Dalı TEZLİ YÜKSEK LİSANS öğrencisi RUSLAN MAMADALİEV'nin IDENTIFYING MARKET ENTRY MODES AND CRITICAL SUCCESS FACTORS AS RELATED TO THE INTERNATIONALIZATION PROCESS AND OPERATIONS OF TURKISH SPECIALTY APPAREL RETAILING FIRMS IN THE CIS COUNTRIES - FOUR CASE STUDIES adlı tez çalışması, Enstitümüz Yönetim Kurulunun 02.01.2013 tarih ve 2013-1/19 sayılı kararıyla oluşturulan jüri tarafından oy birliği / ~~oy çokluğu~~ ile Yüksek Lisans Tezi olarak kabul edilmiştir.

Tez Savunma Tarihi 17.01.2013

Öğretim Üyesi Adı Soyadı

İmzası

1.	Tez Danışmanı	Prof. Dr. FATMA ZEYNEP BİLGİN	
2.	Jüri Üyesi	Doç. Dr. İREM ERDOĞMUŞ	
3.	Jüri Üyesi	Prof. Dr. SAHAVET GÜRDAL	

ACKNOWLEDGEMENTS

The preparation of this study at hand has been an absolute learning process and experience for me. I ought to admit that this would have been impossible without the help, dedication, encouragement and support of those who are mentioned below.

I would like to thank to all of them herein.

As a scholarship holder, I would like to thank all the citizens - the taxpayers of the Republic of Turkey - and particularly the Turkish Government including its competent ministries for initiating and administering a scholarship program that enabled me to undertake a graduate study at Marmara University commencing in 2009. I really appreciate all efforts being spent by the Government of Turkey in this direction and believe that all those who are the contributors deserve loud applause and deep respect.

My sincere acknowledgements to my adviser, Prof. Dr. F. Zeynep Bilgin, for supporting and providing constructive criticism during the course of this study. I express deep gratitude for her guidance as well as for her support during the entire educational process.

I thank all the teaching staff of the Business Administration Department at Marmara University. Especially, I am grateful to the academicians of the Production Management and Marketing Masters Programme, Emine Çobanoğlu, Müge Yalçın, İrem Eren-Erdoğan, and Varol Günyaşar for their invaluable teachings and support.

I would like to present my gratitude to Ekrem Utku and Şule Tabak, the “*Birleşmiş Markalar Derneği*” personnel who did not hesitate to provide support in getting in touch with the managers of the Istanbul-based Turkish specialty apparel retailing firms for the research conducted.

At last, I am thankful to my parents, Atam and Raila, for their love and generous support and deeply indebted to my spouse, Nuriya, and my daughters, Nilüfer and Sevinç, whose love, patience, and understanding helped bring my undertakings to fruition.

GENERAL INFORMATION

Name and Surname : Ruslan Mamadaliev
 Faculty : Business Administration
 Programme : Production Management and Marketing
 Thesis Adviser : Prof. Dr. F. Zeynep Bilgin
 Degree Awarded and Date : Master's – January 17, 2013
 Keywords : internationalization of Turkish specialty apparel retailers, market entry modes, critical factors for emerging market nonfood retailers' success

ABSTRACT

Numerous studies have focused on expansion of business activities of Turkey-based firms across national borders. However, scant attention has been paid to Turkish specialty apparel retailers' foray into emerging and developing markets as well as to what could determine their success there.

First, an attempt is made to contribute to the international retailing literature by providing insight into the last stage of internationalization process of retailers from an emerging market, Turkey. Second, an effort is put forth to detect some critical factors with the aim of presenting avenues to success for the emerging market nonfood specialty retailing firms.

This exploratory study utilizes a qualitative in-depth interview technique in order to understand, determine, and detect some critical aspects of the internationalization process of Turkish specialty apparel retailers. Based on the data, case studies were developed. The primary data for this study was collected in the summer of 2012 in Istanbul. Four Istanbul-based clothing and accessories retailers operating in the Commonwealth of Independent States. The results indicate that the CIS countries are penetrated by means of several entry modes such as flagship stores, franchising, in-store concessions, and the Internet. Two retailers are exploiting organic growth. Besides, for all four firms contacted six success factors are detected.

Turkish apparel producers and retailers interested to operate in CIS countries can make use of this study to gain an insight into the different market entry modes and to some extent get abreast of the key factors critical to success within the retailing sector.

ÖZET

Birçok çalışma, Türkiye menşeli şirketlerinin ülke sınır aşırı ekonomik yayılımlarına odaklanmıştır. Fakat Türk hazır giyim perakendeci işletmelerinin yükselen ve gelişen pazarlara girişine ve oradaki başarılarını nelerin belirleyebileceğine yönelik ilgi yetersiz olmuştur.

Bu çalışmanın temeli iki gerekçeye dayanmaktadır. Birincisi, yükselen bir pazar olan Türkiye'nin hazır giyim perakendecilerine ait uluslararasılaşma süreçlerinin son aşamaları hakkında fikir vererek uluslararası perakendecilik yazına katkıda bulunmaya çalışmak. İkincisi, yükselen bir ekonomi ülkesi olan Türkiye'nin gıda dışı perakendeci işletmelerine başarıya giden yolları göstermeyi amaç edinerek birkaç kritik başarı etkenlerinin bulunmasına çaba sarfetmek.

Bu keşifsel çalışmada derinlemesine görüşme yöntemi uygulanmıştır ve Türk hazır giyim perakendeci işletmelerinin uluslararasılaşma çabalarını anlamaya ve bu konudaki bazı kritik yönleri de ortaya koymaya yarayacak sorular sorularak niteliksel bir araştırma yürütülmüştür. Bu bağlamda yürütülen görüşmeler ile vaka çalışmaları geliştirilmiştir. Birincil verilerin toplanması 2012 yazında İstanbul'da yapılmıştır. İstanbul'da yerleşik ve BDT (Birleşik Devletler Topluluğu) ülkelerinde çalışmakta olan dört hazır giyim ve aksesuar perakendeci işletmenin uluslararasılaşma faaliyetlerine ışık tutulmaya çalışılmıştır. Sonuçlara göre, BDT ülkelerine bu firmalar çok çeşitli pazara giriş yöntemleri kullanarak ulaşmaktadırlar. Bu yöntemler arasında bayrak marka mağazaları, bayilik sistemleri, dükkan içi dükkan mağazacılığı ve Internet yolu ile müşteriye ulaşma önde gelmektedir. Görüşülen perakendeci işletmelerden ikisi organik büyüme yoluna gitmektedir. Ayrıca, görüşülen dört firma için de altı başarı faktörü belirlenmiştir.

Bu tezde yer alan bilgiler ışığında, BDT ülkelerinde çalışmayı amaçlayan Türk hazır giyim üreticisi ve perakendecisi firmalar bu pazarlarda geçerli çeşitli pazara giriş yöntemleri ve perakendecilik sektöründe kendileri için önemli başarı faktörleri hakkında bilgi sahibi olabilirler.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	iii
ABSTRACT	iv
ÖZET	v
ILLUSTRATIONS	ix
List of Figures	ix
List of Tables	ix
I. INTRODUCTION	1
1.1. Aim and Objectives of the Study	4
1.2. Significance of the Study	5
1.2.1. Liberalization of the Turkish Economy and an Emerging Market, Turkey	6
1.2.2. Internationalization of Turkish Specialty Apparel Retailers, Global Textiles Market and Turkey's Stance in Apparel Exporting.....	10
1.2.3. A Review of Existing Theses Parallel to the Topic of This Study.....	19
1.3. Scope and Structure of the Study.....	22
II. MARKET ENTRY AND RETAILING.....	23
2.1. Foreign Market Entry Structure	23
2.1.1. Outsourcing	31
2.1.2. Private Labeling	33
2.2. Defining and Explaining Retail Internationalization	35
2.3. Entry Modes Available for International Retailers and Description of These Entry Modes.....	39
2.3.1. Flagship Stores	42
2.3.2. Organic Growth.....	43
2.3.3. Merger and Acquisition.....	45
2.3.4. Joint Ventures.....	46
2.3.5. Franchising	47
2.3.6. Concessions (Corners).....	49
2.3.7. Exporting.....	50
2.3.8. The Internet	52
2.4. Delineating Critical Avenues to Success in International Clothing Retailing.....	54

2.4.1. The Role of Supply Chain in the Success of Clothing Retailer	57
2.4.2. Attaining to Success Through Retail Diversification Strategies, Critical Product Attributes as Well as by Means of Services During and After the Internationalization	59
2.4.3. Achieving Success Through Adequate Business Strategy: Standardization Versus Adaptation	60
III. RESEARCH METHODOLOGY	63
3.1. Research Design	62
3.2. Research Questions, Aim and Objectives of the Study	62
3.3. Data Collection Method and Instrument.....	65
3.4. Defining the Steps of the Sampling Design Process.....	65
3.5. Data Analysis.....	67
IV. FINDINGS	68
4.1. Firm Characteristics: Company History, Future Oriented Plans and Company Profile.....	68
4.2. Production Process, Merchandise Outsourcing and Private Labeling.....	71
4.3. Market Entry Modes Used in the CIS Countries	74
4.4. The Critical Success Factors of Turkish Retailers Operating Abroad.....	75
V. DISCUSSION	78
5.1. Market Entry Structure of Turkish Specialty Apparel Retailers into Russia and Other Former Soviet Republics.....	78
5.2. Internationalization Process of Turkish Specialty Apparel Retailers	84
5.3. The Market Entry Mode Choices of Turkish Specialty Apparel Retailers in the CIS Countries.....	85
5.4. Critical Factors to Turkish Specialty Retailers Success During Their Internationalization and Operations in the CIS Countries	88
5.4.1. An Efficient and Responsive Supply Chain.....	88
5.4.2. Market Diversity, Product Line Diversity, Innovative Products, Product Quality, and Effective/Responsive Customer Services	89
5.4.3. Triple Adaptation: the Retail Format, the Business Model, and the Retail Offer	91
VI. CONCLUSION, LIMITATIONS AND SUGGESTIONS	94
6.1. Conclusion	94
6.2. Limitation.....	97

6.3. Suggestions.....	98
REFERENCES	100
APPENDICES.....	122
Appendix 1 - Interview Questions Based on Research Objectives and Research Questions	123
Appendix 2 - List of Firms and Managers Contacted for the Study.....	125
Appendix 3 - List of Istanbul-based Turkish Specialty Apparel Retailers Operating in the CIS Countries.....	126

List of Figures

Figure 2.1.	Foreign Market Entry Structure.....	24
Figure 2.2.	Turkish Apparel Exports' Distribution in Federal Republic of Germany.....	26
Figure 2.3.	The Structure of Wholesaler Stage As Related to the Distribution of Textiles and Apparel Products in FRG in the late 1980s	28
Figure 2.4.	The Structure of Retailer Stage As Related to the Distribution of Textiles and Apparel Products in FRG in the late 1980s	29
Figure 2.5.	Retail Landscape Framework	56
Figure 5.1.	A Holistic Chart of Turkish Specialty Apparel Retailers' Sell-in and Sell-through Structures in Russia.....	83
Figure 5.2.	Turkish Specialty Apparel Retailers' Intensifying Internationalization within the CIS	85

List of Tables

Table 1.1. The Globalization Index 2009 - selected country ratings out of 60 country listings	8
Table 1.2. Turkey's Foreign Direct Investment (FDI) Inflows and Outflows, 2005-2010 (Millions of U.S. dollars).....	9
Table 1.3. Leading Companies in the Global Textile Market in 2010.....	14
Table 1.4. Turkey's Apparel Exports During the Period From 2006 to 2011	15
Table 1.5. Turkey's Apparel Exports in 1980, 1990, 2000.....	16
Table 1.6. Twelve Largest Recipient Countries of Turkey's Apparel Exports in 2011	17
Table 1.7. A Listing of the Theses Having Relevancy to This Study at Hand	20
Table 2.1. Common Market Entry Strategies According to Gilbert (1999).....	39
Table 2.2. Common Market Entry Strategies According to Alexander and Doherty (2009)	40
Table 2.3. The Classification of Common Entry Modes Along Certain Dimensions.....	41
Table 2.4. Characteristics of Different Franchising Modes	49
Table 4.3. The Market Entry Modes Used by the Turkish Specialty Apparel Retailers in the CIS Countries.....	75

I. INTRODUCTION

The rapidly changing global business environment, global economic integration and advances in technology and communications have created unprecedented opportunities for firms looking to extend their sales activities beyond the domestic market. Remarkably, a phenomenon called globalization has been spurring the internationalization of companies around the world for a long time. As Terpstra (2000) affirms, the time does not roll on without affecting the business environment owing to the continuous effect of globalization that has been increasingly transforming the Global Village into a Global Marketplace and as a result, influencing the marketers on a worldwide scale.

The world has moved irrevocably toward free trade since 1945 through the efforts of the General Agreement on Tariffs and Trade (GATT) until 1995, and since that time, through GATT's replacement, the World Trade Organization (WTO). The results have been dramatic. Since 1945, tariffs have fallen and world trade expanded from \$2 trillion in 1980 to about \$10 trillion in 2005 (Hill, 2009, p. 22). Since 2005, the world merchandise trade, that is the annual exports and imports have grown by 10% and 9% respectively, and by the end of 2011, in the aggregate amounted to \$17.8 trillion (World Trade Organization, 2012a). According to the same report, in 2011 the world clothing exports reached a value of \$412 billion whilst growing by 7% yearly over the past decade.

On the one hand while global expansion of the apparel industry historically has been driven by trade policy, by 2005, the Agreement on Textiles and Clothing by the WTO had phased out many of the quotas that had previously regulated the industry. This caused a tremendous flux in the global geography of apparel production and trade, and a restructuring of firm strategies seeking to realign their production and sourcing networks to accommodate new economic and political realities (Fernandez-Stark *et al.*, 2011). Fernandez-Stark *et al.* (2011) further indicate that this change has made other key factors for country competitiveness come to the fore, including labor costs, productivity, and competencies and also add that low-cost countries such as China and India are emerging as leaders in the lower-value assembly segments of the value chain, while smaller countries such as Turkey and Sri Lanka are being forced to upgrade into higher-value segments, such as (retail) branding and design.

On the other hand retailing has become a global industry with many retailers of different formats (*e.g.* department stores, specialty retailers, discount retailers, superstores, *etc.*) operating in foreign markets. According to Datamonitor (2011a) the global retailing industry grew by 3.9% in 2010 to reach a value of \$10,526.1 billion and is forecast to have a value of \$13,206.3 billion in 2015. The global retailing industry (business to consumer) is heavily fragmented (Datamonitor, 2011b), but it is dominated by large organizations that are developing greater specialization by product (the rise of specialized stores selling only one item, such as clothes, shoes, *etc.*) and price (the growth of high-volume, low-cost discount chains) (Gereffi and Memedovic, 2003). In 2010, the apparel, accessories, and luxury goods segment of the global retailing industry was the market's most lucrative with total revenue of \$1,439.7 billion (Datamonitor, 2011b).

The geographic spread of business activities of Turkish enterprises across national borders is not a new phenomenon. Hitherto, numerous studies focusing on different aspects of it and spanning many regions and different sectors have been conducted. However, scant attention has been paid to the Turkish specialty apparel retailers' foray into emerging and developing markets as well as to what could determine their success there. The evolving nature of the global apparel industry and the Turkish apparel companies' consistent integration into the world markets prompt us to focus on the internationalization efforts that are presently being undertaken by the Turkey-based specialty apparel retailing firms in the developing markets of the Commonwealth of Independent States (CIS).

It is fortunate that Turkey is one of the proximate countries to the CIS. Kaynak *et al.* (2009) accentuate that Turkish economy is relatively more developed than others in the region and add that these CIS are inclined to procure a wide variety of goods and services that are not available in their region or markets. Besides, Mukhina (2009) adds that the progressive unraveling of the centrally-planned economy in the former Soviet Union States facilitated new forms of international trade called "*shuttle trading*,"¹ "*suitcase trade*," or "*trading tourism*" which became commonplace after 1990. Nevertheless, as pointed out by Kaynak *et al.* (2009), this form of trade has been already replaced by more organized international trade practices such as joint ventures, strategic alliances, and even direct

¹ Over the fifteen years, a trade network transcending the national borders has emerged that is now centered in the CIS region and spans the other regions located in the neighbourhood of Turkey. The agents of the shuttle trade were small-scale traders who traveled abroad regularly to purchase moderate quantities of consumer goods, such as apparel and leatherwear. Turkey, especially Istanbul, has been an important node of the shuttle trade which has become the primary marketplace where shuttle traders from the CIS meet Turkish entrepreneurs who in turn have set up shop there to cater to the traders' demands (Yükseker, 2004).

investments resulting in a variety of market entry strategies used in many CIS countries so far. Additionally, Sternquist (2007) points out that nowadays most retailing firms pursue international market entry strategies as a source of potential growth and profits due to saturated domestic markets, the need for greater investment diversification, legislative barriers, competition, and economic pressures.

The market growth in the CIS region has been impressive. While the countries of this region emerge from the ruins of command economy, they are all making determined efforts to continuously develop their native economies and to improve both the standards of living and the quality of life of their citizens. These transitional economies of CIS with their latent demand have created immense market opportunities for the foreign firms of all types. This transition process and implementation of free market economy principles have stimulated the trade and investment flows toward countries of the region (Kaynak *et al.* 2009).

Consequences of the aforesaid developments the world has witnessed, as well as the recall of Keegan (1986, p. 103-8) who was once quoted as saying: “*the present as well as the future belongs to those companies who can master the art and science of going international,*” jointly urge us to draw important lessons.

Turkish specialty apparel retailers who are enthusiastically going international are suggested to properly perform the tasks associated with international market selection and it would be a future success for them to focus on the CIS countries as their target markets. Also the decision making about the choice of the market entry mode is critical both to operations and success in various markets (Gielens and Dekimpe, 2001). However operating abroad may entail inconvenience or even failure for these firms if the success criteria are not fully comprehended. These firms are suggested to be aware of determinants of success so that they can stay competitive within the globally-extended apparel retailing market and sustain viability in the long run. The following section of the introduction part of the thesis highlights the aim and objectives of this study based on the discussion above.

1.1. Aim and Objectives of the Study

This study aims at exploring and understanding some critical aspects of internationalization process of Turkish specialty apparel retailing firms. The purpose is first to gain an insight into the outcome of retail internationalization process, that is the entry mode choices relating to the foreign market penetration and second to find out critical factors to the emerging market non-food retailers' success. In addition, Turkish specialty apparel retailers' sourcing and private labeling activities have been under examination.

Attempts are made to understand the internationalization process, to find out how the emerging/developing markets are entered by the non-food specialty retailers from an emerging market and also to review the potential factors critical to international retailers' success and subsequently identify critical success factors as related to the Turkish specialty apparel retailers' operations abroad, particularly in Russia, Ukraine, Azerbaijan, and Kazakhstan. Thus, the objectives of this study are as follow:

- Objective One: to determine the Turkish specialty apparel retailing firms' characteristics including company history, future oriented plans and profile;
- Objective Two: to shed some light on the production process, private labeling, and sourcing activities;
- Objective Three: to find out the market entry modes utilized in the CIS countries and understand the entry mode choices of these firms;
- Objective Four: to detect critical factors to Turkish specialty apparel retailers' success doing business in the CIS countries.

1.2. Significance of the Study

The significance is explained by referring to three distinct aspects of the study. The first aspect relates to the liberalization of Turkey's economy and consequent appearance of Turkey as an emerging market. The second aspect refers to the global textiles and apparel retail market including Turkey's stance in apparel exporting and the internationalization of Turkish specialty apparel retailers. Lastly, an attempt to contribute to the international retailing literature and thus lay the foundation for designing the research, represents the third aspect of this study. Bianchi (2009, p. 223) accentuates that in comparison with the manufacturing sector, international retailing is a young discipline and it has only been the subject of recent theoretical and empirical research. Earlier, Tatoğlu *et al.* (2003, p. 43) indicated that research on international retailing had extensively focused on developed country firms and that scant attention had been paid on retail internationalization of the emerging market firms. Consequently, Eren-Erdoğan *et al.* (2010) proposed a conceptual framework for Turkish firms by providing evidence from the Turkey-based retailers in textile and ready-to-wear industry. Eren-Erdoğan *et al.* (2010) further aimed to provide insight into the internationalization process of emerging market firms in order to address the research gap pointed out by Tatoğlu *et al.* (2003). Parallel to all this, within the international marketing domain, an anthology entitled as "Drivers of Global Business Success: Lessons from Emerging Markets" which is compiled by Bilgin *et al.* (2004) presents a highly diverse sample of emerging market studies from several countries all over the world in the hope that their research perspective will offer a more universal view on business problems and solutions dealing with the topic of emerging markets. Therefore it was deemed appropriate to utilize their all-encompassing framework composed of four basic dimensions (*viz.* organization, people, operations, market) so that this qualitative research at hand is appropriately guided and thus an under-represented situation (as the authors point out) is enlightened, that is a situation where emerging market firms compete in emerging markets abroad (*i.e.* in the markets of the CIS).

It should be noted that while taking into consideration the suggestions made by the above-mentioned scholars, Vida and Fairhurst's (1998) framework rooted in behavioral paradigm (*see* Johanson and Vahlne, 1990) which in turn explains retail internationalization process, serves as a basis for this study at hand. While referring to

Vida and Fairhurst's (1998) model, this study aims to concentrate on the outcomes of the internationalization process - the market entry modes – as well as to probe into and detect determinants of success. Conducting a study in the case of Turkish specialty apparel retailers is deemed appropriate herein. Considering the fact that many Turkish clothing retail companies have been extending their operations beyond national borders and operating networks of physical stores represent a critical aspect of retail internationalization (Dawson, 1994), this study aims at determining the Turkish clothing retailers' choice of international methods of entry as well as finding out critical factors to company success in the host countries of Commonwealth of Independent States, while primarily zeroing in on Russia, Ukraine, Azerbaijan, and Kazakhstan, the large markets.

1.2.1. Liberalization of the Turkish Economy and an Emerging Market, Turkey

Hereinafter, the purpose is to shed some light on the precursors of internationalization of Turkish companies, and also provide overarching description of Turkey's recent posture in the globalization and subsequently zero in on the country's trade and capital flows. Therefore, firstly it is important to remember what happened back in 1980, right after so-called "24th January Decisions".

In 1980, the Turkish Government embarked upon a series of reforms designed to carry out the following: eliminate price controls and subsidies, lessen the role of the public sector in trading, emphasize growth in the private sector, stimulate private investments and savings, liberalize foreign trade, reduce tariffs, ease capital transfer exchange controls, privatize the Central Bank and reform the taxation system. Basically, the major objectives of these new policies and programs were: (1) minimize state intervention; (2) set up a free market economy; and (3) integrate the Turkish economy with the world economic system (Etkin *et al.*, 2000). Moreover, Aydın *et al.* (2007) point out that in the 1980s, Turkey changed its trade policy from import substitution to export-led growth, that is a development strategy based on import-substituting industrialization was replaced with a more outward-oriented development strategy, which aimed at developing the export potential of the country (Tokatli and Boyaci, 1998). Since then, according to Saygılı and

Saygılı (2011) the share of Turkish exports in world trade increased from 0.36 per cent in 1980–1990 to 0.44 per cent in 1991–2000 and then to 0.60 per cent in 2001–2005.

According to Marka Ekonomisi-BMD (2012) report during the early years of export-led growth, Turkey was heavily engaged in supplying global brands and specializing solely in manufacturing, however Tokatlı and Kızılgün (2004) mention that since the 1990s, especially the textile and apparel manufacturers from Turkey have succeeded in entering into brand-name manufacturing and opening stores abroad. Indeed, many of these manufacturers have successfully upgraded into higher value-added activities such as design, branded production, marketing and retailing (Tokatlı, 2007).

Etkin *et al.* (2000) indicate that by virtue of geography Turkey acts as the historical gateway from the ancient Silkroads to today's new markets and that the onset of globalization extended Turkey as a cultural, commercial and political intermediary in the region as well as in the world. Indeed, Turkey's globalization performance that is, its cross-border integration of business had attained a level of moderate increase and the country ranked as the 49th amongst the world's 60 largest states in 2009 (The EIU Report, 2010). **Table 1.1.** presents globalization indices of Turkey along with selected countries with the intent of making a comparison. The index is headed by the highly globalized city state, Singapore, and followed by the South Korea and the developing countries, namely, *big emerging markets*². *The Index*³, reflects the degree to which the global integration of a country is observable or experienced from within that country.

² Turkey is described as one of the big emerging markets of the world together with Brazil, China, India, Russia, the South Africa, including a few other nations (*see* Garten, 1997).

³ The Globalization Index represents five indicators of globalization most relevant to business based on the views captured in a survey of business leaders. The Index measures “relative” rather than “absolute” globalization. This means that a country's trade, investment, technology, labor and cultural integration with other countries is measured relative to its Gross Domestic Product (GDP) rather than by the absolute value of these elements being exchanged. As a result, smaller countries that depend on international integration will tend to have a high level of globalization, while larger countries that can rely on a big domestic market will tend to have a lower level, even though the total amounts exchanged internationally involved may be much greater (Measuring Globalization-The EIU Report, 2010).

Table 1.1.

The Globalization Index 2009 — selected country ratings out of 60 country listings

<i>Rank</i>	<i>Country</i>	<i>2009 Composite</i>	<i>1995 Composite</i>	<i>2009 Trade</i>	<i>2009 Capital</i>	<i>2009 Technology</i>	<i>2009 Labor</i>	<i>2009 Culture</i>
1	Singapore	7.29	6.04	9.59	6.17	6.39	6.27	7.93
25	South Korea	4.17	2.76	5.36	4.66	4.40	3.23	2.81
40	China	3.41	2.69	4.17	4.28	2.69	3.13	2.54
46	India	3.14	2.50	3.30	4.38	1.30	3.49	3.25
47	Brazil	3.13	2.77	3.48	4.60	1.70	2.56	3.29
49	Turkey	3.07	2.98	3.66	4.30	1.90	2.58	2.78
55	Russia	2.77	2.51	3.60	3.38	1.77	2.95	2.01

Source: Measuring Globalization-The EIU Report (2010), p. 26-27

For example, taking into consideration Turkey's 2009 capital movement indicator, that is, the extent to which the country by Gross Domestic Product (GDP) is connecting to the rest of the world in terms of investment, it is evident that Turkey outpaced both Russia and China and slightly fell behind India. Besides, Turkey by GDP outperformed India, Brazil and Russia in openness to trade.

According to UNCTAD, for the first time, *developing*⁴ and *transition economies*⁵ together attracted more than half of global Foreign Direct Investment (FDI) flows while outward FDI from those economies also reached record highs, in the meanwhile, FDI inflows to *developed countries*⁶ continued to decline (UNCTAD World Investment Report, 2011). **Table 1.2.** shows Turkey's FDI flows in the period of 2005-2010 years with the highest levels of both inward and outward flows taking place in 2008, however, drastically falling off in the following year owing to the devastating effect of 2008-2009 global economic downturn. Nevertheless, by the end of 2010, as it is shown above, Turkey's FDI flows were somewhat improved giving the signal of being in a recovery.

⁴ Developing economies: in general all economies not specified in ⁴ and ⁵.

⁵ Transition economies: South-East Europe and the Commonwealth of Independent States.

⁶ Developed countries: nations of OECD (other than Chile, Mexico, the Republic of Korea and Turkey), plus the new EU member countries (Bulgaria, Cyprus, Latvia, Lithuania, Malta and Romania), plus Andorra, Israel, Liechtenstein, Monaco and San Marino.

Table 1.2.

Turkey's Foreign Direct Investment (FDI) Inflows and Outflows, 2005-2010 (Millions of U.S. dollars)

	2005	2006	2007	2008	2009	2010
FDI Inflows	10 031	20 185	22 047	19 504	8 411	9 071
FDI Outflows	1 064	924	2 106	2 549	1 553	1 780

Source: UNCTAD World Investment Report (2011), p. 189

Notably, a recent survey jointly conducted by *KHU*, *KPMG-T*, *DEİK* and *VCC*⁷ which mainly focuses on the rapid global expansion of Turkish multinational enterprises has found that the number of the largest outward investors from Turkey increased from 12 to 19⁸ (*KHU-KPMG-T-DEİK-VCC Report*, 2011). Thus, pondering over the latest developments associated with Turkish enterprises could lead to a study of great worth. Certainly, a recent increase in both number and value of outward FDI from Turkey can not be neglected and obviously it is the inevitable consequence stemming from the persistent internationalization of Turkish companies accompanied with their initiatives to further the development of operations in already entered foreign markets. Moreover, since higher trade liberalization entails increased integration into world markets, resulting in greater volume of trade in terms of exports and imports, and in capital flows such as inward and outward FDI (Banalieva and Sarathy, 2011), obviously Turkey's current status of its degree of trade liberalization appears to play a role in promoting the aforementioned activities. Saygılı and Saygılı (2011) indicate that the transformation of the Turkish economy and Turkey's trade structure resembles the other emerging market economies and subsequently emphasize Turkey's two trade reforms pursued back in the 1980s and 1990s respectively.

⁷ The abbreviations of *KHU*, *KPMG-T*, *DEİK* and *VCC* stand for Kadir Has University, KPMG Turkey, the Foreign Economic Relations Board, and the Vale Columbia Center on Sustainable International Investment, respectively.

⁸ Amongst those 19 Turkey-based enterprises which are mostly represented by conglomerates, Eroğlu Holding, a textiles company and the founder of a well-known specialized retailing firm, for the first time ranked 18th on the basis of its foreign assets in the year of 2009.

1.2.2. Internationalization of Turkish Specialty Apparel Retailers, Global Textiles Market and Turkey's Stance in Apparel Exporting

In the meantime, amidst the gloomy prognosis of a high risk of a double-dip recession and the fact that a slowdown in the developed economies is already noticed (The EIU Report, 2011), remarkably, the Turkish specialized retailing firms have been enthusiastic about going abroad and have been actively involved in developing and expanding their operations in foreign markets. It speaks for itself, the number of Turkish specialized retailing firms abroad most of which are the clothing and accessories retailers, has already reached 2,503 stores covering 97 countries worldwide. For instance, in the previous year, Ukraine became the most attractive host country for Turkish clothing retailers, whereas Russia is currently the host country with the highest degree of presence that has been attained recently (Akyarlı Güven 2011; Retail Türkiye 2011). Turkey-based specialty apparel retailers are comprised of many clothing retailing firms that specialize in different areas such as casual wear, denims, high and fast fashion as well as classical/traditional outerwear. As a matter of fact, Turkish specialty apparel retailing firms, both the first-movers and the latecomers, have been assertively engaging in increasing their number of retail outlets and thus, building their retail networks in a large number of foreign markets spanning the different geographic regions such as the Central and Eastern Europe, the Baltic, the Caucasus and Central Asia, along with the Middle East and the North Africa (Patronlar Dünyası 2012; Capital, İş & Ekonomi Dergisi 2011).

The persistence demonstrated by the Turkish specialty apparel retailers in the international expansion, especially efforts and achievements of the latecomers in penetrating the host countries of aforementioned regions is meaningful, as A.T. Kearney Report (2011) indicates that, for example, in Kazakhstan the middle class is growing, the consumers are willing to explore organized retail formats and government is relaxing restrictions, while in Russia, consumer spending has expanded significantly and that this country is expected to become Europe's largest consumer market with rising disposable incomes and expanding middle class. Furthermore, report points out that Russia is the fourth in the top 10 countries identified in terms of clothing market attractiveness, levels of retail development and country risk. As of 2011, Russia's retail apparel index score follows right after China, United Arab Emirates, and Kuwait. Moreover, Yılmaz Yılmaz, the director of Birleşmiş Markalar Derneği, confirms that for the profitability in the long

run, especially the host country markets of the former Soviet Union and of the Middle East are of great importance to the Turkish specialized retailers and to the clothing and accessories retailing firms in particular (Birleşmiş Markalar Derneği, 2011).

Turkish specialty apparel retailers' sales and employment are vital economic contributors and to some extent these marketing institutions predestine the prospects of Turkey's textile and apparel industry; as such their success is crucial for the overall Turkish apparel industry's competitiveness and even survival in the long run within the global marketplace. Eryürük *et al.* (2011) indicate that the globalization of the textile and clothing industry and the liberalization of the trade resulted in important restructuring in Turkey's clothing industry thus spurring some national textile companies to engage in marketing activities such as branding and retailing more professionally in order to attain to a higher level of competence. Furthermore, a recently issued strategic report called "Marka Ekonomisi" pinpoints that time is ripe for the shift from "Made in Turkey" to "Turkish Brands" concept and that Turkey and its export-oriented industry should readily promote such kind of way of thinking which in turn will yield significant financial gains and pave the way for further economic development (Marka Ekonomisi Raporu, 2012). Actually, this way of thinking can serve as a new road map for the purpose of maintaining and enhancing the Turkish clothing industry. Thus, for the national apparel industry, an avenue to success is the realization that certainly, the existing Turkish specialty apparel retailing firms with their brands, presently and in future will play a significant part in the industry's economic sustainability.

Up to this point in this subsection, the idea has been centered on drawing attention to the internationalization of Turkey-based specialty apparel retailers by imparting recent developments as related to the Turkish clothing and accessories retailing firms. In the next part, some literal and figurative information regarding the global textiles market, the apparel exports originating from Turkey as well as the largest export markets receiving Turkish ready-to-wear products are presented. The section is concluded by referring to Bilgin's (1990) study in order to grasp the structural change that took place after 1990 in the Turkish apparel industry.

Basically, the global textiles market comprises four generic segments: yarns, fabrics, *apparel*⁹, and non-apparel finished products. The global textiles market had total revenue

⁹ Herein, apparel covers all other clothing except leather and footwear.

of \$1,175.1 billion in 2010, representing a compound annual growth rate (CAGR) of 4.9% between 2006 and 2010, while the *European*¹⁰ and *Asia-Pacific markets*¹¹ grew with CAGRs of 0.1% and 10.3% respectively, over the same period, to reach respective values of \$234,095.3 million and \$688,403.8 million in 2010 (Datamonitor, 2011c).

The performance of the global textiles market is forecast to accelerate, with an anticipated CAGR of 5.8% for the five-year period 2010-2015, which is expected to drive the market to a value of \$1,557.1 billion by the end of 2015. Comparatively, the European and Asia-Pacific markets will grow with CAGRs of 2.9% and 8.7% respectively, over the same period, to reach respective values of \$269.8 billion and \$1,045.4 billion in 2015 (Datamonitor 2011c).

The apparel segment, which constitutes the second largest category of the global textiles market, contributed revenue of \$375.6 billion in 2010, equating to 32% of the market's overall value (Datamonitor, 2011c) and which in turn is substantially bigger in comparison with Turkey's foreign trade (exports plus imports) volume amounting to \$299.4¹² billion in the same year. Making the comparison hereinbefore helps to delineate a picture of the apparel segment's scale in the global marketplace, whereas the future prospects in general prove that there is a golden opportunity for the overall Turkish clothing industry not to be lost. Therefore Turkish clothing retailers should embark on the course of improvement of their current market shares.

According to Datamonitor (2011c), four companies have come to the fore in the global textiles market recently. Two of these companies, namely Inditex and Benetton Group are categorized as "global shapers" meaning that they are the key players utilising their competitive strengths to shape the global clothing industry (Leknes and Carr, 2004). Demographic information of these enterprises is given in **Table 1.3.** below. Being aware of the competitors' characteristics from world markets may be useful for the Turkish specialty apparel retailers.

It is worth noting from the **Table 1.3.** that three out of four global leading companies in the global textiles are the Groups which house well-known specialty apparel retailing firms such as Zara, United Colors of Benetton, and Adolfo Dominguez. These retailers are

¹⁰ European market consists of the member countries of the European Union including Turkey.

¹¹ Australia, China, India, Indonesia, Japan, New Zealand, Singapore, South Korea, Taiwan, and Thailand.

¹² TurkStat, Foreign Trade Statistics Yearbook 2010, p. 3 (Data retrieval: <http://www.turkstat.gov.tr>).

very strong with established and successfully operating networks of retail outlets all over the world's prominent markets.

Having discussed the structure of the global textiles market, its recent dynamics as well as its future prospects, proceeding with Turkey's apparel industry would be appropriate. Turkey is one of the major suppliers of products in the apparel segment of the world textiles market, and in 2006 Turkey was the world's fourth largest apparel exporter (Eraslan *et al.* 2008), hence some descriptive information is provided in order to ascertain the country's degree of involvement by referring to its recent apparel export values. All relative data are presented in tabulation in order to realize the trend and also identify the country's export destinations.

A recent Turkish Exporters Assembly's *strategy report*¹³ which presents a road map for attaining an overall value of \$500 billion in exports in the near future should be kept in mind because it motivates the national exporters and particularly the national textile and ready-to-wear manufacturers targeting foreign markets. In other words, this strategy entails considerable marketing efforts that should be pursued by those who have a vested interest in increasing their market shares abroad. In essence, the strategy primarily accentuates the value activities such as production, logistics, and marketing and sales that are in fact currently being undertaken by Turkish textile and apparel manufacturers operating within vertical marketing systems extending beyond national frontiers.

As it is seen from the **Table 1.4.** below, Turkey's apparel exports reached a value of \$15.6 billion in 2011, representing a CAGR of 3.6% between 2006 and 2011. While observing the rate of change values, it is noticed that the 2008-2009 economic downturn around the globe had an adverse effect on the Turkish apparel exports. In 2011, the share of apparel export in the overall textile and apparel exports did not reach those of the pre-crisis levels, though in 2009 it showed a sign of being in a recovery. Increasing the share of apparel export in the aggregate textile and apparel exports would be beneficial because it is known that finished products have more added value in comparison to semi-finished products. Moreover, the added value significantly rises provided that the finished product in question is a branded product (BMD-Marka Ekonomisinde Katma Değer, 2012, p. 7). It is also seen that the apparel export has a reasonably weighty share in the country's total

¹³ A general outline of a strategy report called "Hedef 2023, 500 Milyar Dolar İhracat" is available at: <http://www.tim.org.tr/tr/tim-gundem-tim-hedef-2023-500-milyar-dolar-ihracat-stratejisini-basbakana-sunuyor.html>, February 16, 2012.

Table 1.3.
Leading Companies in the Global Textile Market in 2010

Company Name & Founding Year	Country of Origin	Activities	Market Presence	Operation	Brand Portfolio or Trademark	Revenue as of the FY 2010 (million)
Industria de Diseño Textil S.A. (Inditex), 1985	Spain	Design, manufacture, and marketing of its own product lines to consumers on a worldwide scale	Europe, Asia, Middle East & North Africa, North America, Latin America	Through a network of 9,039 stores altogether representing distinctive eight sales format across more than 78 countries	Zara, Bershka, Pull and Bear, Massimo Dutti, Stradivarius, Oysho, Zara Home, and Uterque	14,682.5 USD
Benetton Group S.p.A., 1965	Italy	Design, manufacture, and marketing of its own product lines to consumers worldwide	Europe, Asia and USA	Through a network of 6,400 stores across 120 countries	United Colors of Benetton, Undercolors, Sisley, Sisley Young, Playlife and Killer Loop.	2,719.8 USD
Weiqiao Textile Company Limited, n.a.	China	Manufacture, sale and distribution of cotton yarn, grey fabric and denim	China, Hong Kong, Japan, and Korea	Domestically and overseas spanning 20 countries and regions	WeiQiao	2,638.8 USD
Adolfo Dominguez SA, 1973	Spain	Design, manufacture, and marketing of its own product lines to consumers worldwide	Europe, Latin America, Japan, China, USA, Southeast Asia	Through a network of 659 stores across 36 countries	Adolfo Dominguez, AD+, Linea U, SALTA, Mi Casa and ADC.	237.4 USD

Source: Own elaboration from Datamonitor Industry Profile-Global Textile, November 2011 and related Web sites over the Internet (accessed October 18, 2012)

exports while seemingly being on the wane.

Definitely, presenting the ex post apparel export figures of the six consecutive years spanning the period of 2006-2011 gives us an idea about the recent developments, whereas looking back at the three consecutive decades before 2010, helps to better apprehend the picture and realize the trend. It is evident from **Table 1.5.** that the total apparel exports' value has recorded a dramatic increase; in 2010 the value doubled the amount of 2000 and it is seen that there has been tremendous change in value since 1980 – from hundreds of millions to tens of billions of US dollars.

The further analysis of apparel exports that are initiated by Turkey is proceeded by the presentation of the latest information pertinent to the largest export markets; a dozen of countries receiving related products are outlined.

Table 1.4.

Turkey's Apparel Exports During the Period from 2006 to 2011

Year	Apparel Export Value (in USD)	Rate of Change (%)	Share of Apparel Export in the Aggregate Textile and Apparel Exports (%)	Share of Apparel Export in the Total Exports (%)
2006	13 558 054 186	n.a.	71.5	15.8
2007	15 563 491 645	14.8	71	14.5
2008	15 234 868 195	-2.1	69.6	11.5
2009	12 854 444 401	-15.6	70.5	12.6
2010	14 205 917 174	10.5	69.1	12.5
2011	15 664 973 824	10.3	67	11.6

Source: Compiled from

- 1) İTKİB Report, 2008 (available at: http://www.itkib.org.tr/itkib/istatistik/dosyalar/2008_YILLIK_ISTATISTIK.pdf accessed February 5, 2012);
- 2) İTKİB Report, 2010 (available at: http://www.itkib.org.tr/itkib/istatistik/dosyalar/2010%20YILLIK_GENEL_TEK_KONF_DERI_HALI.pdf accessed February 5, 2012);
- 3) TurkStat Statistical Indicators 1923-2010 (available at: http://www.tuik.gov.tr/PreTablo.do?tb_id=12&ust_id=4 accessed February 4, 2012)
- 4) İTKİB Report, 2011 (available at: http://www.itkib.org.tr/itkib/istatistik/dosyalar/2011%20YILLIK_GENEL_TEK_KONF_DERI_HALI.pdf accessed June 15, 2012);

Table 1.5.
Turkey's Apparel Exports in 1980, 1990, 2000

Country	Total National Exports (US\$ billions)			Total Apparel Exports (US\$ billions)			Apparel as % Total Exports		
	1980	1990	2000	1980	1990	2000	1980	1990	2000
Turkey	2.8	13.0	29.1	0.1	3.4	7.0	4.6	25.9	24.1

Source: Adapted from Gereffi and Memedovic (2003, p. 27)

A snapshot of 2011 reveals that Turkish apparel exports are mainly received by the European Union countries with Germany, the U.K., and Spain importing almost the half of Turkey's total apparel exports (see **Table 1.6.**). Russia is the only emerging market being on the list and having the highest and significant rate of change on average. Citing Istanbul Textile and Apparel Exporter Association's latest report, the Russian apparel market was estimated to reach a value of \$45 billion in 2010 with a forecasted growth rate of 13%-15% (Tekstil ve Konfeksiyon Sektörleri Açısından Rusya Federasyonu- İTKİB, 2012, p. 9). After having considered the apparel exports to Russia that barely exceed a value of \$296.5 million in 2011, Turkish apparel exporters are suggested to take an advantage of the opportunities present in Russian market while benefiting from the *Black Sea Economic Cooperation*¹⁴, the *simplified customs corridor*¹⁵ effective between the two countries, and also get ready for the forthcoming changes triggered by *Russia's recent accession*¹⁶ to the World Trade Organization.

According to TurkStat, on average, between the period of 2006-2010, almost 94 % of Turkey's total exports were associated with national industry (TurkStat, 2012). Since Turkey's industry exports are mainly originated in the *manufacturing sector*¹⁷, presenting

¹⁴ Turkey and six post-Soviet republics, Russia, Ukraine, Azerbaijan, Georgia, Moldova, and Armenia have been rightful members of Black Sea Economic Cooperation since 1992 (Onis, 2001).

¹⁵ In 2008, Turkish and Russian Customs Administrations signed a Protocol on the simplification of customs procedures by creating a simplified customs corridor between two countries resulting in the pilot implementation of the system in 2009 (T.C. Gümrük ve Ticaret Bakanlığı, 2011).

¹⁶ On 16 December 2011, Russia overcame the final barrier to become a WTO member. WTO Ministers adopted Russia's WTO terms of entry at the 8th Ministerial Conference in Geneva. Russia will have to ratify the deal within the next 220 days and would become a fully-fledged WTO member 30 days after it notifies the ratification to the WTO (World Trade Organization, 2012b).

¹⁷ Turkey's principal exports in 2010 are initiated by manufacturers producing primarily textiles and clothing, motor vehicles, basic metals, mechanical machinery and equipment, chemical products, rubber and plastic products, and electrical machinery and apparatus (Turkey Country Report, February 2012- The EIU, 2012, p. 23).

the principal indirect and direct export channels by a schematic diagram in the following section will help to recognize all involved marketing institutions in the distribution channel and locate a retailer's position in it. Besides, remembering the fact that the majority of specialty apparel retailers discussed herein, represent forwardly integrated Turkish textile and ready-to-wear manufacturers which in turn have substantially succeeded in quality, design, and marketing since 1990s (see Tokatlı, 2007) will also give an idea of how the finished products are distributed across the national boundaries and then within the host country market.

Table 1.6.
Twelve Largest Recipient Countries of Turkey's Apparel Exports in 2011

Country	2011 Export Value (USD)	2009/10 Rate of Change (%)	2010/11 Rate of Change (%)	Country's Share in Total Apparel Export in 2011 (%)
Germany	3 884 200 521	10	10	24,8
the UK	2 036 605 110	13	1	13,0
Spain	1 347 895 657	18	20	8,6
France	1 254 151 336	13	8	8,0
Netherlands	856 436 073	10	22	5,5
Italy	817 867 561	4	17	5,2
Denmark	460 186 281	8	7	2,9
USA	429 389 014	18	4	2,7
Belgium	414 607 235	23	6	2,6
Russia	296 507 217	76	15	1,9
Sweden	286 113 041	5	4	1,8
Iraq	269 208 667	0	31	1,7

Source: Compiled from

- 1) İTKİB Report 2010 (available at: http://www.itkib.org.tr/itkib/istatistik/dosyalar/EN_FAZLA_IHRACAT_YAPILAN_ULKELER_2010_YIL_LIK.pdf accessed February 5, 2012);
- 2) İTKİB Report 2011 (available at: http://www.itkib.org.tr/itkib/istatistik/dosyalar/EN_FAZLA_IHRACAT_YAPILAN_ULKELER_2011_YIL_LIK.pdf accessed June 15, 2012).

While **Table 1.6.** above shows that Germany is the top export market for Turkish apparel products, Bilgin's (1990) study underpins this by imparting that starting from 1984 Turkey became one of the main suppliers of Federal Republic of Germany (FRG) for ready-to-wear products. However, Bilgin's (1990) study informs that in the 1980s the Turkish womenswear products were not sold under Turkish brand names in retail shops in FRG, and in most cases the labels of apparel products did not inform about the country of origin. Furthermore, the results of Bilgin's (1990) study show that during the exporting, the Turkish apparel manufacturers were heavily dependent on the German distribution channel members which in turn were undertaking the role of mediation of consumers' needs and desires. Later on a shift from upstream wholesaling and subcontracting activities to downstream involvement in retailing activities took place in the Turkish apparel industry. Fernandez-Stark *et al.* (2011) indicate that the Turkish apparel industry has continued to economically upgrade in the apparel global value chain, moving from *original equipment manufacturing*¹⁸ (OEM) (full-package supply) between the period of 1980s-2000s, to *original design manufacturing*¹⁹ (ODM) (offering aesthetic design services) from 2000s to present, and more recently developing its own brands, that is, engaging in the *original brand-name manufacturing*²⁰ (OBM). By referring to both the abovementioned findings of Bilgin's (1990) study and to the fact that Turkish apparel manufacturers are currently involved in retail branding, two situations become strikingly contrasted per se. The former position is when the Turkish apparel products were sold in the export market with no brand names attached, and the latter is wherein the branded ready made garments appeal to the end-users under the brand fascias.

It is obvious that in more than two decades, retailing activities became of paramount importance for the national apparel industry. For this reason, finding out how the internationalization of Turkish specialty apparel retailers occurs and finding out the factors critical to success in emerging/developing markets, particularly in the markets of the

¹⁸ OEM is a form of commercial subcontracting. The supplying firm (producer) makes a product according to a design specified by the buyer (retailer/brand marketer/brand manufacturer); the product is sold under the buyer's brand name; the supplier and buyer are separate firms (Gereffi and Memedovic, 2003).

¹⁹ ODM includes design in addition to manufacturing. A garment supplier that does full package with design carries out all steps involved in the production of a finished garment, including design, fabric purchasing, cutting, sewing, trimming, packaging, and distribution (Fernandez-Stark *et al.* 2011).

²⁰ OBM is the upgrading by manufacturers from the production expertise of original equipment manufacturing to first the design and then the sale of their own brand products (Gereffi and Memedovic, 2003).

Commonwealth of Independent States becomes a topic of interest. Investigating key factors of success is important because this could be useful in defining success criteria ensuring the viability of Turkish clothing retailing firms abroad.

In essence, for a marketer going international be it a manufacturer or a retailer, four steps are considered as crucial: these are described as first, knowing how to select a market, second, entering it in the right way, third, building market share and finally, protecting that market share against competitors (Kotler and Armstrong, 2005). Therefore, for a specialized retailing firm who envisages engaging in foreign markets, the second and third steps would mean entering the market with the most appropriate entry method(s) and subsequently designing and operating a network of physical stores for the purpose of building a market share. Most probably, being aware of the success criteria could be helpful in defending against competition and thereby improve and/or retain the market share.

Thus, in the context of this study the fundamental questions related to international marketing, that is the questions on the subject of whether to go international as well as the questions concerning the markets to be entered are counted as already adequately settled, and therefore all decisions made in this regard are not of interest to the researcher. The interest here is in finding out the methods of entry utilized in order to get access to the end-users in the emerging/developing markets while having another concern in identifying determinants of success for the emerging market nonfood retailers.

1.2.3. A Review of Existing Theses Parallel to the Topic of This Study

In order to identify a list of theses that may have some degree of relevance to the topic of this study, a simple keyword search over the online “*YÖK Tez Merkezi*” database was utilized. More precisely, this database was searched with several keyword phrases such as “internationalization process”, “international marketing”, “market entry strategies” “Turkish retailers”, “retailing firms” on March 4, 2012 to provide a bibliography of both master’s and doctoral theses which might be somehow related to the topic of this study at hand. Consequently nine theses were revealed; for the listing, please see **Table 1.7.** below.

Table 1.7.

A Listing of the Theses Having Relevancy to This Study at Hand

Thesis Author / Year	Type	Thesis Topic	University
Bayramov, Nazar / 2002	Master's	A Study on Barriers Experienced by Turkish Firms Operating in Russia	Marmara University
Abilkhanov, Azamat / 2003	Master's	Entry Strategies into International Markets, an Application	Marmara University
Güllü, Kenan / 2005	Doctoral	Internationalization of Turkish Food Retailers, an Application	Erciyes University
Iskakova, Negina / 2007	Master's	Turkish Firms' Market Entry Strategies into Kazakhstan	Yıldız Technical University
Rüstemli, Elbrus / 2008	Master's	The Selection of Optimal Entry Mode for International Markets: A Study of the State Oil Company of Azerbaijan Republic	Dokuz Eylül University
Sert, Selçuk / 2008	Master's	International Market Entry Strategies and the Potential Problems: A Research in the Textile Sector in Uşak	Afyon Kocatepe University
Beşoğlu, Melike / 2009	Master's	Entering International Markets and an Analysis	Marmara University
Mahir, Emrah Ozan / 2009	Master's	A Research on International Market Entry Strategies of SMEs in Kayseri	Erciyes University
Halibryam, Zayde / 2010	Master's	Key Factors Affecting the Success of Business Operations of Turkish Firms Operating in Bulgaria – An Emerging Market Perspective	Marmara University

Source: YÖK Tez Merkezi (<http://tez2.yok.gov.tr/>) (accessed March 4, 2012)

It is understood that those nine studies share several aspects amongst themselves. Being the broad and common aspect, the “international market entry strategies” was analyzed/reviewed in general and followed either by the study of a particular foreign firm (see Rüstemli, 2008) or by the Turkey-based firms ranging from small-to-medium sized enterprises to big companies representing different sectors except for a retailing (see Abilkhanov, 2003; Iskakova, 2007; Sert, 2008; Mahir, 2009) . Only one doctoral thesis (see Güllü, 2005) was identified that in turn mainly focused on the internationalization process of Turkish food retailers. This doctoral thesis aimed at determining “push” and “pull” factors pertinent to the national food retailers’ internationalization process.

Thus, it is evident that the topic of this study comprising the main themes such as the Turkish specialty apparel retailers' market entry modes and *foreign market operation mode for establishing stores*²¹ as well as the identification of critical factors to company success in the Commonwealth of Independent States, has remained under-researched as yet. Furthermore, by taking into account the recent suggestions offered by Bianchi (2009) and Baena (2009), the scholars within international retailing domain, along with two master's theses - the first one generically focusing on the market entry modes of Turkish firms operating in Russia (see Bayramov, 2002) and the second one focusing on the determination of key factors influencing the success of Turkey-based firms operating in Bulgaria (see Halibryam 2010) – thus it has been realized that conducting a parallel study would be beneficial and worthy.

²¹ Picot-Coupey (2006; 2009) points out that it is a broader concept than that of foreign market entry mode as it concerns not only the entry stage but also the growth stage and thus brings a more dynamic and larger perspective.

1.3. Scope and Structure of the Study

The scope of this study is characterized by the review of several themes and concepts associated with international marketing and retailing. These are the themes and concepts such as foreign-market entry modes, merchandise outsourcing, private labeling, as well as the attempts to understand a phenomenon known as “retail internationalization”, and determinants of success in international retailing domain from the emerging market firms’ perspectives.

The structure of this study is arranged as follows:

- In section One, following the introductory, the researcher clearly expresses the aim and objectives of this study at hand. Right after that, the researcher adds some comments explaining the reasons behind this study. Afterwards, ramifications of the liberalized Turkish economy are brought to the attention and the descriptive information regarding the global textiles market is given. This is followed by the presentation of another relevant information which throws some light on Turkey’s stance in regard to the exporting of ready made garments; this information is principally presented in figures.
- In Section Two, literature review pertinent to the topic of this study is presented. This section encompasses the conceptual underpinning of the study which in return serves as a guide for the collection and making analysis of the primary data.
- Section Three relates to methodology of the study. Detailed information about the research design and the fieldwork conducted is presented therein.
- Section Four presents the raw data of face-to-face, in-depth interviews.
- Section Five is the confluence of one-on-one interviews conducted; this section presents the discussion upon the raw data that were analyzed and thereafter summarized under four separate rubrics;
- And lastly, Section Six, presents discussion, limitations of the research as well as the several suggestions made to academicians, practitioners, and to the authorized government officials.

II. MARKET ENTRY AND RETAILING

This section of the thesis encompasses several themes reviewed under the separate headings. It opens with a chart of foreign market entry structure and is followed by discussion of a study giving information about how Turkish textile and apparel companies were engaged in exporting in the past and then proceed to the notion of forward integration that in return enabled textile and apparel companies to form far-reaching business models. This is followed by discussion of outsourcing and private labeling. Then the phrase “retail internationalization” is defined and several theoretical frameworks explaining it are mentioned. Afterwards, market entry modes available for international retailers are delineated and their descriptions are given respectively. Finally, attempts are made to detect possible success factors in light of the relevant frameworks developed by some scholars.

2.1. Foreign Market Entry Structure

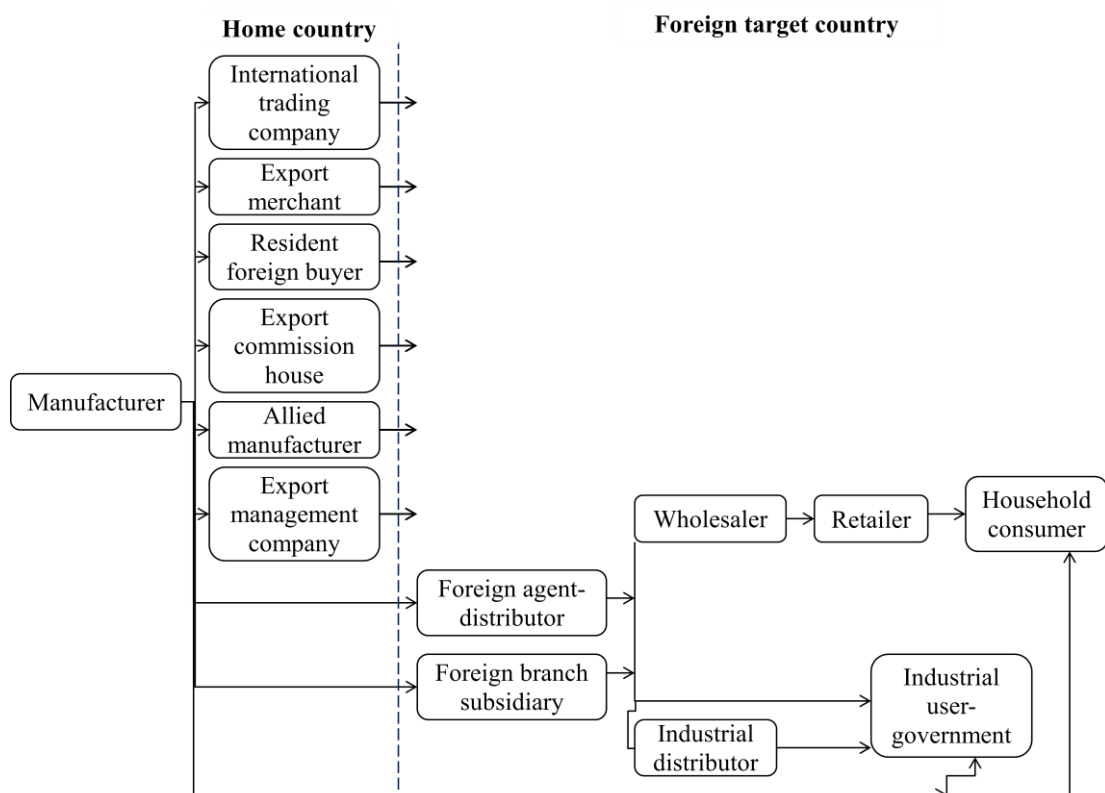
Nowadays, many well-known Turkish specialty apparel retailing firms offer a wide array of clothes appealing to a broad age group. Recently they have become key players within the national ready made garment industry. The merchandise they sell, in one way or another, is either/both produced by its subsidiaries or/and outsourced to suppliers. Thus, it is important to note that these marketing institutions could be viewed either as producers of their own merchandise or as retailing firms buying collections from domestic and/or international suppliers and/or placing orders to independent parties. Irrespective of how these companies are viewed in the mind’s eye, it is definite that once they decide to market internationally then they are to select (an) appropriate method(s) of entry as well as to deal with the selection of distribution channel(s) within the particular foreign market (Terpstra and Sarathy, 2000). According to Mason and Ezell (1987), when entering foreign markets the management has three primary marketing strategy options: exporting, joint venturing, or direct investment. However as indicated by Keegan (1989), most companies begin their international business by resorting to some form of export entry owing to its minimal risk,

the lowest level of commitment it represents and high flexibility it offers (Mason and Ezell, 1987).

The Turkish apparel manufacturers exporting their products can use several channels in order to reach final consumers in foreign markets. To apprehend distinctly, a simple schematic illustration is provided (see **Figure 2.1.**).

In the diagram below, indirect export channels are presented together with direct export channels. Basically, a manufacturer can engage in exporting in four different ways: the first option is to use domestic intermediaries, the second option is to employ independent foreign intermediaries, the third option is establishing a foreign sales branch or subsidiary, and the final option is to use a full-direct channel to the end-user. According to Root (1986) exporting is a good learning experience because a company can gradually step up its exporting effort, beginning with low-risk indirect exporting that relies on domestic intermediaries, then going on to direct exporting using their own foreign agents and distributors, and eventually establishing sales subsidiaries in key foreign markets.

Figure 2.1. Foreign Market Entry Structure

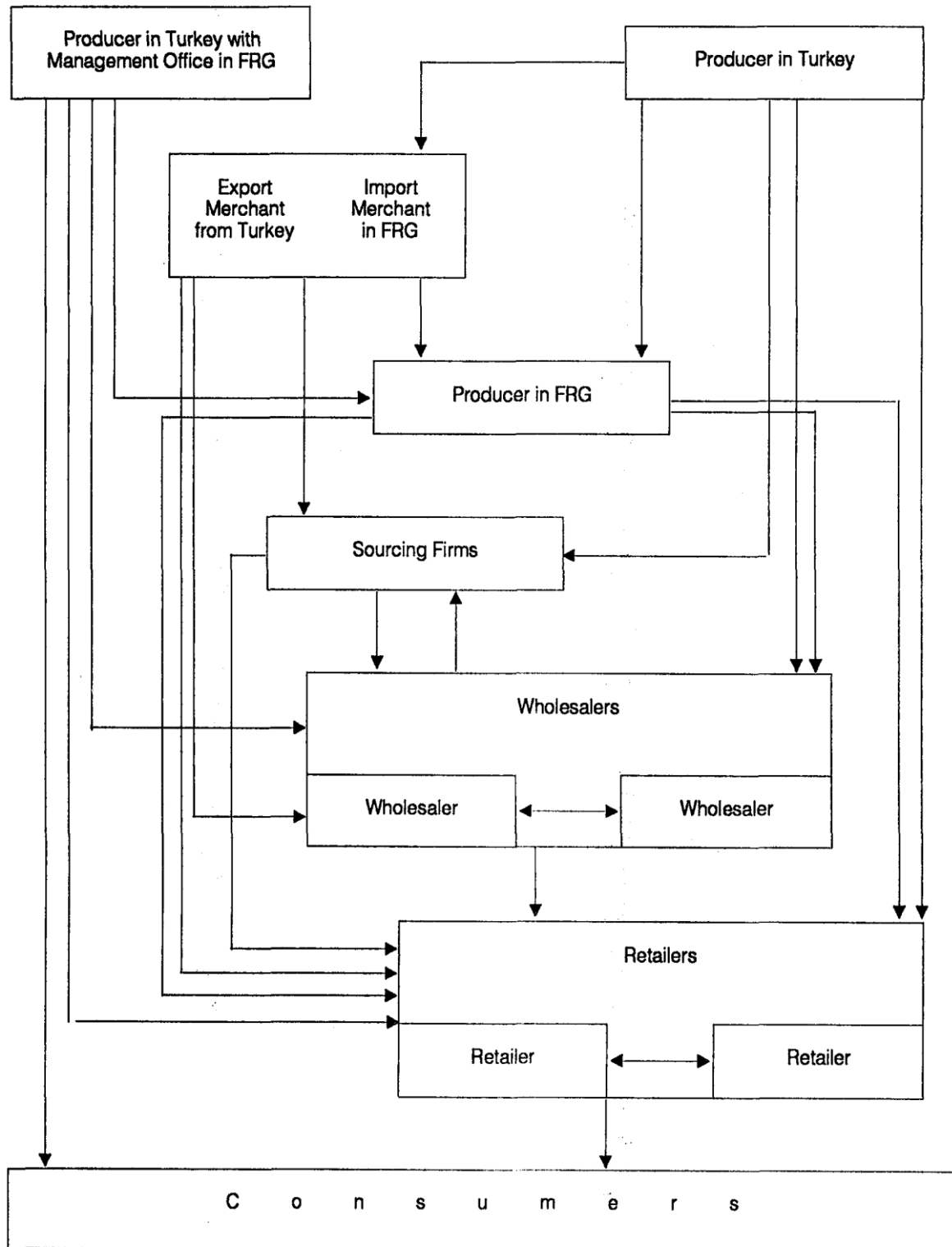


Source: Root, F. R (1986). Export Marketing. In: Buell, Victor P. (Ed.), *Handbook of Modern Marketing*. (105_1-105_13) 2nd Ed., McGraw Hill Book Company, p. 105_7

The Turkish economy has been one of the fastest growing in the world over the last few years with a stabilized macroeconomic situation and progress regarding the European Union (EU) accession (U.S. Commercial Service, 2011). In 1996, Turkey and the EU formed a customs union. The EU has been the major export market for Turkish products, with Germany being the number one export destination in the course of more than three decades (see TurkStat 2011, p. 464). In reference to the ready-wear-garments, in the early 2000s, Turkey was a full-package supplier with a strong set of vertically integrated textile and apparel firms, whose closest ties were with Germany (Gereffi and Memedovic, 2003, p. 23). Actually, Germany (the former Federal Republic of Germany, FRG) became a priority export market for the Turkish apparel manufacturers much earlier, in the mid of 1980s (Bilgin, 1990). As Bilgin's (1990) study discloses, at that time, the Turkish ready-to-wear products were reaching the German final consumers after passing through several marketing intermediaries; the routes are depicted in **Figure 2.2.** below. Evidently, the Turkish apparel manufacturers entries into the FRG, bear resemblance to the chart shown above; different marketing channels are utilized by Turkish apparel manufacturers in order to reach final consumers in a foreign market. According to **Figure 2.2.**, the Turkish apparel products, after having entered the German consumer market through both indirect and direct export modes, are heavily dependent on the FRG-based marketing institutions' facilitating and mediating roles. As it is seen, the Turkey-based apparel manufacturers, with representative offices founded in FRG, were directly supplying German manufacturers or working through the distribution channel members such as independent wholesalers and retailers, or directly selling to German final consumers. Whereas those manufacturers not in possession of any establishments in the FRG market, were closely collaborating with German manufacturers and sourcing firms in order to succeed in selling the semi-finished textiles and finished clothing products across national borders. It is evident that at that time, within the given export market, the Turkish apparel companies were not involved in retailing activities at all; they were engaged in merely exporting of unbranded apparel goods. Lastly, it has been recognized that the apparel value chain is a buyer-driven value chain wherein various retailers, wholesalers, and sourcing firms play nontrivial roles in an export market abroad.

Figure 2.2.

Turkish Apparel Exports' Distribution in Federal Republic of Germany

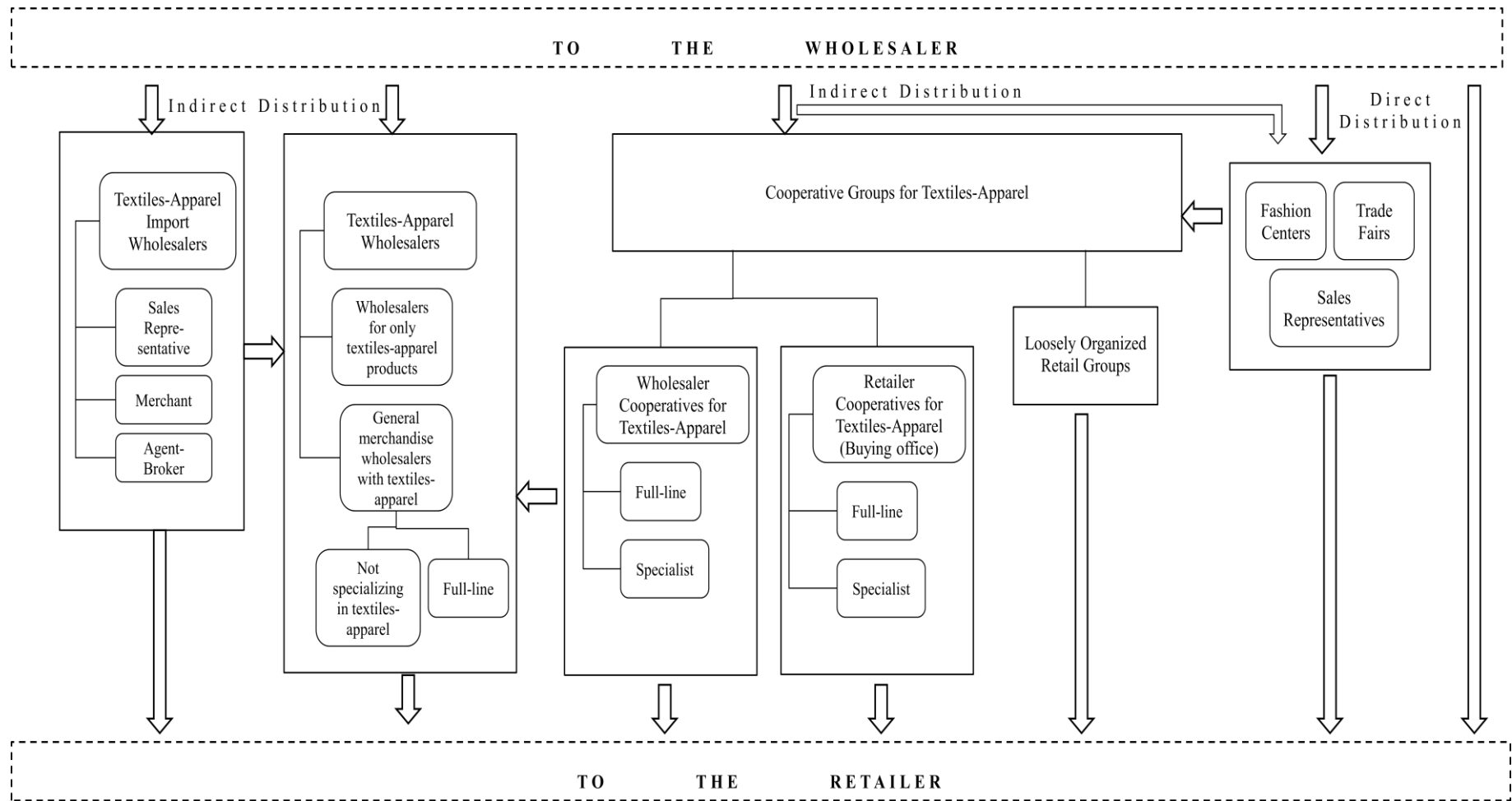


Source: Bilgin, F. Z. (1990). An Export Marketing Analysis of Turkish Women's Ready to Wear Products in Federal Republic of Germany. Unpublished Ph. D. Thesis. Boğaziçi University, p. 96

While considering FRG export market, Bilgin (1990) gives detailed information about roles and functions of various distribution channel members in textiles and apparel sectors. Bilgin (1990) constructs a holistic chart based on studies of Aschenbach (1986), Mannhardt (1984), Tüfekçi (1980) and on a diagram developed by Verlagsgruppe Deutscher Fachverlag (1989) in order to portray a network of firms involved in making textile and apparel goods available for consumption in FRG. Bilgin (1990) clearly depicts marketing channels that exported Turkish textiles and apparel products pass through in order to reach German consumers. The author perfectly decomposes entire distribution channel into four distinct stages: producer stage, wholesaler stage, retailer stage, and end-user stage. In so doing, the author aims at showing various parties of different formats that are positioned within the wholesaler and retailer stages respectively. As indicated by the author, there are many parties involved in the distribution of Turkish textile and apparel products. To apprehend distinctly, two charts (see **Figure 2.3.** and **Figure 2.4.**) portraying the depth and width of these stages are intentionally given below. It is clear that within the wholesaler stage, distribution of Turkish textile and apparel products in FRG export market is performed by several groups comprised of independent parties and cooperative groups, whereas within the retailer stage, only two groups – exclusive clothing retailers and general merchandise retailers – are contrasted as such. At the retailer stage, there are bricks-and-mortar stores (physical stores) and catalog retailing firms (a form of nonstore retailing) carrying Turkish apparel products. It is obvious that at that time these marketing intermediaries performed the valuable function of sorting goods such as sorting out, accumulation, allocation, and assorting and thus were creating utility for the final consumers in FRG.

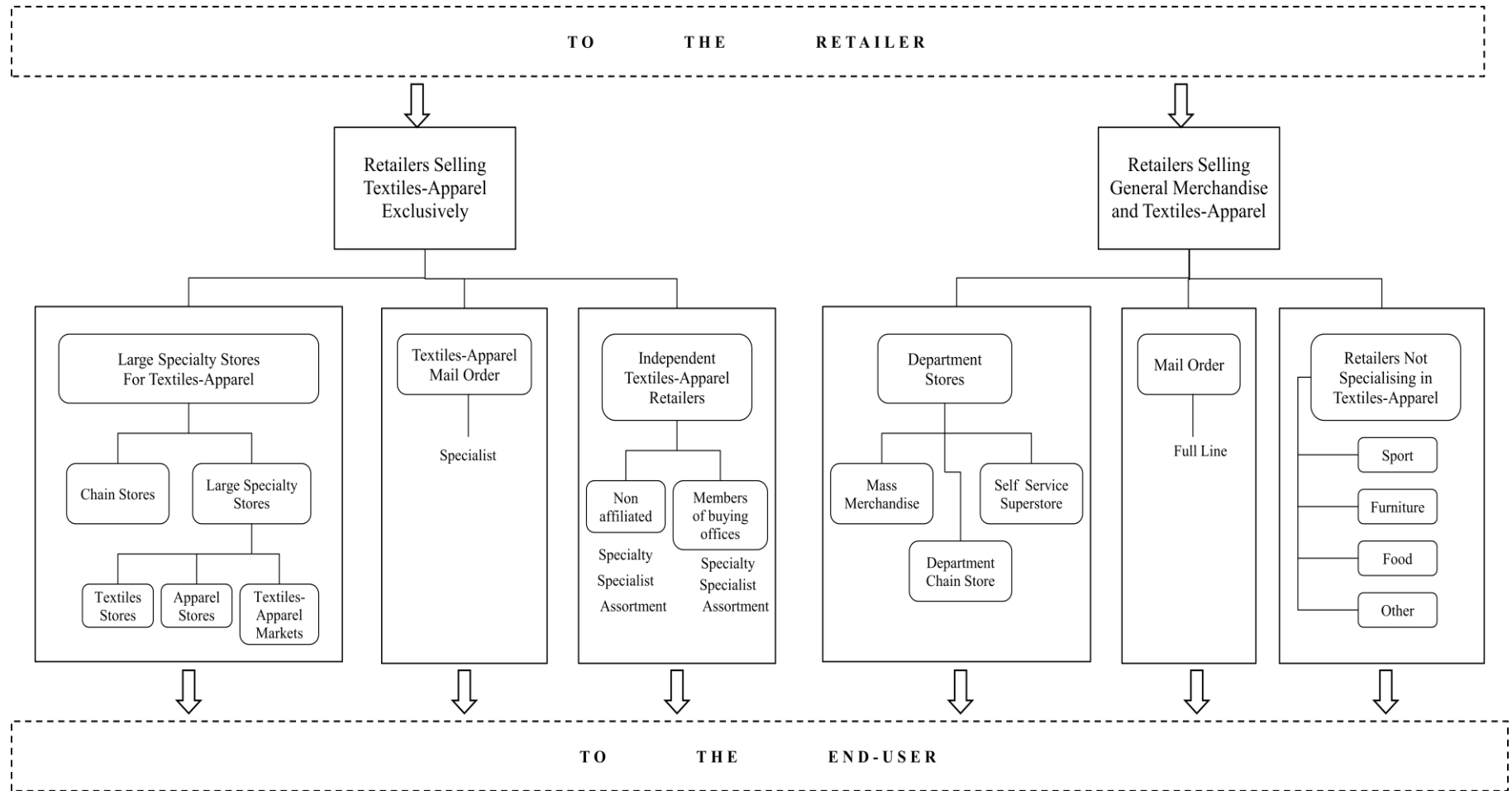
Thus, Bilgin's (1990) study gives us a thorough understanding of how Turkish apparel goods are carried and subsequently gotten ready for consumption in the export market. The study also imparts some cues of how apparel products could be distributed in an export market abroad and what types of marketing intermediaries could be encountered in the distribution process within that particular sector.

Figure 2.3. The Structure of Wholesaler Stage As Related to the Distribution of Textiles and Apparel Products in FRG in the late 1980s



Source: Derived from Bilgin (1990, p. 48)

Figure 2.4. The Structure of Retailer Stage As Related to the Distribution of Textiles and Apparel Products in FRG in the late 1980s



Source: Derived from Bilgin (1990, p. 48)

The Uppsala internationalization model (Johanson and Vahlne, 1990, 1977) explains internationalization process of a manufacturing firm and assumes that its international expansion is influenced heavily by managerial learning and commitment and further accentuates the sequential process of internationalization wherein exporting takes place at the early start.

While Tokatlı (2007) in her work states that most of the Turkish textile and ready-to-wear manufacturers have substantially succeeded in quality, design, and establishing their own stores and it is well-documented (*e.g.* Utkun and Atilgan, 2010), Wang *et al.* (2009) indicate that traditional roles for manufacturers and retailers are blurring, and their activities are becoming more intertwined and exemplify this trend in a phenomenon called *partial forward integration*²². In addition, Guercini and Runfola (2010) state that recently the clothing industry has witnessed the spread of *business models*²³ in which the ability to respond quickly to trends in the market (*i.e.* fast fashion) or to rapidly propose a stylistic identity (*i.e.* quick fashion) is associated with a strong brand identity and the capacity to offer new collections frequently (*i.e.* dozens of collections per year rather than the traditional two to six). According to them, such trends are linked to the growing need to be closer to final markets and to open new stores (through foreign direct investment or *contractual agreements*²⁴), but at the same time, to a willingness to maintain industrial competencies such as design, production and sourcing. For instance, UNIQLO, a Japanese clothing company, has become a top brand in Asia and expanded their store network at an impressive pace across the region. UNIQLO has established a business model, namely, **S**pecialty store retailer of **P**rivate label **A**pparel (**SPA**) which in turn incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management (Fast Retailing-Annual Report 2011, p. 28). Indeed, Yu *et al.* (2011) define the SPA as a new retail channel and also state that global SPAs including H&M, Zara, Mango and UNIQLO, with their extensive product offerings and fast replenishment systems, have been successfully

²² In general, partial forward integration describes a setting where the manufacturer sells to end consumers not only through traditional independent retailers but also through company-owned stores (Wang *et al.* 2009).

²³ A business model is a well-specified system of interdependent structures, activities, and processes that serves as a firm's organizing logic for value creation (for its customers) and value appropriation (for itself and its partners) (Sorescu *et al.* 2011, p. S4).

²⁴ Contractual agreement is a binding contract between the firm and an agent to produce and distribute the goods in the foreign market in return for some form of economic rents (Kumar and Subramaniam, 1997, p.54).

launched in almost all regions of the world.

Notably, **Figure 2.1.** and **Figure 2.2.** above underscores a retailer's indispensable role in moving finished products to final users. Berman and Evans (2010, p. 20) point out that retailing is the last stage in the distribution process, and that retailers perform valuable functions as the contact for manufacturers, wholesalers, and final consumers within a marketing channel. While from both **Figure 2.1.** and **Figure 2.2.** it is confirmed that manufacturers and retailers are at opposite ends of the distribution channel, Gilbert (1999, p. 314) asserts that retailers have grown in strength relative to manufacturers and in some cases are now characterized as dominating the distribution channel because of the shift in the balance of power. As de Chernatony and McDonald (2003, p. 252) point out, the gradual shift in the balance of power, resulted in retailers no longer being passive conduits for branded goods, but instead becoming highly involved instigators and coordinators of marketing activity. In addition to this, Dunne and Lusch (2008, p. 14) state that when a chain store retailer (any retailing firm that operates more than two outlets) for instance is able to achieve critical mass in purchases, it can get other supply chain members – wholesalers, brokers, and manufacturers – to engage in activities they might not otherwise engage in, and thus act as the channel captain/advisor. Not surprisingly, retailers have gained power owing to the ability to engage in outsourcing and private labeling irrespective of manufacturers. Kotler and Keller (2006, p.518) clearly express that a private label became a growing trend and a major marketing decision for retailers. They state that retailers search for manufacturers with excess capacity who will produce the private label at a low cost and parallel to this, develop exclusive store brands in order to differentiate themselves from competitors.

Thus, due to their high relevancy to the retailing, the concepts of outsourcing and private labeling are discussed further in the following subsections.

2.1.1. Outsourcing

Outsourcing in retailing does not solely stand for buying merchandise from outside suppliers but may also involve contracting out several non-critical business processes such as store operations, and managing inventory as well as outsourcing the warehouse and

transport functions for the purpose of streamlining the supply chain. Nevertheless, the focus herein remains merely on merchandise sourcing function.

While Vida *et al.* (2000) state that competitive pressures constrained retailers to engage increasingly in foreign-sourcing activities for the purpose of ensuring competitive prices and greater product diversity, Liu and McGoldrick (1996) point out that formation of economic trading zones, growing number of retail alliances, and internationalization of retailing acted as facilitating factors in the process of international retail sourcing.

Outsourcing in Turkey by German clothing retailers like C&A, Peak & Cloppenburg had already started in the second half of 1980s (Bilgin, 1990). In the 1990s, other clothing retailers like the U.K.- based Marks & Spencer, and the U.S.- based J. C. Penney had restructured their organizations for the purpose of developing the international sourcing capability (Liu and McGoldrick, 1996).

Palpacuer *et al.* (2004) conducted a comparative research with major clothing retailers in the United Kingdom, France, and Scandinavia and found out that the variety of sourcing channels used by those retailers was similar in the three regions. The authors revealed that in addition to sourcing directly from overseas manufacturers, retailers used a variety of intermediaries ranging from agencies based in foreign countries, to *importers*²⁵, *converters*²⁶ and *trading houses*²⁷ located in their home country.

Moreover, Berg *et al.* (2011) state that the leading international retailers, started to source in Bangladesh already in the 1980s and over time, they have strengthened their sourcing base by shifting toward direct sourcing and opening their own local offices there. A McKinsey study in 2011 found that 28 European and North American chief purchasing officers from leading apparel companies that together account for \$46 billion in total apparel-sourcing, view Bangladesh, Vietnam, and Indonesia as the top three sourcing-country hotspots within the next five years and also that the majority of these apparel companies plan to decrease levels of sourcing in China over the same period owing to declining profit margins and capacity constraints (McKinsey Quarterly, 2012).

²⁵ Importers refer to companies that buy merchandise on their own account from exporting manufacturers, who hold stock at their own expense and who re-sell products to retailers. Importers may also “presell” specially ordered stock to retailers (Palpacuer *et al.* 2004).

²⁶ Converters are also importers, but they finance fabric purchase and clothing production on behalf of retailers, on a commission basis (Palpacuer *et al.* 2004).

²⁷ Trading houses are French, UK, or Danish manufacturers with overseas production capacity, who may also act as converters, importers, or overseas agents (Palpacuer *et al.* 2004).

In a nutshell, Kaipia and Tanskanen (2003) conclude that in retailing, the rule in outsourcing is all about the following: “*non-core functions should be bought from a best-in-world source, but own capabilities should be developed and maintained in core functions and operations*”.

2.1.2. Private Labeling

The findings of ACNielsen research conducted in 2005 indicate that more than two-thirds of global consumers consider private label products to be a “good alternative” to other brands and an “extremely good value for the money;” while nearly as many believe such products offer quality that is “at least as good as that of the usual big brands” (ACNielsen Global Services, 2005).

As discussed by Chernatony and McDonald (2003), retailers’ interest in private labeling stemmed originally from being able to circumvent *resale price maintenance*²⁸ and offer a lower price range of goods to compete against manufacturers’ brands. According to the authors during the 1960s, multiple retailers - those owning ten or more outlets - began to take advantage of the economies of scale that could had been achieved by owning even more stores. In the end, multiple retailers became more powerful. As multiple retailers became more professional in managing their stores, so they began to realize the value of private labeling in reinforcing their positioning. Up until the 1970s, private labels were generally used to help communicate a store’s low price proposition. However, multiple retailers shifted away from competing against each other just on price and instead emphasized quality and service (Chernatony and McDonald, 2003).

M&S, the U.K.’s largest clothing retailer and the leader in womenswear, lingerie and menswear offers solely own labeled merchandise in its stores both in domestic market and abroad (Marks and Spencer Group plc, 2012). Another apparel retailer, an American mid-range department store that sells a wide array of clothing in addition to its own labels, also offers some manufacturers’ and designers’ brands (J. C. Penney Company, Inc., 2011). Whereas the GAP Inc., a well-known clothing and accessories retailer has a few brands out of which only one brand with the namesake GAP fascia (<http://www.gap.com>).

²⁸ Resale price maintenance is defined as the determination or suggestion by the manufacturer of the price at which an item will be resold by wholesalers and/or retailers (American Marketing Association, data retrieval: http://www.marketingpower.com/_layouts/Dictionary.aspx?dLetter=R).

Ailawadi and Keller (2004) see that the motivation for offering private label products is threefold: (1) the higher percent margins that they provide to retailers; (2) the negotiating leverage they provide over manufacturer brands; and (3) the implicit assumption that providing a private label brand engenders loyalty to the retailer.

Extending private label to its ultimate expression is the single-brand retailer. Single-brand retailers utilize an “own brand” strategy for virtually all of the products sold in their stores and on their websites. These retailers utilize the single-brand strategy to effectively eliminate price and product comparisons which are intrinsic in a multi-brand offering. This strategy, however, is not without risk. Single-brand retailers predicate success entirely based on the customers’ loyalty to their brands (Jones and Kim, 2011, p.1).

At present, most of retailers are likely to develop a store brand as it has high potential in obtaining loyal customers. Besides, brand is one of many factors that may influence customer’s purchasing behavior because of the uniqueness and specialty of the product (Bin Abdullah *et al.*, 2012, p.172).

In sum, the Turkish apparel manufacturers are assumed to be no longer engaged merely in exporting in order to reach end-users (both business customers and individual consumers) in foreign markets. Over the last three decades these manufacturers have succeeded in marketing activities such as retailing and private labeling and in the end redefined and positioned themselves as retailers of a variety of apparel goods (*i.e.* as specialty apparel retailers) appealing to customers both domestically and internationally. Therefore, they have become distinguishable as manufacturers and as retailers simultaneously. The Turkish apparel manufacturers purposefully adapted themselves to change in markets and competitive environments while creating value for the end-users in foreign markets. Most probably, this has been achieved through the establishment of viable business models which in return enabled these firms to cross the national borders and offer the produce to the foreign customers, and thus remain competitive. Esquivias *et al.* (2010) conceptualize retail business model by integrating two distinct dimensions namely customer value proposition and operating model. The operating model in turn encompasses such concepts as organization, sourcing, store operations, and value chain. Thus, several research questions are posed in the light of the aforesaid concepts:

- What is the operating model of Turkish specialty apparel retailers which are positioned and doing business in the CIS countries at present? How would the chart depicting the flow of apparel goods across the national borders for example into Russia look like?
- Do Turkish specialty apparel retailers positioned in the CIS countries engage in merchandise sourcing? In which country(ies) does the sourcing take place? How do these firms source?
- To what extent Turkish specialty apparel retailers are involved in private labeling in the CIS countries? Do they sell merely own labeled merchandise? Do they include any manufacturers' and/or designers' brands in their merchandise mix?

2.2. Defining and Explaining Retail Internationalization

The American Marketing Association on its website provides a simplistic definition of international retailing that reads as follow “a retailing activity by an organization that reaches across national boundaries” (<http://www.marketingpower.com>). In spite of this narrow definition, international retailing theme is rather broad owing to its voluminous content. International retailing theme mainly encompasses a retail internationalization concept and several important aspects associated with retail internationalization process (see Vida and Fairhurst, 1998). The term “retail internationalization” may seem clear enough, yet several dimensions underlie it. Alexander (1997) defines retail internationalization as “the management of retail operations in markets which are different from each other in their regulation, economic development, social conditions, cultural environment, and retail structures”. Gilbert (1999, p. 315) argues that it would be more sensible to consider the concept of retail internationalization as a wider and more complex process than merely the transfer of stores and therefore suggests a usable definition which states as follow “the process of a retailer transferring its retail operations, concept, management expertise, technology, and/or buying function across national borders”. Based on the latter definition it is understood that retail internationalization may involve the international transfer of retail concepts, management skills, technology and even the product sourcing. Thus, the international retailing connotes carrying out retail operations

in an altogether different environment - economically, socially, culturally, and structurally (Chunawalla, 2009).

Pluta-Olearnik (2011, p. 183) points out that in all history of retail internationalization four stages are clearly distinguishable. The first stage of retail internationalization (the beginning of 1970s) bears a concentric character, which is about entering neighboring markets, similar in terms of geography and culture (Pluta-Olearnik, 2011), also known as retailers going “next door” or engaging in “cross-border” retailing activities (Poneman *et al.* 1992, p. 29). The second stage (the second half of 1970s) refers to retailers entering big markets that characterize underdevelopment of modern forms of chain retail. The third stage is attributed to the development of formats and specialized chains in foreign markets and the fourth stage (the advent of the new millennium) refers to the formats of retail designed globally – possible to multiply in an international dimension (Pluta-Olearnik, 2011).

While it is important to understand the concept of retail internationalization and its distinct stages, shedding some light on the main theoretical frameworks developed to explain this phenomenon is of vital concern.

Bianchi (2002, p. 9) states that the literature on international business has contributed to the development of several theoretical frameworks for understanding the process of retail internationalization, the most pertinent models being the Uppsala Internationalization model (also known as the Nordic model or Stage model) (Johanson and Vahlne, 1977, 1990), Dunning’s Eclectic Paradigm (1981, 1988) (also known as the Ownership-Location-Internalization advantages), and the network theory (Johansson and Mattson, 1988). The author indicates that these models focus much on pre-internationalization issues such as understanding why firms internationalize, when to internationalize, where to internationalize and how to internationalize.

Evans *et al.* (2008) while construing the Uppsala internationalization model state that the model’s traditional premises lead to the thought that firms begin with a purely domestic focus and then, in response to saturation in the domestic market or unsolicited interest from foreign markets, begin to gradually expand. They also state that according to the model the internationalization of a firm represents an incremental process where firms initially enter markets that are psychically similar [as Whitehead (1992, p.77) expresses “*those markets that match the cognitive and resource character of the company in terms of language systems or finance*”] and are encouraged to expand into more distant foreign

markets as their market knowledge or the managers' experiential knowledge of foreign markets [as stated by Whitehead (1992, p.77)] increases. Brown and Burt (1992, p.81) state that the gradual expansion in the Uppsala model dovetails with the experience of many retailers who initiated their internationalization by exporting and thus they argue that the Uppsala model implicitly views retail internationalization as an export process. Dunning's Eclectic Paradigm (1988) underlines firm-specific advantages that facilitate firm's internationalization, that is, according to his framework a firm has to possess ownership, location and internalization advantages that can be utilized in a foreign market in a timely way. Ownership advantages refer to firm-specific assets and skills (e.g. innovative products, multinational experience, superior company reputation, unique ways of operation) which provide the firm with a competitive advantage in the market whereas location advantages relate to particular host country advantages or market opportunities that are not present in the home country (e.g. market size, cultural and geographic proximity, low production cost). Internalization advantages stem from the ability of holding assets and skills within the firm, that is, by internalizing its strong assets and know-how the firm establishes wholly owned subsidiaries in foreign markets (Bianchi, 2002). Thus, Pellegrini (1991), Dawson (1994) and Sternquist (1997) discuss the role of Dunning's (1981) eclectic model as an explanatory force of retailers' involvement in foreign direct investments.

A different theoretical perspective developed to explain internationalization is network theory developed by Johanson and Mattson in 1988 (Bianchi, 2002), which exploits the theories of social exchange and resource dependency and focuses on firm behavior in the context of inter-organizational and interpersonal relationships (Konaklıoğlu, 2011, p. 31). Referring to Johanson and Mattson's (1988) study, Bianchi (2002) explains that the network theory gives reasons for the role and influence of social relationships while contending that the internationalization process is influenced by networks of both formal and informal relationships and also suggests that internationalization is a result and interaction and the development of relationships over time by viewing international growth as based greatly on sharing complementary competitive advantages with other firms.

However, it is worth noting that when looking at the theoretical foundation of emerging market firms' internationalization process, it is evident that, for instance, Mathews (2006) presents the linkage-leverage-learning (LLL) model to overcome the shortcomings of the Dunning's (1981) Eclectic Paradigm which in turn is too constrained

in many respects to fully explain the rapid internationalization of emerging market firms (Gaur and Kumar, 2010). Therefore in order to determine a new focus and modifications in the established Western-based theories, Eren-Erdoğan *et al.* (2010) propose a conceptual framework for elucidation of emerging market firms' internationalization by providing evidence from the Turkey-based specialty apparel retailers. In their study, while providing insight into the internationalization process of Turkish specialty apparel retailing firms, the authors put forward that the firms' internationalization is best described by the Uppsala model developed with network approach. Besides, their findings confirm the role of networks and matching in market entry to emerging retail markets studied earlier in the work of Elg *et al.* (2008). As construed by Hutchinson *et al.* (2005) the international expansion through networking is primarily driven by the formation and exploitation of the firm's group of network relationships which can be achieved on two levels: by establishing and building new relationships in new markets and by connecting to existing networks in other countries. Hutchinson *et al.* (2005) point out that the underlying motivation for forming networks is in the members' search for competitive advantage.

In sum, the assumption that the internationalization of Turkish specialty apparel retailers develops in incremental steps has already been supported. Nevertheless some additional evidence is sought to be obtained from already internationalized Turkey-based specialty apparel retailers and thus corroborate the work of Eren-Erdoğan *et al.* (2010). In addition, two distinct aspects of internationalization, namely market commitment and geographic diversification are addressed. The concept of market commitment is assumed to contain two factors - the amount of resources committed (*i.e.* the size of investment in the market) and the degree of commitment (*i.e.* the difficulty of finding an alternative use for the resources and transferring them to the alternative use) (Hollensen, 2001).

The CIS, a grouping comprised of former Soviet states, encompasses such distinct regions as the Eastern Europe, the Central Asia, and the Caucasus and it is therefore a good point of departure in analyzing the geographic diversification of the Turkish specialty apparel retailers within this vast physical geography. Thus the following research question is addressed:

- Does the internationalization of Turkish specialty apparel retailers conform to the Uppsala Model? To what extent these firms have geographically diversified within the CIS countries? What is the level of market commitment at present?

2.3. Entry Modes Available for International Retailers and Description of These Entry Modes

The nature of the firm's operations in the country market depends on its choice of mode of entry (Kumar and Subramaniam, 1997). A mode of entry is an institutional arrangement chosen by the firm to operate in the foreign market (Kumar and Subramaniam, 1997) that makes possible the entry of the firm's products, technology, human skills, management and other resources within that particular foreign country (Krishna, 1989).

All retailers that have decided to expand their operations outside the home market have to choose a method or methods of entering international markets. According to Gilbert (1999, p. 331) retailers may enter new markets in a number of ways, the basic choices being between shareholding, acquisition, joint venture, organic growth and franchise.

Table 2.1.
Common Market Entry Strategies According to Gilbert (1999)

Entry Mode	Definition
<i>Acquisition</i>	taking over a retail company already established in the market;
<i>Joint venture</i>	establishing a company with a partner, most usually one who is indigenous to the market or who has experience of operating there;
<i>Organic growth</i>	opening new outlets using their existing brand/fascia or creating a new one;
<i>Shareholding</i>	acquiring shares of a retailer already operating in the chosen market;
<i>Franchise</i>	allowing entrepreneurs to open outlets under a single brand/fascia which are operated under certain controlled conditions;

Source: Gilbert (1999, p. 331)

Alexander and Doherty (2009) also present a similar classification but with more ample consideration of the means by which retailers can enter into the non-domestic markets.

According to them, the main methods international retailers can use to enter international markets are as follows (**Table 2.2**):

Table 2.2.

Common Market Entry Strategies According to Alexander and Doherty (2009)

Method of Entry	Definition
<i>Flagship stores</i>	company owned, large in scale to showcase the brand;
<i>Organic growth</i>	sometimes referred to as internal expansion, this is new store development within the existing or an integrated organization framework;
<i>Merger and acquisition</i>	the acquisition of control over a firm in the international market;
<i>Joint ventures</i>	between a firm in the host country and an international entrant or between two firms that enter into a joint venture agreement in order to enter the host market;
<i>Franchising</i>	a business arrangement between a franchisor and an international franchisee, using the franchisor's retail format and brands;
<i>Concessions</i>	a shop within a shop, usually a department store, in the host market;
<i>Exporting</i>	selling of product to an international market without the establishment of a retail presence;
<i>Internet</i>	selling to consumers in non-domestic markets over the Internet;

Source: Own elaboration from Alexander and Doherty (2009, pp. 252-253)

Parallel to the above-mentioned methods of entry available to the international retailers, for instance, Lu *et al.* (2011) indicate that the fashion retailers when entering a foreign market may select from a variety of entry modes such as the export of their products, participation in franchising agreements, involvement in joint ventures and operational alliances, or establishment of wholly owned subsidiaries. Furthermore, Moore *et al.* (2000) note that for many luxury retailers the opening of a flagship store is the first direct method of entry into a new market, and that much of a luxury brand's distribution of product is achieved either by means of wholesale agreements or in-store concessions.

Thus, before discussing the entry modes in detail, certain dimensions against which these entry modes are ranked will be mentioned in the first place.

Lu *et al.* (2011) point out that the various entry modes can be considered as a continuum ranging from low *control*²⁹ (e.g. export) to high control (e.g. wholly owned subsidiary), which vary in the degree of investment risks, resource commitment and financial returns. Ekeledo and Jayachandran (2009) perfectly illustrates these specificities of entry modes including another dimension, namely, the dissemination risk. Dissemination risk refers to the danger of exposing proprietary resources and capabilities that drive the retailer's competitive advantage to a partner that might become a future competitor (Ekeledo and Jayachandran, 2009). **Table 2.3.** exhibits a summary of the entry modes used by retailers and their associated levels of control, investment costs, dissemination risk, and return on investment.

Table 2.3.

The Classification of Common Entry Modes Along Certain Dimensions

Entry Mode	Control	Costs	Dissemination Risk	Return
<i>Organic growth</i>	High	High	Low	High
<i>Merger and acquisition</i>	High	High	Low	High
<i>Joint venture</i>	Moderate	Moderate	Moderate	Moderate
<i>Franchising</i>	Low	Low	High	Low
<i>Licensing</i>	Low	Low	High	Low

Source: Adapted from Ekeledo and Jayachandran (2009, p. 160)

²⁹ In the international business literature, the concept of control is variously defined. For example, Anderson and Gatignon (1986) while grouping entry modes, define it as the ability to influence systems, methods, and decisions. Casson (1987) defines control in terms of managerial responsibility over three major activities: proprietary advantage, production, and marketing, whereas Hill *et al.* (1990) bring a broad definition of control defining it as the authority over operational and strategic decision-making.

In addition, Picot-Coupey (2006) in her study finds that last but not least dimension, that is, flexibility is also taken into account by international retail managers when making decision regarding the appropriate entry mode choice. This makes sense, as Terpstra and Sarathy (2000, p. 376) pinpoint that flexibility in a firm's method of entry is crucial if it expects to be in foreign markets for the long run. The authors accentuate that any entry method optimal at one point in time may be less than optimal couple of years later owing to the changes taking place in the environment, the market, the company situation and goal.

Choice of entry mode is sometimes relatively easy to make, for example, when the host government may grant market access only through joint ventures, whereas in other instances, the choice may be quite difficult, especially when the range of feasible option is extensive. Management must select local market-entry modes that are consistent with the intended local position and the resources available to the firm. They have to make a trade-off between the degree of risk the firm assumes with a certain entry option and the control it can exert over the entire value chain from production to the delivery of the product to the final customer. As the company becomes more involved in marketing and production in a country market, the marketer can more directly influence the marketing mix for its products, but simultaneously resource involvement increases, raising the level of risk (Mühlbacher *et al.* 2006).

Picot-Coupey (2006, p. 217) states that while considering the above-mentioned alternative mechanisms for establishing retail operations in foreign markets, it is worth noting that they refer to different levels of analysis: either to the mode used by a company to enter and develop in a market, or to the form used to monitor outlets.

2.3.1. Flagship Stores

According to Kozinets *et al.* (2002), flagship stores are exclusive or nonexclusive stores which are clearly distinguishable by its three key characteristics:

- (1) the flagship brand stores carry a single (usually established) brand of product;
- (2) the flagship brand stores are company-owned; and
- (3) the flagship brand stores are operated—at least in part—with the intention of building or reinforcing the image of the brand rather than operating to sell product at a profit.

Whilst being the pinnacle of the retail chain and a testing ground for new retail concepts, the role of the flagship store is about retail brand building and reinforcement with the media coverage that they attract adding to the brand communication process (Varley, 2005).

While some authors (Moore *et al.* 2000; Moore *et al.* 2010) indicate that flagship stores are used by *designer* and *luxury fashion retailers*³⁰ as a method of entry into a new market, it is already an established fact (for details see Business Wire (English), 2011; Edelson, 2007; Datamonitor, 2010) that *general fashion retailers*³¹ along with *general merchandise fashion retailers*³² use this method of entry as such.

Alexander and Doherty (2009) point out that flagship stores are different from other methods of market entry employed by retailers and add that for luxury retailers, it would seem that the key reason for opening a flagship store is not because it is financially reasonable to do so but rather it is because a flagship store acts as a communication device that builds brand awareness, albeit at a huge cost.

2.3.2. Organic Growth

Organic growth is defined as new store development within the existing or an integrated organizational framework. It is, therefore, a familiar growth strategy to most retail operations, a strategy of which they have gained considerable experience in the domestic market (Alexander, 1997). This entry mechanism is also referred to as internal expansion (Dawson, 1994) or as internal development (Cox and Brittain, 2004). Cox and Brittain (2004) note that organic growth involves a company starting from scratch in a new market where a firm buys in the basic resources needed to set up its own operations abroad.

³⁰ Retailers that fall into this category include Gucci, Christian Dior, Giorgio Armani, Mulberry, Chanel, Prada, and Louis Vuitton (Alexander and Doherty, 2009).

³¹ According to Moore (2000) these are the clothing and accessories retail companies such as Gap Inc., Mango.

³² According to Moore (2000) these are the retail companies such as Marks & Spencer.

Organic growth is investment channeled from the financial capability of the current organization into development of organizational capability - for example, to fund the development and roll-out of formats, horizontal or vertical integration and international growth. Growth tends to be slow or steady, and the organization retains autonomy, decision-making control and benefits from development of new areas of competence, while avoiding the difficulties of integrating different organizational cultures and management systems which are experienced by organizations growing through acquisition or merger. However, rapid organic growth is possible where there is access to capital, by, for example, raising money through issuing extra shares rights to investors (Ferne *et al.* 2003).

From a locational perspective, there are two major types of organic growth. Local and regional expansion from a single outlet, termed contagious diffusion, describes the early growth experience of long-established retailers which were geographically confined by transportation and distribution networks. It is the expansion method chosen by many small retail businesses, but has also been used by large-scale dominant retailers. The second type, hierarchical diffusion, is the growth route for many established retail organizations which open outlets in major cities and towns. Both strategies can be deployed simultaneously by rolling out operations in selected large urban centers and expanding outwards by contagious diffusion (Ferne *et al.* 2003).

Organic growth is an attractive means by which to establish international development. It allows the retailer to replicate its format in a non-domestic market as and how it wishes, within the regulatory framework of the new market. However, the temptation to assume the success of a format tested in the domestic market is considerable. Organic growth needs to be given sufficient management time, and significant market research is required before a retailer commits the huge financial outlay organic growth requires. However, if managed properly, organic growth can result in the retailer having, as far as is possible, complete control over the international venture. This will be achieved at significant cost (Alexander and Doherty, 2009).

2.3.3. Merger and Acquisition

Merger and acquisitions have always been an important retail growth strategy. Many organizations have used this strategy, not only to increase corporate power by eliminating competition but also to gain access to markets where they have been previously under-represented. Such activity can produce rapid geographical growth, although there are risks and heavy costs associated with both strategies (Birkin *et al.* 2002).

Merger and acquisition offers a route to growth in market share and market dominance in addition to rapid entry of new product and market areas. Both methods have been widely used by retailers competing in the international retail market which benefit from the acquisition, across diverse markets, of sources of established expertise, knowledge, property portfolio, contact and supply networks in addition to the customer base (Ferne *et al.* 2003). However, decision makers should not overlook the fact that different organizational as well as ethnic cultures may lead to conflicts in management that can potentially use up the time lead achieved through acquisition. Acquisition candidates, therefore, should be evaluated concerning their: economic attractiveness, positions in the local business network, quality of management systems, and values and norms dominating management behavior (Mühlbacher *et al.* 2006).

The terms merger, acquisition and takeover have precise legal definitions that are classified on the basis of the number of shares one firm buys from another, the size of the firms involved and the accounting rules used. A merger is defined as the “coming together” or combination of two or more firms to form a single new company. In a true, “legal” merger, the two (or more) merging companies are subsumed-their shares being exchanged for shares in the new corporation. An acquisition is defined as the purchase of more than fifty percent of the share capital or assets by one firm (the acquirer) of another firm (the acquired), which leads to a change of control in the acquired firm. In a “control” acquisition the acquired firm’s shareholders cease to be the owners of that firm and the acquired firm-if retained-becomes the subsidiary of the acquirer. A takeover is similar to a control acquisition (i.e. one firm gains control of another firm through a majority stakeholding), but implies that the acquired company remains in existence. It also implies that the acquirer is much larger than the acquired. Such transactions have a cross-border dimension when the acquirer has its headquarters in a different country than that of the acquisition target (Birkin *et al.* 2002).

Whereas organic growth can be time-consuming, growth by takeover can be fast, with the added advantage of buying local knowledge (Mühlbacher *et al.* 2006).

2.3.4. Joint Ventures

Birkin *et al.* (2002) state that joint ventures or strategic alliances are more formal partnerships between organizations that do not involve outright takeover or merger, and that albeit these terms are often used synonymously, there are some subtle differences. Whilst, a strategic alliance can be described as a coalition of two or more organizations to achieve strategically significant goals that are mutually beneficial (Kotabe and Helsen, 2008), the formal difference between a joint venture and a strategic alliance is that a strategic alliance is typically a non-equity cooperation, meaning that the partners do not commit equity into or invest in the alliance (Hollensen, 2001).

A joint venture is formed when the entering retailer pools its resources with a local retailer to form a new company in which ownership, control, and profits are shared. A joint venture reduces the entrant's risks. In addition to sharing the financial burden, the local partner provides an understanding of the market and has access to local resources, such as vendors and real estate. Many foreign countries require joint ownership, though these restrictions may loosen as a result of World Trade Organization negotiations (Levy and Weitz, 2009). The selection of an appropriate partner is critical to the success of a joint-venture. To avoid a disaster the partners need to understand each other well, should have jointly analyzed the feasibility of the project, coordinate their goals, regulate foreign currency issues, and must have determined management responsibilities (Mühlbacher *et al.* 2006).

Strategic alliances, where two or more organizations come together to complete a project, to wield combined power or to gain synergy from the combination of diverse organizational competences and assets, are a growing feature of retailing, aided by implementation of principles of relationship marketing and facilitated by enhanced communication capability. There are three main types of strategic alliances: (1) loose relationships which are collaborative networks and alliances to exploit a market opportunity or to combat a market threat; (2) contractual relationships; and (3) formalized ownership/relationships which are joint ventures where two or more organizations set up a

jointly owned organization, to facilitate expansion or exploit a market opportunity (Fernie *et al.* 2003).

Gilbert (1999) indicates that retail alliances were once seen as primarily a means of achieving economies of scale in buying i.e. with the purpose of attaining the efficiencies and leverage in sourcing and add that modern international alliances go much further than this owing to the operational synergies, increased retailer power with manufacturers, the development of own labels and joint defense building against the market entry of foreign competitors.

2.3.5. Franchising

A franchise is probably best defined as comprising a contractual relationship between a franchisee (usually taking the form of a small business) and a franchisor (usually a larger business) in which the former agrees to market a product in accordance with an overall “blueprint” devised by the franchisor. The relationship is a continuing one with the franchisor providing general advice and support, research and development and help with marketing and advertising. In return, the franchisee usually pays an initial franchise fee and also an ongoing royalty, normally based on the level of turnover and/or a mark-up on supplies purchased from the franchisor. The franchisee provides the capital for the outlet and is a legally separate entity to the franchisor (Stanworth *et al.* 2001).

As discussed by Welsh and Alon (2001), franchising is a form of licensing, through which the franchisor provides a marketing program to a smaller-scale entrepreneur. This includes a brand name and logo, trademarks, products, service standards, technical expertise, advertising and methods of operation. For a franchisee this can be very appealing because such arrangements allow franchisees to achieve economies of scale, by integrating into the networks of larger franchisors. For the franchisor, franchising provides an inexpensive source of capital for expansion into emerging markets, while offering greater control than would a strategic alliance. Also, franchising allows a foreign franchisor to overcome local ownership requirements imposed by the governments of many emerging economies. New symbiotic relationships are thus created, allowing firms to achieve the expanded reach and efficiencies associated with internationalization more rapidly and effectively than they could on their own (Welsh and Alon, 2001).

Gauzente and Dumoulin (2008) accentuate that franchising as an entry mode is not necessarily adopted by retailers that are operating through franchise in their domestic market and state that retailers that are operating through organic growth or acquisitions in their domestic market can choose franchise as a mode of entry in non-domestic markets. According to Mühlbacher *et al.* (2006) the major attraction of franchising as a market-entry mode is due to the fact that franchising strikes a balance between adapting the marketing mix to local conditions and maintaining a high level of international standardization.

Alexander and Doherty (2004) emphasize that while franchising is advantageous due to lower cost and lower risk and thus benefiting the franchisor since the franchisee bears the burden of these issues, controlling the brand in the international market is of vital importance especially for fashion retailers with well-defined brands to protect. The authors in their article refer to Doherty (2003), in order to indicate that franchising does not necessarily mean low control, because Doherty (2003) in her qualitative study shows that controlling the retail brand offer is a critical strategic objective of certain fashion retailers.

The success of franchising in international markets depends on several factors including: (1) the franchisor's success in domestic competitive position and market penetration; (2) its ability to expand based upon its knowledge/expertise; and (3) its ability to adapt to countries that have cultural and language differences (Justis and Judd, 2002).

It is important to note that there exist several types of franchising arrangements in order to get involved in foreign markets. One can distinguish two main options: direct franchising and indirect franchising. The latter can be implemented through either master franchising or area development franchising (Petersen and Welch, 2000).

Gauzente and Dumoulin (2008) discuss two different issues in franchising, namely direct franchising and the role of master franchising. Direct franchising is an arrangement where the franchisor directly establishes franchise contracts with individuals in the target market. The functioning mode is then the same as in its domestic market but requires a dedicated department in order to deal with foreign franchisees. Master franchising is an arrangement where the franchisor grants to a master franchisee the right (1) to establish franchise units but also (2) to recruit franchisees. The master franchisee will, hence, act in place of the franchisor with sub-franchisees. This option is potentially preferred in cases of low local commercial infrastructure and high political uncertainty. Area development franchising is also an indirect type of franchising where the franchisor grants to an area developer the right to operate its own units in the target market. The area development

franchisee is, hence, a multiunit franchisee in a specific area; an employee paid by the area development franchisee can manage each unit. This option can be adopted in small markets or can help to cover a market by cutting it in several areas with a minimum of area development franchisees to deal with. Depending on how it is implemented, area development franchising can be considered as an intermediate option between direct franchising (multiple franchisees per market) and master franchising (one master franchisee per market) (Gauzente and Dumoulin, 2008).

Table 2.4. below summarizes the main characteristics of each different franchising mode.

Table 2.4.
Characteristics of Different Franchising Modes

	Brief definition	Degree of control	Adaptation to distant cultures	Monitoring costs
<i>DF</i>	Franchisor directly contracts with foreign franchisees	Very high	Low	Very high
<i>MF</i>	Franchisor contracts with one master franchisee per country. The master franchisee then contracts with local franchisees	Low	High	Moderate
<i>ADF</i>	Franchisor contracts with a limited number of area development franchisees who own and operate several outlets	High	High	High

Legend: *DF*: direct franchising; *MF*: master franchising; *ADF*: area development franchising.

Source: Adapted from Gauzente and Dumoulin (2008, p. 262)

2.3.6. Concessions (Corners)

A concession, also known as “a shop within a shop”, is often one of the first ways an international retailer can enter an international market while minimizing the firm’s risk and commitment in the market. A retailer operates in an area of a store, often a department

store, and the retailer itself is responsible for providing stock and staff and for merchandising the area. In this way the retailer brings its operational skills to the host store but is responsible for the entire running of the concession, in the same way that it would be in a standalone store but without the same financial risk. The merchandise the concession introduces is of primary concern and interest to the host store. The host store builds the retail footfall (Alexander and Doherty, 2009).

Concession arrangements are another means by which retailers access non-domestic markets without making the financial and operational commitments which might otherwise be required. They provide retailers with an opportunity to access geographically and culturally distant retail markets (Alexander, 1997).

Concessions are particularly useful to retailers with distinct product ranges focused on a specific market niche, a distinct brand, and an operating format that can be placed within a restricted and limited square footage. They are not appropriate for retailers that lack own branded merchandise ranges or a strong international relevance. They are appropriate to small, specialist retailers looking for an opportunity to bring their distinct brand to the international marketplace at a relatively minimal set-up cost relative to other entry methods (Alexander and Doherty, 2009).

2.3.7. Exporting

While exporting accounts for some 10 percent of global economic activity (Cateora *et al.* 2011), it is the foreign market entry mode most commonly adopted by business organizations aiming to grow and develop in international markets and operations (Katsikeas *et al.* 2009).

As opposed to foreign direct investment methods (e.g., licensing, joint venturing, and wholly owned production) export engagement requires lower fixed and operating costs, involves fewer resource commitments, and exposes the firm to lower business risks. Exporting is a highly desirable business activity as it can assist companies (especially small-to-medium sized ones) in: (1) improving their financial position through more sales revenues and profits; (2) accumulating valuable marketing experience by operating in difficult and diverse markets; (3) transferring innovative technologies and know-how from more advanced and sophisticated environments; and (4) exploiting idle operating capacity

and improving production capacity. Furthermore, increased emphasis on globalization demands that firms rationalize their international production and supply markets through exporting (Katsikeas *et al.* 2009).

Companies that plan to engage in exporting have a choice between three broad options: indirect, cooperative, and direct exporting. Indirect exporting means that the firm uses a middleman based in its home market to do exporting. The middleman is an independent intermediary representing either an export merchant/export agent or an export management company (Kotabe and Helsen, 2008). Export management companies function like external export departments and assume most or all of the company's risk of market entry. Often such companies perform all the services necessary to sell the exporter's product in a foreign market (Mühlbacher *et al.* 2006). Indirect exporting also happens when the firm decides to sell its products in the foreign market through an export-trading company or enter it under an offset agreement. An export-trading company buys products from domestic manufacturers and resells them abroad (Kurtz, 2008). Trading companies may operate in several country markets and handle variety of products, or they may specialize in a single industry or product market (Mühlbacher *et al.* 2006). An offset agreement teams a small firm with a major international company and thus provides new exporters with international experience, supported by the assistance of the primary contractor, in such areas as international transaction documentation and financing (Kurtz, 2008).

One of the most popular forms of cooperative exporting is piggyback exporting through which the company uses the overseas distribution network of another company (local or foreign) to sell its goods in the foreign market, whereas under direct exporting, the firm sets up its own exporting department and sells its products via an intermediary located in the foreign market (Kotabe and Helsen, 2008).

Many retailers employ exporting or wholesaling as a method of entering a foreign market without the cost of establishing a store presence in the international market. Effectively, they establish a wholesale agreement with a third party that ensures their product is marketed and sold within the foreign market (Alexander and Doherty, 2009). Where retail merchandise is exported to a market, and it is well received in that market this will be a useful indicator of the interest that a store may arouse in the non-domestic market (Alexander, 1997).

2.3.8. The Internet

The technological revolution of the Internet with its wide range of connected and networked computers has prompted the realization of virtual entry strategy. By utilizing electronic means, mainly web pages, e-mail, file transfer, and related communications tools, firms have started to enter markets without ever touching down (Jeannet and Hennessey, 2001).

Initially, Internet marketing focused on domestic sales. However, a surprisingly large number of companies started receiving orders from customers in other countries, resulting in the concept of international Internet marketing. Many companies are actively designing Internet catalogs targeting specific countries by virtue of their multilingual “virtual stores” on the Internet (Cateora *et al.* 2011). Indeed, Davies and Ward (2002, pp. 39-40) point out that the Internet has changed the retail playing field by providing an additional means of reaching an international market whilst helping to make the growth of internationalization of retailing - the expansion of retail operations into a different country - in the twentieth century and beyond.

International Internet marketing should not be disregarded as an alternative market entry strategy by the small or large company. Coupled with the international scope of credit card companies such as MasterCard and Visa and third-party (contract) logistics firms such as UPS and Federal Express, deliveries to foreign countries can be relatively effortless (Cateora *et al.* 2011).

However, one of the problems for Internet retailers is consumer concern over the security of transactions and cybercrime. Though Internet transactions overall are safer than using a credit card at physical stores, the perception limits growth for Internet retailers. The actual problem is much greater, and causes more losses, for the retailers because of fraudulent credit cards (Albaum *et al.* 2005).

The Internet, by its very nature, makes international retailers of a large number of retail companies and in that sense has essentially revolutionized the way retailers and customers alike are able to operate on a global basis. Given the relative ease with which retailers, of any size, may establish a presence on the Internet and start to make international sales, this form of retailing provides small enterprises with an opportunity to understand the international appeal of their brand at a relatively early stage. Given the importance of an internationally relevant brand to many of the world’s most successful

retailers, internet sales are an important first step in understanding the global consumer (Alexander and Doherty, 2009).

In sum, it is assumed that the Turkish specialty apparel retailers are well aware of all the methods of entry into international markets. Besides it would be logical to suppose that these firms may have resorted to more than one type of entry modes during their expansion in the CIS countries and as a result of this get their downstream structures comprised of distinctly different forms of operations. Thus, the following research questions have been formulated:

- What is the most preferred market entry mode for Turkish specialty apparel retailers?
Do they use different entry modes simultaneously?

2.4. Delineating Critical Avenues to Success in International Clothing Retailing

With the continual rise in global business and the emergence of global competition, an understanding of the determinants of firms' performance and thus finding out the avenues to success has become particularly important in today's business environment. Bullen and Rockart (1986, p. 385) concisely define critical success factors as "*the limited number of areas in which satisfactory results will ensure successful competitive performance for the individuals, departments, or organizations*". Therefore, Turkey-based specialty apparel retailers' expansion and survival in non-domestic markets, and the consequent economic growth of the Turkish economy, is strongly dependent on a better understanding of the determinants that influence their performance.

Many studies have been concerned with identifying the key factors that affect the firms' performances and thus their success in the global marketplace. For instance, in their book Bilgin *et al.* (2004) present a highly diverse sample of emerging market studies from several countries all over the world and aim at identifying the factors that contribute to success - whether in emerging markets or by emerging market firms. The authors utilize a so-called diamond framework in order to analyse success factors which in turn as the name implies is composed of four basic dimensions that identify and subsequently categorize the determinants of global success. The dimensions represent main concepts (first-order concepts) videlicet organization, markets, people, and operations. As the authors point out, the framework is tentative and generic in nature that expresses a universally applicable model. The authors also indicate that this framework is merely a guide rather than a conceptual model. Therefore it is deemed appropriate first to express one by one what these dimensions encapsulate and then proceed to academic papers, empirical studies, articles and reports in the retailing and international business domain.

Bilgin *et al.* (2004, pp. 4-5) categorize a listing of factors under four distinct dimensions. Their overarching classification is as follows:

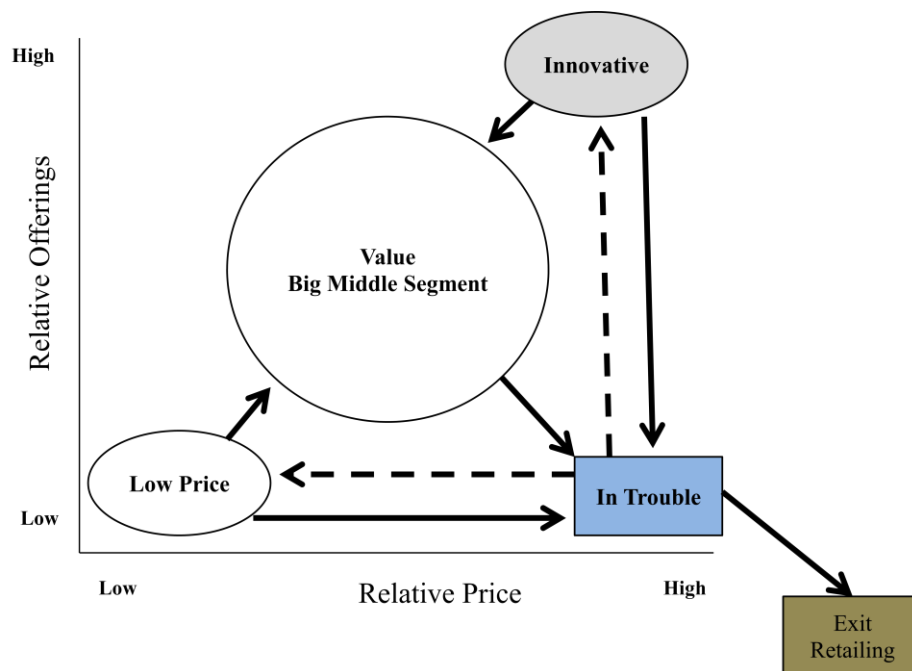
- "*The organization dimension focuses on the following factors: company organization and structure; company resources such as financial, technological, product and brand-based, skills and competencies; internal and external communication structure; enterprise culture-based vision and mission; customer and market orientation; embeddedness of companies and actors and use of networks and networking.*

- *The market dimension focuses on a list of factors: market screening, selection and expansion; market-entry mode and timing; and target marketing decisions.*
- *The people dimension relates to top management's commitment and management style; negotiation style employed by the executives; relationships with different parties such as partners, suppliers, distributors and customers (such as backward and forward linkages); employee skills, education, motivation, experience, qualification; social capital of actors and entrepreneurs for building and nurturing relations; as well as mind frames of actors (organizational culture).*
- *The operations dimension incorporates customer needs and expectations, trends in consumption; market stimulation strategy like preference-based strategies versus price focus; marketing-mix-related attempts (use or adapt 'traditional' marketing approaches as necessary such as marketing logistics, channel management); and focus on new trends (such as word-of-mouth focus, following new trends in distribution)."*

Another but quite a different framework is developed by Grewal *et al.* (2006) which is peculiar to the retailing and in essence consistent with that of Bilgin *et al.* (2004). Grewal *et al.* (2006) present a framework that identifies key drivers of success in today's retailing environment. They propose a model to describe some of the more successful retail strategies that have emerged in the last few decades. This model describes the evolution of retail strategy based on two dimensions: relative price which is depicted on the horizontal axis, and relative offerings, depicted on the vertical axis (see **Figure 2.5.**). Specifically, they distinguish between four segments of retailers: Innovative, Low-Price, Big Middle and In Trouble retailers. Retailers occupying the Innovative segment direct their strategies toward quality-conscious markets seeking premium offerings; Low Price retailers appeal to price-conscious segments; the Big Middle retailers thrive because of their value offerings, and the In Trouble retailers are those who are unable to deliver high levels of value relative to their competitors. Grewal *et al.* (2006) note that most successful retailers compete in the Big Middle segment wherein the largest potential base of customers reside. The authors point out that many of the retailers now in the Big Middle, have gotten there by way of initially providing either an innovative offering or low price or both, thus providing superior value to customers. As further indicated by the authors, the retailers that are migrating to or have already moved into the Big Middle segment, cannot be content with their past accomplishments, and also cannot cease to strive for further achievements

because any who do would get “In Trouble” and potentially be forced to fully exit retailing. According to the authors, success drivers of Big Middle retailers include store atmospherics, customer service, attractive merchandise selections at value prices, efficient supply chain management, and advanced technology. These are viewed as the strategic levers that retailers are strongly suggested to consider as they deliver value to their customers.

Figure 2.5. Retail Landscape Framework



Source: Grewal *et al.* (2006, p. 15)

Thus, guided by the above-mentioned frameworks, herein the researcher attempted to synthesize most relevant studies and insights offered by different authors, so that some second-order concepts could be obtained and subsequently addressed to the managers in the course of the in-depth interviews.

The second-order concepts were segregated into three main groups which are presented under separate headings in the following part of the thesis.

2.4.1. The Role of Supply Chain in the Success of Clothing Retailer

In today's fiercely competitive global economy while forecast-driven conventional supply chains with long-lead times are increasingly losing its efficacy, demand-driven shorter and nimble supply chains are necessitated being in place. As advocated by Budd *et al.* (2012), a complete adoption of basic *principles*³³ of demand-driven supply chain (DDSC) leads to the avoidance of problems such as stock-outs and lost sales, inventory pileups, markdowns and write-offs, poor capacity utilization and declining service levels, and thus to success. Budd *et al.* (2012) define a DDSC as a system of coordinated technologies and processes that senses and reacts to real-time demand signals across a network of customers, suppliers, and employees. By providing real-time information about demand and inventory levels to all supply-chain participants, a DDSC allows companies to optimize planning, procurement, production, inventory replenishment, and order delivery for better service, higher sales, and lower costs overall (Budd *et al.*, 2012). Therefore, Budd *et al.* (2012) urge companies to make profound changes to their organizations in order to be able to reap the benefits of a DDSC. Taking into account that retailers often act as the contact between other distribution channel members and the final consumers as well as the fact that they simultaneously communicate (in the broader sense) in both directions (Berman and Evans, 2010, p. 8), no doubt, a DDSC becomes a prerequisite to any deep success.

A DDSC is of paramount importance to fashion industry because as specified by Christopher *et al.* (2004) and Mishra (2009), the demand for fashion products cannot be consistently forecast owing to the fashion markets' highly volatile, complex, and dynamic nature. Christopher *et al.* (2004) term the DDSC as an agile supply chain and convey that first, it is market sensitive (providing daily point-of-sale feedback, capturing market trends), second, it relies on shared information across all supply chain partners (shared information on real demand, collaborative planning, end-to-end visibility), third, it gains

³³ As indicated by Budd *et al.* (2012) four principles of a DDSC are:

Visibility. Demand and inventory levels must be transparent across the supply chain (at all stages of the supply chain);

Infrastructure. A robust infrastructure allows supply chain players to adapt quickly to short-term changes in supply and demand;

Coordination. Tight coordination among all players allows companies to execute flawlessly and cost-effectively;

Optimization. By optimizing the overall supply-chain performance – and not trying to only reduce costs – companies can deliver the best customer service and still reap major financial benefits.

flexibility by using the strengths of specialist players (leveraging partners' capabilities, focusing on core competencies, acting as a network orchestrator), and fourth, it has a high degree of process interconnectivity between the network members (co-managed inventory, collaborative product design, synchronous supply). In effect, an operations strategy grounded on principles similar to those of DDSC, began to diffuse in fashion industry more than two decades ago. This was quick response (QR), a set of policies and practices aimed at improving coordination between retailing and manufacturing in order to increase the speed and flexibility of responses to market shifts and trends (Ghemawat and Nueno, 2006). As indicated by Ghemawat and Nueno (2006), QR required changes that spanned functional, geographic, and organizational boundaries, and in return enabled retailers to reduce forecast errors and inventory risks by planning assortments closer to the selling season, probing the market, placing smaller initial orders and reordering more frequently.

While Grewal *et al.* (2006, p. 22) state that the use of technology goes hand-in-hand with superior supply chain management, Madhani (2011) adds that fashion retailers can achieve superior business performance through utilization of *radio frequency identification*³⁴ (RFID) technology. Based upon some researchers' papers concerning the RFID implementation in the retail industry, Madhani (2011) contends that the RFID deployment by retailers operating in fashion business will exert positive influence on all retail mix variables. More specifically, the author argues that by deploying RFID in retail operations, fashion retailers can enhance business competitiveness by providing right product, sold at the right price, in the right place while using the most appropriate promotion with tangible communication of physical evidence executed through agile process and delivered by supportive people.

In addition to the potential effects of promising RFID technology, in order to achieve competitive advantage, retailers can also benefit from advanced management techniques like *Collaborative Planning, Forecasting, and Replenishment*³⁵ (CPFR). For example, an analysis made by a group of authors reveals that the CPFR implementation enabled a

³⁴ RFID is the generic name attributed to the technologies that use radio signals for automatic identification and subsequently communication with identified objects, so that the objects can be recognized, tracked and traced. Most RFID infrastructures consist of following three main components: (1) RFID tag - a tiny computer chip with an antenna fixed to an object to identify it; (2) A reader, mainly used to serve as a communication channel; and (3) Data collection application comprising a middleware system (Madhani, 2011).

³⁵ CPFR zeroes in on collaboration between retailers and suppliers (manufacturers). It make it possible to rapidly response to customer needs, through the support of suppliers (Wang *et al.* 2005).

Chinese firm to develop and maintain an extensive network of franchise chain stores in the domestic market. Besides, it was revealed that the adoption of CPFR increased its efficiency and revenue, and resulted in the establishment of a leading position within the emerging domestic market (Wang *et al.* 2005). Therefore, this emerging market firm case which in turn proves the benefits of the CPFR implementation, in effect is a good example to follow retailing firms in the emerging markets. It is clear that Turkish specialty apparel retailers can reap the benefits of those policies and practices while operating in the developing/emerging markets.

2.4.2. Attaining to Success Through Retail Diversification Strategies, Critical Product Attributes as well as by Means of Services During and After the Internationalization

The results of an empirical study indicate that by pursuing diversification strategies many large-scale retailers have improved their performances both in the domestic market and abroad. A research conducted by Etgar and Rachman-Moore (2010) reveals that by following market expansion and product diversification strategies, the retailing firms were able to increase their sales performances. Therefore, it would be logical to assume that expanding into the CIS while offering different varieties of product and accessories would increase Turkish specialty apparel retailers' performance both in the short and long run. However a broad range of products and accessories made available within the stores may not in and of itself be enough in permanently securing the success. The product attributes like distinctiveness, innovativeness, and quality are expected to be important prerequisites to internationalizing retailers' success. For instance, Wigley *et al.* (2005) point out that fashion retailers who heavily invest in product design and manufacturing and thus offer innovative products in tandem with quality are likely to be more successful in international markets.

Additionally, Turkish specialty apparel retailers can differentiate themselves from other retailers abroad by providing adequate customer services. Therefore, they should properly read the final consumers' expectations for customer service in each host country whilst operating in the CIS countries. Indeed, Renko and Grünhagen (2011) state that services, intrinsically, present a reliable vehicle for gaining competitive advantage for

retailing firms. However, customers are apt to view services as a variety of attributes [comprised of tangible and intangible elements (Lovelock and Wirtz, 2007; Turley and Milliman, 2000)] that may, in different ways, contribute to their purchase intentions and perceptions of service quality. For example, the results of an empirical study conducted in Indian retail industry by Bhaskar and Shekhar (2011) reveal that service quality has influence on both customer satisfaction and customer attitude. The authors suggest that reliability of the store and courtesy of employees in particular are crucial dimensions of service quality in the emerging markets of India and urge apparel retailing firms to deal with these dimensions continuously.

2.4.3. Achieving Success Through Adequate Business Strategy: Standardization Versus Adaptation

Following the dissolution of the Soviet Bloc, the former Soviet republics appeared to be in transition from their centrally-planned economies into the market economy (Ennew *et al.* 1993). In spite of the fact that the former Soviet republics had shared common economical, political and social conditions for a long time, this have not homogenized the societies and the markets therein [as pointed out by Demirbag and Tatoglu (2009)], and therefore international retailers entering the CIS should not view this region as one entity. Even the countries forming particular geographical clusters of the former Soviet Union (*e.g.* the Baltics, the Central Asia, and the Caucasus) may not be similar to each other in many respects. For example, findings of an empirical longitudinal study conducted in Estonia, Latvia, and Lithuania pinpoint that the Baltic States are not to be viewed as a single market because they represent distinct and separate markets in terms of retail practice and shopping behavior (*see* McKenzie, 2008). McKenzie (2008) suggests to retailers not to view the Baltic States as a single market because consumers' perceptions of retail service delivery in each country are significantly different. Speaking to the point, as indicated by De Mooij and Hofstede (2002), in the 21st century, international retailing will require understanding differences amongst consumers across borders. De Mooij and Hofstede (2002) argue that contrary to converging technology and disappearing income differences across countries, the consumer behavior will not become homogeneous in the globalized market. In short, Hyllegard *et al.* 2005 add that apparel speciality retailers'

success in international markets is contingent on their knowledge of culturally-defined values, norms and behavior that influence consumer decision making and impact acceptance of products and services. This in turn has implications for the retail business strategy.

A business strategy may need little or no adaptation, if the external environment of the host country resembles the home country. However the distinctiveness of emerging market environments urges foreign companies to tailor their marketing programs [*i.e.* the elements of the marketing mix, as specified by Brei *et al.* (2011)] specific to local conditions; the success becomes elusive if the chosen strategies do not fit well with the prevailing conditions there (Bilgin *et al.* 2004). For instance, Bianchi and Arnold (2004) emphasize that international retailers must consider elements of the social environment (*e.g.* family, community and social responsibility) as well as elements from the economic environment of retailing (*e.g.* market, suppliers, competitors, consumers) to achieve retail internationalization success. Bianchi and Arnold (2004) contend that retailers succeed in international markets when they adjust their retail format and practices to the salient institutional norms in the host market and achieve legitimation from the relevant social actors. They suggest retailers to draw important lesson from the failure of a well-known category killer (do-it-yourself retailer) in an emerging market. Their findings indicate that the retailer failed to offer the range of merchandise and store atmosphere demanded by the traditional family shopping activity, and also that the firm's management team did not embed themselves in the broader social network and therefore after a few years ended up in withdrawal from the market.

Furthermore, Khanna *et al.* (2005) point out that to succeed in emerging markets, companies must modify their business models while retaining their core business propositions even as they adapt their business models to the nation's institutional context. The executives choosing strategies are suggested to figure out how the product, labor, and capital markets work, identify "institutional voids" and work around them. As further indicated by the authors, since each country's social and political setting - as well as the manner in which it has opened up to the outside world - shapes those markets, the companies are obliged to consider those factors, too.

In sum, as it was already noted in the beginning, the model developed by Bilgin *et al.* (2004) was qualified as a universally applicable framework and therefore the one

developed by Grewal *et al.* (2006) with its more specific and rigid structure was viewed as a subset of it. Whilst the former helped to think more expansively, the latter inclined the thoughts towards international retailing. As a result some relevant literature, various works and papers mostly centering on international fashion and clothing retailing themes, were synthesized for the purpose of articulating the research questions and subsequently addressing them to the interviewees.

- Do the above-discussed concepts contribute to the success of Turkish specialty apparel retailing firms in the CIS countries? Could these concepts be ascribed to success in the course of internationalization and operations in the CIS countries?

III. RESEARCH METHODOLOGY

This section of the thesis describes in detail the research design and methodology of the research conducted. Specifically, some description of exploratory research design, listing of the research questions and objectives, explanation of data collection, description of several steps of sampling design process and some comments on data analysis are given respectively.

3.1. Research Design

Given the relatively unexplored nature of the research topic, that is retail international expansion from emerging countries (Bianchi, 2009), this study has utilized an exploratory qualitative research approach (*see* Yin, 1994). To be more precise, a case study methodology was used to analyze patterns of the Turkey-based specialty apparel retailers that have been actively internationalizing and consistently developing their operations within the CIS region, particularly in Russia, Ukraine, Belarus, Azerbaijan and Kazakhstan. Besides, it was important to take a further step and understand determinants of success there. Exploratory methods such as case studies have been identified as being specifically helpful in examining strategies in emerging markets (Hoskisson *et al.*, 2000; *see* Larimo and Huuhka, 2007).

3.2. Research Questions, Aim and Objectives of the Study

The literature review which is presented in the preceding section of the thesis has reflected the following research questions (RQ):

RQ1 - What is the operating model of Turkish specialty apparel retailers which are positioned and doing business in the CIS countries at present? How would the chart depicting the flow of apparel goods across the national borders for example into Russia look like?

RQ2 - Do Turkish specialty apparel retailers positioned in the CIS countries engage in merchandise sourcing? In which country(ies) does the sourcing take place? How do these firms source?

RQ3 - To what extent Turkish specialty apparel retailers are involved in private labeling in the CIS countries? Do they sell merely own labeled merchandise? Do they include any manufacturers' and/or designers' brands in their merchandise mix?

RQ4 - Does the internationalization of Turkish specialty apparel retailers conform to the *Uppsala internationalization model*³⁶? To what extent these firms have geographically diversified within the CIS region? What is the level of market commitment there at present?

RQ5 - What is the most preferred market entry mode for Turkish specialty apparel retailers? Do they use different entry modes simultaneously? Why?

RQ6 - What are the critical factors to Turkish specialty apparel retailers success abroad? What contributes to their success in the CIS countries?

This study aims at exploring and understanding some critical aspects of internationalization process of Turkish specialty apparel retailers doing business in the CIS region. The purpose is to gain an insight into the aspect associated with the last stage of retail internationalization process - the entry mode choices - as well as to find out critical factors to the emerging market retailers' success. In addition, Turkish specialty apparel retailers' sourcing and private labeling activities have been explored. Thus the corresponding objectives are stated below.

- Objective One: to determine the Turkish specialty apparel retailing firms characteristics including company history, future oriented plans and profile;
- Objective Two: to shed some light on the production process, private labeling, and sourcing activities;
- Objective Three: to find out the market entry modes utilized in the CIS countries and understand the entry mode choices of these firms;
- Objective Four: to detect the critical factors to Turkish specialty apparel retailers' success operating abroad and particularly in the CIS countries.

³⁶ The Uppsala Internationalization Model (also known as *the Nordic model* or *the Stage model*) explains the international development of firms (e.g. Johanson and Vahlne, 1977). According to Johanson and Vahlne (1977) internationalization consists of four stages: (1) firms do not have regular exports, (2) firms export through agents, (3) firms sell through subsidiaries, and (4) firms begin overseas production.

3.3. Data Collection Method and Instrument

The choice of an in-depth interview as a data collection method seems to be utterly appropriate since there has been an increasing call for, and recognition of the value of, in-depth qualitative techniques in the international retailing domain (Hutchinson *et al.* 2009). Thus, a *semi-structured*³⁷ face-to-face interview is used as a data collection instrument for conducting a fieldwork. The list comprising research questions was made available to the interviewees in good time for the purpose of obtaining rich insights. To ensure a systematic approach to the data collection process, the interviewer followed an outline, containing ten open-ended questions.

3.4. Defining the Steps of the Sampling Design Process

Target Population: The Turkey-based specialty apparel retailing firms with retail operations established abroad.

Sampling frame: The Turkish specialty apparel retailers who are the members of the “Birleşmiş Markalar Derneği” and “Perakende.org” respectively. A list was compiled by accessing the on-line websites of these associations. A total of 44 firms have been identified as currently operating abroad with more than 50 different apparel retail chains in the aggregate. Please note that several Groups own more than one apparel retail chain (for details see **Appendix 3**).

Sampling technique: Nonprobability sampling techniques, namely, the convenience sampling in combination with the snowball sampling are utilized. As per the snowball sampling technique, an initial group of informants is selected randomly whereas subsequent informants are selected based on the referrals provided by the initial informants. Basically, this process is carried out to get referrals from referrals. Keeping in mind that the major advantage of snowball sampling is the fact that it strongly increases the likelihood of locating the desired characteristic in the population while resulting in

³⁷ This means composed of both unstructured and structured questions. Unstructured (open-ended) questions are very useful in exploratory research. They enable the respondents to express general attitudes and opinions that can help the researcher interpret their responses to structured questions (Malhotra, 2010, p. 343).

relatively low sampling variance and costs (Malhotra, 2010, p. 381), altogether justify the choice of this sampling technique. It is important to note that the respondents as representatives of the contacted companies reached through the snowball effect are experts in their field (export managers and marketing professionals).

A single cross-sectional design wherein only one sample of respondents is drawn from the target population, and information is obtained from that sample only once (Malhotra, 2010, p. 108) is deemed as the optimal research design because of the time and cost constraints imposed.

Sampling unit: A Turkish specialty apparel retailing firm based in Istanbul and operating in the Commonwealth of Independent States, particularly in Russia, Ukraine, Azerbaijan, and Kazakhstan.

Element: A high level marketing department manager represents an informant from whom information pertinent to the research topic is obtained – the questions are addressed to marketing and sales managers and an executive involved in making strategic business/marketing decisions.

Execution: At the onset of the sampling process by utilizing convenience sampling, an association, namely “*Birleşmiş Markalar Derneği*” which is based in Istanbul, was contacted in person by delivering a letter in August, 2012 for the purpose of getting some support. This action served as a basis for getting referrals from referrals and as such a snowball effect was achieved without difficulty.

Subsequently, semi-structured in-depth interviews were conducted in order to gain insights into the aspects associated with the last stage of retail internationalization process in general and find out the answers to research questions posed in particular. To be more precise, the entry mode choices, the aspects of international apparel retailing such as private labeling, and outsourcing, as well as the aspect of post internationalization stage – the critical factors to clothing/fashion retailer success – were detected and understood. Four retailing firms based in Istanbul were studied per se. Letters via the internet and by hand in person were sent/delivered to the firms’ head offices in advance. The letters were outlining the purposes of the research and informing about the themes and questions that were sought after.

Two out of four retailing firms are relatively late in the internationalization in comparison with those known as the first movers. The latecomers started to internationalize in the beginning of 2000s and currently are the members of different

associations such as “Laleli Sanayici ve İş Adamları Derneği” and “Merter Sanayici ve İş Adamları Derneği”. They operate mainly in the Central and Eastern Europe countries, the Middle East and have been expanding into the CIS countries recently.

3.5. Data Analysis

Interviews were written down and then analyzed by the researcher personally. The process of interpretation revealed common and recurrent themes and interconnections between the notes of the researcher. Interview data are used and summarized in the succeeding sections of the thesis.

IV. FINDINGS

This section of the thesis presents the raw data obtained through face-to-face, in-depth interviews; four separate conversations held with the marketing managers/directors of four Istanbul-based specialty apparel retailing firms formed the basis of the interpretation herein.

4.1. Firm Characteristics: Company History, Future Oriented Plans and Company Profile

Retailer A: *The company is a fast fashion retailing firm that offers apparel and accessories to young ladies and middle-aged women. It entered into textiles business in the early 1980s and opened its first apparel store in Laleli, Istanbul, in 1992. In 1997, it entered into the Russian market as a wholesaler, and in 2002 the first retail outlet of its own was opened in Tverskaya Street in Moscow. In 2008, in addition to the existing brand, the firm created two new brands, namely “Love My Body” and Codentry. Later on, the existing Adil Işık brand was repositioned as adL. Currently firm’s brand portfolio comprises adL, Love My Body, Codentry, and Night Zoom. Adil Işık Group, has 103 stores in Turkey and over 60 stores abroad that are mainly operated under adL brand. Presently, in Russia alone their products are sold in over 25 stores spread across the country.*

adL positions itself as the secrets of “flaring feminine” with unique and chic models combined with quality and acceptable price. The brand, Love My Body targets “plus size girls and women” i.e. trendy and young women with plump figure, while Codentry targets stylish young women who are between 16 and 35 years old. Codentry’s concept emanates from Latin America and it combines the character of city life and the party dress style. There are 15 Codentry concept stores in Turkey, one in Turkish Republic of Northern Cyprus and another one in Montenegro. Night Zoom is exclusively designed for young ladies that want to look impressive in special events such as ceremonial occasions and parties. By the end of 2012 the company plans to open circa 50 stores abroad through franchising and joint venturing. They will be opening a store in Beijing, China this year

and additional 10 stores in the coming year. The company has recently made franchising agreements with its partners in the host countries such as Kazakhstan, Georgia, Armenia, Jordan, Algeria, Egypt and China and will be opening additional stores next year.

Retailer B: *Gizia was first established as a textiles trading company in Laleli, Istanbul, in 1986. In the early 1990s, the firm was engaged in the wholesaling of women apparel products and was selling primarily to the so-called shuttle traders, the independent entrepreneurs who were intensively coming from the countries of the former Soviet Union and the Balkans. In 2005, after going through a reorganization, Gizia brand was founded and the firm's financial resources had been allotted to the branding and retailing activities. Later that year, Gizia opened their own specialty, limited-line stores in Laleli and Nişantaşı and boutique shops in premium hotels located in the Mediterranean region of Turkey with the aim of targeting affluent foreigners. Though its brand awareness in the domestic market was minimal, the firm's first goal was to attain substantial brand awareness in foreign markets by establishing its own concept stores/flagship stores in the developing markets of the Central and Eastern Europe such as Russia and Ukraine as well as in the more mature markets such as Italy, Romania and Greece. In the aggregate, the firm has 80 stores operating under the Gizia brand abroad.*

Gizia is a high fashion retailer who defines itself as a "trendsetter" in the fashion industry. It combines distinctiveness and creativeness with quality in its models. Gizia positions itself as an elegant, authentic, upscale, and moderate to high priced product. The brand targets young and middle-aged women in the higher income bracket with its value-based pricing strategy. Gizia actively participates in the Istanbul Fashion Week held annually as well as in the international fashion fairs.

Gizia uses three retail formats to reach its customers. In the domestic market, especially in five-star hotels the firm uses a boutique format whereas in the big cities it mostly uses concept stores. For prestige and to sustain its brand reputation, in the European countries such as Italy, Romania, and Greece the firm operates its own flagship stores which are relatively larger in scale. In the Middle East, particularly in the United Arab Emirates and Qatar, Gizia is very successful since there is no prejudice to the Turkish brands. In the European market where the company faces fierce competition, the stores simply break down the prejudice by offering unique, high-quality products with superior customer service.

Retailer C: *The Eroğlu Apparel was founded in 1983, in Istanbul as an outerwear contract manufacturer. It was restructured following the crisis that hit the Turkish textile industry in 1998 and underwent a very thorough change in the course of several years. In the late nineties the company started to intensively produce for export while being contracted out by the well-known brands like Gap and Calvin Klein. Throughout the 2000s it continued its production for the worldwide brands adding Lee Cooper, Tommy Hilfiger, Next, Esprit and Marks & Spencer to its customer base. Eroğlu still produces for the famous western brands and simultaneously manufactures for its apparel retail chains, namely Loft which is primarily operating in the domestic market and Colin's which is already widespread internationally. Colin's as a brand was founded in the early nineties for the purpose of exporting finished produce primarily made of denim and gabardine. Nowadays, the firm sells high-quality casual wear collections which are designed by its own fashion designers and produced mainly in-house. Eroğlu has reached 670 stores covering 170.000 m² in 32 countries which are operating under the Colin's brand and spanning the regions such as the Western Europe, the Central, South and Eastern Europe, the Baltics, the Middle East, and the Central Asia. This year, the company has opened its own store in a relatively remote market, the Dominican Republic. Most of the company's stores are concentrated in the countries of the former Soviet Bloc. For instance, in Russia the company has over 170 stores and circa 60 stores in Ukraine alone. By the end of 2015 the company plans to reach a total number of 1500 stores spreading across 50 countries while attaining overall sales of \$1.5 billion.*

Retailer D: *Mavi Jeans was established in Istanbul in 1991. Mavi Jeans designs and produces a full collection of denims and casual wear for young women and men. The company is Turkey's first blue jeans brand which has literally become global. Mavi has been the leading jeans brand in Turkey for almost two decades with over 10 per cent market share. In 2006 Time Magazine placed Mavi amongst the top 16 best jeans brands worldwide in its A-List. In 2011, the company sold 3 million blue jeans in the domestic market alone. Mavi is now sold worldwide in company-owned specialty stores as well as in well-known department stores and specialty chains such as Nordstrom, Urban Outfitters, Peek & Cloppenburg, Lord & Taylor, and David Jones in almost 50 countries including USA, Canada, Australia, Germany, Netherlands, Russia, Ukraine and Kazakhstan. Mavi has over 288 retail stores with flagship stores in New York, Vancouver,*

Berlin, Frankfurt, Düsseldorf, and Moscow. Mavi has an affiliate in Russia which was founded last year. Mavi has 25 franchised stores and about 150 corner stores in the CIS countries at present.

The company succeeded in selling 40 million jeans worldwide over the last two decades. In 2011, Mavi's sales revenue exceeded \$255 million; the company's overall sales have been growing at an average rate of 30 per cent yearly over the last three years.

4.2. Production Process, Merchandise Outsourcing and Private Labeling

Retailer A: *Adil Işık operates through a system which is comprised of many nationwide subcontractors and several joint ventures specializing in design, cutting, assembling, ironing, or packaging. All this is linked to retail outlets which are either independently operated/franchised or privately owned and are presently located within and outside Turkey. The firm produces over 6 million garments a year; 85 per cent of the products are manufactured in Turkey. The firm puts great emphasis on the product quality and therefore it prefers sourcing most of the merchandise from Turkey. The management has established close and favourable relationships with the local contract manufacturers and with some designers including a well-known fashion designer, Cengiz Abazoğlu. The items such as belts, handbags, hats, scarves, gloves, etc. are sourced mainly from the countries in the Far East. The company finds China, India, and Pakistan as the most suitable countries for sourcing all types of fabrics and accessories that can be used as the inputs in the production process as well as in forming the merchandise mix respectively.*

In the CIS, the firm's products reach the customers under adL brand and are offered under a standardized retail concept. adL operates as a single-brand retailer and offers three own labels, namely Codentry, Love My Body, and NightZoom targeting different segments in the host countries.

Retailer B: *In terms of design Gizia is glamorous and sophisticated, in terms of quality it is a top-notch, in terms of lifestyle it is aristocratic and posh. All these attributes are imparted to the brand by a talented team consisting of designers, sourcing specialists, and product development personnel working for the company; production is realized in its own*

manufacturing plants which are situated in Istanbul. Gizia uses finest materials in the production of its collections and it continuously inspects quality throughout the entire production process, besides all components from threads to hand-made crystals are diligently selected. For the purpose of ensuring high quality, Gizia sources most of its fabrics and accessories from Italy, France and Spain.

Gizia is a single-brand retailer which offers own label, namely 4G to the customers in the CIS countries.

Retailer C: *Colin's* reflects a dynamic lifestyle and tells the story of a cheerful life. It is a fashion brand that creates a borderless world, and internalizes freethinking and being trendy. In foreign markets, *Colin's* operates as a single-brand retailer by targeting adults of both gender. *Colin's* has become a leading apparel firm in Turkey owing to its quick access to raw materials, semi-finished products, new technologies and by employing highly creative team of local designers, experienced sourcing specialists and retail experts. For example, recently Marks & Spencer has awarded a certificate of appreciation to the *Colin's* designers. A collection designed by *Colin's* employees for Marks & Spencer has hit record high sales this year.

From 2002 through 2007 the company invested relatively heavily upstream. It step up its production by establishing a denim manufacturing plant in Çorlu which later on became the biggest integrated blue jeans plant in Turkey. In 2004, the company set up a garment sewing subsidiary (performing cutting, sewing, buttonholing, ironing) employing over 450 employees in Aksaray, Turkey and three years later it made brownfield investments in Egypt. Currently there are two manufacturing subsidiaries in Egypt; the first one is located in Dimyat where the cotton yarns are spinned, the denim fabrics are woven and subsequently gone through the dyeing process, whereas the second one is situated in Ismailiye where the garments' assembly is performed. Increases in production capacities were coupled with some investments made in a timely manner downstream for the purpose of setting up much larger company-owned outlets in big cities abroad (in Russia, and Ukraine in particular) in addition to existing network of smaller, third-party-owned stores.

Colin's outsources circa 25 per cent of its merchandise to subcontractors located in China, Pakistan, Bangladesh and Indonesia. These subcontractors make the product according to the design specified by *Colin's*. The jeans-wear is sourced mainly from its

manufacturing subsidiaries located in Turkey and Egypt. In the aggregate, its own factories in Egypt supply up to 65 per cent of all blue jeans sold in the foreign markets.

Retailer D: *In the CIS countries Mavi operates as a single-brand specialty retailer. The retailer strives to build a brand around perfect fitting jeans that convey a Mediterranean feeling in terms of fashion and detail; as per Mavi, Mediterranean is exotic and inspirational, contemporary and accessible and all these traits make its products be special worldwide.*

Mavi develops its collections and make orders for production in the Far East countries (China, India, Sri Lanka, Indonesia) where costs of production and labor are relatively low.

4.3. Market Entry Modes Used in the CIS Countries

Retailer A, Retailer B: *After being originated in the early 1980s, Adil Işık was engaged in selling ready-to-wear garments within the confines of the domestic market only. Gizia was also targeting domestic consumers initially. It was not until a decade later that these companies were primarily wholesaling to customers coming from the foreign markets. Throughout the 1990s, Istanbul had witnessed the influx of foreign traders and tourists incoming from the countries of the disintegrated Soviet Bloc. For adL and Gizia this was a big opportunity not to dismiss. In the mid 1990s adL and Gizia were already targeting the so-called shuttle traders who were regularly coming from the Central and Eastern Europe and the CIS countries. In the early 2000s, in order to enlarge their customer bases, both adL and Gizia started to engage in direct exporting into foreign markets such as Russia, Ukraine, Belarus, Azerbaijan, and Kazakhstan. In the mid 2000s, these retailers were already internationalizing through opening company-owned stores such as the flagship stores and privately-owned retail outlets along with franchised outlets.*

Retailer C: *Colin's sees the Western European markets as highly saturated and their presence in the major markets such as Germany, France, and Italy bears the aim of gaining prestige rather than making profits. The firm has flagship stores there. Whereas in the CIS countries the firm has built networks of retail outlets which are either privately-owned or franchisee-owned. Franchising is heavily used in the CIS countries.*

Retailer D: *Throughout the 1990s the retailer was engaged primarily in direct exporting of branded jeanswear to the European markets as well as the USA and Australia. In the beginning of 2000s, Mavi started to establish company-owned stores and signing franchising agreements with its partners from the CIS countries. In-store concessions (corners) were mainly used in the European market and in the U.S. Mavi currently uses direct franchising and master franchising whilst opening its own retail outlets in the big cities of the CIS countries.*

Table 4.3. The Market Entry Modes Used by the Turkish Specialty Apparel Retailers in the CIS Countries

Retailer	Market Entry Modes Used
<i>Retailer A</i>	flagship stores, direct franchising, master franchising, corners;
<i>Retailer B</i>	flagship stores, direct franchising, master franchising, corners;
<i>Retailer C</i>	flagship stores, organic growth, direct franchising, master franchising, the Internet;
<i>Retailer D</i>	flagship stores, organic growth, direct franchising, master franchising, corners, the Internet;

4.4. The Critical Success Factors of Turkish Retailers Operating Abroad and particularly in the CIS Countries

All four retailers strive to respond to changing fashion trends in a timely manner in the marketplace. They pay close attention to managing the inventory levels in all their stores across any given host country within the CIS. They put all their effort in making the merchandise to be always available off-the-shelf. The store managers feed back sales and market data from the field in order to convey what catches on and what does not in that particular market. The retailers find collaboration and cooperation across all stages of the value chain very important. The retailers emphasize a pull strategy spending heavily on advertising to increase demand.

Retailer D says: “Our supply chain which transcends the national borders is dynamic and involves the constant flow of information, product, and funds between different stages (e.g. customers, retailers, distributors, manufacturers). Our stores in the CIS convey point-of-sales data as well as replenishment orders to the local warehouse (or distributor), who transfers the replenishment order via trucks back to the store in a timely manner. We have invested in transportation and information infrastructure to facilitate effective flow of goods and information.” On the other hand Retailer A says: “We share information and collaborate with suppliers to bring down costs and improve product availability. Our

supply chain operations handle incoming customer orders in the best possible way. We allocate inventory to individual orders, set a date that an order is to be filled, generate pick lists at a warehouse, allocate an order to a particular shipping mode and shipment, set delivery schedules of trucks, and place replenishment orders. Our inventory is built up in anticipation of customer orders coming from our vendors. We strike a balance between responsiveness and efficiency that fits with our firm's competitive strategy. Our contract manufacturers are responsive and can serve the rapidly evolving needs of the fashion industry." Retailer C says: "First of all let me explain what our firm's competitive strategy is based on. It is based on our customers who place greater emphasis on product variety and quality than on cost. Our competitive strategy in the CIS targets customers who want to purchase high quality clothes, be dressed decently and served adequately. Therefore we align our supply chain strategy with the missions of this competitive strategy. Nevertheless, our firm strives for providing variety of products in a timely way while taking into account the cost associated with logistics and carrying low levels of inventory." Retailer B accentuates: "The increased distance between manufacturing and point-of-sale that goes with international marketing makes the logistics part of distribution more important. For example, by collaboration of various departments we avoid delivery delays, eliminate the problems with lack of supplies when shipping across borders. The international success of our firm owes much to its ability to manage logistics across many borders successfully." Besides, the retailers try to rationalize distribution by introducing some uniformity across host countries within the CIS.

First movers pursue controllable market expansion within the CIS region so that they can achieve economies of scale, economies of experience as well as the economies of scope that in combination enable these firms to mitigate their costs and risks. The retailers also utilize product line diversity strategies such as offering scrambled merchandising, improving breadth of assortment, devoting sales area to traditional and classical outerwear along with their specialty casual lines and vice versa (with Retailer A and Retailer B). For instance, the first movers offer business attire or evening wear along with sports-wear appealing to customers with traditional and update lifestyles.

Besides, the retailers agree that it is important to customize the retail offer according to local consumption tastes and preferences. Adaptation of the product attributes such as size, color, and design have been one of the most important success factor so far in international markets for these firms. For instance, the retailers refer to anthropometric

data which gives information about the distribution of body dimensions in the population in particular host country. They produce new clothes that are in line with current fashion trends and sewn to fit local customers' physical features. The country managers come into headquarters and select the best suitable collections by taking into account all those dimensions.

V. DISCUSSION

This section of the thesis harnesses the findings obtained from the case studies of Turkish specialty apparel retailing firms. The interpretation of the findings is presented under four separate headings which in turn are congruous to the titles indicated in the foregoing literature review part of the thesis.

5.1. Market Entry Structure of Turkish Specialty Apparel Retailers into Russia and Other Former Soviet Republics

Basically, the value that is offered by Turkish specialty apparel retailers abroad is fourfold. These are product offering, service offering, shopping experience, and pricing. Product offering mainly include the depth and breadth of assortment, private labels, and product quality. The customer's shopping experience includes the physical layout of the store, the arrangement of merchandise and the attitudes of the shop assistants. The pricing model includes pricing strategy and value-added services. All these are the elements of the value proposition which in turn are supported by the operating model of these firms. Not surprisingly the operating model enables these firms to fulfill their pledge to their end-users in the CIS countries. The firms' head offices house many important departments such as production, merchandising, finance, supply chain management, information technology, sourcing, and human resources. Especially the first movers (*Retailer C* and *Retailer D*) have so-called "global sourcing" departments which are responsible for arranging up to one fourth of the total clothing and accessories products from outside Turkey. The formed merchandise is then directly exported (allocated) into the CIS countries.

Three retailers (*Retailer A*, *Retailer C* and *Retailer D*) to some extent source fabrics (dyed/undyed) as well as finished products from external suppliers with the help of either foreign agents or domestically located importers. These intermediaries help to bring in the produce from the countries such as China, India, Bangladesh, and Indonesia. For instance, the sourcing personnel at two retailers' (*Retailer C* and *Retailer D*) headquarters directly source fabrics, other inputs, and finished products from the manufacturing subsidiaries

located in Egypt. Nevertheless the internal suppliers such as in-house manufacturers and other Turkey-based textiles and apparel companies (local contract manufacturers with established long-term relations) are employed for the sourcing of merchandise to a great extent.

There were some variations on finished garment sourcing amongst these firms, however as a whole the retailers' sourcing methods fell into two distinct outsourcing categories supporting Mihm (2010). Two of the retailers (*Retailer C* and *Retailer D*) were fully vertically integrated, that is they controlled all stages of the design, manufacturing, and distribution processes and therefore were heavily dependent on their own manufacturing plants located in Turkey and Egypt respectively. Whereas the other two retailers (*Retailer A* and *Retailer B*) did not own any factories abroad and either produced in-house or contracted with local textile and apparel manufacturers while using designs handled in-house. The latecomers (*Retailer A* and *Retailer B*) were not backwardly integrated to their full extent and therefore had a direct contact with producers both domestically and internationally and controlled the design and manufacturing processes to make sure their design specifications and internal quality standards were met accordingly.

The cross-border physical flow of clothing and accessories products varies from country to country within the CIS region, but it can be generalized from the narratives that two distinct paths are used in order to reach both the final consumers and the ultimate outlets. The first method of distribution is to use indigenous distributor companies in the countries where market is at rudimentary or developing stage; in this case all distribution burden is placed in the hands of an outside and independent distributor. This distributor usually takes ownership of the apparel goods, paying the Turkish manufacturer, and often handles the importing and customs process, in addition to storage and distribution in the host country. In the majority of cases, the retailers (Turkish manufacturers) appoint one distributor for the entire country, with an exclusive territory. Whereas the second method is realized by means of an affiliate (a separate entity) in the host country and which in return collaborates with either independent intermediaries like wholesaler-distributors or with supply chain participants like third-party logistics providers and value-added warehousing companies (performing almost the same functions and activities as do wholesaler-distributors). This method of distribution is inherent in the host countries with high market potential and relatively high purchasing power such as Russia, Ukraine, and Azerbaijan. It was understood that especially the first movers (*Retailer C* and *Retailer D*)

were inclined to simplify their distribution channels in the large export markets. For example in Russia and Ukraine the first movers have chosen to do their own wholesaling for the purpose of controlling more effectively the flow of goods to their end-users, the training of their salespeople and their selling activities, and the flow of information returned to the country offices by a staff that is actually out in the field.

In the retailer stage in order to achieve a wider coverage for example in Russia or Ukraine, a multiple outlet distribution is preferred; three different retail trade structures like company-owned stores, franchised stores and independent stores are employed. In effect, two distinct networks of stores are set up: a network of much larger company-owned outlets in big cities in tandem with a network of smaller, third-party-owned stores. Local country offices of the retailers back up all existing stores with adequate promotion to consumers. Three retailers (*Retailer A*, *Retailer B*, and *Retailer D*) tend to set up their own boutiques or lease corners within the existing department stores such as the extant so-called main universal stores, *the GUMs*³⁸, along with so-called central universal stores, *the TsUMs*³⁹. For example, in Russia, the GUMs and TsUMs are located in the center of the big cities and towns throughout the entire country. The retailers also successfully exploit franchising by providing financial and managerial assistance to the franchisees while properly situating the stores. Two retailers (*Retailer C* and *Retailer D*) succeeded in laying the foundation for the electronic channel thanks to the newly formed customs union between Russia, Belarus, and Kazakhstan which in turn from now on will enable them to go direct to final consumers in all those countries. The customs union agreement that became effective early this year with the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation as initial members (see EurAsEC, 2012 for details) will positively influence the retailers on-line selling in years to come. Besides, the rapid

^{38, 39} The GUMs and TsUMs were state-owned and had been very popular in big cities during the Soviet times, for example, two branches of TsUM, *Moskovskiy Tsentralniy Universalniy Magazin* (<http://www.tsum.ru/>) and *Dom Leningradskoy Torgovli* (<http://www.st-petersburg.net/shopping/departament.htm>) which are located in Moscow and Saint Petersburg respectively, are very popular in Russia today. In the early post Soviet period, there had been built new retailing facilities having the very similar format, called as *Torgoviy Tsentr/Dom* in Russian, meaning Trading Center/House. These are generally three- to four- storey facilities that have several departments, boutiques and shops under one roof, each selling distinct merchandise, from electronics and home appliances to watches and apparel. Though these traditional retailers continue to be an inherent part of the Russian retail structure and are inevitably bound to the local culture and lifestyle, recently a few modern forms of retailing have been emerged. For example, *Stockmann* already owns five department stores in Moscow and one in St. Petersburg (<http://www.stockmann.ru/portal/1729/>), besides in order to serve emerging middle-class consumers who seek both convenience and entertainment new shopping malls with completely different formats such as *Vegas* (see <http://www.vegas-city.ru/>) have been built as well. All these actually serve as platforms for opening outlet stores, in-store concessions and company-owned stores in the big cities of Russia.

expansion of e-commerce, particularly in Russia, which is forecast to exceed a value of 16.1 billion USD in the coming year, and reach a value of 1.7 billion USD in on-line purchases of clothing and accessories products this year (Grammatchikov, 2012), in essence justifies the Turkish retailers' investments made so far into the on-line selling in that particular market. In addition, the results of a survey conducted on the Ukrainian internet users shows that clothes ranks second in popularity among online buying, that is 42% of online-shoppers in Ukraine have bought these goods in 2012 (GfK Ukraine, 2012).

It was understood from the narratives that for the retailers in common, participating for instance in Russia, the growth market, has involved increasing the number of outlets, improving the coverage of segments, and heightening the response to competitive threats.

Hitherto, the company-owned stores have been preferred in order to properly perform marketing activities such as retailing, brand management, and market sensing. For example, *Retailer C* emphasizes the role of the company-owned stores in attaining the retail brand consistency across the foreign markets and in the CIS in particular where more and more customers prefer buying Western brands nowadays. It was also understood that the company-owned stores enable the retailers to react to customer preferences in a timely manner and also provide standardized customer service across the host countries in the region.

The franchisee-owned stores are preferred in cases when the retailers want to grow fast and build a brand name before the rivals do in the local market. The retailers (*Retailer C* and *Retailer D*) state that the simultaneous existence of franchisee- and company-owned stores is because some of the stores are transient. The rationale for keeping both company and franchisee outlets is that circumstances in the retail environment at one point in time create a need for one form or the other. As *Retailer C* says, in particular cities of the region, they start out with company stores, and after some time they add franchisees, usually at a high rate. Their company stores serve as the prerequisite to success but sometimes the contrary is also true. The retailers believe that franchisors should set the strategy in a particular market, then convince franchisees to adhere to it. However the retailers agree that in some cases, franchisees may generate perfect ideas as they cope with local circumstances: competition, sales force, and customers.

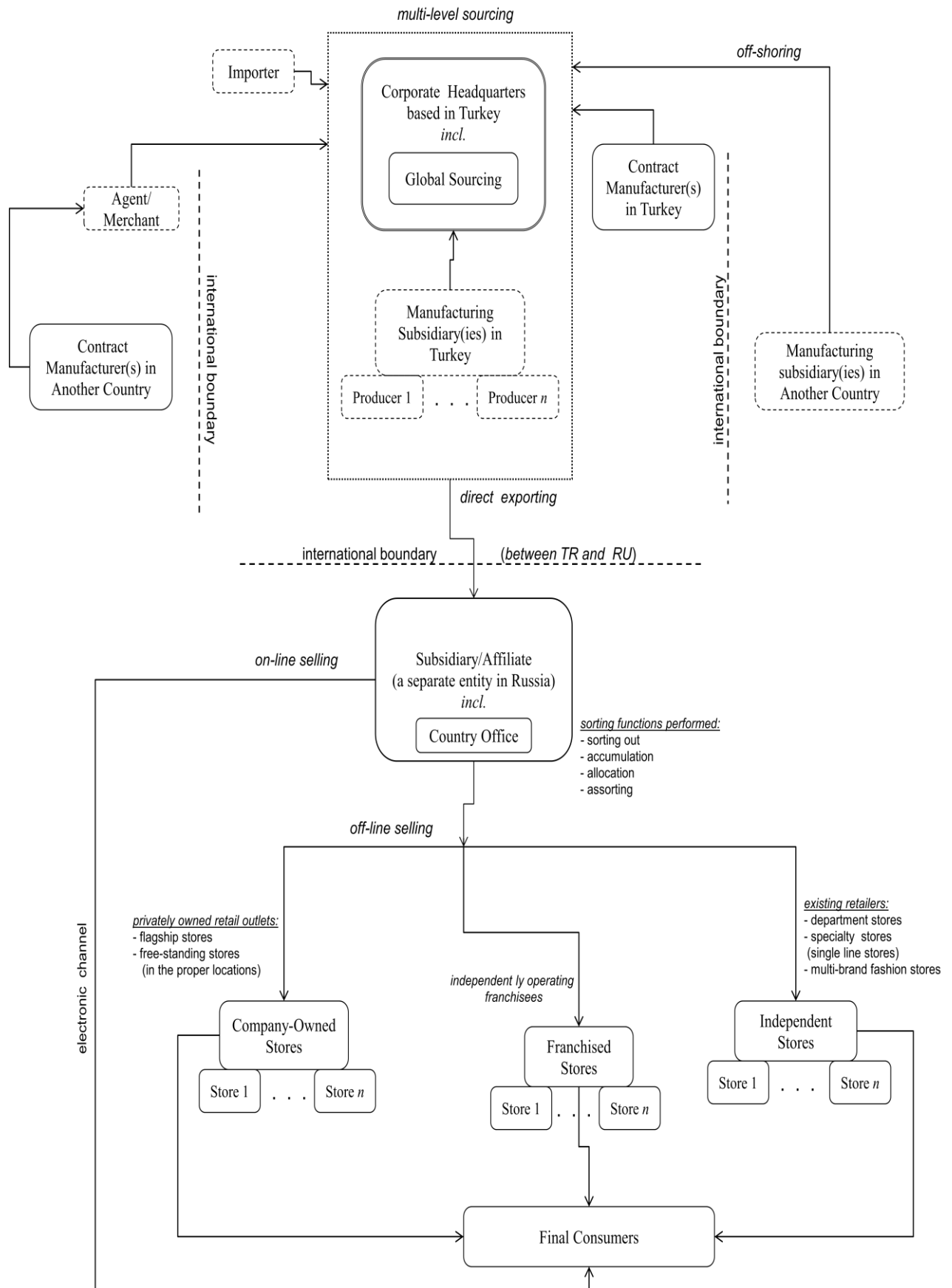
Internet penetration has deepened in the CIS and particularly in Russia, Ukraine and Kazakhstan and currently there are many locally-based retailers such as *Kupivip*, *biglion*, and *lamoda* that sell directly to customers via the Web sites. Internet-based retailing has

good prospects in the CIS and the Turkish retailers believe that consumers will increasingly consider internet-based retailing to be mainstream in the near future. For instance, growing numbers of companies in Russia, are becoming aware of the need for multichannel sales as an integral part of their development strategy, and as such are increasingly expanding their operations online. Therefore, Turkish retailers are currently taking action against those competitors who managed to gain non-trivial shares and positions in internet-based retailing in Russian and Ukraine. They try to succeed in extending their expertise to the Web in order to withstand competition.

As *Retailer A* and *Retailer D* emphasize, the apparel is one of the favoured items among Russians and Ukrainians, especially women concerned about their appearance, appreciate the opportunity to ask the advice of shop assistants and to try the products on. Therefore they think that consumers will continue to prefer to shop in traditional retail stores as well.

It was understood from the narratives that traditional retail stores are expected to remain an important part of retailing in the CIS. Turkish specialty apparel retailers with their current interests spanning both the store-based and the internet-based retailing will be adequately positioned in order to take full advantage of the local consumer spending in apparel goods.

Figure 5.1. A Holistic Chart of Turkish Specialty Apparel Retailers' Sell-in and Sell-through Structures in Russia, the largest market within the CIS (Own Elaboration)



5.2. Internationalization Process of Turkish Specialty Apparel Retailers

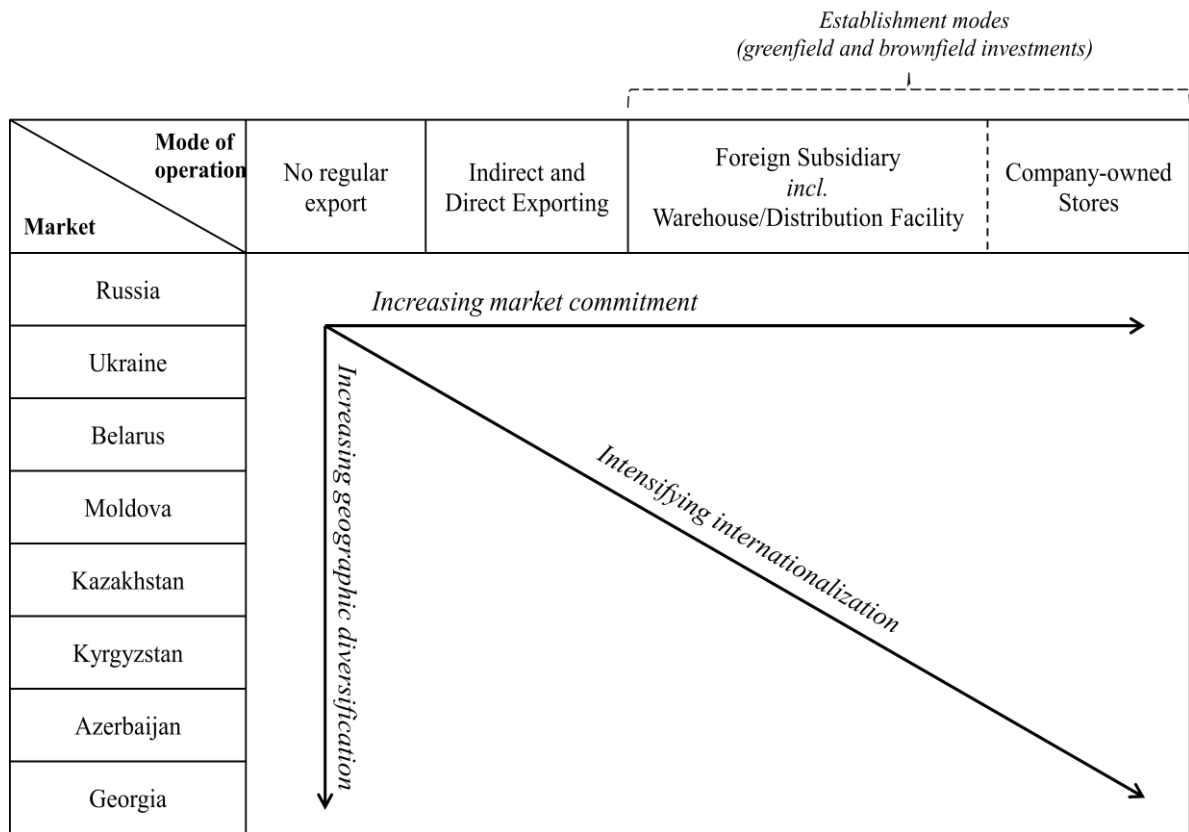
It has been noted that, in the first place, the companies appeared to commence their operations abroad in neighbouring markets (*i.e.* geographically close countries) such as the Central and Eastern Europe, the Middle East, and the CIS and only gradually entered more remote markets like the Western Europe, the South and North Americas, the Far East, and Australia. In the second place, it appeared that companies penetrated new markets through indirect and direct exporting; in the early stage of the internationalization process none of the companies entered new markets by founding an organization from scratch or by merger and acquisition or by establishing manufacturing subsidiaries of their own. Wholly owned or majority-owned operations were founded only after some years of exports to the same market. With regard to the CIS, in the promising markets and markets with low psychic distance such as Russia, Ukraine, Azerbaijan and Kazakhstan, company-owned stores were founded as well as investments were made to some extent in order to assist the local partners in the development of network of franchised stores. In the third place, it has been noticed that in the process of internationalization, these firms have been gradually deepening their commitment and investment as they gained greater market knowledge and experience over time within the CIS. For example, being familiar with the Russian market and having acquired local market experience there, the retailers succeeded in entering into adjacent countries such as Ukraine and Belarus and subsequently strengthened their positions in those culturally similar markets. In the same vein, Kazakhstan and Azerbaijan served as bases in permeating the Central Asian and the Caucasian countries respectively.

The **Figure 5.2.** below reflects that the retailers' internationalization strategies conform to the Uppsala Internationalization Model.

Benito *et al.* (2011)'s work accentuates that the internationalization process theory could be seen as more "fluid" and hence as more amenable to mode combinations; the internationalisation process approach to some degree could be used how mode combinations can be explained.

Figure 5.2.

Turkish Specialty Apparel Retailers' Intensifying Internationalization within the CIS



Accordingly adapted from: Hollensen (2001, p. 48)

5.3. The Market Entry Mode Choices of Turkish Specialty Apparel Retailers in the CIS Countries

Exporting. At the early stage of internationalization process, all retailers mainly relied on wholesaling as well as on direct exporting to some extent. For example, for three retailers (*Retailer A*, *Retailer B*, and *Retailer D*) exporting was sporadic at the beginning; they were selling apparel products in batches to their entrusted customers – the shuttle traders – coming from mainly the CIS countries such as Russia, Ukraine, Belarus, and the Turkic States. These entry modes were heavily used from the early 1990s through the early 2000s. The retailers admit that it took several years for their companies to enter through company-managed stores such as flagship stores and in-store concessions into the growing and evolving markets of the CIS. For example two retailers (*Retailer A* and *Retailer B*) indicate that a lack of resources, international experience and foreign market

connections acted as inhibitors to the use of other entry methods in lieu of exporting/wholesaling.

Flagship stores. In the CIS, the retailers tend to open flagship stores in metropolitan areas and major cities such as capitals, industrial towns and port cities. For these firms, the flagship stores, in the long run, play several critical roles like understanding the local demand, showcasing the retail offer, building and maintaining the image of the company, and rising the brand awareness. A flagship store enables these firms to gain and develop valuable experience locally and use it as a platform in setting up additional stores in neighbouring areas and even across the host countries. For example, *Retailer C* states that they attempt to establish their flagship stores in the economically strong and highly dense cities but where the market is at the rudimentary stage they go for franchising. Two retailers (*Retailer C* and *Retailer D*) tend to open company-owned stores or engage in organic growth where they feel the market is developed enough. Owing to the fact that most of the host country markets are passing through the developing stage, franchising is perceived as the most appropriate method of entry, and the interviewees say that after some time when the markets become highly developed, direct investments in the form of acquisition and mergers (*i.e.* expanding via the purchase of existing retail chains/facilities) can be justifiable.

Franchising. Currently, all retailers, especially the latecomers (*Retailer A* and *Retailer B*) are essentially reliant on franchising to develop their presence in non-domestic markets. For all interviewed companies, franchising is currently the optimal way for entering international markets because this method of entry enables them to enter a foreign market easily with less financial resources in comparison to other methods of entry. Besides, the retailers agree that particularly in the host countries of the Central and Eastern Europe, the CIS (like Russia, Ukraine, Azerbaijan, and Kazakhstan), the significance/popularity of franchising is rising owing to the local governments' support which in turn promote franchising as a means of economic development and encourage entrepreneurship. For example, one retailer says that "it is good thing for us that the local banks and credit associations in those countries have started to support the franchisees financially and it is important that the franchisees are represented by their well-organized associations". Nevertheless, as pointed out by the retailers in common, there are some problems they encounter while employing franchising. One retailer does not disguise that finding the right franchise partner is what they always struggle through. In addition, after having

entered via franchising, conflict of interest is what the retailers experience in common. One retailer says: “if you have stores operated through franchising then you have to make sure that your partners are on the same page with you, ... are not after the short-term profits, we expect that they properly execute marketing strategies and plans, and their actions are not to the detriment of our corporate identity and brand’s image”. Another retailer underlines that it is important to do the brand control on regular basis (*i.e.* brand consistency that is the brand images of retailers across borders are under constant scrutiny). The manager adds :“you should make sure that your brand image is consistent all over the host countries, therefore it is paramount to control the elements of the retail offer that are constituent parts of your brand’s image”. All retailers have their own showrooms and regularly kept up-to-dated concept stores in Turkey as well as in Russia, and Ukraine so that they can present their product offerings (special collections and accessories forming the merchandise mix) within a specific store ambience, showcase the retail brand personality to the would-be franchisees as well as provide onsite training to the sales force of a prospective foreign store/outlet.

Two forms of franchising are used in the CIS countries. These are direct franchising and master franchising. For example, in Azerbaijan and Kazakhstan *Retailer C* uses these two forms of franchising simultaneously.

In-store concessions (Corners). Two retailers (*Retailer B* and *Retailer D*) use concessions to enter foreign markets to much a greater extent. For example *Retailer B* uses multi-brand fashion stores such as Koroleva and Snejnaya Koroleva in Ukraine and Russia respectively. *Retailer D* tends to open stores in the well-known department stores and in the upscale multi-brand stores.

5.4. Critical Factors to Turkish Specialty Retailers Success During their Internationalization and Operations in the CIS Countries

Three topical areas emerged from the interpretation process.

5.4.1. An Efficient and Responsive Supply Chain

It is obvious from the narratives of the managers that the clothing and fashion retailing in itself is a fast-changing industry and therefore they are continuously concerned about disposition of their finished produce, that is providing “the right product at the right time in the right place” has become a motto for them in international markets. It was understood that the retailers’ supply chain structures are neither completely conventional (make to forecast) nor they are fully demand-driven (make to order); their supply chain structures fall between these two end points of the spectrum. By adhering to policies similar to those set by a demand-driven supply chain and striving to faultlessly adopt and implement the basic principles of it, they have succeeded in building as they call it the market responsive supply chains. The retailers state that it was not easy to bring in the rapid response approach to their supply chain management. Especially the fully integrated retailers (*Retailer C* and *Retailer D*) were determined to implement quick response so that they could better adapt themselves to continual changes in the marketplace. The coordination in the supply chain was achieved by putting emphasis on close collaboration between all stages of the chain as well as enacting the interfirm cooperation, that is bringing together employees representing many different functions in the organization from sales, marketing, purchasing, to production, shipping, warehousing, and accounting departments. Whereas the retailers who were not fully integrated (*Retailer A* and *Retailer B*) were heavily reliant on trust and good working relationships established between the local contract manufacturers in order to achieve coordination in the entire supply chain. All retailers traditionally share point of sales data as well as current inventory positions across their supply chains for the purpose of avoiding unnecessary fluctuations in supply and orders they place. Once point of sale data is shared, different stages of the supply chain forecast future demand based on customer demand and thereafter plan jointly in order to ensure that

the entire supply chain is operating to a common forecast. The matter of aligning merchandise offerings with customer desires in foreign markets is achieved by means of the information technologies (IT); the use of IT systems helps facilitate joint forecasting and planning within the supply chain. Modern point-of-sale monitoring systems, such as computerized “cash registers” with on-line connections to a centrally located, mainframe computer help the retailers to closely monitor the demand for each individual item sold at each of their stores. The fully integrated retailers in particular have pursued a pull system where they are the single point of control for replenishment decisions, because that is where the final customer purchases. For example, *Retailer C* has recently adapted a sort of Enterprise Resource Planning software used in retail business, namely ERAX. In a nutshell, it has been stated that having an efficient and market responsive supply chain in its place is the key to success in foreign markets and particularly in the CIS countries.

Thus, by making an inference from the foregoing findings it is put forward that:

Factor One: Having an effective and market responsive supply chain has a positive impact on Turkish specialty apparel retailers’ performance in international markets and particularly in the CIS countries.

5.4.2. Market Diversity, Product Line Diversity, Innovative Products, Product Quality, and Effective/Responsive Customer Services

All retailers agree that a well-weighed method of diversification embedded in an international retail strategy contributes positively to the overall retail performance. As a product diversification strategy, so far, they have used product line diversity (*e.g.* offering quite a few classical models along with casual ones or beachwear along with underwear/lingerie within the same store whilst segmenting the product line into women’s and men’s), offered several collections within a year (a variety of styles), and employed scrambled merchandising (adding accessories into the offering). They have achieved market diversity by opening stores both in growing markets with high potential and the markets with latent demand and already developed networks of physical stores in mature markets within the CIS. The pursuit of diversification strategies yielded much success for these firms; as it was understood, operating in several host countries within the CIS while offering rich assortment of clothes enabled them (1) to utilize economies of scale by

standardizing their market propositions to the best possible extent, thanks to the converging tastes in the clothing consumption, by developing a single advertising campaign for similar markets or by having a flagship store in the key city in order to communicate with the entire host country as well as the neighbouring countries, by rationalizing logistics (*e.g.* the physical distribution of outbound goods); (2) positive effects of economies of scope and (3) economies of experience. As the managers put it, only under these favourable circumstances they are able to achieve success in international markets while pursuing diversification strategies. Thus, it is put forward that:

Factor Two: Diversification strategies (*i.e.* market expansion and product line diversity) contribute positively to the retail sales performance in international markets and particularly in the CIS countries.

In addition, the managers emphasize that uniqueness is what should accompany the variety of the product offering of a clothing/fashion retailer if it wants to be successful in the international markets in the long run. As they note the uniqueness may be expressed in terms of novelty, quality or design. In the CIS countries, as it is understood, the Turkish retailers offer innovative products made of “smart fabrics” having attributes like water and stain repellent, natural air conditioning effect, designs ensuring “perfect fit” and functionality, denims made of organic cotton and thus creating comfort for the end-users. Besides, the retailers pay close attention to their product quality in foreign markets particularly in the CIS countries. As noted by the managers each market has different requirements or expectations related to the quality and durability/wearability of the products offered. As the managers indicate, for instance, some consumers while purchasing outerwear (*e.g.* suits and coats) demand durability and expect that it would withstand adverse weather conditions throughout several seasons. The managers note that quality matters as it is an essential clothing attribute and especially in the host countries with high purchasing power such as Russia and Ukraine, the city dwellers want to be dressed decently and are ready to pay more for high quality. Since all informants agree that innovative products and quality positively contribute to success of retailing in foreign market particularly in the CIS countries, then it is put forward that:

Factor Three: Offering innovative products in international markets, and particularly in the CIS countries improves sales performance of the Turkish clothing retailing firms.

Factor Four: Product quality is essential to the Turkish clothing retailers’ success in foreign markets, and particularly in the CIS countries.

All managers agree that in today's world where most specialty apparel retailers offer the same merchandise, in the same store design, and with almost similar monetary price, they can distinguish themselves from their competitors by providing adequate customer service and thereby add significant value to their offering. For instance, two managers (*Retailer C* and *Retailer D*) state that the growing Russian middle class prefers moderately priced, quality apparel and value a fashionable store atmosphere as well as higher customer service over lower prices and limited customer services. As *Retailer A* puts it especially working women with increased disposable income are fashion-oriented and most of the time prefer buying apparel from branded stores. They are the ones who to the great extent ask for help, assistance, or advice while looking at clothes or trying them on. They resort to sales clerk opinion before acquiring the product and therefore they expect sales personnel to be friendly and competent. The managers emphasize the impact of the sales personnel attitudes and knowledge on customer satisfaction. Thus it is put forward that:

Factor Five: Responsive and effective customer service positively influences retail sales performance in the international markets, and particularly in the CIS countries.

5.4.3. Triple Adaptation: the Retail Format, the Business Model, and the Retail Offer

As it was understood all four retailers resorted to adaptation while operating in the CIS. Two retailers (*Retailer C* and *Retailer D*) have had triple adaptation: adaptation of the retail format, the business model, and customization of the retail offer in some degree.

Retail format adaptation. Both *Retailer C* and *Retailer D* currently engage in multi-channel retailing, that is they operate Web sites parallel to physical stores. They have become clicks-and-mortar retailers to make shopping easier and to accommodate local consumers' on-line shopping desire. They have timely perceived the rise of on-line purchases in the CIS and newly formed customs integration, the so-called *Tamojenniy Soyuz*, between three host countries, the Russian Federation, Belarus, and Kazakhstan and promptly responded by establishing electronic channel in addition to other conventional channels. *Retailer A* and *Retailer B* do not engage in on-line selling in the CIS at present however they do contemplate utilizing an electronic channel in the near future. Broadly speaking, Turkish clothing retailers' operating system in the CIS comprises three separate

channel patterns: (1) electronic channel, (2) corporate vertical marketing system and (3) contractual system (*i.e.* adding independent retailers such as department stores and independent distributors running their own stores). The host country's external environment specificity particularly the competition, economic environment of retailing, the retailing and shopping behavior of local consumers are taken into account by all retailers so that their retail chains could be adjusted accordingly.

Business model adaptation. All retailers tend to exercise high control over independently operated stores such as franchised stores and other third-party owned stores. In the CIS, the local partners' insufficient marketing expertise and their unfamiliarity to new retail formats have instigated the retailers to conduct market research in behalf of their partners on regular basis, in some cases assist in refurbishing and refining the stores owned by vendors, provide store furnishings, train the sales personnel and even provide know how in running a clothing retail business whenever needed. For example, *Retailer C* has empowered its Country Offices in Russia and Ukraine to perform stock management of all franchised stores in those countries. In Russia *Retailer C* is engaged in managing inventory levels of over 100 franchised stores in addition to its privately-owned stores spread across the country.

Retail offer adaptation. Most of the adaptation was observed in customer facing elements due to the differences in consumer cultures. It was observed that the retailers with their standardized retail concepts and working principles have had to adjust to local market conditions through specific aspects of the retail marketing mix.

Market Communication: In-store media such as in-store ads, aisle displays, seasonal product catalogues/brochures, and in-store TV as well as the Web sites of the retailers are made available in Russian language and are viewed as the important communications vehicles. Besides, advertising and promotion appeared to be the area where the retailers allow for local adaptation in some degree. Each host country specificity is taken into account while deciding on the media type to be used.

Adaptation/customization to some extent exists albeit they want to standardize the retail mix in order to capitalize on economies of scale. As one manager puts it "The way young people dress is becoming more and more "uniform", but there are differences from one region to another. We try to replicate the retail brand concept for the purpose of ensuring the brand consistency in international markets however we don't omit the local cultures such as aesthetic preferences and belief systems". The design, form (low-cut vs.

modest neckline, depth of slit) and color (*e.g.* dark blue is not popular among the Kazakh/Kyrgyz women) of the products are customized accordingly. It has been confirmed that all the above-mentioned adaptations are vital to the Turkish retailers' success.

Factor Six: Retail offer adaptation positively influences retail business performance in the international markets, and particularly in the CIS countries.

VI. CONCLUSION, LIMITATIONS AND SUGGESTIONS

This is the concluding section of the thesis wherein the conclusion is drawn, the limitations are mentioned and few suggestions are put forward at last.

6.1. Conclusion

The global economic changes, increased pace of globalization, dismantling of trade barriers around the world, and improvement in production as well as in information technologies altogether have instigated the world markets to become intertwined and get highly saturated yet remain volatile over time. Not surprisingly, this gives rise to competition and survival of the fittest in the aftermath makes the competition even more intense. As pointed out by Mishra (2009), this is the exact scenario at the current retail sector of the world.

The retail sector of the world has been rapidly growing in value and expanding over the last decade, and in the meantime by establishing their own outlets abroad, the Turkey-based textile and apparel companies managed to integrate themselves into the highly competitive apparel segment of it. Recently, this has been on the local mass media's radar screen who have kept discussing the vigorous steps taken by these firms towards internationalization and their efforts put forth in developing operations in non-domestic markets. Cognizant of this, Turkish specialty apparel retailers' foray into the emerging and developing markets of the Commonwealth of Independent States (CIS) has attracted our attention and thereby been qualified as a topic of interest. It was important to understand how these firms have entered promising markets of the CIS, as well as to determine the degree of commitment there as a whole. Besides, exploring the factors crucial to emerging market retailers' success in those developing/emerging markets was one of the main objectives of this study. The textile and apparel sector, starting from the eighties of the last century has been an important sector to the Turkish economy by virtue of its contribution to income generation, employment and exports. The sector was dominated by the manufacturing firms in the past and restructuring of the Turkish textile and apparel

industry have brought many specialty apparel retailing firms into the forefront both in the domestic market and abroad. Understanding the avenues to success during the internationalization process and operations in the CIS countries will certainly help Turkish specialty apparel retailers to withstand competition in the developing/emerging markets and embed themselves into this rapidly changing and evolving global retail market. No doubt, the better these firms position themselves in the global retail industry the higher their contribution will be to the Turkish economy; the branded apparel exports can enhance the inflow of foreign currency into the domestic economy and thus have positive effects on balance of payments, besides new employment opportunities can be created in years to come.

Market entry modes. This study on retail internationalization of emerging market firms reveals that Turkish specialty apparel retailers who were the subject of analysis, initially opted to enter the CIS countries via low risk entry methods; they preferred indirect/direct exporting and franchising to joint-venturing or acquisition to the greatest extent. The results of this study corroborate early works of a group of authors (see Barkema and Vermeulen, 1998; Welch and Welch, 1996) who in turn suggest that retailers favor low risk entry strategies, markets with cultural and geographical proximity to their domestic market, and markets with growth potentials. It was also understood that after several years, cognizant of the retail structure and market potential of host countries, the first movers made direct investments into the promising markets like Russia and Ukraine by establishing their own subsidiaries, warehouses, and distribution centers. For instance, in Russia the first movers have founded their subsidiaries for the purpose of supervising operations, (*i.e.* controlling over suppliers, distribution channels, employees, store locations) and keeping an eye on the local market, besides some investments were made in order to increase the number of outlets and achieve an economy of scale large enough to compete in the market. Whereas in Azerbaijan and Kazakhstan they built a strong relationship with “local partners” simply to get access to distribution points; resulting in a kind of macro and micro matching between the Turkish and foreign firms (for detail see Leelapanyalert and Ghauri, 2007, p. 198). The first movers find that it is a mistake to rely solely on selling products through large and established host-country distributors, who only take on products that are easy to sell and who do not have a commitment to specializing in their products. Whereas the latecomers’ distribution philosophy is based essentially on

franchising and several flagship stores spanning the cities such as Moscow, St. Petersburg, Kiev, Odessa, and Astana.

Another important conclusion of this study is that the internationalization process of the Turkish retailers reflect the ***the Uppsala internationalization model***. That is, they start with exports at not a regular basis and grow their strategies over time into a system of company owned subsidiaries in the host countries (see detailed reflections on **Figure 5.2**). This model explains the dynamic nature of Turkish retailers' involvement in the internationalization within the CIS; it has been observed that these firms increased their international involvement incrementally due to uncertainties, and reacted to perceived opportunities and problems within those host countries in which they currently operate.

It has been revealed that the ***operating model*** of the retailers slightly differs from country to country within the CIS. When taking into consideration the Russian market which in fact is the growth market, a generalized and holistic form representing all four retailers' aspects relating to the operations and the value proposition could be depicted as reflected on **Figure 5.1**. As it is seen, the operating model includes: (i) the sourcing (which is mainly done in-house by the competent departments); (ii) the store operations (that could include up to four different store types); (iii) the value chain structure transcending international borders (from the raw materials and semi-finished goods suppliers to manufacturers of finished products then to the marketing affiliates located in the export market and then to the end-users); and (iv) the organizational processes (which include all administrative and managerial tasks).

The *retail formats* involved in the operations in the CIS, and particularly in Russia, are as follow: (1) the company-owned and managed stores; (2) independently operating franchisees; (3) the in-store concessions (corners) within existing retailers; and (4) the virtual storefronts on the Web (the retailers aim to become so-called brick-and-click retailers in the near future though this method of entry is not exploited to its full extent at present). Yu *et al.* (2011) while examining the changes in the apparel retail sector in South Korea, an emerging market, found that there have been similar trends as a response to the changes in the retail environment. The authors call this approach to operation as the retail channel diversification which is the outcome of strategic initiatives taken.

While Bilgin's (1990) study shows that in the past the distribution of apparel in an export market was primarily done through long channels (*i.e.* indirect distribution) and also that all channel members were independently owned, this study at hand presents a

contrasting situation wherein the Turkish textile and apparel companies prefer exclusive or selective distribution in a growth export market within short channels (*i.e.* direct distribution) of distribution. This in turn enable the retailers to have flexibility to respond to fickle fashion trends in an export market.

Sourcing. It has been understood that the retailers in common tend to choose direct sourcing. Especially the first movers resort to a large extent to direct sourcing and off-shoring. This is simply because the retailers aim to increase profit margins, reduce lead times, and improve control for product quality and contract compliance.

Private labeling. Currently all four retailers operate as a single brand retailer and don't consider to change their private branding strategies in the CIS. They don't include any manufacturer and/or designer brands in their merchandise mix at all. The retailers don't buy any product from a brand-name manufacturer or designer; especially the first movers in addition to their in-house production they also go directly to a manufacturing plant in the Far East, have them made to its specifications, and then market the product under their own labels in the CIS.

Critical Success Factors. Six critical success factors were detected as such. These are (1) having an efficient and responsive supply chain; (2) diversification through market expansion, in tandem with exploitation of product line diversity; (3) offering innovative products; (4) offering product quality; (5) exploiting responsive and effective customer service; (6) adapting customer facing elements of the retail offer.

6.2. Limitation

Several points need to be borne in mind when evaluating the results of the present study. One is the recognition that this study did not attempt to detect all the important factors potentially affecting the overall performance including the market share, sales growth and pretax profitability of Turkish specialty apparel retailers in international markets and particularly in the CIS countries. The factors critical to these firms' success have been probed into by the researcher for the purpose of getting an understanding of what could be determinative in achieving better business performance during and after the internationalization into the CIS countries. Another point is that not a broad sample could be interviewed; additional insights could have been gained by increasing the number of the

interviewees as well as the firms. Though the few interviews, on which this study lies upon, are only a limited and a somewhat individual representation of the broader pattern, they however reveal several common themes and tendencies that are also supported by data available in other sources. The last drawback is that the insights gained from this exploratory research should be verified or quantified by conclusive research (*i.e.* a research design based on large, representative sample, and the data obtained subjected to quantitative analysis) so that the findings can be used as the input into managerial decision making (Malhotra, 2010).

6.3. Suggestions

It is important to note that how a retailer chooses to enter a market will significantly affect its competitiveness and performance. Each entry mode has implications for the level of control the firm will enjoy over its foreign operations, the amount of investment required, and the degree of risk the firm faces in venturing into a foreign market (Gatignon and Anderson, 1988; Hennart, 1989).

The global retail industry has already witnessed several cases of divestitures made by large-scale retailers in international markets due to their erroneous market entry strategies (*see* Ryu and Simpson, 2011). Therefore initial entry mode strategies should be treated as “measure thrice and cut once” decisions by internationalizing retailers, regardless of their strength, size and format. The internationalization of Turkish clothing and fashion retailing has been largely neglected and the entry mode choices of Turkish specialty apparel retailing firms has remained under researched so far. Academicians should study emerging market apparel retailing firms’ entry mode selection processes and determine the factors influencing their entry mode decisions. As Kumar and Subramaniam (1997) argue, the entry mode choice can be considered as a multilevel phenomenon owing to the fact that it is influenced by variables at multiple levels (*e.g.* country, industry, firm and decisions). Hence, academic attention should be allotted to the determination of factors underlying entry mode selection of Turkish specialty apparel retailing firms. Besides, understanding of the decision-making processes of the franchising - the most frequently preferred entry mode – will be also beneficial and worthy.

It is known that the Turkish Government is concerned both with its trade deficit and economic development and therefore it zeroes in on educating firms about the potential gains from exporting and constantly supports them; the national export incentive programs and institutions such as Eximbank Turkey, IGEME (the Export Promotion Centre of Turkey) KOSGEB (the Small and Medium Industry Development Organization) and “Turququality” Project have been promoting internationalization as a result of the adopted export-oriented industrialization strategy back in the 1980s. The Turkish textile and apparel industry is a labor-intensive sector and survival of this sector is possible not only with production and marketing of branded goods and high-margin merchandise but also with finding ways and means of reducing costs within all stages of the apparel value chain. The Turkish specialty apparel retailing firms in particular must always keep their costs in check and exert great effort in keeping abreast of the competitors while internalizing creativity, innovativeness and efficiency. In this sector, Turkish retailers may differentiate themselves from the competition by bringing in and implanting “styled in Turkey” or “a unique Turkish style” concept into the clothing and fashion finished produce.

In order to improve the competitive advantage of Turkish specialty apparel retailing firms abroad, the Turkish Government should assist the firms operating in the national apparel sector in exploration, education and maintenance of the local talent for the purpose of building competitive fashion designers and retail industry experts. It should also offer financial services like credit, insurance, and guarantee programs for the purpose of furthering investment in research and development activities within all stages of the supply chain. The globally rising environmentalism must not be neglected and the Turkish Government ought to encourage national textile and apparel manufacturers to adapt guidelines leading to environmental sustainability (*i.e.* becoming carbon neutral, sending no waste to landfill, and helping customers and employees to live healthier lifestyles) both in the domestic market and abroad; as such green marketing principles and its practices should be embraced by the Turkish clothing and fashion industry.

REFERENCES

- Abilkhanov, A. (2003). “Uluslararası Pazarlara Giriş Stratejileri ve Bir Uygulama”. Marmara University Institute of Social Sciences. Unpublished Master’s Thesis.
- ACNielsen Global Services (2005). “Global Retailing-The Power of Private Labels 2005,” In: Dunne, P.M. and Lusch, R.F. (Authors). *Retailing*, p. 16, 6th Ed., Thomson South-Western.
- Ailawadi, K. L. and Keller, K. L. (2004). “Understanding Retail Branding: Conceptual Insights and Research Priorities”, *Journal of Retailing*, Vol. 80, pp. 331–342.
- Akyarlı Güven, A. (2011). “Türkler 97 Ülkeyi İstila Etti!” (“Turks have conquered 97 countries!”), dated: October 31, 2011; available at: <http://ekonomi.haberturk.com/makro-ekonomi/haber/684035-turkler-97-ulkeyi-istila-etti-galeri> (accessed November 29, 2011)
- Albaum, G., Duerr, E., and Strandkov, J. (2005). *International Marketing and Export Management*. 5th Edition, Pearson Education Limited, Essex, England.
- Alexander, N. (1997). *International Retailing*. Blackwell Publishing Ltd., Oxford.
- Alexander, N., and Doherty, A. M. (2004). “International Market Entry: Management Competencies and Environmental Influences,” *European Retail Digest*, Summer 2004, Issue 42, pp. 14-19.
- Alexander, N. and Doherty, A. M. (2009). *International Retailing*. Oxford University Press, 2009.
- American Marketing Association (2012). Resource Library Dictionary. http://www.marketingpower.com/_layouts/Dictionary.aspx?source=footer (accessed January 13, 2012)

Anderson, E. and Gatignon, H. (1986). "Modes of Foreign Entry: A Transaction Cost Analysis and Propositions," *Journal of International Business Studies*, Vol. 18, No. 3, pp. 1-26.

Aschenbach, C. (1986). *Der Bekleidungsfachmarkt. (The Apparel Specialist Market)*. Verlag Otto Schwartz & Co.

A.T. Kearney Report (2011). "Retail Global Expansion: A Portfolio of Opportunities. 10th Edition of The Global Retailer Development Index," available at: http://www.atkearney.com/images/global/pdf/Retail_Global_Expansion-GRDI_2011.pdf (accessed December 4, 2011)

Aydın, F., Saygılı, M., Saygılı, H., (2007). "Empirical Analysis of Structural Change in Turkish Exports," Central Bank of the Republic of Turkey, Working Paper No. 07/08.

Baena, V. (2009). "Modeling Global Franchising in Emerging Markets: An Entry Mode Analysis," *Journal of East-West Business*, Vol. 15, pp. 164–188.

Banalieva, E. R., and Sarathy, R. (2011). "A Contingency Theory of Internationalization: Performance for Emerging Market Multinational Enterprises," *Management International Review*, Vol. 51, pp. 593–634.

Barkema, H. and Vermeulen, F. (1998). "International Expansion Through Start-up or Acquisition," *Academy of Management Journal*, Vol. 41, pp. 7-26.

Bayramov, N. (2002). "A Study on Barriers Experienced by Turkish Firms Operating in Russia," Marmara University, Institute of Social Sciences. Unpublished Master's Thesis.

Benito, G. R. G., Petersen, B. and Welch, L. S. (2011). "Mode Combinations and International Operations: Theoretical Issues and an Empirical Investigation," *Management International Review*, Vol. 51, pp. 803–820.

Berg, A., Hedrich, S., Kempf, S. and Tochtermann, T. (2011). “Bangladesh’s ready-made garments landscape: The challenge of growth,” *Apparel, Fashion and Luxury Practice*, McKinsey&Company, Nov. 2011, pp. 1-24, available at: http://www.mckinsey.de/downloads/presse/2011/2011_McKinsey_Bangladesh%20Case%20Study.pdf (accessed July 27, 2012)

Berman, B. and Evans, J. R. (2010). *Retail Management: A Strategic Approach*. 11th Edition. Prentice Hall, 2010.

Beşoğlu, M. (2009). “Uluslararası Pazarlara Açılma Stratejileri ve Analizi,” Marmara Üniversitesi, Sosyal Bilimler Enstitüsü. Unpublished Master’s Thesis.

Bhaskar, N. U. and Shekhar, B. R. (2011). “Assessment of Service Quality in Apparel Retailing - A Study of Three Select Cities,” *The Young Economists Journal (Revista Tinerilor Economisti)*, Vol. 9, Iss. 17, pp. 83-92.

Bianchi, C. C. (2002). “An institutional perspective on retail internationalisation success”. Queen’s University, School of Business. Unpublished Ph. D. Thesis.

Bianchi, C. C., and Arnold, S. J. (2004). “An Institutional Perspective on Retail Internationalization Success: Home Depot in Chile,” *International Review of Retail, Distribution and Consumer Research*, Vol. 14, No. 2, pp. 149–169.

Bianchi, C. (2009). “Retail Internationalisation From Emerging Markets: Case study Evidence from Chile,” *International Marketing Review*, Vol. 26, No. 2, pp. 221-243.

Bilgin, F. Z. (1990). An Export Marketing Analysis of Turkish Women’s Ready to Wear Products in Federal Republic of Germany. Unpublished Ph. D. Thesis. Boğaziçi University.

Bilgin, F. Z., Sriram, V., and Wührer, G. A. (2004). *Drivers of Global Business Success: Lessons from Emerging Markets*. Palgrave Macmillan, Hampshire.

Bin Abdullah, R., Bte Ismail, N., Bte Abdul Rahman, A. F., Bte Mohd Suhaimin, M., and Bte Safie, S. K. (2012). "The Relationship Between Store Brand and Customer Loyalty in Retailing in Malaysia," *Asian Social Science*, Vol. 8, No. 2, pp. 171-184.

Birkin, M., Clarke, G., and Clarke, M. (2002). *Retail Geography & Intelligent Network Planning*. John Wiley & Sons, Ltd., West Sussex, England.

BMD-Marka Ekonomisinde Katma Değer (2012). "Marka Ekonomisi: İtalya, İspanya örnekleri ve Türkiye için değerlendirme," available at: <http://birlesmismarkalar.org.tr/marka-ekonomisi.pdf> (accessed February 2, 2012)

Brei, V. A., D'Avila, L., Camargo, L. F., and Engels, J. (2011). "The Influence of Adaptation and Standardization of the Marketing Mix on Performance: a Meta-Analysis," *Brazilian Administration Review*, Curitiba, Vol. 8, No. 3, Art. 3, pp. 266-287.

Brown, S. and Burt, S. (1992). "Conclusion – Retail Internationalization: Past Imperfect, Future Imperative," *European Journal of Marketing*, Vol. 26, No. 8/9, pp. 80-84.

Budd, J., Knizek, C., and Tevelson, B. (2012). "The Demand-Driven Supply Chain, Making It Work and Delivering Results," *The Boston Consulting Group*, pp. 1-12, available at: https://www.bcgperspectives.com/Images/BCG_Demand_Driven_Supply_Chain_tcm80-106861.pdf (accessed July 27, 2012)

Bullen, C. V., and Rockart, J. F. (1986). A primer on critical success factors. In: *The rise of managerial computing: The best of the center for information system research*, ed. C. V. Bullen and J. F. Rockart, 383-423. Homewood, IL: Dow Jones-Irwin.

Business Wire (English) (2011). "Gap Inc. Opens First Flagship Store in Hong Kong," available at: <http://web.ebscohost.com/oneolog.marmara.edu.tr:2048/ehost/detail?sid=57f8a873-9d0a-4985-92a2-fa43bde15078%40sessionmgr4&vid=1&hid=17&bdata=Jmxhbmc9dHlmc2l0ZT1laG9zdC1saXZl#db=bwh&AN=bizwire.c38249733>; (accessed: May 17, 2012)

Capital, İş & Ekonomi Dergisi (2011). "Sınır Ötesi Mağaza Yarışı," ("Store Rivalry Across the Border"), available at: <http://www.capital.com.tr/Haberler/Detay.aspx?HaberID=20639> (accessed December 19, 2011)

Casson, M. (1987). *The Firm and the Market: Studies on Multinational Enterprise and the Scope of the Firm*. MIT Press: Great Britain, 1987.

Cateora, P. R., Gilly, M. C., and Graham, J. L. (2011). *International Marketing*. 15th Edition, McGraw-Hill/Irwin, New York.

Christopher, M., Lowson, R., and Peck, H. (2004). "Creating Agile Supply Chains in the Fashion Industry," *International Journal of Retail and Distribution Management*, Vol. 32, No. 8, pp. 367-376.

Chunawalla, S. A. (2009). *Contours of Retailing Management*. Himalaya Publishing House. Revised Edition, 2009. Mumbai, IND.

Cox, R., and Brittain, P. (2004). *Retailing: An Introduction*. 5th Edition, Pearson Education Limited, Essex, England.

Datamonitor (2010). "MarketWatch: Food," Vol. 9, Iss. 10, pp. 12-12, Datamonitor Plc, Retrieved: October 18, 2012, from EBSCO on the World Wide Web: URL (<http://web.ebscohost.com/oneolog.marmara.edu.tr:2048/ehost/pdfviewer/pdfviewer?vid=19&hid=125&sid=7b404bb0-e157-4730-a091-5f76f8d987b7%40sessionmgr104>)

Datamonitor (2011a). "Industry Profile – Global Retailing, July 2011," Datamonitor Plc, Ref. Code: 0199-2135, pp. 1-34. Retrieved: October 18, 2012, from EBSCO on the World Wide Web: URL (<http://web.ebscohost.com/oneolog.marmara.edu.tr:2048/ehost/pdfviewer/pdfviewer?vid=15&hid=125&sid=7b404bb0-e157-4730-a091-5f76f8d987b7%40sessionmgr104>)

Datamonitor (2011b). "Industry Profile – Global Textiles, Apparel & Luxury Goods, April 2011", Datamonitor Plc, Ref. Code: 0199-1016, pp. 1-42. Retrieved: October 18, 2012, from EBSCO on the World Wide Web: URL (<http://web.ebscohost.com/oneolog.marmara.edu.tr:2048/ehost/pdfviewer/pdfviewer?vid=16&hid=125&sid=7b404bb0-e157-4730-a091-5f76f8d987b7%40sessionmgr104>)

Datamonitor (2011c). "Industry Profile - Global Textiles, November 2011," Datamonitor Plc, Ref. Code: 0199-0810, pp. 1-38. Retrieved: October 18, 2012, from EBSCO on the World Wide Web: URL (<http://web.ebscohost.com/oneolog.marmara.edu.tr:2048/ehost/pdfviewer/pdfviewer?vid=18&hid=125&sid=7b404bb0-e157-4730-a091-5f76f8d987b7%40sessionmgr104>)

Davies, B. J., and Ward, P. (2002). *Managing Retail Consumption*. 2002 by John Wiley & Sons Ltd, England.

Dawson, J. (1994). "Internationalisation of retailing operations," *Journal of Marketing Management*, Vol. 10, No. 4, pp. 267–282.

De Chernatony, L. and McDonald, M. (2003). *Creating Powerful Brands*. Third Edition, Elsevier Butterworth-Heinemann, Oxford.

De Mooij, M. and Hofstede, G. (2002). "Convergence and Divergence in Consumer Behavior: Implications for International Retailing," *Journal of Retailing*, Vol. 78, pp. 61–69.

Demirbag, M., and Tatoglu, E. (2009). Guest Editorial: MNEs' Entry and Operational Strategies in Transitional and Emerging Markets, *Journal of East-West Business*, Vol. 15, Iss. (3-4), pp.157-163.

Doherty, A.M. (2003). Franchising Fashion: A Qualitative Study of UK-based International Fashion Retailers Motivations to Franchise, *Proceedings of the 7th Triennial National Retailing Conference*, AMS/ACRA, November 6-9, Columbus, Ohio, pp. 56-61.

Dunne, P. M. and Lusch, R. F. (2008). *Retailing*. 6th Edition, Thomson South-Western.

Dunning, J. H. (1981). International Production and the Multinational Enterprise, Allen and Unwin, London.

Dunning, J. H. (1988). "The Eclectic Paradigm of International Production: A Restatement and some Possible Extensions," *Journal of International Business Studies*, Vol. 19, pp. 1-31.

Edelson, S. (2007). "MNG by Mango Opens Manhattan Flagship," available at: <http://web.ebscohost.com/onehost.marmara.edu.tr:2048/ehost/detail?sid=7706417d-248c-40fc-9fc0-12f914fa56be%40sessionmgr12&vid=1&hid=17&bdata=Jmxhbmc9dHImc2l0ZT1laG9zdC1saXZl#db=bth&AN=28010712>; (accessed: May 17, 2012)

Ekeledo I. and Jayachandran C. (2009). "Entry Mode Strategies of International Retailers: A Conceptual Framework and Research Propositions," *International Journal of Business Research*, Vol. 9, No. 5, pp. 156-170.

Elg, U., Ghauri, P.N. and Tarnovskaya, V. (2008). "The Role of Networks and Matching in Market Entry to Emerging Retail Markets", *International Marketing Review*, Vol. 25, No. 6, pp. 674-99.

Ennew, C., Filatotchev, I., Wright, M. and Buck, T. (1993). "Constraints on the Adoption of the Marketing Concept: the Case of the Former Soviet Union", *European Journal of Marketing*, Vol. 27, No. 11, pp. 21-35.

Eraslan, I.H., Bakan, I., and Helvacioğlu Kuyucu, A.D. (2008). “Türk Tekstil ve Hazırgiyim Sektörünün Uluslararası Rekabetçilik Düzeyinin Analizi,” *İstanbul Ticaret Üniversitesi Sosyal Bilimler Dergisi*, Vol. 7, No. 13, pp. 265-300.

Eren-Erdoğan, İ., Çobanoğlu, E., Yalçın, M., and Ghauri, P. N. (2010). “Internationalization of Emerging Market Firms: the Case of Turkish Retailers,” *International Marketing Review*, Vol. 27 No. 3, pp. 316-337.

Eryürük, S. H., Kalaoğlu, F., and Baksak, M. (2011). “Evaluation of Globalization Strategies and Internal Analysis of the Turkish Clothing Industry”, *Tekstil ve Konfeksiyon*, Vol. 2, pp. 100-106.

Esquivias, P., Ramos, P., and Souza, R. (2010). “Business Model Adaptation: A Growing Need”, *The Boston Consulting Group*, July 2010, available at: https://www.bcgperspectives.com/Images/BCG_Business_Model_Adaptation_in_Retail_Jul_10_tcm80-56479.pdf (accessed July 27, 2012)

Etgar, M. and Rachman-Moore, D. (2010). “Market and Product Diversification: The Evidence from Retailing”, *Journal of Marketing Channels*, Vol. 17, pp. 119–135.

Etkin L. P., Helms, M.M., Turkkan, U. and Morris, D.J. (2000). “The Economic Emergence of Turkey,” *European Business Review*, Vol. 12, No. 2, pp. 64-75.

EurAsEC (2012). Eurasian Economic Community. available at: <http://www.evrases.com/en/about/> (Accessed, October 3, 2012)

Evans, J., Bridson, K., Byrom, J., and Medway, D. (2008). “Revisiting Retail Internationalisation: Drivers, Impediments and Business Strategy”, *International Journal of Retail and Distribution Management*, Vol. 36, No. 4, pp. 260-280.

Fast Retailing-Annual Report (2011). Fast Retailing, Annual Report Year Ended August 31, 2011. Available at: http://www.fastretailing.com/eng/ir/library/pdf/ar2011_en_n.pdf; (accessed June 20, 2012)

Fernandez-Stark, K., Frederick, S. and Gereffi, G. (2011). "The Apparel Global Value Chain: Economic Upgrading and Workforce Development", *Center on Globalization, Governance & Competitiveness, Duke University*, pp. 1-62 (available at: http://www.cggc.duke.edu/pdfs/2011-11-11_CGGC_Apparel-Global-Value-Chain.pdf accessed February 25, 2012)

Fernie, J., Fernie, S., and Moore, C. (2003). *Principles of Retailing*. Butterworth-Heinemann, Oxford.

Garten, J.E. (1997). *The Big Ten: The Big Emerging Markets and How They will Change Our Lives*, Basic Books, New York, NY.

Gatignon, H. and Anderson, E. (1988). "The Multinational Corporation's Degree of Control Over Foreign Subsidiaries: an Empirical Test of a Transaction Cost Explanation", *Journal of Law Economics and Organization*, Vol. 4, No. 2, pp. 305–336.

Gaur, A. and Kumar, V. (2010). "Internationalization of Emerging Market Firms: A Case for Theoretical Extension," *The Past, Present and Future of International Business and Management Advances in International Management*, Vol. 23, pp. 603–627.

Gauzente, C. and Dumoulin, R. (2008). Franchise as an Efficient Mode of Entry in Emerging Markets: a Discussion from the Legitimacy Point of View. In: Singh, Satyendra (Editor), *Handbook of Business Practices and Growth in Emerging Markets* (pp. 255-271), World Scientific.

Gereffi, G. and Memedovic, O. (2003). "The Global Apparel Value Chain: What Prospects for Upgrading by Developing Countries?", *Sectoral Studies Series-United Nations Industrial Development Organization*, pp. 1-37 (available at:

http://www.unido.org/fileadmin/media/documents/pdf/Services_Modules/Apparel_Value_Chain.pdf; accessed June 22, 2012)

GfK Ukraine (2012). “Ukrainians actively buy electronics and clothes on the Internet, though they are wary of prepayments – Press Release” available at: http://www.gfk.ua/imperia/md/content/gfkukraine/pressreleases/20121108_gfk_retail_online_rel_eng.pdf (accessed January 1, 2013)

Ghemawat, P. and Nueno, J. L. (2006). “Zara: Fast Fashion”, HBS No. 703-497 (Boston: Harvard Business School Publishing, 2006), pp. 1-35.

Gielens, K. and Dekimpe, M. G. (2001). “Do International Entry Decisions of Retail Chains Matter in the Long Run?” *International Journal of Research in Marketing*, Vol. 18, Iss. 3, pp. 235-259.

Gilbert, D. (1999). *Retail Marketing Management*. Pearson Education Limited 1999, England.

Gramatchikov, A. (2012). “eBay приходит в Россию,” (“eBay comes into Russia”) available at: <http://expert.ru/expert/2012/41/ebay-prihodit-v-rossiyu/?n=66995> (accessed October 16, 2012)

Grewal, D., Krishnan, R., Levy, M., and Munger, J. (2006). Retail Success and Key Drivers. In: Krafft, Manfred and Mantrala, Murali K. (Editors), *Retailing in the 21st Century: Current and Future Trends* (pp. 13-25), Springer Berlin, Heidelberg 2006.

Guercini, S., and Runfola A. (2010). “Business networks and retail internationalization: A case analysis in the fashion industry”, *Industrial Marketing Management*, Vol. 39, pp. 908–916.

Güllü, K. (2005). “Türk Gıda Perakendecilerinin Uluslararasılaşması ve Bir Uygulama,” Erciyes Üniversitesi, Sosyal Bilimler Enstitüsü. Unpublished Ph. D. Thesis.

Halibryam, Z. (2010). “Key Factors Affecting the Success of Business Operations of Turkish Firms Operating in Bulgaria – an Emerging Market Perspective,” Marmara University, Institute of Social Sciences. Unpublished Master’s Thesis.

Hennart, J. (1989). “Can the “New Forms of Investment” Substitute for the “Old Forms”? A Transaction Costs Perspective”, *Journal of International Business Studies*, Vol. 20, No. 2, pp. 211–234.

Hill, John S. (2009). *International Business, Managing Globalization*. SAGE Publications Inc., 2009.

Hill, C. W., Hwang, P. and Kim, W. C. (1990). “An Eclectic Theory of International Entry Mode”, *Strategic Management Journal*, Vol. 11, pp. 117-128.

Hollensen, S. (2001). *Global Marketing — A Market-Response Approach*, 2nd Edition, Pearson Education Ltd., England.

Hollensen, S. (2004). *Global Marketing — A Decision-orientated Approach* (Harlow: Prentice Hall Financial Time).

Hoskisson, R. E., Eden, L., Lau, C. M. and Wright, M. (2000). “Strategy in emerging economies”, *Academy of Management Journal*, Vol. 43, pp. 249- 67.

Hutchinson, K., Quinn, B., and Alexander, N. (2005). “The Internationalisation of Small to Medium-Sized Retail Companies: Towards a Conceptual Framework”, *Journal of Marketing Management*, Vol.21, pp.149-179.

Hutchinson, K., Fleck, E. and Lloyd-Reason, L. (2009). “The role of business support organisations in the process of retailer internationalisation’, *The International Review of Retail, Distribution and Consumer Research*, Vol. 19, No. 4, pp. 371–388.

Hyllegard, K., Eckman, M., Molla Descals, A., Gomez Borja, M. A. (2005). "Spanish Consumers' Perceptions of U.S. Apparel Speciality Retailers' Products and Services", *Journal of Consumer Behaviour*, Vol. 4, No. 5, pp. 345-362.

İskakova, N. (2007). "Türk Firmalarının Kazakistan'daki Pazara Giriş Stratejileri," Yıldız Teknik Üniversitesi, Sosyal Bilimler Enstitüsü. Unpublished Master's Thesis.

J. C. Penney Company, Inc. (2011). Creating America's Favorite Store-Summary Annual Report 2011", available at: http://media.corporate-ir.net/media_files/IROL/70/70528/reports/JCP_2011IAR/images/JC_Penney-AR2011.pdf (accessed July 28, 2012)

Jeannet, J-P, and Hennessey, H. D. (2001). *Global Marketing Strategies*. Fifth Edition, Houghton Mifflin Company, Boston, NY.

Johanson, J. and Vahlne, J. E. (1977). "The Internationalization Process of the Firm – a Model of Knowledge Development and Increasing Foreign Market Commitments", *Journal of International Business Studies*, Vol. 8, No. 1, Spring/Summer, pp. 23-32.

Johanson, J. and Vahlne, J. E. (1990). "The Mechanism of Internationalization," *International Marketing Review*, Vol. 7, No. 4, pp. 11-24.

Johanson, J. and Mattson L. (1988). "Internationalization in Industrial Systems-A Network Approach", in *Strategies in Global Competition*. Neil Hood and Jan-Erik Vahlne, eds. New York: Croom Helm, pp. 287-314.

Jones, R. and Kim, Y. K. (2011). "Single-brand Retailers: Building Brand Loyalty in the Off-line Environment", *Journal of Retailing and Consumer Services*, doi:10.1016/j.jretconser.2011.03.001

Justis, R. T., and Judd, R. J. (2002). *Franchising*. 2nd Edition, 2002 by Dame Thomson Learning.

Kaipia, R. and Tanskanen, K. (2003). "Vendor managed category management—an outsourcing solution in retailing", *Journal of Purchasing & Supply Management*, Vol. 9, pp. 165–175.

Katsikeas, C. S., Leonidou, L. C., and Samiee S. (2009). Research into Exporting: Theoretical, Methodological, and Empirical Insights. In: Kotabe, M. and Helsen, K. (Editors), *The SAGE Handbook of International Marketing* (pp. 165-182), Great Britain: SAGE Publications 2009.

Kaynak, E., Apil, A. R., and Yalcin, S. (2009). "Marketing and Advertising Practices of Turkish Entrepreneurs in Transition Economies: Evidence from Georgia," *Journal of International Entrepreneurship*, Vol. 7, pp. 190-214.

Keegan, W. J. (1986). Deciding When to Enter International Markets. In: Buell, Victor P. (Ed.), *Handbook of Modern Marketing*. (103/3-103/8) 2nd Ed., McGraw Hill Book Company.

Khanna, T., Palepu, K. G., and Sinha, J. (2005). "Strategies that Fit Emerging Markets", *Harvard Business Review*, June 2005, pp. 63-76.

KHU–KPMG–T–DEIK–VCC Report (2011). "Turkish Multinationals Steady on their Course Despite Crisis, Survey Finds", available at: <http://www.deik.org.tr/pages/TR/Turkish-Multinationals-2011.pdf> (accessed December 1, 2011)

Konaklıoğlu, E. (2011). Küresel Doğan İşletmelerin Erken Uluslararasılaşmasını Tetikleyen Kurucu ve/veya Yönetici Özellikleri. Gazi University. Unpublished Doctorate Dissertation.

Kotabe, M., and Helsen, K. (2008). *Global Marketing Management*. 4th Edition, John Wiley & Sons, Inc.

Kotler, P. and Armstrong, G. (2005). *Principles of Marketing*. New Jersey: Prentice Hall.

Kotler, P. and Keller, K. L. (2006). *Marketing Management*. 12th Edition, Pearson Prentice Hall, New Jersey.

Kozinets, R.V., Sherry, J.F., DeBerry-Spence, B., Duhachek, A., Nuttavuthisit, K. and Storm, D. (2002). "Themed flagships brand stores in the new millennium: theory, practice, prospects", *Journal of Retailing*, Vol. 78, No. 1, pp. 17-29.

Krishna, E. M. (1989). "Entry Mode Choice in Service Industries", *International Marketing Review*, Vol. 7, No. 5, pp. 50-62.

Kumar, V. and Subramaniam, V. (1997). "A Contingency Framework for the Mode of Entry Decision", *Journal of World Business*, Vol. 32, No. 1, pp. 53-72.

Kurtz, David L. (2008). *Principles of Contemporary Marketing*. 14th Edition. South-Western, Cengage Learning.

Larimo, J. and Huuhka, A. (2007). "Internationalization of the Biggest Finnish and Swedish Retailers in the Baltic States and Russia", *Journal of East- West Business*, Vol. 13, No. 1, pp. 63-91.

Leelapanyalert, K. and Ghauri, P. (2007). "Managing International Market Entry Strategy: The Case of Retailing Firms," *Advances in International Marketing*, Vol. 17, pp.193–215.

Leknes, H. M. and Carr, C. (2004). "Globalisation, International Configurations and Strategic Implications: The Case of Retailing", *Long Range Planning*, Vol. 37, pp. 29–49.

Levy, M., and Weitz, B. A. (2009). *Retailing Management*. 7th Edition, McGraw-Hill/Irwin, New York.

Liu, H. and McGoldrick, P. J. (1996). "International Retail Sourcing: Trend, Nature, and Process", *Journal of International Marketing*, Vol. 4, No. 4, pp. 9-33.

Lovelock, C. and Wirtz, J. (2007). *Services Marketing: People, Technology, Strategy*. 7th Edition, Pearson Education Inc., Prentice Hall, One Lake Street, Upper Saddle River, NJ.

Lu, Y., Karpova, E. E., and Fiore, A. M. (2011). “Factors influencing international fashion retailers’ entry mode choice”, *Journal of Fashion Marketing and Management*, Vol. 15, No. 1, pp. 58-75.

Madhani, P. M. (2011). “RFID Deployment: Fast Fashion Retailing”, *SCMS Journal of Indian Management*, A Quarterly Journal, April-June, pp. 40-51.

Mahir, E. O. (2009). “Kayseri İlindeki Küçük ve Orta Boy İşletmelerin Uluslararası Pazarlara Giriş Stratejileri Üzerine Bir Araştırma,” Erciyes Üniversitesi, Sosyal Bilimler Enstitüsü. Unpublished Master’s Thesis.

Malhotra, N., K. (2010). *Marketing Research: An Applied Orientation*. 6th Edition. Prentice Hall, New Jersey.

Mannhardt, B. (1984). *Strukturanalyse des Textilwarenabsatzes vorn Hersteller zum Letztverbraucher in der Bundesrepublik Deutschland 1981*. (The Structural Analysis of the Marketing of Textile Products from Producer to the Enduser in Federal Republic of Germany 1981). Verlag Otto Schwartz & Co.

Marka Ekonomisi Raporu (2012). “Marka Ekonomisi-Birleşmiş Markalar Derneği” (“Branding Economy-United Brands Association”) available at: <http://birlesmismarkalar.org.tr/marka-ekonomisi.pdf> (accessed: January 30, 2012)

Marks and Spencer Group plc (2012). “Annual review and summary financial statements 2012”, available at: http://annualreport.marksandspencer.com/_assets/downloads/Marks-and-Spencer-Annual-review.pdf (accessed July 28, 2012)

Mason, J. B., and Ezell, H. F. (1987). *Marketing: Principles and Strategy*. Business Publications, Inc, 1987.

Mathews, J. A. (2006). "Dragon Multinationals: New Players in 21st Century of Globalization", *Asia Pacific Journal of Management*, Vol. 23, pp. 5–27.

McKenzie, B. (2008). Baltic Tiger or Wounded Lion – Retail Trade and Shopping Behavior in Estonia, Latvia, and Lithuania. In: Singh, Satyendra (Editor), *Handbook of Business Practices and Growth in Emerging Markets* (pp. 181-200), World Scientific.

McKinsey Quarterly (2012). "Bangladesh: The next hot spot in apparel sourcing?", available at: <https://www.mckinseyquarterly.com/PDFDownload.aspx?ar=2948> (accessed July 25, 2012)

Mihm, B. (2010). "Fast Fashion in a Flat World: Global Sourcing Strategies", *International Business and Economics Research Journal*, Vol.9, No.6, pp. 55-63.

Mishra, A. (2009). "Strategic Brand Management of International Fashion Retailers in South Asia", *The Journal of Management Awareness*, Pranjana, Vol. 12, No. 2, pp. 38-50.

Moore, C. (2000). "The Internationalisation". Unpublished PhD Thesis, University of Stirling, Stirling.

Moore, C. M., Doherty, A. M., and Doyle, S. A. (2010). "Flagship stores as a market entry method: the perspective of luxury fashion retailing", *European Journal of Marketing*, Vol. 44, No. 1/2, pp. 139-161.

Moore, C. M., Fernie, J., and Burt, S. (2000). "Brands without Boundaries: The Internationalization of the Designer Retailer's Brand", *European Journal of Marketing*, Vol. 34, No. 8, pp. 919-937.

Mukhina, I. (2009). "New Losses, New Opportunities: (Soviet) Women in the Shuttle Trade, 1987–1998," *Journal of Social History*, pp. 341-359.

Mühlbacher, H., Leihs, H., and Dahringer, L. (2006). *International Marketing, a Global Perspective*, 3rd Edition. 2006 Thomson Learning, London.

Onis, Z. (2001). "Turkey and Post-Soviet States: Potential and Limits of Regional Power Influence," *Middle East Review of International Affairs*, Vol. 5, No. 2, pp. 66-74.

Palpacuer, F., Gibbon, P. and Thomsen, L. (2004). "New Challenges for Developing Country Suppliers in Global Clothing Chains: A Comparative European Perspective", *World Development*, Vol. 33, No. 3, pp. 409–430.

Patronlar Dünyası, (2012). "Türk Hazır Giyimciler Hangi Ülkelerde Mağaza Açacak?", ("In which countries will Turkish clothing retailers open the store?") available at: <http://www.patronlardunyasi.com/haber/Turk-hazir-giyimciler-hangi-ulkelerde-magaza-acacak/117932> (accessed: January 19, 2012)

Pellegrini, L. (1991). "The Internationalisation of Retailing and 1992 Europe", *Journal of Marketing Channels*, Vol. 1, No. 2, pp. 3-28.

Petersen, B. and Welch, L. S. (2000). "International Retailing Operations: Downstream Entry and Expansion via Franchising", *International Business Review* No. 9, pp. 479–496.

Picot-Coupey, K. (2006). "Determinants of International Retail Operation Mode Choice: Towards a conceptual framework based on evidence from French specialized retail chains", *International Review of Retail, Distribution and Consumer Research*, Vol. 16, No. 2, pp. 215-237.

Picot-Coupey, K. (2009). "Determinants of a Retailer's Choice of International Expansion Mode: Conceptual Model and Empirical Validation", *Recherche et Applications en Marketing*, Vol. 24, No. 4, pp. 23-54.

Pluta-Olearnik, M. (2011). "Internationalization of the Service Sector – Marketing Approach", *Folia Oeconomica Stetinensia*, Vol. 1, pp. 175-185.

Poneman, D. A., Baum, R. N., and Eisman, D. (1992). *Black Book - Retail Monthly* (January 1992), pp. 29-33.

Retail Türkiye (2011). “Türk Markaları Yurtdışını Çok Sevdi” (“Turkish brands loved abroad very much”) available at: <http://retailturkiye.com/genel-haberler/turk-markalari-yurtdisini-cok-sevdi> (accessed November 30, 2011)

Renko, S., and Grünhagen, M. (2011). “Services as the Crucial Factor for the Success of Retailing in Croatia,” *International Journal of Management Cases*, Vol. 13, Iss. 3, pp. 400 - 415.

Root, F.R. (1986). Export Marketing. In: Buell, Victor P. (Ed.), *Handbook of Modern Marketing*. (105/1-105/13) 2nd Ed., McGraw Hill Book Company.

Ryu, J. S., and Simpson, J. J. (2011). “Retail Internationalization: Lessons from “Big Three” Global Retailers’ Failure Cases,” *Journal of Business and Retail Management Research*, Vol. 6, Iss. 1, pp. 1-10.

Rüstemli, E. (2008). “Uluslararası Pazarlara Optimal Giriş Yönteminin Seçimi”. Dokuz Eylül University Institute of Social Sciences. Unpublished Master’s Thesis.

Saygılı H., and Saygılı M. (2011). “Structural Changes in Exports of an Emerging Economy: Case of Turkey”, *Structural Change and Economic Dynamics*, 22: 342– 360.

Sert, S. (2008). “Uluslararası Pazarlara Giriş Stratejileri ve bu Süreçte Ortaya Çıkabilecek Problemler: Uşak İli Tekstil Sektöründe Bir Araştırma,” Afyon Kocatepe Üniversitesi, Sosyal Bilimler Enstitüsü. Unpublished Master’s Thesis.

Sorescu, A., Frambach, R.T., Singh, J., Rangaswamy, A., and Bridges, C. (2011). “Innovations in Retail Business Models,” *Journal of Retailing*, Vol. 1, pp. S3–S16.

Stanworth, J., Price, S., and Purdy, D. (2001). Franchising as a Source of Technology Transfer to Developing Economies. In: Welsh, Dianne, H. B., and Alon, Ilan (Editors), *International Franchising in Emerging Markets, Central and Eastern Europe and Latin America* (pp. 119-129). Chicago: 2001, CCH Incorporated.

Sternquist, B. (1997). "International Expansion of U.S. Retailers," *International Journal of Retail and Distribution Management*, Vol. 25, Iss. 8, pp. 262-268.

Sternquist, B. (2007). *International Retailing*, Second Edition, Fairchild, New York, NY.

Tatoğlu, E., Demirbağ M., and Kaplan G. (2003). "Motives for Retailer Internationalization to Central and Eastern Europe", *Emerging Markets Finance and Trade*, Vol. 39, No. 4, pp. 40-57.

T.C. Gümrük ve Ticaret Bakanlığı (2011). "Turkey-Russia Simplified Customs Corridor", available at: <http://www.gumruk.gov.tr/ENG/EU/Pages/Turkey-RussiaSimplifiedCustomsCorridor.aspx> (accessed November 30, 2011)

Tekstil ve Konfeksiyon Sektörleri Açısından Rusya Federasyonu- İTKİB (2012). "Rusya Federasyonu: Temel Ekonomik Göstergeler, Genel ve Sektörel Bilgiler", available at: http://www.itkib.org.tr/ihracat/DisTicaretBilgileri/raporlar/dosyalar/RUSYA_HGIYIM_RAPORU_2012_OCAK.pdf (accessed February 23, 2012)

Terpstra,V. (2000). "The Millennium and International Marketing," *International Marketing Review*, Vol. 17, No. 1, pp 15-18.

Terpstra,V., and Sarathy,R. (2000). *International Marketing*. 8th Edition, The Dryden Press.

The EIU Report (2010). "Redrawing the map: globalization and the changing world of business,"
data retrieval: <http://www.businessresearch.eiu.com.onelog.marmara.edu.tr:2048/sites/default/files/Redrawing%20the%20map%20-%20WEF.pdf> (accessed January 7, 2012)

The EIU Report (2011). “Global Outlook-Country Forecast, November 2011,” available at: <http://www.eiu.com> (accessed November 2, 2011)

Tokatlı, N., and Boyacı, Y. (1998). “The Changing Retail Industry and Retail Landscapes: The Case of Post-1980 Turkey”, *Cities*, Vol. 15, No. 5, pp. 345–359.

Tokatlı, N. and Kızılgün, Ö. (2004). “Upgrading in the global clothing industry: Mavi Jeans and the transformation of a Turkish firm from full-package to brand name manufacturing and retailing”, *Economic Geography*, Vol. 80, Iss. 3, pp. 221–240.

Tokatlı, N. (2007). “Networks, firms and upgrading within the blue-jeans industry: evidence from Turkey”, *Global Networks*, Vol. 7, No. 1, pp. 51-68.

TurkStat (2012). “Statistical Indicators 1923-2010”, available at: http://www.tuik.gov.tr/PreTablo.do?tb_id=12&ust_id=4, (accessed February 4, 2012)

Turley, L.W. and Milliman, R.E. (2000). “Atmospheric Effects on Shopping Behaviour: a Review of Experimental Evidence,” *Journal of Business Research*, Vol. 49, No. 2, pp. 193-211.

Turkey Country Report (2012). “Country Report February 2012”, The Economist Intelligence Unit Limited 2012, pp. 1-28. Retrieved: October 18, 2012, from EBSCO on the World Wide Web: URL (<http://web.ebscohost.com/oneolog.marmara.edu.tr:2048/ehost/pdfviewer/pdfviewer?vid=20&hid=125&sid=7b404bb0-e157-4730-a091-5f76f8d987b7%40sessionmgr104>)

Turkish Exporters Assembly (2012). “Hedef 2023, 500 Milyar Dolar İhracat” available at: <http://www.tim.org.tr/tr/tim-gundem-tim-hedef-2023-500-milyar-dolar-ihracat-stratejisini-basbakana-sunuyor.html> (accessed February 16, 2012)

TurkStat (2011). Turkstat Statistical Indicators, 1923-2010. available at: www.tuik.gov.tr/IcerikGetir.do?istab_id=158 (accessed July 9, 2012)

Tüfekçi, F. (1980). Batı Avrupa Pazarlarının Türk Giyim Sanayii İhracat Olanakları Açısından İncelenmesi. (The Analysis of West European Markets Related to the Export Possibilities for Turkish Apparel Industry). TSKB A.Ş., Yayını, No. 29, İstanbul.

UNCTAD World Investment Report, (2011). “World Investment Report 2011: Non-Equity Modes of International Production and Development”, available at: <http://www.unctad-docs.org/files/UNCTAD-WIR2011-Full-en.pdf> (accessed January 24, 2012)

U.S. Commercial Service (2011). “Doing Business in Turkey: 2011 Country Commercial Guide for U.S. Companies” available at: http://www.buyusainfo.net/z_body.cfm?dbf=ccg1&search_type2=int&avar=19999&country=Turkey&logic=and&loadnav=no (accessed July 1, 2012)

Utkun, E., and Atilgan, T. (2010). “Marketing Innovation in the Apparel Industry: Turkey”, *Fibres & Textiles in Eastern Europe*, Vol. 18, No. 6 (83), pp. 26-31.

Varley, R. (2005). “Store Image as the Key Differentiator”, *European Retail Digest*, Iss. 46, pp. 18-21.

Vida, I. and Fairhurst, A. (1998). “International Expansion of Retail Firms: a Theoretical Approach for Future Investigations,” *Journal of Retailing and Consumer Services*, Vol. 5, No. 3, pp. 143-151.

Vida, I., Reardon, J., and Fairhurst, A. (2000). “Determinants of International Retail Involvement: The Case of Large U.S. Retail Chains”, *Journal of International Marketing*, Vol. 8, No. 4., pp. 37-60.

Wang, W., Yuan, Y., Archer, N., and Guan, J. (2005). “Critical Factors for CPFR Success in the Chinese Retail Industry”, *Journal of Internet Commerce*, Vol. 4(3), pp. 23-39.

Wang, Y., Bell, D. R., and Padmanabhan, V. (2009). “Manufacturer-owned retail stores”, *Marketing Letters*, Vol. 20, pp. 107–124.

Welch, D. and Welch, L. (1996). "The Internationalisation Process and Networks," *Journal of International Marketing*, Vol. 14, pp. 103-124.

Welsh, D. and Alon, I. (2001). Executive Summaries. In: Welsh, Dianne, H. B., and Alon, Ilan (Editors), *International Franchising in Emerging Markets, Central and Eastern Europe and Latin America* (pp. 13-32). Chicago: 2001, CCH Incorporated.

Whitehead, B. M. (1992). "Internationalization of Retailing: Developing New Perspectives", *European Journal of Marketing*, Vol. 26, No. 8/9, pp. 74-79.

Wigley, S. M., Moore, C. M., and Birtwistle, G. (2005). "Product and Brand: Critical Success Factors in the Internationalisation of a Fashion Retailer", *International Journal of Retail and Distribution Management*, Vol. 33, No. 7, pp. 531-544.

World Trade Organization (2012a). International Trade Statistics, 2012. Available at: http://www.wto.org/english/res_e/statis_e/its2012_e/its2012_e.pdf; (accessed November 4, 2012)

World Trade Organization (2012b). "Ministerial Conference Approves Russia's WTO Membership". Available at: http://www.wto.org/english/news_e/news11_e/acc_rus_16dec11_e.htm; (accessed February 20, 2012)

Yin, R. K. (1994). *Case Study Research: Design and Methods*. Sage, Thousand Oaks, CA.

Yu, H., Kim, Y., and Kim, H. (2011). "Dynamics of Apparel Retail in South Korea Accompanied by Increased Market Openness", *International Journal of Management Cases*, Vol. 13, Iss. 3, pp. 448-459.

Yükseker, D. (2004). "Trust and Gender in a Transnational Market: The Public Culture of Laleli, Istanbul," *Public Culture*, Vol. 16, No. 1, pp. 47-65.

APPENDICES

Appendix 1 - Interview Questions Based on Research Objectives and Research Questions

Appendix 2 - List of Firms and Managers Contacted for the Study

Appendix 3 - List of Istanbul-based Turkish Specialty Apparel Retailers Operating in the
CIS Countries

Appendix 1 - Interview Questions Based on Research Objectives and Research Questions

Objective One: to determine the Turkish specialty apparel retailing firms' characteristics including company history, future oriented plans and profile;

Q1: *Please tell me about your company's history, its future plans and describe its profile in brief.*

Objective Two: to shed light on the production process, private labeling, and sourcing activities;

Q2: *Please explain how the finished garments and accessories are made available for consumption abroad. To what extent is Your company engaged in merchandise outsourcing?*

Q3: *Does Your company sell merely own labeled merchandise abroad? Does it include any manufacturer and/or designer brands in its merchandise mix?*

Objective Three: to find out the market entry modes utilized in the CIS countries and understand the entry mode choices of these firms;

Q4: *Which methods of entry are used in the CIS countries? Does Your company use different entry modes simultaneously there? Why?*

Objective Four: to detect critical factors to Turkish specialty apparel retailers' success doing business abroad and particularly in the CIS countries.

Q5: *Let's talk about what determines the success during the internationalization process and operations abroad, particularly in the CIS countries. What is your company's philosophy of management in regard to the supply chain?*

Q6: *Does the supply chain management play a role in the success abroad, particularly in the CIS countries?*

Q7: *Do retail diversification strategies contribute to success during and after internationalization in the CIS countries? How do the market expansion and product diversification strategies effect Your firm's overall business performance?*

Q8: *Which product attributes are instrumental in attaining to success abroad, particularly in the CIS countries?*

Q9: *Does the customer service play a part in the success abroad, particularly in the CIS countries?*

Q10: *Please tell me about Your firm's marketing strategies abroad. Does Your company pursue standardized marketing strategies in the CIS countries? What are the retail marketing mix activities/elements that are adapted there?*

Appendix 2 - List of Firms and Managers Contacted for the Thesis

Retailing Firm	Year Founded	Year of Internationalization	Company Size (Employees)	Brand(s)
<i>ADİL IŞIK (A)</i>	1992	2001	3500	adL, Love My Body, Codentry, NightZoom
<i>GIZIA (B)</i>	1986	2004	1000	Gizia, 4G
<i>COLIN'S (C)</i>	1983	1992	4700	Colin's, Big Star
<i>MAVI (D)</i>	1991	1992	4000	Mavi

The interviewee opted to remain anonymous - Adil Işık

The interviewee opted to remain anonymous – Gizia

Çağdaş Bolat, Head of International Sales – Colin's

Onur Ergür, Director CEEMEA & Far East – Mavi Jeans

Appendix 3 - List of Istanbul-based Turkish Specialty Apparel Retailing Firms Operating in the CIS Countries

No.	Retailer [Retail Chain(s)]	Specialization	Web Address
1	Adil Işık Group [Adil Işık, adL]	womenswear	http://www.adl.com.tr
2	Akyiğit Textile [Collezione]	menswear, womenswear	http://www.collezione.com
3	Aydınlı Group [Cacharel, U.S. Polo Assn., and Pierre Cardin]	menswear, womenswear	http://www.aydinli.com.tr
4	Ay Marka A.Ş. [NetWork, Fabrika, and Beymen Business]	menswear, womenswear	http://www.aymarka.com.tr ; http://www.network-tr.com
5	Ayaydın Miroglio Group [Machka, Ipekyol, and Twist]	womenswear	http://www.machka.com.tr ; http://www.twist.com.tr ; http://www.ipekyol.com.tr
6	Balizza Group [Balizza]	womenswear	http://www.balizza.it
7	Batik Group [Tiffany and Batik Örme]	menswear, womenswear	http://www.tiffany.com.tr ; http://www.batik.com.tr
8	Beşyıldız Textiles [Seven Hill]	menswear, womenswear	http://www.sevenhill.com.tr
9	Bücürük Textiles [Bücürük]	kidswear	http://bucuruk.com.tr
10	Cons Textiles [Cons]	menswear, womenswear	http://www.consjeans.com
11	Coşkun Textiles [Süvari]	menswear	http://www.suvari.com.tr
12	Çak Group [Little Big]	menswear, womenswear	http://www.littlebig.com.tr
13	Derimod	mens and womens leatherwear/ outerwear	http://www.derimod.com.tr
14	Dido Group [AVVA]	menswear	http://www.avva.com.tr
15	Efor Textiles [Efor]	menswear	http://www.efor.com.tr
16	Eroğlu Group [Colin's]	menswear, womenswear	http://www.colins.com.tr
17	Fabeks Foreign Trade [Silk & Cashmere]	menswear, womenswear	http://www.silkcashmere.com
18	Faik Sönmez Textiles [Faik Sönmez]	womenswear	http://www.faiksonmez.com

19	Gebe Apparel [GeBe]	maternity	http://www.gebe.com.tr
20	Gizia Group [Gizia]	womenswear	http://www.giziamoda.com
21	Gürmen Group [Ramsey and Kip]	menswear	http://www.gurmen.com.tr ; http://www.kip.com.tr ; http://www.ramsey.com.tr
22	Herry Apparel [Herry]	womenswear	http://www.herry.com.tr
23	Into Sportswear [Into]	menswear, womenswear	http://www.intocollection.com.tr
24	Kanpak Textiles [Romano Botta]	menswear	http://www.romanobotta.com
25	Kıgılı Apparel [Kıgılı]	menswear	http://www.kigili.com.tr
26	Koton Textiles [Koton]	menswear, womenswear	http://www.koton.com.tr
27	Kuşam Textiles [Wenice Kids]	kidswear	http://www.wenice.com
28	Leke Jeans [LK&JNS Dew]	menswear, womenswear	http://www.lkjnsdew.com
29	Mavi Apparel [Mavi Jeans]	menswear, womenswear	http://www.mavi.com
30	Mithat Group [Mithat]	menswear	http://www.mithat.com.tr
31	Orka Group [damat Tween and D'S damat]	menswear	http://www.damat.com.tr
32	Ozon Group [DeFacto]	menswear, womenswear	http://www.defacto.com.tr
33	Panço Apparel [Panço]	kidswear	http://www.panco.com.tr
34	Rodi Apparel [RodiMood]	menswear, womenswear	http://www.rodijeans.com
35	Roman Apparel [Roman]	womenswear	http://www.roman.com.tr
36	Sabri Özel Textiles [Sabri Özel]	menswear, womenswear	http://www.sabriozel.com
37	Sarar Group [Sarar]	menswear, womenswear	http://www.sarar.com
38	Sun Textiles [Jimmy Key]	menswear, womenswear	http://www.jimmy-key.com
39	Suwen International [Suwen]	lingerie and nightwear	http://www.suwenint.com
40	Tema Group [LC Waikiki]	menswear, womenswear	http://www.lcwaikiki.com

41	Triko Mısırlı [Triko Mısırlı]	menswear, womenswear	http://www.trikomisirli.com.tr
42	Vakko Group [Vakkorama and V2K designers]	menswear, womenswear	http://www.vakko.com
43	Vekem Apparel [Vekem]	womenswear	http://www.vekem.com
44	Vigoss Textiles [Vigoss Jeans]	menswear, womenswear	http://www.vigoss.com
<i>Compiled from the URL links:</i> http://www.birlesmismarkalar.org.tr/detail.php?sID=11 and http://www.perakende.org/firma.php , (accessed: June 5, 2012)			
This sampling frame consisting of 44 companies was developed from the listings posted on the Web sites cited right above. The information on each company includes company name, specialization, and web addresses.			