A Guide to Doing Business in TURKEY
ACCESS TURKEY: OPEN FOR BUSINESS

70 thousand km²

784 thousand km²

Currency: Lira (₺)

€731 billion
2013 GDP

€12,057
income per capita

17
Turkey is the world’s 17th largest economy

74.9 million
Population of Turkey

4.7 million
Population of Ireland

€776 million
Total Irish exports to Turkey 2013

€38 million
Exports from EI clients to Turkey 2013

2023
Vision for the 100th anniversary of the Turkish Republic includes ambitious economic growth plans

GROWTH SECTORS
Aviation
Engineering
Telecoms
Education
IT for Travel
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1. Introduction

“Turkey is very accessible. I’ve noticed many people are unaware that there’s a direct service from Dublin to Istanbul: it’s around a four-hour flight. If you think your business has potential, I would encourage people to go and have a look at the market. The cultures aren’t that far apart once you get talking to people. You need to meet them a few times, and be patient. By that stage, you’ll know if the product has potential.”

Padraic Timon, Managing Director, Chameleon Colour Systems

Why this market is important

At the bridge between Europe and Asia, Turkey holds a strategic position in the region. The economy has enjoyed strong growth in recent decades, through a combination of trade and foreign investment. Turkey has a population of more than 74 million people, and a high proportion are urbanised. In 2013, its GDP was more than €730 billion, making Turkey the seventeenth largest economy in the world in terms of size, yet it is still considered an emerging market alongside the “MINT” countries: Mexico, Indonesia and Nigeria. Turkey is moving from being a labour-intensive, low value added market to a technology-driven, export-led country. Tourism, agriculture and manufacturing are key sectors in the economy, and about two-thirds of Turkey’s GDP derives from the services industry. Turkey has some well-established world class industries such as cement, construction, steel and white goods, along with its traditional textile sector. It is Europe’s largest car manufacturing location. Prominent Turkish corporates include Turkish Airlines, the world’s fourth largest carrier by airports served, and the conglomerate Koç Group, whose home electronics division Beko is a market leader in the UK. The country’s construction firms are among the biggest in the world; in 2012, their combined income was €13.2 billion.

Turkey has a highly ambitious plan to be among the top 10 global economies by 2023 – the centenary of the foundation of the modern Republic of Turkey. Turkey also hopes to have achieved EU membership by that date. Turkey’s political and economic structure has looked west for much of the time; the country became a member of the Council of Europe in 1949 and joined NATO three years later. It signed an association agreement with the European Community in 1963.

While much of Europe struggled with the economic crisis over the past number of years, Turkey’s growth rates were second only to China’s; consequently, a growing number of Irish companies are becoming aware of the opportunities there. The market is directly accessible from Dublin and at just over four hours’ distance from Ireland, Turkey presents a good opportunity both as a market in its own right and a strategic hub for the surrounding region.

In 2013, the Irish Exporters Association signed a Memorandum of Understanding aimed at achieving a 300 per cent increase in bilateral trade between Ireland and Turkey, from €1.3 billion in 2012 to €3.5 billion in the decade to 2023. It’s also thought that this can bring about an increase in Irish exports of goods and services to Turkey to €2 billion by 2023. There are currently around 120 Enterprise Ireland clients exporting to Turkey, and some of them have opened offices there. Irish companies successfully doing business in Turkey come from a range of sectors, including specialised engineering and manufacturing as well as innovative software. Niche products in particular seem to resonate with Turkish customers.

Purpose of the report

The objective of Access: Turkey is to give practical and up-to-date information on the market for Irish companies. Here you will find useful, easy-to-digest advice on the critical aspects of doing business in Turkey for companies at all levels of business development. This guide covers:
- How to get started
- Turkish business culture and how it differs from Ireland’s
- Working with the Turkish language in business
- Market research
- Routes to market
- Key legal issues, tax, and recruitment considerations.

**How it was compiled**

This report is based on the practical experience and knowledge of highly successful people in the market, and by specialists in areas such as taxation and marketing. It is informed by the lessons learned by the many Irish business people who have succeeded in Turkey. The report also includes commentary from a number of these people. *Access: Turkey* is intended to be of use to a wide audience, from companies thinking of exporting to Turkey for the first time, to those already selling in the market and wishing to examine strategic options for further growth. Compiled between August and October 2014, this report is up-to-date with the latest available research and findings.
CRITICAL SUCCESS FACTORS
2. Critical Success Factors

"As in any country, local knowledge is essential and from a cultural point of view, the similarities between the Turkish and Irish Republics is somewhat unique. Both republics are of a similar age, coming out of independence wars in the 1920s with many of the same ideals, and prospering in the event. Socially and culturally, we have bonds. English is a business language but you must be very aware that much can get lost in translation and therefore sensitivity and understanding are essential tools."

Michael Quigley, Director, Business Development, ESB International

Introduction

Turkey is currently one of the most dynamic markets in the world, but keep in mind that it is largely self-sufficient. A lot of products and services are easily available and what's more, labour and production costs are low. This makes Turkey a price-driven country, where your product or service will not only need to have an added value – either in innovation or in quality – it also has to compete on price when compared against local brands. While Turkey can be a valuable market for your business, it is also one that demands a lot of time to enter and in which to remain successful. Trust is the key for a potential Turkish business partner in doing business; be prepared to be patient and factor in several visits to develop this trust. Spending six months to a year from making initial contact to closing the first deal is more a rule than an exception. The nuances of a long-established culture such as Turkey's can't be summed up in a few pages, but this chapter aims to provide a general guide to some key aspects of doing business there while respecting the culture and meeting style.

Business culture and practice

The most challenging aspect for Irish business people in doing business with Turkey is to get connected to a reliable business network. Even though Turkey’s business culture is westernising, the social values and the social norms remain very different. In contrast to most Western European countries, formal business networks hardly exist in Turkey. The network you enter in Turkey is a social one and this means you have to gain the trust of your business partner, in a similar way to a friendship. Once trust has been established, he or she will do business with you and will also open his or her network to you, from which you can also benefit. You should expect to put more time and energy into maintaining a good relationship with your client and partner, compared with your Western European partners or customers.

- Business in Turkey is done face-to-face; it is not uncommon that after the initial meetings, e-mail contact is ineffective and mails stay unanswered
- Sending email works, but reminding your potential customer by telephone is more efficient. Don’t take this as a lack of interest; Turks prefer personal contact hence phone calls may be more effective than email
- Companies in Turkey are hierarchical, and understanding this is essential for success
- In most Turkish companies, there are only a couple of senior people who make the decisions
- The route to this person might involve meeting with some of his/her employees first
- Even though this might take extra time and sounds inefficient, respect the process and accept that it is the way to go.

- Introductions by a known third party will also help you to reach key decision-makers and will also build your credibility and reputation.

- Turkey sees itself as a part of Europe. Avoid suggesting otherwise.

- If Turks get irritated or offended, they will never show this, as guests have a very important status in the Turkish culture. You will notice when this has happened; they won’t tell you they are offended, they will simply not do business with you.

- Be prepared for last-minute changes in your appointment schedule. It does not make sense to schedule your appointments one month or longer in advance.

- Instead, start scheduling two weeks prior to your arrival and re-confirm the appointment two or three days in advance.

- Agendas are not common in Turkey, but be sure your counterpart knows what you want to talk about.

- Turkey has a 46-hour working week in the private sector. In general, people start at 9am and will continue working until 7pm.

- Turkish managers expect employees to stay until the job is finished. It is not uncommon to schedule a meeting at 5.30pm or later and to be invited for dinner afterwards.

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**NEED TO KNOW**

Even though some parts of Turkey might seem less religious than other Islamic countries, during the holy month of Ramadan, most Turks fast. While in theory, business in Turkey continues during this time, be prepared for sudden cancellations and a slower pace in everything. Respect traditions during Ramadan, which does not have set yearly dates, so it’s worth checking on Ramadan-related holidays and other public holidays before scheduling your trip. You can also find out daily prayer times, if you think this will be a factor.

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**Relationship management**

Before you start thinking of exporting to Turkey, it is wise to realise the cultural differences when it comes to managing a relationship. In general, Turks don’t have business relations, as we know them; there is always a personal aspect. To be successful, you should invest in the relationship and respect that it might take more than a good product or a good price to close a deal. If you think you can manage your relationship through email or by phone, Turkey might not be a suitable market for you. Visiting your customer or distributor regularly is recommended, to show them you value the relationship.

- Turks prefer direct contact, so call after an e-mail – and call regularly, even if it’s only for a social chit-chat.

- If your client or distributor requests you to come over because there is an issue, or he wants to discuss a project, don’t turn him down – even if you think the problem can be solved through mail or phone.

- You can try to solve it that way, but as soon as you notice it is not enough, pay a visit. It will be appreciated and shows you are committed and you value the relationship.
Meetings in Turkey

Allow plenty of time when scheduling meetings in Turkey. It may easily happen that a meeting is postponed at the last minute, or that the person you are meeting is late. Accept that you are expected to be flexible. That also goes the other way around. If you are late, the person you are meeting will adjust.

- The first meeting might be very formal. It is very possible that you may be asked to give a presentation about your product, service or company for a group of employees or managers headed by the managing or department director.
- After the presentation, you may be shown a presentation of their company. The final part is exchanging questions and clarifying what has been presented
- Employees in Turkey will, in general, wait for the instructions of the manager or the director that is present
- Most employees have no business cards to return
- Turks shake hands and remain formal during meetings
- It is very normal that meetings are interrupted by employees with questions and by phone calls
- When making small talk, avoid talking about politics and religion, or if they are raised, stay neutral on these subjects. In Turkey, people practice Islam in different ways, try to avoid giving your opinion on the subject unless you are sure of your counterpart’s opinion on Islam
- Being curious is appreciated, so questioning is fine, but avoid causing offence because of ignorance
- Don’t be too direct in your comments or questions
- Allow time for spontaneous lunches or dinners and for last-minute meetings the following day. In Turkey, an invitation for lunch or dinner is a sign of trust. Use the opportunity to get to know your counterpart. The foundation of a long business relationship is often laid after working hours
- If your Turkish partner or client visits you in Ireland, it is expected that you will invite them to dinner in the evening
- When going out for dinner or lunch with potential business partners be careful about ordering alcoholic drinks, as Turkey is a predominantly Muslim country. Religious Turks might not drink any alcohol at all and may not appreciate if you do so in their presence
- A good indicator is the restaurant you are taken to: if it doesn’t serve alcohol and your counterpart has not asked you for your preference, expect that drinking is not appreciated
- Turks are interested in your personal circumstances and they may ask you about your personal life quite directly such as whether or not you are married, have children or if you are religious.

NEED TO KNOW

Turkey is a country where your network is more important than anything else. While Turks will be impressed with your achievements and your titles, unless there is trust, you are unlikely to be successful. The easiest way to gain business is to be endorsed by somebody whose trust you have received. Show respect for the achievements and credentials of the person you are talking to as well. In general, avoid mentioning directly that your customer has a problem; instead, try to direct the conversation to a conclusion you both draw – and that happens to involve your product or service.
Before you go

Invest in finding out the Turkish point of view on your product or service in advance – for example, if high quality is your USP, check whether or not Turks care about the quality of that product; or if your environmentally friendly product performs the same as the Turkish competitor, which is not environmentally friendly, check if the Turks care about being environmentally friendly. There might be some laws on this subject being implemented in the near future, which make your product more or less interesting, so researching the market in advance could reveal opportunities. This is covered in more detail in the next chapter.

- Make sure you always calculate your cost price in the market before attempting to enter negotiations
- Turks will take you more seriously when you create a presence in Turkey, whether it is by setting up your own entity or by using a representative office in the start-up period. Presence on the ground will develop your business faster
- Me-too products and services can only compete on price. The chance that you are able to compete purely on quality with these products may be slim
- Differentiate on innovation, efficiency, knowledge and service
- Be prepared to invest in explaining to your partner about your unique selling points to help him succeed
- Be clear on what your proposition is and the compelling reasons around why your product or service is the best solution for your market
- Products or services that solve a problem and meet competitive price and quality criteria will automatically appeal and win market share in Turkey.
NEED TO KNOW

Hard-selling techniques don’t work well with Turks, so try to find out what is expected from your presentation in advance of your visit. Is it meant to get to know the company you represent? Or do they expect you to come up with a solution directly? Adjust your presentation to the people you are dealing with. If there’s no decision maker in the room, it is useless to do a sales pitch, since nobody’s allowed to make a decision anyway. Your first presentation in front of a potential partner might feel like – and might be – a formality. It is important to make an extensive, clear presentation without too much exaggeration. Don’t be put off, if the questions don’t go in depth immediately afterwards. Save that for a follow-up appointment or for the lunch or dinner. Present your business case with facts and figures. Presentations by Turkish companies can be extensive and are often filled with numbers and schedules and can take up to an hour. Give this space and keep in mind that appointments may take at least two hours.

Negotiating the deal

- Turks are traders, but closing the deal can be time-consuming. Don’t expect the deal to be closed based on a verbal agreement. In Turkey, negotiations can continue even after the contracts have been signed
- Be sure you are talking to a decision maker. In most Turkish companies, the structure is still very top-down. If you are not talking to the CEO or one of the senior management, whatever was discussed could well change in future talks
- Don’t act superior. Respect your counterpart and respect the achievements of the company, even though they could have been a lot more efficient in your eyes
- Allow the person with whom you are speaking to earn credits with their superior, if you aren’t talking to the manager or director
- Allow them to find a solution to your benefit, rather than present a direct and concrete solution in the first meeting. Build momentum.

NEED TO KNOW

Always put your agreements on paper. It is very important that a foreign supplier, which has an international agreement with a Turkish company, first enters into a written delivery agreement in which all details about the partnership are specified. It’s important to have a written and detailed contract in Turkey. Like local governments and public courts, companies in Turkey also prefer a more formal approach based on the literal interpretation of written documentation and contracts. The delivery contract has to include all the specifics about the product which will be supplied by the foreign company or Turkish company, especially information about technical product details, the ordered quantity, product quality, purchase price and the payment and delivery conditions. For an indication of the delivery terms it is advisable to use the Incoterms, the pre-defined commercial terms published by the International Chamber of Commerce that are widely used in international commercial transactions.
Overcoming the language barrier

Turkish is the primary language used in Turkey, although there are many local dialects and other languages spoken. The Turkish spoken in Istanbul is considered as proper Turkish. In the larger cities, most high-level staff in larger companies speak English. Although it is not expected, your Turkish counterpart will appreciate you going to the trouble of learning a few simple phrases, such as:

*Merhaba* – Hello
*Günaydın* – Good morning
*Güle güle* – Goodbye
*Teşekkür ederim* – Thank you
*Evet* – Yes
*Hayır* – No
*Nasılsın?* – How are you?
*Anlamiyorum* – I don’t understand
*Özür dilerim, Türkçe bilmiyorum* – Excuse me, I don’t speak Turkish.

Be aware that the Turkish language is structured very differently from English, which can lead to misunderstandings. For example, Turks will use the word for ‘investor’ when they mean ‘distributor’. As a rule, a translator or interpreter is highly recommended for when you are visiting the market. When planning your itinerary, check whether there will be English-speaking people present at the meeting. Always enquire in advance, especially if meeting family-owned companies where the CEO – who is often the father of the family – may not speak English fluently. If this is the case, either your counterpart will arrange a translator, or you are expected to bring one.

CASE STUDY: Early experiences of selling in Turkey

James Murphy, CEO, Lifes2Good

Fast-growing Lifes2Good, markets and distributes a portfolio of category-leading, exclusive and clinically proven ‘nutraceutical’ brands worldwide, using a multi-channel strategy to increase sales through retail pharmacies, department stores, e-commerce and direct marketing campaigns aimed at consumers. It began selling in Turkey in early 2014.

www.lifes2good.com

How did you get started in Turkey?

Originally, I went on a trade mission to Turkey, trying to find distributors out there, purely because the Turkish market was so big. I was led to believe the process of getting our products registered wouldn’t be difficult and would not take too much time. We expected to get approval for our hair supplement a lot sooner, so that changed the product portfolio with which we go to market. We have a whole range of health and beauty products, so it wasn’t difficult for us to switch products on the basis of interest from the pharmacies or retail stores.

Having some connections globally, I got a good reference for a Turkish businessperson looking for a challenge. So we met and I asked him to put together a business plan to launch the business in Turkey. We looked at the plan, made a budget, and earlier this year we decided to put our toe in the water to get the business going. It became fairly clear that we were going to have to put some people on the ground. That was the first learning. To get going in the pharmacy sector and drum up the business, it’s very much based on a person-to-person contact and relationship – so you have to have people on the ground. As you would expect, we incorporated a company which, again, took some time. Within about six months, we had five people on board – one running the business, one in office to look after admin, and three salespeople.
focusing on Pharmacy, Mass Retail and Grocery. One of the biggest difficulties you have in Istanbul is the split by the Bosphorus into east and west, and traffic is an absolute nightmare – it takes 2-3 hours from the airport alone! What will happen is, you need salespeople in the east and again in the west. We thought we would be able to grow the business without having that many people on the ground, but it became clear to us that we needed this, to have decent coverage in the market. To date, we have worked mostly with pharmacies – up to about 600 at the moment, along with groups such as Tesco Kipa, and Watsons. The main retailers we are negotiating with are Carrefour, Migros and Gratis.

In what way is Turkey different to Ireland, from a business point of view?

One thing that was a bit of a nuisance is that you have to capitalise the inter-company debt or bring the share capital to the same level as the intercompany balance. In other words, you can’t import and just owe it to the parent company, the capital has to match the investment. Payment terms are either on consignment or 90/100 days, so be prepared to invest in working capital. The margins aren’t as good as in some other countries due to consumers being more price-sensitive. Furthermore, a lot of the work has to be done with retailers on the ground – training, local promotions and marketing materials, so there is definitely a significant investment cost. So it’s not for the faint hearted! However, like every investment you have to look at the prize which is the size of the market – we feel there’s massive potential.

As a company going in to Turkey, you need to get as much information as possible before you start. You need someone who speaks English, ideally who has worked abroad and yet understands the Turkish culture and practices. Whatever the business plan says you have to invest – double it! It’s, surprisingly, very westernised. PR works well, you have TV, online and magazines. The marketing infrastructure we would expect from our experience in the west is there, you can buy the same forms of media and go for local TV around Istanbul.

How easy was it to set up the office there?

Through our manager in Turkey, we used a consultant to register the products, but that consultant didn’t speak English, so it took a lot of our man’s time to go back and forth. We had a law firm who helped set up the company. Setting up the bank account wasn’t easy; to do that, you need a Turkish resident. We sent a senior accountant to make sure everything was set up properly.

How much investment did you need to get to this stage in Turkey?

If you have got consumer products and you want to develop your brand in the Turkish market, I think your investment, depending on your business, is going to be somewhere north of half a million before you start to see any light at the end of the tunnel. We’re certainly not going to break even in our first or second year, but it is a long-term investment. There’s a level at which the investment has to be capped so we’re fairly cautious about continuing to expand in terms of more feet on the ground until we notice a certain level of sales coming through. I would recommend that you don’t get sucked in to the notion that you need people in every state. The sales people have to be able to break even at least within a three-month period.

How closely do you manage the business there?

I’ve been out there a couple of times this year, and our business development manager who our Turkish manager reports to has been there every six to eight weeks. There’s a very heavy involvement from our head office in terms of accounting, finance and marketing, with meetings every week to monitor the progress. If you weren’t very closely involved, you could lose your shirt! You will almost need a team of people between finance, marketing, IT, regulatory and management, of course.

We originally set ourselves a budget and within six months we revised it downwards in terms of sales but not the fixed costs – they were revised upwards! There is no doubt that the potential is there as the middle class continues to grow and spend. However, you either have to spend the time there yourself, or you make sure your management team has the time available to invest. And if you sign a distributor, unless he’s got deep pockets and has all the relationships with customers – which in our case are pharmacies – then you’re going to have to work very closely with him. Either way, you have to be prepared to invest with them in working capital and marketing. Good luck!
CASE STUDY: Becoming established in the Turkish market
Michael Quigley, Director, Business Development, ESB International

ESB International invests in, develops, owns, operates and maintains power stations both nationally and internationally, and also trades electricity in competitive European energy markets. A pioneer in combined cycle gas turbine (CCGT) technology, ESB International offers a full range of engineering, operations and maintenance solutions, as well as consultancy services to the global energy market. It has an office in the Turkish capital, Ankara, and employs 40 people in Turkey.

www.esbi.ie

How did your business in Turkey come about?

ESB International has been active in the Turkish market for four years, with the establishment of an office three years ago. Our decision was based on a mix of opportunities and planned strategy – pursuing business both from our Irish base as well as locally in Turkey. Our business offerings are to the global electricity industry and therefore applicable to the Turkish market. Our business growth strategy in 2011, in conjunction with a market review by our Strategic Consultancy Group, made Turkey a priority market. The fact that the Turkish market had been deregulated, and the market privatised, created an ideal environment and market for us to target.

What have been some of the major milestones for the business since starting to sell there?

Firstly, setting up the branch office and winning our first and subsequent projects was a major milestone. We were going in cold, as it were. They didn’t know us and we don’t have a physical product as such. Our business is not a commodities business; we sell professional services in electrical power. Therefore, a significant milestone for us, as a new entrant to the Turkish market, has been recognition as an expert in our field. Companies are coming to us now and we will continue to promote our expertise and our commitment to the Turkish market. We have a lot of experience in new markets – we’ve worked in 120 countries, but every country is different and you learn all the time. For example, we have more people on the ground than we expected initially.

Our message is that we are present here, and we intend to stay. In addition, because of the location and the ties of Turkey with the Central Asian Republics, such as Turkmenistan, Azerbaijan, Kazakhstan, Uzbekistan and Kirgizstan, Turkey will be the hub to do business in those adjacent countries. We foster relationships with key clients, and we will work where those clients are based, so if a Turkish client wants us to work in another country, we will work with them there.

Did it take longer to become established in Turkey than you expected, and was it easy or complicated?

It hasn’t taken us longer than expected, but without local knowledge, it would have been a much greater challenge. And the process to become established is not unique to Turkey. The process follows the core business principles we experience in other markets we work in worldwide, but the nuances are key. You need to be flexible with processes to match theirs because they’re the ones that determine what you should do. Essentially it centres on respecting and working with the Turkish systems and processes to make sure they align. An example: invoices in Turkey are contract documents in the sense that they can only be printed by State-appointed printers. Each invoice has a unique number and can not be amended, destroyed, or altered. It works very well in Turkey because they’re used to it. Our local staff would be familiar with it but if you don’t have local knowledge and you start issuing or receiving invoices…be aware.

What other aspects of the business culture are important to know?

Turks will be very open in their discussions with you. I’ve read this, but also through our experience I agree with it, that you have to meet the decision makers. You can have very polite meetings with people who aren’t in a position of power. They will talk to you but it doesn’t go anywhere. It’s quite hierarchical. Keep in mind that whilst you might be talking to people who cannot make the ultimate decision, they may be the people who are involved in the implementation of the project, so you need to maintain a good relationship with them because when the project kicks off and starts running, they’re the people that your people will be
dealing with. You get the decision made at a high level but you work at a different level of the organisation; you have to build relationships in Turkey. Trust is a very important part of it.

**What advice would you give to other Irish companies that may be considering Turkey as a market?**

My advice is, don’t rely on your understanding of doing business elsewhere. Plan to get local knowledge on board as soon as possible. Get advice from Enterprise Ireland, do your market analysis of your opportunities and your competitors.

If you’re going in cold to the market, you would need to plan for three years. The cardinal rule is patience, presence and people – and you have to choose your people well. We don’t commit to a short-term in and out – we have very much a long-term focused view. An energy asset such as a power station can be a 25-, 30- or 40-year investment. Capital expenditure for clients in the energy sector is enormous, in some cases requiring a 20-year financial plan. So they take time to materialise. We constantly take the temperature of the market, watching economic performance and trends.

All of our staff members in Ankara are Turkish; it’s important that they understand our business, our aims and what we’re trying to achieve. We also have non-Turkish people in the country running particular projects. Our manager, Hakan, is very familiar with our business and has worked here in Dublin. He knows us and he knows the culture and we relied on him to recruit the Turkish staff for us. This local knowledge is absolutely, utterly essential. That would count as my main piece of advice to anyone.
STARTING IN THE TURKISH MARKET
3. Starting in the Turkish market

“Turkey is a market that is big and growing, and it has expanded a lot in the last five years. It is very similar to European markets, in that they have a very well developed retail culture and it works well. It has become very westernised and it ticks a lot of the boxes in many respects, but from a practical point of view, when you get down to it, it requires time and investment.”

James Murphy, CEO, Lifes2Good

Introduction

Any company intending to export to Turkey needs to undertake thorough research to gain a deep understanding of the similarities and differences between their domestic market and what awaits them in Turkey. This research will enable you to position your service offering and maximise your potential for success.

Geography

As the gateway to the Orient, 97 per cent of Turkey’s landmass is in Asia – the area known variously as Anatolia, Asia Minor or Asiatic Turkey. This borders Armenia, Georgia, Iran, Iraq, Syria and the Azerbaijani exclave of Naxcivan. The European portion of Turkey is home to more than 10 per cent of the population and shares frontiers with Greece and Bulgaria. At 783,562 sq km, Turkey is roughly ten times the size of Ireland. The country comprises 81 provinces and is bordered by the Black Sea in the north, the Aegean Sea in the West and the Mediterranean Sea in the South.
Demographics

Turkey is the 17th most densely populated country in the world with a population of more than 74 million, about 40 per cent of whom are under the age of 25. Turkey's urbanisation, added to the huge growth of Instanbul in the past 20 years, has defined the transformation of Turkish society and politics. There has been intensive migration of people from rural areas and it is now estimated that in excess of 70 per cent of the population now live in urban centres. The three main metropolitan areas of Istanbul, Izmir and Ankara, the capital, have an estimated 23 million inhabitants. Istanbul is the commercial centre of the country, and the starting point for most companies looking to enter the market.

Where to go

With direct flights from Dublin to Istanbul taking around four hours, Turkey is sufficiently close to make it easy to visit regularly first-hand, and this is a must for building connections in such a relationship-based business culture. Once there, the three main metropolitan areas are Istanbul, the capital Ankara, and Izmir. Together, these cities have a per capita income far in excess of the rest of the country.

Internally, the market is much more accessible than in the past. Turkey's public and commercial transport network is rapidly being upgraded. High-speed trains are increasingly an option in certain regions, such as between Istanbul and Ankara. The door-to-door time is almost similar to the flight time. Highways between cities are generally in good condition, but due to the large distances involved, driving is not a real option in Turkey. Flying is the fastest and most common way of business transport between cities. Internal flights between Izmir and Istanbul take around an hour and fares are reasonable. Turkey's national carrier is Turkish Airlines. There are also some low-budget carriers, including Pegasus Airlines, Anatolian and smaller airlines such as Onur Air, Atlasjet and Sun Express.

In addition to being a market in its own right, Turkey is well positioned to act as a regional transport hub. The Turkish Government has invested heavily to become the transport link for shipments with destinations in the Middle East, Asia, North Africa and Eastern Europe. One of the country's largest container ports, at Mersin, is being upgraded and road terminals are being updated or built, such as at Urfa.

When planning your strategy for the Turkish market, you should find out in which regions are your potential clients and partners located, and how the companies are connected in those regions. The Turkish market is too large to cover and supply from one geographical location. Very often, regional representatives and distribution partners are needed. Spend your time on finding out what are the standings and connections of your potential partners. Turks mainly only do business with their own social, political and religious circles.

Market research

The culture in Turkey requires a lot of face-to-face interaction, but the more prepared you are, the better you can understand the potential opportunities. As has been discussed elsewhere in this report, you are likely to need Turkish language capability sooner rather than later. Fortunately, there are a number of sites available in English to help with your initial research. Here are some useful sources.

Invest in Turkey
Though primarily geared at a US audience and companies with budgets in excess of €10 million, this English-language site of the Turkish Investment and Promotion Agency nevertheless has a useful overview of the economy's key sectors, along with detailed information about the tax system, recruitment rules and other guidelines covering what you will need to set up a business in Turkey.

OECD, and the World Bank
Independent macroeconomic profiles of Turkey.

Turkstat
The Turkish statistical institute monitors many aspects of the country's development, including the functioning of government, at all levels.

Central Bank of Turkey
The site provides a decent amount of information about the Turkish financial sector.
TÜSIAD
The Turkish Industry and Business Association is the equivalent of IBEC in Ireland. Its site has reports and publications on various macroeconomic trends in Turkey and it also provides useful background on the business issues of the day. Other business groups include KAGIDER, the Women Entrepreneurs Association of Turkey; KOSGEB, the Small and Medium Enterprises Development Organisation; TIM, the Turkish Exporters Assembly; TOBB, the Union of Chambers and Commodity Exchanges of Turkey; TURSAB, the Association of Turkish Travel Agencies and ISPE, the Turkish Affiliate of the International Society of Pharma Engineers.

Other useful sites include the Turkish Ministry for Foreign Affairs, the Ministry for Social Security and Labour (Turkish only) and the Delegation of the European Union to Turkey. For background information about tourism and culture, visit www.kultur.gov.tr.

Turkey has a large number of English-language news sources and websites, including Hurriyet Daily News, Today’s Zaman, Turkish Press, Daily Sabah and Haber Turk.

www.google.com.tr
Using Google’s Turkish homepage to research customers or competitors will return different results to the .com or .ie domains. Google’s translate tool can also help overcome the language barrier during early-stage research. However, this should not be a substitute for hiring translation services to localise your own marketing material for Turkey, as appropriate.

**NEED TO KNOW**

Enterprise Ireland’s Market Research Centre offers client companies access to market intelligence in the form of company, sector, market, and country information to explore opportunities and compete in international markets. Please visit www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre/ for more information on the market research facilities available, and for a database of sector-specific information that will indicate whether there is research available for the market you wish to target.

**Business networks**

Personal relationships are very important in Turkey, and becoming known, or getting a trusted recommendation, can help you to make progress in the market. There are a number of groups aimed at fostering closer commercial ties between Ireland and Turkey, including the Turkish Irish Business Development Association (TIBDA) and the Irish-Turkish Business Association (ITBA). There is also a Turkish Irish Educational & Cultural Society (TIECS), which offers translation services.

**Trade shows**

Turkey and especially Istanbul stage a large number of trade fairs every year. Other trade fairs are also held in Izmir, Ankara or Antalya. Visiting a fair can provide valuable insight on Turkish market trends, as well as offering the chance to get to understand your market and competition. However, visiting or participating in a fair or exhibition in Turkey with the idea of winning some big contracts might turn out to be disappointing. The quality of events in Turkey differs from sector to sector, and most decision makers in Turkish companies don’t attend the fairs themselves. Some useful sources for upcoming events include TradeFairDates, Global Sources or 10times. For more information on events in which Enterprise Ireland is involved, visit www.enterprise-ireland.com/events.
Building market presence

At first, your company or brand will most likely be almost totally unknown in the Turkish market. This potentially means having to spend more effort on awareness raising and on marketing than your competitors, especially domestic ones. The most effective way to use your marketing budget is to test the market for a specified time using some combination of the options listed below. Keep in mind that although there is a high degree of internet use in Turkey, personal contact is what ultimately will win you the business. Online or hard-copy marketing materials are a supplement to, and not a substitute for, visiting the market and meeting prospects directly.

Once you are very clear on what you consider to be your marketing successes to date, it is then worth discussing your planned marketing approach with Enterprise Ireland’s office in Istanbul, or a local marketing specialist with expertise at targeting the local Turkish market in order for them to review and provide feedback on what would work and what may not work. Another useful approach is to learn from the market entry experiences of other Irish companies. Enterprise Ireland can make the relevant introductions for you if you are interested.

Some potential pitfalls that may affect your market entry strategy in Turkey

- Be aware of your target audience when using digital tools. Half of Turkey’s population is under 30 years of age and many are well accustomed to using all digital and web tools – especially in the big cities. However, if your intended market is outside of the large urban centres, you might consider a totally different approach.

- Be aware of potential hidden costs such as those due to import warranties you have to get from Ireland. If a problem occurs at customs, even if it was shipped ex works or FOB, it is still your responsibility to provide correct export documents. Don’t rely on your buyer, importer or agent to be fully aware of regulations and changes. You may need to use a specific customs broker or business development agency to handle this; see chapter 5 for more details.

- Ensure you protect your intellectual property. Copyright can be an issue in Turkey. Securing this might be a vital exercise. The Turkish Patent Institute registers trademarks, patents, licence agreements and such rights upon application. The application is made in writing via uniform documentation of the Turkish Patent Institute. A local lawyer will be able to assist you.

- Identify your competition and their pricing structures. Research the tariffs, customs requirements and regulatory controls around your product. Don’t rely on desk research. Use a local business development or customs specialist/consultant, depending on the number of HS-codes, this research should not cost more than €500-€750 up to 3 HS-codes to get a clear idea about regulations concerning your product.

- In Turkey, regulations can change without warning. Websites might be able to tell you the theoretical procedure, but the practical procedure often differs. Schedule your shipment with a local expert and have your documents checked before you load.

Enterprise Ireland can work with you on agreeing the most efficient and cost-effective sales channel for your product or service. These options are dealt with in more detail in the Routes to Market chapter of this guide.

NEED TO KNOW

When setting your pricing for the Turkish market, quote in euro or US dollars if possible, or else make arrangements to hedge for a set period of time. The Turkish Lira has depreciated significantly recently, and this could lead to a situation where you have agreed a price for a project and the difference in the exchange rate reduces your profit margin substantially.
Web presence in Turkey

It seems obvious, but when you are entering a new market, it is essential to update your website to accommodate international enquiries and, if appropriate, purchases or sales. A good website will serve as your corporate brochure and prospects will usually go straight to it to find out more about your company. The website does not need to be loaded with information, but be cleanly laid out with interesting graphics and up-to-date information. Consider having at least the landing page translated into Turkish. Use customer endorsements wherever possible and photographs to show your products or services being used. Make sure that contact details are easy to find, preferably with a direct email. If you have a Turkish entity, representative or agent, show this, since it will take away an obstacle for a Turkish company in approaching you.

Research has shown that companies looking for a new B2B supplier will have made about 60 per cent of their decision before making contact with or inviting proposals from potential vendors. Most of this initial fact-finding and due diligence is based on what they find online, which is why it is vital to have a competitive, compelling and highly visible web presence in your target market.

Competitive

- Who are your main online competitors in Turkey? How do they articulate their USP on their website? What is their approach to Internet marketing?

- What content and features does your website in Turkey have to provide so that it can successfully compete with its competitors online?

- What Internet marketing strategies do you need to adopt to stand out amongst the noise created by your online competitors in Turkey?

Compelling

- Trust and credibility: What content and features does your Turkish website need to provide to build trust and credibility in your company and offering, given your brand is likely to be unknown or less well known in Turkey?

- Culture: How can you adapt your Turkish site to the country’s specific cultural requirements?

- Language: What changes are required to written and spoken text on your website to adapt the language of the Turkish website to your target audience?

- Standards and conventions: What adaptations do you have to make to the website content and design with respect to Turkish standards and conventions?

Highly visible

- How do you optimise your Turkish website for the leading search engines in Turkey: e.g. domain strategy, keywords, links?

- What other Internet marketing approaches do you need to implement to make sure potential customers in Turkey become aware of and visit your website, e.g. search engine marketing, social media, online directories, price comparison engines etc.?

- The Turkish top-level domain is .tr. It’s not essential for international companies to use this address, but a local address can help to position your business as being local. Using .ie for this market is not advisable

- If you are applying for a Turkish domain name, applications made by legal entities and organisations must include official documents, certifying that the name you apply for is your registered trademark or corporate name
• One official document is appropriate for the application, which may be the Commercial Registration Certificate or a Trademark Registration Certificate

• Foreign applicants must prove they have a business activity in Turkey or have a business relationship with a company that is domiciled in Turkey; this must be supported by official documents such as a franchising agreement, a distribution agreement, invoices, custom papers etc.

Social media

Turkey is one of the largest markets for social media; it ranks fourth in the world for Facebook use with close to 30 million users – 94 per cent of internet users in the country and nearly 40 per cent of the entire population. Twitter and Google+ are the next most widely used by around three-quarters of internet users. One-third of Turkey’s online population uses the business networking site LinkedIn.

Hard copy

Corporate marketing material is a useful sales tool at events such as trade fairs which are likely to play some role in your initial market building. Consider translating any brochures into Turkish, depending on the level of English that is spoken in your sector. Ideally, it should include: an overview of the product or service you provide, contact details, and if possible, some endorsement by a significant customer, as such references are very important in Turkey.

PR/media

Your first step in carving out a presence in the market should involve identifying key opinion leaders in your industry and market segments. These could be journalists, academics, industry analysts or consultants. A simple way to identify these individuals is to see who’s speaking at any of the major industry conferences and studying the related sectoral magazines and newspapers.

The media has a lot of influence on the Turkish population and also on the business culture. Being present in the media is both seen as a symbol of status, and as a way of marketing your company. You will find a lot of Turkish companies showing the articles written about them, either on their websites or on the walls of their offices. Getting an article in the newspaper is not easy and again involves the presence of a personal network of journalists. The most efficient way is to avail of your Turkish partner’s network. Seminars in which ministers or other high officials are present are always covered extensively in the media. When you are asked to be in a panel of experts in a Turkish seminar, take the opportunity; it will surely result in coverage and a boost in the status of your company.

Though you may already be very successful in other markets, Turks will want to see proof that what you are offering works in their market and that you have a credible reputation and a local network to support your credibility. Once you have an on-the-ground presence and at least one major new customer happy to endorse you, consider engaging a public relations consultant or talk to Enterprise Ireland about putting together a media release to announce your company is ready to do business in Turkey.

Keep in mind that with a wide array of national newspapers and national and regional TV and radio stations, as well as a population that is increasingly using social media, the PR options for start-ups are wide and hard to choose from.
CASE STUDY: Getting access to decision makers in Turkey

Padraic Timon, Managing Director, Chameleon Colour Systems

Chameleon Colour Systems specialises in the design, development and manufacture of paint mixing and tinting equipment that allows hardware stores or paint shops to provide consumers with custom shades that aren’t available on the shelves. The company was founded in 1992 in Tuam, Co Galway and now exports to more than 57 countries. It has been selling in Turkey for 15 years. www.chameleon.ie

How long have you been active in Turkey?

From day one, in excess of 95 per cent of what we make has been exported. We have no direct contact with the shops; we sell to the paint brands, they buy our equipment and install it as part of their whole tinting system. If you take the likes of Dulux paint, these brands are part of global companies and decisions are made at corporate head office. Once we get approved, we go to each individual country. Turkey has been a very successful market for us recently. For example, the company which owns Dulux has a plant in Turkey and bought some equipment for its Turkish customers. That would have been my first reason to visit Turkey, 15 years ago.

In the last five years, it’s become apparent that Turkey is a big market and growing very rapidly. Coinciding with the downturn in northern Europe, we’ve been working hard on identifying high growth markets. What that basically involves is getting out to the local market. From my experience, you cannot make any progress unless you do that.

How did you get started there, and what were your first impressions?

Istanbul is culturally very different and it’s an immense city; there’s no other way than to get out and do it. From east to west in Istanbul is probably about 100km. I drive to most of the meetings, and the place is phenomenally big. By the time you get out of the airport, you could be driving for an hour and a half or two hours through a combination of distance and traffic. Most of the commercial decisions are made in Istanbul, although some of our engineers have gone to remote towns.

We get the names of the paint companies, and we try and get meetings with them – very similar to the process in any other country. Our experience has been that the Turkish people we’ve met have been extremely friendly when you finally get to meet with them, but the process is very slow. Your initial contacts are never really the decision makers, and it’s hard to establish who those people are. You’ve got to be patient and temper your enthusiasm; your first meeting might go well but nothing might then happen. It could take a couple of attempts before meeting the key decision maker. It’s a very hierarchical system in business.

There are people whose job it is to keep the machines running, and they are a very important first point of contact. They generally tend to be people who have been promoted through the system, such as the product manager or the equipment manager, although this person isn’t someone that might appear on the board of directors. They influence the final decision maker about what machine the shop buys. It’s rare if ever that the purchasing manager has that kind of influence, except at the last stage of the negotiation. But reaching those influencers can be quite difficult. They might not even be middle management, but they’re a kind of gatekeeper that we had to figure out how to contact. Certainly I’ve attended meetings in Turkey where I knew I was talking to the wrong person, and even trying to get into who the right person is, has been a challenge.

What route to market have you used in Turkey?

It’s evolving. Our type of transaction might only occur once a year with a paint company. The difficulty for an agent is, the number of transactions is relatively infrequent. Certainly for some small to medium companies, there’s merit in having an agent, but our success has been in customer service and if you place great value in that, you need to be careful handing that over to an agent, who may have other balls to juggle. But there are other markets in Europe where we work with agents on a non-exclusive basis. If a company in Turkey comes to us and needs spare parts based locally, we certainly would do that. We have four significant customers in Turkey and we have built up good relationships with them, but there’s no right answer to it. The model could change.
What business development and marketing activities have been the most effective for you?

The most important part is customer facing – going over there and meeting them. Someone from our company would visit about four or five times a year and spend at least a day with them. Exhibitions are important for meeting paint companies, but they’re not necessarily exclusively in Turkey. From our point of view, direct contact is what it’s all about. I made a trip recently, and I met service engineers who passed on small nuggets of information that we can factor in for future products, or for when we talk to their bosses. In terms of branding, each machine we install would be recognised as a Chameleon machine. Quite often, one paint company might go into the shop of their competitor and they might see our equipment and think they need to check it out.

What’s your strategy to grow your Turkish business in the future?

We’ve got to protect and manage the business we’ve had to date, and each year we hope to identify one or two prospective customers and convince them to take our equipment for testing. We should be able to have a better run at it because we’ve learned lessons from the first customers. Obviously, if we had close regular contact, we’d hear the local news or gossip. It is always a concern that while we might feel things are going well, we’re not on the ground having a coffee with customers and end users on a regular basis where you would pick up the news. A very small proportion of paint shops in Turkey have installed tinting machines, so the paint market doesn’t necessarily need to grow for our market to grow. Tinted paint is more profitable for paint companies, and more of them want to provide this. Our ability to take part of that growth is down to the same issues: we’ve got to work extremely hard to make sure the products are successful and if we do that we’ll retain the business. If we give people no reason to change, they’ll stay loyal. I realise that if we had a Turkish speaker, it would be a great way for us to protect our business. The volume of business wouldn’t warrant hiring a Turkish employee yet, but we wouldn’t rule it out.
ROUTES TO MARKET
4. Routes to Market

“...I would encourage Irish companies to come to Turkey; I think there’s lots of opportunity. There is a population of 80 million, and 16-18 million in Istanbul alone. They’re very pragmatic about doing business and embracing European culture. And there’s a good synergy – I think the Turks and the Irish, when you drill down, have quite a bit in common.”

John McKeon, Managing Director, Kells Stainless

Introduction

Choosing the right route to market in Turkey is very important; local agents and distributors play a crucial role thanks to their deep understanding of informal business practices and networks of relationships. Despite the relative proximity of the market, the nature of Turkey’s business culture is such that regular visits are an absolute necessity, local representation is essential and it’s becoming increasingly clear that some form of more permanent presence is strongly advised if you are serious about selling there.

Even though Turkey might seem similar to Europe in a lot of ways of doing business, it is not. There is a big difference between the theoretical way things should be done and the practical way it is done. This counts for closing a deal with a Turkish company, but also for getting your products imported and obtaining all the necessary licences. Use local, experienced agencies to gain insight and to gain market knowledge about your sector, your product and to help you get in touch with potential partners and clients. These local experts understand the market and the written and unwritten rules. They can help you with setting up an efficient market entry strategy or supply chain, which will give you a head start. In this section, we outline the advantages and disadvantages of the different options.

Direct from Ireland

Doing business directly in Turkey from Ireland without using an agent, distributor, a partner or your own entity is difficult. It is possible to sell a product in Turkey without any presence in the country, but if you believe Turkey will be a strategic market for your business, you should consider some sort of presence or representation. Many companies take this approach in the first phase of their expansion to the Turkish market – the biggest advantage being that, if all goes well, it requires the smallest investment. If the right partner is found, a company can sell its products in Turkey. The disadvantage of this option is that in general one partner in Turkey is not sufficient. Besides the obvious geographical reasons, Turkey is also a polarised country when it comes to religion; for example, a partner from Istanbul may not be able to do business for you in the city of Mersin or Diyarbakir. Another big disadvantage is the fact that it is nearly impossible to maintain control over your product in a complex and rapidly developing market like Turkey. Using this strategy means your company has to rely strongly on its Turkish partners when it comes to import tax, costing price, market price etc. There is a chance that different sellers maintain different prices for the same product. Your ability to influence this from Ireland is slim.

Physical presence

The best way to build your business in Turkey is to be present, or at least give the impression you are aiming to be present through a representative office. Turkish businesses value it highly if you invest in being in the market. It shows them you take the market seriously and that you are committed to it for the longer term, and they will be more likely to do business with you.

The best way is to create your own presence by establishing a local entity (more about this in Chapter 5). For most companies this is a costly option, since it often involves hiring personnel and finding a location. To avoid unnecessary costs during the start up phase, a solution might be to create local presence through a representative office, which can provide all services from managing your distributors and agents to taking responsibility for your sales performance. They can also perform tasks from just being an
address and a phone number to managing your Turkish entity in the first months until you are able to be present with Irish, or, ideally, local employees.

The advantage of setting up a presence on the ground is that it gives you more control over your destiny in the market from both an operational and a financial standpoint. Having your own entity also shows your Turkish partners and prospects that you are close to them, which means you are easier to reach. Having your own entity also gives you full access to the Turkish Government in terms of tenders (see below). Your own legal entity in Turkey enables you to use the Turkish advantages and trade agreements with surrounding countries. A thorough look on your supply chain to these countries might prove that using Turkey as a hub is a financially attractive option. Currently, Turkey has 17 Free Trade Agreements in force.

Agents

An agent is a person who, for and on behalf of a principal, either introduces a third party to the principal by soliciting orders from the third party, or concludes contracts with the third party on behalf of the principal. The normal reward for an agent is a commission, which is received from the principal. This is an option used often in Turkey, but is not a guarantee to success. Turks are excellent traders and always look for opportunities. If the agent does not achieve success, or your product proves to be not as easy to sell as expected, chances are that your agent will focus on something else. In this case, it could take some time before you realise that this may not be the optimum route to market for your company.

Key considerations in appointing an agent in Turkey are:

- Appoint an agent who knows your market well
- Appoint an agent that is actually in the business himself. Experience in different markets may be shared in Turkish family companies
- Religion might limit the area where your agent can do business for you
- Find a way to manage your agent, for example by using a local business development agency – particularly if you have several agents
- Check whether or not the agent can be useful in the neighbouring countries.

Distributors

A distributor buys and holds stock of a product, usually in return for exclusive right to sell the product in a particular area or to a particular type of customer. On the positive side, you can have advantage of the knowledge and network of your distributor. The advice given above for agents also applies to distributors: if a distributor does not see any short-term opportunity or he sees more short-term income by prioritising another product, he will most likely do so. So again, develop your own vision on how you see your product in the market. Show your distributor you did your homework and that you know what you are talking about. This shows you are prepared and you take the co-operation seriously. Besides that, it shows you don’t rely on him, so it makes it easier to set realistic targets.

It is very important to know the regulation that concerns your product. Your distributor might need a special import licence to import your product. Investigate this before you start talking about an agreement. Be aware of the costs of the licence and the additional customs and import taxes, if applicable, to avoid discussions afterwards. Turkish distributors often expect you to be able to tell them the cost price after all import taxes and they might expect you to cover (part of) the cost of the necessary licences, which in most cases have to be renewed every year. Also marketing contribution might be expected. That depends on the sector you are targeting. Additional licences and taxes almost certainly apply for chemicals, dairy products, liquids, alcohol, luxury products and second-hand products.
CASE STUDY: Partnering in the Turkish market
Ivo Meekel, Director of Business Development, dotMobi

Headquartered in Dublin, dotMobi, a wholly-owned subsidiary of Afilias Limited, is a market-leading expert provider of mobile and web technology which helps companies reach their customers, no matter what the device, the content, or the context.

What made Turkey attractive as a market?

Two years ago, we attended a mobile event and received initial interest from a company in Turkey. After further market research, we developed our strategy and identified a number of key emerging markets, particularly for our goMobi product line, which is suitable for countries where there is high mobile penetration but low internet infrastructure. Turkey was one of the countries we decided to focus on due to its high mobile penetration, its location on the edge of Europe and the initial market contacts suggesting further opportunities. Initially, we engaged with a mobile operator in the market in relation to our goMobi product and, over time, we identified some potential partners in the local market with whom we could work.

For us to enter a market, we look at a number of criteria to assess its business potential; the mobile penetration and the mobile growth rate are key requirements because they show us how people browse the web on their phones. We also look at other criteria such as the level of internet use generally. Furthermore, we looked at the potential to use this market as a platform to enter surrounding markets. Turkey is uniquely positioned between Europe and the Middle East, and provides a platform to build and extend relationships into neighbouring markets.

Why did you decide to work with partners in Turkey, and how did it work out in practice?

For goMobi, our business model is to work with partners or resellers in the market. Success in Turkey will be accelerated when working with a strong local partner that facilitates relevant introductions and drives business opportunities. A local partner understands the cultural intricacies, speaks the language and operates in the same time zone as your prospective clients and can maximise your business potential in the Turkish market. From experience of working with partners in other markets, the ideal partner criteria would include a particular type of company that already has a large customer base, has existing customer relationships and has a technical ability to provision our services. We identified and assessed a number of partners that matched these criteria. It's always difficult to find an exact match but we identified and selected the right partner and there's a high degree of commitment between our organisations to mutually develop this partnership further.

Typically, we first identify a partner in a target market and then develop the opportunities, however in the Turkish market we identified the opportunity first and then selected the partner to deliver the service. For us, the primary focus was very much on developing the opportunity in Turkey first, and then aligning the right

NEED TO KNOW

It is almost inevitable that you will need to use different agents or distributors in Turkey. Most of them will ask for exclusivity, but puts you in a difficult position because it is unlikely one agent or distributor can cover the whole country. The best answer to this dilemma is to ensure you know your market segment very well. By knowing the rules and regulations, the threats and opportunities, you can gain some insight into preferred partners in the segment. You will have more success if you come prepared to the meetings and you know the rules of your product in the Turkish market, as you will be better able to evaluate and decide which of the meetings you had was the most valuable and honest. At all times, be well prepared and invest in getting to know your partner. Thorough due diligence, though not always easy in Turkey, is a necessity. Actual information and financial status of Turkish companies is not always accessible, although local business development agencies can gain this information.
partner to collaborate with us to drive the opportunity and deliver the service. The collaboration with a well connected local partner can generate new leads and business and the partner selection in a target market is essential. The aim is to develop a long-term, sustainable and profitable business for both organisations.

What do you do if a partner asks for exclusivity?

Our overarching strategy is not to implement exclusivity in certain geographical areas. Today, with the worldwide internet, there’s limited technological possibilities to actually restrict the distribution of our products and services across geographical and therefore geographical exclusivity cannot be enforced. Generally, potential partners request exclusivity initially, however we can address their concerns in numerous ways. The focus of our marketing team is to collaborate with the partners and to include our products in their specific portfolios and design marketing programmes and activities that differentiate the offering in their markets to best suit their business model and maximise their results.

We have had those concerns in other markets and you have to be sensitive to them. We manage those concerns with each individual partner on an ad hoc basis because not all markets are the same. We have been able to manage that successfully in Turkey, and in the broader picture it’s never been an insurmountable stumbling block, especially since we have a proven business model and the focus of the partnerships is always to develop a profitable business with a partner and that is a win-win for both companies.

What did you learn from this process about the Turkish way of doing business?

The key lesson is that doing business in the Turkish market may take more time than originally anticipated. It took up to a year to identify and agree with a local partner before we could roll out the service, but we felt the market opportunity in Turkey was significant for us so we decided to continue in this way. In other markets, the sales and partnerships cycles would close sooner and would typically be shorter.

In Turkey, the decision-making process can be slow. Irish companies have to expect various rounds of negotiation, from operational managers initially to a division head at later stages, for final details and agreement. Although the sales process is generally slow in Turkey, it does enable you to build trust and extend relationships and to better understand your prospect’s objectives and requirements. Unlike other territories, deadlines or pressure tactics may not work in Turkey and in fact can be used against you, so be patient.

We found the relationship is important to both a partner and our customer. The customer wanted to meet with us a number of times before they wanted to work with us in order to develop the level of trust and understanding of our product and our company better. Once we presented the solution, we learned they became more aware of the service and developed and refined their requirements further. Lastly, we had ensure that we found a local partner that we could work with and could also develop a successful relationship and business with the customer.

I certainly believe that culture was an important factor. We have seen that personal relationships are important, along with the level of trust that you establish from face-to-face meetings, to scope out the company but also the products. From experience, we have learned that Turkish people are keen to acquire innovative ideas which they can apply within their own or client’s organisations. Also, we found that the Turks are astute business people and look at doing business with people they trust – and with whom they can build a long-term commercial relationship.

Doing business in Turkey may constantly involve negotiations, although not necessarily always focused on financial or commercial aspects. In fact, Turks also anticipate negotiating on non-financial details, such as product and service capabilities or delivery times. A prospective customer will always try to modify the offer to suit their own business requirements and we have found, in particular with the operator in Turkey, that that was the case. And even if the capabilities can not be provided in the short term, they look for them in the medium- to long-term.
Selling to the Government in Turkey

By law, any foreign company can directly supply the Turkish Government. In practice, however, this hardly ever happens. The Turkish Government will always prefer to do business with a Turkish entity – although this does not necessarily mean a Turkish company. If your target group is in the public sector and you don’t have a Turkish entity, you will be very dependent on your Turkish partner, as the system is extremely democratic. Some Irish companies have successfully worked on EU-funded initiatives in Turkey rather than projects backed by the Turkish Government.

Joint ventures/acquisitions

Joint ventures and acquisitions can be a successful route to market in Turkey, as a fast way of gaining a foothold in the market, with the advantage of bringing on board established contacts, customers and market knowledge – three elements which are especially important in Turkey and would be much harder to achieve either remotely from Ireland or setting up a brand-new office in-country.

CASE STUDY: Forming a strategic alliance in Turkey

John McKeon, Managing Director, Kells Stainless

Meath-based Kells Stainless is an Irish engineering company that fabricates stainless steel tanks, vessels and equipment for the pharmaceutical, biotech, brewing, beverage, chemical, food, dairy and process industries. Exporting to more than 20 countries, it also provides customised engineering services ranging from equipment maintenance and in-service inspections to onsite support and equipment upgrades. In 2013, it formed a strategic alliance with Turkish engineering company UMDE, covering the development of a biomass system to convert biodegradable waste to high-grade fertiliser, and nutrients for power generation.

www.kellsstainless.com

How did you start in Turkey?

Around five years ago, there were a lot of plans for huge investment in the Turkish pharmaceutical and biotech markets. We needed to have a presence to be able to address the oncoming potential that was going to be there. Once we knew that there was potential business in Turkey for us, we needed to analyse how the Turkish market works. Through Enterprise Ireland, we commissioned a consultant in Turkey. We found out very early on that the way to work was to find a business partner or form an alliance in Turkey. Language is not as big a deal but it’s about the way things are done, because it’s different than European culture.

At a very early stage, we started to look at the idea of forming an alliance rather than partnering with a stainless steel fabricator in Turkey. We drew up a list of all the stainless steel fabricators, assisted by our in-market advisor and identified 24 possible companies. I guess it was more than we expected! The in-market advisor and I visited a large number of these manufacturers and then, we whittled it down to four, and my middle management team visited those plants.

After that process, which was very quickly organised, our in-market advisor would have set up the various meetings and appointments. After doing that, we then drew up a list of two and we took both of those companies over to Ireland, because the synergy has got to be right between the two companies, and the ethos. It’s all right us being happy with them, but they’ve got to be happy with us too. We had a number of long meetings in the decision making process and we chose to form an alliance with UMDE.

UMDE is a much larger company than us: we’re 70 people and it is somewhere up about 500 employees. UMDE is able to deliver complete turnkey projects, which is a great solution for us. And our thoughts in the whole set-up process were that we could jointly seek this business within the pharma and biotech sectors and we would be able to deliver the very high-end smaller bioreactors and so on, and they could do the remaining difficult logistics for that area – such as the bigger vessels. Together, we have bid for some projects but nothing huge has developed within the pharma and biopharma sectors as yet. It’s not that we or UMDE have under-performed, it’s about the prevailing market conditions.
**Why did you choose a strategic alliance rather than another vehicle?**

I think partnering is tying yourself down into a very rigid process … whereas an alliance agreement works well and rather than having hard and fast rules, it gives both companies the flexibility to address various projects as they come up. We haven’t formed a joint venture or anything like that – it’s purely an alliance which gives the companies flexibility on all sorts of projects, to continue doing our own thing but yet having an eye on complete turnkey opportunities. The way we identify who leads the project depends on the amount of input from both companies. We can decide on that very early in an enquiry, because it’s where the majority of the value on the project is. I would also say, we assisted each other with various technologies which we can both utilise, so it’s a two-way street.

The biggest single thing in all of this is to develop a high level of trust – that is the key word. It’s about working on a good relationship, because a lot of the Turkish fabrication companies that we have dealt with are family owned, and family is a big thing in Turkish culture. Forming a good working relationship based on trust and openness is absolutely essential. You can have as many agreements as you like, but they’re not worth the paper they’re written on if you don’t have openness and trust, and it’s not just between the MDs or CEOs, it’s between middle management and all sections of each organisation as well.

**How have you identified opportunities to work together?**

No investment was happening in our original target market, which was pharmaceuticals and biotech, so because of our good relationship with UMDE, we discussed other ways that we could look at other products or other industries jointly. We found out they had various technologies in waste recycling and renewables. We had a lot of experience and technology which we could share with them in delivering a complete solution to some of the various waste streams that they had issues with. It was purely because of the strength of the relationship and exchanging information that this emerged.

**What are your impressions of the business environment in Turkey?**

In my experience and that of other companies operating in Turkey, the model that works is finding the right Turkish partner as the first step. This ensures that you have the benefit of local knowledge, experience and cultural understanding. Going it alone does present some risks which can be avoided if you approach the market as we did. There is a very strong ethos in Turkey, in particular when you’re doing projects; you have to combine your talents to deliver anything, so there is a spirit of openness and cooperation, which is absolutely essential. It comes back to trust. I must say, I think a lot of the values that are within Turkish companies are similar to what we have in Ireland. They do a lot of their projects in Turkey based on EU best practice standards. We’re ready and waiting for the opportunities to happen, which most definitely will happen, but in the meantime, we are pricing other projects in other industries. We’re hoping the biodegradable waste project could be a very interesting development jointly for both of our companies.
5. Legal issues in Turkey

Introduction

Although its legislation and other governmental systems might seem quite similar to those in the EU, it’s best not to approach Turkey as a European country in terms of the legal practices, as they are very different. In particular, you should thoroughly investigate the import procedures, tax regime and employment responsibilities before you start. It is strongly recommended that you seek professional advice at an early stage, and you may need to retain a legal firm and an accountancy practice.

The World Bank rates Turkey in 69 place out of 189 global economies for ease of doing business; it is worth noting that although the country’s overall rank improved by three places, it also declined in specific measures such as starting a business, indicating that recent reforms have made it more difficult to do business there.

Legal system

Turkey’s legal system is divided into three departments: criminal law, civil law and administrative law. The highest court in the legal system is the Constitutional Court which works to ensure the continued functioning of the democratic system and to safeguard against abuses of power. The Court of Appeal is the court for reviewing the decisions and judgements pronounced by Courts of Justice. Decisions of the Commercial Courts are resolved in the Court of Appeal. The Council of State Court is the highest judicial body in tax litigations and administrative disputes. It is the last process of review for decisions and judgements given by the Administrative Courts and Tax Courts. It oversees the interpretation of the law by the other Administrative Courts.

In cross-border business relations between Turkish and foreign companies, parties can choose which legal system to use for their contracts and commercial agreements. Despite the fact that many European companies trade with Turkish companies based on the German, English, French or other foreign legal system, there is no real reason why the Turkish legal system should be avoided. It is based on the Swiss and German legal system and therefore very comparable to the continental European legal system—though also different to the Irish legal system, which is based on common law and precedent.

New Commercial Code

The Turkish Commercial Code (TCC) is the main legislation regulating the business environment. Containing almost 1,500 articles, the Code determines the types, establishment and management of legal entities, describes the commercial papers and securities, and regulates maritime and insurance business. The TCC was first adopted in 1956, inspired by Swiss and German commercial law. Although it contained the most contemporary codes of its age, the need for harmonisation of the EU laws, and its inadequacy for today’s disputes, forced the lawmakers to prepare a new draft code of TCC.

By targeting to adjust the legislation the recent changes in the local and global business environment as well as including the EU legislation, the draft of the new TCC was introduced to the public opinion earlier in 2005. The new TCC came into effect in July 2012 and is an effort for an overall change. It should be expected that some of the proposed items will be revisited or postponed in the legislative process.

Setting up a company

Turkey is a non-discriminatory country, offering equal treatment to investors. Foreign investors have the same status as a local company. There are no rules requiring a Turkish participation in the capital or management of a company with foreign capital. As such, a company may be established with 100 per cent foreign capital. All Turkish legal entities are defined in the Turkish Commercial Code, the authoritative source for all Turkish companies as well as the commercial law. Businesses may be carried out in Turkey in a variety of forms.
These include:

- The Joint Stock Company (A.Ş.) and the Limited Liability Company (Ltd)
- Branches
- Joint Ventures
- Liaison Offices
- Free Trade Zone Companies/Branches

Although foreign investors are free to choose from these forms of businesses, in practice the A.Ş. or Ltd. are most preferred. Joint ventures are possible only for specific contracts. Liaison offices are acceptable, provided they do not engage in commercial activity. Free Trade Zone Companies are mostly used by foreign companies that produce in Turkey. These companies profit from the tax advantages. Free zones have a border crossing and are officially situated outside of Turkey. They offer foreign companies the opportunity to produce their products with specific tax advantages. Tax regulation only applies if the produced goods are imported into Turkey.

**Company forms**

The A.Ş. and the Ltd are the main types of the privately-owned commercial corporations under Turkish law.

- An A.Ş. is a corporation where the capital is split up into equal shares and the liability of the shareholders is limited to the nominal value of the shares
- Under the new commercial code, an A.Ş. only has to have one shareholder
- The minimum capital requirement for the establishment of a joint stock company is TRL 50,000 (€17,364).
- A Ltd. can also be established with only one shareholder
- The minimum capital must be TRL 10,000 (€3,472)
- The share certificates of the Ltd are not issued
- Limited companies are unable to do business in banking and insurance sectors
- Both foreign real and legal persons can be founders of companies in Turkey
- For foreign investors, there is no special permission to be obtained for company foundations. Foreign investors are treated equally as local ones.

**Branches**

There is no minimum capital required to open branches. A branch has no legal standing and has no formal management structure apart from a branch manager.

- In order to open a branch of a foreign entity in Turkey, the permission should be obtained from the Ministry of Industry and Trade
- The branch manager to be appointed is required to be either resident in Turkey or having a valid residence permit
- The Ministry has some special requirements for the proxy to be given to the branch manager as well
• After getting the permission for the establishment of the branch, the branch will be registered to the Trade Registry Office and to the tax office.

**Liaison Offices**

Foreign entities may establish a non-trading, unincorporated liaison office under the framework decree on the basis of a permit from the FID. Liaison Offices may not trade in their own names or on their own account. If they do, the manager will become liable for heavy penalties. It must keep records of all expenditure and income, which should be available for inspection by the authorities of the Ministry of Finance. Liaison Offices shall regularly report their activities to the Foreign Investment Directorate of the Treasury.

**Joint Ventures**

The concept of joint ventures is a formation including foreign partners established for the completion of a specific contract. In recent years the Government and municipalities have engaged foreign contractors for specific projects.

**Employment, residence and work permit**

**Employment**

It’s possible to employ foreign personnel in Turkey, but there are some limitations on certain job categories such as doctors, dentists, pharmacists, notaries, certified public accountants, and attorneys. Expatriates need a work permit and a residence permit along with a working visa in order to be employed in Turkey.

**Residence Permit**

A foreigner living in Turkey requires a residence permit from the authorities in his/her place of residence. This permit will only be granted if the foreigner can demonstrate his/her ability to support him/herself financially. If this support is resulted from a job to be acquired in Turkey, then s/he needs to get a work permit. A residence permit is obtained from the Ministry of Internal Affairs.

**Work Permit**

In order to work in Turkey, foreigners must obtain a work permit from the Ministry of Labor and Social Security (website in Turkish only). Foreign employees with residence permits that are valid for at least six months can apply within Turkey. Applications regarding the work permits are done by the local employer directly to the Ministry in Ankara.

**Tax and GST**

**Principal taxes**

From a foreign investor’s point of view in Turkey, the most important taxes are:

• Corporate tax; the standard rate is 20 per cent

• Withholding tax

Under the Turkish tax system, certain taxes are collected through withholding by the payers in order to secure the collection. These include income tax on salaries of employees, lease payments to individual landlords, independent professional service fee payments to resident individuals; and royalty, licence and service fee payments to non-residents. Companies in Turkey are responsible for withholding such taxes on their payments and declaring them through their withholding tax returns. However, it should be noted that local withholding tax rates may be reduced based on the available bilateral tax treaty provisions.

• Individual income tax – rates in Turkey vary from 15 to 35 per cent

• Turkey’s VAT rate varies between 1, 8, and 18 per cent
Banking and insurance transactions are exempt from VAT but are subject to a tax which applies to income earned by banks, such as on loan interest.

The general rate is 5 per cent, while interest on deposit transactions between banks is taxed at 1 per cent and sales from foreign exchange transactions at 0.1 per cent.

Stamp duty applies to a wide range of documents, including contracts, agreements, notes payable, capital contributions, letters of credit and letters of guarantee, financial statements and payrolls. It is levied as a percentage of the value of the document at rates ranging from 0.165 per cent to 0.825 per cent.

**Special Consumption Tax**

There are four main product groups that are subject to special consumption tax at different tax rates: petroleum products, natural gas, lubricating oil, solvents, and derivatives of solvents; automobiles and other vehicles, motorcycles, planes, helicopters, yachts; tobacco and tobacco products, alcoholic beverages; and luxury products. Unlike VAT, which is applied on each delivery, special consumption tax is charged only once.

**Tax liability**

Resident companies are liable for corporation tax on their worldwide income, while non-residents are taxable only for the income earned in Turkey. Whether or not a company is subject to full tax liability depends on its status of residence. A company that has a statutory domicile or a place of management will have full tax liability.

- A company in Turkey is obliged to keep accounts, and file periodical tax returns
- If there's no presence in Turkey, instead of an annual declaration, the withholding method is used for charging Turkish tax
- Capital companies, such as the A.Ş. and the Ltd. that have been established in Turkey, have full tax liability
- If a non-resident company carries out business through a branch or joint venture, then it will have a limited tax liability; fully subject to corporate tax on profits earned in Turkey
- It should be noted that corporate tax of the foreign entities that have limited tax liability is imposed on the name of their managers or representatives in Turkey
- In case such a person does not exist, the tax is imposed on the persons who provide such income to the foreigners.

**Tax liability of directors and managers**

In accordance with the tax laws, tax liabilities of a company belong to the company.

- In case a company fails to pay its taxes the, Tax Procedural Law and Public Receivables Collection Law hold the directors and managers responsible for payment of the taxes, default payment charges, and penalties
- If a Limited company fails to pay its taxes, the shareholders shall be liable to pay these taxes proportionally by their capital contributions
- The same rules are applicable in case of a company's failure to pay the social security premiums.
**Opening a Turkish bank account**

A company requires a bank account during the establishment of its entity in Turkey. The capital level, which is registered during the establishment of the company needs to be paid in for 25 per cent, at the establishment, into a Turkish bank account. You will need a Turkish notary for this process.

To open a bank account, the company is obliged to submit the following information:

- Copy of the Trade Registry extract
- Copy of the Trade Registry Gazette
- Copy of the Tax registration
- Identification of the manager (passport or ID)
- Notarised signed approval of the manager.

**Regulations for importers**

Turkey’s customs system requires special attention. The Turkish Government has signed the European customs treaty, but in addition to that, has its own regulations. In practice, this means that you can’t only rely on the accessible information in this treaty. When you start exporting, use a local company with expertise in customs or a local business development agency to collect the information about your product, in order to be sure that at all times you are aware of your obligations, the obligations of the importer and the additional taxes and regulations that apply to your product.

- All shipments can be investigated at random by Turkish customs at all times
- In particular, chemicals, medical goods, food and dairy products, natural products, liquids, alcohol, luxury products and second hand products might be held for inspection and might be subject to additional taxes or quotas
- Also the country of origin of your product can play an important role in the level of taxes
- The importer is liable for the costs of any inspections and they will in general be billed to the customs broker of the importer
- In most situations, the customs broker will also be invoiced for the VAT
- The customs broker will invoice the importer the total cost of the entire procedure.

**NEED TO KNOW**

The Turkish Commercial Code was implemented on 1 July 2012. Some specific rules are likely to be added or adjusted in the near future. Pay attention to this and tell your Turkish accountant to inform you on changes that might affect your business.

For some goods, specific import licences are needed, so you need to make sure your importer possesses these. The Turkish Government can require certain laboratory tests from your product. The fact that the product has been tested in a European country might not be sufficient, as the Turkish Government requires test results from its own labs. The cost of these tests is also borne by the importer. Find a reliable customs broker if you import the goods with your own entity. This way, if anything goes wrong, at least you have easy access to your goods and you can act fast. Having your product stuck in a Turkish customs warehouse can be an expensive mistake. Getting the goods cleared after they are held with a new or adjusted set of documents will result in a fine. Sending the goods back due to missing documents is another possibility. Once the goods are declared with a bonded warehouse, there is no time limit; if there is not, then the limit is 20 or 45 days depending on the method of shipment. A month’s extension can be requested. It is best to avoid all doubts and prepare well before negotiating with potential partners and certainly before sending a first shipment. Enterprise Ireland can put you in contact with reliable specialists and customs brokers.
Visas

Irish people wishing to travel to Turkey need a visa, and the process for obtaining one is very simple. They must pay €15 for an e-visa through the Turkish Electronic Visa Applications page and print off the visa after having applied. They will then be required to show this in the airport on arrival, along with their passport, at the international arrivals area. This visa is valid for a 90-day period.

Turkish people wishing to visit Ireland must apply for a business visa, as an EU visa is not sufficient. If an Enterprise Ireland client company wishes to bring their Turkish partner, buyer or distributor to Ireland, they should contact Enterprise Ireland as there is a streamlined process for working with the Irish Embassy in Ankara. The online visa application to enter Ireland can only be completed in English, but Enterprise Ireland’s Istanbul office has a document translated into Turkish, which explains how to fill out the form.
GROWTH SECTORS
6. Growth Sectors

“There is remarkable appetite for new technologies in Turkey, which creates many commercial opportunities for Irish companies, particularly to companies in the ICT arena... From a cultural perspective, they are willing to do business with you, and as a foreign technology company you are considered a potential business partner.”

Ivo Meekel, Director of Business Development, dotMobi

Introduction

An industrial economy, yet still retaining the characteristics of an emerging market in some sectors, Turkey has enjoyed healthy GDP growth at a time when much of the EU’s economies have been flat. Since the middle of the last century, Turkey oriented its political and economic structure towards the West, becoming a member of the Council of Europe in 1949. It signed an association agreement with the European Community in 1963 and began discussions about EU accession in 2005, although recent progress has slowed. Turkey’s economy grew by 4.1 per cent in 2013, up from 2.1 per cent in 2012. In 2011, real GDP growth was 8.5 per cent.

The Government has targeted growth of 4 per cent for 2014, although other commentators such as the OECD believe the figure will be closer to 3 per cent. The Economist Intelligence Unit is more bullish on the medium term, and is forecasting 4 per cent GDP growth in 2015, followed by a three-year period of growth around 6 per cent per annum. Prudent policy and a healthy banking system in Turkey have helped contain the debt-to-GDP ratio. Turkey’s growth industries include automotive, power generation, aerospace and defence, security, logistics and construction. Investment in hard infrastructure is ongoing. The Government’s ambitious Vision 2023 economic plan is timed to coincide with the 100-year anniversary of the Turkish Republic. Planned infrastructure includes 10,500km of high-speed railways including a link between Ankara and Istanbul, a new airport, 100km of tunnels, 5,600 km of highway, 15,000 km of dual carriageway and the world’s fourth-longest bridge, over the Bosphorus. This activity is driving heavy investment in R&D and infrastructure.

Frost & Sullivan has produced a forecast document that looks ahead to 2025; it predicts that by then, around 76 per cent of the Turkish population (67.9 million people) will live in cities. This rapid urbanisation will result in the creation of one mega city, one mega region and one mega corridor. The mega corridor alone (Istanbul-Izmir) will be inhabited by 29.1 million people, accounting for over one-third of the total population. In that timeframe, the consultancy says Turkey will see a threefold increase in GDP to $2.15 trillion, and the service sector will account for 74 per cent of Turkey’s GDP in 2025. The Turkish banking sector is poised to reach $2.3 trillion in asset size by 2025, while the ICT sector is expected to reach $160 billion and generate 7.5 per cent of the country’s GDP.

Partly due to its strategic location, Turkey – and the commercial centre Istanbul in particular – is increasingly a management hub for large global corporates; from there, Microsoft manages 79 countries in the Middle East and Africa; the Coca-Cola Company manages 94 countries around Eurasia and Africa and Sanofi relocated its regional centre for 14 countries from Dubai to Istanbul. Other significant operations include MasterCard, BP, Intel, Bosch and Siemens. Turkey is also a significant production site: it is Europe’s largest commercial vehicle manufacturer, making cars and vans for the likes of Ford, Toyota, Hyundai and Renault. It has a very well established shipping industry. Textiles remain a strong sector, albeit not as strong as it once was historically. The nation is also a large steel manufacturer. On a global basis, Turkey is the fourth largest shipbuilder, the fifth largest location for cement and marble production, and the seventh biggest tourism destination worldwide. The country is also looking to move into value-added manufacturing, especially in the auto and defence industries. A Turkish-made and branded car project is planned, aiming to produce 200,000 vehicles in the first four years, backed by an
investment of $4.4 billion. Turkey is also making strides in sectors such as IT, law and financial services: Istanbul is the first operations centre outside Washington DC for the International Finance Corporation, part of the World Bank Group. In many ways, Turkey is following a similar path to Ireland in the 1990s, which started as a location for call centres of MNCs, before moving to providing higher-value work for those same corporates. Service centres and outsourcing facilities are now a growing part of Turkey's business landscape.

While manufacturing is very prevalent in the country, much of this is basic and Turkey is keen to begin providing more value-added services to avoid being undercut by lower-cost economies. For this reason, messages likely to resonate with Turkish customers will involve making their manufacturing operations more efficient or allowing them to innovate. Broadly speaking, this is an area of opportunity for Irish companies providing products and services to the market – focusing on a niche is the likeliest route. It bears repeating here: Turkey is not a market for quick wins. A more realistic timeframe to gaining a first contract is 18 months to two years. Relationships matter, and they take time to build.

Below is a profile of some of the key sectors from an Irish perspective, along with an outline of potential business opportunities in those areas.

**Telecoms**

The growth in the recent past of Turkey's telecommunications sector has been driven by Government support and initiatives aimed at liberalising and privatising the sector, while its ICT sector continues to be one of the key growth sectors and spending in this area is expected to grow faster than the global average – at 7.4 per cent per annum. Turkey has set ambitious targets for its ICT sector by 2023, including raising the number of broadband subscribers to 30 million, increasing the sector’s share in GDP from 2.9 per cent to 8 per cent and increasing its R&D expenditure to GDP ratio from 0.85 per cent to 3 per cent. Turkey continues to emerge as a regional centre for IT firms, as well as those looking to tap the domestic consumer market. The country’s first official Apple store opened in Istanbul in April 2014.

- The percentage of Internet users in Turkey is around 42 per cent and this is forecast to rise to above 47 per cent in 2017
- There are more than 69 million mobile phone subscribers, equivalent to more than 90 per cent penetration
- Turkey’s mobile broadband market has continued to expand rapidly with one of the highest growth rates in the world
- Turkey is expected to have 250 million connected devices by 2025
- Broadband subscribers to rise from 2.8 million in 2011 to 32.3 million by 2025
- Internet users to more than double (30 million to 72 million by 2025)
- The top telecoms operators are Turkcell – by far the market leader with more than one-third of the market; then Turk Telecom, Vodafone and Avea
- The leading ISPs are TTNET, Superonline, Dogan Telecom and Koç Net
- Turkey plans to launch eight new communications satellites by 2020.

**Opportunities for Irish companies**

Frost & Sullivan expects a huge growth opportunity in the mobile software industry as apps for handheld devices proliferate. It foresees demand for tasks such as shopping, payment of invoices and banking to be carried out online. TeleGeography GlobalComms believes Turkey has a potentially huge but as yet largely untapped broadband internet market. Its fixed-line sector served 13.75 million out of a potential 75 million inhabitants at the end of December 2013. Cable is also gaining traction.
Other opportunities include software, applications, web optimisation, value-added services and solutions for improving customer experience, such as call centre management. Turkey’s mobile sector is well developed and operators are typically looking for new, innovative products to bring to the market. In this case, the route to market can be direct or through a partner. Sometimes, the telco itself is looking to provide services to its own business or consumer customers, and therefore the telco itself could be a possible partner for Irish companies. Any segment that has a large online presence, such as banks, FMCG companies or travel providers, could be a potential market.

**Engineering**

Turkey’s engineering sector is very diverse and, consequently, difficult to define. When looking at the Turkish market, Enterprise Ireland sees four main areas for growth in Turkey for companies in engineering and related products or services:

- Client companies with significant IP content and international experience. Ideally the client will manufacture a fully working machine or significant working assembly.
- Clients with engineering services who have multinational companies as their prime reference clients or significant public sector experience in Ireland and the wider EU.
- Clients with solutions for the build-out of data centres and pharma plants.
- Agricultural engineering companies with unique product offerings focused on large-scale farms that also provide know-how.

**Opportunities for Irish companies**

As a regional hub and large market in its own right, there are potential export sales for Irish engineering companies in Turkey that have specific capabilities that are not currently supplied by Turkish companies. Local production is dominated by low-end manufacturing. Clients who have finished products or bringing significant IP to the table have good opportunities in the market. With the right distribution partner, clients gain access not only to Turkey but also the wider Eurasian market. Given the disparate nature of the client base in this area, it is not possible to put a precise figure on the size of the market.

Turkey’s agricultural sector is dominated by subsistence farming, but rising professional enterprises are expected to increase sector efficiency and output. Traditional agriculture still accounts for around 25 per cent of employment in the country. Turkey has suitable agro-climate conditions and fertile land for major expansion of its agricultural output. The population growth along with urbanisation trends will provide the impetus for further growth. There is a need for increased regulatory control for quality and performance improvement. The Turkish Government and the EU have provided incentives for efficiency improvement and for the investment in large-scale farming projects. Irish companies providing equipment and skills will find opportunities in Turkey, although the route to market will be via a local partner rather than directly. Farm management is another area of potential for Irish firms.

In the pharmaceutical sector, the strategy of the local producers and overseas manufacturers is to produce more sophisticated drugs in Turkey, which will require new production capacity to be built in the country. This is an area where Ireland has a significant competitive advantage.

Turkey faces major challenges in developing its environmental infrastructure to match the country’s future needs for energy and to comply with EU legislation with regards to areas such as waste water and solid waste management. This will lead to a requirement for multi-billion euro investments in the next decade. While Turkish construction companies are among the leading global players, Irish companies can serve this market by assisting with compliance to regulatory standards, or providing high-end engineering and project management skills.

Estimates of Turkey’s requirement of installed capacity put an additional 40 GW of power required over the next 20 years. This will require public/private investment in the region of €40 billion.
Education
With a very young population, competition for places in Turkish universities is intense. This competition, coupled with the wish of many middle- and upper-class Turks to have their children educated in English, has led to significant numbers of students studying abroad each year.

- Approximately 55,000 Turkish students study abroad each year
- Turkey ranks sixth internationally by number of students sent abroad
- The indigenous market lacks capacity and has intense competition for places.

Opportunities for Irish companies
Approximately 25,000 third-level students leave Turkey each year to study abroad. Based on Irish costs, this business is worth close to €575 million. In 2013, around 150 Turkish students travelled to Ireland for third-level education. A target of 3 per cent or 750 students of the overall figure leaving Turkey to study abroad would be worth €17.25 million to the Irish economy annually.

Given the appetite among many progressive Turkish students to be educated abroad, there are opportunities for Irish universities and education providers at undergraduate and Masters-level courses. However, market intelligence suggests the preferred destination for many students is London, meaning that Irish higher education institutes need to brand themselves in the market and promote Ireland as a destination for third-level Turkish students seeking to study abroad. There is also a demand for English language training to improve basic proficiency, as employers in Turkey are seeking out this skill. Note that Irish third-level institutions must ensure they are accredited by the Turkish Ministry for Education, to ensure that the qualifications they provide are valid in Turkey. The best route to market is to set up foreign exchange programmes with Turkish universities and various agents who can promote Ireland to foreign students.

IT for travel
Over the past 20 years, Turkey has become increasingly popular as a travel destination. Although it is outside the EU, acquiring a visa for Turkey is a very simple process for people of most nationalities, making it an appealing and exotic location particularly during the summer months when the weather is hot and sunny. Alternative tourism areas such as city hotel management, congress, ecologic, winter and golf tourism will also be a focus.

- Turkey ranks sixth in the top world tourist destinations list ahead of the UK and Germany and aims to rise to fifth
- Turkey receives 33 million tourists per year
- Frost & Sullivan is forecasting 6.2 per cent annual growth in tourist numbers in the coming years
- Annual revenue from visitors to Turkey is approximately €16 billion
- There are approximately 3,800 hotels in Turkey, with most being in the three- to five-star bracket
- Investment in the sector is growing with, for example, the new airport in Istanbul.

Opportunities for Irish companies
With internet penetration at such a high level in Turkey and growing all the time, there are many opportunities for IT-related travel companies to capitalise on this situation. The increase in the use of credit card ownership and users in Turkey has led to growth in the level of e-commerce taking place in the country. Social media usage, notably Facebook, is extremely high. Social media in general is used extensively in the market as a means for company interaction with the end users and as a promotional tool. The importance of writing online reviews and interacting with social media is becoming ever more important.
with the increase of internet use to purchase travel tickets. The increase in mobile ownership and the usage of m-commerce also leads to more opportunities for IT-related companies from Ireland to enter the market.

The travel industry is increasing in size year-on-year in Turkey and adapting rapidly to the use of technology to promote destinations, book travel, manage websites, transfer funds and guide tourists. Travel ranks above most other sectors in Turkey for e-commerce levels, for items such as travel tickets and booking accommodation.

Aviation

Turkey benefits from its favourable position which connects Europe and Asia, as well as being a hub for traffic to the Middle East and North Africa. Consequently, the country’s aviation sector is expanding rapidly; the national flag carrier, Turkish Airlines, is the fourth largest airline in the world and is growing. The number of people employed in the industry has doubled in ten years and now stands at more than 100,000.

- Commercial, cargo and passenger traffic are showing double-digit growth
- Turkish Airlines now flies to over 200 destinations world wide and has ordered another large fleet of aircraft which will come into use with the completion of the new Istanbul airport
- Istanbul’s new Grand Airport will have a planned capacity for 60 million passengers per year
- The site is being built in four stages, to be completed by 2019 at an estimated cost of $6.51 billion.
- Phase one comprises three runways and taxiways over 80 billion sq m with a capacity of 10 million p.p.a. by 2016.
- The new gateway at the north-eastern part of Istanbul will accommodate 150 million p.p.a. when fully operational on six runways
- Turkey will soon have seven airports, each with a capacity for handling more than 5 million passengers per year
- The number of aircraft is expected to increase from 317 in 2011 to 747 by 2025, while passenger numbers increase from 123 million to 350 million by 2025.

Opportunities for Irish companies

The rapid growth of the industry is driving a move towards outsourcing functions that airlines would traditionally have kept in-house. Skills are needed on a continuous basis to keep pace with this expansion. Another factor supporting this trend is Turkey’s move towards embracing international standards. Irish companies providing training for pilots, maintenance crew and flight staff are likely to find opportunities in Turkey.
HOW ENTERPRISE IRELAND CAN HELP YOU SUCCEED IN TURKEY
7. How Enterprise Ireland can help you succeed in Turkey

Enterprise Ireland is committed to assisting clients in entering new markets and expanding your business in your current markets. A team of experienced marketing professionals is ready to help you through Enterprise Ireland’s overseas network of over 30 offices. Enterprise Ireland can help you build your business across Turkey. An overview of our service offering is listed below:

**Pre-Visit Support**

Enterprise Ireland can provide:

- A sector overview
- A validation of the opportunity for your product/service
- An evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary
- Summary of relevant market information resources.

**In-market support**

Services available include:

- Scheduled appointments with market contacts including Government
- Office facilities/sales incubator units
- Facilitation of buyer visits to Ireland
- Product launches/workshops at Enterprise Ireland offices/Irish Embassy/Consulates
- Networking opportunities at events held at EI offices, or the Irish Embassy in Turkey
- Public Relations support and press release service
- Trade fairs/trade missions
- Market development support to access new regions/sectors in Turkey
- Introductions to local development agencies for setting up in Turkey
- Introductions to third-party professional service providers including legal, marketing/PR and recruitment services
- Access to external expertise and advice.

**Pathfinders**

Enterprise Ireland in Istanbul is identifying links to a number of pathfinders who can provide Irish companies with expert knowledge of a particular sector and assist them on a project basis in the Turkish market. Initially, these links will focus on the following sectors: telecoms and ICT, financial services, cleantech and engineering, education and life sciences. There is also ongoing work to identify suitable pathfinders to expand coverage in some of the secondary Eurasian markets.

**International Mentors**

Enterprise Ireland has built up an excellent network of individuals in Turkey who are available to work with Irish client companies on developing their business. International mentors are individuals who work with your company on a one-to-one basis. The role of the mentor is to listen and advise, to suggest options, and help you to prioritise opportunities. The mentor gives you a fresh and objective perspective that is backed by significant in-market experience – while you remain in the driving seat throughout. Depending on your individual requirements, mentors can advise you on all key areas of company development, including:
• More targeted sales and marketing
• Staff development and team building
• Expansion into new export markets
• Better management and financial systems
• Improved production and logistics
• Attracting outside investment
• Strategic business planning
• Management succession.

Ministerial Events

Throughout the year, Enterprise Ireland organises a number of initiatives which are led by Government representatives. These can include trade missions, trade shows, buyer lunches, press conferences etc. These are excellent opportunities for your company to be highly profiled with customers and in the wider media.

Financial Assistance

Enterprise Ireland client companies may be eligible to receive financial assistance towards the cost of researching or travelling to the market. For more information, contact Enterprise Ireland’s Istanbul office.

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Acknowledgements

Enterprise Ireland wishes to thank everyone whose input and assistance was invaluable in preparing this report:

- The staff at Enterprise Ireland’s offices in Istanbul and Dublin
- John McKeon, Kells Stainless
- Ivo Meekel, dotMobi
- Maurice Mortell, TelecitiGroup
- James Murphy, Lifes2Good
- Michael Quigley, ESB International
- Ciaran Sheridan and Ian Smith, Noise Multimedia
- Gordon Smith, Consultant
- Padraic Timon, Chameleon Colour Systems
- Michael Westenberg, Trade & Investment Center.

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