

Full Length Research Paper

# Sales and marketing problems of small and medium sized forest products enterprises in Turkey

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In this study, we aimed to introduce the position of small and medium sized enterprises which serve in forest industry, to determine sales and marketing problems of these enterprises and to develop solutions for these problems. For this purpose questionnaires which were constructed in a systematic manner were administered to the business administrators face to face appropriately using the on -the-spot technique. The participation rate was 41%. The findings of this study indicate that enterprises consider marketing and sales workout important but because of financial difficulties, problems regarding application of these workout may occur.

**Key words:** Small and medium-sized enterprises, SME, forest industry, marketing, Turkey.

## INTRODUCTION

Small and Medium-Sized Enterprises (SME) are indispensable institutions to an economy to develop a competitive environment and achieving a healthy economical atmosphere. Presently, mass production has begun to leave its place for flexible production and heavy industries and large companies are in tendency to reduce in size. Developing of policies regarding SME has been started. SME which have roles in the consistency and continuity of social structure is gaining importance day by day (Erdem, 2009).

When observed in literature there is not a common definition in consensus for SME, this might be because industrial structure, technological opportunities and the level of development vary between countries and within the regions of countries.

The scale referred by the term "Small and Medium Sized Enterprises" may vary between the countries according to level of industrialization, size of the market, type of the occupation performed and the technique of production (Cindik and Akyuz, 1996).

According to the European Union (EU) definitions for SME are categorized thus: (i) companies employing less than 10 workers are very small sized or micro-companies, between 10 - 50 worker employing companies are small sized, companies with 50 - 250 workers are medium sized and companies employing more than 250 workers are accepted as large sized companies. In the definitions of EU for SME, micro companies have a sales volume less than 2 million euros per year, small sized companies less than 10 million euros, and medium sized companies have a sales volume less than 50 million euros (Küçük, 2005).

SME have an important position in Turkish economy because of their significantly big ratio in employment and total number of enterprises. An average profile of Turkish SME differs from most EU and OECD countries SME because of its smaller annual endorsement and employment status (Anonymous, 2004).

The companies within the extent of "Regulations regarding definition qualification and classification of small and medium sized enterprises" are compared between Turkey and EU and classified in Table 1 with regards to their size, fiscal balance sheet and types.

Purchasing which is the first step of production process; is carried out by the owner or persons in close relationship with the owner in SMEs. The company owner who is not an expert in purchasing will eventually consider the

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**Table 1.** The comparison of the SME criteria of Turkey and EU (Anonymous, 2007)

	<b>Definition criteria</b>	<b>Micro enterprise</b>	<b>Small enterprise</b>	<b>Medium-sized enterprise</b>
EU	Number of employees	10	50	250
	Annual clean sales revenue	2 Million Euro	10 Million Euro	50 Million Euro
Turkey	Number of employees	0-9	10-49	50-249
	Annual clean sales revenue	1 Million TL (606.000 Euro)	5 Million TL (3 Million Euro)	25 Million TL (15,15 Million Euro)

price and payment conditions before evaluating the quality of the service or good and its convenience to the production process. Under this priority concessions are made from purchasing activity devoted to quality and customer satisfaction (Erdem, 2009).

Large companies may supply raw material within intended time via their pre- established provision systems (Akgemci, 2001). However SMEs make production after order reception which makes their raw material order relatively smaller than large companies, hereby SMEs can not utilize from discount in raw material purchasing. This accounts for an increase in the cost of the product. If orders are received in greater volumes, problems regarding increase in stocking costs will be encountered this time (Karakoc, 2003).

One of the basic problems of the SMEs is the lack of elaboration regarding the marketing of the product or service and omission of marketing. Being concerned only with production process small enterprises do not effectively follow the activities of the market and they direct attention to small markets and do not move together with other enterprises (Muftuoglu, 1998). Not being able to determine distribution channels because of financial problems, they leave out of the marketing process (Akgemci, 2001). The marketing attempt performed without a research lacking the professional point of view, will not go further than increasing the cost of the good.

In order to overcome the marketing problems; small industrial enterprises should not see “marketing” as a feature of large companies, they should attain knowledge upon this issue and should be aware of the fact that “cost increasing feature of labour weighted production can be kept under control with a good marketing techniques (Ozalp, 1993).

Karaman (2001) focused on European approaches in marketing to contribute to the efforts to achieve SMEs with competent marketing skills and gave various recommendations to SMEs. He recommended the “relative marketing” approach instead of “relationship marketing” in reorganizing the marketing strategies of SMEs. “Marketing research support in international markets (A Practice on SMEs Working at Denizli) a study of Barutcu (2005) revealed that export marketing research which have several benefits for SMEs been not appropriately performed and the enterprises within the study extent did not utilize from export marketing research support. He

concluded that the absence of export marketing research in SMEs might be a result of contract manufacturing. Observing the studies about SMEs it is seen that these companies encounter sales and marketing problems. For this reason we have aimed to make an assignment upon the sales and marketing problems of Forest Products Enterprises which are within the extent of SME in Duzce which is an important city regarding the forest products industry in Turkey.

## **MATERIALS AND METHODS**

### **Materials**

Since being announced for the list of promotion of development officially in 2004 Duzce city is at a geographically advantageous position and has attracted much interest of investors (Anonymous, 2009). Companies working in the field of forest industries such as lumber, forest products, veneer, parquet, furniture manufacturing etc. constitute 3rd profession group. 503 companies are readily registered to the 3rd profession group. This number includes all of the companies registered since the establishment of “Duzce Chamber of Commerce and Industry” in 1959. However this number also includes some companies which had ended commercial activity but not unregistered from the chamber (Anonymous, 2006). Duzce’s business profile is SME dominant; of 862 total enterprises 850 are SME and 12 are large scaled companies. 14.750 people are employed in these enterprises, 5.235 of which employed in large scaled companies, 5.235 employed in SMEs. SMEs have a ratio of 98.4% in number and share the 64% of employment (Er, 2006).

### **Methods**

In classifying the size of the enterprises, EU definitions are accepted; enterprises employing between 1-9 workers as “micro-sized” enterprises, enterprises with 10 - 49 workers as “small-sized” enterprises and enterprises employing between 50 - 249 workers are accepted as “medium-sized” enterprises. The study is basically planed on face to face questionnaires and on the spot observations. According to this concept; depending on the data obtained from Duzce Chamber of Commerce and Industry and examining the previous studies; questionnaires are applied to the administrators of enterprises which work in the field of forest products industry, the participation rate to the survey was 41%. The companies included in the study were 12 micro-sized enterprises, 19 small-sized enterprises and 12 medium sized enterprises. The statistical analyzes of the data obtained from questionnaires were performed using SPSS software.

Being made in Duzce region forest industry, results of this study have limited potential to be generalized to the forest industry of the

other regions of Turkey. Also depending on the voluntariness of the enterprises to participate in the study, sample size is not sufficient to make wide conclusions. The questionnaire mostly consisted of nominal questions in order to provide easiness to the answerers which limited the diversity of the analyses. The technical details of the study are shown at Table 2.

## RESULTS

### General status of enterprises

Looking at the legal status of the enterprises; it was seen that majority of them were incorporated companies (41.9%) followed by limited enterprises (27.9%), private enterprises (25.6%) and 4.7% collective enterprises. In 31 enterprises among these SMEs (72.9%) strategic decisions were made by capital holders called as "boss". The number of enterprises where professional administrators were involved in decision together with bosses was 8 (18.6%).

88.6% of enterprises were established with private financial opportunities, in 4.7% enterprises were bought by the family of the owner and remaining 4.7% enterprises were inherited to the owner. 2 of the enterprises (4.7%) were involved in the parquet business, 13 in lumber (30.2%), 4 in veneer (9.3%), 8 in furniture (18.6%), 2 in Multilayered parquet (4.7%), 1 in Laminated parquet (2.3%), 1 in press door manufacturing (2.3%) and 12 were involved in kitchen and bathroom furniture manufacturing. 8 enterprises were in serial production. 14 enterprises were making productions depending on the orders (32.56%), 15 enterprises were making serial productions for some certain products whereas making order dependent productions for some products (34.8%).

Questions regarding the capital status of the enterprise were answered by 24 enterprises and revealed a capital range between 40.000 TL and 8.000.000 TL. Especially micro-sized enterprises were doing business with smaller amounts of capital whereas medium-sized enterprises were functioning with greater amounts of capital.

### Sales and marketing

It appears that enterprises prefer brochures, product sample exhibiting and press-media related advertisements in majority. Additionally participation of enterprises in national and rarely international expositions for advertisement is also reported. The business region of the enterprises was national in 39.5% and international in 23.5% (Table 3).

Eighteen enterprises (41.9%) were exporting their products directly without a mediator or an agency whereas 10 enterprises were exporting their products by another national company. Three enterprises (7%) were exporting via an Institution of Turkish International Commerce, 1 enterprise was exporting through the holding of which it was a part of and 1 enterprise was exporting via Turkish

Commercial Companies working in foreign countries (Table 4).

It was seen that enterprises make their sales by personal visits and units within the company (Table 5). Table 6 shows the results of the data concerning the methods enterprises determine economical parameters such as price, supply, production and distribution volume. Enterprises do not determine these variables in a single way. 21 enterprises (48.8%) decide on these parameters itself independent from other enterprises, 7 enterprises (16.3%) together with other enterprises and 10 enterprises decide (23.3%) following the sales policies of other enterprises. 25 enterprises (58.1%) reported that these parameters were formed under market conditions and 6 reported them to be determined by worldwide rivals.

Table 7 shows the evaluation of the data about competition status of enterprises in national and international markets from miscellaneous points of view. With the results of the "t-test" performed; it was shown that enterprises see themselves more competitive in national markets in the points of marketing strategies and qualified labour rather than in international markets.

Table 8 shows the data regarding the importance enterprises attach to their organizational abilities on reaching strategic aims. It was revealed that enterprises were giving importance to purchasing management, quality/standardization management, price management, credits (claims and loans) management, leadership and control whereas human resource management and education of workers were not receiving adequate concern.

### Relationships between the variables

Table 9 shows the data concerning the relation between market volumes of the products of enterprises working in field of forest industry. We see that enterprises which were involved in lumber production were making productions for national markets whereas enterprises which were involved in furniture production and plating were making productions for international markets. Multilayered parquet, laminated parquet and door producing enterprises were wholly working in a national scale whereas kitchen and bathroom furniture producing enterprises were making productions for markets at both national and international scale.

When a series of statistical tests were applied to the data in the Table 9, we saw that results of the sample were also valid for the population.

When we examined the relationship between production field and rate of capacity used; we saw the smallest ratio of capacity usage was in the field of lumber industry. However capacity usage was higher in the fields of furniture production and kitchen-bathroom furniture production companies. Our study also showed that in SMEs there was a close relation between sales struggles and existence of agency in other cities and/or countries. Table 10 shows that SMEs which had other offices or agencies

**Table 2.** The technical details of the study.

<b>Industrial field</b>	<b>Forest products</b>
Region	Duzce
Methods	Structured questionnaire
Procedure of data collection	Convenience sampling
Population size	105 enterprises
Sample size	43 enterprises
Level of analyzes	Enterprise level
Level of confidence	95%
Period of data collection	February - April, 2009

**Table 3.** The business region of the enterprises.

<b>Business region</b>	<b>Number of enterprises</b>	<b>Percentage (%)</b>
Regional	7	16.3
National	17	39.53
International	10	23.25
National and International	5	11.63
Regional and International	1	3.3
Regional National and International	3	6.98

**Table 4.** The methods enterprises export their products.

<b>Options</b>	<b>Number of enterprises</b>	<b>Percentage (%)</b>
Enterprise itself	18	41.9
The holding of which it was a part of	1	2.3
Institution of Turkish international commerce	3	7.0
Institution of foreign international commerce	-	-
Turkish commercial companies working in foreign countries	1	2.3
Via another national company	10	23.3

**Table 5.** Sales methods companies choose

<b>Options</b>	<b>N</b>	<b>Mean</b>	<b>Standard deviation</b>
Units within the company	34	4.24	1.33
Marketing companies	14	2.36	1.69
Via retailers	24	3.66	1.49
Via wholesalers	21	3.14	1.39
Reaching customers in expositions	16	2.81	1.22
Personal contacts and visits	39	4.31	0.95

had made more sales struggles.

## **CONCLUSIONS, DISCUSSION AND SUGGESTIONS**

Most of the SMEs are established with owners' self

opportunities. But they carry on their commercial activities at both national and international scale. These enterprises mostly make mass productions and make productions upon orders. Direct production to markets is very rare.

With the production of business issues is the relationship

**Table 6.** Determining the variables of price, supply, production and distribution volume

Options	Number of enterprises	Percentage (%)
Independent from other enterprises (Itself)	21	48.8
Together with other enterprises	7	16.3
Following the sales policies of other enterprises	10	23.3
Under market conditions	25	58.1
Worldwide rivals	6	14.0

**Table 7.** Competition status of enterprises in national and international markets from miscellaneous points of view.

Options	National			International			t-test	p-value
	N	Mean	Standard deviation	N	Mean	Standard deviation		
Marketing strategy	38	3.66	1.36117	19	3.42	1.43	2.281	0.037*
Product diversity	42	4.19	1.08736	17	3.94	1.20	1.46	0.16
Product price	41	3.98	.87999	16	3.75	0.68	1.58	0.14
Post-sales services	38	4.18	1.06175	14	3.50	1.51	1.42	0.18
Organizational structure	39	3.38	1.11486	17	3.47	1.33	0.60	0.58
Labour cost	42	3.60	1.03734	18	3.39	1.24	0.70	0.50
Qualified labour	40	3.55	.98580	17	2.82	1.33	2.17	0.05*

\* t value is significant at %5 ratio.

**Table 8.** The importance enterprises attach to their organizational abilities on reaching strategic aims.

Options	N	Mean	Standard deviation
Purchasing management	42	4.17	0.94
Design research and development (Re-De) management	36	2.92	1.52
Technology	43	3.51	1.16
Quality/standardization	43	4.16	0.95
Cost and efficiency in production	43	3.86	0.91
Management of marketing department	30	3.47	1.20
Management of marketing tools	32	3.13	1.24
Management of market research	38	3.66	1.17
Management of sales and distribution	37	3.65	1.03
Management of export	26	3.15	1.46
Management of price	41	4.00	0.81
Management of accounting department	40	3.85	1.05
Management of capital structure	37	3.84	1.01
Management of stocks	37	3.87	1.11
Management of self-financing	40	3.68	1.23
Management of credits (claims and loans)	42	4.02	1.18
Planning	43	3.74	1.14
Organization	42	3.50	1.25
Leadership	41	4.00	1.18
Control	43	3.93	1.12
Coordination and communication	38	3.55	1.267
Delegation	39	3.13	1.44
Management of education	33	2.88	1.32
Management of human resources	28	2.79	1.23

**Table 9.** The relationship between production field and extent of working area.

Working area	Production field								Total
	Parquet	Lumber	Veneer	Furniture	Multilayered parquet	Laminated parquet	Press door	Kitchen and bathroom furniture	
Regional	0	1	0	0	0	0	0	5	6
National	1	8	0	3	1	0	0	5	18
International	1	4	4	5	1	1	1	2	19
Total	2	13	4	8	2	1	1	12	43

**Table 10.** The relationship between sales struggles and existence of agencies or offices.

Relation status		Sales struggle	
		Yes	No
Relation exists	Number of enterprises	15	1
	%	93.8	6.2
No relation	Number of enterprises	22	5
	%	81.5	18.5

between the boundaries of the study area. As a manufacturer of lumber enterprises, while more national in scale, furniture manufacturers and veneer manufacturers are working on an international level.

Enterprises have made improvements in product features and product quality depending on the demands expectations between 1999 - 2009. Also they have extended their product spectrum according to the changing customer taste and improving competition atmosphere. Rather than imitating the products of foreign countries they are making new designs reshaping the product and arranging it to the conditions of Turkey. There are also enterprises which develop new technologies.

SMEs prefer advertisements within local media organs and various magazines of interest. The samples sent to the customers take also an important place. Enterprises also inform customers about the new campaigns by distributing brochures locally. The sales are generally carried out by sales units within the organization especially by means of personal visits.

These institutions see themselves competitive in terms of product diversity and post sales services at national scale and at international scale they consider themselves to be competitive in terms of product diversity and product price.

SMEs consider purchasing management, quality and standardization management, price management, credits (claims and loans) management, leadership and control important among strategical targets. Especially as the rise of the globalization and increase of customer expectations they should attach more importance to manage-

ment of standardization and quality. Although not being very common Turkish Institute of Standardizations (TSE) certification and ISO quality certification are being applied. Enterprises do not efficiently use of the research-development techniques and design activities does not receive sufficient care. Design has lost its importance especially in small enterprises because making contract manufacturing of large enterprises.

Price management in enterprises is receiving critical care. About this issue they declare they have recently pulled down their prices and got obliged to make changes in sales policies because of the global economic crisis.

Enterprises attach much importance to loan/claim management but they complain of not being able to pay back loans due to not receiving claims. SMEs are consistency components of society. Forest Product Industry in Duzce, although the problems of enterprises, SMEs produce a vocational school qualifications and ability to produce, regional development and play an important role in preventing migration. They may contribute to the social peace and help overcoming collapses by their nature of being least influenced by the seasonal and transient crisis. For all these reasons social aspects of SMEs receive sufficient care and their contribution to country should be promoted.

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