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Classification of distribution channels of textile and apparel retailers in Turkey

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Abstract

Being one of the most important textile and apparel producers for years, Turkey began to become active in terms of retailing. Although retailing industry is in its growing phase, the social and economic influences caused the customers' tastes and demands to be more distinctive and segmented in parallel with the advancement of the retail industry. Therefore, the retail industry began to develop in more fragmented way where clear boundaries between different types of retailers were established. In this study, the apparel retail market is overviewed and analyzed within the context for determination of the current situation and future prospective. To this aim, the textile and apparel companies that are active in Turkey were classified into groups based on the type of distribution channels they used. Then, the performances of the groups were established using the secondary type of resources. Finally, the findings were summarized, by showing the similarities and differences between different channels.

Keywords: apparel, retailer, classification, distribution channel

I. Introduction

Turkey is one of the significant global players in textile and apparel industry. The value of exports has become 6.5 billion dollar in textile, 14.6 billion dollar in apparel and 21,1 billion dollar in total in 2010 enabling the textile and apparel industry to be ranked as the top exporting industry (ITKIB, 2010). The textile and apparel industry improved its performance in domestic retailing industry recently benefiting the huge young population and large consumer base.

Retailing is a set of activities which provides buying necessary product or selling services to meet the personal or family needs of consumers and retail store takes place at the end stage of distribution process (Misirli, 2010). In general, any type of business that sell finished goods to an end user or final consumer is considered to be the part of the retail industry. So the retail industry involves different general categories such as accesorieses, electronics, textile, apparel and so on. Most of the time, the sales figures and economic data are reported considering these types. The retail industry is well developed for textile and apparel goods with the stores focusing on the selling of large amount of textile and apparel goods. Thus, the retailing industry is the last ring in textile and apparel value chain which is highly influenced from the changes

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and differences in customers' tastes and demands. This causes the retailing industry to modify themselves according to the different consumer segments and differentiate themselves from the others by developing different types of stores or retail classes. Nonetheless, there are different classification of the apparel retail industry in different regions basically because of different expectations of the consumer segments caused from different social and economical aspects. Different distribution channels are in use in different regions. The European clothing retailers are classified in 6 categories under 2 types which are specialised and non-specialised. Non-specialized retailers are the department stores, variety stores, hyper and supermarkets, mail order retailers. And specialised stores are the specialty chains and independent stores (Baker & McKenzie, 2007). US retail industry shows a different structure than the European retail industry having 7 different categories which are the catalogue retailers, department store retailers, internet retailers, mass retailers, specialty stores, warehouse/wholesale clubs and retailer outlets (Glock & Kunz, 2005). For Turkey, there is no such kind of classification among the textile and apparel retailers. The textile and apparel retail industry is considered as one item among the other retail businesses and no data is reported for different type of textile and apparel stores. It is important to understand the structure of the retailing industry in order to understand the market and anticipate the future for the industry however.

In this study, Turkish apparel retail industry and the future perspective is analysed and the classification of the distribution channels are given with their performances, similarities and differences in order to provide a better understanding of the industry.

II. Literature Review

In this section the apparel retail industry is overviewed and the future prospective is given using secondary type of resources.

According to the data taken from AMPD (Shopping Center and Retailers' Association), the top 250 retail company in Turkey has 22.108.148.419 TL revenue whereas the apparel retail sector covers around 11% of the total revenue in 2005 (AMPD, 2012). There are different types of retailing industries effective in Turkey such as accessories, department store, electronic, household items, food, apparel, personel care, book and entertainment and market. 〈Table 1〉 compares these different retailing types in terms of number, domestic revenues, number of employee, number of stores and franchises based on the data taken from the research of Turkish Time periodicals in 2011 entitled with the "Top 100 Retailer in Turkey". Apparel industry is the second largest retailing type with 36 companies among 100 companies, 27,685 employee and 3,423,983

〈Table 1〉 The overview of the retailing industry in Turkey (TurkishTime, 2011)

	No. of companies	Domestic revenue in 2010 (TL)	Domestic revenue in 2009 (TL)	Change (%)	No. of employees	Sales area (m^2)	No. of stores	No. of franchise
Accesories	6	67.947.402	56.488.339	20.29	661	11,686	127	46
Department store	3	1.400.321.034	1.218.894.876	14.88	4,750	337,203	107	44
Electronics	5	2.566.375.054	1.964.821.490	30.62	3,688	430,188	319	3,600
Household items	10	1.039.160.577	662.899.311	56.76	5,913	544,356	408	417
Food service chain	1	529.757.096	378.719.255	39.80	7,105	105,181	382	105
Apparel	36	4.099.059.274	2.597.641.070	57.80	27,685	3,423,983	1,443	666
Personel care	4	154.910.702	127.295.753	21.69	900	16,934	114	10
Book and entertainment	4	427.688.775	345.585.416	61.90	2,079	64,473	207	0
Market	12	19.733.500.438	17.248.323.161	61.90	44,033	1,413,268	5,719	0

m^2 sales area (TurkishTime, 2011).

Apparel industry leapt forward between the years 2005 and 2008 according to a comparative industry data obtained from the research conducted by Turkishtime periodicals in collaboration with Turkish Trade Council of Shopping Centres and Retailers and PriceWaterhouse Coopers, a global company providing advisory services, between years 2005 and 2008 (Erdumlu & Saricam, 2010). Between these years, the percentage of sales increased 4.1%, the percentage of the number of stores increased 3.6%, the average number of employees increased to 427 from 256. The average number of stores became 50 whereas it was 15 in 2005 (Erdumlu & Saricam, 2010). The percentage of the number of visitors within the other retailing types reached to 22.5 with a 12.1% increase (Erdumlu & Saricam, 2010).

The reason for such an improvement is certainly the developed textile and apparel industry and the investment that are made in the development of the infrastructure of retailing industry. According to the report of Pricewaterhouseccoopers, the retail industry reached a speed of opening 13 stores a day in Turkey in 2009 and that means the modern retailing industry invests around 100-120 million dollar per month (Pricewaterhousecoopers, 2013).

The other driving factor in retailing industry is the presence of the young population. According to the data taken from AMPD, almost 76% of the total population are under age 45 in 2010 (AMPD, 2012). In a study, young generation was found to be purchasing more than the young generation (Ilter, Akyol, & Ozgen, 2009). Moreover young population were taken into account as an indicator for the future potential as the youths continue to purchase the same brands in their adulthood (Ilter, Akyol, & Ozgen, 2009).

Considering the activities in textile and apparel industry and the effect of youth percentage of the population, retailing industry is sure to have the potential for improvement. On the other hand, Turkish retail industry is shown among the growing industries compared with the other countries.

A.T. Kearney established a research entitled with Apparel Retail Index for ranking the attractiveness of emerging countries for investment be global apparel retailer. According to this research, Turkey was given the fourth rank in apparel retail market attractiveness in 2008 after Brazil, China and India among more than 30 apparel markets. Within this research the market indicators were taken as total clothing sales and imports, total population, young population and the presence of international apparel retailers. Considering the growth indicators such as the compound annual growth rate of total clothing sales, clothing imports, clothing sales per capita, gross domestic product per capita and population growth Turkey was found to have moderate market potential with low risk (Erdumlu & Saricam, 2010).

III. Method

In the first part of the study, the classification of distribution channels that are active in Turkish apparel industry is made by giving some characteristics, similarities and differences of these channels. In the second part, the performance of different channels is given and the activities of different channels are pointed out.

The data for the first part of the study was collected by using secondary type of resources and observations. The data for the second part was collected through secondary type of resources and an telephone interview was conducted among the Turkish textile and apparel retailers that are active in Turkish market whose list was taken from the Turkish time magazine. The current activities and approaches of the retailers were seeked out through interviews that were made in 2010 within the content of this study.

IV. Results

1. The fragmented structure of the industry and the characteristics of different types

Different types of distribution channels act in different regions. For Turkey, apparel retailers act as independent stores, department stores, specialty stores or chains, hypermarkets, factory selling stores, mail order or e-retailer format.

Independent stores: The retailers that have only one or few number of stores. They mostly sell manufacturer/suppliers' brands. These stores are belonged to independent individuals. There are still many independent stores in Turkey.

A department store is a retail establishment which specializes in selling a wide range of products organized into departments whose main important product categories are clothing, accessories, fragrances, cosmetics and home collections with no predominating merchandise line. Department stores mostly offer brands and they give those brands a dedicated space in terms of visual presentation. They may also have private labels. Boyner, YKM and Cetinkaya can be given as example for department stores in Turkey.

Specialty stores offers a range of product with intensive customer services to customers. This stores are dedicated to a selective market segment with deep range of products such as sport shoes, bag, accessory, sport clothing related with each other (Baker & McKenzie, 2007). Chain store is a retailing activity which is under one ownership with two or more retailing operation. Chain stores are large scale stores (Misirli, 2010). Specialty chains have a wider geographical reach, with some very large players, such as H&M, C&A and Zara. Some are directly owned and operated while others have a franchise structure (Baker & McKenzie, 2007). In chain store, there is generally one central decision unit. They sell the same products in the all stores of the chain. They usually sell their own brands or suppliers brands. LCWaikiki, Defacto and Sarar can be given as examples for the specialty stores in Turkey.

Hypermarkets are superstores that combine a supermarket and a department store. The product range include many items from groceries to general merchandise. Hypermarkets have typically the business models focusing on high volume and low margin sales. Agressive pricing is provided not only by high sales but also by the low cost of sales space, greater autonomy in terms of logistics and a faster turnover of goods. Migros and Kipa are the examples for the hypermarkets that also sell apparel goods.

Factory selling stores or factory outlets are discounted items retailers of manufacturers. In factory selling stores overproduction, faulty, and products which are rejected by retailers are offered for sale. Thanks to these stores manufacturers takes an opportunity holding on their hands to control of discounted items(Misirli, 2010). Outlets sell the national brands usually and they are usually located next to the production units such as the case for Mavi.

Mail order retailer, e-retailing and shopping clubs are the new form of retailing activities. The oldest one is the mail order retailers that sell products by mail delivery. Catalog selling is very common in ABD with an existing and potential customers of 16 billion (Baker & McKenzie, 2007). But it is not so common in Turkey. In Turkey, instead of mail order there are e-retailing activities.

Electronic retailing activities continue to improve in Turkey. According to the survey established by PriceWaterhouseCoopers among 73 apparel retailers in year 2008, 33 of the retailers confirmed that they have e-retailing applications; 13 of 33 retailers sell their products via their own web sites and 20 retailers offer their products to the consumers by using e-commerce web sites where various brands and products are sold (TurkishTime, 2011). According to another survey established among the apparel retailers, it was found out that 88,9% sell their products online, 55.6% of them sell their products on their web sites, 33.3% of the retailers sell their products through other websites. Besides, the newest trend is the shopping clubs where a membership is required. These clubs offer the customer low price opportunities for a limited time. The ones which are active in apparel retail market are markafoni, morhipo and trendyol.

2. Distribution channels, their performances and characteristics of apparel retailers in Turkey

The performances of the retailers were analyzed using the data from Turkishtime 2011 (TurkishTime, 2011). Within this resource, all the retailers in Turkey were listed including the apparel, food, accessorizes etc with the information about their turnover, number of stores space in meter squared. In this list, the data related with three types of apparel retailers were found out and compiled as in Table 2. According to the Table, most of the apparel retailers have the specialty stores or chains. On the other hand, the average turnover rate is higher for the department stores which cover higher number and type of products in their portfolio. Considering the average number of stores for the department stores and specialty chains, it can be stated that the specialty stores are preferred and will be more likely to be preferred because of their ability to be quicker in terms of penetrating the market by requiring smaller investment.

Regarding the distribution channels for apparel retailers another group of data was compiled from another study (Saricam, 2010). Within this study, a survey was conducted among the apparel producers in Turkey in order to find out their distribution channels and their activities in both domestic and international level. According to the survey, the distribution channels that these producers are using include the department stores, chain stores, dealers, independent stores, specialty stores, outlet stores and dealers as seen in Table 3. Nonetheless, it was found out that most producers sell their products in chain stores. The dealers, outlet stores and internet are the other common areas of selling.

〈Table 3〉 The overview of the retailing industry in Turkey

Distribution channels	Marketing activity	
	Domestic market %	International market%
Department stores	43	14
Chain stores	100	57
Dealers	71	57
Independent stores	14	14
Specialty stores	29	29
Outlet stores	71	29
Internet	71	14

In the same survey, the promotion and pricing methods of the retailers were also analyzed. Regarding the pricing methods and promotion methods, it was found out that demand based pricing is used both domestically and internationally. Moreover, the sales promotion is carried out as the most common method of promotion followed by advertising through media and store window dressing. The type of pricing activities and promotion activities were not analyzed considering the type of distribution channel however. This is probably because of that retail channels in the same category present their products in different price ranges which affect their marketing approaches considerably.

V. Conclusion

〈Table 2〉 The retailer types and performances

Retailer type	Number reported	National turnover in 2010 (TL)	Average national turnover in 2010 (TL)	Number of stores	Average number of stores
Department stores	3	1.400.321.034	466773678	107	36
Specialty chain or stores	36	4.099.059.274	113862757,6	1,443	41
Hypermarkets selling apparel	3	10192981388	3397660463	Not available	Not Available

Hypermarkets are also another type of distribution channel for the apparel for quick penetration. But it was seen that only 3 of the hypermarkets among 9 listed in the reference act in the field of selling apparel goods.

This study showed that the textile and apparel retailing industry has the advantage of well developed background industry and has the potential to be improving market for the retailing industry because of the young population.

The classification of the retail industry showed similar properties to the retailing classification in Europe. Whereas the independent stores are found to be acting in the field of textile and apparel retailing, the specialized chain stores loomed forward among the other channels being followed by department stores. This meant that the companies prefer to sell goods to specific customer segments. Besides e-retailing activities acts parallel with the other retailing activities and they are usually used as supportive marketing tools. On the other hand, with the emergence of the shopping clubs and private shopping sites they began to act as separate business units or distribution channels.

In conclusion, it can be said that the textile and apparel industry continues to improve itself by modifying itself to customisation in order to increase the satisfaction of the customers.

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