

# AN ANALYSIS ON TURKISH MARKET ENTRY OPPORTUNITIES: THE CASE OF LITHUANIAN DAIRY COMPANIES

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**Abstract.** *In the present research, authors examine Turkish market entry opportunities for three leading dairy companies in Lithuania. This study focuses on evaluating firms' export performance opportunities and combining them with selected export market potential factors. For this purpose, the case-study method was used through personal interviews with export managers of three leading Lithuanian dairy companies in 2016, conducted in order to determine the factors affecting their Turkish market entry. Using a cross-case analysis, comparisons were made between different companies' entry opportunities. According to the results, Lithuanian dairy companies can be described as being passive about the Turkish market. Its market protection politics, implemented by the Turkish government, could be named among the main reasons. From the first sight, this fact makes the Turkish market unattractive for European dairy producers. However, the study shows that, after doing some more detailed market research, new potential opportunities can appear.*

**Keywords:** *Lithuanian dairy sector, Turkish market entry, export barriers, export performance, marketing strategy.*

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## Introduction

Export plays a crucial role in every country's economy, influencing the level of economic growth, employment and the balance of payments. However, successful export depends on a well-selected international market besides other internal and external parameters (Pinho and Martins 2010), such as marketing and local market knowledge, technical capabilities, industrial structure etc.

In this study, dairy production will be examined from an export perspective. While the dairy sector is being one of the most important integral parts of agricultural industry, the exports of dairy products also have considerable importance within the total agri-food trade for the EU. In this case, the Lithuanian dairy sector is taken as an example of a country, where dairy is one of the most important agricultural sectors. Moreover, it is oriented toward exports, with more than half of its production being exported abroad.

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While Lithuanian dairy companies have a wide export geography, starting from EU members and the US to Asian countries, former Soviet Union states, Arabic countries and others, none of the companies have ever entered the Turkish market. The aim of this study is to reveal the reasons for not entering the Turkish market and to evaluate new market entry possibilities from the Lithuanian dairy companies' perspective.

This paper is organized as follows: In section no. 1, concepts that form the basis of the study are discussed with a detailed review of literature and previous research. In this section, explanations on export strategies, export performance and export market selection criterias of international companies are covered. In section no. 2, the details of the Lithuanian and Turkish dairy sectors and dairy consumption are presented, also considering export barriers in the dairy market. After that, a brief research history on the specific issue is presented in section no. 3, and the research methodology is explained in section no. 4. Finally, the last section covers the research findings of the interviews and the conclusions made from the cross-case analysis.

## **1. Literature Review**

Selection of the right market place with the proper market entry method is very important for businesses that operate on an international scale. It is discussed in literature that a relevant entry strategy may have an effect on international market performance of the businesses, either directly or indirectly. The export strategy is one of the remarkable ones among international market entry methods.

This research centers upon the opportunities of Lithuanian companies for exporting dairy products to a considerably new market. To begin with, the export strategy and export performance criterias, with several other intervening concepts found within the literature, are discussed in detail in the following sections.

### **1.1. Entering a new Foreign Market: Export**

Export is the most popular and easiest way for firms to engage with international markets (Leonidou et al. 2007; Gorton and White 2009). Moreover, export is a key factor in achieving a higher level of competition for the company in the domestic market and can increase the firm's international competitiveness (Zacharevic and Dzemyda 2015). Many barriers of international trade have been reduced and a number of companies have begun pursuing global strategies to gain a competitive advantage. Such factors as international trade, international investment and market liberalization increase the number of new domestic and foreign competitors (Gorton and White 2009).

High competition in the domestic market means less opportunities for firms to sell in the local market. That is the reason why firms are being forced to seek foreign markets for distributing their production (Leonidou et al. 2007). Different decision motives were identified by Moini et al. (2008), which are most effective in entering new export

markets. For example, an underutilized production capacity level and competition within the domestic market could be some of the motives to start exporting. Export can be also started as a response to environmental changes, such as a declining demand or market saturation in the domestic market or previous export markets.

Export strategy, as a main factor for successful export, is widely analyzed in scientific literature. The aspects of diversification, managerial perception and supply chain are also focused in scientific literature (Dzemydaite et al. 2012).

Literature shows that a company's competitiveness in the export marketplace can be identified by several factors. These include production competitiveness, quality of product, uniqueness of product, the position held by the firm within the industry and business relationships, efficient production, marketing skills, a good network of distributors, the impact of product competitiveness in price, financial access and the efficiency of financial intermediaries (Dzemydaite et al. 2012).

## **1.2. Export Performance**

Zou and Stan (1998) made a classification of the factors that determine a firm's export performance and the factors to measure export performance, based on an extensive literature review covering the period from 1987 to 1997. They define the internal and external variables in accordance with their dependency level and controllability by the company. Internal and controllable factors include the export marketing strategy (marketing mix) and the managerial perceptions (perceived export motivation and commitment), while characteristic properties and competencies of managers and firms were classed as uncontrollable internal factors. External uncontrollable factors include industry, foreign market and domestic market characteristics. There are no factors ranked as external-controllable as might be expected. Also, measures of export performance were grouped as financial (sales, profit and growth) and non-financial measures (satisfaction, goal achievement etc.).

Sousa (2004) reviewed 43 empirical studies, published between 1998 and 2004. The author classified measures of a firm's export performance as subjective and objective measures. Subjective measures were explained as factors that are based on perceptual performance (export success, satisfaction with sales etc.), while objective measures are presented as follows: export market share, export profit margin, export sales volume etc.

Katsikeas et al. (2000) presented a detailed model of export performance. In this model, he determined a set of background factors consisting of environmental, organizational and managerial factors. Targeting factors with marketing strategy factors were described as two intermediate variables.

Environmental factors are those forces that companies are not being able to control and those that affect its export performances. The role of macroeconomic factors, such as regulatory reforms, accession to the European Union and barriers to export, institutional

and political barriers, regional trade agreements and the World Trade Organization are usually investigated (Gorton and White 2009).

Organizational factors are identified as the goals of the firm with its tangible assets, which have an actual physical existence, and the intangible ones, which are valuable, but have no physical substance, such as patents, trademarks and others. Scientific literature indicates that some certain organizational factors affect export performance. For example, in a study conducted by Wood and Robertson (1997), they found a positive relationship between export performance and an organization's ability for developing strategies. Moen and Servais (2002) also underlined the influence of the organizational factors on export performance while studying the export activities of small and medium-sized enterprises. The role of market orientation, buyer-seller relationships, distance to export market, export marketing competency, strategic implementation and the degree of internationalization are also examined (Gorton and White 2009). Navarro et al. (2010) examined the relative effects of export commitment, adaptation of marketing tactics and perceived competitive advantages on export performance using a sample consisting of Spanish firms. According to the results, competitive advantages and commitment have a direct effect on export performance besides the adaptation of marketing tactics, which affects performance indirectly.

Managerial factors consist of decision makers' demographic factors, approaches, behavior and proficiency. Studies in this area include management characteristics, owner-manager training needs, cognitive ability and motivation.

The identification, segmentation and selection of export markets are the main determinants of targeting factors. Marketing strategy factors consist of marketing mix variables. Studies show that marketing research is a must while collecting export information. Morgan et al. (2012) examined manufacturing firms' export market performance and financial performance, based on the effectiveness and capabilities of marketing strategy implementation. Results showed that both architectural marketing capabilities, which cover information regarding processes and planning, and specialized marketing capabilities, which basically cover marketing mix variables that directly affect the financial performance of a firm's export venture. To summarize, planning is a must in all kinds of strategic marketing activities.

However, research shows that the relationship between factors may vary across market environments (Gorton and White 2009). A firm's size, its years of experience and ownership structure are often defined by researchers as crucial factors in explaining export behavior and success (Moini et al. 2008). Stiebale (2011) investigated whether financial constraints have an effect on foreign market entry success, based on a sample consisting of French firms. Accordingly, even when financial indicators were found to be correlated with export status and export share, there was no evidence on the direct effects of financial factors to foreign market participation and sales. Those findings have been

interpreted as suggesting that the presence of other factors, such as corporate strategy or management capabilities, may have an effect on the entry of a firm into foreign markets and the capture of financial power. But looking from another angle, Bellone et al. (2010) investigated the link between financial constraints and export behavior. They found that firms that have better financial health are more likely to go international by exporting, and export participation contributes to financial health in return. It's more probable for those firms to start exporting; also, under those circumstances, making the decision to go abroad takes less time.

### **1.3. Export Market Selection**

The success of export depends on the well-selected international market. The export market selection is defined as one of the most important factors of export market research (Craig and Douglas 2001). The process of selecting export markets consists of three stages: (1) the screening stage, (2) the identification stage and (3) the selection stage. The screening stage is determined by macrolevel factors, such as political instability and sociocultural factors. The identification stage helps firms to generate a short list of countries that need detailed investigation for the selection phase. Variables are size and growth of the import market, competitiveness of the import market with respect to the product. In the selection stage, factors such as profitability, influence of the foreign market opportunity on the exporting firm's product list influence the firm's final foreign entry decision (Kumar et al. 1994). Williamson et al. (2006) focuses on the identification stage of the export market selection process and reveals that the import market potential, import market competitiveness and import barriers take place among the export market identification variables. The evaluation of foreign markets and their complete fit with the company's portfolio of product-markets is a crucial step while selecting export markets.

Reaserchers have investigated this topic from different perspectives. One of the earliest studies, Green and Allaway's (1985) pioneering work investigated the search for new markets in the 1980s. In their study, the researchers, by applying a shift-share analysis, try to identify factors affecting export opportunities. Most of the ealier studies (Cavusgil 1985; Vargas-Carcamo 1986) developed different models and methodologies analyzing the selection process of foreign markets (Ahmad and Mak 1996). Cavusgil (1985) presented a detailed guideline for export market research consisting of three stages (preliminary screening, analysis of industry market potential and analysis of company sales potential). Each stage includes different categories. The first stage consists of the physical, political, economic and cultural environment. Market access, product potential, local distribution and production categories form the second stage. The final stage consists of sales volume forecasting, landed cost, cost of internal distribution and other

determinants of profitability. However, such factors as multicriteria objectives of firms, their resource constraints and their evaluation of potential foreign markets strategies were not included in these studies (Kumar et al., 1994). Kumar et al. (1994) tried to fill a gap in this area and presented a multicriteria approach for solving problems while identifying potential foreign markets. Papadopoulos and Martín Martín (2011) wrote about both the importance and difficulties of selecting an international market and segmenting the market, which serves as a guide for researchers and practitioners examining the various factors that have an effect on their decisions to go abroad. Miecinskiene et al. (2014) presented a scheme determining main export market selection factors that could help companies to find proper target markets.

Most of the studies agree on key factors influencing export performance, which are also directly dependent on a well-selected export market. On the basis of this theory, this study tried to evaluate the Lithuanian dairy export performance opportunities, combining them with selected export market potential factors. Unlike the previous studies, which mostly focus on one country's export market selection, this study presents a detailed dairy sector review between two countries. The aim here is to help Lithuanian dairy companies to determine new market entry success factors and its barriers, combining them with sectoral evidence from the Turkish dairy market. To start with, sectoral overviews of the two countries are given in the following topics.

## **2. Evaluation of the Exporter and Selected Export Market**

### **2.1. *The Lithuanian Dairy Sector and Export Competitiveness***

The dairy industry plays an important role in the European Union food industry. In addition, exports of dairy products have considerable importance within the total agri-food trade for almost all of the EU-27 countries and in the global dairy trade (Bojnec and Ferto 2014).

Lithuanian agriculture faces an ongoing change in farm structure. Medium farm size increased by 25% since joining the EU. An approximate 4.5% production/holding growth is being achieved every year. However, small and medium-sized farms suffer from low market competitiveness and an ageing population of farmers. Up to 35% of farm community members are 65-years-old or more, as compared to the European Union average of 30% (European Commission 2016).

Dairy is one of the most important agricultural sectors in Lithuania. Milk production covers one fifth of all agricultural produce in Lithuania. There are 31 milk processing facilities in Lithuania. JSC Rokiškio Sūris, JSC Pieno Žvaigždės, JSC Žemaitijos Pienas, JSC Vilkyškių Pieninė and Marijampolės Pieno Konservai are the main five dairy processors. These enterprises process 93% of all milk purchased in Lithuania (IDF World Dairy Summit 2015).

The dairy sector in Lithuania is oriented toward export: more than half of milk and dairy production is exported. Although the largest part of exported production consists of cheese, powdered milk, butter and other products are also being exported. The Lithuanian dairy export covers a wide geography. EU countries (63%) and Russia (27%) have the biggest share, the rest being sold to states in Asia, the Middle East as well as the US and Canada (IDF World Dairy Summit 2015).

According to export statistics, in the first three quarters of 2015, the value of Lithuanian exports of dairy products lowered by 46 percent as compared to the same period of previous year. The Russian export ban caused lower demand for dairy products within the EU, which has resulted by the decrease of exports. As a result of the Russian import ban introduced in 2014, the Lithuanian dairy producers were forced to find new markets for their production. New export markets in Saudi Arabia, Korea, Thailand and the Philippines were found.

The main Lithuanian export destinations within the EU are Italy, Poland and Germany. The major market out of the EU is United States. In the first 9 months of 2015, the dairy products exported to the US amounted to \$18 million. In the same period of 2015, the value of the imports of dairy products in Lithuania had also dropped noticeably. The biggest suppliers of dairy products were Latvia, Estonia and Poland. Lithuania imports raw milk mainly from Latvia and Estonia, which is processed by the Lithuanian dairy industry (Rucinski 2015).

In their study, Bojnec and Ferto (2014) analyzed the European Union countries' dairy export competitiveness on global markets, applying the revealed comparative advantage index over the 2000-2011 period. According to the study results, old EU-15 countries, such as Belgium, Denmark, France, Ireland, and the Netherlands perform competitive dairy exports. After the old EU countries, the Baltic States (Estonia, Latvia and Lithuania) and Poland are defined as the more competitive countries in dairy exports. The findings show that considering it being a new member of EU and its small population, Lithuania manages to be a competitive player in the European dairy market.

## **2.2. The Turkish Dairy Market**

Turkey is the world's 7<sup>th</sup> largest agricultural producer. Moreover, it is a leading producer of dried fruits, such as figs, raisins (sultanas), apricots and hazelnuts. It is also one of the leading honey producers in the world. Turkey has reached 18.6 million tons of milk production in 2015, which makes it the leading dairy producer in its region (Invest in Turkey 2016).

In Turkey, dairy products hold an important place in the total agricultural and food production foreign trade. In the last 15 years, dairy foreign trade increased significantly.

In 2000, dairy exports amounted to \$14.6 million; in 2014, they increased up to 20 times, which is \$311.7 million. Increasing dairy imports also show similar results. The \$123.8 million dairy imports in 2010 increased up to \$159.7 million in 2014. According to foreign trade data in 2014, the highest amount of cheese, milk powder, skimmed milk powder and cream was exported. On the other hand, fats and oils derived from milk, cheese and cream were among the main products being imported. The import of regional cheese production constituted \$41.8 million in 2014 (Aras 2015).

The European Union is Turkey's number one import and export partner. Turkey takes the 7<sup>th</sup> place in the EU's top import and the 5<sup>th</sup> in export markets (European Commission 2014). However, the amount of the 52% of total imports is made from the Turkish Republic of Northern Cyprus. The rest of the imports are made from European Union countries. The European Union, being one of the biggest import and export markets in the world, is closed for Turkish exporters. That is the reason why the Turkish dairy export markets consist mostly of the Middle East, Asian and North African countries (Aras 2015).

### **2.3. Turkish Dairy Consumption**

According to Euromonitor International, Turkish dairy consumers tend to be conservative. The most popular cheese type is white traditional cheese, while other popular types include Halloumi, Tulum cheese and string cheese. European cheeses, such as Edam, mozzarella and Danish Blue are not very popular in the Turkish market. The Turkish market is facing a growing number of brands each day as consumers affected by rising income are becoming more sophisticated and therefore ask for more alternatives. According to the Turkish Milk Producers Association, as demand increases, customers still prefer domestic production, because it is more suitable to Turkish tastes. Dairy products consisting of milk, yoghurt, cheese, kefir and ayran play an important role in the everyday Turkish diet.

Another reason for choosing local production is that Turkish producers are more strictly inspected by the ministry than before. This has provided the market with risen health and safety standards. For this reason, the local customer has greater confidence for domestic producers. Furthermore, the Turkish dairy factories' modernization process also increased consumer perceptions of quality. These factors have played an important role in the reduction of the market share for international goods in the Turkish market. Moreover, most of the Turkish food importers avoid products with short shelf lives. Possible customs problems are being reported as the main reason (Flanders Investment & Trade 2014).

In 2013, the cheese market continued to be dominated by local players, whilst the presence of multinational players remained very low. This is because local companies

focus on the production of traditional types of cheese, such as white cheese and cheddar cheese, both of which are extremely popular in Turkey.

Exporting agricultural products to Turkey offers growth potential due to the growing population coupled with continuing urbanization. There is increased regulatory control for quality and performance as well as the fact that increasingly affluent consumers are seeking increased choice of better quality produce. It should be reminded that Turkey's population of 77 million people is still growing, with it – a rising consumers' income. Being one of the biggest markets in the region, Turkey faces changing consumer habits of the younger generation that tend to increase domestic consumption.

#### **2.4. Export Barriers**

In the literature, export barriers can be classified basically under two separate headings: internal and external barriers (Cavusgil and Zou 1994; Pinho and Martins 2010; Kahiya 2013). Internal barriers are related to resources, managerial activities, marketing activities and knowledge-based resources. External barriers are industry-level barriers and the home- and host country-related parameters.

Environmental factors can vary in the domestic and foreign markets. Most of the times, the firm is not able to control these factors. The role of the macroeconomic environment or the presence of legal reform, such as implementing regulatory alignment, joining the European Union and barriers to export, institutional barriers and regional trade agreements could be shown as affecting elements.

The same as in the whole world, there are also protective politics, implemented for milk and milk products in Turkey. This means that the dairy sector has high import tariffs for the market protection. According to the WTO (2016), “[c]ustoms duties on merchandise imports are called tariffs.” Through tariffs, locally-produced goods get an edge over similar goods, which are imported by which government revenues are raised. Congruently, to protect each country's economy, residents, jobs, environment etc., *customs duty* is imposed on transported goods by controlling the flow of goods (CBP 2016). Concisely, customs duty is the actual amount of money paid on the imported/exported goods, but tariff is a rate system to classify imported/exported products (Datamyne 2016). However high, import tariffs do not prevent the market from the increasing dairy imports. The main product groups that increase the imports are butter, cheese and milk powder (Aras 2015). It is argued that it is hard for international producers to enter the Turkish market, as on some dairy products, such as curd or fresh cheese, import duties vary from 138% to 140%. Table No. 1 shows some Turkish dairy rates on imported dairy products.

TABLE No. 1. Turkish duty rates on imported dairy products (cheeses)

HS Code	Product description	VAT (%)	Duty Rates
			EU, EFTA
0406.10.20.00.11	Fresh cheese	8	138
0406.10.20.00.12	Whey cheese	8	140
0406.10.20.00.13	Curd	8	140
0406.10.20.00.19	Other	8	140
0406.10.80.00.00	Other	8	138
0406.20.10.00.00	Glarus herb cheese (known as Schabziger) made from skimmed milk and mixed with finely ground herbs	8	138
0406.20.90.10.11	Gruyere cheese	8	43
0406.20.90.10.12	Chester, Parmezan, Dutch (Flemeng) and similar cheese	8	43
0406.20.90.90.00	Other	8	138
0406.30.10.00.00	In the manufacture of which no cheeses other than Emmentaler, Gruyere and Appenzell have been used and which may contain, as an addition, Glarus herb cheese (known as Schabziger); put up for retail sale, of a fat content by weight in the dry matter not exceeding 56%	8	138
0406.30.31.10.11	Not exceeding 48%	8	138
0406.30.39.10.11	Exceeding 48%	8	138

Source: (Flanders Investment & Trade 2014).

In general, Turkey applies very high MFN (Most Favored Nation) tariffs on imports of agricultural produce. According to the World Trade Organization, Turkey's average agricultural import tariffs were 41.7% in 2011. Turkey applies one of the highest tariffs of agricultural import protection among the OECD countries. Nevertheless, when comparing tariff rates between Turkey and the EU, averages across several agricultural categories tend to be similar. Even though both the EU and Turkey are members of the FTA (Free Trade Agreement), there are remarkable differences between rates for livestock and dairy produce in agriculture (see Figure No. 1). In this case, Turkish rates tend to be much higher (World Bank 2014).

The EU and Turkey are connected by a Customs Union Agreement, which was signed on 31 December 1995. The Customs Union includes all industrial goods but does not cover agriculture (except for processed agricultural products), services or government procurement. The Customs Union between the EU and Turkey was established in order to increase economical efficiency and establish closer economical and political ties. Duty-free tariff quotas for processed agricultural production have been established and

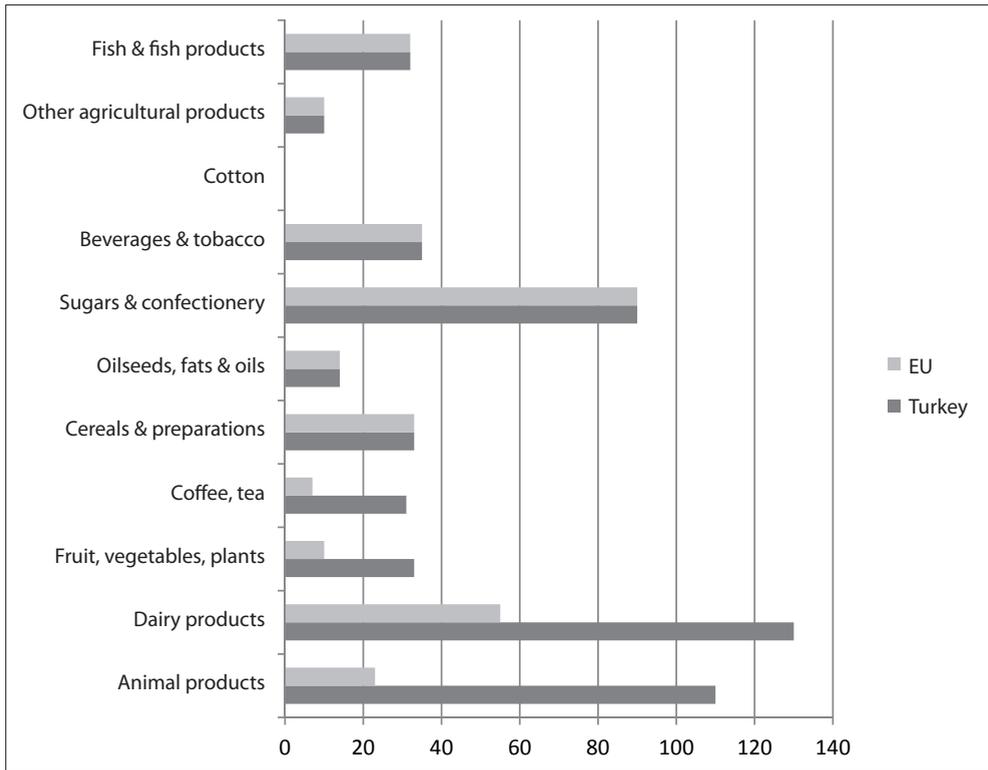


FIG. NO. 1. Average applied MFN tariffs for Turkey and the EU, 2011

Source: World Bank 2014.

arranged in the European Commission-Turkey Association Council Decision in 2007. A list of processed agricultural products is covered by these import quotas among members. This list also includes chocolates, bakery products, pasta and confectionery (European Commission 2014).

### 3. Previous Research

In order to examine Turkish market entry opportunities for Lithuanian leading dairy companies, we collected the most critical previous research data that could lead us to an understanding of Lithuanian dairy export potential.

There are several studies found researching export competitiveness of the EU dairy industry on global markets. For example, Bojnec and Ferto (2014) analyzed the dairy export competitiveness of 27 EU countries. The results show that Lithuania, together with other Baltic States, is the most competitive from the new EU-12 countries. In her study, Saboniene (2009) compared Lithuanian export competitiveness in the Baltics. According to her research, animal products (including dairy), prepared food stuff, wood and wood articles, textiles and furniture were the most competitive export branches in

Lithuania during the period of 2001-2007. In a later study, Saboniene et al. (2013) reveal that the Lithuanian food industry still has the biggest growth and positive trend potential. However, dairy produce is tending to decrease gradually while demonstrating stable exporting results. Rimkus and Karlaite (2011) investigated the tendencies of the Lithuanian dairy produce and export. In their study, researchers revealed the main factors that affected the dairy export decrease and proved that the dairy industry is one of the most stable industries in Lithuania. In a recent study, Markauskas and Saboniene (2015) analyzed the dairy sector in Lithuania and estimated the factors affecting the values of the four biggest dairy companies. Using a trend line function, research showed that, during the period of 2013-2015, the economic value of all four companies is expected to rise.

The dairy sector and its exports are widely investigated within scientific literature. Lithuanian dairy produce and export is also a popular research topic. However, being one of the most important sectors in Lithuania, dairy export markets must be investigated more specifically. No studies were found researching Lithuanian dairy export development strategies or new foreign market entry possibilities.

In this study we will try to evaluate firms' export performance opportunities combining them with selected export market potential factors. We will evaluate the export performance of Lithuanian dairy companies in accordance with a model presented by Katsikeas et al. (2000), and will compare them with the potential factors of the Turkish dairy market on the basis of a detailed Cavusgil (1985) study presenting an attractive market evaluation model.

## **4. Methodology**

In this study, the formal qualitative research technique, employed through in-depth interviews, is conducted. The reason for choosing this method is that in-depth interviews are approved as being the most appropriate technique when a holistic, in-depth investigation is needed.

### **4.1. Research Techniques**

We have chosen a three-case study focusing on the globally oriented Lithuanian dairy companies. Three major Lithuanian dairy companies, consisting of Pieno Žvaidždės, Rokiškio Sūris and Vilkyškių Pieninė are therefore the focal point of the study. The companies are still in the early stage of their strategic considerations about the Turkish market, which provides a distinctive opportunity to analyze new country entry cases that have not already been tried by these companies.

The main reason for choosing a case study method is that a case study provides an opportunity to get firsthand insights of entry strategy considerations of global, dairy companies entering a new region, which is becoming more interesting due to its business perspectives.

## 4.2. Interview guide

Considering many methods of primary data collection, the in-depth interviews conducted in this study are unique for this article. Survey topics and interview questions were arranged by the researchers after a detailed export literature review. Qualitative research has been conducted to gain deeper insights into export marketing decisions. The use of interviews with export managers has helped us to collect information about the companies and their perspectives in Turkey.

Data were collected through personal, in-depth interviews with export managers at three leading Lithuanian dairy companies between August-September 2016. First, the researchers of this study did their first interview with export managers over the phone. During the interviews, which lasted around 10 minutes, the research topic was presented and questions were asked if companies have tried to enter the Turkish market before and if they're interested in entering it in the future. After phone interviews, interview questions were sent to the companies via email. This interview method was chosen because data could not be gathered through direct interviews. The researchers and research participants live in different countries. The participating firms were selected because they are Lithuanian market leaders and all of the firms are the biggest competitors in exporting. After the interviews, each case was reported separately, and focus was put on the specific characteristics of each company. Cross-case analysis was made. During the data analysis, a method of case pairs selection, and then, the listing of similarities and differences between them was chosen. Using this method, similarities and differences between cases appeared under the given topics.

## 5. Research findings

To explain the export strategies of companies, the empirical findings from the semistructured interviews were collected and classified into the themes below.

Company profiles are presented in Table No. 2. The data was collected by conducting interviews with export managers of each company and by investigating their consolidated financial statements for the year 2015.

TABLE No. 2. Companies' Overview

Company name	Respondent's position	Export experience	Number of employees	Annual turnover 2015	Years on the market
Pieno Žvaigždės	Export project manager	3 years	Over 2000	€163.79 million	18
Vilkyškių Pieninė	Export manager	5 years	Around 1000	€87 million	23
Rokiškio Sūris	Export manager	12 years	Over 1500	€196.50 million	25

According to the data (see Table No. 2), the company Pieno Žvaigždės appears to be the youngest and the biggest (according to the number of employees) of all companies. However, Rokiškio Sūris recorded the biggest annual turnover for the year 2015.

All of the companies are exporting more than a half of their production. The main export markets are Europe, the CIS, some Asian countries, the US and the Middle East. At the moment, all companies are facing declines of sales as compared with previous years. A decline in sales and profitability were influenced by more than a year of continuing milk product prices and demand fall in all export markets. Substantial influence is made by the Russian import ban on selected EU products. Lithuanian dairy producers were having long-lasting exporting traditions and their name recognition in Russia. Because of these political issues, companies are in search for new markets for their product realization. All of these companies have never entered the Turkish market before. Vilkyškių Pieninė and Rokiškio Sūris have made their previous market research. Despite that, Pieno Žvaigždės is one step further and, at the moment, it is in search for a distributor in Turkey.

### **5.1. Cross-Case Analysis**

Table No. 3 presents the export experience and performance of all three companies. All began exporting after 1990, when Lithuania's transition to market economy started. The oldest and the most experienced exporter appears to be Rokiškio Sūris, having 10 employees in its export department. There are less people (8) working with export markets in Vilkyškių Pieninė. However, comparing with the total number of employees (around 1 000), which is two times smaller than Pieno Žvaigždės (see Table No. 2), the number of employees working in the export department comes out quite high. As it was stated above, foreign language knowledge is crucial while working with export markets. All of the companies have employees speaking English and Russian. In addition to this, Vilkyškių Pieninė's export department has team members speaking Polish and Latvian. Rokiškio Sūris also has Italian speaking employees, which is quite understandable, because this company named Italy as one of its most important export markets. Russia is still the most important market for Pieno Žvaigždės, according to who,

“[t]he biggest product portfolio is prepared according to the Russian consumer. Our production is well-known there and has a good reputation. Our brands are known by locals.”

The reason for this is that Pieno Žvaigždės was selling the biggest amount of its produce, if compared with other companies, to Russia and had good recognition there before the Russian import ban on Lithuanian dairy produce was initiated. In this case, the company is expecting to restore its exports to Russia. All of the companies export worldwide; however, export complexity differs in the number of countries among Pieno Žvaigždės and Vilkyškių Pieninė. Pieno Žvaigždės, being the biggest producer, exports

to 24 countries, while the smallest one – Vilkyškių Pieninė – is selling its production to around 40 countries in the world. Rokiškio Sūris did not reveal the number of its export countries. Export complexity is closely related with the company’s product portfolio for export markets. Product variety, the length of its shelf life and private labeling are among the most important issues in creating a valuable company’s export portfolio. According to the cases of Pieno Žvaigždės and Vilkyškių Pieninė, their export portfolio consists of products with a longer shelf life. As Pieno Žvaigždės commented,

“[i]n Lithuania, our company has the widest variety of products comparing with other local dairy companies. Most of our products are consumed fresh and have a short shelf life. Products for the export markets are with a longer shelf life and product variety is always lower.”

Vilkyskiu Pienine also stated that product deliveries to some export markets take more than one week. Logistics is an integral part of exporting, which directly affects the product’s shelf life. This is one of the reasons why some products can not be attractive for export markets. On the other hand, Rokiškio Sūris stated that the company exports only bulk products, while retail products are sold in Lithuania. Companies offering wide bulk production options are more competitive in export markets.

TABLE No. 3. Companies’ export experience and performance

Company name	Started exporting	Employees in export department	Employees’ language knowledge	Export markets	Most important markets	Product portfolio for export	Export complexity (number of countries)
Pieno Žvaigždės	1998	11	Different languages	Latvia, Estonia, Poland, Greece, Hong Kong, Korea, Azerbaijan, Turkmenistan, Kazakhstan, Ireland, the UK, Italy, Germany, the US, Japan, Czech Republic, Russia, Belarus, France, Uzbekistan, Tajikistan, Georgia, UAE, Qatar	Russia	Longer shelf life	24
Vilkyškių Pieninė	1995	8	English, Russian, Polish, Latvian	The EU, Arab States of the Persian Gulf, the Commonwealth of Independent States	Every market	Longer shelf life	Around 40
Rokiškio Sūris	1992	10	English, Russian, Italian	Europe, some Asian states, the US and the Middle East	Italy, Saudi Arabia, the US, Russia and the Philipines	Bulk products	-

Exporting methods include direct and indirect exports. In this case, direct exporting is the most practiced way among the three dairy companies. Table No. 4 shows the product distribution experience of the three companies. In direct exporting, a company may use an agent, distributor, subsidiary companies or collaborate with government agencies.

TABLE No. 4. Product distribution

Company name	Duration of entering new market	Factors affecting distributor selection	Sources in finding a distributor
Pieno Žvaigždės	1 to 2 years	Size of the company, its experience	Embassies, trade fairs, representatives
Vilkyškių Pieninė	Half to 1 year for preparing the documents	Size of the company, good market knowledge	Trade fairs, references and personal contacts, internet
Rokiškio Sūris	1 to 3 years	Potential buying volumes, credibility	Word of mouth, trade fairs, internet research

According to Pieno Žvaigždės, cooperation with distributors is the most successful way of exporting production overseas:

“We usually cooperate with local distributors in our export markets. We also have some representatives there. In close markets, such Latvia and Estonia, we directly supply our production to retail markets.”

Other two companies are also using the same practices. However, even for an experienced exporter, entering a new market can be a challenge and can last for a couple of years. The duration of entering a new market takes at least one year for all three companies. As Vilkyškių Pieninė stated,

“We have very different cases. Everything depends on many facts – the kind of products, what way of entering we have chosen – directly to the chains or contract with the local distribution company. Anyway, to prepare all the documents, labels – it takes from a half to one year.”

In order to find a right distributor, companies should usually investigate as many information sources as possible. Some suggested sources could be the Chamber of Commerce in the target export market, embassies within domestic and target markets, local companies exporting to the target market and websites of existing distributors in the target export market. All cases are practicing the same methods, also naming trade shows as a successful source to gain the right contacts.

The size of the company, its experience and good market knowledge are among the most important factors when choosing a right distributor. Although the size of a distributor matters, it should not be biggest one on the market, according to Vilkyškių Pieninė. The biggest companies have a wide range of similar products that can overshadow the

production of the company. Potential buying volumes and credibility are the key factors for the Rokiškio Sūris company.

According to Perez-Aleman (2012), local market knowledge is a very important factor for producers who want to expand internationally and upgrade their financial status. Especially in agriculture, standards for exporting have risen considerably for the safety of foods and sustainability for the environment. While keeping up with these global standards, firms need to pay attention to local market needs and requirements for foreign investments in the long run.

Table No. 5 summarizes the level of knowledge that those three firms have about the local market and export barriers in the Turkish dairy market according to their point of view.

TABLE No. 5. Turkish market knowledge

Company name	Ever tried to enter the Turkish market	Want to expand in the Turkish market	See opportunities in the Turkish market	Knows costs and barriers of entry in the Turkish market
Pieno Žvaigždės	Doing market research	Yes	For products with lower taxes	High import tariffs, conservative consumers, product shelf life, language barrier, political instability
Vilkyškių Pieninė	No	Yes	Not a lot	High customs fees
Rokiškio Sūris	Yes	No	At the moment no	Product price

The main factor influencing the companies to search for new markets is market diversification. Having a wide range of products ready for export influences companies to search for new markets for their production realization. The political and institutional changes in previous export markets push companies to try new market entry possibilities that were before considered as not very attractive ones. Turkish market entry is a good example in this topic. Two of the three cases have tried entering the Turkish market before. However, two of them are quite pessimistic about opportunities on the Turkish market for their products. Rokiškio Sūris stated that their products are way too expensive for the Turkish market, while, according to Vilkyškių Pieninė, high dairy customs fees are the main reason. The case of Pieno Žvaigždės is one step further, because the company is doing its Turkish market research at the moment and has deeper knowledge of the Turkish dairy market:

“We have already participated in two Turkish food exhibitions. We made our research by tasting our products and we collected useful information about Turkish dairy sector there. We also analyzed Nielsen’s data about Turkish consumers.”

As compared with other companies, it has more detailed information about the costs and barriers of entry in the Turkish market:

“Firstly, the biggest barrier is that the dairy sector has high import tariffs. Also, conservative Turkish consumers that are used to local dairy products. We noticed that fresh products with a shorter shelf life are not welcome in the Turkish market. Our company produces mostly fresh and healthy dairy production – that is why the product choices suitable for the Turkish export market decrease. The language barrier is also a problem in Turkey. After participation in trade fairs, we noticed that in order to do business in Turkey, you need to know the local language.”

According to Vilkyškių Pieninė’s export manager, it is enough for the company to know about the high customs tariffs in Turkey. This is the key factor for not trying to expand in the Turkish market. On the contrary, Pieno Žvaigždės has some more details about the customs tariffs in Turkey:

“The Turkish government protects its market by implementing high import tariffs. That is why a lot of dairy companies are afraid of entering the Turkish market. Now, the opportunities are quite low because of the taxes. But there are also some product groups with lower taxes. We see more opportunities for those product groups. We expect that if the taxes decline, the Turkish market will pay more attention to European dairy production in the future.”

To sum up, Rokiškio Sūris is the least eager to expand in the Turkish market because of too high production prices. On the other side, Pieno Žvaigždės is much more optimistic about expansion,

“[b]ecause of the falling market and decline of the sales, we are in search for new markets to expand in. The Turkish market is attractive, because it is a huge market with a big population. We also have some products that have no alternatives in the Turkish dairy market. For example, healthy fresh milk bars covered with chocolate. Moreover, during our participation at one of Istanbul’s food exhibitions, we have noticed that Turkish people love sweets. And they liked the product a lot.”

## **Summary and Conclusions**

This study focuses on the set of factors that influence the export marketing decisions of Lithuanian dairy companies and the new market entry opportunities of Turkish export. In general, Lithuanian dairy companies can be evaluated as experienced exporters. Their market orientation is high, and their export marketing knowledge matches the theoretical practice.

However, it should be stated that these three cases being investigated are not equal in terms of Turkish market knowledge. While the company Pieno Žvaigždės has done its

preliminary dairy market research, the other two companies have limited Turkish market knowledge.

This can be explained from the point of a distinction between passive and aggressive exporting. While a passive exporter is waiting for orders or confronting orders by chance, an aggressive exporter is busy with developing new marketing strategies that provide a clear understanding of what the firm's intentions are in the foreign market. Pavord and Bogart (1975) found significant differences between seekers and non-seekers of export opportunities. In their previous study, researchers classified three types of companies the marketing efforts of which were characterized by no activity, minor activity and aggressive activity. As a result, aggressive companies tend to have clearly defined plans and strategies, including a marketing mix and research elements. In the Turkish market entry case, Pieno Žvaigždės would play an aggressive exporter's role, while Vilkyškių Pieninė and Rokiškio Sūris would take the role of passive exporters. Among the main reasons for being passive about the Turkish market are the market protection politics, implemented by the Turkish government. From the first sight, this fact makes the Turkish market unattractive for European dairy producers. However, the study shows that after doing some more detailed market research, new opportunities can be seen.

The results of this research will have several direct implications for the Lithuanian dairy industry. First, by presenting a detailed Turkish dairy market analysis, this study will help Lithuanian exporters to improve their export performance factors in accordance with Turkish market conditions. It will also help companies to recognize the undiscovered Turkish market entry potential. Second, it will contribute to academic research literature with a comparative dairy sectors' overview between the two countries.

### ***Limitations and Further Research***

Although there is no sample size requirements for case studies, the higher number of cases would provide a deeper insight in finding significant relationships from research data. In this case, the biggest five major Lithuanian companies, which have more than 90% of the market share in Lithuania, could be investigated for deeper research findings.

Future research needs be done with the companies after their Turkish market entry. This would let researchers compare the theoretical and practical aspects of Turkish market entry potential and barriers of entry from the Lithuanian dairy sector perspective. Moreover, a mode of different market entry opportunities could be among the other subjects of a similar study.

Also, researchers need to consider that there might be some changes occurring in terms of economy and politics after the interviewing period for Turkish market entry conditions. Marketing managers may keep that in mind and conduct further research on the dairy market. Researchers can also investigate other related factors that can affect the export market performance of a company.

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***Pieno Žvaigždės<sup>1</sup>***

JSC Pieno Žvaigždės was founded in 1998. The company is the biggest and the most modern milk-processing company in the Baltic area. Nowadays, the company consists of four manufacturing subsidiaries: Kaunas dairy, Panevėžys dairy, Mažeikiai dairy and the Pasvalys cheese processing plant. The company administers its regional sales through its five regional sales departments in Vilnius, Kaunas, Klaipėda, Panevėžys and Mažeikiai. The company's central office is located in Vilnius. Around two thousand people are currently working in the company, which produces over 500 sorts of fresh dairy products.

Its high-quality milk produce varies from kefir, butter, sour cream, curd, yogurt, milk-based deserts and rennet cheese. This gained firm recognition both in Lithuania and in its export markets (The Baltic States, Russia, The Commonwealth of Independent States, Japan and the US). The company also exports low-fat milk powder and whey powder. Pieno Žvaigždės is famous for using ultramodern technologies in its dairy production – that is why the company is known as the trend setter within the dairy market (Pieno Zvaigzdes, 2016).

***Vilkyškių Pieninė/VILVI<sup>2</sup>***

AB Vilkyškių Pieninė, known abroad by the trademark VILVI, is a modern, award-winning dairy company producing and selling over 30 different types of cheese. Ten of those cheeses are classed as gourmet products. The company uses different recipes starting from the original Vilkyškių Pieninė ones, to traditional Lithuanian and famous worldwide recipes.

AB Vilkyškių Pieninė was founded in 1993. The company, at the moment, holds an 18% share of the cheese market and a 12% share of fresh dairy products market in Lithuania. Over the last 10 years, it has expanded and the company now also owns subsidiary creameries AB Modest, which produces fresh cheeses, such as Memel Blue, Mozzarella and Ricotta, and AB Kelmės Pieninė, which specializes in fresh dairy products including milk, kefir, butter, curd, sour cream and mascarpone.

Global export accounts for 64% of company's sales. The company is continuously working on strengthening its sales in both Lithuanian and foreign markets.

***Rokiškio Sūris<sup>3</sup>***

Although the company regards 1964 as the year of its establishment, in 1991, the modern company Rokiškio Sūrių Gamykla entered the market economy. Today, the AB Rokiškio

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<sup>1</sup> <http://www.pienozvaigzdes.lt/>

<sup>2</sup> <http://www.vilkyskiu.lt/en/>

<sup>3</sup> <http://www.rokiskio.com/en/cheese.html>

sūris group consists of two companies: UAB Rokiškio Pienas and UAB Rokiškis Pieno Gamyba.

AB Rokiškio Sūris ( SC Rokiškio Sūris) is a Lithuania-based dairy producer. The company focuses on the manufacture of fermented cheese and a range of milk products. Its operating segments include hard cheese, semihard cheese, butter, milk, cream, sour cream, sour milk, yogurt, curds, curd cheese and other products. Other operations of the company include milk collecting activity. The cheese produced by the company is divided into semihard and hard cheese.

The enterprise improved its position in the local market and ensured an uninterrupted supply of raw materials as well as acquiring smaller Lithuanian milk processing companies: Utenos Pienas and the dairies at Zarasai, Ukmergė, Šalčininkai, Eišiškės, Varėna, Ignalina, Jonava and Švenčioniai. Currently, The AB Rokiškio Sūris group encompasses three production sites located in the towns of Rokiškis, Utena and Ukmergė. Over 2/3 of the production of AB Rokiškio sūris group is exported. Cheese is the main export product.