

## ENTRY MODE TO WESTERN BALKANS: AN IMPLEMENTATION IN ALBANIA AND KOSOVO MARKETS<sup>1</sup>

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### Abstract

*The aim of the research was to understand the characteristics of trade relations between Turkey and Western Balkans, and reveal the most preferred entry modes between Turkey and Western Balkans. The main entry modes examined in the study were: export, foreign direct investment, joint venture, licensing, and franchising. One Turkish company, one Albanian company, and one Kosovan company were included to the research in order to analyze the trade relations between Turkey and Western Balkans. Convenience sampling technique was used in selecting these companies which have already had trade relations. Structured online interview technique was used as a data collection method, and two employees from each company were interviewed online. Findings showed that the most preferred entry mode between Turkey and Albania and Kosovo is exporting. Except exporting; joint venture, franchising, and licensing agreements are preferred mostly.*

**Keywords:** Entry strategy, Balkan markets, Turkey, International markets, Structured online interview technique.

## BATI BALKANLARA GİRİŞ ŞEKLİ: ARNAVUTLUK VE KOSOVA PAZARLARINDA BİR UYGULAMA

### Özet

*Bu çalışmanın amacı, Türkiye ve Batı Balkanlar arasındaki ticaret ilişkilerinin özelliklerini anlamak ve Türkiye ile Batı Balkan ülkeleri arasında en çok tercih edilen giriş şekillerini tespit etmektir. Çalışmada incelenen başlıca giriş şekilleri şunlardır: ihracat, doğrudan yabancı yatırım, ortak girişim, lisanslama ve franchising. Türkiye ve Batı Balkanlar arasındaki ticaret ilişkilerini analiz etmek için Türkiye'den, Arnavutluk'tan ve Kosova'dan birer firma araştırmaya dahil edilmiştir. Hâlihazırda ticaret ilişkileri bulunan bu firmaların seçiminde kolayda örnekleme yöntemi kullanılmıştır. Veri toplama yöntemi olarak yapılandırılmış online görüşme tekniği kullanılmıştır ve her firmadan iki çalışan ile online görüşme yapılmıştır. Bulgulara göre; Türkiye ile Arnavutluk ve Kosova arasında en çok tercih edilen giriş şekli ihracattır. İhracat dışında çoğunlukla ortak girişim, franchising ve lisans anlaşmaları tercih edilmektedir.*

**Anahtar Kelimeler:** Giriş stratejisi, Balkan pazarları, Türkiye, Uluslararası pazarlar, Yapılandırılmış online görüşme tekniği.

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## **1. Introduction**

The importance of finding new markets and entering new geographical markets has been growing day by day. Market development and diversification strategies have become the most important international marketing strategies for expanding the business over the world. Market development strategy includes entering new markets with existing products, and diversification strategy is related to entering new markets with new products. To implement these strategies, new international markets should be found. Firms use entry modes in order to enter new international markets and start to operate in these markets.

There are different classifications of entry modes in the literature (Kumar and Subramaniam, 1997; Anderson and Gatignon, 1986; Cengiz et al., 2007; Erramilli and Rao, 1993; Marangoz, 2013). Export, foreign direct investment, joint venture, licensing, and franchising entry modes were examined in the research. This study aimed to understand the industrial insights regarding international trade relations with Western Balkans, and reveal the most preferred entry modes between Turkey and Western Balkans. Two countries of Western Balkans, Albania and Kosovo, were chosen for the research.

In the study, firstly Balkan Markets were defined and the Western Balkans, as a scope of the study, was introduced. Secondly, Albania and Kosovo markets and their relations with Turkey were shown. Then, types of entry modes and entry mode attempts in Albania and Kosovo were explained. The qualitative research was conducted with structured online interview technique and the methodology was clarified in the research methodology part. This study provides deeper insights regarding international trade relations and entry mode preferences between Turkey and Western Balkans.

## **2. Balkan Markets & Western Balkans**

The definitions of Balkan markets may be differed in various studies since there have been some different meanings in terms of geopolitical, economic, and cultural (Ionescu, 2009). Generally, Balkan markets are formed by Greece, Bulgaria, Romania, Albania and seven former Yugoslavia countries such as Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Kosovo, and Macedonia. In the research of Regional Cooperation Council funded by the European Union (Balkan Barometer, 2015); these Balkan countries such as Croatia, Serbia, Bosnia and Herzegovina, Macedonia, Kosovo, Albania, and Montenegro are mentioned as Southeast Europe (SEE). There have been some different country classifications in Balkan area. Ionescu (2009) stated that European Union has segmented the Balkans into three parts such as member states (Greece, Bulgaria, Romania, and Slovenia), Western Balkans, and Union for the Mediterranean (for Eastern Mediterranean countries).

IMF (2015) developed the regional aggregates in Europe. According to this report (IMF, 2015); Balkan countries can be included to such regional aggregates:

Western Balkans (Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia), New Member States (Bulgaria, Romania, Slovenia), Central Europe (Slovenia), Southeastern Europe (Bulgaria, Romania), Emerging Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Montenegro, Romania, Serbia, Slovenia), and Advanced European Union (Greece). The Balkan countries taken from the report were shown in Table 1 below.

**Table 1: Balkan Countries' Regional Aggregates**

Balkan Countries	Capital City	Western Balkans	New Member States	Central Europe	South-Eastern Europe	Emerging Europe	Advanced European Union
Greece	Athens	-	-	-	-	-	X
Bulgaria	Sofia	-	X	-	X	X	-
Romania	Bucharest	-	X	-	X	X	-
Slovenia	Ljubljana	-	X	X	-	X	-
Croatia	Zagreb	X	-	-	-	X	-
Albania	Tirana	X	-	-	-	X	-
Kosovo	Pristina	X	-	-	-	X	-
Serbia	Belgrade	X	-	-	-	X	-
Macedonia	Skopje	X	-	-	-	X	-
Montenegro	Podgorica	X	-	-	-	X	-
Bosnia and Herzegovina	Sarajevo	X	-	-	-	X	-

**Source:** formed by the author from Country Coverage and Acronyms in IMF, 2015.

Slovenia joined the European Union (EU) in 2004, Bulgaria and Romania joined the EU in 2007. Croatia became the last member of the EU. In the report (IMF, 2015), Croatia was not shown as a member of New Member States. However, it can be also evaluated as a member of New Member States since it joined the EU in 2013.

Since Croatia became one of the members of the EU in 2013, Western Balkans countries were evaluated as Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia, and Kosovo (European Commission, 2014). European Commission (2014) stated that Western Balkans's largest trading partner was European Union which accounted for over 75 % of the region's total trade in 2014. However, Western Balkans's share in total EU trade was too low, 1.1 % in 2014. The shares of countries were as follows: Serbia 0.50 %, Bosnia and Herzegovina 0.20 %, Macedonia 0.20 %, Albania 0.10 %, Montenegro 0.0 %, and Kosovo 0.0 %.

### 3. Albania & Kosovo Markets and the Relations with Turkey

Western Balkan countries, and so Albania and Kosovo, have close proximity to the EU market, and also have significant lower labor costs than EU countries (Redzepagic and Richet, 2008). Balkan Barometer (2015) showed the growth rates and unemployment rates of Balkan countries between 2009 and 2014. According to this report, the best average growth rates among Balkan Markets were seen in Albania (2.4 %) and Kosovo (3.8 %). The worst average unemployment rate among

Balkan markets was seen in Kosovo (37.7 %) and Albania's average unemployment rate was 14.8 % (Balkan Barometer, 2015).

According to the Ease of Doing Business Ranking (Doing Business Report, 2016); Turkey is the 55th, Kosovo is the 67th, and Albania is the 97th in total 189 companies in 2016. The situation in 2015 was as follows: Turkey was the 55th, Albania was the 68th, and Kosovo was the 75th in total 189 companies (Doing Business Report, 2015). It showed that the ranking of Albania has fallen down dramatically in a year. On the contrary, Kosovo has succeeded to raise its easiness of doing business with other countries in the same period.

Turkey gives high importance to Balkans since the developments in this geography interest Turkey closely, Turkey has a different position in the area due to the shared history, Balkan markets connect Turkey and European countries, and Balkans are important markets for Turkey in terms of economic relations (Ozulker, 2008). Turkey has had an investment agreement with Albania since 1996. Free Trade Agreement (FTA) between Turkey and Albania was signed in 2006 in Tirana and entered into force in 2008. After this date, tariff and non-tariff trade barriers were eliminated from the trade between countries (Ministry of Economy, 2015). Albania has strategic importance for Turkey which supports Albania for European and Euro-Atlantic institutions, and which invested in Albania over one billion Euros as the second main trade partner of Albania (Ministry of Foreign Affairs, 2016a).

Turkey signed Free Trade Agreement (FTA) with Kosovo in 2013, and it entered into force in 2014. The agreement will protect Kosovo manufacture sector and eliminate customs tariffs for Turkish products (Ministry of Trade and Industry, 2013). Turkey has bilateral relations with Kosovo because of historical ties. Turkish Embassy was established in Pristina in 2009, after Kosovo declared its independence in 2008. In 2012, the trade volume between Turkey and Kosovo reached 206,5 million Euros; 96,6% came from the export activities to Kosovo, 3,4% came from the import activities from Kosovo (Ministry of Foreign Affairs, 2016b).

#### **4. Entry Modes**

Entry modes can be classified into two parts such as equity based modes and non-equity based modes (Kumar and Subramaniam, 1997). Non-equity based modes consist of export and contractual agreements such as licensing and franchising whereas equity based modes contain equity joint ventures (EJVs) and wholly owned subsidiaries such as acquisition, and greenfield investment.

Entry modes also can be classified based on the degree of control such as high, medium, and low control modes (Anderson and Gatignon, 1986: 5). Erramilli and Rao (1993: 33) analyzed the small-sized to large-sized service firms' entry mode choices based on transaction-cost analysis (TCA) approach since many research have focused on entry mode choices of manufacturing multinational companies. They classified entry modes into two parts such as shared-control modes as contractual transfer (licensing, franchising), and joint venture (partnership, consortium,

affiliate); and full-control mode as wholly owned operation (subsidiary, office, branch, project office, representative office).

Another classification analyzes entry modes under three subtitles as export-based entry modes, investment-based entry modes such as foreign direct investment and joint venture, and contractual-based entry modes such as licensing and franchising (Cengiz et al., 2007; Marangoz, 2013). In this study, this classification as the mostly used classification in the literature was used. This study focused on export, foreign direct investment, joint venture, licensing, and franchising entry modes. These entry modes were explained below and the situations and examples were shown from Western Balkans.

Export means physical distribution of goods from the home country to the host country with or without an agent (Kumar and Subramaniam, 1997). If home country uses an agent, it is called indirect export; if it does not use any agents, it is called direct export. Export is seen as the first step of internationalization process (Erkutlu and Eryigit, 2001). After exporting, which also includes infrequent foreign marketing and frequent foreign marketing that are related to selling to foreign countries, international marketing and global marketing steps occur in the internationalization process (Yagci, 2013). Export is one of the most used entry modes to international markets. Liargovas and Skandalis (2008) stated that many countries seek to find ways in order to increase export activities which may be gained by motivating existing exporting companies or pushing non-exporting companies to start exporting.

Turkish relations with Albania and Kosovo, in terms of export and import, were investigated for the first ten months of 2012 and 2013 years (BTSO, 2013; BTSO, 2014). According to the results in Table 2; it can be said that import from Kosovo were less than import from Albania in 2013; on the contrary of that, export to Kosovo is higher than export to Albania.

**Table 2:** *Turkish Foreign Trade Relations with Albania and Kosovo*

Year	Export to Albania	Import from Albania	Export to Kosovo	Import from Kosovo
2012	255.950	98.989	254.784	9.093
2012/10	207.283	70.582	208.685	7.288
2013/10	216.883	53.416	229.451	8.040

**Source:** combined from BTSO (2013) and BTSO (2014).

After showing Turkey's foreign trade data with Albania and Kosovo, Izmir city's foreign trade capacity with these countries was also investigated. The reason of investigation Izmir city's trade capacity with Albania and Kosovo was that the export company involved in the research part of this study was established in Izmir city of Turkey, and this company's products have been distributed to Albania and Kosovo. The volume of foreign trade amount between Izmir and Albania reached 10.8 million dollars in 2013 (8.5 million dollars were related to export to Albania, and 2.3 million dollars were related to import from Albania) (EBSO, 2013a). The export

activities from Izmir to Kosovo reached 5.27 million dollars in 2013, and it was stated that there was no import activities from Kosovo in that year (EBSO, 2013b).

The top export and import countries of Albania were shown in Table 3 below. According to this; Turkey is the fourth export country of Albania, and the fifth import country of Albania.

**Table 3: Top foreign trade countries of Albania**

Top 5 export countries to Albania-2012	Amount (Millions \$)	Percent
1. Italy	1.005	51,1
2. Spain	181	9,2
3. Serbia	175	8,9
4. Turkey	124	6,3
5. Greece	87	4,4
Top 5 import countries from Albania-2012	Amount (Millions \$)	Percent
1. Italy	1.555	31,9
2. Greece	462	9,5
3. China	310	6,4
4. Germany	295	6
5. Turkey	280	5,8

**Source:** EBSO, 2013a.

It was stated in the report of BISO (2013) that value-added tax and corporate income tax were so high in Albania and there have been some taxes problems in Albania. Besides this, banking system does not work properly in Albania and it occurs some problems regarding cash receipts between companies. Also, it was stated in the same report that some Albanian companies have been declaring the amount of imported products less than the actual amount in order to pay less import taxes. Moreover, informal import in the country has been causing unfair competition, and this situation obstructs to sell Turkish products in Albania.

The top export and import countries of Kosovo were shown in Table 4 below. According to the table; Turkey is the ninth export country of Kosovo, and the fifth import country of Kosovo.

**Table 4: Top foreign trade countries of Kosovo**

Top 10 export countries to Kosovo-2012	Amount (1.000 €)
1. Italy	71.300
2. Albania	40.100
3. Macedonia	26.300
4. India	22.800
5. Montenegro	16.600
6. Switzerland	15.100

7. Germany	14.600
8. Serbia	14.200
9. Turkey	11.300
10. Austria	4.200
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Top 10 import countries from Kosovo-2012	Amount (1.000 €)
1. Germany	299.600
2. Macedonia	288.500
3. Serbia	278.100
4. Italy	213.100
5. Turkey	200.100
6. China	159.900
7. Albania	109.500
8. Greece	109.000
9. Bosnia and Herzegovina	85.100
10. Croatia	72.300

**Source:** EBSO, 2013b

Greek exports in Balkans were at very large amounts, so Greece has become the leading exporter of the region, and except exporting Greek firms also has preferred to enter Balkan markets with foreign direct investment (Liargovas and Skandalis, 2008). Foreign direct investment has an important role in the development of emerging economies, hence it has to be managed very carefully (Kaleshi and Solanki, 2010). Foreign direct investment inflows to Western Balkans were usually taken place in the service sector such as banks, insurance, and telecommunications industries (Redzepagic and Richet, 2008).

The attractiveness of the Western Balkans in terms of foreign direct investments were examined, and the advantages and disadvantages of foreign direct investments in Western Balkans region were shown in this research (Redzepagic and Richet, 2008). The Advantages of foreign direct investment in the Western Balkans were shown as follows: the EU aspirations, macroeconomic stability, reform speed, growth, trade cooperation, and foreign investment and tax incentives. The disadvantages of foreign direct investment in the Western Balkans were shown as follows: stalled EU progress, trade barriers, problems of corruption and business climate, slow implementation, external imbalances, and unhappiness.

It was stated that Albania started its economic reforms after 1990 (Kaleshi and Solanki, 2010; Redzepagic and Richet, 2008). In 2004, Albania was the country which has the lowest per-capita FDI performance in Western Balkans (Bitzenis and Szamosi, 2009: 198). With the help of the privatization activities, foreign direct investments in Albania started to increase after 2004 (Redzepagic and Richet, 2008).

In 2007, according to the foreign capital stock by country of origin, the main investor of Albania was Greece (54 %), the second country was Turkey (12 %), and the third country was Italy (11 %) (Kaleshi and Solanki, 2010: 14). Redzepagic and Richet (2008) agreed with this argument, and said that Italy and Greece were the primary countries in FDI inflows to Albania, and these countries also were leading export and import trade partners of Albania. Foreign direct investments in Albania continued to raise between 2008 and 2010 despite the global economic crisis (KPMG, 2012). FDI inflows in Albania were concentrated in the main districts of country such as Tirana, the capital city, and Durres, the main cargo port city (Redzepagic and Richet, 2008).

In the literature, there were not many studies regarding FDI inflows to Kosovo. However, Xhemajli and Kalac (2015) mentioned about FDI inflows to Kosovo basically. According to them, FDI inflows to Kosovo started after the year 2000, and the huge investments were made between 2007 and 2008, after 2008 FDI inflows decreased due to the global crisis, and around 2010 it started to increase again. They also mentioned the main investors of Kosovo which were as follows Germany, England, Slovenia, Austria, Switzerland, Netherlands, Turkey, and Albania.

According to the report of EBSO (2013b); there were many successful Turkish investments in Kosovo in many industries such as insurance, food, banking, health care, and infrastructure projects in airport, highway, and electricity distribution. Also, net present value of Turkish investments reached 335,4 million dollars in 2013 and there were around three-hundreds Turkish companies in Kosovo.

Except foreign direct investment, another investment-based entry mode is joint venture. Joint venture enables to generate a new entity by combining two or more firms. It provides sharing and controlling the joint ownership (Kumar and Subramaniam, 1997). In Albania, there are no limits and restrictions in creating joint ventures with foreign companies, and also any special authorizations and presence of local partners are not required for foreign companies to establish a joint venture in Albania (Shuke, 2015). There are less joint ventures in Kosovo compared to the other Balkan countries. Some examples can be given such as the US Bechtel and its Turkish joint venture partner Enka completed the highway in Kosovo (Reina, 2012), and German joint venture J.v.G. Jaha Energy manufactured solar module in Kosovo (Meyers, 2015).

Licensing is a contractual-based entry mode. Bradley (1999) mentioned that licensing agreements can be preferred when host country government restricts import and foreign direct investment activities in the host country, host country market is not big enough, and home country is superior in rapid technological change (Akyol, 2008). Licensing requires two sides as licensor who gives a licensing privilege from home country and licensee who takes a licensing privilege for host country.

There are not any restrictions on the establishment of a business entity by a foreign licensor or a joint venture in Albania and moreover Albanian law accepts several forms of licensing agreements such as patent, technology transfer, know-

how, trademark or service mark licensing, industrial designs, and software, copyright, character licensing (Gjika and Beqiri, 2010). In Kosovo, there are some licensing agreements in many industries such as telecommunications, energy, and mining (Uberti, 2014). It was also stated that there was a problem about licensing agencies in Kosovo since they decide which firms will enter to the market, and so decrease the efficiency of the sector (Uberti, 2014).

Another contractual-based entry mode is franchising, which is a method of distribution and entry mode. Franchising includes two sides, as licensor, such as franchisor who gives the rights of property in the home country and franchisee who takes the rights of property in the host country. Franchising arose in the United States around 1900 and it has evolved from a distribution method to an industry since 1950s (Walker and Etzel, 1973). The most notable example of US franchising industry's growth is McDonald's Corporation, whose franchising units increased 758 % in ten years (1961-1971) (Hackett, 1976). The international US franchising have been mostly seen in fast food industry i.e., McDonalds, Burger King, Kentucky Fried Chicken, car rental industry i.e., Avis and Hertz, and real estate industry i.e., Remax (Orel, 2010: 95). However, Lynch (2012) emphasized that Albania and Kosovo are the only countries in Western Balkans which do not have restaurants of McDonald's, which is a leading US franchisor. It showed that franchising systems in Albania and Kosovo have not been well developed enough to serve large scale global and international companies.

### **5. Research Methodology**

The aim of the research was twofold. The first aim was about understanding the characteristics of trade relations between Turkey and Western Balkans, and so gaining some insights regarding the international marketing activities between Turkey and Western Balkans. The second aim was related to investigate the most preferred entry modes between Turkey and Western Balkans. The scope of the research consisted of only two countries from Western Balkans; Albania and Kosovo. The other countries in Western Balkans were not included to the research. According to this framework, the research questions were developed as follows:

RQ1: What are the characteristics of trade between Turkey and Albania & Kosovo?

RQ2: Which entry mode is preferred mostly by the companies?

Structured interview technique, as one of the techniques of qualitative research method such as focus group and in-depth interview, was used in the research. Data was collected via online interview technique. Online data collection methods are increasingly used in qualitative research nowadays (Reppel et al., 2006: 243). Online interview technique is much more convenient and efficient than traditional interview technique, and also it solves the problems such as travel costs and duration of the research (Parasuraman and Zinkhan, 2002: 293). To conduct an interview with participants living in different countries is possible thanks to online

data collection methods. The structured interview form was prepared by the researchers within the scope of the aims of research, and used for collecting data. The instrument was shown below in Table 5. According to the structured interview form, the first five questions were asked to get answers about the first research question, and the last three questions were asked for the second research question.

**Table 5: Structured Interview Form**

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**A. General questions about the company and interviewee:**

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Sector: \_\_\_\_\_ Establishment year: \_\_\_\_\_ City: \_\_\_\_\_  
Company Type I: Manufacturer  Distributor   
Company Type II: Exporter  Importer   
Size of the company: Small-scaled  Medium-scaled  Large-scaled  SMEs   
The year starting to export/import: \_\_\_\_\_  
Intermediaries between companies: \_\_\_\_\_  
Export/Import countries: \_\_\_\_\_  
Interviewee's position & gender & age: \_\_\_\_\_

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**B. Turkey & Balkans:**

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- 1) Do Turkish companies want to enter to Western Balkans? Why?
- 2) Do Western Balkan companies want to enter to Turkey? Why?
- 3) Which barriers are there in your trade transactions with Turkey/Western Balkans?
- 4) What are the commercial incentives provided by Turkey and your own country?
- 5) Are you satisfied with Turkish/Western Balkan firms that you are working with?
- 6) What is the most appropriate entry mode to Turkey? Why?
- 7) What is the most appropriate entry mode to Western Balkans? Why?
- 8) Are there any activities that you have planned for short, medium, or long-term with Turkey/Western Balkans except current international activities?

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Two Balkan countries, Albania and Kosovo, were included in the research to represent Western Balkans. One company, which is already the business partner of Turkey, from each country was selected for the sample. Convenience sampling technique was used in selecting these companies which have already had trade relations with Turkish company. One company from Turkey, one company from Albania, and one company from Kosovo were selected for the research. The interviews were performed with two interviewees from each company. There was no need to interview another third person since the two interviewees' answers were nearly same. For this reason, it was enough to interview with two people from each company. The interviews were conducted in May, 2015. The all six interviews were recorded on audio and video. The duration of each interview was approximately sixty minutes.

Data was analyzed by the researchers separately, then the results were compared with each other for gaining the reliability of the research. According to this comparison, all questions were understood in the same manner by the researchers. The research is also valid due to it contains a company from Turkey, and two companies from Western Balkans which have had international trade relations already with the Turkish company.

## 6. Findings

The profiles of the companies and the interviewees participated in the research were shown in Table 6 below. The interviewees, who are all men and aged between 25-45 years old, were coded as: T1 showed the first interviewee from Turkey, T2 showed the second interviewee from Turkey, A1 showed the first interviewee from Albania, A2 showed the second interviewee from Albania, K1 showed the first interviewee from Kosovo, K2 showed the second interviewee from Kosovo.

**Table 6: Profiles of the Companies and the Interviewees**

	<b>Turkish company</b>	<b>Albanian company</b>	<b>Kosovan company</b>
<b>Industry</b>	Poultry Foods	Frozen Foods	Food and Beverages
<b>Est. year</b>	2006	2001	1992
<b>City/Country</b>	Izmir	Tirana	Pristina
<b>Type I</b>	Manufacturer	Distributor	Distributor
<b>Type II</b>	Exporter	Importer	Importer
<b>Size</b>	Large-scaled	Large-scaled	Large-scaled
<b>Year starting to export</b>	2006	No export activities.	No export activities.
<b>Export countries</b>	Iraq, Libya, Africa, Oman, Qatar, UAE, Hong Kong, Russia, TRNC, Albania, Kosovo.	No export activities.	No export activities.
<b>Year starting to import</b>	2006	2001	1992
<b>Import countries</b>	USA, Canada, Russia, Ukraine, India.	Austria, Croatia, Italy, Denmark, Turkey, Brazil.	USA, Brazil, EU, Balkans, Vietnam, Turkey.
<b>Intermediary</b>	No intermediaries (Direct export)	No intermediaries (Import from manufacturer directly)	No intermediaries (Import from manufacturer directly)
<b>Position of Interviewee I</b>	T1: Manager of Export Dept.	A1: Founder of the company	K1: Manager of Marketing Dept.
<b>Position of Interviewee II</b>	T2: Export Specialist	A2: Manager of Import Dept.	K2: Sales Director

The six interviewees all answered to the first question as Turkish companies want to enter Western Balkan markets. This question also showed the attractions of Western Balkan markets. The attractions of Western Balkan market were stated by Turkish interviewees (T1-T2) as Balkan market is charming because of it is the gate for Europe. It is geographically close to Turkey, and this creates a logistics advantage for Turkey. Also, there are strong historical and cultural bonds between Balkans and Turkey. Albanian interviewees (A1-A2) said that Turkish firms want to enter to the Balkan market since it is a growing market, and there is a gap in the market. Turkish firms have adequate resources in order to grow in the Balkan market. Kosovan participant, K1, emphasized also historical bonds between Kosovo and Turkey and geographical proximity between countries. Also he added "*Turkish products are seen*

*as much more qualified products, and have lower prices and transportation costs". K2 said that "Turkish companies know the characteristics of Balkan market very well, and Balkan companies trust Turkish companies' products. The influence comes from the past, Turkey has similar culture and habits with Balkans. Also, there are skilled and low cost labor in Balkans".*

The six interviewees all answered to the second question as Western Balkan companies want to enter to Turkish market. The reasons were such as: T1 said that Balkan companies perceive Turkey as a growing country and they want to get benefit from Turkish companies' technological and commercial experiences. T2 said that Turkey has logistics advantage, and also the level of consumption in Turkey is higher than Balkans since Turkish market is a very huge market. Albanian interviewees emphasized the size of Turkish market. A1 said that the population in Turkey is very big, and correspondingly the level of consumption is high. Entering and serving a big market like Turkey ensures experience to Balkan firms. A2 said that Turkish market is too big, and so Balkan firms want to enter to this market. K1 said that entering Turkey is a possibility to increase profit for Balkan companies, but there is still a fear that Turkish Market is too big and it is really challenging for a small company to be able to establish itself in Turkey and also gain profit. K2 said that Balkan companies want to enter to Turkey in order to gain more profit and international brand reputation. And he added that *"Balkan countries don't want to enter Turkish market yet as the market is too big and Balkan companies are not yet ready to meet demands"*.

The barriers that restrict trade between Turkey and Western Balkans were asked to the interviewees in the third question. The answers were shown in direct quotation below to be able to emphasize the insights of interviewees. T1 said that *"There are bureaucratic barriers in the market. Competitors from USA and Brazil are very strong and this affects Turkey negatively. Even if it is said that there have been historical bonds between Turkey and Balkans, Turkish and Balkani people don't know these historical and cultural bonds enough"*. T2 said that *"In export activities, there were some bureaucratic barriers of Balkan countries in order to protect their national producers. Besides this, other international producers had lower prices and it resulted in strong competition in the market. This strong competition led us to decrease our prices"*. A1 said that *"In the past, there were bureaucratic and political barriers. Nowadays, high taxes and quotas in some products are the biggest trade barriers"*. A2 said that *"There are high taxes in some products. It is forbidden to transport the products through highway from Turkey to Balkans, so it results in high transportation costs"*. K1 said that *"The products came from Turkey are transported through sea. It increases transportation cost and time"*. K2 said that *"There are strong competition and strong multinational competitors in the market. In order to compete with them, we should sell the products in the same quality but in lower prices which is impossible because of high export and logistics costs"*.

The fourth question was about the incentives. Turkish interviewees said that there are no incentives provided by Western Balkan countries, however Turkish government gives some incentives for export activities. Albanian and Kosovan interviewees answered that there are not any incentives provided by the countries.

The fifth question was about the satisfaction level, and it showed that all companies are satisfied from each other in their trade relations. Turkish interviewees said that Western Balkan firms introduce and represent their Turkish brands in Balkan market well. Albanian interviewees emphasized that the communication and conflict management processes are operated very well with Turkish people because of the cultural and historical bonds between two countries. Kosovan interviewees said that Turkey is a reliable partner and has qualified products; hence they are satisfied from this commercial relationship.

The sixth question was about the most appropriate entry mode to Turkish market. Turkish people said that the most suitable entry mode to Turkish market is export, and added that after gaining some information about the market with the help of export activities, licensing or joint venture can be seen as the most suitable entry modes. Albanian and Kosovan people said that they cannot tell anything before discovering Turkish market very deeply. However, one Albanian interviewee (A2) said that joint venture may be the best strategy, and one Kosovan interviewee (K2) said that joint venture or franchising may be the suitable strategies to enter to Turkish market.

The most appropriate entry mode to Western Balkan market was asked to the interviewees in the seventh question. T1 and T2 said that direct export is the most appropriate entry mode. T2 also added that *“after gaining some market shares through export, a local firm can be acquired or a joint venture agreement can be signed”*. Albanian interviewees said that the best strategy for entering Western Balkan market is joint venture because of a foreign company may need to get help from local Balkani firm which knows the rules, laws, and market better. Kosovan interviewees expressed that direct export as the most appropriate entry mode.

The last question asked about the activities planned by the companies in short, medium, and long-term. The opinions regarding the question were clarified. T1 said that *“We want to continue our export activities in short and medium terms. If the trade capacity between two countries increases in medium-term, long-term trade can be started. And joint venture agreements can be signed in terms of long-term activities”*. T2 said that *“In order to increase our market share in Balkan market, we want to continue our export activities. New investments with the right partners can be developed in long-term. It is possible to increase market share with the help of joint venture agreements. For instance, a factory can be established in Balkans with a local Balkani investor who knows the market better than us”*. Albanian interviewees said that a new partnership with a Turkish company can be developed in long-term. Joint venture or franchising agreements can be signed between two countries. Kosovan interviewees said that only import activities have been organized

recently for the short and medium terms. For the future, licensing or franchising agreements can be signed with a Turkish company.

### **7. Conclusion**

This study showed the insights regarding entry mode choices and trade relations between Turkey and Western Balkans. According to the findings, both Turkish markets and Western Balkan markets were seen as charming markets. However, Balkan companies have some hesitations to enter Turkish market since it is too big to serve. Balkan market is an emerging market, and Turkish market is more mature. For this reason, Balkan firms abstain to enter Turkish market. Turkish firms should help Balkan markets to develop themselves. Also they should encourage Balkan markets in order to enter Turkish market.

It was found out that there were some trade barriers between Turkey and Western Balkans. The problems occurred when doing business in Albania were searched in a research (Bitzenis and Nito, 2005), and it showed that unfair competition, lack of financial resources, problems related to public, and changes in taxation were the most important problems.

It was found out that there were no incentives provided by Western Balkan countries. However, it was found out that there were few incentives provided by Turkey which were not adequate for the trade capacity. Shuke (2015) also stated that there is no economic incentives for foreign direct investments in Albania. Providing some governmental incentives in order to increase the trade capacity between Turkey and Western Balkans is highly advised. Numerous numbers of incentives should be provided in the near future in order to improve international trade between Turkey and Western Balkans. Despite lack of incentives, it was also found out in this research that the countries were very satisfied from each other in their trade relations.

The interviewees were asked about entry modes to Western Balkans and Turkey. Export was seen as the main entry mode by the interviewees both for entering Western Balkans and Turkey. Only export activities are not enough for developing international trade relations between Turkey and Western Balkans. Joint venture was mostly emphasized as the second most suitable entry mode for entering Western Balkans and Turkey. Local partner takes a growth opportunity while an international partner takes a local know-how in joint venture agreements (Grönroos, 1999). However since joint venture is risky and expensive (Akat, 2004:159), it should be analyzed before attempting the agreement whether joint venture is suitable for the nature of market, industry, and companies which will sign a joint venture agreement.

The most preferred entry modes in the long-term were asked to the interviewees. It was stated that joint venture, franchising, and licensing were the most preferred long-term entry modes. Turkish interviewees prefer joint venture in long-term, Albanian interviewees preferred joint venture and franchising in long-

term, Kosovan interviewees preferred licensing and franchising in long-term. No interviewees mentioned foreign direct investment (FDI) in their future plans. It may be because of Balkan economies which are in transition were less successful in FDI than advanced transition countries such as Poland and Hungary (Slaveski and Nedanovski, 2002).

#### 8. Limitations & Future Research

The first limitation of this study was that the numbers of companies included in the research were limited with two companies. In order to provide more rich and enhanced information regarding Western Balkans, the number of companies in the research should be increased. Another limitation of the study was regarding the number of countries selected from Western Balkans. The research was limited with two countries from Western Balkans. The other countries in Westerns Balkans should be analyzed in future research to get insights about trade in Western Balkans. Moreover, the other Balkan markets, except Western Balkans, such as emerging country Romania and advanced country Greece should be included in further research in order to understand the main trade characteristics of all Balkan Peninsula.

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