Prepared by Dr. Cansu Tayaksi and Dr. Josué C. Velázquez Martínez from the MIT Center for Transportation & Logistics

Viking Cleaning and Cosmetics Inc.: From Micro Business to Export Leader

Founded in 1978 in Izmir, Turkey, Viking Cleaning and Cosmetics has grown from a micro firm into a global chemical brand with operations on five continents. Today, the company is a leading home- and laundry-care products manufacturer and is listed among the 1,000 biggest companies in Turkey.

Its product portfolio includes more than 100 different products, such as fabric softeners, eco-friendly products, general cleaning products, liquid soap, corrosive products, surface cleaners, dishwashing detergents, and room deodorizers. Today, Viking exports these product families to 60 countries through four sales channels (retail, export, private label, and non-household consumption), mostly under the "Sailor Viking" brand.

How did Viking grow in nearly 40 years from a micro firm into an export leader? What strategy did its management follow? If Viking's leaders had followed a different strategy, would the company still be as large as it is today, or would it even have stayed in business?

This case discusses business strategy with a focus on growth in a small business in a developing country.

Viking Cleaning and Cosmetics Inc.

One of today's leading exporters in Turkey, Viking Cleaning and Cosmetics Inc. (hereafter referred to as "Viking") started its business journey in 1978. Three brothers started the business on a very small scale, and today they have 382 employees under their management.

1978: Launching a Micro Firm in the Family Kitchen

Nurettin, Nejmettin, Hayrettin, and Muhittin Avci were four brothers (see Figure 1). After their father passed away in 1978, the brothers had to make a living. The oldest brother, Nurettin, started to work at a soap factory. Instead of receiving a salary at the factory, he was given soft soaps.

Figure 1. The four Avci brothers (1980)

After learning how to manufacture soft soap, Nurettin began production on his own in the family's kitchen. He sold the soap in the supermarkets of that time: public bazaars (see Figure 2 for an example of a bazaar). Because soap was an essential product for every household, there was high demand. Exponential sales growth led him to invite two of his brothers to help him fulfill orders, while the youngest brother continued his education.

In those days, it was not common for cleaning products such as soaps and detergents to be sold in packages; instead, people bought and paid for them by weight. The Avci brothers, though, put their soft soaps in half-kilogram packages and began to sell these at bazaars. People wanted packaged cleaning products, and the brothers recognized that there was a supply-demand imbalance they could help to address. They continued to sell the packaged soaps at the same time each week and at the same corner at the bazaar.

Figure 2. An example of bazaars in Turkey (2009)

The 1980s: Keeping Up With Increasing Demand

With high demand for their only product, sales continued to increase during the brothers' first two years in business. However, they wanted to increase their capacity to sell more soap and maybe expand the variety of products they offered, so they started to look for a shop they could afford. All they could find in their price range was a very small store (6 m^2), so they moved the business there. In addition to selling at the bazaar, they started to sell in this shop as well. However, space was so limited in the new store that they needed to utilize every available inch; for example, by stacking products on top of each other up to the ceiling.

In 1980, in order to add another product to their portfolio, they started to manufacture laundry soda. Laundry soda is a chemical compound that can be used to remove stains from clothing and is an essential component in most laundry detergents, including powder, liquid, and single-pod formulas. In the 1980s, people in the region were using it for cleaning purposes, instead of today's wide range of detergents. That year, the brothers established their first formal business: "Avci Chemicals Ltd."

But they did not stop there. They bought an old van (see Figure 3) and started driving to nearby villages in the Aegean region to sell laundry detergent made with the laundry soda they produced. During their visits to the villages, they observed that the women living there were asking specifically for products that were of high quality and would not irritate their hands. The brothers took those requests seriously; after all, household care and maintenance depended on these housewives, and their opinions about product quality were vital. Based on this experience, the brothers decided that they would always produce and sell top-quality products. With product quality a top priority, Avci Chemicals started to make a name for itself among its customers. Additionally, to promote their products and gain customers' loyalty, they started to give out the soaps and laundry detergent without requiring immediate payment. Their promise to the people of the villages was: *"Use the product first, and if you like it you can pay us next week when we are visiting here. If you do not like it, you do not have to pay us at all."*

Figure 3. The brothers' first transport vehicle (1980)

Thanks to the continued high quality of their products, demand kept increasing. After a while, the Avci brothers could not supply enough of their products to meet demand. They therefore came up with a clever solution: To make the final product, all they needed to do was mix the raw material—laundry soda—with water. So they started to transport just the laundry soda in their van, and just before entering the villages, the brothers would get water from a local source, such as a well, to mix with the raw material. In this way they were able to carry enough raw materials to supply more products to the villages than before.

Up until 1985, the brothers sold their products only at the bazaars and in the villages. At that point they added a new sales channel and began distributing their products through local grocery stores. This meant that they could afford a new, larger shop of 60 m²—but they would soon have to upgrade once again.

The 1990s: Hard Work Leads to Even More Growth

With sales continuing to grow, it was time to move from the 60 m² shop to a bigger facility, and the brothers managed to buy a place of 500 m². They then began to increase their product portfolio and to sell this expanded product assortment to markets and wholesalers.

In 1992, the company name was changed to "Viking Cleaning," a name inspired by the brothers' favorite cartoon from their childhood. The aim of that decision was to create a recognizable brand name and transition to a corporate business structure.

From then until 2005, the brothers focused intensively on always maintaining the high quality of their products, and on continuing to increase their product portfolio, number of customers, and sales. They also hired new employees. In the meantime, the youngest brother finished his education and started to work with them. Each of the brothers became responsible for a different area of management, according to his expertise, such as production, finance, sales, and human resources. Each operated in his own area, and nobody interfered with the others' departments.

Seeing the Avcis' success, other sellers quickly followed their path. For instance, these other sellers tried to sell similar products in the same villages; however, because Viking already had regular, loyal customers by that point, this situation did not affect their sales. People living there refused to buy products from the new sellers.

The 2000s: A New Factory and Continuing Growth

To avoid the kind of capacity restrictions they had previously encountered, in the early 2000s the brothers wanted to buy a new, small-scale factory. However, the factory would cost 50% more than the money they had available at that time. Should they wait until they had saved enough money, or should they take out a loan? It was a hard decision, but it was taken by consensus. They obtained bank loans that allowed them to invest in a new factory on a 7,000 m² site. Once the factory had been set up, Viking started to manufacture its own raw material, which put the company in a better competitive position.

In the cleaning-products industry today, there is a vital element in manufacturers' ability to be competitive, or even to stay in business: a trustworthy, long-term partner in product packaging. So in

2006, when the packaging company Viking was collaborating with was about to close its business, the brothers bought the company, renaming it Vikipack Plastic and Chemical (see Figure 4). This strategy meant that they did not lose a longtime, trusted partner, and it allowed Viking to be more competitive. The wisdom of this decision became even clearer after some years, when Viking's competitors that did not invest in packaging were unable to survive.

Figure 4. Vikipack Plastic and Chemical Inc. (2006)

Even with a new production plant and their own packaging facility, the brothers could not take quality for granted. They knew from experience that the quality of their product, their packaging, and how they managed delivery were closely connected to each other. For instance, if the quality of the packaging material was low, the product inside could start leaking during transportation, and it could ruin the entire pallet of products. That, in turn, could lead to a decrease in service levels and unhappy customers. Everyone understood the critical importance of always having high-quality packaging in addition to high-quality products

The 2010s: Exporting Begins

The company started its exporting activities in 2011. With the aim of continuing to increase its exporting activities, Viking opened offices in Western Europe and the Balkan Peninsula. Today (2019) the company is exporting to 60 countries on five continents (see Figure 5). Most of Viking's international operations are located in Europe, mainly for two reasons: 1) Europe accounts for 60% of the world's annual expenditures on home cleaning products; and 2) the geographical proximity of Europe to Turkey helps to keep costs down.

Figure 5. Viking's export markets

Viking wanted to further increase its exports, but the unavoidable effect of logistics costs on the fast-moving consumer goods (FMCG) industry has led it to consider manufacturing locally in potential markets. The company has not yet reached that stage, but its first steps toward that goal were to open branches where the company's "brand ambassador" sales and marketing staff can help to unlock the potential of the local markets and eventually lead to local manufacturing options.

Viking Today

Currently (2019), the company has a fully automated, 53,000 m^2 production plant in Turkey, with a production output of 214,000 tons per year (see Figure 6). There are three corporations under the Avci Group, with 382 employees and an employee turnover rate of 9 years (see Figure 7 for employee numbers by year and Table 1 for the education level of management). The company lacks data for sales revenue prior to the 2010s. Revenue in 2010 was 29.1 million USD; in 2018, revenue was 44.3 million USD. (Note: Actual sales revenue data have been manipulated for confidentiality reasons.)

Management states that to this day, they still believe in people as the foundation of company culture, and that this is why the employee-turnover rate is so low. Viking is still a family-owned business, but each division has its own managers with their own departments and responsibilities. Although information undoubtedly flows between the departments during the board meetings, interference by one division in another's business is minimal.

Figure 6. Viking's factory today (2019)

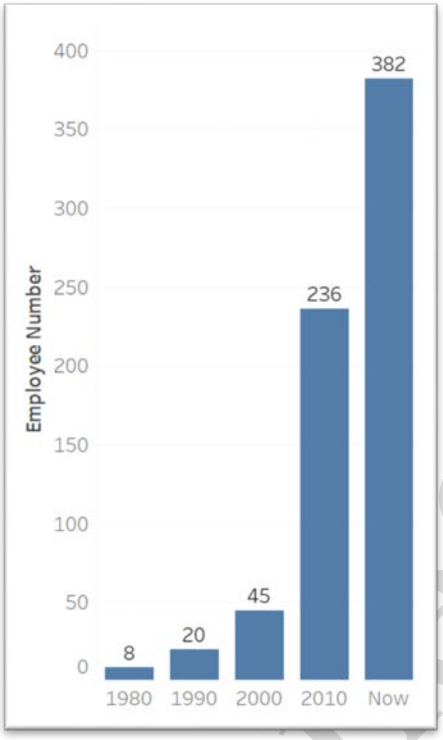

Figure 7. Number of employees by year

	1980s	1990s	2000s[1]	2010s	Current
Primary School	0	0	N/A	0	1
High School	3	4	N/A	3	3
Bachelor's Degree	0	4	N/A	14	21
Master's Degree	0	0	N/A	1	3
Ph.D.	0	0	N/A	1	1

Table 1: Education level of top management

Viking also started some environmental initiatives. For example, the company generates 0% water waste; all of its packaging material is made with environmentally friendly polymer and is recyclable; and it participates in numerous corporate social responsibility projects.

The company's future agenda includes helping Turkey to reduce its import dependency by increasing

[1] Education level of management is represented as N/A during the 2000s due to the lack of data in company records.

domestic manufacturing of household goods and chemicals. Viking is collaborating with Turkey's government to identify which products it should manufacture to decrease the country's dependence on foreign sources and will open its own research and development (R&D) center to work on that question.

Homework Questions ***(Please read the reference article by Churchill and Lewis before answering the questions.)***

1) Please discuss the risk-taking behavior you observed in this case study.
2) Delegation is the assignment of one or more responsibilities to another person. Please explain the delegation behavior of Viking's founders.
3) A company faces different **challenges** during different growth stages. Please identify the challenges Viking faced for each of the five stages of growth and describe them in the table below.

	Existence	Survival	Success	Take-off	Resource Maturity
Challenges					

4) A company adopts different **organization styles** in different growth stages. Please identify the company's management style during each of the five stages of growth and describe them in the table below.

	Existence	Survival	Success	Take-off	Resource Maturity
Organization Style					

Class Discussion Questions

- Considering the five stages of small business growth, around which year (or which activity) do you think the company passed the "Disengage" phase and started to "Grow"?
- What efforts did the company's management make to prevent failure? Please elaborate.
- What steps would you suggest the company's management take to continue Viking's growth?
- Do you think the case study would apply in the context of Latin America? Why or why not?
- Based on your observations, which activities are not complying with the framework developed by Velazquez et al. (2019)? ***<u>(Will be discussed after the debrief.)</u>***

References

Churchill, N. C. & Lewis, V. L. (1983). The five stages of small business growth. *Harvard Business Review*, 61(3), 30-50.