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DOMESTIC MARKETING OF SMALL INDUSTRY PRODUCTS IN
TURKEY

by

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We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

The Background

1. Systematic efforts at industrialisation of Turkey started soon after the proclamation of the Republic. The emphasis was, however, on the establishment of modern large scale industries which were set up mostly in the public sector. The then existing artisans and craftsmen engaged in such trades as blacksmithy, coppersmithy, gun making, tanning, shoe making, etc. etc. continued to carry on their trades without any special assistance or encouragement from Government. It was only in 1938 that a systematic programme was adopted to provide credit facilities to these weaker sectors of the industrial structure of the country. In view of the limited transport and communication facilities, there was little scope for distribution of the products of small industries over a wider geographical area. Moreover, the presence of large numbers of traditional artisans in all towns and major villages, facilitated the easy and quick supply of their products and services. The small industries thus catered to local markets and were confined to traditional products and services. There was direct contact between the industrialist and his customer (consumer himself) and marketing problems, as they are now understood, were, generally speaking, not existing.

Emergence of modern small scale industries

2. The situation changed rapidly in the post second world war

period. The expansion of road transport facilities widened the markets and enabled small industrialists to cater to regional markets. The small industrialists in the eastern parts could now look to Istanbul and Ankara for marketing their products. At the same time, a number of automobile repairing workshops and spare parts manufacturing engineering workshops sprang up throughout the country and modern small scale industries, as we now understand, came into existence. The adoption of a policy of planned economic development also gave impetus to the growth of industries in the country both in the public and the private sectors but the emphasis, till recently, has been on large scale industries. The growth of small scale industries was mainly 'consequential' and depended on the initiative of skilled workers called 'ustas'. It is at this stage that middlemen and wholesalers have come to play an important role in the marketing of the products of small industries. The small industrialists who were experienced workers knew only the technical aspects of production and came to depend on the middlemen for procurement of raw materials and sale of finished goods and, to some extent, financing. The middlemen thus 'sustained' the small industrialists and helped in the growth of this sector.

3. The import substitution drive necessitated by the lack of foreign exchange resources to meet needs of the planned economic development programme benefited mainly the large scale sector of industries. A few small industries, particularly those situated in major industrial centres like Istanbul, Ankara and Izmir could benefit from it by working as ancillaries or subcontractors to large scale assemblers. Small scale units in many other centres produce automobile spare parts to local markets and thus help in minimising imports.

4. With the adoption of the policy of planned economic development with particular emphasis on industrialisation and the recognition of the role of private sector in industrial development, the attention of planners was drawn to small scale industries. The

role of this sector in decentralised economic development come to be recognised and the need for a comprehensive programme of assistance to accelerate its growth was appreciated. The experts of UNIDO were invited to advise on the size and shape of the required assistance programme and with their advice a pilot programme of small industry development has been adopted and is now being implemented at Gaziantep in eastern Turkey.

Some marketing problems.

5. It may be useful at this stage to reiterate some of the marketing problems of modern small scale industries in Turkey though they do not differ much from those felt in other developing countries.

6. A typical small scale manufacturing unit is owned and operated by an experienced skilled worker who has acquired skills by practical work in similar workshops over a long period of time. His financial resources, managerial abilities and innovative capacity are limited. In many cases, the enterprise is equipped to produce some parts, components only and not the whole product. The entrepreneur is, often, not willing to change his line of production. To introduce to this entrepreneur the complexities of modern marketing and create in him market-oriented attitudes, in itself a difficult problem.

7. The size of the national market, for a population of about 35.6 million with a annual per capita income of TL. 3488 at current prices (1970) (or TL. 2273 at 1961 price levels.) for many items is bound to be limited and could easily be met by the one or two established large scale units. In fact, large scale and small scale industries already report considerable idle capacity. Small scale units can hope to survive by working as ancillaries to existing units. A manufacturing programme to make end products with a marketing policy and programme to reach the public in general may not be necessary for the bulk of the small scale units.

8. A peculiar marketing disability faced by small industries in Turkey and perhaps in other developing countries too may be

mentioned here. Most of the finished goods and indeed many parts and components too were being imported till recently from the advanced countries and certain brand names, trade marks, etc. have become popular in course of time. Some large scale units have entered into collaboration arrangements with such foreign firms and are using their brand names. Small scale units, merely because of their size, are at a disadvantage in this respect. Small industrialists themselves sometimes exhibit an inferiority complex by saying that their product is like that of a reputed foreign brand or is so much cheaper than that, etc. etc.

9. The dependence of the small industrialists on middlemen for procurement of raw materials and sale of finished products has already been noted. This has both beneficial and harmful effects. A few examples may be given in this regard.

10. In a recent market survey in Gaziantep it was found that some wholesalers of automobile parts were selling certain parts imported from Istanbul. The very same parts were being manufactured in Gaziantep by small industrialists. When asked whether they would not prefer to sell the parts made in Gaziantep (rather than patronising those from Istanbul) the wholesalers first expressed a surprise that the parts were being manufactured locally and then doubted whether the local product could at all be of acceptable quality (and worth while stocking and selling). It is, however, known that many small industrialists in Gaziantep supply similar parts to wholesalers in Istanbul and other cities. This is not merely a problem of market information; it is also a matter of confidence in the local industry.

11. During visits to shoe making units in Gaziantep it was found that many units manufacture shoes under the brand names of famous wholesale firms in Istanbul, Ankara and Izmir. The shoes made in Gaziantep are thus sold in other markets as the products of other, more reputed firms. The small scale shoe makers of Gaziantep are thus saved from the trouble of finding a market for their products but remain permanently anonymous and at the mercy of middlemen.

12. It must however be pointed out that middlemen and wholesalers in many industries render useful service to small industrialists in procuring raw material (in some cases collecting raw material like raw hides from scattered sources), warehousing, financing, selling etc. etc.

KUSGEM programme

13. As mentioned earlier, a pilot programme of small industry development (Küçük Sanayi Geliştirme Merkezi, KUSGEM for short) is now being implemented at Gaziantep in eastern Turkey with the assistance of UNIDO. The programme aims at providing comprehensive assistance - technical, financial, managerial and marketing assistance - to small industries. The assistance is available to set up new enterprises as also to modernise and expand existing enterprises.

On the marketing side, in particular, the programme aims at -

- market surveys of some important products which could be taken up in the small scale sector
- market information to small industrialists
- advice on pricing, pricing policies, etc.
- advice on foreign markets and assistance in getting in touch with foreign buyers
- participation in exhibitions in Turkey and abroad
- at a later stage, marketing counselling to individual industrialists.

14. The programme is, however, still in the initial stages and the work on marketing side has yet to be started. A market study in Gaziantep was recently undertaken by the Economic Services Division of the project.

Sub contracting

15. An important aspect of the work of KUSGEM is to develop small industries as subcontractors to large scale and other manufacturing industries. The project officials have started

assessing the capabilities of small scale units in Gaziantep with a view to recommending them as potential subcontractors to large scale assembly units in other parts of Turkey. Simultaneously, contacts are being established with units which are likely to farm out the production of parts and components. It is hoped that in the near future a scheme could be drawn up and implemented in this regard.

16. The efforts at development of subcontracting have been quite successful in Istanbul where a Subcontracting Exchange has been established last year with the assistance of UNIDO. The Exchange is located in the local Chamber of Commerce building and has the support of all large and small industries in the region. Like similar Exchanges in other countries, it aims at supplying information about potential subcontractors to potential prime contractors and bring the two together for direct negotiations. It is hoped that a similar Exchange could be established in the near future at Gaziantep as part of the KUSGEM.

Government and Institutional purchases

17. In Turkey, as in other countries, Government is the single largest buyer of many items. Public sector undertakings and semi-government agencies also buy many items in large quantities. The purchases of many Ministries and Departments are centralised in a purchase office called the Devlet Malzeme Ofisi (DMO). Contacts with the DMO disclosed that it buys many items like steel furniture, stationery, etc. from small scale units. There is, however, no special preference to the small scale units in selling to the DMO. It is proposed to formulate a scheme for the greater participation of small scale units in the purchases programme of the DMO and other institutional buyers.

Procurement

18. In Turkey, a system of cooperative procurement of raw materials, especially, imported and scarce raw materials, has been

in operation for quite sometime now. The Chambers of Commerce and Industry and the relevant small industrialists associations play an important part in this scheme.

19. In each town, there are tradewise associations of small industrialists and membership in them is compulsory for local craftsmen and industrialists. (The medium scale and large scale industrialists similarly become members in local chambers of commerce and chambers of industries). One of the functions of these associations is to assess periodically the imported raw material requirements of their members and place indents with the Confederation of Small Industrialists and Artisans of Turkey which has a special organisation called SAMTAS to import the requirements after obtaining necessary licences from Government. The imported material is distributed through the associations and in some cases through cooperatives to the members throughout the country. The small industrialists and artisans are thus assured of the supply of imported raw material.

20. In some cases, the local small industrialists formed cooperatives to procure their raw materials direct from manufacturers. The most successful of these is IMASKO, the cooperative of Inegöl Furniture Manufacturers. The Cooperative purchases all raw materials required by its members including planed wood, plywood, wood screws, bolts, paints, varnish, glass, formica, etc. etc. direct from manufacturers at wholesal prices and supplies to members in the quantities required by them. The Cooperative is also planning to establish a wood seasoning plant to supply seasoned wood to members.

Exhibitions

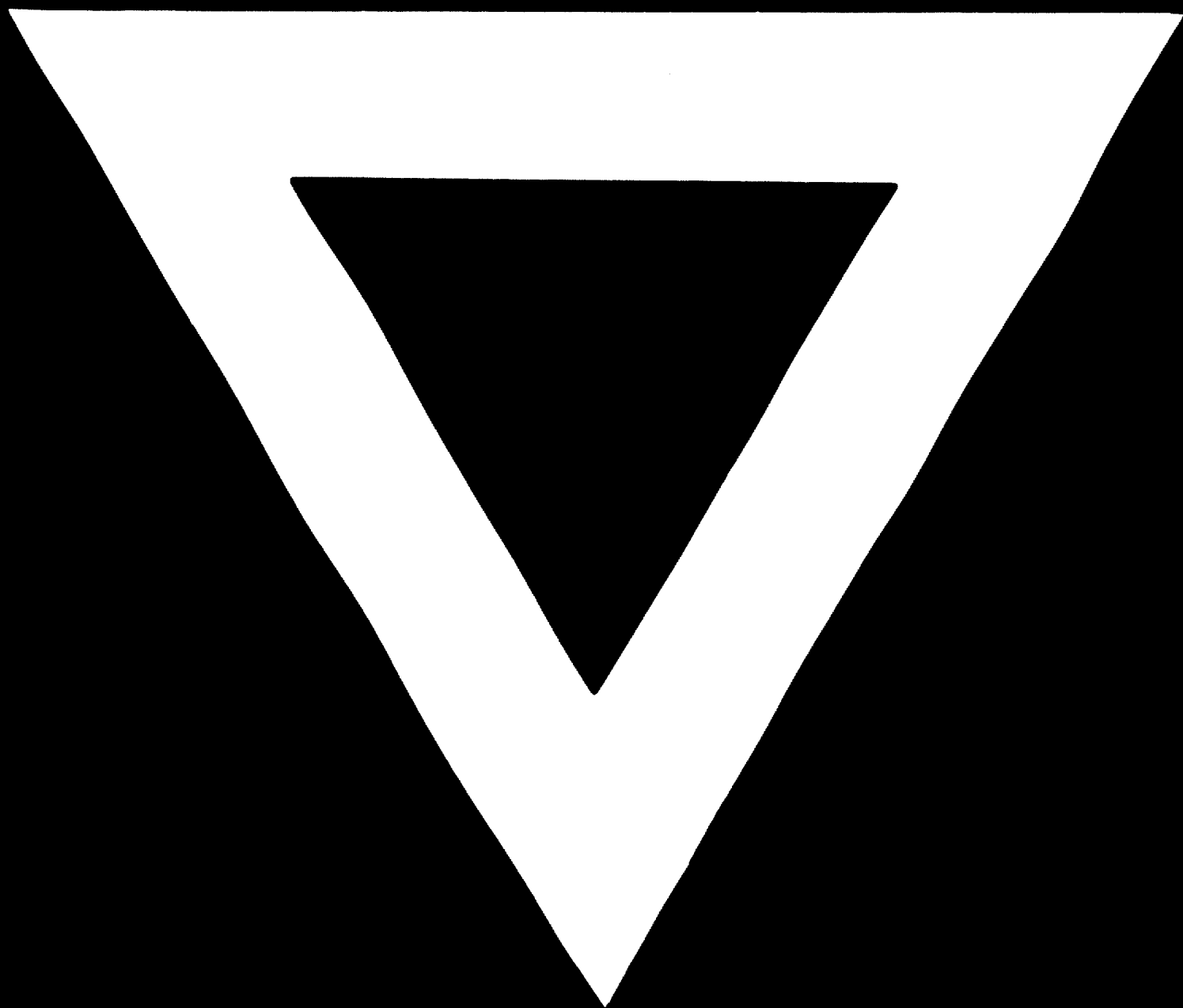
21. The Ministry of Industry and Technology participates in various exhibitions and fairs within the country and outside. The products of small scale industries - more particularly handicrafts, carpets, copper products, etc - are invariably included among the exhibits of the Ministry. The Ministry regularly participates in

such international fairs as the Florence Fair, the Munich Fair, etc. The products above mentioned thus receive promotional assistance and substantial orders. In Turkey itself, participation in the Izmir International Fair gives a good opportunity to small industrialists - particularly handicrafts workers - to promote their sales.

22. Recently, the Halk Bank has begun to participate in the Izmir International Fair to exhibit the products of modern small scale industries exclusively. The products exhibited include assembled engineering items like industrial machinery, sewing machines, agricultural implements, steel furniture, machine tools, builders hardware, cutlery, automobile parts, components, etc. etc. This exhibition presents a panorama of the small industry manufactures and serves to strengthen confidence in the sector.

23. The domestic marketing problems of small scale industries in Turkey are being carefully studied. It is hoped that in the near future a comprehensive programme could be formulated and implemented to solve those problems and accelerate the growth of the small industry sector in the country.





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