

STRUCTURAL CHANGES IN THE TURKISH ECONOMY
AND
NEW MARKETING APPROACHES IN TURKEY (*)

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SUMMARY

With this speech I aimed to say to this distinguished audience that merely stating what we are having some crucial changes experienced in the economic medium of Turkey and in conjunction with that, quoting new approaches, problems and expectations regarding the future of marketing and markets in Turkey. This issues which I am going to point out are solely general approaches to the questions of «structural changes in the Turkish economy» and «adjustment to the recent developments».

I would like to thank the executive officials of The Faculty of Business Administration of Hamburg University in particular to my dearest colleagues Prof. Dr. Gökhan Bahşi and Prof. Dr. Hersert Jacop for giving me the opportunity to address you all, within the spirit of mutual solidarity and academic collaboration which were developed between Dokuz Eylül University and The University of Hamburg.

The expanding international trade boundaries in recent years, have drawn countries much closer to each other and have loaded significant responsibilities on administrators in a way to increase affluency status of people which they govern.

(*) 22-29 Kasım 1987 tarihlerinde Hamburg Üniversitesi'nde sunulan konferans tebliğidir.

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The fulfillment of those responsibilities, as they should be, can only be achieved through executives, professionals, entrepreneurs and academicians of countries having commercial and economic acquaintances with each other, via well explanation of the economical, technological and social realities of their nations to their counterparts.

Today, what I am going to say to this distinguished audience is, merely stating those crucial changes experienced in the economic medium of Turkey and in conjunction with that, quoting new approaches, problems and expectations regarding the future of marketing and markets in Turkey. While doing that, I have no intention of boring you with non-ending numbers and statistical figures. Those issues which I am going to point out are solely general approaches to the questions of «structural changes in the Turkish economy» and «adjustment to the recent developments». I do hope that these explanations will be experiences arousing your interests.

As well known, modern marketing concepts express the thought that is ruling over management of marketing activities. The evolution of such a thought is closely related with well perception of the economic and social circumstances a country encounters and with sound forecasting towards the future. Besides that, the macro or top marketing system which regards the marketing system of a country as a whole, and the micro marketing system which is concerned with the marketing problems of individual firms, play an important role in the evolution of this thought, consequently, it can be stated that conjunctural changes emerging in a nation's economy, from the standpoint of new searching outs and inclinations, have an overwhelming influence over the macro and micro marketing systems which were cited previously.

Within this general scope, as you would realize, Turkey has lived and has been living significant experiences. In order to perceive a better appraisal of those phases, I would like to render a few diagnostic remarks concerning conditions which my country was subjected to. They are as follows:

The Turkish economy, in some periods that already have passed into history, are overlooked, had undergone very important structural changes in the last seven years. All the economic activities before 1980 were limited, in a great extent, with the domestic market movements and the underlying principles of a seller's market system, together with a traditional approach which were in effect.

A closed system had characterized the nation's economy for many years, where all production and sales conditions were imposed upon the market by the firms, and upon the block of consumers whose preference abilities were extremely limited.

Since inexpensive sources of funds were created continuously for the recently established industries in those years, the capital levels of industrial companies had remained very inadequate. During that era, manufacturers ran their businesses by utilizing external sources of funds, survived with high profit margins, and demonstrated an unhealthy growth pattern, while ignoring standards of quality.

Since «import substitution» was chosen as the development strategy for the country throughout a long time span, industrialization efforts, under the protectionism umbrella, found their path up to the 1980's. Only after the year of 1980, an extro-verted growth model was adopted to inaugurate structural changes in the economy and on the markets. At that time, in accordance with a sincerely liberal concept of economy, some series of economic measures were brought in and institutionalizations were realized respectively.

Two fundamental factors are of paramount importance in appraisal and understanding of general developments in the Turkish economy. The first one is the economic policies of government that was formed following the November 6th Elections, which were immediately put into application. These policies are based on philosophy and fundamentals of the stability program in effect since January 24, 1980. I think the spirit of this program was originated in that thought. Let me make an analogy to point out the economic implementations which have been discussed very intensively in and out of Turkey:

Let's say that, in the midst of a stormy weather the chances for a sea vessel to escape, are higher, the larger its size. Actually the storm is not present, but for a possible future occurrence, Turkey does not want to meet it in her present size. The country wants to grow, faster and with the help of large scale infrastructure and industrial projects so that her integration into the world economy will not create problems in the future. Integration into the world economy means at the same time a market orientation and marketing activities and distribution channels leading to more competitive efforts throughout the world.

For a developing country like Turkey, growth is not always as easy when too many factors are at work outside, one's own control. It is

especially difficult to realize it within the constraints set by economic factors such as inflation, misallocated and scarce resources, unefficient marketing environment and resulting social pressures and cultural restraints.

As known, inflation itself is hard enough to combat, that is what we do now. But restructuring the economy to make it more liberal is even more difficult especially when half of that economy is made up of institutions that are inherently governmental in nature, besieged by bureaucratic maze and most unfortunate, irrationally operated. It is not the fault of managers if they are not capable of applying modern management concepts to the institutions at which they are heading. For many years, political pressures were so intense and labyrinth of personal interests was so immensely present that it seemed quite impossible to turn these institutions into viable economic entities.

If we look back to the passed fifty years of the Turkish economy we can see these symptoms clearly. They were also crucial factors that prevented efficient functioning of the markets.

Those symptoms can be listed as follows:

- An absolute protectionism was in effect for every segment of industry with the highest customs barriers.
- Internal demand was so sufficient that productions were not considered for export purposes.
- The industrialized countries have only been interested in developing internal funds and working capital until 1980 and they obtained cheap bank loans, especially exemptions of customs and other tax conveniences, etc. Nevertheless, they abused these resources unfortunately.
- The industrialized countries have only been interested in developing high technology trade with Turkey. That is of course an approach to be appreciated, since we highly need to raise productivity, but however they were not generous enough to transfer management technology and marketing concepts.
- There were some faults regarding regulatory factors that distorted the markets for a long time. They affected the structure and even the framework of the society and interfered with markets indirectly. In that case, it seemed as if we had a semi-controlled economy. Perhaps it was an inevitable consequence of

a historical evolution. As in all those centrally controlled economies, there was a population explosion. Quite a number of people lived in the ghetto of large cities whereas the privileged were granted extraordinary concessions. Since the market was often protected and the distribution channels were blocked, demand was encouraged and supply was hampered. All of those were for the sake of enforcing the statutes regarding protection of the national currency. Naturally, we were not able to mention of equal opportunity and some sectors witnessed artificial growth stemming from distribution of concessions which were originating from bureaucracy and political considerations.

- Very high rate of inflation was another factor that obstructed the proper functioning of the markets. Of course, that degree of inflation could not have been tolerated.
- And before 1980, there were some misleading regulations and decisions that prevented natural movement of information, human resources, services, commodities, other goods and capital. They encouraged unfair practices like corruption, smuggling, contraband, industrial clandestine and other illegitimate means in the economy. People were free to regulate their own industries but there were not enough well-educated entrepreneurs and top level managers to start the right sectors domestically. They could not establish healthy commercial connections with suitable foreign markets, either.
- Lastly, the people and public organs did never voluntarily and seriously consider each others wishes. So there had been always a misperception regarding the relative importance of adopting state enterprises or free enterprises as the key for national development.

As a result, many multinational companies had been unwilling to assume the risk, as they perceive it, of entering the Turkish markets; they were adopting a «wait and see» approach for a long time, with some exceptions. Now, in the new term, we can say that a great deal of those firms have increasingly expressed a willingness to share a portion of market activities and to finance some important projects of Turkey. They now provide financing, know-how technology and marketing facilities concerning the mutual benefits.

After giving some brief information on Turkish economy and market structure of the pre 1980 era, I will now try to draw a panorama with new

policies, measures and expectations for the post-1980 and for the near future. I must remind you that January 24, 1980 was a starting point for the new government towards the commencement of the stability programme. This programme meant markets' structural changes and adjustment of the economy with the world market occurrences.

Through a series of measures that were implemented at that time, the hard currency bottleneck was reduced to bearable limits resulting in a decline of unavailability of goods vital for the consumer. In other words, at least the rules of competition had begun to function again and price regulations by the Government were lowered to tolerable levels.

It should be noted however, that a trade system-which had geared itself to a «Seller's Market» where high inflation and inexpensive bank loans were dominant factors in securing windfall profits by building up inventories-began to have difficulties to adjust itself to this new era and order. The bank loans were now expensive and building up inventories became a luxurious process that could only be enjoyed by the very few who could afford it through a strong equity ratio.

As the years went by into the mid 1980's and liberalization of import procedures along with the gradual elimination of government controls began to take effect, the market turned into a «Buyer's Market» with pursuant conditions, rules and etc. There was however another development that was negatively affecting the market: The misevaluation of the pre 1980 era in which the supply of goods could not meet the demand, caused the industries to build as much capacity as they could with abundance of inexpensive credits and incentives. The over capacity thus actualized, became a serious problem during 1980's since it had toppled the balance between the supply and demand and had caused the economy to become restless. The dominant factors of that «Buyer's Market» can be summarized as follows:

1. Existing overcapacity and increase in the selection possibilities with that number of goods available, made the consumer a very cautious and choosy selector. He or she was no longer in the position of buying anything that is offered in terms of quality and even quantity.
2. Furthermore, the consumer now had the option of buying only as much as needed and investing the rest of available funds, if any, for another means that could bring enough rate of return.

3. Hence the responsibility to build stocks rests now with the trade and no longer with the consumer who previously had to think about bad times when he would need the goods.
4. Since the government no longer determines and stipulates the prices, the responsibility to watch the cost/price relationship is now transferred to the trade. The trade, on the other hand, can not ignore what the competition is doing and feels obligated to make sure that the balance between supply and demand is appropriately maintained.
5. The one time sales against cash payments can now only be seen in dreams. Sales are effected with payment terms extending from thirty days to two years depending upon the nature of businesses and goods.
6. One other difficulty that the trade faces under the circumstances of the «Buyer's Market» is that it has to effectively communicate the benefit and quality of the product it sells to the consumer.
7. The need to communicate with the consumer first caused initiation to, then development in the advertising and promotion budgets, when the ratio of such expenditures during pre 1980 years was only fluctuating between less than 1% now climbed to levels of ranging from 10% and upwards.
Unfortunately these additional expenditures that were not taken into consideration in the cost structure of the products before, have now to be reflected into the selling price thereby making the products expensive for the consumer.
8. The consumer, while having a wide selection of products, was now suffering from the relatively high inflation, unfortunately, with his/her purchasing power declining sharply. Therefore he or she is not able to enjoy and/or appreciate the advantages of a free trade system.

We believe these and other problems can be solved within the rationale and rules of a Liberal Trade System. In fact we are confident that with the consideration of the following measures most of the above problems and possibly others can be either reduced to a great extent and/or totally eliminated in the course of time:

1. The inflation must be brought down to a reasonable level. This rate should not be lower than 10-15%; otherwise economic growth is jeopardized with worsening of unemployment.
2. The credit rates should also be decreased. Actually this would take place anyway if the inflation is cooled down.
3. Purchasing power of the low income groups should be improved. This particular measure will first develop the middle class then broaden and strengthen it.
4. Since in a liberal economy nearly everything depends on the healthy functioning of the Law of Supply and Demand, availability of reliable market research and statistical data are of paramount importance. Therefore, establishment of those companies to provide such services should be encouraged.
5. Being at the threshold of EEC, Income Tax System should be reviewed, updated and expanded with utmost regard to equity.
6. VAT (value added tax) applications should also be improved with more effective controls. One of the measures to improve the system might be lowering of base tax rate.
7. Legislation should be instigated to protect the consumer not only qualitywise (like TSE applications) but also healthwise. Legislation should also be prepared to make sure that economical and technological developments do not harm the ecological balances.

We know that the Government's economic and financial policies are directed to achieve those above stated objectives. We also know that such policies developed over the last few years should be considered evolutionary.

The fundamental economic philosophy of the government has been free market economy based on competition and that was clearly spelled out in the 1983 Government Programme. Accordingly, the state's direct intervention in the economy would be restricted and its role would be limited to organising, orienting and encouraging. Price and market mechanisms in the distribution of resources would be attached great importance and certain measures were envisioned in order to achieve this aim. The highlights of that programme can be underlined as follows:

- The State, in principle, would not engage in industry and trade, instead, it would concentrate its efforts in economic activities, on infrastructure facilities to serve the country as a whole.

- A flexible and realistic rate of foreign currency would be maintained, based on the conditions of demand and supply.
- A realistic interest policy would be sustained, via taking into account the conditions of capital markets and in such a way to add a real income for the savings. As a matter of fact, this policy was put into effect immediately.
- Gradual liberalization would be attained in foreign trade, leading to convertibility of Turkish currency. In this line, legislation and procedures related to the «Protection of the Value of the Turkish Currency» would be rearranged. So that, a relatively free system was being introduced in the foreign currency affairs.
- In the industrial sector, all of the monopolistic practices, including the State Monopolies, would be eliminated.
- The governing principles of the market would be taken as a basis in the operation of the State Economic Enterprises, and these would be turned over to the nation in the long run.

The Government Programme, as you would notice, had abandoned the classical understanding of «import substitution» in the industrialization process and an export-oriented strategy of industrialization which could be integrated with the world economy and trade, was being introduced. In this line, importance would be attached on measures which would lead to structural changes of the industry within the scope of market mechanism and market economy. The industry would be protected through a reasonable customs rate policy and supportive regulations.

We can clearly say that these measures have been realized in recent years to a large extent and we have had important steps toward the economic liberalization. However, still one can claim that liberal trade rules in Turkey do not healthily function yet. There are still state owned and controlled businesses such as the State Monopolies, with one and fixed price, and one distribution system. The ill effects of monopolization can also be observed in rare cases where the supply/demand balance is disrupted and either the product becomes scarcely available or the price goes up to exorbitant levels artificially. In spite of the great efforts to slow down the price hikes by whatever means, we must admit that there will be a long way to solve the problem of inflation.

As a concept of business operations, marketing is closely related with the living economy in a country and it is a basic management response to the control problems facing managers - creative adjustment to

the environmental and operational changes. In the past, in most countries the business activities concentrated on production to meet the consumption needs of the societies characterized by scarcity. Business thinking was often dominated by financial and production considerations. Marketing, as developed in a relatively affluent society, is quite new; in many enterprises it has been introduced only since 1950's that the problem of producing markets, rather than goods, has become the primary concern of top level managements.

Today many developing countries are climbing the same stairs and bureaucrats responsible of economic planning ask that question themselves, as we do today:

Is our problem over production of goods or under production of markets? This question is discussed now in a new platform which is described as a demand oriented economy in Turkey. And we must admit that we can not say we have found absolute solutions to those questions yet.

Anyway, I think, after so endeavoring experiences, we are learning fast about the facts and problems of developing countries. As one of those countries, Turkey is very close to the industrialized nations' line. And production for export purposes is better than the production for entirely internal demand when one is trying to restructure the economy and to slow down the high inflation rate.

Beside consumer preferences, expectations and actions are now being recognized as the basis for allocating economic resources in our society. That means we are living now in a demand-oriented economy. This is a new kind of experiment in the liberalization program of which consequences can not be predicted in advance. But it has set a chain of events in motion that will mean more freedom for our people, even beyond a greater freedom of choice in the market places. Probably, it will create an opportunity to increase our share in international economic relations.

The customer is going to be the focal point of business efforts and in a real sense, the controller of corporate destinies. This is why customer and consumer behaviours have been a vital area of business interests.

Another remarkable point in the Turkish market is that, previously it was felt that the purchase of consumer goods was emotionally motivated, whereas industrial purchasing was rational in motivation. However, in recent years, we realize that consumer choices are based on a mixed platform of economic, social and psychological needs.

Those variations in demand and consumption activities are very closely related with new concepts of life-styles. Increasing per capita income and worldwide information systems altogether, have greatly helped to develop the quality conceptions of people. Realizing this fact, most companies have been in need of creating departments which are supposed to identify problems with current methods and products, and search for improvements. The organizations desire to encourage creativity and innovation, and to go beyond the perfection of routine, although, as we have argued, this routine is not so easy to attain as an outsider might imagine. I believe, in large organizations, a new class of experts are working on renewal and adoption of some improved management and production techniques to change corporate structures, while considering local facilities and inclinations. The employment opportunities arising from such positions, provide for personal drive as being professionals.

Although most large companies take laymen's view into consideration regarding the changing world, the veto power of conservative executives still exists in many companies. In spite of the emerging conservatism bred by previous accomplishments, many business entities have started to devote considerable resources towards fostering innovations. To an increasing extent, new and young generation of administrators are coming to top positions. They are very well educated indeed, with talents in strategic planning, taking risks, and open to new ideas.

I believe that, they will be ready to get the nation's economic destiny on their shoulders in the next ten years. And I really wish to hope this.

My dear colleagues, ladies and gentlemen,

As you would have kindly understood, in this paper, I have tried to link together the developing countries' need to accomplish the changing and modernization of economy and society. It seemed an inevitable motion. But I still have some reservation regarding what we think of the changes. Let me make some meek remarks on those subjects. Since Turkey has already tackled majority of the issues which I am going to touch within the following paragraphs, at this point I would like to express my sincere gladness, due to that fact.

It comes to me that, we have lived so long with the accelerating processes of change that in large measure we have lost our ability to perceive particular changes with any sense of reality and we have little understanding of the processes, good or bad, by which the change comes about. Mostly the people around us complain such as, «We don't know what's going on», and this is understandable. So much is happening in so

many places, involving so many people, affecting so many facets of life. The knowledge explosion, the development of instantaneous communication facilities, the revolutionary changes in developing countries, and global involvements of the major powers have brought us to a state of well-nigh universal perplexity and even frustration.

Our trouble, I believe, stems in part from three major failures in perception:

The first one is that, we tend to view all changes as just «more of the same» - a linear movement towards more inventions, more gadgets, more adjustments and more improvements to be fitted into a kind of «inevitable progress» and «business as usual» concept of life. This means, we fail to see that the changes of our age and the processes by which ever more changes are coming about are transforming man and society in ways and to degrees never before experienced.

Secondly, in many countries, we refuse to recognize either the frighteningly cataclysmic or the fabulously beneficent potentialities of the changes in science and technology that have already encountered.

Third, in developing countries we fail to see or simply we do not want to see how to organize our intellectual, educational and spiritual resources in such a manner as to facilitate the flow of change toward the most constructive human development.

They all prevent to make structural changes derived from the historical roots of the nations. At this point, I may say that we must put a fire in our social brains that our way forward must be found in the continued growth and development of man, in the maximization of his potentials.

Now, the new era which we have already entered is the one profoundly different from any of the recent years we have ever witnessed and it is shaped by the overlapping revolutions of the new scientific technology and market facts. We seek some new ways of bringing about new dimensions of growth for both individual man and national economy.

We understand that this new era is demanding different human skills, patterns of behaviour and supporting institutions at national and international levels. Above all, we are being required to develop new intellectual competencies, new depths of understanding, new phases of personal growth, plus the will and the ability to act responsibly on the basis of new thinking. In simplest terms, we can not afford to become unwise. This, of course, implies quite a lot more than disseminating literacy and broadening educational opportunities.

In order to integrate our economy within the world-wide economic activities, we have to find some effective tools as I have mentioned previously and it is a new kind of experiment for us to deal with the world's many complex problems.

In spite of the technological miracles sprouting all over the world, I still believe that the greatest resources ever on earth are human resources. Individuals may have still unrealized potentials and are capable of becoming and doing more than they have ever dreamed. It is most strikingly in their capabilities to continue for evolutionary development that people around them pay respect in the end.

And lastly, I should say that, man's worst enemy is within himself. His own ignorance is his greatest handicap. Out of that ignorance grows fear, self-suspicion, envy, hatred and self-hatred. An underdeveloped country feels and lives in the similar conditions. Usually people don't have any self-confidence at all. In such a country, many arising conflicts are the dominant factors of the society. Unfortunately, people look for their fate not in the future but in the depths of history. And we can say that great expectations and great frustrations live there together, side by side.

Thank you.

TÜRK EKONOMİSİNDE YAPISAL DEĞİŞİKLİKLER VE TÜRKİYE'DE YENİ PAZARLAMA YAKLAŞIMLARI

1980 yılından sonra dışı açılma programları ile yeniden yapılanma süreci yaşayan Türk ekonomisinde karşılaşılan sorunlarla, beklentiler ve çözüm önerileri bu konferansın ana metnini oluşturmaktadır.

Bu değişmelerin ışığında, serbest piyasa ekonomisi ilkeleri içinde pazarların yapısındaki değişmeler ve pazarlama yaklaşımları ayrıca anlatımda yer almış bulunmaktadır. Bu arada 1980 yılına kadarki aşamalara da sadece kronolojik açıdan ve durum saptama amacıyla değinilmiştir.