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**THE FACULTY OF ECONOMICS AND
ADMINISTRATION SCIENCES**

MAN-400

GRADUATION PROJECT

**STRATEGIC MARKETING PLANNING
(THE CASE STUDY OF THE TURKISH AIRLINES)**

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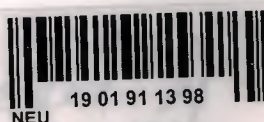




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ABSTRACT

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Strategic marketing is a process of identifying and selecting target markets to adapt and respond to a company's long-term goals. The process of strategic marketing plan will be based on several elements: 1. understanding of the market environment and competitive advantage. 2. identifying the company's strengths and weaknesses. 3. developing a strategic marketing plan. 4. implementing the plan. 5. evaluating the plan.

In this study, the researcher has identified the strategic marketing plan as a critical factor in the success of a business. The study has identified the internal and external environment of the company and the competitive advantage. The study has also identified the strengths and weaknesses of the company. The study has developed a strategic marketing plan and implemented it. The study has also evaluated the plan.

ABSTRACT

Strategic marketing planning helps companies to know how to adapt and respond to a continuously changing marketplace. The company with strategic marketing plan will be more successful than other firms competing in the same environmental and competitive circumstances. The main purpose of this project was to understand strategic marketing planning by a case study of a selected company case.

In this study, Turkish airlines was selected as the case company, Turkish airlines was unable to gain profit by last few years therefore with the help of detailed internal and external analysis of the company, the strategic marketing planning helped to understand and consider future strategies for the problems faced by the Turkish Airlines.

INTRODUCTION

The strategic marketing is the process that use to shape and reshape the companies business and products so that they combine to produce satisfactory profits and growth. The step by step process helps the company to develop marketing strategies accordingly and implement strategies to achieve the goals and objectives in an efficient way.

In this study the strategic marketing planning is used to sort out the problem faced by T.A. in the market. This process identifies internal/external weakness of the company and at the same time it analyzes the strength and potential which can give T.A. competitive advantage in order to complete the industry as well as achieve its long term objectives.

In this study an overall marketing strategy to appeal to customers and strategy which consider as consistent with the company's capabilities.

The internal analysis gives the result that T.A. has competitive advantage that it can increase its productivities easily in short time.

According to external market condition T.A. has good opportunities to increase its market share by using its penetration strategy.

1. LITERATURE REVIEW

According to Phillip Kotler (1991), Strategic planning is the process of developing and maintaining a viable fit between the organization's objectives and resources and it's changing market opportunities'.

According to P.A. Phillips and L. Moutinho (1998)-'Company with complete marketing planning system (M.P.S) will be more successful than other firms competing in the same environmental and competitive circumstances'.

The marketing objectives and strategy for a particular market must be consistent with the direction and resources provided by the company's and business unit strategies (L. Moutinho-2000).

A major part of the marketing manager's job is to monitor and analyze customer's needs and wants and emerging opportunities and threats posed by competitors and trends in the external environment (L. Moutinho-2000).

According to Hyman and Tansey (1992), three 'D' explicitly address marketing strategy, which has become increasingly important to marketing management pedagogy. This are-

1. Direction provides a context for understanding previous marketing action and results.
2. Diary recognizes the importance of understanding and setting an organization's current culture, vision and mission statement.

3. Dialectic, which emphasizes the need for open debate in establishing a strategic direction, include topic such as planning and execution strategies, SWOT analysis, and marketing audits (i.e. Way to understand the marketing environment etc).

According to Philip Kotler (1991), the business strategic planning process consists of the eight steps. These are 1. Business mission. 2. External environment analysis. 3. Internal analysis. 4. Goal formulation. 5. Strategy formation. 6. Program formulation. 7. Implementation. 8. Feedback and control.

Marketing managers must determine whether there are different segments for potential customers for their products and marketing programmes and how those segments might be best defined, described and appealed to (L. Moutinho).

According to L. Moutinho (2000), the strategic marketing program for a particular market should reflect market demand and the competitive situation with in the target market. As demand and competitive conditions change over time, the marketing strategy should also be adjusted.

According to L. Moutinho (2000), the manager must set specific objectives to be accomplished within the target market, e.g. sales volume, and profitability goals.

The managers must decide on an overall marketing strategy to appeal to customers and strategy must be consistent with the company's capabilities.

3. OBJECTIVES OF THE PROJECT

- To understand the importance of strategic marketing planning for the company's growth.

2. PURPOSE OF THE PROJECT

- To understand the importance of strategic marketing planning in the real life implementation of

The main purpose of this project is to understand strategic marketing planning by case study of Turkish airlines.

3. OBJECTIVES OF THE PROJECT

- To understand how to develop a strategy by analyzing the company's problem.
- To understand the concept of strategic marketing planning.
- To point out the problem faced by the manager in the real life implementation of marketing strategy.
- To understand the implementation of strategies, it's evaluation and control simultaneously.

4. METHODOLOGY

- A literature survey is carried out in order to understand the process of strategic marketing planning.
- Turkish airlines is selected as case company to apply strategic marketing planning process.

5. STRATEGIC MARKETING PLANNING AT TURKISH AIRLINES

5.1 HISTORICAL BACKGROUND OF TURKISH AIRLINES

History of Turkish Airlines started in the year of 1933. Turkish Airlines was established on 20th of May in 1933 under the name of "STATE AIRLINES ADMINISTRATION" as a department of ministry of defense. It started with three fleet- (1) King Bird (five seats). (2) 2 Junkers F-13 (4seats). (3) 1 ATH-9 (10 seats). In 1935, it became Ministry of public works. Name was change in 1938 from State Airlines Administration to General Directorate of State Airlines, and operated under ministry of transportation. First DC-3 aircraft joined on fleet in 1945. 1947 year is to remember for first international flight was introduced. It was from Ankara to Athens via Istanbul. On first of March 1956 TK (Turkish Airlines) was reorganized and operate under a special legislation and renamed Turk Hava Yollari A.O. with a capital of 60 million TL. From 1958 to 1960 F-27 and VISCOUNT aircraft joined on fleet. On 1967 first DC-9 joined and jet age started. B-707 aircraft leased and joined in 1971. Year 1973 is important for only joined DC-10 aircraft, and F-27 aircraft on fleet. Company was reclassified as a State Economic Enterprise in the year of 1984 and capital raised to 60 billion. Next year in 1985 airbus 310 aircraft joined on fleet. In 1986, an addition of the Singapore rout to flight network. Dramatically capital was keeping rising and in 1987 it became 150 billion TL. In the July of 1988 New York rout via Brussels was added to flight network. In the month of March in 1990 capital was raised to 700 billion. In the same year in September TK was included within the scope of the privatization. In 1991 capital was raised to 2.5 trillion TL in the month of

December. In 1993 First Class service started on A-340-300 aircraft in August. Turkish air transportation Inc merged with Turkish Airlines in September in the same year. In 1994 direct flight to New York started in the month of July and DC-9 aircraft disposed of from TK in the month of September in the same year. In 1995 first class service started on A-510-318 aircraft in the month of February. Registered capital was raised to 10 trillion. In 1996 capital was raised to 10 trillion and register capital raised to 50 trillion simultaneously. In 1997 block space agreement was signed with Japan Airlines. Block space agreement signed with Austrian Airlines for the flights from Istanbul, Ankara, and Izmir to Vienna on 30th of March in the year of 1998. Turkish Airlines also became a member of the qualifier group in the same year. In 1999 Turkish Airlines opened its second maintenance center more than doubling its hanger capacity. No smoking policy was applied all flights in that year as well. Year 2000 was important for joined 7 B 737-800. First commercial flight to Sydney for Olympic Games in September, new frequent flyer program "miles & miles" was launched in October of the same year. Year 2001 was important for reservation call center (4440 THY/ 4440 849) service started. And year 2002 was important for joined two of B737-800 on fleet, and pristine flights started on 15th of April last year (www.turkishairlines.com.tr).

5.2 GENERAL INFORMATION ABOUT TURKISH AIRLINES

Turkish Airlines is the largest air industry in Turkey. It is providing air transportation services according to demand of domestic, and international passengers. Turkish Airlines also provide the cargo service to transport large amount of products among different places in the worldwide. Turkish Airlines is staying in the world air transportation service as a follower. Also Turkish Airlines has its affiliates and subsidiaries which are THY SRL, Sun express Inc, Emek construction, and The Qualifier group. THY SRL, incorporated under Moldavian laws, is wholly owned by Turkish Airlines. It became operational in the year of 2000, and flights to Kishinev were initiated. Turkish Airlines represented as an office in Kishinev and continue with uninterrupted services. Sun express Inc operates tourist charter flights. The other major shareholder of the company is condor (50%). Emek construction operates in the area of construction and property management. Major shareholders are the pension fund of Turkish Republic (495) and Red Crescent Association of Turkey (49%). The Qualifier group was established with in the framework of a strategic cooperation, of witch Turkish Airlines became a member with the participation of Turkish Airlines, Swiss Airlines, Austrian Airlines, Sabena, AOM and Portuguese Airlines, in order to provide complete ground services to airline companies (www.turkishairlines.com.tr). (Appendix A.)

5.3 CORPORATE MISSION STATEMENT

5.3.1 Vision of Turkish Airlines

Vision of Turkish airlines is to be the best Air Transportation in the world.

5.3.2. Mission of Turkish Airlines

Try best to provide value of customers in innovative way to reduce destination in air transportation and related service.

5.3.3 Values and principles of Turkish Airlines

Believe in value loyalty of passenger service and provide the best service and value. Principles in Turkish Airlines is intend to stay in the best air transportation and relative service, and continue to look attention and investment on enhancing places in business environment.

5.3.4. Non- financial goal

Flight safety is the Priority which Turkish Airlines gives importance on . That's why its goals is depend on safety.

- Improving safety in fround and flight operations
- Achieving and maintaining Risk awareness by all persons Involved in flight and ground operations.
- Taking corrective action for deficiencies and irregulations.
- Sharing experience acquired from safety events by evaluation and promulgation of information relating to accidents and incidents

5.4 INTERNAL AUDIT

Purpose of this audit to evaluate the strength and weakness of Turkish airlines, so in this section of the project will analyses the products/ services, past performance, financial analyses, and others-

5.4.1. Past performance

As a follower of airlines service, Turkish Airlines performance last few years was not bad according to sales revenue, Turkish Airlines was managed to continue increased revenue, but according to net income Turkish Airlines absolutely failed to take the test of profit. Focusing year 1998 to 2001, Turkish Airlines operating sale was continued to increase, and they were TL 355,000,000; TL 542,000,000; TL 960,000,000; and TL 1,665,000,000 respectively, all amount in million of Turkish currency (www.turkishairlines.com.tr). But focusing on operating profit in those years will be obtained continue decreasing of operating profit, and those amount were not profit but loss¹ they were stated below from 1998 to 2001 respectively- TL 6,000,000; TL 108,000,000; TL 128,000,000; and TL 172,000,000; all amount in million of Turkish currency (www.turkishairlines.com.tr). Apart from extraordinary profit, Turkish Airlines gross loss from 1999 to 2001 are TL 87,000,000; TL 112,000,000; and TL 66,000,000; respectively, all amount in million of Turkish currency (www.turkishairlines.com.tr). With extraordinary and all other activities Turkish Airlines net loss from 1999 and 2000 were TL 68,000,000; TL 64,000,000; and

¹ Profit is equal to (sales-expenses). If operating sales is less than operating expenses result will loss instead of profit.

net profit from year 2001 were TL 20,000,000; all amount in million of Turkish currency (www.turkishairlines.com.tr). In year 2001 profit shares transferred to balance sheet of Turkish Airlines from affiliates was TL25, 000,000,000 which of course a large amount compare to direct activities of Turkish Airlines. If past three years performance of affiliates and subsidiaries are observed result reveals that they were able to manage cost and make profits. There was another factor that helped Turkish Airlines to make profit in 2001 that is foreign exchange. Last year (2001) was record for foreign exchange profit, and the amount was TL 125,108,413,957,607, where total net profit was only TL 19.943,304,159,416 (www.turkishairlines.com.tr). These figures clearly state that actually there was no profit for Turkish Airlines in 2001.

5.4.2. Products/Services of Turkish Airlines

Turkish Airlines provides Business class, Economy class, and Cargo services in the air transportation market. Individual description of each products/service of Turkish Airlines are stated below-

- **Economy class**

Core: Traveling in standard (travel by airbus).

Tangible: Seats with tables, newspapers and magazines to read.

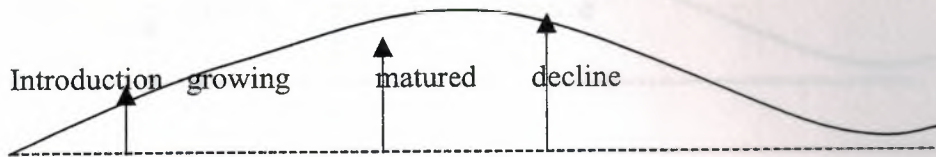
Augmented:

-Duty free service (do shopping).

-Alcoholics and soft drinks.

-Hot and cold food service.

Comments on current situation



Sales: Peak sales.

Profit: High profits.

Customers: Middle majority

Product policy: Diversify brand and models.

Pricing policy: Price to match or beat competitors.

Place policy: Build more intensive distribution.

Promotion policy: Increase to encourage brand switching.

• **Business class**

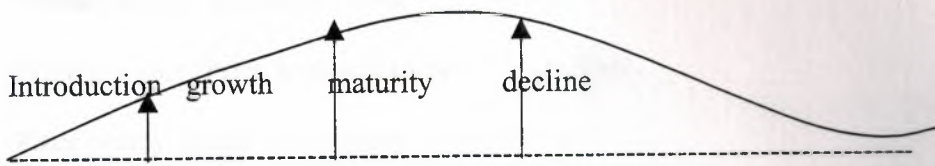
Core: Traveling in business environments or traveling in luxuries.

Tangible: Convertible comfortable seats with cocktail tables, phone, fax facilities, TV, music services, etc.

Augmented:

- 30 kg baggage allowance.
- Baggage wrapping facilities.
- Easy check in e.g. internet and fax check in.
- Special food service and many others.

Comments on current situation



Sale: Rapidly rising sales.

Profit: Rising profit.

Product policy: Offer product extension, service, and warranty.

Price policy: Price to penetrate market.

Place policy: Build intensive distribution.

Promotion policy: Reduce to take advantage or heavy consumer demand.

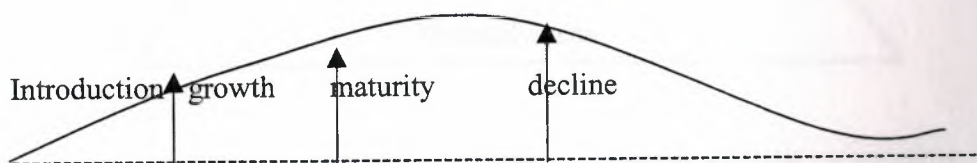
- **Cargo service**

Core: Fulfill people transport shipping need (requirement).

Tangible: Packaging machines, lift vehicles, refrigerator (to keep the food in).

Augmented: Trucks service to specific destination.

Comments on current situation



Sale: Peak sales.

Cash: Low cost per customer.

Competitor: Stable number.

Product policy: Diversify brand and models.

Pricing policy: Price to match or beat competitors.

Place policy: Build more intensive distribution.

Promotion: Increase to encourage brand switching.

5.4.3. Segments of Turkish Airlines

By analyzing the customer behavior and customer attributes to classify market segment, Transportation by air from one place to another is still quite expensive, people who use airlines to fly from place to place usually they are not poor, they have status in the society. As Maslow explain in his hierarchy diagram² the needs of human being are showed below



Top three are consider as higher order needs, and usually airlines passengers are in these categories. Bottom two are the primary needs of human being, to live they need these

² Masliow's hierarchy of need, see appendix B

basic needs, and they don't have a standard life to live with, and have not enough money to fly.

People who are already satisfied with their basic needs of life, they never stop, they continue their activities to achieve more success for more status, for more satisfaction. They fly for any purpose, like- for work, study, business, tour, pilgrim, and many other occasions. Turkish Airlines divided its segment mainly in four parts. They are briefly described next page. But one question should be discussed before that-

Why people fly?

Answer of this question, of course should be reduced distances, and to reduce time. According to Maslow's hierarchy people who are able to fly, they are rich; they have status in the society. So they want something else beside those reasons stated above. People want to fly with standards service; they want to feel high status because they are flying. So some passengers don't care about the price for those desired facilities. But there are still a number of passengers who can afford to fly, but care about price very much. These categories of passengers even change airlines to airlines because they are looking for cheap price. So the airlines industry divided their passengers into distinct groups and tries to satisfy them according to their needs and wants. This is called segmentation.

People who are already satisfied with their basic needs of life, they never stop, they continue their activities to achieve more success, for more status, and for more satisfaction. They fly for any purpose, like-for work, for study, for business, for tour, pilgrim, and for any other occasions.

Turkish airlines divided its segment mainly in four parts. They are briefly described in the next page.

- **Business people:** Globalization creates business competitive not only in side of a particular country but worldwide. For this reason business people are in flying continuously to keep business activities on. These people are the most frequent flyers, so they are very important for air industry's segments.
- **Tourist people:** Another important segment for air industries, especially for Turkish Airlines because turkey is the one of the best tourist place in the world. Every year Turkish Airlines acquires large amount of revenue from this segment.
- **Family:** Most common segment for every air industry. A large number of people are flying every day with their families for visit relatives, for holiday, for treatment, or any other purpose. So this segment also very important for any air industries.
- **Political or famous people:** Political people are usually President, Prime Minister, M.P, etc. And famous people are like singer, actor, actress, and other. These segment people are also important for air industries because they fly very often from place to place to carry on their activities.

Apart from these there is some other segment are also available for air industries like student, army, and other.

5.4.4. Critical Success Factor of each service³

- **Commercial buyers (Cargo)**

- Reliable
- Punctuality
- Fast
- Easy
- Quality Services
- Giving Guarantee

- **Tourist (Economy Class)**

- Safety flight
- Punctuality
- Offering flight programs abroad the world

- **Businessman (Business Class)**

- Easy check in
- Comfort
- High standard of service
- Quality customer care
- Providing them the business environment to do their jobs without delay it
- Punctuality
- The extra benefits which serve to them
- Well – Carets Hostess

³ Michael Porter's competitive strategy (See appendix B.)

5.4.5. Financial analyses

Turkish Airlines balance sheet and income statement showed that the last profit they obtain in 1996, after that till year 2001 they failed to recover loss. So in financial analysys this project illuminated the financial setuation of Turkish Airlines from 1996 to 2000 and try to evaluate whats going wrong.

According to uniform accounting system.

	1996	1997	1998	1999	2000
Operating Income	103,93022	204802714	354777019	541672304	959662893
Operating Expenses	98866286	207664349	361028924	649647344	1087205111
Gross Profit/loss	4526736	(2,861,635)	(6,251,905)	(107,975,040)	(127,542,218)
Net Prefit/Loss	4,539,995	2836723	5462173	(67,514,377)	(4,034,394)
Gross profit margins	4,4 %	(1,4) %	(1,8) %	(19,9) %	(13,3) %
Net Profit Margin	4,4 %	1,4 %	1,5 %	(12,5) %	(6,7) %
Gross ROCE	—	—	—	(2,4) %	(17) %
Net ROCE	—	—	—	(2,396)	(1,713)

(www.turkishairlines.com.tr), see appendix A.

The table shows Turkish Airlines Performance during five years. When analysing the accounts it is noticed that increasing the buyer potential which, increased the operating income every year. This is a good result for Turkish Airlines. But on the other hand, operating expenses exceed the operating income which made the gross profit loss after

1996 . By the other operations and facilities which Turkish Airlines do. It tried to cover the expenses until 1999.

5.5. EXTERNAL AUDIT

Purpose of this audit to evaluate the opportunities and threats from outside of the organization. So this part of the project will analyse market trend, competitor, and others.

5.5.1 Market Overview

An Airline Industry is a venture (business) which needs from the owner to be clever (looking to the events from many angles), creative to attract high potential of buyers to make them members of the organization. In addition to these it needs huge capital to start.

From these aspects no competitors will create in such conditions but it still has many competitors around the world who are strong competitors and Turkish Airlines just follow them. That's why instead of leader it is follower. Whether the loss during five years the potential of buyers increases every year. But because of the fear of terrorism and economic crisis the power of buyers decreased, as a result they tend to prefer its substitutes which replace transportation service on the ground and sea such as boat, train, buses. Parallel to the power of buyers, the power of suppliers situation changes.

Our buyers form the majority of a society which contains: businessman, tourist, students, pilgrimage, famous people, students, commercial buyers, soldiers. Each segment has different profiles and values which Turkish Airlines fills.



By analysing the business environment, we can notice that as all airline industry, Turkish Airlines affected too from the plane crash, but at the same time it gives some advantages for it to improve itself and stand up again by the new operations which will make it.

By new facilities Turkish Airlines are going to put away the weaknesses of the organization which Turkish Airlines have. Because when we compare the others airlines with Turkish Airlines we see a lot of shortages in the services and the management of the organization. However it has three main products; economic class, business class and cargo which have a certain segment demand. The most preferable product is an economic class because of its available price and also cargo because of its quality service but because of the economic crisis and the terrorism, the businessmen decrease their flights. But it is still a preferable class too and it is still in a growth stage.

Finally, Turkish Airlines future investments and plans which will decrease the risk.

5.5.2 The nature and intensity of competition⁴

- **Threat of new entrants:**

When we look at the economic and political condition in Turkey we can see that it's too difficult for an entrepreneur to start a business (venture). Even if it is a small business it is so hard to run the business. In such a position, if so it is too difficult to open Airlines because it requires knowledge, experience and huge capital investment. So it is too risky a business and too hard to go back if an entrepreneur started.

For example Istanbul Airlines even if it started its facilities in summer and it is cheaper than Turkish Airlines the people prefer to travel with Turkish Airlines because of its safety and arrive on time.

⁴ Porter's five forces model, see appendix B

- **Power of Buyers**

Because of

- Inflation
- Fear of terrorism
- Law confidence the power of buyers declined.

- **Threat of Substitutes:**

Cyprus airways, Istanbul airlines are internal substitute, but still Turkish Airlines preferable one. Because Turkish Airlines is succeed to give the people trust and safety flights and the variety of services, which serve it. Substitute such as Ferryboats metros and buses that are more available price and quality. Especially if it inside the coastly the people will prefer to make travel by this substitute but out side (external) the country (Turkey) they have a lot of substitute stay at the back at global market (airlines)

- **Power of Suppliers:**

The powers of suppliers are parallel to the power of buyers as the no of our customers- the power of supplier- also

- Petrol: if the customer increase the flights will increase and Turkish airlines will need to consume (spend)
- Staff more petrol also with higher buyers, the staff will increase also to satisfy our
- Agents to reach and connect with our customers and serve the quality service.
- Banks they should reach us in every time and everywhere that's why the quality service.

In addition, the good relations with our customer will attract them to us; the employees

are a broker, which help us in this subject. Because some customers like to have their tickets from specific agents without doing by their selves also agents are big advantage for us to get information about our competitors.

- **Rivalry**

To get credit or loans a relation with bank is very important try to be trustworthy to get loans from a bank more a day. So as we can see our business is depend on the suppliers so we should always get more closer and good relations with than to get information about the environment.

The result of the forums forces prove that Turkish Airlines condition in bad perforce but still stay and doing its facilities because of it is quality service inside the country, but needs more years to be able to compete with outside market.

5.5.3. Classification of competition

- **Leader: American airlines**

Strengths:

- Have the highest market share
- Available resources.
- Latest technology.
- Being in USA.

Weaknesses:

- High risky.
- Many Competitors.

- **Challenger: British airways**

Strengths:

- Variety of services.
- Quality services.
- Airbus (latest technology).

Weaknesses:

- Many Competitors.

- **Follower: Turkish airlines**

Strengths: Strategic location.

Weaknesses: Scarce of Technology.

- **Niche: France airlines**

Strengths: It's Brand.

Weaknesses: Many competitors,

5.6. SWOT ANALYSIS⁵

SWOT means strengths, weaknesses, opportunities, and threats. Strengths and weaknesses for the inside of any organization, and opportunities and threats are outside of the organization. SWOT analysis is very important because every industry must be able to recognize the capacity of the production and service they have with the strength of their own activities. What are the weaknesses they have, and how they can get opportunities and avoid threats from outside of the organization. Political, economical, SWOT analysis-

<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Strategic location. 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Scarce of technology • High cost ,no differentiation • Being the follower ,not the creative side
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Miles & miles programs. • Shop miles credit card. • Troya (reservation departure control) and automatic ticketing system. 	<p><u>Threats</u></p> <ul style="list-style-type: none"> • Natural disaster could reduce tourist (earthquake, SARS)

Social and technological factors are behind these causes.

⁵ SWOT analyses, see appendix B.

5.7. PROBLEM SITUATION

As a result from the financial analyses conclude the main problems are no profit and the reason this project consider are as follow:

- **Scarce of tecnology.**

Because of a lot of workers which are not contribute with the increase of the work so as it expand its work every year so it need to hire more workers that lower the efficiency of the productivity and increase the operating expenses if Turkish Airlines used the new tecnological instruments, then it can replace the extra workers and decrease expenses.

- **Depreciation⁶**

Maintenance and restoration may also play a big role in increasing operating expenses. Becouse Turkish airlines has been established many years ago , their planes, buildings and equipments get older so it needs more repairs and this couse the extra expenses too.

⁶ definition of depreciation see appendix B

5.8. KEY ASSUMPTION ⁷

- Terrorist threat will not effect by year 2005.
- Economic conditions will get better.
- The both side (Greek side and North Cyprus) will agree on solution for TRNC which will create a new destination and will increase the number of buyers
- The airport will get more bigger and modern ,that will help the organization to do the job more efficiently

⁷ Key assumption is the expected future picture of the industry.

5.9. LONG-TERM OBJECTIVES

Revenue of Turkish Airlines in year 2001 showed in the foreign currency and the Foreign currency-indexed was TL1, 647,000,951,999,070, which equivalents to 1 billion and 345 million USD (www.turkishairlines.com.tr), see appendix A. Now as an example forecast saying that Turkish airlines can obtain revenue of 2 billion by year 2004 if things are going like this. Corporate long term objective usually above the forecasting objective, so this project creates corporate objective for Turkish Airlines is 3 billion by year 2004. There is a gap between forecast and corporate objective, which is $(3-2) = 1$ billion. How this gap Turkish Airlines can reduce is the solution of this project.

5.10. PROPOSED STRATEGIES

After long discussion and analyses project find that there are few strategy that Turkish Air lines can take, in this project two strategies are used, 11.1. Is Productivity, and 11.2 is Penetrations. Theses strategy is presented year by year in a table in the next page and then the graphical description of Gap analyses

5.11. ANNUAL OBJECTIVES

Total gap: 1 Billion \$

Operations Gap: 1 Billion \$

- Productivity Objectives and Strategies:**

Objectives: 400,000,000 \$

Strategies: Reduce the cost (decrease the number of employees) 180,000,000 \$

120,000,000 \$ Using the technology instead of workers , efforts (technology development)

100,000,000 \$ Increase the capacity of seats in the economy class.

- Penetration objectives and strategies:**

Objectives 600,000,000 \$

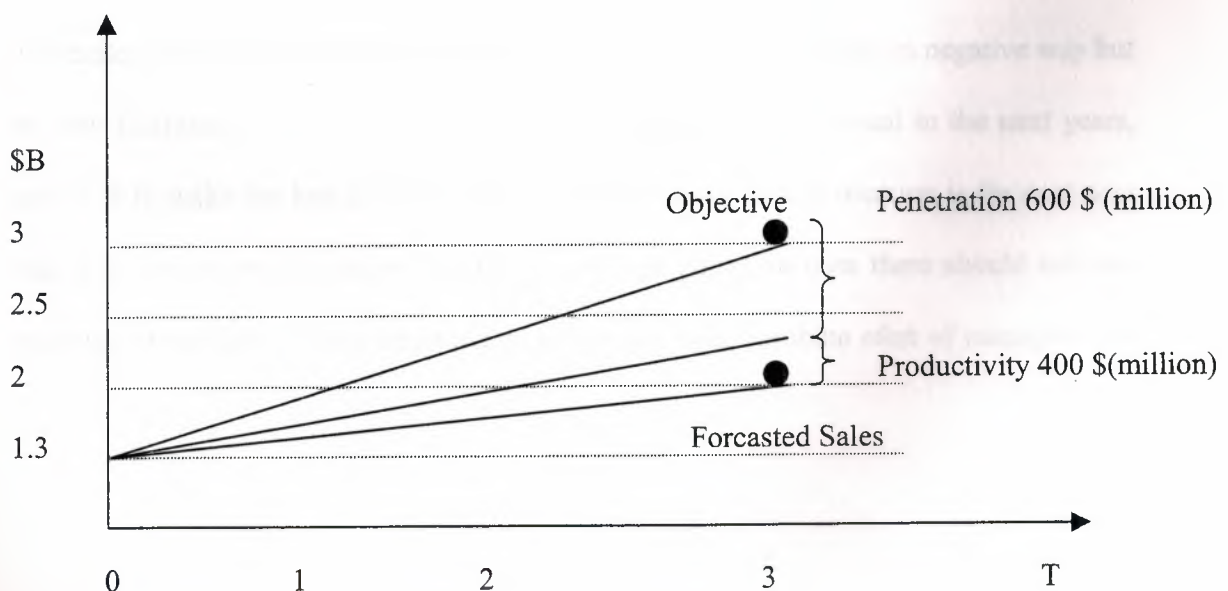
Strategies set up marketing programs:

Advertising 150,000,000 \$

Sales promotions, miles and miles program,

Shop miles credit card 200,000,000

Troya (reservation departure contrl and automatic tickiting system 250,000,000 \$.



5.12. EVALUATION AND CONTROL

Continue monitoring and budget it is possible to achieve annual objective, continue measuring and compare with objective from the evaluation. Monitoring and budgetary control of this project presented below-

Budgetary control

	year 2001	year 2002	year 2003	year 2004
Sales	\$1b	\$700	\$1,3b	\$2.5 b
Direct costs	1,08b	1b	1,1b	2,1b
Gross profit	(127)	(300)	200	400
Marketing costs	168	150	165	330
Profit after marketing costs	(295)	(450)	35	70
Gross margin (%)	(13.3)%	(43)%	15%	16%
Marketing costs /sales (%)	16.8%	21%	12.7%	13,2%
Profit after marketing costs /sales (%)	(29,5)%	(64)%	2,7%	2,8%

The tables shows an decreases in sales in 2002 which affect the profit in negative way but by new facilities and operations which T.A are going to make it real in the next years, help T.A to make the loss profit .another point which we should mention is the cost next year will not exceed the sales . If this way things going on then there should not any problem, but achieve annual objective is not a easy task, combine efort of managers and

staff and continue their effort to evaluate problem and measure and then they should take corrective action or feed back.

Monitoring table:

Objective	Strategy	Programme	Time table
180000000	Productivity	Reduce the cost (reduce the numbers of employees)	During three months
120000000	Productivity	Technology developments which will replace the workers effort and make the job more efficiently such as tactic (cargo automation system)	By the end of 2002
100000000	productivity	Increase the seats capacity in the economy class	On june ,02
150000000	penetration	Advertising, which dealing with safety flight with with T.A	On april ,03
200000000	penetration	Miles &miles program , shop miles credit cart	During six months may –oct,03
250000000	Penetration	Troya (reservation departure control and automatic ticketing system)	At the beginning of 2004

That table is briefly described the strategy of Turkish Airlines to fulfill the objective for every year from 2002 to 2003. In the table two type of strategy are showed to reach the amount corporate objective mansion, they are productivities, and penetrations. By these strategies Turkish Airlines may reach to the corporate objectives.

CONCLUSION

Turkish Airlines was established in 1933, a long time ago. Unfortunately T.A. was unable to maintain its objectives and resources with rapidly changing airlines market opportunities. Technological improvement creates market opportunities. Technological improvement creates market opportunities for airlines industries, and T.A. simply failed to use those new technologies. T.A. mainly depends on human in stead of technologies so their expenses are so high.

This project tried to apply complete marketing planning system (M.P.S) and showed how T.A. also can enjoy profits by using it.

Due to short information provided by the Turkish airlines, and with short period of time in hand Turkish airlines corporate and business unit strategies was not adequate, however project created corporate and business unit strategies with information in hand. In the project there are corporate objectives and strategies to obtain that objective are provided.

This project gives effect to analyze customer's needs and wants of air transportation and related services and evaluate few no. of opportunities and threats to Turkish airlines created by competitors and from external environment.

Due to lack of information provided by T.A. the project failed to present previous marketing action and results of T.A. it is just focus on present action and future results from that action.

This project presented a complete mission statement which comprises vision, value and principals, non financial goals of Turkish airlines.

This project did the similar job stated before. Through try to discuss and establish a strategic direction, these projects apply strategies to obtain corporate objective given by the project. It is also discuss of SWOT analysis and rapidly changing marketing environment.

This project tried to use these steps provided by Phillip Kotler to accomplish full strategic planning process.

Strategic marketing planning for Turkish airlines project identified the important segment of airlines industry and described briefly each of the segment as a profile.

This project establish an long term objectives (3 years) but produced monthly and annual objectives to accomplished in order to obtain long term objectives. This project used a monitoring table if short term objective will not work with current strategy than new strategy will be followed.

This project also set specific objectives with specific time to be accomplished, e.g. increase sales, and decrease cost.

The strategies appeal to customers in this project that T.A. already started, so these strategies are consistent with the company's capabilities.

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APPENDIX

A

AL RESULTS

	1997 (*)	1998 (*)	1999 (*)	1999 (**)	2000 (*)	2000 (**)	2001 (*)	2001 (**)
ING REVENUES	204,802,714	354,777,019	541,672,304	541,672,304	959,662,893	959,662,893	1,665,236,226	1,665,236,225
ING EXPENSES	207,864,349	361,028,924	648,647,344	653,722,218	1,067,205,111	1,094,169,382	1,837,236,504	1,849,765,894
ING PROFIT/LOSS	(2,861,635)	(6,251,905)	(107,975,040)	(112,049,914)	(127,542,218)	(134,506,489)	(172,000,278)	(184,529,669)
E AND PROFIT FROM I OPERATIONS	11,889,629	14,286,372	38,408,599	38,319,922	35,728,573	34,734,275	159,125,631	158,920,291
ES AND LOSS FROM R OPERATIONS	1,860,946	3,344,490	5,301,600	4,042,760	8,719,398	7,240,369	31,845,838	31,253,906
AL EXPENSES	3,099,724	3,557,426	12,297,519	12,297,519	11,957,025	11,937,025	21,417,159	21,417,159
ARY PROFIT/LOSS	4,077,424	1,132,561	(87,165,560)	(90,070,871)	(112,480,068)	(118,979,608)	(66,137,644)	(78,280,443)
ORDINARY REVENUES	3,290,463	9,323,263	40,032,779	40,122,056	61,312,556	62,316,854	111,054,386	111,381,184
ORDINARY EXPENSES	1,659,720	2,993,988	20,381,596	20,381,594	12,856,882	12,856,882	24,973,438	24,973,438
ON FOR TAXES AND R STATUTORY OBLIGATIONS	2,871,444	1,959,663						
ORIT (LOSS)	2,836,723	5,462,173	(67,514,377)	(70,330,409)	(64,034,384)	(69,519,636)	19,943,394	8,127,303
SE EXCHANGE RATE (US\$ 1.00)	151,234.66	259,825.92	417,034.79	417,034.79	623,354.82	623,354.82	1,220,517.26	1,220,517.26

According to Uniform Accounting System.

According to Capital Markets Board Law Serial XI, Communiqué No. 1.

1995	<ul style="list-style-type: none"> • First Class service started on A-310-318 aircraft in February • Registered capital was raised to 10 TRILLION TL in March • 3 B-727-200 aircraft were converted to cargo aircraft in July, September and November
1996	<ul style="list-style-type: none"> • RJ-70 aircraft joined our fleet • 4 B-727-200 aircraft disposed of from our fleet in April • 4th A-340-300 aircraft joined our fleet • Capital was raised to 10 TRILLION TL in May • Registered capital was raised to 50 TRILLION TL in December
1997	<ul style="list-style-type: none"> • 5th A-340-300 aircraft joined our fleet • Block space agreement signed on 31st September with Japan Airlines for Istanbul-Osaka-Istanbul route

1998	<ul style="list-style-type: none"> • Block space agreement signed with Austrian Airlines for the flights from Istanbul, Ankara, Izmir to Vienna in March • On March 30th Turkish Airlines became a member of "The Qualiflyer Group" • Paid capital was raised to 30 TRILLION TL in June • Block space agreement signed with Swissair for the flights from Istanbul to Zurich, Geneva and Basel, from Izmir to Zurich in August • Block space agreement signed with Croatian Airlines on Istanbul-Zagreb-Istanbul route in September • Block space agreement signed with Japan Airlines on Istanbul-Tokyo-Istanbul route in November • First 6 of 26 new generation B-737-800 aircraft joined our fleet in November
1999	<ul style="list-style-type: none"> • 9 B737-800 aircraft joined our fleet • Turkish Airlines opened its second maintenance center more than doubling its hangar capacity • No smoking policy is applied to all our flights in April • 6th A340-300 aircraft joined our fleet • Code share agreement signed with Malaysian Airlines on Istanbul-Kuala Lumpur-Istanbul route in September • Registered capital was raised to 175 TRILLION TL in November
2000	<ul style="list-style-type: none"> • 7 B-737-800 aircraft joined our fleet • Code share agreement with Austrian Airlines ended in March • 7th A340-300 aircraft joined our fleet in April • Block space agreement signed with Asiana Airlines on Istanbul-Seoul-Istanbul route in May • First commercial flight to Sydney was operated for the Olympic Games in September • Code share flights started in October to 10 domestic destinations in the USA via New York, Miami and Chicago as a result of the agreement signed with American Airlines at the end of February • New Frequent Flyer Program "Miles&Miles" was launched in October • Code share agreement with Malaysian Airlines ended in October • Beginning from October 29th * Block space agreement with Cathay Pacific Airlines on Istanbul-Hong Kong-Istanbul route * Code share agreement with LOT Polish Airlines on Istanbul-Warsaw-Istanbul route * Code share agreement with Czech Airlines on Istanbul-Prague-Istanbul route
2001	<ul style="list-style-type: none"> • 2 B737-800 aircraft joined our fleet • 6 A-310-200 aircraft sold to Iran Air • Code Share agreement with Sunexpress signed on Antalya-Frankfurt-Antalya route • Ankara flights started from Sabiha Gokcen Airport since January • Reservation Call Center (444 0 THY / 444 0 849) service started.
2002	<ul style="list-style-type: none"> • 2 B737-800 aircraft joined our fleet • Pristina flights started on 15th April



The year 2001 in brief	Year 2001 operations	Major investments
Legal status	Flight and traffic developments	New Services
Turkish Airlines' mission	Commercial developments	Information technology projects
Management & Control Committee	Technical	Financial Review
Traffic and financial results	Human resources	

AFFILIATES and SUBSIDIARIES

Company Name	Shares Subscribed	Percent Held (%)	Capital Commitments	Shares Paid in
Subsidiaries				
THY SRL	254,016,480	100		254,016,480
SUN EXPRESS INC.	24,000,000,000	50	6,000,000,000	18,000,000,000
Affiliates				
EMEK CONSTRUCTION	3,000,000,000	0.3	0	3,000,000,000
QUALIFLYER LTD.	12,264,000,000	16.6	0	12,264,000,000
TOTAL	39,518,016,480		6,000,000,000	33,264,000,000

	2000	2001
PROFIT SHARES TRANSFERRED TO BALANCE SHEET FROM AFFILIATES		
EMEK CONSTRUCTION	854,778,742	1,055,604,342
QUALIFLYER LTD.	-	24,050,093,760

THY SRL

THY SRL, incorporated in Kishinev under Moldavian laws, is wholly owned by Turkish Airlines. This Company became operational on October 12, 2000, and flights to Kishinev were initiated. However, the Board of Directors resolved on October 5, 2001, that Turkish Airlines should be represented as an office in Kishinev and continue with uninterrupted services and that the Company should be dissolved.

SUN EXPRESS INC.

Sun Express operates tourist charter flights. The other major shareholder of the Company is Condor (50%).

EMEK CONSTRUCTION

This company operates in the area of construction and property management. Major shareholders are the Penyon Fund of the Turkish Republic (49%) and Red Crescent Association of Turkey (49%).

THE QUALIFLYER GROUP

The Qualifyer Group was established within the framework of a strategic cooperation, of which Turkish Airlines became a member on January 24, 1998, with the participation of Turkish Airlines, Swissair, Austrian Airlines, Sabena, AOM and Portuguese Airlines, each with a participation rate of 16.5%, in order to provide complete ground services to airline companies. At the meeting held on October 5, 2001, the Board of Turkish Airlines resolved to legally terminate the participation of the Company in the Qualifyer Group, which had already terminated its operations.

contents	• The year 2001 in brief	• Year 2001 operations	• Major investments
	• Legal status	• Flight and traffic developments	• New Services
	• Turkish Airlines' mission	• Commercial developments	• Information technology projects
	• Management & Control Committee	• Technical	• Financial Review
	• Traffic and financial results	• Human resources	

▶ **Annual Report**



FOREIGN CURRENCY and FOREIGN CURRENCY-INDEXED TRANSACTIONS

From a revenue of TL 1,935,416,244,144,700 in 2001, TL 1,647,000,951,999,070 was in or convertible to foreign currency.

Foreign currency expenditures of Turkish Airlines during the same period amounted to TL 1,265,809,494,864,190

The net foreign currency contribution of Turkish Airlines to the Turkish economy was TL 381,191,134,886, which corresponded to US\$ 319,180,061 in (or convertible to) foreign currency.

These values, listed in the table below, are shown in Turkish lira and US dollars according to years:

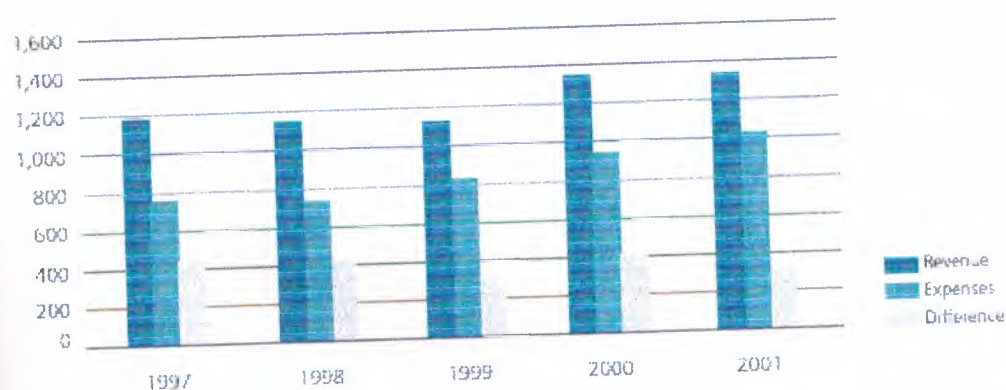
Turkish lira (Million)

Years	Revenues	Expenses	Difference
1997	181,328,452.30	117,364,823.80	63,963,628.50
1998	302,574,563.80	193,655,718.10	108,918,845.70
1999	473,154,508.70	354,239,739.00	118,914,769.70
2000	845,926,701.50	600,427,870.90	245,498,830.60
2001	1,647,000,951.90	1,265,809,494.80	381,191,457.10

US dollar (Million)

Years	Revenues	Expenses	Difference
1997	1,190.50	756.60	433.90
1998	1,156.40	728.40	428.00
1999	1,133.40	831.70	301.70
2000	1,356.30	949.50	406.80
2001	1,344.60	1,025.40	319.20

FOREIGN CURRENCY and FOREIGN CURRENCY-INDEXED REVENUES AND EXPENSES (US\$ million)



APPENDIX

B

in a second workroom. When the researchers raised lighting levels in the first room, productivity went up in both; when they lowered lighting levels in that room, productivity still went up in both—even when the lighting was reduced to the level of moonlight.⁶

These researchers later studied the group behavior that developed among men who worked on switchboard equipment. They discovered that the employees established their own **group norms**, or standards of behavior, for what the correct output should be. The group sneered at overproducers as “rate busters” and underproducers as “rate chiselers.” This group pressure was effective; the employees were more concerned with the approval of their peers than with earning more money.⁷

The earlier work-environment studies baffled researchers, because employee productivity improved whether or not changes had been introduced. The researchers concluded that this improvement was simply a result of participating in the research—of being asked for opinions and ideas, of being listened to. This phenomenon came to be known as the **Hawthorne effect**. Later researchers who conducted experiments and carefully reviewed the Hawthorne results have not been convinced that the Hawthorne effect exists.⁸ However, in the later group-behavior study, the Hawthorne researchers clearly showed that peer pressure in the informal organization has at least as much power to motivate employees as the formal organization.

Maslow's Hierarchy of Needs

In 1943 psychologist Abraham Maslow proposed the theory that behavior is determined by a variety of needs. He organized these needs into five categories and then arranged the categories in a hierarchy (see Exhibit 9.2). The most basic needs (food, water, shelter) were at the bottom of this hierarchy, and the more advanced needs (esteem, self-actualization) were toward the top. A human being, according to Maslow, is a “perpetually wanting animal.” When lower-level needs have been satisfied, at least in part, a person tries to satisfy needs on the next level.⁹

All the requirements for basic survival—food, clothing, shelter, and so on—fall into the category of *physiological needs*. These basic needs must be satisfied before the person can consider other needs. Today, physiological needs are so readily fulfilled by most wage earners that

group norms Standards of behavior that all members of a given group accept

Hawthorne effect Improvement in performance as a by-product of attention, a theory developed during the Hawthorne studies of productivity



Exhibit 9.2

Maslow's Hierarchy of Needs

According to Maslow, needs on the lower levels of the hierarchy must be satisfied before higher-level needs can be addressed.

Airline wins top award

British Airways has been named as the "best low cost airline" in an annual poll by organised by The Guardian newspaper in the UK.

The airline, which restructured its European and domestic fare structure in summer 2002, now offers new reduced fares on more than 170 routes across the continent.

The Guardian and its sister paper, The Observer, received more than 24,000 completed questionnaires for its survey about different aspects of the travel industry.

Writing about the survey results in its travel section on Saturday June 28, the Guardian concluded: "British Airways' price cuts seem to have propelled them to the top of this particular league."

It added: "In a year when the line between budget, charter and scheduled airlines grew increasingly blurred, and - in advertising and strategy - airlines challenged their rivals' claims to be the cheapest, one company seems to have emerged as clear winner in the minds of our readers."

Customers who wish to experience travelling on the "best low cost airline" should book now at ba.com

Ends

American Airlines Sued

For the last several years, new entrants and smaller carriers in the US have complained about what they have perceived as the unfair competitive practices of the major airlines at their dominant hubs.

Ranging from predatory pricing to capacity dumping to disproportionate frequent flyer benefits - those leading the charge have been as vocal as they have been determined to create what they feel is a more level playing field in the US aviation market.

Last week, this group scored its first major victory as the US Department of Justice filed an antitrust suit against American Airlines claiming the nation's second largest carrier drove out its low-fare competitors in order to monopolize routes out of the DFW Airport.

The DOJ charged that American added flights and slashed airfares in order to protect marketshare at its DFW hub. Joel Klein, head of the antitrust division, says American went so far as to purposely lose money in order to run these low-fare start-ups out of the market and to gain a monopoly on traffic flying in and out of the airport. Right now 77% of the traffic at DFW flies on American, he said.

One of the discount carriers claiming to be unfairly targeted by American is Kansas City-based Vanguard Airlines.

"Vanguard's position, which it has held for three years, has been vindicated," says CEO and president Robert "Rocky" Spane, who calls American's steps to eliminate their presence at DFW unlawful.

"We are delighted that the Justice Department has agreed," says Spane. "This is a move that will help preserve open competition throughout the industry and help consumers and new entrant airlines alike."

But the argument that actions like those taken by the DOJ are helpful to consumers is very much under fire. American believes the allegations of predatory practices are not only unwarranted, but go against the very essence of free market competition. American makes no apology for being an aggressive - but fair - competitor because fierce competition has delivered more innovation, greater efficiency, expanded service and lower airfares to the US aviation industry.

"Matching rivals' fares is the simplest competitive response - and one consistently validated by the courts," said American. "Failing to match fares in the airline industry is a quick ticket to financial ruin for any company since price is of overriding importance for consumers."

American says there is a double standard being applied: "When a low-fare carrier enters a route, government officials, the press and public applaud them for providing healthy competition. When the established carrier competes on that route by matching those fares or offering more flights, it is denounced as predatory."

American notes that it was forced to close its hubs in Nashville, Raleigh-Durham and San Jose because of low-fare competition and lack of business. Nevertheless, American did not blame its competitors or seek government action against them. Nor did the government see the need to investigate why competitors were able to drive American out of the market: "American took its lumps and put its assets to use in other markets."

American is not alone in its defense. Many industry observers believe new entrants fail because of inherent flaws in their business plans, not because of predatory pricing.

"Almost every upstart airline underestimates costs while miscalculating its break-even load factors, consumer demand, and the competitive response," said Darryl Jenkins, Director, The Aviation Institute at The George Washington University.

"Congress and the usual-suspects crowd of veneer aviation analysts have cabbaged on to the silly belief that these are a genre of companies that have been unfairly treated by that Evil Empire called 'Big Airlines,'" said industry analyst Mike Boyd of ASRC. "The vast majority of these have failed for reasons other than 'predatory competition' from the Evil Empire. There are very few industries that can eat money faster with lower potential returns than the airline business."

The DOJ says it is looking into similar predatory pricing situations at other hubs dominated by other major airlines. But for now, the suit appears to be limited to pricing and capacity actions on certain routes and not a broad attack on the overall issue of hub dominance, say analysts.

American says it will mount an aggressive defense and is confident that its actions at DFW will prove to be nothing more than those of any tough competitor in a highly competitive industry.