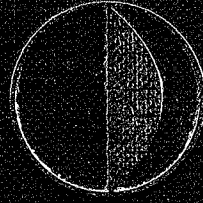


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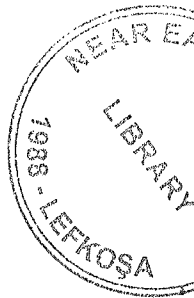
Çıraklı Şekerleme Ltd

Graduation Project
MAN - 400

Submitted by: Mehmet Yavuz (970349)

Submitted to: Asst. Prof. Dr. Erdal Güray

Nicosia - 2002



ABSTRACT

Aim of this study is to make analyze a firm and prepare graduation project after four years studied.

While this project is prepared, the firm was analyzed according to be located market situation. The other purpose of this project is to determine positive and negative conditions of the firm and make a research about market as related customers and their needs and wants. Also who is the competitors of the firm, what are their market position and then is to give these information to the firm for use.

This study occurs from six part. First part include background of the firm. Second part include corporate vision and mission statement. In third part firm's financial condition is analysed. Fourth part include market analyses. In the fifth part corporate objective and strategy is analysed. Lastly in sixth part is conclusion and general evaluation was made about the study.



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INTRODUCTION

Aim of this study is to make analyze a firm and prepare graduation project after four years studied.

While this project is prepared, the firm was analyzed according to be located market situation. The other purpose of this project is to determine positive and negative conditions of the firm and make a research about market as related customers and their needs and wants. Also what is the competitors of the firm, what are their market position and then is to give these information to the firm for use.

While this project is prepared, was made some meeting with related institutions. But while firm's market share, sales, sales objective are determined, some problems occur with firm's financial institution meeting was made with manager of the firm, Astro, KKTC Ticaret odasi and taken some information from these institutions.

This study occurs from six parts. First part include background of the firm. Second part include corporate vision and mission statement. In third part firm's financial condition is analyzed. This analyze was separated into two part that are performance and future performance. Fourth part include market analyses. Market analyses is separated into that five forces model, past analyses, product analyses, swot analysis, value chain analyses and boston matrix. In fifth part corporate objective and strategy is analyzed into three steps. These are corporate objective, basic findings, Recommended Strategies. Lastly, in conclusion part general evaluation was made about the study.

AIMS AND METHODS

AIMS

To understand the management theories and concepts studied in business administration course through investigating their applications in a real case study of a company.

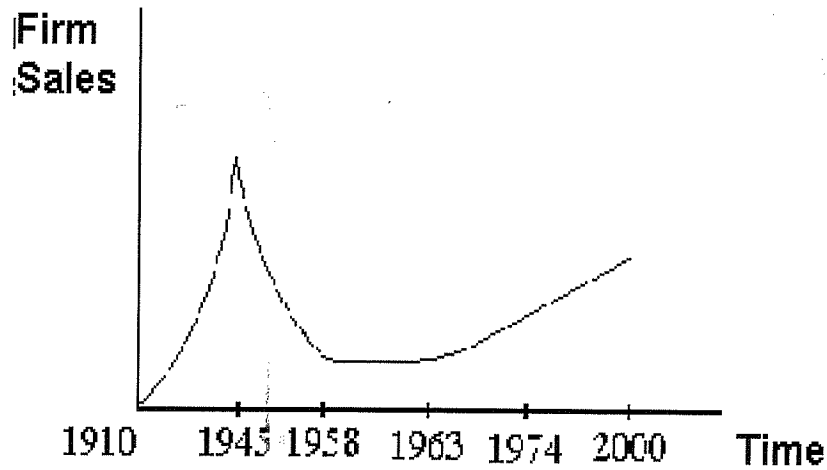
METHODS

1. Literature survey into business management theories and concepts (see referances)
2. Selected management theories and principles (see appendix B)
3. Çirakli ltd. Was studied through interviewers as a case study (see appendix A)

I. BACKGROUND OF ÇIRAKLI ŞEKERLEME

Cirakli sekerleme was established by mr Ahmet Cirakli in 1910. When the company first introduced produced only candy,delight.The company had biggest candy production in Cyprus in 1945.At the beginning , the company was operated in Greek region and employed 50 workers. In this term,the company was bombed by Greek people because of Turk and Greek wars. Later the factory was carried to Marmara region and then moved to Industrial Estate of Lefkosa.The company made a lot of loss as equipment in this term.

We can see improvement time of the company in the following graph;



As we seen on the graph reach level of the top in 1945 then because of war the company market share began to the decrease and then this decreasing continued until 1963. After 1963 the company was started to increase of the market share and this increasing was continued after 1974 but at the moment, the company was not reach to level of the market share as 1945. The company made turkish delight exporting to England until 1994 but after ABAT decisions the exporting was stopped. At the moment the company have a factory and sales shop in the Industrial Estate of Lefkosa, a sale shop and producing plant in Marmara and a sale shop in the Central Lefkosa. All the raw materials are imported by the company. Main products of the company are types of the candy, turkish delight and chocolate.*1

*1. Çiraklı, Bülent. Manager of the Çiraklı Ltd.

II. CORPORATE VISION AND MISION STATEMENT

Bülent Çıraklı is manager of the company said that the company does not have any vision and mission in this economic crisis.

III. FINANCIAL ANALYSIS

3.1. Past Performance

Variables	Rows	2000
1- industry sales in kg		3.335.000
2- company market share		0,06
3- Average price per unit \$		2,06
4- variable cost per unit \$		1,85
5- Gross contribution margin per unit (\$)	(3-4)	0,21
6- Sales volume in kg	(1.2)	200100
7- Sales Revenue \$	(3.6)	412,201
8- Gross contribution margin (\$)	(5.6)	42,021
9- overhead (\$)		4000
10- Net contribution margin (\$)	(8-9)	38,021
11- Advertising and Promotion Exp (\$)		70
12- Sales force and Distribution Exp (\$)		1400
13- Marketing Research Exp (\$)		-
14- Net operation profit (\$)	(10-11-12-13)	36,551

Table 3.1. Historical Product Data for Çıraklı in 2000

Here the sales, prices, contribution margin and net profits are shown for 2000 year in table form. In Table 3.1 Row1 shows the total industry sales in kg Row2 shows Çıraklı's Market share having around 6 percent. Row3 shows the average price for Çıraklı's product. Row4 shows variable cost for materials, labor energy. Row 5 shows that the gross contribution margin for unit, the difference between price (Row3) and unit variable cost (Row4). Row 6,7 shows sales volume in Kg and in dollars and Row8 shows the total gross contribution margin. Row9 shows that overhead. Row 10 shows net contribution Margin that is gross contribution margin less overhead. Row 11,12,13 show marketing expenditure on advertising and promotion, sales force and distribution and marketing research, finally Row14 shows net operating profit after marketing expenditure.

3.2 Future performance

The company expect earn \$43.000 profit and target profit margin is 10 percent on sales. The company set a goal \$430.000 in sales revenue. The company set an average price of \$2.10, company expect sell 204,762 Kg. Also company expect gain 6 percent market share to achieve their goals. ^{*2}

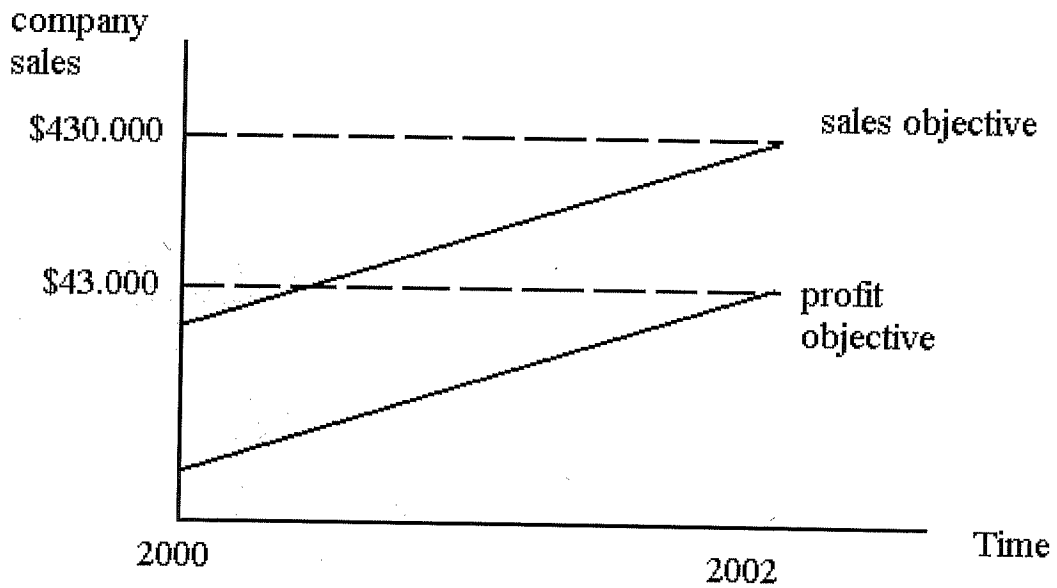


Figure 3.2. Future Performance of Çıraklı.

^{*2} Çıraklı, Bülent. Manager of the Çıraklı company.

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IV. MARKET ANALYSIS

4.1. Customer and Market

Çıraklı Şekerleme produce chocolate and candy for every body. Mainly customer is between 3 and 50 age groups. Today Çıraklı's product is sold everywhere. Mainly market segment of Çıraklı are pastry seller, grocer, big market and military canteens. Company make distribution of products with own vehicles. Products of the Çıraklı Şekerleme have lower prices than its competitors' products' prices. According to my search Çıraklı product price are nearly half of competitor price and according to my research customer accept Çıraklı company's products' price but customers say company must improve its quality, and packaging.

Market shares of Çıraklı products are approximately 6% in TRNC market. Most of products are coming from foreign countries such as Turkey, Switzerland, England, Holland, Belgium, etc. Çıraklı products are sold at mostly in religious festivals and consumption of Çıraklı products are increased at the time of beginning of school term. ^{*3}

In TRNC market there are a lot of competitors for Çıraklı Şekerleme the most effective competitor is cadburg, which has 40% market share approximately, cadburg is not a competitor only for Çıraklı Şekerleme. At the same time it is one of the biggest competitor for another companies. ^{*4}

At the result of questionnaires, the following ranking can be made. ^{*5}

Company	Market Share (%)
Cadbury	40
Ülker	15
Milka	10
Eti	8
Nestle	7
Çıraklı	6
Horozoğlu	4
Others	10

Table 4.1. Market shares of companies in chocolate sector in TRNC market

^{*3} According to manager of company's expressions and the result of questioners.

^{*4} information taken from Horozoğlu project, it was prepared by students in 2001.

^{*5} information taken from Horozoğlu project.

4.2 Five Forces Model

A Model to analyze the nature and intensity of competition we use competitive force model for how competitive is the market we are in? what is the competition based on? What are the threats to our competitiveness?

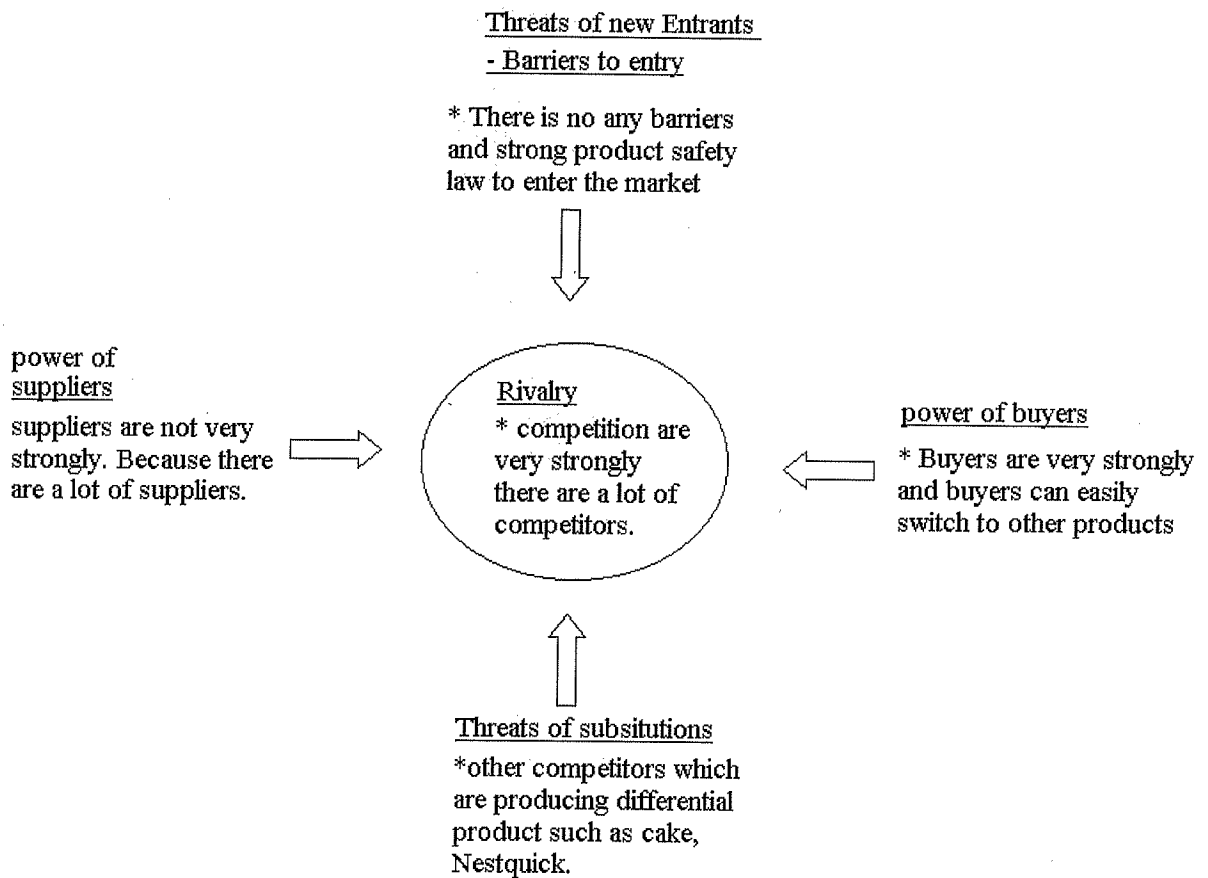


Figure 4.2. Candy industry in Cyprus.

When we analyzed candy industry with competitive forces model in Cyprus. We see that there is no any barriers and product safety law to enter market that's why competitors can easily enter the market. This increase competitive force in the market Buyers are very strong because there are more competitors and more different product in the market. Therefore buyers can easily switch to other products. Also these competitors produce more different product therefore customers have more kind of product that consumers can easily change their consumption from one product to another one. Suppliers are not very powerful because there

are more suppliers. But the country have island economy and resources are very limited therefore suppliers import raw material from Turkey or other country or companies import their raw material from other country. That's why their product cost increase in the market.

4.3. Business Environment

Micro Environment

Competition: Unfavorable imported product from Turkey can easily enter the market and also they have advertising advantage. They do not spend any amount of money for advertising their advertising make from Turk television (for exp: ATV, STAR, SHOW) and Newspaper. This is disadvantage for local company.

Customer: Favorable, in lost days people have a slogan that you consume to your produced product. This slogan orient customers to local company's product this positively influence Çıraklı Şekerleme.

Suppliers: Unfavorable because local companies import their raw materials generally from Turkey and at the first they have maturity to buy their raw material. After economic recession in Turkey must pay cash. This is disadvantage for Çıraklı Şekerleme.

Public: Favorable because Number of the supermarkets increase in the market. Therefore transformation cost of the company reduce also customers can easily reach the product.

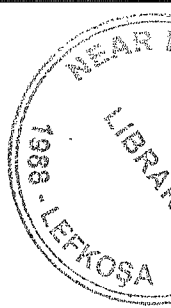
Macro Environment

Political: Unfavorable, that decisions was prepared by EU with pressure of south Cyprus therefore local companies have restriction to export their product to another countries in North CYPRUS Before Abat decisions Çıraklı Şekerleme export Turkish delight to England After Abat decisions, this export is stopped. Also Government policy does not support to domestic companies.

Economic: Unfavorable Çıraklı Şekerleme cannot use credit for production. Reason of this is interests of credit are very high to pay back.

Social: Unfavorable, for consumers main factors are quality, name packaging but Çıraklı product do not include these factors.

Technologically: Unfavorable, there is no enough sales for Çıraklı Şekerleme, therefore income of the firm is very low and because of this company does not follow the technological improvements.



4.4 Product Analysis:

Table 4.3. Candy market sales in Cyprus.

Years	Market Sales (\$)	Average sales for 2 years
98	503,665	529,486.5
99	583,454	543,559.5
2000	876,514	729,984
2001 9 months	228,537	552,525.5

*Source: KKTC Ticaret odası

Table 4.4. chocolate market sales in Cyprus.

Years	Market Sales (\$)	Average sales for 2 years
98	923,939	786,767.5
99	913,245	918,592
2000	997,854	955,549.5
2001 9 months	399,043	698,451

*Source: KKTC Ticaret odası

Note: In this research, do not be considered to 2001 year because Economic crisis occurs in this year and market sales do not show real consumption in the candy and chocolate markets.

Product life cycle is that the course of a product's sales and profits over its lifetime. It involves five distinct stages: product development, introduction, growth, maturity and decline.^{*6} It shows us product situation in the market. We see that the market is available for goods and products.

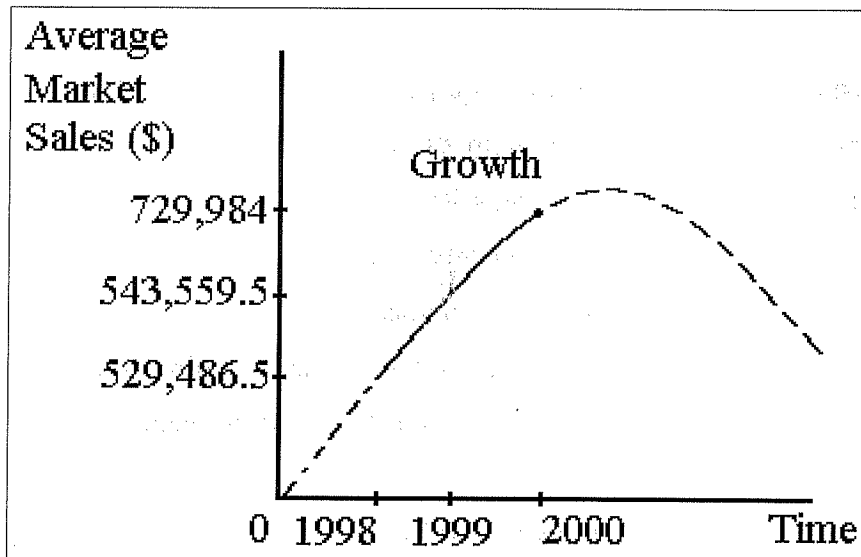


Figure 4.5. candy market Growth rate in North Cyprus

Using the PLC theory we see that candy market is in growth rate in North Cyprus.

According to my research that shows candy and chocolate sales increase in the market this shows industry's PLC is in the growth stage. This means are that sales increasing, rising profits and growing number of competitors. That's why company marketing objective should be maximize market share to reach marketing objective company's strategies should be.^{*7}

- Offer product extensions, service, warranty
- Price to penetrate market
- Build intensive distribution
- Build awareness and interest for advertising in the mass market.
- Reduce to take advantage of heavy consumer demand for sales promotion.

^{*6} Philip Kotler and Gary Armstrong, Principles of Marketing, United States of America: prentice hall international Inc., 1997, P.287

^{*7} Philip Kotler, Marketing management, 9th ed., prentice Hall, 1997, P.363.

4.5. SWOT analysis

The overall evaluation of a company's strengths, weaknesses, opportunities and threats is called SWOT analysis.

External Environment Analysis (opportunity and threats analysis)

In general, a business unit has to monitor key macroenvironment forces (demographic-economic, technological, political-legal and social-cultural) and significant micro environment factors (customers, competitors, distributors, suppliers) that affect its ability to earn profit. The business unit should set up a marketing intelligence system to track trend and important developments. For each trend or development, management needs to identify the associated opportunities and threats.

Internal Environment Analysis (strength and weaknesses analysis)

Each business needs to evaluate its internal strengths and weaknesses periodically. It can do so by using a form like the one shown in the marketing memo " check list for performing strengths / weaknesses analysis." Management- or an outside consultant – reviews marketing, financial, manufacturing and organizational competencies and rates each factors as a major strengths, minor strengths, neutral factor, minor weakness or major weakness.*8

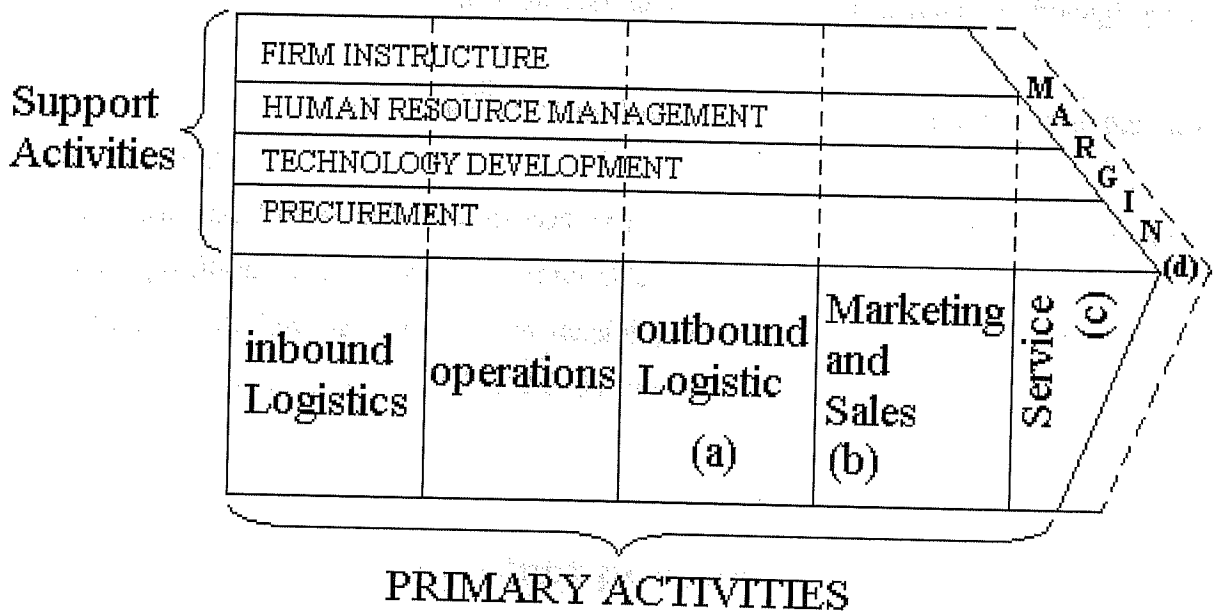
*8 Philip Kotler, Marketing Management, United States of America : Prentice Hall International Inc. , 2000, p. 76.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> *Low price *Low distribution cost *Have more experience 	<ul style="list-style-type: none"> *Name of the company *Low quality level *Inadequate technology *Taste *Packaging *Advertisement which are take place in local TV channels as BRT but Çirakli do not reach to their aims because most of people watch other TV channels
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> *Religious festival *Can reach people easily because small place *Increased number of university and students *Increased number of supermarket 	<ul style="list-style-type: none"> *Big foreign companies *Advertising, foreign companies do not pay extra advertising expenditure because Turk Television channels can be watched by people in North Cyprus *Low population level *Economic crises

Table 4.6. SWOT analysis of Çirakli sekerleme

4.6 Value Chain Analysis

The value chain identifies nine strategically relevant activities that create value and cost in a specific business. These nine value-creating activities consist of five primary activities and four support activities. Value chain as a tool for identifying ways to create more customer value.



- a) Coconut, cocoa powder, icing sugar, Turkish delight, candy and chocolate.
- b) Company delivery own product with own2 vehicles. Distributions of Çıraklı products are being made to groceries, which located in small villages and supermarkets, which are take place in the center of cities and also military canteens.
- c) Company have a factory and sale shop in the industrial Estate of Lefkoşa, a sale shop and producing plant in Marmara (Lefkoşa) and a sale shop in the central Lefkoşa.
- d) $\text{Margin} = \text{profit} / \text{sales} = \$36,551 / \$412,206 = 8.8\%$

4.7. Boston Matrix

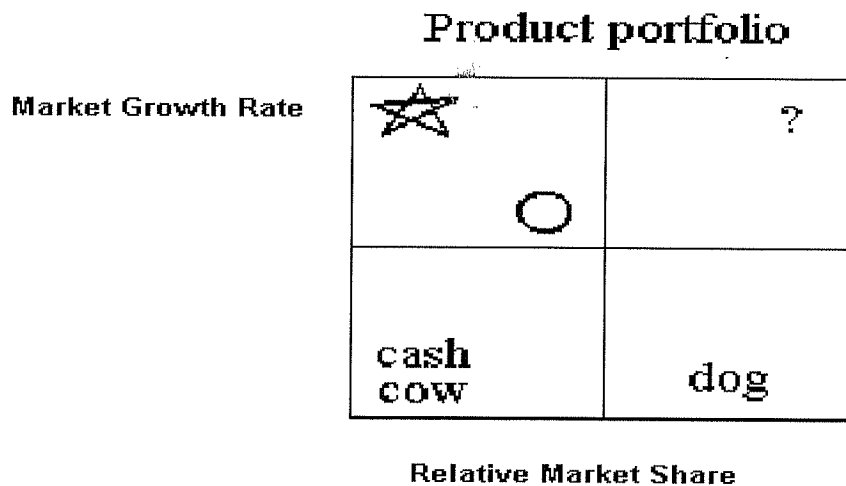
A portfolio-planning method that evaluates a company's strategies business units in terms of their market growth rate and relative market share. SBUs are classified as stars, cash cows, question marks, and dogs. ^{*9}

Stars: SBUs with high market share in high growth markets. Due to spending to combat competition on possible price/product differentiation wars. Cash is reliable although profit may be high.

Cash cows: SBUs with high market share in declining markets investment in low but cash generating is high.

Question Marks: SBUs with low market share in high growth markets. Due to initial investment profits and cash are negative or reliable.

Dogs: SBUs with low market share in declining markets. They should only be kept it complementing to other products of if and other justifying reasons exist.

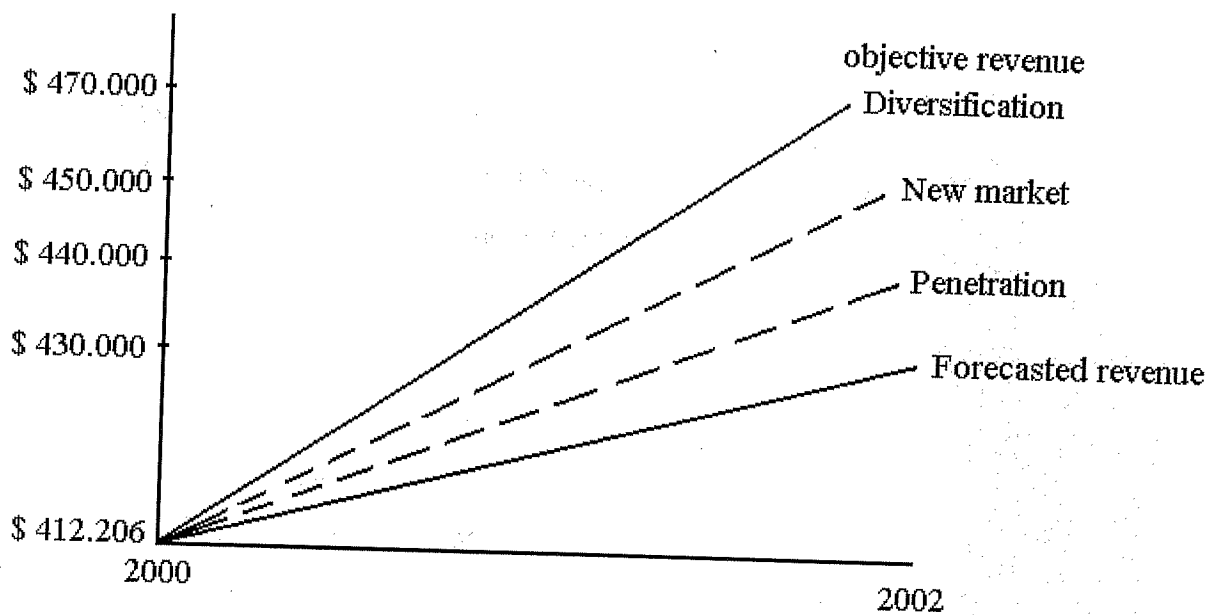


Commentary: Çıraklı has not a good portfolio. Because as shown on the Boston matrix, the Çıraklı's product at a star position generating profits, the Çıraklı do not share their risk. Because of single product.

^{*9} Philip Kotler and Gary Armstrong principles of marketing, United States of America: Prentice hall international Inc., 1997, P.38.

V. CORPORATE OBJECTIVES AND STRATEGIES

5.1. Corporate Objectives



Corporate objective statement: "To increase the sales revenue to \$470,000 by 2002".

Commentary: Current estimates stand at \$430,000 for 2002 year revenue. I will try to push this up to \$470,000. Considering capabilities and market situation.

Growth objectives and strategies

Total	gap \$40,000
Operations	gap \$10,000
Strategy	gap \$30,000

- 1) * Penetration (Strategy)
 - * To generate \$10,000 by end of 2 years (market objective)
 - * by
 - Increasing advertising
 - Increasing sales promotion
 - Increasing brand image
- } (program and tactics)

- 2) * Market development (strategy)
 - * To generate \$10.000 by end of 2 years (market objective)
 - * by - increasing exporting to Turkey (program and tactics)

- 3) * Diversification (Strategy)
 - * To generate \$20.000 by end of 2 years (Market objective)
 - * Establish merger with Nestle (program or tactics)

5.2. Basic Findings

- *Market share of the firm is 6 percent and market sales are 200100 kg in 2000.
- *Mainly market segments of the firm are pastry sellers, grocer, big supermarkets and military canteens.
- *Firm make distribution of product with own two vehicles. It is not enough.
- *Firm's product have lower price than its competitors' products' price.
- *Customers do not enjoy products of firm's quality and packaging.
- *Sales of firm increase in the religious festivals and when schools opened.
- *There are more competitors in the market. Mainly competitors are cadbury, ulker, milka, etc, nesle that these products come from foreign countries.
- *There is no any barriers and strong product safety law to enter the market.
- *Advertisement which are take place in local TV channels as BRT, TEMPO etc. but firm do not reach to their aims because of most of the people watch other high rating TV channels as ATV, SHOW etc.
- *Government policy does not support domestic companies. For example interest rate of production credits are very high.
- *There is no enough sales for the firm. Therefore income of the firm is very low and because of firm does not follow the technological improvements.
- *In summer times, consumption of the chocolate and candy decrease.
- *Supermarkets do not give important place in the shelf.
- *Population is low, this is disadvantage for the firm.
- *There are political barriers for exporting from Cyprus to other countries.
- *Firm has not a good portfolio because of it produce single product.

5.3. Recommended Strategies

In the result of researches which were made by me. The following recommendations can be made to Cirakli company about its productions.

- *The company should increase its market share from 6 percent to 10 percent in short term.
- *The company should follow new policies on some points such as packaging and taste and also to satisfy customer needs, the company should make small packaging for economic crises.
- *The company should follow more effective advertising policy for example The company should increase advertising mainly in big supermarkets.
- *The company sales decrease in summer term. Therefore company should increase promotion policy and also to increase sales rates, the company should produce ice cream in summer term.
- *The company should use more effective distribution and should focus on school canteens because company's product are cheap and cheap products are important for student because of their money is restricted.
- *The company should orient to foreign country that should increase exporting and reach more people.
- *The company should merger with other company but this company should be the same industry. For example Nesle therefore company risk will reduce and will create more competitive advantage against its rivals.
- *Corporate vision and mission statement should be ;
Vision : is to sell own products in whole shopping center in the world. Namely to be Global and to know by every people in the world.
Mission : is to satisfy people's taste.
Distinctive competence : It is low cost producer.
Value and Principles : *The customer always right
 - *No question ask on returned products
 - *Be fresh in the market
- Long term goals** : Enter to the international market and should increase its market share 15 percent in 15 years.

CONCLUSIONS

In this project, candy and chocolate market was analyzed in the North Cyprus and market position of the Çıraklı Şekerleme was investigated in this case study.

According to my research and gathering information from TRNC Trade Association. Market sales of candy and chocolate increase for last four years in the North Cyprus. There are many competitors and a lot of type of products in the market and all most of these products generally have good quality.

Çıraklı Şekerleme approximately have 6 percent of market share in the market. Mainly competitors of Çıraklı are that Cadbury, Ulker, Milka, Nesle. While this research was made I have made interviews with some customers and big supermarket's manager. According to my research, customers say that Çıraklı's product's price are suitable for us but quality and packaging are not enough and also view of packaging do not attract to people. These problems influence market share of the Çıraklı inside of the North Cyprus. The other important problem for Çıraklı or domestic companies are ABAT decisions that after ABAT decisions the Çıraklı's exporting stopped to other countries.

Other findings was determined in the basic findings and general recommendation was given in the part of recommended strategies.

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* Prentice Hall International Inc. , 1999, p. 38.

*Philip Kotler and Gay Armstrong, Principles of Marketing, United States of America :
Kotler, Marketing Management : Analysis, Planning, Implementation, and Control, 9th ed.
(Upper Seddle River, Nj : Prentice Hall , 1997), p. 363.

*Philip Kotler, Marketing Management, United States of America : Prentice Hall
International Inc. , 2000, p. 76

APPENDIX A

The following information was taken from Cyprus Trade Association by Zehra ÇAGRA.

CANDY	TL (000)	\$
1997	82,398,317	555,308
1998	132,623,859	503,665
1999	248,225,447	583,454
2000	554,275,162	876,514
2001 (9 months)	231,306,736	228,527
CHOCOLATE	TL (000)	\$
1997	101,703,569	649,596
1998	245,964,113	923,939
1999	387,301,628	913,245
2000	628,610,379	997,854
2001 (9 months)	365,661,787	395,048

Market sales of Cirakli	Tons
1994	100
2000	200

APPENDIX B

NAME	DEFINITION	PURPOSE/USE
PLC	The course of a product's sales and profit over its life time. It involves five distinct stages: product development, introduction, growth, maturity, and decline.	It shows us product situation in the market. We see that market is available for goods and product.
BOSTON MATRIX	A portfolio-planning method that evaluates a company's strategic business units in terms of their market growth rate and relative market share. SBUs are classified as stars, cash cows, question marks and dogs.	Boston matrix classifies company SBUs according to market share and growth rate.
VALUE CHAIN	The value chain identifies nine strategic relevant activities that create value and cost in a specific business. These nine value creating activities consist of five primary activities and four support activities.	Value chain as a tool for identifying ways to create more customer value.
COMPETITIVE FORCES MODEL	A model to analyse the nature and intensity of competition.	We use competitive forces model for the how the competitive is the market we are in? What are the threats to our competitiveness.
GAP ANALYSIS	Gap analysis is a marketing tool. It shows that the company may reach its targets or not.	We use it for determine the objective. It can be reach of its objective or not.
SWOT	The overall evaluation of a company's strengths, weaknesses, opportunities, and thereats is called SWOT analysis.	We use it to determine company's strength, weakness, opportunity and threats against its competitors.