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ÖZERLAT LTD.

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1. INTRODUCTION AND AIM OF THE STUDY

ACKNOWLEDGEMENTS

I am very much grateful to my family in providing me the opportunity of getting this education especially from this University where I am very proud of being in.

I would like also to express my gratitude to all my teachers during 4 years time for their contribution to my knowledge and abilities. I believe that the education that I have received from the Near East University will fully equip me for my future career.

İ. Mahmut ÖNCEL.

1. INTRODUCTION AND AIM OF THE STUDY

The project aims at; analyzing and evaluating a local firm called ÖZERLAT Trading Ltd. the and putting down a thorough strategy for the business in the future, by using the Management and Project Preparation techniques, principles and approaches.

The study consists of three main sections, namely; Strategic Management Abstracts, Analyses of the Company called ÖZERLAT Ltd. which is a coffee producing industry operating in TRNC, and the Conclusions and Recommendations.

In the first part, various theoretical scientific concepts such as strategic management principles, strategic planning concept and the strategic planning tools will be worked out. While in the second part of the project necessary analyses of the Company's performance and the market conditions will be completed with the purpose of bringing a set of recommendations to solve the prevailing problems of the firm. Besides, it is also intended to highlight some findings on the growth prospects and future activities of the business. First of all, we presume that the prevailing political situation and conditions will be maintained. On the other hand, due to the fact that most of the company's operating in TRNC, have undergone political embargoes and restrictions applied against the State, ÖZERLAT Ltd. also has to deal with the local market only and no exporting activities take place. Therefore, since the market conditions are limited, production growth prospects seem to be limited as well. However, the main focus is to; a) produce quality goods diversifying the production risks to a variety of products that will be introduced , b) keep these consumption goods prices as low as possible to their greatest extent , c) set up a variable and usable distribution network, d) have aspiration in the business, such as , expansion and sustainable growth through the follow up of strategic plans.

The third part, finally, is comprised of putting down the findings out of the analyses made and proposing the necessary practical measures in order to overcome the difficulties as well as to enhancement of the subject business.

The necessary information about the firm's background and current performance figures will be given in the later sections.

2.METHODOLOGY

As to approach to analyze the company called ÖZERLAT ltd., first I intend to thoroughly put down the necessary abstract for the project.

As a second step, the Director and Shareholders of the firm, Derviş and İmren Özerlat were interviewed a couple of times, in order to collect the information about the background of the company, its production, sales, the problems faced, the key issues, all which will be evaluated and analyzed.

Finally, some qualitative measures beside the target figures are recommended and proposed as strategy for the growth of the company in the sector.

Meanwhile, all the figures regarding the import of the coffee beans have been gathered from the Department, namely the Industry and Commerce.

3. THEORIES

3.1 The Study of The Strategic Management and Business Policy

Strategic management is that set of managerial decisions and actions that determines the long-run performance of a cooperation. It includes environmental planning strategic formulation (strategic or long range planning), strategic implementation and evaluation and control. The study of strategic management therefore emphasizes monitoring and evaluating environmental opportunities and threats in light of the corporation's strengths and weaknesses. The business policy and strategic management encompass long-range planning and strategy. Business policy, in contrast, had a general management orientation and tended primarily to look inwards with its concern for properly integrating the corporation's many functional activities. By focusing on the efficient utilization of the corporation's assets, it thus emphasized the formulation of general guideline that would better accomplish a firm's mission and objectives. Strategic management, as a field of study, incorporates the integrative concerns of business policy with a beaver environmental and strategic emphasis. Hence, strategic management generally has replaced business policy as preferred name of the study.

3.2. Management of Strategic Planning Process

Top management is expected to initiate and manage the strategic planning process. To specify the corporate objectives and formulate appropriate strategies and policies, take a long-range view. The ideal time horizon for management's planning varies by the level in the corporate hierarchy. The president of corporation, for example, should allocate

*₁ Strategic Management and Business Policy, Thomas L. WHEELER and J. David HUNGER, United States of America, 1995, pp:258

the largest proportion of the planning time to looking five or more years ahead. One reason given for the worldwide economic success of many Japanese corporations, is the reputed ability of their top managers to conceptualize corporate mission and strategy even further into the future. Mr. Ishihara, president of Nissan, has been quoted as saying, "In what I do now, I am thinking twenty or thirty years ahead". A department manager, however, should devote the heaviest proportion of planning time to looking a year or two into the future. A first-line supervisor may sometimes look ahead a year or so but should spend most of the planning time, on the activities taking place within the next few weeks or months. To accomplish the given tasks, top management must make of the use information provided by three key corporate groups, such as; a strategic planning staff, divisional or SBU managers and the managers of functional departments.

3.3. Value Chain Analysis

Value chain analyses as proposed by Porter, is a way of examining the nature and extent of the synergies, if any among the internal activities can lead to a better understanding of a corporation's strengths and weaknesses. According to Porter, "Every firm is a collection of activities that are performed to design, produce, market, deliver and support its product. All activities can be represented using a value chain (shown figure 3.1). Differences among competitor value chains are a key source of competitive advantages.

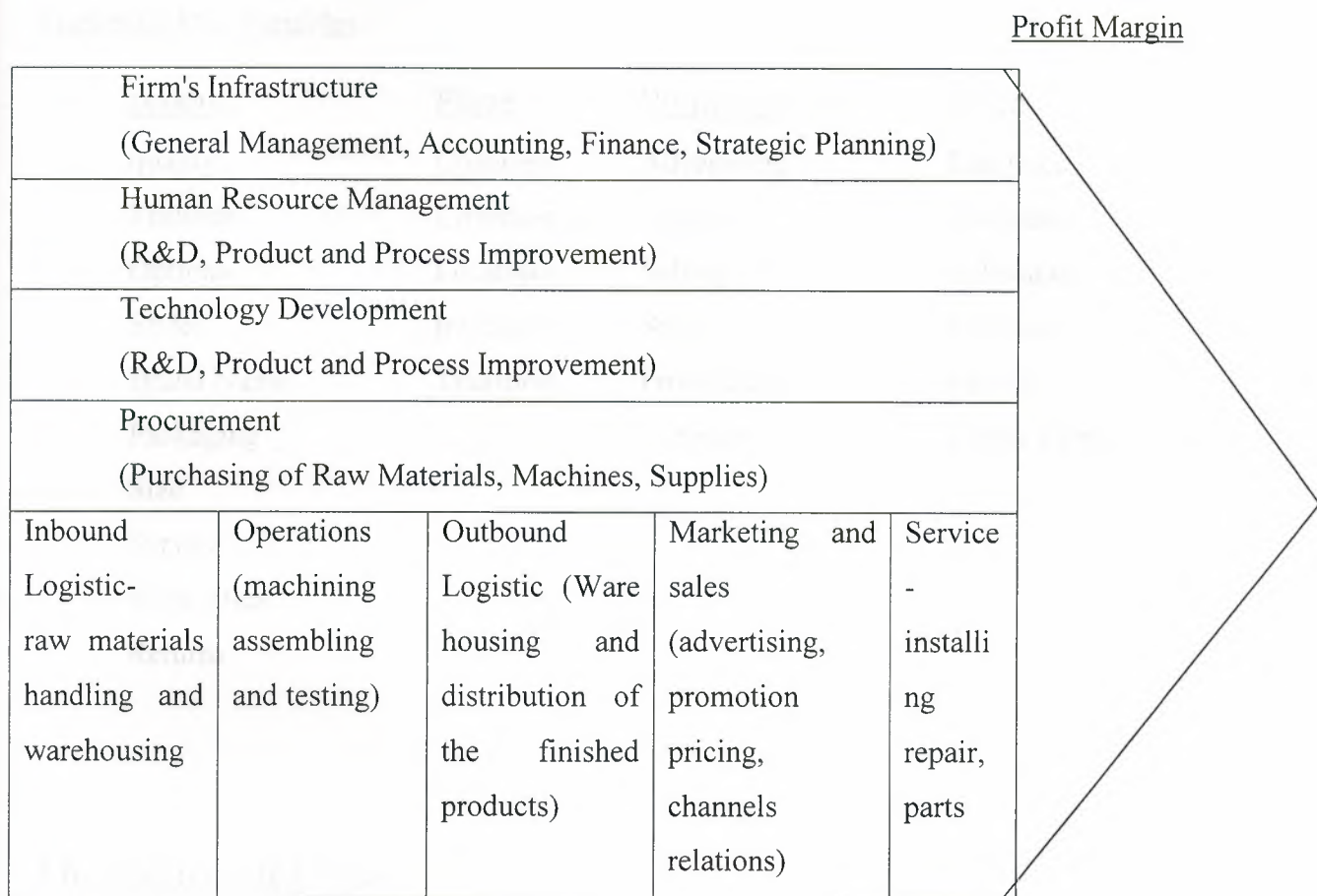


Figure 3.1.Value Chain Analysis of Özerlat Ltd.

3.4. Market Position and Segmentation

Market position answers the questions: “Who are our customers?” It refers to the selection of specific areas for marketing concentration and may be expressed in terms of the market involved, product and geographic locations. Through market research, corporations practice market segmentation with various products or services to help managers discover what niches to seek which new types of products to develop and how to ensure that a company’s products do not directly compete with one another. The use of segmentation marketing is to identify potential customers, clearly, improves financial performances.

3.5. Marketing Mix

Marketing mix refers to the particular combinations of key variables under the corporations' control that it can be used to affect demand for gaining competitive advantage. These variables are; product, place, promotion and price. Each variable can be subdivided into several sub variables listed in the table given here below, which should be analyzed in terms of their effects on divisional and corporate performance.

Marketing Mix Variables

<u>product</u>	<u>Place</u>	<u>Promotion</u>	<u>Price</u>
quality	Channels	Advertising	List price
Features	Coverage	Personal	Discount
Options	Locations	Selling	Allowance
Styles	Inventory	Sales	Payment
Brand Name	Transport	Promotion	periods
Packaging		Publicity	Credit Terms
Size			
Service			
Warranties			
Returns			

3.6. Product Life Cycle

One of the most useful concepts in marketing, as far as strategic management is concerned, is the product life cycle. As in fig. 3.2, the product life cycle is a graph showing time plotted against sales as product moves from introduction through growth and maturity and then to decline. This concept enables a marketing manager to examine the marketing mix of a particular product or group of products in terms of their life-cycle positions. Although marketing people agree that different products have different shaped life cycles, consideration of product life cycle is an important factor in strategy formulation activity.

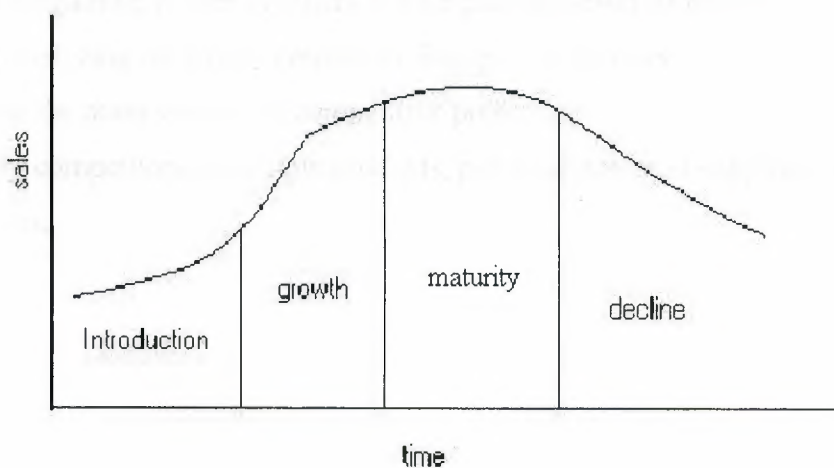


Figure3.2. PLC

3.7. SWOT Analysis

Situation Analysis begins by the process of strategic formulation and requires that strategic managers attempt to find a strategic fit between external opportunities and internal strengths while working around with external threats and internal weaknesses against the working around with external threats internal weaknesses. Recall that SWOT is a synonym to an organization's strengths, weaknesses, opportunities and threats that are strategic factors. Hence, SWOT analysis should identify a corporation's distinctive competence- the particular skills and resources a firm possesses and superior way in which they are used. (Distinctive competence sometimes is considered a collection of core capabilities that differentiate a company strategically). An appropriate use of a firm's distinctive competence (core capabilities) should give it a sustainable competitive advantage.

3.8. Portfolio Analysis

One of the most popular aids to developing corporate strategy in a multi business corporation is portfolio analysis. This approach places corporate head quarters in the role of an internal banker. Top management views the business units as a Series of investments from which they expect to earn profitable returns. The units from a portfolio of investments that top management must constantly judge to ensure the best return on the essence of strategic decision making is that resources are allocated to one project and denied to the others.

3.9. Five Force Model of Competition

The five-force model of competition is a key analytical tool. It covers rivalry among sellers in industry substitute products offered by firms in other industries potential entry of new competitions bargaining power suppliers and bargaining power of buyers.

Procedure of analyzing the Five Competitive Forces is as follows:

For identifying the main sources of competitive pressures;

Rivalry among competitors, substitute products, potential power of suppliers, bargaining power of buyers.

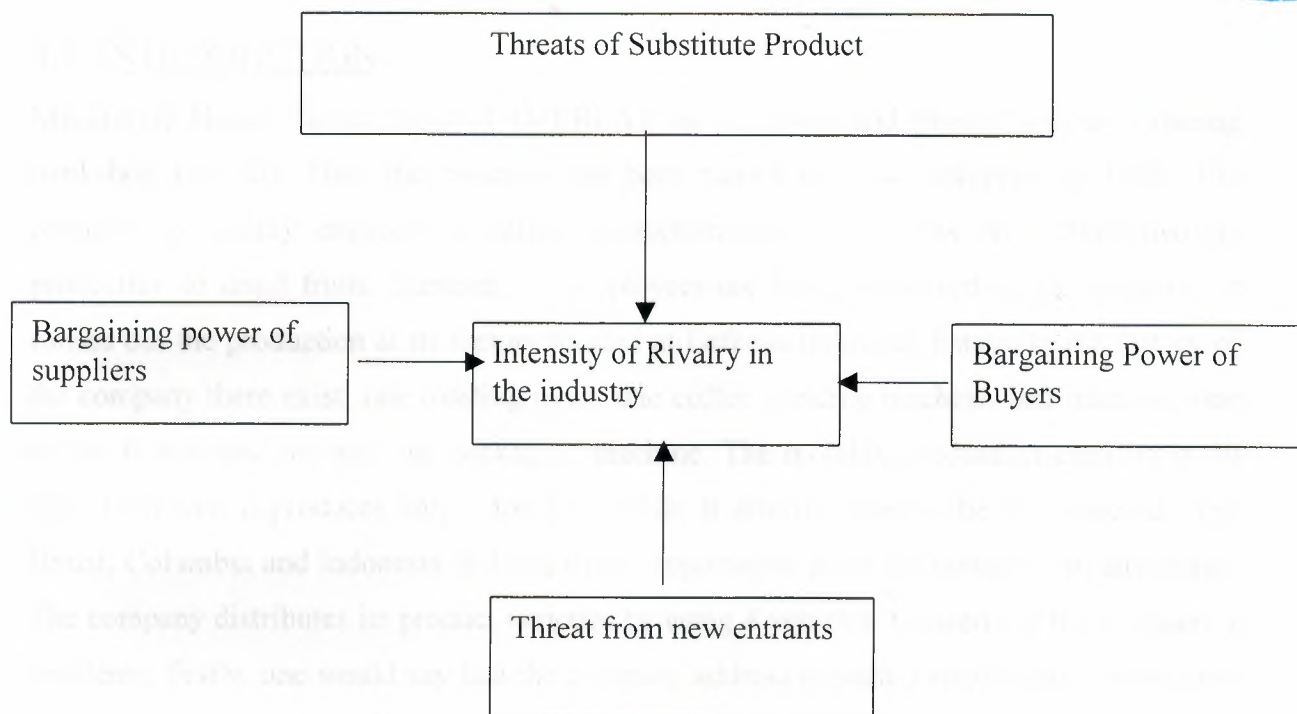


Figure 3.3 Five Forces Model of Competition

4. HISTORICAL BACKGROUND AND CURRENT POSITION

4.1. INTRODUCTION

MR.Derviş Hasan Tahsin founded ÖZERLAT as a roasted and ground coffee-producing workshop in 1920. Then the business has been turned to a ltd. company in 1980. The company is mainly engaged in coffee production, however it has now diversified its production to dried fruits. Currently 12 employees are being employed at the company. It carries out the production at its factory located at Lefkoşa Industrial Estate. In the factory of the company there exist; one roasting oven, one coffee grinding machine, one machine, one coffee frying machine and one packaging machine. The monthly production capacity is 30 tons. However, it produces only 6 ton per month. It directly imports the raw material from Brazil, Columbia and Indonesia and this direct importation gives the company an advantage. The company distributes its product varieties by using 4 vehicles. Concerning the company's problems, firstly, one would say that the company address to such a small market where too many competitors exist, the company can not increase its production to full capacity, its advertisement activities are inadequate and its receivables could not be collected in time. The reason for analyzing this company is its state of being in a down surging trend. This is due to many reasons, the financial position of the company for finding some ways but toward solutions to its problems and ultimately finding out reasonable solutions for increasing its market share.

4.2. BACKGROUND OF THE COMPANY

During the years of the company's foundation, the people used to roast out coffee through lit fire before manually grinding it. Following the passing away of Derviş Hasan Tahsin, his siblings took over the business. When they continued the business until he passed away, the business was taken over by Derviş Özerlat and İmren Özerlat who then established the company called ÖZERLAT ltd. By accepting and practicing technology in the production, the machines, which are operated by gas and electricity, were set up.

*₂ Derviş Özerlat, Director of ÖZERLAT Ltd.

Also, together with the start of production, packaging was also put into practice and duly started.

ÖZERLAT Ltd. imports the raw materials of its produces, Turkish Coffee and Filter Coffee, from Brazil, Colombia and Indonesia.

The company imports the raw coffee beans from Brazil, and then it passes them through the process of roasting, grinding and packaging before it sells the coffee to markets. The firm also imports the dried fruits from Turkey, Egypt, India, Indonesia, USA, Argentina and Bulgaria.

When we look at the all diagrams we saw that this company is working in cooperation and it is a family firm. They want to be the top quality tasted coffee and dried fruit producer in TRNC among the other competitor firms. With the owned transportation and delivery system and roasting and grinding machines they are doing all the required jobs themselves. For this reason the capital money stays within the firm. The firm's primary objective is to maintain the quality of their produces and then open to external markets. I have observed that the company proceeds towards this direction. The company workers and the directors are working in a family atmosphere. They all believe that if work in this manner the business would definitely go further ahead. This is why the company is very successful in the market because the employees as well as the managers believe that by working in harmony and by the maintenance of this sincere atmosphere more outcomes would be inevitable.

4.3. PRODUCTION

The company has three different kinds of products, being primarily the Turkish Coffee and Filter Coffee and Espresso Coffee Besides the dried fruits. It carries out its production by importing the raw coffee beans from Brazil or Columbia and passing them through the processes of roasting and packing them before sending to the market for retail sale.

The Espresso type of Coffee, on the other hand, is produced by a mixture of the coffee

*İmren Özerlat, Shareholder of ÖZERLAT Ltd.

beans imported and through a special production process created by the company the first time in TRNC. It also produces the Turkish Coffee in different alternative forms (little roasted).

The company supplies these products for the consumption of the customers, in 7 alternative packages.

Turkish Coffee (kg)

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Capacity	15000	15000	15000
Production	15000	12000	10000

4.4. ORGANIZATIONAL STRUCTURE

As known, ÖZERLAT Ltd.' s coffee and dried fruit production and packaging is a family business. It employs twelve personnel, being; one director and responsible person, one secretary doing secretarial job, one production master and two assistant to the production superintendent, four drivers working in the marketing section and two employees working in the wholesale section of the business.

The company has a sound and reliable personnel regime in which the policy and principles are based on satisfying the working people, fully. Therefore, the firm also pays adequate wages and salaries. While the firm satisfies its employees, it also tries to put some efforts in maintaining the accommodation of families as well. The policy of the firm is as follows:

*Right people to the right job. *Equal payment to equal job. *Priority depends on success.

5. ANALYSES

5.1. MARKET ANALYSIS

There are a lot of other producing companies operating in the market. If we look at the market, we can see that the largest group of companies is "Sales" with 15% share. The next group is "Production" with 10% share. The remaining 75% is divided among other companies.

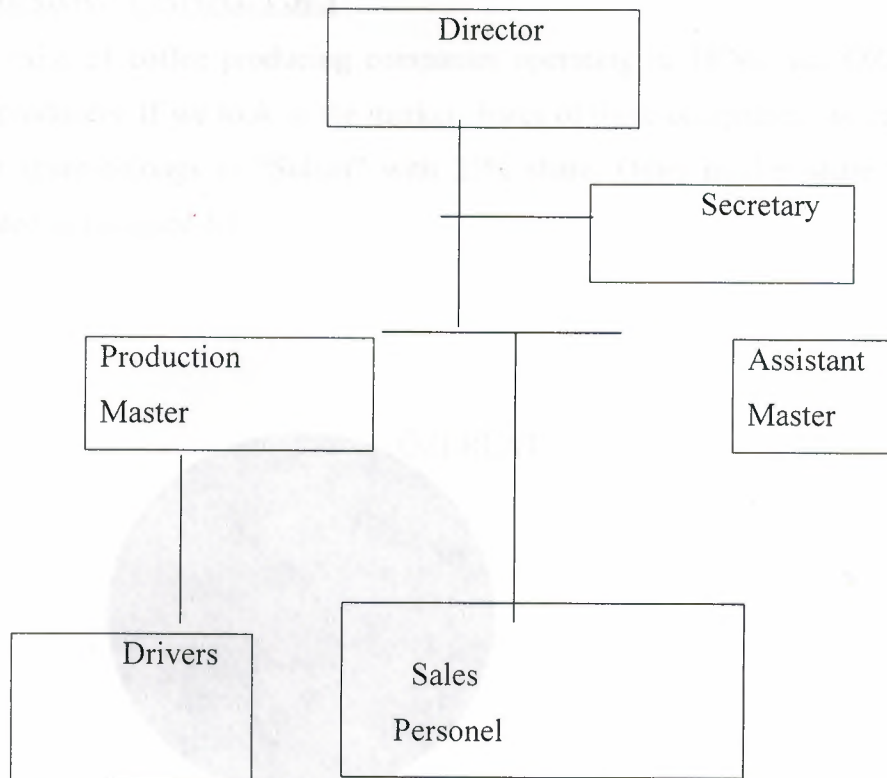


Figure 4.1. Organization Chart

5. ANALYSES

5.1. MARKET ANALYSIS

There exist 24 coffee producing companies operating in TRNC and ÖZERLAT Ltd. is of these producers. If we look at the market shares of these companies, we can observe that the largest share belongs to “Sultan” with 25% share. Other market share figures have been presented as in figure 5.1.

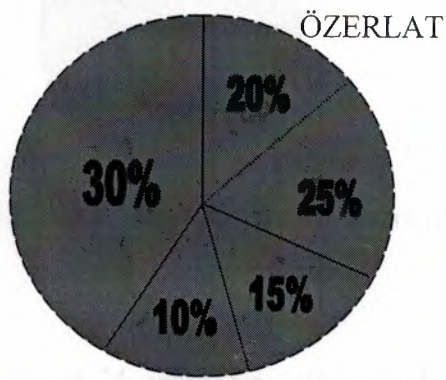


Figure 5.1. Market Analysis of the ÖZERLAT Ltd.

Sultan : 25%

ÖZERLAT : 20%

Tiryaki: 10%

Con : 15%

Others: 30%

The selling prices of ground coffee for the years 1999, 2000, 2001 are given as in the following figure.

<u>Years</u>	<u>Production (kg.)</u>		<u>Price per kg.</u>	<u>Revenue</u>
1999	180.000	X	3.600.000	=648.000.000.000 TL.
2000	144.000	X	500.000	=720.000.000.000 TL.
2001	120.000	X	560.000	=672.000.000.000 TL.

The current market share of ÖZERLAT Ltd. is 20%. ÖZERLAT Company is targeting to raise this figure to 30% share. This objective will be achieved not only through the radio advertisement but also with the help of the market researches and through making the coffee distribution network more effective. The studies will include the aim of introducing new products at lower costs by using raw materials at relatively lower cost.

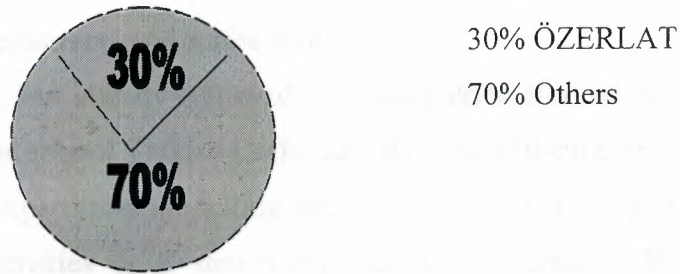


Figure 5.2.The Targeting Market Share of Özerlat Ltd.

In TRNC, there are 24 operating coffee producer companies. The fact is that exporting is nonexistent at all and this situation has made the producing companies orient themselves to the internal market. As a result of this situation, the existence of the 24

*⁴ Derviş Özerlat, Director and Shareholder of Özerlat Ltd.

Haluk Ruhi, Director and Shareholder of Con Ltd.

Coffee producing companies in such a small market of TRNC, has created tough competitive conditions. In the said market, excepting the well known a few firms only, all the others are very small-scale enterprises. These relatively larger firms are; Sultan, Con, Kahvecioğlu, Tiryaki and Özerlat. Among these firms, especially Sultan has been established with a relatively higher capital. Having higher capital has naturally given Sultan some advantages.

ÖZERLAT Ltd. is selling its produces to the wholesale agent companies, trade centers, supermarkets, restaurants and coffee shops.

ÖZERLAT Ltd. has already achieved producing dried fruit of its own produce, besides its production of the normal Turkish Coffee and it is one of the top producer companies in TRNC at the moment. Apart from the selling section set up in the factory area, the firm also conducts retail-selling activities at a showroom located in Lefkosa. Also, in addition to these showrooms, the firm has already put into operation the Girne and Magusa branch. The firm delivers all the products of its own produce to all the areas in TRNC through its own means.

ÖZERLAT coffee is being supplied to its customers in distinguished forms of packaging and in different alternative forms. (E.g. single frosted, double frosted coffee beans).

The state that ÖZERLAT Ltd. had started coffee producing long time ago and that Mr. Derviş Özerlat being the director of the company, at the moment, provide some advantages to the company. While on the other hand, the existence of too many competitors in the market and some of them having larger capital create unfavorable conditions onto the selling prices and payment conditions.

ÖZERLAT Ltd. carries out coffee and dried fruit production and packaging at the Lefkoşa Industrial Estate at where factory is located as well as in Girne area where most of its marketing is done through its sales section that exists at the factory area and through its showroom located in Lefkoşa Headquarters and Girne branch. Also, the firm has envisaged putting into operation another branch showrooms at Girne and Magusa branches. Thus, the marketing network will be expanded.

On the other hand, the firm's own vehicles and personnel do all the distribution activities of the products in the market.

As seen from the figure below, whole selling and retail selling are done at the headquarters as well as at the Magosa and Girne branches. However, the coffee and dried fruit distribution done to the following customers on a routine bases:

*Supermarkets

*Restaurants

*Hotels

*Groceries

Besides, there are also facilities for a scheduled village tours for a complete and effective coffee distribution.

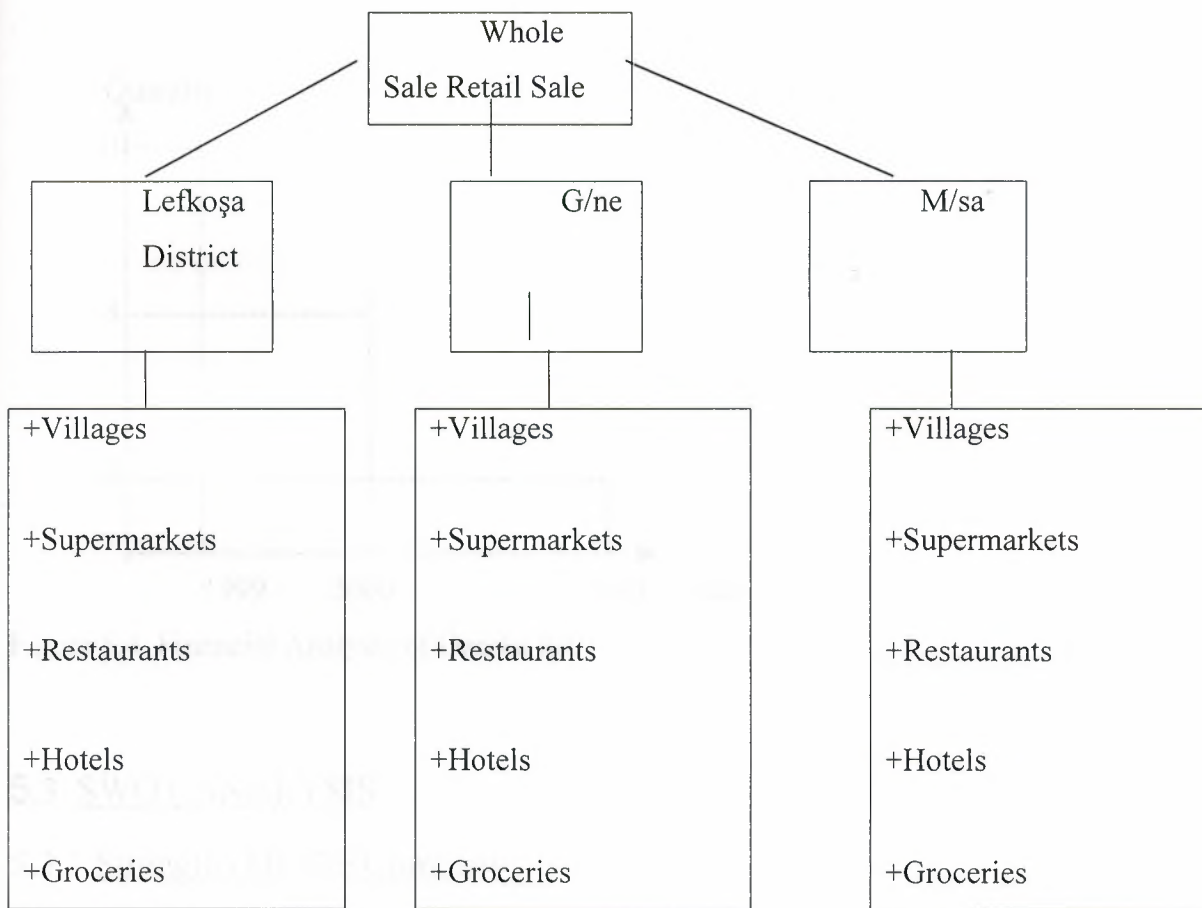


Figure 5.3. Distribution of Özerlat Ltd.

5.2. FINANCIAL ANALYSIS

If we look at the existing coffee market in TRNC, we can observe that a total annual amount of 900 tones are being produced. The total amount of the raw coffee beans imported has the distribution according to countries given as follows: Argentina 19.36 tones, Brazil 620.31 tones, United Kingdom 57.60 tones, Netherlands 95.1 tones, Turkey 80.6 tones and Indonesia 15.81 tones. Besides, the Nescafe imports appear to be as follows: United Kingdom 22 tones,

Netherlands 30 tones and Turkey 17.29 tones. There is no coffee exporting of the company at the present time while all the consumption is being done within he boundaries of TRNC. The monthly coffee production of ÖZERLAT Ltd. is 6 tones. The company's market share is 20%. While the production was 10 tones per month until 2000, this figure realized as 8 tones per month until 2000, this figure has now been realized as 6 tunes per month. This drop, on the other hand, is due to the existence of too many coffee producers in such a small market and lack of the exports. We can see the production trend in detail as given in figure 5.5

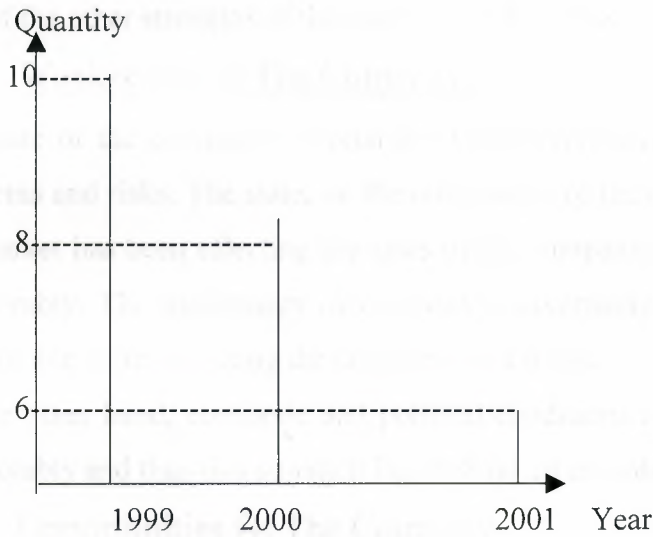


Figure 5.4. Financial Analysis of Özerlat ltd.

5.3. SWOT ANALYSIS

5.3.1. Strengths Of The Company:

The state of the company as coffee and dried fruit producer, being very rooted experienced family business and having Mr. Derviş Özerlat as an experienced director, has made the company gained a favorable or positive image.

*₅ Zehra ÇAĞLA, Statistics Section of the Department of Commerce

As a result of the practical studies and experimentation made, the company has achieved producing another variety of products called dried fruit. Thus, this has been supplied to the market's consumption as a diversified product. The firm also has created different variety of packaging to its customers.

The achievements of the firm such as; distributing the products to customers by its own vehicles and service system and personnel, have given the opportunity of reaching its customers easily besides controlling their needs.

The existence of it's own showrooms has given the firm the opportunity to sell its products to the visitors.

One of the other strengths of the company is that it has a very famous brand.

5.3.2. Weaknesses of The Company:

The state of the company's capital not being very large has also brought together it's own problems and risks. The state, on the other hand, of the existence of too many competitors in the market has been effecting the sales of the company and the selling prices of the product, unfavorably. The inadequacy of company's advertising activities and campaigns also is an unfavorable factor effecting the company, as a whole.

On the other hand, economic and political conditions also affect the company and business unfavorably and thus this situation lags behind all the sales and production figures.

5.3.3. Opportunities Of The Company:

The state of the company, of having unique and different variety of the products in TRNC market has contributed to the reputation of the company.

The state of the company using its experiences in the business has also been effecting the firm, favorably.

The expansion of the tourism sector will push the coffee and dried fruits consumption in the market.

5.3.4. Threats Of the Company

The economic crises prevailing in the country has also effected ÖZERLAT Ltd., directly, like all other producing companies. The non-existence of the coffee exporting, has forced the subject firm to direct its production marketing towards the internal market only. So, this has pushed left the firm to compete with many firms in such a small local market. Despite all the imported raw materials are paid in foreign currency, the produced coffee varieties and dried fruits have to be sold against TL and by post-dated checks. In the mean time, beside the said

factors, the escalating inflation rate may bring the firm into a face to face of shrinking in the business.

The position of the TRNC is unclear politically and this situation restricts the firm having future plans and activities.

5.4. PEST FACTORS

5.4.1. Political

The state of the Cyprus political dispute not being solved at international level beside the state of TRNC not being recognized, internationally, and again the embargoes exerted upon this country, all directly effect the overall production, imports of ÖZERLAT Ltd. as one of the firms operating and producing in TRNC.

5.4.2. Economical

The sales position of the firm directly depends on the economic consistency of the country. Especially the economic crises (devaluation, inflation) experienced in this year, have unfavorably affected all the sectors activities besides ÖZERLAT Ltd. Production of the firm and it sales have dropped to lower levels in parallel to this situation.

The economy of TRNC is very many dependents on that of Turkey; therefore as long as the economic stability is achieved in the motherland, there may be favorable expectations in TRNC as well. Also, due to the fact that the firm has to deal with the local market, there may be tough competitions among the local producers.

5.4.3. Social

The coffee drinking culture in TRNC being so widespread and the coffee being among the mostly consumed drinks have helped maintaining the demand for coffee. This development has also affected ÖZERLAT Ltd. favorably.

The tourism potential, especially the visitors coming from Turkey, will be expected to have a favorable effect on the overall consumption of the country thereby the coffee consumption. Furthermore, TRNC has got a somehow permanent population consisting of soldiers and students whose social potential for coffee consumption will be expected to be huge in the coming future as well.

5.4.4. Technological

The firm, when started coffee production with the help of wooden fire and using stone grinders for grinding coffee bean roasted, like the technological adaptation taking place

around the world, has also started using electrical machines in its production, in parallel to the technological changes.

The developing information technology around the world also helped the firm conduct its business easier and more efficient.

5.5. PRODUCT LIFE CYCLE

5.5.1. Turkish Coffee

Consumption of Turkish coffee in the TRNC area has been considered as a life style of the Turkish people. So, the consumption has reached the maturity point in the life cycle of the product

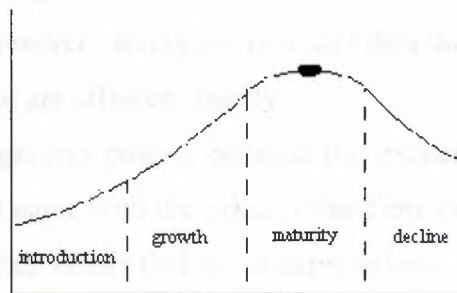


Figure 5.5. Turkish Coffee

5.6. FIVE FORCES MODEL

These models have provided the better methodology for the industry and competition analyses. It develops a five forces model which identifies the strengths of the competitors forces within an industry and hence industry profitability. That is why we will identify with these five keys the structural features of the coffee and dried fruits category of products.

5.6.1. The Threat Of The New Entrants To The Industry

There have been new entries to the coffee market. ÖZERLAT Ltd being a firm initiating its production during the period 1920's, especially is affected by the new entering coffee producers during the 1980's. These firms operating in TRNC market have the larger capitals and more effective in the market, thus they affected ÖZERLAT ltd. considerably.

5.6.2. The Threat of the Substitute Products

Beside the marketing policies and personnel regime that ÖZERLAT Ltd has been implementing, its capital creates a powerful competitiveness in the market. With these tactics, strategies and performances, ÖZERLAT is in a tough competition.

The substitute coffee products, such as Nescafe and ten other varieties also exert a threat to the firm's sales; because the people and visitors coming from Turkey prefer to drink tea mostly, so it is only left with the Turkish Cypriots with their coffee drinking habits. On the other hand Nescafe and other instant coffee types or even the soft drink that contain caffeine in it, may be substitute produces of coffee. As it is very well known, there is no limit in the import of Nescafe and the like hot drinks.

5.6.3. The Bargaining Power of Buyers

The state of the coffee being an indispensable drink in TRNC does have an effect on determining the demand. However, during the periods when the customers' purchasing power is reduced, the sales of coffee are affected slightly.

Here, consumers have bargaining power, because the existence of coffee varieties in the market. If consumers do not agree with the price of that firm's coffee products, then they may have another preference, which satisfy their price expectations.

5.6.4. The Bargaining Power of Suppliers

The firm always seeks lower prices in the coffee production. Therefore, it does not give any concession on the high price policies. In fact, the suppliers have the power in determining the prices of the raw materials, which affects the power in the raw materials. Then bargaining power is left to the raw materials supplier. Even for the product pricing, the firm has a weak power to bargain these prices.

5.6.5. The Intensity of Rivalry in the Industry

ÖZERLAT Ltd has %20 share in market and it has to compete with the firms like Sultan Ltd. and Can Ltd , which have 25% and 20%market share respective. On the other hand, the possession of large capital amounts by these firms, beside their more advantageous advertisement campaigns and promotion policies to maintain their own image in the market, as well as to be able to compete with the other coffee producers, constitute a serious rivalry to ÖZERLAT Ltd.

5.7. CRITICAL SUCCESS FACTORS (CFSF'S)

The state of ÖZERLAT Ltd being a rooted company besides the accumulation of the family's inherent experiences, constitute one of the critical factors for the success of the firm. Also, the fact that ÖZERLAT Ltd is a company, which technologically upgrades itself, has also some contribution to its success. The policy of reducing prices of the raw materials and assuming this as a permanent policy in principle, have been the fundamental reasoning for its success.

One of the important factors in the future is that the firm has got one alternative way of creating a safer business in the market. It should either diversify its production or have expansion in it. In the other words, the local market share should be raised in order to increase the production thereby the profitability otherwise, the company is to wait for the chance of the opening of the Turkish mainland market.

5.8. MARKETING STRATEGY AND COMPETITIVE ADVENTAGE

The priority strategy of the company is to make its products available at all the spots of TRNC market, at all times.

Secondly, one of the main strategies is to maintain a high quality of products and not to give any harm to the widespread image and reputation of the firm.

The firm's main policy is to always consider the customer's position and duly arrange the prices of the goods; because acceptable prices cause increase in demand.

Another strategic principle and policy of the company is to keep the cost of the goods at its minimum level, through lowering the raw material costs. For this, the firm delicately tries but all kinds of alternatives for finding out the best solution for having relatively lower costs. The company always believes in revealing the least cost to its customers via least priced goods, through reducing costs of all sorts, in order to compete in such a small market of TRNC where a lot of competitive firm exist.

On the other hand, for diversifying its products, ÖZERLAT Ltd. is always in an effort to introduce different variety of products. As a result of the implementation of this policy, ÖZERLAT Ltd. has already introduced new products under the group of dried fruits. This category of products has the company's own special formula. At the present time the new products seem to be attractive and the consumption or demand increases day by day.

All the efforts are now to put into operation of the company's showrooms, during the summer season, in order to be able to introduce them to the tourists.

Due to the reason that there is no opportunity for exports all the efforts of the company is currently devoted to the TRNC local market. Also, it seems that in the future the number of tourists visiting TRNC will increase and thus the production will also increase in parallel. The idea on the policy is to keep the market share high, under such competitive circumstances.

In the light of the above mentioned, here are the criteria ÖZERLAT Ltd. seeks to win advantage against other coffee producers:

- a) The firm seeks to be the lowest cost producer.
- b) It will put in the efforts to produce the best product.
- c) The firm gives more value to the customers than money.
- d) The company always thinks of the customers' side as well and it tends to save customers money.
- e) The distribution service is aimed at being superior than the other competitors.
- f) The company maintains a reliable product in the market.

The company's market share target, on the other hand, for the year 2002 and on, is 25%.

5.9. THE VALUE CHAIN ANALYSIS

The firm attributes significance to lower the costs of the products because its competitiveness is determined by the costs of the value chain system, an appeared here below:

a) Upstream Value Chains:

It is related to the suppliers' costs on coffee beans and packaging materials. As we know, coffee is directly imported from Brazil or Colombia. Therefore, a commission or profit margin applied on the raw materials CIF costs before they are delivered to the factory.

b) Company's Value Chains:

This includes the process of producing in the factory and these processes are:

- ➔ Roasting ,
- ➔ Grinding and
- ➔ Packaging

Usually, the manufacturing or production costs are high and the management tries to pull the costs to their lowest levels; however due to the labor inputs, i.e., salaries and other legal costs, the production unit cost can not be pulled further below the existing. Also, there exist an overhead cost, which adds onto the production processes and raw material costs.

Further more, sales and advertising costs also matters, in the sense that, these costs are also to be added onto the primary costs to make the total unit cost.

c) Downstream Value Chains:

This is concerned with the margin that the firm will put onto the total unit cost and this margin depends on the conditions of the market. Depending upon the competitors' positions in the market, the company can play around this figure.

Therefore, here the company's examining, continually, the competing firms' attitudes, products and strategies carry an important role for the prospect of ÖZERLAT Ltd. With the help of such accumulated experience in coffee business, the company is doing its best to keep on having quality products in the market at relatively lower costs thereby maintain its reputation in the sector.

The key issues are quality and price. So, these two issues will satisfy the customers requirements.

Mean while, the firm keeps record of the costs each month to see whether there is any room for reduction in cost, further. Sometimes, the production superintendent put remarks and his/her comments on each cost item.

Cost Items For 15 Tones	For The Month Of April	Remarks
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i)Raw Materials	30,000,000,000 TL	
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(Coffee Beans)

ii) Production processes costs	1,400,000,000 TL
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(Except labor)

iii) Wages and salaries	1,800,000,000 TL
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iv) Other administrative costs	1,500,000,000 TL
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v) Electricity, water and other	500,000,000 TL
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Similar

vi) Sales and advertisement costs	1,000,000,000 TL
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vii) Depreciation of the machines	2,000,000,000 TL
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viii) Miscellaneous	1,000,000,000 TL
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TOTAL COSTS	39,200,000,000 TL
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(Plus) Margin	16,800,000,000 TL
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Total Cost	5,600,000,000 TL
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(Divided) total amount produced 10,000 kg.

Total units price	5,600,000 TL/kg.
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Following the analysis of the unit cost for each month, the company can make the strategic decision on the items of the costs and take necessary action to compete further in the production processes, so it can reduce the unit cost of the good.

In connection with the market studies conducted so far by the Subject Company, the following factors have been found to increase, its value and reputation:

- *It has gained a new product, based on its own accumulated experience and formula.
- *Besides the selling of the coffee they tended to supply coffee cups as well.
- *Besides the selling of the coffee they tended to sell tea and dried fruit as well.
- *The firm conducts the distribution activities by own vehicles and personnel.
- *In the coming very short time period, the firm envisages introducing and supplying some of its variety products to the customers through a café type place where, Turkish Coffee besides the other variety of dried fruits will be offered to customers.

5.10. STRATEGIC ANALYSES AND OBJECTIVES

5.1. The priority of ÖZERLAT's strategies is to maintain and even further improve the quality of coffee in order to be able to compete with the other coffee producers in TRNC.

5.2. Secondly, the firm also intends to arrange and coordinate the activities to set up a dialogue among the other producers with the purpose of easing the competing conditions in the market in terms of production, marketing and the future plans.

5.3. ÖZERLAT is now targeting the figure of 30 tones per month production. However, thinking that in the coming years more tourists will be visiting TRNC, the demand for coffee will be expected to rise from 900,000 tones to around 1000,000 tones a year. Therefore, automatically the target will be raised from 240 000/ year to 360 000 tones of coffee production. Although during the year 2001 the monthly production figure of ÖZERLAT has dropped down to 6 tones, this has been due to prevailing economic crisis in Turkey, because it has had also unfavorable impacts in the TRNC market.

As a result of the said experiences faced, the company is on the way to search for ways of increasing its production through delivering the products to the nearest spot of the consumers. So, for this, it intends to open new showrooms and intensify its marketing network and facilities to the entire TRNC market.

6. CONCLUSIONS AND RECOMMENDATIONS

ÖZERLAT Ltd is one of the well-oriented coffee producers in TRNC. Its products which are the Turkish coffee in different size of packing, dried fruits that has been created by the company's own formula, are sold in the local market. Both the Turkish coffee's and dried fruits' production and sales curves have reached their maturation points and currently the Turkish Coffee has the market share 20%.

Being the leader in the market, in its sector, the company owes all the achievement to its rooted background through which a tremendous accumulated experience paves the way for future growth and expansion besides the company's other competitive advantages. The assumed low cost and the highest quality policies have been proper and it is envisaged that this strategy will contribute to the business growth and safety in the long run.

ÖZERLAT Ltd. has also got some plans for the future. This is, in the sense of raising the product quality to higher levels, increasing its market share to 30%, through doing further modifications on the current marketing and sales systems, being alert for any market expansion and demand increases through following up the necessary measures of applying low cost production policy and adapting necessary technologies in case of any production or demand increase.

The key to ÖZERLAT Ltd.'s success in the local market has been the firm's good reputation. The company can reasonably extend this success by adopting a further diversification policy on the marketing principles and systems. However, in the future, it might happen that the local market will be integrated with the Turkish mainland's market, as a result of which more investments and more production thereby expansion would take place. So, the long run strategy would definitely take the company to more successes.

ÖZERLAT Ltd., has currently, reached its maturation point in terms of production, but all in all, like all other companies in the market, various issues have to be tackled with. The followings are the proposals and recommendations which have been put forward as a result of the subject examination and analysis have already been carried out:

The firm has to expand its activities a little bit more by having the target of 30% market share through focusing on quality increase.

*The company should start right away, having a long term strategic plan with the coverage of main policy principles by considering the problems of economic and political developments.

*The firm has to have better promotion plans and incentives to utilize higher customers satisfaction with the help of the accumulated experience in the sector, in order to further enhance customers' loyalty and even to further raise its reputation.

*The company is aware that, the challenging production or selling targets can only be achieved by the efforts of its employees. So, by employing more personnel to the company's right spots, efficiently, by giving more motivation and loyalty feeling to the employees, will help achieving much higher efficiency and income.

*The firm should be more involved in the increase of productivity both in production and processes, to maintain lower costs to the greatest extent and thereby increase the existing profitability levels.

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