



## The transformation of Turkish retailing: survival strategies of small and medium-sized retailers

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### Introduction

Retailing in Southern European cities has been experiencing rapid change in recent years with the introduction of large outlets, led initially by Western European companies. However, little detailed information and interpretation is available about the experience of Southern European countries. There are several areas that deserve attention including the impact of multinational retailers on retail and wholesale networks; the changing urban retail landscape; the survival dynamics of small and medium-sized retailers; and changing consumer habits. Despite the contribution of some empirically informed studies, the dynamics of business change and its wide-ranging impact remains largely unexplored.<sup>1</sup> This article sets out to fill the gap in the literature by examining the changing nature of retailing in the urban area of Ankara, and explores how small and medium-sized retailers respond to business changes brought by a new form of capital concentration, and finally considers survival strategies in the foodstuff sector.<sup>2</sup>

Turkish retailing shares many of the characteristics of other Southern European economies. The presence of a large number of small, individually operated firms, a modest rate of capital accumulation, and traditional food production and distribution systems are typical of Greece, Portugal, and Spain as well as of Turkey. Despite its apparent importance in generating jobs and boosting many local economies, the contribution of retailing to the national economy has not been fully acknowledged.<sup>3</sup>

The retail sector in Turkey still remains underdeveloped relative to Western Europe and there are many independent small establishments. In terms of the distribution of activities, foodstuffs occupy an important position with more than one-third of total retail establishments, 192,474 of a total of 498,900 in

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<sup>1</sup>See N. Tokatlı and Y. Boyacı, 'Internationalisation of retailing in Turkey', *New Perspectives on Turkey*, 17, 1997, pp. 97–128; D. Bennison and C. Boutsouki, 'Greek retailing in transition', *International Journal of Retail & Distribution Management*, 23(1), 1995, pp. 24–31; G. Jones, 'The changing retail environment in Spain: restructuring in Madrid', *International Review of Retail, Distribution and Consumer Research*, 4(4), 1994, pp. 369–391.

<sup>2</sup>For further discussion see G. B. Özcan, *Internationalisation in Southern European Retailing: the Case of Turkish Retailing*, Working Paper No. 27, 1998, European Institute, London School of Economics.

<sup>3</sup>See D. Bennison, 'Retail planning policy in Greece' and T. B. Salgueiro, 'Retail planning policy in Portugal', in R. Davies (ed.), *Retailing Planning Policies in Western Europe*, Routledge, London, 1995.

1992.<sup>4</sup> Food expenditure also occupies a prominent share of average Turkish family spending and it is estimated that roughly one-third of family income is for food purchases. The spatial distribution of outlets is uneven across the country. Istanbul, Ankara and İzmir have almost one-third of all establishments but only one-fifth of the population, whereas rural areas and small towns, especially in the south-east, have an undeveloped retail sector: thirteen provinces out of seventy-six constitute more than half of the sector (55.8 per cent).<sup>5</sup> Istanbul has a dominant share of both the number of retail establishments (17.3 per cent) and of employees (19.8 per cent). The presence of a large agrarian population allows for self-sufficiency in many regions.

The national statistics do not reflect the retail transformation that is currently underway in the cities. According to a recent survey, there were eighteen national and international chains with over 400 branches as well as thirty-seven regional chains with around 200 stores across the country.<sup>6</sup> While these figures are subject to change, the number and the market share of European retailers is also increasing. The transformation from the Ottoman market-place and the bazaars, village peddlers (*çerçi*) and small neighbourhood stores (*bakkal*) to modern shopping malls and supermarkets is also a symbol of deep cultural change underway in Turkish cities. This transformation has long-term implications for urban and architectural forms as well as consumer patterns and life styles.<sup>7</sup>

The Turkish experience of retail change is similar to that of Greece and Portugal. The timing and phasing of change coincides with economic liberalization and the democratization processes as well as global trends. The main stimuli came from Western Europe, first by new production and distribution techniques and then by direct investments from European multinational retailers in the late 1980s and 1990s.<sup>8</sup> This transformation has been largely food-led through hypermarkets, department stores and cash-and-carry stores. As in other Southern European countries, French (Prisunic, Carrefour and Promodes) and German (Metro and Real) companies arrived first followed by British (Marks & Spencer), Dutch (Makro) and others. Investment has become more diversified with do-it-yourself stores.<sup>9</sup> As in Spain, Portugal and Greece, the

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<sup>4</sup>The 1992 State Statistics Institute (DİE) data are the most comprehensive and recent information on retailing in Turkey. In 1992, the Institute introduced ISIC codes to its data sets. Although this made the retail data much more detailed and reliable, there remains a compatibility problem between the pre- and post-1992 information and this makes a historical analysis based on national data very difficult.

<sup>5</sup>Until the 1980s Turkey had sixty-seven provinces as major administrative units. Owing to local demands and various political and administrative reasons some provinces were split and thirteen more declared. In 1992, there were seventy-six provinces and the data reflect this.

<sup>6</sup>*Satış Noktası*, 'Chain stores' [in Turkish], 24(2), 1998, p. 52.

<sup>7</sup>See G. Ger, 'The positive and negative effects of marketing on socio-economic development: the Turkish case', *Journal of Consumer Policy*, 15, 1992, pp. 229–254. This study clearly demonstrates the contradictions shaping the economic development, the cultural transformation and consumerism under the effect of modern retailing and marketing in Turkey.

<sup>8</sup>B. Sternquist and M. Kacker, *European Retailing's Vanishing Borders*, Greenwood, Westport, 1994. See also G. B. Özcan, 1998, op. cit.; and N. Tokatlı and G. B. Özcan, 'The state and corporate private sector in the recent restructuring of Turkish retailing', *New Perspectives on Turkey*, 18, 1998.

<sup>9</sup>German DIY companies have invested in Turkey. The major ones are Pratikler and Götzen-Yapı Market set-up with a Turkish, Tekfen, partnership, *Satış Noktası* 31/3, 1999.

major metropolitan cities have been the chief points of entry in which per capita income is relatively high and consumers have more cosmopolitan tastes. Despite a few unsuccessful cases such as Prisunic, and Kipa, European retailers have increased their market share and business interests. They have also enjoyed government incentives as well as the novelty appeal for middle-class consumers. Following initial success they have chosen to diversify their investment in the major towns and begun to penetrate into Anatolia in competition with large domestic chains such as Gima, Tansaş, Migros-Türk and Yimpaş.

The increasing attraction of large-scale retailing has led to capital concentration through both domestic and foreign retailers.<sup>10</sup> Many large holding companies have begun to seek international or domestic partners with the know-how to invest in the sector. More recently new synergies emerged between financial institutions and retailers. The financial sector and especially medium to small-scale banks are attracted to cash-rich retail business in a high-inflation, high-interest rate macro-economic environment. There are five major business groups which have recently begun playing an important role in large-scale retailing linked to their finance and banking activities.<sup>11</sup> The Koç Group, which owns a wide range of businesses and banking, has one of the oldest and the most successful national chain stores, Migros-Türk. The Sabancı Group, one of the leading conglomerates in Turkey, also owns Akbank, formed a joint venture with Carrefour of France. The Doğuş Group, which owns Garanti Bank, Osmanlı Bank and Express Bank, recently took over Tansaş, a regional chain store initiated by the municipal co-operation of İzmir in the Aegean. Another conglomerate, Fiba Holding, which also owns Finansbank, has recently acquired a national chain, Gima, and it took over Marks & Spencer from the troubled Turkish franchising company, Türk-Petrol. The fifth group, Beymen, symbolizes a reverse trend: this well-established retail clothing chain is interested in buying a bank. The company has the largest number of credit card holding customers (even larger than individual banks) in the country and wants to utilize this advantage by acquiring a bank. Beymen has also initiated a new loyalty card that will be part of a retail consortium.<sup>12</sup>

Another notable trend has been regionalization brought about by indigenous capital. An increasing number of medium-sized wholesalers have been investing in their home-town and nearby regions. In the Aegean and the Mediterranean region towns, tourism has helped the local economies as well as retailers to prosper, and there are new local chain stores and supermarkets

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<sup>10</sup>Migros-Türk is the most striking example. In 1998, the net sales of Migros reached \$601.1 million with market capitalization equal to \$1,066.3 million. For further information see *Demir Yatırım Monthly Bulletin*, December 1998.

<sup>11</sup>A senior financial analyst at City Bank, Ms Ayşe Bener, interprets this as a healthy development for both sectors. She argues that large retailers have two important assets to offer: a large set of consumer data bases and a fresh cash-rich environment. The financial institutions, on the other hand, offer earnings to retailers from credit shopping. In a high-inflation and high-interest-rate environment, credit card purchasing generates substantial financial gains for retailers. Large retailers convert their data base into financial returns with the assistance of banks and other financial institutions.

<sup>12</sup>Another interesting example for the increasing importance of customer data bases is the Yapı-Kredi Bank, the biggest shareholder of Türkcell, a mobile telephone company. This venture provides Yapı-Kredi with an important data base for its banking activities and the company is currently developing a high-technology business profile.

opening almost daily. Among these, Pehlivanoğlu, a regional wholesaler, has been successful in expanding into small western towns and tourist resorts with medium-sized stores. There is also an increasing number of voluntary groups and alliances formed by small retailers in response to the increased competition. According to one recent survey conducted by InfoScan, small retailers still account for more than half of turnover in the country (62 per cent).<sup>13</sup>

### **The transformation of retailing**

The transformation process in retailing in Southern European economies began in the early 1980s. The most visible outcome has been the emergence of large retail establishments in the form of supermarkets, hypermarkets, department stores and shopping malls. However, the Southern European countries exhibit diversity. For example, Italy and Spain are ahead of the rest in terms of their development and the high penetration of large retail outlets in urban areas. Turkey, Greece and Portugal, on the other hand, have less-developed economies and their retail transformation is far more recent. Nevertheless, three major processes characterize the recent retail transformation in Southern Europe.

First, in almost all Southern European countries, liberalization and democratization contributed to development and significantly altered the commercial environment.<sup>14</sup> In Turkey, economic liberalization policies altered the rather inward-looking business perspective and removed major trade barriers starting in the early 1980s.<sup>15</sup> Privatization and government incentives opened up fresh opportunities for both local and international businesses. Heavy state involvement, ranging from price controls to food distribution, gradually diminished. Similarly, policies to attract foreign direct investment also led the way for the arrival of large retail firms from Western Europe and North America. With the removal of trade barriers, new technologies and management techniques became available. These changes were also a response to the harmonization process occurring within the European Union. The liberalization policies in Turkey, apart from being a key factor in promoting indigenous business development, were also envisaged as part of the country's integration into the European Community. This has become even more pressing since Turkey was admitted as a candidate for membership of the European Union.

The second process is linked to the internationalization and globalization of retail capital. The liberal policies coincided with the internationalization efforts of large European retailers reaching out for new markets. Until recently, the international involvement of Western European retailers was largely towards former colonies in Latin America, North Africa and the Far East. Leading retail firms based in the United Kingdom, France, Germany, The Netherlands and Switzerland started diversifying into other European markets and North America in the early 1970s. This trend was characterized by a slow penetration into

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<sup>13</sup>See *Market*, May 1996.

<sup>14</sup>See D. Bennison, 'Retail planning policy in Greece', in R. Davies, 1995, op. cit.; D. Bennison and C. Boutsouki, 'Greek retailing in transition', *International Journal of Retail & Distribution Management*, 23(1), 1995, pp. 24–31.

<sup>15</sup>G. B. Özcan, 1998, *Internationalisation in Southern European Retailing*, op. cit.

Southern European markets. While Italy and Spain have attracted significant flows of investment, Greece, Portugal and Turkey have been late comers. Similarly, Western European retailers followed different sectoral and geographical patterns of investment. For example, French investment was more concentrated in the southern markets of Spain and Italy, and only recently in Greece and Turkey.<sup>16</sup> However, internationalization is neither a passive nor a one-way relationship in Turkish retailing. The 1990s witnessed new opportunities for Southern European retailers. Eastern Europe, the Balkans and the Black Sea regions offer wide scope. Although the major players are likely to be large conglomerates like Metro AG and Carrefour, there is still room for expansion in home and regional markets, at least for some Southern European countries. Among the Southern-based retailers, those which possess relatively large capital assets and which are mobile, have begun to fill the vacuum in these regions, sometimes with local partners. Turkish retailers have been adopting this strategy in the Black Sea region and Central Asia.<sup>17</sup>

Third, a suitable domestic environment shaped by the increasing role of media, brand consciousness, and purchasing power, have facilitated the diffusion of large retail outlets into Southern Europe. In Turkey the number of private TV channels has mushroomed since the mid-1980s and they have been influential in shaping consumer behaviour. A study conducted by Ger illustrates the fast adaptation of "Western" consumer habits in Turkey.<sup>18</sup> But she also emphasizes the potential dangers of this trend in a geographically, economically and socially diverse country like Turkey. The purchasing power parity of per capita income is approximately \$5,500 but there are, of course, significant differences among regions and cities.<sup>19</sup> In major cities such as Istanbul, the disposable income is closer to other Southern European countries, whereas in the rural areas and the east the income levels are relatively low by Western European standards.

Nevertheless, European retailing is moving towards an oligopolistic business structure. The Single European Market has been an important factor in facilitating foreign direct investment, bringing about mergers and acquisitions, and harmonizing business and customer practices in retailing. Large retail companies have been quick to exploit opportunities for expansion and consolidation in the new business horizon. In the 1990s Eastern Europe has been the

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<sup>16</sup>See Bennison and Boutsouki, *op. cit.*; G. Jones, 'The changing retail environment in Spain: restructuring in Madrid', *The International Review of Retail, Distribution and Consumer Research*, 4(4), 1995, pp. 369–391; G. B. Özcan, *op. cit.*, 1998.

<sup>17</sup>One of Turkey's leading food retailers, Migros-Türk, has been quite successful in penetrating new markets and filling the business vacuum in the Black Sea region. By the end of the 1990s, the company had eight shopping malls and hypermarkets in Russia, Adzerbaijan and Kazakhstan and was planning to open twenty more in the Balkans and the Middle East. Similarly, Sabancı, a leading holding company, signed a joint-venture agreement with Carrefour in 1997, and is planning to open over twenty hypermarkets in Turkey and in the region. Yimpaş is another company with investments in the Balkans. Kombassan, which runs Afra, has recently bought two small store chains in China and the United States.

<sup>18</sup>See G. Ger, 1992, *op. cit.*

<sup>19</sup>See the State Statistics Institute income data for 1996, Ankara. For example, the conurbation of Kocaeli has \$7,000 per capita (PPP) whereas the figure is around \$1,500 for Diyarbakır and only \$500 for Muş, the poorest town in Turkey.

focus of expansion.<sup>20</sup> Apart from a suitable business climate, several factors have pushed Western European companies to seek out new opportunities. These are mainly a saturation of demand with an ageing population in their home markets, increased planning restrictions for new developments, and tough competition. Loose planning restrictions with available sites and the relatively cheap property market for large retail development in urban areas have been attractive 'pull-side' forces.<sup>21</sup>

## Research method

The survey was designed to investigate the survival strategies of small and medium-sized retailers of foodstuffs in Ankara, the second largest city. Ankara, with over three million people, has a central role in administration as the capital city, but it also has many of the characteristics of a typical Anatolian town with the presence of indigenous small and medium-sized businesses. It exemplifies retail change occurring in the major cities and also signals new trends underway in the provincial towns. As one of the fastest growing cities in Turkey, Ankara also has semi-informal housing areas of rural migrants, as do many other metropolitan towns of Turkey. Around 50 per cent of the city's inhabitants live in this type of neighbourhood and this forms the basis of a 'dualistic' retail market.

The research identifies new retail forms and their impact on retail business in different social and economic settings. The study targeted formal registered businesses. The initial stages of the study examined the major players in foodstuffs retailing and the role of small and medium-sized retailers. The total sales area per outlet is used as the main criterion for the size definition of retailers and the several large and medium-size retailers were identified:

- (i) *Large national and multinational retailers with a sales area of over 6,000 m<sup>2</sup>.* These, together have thirty-eight stores in Ankara: Beğendik, Contour (France), Gima, Hosta, Metro (German), Migros-Türk, Real (German), Ordu Pazarı (semi-public) and Yimpaş.
- (ii) *Large to medium-sized regional retailers with a sales area of between 1,500 and 6,000 m<sup>2</sup>.* There are fifty-five stores run by various retailers: Akyurt, Canerler, Çankaya Belde (run by the municipality), Binkoz, MSR, Nazar, Şeref Market and Tempo.
- (iii) *Medium-sized local retailers with sales area between 400 and 1,500 m<sup>2</sup>.* There are twenty stores in the city run by Altunbilekler, Gipa, Makro, Merkez, Öğütler, and Soykanlar.

Following this initial stage, a structured questionnaire was administered to the small retailers, namely convenience stores, butchers and grocery stores,

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<sup>20</sup>German companies have been leading the retail movement in Eastern Europe with various forms of franchise and joint-venture agreements in Bulgaria, Hungary, Poland, and Russia. Tesco of Britain has been expanding rapidly in the Czech Republic and Poland. Apart from food-led retail expansion, the furniture store IKEA of Sweden, and textile and clothing companies, such as Benetton of Italy and Marks & Spencer of Britain, have also been growing in Eastern Europe.

<sup>21</sup>See G. B. Özcan and Tokatlı, 'Which direction is Turkish retailing heading?' [in Turkish], *ADA*, No. 4, 1995; and D. Bennison, 'Retail planning policy in Greece', in R. Davies (ed.), *op. cit.*

with less than 400 m<sup>2</sup> floor space, and medium-sized retailers with more than one store each under 1,500 m<sup>2</sup>. While all major medium-sized retailers are included in the survey, the sample size is adjusted for small retailers in each municipal district per retail outlet. A set of in-depth interviews was also conducted with business leaders and key informants.<sup>22</sup> The fieldwork was designed as primarily a supply-side study while retailers' own observations and secondary data were used to investigate changing consumer behaviour and consumption patterns in the different neighbourhoods. Owing to the large number of small businesses and the size of municipal districts, three sample districts, with varying socio-economic characteristics, Çankaya & Maltepe, Batıkent, and Altındağ were selected from three municipalities. A total of sixty-four questionnaires were administered.<sup>23</sup>

According to data from the Ankara Metropolitan Planning Office, the Tunalı Hilmi neighbourhood is a high-income area while Maltepe is upper middle class. Both sub-districts have shopping arcades, fashion stores and business offices. Family spending, car ownership and education levels are higher than other municipalities. Batıkent is one of the newly developed middle-income suburbs of Ankara. Shopping areas in Batıkent are planned in small neighbourhood shopping centres. However, the area has low accessibility owing to poor public transport. Altındağ is one of the poorest areas in Ankara. The inhabitants have low household incomes, insecure jobs, poor educational qualifications and many are from a rural background.

### Survival dynamics of small and medium-sized retailers in Ankara

There has been a concentration of retail capital in Ankara—as in other major cities in Turkey. The research suggests that this process has sharpened the gap and increased segmentation between small and large retailers as well as between income groups. The most visible aspect of segmentation is increasing spatial differentiation across the survey areas. The shopping space of urban poor, middle and upper income groups are now quite separate. Other studies also confirm that upper and middle income groups are the major customers of large retailers and poor and lower middle classes do not shop at large stores or malls.<sup>24</sup>

The fieldwork identified thirty-eight stores owned by large multinational and national companies, fifty-five stores of large regional retailers, and twenty stores of medium-sized local retailers (see Table 1). Most of these are hypermarkets and supermarkets that were opened in the 1990s. This situation

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<sup>22</sup>Interviews were carried out with the following individuals in 1996: Bendeve Palandöken, the Chairman of the Federation of Small Shopkeepers and Franchise Stores; Sabahattin Sarıkaya, the Chairman of the Association of Butchers; Kemal Muratoğlu and Tahsin Erdem of the Association of Grocers, Ankara; Cemal Altıok of the Association of Open Market Retailers, Ankara; Ahmet Erdoğan, GİMAT; Recep Toksoy, ANMAR; Kadir Caner of Canerler, Ankara; and finally, Melek Şenses, Chief Planner, Ankara Metropolitan Planning Office.

<sup>23</sup>The distribution of sample size is as follows: in the Çankaya district the Tunalı Hilmi and Maltepe sub-districts (twenty-two); in the Yeni Mahalle district the Batıkent sub-district (twenty-three); in Altındağ, the Altındağ sub-district (nineteen).

<sup>24</sup>See K. Aydın, *Retailing and Socio-economic Characteristics of Department Store Customers* [in Turkish], MPM, Ankara, 1992; and The Beğendik Company Report (1994) *Customer Survey* [in Turkish], Beğendik A. Ş, Ankara.

contrasts sharply with the pre-1990 period during which there were only two large domestic retailers involved in foodstuffs retailing. One was Gima, which was a largely public enterprise from its establishment by the state in 1956 until its privatization in 1993. The other was Ordu Pazarı, which was established for military and civilian personnel of the Turkish Armed Forces in 1963. Metro, a German cash-and-carry hypermarket, which opened in 1988, was the first major investment in the pre-1990 period.

The medium-sized retailers identified in the survey, Altunbilekler, Gipa, Makro, Merkez, Öğütler, and Soykanlar, have a total of twenty stores in the city. The research indicated that they did not have a significant role in the retail market of Ankara. Almost all came from small-scale retailing and/or wholesaling. They managed to reach their current size through increasing their capital assets and with family help. They are mainly family-run and locally concentrated businesses. They do not see themselves as part of regional chain stores or voluntary associations, and they complain about their inability to shape developments in the retail market. These firms, however, are likely to survive in middle-class areas where neighbourhood shopping is still popular.

#### *Small independent retailers*

The changes in foodstuffs retailing threaten the survival of small retailers and our findings indicate that there are two major trends. First, in upper- and middle-class neighbourhoods, convenience stores, groceries and butchers survive on customers' small daily needs and *ad hoc* shopping. It is often pointed out that the old central role of retailers in neighbourhood shopping and social life has been disappearing. Since in most apartment blocks the porters distribute milk, bread, newspapers and other small daily needs to residents, retailers keep good relations with them to maintain regular purchases. In some cases the retailer even gives a percentage share to the porter to guarantee this trade. Second, in low-income areas small retailers keep a grip on the market since poor inhabitants cannot afford to shop at supermarkets and hypermarkets. They also offer credit to their customers. Credit has been an important factor in determining customer patronage among small retailers for many years in Turkey.<sup>25</sup> The real threat to the business, according to these retailers, comes from street sellers and cheap markets.

As residents often use large supermarkets for their weekly and monthly needs, small retailers lose their regular customers in the Maltepe and Çankaya neighbourhoods. However, periodic markets and small retailers are still used for certain needs. Despite the visible concentration in the sector, the number of unregistered small retailers and street sellers has not diminished. The number of hawkers is estimated to be around 10,000 in Ankara.<sup>26</sup> Studies from other countries also point out that customers who are able to shop in supermarkets do not necessarily purchase all of their food needs there.<sup>27</sup> In the middle-class

<sup>25</sup>U. Yavaş *et al.*, 'Retailing institutions in developing countries: determinants of supermarket patronage in İstanbul, Turkey', *Journal of Business Research*, 9, 1981, pp. 367-379.

<sup>26</sup>The Chairman of the National Federation of Convenience Stores and Franchise Stores, Bendevi Palandöken, claims that there are more than 10,000 street sellers in Ankara and this causes 'unfair' competition for small retailers with registered premises.

<sup>27</sup>See, for instance, A. Goldman, 'Transfer of retailing technology into the less developed countries: the supermarket case', *Journal of Retailing*, 57, 1982, pp. 5-29.

Table 1. Large and medium-sized chains studied in the survey (1998)

Retail firms in Ankara (total sales area over 400 m <sup>2</sup> )	Establishment years			Original business of the firm			Total No. of personnel		
	No. of firms	Before 1985	1985–1990	After 1990	Retailing	Wholesaling		Wholesale and various businesses	
Large national and international <sup>a</sup>	9	2	2	5	3	2	4	38	Over 500
Large local <sup>b</sup>	8	0	2	6	1	4	3	55	90–300
Medium-sized <sup>c</sup>	6	0	2	4	5	0	1	20	20–90
Total	23	2	6	15	9	6	8	113	

Total sale areas are grouped as follows:

<sup>a</sup> Over 6,000 m<sup>2</sup>. These are Beğendik, Contour, Gima, Hosta, Metro (German), Migros-Türk, Real (German), Ordu Pazarı (semi-public) and Yimpaş.

<sup>b</sup> Between 6,000 and 1,500 m<sup>2</sup>. These are Akyurt, Canerler, Çankaya Belde (run by the municipality), Binkoz, MSR, Nazar, Seref Market and Tempo.

<sup>c</sup> Between 1,500 and 400 m<sup>2</sup>. These are Altumbilekler, Gipa, Makro, Merkez, Ögütler, and Soykanlar.

area, Batıkent, small retailers face less competition owing to the limited accessibility of supermarkets. Weekly open markets for fresh fruit and vegetables are more popular for groceries. In this semi-suburban location, car ownership is low and residents depend on public transportation. Residents shop at local stores as well as medium-sized chains. In Altındağ, where purchasing power is very modest, households are generally large and daily food consumption is based on staples. Retailers complain that shopping is not a prominent activity of the local households. Families often purchase their seasonal staples from cheap markets in large quantities. Retailers typically sell small amounts of foodstuffs, and the stores are shabby compared with their Çankaya and Batıkent counterparts.

Small retail stores are often opened by people who do not seem to have any particular experience in the business. They are largely the outcome of opportunistic small investment aimed to acquire independence but based on few learned skills. The cash-run retail business appears to be a convenient investment area for small owners of capital. Traditional elements such as early apprenticeship and involvement in a family business also play a determining role in acquiring the business. Average shop size is very small, regardless of district and business type (60 per cent of the sample retailers have less than 30 m<sup>2</sup> store area). The second largest common shop floor area is between 100 and 200 m<sup>2</sup> and most are convenience stores. Groceries have the least turnover owing to the relative cheapness of vegetables and fruit. This is one of the reasons why groceries are often run by convenience store owners. The survey results support the findings that Altındağ has the least spending per customer. In this area, twelve out of nineteen sample retailers have customers who, on average, spend weekly less than TL 500,000 (equivalent to US\$10 at the time of the survey) for their shopping. Batıkent is a middle-class neighbourhood with medium-range spending per week (between \$10 and \$40 per customer). Most of the high-spending customers are in Çankaya (over \$40 per week per customer).

In our sample, small retailers hold very different perceptions about the main changes to their business since 1990 (see Tables 2 and 3). But the most important finding is the inability of small business to compete in local markets and the failure to accumulate capital and to co-operate. However, for poor neighbourhoods this kind of competitive attitude seems not so important due to niche market advantages.<sup>28</sup> These weaknesses do not allow retailers to play a major part in the transformation process despite the fact that they outnumber large and medium-sized stores. Small retailers often blame this on 'unfair' business practices and on the government for defending large national and multinational interests. However, they are not altogether silent and passive in relation to changes sweeping through the sector. There have been various campaigns calling on small retailers in every town to unify, fight back and modernize their businesses through associations, business groups and as individual retailers.

The research indicates that retailers' position in the 'high-versus-low' in-

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<sup>28</sup>However, large retailers have been developing new techniques to reach disadvantaged customers. Migros-Türk, for example, has sales trucks visiting poor neighbourhoods; it also launched a discount store, Şok.

**Table 2.** Perceptions of retailers: main changes in the retail trade since 1990

Retail outlets	1	2	3	4	5	6
Convenience store	12	7	12	10	17	4
Groceries	4	1	2	6	4	1
Butchers	7	0	1	4	4	2
Total <sup>a</sup>	23	8	15	20	25	7
(%)	(23.5)	(8.2)	(15.3)	(20.4)	(25.5)	(7.1)

<sup>a</sup> Total sum is more than the sample size as more than one reason is indicated. Key to column headings: 1 Purchasing power went down; 2 Tax burden and inflation increased; 3 Prices went up, profit margins came down; 4 Volume of sales reduced; 5 Super- and hypermarkets changed business; 6 Other. Source: Fieldwork, 1996.

come areas create different business conditions and perceptions for the individual businesses; that is, there are significant differences amongst the sample districts. In the high-income neighbourhoods of Çankaya and Maltepe, almost half of the retailers indicated that the main changes have been the penetration of large stores like supermarkets and hypermarkets, and a reduction in the volume of sales. However, in the low-income neighbourhood, Altındağ, retailers mainly emphasized decreasing purchasing power, low profit margins, and price increases. This complaint seems to have some objective ground since the income distribution in Turkey has worsened over the last two decades.<sup>29</sup> Altındağ has also been a gateway for poor rural migrants to the city. Travelling to supermarkets in distant locations is a difficult task for such consumers. They are often ignorant about the advantages of shopping in such stores and, as emphasized by some retail managers, there are also cultural and psychological barriers to shopping in well-lit and well-displayed stores.

**Table 3.** Perceptions of retailers: effects of supermarkets and hypermarkets on small retailers and their strategies to compete

Retail outlets	1	2	3	4	5	6
Convenience store	10	15	3	7	6	1
Groceries	5	4	0	2	0	0
Butchers	3	8	1	2	0	0
Total <sup>a</sup>	18	27	4	11	6	1
(%)	(26.8)	(40.3)	(6.0)	(16.4)	(8.9)	(1.5)

<sup>a</sup> Total sum is more than the sample size as more than one option is indicated. Key to column headings: 1 Not affected; 2 Negatively affected, not possible to compete; 3 Negatively affected, offers credit sales; 4 Negatively affected, reduces prices; 5 Negatively affected, treats customers well (i.e. home delivery); 6 Other. Source: Fieldwork, 1996.

<sup>29</sup>K. Boratav, 'Contradictions of "structural adjustment": capital and the state in post-1980 Turkey', in A. Öncü et al. (eds), *Developmentalism and Beyond*, The American University in Cairo Press, Cairo, 1994.

Tough competition among all retailers makes life different for small businesses, and many retailers complained about their weak position in the market. Only one-third of the retailers sampled plan to remain in their current business. A large proportion of respondents are unclear about the future (seventeen cases out of sixty-four) while eleven out of sixty-four plan to open another business. Almost half of the firms sampled from all sectors expected to be closed down by the year 2000. This finding is an indication of a perceived bleak future by small retailers. Many complained about their limited capital and power *vis-à-vis* large wholesalers and retailers. The marginalized small retailer with little business vision and small capital could become a source of social tension. The future of retailing in the city, and indeed elsewhere in the country, is likely to be reflected in the popular press images of angry and frustrated small shopkeepers. However, there are also new opportunities.

#### *Opportunities for growth: business alliances and voluntary chains*

A handful of medium-sized retailers have managed to survive and be successful in the new business atmosphere. Our interviews indicate that a series of local retailers managed to grow and prosper in the 1990s.<sup>30</sup> There are two possible assets for growth: using voluntary associations and utilizing family capital and personal networks.

The fieldwork identified two voluntary chains in Ankara that have emerged as a response to increasing competition. In other Turkish cities, voluntary chains and buying groups have also been set up by small retailers in order to cope with the new retail environment.<sup>31</sup> Although many voluntary chains with 290 stores have been active in large as well as medium-sized cities, it is too early to assess the competitive power of small retailers.<sup>32</sup> Anmar is the major buying group in Ankara formed by medium-sized retailers and wholesalers under the leadership of Canerler. This is a voluntary organization established by twenty-one firms whose total number of stores is forty-six. Its main objective is to buy goods directly from producers and distribute them among its member retailers on a non-profit basis. The alliance is able to obtain a 10 per cent discount, 2 per cent of which is used in the management of the alliance. The remainder is passed on to the retailers. Moreover, the alliance can secure better payment arrangements for its members. In order to be a member, retailers have to be a certain size. Anmar's members have at least 200 m<sup>2</sup> store areas, at least two cashiers, and carry a reasonably large selection of products, 25 per cent of which are bar-coded. There are other alliances among small retailers in Ankara such as Basmar with ten stores. However, there is no conclusive evidence about the benefits of business alliances for small independent retailers. On the contrary, our findings show that Anmar has been a

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<sup>30</sup>These are Altunbilekler, Canerler, Gipa, Nazar, Makro, MSR, Öğütler, and Soykanlar.

<sup>31</sup>See *Satış Noktası*, 1998 and 1999 issues. Together with forty-six stores of Anmar, and ten markets of Basmar, which was established in Ankara, there are, it seems, more than 400 medium-sized stores that are organized around buying alliances in the country. Adamar in Adana, Emso and Egemar in İzmir, and Marketim, Binbir and İsmar in İstanbul are examples of the voluntary associations set up by local retailers in response to competition from large retailers.

<sup>32</sup>See, Zet Neilsen, *The Retail Trade in Europe and Turkey*, İstanbul, 1996.

stepping stone for Canerler and Nazar, the major retailers of the alliance, to move into medium-sized retailing.

Nazar and Canerler are two old and respected businesses that have been in foodstuffs wholesaling and retailing for many years. They have enjoyed special relationships with the large distribution and production companies and had gained the title of "sole distributor" status in some goods in the region of Ankara, inner Anatolia.

The emergence of Canerler as a leading medium-sized retailer through small neighbourhood stores shows another trend indicating a hopeful strategy.<sup>33</sup> Under the leadership of Mr Kadir Caner, small local retailers and wholesalers in Ankara formed a buying alliance in 1993 with the name of Anmar. This alliance benefited every member but Mr Caner was more successful than his partners in rapidly changing his business and grasping new opportunities. By utilizing his experience in foodstuffs wholesaling and retailing and the business network of Anmar, Mr Caner set up small chain stores in all major neighbourhoods of Ankara. The number of Canerler stores reached seven in 1996. When six small chain stores, Can, the shops owned by Yimpas Holding, were on sale in 1997, Mr Caner was able to buy them since he was known to Yimpas. By the end of 1998, Canerler had twenty neighbourhood supermarkets (mostly between 400 and 1,000 m<sup>2</sup>) in Ankara. Following the business growth, Mr Caner took over the management of Anmar as well. Despite its local character, Canerler symbolizes another trend in Turkish retailing. Medium-sized neighbourhood chains have been replacing small independent retailers. Canerler is a good example of a purely local business expansion along the lines of local business networks and opportunities.

### **The business community**

A number of semi-structured interviews were conducted with the leaders of the business community. The political orientation of the main associations and their business leaders are inter-linked with personal and community interests. Thus, the chairman of the Union of Grocery Stores and Fishmongers points out the dramatic number of business closures among grocery stores. The Chairman of the Association of Butchers emphasizes the importance of small shopkeepers in creating employment opportunities and income for thousands of families in the country and is pessimistic about the future of butchers. He thinks that the process of monopolization in retailing harms butchers as well as many other small artisans and traders. The chairman of the National Federation of Convenience and Franchise Stores argues that small convenience stores will thrive in poor urban neighbourhoods, rural areas, small towns and in the poor regions of the country, especially the south-east. It is predicted that those in large urban areas and middle-class neighbourhoods will transform their function in time or disappear.

These opinions suggest that small retailers and wholesalers are increasingly conscious of their vulnerability from large retailers and producer-supported distributors in Ankara. Various associations and alliances have been formed among small shopkeepers, wholesalers, and traders. However, comprehensive

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<sup>33</sup>Based on interviews with Anmar and Kadir Caner.

research carried out by the National Federation of Convenience and Franchise Stores in 1995, as well as our observations, indicate that the organization is far from meeting all the needs of the business community. The research indicates a lack of dialogue among their members. Forty per cent visit the office of the organization only once a year and 16 per cent do not visit at all. Seventy-four per cent state that they do not contact the Federation when they face problems. The same research report concludes that the organization's membership lists are not comprehensive or accurate. The organization's activities are not known among the members either. Moreover, many members do not seem to benefit from the legal and health-related services that the organization offers.

However, the Federation of Small Shopkeepers and Franchise Stores is very active in lobbying to influence government decisions. This organization has been asking the government to restrict new developments which have disruptive effects on small retailers. With the increasing competition in the business, the Federation has been pushed to develop new programmes to enhance the business skills of its members. It offers training and education courses and plans to open a school of retailing and an information network for helping retailers to set cheaper prices. Overall, however, there is a lack of co-ordination and co-operation among small retailers. The organizational administrators believe that, despite lobbying efforts, they will not be able to do much to prevent the entry of large-scale retailers into the market and the consequent displacement of the small-scale retailers.

## **Conclusion**

The recent changes in Turkish retailing suggest a shift from small under-capitalized units to capital concentration and diversification led by large domestic and foreign conglomerates. However, our survey revealed that despite the increasing presence and power of large retailers there is still room for small retailers in a highly fragmented and inaccessible geographical setting of the city. While small retailers continue to suffer from tough competition, the market share of large modern retail outlets is steadily increasing. In upper- and middle-income areas, the traditional importance of neighbourhood stores is disappearing and small retailers are losing loyal customers. For their part small retailers are fighting back and developing new strategies to survive. Voluntary business associations are the most common forms of solidarity. Small retailers are also adapting new marketing techniques and product ranges.

The major impetus behind change came from large European retailers that began to enter the market in the late 1980s. This trend was closely linked to the liberalization policies and the expansion of large Western European retailers into new markets. The consolidation and concentration in European retailing have been strongly influenced by the Single European Market. However, the overall effects of this process are likely to be uneven. The core regions and large companies seem to be benefiting from the single market more than peripheral areas or local SMEs. Within this context, there are immediate threats as well as opportunities for Southern European retailers. Globalization and 'Europeanization' create new opportunities for Southern European retailers in new markets, such as the Balkans and Eastern Europe. Consequently, large Turkish retailers have been following this trend by investing in the Black Sea

region and the Balkans. This multi-layered transformation within semi-peripheral economies of Europe creates a new form of diversification and segmentation.

Globalization in retailing makes large cities of the world look similar in their pattern of retail land use with a segment of global consumerism alongside culturally embedded local traditions. Similarly, modern large retailers do not necessarily eliminate other traditional forms such as small shopkeepers and street peddlers. Within this process, particularly in countries like Turkey, the gap between rich and poor and different life styles and regions increases. Inequality is not a new phenomenon but its manifestation in increasing material wealth and conspicuous consumption by only one segment of the population is potentially explosive in societies whose experience has long been based on scarcity of goods, often controlled by the state monopolies. Consequently, increased concentration in retailing has possible negative impacts on the society and the economy. The dispossessed retailers, families and other businesses may well not 'match' the expansion in new businesses and industries created by the retail transformation.

The retail transformation can also be closely linked to the traditional values, customs and modernizing aspirations of Turkish society. Ger (1992) points out that the rise of the Islamist party is a form of backlash against diminishing original culture with the invasion of Western media, fashion and consumerism. In economic terms, Islamist politics also appears to be voicing the fears of the dispossessed and disadvantaged groups and small businesses. An opposite trend, however, is also quite visible; that is, retail modernization with an improved customer service and a variety of choice. Some experts in the sector argue that after the arrival of modern shopping, no Islamists could have pursued anti-Western rhetoric.<sup>34</sup> There are also large chain stores set up by Islamic business networks such as Yimpaş. The impact of this retail transformation has been immense on women and families. The retail spaces created by the controlled environments of malls and hypermarkets have made shopping a leisure activity and allowed Turkish women to be more mobile. The traditional rigid exclusion of women from commerce and trade is also disappearing. According to the retail statistics, half of the working population in modern retail outlets are women including managers and marketing agents. Therefore, it is inappropriate to envisage a total backlash or social unrest. However, there is likely to be a continuous tension among conflicting interests and groups.

One of the possible contributions of retail change is to enhance economic growth in Southern Europe. Whether the retail modernization is a result or the cause of economic development has preoccupied several scholars. Further levels of distribution and retail outlets are associated with higher economic development. Kaynak (1982) points out that an inefficient distribution system can hamper the economic performance of the entire marketing system and slow down economic development.<sup>35</sup> Samiee (1993) argues that as an economy develops, channel functions are transferred to specialists who can perform

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<sup>34</sup>Interview with Mr Rauf Arditti (1999), Chairman of the Turkish Retailers' Association (Per-der), Istanbul.

<sup>35</sup>E. Kaynak, *Marketing in the Third World*, Praeger, New York, 1982.

them more efficiently.<sup>36</sup> Advanced economies are characterized by very specialized and sophisticated distribution networks, while developing country retailers tend to be closer to production activities and, in many cases, produce much of the output they offer their customers. The development of retailing and distribution channels is also a function of production.<sup>37</sup> Retail modernization affects many other sectors with its backward and horizontal business links. We observe that many businesses including banking, food processing, store furnishing, information technology and data processing systems have had strong growth alongside the retail transformation in Turkey. Consequently, the transformation in Southern European retailing is closely linked to economic progress and European integration.

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<sup>36</sup>S. Samiee, 'Retailing and channel considerations in developing countries: a review and research propositions', *Journal of Business Research*, 27, 1993, pp. 103–130.

<sup>37</sup>C. Şamlı, 'Wholesaling in an economy of scarcity: Turkey', *Journal of Marketing*, 28, 1983, pp. 55–58. Şamlı points out that in an economy where goods and services are scarce, retailing cannot develop and marketing channels cannot become sophisticated.