INDUSTRY ANALYSIS
HOTEL MANAGEMENT SEGMENT OF TOURISM SECTOR IN ANKARA

BY
HAKAN BUTUNER
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IN ANKARA

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By

HAKAN BUTUNER

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I certify that I have read this thesis and that in my opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Business Administration.

Assist. Prof. Oguz Baburoglu

I certify that I have read this thesis and that in my opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Business Administration.

Assist. Prof. Dilek Yeldan

I certify that I have read this thesis and that in my opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Business Administration.

Assist. Prof. Kursat Aydogan

Approved for the Graduate School of Business Administration.

Prof. Dr. Subidey Togan

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I) INTRODUCTION

An industry analysis comprises five forces which can be identified for each sector of the economy. These five forces will constitute the main headings for the analysis and evaluation of the tourism sector's hotel management segment in Ankara, which is the main concern of the thesis. These headings/forces are :

1) Bargaining power of customers

2) Bargaining power of suppliers

3) Threat of new entrants (potential entrants)

4) Jockeying among current competitors

5) Threat of substitute products

The degree of competition and ultimate profit potential of tourism sector's hotel management segment in Ankara region will be better understood, when these factors are examined.

For the existing companies and potential entrants of this sector the main objective is to position themselves against these 5 forces, which is also the case for companies in other sectors. These forces enable them to formulate their strategies. Therefore, any company that wants to be a member of this sector, should take these 5 forces into account.

This thesis focuses on analyzing each force and prioritizing according to their importance and clarifying the opportunities and/or threats via the identification of trends in industry.

A series of interviews have been conducted for this thesis, since accurate field and published data are essential for valuable information and conclusions in industry analysis. Relevant data collected in this manner are evaluated in conformity with MICHAEL E. PORTER's book, "Competitive Strategy".

II) EXISTING TOURISM POTENTIAL OF ANKARA

II.1) HISTORY OF ANKARA (1)

Turkey's capital Ankara is located in the strategic heartland of Central Anatolia, in a region chosen by the founder of the Turkish Republic, Mustafa Kemal Ataturk.

Though the city is modern in appearance, its history dates back to the Paleolithic and Neolithic times. The excavations revealed the Hatti civilization of the Bronze Age, in the second millennium B.C, before the Hitites. Then, in the 10th century, B.C, the Phrygians established the city of ANCYRA on the site, where the Lydians, Persians and Galatians settled one after the other. The Galatians who declared Ancyra as their capital in the 3rd. century B.C, were also the founders of the citadel.

The region was invaded by the Romans, Byzantines and Arabs consecutively until the Seljuks' conquest in 1073 under the command of Alpaslan. The site was then invaded by Ottoman Turks under the command of Yildirim Bayezid in 1402.

It is only after the First World War that Ankara gained importance in history as the center of the national resistance led by Ataturk.

Ankara, on October 13, 1923, was declared the capital of the new independent Turkey. As a capital, Ankara has all the public related organizations', and relatedly most of the private organizations' head offices. Obviously, the parliament, ministries, and head offices of the military forces are located in this city, as well.

II.2) PLACES OF INTEREST IN THE REGION

i) MUSEUMS

Presently there are three museums related with the history of the Turkish republic and Ataturk. Additionally, there are two other museums that are related with the natural history of this city, and yet another two about the Anatolian civilizations.

The names of these museums are available in Appendix II.1. (1)

ii) HISTORICAL CULTURAL PLACES :

We can categorize historical places mainly into two according to the periods of concern. One group is related with the Turkish Republic, and consists of four places. The others consist of seven places, and are related with the Anatolian civilizations (mainly with the Roman Empire, Persians, Hitites, Byzantines, Galatians, Seljuks and Ottomans).

The names of these historical and cultural places are listed in Appendix II.2. (1)

iii) RECREATIONAL PLACES :

There are five natural places available for camping, picnic and walking. Two mountains serve for winter sports. There are also artificial recreational places present for camping, picnics etc., of which some provide facilities like restaurants, cafes, boat trips, amenities etc.

The complete list of these places are available in Appendix II.3. (1)

iv) THERMAL RESORTS :

There are mainly 7 thermal resorts present in Ankara's near environment which are mostly used as medical treatment for some diseases. Most of them also have private baths, swimming pools, rehabilitation centers and other amenities.

They are listed in Appendix II.4. (1)

II.3) HUNTING TOURISM-FISHING (1)

i) HUNTING :

Ankara covers a very large area where there are a variety of wild game. Some of them include partridges, rabbits, duck and goose during winter. In every part of Ankara and environs there are plenty of wild animals; foxes, volves, badgers, polecats, ermine, weals etc.

The Ministry of Forestry and Agriculture's Central Hunting Commission establishes regulations every year. According to these regulations, hunting is allowed for people with licenses and class travel agencies which have hunting permission in certain places at certain times.

ii) FRESH WATER FISHING :

Cubuk, Ayas, Sariyer, Hirfanli dams, the Golbasi lake and Kizilirmak, Sakarya, Kirmir, Ilhan, Ova, Deredam rivers provide excellent fishing opportunities. Fresh water fish in this area include salmon, carp garfish, striped, red mullet, trout, bleak, silver fish etc.

II.4) CONGRESSION TOURISM

Detailed information will be given in the following pages.

II.5) LOCAL(REGIONAL) TOURS (1)

The major tours are organized to Elmadag, Cappadocia, Abant, Yedigoller, Bogazkoy, Alacahoyuk, Central Anatolia, Gordion and Konya. Their durations range from half to five days and vary by the tour's characteristics.

The details on these tours are listed in Appendix II.5.

II.6) TRAVEL AGENCIES

According to the 1987 statistics of the Ministry of Tourism, there are 54 travel agencies in Ankara. They are very effective on the organization of local & regional tours, and consequently influence Ankara's tourism potential. (1)

II.7) OTHER

i) CAR RENTAL SERVICES :

There are 8 car rental services available in Ankara, as the 1987 statistics of the Ministry of Tourism states. (1)

ii) AIRLINE AGENCIES :

According to 1987 statistics of the Ministry of Tourism, 12 foreign airline companies that have transportation links to Turkey have also their agencies in Ankara. Also, there are 5 travel agencies that sell the tickets of foreign airlines. Additionally, both the "THY" and "Istanbul Airlines" have their own agencies. (1)

iii) RAILWAY and HIGHWAY :

Transportation by railway to Ankara from many cities and towns of Turkey is possible, and roads connect every city and town of the country. (1)

iv) EMBASSIES and FOREIGN REPRESENTATIVES :

According to the 1987 statistics of the Ministry of Tourism, all the countries that are in relation with Turkey have their embassies in Ankara. They are 60 in total. (1)

v) SPORT FACILITIES :

Ski facilities are available in Elmadag. There are mainly two stadiums and two sport centers in international standards. (1)

FOOTNOTES :

(1) Ankara rehberi (1987), turizm seyahat acentalari birligi.

III) ANALYSIS OF INDUSTRY FORCES

III.A) BARGAINING POWER OF CUSTOMERS

For the evaluation of Ankara's tourism potential, the above factors lead us to conclude the following.

Ankara is a typical new capital city like others in the world. Although it has the potential with respect to historical and natural resources (though not as much as the other cities - Istanbul, Izmir, Antalya, etc.) these have not been well utilized nor developed until now.

We know that the number of the foreign arrivals have been increasing since 1982. This upcoming trend directly influences both directly the tourism sector itself and the related sectors, and the society in many regions. Although these positive affects are also observed in Ankara, they are not sufficient.

From Graphs 1 and 2 of the "Foreign Arrivals and Tourism Receipts (1987)" (1), the following conclusions are obtained, in 1987 :

If we exclude Istanbul because of its typical characteristics, we observe that the Aegean region (with Izmir - Kusadasi and Mugla - Bodrum, Marmaris, Fethiye) receives the highest tourism earnings. Second highest is the Mediterranean with Antalya followed by Marmara with Bursa. Close to Marmara's percentage, Central Anatolia is fourth with Ankara and Nevsehir. The other regions' shares are negligible.

Ankara has a percentage share of 3.9 % from the total tourism receipts including Istanbul. The share increases to 6.07 % when Istanbul is excluded from the total.

The same conclusions can also be drawn from the Graph 3 of the "Bulletin of Tourism Statistics (1986-1988)". (2)

Today, the major tourism activities focus on travel, business, and political tourism in Ankara. (1)

In Graphs 3, 4, 5 and 6 of the "Foreign Arrivals and Tourism Receipts (1987)", we see that the major portion of the foreign arrivals visit Ankara for travel (holiday, cultural) and business. Whereas in Turkey, the major portion arrives for holidays and with cultural purposes. In Turkey, the business visits only get the share of 6 %, which is more or less same with the West Countries.

It is also observed that foreigners visit Mediterranean for holiday, Aegean Sea for holiday and with cultural purposes, Marmara (except Istanbul) for holiday, and other regions mostly for cultural purposes. (1)

The following highest figures are obtained with respect to business visits : (1)

K.Maras - 77.3 %
Giresun - 61.1 %
Eskisehir - 42 %
Istanbul - 23.7 %
Ankara - 22.7 %

The situation is almost the same for the number of nights spent by foreigners according to their purpose of visiting Turkey.

On the other hand, in Ankara foreign visitors arriving for holiday and with cultural purpose spent less nights compared to their percentages in the total number of foreign arrivals. Whereas in business purpose visits the opposite is true. That is, 22.7 % of the business purpose foreign visitors constitute 29 % of the number of nights spent.

For statistical purposes and in order to get some idea about Ankara, it may be useful to analyze the following graphs of the "Foreign Arrivals and Tourism Receipts (1987)", although they are mostly related with Turkey.

In Graphs 7 and 8 , it is seen that in Turkey 64 % of the foreign visitors are males.

As for the age groups of foreigners, 36 % are younger than 30 years old. Additionally, in Ankara the foreigners have an average age of 41.6 with respect to existing gates, which is the highest in Turkey.

Graph 9 shows that in Turkey, according to their occupations, foreigners are distributed by approximately same percentages (except officers 23.4 %.)

It is apparent from Graphs 10 and 11 that in Turkey, 48 % of foreign visitors organize the visits themselves. Additionally, in their visits to Turkey they are influenced by their friends, families and their own experiences. Unfortunately, Turkey's promotion, advertisement and marketing activities are still not sufficient to influence the decisions of foreigners.

From Graphs 12 - 14, it is seen that 26.5 % of visitors spent between $ 100 - 300 as expenditures in excess of tour charges in Turkey; 20 % between $ 300 - 500; 25 % between $ 500 - 1000; and finally 13 % above $ 1000. Whereas, with respect to their expenditures in Turkey, 37 % spent between $ 100 - 300; 19 % between $ 300 - 500; 16 % between $ 500 - 1000; and finally 7.5 % above $ 1000.

We see in Graphs 15 and 16 that Ankara has the highest average receipts, which is due to highest percentage of business visits.

In the previous years, Ankara had the entertainment and recreational potential besides its potential regarding the business people. However, in the recent years, since the economic and social conditions changed dramatically, accommodational demand ir Ankara started to decline. The major reason behind this argument relies on the changing habits and expectations of the travel agencies and business and trade organizations. (3) (4) (5)

Again for statistical purposes, it would be better to analyze the changes in customer demand both for Turkey and for Ankara in particular.

In Graphs 14 - 16 of the "Bulletin of the Accommodation Statistics" (6), an increasing trend during 1986 - 1988 is clearly observed in the number of arrivals (both for citizens and foreigners) per month in the hotels. Also, the trend regarding the number of the arrivals increases in summer months and decreases in winter. Additionally, though the number of the foreign arrivals increases in summer months, the distribution of citizens shows approximately a uniform manner all through the year.

The above conclusions apply also to the nights spent in Turkey in hotels, which can be seen in Graphs 17 - 19.

In relation with these upcoming trends, in Graph 20, the occupancy rates of hotels in Turkey for each summer month show an increasing trend, between 1986 -1988. The opposite is true for winter months. In general, the occupancy rates in hotels in Turkey increase during summers against the decreases in winters.

In Graphs 21 - 23, the number of arrivals by hotel types; and in Graphs 24 - 26, the number of nights spent again reflect the above characteristics for Turkey for the period 1986 - 1988.

The highest demand in summer months is towards 2, 1, 3, 5 and 4 star hotels, with lowest demand being for 4 star hotels. In winter months, only 1 and 2 star hotels change places in the sequence.

From Graphs 21 - 26 we can conclude that with respect to the average length of stay in Turkey, the above characteristics are also valid in each type of hotel (except 5 and 4 star hotels).

Overall, the above characteristics displayed in the Graphs 14 - 26, are also observed in Graphs 1 - 13.

In graph 13, we observe another important characteristic : while the occupancy rates increase in all types, it decreases in 5 and 4 stars during 1985 - 1988 in Turkey. Plus, overall all type of hotels have 50 % occupancy rates between 1985 - 1988.

The following characteristics are observed when Ankara is considered separately :

Graphs 1 - 4 show the number of arrivals in Ankara by hotel types, which show an increasing trend during 1985 - 1988. This is true both for the citizens and foreigners. Except 5 star hotels, citizen arrivals in total, are always greater than that of foreigners. However, again with the exception of 5 star hotels, all types of hotels individually and in total loose their percentage shares in Turkey, regarding the number of arrivals, during 1985 - 1988. Additionally, the highest demand in descending order is towards 1 & 2 , 3 & 4 and finally to 5 star hotels in Ankara during 1985 - 1988. This is also same for citizens. For foreigners, the highest demand in descending order is towards 4, 3, 2, 5 and 1 star hotels.

In Graphs 5 - 8, all the above characteristics are again observed for the number of nights spent in Ankara during 1985 - 1988 as distributed by types of hotels.

In relation with the above Graphs 1 - 8, the average length of stay in Ankara in each type of hotels show a decreasing trend (except in 5 and 2 star hotels) during 1985 - 1988 as can be observed in graphs 9 - 12. This is again same for both citizens and foreigners.

We can also say that, in all types of hotels, average length of stay for foreigners is greater than for citizens. By types, the highest average length of stay is in 5 star hotels, followed decreasingly in 3 & 4 and 1 & 2 star hotels during 1985 -1988. For foreigners, the sequence is 5, 3 & 4, 2 & 1 star hotels, longest being in 5 stars. Whereas for citizens, length of stay decreases gradually from 4 & 3 to 2 & 1, and reaches its lowest in 5 star hotels.

Graphs 27 and 28 show an increasing trend for each month after 'May' during 1985 - 1988. This trend is observed both in the number of arrivals and nights spent. For the other months, though a decreasing trend is observed during 1985 - 1987 the trend is reversed after 1987 which is most probably due to new 5 and 3 star hotels established after then. No published data is available for other types of hotels.

We can also say that both the number of arrivals and nights spent are higher during autumn and spring months compared to winter and summer months in Ankara during 1985 -1988, for 5 star hotels.

The above tendencies also apply to the average length of stay figures for 5 star hotels in Ankara.

From Graphs 29 and 30, we can say that, among the two important towns of Ankara (Cankaya and Altindag), Cankaya mostly has the highest figures, regarding both the number of arrivals and the nights spent. This is true for both citizens and foreigners between 1985 -1988 during when the figures show an increasing trend in both towns. Again this is the case both for the citizens and foreigners. The figures are negligible for other towns.

In the following section, we will analyze the bargaining power of customers in Ankara with respect to five different fields :

1) Travel agencies and travel tourism

2) Congression tourism

3) Business and trade tourism

4) Governmental and foreign embassy related tourism

5) Other tourism activities

III.A.1) TRAVEL AGENCIES & TRAVEL TOURISM

Travel agencies which organized the Anatolia tours shifted the accommodational visits to other places in Central Anatolia, in order to increase their profit margins. This in turn, decreased the variety of types of tourism in Ankara.

As described above, Ankara and its near environment has rich tourism potential which, according to industry experts, if utilized coordinatively will increase the common wealth of Ankara. (3) (4) (5) (10)

These potential resources according to their extend of utilization are as follows : (10)

i) The utilized ones : Cappadocia, Konya environment.

ii) The rarely utilized ones : Haymana, Yazilikaya, Hattusas environment.

iii) The un-utilized ones : Golbasi, Kizilcahamam, Beynam, Karagol, Ayas, Gordion.

Authorities' opinions lead us to conclude that; (3) (4) (5) (10)

i) The coordinated and planned activities will motivate the tourism potential of Ankara as a center and its environmental regions by promoting recreational and hobby tourism. This motivation will also increase the different types of tourism in Ankara and its environment.

ii) Alacahoyuk, Hattusas, Yazilikaya, Gordion have rich historical and cultural resources. But the authorities believe that these are not introduced nor advertised well enough thus they are not known by tourists.

iii) Tourism activities in Ankara can be motivated in many other ways. For example, by allowing the cultural purpose Anatolia tourist charters to land on Ankara Esenboga airport may motivate this potential. Or, instead of landing the employee charters to Istanbul, landing them to Ankara may increase the activities in Ankara as well.

Emphasis on the rarely utilized cultural and historical potential would also motivate the tourism potential.

In relation with congressional tourism, encouraging hunting, fresh water fishing, golf and recreational activities, and utilizing the thermal resorts well enough will all improve the tourism sector in Ankara.

Finally, the economic expectations of tourists and travel agencies should be taken into account. Due to unfavorable economic conditions, especially the increased prices of hotels, the accommodational demand of travel agencies shifted towards the outside of Ankara.

Today unfortunately, visits to Ankara are organized by travel agencies only for Cappadocia, East Anatolia and Konya tours. They arrive in Ankara via railway or airway and spend only one night. The next day, they pass to Cappadocia, Konya or East Anatolia region, and return back to Ankara at the end of tour. Typically, after a half day tour in Ankara , they return to Izmir or Istanbul.

Within other tours - Express tour, South Anatolia tours, West and Central Anatolia tours - they just join a half day tour in Ankara and they return into their initial stages without accommodating. (4) (5) (9)

However, as the industry experts expect by underlying the following conditions, the travel agencies' demand towards Ankara will increase in the very near future. (3) (4) (5) (10)

i) Increase in the number of foreign arrivals will be reflected as increased tourism potential of Ankara, since the city is on the way of established tours (to South, Konya, Cappadocia, East Anatolia etc.) as well as of new potential tours (to Black Sea).

ii) Naturally, the higher prices of hotels in Ankara changed the attitudes of travel agencies, forcing them to seek cheaper alternatives. Consequently, they started to organize their tours to other regions, and, they will not consider spending more than one night in Ankara.

But the new trend towards effective and quality hotel management with the new and established facilities and increased bargaining power of travel agencies due to the excess supply and strong rivalry among existing competitors, encouraged a decrease in prices while increasing the quality of services and distribution channels.

iii) For the hotels, that charge higher prices, (due to higher fixed utility, labor, managerial expenditures and/or higher interest on investment credits), the travel agencies demand started to decline which will eventually create an excess supply.

Hence, the bargaining power of travel agencies started to increase. They started to compete with each other to pull down prices. Although travel agencies usually have low influence on the big city hotels, this will change in Ankara favorably for travel agencies.

In summary,the travel agencies will generally have the bargaining power over 3 and 4 stars, due to the strong rivalry. They will influence these hotels to decrease their prices without decreasing their qualities. This in turn, may influence the 5 star hotels to decrease their prices also. (7) (3)

It is obvious that, in order to satisfy the minimum quality expectations, price is the major criteria for travel agencies. Based on this objective, they will switch between 5 star and 3 star hotels depending on their constraints.

These negative aspects will also influence international hotels (Hilton, Sheraton - in the near future), but their impacts will relatively be very low.

The reason lies in the following characteristics of these hotels : (7) (3)

- They are well known all over the world

- They have strong distribution channels

- They have a variety of auxiliary services in addition to their standard qualitative services

- They have experienced personnel with sound managerial skills

- Their locations in cities are very good

- They have their special customers who are mostly business and trade people

The travel agencies have strong influence on the hotel management since :

- They concentrate on the large volumes of hotels' potential capacities.

- The services they demand from the hotels represent a significant fraction of their costs (reason why they are price sensitive and selective).

- They can play against each other as the services that they demand are nearly standard or undifferentiated for the same class and type of establishments.

- They face low switching costs among the same/substitute class and type of hotels.

- Their profit margin is low. Consequently their major concern is to pull down the prices.

- They have strong information about the market price and demand.

- They have full influence on the tourists' decisions in selection of the accommodational places.

III.A.2) CONGRESSION TOURISM

The congression tourism has an increasing importance among the other tourism activities. The major reason lying behind this argument is that, first, the tourism receipts obtained from the congression members with their spouses are always greater than the average visitors. Second, the congressions are usually organized at the end of the tourism season. (3) (4) (5) (7) (8)

Generally, the tourism receipts during the congressions mainly consist of the following elements : (8)

- Registration fees,

- Entertainment expenditures of the members,

- Consumption and trading expenditures of the members, and

- Traveling/touring expenditures of the members before or after the congression.

The congression tourism consists of the below listed three major groups. The main objective is to maximize the overall benefit to these groups. These groups must be coordinated effectively and efficiently, which are : (8)

i) The organizers of the congressions. They are mainly the associations, corporations, public or scientific organizations.

ii) Citizens.

iii) The members of the congressions and their spouses.

There are two types of congressions; "national" and "international". Objectives of both are marketing oriented. (8)

For a successful congression, the important elements that have to be incorporated are as follows : (8)

- Sufficient and high quality technical work force.

- Sufficient and high quality technical instruments.

- Sufficient number of conference facilities satisfying the minimum standards.

- Sufficient accommodation for members, in quality and quantity.

- Powerful organizations and organizers with wide scopes.

- Other relevant factors, mainly the marketing activities of advertising, promotion, price, service, distribution channel, should be integrated into the above elements as well.

By stimulating these elements with our country's past experience, the industry experts forecast that, in the near future there will be great opportunities for our country with respect to congressions. (3) (4) (5) (7)

However, there is only one city in Turkey that is appropriate in every aspect of congressional tourism, which is Istanbul. Other cities that may have congression tourism potential are mainly Ankara, Izmir and Antalya. As the capital of Turkey, Ankara has an important potential for the congression tourism with respect to the conferences related with the government and scientific organizations. (8)

Details on the conferences in Ankara with their names, number and capacities, and instruments are listed in the Appendix III.A.1. (9)

Ankara has limited, still rarely utilized natural beauties and historical places compared to the other cities like Istanbul or Izmir.

Generally, the industry experts believe that, the reason for members in participating in congressions, fairs, exhibitions etc., is mainly based on the touristic along with the business, trade or scientific purposes. Thus, congression members with their accompanies are interested in places that provide hobby, recreational, cultural and historical resources and opportunities. For that reason, Istanbul and Izmir are preferable by the congression organizers. (3) (4) (5) (7)

However, as mentioned earlier Ankara has enough local and regional opportunities with respect to the natural beauties and historical places. The only thing that should be done is to encourage and promote efficient use of these places.

In relation with the congression tourism, encouraging hunting, fresh water fishing, golf, hobby, and recreational activities, and utilizing the thermal resorts well enough, will contribute to the tourism potential of Ankara.

Current hotel and motel establishments with their present bed capacities are sufficient to satisfy the quality expectations of the congression members.

The industry experts' expectations regarding the congression tourism in Ankara are positive, based on the increasing number of high quality, capacity hotels, conference rooms, facilities etc. For example, Hilton and Sheraton, with their reputations, strong distribution channels etc., contribute to congression tourism both nationally and internationally. (3) (4) (5) (7)

Additionally, in connection with the city development, infrastructure activities should also be motivated by implementing the necessary promotions and advertising policies.

As a final point in relation with the above facts and recommendations, the declining trend in hotel prices will draw the congression tourism potential from Istanbul to Ankara. It is clear that this argument is mainly based on the economic conditions. As the industry experts believe, it will be possible to organize the required tours to Istanbul by airways (before or after the congressions) without incurring high extra costs relative to the absolute expenditures. (3) (4) (5)

In summary, conference organizers will have powerful influence on the hotel management like travel agencies do, if they have strong influences on their members' accommodational decisions. Otherwise, individual member decisions will have no influence on hotel management with respect to the satisfaction of their price and quality expectations.

III.A.3) BUSINESS AND TRADE TOURISM

As it was mentioned, the major tourism potential of Ankara is based on the business, trade, political and diplomatic activities. (1)

As Ankara is the center of governmental organizations, especially the Ministries and the National Assembly, this potential attracts business and trade people for their own interest.

In relation with the above reason, the recent years' governmental policies of increasing the incentives for attracting the foreign investors and the existence of "TUSAS" started to attract both the foreign and domestic business corporations to Ankara. (3) (4)

Consequently, business and trade corporations began establishing their own offices, and big companies even attempted to establish their own housing in connection with offices. This philosophy is similar to the "apart hotel" structure. (3)

This philosophy is based on economic conditions. Plus, for privacy reasons the meetings and interviews with the politicians and bureaucrats could easily be organized conventionally at their housing compounds.

Generally, all the hotel classes have their special type of customers. Their performance with respect to occupancy rates, depends on their rational innovations and increasing service qualities. But, especially for low capacity 3 star hotels (30 to 40 rooms), which mostly serve to foreign guests have higher than 90 % in occupancy rates. For the other hotels (4 and 5 stars), the occupancy rates are far lower. It is obvious that for the high class hotels whose customers are generally the business people, the demand decreases sharply on week-ends and official holidays. This in turn decreases the overall occupancy rates for these hotels as well. (10)

In summary, big corporations that are able to realize backward integration (i.e. have capability of establishing their housing compounds) and have the potential of frequent, high volume accommodational demand, are powerful on hotel management. Their influences help to get special price discounts in relation with the satisfaction of the high quality expectations of their members. Yet, other business and trade organizations have very low influences with respect to the price and quality.

III.A.4) GOVERNMENT AND FOREIGN EMBASSY RELATED TOURISM

Industry experts point out that the major tourism potential which differentiates Ankara from other cities is based on governmental and foreign embassy related tourism. Simply, the political and the diplomatical activities underly the differential advantage of Ankara. (1) (3) (4) (5) (7)

Generally, except for the political congressions, the political and the diplomatical tourism activities take place individually. Consequently, the customers' influence on hotel management is very low with respect to price and quality, compared to the other tourism activities.

For the political purpose, which are usually made by members of the political parties, the price sensitivity and selectivity plays a major role. Thus, these people usually prefer to accommodate in 3, 2 or 1 star hotels.

In the case of the political congressions, if participants' accommodation is provided by the political parties, they may influence hotel management. This influence may occur in terms of getting price discounts.

On the other hand, due to embassies and foreign representatives, the diplomatic activities traffic in Ankara is frequently dense. Such visits are mostly made individually or in small groups and their major concern is the service quality. They always prefer 5 star hotels, especially the international hotels - Hilton, Sheraton etc., who are referred to the quality sensitive people.

III.A.5) OTHER TOURISM ACTIVITIES

Other activities can be categorized as sport, health, religion, friend/family visiting, trading etc. (1)

Generally, their influence on Ankara's tourism potential is very low. All, but sport activities are individual activities. They have no influence on hotel management. When compared with other tourism activities, their consistency, frequency and the volume is obviously very low.

With some exceptions, the same conclusion applies for the sport activities. Usually they are organized in groups in which case they may influence hotel management. But as they are organized very rarely in Ankara their influence is negligibly low relative to other tourism activities.

FOOTNOTES :

(1) foreign arrivals and tourism receipts (1987), dept. of tourism planning and investments, ministry of tourism.

(2) bulletin of tourism statistics (1986 - 1988), dept. of tourism planning and investments, ministry of tourism.

(3) Mr. BEYLAN OZ (Anadolu Turizm Isletmecileri Dernegi Baskani).

(4) Mr. SULEYMAN ESEN (TURSAB - Ankara bolgesi Yonetim Kurulu Uyesi) (Trans Delta Seyahat Acentalari Genel Muduru)

(5) Mr. NEVZAT KORKMAZ (Turban Seyahat Acentasi Muduru)

(6) bulletin of accommodation statistics (1985 - 1988), dept. of tourism planning and investments, ministry of tourism.

(7) Mr. BESIR GENC (Turizm Yatirim Danismanlik Sirketi Genel Muduru)

(8) kongre turizmi ve kongre organizasyon teknigi (1986), turizm seyahat acentalari birligi.

(9) Ankara rehberi (1987), turizm seyahat acentalari birligi.

(10) an article relevant with the tourism potential of Ankara (1988), association of the anatolian tourism operators.

III.B) BARGAINING POWER OF SUPPLIERS

Touristic establishments are believed to be "capital intensive" in the investment stage, whereas heavily "labor intensive" in the operation stage (1). Because of that unique and special characteristic of the touristic establishments, labor factor is considered to be the crucial and a highly prioritized factor for evaluating the "bargaining power of suppliers". Hence as labor is the highly important and special input (which should be supplied in a continuous, and standard manner with high quality for an average touristic establishment) among hundreds of others in tourism sector, we will focus our attention on this factor.

The most important input requirement of the establishments is sufficient number of qualified personnel. Unfortunately, one of the major problems of this sector is the recruitment of qualified personnel. (2)

Thus, one of the main objectives of our tourism strategy should be to supply this factor in the required quantity and quality for the touristic establishments. To achieve this goal, Ministry of Tourism, Ministry of Education and "Yuksek Ogretim Kurumu" have started to implement educational and training programs.

The relevant programs that are organized by these organizations are as follows : (1)

1) Educational activities organized by the Ministry of Tourism :

i) Tourism Education Centers :

In order to supply the required personnel for the various fields of the tourism sector and to give the necessary formation in the functional areas of this sector, increasing number of courses started to be organized in the previous years. In these courses, the main goal is to provide the required formation to the personnel in the shortest possible time.

Tourism Education Centers have been established in Ankara, Izmir, Urgup, Antalya and Istanbul for this reason, from where approximately 700 students have graduated during the years 83 - 87.

ii) Professional Tourist Guide Courses :

Many people have been trained in these courses, which also provide practical training, with the purpose of guiding the tourists in all touristic regions of Turkey. During the years 84 - 87, 725 students have graduated from these courses.

iii) In-Practice Training Courses :

The main goal of these courses is to improve the professional knowledge of personnel employed in hotels, restaurants and the recreational places. During the years 84 - 87, approximately 1530 workers participated in these courses.

2) Educational activities organized by the Ministry of Education :

In Tourism High Schools affiliated to the Ministry of Education, students with sufficient foreign languages are being educated to meet the labor force requirements of the touristic establishments. In Turkey, there are 10 Tourism High Schools.

3) Educational activities organized by the "Yuksek Ogretim Kurumu" :

Two different types of education are provided by the universities. They are classified according to their durations. One is the pre-graduate education (2 years) and the other is the undergraduate education (4 years). Currently, there are ten universities offering pre-graduate education, and five of these offer undergraduate education. In 1987, the number of students attended these universities were approximately 1700.

In addition to these educational activities, government offers some incentives for encouraging the employment of foreign personnel at touristic enterprises. In this way, some of the key personnel requirements of the touristic enterprises are satisfied.

The employment of foreigners in touristic enterprises can be classified in two categories. (3) (4)

1) Foreigners to be employed under the general rules :

Work and residence permits must be obtained for foreign personnel by first applying to SPO Foreign Investment Department. However, the work permits for the technical staff to be assigned in touristic establishments are given by the Ministry of Tourism.

2) Employing foreigners in Turkey under the provisions of law no. 2007 concerning the artistic and service employment reserved for Turkish nationals :

Some artistic and service jobs are reserved for Turkish Nationals by law no.2007. These jobs include, but may not be limited with: Waiters and waitresses at hotels, motels, coffee houses, casinos, dancing places and bars; male and female maids and house attendants, actors and actresses, singers, interpreters and tourist guides.

Tourism incentive Law No. 2634 enables Tourism enterprises to employ personnel in the restricted categories without being bounded by Law No. 2007.

According to such regulations, it is possible to employ foreigners who are qualified specialists or who are internationally famous artists, or a group of performers that have carried out entertainment programs for foreign enterprises and management agencies. The number of foreign personnel to be employed in these types of jobs, cannot exceed 10 % of total employees. (This rate may be increased up to 20 % by the Ministry of Tourism.)

These incentives apply every region of Turkey. The common attitude is towards the simplification of the regulations in order to encourage the employment of qualified foreign nationals in the touristic enterprises. In this way, it is believed that in the short run some of the key personnel shortages of the establishments could be solved.

But unfortunately, the necessary supply of labor force with regard to the quality and quantity could still not be achieved, even with the above educational and incentive activities. (5) (6) (7)

In studying Turkish Tourism, some of the bottlenecks are mentioned with respect to this factor and accordingly some macro level suggestions are offered in order to satisfy the requirements of this crucial factor efficiently and effectively.

In this study, we argue for the determination of the manpower requirements of the sector, and the training & education programs to satisfy this. As the international tourism heavily depends on standardized and high quality service, the necessity for such a strategy is obvious. (2)

In relation with the education and training programs open to public, an additional measure to improve the existing situation is needed for the education and training of professional personnel. This improvement can be achieved by enlarging and standardizing the content of programs, by increasing the quality and quantity of education centers, by encouraging establishments for offering in-site training programs, by establishing a legal organization for organizing, planning and implementing the education and training programs in an integrated manner, by offering opportunities and motives for the trained and educated personnel. (2)

It is obvious that an increasing number of personnel is required for the developing tourism sector. For that reason, manpower requirement of this sector needs to be computed. According to the study of the Association of Switzerland Hotel Operators, it is found that for every 1000 new beds, there is a need of 135 highly qualified and 60 associative personnel. According to the fourth Five Year Development Plan of Turkey, one personnel is required for every 2 beds. (2)

In Ankara the same conditions, problems, bottlenecks and suggestions are valid without any exception for a typical hotel, with respect to the labor factor.

To meet qualified key personnel requirements, most of the high class hotels usually apply the strategy of transfer by offering highly attractive salaries and social benefits. For the other personnel, in-site training activities are put into action, and they are supplied from the local sources. For example, in the case of "Sheraton", except the executives who are most probably supplied from its chain of hotels, the other key personnel will be transferred from the other hotels (like Hilton, Grand Ankara, Etap Altinel etc.) and the rest will be supplied from the local sources and they will be exempted from the in-site training programs. (5) (7)

According to the Association of the Anatolian Tourism Hotel Operators, in addition to the other key personnel, especially the most important problem is in recruiting kitchen personnel for high class hotels. New entrants attempt to solve this problem by transfer activities since there are not sufficient resources and the educated people in these areas are not easily available. But, according to the Association, in this case the existing hotels will be facing personnel deficiencies. Therefore, the macro level suggestions are also valid in the case of Ankara in order to solve this crucial problem. Short term solutions like the ones mentioned just above, are not effective in satisfying the requirements of this factor. (5) (8)

In addition to the necessary education and training programs for the personnel of accommodation establishments, same are definitely needed for the travel agency personnel as well. According to the Association, it is also apparent that, a deficiency exists in the quantity and quality of the personnel of the travel agencies. The same precautions and policies are also valid for the travel agencies. (8)

In summary, we can conclude from the above analysis that, since hotels are especially highly labor oriented organizations; some of the key personnel (like the top level and functional managers, bartender, chefs de cousine etc.) requirements of hotels are rarely met, i.e., shortage of labor exists; and their service is unique and very important in the hotel business the bargaining power of labor is high. Especially, the big star hotels, in order to prevent their key personnel from being transferred to the other establishments, need to motivate their key personnel by giving high salaries and other social benefits etc.

In the long run, it is very important and beneficiary for hotels to train and educate their own personnel, establish a system that reorganizes itself efficiently when faced with personnel resigning, and of course, implement appropriate strategies to keep their key personnel.

FOOTNOTES :
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(1) Turk turizminin bugunku durumu (1988), TUSIAD

(2) turizm bankasi turizm nedir, T.C. kalkinma bankasi

(3) legal and financial aspects of tourism investments (1988 - 1989), development bank co.

(4) tourism investment incentive regimes and application rules (1986 - 1989), development bank co.

(5) Mr. BEYLAN OZ (Anadolu Turizm Isletmecileri Dernegi Baskani)

(6) Mr. BESIR GENC (Turizm Yatirim Danismanlik Sirketi Genel Muduru)

(7) Mr. NEVZAT KORKMAZ (Turban Seyahat Acentasi Muduru)

(8) an article relevant with the tourism potential of Ankara (1988), association of the anatolian tourism operators.

III.C) THREAT OF NEW ENTRANTS (POTENTIAL ENTRANTS)

One of the important factors that should receive emphasis in analyzing the tourism sector's hotel management field is the possibility of new entrants.In the case of new entrants in the field, the additional capacities will push the hotels to increase their service qualities while decreasing or at least keeping their prices constant. This argument is based on to the increasing trend in strong rivalry due to the decreasing market shares of the existing hotels. Of course, this argument will become true, if the increment in total demand is substantially lower than the increment in total supply, as the result of a new entry.

Consequently, every new entrant will always receive some negative reactions from existing establishments and face entry barriers, but in different amounts depending on the level of competition and the need for new capacity additions to the sector.

It would be better to analyze elements of the threat of entry faced by the potential entrants under two main topics.

a) Reaction from Existing Competitors :

This will be analyzed under the heading of "Jockeying Among Current Competitors".

b) Entry Barriers :

1) Economies of scale

2) Brand identification

3) Government policy

4) Capital requirements

5) Cost disadvantages independent of size

6) Switching costs

7) Access to distribution channels

III.C.1) ECONOMIES OF SCALE

In theory, economies of scale is present in every function of every industry. It may be related with the functions like purchasing, production/service, marketing, distribution, financing, sales force utilization or research of the relevant industry. So, it would be more appropriate to examine each component of the cost structure separately for its particular relationship between the unit cost and the scale (like technology of service and distribution, value added, logistics, labor etc.).

Economies of scale is the scale at which the unit cost of the product/service decreases as the absolute product/service volume per period increases.

Accordingly, this factor will force new entrant to either come into a large scale and take the risk of strong reaction from the existing 5 star or 4 star hotels, or come into a small scale and accept the small profit margins in the case of tourism sector. Neither of these two alternative set of actions are desirable by new entrants.

In the case of the tourism sector, although economies of scale has an important effect on hotels' efficiency, there are no previously conducted analyses available in relation with this factor (8) (9). Economies of scale is important for hotel management, due to high investment costs, high credit interest rates and high fixed operating costs (labor costs, overhead expenses etc.). So, in order to compensate for these high costs any accommodation facility should increase its occupancy rate.

According to the authorities (8) (9), the reason for not making an appropriate analysis regarding the economies of scale, is based on the common biased belief of the investors and operators. They believe that Turkey has not reached to the maximum supply limits, so there is no threat of economies of scale. On the other hand, although Ankara has reached a saturation point regarding the total supply of the accommodation facilities, it is interesting that no economies of scale analysis has been done yet.

In theory, firms are recommended to join economies similar to those of scale, if they are able to share functions subject to the economies of scale with the other businesses (that is defined as diversification) and by this way, remove the volume constraints imposed by the size of industry. Otherwise, they will face a cost disadvantage. Unfortunately, this is not the general case for the hotels, and the only way they can prevent themselves from cost disadvantage is by increasing their occupancy rates.

Another theoretical suggestion to firms for preventing themselves from the cost disadvantage is to share the costs of services and/or functions. Benefits of sharing the same services and/or functions are observed, if there are "joint costs". Joint cost occurs, if the functions and/or services used for a specific product/service can also be used to another product/service. In the case of hotels, this situation can be seen frequently for a lot of different service types. In other words, different types of products/services (like restaurant, room service, entertainment service etc.) can use the same resources (like labor), functions (like finance, accounting) depending on the situation.

In summary, it should be concluded for tourism sector that, especially in the hotel management field, economies of scale is one of the important entry barriers. Additionally, in Ankara this situation should receive emphasis more heavily than the other regions of Turkey, as the hotel management field in Ankara has already reached to its saturation point. Because of the high investment costs, interest rates of credits and fixed operating costs, the hotels will face the cost disadvantage if they are not capable of increasing their occupancy rates.

III.C.2) BRAND IDENTIFICATION

In general, brand identification creates a barrier and forces new entrants to spend considerable efforts to decrease customer loyalty in every industry. This effort involves start-up losses and takes a long time.

The factors of brand identification include advertising, promotion, customer service being first, service differences (including core services and auxiliary services) etc.

In the case of tourism sector's hotel management aspect, this factor has an important influence on new entrants, as well as on the existing ones.

For example, international hotels, like Hilton and Sheraton with their highly reputative brands have differential advantages over the other hotels. Even the existing hotels (like Grand Ankara Hotel, Dedeman Hotel) are more influenced regarding this factor, since international hotels have their special customers. This customer potential for international hotels are, of course, influenced by other factors, but brand identification brings one of the most important influence on them. (8) (9)

On the other hand, domestic new entrants may decrease the negative influences of the brand identification of the existing domestic hotels. They will achieve this if they offer high quality services in appropriate locations with enough resources- especially with sufficient financial resources- highly skilled and trained workers and with a successful management team. Of course, with the possibility of access to distribution channels, high advertising and promotion activities and a variety of service types, their new brands will be strengthened.

III.C.3) GOVERNMENT POLICY

Many countries give special importance to tourism sector for closing the balance of payments deficits. Countries with developed tourism sectors enact several incentives to increase their shares in the international tourism market. (1)

Continual improvement and modification of incentives in tourism sector have caused regulations on tourism to increase, thus created chaos in practice. Many tourism entrepreneurs are not informed on these incentives and so cannot benefit from them. It is highly beneficial to get the current incentives together and to submit them to the investors' use. (1)

Current incentive measures have been grouped under six items. They can be summarized as : (1)

a) Tourism incentive measures provided by the Incentive License given by the State Planning Organization

b) Tourism incentive measures provided by the Law No. 2634 for the Encouragement of Tourism

c) Tourism incentive measures provided by the Law No. 6224 for the Encouragement of Tourism

d) Tourism incentive measures in Tax Laws

e) Tourism incentive measures provided by The Law of Travel Agencies and Law of Travel Agencies Union

f) Permissions and establishments of easement provided according to the 17 th and 115 th articles of Forestry Law No. 6831, in state forests excluding touristic areas and centers.

Detailed description of these incentives are given in Appendix III.C.1. (1) (2) (3) (4) (5) (6)

In summary, the tourism incentive measures provided by the Incentive License given by the State Planning Organization, has been improved during the recent years for the benefit of the investors. Ankara is included under the heading of the developed regions, so the incentive regulations for the developed regions apply to this city. (4) (5)

The procedure to be followed to be entitled for incentives : (3)

With the same principles, the details of the procedures have generally been reduced in the last few years in order to encourage new tourism investments in Turkey.

There is no single set of procedures to obtain permission for investments with touristic purposes. The nature of investment to be made, the percentage of foreign capital, source of investments whether it is an already established company or not will all affect the applicable procedure.

The procedure to be followed when a foreign investor is involved in an investment for an accommodations enterprise is summarized below.

- The investment will be evaluated according to the feasibility report which will have a significant impact on the decision of whether or not the investment will benefit from the encouragement measures.

- The feasibility report will be submitted to the State Planning Organization Foreign Investment Department. Other documents that must be attached are :

i) Activity report of a foreign partner
ii) Letter of commitment
iii) Global list
iv) Central bank's receipt

Apart from the above referred documents ,any other documents that is considered useful, can also be enclosed with the application.

The State Planning Organization Foreign Investment Department will evaluate and determine the encouragement measures applicable to the project as per the provisions of legislation in force, and the specifications of the application.

- A permit and encouragement certificate will be prepared and issued for investments that are found to be "qualified" by the Department.

- The Foreign Investment Department requires the investor to obtain a Touristic Investment Certificate from the Ministry of Tourism.

- The second stage is to complete the company's establishment transactions. The procedure to be followed will vary according to the structure of the company to be formed. Generally, the preferred form of company is an incorporated (joint-stock) company.

A petition requesting permission for the association of the company must be done by the Ministry of Industry and Trade.

After the completion of this registration and after company gains its legal personality etc., the third stage begins.

- The third stage consists of applying to Ministry of Tourism with relevant documents in order to obtain a Tourism Investment Certificate, which is given if the License Requirements of the Ministry of Tourism's "Turizm Yatirim ve Isletmeleri Nitelikleri Yonetmeligi" are satisfied.

Prior to the submission of the application to the Ministry of Tourism, all kinds of work related to the project must have been completed within the inner body, and also, the project must have been approved by the local authorities such as a Municipality or Zoning Department and Construction General Management.

- If the project is completed, the investor applies to Ministry of Tourism requesting an experimental operation permit. During this period an investigation is conducted to determine whether the investment is realized in accordance with the investment certificate.

- Upon termination of work during the experimental term, a Tourism Operation Certificate is issued by the Ministry of Tourism. This certificate covers information about the kind of enterprise in operation, the class and title, and all other information that is deemed necessary by the Ministry.

In summary, the following conclusions can be drawn from the analysis of "Tourism Investment Incentives In Turkey and its Application" :

Tourism investment incentives in Turkey have been modified according to the conditions of the country since 1950 in order to encourage new investments. However, these increasing modifications also add new regulations which may be difficult to follow for potential investors. It should be pointed out that, by the existing government regulations cost structure and industry growth rate are heavily influenced in a positive way.

Additionally, all these changing regulations are planned to increasingly encourage the new investors starting at the initial stages of the implementation of these regulations.

By reviewing the graphs in "Tourism Handbook (1988)" (7), the new increasing trend in tourism investments can easily be observed.

In Graphs 1, 2 and 3, it is apparent that the Tourism fixed capital investments started to increase especially faster after 1983. This trend is continued, by mainly encouraging the private sector, where, after 1987 a sharp increase in the private sector's investments is observed. On the other hand, we see the same trend in the public sector, whereas after 1986 the acceleration started to decline. The reason for this decline is directly related to the new policy of the current government, where they encourage the private sector for investments, mostly by incentives.

In relation with this new trend, ratios of fixed capital investments between the tourism sector and the total sectors, also started to increase sharply after 1983, regarding the private sector and the total. For the public sector, this ratio started to decline after 1986.

In Graphs 13 - 17, as a result of this changing regulations and incentives for encouraging the investors, the following positive conclusions are reached :

Ratios of number of incentive licenses (given by "SPO") between the tourism and all the other sectors started to increase rapidly after 1985. Consequently, total investments ratios also started to increase sharply after 1985 in relation with the increasing number of incentive licenses, total investments and the number of beds in the tourism sector.

In Graphs 18 and 19, again as a result of the new regulations and incentives for encouraging the foreign investors, both the number of the foreign firms and their capital ratios between the tourism sector and all the other sectors started to increase sharply after 1985.

According to this new strategy, high priorities are attached to the places with touristic potential and to undeveloped regions and rational projects. On the other hand, unfortunately Ankara with its excess supply of accommodation facilities (especially in 5 or 4 star hotels) and with low current market growth rate, is not a rational place for new investors.

In Ankara, although the same regulations should apply, by considering this city among developed regions in practice variations are said to exist in implementation stages among the type of accommodation classes. Thus for Ankara, permissions and incentives are reluctantly given to investors of 5 or 4 star hotels. (4) (5) (8)

As a conclusion, we can say that, generally in Turkey the existing situation for the new potential entrants is not a threat of entry, but instead an opportunity from the perspective of government policy. For Ankara in particular, this situation should not be called as a threat of entry as well. However, whether it is an opportunity or not heavily depends on the type of accommodation.

III.C.4) CAPITAL REQUIREMENTS

With respect to investment and working capital, high financial resources are required for accommodation facilities. High investment is also in order to compete required particularly for the unrecoverable expenses like advertising and promotion. In short tourism investments can be said to be highly capital intensive. (10)

According to the 1988 prices, average investment figures per bed for the type and class of accommodation facilities which are determined by the Ministry of Tourism , are as follows : (11)

Type of accommodation facility	Average investment / bed	
5 Star Hotels	T.L.	46,300,000
4 Star Hotels	T.L.	31,200,000
3 Star Hotels	T.L.	14,600,000
2 Star Hotels	T.L.	11,500,000
1 Star Hotels	T.L.	8,700,000
Motels	T.L.	12,000,000
Restaurants	T.L.	2,200,000 / person.

According to the 1988 prices, average working capital requirements per bed for the type and class of accommodation facilities as determined by the Ministry of Tourism are as follows : (12)

Type of accommodation facility	Average WCP / bed	
5 Star Hotels	T.L.	1,890,000
4 Star Hotels	T.L.	1,440,000
3 Star Hotels	T.L.	1,150,000
2 Star Hotels with Restaurant	T.L.	950,000
2 Star Hotels	T.L.	470,000

Type of accommodation facility	Average WCP / bed	
1 Star Hotels with Restaurant	T.L.	420,000
1 Star Hotels	T.L.	235,000
1 st Class Motel with Restaurant	T.L.	950,000
1 st Class Motel	T.L.	470,000
2 nd Class Motel with Restaurant	T.L.	755,000
2 nd Class Motel	T.L.	380,000

These figures vary by region, city and year.

In recent years, since the importance of tourism sector is being accepted by the government, the necessary precautions and incentives started to be provided in the sector which increased the growth rate of the investments. In relation with the new investments, successful promotions increased the receipts in foreign currency this favorably effected the national income, and created new job opportunities. Eventually, tourism became a very valuable asset in our economy.

This new trend is easily observed in the graphs of the "Bulletin of Tourism Statistics (1986 - 1988)". (13)

Graphs 1, 2 and 4 show that after 1983, both the tourism receipts and the number of the foreign arrivals increased sharply. Consequently, the percentage share of tourism revenues both in the balance of payments and in the export earnings started to increase in leaps in relation with the increasing rate of the surplus in tourism sector. In addition to the increasing supply of the foreign currency reserves, this new trend also contributes to the preparation of new job opportunities and adds in valuable amounts to Turkey's national income.

One of the major incentives offered to the new investors in order to supply an important financial resource is the credits, given mainly by development bank.

An analysis of the "Tourism Handbook (1988)" will give us actual figures and trends. (7)

In Graphs 4, 5 and 6, we see that the tourism credits given by banks (except Central Bank and Development Bank) started to increase sharply, after 1986. Consequently, the total credit ratios between tourism sector and all sectors also followed the same trend. All these new developments are directly related with the new Governmental policies and the increasing importance of the tourism sector among the other sectors in our economy.

However, Graph 6 shows that after 1987, the coverage ratios of tourism credits provided by banks (except Central Bank and Development Bank) to the tourism private sector's fixed capital investments declined. In other words, though the credits offered to the private sector by the banks increased, this rate of increase is not enough to satisfy the increasing fixed capital demand of new investors.

When we compare Graphs 7 and 4, we see that the role of Development Bank (previously called Tourism Bank) as a creditor to the tourism sector has been very important in satisfying the increasing fixed capital demand of new investors, especially after 1985. However, the rate of increase in tourism credits offered by Development Bank started to decline by 1988.

Investors can obtain credits from local or foreign sources either as much as the project requires to be realized, or by the amount specified on the encouragement certificate. Development Bank loans are particularly important in this respect. The bank determines the lending principles and conditions for tourism projects. (2) (3)

Development Bank credits are only given to certified touristic facilities (i.e. the projects with investment and operational certificates given by Ministry of Tourism), after going through a detailed review of financial, economic and technical aspects of the project. (2) (3)

In principle the Bank argues that development in tourism sector should be achieved by private enterprises. In line with this principle, Bank's activities are directed to provide financing for private enterprises on the most favorable terms and conditions, and to increase efficiency and effectiveness in tourism investments as well. (14)

These credits aim at the healthy development of tourism sector. To achieve this goal, following priorities are considered in lending : (2) (3)

a) Projects in priority zone and those benefit from encouragement measures.

b) Projects having high capacity and high level of equity financing.

c) Projects having foreign currency earnings.

d) Projects with services rendered meeting international standards.

e) Projects making use of natural, historical and archaeological sources of the country and conform with them.

f) Projects serving to Turkish tourism and having high feasibility.

g) Projects that will be realized by companies and investors.

Development Bank gives credits to all Touristic operations; investments in accommodation facilities, yachts and marinas, tourism agencies and other related important projects. (2) (3)

For example, in Graph 10 of the "Tourism Handbook", wee see as a result of the increasing credits by Development Bank to the accommodation facilities, the number of beds in Turkey started to increase sharply after 1986.

However, when we focus on Central Anatolia in the Graphs 8, 9, 11 and 12, a sharp decrease after 1986 is apparently seen in the rate of the tourism credits and consequently in the number of beds. This is clear when the ratios of Central Anatolia and overall Turkey are compared. We see in Graph 11 a sharp fall in the tourism credits ratio from 32 % to 2.9 %. Also, in Graph 12, the number of beds ratio is seen to have decreased from 12.7 % to 5.7 %. On the other hand, after 1987 the trend started to change direction. Yet, this new trend is not sufficient to reach to the previous trend of the period 1985 - 1986. Presently, the tourism credits ratio is 3.7 % and the number of beds ratio is 6.6 %.

As a conclusion, since Central Anatolia is not considered a priority zone to benefit from the encouragement measures and since high priorities are attached to touristic potential and undeveloped regions, after 1986 Central Anatolia began loosing its importance in receiving credit from Development Bank.

As far as the development aspect is concerned, when we examine Graphs 20 and 21, we see important expansions after 1985 in each type of establishments regarding the number of beds in line with the amount of tourism credits provided, by Development Bank. With respect to the total credits allocated and the percentage shares of establishment types, 5 star hotels are observed to have the highest share in total credits allocated, followed by 4, 3, 2 star and finally, by 1 star hotels. On the other hand, with respect to the number of beds by the type of the establishments who received loans from the Bank, we see the contributions to total bed capacity has been in the descending order of 3, 2, 5, 4 and 1 star hotels.

Loans are not only provided for new projects, but also for renovation and improvement of touristic facilities and short or medium term working capital needs.

However, as Graph 22 of the "Tourism Handbook" shows, the main percentage of the credits given by Development Bank was for investments.

The requisite demanded by the bank for credits is the minimum owner's equity. The maximum amount of credits are listed below. (2) (3)

	Minimum equity (%)	Maximum credit (%)
General	40	60
Investments to be made on assigned public lands.	50	50
Investments in touristic accommodations of over 500 beds	50	50
Investments of renovation and improvement.	50	50

The maximum term of new and enlargement investment credits is 8 years, including the initial period without payment which is 2 years. For investments of renovation and improvement, the maximum term is 5 years, including the period without payment which is 1 year.

The interest rates applicable for credits of investments with encouragement certificates are as follows : (2) (3)

a) Foreign exchange credits : Determined according to the cost of the source of foreign exchange.

b) TL rediscount credits : Determined according to the interest rate that Central Bank applies to the rediscount credits with medium terms.

The interest rate on loans provided for investments without the certificate of encouragement is 35 % through the period of investments and 40 % thereafter.

Working capital credits are also granted along with the investment credits.

The credit to be allocated to the project is determined according to the total amount of investment in the project, which in turn is determined by adding unexpected costs, taxes, duties, charges, financing costs, general administration and organization costs, costs of miscallenous production and material differences and training to the physical cost which is composed of the land, construction, installation, furnishing, and equipment costs. (2) (3)

100 % of taxes, duties, charges and financing costs related to the cost of investment is credited by the Bank.

In general, we can say that, when above listed credit conditions are satisfied, and the financial, economic and technical aspects of the project are reviewed, the investment and working capital credits are given to the certified touristic facilities (accommodation facilities, touristic agencies etc.) by Development Bank. There is an increasing tendency towards simplifying the credit receiving and payment procedures, increasing the volume and quantity of credits and encouraging new investors by increasing incentives observed in recent years, which is expected to continue in the following years also. This strategy is attempted at the projects which are in conformity with the general tourism policies of the Government. (4) (5) (6) (8)

Accordingly, higher priorities are given to the touristic potential and undeveloped regions and rational projects, as mentioned above. Unfortunately, Ankara with its excess supply capacity of accommodation facilities (especially in 5 or 4 star hotels) and its low current market growth rate, is not a promising area of investment for new investors. In parallel, new investors are not encouraged by the Government with favorable credit policies. (4) (5) (6) (8)

Therefore, when credit incentives are available, the capital requirements of a new investment loses its weight as a threat of entry, as these incentives decrease the capital requirements from the owner's equity approximately by 50 %, and they are also accompanied by important encouragements regarding the payback term and interest rates. However, capital requirements of new investments can be taught as an important threat of entry for new investors who invest with their own capital.

III.C.5) COST DISADVANTAGES INDEPENDENT OF SCALE

Existing hotels may have cost advantages over the entrants due to reasons listed below :

- They may have proprietary service technology by patents and service know-hows. In general, international hotels like Hilton and Sheraton have this differential advantage over the others.

- They may have superiority in access to suppliers in terms of getting the qualified personnel, management team, raw-materials, equipment and other relevant resources over new entrants.

- They may have favorable facility locations as viewed by the customers, which is an important advantage over new entrants, and should be taken into consideration in advance.

- Assets purchased at preinflation prices by the existing firms may provide an important advantage over new entrants, as huge amount of capital requirements may be needed for the latter.

- They may have government subsidies (that were mentioned under the heading of the "Government Policy") which may not be available to new entrants.

- They may, and generally do enjoy the important advantage over new entrants by the effect of the "Learning or Experience Curve".

According to the experience curve concept, unit costs will decline with "experience", which refers to the efficiency achieved over a period of time by workers through excessive repetition. The reduced cost creates a barrier to entry and may expose a threat to new entrants trying to catch up with the advanced competitors.

This learning curve effect may be seen in some or all functions of a hotel. This factor is very important particularly in the tourism sector which is high labor oriented and/or involves complex functions.

Hotels with high experience may increase their cash flows by increasing their occupancy rates, which may in turn increase their investments in new equipment and service technologies. This, consequently may form a barrier for new entrants' efforts to catch up this situation.

Additionally, learning curve effects can be more effective as know-how may not be available to new entrants if they are prevented to initiate existing firms and transfer employees etc.

However, if costs are falling in a growing company that can enjoy economies of scale through more efficient facilities and vertical integration (like establishing their own distribution channels etc.), then experience may have less effect on its relative cost position.

All these suggest that learning curve can be a shaky entry barrier, but it should be accounted for as an important factor depending on the situation.

In general terms, the effect of the experience curve over new entrants as an entry barrier will be determined according to the following crucial elements :

- If more than one company is building its strategy on the experience curve, the consequences can be almost fatal.

- The barrier can be nullified by service innovations leading to a substantially new technology and thereby creating an entirely new experience curve. New entrants can reach this new experience curve more easily, to which the existing firms may be poorly positioned to jump.

- The magnitude of the barrier depends on how important experience is to competition compared with other areas like marketing and innovation.

III.C.6) SWITCHING COSTS

Switching cost is defined as the one time cost facing the customer switching from one firm's product to another's.

If the customer is represented by the quests of hotels and firm as the hotel itself, then we can say in general, that there is no switching cost arising for the customer. However, if the customers' accommodation is organized by an organization (like travel agencies) and if there are agreements between the organization and hotel on some matters like reservation, customers and/or organizations and/or hotels will face switching cost, depending on the situation.

If the customer is being represented as the hotel itself and firm as the suppliers of the hotel, then we can say that depending on the situation and the agreements between the hotel and the supplier, hotels will be faced with the switching costs. For example as a supplier, if we take the labor force in the case of a firing, there is always a fixed cost as required by Labor Laws. In the case of replacement with a new labor, there is also a learning cost attached on top of this. These costs can be considered as the switching costs.

In summary this factor has the least influence on new entrants among other entry barriers, but should be thought as a threat of entry, especially regarding the travel agencies and the suppliers.

III.C.7) ACCESS TO DISTRIBUTION CHANNELS

Access to the distribution channels is a crucial barrier that should be taken into consideration particularly by 5, 4 even 3 star hotels, before entering this field.

As one of the important potential customer source of the hotels are the travel agencies (as mentioned in section III.A.1), the importance of access to distribution channels as an entry barrier is higher in this sector.

The common objective of hotels is to increase their occupancy rate and new entrants should, accordingly, persuade the channels to accept their services via discounts, promotions, advertising allowances, etc. These marketing and promotion activities in turn decrease the profit margins of new entrants.

In addition to their other differential advantages, international hotels can also manage with this problem by their established chain of distribution channels which exist all over the world.

On the other hand, the big domestic new entrants and even the existing ones can overcome this barrier by establishing their own distribution channels. The reason for creating new distribution channels mostly aroused from the tight relations between the existing hotels and travel agencies. The existing hotels most probably have strong ties with the channels based on the long and exclusive relationships and high quality services that they have been offering.

However, low capacity hotels with low financial resources may not be successful against this barrier. They will be highly dependent on the existing travel agencies and face low profit margins.

Although Government policies provide incentives for establishing travel agencies (as mentioned in section III.C.3) there are credit supporting activities of Development bank, these should be analyzed very carefully by the small entrants as well as by the existing small ones.

FOOTNOTES :
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(1) turizm bankasi turizm yilligi (1987), T.C. kalkinma bankasi

(2) legal and financial aspects of the tourism investments (1988 - 1989), development bank co.

(3) tourism investment incentive regimes and application rules (1986 - 1989), development bank co.

(4) Mrs. HULYA ORS (DPT - Iktisadi Planlama Sektorler Dairesi, Turizm Sektoru Uzmani)

(5) Mr. AYHAN KILINC (DPT - Iktisadi Planlama Sektorler Dairesi, Turizm Sektoru Uzmani)

(6) Mr. ALPTEKIN ORHON (T.C. Kalkinma Bankasi - AET Iliskileri Muduru)

(7) turizm bankasi turizm el kitabi (1988), T.C. kalkinma bankasi

(8) Mr. BESIR GENC (Turizm Yatirim Danismanlik Sirketi Genel Muduru)

(9) Mr. BEYLAN OZ (Anadolu Turizm Isletmecileri Dernegi Baskani)

(10) Turk turizminin bugunku durumu (1988), TUSIAD

(11) ulkemizdeki turizm yatirimlarina uygulanmakta olan tesvik tedbirlerine iliskin aciklayici not (1989), turizm bakanligi

(12) turizm kredileri ilke ve sartlari (1989), T.C. kalkinma bankasi

(13) bulletin of tourism statistics (1986 - 1988), department of tourism planning and investments, ministry of tourism

(14) tourism bank credit applications(1988), development bank co.

III.D) JOCKEYING AMONG CURRENT COMPETITORS

Another important factor that should be taken into consideration in the analysis of tourism sector's hotel management field is the level of the competition among existing establishments.

In any sector rivalry generally arises either upon feeling of pressure or an opportunity.

Jockeying for position involves tactics like :

- Price competition (though it is unstable and leave the entire sector worse off, it is seen frequently)

- Service quality competition (the common and usual case in tourism sector)

- New service introduction (depends mainly on permission of the Ministry)

- Advertising battles (sometimes used).

In general, the last three tactics increase the demand towards the relevant hotel without leaving the sector worse off, and consequently increase the benefits of the sector.

In theory, intense rivalry depends mainly on :

- if competitors are numerous or roughly equal in size and power,

- if the industry growth rate is slow,

- if there are no differentiation or switching costs, in which case the customer is sensitive about service quality and price of the product,

- if fixed costs are high (relative to the value added, not to percentage of the total cost),

- if exit barriers are high, where excess capacity comes out which in turn decreases the profitability of the sector and firms seek government help if foreign competition is present,

Sources of exit barriers are :

i) Specialized assets : they either have a low liquidation value, or are difficult to use for other reasons.

ii) Fixed costs of exit : like labor agreements, etc.

iii) Strategic interrelationships : in terms of image, marketing ability, etc.

iv) Emotional barriers : management unwillingness due to identification with a particular business, loyalty to employees, etc.

v) Government and social restrictions

- if capacity is augmented in large increments and if such additions change the supply - demand balance, which in turn increase the excess capacity and consequently decrease the prices,

- if there are diverse competitors in strategies, origins, personalities and goals (especially foreign competitors have different goals, competitive strategies etc.),

- if there are high strategic stakes like to achieve success in the particular industry as a corporate strategy etc.

Now, based on this introductory stage about the reasons of the strong competition among the hotels, we can focus on the statistical facts of this analysis.

Regarding the general trend of supply (bed capacity) among the regions of Turkey and in Ankara, the following conclusions are arrived :

In Graphs 5 and 6 of the "Report on Licensed Tourism Establishments (1988)" (1), it is easily observed that especially after 1981, both the number of operation and investment licensed accommodation facilities and the number of beds reflect an important increasing trend. But, the sharp increase in the trend is seen after 1986.

Along with the above graphs, when we analyze the distribution of tourism operation and investment licensed accommodation establishments in Graphs 1 - 4, we reach to the following conclusions:

During 1985 - 1986, Marmara and Aegean Sea have the highest bed capacities. Mediterranean is the third and Central Anatolia is the fourth largest region with respect to bed capacity. Other regions' capacities are in negligible amounts.

Graphs reflect considerable changes after 1986 in total as well as individually in many regions. Especially, both the operation and investment licensed establishments and the number of beds started to increase sharply in the Mediterranean region, as obviously observed for the investment licensed establishments. In Marmara and Aegean Sea, both the operation and mainly the investment licensed bed capacities increased in very notable amounts. Other regions became active with respect to the investment licensed establishments. Especially in Central Anatolia, an important amount of new bed capacities are planned to be added.

On the other hand with the new trend in Mediterranean, we see that this region has the highest bed capacity regarding the total of operation and investment licensed establishments. Aegean Sea comes second and Marmara is the third. But with respect to the operation licensed establishments, still Marmara is the first, Aegean Sea is the second and Mediterranean is the third largest bed capacity region.

The same trend is also seen during 1988 with an important exception, which is observed especially in Aegean Sea. Regarding total operation and investment licensed bed capacities, Aegean Sea ranks top and in very big amounts new investments are planned to be added during the following years. Still in Mediterranean, the same upcoming trend is supported. Accordingly, with slight differences this region has the second bed capacity.

Marmara is again the largest region with respect to the operation licensed bed capacities. However, the capacity difference between Marmara and other regions started to decrease. Unfortunately other regions (Black Sea, East and South East Anatolia) have still negligible bed capacities. Except Black Sea, new investments are not planned in these regions in notable amounts.

Focusing on Central Anatolia, we can conclude the following : Regarding both the operation and investment licensed bed capacities and establishments, it has the fourth highest capacity region during 1985 - 1988. Additionally, the bed ratios in developed regions with respect to the operation licensed establishments, were approximately 50 %. With respect to the investment licensed bed ratios, the differences with the developed regions are increasing rather than decreasing. Though, important amount of new investments are observed, they are not sufficient to close the gap with the developed regions.

In comparison with Central Anatolia, a high share of Ankara especially with respect to the operation licensed bed capacities is observed. However the share of the new investments is less than the operation licensed ones. That means, the relative importance of Ankara is decreasing (especially due to the saturated bed capacity, lower market growth rate, and the increasing importance of new places in Central Anatolia - like Nevsehir and Cappadocia.)

As for 31 - 5 - 1989 figures, a uniform distribution in operation licensed bed capacity is observed among the different type of hotels in Ankara. The number of beds is between 1350 - 1850. On the other hand, with respect to the investment licensed bed capacities, especially in 5 and 3 star hotels, an important amount of capacity addition is planned. This planned addition will also change the existing balance among the type of hotels in the coming years. That is clearly observed when the total bed capacities are considered. Accordingly, 5 and 3 star hotels will become the highest bed capacity establishments and increase the gap between the others. Also, 4 star hotels are increasing their bed capacity and will become the third highest. Whereas, the 1 and 2 star hotels' importance will be decreased regarding bed capacities, and they will become the fourth and the fifth group of largest bed capacity establishments.

Overall in Turkey, large increases are observed during 1985 - 1988 in all type of hotels, regarding the number of beds and facilities as can be seen in Graphs 7 and 8. In the descending order, the highest number of beds and facilities belong to the 2 & 1, 3, 4 and finally to the 5 star hotels.

In summary, from the graphs of the "Bulletin of the Accommodation Statistics" (2), "Report on Licensed Tourism Establishments" (1), "Foreign Arrivals and Tourism Receipts" (3) and "Tourism Statistics" (4), we arrive at the following facts :

In Turkey, the share of both the accommodational demand and supply have been being highest in Marmara, Aegean Sea, and Mediterranean, in the recent years. Central Anatolia always had the fourth share, where the other regions' shares are always in negligible terms. Additionally, the accommodational demand and supply of the regions except South Anatolia, East Anatolia and Black Sea have been increasing in very important amounts, especially after 1982. But the increasing trend of the bed capacity in Turkey is not sufficient to satisfy the increasing trend of the accommodational demand.

Another important fact is that the occupancy rate of hotels in relation with the accommodational demand increases in summers and decreases in winters in Turkey. Regarding the type of hotels, same conclusions are also valid, as affected mostly by foreigners. Plus, in summers, the accommodational demand is highest in 2, 1, 3, 5 and 4 star hotels (in descending order). Where, in winters only 1 and 2 star hotels change places. Additionally, it is observed that, occupancy rates increase during 1985 - 1988 in all type of hotels except 5 and 4 star. Finally, the highest bed capacities are those of 2, 1, 3, 4 and 5 star hotels (in descending order).

On the other hand, though the accommodational demand in all type of hotels (except 5 star) in Ankara has been increasing, their percentage share in Turkey has been decreasing during 1985 - 1988. Therefore, we can conclude that the accommodational demand growth rate is small in Ankara relative to Turkey. This is true both for citizens and foreigners.

Additionally, except in 5 star hotels, citizen arrivals are always greater than that of foreigners. Also, in all types of hotels, the average length of stay is greater for foreigners than for citizens. The accommodational demand during 1985 - 1988 displays such a distribution that, it is highest in 1 & 2 star hotels, and falls gradually in 3 & 4, and 5 star hotels in Ankara. This is also true for citizens. For foreigners, the demand falls from its highest level in 4 star hotels, to 3, 2, 5 and 1 star hotels. Finally, the accommodational demand and consequently the occupancy rate of hotels are higher during autumn and spring relative to other seasons.

From the supply point of view, Ankara has the highest bed capacity in Central Anatolia, but the share of new investments is decreasing. With respect to types of hotels, the highest bed capacity is planned to be distributed such that the highest share is for 5 star hotels and decrease respectively in 3, 4, 1 and 2 star hotels. Although demand falls as the quality of hotels increase (by stars), as their accommodational demand growth rate is decreasing (except 5 star hotels) and as excess supply is being confronted especially in 1 and 2 star hotels, new investments are mainly planned to be in 5 and 3 star hotels.

As a conclusion, by taking into account both the existing situation and the accommodational demand and supply trend of the hotels in Ankara, we can say that strong competition will continue in the coming years for all types of hotels.

Below, we will analyze the rivalry among existing competitors under the five different classes of hotels in Ankara. Competition among the different types will also be discussed, as well as that among hotels of same type / class.

Municipality operation licensed hotels are generally lower class type of establishments compared to the tourism operation licensed ones and their target market is different (5). For that reason, especially as the service quality and price expectations of customers show great fluctuations, they are not considered in this analysis.

The characteristics required in relevant type and class of establishments should be present in order to get the "Tourism Operation Licenses". The minimum requirements are described in "Turizm Yatirim ve Isletmeleri Nitelikleri Yonetmeligi" of the Ministry of Tourism (6).

Touristic operations, due to the unique nature of their business activities, are subject to provisions of many laws and regulations. These regulations mainly concern the relations of touristic operations with the Ministry, with each other and with their customers. They are based on article 37 of Tourism Incentive Law No. 2634, and cover some detailed arrangements in order to bring harmony and unity to all applied methods of business transactions in their line. (7) (8)

III.D.1) RIVALRY AMONG FIVE STAR HOTELS

In Ankara, there are 3 five star hotels according to the 1989 figures of the Ministry of Tourism. The complete list of five star hotels with their bed capacities, single - double bed prices, breakfast and table d'hote prices are given in Appendix III.D.1. Common characteristics of five star hotels can also be found in this appendix. (9)

A new international five star hotel is planned to be introduced in the very near future which is the Sheraton. Its bed capacity will be 684 (the largest in Ankara) and will have a variety of high standard service facilities. In addition to common characteristics of five star hotels, Sheraton will have some differential advantages over others, namely recreational, sport and trade facilities, and congression, conference, fair and seminar rooms in international standards. (10)

It is observed that, both the accommodational demand for five star hotels in Ankara and the percentage share of them in the relevant type in Turkey has been increasing during 1985 - 1988 (2). Though the percentage of demand compared to other types is the least, this increasing trend of five star hotels (which is the special case in Ankara) draw attentions of new investors to this type in Ankara.

In relation with this newly increasing accommodational demand growth rate, many investors planned to enter this field assuming the continuity in the demand growth rate and the inadequacy of the total bed capacity in five star hotels.

As a result, new investments were put into action especially by international hotels (Hilton, Sheraton) and by the increased capacities of Hilton and Etap Altinel, the total bed capacity of five star hotels (1349, by 3 firms) increased nearly to the saturation point. (6)

In addition to these, with the three other planned five star hotels including planned capacity of Sheraton (totaling 2799), the total supply (4148) will result in excess capacity (1). Consequently, the existing balance among the types of hotels will change and five star hotels will become the highest bed capacity establishments in Ankara.

This leads us to conclude that the existing rivalry among five star hotels will continue in an increasing trend in the following years (taking into account both the existing supply - demand balance, the accommodational trend, and the supply trend in five star hotels).

Accordingly, while highest priorities in incentives and credits are associated with the touristic potential, undeveloped regions and the rational projects, the Government and banks are reluctant to support the new five star investors in Ankara. (8) (11) (12)

In summary, we can expect a strong threat of entry for the newcomers. This is not only due to the above explained upcoming trend, but is also related with the other entry barriers, like higher investment (T.L. 80 million / room - according to 1989 figures) (13) (14) and working capital requirements, low profitability due to the high credit interest rates and fixed operating costs (labor, overhead expense, etc.) (15), strong brand identification (Hilton, Sheraton), difficulty in access to the distribution channels and the bargaining power of travel agencies in some instances encouraging the price competition in addition to the service competition, and others as will be mentioned in the next pages.

The following analysis is made for the existing competitors :

In general, in five star hotels (especially in international hotels), number of arrivals, nights spent and average length of stay are always greater for foreigners than for citizens. (2)

All types of hotels have their special group of customers. The major customers of five star hotels are business, trade and foreign embassy related people. They are service quality sensitive and mostly prefer international five star hotels. Therefore, main competition among five star hotels depends largely on the quality and variety of service. (16)

On the other hand, though generally the bargaining power of travel agencies is higher on the low class establishments, it is observed that in some instances they force five star hotels to reduce their prices down to the level of four star even to three star hotels. But, this does not apply to international hotels. Yet, sometimes price competition is also created by the bargaining power of travel agencies, due to the excess capacity in five star hotels and the travel agencies' concentration on large volumes of hotels' potential capacities. (16)

Along with travel agencies, business corporations, with their capability of establishing their own housing and with the high volume - frequent accommodational demand, are powerful on five star hotels in taking special price discounts. (16)

Regarding the congressions, fairs, conferences, seminars and receptions, it is obvious that five star hotels (especially international hotels) have the differential advantage over others. (16) (17) (18)

In relation with the above facts we can conclude that international hotels have the competitive power over the other five star hotels, due to the differential advantages based on their :

- worldwide reputation (high brand identification);

- own strong distribution channels (travel agencies);

- standard high quality and variety of service types (including food and beverage, recreational, sport, trade facilities);

- good locations (especially Sheraton's) regarding the easiness in access to Government and business centers;

- experienced and strong managerial skills supplied from their own chains;

- special customers : mostly business, trade and foreign embassy related people who are service quality sensitive people;

- capability in organizing conferences, congressions etc. in international standards;

- effective and new service technology and thus, their valuable know-how;

- price ranges which are very compatible with others (for example Hilton's single-bed prices are between $ 70 - 117 and double-bed prices in the range of $ 88 - 147), as they have the widest range of price options for different types of customers and the prices are low compared to the others. The highest prices among five star hotels are of Etap Altinel (single : $ 92 - 149, double : $ 115 - 149) though its service quality and variety is not better than international five star hotels; (9)

- high bed capacities (Hilton : 670, Sheraton : will be 684) compared to others (Grand Hotel Ankara : 316, Etap Altinel : 362), which, on the other hand may become a problem if utilization rates are not high enough. (9)

In general, five star hotels have common problems due to :

- high working capital requirements;

- low profitability which based on high fixed operating costs like labor (1 person / room with an average wage of T.L. 500,000 / month according to the 1989 figures) (13) (14), overhead expenses, etc. and price competition;

- excess capacity and accordingly the increasing bargaining power of travel agencies (which in some instances force them into strong price competition);

- threat of substitute services, especially in the food and beverage and recreational fields;

- competitive power of four star hotels and even three star hotels with respect to prices;

- inadequate key and qualified personnel (top level and functional managers, bartender, chefs de cousine etc.) which give rise to frequent transfers among hotels with high transfer costs (accordingly, the bargaining power of personnel is high); (16) (17) (18)

- high variations in accommodational demand and accordingly different occupancy rates by months (occupancy rates are high during autumn and spring, plus, five star hotels have the lowest occupancy rates compared to other types. (2)

III.D.2) RIVALRY AMONG FOUR STAR HOTELS

In Ankara, there are 5 four star hotels according to the 1989 figures of the Ministry of Tourism. The complete list of four star hotels with their bed capacities; single - double bed prices; breakfast and table d'hote prices, are given in Appendix III.D.2. In this appendix, the common characteristics of four star hotels can be seen also. (9)

In Ankara, while the accommodational demand in four star hotels has been increasing, their percentage share in the relevant type in Turkey has been decreasing during 1985 - 1988 (2). So the accommodational demand growth rate is slower relative to total rate for Turkey. This is true for both citizens and foreigners. Additionally, the percentage share of the accommodational demand for four star hotels ranks near bottom in Ankara. (2)

Consequently, in comparison with the existing total bed capacity (1566, total of 5 firms), we see the planned investment is relatively low (823, total of 3 firms), due to above accommodational trend and the existing supply - demand balance (which is almost at the saturation point). It is also observed that this new bed capacity additions are very low compared to that of five and three star hotels, but higher than that of 1 and 2 star hotels. Accordingly, with the planned total bed capacity (approximately 2400) 4 star hotels will become the third highest. (1)

Therefore the existing total bed capacity of four star hotels almost reached the saturation point and with the new planned additions, the competition within this type will increase in the following years. Still, it will be low compared to five star hotels (taking into account both the existing demand - supply balance, the accommodational demand and the supply trend in four star hotels). However, most probably the expected price competition with five and even with three star hotels will leave the entire four star hotels worse off.

In addition, while high priorities are associated with the touristic potential in incentives and credits granted, undeveloped regions and to the rational projects; the Government and banks are reluctant to support new four star investors in Ankara for the next few years. (8) (11) (12)

In summary a strong threat of entry is expected for the newcomers. This is not only due to the above explained upcoming trend, but is also related with the other entry barriers like the high investment (T.L. 55 million / room - according to the 1989 figures) (13) (14) and working capital requirements, low profitability due to high credit interest rates, fixed operating costs (labor, overhead expense etc.), difficulty in access to the distribution channels and the bargaining power of travel agencies forcing in some instances the price competition in addition to the service competition, and others as will be explained later.

As for the existing rivalry within four star hotels and with other relevant types; in general, although the number of arrivals and nights spent are always greater for citizens than for foreigners in four star hotels, the opposite is true for the average length of stay. (2)

The customers of four star hotels are mainly the business and trade oriented citizens. Most of them are both service quality and price sensitive, and prefer four star hotels which offer the high quality service (almost the same with five star hotels) at a lower cost. Thus, both price and service quality competition observed.(16)

In accordance with customer preferences, in some instances travel agencies force four star hotels to reduce their prices down to the level of three star hotels. This is due to the type of services that travel agencies demand from four star hotels which are not differentiated much from three star hotels, competition among four star hotels, and their concentration on large volumes of hotels' potential capacities. (16)

In addition to travel agencies, business corporations, with their capability of establishing their own housing and with the high volume - frequent accommodational demand, are also powerful on four star hotels in taking special price discounts.
(16)

The comparison within the group of four star hotels and with the other types according to their relevant characteristics are as follows :

- Especially Ankara Dedeman Hotel and Grand Surmeli Hotel with their high quality and variety of services have differential advantages over the others. For example only Ankara Dedeman has a casino, only Ankara Dedeman and Grand Surmeli have swimming pools, etc.(19) But in general, their competitive power against five star hotels (especially international hotels) are very low, due to high quality and variety of the services of five star hotels with competitive prices.

On the other hand, four star hotels present substitutional threat for five star hotels by maintaining the ceiling prices on services.

- With respect to Government and business centers, Best and Ankara Dedeman Hotel have the best, where Stad Hotel has the worst locations.

- Grand Surmeli and Ankara Dedeman have differential advantages over the other four star hotels, regarding conferences, congressions, seminars etc., but their competitive power is low compared to international five star hotels. (19)

- Ankara Dedeman (single : $ 65, double : $ 80), Best (single : $ 65, double : $ 85) and Kent Hotel (single : 60, double : 75) have low and compatible prices within the group of four star hotels. Compared to international five star hotels (which have almost the lowest prices), these prices are also compatible, but price competition is not enough against the service quality offered by international hotels. The highest prices among four star hotels are of Grand Surmeli (single : $ 108, double : $ 135) and Stad Hotel (single : $ 75 - 95, double : $ 104 - 127). Their prices are very high not only compared to other four star hotels, but also relative to international five star hotels (although the service quality and variety in international hotels are always better). (9)

- Within the group of four star hotels, Ankara Dedeman and Stad Hotel have the highest bed capacities (581 and 401, respectively) which are also high compared to capacities of five star hotels except international hotels. Again for these hotels, these bed capacities may become a big problem if they are not utilized well enough. On the other hand, Best Hotel has the lowest bed capacity of 108 while the average is around 250. (9)

In general, four star hotels have common problems due to :

- high working capital requirements;

- low profitability based on high fixed operating costs - like labor (0.85 person / room with an average wage of T.L. 400,000 / month - according to the 1989 figures) (13) (14), overhead expenses etc., and strong price competition;

- high bargaining power of travel agencies (which, in some instances force them into strong price competition);

- high threat of substitute services, especially in the food and beverage, and recreational fields;

- competitive power of three star hotels prices, potential power of five star hotels based on high service quality and competitive prices;

- inadequate key and qualified personnel (top level and functional managers, bartender, chefs de cousine, etc.) which give rise to frequent transfers among hotels with high transfer costs (accordingly, bargaining power of personnel is high); (16) (17) (18)

- high variations in accommodational demand, and accordingly different occupancy rates by months. Occupancy rates are high during autumn and spring, plus, five star hotels have the lowest occupancy rates compared to other types. (2)

III.D.3) RIVALRY AMONG THREE STAR HOTELS

In Ankara, there are 12 three star hotels according to the 1989 figures of the Ministry of Tourism. The complete list of three star hotels with their bed capacities, single - double bed prices, breakfast and table d'hote prices are given in Appendix III.D.3. Also in this appendix, the common characteristics of three star hotels can be seen. (9)

Although the accommodational demand growth rate is slow for three star hotels relative to the overall rate in Turkey during 1985 - 1988, it is observed that a relatively high bed capacity addition is planned (2459, by 10 firms), to the existing capacity (1510, by 12 firms). (2) (1)

This increasing supply trend is based on the high absolute accommodational demand share among the other types (it is the third), insufficient bed capacity compared to present accommodational demand, and finally typical characteristic (which is one of the differential advantages) of 3 star hotels, by which they may attract both four star and two star hotel customers. This attractiveness stems from their reasonable prices and almost the same service quality and variety compared to four star hotels. (1) (2)

However, by the planned additions, the total bed capacity (3969) will become the second highest among the other types, which may force three star hotels into a high degree of competition. (1)

A severe competition be expected in the near future considering the existing slow accommodational demand growth rate, numerous (more than 20) competitors roughly equal in size and power (1) (2) (9), high investment (T.L. 26 million / room - according to the 1989 figures) (13) (14) and fixed operating costs and exit barriers created by the specialized assets, and the changing supply - demand balance towards excess capacity. Along with the above facts, the increasing bargaining power of travel agencies on three star hotels forcing them to decrease their prices down to the level of 2 and even to 1 star hotels, is seriously considered as a threat for new investors and even for the existing operation and/or investment licensed hotels. (16)

As far as the existing rivalry within three stars and among the other types is concerned; in general, although the number of arrivals and their nights spent are always greater for citizens than for foreigners in three star hotels, the opposite is true for the average length of stay. (2)

The citizens are mostly the political purpose visitors and the medium class business and trade people. Additionally, foreign travelers usually comprise a high percentage of the total accommodational demand. With the foreigners, especially the low capacity three star hotels (with 30 - 40 rooms) reach in average 90 % of occupancy rates. The common characteristic of all the customers is price sensitivity (20).

Consequently, in relation with the bargaining power of travel agencies and the common characteristics of three star hotels customers, price competition in addition to high service quality is observed to be the major characteristic of three star hotels. This price competition is considered beneficiary for three star hotels from one perspective, as their competitive advantage over four and two star hotels increase. Additionally, the service quality and variety should also be protected in the competitive ranges with respect to four star hotels. However, from another perspective, this high price cuts can be considered as the worsening affects on three star hotels.

The comparison within the group of three star hotels and among the other types according to their relevant characteristics are as follows :

- Among 12 three star hotels, Bulvar Palas, Tunali Hotel and Etap Mola have the reputation (strong brand identification), which makes them one of the major competitors to the existing four star hotels.

- Evkuran, Turist, and Altinisik Hotels have differential advantages over the others by the variety of services - like saunas, night clubs, conference rooms. But, compared to service variety and quality of 4 star hotels, they are insufficient and influence four star hotels by price competitiveness. In general, the main competitive advantage of three star hotels is over two star hotels, as they have additional services with reasonable prices which are not available in most of the two star hotels. (9)

- With respect to Government and business centers, Bulvar Palas, Tunali and Etap Mola have the best locations.

- Except Yeni Hotel which has the lowest prices (single : $ 22, double : $ 30), 3 star hotels can be price-categorized in two groups. Both groups consist of 5 hotels each, with the range of prices $ 32 - 40 vs. $ 53 - 56 for single rooms and $ 43 - 50 vs. $ 66 - 70 for double rooms, in group 1 and 2 respectively. Within them, only Bulvar Palas has the widest range of prices offering options for different types of customers (single : 31 - 62, double : 45 - 77) and this is its differential advantage over others. Regarding prices, only the low priced group except Bulvar Palas (Turist, Keykan, Evkuran, Altinisik, Apaydin) has competitive advantage over others as the customers of three star hotels are mainly concerned with the prices rather than service quality, thus they should be considered as an important substitutional threat for four star hotels, due to compatible service qualities with lower prices. (9)

- Within three star hotels , Turist (257) and Bulvar Palas (231) have the highest bed capacities, close to four star hotels. Again bed capacities may become a big problem for these hotels if they are not utilized well enough. On the other hand, Metropol and Alfin Hotel have capacities below 100 while the average is between 100 - 125. (9)

In general, three star hotels have common problems of :

- high working capital requirements relatively lower than for five and four star hotels;

- relatively lower profitability than five and four star hotels based on low profit margins (due to price sensitive customers and strong bargaining power of travel agencies), almost high fixed operating costs - like labor (0.70 person / room with an average wage of T.L. 300,000 / month - according to the 1989 figures) (13) (14), overhead expenses, etc.;

- threat of substitute services, especially in food and beverage;

- adverse/unfavorable affects of 4 and 2 star hotels with respect to prices though, in most instances 3 star hotels have the competitive power over four and two star hotels;

- inadequate key and qualified personnel, causing mismanagement and high dependence on the available key personnel; (16) (17) (18)

- variation of demand, since though they have the highest occupancy rates among the other types, accommodational demand is not uniformly distributed among the months; (2)

- high dependence on travel agencies, who are concentrated on large volumes of their potential capacities.

III.D.4) RIVALRY AMONG TWO STAR HOTELS

There are 13 two star hotels in Ankara according to the 1989 figures of the Ministry of Tourism. The complete list of two star hotels with their bed capacities, single - double bed prices, breakfast and table d'hote prices can be found in Appendix III.D.4. Also in this appendix, the common characteristics of two star hotels can be seen.(9)

Though the absolute accommodational demand share of two star hotels is high among the other types (it is the second), a relatively moderate amount of bed capacity addition is planned (770, by 7 firms) to the existing capacity (1022, by 13 firms) (1) (2) as the accommodational demand growth rate is slow relative to the relevant type's in Turkey during 1985 - 1988 (2), this growth rate is the slowest relative to the other types in Ankara due to the worsening economical conditions of the middle class citizens, the increasing attractiveness of some of three star hotels on two star hotel customers (by the suitable prices with high service quality and variety) decrease the market share of them, and as their existing bed capacity is almost saturated.

Even with this planned addition, the total bed capacity (1792) will still be the lowest among the other types. However, this capacity will be enough for them to compete heavily, as they will reach the excess capacity limit. (1) (2)

Considering the existing slowest accommodational demand growth rate, numerous competitors roughly equal in size and power (1) (2) (9), high investment (T.L. 21 million / room - according to the 1989 figures) (13) (14) and fixed operating costs and exit barriers rised by the specialized assets, changing supply - demand balance towards excess capacity, continual threat of one star hotels by price competition, and the increasing competitive power of three star hotels, a high degree of competition in the very near future can easily be expected. Also, relatively the higher bargaining power of travel agencies on two star hotels forcing them to decrease their prices sometimes below the level of 1 star hotels, is seriously considered as a threat for new investors and even for the existing operation and/or investment licensed hotels. (16)

As for the existing rivalry within two star hotels and among other types; in general, although the number of arrivals and nights spent are always greater for citizens than for foreigners in two star hotels, the opposite is true for the average length of stay. (2)

Two star hotel customers are almost the same with that of three star hotels. Additionally, foreign travelers usually comprise a high percentage of the total accommodational demand. The common characteristics of all the customers are their strict price sensitivity. (2) (16)

Consequently, in relation with the bargaining power of travel agencies and the common characteristics of two star hotels customers, high price competition is observed as the typical characteristic of two star hotels. In this way, their competitive advantages especially over one star hotels increase, but the huge and important amount of price cuts will most probably be worsening the position of two star hotels. (16)

The comparison within the group of two star hotels and among the other types according to their relevant characteristics are as follows :

- Compared to the service variety and quality offered by 3 star hotels, theirs are insufficient and their only influence is price competitiveness. In general, the main competitive advantage of two star hotels is on one star hotels, as they have additional service types with appropriate prices which are not available in most of one star hotels. Within themselves, none of them has the differential advantage over the others. (9)

- With respect to location (closeness to the Government and business centers) and brand identification, none of them has an obvious differential advantage over others in this group and among the related types. (9)

- Except Akman Hotel which has the lowest prices (single : $ 18 - 20, double : $ 25) and Elit Hotel which has the highest (single : $ 37, double : $ 59), 2 star hotels can be price-categorized in two groups. One group consists of 6 hotels with the range of prices (single : $ 23 - 25, double : $ 30 - 35) and the other consists of 4 hotels with the range of prices (single : 28 - 34, double : 41 - 45). Within them, only Canbek Hotel offers price options for different types of customers (single : 28 - 34, double : 37 - 43) and this is its differential advantage over others. Regarding prices, only the low priced group (Basyazici, Ercan, Ersan, Guleryuz, Ornek, Sultan) has competitive advantage over others as the customers are mainly price sensitive in two star hotels, thus they should be considered as an important substitutional threat for three star hotels, due to compatible service qualities with lower prices. (9)

- Within two star hotels, Basyazici (99), Guleryuz (92) and Akman (88) have the highest bed capacities, close to most of the three star hotels. On the other hand, Melodi Hotel has the lowest bed capacity (65) while the average is between 70 - 80. (9)

In general, two star hotels have common problems of :

- high working capital requirements relatively lower than for three star hotels;

- relatively lower profitability than three star hotels based on low profit margins (due to price sensitive customers and strong bargaining power of travel agencies), almost high fixed operating costs - like labor (0.60 person / room with an average wage of T.L. 250,000 / month - according to the 1989 figures) (13) (14), overhead expenses, etc.;

- strong competitive power of three and one star hotels with respect to prices;

- inadequate key and qualified personnel;

- accommodational demand variation and consequently the variation in occupancy rates by months; (2)

- high dependence on travel agencies, who are concentrated on large volumes of their potential capacities.

III.D.5) RIVALRY AMONG ONE STAR HOTELS

There are 16 one star hotels in Ankara according to the 1989 figures of the Ministry of Tourism. The complete list of one star hotels with their bed capacities, single - double bed prices, breakfast and table d'hote prices can be found in Appendix III.D.5. Also in this appendix, the common characteristics of one star hotels can be seen.(9)

Though the absolute accommodational demand share of one star hotels is high among the other types (it is the first), a relatively very low amount of bed capacity addition is planned (458, by 5 firms) to the existing capacity (1554, by 16 firms) (1) (2), as the accommodational demand growth rate is slow relative to the relevant type's in Turkey during 1985 - 1988 (2), this growth rate is one of the slowest relative to the other types in Ankara due to the worsening economical conditions of the middle and lower class citizens, the increasing competitive powers of two star and even some of the three star hotels (by the suitable prices with high service quality and variety) and substitutional threat of municipality licensed hotels decrease their market share, and mainly as their existing bed capacity is almost saturated.

Even with this planned addition, the total (operation plus investment) bed capacity (2012) will be the second lowest, where with respect to the operation licensed they have the highest among the other types. This new supply trend of one star hotels also reflect the above conclusion and figures out the decreasing importance where increasing problems of one star hotels. (1)

Considering the existing slowest accommodational demand growth rate, numerous competitors roughly equal in size and power (9) (1), high investment and fixed operating costs, existing and changing supply - demand balance towards excess capacity, continual substitutional threat of municipality licensed hotels, and the increasing competitive power of two and even three star hotels by price competition, a high degree of competition in the very near future can easily be expected. Also, seriously considered as a threat for new investors and even for the existing operation and/or investment licensed hotels.

As for the existing rivalry within one star hotels and among other types; in general, both the number of arrivals and nights spent are always highly greater for citizens than for foreigners in one star hotels. (2)

One star hotel customers are almost the same with that of two star hotels except the foreigners. Foreign travelers comprise a low percentage of the total accommodational demand in one star hotels. The main characteristic of one star hotels customers is their strict price sensitivity. Consequently, high price competition is the major characteristic of one star hotels. In this way, their competitive advantages especially over municipality licensed hotels and somehow over two star hotels increase, but the huge and important amount of price cuts will most probably be worsening the position of one star hotels. (16) (2)

The comparison within the group of one star hotels and among the other types according to their relevant characteristics are as follows :

- Compared to the service variety and quality offered by 2 star hotels, theirs are insufficient. In general, the main competitive advantage of one star hotels is on municipality licensed hotels, as they have high quality services with appropriate prices which are not available in most of municipality licensed hotels. Within themselves, none of them has the obvious differential advantage over the others (except the ones with restaurants).

- With respect to location (closeness to the Government and business centers) and brand identification, none of them has an obvious differential advantage over others in this group and among the related types. (9)

- Koyunlu (single : $ 10, double : $ 16), Efes (single : 13, double : 18), and Hanecioglu Hotel (single : 12, double : 18) have the lowest prices. Anit (single : $ 20, double : $ 30), and Bulduk Hotel (single : $ 17 - 20, double : $ 26 - 31) have the highest prices. The others are within the range of (single : 15 - 18, double : 20 - 25). Regarding these prices, it is obvious that the low priced hotels have competitive advantage over others as the customers of one star hotels are mainly concerned with prices, and they should be considered as an important substitutional threat to two star hotels, due to their low prices and compatible service qualities. Additionally, their competitive power over municipality licensed hotels are high. (9)

- Within this type, Terminal (220) and Anit (146) have the highest bed capacities which are more than that of all two star hotels and even most of the three star hotels. The others can be categorized under the three different bed capacity groups. Six hotels are in the range of 100 - 120 (again more than the two star hotel capacities, and same as most of the three star hotel capacities), four of them are in the range of 70 -90 (which are the same as the two star hotel capacities) and the last four have bed capacities around 50. The ones with high bed capacities will most probably be faced with difficulties in the case of under utilization. (9)

In general, one star hotels have common problems of :

- high working capital requirements relatively lower than for two star hotels;

- relatively lower profitability than two star hotels based on low profit margins (due to price sensitive customers and strong price competition), almost high fixed operating costs, overhead expenses, etc.;

- strong substitutional threat of municipality licensed hotels and competitive power of two star hotels (with respect to their reasonable prices and high quality services);

- variation in accommodational demand and consequently in occupancy rates among the months.

FOOTNOTES :
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(1) report on licensed tourism establishments (1988), department of tourism establishments, ministry of tourism

(2) bulletin of accommodation statistics (1985 - 1988), department of tourism planning and investments, ministry of tourism

(3) foreign arrivals and tourism receipts (1987), department of tourism planning and investments, ministry of tourism

(4) bulletin of tourism statistics (1986-1988), department of tourism planning and investments, ministry of tourism

(5) Mrs. MEVHIBE CAN (Turizm Bakanligi - Turizm Genel Mudurlugu Tesisler Dairesi Baskani)

(6) turizm yatirim ve isletmeleri nitelikleri yonetmeligi (1989), doner sermaye isletmeleri merkez mudurlugu, turizm bakanligi

(7) legal and financial aspects of tourism investments (1988-1989), development bank co.

(8) tourism investment incentive regimes and application rules (1986-1989), development bank co.

(9) turkey hotels (1989), ministry of tourism

(10) turizm bankasi bulteni, T.C kalkinma bankasi

(11) Mr. AYHAN KILINC (DPT - Iktisadi Planlama Sektorler Dairesi, Turizm Sektoru Uzmani)

(12) Mrs. HULYA ORS (DPT - Iktisadi Planlama Sektorler Dairesi, Turizm Sektoru Uzmani)

(13) Miss. EMEL ONUR (T.C. Kalkinma Bankasi - Proje Degerlendirme Bolumu, Uzman)

(14) Mr. MEHMET ERIMER (T.C. Kalkinma Bankasi - Finansal Kiralama Muduru)

(15) turizm bankasi Turk turizm endustrisi arastirmasi (1987), T.C. kalkinma bankasi

(16) Mr. BEYLAN OZ (Anadolu Turizm Isletmecileri Dernegi Baskani)

(17) Mr. SULEYMAN ESEN (TURSAB - Ankara Bolgesi Yonetim Kurulu Uyesi) (Trans Delta Genel Muduru)

(18) Mr. NEVZAT KORKMAZ (Turban Seyahat Acentasi - Mudur)

(19) Ankara rehberi (1987), TURSAB

(20) an article (1988), association of the anatolian tourism operators

III.E) THREAT OF SUBSTITUTE SERVICES

To be able to evaluate how this factor affects existing establishments, one should know the typical services offered by hotels, which are :

1) Accommodational services

2) Food and beverage services

3) Entertainment services

4) Auxiliary services

5) Congressions, conferences, seminars, receptions and fairs

In general if a threat of substitute services exists for any of the above service types, hotels are confronted with the following situation :

Since most of the important substitutes influence the price-performance relationship and as they place a ceiling on prices, there is a tradeoff with the hotel's relevant services. Consequently, this will decrease the profitability of hotels by decreased profit margins and the limited potential customer demand.

In order to decrease the threat of substitute services on the existing hotels, there is a need of collective industry action by :

- Heavy advertising.

- Increased service qualities.

- High marketing efforts.

- Increased availability of different service types, etc.

Also it should always be kept in mind that with such a high variety of services with high profit earnings, substitutes will always come into play.

In order to get the Tourism Operation Licenses, the minimum requirements of the "Turizm Yatirim ve Isletmeleri Nitelikleri Yonetmeligi" regulations of the Ministry of Tourism must be satisfied for the relevant service type. (1)

III.E.1) ACCOMMODATIONAL SERVICES

Obviously, accommodation is the major service of a typical hotel. Except some of the substitutional effects that will be discussed under this factor, the main competition is received from other hotels. As they were discussed under the heading of "Jockeying among Current Competitors", this competition among hotels is present both within the same type and among the relevant types.

However, threat of substitutes for this service type from other sources, is also present. The main potential threat comes from the existence of the big business and trade corporations' own housings. Because of economic and security reasons that were mentioned under the section on "Bargaining Power of Customers", most of the big corporations, that have high and frequent relations with the Government, established their own housing.

The own housing philosophy is also adopted by most of the Government organizations. The reason for this approach is mainly the economic conditions. Accordingly, in order to accommodate their personnel coming from the outside of Ankara for business, some of the Government organizations attempted to establish their own housing.

In general all the hotel classes have their own types of customers. For the high class hotels (5 and 4 star hotels) whose customers are generally business and trade people; and even for 3 star hotels, threat of accommodational substitutes have serious negative effects due to decreasing demand and so-reduced prices. For the other types of hotels, a serious threat does not exist regarding the above substitute.

III.E.2) FOOD AND BEVERAGE SERVICES

Food and beverage services are provided mainly by the restaurants, cafes, and bars. In Ankara, there are 7 first class and 22 second class tourism operation licensed restaurants according to the 1989 figures of the Ministry of Tourism.

The complete list of these restaurants can be found in Appendix III.E.1. There is one tourism operation licensed cafe according to the 1989 figures of the Ministry of Tourism, which is "Tuna Pastanesi". (2) (4)

There are also other restaurants, cafes and bars with municipality operation licenses. They are mostly lower class establishments compared to the tourism operation licensed ones (3), thus are not considered as a threat, especially for the high class hotels.

Considering the existing and potential first class restaurants, 5 star and 4 star hotels may be adversely affected as that they will obviously loose the potential daily demand of Ankara citizen. However, for the hotel customers, it is not a real substitutional threat, as most of the customers are in favor of their hotel restaurants.

For 3 star and 2 star hotels, the same condition applies regarding the second class restaurants, and even sometimes the first class restaurants. For 1 star hotels, it is not a substitutional threat, as mostly they do not have restaurants, cafes, and bars.

The competition between the first class restaurants and five and four star hotels is mainly based on the higher service and food quality in satisfying customers expectations. Where, in the case of three and two star hotels, it is mainly based on the price competition with the second class restaurants.

From the point of cafes and bars, the same conditions hold for the different hotel types.

The competition among the existing hotel restaurants, bars, cafes was discussed under the heading of "Jockeying among Current Competitors".

III.E.3) ENTERTAINMENT SERVICES

Entertainment services include mainly the night clubs, discos, gambling houses, wedding halls etc. In Ankara, there are 12 night clubs and 4 gambling houses with tourism operation licenses according to the 1989 figures of the Ministry of Tourism.

The complete list of these night clubs and gambling houses are given in Appendix III.E.2. (2) (4). There is one tourism operation licensed disco according to the 1989 figures of the Ministry of Tourism, that is Hilton's. Most of the five, four, and three star hotels have their wedding halls. (2)

There are also other night clubs, discos and wedding houses with municipality operation licenses. They are mostly lower class establishments compared to the tourism operation licensed ones and their target market is different (3). Thus, especially as the service quality expectations of customers show great fluctuations, they are not considered as a threat for five or four star hotels.

In general for five or four star hotels, as the operation of the gambling houses is only allowed for big star hotels, and the existing night clubs, discos and wedding halls (except the big star hotels' entertainment facilities) have different type of customers with their special service quality and price expectations, currently a substitutional threat does not exist. The competition is mainly seen among big star hotels as discussed under the heading of "Jockeying among Current Competitors".

We can not talk about a substitutional threat in entertainment services for the other type of hotels, as they do not have night clubs, discos, gambling houses. Among the other type of hotels, only some of the three star hotels have wedding halls and they may be faced with substitutional threats due to price competition.

III.E.4) AUXILIARY SERVICES

Auxiliary services include mainly the saunas, Turkish baths, and swimming pools. In Ankara, there are 9 saunas, 4 Turkish baths and 5 swimming pools with tourism operation licenses according to the 1989 figures of the Ministry of Tourism. The complete list of these are given in Appendix III.E.3. (2) (4)

There are also other saunas, Turkish baths, swimming pools but they hold municipality operation licenses. They are all very low class establishments compared to the tourism operation licensed ones and their target market is completely different (3). Thus, they are not considered as a threat for five or four star hotels.

In general, the competition is seen among big star hotels as discussed under the heading of "Jockeying among Current Competitors" and currently there is no important substitutional threat.

As they do not have any saunas, Turkish baths, swimming pools, of course, there is no substitutional threat for the other type of hotels.

III.E.5) CONGRESSIONS, CONFERENCES, SEMINARS, RECEPTIONS AND FAIRS

The complete list of the conference rooms used for congressions, conferences and seminars are listed under the heading of "Bargaining Power of Customers". For receptions and fairs, the relevant places are available in five and/or four star hotels.

It is apparent that, for the receptions and fairs, the main competition is among big star hotels and currently there is no substitutional threat.

For congressions, conferences and seminars; as there is an important number of conference rooms (most of them have the necessary equipment) in Ankara, there is a considerably high threat of substitutes for five and/or four star hotels.

Most of the conference rooms (except hotels') belong to the Government organizations, so most of the public, science and Government oriented conferences, seminars and congressions are generally organized in these conference rooms. However, currently business and trade oriented conferences, seminars and congressions are usually held in big star hotels.

In this regard, we can say that for business and trade oriented conferences, seminars etc., the competition is among big star hotels and currently there is no important substitutional threat. For the science, public and Government oriented conferences, seminars etc., an important threat of substitute exists.

There is no substitutional threat for the other type of hotels as most of them do not have appropriate and equipped conference rooms and halls.

FOOTNOTES :
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(1) turizm yatirim ve isletmeleri nitelikleri yonetmeligi (1989), doner sermaye isletmeleri merkez mudurlugu, turizm bakanligi

(2) Ankara rehberi (1987), TURSAB

(3) Mrs. MEVHIBE CAN (Turizm Bakanligi - Turizm Genel Mudurlugu Tesisler Dairesi Baskani)

(4) Turkey hotels (1989), ministry of tourism

IV) CONCLUSION

On the basis of the five industry forces, we can conclude the following positioning strategies for both new entrants and existing establishments in Ankara, by classes.

IV.1) FIVE STAR HOTELS :

a) Bargaining Power of Customers :

The majority of five star hotel customers are business, trade and foreign embassy related people, who are service quality sensitive. So the main competition among five star hotels depend on the quality and variety of service.

Sometimes price competition is also created by existing bargaining power of travel agencies, which is due to the overcapacity of five star hotels and the travel agencies' concentration on large volumes of hotels' potential capacities.

In addition to travel agencies, business corporations, with their capability to establish their own housing, and with the high volume - frequent accommodational demand they are facing, are powerful on five star hotels in taking special price discounts.

i) Perspective of New Entrant :

New entrants should establish their own distribution channels in order to decrease the negative influences of travel agencies. On the other hand, the ones lacking financial resources (which in turn is highly dependent on the existing travel agencies) should adopt the strategies of price discounts, effective promotions, advertising allowances etc. to access the services of channels.

Regarding the business corporations that have the bargaining power on five star hotels, new entrants should follow a strategy in which to persuade the corporations by special price discounts without decreasing their service quality is sought.

Finally, to enjoy advantages of successful congressions, new entrants should supply conference rooms in international standards, high quality technical work force, powerful organizations and organizers, and relevant marketing activities (like advertising, promotion, price, service, distribution channel) in an integrated manner.

In general, the focus of service differentiation with high quality and reasonable prices should always be the main strategy for all new entrants.

ii) Existing Competitor in Industry :

The above suggestions and strategies should also be taken into consideration by the existing competitors, in order to increase their customer loyalty as well as to attract the potential customers.

b) Bargaining Power of Suppliers :

Because of the unique characteristics of touristic establishments, labor is considered as a crucial factor. Therefore, our attention is focused on the bargaining power of labor.

The bargaining power of labor is high especially in five star hotels, as in general hotels are highly labor oriented, and some of the key personnel (like the top level and functional managers, chief bartender, chefs de cousin etc.) are rarely available, and as the service of the labor is unique and very important to five star hotel business.

i) Perspective of New Entrant :

To meet their key and qualified personnel requirements, new entrants should use the strategy of transfer by offering highly attractive salaries and social benefits. For the other personnel, in-site training activities should be initiated and/or they should be supplied from the local sources.

ii) Existing Competitor in Industry :

In the long run, existing competitors should train and educate their own personnel. Accordingly, they should establish a system that reorganizes itself efficiently when faced with turnover (or resignment). Additionally, they should try to avoid the key personnel from transferring to other organizations by motivating them via high salaries and other social benefits.

c) Threat of New Entrants :

Strong entry barriers are present for the newcomers as the the government and banks are reluctant to support new five star hotels in Ankara for the coming years, as necessary investment and working capital requirements are high, and as there are strong brand identification (Hilton, Sheraton), difficulty in accessing the distribution channels, and cost disadvantages (that depend on ineconomies of scale, lack of proprietary service technology and experience curve, and unfavorable facility locations).

i) Perspective of New Entrant :

To prevent themselves from the cost disadvantages, new entrants should share the costs of services. Benefits of sharing the same services are seen in the case of Joint Costs. In other words, different types of services (like restaurant, room service, entertainment service etc.), should use the same resources (like labor) and functions (like finance, accounting etc.) if possible, depending on the situation.

Because of high investment costs, interest rates, fixed operating costs, new entrants should implement policies for increasing their occupancy rates and consequently for minimizing the negative effects of such high costs.

New entrants may decrease the negative effects of brand identification of existing hotels by offering high quality services in appropriate locations with sufficient resources (like powerful financial resources, highly skilled and trained workers and a successful management team), by direct access to distribution channels, by high advertising and promotion activities, and by variety in service types.

If new investors can benefit from the tourism credits and/or incentives, they should. In so doing the capital requirement of new investment will no longer be a threat.

As mentioned earlier, new entrants should establish their own distribution channels. On the other hand, those lacking financial resources (which in turn is highly dependent on the existing travel agencies) should adopt strategies of price discounts, high promotions, and advertising allowances etc. to access the services of the channels.

ii) Existing Competitor in Industry :

As the existing strong entry barriers are for the benefits of the current competitors, they should try to strengthen their differential advantages over new entrants (which may also become advantages over existing establishments) as much as they can. On the other hand, for the barriers which also have negative influences on the existing five star hotels, the above suggested strategies should be implemented by the influenced current competitors.

d) Competitive Rivalry :

Rivalry among five star hotels with respect to the price, quality and variety of service will increase in the near future. The reasons of the existing and expected intense rivalry are based on the changing supply - demand balance which will lead to overcapacity, low profitability due to high fixed operating costs, and competitive power of four star hotels and even three star hotels with respect to prices. Additionally, exit barriers are also high due to the low liquidation value of specialized assets, strategic interrelationships in terms of image, loyalty to employees etc. Thus, high and risky returns are the only feasible alternative.

i) Perspective of New Entrant :

In relation with the above facts, as the competitive scope of five star hotels is mainly in narrow targets (in majority business, trade, the government and foreign embassy related people who are sensitive on service quality) and as their competitive advantages are service differentiations, focusing on service differentiation with high quality and reasonable prices should be the generic strategy of new entrants.

ii) Existing Competitor in Industry :

The generic strategy of the existing competitors should exactly be the same with new entrants, which is focusing on differentiation with high quality and reasonable prices.

e) Threat of Substitute Services :

The sources of the substitutional threat are the first class restaurants, bars, and cafes in food and beverage services. For the science, public and the government oriented conferences, seminars etc., the threat is imposed by the the government organizations (as they have the high standard conference rooms and relevant facilities).

The main potential threat is the existing own housing philosophy of big businesses and trade corporations. Due to economic and security reasons, most of the big corporations (that have well established and frequent relations with the the government) and the government organizations attempted to establish their own housing.

i) Perspective of New Entrant :

In order to decrease the affects of the threat of substitute services, new entrants should use the strategy of increasing the service qualities, high marketing activities, effective advertising, increasing the availability of different service types etc. Regarding the congressions, conferences etc. and the own housing philosophy, new entrants should use the relevant strategies that were mentioned under the above forces.

ii) Existing Competitor in Industry :

The above suggested strategies for new entrants are applicable exactly by the existing competitors as well. In addition to these, as the existing competitors have an important asset, the customer loyalty, they should be consistent in their service qualities.

IV.2) FOUR STAR HOTELS :

a) Bargaining Power of Customers :

The majority of four star hotel customers are citizen oriented business and trade people, who are both price and service quality sensitive. So the competition among four star hotels depend on the price and quality of service.

Accordingly, in some instances price competition is also created by existing bargaining power of travel agencies, which is due to the intense competition among four star hotels and their undifferentiated services from three star hotels, and finally the travel agencies' concentration on large volumes of the hotels' potential capacities.

In addition to travel agencies, business corporations, with their capability to establish their own housing, and with the high volume - frequent accommodational demand they are facing, are powerful on four star hotels in taking special price discounts.

i) Perspective of New Entrant :

New entrants should establish their own distribution channels in order to decrease the negative influences of travel agencies. On the other hand, the ones lacking financial resources (which in turn is highly dependent on the existing travel agencies) should adopt the strategies of price discounts, effective promotions, advertising allowances etc. to access the services of channels.

Regarding the business corporations that have the bargaining power on four star hotels, new entrants should follow a strategy in which to persuade the corporations by special price discounts without decreasing their service quality is sought.

In general, the focus of service differentiation with appropriate service quality and low cost should always be the main strategy for all new entrants.

ii) Existing Competitor in Industry :

The above suggestions and strategies should also be taken into consideration by the existing competitors, in order to increase their customer loyalty as well as to attract the potential customers.

b) Bargaining Power of Suppliers :

The bargaining power of labor is also high in four star hotels, as in general the hotels are highly labor oriented, and some of the key personnel (like the top level and functional managers, chief bartender, chefs de cousin etc.) are rarely available, and as the service of the labor is unique and important to four star hotel business.

i) Perspective of New Entrant :

To meet their key and qualified personnel requirements, new entrants should use the strategy of transfer by offering highly attractive salaries and social benefits. For the other personnel, in-site training activities should be initiated and/or they should be supplied from the local sources.

ii) Existing Competitor in Industry :

In the long run, existing competitors should train and educate their own personnel. Accordingly, they should establish a system that reorganizes itself efficiently when faced with turnover (or resignment). Additionally, they should try to avoid the key personnel from transferring to other organizations by motivating them via high salaries and other social benefits.

c) Threat of New Entrants :

Strong entry barriers are present for the newcomers as the The government and banks are reluctant to support new four star hotels in Ankara for the coming years, as necessary investment and working capital requirements are high, and as there are difficulty in accessing the distribution channels and cost disadvantages (that depend on ineconomies of scale, lack of proprietary service technology and experience curve, and unfavorable facility locations).

i) Perspective of New Entrant :

To prevent themselves from the cost disadvantages, new entrants should share the costs of services. Different types of services (like restaurant, room service, entertainment service etc.), should use the same resources (like labor) and functions (like finance, accounting etc.) if possible, depending on the situation.

Because of high investment costs, interest rates, fixed operating costs, new entrants should implement policies for increasing their occupancy rates and consequently for minimizing the negative effects of such high costs.

If the new investors can benefit from the tourism credits and/or incentives, they should. In so doing the capital requirement of the new investment will no longer be a threat.

As mentioned earlier, new entrants should establish their own distribution channels. On the other hand, those lacking financial resources (which in turn is highly dependent on the existing travel agencies) should adopt strategies of price discounts, high promotions, and advertising allowances etc. to access the services of the channels.

ii) Existing Competitor in Industry :

As the existing strong entry barriers are for the benefits of the current competitors, they should try to strengthen their differential advantages over new entrants (which may also become advantages over existing establishments) as much as they can. On the other hand, for the barriers which also have negative influences on the existing four star hotels, the above suggested strategies should be implemented by the influenced current competitors.

d) Competitive Rivalry :

Rivalry among four star hotels with respect to the price and service quality will increase in the near future. The reasons of the existing and expected intense rivalry are based on the changing supply - demand balance which will lead to overcapacity (due to slow growth rate of accommodation demand), low profitability due to high fixed operating costs, and competitive power of three star hotels with respect to low prices and five star hotels with respect to high service quality and reasonable prices. Additionally, exit barriers are also high due to the low liquidation value of specialized assets, strategic interrelationships in terms of image, loyalty to employees etc. Thus, like five star hotels high and risky returns are the only feasible alternative.

i) Perspective of New Entrant :

In relation with the above facts, as the competitive scope of four star hotels is mainly in narrow targets (in majority citizen oriented business and trade people who are sensitive both on price and service quality) and as their competitive advantages are service differentiations with reasonable prices compared to three star hotels and low cost compared to five star hotels, focusing on service differentiation with appropriate service quality and low cost should be the generic strategy of new entrants.

ii) Existing Competitor in Industry :

The generic strategy of the existing competitors should exactly be the same with new entrants, which is focusing on differentiation with appropriate service quality and low cost.

e) Threat of Substitute Services :

The sources of the substitutional threat are the first class restaurants, bars, and cafes in food and beverage services. But, the main potential threat is the existing own housing philosophy of big businesses and trade corporations. Due to economic and security reasons, most of the big corporations (that have well established and frequent relations with the the Government) and the Government organizations attempted to establish their own housing.

i) Perspective of New Entrant :

In order to decrease the affects of the threat of substitute services, new entrants should use the strategy of increasing the service qualities, high marketing activities, effective advertising, increasing the availability of different service types etc. Regarding the own housing philosophy, new entrants should use the relevant strategy that was mentioned under the "bargaining power of customers".

ii) Existing Competitor in Industry :

The above suggested strategies for new entrants are applicable exactly by the existing competitors as well. In addition to these, as the existing competitors have an important asset, the customer loyalty, they should be consistent in their service qualities.

IV.3) THREE STAR HOTELS :

a) Bargaining Power of Customers :

The majority of three star hotel customers are foreign travelers, political citizens and medium class business and trade people who are generally price sensitive but expect reasonable service quality.

Consequently, price competition is aroused by strong bargaining power of travel agencies, fed by the competition among three star hotels and within the relevant types, typical expectations of three star hotel customers and relatedly the travel agencies' high concentration especially on potential capacities of three star hotels with respect to foreign travelers.

In addition to travel agencies, business corporations with their high volume - frequent accommodational demand, are powerful on three star hotels in taking special price discounts in some instances.

i) Perspective of New Entrant :

New entrants should adopt the strategies of price discounts, effective promotions, advertising allowances etc. for access to services of distribution channels.

Regarding the business corporations and occasionally the political purpose visitors that have the bargaining power on three star hotels, new entrants should follow a strategy in which to persuade them by special price discounts is the main goal.

In general, the focus on cost with reasonable service quality should always be the main strategy for all new entrants.

ii) Existing Competitor in Industry :

The above suggestions and strategies should also be taken into consideration by the existing competitors, in order to increase their customer loyalty as well as to attract the potential customers. Consequently, their attractiveness to the four and two star hotel customers with respect to their appropriate prices and service qualities should also be used as a competitive advantage.

b) Bargaining Power of Suppliers :

The bargaining power of labor can also be concluded as high with respect to some key personnel (like manager, chief bartender, chefs de cousin etc.), as they are rarely available which in turn increases the dependence of three star hotels on the available key personnel.

i) Perspective of New Entrant :

To meet their key and qualified personnel requirements, new three star entrants should also follow the strategy of transfer by offering highly attractive salaries and social benefits, if possible. For the other personnel, in-site training activities should be initiated and/or they should be supplied from the local sources.

ii) Existing Competitor in Industry :

Existing competitors should train and educate their own personnel and they should establish a system that reorganizes itself efficiently when faced with turnover. Consequently, they should decrease their dependence on personnel. Additionally, they should try to avoid the key personnel from transferring to other organizations by motivating them via high salaries and other social benefits.

c) Threat of New Entrants :

Strong entry barriers are present for the newcomers as necessary investment and working capital requirements are high as there are difficulties in accessing the distribution channels; some of the existing hotels have differential advantages by brand identification, variety of services, appropriate facility locations, experience curve; and as there are cost disadvantages due to in-economies of scale.

i) Perspective of New Entrant :

To prevent themselves from the cost disadvantages, new entrants should share the costs of necessary services by using the same resources and functions if and where possible. Additionally, they should not increase the service variety to keep the fixed operating costs from rising.

Because of high investment costs, interest rates, fixed operating costs and low profit margins, new entrants should implement policies for increasing their occupancy rates and consequently minimizing the negative effects of such high costs.

New entrants may avoid the negative effects of brand identification of some of the existing hotels by offering high quality services in appropriate locations with a successful management and skilled workers. In relation with these, access to distribution channels is also very important and can be achieved by adopting the strategy of price discounts, advertising allowances and high promotions to channels.

If new investors can benefit from the tourism credits and/or incentives, they should. In so doing the capital requirement of the new investment will no longer be a threat.

ii) Existing Competitor in Industry :

As the existing strong entry barriers are for the benefits of the current competitors, they should try to strengthen their differential advantageous over new entrants (which may also become advantageous over existing establishments) as much as they can. On the other hand, for the barriers which also have negative influences on the existing three star hotels, the above suggested strategies should be implemented by the influenced current competitors. Additionally, the auxiliary services (not required in three star hotels by the Ministry of Tourism) which are not efficient in operation should either be made efficient somehow or dismissed from operation.

d) Competitive Rivalry :

Rivalry among three star hotels, mainly with respect to prices with reasonable service quality, will increase in the near future. The reasons of the expected intense rivalry are based on the changing supply - demand balance which will lead to overcapacity (especially due to increasing excess supply trend), numerous competitors roughly equal in size and power, relatively lower profitability than five and four star hotels due to low profit margins and high fixed operating costs, increasing bargaining power of travel agencies, and competitive power of two star hotels with respect to low prices and four star hotels with respect to high service quality with reasonable prices. Additionally, exit barriers can not be considered as low, since specialized assets have a low liquidation value, there may be loyalty to employees, etc. Thus, moderate returns (almost risky) can be said to be the only feasible alternative.

i) Perspective of New Entrant :

In relation with the above facts, as the competitive scope of three star hotels can be considered in narrow targets (in majority foreign travelers and medium class business and trade citizens who are mainly sensitive on price with reasonable service quality) and as their competitive advantages are based on service differentiations with reasonable prices compared to two star hotels and lower cost compared to four star hotels; focusing on cost with reasonable service quality and variety should be the generic strategy of new entrants.

ii) Existing Competitor in Industry :

The generic strategy of the existing competitors should exactly be the same with new entrants. Additionally, their attractiveness to the four and two star hotel customers with respect to their appropriate prices and service qualities should also be used as a competitive advantage.

e) Threat of Substitute Services :

The sources of the substitutional threat are mainly the second class restaurants, bars, and cafes in food and beverage services. Additionally, the existing own housing philosophy of corporations somehow also negatively influences three star hotels as a substitutional threat. For the other service types, as most of three star hotels do not have any facilities (except those mentioned above), a substitutional threat obviously does not exist.

i) Perspective of New Entrant :

In order to decrease the effects of the threat of substitute services, new entrants should use the strategy of increasing the service qualities while trying to decrease the fixed operating costs and consequently keeping the prices competitive. This can be managed especially by establishing the optimum service capacity in appropriate locations. On the other hand, they should not increase the service variety to keep the fixed operating costs from increasing. Additionally, effective marketing activities (like advertising, price discounts) should also be undertaken where necessary.

ii) Existing Competitor in Industry :

The above suggested strategies are applicable by the existing competitors as well. Also, the auxiliary services which are not efficient in operation should either be made efficient or dismissed from operation. Additionally, for the customer loyalty, they should be consistent in their service qualities.

IV.4) TWO STAR HOTELS :

a) Bargaining Power of Customers :

Two star hotel customers are almost the same with three star hotels. They include political citizens and medium class business and trade people, but the majority of customers are foreign travelers. The common characteristic of two star hotel customers is their strict price sensitivity.

Consequently, intense price competition is created by the strong bargaining power of travel agencies, which is due to the competition among two star hotels and within the relevant types, typical expectations of two star hotel customers and relatedly the travel agencies' high concentration especially on potential capacities of two star hotels with respect to foreign travelers.

i) Perspective of New Entrant :

New entrants should adopt the strategies of price discounts, effective promotions, advertising allowances etc. for access to services of distribution channels.

New entrants should follow a strategy of persuading their customers by price discounts, where necessary.

In general, the focus on cost with reasonable service quality should always be the main strategy for all new entrants.

ii) Existing Competitor in Industry :

The above strategies should also be taken into consideration by the existing competitors, in order to increase their customer loyalty as well as to attract potential customers.

b) Bargaining Power of Suppliers :

The bargaining power of labor can also be said to be high with respect to some key personnel (like manager, chefs de cousin etc.), but not as high as that of three star hotels. The reason is again based on the unavailability of the trained/educated key personnel.

i) Perspective of New Entrant :

To meet their key personnel requirements, new two star entrants should also follow the strategy of transfer, if possible. In general, in-site training activities should be initiated and the personnel should be supplied from the local sources.

ii) Existing Competitor in Industry :

Existing competitors should train and educate their own personnel and they should establish a system that reorganizes itself efficiently when faced with turnover. Additionally, they should try to avoid the key personnel from transferring to other organizations.

c) Threat of New Entrants :

Entry barriers can not be considered low for the newcomers as necessary investment and working capital requirements are quite high, and there are difficulties in accessing the distribution channels and cost disadvantages that depend on ineconomies of scale, lack of experience curve, and unfavorable facility locations.

i) Perspective of New Entrant :

To prevent themselves from the cost disadvantages, new entrants should share the costs of necessary services by using the same resources. Additionally, they should not increase the service variety in order not to increase the investment and fixed operating costs.

Because of high investment costs, interest rates and fixed operating costs and low profit margins new entrants should implement policies for increasing their occupancy rates and consequently minimizing the negative effects of such high costs.

New entrants may overcome entry barriers by offering low priced and reasonable service quality in favorable locations with skilled personnel. In relation with these, access to distribution channels is very important and can be achieved by adopting the strategy of price discounts, advertising allowances and high promotions to attract channels.

If new investors can benefit from the tourism credits and/or incentives, they should. In so doing the capital requirement of the new investment will no longer be a threat.

ii) Existing Competitor in Industry :

As the existing entry barriers are for the benefits of the current competitors, they should try to strengthen their differential advantages over new entrants as much as they can. On the other hand, for the barriers which have negative influences also on the existing two star hotels, the above suggested strategies should be implemented by the influenced current competitors.

d) Competitive Rivalry :

Rivalry among two star hotels with respect to prices will increase in the near future. The reasons of the expected intense rivalry are based on the changing supply - demand balance which will lead to overcapacity (especially due to slowest growth rate of accommodational demand among the other type of hotels), numerous competitors roughly equal in size and power, lowest profitability mainly due to low profit margins, increasing bargaining power of travel agencies, competitive power of one star hotels with respect to low prices, and increasing attractiveness of three star hotels for two star hotel customers with high service quality and reasonable prices. However, exit barriers are not high, compared to big star hotels. Thus, fairly stable but relatively low returns compared to big stars can be considered as the feasible alternative.

i) Perspective of New Entrant :

In relation with the above facts, as the competitive scope of two star hotels can be considered somehow in broad targets (majority of customers are similar to three star hotels but with broader base who are mainly sensitive on price) and as their competitive advantages are based on high service quality with reasonable prices compared to one star hotels and lower cost compared to three star hotels, focusing on cost with reasonable service quality should be the generic strategy of new entrants.

ii) Existing Competitor in Industry :

The generic strategy of the existing competitors should exactly be the same with new entrants.

e) Threat of Substitute Services :

The only sources of the substitutional threat are the second class and municipality operation licensed restaurants. For the other service types, as most of two star hotels do not have any facilities, there is obviously no substitutional threat.

i) Perspective of New Entrant :

In order to decrease the effects of the threat of substitute services, new entrants should either have a moderate service and food quality by keeping the fixed operating costs low and consequently the prices competitive, or not establish a restaurant.

ii) Existing Competitor in Industry :

The restaurants which are not efficient in operation should either be made efficient by applying the above suggested strategy or dismissed from operation and be used for other purposes by the existing competitors.

IV.5) ONE STAR HOTELS :

a) Bargaining Power of Customers :

Like two star hotels, the majority of one star hotel customers are political citizens and medium class business and trade people, except foreigners. Unlike two star hotels, the percentage of foreigners is very low. The common characteristic of one star hotel customers is their strict price sensitivity.

However, as one star hotel customers are individual oriented, i.e. their accommodational demand are not organized by powerful organizations, the bargaining power of customers can be considered low. On the other hand, due to the worsening economic conditions of citizens, strong competition among one star hotels and with the relevant types, and typical expectations of one star hotel customers, we can say that the customers indirectly have the bargaining power with respect to prices.

i) Perspective of New Entrant :

In some instances new entrants should follow a strategy in which to persuade their customers by price discounts.

In general, the cost leadership with reasonable service quality should always be the main strategy for all new entrants.

ii) Existing Competitor in Industry :

The above strategies should also be taken into consideration by the existing competitors.

b) Bargaining Power of Suppliers :

The bargaining power of labor is relatively low in one star hotels, as key personnel requirement of a one star hotel is very low compared to two star hotel. The reasons are based on their customers, mainly citizens who are highly sensitive on prices rather than service quality, and their limited type of services.

i) Perspective of New Entrant :

To meet their personnel requirements, new one star entrants should initiate in-site training activities and should supply the personnel from the local sources.

ii) Existing Competitor in Industry :

Existing competitors should train and educate their own personnel, should establish a system that reorganizes itself efficiently when faced with turnover, and of course should try to avoid the personnel from transferring to other organizations.

c) Threat of New Entrants :

Entry barriers can be said to be low for the newcomers compared to other type of hotels, although the necessary investment and working capital requirements are not low, and some sort of cost disadvantages exist (that depend on ineconomies of scale, worsening economic conditions of citizens, and unfavorable facility locations).

i) Perspective of New Entrant :

To prevent themselves from the cost disadvantages, new entrants should share the costs of some necessary services by using the same resources. Because of relatively high investment and fixed operating costs and very low profit margins, new entrants should implement policies for increasing their occupancy rates and consequently minimizing the negative effects of such high costs.

New entrants may overcome entry barriers to some degree by offering appropriate accommodational service quality with low prices in favorable locations.

If new investors can benefit from the tourism credits and/or incentives, they should. In so doing the capital requirement of the new investment will no longer be a threat.

ii) Existing Competitor in Industry :

For the barriers which also have negative influences on the existing one star hotels, the above suggested strategies should be implemented by the influenced current competitors if possible.

d) Competitive Rivalry :

Rivalry among one star hotels, with respect to prices will also increase in the near future. The reasons of the expected intense rivalry are based on the changing supply - demand balance which will lead to overcapacity (especially due to one of the slowest growth rate of accommodational demand among the other type of hotels and saturated existing bed capacity), numerous competitors roughly equal in size and power, lowest profitability mainly due to very low profit margins, increasing competitive power of two star hotels with respect to their competitive prices, and the existence of the substitutional threat by the municipality licensed hotels with respect to low prices. However, exit barriers are low compared to other type of hotels. Thus, stable but relatively low returns compared to other type of hotels can be considered as the feasible alternative.

i) Perspective of New Entrant :

In relation with the above facts, as the competitive scope of one star hotels are in broad targets who are strictly price sensitive and as their competitive advantages are based on high service quality with competitive prices compared to municipality operation licensed hotels and lower cost compared to two star hotels, cost leadership with reasonable service quality should be the generic strategy of new entrants.

ii) Existing Competitor in Industry :

The generic strategy of the existing competitors should exactly be the same with new entrants.

e) Threat of Substitute Services :

Except the municipality licensed hotels no substitutional threat exists, as most of one star hotels do not have other service types than accommodational services.

i) Perspective of New Entrant :

For the municipality operation licensed hotels the above suggested generic strategy should be used, i.e. cost leadership and consequently low prices with reasonable service quality should be sought.

ii) Existing Competitor in Industry :

The above suggested strategy should also be adopted by the existing competitors.

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APPENDICES
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APPENDIX II - TOURISM POTENTIAL OF ANKARA
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APPENDIX II.1 - MUSEUMS

- Anatolian Civilizations Museum
- Republic Museum
- Ataturk Mausoleum
- State Museum of Sculptures and Paintings
- Etnographian Museum
- Independence War Museum
- Natural History Museum

APPENDIX II.2 - HISTORICAL CULTURAL PLACES

- Anitkabir Ataturk's Mausoleum
- Ankara Castle
- Augustus Temple
- Gavur Castle
- Gordion (Yassi Hoyuk)
- Guvenlik Aniti (Security Monument)
- Julianus Column
- Kalecik Castle
- The Roman Baths
- Ulus the Republic Monument
- Zafer Aniti

APPENDIX II.3 - RECREATIONAL PLACES

- Ataturk Orman Ciftligi
- Ayas Beli (Ayas Mountain)
- Bayindir Dam
- Beynam Forests
- Cal Mountain
- Camkoru
- Cankaya Ridge
- Cubuk Dam
- Genclik Parki (Youth Park)
- Golbasi
- Huseyin Gazi Mountain
- Karagol (Black Lake)
- Dam of Kurtbogazi
- The Mine Research Institute's Rose Garden
- Sariyer Dam
- Kizilcahamam Soguksu (Cold Water) National Park

APPENDIX II.4 - THERMAL RESORTS

- Ayas Thermal Resorts and Hot-Springs
- Ayas Karakaya Thermal Resort
- Haymana Thermal Resort
- Kizilcahamam Thermal Resorts
- Kizilcahamam Mineral Waters
- Dutlu Hot-Springs
- Sey Baths

APPENDIX II.5 - LOCAL (REGIONAL) TOURS

Half day tours	: Tour in Ankara
One day tours	: Bogazkoy
One day tours	: Cappadocia
One day tours	: Gordion
One day tours	: Konya
One day tours	: Elmadag
One day tours	: Abant
One day tours	: Yedigoller
Two day tours	: Cappadocia
Two day tours	: Bogazkoy, Alacahoyuk, Amasya
Three day tours	: Ankara and Cappadocia
Three day tours	: Cappadocia and Konya
Three day tours	: Bogazkoy and Cappadocia
Four day tours	: Cappadocia
Five day tours	: Central Anotolia
Five day tours	: Ankara - Cappadocia

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APPENDIX III.A - CUSTOMERS
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APPENDIX III.A.1 - CONFERENCE ROOMS

	No. of rooms	Cap.
- The Ministry of Tourism (microfilm, slides, video, simultaneous system).	- 2 -	270 - 70
- The High Way General Directorate (films, slides).	- 1 -	750 -
- The Turkish Standards Institute (simultaneous translation, wireless, films, slides, projection).	- 2 -	300 - 60
- Turkish Union of the Chambers of the Commerce (slides, television, films, over-head projectors).	- 2 -	425 - 100
- The General Directorate of State Water Works (voice amplifying system).	- 1 -	435 -
- Mine Research Institute (slides, films, tv, video cameras, audio-visual system).	- 3 -	575 - 200 50
- Social Security General Directorate (projection machines, slides, films, instruments for voice amplifying, over head projectors).	- 1 -	350 -
- State Statistics Institute	- 1 -	150 -
- Turkish Union of Bourses and Chambers Commerce (computer center, simultaneous system, slides, tv, video, instruments for voice amplfying, over-head projectors).	- 1 -	155 -
- Ankara University, the Faculty of Language, History and Geography (projection, films, slides, over-head projectors).	- 1 -	600 -
- Ankara University the Dean of Pharmacology Faculty (slides, projections and voice amplfying system).	- 1 -	400 -

	No. of rooms	Cap.
- Ankara University Medical Faculty Morphology (slides).	- 2 -	500 -
- Gazi University Pharmacology Faculty (slides).	- 1 -	250 -
- Middle East Technical University (videos, films, slides, over-head projectors).	- 4 -	100 500 -
- Hacettepe University (films, cinema, slides, projections, voice amplfying system).	- 3 -	800 76 65 -
- Grand Hotel Ankara (slides, films, projections).	- 2 -	400 80 -
- Grand Hotel Surmeli (slides, over-head projector).	- 2 -	500 35 -
- Ankara Dedeman Hotel	- 1 -	350 -
- Ataturk High Institute of Culture History and Language (simultaneous translation service in two languages).	- 1 -	250 -
- Etap Altinel Hotel (slides, tv, video, simultaneous translation system, over-head projector).	- 1 -	320 -

* They are generally available for whole year.

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APPENDIX III.C - NEW ENTRANTS
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APPENDIX III.C.1 - TOURISM INCENTIVES

a) Tourism incentive measures provided by the Incentive License given by the State Planning Organization :

In order to get benefit from incentives, the investor must get Tourism Investment and Operation Licenses from the Ministry of Tourism.

Incentives to companies operating in tourism sector are covered and determined in article 13 of Tourism Encouragement Law No. 2634.

A certificate of encouragement from State Planning Organization should be obtained to benefit from encouragement measures.

In order to deserve to receive an encouragement certificate the investment must be among the selected sectors for encouragement and the total investment cost must be at least at the minimum amount determined in the degree. This amount is determined to be T.L. 750 Million for 1989.

The minimum bed capacity for touristic investment must be 70.

The equity rate determined for touristic investment is 50 %. However, special importance is attributed to the touristic investments without being bound to any border lines. Consequently, there is the opportunity to benefit from the incentives for touristic investments without the constraint of equity rate.

Now let's compare the details according to the years 1986-1989.

i) Customs Exemption :

Enables the investor to import machine and equipment requirement for the project without paying any custom duties and fees (stamp duty, municipality share etc.), i.e. 100 % during the years 1986-1989.

ii) Payment of Encouragement Premium :

Encouragement premium is payable in cash and at the rate of 15 % in 1986, 20 % in 1987, 25 % in 1988 and 1989 of machine and equipment in respect of machine and equipment directly oriented to the investor and which are obtained locally and are excluded from the global list, attached to feasibility study.

iii) Investment Allowance :

Provides the benefit to deduct a portion of investment cost at the rate determined on the certificate from taxable profit of the investing corporation. This rate varies between 30 % to 100 % based upon the region and the sector of the investment to be made, during the years 1986-1989.

iv) Resource Utilization Fund Premium :

This is a cash premium paid to the investor which is computed according to the total investment cost (whether the investment is made by the credits or the owner's equity) in 1986 and 1987.

In 1986 and 1987, the rate of premium to be paid for developed and normal regions is 7 %. For developing regions with high priority is 20 %. For developing regions with low priority is 15 %. The mentioned rates are applied in case of the investing firms to be joint stock company.

This is a cash premium paid to the investor which is computed over the portion of the investment cost compensated by the owner's equity in 1988 and 1989.

In 1988 the rate of premium to be paid for developing regions with high priority is 50 %. For the other regions it is 40 %. Except for the developing regions, this rate is applied in case of the investing firms to be joint-stock company. Otherwise, for developed and normal regions it is 10 %.

In 1989 the rate of premium to be paid for developing regions with high priority is 60 %. For developing regions with low priority is 50 %. For the other regions it is 40 %. Except for the developing regions, this rate is applied in case of the investing firms to be joint-stock company. Otherwise, for developed and normal regions it is 10 %.

v) Exemption of Taxes, Duties, and Fees for Long and Medium Term Investment Credits :

Investors who commit themselves to realize certain amount of foreign currency in five years following the year, when the project becomes operational in full capacity are entitled to obtain exemption from taxes, duties and fees applicable to medium and long term and foreign currency loans they borrowed. These rates are same during the years 1986-1989.

Minimum foreign currency commitment of investments in developed regions of the country is at least 20 % of annual production level. For normal regions it is 10 %. For developing regions it is 5 %.

vi) Rate of Owner's Equity :

For developing regions it is 30 %. For normal regions it is 40 %. For developed regions it is 50 %. However, if the total fixed investment amount is more than T.L. 1 billion, it is 25 %. These rates are valid in 1986, 1987.

In 1988 and 1989, for developing regions it is 40 %. For the other regions it is 50 %.

vii) Postponement of Value Added Taxes :

Value added taxes (V.A.T.) applicable on importation of capital expenditures can be postponed until such taxes can be deductible from V.A.T. collected. This incentive is valid during 1986-1989.

viii) Advantages in credit conditions :

This incentive will be mentioned under the heading of "Capital Requirements".

b) Tourism incentive measures provided by the Law for the Encouragement of Tourism No. 2634

In order to get benefit from incentives, the investor must get Tourism Investment and Operation Licenses from the Ministry of Tourism.

Incentives to companies operating in tourism sector are covered and determined in article 13 to 25 of section third of Tourism Encouragement Law No. 2634.

Some of the major incentives given to the tourism sector by satisfying the requirements of this Law are as follows :

i) Tourism investor will be accepted as exporter.

ii) Supply of low cost and medium term credits (including foreign currency credits) will be made.

iii) Payment of Forest Fund will be made in increments.

iv) Low prices will be charged for the electricity, gas and water consumption.

v) First priority will be given to the investors for their communication requirements.

vi) Permission will be given at touristic enterprises for the employment of foreign national personnel.

vii) By obeying to the regulations concerning licenses for liquor and for gambling enterprises permission will be given to the investor.

viii) Permission will be given to employ workers in week-ends, holidays etc.

ix) Incentives will be given to get the benefits from the use of the Tourism Development Funds.

x) State lands will be given for the use of the touristic investments.

xi) Infrastructure activities will be done by the public organizations.

xii) Some exemptions will be given on the Village and Ownership Law.

c) Tourism incentive measures provided by the Law for the Encouragement of Tourism No. 6224.

Foreign capital investments are made according to this Law. This Law is a very liberal law regarding the foreign investors. It not only encourages foreign investors but gives the permission of getting the same rights of the Turkish investors as well.

Foreign investors who want to get the rights of this Law should apply to the Prime Ministry's Foreign Capital Department with the required documents in order to get the permission.

Some of the incentives given to the foreign investors by satisfying the requirements of this Law are as follows :

i) Same rights will be given to the foreign investors as the Turkish investors.

ii) Transfer of profits.

iii) Addition of profits to the capital.

iv) Transfer of capital.

v) Transfer of stocks.

vi) Freedom in stocks marketing.

vii) Guarantee for their debts.

viii) Transfer of the foreign debts with their interests.

ix) Employment of the foreign personnel.

x) Tax agreements permission.

xi) Usage of blocked money.

d) Tourism incentive measures in our Tax Laws

General rules of tax obligation :

The Tax Procedural Law and Law for Procedure for Collection of Public Receivables are the basis for the operation of the tax system. These laws include regulations about such matters as record keeping and documentation requirements, valuation of certain assets and liabilities and the assessment, accrual, announcement and collection of taxes. The Ministry of Finance and Customs is responsible for the application of tax laws.

Tax incentives are provided to encourage investments in general and to provide an inflow of foreign currency. In order to benefit from these encouragements, tax payers must stated in annually published encouragement decrees and related announcements and in their specific encouragement certificates.

Accounting and financial reporting :

The Commercial Code, Tax Procedural Law and the Laws on Corporation Tax, Income Tax and Capital Market Law specify the accounting records to be maintained by commercial companies and some general rules concerning the valuation of certain assets and other accounts.

Social security and labor legislation :

There are some certain regulations on social security and labor legislation which are common for all the organizations in Turkey.

Tax incentives provided for investments are as follows :

i) Investment Allowance :

An exemption from corporation tax of between 30 % and 100 % of the cost of an investment in buildings and equipment can be obtained for qualified projects. The amount of exemption varies according to the location and to the nature of investment.

ii) Customs Exemption :

Machine and equipment imported under a certificate of approval by the State Planning Organization can be exempted from customs tax and other customs duties.

iii) Investment Financing Fund :

It is possible to obtain some early benefit for certain investment expenditures made in connection with an encouragement certificate. This is accomplished by depositing funds with the Central Bank. The amount of the deposit can't exceed the investment expenditure for the year or 20 % of the taxable income for the year when the advance deduction is taken.

The amount is deposited in the year preceding the year when actual expenditure will be made and claimed as an investment deduction.

The amount deposited can be collected from Central Bank through obtaining withdrawal documents from the State Planning Organization, as investment expenses are being made.

iv) Postponement of Value Added Tax :

Payment of value added taxes that are imposed upon the import of machine and equipment may be postponed until such tax can be deducted from value added taxes collected on the sales granted from the project.

v) Taxation Encouragement applicable to transactions that create foreign currency flow :

20 % of foreign currency revenue obtained by corporations that are in possession of operating certificates for touristic establishments (hotels, resorts) or touristic agencies can be deducted from taxable earnings.

vi) Exemption of Taxes, Duties or Fees :

Relates to tax dues and fees such as stamp duty taxes, banking and insurance transactions tax and also dues at title offices and public notaries related with the operation on medium or long term credits that are used to finance investments.

****
APPENDIX III.D - COMPETITORS
****

APPENDIX III.D.1 - FIVE STAR HOTELS

	No.of beds	Price single bed	Price double bed	Price break.	Price table d'hote
- Grand Hotel Ankara	316	$ 75	$ 95-142	$ 6	$ 11
- Etap Altinel	362	92-149	115-149	9.5	15
- Hilton	670	70-117	88-147	8	11
Total	1348				
Range	316-670	70-149	88-149	6-9.5	11-15

Common characteristics :

parking, garage, lift, central heating, restaurant, cafe, bar, night club, conference room, casino, Turkish bath (except Grand Ankara Hotel), sauna, swimming pool, suite or flat, air conditioning, room with telephone, radio, television, room refrigerator, laundry, barber-hair dresser, reduction for children, nursery.

APPENDIX III.D.2 - FOUR STAR HOTELS

	No.of beds	Price single bed	Price double bed	Price break.	Price table d'hote
- Ankara Dedeman Hotel	581	$ 65	$ 80	$ 5	$ 14
- Best Hotel	108	65	85	10	12
- Grand Surmeli Hotel	242	108	135	8	20
- Kent Hotel	234	60	75	7	10
- Stad Hotel	401	75-95	104-127	6	11
Total	1566				
Range	108-581	60-108	75-135	5-10	10-20

Common characteristics :

parking, garage, lift, central heating, restaurant, cafe, bar, night club, conference room, swimming pool (some has), suite or flat, room with telephone, radio, television, room refrigerator, laundry, barber-hair dresser, air conditioning, sauna (some has), reduction for children, nursery.

APPENDIX III.D.3 - THREE STAR HOTELS

	No.of beds	Price single bed	Price double bed	Price break.	Price table d'hote
- Alfin	80	$ 53	$ 79	$ 4	$ 9
- Altinisik	121	32-38	43-49	4	8
- Apaydin	100	40	50	4	8
- Bulvar Palas	231	31-62	45-77	3	6
- Etap Mola	105	56	69	4.5	9
- Eyupoglu	108	54	68	4.5	7.5
- Evkuran	115	34-37	47	3	6
- Keykan	95	36	48	5	12
- Metropol	68	53-55	66-70	5	10
- Tunali	108	56	70	6	10
- Turist	257	32-36	46	4	8
- Yeni	122	22	30	2	7
Total	1510				
Range	68-257	22-62	30-77	2-6	6-12

Common characteristics :

parking, garage, lift, central heating, restaurant, cafe, bar, conference room (some has), suite or flat, room with telephone, radio, television, room refrigerator, laundry, barber-hair dresser.

APPENDIX III.D.4 - TWO STAR HOTELS

	No.of beds	Price single bed	Price double bed	Price break.	Price table d'hote
- Akman	88	$ 18-20	$ 25	$ 2	$ -
- Barinak	72	30	41	4	10
- Basyazici	99	23-24	30	3	-
- Canbek	70	28-34	37-43	3	6
- Elit	80	37	59	3	-
- Ercan	80	23	32	3	-
- Ersan	80	25	35	3	7
- Guleryuz	92	25	34	2.5	-
- Hitit	76	28	41	5	9
- Karyagdi	70	30	45	4	6
- Melodi	65	34	42	4.5	-
- Ornek	70	25	35	3	7
- Sultan	80	25	35	3	7
Total	1022				
Range	65-99	18-37	25-59	2-5	6-10

Common characteristics :

parking, garage, lift, central heating, room with telephone, radio, television, room refrigerator, laundry, restaurant, reduction for children.

APPENDIX III.D.5 - ONE STAR HOTELS

	No.of beds	Price single bed	Price double bed	Price break.	Price table d'hote
- Anit	146	$ 20	$ 30	$ 3	$ 6
- As	91	17	23	3	-
- Bulduk	120	17-20	26-31	2.5	-
- Efes	72	13	18	2	-
- Ergen	102	15	22	1.5	4.5
- Hanecioglu	100	12	18	2	-
- Koyunlu	91	10	16	1.5	-
- Olimpiyat	109	15	20	1	-
- Ozturk	74	16	24	1.5	6
- Paris	55	15	20	3.5	-
- Safir	51	14	19	2	-
- Saral	48	20	25	3	7
- Sembol	115	18	27	3	-
- Tac	61	15-18	23	2.5	-
- Terminal	220	15	25	5	10
- Yeni Bahar	99	15	20-25	2.5	-
Total	1554				
Range	48-220	10-20	16-31	1-3.5	4.5-10

Common characteristics :

parking, lift, central heating, laundry, room with telephone, radio, reduction for children.

****
APPENDIX III.E - SUBSTITUTE SERVICES
****

APPENDIX III.E.1 - RESTAURANTS

First class restaurants are as follows :

- Altinnal Restaurant
- RV Restaurant
- China Town
- Washington Restaurant
- Akman Meat Restaurant
- Chez-Le Belge Restaurant
- Liman Restaurant

Second class restaurants are as follows :

- Fiesta Cafeteria
- Buzpateni Restaurant
- Hyde-Park Restaurant
- Italian Restaurant
- Kanyon Restaurant
- Merkez Restaurant
- Milka Restaurant
- Panaroma Restaurant
- Picnic Pub
- Hulya Restaurant
- Pena Restaurant
- Picnic Restaurant
- Yeni Yali Restaurant

- Kugu Restaurant
- Pizza Pino Restaurant
- Pizza Express Restaurant
- Set Cafeteria
- Varan Konak Tour Installations
- Villa Restaurant
- Yakamoz Fish Restaurant
- Yeni Karpic Restaurant
- AY-SA Tour Installations
- Haci Bey Kebapcisi
- Iskender Kebapcisi
- Iskender Kebapcisi
- Uludag Kebapcisi

APPENDIX III.E.2 - NIGHT CLUBS AND GAMBLING HOUSES

Night clubs are as follows :

- Midnight Club
- Final Night Club
- Mon Amour Casino
- Sehrazat Casino
- Grand Hotel Ankara
- Hilton
- Etap Altinel Hotel
- Ankara Dedeman Hotel
- Best Hotel
- Buyuk Surmeli
- Kent Hotel
- Stad Hotel

Gambling houses are as follows :

- Hilton
- Ankara Dedeman Hotel
- Grand Ankara Hotel
- Etap Altinel Hotel

APPENDIX III.E.3 - SAUNAS, TURKISH BATHS, SWIMMING POOLS

Saunas are as follows :

- Grand Hotel Ankara
- Hilton
- Etap Altinel Hotel
- Best Hotel
- Stad Hotel
- Cankaya Sauna
- Kavakli Sauna
- Turist Hotel Sauna
- Evkuran Hotel Sauna

Turkish baths are as follows :

- Hilton
- Etap Altinel Hotel
- Cebeci Turkish Baths
- Yenisehir Turkish Baths

Swimming pools are as follows :

- Grand Hotel Ankara
- Hilton
- Etap Altinel Hotel
- Ankara Dedeman Hotel
- Grand Surmeli Hotel

******
GRAPHS
******

1) REPORT ON LICENCED TOURISM ESTABLISHMENTS (1988),

T.C. THE MINISTRY OF TOURISM,

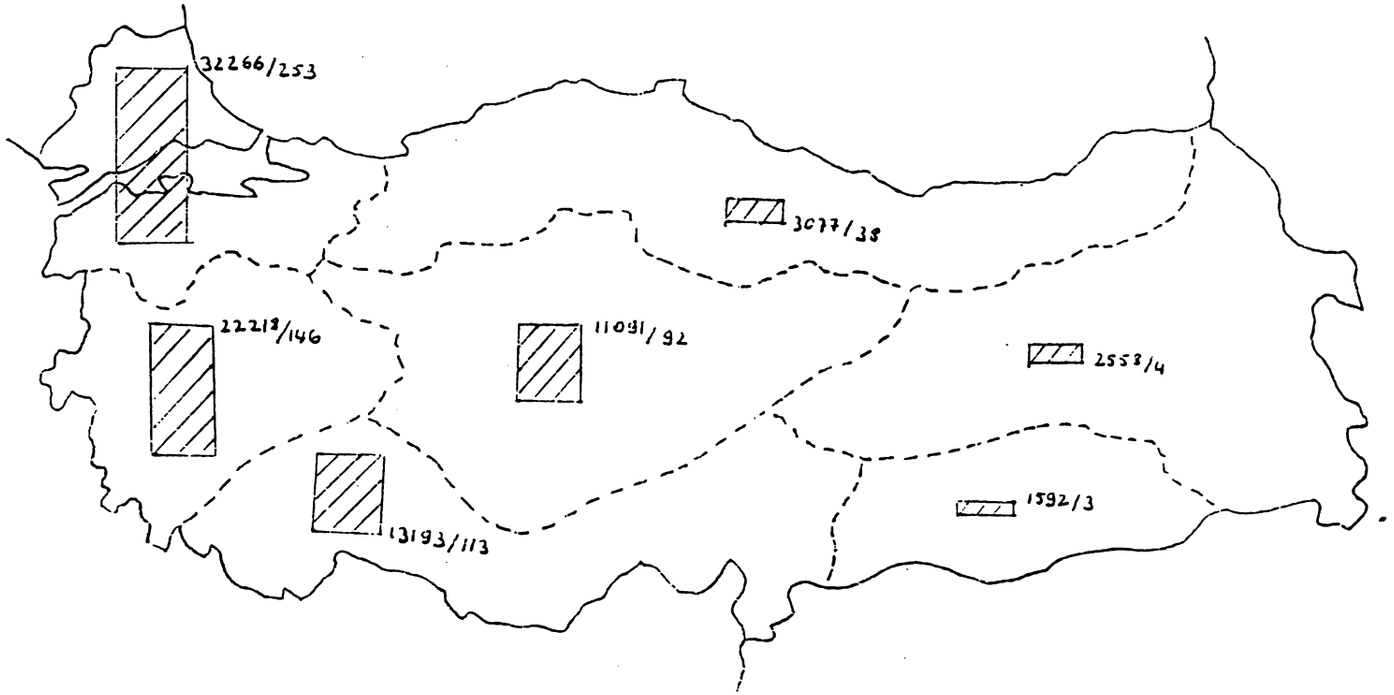
DEPARTMENT OF TOURISM ESTABLISHMENTS.

In this report,

"Tourism Investment Licence" means the certificate issued by the Ministry to an investor in the tourism sector for the duration of an investment.

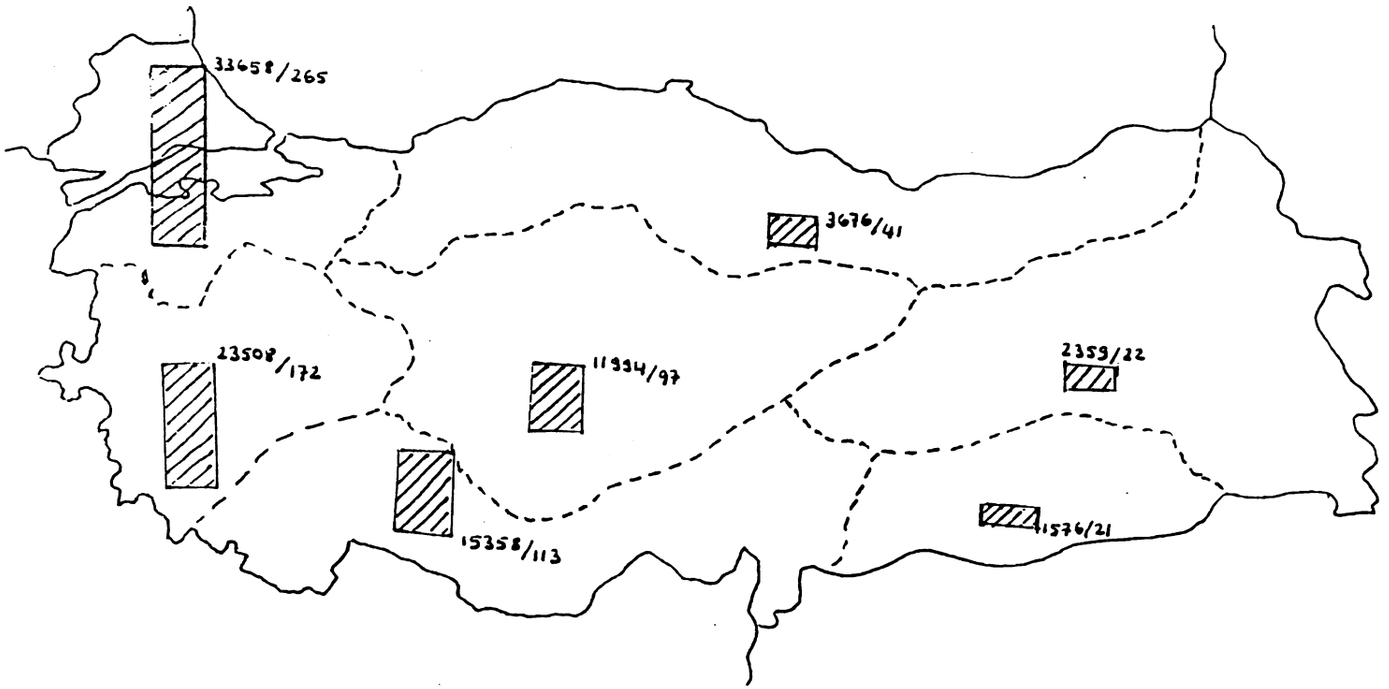
"Tourism Operation Licence" means the certificate issued by the Ministry to any tourist facility operated within the tourism sector.

It is also possible to operate tourism establishments upon the permission of Municipality authorities without obtaining tourism licence from the Ministry. This report does not include such establishments which has not been licenced by the Ministry.



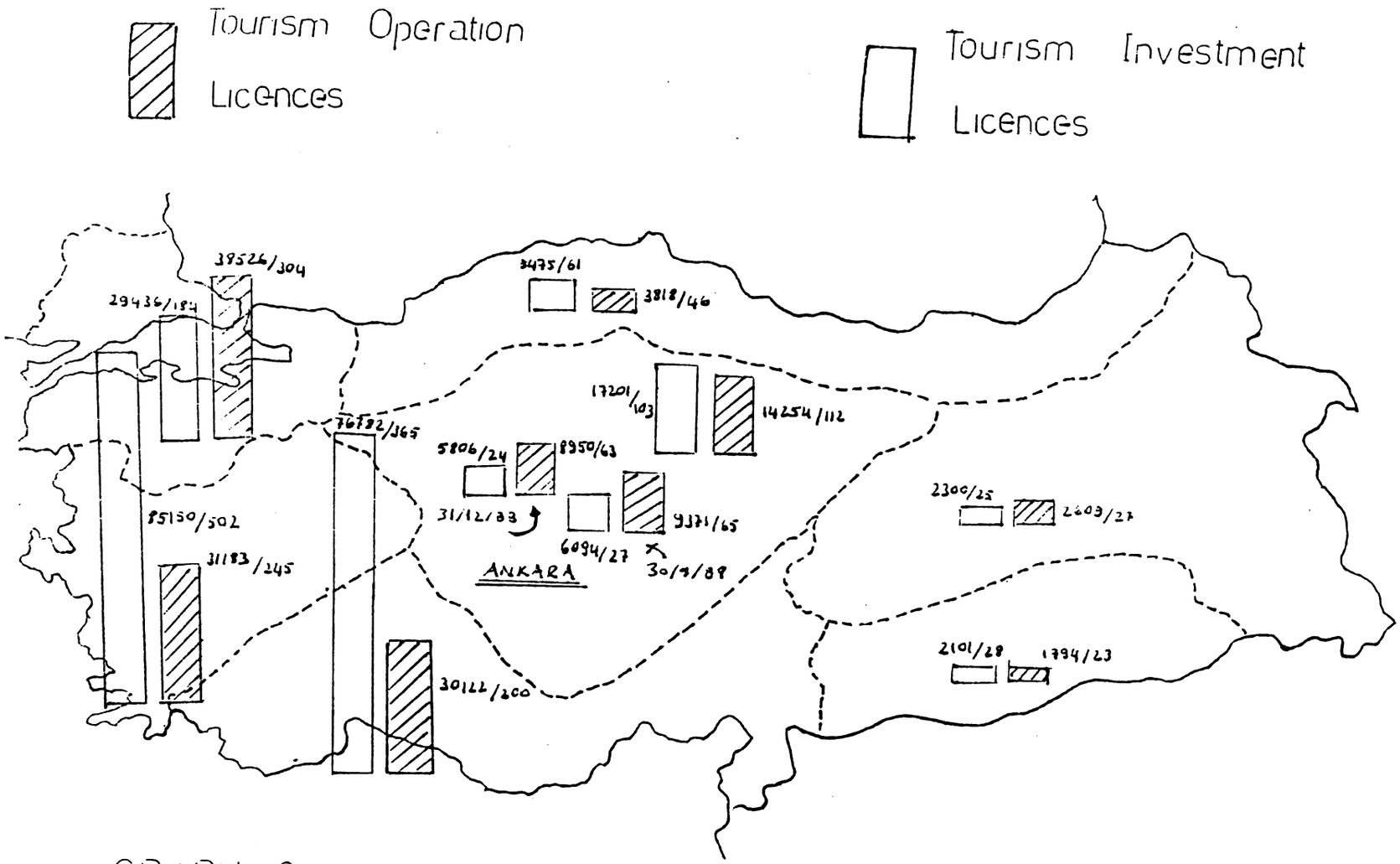
GRAPH 1

REGIONAL DISTRIBUTION OF TOURISM OPERATION LICENCED ACCOMMODATION FACILITIES (Number of beds / Number of establishment) (1985)



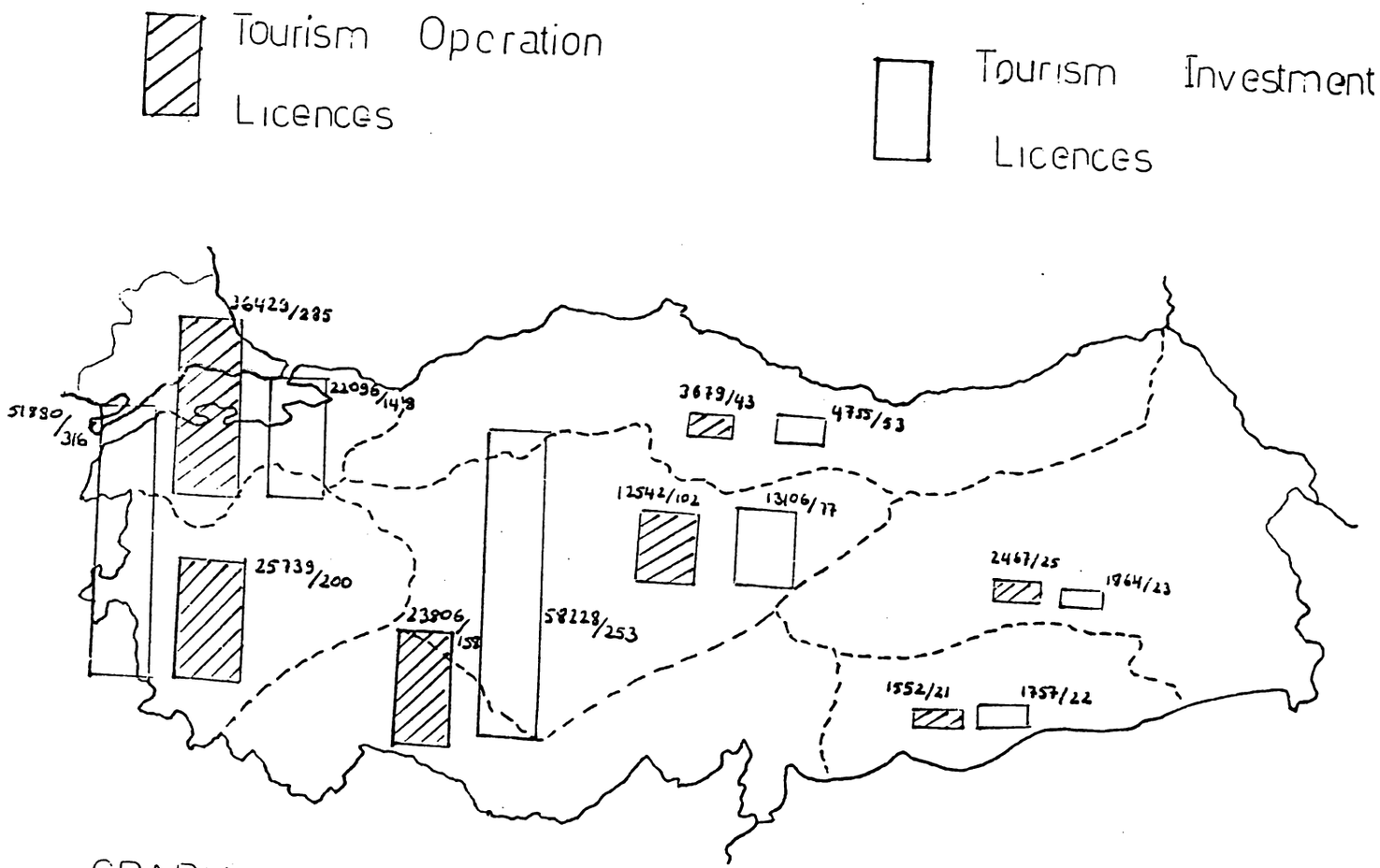
GRAPH 2

REGIONAL DISTRIBUTION OF TOURISM OPERATION LICENCED ACCOMMODATION FACILITIES (Number of beds / Number of establishments) (1060)



GRAPH 3

REGIONAL DISTRIBUTION OF LICENCED ACCOMODATION ESTABLISHMENTS 31.12.1988 (Including Ankara)

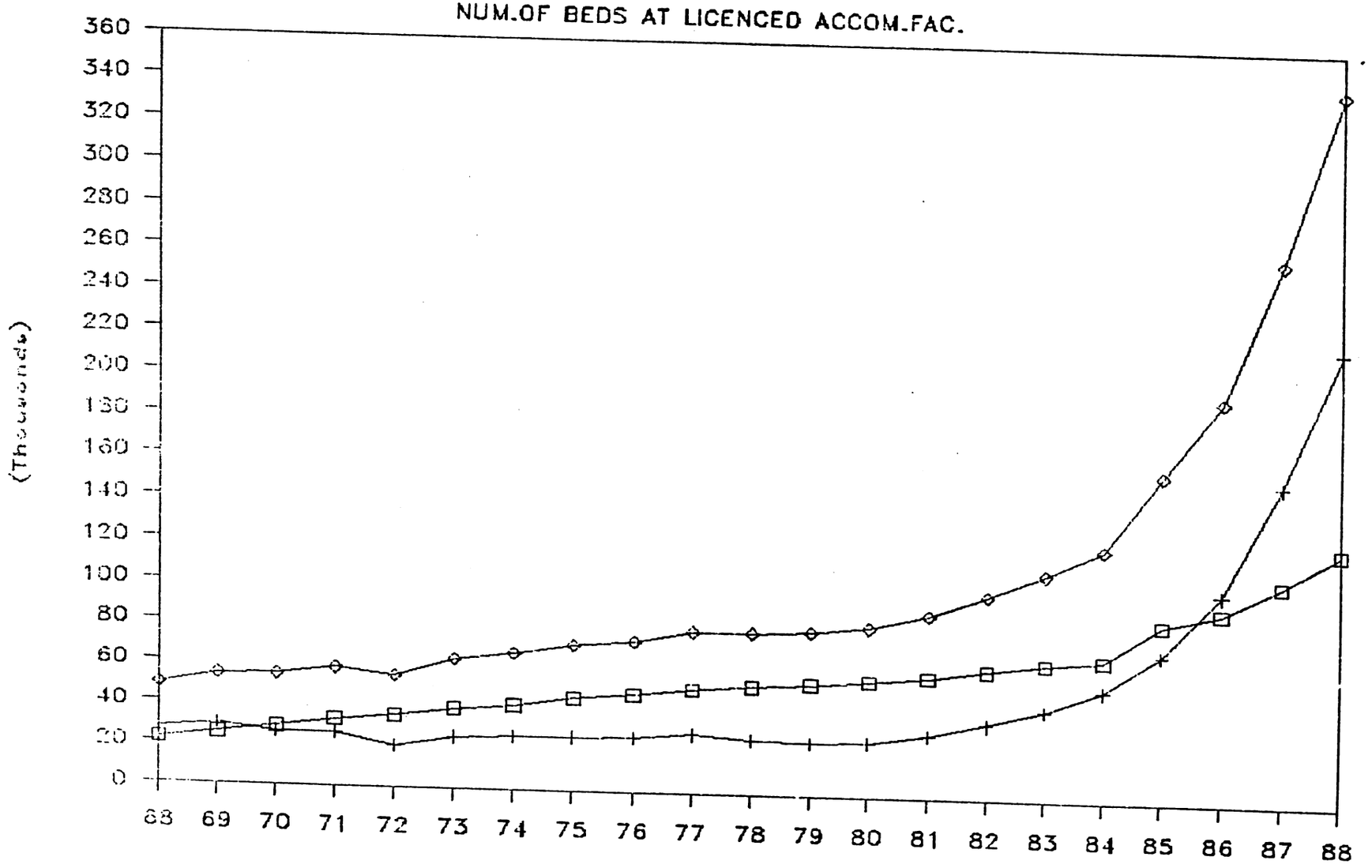


GRAPH 4

REGIONAL DISTRIBUTION OF LICENCED ACCOMMODATION ESTABLISHMENTS (1987)

GRAPH 5

NUM.OF BEDS AT LICENCED ACCOM.FAC.



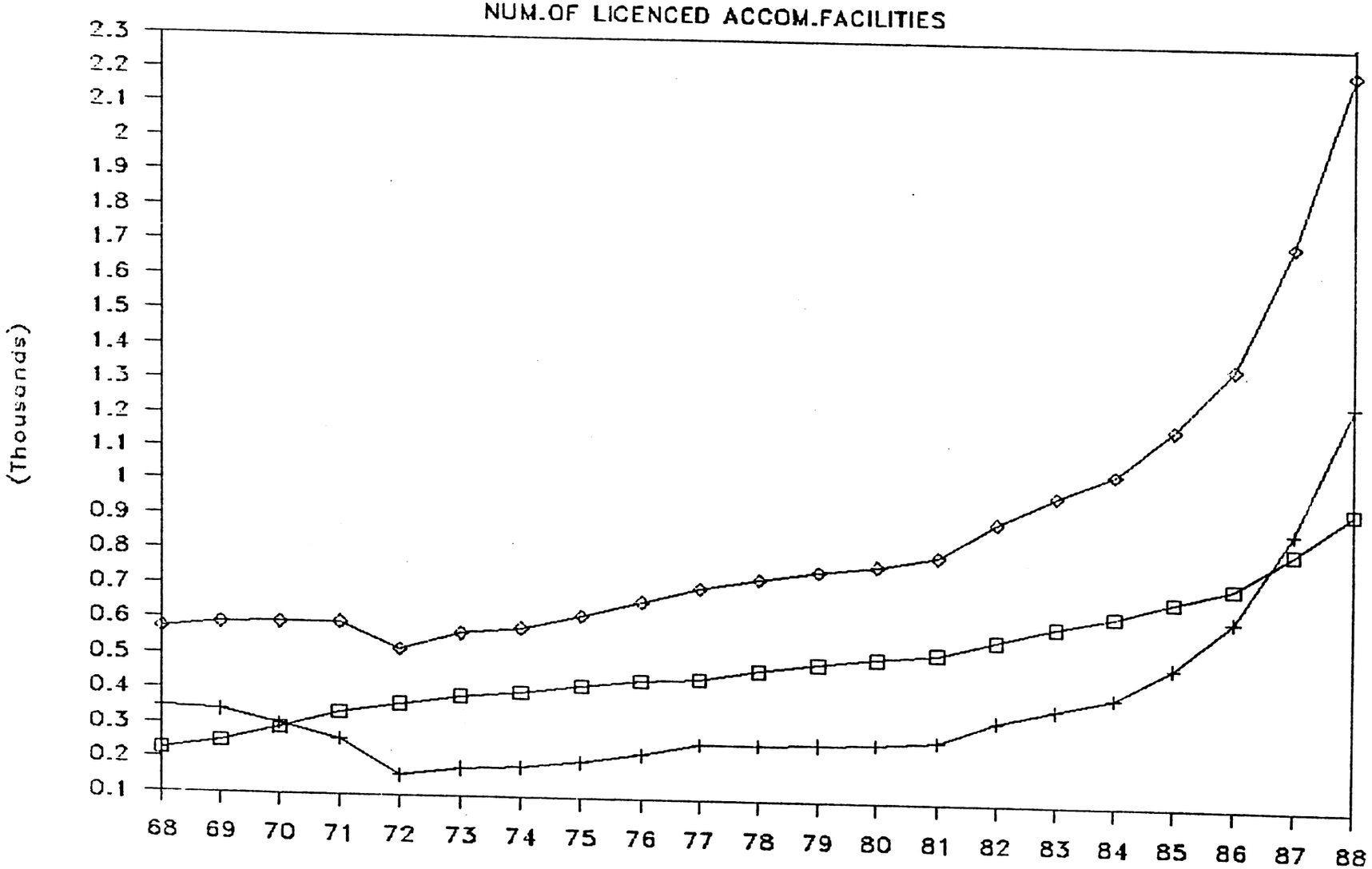
ERATION LICENCES

+ INVESTMENT LICENCES .

◇ T

GRAPH 6

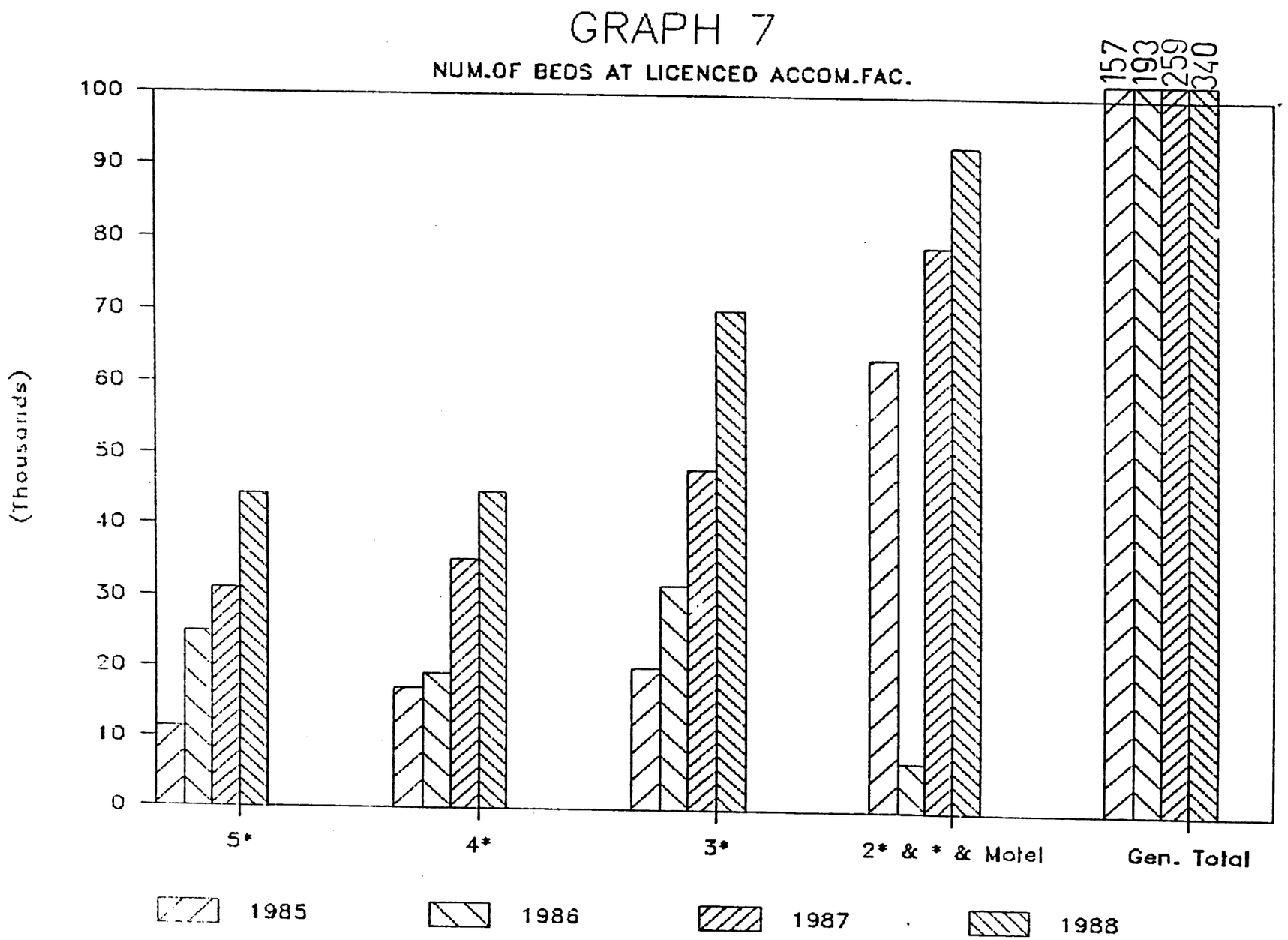
NUM.OF LICENCED ACCOM.FACILITIES

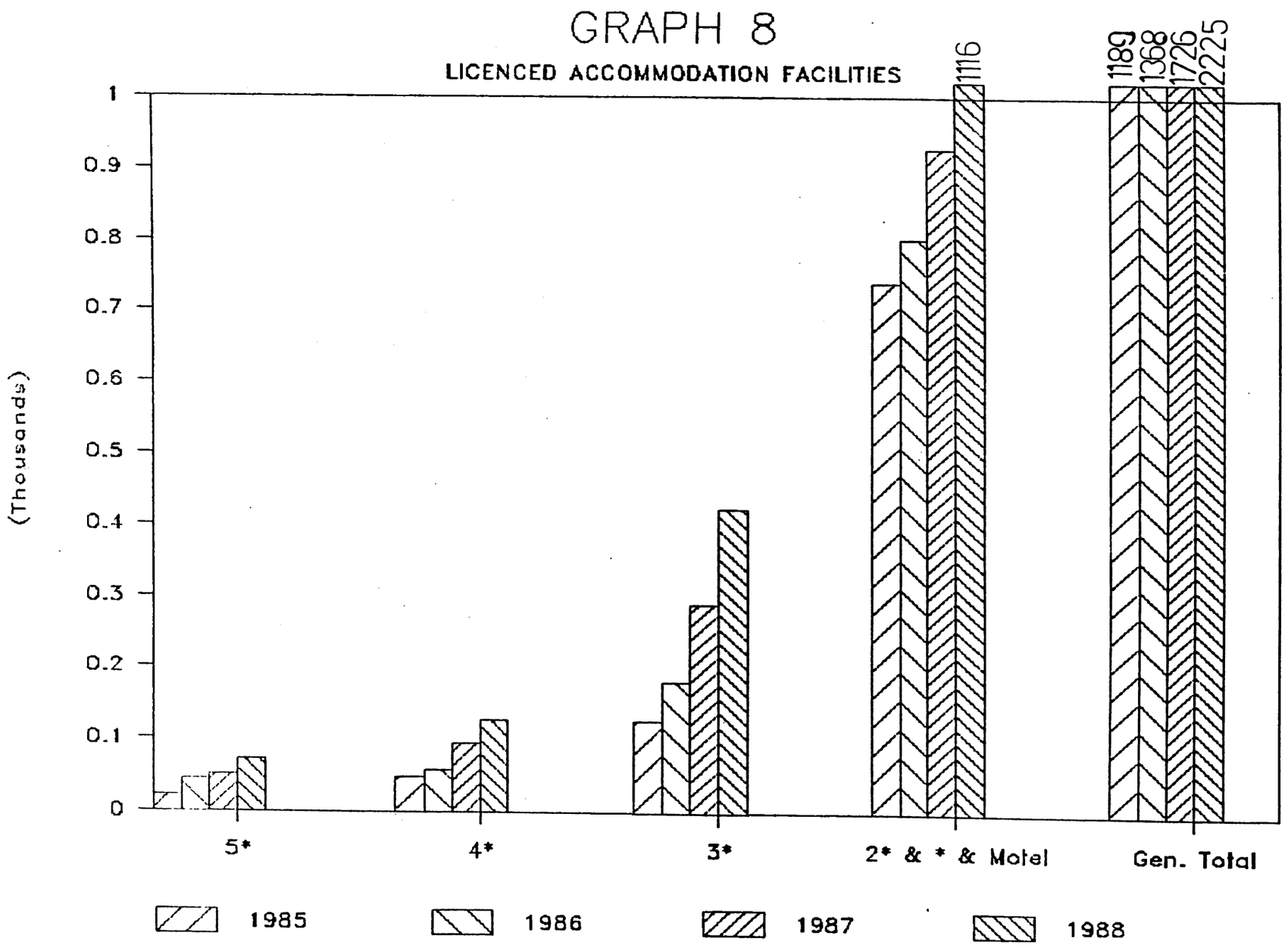


'ERATION LICENCES

+ INVESTMENT LICENCES

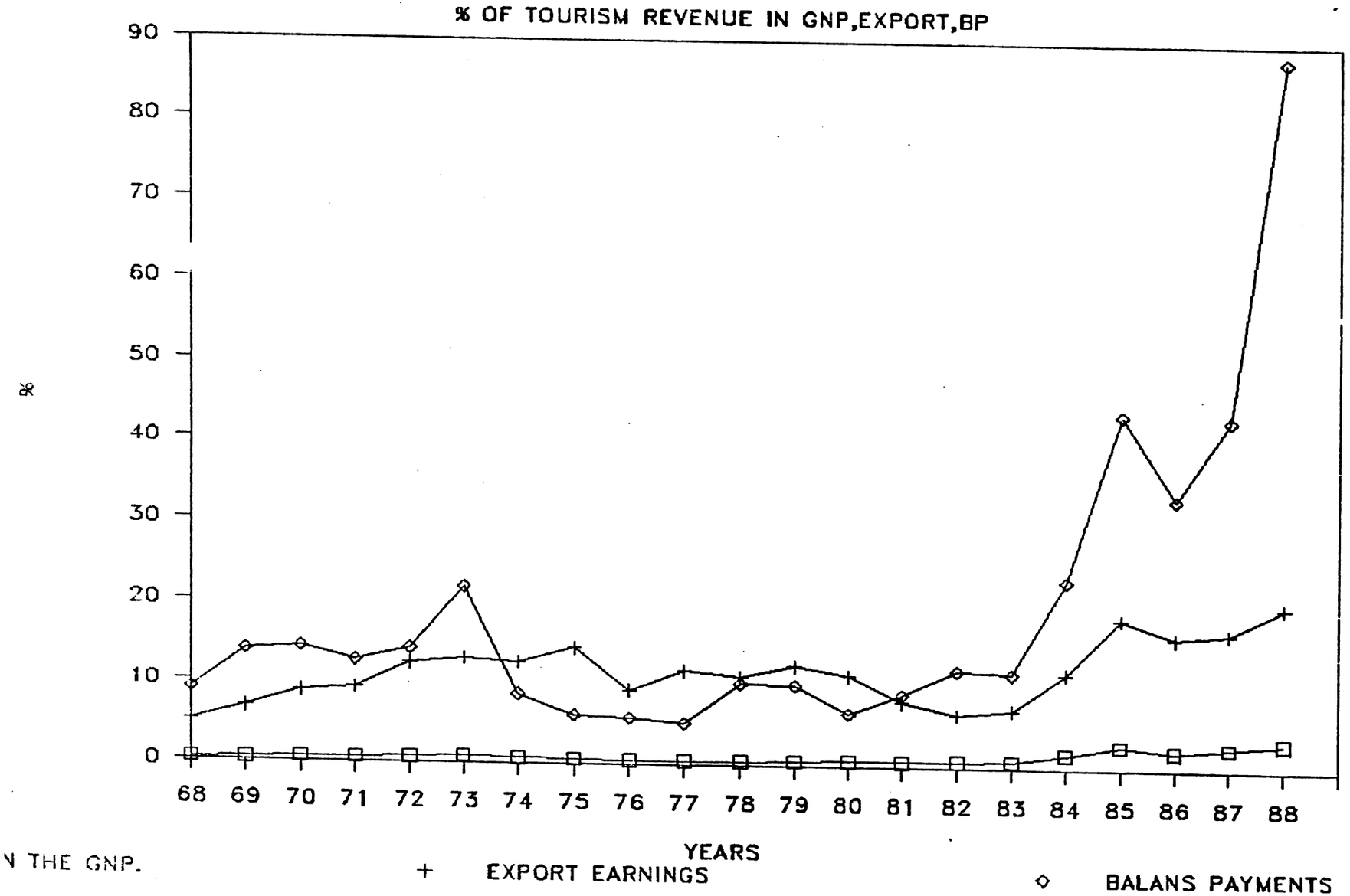
◇ T


GRAPH 7
NUM.OF BEDS AT LICENCED ACCOM.FAC.
(Thousands)
100
90
80
70
60
50
40
30
20
10
0
157
193
259
340
5*
4*
3*
2* & * & Motel
Gen. Total
1985
1986
1987
1988


GRAPH 8
LICENCED ACCOMMODATION FACILITIES
(Thousands)
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
1116
1189
1368
1726
2225
5*
4*
3*
2* & * & Motel
Gen. Total
1985
1986
1987
1988

2) BULLETIN OF TOURISM STATISTICS (1986 - 1988),
T.C. THE MINISTRY OF TOURISM,
DEPARTMENT OF TOURISM PLANNING AND INVESTMENTS.

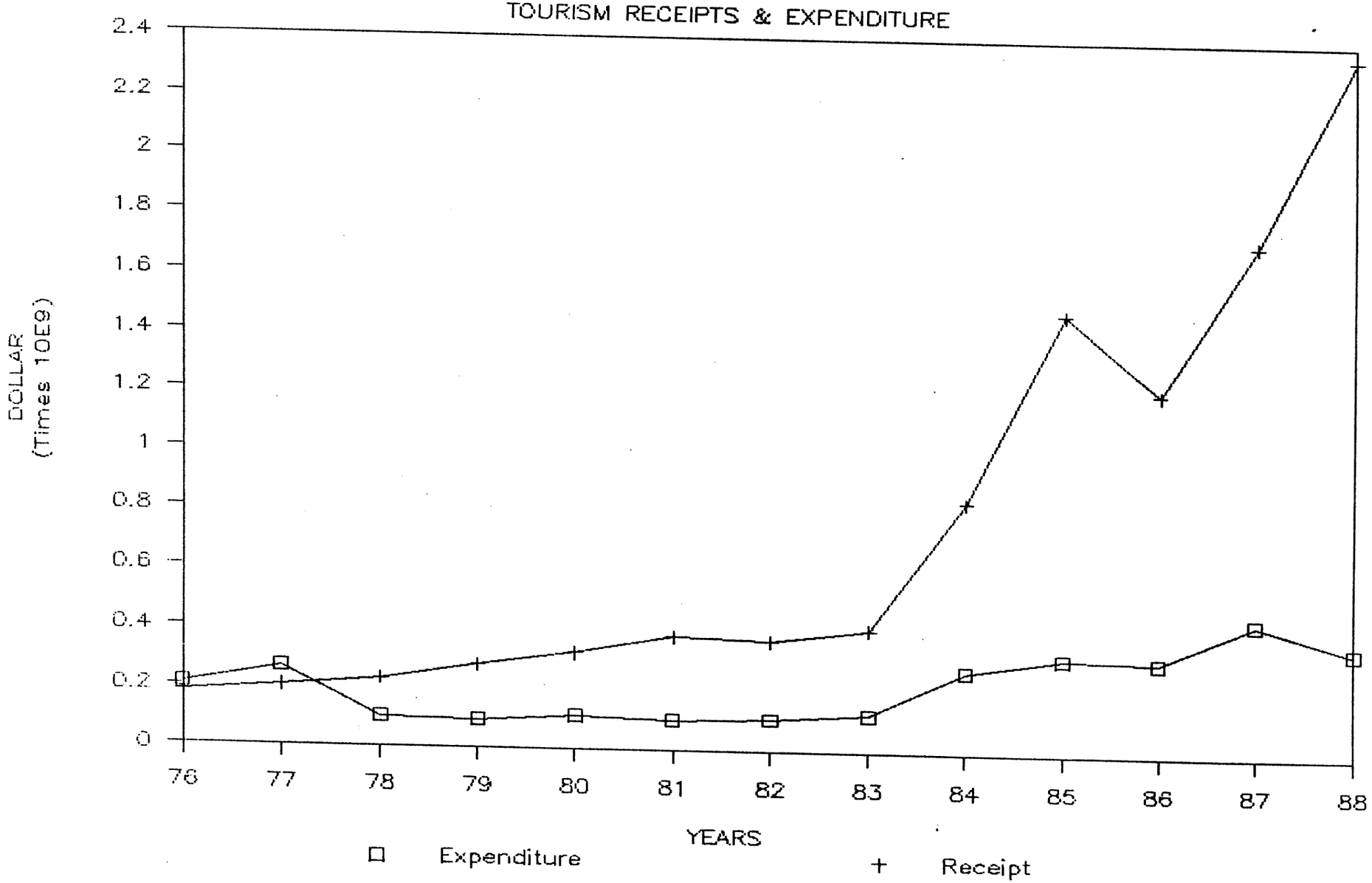
GRAPH 1



N THE GNP.

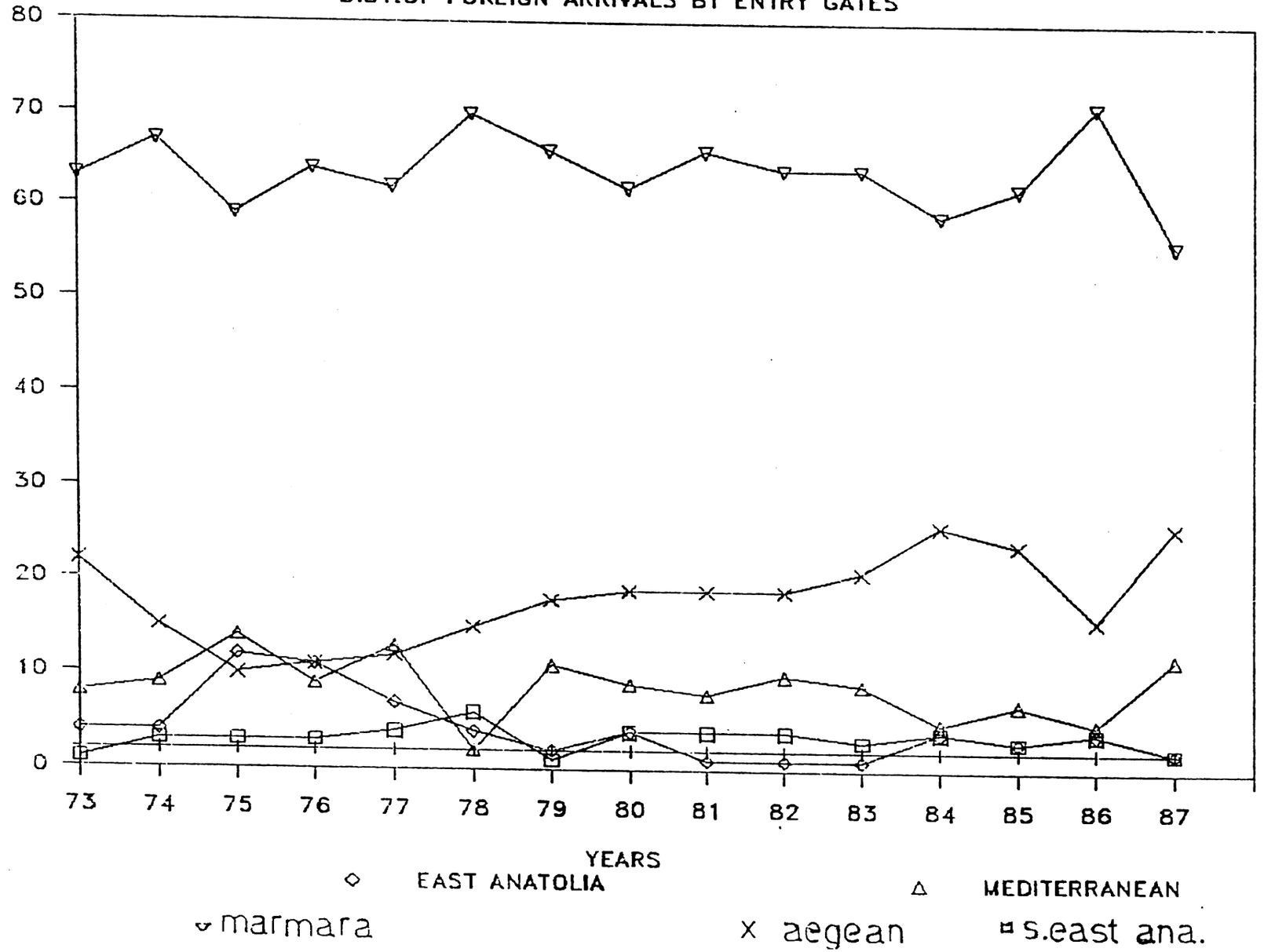
GRAPH 2

TOURISM RECEIPTS & EXPENDITURE

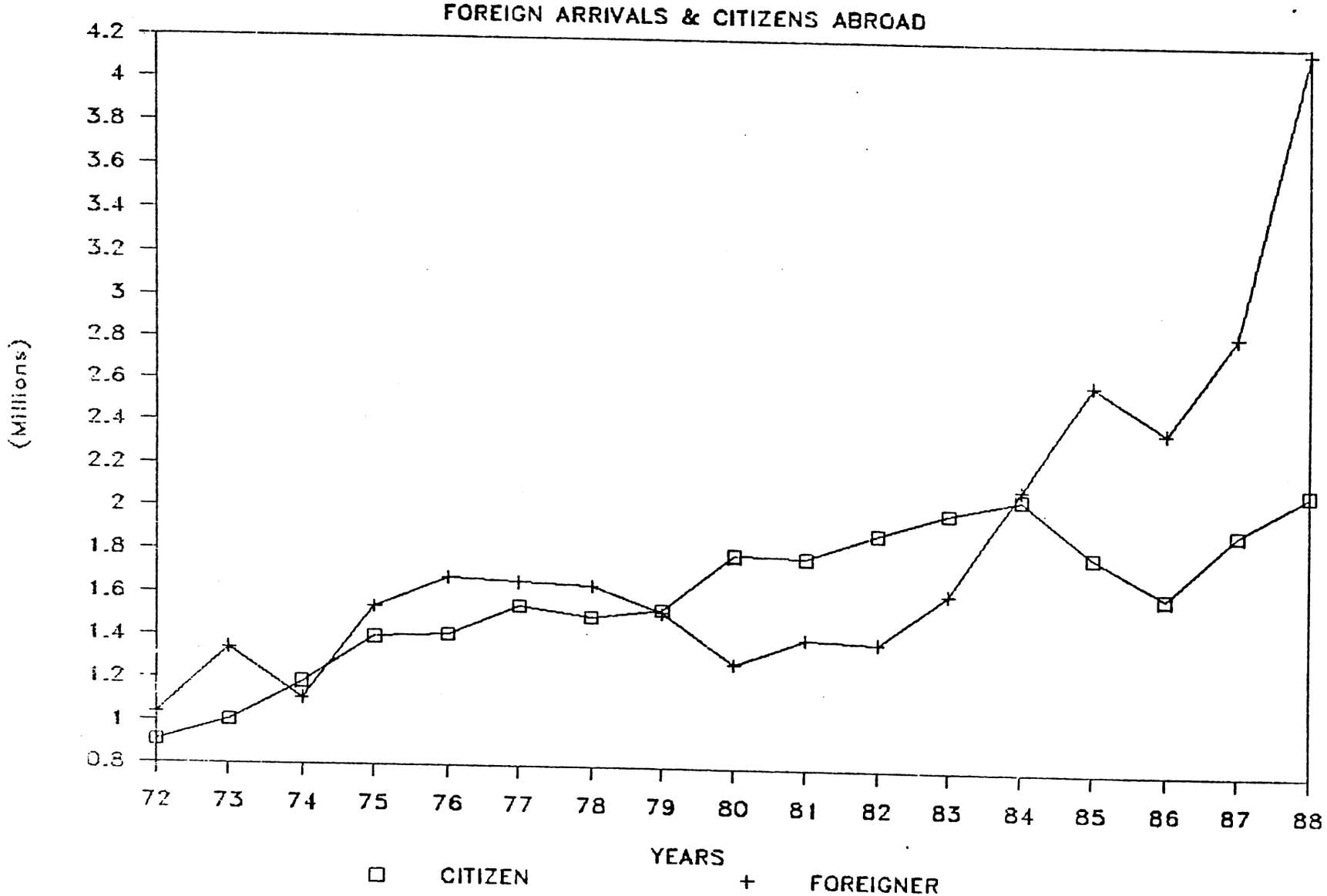


GRAPH 3

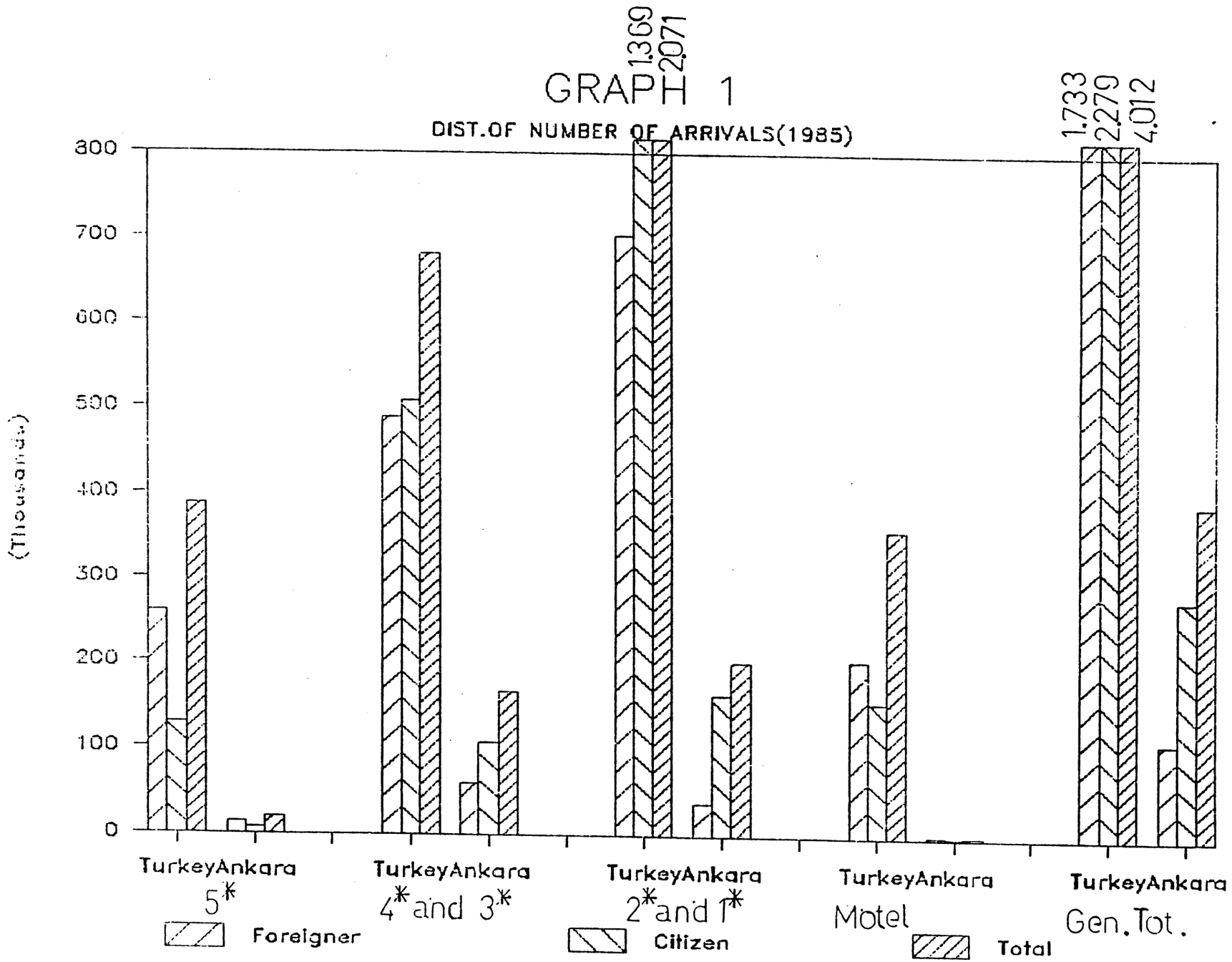
DIST.OF FOREIGN ARRIVALS BY ENTRY GATES

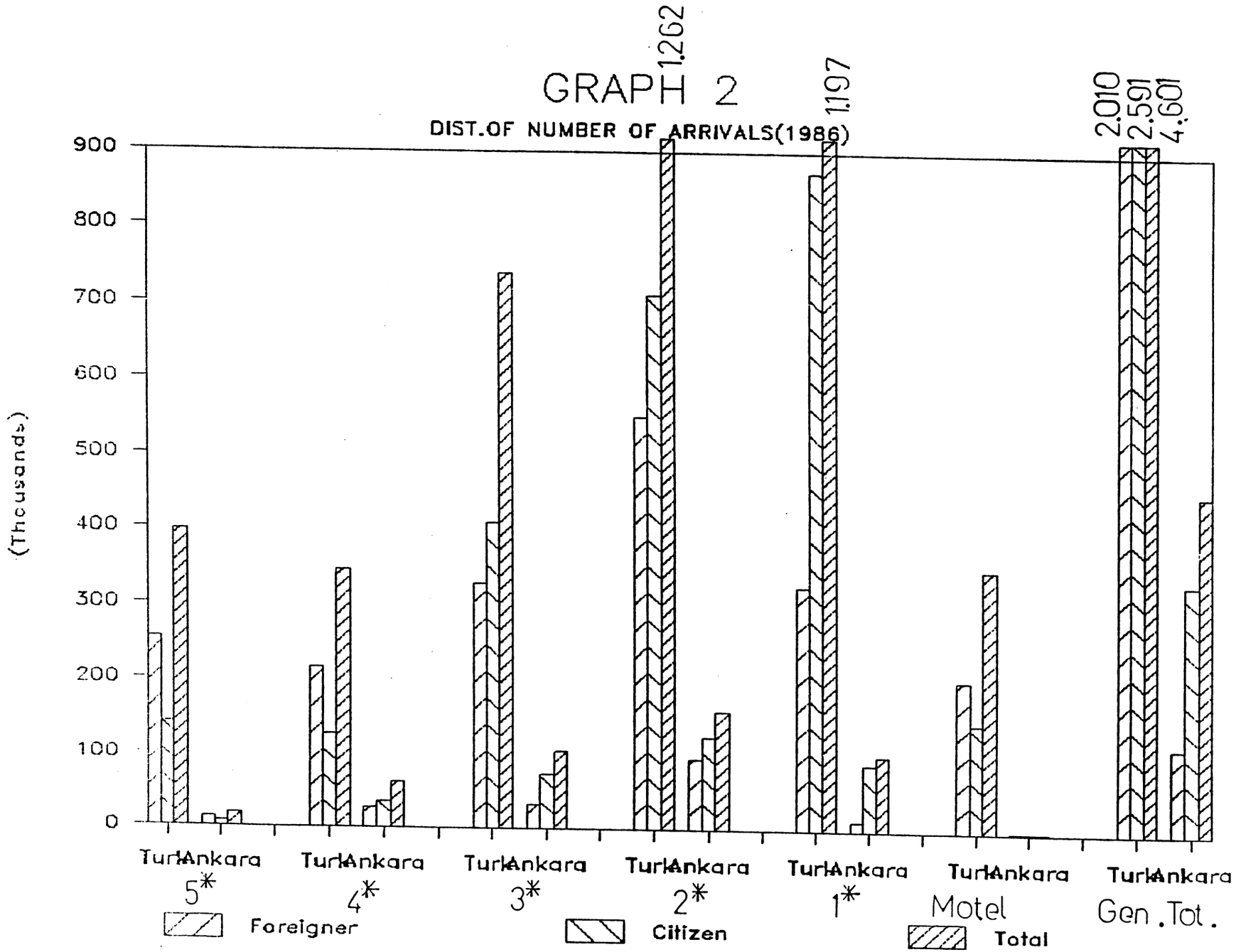


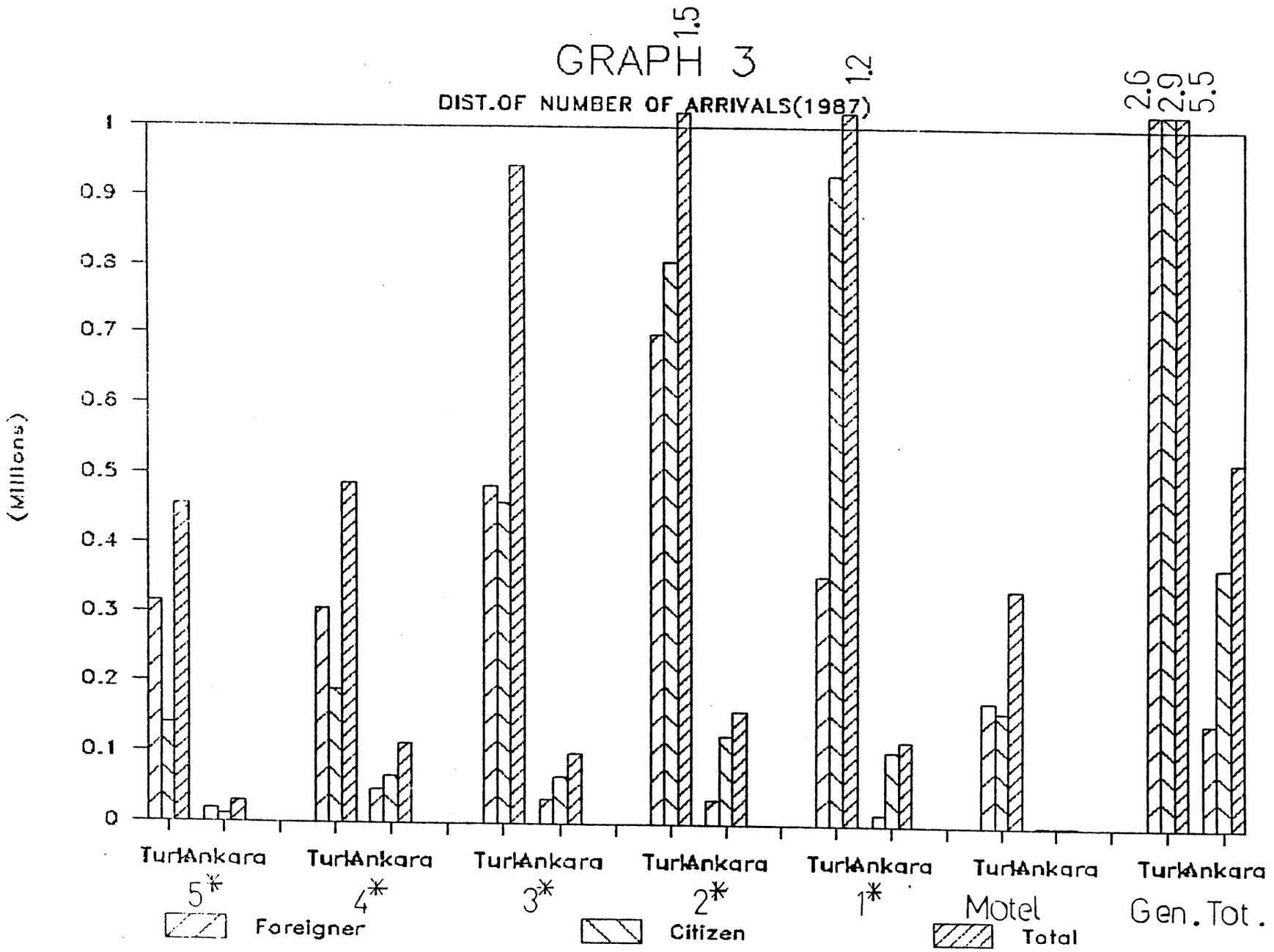
GRAPH 4

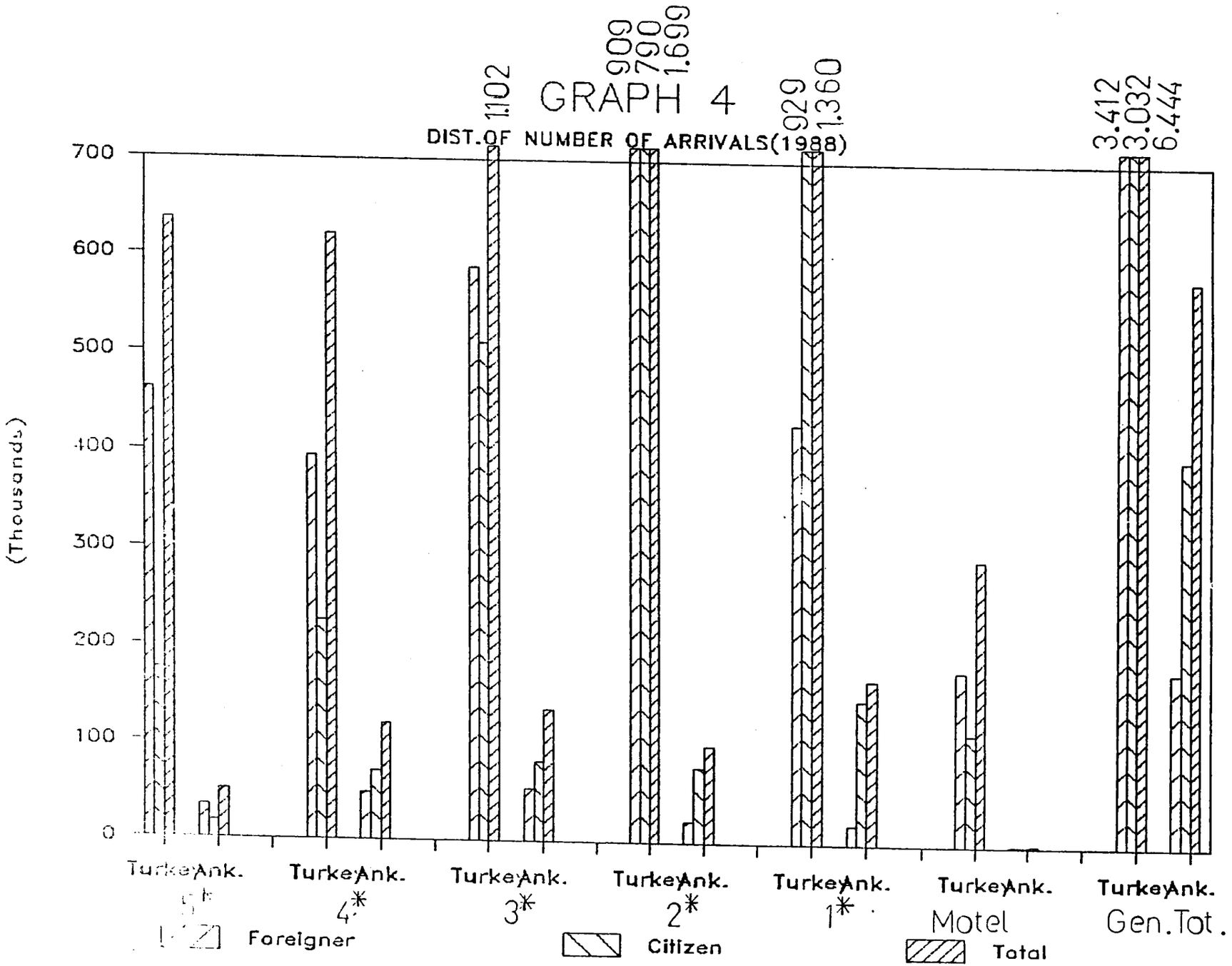

FOREIGN ARRIVALS & CITIZENS ABROAD
(Millions)
4.2
4
3.8
3.6
3.4
3.2
3
2.8
2.6
2.4
2.2
2
1.8
1.6
1.4
1.2
1
0.8
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
YEARS
CITIZEN
FOREIGNER

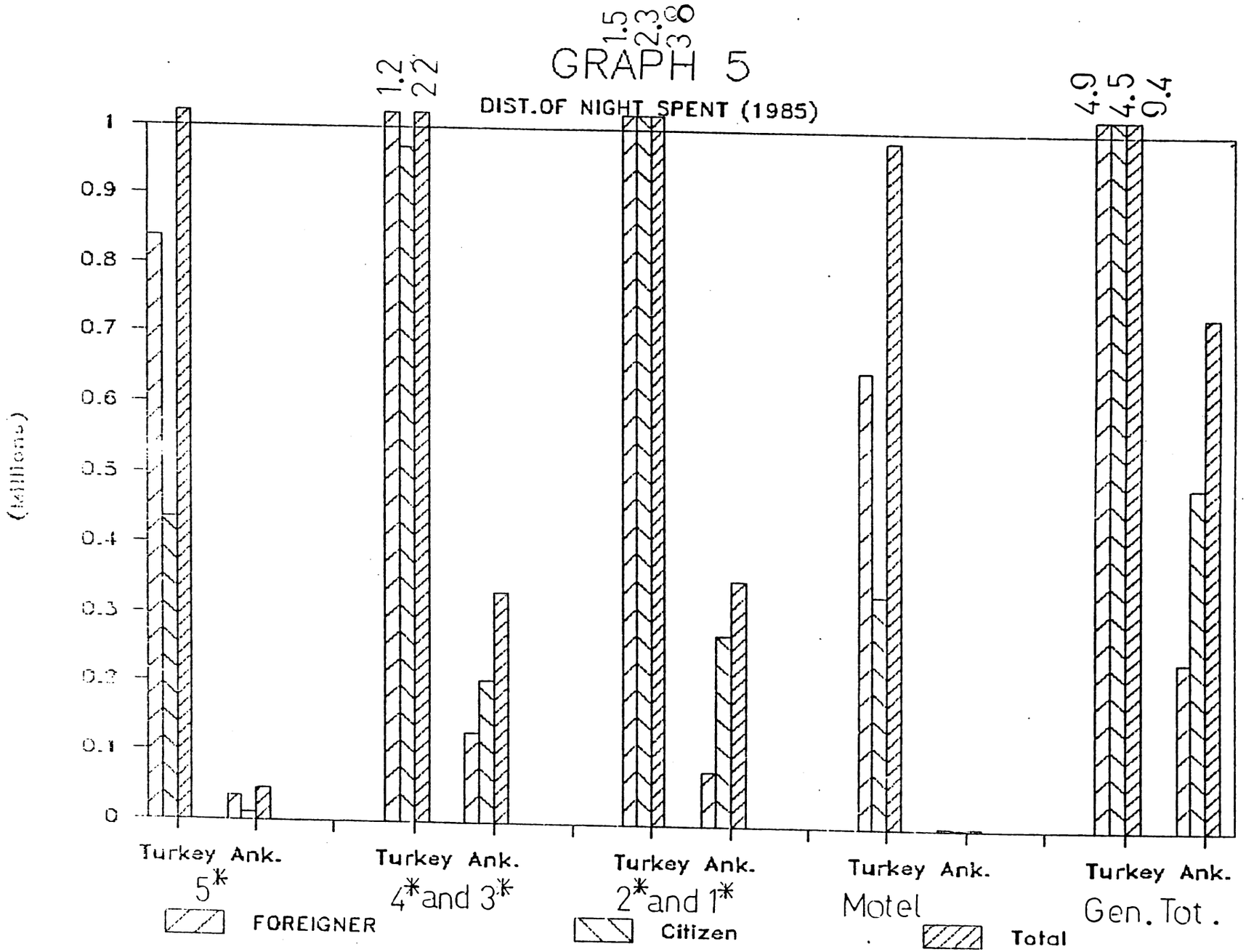
3) BULLETIN OF ACCOMMODATION STATISTICS (1985 - 1988),
T.C THE MINISTRY OF TOURISM,
DEPARTMENT OF TOURISM PLANNING AND INVESTMENTS.

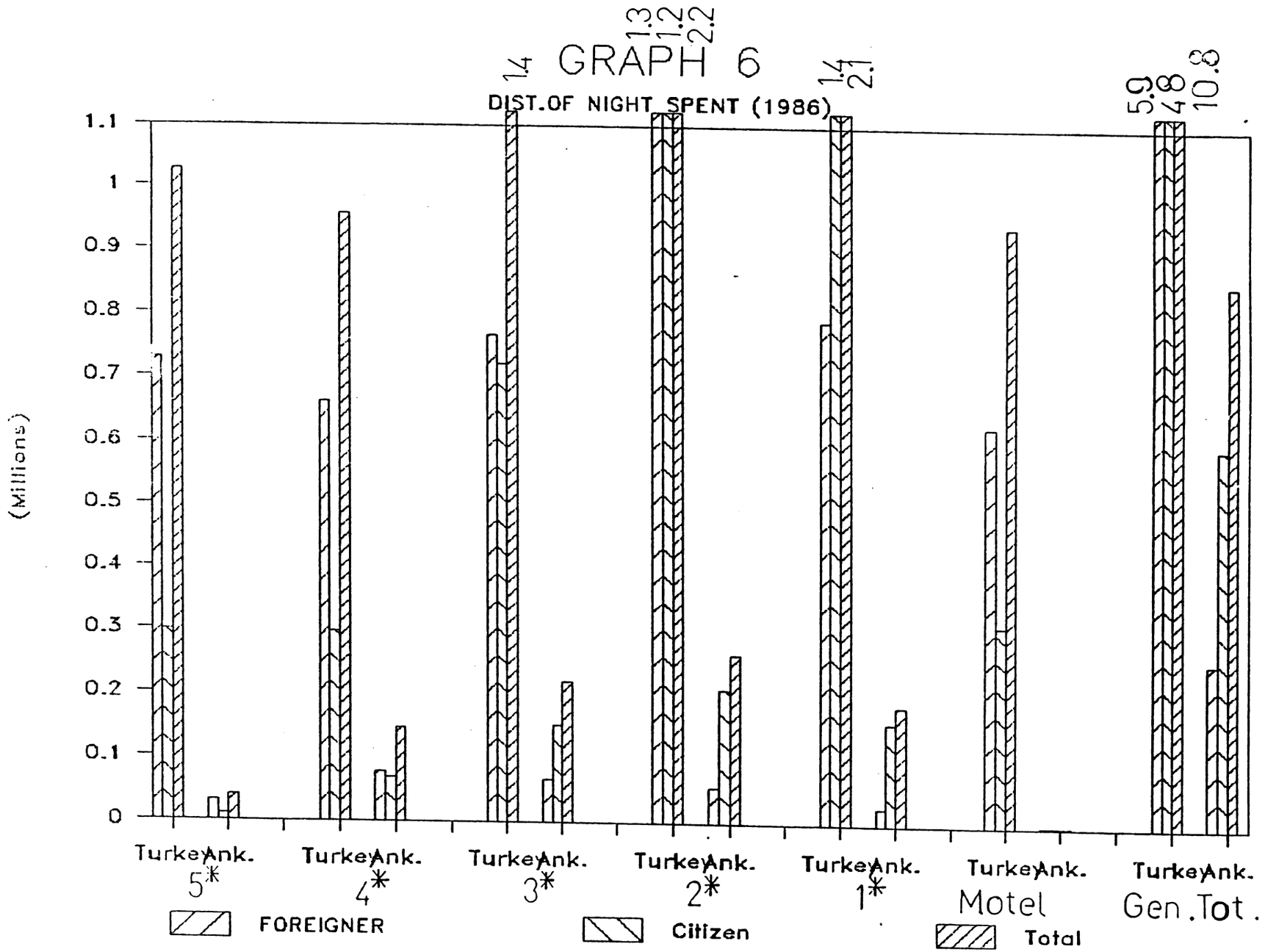

GRAPH 1
DIST.OF NUMBER OF ARRIVALS(1985)
(Thousands)
800
700
600
500
400
300
200
100
0
1.369
2.071
1.733
2.279
4.012
TurkeyAnkara
5*
4* and 3*
2* and 1*
Motel
Gen.Tot.
Foreigner
Citizen
Total

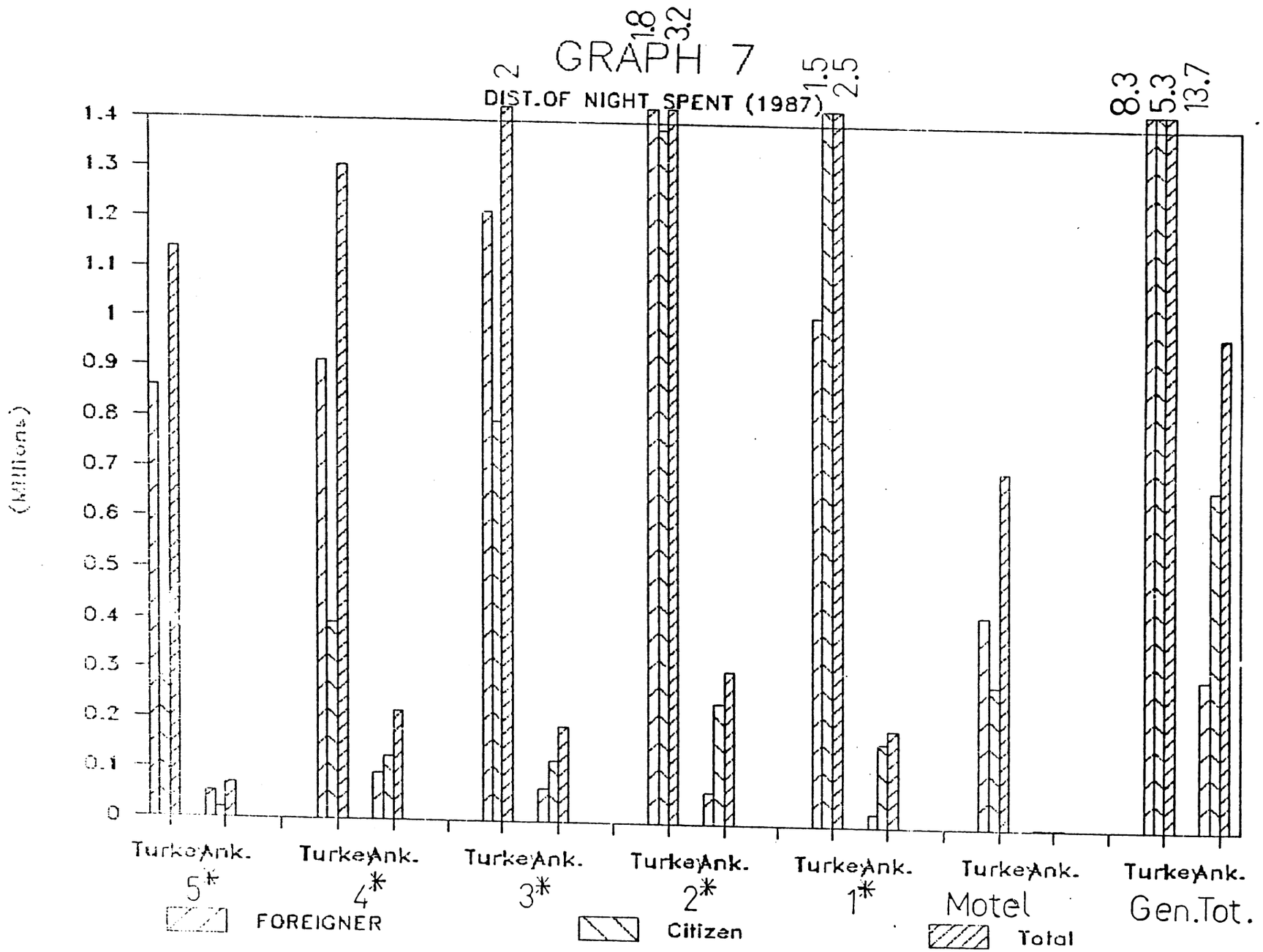

GRAPH 2
DIST.OF NUMBER OF ARRIVALS(1986)
(Thousands)
900
800
700
600
500
400
300
200
100
0
1.262
1.197
2.010
2.591
4.601
Turk
Ankara
5*
4*
3*
2*
1*
Motel
Gen.Tot.
Foreigner
Citizen
Total

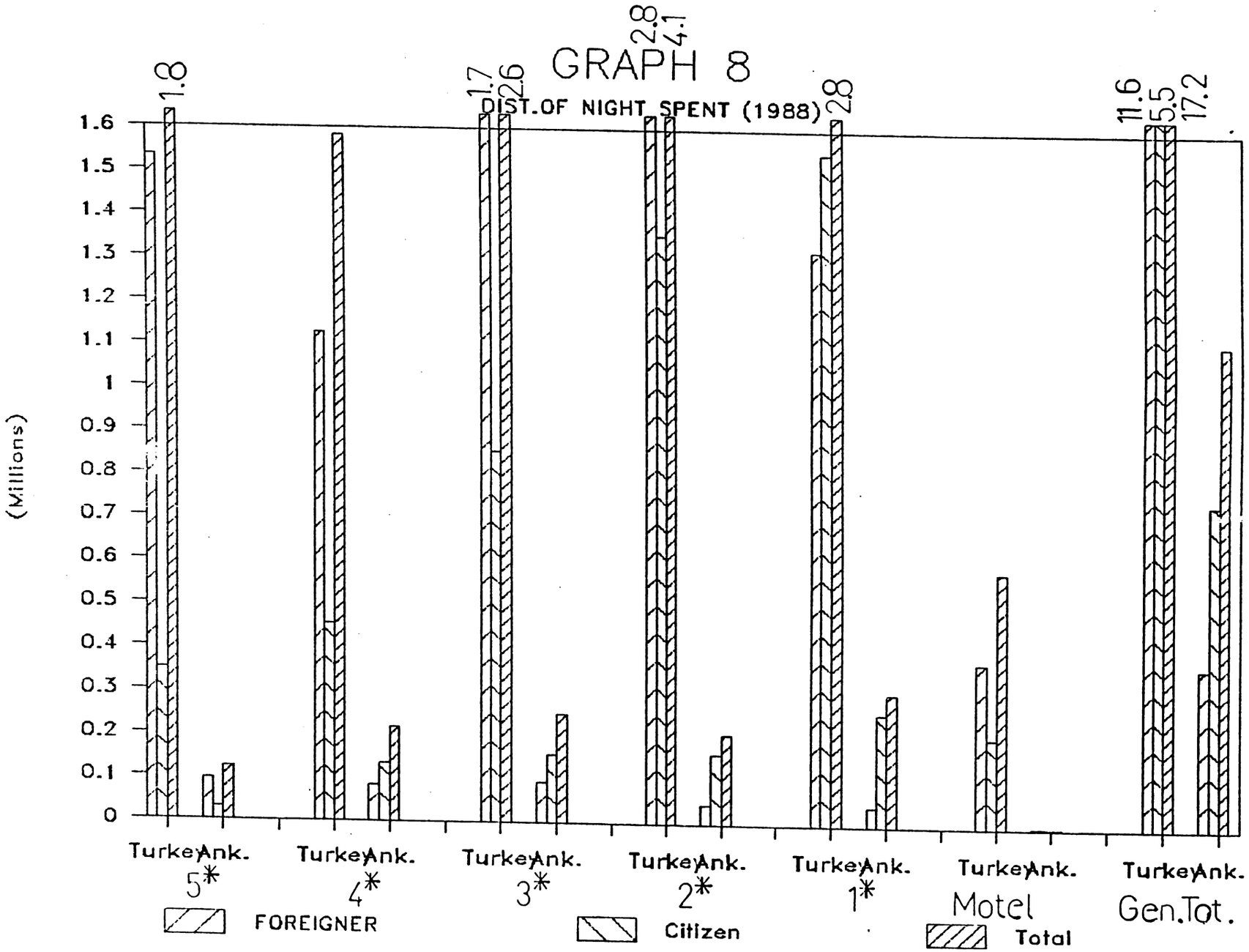

GRAPH 3
DIST.OF NUMBER OF ARRIVALS(1987)
(Millions)
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
1.5
1.2
2.6
2.9
5.5
TurlAnkara
5*
4*
3*
2*
1*
Motel
Gen.Tot.
Foreigner
Citizen
Total


GRAPH 4
DIST.OF NUMBER OF ARRIVALS(1988)
(Thousands)
700
600
500
400
300
200
100
0
1.102
909
790
1.699
929
1.360
3.412
3.032
6.444
Turke Ank.
5*
4*
3*
2*
1*
Motel
Gen.Tot.
Foreigner
Citizen
Total


GRAPH 5
DIST.OF NIGHT SPENT (1985)
(Millions)
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
1.2
2.2
1.5
2.3
3.8
4.9
4.5
9.4
Turkey Ank.
5*
Turkey Ank.
4* and 3*
Turkey Ank.
2* and 1*
Turkey Ank.
Motel
Turkey Ank.
Gen. Tot.
FOREIGNER
Citizen
Total

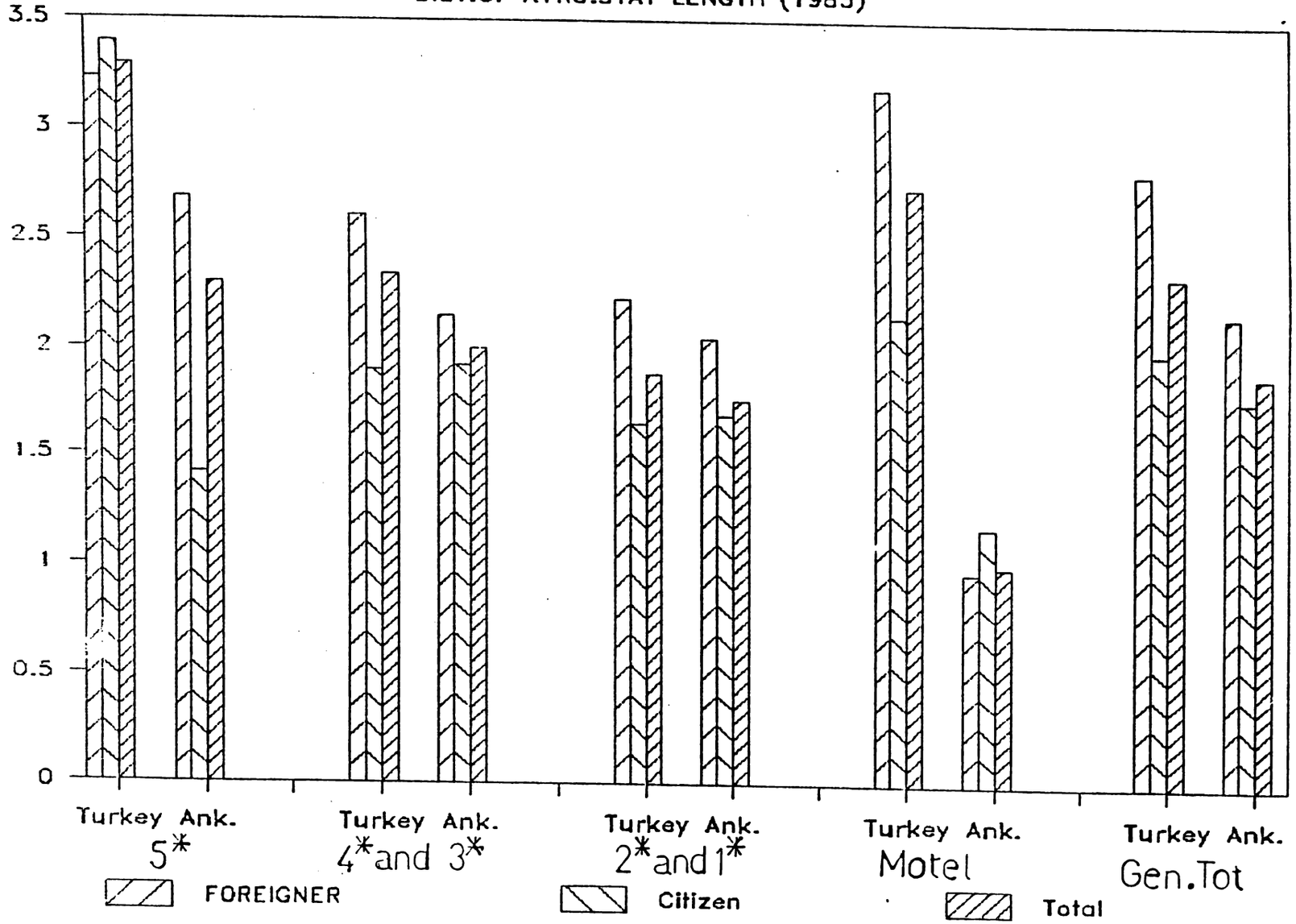

GRAPH 6
DIST.OF NIGHT SPENT (1986)
(Millions)
1.1
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
1.4
1.3
1.2
2.2
1.4
2.1
5.9
4.8
10.8
Turkey Ank.
5*
Turkey Ank.
4*
Turkey Ank.
3*
Turkey Ank.
2*
Turkey Ank.
1*
Turkey Ank.
Motel
Turkey Ank.
Gen.Tot.
FOREIGNER
Citizen
Total


GRAPH 7
DIST.OF NIGHT SPENT (1987)
(Millions)
1.4
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
2
1.8
3.2
1.5
2.5
8.3
5.3
13.7
Turke Ank. 5*
Turke Ank. 4*
Turke Ank. 3*
Turke Ank. 2*
Turke Ank. 1*
Turke Ank. Motel
Turke Ank. Gen.Tot.
FOREIGNER
Citizen
Total

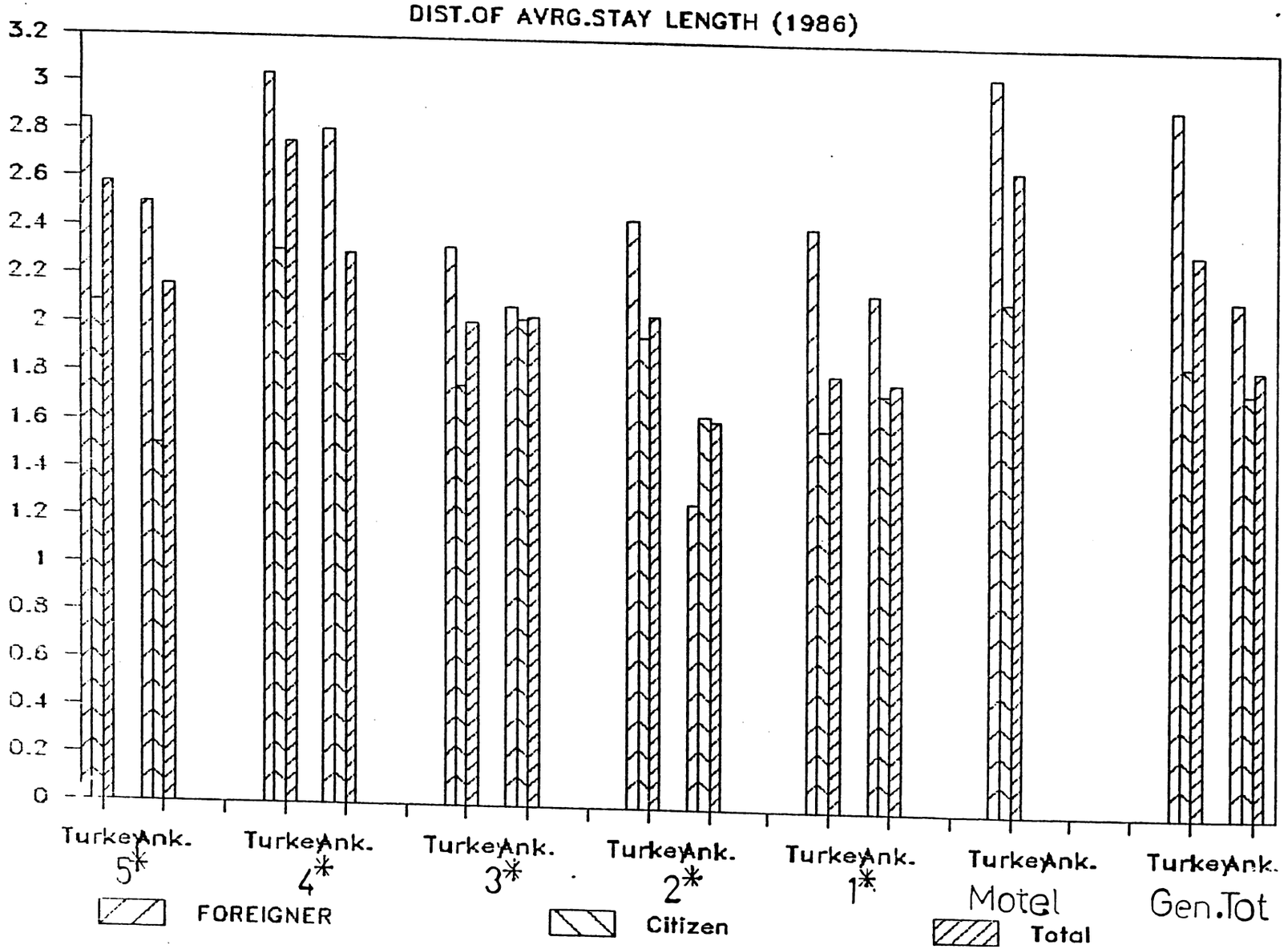

GRAPH 8
DIST.OF NIGHT SPENT (1988)
(Millions)
1.6
1.5
1.4
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
1.8
1.7
2.6
2.8
4.1
2.8
11.6
5.5
17.2
Turkey
Ank.
5*
4*
3*
2*
1*
Motel
Gen.Tot.
FOREIGNER
Citizen
Total

GRAPH 9

DIST.OF AVRG.STAY LENGTH (1985)

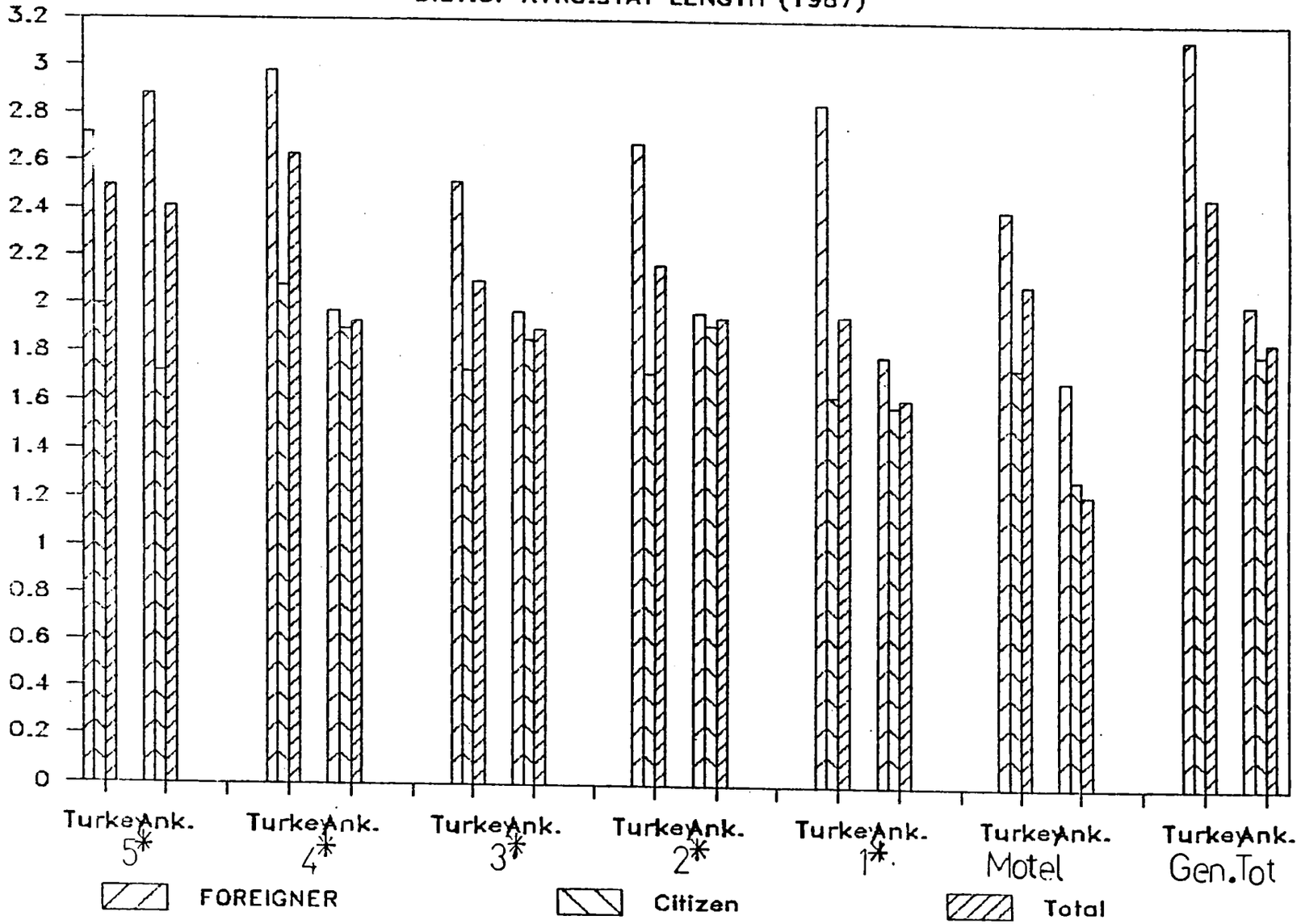


GRAPH 10

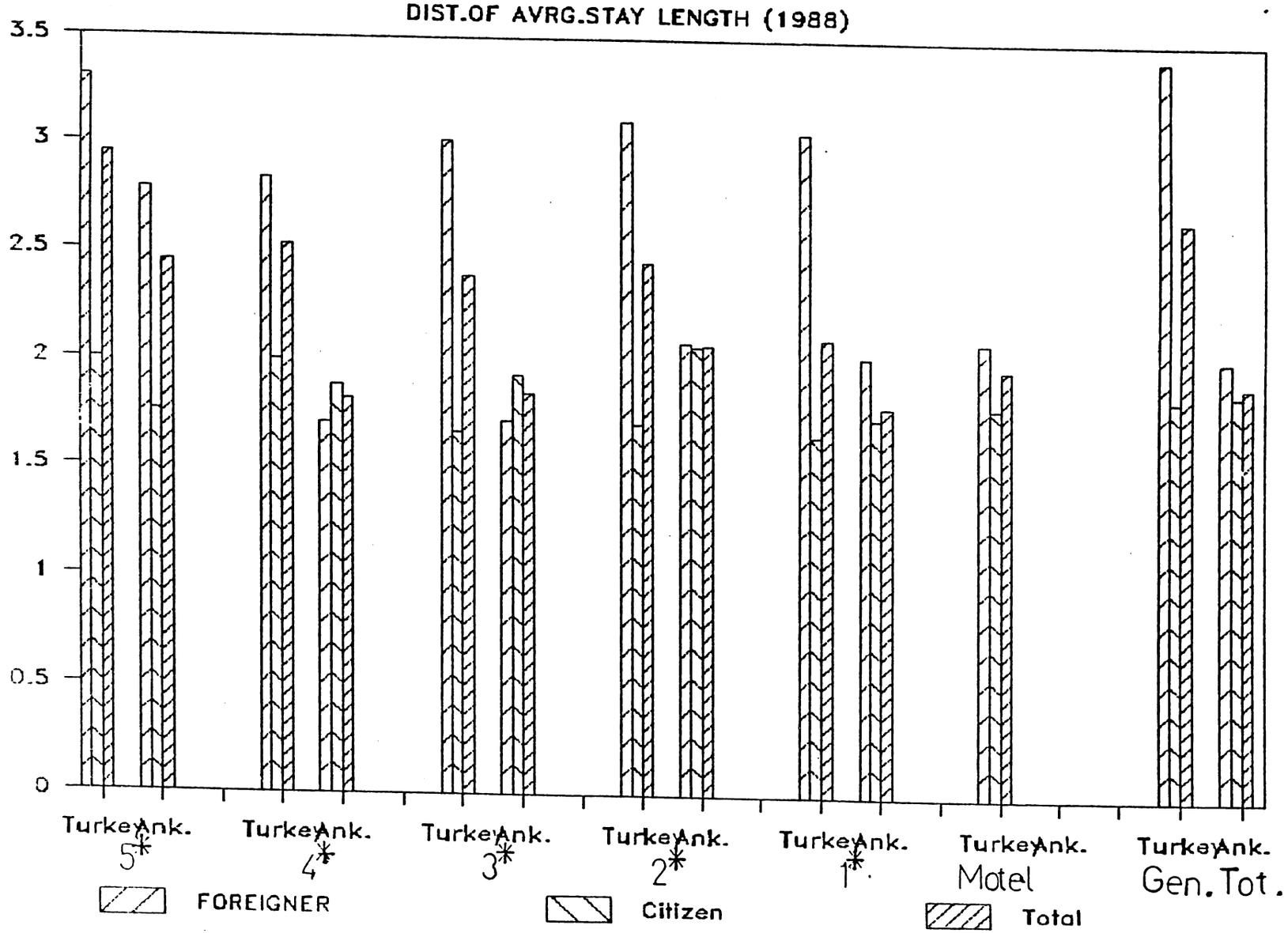

DIST.OF AVRG.STAY LENGTH (1986)
3.2
3
2.8
2.6
2.4
2.2
2
1.8
1.6
1.4
1.2
1
0.8
0.6
0.4
0.2
0
TurkeyAnk. 5*
TurkeyAnk. 4*
TurkeyAnk. 3*
TurkeyAnk. 2*
TurkeyAnk. 1*
TurkeyAnk. Motel
TurkeyAnk. Gen.Tot
FOREIGNER
Citizen
Total

GRAPH 11

DIST.OF AVRG.STAY LENGTH (1987)

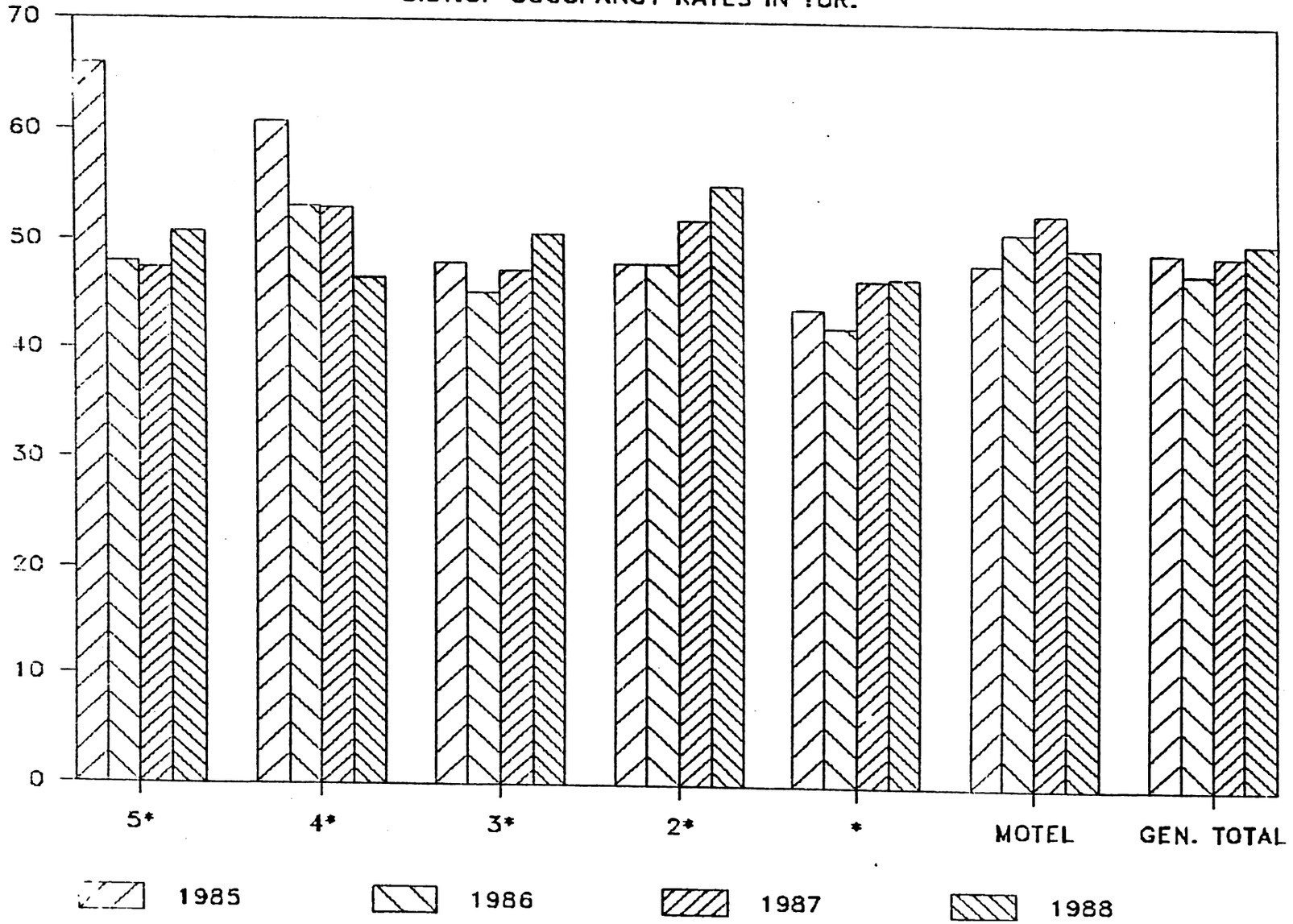


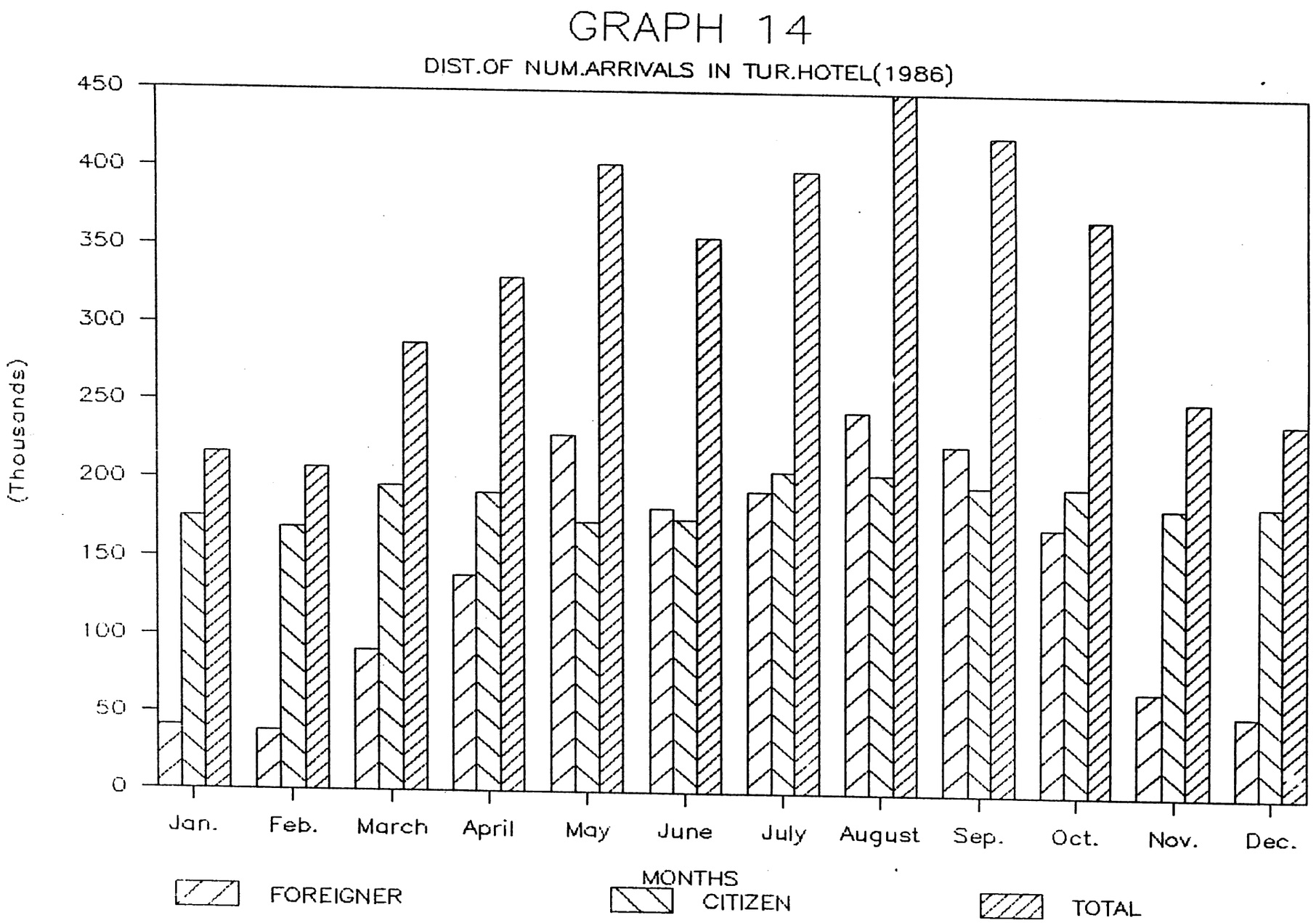
GRAPH 12


DIST.OF AVRG.STAY LENGTH (1988)
3.5
3
2.5
2
1.5
1
0.5
0
Turkey
Ank.
5*
4*
3*
2*
1*
Motel
Gen. Tot.
FOREIGNER
Citizen
Total

GRAPH 13

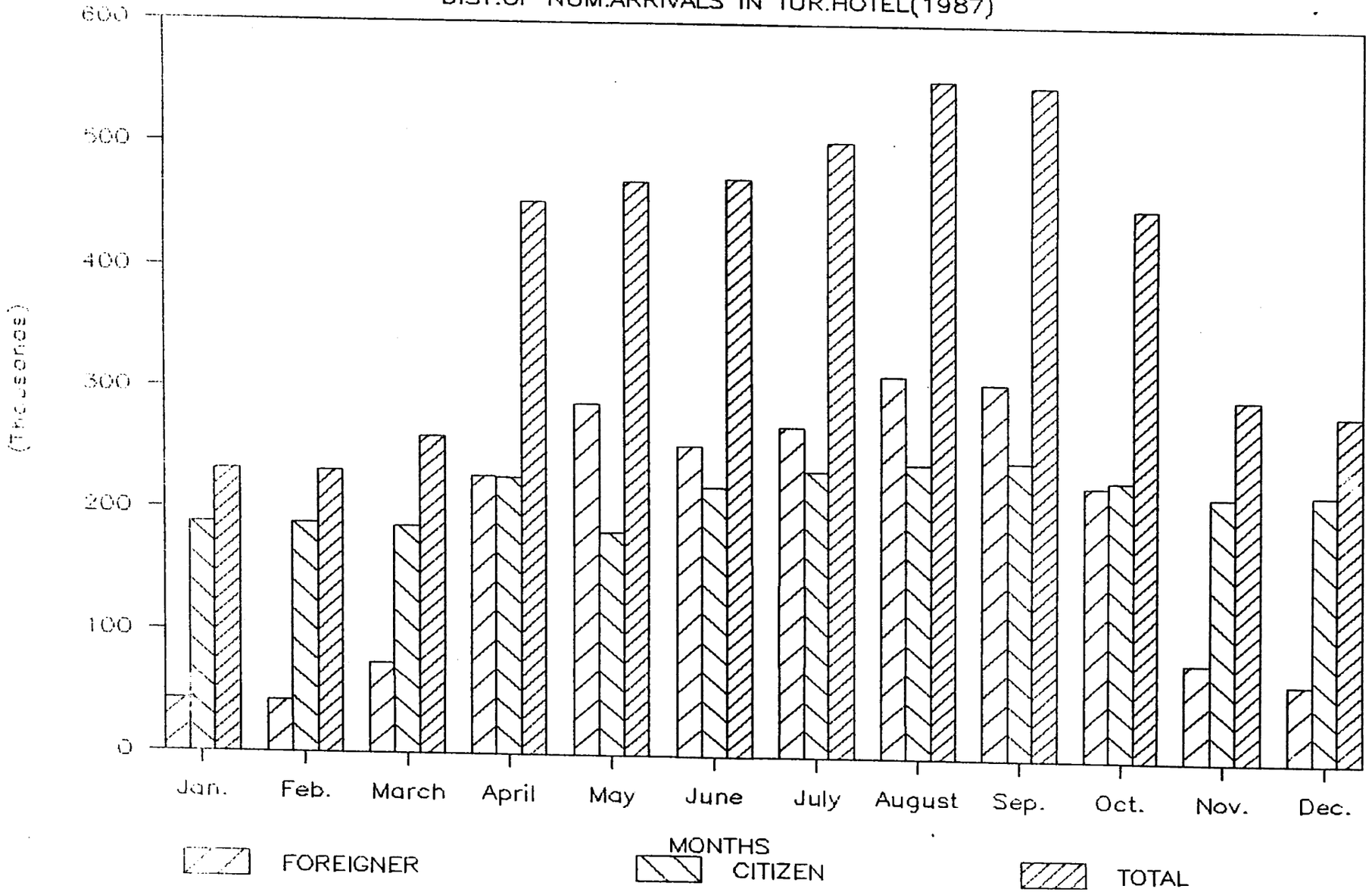
DIST.OF OCCUPANCY RATES IN TUR.

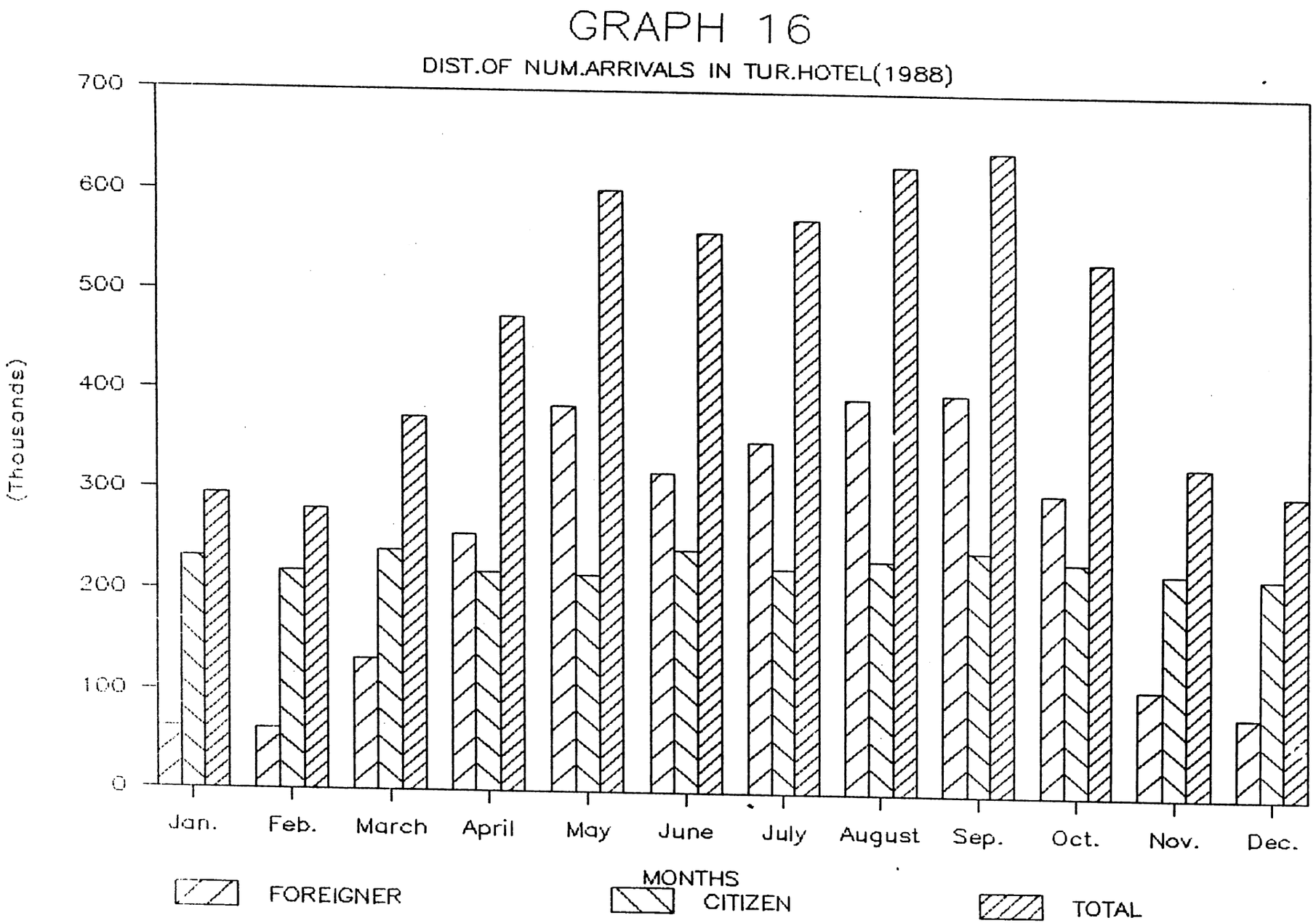



GRAPH 14
DIST.OF NUM.ARRIVALS IN TUR.HOTEL(1986)
(Thousands)
450
400
350
300
250
200
150
100
50
0
Jan.
Feb.
March
April
May
June
July
August
Sep.
Oct.
Nov.
Dec.
MONTHS
FOREIGNER
CITIZEN
TOTAL

GRAPH 15

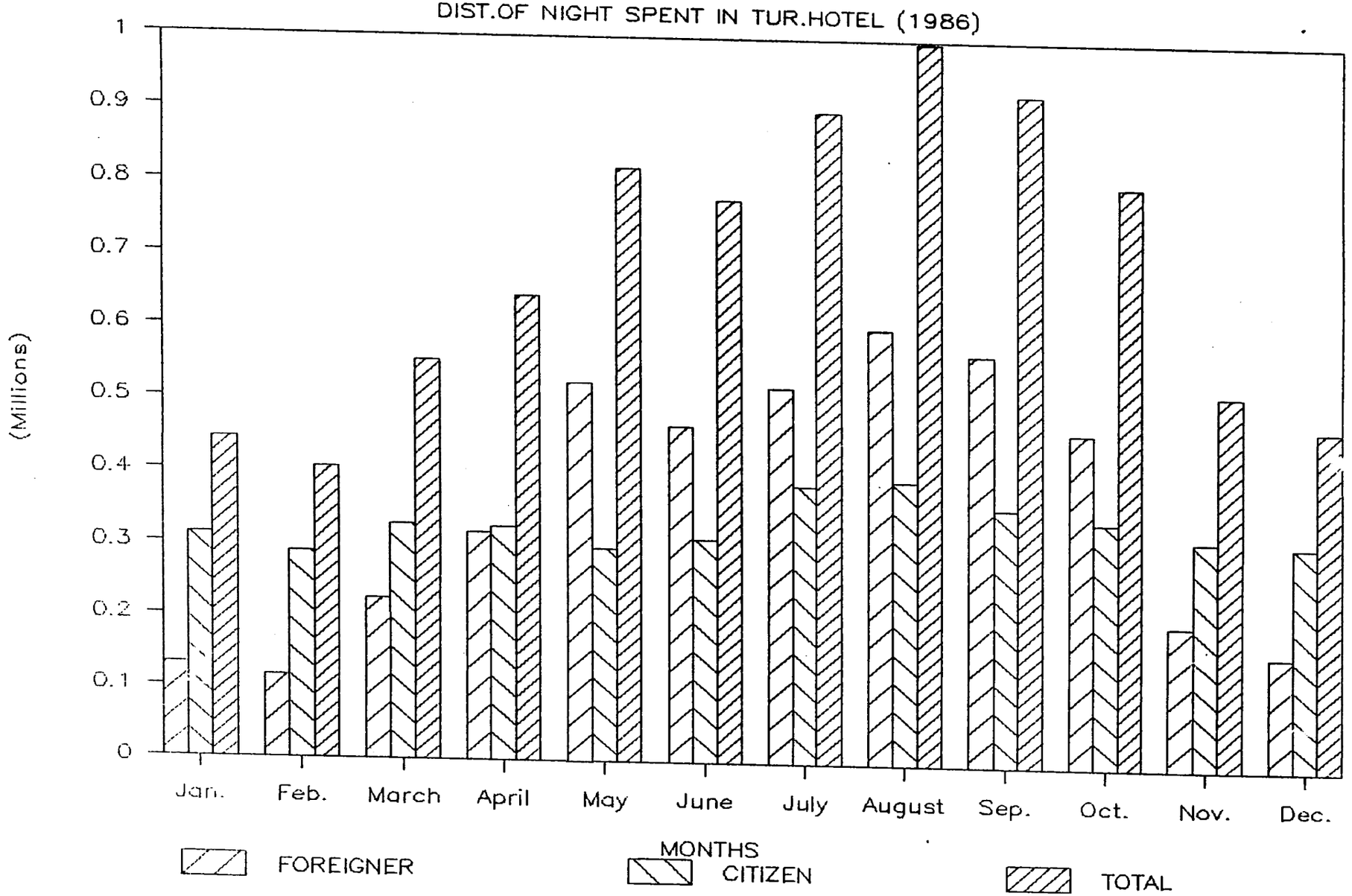
DIST.OF NUM.ARRIVALS IN TUR.HOTEL(1987)




GRAPH 16
DIST.OF NUM.ARRIVALS IN TUR.HOTEL(1988)
700
600
500
400
300
200
100
0
(Thousands)
Jan.
Feb.
March
April
May
June
July
August
Sep.
Oct.
Nov.
Dec.
MONTHS
FOREIGNER
CITIZEN
TOTAL

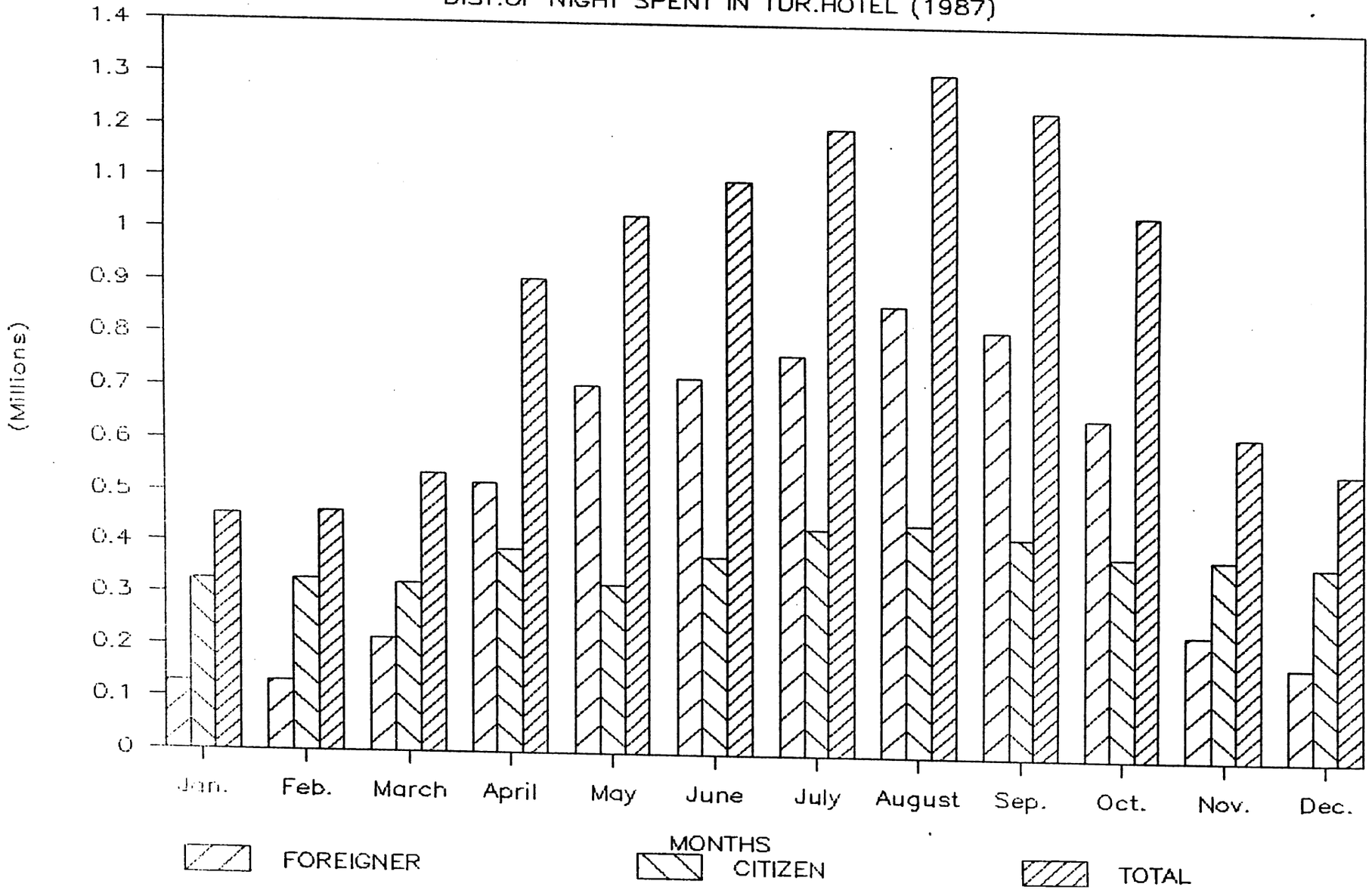
GRAPH 17

DIST.OF NIGHT SPENT IN TUR.HOTEL (1986)



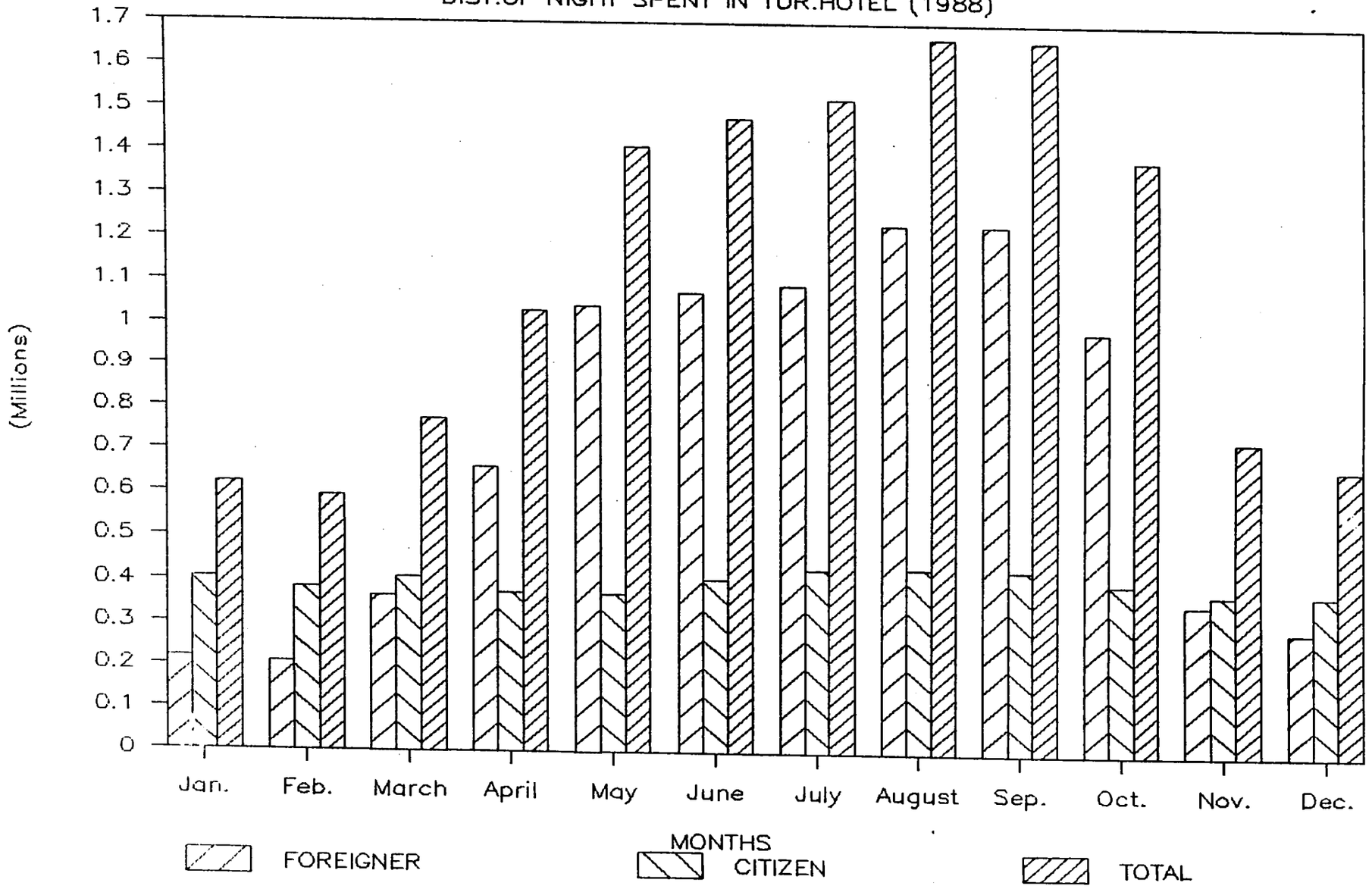
GRAPH 18

DIST.OF NIGHT SPENT IN TUR.HOTEL (1987)



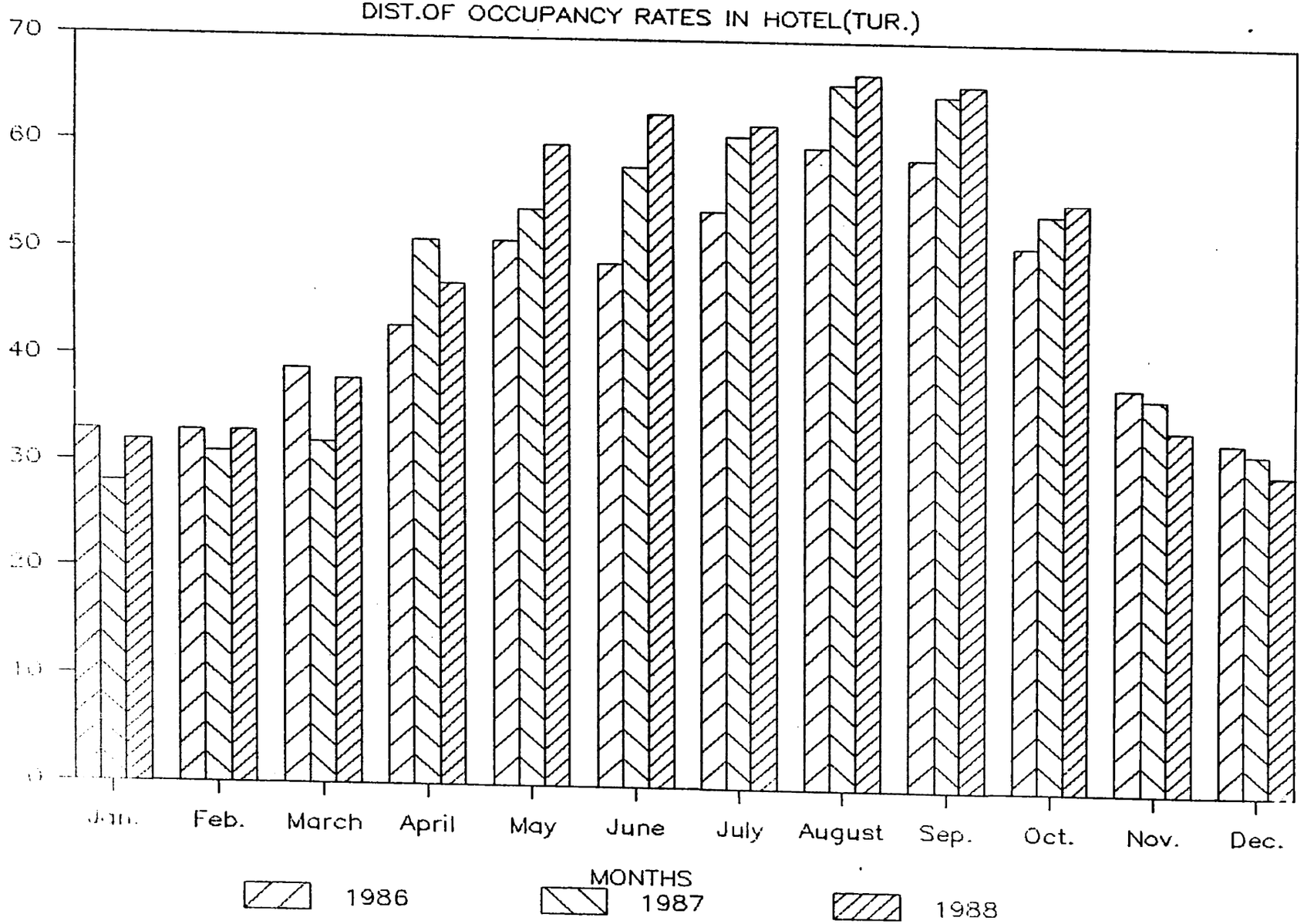
GRAPH 19

DIST.OF NIGHT SPENT IN TUR.HOTEL (1988)



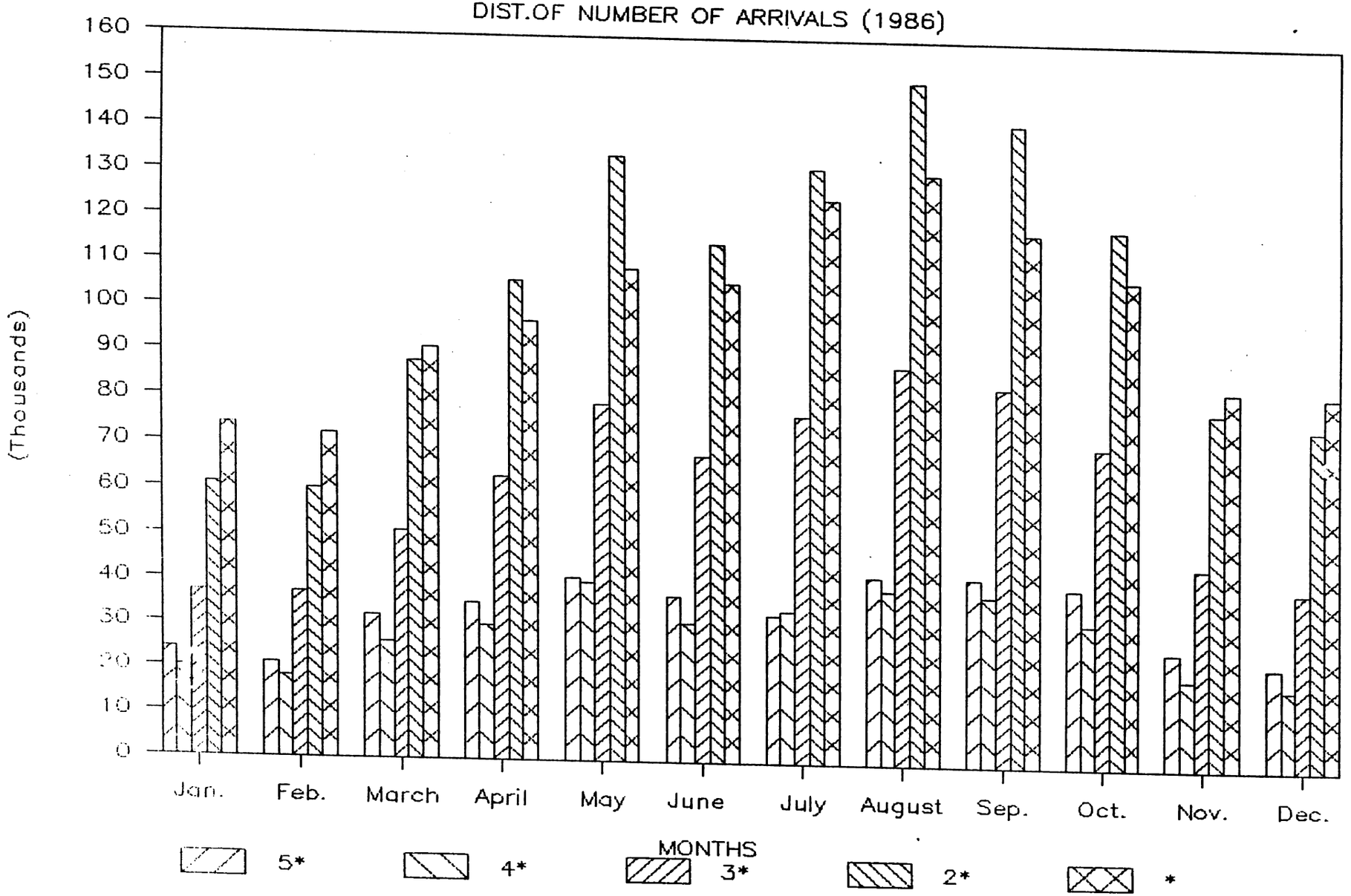
GRAPH 20

DIST.OF OCCUPANCY RATES IN HOTEL(TUR.)



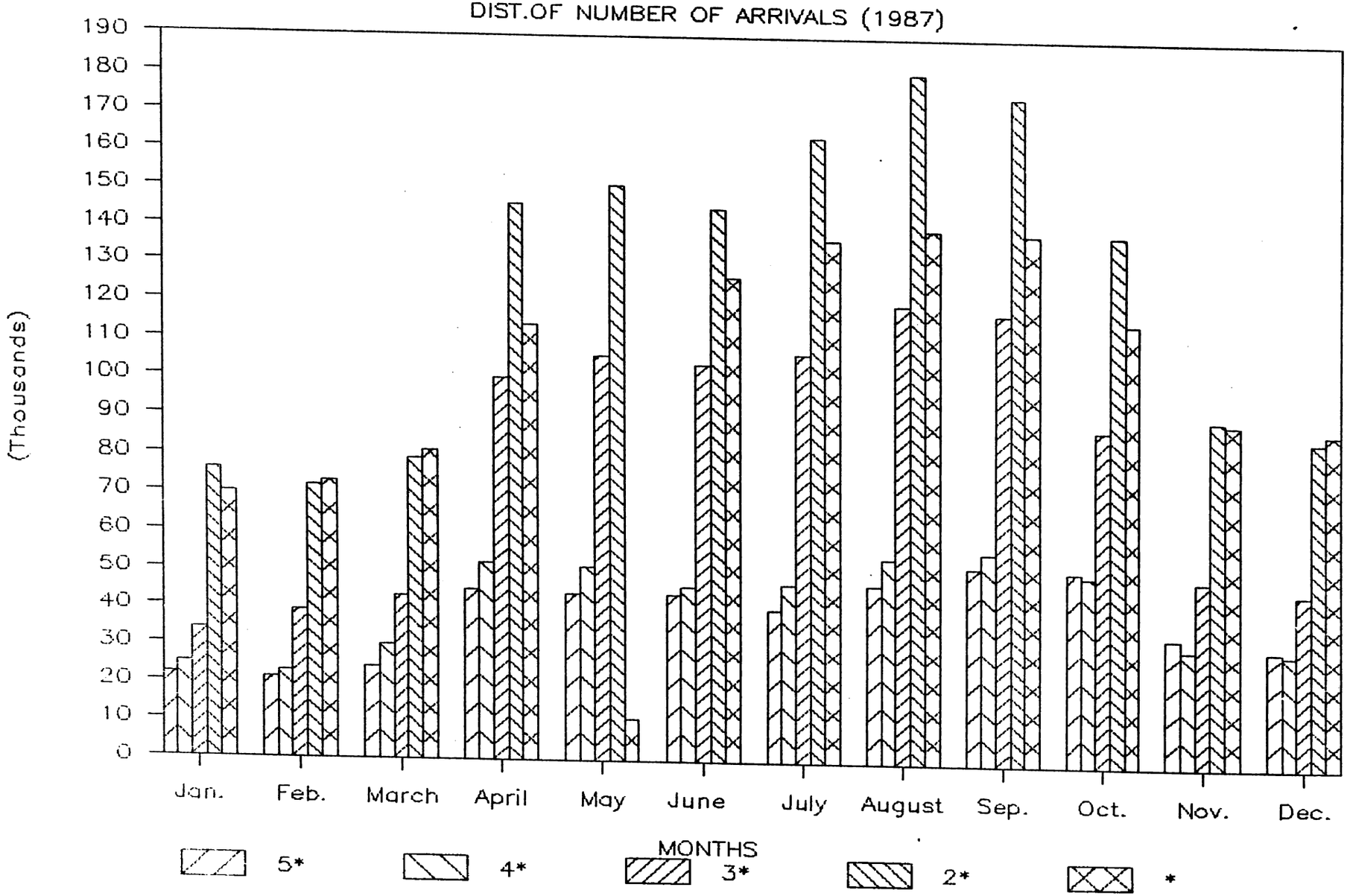
GRAPH 21

DIST.OF NUMBER OF ARRIVALS (1986)



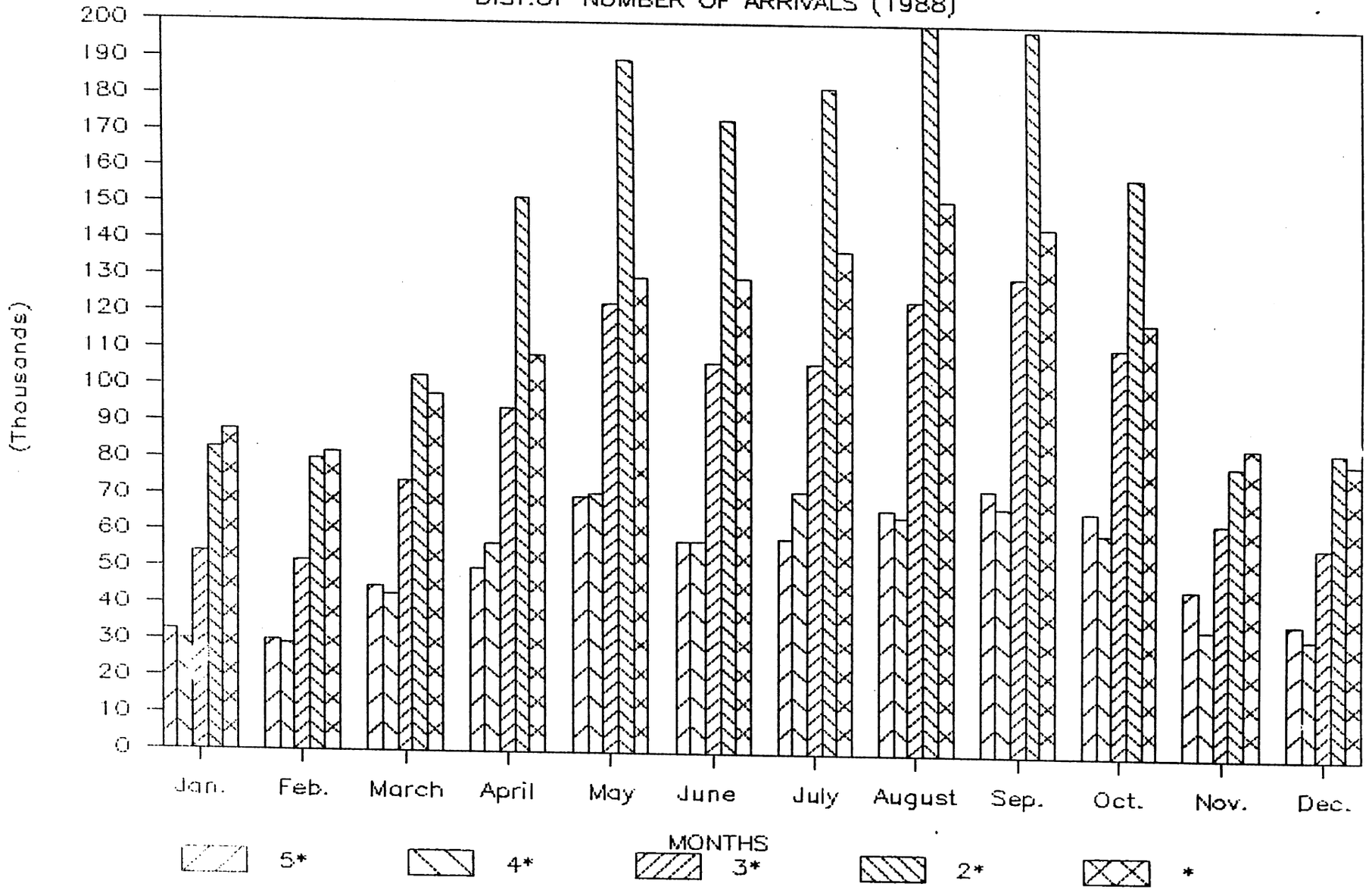
GRAPH 22

DIST.OF NUMBER OF ARRIVALS (1987)



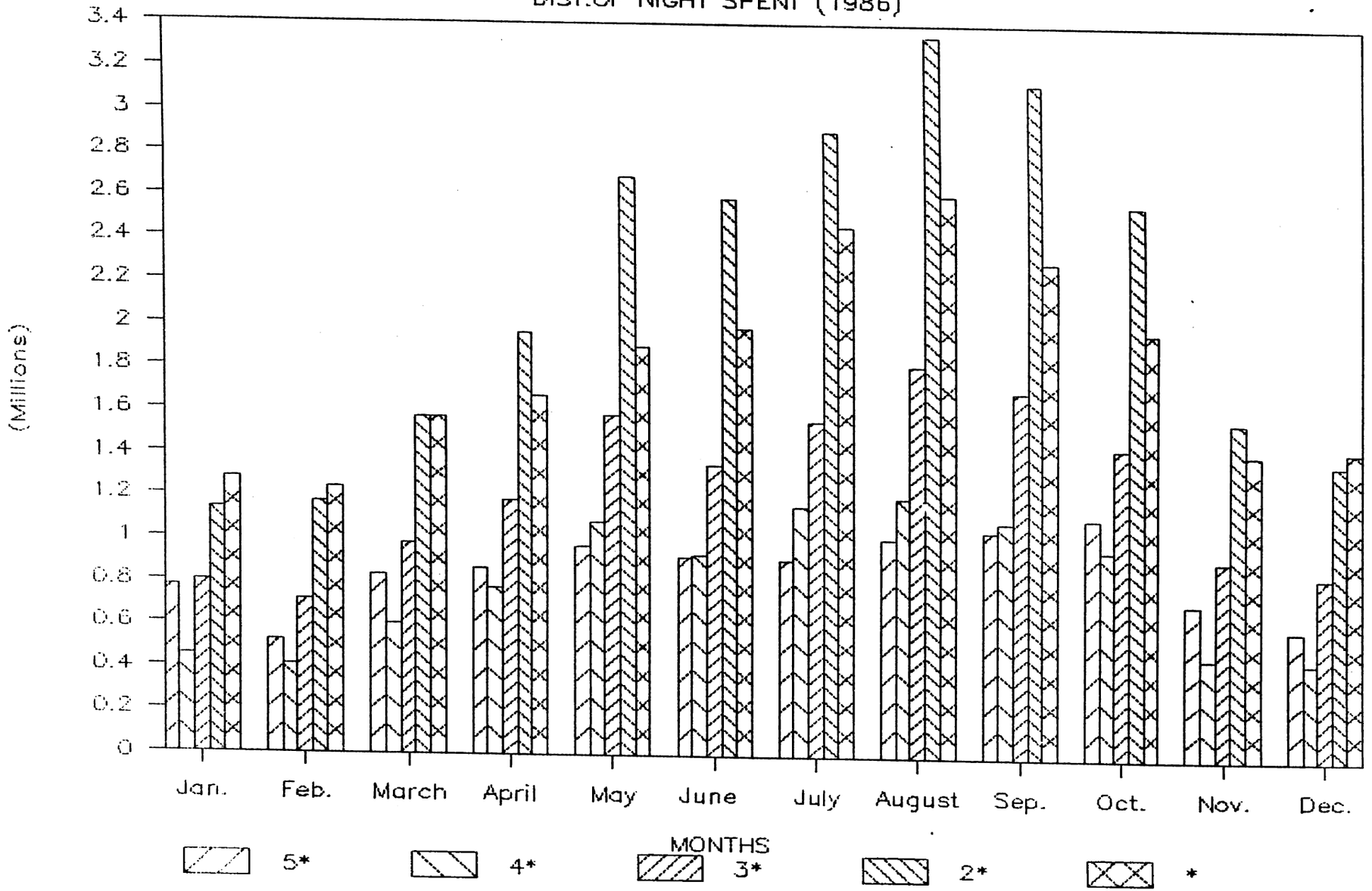
GRAPH 23

DIST.OF NUMBER OF ARRIVALS (1988)



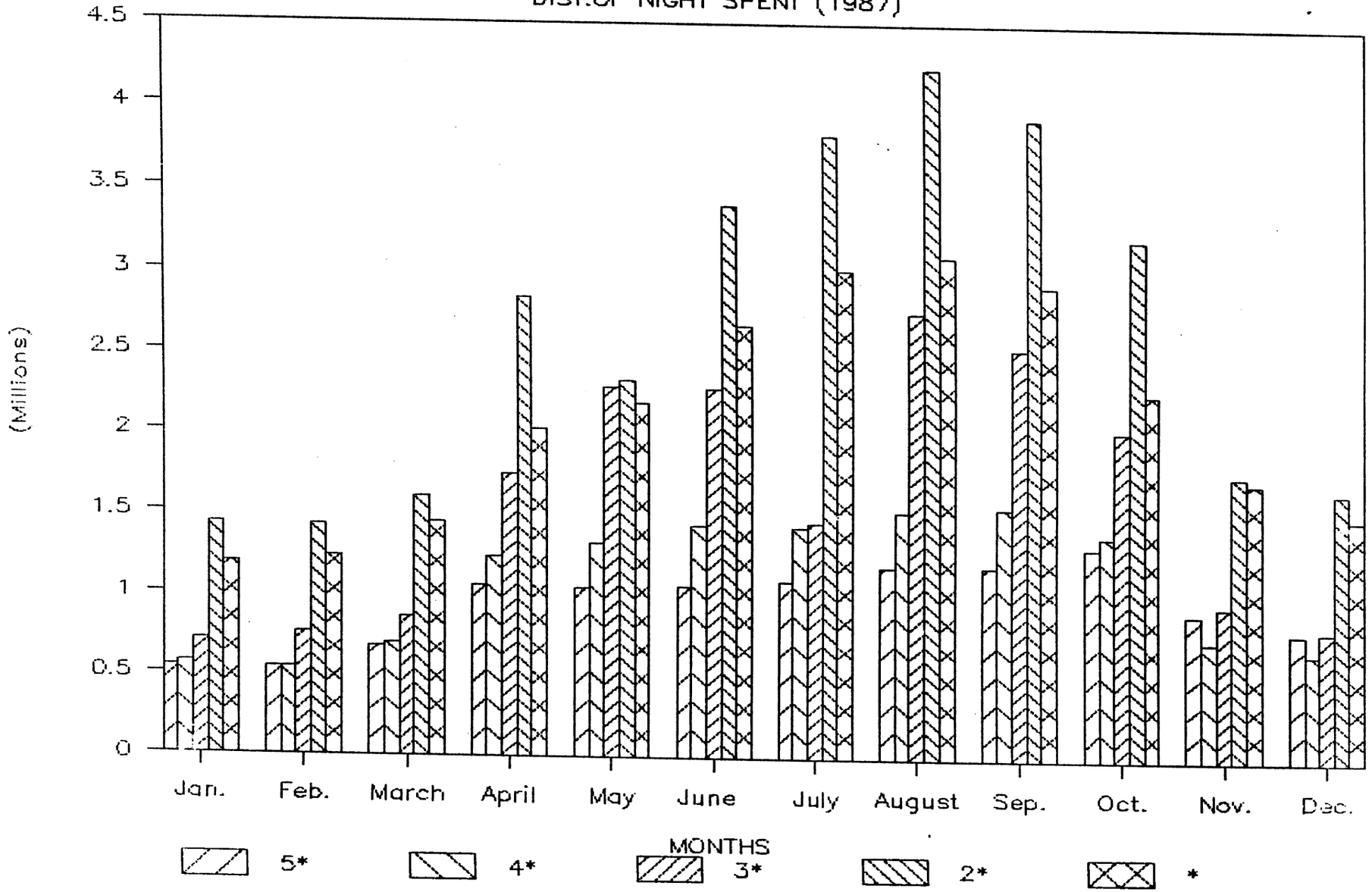
GRAPH 24

DIST.OF NIGHT SPENT (1986)



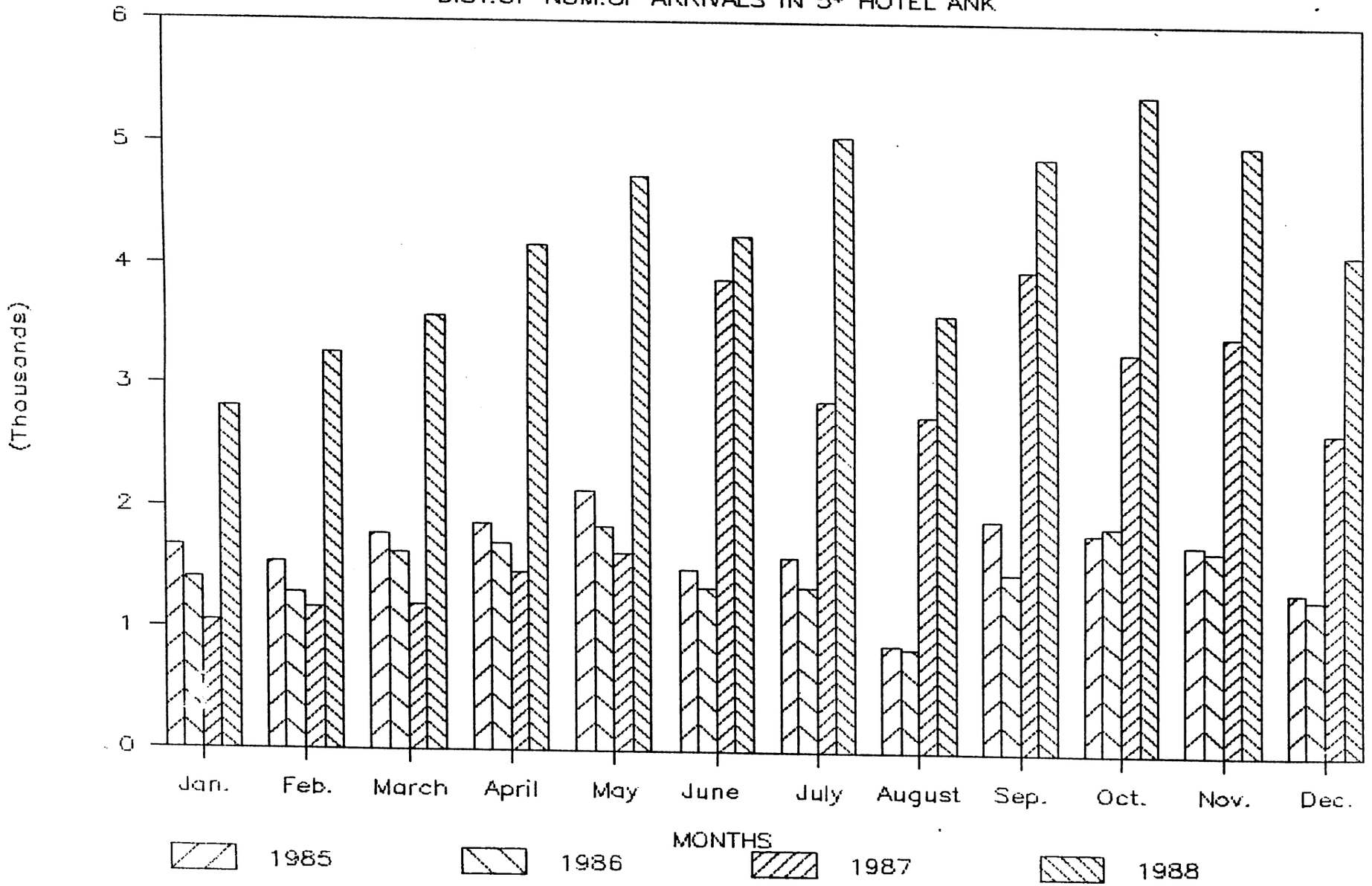
GRAPH 25

DIST.OF NIGHT SPENT (1987)



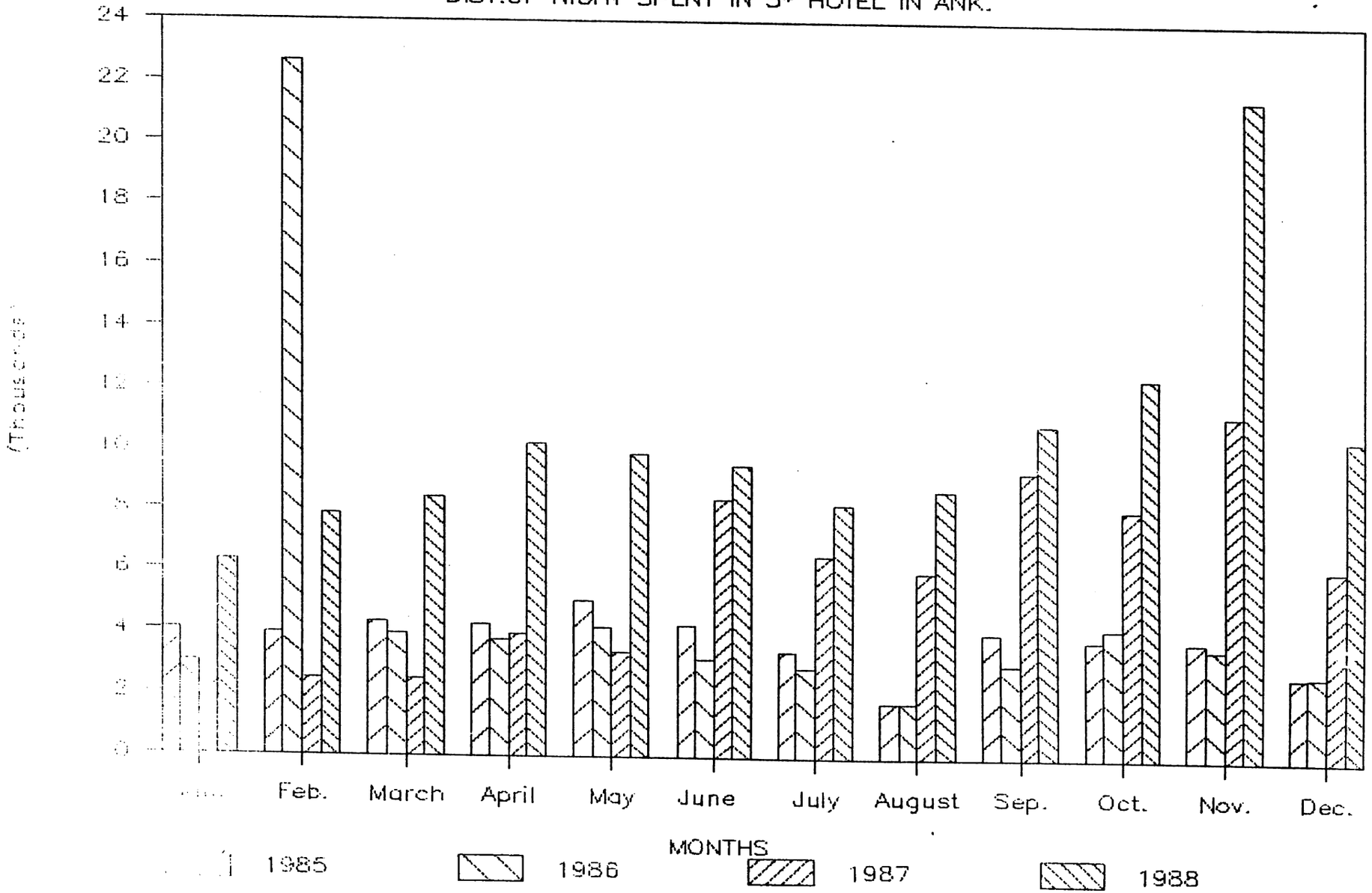
GRAPH 27

DIST.OF NUM.OF ARRIVALS IN 5* HOTEL ANK



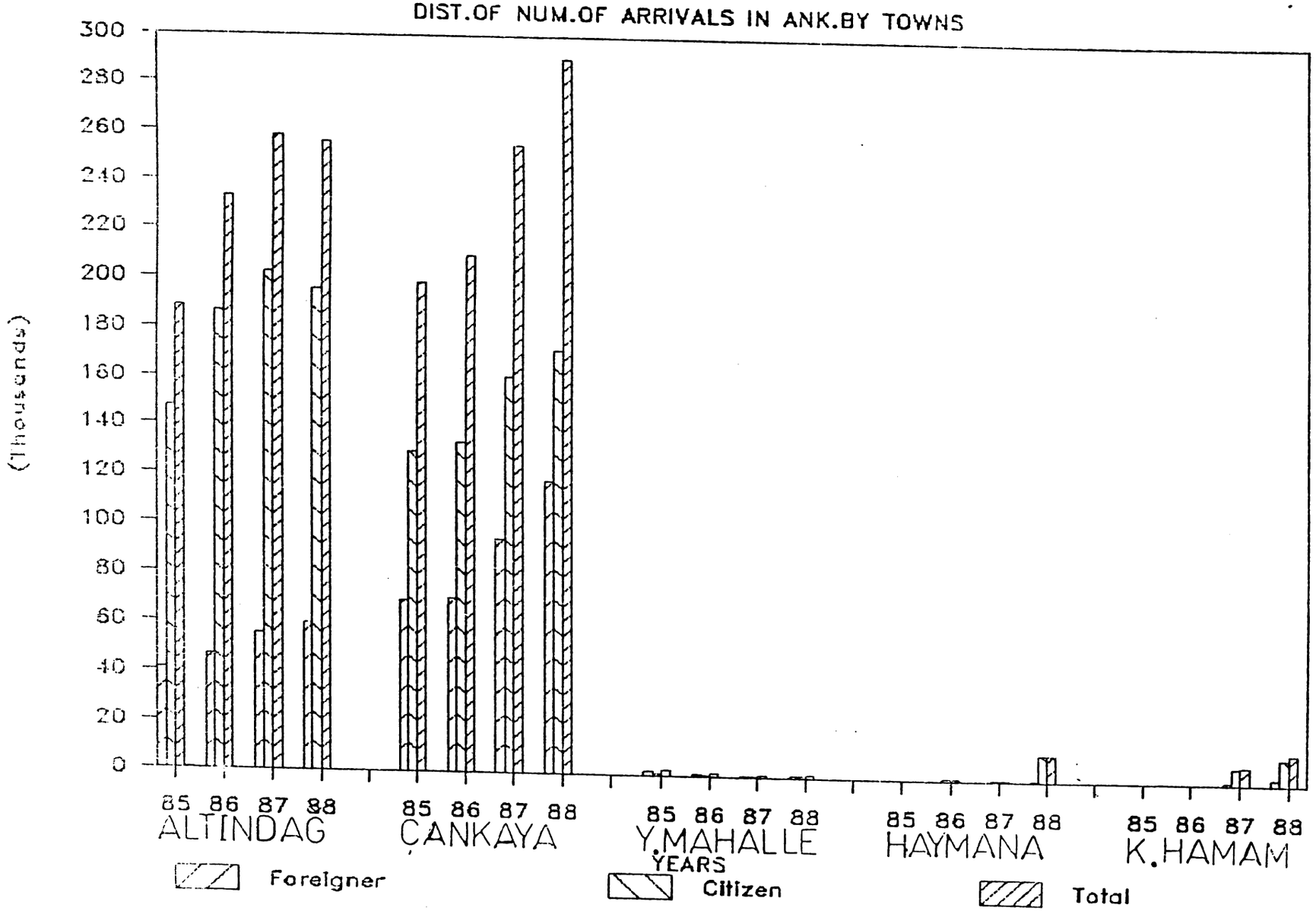
GRAPH 28

DIST.OF NIGHT SPENT IN 5* HOTEL IN ANK.



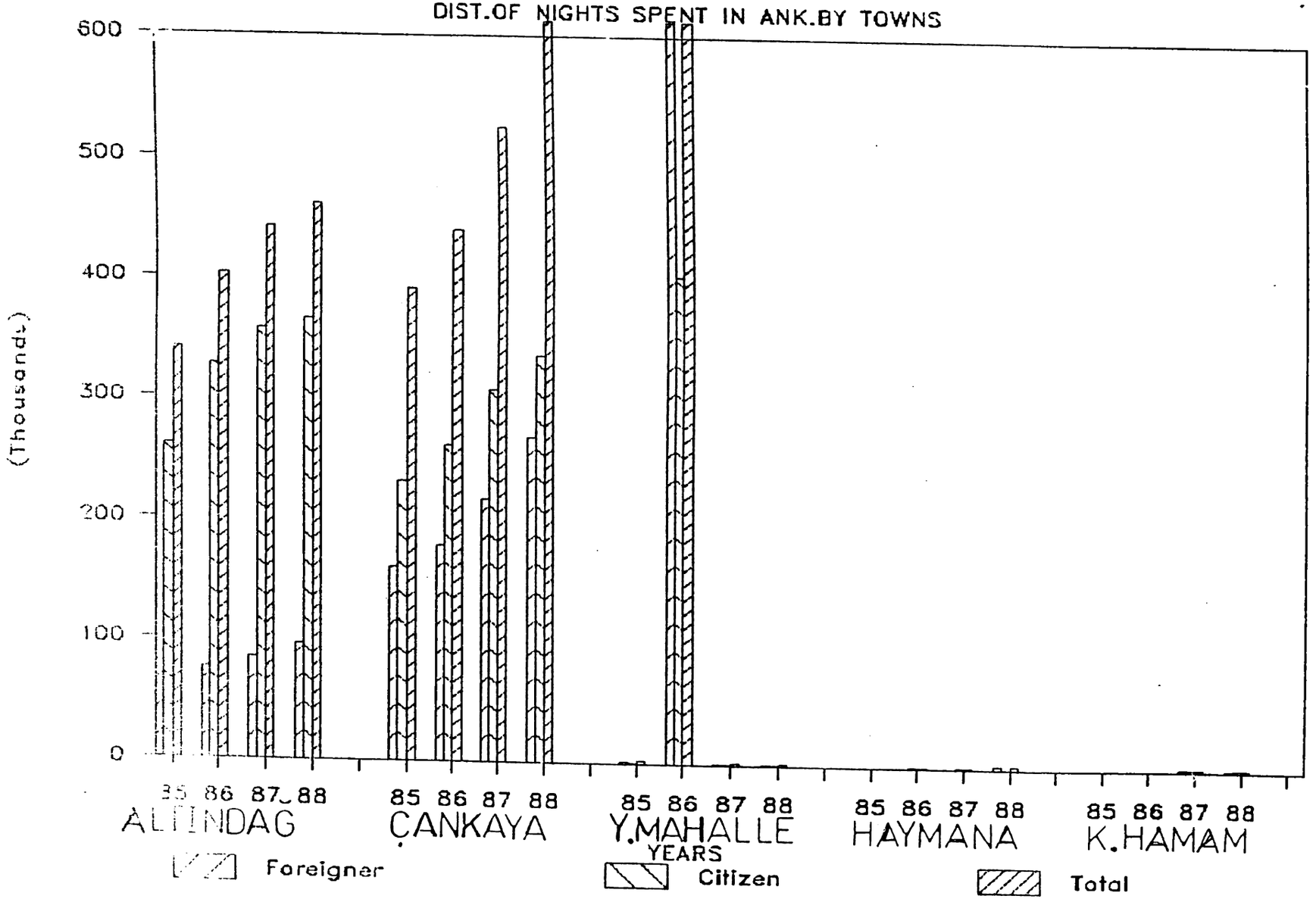
GRAPH 29

DIST.OF NUM.OF ARRIVALS IN ANK.BY TOWNS



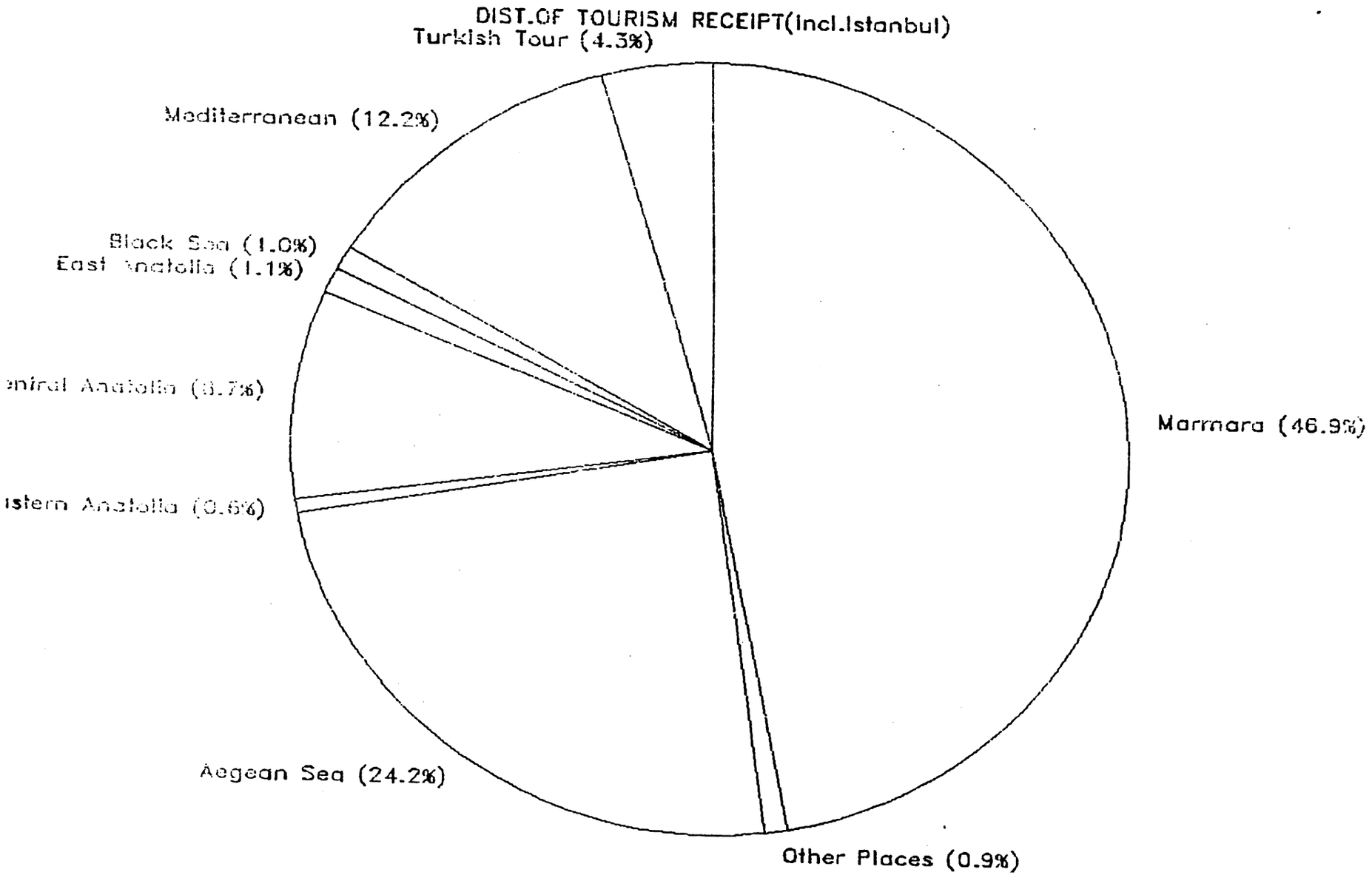
GRAPH 30

DIST.OF NIGHTS SPENT IN ANK.BY TOWNS

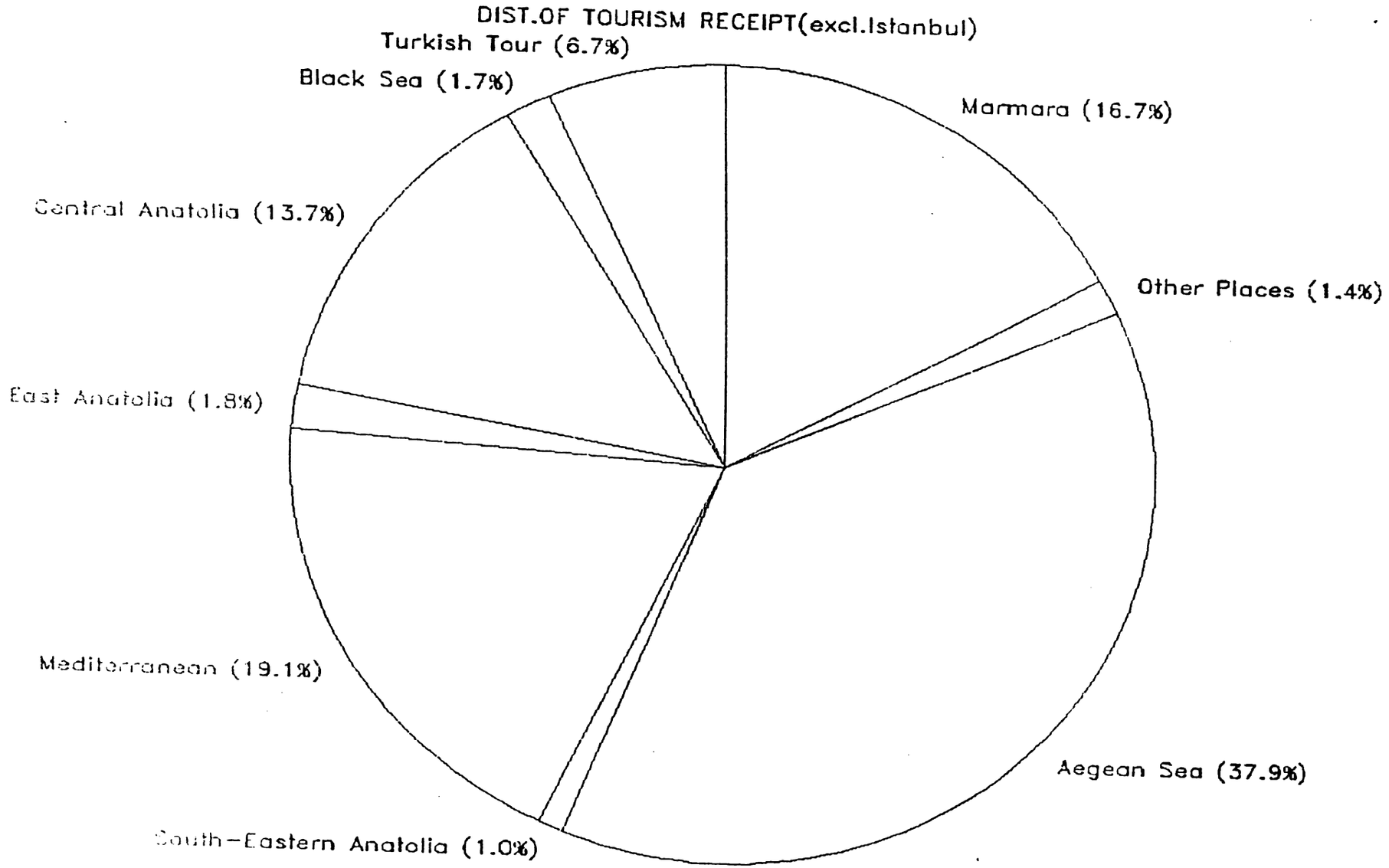


4) FOREIGN ARRIVALS AND TOURISM RECEIPTS (1987),
T.C. THE MINISTRY OF TOURISM,
DEPARTMENT OF TOURISM PLANNING AND INVESTMENTS.

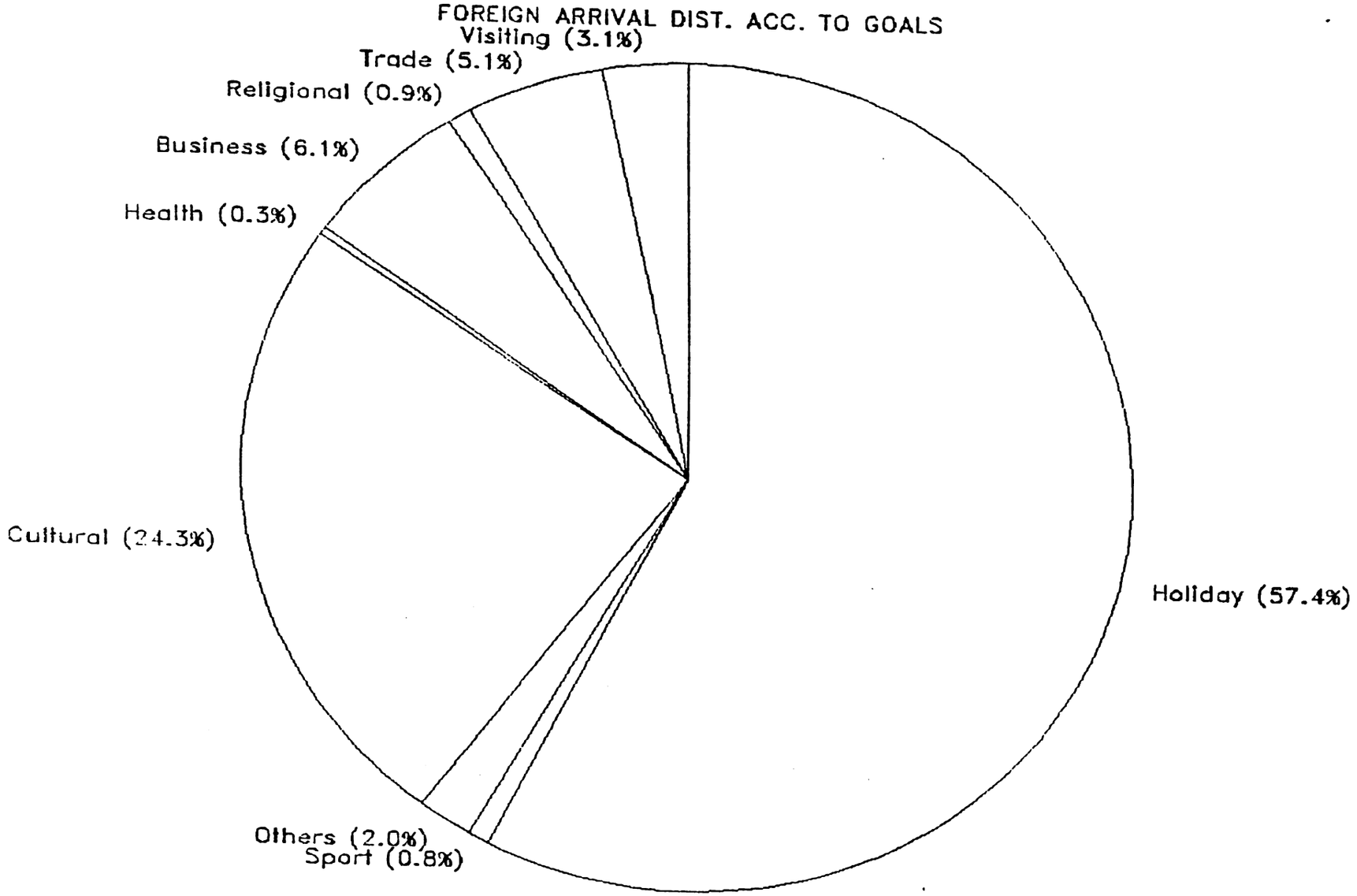
GRAPH 1


DIST.OF TOURISM RECEIPT(Incl.Istanbul)
Turkish Tour (4.3%)
Mediterranean (12.2%)
Black Sea (1.0%)
East Anatolia (1.1%)
Central Anatolia (8.7%)
Eastern Anatolia (0.6%)
Aegean Sea (24.2%)
Marmara (46.9%)
Other Places (0.9%)

GRAPH 2

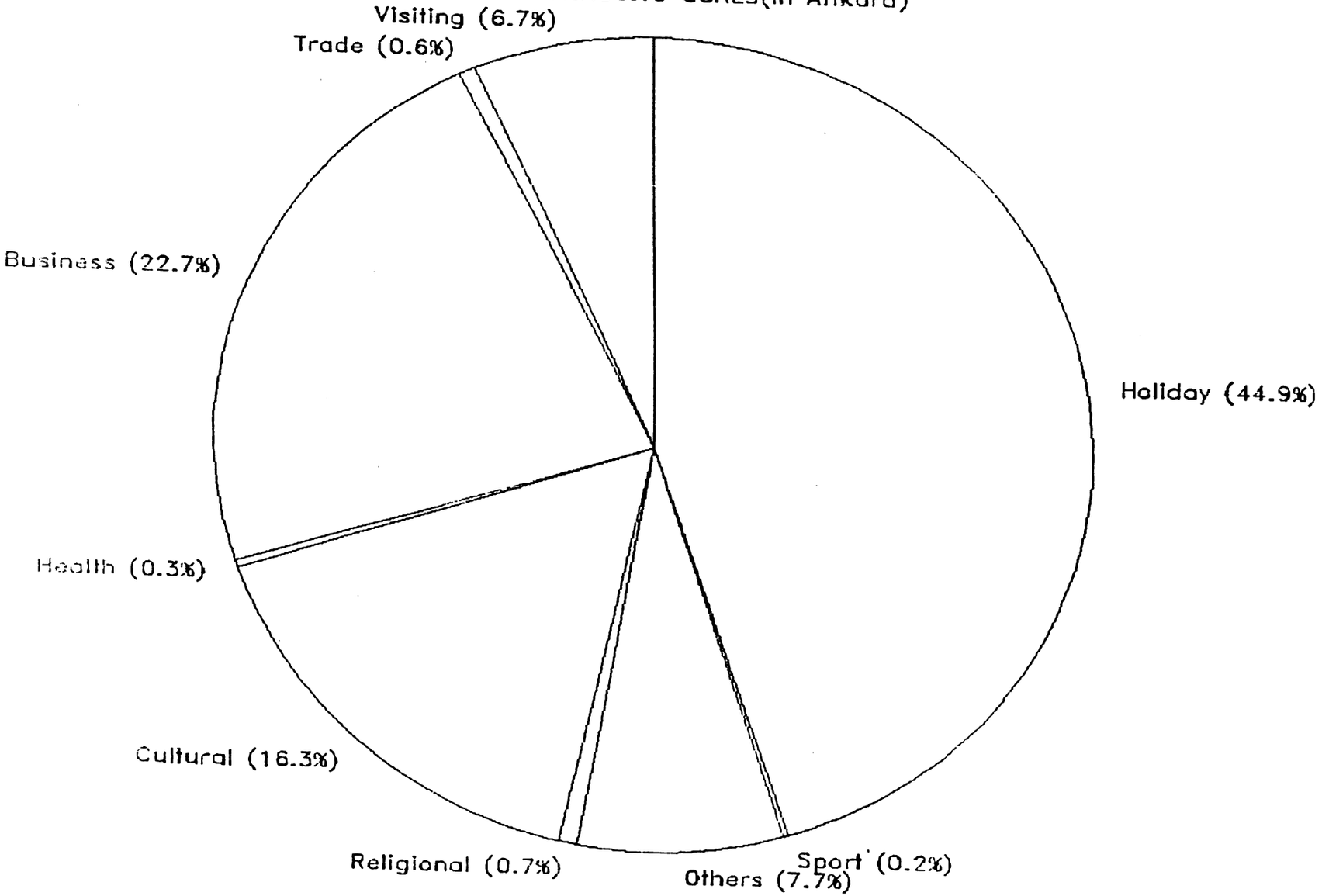

DIST.OF TOURISM RECEIPT(excl.Istanbul)
Turkish Tour (6.7%)
Black Sea (1.7%)
Marmara (16.7%)
Central Anatolia (13.7%)
Other Places (1.4%)
East Anatolia (1.8%)
Mediterranean (19.1%)
Aegean Sea (37.9%)
South-Eastern Anatolia (1.0%)

GRAPH 3


FOREIGN ARRIVAL DIST. ACC. TO GOALS
Visiting (3.1%)
Trade (5.1%)
Religional (0.9%)
Business (6.1%)
Health (0.3%)
Cultural (24.3%)
Holiday (57.4%)
Others (2.0%)
Sport (0.8%)

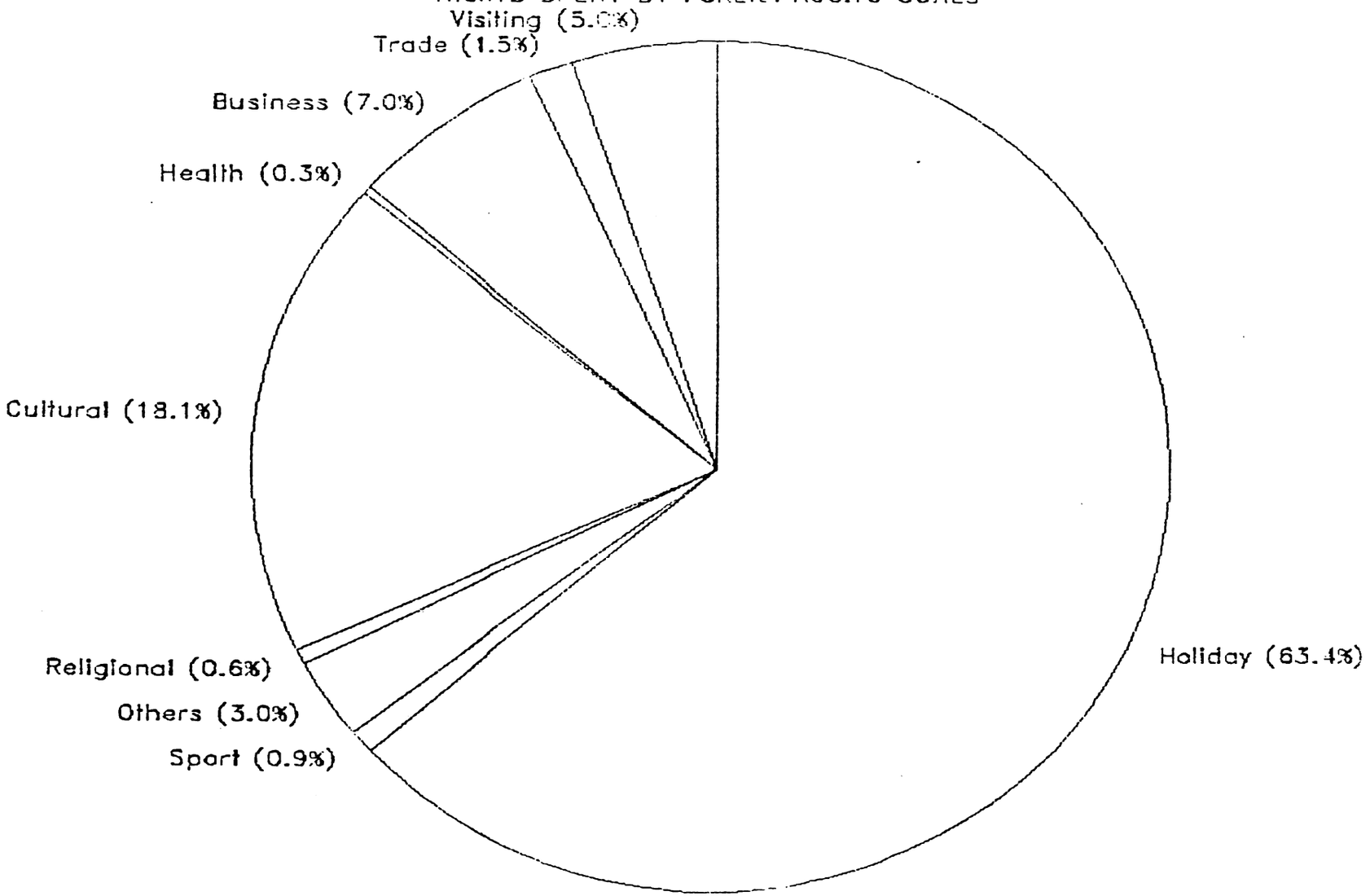
GRAPH 4

FOREIGN DIST.ACC.TO GOALS(in Ankara)



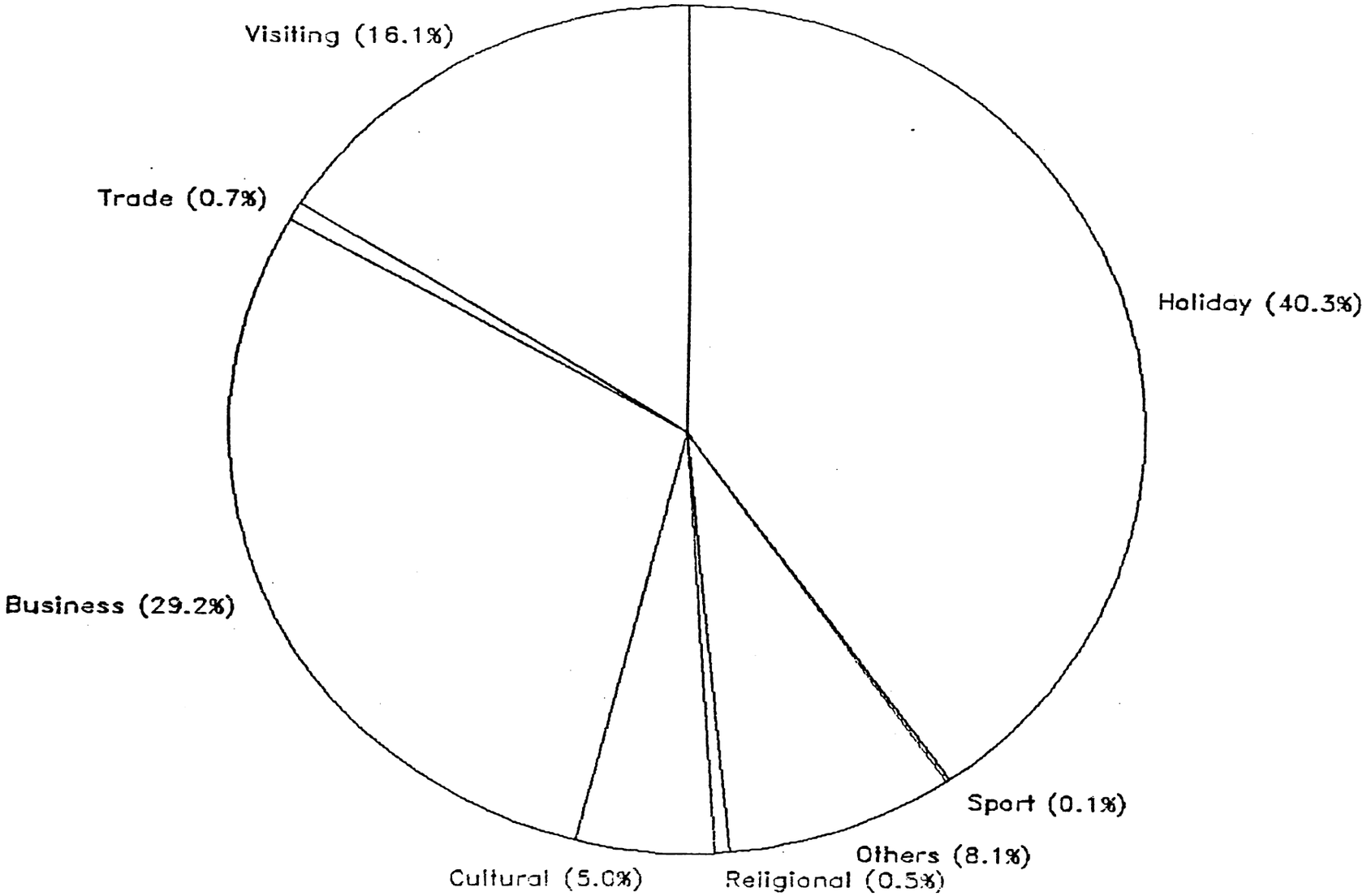
GRAPH 5

NIGHTS SPENT BY FOREIG. ACC.TO GOALS



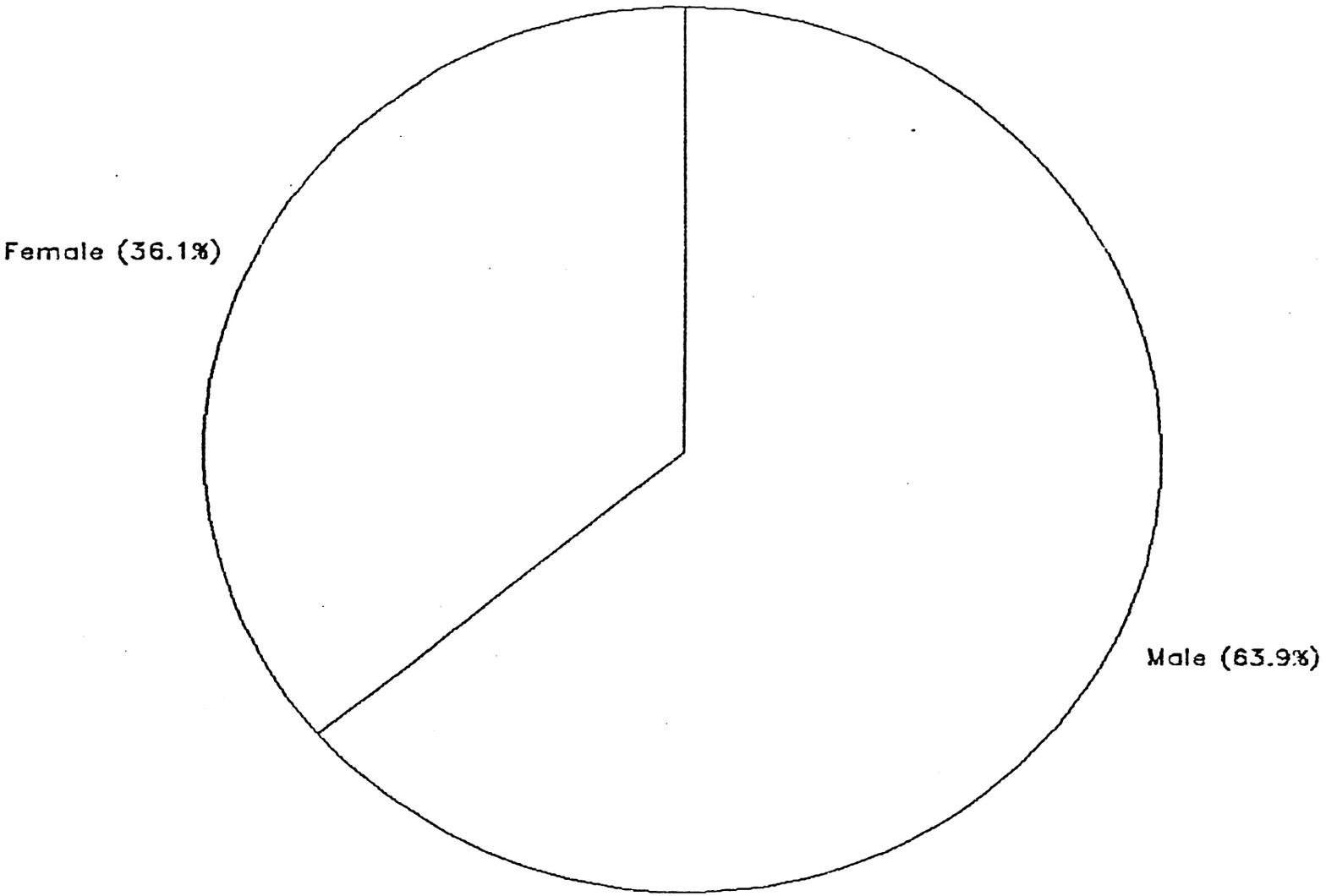
GRAPH 6

NIGHTS SPENT BY FOREIGNERS(in ANKARA)



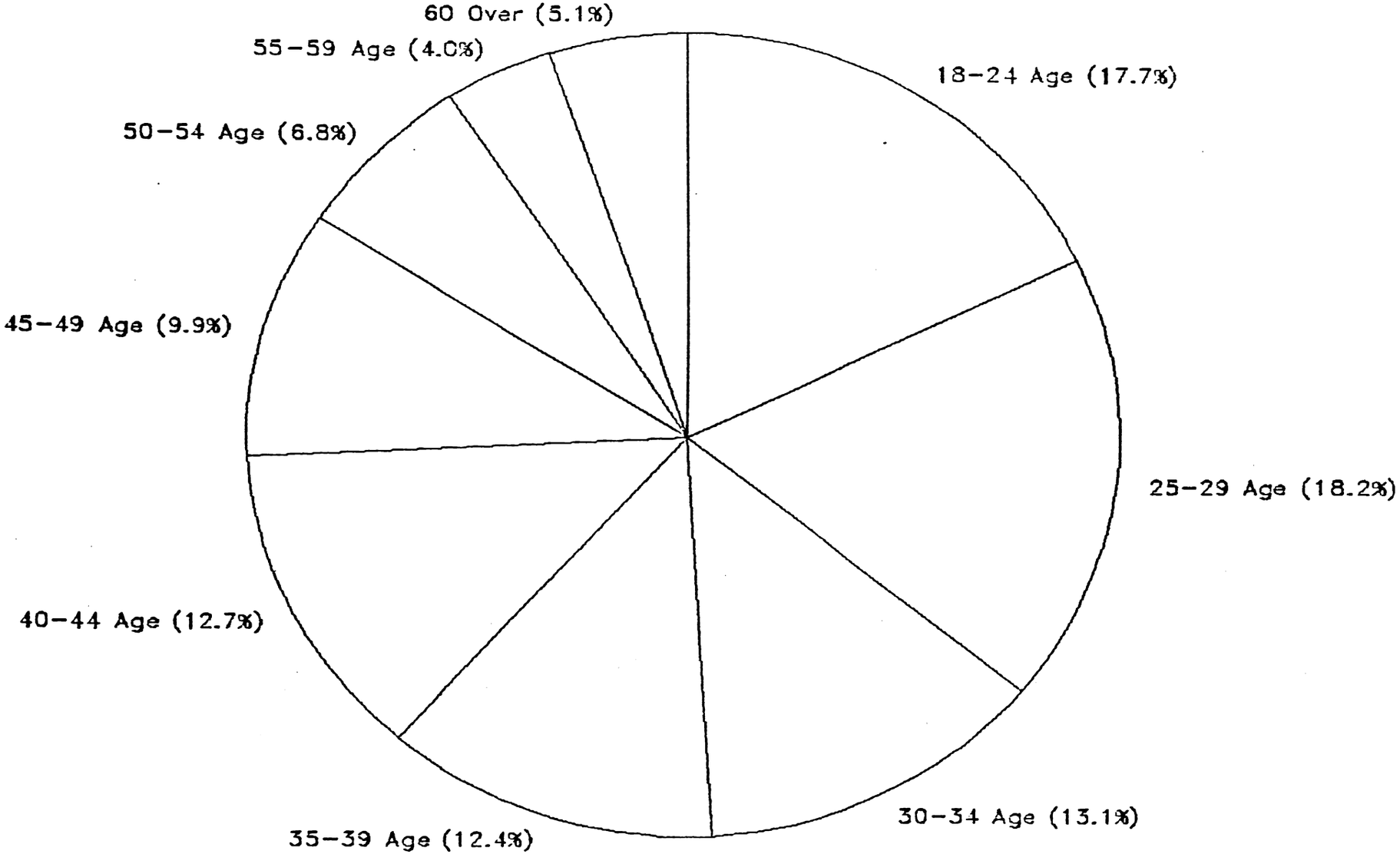
GRAPH 7

FOREIGN ARRIVALS DIST. ACC. TO SEX



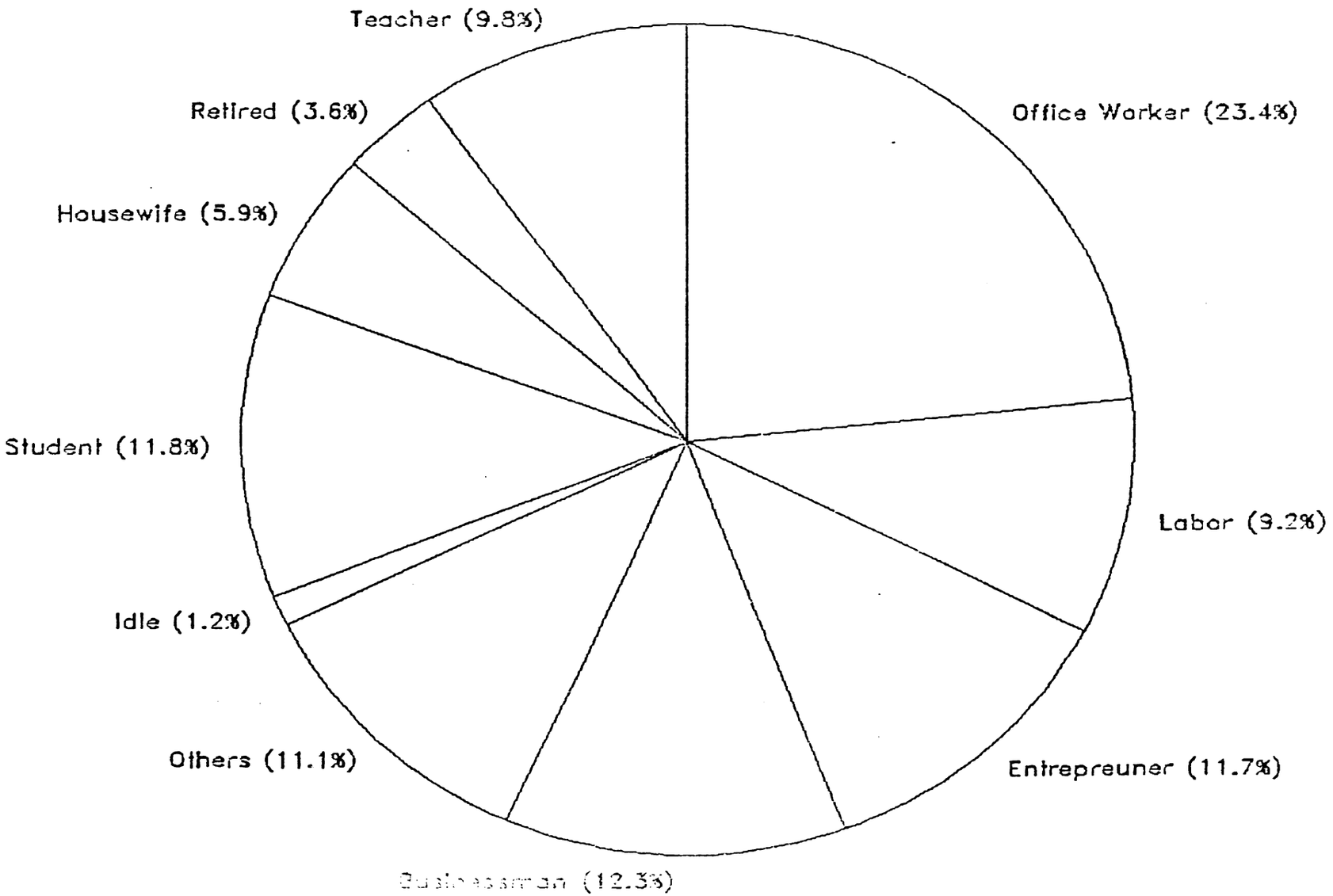
GRAPH 8

FOREIGN ARR. DIST. ACC. TO AGES



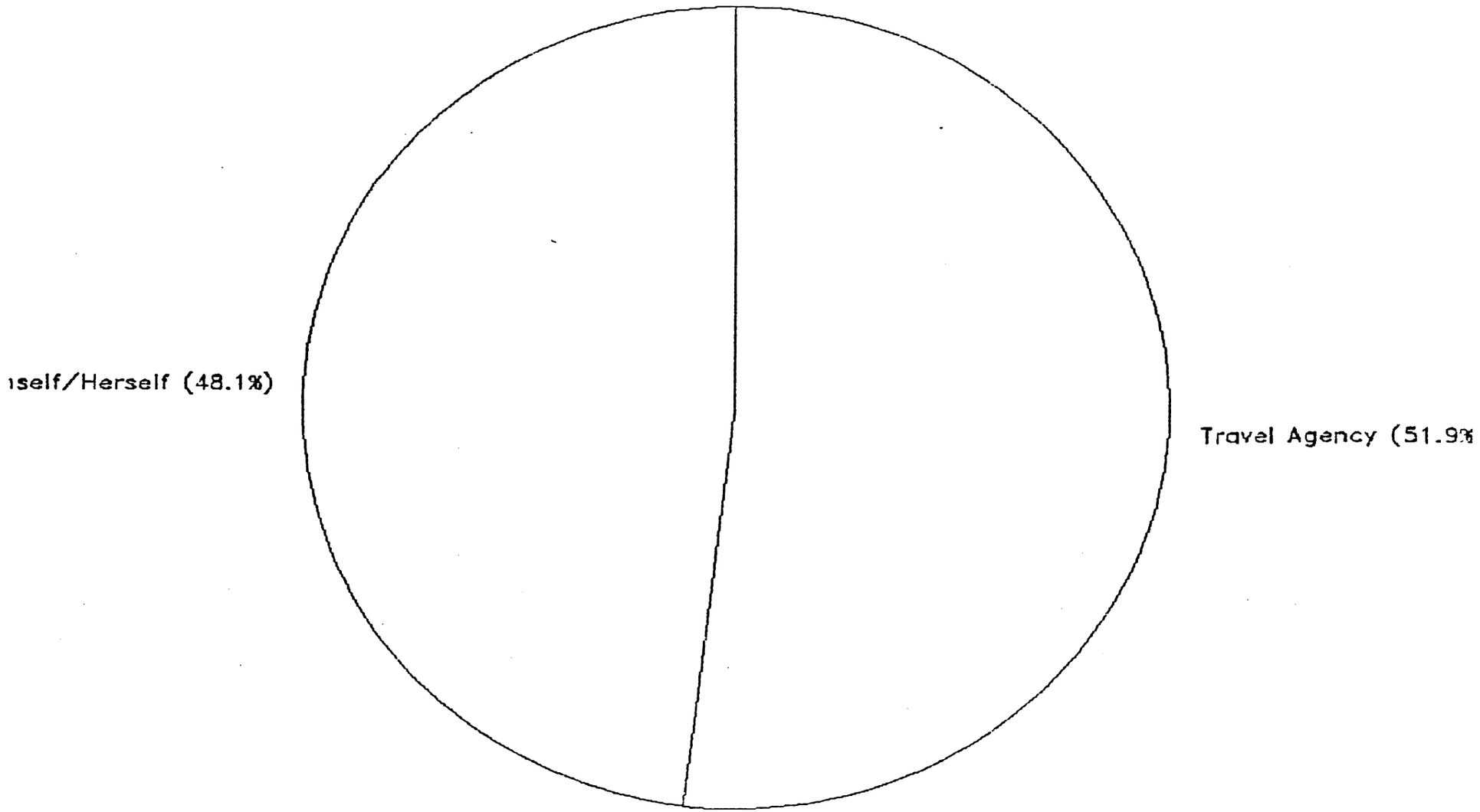
GRAPH 9

FOREIGN ARR.DIST. ACCORDING TO JOBS



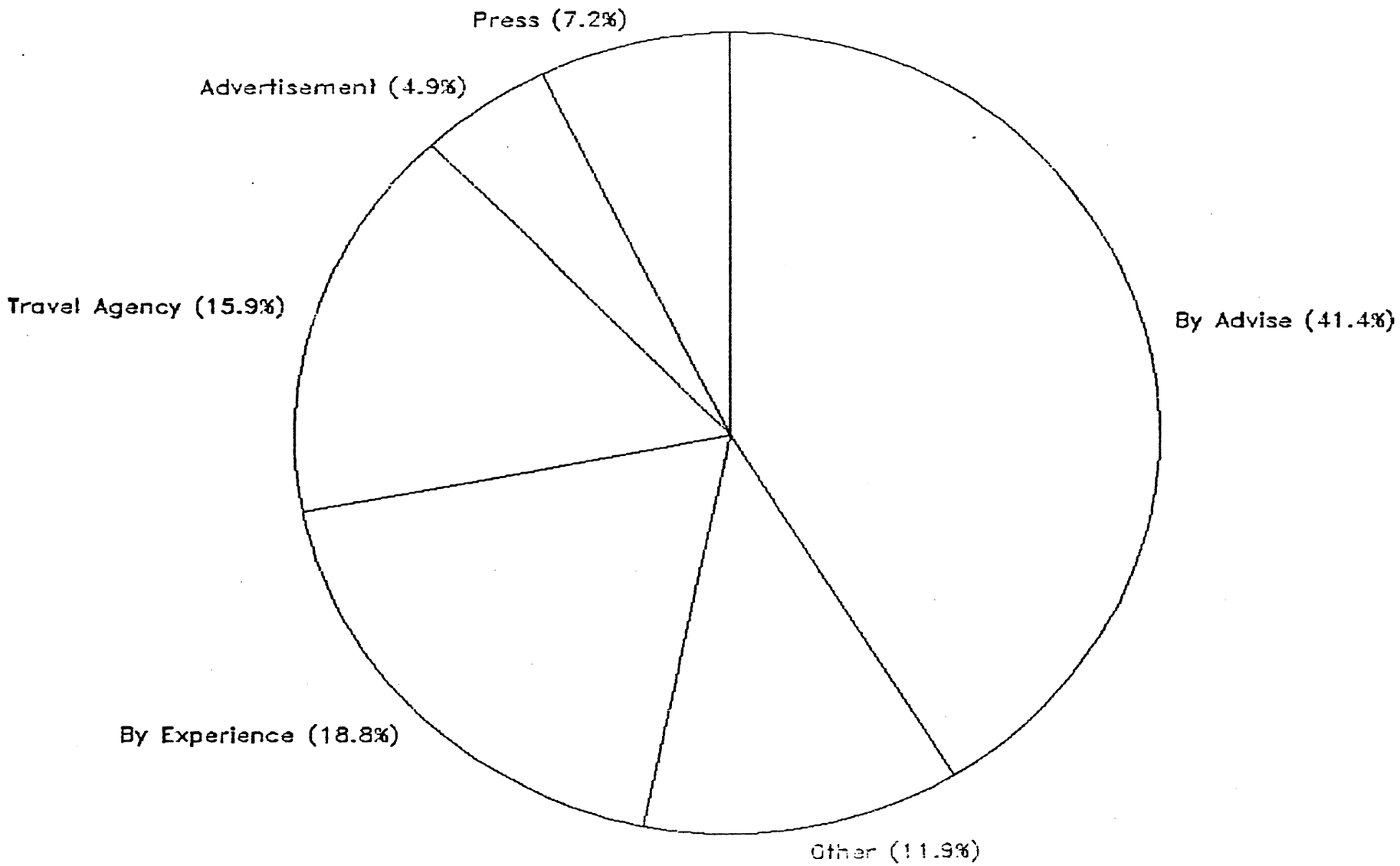
GRAPH 10

FOREIGN ARR. DIST.ACC.TO TYPE OF VISIT



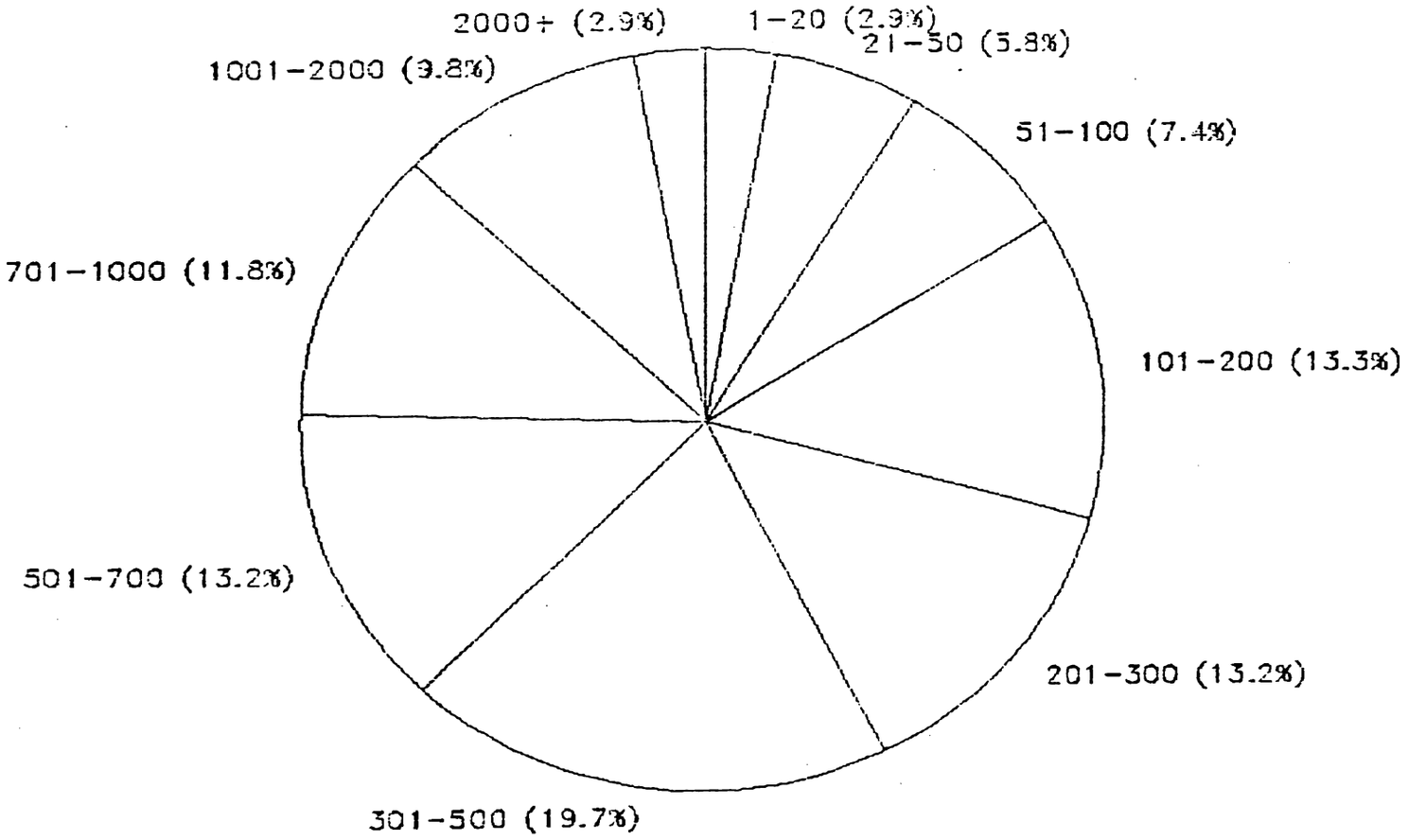
GRAPH 11

FORE. ARR.DIST.ACC.TO SELECTION FACTOR

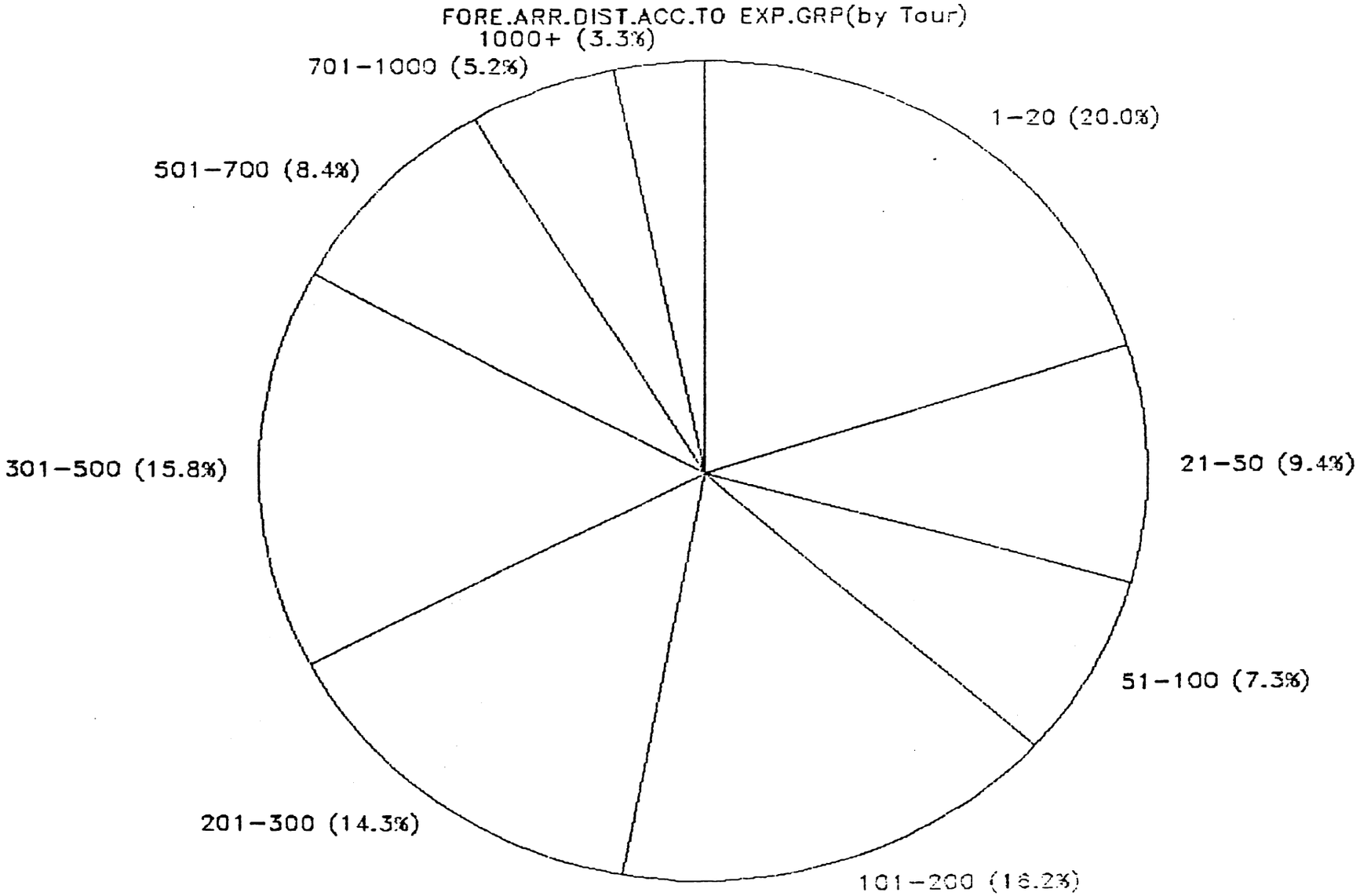


GRAPH 12

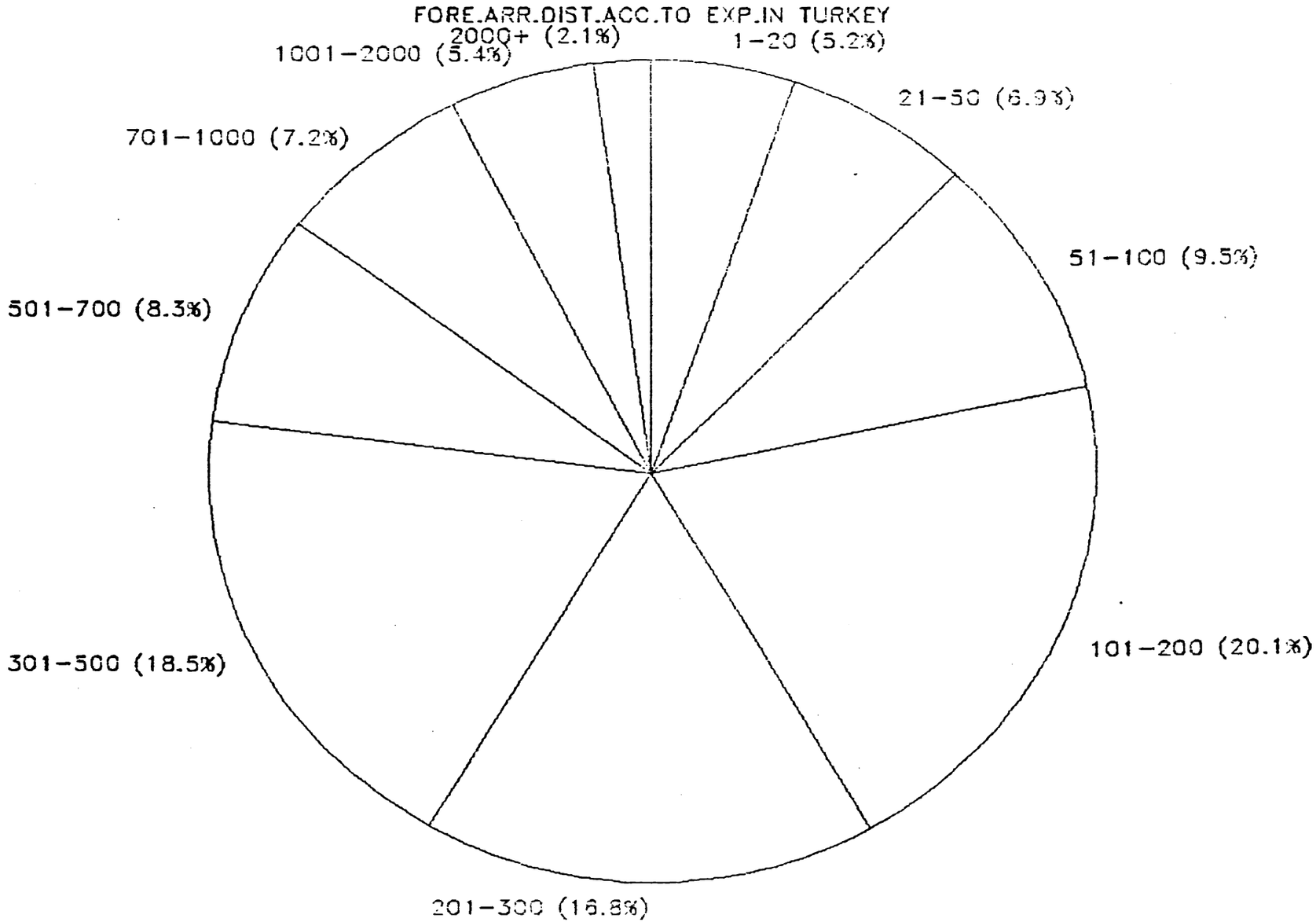
FORE.ARR.DIST.ACCOR.TO TOTAL EXPEND.GRP



GRAPH 13

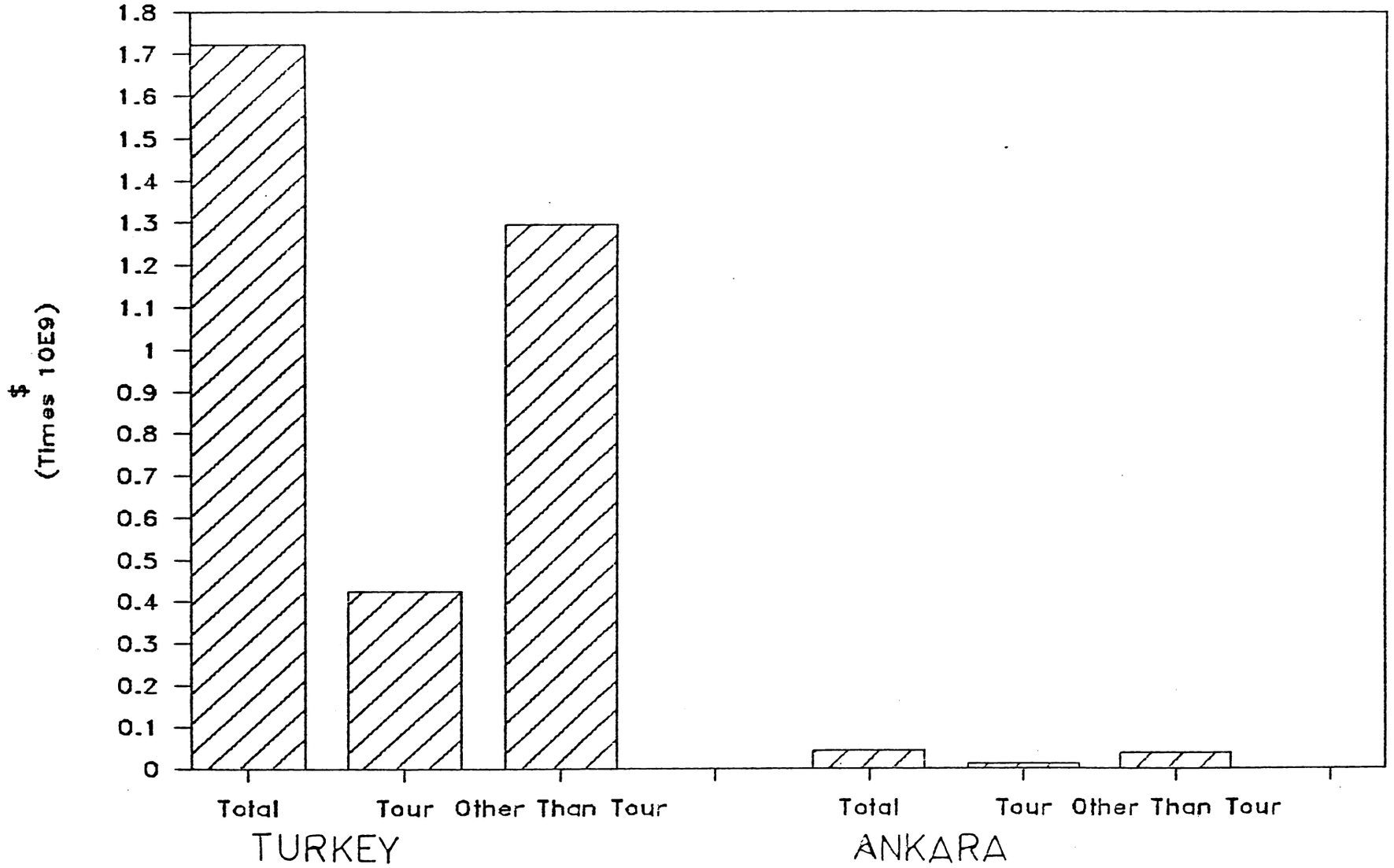

FORE.ARR.DIST.ACC.TO EXP.GRP(by Tour)
1000+ (3.3%)
701-1000 (5.2%)
1-20 (20.0%)
501-700 (8.4%)
21-50 (9.4%)
301-500 (15.8%)
51-100 (7.3%)
201-300 (14.3%)
101-200 (16.2%)

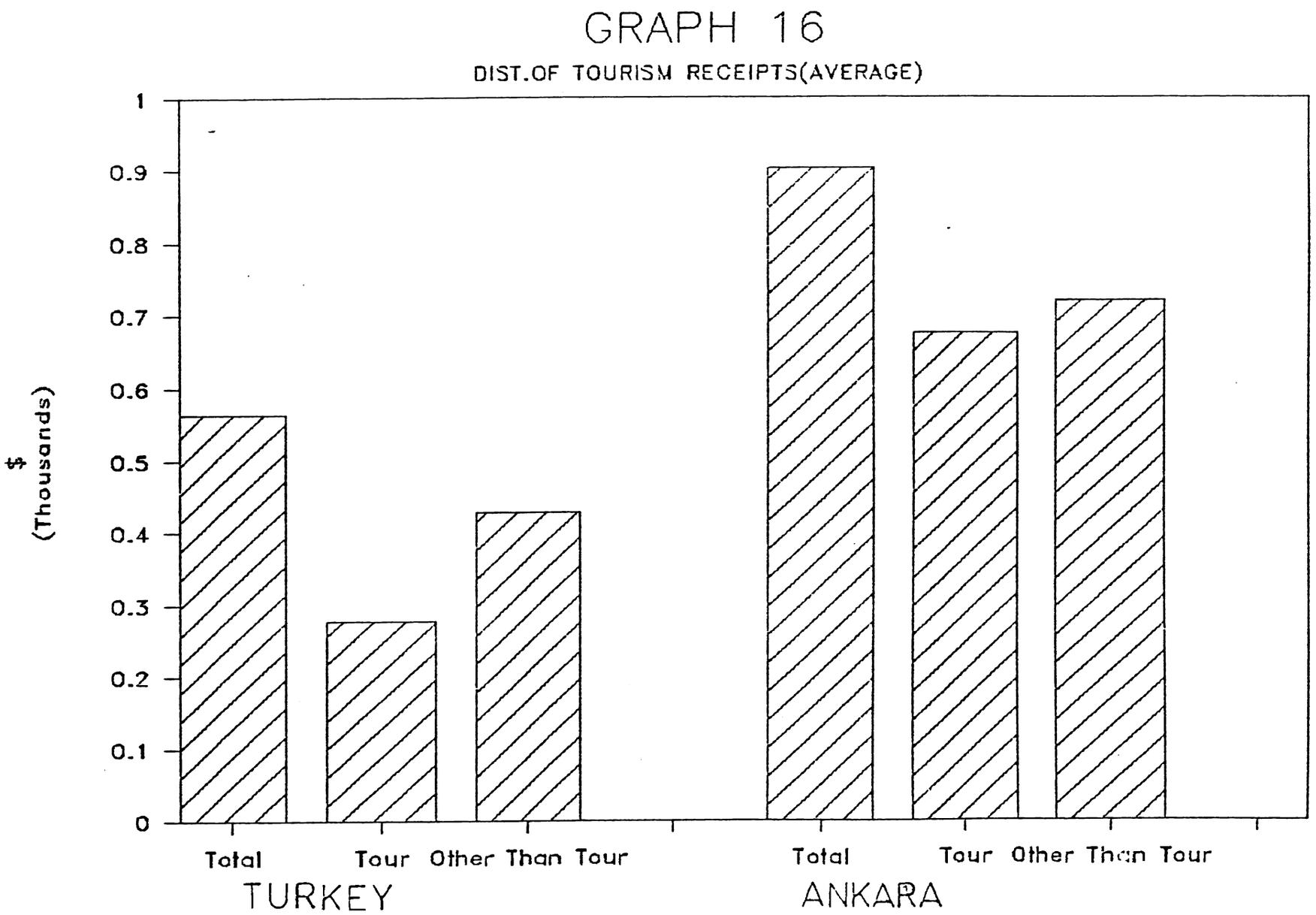
GRAPH 14


FORE.ARR.DIST.ACC.TO EXP.IN TURKEY
2000+ (2.1%)
1-20 (5.2%)
1001-2000 (5.4%)
21-50 (6.9%)
701-1000 (7.2%)
51-100 (9.5%)
501-700 (8.3%)
101-200 (20.1%)
301-500 (18.5%)
201-300 (16.8%)

GRAPH 15

DIST.OF TOURISM RECEIPTS

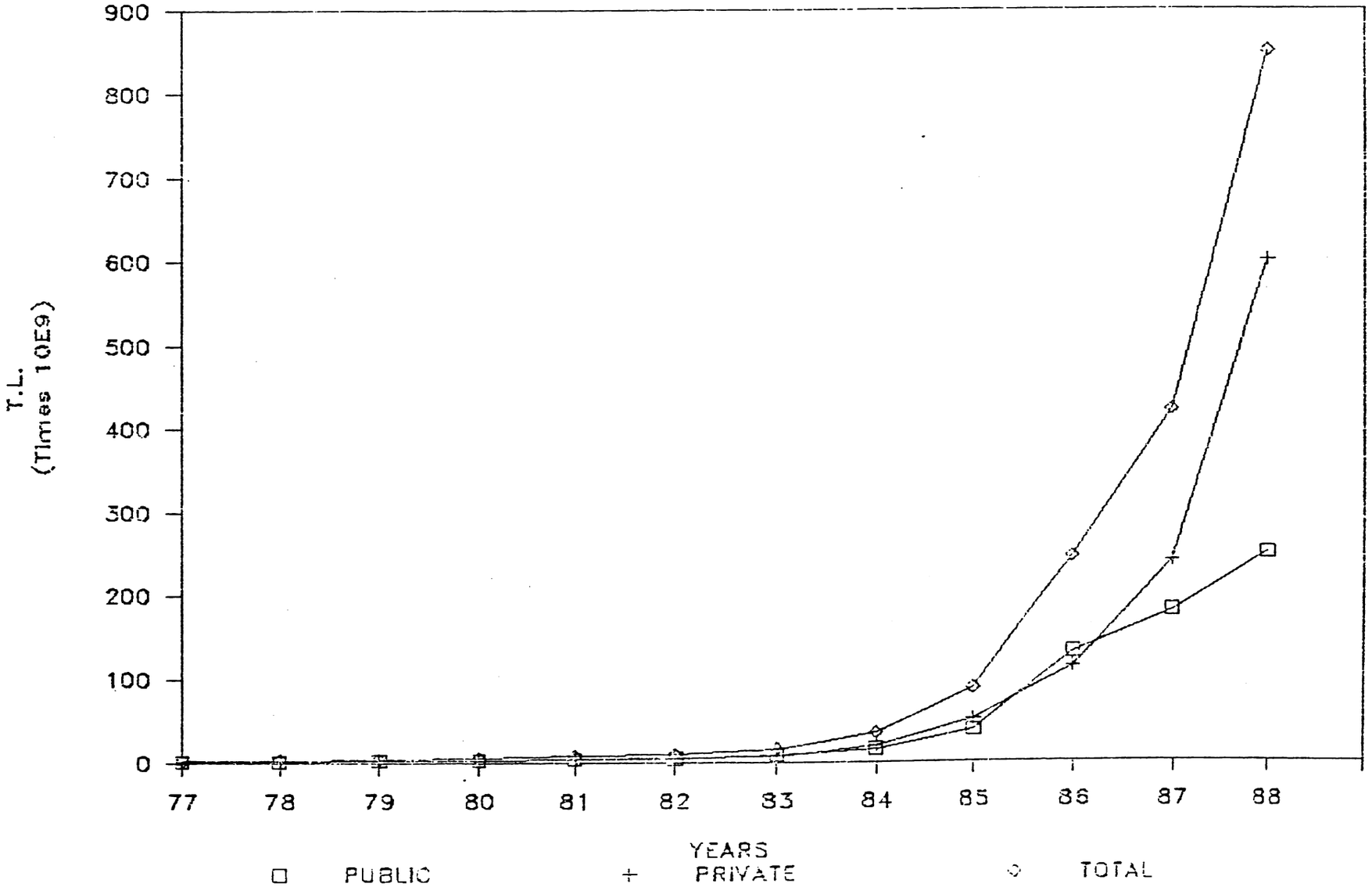



GRAPH 16
DIST.OF TOURISM RECEIPTS(AVERAGE)
$ (Thousands)
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
Total
Tour
Other Than Tour
TURKEY
Total
Tour
Other Than Tour
ANKARA

5) TOURISM HANDBOOK (1988),
T.C. DEVELOPMENT BANK CORPORATION.

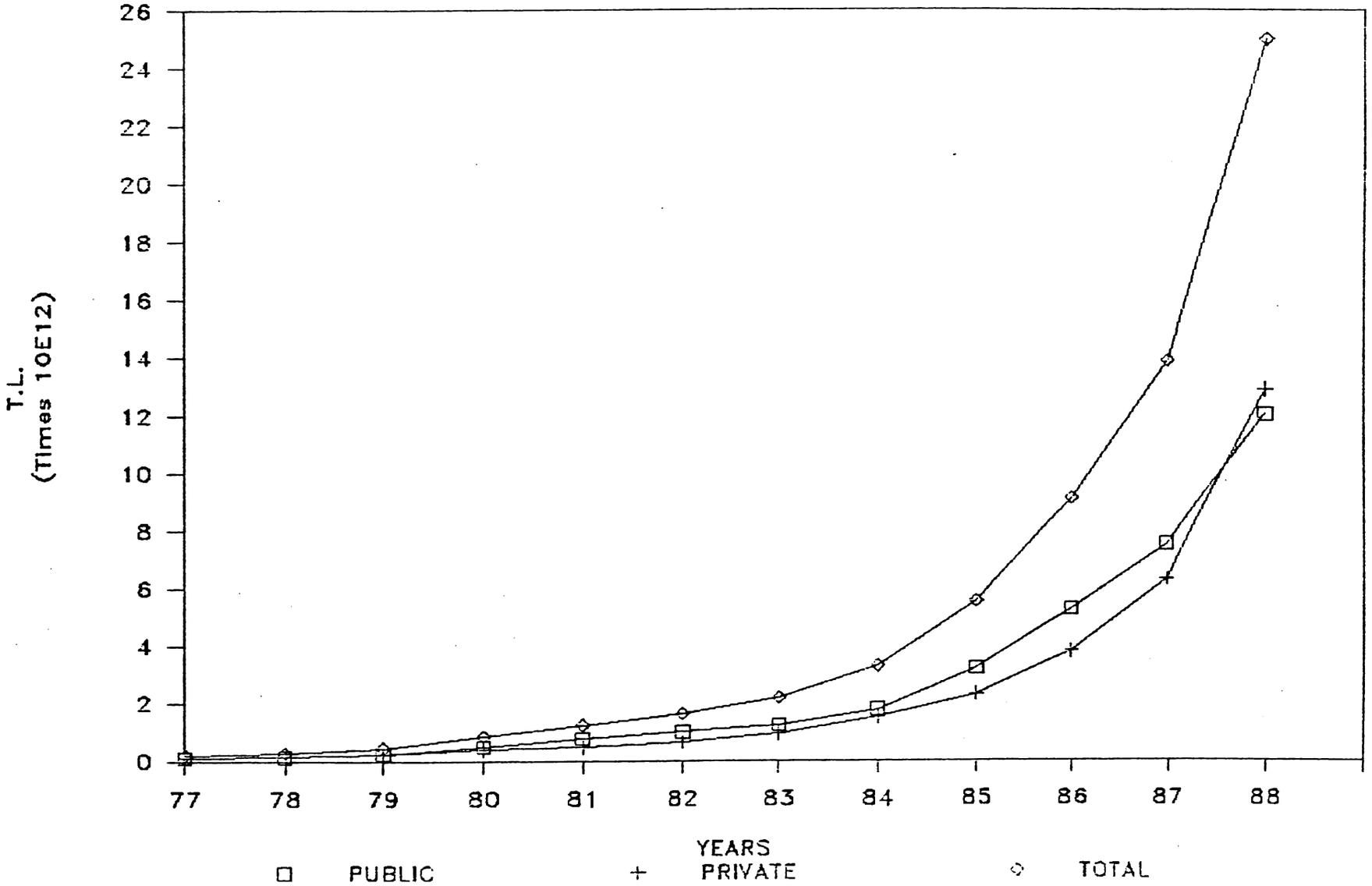
GRAPH 1.

DIST. OF TOURISM FIXED CAPITAL INV.



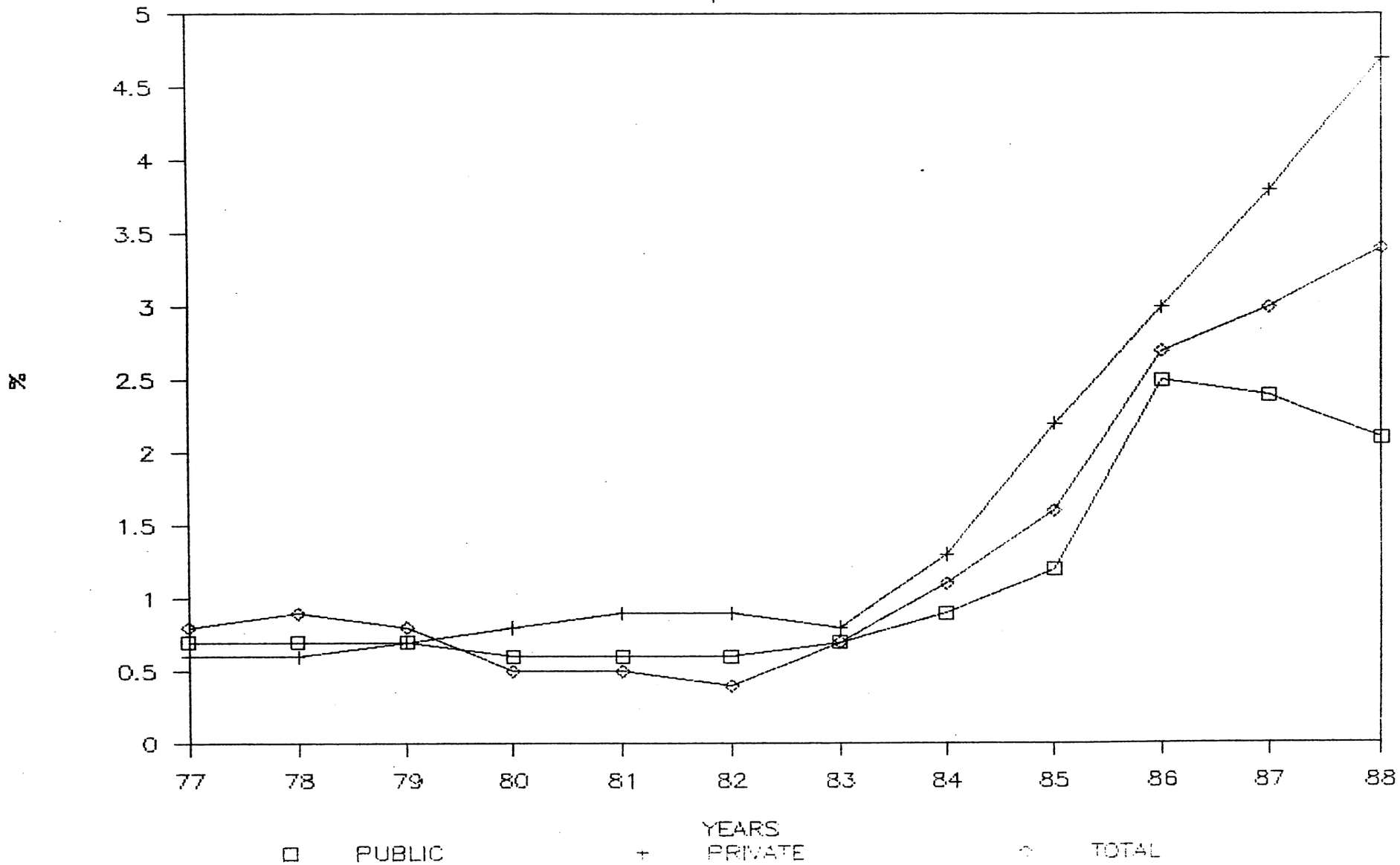
GRAPH 2.

DIST. OF TOTAL FIXED CAPITAL INV.



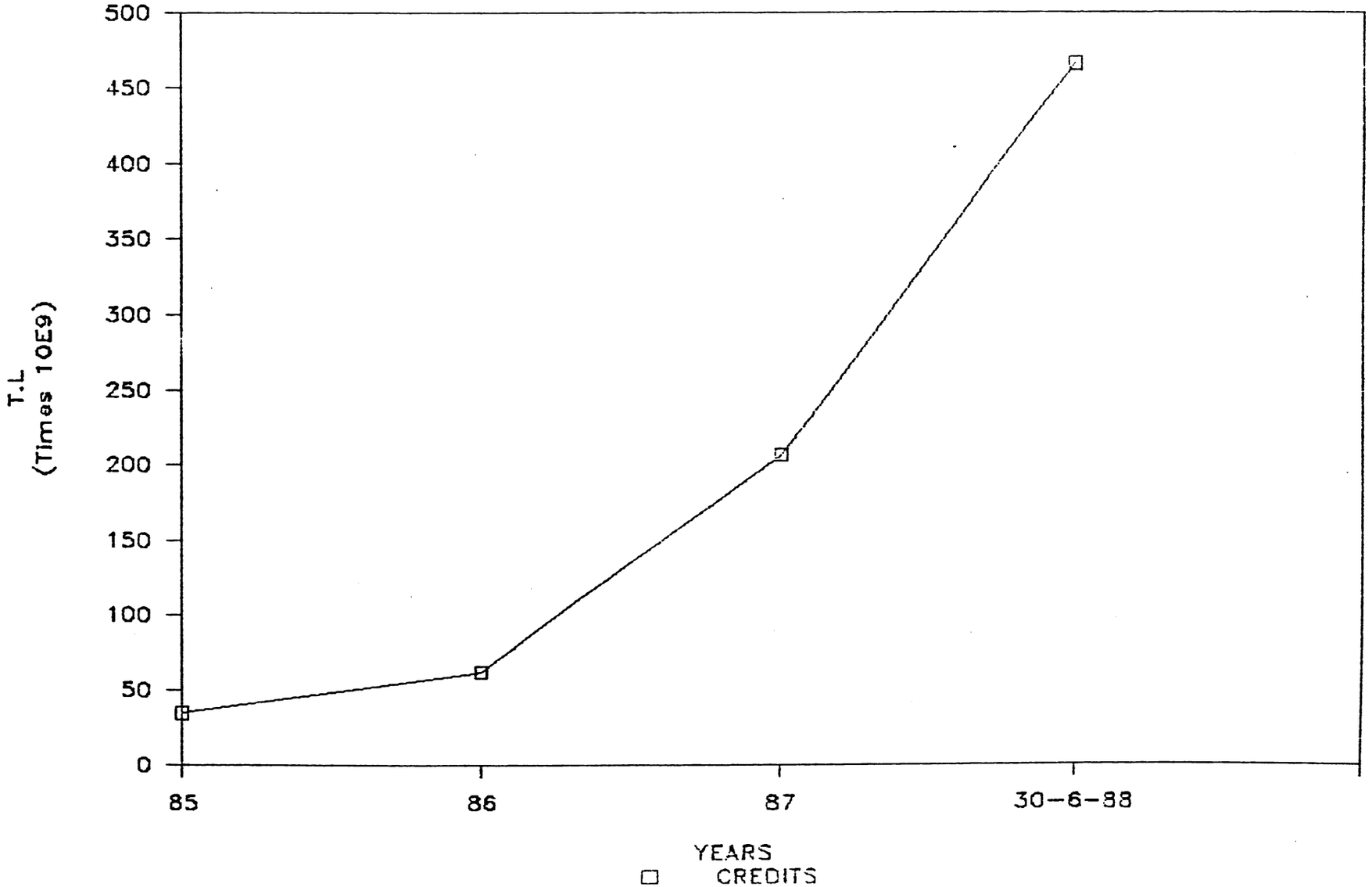
GRAPH 3.

DIST. OF TOURISM/INVESTMENTS RATIOS



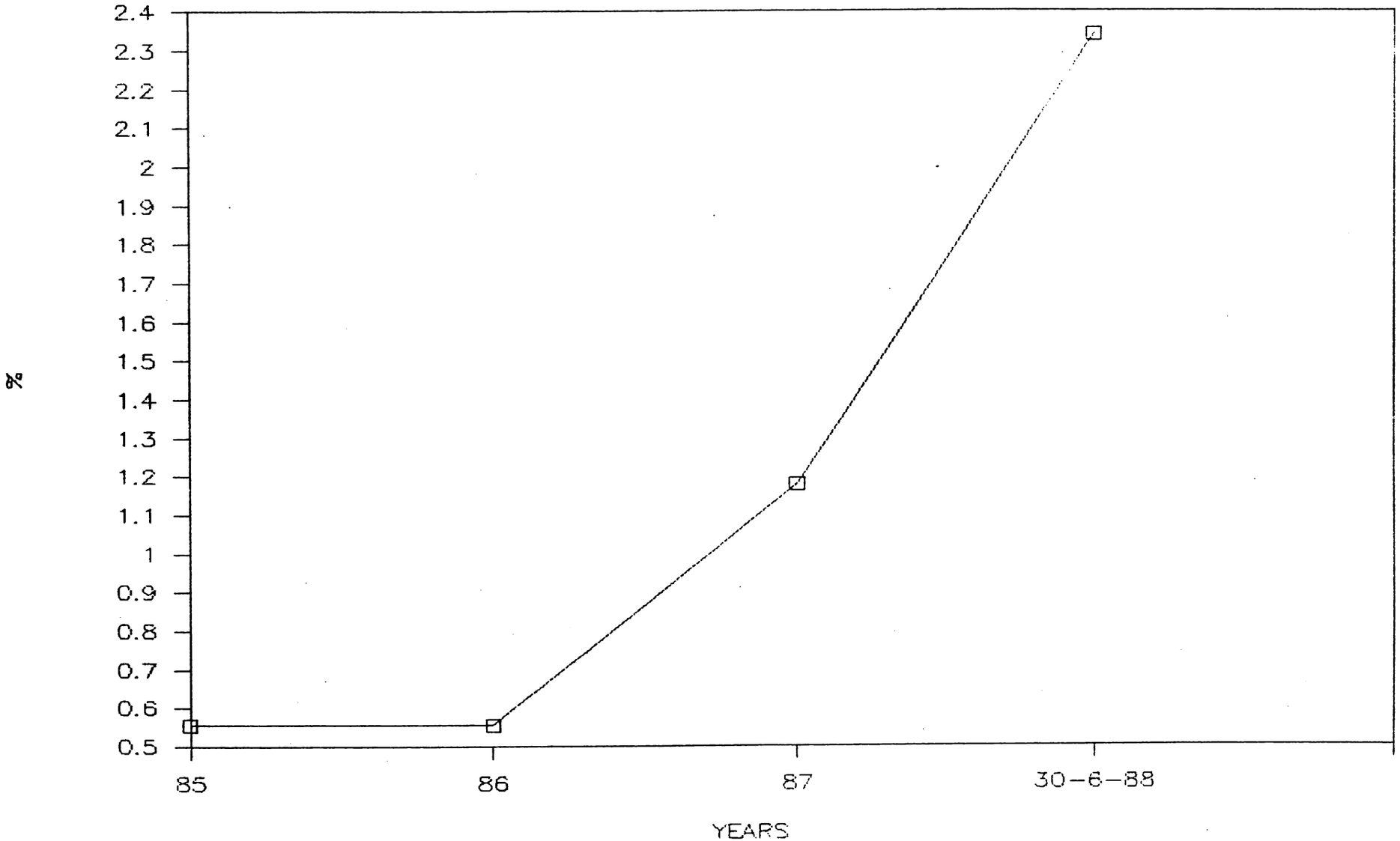
GRAPH 4

DIST. OF TOURISM CREDITS IN TURKEY



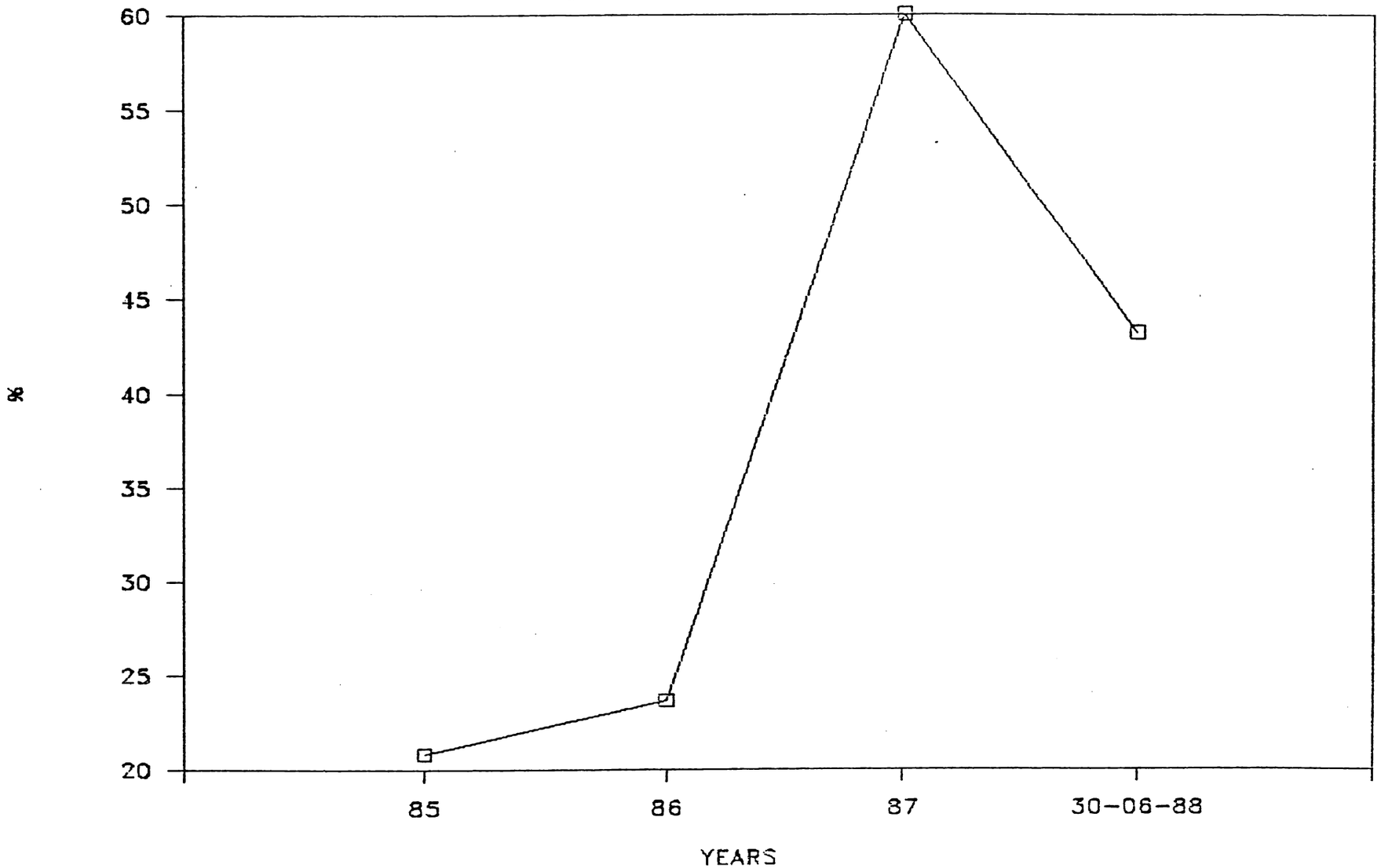
GRAPH 5

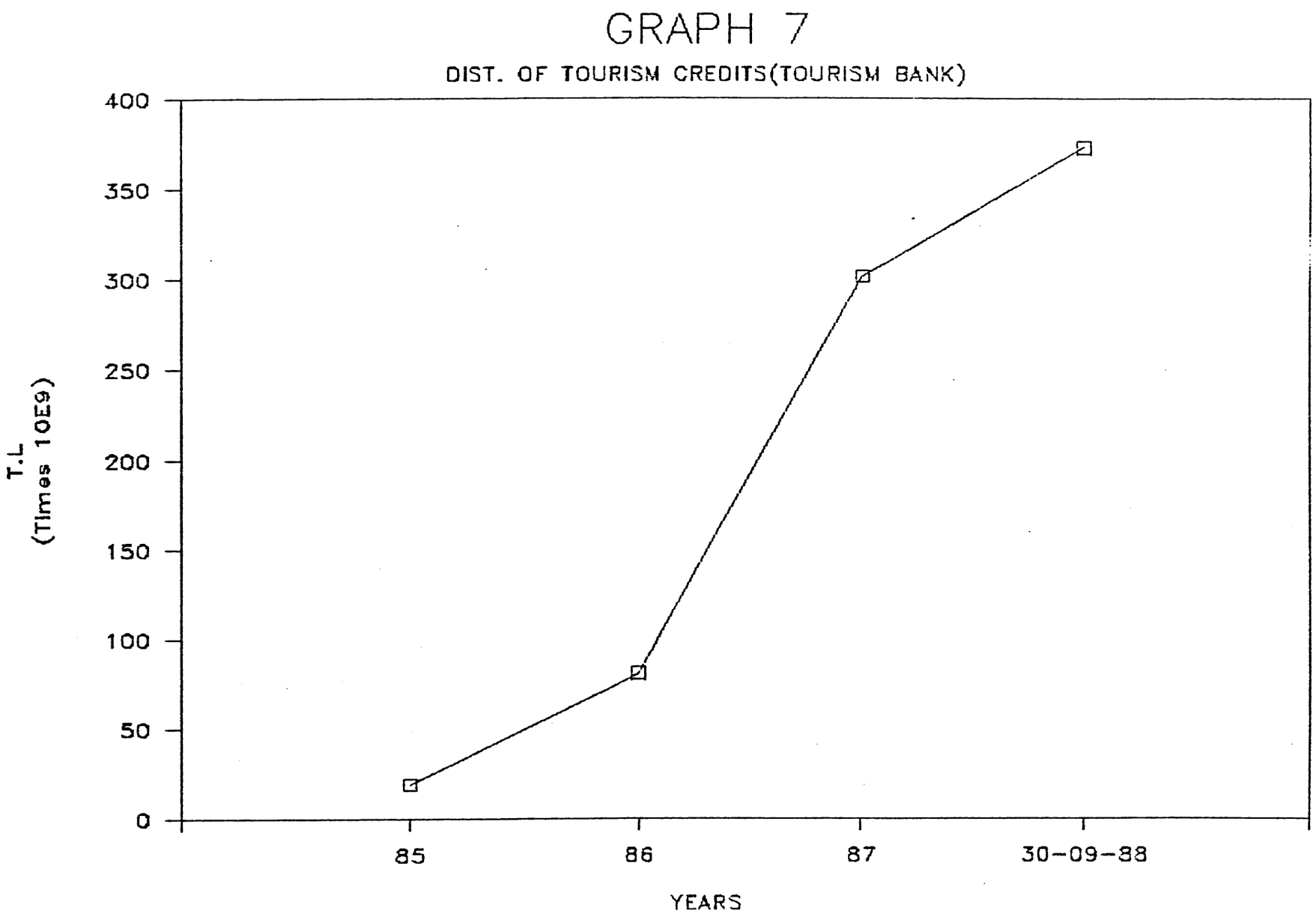
DIST. OF TOURISM/TOTAL CREDITS RATIOS



GRAPH 6

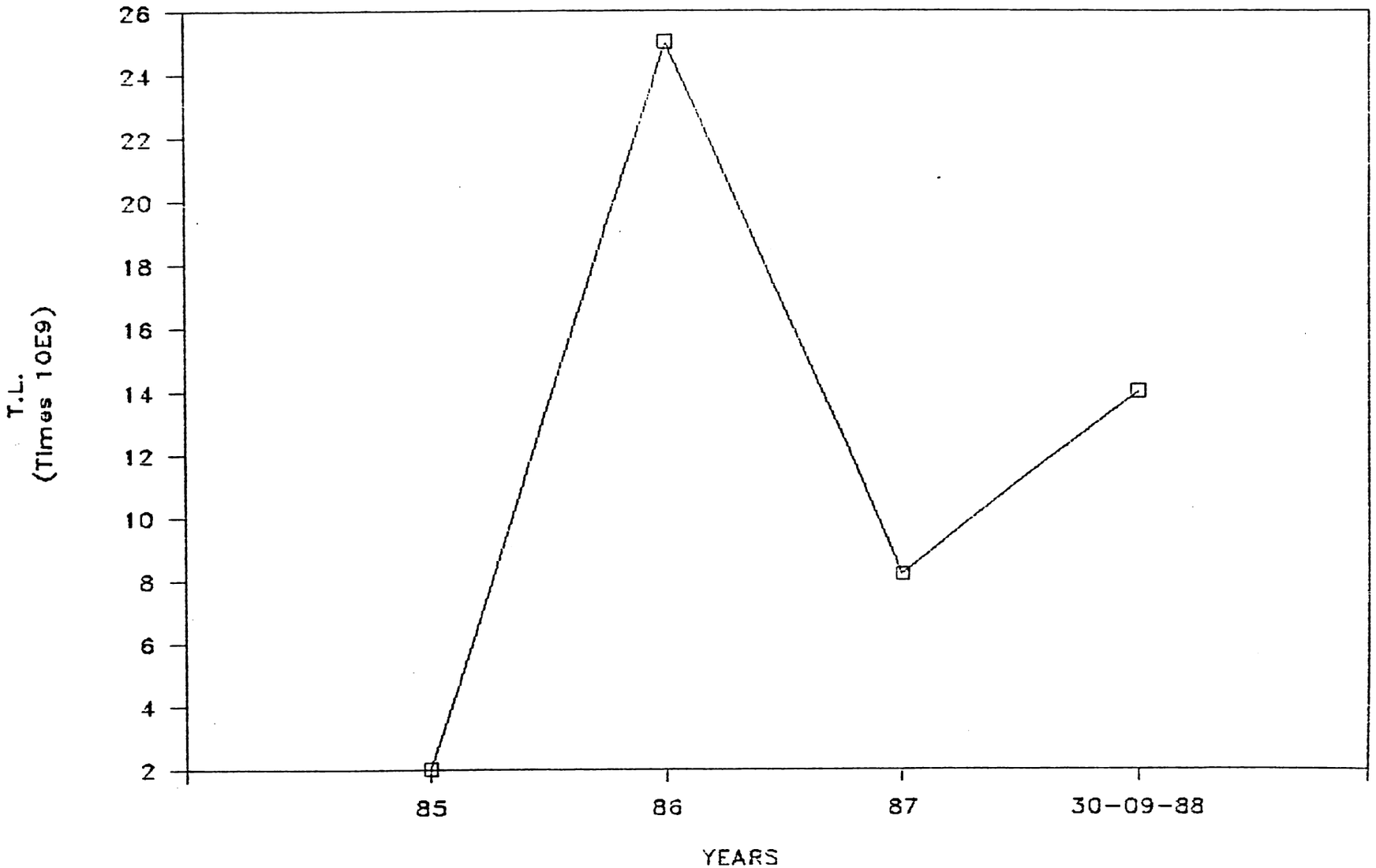
DIST. OF COVERAGE RATIOS




GRAPH 7
DIST. OF TOURISM CREDITS(TOURISM BANK)
400
350
300
250
200
150
100
50
0
T.L
(Times 10E9)
85
86
87
30-09-88
YEARS

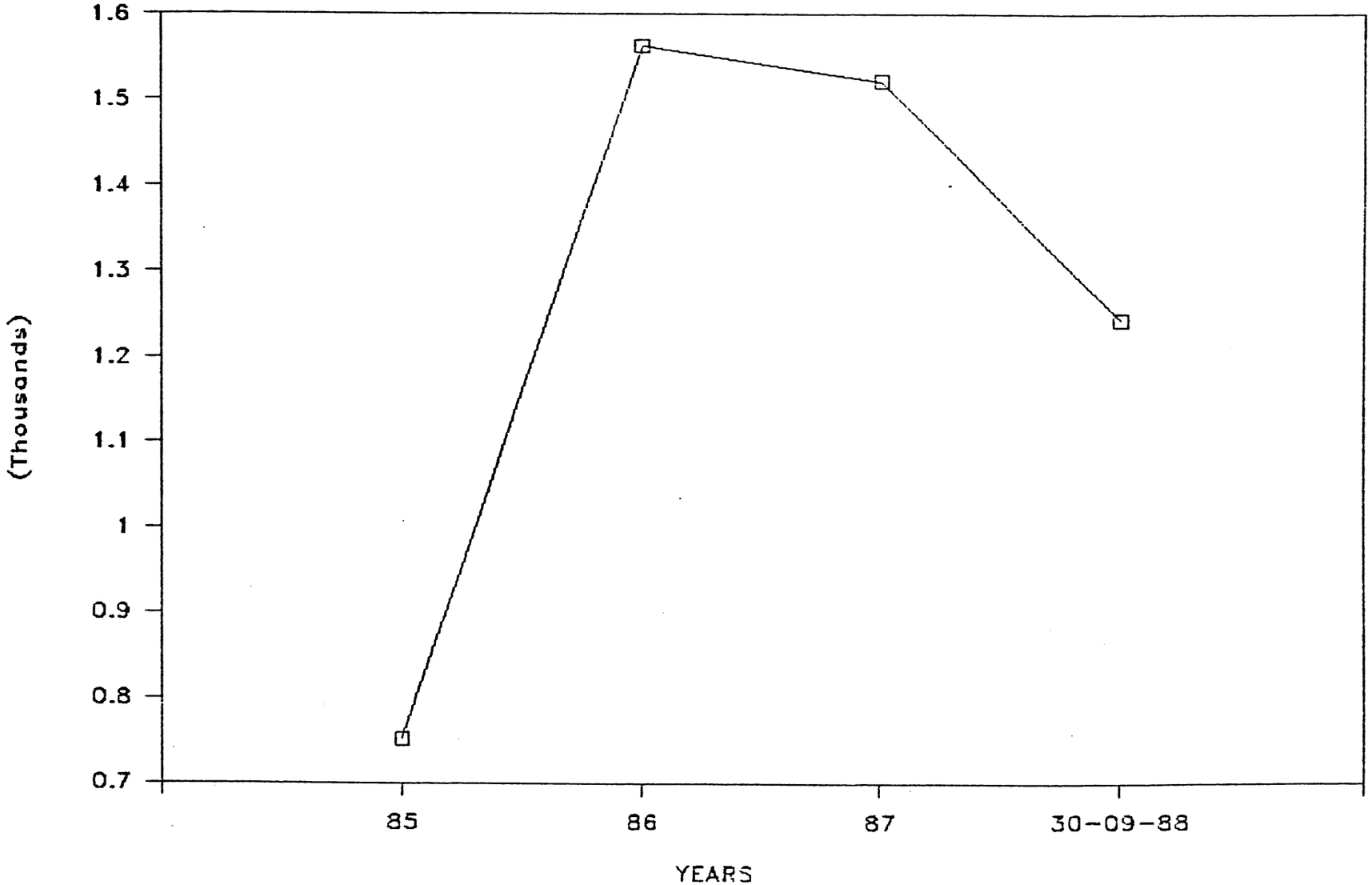
GRAPH 8

DIST.OF TOURISM CRED.(CENTRAL ANATOLIA)



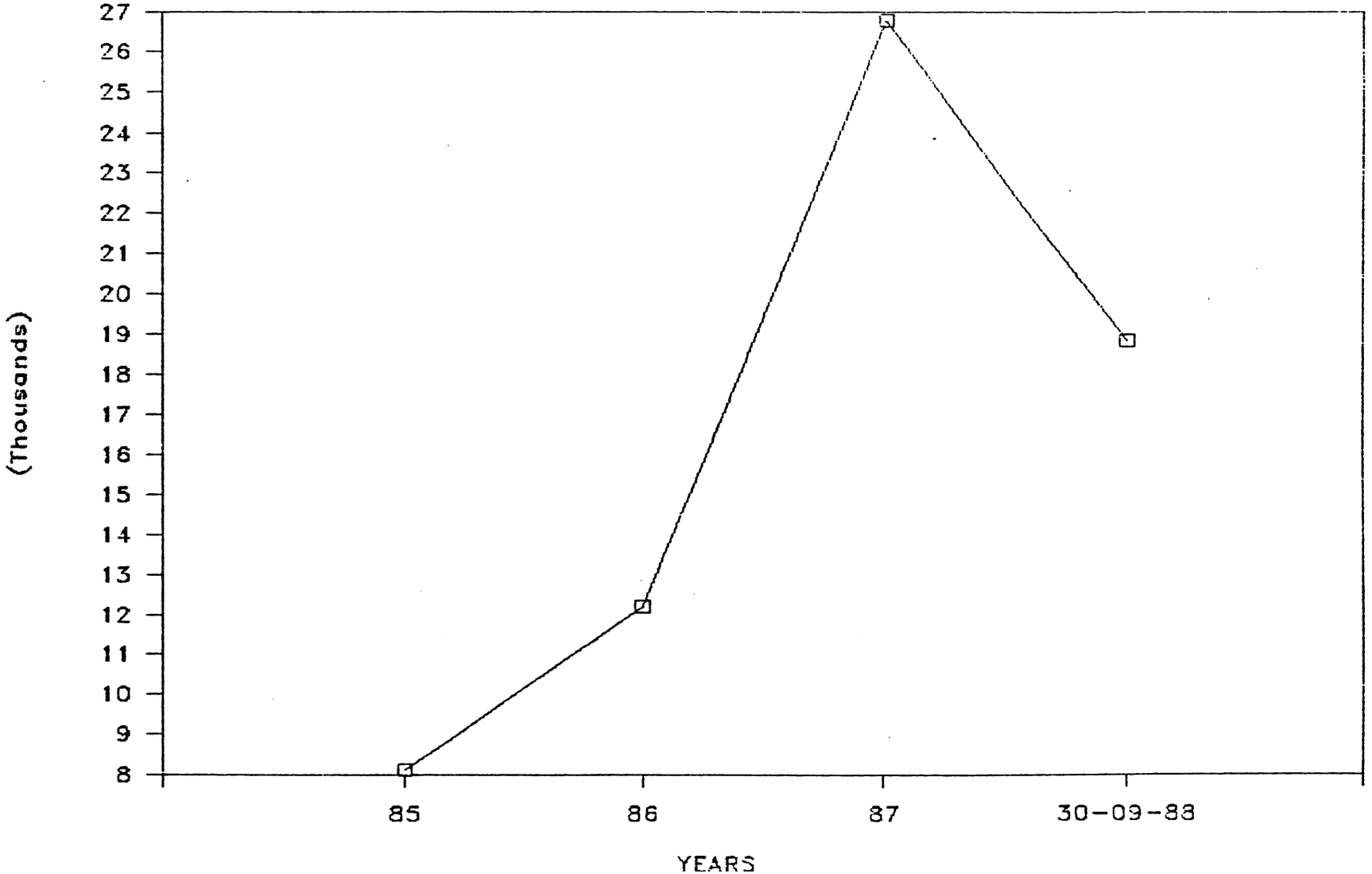
GRAPH 9

NUMBER OF BEDS IN CENTRAL ANATOLIA



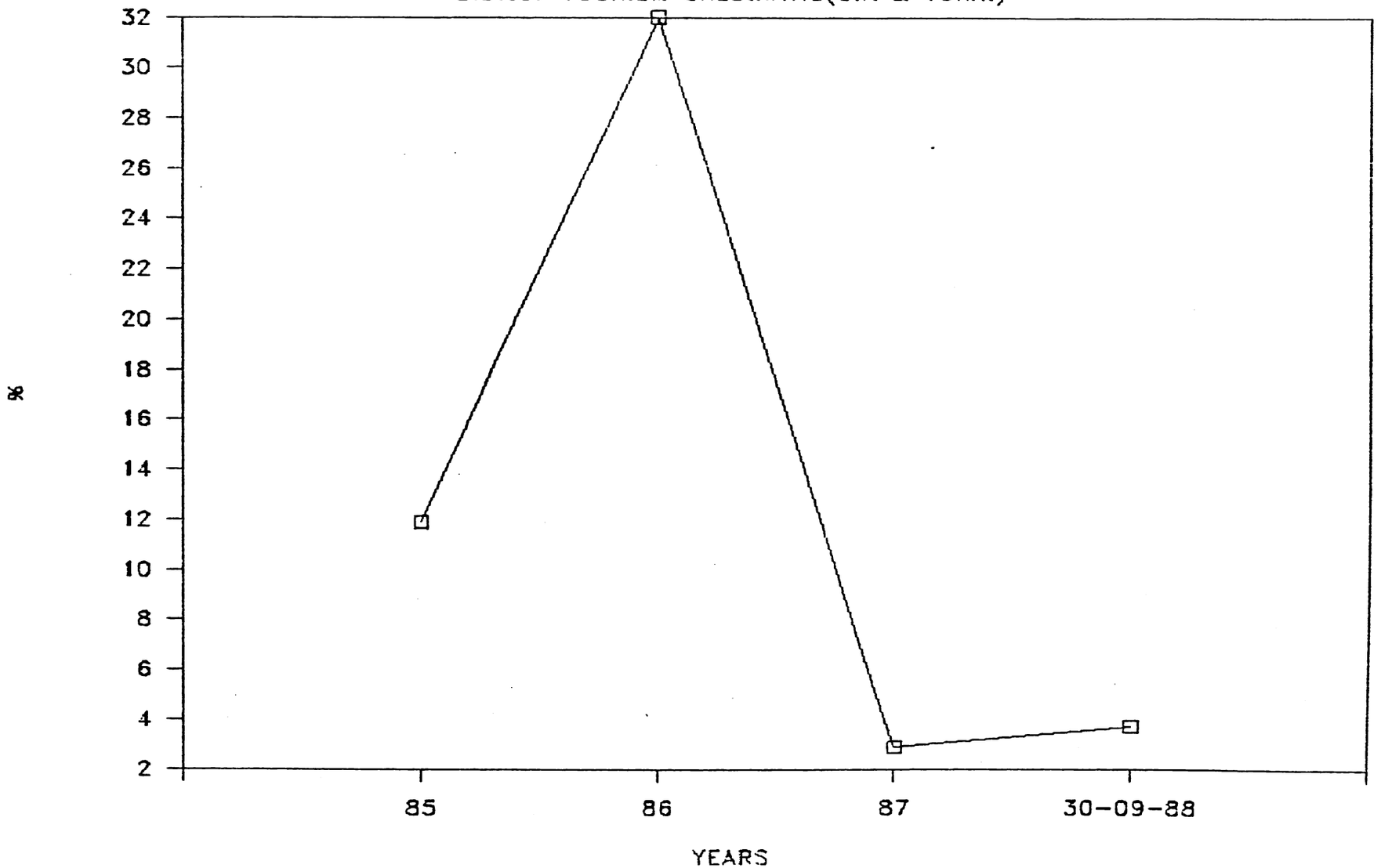
GRAPH 10

NUMBER OF BEDS IN TURKEY



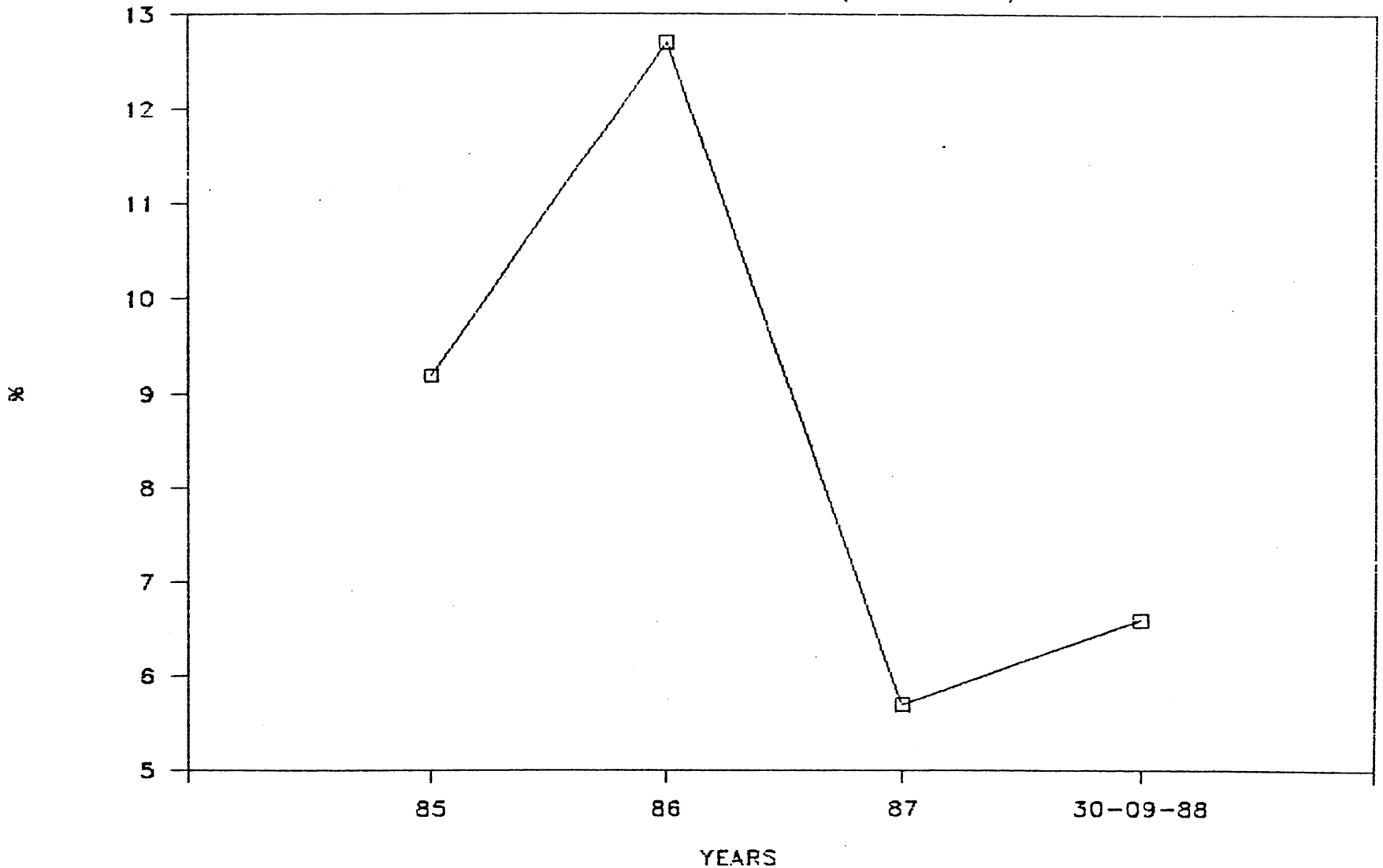
GRAPH 11

DIST.OF TOURISM CRED.RATIO(C.A & TURK.)



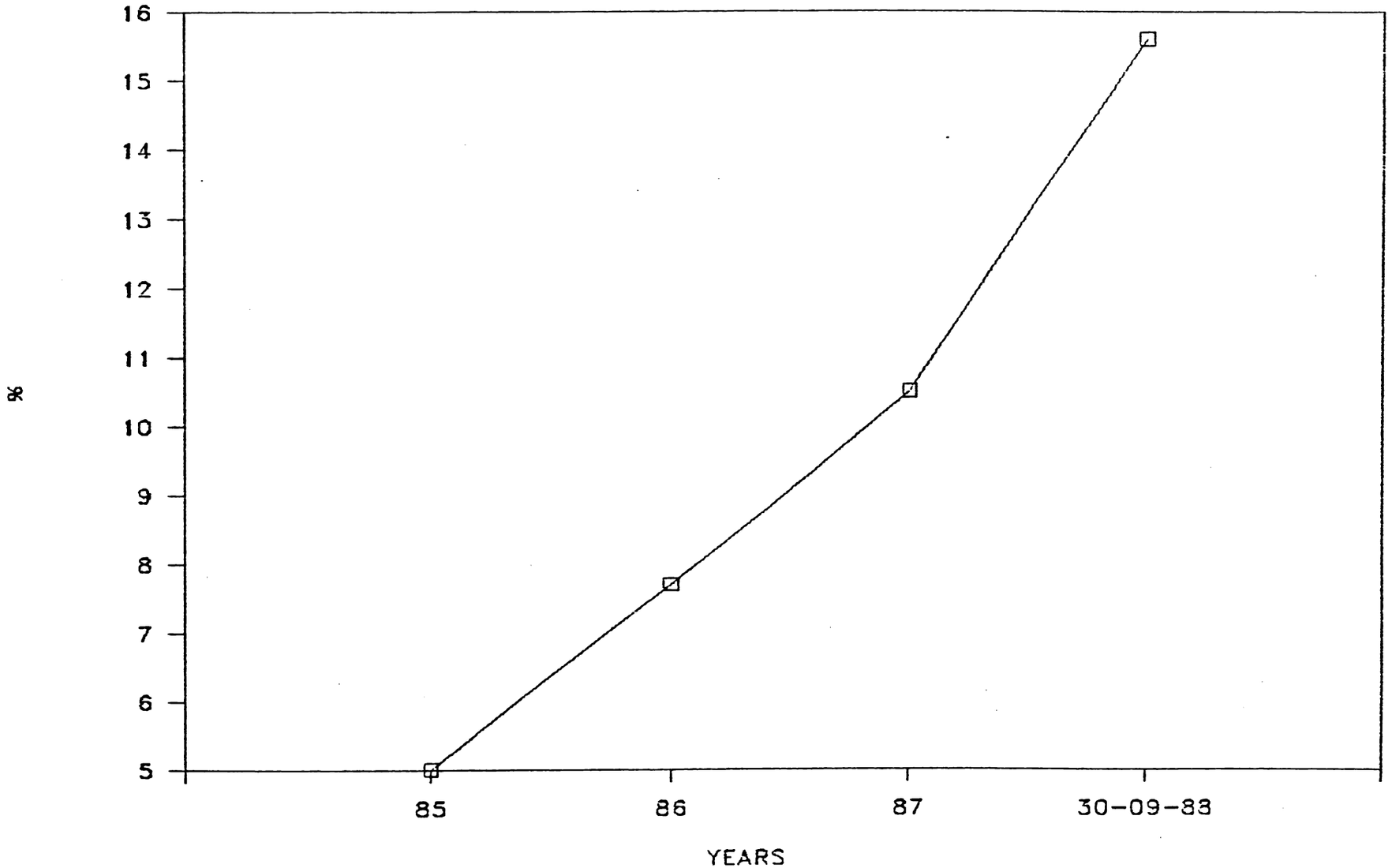
GRAPH 12

DIST.OF NUMB.OF BEDS RATIO(C.A & TURK.)



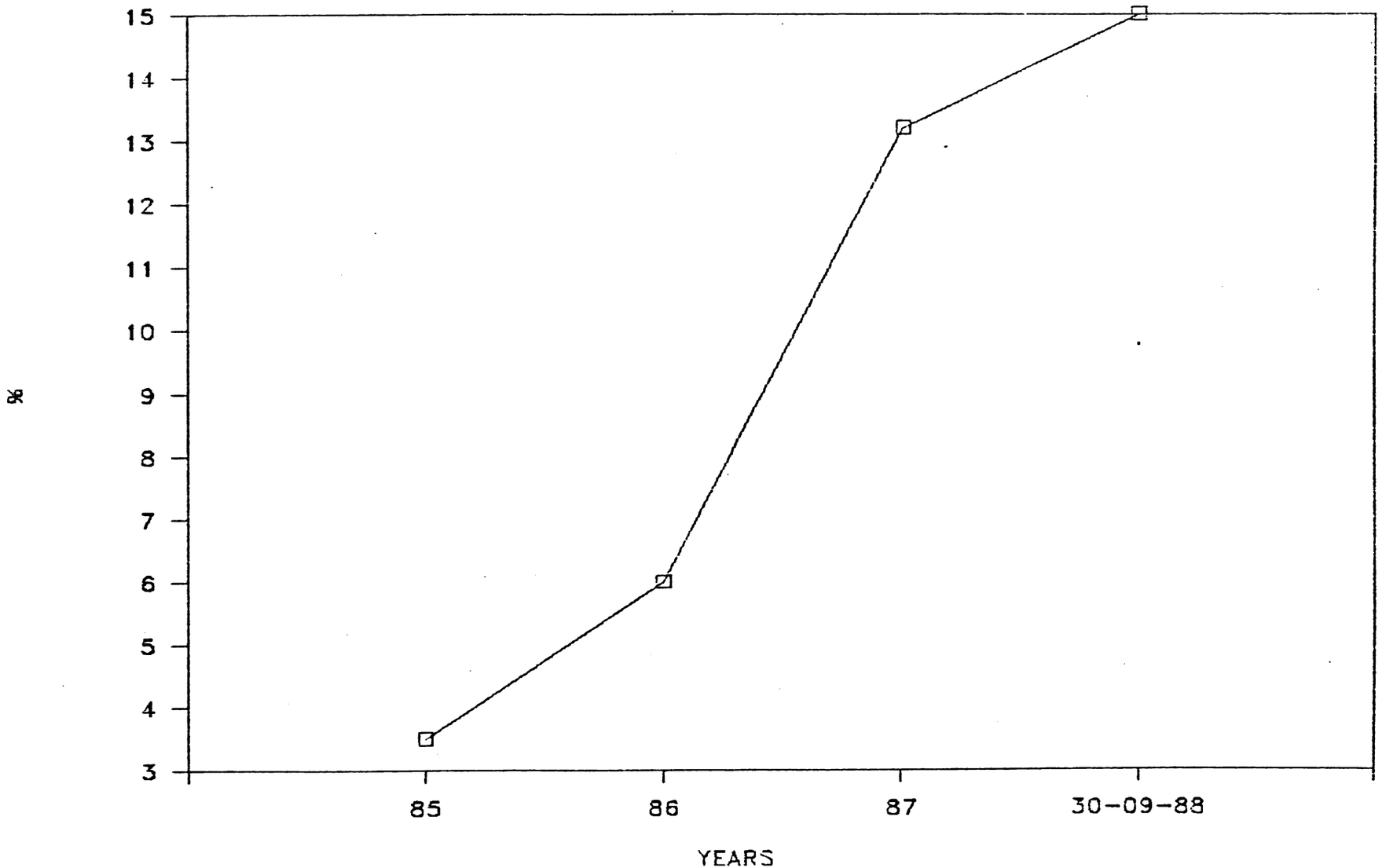
GRAPH13

DIST.OF NUMB.OF INCENTIVE LICENCES



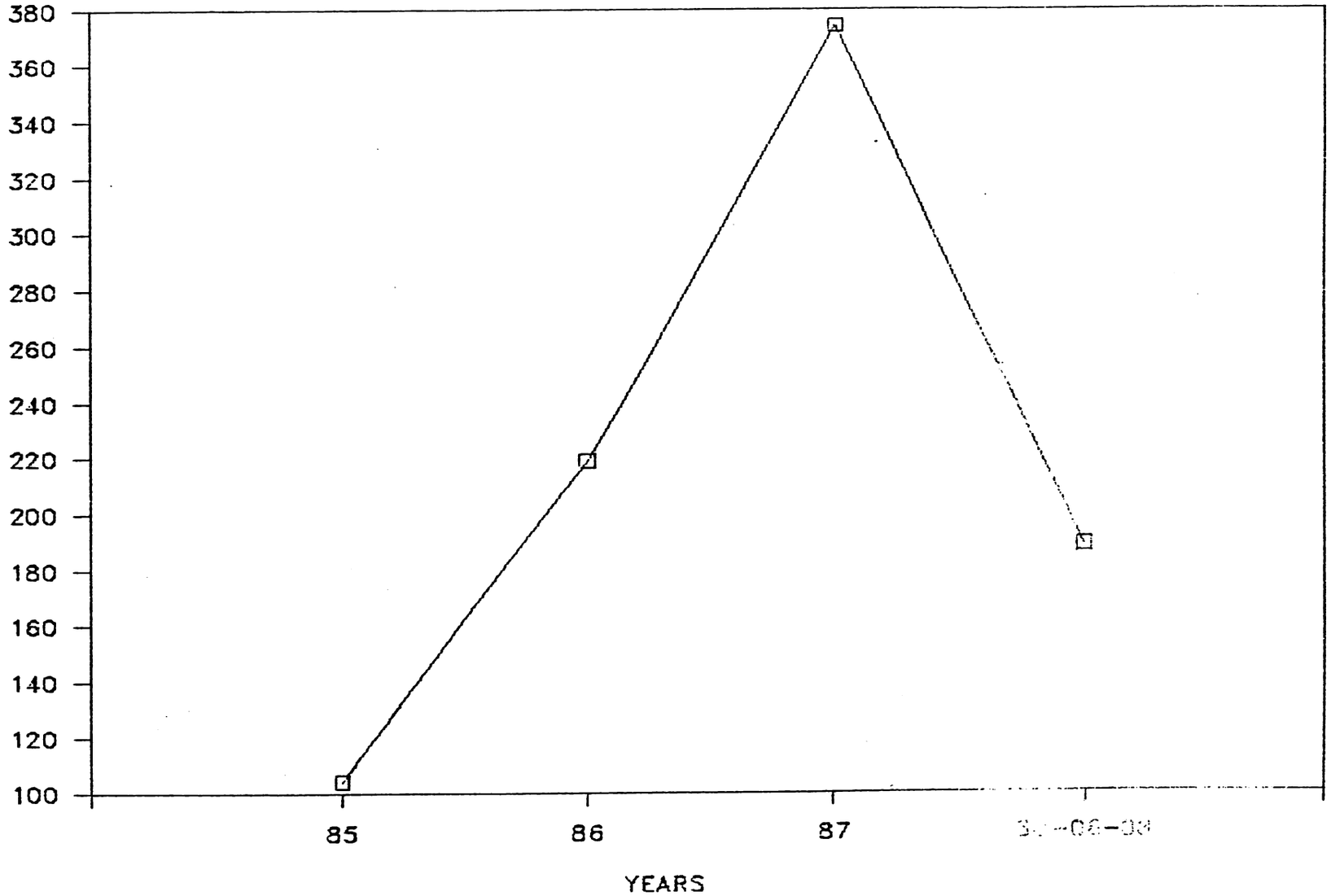
GRAPH 14

DIST.OF TOTAL INVESTMENTS RATIOS



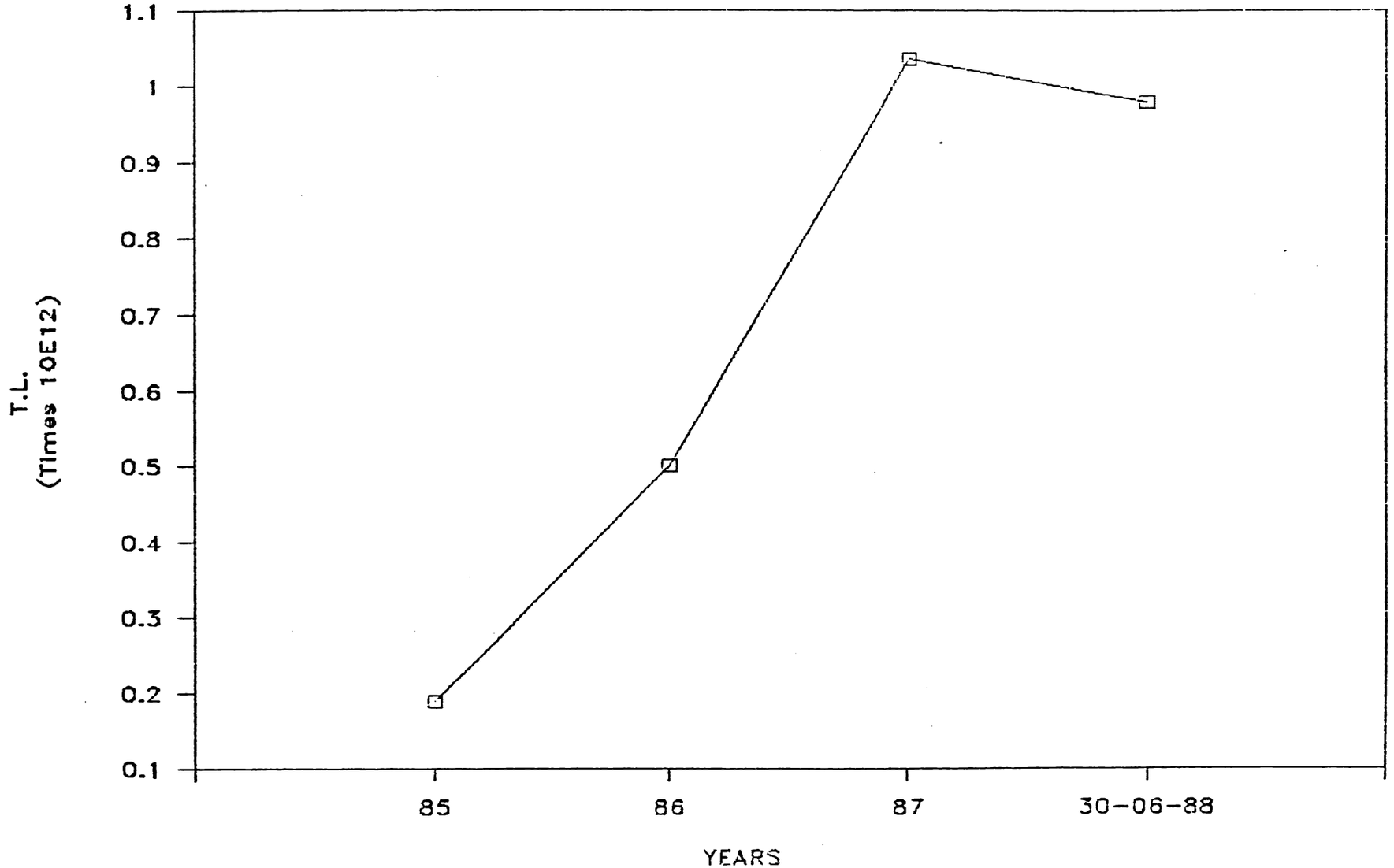
GRAPH 15

DIST.OF NUMBER OF INCENTIVE LICENCES



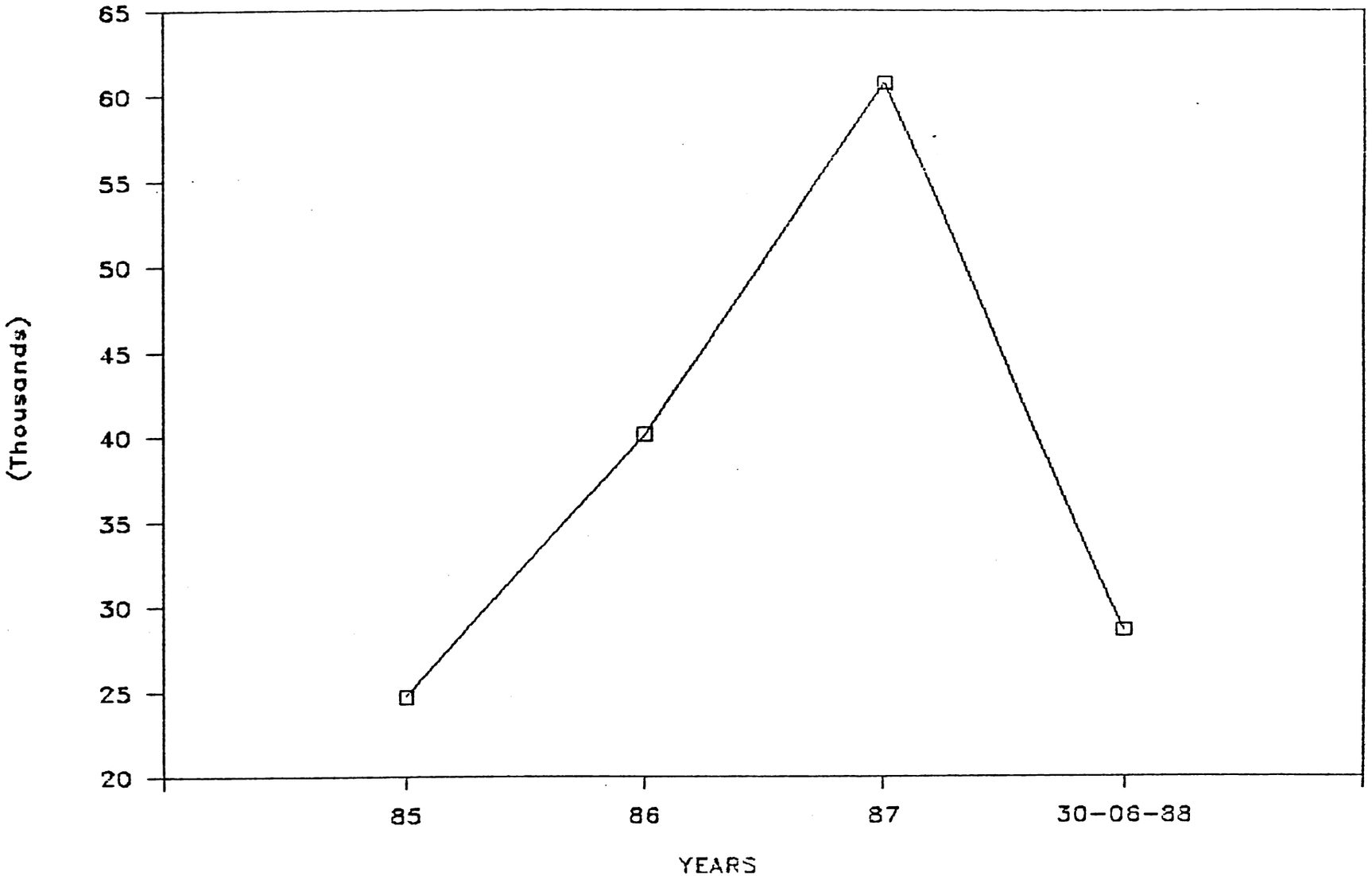
GRAPH 16

DIST.OF TOTAL INVESTMENTS



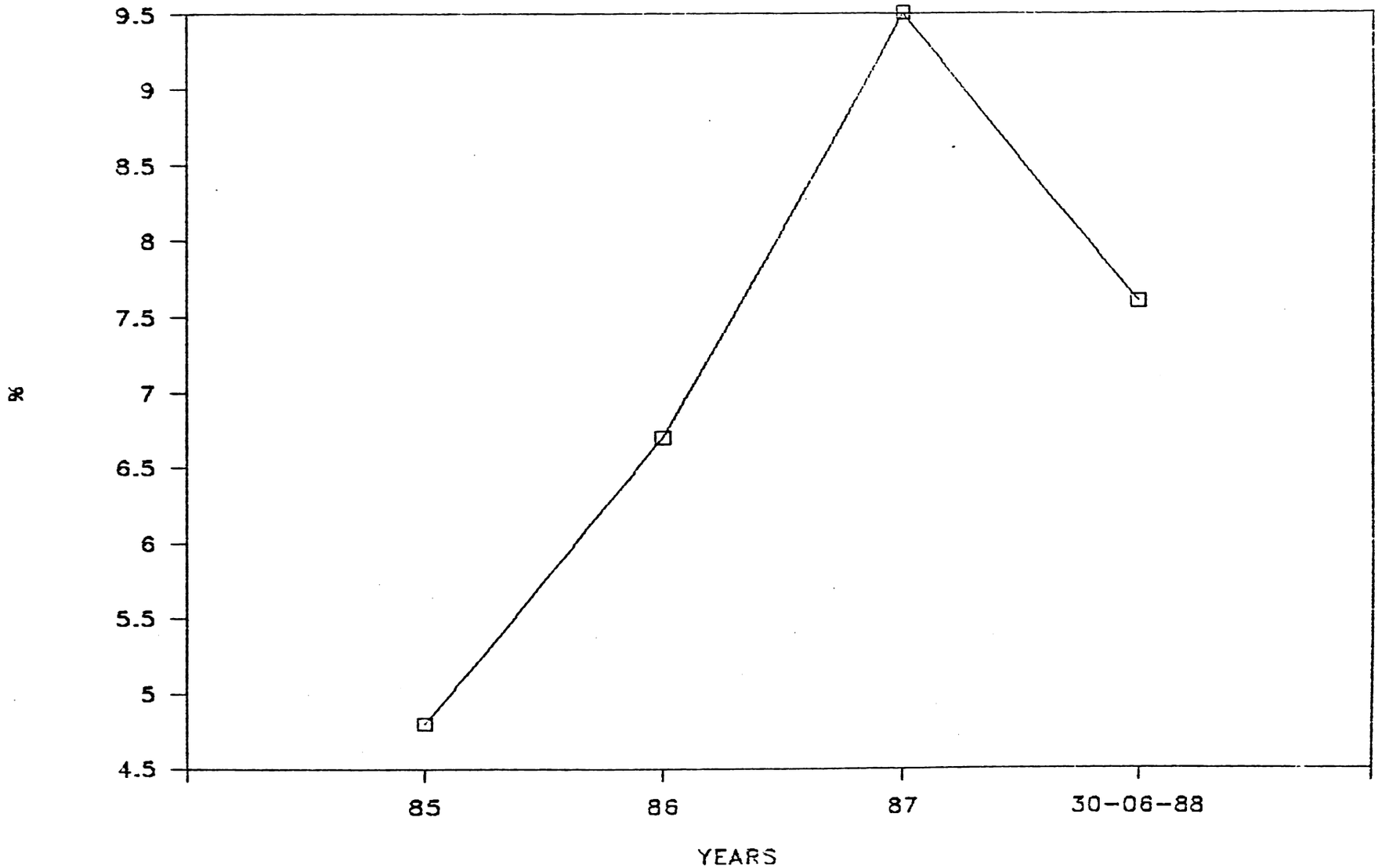
GRAPH 17

DIST.OF NUMBER OF BEDS



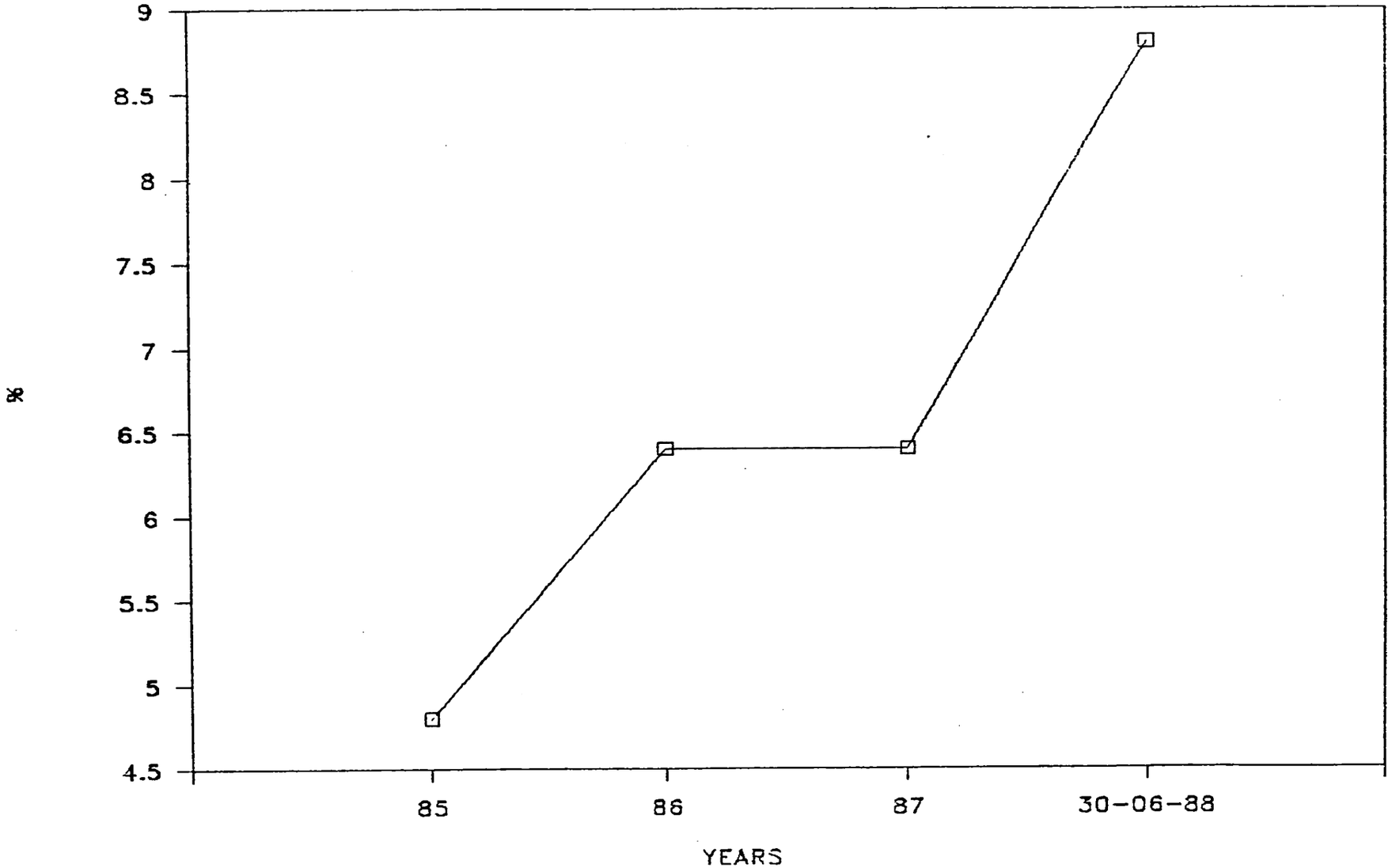
GRAPH 18

DIST.OF NUMB.OF FOREINGER FIRMS RATIOS



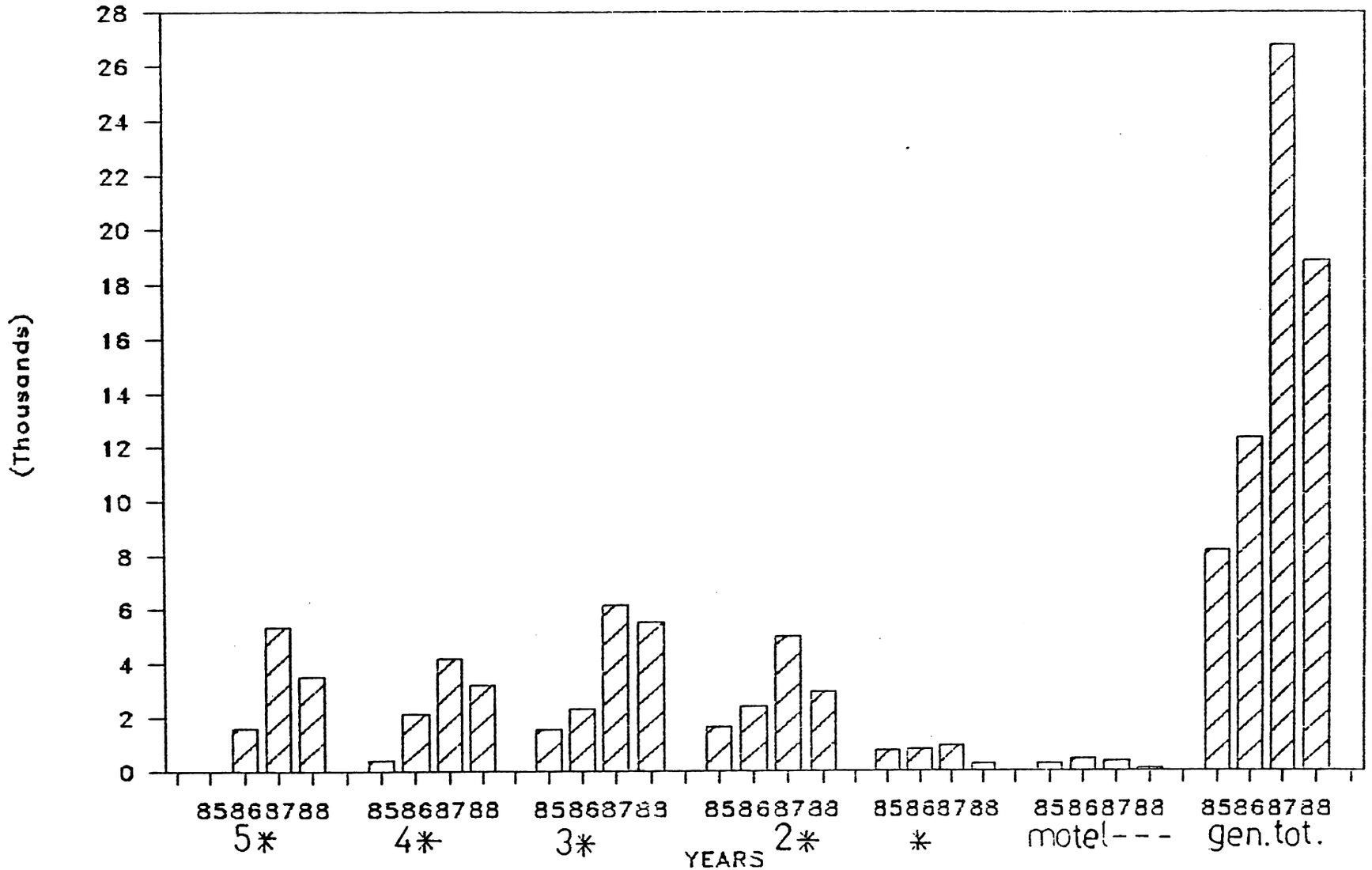
GRAPH 19

DIST.OF TOTAL FOREIGNER CAPITAL RATIOS



GRAPH 20

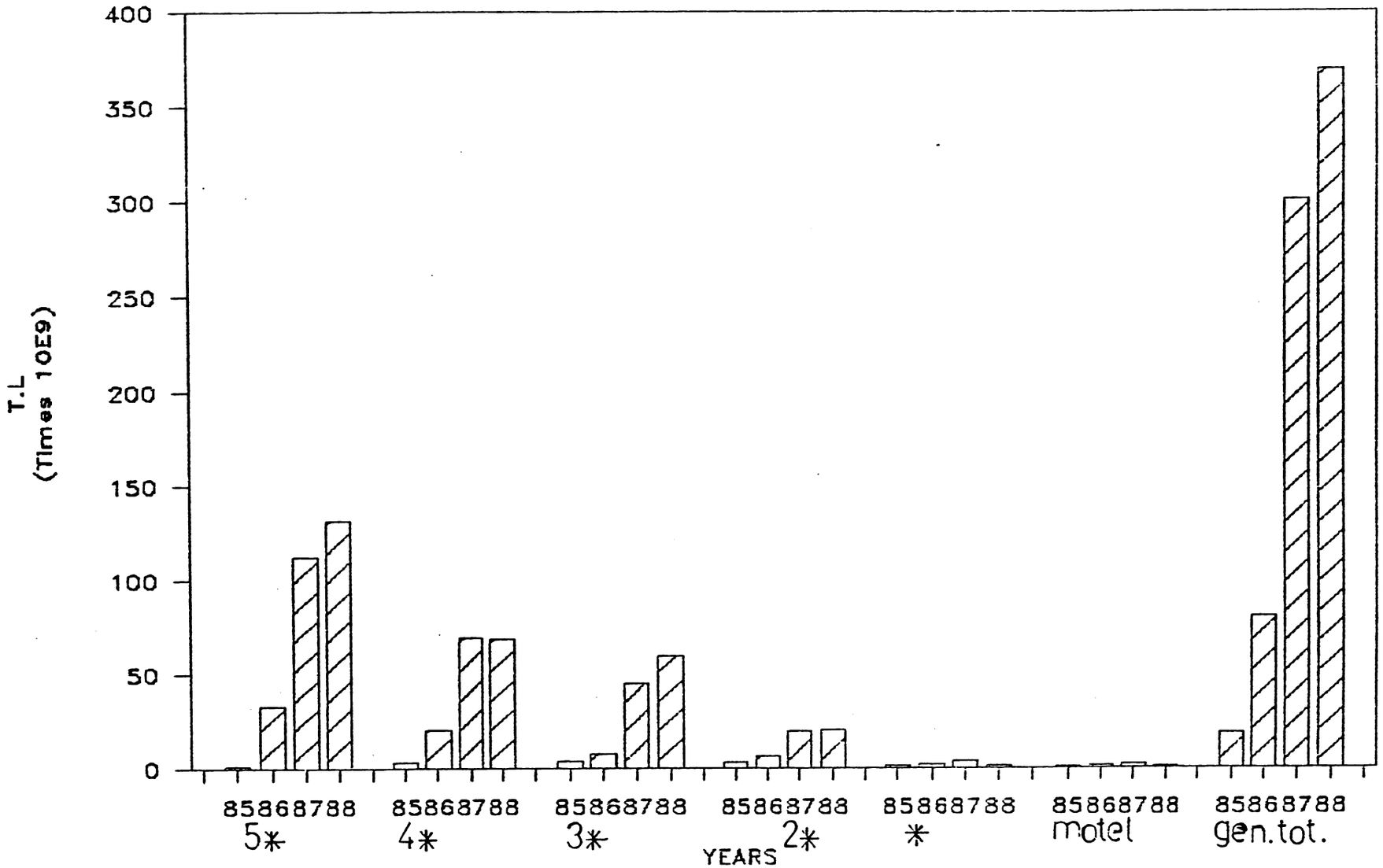
DIST.OF NUMB.OF BEDS BY CLASS & TYPE



end of 30-9-88

GRAPH 21

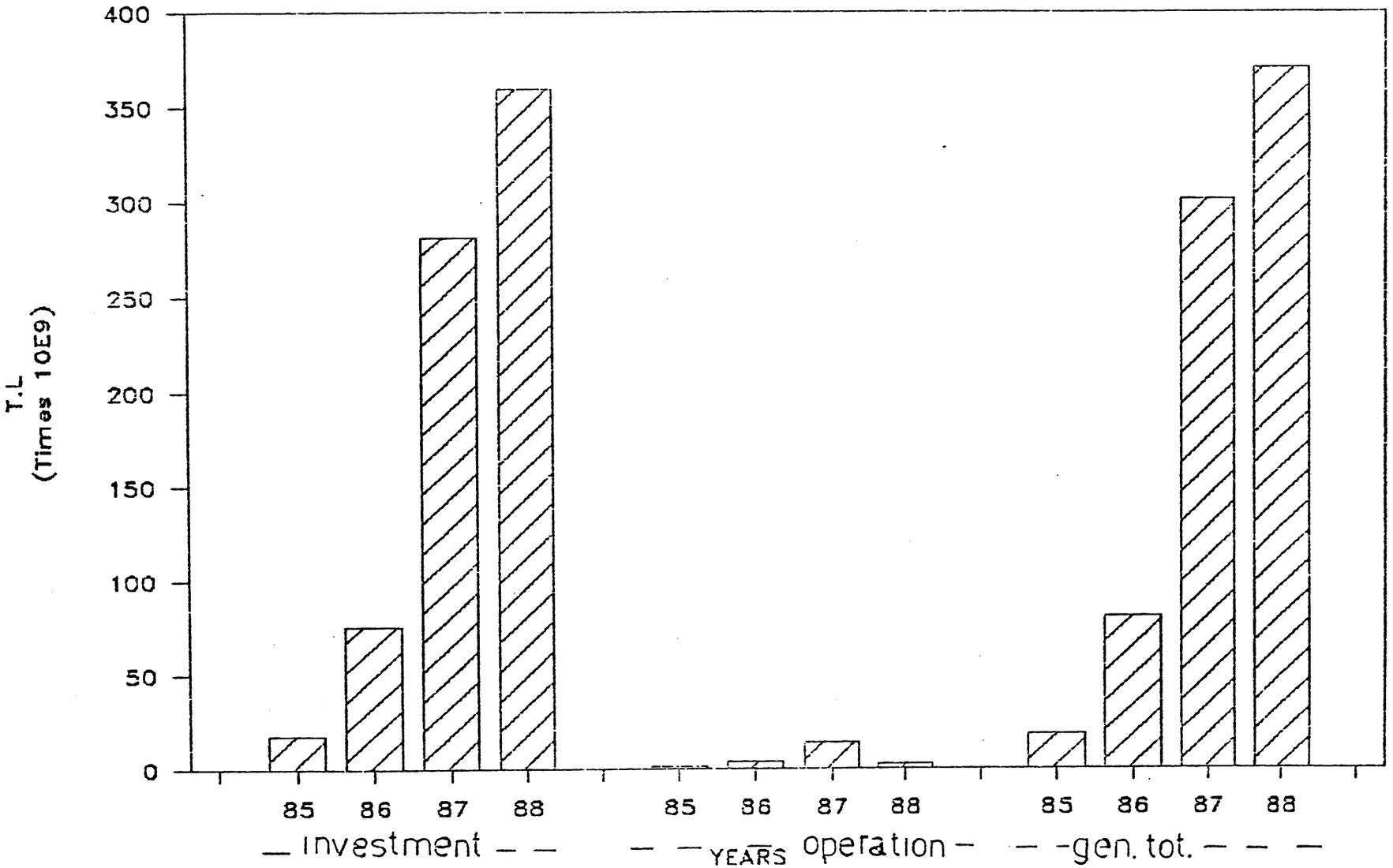
DIST. OF TOURISM CREDIT.BY CLASS



end of 30-9-88

GRAPH 22

DIST. OF CREDITS BY TYPES



end of 30-9-88