

THESIS  
ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

FOR REFERENCE

NOT TO BE TAKEN FROM THIS ROOM

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MERCHANDISING OF OLIVE OIL  
BY PRODUCER AND WHOLESALER

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Prepared for  
The Thesis Committee  
for the degree of M.A. in  
Marketing

by  
ALİ BAYKAL

Marketing Graduate

School of Business Administration  
and Economics, Robert College  
Istanbul, Turkey

1966

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Bogazici University Library



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**School of Business Administration and Economics, Robert College**

**Istanbul, Turkey**

**May 10, 1966**

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Gentlemen:

As the requirement of the Graduate Program of our School of Business Administration and Economics, I herewith submit my thesis that is a comprehensive report on "Merchandising of Olive Oil - by Producer and wholesaler".

This report describes and analyzes the marketing problems encountered in the merchandising of olive oil by the Western Anatolian olive oil producing factory establishments and firms, and the Istanbul wholesalers.

The report consists of five chapters, namely: introduction, nature of the commodity, merchandising problems in marketing of olive oil, analysis in competition, and conclusions and recommendations.

Also there is an appendix with tables and graphs. This report is a result of a long period of study, investigation, experience, discussions and interviews in relation with the topic of olive oil business that will be my future business career. I have deliberately included the relevant and specific data to specify the scope of the study. Since not much study is made in this very subject, I hope that this report will be useful to anybody interested in this field.

Finally, I would like to express my gratitude to Mr. Koç, Mr. Eldridge, and Mr. Erke for their help in the preparation of this report, as well as the other gentlemen whose names are mentioned in the Bibliography, that I have interviewed.

I hope that you will find this report accomplishes its purpose significantly.

Respectfully,

*Ali Baykal*

Ali Baykal  
Marketing Graduate



124012

# TABLE OF CONTENTS

	Page
I. Introduction . . . . .	2
A. Topic Defined . . . . .	2
B. Purpose and Significance . . . . .	3
C. Sources of Information . . . . .	4
D. Methodology . . . . .	4
E. Theoretical Aspects - Merchandising . . . . .	5
II. Nature of the Commodity . . . . .	8
A. Production of Olive Oil . . . . .	8
B. Standardization, Grading, Differentiation . . . . .	12
III. Merchandising Problems in Marketing of Olive Oil . . . . .	15
A. Product . . . . .	15
1. Production and Marketing Evaluation - Producer . . . . .	15
2. Quality . . . . .	17
3. Packaging . . . . .	22
4. Branding . . . . .	25
5. Inventories . . . . .	29
B. Prices . . . . .	34
1. Producer's Level . . . . .	34
2. Wholesaler's Level . . . . .	36
3. Price Analysis . . . . .	40
C. Promotions . . . . .	43
1. Advertising by Producer . . . . .	43
2. Advertising by Wholesaler . . . . .	44
3. Other Sales Promotions . . . . .	46
D. Market Organization . . . . .	48
1. Competitive and Substitute Oils . . . . .	48
2. Merchandising Policies . . . . .	50
3. Market Problems . . . . .	51
4. Legal Aspects . . . . .	54
IV. Analysis in Competition . . . . .	56
A. Producer's Market . . . . .	56
B. Wholesaler's Market . . . . .	61
C. Market Relation of Producer and Wholesaler in Merchandising . . . . .	67
V. Conclusions and Recommendations . . . . .	78
Appendix . . . . .	87
Bibliography . . . . .	103

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, İSTANBUL

PAGE

## I N T R O D U C T I O N

### Topic Defined:

The name of the paper is MERCHANDISING OF OLIVE OIL - BY PRODUCER AND WHOLESALER. The term 'producer' is used for the large olive oil producer (factory owner) in Edremit and Ayvalık region which is the main olive oil region of Turkey. The term 'wholesaler' is used for the the Istanbul olive oil wholesaler typically in Yağiskelesi. I have made a long study -trips, research, and interviews- in Edremit at the producers' level; the same study was also made in Yağiskelesi, at the wholesalers' level.

As to the organization of the paper, 'Nature of the Commodity' chapter analyzes the production, standardization, grading, and differentiation of the commodity in question. Since merchandising is my area of study, one major chapter on 'Merchandising Problems in Marketing of Olive Oil' covers this entirely under the sub-headings of product, prices, promotions, and market organization both at the producer's and the wholesaler's levels. Another chapter is the 'Analysis in Competition'

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 3

to analyze the market picture at both levels and to show the relationship of the producer and the wholesaler.

In the ''Conclusions and Recommendations'' part some generalizations and judgements will be arrived at. In the ''Appendix'' there will be some tables and graphs in connection with the topic. The Bibliography lists my primary sources of information, namely interviews with some businessmen in this business, and the secondary sources which are the library materials available.

## Purpose and Significance:

Purpose of this paper is to describe in an analytical manner the merchandising activities and policies of the olive oil producers and wholesalers and their market levels, with emphasis on the problems. So this is not a merely descriptive study on ''how's''; but there is an attempt to be as analytical as possible.

This paper can be useful and interesting for anybody interested in this subject, and for all the people in the olive oil business, considering that such a study has not been made on this specific topic. This view has been expressed by many businessmen I have talked to.



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 4

## Sources of Information:

My major source of information has been businessmen in Edremit and Istanbul who are real experts in this business on an intellectual level. With some of them I made long interviews and discussions. In general, it might be mentioned that this paper is not a product of a few months' study, but a result of long years' experience, investigation, observation, and analysis in the olive oil business.

## Methodology:

In my research, I both relied upon questions of specific nature and opinions of a more general character. Then I have co-ordinated, analyzed, and evaluated the material in a comparative form in the presentation. On the broad subject, only the merchandising phenomena and related issues are focused upon - after a refinement of all the information asserted.

In the methodology followed, there has been certain limitations and assumptions which can be listed as follows:

1. In general, the term 'producer' is to denote the average olive oil factory owner in Edremit area, rather than the small producer who does not operate his plant.
2. The term 'wholesaler' is to denote the average olive oil wholesaler in Istanbul. Olive oil wholesalers' stores can be typically seen in Yağiskelesi in Istanbul.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 5

3. In the whole discussion, pure and natural olive oil business is emphasized more than the mixed and refined olive oil business.

4. Our place in the marketing channel is the producer's (who also acts as the first wholesaler) and the wholesaler's levels, in two distant geographical locations.

5. Pure description in narrative form is not intended; but rather problems and 'why's' are searched for analytically.

6. As to the competition at the two market levels, the wholesaler's market is argued to be more competitive than the producer's. This will be analyzed in one chapter in depth.

7. Nature of the commodity part of the paper will help to yield some background information of a general nature on the subject.

8. A search for unbiased information is the general theme of my methodology.

9. Conclusions and recommendations, finally, will bring the whole analysis to a logical series of generalizations in relation to the merchandising of olive oil.

## Theoretical Aspects - Merchandising:

It is necessary to define the critical term 'merchandising' on which the whole study is based upon. There are various definitions and connotations of this term, among which are stock control activities, co-operation efforts in advertising and promotions, buying and selling activities etc.

# THE S I S

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 6

On the whole, merchandising is visualized as the primary marketing function, which is followed by the other functions: buying, selling, transportation, storage, standardization, grading, financing, and risk taking. It is in turn related to all these marketing functions.

American Marketing Association defines merchandising as:

"The planning and supervision involved in marketing the particular merchandise or service at the right places, times, prices, and quantities which will best serve to realize the marketing objectives of the business."<sup>1</sup>

In this definition the four 'rights' of marketing are mentioned.

Another definition is:

"Merchandising -also known as product development- refers to the activities of manufacturers and middlemen which are designed to adjust the merchandise produced or offered for sale to consumer demand."<sup>2</sup>

"Probably the basic task of merchandising is product planning, including decisions on quality and extent of line; size, form, appearance of the product; quantities to be produced or purchased and inventory controls in relation; timing of production or purchase; labelling, branding, packaging of product; and the addition, elimination, shifting off product lines; plus finally the development of new products"<sup>3</sup> is what C.F. Phillips and D.J. Duncan argue.

- 1/ C.Duddy and D.Revzan, Marketing (Toronto, London: Mc.Graw-Hill Book Co., 1953) p. 34.
- 2/ C.F.Phillips and D.J.Duncan, Marketing (Homewood, Illinois: Richard D.Irwing Inc., 1964) p. 568.
- 3/ Ibid. p. 568.

# THE S I S

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 7

According to Duddy and Revzan, merchandising has some component parts (which are covered in this paper):

'Component elements of merchandising are: 1. Product or product services -product development, specialization versus diversification, branding, packaging, labelling, guarantees and services in relation. 2. Organization structure and services. 3. Sales promotion techniques. 4. Prices and terms of sale. 5. Physical arrangement and display of goods offered for sale.'<sup>4</sup>

These definitions show the scope of merchandising; furthermore in another view merchandising connotes the following:

'The use of strategy by either sellers and buyers or both working together in order to secure the advantages of innovation.'<sup>5</sup>

All of these definitions are considered to form the theoretical framework of the paper, with some further study of the nature of the commodity on one hand and market analysis in competition on the other. Especially, however, the definition of merchandising by Duddy and Revzan is taken as the basis in the chapter on the merchandising problems in marketing of olive oil. Here, the component parts of merchandising (product-prices-promotions-market organization) are analyzed. These all brought together will compose a complete study on 'Merchandising of Olive Oil - By Producer and Wholesaler'.

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4/ C.Duddy and D.Revzan, Marketing (Toronto, London:Mc.Graw-Hill Book Co., 1953) p. 38.

5/ Ibid. p. 35.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE

## N A T U R E   O F   T H E   C O M M O D I T Y

### Production of Olive Oil:

Olive is the fruit of the olive trees covering the Eagean -Edremit, Ayvalık, Burhaniye, İzmir, Aydın- and some Mediterranean and Marmara regions of Turkey. Olive oil industry is centered in Edremit-Ayvalık region in this country; while İzmir market is considered as the "'bourse'" of olive oil. Istanbul is the second important olive oil market in Turkey.

It is estimated that there are 60 million olive trees in the country. The average annual olive oil production is around 80,000 tons; domestic production of olive oil fails to meet the increasing consumption. This argument holds true for the entire production and consumption of vegetable oils as well. This gap between production and consumption is to be filled with vegetable oil imports in the short-run.

Olive oil production figures are quite unreliable in Turkey, "'because of the dispersion of production units (factories) and

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, İSTANBUL

PAGE 9

the speculative character of the olive oil market.<sup>6</sup> The estimates tend to vary on a large scale. (In the Appendix, tables and graphs of olive oil production, consumption; vegetable oil production, consumption; and other relevant data can be found.)

The most reliable figures of olive oil production of Turkey are those of DPT (Government Planning Organization), IGEME (Export Promotion Research Center), and Mahir Çelakoğlu which are recorded from 1951 on:

## OLIVE OIL PRODUCTION IN TURKEY

<u>YEARS</u>	<u>PRODUCTION</u>	<u>INDEX</u>
1951	38.8	
1952	66.3	
1953	44.0	
1954	83.2	100 (1951-56)
1955	40.8	
1956	89.5	
1957	43.2	
1958	90	
1959	66	135 (1956-60)
1960	79	
1961	119.5	
1962	56.3	162 (1960-63)
1963	90	
1967	98 (estimated)	

Figures are in terms of 1000 tons.

Source: Melih Tümer, Türkiyede Yağ Arz ve Talebi, Report prepared for Istanbul University (İstanbul, 1965)

Linear trend of increase in yearly olive oil production has been

6/ Melih Tümer, Türkiyede Yağ Arz ve Talebi, Report Prepared for Istanbul University (İstanbul, 1965) p. 7.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 10

calculated by Dr. Melih Tümer in his report on oil supply and demand in Turkey. This he found to be  $(Y = 69.7 - \frac{1}{3282} X)$ , where Y is the amount of yearly olive oil production that depends upon the independent variable X that is a critical index. "In general it can be noted that the olive oil production of Turkey is increasing in a fluctuating pattern. In 1962, there were 592 olive oil factories, 820 hydraulic presses, and 1137 various other presses in the country. (In the Appendix there is further information on this subject.) However this rate of increase has to be accelerated."<sup>7</sup>

A comparison of the production figures above with the major olive oil producing countries shows that -in 1962- when Turkey's production was around 56,000 tons, this was 310,000 tons in Spain and 300,000 tons in Italy. On the whole, Turkish figures fluctuate periodically.

The scope of olive oil production can be briefly reviewed. Olive oil factory managers process the olives obtained from their own trees or purchased from other olive producers. They process the olives, respectively, on their own account or for someone else. Then the producers may sell the olive oils to some wholesaler or retailer. (In this paper, the large producer -factory manager- is focused upon)

Annual olive crop is the major determinant of the olive oil production during that period. Since scientific methods are not applied in both olive and olive oil production in Turkey, it can be

<sup>7/</sup> Ibid. p. 11.



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE //

argued that both the production and productivity of these is low.

It is seen that the small producer is the one who owns olive trees but no plant; while the large producer may or may not own olive trees to supply the raw material olives, but operates his plant. At the next stage, the wholesaler -located in a mass consuming center- buys the olive oils from the small and the large producers, to sell to the retailers. This broadly draws the marketing picture that is analyzed in this study.

Considering that olive oil production in Turkey has to be developed and improved, the Five Year Plan regards this development as a long-run objective to fill the gap between production and consumption in the first place. This would require 74 additional olive oil factories to be constructed with some 18.5 million TL of investment. Furthermore improvements of production methods, storage facilities, and transportation problems should also be considered in this context to improve the present situation in quantitative and qualitative terms.

"In questioning the olive oil and vegetable oils industry and problems in relation with the increased consumption versus the relatively limited production, some reports and seminars have touched the subject. Every effort in this direction is most likely to yield successful results, and it is hoped that Turkey

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE /2

will be able to fill the gap between production and consumption.<sup>18</sup>  
To increase production by 10 per cent would be a realistic short-term goal. Nevertheless in the long-run, various expansions, improvements, and modernizations would have to be made in the industry as a whole. The long-run objective is to cease to be an oil importing nation, but rather to be an olive oil exporting country.

Government policy is to encourage olive oil exportation. Yet there is no olive oil surplus in the country; exports are possible only by shifting the olive oil consumption habit of the people to consumption of other vegetable oils. In any case, increasing production and productivity seems to be the only solution for the olive oil industry and the country.

## Standardization, Grading, Differentiation:

Olive oil is the oil of the olive fruit which is composed of water, oil, proteins, celluloses, and some other elements in the chemical analysis. Olives are pressed and processed in the olive oil factories, and then the chemical refinement is made. The finished oils are standardized and graded as to different qualities.

Olive oils can first be differentiated and classified -as to the nature of the commodity- in three groups:

### 1. Pure and Natural Olive Oils

8/ Türkiye Ticaret Odaları, Sanayi Odaları, ve Ticaret Borsaları Birliği, Türkiye Yağ Sanayi Semineri II (Ankara, 1964) p. 89.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 14

## 2. Mixed (Coupé) Olive Oils

## 3. Refined Olive Oils.

Pure and natural olive oils are defined as:

"Natural, pure, with no odors, flavors, or precipitates. Their taste is unique and superior in preference. These are virgin oils."<sup>9</sup>

Pure and natural olive oils have an obvious higher quality and price in the market. Mixed and refined olive oils are defined as:

"Refined oils are re-processed and re-purified olive oils formerly disqualified, precipitated, impure, deodorized and distasteful. Mixed -or coupé- olive oils are those oils composing of a mixture of higher acidity natural olive oils and refined olive oils."<sup>10</sup>

After this differentiation, olive oils are categorized as to the oleic acid content -in per cent- that acts as an important determinant of quality. The following table can show the classification:

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### STANDARDIZATION AND DIFFERENTIATION OF OLIVE OILS

#### 1. PURE AND NATURAL OLIVE OILS:

- a. Extra-extra. 1 to 1.5 per cent acidity.  
Labelled (xxx).
- b. Extra. 2.5 per cent acidity.  
Labelled (xx).
- c. First Class for Meals. 3.5 per cent acidity.  
Labelled (x).
- d. Second Class for Meals. 4.5 per cent acidity.  
Labelled (A).
- e. Common. 5 per cent acidity..

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<sup>9/</sup> İzzet Gür, Gıda Maddeleri Mevzuatı (İstanbul: Aydın Güler Kitabevi, 1961) p. 51.  
<sup>10/</sup> Ibid. p. 52-53.

## 2. MIXED AND REFINED OLIVE OILS:

- a. First quality. 1.5 per cent acidity
- b. Second quality. 2.5 per cent acidity.

Source: İzzet Güler, Gıda Maddeleri Mevzuatı (İstanbul: Aydın Güler Kitabevi, 1961)

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This usual differentiation, standardization, and grading is in harmony with the international definition and classification of olive oils.

Turkish Food Products Law included various articles about the nature of the olive oils marketed, apart from the classification of olive oils. These will be mentioned later.

Olive oils are sold either in an open way or in tin containers in the market. Containers are more or less standardized as 1 kg., 2 kg., 5 kg., 17 kg. In each case, nature and quality of the olive oil should be labelled on the container. In general, higher quality olive oils are marketed in containers, while lower quality and low-price olive oils are sold open. These are marketed in larger tanks at the middlemen's level and sold open at the retailers' level.

Olive oils aciditated more than 5 per cent are either refined, exported, or used for industrial purposes in soap production. So these are called industrial oils.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, İSTANBUL

PAGE

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## M E R C H A N D I S I N G   P R O B L E M S   I N M A R K E T I N G   O F   O L I V E   O I L

### Product:

#### 1. Production and Marketing Evaluation - Producer.

Average olive oil production of Turkey is 80,000 tons per annum. Although production fluctuates periodically, in general there is an increase in olive oil production as reflected by the production series.

Production of olive oil is correlated with production of olives on a yearly basis. Olive oil industry is centralized in the Aegean area where geographic and climatic conditions are most favorable for olive production. Olive producers (owners of the olive trees) may sell their product to olive oil producers (factories), or may process the product on their own account in one of the factories.

The process of olive oil production and distribution in a summary form -in words of a well-known producer- is as follows:

# THE S I S

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 16

"The olive oil producer processes the olives, obtained from his own trees or purchases, in his factory. As a large producer, he standardizes and grades the finished oils as to acidity and quality. Then he markets the merchandise -by merchandising activities involved- to the wholesalers or other middlemen. On the other hand, the small producer who has his olives processed in a factory he does not own may sell his olive oil to the large producer, or to a wholesaler. Then, the wholesaler sells the merchandise to the retailers."<sup>11</sup>

In this marketing process, the large producer -in the production center- and the wholesaler -in the consumption center- are the subjects of this paper, emphasizing merchandising activities and policies.

Production methods and organization is mainly conservative in character as an industry. Likewise, marketing methods have also been conservative. This may be partly due to the static nature of the commodity in question, and partly to the limited supply and ready market demand. As a result, not much dynamic improvements or innovations are initiated or stimulated in the industry. This holds true both for the production and the marketing of the product.

The olive oil producer, in marketing, sells to other wholesalers (creating a place utility), sells to other middlemen considering cyclical and periodic fluctuations and the annual production campaign (creating a time utility); so this exchange procedure carried forth through the marketing channel creates an ownership utility that affects the prices in the first place.

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<sup>11</sup>/ Quoted from Atif Erkö, Edremit

# THE S I S

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 17

In the final analysis, it is necessary to evaluate the production and marketing task of the producer under the light of a market analysis in competition (that will be made later in this study). It will be argued that there are certain factors that limit the competition in the industry.

## 2. Quality:

PRODUCER: In the marketing of olive oil, pure and natural oils are standardized and graded as extra-extra, extra, first class for meals, second class for meals, and common. Mixed and refined olive oils, on the other hand, are classified as first and second quality, as to the oleic acid contents.

In general, quality of olive oil is determined by the production, productivity, and quality of the annual olive harvest. Also the method and technology of production has an obvious influence upon ultimate quality. Here the term "quality" connotes more than the mere acidity content; in fact it is more than that and implies the unique and special taste and odor of the product. In this respect, Edremit-Ayvalık olive oils are definitely superior in preference.

The producer is the one who has to be very keen on quality of the olive oil, since this is the strategic variable in merchandising. Oils obtained from olives that are not fresh and that are not



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 18

picked from the branches are highly aciditaded in the chemical process. It follows that oils from fresh and readily picked olives are certainly less aciditaded, provided that these are processed in the shortest interval. In any case, it is required to wash the olives before any processing in the factory, since this is another factor influencing quality.

As long as the product is identified with the producer - at wholesale, retail, and consumption levels - all the marketing strategy and merchandising is influenced by this factor of quality determined by the producer.

What the wise olive oil producer prefers to do is to label the package with his own brand in case the contents represent high quality. In cyclical or periodic harvest and market fluctuations, when both quality and quantity may fall short of market requirements and specifications, some lower quality oils may come out. It can be argued that at all times the producer has some stock of such lower quality oils. Here the producer faces a problem, where he may choose to market the lower quality oils in open packages (tanks) without branding. Now the buyer middleman who has to do the final packaging has to deal with the problem of quality that the producer has avoided just to play safe with his brand, reputation, or goodwill.

In fact, some well known producer firms are proud of their

# THE S I S

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 19

reputation as sellers of better quality olive oil with higher prices in the market, while some others do not emphasize quality at all.

WHOLESALE: At this level, the subject is the olive oil wholesaler in a city, who buys the product from the producer in the olive oil region. To be more specific, the wholesaler is assumed to be the Istanbul olive oil wholesaler most likely in Yağiskelesi.

The classification of olive oils as to acidity and quality certainly holds true at this level also. The wholesaler is also interested in quality in relation with packaging and branding. At this stage there is a further complication introduced by the fact that the wholesaler has to handle different types of olive oils like natural, mixed, and refined.

The wholesaler grades, labels, and packages the olive oils he purchases from the producers, using his own brand or trademark. As one olive oil wholesaler puts it:

'The widely known and advertised brands in the olive oil business are owned by wholesalers who have developed an image by being a seller of quality oils. These are generally businessmen and enterprises operating with a larger volume.'

The small wholesaler -who may act as an agent or distributor of a producer- faces no such problem for his task is merely one of distributing producers' brands.

12/ Quoted from Faruk Serpil, Istanbul

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 20

In his crucial place in the marketing channel, it is the wholesaler who can play around with quality in connection with the different types of olive oils. Such practices of mixing olive oils with other sorts of oils are illegal; yet it is heard that such dishonesty goes on. However with such dishonest marketing practices he is bound to lose his market image and position in a competitive market -like that for olive oil wholesalers- if the wholesaler intermingles with the quality of the product.

Merchandising problems in connection with mixed and refined oils are easier ones for the wholesaler, since he can be more liberal in quality with such oils that are usually sold open at all levels of the market. This is true for all lower quality olive oils. Mixed (coupé) and lower quality olive oils have gained market acceptance as such, by being more practical and inexpensive. This is due to the fact that the "average or typical consumer is quite ignorant about the quality differences between natural and other olive oils."<sup>13</sup> (This point will be analyzed later.)

Consequently a preference has developed -recently- for mixed, refined, and other substitute vegetable oils, in competition with pure and natural olive oils. The reasons are the following:

1. Ignorance on part of the consumers in a quite uninformed market. For instance consumers do not really know what the word "coupé" means; rather they are inclined to attribute this to some symbol of superiority, ironically.

13/ Quoted from Uner Erke, Istanbul

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 21

2. The high level and rising trend of the prices of pure and natural olive oils. (Listed in the Prices section and the Appendix)

3. Some health considerations that discourage consumption of olive oils, and encourage consumption of some other vegetable oils.

As a consequence, the wholesaler has also shifted his attention towards mixed and refined olive oils, where the quality problem is a simpler one. So quality appeal of natural olive oils has lost somewhat its acceptance, appealing to the better-off and expert buyers. This is especially true with extra-extra olive oils. Price appeal is a more important one for the average consumer, with olive oil prices being continuously on the rise.

Atif Erke, a well-known olive oil producer and wholesaler, argues:

"It is true that quality is the major determinant of brand image in the olive oil market; this may result in a higher market share and rate of return as a consequence. For example one producer firm in Edremit and another wholesaler firm in Istanbul are reputable in relation with the higher quality olive oils they have been selling over a long period. The term quality, in this context, is to denote minimum acidity plus a speciality of flavor that the expert buyer looks for."<sup>14</sup>

Also it can be noted that when the wholesaler markets the product at an open manner at the retail outlets' level, this is the time to express the greatest doubt about contents and quality; because chances of intermingling with quality have increased considerably.

14/ Quoted from Atif Erke, Edremit

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 22

## 3. Packaging:

PRODUCER: The olive oil producer in the packaging stage of merchandising can choose any one or both of the following lines of action:

1. He may package the graded olive oils into standard 1, 2, 5, or 17 kg. tin containers -which have his own trademark and other specifications as to the nature, quality, and weight, and other requirements cited in the Food Products Law (that will be discussed later).

2. He may market the olive oils in an open way in large tin or metal tanks, where his brand is not labelled in contrast with the first alternative. It is now up to the buyer party -wholesaler- to make the ultimate packaging and other merchandising functions required. This means that in the first case the producer, in the second case the wholesaler is identified with the product.

In general, producer packaging is regarded as a better guarantee of quality for the ultimate consumer, since illegal mixing practices at the middlemen's level is prevented by this guarantee. Those who practice such illegal action -producers or wholesalers- may have short-run profits, but in the long-run, market mechanism is likely to eliminate these.

An expert in the olive oil business argues that:

"availability of ready tin containers -especially of smaller sizes- has always created problems for the producer in the chief olive oil areas of Edremit and Ayvalık. This is so because tin industries are located

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 23

in large cities like Istanbul. So packaging problem of the producer is a costly and a difficult one."<sup>15</sup>

Chambers of Commerce have handled this problem to find some ways out . In a period when the traditional 17 kg. containers are losing market acceptance and are being replaced by more practical smaller containers, this problem is not altogether solved in the olive oil industry yet. The trend towards smaller packages has made the problem even a harder one for the producer; that both costs and prices have increased on a unit basis as a result of this.

"The reasons for the shift from the larger containers to smaller ones are these:

1. People are more interested in smaller volume purchases at a time. So they do not want to buy food products in bulky form, that is not economical.
2. Olive oil prices are high. Therefore it becomes hard for the average consumer to pay more than 100 TL for one container of olive oil (17 kg.) at a time.
3. To buy olive oil in an open way, or in smaller containers is more practical for the consumers."<sup>16</sup>

A well known producer-wholesaler company in Istanbul has made it a merchandising policy to sell in small containers, as a result of potential demand for this, which eliminate costliness, bulkiness, and impracticality.

WHOLESALE: Just like the olive oil producer, the wholesaler also faces a packaging problem in merchandising and marketing of

<sup>15/</sup> Quoted from Suphi Seyvan, Edremit

<sup>16/</sup> Quoted from Ahmet Akdağ, Istanbul

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 24

olive oil. When the wholesaler gets the merchandise shipped in tanks by the producer, he has to package the product as specified in the law. Here, he might as well mix the same quality, nature, and grade olive oils under his brand; this is not illegal.

Many wholesalers have built a goodwill by being the packager of good quality olive oils, identified with their brands. Considering the current market trends, wholesalers prefer to package in smaller containers; since this demand is reflected by the retailers actually. When the wholesaler sells to the retailer open olive oils, his packaging problem becomes an easier one; since larger tanks can take care of the procedure.

Istanbul wholesalers can get containers easily, in comparison with Edremit producers. This means that availability of tin containers is not a major problem at this level. In fact, some large wholesalers can get into contracts with tin container manufacturing firms in Istanbul, that are limited in number.

In general, the wholesaler markets the product in smaller containers than the producer. It might be argued that the wholesaler divides the assortment of producer olive oils -both of large and small producer- into smaller units and sells to the retailers. Higher quality oils are sold in containers; lower quality oils are sold open as a rule-of-the-thumb in merchandising.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 25

Packaging is especially strategic for the producer and the wholesaler who are keen about quality. For one thing, packaging becomes a guarantee or symbol of the brand and quality of the product. The smaller packages are more expensive on a unit basis for the consumers— who nevertheless prefer to buy in smaller lots than in larger quantity.

#### 4. Branding:

PRODUCER: In the Turkish Commercial Law, "trademark" is defined as "all names, signs, pictures, marks, etc. used to differentiate a product or commodity and the producer's and seller's name and address from the others."<sup>17</sup>

Branding, as the use of the registered trademark, has definite advantages for the olive oil producer:

1. Producer can make profits by his quality olive oil protected by the trademark.
2. Consumer, also, is protected against imitation and all illegal competition in relation with his (her) favorite brand. This obviously is an advantage for the olive oil producer too.
3. Legal competition, and competitive framework is provided in the market by use of definite and distinct trademarks.

In the Turkish Commercial Law there are also various articles concerning this topic of trademarks to safeguard the owners of the

<sup>17/</sup> Turgut Erem, Ticaret Hukuku Prensipleri, Cilt I (Istanbul: İktisadi ve Ticari İlimler Yayınları, 1962) p. 96..



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 26

Apart from these general commercial advantages of trademarks, in the merchandising process branding has numerous aids for the olive oil producer. For instance promotional campaigns and techniques are rendered easy, stability of prices and sales is maintained, and substitution of other competitive oils is prevented.

"At the producer's level, some illegal activity in connection with branding and trademarks can be noted"<sup>18</sup>; yet on the whole, this presents no serious merchandising problem practically. Another problem is the instability of brand images in the long-run; since most producers are unable to provide the same product guarantee for a long time. Consequently, only a limited number of brands have marked a successful business performance with stability of quality of the product. So in the periodic fluctuations of quantity and quality of olive and olive oil production, branding is a crucial point of merchandising to determine the long-run market position of the firm.

There are some well-known producer brands in Edremit and Ayvalık which have made a long reputation as sellers of higher quality oils. Their prices are higher than the average market prices; the price differential can be considered as the premium paid by the rest of the marketing channel as a compensation for higher quality.

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<sup>18/</sup> Quoted from Atif Erke, Edremit

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 27

On the other hand, some sellers are known as cheap olive oil sellers, where the market demand arises from the lower income brackets. These sellers can be either producers or wholesalers. In short, branding is a very important phase of merchandising at the producers' level in relation to quality, prices, and goodwill.

WHOLESALE: The definition of 'trademark', that was given, holds true for the wholesaler as well. In fact this may be the only identifying feature of the middleman in the market, similar to that in case of the producer. Since there are more wholesaler brands of olive oil in the market than producer brands, branding by the wholesaler is not less challenging than branding by the producer. The consumer can identify whether the product is a producer or a wholesaler brand, because this must be labelled on the can.

Smaller olive oil wholesalers might prefer to buy and sell the branded producer olive oils; larger wholesalers, on the other hand, may have their own brands for the long-run competitive benefits. So they buy open olive oils from certain producers that they package and sell, under their own brand. So the wholesaler must also be keen about all aspects of merchandising to build a goodwill over a period of time, which ultimately necessitates good management on his part.

Among the numerous olive oil wholesalers in Istanbul -both registered or not- only a few were able to develop a good market

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 28

image by using various techniques of merchandising, while the others confine to limited market shares and volume. Also there are some wholesalers of a temporary nature who are not permanently engaged in the olive oil business; these can manage without using trademarks. Branding causes all kinds of problems in the olive oil business if not properly handled; these can be legal and commercial problems.

In general, the trademark is the only product guarantee in the marketing and merchandising. "When the trademark is registered, chances of illegal competition are reduced. The expert buyer always has a preference and loyalty for those brands of olive oil that taste better. The pulling demand for such olive oils increases the prices."<sup>19</sup>

A "battle of brands"<sup>20</sup> in terms of F. Phillips and J. Duncan can be somewhat noted at the wholesalers' level (with some 250 wholesalers in Istanbul). This battle is a smaller one at the producers' level - for example there are only 36 olive oil factories in Edremit. In the market, wholesaler brands outnumber producer brands; this is true for Istanbul, Izmir, and the whole country. The trend is that wholesaler brands tend to increase, while producer brands remain stationary in number.

Coming to the legal side of the phenomena, Turkish Commercial

<sup>19/</sup> Quoted from Faruk Serpil, Istanbul

<sup>20/</sup> C.F. Phillips and J.D. Duncan, Marketing (Homewood, Illinois: Richard D. Irwing Inc., 1964) p. 586.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 29

Law prohibits the use of the following types of trademarks:

1. Those with no discriminatory features.
2. Those contradictory to the written and unwritten laws and social organization of the country.
3. Those already registered, or those that look alike.
4. Those national or formal signs or marks.

## 5. Inventories:

PRODUCER: Inventory management at the producers' level is conducted in accordance with customer demand, that is consumer demand reflected in middlemen's orders. It is customary to note some speculative movements in connection with this subject, aimed at above normal profits. Nevertheless a wise inventory management policy would improve merchandising of olive oil; this would require accurate predictions in the first place.

Generally excessive inventories maintained at times of relative shortages are to be sold with wide margins by the producers. So the producer is reluctant to sell when prices are low, looking forth for the prices to rise further. Conditions for such speculative tendencies are favorable in the industry from time to time, due to the limited competition at this level. This was evidenced often in the past in the olive oil market as a whole, leading to government intervention at the end.

About inventory management, a well-known businessman in the olive oil business argues that:

21/ Turgut Erem, Ticaret Hukuku Prensipleri, Cilt I (Istanbul: İktisadi ve Ticari İlimler Yayınları, 1962) p. 193-194.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 30

"The olive oil producer adjusts his purchases, production, and inventory and sales policies and programs according to certain information and considerations. For instance, the quality and quantity of the annual olive production, relationship of present stocks with the potential market demand, export prices of olive oils, importations of oils, domestic consumption trends and patterns etc."<sup>22</sup>

In other words, the olive oil producer is the one who has to consider such variables as seasonal variations, raw material supply, price and demand changes, and competitors' plans and action in inventory policies. The main idea can be summarized as a balanced assortment of merchandise in stocks; not much — not less.

All these factors can create problems by themselves or working together at any one time. So the producer has to be very careful in his inventory controls and management, keeping one eye on the market conditions and the other on his competitors. So he must have full market information to make sound and rational decisions. The very nature of the general policies of the firm exert a considerable influence on inventory policies also. In short, the olive oil producer faces a challenging inventory problem in the whole process of merchandising.

To meet this challenge, the producers may come together — both formally and informally — or may choose to manipulate some speculative action by themselves. They adjust their purchase and sales policies, change pricing techniques, get into non-price competition of various sorts according to their forecasts.

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22/ Quoted from Atif Erke, Edremit

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 31

**WHOLESALE:** The olive oil wholesaler also has a problem of inventory in terms of turnover rather than margins. It can be stated that he is more interested in inventory turnover than the producer who has to rely on margins more. The wholesaler has to keep the right inventory to market the merchandise in the right time, right place, right price, and right quantities. So the wholesaler has to maintain a wise inventory policy, considering his faster turnover.

As a rule-of-the-thumb it is customary for the average Istanbul olive oil wholesaler to keep a stock of 100 kg. of oils in average. Since retailer demand is the major point to be considered in this respect, these policies in relation with supply can be more flexibly determined.

In Istanbul, olive oils are stocked in large underground storehouses that are common storage facilities; or large wholesalers may have their own storehouses. Usually to keep excessive inventory is risky for the wholesaler because of cost considerations. Also olive oil stocked over a year is bound to be disqualified which means a probable loss. Therefore oils have to be replaced steadily to safeguard quality, which necessitates further complications. So these are the problem areas of the wholesaler in inventory management. In this respect, the producer is definitely better-off since he has these facilities in his plant.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 32

In general, Istanbul wholesaler stores his inventory in general storehouses with large tanks of 500 kg., 1 tons, 2 tons etc. On the other hand, the producer stores his excess inventory of finished, and processed product in tanks and storehouses within the plant. So keeping excessive amounts of inventories is not as costly and risky for him as for the wholesaler; he has excess capacity in this respect that the wholesaler hardly has, considering all the arguments made in this subject. In short, producer is operating a factory while the wholesaler operates only a shop; volume and capacity is larger in the first case.

In inventory management, producer-wholesaler and wholesaler-retailer arrangements and contracts in co-ordination and co-operation are frequently seen to safeguard both parties of market fluctuations. Instabilities can create serious problems for the wholesaler who must watch the market rather closely.

It is said that in the merchandising:

"Inventory turnover of the producer is less than the wholesaler. So the producer can act reluctantly in his sales if he sees fit, since he has large capacity to store. However the wholesaler -who likes to get rid of the inventory in the shortest interval- is operating with less volume; so he depends upon a rapid turnover with smaller margins than the producer. Competitive environment and conditions of the wholesaler (that the producer faces in limited form) necessitate such a situation.'"<sup>23</sup>

So the right inventory policy for the wholesaler is rapid buying and selling, considering all the variables included in the

23/ Quoted from Ahmet Akdağ, Istanbul

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 33

market analysis. In any case, inventory management seems to be the critical component of merchandising in relation with the product.

In context of Merchandising Problems in Marketing of Olive Oil, this ends the discussion on the 'Product' part. Next, 'Prices', and then 'Promotions' and 'Market Organization' will be handled in the same context.



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 74

## Prices:

### 1. Producer's Level.

Price is an important component of any merchandising analysis. So for the olive oil market it can be stated that "at the producer's level -as well as the wholesaler's- prices are determined in the market. No basic method of pricing is practiced, but rather the market mechanism is followed."<sup>24</sup>

Nevertheless, olive oil producers do try to influence the price picture and mechanism, and occasionally are successful to some extent. For instance they can collectively adjust their sales and inventory policies in order to shift the supply function (curve). Or a few larger firms can distort the situation a great deal, since they have substantial market shares. Yet chances of drastic instability and fluctuations, aimed at higher profits, are reduced and limited by the degree of competition within the industry (that will be analyzed in the next chapter).

Olive oil producers may consider some cost-plus-pricing in its most broad sense to arrive at floor prices rather than ceiling. However this method can not be scientifically applied since no cost accounting is practiced. Therefore the exact cost -including variable and fixed portions- of 1 kg. of olive oil produced can not be accurately determined.

24/ Quoted from Atif Erke, Edremit

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 35

Annual olive harvest and olive oil supply versus the growing demand is the crucial factor to determine the market prices. Olive oil prices differ for different types and quality of oils. In general, prices of pure and natural Ayvalık and Edremit olive oils are the highest; while prices of mixed (coupé) and refined oils are lower. Also for different brands, wholesalers and retailers are willing to pay different prices. All these different prices tend to cluster around the average market prices for each distinct type and quality.

One olive oil expert comments:

"The major general institutions that have an influence on the olive oil prices are:

1. İzmir Commodity Exchange (Bourse) for vegetable oils
2. Various Commodity Exchanges in the country
3. Chambers of Commerce and Chambers of Industry
4. Istanbul Commodity Exchange (Bourse)
5. Occasional government intervention, as price ceilings
6. Importation and exportation of vegetable oils.

Chambers of Commerce act as a co-ordination agent in regulation of the marketing; while Chambers of Industry do the same job for the industry on a regional basis. The wholesaler is involved in the first organization; the producer is involved in both organizations. These act as milieu to decide on some specific issues like prices. İzmir Bourse -in comparison to Istanbul Bourse- has a traditional role in price structure of olive oil, since İzmir is the largest city in the olive oil area.<sup>25</sup>

The producer must ask "what prices should I charge?" considering all the influencing factors in the pricing decision, in the framework of demand and supply mechanism of the market.

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<sup>25/</sup> Quoted from Faruk Serpil, Istanbul

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 36

## 2. Wholesaler's Level.

When the product reaches the wholesaler's level, a more competitive market organization is marked (that will be analyzed in the following chapter). Demand and supply analysis can not be easily interfered at this stage by non-economic forces, because of free competition prevailing.

The wholesalers might have some general mark-up considerations in their pricing decisions. However he satisfices with a smaller margin than the producer; since he expects a fast turnover of merchandise. At this level profit margins are pulled down by increased competition in comparison to the producer's level. So the wholesaler has to maximize his gains in a narrow margin that he must be satisfied with. In buying and selling decisions, 1 or 2 kurus can make a lot of difference.

The economic analysis of the behavior of the wholesaler is such; that even when he tries to maximize his profits, he must be content with a limited profit margin squeezed by competition. On the other hand, the producer's behavior might not be necessarily a maximizing one in a less competitive market on the regional basis. So his behavior can be more of a satisficing nature, considering that the number of producers (in terms of factories) is limited on an areal basis like Edremit area. (36 olive oil factories in Edremit versus 250 olive oil wholesalers in Istanbul.) Next chapter will cast more light on this subject.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 37

Recently, growing preference for substitute oils—that was mentioned earlier—has made the picture even more competitive at the wholesaler's level; now natural oils must face the competition of mixed and refined oils on one hand, and substitute vegetable oils on the other (for example soybeans oil, cottonseed oil, and sunflowerseed oil etc.). So these oils with price appeals have created problems for the producers and sellers of natural olive oils. This competition is easily noted at the wholesalers' level.

For one thing, growing demand for mixed olive oils has caused some shifts in the merchandising policies and practices of the wholesaler. It must be mentioned that this tendency towards (1) mixed and refined and (2) substitute vegetable oils is one result of the upward sloping trend of the olive oil prices curve. Since these oils are cheaper than olive oils that are pure and natural, various mixtures —though illegal it might be— would yield the middlemen higher returns and revenues in terms of unit prices. This mixing process seems to be the largest problem of the olive oil market, at least at the wholesaler's level.

In general olive oil prices have shown an upward trend; this is also true for prices of other vegetable oils as well. The following table shows the olive oil prices between 1950-1963. Prices of other vegetable oils, and other information can be found in the Appendix.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 38

## WHOLESALE AVERAGE OLIVE OIL PRICES IN ISTANBUL BOURSE

<u>YEARS</u>	<u>KRŞ/KG.</u>	<u>INDEX</u>	<u>DEFLATION INDEX</u>	<u>CONSTANT PRICES</u>
1950	212.00	100	93	227
1951	213.76	101	100	214
1952	202.41	95	103	196
1953	209.22	99	100	209
1954	278.39	131	109	255
1955	299.91	141	121	247
1956	434.43	205	165	263
1957	469.87	222	192	244
1958	484.16	228	208	232
1959	485.63	229	237	205
1960	505.97	239	231	219
1961	535.48	252	238	225
1962	515.69	243	269	191
1963	683.32	322	293	233

Source: Melih Tümer, Türkiye'de Yağ Arz ve Talebi, Report Prepared for Istanbul University (Istanbul, 1965)

It can be observed that the olive oil prices have been rising at a fluctuating tempo, even if we account for the fact that these prices are inflated by the creeping inflation. By use of the deflation index, constant prices are obtained that reveal the fact that this increase, nevertheless, is not as steep as reflected by the current prices index. One can in any case conclude, after the analysis of the figures, that olive oil prices have increased only as rapidly as the prices of other commodities included in the consumer or general price index.

Coming to the common margins, it can be argued that producer's profit margins are higher than those of the wholesaler's. The producer has production and marketing costs; while the wholesaler has only the latter. So price problem of the wholesaler is a simpler one than that of the producer. '5 to 20 per cent is

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 39

considered to be a reasonable profit margin for the wholesaler. For the producer, this may be 5 to 30 percent depending on the circumstances. However one can not be very precise in this discussion, since proper cost and revenue records are not available. Only approximate predictions can be made.'',26

At the wholesaler's level packaging cost seems to be the highest one on a unit basis, where this gets larger -again on a unit basis- as packages get smaller down to 0.5 kg. The survey of olive oil prices in Istanbul Bourse at the wholesale level, between November 1965 and March 1966, yields the following results:

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## WHOLESALE AVERAGE PRICES OF OLIVE OILS IN ISTANBUL BOURSE (November 1965 - March 1966)

1. PURE AND NATURAL OLIVE OILS	<u>KRS/KG.</u>
a. Extra-extra . . . . .	.625-650
b. Extra . . . . .	.600-625
c. First Class for Meals . . . . .	.575-600
d. Second Class for Meals . . . . .	.550-575
e. Common . . . . .	.500-550
2. MIXED (COUPE) OLIVE OILS	
a. First Quality . . . . .	.550-600
b. Second Quality . . . . .	.500-550

Source: Survey and Interviews.

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Refined oils are ignored in this context, since their level is quite close to mixed olive oils, and that they are relatively less significant. At the retail level, these prices listed are increased by 40-50 percent when sold to the ultimate consumer.

26/ Quoted from Ahmet Akdağ, Istanbul

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 40

### 3. Price Analysis.

Olive oil is the highest priced vegetable oil in Turkey as well as in other countries. Furthermore the most widely consumed oil in Turkey is olive oil, due to traditional factors. It was shown earlier that olive oil consumption, as well as the consumption of other vegetable oils, has increased. (Table and graph of this is presented in the Appendix).

"Olive oil prices are functions of the total demand, and prices of this commodity are quite independent of the prices of other vegetable oils; where this demand is determined by a special preference for this type of oil."<sup>27</sup> In everywhere, olive oil market is characterized by instability which is also true for this country. This instability is due to the agricultural nature of production as well as the static and speculative nature of the commodity.

Between 1957 and 1960, a relative stability can be observed in this market mostly as a result of government regulation and interference, such as price ceilings and other penalties. However since 1958, prices have been forcing up because total supply could not keep in pace with the growing demand. "In 1962-63, olive oil exports have gone up, which inevitably resulted in the rise of domestic prices. Consequences of this phenomenon have been illegal mixing practices of olive oils with other oils being encouraged in the market. In any case, the result was the jump of olive oil

<sup>27</sup>/ Food and Agricultural Organization of U.N., The Stabilization of the Olive Oil Market, Commodity Policy Studies No.9 (Rome, 1955) p. 3.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 41

prices in 1963. .,28

In the olive oil market price problems have never been absent. Olive oil prices have always created headaches for the consumers because of limited supply and need for oil imports on one hand, and growing demand on the other. Nevertheless Turkey is an olive oil exporting country, though in small quantities. This is a result of government policy of subsidizing olive oil exports; since olive oil is more expensive in comparison to the other substitutes, government policy encourages consumption of other substitute oils, to build an artificial surplus of olive oil in the country, in order to export olive oil. As mentioned earlier, there is a marked trend in this direction. So government expects to improve the Balance of Payments situation whereby people consume less of olive oils, replaced by substitute vegetable oils (partly imported) in the consumption patterns; and expensive olive oils are thus exported.

Coming to the oil imports, Meat and Fish Institution (EBK) regulates the importation and distribution of substitute vegetable oils like soybean oil. Yet on the whole olive oil producers and wholesalers are not fond of EBK, claiming that this institution further increases the instability in the olive oil market by arbitrary pricing.

One businessman reflects this opinion:

28/ Melih Tümer, Türkiye'de Yağ Arz ve Talebi, Report Prepared for Istanbul University (Istanbul, 1965) p. 23.



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 42

"Oils have become speculative commodities, that the total demand is increasing constantly while the supply elasticity is low. Meat and Fish Institution (EBK) has practiced some stabilizing activities by stocking, pricing, and regulating the distribution of imported vegetable oils. There are some stabilization schemes. However, these do not look to be efficient and appropriate at all."<sup>29</sup>

When the institution follows a low-price policy in connection with the imported oils, price difference of imported and domestic oils occurs. This forms the speculator middlemen's gains. On the other hand when a high-price policy is adopted, this causes further increases in olive oil prices. Solution offered by most people in this business is a rational and steady stocking policy in parallel with a wise pricing policy on part of EBK.

Obviously EBK has an impact on the stability of olive oil prices in the market; improvements in its attitude are required for the stability purposes. This stability can be brought about by a proper and efficient functioning of this institution in the marketing of imported oils, as recommended by many authors (like Dr. Melih Tümer, Dr. Mehmet Ali Göktas) and many businessmen. It is likely that Turkey will continue to be an oil importing country, and olive oil exporting country on a limited scale for a period of time.

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29/ Quoted from Suphi Seyvan, Edremit.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, İSTANBUL

PAGE 43

## Promotions:

### 1. Producer Advertising.

In the past, due to the very nature of the commodity and industry, not much advertising was made by the olive oil producers. Advertising by producers was made through local media rather than on a national basis. In the recent decades, as advertising business and volume grew, a number of large producers have made a reputation by large advertising campaigns in daily newspapers, magazines, movies, radio, and outdoor advertising. For example, one outstanding producer firm has reached large market shares and profits as a result of extended advertising programs. That firm paid 2,250,000 TL as taxes during 1964.

### Opinion of one businessman on this subject is:

"Advertising, in the competitive olive oil market, determines the sales potential and volume of the advertiser firm; provided that the advertiser does an honest and believable advertising. There are also some other requirements like continuity, consistency, reality, and planning in the campaign, discriminating the specific olive oil brand from the rest.

Traditionally, olive oil producers of the limited regions visualized no immediate advantages in undertaking large advertising campaigns (which means at least 500,000 TL per annum); they were satisficing with their ready market shares in limited competition at the producers' level. The market readily absorbed the limited supply each period; so they looked for no further markets. So they were satisficing in a way."

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 44

Lately more advertising is made by the olive oil producers; since some manage to capture larger market shares in this way, others decide to move in the same direction. Therefore it can be seen that promotional activities in this business are aimed to capture larger market portions, rather than new markets, because of the limited supply.

Institutional type of advertising is preferred by the producers. Higher quality and taste appeals are stressed in hard-sales; also low prices are emphasized by some producers. Dishonest advertising of any sort creates problems in this context that it destroys the image of the advertiser as well as the whole industry - by increasing the doubts and suspicion in mind of the consuming public.

## 2. Wholesaler Advertising.

More advertising is carried on at the wholesaler's level than at the producer's, in a more competitive market. Yet this does not mean that all the olive oil wholesalers can afford to advertise. Some larger olive oil wholesalers in Istanbul have been carrying on advertising campaigns on various media. The widely advertised and known olive oil brands are in fact wholesaler brands.

Since illegal mixing procedures are detrimental for the image of the whole business, specifying quality and pureness in advertisements creates goodwill if the argument is true at all. Not all wholesalers

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 45

have created this image in the market, especially at the retailer's level. For the small wholesaler advertising is a costly and risky business; because too much expansion is not regarded as a sound policy by most businessmen on the conservative side. Therefore the common attitude is more of a satisficing one rather than a maximizing one, although scientific and most accurate generalizations can not be made on this subject. However it can be argued that maximizing behavior can be true for the larger concerns in competition. So the market shares of the progressive and expanding firms in the olive oil business are increased in terms of capital, profits, sales, and goodwill.

So far as the retailer's and consumer's levels are concerned, the implications of wholesaler advertising are summarized thus:

"The whole point is that the retailer and consumers must have a confidence in the wholesaler -or producer-brand, in order to get in ~~contact~~ and co-ordination on mutual grounds. Therefore the position of new firms and voices in this business is a difficult one as far as the market acceptance and confidence is concerned. This confidence can be built by advertising to a certain extent, and loyalty to the brand can be maintained by continuous advertising. So the wholesaler has to keep all these points and problem areas in mind in conducting his business, and in promotional activities in merchandising of olive oil." 31

Dishonest advertising creates a good many problems at this stage also. In a period when quality of olive oils sold are so much suspected, this can help to destroy the image of the olive oil business at the consumers' level. Market mechanism of competition can eliminate such dishonesty in the long-run, but short-run effects are to stay. Lack of adequate legal control and regulation

31/ Quoted from Ahmet Akdağ, Istanbul

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 46

is another problem in this context.

In merchandising activities, advertising by larger wholesalers has created competitive problems for the rest of the firms. As one result of this, many small wholesalers face the dilemma of losing business or survival; while the large wholesaler looks for further expansion.

### 3. Other Promotions.

In merchandising of olive oil, producers and wholesalers practice some other kinds of sales promotions also. These can be of different types depending upon the circumstances. On the whole, these can be in the form of:

1. Various sorts of sales contracts
2. Agreements and co-operation between producer and wholesaler
3. Contracts and co-ordination between wholesaler and retailer
4. Easier or looser credit terms
5. Different package and quantity deals
6. More favorable terms of sales in monetary and service form (for example transportation, insurance, storage, packaging, financing, etc.)
7. Various sorts of facilities and utilities provided between seller and buyer
8. Agency or distributor contracts
9. Seasonal discounted sales policies
10. All kinds of other non-price competition to promote trade and sales.

As it can be marked, most of these promotions take the form of non-price competition in essence. Furthermore, packaging in smaller containers (as discussed earlier) in 1 or 0.5 kg. cans is another effective means of marketing as a result of pulling demand. At the same time, other promotions in connection with

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 47

the quality appeal, price appeal, brand image, and inventory management can also be considered under this topic.

The use of modern sales promotional techniques and tools have increased in the recent period; many of these are adopted successfully. Carried to the extreme, all kinds of sales promotions in the merchandising can create many problems for both the selling and the buying parties, by increasing the marketing costs too much. Thus a prudent understanding of such means and ends is necessary at all levels, for a better functioning of merchandising activities.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 48

## Market Organization:

### 1. Competitive and Substitute Oils.

Olive oil is the most expensive vegetable oil sold in the market. As analyzed in the second chapter, since supply falls short to meet the demand various other kinds of vegetable oils exist in the market with two motives: (1) to fill the gap between supply and demand, (2) to act as competitive or substitute products to olive oils.

An increase in olive oil prices also increases the prices of these substitutes theoretically, as a result of increased demand for them. These substitute oils have created various merchandising problems for the olive oil market, mainly because of the shift of preference towards these substitute oils. Prices of substitute vegetable oils are generally lower than those of olive oils. The following table reveals this situation:

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#### AVERAGE WHOLESALE PRICES OF VEGETABLE OILS IN ISTANBUL

	<u>KR\$ /KG. (1960)</u>	<u>KR\$ /KG. (1963)</u>
Olive Oil-average	505.97	683.32
Cottonseed Oil	406.18	509.33
Sunflowerseed Oil	389.90	569.60
Sesameseed Oil	425.00	

Source: Melih Tümer, Türkiyede Yağ Arz ve Talebi, Report  
Prepared for Istanbul University (Istanbul, 1965)

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# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 49

It can be observed that prices of all vegetable oils have increased in the recent years. If 1950 index is considered to be 100, this would be 239 in 1960, and 322 in 1963 for olive oil. For cottonseed oil this would be 285 for 1960, and 357 for 1963. For sunflowerseed oil indecies are 260 for 1960, 397 for 1963. (Complete table of vegetable oil prices is in the Appendix.)

This analysis is in terms of current prices. When these figures are deflated by use of a deflation index, increase in terms of constant prices is not as steep any more. Rate of increase of prices of vegetable oils is close to each other in the inflationary period after 1950.

There are also some other substitute or competitive oils in the market like peanutt-shells, soybeans, safflower, pape, and opium seed oils. Substitute oil have created two kinds of problems in marketing and merchandising of olive oil:

1. These oils packaged, branded, and merchandised compete strictly with olive oils as far as the product-prices-promotions-and markets are concerned.
2. These substitute oils can be practically mixed with olive oils and merchandised as olive oil, which can hardly be differentiated by the consumers.

Average yearly production of 80,000 tons of olive oil is falling short to meet the increasing demand. To fill the gap other vegetable oils are marketed; these should be sold under their own name rather than being mixed with olive oils. Preventive legal measures and regulations are both inadequate and inefficient on this subject.<sup>33</sup>

Apart from the competition in the vegetable oils market, there is

33/ Quoted from Atif Erke, Edremit



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 50

also an internal competition among different types of olive oils like natural, mixed, and refined. Natural olive oils are losing their market shares at the consumers' level because of consumer unawareness, price appeal, and health considerations discussed in the "Quality" section. Mixed olive oils and some vegetable oils are gaining in this fight. This has especially created problems for the producers of natural olive oils. Tendencies of illegal competition are encouraged by the lack of adequate control and regulation in the market.

## 2. Merchandising Policies.

Producers and wholesalers adjust their merchandising policies considering all the phases and problem areas of merchandising - namely these related to the product (production, quality, packaging, branding, inventory management), prices (production and marketing costs and revenues), promotions (advertising and other sales promotions), and market and competition.

Merchandising motivations in the olive oil business, in P. Phillips and D. Duncan's terms, can be listed as follows:

"desire to keep or improve the competitive strategy and position, (considering shifts of consumer preference among various vegetable oils), changes in population and purchasing power, changes in attitudes of producers, wholesalers, retailers, consumers respectively. (So in his sales policies, olive oil seller has to aim at an effective merchandising) which is based upon systematic planning, skillful execution of plans, and careful follow-through."<sup>34</sup>

<sup>34</sup>/C.F. Phillips and D.J. Duncan, Marketing (Homewood, Illinois: Richard D. Irwing Inc., 1964) p. 591.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 51

For further product development, actually considered by few larger producers and wholesalers, the following points might also be emphasized:

1. Recognition of new things for olive oils, in connection with use and demand.
2. Utilization of excess capacities and waste products.
3. Needs for changes in distribution policies, searching for new ways to sell direct to retailers—eliminating some middlemen.
4. New or improved products of the competitors.
5. All other changes suggested by the market or consumers.

### 3. Market Problems.

Olive oil production figures show that production has somewhat increased although fluctuations on a yearly basis are noted. For instance in 1951 production was 38,800 tons; while in 1960 this became 79,000, and in 1963 90,000 tons. The maximum of 1961 — which was 119,500 tons— was never reached again. In the period of 1951-1963, cottonseed oil production increased from 14,000 tons to 34,000 and 54,000 tons in 1951-60-63 respectively. Figures for sunflowerseed oil are 16,000-26,200-11,600 tons respectively for the same years. So total vegetable oil production of Turkey has increased.

As to the consumption of vegetable oils, visible consumption figures are obtained (as derived by Dr. Melih Tümer) by adding production and imports and deducting exports from the total. This yields 72,400 tons in 1951; 197,900 for 1960; and 167,100 for 1963.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 52

This means that consumption of vegetable oils have increased by more than 100 percent in ten years. (Complete figures on these subjects are available in the Appendix.)

Considering that total population increased from 21,634,000 in 1951 to 27,800,000 in 1960 and 29,300,000 in 1962; per capita oil consumption is calculated to increase from 3.35 kg. in 1951 to 7.11 in 1960 and 5.70 kg. in 1962. So in a ten year period after 1951, both the total visible consumption and per capita consumption of vegetable oils have more than doubled.

'The demand and supply analysis can clearly reveal the most important market problem in connection with olive oils and vegetable oils, the widening gap of production and consumption. One solution to offer to this problem is to encourage consumption of other vegetable oils rather than olive oil in the domestic market; and having the possibility of exporting olive oil surplus thus created. This would mean changes in consumption patterns in the first place, and increasing production in the other.'

Another problem of the olive oil market -on a nationwide basis- is the instability of the market. 'Governments of all major olive oil producing countries-like Italy, France, Portugal, Greece, Spain etc.-have been introducing measures to protect the olive oil market from instability.'

Still another problem is one of standardization. Dr. Mehmet Ali Göktaş argues that olive oil standards should be seriously established, for internal and international marketing. Considering the internal

36/ Quoted from Atif Erke, Edremit

37/ Food and Agriculture Organization of U.N., The Stabilization of Olive Oils Market, Commodity Policy Studies No.9 (Rome, 1955)

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 53

and international classification of olive oils, the Turkish Standards Institute (TSE) is expected to handle this problem also. In the recent decade, additional problems have been created in the olive oil market in relation with merchandising by producer and wholesaler, distorting the picture towards instability and inefficiency:

1. In the post-war period, balance of demand and supply is distorted by various factors.
2. Olive oil exports have been low. Maximum is 26,482 tons in 1962.
3. Population increased-national income increased-transportation facilities increased-and value of TL changed. Thus olive oil prices showed an upward trend, since increase in production could not keep in pace with increase in consumption. In economic analysis, "Cobweb Theorem" worked-where supply is adjusted to demand only after a certain interval. As a consequence, fluctuations in olive oil production and prices were observed.
4. Control of olive oil prices were made by some restrictive measures -such as price ceilings- which seem to be a limiting factor for the development of olive oil business and market.
5. Finally, in a period when per capita demand for vegetable oils is about 4 kg. a year, no serious stocking policy is present in Turkey where olive oil industry constitutes 33 percent of the total oils industry.

The picture drawn above is not very promising. In short, although preference for olive oils have continued even in times when prices went up to 15 TL a kilogram, it is also a fact that such high prices have forced the consumer to consume other less expensive substitute vegetable oils.<sup>38</sup>

The problem of rising prices of olive oils was handled by the government in the inflationary period. This control took the form of price ceiling that was popular in that period; the results were not bright, leaving aside the detrimental effects of intervention. Intervention proved to be harmful and uneconomic; yet these problems

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 54

are not altogether solved even for today.

Turkish Oil Industry Seminars are dynamic and new movements to solve the problems of the oil industry; improvements are recommended for the industry as a whole. However olive oil market problems in relation with marketing and merchandising are not analyzed to any great extent in these annual seminars.

#### 4. Legal Aspects.

In merchandising of olive oil -by producer and wholesaler- Food Products Law of Turkey lay out the legal framework and organization. The relevant items are listed below:

Article 113. Natural olive oils are classified into five categories: (1) Filtered olive oil -with fresh olive odor and a special flavor, with no bitter taste. Oleic acid ratio is less than 8 percent. (2) Extra-extra olive oil -with the same qualifications, oleic acid ratio less than 1.5 percent. Other characteristics are purity, flavor, no other odors and precipitates, and natural taste. (3) Extra olive oil - with the same qualifications, acidity is less than 2.5 percent. (4) First Class for Meals -similar characteristics,, acidity less than 3.5 percent. (5) Second Class for Meals -again similar characteristics with maximum acidity of 4.5 percent.

Article 114. Natural olive oils with higher acidity can be mixed with refined olive oils. This is called "coupage", and the mixture is called coupe olive oil. Mixed olive oils are classified into two categories: (1) First quality coupe -acidity less than 1.5 percent. Characteristics are purity, absence of precipitation, and natural taste with limited bitterness. (2) Second quality coupe - with similar characteristics and acidity less than 2.5 percent.

Article 116. Olive oils can not be colored, or mixed with other kinds of oils and fats.

Article 117. On the containers of all marketed

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 55

wholesaler or producer oils, name and address of the supplier, name and category of the standardized oil must be labelled. Also net contents should be identified in quantitative terms.

Article 118. Oils that are precipitated, impure, decolorized, and disqualified can be re-processed and re-purified to improve quality. These are called refined oils.

Article 119. Acid ratio of all refined oils is 3 percent maximum.

Article 133. The following oils -natural, coupé, or refined- are disqualified: those canned in containers not properly labelled, whose contents are not appropriately qualified, those mixed with other vegetable oils, those which contain harmful paints, those impure and precipitated oils.

Article 134. The following oils are detrimental to health: disqualified oils, bitter oils, those containing harmful bacteria, those canned in improper metal containers.

Article 135. The following oils are somewhat detrimental to health: those containing any unhealthy elements, and those mixed with inorganic oils or disqualified oils. Such oils can not be marketed.

These articles extracted from the Food Products Law constitute the rules of the game of merchandising. There are, also, other legal requirements of general nature -cited in the Commercial Law- that the olive oil producer and wholesaler must fulfill in his merchandising.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, İSTANBUL

PAGE

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 56

## ANALYSIS IN COMPETITION

### Producer's Market:

So far, the nature of the commodity and merchandising problems in marketing of olive oil -as to the product, prices, promotions, and market organization- have been described and analyzed at the producer's and wholesaler's levels, on a comparative basis. Now the market analysis will be made in competition at these two levels, and relationships will be looked for.

In marketing and merchandising of olive oil, the following chain can be recognized: olive oil producer -to- wholesaler in another location -to- retailer -to- consumer. The market and competition in relation with the producer and wholesaler will be visualized in two distinct levels. Analysis in competition will be made at these two levels in terms of conditions of free competition listed by Tiber Scitevsky as:

1. Competitive Spirit
2. Large Numbers
3. Similarity of Size
4. Changing Membership
5. Capital
6. Economies of Scale
7. Entrepreneurship
8. Uninformed Market.<sup>40</sup>

The first four factors are in favor of competition; the last four

<sup>40/</sup> Tiber Scitevsky, Welfare and Competition (London:University Press, 1964) pp. 319-337.



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 57

factors are restraining competition. The producers' market can be analyzed as to these factors.

## 1. Factors Favorable to Competition:

**COMPETITIVE SPIRIT:** This means the absence or presence of a co-operative spirit in the olive oil industry. Although no definite and accurate conclusions can be arrived at this subject -since this can not be measured- it can be argued that the presence of a co-operative spirit in formal and informal ways in the olive oil production centers like Edremit-Ayvalık is a force working against the formulation of a full competitive spirit. This attitude develops from the traditional characteristics of the industry, local Chambers of Commerce and Industry, and conservative attitudes due to the demand and supply conditions.

**LARGE NUMBERS:** There are 592 olive oil factories in Turkey. Of this total, 108 are in Balıkesir (which includes Edremit-Ayvalık area), and 155 in İzmir. In the Edremit region, there are 8 million olive trees and 58 olive oil factories; in Edremit city, 5 million olive trees and 36 olive oil factories are present. (Total number of olive trees is around 60 million in the country). Average yearly olive oil production of this region is 22,000 tons of which 15,000 tons are supplied by Edremit.

So, considering Edremit region, it can be concluded that large numbers of olive oil producers -in terms of factories- are lacking.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 58

especially in comparison to the number of wholesalers in Istanbul (around 250).

**SIMILARITY OF SIZE:** Similarity of size concept, as a factor in favor of free competition, is somewhat distorted at the producer's level. Of the 36 olive oil factories in Edremit, some are small establishments with 1 press, and some are large establishments with 4 presses. So in comparison to the similarity of size of Istanbul wholesalers (that will be discussed in the next part), sizes of the production units in Edremit area vary on a larger scale.

**CHANGING MEMBERSHIP:** Most of the factories in Edremit-Ayvalık area were built between 1910-1930. New establishments are rare, since the present capacity of the industry absorbs the limited supply of olives in the region. As a conservative kind of business -as argued by most producers- drop outs and new entries are rare in the industry. So the industry is in a static nature rather than dynamic, in comparison to the wholesale business that requires less capital, less entrepreneurship, and less geographical requirements(as discussed later). So membership among olive oil producers does not change in the short-run, and long-run changes are not considerable.

## 2. Factors Restraining Competition:

**CAPITAL:** Capital requirements of constructing an olive oil

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 59

production concern are considerably high. Atif Erke, as an authority on this subject, gives the following figures:

Capital requirement of an olive oil factory (3 presses)  
Fixed Capital:

Land . . . . . 80,000 TL

Buildings . . . . . 100,000 TL

Machinery and Equipment . . . . . 160,000 TL

Other Expenses . . . . . 60,000 TL

Working Capital:

Liquid Assets . . . . . 100,000 TL

Total . . . . . 500,000 TL

Note: To construct a modern olive oil factory of similar size (3 presses) would at least require a double amount of capital outlays, that is at least 1 million TL.<sup>41</sup>

Capital requirements of the wholesale business are much lower, as shown in the next part.

ECONOMIES OF SCALE: "In most industries, there is a certain size of plant or a certain range of sizes that is more efficient and therefore more economical to operate than either smaller or larger plants."<sup>42</sup> In the olive oil industry this is exactly the case. Daily economical capacity or volume of an olive oil factory as the most efficient volume is calculated again by Atif Erke as follows:

150 sacks X 100 KG. of olives per sack = 15,000 KG. of olives

Therefore, the size of the plant should permit operation at this level in order to have economies of scale, that is both economical and efficient.<sup>43</sup>

So there are economies of scale in the olive oil industry as a factor restraining competition.

<sup>41/</sup> Quoted from Atif Erke, Edremit

<sup>42/</sup> Tiber Scitavsky, Welfare and Competition (London: University Press, 1964) p. 331.

<sup>43/</sup> Quoted from Atif Erke, Edremit

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 60

ENTREPRENEURSHIP: First of all, it should be mentioned that on this subject - just like the subject of competitive spirit as the first factor favoring competition - no precise conclusions can be made in quantitative terms. Yet in the discussion of other factors, such quantitative analysis is made.

Relative scarcity of one type of managerial skill (namely operating an olive oil factory) has implications upon entry, since this is a risky and challenging undertaking. Entrepreneurial skills necessary to manage an olive oil factory as a producer require a good degree of entrepreneurial knowledge, ability, and experience. This requirement can be less to operate a shop or firm as a wholesaler, mainly because in the former production function is involved whereas in the latter there is no such function. The first type of managerial skill is scarce in comparison with the second type; as such, businessmen talk of the difficulty of being an olive oil producer operating a factory, considering all the aspects of production, marketing, and merchandising.

So it can be concluded that the entrepreneurial skills necessary to become an olive oil producer act as a restraining factor upon competition; while this requirement -being a less challenging one- at the wholesaler's level does not restrict competition as much. The producer has industrial problems that the wholesaler does not have; also the former takes additional risks in production and marketing. So, entrepreneurship limits competition at this level.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 61

**UNINFORMED MARKET:** It can be argued that in general, the olive oil market at the consumers' level is quite an uninformed market in certain aspects. This is another factor restraining competition which is true at the producer's level as well as at the wholesaler's. The nature of this partly uninformed market will be analyzed in the Market Relation of the Producer and the Wholesaler in Merchandising part of this chapter.

In conclusion, it can be observed that factors in favor of competition are somewhat limited, and factors restraining competition are present in the olive oil market at the producer's level.

## Wholesaler's Market:

At the wholesalers' level of the olive oil market, the same analysis in competition can be made in terms of conditions of free competition -factors favoring and restraining competition. Again the same eight factors will be considered respectively.

### I. Factors Favorable to Competition:

**COMPETITIVE SPIRIT:** The competitive spirit Tibor Scitovsky mentions -though being hard to measure- can be considered to exist more among Istanbul wholesalers; who are more numerous, more similar in size, and with more often changing membership in comparison with Edremit region producers. This much can be enough to argue on this debatable issue which includes some value judgement.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 62

**LARGE NUMBERS:** As the main feature of a freely competitive market, large number of competitors can be found at the wholesalers' level in Istanbul. There are 150 large, and 100 medium and small olive oil wholesalers registered at the Chambers of Commerce. Apart from this total of 250, there are also large number of farms and people carrying on olive oil business as wholesalers who are not registered. Their number can be estimated to be around 500, but this can not be considered as an accurate estimate since this number can change frequently.<sup>44</sup>

Comparing these figures with the 58 olive oil factories (or producers) in Edremit region can give an idea of the degree of competition at each level.

**SIMILARITY OF SIZE:** In general, except for a few large olive oil wholesalers, size and capacity of the average Istanbul wholesaler is moderately similar. A very rough calculation of the volume of business handled by the Istanbul wholesalers is made by Atif Erke:

Average annual supply of 10,000 tons of olive oil to Istanbul X average price of 6 TL per kg. = 60,000,000 TL.  
60,000,000 TL. ÷ 250 registered wholesalers = 240,000 TL.  
So the average volume of business handled by one Istanbul olive oil wholesaler is 240,000 TL.  
However this calculation ignores the unregistered wholesalers.<sup>45</sup>

Considering the typical Istanbul wholesalers in their shops side by side in Yağiskelesi, this seems to be also a realistic figure of the size of business which does not show too much deviations from the mean. Also volume of the shops are similar with a storage

44/ Quoted from Faruk Serpil, Istanbul

45/ Quoted from Atif Erke, Edremit

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 63

capacity of 100 kg. on the average. This similarity of size can be explicitly seen in Tağiskelesi.

On the other hand, similarity of size concept of free competition is distorted on a larger scale in Edremit olive oil factories in comparison with Istanbul wholesaler shops. 'It can be concluded that volume and capacity of the typical wholesalers in Istanbul is around 2 tens in one transaction on the average.'<sup>46</sup> This amount for the producer, who carries on a larger volume business, can vary between 5 to hundreds of tons of merchandise at any one time.

CHANGING MEMBERSHIP: Another feature of a freely competitive market is changing membership and free entry. In Istanbul, rapid drop-out and new entries in connection with the olive oil business at the wholesale level can be noted on a dynamic scale. This means that the market at this level is more flexible than that at the producer's level. The reason is that capital, entrepreneurship, and geographical requirements to start the olive oil business as a wholesaler are less than to start as a producer. Capital and entrepreneurial necessities are analyzed under their own headings. As to the geographical requirement, it is enough to say that an olive oil wholesaler can be located at any place. However the producer has to be centralized in the olive regions where the industry is located.

Under these circumstances, new entries of business failures

46/ Quoted from Ahmet Akdağ, Istanbul

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 64

Among olive oil wholesalers in Istanbul are approximately 10 percent while this figure is definitely much less among olive oil producers in Edremit and Ayvalık.<sup>47</sup> (Figures are on an annual basis.)

So it is concluded that changing membership is more of a characteristic of wholesalers than producers of the olive oil business.

## 2. Factors Restraining Competition:

**CAPITAL:** Capital is the main factor restraining competition, by acting as a limiting factor. Capital requirements of a producer are much higher than a wholesaler, since the former has larger fixed capital requirements to start business. Also the working capital requirements are less, since the wholesaler operates at a smaller volume. The following figures given by Atif Erke show the capital requirement of an average Istanbul wholesaler to get into the olive oil business:

Fixed Capital requirement . . .	.50,000 TL
Working Capital requirement . .	.40,000 TL
Other outlays required . . . . .	10,000 TL

Total . . . . .	<u>100,000 TL</u>
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Compared to the capital requirement of half a million or even more than a million TL of the producer (tabulated before), a wide difference can be marked.<sup>48</sup>

So capital is a smaller factor restraining competition in wholesaler's market, in comparison with the producer's market.

**ECONOMIES OF SCALE:** It was argued that economies of scale act as one factor restraining competition in wholesaler's market. It

<sup>47/</sup> Quoted from Faruk Serpiöz, Istanbul

<sup>48/</sup> Quoted from Atif Erke, Edremit



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 67

was argued that there is an optimum size for an olive oil factory operated by the producer. This concept 'sets a lower limit to size, since the firm can not consist of less than one plant',<sup>49</sup> whose cost and volume (as demonstrated) is considerable in comparison to the wholesaler's shop.

Economies of scale are unimportant in the wholesale business which operates with smaller volume. 100 kg. of merchandise might as well suffice to start the business. Therefore, this factor does not restrain competition at the wholesaler's level.

ENTREPRENEURSHIP: As argued in the last section of this chapter, entrepreneurial skills necessary to conduct an olive oil production business exceed those required to conduct a wholesale business. So entrepreneurship factor does not restrict competition at the wholesaler's level, although it does at the producer's level.

UNINFORMED MARKET: Olive oil market in general is argued to be somewhat an uninformed market. This factor acts as a factor restraining competition at both the producers and the wholesaler's levels. This subject will be analyzed in the next part of the chapter.

In conclusion, producer's market is somewhat less competitive than the wholesaler's market; because of the factors of free

<sup>49/</sup> Fiber Scitovsky, Welfare and Competition (London: University Press, 1964) p. 331.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 66

competition, both in favor and against it. On a comparative basis (1) competitive spirit, (2) large numbers, (3) similarity of size, (4) changing membership; and smaller requirements of (5) capital, (6) economies of scale, (7) entrepreneurship render the wholesalers' market more competitive than the producers' market. In the latter, (1) competitive spirit, (2) large numbers, (3) similarity of size, (4) changing membership are found to be less; and (5) capital, (6) economies of scale, (7) entrepreneurship requirements are higher than those for the former. The whole analysis is made on a comparative basis; the last factor in this list -that is (8) uninformed market- is a characteristic of the whole market, and restrains competition to some extent in the whole market. This completes the analysis of the producer's and wholesaler's markets in competition.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 67

## Market Relationship of Producer and Wholesaler in Merchandising

Market relationship of olive oil producer and wholesaler can be analyzed in the framework of a quite uninformed market, that the whole olive oil market is. As the last factor restraining competition -at both market levels- uninformed market has five features as argued by Tiber Scitevsky:

1. Lack of Product Variation
2. Advertising
3. Price as an Index of Quality
4. Price Discriminations
5. Quantitative Price Discriminations.<sup>50</sup>

Each will be analyzed in turn to show the degree of ignorance of the buyer (consumer) in the olive oil market; and implications on merchandising will be pointed out.

### F. Lack of Product Variation:

Lack of product differentiation, or merchandising a standardized product, is one characteristic of an uninformed market and the olive oil market. All the olive oil producers and wholesalers merchandise and sell the same basic commodity (olive oil) standardized -as discussed in the second chapter- as to quality.

'Lack of variety in the ignorant buyers' tastes accounts for the similarity of the products competing in the uninformed market.'<sup>51</sup> In the olive oil market, product differentiation is limited to standards close to each other (as seen in the Food Products Law). Furthermore, the lack of variety in consumers' tastes -as to quality and differentiation- simplifies the function

<sup>50</sup>/ Tiber Scitevsky, Welfare and Competition (London:University Press, 1964) pp. 398-413.

<sup>51</sup>/ Ibid. p. 398.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 68

of producers and wholesalers in merchandising. Product differentiation is extremely limited in a narrow range because of the nature of the commodity, although it can be standardized to a certain quality. Yet in general, the consumer is unaware of this slight differentiation and standardization. So, one can talk of lack of product variation in the olive oil market.

## 2. Advertising:

Considering the limited annual production of olive oil and the lack of effective storage policies, advertising in this business aims to expand the market share rather than the market itself. This is an important feature of the industry which in essence limits the expansion of the markets. In general, olive oil producers are not great advertisers at all; this is somewhat true for the wholesalers too. Yet in the recent period, the volume of advertising increased.

"The scope of advertising depends on the ignorance of the people to whom it is addressed. The more ignorant the buyer, the more he relies on advertising!"<sup>52</sup> So this can give an idea of the degree of ignorance of the olive oil market; where it can be concluded that the market is neither too ignorant, nor equipped with full information. (Exact figures on the volume of advertising by olive oil sellers are not available; but authorities claim that olive oil sellers can occupy a middle row among the total advertisers.) Under these conditions, "it is the seller's interest, rather than

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<sup>52</sup>/ Ibid. p. 401

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 69

to help the buyers make rational comparisons, to prevent this.<sup>53</sup> So what they do is to give inadequate and general information in the advertisements; olive oil sellers offer no information about the exact nature, quality, and reasons of superiority of their product on logical grounds.

In the advertisements what is seen or heard is such broad slogans as 'higher quality', 'better quality', 'delicious', 'pure', 'superior' etc. They escape to give full information about the character of their product, which is not much different from other products in essence. So their advertisements are non-informative and rather general in order not to restrict their market. This obviously is another evidence about the degree of ignorance of the olive oil market.

### 3. Price as an Index of Quality:

Considering that the typical consumer is an uninformed buyer of olive oil to some extent, he (or she) is inclined to evaluate the commodity to purchase in terms of certain symbols like trademark, reputation, prices etc. Brands merchandised and promoted with higher price are accepted -rightly or wrongly- as superior in the market. 'The word (expensive) has come to stand as much for high quality as for high cost'<sup>54</sup> as is the case with a number of brands. In contrast to this, lower priced oils are attributed cheap characteristics.

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53/ Ibid. p. 402

54/ Ibid. p. 404

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 70

Ignorance on part of the buyer can be expressed by the fact that he (or she) is unaware of the meaning of the word 'coupé', attributing it to some high quality. So the consumer regards the price of olive oil as an index of quality of the commodity about which he (or she) is not fully informed, having access to no other reasonable criterion. This is another characteristic of an uninformed market.

#### 4. Price Discriminations:

Another feature of an uninformed market is price discrimination. Likewise in the olive oil market, same quality olive oils are sold at different prices, because of the reasons cited in the third chapter on merchandising. This price discrimination takes a number of forms:

1. Packaging differences -oils canned or sold open may be identical but with different prices.
2. Geographical price differences -especially in case of open olive oils where prices are adjusted flexibly considering the retailers and consumers in question.
3. Goodwill price discriminations-of certain brands of Edremit, Ayvalık, Burnaniye, İzmir regions.
4. Other formal and informal price discriminations between producer and wholesaler or wholesaler and retailer.

Considering that 'the greatest scope for price discrimination is in the uninformed market'<sup>55</sup>, it might be supported that there are a lot of price discriminations in the olive oil market too. This is another indicator of the uninformed nature of the market.

<sup>55/</sup> Quoted from Atıf Erke, Edremit.

<sup>56/</sup> Tiber Scitevsky, Welfare and Competition (London:University Press, 1964) p. 406.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 71

## 5. Quantitative Price Discriminations:

Quantitative price discriminations are also noted in the olive oil market, where different per unit prices are established on different units or quantities of the commodity sold. In other words, both at the producer's and the wholesaler's levels, if larger quantities of olive oils are bought or sold, lower per unit prices can be obtained. This is not a rare procedure in merchandising of olive oil; and obviously quantitative price discriminations of any type are characteristics of an uninformed market.

This analysis reveals that the olive oil market is a somewhat uninformed market. Here it must be pointed out that it can not be supposed that this is a complete economic model in abstraction; but only some characteristics and tendencies can be talked of. This is also true for the whole analysis. Also, producer's market is not a model of imperfect or oligopolistic competition, nor is wholesaler's market a model of free competition. Only some elements and features of these can be talked of in the analysis.

So it has been shown that merchandising of olive oil by the producer is carried through a less competitive framework than merchandising by wholesalers. The common characteristic of both market levels is an uninformed market to a certain extent, as a factor restricting competition somewhat.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 72

Market relationship of the producer and the wholesaler in merchandising has to be visualized through this organization. In this relationship, the wholesaler is the one who has to rely on the producer in any case to supply the merchandise. That means that the producers have control on the supply of merchandise.

Argument of an authority on this subject is as follows:

"Unlike the position of the wholesaler, the producer has access to a variety and number of alternatives of wholesalers and middlemen to sell his product to. The wholesaler, on the other hand, relies upon limited number of regional producers in marketing and merchandising. This shows that the producer has an influence upon the wholesaler in merchandising of olive oil.

Nevertheless, it is the wholesaler who is influential upon the rest of the marketing channel, namely other middlemen (if any), retailers, and ultimate consumers. As far as merchandising is concerned, this holds true for product policies and practices, prices, promotional techniques, and market place.

So up to the wholesaler's level producer plays the dominant role with a louder voice. From then on, the role of the wholesaler is dominant. His influences upon rest of the channel might be in terms of demand and supply of merchandise, advertisements, prices quoted and terms of sales, credit policies, collections, packaging, display arrangements, stocking and transportation."

So it might be argued that merchandising problem of the wholesaler is getting to be more significant in the whole phenomena. In aggregate, it might be said that the role of the wholesaler in merchandising is a bigger one; that he influences a longer portion of the marketing chain. But it must also be remembered that most of this role is dictated by the influence and force of the

57/ Quoted from Atif Erke, Edremit



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 73

producer. In any case this seems to be normal to a certain extent in theory and practice in the subject of merchandising.

Now, components of merchandising (product - prices - promotions - market organization) will be analyzed in context of market relationship of producer and wholesaler.

## I. Product.

Considering standardization, grading, packaging, quality, branding, and inventory management in relation with the product, wholesaler's role seems to be a greater one than the producer's. Branding may be the most important function of this subject that is closely related to all the components of the product listed.

The increasing role of the wholesaler is expressed as follows:

"More and more, merchandising in relation with the product is transferred to the wholesaler as a marketing function. So he has to consider the retailer and the consumer in his merchandising policies since he is closer to them both in the market place and in the marketing chain, in comparison with the producer. The widest known olive oil brands today are such wholesaler brands who do not necessarily produce their product.

Most of the olive oil producer firms are willing to transfer such merchandising tasks to the wholesalers on a contractual or informal basis. It can be seen that the merchandising problem of the wholesaler in relation with the product is getting to be a larger one."

In this subject, various sorts of commercial agreements are common between the Edremit-Ayvalık producers and Istanbul wholesalers

58/ Quoted from Faruk Serpil, Istanbul

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 74

for purposes of a mere co-operative and co-ordinated merchandising. However there are also producers and wholesalers who prefer to operate more independently.

## 2. Prices.

Excluding the topic of "pricing" from the analysis of merchandising relations, a survey of the olive oil prices (shown in chapter two and the Appendix) reveals that prices of producers are very influential upon the rest of the channel as floor prices. More specifically, producer prices are dominant at the wholesale level; but from this level on, wholesale prices in the "bourses" become dominant as a basic price of the commodity in question. One authority on this subject argues that:

"for the first place, olive oil is a costly commodity to produce. When various margins of middlemen are added to this, in marketing and merchandising, the product becomes an expensive commodity in the eyes of the consuming public. Although exact cost informations are lacking, in general, it can be said that wholesaler margins are lower than producer margins -since the former more relies on turnover and the latter who depends upon margin have two different issues. Lower limits of common margins might be 5 percent for the wholesaler and 10 percent for the producer. Upper limits may be 25 and 30 percent respectively.

In this subject of olive oil prices, both the producer and the wholesaler are inclined to accuse each other for being speculative. The general public, on the other hand, is inclined to accuse the producer for rising price level of olive oil. These accusations can be partly justified."<sup>59</sup>

In any price analysis of olive oil, it is necessary to consider

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 75

the non-economic factors that get into the picture, apart from a pure analysis of supply and demand.

### 3. Promotions.

Considering that the task of merchandising of the wholesaler is getting to be a heavier burden, most sales promotions are being made practically by him. Due to the less competitive nature of the market at the producers' level in comparison with the more competitive market of the wholesaler, the former party might be reluctant to get into large promotional outlays. Demand and supply situation of olive oil favors such behavior too.

In Istanbul, more promotional attempts and practices are noted at the wholesalers' level. In any case, financial power of the firm is an important determinant of the extent of sales promotions. Contractual relationships may exist between producer and wholesaler to promote sales and business; in this case attempts are organized in co-operation. Such co-operation is not absent, side by side with individual large promotional campaigns on part of some olive oil firms. It is seen or heard that certain olive oil brands are highly advertised.

### 4. Market Organization.

In the market place roles of producers and wholesalers in merchandising are distinct in some phases and similar and

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 76

overlapping in some other aspects. Market relationship of producer and wholesaler is a very close one of mutual dependence. The most popular and known form of marketing chain (as described in this study) is Olive oil region producer -to- wholesaler in some other location -to- retailer -to- consumer. In this process, producer also acts as the first wholesaler, since he sells in bulk.

Also there are numerous other market organizations and chains in practice, apart from the classical organization cited. Although these are found less occurring in marketing and merchandising of olive oil, they might as well be mentioned here:

- (1) Small processor -to- wholesalers -to- retailers - to - consumers.
- (2) Producer -to- large retailers -to- consumers.
- (3) Small processor -to- producer -to- wholesalers -to- consumers.
- (4) Producer -to- wholesalers -to- consumers.

In this process, small processor is the small olive oil producer who does not own a plant; and the wholesaler is either an agent and distributor or an independent wholesaler, as described in the Introduction. Producer means the large olive oil producer operating a factory, acting as a first wholesaler.

In general, in merchandising of olive oil the stronger party is always more influential on the rest of the channel. Usually this is the producer; though role of the wholesaler in merchandising is a larger one. Both parties have unique and common merchandising

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 77

problems that they tackle together or independently. Yet in any case, merchandising of olive oil by producer and wholesaler is interrelated in many respects.

Finally, it can be stated that the olive oil market at the wholesale level seems to be a more dynamic one than the producer's level which seems more static; since the former is more competitive in comparison with the latter as shown in this chapter. This closes the analysis of market relation of producer and wholesaler in context of Analysis in Competition.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 78

## CONCLUSIONS AND RECOMMENDATIONS

Some conclusions and recommendations can be arrived at after the description, analysis, and comparison of merchandising of olive oil by producer and wholesaler. These are related to the product, prices, promotions, and market organization as components of merchandising. Finally, there will be a total evaluation.

### Product:

#### 1. Production and Marketing of Olive Oil by the Producer.

Production of olive oil in Turkey is generally old fashioned in technology, methods, organization, and management. Hence it is possible to speak of a traditional olive oil industry, with some limited competition. Production and marketing costs are claimed to be high, although no cost accounting system is practiced to break down total costs into variable and fixed items with certain standards established. Modern technology, equipment, and methods should be applied to the industry in a modern industrial administration. Increased competition can be a stimulus towards this direction. Also for a sound cost control (and price control) managerial accounting, that is cost accounting, should be applied. This would mean major changes in total attitudes of olive oil producers.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 79

## 2. Quality.

For the present, there is no major guarantee of quality maintained for the consumers in the market. This would call for a better system of regulation to be established on part of the central authorities and government. Differentiation of pure and natural, mixed, and refined olive oils should be practically definite and properly standardized and graded. Illegal mixing practices should be held under strict control. Furthermore qualities of oils must be also controlled, especially in case of open olive oils; so that the ultimate consumer is protected against dishonesty. Producers and wholesalers should keep in mind the prestige of this business in this period when the consumer is seriously doubtful about it.

## 3. Packaging.

Leaving aside the olive oils sold open, packaging increases costs and prices of olive oils a lot. This is especially true for smaller cans. Ways should be looked for to solve the packaging problem of merchandising, both in favor of the seller and the buyer. Also packaging function has to be improved at both the producer's and the wholesaler's levels for a better product guarantee in merchandising.

## 4. Branding.

Consumer loyalty and faith is only built around those brands that do an honest job in merchandising. It is customary to see



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 80

brand images change over time, with only some trademarks surviving in the long-run. Therefore a better branding policy, including all the aspects of merchandising, should be followed by the producer and the wholesaler. Again appropriate regulation and control should be established in the market on part of the government, to safeguard consumers on one hand and legal competition on the other.

## 5. Inventories.

Inventory management in the olive oil business is a challenging area, considering domestic production and imports versus consumption and exports of oils. Though demand and supply picture is distorted in the olive oil market, no serious stocking policy is adopted. Scientific management and sound inventory management should be applied to this area. Since this is the critical variable in merchandising, the government and sellers should make sound predictions of fluctuations and speculations in the olive oil market.

## Prices:

### 6. Producer's Level.

Olive oil is an expensive commodity although a basic consumer good. High prices start from the producer's level and keep increasing up to the consumer's level. Consequently, to control costs and prices and to guard against periodic fluctuations

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 81

is one task to be fulfilled on part of the producer. Government interference should not discourage the olive oil producer; but the whole attitude in this area should be improved. This is a hot issue as far as all speculative tendencies are concerned.

## 7. Wholesaler's Level.

Wholesaler margins still push price levels up. At this level too, effective control is required in the market against instability and speculation. Control of the market mechanism can be more effective by improving the competitive atmosphere towards a more free competition. In any case, harmful and uneconomic measures and intervention of government ought to be stopped; price mechanism must be controlled but not played with too much.

## 8. Price Analysis.

Imports and exports of oils should be carefully planned and regulated, in contrast with the present situation. Unfortunate effects of these on the olive oil market on demand and supply mechanism should be kept in mind and thus prevented. Measures against instability (like an efficient production, imports-exports, storage, and marketing policies) should be taken like in other olive oil producing countries.

## Promotions:

### 9. Advertising by Producer.

Advertisements of olive oil producers, as well as wholesalers,

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 82

are increasing in the market. In the future, more sophisticated types of campaigns can be expected. Businessmen, therefore, should find out ways and means to regulate olive oil advertising. Proper central controls might as well be made to prevent dishonest advertising.

## 10. Advertising by Wholesaler.

More advertising is noted at this level in more competition. The same recommendation made above can also hold true at this level also. Since this is a dynamic area of merchandising, adequate regulation and control (in form of self-control and government control) should be given emphasis.

## 11. Other Sales Promotions.

Various new tools and methods of modern sales promotions can be practiced by the olive oil producers and wholesalers in merchandising. Increased competition is likely to result in a more dynamic promotional milieu, which is welcome.

## Market Organization:

## 12. Competitive and Substitute Olive Oils.

Since competition of substitute oils have increased in the market, new methods should be searched for by olive oil producer and wholesaler in merchandising and marketing. In this context defensive and aggressive product improvements and developments can be considered, in marketing mix and merchandising strategy.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 83

These will be related to the product, prices, promotions, and market organization.

## 13. Merchandising Policies.

Merchandising policies and practices of olive oil producers and wholesalers, in general, need major improvements. This would require improvements and revisions towards a new version of merchandising in increased competitive market organization. Product development must be the main theme of this. In contrast to the present situation, excess capacities can be utilized, diversification schemes can be considered, more efficient distribution channels can be searched for, salesmanship techniques and methods can be improved, and new ideas can be constantly searched for.

## 14. Market Problems.

Olive oil market has numerous problems; and new ones are added to the list. Some are short-term and some are long-term problems that must be solved. Apart from what the producers and wholesalers can do in this direction, there is another aspect of the phenomena. This is what the government can do to improve the present situation. To solve these problems, first the present production, marketing, and merchandising of olive oil should be fully studied and analyzed. Then solutions can be searched for as remedy within the framework of the general economy of the country.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 84

## 15. Legal Aspects.

Since merchandising is a dynamic area of marketing of olive oil, all necessary changes ought to be made in the legal framework. The present Commercial Law and Food Products Law has many shortcomings and discrepancies in this subject. Therefore periodic revisions of the articles can be recommended. Standards should be better established, more definite definitions should be made, new articles should be added, more flexibility should be built in, regulatory articles should be established for control purposes etc. This holds true for both the theory and application of the law as well.

## Final Evaluation:

In merchandising of olive oil, differentiation-grading-standardization of olive oils should be carefully controlled by the supplier and the government. Production of olive oil is another subject government has to handle, considering the present production and consumption situation in Turkey.

Wholesaler's market seems to be more competitive than the producer's, in terms of factors of free competition. Also a certain degree of ignorance prevails in the whole olive oil market. By all means competition must be encouraged, and proper consumer training must be established - so that all behave more rationally for the benefits of the economy of the country.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 85

In general, in merchandising of olive oil, wholesaler's role -as buyer and seller of the commodity- is a larger one than the producer's-who is only the seller of the commodity. Wholesaler faces more problems of marketing and merchandising in more competition. Producer, on the other hand, focuses on production problems that the wholesaler ignores. In general, the wholesaler -in his middle place in the marketing channel-has to emphasize and focus on merchandising. Merchandising might be a harder job for him than the producer.

Keeping in mind the numerous problems encountered in merchandising and marketing of olive oil, the wholesaler is the one who must be more flexible and dynamic in his merchandising activities than the producer who is more on the conservative side. Industrial, production, and commodity aspects of the phenomena render the conditions what they are, for the producer.

That is why it is argued that more dominant in merchandising -although the producer has a lot to say on this subject, considering the supply and demand, nature of the commodity, and competition- is the wholesaler. In marketing of olive oil, producer has certain advantages in these respects; but the problem of the production process does not render the conditions too favorable for him. Since the wholesaler does not face such production problems, it is hard to argue that either party is better off in this business. Yet in general, it can be said that the producer is more supply

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE 86

oriented while the wholesaler is more demand oriented in merchandising of olive oil.

In general, producer's behavior is not necessarily a maximizing one; wholesaler's behavior comes more close to this attitude although his margins are more narrow than those of the producer. It should be mentioned that in all the economic analysis -the market, competition, behaviors etc.- it is difficult to come to rigid conclusions of a precise nature. Yet it can be argued that traditional satisficing attitudes are more noted at the producer's level in comparison to the wholesaler's.

As a solution to the problems of merchandising in the olive oil market in Turkey, the critical prerequisite is a moral one. Namely this is the improvement of the business, commerce, and competitive spirit and attitudes. This calls for a change in the behavior of the olive oil producers and wholesalers that can only come about with improved economic, social, legal, and cultural conditions of the country towards more stability. Increased competition is also an efficient incentive towards these goals; illegal competition of any sort must be eliminated.

Finally, to solve the problems of MERCHANDISING OF OLIVE OIL - BY PRODUCER AND WHOLESALER developments in the economic, social, legal, cultural, and moral levels would be the general recommendation to be transferred from theory to practice through time.

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE



## **A P P E N D I X**

## L I S T   O F   T H E   T A B L E S

1. Vegetable Oils Consumption in Turkey
2. Vegetable Oils Production in Turkey -  
According to various Sources
3. Vegetable Oils Production in Turkey
4. Olive Trees and Olive oil Factories in Turkey
5. Olive oil Production in Turkey -  
According to various Sources
6. Wholesale Average Prices of vegetable oils in  
Istanbul Bourse.
7. Vegetable oils Prices in Constant Terms.
8. Number of Olive Trees, Production of Olives, and  
Productivity of Olive Trees

Note: Source is Dr. Melih Tümer who has derived the information from various sources: Devlet Planlama Teşkilatı, Food and Agriculture Organization, IGEME, Tarım Bakanlığı, Sait Tahsin Tekeli, U.S. Department of Agriculture; and various periodicals of DİE, IGEME, Ticaret Bakanlığı, İUM.

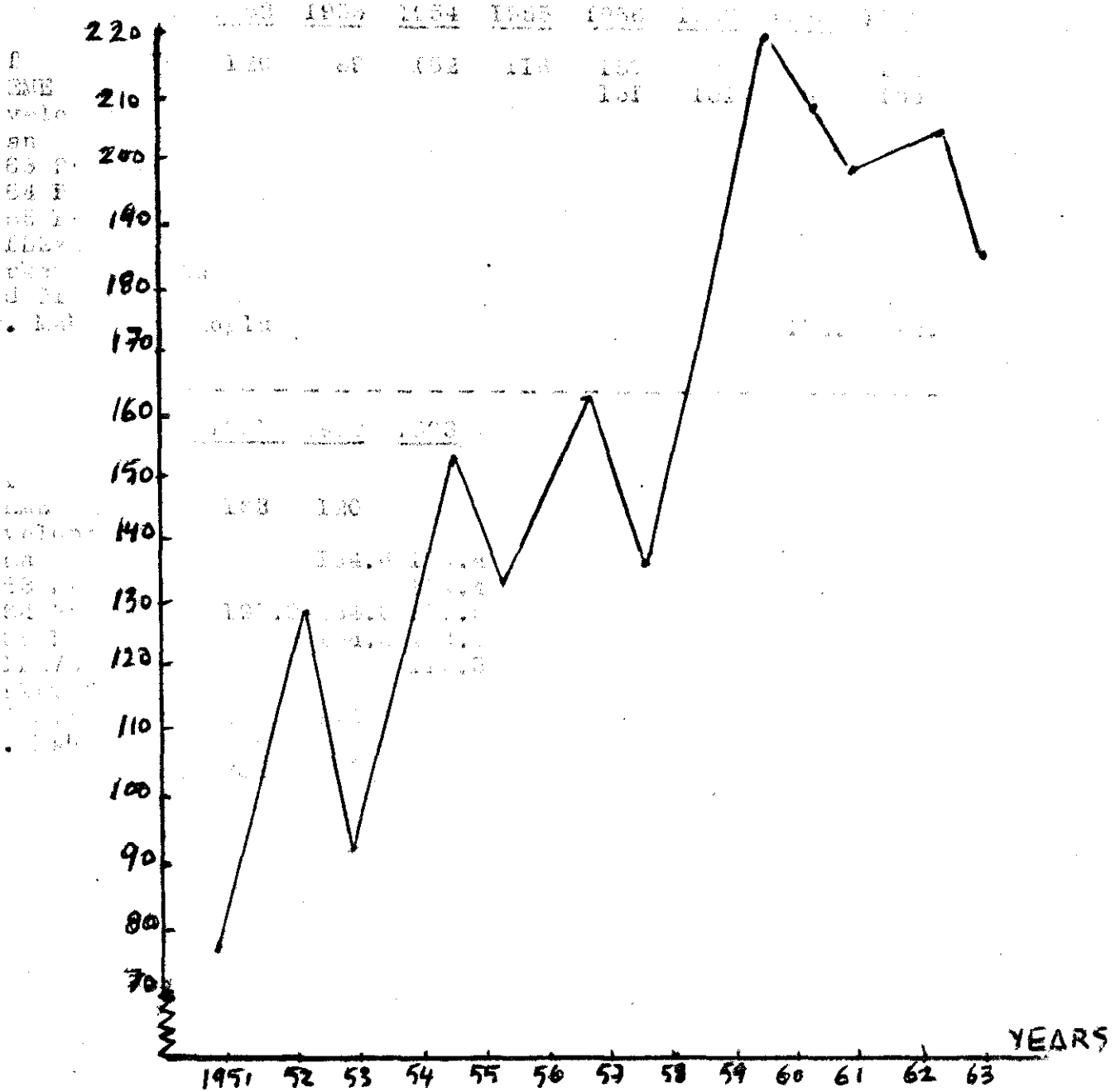
VEGETABLE OILS CONSUMPTION IN TURKEY  
( 000 Tons )

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
Production	75.8	126.3	89.3	151.7	116.3	157.9	110.4	172.4	143.6
Imports	-	-	1.9	-	12.5	-	13.8	46.2	66.0
TOTAL	75.8	126.3	91.2	151.7	128.8	157.9	124.2	218.9	209.6
Exports	3.4	0.3	1.2	-	-	-	-	-	-
Consumption	72.4	126.0	90.0	151.7	128.8	157.9	124.2	218.9	209.6
Per Capita									
Consumption	3.4	5.7	3.9	6.5	5.4	6.4	4.9	8.4	7.8
(kg)									

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Production	161.0	205.0	143.8	
Imports	36.9	-	49.8	76.8
TOTAL	197.9	205.0	193.6	
Exports	-	0.3	26.5	14.2
Consumption	197.9	204.7	167.1	
Per Capita				
Consumption	7.1	7.2	5.7	
(kg)				

# VEGETABLE OILS CONSUMPTION IN TURKEY

000 TONS



VEGETABLE OILS PRODUCTION IN TURKEY  
 ACCORDING TO VARIOUS SOURCES  
 ( 000 Tons )

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
T	76	126	89	152	116	157	88	151	154
EME						151	101	156	133
velopment									
an									
63 Program									
64 Program									
65 Program									
ILEVER									
rket for Fats									
d Oil									
. Mahir Çolakoğlu								172.5	143.6
-----									
	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>					
T	147								
EME	147	163	120						
velopment									
an			164.6	174.4					
63 Program				174.4					
64 Program		197.0	134.0	171.9					
65 Program			134.0	174.0					
ILEVER				119.5					
rket for Fats									
d Oil	159	205	143						
. Mahir Çolakoğlu									
	161.0	202							

PRODUCTION OF VEGETABLE OILS IN TURKEY  
( 000 Tons)

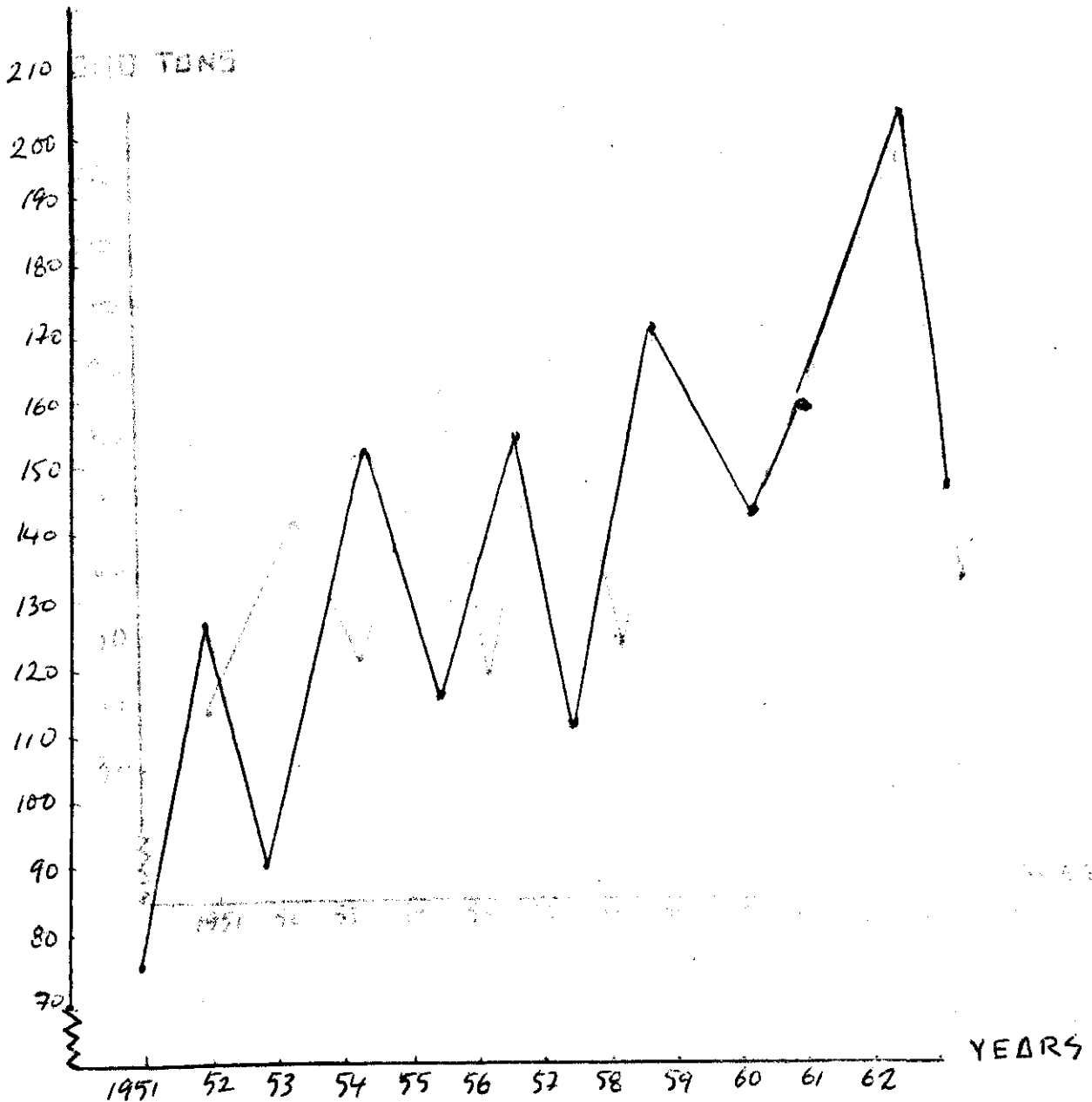
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
Olive oil	38.8	66.3	44.0	83.2	40.8	89.5	43.2	90.0	66.0
Cottonseed oil	14	37	25	29	32	34	30	37	36
Sunflowerseed oil	16	14	14	25	35	21.4	18	21.5	24.3
Others	7	9	6.3	14.5	8.5	13	19.2	24.2	17.3
TOTAL	75.8	126.3	89.3	151.7	116.3	157.9	110.4	172.7	143.6

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	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Olive oil	79.0	119.5	56.3	90.0
Cottonseed oil	34	45	53.5	54
Sunflowerseed oil	26.2	21.9	13.5	11.6
Others	21.8	18.9	20.5	
TOTAL	161.0	205.3	143.8	

# VEGETABLE OILS PRODUCTION IN TURKEY

000 TONS



OLIVE TREES AND OLIVE OIL FACTORIES IN TURKEY  
( Year 1960 )

<u>Cities</u>	<u>Number of Olive Trees</u>	<u>Number of Factories</u>
İzmir	9,561,227	155
Balıkesir	8,245,000	108
Aydın	9,644,000	86
Çanakkale	2,954,550	67
Manisa	1,470,450	60
Muğla	8,678,750	44
Bursa	4,950,915	39
Gaziantep	3,784,500	13
İçel	747,257	7
İstanbul	220,000	4
Kocaeli	400,250	3
Antalya	574,115	3
Hatay	2,731,970	2
Tekirdağ	60,000	1
Maras	200,000	-
Other Cities	643,026	-
<b>TOTAL</b>	<b>54,845,000</b>	<b>592</b>



OLIVE OIL PRODUCTION IN TURKEY  
ACCORDING TO VARIOUS SOURCES  
( 000 Tons )

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
DPT	38.8	66.3	44	83.2	40.8	89.5	43.0	90.0	66.0
IGEME	...	...	...	...	...	89.5	43.2	90.0	66.0
Development									
Plan	...	...	...	...	...	...	...	...	...
1963 Program	...	...	...	...	...	...	...	...	...
1964 Program	...	...	...	...	...	...	...	...	...
UNILEVER	...	...	...	...	...	...	...	...	...
Market for Fats									
and Oil	...	...	...	...	...	...	...	...	...
Mahir Çolakoğlu..	...	...	...	...	...	...	...	90.0	66.0
FAO	49	39	65	41	71	56	84	52	...
DIE	38.8	66.3	44.0	83.2	40.8	89.5	43.2	90.0	66.0

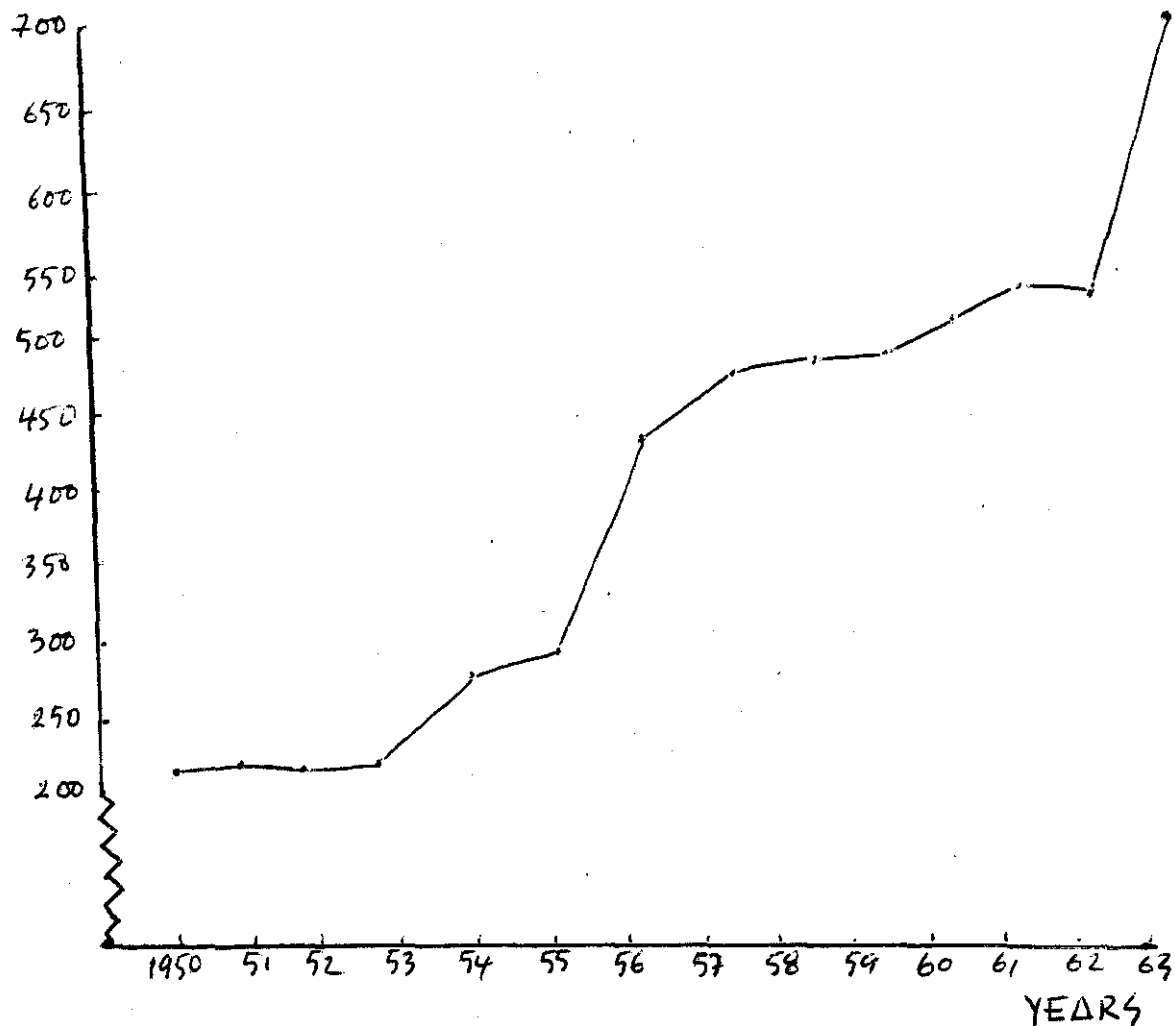
	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
DPT	79.0	...	...	...
IGEME	79.0	95.0	50.0	...
Development				
Plan	...	...	80.0	85.2
1963 Program	...	...	...	85.2
1964 Program	...	119.5	56.4	90.0
UNILEVER	...	...	...	42.8
Market for Fats				
and Oil	45.0	90.0	40.0	...
Mahir Çolakoğlu	79.0	119.5	...	...
FAO	...	...	...	...
DIE	79.0	119.5	56.3	...

WHOLESALE AVERAGE PRICES OF VEGETABLE OILS  
IN ISTANBUL BOURSE

<u>Years</u>	<u>Olive oil</u>		<u>Cottonseed oil</u>		<u>Sunflowerseed oil</u>	
	<u>Krs/kg</u>	<u>Index</u>	<u>Krs/kg</u>	<u>Index</u>	<u>Krs/kg</u>	<u>Index</u>
1950	212.00	100	142.30	100	150.00	100
1951	213.76	101	170.44	120	189.86	127
1952	202.41	95	164.32	115	168.12	112
1953	209.22	99	139.96	98	152.14	102
1954	278.39	131	216.72	152	223.43	149
1955	299.91	141	236.00	166	266.86	178
1956	434.43	205	269.94	190	275.26	184
1957	469.87	222	329.39	231	419.63	279
1958	484.16	228	306.72	215	403.60	269
1959	485.63	229	366.90	258	354.45	236
1960	505.97	239	406.18	285	389.90	260
1961	535.48	252	420.99	295	405.07	270
1962	515.69	243	376.00	264	420.44	280
1963	683.32	322	509.33	357	569.60	379

WHOLESALE AVERAGE PRICES OF VEGETABLE  
OILS IN ISTANBUL BOURSE (OLIVE OIL)

KR₺/KG



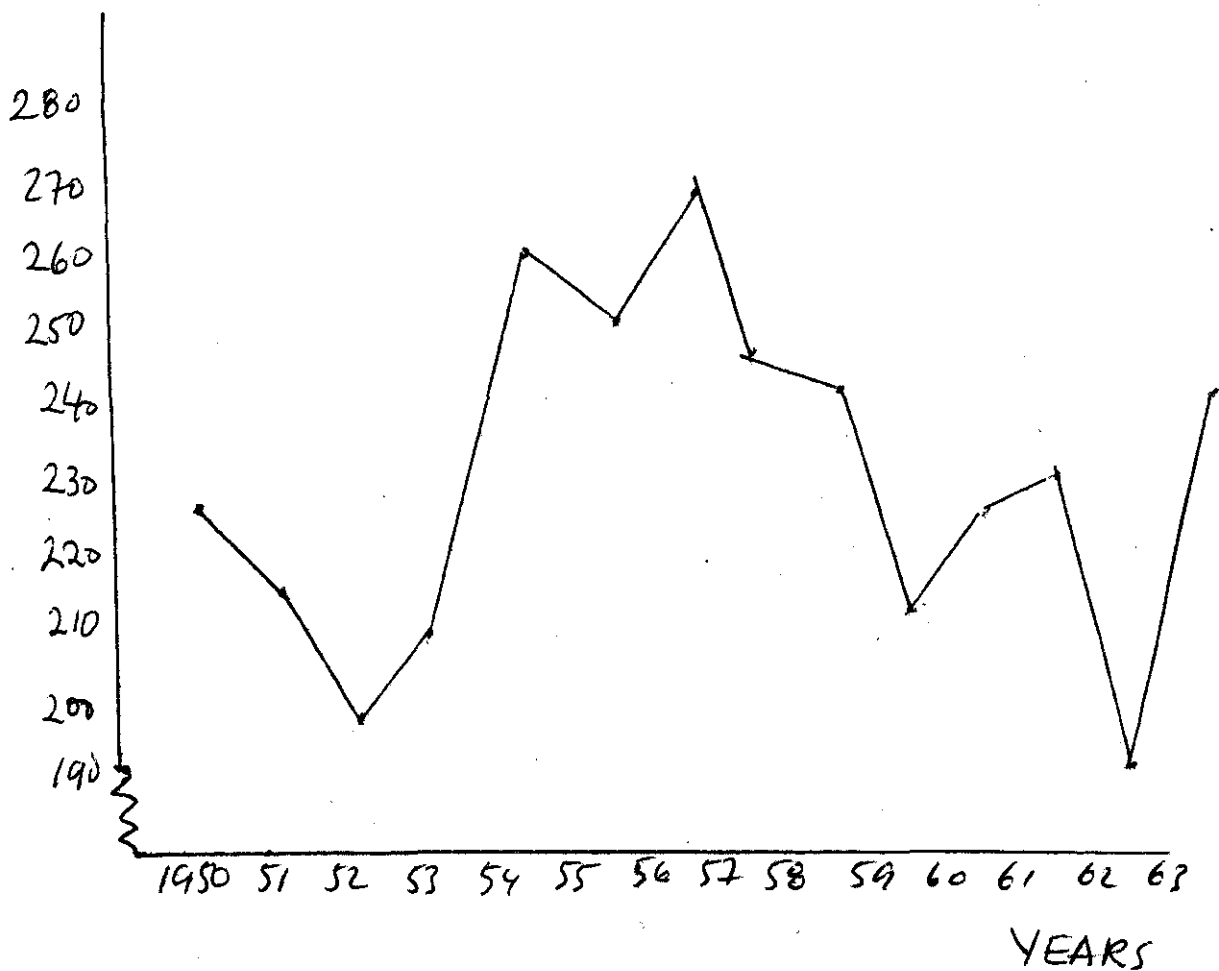
# VEGETABLE OILS PRICES IN CONSTANT TERMS

<u>Years</u>	<u>Deflation Index</u>	<u>Constant Prices ( Krs/kg )</u>		
		<u>Olive oil</u>	<u>Cottonseed oil</u>	<u>Sunflowerseed oil</u>
1950	93	227	152	161
1951	100	214	170	190
1952	103	196	159	163
1953	100	209	140	152
1954	109	255	199	205
1955	121	247	195	221
1956	165	263	164	167
1957	192	244	171	218
1958	208	232	147	194
1959	237	205	155	149
1960	231	219	176	168
1961	238	225	177	170
1962	269	191	140	156
1963	293	233	174	194

Note: The deflation index is of Konjonktür Dairesi,  
Ankara ( 1953 = 100 )

# VEGETABLE OILS PRICES IN CONSTANT TERMS (OLIVE OIL)

KRS/KG

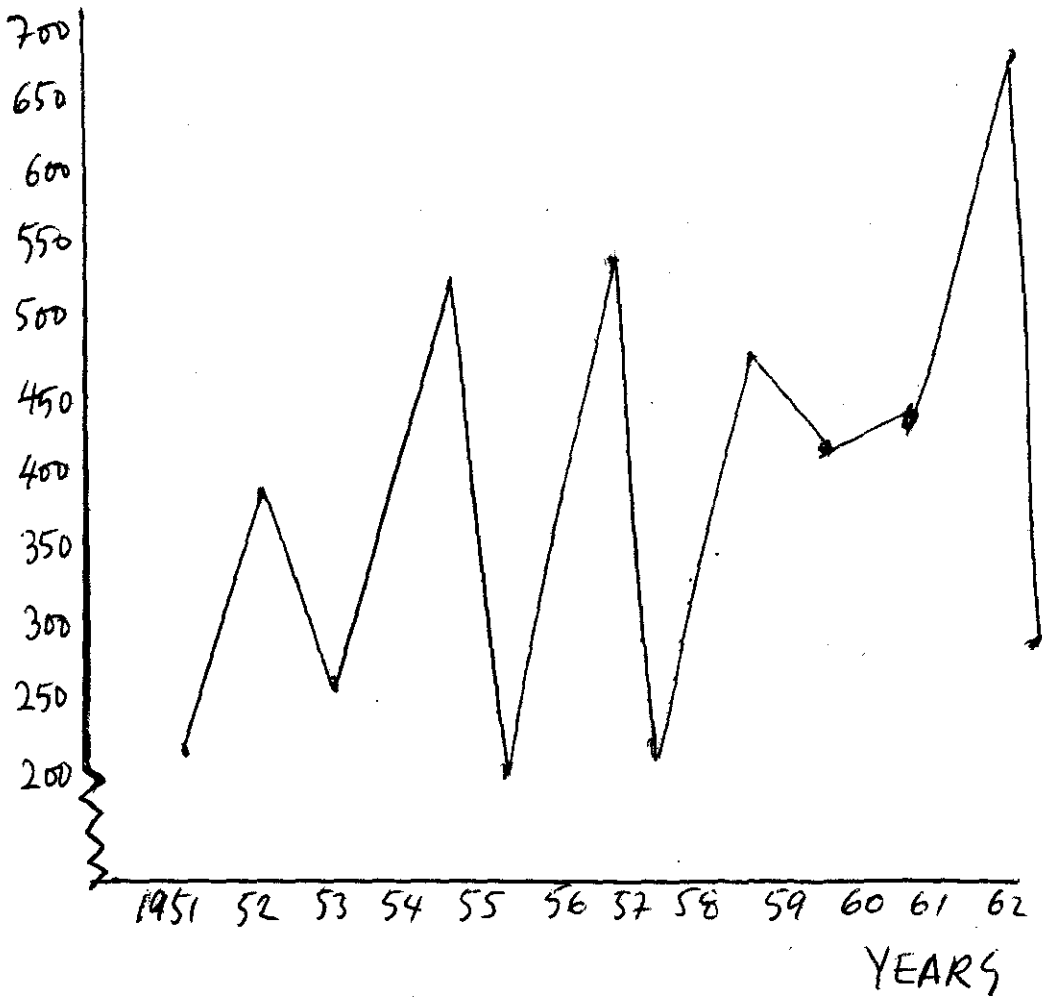


NUMBER OF OLIVE TREES, PRODUCTION OF OLIVES, AND  
PRODUCTIVITY OF OLIVE TREES

<u>Years</u>	<u>Number of olive trees ( 000,000)</u>	<u>Production of olives (000 Tons)</u>	<u>Productivity of olive trees (Kg olive/tree)</u>
1951	35	227	6.4
1952	38	394	10.3
1953	39.7	254	6.4
1954	42	532	12.6
1955	44	200	4.5
1956	46.6	539	11.5
1957	47.6	226	4.7
1958	51.3	482	9.4
1959	53.7	402	7.5
1960	54.8	427	7.8
1961	58.6	689	11.7
1962	59.9	290	4.8

NUMBER OF OLIVE TREES, PRODUCTION OF OLIVES,  
AND PRODUCTIVITY OF OLIVE TREES  
(PRODUCTION OF OLIVES)

000 TONS



# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PA



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