



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından eş finansmanla yürütülmektedir.



# KAHRAMANMARAŞ

## Executive Summary Economic Sectoral Review & Cluster Selection

September, 2011



Prepared by: Serap Gültekin, Short Term Senior Expert  
September, 2011  
Ankara

## SME Networking Project

This report has been produced by the Short Term Expert, Serap Gültekin within the scope of the “Technical Assistance for Empowering SMEs for Networking and Inter-regional Cooperation (SME Networking Project)”. The Project is co-financed by the European Union and the Republic of Turkey. The content of this publication is the sole responsibility of the consortium led by ECORYS NEDERLAND B.V. - and can in no way be taken to reflect the views of the European

Union. The End-Recipient of the Project is the Ministry of Economy. All rights of this report belong to the Ministry of Economy.

## Executive Summary

This report has been prepared as the economic and sectoral review of Kahramanmaraş to provide insight for selection of the sectors as well as the potential clusters to be worked with over the course of the Project.

Preparation of the report started with a desk research study where more than 20 publications and reports were reviewed about Kahramanmaraş. To understand current structure of the sectors and confirm the data received from the desk research, field research study has been completed and 25<sup>1</sup> interviews were held with stakeholders and companies in Kahramanmaraş.

Kahramanmaraş in Numbers	
Area	14.346 km <sup>2</sup>
Population	1.044.816 in 2010
Employment	96.485
Development Performance	48 <sup>th</sup>
Value of Kahramanmaraş's Exports	545.877.603 USD in 2010
Registered Trademarks	302 (1995-2009)
Registered Patents	62 (1995-2009)
Number of Companies	9940
Number of Manufacturers	427

Kahramanmaraş takes place on the Mediterranean Region of Turkey and northeast side of the region. With a surface area of 14.346 km<sup>2</sup> and a population of around 1 million, Kahramanmaraş is the 11th largest province of Turkey by territory, and 17th largest province of Turkey by population.<sup>2</sup> It is a landlocked province located in the Mediterranean region. Yet, the province is one of the better performing provinces of Turkey with an export revenue of 545,8 million from in 2010.<sup>3</sup>

<sup>1</sup> List of Stakeholders and Companies Interviewed

<sup>2</sup> Governorship of Kahramanmaraş, available at: <http://www.kahramanmaras.gov.tr>

<sup>3</sup> KMTSO

Kahramanmaraş has a strategical geographical location connecting the economical and demographic centers intersecting at north-south and east-west axis at national level. The transportation corridors pioneering at national transportation of passengers and freight intersect at Kahramanmaraş and neighboring region. The region where Kahramanmaraş is located is an important transit point for international transportation as well.

Kahramanmaraş, as for socio-economic development ranks 48th among the provinces in general and as for manufacturing industry ranks at 27<sup>th</sup>. At an evaluation according to indicators of industrialization axis, Kahramanmaraş reveals an outstanding performance above the country average.

## Economic Environment

According to the Development Performance Analysis of 2003, Kahramanmaraş ranked 24<sup>th</sup> in terms of GDP contribution within 81 provinces. The contribution of Kahramanmaraş to Turkey's economy was also stated as 0,98% of the country's total GDP. The latest available data reveals Kahramanmaraş's 1.935.267.176 GDP as USD in 2001. In recent years important part of Kahramanmaraş's earnings generates from its high-capacity energy producing facilities. Today, Kahramanmaraş, having a 6% of share at the total production of electricity and due to Afşin-Elbistan Thermal Power Plant, Sır Dam and Menzelet HES energy production, has a high GDP per capita.

Per Capita Gross Value Added (GVA) of TR63 (Hatay, Kahramanmaraş, Osmaniye) region is 5.937 USD (2008) and ranked 19th within 26 NUTSII region. (Source: TUIK, 2011)

In Kahramanmaraş the private sector investments began in real terms in 1984. The industrialization began in general at textile sector. Nevertheless the steel kitchen utensils sector, which is an extension of small hand-crafts such as coppersmith and aluminum smith, took its share from this tendency of industrialization at a significant extend. As for the size of the sector, Steel Goods Industry ranks at the 2<sup>nd</sup> row after the textile industry. Red Pepper sector, one of the oldest sectors of the province is in the development tendency in parallel with the industrialization. The ice-cream sector which led the recognition of Kahramanmaraş province in the country is affected by the industrialization in a great deal. Its recognition exceeded the borders of Turkey: first to countries in vicinity and then to the countries all over the world.

During the process of industrialization, Kahramanmaraş caught a high trend. During this period many investments are implemented. Textile sector, being the leader the ready-garment, steel kitchen utensils, cotton carding process, construction, banking, food, feed, packing, paper and machine manufacturing, heating and cooling systems sectors form the main line of economical profile. Other sectors such as transportation, jewelry, copper and aluminum carpentry, lumber and building materials form the dynamics of the city economy.

Textile sector, being the most developed one in Kahramanmaraş economy; the point reached is far more exceeding the Turkish standards as for technology and quality. Textile sector in Kahramanmaraş gained qualification to compete at World's Textile Markets easily with its quality and technology. Thus, became the international raw material center. The Textile industry provides high exchange earnings and has an unquestionable statute at the economical growth of not only the province but the country as well.

Kahramanmaraş, while drawing attention with its performance at textile sector, at the recent years began to be a pioneer at the energy sector as well.

Since 2003, Kahramanmaraş has been continuously experiencing growth in its export capacity. Currently, there are 7 companies from Kahramanmaraş ranked within the Istanbul Chamber of Commerce Top 500 Industrial Companies of 2010.

From 2009 to 2010, the province's export capacity expanded by 24.5%.

Data from KMTSO shows that vast majority of exports are from industrial sectors (98.2%), while Agriculture (1.8%), and Mining (0%) accounts for a minute part of export revenues.

The combined share of Textiles and Raw Materials, and Clothing and Apparel clearly leads exports at 83, 7%, while the Food Products and Beverages sector does not make it to the list. Second to the Textiles and Clothing sector is the Metals sector at a share of 12, 4%.

There are 204 exporter companies in Kahramanmaraş. In 2010, Kahramanmaraş export was rank at 19<sup>th</sup> in Turkey. Kahramanmaraş goal is to reach 5.000.000.000 USD in export in five years.

At the export of Kahramanmaraş on country-basis; Italy, Brasil, Germany, Egypt and Spain rank at the first five rows. Russia, Poland, Israel, Greece and Syria follow these five countries respectively.

## Leading Sectors

Kahramanmaraş plays an important role in the Turkish economy with its industrial and commercial infrastructure; the city acts as a bridge between important regions due to its geographical location in a commercial center. The industrial sector with many small and medium size businesses offers a wide opportunity of employment.

### Textile Sector

Kahramanmaraş has competitive advantage in textile sector. The sector is primarily specialized in manufacturing different kinds of yarn, weaving, knitting and clothing. Important titles of textile sector can be listed as:

- Natural and synthetic cotton
- Fabrics with cotton content
- Production of ready-made textiles besides clothing and apparel
- Finishing fabrics.



There are 72 yarn factories, 21 weaving factory, 41 knitting factory and 21 ready wear manufacturing companies and 22.319 employees in the sector. 27,4% out of Turkey's yarn production and 8,4% out of weaving production is being produced by Kahramanmaraş.

Kahramanmaraş textile and clothing export reached 406.570.000 USD in 2010.

Development areas of textile sector:

- Establishment of fashion and design schools.
- Joint organization of textile fairs.
- Marketing of Kahramanmaraş textile products by foreign companies.
- The establishment of R&D companies in Techno Park.

### Metal Industry - Kitchen Utensils Sector

Due to presence of high level of specialization in metal industry Kahramanmaraş has become a nationally and internationally known region with its knowledge and special production capabilities.

Kahramanmaraş metal industry products are like below;

- Kitchenware products and goods
- Fabricated metal products not classified elsewhere
- Metal coating and processing
- Manufacture of metal construction materials

Kahramanmaraş has 48 steel kitchenware company, those companies are using %50 raw material of Turkish stainless steel sector metal requirement. All of the chrome steel raw material is being imported and price is fixed by London Metal Exchange. Kahramanmaraş metal kitchenware companies produce pot, teapot, pressure pot etc. Kahramanmaraş yearly produce nearly 5.000.000 piece kitchenware goods and export to worldwide.

### Food Sector – Ice Cream Producing

Ice-cream production in Kahramanmaraş until recently took place at almost every district of it and they were small production units to meet the requirements of that district only. However, as increment in its quality and its introduction to domestic and foreign markets, the demand of it raised and production moved from small production units to large enterprises. Ice cream was started became an industrial goods by using advertisement and different marketing channel. After development of new production technology, ice cream was produced in hygienic environment by big manufacturers. Consequently, there are firms in the province active in production of ice-cream in automated facilities in hygienic conditions. The capacity of ice-cream production of these firms is estimated like 7.000 tons/year. As the ice-cream production in Turkey is not registered, it is not possible to reach the real figures of ice-cream production. However, the figures of facilities with automated fabrication are accepted as production of Turkey. In Kahramanmaraş there are 30 ice-cream production companies are registered to Kahramanmaraş Chamber of Commerce and Industry.

During the research study, some of the ice-cream producers were interviewed and it is observed that “partnership mentality” is very low in the sector. It is clear that Kahramanmaraş food industry is not ready enough to run pilot cluster activities.

Most value added three leading sectors of Kahramanmaraş are also emerging sectors of the city. During the research study it is revealed that textile and clothing sector, metal kitchen utensils and Ice Cream production sector have potentials for pilot cluster activities.

During the field studies it has been determined that the approach to produce projects and the consideration of acting collectively is not well-developed and when forming groups this consideration is likely to form and there is potential for that.

## Rationale

Over the course of the research study sectors in Kahramanmaraş were examined in consideration with following criteria and four potential sub-sectors were identified for further analysis;

- Potential to create employment opportunities for skilled labour
- Harness regional innovation assets for growth
- Role in region's development
- Change perception of the region
- Interrelationships with other potential target clusters in Turkey
- Level of specialization and networking
- Contribution to national economic strategies

The potential sectors were determined as play in an extremely significant role in regional development in Kahramanmaraş. The study was built on objective analysis of region's realities and focused on future engines of growth where trade and export potential has been examined. Research reveals that target areas are offering opportunities for sustainable growth, can help region to establish regional identity and vision for future development, initiatives can be identified and aligned with target industry needs.

Target Cluster Decision Matrix summarizes the results of the research which is presented in this report. Based on the findings the report strongly recommends focusing project activities and competitiveness enhancement efforts on four target sub-sectors.

## Target Cluster Decision Matrix

Potential Clusters	Textile	Kitchenware products and goods Ind.	Food Industry-Ice cream
<b>Economic Impact</b>			
Growth of the Sector	√	√	√

Employment	√	√	√
Role in Regional Development	√	√	√
Ability to meet 20-25% target by mid-2013	√	√	
Contribution to national goals and objectives	√		
Level of specialization		√	√
Critical Mass of Companies	√	√	√
<b>Demand</b>			
Export potential markets	√	√	
Presence of sophisticated home demand		√	√
Changes and trends in markets	√	√	√
<b>Networking &amp; Collaboration</b>			
Regional Linkages		√	
Inter-regional Linkages	√	√	
Willingness to 'group'	√	√	
Ability of local Stakeholders to support	√	√	
Interrelated sectors		√	√
Presence of implemented projects	√	√	
<b>Factor Conditions</b>			
Potential for Value-Chain improvements	√	√	√
Ability to innovate and follow market trends	√	√	√
Potential for Substantial Action Plan	√	√	√
Employment of skilled labour			
Flexible production processes		√	√

## Conclusion

According to the field study, it is observed that the two key industries – textile & clothing and Steel kitchenware industry - where cluster development creates value and foster manufacturers to expand trade, export and gain dynamism to integrate their business to international value chains with a new vision of doing business. Ice-cream production sector is mostly selling to domestic market but it is dynamic and needs to be improved in marketing and promotion.

The major problem of the sectors is non-institutionalization and lack of collaboration awareness. When paces for industrialization are stepped forth, then firstly the lack of strategy of companies will clear away. Once the companies are institutionalized, then they will have their own work plan. Then the companies will gain strength for the interpretation of the market, consequently plan their own marketing activities. The companies that are capable of preparing marketing plans and operating market-oriented, will use their resources effectively without investing in unutilized capacity. With the

concept of institutionalized management, it will be probable to increase the quality and effectiveness of human resources. Planning, at the same time, will enable the well-management of financial sources.

Institutionalization and collaboration will be possible if directly reached to the consultancy services or if facilitated by means of the projects like SME Networking. For this, first of all there is need to raise the awareness and consensus for the positive and concrete indications of collaboration is required.

In fact if collaboration is provided, they will have the chance to compete even with major companies. At least if a collaboration is provided for purchasing, this will bring cost advantage to the companies.

Project can support both potential clusters however Metal Kitcheware Production Cluster with a broader understanding of value chain, readiness to collaborate project can create added value to industry. In two years Project can create the most and biggest impact on Metal Kitchenware Production cluster through;

- SME Networking project can work with SMEs through a value chain analysis,
- Establishing regional and inter-regional networks with relevant sectors and regions
- Project can help manufacturers to access right information on targeted markets and provide trainings to SMEs on sales and marketing
- Project can provide technical assistance to prepare a cluster business plan/strategy,
- Project can provide support of preparing cluster action plan and tool kit for further steps
- Project can help members to prepare their own business plans and project proposal to receive funds and have sustainable development.

The research study show that metal kitchenware industry is the primary cluster for Kahramanmaraş followed by Textile sector. In textile sector yarn, weaving and knitting is the key of the sector. Pilot cluster activities should be started with yarn, weaving and knitting of textile.

Local Advisory Committee Meeting was held on 29th September 2011 in order to invite views on the findings of the Economic review study. Most of the participants stated that findings are reflecting the current situation in Kahramanmaraş. Majority of participants agreed on reviewed areas. To start with metal kitchenware industry cluster received more support among participants. It has been stated that UNIDO has started a ready wear cluster project in Kahramanmaraş and would be better to work on from the yarn to knitting and weaving of textile during the SME Networking project as a second pilot cluster.

