

TURKISH BRANDS

Every
country
is as rich
as its
brands.

TM



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Brothers Hacı
Sami and Hacı
Mustafa
Boydak in the
1970s

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Knowing When to Downsize in Order to Grow Up... İSTİKBAL

The Brand in Brief

The foundation of the İstikbal brand was laid by Hacı Mustafa and Hacı Sami Boydak in 1957 in Kayseri under very difficult conditions. Before really beginning branding efforts, İstikbal chose to decrease the number of its product varieties. Once it had increased its shares in respective markets, forward and backward integration was applied successfully.

At that time, a serious shortage in semi-finished and finished goods was felt in Turkey, and to ensure that production continued without interruption or problems, İstikbal began to manufacture the fiber, foam, spring and steel it needed. For the very same reasons, it initiated textile manufacturing and transportation. As a result, İstikbal became a successful applier of the principle "first specialize, then integrate forward and backward."

İstikbal management undertook brand building concurrently with all these developments in manufacturing, and began investing in marketing communications once distribution covered all of Turkey's Marmara Region. Communication meant assuming brand responsibility. A list of retail prices was published along with a product warranty, and the company began to offer free home delivery and product assembly. The introduction of a number of new and significant products in the product range heralded the time for setting up a network of İstikbal dealers. This dealer network in turn increased brand visibility, and worked as round-the-clock outdoor advertising...

Thus, İstikbal stands as a model of a brand with interwoven marketing constituents, each of which have triggered the others and provided a very suitable launch platform. At a point reached quickly in its journey since 1957, İstikbal enjoys a global presence and a brand name pronounced in many diverse languages and accents in different countries.

Foundation Efforts

The 1950s were years of very difficult conditions in Turkey. Sami and Hacı Mustafa Boydak were living in the town of Hacılar in Kayseri at this time. As the land surrounding the town was not well suited to farming, between 1952 and 1957 the brothers learned the craft of making doors and windows. Upon their return from military service in 1957, they opened a carpentry shop. A year later, when they had gained more experience, the brothers opened a fifty-square-meter shop in the old mechanic shops' quarter of the town, making iron beds, dowry chests and other similar household furniture by hand. A certain Cemal Tanrıdiler, known as "Master Cemal" taught them furniture making and was the inspiration behind the name İstikbal (which means 'future' in Turkish). Legend has it that **Cemal Usta** appreciated the industriousness and entrepreneurial spirit of the two brothers and said,

• You have a bright future in this industry; name your company 'İstikbal' •

The Boydak brothers heeded their master's advice.

The Boydak Group Today

The company went through many changes since then. Eventually, Boydak Holding was established in December 2003 with the aim of gathering all the Boydak companies under one roof. In September 2007 the Holding was a 29-company-strong structure operating in ten different areas under nine brands. These areas vary from furniture manufacture to energy, iron and steel, finance, logistics, textiles, chemicals, marketing and information systems, and include around 1000 products. Merkez Çelik, Boytaş, Mondi and İstikbal are furniture companies. Of these, Mondi joined the Holding in February 2006. The furniture brands of the group are İstikbal, İstikbal Regina, Bellona, Bellona Carpet, Deco, and Hukla. Others in the Holding include HES cables, Türkiye Finans Participation Bank (a non-interest banking institution), Boyteks textile factories, Form foam, Boyçelik, Boytrans, and HCS Information Systems. (Boydak Holding Annual Report 2006).

Boydak Holding reaches all over Turkey with its 13,500-strong staff and approximately 3000 dealers, and exports to over 100 countries. Furniture alone is exported to 80 countries. The export volume reached 300 million USD in 2007, and 25% of the total exports from Turkey's Kayseri region come from the Boydak Group alone.

("İyi bir Takımız", KaysoBilgi, issue 57, July 2005, pp.34-37).

In 2006, six Boydak Holding companies took their place in the Top 500 Industrial Companies of Turkey list published by the İstanbul Chamber of Industry (İSO): HES Cable (ranked 70th), Merkez Çelik (98th), Boytaş Furniture (115th), İstikbal (231st), Boyteks Textile (372nd), and Form Foam ve Mattress Industry (496th) (www.iso.org.tr/500buyuk; access date Sept. 26th, 2007.) The Group first appeared in the list in 1998, and since then at least one company has been added every year.

Management Philosophy at the Boydak Group

Today a second-generation Boydak family member is at the helm of the Holding as its Chairman of the Board: Hacı Boydak. When the first generation left the management in the 1980s, the three cousins Hacı, Şükrü and Yusuf Boydak assumed responsibility. Mustafa Boydak, Vice Chairman of Boydak Holding Board of Directors and Chairman of the Board of Directors of Kayseri Chamber of Industry, said,

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- The decision [by the first generation] was a milestone in the history of the Group. I believe that handing over authority and responsibility was the most important thing my father and uncle did. The younger generation saw the need for restructuring the group. As a result, the decision was taken to discontinue the steel and finished furniture line and place more emphasis on chairs and sofas ▶
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(E. Türk, E. Ergin, P. Çelik, S. Arman, "Anadolu'nun Genç Kapitanları, Hepsini Okumuş Çocuklar" Milliyet Business Supplement, July 12, 2004). The key decisions mentioned by Mustafa Boydak were taken in 1983. In the 1990s the younger-generation members Mustafa, Memduh and Bekir Boydak began assuming managerial responsibilities. ("Kayseri'den Yeni bir Sabancı Doğuyor", www.turkticaret.net and "İstikbal Grubu, Boydak Holding Oluyor", www.zaman.com.tr, sites accessed on August 3, 2005.). A number of additional innovative and bold decisions for the company date back to this period. Currently a total of eight family members (of which four are cousins) with average age under 40 are in active managerial positions. Second- and third-generation brothers and cousins all manage different business responsibilities. Although they express their opinions in other areas, final decisions are taken by the Chair (Y. Balaban, "Kayseri'nin Gücü", Capital, March 3, 2004; site accessed on August 3, 2005). This in fact reflects an important characteristic of companies from Kayseri, namely that they all have a strong family tradition. In the words of Hacı Boydak,

- The general tendency in Turkey is 'let it be small, but 'let it be mine.' But our belief is 'let it belong to all of us ▶
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We learned by chance that the children of the earlier İstikbal foremen still occupy a symbolic place among the company shareholders. The harmony among the workforce is obviously strengthened by the loyalty shown by the management. The second generation also embraced the principles and wisdom of their fathers. For example, the advice 'as you grow bigger, also know how to be smaller' is an important factor behind corporate humbleness...

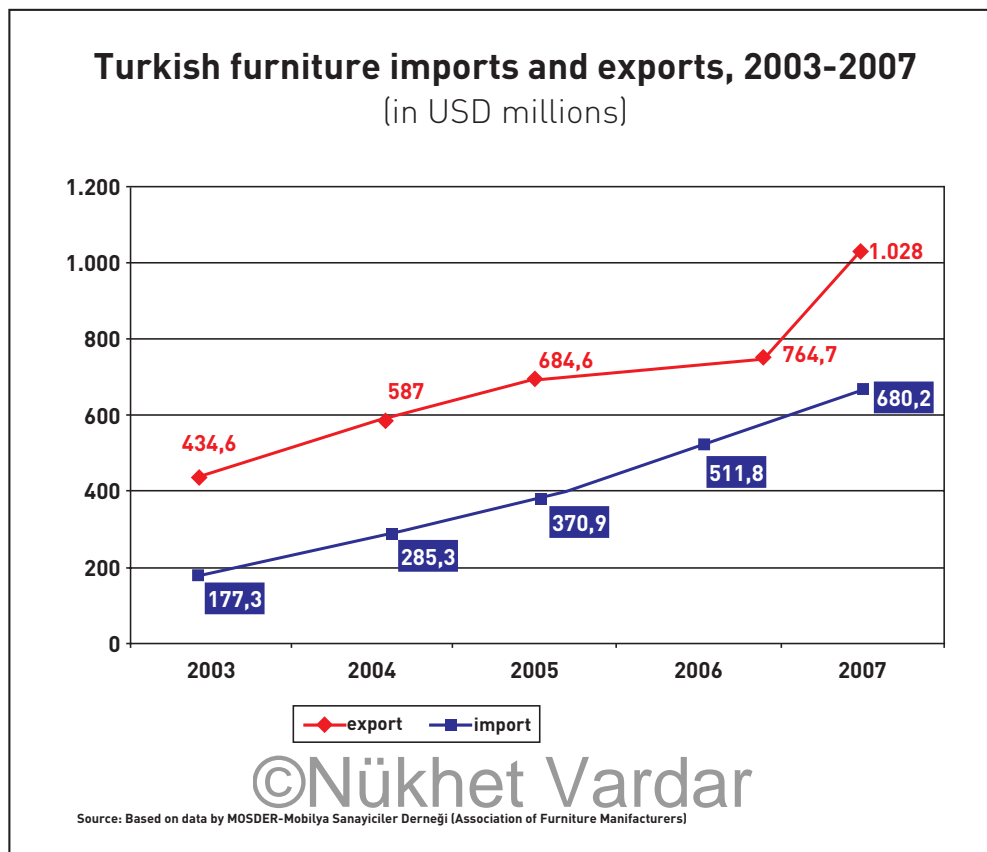
The Furniture Industry in Turkey and Worldwide

Data from MOSDER –the Association of Turkish Furniture Manufacturers– indicate the total worldwide manufacture of furniture to be worth 264 billion USD, while the total worldwide consumption is 268 billion USD. European countries have the largest share in this total (95.6 billion Euros), which puts furniture consumption in Europe at 210 Euros per head. 128,000 furniture manufacturers create employment for 1.1 million people.

In Turkey, as of year 2007 end the furniture market is estimated to be worth 7 billion USD at retail prices, and 4.8 billion USD at wholesale prices. The total number of manufacturers is approximately 62,000, and these create employment for approximately 260,000 people.

Germany and Iraq are the top countries that buy furniture from Turkey. Total furniture exports were 434.6 million USD in 2003 and 1.028 billion USD in 2007. However, furniture imports have risen faster than exports since 2003, increasing from 177.3 million USD in 2003 to 680.2 million USD in 2007. Imports from China and Italy constitute the largest share.

The most important problem for furniture manufacturers in Turkey is the off-the-book sales made by backyard producers without receipt or VAT, estimated to account for 50-60% of total sales in this market. Consequently, brand building can be said to have started only recently in the furniture market. As branding investments spread to the roots, off-the-book sales may gradually diminish.



1981: Growth by Focusing First

Every brand-building step that İstikbal has taken has led to further growth of the company through more investments and additional new, branded products. The outlook is in fact very clear. Now let us look at the milestones of brand building.

The journey that began in 1957 continued all the way to 1977, when a "factory" (actually only a large workshop by today's standards) was established by combining a number of small production units under one roof.

The factory began operation in 1978 with a closed area of 500 square meters on a lot of 10,000 square meters, and the product line continued to expand consistently until 1981. As a result, the company found itself manufacturing a variety of goods ranging from office furniture to metal kitchen cupboards, and from coffee-house chairs and tables to armchairs, sofas and chests. Realizing that none of these were 'the best' the company took the brave decision to focus only on sofas, and the production of metal items was dropped. The main factor influencing this decision was that sheet iron—the main input in the process—had to be purchased cash with order, while the finished goods were sold on ten to twelve months' credit. During these years of hyperinflation, proceeds from sales were barely enough to cover the cost of used inputs, let alone make a profit. As Chairman **Hacı Boydak** recalled,

◀ We hardly saw any money, so we decided to withdraw from metal furniture. We sold all the machinery and the metal presses ▶

Mustafa Boydak said similar things in an interview:

◀ We couldn't manufacture the products that qualified for the market leadership positions we were targeting. First we downsized, eliminated certain products, and concentrated on a single product group: sofas. We achieved market leadership in sofas and then added the others to this ▶

("İstikbal Grubu Boydak Holding Oluyor" www.zaman.com.tr, May 27, 2002 site accessed on August 3, 2005).

In 1983 the company placed a second, less intentional focus on wooden furniture, as admitted by the management today. At the time, social housing projects were gaining momentum. As a result, the company began manufacturing consumer furniture, especially practical sofas and foldaway beds for smaller houses. The foldaway beds, which function as both a bed and a sofa, are quite versatile. Within a short time the demand for foldaway beds with built-in storage space exploded. In line with this positive development in the market, İstikbal gradually increased its closed manufacturing area, employed more workers, and imported more advanced machinery. The initial daily output of twenty sofas per day increased to between 1,800 and 2,000 sofas in 1989.

1990-91: Setting the Right Priorities in Brand Building

Despite the strong increase in manufacturing capacity and sales, İstikbal's distribution did not reach Ankara or further out to eastern Turkey until 1989. Kırıkkale, 77 kilometers from the capital Ankara, was almost a border, but later, sales east of Kırıkkale went through the roof. A good sales trend was reached in the regions of Southeastern Anatolia, the Eastern Black Sea, the Mediterranean, and Central Anatolia. On and off, the İstanbul market was probed too. As **Hacı Boydak** told us with all sincerity,

◀ In those years we were selling our sofas to the middlemen for 425,000 Turkish Lira (TL). They, in return, sold them for 900,000 TL. If we had the means to retail at 600,000 TL, we could sell a lot. So we gathered our courage and set up the Marmara sales region on September 20, 1991 ▶

1991-92: The First Step in Brand Building and Product Warranty

İstikbal took another very important step for brand building when it began to advertise in 1991. At that time, whatever the price the customer negotiated with a furniture salesman, he or she felt cheated at the end of the deal. İstikbal moved to win the trust of consumers and published the first ever national price list in the furniture industry. Furthermore it introduced a product warranty and started a free home delivery and assembly service Memduh Boydak commented,

Knowing that a brand is a responsibility, we thought to provide the consumer with price confidence

And all this renewed itself in time. The İstikbal Wholesale Price Lists for 1991 and 1993 can be seen on this page. It is impossible not to be surprised by the evolution of the brand, and to feel happy for the consumer.

The Boydaks strove to follow major international furniture fairs together with their master builders and directors in order to be aware of the latest technological developments. Today, technological innovations, trust in knowledge and recognition all retain their importance for the Holding. All the staff know that Hacı Boydak never allowed out-of-date machinery into the factory.



İstikbal
wholesale
price lists
dated
December 5,
1991 and
December 20,
1993

İstikbal Logotypes Used Over the Years

According to records, the İstikbal logotype has changed six times since 1990. The six logos can be seen here. Since 1993, the typeface has remained the same but the frame and the color surrounding the logo have changed. The current logotype is a three-dimensional version of the previous one.

1992-93: Turning Shortages Into Opportunities

In the early 1990s there were major difficulties in procuring steel springs, foam and the other semi-finished inputs of furniture manufacturing. The management considered manufacturing the inputs, in order to stay independent of third parties. The managers we interviewed confirmed that the company experienced major difficulties in importing raw materials, semi-finished goods and other products, since foreign companies were reluctant to cooperate with their Turkish counterparts owing to the economic bottlenecks that Turkey was going through at the time. It was these difficulties that forced the Boydak family to become their own suppliers.

In 1992 Merkez Çelik A.Ş. was established in order to meet the increased demand for furniture (namely armchairs and sofas), and to manufacture semi-finished goods, steel wire, spring and mechanisms, and foam. Demand increase immediately resulted in increased sales. Since input shortage problems were resolved within the company structure, the only challenge left was to meet demand on time. İstikbal Mobilya immediately came into the picture in 1993 in order to further increase production capacity.



İstikbal
logotypes
from past
to present



İstikbal

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In the furniture industry, large plant capacity is a prerequisite for reaching an optimum level of production. Boydak companies used high capacities in their new factories and enjoyed the cost advantage of economies of scale. The production surplus enabled them to supply inputs to other furniture companies in Turkey and abroad. Hence, by overcoming previous shortages, Boydak Holding has become a significant supplier to the furniture industry in Turkey and worldwide.

Companies that were once reluctant to sell to Boydak became clients of the Group. The new investments brought about the first Boytaş company in 1996, followed by the Boytaş-1 and Boytaş-2 plants. Finally, in December 2006, Boytaş-5 began manufacturing chairs. The integrated system of Boytaş companies and the scale of production reached today are attributed to Fethi Ünal, Member of the Board at Boydak A.Ş., who joined the Boydak Group in 1994.

1994: İstikbal Dealers and Increasing Brand Visibility

As sofa sales reached satisfactory levels, furniture showrooms with the İstikbal sign began to spread. In those years, another industry that was slowly emerging was the mattress industry. İstikbal quickly noticed this and decided to manufacture mattresses in 1994. As a result, furniture delivery trucks began delivering mattresses too. While communications were carried out with modest resources, the other requirements of brand building were set up one by one. From selling its products along with other brands, displayed in an average area of 200 square meters in a 1000-square-meter showroom, İstikbal now needed between 300 and 500 square meters of display space due to the increase in the number of products and models.

This led to exclusive İstikbal showrooms, and beginning in 1994 exclusive İstikbal dealerships were established. By 1996 there was an İstikbal dealer in every city in Turkey. Demand directed Boydak investments once more and Boytaş Mobilya began operation in 1997 to increase total production capacity. In other words, growth accelerated in an outward spiral. Each right step brought about others. As a result, a growing company profile emerged while the original humbleness was maintained.

In January 2008, İstikbal Furniture Group had 15 main dealers. Bilal Uyanık, Boydak Holding Furniture Group Marketing Coordinator, pointed out that the main dealerships in Kayseri, İstanbul, Adapazarı and the Thrace region are also İstikbal Group Regional Sales Directorships. The remaining 11 are incorporated main dealers. All main dealers are business partners of İstikbal Group, are in control of their sales regions and aware of market dynamics, and closely follow changes in the market, which helps the dealership system develop further. Bilal Uyanık recognizes that dealers contribute the most to achieving speed and quality in after-sales service. Retail dealers are connected to the main dealers and buy their merchandise from these dealers, not directly from İstikbal. Approximately 1000 İstikbal retail dealers, 850 Bellona dealers and about 400 Mondi dealers—of which 137 are exclusive—serve all of Turkey.

1995: The Making of the Communications Strategy

İstikbal began working with Atlantis advertising agency in 1995, advertising in main media in growing weights and enjoying big returns. Atlantis Chairman Muzaffer Çetinkaya recalls having made five-year plans which included brand identity, brand positioning and brand communication strategy, with İstikbal and Atlantis taking maximum care to execute the roadmap.

İstikbal's annual communication strategy generally had three main components: brand advertising, product launches, and sales campaigns. All communication was handled holistically and everything from price lists to individual product labels and tags was reviewed in accordance with the campaign. Just as trends and innovation were incorporated in the products, consumers were looking for innovation and dynamism in the messages directed to them. Competition in the market and the pace of competition affected the communication too. Every two to three months, a new İstikbal TV commercial or print campaign was released. There was always a change in the products in the showrooms every six months.

Sales campaigns often took up the largest share of İstikbal's communications strategy because sales campaigns have great importance in this market.

However, İstikbal managed to invest separately in brand and new product launches too.



Members of the Boydak family in 2007.
From left to right: Bekir Boydak,
Yusuf Boydak, Şükrü Boydak, Hacı Boydak,
Mustafa Boydak, Memduh Boydak

Serial Production that Defines its Target Consumer

It is impossible to produce standardized products in small, craft-based workshops, even though the production technique is the same for all products. Concepts such as after-sales service and warranty are not yet developed, and prices remain out reach of the average consumer. In other words, furniture is something you buy once and use for a lifetime. Homes in Turkey previously had a 'guest room' the furniture for which had an average life span of 20 years because it was hardly used except by guests.

However, once furniture started to be manufactured in factories, the speed of output increased, product standardization was achieved and quality assurance immediately followed, as is the case in all industries that switch to serial production. These concepts started to be supported gradually by the manufacturers through after-sales services and warranties. As production capacities increased, distribution expanded to cover larger areas and prices started to decrease due to serial production. Also, new houses did not have separate guest rooms because of the high prices of housing. This made it impossible to protect furniture for 20 years or more in guest rooms, and falling prices made the average replacement period for furniture as short as 10 to 15 years.

Furniture manufacturers inevitably began to target **C1 and C2 socio-economic classes** because of the large quantities of furniture with similar types and models being marketed. Consumers from these classes are proud to buy the furniture they see in their friends' houses or in TV commercials. Following the introduction of serial production, brand building activities by the manufacturers further helped fortify this pride. Therefore, in a way, serial production does define its target consumer.

Brands in the Furniture Industry and the Accompanying Segmentation

Fast segmentation was witnessed in the industry once brand building efforts had begun. **Bekir Boydak**, Member of the Board at Boydak Group, described this change as follows:

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- We were able to market our products without any changes, with the same color and style, up until the 1990s. Later on, however, design, style and fashion gained importance, much as in electronics. After the 1990s we became involved in fashion! Every two years, we bring out a new collection ▶
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Logotypes for Regina, Hukla and Deco, some of the new brands that joined the group





Early examples of segmentation for furniture: frames from the "Bora and His Dad" TV commercial, which targeted young people (Atlantis Agency)

This increase in the importance of fashion, style and design brought with it the emergence of different sub-brands and new brands within the Group. For example, Bellona was created to target youth, and a license agreement was signed with the German brand Hukla for leather furniture in order to attract higher-end consumers. While Unique, a sub-brand of İstikbal, has modern lines, Studio is livelier and more colorful. The Country Collection is rather nostalgic. A similar license agreement with the Italian group Snaidero was signed in 2003, and the production of Regina kitchens and baths began. In 2007, the daily capacity for Regina was 60 projects.

All these changes testify to the development of the furniture industry: the initial targeting of C1 and C2 now enjoys economies of scale and puts out different products for different target groups without necessarily suffering increases in manufacturing costs.



Frames from the "Müzeyyen" campaign TVC, targeting young people (Atlantis Agency)

1997: Investments in the Brand Gain Momentum

The first important image campaign for İstikbal was launched in 1997, with the theme "Be renewed, [and] renew". The message to the consumer was "At İstikbal we have renewed ourselves, and increased our manufacturing capacity and investments. You, too, renew your homes". The slogan in those years was "Quality is something to be experienced, not just described."



A 1997 campaign using the slogan "Quality is something to be experienced, not just described" (Atlantis Agency)

Another significant example of İstikbal advertising campaigns pushing up demand used the Temel and Fadime characters from the hit TV series 'Mahallenin Muhtarları' in both mattress and sofa commercials.

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İstikbal's 1996 "Temel and Fadime" advertisement (Atlantis Agency)

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Years of Technological Novelties in Communications

In the 2000s, the İstikbal slogan was changed to "There's a lot to be lived." The slogan invited consumers to put their quality of life higher in their priorities. In these years the İstikbal product line was enlarged, new product groups emerged, and new product functionalities were introduced thanks to new technology.

Examples of campaigns with the slogan "There's a lot to be lived" [Atlantis Agency]



The film 'Our Areas of Interest' was produced in 2002 for İstikbal's 45th anniversary, and received an award of merit at the 2003 Crystal Apple Awards, a Turkish creative advertising contest organized by the Turkish Association of Advertising Agencies.

İstikbal's 45th anniversary film, "Our Areas of Interest" [Atlantis Agency]



Murtaza Durmuş, Advertising and PR Director at Boydak Holding, summarized İstikbal's recent advertising strategy as follows:

İstikbal's slogan changed to 'The address for comfort' in 2004, since young people in particular had become a generation fond of pleasure. The companies that were trying to bring greater and greater consumer satisfaction had naturally been instrumental in this. To differentiate themselves from the competition, these companies presented better products and better services, and unknowingly raised the expectations of the consumer. Comfort and relaxation have become a more important part of our lives. Therefore, İstikbal chose to tell its consumers 'in order to enjoy life more, change and beautify your living space.' We can see that this works well with Ev Concept

All the slogans used so far also bear witness to the evolution that İstikbal has lived through. As the structure, production, product lines and imagination have changed, this is reflected in the slogans.

In 2005 Viscolex, a mattress with superior technological properties, was launched. Its product promise was simple but impressive. The advertising states, "The open cell foam structure is heat sensitive and take the exact shape of your body. Your blood circulation becomes relaxed and you sleep comfortably, without complaining of back and lower back pain afterwards." The commercial ended with the slogan "İstikbal, the address for comfort." The Viscolex technology used in the Viscolex, Formpedic, Ultraform, Ultraform Baby and Viscopocket products gives all these mattresses the special, body-heat-sensitive 'visco-elastic' material and eliminates tossing and turning in bed by 80%. The technology distributes body weight equally to all the surface of the mattress. Also, the woven lining that prevents microorganisms provides additional benefits for asthma and allergy sufferers.



Visual explaining properties of 'Viscotex' mattresses (Atlantis Agency)

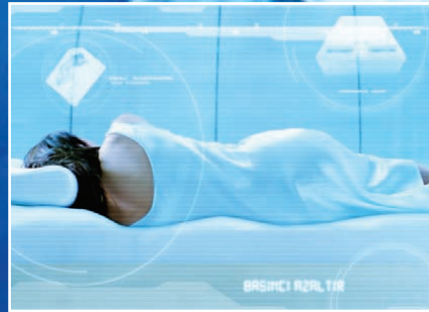
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"Country Collection" advertisement (Rafineri)

"All details are shaped in the hands of a master." This advertisement, which underlined the importance of hand craftsmanship, increased sales at least by 30%.

The film opens on a mother and child sleeping on a Viscolex mattress in an abstract, high-tech but obviously comfortable environment. In the last frame Mustafa Topalođlu (a folk singer known for his interest in space events) appears unexpectedly to say he was late for home because of the space traffic. The ad was produced by Depo Film and directed by Ömer Faruk Sorak.



Shots
from the
Viscolex
TV
commercial
(Atlantis
Agency)

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In 2005 a commercial for Viscopocket, another Viscolex mattress, aired. In Viscopocket mattresses, springs of different thickness are used for areas of the lower back/hips and legs/feet, so that body weight is distributed evenly on the mattress. The number of springs per square meter is also higher than that in similar mattresses.

In 2007 a commercial for Orgatech, produced by Klan advertising agency, described how İstikbal mattresses combine nature and technology. The lining is organic cotton and the double spring system provides 75% more suspension. İstikbal continues to provide newer technologies.

2007
Orgatech
commercial
(Klan)



DOĞANIN KUÇAĞINDA UYUYUN!

Doğayla teknoloji, sağlığını ve konforunuz için Orgatech'te buluştu! İstikbal, Orgatech teknolojiyle geliştirdiği, Türkiye'nin ilk organik pamuk* esaslı kumaşla kaplı yatak serisini sunuyor...



Orgatech
TEKNOLOJİNİN DOĞAL SONUCU!

- Organik pamuk* esaslı kumaşla sağlıklı bir uyku sunar.
- Storex ve DL çift yay sistemiyle %75 daha fazla süspansiyon sağlar.
- Latex katmanıyla vücut ısısını dengelemeye yardımcı olur.
- Ultra ortopedik yapıyla vücudun tam uyum sağlar.

50 yıldır rahatınız için çalışıyoruz!

Verilen özellikler Orgatech yatağı için geçerlidir.

 **IMO** kontrol * Yatak kumasında %40 oranında IMO tarafından sertifikalandırılmış organik pamuk kullanılmaktadır.



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A New Patent Application from İstikbal in 2008: "Biocare"

İstikbal is continuing to launch new products in 2008. In April, a new mattress called Biocare was launched as a remedy for electromagnetic pollution. Biocare is a material that reduces the non-ionized radiation emitted by appliances such as computers, cell phones and TV sets by 98.5%. Biocare was developed by İstikbal and Boyteks R&D teams working with a 100-strong group of academicians and experts, and is produced in Kayseri with a special weaving system and geometry using nanotech fibers. Patent applications have been made and Biocare is already being used in İstikbal mattresses, comforters, pillows and covers.

2008
Biotech
advertisement
(Atlantis
Agency)

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Shots from
the 2008
'Biotech' TV
Campaign
(Atlantis
Agency)

İstikbal persists in telling us in different ways that its products are innovative, high quality, and in line with changing consumer demands. Boyteks Tekstil Bursa factory's Technical Assistant General Manager describes quality as follows:

- Quality is now a measurable matter. (...) We can now do all tests for wet-dry, light properties and tear and stitch resistance to compare materials. In other words, just as at İstikbal, if we stress high quality in marketing communications then as a company we have to stand behind it

("Hedefimiz 2007'de Dünya Liderliği", www.kobifinans.com.tr, March 31, 2005, site accessed on August 3, 2005).

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"Know Your Consumer First"

Muzaffer Çetinkaya drew attention to the changing expectations from furniture showrooms and the fact that consumers now want to have at once everything to enrich and beautify their living space. Consumers no longer come to showrooms to buy only furniture: they prefer to buy all the pieces relating to the furniture and the accessories together.

Bekir Boydak explained how company and market realities match with Ev Concept:

- From the beginning of the 2000s we found ourselves needing some 3,000 square meters of space to display our rich product variety. While the total display area of our dealers was 300,000 square meters in the 1990s, this went up to 1.2 million square meters in 2005. We know that display is the most critical factor in our business, because we appeal to the eye and taste

Starting with this, the Group expanded its product range and developed Ev Concept in which consumers can buy everything they need from coffee tables to rugs. This is a signal of new investments in both production and showrooms. The first 10,000-square-meter megastore opened in Ankara in May 2005. Similar investments followed in Bursa, Samsun, Diyarbakır, İstanbul, Tokat, Erzurum, Elazığ, Trabzon, Kayseri and Gaziantep. In 2006, İstikbal began producing furniture for hotels too, representing a real example of being consumer oriented.

2005
advertisements
for Unique
(Atlantis
Agency)



UNIQUE
pozitif yaşam

CONCEPT '05

Estetik ve klasik... DECO Hiss

Yeni Unique koleksiyonu, geniş, rahat, canlı odama grupları, zarif, estetik ve kullanışlı parçak odama takımları, dinamik geniş odaları ve dinamik yaşam odası takımları sunuyor. Unique Concept odama grupları, Samsun, Bursa, Diyarbakır, Samsun kentlerinde de ön planda oluyor.

Yeni Unique koleksiyonu ile ayrı ortama yapılabildiği alanlarda da, yeni trendleri dışı güçler herman ediliyor oluyor. Özellikle odama grupları tarafından seçiliyor. Metal ve camı içermeyen üyeleri... her bir çözümleri kullanışlı yapıyor tek yapıyor.

DECO
Bu seriyeye parçalar, marifet ve her türlü bakımı. Modern ve dinamik odama... Yarı ve saktı oluyor... Klasik mobilyaların tamamı... Unique'ün benzersiz bir DECO ile tamamlayın.

DECO
Bu seriyeye kromluçlar, veyiller ve kromlu bakımı. Modern ve odama odama... Yarı ve saktı ediyor... Klasik mobilyaların tamamı... Unique'ün benzersiz bir DECO ile tamamlayın.

Hayatımıza renk katan yenilikleri hep İstikbal'den bekleyin!

İstikbal

24 HİNDİSTAN



UNIQUE
pozitif yaşam

CONCEPT '05

Estetik ve klasik... DECO Hiss

Yeni Unique koleksiyonu, geniş, rahat, canlı odama grupları, zarif, estetik ve kullanışlı parçak odama takımları, dinamik geniş odaları ve dinamik yaşam odası takımları sunuyor. Unique Concept odama grupları, Samsun, Bursa, Diyarbakır, Samsun kentlerinde de ön planda oluyor.

Yeni Unique koleksiyonu ile ayrı ortama yapılabildiği alanlarda da, yeni trendleri dışı güçler herman ediliyor oluyor. Özellikle odama grupları tarafından seçiliyor. Metal ve camı içermeyen üyeleri... her bir çözümleri kullanışlı yapıyor tek yapıyor.

DECO
Bu seriyeye kromluçlar, veyiller ve kromlu bakımı. Modern ve odama odama... Yarı ve saktı ediyor... Klasik mobilyaların tamamı... Unique'ün benzersiz bir DECO ile tamamlayın.

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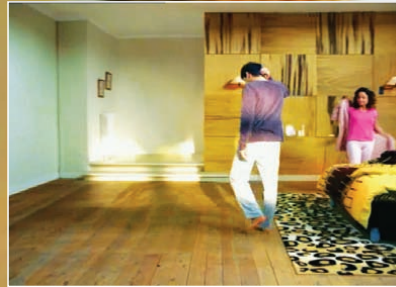
İstikbal

24 HİNDİSTAN

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Shots from
the 2005
Unique TV
commercial
(Atlantis
Agency)



İstikbal launched a new line called Unique in 2005 with the slogan "Positive life" and announced to consumers that they could find a rich collection of products ranging from furniture to home textiles and from kitchen to carpets, the way they expect it. The TV commercial creates an initial feeling of emptiness without the Unique furniture. Then, with Unique, life starts anew and the set starts to become colorful. Special effects characterize the film. The creative work was by Atlantis, visual effects were by Kıvanç Barıönü (special effects director for the Turkish feature film GORA), and production was by Kala Film. The soundtrack is an original composition. The commercial signs off with the voice-over "Expect surprising innovation from İstikbal. Unique... A new concept from İstikbal".

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Another campaign based on consumer expectations, "Design Your Life" started to run in 2006.



This time, İstikbal invited consumers to furnish their homes in the way they want and to live in the way they imagine, because İstikbal furniture is produced to allow users to place them in many different ways. For example, there are armrests of different lengths, corner pieces that can be placed on the right or the left, and sitting or reclining alternatives so that consumers can easily use the "Design Your Life" series according to their needs in large or narrow living areas.



Shots from
the 2006
"Design Your
Life"
campaign
(Atlantis
Agency)



istikbal

27

"Furnish the way you want,
live the way you imagine"

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The İstikbal Brand in International Markets

As of September 2007, İstikbal is marketed and distributed by Alfa Möbel in Germany and by Sunset in the USA. Alfa alone sells furniture to over 500 companies in Germany, Austria, Luxembourg, the Czech Republic, Ukraine and the Netherlands. Some companies are supplied directly from Turkey. Furniture exports for the Holding are undertaken by Boydaş Dış Ticaret A.Ş. At end 2007 there were 191 dealers outside Turkey. The brand name enjoys the advantage of meaning "the future", especially in the Middle East and in Arabic-speaking countries. A similar situation is being reported in the USA among consumers of Middle Eastern origin.

Consequently, İstikbal is taking silent steps towards becoming a global brand. Marketing communications began in these countries under the names İstikbal and Bellona. As of September 2005, three different TV commercials are on the air in the USA, Germany and Middle Eastern countries. The films are created by Atlantis and produced in Turkey. Media planning is done by Mindshare. The films focus on the multi-functionality and practicality of the sofas. The copy is simple and mainly aims to repeat the brand name. Hearing "İstikbal" being pronounced with an American accent is surely a sign of globalization.

A 2005 TV
commercial
for
international
markets
(Atlantis
Agency)



At September 2007, İstikbal had no production facility outside Turkey. However, since shipping costs are so high for furniture, the Group is now considering the possibility of production in places with low input, labor and energy costs, close to markets with high sales potential. Obviously, we may soon see İstikbal production units following its showrooms in other markets of the world.

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"If you have a brand, why be afraid of China?"

Orhan Çalışkan is General Manager at Boyteks. It is significant that a semi-finished goods manufacturer stresses branding. As the topmost director of a company that manufactures all kinds of textile materials for İstikbal and Bellona, **Orhan Çalışkan** says,

◀ If the Turkish textiles sector creates brands and sets the standards, it does not have to fear China ▶

("Hedefimiz 2007'de Dünya Liderliği"). This is because China's advantage is its low-cost labor, and this stems from the state providing subsidies (financial support) to the industry. The costs of other major inputs, such as fibers, do not vary that much. Therefore, in the medium run, China may well lose its advantage in international markets. China's greatest disadvantages are structural factors such as low quality of service, inflexibility in production, not being able to ship large items such as furniture inexpensively, and only producing easy items. Overcoming these disadvantages is not that easy...

Consequently, having integrated production facilities and being able to move fast by being closer to world markets are all great advantages for Turkish companies. Fast-developing expertise in graphic and industrial design can be added as an advantage to Turkish brands, to make competition with the much-feared giant a lot easier.

On top of all of this, if we can see İstikbal producing and distributing in the USA, Germany, Russia and North Africa—places to which the company currently only exports—then a big circle will be completed for the Boydak Group: the company that once downsized in order to grow and to gain expertise, and later integrated forward and backward, is now preparing, in the second half of the 2000s, to integrate managerial functions in order to encompass the world.

In 2007 Boydak Group celebrated its 50th anniversary with the slogan "For 50 years, İstikbal has been at the center of happiness." Now that we have accepted our home as the center of our lives where we spend most of our time with our family, İstikbal stresses how consumers stay with the İstikbal brand through all stages of their life. Even if the environment changes and people grow, İstikbal remains at the center. The 50th anniversary film was created by Grey. The director was Bo Platt and the production house was POP Prodüksiyon.



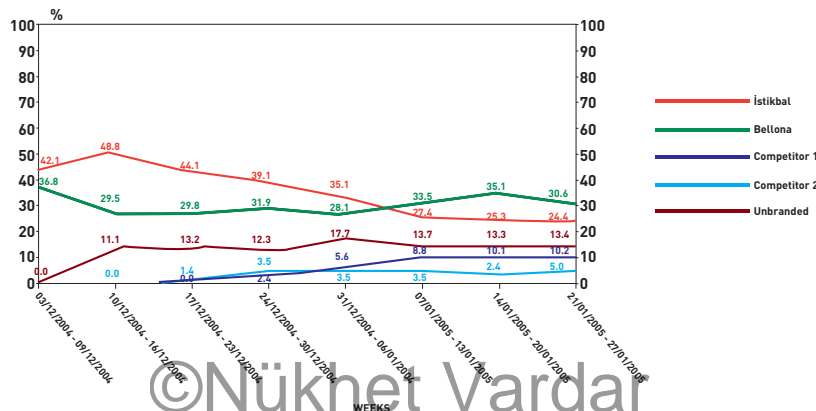
Looking to the Future

Boydak Holding increased its total production capacity by 40-50% in different areas of business with expansions in its facilities in 2004. In 2006, the total revenue reached 2.413 billion New Turkish Lira (YTL), in which furniture leads by 1.083 billion YTL. The 2007 total revenue was 3.2 billion YTL. When the revenue of all companies that are related to furniture business is totaled, the result is a company size that can enter the list of the Top 500 Industrial Companies in Turkey at 27th position. The growth in 2006 was 26% in revenue and 6.16% in profitability. The furniture group produced 1,300,000 sofas, 850,000 bases, 150,000 sitting groups, 100,000 coffee tables, 850,000 cubic meters of foam sponge, 50,000 tons of steel wiring, 1,600,000 mattresses, 4,500,000 pieces of home textiles, and 7,000,000 cubic meters of panel furniture including dining room, bedroom and teenage furniture. It would not be wrong to assume that these figures are rising daily, judging from the advances that the Furniture Group has achieved. In current figures, İstikbal produces a sofa every 18 seconds.

An investment of 73 million USD in 2006 built three factories in Adapazarı and Kayseri. Continued allocation of funds to R&D saw 8.5 million USD in 2006. Boydak Holding is among the top three companies applying for patents and design registrations, and the R&D and design department of the Group is 200 strong. The first application by İstikbal for a brand registration was in 1989. At end 2007 the Group had 110 brands, 367 industrial designs and 11 patents for furniture. As mentioned in the Holding's 2006 Annual Report, Boydak Holding has targeted a 23% increase in revenues, equivalent to a total of 3 billion YTL. Actual exports in 2007 were 300 million USD against a target of 225 million USD. The 2008 target is 360 million USD. Total investments in 2007, including those outside Turkey, reached a total of 70 million USD. The importance given to R&D has continued with a budget of 10 million USD. According to the management, İstikbal is the largest mattress manufacturer in Turkey and has a market share of 40%. Memduh Boydak, İstikbal's Chairman of the Board, said in an interview that their main objective after 2005 was to increase the international brand building efforts and the share of exports in the total revenue to 40%. ["İstikbal Yurtdışında 300 Satış Noktası Açacak", www.kobifinans.com.tr, April 15th, 2005, site accessed on August 3rd, 2005]. It seems only natural to predict that İstikbal's international markets will increase in importance.

Preferred Brands in Furniture Category

Basis: People considering the brands in their homes



Source: Brandlab - İstikbal Brand Tracking 2004 Research findings provided by Boydak Holding.

A research study carried out for İstikbal by Brandlab found that 15-16% of people interviewed were thinking of buying new furniture, and 20% were thinking of renewing their mattresses and bases. A look at the brand preference indicates a metric of 13% for unbranded furniture but 24% for İstikbal and 31% for Bellona.

A research study called "Dimension 3D" was carried out in 2007 by Mindshare, İstikbal's media agency. The study covered 2000 people in nine Turkish cities, among 15- to 65-year-olds in A, B, C1 and C2 socioeconomic classes, with an education of middle-school and higher, and studied consumers' relationship with brands in different categories, classifying the brands from familiar to brand-loyals. Called a "brand pyramid" in this classification, the lowest slice had the weakest consumer-brand relationship and the topmost slice had the strongest. According to the findings, 93% of consumers had heard of or tried İstikbal brand, of which 49% had considered buying an İstikbal product. Of these, 49% of these could actually repeat the benefits the brand offered. 48% of these thought İstikbal was superior to the competitors, and of these, 34% thought of themselves as loyal to İstikbal.

A film for İstikbal's 45th anniversary admitted "Maybe everything was once done by hand, more humbly compared to now, in a small Anatolian city, but none of these things were an obstacle to reaching ambitious targets." This is the moral of the İstikbal story: intelligence and a work ethic combined with a yearning for success produces such power that no target is too ambitious! For the select few who have this power, a lack of education, experience or capital is never really an obstacle. Mustafa Boydak points out that the second generation of the family added good education to the company's experience and capital,

University education changed our direction to the west. Our name, which was popular in eastern Turkey, was not well known in the west. When we went west, we understood that we would become a major player

He adds,

If we manage to transfer proper authority to the third generation, in line with corporate management principles, the Group will succeed in a third leap forward

And this is a clear indication of the Group's priorities for the future.

(E. Türk, E. Ergin, P. Çelik, S. Arman, "Anadolu'nun Genç Kaplanları, Hepsini Okumuş Çocuklar" Milliyet Business supplement, July 12, 2004).

August 2005

Updated May 2008

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MATTRESSES & BASES

- Premium mattresses: Biomagic, Biotech Baby, Orgaflex, Ultraform, Viscolex, King Size, Ultraform Baby, Comfort, Formpedic
- Expert mattresses: Biostar, Orgaform, SI Optimal, Perform, Best Dreams
- Smart mattresses: Süper standart, Alize Highrise, Alize
- Bases: Estetica, Dream, Senkron, Ergoflex, Ergotech, Universal, Solid, Fullex, Orgaflex, Modify, Pratik

PANEL FURNITURE

Dining Rooms

- Statü Group: Icon, Madrid, Senkron, Plaza
- Natura Group: Newton, Albero
- Design Your Life Group: Lotus
- Unique Group: Jasmine, Rapido, Venedik
- Country Collection Group: Lymra

Bedrooms

- Statü Group: Icon, Madrid, Senkron, Plaza
- Natura Group: Albero, Trend
- Design Your Life Group: Rapido, Lotus
- Country Collection Group: Lymra
- Unique Group: Venedik, Jasmine, Zeugma

Young Rooms

- Statü Group: Icon, Soldier
- Design Your Life Group: Lotus, Smile
- Studio Collection Group: Melodi, Rainbow

SOFABEDS AND SITTING GROUPS

- Statü Group: Simena, Monoco, İbiza, Sera, Elizabeth, Capital, Ekol, Forte S, Senkron S, Orlando, Nova S, Viola, Etna, Riviera, Angel, Madrid, Rönesans
- Design Your Life Group: Vision
- Unique Grubu: Merit, Pera, City, Cocktail
- Studio Collection Group: Life Style, Fusion, Best, Line, Step, Suit Lobi
- Country Collection Group: Canyon S, Lymra, Truva, Monalisa, Karya, Perge, Rüya, Armoni, Scala, Ahenk, Western, Fiesta, Stil, Queen Chaise Longue
- Classic Group: Argos, Combina, Doğa, Dinamik, Verona, Arma, Chalet Pouffe
- Steel & Style Grubu: Well, Solid S
- Leather Sitting Group Sets: Mode Line, Hukla

HOME TEXTILES

- Linen Sets
- Sleeping Sets
- Bedspreads
- Piques
- Quilts and Blankets
- Pillows

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- Memduh Boydak
- Şükrü Boydak
- Yusuf Boydak
- Muzaffer Çetinkaya
- Murtaza Durmuş
- Bilal Uyanık

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