T.C.
BAHÇEŞEHİR ÜNİVERSİTESİ

RETAIL STORE PERCEPTION OF CUSTOMERS IN CONSTRUCTION EQUIPMENT INDUSTRY

Master Thesis

SEMİH YAVUZ

İSTANBUL, 2019

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MASTER OF BUSINESS ADMINISTRATION

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Semih YAVUZ

ABSTRACT

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Master of Business Administration

Thesis Supervisor: Dr. Yonca Eldener, Ph.D

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Construction is one of the most important industries in the Turkish economy. It directly affects many sub-sectors serving infrastructure and superstructure works and construction equipment is one of the most affected one.
Introduction part covers definitions, types and usage areas of construction equipment. Turkish construction equipment market size, products and services that the players in the sector offer were analyzed. The positioning studies were conducted according to the most significant customer criteria that the customers are paying attention the most. I, in the light of this information, clues about the perception created for various customer types are given.

In the body part, the effects of increase in superstructure and urban transformation works on small construction machines on product group detail in the construction equipment market are examined.
Added to these, customer journey and purchase criteria of small-sized customers in general, perception of Borusan brand in this customer segment in particular is examined. Special attention is paid to the retail stores of Borusan launched in order to meet the expectations of small sized customers both functionally and emotionally to speak the same language.
In the conclusion part, outcome of this strategy was presented by customer surveys.

Keywords: Construction Equipment, Customer Purchase Criteria, Perception of Customers, Retail Stores

ÖZET

PARAKENDE MAĞAZALARIN İNŞAAT SEKTÖRÜ
MÜŞTERİLERİNDEKİ ALGISI

Semih Yavuz

İşletme Yüksek Lisans

Tez Danışmanı: Dr. Yonca Eldener, Ph.D

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Türkiye ekonomisinin en önemli kollarından biri inşaat sektörüdür. Altyapı ve üstyapı çalışmalarının yanı sıra birçok yan sektörü doğrudan etkileyen inşaat sektörünün en çok etkilediği sektörlerin başında iş makinaları gelmektedir.
Giriş kısmında, Iş makinalarının tanımı, çeşitleri ve kullanım alanlarından bahsedilmiştir. Türkiye Iş makinası Pazar büyüklüğü ve bu sektördeki oyuncuların müşterilere sundukları ürün ve hizmetlere değinilmiştir. Bu ürün ve hizmetlerde, müşterilerin en çok dikkat ettiği kriterlere göre konumlama çalışması yapılmış ve bu bilgi ışığında farklı müşteri tiplerinde yaratılan algı ile ilgili ipuçları verilmiştir.

Gelişme kısmında, artan üstyapı ve kentsel dönüşüm gibi küçük iş makinalarına ihtiyaç duyulan projelerin, iş makinası pazarındaki değişen ürün ihtiyaçlarına etkisi incelenmiştir. Bu analizlerin ışığında bir vaka çalışması olarak, Borusan şirketinin pazar payı incelenmiş ve küçük iş makinası alan küçük ölçekli müşterileri hedefleyen yeni stratejisi ortaya konulmuştur.
Ayrıca küçük ölçekli müşterilerin, mevcut satın alma süreçleri ve alım kriterleri incelenmiştir. Borusan markasının, bu müşteri profilindeki algısı ortaya konulmuş, bunlara paralel müşterilerin beklentilerini karşılamak hedefiyle açılan perakende mağazalar incelenmiştir.
Sonuç bölümünde bu girişimin başarılı olup olmadığı müşteri anketleri, kazanılan küçük ölçekli müşteri sayısı ve pazar payı analizi ile incelenmiştir.

Anahtar Kelimeler: İnşaat Sektörü, Iş makinası, Müşteri Alım Kriteri, Müşteri Algısı, Perakende Mağaza

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ABBREVIATIONS

KPI	:	Key Performance Indicator
GDP	:	Gross Domestic Product
LCV	:	Life-Cycle Value
LCP	:	Life-Cycle Performance
BCP	:	Building Construction Product

FIGURES

1. INTRODUCTION

Regardless of its sector; customer perception on brand image is one of the most important conditions whether a business entity will be successful or not. Even for well-designed systems, high quality products or services; market share may go down and business may result in failure if the message conveyed to the customer is not appropriate. United Airlines incident is quite a relevant example of such a failure. A dragged and manhandled passenger video, by the airlines' officer, dropped on internet and company image was shaken suddenly. Although brand image usually is not ruined or strengthened in a day, it has to be taken care of carefully it may drive your market share easily either going up or down.

In the study, brand image of one of the biggest conglomerates of Turkish construction industry, namely Borusan is analyzed. Foundation of the company reaches out early 1990s and founder is Asım Kocabıyık who is one of the most important businessmen in Turkey. This case study covers one of the distributor companies, Borusan CAT operating in Turkey as well as in Azerbaijan, Georgia, Kazakhstan and Kirgizstan with Caterpillar brand. With its wide product range, Borusan CAT provides products and services to many different sectors. General and heavy construction, mining and industrial, textile, steel, chemical, pharmaceutical, ceramic, wood industry, automotive, plastic, food and energy sectors are the main service areas.

Borusan CAT is a very good example of mismatch of what small scale customers segment in construction equipment sector perceived and what the company itself targeted in. Thus, Borusan company in Turkey, suffered from a biased approach by this customer segment. Although Borusan has very qualified products, as Caterpillar distributor, some of the low-profile customers, who have the major share in sales volume of the industry, would not prefer even contacting to sales people due to high premium and distant relationship perception. The main starting point of this study is to understand how the company has put forth possible actions to eliminate negative perception and increase market share.

The company seems to intend going through a "retail transformation journey" to develop closer ties with its customers in terms of both emotionally and physically. Thanks to the direct inputs from the responsible of this retail initiative by a structured interview; we

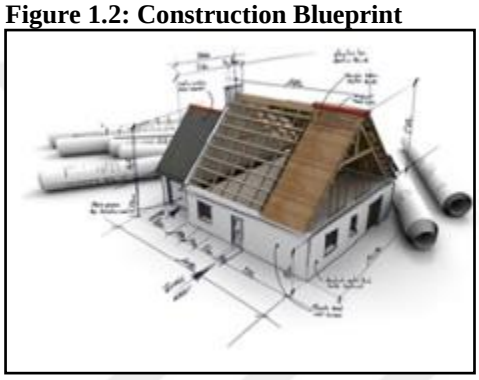
could have a closer look at the outcomes of this project which would give the reader an insight on managing the customer perception via retail stores.

1.1 CONSTRUCTION INDUSTRY

The construction sector in Turkey, carries out the responsibility of leveraging the country's economy with its added value and employment opportunities, so it has a special importance.

In these days, “Construction” is not only considered as building of the environment but also all the activities that contribute to its maintenance, repair and operation.

Figure 1.2: Construction Blueprint



Source: http://www.c2sdimension.fr/

The sector, which has a great know-how and potential both in the national and international arena, is called as the “Locomotive sector” with its mobilization capacity of more than 200 sub-sectors.[1] Domestic contracting services and certification, overseas contracting services, technical consultancy services, real estate, finance, business, construction materials industry and construction equipment are some of the sub-sectors which construction sector is in interaction with.

When the size of the construction-dependent sectors is included, the share of the construction sector in the GDP reaches almost 30%.[2]

1.2 CONSTRUCTION EQUIPMENT

For all kinds of construction activity such as superstructure, infrastructure, road construction, maintenance and repair, earthmoving machines used in construction are called ‘construction equipment’.

[1] (“Ekonominin lokomotifi konut ve inşaat sektörü!”, 2017)
[2] (“Construction industry in Turkey: facts and figures”, 2017)

Construction equipment are divided into two types: tracked type and wheel type. Moreover, they can be grouped as loaders, backhoe loaders, excavators, rollers, graders, dozers and other equipment according to their work.

Figure 1.4: Dozer, Excavator, Loader, Beko loader

Source: Caterpillar web-site

Approximately, 60% of the construction equipment sector is supplied by distributors and 40% directly by manufacturing companies.

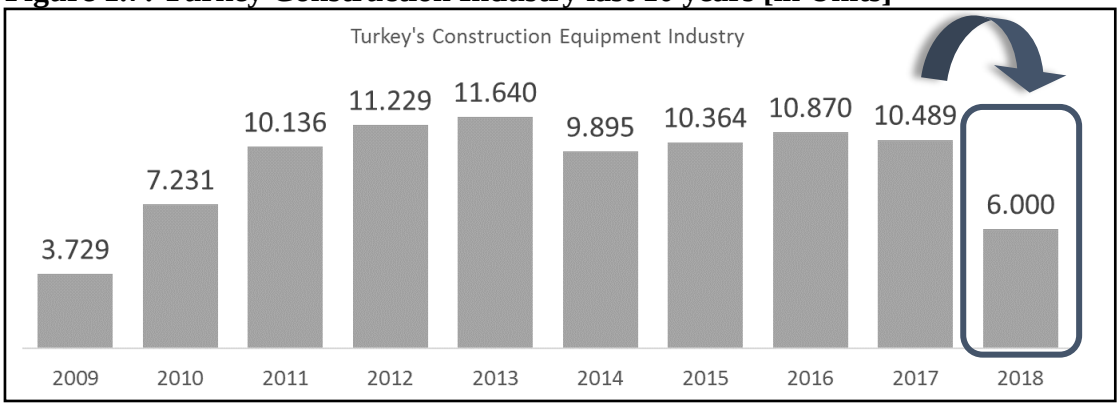
The construction and construction equipment sector is one of the biggest indicators of the economic development level of a country. In Turkey, approximately 50% of all investments are in the construction sector. Infrastructure and superstructure investments are vital for the economic and social growth only possible with construction and construction equipment in order to ensure the economic and social development of countries.

1.2.1 Industry Volume

Turkey's construction equipment industry has been fluctuating between 9.500 and 11.500 equipment units over the last 10 years. The sector has enjoyed steady growth between 2009 and 2014. Even though total market fell slightly between 2014 and 2017, it showed a constant trend. However, a major decrease took place in 2018.

Economic stability and along with it the exchange rates are the most significant factors affecting the industry because 70% of the market (60% of the companies) uses imported equipment, which is supplied by distributors of foreign brands in Turkey. Machine prices depend on exchange rate severely. If Turkish lira against US Dollars or Euro depreciates severely, then sudden and sharp decrease in sales as a problem comes up. This is the reason why the industry has hit to bottom by 3.500 units in 2009 economic crisis.

Figure 1.7: Turkey Construction Industry last 10 years [in Units]



Source: Borusan internal market data

According to in-house data of Borusan, (figure 1.3) shows us that industry units have been decreased by nearly 45% at the end of 2018 compared to 2017-year end due to huge exchange increase in August 2018. Moreover, this has been the lowest figure since 2009.

1.2.2 Players and Competition in The Market

The usage areas of the construction equipment vary depending on the work to be done such as excavation, road construction, land clearing, material loading, hard ground shredding, ditching, cleaning of trees and even mining works. Besides those areas, construction equipment is one of the most significant tools in order to complete the biggest superstructure projects in Turkey, such as Marmaray, Osmangazi Bridge, Yavuz Sultan Selim Bridge, 3rd Airport, Kuzey Marmara Highway.

It is possible to classify customers into 2 segments as small sized (A) and big sized (B) players. Customer segment [A], purchases 1 to 2 units of machines at a time, while some big contractors [B] have at least 20 units.

Figure 1.10: Customer Segments

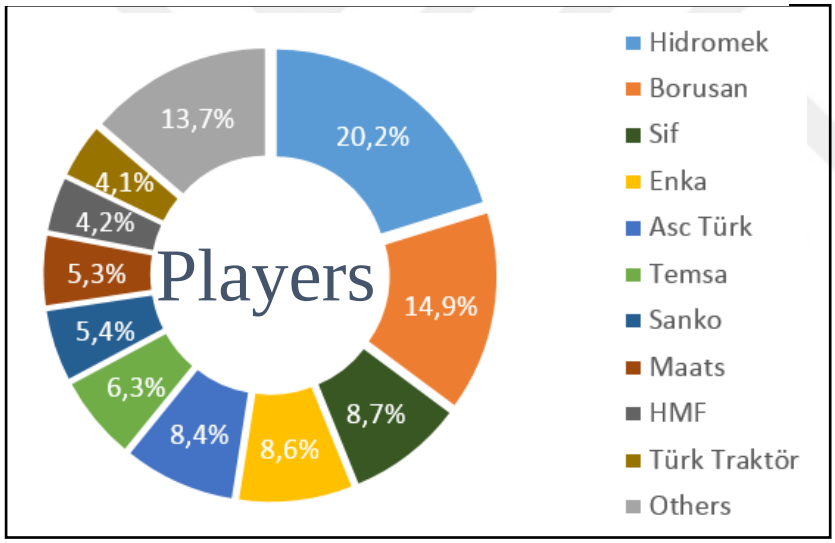
	Customer Segment A	Customer Segment B
Machine Fleet	2-4	+20
Purchase Size	1-2	+5
Business Areas	 Small business, such as; Building demolishing Pipeline flooring	 Big projects, such as; 3rd Airport Osmangazi Bridge

Source: Borusan internal data

Segment A generally runs a small company which operates for park and garden landscape arrangements, pipe laying and building demolition. Their machine fleet is around 2 to 3 units and they are most likely both owner and the operator of the equipment. They do not have long term business plan because jobs, which they enroll, are affected by seasonality and economic environment. Therefore, purchasing time of such customer profile is unpredictable. Segment B are bigger players who are involved in projects mentioned above.

There are approximately 25-30 players, in the construction equipment industry and 20 of them have membership in IMDER standing for "Iş Makinaları Derneği". They report total sales units of its members at the end of each month and provide market size even in product group details. From IMDER data, top 10 players in the industry are shown in (figure 1.5) below with its market shares in at the end of 2017.

Figure 1.14: Top 10 Competitors Market Share in 2017

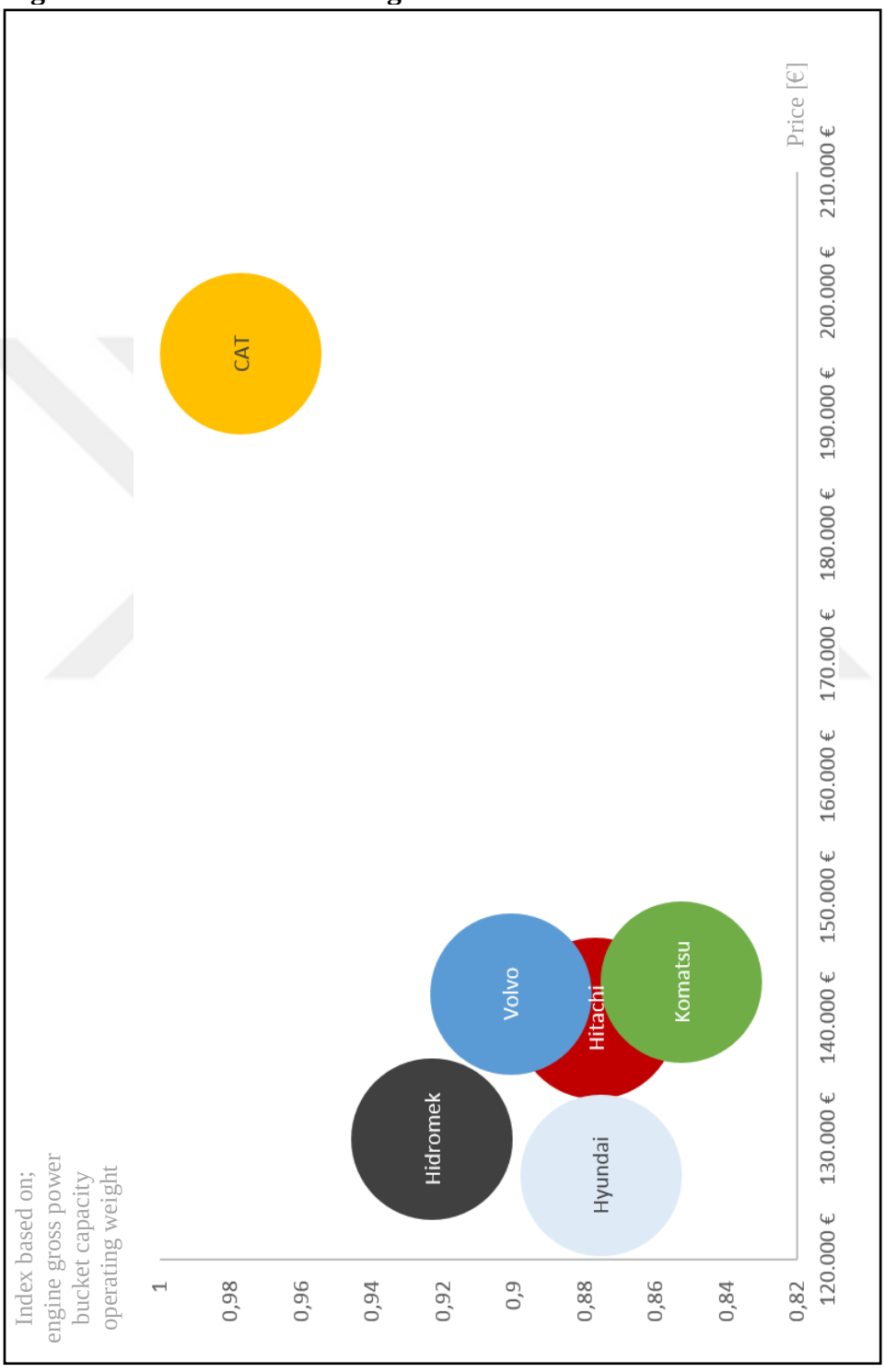


Source: Borusan internal data

Market concentration is low and share of top 10 players is 86.3%. Also, each player has a different product offer; from premium to basic to line. For example, market leader Hidromek [Competitor A], which is a local producer, present LCV products; Borusan, distributing Caterpillar brand in Turkey, present LCP products. Borusan offers the best performance and long-lived equipment hours with a certain premium, while Hidromek goes through much lower acquisition cost of equipment with shorter-lived product. Parallel to that, price range is wide. Figure 1.6 demonstrates the price positioning and premium of competitors to each other below.

While horizontal axis shows purchase price for the machines, the vertical axis represents the 3 different features; engine gross power, bucket capacity and operating weight indexes together, which are the most important criteria for customers to purchase.

Figure 1.16: Price Positioning for 36-ton



Source: Borusan internal data

2. SALES STRATEGY

Products have been sold with traditional methods for many years in the construction equipment industry. However increasing competition and entry of new players have led to the emergence of new sales methods and strategies. In this regard, players are developing innovative and proactive approaches for customers.

Until recently, companies were examining their customers by looking at criteria such as gender, age, income group and so on; grouping them according to socio-demographic and economic similarities. However, the rapid change in customer behavior, enabling modern consumers to have real-time information rapidly and find the best deal in real time; the similarity of products and services leaving no room for differentiation, and increase in competition led to transition from mass marketing to micro marketing. Moreover, customers are more and more unique and expect customization of products and services according to his or her personal taste. New criteria such as lifestyle and geographic area enabled customers to be followed up in a healthier way.[3]

Customer Segmentation:

It does not matter if it is for services, retailing or manufacturing business, customer segmentation is one of the most important factor for successful sales strategy. Once marketing team does discover the most pragmatically useful way of segmenting the market, it becomes a new basis for almost all the evaluations. It will be used to evaluate competitive strengths and weaknesses, to plan product line, to determine advertising and selling strategy and to set specific marketing ideas against which performance can later be measured. Specifically, segmentation analysis helps to design a product line that truly parallels the demands of the market instead of one that bulks in some areas and ignores or scants other potentially quite profitable segments; to catch the first sign of a major trend in a swiftly changing market and thus give some time to prepare to take advantage of it and determine the appeals that will be most effective in advertising of company (Yankelovich, 2014). These advantages hold in the case of both packaged goods, hard goods and for commercial and industrial products as well as consumer products.

[3] ("Segmentasyon Devrimi Başlıyor", 2014)

Retail Segmentation:

Segmentation for retail stores contains more than choosing the right location, although that does play a big part. The entire store should be designed to maximize physical characteristics, such as region, climate, store size, foot traffic levels and local demographics, such as age, income, interests, behaviors. Moreover, at the location level, segmenting a store allows retailers to plan their merchandising, their assortment of products, and their marketing efforts for greater efficiency and effectiveness. Customers get an experience more suited to their lifestyles, so they are likely to become repeat clients.[4]

Sales Team:

In B2B sector, such as construction equipment industry, it is very essential to build a strong relationship with the customers, they even feel free to have a call whenever they want. Over the years, sales people refine their techniques and methods until they find something that works best for them but there is no best sales approach. Based on background and personality, as well as clients and offerings, will help determine the different kinds of sales approaches that should be using in any given selling situation. Claire McConnachie, who is director with 4+ years of experience in sales and recruitment in Client Services Inc, mentioned 3 different approaches as follows:

i. Solutions Selling Approach

   Solution selling is used when a buyer has a defined problem that can be solved. It involves asking the right questions and actively listening to the customer in order to provide solution to the root of the customer's challenge.

ii. The Buddy Approach

   It's based on the concept that people do business with people they like. Showing interest in the prospect and trying to connect on an emotional level is at the core of this approach. It must be used appropriately to be effective, otherwise customers will be able to tell if it is fake and they trust will be lost in that case.

iii. The Guru Approach

   This approach is defined as a thought leader, a problem solver, and a subject-matter expert with extensive credibility. However, it does require an extensive time commitment.

[4] ("It's Not All About Location It's About Store Segmentation", 2018).

Keeping up with news, trends, and changes are essential to learn all the relevant information in the industry. Customers will trust and come for advice and recommendations for being excellent resource (McConnachie, 2017). Transition to micro marketing brings detailed segmentation assortment with it such as; customer segmentation based on lifestyle and geographic area, retail segmentation based on physical characteristics of stores and local demographics, sales team segmentation to provide entire needs of customers.

3. CONSUMER BEHAVIOUR AND BRAND IMAGE

3.1 CUSTOMER JOURNEY IN CONSTRUCTION EQUIPMENT

Customer experience is the key fundamental that creates value for customers at every point of contact with the brand. Thus, this value consists of emotional assessments in the light of tangible data at the touch points. All the touch points complement each other like pieces of a puzzle and create the total customer experience.

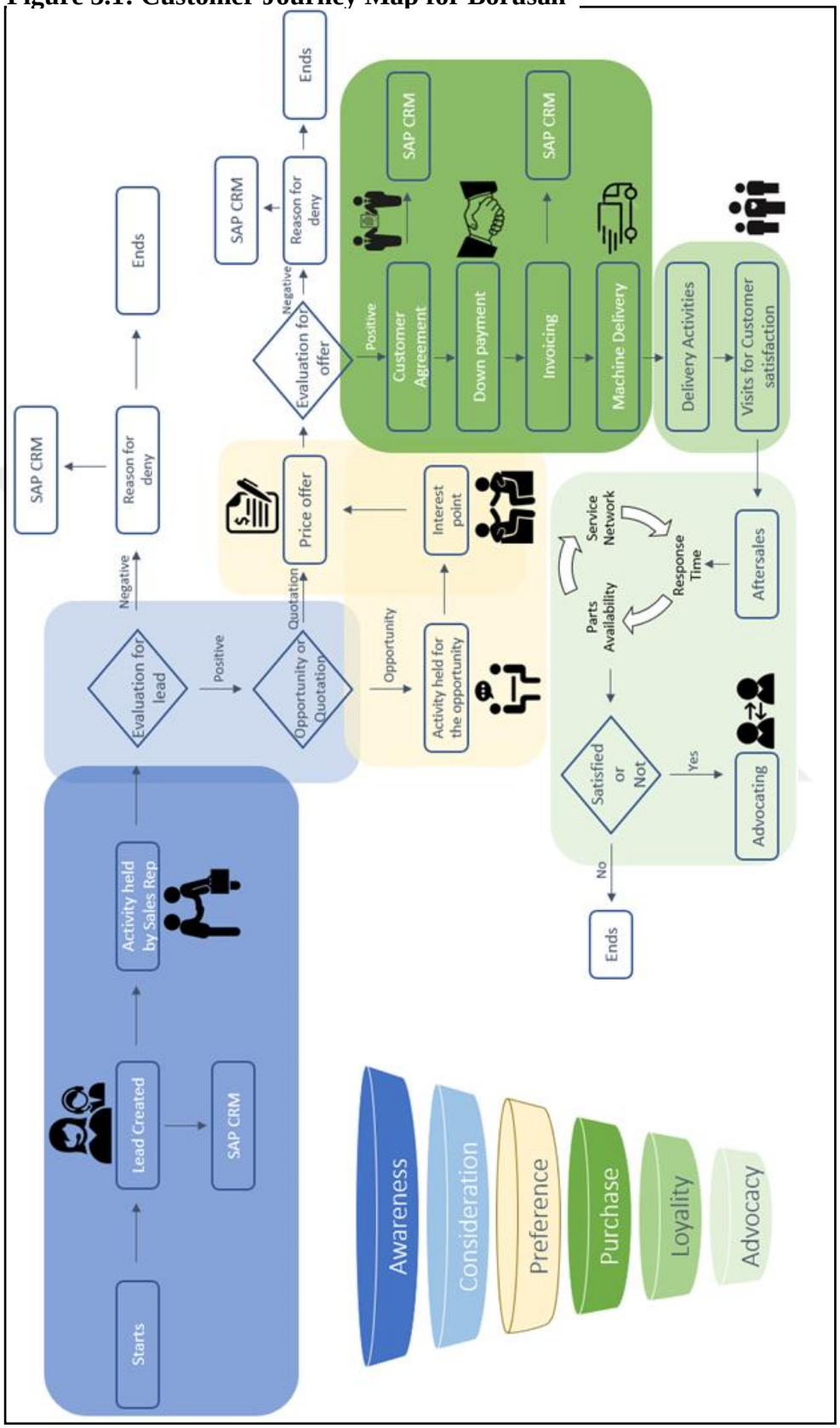
If one of the parts is missing, the customer's perception of that brand will be adversely affected. Touch points can be any point that the customer meets with the brand, such as the product/service itself, pre-sales and after-sales processes.

Customer experience involves the perception of the brand image at both the consciousness and the subconscious level. Both levels are very important for the marketing strategy of the companies.

Marketing strategists usually design a customer journey detailing the whole shopping experience of the customer as minor sub-processes. This helps them to determine any unfulfilled customer demand and customer needs left unmet.

A customer journey map, which serves to experience a brand through the eyes of the customer, provides a 360-degree customer experience if it is well planned. Figure 3.1 shows the customer journey of Borusan of new equipment purchases.

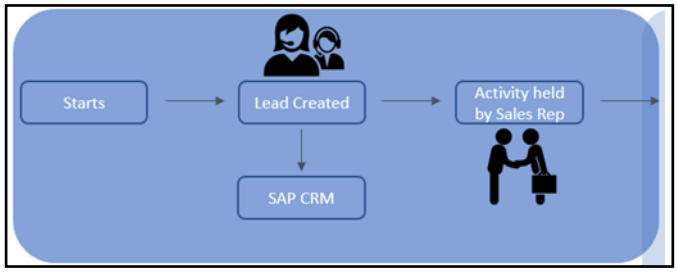
Figure 3.1: Customer Journey Map for Borusan



Source: Borusan internal data

Journey starts first with contacting the customer by *call center* agents or online platforms, such as web-sites or social media. This corresponds to the "*awareness*" phase in the customer journey.

Figure 3.4: Awareness

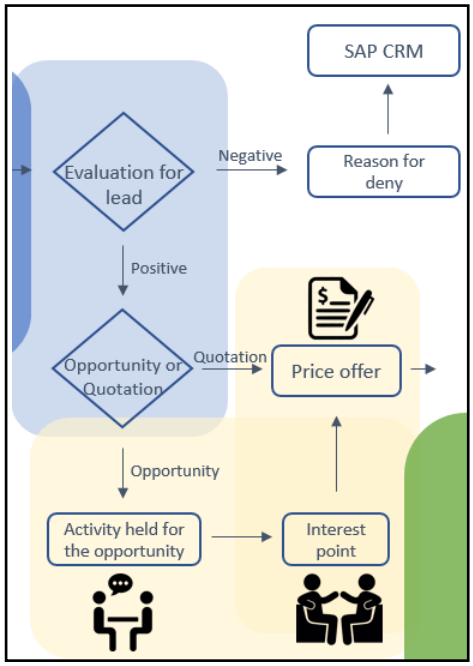


Source: Borusan internal data

Based on location of the customer, a sales person, who is responsible for that region, is notified through CRM system. The first contact with the customer is established as soon as possible by phone call and visits. This is where Borusan creates awareness at the first step of sales funnel.

Secondly, *evaluation of the lead* is held. A customer is regarded as a potential buyer when he or she asks for further information on the technical attributes of the equipment, availability of equipment or part and delivery date. This corresponds to the "*consideration*" phase in the customer journey.

Figure 3.3: Consideration & Preference

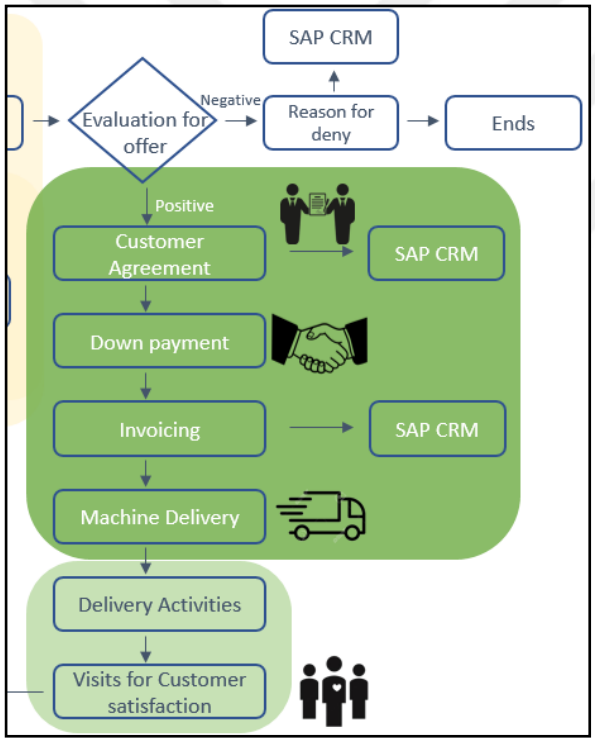


Source: Borusan internal data

Some of them would like to have *price quotation* immediately and preference and consideration phases occur simultaneously, while some of them needs to understand from which benefits they will achieve. At this point, lead becomes "*opportunity"*, which means sales person furnishes the customers with any information to have them interested and make them prefer matter for discussed machine. After establishing a good relationship, sales person ends up with a price offering.

In the "*purchase*" phase, if the customer evaluation for the offer is positive, purchase starts with signing an agreement, so that equipment model is reserved in inventory for the customer. Once down payment is taken from customer and other formality transactions is held, such as leasing approve and so on, invoice is issued.

Figure 3.4: Purchase & Loyalty



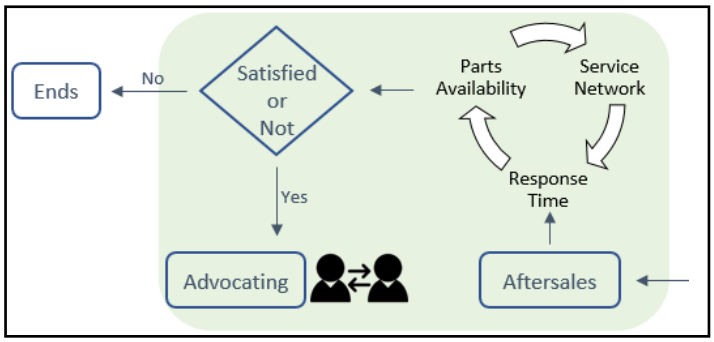
Source: Borusan internal data

Purchasing step is very important in sales funnel. It ends when machine is delivered. However, following up feedbacks from customers, doing couple of activities on phone or face to face is very essential in order to build a loyal relationship.

At that point, sales person acts as a trusted advisor for customers. Loyalty means advocating and recommending brands without being asked (Graf & Schneider, 2016).

The harder thing than building a loyal relationship with a brand is getting the customers to be advocate and to recommend other potential customers to purchase as well.

Figure 3.5:Advocating



Source: Borusan internal data

After sales activities are also important fundamentals that affect satisfaction and retention of the customers. It generates loyal customers and increase a brand value plays a pivotal role in strengthening the bond between the organization and customers. In construction industry equipment sector, down time (the period equipment is out of order) is a key factor that paves the way for loyalty. Once customer needs any parts or any service at any time, Borusan should provide the necessary service and meet the expectation. As a result, customer will be satisfied with the mentioned solutions and recommending to others.

3.2 KEY PURCHASE CRITERIA OF CUSTOMERS

To be *cost-effective*, retailers identify groups of customers as market segments. They target their offerings to meet the needs of typical customers in a segment rather than the needs of a specific customer. A retail market segment is a group of customers whose needs are satisfied by the same retail mix because they have similar needs. There are several market segmentation approaches according to Levy and Weitz.

Geographic Segmentation is made according to where customers live.

Demographic Segmentation is made depending on age, gender, income, and education.

Sometimes both two are mixed as Geodemographic Segmentation using both geographic and demographic characteristics.

Lifestyle Segmentation considers how people live, how they spend their time and money, attitudes and opinions

Buying-Situation Segmentation The buying behavior of customers with the same demographics or lifestyle can differ depending on their buying situation.

Benefit Segmentation is to group customers seeking similar benefits; this method is called benefit segmentation.

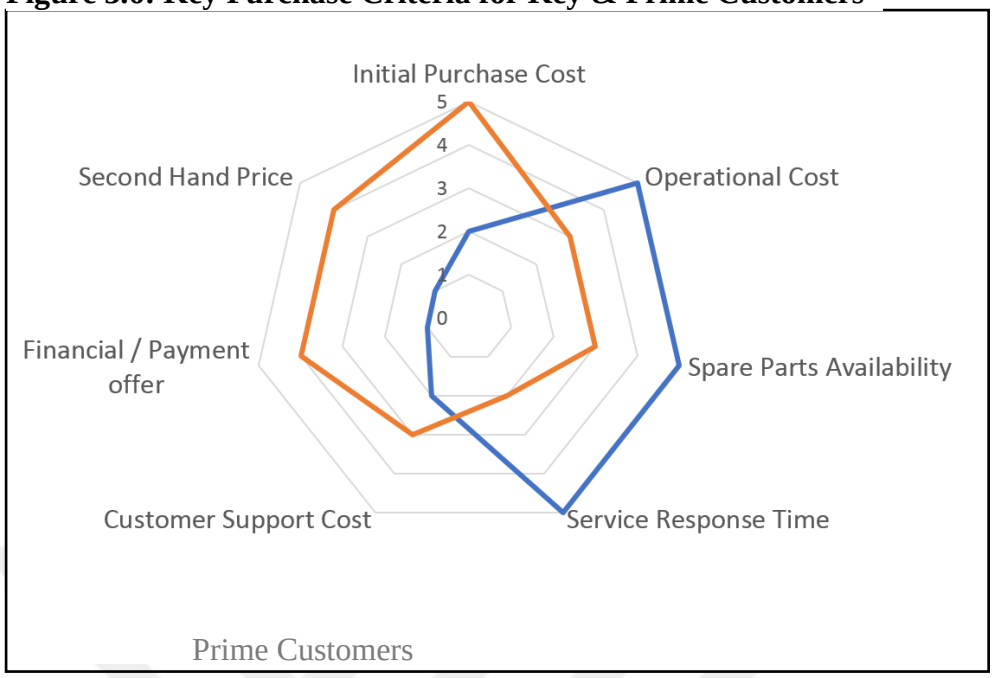
Composite Segmentation approaches the target segment according to their benefits sought, lifestyles, and demographics.

In construction equipment industry, there are two major customer segments. These are, i.e. Prime and Key customers as mentioned in *Smarter Segmentation for Your Sales Force* (Weissel, 2014). Weissel defines prime customers as; more concerned customers about getting the features and functions they need for the best possible price but they are less able to afford high-end products and services. On the other hand, key customers have far higher total capital expenditures on products. They do not only buy equipment more frequently but also are more likely to seek out in-depth, customized consultation.

Key customers, who operate large scale construction projects expect different treatment from the other customers. Since, they are dealing with special projects, they always seek special products/services. Moreover, they demand priority for every service. Considering those fundamental motivations, it is observed that operational costs, service response speed and spare parts availability are the most significant purchasing criteria of key customers. They care about initial purchase cost or second-hand price less since their long-term projects enable them to make financial planning and usually their foreseeable income flow pays of the cost. Once the equipment is purchased for a special project, key customers dedicate their machines completely and even exclusively to the project. Therefore, after sales network service is quite essential for them in case of any breaking down of the machine.

Unlike key customer's profile, prime customers focus on costs such as 'fuel consumption' due to excessive working hours of the equipment, 'spare parts availability' and 'service response time'. Prime customers generally consider purchase price, 'secondhand' market price levels in the case they need to sell the equipment and payment offers, such as deferred payment options.

Figure 3.6: Key Purchase Criteria for Key & Prime Customers



Source: Ipsos Research Company

Figure 3.6 shows an index ranging from 1 to 5; 1 representing the most negligible criterion whilst 5 the most important.

Lack of long-term secure earnings makes; low acquisition cost is very important for prime customers. Payback of the equipment is not secured by income provided by small, piecemeal projects. Moreover, they care about secondhand price since they would like to minimize the value loss of the equipment. earn money by selling their equipment. Before purchasing the next equipment to renew for future projects, they should sell the former equipment with a highest possible price.

Although they surely benefit from low operational costs such as fuel consumption, long-durable parts and higher engine powers providing higher performances. However, initial purchasing price of the equipment outweighs durability, higher efficiency, heavy duty machines with less repair needs. Therefore, setting the terms to start a negotiation and marketing the equipment with its long run advantages is not the best way.

Payment terms is another significant criterion for prime customers, since they generally suffer from negative cash flow. Some construction equipment companies have partnership with leasing firms whose credit interest is lower than the market for a prime customer.

3.3 CATERPILLAR BRAND FOR CUSTOMERS

Caterpillar, started to operate in the construction sector in late 19th century with a basic steam tractor. It has been established a trustful relationship with customers worldwide since then. As the pioneer in this industry, Caterpillar is leading the technology, performance and R&D initiation.

Caterpillar has been serving in four main business areas; construction industries, resource industries, energy and transportation services distribution & digital. They have 171 dealers, including Borusan, and serving in 192 countries all over the world. Brand portfolio of Caterpillar is quite wide with 21 brands as shown below.

In Turkey, there are many distributors of different foreign brands and also local Turkish producers, such as Hidromek. That means, rivalry among firms is quite high.

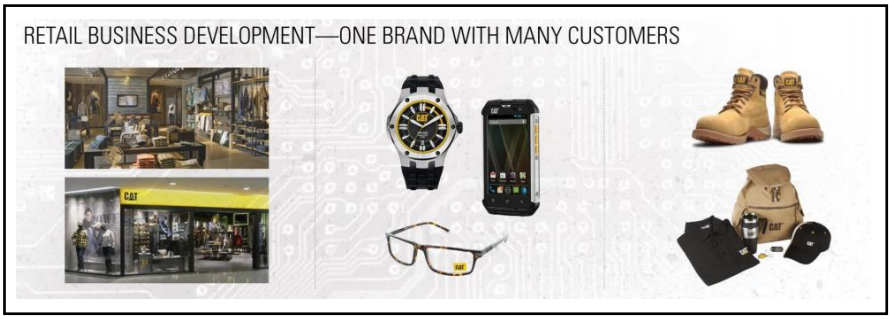
Nevertheless, brand strength comes forward in three areas for customers; responsiveness, relevance and consistency. [5]

Figure 3.7: Brand Portfolio

Source: Caterpillar web-site [https://www.caterpillar.com/en/company/brands.html]

Since Caterpillar pays attention safety environment at jobsites [6], they have extra durable products their own brand, such as smart phones, watches, boots etc. For those who would like to purchase such products, Caterpillar developed a retail business as well.

Figure 3.8: Caterpillar Retail Business Development



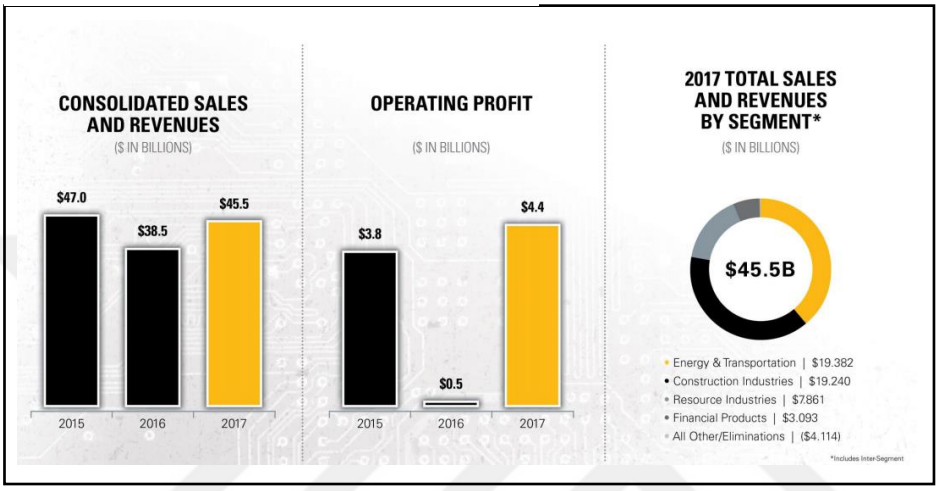
Source: shopcaterpillar.com

[5] ("Brand Strength", 2018).

[6] ("Environment, Health & Safety" *https://www.caterpillar.com/en/careers/career-areas/ehs.html*)

Caterpillar ranks **82nd** among the 100 most valuable brands in 2017 on **Forbes** and ranks **74** on Fortune. In 2017, Caterpillar increased consolidated revenues by $7.0B compared to 2016 and reached $45.5B in total, while operating profit is $4.4B. Energy & Transportation and Construction segments are the major business divisions which contributes to the revenue the most by $38.6B in total.

Figure 3.9: Financial Results in 2017



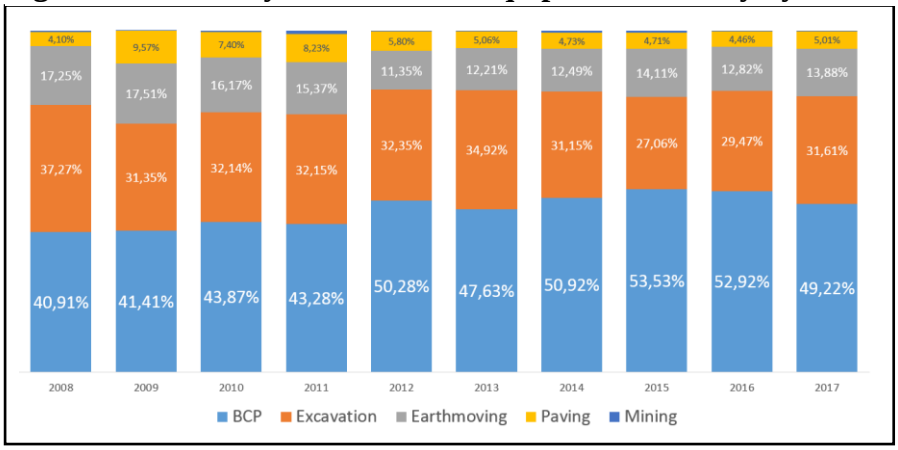
Source: *https://www.caterpillar.com/en/company.html* [Retrieved on 10th of December 2018]

The company has been investing in research and development to improve their technology constantly.

3.4 PRODUCT GROUPS

Towards the end of 2000s, product group dispersion for Building Construction Products (BCP) and Excavation had been similar; around 40%. As seen in figure 3.10 below, in 2010, BCP product volume in total market started to increase.

Figure 3.10: Turkey Construction Equipment Industry by Product Groups in %



Source: Borusan internal data

This has set favorable market conditions for prime customer segment to grow. Construction market has shifted in favor of BCP over the last 5 years. Orange, grey and are dark blue bars represents excavation, earthmoving and mining respectively. These larger machines in terms of size. Earthmoving is losing share together with paving equipment for road construction which is represented by yellow bar. Excavation is steady. BCP product volume in total industry has been rising for 10 years from 40.9% to 53% in 2016. The industry has shifted from large scale works to small scale construction projects that results in the change in favor of small sized equipment. As a result, companies which successful in serving key customers in best, began to lose market share.

3.5 BRAND PERCEPTION OF BORUSAN & CATERPILLAR

Borusan Holding founded in 1944, as a single commercial entity called İstikbal Ticaret. has turned into a holding company in 1972. The first business sector of Borusan was iron and steel trade and they remained as the main fields of activity since then. After, the company expanded into steel industry followed by others, such as automotive, tapper, transportation, investment and so on. Borusan Otomotiv had been the only distributorship until the year of 1994.

In 1994, Borusan launched Borusan Makina entity, which is responsible for distribution of Caterpillar construction equipment in Turkey.[7]

There were more infrastructure projects back at then in Turkey in the fields of communication, energy and transportation. Since Caterpillar was the only reliable and known brand in those days, market share of Borusan was quite high compared to today. Moreover, total industry was so much lower than it is at present, nearly one-tenth in terms of units.

As time passes and new competitors enter the market, Borusan positioned itself as a premium brand since the company decided to put more emphasis on performance, technology and quality as its core competitive strengths against new comers. Meantime local producers were emerging in the market and they have attracted customers with their lower prices and created a segment on their own. Borusan continued to provide Caterpillar equipment to key customers in various big projects, which is its playground. Prime customers follow, operate and negotiate their present or potential businesses

[7] https://www.borusan.com/tr/hakkimizda/kilometre-taslari

generally in their jerry-built offices while key customers are generally in large furnished offices, since they have big budgeted project meetings with important people, such as municipalities and ministries.

According to Borusan manager's claims, sales directors and executives of Borusan visit key customers with salesperson in order to close the deal including large amounts of units. This is because they would like to receive a special treatment and communication, as already listed among "Key Purchase Criterion of Customers".

Caterpillar's worldwide fame for reliability, quality and premium, Borusan to be a prestigious, one of the best known, offering great satisfaction to their employees with large, comfortable working hours in modern offices cause an arrogant perception in prime customers.

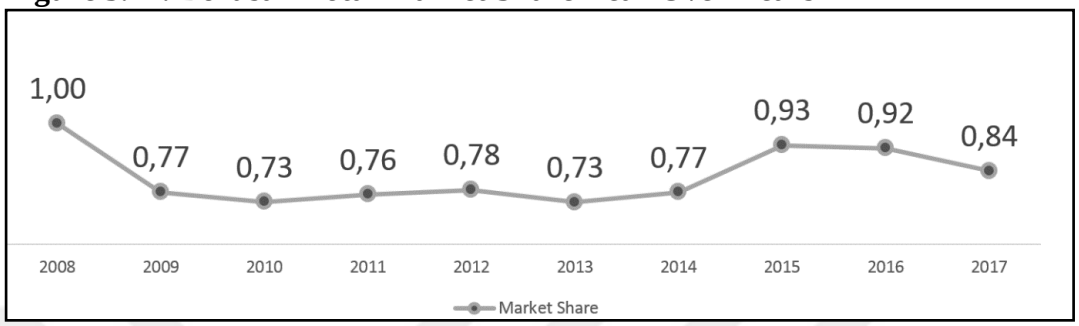
Prime customers started to feel uncomfortable when they visit Borusan officials with security asking who they are, whom they wish to see and so on. In addition, once they bring their machines to a service shop of Borusan, they would like to see the equipment and while it is being repaired. However, procedure-filled and lean production of Borusan's large factory, cannot allow customers to do so due to its strict health and security regulations. As a result of those factors, most of the prime customers turned out to be reluctant to visit the offices of Borusan.

Prime customers may be the both owner and the operator of the equipment. They filter the oil or change spare parts themselves when needed.
They lie down and reach to dirty parts of equipment with soiled and tattered clothes on. Considering all these factors, it is likely that they do not feel themselves belonging to those modern office buildings. As a result, customer perceives Borusan as expensive. Generally comfortable way of purchasing or repairing an equipment is to take the equipment to nearest district local shop, whose responsible person generally knows how to deal with a prime customer. Customers feel more comfortable because they are free to touch various spare parts over counter while having their neighbor tea as well as chitchatting in their daily life.

So long as Borusan was perceived as "expensive", the company would become much more and solely dependent on BCPs. It would then loose the opportunity in this newly developing "cheap line" business.

As it is seen in below figure 3.11, the highest market share of Borusan was in 2008 and it is indexed to 1. Total market share of Borusan fluctuated between 1 in 2008 and 0.73 in 2013. Higher the activity of prime customer in retail market, higher market the share of local equipment producers.

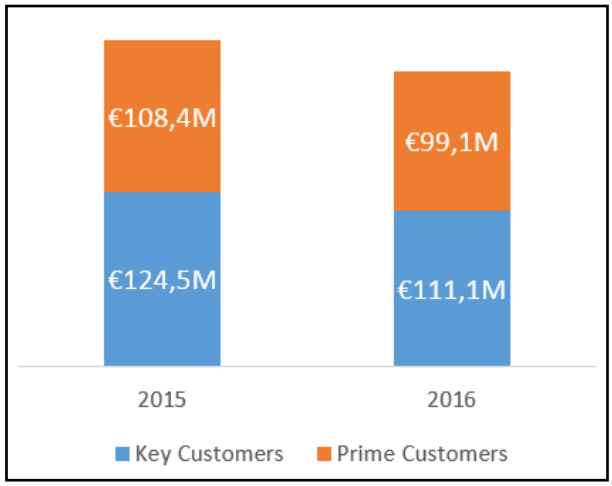
Figure 3.11: Borusan Total Market Share Year Over Years



Source: Borusan internal data

As the market evolves in favor of prime customers year by year, it became inevitable for Borusan to capture share from this growing segment. Moreover, it can also be interpreted that big project effects, such as 3rd airport, Osmangazi Bridge, Kuzey-Marmara Highway, in 2015 and 2016 where Borusan is a strong player in key customers projects.

Figure 3.12: Borusan New Machine Sales Revenue in 2015-2016



Source: Borusan internal data

3.5.1 Market Penetration Through Retail Stores

In any market assortment, customers are conscious to compare products or services with respect to each other in order to find the most suitable solution for them. Source of information affecting their purchase decision consists of internal and external sources. Internal source is information in customer's memory, such as names, images, past experiences with different stores. In other words, the information is based on self-experience of customers with the brand. External source is information provided by one's surroundings, such as advertisements and other people. When customers feel that their internal information is inadequate, they turn to external information sources.

Amount of information searched is affected by characteristics of the individual customer. Customers who are self-confident or have prior experience purchasing and using the product or service tend to search less. In addition to characteristics of customers, amount of information searched is also affected by aspects of the market and buying situation in which the purchase is made. For example, shoppers seeking hedonic benefits typically spend more time collecting information and shopping because they enjoy the process.

Buying decision behavior varies from place to place and person to person, either purchase of a detergent soup or construction equipment.

Limited problem solving is a purchase decision process involving a moderate amount of effort and time. Customers who apply the limited problem-solving behavior to a purchase are often looking at low cost items or utility items they have no emotional investment into.

Habitual decision making is one way they cope with these time pressures is by simplifying the decision-making process. When customers are loyal to a brand or a store, they engage in habitual decision making. Brand loyalty means that customers like and consistently buy a specific brand in a product category. i.e., loyal Coca-Cola drinkers will not buy Pepsi, no matter what.

Extended Problem Solving is a purchase decision process in which customers devote considerable time and effort to analyzing their alternatives. Customers applying extended problem solving are often looking to purchase high value items, such as cars or electronics, or even a trip or event.

The buying process are influenced by social factors, such as family, reference group and culture.

Family:

Many purchase decisions involve products that the entire family consume (e.g. vacation site, groceries) or use. Children play an important role in family buying decisions.

Reference group:

A reference group includes one or more people whom a person uses as a basis of comparison for beliefs, feelings, and behaviors. A consumer might have numbers of different reference groups. By identifying and affiliating with reference groups, consumers create, enhance, and maintain their self- image.

Culture:

Culture is the meaning, beliefs, morals, and values shared by most members of a society. It is an important value in most Western cultures. Subcultures are distinctive groups of people within a culture. It can be based on geography (Southerners), age (Gen Y), ethnicity (Asian-Americans), lifestyle (preppies), or a college (Levy, Weitz, & Grewal, 2013). According to buying behaviors explanations of Levy, it can be said that buying decision of Borusan's customers is extended problem solving and mainly they are influenced by reference groups, their colleagues.

Since there is such a distance between Borusan and prime customers, most of time they do not even reach out salesperson or call center to create lead and have a price quotation. Their communication frequency among each other are so high that they can easily affect one to another as if they are an organized unit group. Not only to purchase a new equipment, but also spare parts need is not fulfilled with original Caterpillar components. Instead of going far locations from their offices or equipment operated place, they would rather go some small near local shops.

Borusan commissioned a research company called *Ipsos* (see appendix) to better understand its brand image among prime customers. It was essential to build a warm, fearless and qualified customer relationship with them.

After conducting a field studies and workshops, it was clear that Borusan was expensive and inapproachable as revealed in survey.

The company thought of launching small shops, which would narrow the distance and

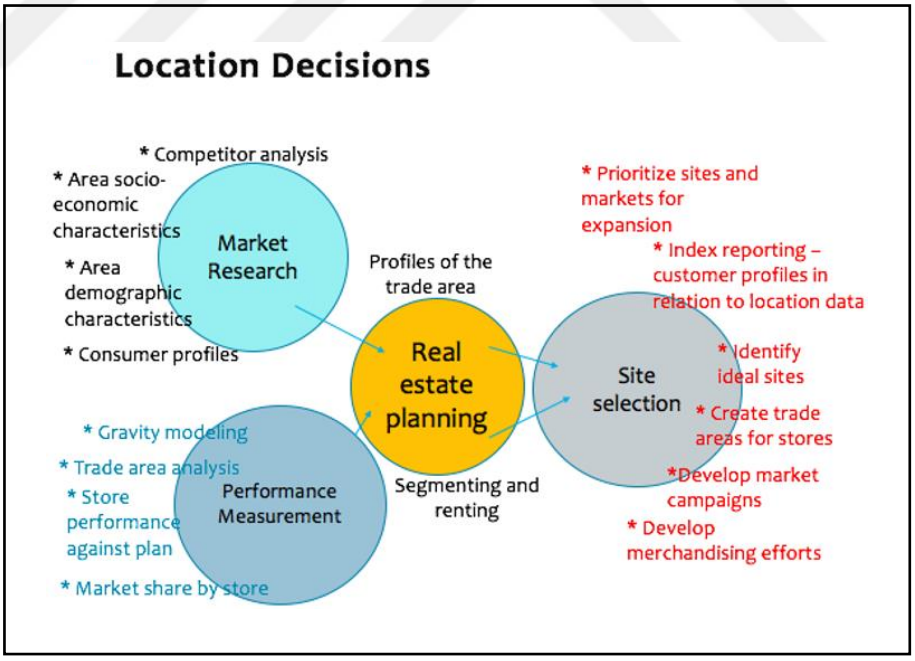
shows that customers can find both comfort and qualified components in. There were some key criteria those shops should have at first hand.

Location:

Location is pervasive source of advantage in retailing. i.e. Starbucks has developed a strong competitive advantage with its locations.

a. Location is typically one of the most influential considerations in a customer's store-choice decision. i.e. car washing
b. Location decisions have strategic importance because they can be used to develop a sustainable competitive advantage. If a retailer has the best location, that is, the location most attractive to its customers, competitors can't easily copy this advantage.
c. Location decisions are risky. Typically, when retailers select a location, they either must make a substantial investment to buy and develop the real estate or must commit to a long-term lease with developers. Retailers often commit to leases for 5 to 15 years.

Figure 3.13: Location Decisions



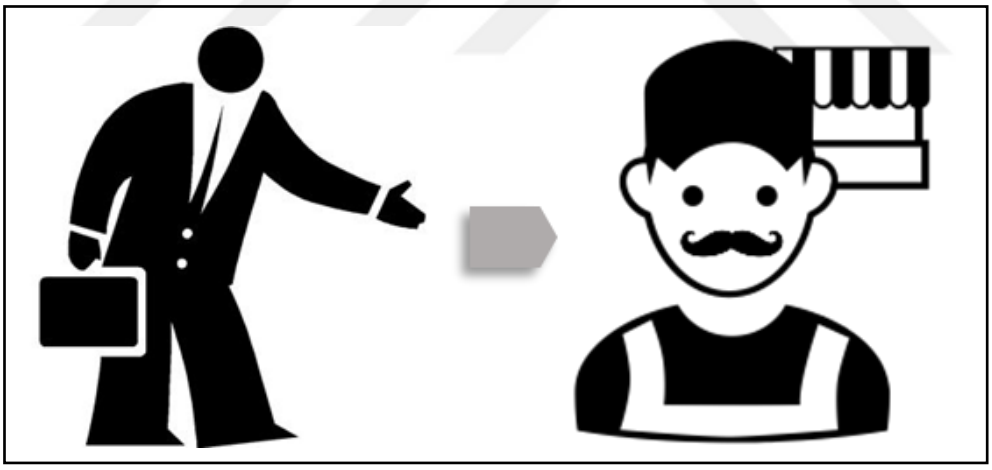
Source: Adapted from "Retailing Management" book of Michael Levy

As it was mentioned previous sections, prime customers prefer going local industrial site to purchase what they need rather than visiting Borusan locations. These industrial sites adjacent to populated districts are accustomed shopping areas for prime customers. Even if they purchase low quality non-original components and spare parts from there. Similarly, Borusan decided to open retail stores in these industrial areas side by side with traditional local producers to sell original spare parts in the place and in the same way local shops do.

By launching those retail stores, prime customers would realize the store during their visit to the industrial site and they would be attracted by special campaigns, give away products, such as key chains, lighter, cap, once they go inside of the store. They would freely touch, grab and look at any parts or machines and to ask anything they wonder to the salesperson.

Second important step is assigning a responsible person in those shops. In this new project of retailing, sales people were to build a close relationship with customers by warm welcome. By doing so, modern office seller would transform into a traditional retailer.

Figure 3.14: Salesperson from Modern to Traditional

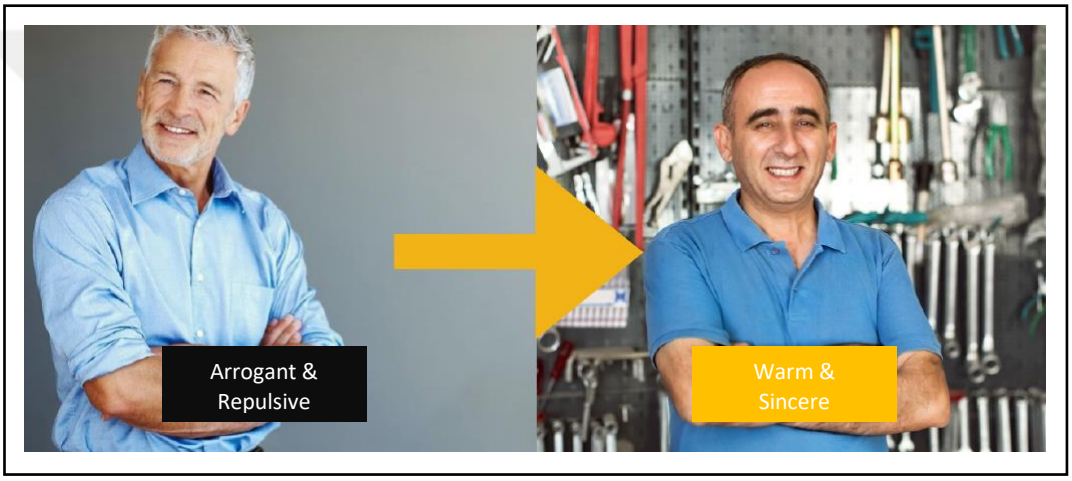


Source: Salesrep icon in picsbud.com

4. BORUSAN RETAIL STORES

As the market evolves in favor of prime customers year by year, it became inevitable for Borusan to capture share from this growing segment. Borusan has been the first choice in the construction industry by large-scale private firms, but has not been able to achieve what was expected of the small business and individual business owners. Launching a retail store would serve as a new sales channel of Borusan's Caterpillar products. Retail stores would provide physical proximity and emotional closeness to customers Borusan was lacking.

Figure 4.2: Salesperson Transformation in Retail Store



Source: Images taken from Google images

Besides those fast, convenient and easy solutions to retail customers, salesman is supposed to not only exchange transacting money, but also exchanging emotions in order to build a strong relationship. They welcome and ask customer how he is, they are open to bargaining, they reach consensus, and shake.

4.1 CUSTOMER NEED RECOGNITION

A need is recognized when consumers have an unsatisfied need. Type of the needs can be classified as Utilitarian Needs, Hedonic Needs and Conflicting Needs.

Utilitarian Needs:

When consumers go shopping to accomplish a specific task, they are seeking to satisfy utilitarian needs. They could be spare parts, payment terms, operational costs, repair, aftersales support, service availability. Utilitarian needs are associated with work.

Consumers are motivated by utilitarian needs typically shop in a more deliberate and efficient manner.

Retailers need to provide adequate information and an effortless shopping experience for utilitarian shoppers, since they are rational and practical.

Hedonic Needs:

When consumers go shopping for pleasure, they are seeking to satisfy their hedonic needs; i.e. entertaining, emotional, and recreational experiences. Hedonic needs are associated with fun. Shoppers with hedonic needs desire excitement, stimulation, status and power, and adventure. In order to satisfy hedonic needs;

a. *Stimulation*, background music, scents, a carnival-like experience, exciting graphics, photography.
b. *Status and power*, attention and respect; upscale health resorts and spas, spiritual pursuits, and healthy gourmet cuisine.
c. *Adventure,* some customers enjoy finding bargains, looking for sales, and finding discounts or low prices. They treat shopping as a game to be "won".

Conflicting Needs:

Consumers may appear to be inconsistent in their shopping behavior. For example, a skier may purchase expensive Spyder goggles but wear an inexpensive snowsuit from Tchibo. This is called cross- shopping. Although all cross-shoppers seek value, their perception of value varies across product categories.

Need of prime customers in construction equipment sector includes both utilitarian and hedonic in terms of rationality associated with their work, emotional relationship with the brand and store responsible.

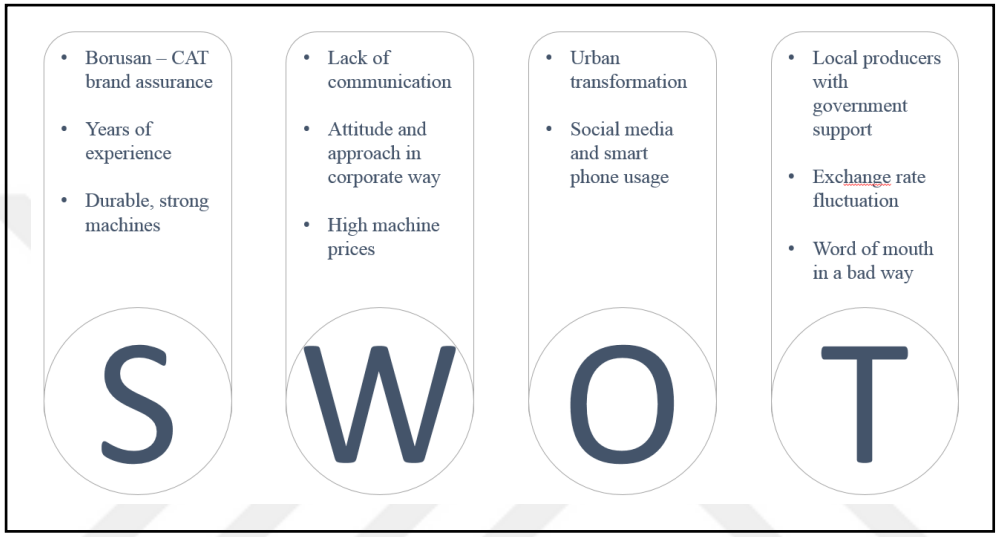
4.2 SWOT ANALYSIS

Before taking an action for this retail stores initiative, some necessary analyses were made. One of the most important is SWOT analysis, which shows internal and external factors that will affect the future performance. While Strengths and weaknesses are the internal factors, opportunities and threats are the external factors.

Borusan and Caterpillar brands are both very strong. Moreover, it is quite important that Borusan has years of experience in the industry and can find answers to problems of machines and parts which makes it a reliable after sales service provider.

The last strength of Borusan is that it has very durable and strong machines, so it is really a love and well-known brand for customers as revealed in questionnaire (in Appendix). Tesla products, for example, are well advocated by non-buyers. Similarly, for Cats, it does not matter whether customer has the budget to purchase the machine or not, share of heart means an emotional bond with the potential customers even if they have not purchased a Caterpillar machine before.

Figure 4.4: SWOT Analysis



Source: Ipsos research company

Weaknesses of Borusan are: First of them is the lack of appropriate communication for the target prime customers. Some words with English phrases or English titles in the marketing brochures or catalogs make prime customers both uncomfortable and uninformed since they cannot understand what is said. Second one is the "top corporate" attitude and approach. Borusan cannot give the perception to customers, which should say that Borusan is one of us. In addition, there are many bureaucracy and long processes in purchasing spare parts or delivering the machine to service. Evidently, machine purchase prices are high for prime customers compared to other competitors as well.

As for the opportunities, urbanization and urban renewal is worth mentioning in opportunities for now and for near future in Turkey For last couple of years, numbers of new apartments and buildings have been increasing dramatically.

Moreover, it is stated that 7.5 million houses will be renewed in 15 years and 30 billion TL will be funded (Tokay, 2018). Therefore, prospects for market growth is positive unless an economic crisis breaks.

Also, social media and smart phone usage among customers are increasing day by day. Since Borusan has marketing events or campaign announcements on social media, such as Instagram, Facebook, it will be in favor of Borusan for such technological environment.

On the other hand, threats exist too; local and Chinese producers of equipment, whose initial purchase cost is very low, is a threat for Borusan. Local producer brands are offering both lower prices, due to government support and high availability in spare parts inventory compared to the distributors of brands, such as Borusan.

Exchange fluctuation is another significant threat to Borusan activities. It is one of the most negative factor affecting customers' approach to Borusan. Since this is a distributorship activity, Borusan purchase the equipment from abroad in Euro and sells in Turkey with local currency. Therefore, any economic instability, downward movements in Mood's ratings, tension with EU, are all reflected in currency rates.

Word of mouth in a bad way is one of the most important threat for Borusan, because prime customers use WOM extensively. As mentioned before, have such a high communication network in their own neighborhood that a brand could never sell any equipment to anyone if there is a bad experience. There may be some a prejudice for Borusan.

4.3 RETAIL STORE BENCHMARK FROM ANOTHER CATERPILLAR DEALER

Caterpillar has around 180 distributors and 500 salespoints all over the world. They have been serving in Asia, Europe, Africa, Middle East regions and both North and South America as well. One of the dealers from United Kingdom, named Finning, made initiative and this inspired Borusan.

Finning was suffering from price perception problem similar to Borusan. They launched this stores with very basic assortment. First, they launched a campaign called "Ready2Go" program. Their customer value proposition consisted of 3 separate words; Available, Accessible, Affordable. Machines for landscape arrangement were fully prepped and finished to the highest standard and come with 2-years unlimited hour warranty, 24 months service & maintenance pack, full tank of fuel and so on.

They named this small shop as “Cat Compact Store”. They offer “try and buy” concept in the dirt as well. Many things customers needed- equipment price, service parts on display, rental price for a week/month- was ready. In a way, hedonic needs are satisfied. Such needs are associated with fun. Shoppers with hedonic needs desire excitement, stimulation, status and power, and adventure.

Figure 4.9: Finning CAT Compact Store

Source: www.finning.com/en_IE/campaigns/ready2go.html

4.4 CUSTOMER CENTRICITY

It is quite well demonstrated that a customer experience is more than a guidance or any operating instruction (Austin Knight, 2016). As it can be seen from figure 4.4, people as customers of sidewalk, take a short cut to their way and purchasing the sidewalk service fails by doing so.

Figure 4.11: Sidewalk Customer Experience

Source: http://www.grupofinsi.com/blog.asp?vcblog=1377

However, if it were designed in a more customer centric way, probably people would be satisfied a lot as a consumer. It can be learned a lot from these images in terms of design and its relationship with people behavior/needs. But more than anything, desire paths help to create the distinction that user experience optimizes the design around how users can, want, or need to use the product, rather than forcing the users to change their behavior to accommodate the design. They also help to understand how useful unsolicited feedback can be.

Figure 4.13: Customer Centric Design

Source: https://austinknight.com/writing/desire-paths-and-real-world-ux

If users are naturally using the product in a certain way and design is not optimized for that, observe their behaviors and begin to adapt the design to meet their needs. This is especially common at universities. For example, UC Berkley purposely waited to develop paths until they saw where foot traffic naturally created them.

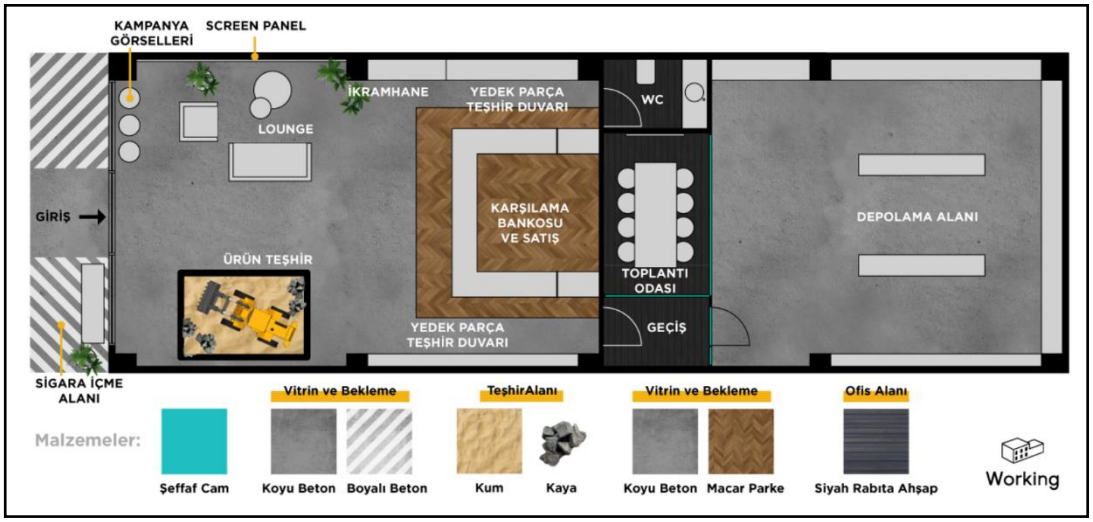
Store idea of Borusan was to build a small, warm, easily accessible store without long procedures in purchasing spare parts, even in machines, which would make customers feel comfortable.

4.5 STORE LAYOUT

Store layout, *spatial relationship among merchandise departments and the overall organization of retail selling space*, has an important influence on a store's internal environment. Retailers should design layouts to create pleasant ambience, to encourage customer traffic, and to use store space productively. The interior design and layout of the store has a significant influence on retailer's ability to generate sales. A number of studies have shown that in many merchandise categories customers are increasingly making purchase decisions after entering the store (Ghosh, 1994, p. 524).

For İş Yeri, store layout and design workshops were held by an outsource agent and the final approved and applied layout is shown in picture 22. Attractive campaign banners hanged outside the store, displaying equipment in a special and visible corner, lounge area with some treats, such as self-service tea and coffee, were the basics of a for compact and relaxed store design. Utilitarian needs were met by price and advantages offered. Hedonic needs were also met by displaying spare parts, supplementary products like oil as well as the big construction equipment itself. Warm welcoming was sought to designed by seats. Counter and a meeting room were designed to facilitate sales.

Figure 4.15: Store Layout



Source: Borusan internal data

Exterior design;

The use of windows and store fronts to promote campaigns is valuable marketing assets as brands transform spaces into retail theatre. It must physically grab attention of the customers. All the campaign banners and daily consumption products such as; Hydraulic oils and filters are presented in the window display of the store.

Regarding exterior design, some specific demands were met according to customer needs. For retailers, the smart management of parking facilities opens a world of new possibilities. Car park can become a key channel for communicating with customers, enabling retailers to gain deeper insights into their customers, many of whom will become registered users to take advantage of the extra comfort and convenience. This means that a center will be able to make targeted and personalized offers to visitors from the moment they enter the shopping center's car park.[8] Once customers go to a branch of Borusan, they would like to leave their vehicle in front of the main entrance so that they feel respect from Borusan in this sense.

Figure 4.20: Store Exterior View

Source: Borusan internal data

[8] ("Customer Satisfaction Begins with Parking", 2017)

When store experience is considered, there are few retailers who have done visual merchandising outside of the store. Asheville, North Carolina's Mast General Store sells rocking chairs (Sheehan, 2017). Parallel to this example, presenting one or two machine equipment, such as landscaping or garden arrangement equipment at the entrance of the store is another design criterion. While customers are coming to İş Yeri, they are attracted with ready to sell equipment with prices on it. Even if they have no intention to purchase, awareness for the price is provided.

Interior Design;

Touching the products is probably the easiest to get right in retail business. Retailers just need to remember to give customers the ability to touch, feel, and try out whatever it is to sell (Khan, 2018). Therefore, visual merchandise and checking the products by directly touching are very essential to retail customers to make it sure that products are fine as they wish. Considering these, all the filters, oils or any other daily come and buy products are presented on shelves as if it was a grocery store. Customers may take the products from shelves or even take it out their boxes, therefore they will feel very comfortable as if they were in a grocery to buy a loaf of bread.

Figure 4.23: Store Interior View

Source: Borusan internal data

There is a discount corner selling weekly campaigns products or overstock products so that customers can purchase products and kits months in advance in order not to miss the campaigns and not to get affected from currency fluctuations.

Figure 4.25: İş Yeri Discount Corner

Source: Borusan internal data

Since prime customers enjoys chatting much (feedback from Borusan Managers) tea and coffee treat is essential. Considering this, couple of couch is placed around a small middle table, so that the atmosphere will be coming from customer-supplier relationship to daily neighbor talks.

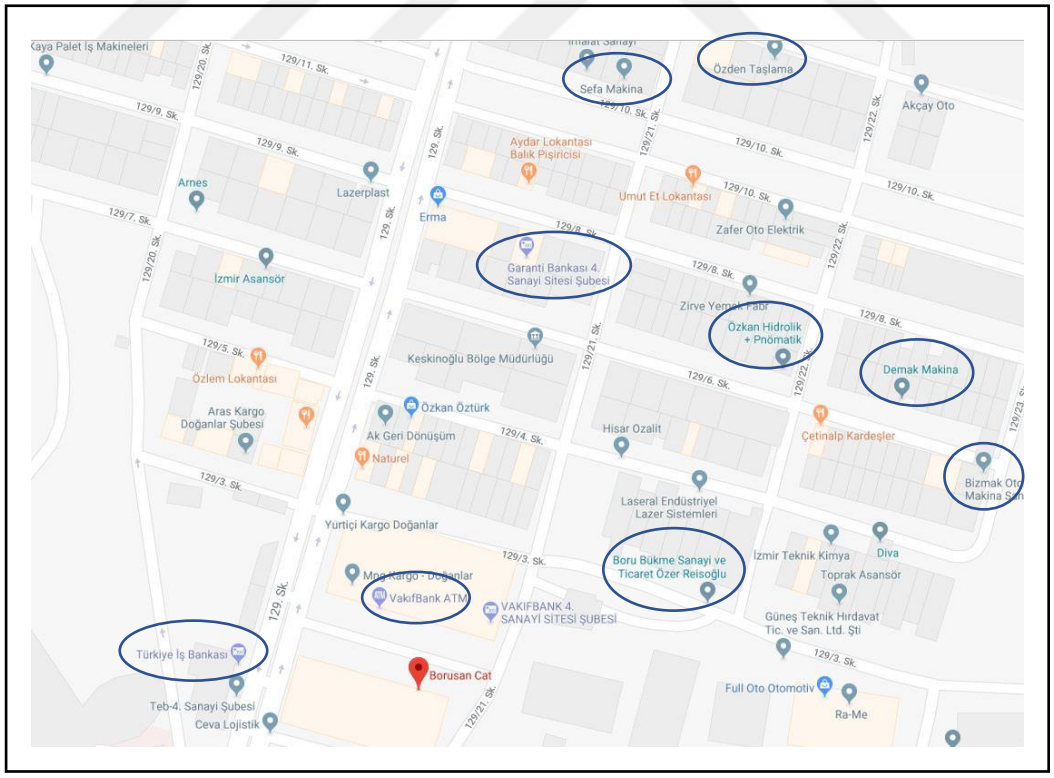
Pricing and Promotion:

Once voice of customer is investigated, it turned out that customers do not want to be suffering from exchange rate fluctuation. Since Borusan distributes equipment and other parts in Euro, customers may suffer from Euro/TL parity if it goes up. For example, at the beginning of the 2018, when Euro was 4 TL, parts worth of 2.000€ will be 8.000₺; but it would be 10.000₺ for customers when Euro parity reaches 5 TL. This is one of the important factors that customers prefer local producers or industrial zones to purchase parts or equipment. They have consistent pricing in local currency TL. By taking into account all of these, TL pricing campaign is applied to some equipment parts of retail customer segment.

4.6 LOCATION

As part of a customer centric approach, İş Yeri locations ate decided to be within the industrial zones where the target customers generally shop. Proximity to target customers would mean to open shops within industrial zones.

Figure 4.29: İş Yeri Location in İzmir 4th Industrial Site



Source: Google Maps

Potential İş Yeri customers generally spend their time in industrial sites. These sites generally consist of couple of bank ATMs, turning and milling shops and mostly local mechanical shops. As it can be seen from figure 4.10, one of the stores is located in İzmir 4th industrial zones in Bornova. Equipment sellers, repair and spare parts workshops and ATMs surrounding the store location is marked.

Figure 4.32: Street View in 4th Industrial Site in İzmir

Source: Google Maps (Street view)

It has already been discussed that prime customers, in other words retail customers, would rather bring their equipment to service themselves. They mostly buy non-original spare parts from there than Borusan. Figure 4.11 shows a Cat machine parked in front of a service and repair shop. It is very noticeable that there are some track roll-ups next to equipment, which means that customers want to change their parts with used ones in order to make it more reasonable. In those shops, they may bargain for lower prices or they can get quotes for previously disassembled parts of other customers. In addition, there is a regional branch of Borusan CAT as well in İzmir Kemalpaşa neighborhood, whose distance is 20 km to İzmir İş Yeri. It is both out of center of the city and far from the customers' state area.

There are 3 Cat Stores in total each all in industrial zones. İzmir Bornova, İkitelli in İstanbul and center of Isparta. They have been strategically placed in most populated areas of prime customers. İstanbul and İzmir are the biggest two provinces in terms of construction equipment industry, while Isparta is best located place among marble

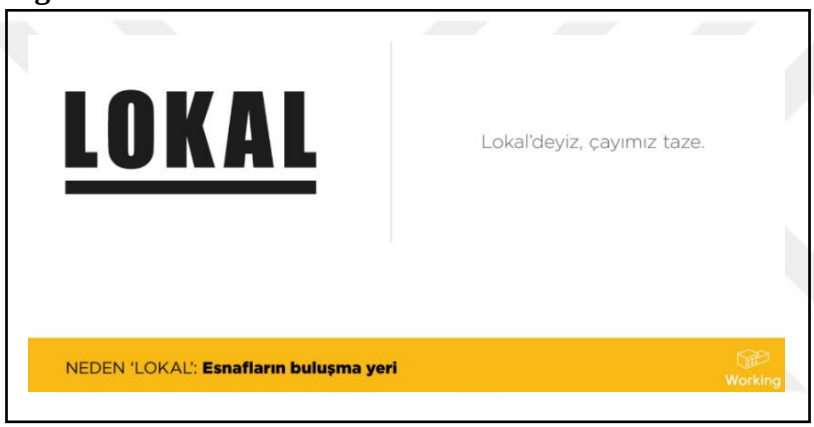
quarries in the region. That means, marble customers would be supplied with the parts and services by İş Yeri near to their marble quarries.

4.7 NAME OF THE STORE

In order to build a warm perception as if they had in small local shops and local neighborhood tea houses, there were three name options as; “Lokal”, “Esnaf” and “İş Yeri”.

“Lokal” idea came from community and network which Borusan would like to capture. It would be meeting point of the craftsmen dealing with the same works.

Figure 4.34: Name idea 1



Source: Borusan internal data

“Esnaf” -meaning craftsmen and petty trader- would be such a name to eliminate formal image of Borusan and to welcome customers at any time. “Esnaf” gives warmth of craftsmen, who are playing backgammon in front of the stores.

Figure 4.37: Name idea 2

Source: Borusan internal data

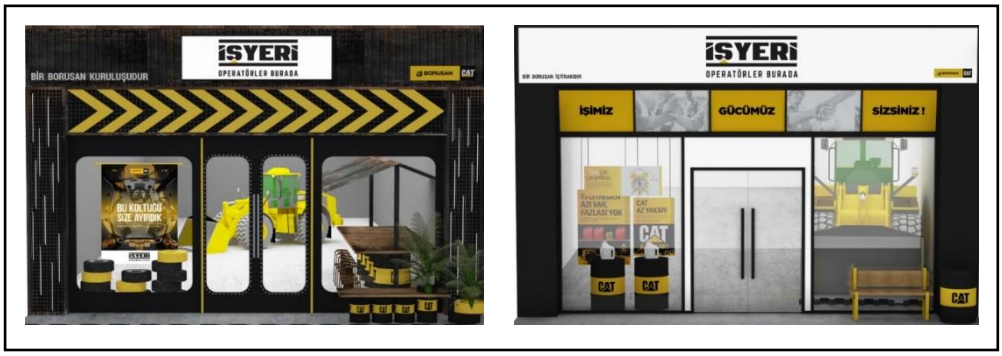
The 3rd option and final decision is “İş Yeri” -meaning workplace- mainly give an idea that Borusan and customers are together as a team. Perception here is clear, simple and direct; It is a workshop for customers.

Figure 4.40: Name idea 3

Source: Borusan internal data

The main purpose to use this name is to give customers such sense that they should feel themselves in their own workshop, workplace, not workshop of Borusan. It is a workshop for everyone. In order to build a brand-new perception between Borusan and those retail customers, “İş Yeri” name were chosen.

Figure 4.43: Exterior Design Ideas



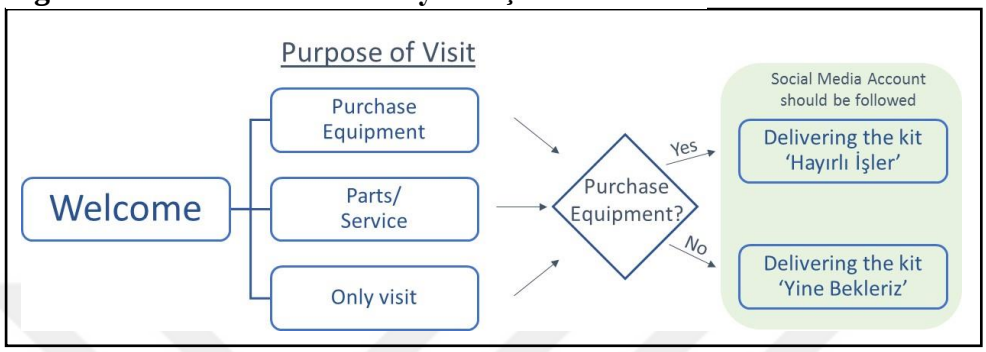
Source: Borusan internal data

Apart from signboard, presenting the current campaigns on the shop windows of İş Yeri so that, customers will be attracted, informed and interested before going inside the store. Black and yellow colors are corporate colors for Caterpillar but at the same time black and yellow together have the strongest contrast among all other colors and it has a very high visibility.

4.8 IN-STORE CUSTOMER JOURNEY

There should be a standardized retail customer journey for each İş Yeri. Customer welcome process, sincere approach to customer, ensure re-visit of each customer, small giveaways, information about campaigns are the fundamentals of İş Yeri.

Figure 4.47: Customer Journey for İş Yeri



Source: Borusan internal data

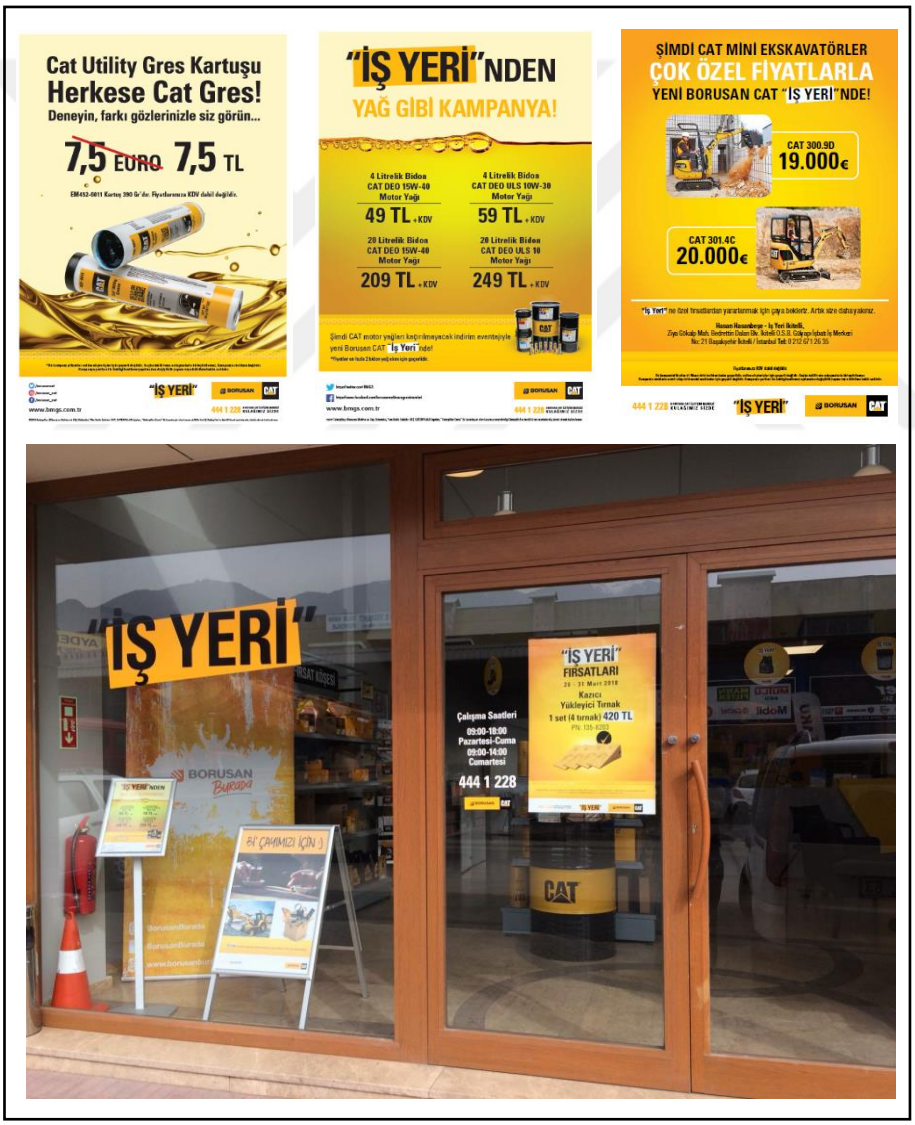
4.8.1 Welcoming

Based on observations of retail customer expectations, it is necessary to introduce oneself to customers, have conversation regarding sector and their current job situation while drinking tea. Once the purpose of the visit is submitted, reason for launching İş Yeri is narrated, advantages of Cat brand and other competitor brands are discussed. During those steps it is very essential to treat tea or coffee, make them spend some time in İş Yeri and show the social media account to follow. By the time customers leaves the İş Yeri, they should be supplied kits based on their purpose of visit. If it is standard activity with some maintenance parts purchase, they leave with "Yine Bekleriz" kit including key chain, pen, notebook and so on. If there is a machine purchase, then they should be provided with "Hayırlı İşler" kit containing raincoat, multi-purpose pocket knife or mp3 player.

4.8.2 Assortment and Campaigns

Customer value proposition should be explicitly delivered and marketing communications need to be clear. Maintenance kits, such as hydraulic oils, filters, coolants are the daily needs of customers. For all product categories, one or two small machines with high sales frequency should be available in İş Yeri. Moreover, some TL offerings, weekly marketing campaigns in spare parts are critical to get attention from customers. Since customers do not want to be affected by the Euro/TL fluctuation, TL offering is very promising in times of economic slump.

Figure 4.50: Campaigns and Banner Covers on Window



Source: Borusan internal data

As it is seen in figure 4.17, campaigns are announced through front window displays as well as social media. Weekly posts and all other announcement are prepared by marketing department.

Figure 4.52: Social Media Communication

Source: Borusan_CAT Instagram page *[https://www.instagram.com/borusan_cat/?hl=tr]*

Compared to 2016, social media usage in Turkey, Instagram for example, increased by 6.4 percent in 2018.[9] Therefore, social media communication is another important way to make an announcement regarding campaigns.

[9] ("Turkey: social media usage 2016-2018 | Survey", 2018)

5. CONCLUSION

The shift to small-scale customers in the market structure has led major construction equipment players to change their strategies. One of them and the most important player, Borusan, has set up a strategy to adopt new market conditions. In this study, we examined how retail stores are used to change and manage customer perceptions as part of the strategy.

5.1 PERCEPTION OF RETAIL STORES ON CUSTOMERS

Turkish construction equipment industry has been increasingly undergoing a trend in favor of small to medium sized retail customers, since the number big projects and need of large machines have been declining recent years. That means, premium brands such as Caterpillar lost some market share due to a shift from large equipment to small equipment, which is generally purchased by a customer segment defined as prime customers. Therefore, increasing the total market share by focusing on these customers was the most important target.

First of all, not only purchase criterion of prime customers was discussed, but also ways of communication with the is investigated thoroughly. Prime customers, in other words retail customers, has maximum 2 or 3 machines which are looking for fast, convenient and lean service. Moreover, they are sensitive to initial purchase price of the equipment and spare parts. They have emotional bonds with their machines. They buy non-original parts of the machine from industrial zones with lower price levels. They are very vulnerable to the fluctuations of Turkish currency.

The other criterion for prime customers is prefer informal and warm treatment. They feel more comfortable and bonded with the brand if it is so. Also, they would like to have a phone call to salesperson at 3 A.M in the morning when equipment breaks down. They do not want to fear or hesitate to call and ask salesperson any question. When all the factors are considered, it was clear that Borusan should have launched a new strategic initiative that suited better this customer segment’s rational and emotional needs. Moreover, long procedures, bureaucracies, arrogant and expensive products are found out to be the problematic areas creating customer complaints, damaging brand image as seen in Ipsos questionnaire (see appendix).

Apart from warm treatment, proximity is another significant criterion assuring better service prime customers need. Prime customers generally prefer accessible local shops in industrial sites in downtown due to ease of access. Since, repairing an equipment has a time and financial cost for them, they do not want to waste their time by going out of town to purchase necessary spare parts or service kits from Borusan.

After defining the expectations of customers, listening voice of customers, 3 İş Yeri retail stores were launched in three different locations, İstanbul – İkitelli, İzmir – Bornova and Isparta. They have been strategically placed in most populated areas of prime customers. İstanbul and İzmir are the biggest two provinces in terms of construction equipment industry, while Isparta is best located place among marble quarries in the region. That means, marble customers would be supplied with the parts and services by İş Yeri near to their marble quarries.

The purpose of this initiative is changing this seemingly damaging perception of the prime customers via customer centric approach so would be possible for prime customers purchase parts and service from İş Yeri, asking price quotations for equipment which they have never done before.

Results of customer satisfaction survey helped develop an insight into the results Borusan obtained with the help of this project. Also, number of attained new customers are investigated to analyze whether it is a successful initiative or not.

After launching İş Yeri, it did not take so long to see not only customers reaction, but also reaction of some famous people in Turkey, such as Can Yılmaz, who is beloved writer and artist. As it can be seen from picture 38, he expresses the simplicity of purchasing a CAT equipment as though it was getting a toy.

Figure 5.2: Can Yılmaz Tweet

Source: Twitter platform

5.2 CUSTOMER SURVEY

Survey Design:

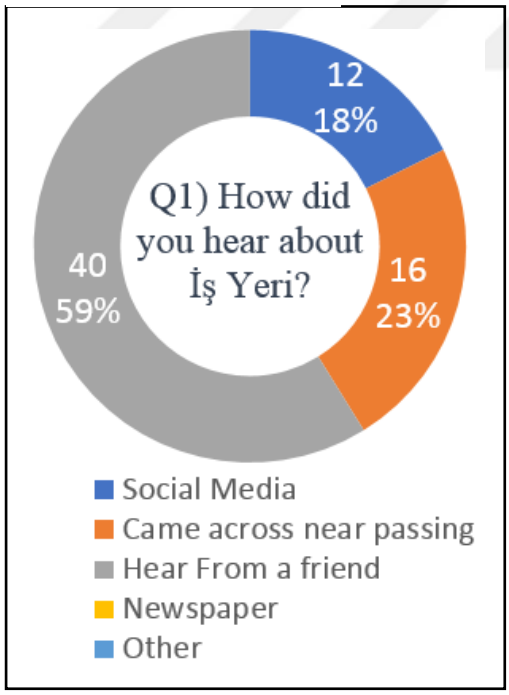
A customer survey is conducted to find out how this initiation affecting brand perception. At this point, a short and comprehensive survey is needed because those customers who come to İş Yeri locations most probably do not want to fill a long, time-consuming survey. Therefore, survey consisted of 10 questions at maximum and those questions should express the possible results of this initiative.

A hundred of survey paper is sent to İş Yeri in İkitelli and survey is completed in two weeks. Number of survey respondents are 68 people.

First question is related to both connectivity, network of prime customers. While 40 of customers, approximately 59% of total respondents, hear about İş Yeri from their friends, word of mouth, proximity… 16 of them, which is 23% of total, came across İş Yeri by passing near of it.

Both figures demonstrate that customers are highly connected.

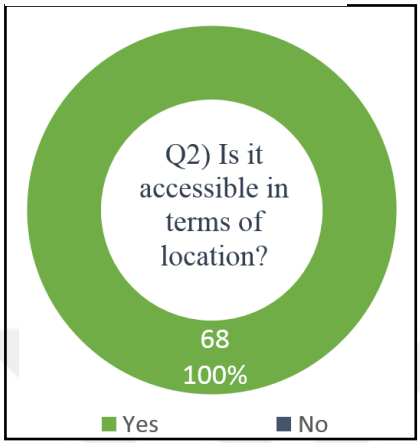
Figure 5.5: Survey Q1



Source: Prime customer survey

Second question is regarding accessibility to İş Yeri. Place is one of the most important factor in 4P, so this response with 100% of customers validates voice of customers, who do not like to go far distance to purchase some parts or service. Since İkitelli is in industrial site, it is very busy place welcoming to prime customers very much.

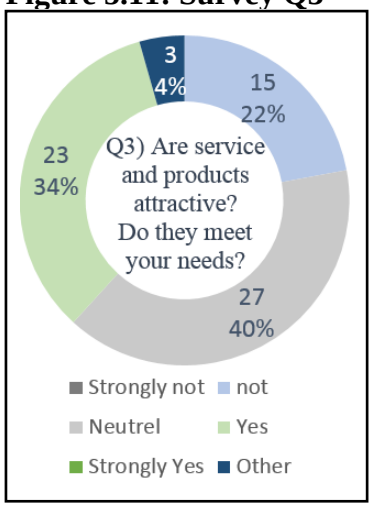
Figure 5.8: Survey Q2



Source: Prime customer survey

The results of the next question are; 34% of the customers think that product variety and service quality are attractive and enough, although 22% of them consider İş Yeri as not fulfilling the needs. The reason for 22% idea is that they claim some of low-sale frequency parts, which would be extra load for Borusan inventory, so it is an acceptable portion. While 40% of the responses stay in the safe side as neutral, 4% of customers answer as products are okay but they need to be diversified including injectors or track shoes of excavators.

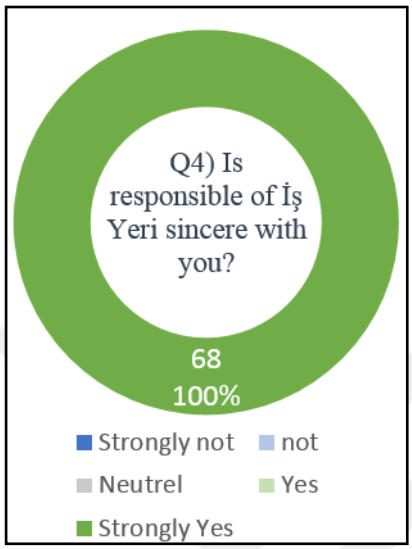
Figure 5.11: Survey Q3



Source: Prime customer survey

4th question shows the relationship between responsible at İş Yeri and customer itself. In addition, this is one of the most important customer experience, since customers want somebody to talk about a soccer game instead of keeping informed about brand in a very intellectual way.

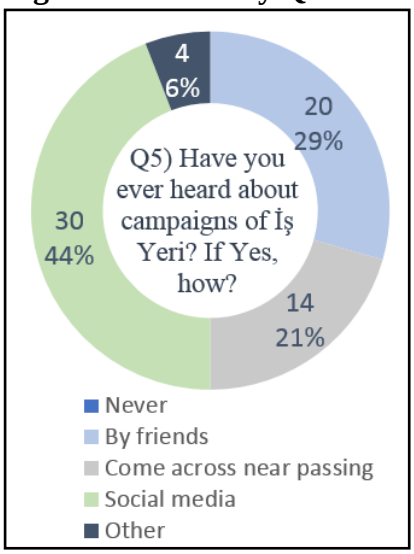
Figure 5.14: Survey Q4



Source: Prime customer survey

Apart from network among customers and window coating with campaigns, it is revealed that social media communication is essential for marketing. 44% of the customers hear about the campaigns by social media accounts, while 29% hear from their friends and colleagues. Moreover, 21% of correspondents see them from windows of İş Yeri, 6% of customers aware of campaigns by sales people of Borusan. This shows an important result such that there is no customer who never knows about the campaigns.

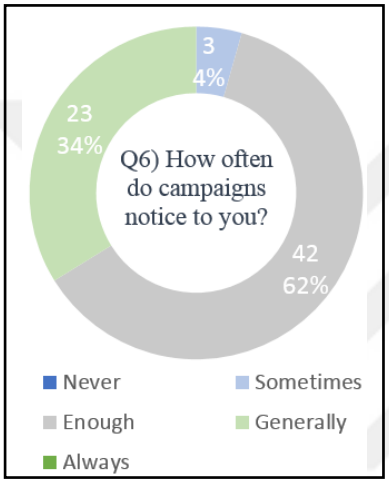
Figure 5.17: Survey Q5



Source: Prime customer survey

While 62% of total customers attending the survey finds campaign communications is enough, 34% of them notice the campaigns more often. There is a small portion, such as 4%, which hear of the campaigns sometimes. 5th question supports the accuracy of answer of 6th question in a way that small portion hear the campaigns from sales people time to time as sales people visits the customers. That might be correlated with social media usage of that small portion as well due to all the campaign announcements on social media. The lower they use social media, the fewer times they hear of campaigns.

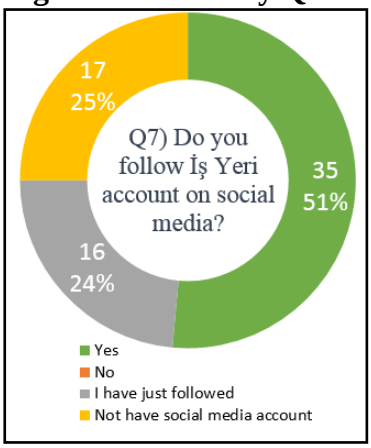
Figure 5.20: Survey Q6



Source: Prime customer survey

7th question response shows that nearly half of the respondents following İş Yeri account on social media and 24% of them having followed before leaving the store. 25% of the respondents do not use any social platform, which is very high unexpected figure.

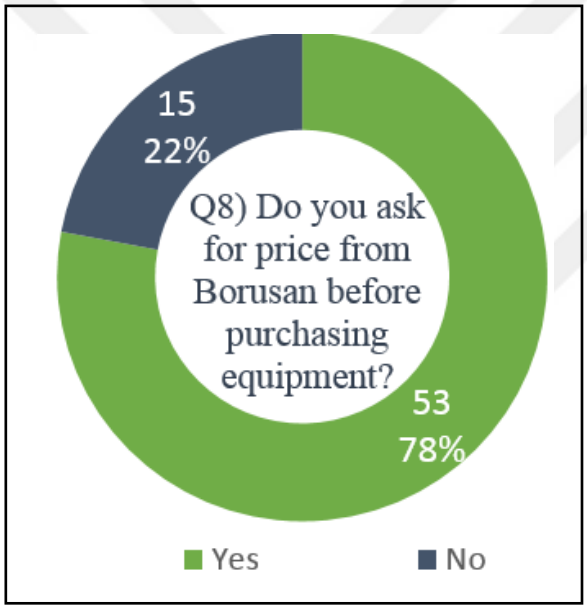
Figure 5.22: Survey Q7



Source: Prime customer survey

As it was mentioned before, the main problem with prime customers is that they do not even have a quotation price from Borusan, since there is a biased approach for the high purchase cost and a big corporate image. From graph 14, it can be seen that the majority of customers, i.e. 78% of the total 68 survey respondent, may consider having a quotation price for new equipment they would purchase. Since they think of Caterpillar as very strong product in terms of quality in addition to high service standard of Borusan. Although the majority of the customers ask for a price, there is still 22% of them would not take a quotation for equipment. They specify the reason as the main competitor of Borusan offers very advantageous price in terms of Turkish Lira especially economical crisis moments at the end of 2018.

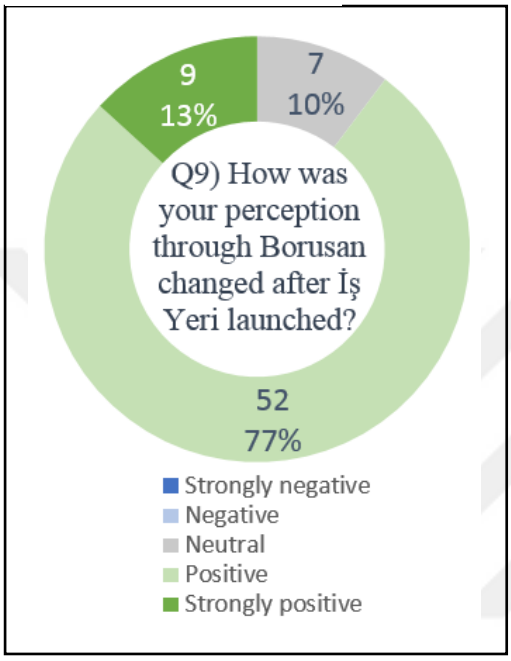
Figure 5.24: Survey Q8



Source: Prime customer survey

The final question of the survey is directly a response to the perception change. In general, 90% of customers undergoing the survey have positive perception for Borusan, only 10% answers as neutral. It is very important that there is no negative response to the last question. In addition, 13% of the respondents strongly think in a positive way for Borusan after İş Yeri was launched.

Figure 5.26: Survey Q9



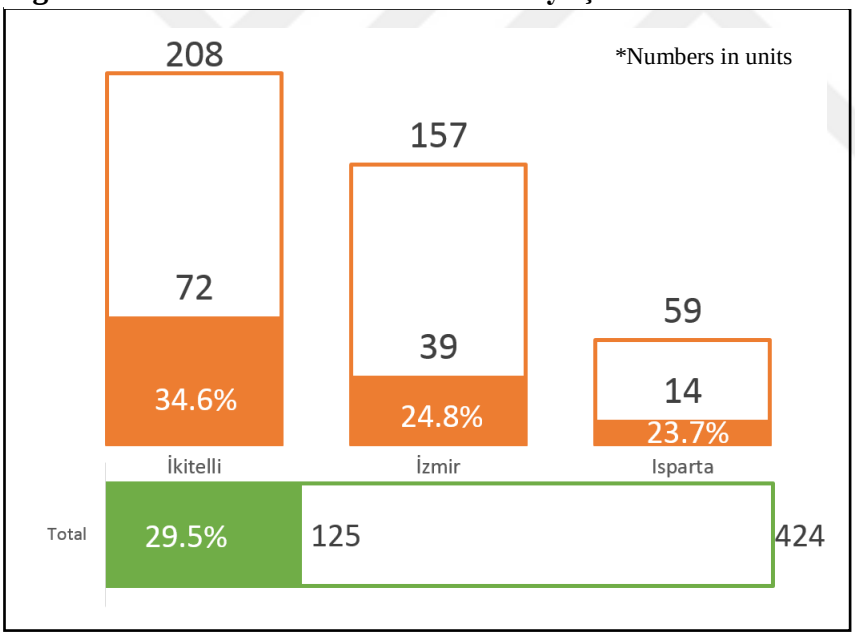
Source: Prime customer survey

5.3 ATTAINED NEW CUSTOMERS

After the survey among İş Yeri customers, the other important measurement and indicator is the number of attained new customers by Borusan. In other words, the customers, who have not either visited, purchased equipment or spare parts for last 3 years, is classified as new customers for Borusan, if they purchase any products from İş Yeri.

As it can be seen from figure 5.11, orange bars represent the 3 stores of İş Yeri, İkitelli, İzmir and Isparta respectively. Percentages belong to the proportion of new customers purchases to total sales in each İş Yeri location. For example, İkitelli İş Yeri attains with 34.6% performance for each customer. That is, out of 208 total customers for İkitelli, 72 of them purchase for the first time. While other performances 24.8% and 23.7% belong to İzmir and Isparta respectively.

Figure 5.30: Attained New Customers by İş Yeri in Location Based in 2018



Source: Borusan internal data

Source: Borusan internal data

Green bar, which represents the overall performance of three İş Yeri location, shows that 424 of customers are active in İş Yeri in terms of purchasing parts or service. 29.5% of the total number of customers, 125 customers whose target was minimum 100, have been achieved by three İş Yeri locations. Therefore, it can be said that it is a successful start in gaining new customer sense.

As a result of those figures and surveys, it can be concluded that retail stores, which is İş Yeri in this case, drives the perception of construction equipment customers to positive.

Figure 5.32: Main Message to Customers with İş Yeri

Source: Borusan marketing department

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APPENDICES

APPENDIX I: SURVEY

Survey

Q1) How did you hear about İş Yeri?

☐ Social Media ☐ Come across near passing ☐ Hear from a friend ☐ Newspaper ☐ Other; .....

Q2) Is İş Yeri accessible? Is it busy street?

☐ Yes ☐ No

Q3) Are service and products attractive? Do they meet your needs?

☐ Strongly no ☐ No ☐ Neutral ☐ Yes ☐ Strongly yes ☐ Other; .....

Q4) Is responsible of İş Yeri sincere with you?

☐ Strongly no ☐ No ☐ Neutral ☐ Yes ☐ Strongly yes

Q5) Have you ever heard about campaigns of İş Yeri? If Yes, how?

☐ Never ☐ By friends ☐ Came across near passing ☐ Social media ☐ Diğer; .....

Q6) How often do campaigns notice to you?

☐ Never ☐ Sometimes ☐ Enough ☐ Generally ☐ Always

Q7) Do you follow İş Yeri account on social media?

☐ Yes ☐ No ☐ I have just followed ☐ I do not have social media account

Q8) Would you prefer to have a price quotation from Borusan before purchasing equipment?

☐ Yes ☐ No Reason; .....

Q9) How was your perception through Borusan changed after İş Yeri launched?

☐ Strongly Negative ☐ Negative ☐ Neutral ☐ Positive ☐ Strongly Positive

*This survey is only for understanding and defining the perception of customers for İş Yeri locations.
*It will not be used for other purposes

Survey

Q1) İş Yeri'ni nereden duydunuz?

☐ Sosyal Medya ☐ Geçerken gördüm ☐ Arkadaşımdan duydum ☐ Gazetede gördüm ☐ Diğer; .....

Q2) İş Yeri'nin bulunduğu nokta işlek mi? Kolay gelinebiliyor mu?

☐ Evet ☐ Hayır

Q3) Sunulan hizmet ve ürünler ihtiyacınızı karşılıyor mu?

☐ Kesinlikle hayır ☐ Hayır ☐ Kararsızım ☐ Evet ☐ Kesinlikle evet ☐ Diğer; .....

Q4) Sizi karşılayan personel sizin ile yeterince ilgilendi mi? İçten miydi?

☐ Kesinlikle hayır ☐ Hayır ☐ Kararsızım ☐ Evet ☐ Kesinlikle evet

Q5) İş Yeri kampanyalarını duydunuz mu? Duyduysanız nasıl duydunuz?

☐ Hiç duymadım ☐ Arkadaşımdan ☐ Geçerken gördüm ☐ Sosyal medyadan ☐ Diğer; .....

Q6) Ne sıklıkla kampanyalardan haberiniz oluyor?

☐ Hiç ☐ Arasıra ☐ Yeterince ☐ Genellikle ☐ Herzaman

Q7) İş yeri hesabını sosyal medyada takip ediyor musunuz (İnstagram) ?

☐ Evet ☐ Hayır ☐ Yeni takip etmeye başladım ☐ Hesabım yok

Q8) İş makinası almadan önce Borusan'dan fiyat almayı düşünür müsünüz?

☐ Evet ☐ Hayır Nedeni; .....

Q9) İş Yeri açıldıktan sonra, Borusan'a bakış açınız ne yönde değişti?

☐ Kesinlikle kötü ☐ Kötü ☐ Değişmedi ☐ İyi ☐ Kesinlikle iyi

*Bu anket, İş Yeri lokasyonlarının müşterideki algısını anlama ve ölçme üzere hazırlanmıştır
*Başka bir amaç için kesinlikle kullanılmayacaktır.

APPENDIX II: INTERVIEW

This interview was conducted with Göktuğ Yilgenci who is responsible for Retail Segment Director for Borusan CAT. He shared his experience and knowledge regarding retail stores called "İş Yeri".

Semih Y: "How did you come up with initiating such stores in Turkey?"

Göktuğ Y: "In addition to our big branches where our employees are located, as well as our customer service requests are held, we need to open small sales points that are physically close to our customers. Our customers identify us with the BMW brand, which our automotive group sells, so they are afraid and hesitate to come to our locations to even get price. Turkish brands, which are cheaper than us, turned this perception into their own favor and tried to build a wall between us and our customers. We would like to create such a store in order to make them feel very comfortable"

Semih Y: "Which opportunities did you see in this business?"

Göktuğ Y: "We have very small portion in terms of sales units in the retail market. Although our sales team is trying to do their best to reach all customers, it was a great potential for us to cover customers who could not or would not reach us and did not even come to our regions for information about the equipment. For example, BCP industry was around 5000 units at the end of 2017 and we were aware of those nearly 50% deals. If we say that, approximately, 80% of the rest of BCP deals consist of those retail customers, it would be around 2000 units, that is we were not contacted with those customers in somehow and that was a great opportunity for us"

Semih Y: "What was the main purpose and strategy of Borusan for going into this business?"

Göktuğ Y: "The main purpose is to be closer to customers in terms of both proximity and sincerity. We eliminate formal conversations and flashy entrances, try to make customers feel like those stores are small local shops they always prefer going. To give an example, not many people can go to a BMW or Range Rover dealer and ask their prices or technical figures of them easily because they are very expensive. However,

people are very interested in those cars when they are presented in a big shopping mall in public.

People feel very relaxed about having a look at interior design, even getting into a driver seat, asking for its price and looking at technical data on the front window of the car. This is the same situation, we present our products for those customers in İş Yeri to make them feel relax and close.

Semih Y: "You do not have chance to present all the product line in those stores, so how did you decide the products you would sell?"

Göktuğ Y: "As I said in the previous question, customers, who are wanted to go those stores, mostly uses BCP products. Therefore, we offer frequently used needs oil, filter, gasket etc. In addition to these, we launch campaigns suitable for the economic conditions and market trend.

Semih Y: "How do you see future of İş Yeri stores?"

Göktuğ Y: "We have launched 3 locations till now. We target attaining at least 100 new customers in 2018 with those stores. Besides, customer's going in-out frequency should be high. If performance of the stores will be desired level, they may be expanded to other locations as well.

Neler Duyduk?

Akşam 17,00 mi oldu ondan sonra kimseyi bulamazsın Borusan'da. Cumartesi günü bulamazsın, Pazar günü zaten hiç bulamazsın. Diyelim ki sene sonu 10 gün önceden sistemi kapattı şirket. «Sayım var» dedi. Bana parça lazım ama alamam çünkü sistem kapalı. Sistem kapalı diye bir şey olur mu? İş makinası çalıştırıyorsun, işi yarım kalmış veya makina yolda kalmış ama sistem kapalı ve «kardeşim parçasını veremiyoruz» diyor. Çok basit ve olmaması gereken şeyler bunlar.

Prosedürler çok uzuyor ve çalışma yöntemleri çok katı Borusan'nın.

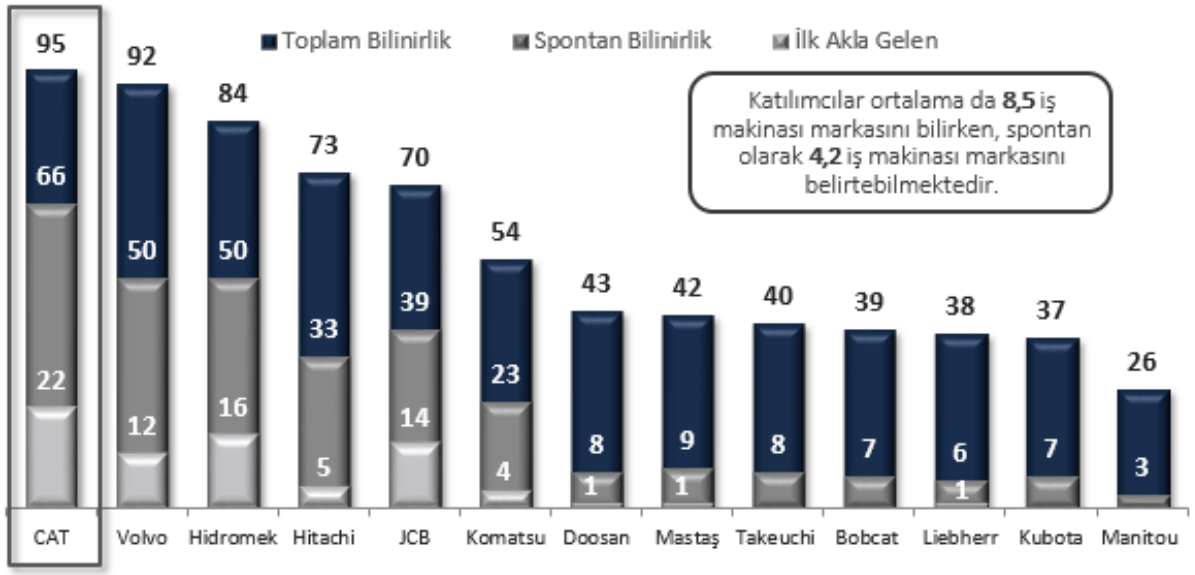
Eskiden kiralama yaparken bizim gibi küçük esnafı etkilemiyordu. Ama bu son 2 senedir bizim grup makinalarda yani bekoloder grubunda, mini makina ekskavatör vesaire bunlarda kiralama sistemine girdi. Yani Borusan şimdi benim bu durakta yaptığım gibi 1 saatlik işe de gidiyor 3 saatliğe de 5 saatliğe de gidiyor. Piyasaya 150 tane makina sokmuş, zaten fiyatlarda biraz daha uygun oluyor. Örneğin; biz burada saatini 100 tl den çalışıyoruz artı KDV. Çünkü mazot, yakıt, parça vesaire derken gideri ancak bu şekilde denk gelebiliyor. Ama Borusan bugün 85 TL'den çalıştırıyor makinayı. Böyle olunca da bizim gibileri piyasası tamamen bitiyor. Artık makinaları aldık vitrin gibi durakta beklemek zorunda kalıyoruz. Herkes senedini ödeyemiyor

CAT sağlamlık ve güç bakımından 1 numaradır ama bu yönetim sisteminden ve yedek parçasının pahalı olmasından dolayı CAT şu an en alt seviyedeki bir makina olarak görülüyor alım satım konusunda.

Makinadan memnunuz, pazarlamacıyla da bir sorunumuz yok ama bürokrasiye takılınca ister istemez geriliyoruz ve biz gerilince onu da germek zorunda kalıyoruz. Memnuniyetsizlik diye bir şey yok. Bizim için tek memnun olmadığımız kısım parçanın biran evvel gelmemesi.

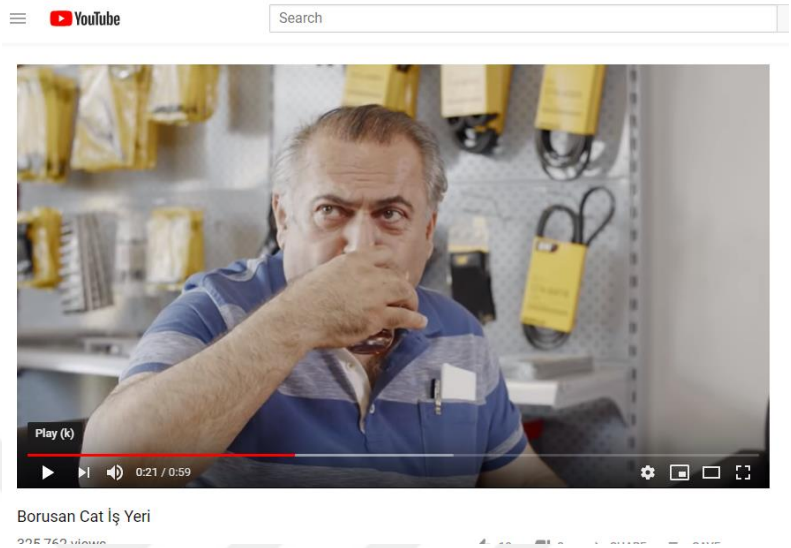
Marka Bilinirliği

Görüşmeciler bildikleri iş makinası markalarının neredeyse yarısını yardımsız belirtebiliyor.



Baz:242
S[S1a. Satın alım yapabileceğiniz/kiralayabileceğiniz tüm iş makinaları markalarını düşündüğünüzde, aklınıza ilk gelen iş makinası markası hangisidir? S1b. Peki, başka hangi iş makinası markaları aklınıza geliyor? Lütfen bildiğiniz tüm iş makinası markalarını belirtiniz. S1c. Şimdi size birkaç iş makinası markası okumak istiyorum. Gördüğünüz iş makinası markalarından yalnızca ismini duymuş olsanız bile hangilerini bildiğinizi belirtir misiniz?

YOUTUBE COMMERCIAL LINK



https://www.youtube.com/watch?v=bRDPw_sj-WQ