

PREPARING FOR A NEW SECTOR

Recently, many major groups and companies have been making preparations to enter new areas. LC Waikiki is planning to enter household textile and cosmetics, while Mudo is getting ready to sell small household appliances and beds under its own brand name. Giants of industry are entering real estate and tourism. In the future, the new areas of business for the industrialists Kibar Holding and Elginkan will be real estate and tourism. Contractors and retailers are looking to agriculture and animal husbandry... We studied the bosses who have recently been breaking out of their own sectors and entering new ones. Here are the major groups and their new businesses...

WHY A NEW SECTOR?

There are many advantages to entering new sectors or new business areas. Spreading risks, creating synergy between sectors and finding new growth areas are just a few of them... Over the last 10-15 years, many large groups had added new strategic business areas to the main sectors in which they are active. They have succeeded in growing rapidly as a result. One of these companies is Kibar Holding. The holding grew mostly in industry and, by entering new business areas after 2000, it succeeded in increasing its turnover to TL 18 billion. "Entering new businesses strengthened us even further," says Kibar Holding Board Chair Ali Kibar. "We have recently invested heavily in the automotive supply industry. We have established a real estate company to make the most of the land that we own. Another new area that we have entered is energy."

THE MAIN TARGET IS TO SPREAD RISK

The Anadolu Group recently bought Migros and entered retailing and quickly increased its turnover to TL 20 billion. Anadolu Group Chair Tuncay Özilhan says that they produce in nearly 20 different countries and have investments worth \$2 billion. "Migros took the number of our employees to over 50,000 and the number of our companies rose to

85," he says. The fact that YDA, which 23 years ago was only active in the construction sector, is now active in eight different areas, ranging from health to agriculture, is the result of an attempt to spread risk. YDA Group Board Chair Hüseyin Arslan says: "The nature of the construction sector means that it is a volatile and disorganized sector. This results in various risks. We entered new sectors outside construction and became more diversified in order to spread our risks." He adds: "We are both diversifying sectors in order to spread risks and benefiting from the synergy between sectors. Our goal is to create a more balanced and predictable cash flow."

GROWTH THROUGH DIVERSIFICATION

In order to support growth, large groups and companies sometimes enter new areas in the main sector in which they are active. The main aim here is to secure higher growth through product diversification... Recently, the impact of this trend can be seen in retail and foodstuffs in particular. Leading clothing brands, ranging from LC Waikiki to Defacto, Mudo and Pentti, are looking to enter surprising new areas in the months ahead... LC Waikiki is aiming to strengthen its market leadership by entering new fields, particularly household textiles.

In a similar fashion, Mudo is making plans to enter new areas outside the furniture and household goods sectors where it is particularly strong. Mudo CEO Banş Karakullukçu says that they will enter the household appliances sector with the Mudo Concept brand.

LOOKING TO CREATE SYNERGY

Entering new areas to support a holding's main area of business gives a company important synergy. Tekfen Holding is another company that is looking to create synergy with the sectors in which it is active by entering new business areas.... Murat Gigin, the board chair of the Holding, says that the new areas will be sub-sectors of its main sectors of construction and agriculture. Gigin says that they are also interested in energy. "Our medium-term goals include solar and renewable energy and energy production from waste," he says. Müşfik Canteğinler, head of the Corporate Finance Department at EY Türkiye, says that holdings in Turkey treat entering business areas as a growth strategy. For this reason, when they enter new business areas, large holdings and groups emphasize market and product diversification.

REAL ESTATE ON THE RISE

In terms of the areas in which new investments are being made, real estate ranks first. Many large companies and groups, ranging from Avva to Doğtaş, Küçükler Holding and Kütahya Seramik, have made, or are thinking of making, investments in the real estate and construction sector in order to make the most of their existing real estate portfolio. Doğanlar Holding Board Chair Davut Doğan says that they entered the real estate sector to make the most of the plots of land they owned. Doğan notes that they are interested in urban renewal projects. "We shall build housing projects in Istanbul," he says. One of Doğan's newest construction projects is establishing a logistics center.



Which new businesses will 22 bosses enter?

President	Holding/Company	New area/areas they will enter
Ali Ağaoğlu	Ağaoğlu	Education
Ali Kibar	Kibar	Real estate, tourism, the environment
Altan Elmas	Sur	Energy
Davut Doğan	Doğanlar	Construction and information technology
Erkan Gural	NG Kütahya Seramik	Real estate
Erol Bilecik	Index	IOT, wearable technology
Ertuğrul Yavuz Pala	Cihan Construction	Agriculture
Fırat Fidan	FDN Grup	Mining, construction
Gamze Cizreli	Big Chef's	Fast food, tourism
Gaye Akçen	Elginkan	Real estate, tourism
Hanefi Öksüz	Kipaş	Foodstuffs
Hüseyin Arslan	YDA	Industry, animal husbandry
Hüseyin Özdemir	Özdilek	Livestock, construction
İhsan Ateş	DeFacto	Innovative products
Mehmet Erbak	Uludağ İçecek	Water
Murat Akdoğan	MYC Partners	Tourism and construction
Murat Gigin	Tekfen	Agriculture, construction, energy
Mustafa Taviloğlu	Mudo	Household electrical appliances, beds
Müşfik Yamantürk	Gürış	Mining
Ömer Faruk Çelik	EYG	Real estate investments
Vahap Küçük	Küçükler Holding	Household textiles, construction, cosmetics
Volkan Atik	Avva	Real estate

ATTRACTIVE NEW AREAS

Apart from real estate, holdings also regard the food, drink and retailing sectors as being attractive. Müşfik Canteğinler, head of the Corporate Finance Department at EY Türkiye, says: "Holdings which are active in areas such as manufacturing or infrastructure, where the payment periods are relatively long and where the need for operating capital is higher, turn more to retailing and similar sectors in order to generate cash more quickly." There has recently been a growth in the number of holdings preparing to enter areas such as agriculture, animal husbandry, energy and health. Cihan İnşaat is one of the companies that has invested in agriculture. Cihan İnşaat Business Development Manager Bengi Hışır says: "We are establishing a glass warehouse with a covered area of 37,000 square meters in Uşak Hasanköy. We shall invest €21 million in the region in the next five years." **C**