

**COMPANY PROFILE**

## **Enterprising, young and international: meet... Lila KAĞIT!**

*The region of Marmara in the north-west side of Turkey and partly in Europe is the smallest region in the country after Anatolia, which is located in the south-east. Here lies Istanbul, the heart of Turkey's business, social and industrial life. Istanbul has always been defined as the "gateway to the East", the cultural antechamber of Oriental rituals and beliefs, but also as the terminus of European common living. Today, it is a city that is not only cosmopolitan, alive and frenetic, but above all, always active and energetic.*

Maura Leonardi

Istanbul is also where Lila Kağıt, the youngest company of the Marmara Group, with its consolidated experience in the field of textiles and energy sources, has its headquarters. Lila Kağıt has been involved in the production and converting of tissue paper since 2007. In an interview, its President, Orhan Öğücü, spoke to us about Lila from its start-up to today, its future plans and the expansion of a market which is still only taking its first steps.

### **PERINI JOURNAL (PJL): YOUR COMPANY IS ONE OF THE YOUNGEST PRESENT IN THE TURKISH MARKET. WHERE DOES THE NAME LILA KAGIT ORIGINATE FROM?**

**ORHAN ÖĞÜCÜ (OÖ):** Lila is the youngest company in the Marmara Group, a group employing 1,000 people, 400 of whom work in the tissue division. The Marmara Group can boast a consolidated experience in several industrial fields: over 25 years in the realm of textiles; the energy sector since 2005; and the production of jumbo reels and tissue paper destined for the local and foreign markets. In 2006, the foundation of Lila marked the entrance into the converting sector. The choice of its name derives from the color Lilac – (Lila). Our concept was to present an enterprising, colorful, fresh and international company and the name Lila sums up this philosophy. In Turkish, Kağıt means paper and this is how the name Lila Kağıt originated. Today, after only a few years, we are proud to say that we are making constant and steady growth, both in production capacity and market share.

### **PJL: HOW IS THE TURKISH MARKET TODAY? HAS IT CHANGED COMPARED TO THE PAST? WHAT ARE YOUR EXPECTATIONS FOR THE FUTURE?**

**OÖ:** Today, the tissue market in Turkey is growing in proportion to its economy and GDP. This economic development directly reflects the rise in social and cultural education, which slowly leads to an increase in the consumption of tissue paper products. If we trace a scenario of the current situation, we can say that since we started reel production in 2007, we have noted a 40% average increase in consumption. This figure, however, hides the still slow penetration of disposable products, that attain a per capita consumption level of about 3kg both for consumer and AFH products. The latter segment certainly benefits from the positive influence of tourism and the gradual change in lifestyles which is consequently changing Turkish eating habits; people tend to eat out more often. And changes are also being seen in the home, with increases registered in the use of paper napkins substituting cloth ones, as well as the rise in the use of paper towels. But despite this phase of growth, the offer exceeds demand, therefore we are currently undergoing a phase of overcapacity and hence are exporting parent reels and finished products to other countries: Greece, Bulgaria, Romania, Hungary, Ukraine, Macedonia, Syria and Israel. These areas will also see an increase in consumption in the future, especially in the Middle East, so as a result there will be a rebalancing with respect to production.

### **PJL: WHAT IS YOUR RANGE OF PRODUCTS? AND YOUR CURRENT PRODUCTION CAPACITY?**

**OÖ:** Since its inception, Lila Kağıt has launched a complete range of products, starting from basic to our Premium category. Our aim is to satisfy all price ranges and consumer needs. And our complete range is: Sofia, our brand par excellence, top of the range; Maylo embodies the concept of convenience, thanks to the double number of sheets compared to standard rolls present on supermarket shelves; Berrak is our economical, low-range product; and last but

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not least, Nua, an environmentally friendly product, innovative for the Turkish market, born in collaboration with a US supplier. And Nua represents for us a truly unique and innovative product: it is the only toilet paper that can reduce organic waste by neutralizing microorganisms. Our market penetration strategy has also led us to become suppliers of private label products for Turkish and foreign retail chains.

Today's market structure sees the prevalence of consumption of toilet rolls, holding 50% of the market, followed by kitchen towels with 25%. The remaining 25% is comprised of table napkins, handkerchiefs and facial tissues. Our production capacity is 70,000 tpy and we are currently converting about half of this quantity. We export both parent reels and finished products and have witnessed an increase in premium product sales.

### **PJL: WHAT ARE YOUR REFERENCE TARGETS?**

**OÖ:** Turkey, and in particular Istanbul, is going through a period of transition in which purchasing traditions are gradually changing, too. National retail chains are succeeding in keeping their positions and resisting the increasing expansion of international retail and discount stores even if, these too, are slowly growing. For this reason, the gradual growth and diffusion of purchasing areas like discounts, which today may reach up to 2,000 square meters, have pushed us to follow a well planned strategy to be present with our products in all points of sale. Our strategy is to implement our presence in capillary fashion, following the mapping of distribution points and occupying a considerable amount of space in supermarkets and discount stores. In the last few months this policy has led us to obtain interesting positions on shelves, increasing our market share, visibility and awareness among consumers. Turkish consumers are changing their purchasing habits and there is no rule that states that they frequent only supermarkets or national chains. Thanks to our complete range of products, we are able to meet the needs of all market segments and are present in all distribution channels.

### **PJL: ISTANBUL IS A GATEWAY TO ASIA THANKS TO ITS STRATEGIC POSITION AND AN ANTECHAMBER BETWEEN EUROPE AND ASIA. IN WHAT WAY DOES THIS POSITION INFLUENCE YOUR BUSINESS RELATIONS? ALSO, THIS YEAR ISTANBUL IS THE EUROPEAN CAPITAL OF CULTURE – IN WHAT WAY WILL THIS INFLUENCE THE CONSUMPTION OF TISSUE PRODUCTS?**

**OÖ:** Lila has strategically selected its locations so that it could export its products both in the European and Asian markets. Istanbul represents the heart of business and a vital and vibrating center for the development and growth of our sector. With a population of about 13,000,000 people, this large metropolis has a much higher average consumption rate of tissue products compared to regions in the East, calculated at over 4kg per capita. The region of Marmara and other surrounding cities cover 50% of the total market. The current logistics policy that we have adopted has consented us to meet both European and Asian market needs. This year Istanbul, the European Capital of Culture, will cover a fundamental role in the tourist industry and this will surely result in an increase in the consumption of AFH products, which means a further opportunity for us to grow with our presence on the market.

### **PJL: WHAT IS YOUR MARKET SHARE?**

**OÖ:** Our market share is 7%. Considering the fact that we have been present with our products for just 18 months, it is a very satisfying result. We can say that our target is to consistently grow and achieve results in the short and medium term to attain a leadership position. We believe we will reach this ambitious target thanks to the effort and investment we have made in three key elements for our development: growth of human resources, an increase in production capacity, a marketing-oriented strategy designed to strengthen our sales and marketing structure. Our philosophy is that of a young, innovative and flexible company and this allows us to launch a range of products on the market that is different from what is currently being offered and which satisfies consumers' needs. Let's take for example our kitchen towel with its half-sheet perforation: this is something that is totally new for the Turkish market, just like our innovative packaging that has met with great success. Our Berrak kitchen towel brand is leader in the economic segment and so is Nua, a brand which surely will require more time before it is understood by the market but which is gradually gaining market shares. The queen on supermarket shelves and in our product range is still Sofia, a brand which is aesthetically new and very catered to, obtained through the use of Fusion Art Embossing® **technology patented by Fabio Perini S.p.A. This soft white product has literally captured consumers.**

### **PJL: HAS THE EUROPEAN MARKET INFLUENCED OR IS IT INFLUENCING CONSUMPTION HABITS IN TURKEY?**

**OÖ:** The Turkish market has not yet been influenced by European consumption habits. The media is still strongly influenced by Turkish TV and this makes us immune to cultural colonization. A few years ago, when consumption

of tissue paper was still in its early stages, European influence was felt above all because many people often travelled for work or to study, and this made them more familiar with disposable products. Local producers, including ourselves, have been able to transform these needs into competitive advantages and through well planned advertising campaigns, commercials and fair price policies, have made the market what it is today. Price still seems to be the determining factor when it comes to consumption; brand importance still needs to grow even though the quality and features of the product are very important when choosing what to buy.

### **PJL: IN THE FUTURE, WHAT DO YOU THINK WILL BE THE DRIVERS THAT WILL LEAD TO AN INCREASE IN THE CONSUMPTION OF TISSUE PRODUCTS?**

**OÖ:** Today, the “typical” consumer is very careful about the characteristics of the tissue paper, for example its softness, absorbency and above all the color white. To us, these elements drive the study and elaboration of our strategies. Quality standards are a must for Lila Kağıt and our product strategy is aimed at constantly improving these features. Our Premium brand Sofia is top of the range and meets high quality standard requirements: white, catered and innovative embossing, softness for toilet rolls and absorbency for kitchen towels, all in a very elegant, eye-catching packaging. Maylo focuses on convenience while still respecting clear quality criteria. Innovation is the key to success and growth; consumers are careful when shopping, and when choosing what to put in their trolley, they prefer products that are innovative, attractive and offer excellent value for the money. Present buying power is about \$7,000.00 USD per capita, and in the next few years it is destined to grow due to better social and economic conditions which will favor a volume and value increase in consumption.

The tissue paper product represents the icon par excellence of disposables for personal care. In the future, market penetration will increase also due to changes in cultural habits, the quality of life and economic means.

### **PJL: WHEN CHOOSING BOTH PAPERMAKING AND CONVERTING & PACKAGING SYSTEMS, WHAT CRITERIA IS USED? QUALITY, RELIABILITY, INNOVATION AND HIGH PERFORMANCE?**

**OÖ:** The creation of a converting company has marked the beginning of a new entrepreneurial challenge for us, a new business whose dynamics we had to understand. For this reason we turned to a partner able to supply us not only with machinery, but also with the know-how required in order to avoid – or better still – to make the least amount of mistakes possible, right from the start. And we made a winning choice. Indeed, the Fabio Perini S.p.A. converting lines and the KPL Packaging S.p.A. machines have helped us attain unexpected results.

Today, we can boast of a TIME700 line; a FortyFive line; three model 8.5 napkin converting lines; a handkerchief converting line by Winkler+Dünnebier. We chose Metso for the papermaking side.

### **PJL: WHAT INSTRUMENTS DO YOU RETAIN PARTICULARLY EFFECTIVE IN DIFFUSING AND STRENGTHENING YOUR COMPANY'S IMAGE?**

**OÖ:** Lila is a young company and we have to make ourselves known on the market. In order to do this and to create a strong image, we have intensified our advertising. We are involved in direct marketing activities in order to familiarize people with the use of tissue products, like distribution of handkerchiefs in schools or paper towels in hospitals. The fact that we belong to a Group enables us to perform social activities like donations and charity. Advertising, billboard signs and television are other excellent ways to grow our brand image. The Turkish tissue market is expanding and we are pursuing a very focused philosophy of increasing our presence on supermarket shelves in capillary fashion. The fact that we are a young and flexible company and that we belong to a group gives us the necessary experience to know and understand consumer behavior.

### **PJL: TO SUM UP, HOW WOULD YOU DESCRIBE LILA KAĞIT?**

**OÖ:** Young and strong due to the experience that derives from being part of a group like the Marmara Group. Strong of its 25 years of experience, it has believed and still believes in the converting sector and is investing in efficiency and reputation. The aim is to become leaders in all the business divisions we are involved in. In short, we can define Lila Kağıt as innovative, young and different from all the rest. Lila Kağıt is the “young” side of the Marmara Group that has direct contact with customers, hence product and service become for us the two key words in our business philosophy to satisfy their needs. •