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# SAMSUN

## Executive Summary Economic Sectoral Review and Cluster Selection

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Prepared by: Yeliz Cuvalci, Short Term Senior Expert  
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Ankara

## SME Networking Project

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## Executive Summary

The province of Samsun situated centrally on 9,364 km<sup>2</sup> area of land at the Black Sea shoreline between Yeşilirmak and Kızılırmak rivers. Its adjacent provinces are Ordu to the east, Tokat and Amasya to the south, Çorum to the southeast and Black Sea to the north. The province provides a gate function between the Black Sea and the Central Anatolia.

Samsun is a long city which extends along the coast between like an amphitheatre with two river deltas which jut into the Black Sea. It is located at the end of an ancient route from Cappadocia: the Amisos of antiquity lay on the headland northwest of the modern city. To Samsun's west, lies the Kızılırmak ("Red River", the Halys of antiquity), one of the longest rivers in Anatolia and its fertile delta. To the east, lie the Yeşilirmak ("Green River", the Iris of antiquity) and its delta.

Samsun in Numbers	
<i>Area</i>	9.364 km <sup>2</sup>
<i>Population</i>	1.252.693
<i>Employment</i>	27544
<i>Development Performance</i>	32 <sup>th</sup>
<i>Value of Samsun's Exports</i>	275.065.000 USD in 2010
<i>Registered Trademarks</i>	1797 (1995-2010)
<i>Registered Patents</i>	3 (1995-2010)
<i>Number of Companies</i>	9106
<i>Number of Manufacturers</i>	632

The international Airport of Samsun Carsamba is providing air freight operations by its 5.000 m<sup>2</sup> closed and 5.000 m<sup>2</sup> open cold storage depots together with six 1800m<sup>3</sup> capacity cold storage depots. Air passenger traffic at the airport had increased 40 % between 2008-2009 periods.

Turkish State Railways initiated the transformation of some rail freight stations to logistic villages (recently called logistic centres) in 2006. Currently, the project includes 16 logistic centres including Samsun (Gelemen). Samsun – Kavkaz train ferry line for freight and passenger transportation which is connecting the Anatolia to North Countries and Turk Republics had been completed.

In Samsun the road network constitutes 806 km, 383 km of which is state road and 423km is Provincial Road. Road construction in 3 main routes is ongoing in accordance with seasonal conditions. In Samsun there are three ports belongs to private sector; Samsun port, Toros Port and Yeşilyurt Port.

Samsun became an energy point for the region in terms of its location. Being close to energy resources and international trade linkages Samsun is the energy centre for the region. Natural gas through Blue Stream come from Russia and reaches all Turkey.

According to the address based population census of 2009, the population of Samsun was 1.250.076 people in 2009 with an annual growth rate of 1, 71% and ranked the 15<sup>th</sup> biggest province of Turkey in terms of the size of its population.

In 2010, 234.384 people were officially registered as employed in Samsun. 30.000 people were officially registered as unemployed in 2009 but this number has decreased to 25.718 in 2010<sup>1</sup>.

### **Economic Environment**

Samsun has diverse structure of its sectors where agriculture, services and trade take major role in economy for years. While services are concentrated in health sector and logistics, there has not been yet specific and enough concentrations in industry. When export data reviewed it is seen that food and metal based industry take majority of products exported from Samsun. Exported metal is belong to heavy metal industry and while food composed of fresh fruits.

Samsun has defined its city vision as *“BEING PRODUCTION, COMMERCE and SERVICE CENTRE and PLAYING IMPORTANT ROLE in TURKEY’S RELATIONS WITH the COUNTRIES at BLACK SEA BOARDER and the EU by 2023”*<sup>2</sup>

Samsun is one of the 20 cities to be branded in *health services* by the Ministry of Health. Target for Samsun has been set as provines weak in health services at national level and Turkic Republic, countries at north of Black Sea and Gulf Region Countries at international level. Activities towards building Samsun as health centre found substantial support from Samsun Governorate.

*Logistics* is a cross cutting sector and in Samsun there is need for strong cluster players including transportation and logistics services. Sector does not have high level of competitiveness currently but investment and supporting activities are promising. Since it is feeding related sectors development of logistic sector will be beneficial for other sectoral development therefore economy of Samsun.

Agricultural area of 448.923 hectare is the 48 % of total land in Samsun. Bafra and Carsamba Plains have substantial importance in regions agriculture. In terms of fruit, hazelnut and peach occupy the majority. Samsun has 1.7 % Turkey’s fruit production by 188.000 tonnes fruit. Other important products are wheat, tobacco, corn, sunflower, sugar beet, rice and

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<sup>1</sup> SGK data

<sup>2</sup> Samsun Presentation, Governarte Province Directorate, May 2011

vegetables. 21 % of soya, 9% rice, 3% corn and 2.4 % wheat of Turkey have been produced in Samsun.

In 2007 along with Izmir Samsun has been announced as *“Ecologic Agriculture Leading City”* by the Ministry of Agriculture.

In terms of industry Samsun has important steps after 1980 and industrialisation process is still underway. Food and beverages, heavy metal industry, machinery and equipment, wood and furniture are among main industries in Samsun.

The most important products taking place in Samsun’s industry are tobacco, trunk and construction rebar, copper, fertilizer, cement, spare parts, pipe, pumps, flour and animal feed, pharmaceuticals, medical equipments, furniture, candy, ready wear, knitwear, soil and stone based industry, cleaning products, machinery, plastic goods production.

According to the Top 500 Industrial Enterprises list of Istanbul Chamber of Industry which is being announced annually, 4 companies from Samsun were listed among top 500 in 2010<sup>3</sup>.

Food and beverages, heavy metal industry, wood and furniture are among most important sectors in Samsun. Research study reveals that industrial products in Samsun are most likely raw-materials or semi-manufacture goods used for industrial production. Samsun has a role of industrial supplier with the products not having much added value inside. Food and beverages sector is based on agricultural production and mainly has food processing activity including grain mill products, sugar, rusks and biscuits, processed and preserved pastry goods. Food and beverages sector does not have concentration on a specific product.

Heavy metal industry is important for Samsun in terms of its export potential and level of employment however companies do not have collaborative actions towards finding markets or joint purchase. Another reason for heavy metal industry not to be considered as potential clusters is its role of a supplier in wider value systems including sectors like engineering, heating or related industries.



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<sup>3</sup> Samsun Chamber of Commerce and Industry, 2011. Samsun Economic Report 2011.

### ***Medical Equipment***

Together with pharmaceuticals medical equipment sector is one of the major elements of health sector.

Samsun has 44 manufacturers among Turkey's 183 medical equipments manufacturing companies that correspond to the World markets as well as the Turkish market. Samsun is known as the third centre for medical equipment clusters following Germany and Pakistan.



In medical equipment sector there are 12.000 different products including orthopaedic metallic implants, sterile containers, surgery equipment, implants and 20-22 key groups can be produced in Samsun. X-Ray machines, hospital furniture, wheelchair, lightening, beds, supplies and injections are complementary and can be produced in Samsun.

Following countries are among export destination of the sector; Germany, Holland, Malaysia, Syria, Japan, China.

### ***Wood and Furniture***

According to reviewed reports and given data wood and furniture occupies an important share in Samsun's industry. In total there are around 2.000 manufacturers registered to Samsun Chamber of Commerce and Industry and Samsun Chamber of Carpenters, Furniture Makers and Upholsterers. Recently the number of closed companies has increased significantly, and new records are considered to be misleading. Research study reveals that furniture sector in Samsun has lost its ground in last 10 years due to aggressive trade movements. Although construction sector is increasing in Samsun there is not increasing furniture production. In terms of furniture sales in Samsun Kayseri and Inegol oriented companies are taking the lead. Samsun furniture manufacturers stopped producing and continued their activity with trading.

Furniture production is mainly based on sitting groups, bedroom - kitchen furniture and decoration. Export destinations of the sector are Germany, Georgia, England, Iraq, Romaine, Italy, and Iran.

Even the picture does not seem promising there are manufacturers aiming to produce high quality and interior design products to niche markets including hotel, hospital schools or shop customers.

### *Textile and Ready Wear*

In Samsun there is only one textile manufacturer and others enterprises are ready wear manufacturers. It is estimated that there are about 300 manufacturers working in ready wear sector and employs around 5000 people.

There is lack of specific knowledge regarding the sector, need for skilled labour. Marketing and branding are also among needs of the manufacturers.

### *Organised Industrial Zones*

There are 5 Organizes Industrial Zones, 14 small industrial sites and 1 free zone in Samsun. In Centre OIZ there are 79 companies actively working and employing 4.960 people. In Food OIZ land has been allocated for 25 companies and 22 companies registered for investment.

### *Free Zone*

The free zone had the privatization and employs 220 people. There are 5500 m2 close warehouses and 28 offices in free zone.

### **Foreign Trade in Samsun**

According to the Top 1000 Exporters List of TIM<sup>4</sup> (2010), 5 companies from Samsun were declared as among top exporters of Turkey.

Majority of exports from Samsun is realized by industry and iron, steel, goods produced from iron, plastics are the main items exported. Exports are done to 120 different destinations.

<b>Imports</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Turkey</b>	170 062 715	201 963 574	140 928 421	185 544 099
<b>Samsun</b>	521 955	784 032	479 458	612 205
<b>Share (%)</b>	0,31	0,39	0,33	0,34
<b>Exports</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Turkey</b>	107 271 750	132 027 196	102 142 613	113 883 224
<b>Samsun</b>	218 370	459 818	304 163	275 065
<b>Share (%)</b>	0,20	0,35	0,30	0,24

Table x: Imports/ Exports of Samsun 2007/2010 (000 USD)<sup>5</sup>

<sup>4</sup> TIM, Top 1000 Exporters, 2010. Online available at: <http://www.tim.org.tr/tr/tim-gundem-ihracat-arttikarlilik-dustu.html>

## Technology and Innovation Development in Samsun

Also in 2010, 470 (0.64% of Turkey total) trademark applications had been made to Turkish Patents Institute (TPI) while 164 (0.51) trademarks were officially recorded. The number of patent applications were 15 (0.46%) and 1 (0.16%) patent was registered.

- ❖ Compared to 2002 in 2010 trademark applications increased by 262%, it has reached from 130 to 470.
- ❖ Compared to 2002 in 2010 patent applications increased by %114, it has reached from 7 to 15.
- ❖ Compared to 2002 in 2010 utility Model applications increased by %300, it has reached from 6 to 24.
- ❖ Compared to 2002 in 2010, Industrial Design applications increased by %230, it has reached from 23 to 76.

## Universities in Samsun

There are two universities in Samsun: Ondokuz Mayıs University (OMU) and Canik Başarı University. Canik Başarı University has been established in 2009 and the academic programme of the university is projected to start in 2012-2013 Academic Year.

## Samsun Technopark

Management company has been registered and establishment of Samsun Technopark is underway.

## Business Development Support

### Regional Development Agency

OKA has been established in 2009, following a Council of Ministers decision of November 2008, with the aim of revealing the true potential and dynamics at the regional-local levels, ensuring their best planning and decreasing regional and local disparities. OKA's area of activities covers TR83 provinces Samsun, Çorum, Amasya and Tokat. The total number of funding applications from 4 provinces was 535 while 79 projects in total were awarded. 26 projects from Çorum were qualified and Çorum ranked the first in terms of the number of qualified projects within the programme.

Applications by provinces

Provinces	Number of Projects
Amasya	83
Çorum	134
<b>Samsun</b>	<b>221</b>
Tokat	97
<b>Total</b>	<b>535</b>

<sup>5</sup> TURKSTAT, Foreign Trade Statistics.

## ***KOSGEB***

Since 2005 Samsun KOSGEB provided supports to 557 companies in various business development areas.

Samsun İŞGEM was established in 2006 by the leadership of Samsun Metropolitan Municipality. As of April 2011, 37 companies have been created, and 25 of them (23 manufacturers and 2 services sector) are currently active in İŞGEM. The employment created since the establishment of İŞGEM is 900 people.

## **Existing Cluster Development Work**

### ***Public Support for Cluster Development***

Regional Development Agencies has vital role in regional development therefore in cluster development efforts of provinces.

Research studies showed that OKA pays substantial attention to cluster development in TR83 region and provides support and contributes in relative areas of supports. In Samsun Competitive Analysis Study has been undertaken with supports of OKA in collaboration with Samsun Governorship.

In 2010 through Direct Support Funds of OKA, Samsun Governorship of Samsun Development Office has prepared Competitive Analysis Study for Samsun. The study indicated that i) fishery and fish processing ii) medical equipment, iii) health services carries competitive advantages for clustering due to companies willingness to collaborate, ability to compete and enough agglomeration of companies.

### ***Development Office, Clustering and Innovation Centre studies of Cluster Development***

There are cluster initiatives in Samsun and cluster activities undertaken by Governorship Development Office, Clustering and Innovation Centre.

Development Office initiated cluster development activities in sectors which were identified in Samsun. In order to initiate and work on cluster development Clustering and Innovation Centre has been established in Development Agency and a team has been dedicated to cluster development work and one director for each cluster. Seven sectors were defined to undertake cluster work:

1. Logistics
2. Health (Health City: Samsun)
3. Agriculture - Food (Organic Food)
4. Tourism
5. Furniture
6. Textile
7. Environment and Energy

### ***Private Initiative MEDIKUM***

Manufacturers come together and founded MEDIKUM as cluster association in order to bring solution to their production premises, find new markets, and develop new products and make Samsun brand in medical sector. The Association has 51 members. Members of the cluster association stated that they are willing to produce different products and cooperate with complementary sector players this is why they have called cluster as Medical Cluster MEDIKUM rather than calling medical equipment cluster. MEDIKUM aims improvement in production technologies, aims to produce more and export more, establish a collaborative working environment.

### **Emerging Sectors and Potential Clusters in Samsun**

The research study indicated 3 strong emerging and promising sectors in Samsun:

- ❖ Medical Supplies
- ❖ Wood and Furniture
- ❖ Organic Food

### **Medical Supplies Cluster**

Currently manufacturers in Samsun produce equipments and tools for the use of surgery and dental applications. There are 44 manufacturers but most of them are small and labour force intense. Production is mainly based on metal processing and metal bending. Samsun can produce almost every kind of medical equipment where product range of the sector is about 12.000.

Currently there is potential for cluster development activities but medical equipment sector has to improve collaboration with the university, increase R&D and technology development in the companies, has to collaborate with other regions in Turkey and needs to produce more added value products to compete for instance with their international competitor Pakistan.

*Areas SME Networking Project can provide Added Value to Medical Supplies Cluster*

- ❖ Field study reveals that there is need for inter-regional collaboration to create sectoral competitiveness in Turkey. In medical equipment sector, production and trade centres should work in close cooperation to create strategic agenda. SME networking project can initiate such collaboration environment among Samsun and relevant regions.
- ❖ There is experience and production in current sector but manufacturers want to shift different areas where they can make more profit through added value products. The most important question was “What else can MEDIKUM produce for world health medical sector?” SME Networking project can find the answer with manufacturing companies through a value chain analysis study and working with a wider group of companies than the current stage.
- ❖ It has been underlined that a good producer may not be a good salesman; there is urgent need for information on new markets and needs. SME Networking Project can help manufacturers to access right information on targeted markets and provide trainings to SMEs on sales and marketing.
- ❖ Instead of selling individual items manufacturers willing to sell product and service packages but not know how and where to start with. SME Networking Project can provide technical assistance to prepare a business plan/strategy.
- ❖ Companies need to improve their technology and R&D skills. SME networking project can bring in need analysis and funding options.
- ❖ Medical Cluster plans to establish an entity for joint marketing activities but not exactly have a road map of the cluster itself. SME Networking Project can provide support of preparing cluster action plan and tool kit for further steps.
- ❖ There is need for training and consultancy on various areas. SME Networking Project can help members to prepare project proposal to receive funds and have sustainable development.
- ❖ Companies need more marketing and promotion, most of them does not have company visibility materials as well as company web sites.
- ❖ Hospitals in Turkey have to buy more from national producers therefore quality standards and traceability system should be established and auditing system should be integrated into whole value chain. SME Networking project can review international best practices and can integrate a pilot module in Knowledge Management System of the Project.

## Wood and Furniture Cluster

As stated in the report there are approximately 2000 manufacturers in wood and furniture sector. Majority of these manufacturers are quite small and do not follow trends and mainly produce relatively traditional furniture. Samsun was one of the most important destinations for furniture but started to lose its grounds through aggressive trade in Samsun. However there are manufacturers with design capabilities willing to reach international markets and produce high quality furniture with special interior design. Manufacturers aim to produce for hotels, hospitals, schools and customer oriented products.

### *Areas SME Networking Project can provide Added Value to Wood and Furniture Cluster*

- ❖ Furniture companies are small and need to improve their capabilities of design and export. SME networking cluster can provide support companies understand international markets and see where they have to complete their value chain.
- ❖ There are few companies providing design to their customers and collaborating with a complementary industry. There is need to redefine the value chain and collaborate with different sectors. SME Networking Project can help furniture companies to collaborate with interrelated sectors and network in other regions and in international markets.
- ❖ There is need to understand international markets. SME Networking Project can provide companies with project preparation support to define sector needs and achieve funds to increase capabilities of understanding new markets.

## Organic Food Cluster

Being the first in Turkey, in collaboration and by the representative of related parties university, public institutions, local decision makers, private sector, NGOs has established “Ecologic Life Planning and Coordination Committee”

Number of farmers producing organic food has increased from 51 to 1,000 in four years. There are 35 organic products produced in Samsun. Rice, hazelnut, egg, wheat and vegetables are among products of Samsun organic agriculture.



### *Areas SME Networking Project can provide Added Value to Organic Food Cluster*

- ❖ Organic food has high input costs and a niche product where it has to find special group of buyers, Samsun currently does not have capabilities to access potential markets. SME Networking Project can meet both sides,
- ❖ Even Samsun has great geographical advantage number of products can be enriched by networking with other regions of Turkey; SME Networking Project can play the bridging role for related regions such as Mersin and Izmir. Speciality food corridor can be built in Blacksea and reach Middle East through Mersin.
- ❖ There is need for branding and special packaging in line with a marketing strategy. SME Networking project can provide technical assistance or training in related topics.
- ❖ There are only two collectors and sales channel for organic products in Samsun and it is not sufficient. There is need to have better marketing skills especially for export markets. There can be networking activities and special project on exporting.

### *Rationale*

It is important to keep in mind that it is not selecting the best cluster but focusing on the one which is more ready for starting cluster development work in SME Networking Project.

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

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

According to above criteria Medical Supplies and Organic Agriculture are primary clusters for Samsun followed by Wood and Furniture.

## Target Cluster Decision Matrix

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

## Conclusion

The Analysis shows three key industries where cluster development can create value and foster manufacturers to expand their trade, export and gain dynamism to integrate their business to international value chains with a new vision and way of doing business.

As it has been stated in previous chapter there are 3 industries where Project can focus in the given lifespan. Project can support all potential clusters however Medical Supplies Cluster with a broader understanding of value chain, including wider group of players and taking their place on stage project can create added value to industry therefore the products and services.

In two years Project can create the most and biggest impact on Medical Supplies cluster through;

- ❖ Establishing regional and inter-regional networks with relevant sectors and regions,
- ❖ SME Networking project can work with SMEs through a value chain analysis, benchmark with international buyers and define set of products and services for the industry,
- ❖ SME Networking Project can help manufacturers to access right information on targeted markets and provide trainings to SMEs on sales and marketing.
- ❖ SME Networking Project can provide technical assistance to prepare a cluster business plan/strategy.
- ❖ SME Networking Project can provide support of preparing cluster action plan and tool kit for further steps.
- ❖ SME Networking Project can help members to prepare project proposal to receive funds and have sustainable development.
- ❖ SME Networking project can review international best practices and can integrate a pilot module in Knowledge Management System of the Project.

Research study shows that Medical Supplies and Organic Agriculture are primary clusters for Samsun followed by Wood and Furniture.

Local Advisory Committee Meeting was held on 19 September 2011 in order to invite views on the findings of the Economic review study. Most of the participants stated that findings are reflecting the current situation in Samsun. Majority of participants agreed on three of the clusters. To start with medical supplies cluster received more support among participants. It must be considered that working on Speciality Food Cluster and Furniture also found crucial for Samsun's regional economic development.