

**Review Article**

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The Impact of The Turquality Program as A State Incentive on Companies: The Case of The Healthcare Sector

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This study analyses the impact of the state-supported brand support program Turquality® on the financial performance, image, and recognition of companies in the healthcare sector in Türkiye, using a qualitative interview method. The study concludes that the Turquality® program positively impacts businesses' competitiveness in international markets and improves their branding and awareness. However, considering the lengthy process and the number of companies and sectors benefiting from the program, it is deemed beneficial to make some updates to the program.

Abstract

In this study, the effect of the state-sponsored brand support Turquality program in Turkey on the financial performance, image and recognition of companies in the health sector example was analysed by using the qualitative interview method. As a result of the study, it was determined that the Turquality® program increased the competitiveness of the enterprises in international markets and positively affected their branding and awareness. However, considering the prolongation of the processes and the number of companies and sectors benefiting from the program, it was considered that it would be beneficial to make some updates in the program.

Keywords: Government incentives; brand management; Turquality; health sector**JEL Classification:** I12; P33; P45; Q17**Introduction**

This study examines Turquality, the most important brand support program among state support initiatives, and discusses its impact on businesses in the global competitive environment and its effect on employment at the national level. This study consists of three parts. The first part deals with the topic of globalization. After defining the concept, its advantages and disadvantages are discussed, leading to a transition to global competition. Global competition is defined, and its benefits are highlighted. While discussing the benefits, the opposing views put forward are also

included. Finally, the section concludes with a presentation of figures for countries around the world within the framework of the global competitiveness index. The second section provides an introduction to international trade, explaining the state of international trade both globally and in Türkiye with figures. It then discusses government incentives, providing detailed information about their aims and scope. The section concludes with an explanation of the origins, purpose, scope, and application requirements of Turquality. The third section delves deeply into the Turquality program, providing

information about the thesis' objective and research methodology. During the qualitative interviews, participants were presented with a list of questions. After informing them that their responses would be recorded, the interviews were conducted. While some participants declined to answer all questions, which covered a comprehensive range of topics from the companies' historical development to the Turquality process, answers were sufficient to reach a general conclusion. These responses were analysed in depth, and the impact of Turquality on employment, branding, and the dissemination of Turkish culture was shared based on the feedback received.

Financing Exports

80-90% of countries use various trade loans or other financing options such as insurance and guarantees from time to time to finance the risks and costs they encounter in international trade [1]. Export financing types are grouped according to whether the maturity is long or short. Short-term export financing is used when marketing consumer goods after their production. Short-term export financing does not exceed one year. It is possible to obtain credit up to 90% of the export value (based on FOB price). To grant this credit, the bank generally requires the shipping document, the letter of credit issued in Favor of the exporter, and, if applicable, the export insurance policy. and the remaining documents expect the loan to be accepted and declared as a guarantee that it will be repaid unconditionally [2]. In medium and long-term export financing, the maximum term is 5 years. The products covered by this financing source are generally durable consumer goods, machinery, and equipment. However, in long-term loans, the term can vary between 5 and 10 years. The subject of loans within this scope is usually activities such as the establishment of production facilities, often referred to as turnkey projects. Medium and long-term export credits are processed separately for secured and unsecured transactions, as well as for transactions conducted in domestic and foreign currencies [3]. Incentives provided for exports:

Inward Processing Regime

This system allows exporters to import products that they cannot source within their own country, or that they cannot obtain at world prices or in the desired quality, under customs exemption, thereby reducing import costs. The inward processing regime offers many advantages:

- Reducing input costs
- Increasing exports
- To enhance the competitiveness of exported goods in international markets.
- Expanding the range of products for export
- Developing export markets [4].

Outward Processing Regime

The outward processing regime applies to goods in free circulation. It is an incentive that results in the refund of import duties paid upon export and causes imports under protection to be

exempt from tax [5].

Export Credit Insurance

Based on a contract signed between the exporter and Eximbank, Export Credit Insurance refers to the insurance coverage, within specified limits and under certain rules, for expenses incurred by the insured to fulfil the terms of the contract for goods that have not yet been produced, are in production (but have not yet been shipped), or will be produced, against commercial or political risks. This support program has no minimum or maximum limits for application, but the repayment period is generally expected to not exceed 180 days. The aim of Export Credit Insurance is to protect the exporter against the risk of the buyer cancelling an order that is in the production phase. (www.eximbank.gov.tr)

VAT Exemption

According to Articles 11 and 12 of the Value Added Tax Law No. 3065, export transactions are exempt from Value Added Tax. With this support, the exporter sells their goods abroad without paying VAT. They pay VAT when purchasing the goods, but since they sell the goods without paying VAT, they are not liable for that VAT. Thus, there is a reduction in costs due to not paying VAT. This, in turn, gives the exporter a competitive advantage in international markets. [2]

Brand Support and Turquality

Turquality defines itself on its official website as "Türkiye's first and only state-supported branding program, created to enable companies with product groups that have a competitive advantage and branding potential in Turkey to become global players in international markets with their own brands by providing them with managerial expertise, institutionalization and development covering all processes from production to marketing, sales and after-sales services, and to create and establish a positive image of Turkish products through these brands." The primary requirement for companies wishing to apply to the Turquality program is that their brands are registered in Türkiye and that they hold registration in at least one of their target markets.

Companies wishing to benefit from the Turquality program must follow a roadmap. Before applying, they must fulfil certain prerequisites. The applicant brand must be registered in Türkiye and must also be registered in at least one of the target markets specified in the Business Plan to be submitted abroad. The Preliminary Company Review is a two-day study conducted at the applicant company, jointly by consulting firms, the Ministry of Trade, and the TURQUALITY® Secretariat. During this study, the company is examined in several areas, as listed in Table 21. Based on the findings of these examinations, feedback is provided regarding the company's suitability for inclusion in the program. Inclusion may be in either the Turquality program or the Trademark Program.

Following the preliminary assessment, companies deemed suitable are notified whether they have been accepted into the Brand Program or the TURQUALITY® Program. As of December 15, 2020, 366 companies are participating in the TURQUALITY® Program. (www.turquality.com) (Figure 1)

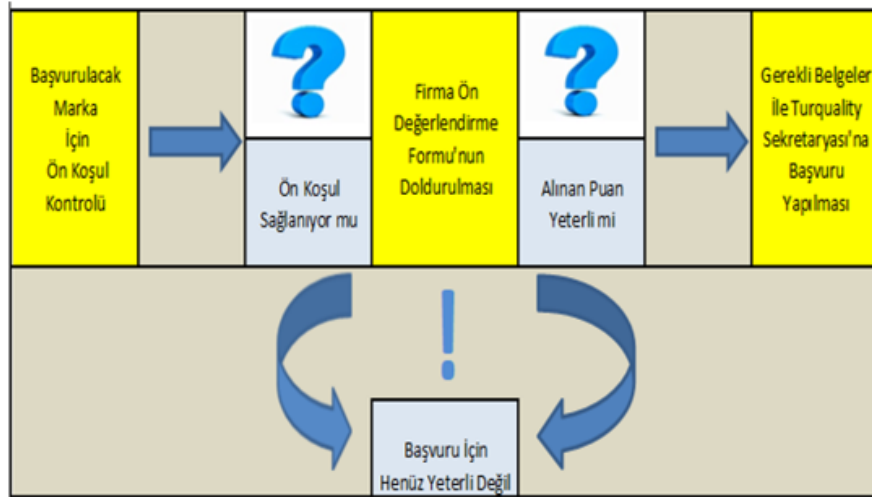


Figure 1: The operation process of the Turquality program.

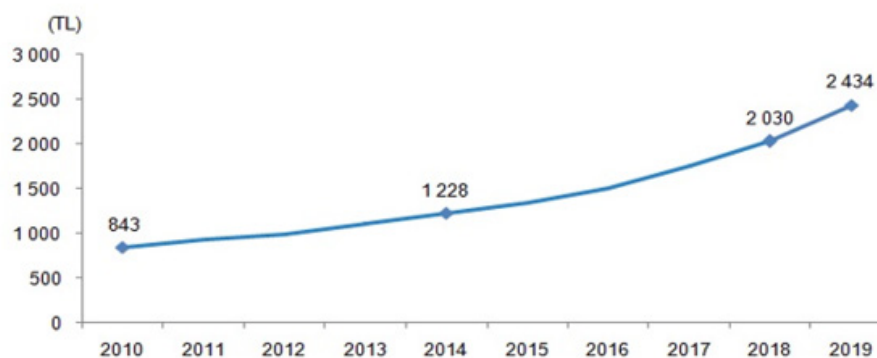
The target audience for Turquality® is as follows:

- Companies engaged in industrial and/or manufacturing activities in Türkiye,
- Foreign Trade Capital Companies,
- Sectoral Foreign Trade Companies,
- Exporter Associations,
- Producer Associations,
- Producer Associations,
- Turkish Fashion Designers
- Turquality® businesses (Bağrıaçık, 2007)

The Turquality® program has been planned and developed with the requirements of global competition in mind, bringing together many components of branding. Turquality® has become a dynamic system that many companies wish to benefit from today, and those that have benefited from it have made significant progress on their branding journey. It possesses the flexibility to adapt to new conditions in line with needs. (TURQUALITY® Manager Development Program Brochure, p. 2)

Healthcare and Pharmaceutical Sectors in Türkiye

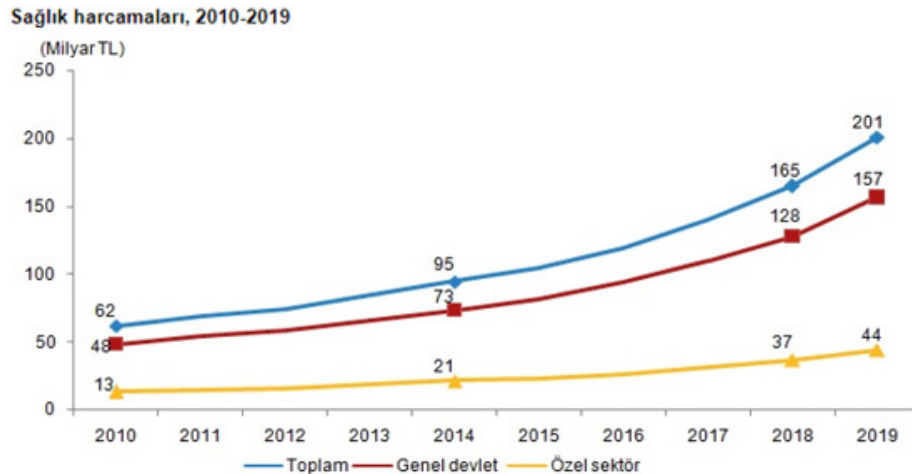
Per capita health expenditures in Turkey are increasing year by year. Per capita health expenditures, which were 843 TL in 2010, rose to 2,434 TL in 2019. (Graph 1)



Graph 1: Per capita health expenditure (2010-2019).

Total healthcare spending in 2019 amounted to 201 billion 31 million TL. General government healthcare spending increased by 22.5% compared to 2018, reaching 156 billion 819 million TL. Private sector healthcare spending, on the other hand, increased

by 18.8% compared to the previous year, reaching 44 billion 212 million TL. As can be seen, in Turkey, the government precedes the private sector in healthcare spending (Figure 2).



Source: Turkish Statistical Institute (TURKSTAT), 2020
Figure 2: Total health expenditures (2010-2019).

Turkey's pharmaceutical sector possesses global competitiveness due to both its geographical location and its favourable pricing policies. This very characteristic makes it strategically important for those developing policies in this area. The pharmaceutical sector, notable for its production, employment, and foreign trade capacity, consistently features in incentive programs. However, despite all this, the insufficient allocation of resources to necessary R&D remains a fundamental problem. The sectoral foreign trade deficit also continues to be a significant issue. (KPMG, 2020) Pharmaceutical export figures in Türkiye are increasing

every year. Pharmaceutical exports, which were 15.6 million kg in 2010, reached 47.6 million kg in 2018 (IEIS, 2019). In 2019, the pharmaceutical sector in Turkey exported \$1.3 billion worth of pharmaceuticals, representing 0.8% of Turkey's total export figures. In the same year, South Korea ranked first among the countries to which Turkey exported pharmaceuticals. Following South Korea were Iraq, Switzerland, Cyprus, and Slovenia. Furthermore, North Africa, the Middle East, the Caucasus, and Central Asia represent potential export markets (Figure 3).

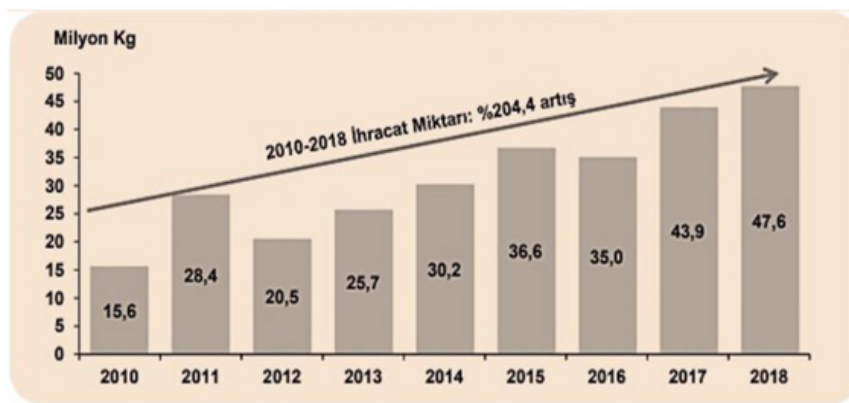


Figure 3: Turkey's exports of religious products (2010-2019).

Currently, there are 18 companies operating in the healthcare sector that benefit from Turquality support.

Abdi İbrahim Pharmaceutical Industry and Trade Inc.

Acıbadem Health Services and Trade Inc. / Acıbadem

Alvimedica Health Investments Inc. / Alvimedica

Bahçeci Health Services Inc. / Bahçeci

Bilim Pharmaceuticals Industry and Trade Inc. / Bilim

Biota Plant Medicine and Cosmetics Laboratories Inc. / Biota59Elements

Emsey Health Services and Operations Tourism Hotel Trade Inc. / Emsey Hospital

Gen Pharmaceuticals and Health Products Industry and Trade Inc.

Hospitadent Private Healthcare Services Industry and Trade Inc.

Med-Art Health Services and Jewelry Industry and Trade Ltd. Co.

Medipolitan Health and Education Services Inc.

MLP Healthcare Services Inc. / Medical Park

MLP Healthcare Services Inc. / Liv Hospital

Neutec Pharmaceutical Industry and Trade Inc. / Neutec

Nobel Pharmaceutical Industry and Trade Inc. / Nobel

Sisoft Health Information Systems Limited Company

Pakten Health Products Industry and Trade Inc. / Precaution

Dir. (www.turquality.com)

The Impact of the Turquality Program on Companies: The Healthcare Sector Example

Because the Turquality program involves information that can be considered confidential, such as companies' financial records, senior executives of the companies are generally responsible for these matters. Due to the number of companies in the researched sector and the fact that this topic falls within the responsibilities of senior executives, a qualitative method was preferred in this study. Contact was made with the officials responsible for the Turquality program in the companies via telephone and email. Those who responded positively during the telephone interview were sent pre-prepared questionnaires via email for their response. The questions listed below were prepared considering the entire scope of the research and addressing questions relevant to the entire process.

- What does the concept of "brand management" mean to you? In your opinion, how should an effective brand management process proceed? [6]
- What work has been done on your brand so far? Can you provide information about the strategies that have been implemented? [6]
- What factors does your brand consider when identifying a new market? [6]
- What effects has Turquality had on employees? Can you explain? [7]
- What do you think are the factors that contribute to a brand's long-lasting impact on people's minds? What strategies did you implement for your brand? [6]

- What incentives have you applied for so far? [6]
- How did your Turquality application process unfold? Did you encounter any problems? If so, what were they? [6]
- How do you evaluate Turquality's contribution to market share and entry into new markets? What advantages has Turquality provided you in this regard? (Özbaysal and Önay, 2017)
- Has Turquality contributed to reflecting Turkish culture in the countries where you operate? [7]
- How has Turquality contributed to your business in terms of brand awareness and image? [7]

Conclusion

The study involved 10 questions posed to participating companies. To summarize the responses, the first question was, "What does the concept of brand management mean to you? How do you think an effective brand management process should proceed?" [6]. The responses generally focused on brand perception. They emphasized the importance of continuous monitoring for brand development and highlighted the significance of promotion and growth. Companies also touched upon brand management and strategy, emphasizing the need to adopt sustainable strategies and management that align with the brand's identity and recognition. One company stated that all its units actually serve the brand, indicating that brand management essentially means managing all units of the company collectively, not just a specific department. Another company suggested that an effective brand management process begins with the design of the product's brand, continues with memorable advertising and promotional campaigns during marketing activities, and presents the product virally and visually to the end-user or customer. Furthermore, it was stated that by continuing these activities with reminders and consistency, the brand matures and its memorability is increased.

The second question was, "What work has been done on your brand so far? Can you provide information about the strategies implemented?" [6]. Many strategic methods stood out in the responses. All participants received Turquality support, and it was observed that they engaged in activities such as distributorship, focusing on social media, participating in trade fairs, conducting various surveys, and taking part in social responsibility projects. One participating company stated that they received external consultancy, conducted various surveys to measure their brand awareness, and developed their strategies based on the results of these surveys. Another company stated that they identified target regions based on countries and made progress by establishing their own companies in these countries. The third question was, "What factors does your brand consider when identifying a new market?" [6]. One participating firm responded with a PESTEL analysis, while another stated that factors such as turnover and profitability were prominent. Another firm indicated that the needs of the region guided them, while another participant stated that they have a methodology consisting of 25-30 different parameters (social, cultural, demographic, psychological, etc.) and that they make their

decisions within the framework of these parameters. Competitors and costs such as transportation were also mentioned as factors taken into consideration.

When it came to the fourth question, "What effects has Turquality had on employees? Can you explain?" [7], all participants responded positively, stating that the Turquality Program increased employee motivation and positively impacted their image as part of a global company. One participating company stated that their employees showed great interest in Turquality Program trainings and that they focused on benefiting from Turquality at fairs and other events both domestically and internationally. Another participating company stated that the Turquality Program also yielded positive results in terms of acquiring qualified employees. In the fifth question, "What do you think are the factors that are effective in making a brand memorable for a long time? What strategies did you implement for your brand?" [6] Although almost all participants gave superficial answers by mentioning activities focused on trust, memorability, recommendation, and customer satisfaction, another participating company listed the following points:

- Brand Awareness Studies
- Promotional Products
- Sponsorships
- Posters and Advertisements
- Promotional Videos
- Social Responsibility Projects

They stated that they conduct brand promotion activities within this scope, regularly carry out surveys, and guide their brand promotion efforts based on the results of these surveys. In the sixth question, "What incentives have you applied for so far?" [6], all participants mentioned the incentives they applied for under the Turquality program, with a particular focus on trade fair incentives. Participation in R&D incentives was also high, with other prominent incentives including personnel employment, artificial intelligence, and software development. Prior to Turquality, applications were also made to İTKİB (Istanbul Textile and Apparel Exporters Association) support programs, which was another indicator seen in the responses.

In the seventh question, "How did your Turquality application process unfold? Did you encounter any problems? If so, what were they?" [6], only one of the participating companies declined to answer, stating that they were still in the SIP (Special Purpose Planning) phase. While another participating company stated that they had not encountered any problems, all the remaining companies gave responses indicating that they had faced various difficulties. One participating company stated that being the first company in their sector to apply to the Turquality Program created difficulties in some procedures and complained about the long wait in the approval process.

In the eighth question, "How do you evaluate Turquality's contribution to increasing market share and facilitating entry into new markets? What advantages has Turquality provided you in this

regard?" (Özbaysal, Önay, 2017) One of the participating companies found the support insufficient, while another company could not answer, stating that they were still in the SIP (Strategic Investment Plan) phase. The remaining companies responded positively, stating that the Turquality Program had a positive contribution to entering new markets and increasing market share. One company, stating that they received support in areas such as initial market entry, gaining a competitive advantage, and promotion, expressed its satisfaction by saying, "In addition to the competitive advantage and financial strength for our company, we felt the support behind us in market entry and increasing market share. We saw that we made progress abroad with expenditures made in accordance with the regulations and achieved successful results. It provided advantages in terms of determining strong marketing strategies that will lead us to our vision by conducting proper market research and analyzing the market well..." In contrast, a company that found the Turquality Program's contribution to market share and entry into new markets insufficient stated, "We find its contribution inadequate. Because an investor/entrepreneur enters a new market by taking on many financial and non-financial risks, both anticipated and unforeseen. The important thing here is that almost all your expenses are supported, to a greater or lesser extent. In other words, feeling that the program is always there for you provides moral support and motivation. For example, while support was provided for our office rent, we were not supported for the delivery vehicle we rented," expressing their dissatisfaction.

In the ninth question, "Has Turquality contributed to reflecting Turkish culture in the countries where you operate?" [7], one company stated that they had only recently joined the program and could not give a positive or negative answer. Another company could not respond as it was in the SIP (Strategic Investment Plan) phase, while another participating company stated that it was not possible to concretely measure this contribution. The company that indicated a positive contribution to reflecting Turkish culture stated, "Turquality, indirectly if not directly, increases the awareness of Turkish culture. Due to the nature of our treatment, many patients have to stay in Istanbul for extended periods; they seek our opinions on food, places to visit, and different experiences." When it came to the final question, "How has Turquality contributed to your company's brand awareness and image?" [7], one participating company declined to answer as they were still in the SIP (Strategic Investment Plan) phase. Another participating company stated that they had recently joined the program and therefore it was too early to answer this question. All other participating companies responded positively, stating that they had experienced positive developments in their brand awareness and image, and that the feedback was satisfactory.

Based on all the information received from participating companies, it is easy to conclude that the Turquality Program is highly beneficial for companies operating internationally. While the financial support received may not be quantifiable, it is clear that it leads to positive returns in terms of image, recognition, and trust. The roadmaps created ensure the sustainability of companies and their ability to maintain their position in these markets, naturally resulting in the formation of a specialized workforce.

Since the Turquality Program also includes a series of training processes, the personnel of participating companies show great interest in these trainings and participate both to contribute to the company's interests and to continue their personal development. One of the most important contributions of the program is that, due to its comprehensive nature, participating companies do not need to undertake extensive research into incentives and can find the incentives they are interested in within the scope of this program. which participating companies also stated contributes to the promotion of the country, encourages interest in Turkey in the international markets it enters, and leads to research and the acquisition of information about our country.

In light of all this information, some suggestions can be made. Some participating companies complained that the process was sometimes lengthy. Therefore, by simplifying and making the procedures clearer, the evaluation periods could be shortened. This would speed up the approval process and allow companies to access the support more quickly. Another suggestion is to update these incentives on a sectoral basis. As one company participating in the research pointed out, encountering question headings that did not match their field of activity in the question sets presented to them further prolonged the process. Therefore, sectoral updates could both eliminate this problem and make it easier for other companies to apply. One final suggestion is that many participants mentioned the difficulty of measuring intangible factors like image, recognition, and trust, which have an impact on tangible concepts like profitability and financial strength. Within the scope of the Turquality Program, comprehensive research could be conducted covering aspects such as sector, business volume, and the number of countries where the program operates. The results

of this research could then be shared with both participants and interested companies, basing the program's benefits on scientific and concrete data. This research could identify countries where the program is strong, countries with promising opportunities, the promotion of Turkey in these countries, shortcomings, and areas for improvement. Based on this information, the program could be updated and new incentives could be incorporated [8-10].

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