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Yilmaz, Yusuf and Altinas, Volkan

Akdeniz University, Akdeniz University

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GERMANY-CENTERED MERGERS AND CARTELS IN EUROPEAN TRAVEL INDUSTRY, THEIR INFLUENCE ON TURKEY AND ANTALYA

Yusuf YILMAZ
Akdeniz University School of Tourism & Hotel Management

Volkan ALTINTAŞ
Akdeniz University School of Tourism & Hotel Management / Bonn University Center for European Integration Studies (ZEI)

Mergers in travel industry which are extremely important in Europe and especially Germany, gained speed and these mergers give rise to cartelization. Mergers in travel industry are seen mostly in German and English establishments. These merger companies have both began to dominate the travel industry and have also become great powers with their giant revenues. The fact that these developments in travel industry are Germany-centered makes the subject more important since Germany is one of Turkey's greatest tourist coming countries. That these cartelized structures have partners in Antalya region is vital both for Antalya and Turkey. This paper is a preliminary work aiming to highlight the importance of the subject. The fact that the subject's being relatively new and lack of academic work on the subject, as well as rapid changes in mergers makes it difficult to pursue a detailed study on the subject.

Key words: *Cartels, Regional Integration, Mergers, Antalya*

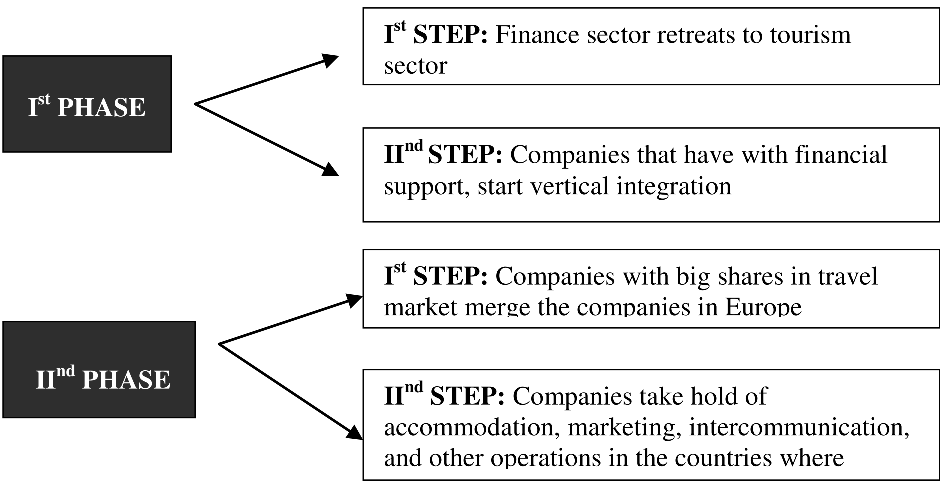
INTRODUCTION

The holidays organized by tour operators has improved a lot since the beginning of package holidays in Germany. Between 1970 and 1996 the percentage of indivually -organized holidays decreased to 58 % from 83 %, and within this 26-year period percentage of package holidays increased to 42 % (Lettl-Schröder, 1998: 41). Along with these developments, a cut-throat competition began especially in German tour operators market and various constitutional changes were made so as to compete strongly. As a result, various company mergers took place and large cartel groups emerged. Federal Cartel Office (FCO) is keeping a close watch on these cartels in order to prevent them from establishing a monopolist market and to check if they abide by the competition rules.

COMPANY MERGERS AND CARTELIZATION IN EUROPE

At the beginning of 90's, those who are the most important ones with the best locations for sales, among 18 000 independent sales points, either came together and formed partnerships, or purchased by other companies, turned into chain companies and passed to central managements. After retailer travel agencies turned into chain companies, the tour operators in German market came together and formed two blocks called Red and Yellow Cartels (Öger,1998: 209).

Figure1. Cartelization Process in Travel Market



The restructuring in European travel market, which turned into a cartel today, is actually the result of a process started in 1995 (Köfteoğlu (a), 2000). Companies that have a voice in the market began this period with a specified plan and a strategic goal. This plan, the main strategy of which is to control the market, consists of a few phases in itself. The first phase as it is seen in Figure 1, is retreating of finance sector to tourism sector. Within the first step of the phase, five biggest banks of Germany started to control the whole sector in a short time, and leading companies of English travel market were seized by stock market companies. Thereby first step of the plan was fulfilled. Second step of the first phase is merging of companies that have finance support by means of vertical integration in travel market. This step, too, was completed in a short time and fulfilled to a great extent in 1998.

Then as the first step of the second phase, leading companies in travel market began to merge the companies in other European countries and this process has been largely completed. There is also a second step in the second phase. The most important feature of this step is seizing the accommodation, marketing, intercommunication, and other operations in the countries where customers are sent.

First Phase: Financial Support – Vertical Mergers

European Travel Market, which is the centre of the world's tourism movements, used to be shared among German and English tour operators. In those days, German tour operators didn't enter the markets that were controlled by English tour operators and vice versa. However, together with the fierce competition within the market, company mergers in Germany and England have gained speed and this resulted in companies' entering into each other's markets. German Red Group member TUI has purchased Thomas Cook and First Choice companies in England. Airtours, one of the largest tour operators of England answered this pounce by purchasing FTI, which is one of the most important tour operators of German tourism market (www.turizmgazetesi.com, 21.02.2000). Then, in 2000 Preussag, which has TUI within its corporate body, purchased Thomson, one of the biggest companies of English market (www.turizmgazetesi.com, 14.08.2000). However, according to the rules of competition TUI disposed Thomas Cook, another English company. C&N, a member of the Yellow Group and the strongest competitor of TUI in German market, purchased Thomas Cook and restrengthen its place within the market (www.turizmgazetesi.com, 07.12.2000).

A third block appeared in 2000. This block is Rewe, one of the greatest names of German retail trade. Rewe purchased ITS and DER in a short time and have a voice within the market. Finally Rewe purchased LTU and reached the level of Yellow and Red Groups (www.turizmgazetesi.com (b), 23.08.2000). Thus, in 5 years great changes took place in German and European travel market. On one hand

Germans won the competition and on the other hand a third big block like Rewe appeared. During this period, Swiss Kuoni, one of the important companies of European market, wanted to buy First Choice. Yet it failed in this attempt. Later TUI purchased First Choice and Germans won the competition. English tour operator Airtours, having big investments in German market, began its adventure in German market with FTI. However, FTI couldn't improve its economical situation. Conversely, the situation gradually deteriorated and also began to affect Airtours. After these developments, rumors about Airtour's oncoming sale started to circulate. Airtours, couldn't fulfill its expectations from FTI and Rewe captured the companies it wanted to purchase. Thus, it started to draw back from German market.

In Table 1, the development of market shares of the German tour operators are given between 1997-2005, a period during which a number of company mergers took place. A general look over displays that TUI's place as the first company and C&N's second place never changes. Nevertheless, the attack of Rewe in 2000 signals that this ranking may change at any moment.

Table 1. Development of Market Shares of the Companies in Germany (%)

	1997	1998	1999	2000	2001	2002	2003	2004	2005
TUI	27.0	26.4	27.1	28,1	28,9	29,7	28,7	28,.2	28,1
C&N (Thomas Cook)	17.1	22.3	22.6	21,7	22,9	22,7	22,3	20,0	19,6
LTU-Rewe	13.0	11.6	10.6	22,1	17,2	16,9	17,0	19,1	18,7
DER-Rewe	5.0	6.3	6.4						
ITS-Rewe	4.6	5.1	5.4						
FTI-Airtours	4.1	5.3	6.2	7,3	5,5	4,1	3,7	3,4	3,5
Alltours	4.3	4.7	4.7	4,7	5,4	6,5	7,2	7,1	7,3
Öger					3,6	4,0	4,3	4,4	4,5
Another	24.9	18.3	17.0	16,1	16,5	16,1	21,1	17,8	18,2

Source: DRV 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006 Reports

Second Phase: Capturing the Destinations

Within the first phase of the restructuring process of European Travel Industry Market, mergers and purchases in tourist sending countries have been completed to a large extent. Today it is known that in this new structure, having facilities such as airway transportation, or marketing web is not sufficient. These are only possible when the customers are accommodated with the most economical prices in the country or region they are sent.

Within the second phase of the process, big tour operators started to purchase the companies in the destinations where they sent tourists. In this second phase of European Travel Market, competition took the form of controlling the accommodation capacity of the destinations. The most distinctive feature of this phase is capturing the accommodation, marketing, transportation and other units in the countries where the customers are sent. This process began by purchasing of tour operators, airway transportation and marketing systems. Now tour operators attach special importance to control the bed capacity within the markets and areas they want to go, in order to assure the market they withhold and struggle with their competitors within this process which started with the purchase of tour operators, airway transportation and marketing systems. The new process is focused in countries such as Turkey, Greece, France and Italy, the countries which are mostly preferred by European tourists. C&N purchased Havas in French market, while TUI bought Turkish-origin Gulet working in Austria. First Choice purchased the companies of Tentur in Europe, among which Nazar in Germany is also present. While two giants of German market TUI and C&N focus on French and Turkey, it is striking that Airtours and First Choice purchased companies in Turkey and Greece. German and English tour operators are almost fighting a war in order to control the existing bed capacity in every region they sent tourist. While this struggle of enclosing bed capacity takes place between two groups of the same country in some places, it can sometimes take place between German and English tour operators. While Yellow and Red Groups in Germany and in the last days Rewe Group are competing with each other, on the other side German and English tour operators are trying to control the bed capacity within the regions starting with the establishments they currently work with saying “you won't reserve beds for the other group if you work with me”

While all these developments are going on, some of the big companies pursue the strategy of changing their names. Airtours changes its name as Mytravel (www.turizmdebusabah.com, 12.07.2002) and at the end of June 2001 C&N changed its name as Thomas Cook (www.thomascook.info, 09.10.2003).

CARTELS AND ANTALYA

As it is seen in Table 2, nearly ¾ of German in-coming tourists come to Antalya. The fact that half of the tourists coming to Antalya are from Germany increases the importance of this new structuring, since Germany directs the European travel market and most of the company mergers take place in this country.

Table 2. German Tourist Arrivals in Turkey and Antalya 1995-2005

Years	TURKEY			ANTALYA			
	Total Tourist Number (thousand)	German Tourist Number (thousand)	Percentage of German Tourists in all arrivals (%)	Total Tourist Number Arriving in Antalya (thousand)	German Tourist Number Arriving in Antalya (thousand)	Percentage of German Tourists in Total Antalya Arrivals (%)	Percentage of German Tourists Arriving in Antalya in Total German Arrivals (%)
1997	9689	2338	24.1	2862	1539	53.7	65.8
1998	9752	2233	22.8	2539	1377	54.2	61.6
1999	7483	1388	18.5	1758	824	46.8	59.3
2000	10412	2276	21.8	3230	1517	46.9	66.6
2001	11619	2884	24.8	4212	2002	47.5	69.4
2002	13256	3481	26.2	4747	2348	49.4	67.4
2003	14029	3332	23.7	4682	2073	44.2	62.2
2004	17516	3983	22.7	6047	2529	41.8	63.5
2005	21122	4243	22.1	6884	2639	38.3	62.2

Source:
www.turizmgazetesi.com/sayisal/a-ii.html, 04.07.2001,
www.turizmgazetesi.com/sayisal/a-iii.html, 02.12.2003,
www.kultur.gov.tr, 06.09.2004,
www.turizmgazetesi.com/Sinf/inSinformation.aspx?id=36, 19.01.2006.
Data collected from Culture and Tourism Directorship of Antalya Province

The market of greeter agencies in Antalya region is the reflection of tour operators in Germany to a large extent. Regions are mostly shared by big local greeter agencies that make special agreements with big tour operators. A small proportion of the market is reserved for other small agencies. These agencies are struggling to survive. All the big German tour operators have been working with strong greeter partners for years and making special agreements with them. For example Öger's partner is

Oger Tour, TUI's partners are Tantur and Vasco within Gulet, C&N's partner is Diana Travel, First Choice's Partners are Nazar and Hotel Beds, Rewe's partner is Mastour, Alltour's partner is Novum, and Mytravel's partner is Bastıyalı.

Greeter agencies in Antalya are not in fierce competition, on the contrary they collaborate with each other (www.fvw.de/memtest/maerkte/data/marktbericht.958041988.29706.html , 14.03.2001). Greeter agencies are not very different from each other in terms of the type of work they do. All of them are agencies that furnish big tour operators with full service. All the greeter agencies are pursuing rather narrow activities in Germany regarding product management and purchase together with the group they belong to. However they have informing sides regarding hotel purchases. They actively join the research activities about new flights and new products and inform Germany about Antalya.

Big tour operators are competing for handshake with the big hotels of Antalya region. Tour operators are making pre-contracts and even initial payments with the condition that the hotels shall work only with their companies. These initial payments are defined as a kind of low-interest credit. (www.turizmgazetesi.com, 07.08.2000).

The competition of tour operators for securing accommodation establishments for their companies can be seen in summer catalogues of 2001. In Turkey's 2001 summer catalogues that were on sale in Germany 230 establishments out of 422 in Mediterranean and Aegean regions were being sold by only one tour operator. That is, TUI, Neckermann and Öger are the only reseller of 230 establishments in Mediterranean and Aegean regions (www.turizmgazetesi.com, 15.02.2001). A total of 422 establishments offered to German tourists by TUI, Neckermann and Öger Tour within the catalogues are shared among three tour operators. There are 93 the establishments in Öger's catalogue, 53 in TUI's catalogue, and 40 in Neckermann's catalogue, 276 of which are in Mediterranean and 146 are in Aegean regions. As it is seen in Table 3, among the establishments in Antalya and its environs there are 78 establishments in Neckermann's 2001 Turkey catalogue, 51 establishments in TUI's , and 147 establishments in Öger's. According to the table, Öger is the only reseller of 52 establishments in Antalya and its environs, similarly TUI is the only reseller of 27 establishments, and Neckermann is the only reseller of 25 establishments in the same region.

In terms of accommodation establishments, TUI has become the manager of Magic Life Hotel's in Turkey after purchasing Austria-centered Gulet. A few years ago TUI made an attempt to build a huge holiday village in Kabataş region, but this project wasn't accepted (Ergan U., 08.02.2000). On the other hand Öger Group has operated Vista Hotels (Köfteoğlu (b), 2000).

Table 3. Distribution of Establishments within the Catalogs of three Tour Operators According to Regions

	Distribution of Establishments within the Catalog according to Regions			Distribution of Establishments according to regions where Tour Operators are the only Suppliers		
	Mediterranean	Aegean	Total	Mediterranean	Aegean	Total
NECKERMANN	78	44	122	25	15	40
TUI	51	42	93	27	26	53
ÖGER	147	60	207	52	41	93
TOTAL	276	146	422	104	82	186*

(*) There is summation mistake in the source in question. Total number is shown as 168 instead of 186. When the summation is made correctly, total number equals to 186.

Source: www.turizmgazetesi.com, "Üç Tur Operatörü 168 Tesiste Tek Satıcı" [Three Tour Operators, One Supplier in 168 establishments] 15.02.2001.

CONCLUSION AND SUGGESTIONS

Company mergers that are not on the agenda of our country are rapidly continuing in Europe. The cartelization in travel industry is Germany-centered, which is the greatest market of Antalya. Accommodation enterprises that are working with cartelized big tour operators do not have many problems in terms of finance, marketing and occupancy rate. They don't have any difficulties in pulling cash and selling their rooms. In return for this, these cartels make the accommodation establishments accept the prices they define. Accommodation enterprises should pursue coherent policies so that they protect their own benefit and that of their countries' rather than surrendering themselves to cartels. Otherwise, cartelized tour operators can force the price they like and direct as they wish.

Tourism enterprises should collaborate through the associations they have formed or they are to form and they should object to low price oppression. Low price shall change the tourist profile and also attract "poor" tourists whose expense aptitude is rather low. Thus there will be a decrease in tourism income. Besides the image of "cheap country" shall damage the country's tourism. The possibility of a national tour operator that can have a strong position against cartelized structures should be searched. Companies that have such attempts should be supported. Airline companies, travel agencies and accommodation establishments should grow with partnerships, and should be restructured so as to break the force and pressure of these cartels and protect our national interests. Accommodation establishments in Turkey should object to take place only in one tour operator's catalog. This brings the risk of fulfilling every request of the tour operator in the catalog of which question.

While big companies of the market are competing to dominate the market, another movement started to flourish against this cartelized view in German market. A group of independent travel agencies and tour operators started to form a frame. Conditions are getting more and more difficult for small and medium-scaled agencies. The biggest advantage of these kinds of agencies is their continuous customers and niche markets.

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Yusuf YILMAZ (yusufyilmaz@akdeniz.edu.tr) is a Research Assistant at Akdeniz University School of Tourism & Hotel Management, Dumlupınar Bulvarı 07058, Antalya, Turkey, Tel: +90 242 310 20 42.

Volkan ALTINTAŞ (altintas@akdeniz.edu.tr, v.altintas@uni-bonn.de) is a Research Assistant at Akdeniz University School of Tourism & Hotel Management, Dumlupınar Bulvarı 07058, Antalya, Turkey, Tel: +90 242 310 20 64, and also is a Junior Fellow at Bonn University Center for European Integration Studies ZEI, Walter-Flex-str.3, 53113 Bonn, Germany, Tel: +49 178 439 35 42.