

Analysis of All Inclusive System Applied by the Accommodation Businesses in Turkey in the Context of Target Costing

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Abstract *That the accommodation managements could sustain their existences operating in a competition in which the sale price of services they provide is ascertained show parallelism with controls of their costs. In this context, accommodation managements should provide demands and expectations of customers with low cost, short time and high quality targets by realizing at the same time and level. That's why, they have focused on target cost (TC) method which aims to present on cost level that actualizes targeted profit by protecting managements of cost before being realized, quality of service and its variety. TC confronts us as an important cost management method used in developing new product and service, and existent services and processes. TC method aims to compare the demands and expectations of customers with proportion of costs for the services the managements will provide and launch activities in this proportional balance. This study has been carried out for the five-star hotel managements and holiday villages operating in Antalya, which is the most important destination centre in Turkey of all the important tourism centers in world. This study has been put into practice in two steps. In first step, application and perception of TC have been ascertained by using survey method and face to face meeting. In the second step, by presenting how an application of TC is actualized in a accommodation management, the costs ascertained according to TC and actual costs have been compared.*

Key words All inclusive system, Target Costing, Accommodation Businesses

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1. Introduction

The managements that wish to cope with competition requirements in globalizing markets have to develop strategies providing competition advantage to strengthen their competitive positions and sustain them. One of the competition strategies is cost-focused strategy. In this study, whether the system of target costing (TC) is applied in services to be provided by the accommodation managements aiming to actualize strategy of cost leadership and how it can be applied have been tried to be suggested.

2. Target Costing

The sale price in tourism sector in today's marketing conditions is determined in market without the controls of managements and the managements that wish to sustain their existences in intensive competition environment have to accept this price (İzbudak, 2005:44). With another saying, as a traditional method saying; "Cost and profit determine sale" has lost its importance in tourism sector as in many sectors, too.

2.1. Definition of Target Costing

Target costing is one of the strategic management means that aims to decrease cost of products during product life (Brausch, 1994:45). In this method, the demands and expectations of customers are determined by analyzing and the future costs of the products are computed (Alagöz and Ceran, 2006:62).

Target costing is a cost that is based on market and computed by using necessary sale price to capture the market share determined beforehand (Karcıoglu, 2000:182).

In summary, market determined the sale price in target costing whereas management determines the profit margin and the difference between these two factors show the target cost which managements should reach (Gürdal, 2007:99).

2.2. Purposes of Target Costing

Extensively managing of costs occurring during the total life of production and service by customizing target costing and technological innovations and expectations of customers to design and production is aimed. The main purpose of target cost is to reach the target profit that takes place within the strategic plans of management. All cost saving activities and the studies of customer satisfaction are named as all the studies to reach the targeted profit (Şakrak, 1997:301).

We can line up the main items of target costing as follow: (Alagöz ve Ceran, 2006:66-67)

- To reinforce to be directed to market; in product planning in the framework of planning of activity field, directed to customers, competition and sellers,
- Forcing to amend and enhance design in reducing cost based on customers and competition by contacting with value engineering,
- Enforcing to control full time private or external development and private or external production full time in all production steps,
- Enforce capacity usage planning and simultaneously engineering connected with capacity planning,
- Enforcing to make analysis on researches and results about all process chains necessary for product preparation, product marketing and product inactivating and thus resulting monetary impacts, if necessary, about the value analysis which substitutes them.
- Firstly planning target cost aimed to market due to inclination to demands and expectations of customers.
- Absolute integrity of cost planning by internal management accountancy as directly proportional to understanding of target cost control
- Cohesive and practical application of target cost management during product development,
- Systemizing all cost reduction activities
- Organizing these activities under value engineering scope not only as going value analysis, but also as appropriate to value arrangement understanding,
- Interpenetration of product planning and investment planning widely as obscure,
- Actualizing the possibility of costing during dynamic life cycle of product, this costing includes both the phase before beginning to production and the phase after the beginning of production,
- In all ideas about planning, it includes the idea of being aimed to market as consistent, more preciously the idea of being aimed to market going on cost accountancy,
- In target cost management, all partial activities have been taken into consideration in a wide product-process chain from design and development to preparation of production phase including all subsidiary industry.

2.3. Comparison of Target Costing and Traditional Cost Positive Approach

Target cost method is a complex and multi-directional process although it seems simple in terms of idea and application. This complexity and multi-directionality results from the fact that target costing is profit planning and cost management process which gives importance to price-based, customer-focused, design-centered and collaboration (Acar, 2005:66).

Traditional cost positive approach represents a closed system approach which concerns limited variables and ignores the mutual interaction between management and its environment (Acar, 2005:67).

In Traditional Cost Management;

Expected sale Price= Expected Cost + Expected Profit

In Target Cost Management;

Target Cost=Target Sale Price-Target Profit

As seen from the equalities, while the sale price in traditional method is dependent-variable, in target costing management the dependent variable is target cost. In other words, provided that expected profit margin is added to expected costs in traditional method, the sale price is ascertained, but in target costing, target cost is reached by decreasing expected profit from target price (Yazıcı, 2008:61). As sale price is not intervened in competitive market, management tries to decrease the unit costs by intervening cost elements (Ertaş, 1998:184). The differences between traditional approach and target costing are presented in table below.

Table 1. Differences between Traditional Approach and Target Costing

Traditional Approach	Target Costing
Market factors are not piece of cost planning.	Market factors based on competition manipulate cost planning
Costs determine the price.	Sale prices determine costs.
Focal point of reducing costs is losses and infertility.	Design is the key to decrease the cost.
Customers do not manipulate reducing cost.	Custom information guides in reducing cost.
Cost accountants are responsible for reducing cost.	Groups having multifunctional functions are responsible for reducing cost.
Sellers are then contacted after product design.	Sellers are contacted before product design.
The price paid by customers is targeted to be minimized to the least.	Decreasing of customer's total having cost is targeted.
In cost planning, value chain is interested less or no.	Values chain is preliminary in cost planning.

Source: Durmuş ACAR, Küresel rekabette Maliyet Yönetimi ve Yaklaşımları: Tekstil Sektörü İle İlgili Bir Araştırma, Asil Yayın Dağıtım, Ankara, 2005, s. 67.

3. All inclusive system and its kinds

The main theme of all inclusive system; is to minimize the operations related to money and remove the boredom, stress and problem occurring by spending (<http://www.turizm gazetesi.com/articles/article.aspx?id=27617>). Today, especially by the development of mass tourism and its being popular, the attention for all inclusive system which is a kind of package tour has increased. In particular due to expenses of family with children in day time, this system, which is preferred to avoid extra payment added to accommodation fees, is also favored by travel agencies and tour operators because it provides conveniences in marketing (<http://www.alanya.com.tr/en/Turizm-Arastirma-Formu/726-Hersey-Dâhil-Sistemi.html>).

Kinds of pension applied in tourism managements are presented in table below.

Table 2. Pension Systems Applied in Accommodation Managements

(Only Bed)	Pension type including only bed in which all catering and activities are subject to extra fee.
(Bed and Breakfast)	Pension type in which accommodation and breakfast are included in price; different pricings are applied for all other catering.
(Half Board)	Pension system in which lunch or dinner is given as well as accommodation and breakfast.
(Full Board)	Pension type in which accommodation, breakfast, lunch or dinner are included. Drinks and beverages during meal are not included.
(All Inclusive)	Pension type in which besides accommodation, breakfast, lunch, dinner and local drinks during meals and in day time and cold and hot alcoholic free drinks are included in the fee paid.

Source: Nurcan Süklüm, "Türkiye'de Hizmet Sektöründeki Turizm İşletmelerinde Uygulanan "Her Şey Dahil" Sisteminin Müşteri Memnuniyeti Üzerindeki Etkisinin Ölçülmesi ve Bir Alan Araştırması" Published Post Graduate Thesis, Adnan Menderes Universities Social Sciences Institution, Aydın, 2006, s.57.

As seen from Table 2, whereas the systems except for all inclusive have a standard, it is impossible to mention such a standard about all inclusive system.

As all inclusive system is not standardized in international norms and the services it includes are not determined exactly, it shows differences in the country where it is applied and even in the managements in that country as it is so in half board and full board. That’s why, this causes the fact that all inclusive system is named differently in different managements. The names changing according to service or service hours are as follows; classical all inclusive, imperial all inclusive, ultra/high class all inclusive (Süklüm, 2006 p.60).

The product and services which all inclusive system includes can be shown at table below:

Table 3. All Inclusive Pension System and Product and Services It Includes

All Inclusive Pension System Kinds			Product and Services Provided	
Ultra/High Class All Inclusive System	Maximum All Inclusive System	Imperial All Inclusive System	Classical All Inclusive System	Accommodation,
				Food in all meals,
				Aperitif food out of meal,
				Unlimited local, hot-cold, alcoholic-alcoholic free drinks,
				Limited imported food and drink,
				Entertainment and animation activities,
				Limited land sports,
				Child Clubs,
		Frozen foods,		
		Unlimited imported, hot-cold, alcoholic-alcoholic free, drinks,		
		A la Carte restaurant as well as open buffet,		
		Limited sea sports in addition to unlimited land sports,		
		Private specialty restaurants,		
		Unlimited sea sports,		
		Sauna, Turkish Bath, activities such as Aerobic saloons,		
		Free Mini-bars in rooms,		
		Motor water sports,		
Babysitters for families with children,				
Laundry and Ironing services,				
Telephone and fax calls in rooms,				
Internet connection,				
Every kind of health service is provided within one price.				

Source: Ramazan Menekşe, “Her Şey Dahil Sisteminin ve Sistemden Faydalananlar Açısından Etilerinin Otel Yöneticilerinin Gözünden Değerlendirilmesi (Marmaris Örneği) Ekonomik ve Sosyal Araştırmalar Magazine, Bahar 2005, 1:101.

4. Field research aimed at ascertaining of target costing application levels

In tourism sector in which sale prices are ascertained according to localities and quality of the service provided by agencies, the method to be applied is Target Costing if it is desired to reach the targeted profit. While the management provides this service, it should not ignore the factors such as quality, variety and aestheticism that provide satisfaction, demands, and expectations of the customers. To reach the target cost and while reaching, the method and principles applied should be continuous.

In this research about Target Costing, a survey study has been actualized aiming to ascertain the levels of five star hotel managements and 4-5 star holiday villages operating in Antalya region.

4.1. Research

The purpose and importance, methodology, and research findings of the research carried out to ascertain the application levels of target costing of five star hotel managements and 4-5 star holiday villages operating in Antalya region are presented below.

4.1.1. Purpose and Importance of Research

The purpose of the research is to find out whether target costing is applied in five star hotel managements and 4-5 star holiday villages operating in Antalya and ascertain the levels of TC application.

4.1.2. Limitations of Research

The research has been actualized with limited to the managements in Antalya province border which has importance in country tourism. The number of 5 star hotel managements and 4-5 star holiday villages operating in Antalya gathered from provincial directorate of tourism in Antalya in September, 2009 is given in Table 4 and the number of 5 star hotel managements and 4-5 star holiday villages surveyed is given in Table 5.

The survey¹ application applied to 5 star hotel managements and 4-5 star holiday villages operating in Antalya borders which is in the scope of research has been actualized.

180 of 245 hotel managements have been reached. Because some management did not wish to answer the survey, survey research was limited to 118 managements and recycling proportion was 65.5%. The proportion of those who wished to answer the survey was 48.16% of groundmass.

Table 4. The numbers of 5 star hotel managements and 4-5 star holiday villages operating in Antalya by the year 2009

Kinds of Acc. Managements Tourism regions	5 star hotel management	5 star holiday village	4 star holiday village	Total
Antalya-Merkez	18	1	-	19
Kundu	4	-	-	4
Serik-Belek	39	12	-	51
Manavgat	51	11	2	64
Alanya	35	5	1	41
Beldibi	6	4	1	11
Kemer	37	12	3	52
Kumluca	-	1	-	1
Finike	1	-	-	1
Kaş	-	1	-	1
Total	191	47	7	245

The survey research has been actualized by face to face meeting in September and November in 2009 to provide more participation when the executives were less busy.

¹ When prepared survey, we used, Ercan BAYAZITLI - Murat KOÇSOY, Hedef Maliyetlemenin Türk İmalat İşletmelerinde (ISO 500) Uygulanma Düzeyi ve Uygulanabilirliğinin Tespitine İlişkin Bir Araştırma - 1, Muhasebe ve Finansman Dergisi, sayı:42 Nisan-2009, Ercan BAYAZITLI - Murat KOÇSOY, Hedef Maliyetlemenin Türk İmalat İşletmelerinde (ISO 500) Uygulanma Düzeyi ve Uygulanabilirliğinin Tespitine İlişkin Bir Araştırma - 2, Muhasebe ve Finansman Dergisi, sayı:43 Temmuz-2009 ve Zeki DOĞAN- Aşegül HATİPOĞLU, Hedef Maliyetleme Yönteminin Uygulanabilirliğine İlişkin Bir Araştırma, Muhasebe ve Finansman Dergisi, sayı:21, Ocak-2004, s.101-109.

Table 5. Distribution of Managements surveyed according to tourism regions

Kinds of Acc. Managements Tourism regions	5 star hotel management	5 star holiday village	4 star holiday village	Total	Proportion in those who answer (%)	Proportion among managements in region (%)
Antalya-Merkez	12	-	-	12	10.17	63.16
Kundu	2	-	-	2	1.70	50.00
Belek	14	7	-	21	17.80	41.18
Manavgat	27	4	1	32	27.12	50.00
Alanya	16	1	1	18	15.25	43.90
Beldibi	1	3	-	4	3.39	36.36
Kemer	22	7	-	29	24.57	55.77
Total	94	22	2	118	100.00	48.16

4.1.3. The methodology of Research

Surveys were applied by face to face meeting technique, data was loaded to SPSS 17.0 statistic program, and the findings gathered were presented as frequency and crossed tables. Also statistical results were reached by interpreting statistical data and showing in tables.

4.1.4. Analysis of Reliability

Reliability test was firstly done to the survey data. At the end of the reliability test, the scale's general Cronbach's Alfa value developed to find out the application levels of target costing is at 77.5 levels and was found meaningful. The scale is rather reliable according to this conclusion.

4.1.5. Research Findings and Analysis

The findings acquired at the end of the research are presented in three sections. In the first section, the authority of management answering the survey and information about the management take place. In the second section, the answers given to ascertain the application levels of target costing are studied. In the last section, the conclusion and evaluation of the research are done. The Distributions of the data acquired have been interpreted by making tables as frequency and percentage (%).

4.1.5.1. General Information

The information about the person answering the survey, their positions, activity period of managements, their tourism regions, number of personnel employed, application status and kind of All Inclusive System, and information about the questions aiming to ascertain the application level of target costing is presented in Table 6 below.

Table 6. Information about those who answer the survey and about Accommodation Managements

		Frequency	%			Frequency	%
Positions In Managements	Accountancy-Financing	89	75,4	Regions They Operate	Antalya-Merkez	12	10,2
	Cost Control	18	15,3		Alanya	18	15,3
	General Manager /Assistant	11	9,3		Kemer	29	24,6
Activity period of accommodation Managements	1-3 Years	26	22,0		Kundu	2	1,7
	4-6 Years	31	26,2		Manavgat	32	27,1
	7-10 Years	18	15,3		Serik-Belek	21	17,7

		Frequency	%			Frequency	%
	11-15 Years	18	15,3	Number Of Personnel	Beldibi	4	3,4
	16 Years and Over	25	21,2		50-149 kişi	14	11,9
Kinds of Accommodation Managements	4 Star Holiday Village	2	1,7		150-249 kişi	45	38,1
	5 Star Holiday Village	22	18,6		250-499 kişi	47	39,8
	5 Star Hotel	94	79,7	500 ve üzeri	12	10,2	

When we look at the positions of the participants in managements, as 75.4 of those are from financing department and 15.3% of those are from cost-control department, it is understood that they are related people in cost management.

It is found out that 50% part of the 5 star hotel managements and 4-5 star holiday villages participating in the survey employ personnel under 250 people, and the other 50% part employ 250 and over personnel.

When we look at the distribution according to kinds of the 5 star hotel managements and 4-5 star holiday villages, we understand that 79.7 % is 5 star hotel managements, 18.6 % is 5 star holiday villages and 1.7 % is 4 star holiday village.

Table 7. Distribution about whether the accommodation managements apply AI system and which kind of AI system they apply

Application Levels of AI system	Frequency	Percentage	Which kinds of AI System	Frequency	Percentage
Yes	116	98,3	Ultra/High Class	54	46,6
No	2	1,7	Maximum	4	3,4
Total	118	100,0	Imperial	7	6,0
			Classical	51	44,0
			Total	116	100,0

When the application level of 5 star hotel managements and 4-5 star holiday village for All Inclusive System (AIS), 1.7 % of them apply AIS whereas 98.3% of them apply AIS. It is understood that the hotels not applying AIS operate in Antalya-Centrum.

When we look which kind of AIS is applied by 5 star hotel managements and 4-5 star holiday villages , it is stated that 46.6 of them apply Ultra/High Class AIS, 44% apply Classical AIS, 6% apply Imperial AIS, 3.4 % apply Maximum AIS.

Table 8. Target Cost (TC) Application Levels of Accommodation Managements

	Frequency	Percentage
We do not apply	46	39.0
We are applying TC well	31	26.3
We are applying a similar method to TC process under a different name	41	34.7
Total	118	100.0

When the target costing application levels of 5 star hotel managements and 4-5 star holiday villages participating in survey are taken into consideration, 31 (26.3%) of the managements have stated that they have applied Target Costing (TC) well and 41 (34,7%) of them have applied a similar method to TC, and 46 (39%) of them have not applied TC.

From now onward in the descriptive and comparative researches, that the number of management applying TC is 72 and the number of managements not applying TC is 46 will be presented as simplified.

Table 9. Which services accommodation managements use Target Costing

	Frequency	Percentage
In all product and services	70	97.2
In Some Services	2	2.8
Total	72	100.0

A big majority of managements applying Target costing have stated that they have applied target costing in all products and services and 2,8 % of them have stated that they have applied partially. In face to face meeting, the participants have stated that the managements applying AIS have used TC in all products and services and 2 managements not applying AIS have used partially in some departments (food, drinking, etc.).

4.2.5.2. Ascertaining of Target Costing Application Levels

In survey researches carried out in 5 star hotel managements and 4-5 star holiday villages, the answers acquired from the questions aiming to ascertain the target costing application levels have been presented in frequency analysis, arithmetic average and standard variation.

4.2.5.2.1. Benefits from TC application of Managements applying

The frequency distribution, arithmetic average and standard variation of answers to the questions according to 5 point Likert scale aiming to ascertain the benefits from TC application of managements applying TC are given in Table 10 below.

Table 10. Benefits from TC application of Managements applying

		Strongly disagree	Disagree	No idea	Agree	Strongly agree	Total	Average (X)	Standard variation
It provides decrease in cost of new service to be presented.	n	5	18	-	10	39	72	3.83	1.47
	%	6.9	25.0	-	13.9	54.2	100		
Providing service properties and functions that customers demand becomes easy.	n	-	1	-	32	39	72	4.51	0.58
	%	-	1.4	-	44.4	54.2	100		
Customer expectations are provided about the services we present.	n	-	-	-	22	50	72	4.69	0,46
	%	-	-	-	30.6	69.4	100		
Service, part and component cost is decreased by raw material and material from suppliers.	n	-	4	-	19	49	72	4.57	0.77
	%	-	5.6	-	26.4	68.1	100		
Service production costs are decreased.	n	1	6	2	18	45	72	4.39	0.99
	%	1.4	8.3	2.8	25.0	62.5	100		
Total profit increases.	n	1	5	2	19	45	72	4.42	0.95
	%	1.4	6.9	2.8	26.4	62.5	100		

When the managements applying Target costing system are demanded to state about the benefits of target costing system, the items whose average values are high are as follows; providing expectations of customers (4.69), the cost of raw material used by suppliers decreases due to ordering beforehand (4.57), service properties and functions that customers want are provided (4.51), profitability increases (4.43). The item that has the highest standard variation and thus is out of average is the statement as follow: "Decrease in cost of material to be presented newly is provided (1.47)". That's why, this item has a low proportion among the benefits of Target costing system that managements applying.

Some of the benefits acquired from application of TC are providing demand and expectation of customer, allowing for providing service properties and functions that customer wants, contacting with the

supplier before production begins and this situation helps us know our cost in determining prices of materials. As TC is applied in design step, changes can be done to functions about the costs of the service to be presented newly and costs can be distributed to functions by paying attention the specifications that customers wish. Thus, profitability can be increased in an environment in which the market determines the sale price by reducing costs.

4.2.5.2.2. Reasons of Managements For not Applying TC (Target Costing)

Frequency distribution, arithmetic average and standard variation of the answers from the questions aiming to ascertain the reasons of Managements for not applying TC are given in Table 11 below.

Table 11. Reasons of Managements For not Applying TC (Target Costing)

		Strongly disagree	Disagree	No idea	Agree	Strongly Agree	Total	Average (X)	Standard Variation
Not knowing Target Costing well adequately.	N	8	19	2	14	3	46	2.67	1.27
	%	17.4	41.3	4.4	30.4	6.5	100		
Not taking support of upper management	N	12	18	6	8	2	46	2.35	1.18
	%	26.1	39.1	13.0	17.4	4.4	100		
Target Costing's not being appropriate for management structure	N	7	3	8	5	23	46	3.74	1.50
	%	15.2	6.5	17.4	10.9	50.0	100		
Obligation to provide collaboration among departments	N	10	23	10	3	-	46	2.13	0.83
	%	21.7	50.0	21.7	6.6	-	100		
Workers' not being open to innovations	N	19	17	9	1	-	46	1.83	0.82
	%	41.3	37.0	19.5	2.2	-	100		
Not using appropriate systematic methods to constitute customer input.	N	4	19	13	9	1	46	2.65	0.97
	%	8.7	41.3	28.3	19.6	2.2	100		
Accountancy Information system's not supporting target costing	N	20	20	3	2	1	46	1.78	0.92
	%	43.5	43.5	6.5	4.3	2.2	100		
Not having qualified personnel to apply	N	14	14	6	11	1	46	2.37	1.22
	%	30.4	30.4	13.0	24.0	2.2	100		
Having idea not acquiring any benefit or positive result from use of Target costing	N	9	16	6	3	12	46	2.85	1.51
	%	19.6	34.8	13.0	6.5	26.1	100		

In spite of the expectation to acquire positive result from TC usage (54.4%), they stated that they did not apply this method in their managements due to the fact that TC did not conform to their management structure (78.3%).

5. APPLICATION

In this step, research of target costing has been applied step by step in a 5 star hotel management applying all inclusive systems.

5.1. Purpose and Importance of the Application

Purpose of TC application bases on ascertaining the service components by which management achieve cost decrease or value increase by comparing TC basing on market price with actual costs. A sample model is aimed to be constituted for other managements operating in sector by this application.

The reason for occurrence of service idea to be provided is to provide more quality and faster service than competitors in market against the increasing competition conditions and enables this service for every one with an appropriate price. Also, designation of AIS concept is aimed to reply the changing demands and

expectations, individual need and private demands and the comparison of actual costing with targeted costs for per head has been done. As a result of this comparison, it is found out whether targeted costs have been reached and to ascertain which service components are cheap and expensive, and what reducing cost and increasing will be for this. In this way, the extension of cost and customer expectation of a AIS for accommodation managements is found out in both providing customer expectation and reaching the profit targeted.

Managements determine the AIS concepts according to nationalities of customers, age groups, demand and expectation, occupancy rate of the hotel, and being high season-low season status. The sale price is based according to normal season in market from the statuses above and the profit proportion is restated, and therefore target cost is restated by revising in costs. As a result of this, the service variety and quality that the managements provide in high season and the service variety and quality that the managements provide in low season change. In other words, the cost proportions given to these functions are decreased.

5.1.1. Limitations of Applications

The application was carried out in one hotel because of the fact that the accommodation managements behave proactively in the issue of sharing their cost information due to variable commercial and taxational concerns, and the services provided show similarity. Only July-2010 could be studied due to problems in the issue of sharing cost information. On the other hand, the survey study was also applied to the tourists aiming to ascertain the demands and expectations of customers. Demands and expectations of tourists had changes according to their nationalities. Customer expectations were gathered in a group regardless of nationalities to prove TC application easiness and practicality. TC can be done according to kinds of customers in accommodation managements in the researches from now. In the research, no information about the name of the hotel management in which the application was done and the region it operates in will be given due to demand of management's owner and ethic rules. That's why, the expectations about July-2010 related to the service provided were firstly dealt in total costs base, as the topic of our research is AIS, the costs were dealt in unit base and evaluations were done according to this.

5.1.2. Application Methodology

As target costing is a customer-focused method, it is necessary to exhibit at what degree the service you provide replies to demands and expectations of customers. For that purpose, the services that the tourism managements operating in market provide were examined, and researches to find out the delight and expectations of customers were carried out, and survey forms were formed by examining these researches. What the customers expect from a holiday within AIS was exhibited by survey study and these expectations were taken into consideration in the services to be provided. For that reason, choosing sample from universe was decided as gathering data from the mass to be surveyed was not possible in terms of time and cost. As a first step of TC study, the research was arranged in Turkish, English, German and Russian to exhibit the expectations of the customers from AIS concept and 460 people participated to the survey.

The customers were informed about the AIS concept to be provided in a 5 star hotel management in the scope of application. Sale price is determined by market according to TC. The sale prices in tourism sector are usually determined by contracts carried out before season starts. This method was adopted in the application. Then the target cost was reached by means of decreasing from sale price by determining the target profit to be acquired. The cost computed according to the actual data of management's July-2010 period was compared with TC.

5.1.3. Application Findings and Analysis

Target cost application carried out in July-2010 in a 5 star hotel management in Antalya is presented below.

A 100 % occupancy rate was expected in July-2010 when the target cost study was carried and the salable bed number is 283.943. Target sale price AIS per head, target profit and target cost expectations about the month studied are given in Table 41: (1 €=2.00-TL)

Table 12. 2010-July Presentation of TC application

	Unit (Turkish Liras)	Unit (€)
Target Sale Price	100-TL	50-€
Target Profit (Target Sale Price * % 50)	50-TL	25-€
Target Cost	50-TL	25-€

Demographic information about the customers who participate in the survey in order to ascertain demands and expectations of customers is given Table 13 below.

Table 13. Demographic information about the customers who participate in the survey

		Frequency	Percentage			Frequency	Percentage	
Sex	Male	192	41.7	Age	18-25	52	11.3	
	Female	268	58.3		26-35	100	21.7	
Nationalities	German	156	33.9		36-45	148	32.2	
	Russian	112	24.3		46-55	104	22.6	
	English	64	13.9		56- 65	40	8.7	
	Turkish	128	27.8		66 and over	16	3.5	
Education Status	Secondary Education	40	8.7		Income Status	1000-€ and below	144	31.3
	High School	192	41.7			1001-1500-€	152	33.0
	University	228	49.6			1501-2000 €	124	27.0
Accommodation days	1-7 Days	268	58.3			2001-€ and over	40	8.7
	8-15 Days	152	33.0	Marital Status		Married	316	68.7
	15 days and over	40	8.7		Single	144	31.3	

When we look at the sex of the participants in survey, 58.3% is female, 41.7% is male. When we look at the nationalities of participants, it is understood that 33.9% is German, 24.3% is Russian, 13.9% is English, and 27.8% is Turkish.

5.1.4. Presentation of TC application

Theoretical data was benefited in TC application carried in a 5 star hotel management applying AIS.

5.1.4.1. Definition of the Properties (Functions) that the Service will have

The properties and cost components that the service provided will have are defined as follows:

Table 11. Service Functions

F1	Variety of Service provided (Food- Drink Variety)
F2	Attention, Favor, Courtesy
F3	Convenience and Comfort
F4	Quality and Speediness of Service Provided
F5	Cleaning and Hygiene
F6	Social Activity (Animation, Show)
F7	Active use of Electronic goods (Air-conditioner, TV, Mini bar)

5.1.4.2. Determination of Relative Importance Degrees of Service Functions

A market research was carried out in order to provide that the service is assessed by customer. The functions determined about the service to be provided in market research and distribution of these functions to cost component groups were applied to customer with the help of survey. As a result of the findings acquired, properties and functions of the service are stated as below.

Table 12. Importance Degree that the Customers have given to Functions

		Average	Standard Variation	Variation
F1	Variety of Services provided (Food-Drink Variety)	% 15.30	1,81415	3,291
F2	Attention, Favor, Courtesy	% 15.52	1,71825	2,952
F3	Convenience and Comfort	% 16.84	1,84293	3,396
F4	Quality and Speediness of Service Provided	% 13.75	1,58586	2,515
F5	Cleaning and Hygiene	% 18.45	1,67092	2,792
F6	Social Activity (Animation, Show)	% 9.95	2,03296	4,133
F7	Active use of Electronic goods (Air-conditioner, TV, Mini bar)	%10.19	2,02810	4,113
	Total	% 100		

Our customer was asked to put in order the expectations about AIS concept we provided. The results from ordering are as follows; Cleaning and Hygiene (%18.45), Convenience and Comfort (%16.84), Attention, Favor, Courtesy (%15.52), Variety of Services provided (Food-Drink Variety) (% 15.30), Quality and Speediness of Service Provided (%13.75), Active use of Electronic goods (Air-conditioner, TV, Mini bar) (%10.19), Social Activity (Animation, Show) (%9.95). This ordering can be interpreted as demands and expectations of customers for our management. Management that wishes to increase customer satisfaction should take these criteria into consideration in the service provided.

5.1.4.3. Determination of Service Cost Components

The service that the management provided was used as a base while cost components were determined. Naturally, there are many cost items, components and elements in an accommodation management. However, all parts are gathered in 4 main groups to enable the application to be understood more easily. Also, costs components are determined so as to give possibility to the customer to evaluate the services provided. The cost components determined are as follow:

Table 13. Determination of Service Components

B1	Accommodation
B2	Food
B3	Drink
B4	Entertainment-Animation

5.1.4.4. Cost Estimation of Each Component Constituting

After cost components have been determined, the distribution process of accumulating expenses to cost components in accommodation management is done. In order to have cost estimation, kinds of expenses have been distributed to expense places (cost component groups). As a result of the distribution, total costs occurring in cost components are shown in Table 17.

Table 14. Distribution of Costs in Accommodation Management to Service Components

Expense Place Expense Kind	Total Cost (TL)	Accommodation	Food	Drink	Entertainment- Animation
Material Expenses	667.423,86-	115.611,93	365.339,58	177.982,36	8.489,99
General Expenses	48.084,91-	24.408,54	17.692,54	5.983,83	-
Personnel Expenses	406.361,07-	185.300,59	102.220,14	92.062,76	26.777,58
Energy Expenses	125.749,75-	64.958,72	40.803,72	14.990,48	4.996,83
Amortization Expenses	199.564,07	169.629,46	15.965,13	9.978,20	3.991,28
Total	1.447.183,66	559.909,24	542.021,11	300.997,63	44.255,68

After the distribution above, total amounts of cost components were found. Proportion of cost components in total cost and cost targets in AIS per head were determined.

Table 15. Cost Estimation of Service Components

Service Component Group		Cost Amount (TL)	Proportion in Cost	Cost targets in AIS per head	
B1	Accommodation	559.909,24	% 38.68	19.34-TL	9.67-€
B2	Food	542.021,11	% 37.45	18.73-TL	9.37-€
B3	Drink	300.997,63	% 20.80	10.40-TL	5.20-€
B4	Entertainment-Animation	44.255,68	% 3.07	1.53-TL	0,76-€
Total Cost		1.447.183,66-	% 100	50.00-TL	25,00€

5.1.4.5. Determination of Importance Degree of Service Components

The service functions provided to cost components were applied to the customer with the help of survey. The results according to the distribution are presented in Table 19.

Table 19. Distribution of Service Components to Service Functions by Customers

Functions Service Components	F1	F2	F3	F4	F5	F6	F7
B1 Accommodation%	22.91	25.26	80.57	26.00	62.90	0.00	100.00
B2 Food%	29.39	23.87	7.35	28.23	23.70	0.00	0.00
B3 Drink%	25.52	22.09	6.13	23.54	13.40	0.00	0.00
B4 Entertainment-Animation%	22.18	28.78	5.95	22.23	0.00	100.00	0.00
Total %	100	100	100	100	100	100	100

As a result of our survey study, customers' expectations in which cost components and how much should be are distributed as percentage after the customer has exhibited his expectations from AIS concept.

In service variety function (F1) the customer expects variety in service mostly from food (29.39) and drink (25.52) departments.

In attention, favor, courtesy function (F2) the customer expects attention and interest from mostly entertainment-animation (28.78) and accommodation (25.26) departments.

In convenience and comfort function (F3) the customer expects this function from mostly accommodation (80.57) and then food (7.35) departments.

In quality and speediness of service function (F4) the customer expects the service be quality and fast primarily from food (28.33) and accommodation (26.00) departments.

In convenience and hygiene function (F5) the customer expects this function mostly from accommodation (62.90) and food (23.70) departments.

The customer expects Social activity function (F6) from entertainment-animation (100) department.

The customer expects active use of electronic goods function (F7) from accommodation (100) department.

After the distribution above by customers, the importance attributed to functions has been multiplied to percentage distribution stated above and distributed to service cost components.

5.1.4.6. Determination of Target Cost Index (TCI) of Service Components

Table 20. Distribution of Service Functions to Service Components

Functions Service Components	F1 %15.30	F1 %15.52	F3 %16.84	F4 %13.75	F5 %18.45	F6 %9.95	F7 %10.19	Total
B1 Accommodation %	3.51	3.92	13.57	3.58	11.61	0.00	10.19	46.38
B2 Food %	4.50	3.70	1.24	3.88	4.37	0.00	0.00	17.69
B3 Drink %	3.90	3.43	1.03	3.24	2.47	0.00	0.00	14.07
B4 Entertainment-Animation %	3.39	4.47	1.00	3.05	0.00	9.95	0.00	21.86
Total %	15.30	15.52	16.84	13.75	18.45	9.95	10.19	100.00

In this stage, Target Cost Index has been reached as a result of comparison of service component's proportion in total cost with the relative importance degree by expectations of customers from a AIS holiday.

$$\text{Target Cost Index} = \frac{\text{Customer Importance Degree Percentage}}{\text{Component's Proportion in Total Cost}}$$

Table 21. Determination of TCI

Service Components	Customer Importance Degree	Component's Proportion in Total Cost	Target Cost Index (TCI)
B1 Accommodation	%46,38	% 38.68	1,20
B2 Food	%17,69	% 37.45	0,47
B3 Drink	%14,07	% 20.80	0,68
B4 Entertainment	%21,86	% 3.07	7,12
	% 100	% 100	

The ideal value of service component TCI is desired to be 1. That the target cost index is less than 1 means the component is expensive, and that it is bigger than 1 means that the component is cheap. Accordingly, when we look at TCI of service components; we can say that B1 Accommodation and B4 Entertainment-Animation component groups are cheap; B2 Food and B3 Drink components are expensive.

5.1.4.7. Optimization of TCI

TCI is 120 in accommodation section which has the highest cost among service components and then cost increasing is decided via value engineering as the costs are cheap.

When we look at the food department from service components, it is seen that the service provided is expensive and it is decided to go to cost reduction.

When we look at the drink department; it is seen that TCI is 0.68 and the service provided is expensive and it is decided to go to cost reduction.

When we look at the entertainment-animation department from service components; it is seen that TCI is 7.12 and the service provided is very cheap and it is decided to go to cost reduction.

5.1.4.8. Other Cost Reduction Attempts

Cost reduction techniques such as disassembly analysis, quality function caving, kaizen costing, value engineering and reengineering should be benefited in order to acquire the benefit from the system as a result of the fact that components may be expensive or cheap at the end of application with target costing.

Design team should look for ways to reduce cost in high costly departments and increase the value and quality of service in low costly departments with a wide participation meeting. Service variety can be provided regarding the demands and expectations of customers in departments in which cost increasing or service quality are increased. In high costly departments; the decisions should be made aiming to ascertain which cost reduction method will be chosen and what changes will be in the event that the components are changed.

6. Conclusion and suggestions

Target costing is an important cost management technique used in developing new product and service, and development of existent services and processes. Although target costing method seems simple and easy conceptually, in application point, it has a complex and multi-directional structure as it is difficult to provide a wide participation of departments such as marketing, engineering, cost control, and so on and work in conformity.

Demands and expectations of customers change seasonal in tourism sector and hotels want to have competition superiority by reforming the services they provide in order to provide changing demands and expectations of the customers. The managements operating in tourism sector compete against their both competitors in internal sector and external sector by varying the service they provide, adjusting their concept according to expectations of customer and the most important one by using our country's natural beauties. In these competition conditions, the management administrator applying traditional cost method who says "What should be my sale price if my cost is that?", has stated that he has adopted target costing as cost method by saying "As the sale price given to my service in market is certain, how much should my cost be to make a profit?".

In our research, a study has been carried out to ascertain the target costing application levels in accommodation managements operating in Antalya, province of Turkey. The conclusions below have been reached from the research:

- In survey, whereas 72 of 118 accommodation managements have stated that they have applied TC well or a similar process to TC under a different name, 46 of them have stated that they have not applied TC.

- As benefits acquired from system by managements applying TC are as follow; the statement "the customer expectations are provided about the service we provide" comes into prominence. Purpose in TC system is to provide demands and expectations of customers. We can say that managements applying TC have benefit expected from TC system in order to provide this expectation and reach the desired profitability.

- The biggest obstacle before the managements not applying TC; the statements such as "the system is not appropriate with their structure", "idea of not benefiting from system usage", and "not knowing about system adequately" come into prominence. TC process should be told well in order to destruct the prejudices of managements for this system.

The steps followed and the results reached in TC application research are presented below:

- In order to ascertain the value of the stated functions about our new service before the customer and make orders for our functions, a survey study has been applied to target mass.

- Expectations have been exhibited at the end of the survey. Expectations according to survey study are as follows; Cleaning and Hygiene (18.45%), Convenience and Comfort (16.84%), Attention, Favor, Courtesy (16.84%), Variety of Services provided (Food-Drink Variety) (15.30%), Social Activity (Animation, Show) (9.95%), Active use of Electronic goods (Air-conditioner, TV, Mini bar) (10.19%).

- Cost components of all inclusive system provided have been determined and expense kinds have been distributed to components. Accordingly component's proportions in cost have been determined: Accommodation (38.68%), food (37.45%), drink (20.80%) and entertainment-animation (3.07%).

• Relative distribution of service functions to be provided has been done in survey study applied to customer. Then the functions stating customer expectations have been distributed according to these relative distributions and benefit proportion (importance degree) has been found. As a result of this distribution, it is as follow; Accommodation (46.38%), food (17.69%), drink (14.07%) and entertainment-animation (21.86%).

• In other stage; Target Cost Index has been reached by the comparison of customers' relative importance to our service with the values management give to service components. Desired proportion in TCI is 1. When we look at TCI; it is understood that accommodation (1.20) and entertainment animation (7.12) expenses are cheap, food (0.47) and drink (0.68) expenses are expensive.

• In the last stage it is seen that cost reduction study should be done in food (0.47) and drink (0.68) departments which are expensive. In accommodation (1.20) and entertainment animation (7.12) departments which are cheap, value increase activities should be made by increasing the variety and quality of service provided.

As a conclusion; tourism managements have applied TC under a different name intentionally or unintentionally. In a sector such as tourism in which quality and price play a distinctive role in competition, managements accept the sale price given by market for the services they provide. Then what management should do is to answer this question "How much do I want to earn?" When you answer this question, the rest is to show total target cost. Today managements can acquire competition superiority in market by balancing the quality and demands and expectations of customers.

Informing meetings should be held about TC system operation aimed to authorities of accountancy department, authorities of public relations and management administrators in order to expand the application field of TC in tourism sector and inform.

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