Turkey’s E-Commerce Sector Boosted By Economic Growth And Young Populace

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The e-commerce sector is booming in Turkey, as a result of a large youth population familiar with new technology and solid economic growth, with real internet retailing value expanding by 61.1% over 2006-2011 .

However, although internet usage is expanding rapidly, telecom penetration levels remains below average Western European levels, meaning online businesses have a limited audience both for sales and internet marketing.

- The use of the internet to make transactions is well established in Western countries such as the UK and is beginning to take off strongly in emerging markets such as Turkey, creating opportunities for businesses while improving the shopping experience for consumers. There were 35 million e-commerce transactions in Turkey in 2011, according to the Turkish Interbank Card Centre, representing 57% growth year-on-year (y-o-y) from 2010;
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- Strong economic growth, rising IT literacy, improving telecoms infrastructure and one of the youngest populations in Europe have driven e-commerce sector expansion in Turkey. However, a strong digital divide between the east and west of the country as well as one of the lower broadband household penetration levels in Europe in 2011 remain barriers to further growth.

Implications
Turkey's young consumer market is a strong driver of online retailing for goods and services, although the country's digital divide means internet usage is uneven across regions:

- Turkey has a large and growing youth population, a key factor in the development of technology-based markets. In 2011, 25.3% of the total Turkish population was aged 14 and under, compared to 14.3% in Greece, Turkey's closest European neighbour;
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- The Turkish youth population is increasingly technologically literate, having grown up in the internet age. This trend is exacerbated by Turkey's growing wealth, which is allowing more consumers to buy luxury goods such as smartphones and PCs, as well as receive improved technology skills training. Turkey's GDP per capita expanded by 11.5% in real terms over 2006-2011;
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- Rising internet use has been an obvious boon for e-commerce, with increasing usage of digital and social media allowing increased exposure for e-tailers through online advertising. Internet users made up 43.3% of the population in 2011, while the value of internet retailing expanded by 61.1% in real terms over 2006-2011;

Source: Euromonitor International from International Telecommunications Union/OECD/national statistics/Eurostat/trade sources

Note: Internet retail value RSP excludes sales tax

- Turkey is also geographically well positioned to take advantage of e-commerce, being a transportation hub between Europe and the Middle East. This allows Turkish businesses the opportunity to supply goods to consumers across both regions through fast transport links. However, with Turkey's attempts to enter the EU unsuccessful and the eurozone sovereign debt crisis impacting regional demand, the European market may be too fragile for Turkish online businesses to expand into in 2012;
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- Despite the popularity of online marketplace sahibinden.com and auction site gittigidiyor.com, Turkey continues to lag behind Western Europe in terms of broadband penetration and ICT usage levels, with household possession of a broadband internet enabled computer standing at 38.7% in 2011. A considerable digital divide between rural and urban areas, as well as the west and east of the country, remains a barrier to greater telecom take-up.

Prospects
Ongoing technological development and Turkey's growing youth population will continue to support the rapid expansion of Turkey's e-commerce sector despite remaining challenges:

- Annual real GDP growth in Turkey is forecast to slow to 2.4% in 2012, down from 8.5% in 2011. Although this is likely to weigh on consumer spending, the online retail market may benefit through consumers flocking to alternative online options for discounts and savings;

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- Although ongoing economic problems in the eurozone may limit the ability of Turkish e-commerce businesses to expand into the market, this may ease concerns that surging e-commerce spending is creating a bubble in the sector, with unsustainable business models overvalued. Turkish internet retailing is forecast to expand by 54% in real terms over 2012-2016;
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- Longer-term challenges remain in the form of Turkey's business environment, with Turkey ranked 71st out of 183 countries in the World Bank's Ease of Doing Business 2012 report. Although both internet user and household broadband penetration levels are expected to increase considerably by 2020, supported by state ICT programmes, rural areas are still expected to be underserved by telecom providers, stifling e-commerce expansion.

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