

# BILLIONS DRAWN BY THE MAGNET OF E-COMMERCE

E-commerce in Turkey has grown with great speed over the past few years. The industry has managed to draw billions of dollars thanks not only to its horizontal expansion but also to successful vertical enterprises

BY MERVE KARA



In an investing report on mergers and acquisitions in the Turkish market, published this year by Deloitte, the globally renowned auditing and consulting firm, e-commerce notably stood out as one of the liveliest industries. The report listed M&A activity in Turkey by volume. Ranking 12th was online auction giant eBay's \$217 million purchase of an 83% share in GittiGidiyor, which is one of Turkey's leading online marketplaces. Another noteworthy development was Amazon.com's purchase of 18.7% of the shares of Cicek-Sepeti, an online flower delivery service in Turkey. Dozens of investments measured by the millions of dollars are taking place in e-commerce. The industry grew by 50% last year, and it is expected to continue to expand. The rapid development of this industry in Turkey is closely related to the fact that it today provides trustworthy, world-class services, and the enterprises that launched in Turkey and have put on their radars markets outside Turkey confirm this. The birth every day of new e-commerce websites, whether niche or targeting a general audience, shows that the industry is expanding vertically just as quickly as it is horizontally. The industry is expected to surpass a volume of TRY 50 billion by 2013.

The total shopping revenues of online businesses in Turkey grew last year by 50%. One out of every five people in Turkey now uses the Internet to shop. According to data from Turkey's Interbank Card Center, the service sector ranked first in credit card spending on e-commerce sites over the first nine months of 2011. In that period, the serv-

ice sector's revenues increased by 69% compared to the previous year, reaching TRY 2.23 billion. Airline purchases ranked second revenue-wise and grew by 57% relative to the first nine months of 2010. Somer Canko, General Manager of the Interbank Card Center, notes that the increase in e-commerce revenues in Turkey is being watched closely by several international finance institutions. "With its growth rate over the first nine months of 2011, Turkey is one of the world's fastest growing markets."

According to an industry conducted jointly by the E-Commerce Enterprises Association (ETHD), which represents 90% of the e-commerce industry, and the Internet metrics firm comScore, e-commerce sites receive four million visitors on average every day. According to the study of two institutions, 730 local and international e-commerce websites that receive visitors from Turkey produced a number of results in its range covering private shopping, online shopping, technology, and comparative shopping. Overall figures for the retail category reveal roughly 18.32 million unique visitors in June, with 1.9 million page views and an average time spent of 6.1 minutes per site.

Time spent per visit was another metric that appeared in the study. Private shopping websites scored 4.96 minutes per visit, ranking first. One of the private shopping sites that best exemplifies the success of vertical growth in e-commerce in Turkey is Markafoni. Founded in 2008 as a provider of fashion and lifestyle products, Markafoni today is a virtual shopping center where 15,000 products are on sale. Deloitte's report says that Markafoni received an \$86



## ONLINE RETAIL INDUSTRY IN TURKEY WILL REACH VOLUME OF \$25 BILLION AT THE END OF 2014.

billion investment from the South African media company Naspers, which is active in nine countries—including Turkey—today. Naspers CEO Sina Afra says they plan to reach a level of \$400 million in revenues by the end of 2012.

Private shopping in Turkey is as interesting for consumers as it is for investors—Trendyol, one popular shopping site, recently drew investment from Tiger Global, and Unnado.com attracted iLab Ventures. Among the many highly origi-

nal e-commerce sites today is Hediye.com, a gift-sending service that is a first in both Europe and Turkey. Hediye.com's transaction volume last year exceeded \$3 million, with visitors sending more than 300,000 gifts over the site in 2011. Hediye.com grew by 60% per month from April to May of 2012.

Vertical growth in a diverse set of areas that includes Hediye.com creates new opportunities for investors, too. One hot area in this respect is food, which stands out especially

for its rapid growth. Ranking fourth in terms of transaction volume in e-commerce with a 17% share, food presents significant opportunities to both food retailers and independent entrepreneurs. According to Yomi Kastro, Managing Partner at Inveon, the fact that the food industry has not yet reached a point of saturation is an indication of the presence of great opportunities. Noting that the estimated size of the global online food retail industry is around \$23 billion, Kastro said, "The US accounts for nine billion dollars of this, and the UK does for just as much as well. The virtual marketplace is expected to show a growth of 50 percent by 2014. Looking at the world's largest retailers, we see that the virtual marketplace's strongest player drew roughly 4 percent

of its revenue last year from online channels."

Kastro emphasizes the importance of being aware of breakthroughs in a number of industries. Big changes or risks for industry leaders at a

time far from breakthroughs can be impossible to deal with. E-commerce can be said here to be a breakthrough for the entire retail sector. Significant changes in the market shares of companies that make the

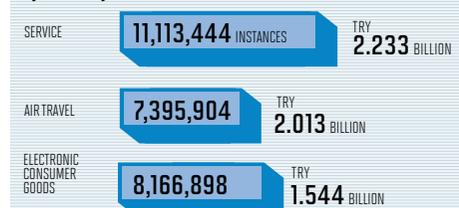
best use of the opportunities and breakthroughs here are inescapable. Within a year or two, low-ranking companies in the industry might rise to the top, or at least to the lower end of the top. "For this reason, being aware of breakthroughs, turning these to your advantage, or bolstering your position of leadership is of great importance," says Kastro.

E-commerce is expected to be a breakthrough for Turkey. It is also being viewed as a good trial method for companies considering an entry into Turkey. A.T. Kearney's 2012 E-Commerce Index examines the top 30 countries in the 2012 Global Retail Development Index™ (GRDI). Using 18 infrastructure-, regulatory-, and retail-specific variables, the index ranks the top ten countries by their e-commerce potential. The findings provide a wealth of information for retailers use in developing successful global e-commerce strategies and identifying emerging market investment opportunities. One of the key findings in the report is, as online sales skyrocket in developing markets, that an online presence is a low-risk way to test new markets and complement existing store footprints.

There are 30 million Internet users in Turkey today, 6.7 million of who engage in e-commerce. For a great number of people, a single click online replaces routine mounds of work, which can be said to be one of the most important factors behind the incredible progress exhibited by e-commerce in Turkey over the past decade. Of course, the preparations behind this surely played a role as well—the industry came to where it is today thanks to a solid technological backbone, widespread levels of Internet

### E-COMMERCE ON THE RISE

#### Credit Card Spending on E-Commerce Websites in Turkey by Industry



Source: BKM (Interbank Card Center)

penetration, and increased trust on the part of consumers. Oktay Yılmaz, Deputy Chairman of the E-Commerce Enterprises Association, says the volume of e-commerce has reached TRY 22 billion in the time from 2010 to 2011, and he indicates that sites that sell products account for an estimated TRY 4 billion of this. He adds that payment card usage domestically and internationally was recorded as approximately 2.96 million in 2010, 4.71 million in 2011, and 7.13 million in 2012. The young population has affected the continually growing e-commerce industry, he said.

Interbank Card Center's Soner Canko says the 50% growth achieved thanks to the air of secure e-commerce last year is expected to be repeated in 2012. "With our young population and dynamic market, e-commerce has development potential in our country. In 2011, 126 million domestic and foreign cards



THERE ARE 30 MILLION INTERNET USERS IN TURKEY TODAY. 6.7 MILLION OF WHO ENGAGE IN E-COMMERCE.

were processed at virtual businesses in Turkey. Total shopping revenues increased by 50 percent. Seen with respect to our goal of cashless payments in Turkey by 2023, we regard these figures as highly positive developments," says Canko. The e-commerce world, where just as Canko says, a new enterprise comes to life every day, is sure to expand its potential in the days ahead.

### AT KEARNEY'S E-COMMERCE INDEX

A fast riser in e-commerce, Turkey ranked tenth in A.T. Kearney's E-Commerce Index. The country gained high marks for its online infrastructure establishment.

E-Commerce Index Rank	2012 GRDI Rank	Country	Region	Online Infrastructure Establishment (20%)	Digital Laws And Regulations (15%)	Retail Development (15%)	2012 Score
1	3	China	Asia	56	55	58	78
2	1	Brazil	Latin America	56	67	90	77
3	26	Russia	Eastern Europe	30	23	48	60
4	2	Chile	Latin America	78	100	71	59
5	28	Mexico	Latin America	41	75	25	50
6	7	U. A. E.	Middle East	100	77	49	50
7	11	Malaysia	Asia	78	79	46	48
8	4	Uruguay	Latin America	40	71	100	45
9	13	Turkey	Eastern Europe	25	76	65	33
43	8	Oman	Middle East	61	97	51	41

Data : Euromonitor, International Telecommunication Union, World Bank, World Economic Forum, A.T. Kearney Analysis

Hi! Sign in or register. Customer Support Cart

Kayıt Ol Öye Giriş

I'm looking for... Search in all Search Advanced

## .COM CAPITAL GOES SHOPPING

E-commerce in Turkey has exploded over the past few years. There has been a noticeably concentrated increase in domestic and foreign capital input.

**SPORENA.COM**  
Westwing.com.tr Westwing, which maintains a presence in such countries as France and Germany, went live in Turkey in December 2011. A private shopping system is used on the site to sell home decoration products.

**GITTI GIDIYOR**  
Founded in 2001, it is now a subsidiary of eBay, one of the world's largest e-commerce platforms. The site reports seven million registered users and 500,000 daily visitors.

**1V1Y**  
Its name an initialism meaning "once upon a time," 1V1Y is a platform created jointly by important retail brands to sell in-season and discount products, featuring a modern style. Its magazine section features news of trends.

**ICCONIA**  
Iç giyimde ustam...

**LIMANGO**  
Alışverişin zevki

**MORHIPO.COM**  
The behemoth Boyner Group's e-commerce enterprise is growing nicely in its second year.

**TRENDYOL**  
Trendyol drew investment from Tiger Global in 2010 and Kleiner Perkins Caufield & Byers in 2011.

**ALAMARKA**  
"A private luxury shopping club." The site presents to consumers discounted products from certain clothing and decoration brands, with an invite-only e-commerce section that features such services as private jet rentals. Membership is not required to view the products.

**HEPSIBURADA:**  
One of the oldest e-commerce websites in Turkey, Hepsiburada was founded in 1998 and grew very rapidly. It has more than three million members.

**DAYBUDAY**  
A joint venture of Doğan Online, Cem Hakkı, and Konzept, this company offers customers a diverse range of products. Its blog announces trends to consumers.

**PETIPANYA.COM**  
A pet-oriented shopping site.

**THESABUN.COM**  
A toiletries-focused shopping site with a focus on soap sales.

**MARKAFONI**  
Markafoni introduced the private shopping model to Turkey. Naspers controls 70% of its shares. It is also active in Australia, Greece, and the Ukraine.

**VIPDÜKKAN**  
A partner of the globally renowned venture capital firm ePlanet Capital, VIPDükkan presents brand-name discount products to customers.

**BONVAGON**  
Offers consumers discounts for design, art, and decorative items, as well as local bargains. Evmanya: This home, lifestyle, and shopping portal offers brand-name products for bargain prices.