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# Turkish E-commerce Ecosystem Outlook

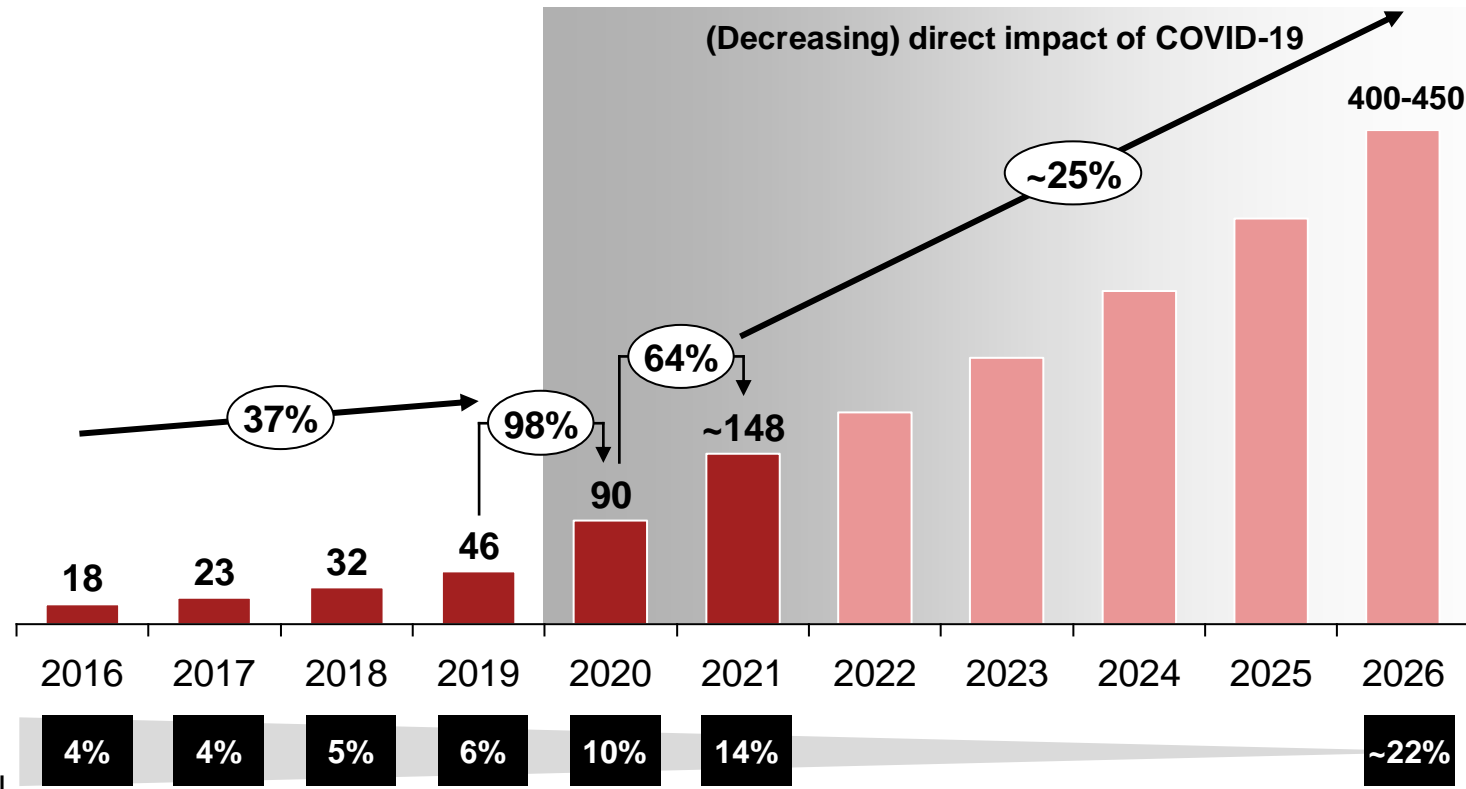
March 2022



# Turkish E-commerce market significantly grew in the last two years and is expected to maintain its high-paced growth

## Turkish E-commerce market outlook

### Turkish E-commerce market size<sup>1</sup> (2016-2026)



- **COVID restrictions** throughout the year have resulted in a significant growth in demand in 2020
- **Increased adoption of E-commerce solutions by the sellers and permanent changes in consumer behavior** will push the market towards 400-450 billion TRY levels in 2026, to exceed 22% penetration in total retailing
- **Online shopper base** is expected to reach 45 million in 2026 and represent more than **%70 of the total addressable population<sup>2</sup>**

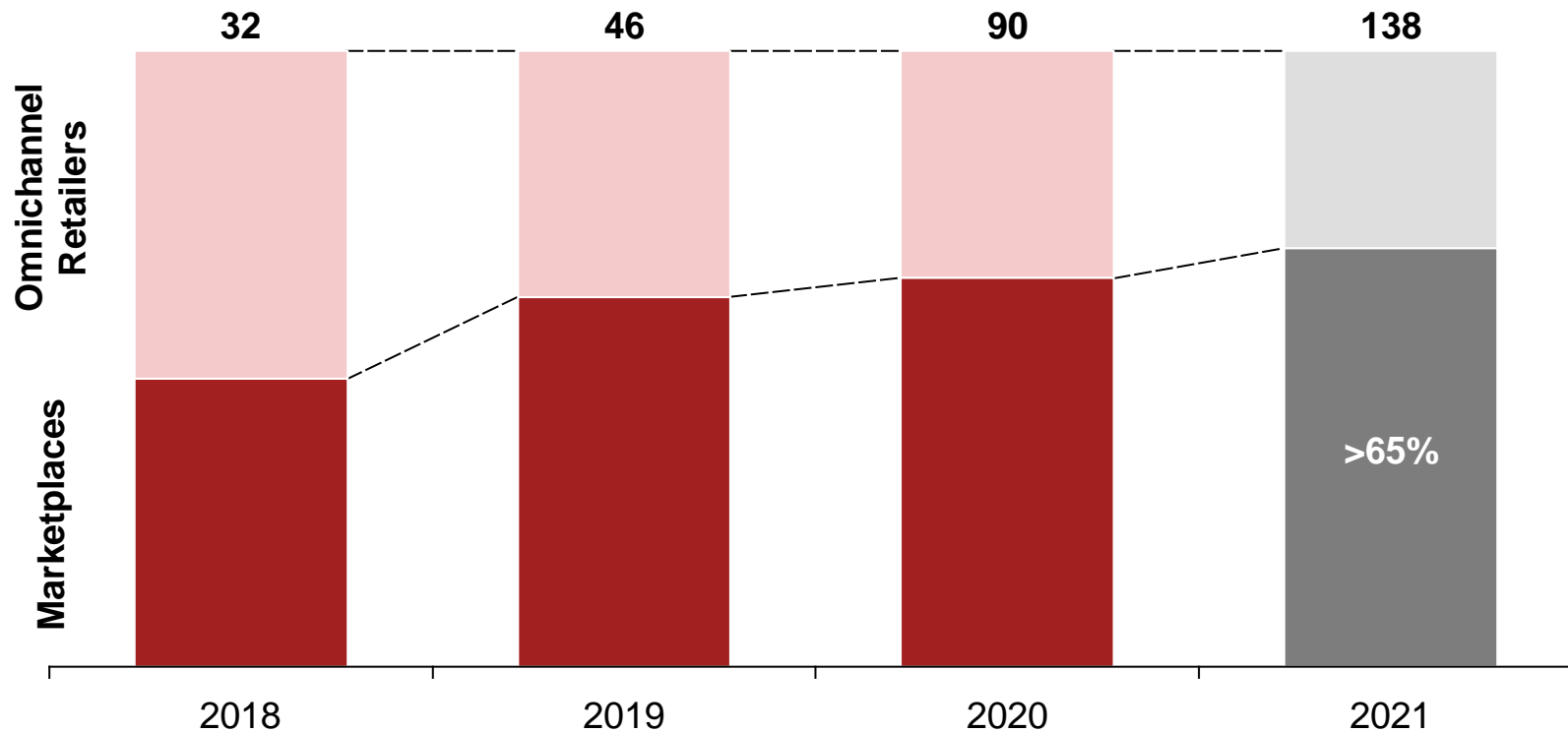
1) E-commerce market definition includes sales of goods on online marketplaces and online channels of omnichannel retailers, excludes travel & transportation, sports betting, gaming, B2B and cross-border sales, excludes VAT

2) People aged between 16 to 74 represent the total addressable market for online shoppers  
Source: ETBIS, TUBISAD, TÜİK, BKM, Strategy& Analysis

# Marketplace players gain larger share in the market, which encourages other online players to form marketplaces as well

## Shifting market structure of the Turkish E-commerce

Breakdown of the Turkish E-commerce Market among Players<sup>1</sup> (% , 2018-2021)



- Marketplaces offer a **wider range of SKUs with a pure&hybrid 1P-3P<sup>2</sup>** business model compared to omnichannel retailers whose primary sales channels have been brick and mortar historically
- **Turkish retailers are considering forming their own marketplaces** to capture their share of the booming market
- Moving forward, share of marketplaces is **expected to increase in 2021 and beyond**

1) Gross Merchandising Value generated by marketplaces as a percentage of total E-commerce market

2) 1P refers to first party direct sales where a marketplace sells a pre-supplied and stored product to customer, 3P refers to third party sales where merchants list and sell products on a marketplace platform

Source: ETBIS, TUBİSAD, TÜİK, BKM, Strategy& Analysis

# Volume increase and evolving customer needs make delivery a must-have capability for competitiveness

## Challenges and opportunities in last-mile delivery market

1

### Bottleneck Created by Growing Demand for E-commerce

- With the increased demand, 60% of all deliveries are E-commerce related
- Same-day delivery and return-at-the door increase operational complexity for delivery companies
- Interruptions in delivery cause dissatisfaction towards the merchant and the marketplace
- To cope with the demand, the workforce of the delivery sector has increased 65% in 2020

2

### Investments by Big Players to Improve Service

- Premium delivery services and value-added services are becoming an important aspect of customer experience
- E-commerce players are building their own delivery capabilities to avoid interruptions in the operations and sustain customer loyalty
- Delivery services gain importance as a driver of GMV growth as there is limited room for further price discounts

3

### Opportunity for New Entrants With the Growing Demand

- Existing players are incentivized to invest more in their operations to increase capacity
- Non E-commerce players are entering the delivery market
- Collection points are emerging as a trend in the E-commerce delivery

4

### Innovative Logistics Solutions by E-Comm Players

- Delivery becomes a part of E-Commerce players' value proposition – companies are providing additional efficiency-oriented services to their customers
- Top players are building a network of Pick-Up and Drop-Off (PUDO) points to allow self collection
- Easy return services further improve experience in delivery journey for customers

# Growing market and increasing competition drive many players towards forming «Super Apps»

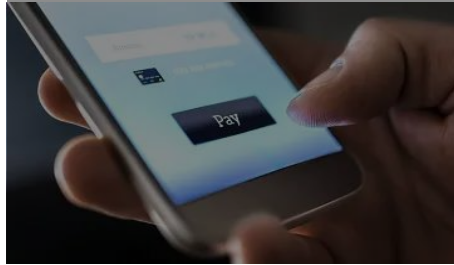
## Overview of emerging Super Apps (Select Examples)

### E-commerce (Marketplace & Instant Delivery)



- E-commerce players are prominent
- Typical offerings include online shopping, loyalty programs, payment solutions
- Partners include banks, wallets, selected restaurants and grocers

### Banks & Telecom Operators



- Few players are emerging in banking, including traditional and ecosystem banks
- Players typically offer mobile banking, loyalty programs and e-government services

### Traditional Grocers



- Typical offerings include instant and scheduled delivery, loyalty programs, payment solutions
- Selected players offer digital payments and platform structure with strong user experience

### Public Sector Entities



- Istanbul Municipality's app offers various services such as public transport tracking and ticket purchase, water purchase, parking ticket purchase

### Loyalty Programs



- Typical offerings include loyalty programs and payment services
- Partnerships mainly include selected retailers, E-commerce players, restaurants





# Players' priority will be to seize the growing opportunity moving forward

## Key takeaways

1

### Marketplaces' Increasing Presence

- Marketplaces are expected to make up the majority of the market with a wide range of SKU offering driven by increasing merchant base
- Traditional retailers are expected to establish their own marketplaces – Significant breakaways from existing marketplaces may take place

2

### Payment Focus

- Providing wallet solutions is expected to become a differentiating capability for E-commerce players
- With the emerging micro-finance solutions, new verticals are expected to show up in E-commerce players' organizations

3

### New Models in Delivery

- Lagging delivery capabilities may pose a threat to the E-commerce market but also pave the way for market entries, synergies and innovation
- With the growing demand, new business models in delivery network will emerge

4

### Emergence of «Super Apps»

- Evolving customer behavior towards online and the increasing value created by the players formed a convenient environment for developing «Super Apps»
- With the improved payment, delivery and marketplace offerings, «Super Apps» are expected to boost the E-commerce market in near future



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# Thank you

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