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# The transformative power of economy: e-commerce impact analysis

An overview of the e-commerce ecosystem in Turkey

**Deloitte.**  
Digital

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# Executive summary



E-commerce, while allowing sale of products and services online, has also created new industries and business models, initiating digital and operational transformations in some conventional industries. This means that in order to present the macro impacts of e-commerce, it is necessary to identify the ecosystem that the e-commerce players affect with their supply chain, and to define the impact channels based on the components of the ecosystem.

In this respect, TÜBİSAD has drawn up this Report in collaboration with Deloitte Digital with the aim of illustrating the e-commerce ecosystem, reviewing the economic and operational impacts of e-commerce from a holistic perspective, and setting the stage for sustainability discussions for a future where e-commerce will work to approach the level of e-commerce in developed countries.

In order to define the e-commerce ecosystem and the impact channels in the most accurate way possible, more than 20 face-to-face interviews were conducted as part of this study with different parties ranging from marketplaces to e-payment service providers, logistics companies, informatics firms, and representatives from social media platforms and public bodies.

The outcome of this study is the definition of the e-commerce ecosystem that focuses on the consumer with 8 main components, and covers the significant portion of the Turkish economy with all its sub-components.

Further, a collaboration was conducted with Akademetre for a field research that have reached nearly 1,800 consumers and sellers in order to analyze the e-commerce behaviors of consumers and sellers, which are the two main components of this ecosystem, as well as their expectations and how they are affected by e-commerce.

Supported with face-to-face interviews, an extensive field research, secondary research and data from ETBİS (e-Commerce Info Platform), this Report is the first study that illustrates the impact of e-commerce on Turkey's economy on a macro scale.

In 2020, e-commerce accelerated above the expected trends due to the Covid-19 pandemic, with a 20% increase in the number of internet users engaged in e-commerce compared to 2019. As a consequence, 3 in every 4 internet users in Turkey became e-commerce customers. Similarly, the increasing e-commerce demand resulted in an increased e-commerce supply in the economy, and the number of businesses engaged in e-commerce almost quadrupled in 2020.

Consequently, the e-commerce market value increased by 66% in 2020, reaching TRY 226 billion. Though it is seen that the lockdown and social distancing rules due to Covid-19 triggered an increase in e-commerce that exceeded the expectations, Turkey was already prepared for such a situation thanks to the demand potential and the infrastructure it developed before the pandemic. E-commerce expenditures have grown in real terms with a compound annual growth rate of 44% over the past 5 years even in inflation-adjusted terms.

As a result of all these developments, e-commerce expenditures added up to 8% of the household final consumption expenditures in 2020, while the e-commerce market corresponded to 4.5% of the gross domestic product, and the e-commerce sales made from Turkey, calculated by deducting the overseas e-commerce expenditures of households, corresponded to 4.3% of the gross domestic product.

#### E-COMMERCE IMPACT ANALYSIS, 2020



TRY 226b  
e-Commerce volume



66%

Rate of year-on-year increase  
of e-commerce expenditures



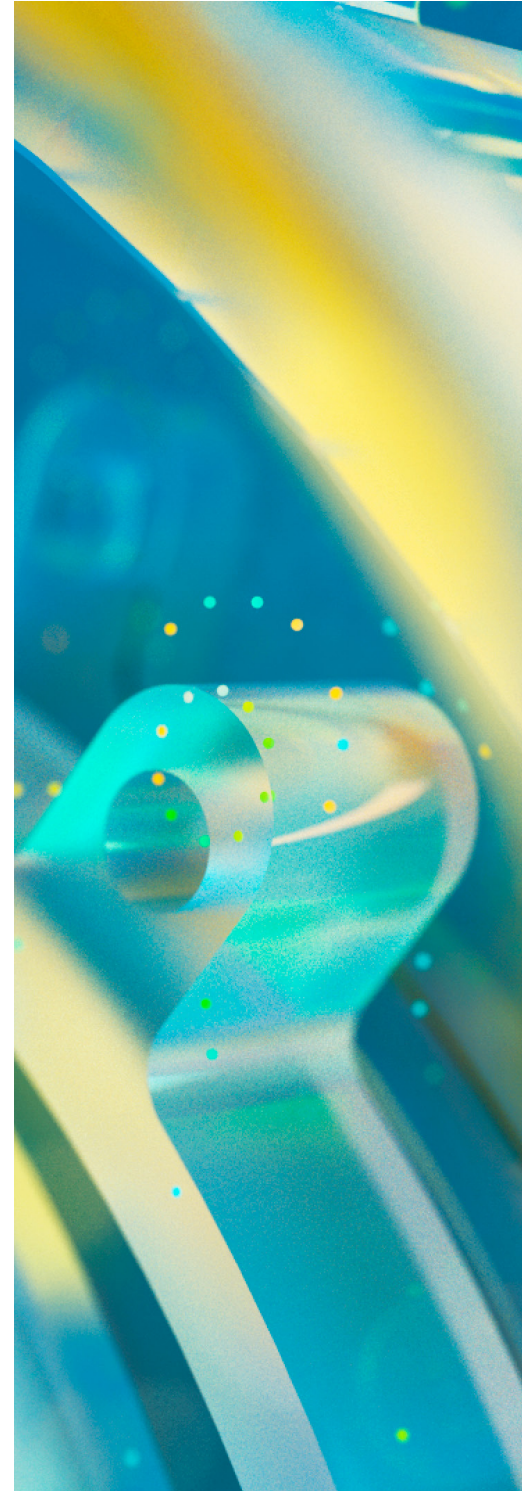
4.5%

Ratio of total e-commerce  
market to GDP



8%

Ratio of e-commerce  
expenditures to household final  
consumption expenditures



Moreover, considering the e-commerce sectors, most of which are retail, together with their supply chains, domestic e-commerce spending in 2020 has turned into a total economic activity of TRY 478 billion and a gross value added of TRY 253 billion, with a multiplier effect on the economy, corresponding to 5.6% of the overall gross added value in the country.

As a result of these impacts, e-commerce expenditures provided employment opportunities for 1.9 million people, which corresponded to 7.2% of the overall employment in Turkey in 2020.

With this method that is calculated based on expenditures, e-commerce has the following unquantifiable impacts;

- Consumer welfare through product range, low prices, and ease of experience,
- Various market regulating impacts such as increasing competition and efficiency, reducing inflation, lowering search costs and effective matching,
- Productivity by creating new industries and new jobs or transforming existing industries.

In order to understand and analyze these impacts to a certain degree, the Report focuses on shipping/logistics, payment services, and information and communications industries, and identifies the 3 main industrial-transforming impacts of e-commerce:

- i. Focusing on efficiency
- ii. Creating new business models
- iii. Widespread use of advanced technology

#### E-COMMERCE IMPACT ANALYSIS, 2020



TRY 478b

Total economic activity



TRY 253b

Total gross value added (GVA)



1.9 Million

Total employment



TRY 56b

Total tax contribution

However, it is also necessary to focus on sustainability to ensure that more consumers can experience e-commerce, more businesses can enter this ecosystem, and that the growth in e-commerce and the reformatory transformation in supply chain continue to grow.

Metropolises, the driving force of gross domestic product, are an element that e-commerce focuses on for their consumer potential, technological infrastructure and business diversity. While the egalitarian value proposition of e-commerce for sellers is “to ensure that all sellers, regardless of their status or size, can make sales in and even outside the country”, many domestic small and medium-sized sellers still face infrastructural and logistic issues when it comes to integration with e-commerce. On the other hand, in communities where digital divide is high and income equality is low, the value proposition for “a shopping experience that is not location based and that offers product range as well as price advantages” poses the risk to increase digital divide for people who already struggle to access digital services and product range due to income level.

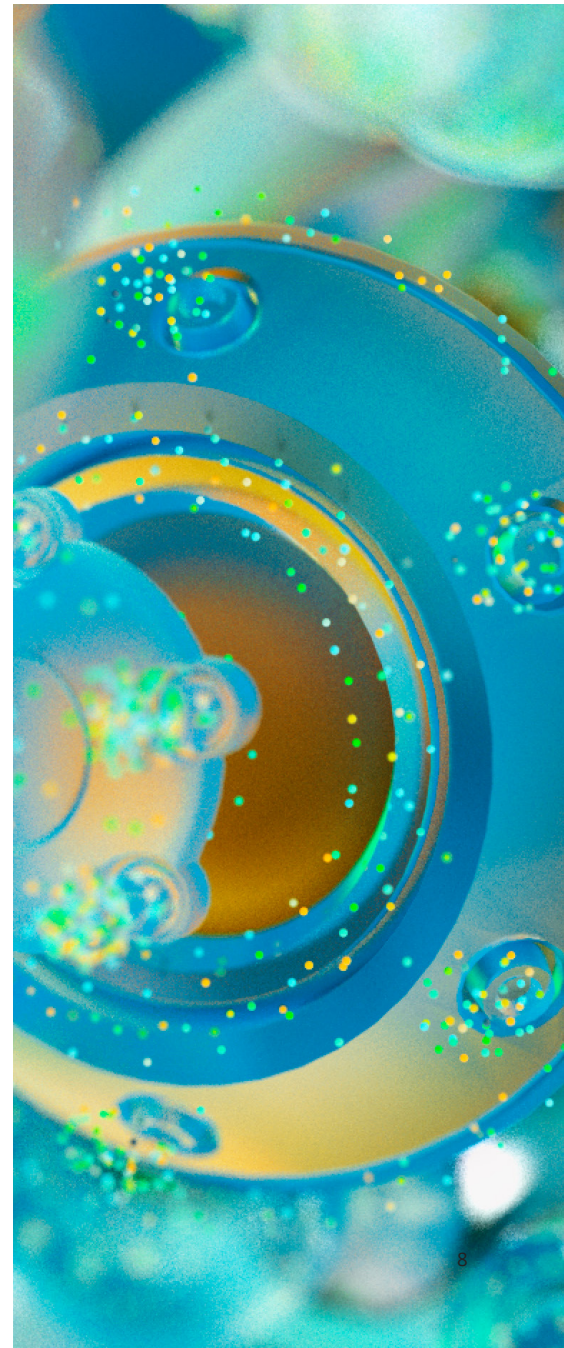
Further, according to data from ETBİS (e-Commerce Info Platform), only 8% of the businesses that engage in e-commerce activities in Turkey can sell through their own platforms. Also in the field research conducted as part of this study, e-marketplaces stand out as the most preferred sales platform for sellers (96%) and the most preferred shopping platform for buyers (91%). Consumers prefer e-marketplaces for reasons such as product range and time saving while sellers use these platforms because of ease of selling and a broad customer range.

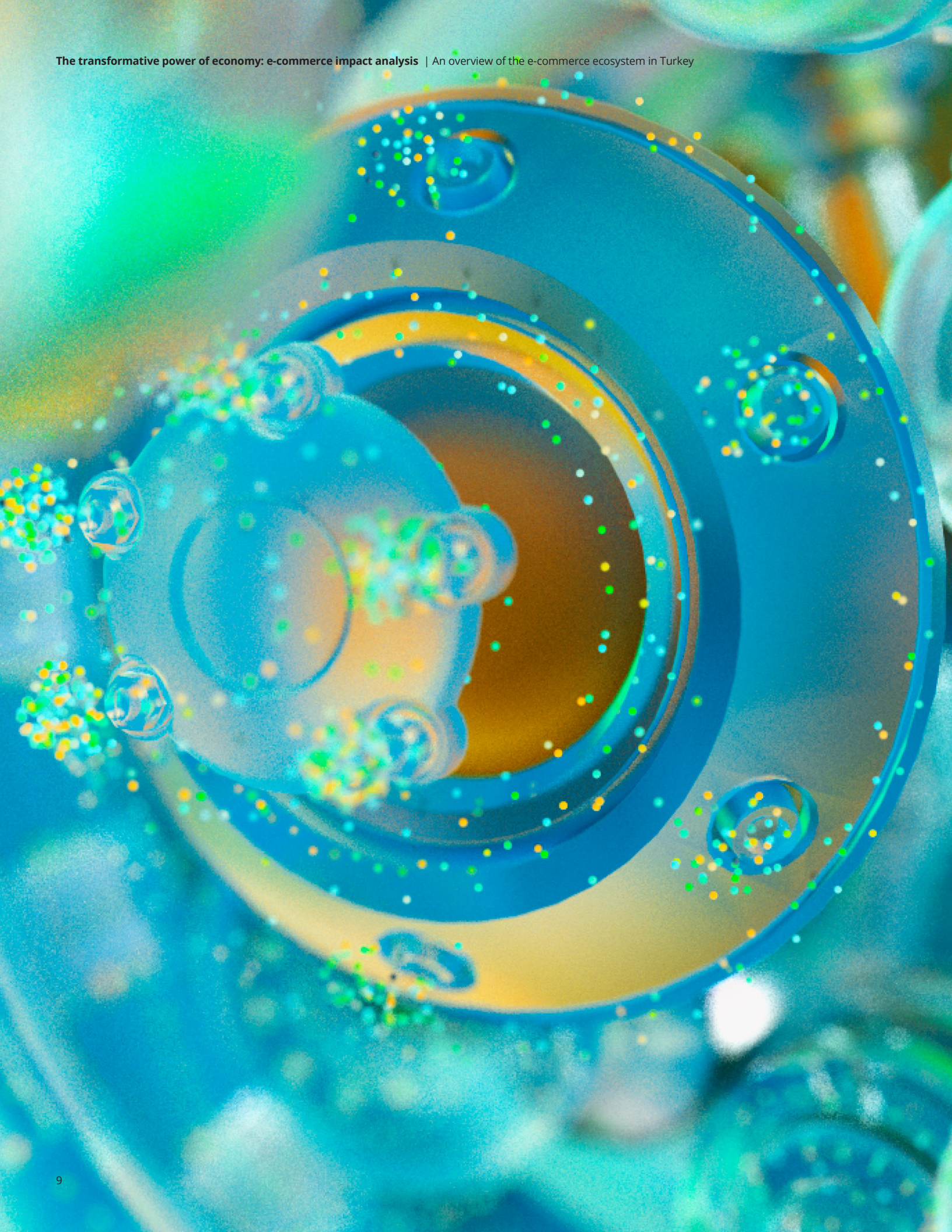
However, in countries with developed e-commerce and digital maturity, it is seen that the rate of e-commerce businesses using their own platforms is quite high. For example, this rate was 86% on average in the European Union in 2019. In Turkey, the fact that SMEs in particular have fallen behind in their own journey of digitalization poses a risk against developed competitors that have completed their transformation with regard to brand awareness, data analytics and competition.

On the other hand, with their strong network impacts and economies of scale and scope, e-marketplaces may create significant barriers for market penetration and retention, particularly for low maturity businesses. The possibility of this situation turning into market domination poses risks for competition in the market, and can cause both consumers and businesses to move away from the democratic advantages of e-commerce. For these reasons, businesses that aim for a sustainable e-commerce strategy should be able to cultivate a strong brand perception together with e-marketplaces or on their own platforms, and improve their service quality by processing the data at hand or on their platforms; in addition, relevant regulations for incentives and legal regulations should encourage competition, control market domination, and protect the rights of consumers and businesses.

Therefore, in order for e-commerce to demonstrate sustainable development in all cities in Turkey in an egalitarian way that offers opportunities, the income per capita should be more fair across the country, the supply chain should expand in all regions, technological infrastructure should become viable throughout the country, and SMEs should accelerate their digitalization journey and be able to use their own platforms.

For the Digital Services Act that the European Parliament has been working on for similar purposes, some recommendations were made last year for the e-Commerce Directive EU. Focusing especially on data security and the protection of competition, these recommendations and similar studies should be discussed in Turkey as well, and recommendations suitable for Turkey should be considered in the legal context, taking into account the market regulatory impacts.





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