Booming e-Commerce: Is That a Fight with Regulations & Perceptions?

Dr. Leyla KESER
Director
• Strengths/Opportunities of Turkish e-Commerce Market
E-Commerce in Turkey 2015
E-Commerce Market Size in Turkey

TRY (bn)

Year | Online Legal Betting | Travel | Multi-channel Retail | Pure Online Retail | Total
---|----------------------|--------|----------------------|--------------------|-------
2013 | 1.6%                | 5.1%   | 2.3%                 | 5%                 | 14.0% |
2014 | 2.1%                | 6.8%   | 3.5%                 | 6.5%               | 18.9% |
2015 | 2.5%                | 8.9%   | 4.8%                 | 8.5%               | 24.7% |

Non-Retail: 11.4 TRY (bn)
Retail: 13.3 TRY (bn)

*Figures exclude VAT*

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• Ecommerce in Turkey reaches €6.34 billion
• The ecommerce volume in Turkey has reached 18.9 billion Turkish liras (6.34 billion euros) last year, after it increased by 35 percent in 2014 compared to the previous year. Ecommerce in Turkey now represents 1.6 percent of all retail business in the European country.
E-Commerce Market Size in Turkey
Category mix and number of sites

2014

18,9 TRY (bn)

34% (384 sites)
19% (272 sites)

36% (326 sites)

2015

24,7 TRY (bn)

34% (365 sites)
20% (385 sites)

36% (129 sites)

Figures exclude VAT

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E-Commerce Market Size in Turkey by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>TRY (bn)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-channel – Travel</td>
<td>7.6</td>
<td>%32</td>
</tr>
<tr>
<td>Online - Marketplace</td>
<td>3.8</td>
<td>%40</td>
</tr>
<tr>
<td>Online – Legal Betting</td>
<td>2.5</td>
<td>%22</td>
</tr>
<tr>
<td>Online – Multi Category</td>
<td>2.2</td>
<td>%28</td>
</tr>
<tr>
<td>Online – Private Shopping</td>
<td>1.8</td>
<td>%27</td>
</tr>
<tr>
<td>Multi-channel – Electronics</td>
<td>1.8</td>
<td>%35</td>
</tr>
<tr>
<td>Online – Travel</td>
<td>1.3</td>
<td>%29</td>
</tr>
<tr>
<td>Multi-channel – Clothing &amp; Footwear</td>
<td>0.8</td>
<td>%25</td>
</tr>
<tr>
<td>Online – Vertical</td>
<td>0.7</td>
<td>%17</td>
</tr>
<tr>
<td>Multi-channel – Home &amp; Furnishing</td>
<td>0.5</td>
<td>%34</td>
</tr>
<tr>
<td>Multi-channel – Entertainment &amp; Culture</td>
<td>0.3</td>
<td>%27</td>
</tr>
<tr>
<td>Multi-channel – Others</td>
<td>1.3</td>
<td>%36</td>
</tr>
</tbody>
</table>

*Figures exclude VAT. Totals may not add due to rounding.*
# E-Commerce Comparison (2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Online Retail / Total Retail</th>
<th>Internet Penetration</th>
<th>Mobile Broadband Penetration</th>
<th>Online Shoppers</th>
<th>Mobile Shoppers</th>
<th>Income per capita K USD</th>
<th>Population (mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>12.6%</td>
<td>92%</td>
<td>79%</td>
<td>77%</td>
<td>27%</td>
<td>41.2</td>
<td>65.1</td>
</tr>
<tr>
<td>USA</td>
<td>9.2%</td>
<td>88%</td>
<td>88%</td>
<td>66%</td>
<td>26%</td>
<td>55.8</td>
<td>323.7</td>
</tr>
<tr>
<td>Germany</td>
<td>7.9%</td>
<td>88%</td>
<td>71%</td>
<td>74%</td>
<td>20%</td>
<td>46.9</td>
<td>81.8</td>
</tr>
<tr>
<td>France</td>
<td>6.8%</td>
<td>86%</td>
<td>74%</td>
<td>64%</td>
<td>16%</td>
<td>41.2</td>
<td>66.7</td>
</tr>
<tr>
<td>Japan</td>
<td>7.2%</td>
<td>91%</td>
<td>98%</td>
<td>55%</td>
<td>13%</td>
<td>38.1</td>
<td>127.0</td>
</tr>
<tr>
<td>Spain</td>
<td>3.3%</td>
<td>80%</td>
<td>69%</td>
<td>57%</td>
<td>27%</td>
<td>34.8</td>
<td>46.4</td>
</tr>
<tr>
<td>Italy</td>
<td>2.6%</td>
<td>65%</td>
<td>70%</td>
<td>49%</td>
<td>23%</td>
<td>35.7</td>
<td>60.8</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>%7.1</strong></td>
<td></td>
<td></td>
<td></td>
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<th>Income per capita K USD</th>
<th>Population (mn)</th>
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</thead>
<tbody>
<tr>
<td>China</td>
<td>9.7%</td>
<td>51%</td>
<td>62%</td>
<td>44%</td>
<td>34%</td>
<td>14.1</td>
<td>1.376</td>
</tr>
<tr>
<td>Poland</td>
<td>6.8%</td>
<td>71%</td>
<td>65%</td>
<td>53%</td>
<td>20%</td>
<td>26.5</td>
<td>38.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>4.1%</td>
<td>64%</td>
<td>73%</td>
<td>44%</td>
<td>21%</td>
<td>15.6</td>
<td>206.2</td>
</tr>
<tr>
<td>Russia</td>
<td>3.8%</td>
<td>71%</td>
<td>41%</td>
<td>48%</td>
<td>15%</td>
<td>25.4</td>
<td>146.6</td>
</tr>
<tr>
<td>India</td>
<td>1.9%</td>
<td>27%</td>
<td>15%</td>
<td>23%</td>
<td>17%</td>
<td>6.2</td>
<td>1.289.7</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>%5.1</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

|                     |                              |                      |                              |                 |                 |                         |                 |
| Turkey – 2014       | 1.6%                         | 54%                  | 42%                          | 33%             | 19%             | 19.7                    | 77.7            |
| Turkey - 2015       | 2.0%                         | 62%                  | 50%                          | 39%             | 24%             | 20.4                    | 78.7            |

Income per capita calculated based on purchasing power parity. Online shoppers include those who shopped online one month ago. Online retail / total retail rate calculated by dividing retail commerce size used in this study over total retail sector size in Turkey. Sources: EU, Euromonitor, Statista, IMF, Global Web Index Q1 2014, InternetLiveStats Q4 2015, TÜİK and Deloitte analysis; data from 2015. Internet penetration in Turkey derived from BTK and calculated by total subscribers divided by population. Mobile broadband penetration consists of 3G and 4G subscribers. Data is gathered from GSMA Intelligence for other countries and BTK for Turkey. Mobile shoppers calculated considering Internet users who shopped online one month ago 2015 Q1.
E-Commerce Comparison (2015)

Online shoppers include those who reported that they shopped online one month ago. Online retail/total retail rate calculated by dividing retail commerce size used in this study over total retail sector size in Turkey. Percentages next to country names reflect share of online retail in total retail. Flag sizes represent the size of this rate.

- Turkey (2015): 4.1%
- Turkey (2014): 1.6%
- China: 9.7%
- India: 1.9%
- Brazil: 4.1%
- Russia: 3.8%
- Japan: 7.2%
- Germany: 7.9%
- France: 6.8%
- Poland: 6.8%
- Italy: 2.8%
- U.K.: 12%
- Developing Countries: 5.1%

Internet Penetration (2015)

Resources: Euromonitor, Statista, IMF, Global Web Index Q1 2016, InternetLiveStats.com Q1 2015, TÜKB and Deloitte analysis; date belongs to 2015. Internet penetration rate derived from BTK for Turkey and calculated by dividing total subscribers over population.
Key Takeaways as of 2016

- Revenue in the "eCommerce" market amounts to mUSD 6,885.1 in 2016. With a market volume of mUSD 313,980.5 in 2016, most revenue is generated in the United States.
- Revenue is expected to show an annual growth rate (CAGR 2016-2020) of 13.60% resulting in a market volume of mUSD 11,467.7 in 2020.
- The market's largest segment is the segment "Consumer electronics & physical media" with a market volume of mUSD 2,698.0 in 2016.
- User penetration is at 56.96% in 2016 and is expected to hit 71.80% in 2020.
- The average revenue per user (ARPU) currently amounts to USD 206.85.
- The number of users is expected to amount to 44.3m by 2020.

- Source: https://www.statista.com/outlook/243/113/ecommerce/turkey#
• Strengths and Opportunities as to e-Commerce Regulations
Main Responsible Body for e-Commerce
Regulatory Approach of the Ministry of Customs and Trade

• E-Commerce Department of the Ministry works with «Multistakeholder Governance» Model
Weaknesses and Threats as to e-Commerce Regulations

• Fullness of regulatory bodies
  – There is more than one regulatory body regarding e-commerce in Turkey:
    • The Ministry of Customs and Trade (main responsible body)
    • The Ministry of Finance (e-commerce and tax issues)
    • Information and Communication Technologies Authority (Internet actors and main responsibility regime)
    • Banking Regulation and Supervision Agency
• Lack of effective collaboration and communication between authorities
• Overlapping and convergence of regulations and authorities
Paypal’s Turkey Exit
LAW ON PAYMENT AND SECURITY SETTLEMENT SYSTEMS, PAYMENT SERVICES AND ELECTRONIC MONEY INSTITUTIONS dated 2013, Law No: 6493

First text of the Law in 2013 was stating that:

• **ARTICLE 23 – (1)** The system operator, payment institution and electronic money institution shall keep the documents and records related to the issues mentioned on this Law for a period of minimum ten years at a safe place offering access anytime desired in the country. The system operator, payment institution and electronic money institution shall keep the information systems used for conducting the activities and their backups within the country.
• Article 23/(1) has been amended on 27 March 2015. One sentence added to paragraph 1 stating that

• «the procedure and principles regarding information systems used for conducting activities of the system operator, payment institution and electronic money institution to be determined by the Banking Regulation and Supervision Board»
• Communique on the Payment and Security settlement systems, payment services and electronic money institutions indicates the same obligation too:

• Restrictions concerning information systems
  Article 16 – (1) It’s compulsory for all institutions to keep both primary and secondary information systems within the country.
Overarching Tax Approach of the Ministry of Finance

• There is an omnibus bill currently before the Parliament which contains a specific provision as to stamp tax duty and states that:
  • «distant sales contracts are subject to stamp tax duty afterwards»
  • Normally there is an indemnity regarding distant sales on stamp tax duty.
• Food for thoughts
  – Global e-commerce platforms
  – Exchange experiences
  – Creating borderless e-commerce and eliminating market entrance barriers
  – Giving adequate level security and trust for the customers
  – Convergence of regulations and regulatory bodies
Thank you!

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