

Branded Products Best Bets in Turkey's Retail Market

By Ibrahim Sirtioğlu

Turkey has been largely self-sufficient where food is concerned. Out of an estimated \$23 billion in retail food sales in calendar 2002, just 2 percent, or \$416 million worth, were imports.

USDA statistics showed a total of \$674.8 million worth of U.S. agricultural sales to Turkey in 2002, with consumer-oriented products accounting for \$28 million. Calendar 2003 figures show a dramatic jump, up to \$900.7 million in agricultural exports, with a record \$64 million in consumer-oriented foods.

Tree nuts, processed fruits and vegetables, seafood, dairy products, snack foods, chocolate and confectionery products, sauces and pet foods are major U.S. consumer-oriented export items.

There have also been significant amounts of U.S. bulk and intermediate exports—cotton, corn, soybeans (beans, meal and oil) and rice, along with other vegetable oils, animal fats, hides and skins.

Economic, Social Fabric Changing

Though Turkey has traditionally eschewed imports, its food consumption patterns will be changing as income growth, high urbanization rates and the increasing number of women in the workplace influence food trends.

Urban consumers, who are receptive to imports, are more aware of international trends, have higher incomes and have transportation to the large stores. Locally owned retail chains tend to concentrate in smaller towns where imports do not fare as well.



60132

With a per capita income of \$3,300 in 2003, average Turkish consumers usually shop in traditional retail food outlets, *bakkals* (small local markets) and bazaars, where food prices are lower. Their food budget goes mainly for breads, rice, potatoes and pasta products. For the entire population, processed foods make up only 15–20 percent of consumption.

Bakkals sell foods (fresh and prepared) and other products.

The longstanding popularity of bazaars is enhanced by convenient locations and lower prices for a variety of consumer products, such as fresh fruits and vegetables. Though few products at these outlets are imported, fruits not available domestically—such as bananas, kiwis, pineapples, mangos, papayas and recently apples—are sold there. Imported dried

beans and rice are also available since domestic supplies fall short of demand.

With tariffs applied to food imports ranging from 6 to 240 percent, prices in Turkey, especially for imported processed goods, are extremely high.

What Is the Customs Union?

The Customs Union trade agreement between the EU and Turkey became effective in 1996. It creates the closest economic and political relationships between the EU and any non-EU country.

The agreement allows for free movement of goods between the EU and Turkey, eliminating tariffs and quotas. Turkey also adopted the EU's Common External Tariff in its trade with other countries.

Economic Recovery Abets Mega Stores

Turkey’s retail sector has been developing rapidly since the 1980s, concurrent with changes in its economic and social structures. Liberalization of the economy, stimulated by its Customs Union with the EU (European Union) in 1996, has opened the door for further development.

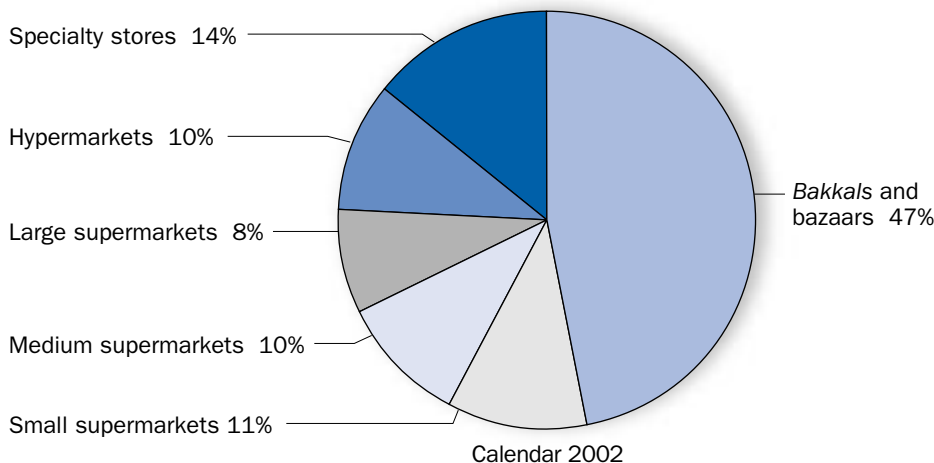
The food retail industry has been greatly affected by these changes. The numbers of traditional *bakkals* and open-air bazaars are declining due to competition from hyper- and supermarket chains and discount stores.

Industry sources estimate that large stores garnered about 42 percent of food retail market sales in 2002. The large stores sell multiple products—household items and durable goods—in addition to foods.

Although only 5-7 million of Turkey’s 68.1 million residents can afford the higher prices in modern stores, their numbers, and market share, are growing.

In 2003, retail food sales increased 4 percent. Since 2001, hyper- and supermarkets have led retail sales growth.

Bakkals Still Lead Retail Sales



The number of food retail outlets has declined by 5,000, down from 230,000 in 2001. *Bakkals* are losing out to modern supermarkets and discount stores.

Fifty retail chains operate in Turkey, and international firms have been buying up some of them. This retail transformation has occurred mainly in large cities, though recent investors in the sector are

targeting medium-sized cities.

Large Western-style outlets have flourished in Istanbul, Ankara, Izmir and other cities such as Adana, Gaziantep, Bursa, Kocaeli, Konya and Mersin.

Though the overall tendency for firms with large stores is to maximize sales of existing outlets, they are opening some new stores. Major chains are providing

Brands and Centralized Retail Sector Key To Entering Turkey’s Market

| Advantages | Challenges |
|--|---|
| A developing retail structure has opened new areas for branded imports | Turkey’s Customs Union with the EU creates a privileged position for EU products. All food imports face arduous documentation requirements. |
| Some U.S. products are better priced than local products, thanks in part to the lower dollar. | Transportation costs are much lower for near-by countries. |
| U.S. products have a good image in Turkey, and U.S. tastes are welcomed. | High import duties add 12-240 percent to bulk product prices and 6-228 percent to processed foods. |
| International retailers who market a wide range of imported products have influence on purchasing patterns | A well-developed local food processing sector supplies most product segments. |
| There is a growing demand for ethnic products such as Tex-Mex, diabetic and other special diet foods. | U.S. food products are under-promoted in Turkey. High shelf fees contribute to high introductory costs. |



consumers with new goods and services—private label foods, Internet purchasing, membership cards—and keeping the popular delivery service always provided by *bakkals*. Supermarkets are also increasing advertising and promotional campaigns.

The market share of hypermarkets and supermarkets is expected to increase from about 40 percent to more than 50 percent by the end of 2005. Protective of smaller owners, the Turkish government has tried to slow down the closure of *bakkals* by limiting new hypermarkets in downtown areas.

European Countries Main Competitors

While imports account for only minimal retail food sales, increasingly varied products are finding their way onto shelves.

European countries, which account for two-thirds of Turkey's food imports, enjoy the advantages of the Customs Union agreement with Turkey. Large retail food chains, owned by European-



282/46

Brands Count in Turkey

The best sales prospects for Turkey's imported food market are well-known, branded products, which account for 30 percent of food imports. Exporters should be particularly sensitive to brand positioning and be prepared to invest in research and marketing support to help importing partners introduce a new product. Successful market entrants include:

- Cocoa and coffee
- Nuts, chocolate and confectionery items
- Wines
- Flour and flour-based products

- Energy and sports drinks
- Breakfast cereals
- Sauces and syrups
- Tex-Mex foods
- Pet foods

These products have strong sales potential, though they are not yet in the marketplace:

- Beer
- Ready-to-eat meals and canned soups
- Gourmet and ethnic foods
- Frozen foods

based companies, also play a role in the dominance by European export firms.

How Distribution Works

As Turkey's food retailing structure moves from small to large outlets (often members of chains), distribution companies are also adapting. Hypermarkets, major supermarkets and discount chains do import a small portion of items directly. But along with smaller outlets, they depend on importers, distributors and agents for most of their imported products. E-commerce is available. Many outlets order domestic and imported products via the Internet for home or business delivery.

Prospective U.S. exporters may contact major supermarket chains directly. It is also useful to contact an independent importer, especially one with nationwide distribution. Food shows are also a good venue for introducing products. Istanbul's GIDA 2004, to be held Sept. 9-12, 2004, is expected to attract 30,000 visitors.

Typically, an importer or agent may also be a wholesaler and/or distributor. Nearly half of the country's distributors have a nationwide network. Thirty percent of major manufacturers have their

own distribution companies operating nationwide.

What About Convenience Stores?

7-Eleven, Inc., is the leading convenience store chain and plans to increase its outlets from 25 to 50 by the end of 2005. Most convenience stores, gas marts and kiosks are individually owned and operate outside any chain marketing system. Convenience stores sell mostly nuts, confectionery items, tobacco and soft drinks. These outlets usually purchase from wholesalers and hypermarkets as well as from importers, agents and distributors. ■

The author is an agricultural marketing specialist with the FAS Office of Agricultural Affairs at the U.S. Consulate, Istanbul, Turkey. Tel.: (011-90-212) 335-9140; Fax: (011-90-212) 335-9077; E-mail: AgIstanbul@usda.gov

For details, see FAS Report TU4005. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

