

E-Commerce Opportunities and Challenges in Turkey

Nuray Terzi

Marmara University, Turkey

INTRODUCTION

E-commerce has been provided by many as an opportunity for developing countries to gain a stronger place in the global trade system. E-commerce has the ability to play an important role in helping developing economies benefit more from trade. Unlike the requirements necessary to run a business from a physical building, e-commerce does not require physical space, or infrastructure investment on the part of the retailer. The only pre-requisite is a well designed web pages to reach consumers. Additionally, e-commerce allows for higher profit margins as the cost of running a business is quite less (World Trade Organization, 2013).

Another advantage provided by e-commerce is that it allows for better customer service. For example, customers could have direct access to their own personal accounts online and can avoid calling companies on the phone. This process can save both time and money. Moreover, customer online services such as overnight package delivery services can also have commercial benefits. These can be complemented by package tracking services which allow customers to check the where about of their packages online. This helps to provide good levels of customer satisfaction with very little effort from the side of the business (World Trade Organization, 2013).

In spite of opportunities, e-commerce also carries some challenges as well at the same time. The major challenges to e-commerce are infrastructural problems, absence of digital law, privacy and security problems, payment issues and digital illiteracy. These challenges affect the development of e-commerce and e-commerce interest of firms and individuals.

With a Gross Domestic Product of \$820 billion, Turkey is the 19th largest economy in the world in 2014, being one of the worlds' most promising and competitive economies, is one of the perfect investment destinations on the region. Turkey is also rapidly growing country with accelerating internet access and staggering penetration of mobile phones. Additionally, Turkey is increasingly becoming attractive to business especially to e-commerce firms that thrive on global and local business models. According to Afra (2013) there are four main driving forces behind this growth: credit card penetration, logistic infrastructure, high mobile internet usage and social young population.

However, the firms in Turkey also face some challenges such as financing problems, lack of e-commerce information, technical problems and regulatory framework. On the one hand, these challenges prevent the development of e-commerce in Turkey, on the other hand, many of these challenges are providing scope for innovation thus driving the market forward.

In this regard, the purpose of this paper is to exhibit e-commerce opportunities and challenges in Turkey. In order to achieve this, first of all, it will be given an overview of e-commerce in Turkey. Next section will explain e-commerce opportunities and challenges in Turkey in terms of economic, technical, social and legal dimensions. Finally, it will be given solutions and recommendations, including conclusion.



BACKGROUND

Turkey is also the 6th largest economy in the EU, in less than a decade per capita income in the country has nearly tripled and now exceeds \$10,000. Although economic growth was slowed by the onset of the global economic crisis in 2008, Turkey continues to be a competitive market in the region. Labor markets have also recovered fast after the crisis and employment rates have also improved on the pre-crisis levels.

Turkey has made considerable advances in competitiveness over the past decade, moving ahead 21 spots to number 45 in Global Competitiveness Index for 2014/2015. Additionally, foreign direct investment has grown from just over \$8.5 billion to an average of \$13 billion in the past five years.

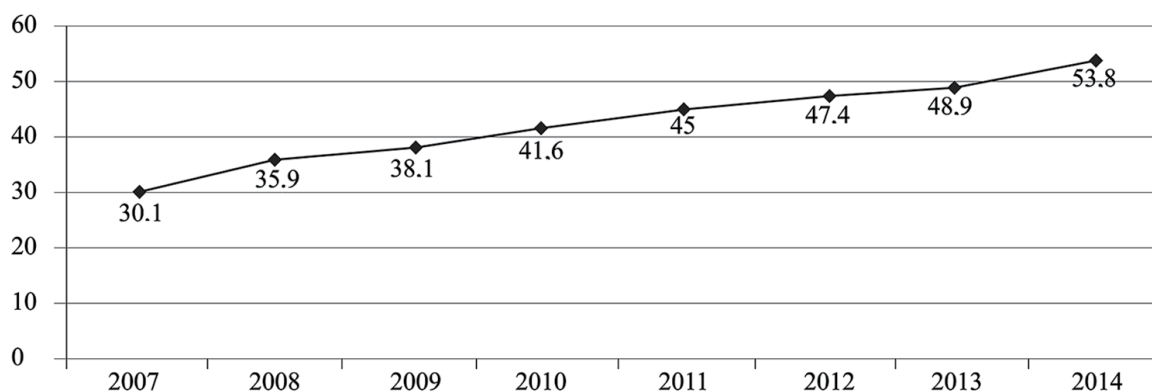
Furthermore, fundamental reforms carried out after 2001 have allowed Turkey's financial sector to remain relatively strong in spite of the global economic crisis. Turkey initiated comprehensive structural reforms in the aftermath of the crisis which would sustain macroeconomic stability, improve economy's resiliency, productiveness and efficiency. These reforms strengthened macroeconomic development. Especially, the soundness of the financial sector provided a buffer against external shocks.

Moreover, Turkey's impressive economic performance over the past decade has encouraged experts and international institutions to make confident projections about Turkey's economic future. For example, according to the OECD, Turkey is expected to be the fastest growing economy of the OECD members during 2012-2017, with an annual average growth rate of 5.2 percent. In summary, economic development and financial stability make Turkey an integral part and one of the key players of the global economic and financial system.

In Turkey, the population is estimated 77.6 million in 2014. Internet users have also increasingly risen since the 2000's. The share of the internet usage reached 53.8% between 16 and 74 age group in total population in 2014 (see Figure 1). While the share of the internet usage of male is 63.5%, same share is 44.1% in female. Turkey has a huge potential in terms of internet users. Euromonitor International (2013) also estimates internet usage to rise 27.5 percent between 2012 and 2017, driving e-commerce.

According to a study, internet users per 100 people in Turkey is 46.3 in 2013 which puts Turkey in 18th place in the global ranking of countries and 5th place in European ranking of countries with the highest member of Internet-users (Euromonitor International, 2013). This also signs an important potential to develop e-commerce market, globally.

Figure 1. The share of Internet usage in Turkey
Turkish Statistical Institute, 2014.



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