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Retail Food Sector

Turkey Retail Sector Market Brief

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Report Highlights:
The Turkish retail food sector has grown at a remarkable speed during the last five years. Leading organized food chains in Turkey are increasing their number of stores and are acquiring smaller chains. Foreign-owned chains are also investing in Turkish stores to control a larger share of this growing market. The size of the local retail food market was estimated at US $29 billion in 2005.

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I. Executive Summary

The retail sector is one of the leading sectors in the Turkish economy. Industry sources estimate the total retail 2005 volume as US $70 billion, 40 percent higher than that of 2000. According to data from Migros, one of the leading actors in the retail sector, approximately 2.5 million people are working in the retail sector and there are around 170,000 selling points. Of the US $70 billion, approximately US $29 billion is the estimated volume for the retail food market. Currently, traditional food sellers, mainly open-air bazaars and *bakkal*s, are estimated to control 58 percent of the market, and organized modern markets compose 42 percent. It is calculated that modern retail stores are increasing their market share on average about two percent per year and by the year 2010 modern stores are expected to control the majority of the market. The still very high share of traditional businesses in the overall retail sector has resulted in not very reliable turnover information for the sector. Unregistered economy has been present for a long time in open-air bazaars and small stores called *bakkal*s throughout the country.

The Turkish economy has enjoyed ~~a~~ non-stop growth for the last five years since the severe economic crisis of 2001. The inflation rate has dropped from 29.7 percent in 2002 to 9.5 percent in 2006, and per capita income reached US $5,350. In current prices, the GDP for the first three quarters of 2006 reached US $290.2 billion, from US $174 billion in 2002. Positive economic developments, widespread positive perception and expectations through Turkey, and a significant increase in purchasing power, have dramatically affected consumption trends. As of November 2006, Turkish consumption/saving rate had changed in favor of consumption from 86%/13% to 73%/26% of 2003.

The Turkish food retail market has also had robust economic growth recently. The sales of large food retailers have risen and new hyper and supermarkets are continuing to open up with great speed. According to the Turkish Shopping Centers and Retailers Council, by the end of 2006, the number of modern shopping malls in Turkey reached 129, the majority of which were built during the last five years. It is also indicated that there are about 68 new malls under construction all around Turkey and about 80 are at the project stage. Positive economic conditions increased the number of car owners, which increased mobility and contributed to the increase in modern food retail sales. Additionally, decline in credit card interest rates triggered the utilization of credit cards in the modern food markets. Moreover, the member discount cards of modern retailers became very popular since their introduction in 1998 and have improved buyer's loyalty and have boosted sales.

Although there have been lots of improvements in the economic sector, various obstacles remain that hinder growth in the retail sector. High prices for processed food, high food import taxes and unequal income distribution still continue to be problems that curtail further increases in modern retail sales. On the other hand, some products show dynamism and growth potential in Turkish food retail sector. Alcoholic beverages especially beer and wine, and functional products are some of the top prospects.

The classification of food retail outlets in this study is based on outlet size:

Hypermarkets	: Over 2,500 square metres (m2),
Large Supermarkets	: Between 1000 and 2,500 m2
Supermarkets	: 400 to 1000 m2
Small Supermarkets	: Less than 400 m2
Markets	: 100 to 50 m2
*Bakkal*s	: 50 or less m2.
Convenience & gas station stores	: Similar in size to *bakkal*s and markets

II. The Retail Sector Profile

According to trade sources the total number of food retail outlets, including convenience stores in Turkey were reduced to 167,415 in 2006 compared to 198,500 in 2001. The change is due to modern supermarkets and discount stores replacing traditional stores, which are grocery retailers, called *bakkal*s (mom and pop stores).

According to industry sources, in 2005, *Bakkal*s and markets were the leaders in food sales in 2005 with 43.5 percent market share, followed by small supermarkets (14 percent), supermarkets (13 percent), large supermarkets (10.5 percent), and hypermarkets (8 percent). The remaining 11 percent belongs to the specialist food retailers and convenience stores. Combined, the all supermarkets, including small and hypermarkets make up almost 46 percent of the market share of food sales.

TURKEY: Market share of retailers in food sales (Organized and Traditional)					
	2000	**2001**	**2002**	**2003**	**2005**
Hypermarkets	8	9.5	9.6	10	8
Larger, Medium, Small S. Markets	20	25	27.5	31	37.5
Markets	10	9.5	9.4	9	8
***Bakkal*s**	48	42	40.5	36	35.5
Others (Convenience Stores, Kiosks, gas stations)	14	14	13	14	11
Source: Industry sources					

Based on industry sources, Post estimates that at the end of 2006 there were 6,500 various size supermarkets in Turkey of which 165 were hypermarkets. While the number of neighbourhood small grocery shops (*Bakkal*s) declined to 115,000 in 2006 compared to 165,000 ten years ago. The number of supermarket and markets estimated to have reached 20,000 from 12,065 during the same period. Even though the number of hypermarkets increased more than four folds between 1996 and 2005 its growth rate slowed down in the last five years due to the cost and lack of availability of land in big cities.

Although the share of *bakkal*s and markets decreased from 76 percent to 35 percent between 1994 and 2005, this segment is still estimated to boast about US $9 billion in sales. But the growth in larger outlets is having an impact on the *bakkal*s, with an increasing number of them closing. Over the coming few years it is expected that the market share of *bakkal*s will fall below 30 percent. Similar to the western world in the future the Turkish retail food sector will be dominated by major hypermarket and hard discount chains lead by Migros, Carrefour SA, Metro, BIM, Tesco, Begendik, etc.

TURKEY: Number of Food Retail Stores						
	1996	**1998**	**2000**	**2002**	**2004**	**2006***
Hyper-markets	40	90	130	151	152	165
Large, Medium, Small Supermarkets	1,275	2,045	2,850	3,855	4,660	6,500
Markets	10,750	12,190	13,230	13,555	15,200	14,750
Bakkals	164,365	155,420	136,760	122,340	122,790	115,000
Others (Gas stations, Kiosks Connivance stores, etc.)	22,030	24,375	26,505	23,170	29,685	31,000
TOTAL	198,460	194,120	179,475	163,070	172,487	167,415
*Post estimate						
Source: Industry sources						

Hard discount stores also grew rapidly since 2001 attracting low-income groups. In fact, the number of BIM stores, the biggest discount store chain, reached 1,470 by the end of 2006, from 400 stores in 2000.

A. Trends in Products and Services

Trends in products and services provided by the major chains include private label food items, phone and Internet purchase and delivery and membership cards. According to press releases, Turkey is one of the fastest in the world in the growth of private labels, with an annual growth of 22 percent and turnover reaching US $700 million. Additionally in order to increase their sales, large supermarkets started various promotion programs and increased their spending on advertising.

As a consequence of the rise in their market share, supermarkets have strengthened their bargaining power over suppliers of both food and non-food products and even further established their position through the recent consolidation process. This shift in balance of power has also benefited the supermarket customers because the average increase in prices was only five percent while the national inflation rate was close to 10 percent in 2006. Retailers benefited even more. Migros, for instance, whose shares are listed in the stock market, announced that it increased its activity profit by 218 percent in 2006.

Bakkals are trying to fight back by diversifying services and products and have moved their product range toward fast moving items such as candy bars, biscuits, snacks, soft drinks and cigarettes. They also started to market provincial items from countryside such as local cheeses, honey and home made ready to consume food items.

B. U.S. Retail Food Product Exports

Since 2001, consumer-oriented agricultural imports to Turkey have increased at a modest rate. While imports only account for only about 3 percent of retail food sales, an increasing variety of products are finding their way onto the shelves. However, Turkish customers tend to temporarily boycott imports from a particular country in response to political issues; for instance, consumers recently boycotted Italian and French products for different political reasons. The economic repercussions of these boycotts, however, remained very insignificant.

Consumer-Oriented Agricultural Imports From All Sources,						
	1996	2000	2003	2004	2005*	2006*
(US$ million)	353.7	415.6	510	700	915	1060
Source: UN Trade Statistics from 1996 to 2004 ****Turkish Statistical Institute for 2005 and 2006***						

According to UN Data, U.S. retail food product exports had about 6 percent share of total consumer oriented food imports to Turkey in 2006. Tree nuts, dairy products, snack foods, chocolate and confectionary goods and sauces were the major U.S. export items. Additionally there has been significant amount of U.S. rice, oilseeds and products, corn, nuts, cereals, and pulses exported to Turkey.

The following is a summary of the advantages and challenges facing U.S. exporters examining the retail food sector in Turkey:

Advantages	Challenges
Increased preference for organized retail stores leads consumers to discover new products, and to become more aware of imported brands.	Customs Union with the EU created price advantage with lower import duties and regulatory advantage with harmonization of regulations to member countries.
Some U.S. products are better priced than local products, such as pulses. Lower value of dollar against the Turkish lira in recent months made some U.S. products more attractive.	European and other neighbouring countries enjoy freight costs and shipping time advantages in their exports to Turkey.
The significant increase in purchasing power and improvements in the macro economy combined with the good reputation of U.S. food products will lead to a constant increase in U.S.A. agricultural sales to Turkey.	There are high import duties on many agricultural products. (Between 0 percent to 135 percent on bulk agricultural commodity products and 0 percent to 170 percent on processed food products)
International retailers who market a wide range of imported products in the sector have positive influence on purchasing patterns.	Local food processing sector is a well developed one and high quality goods are sold with competitive prices. Rich diversity in agricultural production provides ingredients for mainly all sub-sectors.
There is a growing demand for specialized products such as Tex-Mex, diabetic and diet foods, ready-to-eat foods and frozen food, which are imported, as well as locally produced.	U.S. food products are weakly promoted in Turkey. High shelf fees charged by the large chains lead to high costs for introducing new products.
Dynamism in demand is most significant in functional products. Turkey's functional food sector is expected to reach US$ 50 million in 2007 by industry sources.	Organized retails have reinforced their position against the suppliers with the recent consolidation process. In the lack of a legal infrastructure to regulate the sector, supermarkets tend to over charge suppliers for market entry.

III. The Actors of the Organized Retail Sector

A. Supermarkets

1. Local Supermarket Chains

The biggest supermarket chain in Turkey, Migros A.S., is 100 percent owned by one of the biggest conglomerates in Turkey, Koc Group. Migros A.S. is composed of four different store varieties: M Migros stores are small supermarkets for basic needs and less non-food products; there are 81 of them around Turkey. MM Migros stores are bigger in size and wider in variety for both food and non-food products. There are 84 of them nationwide. MMM Migros stores are big supermarkets, where delicatessen products, electrical household, white goods, dry cleaning services are also provided. There are 35 MMM Migros stores nationwide. There are 5 Migros Shopping malls in Turkey, which include specialized stores, food courts, movie theatres and Migros supermarkets.

Macrocenter is another supermarket brand of the group operating only in Istanbul in the most luxurious neighbourhoods with 8 stores. High quality delicatessen products, imported processed foods, higher quality red meat products, wider range of pork and Kosher food products can be found in Macrocenters.

Migros has acquired its competitor Tansas and its discount store Sok in 2005 and has kept the brands name. Currently there are 354 nationwide Sok stores and 232 Tansas stores operating in Turkey.

In February 2007, Migros acquired Yonca Supermarket Chain out of two developed Southern cities: Adana and Mersin. Migros also opened 9 new stores in the first two months of 2007.

2. Foreign Supermarket Chains

Carrefour, a French chain, came to the Turkish market in 1993 and three years later became partners with Sabanci Group, Koc's competitor and a leading conglomerate in Turkey. Together, the Carrefour – Sabanci merger became CarrefourSA. Currently, it has 470 outlets and its 2006 volume is estimated as US $1.7 billion. After its acquisition of Gima in 2005, CarrefourSA recently acquired a regional supermarket chain called Metropol Bahar, with 5 stores in Corum, a small city in the Black Sea Region.

Metro Group of Germany is the first foreign investor in retail sector in Turkey. The group has been active in Turkey since 1990, with Metro Cash & Carry and Real Hypermarkets. However, Real Hypermarkets mainly carry non-food products and specialize in household supplies. Metro Cash & Carry on the other hand is not a supermarket retailer, rather is only open to professional commercial customers such as hotel, restaurant and kiosk operators, caterers and small food retailers. Metro Group's 2005 volume is US $1.1 billion, almost 30 percent higher than its 2004 volume.

Tesco, a UK company, acquired the small Turkish chain, Kipa, in the Izmir region in November 2003. Tesco attributes "the growth potential of the organized retail sector, rather than the economic situation of the country" as the reason for entering the market at this time. Tesco's 2005 volume is about US $310 million, and 2006 sales are estimated to reach US $700 million due to increase number of stores.

3. Mergers and Acquisitions

The Turkish supermarkets chains underwent a rapid consolidation process in 2005. The acquisitions started when two Fiba Group companies; Gima, number five chain in Turkey and its discount store brand Endi, entered the market. Turkey's two biggest group of companies, that were already involved in the retailing business, Sabanci Group with 40 percent share in CarrefourSA, and Koc Group, owner of Migros Turk A.S., both wanted to acquire Gima, even though it was not making any profit at that time. This unusual competition of the two biggest local conglomerates is a significant symbol of the retailing sector's growth potential. Eventually, CarrefourSA acquired 60 percent of Gima and 82 percent of Endi on May 3, 2005 for US $135 million. CarrefourSA kept the Gima and Endi brand names.

The second important merger in the sector was in November 2005 when the number one chain, Migros purchased Tansas, the number four chain. Migros acquired 71 percent of Tansas shares for US $387 million and kept the Tansas store brands.

There were also mergers and acquisitions among smaller food chains. In 2005, Kiler, a local chain out of Istanbul bought another local chain Canerler in Ankara. The names of all of the stores were changed to Kiler. In February 2007, one Ankara based supermarket chain, Makromarket, acquired another Ankara based supermarket chain, Nazar. This trend in acquisitions among the supermarket retailers is expected to continue in the coming years, especially in the stores with 400-1000 m^2. Industry sources explain that companies are trying to increase their economies of scale and market penetration by acquiring smaller retailers rather than opening new stores.

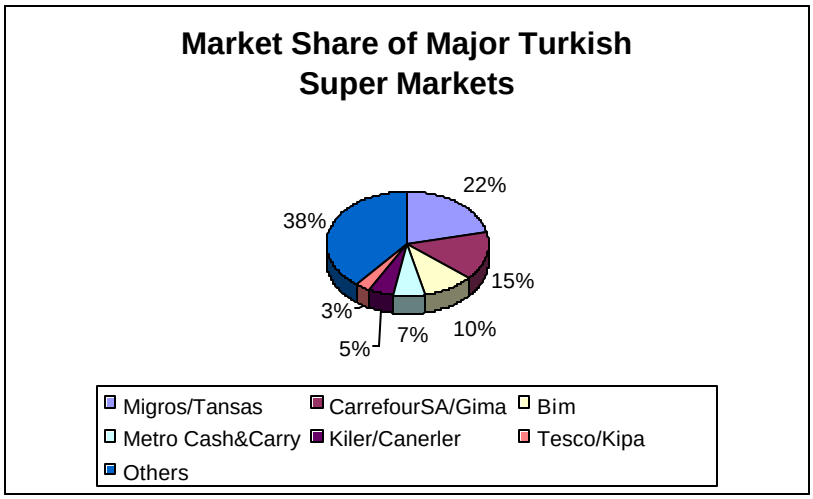
For several years, there has been frequent speculation by the media that Migros will be acquired by Wal-Mart. Although never confirmed by neither Koc Group nor Wal-Mart officials, the speculation is that Koc Group and Wal-Mart started negotiations in 2004, and Wal-Mart asked Migros to enlarge its market share before the acquisition takes place. It is further argued by leading Turkish newspapers that this is the main reason for Migros's acquisition of Tansas. During 2006, especially in September, there were news reports arguing that the executives of these companies claimed that the leading banks and foreign investment consulting companies were in competition to mediate the acquisition.

Per leading media sources, Tesco has also expressed interest in analyzing Migros' company documents for acquisition, and that process is also under way. Migros Turk A.S. has denied all the news related to negotiations with both Tesco and Wal-Mart. However, the honorary president of the group later acknowledged that talks between Koc Group and Wal-Mart are at the "middle managers level."

Besides the foreign investors growing interest in Turkish retail sector, Turkish retail company, Migros Turk A.S. currently has 77 outlets outside Turkey; three in Azerbaijan, 61 in Russia, seven in Kazakhstan, three in Bulgaria, two in Macedonia, and one in Kyrgyzstan. It is further argued my media sources that Migros's positive reputation and popularity in Russia, is one of the reasons for Wal-Mart's interest with it.

4. Market Shares of the Supermarkets

Currently, Migros holds the biggest share in the Turkish organized retail sector with a market share slightly exceeding 22 percent. This is the total turnover for all local Migros, Tansas, Sok, and Macrocenter stores. Migros' turnover in other countries is not taken into consideration. Migros is followed by CarrefourSA, whose market share is 15 percent, and by the hard discount store BIM, which takes up 10 percent of the market with its 1470 stores. The share of small and medium sized, local and national supermarkets is around 40 percent.



Source: Websites of the major supermarkets.

All the leading food chains are increasing their number of stores in a very aggressive style; for example, Migros opened two stores weekly in 2006 and plans to open an additional 100 stores in 2007. Smaller chains have also increased their sales during the last few years and now their total sales value is estimated to reach US $8 billion. Industry sources expect other mergers in this group similar to the Kiler–Caner merger. Among the local chains, Afra, Pehlivanoglu, Begendik, and Yimpas are reported to have experienced large growth rates, for example Yimpas grew by 40 percent in 2005. Large western-style retail outlets continue to flourish in Istanbul, Ankara and Izmir, and in other large cities such as Adana, Gaziantep, Bursa, Kocaeli, Konya and Mersin. Leading chains plan to open stores in every Turkish town with population above 500,000.

As the competition got tougher, some players were forced to leave the business. Oypa, for instance, had to sell all of its fourteen stores to other chains, and left the retail food sector completely in 2002.

Below is a list of major supermarkets in Turkey, listed in the order of their turnover volume.

Major Supermarket Chains in Turkey

Company Name	*Type of Outlet*	*Ownership*	*Turn-over US$*	*Number of Outlets-2006*	*Location*	*Purchasing Agent*
Migros A.S.	Hyper-3M Migros, Super-2M Migros, Discount- Sok, E-trade-Kangurum.com, Niche Market-Macro Markets	Turkish	Total sales 2006 US $3.3 billion Domestic sales US $2.3 billion Foreign sales US$ 1 billion	869: 792 in Turkey, 61 in Russia, 16 in CIS, Bulgaria and Macedonia	Nationwide & International	Direct & Importers
CarrefourSA	Hyper-Carrefour Super-Champion&Gima Discount-Endi	French 60% Turkish 40%	US $1.7 billion (CY 2006)	470	Nationwide	Importers
BIM A.S.	Hard-discount stores	Turkish	US $1.5 billion (CY 2006)	1,470	Nationwide	Importers
Metro & Real	Hypermarkets	Germany	US $1.2 billion (CY 2005)	Total 16 9 Metro C&C 7 Real	Nationwide	Importers
Tesco-Kipa	Hyper and Express stores	U.K. 93% Turkish 7%	US $700 mil. (CY 2006)	22	Izmir, Konya, Antalya, Corlu	Importers, Agents
Kiler	Supermarkets	Turkish	US $500 mil. (CY 2006)	110	Nationwide	Importers
Yimpas	Hyper & supermarkets	Turkish	US $450 mil. * (CY 2004)	36-Local 2-Intl. (CIS)	Nationwide & Intl.	Importers, Agents
Pehlivanoglu	Supermarkets	Turkish	US $300 mil. (CY 2006)	82	Aegean Region	Importers, Agents
Afra	Hypermarkets	Turkish	US $300 mil. (CY 2006)	43	Konya, Antalya Samsun, Sudan	Importers, Agents
Ismar	Supermarkets	Turkish	US $250 mil. *	12	Istanbul, Eskisehir, Sanliurfa	Importers, Agents
Adese	Supermarkets	Turkish	US $230 mil. (CY 2006)	30	Konya, Ankara	Importers, Agents
Begendik	Hyper & supermarkets	Turkish	US $100 mil. (CY 2006)	12	Kayseri 9, Ankara Nigde, Kirsehir	Importers, Agents
PM	Discount	Turkish	US $120 mil. (CY 2004)	74	Marmara Region	Importers, Agents

Source: Major supermarket Websites of the retailers, press releases

* Industry estimates

5. Distribution Channels

Although distribution options vary depending on the product involved, the typical product goes through the following stages to reach the consumer: manufacturer/importer - distribution company/department - large-scale wholesaler - wholesaler/distributor - retail unit. Typically, an importer or agent may also be a wholesaler and/or distributor imports products. A significant number of distributors offer nationwide service. National distributors distribute the majority of the total food and other consumer goods. Most hypermarkets import only a fraction of their total imported products directly; they generally purchase through other distribution channels. Imported goods constitute around three percent of the total food products turnover of the retail sector.

6. Draft Law on Supermarkets Regulations

There have been a couple of attempts by the government to slow down the closure of *bakkals* (small neighborhood grocers) by limiting new hypermarkets in the downtown areas but neither of the attempts have been successful. The most important attempt has been the draft law prepared by the Ministry of Industry and Commerce (MIC) in October 2003. This law has been at the proposal stage for three years and the organized retail industry opposes its coming into force. This draft law regulates the establishments, commercial activities and monitoring of big supermarkets, defined as stores constituting an area over 400 m^2. The envisaged articles make it more complicated for the super and hypermarkets to re-locate in central places, and aims to move them to the suburbs.

The draft law proposes standards such as minimum space for parking areas. The draft also implies the limitation of working hours for the supermarkets, like closing them earlier in the evenings and during national holidays. According to the draft, the total turnover of supermarkets self-branded products can't exceed 40 percent of the total sales. It also would regulate the payment schedules of supermarkets to the suppliers. This draft sets forth latest payment dates depending on the product. In recent years, supermarkets' bargaining power against suppliers have increased immensely as a result of consolidations and increased sales. Supermarkets tend to take advantage of this situation by deferring payments to the suppliers whenever possible. If this law comes into force, consumers will have further reasons to prefer traditional retails to supermarkets, because these smaller stores would not be limited by the restrictive measures regarding location and working hours.

B. Convenience Stores, Gas Station Mini-Marts, Kiosks, Etc.

It is estimated that there are about 5,000 gas station markets in Turkey and the number is expected to double in five years. Below is a list of the most popular gas station markets and convenience stores in Turkey.

1. There are about 500 stores in gas stations belong to BP, some of which have fast food chains such as Burger King and McDonald's along with a grocers store. BP plans to add about 50 new stores to its gas stations annually.
2. Shell Co. has stores in about 450 of their gas station and plans to open up about 30 stores per year.
3. Local gas company Turcas has stores in about 500 of its gas stations and is expected to add 50 new stores per year.
4. Elf Gas Co. has an agreement with local small market chain Marketing Co. and has stores in 150 stations.
5. Seven Eleven is the leading organized convenience-type store chains in Turkey, since 1995. The new Seven Eleven owner, Opet, plans to increase the number of outlets throughout Turkey in coming years as well.

1. Distribution Channels

Since this category is currently fragmented with limited sales volume, outlets cannot purchase from first hand distribution units or import directly. They buy from wholesalers, hypermarkets, as well as importers, agents and/or distributors.

IV. Actors in Traditional Markets

Bakkals, certain types of convenience stores, and open-air bazaars are forms of traditional outlets in Turkey. *Bakkals* are small outlets around 50m^2, located in most neighborhoods all over the country. The majority of daily household and personal care consumption products can be found in *bakkals*, yet with few brand alternatives. It is difficult to know the exact number of *bakkals* and small markets, and their share in the economy. Turkish Chamber of *Bakkals* has 155,000 members but not all are active in the business. Also *bakkals* owners tend to name their outlet "market" to create a modern reputation, and they are then registered to other Chambers.

Additionally, the unregistered economy's share is significant in small-scale businesses in the retail sector. The legal infrastructure enabling to better monitor these establishments has come into force with law number 5362, on August 2005. Within this framework, the names of the business are set forth in advance, and the control over the registration numbers of work places has been reinforced.

Open-air bazaars mainly concentrate on fresh vegetables and fruits. *Bakkals*, open-air bazaars, and small convenience stores are still preferred by the majority of Turkish consumers. Two main reasons for this preference are: *bakkals* and convenience stores are in convenient locations close to home and corner bazaars offer a wide variety of products, fresh fruits and vegetables, clothing, over-the-counter products and personal care products at low prices.

A. Distribution Channels

Bakkals and convenience stores are supplied from various channels including distributors, agents, wholesalers, small wholesalers, and hypermarkets. Open-air bazaars obtain supplies from farmers; specialty wholesalers (vegetables and fruits) and small wholesalers typically deal with other products.

The sale of imported food items is much lower in traditional markets than in supermarkets, due to a different customer base. There is little import of fruit into Turkey, other than tropical products such as bananas, pineapples, mangos, and papayas. Imported bananas and kiwis are also available at traditional markets whereas mangos and papayas are still for luxury consumption, and are only available at big supermarkets and specialty retail outlets. Turkey has recently started to import foreign apples as a luxury item.

In *bakkals* and open-air bazaars, only imported bulk commodity products such as pulses and rice can be found since these traditional retailers sell basic food products rather than processed goods.

V. ROAD MAP FOR MARKET ENTRY

Turkey's highly fragmented food-retailing structure is in a period of transition, moving from individually-owned small outlets such as *bakkals*, to large outlets. As the industry changes, the supply chain adapts to the changes. Hypermarkets, major supermarket and hard

discount chains import limited number of their needs directly, whereas smaller outlets depend on intermediaries like importers, distributors, and agents for all of their imported supplies. Even though a new-to-market exporter can directly approach major supermarket chains, interviews with supermarkets' and hypermarkets' purchasing departments reveal that organized retails prefer to work with a local importer rather than importing directly.

Within the framework of their strengthened position, supermarkets are now less flexible with suppliers in terms of the entrance fees, or commissions over sales. Industry sources stae that these entrace fees are paid by almost all new-to-market suppliers but, these prices are still almost always negotiable. Industry sources also indicated that, retail stores ask roughly around 30 percent of regular sales from the suppliers, which is again open to negotiations.

It is therefore very useful to get in contact with importers, especially those with nationwide distribution services while entering the Turkish retail market, since their personal relations with the retailers could create price advantages. Moreover, in order to make sure that the products are placed in a visible shelf, sales representatives of companies pay regular visits to supermarkets, and they try to establish good relations with related floorwalkers. A local partner is therefore crucial to organize regular visits to the stores like local competitors do and sustain that the products are visible and replaced in better shelves if possible.

The general tendency of the Turkish super and hypermarkets is to place the most demanded products such as grains, pasta, flour, sugar, rice, baby food, in hard to reach areas so, consumers can notice other products, and buy them, while looking for their priority needs. So, products like confectionary, and chocolate bars, breakfast cereals, and snack food and soft beverages are placed in more central parts of the stores.

A list of major Turkish food importers can be obtained from TUGIDER (Association of Food Importers) or from FAS Ankara. TUGIDER has 134 members and represents a majority of Turkish food importers. This organization can be contacted at (90) (212) 347-2560, via fax (90) (212) 347-2570, or at ***www.tugider.org.tr***.

DEIK (the Foreign Economic Relations Board) assists Turkish businesses that are interested in moving into international trade and is also an affective source to network in the Turkish business community. DEIK can be contacted at (90) (212) 339-5000, via fax (90) (212) 270-4190, or at ***www.deik.org.tr***.

U.S. exporters are highly recommended to participate in food shows in Turkey. The leading food show in Turkey is **FOOD 2007,** which is organized by CNR (www.cnr.net). It typically attracts 35,000 visitors and scheduled to take place during September 2007 in Istanbul.

A. Supermarket Promotion Activities

Organizing supermarket promotion activities is higly recommended for new-to-market companies. Such activities is also useful for companies who have entered the Turkish market previously for the sustainibility of product awareness.

According to one survey conducted by Thrace University in 2005 called " Market analysis of factors influencing Turkey rice trade and consumption", approximately 80 percent of the 2,000 interviewed consumers found in-store promotions and taste events very efficient means to introduce a product and these events were motivating them to buy or try the product. This survey takes U.S. rice promotion activities as a case study. It outlines that promotion activities on rice, conducted in several super and hypermarkets and in several cities resulted in a 30 percent increase in product awareness. The survey argues that for rice, consumers do not have brand consciousness, rather, there are rice type preferences.

During U.S. rice promotion activities for instance, there was an emphasis on the "Calrose logo". Industry sources indicate that creating an awareness to this logo is very important, however this awareness should be sustainable by more in-store activities.

Industry sources that actively participated in these rice promotion campaigns summarized key points for a successful campaign of an American food product in Turkey:

- **Choosing the right staff*:*** Hiring stand stewards, appropriate for the promoted product is important. For example, women consumers interviewed after a U.S. rice promotion campaign, found young and "inexperienced" girls attempts to try to give them cooking recipes "antipathetic". Industry sources also emphasized the importance of the stand stewards good relations with children when toddler and kids products are promoted.

- **Choosing the right locations:** Turkey's urbanization structure is very complex. Neighborhoods are not necessarily distinguished depending on the economic situation of inhabitants. It is very common to see very luxurious apartment buildings neighboring slum houses. As a result, there can very different lifestyles and consumer habits in a particular neighborhood. Therefore it may be difficult for a new-to-market company to target the matching store for the promotion activities of its product.

- **Choosing the right time:** Studies show that very few people visit super and hypermarkets every day. Therefore it is important to stay at least two days in the store during promotion campaigns. Turkish consumers visit supermarkets mostly during weekends, both Saturdays and Sundays. The most crowded hours are between 16:00 to 18:00 local time. PR companies encourage suppliers to choose Thursdays through Sundays for their promotion activities. The most suitable hours for promotions are 14:00-20:00 on weekdays and 11:00 through 18:00 on weekends.

- **Using effective promotion tools:** Announcements from the Supermarket intercom during the promotion hours to attract consumers is a useful tool. Industry sources recommend distributing give-away products such as strainers, consumer bags, bread cutting boards, plates et cetera, with the logo or name of the promoted product on it, in order to remind consumers of the brand name while using these products. Another effective tool to increase sales is to distribute discount coupons in the promotion stand. Industry sources explained that American rice sales rose when there were in-store promotions and when discount coupons were distributed. It is useful to make sure that the stock of the product in the retail store be enough for an increased demand during promotion days.

B. Road map to Promotion Activities

According to PR companies, promotion activities were very welcomed by super and hypermarkets until five-six years ago. The stores were usually available for the requested promotion date and the promotion could be held free of charge by the supplier companies. Also, the supermarkets were not very restrictive about the stands, the colors, symbols and logos used. However, the situation is different now. First of all, due to increased demand, it is now more difficult to reserve a stand place in the supermarkets, especially during weekends, so it is important to get in contact with the supermarket officials, as early as possible. Also, organizing in-store events in large supermarkets and hypermarkets is no longer free. Industry sources state that the prices may vary depending on the retailer and the neighborhood. Small supermarkets can still accept these events free of charge.

Moreover, the retails are now more careful with the coherence of the colors and symbols used in the stands with the logo of the markets. For instance, Migros once opposed the use of orange because it is the color of Migros' symbol, the kangaroo. It is therefore recommended to show the equipment which will be used during the event to the responsible persons in the retail store.

1. Establishing Contact With Retailers

All of the big and medium sized supermarket and hypermarket chains have detailed websites with the contact details of their headquarters, and sometimes, purchasing department available. Also, a list of stores is attached to most of the websites.

The purchasing departments of its headquarters are generally in charge of promotion activities at PM, Kiler, Begendik, Tesco, supermarkets with significant turnovers but not giants like CarrefourSA and Migros. The telephone numbers of their headquarters and web addresses can be found below.

List of websites of major Turkish retailers

Retailer Name	Website	Phone Number (+90)
Tesco-Kipa	www.kipa.com.tr	232-398-8888
Kiler-Canerler	www.kiler.com.tr	212-677-5555
Begendik	www.begendik.com.tr	312-419-5090
PM	www.pm.com.tr	212-866-6626
Ismar	www.ismar.com.tr	212-437-0740
Pehlivanoglu	www.pehlivanoglu.com	232-864-2020
Yimpas	www.yimpas.com.tr	354-217-2480

Carrefour on the other hand, has authorized each outlet, which they call "Commercial Center" for the promotion activities to be held in their store. Below is a list of major CarrefourSa and their supermarket brand ChampionSA outlets.

List of Major CarrefourSA and ChampionSA Outlets				
Headquarters	**Contact Person**	**Telephone (+90)**	**Fax (+90)**	**E-mail**
CarrefourSA Sabanci Tic. Merkezi A.S.	Purchasing Department	216-655-0000	216-655-0050	
Outlets	**Contact Person**	**Telephone (+90)**	**Fax (+90)**	**E-mail**
ISTANBUL				
Icerenkoy CarrefourSA	Ms. Sehnaz Altug	216-448-0296	216-448-0298	carrefour_icerenkoy@carrefour.com
Umraniye CarrefourSA	Mr. Sertac Yegin	216-525-1050	216-525-1053	carrefour_umraniye@carrefour.com
Haramidere CarrefourSA	Mr. Hakan Haslamaz	212-853-0177	212-853-0180	carrefour_haramidere@carrefour.com
Acibadem CarrefourSA (TepeNautilius Shopping Mall)	Ms. Deniz Akar	216-544-4800	216-339-3800	carrefour_acibadem@carrefour.com
Maltepe Park CarrefourSA	Ms. Ozlem Karaman Consultancy Company	212-266-6610		
Istinye ChampionSA	Mr. Sebastian Ponce	212-277-0010	212-277-7110	
Maltepe ChampionSA	Mr. Erol Duzuluter	216-305-0285	305-0119	
Bagcilar ChampionSA	Mr. Savas Oztuk	212-611-9200	212-611-6266	
IZMIR				
Izmir CarrefourSA	Ms. Dilsad Simsek Consultancy Company	212-266-2820	212-266-2821	dilsad@sayman.biz carrefour_izmir@carrefour.com
ANKARA				
Ankara CarrefourSA	Mr. Mithat Uluturk	312-278-2780	312-278-2781	carrefour_ankara@carrefour.com

Finally, the promotion activities in Migros are coordinated between the outlet managers and the related product managers located in the general directorates. Migros officials suggest suppliers to get in contact with these general directorates first, inform them about the planned promotion activity, what the product is, which outlets are considered as the activity place. Depending on the said product, and the location, the officials can instruct the suppliers on the next steps. Migros has a very detailed website, also accessible in English, where the contact details for all the stores are listed. The website of Migros is www.migros.com.tr and below is the list of its general directorates.

Migros General Directorates	
City	**Phone Number (+90)**
Istanbul	216-579-3000
Ankara	312-541-1030
Izmir	232-277-6060
Adana	322-394-3600
Antalya	242-311-2317

VI. COMPETITION

Despite the significant economic growth in recent years, low per capita income, uneven income distribution and high local tariffs decrease the import demand of consumer ready food items. Moreover, Turkey's processed food sector is modernized and developed, and capable of manufacturing high quality in large quantities in various sub-sectors. Imported food items represent only a fraction (three percent) of domestic food market. Industry sources estimate that only the top ten percent of the Turkish population could afford imported food items. Turkish food producers are flexible and innovative and tend to produce products similar to imported ones when they see a good opportunity to increase sales and creates strong competition to imported food items.

According to U.S. Census Trade Data, during calendar year 2006, Turkey imported about US $129 million worth of consumer-oriented agricultural products from the United States, of which US $65 million of it was poultry meat transhipped to Iraq. During this period, tree nuts, pet food, processed fruits and vegetables, seafood, dairy products and snack foods were among the leading U.S. exports consumed in Turkey. The main competition for U.S. food products comes from European countries, which enjoy the advantage of the Customs Union Agreement.

On average, European countries have a two-third share of total Turkish retail food imports. Customs Union agreement with the EU and investments of major European hypermarket chains such as Carrefour SA of France, Metro and Real of Germany, and Tesco of UK have also played a role in the dominance of European countries in Turkish imports of retail food products. The majority of imported dairy products, snack foods, cheese, process fruits and vegetables are traditionally sourced from EU countries. According to UN Trade Data, Turkey's snack food imports are around US $46.5 million, US $38 million of which comes from the EU. Out of the US $19 million worth of imported breakfast cereals, EU sales to Turkey make up US $11 million.

VII. BEST PRODUCT PROSPECTS

A. Products Now Present in the Market

The best product prospects for the imported food market are internationally well-known branded products. Branded products in general accounted for 30 percent of overall imported food products. These include cocoa and instant coffee, chocolate and confectionary goods, cookies and crackers, breakfast cereal, various cheeses, soft drinks & alcoholic beverages, and sauces. Major imported items break down into the following categories:

Cocoa and instant coffee: Turkey is dependent on imports in this category, since there is no local production of cocoa and coffee. The dominance of the Nestle and Jacobs' brands in the instant coffee market makes it difficult for new entrants to the Turkish market. Recently however, some discount chains and cash & carries, have commenced the direct importation of low priced products. But since the arrival of Starbucks and Gloria Jeans there is a niche market for flavoured gourmet coffee in the upscale cafes and restaurants as well. The German coffee shop Tchibo entered the Turkish market in December 2006 and opened six stores in two months. Different high quality coffee varieties can find a market in the high-end supermarkets such as Macrocenters or other class one supermarkets.

Dry nuts and confectionary items, including chocolate: U.S. Popcorn, roasted corn, almonds and confectionary sunflower seed are popular among the Turkish consumers and

there is a growing market these items provided they are price competitive. Although there is a very developed local industry in Turkey, major international brands have the opportunity to sell small quantities of premium products in high-end outlets such as delicatessens, hypermarkets and supermarkets. It is difficult for less known brands to be successful in Turkey.

***Wine**:* Three years ago Turkey adopted new wine import and distribution regulations to allow importers to import wine directly rather than going through TEKEL (Turkish Tobacco and Alcohol Monopoly). This enabled them to price and distribute it freely. Popularity of wine as an alcoholic beverage increased in recent years and consumption doubled during the last five years and Turkish consumers are willing to try new varieties. Please refer to FAS wine report **TU 5004 Market Brief- Wine market** for more information.

Flour and flour-based products: Crackers and cookies, diet breads, crisp breads and special kinds of pasta are present in the Turkish market. These products tend to appeal to higher income consumers, and may only be distributed via upper middle-income retail outlets (specialty shops, supermarket and hypermarkets).

Sports Drinks: The young, wealthy city dwellers favor the "sporting" lifestyle and want the products that goes with it. Turkey also has some domestic production of “sports” drinks, and existing brands are continuing to increase sales but there is a chance for new comers.

Breakfast Cereals: Corn flakes, instant oats, muesli, bran fiber flakes with raisins, mixed fruit and chocolate cereals are becoming major breakfast items welcomed by Turkish consumers.

***Sauces and syrups**:* Imports of these products continue to grow as tastes diversify. These products can also be found in smaller supermarkets and *bakkal*s in the larger cities.

Ice Cream: Three brands dominate Turkish ice cream sold through retail outlets, with many smaller newcomers. Sales are increasing dramatically (15-20 percent) due to tourism and changing taste and there is much room for super-premium brands that can adapt to the local taste preferences or get placement in tourist outlets. See FAS report **TU 6039 Market Brief - Ice Cream** for details.

Pet food: The Turkish pet food market has shown great strides and reached 16,000 MT in 2006 from below 2000 MT in 1998. In 2006, cat and dog food composed about US $60 million of the US $100 million market. Presently, domestic production meets only 25 percent of the demand and the rest is imported. Moreover, there is no Turkish private label for pet food products; fulfilling such a gap in coordination with one of the leading retailers shows a trade potential.

B. Products With Strong Sales Potential Not present Substantially in the Market

Functional foods: Turkish consumers have been showing a great interest for functional food since it has been introduced to the market a few years ago. Consumption of functional food products has been growing about twenty-five percent per year during the last three years and the market value is estimated to reach US $50 million in 2007. Presently dairy products, such as prebiotic yogurts, margarines, and health drinks dominate Turkish functional food market. There is also a significant presence of herbal teas. Functional food additives, toddler foods and snack foods also show a very good growth potential.

Beer: Beer imports also benefited from the recent liberalization in alcoholic beverage import and distribution regulations. These legislative changes represent a good opportunity for U.S.

beer. Beer consumption in Turkey is increasing with a higher rate (about 1.4 percent per year compared to zero in the EU) due to an increase in the young population and foreign tourists (22 million in 2005). Presently, the majority of the beer consumed in the country is produced locally and Turkish consumers are open to new products and tastes.

Ready-to-eat, ready-to-cook meals & canned soup: The ready-to-eat and ready-to-cook meals market has a high potential, linked to the increase in working women and the generally more hectic lifestyles. There are only a few local companies marketing such products. Foreign importers, therefore, especially those specializing in Far Eastern, French, and Tex-Mex cuisines, have a good chance for successful market entry.

Gourmet/Foreign Foods: As Turkish tastes become more sophisticated, there is growing interest in restaurants featuring novel foods such as "Tex-Mex", "Chinese", “Thai” and "Japanese." This could spread to retail sales. Recently there is a visible increase in sauce varieties of different cuisines.

Frozen food: Though there is a limited amount of imported frozen food and frozen seafood in the Turkish retail market, importers believe that there is good potential in this sub sector in coming years.

C. Products that are not successful in the market

There are a few examples of failed products in the Turkish market, such as some international brands of chewing gums and chewing candies. It is not the intrinsic product types that have failed, but the specific brands imported or the inadequate marketing strategies or expenditures applied when the product lines were introduced. Adopting products popular in the west is a large part of the modern Turkish lifestyle. Internationally known brand names are very useful for this. Exporters should be particularly sensitive to brand positioning and be ready to invest in necessary research and marketing for a successful introduction.

VIII. POST CONTACT INFORMATION

FOREIGN AGRICULTURAL SERVICE, ANKARA, TURKEY:
-EMBASSY of the UNITED STATES, 110 ATATURK BULVARI, ANKARA, TURKEY
TEL: (90-312) 455-5555 ext. 2406 FAX: (90-312) 467-0056
INTERNET: agankara@usda.gov

U.S. CONSULATE GENERAL ISTANBUL, ISTINYE, ISTANBUL
TEL: (90-212) 335 9140/ 335 9068 FAX: (90-212) 335 9077
INTERNET: agistanbul@usda.gov
U.S. (APO) Address:
PSC 97, Box 0002 APO AE 09827-0002

For more information on high value food and other agricultural sector reports for Turkey or other countries around the world, please refer to the FAS home page, URL address:

http://www.fas.usda.gov