

## EXPORT POTENTIAL OF TURKISH SMEs

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### ABSTRACT

**Purpose-** Digital channels are gaining more and more share from trade and commerce, especially after Covid 19 pandemic. People have adopted to online buying and marketplaces became important retailing tools for manufacturers. E-commerce is rising not only in closed commercial areas but also across different countries, even continents with developments in cross-border e-commerce. Governments, global digital platforms, consumer habits are creating and supporting the demand of buying online from anywhere and numbers are showing that this creates an opportunity for Turkish businesses to become exporters. This study aims to highlight the potential for small and medium sized businesses in Turkey to become exporters.

**Methodology-** The study examines historical export growth data of Turkey in detail using secondary data. The historical data is used to make a projection for future and highlight the potential of growth for Turkish SMEs. Current marketplace platforms' business models are also examined and carefully analyzed to present an understanding of the potential business models.

**Findings-** The numbers are showing that Turkish exports are growing in Europe and USA. Capex heavy industries have the highest share among the exports but e-commerce is also growing. Some industries like textile, jewelry and small appliances has a higher growth potential withing cross border e-commerce.

**Conclusion-** Adoption to online retail is getting higher and higher. More people are buying from online marketplaces and the origin of the transaction is losing its importance with one-day deliveries. It is important to open shops not only physical but also on different platforms. It is easier for business owners to sell across the world and become exporters. By having international customers, businesses distribute regional risks and also become financially stronger. It is important for Turkish SMEs to understand their risks and seek international growth opportunities, such as doing exports. Turkey's unique geographical location is a very important asset but Turkish businesses should keep in mind that all international producers are now seeking opportunities to create through online platforms.

**Keywords:** Turkish exports, online retailing, e-commerce, cross-border e-commerce

**JEL Codes:** F23, L26, L81

## 1. INTRODUCTION

Turkish exports have been a significant contributor to the nation's economic growth, with diverse industries driving this progress. This study focuses on the growth of Turkish exports, the biggest export markets, and the impact of cross-border e-commerce on enabling small and medium-sized enterprises (SMEs) in Turkey to expand their reach globally. It also highlights the increasing role of global marketplaces and digital trade platforms in enhancing the export capabilities of Turkish SMEs.

## 2. TURKISH EXPORT GROWTH

Over recent years, Turkey has seen a substantial increase in its export volumes, despite facing economic challenges and global trade fluctuations. The growth trajectory is driven by multiple sectors, with the automotive industry leading the charge, followed by chemicals, ready-to-wear apparel, and electronics. The automotive sector, in particular, has shown a remarkable 13% increase, reaching \$35 billion in 2023, making it the top export industry.

The chemical sector, although experiencing an 8.7% decrease in 2023, remains a significant contributor with \$30.5 billion in exports. The ready-to-wear apparel sector, despite a 9.2% decline, still contributes \$19.2 billion, highlighting the resilience of traditional industries amidst economic pressures.

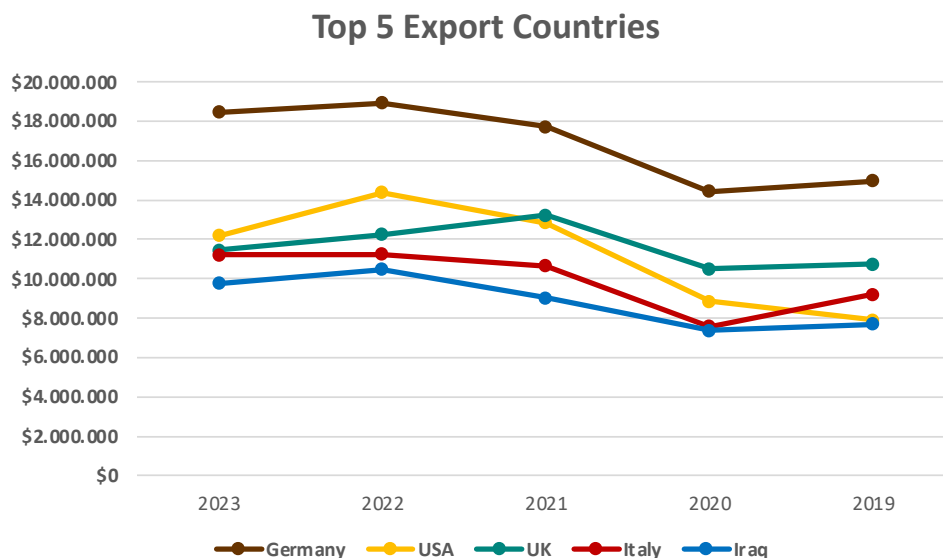
### 3. KEY EXPORT MARKETS

Turkey's top export markets include Germany, the USA, the UK, Italy, and Iraq. Germany remains the largest export destination, consistently holding the top position over the past five years, with exports amounting to \$18.4 billion in 2023. The USA, although experiencing a decline in 2023, is the second-largest market with \$12.1 billion. The UK follows closely with \$11.4 billion, despite fluctuations in previous years.

Italy and Iraq also feature prominently, with exports to Italy steady at \$11.2 billion and Iraq at \$9.7 billion. Interestingly, exports to Russia have shown a significant upward trend, increasing from \$3.8 billion in 2019 to \$9.4 billion in 2023, reflecting shifting trade dynamics.

High Tech, healthcare, and jewellery are the sectors gaining importance and where the current focus for Turkish exporters are due to their lightweight and high-value characteristics.

Graph 1: Top 5 Export Destinations in Turkey (2019 – 2023)

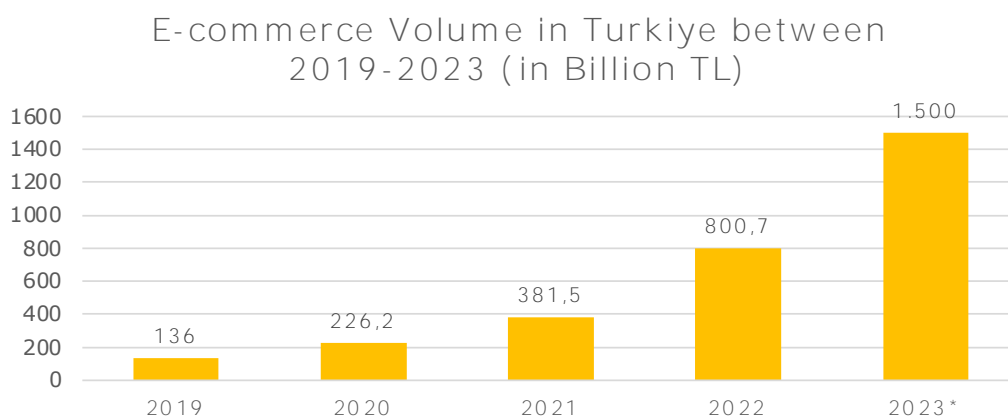


Source: Turkish Exporters Assembly, 2023.

### 4. THE ROLE OF CROSS-BORDER E-COMMERCE

Cross-border e-commerce has emerged as a transformative force for Turkish SMEs, enabling them to penetrate international markets with greater ease and efficiency. The pandemic accelerated the adoption of e-commerce, with global e-commerce sales rising from \$3.5 trillion in 2019 to \$4.9 trillion in 2021, and further growth expected.

Graph 2: Turkish E-Commerce Spending Growth in TL (2019-2023)



Source: ETBIS, PwC Report, 2024.

E-commerce platforms such as Amazon, eBay, and AliExpress have provided Turkish SMEs with the infrastructure to reach a global audience. The rise of mobile shopping, accounting for 63% of all e-commerce sales, and the use of artificial intelligence for personalized recommendations and customer service have further enhanced the capabilities of these businesses.

Trendyol, a leading Turkish e-commerce platform, also plays a crucial role, with 138 million monthly visits, indicating robust domestic and international engagement. The platform's integration with global players like Alibaba has expanded its reach, offering Turkish SMEs opportunities to tap into larger markets.

## 5. IMPACT ON TURKISH SMEs

The growth of cross-border e-commerce has democratized access to international markets for Turkish SMEs, reducing the barriers to entry traditionally associated with global trade. SMEs can now leverage e-commerce platforms to showcase their products, manage logistics, and receive payments seamlessly, facilitating a smoother export process.

The Covid-19 pandemic accelerated the shift towards online shopping and digital trade, with e-commerce becoming a crucial channel for exports. The digital transformation post-pandemic has particularly benefited sectors focused on lightweight and high-value products such as high-tech goods, healthcare, and personalized items like those found on Etsy. These sectors are now at the forefront of Turkey's export strategy, aligning with global demand trends. Turkish SMEs adapted to these changes by enhancing their online presence and leveraging digital marketing strategies.

### Strategic Recommendations for Turkish SMEs

1. **Enhancing Digital Presence:** SMEs should invest in building a robust online presence through websites and social media.
2. **Leveraging E-Commerce Platforms:** Utilize established e-commerce platforms to reach international customers.
3. **Adapting to Market Trends:** Stay informed about global market trends and adapt product offerings accordingly.
4. **Building Logistics Capabilities:** Develop efficient logistics and supply chain mechanisms to handle cross-border shipments.
5. **Fostering Innovation:** Encourage innovation in products and services to stay competitive in the global market.
6. **Utilizing Government Support:** Take advantage of government programs and incentives designed to support export activities.

## 6. CONCLUSION

In conclusion, Turkish export growth, driven by key sectors and supported by significant export markets, has been further enhanced by the rise of cross-border e-commerce. This digital shift has provided Turkish SMEs with the tools and platforms needed to expand their global footprint, contributing to the nation's economic resilience and growth.

By strategically leveraging digital platforms and adapting to changing market dynamics, Turkish SMEs can enhance their global presence and contribute to the overall growth of the Turkish economy. As e-commerce continues to evolve, Turkish SMEs are well-positioned to capitalize on these opportunities, driving future export growth and economic development.

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