Market Overview

For many international merchants looking to expand into the emerging markets, Turkey holds a strong foothold for various reasons.

Turkey's unique geographical position allows international merchants to expand to many markets as it acts as a bridge between Europe and Middle East & Asia.

Turkey, like many other emerging countries, is in full swing, with its economy growing at 4-8% per year.

Turkey has a population of 78.7 million. The population increase is more than 10 million people since the turn of the millennium – a faster growth than in any other country in Europe.

According to the latest statistics, there are 46.3 million active internet users that makes Turkey, the 17th country in the world according to the internet penetration. The annual increase in internet users is 10%

Payments at a Glance

Turkey also shows some unique behaviours and statistics in terms of payment methods.

According to October-2016 statistics by The Interbank Card Center (BKM), there are 57.9 million credit cards, 114.5 million debit cards in Turkey.

Online transactions are made with a credit card 90% of the time. The monthly transaction volume by credit cards is 45.5 billion Turkish Lira (around 14 billion USD). Meanwhile the monthly transaction volume by debit cards is 4.5 billion Turkish lira (around 1.3 billion USD)

Turkish customers prefer to pay by the local method of "instalments" 55% of the time. The instalment payments are "on-us" payments that don't go through Visa / Mastercard network. That makes it important for an international merchant to be connected to the banks directly. As the number of the banks increase, the number of integrations increase as well creating a complex structure. In addition, Turkish banks offer strong credit card loyalty programs allowing users to pay with loyalty points in partnership with stores, websites etc...

Table-1 – YoY Market share Data of Credit Cards in Turkey

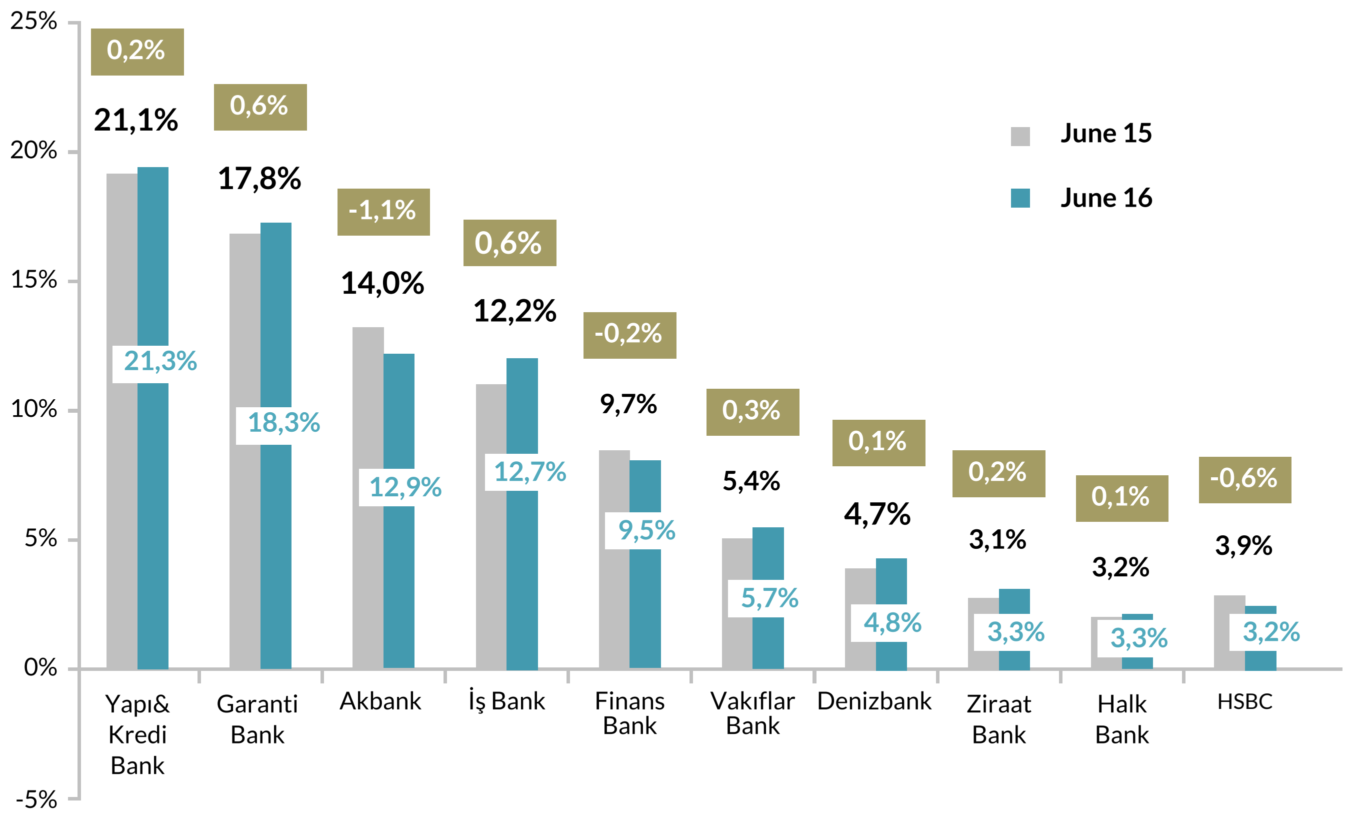
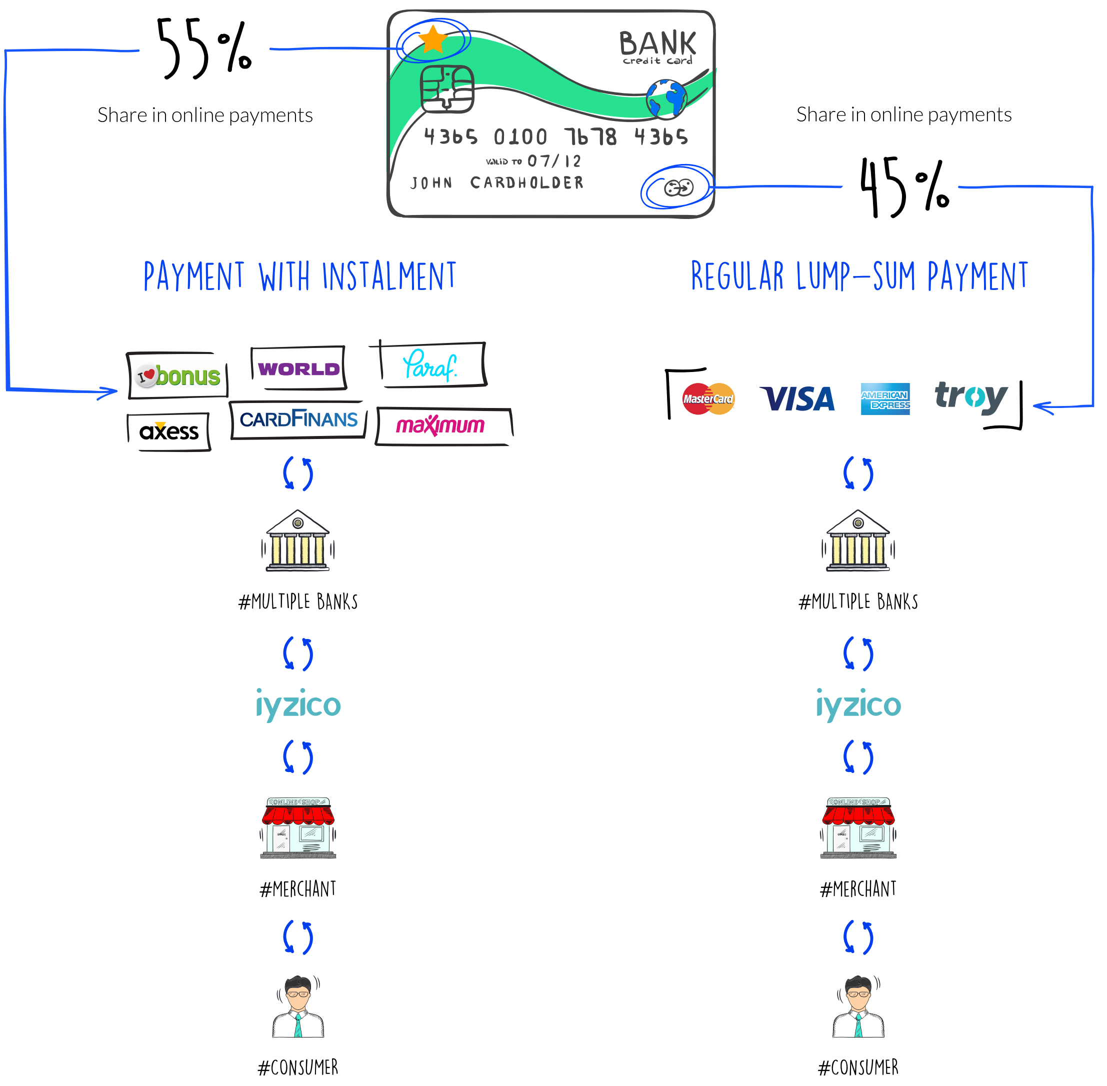


Table.2 – Local Card Scheme vs Mastercard & Visa Scheme



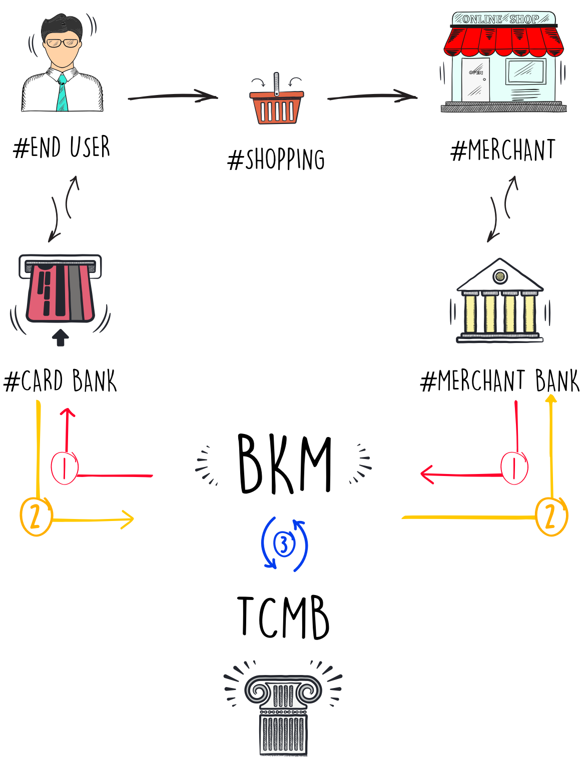
Although the market is covered with local websites serving different sectors, Turkish users still have a huge buying power on international websites; in 2015 alone 1.5 billion USD was spent on foreign websites. Meanwhile that number is suffering a lot of lost transactions due to these payments being processed abroad.

Global brands have recently become more aware of such challenges, and they have started connecting to local payment service providers to maximise their acceptance rates.

In addition to Mastercard and Visa, Turkey has launched its national payment system “Troy” in 2016.

Finally, the two main regulators for payment companies are the Central Bank of the Republic of Turkey (CBRT) and the Banking Regulation and Supervision Agency (BDDK). The former oversees the institutional and customer payment systems and the monetary situation in Turkey. The later regulates overall market access for payment companies, i.e. merchants, payment service providers, banks, insurances, etc.

Table.3 – Local Acquiring Scheme - The Interbank Card Center (BKM)



1. *Acquirer bank send payment request to the issuer bank through BKM*
2. *Authorisation request is responded by issuer bank and result is delivered by BKM to acquirer bank*
3. *The money is withdrawn from issuer bank to merchant account in acquirer bank through BKM*

Key Takeaways

Market size, growth, mobile penetration and regulation are the factors rendering Turkey one of the most promising targets for international payments players and merchants to enter in 2017.

Multiple local payment cards, instalment options and the different banking and payment infrastructure are the consideration factors for an international merchant to work with a strong local PSP as a partner.

Being connected to multiple card acquirers and the deep understanding of the unique banking infrastructure in Turkey, a strong local PSP can tweak its payment solution periodically to fit all these requirements which results in higher acceptance rate.

An international merchant can offer “instalments” to the Turkish users resulting in increase of sales volume.