

Turkish eCommerce Lures the likes of Amazon.com

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In a former belt factory on the outskirts of Istanbul, Sina Afra and his 500 employees are building what the German-raised Turk says will be the country's first billion-dollar e-trade company.

Afra's Markafoni, the second most-visited members-only shopping network in the world, is a frontrunner in an industry that grew almost 60 percent in Turkey last year and has attracted investment from EBay Inc., Amazon.com Inc., Kleiner Perkins Caufield & Byers, Naspers Ltd. and Tiger Global.

His main competitor is Harvard Business School dropout Demet Mutlu. Her Trendyol.com reached \$100 million in revenue less than 18 months after going online. Both are representative of a crop of young Turkish entrepreneurs who are returning from abroad to lead a transformation of their country, with its China-like economic growth, from a low-cost manufacturer on the fringes of Europe to digital dynamo.

"All the trends are pointing in the right direction in Turkey," Aileen Lee, a partner at Kleiner Perkins, which together with Tiger Global invested \$50 million in Trendyol.com, said in a phone interview from Menlo Park, California. The venture capital firm counts Zynga Inc. and Groupon Inc. among its progeny.

"You have a young society that's really social and has really embraced the social web and mobile," Lee said. "At the same time, the retail infrastructure has not been built out, so there's a real opportunity to leapfrog the typical bricks-and-mortar retail commerce."

Turkish e-commerce transactions increased 57 percent to 22 billion liras (\$12.3 billion) in 2011 from a year earlier, according to the Interbank Card Center, which monitors transactions. Forrester Research Inc says e-commerce will grow just 12 percent annually in Europe over the next five years.

The torrid growth rate has given rise to more than 30 internet companies starting up in January alone. That has some worried. The market may be "a little frothy," said Pamir Gelenbe, a venture partner for Antwerp-based Hummingbird Ventures. "There's a great crop of entrepreneurs, but now there's a little too much excitement and hype."