

## IMPACTS OF CROSS-BORDER E-COMMERCE ON GROWTH OF TURKISH SMEs

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### ABSTRACT

**Purpose-** Cross-border e-commerce has emerged as a critical enabler for the globalization of small and medium-sized enterprises (SMEs), particularly in the wake of the COVID-19 pandemic. This study explores the transformative impact of digital marketplaces, innovative payment systems, and logistics advancements on the internationalization of Turkish SMEs. Leveraging a mixed-methods approach, the research combines quantitative data analysis with qualitative insights from industry stakeholders. The findings highlight the significant role of platforms such as Amazon and Alibaba in reducing market entry barriers, the importance of secure digital payment systems in fostering trust, and the contribution of logistics innovations to the growth of small-package exports. By aligning with global consumer trends and leveraging digital tools, Turkish SMEs can overcome traditional trade barriers, enhance competitiveness, and access broader markets. The study concludes with strategic recommendations for policymakers and SMEs, emphasizing the need for regulatory support and investment in digital infrastructure to maximize the benefits of cross-border e-commerce.

**Methodology-** The study was carried with a mixed-methods approach. Quantitative Analysis: Data from the Turkish Statistical Institute, Turkish Exporters Assembly (TİM), and global e-commerce platforms were analyzed to track export trends, marketplace performance, and consumer behavior. Qualitative Insights: Interviews with SME owners, e-commerce experts, and policymakers provided in-depth perspectives on challenges and opportunities. And as case studies, Successful Turkish SMEs from sectors like textiles and food were examined to identify strategies for internationalization.

**Findings-** The COVID-19 pandemic has significantly accelerated e-commerce adoption in Turkey, leading to substantial growth in online spending and reshaping various sectors of the economy. Below are some of the main findings; platform Impact, global marketplaces significantly increase SME visibility and reduce market entry barriers; digital payment systems, enable secure, efficient transactions, fostering trust among international customers; small package exports, innovations in logistics, such as faster shipping, have fueled SME participation in global trade; post-Covid consumer behavior, the pandemic accelerated global e-commerce adoption, creating new opportunities for Turkish SMEs.

**Conclusion-** Cross-border e-commerce represents a transformative opportunity for Turkish SMEs, enabling them to overcome traditional barriers and compete effectively in global markets. By leveraging digital platforms, payment innovations, and logistics advancements, SMEs can drive growth, internationalization, and competitiveness. Strategic support from policymakers will be crucial in maximizing the potential of this digital trade revolution.

**Keywords:** E-commerce, marketplaces, international trade, digital payment systems

**JEL Codes:** F23, L26, L81, O31

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## 1. INTRODUCTION

Cross-border e-commerce has emerged as a transformative force in global trade, providing small and medium-sized enterprises (SMEs) with unprecedented opportunities to access international markets. Turkish SMEs, which play a vital role in the country's economy, stand to benefit significantly from the rise of global marketplaces and the digitization of trade. This article explores how cross-border e-commerce enables Turkish SMEs to thrive globally, examining key enablers, challenges, and strategies to optimize their internationalization efforts.

## 2. RESEARCH CONTEXT AND OBJECTIVES

Turkish SMEs represent a substantial portion of the economy, contributing to employment and GDP growth. However, their participation in global trade has traditionally been limited by barriers such as high costs, logistical hurdles, and complex regulations. With the advent of digital marketplaces like Amazon, Alibaba, and Trendyol, these barriers are being lowered, providing SMEs with direct access to global consumers.

Figure 1: International Dominant Marketplaces across the Globe



Source: Naspers

The primary objectives of this research are to analyze the role of international e-commerce platforms in SME growth, examine the impact of digital payment systems on secure and efficient global transactions, assess regulatory barriers and trade policies affecting Turkish SMEs, explore consumer trends in major markets and align SME strategies accordingly, provide actionable recommendations for policymakers and SMEs to enhance global trade participation. Key research questions are how has digitization impacted Turkish SMEs' global participation, what role do platforms like Amazon and Alibaba play in enabling SME internationalization, how do digital payment systems and logistics innovations support SMEs, what challenges do SMEs face in cross-border trade and how can Turkish SMEs align with post-COVID-19 e-commerce trends?

### 3. KEY AREAS DRIVING E-COMMERCE GROWTH FOR SMEs

Key enablers for SMEs to become exporters, especially for Turkish small and medium-sized businesses, revolve around accessibility, technology, and supportive policies. Digital marketplaces such as Amazon, Alibaba, and Trendyol have been transformative, offering Turkish SMEs global visibility without the need for expensive infrastructure. These platforms reduce traditional trade barriers by providing ready-made logistics and payment systems, enabling even the smallest businesses to reach international customers.

Innovations in digital payment systems, such as Iyzico and other payment solutions, ensure secure and seamless transactions, fostering trust among global buyers. Additionally, Turkey's strategic geographical location and its robust logistics network offer SMEs competitive shipping times to Europe, the Middle East, and beyond.

Government incentives for digitalization, such as grants and tax reliefs, further empower SMEs to adopt e-commerce and expand their reach. Finally, rising global demand for Turkish products, like textiles and food, paired with SMEs' ability to cater to cultural preferences and adapt to international market trends, positions them as strong players in the global export market.

Some of the key enablers of cross-border e-commerce are listed below:

#### 1. Digital Infrastructure and Online Presence

- **Website and Mobile Apps:** A well-optimized website and mobile app act as the digital storefront for SMEs. These platforms should be user-friendly, mobile-responsive, and equipped with search engine optimization (SEO) to improve visibility.
- **E-commerce Platforms:** Marketplaces like Amazon, Alibaba, and Etsy provide SMEs with ready-made infrastructure to reach a global audience, reducing the need for significant upfront investment.
- **Digital Marketing Tools:** SMEs leverage tools like Google Ads, Facebook Ads, and email marketing to drive traffic and engage with customers effectively.

#### 2. Payment Systems

- **Secure and Diverse Payment Options:** Offering multiple payment methods like credit cards, digital wallets (PayPal, Stripe), and local payment solutions builds trust and reduces cart abandonment.
- **Financial Inclusion:** Digital payment systems make global transactions accessible, even for businesses in developing regions.
- **Subscription and Buy-Now-Pay-Later Models:** These payment innovations attract customers by offering flexibility and convenience.

### 3. Logistics and Supply Chain Management

- Efficient Delivery Systems: Reliable shipping solutions, like same-day or next-day delivery, enhance customer satisfaction.
- Small Package Exports: Innovations in logistics, such as partnerships with global courier services, simplify international trade for SMEs.
- Inventory Management Systems: Digital tools for inventory tracking ensure that SMEs can meet demand without overstocking or delays.

### 4. Consumer Behavior and Personalization

- Changing Consumer Habits: The shift toward online shopping, particularly post-COVID-19, has made e-commerce essential for SMEs to remain competitive.
- Data-Driven Personalization: SMEs can leverage data analytics to understand customer preferences and offer tailored recommendations, increasing conversion rates.
- Customer Engagement: Features like chatbots, loyalty programs, and personalized offers enhance customer retention.

### 5. Technological Adoption

- Artificial Intelligence (AI): AI helps SMEs optimize pricing, predict demand, and personalize customer experiences.
- Big Data and Analytics: SMEs can analyze purchasing patterns and market trends to make informed decisions.
- Blockchain Technology: Blockchain enhances transparency in supply chains, builds trust, and ensures secure transactions.

### 6. Cross-Border E-Commerce Enablers (Culture Effect)

- Global Marketplaces: Platforms like eBay, Amazon, and Alibaba simplify international trade for SMEs, expanding their reach.
- Localization: Adapting products, websites, and marketing strategies to local markets improves success in international markets.
- Cultural Sensitivity: Understanding and catering to cultural preferences enhances competitiveness abroad.

### 7. Government Support and Policy Environment (Soft Powers)

- Incentives and Subsidies: Many governments provide incentives for SMEs to adopt e-commerce, such as grants for digital transformation or tax benefits.
- Trade Agreements: Free trade agreements and reduced tariffs facilitate cross-border e-commerce growth.
- Simplified Regulations: Streamlining customs and documentation processes makes it easier for SMEs to export goods.

### 8. Social Media and Digital Marketing

- Social Commerce: Platforms like Instagram and TikTok have become powerful channels for SMEs to sell directly to consumers.
- Influencer Marketing: Collaborating with influencers helps SMEs build brand awareness and reach niche markets.
- Content Marketing: Blogs, videos, and user-generated content improve SEO and engage potential customers.

### 9. Scalability and Sustainability

- Scalable Business Models: E-commerce allows SMEs to scale operations more effectively than traditional retail.
- Sustainable Practices: Offering eco-friendly products and packaging appeals to environmentally conscious consumers and builds brand loyalty.

### 10. Global Trust and Security

- Cybersecurity: Implementing secure payment gateways, SSL certificates, and robust data protection measures builds consumer trust.
- Authenticity and Reviews: Customer reviews and ratings on platforms build credibility, encouraging more purchases.

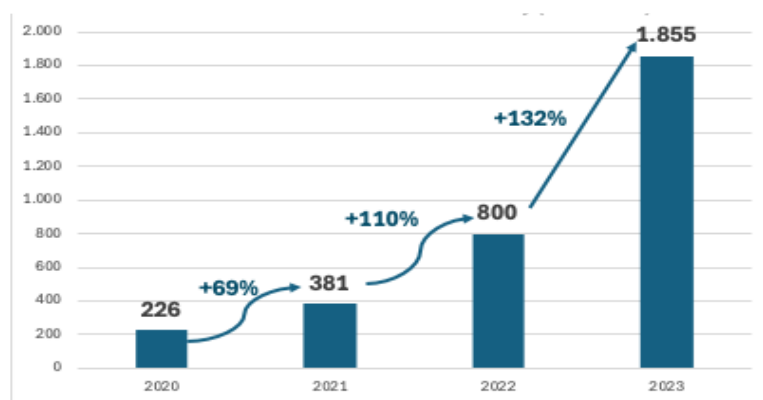
## 5. IMPACTS OF GROWTH

In 2023, Turkey's e-commerce volume reached approximately 1.85 trillion Turkish lira (around \$57.5 billion), marking a 115% increase from the previous year. This surge reflects a broader shift towards online shopping, with e-commerce's share of total retail sales rising from 4% in 2016 to 18.3% in 2023.

Several sectors experienced notable growth in e-commerce during this period such as Fast-Moving Consumer Goods (FMCG) products. Online sales of FMCG tripled compared to European countries, driven by increased home cooking and a preference for local products during the pandemic. Travel and Hospitality also increased significantly in the past 5 years.

After an initial decline, these sectors rebounded post-pandemic, registering significant growth as consumers resumed travel and leisure activities.

**Figure 2: Turkish E-Commerce Growth**



Source: Ministry of Trade

The expansion of e-commerce has had several positive effects on Turkey's economy:

- **Increased Consumer Spending:** The convenience of online shopping has led to higher consumption levels, contributing to economic growth.
- **SME Growth:** E-commerce platforms have enabled small and medium-sized enterprises to reach broader markets, enhancing their revenue streams and resilience.
- **Employment Opportunities:** The e-commerce boom has created jobs in logistics, IT, and customer service sectors, aiding in economic recovery post-pandemic.

Overall, the pandemic-induced shift towards e-commerce has not only transformed consumer behavior in Turkey but also provided a significant boost to various sectors, fostering economic resilience and growth.

## 6. IMPLICATIONS AND RECOMMENDATIONS FOR TURKISH SMEs

Becoming exporters using international marketplaces provides enhanced market access to business of all sizes. Cross-border e-commerce bridges traditional trade gaps, enabling SMEs to access global consumers. Digital tools provided by the marketplaces, search engines like Google or digital payment systems help SMEs track their sales, inventory and financials where analytics and data-driven strategies help SMEs understand international demand and tailor offerings.

International logistics companies provide door-to-door solutions where the producer of a product can easily meet their end-user. Logistics companies work on continuous innovation, faster delivery and streamlined customs processes which enhance competitiveness. Government see this growth as an opportunity and provide policy support with G2G agreements or special incentives for producers. Regulatory reforms and trade incentives can further integrate SMEs into global trade networks.

In order to fuel further growth and competitiveness, SMEs should:

- Invest in logistics and digital tools to optimize operations.
- Leverage platforms like Amazon and Alibaba for greater visibility.
- Align strategies with global consumer trends, focusing on trust and quality.

Policymakers who see these platforms as growth opportunities and export potential should implement regulatory reforms and trade incentives to reduce barriers, enhance digital infrastructure to support SME digitalization and facilitate government-to-government trade agreements to expand market access.

## 7. CONCLUSION

Cross-border e-commerce is a transformative force reshaping the global trade landscape, offering Turkish SMEs a pathway to overcome traditional barriers and achieve international growth. Digital marketplaces have democratized access to global markets, reducing the cost and complexity of international trade while enhancing visibility for smaller businesses. The adoption of secure digital payment systems and advancements in logistics, including faster shipping and streamlined customs processes, have further empowered Turkish SMEs to participate in global trade networks.

The COVID-19 pandemic accelerated the shift toward e-commerce, creating new consumer behaviors and opportunities. Turkish SMEs, particularly those in sectors like textiles, jewelry, and fast-moving consumer goods, have capitalized on these trends to expand their reach. However, challenges remain, including regulatory hurdles and the need for continuous investment in digital tools and infrastructure.

To sustain and amplify this growth, SMEs must prioritize product and market development, customer trust, adapt to target market preferences, and invest in technology and logistics capabilities. Policymakers play a crucial role in fostering this ecosystem by reducing trade barriers, providing financial incentives, and enhancing the digital infrastructure. Cross-border e-commerce is not just an opportunity but a necessity for Turkish SMEs to thrive in an increasingly interconnected world. By seizing these opportunities, SMEs can drive economic growth, innovation, and resilience in Turkey's challenging economy.

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