

Goodbye, mom-and-pops? The modern journey of Turkish consumers



The traditional mom-and-pop grocery store is being displaced by modern trade. What's driving this change—and what's next?

By Marek Karabon and Alex Sukharevsky

Like shoppers in much of the developed world, Turkey's consumers are abandoning the corner grocery in favor of the supermarkets and hypermarkets that are known as "modern trade." The speed of this switch is breathtaking: from 2005 to 2010, traditional grocery retail in Turkey shrank from 75% of the market to 59%, while modern trade grew 11.2% per year, almost exact in lockstep with growth in GDP (10.9%).

This retail revolution reflects similarly rapid changes in Turkey, whose populace is large, growing, increasingly affluent and 69% urban. In 2010, Turkey's population approached 77 million, and personal disposable income per capita nearly tripled between 2000 and 2010, from \$2,972 to \$7,507 per year. Middle- and upper-income Turks account for almost 90% of national buying power, and their buying power has quadrupled since 2005. At the same time, the number of very low-income households has been diminishing. There are 3.2 million fewer homes making less than \$5,000 a year than a decade ago.

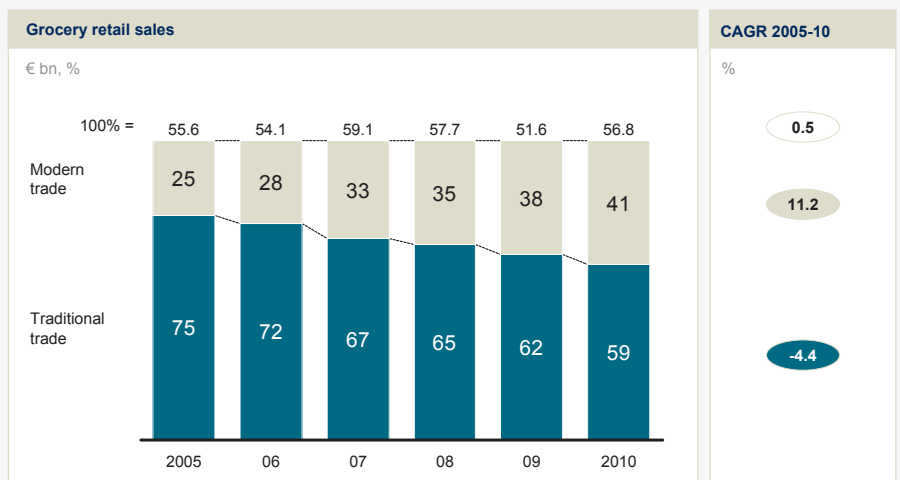
Growing wealth has to be seen in context, though. Turkey is not a nation of

spendthrifts; almost 60% say they have taken financial precautions since the onset of the global economic downturn, and will continue to do so. So it makes sense that discounters are doing best. From 2005 to 2010, the discount sector grew an average 27% a year—higher than modern trade as a whole (a healthy 12.8%) and much higher than hypermarkets (4.4%). Discounters

have also been the only significant format to increase sales productivity over the last five years (to €3,512 per square meter).

The market is quickly becoming concentrated. The top five players account for 77% of the modern grocery market, with Migros (25% share) and BIM (23%) emerging as the clear leaders. It will be

Exhibit 1:
Modern V. Traditional



SOURCE: Planet Retail, Euromonitor

interesting if foreign companies will fare; although European concerns take three of the top five spots, they are far behind these local leaders.

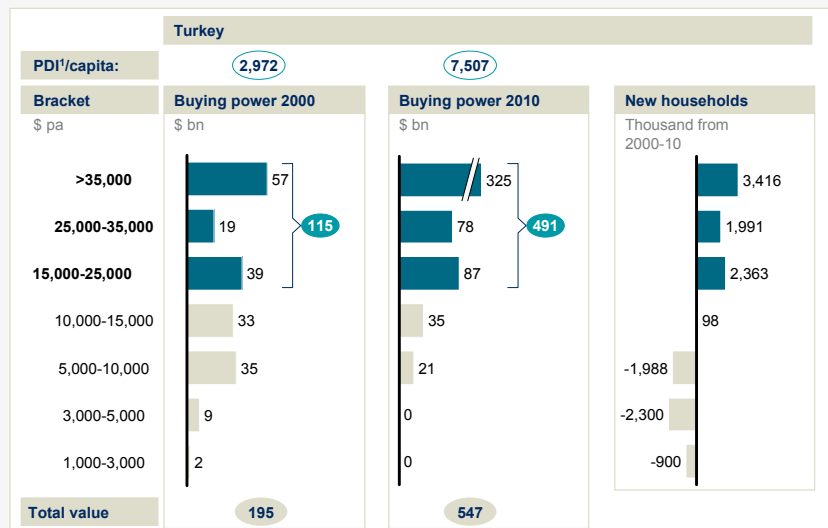
Looked at dispassionately, in the context of an increasingly sophisticated economy and rising GDP, the trend toward modern trade looks logical, perhaps even inevitable. On the ground, it is no such thing. In fact, there is a discernible backlash as Turks react against the loss of popular local institutions. Parliament has responded—or at least is trying to show that it is responding—by considering a number of regulations that would protect mom-and-pops. Proposed legislation would, for example, require chain stores to get a permit from the local governor or municipal officials; regulate work hours; limit funding for promotions; and restrict private-label goods—a staple of modern trade—to no more than 20% of store sales. But similar proposals have been knocking around since the mid-1990s. They tend to resurface at election time, and passage of the current attempt is anything but certain.

So, yes, there's sentiment toward traditional mom-and-pops. But if Turkish consumers mourn the loss of their local favorite on the one hand, that isn't stopping them from flocking to newer, larger formats. Their politicians are tapping the same dance. One way or another, modern trade is the future.

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Exhibit 2:
Turkey rising



¹ Personal Disposable Income
SOURCE: World Bank, EIU

