Digital Broadcast Market In Turkey

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Summary

Considering its key role in the Eurasian market for companies exporting to this region, Turkey offers excellent business opportunities. While the European market is already saturated for many product lines related to the digital broadcast market, Turkey still has great potential for U.S. companies. The existence of an emerging market with a dynamic and young population leads to an increasing demand for new products, production techniques and technologies. (Ref. 1)

Turkey's population is currently estimated at 72 million and 70 percent of the Turkish population is less than 30 years old. Turkey's young population is one of the competitive economic advantages the nation has. Of the total population, 60.3 percent live in urban areas. The Turkish labor force numbers 24.9 million (22.6 million employed and 2.4 million unemployed, unemployment 9.9%); GDP in 2007 was $500 billion, with GDP per capita reaching $9,000 in 2007.

With its growing economy and young population, Turkey and the Eurasian region promise significant opportunities for foreign manufacturers of satellite, broadcast and cable technologies. The Eurasian region is also regarded as one of the world's leading growth markets for such communication technologies. Turkey is considered to be a "bridge" between Europe and Asia, and with its close proximity to both continents, Turkey offers an ideal trading platform. Turkey's economy has undergone major changes in recent years, resulting in a more stable and predictable environment. Also, harmonization with EU standards will increase as Turkey continues to go through the EU accession process. Turkey will benefit from these changes, becoming a major importer, as well as a supplier and cooperation partner. (Ref.2)

Turkey's Information Technology (IT) market size is estimated to have reached $5.2 billion in 2007 and $6.0 billion in 2008 (the Information Communication Technologies (ICT) market increase is estimated at 15 percent for 2008). The total ICT industry (including telecommunications) is estimated at $23.80 billion for 2007 (ref. 1).

The breakdown of the ICT market gross revenue is as follows: 68% carrier services (GSM operators), 11% hardware sales, 10% telecom equipment, 7% services (maintenance, set up, network security, etc.), 3% software, 1% consumer goods. With over 7 million personal computers in Turkey and 17.5 million internet users (according to TNS Piar), PC sales are still the main driver of gross IT sales. Turkey has 14 million homes with televisions and 1 million cable TV subscribers. Digital broadcasting is projected to reach 4.0 million Turkish homes by the end of 2008.

Consumer trends indicate that large screen LCD and Plasma TV sales are on a roll, as well as satellite receivers. According to a study by Hannover-Messe Istanbul, all television channels in Turkey are expected to invest at least $ 30 million in transmitting systems, $ 10 million in electricity generating groups, and another $ 10 million in studio modifications in the next few years. The total amount of investment needed for the audio visual (AV) industry to move to digital broadcasting, reconstruct studios, and change transmitters will be approximately $ 5 billion.

With their growing economy and young population, Turkey and the Eurasian region promise significant opportunities for foreign manufacturers of satellite, broadcast and cable technologies. Today's television and radio stations are broadcasting in three different ways: terrestrial, satellite or cable. A new report from Screen Digest predicts that over the next decade consumption and use of television is likely to be totally transformed in the same way that mobile phones have transformed the telecommunication industry in the last decade (Ref. 2).

The audiovisual market is expected to become successful in Turkey as broadcast companies are investing more and more into their technology. Digital television is already available in Turkey via satellite, and High Definition (HD) has partially started to broadcast. This means that consumers will also need new products to complement these latest technological developments. The trend is already catching on as most electronics stores now only offer plasma or LCD television options.

Turkey's construction market is still on the rise with a significant number of new homes being built. As a result smart homes and smart buildings are increasing. Most control room and audiovisual technology originates in the United States and is built with the digital media in mind. This trend is expected to continue as new hotels, resorts, concert halls, homes and theaters are built.

Internet Still Strong

As anticipated with the ADSL (Asymmetric Digital Subscriber Line) leap of Turkish Telecom, internet speed is has increased up to 50 times versus the normal dial up used frequently by small businesses and households. In 2008, with the latest ADSL fiber optic technology starting to be implemented by Turkish Telecom, ADSL speeds are to be about 40 times faster than what they are now, allowing for digital media to be viewed via the internet. Presently there are 4.5 million ADSL broadband internet subscribers. The internet not only will increase digital broadcaster investments, but end users will also be purchasing new equipment to take advantage of this new technology, especially with AV equipment. With the expected high connection speeds, the internet will be a source for television and other forms of media, as well as become a competitor to traditional broadcasting. Pay-per-view, news and other entertainment industries are expected to grow and invest in new internet technologies. Certain websites in Turkey offer television viewing via a download program for a membership fee; to date connection speeds were the limiting factor for these applications, but this is about to change.

The Turkish Satellite Market

Satellite systems play an important role for Turkey's domestic and international communications. Turkey is one of seventeen countries worldwide operating its own satellite system. Today, there are 3 telecommunication satellites in service, TURKSAT-1C, TURKSAT-2A, and TURKSAT-3A (www.turksat.com.tr) (Ref.4).

Turkey is one of the leading countries using satellite communications in the Eurasian region and is eager to implement the latest technology. Due to the vast areas and topography of Turkey, the importance of satellite services will increase enormously. As all communication services are open to competition, there is an important potential for foreign businesses to enter the market.

Best prospects for foreign manufacturers include data transmission services, VoIP, wireless, intelligent network management centers, operational and business support systems, usage tracking, data network management systems, network security, datacenter solutions and disaster recovery systems. (Ref 2)

Turkey wishes to increase in-house knowledge of satellite technologies and plans to heavily invest in research and development. TURKSAT aims to have its own satellite technology capabilities within the next 10 years.

The Turkish Broadcasting Market

From the late 1960s to the 1990s, the Turkish government enjoyed a monopoly over Turkish TV broadcasting. After the 1980s, the IT revolution changed the existing technology as the Internet became very popular. By the 1990s, this change affected Turkey and currently the "digital" revolution has begun. Today, television is the main entertainment for Turkish families and studies indicate that 97 percent use television as their main source for news. (Ref 2)

Turkey started to experience cable TV broadcasting in nine cities in 1991. Turkey now ranks second worldwide behind the United States in the number of TV channels. The increase in the number of TVs and radios created a need for regulation, as broadcasting content, frequencies and infrastructure had to be adapted to international standards. A committee named RTUK

(Radio TV Supreme Council) was established to organize frequency planning and establish technical infrastructure standards. (Ref 2)

Digital radio is still non-existent in Turkey. This should change over the next five years, as digital radio will be introduced to the market through entrepreneurs who will seize the opportunity. Turkish radio broadcasts are overwhelmed with advertising, thus creating a platform of demand for advertisement-free satellite radio via subscriptions once it is available.

The Turkish Cable Market

After the revolutionary developments in the field of telecommunications, the worldwide share of telecommunication cables is rapidly increasing and telecommunication and information cables are developing most rapidly

Interactive services, Pay TV, video on demand, home shopping and home banking will also continue to penetrate the Turkish market. Imported products such as trunk amplifiers, splitters, fiber transmitters, fiber receivers, cable connectors and other equipment are already meeting increasing demand in Turkey. (Ref 2)

Turkish telecom and Vodaphone (Turkey) have plans to lay substantial distances of fiber optic cables in urban areas. Turkish Telecom recently started implementing this plan and is offering high speed ADSL to a limited number of customers.

All Broadcast To Go Digital Within The Next 10 Years In Turkey

New digital technologies will find increasing demand and will be quickly introduced into the market in order to meet global requirements. All current analog broadcast is planned to go digital within the next 10 years in Turkey. The cost of this conversion is estimated to be a minimum of $5 billion.

While new technologies replace outdated systems one step at a time in many developed countries, Turkey, an emerging market, implements state-of-the-art systems from the beginning. Turkish customers use the same technical standards as European countries and demand products and services of high quality and reliability. ADSL is a good example of this implementation; once Turkish Telecom prepared the infrastructure, consumers were quick to adept and sign-up. The same is expected to occur for voice-over IP, digital media and other products as fiber optic cabling will bring connection speeds up.

There are promising sale prospects in the cable and satellite sector, e.g. fiber optic cable and related equipment, Vsat systems, IBS earth stations, mobile earth stations and mobile satellite services, synthesized hand-held radio systems, trucked radio systems, data transmission equipment, CATV equipment and lightweight portable satcom terminals. (Ref.2)

The broadcast sector has experienced a hold-up of investments in the past due to the economic crisis. However, now that the economy has stabilized, this hold-up in investments is breaking down. The demand in this attractive market paves the way for foreign companies offering their latest product and services.

The broadcast, cable, and satellite market, while somewhat volatile, has a wide base and significant growth potential. In the future, satellites will continue to be required to meet key telecommunications service needs. Turkish broadcast, cable and satellite industry demand is mainly met by imports. In particular the latest digital technology products and services must be imported and are distributed by local representatives or distributors of international leading brands. International manufacturers thus face a huge unmet market potential in Turkey

Best Products/Services

- Audio Visual Equipment
- Audio Visual Broadcast Equipment
- Consumer Electronics
- Wireless Equipment/Services
- Notebook PCs

The audiovisual and consumer electronics market is also seen as a future prospect, as smart homes, LCD/plasma TV's, digital cameras, removable data storage and PDAs are in increasing demand. As was the case with the immense growth rate of mobile phones, now reaching 43 million users in Turkey, the nation's young and fast-growing population will be a significant factor in the expected increase of the AV and consumer electronics market.

Industry contacts agree that the next big market opportunity for ICT firms in Turkey is wireless broadband, audiovisual products and accessories thereof. Hot spots in airports, cafés and other public locations are on the rise. Wireless connectivity devices such as PCMIA cards, bluetooth hardware, edge technology, gprs, gps, and internet via satellite are also increasing in popularity and sales. Wireless connectivity is also boosting notebook PC sales as people seek mobility and connectivity at the same time. 3G wireless connections are still awaiting a lengthy bid process and the issuance of an eventual license.

Major Competitors

Vestel (www.vestel.com.tr), Beko (www.beko.com.tr) and Arcelik (www.arcelik.com.tr) are the main producers of AV equipment in Turkey. Almost all-multinational competitors, such as Sony, Toshiba, Philips, Samsung, and Creative are competing for market share. Turkey is the only country in Europe to produce notebooks with Vestel. Arcelik, Beko and Vestel also produce LCD TVs through assembling components.

Market Access

U.S. IT hardware and software manufacturers will find that due to time commitment, cost, and complexity of the regulatory and commercial environment, it is critical to select local representation. Also, the Ministry of Trade and Industry requires warranty and service coverage of electronic products, depending on the product consumption range, may require entire national coverage.

The importer must therefore sign an agreement that they will service their imported products and hence must either offer this service themselves or outsource this requirement to eligible service centers.

Although many people in larger urban commercial centers understand English, language may prove to be a serious barrier in rural areas. It is therefore imperative that marketing information and user guides be written in the consumers' native language. To win over the local customer, a Turkish language web site is imperative. Having a local representative or partner would help in translating advertising and marketing material and reach the targeted Turkish consumer audience with more precision.

For companies seeking to gauge market receptivity, exhibitions, trade shows and conferences are excellent product launch vehicles. Reconfiguring the user interface and software would not be necessary in the initial market fact-finding stages. However, once market interest is determined and confirmed, the U.S. company and its local partner can look at packaging the hardware and software to meet the needs of the Turkish consumer. Professional software for professionals may be in English and may not require localization.

The IT market reflects a high price elasticity of demand for most products. Sales price remains the overriding purchasing factor. A useful website is www.kik.gov.tr, The Public Procurement Authorities website. This website constantly updates and announces new tenders for public procurement.

Standards / Import Regulations

Turkey has adopted the European Union directives on low voltage and electro magnetic compatibility within the scope of the EU Customs Union Agreement signed in 1996. The agreement covers more than 20,000 industrial products and processed agricultural goods, which can be imported duty- and quota-free from the EU and the European Free Trade Association (EFTA).

Information Technology and AV products need a CE mark to be imported into Turkey and are also subject to new anti-lead soldering and environmentally conscious “Waste Electrical and Electronic Equipment Directive” (WEEE Directive) regulations. Average customs rates for most products outside of the EU are 4-5%, but this amount can reach 7-8% with all customs costs incurred.

Apart from electro-mechanical standards, IT producers must ensure that all electronics are compatible with the radio-frequency levels of the Turkish national standards on frequencies. For more information on frequency allocations please visit the Telecommunications Authority website at www.tk.gov.tr.

As noted earlier, all electronics sold in Turkey need to backed by a warranty and service center agreement. According to the popularity of the product, coverage may be needed throughout Turkey. The importing company is responsible for these warranty and service center agreements. U.S. exporters only need to get involved in such agreements if they plan to get established (incorporated) in Turkey.

Barriers

Apart from electro-mechanical standards, IT producers must ensure that all electronics be compatible with the radio-frequency levels of the Turkish national standards on frequencies.

Products manufactured prior to January 1, 2000, cannot be imported. This is an outstanding regulation attributed to hinder problems related to the Y2K bug. No secondhand IT equipment is allowed into Turkey "unless the equipment is an integral part of a machine used in manufacturing".

Trade Promotion Opportunities in Turkey

Cebit Bilisim Eurasia, Istanbul, Turkey. 7-12 October 2008. IT and Telecom solutions trade fair. This event is an U.S. Department of Commerce certified event.
Details: www.cebitbilisim.com

Cebit Broadcast, Cable and Satellite Eurasia, Istanbul, Turkey.
Satellite and broadcast technologies trade fair. 20- 23 November 2008.
Details: http://www.cebit-bcs.com/en/index.html

Related Trade Associations:

TUBISAD-BILISIM SANAYICILERI DERNEGI
(TURKISH DATA-PROCESSING INDUSTRIALISTS ASSN.)
Tel: [90] (212) 352 39 73-74
Fax: [90] (212) 352 39 72
MEYDAN SOKAK, MEYDAN APARTMANI NO.6 D.9
AKATLAR - İSTANBUL
www.tubisad.org.tr

Email: tubisad@tubisad.org.tr

Activity: Consists of Turkish computer manufacturing, marketing, software and computer related service companies. Members are firms in the industry.

TURKIYE BILISIM DERNEGI

Tel: [90] (312) 4793462

Fax: [90] (312) 4793467

ÇETİN EMEÇ BULVARI 4.CADDE NO:3/11-12 A.ÖVEÇLER

6450 - ANKARA

www.tbd.org.tr

Email: tbd-merkez@tbd.org.tr

Activity: Association for Turkish computer firms; publishes monthly computer periodical. Members are specialists in the industry.

INTERPRO YAYINCILIK ARASTIRMA VE ORGANIZASYON HIZMETLERI A.S.

Research Firm on Turkish Information Technology, also producers of BT Haber, a well respected IT news magazine:

Gazeteciler Mah, Saglamfikir Sok. No. 21/5

Esentepe, Istanbul

Tel: [90] (212) 212-3122

Fax: [90] (212) 212-3121

www.bthaber.com.tr

Turkish Government Offices:

TSE - Turk Standartlari Enstitusu (Turkish Standards Institute)

Necatibey Caddesi 112

Bakanliklar, Ankara

Tel: [90] (312) 425-4101

Fax: [90] (312) 417-2551

www.tse.org.tr

A member of the International Standards Organization (ISO), TSE sets standards for all types of materials, products and services in Turkey. Turkish standards are available from the Institute at a low cost and the Institute maintains a library open to business.

For More Information

The U.S. Commercial Service in Ankara, Turkey, can be contacted via e-mail at: Ihsan.Muderrisoglu@mail.doc.gov . Phone: +90 (312) 457 7167; Fax: +90 312 457-7302

Or visit our website: www.buyusa.gov/turkey

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Ref 3: Igeme, www.igeme.gov.tr

Ref 4: Turksat, www.satcom.gov.tr