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**Report Name:** Food Service - Hotel Restaurant Institutional

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**Report Highlights:**

Turkey's HRI sector, which continues to recover from the effects of the COVID-19 pandemic, is now grappling with rising inflation and economic uncertainty. Persistent inflation has eroded consumers' buying power, causing them to switch to cheaper dining-out options, such as fast food and street stalls. On the bright side, the return of foreign tourists is contributing to higher HRI sales. Meantime, the restaurant home delivery trend continues to grow as consumers demand greater convenience.

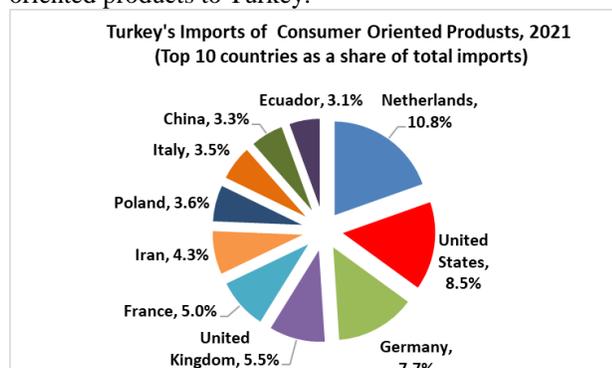
# MARKET FACT SHEET: TURKEY

## Executive Summary

Turkey has a young population of 83 million people with a growing middle class that is fueling consumption. Turkey is an emerging, largely free market economy and a leading producer of agricultural and industrial products. Turkey has the 19<sup>th</sup> largest economy in the world, with GDP predicted to remain flat at about 4 percent in 2022 and beyond because of domestic and international economic challenges. Despite domestic and foreign competition, there are export opportunities for U.S. food products in Turkey's HRI sector.

## Imports of Consumer-Oriented Agricultural Products

EU countries are the major suppliers of consumer-oriented agricultural products, with the advantage of proximity and preferential duties under the Turkey-EU Customs Union. After the Netherlands, the United States is the second largest supplier of consumer-oriented products to Turkey.



## Food Processing Industry

Turkey has a large and sophisticated food and beverage manufacturing sector, which relies on domestic and imported ingredients. As of 2020, there were nearly 53,000 food and beverage manufacturers in Turkey. The industry, which supplies both domestic and export markets, continues to grow in response to strong consumer demand for increased convenience.

## Food Retail Industry

The retail food industry, with grocery sales topping \$76 billion in 2021, continues to grow amid recent economic difficulties. This growth is largely fueled by Turkey's young, heavily urbanized population, and a growing middle class. In the last decade, several foreign grocery chains have exited the market, while domestic chains have quickly expanded, especially discount outlets. Modern retailers and online grocery shopping are

becoming increasingly prominent as traditional retailers exit the market.

## Quick Facts on Turkey's Food Sector

### Consumer Food Service, 2020

US\$ 7 billion (retail sales)

### List of Top 10 Foreign Fast Food Chain Brands in Turkey (by market share in 2020)

- |                         |                          |
|-------------------------|--------------------------|
| 1. Burger King (USA)    | 6. Popeyes (USA)         |
| 2. Starbucks (USA)      | 7. Little Caesar's (USA) |
| 3. Domino's Pizza (USA) | 8. Arby's (USA)          |
| 4. Mc Donald's (USA)    | 9. Subway (USA)          |
| 5. KFC (USA)            | 10. Krispy Kreme (USA)   |

### List of Top 10 Domestic Fast Food Chain Brands in Turkey (by market share in 2020)

- |                       |               |
|-----------------------|---------------|
| 1. Komagene Cigkofte  | 6. Pidem      |
| 2. Tavuk Donyasi      | 7. Big Chef's |
| 3. Kahve Donyasi      | 8. Bay Doner  |
| 4. Oses               | 9. Midpoint   |
| 5. Ekrem Coskum Doner | 10. Gunaydin  |

### Top 10 Retailers (by market share in 2020)

- |                |            |
|----------------|------------|
| 1. Bim         | 6. Ekonomi |
| 2. A 101       | 7. Halkmar |
| 3. Migros      | 8. Sec     |
| 4. Şok         | 9. Onur    |
| 5. CarrefourSA | 10. File   |

### GDP/Population

Population: 84.34 million (TurkStat, Year-end 2021)

GDP: USD 808.9 billion (TurkStat, 2019)

GDP Per Capita: USD 9,592

Sources: CIA World Fact Book; Euromonitor International; Turkish Statistical Institute; Trade Monitor International

## Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
Growth of GDP and disposable income in the last decade	Domestic and international political challenges
Large population base: young and growing	Economic instabilities that are eroding consumers' purchasing power
Opportunities	Threats
Unsaturated market, open for new items	Complex and time-consuming import procedures
Growing demand for high value packed food, ready to-eat/cook meals as the share of working women increases	Strong traditional food and cuisine affecting consumption habits

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## **I. MARKET SUMMARY**

Turkey is an emerging, largely free economy with a robust production capacity for agricultural goods, textiles, vehicles, and construction materials. According to the latest prediction by the International Monetary Fund (IMF), Turkey's GDP in 2022 is on track to increase year-over-year by about 4 percent, which is down from 11 percent the previous year. Economic growth in 2023 is predicted to stay flat year-to-year at 3.9 percent because of continued economic uncertainties, both at home and abroad.<sup>1</sup>

In hopes of raising the country's economic growth trajectory, the government has cut interest rates and made other market interventions. The unorthodox rate cuts, in parallel with rising international energy and commodity prices, have fueled record inflation and the depreciation of the Turkish Lira (TL). The Turkish government's interventions to minimize the effects of skyrocketing inflation and stabilize the TL continue to have limited success. The government is expected to continue its market-stabilizing efforts, especially ahead of general elections in 2023.

In September of this year, the government reported overall inflation for the month was 84 percent higher than a year ago. Food inflation was up about 93 percent. Independent think-tanks peg inflation estimates at significantly higher levels. Annual inflation is forecast to soften in 2023 but will likely remain in double-digits since Turkey is expected to maintain its loose monetary policy amid continued exchange rate volatility and high costs for imported energy and other inputs.<sup>2</sup> At the same time, the TL has continued to sink in value against the U.S. dollar and other major currencies. At the end of September 2022, the TL was trading against the USD at 18.5 TL/USD, compared to 8.5 TL/USD last September.

Rising inflation and a depreciating currency has increased operational costs (e.g., rent, electricity) for food service companies in Turkey, forcing them to raise their sales prices. The pandemic had earlier obliged these companies to adapt and cut costs to stay competitive. In particular, fast-food companies, such as Burger King, Popeyes, and Usta Doner, were able to survive the pandemic since they could efficiently deliver food to customers at a low cost. Meantime, persistent inflation has eroded consumers' buying power, causing them to switch to cheaper dining-out options, such as fast food and street stalls.

The demand for restaurant home delivery service continues to expand as consumers increasingly desire greater convenience. Most full-service restaurants have now partnered with Yemek Sepeti, Turkey's largest online food and beverage delivery service company, to deliver food to customers' doorsteps. In addition, many limited service restaurants, like fast food chains, have deployed their own motorized scooter delivery service.

The HRI sector continues to recover from the negative effects of COVID-19 lockdowns and restrictions during 2020 and most of 2021. By the end of 2021, restaurant sales figures surpassed pre-COVID-19 levels in terms of Turkish Lira but not in U.S. dollar terms. Meantime, the number of food service outlets remained below pre-pandemic levels. See tables 1 and 2.

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<sup>1</sup> Economist Intelligence Unit, 2022

<sup>2</sup> Economist Intelligence Unit, 2022

**Table 1: Consumer Food Service Value, Number of Outlets and Number of Transactions**

Consumer Food Service	2016	2017	2018	2019	2020	2021
<b>Retail Sales Price (USD million y-o-y)</b>	20,832	20,136	19,456	19,901	9,326	15,039
<b>Retail Sales Price (USD million fixed rate)*</b>	7,618	8,881	11,387	13,659	7,920	15,039
<b>Number of Outlets (count)</b>	117,669	123,187	129,406	132,446	108,490	122,682
<b>Number of Transactions (millions)</b>	3,909	4,222	4,768	5,154	2,073	4,067

Source: Euromonitor International, 2022

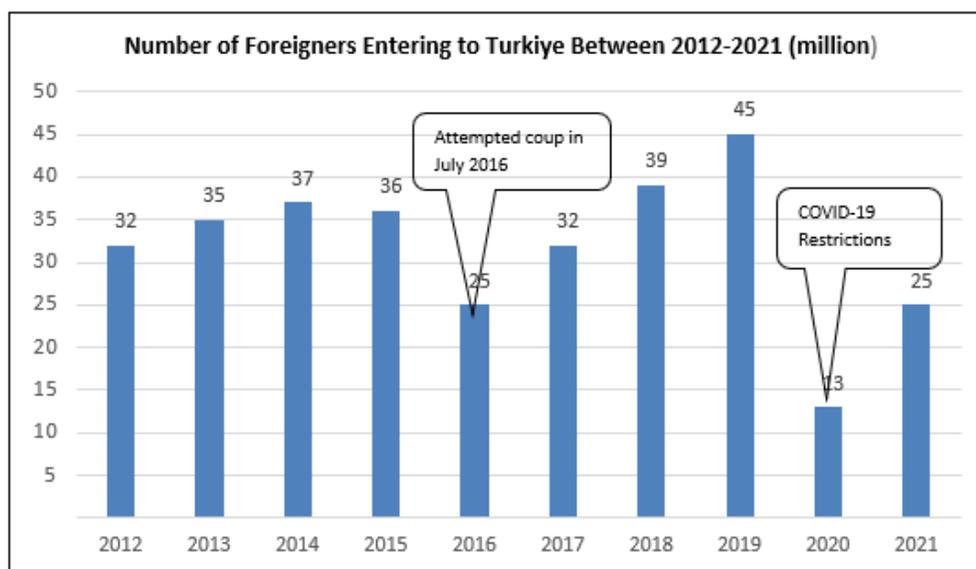
\*Fixed in 2021 prices

**Table 2: Number of Outlets per Type of Foodservice**

Consumer Foodservice by Types (units)	2016	2017	2018	2019	2020	2021
<b>Full-Service Restaurants</b>	44,324	46,105	46,646	46,541	33,137	41,181
<b>Cafes/Bars</b>	45,285	46,354	46,866	46,221	38,088	41,442
<b>Limited-Service Restaurants (Fast Food)</b>	17,578	18,706	21,733	24,216	23,644	25,876
<b>Street Stalls/Kiosks</b>	4,490	4,507	4,540	4,560	3,627	3,678
<b>Self-Service Cafeterias</b>	5,992	7,515	9,621	10,908	9,994	10,505
<b>Total Consumer Food Service</b>	117,669	123,187	129,406	132,446	108,490	122,682

Source: Euromonitor International, 2022

Tourism is important to the wellbeing of the Turkish economy and the country's HRI sector. In 2019, before COVID-19, approximately 45 million tourists visited Turkey. During the first half of 2022, there were 19.5 million tourists, who spent approximately \$14 billion. In 2021, the tourism sector started showing signs of recovery with the number of tourists increasing. Most tourists are from Russia, Germany, Ukraine, Bulgaria and Iran. Tourists tend to stay at beach resorts and all-inclusive hotels in Antalya and along Turkey's Mediterranean coast.

**Figure 1. Foreigners Entering Turkey**

Source: TurkStat, 2022

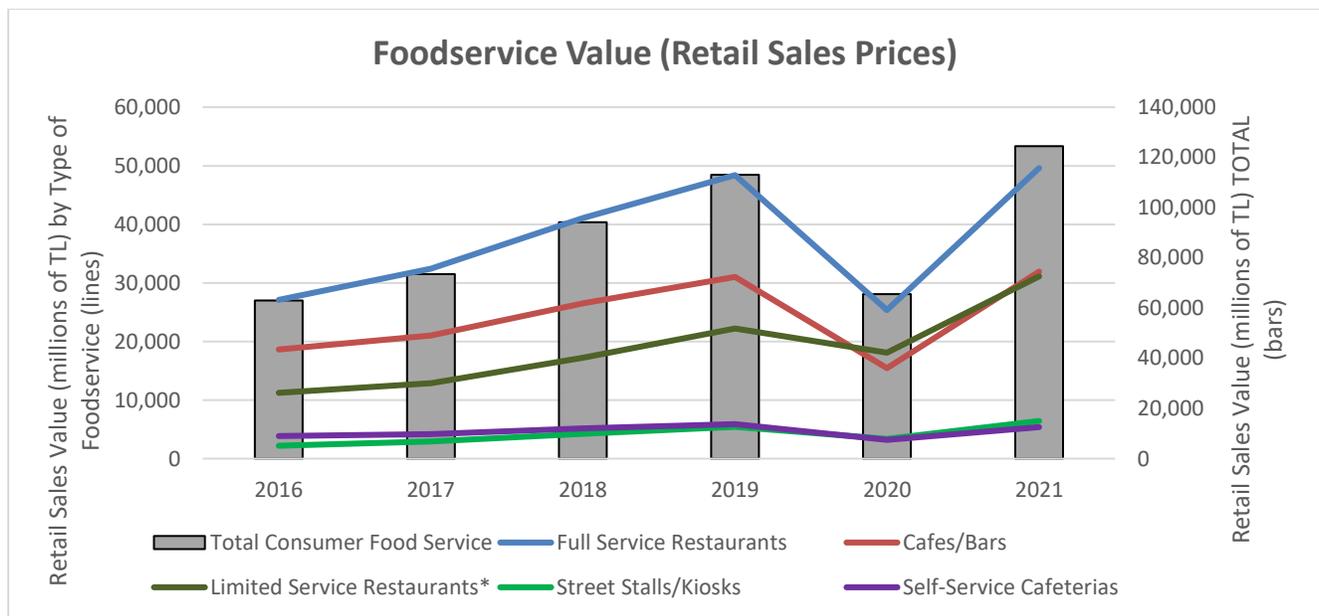
The Turkish food service sector is large, highly fragmented, and can be divided into two categories: commercial and institutional food service. Commercial food service consists of full-service, self-service restaurants (e.g., Turkish home-style restaurants), limited-service restaurants (e.g., fast food), as well as cafes/bars, and street stalls/kiosks.

### Commercial Food Service

In 2021, there were about 123,000 commercial food service restaurants in Turkey with sales of more than 120 billion TL (\$15 billion) See table 2. Interestingly, sales in terms of TL exceeded pre-pandemic levels because of inflation. However, sales in USD terms and the numbers of restaurants and transactions lagged behind pre-pandemic levels. It will probably take a few more years for sales (USD terms) and the number of restaurants to reach where they were prior to the pandemic.

Full-service restaurants, which were hit the hardest during the pandemic, saw the largest increase in sales in 2021. The increase in tourism will benefit the HRI sector, especially full-service restaurants. At the same time, food sales for cafes/bars and limited-service restaurants in 2021 increased year-over-year but at a slower pace compared to full-service restaurants. Both the number of and sales at limited-service restaurants, especially pizza restaurants, bakeries, and coffee shops, is expected to expand in the future as Turks search for cheaper alternatives amid diminishing purchasing power. Of particular interest, the number of coffee shops has increased in parallel with a fivefold increase in per capita coffee consumption over the last 15 years.

**Figure 2: Food Service Value of Turkey in Turkish Lira**



Source: Euromonitor International, 2022

During the last decade, there have been several foreign full-service restaurants/brands that entered the Turkish market but later left for different reasons. Some of the restaurants that came and went, include El Torito, TGI Friday's, Chili's, Jamie Oliver, Tom's Kitchen, Spice Market, Hakkasan, Benihana, Armani Café, Ciprani, Bice, Nando's, Laduree, De Silvano, Rainforest Café, P.F. Chang's, and Hard Rock Café. Some foreign chains, such as Zuma, downsized their footprint. Foreign cafés such as Paul's and Baskin Robbins have also left Turkey.

According to one food industry contact, the reason these restaurants didn't last or had to reduce the size of the operations was because their menu prices were too expensive compared to other dining-out

options, especially fast-food options. In contrast to foreign full-service restaurants, foreign fast-food restaurants, such as Popeyes, Burger King, and others, are quite popular in the market since menu items are typically cheaper.

The Cheesecake Factory reportedly decided not to enter the market because of Turkey’s [zero tolerance policy](#) on food ingredients derived from biotechnology.<sup>3</sup>

### *Institutional Food Service*

A significant number of institutional food service companies have been established in Turkey since the late 1970s. These companies serve corporate canteens, schools, hospitals, nursing homes, events in different venues, and more recently even some military facilities. According to the [Federation of Food Industrialist Associations](#) (YESIDEF), there are 5,000 institutional food service companies, with sales volumes of about \$6 billion in 2020. The number of companies has stayed relatively constant as through the pandemic, economic slowdown, and rising food inflation.

The size of institutional food service companies varies significantly, from small local firms to large international ones such as [ISS](#) and [Sodexo](#). These companies either prepare the food at their individual facilities and deliver it or prepare the food on site. Institutional food service companies in general do not use imported ingredients except some bulk commodity agricultural items such as rice, pulses, and vegetable oils.

**Table 3: Advantages & Challenges of the Turkish Food Service Market**

<u>ADVANTAGES</u>	<u>CHALLENGES</u>
A large and young population. A growing middle and upper middle classes with dual-income households. Quality-conscious consumers.	Import procedures and rules are complex, time-consuming, and often lack transparency. A zero-tolerance for biotech products or ingredients in food complicates food business operations.
Strong economic growth over the last decade. Growing demand for convenience, quality, and affordability.	Rising inflation and higher food costs are making consumers more price conscious. Consumers are looking for cheaper alternatives amid eroding purchasing power.
Many Turks travel abroad and are increasingly interested in new cuisines (e.g., Asian) and ingredients.	Strong demand for local cuisine, making it difficult for foreign restaurant brands to compete.
Some local casual full-service restaurants are updating and improving menus with new tastes. This is an opportunity for new ingredients to enter the market.	Misinformation and negative media about processed food ingredients and additives.
Unsaturated market, open for new cuisines.	

Source: Market observations of FAS Istanbul Office

## **II. ROAD MAP FOR MARKET ENTRY**

### **a. ENTRY STRATEGY**

After conducting market research and identifying a potential market opportunity within the HRI sector, it is important to develop a solid market entry strategy. Finding a local agent is a safe approach for entry into the market, especially for medium and small enterprises. Agents are sometimes importers, distributors, wholesalers, commission-based traders, or a combination thereof.

<sup>3</sup> Hurriyet Daily Newspaper, June 23, 2016. [Cheesecake Factory’s Turkiye Izini Cikmadi](#).

A good agent can provide guidance on the market, including import rules and regulations, which ports to utilize, and local business practices. They can also conduct market intelligence, make introductions to prospective buyers, etc. Before selecting any local agent, it is highly recommended to personally meet with several of them on a visit to Turkey. For larger companies with more resources, it might be an option to establish a company in Turkey and hire local personnel.

Attending international and domestic food trade shows can be helpful in making connections with prospective buyers and deciding whether to enter the market. Local food companies and buyers typically attend large international shows such as [Anuga](#) in Germany, [Sial](#) in France, or [Gulf Food](#) in Dubai. [Anfas Food Product](#), [World Food Istanbul](#), [IbaTech](#) and Food Ingredients [Fi Istanbul](#) are popular domestic shows in Turkey. [Travel Turkey Izmir Expo](#) and [Eastern Mediterranean International Tourism & Travel Exhibition](#) are two local tourism-related exhibitions.

Import procedures are complicated and burdensome in Turkey.<sup>4</sup> This makes a local business ally more essential. For details on the requirements, please refer to our [Exporters Guide](#) to Turkey and FAS Turkey reports on [Food and Agricultural Import Regulations and Standards](#) and [Required Certificates](#). The U.S. Foreign Commercial Service also gives some general information on [doing business in Turkey](#).

Entering the Turkish market often requires a long-term perspective and persistence, as building trust is important. Correct market analysis must be done thoroughly before entry. Turkey is a large country and has a very diverse set of consumers and food processing entities. We recommend reviewing our other [reports](#) and contacting the FAS Ankara office with any questions.

## b. MARKET STRUCTURE & DISTRIBUTION

Turkey's HRI sector is very large and fragmented and most of the restaurants and hotels are standalone. The majority of the hotels and resorts are concentrated in the south and west coasts of Turkey and in large cities.

The HRI sector typically buys imported food items from local agent or importer since it is easier than importing directly. HRI facilities also buy imported food products from retailer/cash & carry or wholesale/distributor.



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<sup>4</sup> FINAL IMPORT APPROVAL OF ANY PRODUCT IS SUBJECT TO THE IMPORTING COUNTRY'S RULES AND REGULATIONS AS INTERPRETED BY BORDER OFFICIALS AT THE TIME OF PRODUCT ENTRY. Please verify the whole set of import requirements with the customer and officials.

### c. SUB-SECTOR PROFILES

Important HRI companies in Turkey are listed below by sector, with links to their websites.

#### Fast Food

1. [McDonald's Turkey](#)
2. [Burger King Turkey](#)
3. [Arby's Turkey](#)
4. [Kentucky Fried Chicken Turkey](#)
5. [Popeye's Turkey](#)
6. [Carl's Jr. Turkey](#)
7. [Subway Turkey](#)
8. [Bereket Doner](#)
9. [Bay Doner](#)
10. [Usta Donerci](#)
11. [Tavuk Dunyasi](#)
12. [Kofteci Ramiz](#)
13. [Sultanahmet Koftecisi](#)
14. [Kasap Doner](#)
15. [Etiler Marmaris](#)
16. [Oses Cigkofte](#)
17. [Komagene](#)
18. [Kahta Cigkofte](#)
19. [Cigkoftem](#)
20. [Simit Sarayi](#)
21. [Sbarro Turkey](#)
22. [Ekrem Coskun Doner](#)

#### Pizza Chains

1. [Pizza Hut](#)
2. [Papa John's](#)
3. [Domino's](#)
4. [Little Caesars](#)
5. [Pizza](#)
6. [Bafetto](#)
7. [Pizza Bulls](#)
8. [Panino Pizza](#)
9. [Pasaport Pizza](#)
10. [Pizza House](#)
11. [Pizza Raffaele](#)
12. [Tadim Pizza](#)
13. [Sampi Pide](#) (Turkish style pizza)
14. [Neli Pide](#) (Turkish style)
15. [Bafra Pide](#) (Turkish style)
16. [Citir Usta](#) (Turkish style)
17. [Pidem](#) (Turkish style)

#### Full-Service Restaurants

1. [Big Chefs](#) (Casual)
2. [Mid-Point](#) (Casual)

3. [Kitchenette](#) (Casual)
4. [The House Café](#) (Casual)
5. [Leman Kultur](#) (Casual)
6. [Happy Moon's](#) (Casual)
7. [Cook Shop](#) (Casual)
8. [Kirinti](#) (Casual)
9. [SushiCo](#) (Casual)
10. [Eataly Turkey](#) (Casual)
11. [Mezalluna](#) (non-casual)
12. [Paper Moon Turkey](#) (Non-casual)
13. [Nusret](#) (Casual, Steak)
14. [Gunaydin Et](#) (Kebap, Steak)
15. [Kosebasi Kebap](#)
16. [Develi Kebap](#)
17. [Kasibeyaz Kebap](#)
18. [Gelik](#) (Kebap)
19. [Tike](#) (Kebap)
20. [Hamdi Kebap](#)

#### Coffee Shops

1. [Starbucks Turkey](#)
2. [Kahve Dunyasi](#)
3. [Caffé Nero](#)
4. [Tchibo](#)
5. [Caribou Turkey](#)
6. [Gloria Jean's Turkey](#)
7. [Barnie's Coffee & Tea Turkey](#)
8. [Lavazza Turkey](#)
9. [Kahveci Hacibaba](#)
10. [Gonul Kahvesi](#)
11. [Kahve Duragi](#)
12. [Kahve Diyari](#)
13. [Kahve Deryasi](#)
14. [The Espresso Lab](#)
15. [Bayramefendi Osmanli Kahvecisi](#)
16. [Kocatepe Kahve Evi](#)

#### Hotels & Resorts

1. [Hilton Turkey](#)
2. [Marriott Turkey](#)
3. [Sheraton Hotels Turkey](#)
4. [Best Western Turkey](#)
5. [Radisson Blu Turkey](#)
6. [Holiday Inn Turkey](#)
7. [Dedeman Hotels](#)
8. [Rixos Hotels](#)

9. [Marmara Hotels](#)
10. [Kempinski Hotels Turkey](#)
11. [Swiss Otel Turkey](#)
12. [Wyndham Hotels Turkey](#)
13. [Four Seasons Hotels](#)
14. [Club Med Turkey](#)
15. [Movenpick Hotel Turkey](#)
16. [Voyage Hotels](#)
17. [Divan Hotels](#)
18. [Anemon Hotels](#)
19. [Accor Hotels Turkey](#)
20. [Crown Plaza Hotels](#)
21. [Intercontinental Hotels](#)

#### **Institutional Food Service**

1. [Sodexo Turkey](#)
2. [ISS Turkey](#)
3. [Sofra](#)
4. [Sardunya](#)
5. [Martas](#)
6. [Keyveni](#)
7. [Basak](#)
8. [Polesan](#)
9. [Uc Ogun Catering](#)
10. [Bortar](#)
11. [Tadin Yemek](#)
12. Elchyn Catering

### **III. COMPETITION**

According to Post's market observations, local processed food and agricultural products are the main competitor for U.S.-origin processed food and agricultural products used by the local food service industry. Turkey has a well-developed food processing sector that produces quality food items for the Turkish market and for export. There is also a diverse production of agricultural products such as fruits, vegetables, tree nuts, grains, pulses, poultry, dairy, fish, and meat. Despite its diverse production base, demand in Turkey outpaces the supply for many agricultural items, making it necessary for the country to import many of the same products it produces, like tree nuts, grains, and pulses.

In addition to local production, U.S. products face competition from European processed food products and ingredients, which enter the market at a lower or zero tariff rate because of the EU-Turkey customs union. Furthermore, European products benefit from lower freight costs and shorter delivery times, with most shipments going by truck. Turkey has [FTAs with 20 other countries](#), with many including preferential tariff rates on food and agriculture products.

Please refer to our [Retail Foods](#) and [Food Processing Ingredients](#) reports for more detailed numbers on consumer-oriented agricultural goods and processed products/ingredients exporting countries to Turkey. You can check our [full set of reports](#) for other agricultural commodities.

### **IV. BEST PRODUCT PROSPECTS CATEGORIES**

Turkey is a very competitive and price sensitive market for many items. A thorough analysis should be done before prospective exporters consider Turkey as a long-term market. Exporters should be sensitive in brand positioning and be prepared for sufficient marketing activities and advertising. Note that some products from the United States currently face [additional tariffs](#), which affects competitiveness.

#### **a. U.S. PRODUCTS CURRENTLY REPRESENTED IN THE MARKET WITH GOOD SALES POTENTIAL**

- |   |  |
|---|--|
| 1. Tree nuts, such as almonds and walnuts | 7. Spices (some niche spices)  |
| 2. Pulses                                 | 8. Cranberries and select dried fruits                                 |
| 3. Sauces                                 | 9. Beer, whiskey, bourbon, other alcoholic and non-alcoholic beverages |
| 4. Functional foods                       | 10. New food additives, food processing aids                           |
| 5. Gourmet and ethnic food ingredients    |  |
| 6. Seafood products                       |  |

**b. U.S. PRODUCTS NOT CURRENTLY PRESENT IN THE MARKET BUT WHICH HAVE GOOD SALES POTENTIAL**

1. Pecans
2. Organic processed food
3. Organic and specialized coffees
4. Specialized cheeses and other dairy products

**c. U.S. PRODUCTS NOT PRESENT IN THE MARKET BECAUSE THEY FACE SIGNIFICANT BARRIERS**

1. Foods and ingredients derived from biotech crops ([Please see our Agricultural Biotechnology Annual Report](#))
2. Organic sugar
3. Beef and products
4. Rice

**V. KEY CONTACTS AND FURTHER INFORMATION**

Republic of Turkey, [Ministry of Agriculture and Forestry](#) (MinAF)

[Federation of All Food and Drink Industry Associations of Turkey](#) (TGDF)

[Federation of Food Industrialists Associations](#) (YESIDEF)

[All Foods Foreign Trade Association](#) (TUGIDER)

[Turkish Restaurant and Entertainment Association](#) (TURYID)

[Istanbul Food Industrialists Association](#) (IYSAD)

[Out of House Consumption Association](#) (ETUDER)

[Turkish Tourism Investors Association](#) (TTYD)

[Hotel Association of Turkey](#) (TUROB)

[Turkish Small Hotels Association](#)

[All Restaurants and Restaurant Suppliers Association](#) (TURES)

[Association of Turkish Travel Agencies](#) (TURSAB)

[Turkish Statistics Institute](#) (TurkStat)

[Union of Chambers and Commodity Exchanges of Turkey](#) (TOBB)

[Foreign Economic Relations Board of Turkey](#) (DEIK)

[Investment Support and Promotion Agency of Turkey](#) (ISPAT)

**Attachments:**

No Attachments