

New Market Study Published: Turkey Information Technology Report Q3 2010

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July 12, 2010 - [PRLog](#) -- The size of the strategically located Turkish IT market is forecast to increase from around US\$6.6bn in 2010 to US\$10.8bn by 2014, making it one of the fastest growing in emerging Europe. PC sales contracted in 2009, but low computer penetration and rising incomes should keep the market on an upward path.

Turkish spending on IT products and services is expected to strengthen throughout 2010, buoyed by a recovery in industrial production and domestic lending growth. A faster-than-anticipated emergence from recession in H209 bodes well for an upswing in 2010 and confirmed our prediction that, over our five-year forecast period to 2014, the Turkish IT market will be a regional outperformer.

The Turkish IT market is forecast to achieve a compound annual growth rate (CAGR) of 13% during the forecast period. Turkey's cultural and geographical position as a hub between Europe and the Middle East only accentuates the significance of the country's large market size for IT vendors. In recent years, PC sales have received new momentum as the focus of demand shifts towards the Anatolian region and this is expected to continue as the rate of PC penetration rises.

Industry Developments

In 2009, the government continued to implement its E-Gateway portal project, which is central to the government's target of using IT to create a citizen-centric government. In the second phase, health, justice and security applications were rolled out, with remaining applications due to be added in 2010, the deadline for completing the project.

Healthcare should be a significant area of opportunity for IT vendors over the next few years as healthcare organisations seek efficiency improvements and better-quality services. The Health Transformation Project, launched by Turkey's Ministry of Health, has driven an increase in outsourcing of hospital functions.

Competitive Landscape

Strong growth prospects for the Turkish PC market have encouraged PC vendors to increase investment in channels and local production. Market leader HP's new plant is expected to cost around US\$60mn and will produce 200,000 units a year after operations start in 2010. Meanwhile, Japanese IT giant Fujitsu has invested US\$2mn to expand its PC production capabilities in Turkey. Fujitsu expects Turkish output to be 70,000-100,000 units in 2010.

In 2010, Microsoft hopes that sales of its Windows 7 operating system, launched in October 2009, will boost local sales. In summer 2009, Microsoft continued to lay the groundwork for the new operating system launch and released the enterprise version of the software in August. According to US government figures, Microsoft leads the application software category with about 12% of the market.

IT services vendors have continued to strengthen infrastructure and service offerings in Turkey, despite the global recession. In August 2009, Accenture announced that, in partnership with enterprise software giant Oracle, it was opening an Accenture Innovation Centre in Istanbul. Meanwhile, IBM opened a new

Business Continuity and Resiliency Services facility in Izmir. The new facility replaced one that had been in operation since 2005 and features advanced data centre and workplace recovery capabilities.

Hardware

Turkey's computer hardware sales are projected at US\$4.6bn in 2010 and are forecast to reach around US\$7.8bn in 2014. Around 2.6mn PC units are projected to be sold. The market is forecast to return to positive growth in 2010, with revenues forecast to grow at a 14% 2010-2014 CAGR. In June 2009, the government lowered the consumption tax rate of 8% on computers until September 30 2009, which provided a boost to sales of notebooks and desktops.

Software

The software market in Turkey is projected at US\$803mn in 2010 and is forecast to reach US\$1.2bn in 2014, representing a CAGR of 11%. However, much will depend on the success in bringing down the rate of illegal software usage which, at 65%, is nearly twice the global average. The global economic crisis may have provided a boost to hosted software and outsourcing solutions, which have seen growing popularity among Turkish small and medium-sized enterprises.

October 2009's launch of the Windows 7 operating system has the potential to impact positively on sales in 2010, although much will depend on consumer and business confidence. However, 2010 could see a boost regardless, particularly in the second half of the year, from systems upgrades deferred from the previous year. The economic crisis led some companies to review IT budgets or look to defer systems updates, but other companies saw IT as a means of achieving greater efficiencies in difficult times.

IT Services

Turkish spending on all categories of IT services is projected at US\$1.1bn in 2010, with a return to growth as business confidence recovers following the economic contraction in 2009. The Turkish IT services market is expected to grow at a 12% CAGR over BMI's 2010-2014 forecast period.

The market is forecast to reach US\$1.8bn by 2014. While support remains the largest services category, other groups - including outsourcing on non-core functions and training services - are growing particularly fast. A pick-up in large projects in key verticals such as telecoms, manufacturing and finance should provide new corporate sector opportunities in outsourcing, systems integration and application customisation.

E-Readiness

Data indicate that Turkey's e-commerce transactions level doubled in 2007 to 54.1mn transactions, from 21.7mn the previous year.

Although other operators in Turkey are providing ADSL services, they are currently reliant on the incumbent Turk Telekom's wholesale ADSL product; wholesale connections are included in the incumbent's reported total.

Turkey's Telecommunications Authority is keen to foster growth of alternative broadband operators by allowing them to co-locate on Turk Telekom's network, in addition to reselling Turk Telekom's wholesale ADSL product. Competing against Turk Telekom remains difficult, given that the incumbent owns the bulk of Turkey's fixed-line network infrastructure and is determined to compete aggressively on price.

In 2007, the Organisation for Economic Co-operation and Development (OECD) called for more initiatives to increase public use of information and communication technology (ICT), with research from the EU Statistics Office showing that Turkey is among countries in which internet access is very low. The research found that only 39% of Turks had computers at home and that Turkey was below the EU average in terms of both computers per household and internet access.

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