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Responding to the newly emerging customer needs in the Turkish CEP market

May 2022

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The Turkish CEP (Courier Express Parcel) market is **growing rapidly** thanks to trends such as the e-commerce boom while the capacity has already been far away from satisfying demand. At the same time, the market landscape is evolving with changes in consumer expectations and increasing competition supported by new business models, leading incumbent players to change.

In this study, we discuss **future trends** along **the customer journey** from the perspectives of both shipper and recipient and how **CEP players** are responding.

A rapidly growing CEP market

The Turkish CEP market has been growing remarkably in recent years thanks to the underlying boom in **e-commerce accelerated by** the COVID pandemic (e.g. limited physical shopping, working from home etc.). According to official estimates, 15 million households are receiving a shipment on an average day in Turkey now (Source: Karid). Going forward we expect the market to grow with a CAGR of 15% over the next 5 years (far above pre-pandemic years, where the market grew with a CAGR of 9% in terms of volume between 2015 and 2019)

This overall growth in the Turkish e-commerce market has put considerable pressure on CEP players. Leading CEP players to invest TRY 10 bn last year (Source: Karid) to increase their delivery capacities and meet increasing delivery demand. Despite these investments we estimate that the Turkish CEP market still has ~30% capacity shortage on an average day, while on time delivery performances ranges from 70% to 95% for the industry players.

This high growth in the **e-commerce market** has been directly affecting the CEP industry, especially for corporate and individual deliveries in three ways by:

1. **Changing consumer habits:** Consumers have started to order wider range of SKUs (e.g. car tires, furniture, white goods etc.) and the frequency of shipments has increased due to introduction of new online services such as quick commerce.

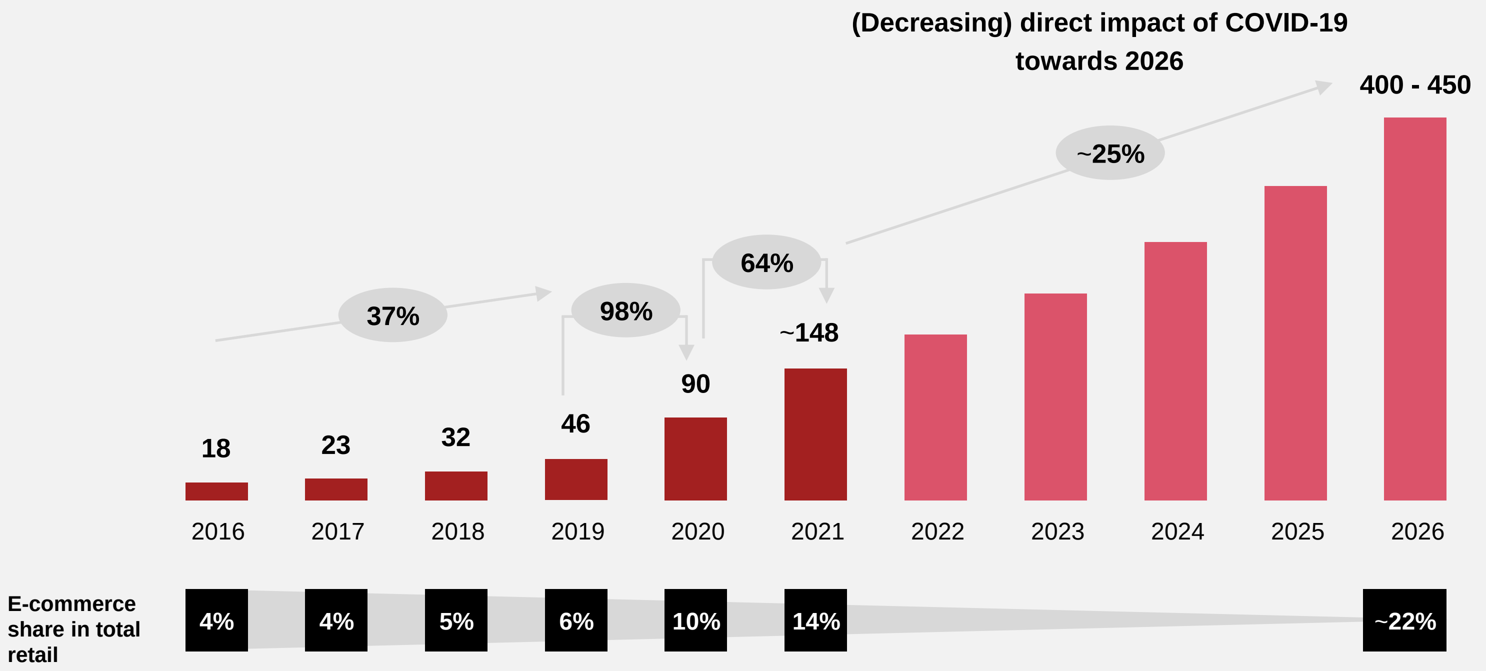
2. **Bringing new users from different segments and geographies around Turkey:** In 2026, the online shopper base is expected to reach 45 million in 2026 and represent more than 70% of the total addressable population (aged between 16 and 74).

3. **Increasing number of online marketplaces:** Many traditional retailers are searching for marketplace opportunities and e-commerce channels (e.g. online shopping from Instagram).

Taking a closer look:[1] The Turkish e-commerce market grew in the last two years and it is expected that this high-paced growth will be maintained.

- In 2019, e-commerce market size was **~45 billion TRY**
- In 2020 this size reached **~90 billion TRY**, nearly doubling in size!
- In 2021, the market experienced a further **~65%** growth, reaching all time high levels of **~150 billion TRY**…
- …and going forward we expect this **growth trend** will continue (considering permanent changes in seller and consumer behavior) and the size of the market will reach 400-450 billion TRY levels by 2026 with CAGR of ~25%.

Turkish e-commerce[2] market outlook



Source: ETBIS, TUBİSAD, TUİK, BKM, PwC Strategy& analysis

[1] Please also refer to our new, separate thought leadership on our web-page entitled: Turkish E-commerce Ecosytem Outlook
[2] Only categories relevant to CEP market are added, other categories (e.g., accommodation, travel, betting) are excluded

Customer expectations changing

Not only in Turkey, but in the world "customer is King"; with this in mind Turkish customers' main expectations are **on-time delivery** and **without damage**. The industry standard for the Turkish market being **1-2 days delivery** for **up to 600 km distance** and **2-4 days delivery** for above this distance. Furthermore, price, convenience of reach and prevalence are also among decision making factors for the shippers.

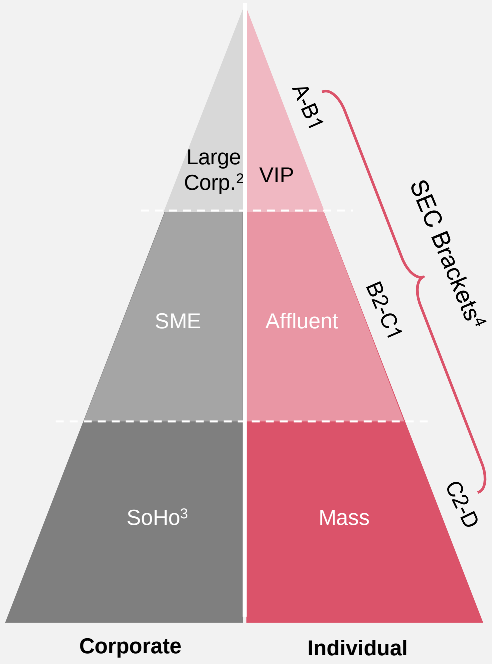
So what do CEP companies **need to do** as a minimum?

Understanding customer expectations is crucial for CEP companies to position themselves in this rapidly changing CEP market conditions.

As Strategy&, we have identified various needs for different customer segments regarding to CEP market (see Exhibit 1).

For instance, a high-value customer under **individual** shippers puts more value on **reliability**, **service quality** and **on-time and fast delivery** whereas **mass and affluent** customers value **cheaper price** and **after-delivery** service quality (e.g., ease of reach, online customer care). On corporate side, large corporates and e-commerce customers value **innovative products** and **services** as well as **operational excellence** from transfer center sorting technologies to IT integration whereas small medium enterprises (SMEs) and small home offices (SoHos) value more price and prevalence.

Segments in the Turkish CEP market



	Customer Segments	Key purchasing criteria	Remarks
C2X	• High value	• Reliability • Services quality • Operational speed	**Reliability, service quality** and **operational speed** are quite important for **VIP** customers
C2X	• Affluents • Mass	• On-time and fast delivery • Delivery without damage • Price • After-delivery service quality	**Affluent and mass** customers value **delivery on-time** as well as **price and convenience** (e.g., ease of reach, online customer care)
B2X	• Large Corp. & e.comm.	• Innovative products and services • Operational excellence	For B2X **operational excellence** from transfer center sorting technologies to IT integration are crucial for **large corporates** including e-commerce players
B2X	• SMEs • SoHos	• Affordable pricing • Payment terms • Prevalence	**Price and prevalence** of agency network impacts the buying behavior of **SMEs and SoHos**

Source: Expert interviews, PwC Strategy& analysis

Exhibit 1

[2] Includes e-commerce companies
[3] SoHo means small office home office
[4] SEC: socio-economic class

However the **change has just started**, following the customer is key:

With Covid-19 impact and increasing online adoption, the customer journey of both recipients and shippers started to change and **new needs** started to emerge from researching for the most suitable CEP service provider to after-sales. Therefore, leading CEP players needs to identify the changing customer needs and current pain points for realizing their expectations along the customer journey to **achieve higher customer satisfaction.**

Typical customer journey from research to retention

	Pre-sales			Service execution		Aftersales		
Critical Steps in Customer Journey	**Research**	**Quote**	**Order**	**Preparation**	**Delivery/Execution**	**Invoice**	**Feedback**	**Retention**
Interactions	• Internet search for options • Word of mouth • Social media ads	• Digital or face-to-face enquiry based on distance and volüme of the parcel • Learn process	• Onboarding • Request parcel delivery • Schedule pick-up • Sign contract	• Receive packaging material • Give parcel to courier for pick-up or drop-off to the branch/ agency	• Monitor delivery at each point on the value chain • Receive delivery notifications • Receive returns	• Make cash/card payment • Receive printed or digital invoice based on quote	• Provide positive or negatives feedback	• Make complaints • File claim
Customer touch points	• Existing customers (Word of mouth) • Web (CEP players and comparison sites)	• Website • Call center • Branch/ agency • Key account managers • Sales reps.	• Call center • Website • Branch/ agency	• Courier • Branch/ agency	• Delivery/ branch/ agency • Courier • Repcipient • Call center, webpage, app (track & trace)	• Branch/ agency • Web portal/ app • Email	• Call center • Social media • Web portal • Branch/ agency	• Branch/ agency • Call center • Sales rep • Key account managers

Repeated annually or semi-annually for corporate

For individual customers, invoice is usually provided after order

Source: According to deep interview results w/ industry experts, PwC Strategy& analysis

Nowadays, customers require **better, tailored, transparent and flexible services** along each step of their journey from pre-sales to after sales. **Disruptive** and **differentiating** initiatives have started to create unique value propositions especially in pre-sales and service execution steps of the customer journey. For instance, in delivery customers require more flexible solutions such as choosing delivery time and pick up locations. **After-sales services** also gain importance to support value propositions for pre-sales and service execution phases for enhanced customer satisfaction. CEP companies have been focusing on **operational excellence** in aftersales phase supported with technology (e.g. by receiving instant feedback using social media)

CEP is not only about delivery, who would you purchase from?

Key purchasing criteria impact the level of customer satisfaction across all phases of the customer journey. For instance, a shipper might read online comments about the on-time delivery performance of a particular CEP company in the research phase or a large retailer with a considerable amount of deliveries might request a service level agreement based on on-time delivery performance. According to our perspective **as Strategy&, innovative products** and **services** and after-delivery service quality might be the most impactful purchasing criteria with a widespread coverage across seven phases.

Key purchasing criteria across customer journey

	Pre-sales			Service execution		Aftersales		
	Research	Quote	Order	Preparation	Delivery	Invoice	Feedback	Retention
1 On time and fast delivery	✓	✓	✓	✓	✓		✓	
2 Delivery without damage	✓	✓	✓	✓	✓		✓	
3 Innovative products and services	✓	✓	✓	✓	✓		✓	✓
4 Affordable price	✓	✓	✓			✓	✓	✓
5 After-delivery service quality	✓	✓	✓	✓	✓		✓	✓
6 Good payment terms	✓	✓	✓			✓		✓

Source: PwC Strategy& analysis

✓ Indicates the phases of the customer journey impacted by key purchasing criteria

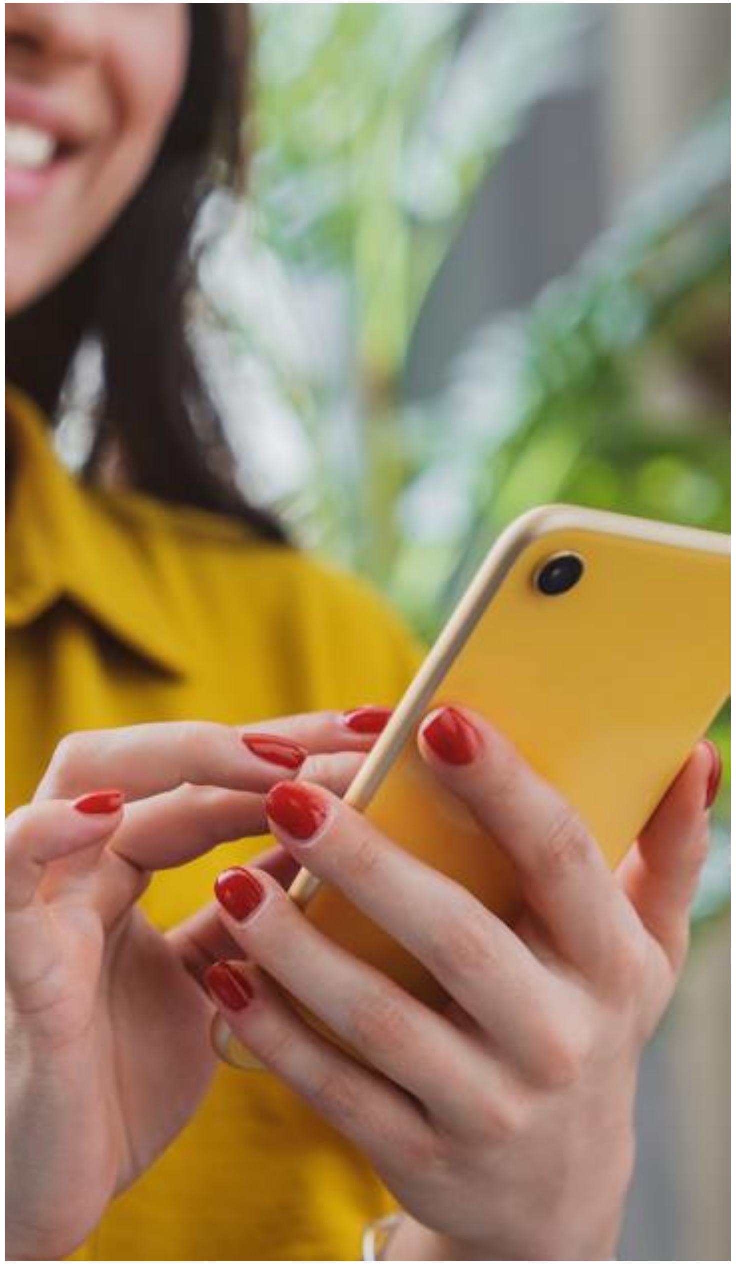
On time and fast delivery is the most important criteria to satisfy especially individual customers. Recipients especially value deliveries on on-time or communicated time. Having **right capacity**, effective **technology usage** and **competitive performance** metrics from sorting centers to last mile are critical for on time and fast delivery.

Delivery without damage is an important topic for majority of customer groups (e.g., ecommerce, individuals etc.) and CEP companies **need to track** their performance across different regions and compensate for any damage or loss. Having opaque and complex compensation policies and defected deliveries repel customers and hurt brand image.

Time-window delivery, home delivery in the evening, same day delivery, estimated time of arrival and delivery redirections (e.g., to a neighbor or a parents) will be key examples of **innovative products** and **services** that will shape the future of the Turkish CEP industry.

Affordable prices and **good payment terms** are relevant to all customers. In the CEP industry, customers have growing demands for innovative services while at the same time having a rather low willingness to pay a premium for these services. Differentiated pricing policies can be a tool to attract more customers: For instance, the impacts of charging less for deliveries in non-peak than peak hour deliveries can be assessed.

Additionally, customers would like to have seamless service quality from **first contact to last** with easy to **access customer services.** Transparency in delivery, improved branch experience, and easy change procedures for delivery details are critical for delivering a seamless service quality.



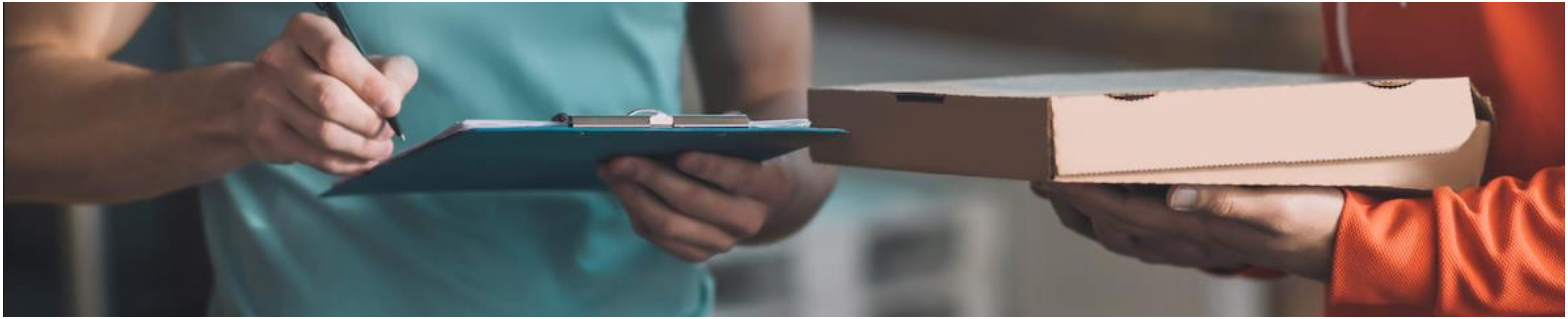
Competition is getting running wild

The industry is getting crowded and becoming more and more competitive with addition of the new disruptive players. We see **three archetypes** of CEP players with different capabilities and differentiated **value propositions** to customers in the market today: conventional CEP players (incumbents), disruptive players (e.g., marketplaces' delivery subsidiaries) and new delivery model providers.

Conventional (incumbent) players hold the majority of the market with mostly being present in all 81 cities of Turkey. There are five conventional CEP players, namely Aras Kargo, MNG Kargo, PTT, Surat Kargo and Yurtiçi Kargo (in alphabetical order), where Yurtiçi Kargo and Aras Kargo stand out as leading players. They usually depend on their **good pricing policy**, **strong brand names**, **higher capacity** and their capable management teams. These incumbent players mainly focus and compete on effective and efficient service execution with further capacity increase and technology improvements.

On the other hand, **disruptive players**, including new delivery model providers and marketplaces' delivery subsidiaries, have started to emerge bringing a broadened scope of services along the customer value chain with differentiated value propositions, challenging conventional CEP players.

New delivery model providers from quick commerce and food delivery such as Istegelsin, Banabi and Getir have introduced innovative products and services to pre-sales, service execution and aftersales phases, which have been started to be adopted by CEP players. For instance, Istegelsin customers can place scheduled orders even for the same day deliveries; Banabi and Getir customers can easily track courier and communicate with them on the app with live tracking feature, can receive estimated **time of arrival (ETA) notifications** after placing order and pay tips to courier and give feedback if they feel satisfied. Additionally, **asset-light platforms** such as gelal start to emerge to connect customers and drivers in a simple platform as new business models.



Marketplaces’ delivery subsidiaries are **emerging challengers** to incumbent players with an increasing market share. Few examples of this group are HepsiJet and Trendyol Express. Although currently they lack **capacity** and **infrastructure** to become a conventional CEP player, these new businesses are targeting to detect the pain points in the customer journey and improve their products & services. In this way they challenge conventional players by leveraging digital capabilities learned from e-commerce and new solutions from quick commerce players. Examples of services include **next day scheduled delivery**, **same day delivery**, **same day scheduled delivery** and **evening delivery.**

3PL players have also started to enter parcel delivery with disruptive capabilities. For instance, Ekol Logistics’ subsidiary, Kolaygelsin is gaining lot of awareness by partnering up with Amazon and offering innovative products such as live tracking, ETA notifications and redirections to its customers.

Benchmark of products and features across selected competitors

Products	Player #1	Player #2	Player #3	Player #4	Player #5	Player #6	Player #7
Next day delivery	■	■	■	■	■	■	■
Pick-up service	■	■	■	■			
Cash on delivery	■	■	■	■			
Int’l delivery	■	■	■			■	
Next day scheduled delivery	■				■	■	■
Same day delivery	■	■	■			■	■
Same day scheduled delivery	■					■	
Evening delivery	■		■		■	■	■
Features							
Real-time traceability (Route opt.)	■	■				■	■
Real-time redirection (address/recipient)	■					■	■
PUDO locker / shop	■	■	■		■	■	

Capacity increase and service quality

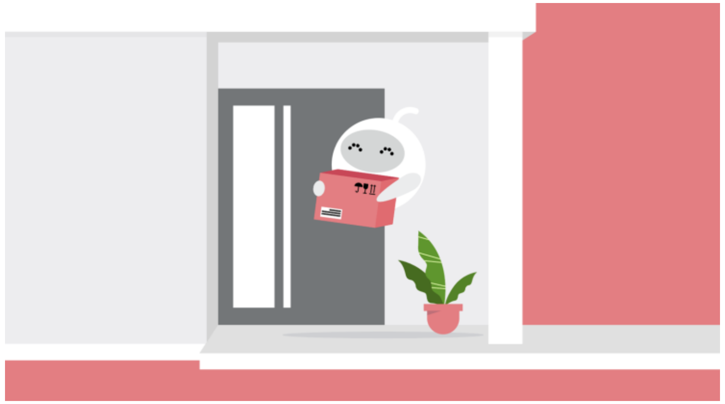
■ Exists

Source: Desktop search, PwC Strategy& analysis

So what is expecting us going forward?

Going forward, working on each customer journey step to meet increasing customer demand and needs is critical for CEP players to stay ahead of the competition. All improvements from **digitalization** to **operational excellence** and **sustainability** need to focus on improving customer experience along pre-sales, service execution and after sales customer journey steps. In this way, CEP players can ensure their right to win in the market or increase their resilience against **the rising competition.**

Let's just look at what needs to be done for delivering an enhanced experience across the customer journey; taking two phases of the service execution as an example.



Service execution

1. Preparation

CEP players can sustain advantage over its competitors by providing ease of mind and flexible and **personalized offers** in the preparation phase of the service execution, which is a critical touch point with customers.

Ease of mind for customers can be reached by **transparent and simple policies** for the service execution phase (e.g. special care for fragile/critical packages). Flexible solutions such as pick-up from home in pre-defined slots is an emerging trend that has been already offered by marketplaces' delivery subsidiaries.[4] Alternatively, customers can use PUDO point and locker networks to drop off packages to be delivered whenever they want.

Personalized offers can create **commercial advantages** for CEP players, especially for the ones with extensive customer data. CEP companies can offer customized packaging and pick-up solutions to customers based on their past shipment behaviors or they can assign pick-up personnel to whom the shipper has a familiarity.

2. Delivery

Operational excellence is an enabler to deliver fast, on time and with quality while being flexible. **Right network capacity** and delivery transparency and visibility are quite critical results from operational excellence. For this purpose, various CEP players invest in sorting **center technologies**, **network optimization** and last mile delivery technologies and efficiencies.

Furthermore, **sustainability** started to become a key focus area with the increasing consumer awareness, cost efficiency benefits and environment-friendliness.

Network capacity

Right network capacity is a foundation for effective and efficient operations. CEP players need a **long-term capacity planning** considering the growth of their delivery volume, service level commitments, geographical footprint (including possible international operations) and technological improvements in delivery fleet (e.g. introduction of drones).

[4] e.g. HepsiJet allows customers to return deliveries from their home by scheduling pick-up times

Delivery transparency and visibility

More transparent delivery can be **achieved by** live order tracking, which is mostly used by quick commerce and food delivery players, which ensures customer confidence. This is an example of how quick commerce and food delivery players are changing the CEP landscape. Customers, now, also expect the same service from CEP players.

In the near future, we expect to see several conventional CEP players to **invest in** the various technology to ensure the transparency and visibility for their shippers and recipients. Transparency can also be introduced in preparation phase as quick commerce players doing.

Alternative last mile delivery models

Last-mile delivery is the last part of the journey to the customer's doorstep. **Pick-up drop-off (PuDo) lockers**, parcel shops, redirections, click & collect service, and same-day delivery are some new **last-mile delivery models** penetrating the Turkish CEP market. For instance, conventional players like Aras Kargo, MNG Kargo, PTT, Yurtiçi Kargo and and new players like HepsiJet and Trendyol Express have already introduced PuDo locker and shop networks. In five years, the number of PuDo locations in Turkey might increase reach up to 65-80k locations.

To become and remain one of the leading CEP players in the Turkish market, the players need to answer v**arious strategic questions** clearly:

1. **Which purchasing criteria** are the most important for the existing and potential clients? How can we respond to our customers' emerging needs?
2. What are the **existing pain points** that adversely impact the purchasing criteria across the customer journey?
3. How can we fix or improve these pain points and turn them into **a satisfactory moment of truth** for our customers? How can we avoid the mistakes of the previous examples in the industry?
4. Which of **our differentiating capabilities** should we leverage for excelling on the most critical purchasing criteria against the competition?
5. How does the **target customer journey** need to be shaped to stay ahead of the curve?

Strategy& Turkey





Kağan Karamanoğlu,
Partner
kagan.karamanoglu@strategyand.tr.pwc.com

Cem Çamlı
Director
cem.camli@strategyand.tr.pwc.com

Daniel Haag
Director
daniel.haag@strategyand.tr.pwc.com

Yusuf Bulut
Director
yusuf.bulut@strategyand.tr.pwc.com

Melih Kalkan
Manager
melih.kalkan@strategyand.tr.pwc.com

strategy&
Part of the PwC network

Thank you

strategyand.pwc.com/tr/tr