Market Assesment: Purchasing and Consumption Preferences of KIZILAYKART Recipients

DECEMBER 2023

Funded by the European Union

TÜRK KIZILAY

IFRC

CONTRIBUTORS

Sevde Nur Söylemez (Türk Kızılay M&E Expert/Specialist)
Aykut Kutlu (Türk Kızılay M&E Officer)
Aşkınnur Eşigül (IFRC - Senior M&E Officer)
Serhan Yağmur İlgün (IFRC - PMER Officer)
Orkun Burak Yürekli (IFRC - Senior M&E Officer)
Hibe Altayeb (IFRC - Senior Registiration and Application Officer)

ACKNOWLEDGEMENT

We would like to thank all field teams for their time and effort in data collection of the Market Assesment. A special thanks to the respondents for giving us the chance to talk with them and address the questions.

PHOTO CREDITS

Photo: Türk Kızılay (Cover Page)
Photo: Türk Kızılay (Page 6)
Photo: Türk Kızılay (Page 9)
Photo: Türk Kızılay (Page 10)
Photo: Türk Kızılay (Page 11)

MARKET SITUATION

Market environment

- Increase in the exchange rate and a relative increase in the prices of imported goods and raw materials
- Increase in the prices of fuels consequently raising the cost of production and transportation
- Increase of the value added-tax from 18% to 20%
- Increase in inflation, 59 per cent in August 2023

Supply/availability

- Challenges to renew stocks
- Decrease in volume of trade
- Changing the modality of delivery to vendors because of the cost of transportation
- Inclination to sell cheap and low quality goods
- Decrease in the quantity or weight of the packed goods to avoid increasing the price of the goods
- Wholesalers are less prone to sell on credit to the vendors

Demand/accesibility

- Challenges in financial accessibility associated with a decline in purchasing power
- Inclination to buy less and/or cheaper goods
- Prioritizing price of goods over quality

Market services

- No major disruptions to the supply chain except in areas heavily affected by the EQ.
- Shop owners are more hesitant to sell goods on loan. Regular cash assistance is one of the condition required from local and Syrian shops for selling on credit.

BACKGROUND

Türkiye has been facing a steady increase in inflation rates due to global economic conditions since late 2021. As of August 2023, the annual inflation rate had reached 59 per cent [1]. Amid ongoing economic fluctuations, the South-Eastern region of the country has been affected by two devastating earthquakes, which are estimated to impose an additional economic burden of 103 million USD [2].
According to TURKSTAT, the relative poverty threshold [3] stands at TRY 21,296 for nuclear families consisting of both parents and children, further indicating that 21.6 per cent of Türkiye's population is living below the poverty line [4]. Regarding household expenditures, the highest share is attributed to food and non-alcoholic beverages, accounting for 22.8 per cent of total expenditures, while this rate is 35.8 per cent for the lowest income households [5].

In the midst of economic changes, the Emergency Social Safety Net (ESSN) Programme has been providing unrestricted, unconditional cash assistance to over 1.6 million refugees living in vulnerable conditions to help support meeting their basic needs and mitigate the effects of potential economic shocks. ESSN assistance not only supports the basic needs of recipients but also has effects on local markets. The spending choices made by ESSN recipients can influence the demand for specific goods and services, impacting market dynamics within the areas where the assistance is delivered and, in turn, being influenced by the changes in those markets.

Objectives of the study

The aim of this research is to expand our understanding of the interaction of ESSN Programme target group with the market in Türkiye through:

- Initial overview of consumption and spending behaviour and needs of the ESSN target group.
- Measure accessibility and availability of goods and services for this group in different regions, especially after the earthquakes.

Given the evident connection between inflation and purchasing power [6], it is crucial to comprehend the role of recent economic changes on purchasing power and how these changes are reflected in market supply and demand, which is explained in the following sections.

[1] TURKSTAT. (2023). Consumer Price Index, August 2023. Accessed 9 September 2023. https://data.tuik.gov.tr/Bulten/Index?p=Consumer-Price-Index-August-2023-49650
[2] T.C. Cumhurbaşkanlığı Strateji ve Bütçe Başkanlığı. (2023). Kahramanmaraş ve Hatay Depremleri Raporu. p.8 Accessed 9 September 2023. https://www.sbb.gov.tr/2023-kahramanmaras-ve-hatay-depremleri-raporu/
[3] TURKSTAT calculates the relative poverty threshold as 60 per cent of the median equivalized household income.
[4] TURKSTAT. (2023). Poverty and Living Conditions Statistics, 2022. Accessed 9 September 2023. https://data.tuik.gov.tr/Bulten/Index?p=Poverty-and-Living-Conditions-Statistics-2022-49746
[5] TURKSTAT. (2023). Household Consumption Expenditures, 2022. Accessed 9 September 2023. https://data.tuik.gov.tr/Bulten/Index?p=Household-Consumption-Expenditures-2022-49690
[6] Oner, C. (2023). Inflation: Prices on the Rise. Accessed 9 September 2023. https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/Inflation

METHOD

The method for this market assessment integrates various methodologies to study different market components and pricing. Table 1 provides a comprehensive overview of the research techniques employed.

A total of 846 individuals were randomly selected from lists of ESSN applicants to create the composition of sample for the phone surveys, with 95 confidence level and 5 per cent margin of error. A total of 97 per cent responded to the calls.

Table 1

Data collected on	Method	Location	Data Collection Period
Consumers	Self-administrative survey, phone survey	Türkiye	11-25 July
Vendors	Face-to-face interviews	İstanbul, Ankara, İzmir, Gaziantep, Hatay, Adana	31 July-15 August
Prices	Web-scraping, field observations	İstanbul, Ankara, İzmir, Gaziantep, Hatay, Adana	31 July-15 August

The average household size of the participants of phone interviews was 6. 10 per cent of the households interviewed had at least one member with special needs.

To combine consumers' perspectives with those of vendors', face to face interviews were conducted in bazaars, local markets and markets run by Syrian/Iraqi owners. The distribution of these interviews are provided in Table 2 in Annex I. The locations for the interviews was determined based on the density of the refugee population in the area. During the visits, the prices of items and products were recorded after obtaining consent from vendors.

Prices of the cheapest products were particularly important to record for the calculation of Minimum Expenditure Basket (MEB). Prices of goods were calculated both per unit and bulk (more than 1 unit), if applicable.

FINDINGS

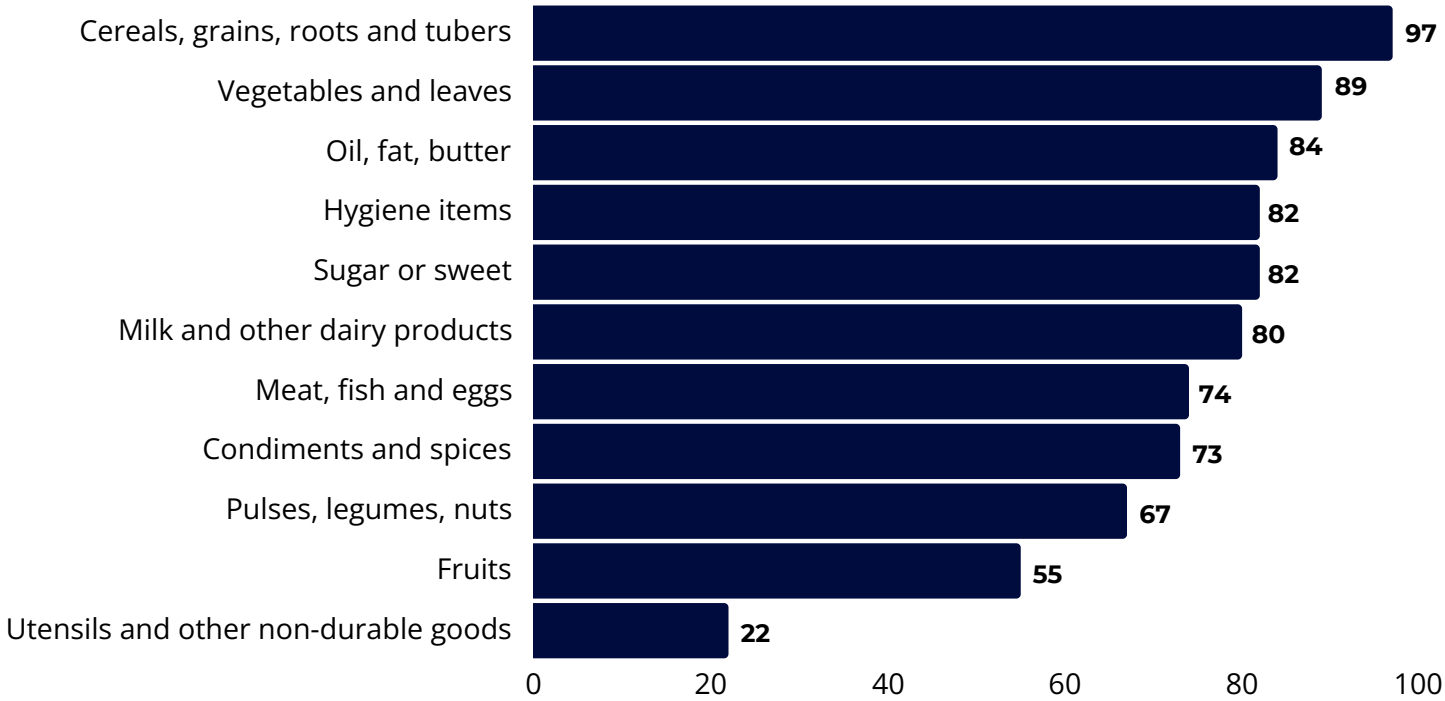
Purchasing habits of customers

Regarding the variety of food items purchased, findings of the phone survey suggest that only certain items were bought by the target group from each item group.

One of the reasons for choosing only specific items does not appear to be related to their ability to access markets. For example, 61 per cent of the participant households bought eggs, but only 8 per cent bought red meat. Eggs and red meat fall under the "main source of protein" category, which includes pulses, dairy products and meat. Additionally, fish and eggs were purchased by 44 per cent of households. The percentage of households who bought at least one item from each food item group was 32 per cent. Only 6 out of 64 food items -rice, bread, tomatoes, cucumbers, sunflower oil and sugar- were listed as regularly purchased items by the participant households. This indicates a certain level of vulnerability. One out of every three individuals can access at least one food item, but when it comes to diversity/accessibility, these figures remain quite limited. However, findings of Post-Distribution Monitoring (PDM) 17 indicate that 68 per cent of households have an acceptable Food Consumption Score [7], which means that more than half the population have access to nutritious food.

Detergents, soap and shampoo were the three products out of 18 NFIs that were regularly purchased by more than 50 per cent of the households. Not surprisingly, utensils, such as blankets or plates, were not frequently purchased.

Frequency of purchased items



[7] The Food Consumption Score, or FCS, is a comprehensive rating system that takes into account dietary diversity, food frequency, and the relative nutritional value of various food groups.

The majority of participants relied on price as the determining factor for buying goods (85 per cent). Participants also considered being able to borrow from the store (24 per cent), the proximity of the shop to their homes (24 per cent) and the quality of the products (20 per cent) as other determining factors.

From the vendors' perspective, allowing customers to buy on credit was not practiced by all shop owners, but the majority did allow it. Some shop owners stated that if customers did not have the option of buying on credit, they would not be able to purchase goods at all. Some shop owners allowed credit for people they knew and trusted, whilst others did not prefer to offer credit at all. This is an important finding because

PDM 17 findings revealed that 57 per cent of ESSN recipient and 72 per cent of non-recipient households resorted to buying food on credit, further emphasizing the importance of being able to shop on credit.

Phone surveys indicated that people preferred to buy particular items from Syrian markets because they found these items were said to be of better quality at Syrian markets. These items included Syrian bread, coffee and tea at the top of the list. The phone survey findings also indicate that for multiple goods such as hygiene items, chain markets are their first choice. However, Syrian markets were still people's second choice, even though Syrian markets tend to be more affordable than local ones.

Shopping preferences according to phone surveys

Chain markets

Cereals, grains, roots and tubers
Pulses, legumes, nuts
Milk and other dairy products
Meat, fish and eggs
Oil, fat, butter
Sugar and sweets
Hygiene items
Utensils

Syrian markets

Bread
Condiments and spices

Bazaars

Vegetables
Fruits

According to the Key Informant Interviews (KIIs) conducted with vendors, the most commonly purchased items included basic food items such as bread, pulses, tea, sugar, and dairy products. Discussions revealed that customers purchased their daily needs based on their most urgent requirements for that particular day. In addition to basic food items, snacks commonly consumed by children constituted an important part of their daily sales. Vendors also mentioned that during summer, customers preferred cold non-alcoholic beverages. A limited number of vendors stated that most of their sales included cigarettes and baby products.

The majority of participants bought groceries from the bazaar, usually in the evenings because sellers sell items for a cheaper price towards the end of the day. Similarly, PDM 17 found that 78 per cent of ESSN recipients preferred to buy less preferred, cheaper food as a coping strategy.

Interviews with the vendors in the bazaars support these findings. According to these vendors, products not sold during the busy hours of the day are sold by bazaar vendors at a reduced price just before they close up. Vendors stated that there was more demand for products with reduced prices, especially amongst Syrian customers. Close to closing hours, some vendors would give away or leave the products they were not able to sell in the location of their stalls and people would pick up these products free of charge.

The majority of vendors stated that the demand for these products was high. There were also participants who stated that the demand varied depending on the season and the prices of the products.

People tended to buy most of their items (except for condiments) in bulk (more than 1 unit). This could be because of the size of the household, how certain items are packaged, or because items sold in bulk are more affordable. Frequently bought items such as cereals, vegetables, sunflower oil, chicken, yoghurt and detergents were among items bought in bulk. Additionally, refugee households did not prefer to buy from large local markets.

Markets from the vendors' perspective

In general, the main topic discussed by vendors of Syrian/Iraqi markets and bazaars was the increase in the prices of consumer goods, which not only impacted the puchasing power of consumers but also the sellers' ability to renew their stocks.

When asked about the recent changes in prices, almost all of shop owners mentioned that prices increased significantly, leading to a considerable decrease in daily sales. Customers started to buy smaller quantities of the products that they would normally buy compared to the time before the spike in prices. Additionally, it appeared that customers have started to shop for their urgent needs only, which is probably caused by a decrease in their purchasing power. Further, vendors observed a significant increase in demand for low quality and cheaper products. A few vendors indicated that customers relied more on debt and bargaining due to the increase in prices. This has also affected the vendor's ability to stock goods and trade with suppliers. Vendors highlighted that each time they restocked an item, they would pay more than they had the previous time because of the constant increase in prices of goods. This has necessitated that they add additional markup to the products they sell in their shops.

Similar issues were raised in bazaars. When asked about the sales conditions, the majority of vendors stated that their business has slowed down and earnings have decreased. The majority of participants stated that their sales and profit margins have decreased. Production and transportation costs increased, specifically fuel, labour, and raw materials which has made stocks expensive for the vendors.

This increase is naturally reflected in the price tags, which has caused sales to decrease as people's purchasing power has weakened. This also impacts the vendors' ability to restock items. To cope with this issue, vendors in the bazaars shared that they have reduced the variety and quality of products they normally sell. They can no longer sell the expensive products they used to as the demand for these products has completely faded away. However, besides this majority, a small number of bazaar vendors stated that there was no change in their sales.

As for the discussions about customers' profiles, shop owners shared that Syrian people were more likely to shop at Syrian markets, while Turkish people tended to shop at Turkish markets. However, a few Syrian and Iraqi shop owners indicated that after the recent increases in prices, Turkish people started to shop at Syrian/Iraqi markets as their prices are lower than the Turkish markets.

Regarding the customer capacities of the local shops, discussions revealed that the great majority of vendors operated market places with more than 50 customers a day, followed by medium-scale markets with a capacity of 11 to 50 customers a day. Only one vendor mentioned that they have an average of 10 customers per day.

Not only customers but also vendors are in debt.

Debt is a means of transaction not only for buyers but also for vendors when renewing their stocks. Vendors who offered their customers the option to buy on credit had outstanding balances that exceeded TRY 10,000. On the other hand, vendors who owed money to stock sellers and other entities usually had debts around TRY 10,000. The range of debts for vendors was from TRY 10,000 to TRY 50,000, but a few had debts that exceeded TRY 50,000. The amount varied depending on the nature of the business and the size of the shop.

Most shop owners chose a combination of cash, credit, and credit cards as methods of payment to restock. This multifaceted approach enabled them to effectively manage their inventory and ensure a consistent supply of goods. Their ability to pay for stock renewal and to find good and reliable stocks are key aspects that vendors mentioned when they considered buying more supplies.

While discussing the challenges faced during the stock renewal process, only a few shop owners mentioned encountering problems due to the earthquake. However, the most significant issue that was repeatedly mentioned by vendors was the increase in prices. In fact, vendors emphasized that the impact of the increase in prices outweighed the challenges posed by the earthquake. Despite the damage the earthquake caused, both international and national markets, were functioning properly and were accessible to vendors, with few exceptions.

There were some vendors in the bazaar who stated that the earthquake caused changes in their businesses because of the migration of people out of the earthquake-affected area, the inability to supply products from the earthquake zone, decrease in people's purchasing power, or because the sellers themselves were affected by the earthquake. However, there were also others who observed changes in their businesses as an indirect impact of the earthquake. Some of the reasons their businesses were affected pertained to economic changes, such as the inflation and depreciation of the Turkish lira. A small number of market vendors stated that there was no change.

Overall, the market situation indicated that even though goods and items were available for sale even in most of the earthquake-affected regions, because of the increase in production and transportation costs, sellers had difficulties in procuring their products while demand decreased because of the worsening purchasing power.

CONCLUSION

The patterns observed in households, where they limit their purchases and prioritize price over quality, underscore the importance of adopting a rights-based approach alongside a people-centered strategy in MEB calculations. Without such an approach, the calculations may inadvertently reflect negative coping mechanisms employed by the population, potentially constraining the effectiveness of assistance provided. While the MEB calculation within the ESSN Programme incorporates various components in our theoretical framework, participants reveal an inability to afford many products included in the MEB. Given that the MEB addresses only the basic needs of individuals, our respondents express challenges in affording even these essential items. This underscores the stark economic vulnerability of the target population, who exhibit a preference for cheaper, lower-quality goods. They tend to make purchasing decisions based on affordability rather than considering the quality of the products. Hence, close monitoring of this situation and the implementation of necessary interventions are crucial.

Our PDM and Focus Group Discussion (FGD) studies highlight that, in response to the declining purchasing power, both consumers and sellers have resorted to negative coping strategies, with debt being the most prevalent method. The widening gap between income and expenditures is mirrored by an increase in indebtedness. For sellers, this situation may escalate to a point where it jeopardizes business continuity. In an environment marked by high price fluctuations, despite physical access to markets, procuring new supplies for resale becomes a formidable challenge.

ANNEX I

Table 2: KII structure

	Location	Number of interviews in bazaars	Number of interviews by local shop owners	Number of interviews by Syrian/Iraqi shop owners
Provinces	Adana	6	5	5
	Ankara	4	2	6
	Hatay	6	4	6
	Gaziantep	3	4	6
	İzmir	8	10	10
	İstanbul	7	4	6

ANNEX II

Table 3: Products consumption in the market assessment

	Consumption Group	Overall Consumption	Most Consumed 3 Items
Food	Cereals	97%	Bread 75% Rice 72% Potato 57%
	Pulses	67%	Lentils 30% Beans 22% Chickpeas 19%
	Diary	80%	Yogurt 48% Milk 20% Cheese 13%
	Meat-Fish	74%	Eggs 61% Chicken 51% Beef 5%
	Vegetables	89%	Tomatoe 79% Cucumber 64% Eggplant 49%
	Fruits	55%	Watermelon 24% Apple 22% Peach 8%
	Oils	84%	Sunflower Oil 74% Olive Oil 9% Margarine 3%
	Sugar and Sweetners	82%	Sugar 70% Jam 4% Honey 1%
	Condiments and Spices	73%	Spices 63% Tea 54% Salt 45%

ANNEX II -CONTINUED

Table 3: Products consumption in the market assessment

	Consumption Group	Overall Consumption	Most Consumed 3 Items
NFI	Hygiene	82%	Detergents 67%
			Soap 31%
			Shampoo 31%
	Utensils	22%	Bowls 2%
			Cookspots 1%
			Plates 2%

Follow us:

KIZILAYKART

platform.kizilaykart.org | *twitter.com/kizilaykart* | *youtube.com/kizilaykart* | *instagram.com/kizilaykart* | *facebook.com/Kizilaykart.Programlari*

IFRC

ifrc.org/emergency-social-safety-net-essn | *twitter.com/ifrc* | *youtube.com/user/ifrc* | *instagram.com/IFRC* | *facebook.com/IFRC*

Funded by the European Union