

# SMEs in Türkiye Food Services Sector

SME Snapshot, July 2023



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## Highlights

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This Snapshot examines businesses in the Building Markets network operating in the food services sector in Türkiye. As of June 2023, the organization had verified 2,586 small and medium-sized enterprises (SMEs), the vast majority (96%) of which are owned by and employ Syrians. Within the Building Markets Türkiye network of 2,586 SMEs, 244 (9.4%) operate food service businesses that employ 1,950 individuals either full or part-time.

SME Snapshots are based on analyses of data collected through business verification and re-verification surveys conducted by the organization's team in Türkiye—one of the primary activities implemented as part of the organization's "Find, Build, Connect" model. These surveys gather information at regular intervals on business operations, including ownership, business size, import and export capacity, and challenges. Using this data, the organization is able to identify market trends and opportunities to share with the growing network of SMEs and partners, and better understand the evolving needs of entrepreneurs operating in the local market.

The following analysis was generated using the organization's unique data, insight, and access to these businesses. It provides an overview of the operational environment of SMEs in the food services sector, the unique challenges they face, and their outlook for the future. While Syrian business owners face unique challenges, they have the potential to be significant job creators and are more likely to employ vulnerable populations, which has far-reaching benefits for both the newcomer and host communities. Recommendations have been formulated for both businesses and buyers based on these challenges and the services and opportunities offered by the organization. With the growth of SMEs and the creation of more jobs, particularly among underrepresented groups, poverty can be reduced and social cohesion between refugees, other newcomer groups, and the host community can increase.

Click [here](#) to learn more about our work in Türkiye and to read other research publications.

We sincerely thank all the businesses that participated in these surveys and interviews.

*This Snapshot was researched and authored by Building Markets team, including Mohannad Altay (MEAL and Program Officer), Gamze Çubukçu (MEAL Assistant), Saeed Eido (Verification and Regional Officer - Gaziantep), and Nawar Maarri (Program Services Senior Coordinator). Data analysis was conducted by Zonglong Chen (Data Analysis Statistician).*

## Spotlight Food Services Sector SMEs in Building Markets' Türkiye Network

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The food industry in Türkiye is an integral part of the country's culture and has played a critical role in shaping and developing the socio-economic environment of the country. The importance of Türkiye's food culture can be underscored by the fact that Türkiye has three cities listed in the UNESCO Creative Cities of Gastronomy, which are Afyonkarahisar, Hatay, and Gaziantep.

Türkiye's unique and diverse characteristics, such as: geographical location, religion, trade, overseas and foreign affairs and external influence, have all together led to the formulation of the outstanding Turkish food culture.

The Turkish economy has been struggling with high unemployment rate<sup>[1]</sup>, despite the fact that the economy grew at 5.6 percent in 2022. Given that the food services sector is a labor-intensive sector, it can be a solution to the country's critical issue. Within the Building Markets Türkiye network of 2,586 SMEs, 244 (9.4%) operate food services businesses that employ 1,950 individuals either full or part-time.

These small businesses are crucial to creating jobs and improving livelihoods in Türkiye, however they continue to face unique challenges that can inhibit their growth and employment-creation potential. These include a lack of accessible market information and training relevant to their needs, as well as difficulty accessing finance, business, and partnership opportunities.

Addressing these challenges can help create more formal jobs, allowing individuals to improve their livelihoods and contribute to social and economic cohesion across the country. Since 2017, Building Markets has been working to bring visibility and opportunity to Syrian-owned SMEs in Türkiye in order to support job creation and localize the aid response to the Syrian crisis.

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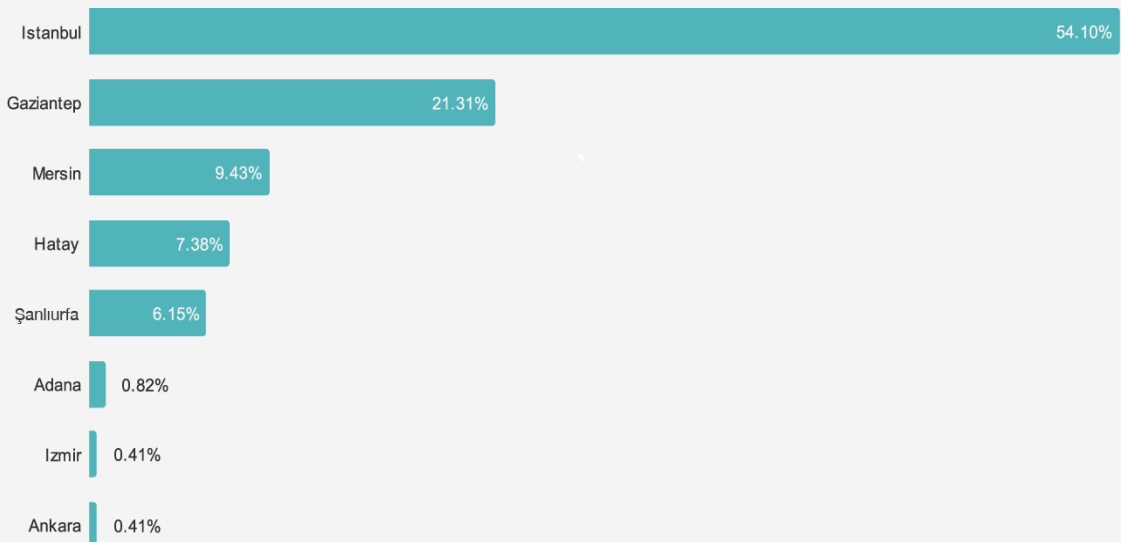
<sup>1</sup> TÜİK, 2023. "Labor Force Statistics." Available [here](#).

# Food Services Sector Overview

Among the Building Markets Türkiye network of 2,586 SMEs, 244 (9.4%) businesses operate in the food service sector and employ 1,950 individuals either full or part-time. These businesses are primarily located in Istanbul (54%), Gaziantep (21%), and Mersin (9%). 73% are classified as micro-businesses (>10 employees), 23% are small businesses (>50 employees), and 1% are medium-sized businesses (>250 employees).

On average, SMEs in the network employ 7.8 individuals full-time and 0.7 part-time, while food services businesses employ 7.3 individuals full-time and 1.4 part-time. Only 23% of the food services business employ at least one female full-time versus 36% for the network overall. Additionally, 1.2% of food service businesses had at least one woman manager, versus 1.9% for the network overall. Only 2% of food services businesses employ at least one woman part-time, versus 3% among the greater network.

## TOP LOCATIONS AMONG FOOD SERVICES SECTOR SMEs



Only 2% of the businesses directly import good and products, while 4.5% export their products "desserts mainly" to international clients.



Sales and Marketing is the most common training topic needed (requested by 18.4% of the businesses) among food service businesses.



The majority of food service businesses employ an Arabic speaker (95%) and only 24% of the businesses employ an English speaker.

## Business Operations Among Food Service SMEs



On average, food service businesses are looking for \$18,971.87 USD in loans.



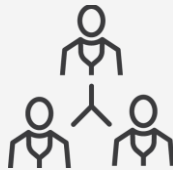
Only 1.6% of businesses in the sector have received a formal loan in the past, but 42% are interested in receiving one.



Around 30% of businesses in the sector are interested in an investor or business partner.



40% of businesses in the sector believe their profits will increase over the next 6 months. While 46% of them believe their profits will stay the same. Only 5% expect a decrease.



Over half of businesses in the sector (55%) believe their total number of staff will stay the same over the next 6 months, while 30% believe it will increase.



About 19% of businesses in the sector report that competition is one of the greatest challenges they will face in the coming six months, and 14% report difficulty accessing finance as the primary challenge they expect to face.

Among businesses in the sector, 31% expressed interest in participating in training sessions hosted by the organization. Businesses are primarily interested in attending training related to sales and marketing (18%), strategic marketing (7%), financial management or budgeting (7%), and customer service (5%).

# SME Operational Indicators



On average, food service businesses in the network have 7.3 full-time employees and 1.4 part-time employees.



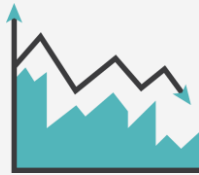
Among food service businesses, 22% employ at least one woman full-time.



Only 16% of food service businesses have additional branches.



The majority of food service businesses (85%) pay their suppliers within 30-60 days.

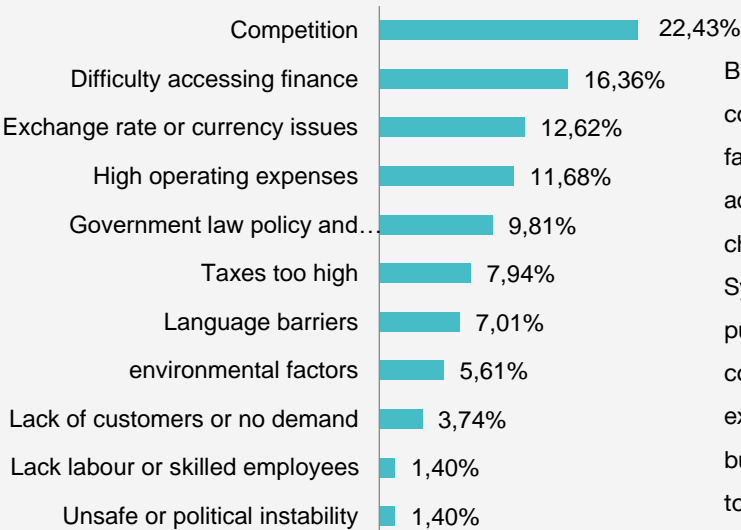


Only 5% of the businesses in the sector are expecting a decrease in their profits and number of employees.



Part-time employment is significantly more common in the food service sector compared to other sectors. The average number of part-time employees in the sector is 1.44 employees per business, while its all-sectors average is 0.75 employees per business.

## TOP CHALLENGES IN THE NEXT 6 MONTHS



Businesses operating in the food service sector consider competition as the biggest challenge they face currently or in the next 6 months. In addition, accessing finance was reported as the second biggest challenge. This is one of the main problems faced by Syrian business owners in general (please [see](#) this publication for more details). Increasing production costs, which is mainly driven by inflation and fluctuating exchange rates, is another major challenge that businesses face in general in Türkiye and not specific to this sector. This challenge strongly impacts businesses' production quality and hiring qualified employees.

To support food service SMEs in where competition is high, businesses strive to innovate and be creative in order to stand out and become the choice of customers. In support of these efforts, Building Markets delivers training sessions on topics specific to the needs and requirements of businesses in this sector. It was observed that businesses in the sector were mostly interested in marketing related training.

# A Journey of Resilience and Innovation: Fadi's Path in the Food Service Sector

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Meet Fadi Fael - the owner of Solo Lasagna, a 60-year-old entrepreneur hailing from Aleppo, Syria. Fadi's professional journey began in the field of Optometry and Optics, where he acquired a degree in optic and optometrics from Italy and graduated in 1987. In 1990, he embarked on the optical business, establishing his own optic center in Syria. Over the years, his expertise expanded, encompassing lens manufacturing and running an eye drops laboratory.



However, fate took an unexpected turn with the onset of the Syrian war. Amidst the turmoil, one of Fadi's factories suffered a devastating fire, while another was destroyed by a missile. Forced to seek safety and new opportunities, Fadi made the difficult decision to leave Syria in 2013 and sought refuge in Türkiye.

In 2020, inspiration struck in an unexpected way. Fadi's children pointed out his culinary talent in making lasagna, a skill honed during his time in Italy. Encouraged by his children's suggestion, he saw the potential to open a restaurant, bringing his passion for Italian cuisine to life. The vision was set, but the timing couldn't have been more challenging.

Just as Fadi was preparing to embark on his restaurant venture, the COVID-19 pandemic hit, causing widespread disruptions worldwide. The pandemic's arrival coincided with his restaurant's launch, draining a significant portion of his operating capital due to lockdowns and restrictions.

The journey to establish his restaurant involved navigating through some bureaucratic hurdles. Despite this, Fadi found assistance through his connections with Syrian companies and other NGOs, which facilitated the licensing process, allowing him to move forward with his vision.

Ensuring the protection of his restaurant's ownership was paramount for Fadi, considering it was a fresh concept and a new brand in the market. However, he faced some hurdles along the way. Initially, some Turkish customers perceived the restaurant as Italian-owned. Yet, once they discovered that Fadi himself was Syrian, they expressed reluctance to return or even canceled orders when they noticed his language barrier.

In October 2020, Fadi learned about Building Markets, and joined the Building Markets network, leading him to a realm of valuable opportunities. Through Building Markets, he had the chance to connect with numerous other businesses operating in the food service sector. Participating in various webinars and events, he gained invaluable insights and knowledge.

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One area that presented significant challenges for Fadi was marketing as a newcomer to the food service industry. Recognizing the importance of effective marketing in establishing his brand, Fadi sought out marketing training opportunities to enhance his skills. The training provided by Building Markets proved to be a turning point for Fadi, equipping him with essential marketing knowledge and strategies that bolstered his confidence in promoting his restaurant and as a result Fadi has leveraged social media platforms and digital sales platforms like Trendyol, Yemek Sepeti, and Migros to promote his restaurant. He has noticed that increased marketing efforts result in heightened sales and a broader reach to potential customers. Also Building Markets played a pivotal role in connecting Fadi with cheese suppliers and packaging companies, enhancing his restaurant's operations.

Fadi Fael's culinary journey taught him the crucial importance of studying the market, understanding the target audience, and establishing efficient working mechanisms. To ensure consistent quality, he created a comprehensive handbook for accurate recipe implementation, addressing the challenge of unstable performance in the food sector.

Inspired by the market's demand for employee meals, Fadi had a visionary idea to supply ready meals to businesses on a daily basis. However, he encountered challenges due to well-established, dominant companies that had been operating in this field for years. However, Fadi began conceptualizing a new style of mobile food selling, specifically catering to the unique tastes of Gaziantep. Currently, he is diligently working on the idea, shaping it theoretically. To turn this innovative project into reality, Fadi is actively seeking access to finance opportunities from a funder who shares his passion and vision.

As an entrepreneur with diverse industrial and administrative experience, Fadi Fael brings a unique perspective to developing and maintaining his role in the business world. Strategically, Fadi emphasizes the importance of comprehensive planning and views it as a necessity rather than a luxury in management. He believes that the environment surrounding the business must recognize the significance of strategic planning to create a cohesive and forward-thinking system.

However, Fadi encountered obstacles when some individuals resisted working according to a strategic plan. Undeterred, he seeks to build a collaborative work environment, where he can join forces with like-minded individuals who share his passion for strategic thinking and collective benefit.



# A Journey of Resilience and Innovation: Fadi's Path in the Food Service Sector

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In the aftermath of the devastating earthquake that struck Türkiye in February 2023, Fadi faced significant challenges as his workplace and construction were severely impacted, forcing him to move to a new workplace. Despite these setbacks, he remains motivated and determined to carry on. For Fadi, the essence of his work transcends the physical dimension; it lies in the moral aspect, the innovative thought process, and the systematic approach.

Fadi's vision extends beyond the conventional hierarchy of decision-making in companies. He advocates for a transformation towards a horizontal state, embracing collaboration and shared responsibility. By attracting young talent and fostering their participation, Fadi aims to create a living and adaptable system capable of self-reform.

Obtaining financing in the food sector has proven to be challenging for him. Despite his efforts to apply for funding opportunities, he has not yet received any support. If he can secure financing, he envisions using it to rebuild a new workplace. Two weeks before the devastating earthquake struck, Fadi and his team were diligently working on expanding their workplace and implementing various enhancements. He had planned and designed air suction mechanisms to improve ventilation, envisioned new facades to create an inviting ambiance, and carefully selected new lighting fixtures to enhance the restaurant's atmosphere. Despite their efforts, the earthquake caused immense destruction, and they lost everything except the equipment, which they managed to salvage.

Despite the challenges in the food sector, such as sharp fluctuations in raw material prices and escalating costs, Fadi emphasizes the importance of thoughtful pricing strategies to navigate these obstacles effectively. Fadi's out-of-the-box idea of opening a lasagna restaurant has drawn attention, especially from his Italian friends. They marveled at the concept, considering it unique even for Italians, and praised the positive experience he has created.

Looking ahead, Fadi envisions investing in technological advancements and revolutions within his field of work. His goal is to streamline production and sales operations, delivering higher quality while managing costs effectively. Additionally, he hopes for greater interest and support from Turkish institutions for Syrian companies, fostering collaboration and mutual growth opportunities.

# Recommendations

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## Recommendations for Businesses

- To address the competition, which is the main challenge businesses in this sector face, advising SMEs to focus on market differentiation and innovation can strongly help. SMEs should be educated on the advantages of offering unique menu items, emphasizing cultural authenticity, and providing exceptional customer service to stand out from competitors.
- The food services sector falls behind in its technological advancement, research and development. It has an under-developed technology structure. However, there is a room for improvement for SMEs; Incorporating sustainable practices or ensuring the adoption of technology to improve efficiency, whether in food or in orders processing, can also lead to attracting more customers and creating a distinct brand identity. Packaging solutions for takeaways also plays a role in building the SME image and their products' notoriety.

## Improve Investment and Credit Readiness to Enable Access to Finance

- SMEs must build their credit history and improve their compliance with all application criteria and regulatory requirements in order to diversify sources of external financing through credit lines, bank loans, leasing, and equity financing. The SME scoring tool developed by the organization identifies gaps and areas for development to help businesses meet application and regulatory requirements, improving their ability to access finance. Technical assistance is also available to enhance credit and investment readiness.
- New grants for businesses are announced on an annual basis. SMEs are typically required to provide five-year business plans as part of applications to these grant schemes. Technical assistance provided by the organization can help SMEs build their capacity to develop business plans.
- Training modules on a range of topics related to banking and access to finance are available through the [Online Learning Platform](#) and are periodically hosted [in-person](#).

## Digitalize Operations and Build a Digital Presence

- Businesses can access larger and more diverse markets through e-commerce and digital marketing. Both [virtual](#) and [in-person](#) training can help businesses with their digital transformation.
- Developing an online presence helps to increase visibility. All verified SMEs have a profile on Building Markets' [Online Business Directory](#). Business owners can claim the listing, add photos, edit the information, and use the page as a free marketing tool.

# Recommendations

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## **Participate in Mentorship, Information Sessions, and Tender Training**

- Mentorship services partner entrepreneurs with technical experts for one-on-one sessions designed to meet businesses' unique needs.
- Webinars and information sessions take place on a regular basis with subject matter experts on a variety of topics, such as penetrating the Turkish market and managing projects virtually. Check the [events webpage](#) to learn more.

## **Recommendations for Decision Makers**

- Enhancing existing regulations to support the development of the sector and its related sectors to encourage the adaptation to emerging trends in the sector.
- Encouraging more investments to address the inadequacy of the development of technology in the sector; meet the needs of investments and enhanced value chains aimed at structural innovation, human resources (capacity building).
- Align national level plans and policies with regards to innovation, structural change, and development that concern all related sectors (agricultural, food production, etc.) to ensure harmony and mutually reinforcing relationships.

## How We Work:

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Building Markets addresses inequality around the world by advancing inclusive economies that work for all. We do this by opening opportunities for small business owners — who fuel more than 70% of the world's jobs — to transform their lives and communities. Since 2004, Building Markets has combined its deep local knowledge, comprehensive data, and global networks to build confidence and strength in more than 27,000 small business owners affected by marginalization. From securing \$1.4 billion in contracts or loans to creating more than 74,000 full-time jobs in places where they're needed most, Building Markets is elevating small businesses as engines of enduring social impact and economic growth.

In Türkiye, Building Markets has built a unique network of over 2,500 Syrian-owned SMEs. Verified businesses access services that increase their visibility, improve their performance, and connect them to new opportunities. Since 2017, our programs in Türkiye have led to SMEs winning over \$41 million in new contracts and capital.

## Are you a small business operating in Türkiye?

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### INCREASE VISIBILITY



Get verified and create a Unique profile on our Business directory

### ACCESS TRAINING



Enroll in online and in-person courses that target your company's growth

### CONNECT TO OPPORTUNITIES



Locate tenders in your sector and win new contracts and capital

Interested in Learning More?  
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