

Turkcell Cep-T Cüzdan Mobile Wallet Service



Experience Innovation

EXECUTIVE SUMMARY

Turkcell is the leading mobile operator in Turkey, with 34.4 million subscribers in 2011 and a market share of approximately 54 percent. Turkcell covers approximately 83 percent of the Turkish population through its 3G network and 99 percent through its 2G network.

Turkcell's Cep-T Cüzdan mobile wallet service is one of the most ambitious of its kind in Europe. Launched in April 2011, Cep-T Cüzdan aims to bring the physical wallet to the mobile world, expanding beyond traditional retail payments to road toll payments, physical access, and mobile marketing applications.

Turkcell's Cep-T Cüzdan offers consumers added value by providing functionalities that exceed payment services. Cep-T Cüzdan is deployed over Turkcell's own brand of NFC (Near Field Communication) devices, designed to be affordable for Turkish consumers in the largely unsubsidized mobile phone market. Customers having a Turkcell NFC-featured mobile phone can download the Cep-T Cüzdan application at Turkcell's application store. Cep-T Cüzdan is also available for BlackBerry Bold 9900 smartphone customers in Turkey.

Turkcell has built an end-to-end system for its mobile wallet service, including the NFC Gateway platform, the Cep-T Cüzdan application, and the over-the-air (OTA) system. Turkcell is one of the few

operators in the world to have its own TSM (Trusted Service Manager) solution, which has been approved by MasterCard. In addition, Turkcell is the first mobile operator with more than one bank application on its mobile wallet platform. Three of Turkey's leading banks, Yapı Kredi, Garanti, and Akbank, have made their applications available on Cep-T Cüzdan.

Turkcell plans to expand its mobile wallet service with additional features. In February 2012, Turkcell introduced its road toll payment application for Cep-T Cüzdan. The application supports Turkey's contactless road toll-collection system, KGS, which allows users to pay tolls at bridges and highways in Istanbul and around Turkey using MIFARE (Mikron FARE Collection System) technology.

Building on the versatile Cep-T Cüzdan platform, Turkcell is planning future features such as ticketing, ID, and physical access control applications.

In recognition of its innovation leadership, Turkcell Cep-T Cüzdan was nominated for the "the best mobile money innovation" Global Mobile Award by GSMA (Groupe Spéciale Mobile Association). CepT Cuzdan was also awarded the SIMagine "Best Mobile Transaction (NFC) Solution" in 2011.

Figure 1. Turkcell Cep-T Cüzdan



Source: Turkcell

Opportunity

Turkcell's mobile wallet service has the potential to drive new revenues and create a competitive differentiation in several key areas:

- **New revenue streams.** The Cep-T Cüzdan service has the potential to create new revenue streams from existing customers, as well as increase the subscriber base and build loyalty.
- **International expansion and licensing.** Turkcell has interests in a large number of operators outside of Turkey and could extend its mobile payments platform to these operators going forward.
- **Strong base of contactless Point of Sale (PoS) infrastructure.** Turkey has 66,000 contactless terminals currently installed. PoS terminal issuers and banks plan to convert two million existing PoS terminals to support contactless payments.
- **Improved device manufacturer support for NFC handsets, strengthening the prospects for NFC-based consumer services.** In Q4 2011 alone, 17 percent of all smartphones shipped globally were NFC enabled, compared to under 4 percent in Q12011 (source: Ovum.)

Challenges

Turkcell faces challenges in driving the active use of its mobile wallet service, improving infrastructure, and achieving scale. Turkcell also faces increased competition as other operators enter the mobile wallet market.

- Turkcell will need to focus on increasing usage as consumer adoption of mobile payments is still modest.
- Turkcell's expansion into mobile marketing services requires modifications to most PoS terminals to support nonpayment applications such as coupons, necessitating further investments by merchants.
- Although Turkcell has made good progress in building the installed base of NFC phones that support Cep-T Cüzdan (300,000 as of March 2012), the number of devices must continue to grow because scale is critical to the success of mobile payment services.
- Turkcell was first to market with Cep-T Cüzdan, but Vodafone Turkey is also expected to launch a NFC-enabled mobile wallet service. Turkey's third mobile operator, Avea, launched a NFC-based service using a bridging application in 2010.
- Turkcell launched its mobile wallet service without the collaboration of other operators in Turkey. Partnerships may be complicated, but in a solo operator strategy, Turkcell carries all the risks. Collaborating with other operators would help lower exposure and build support for scaling.

“We have initiated a new era with the Cep-T Cüzdan, which is one of the global firsts in the commercial application of NFC technology. By turning mobile phones into wallets with the Cep-T Cüzdan application, Turkcell customers can enjoy secure and practical contactless payment.”

—Cenk Bayrakdar, Chief New Technology Business Officer, Turkcell

Strategic Partnership

Mobile wallet services require multiple partners, and Turkcell has built a strong ecosystem for Cep-T Cüzdan.

- MasterCard is Turkcell's credit card brand and payment acceptance network partner, via MasterCard PayPass.
- Current banking partners include Turkey's three leading banks: Yapı Kredi, Garanti, and Akbank. Several others are expected to support Cep-T Cüzdan going forward.
- Hardware and software vendor partnerships are also instrumental in enabling the mobile wallet solution.

Success Metrics/Monetization

Turkcell's objectives in launching Cep-T Cüzdan include developing new revenue streams from mobile payments and marketing applications, growing the subscriber base, and increasing customer loyalty.

- As of March 2012, Turkcell had 300,000 customers with Cep-T Cüzdan enabled NFC phones, of which 50,000 are active users of the mobile wallet service.
- Turkcell views its mobile wallet service as an opportunity to drive new revenues not only from a share of payment transactions but also from associated mobile marketing applications including rewards, promotions, and coupons (it has not yet released figures).
- Turkcell has deployed an SIM rental model, charging a monthly fee to banking and other partners for hosting applications on secure SIM cards. The service is free to consumers.
- Turkcell is expected to derive further revenue benefits by expanding the mobile wallet service to operators in which it has a majority stake, such as Astelit in the Ukraine and BeST Belarus. Turkcell could also license the platform to other operators.

“By integrating mobile payment transactions to mobile phones via Turkcell, we will provide our card holders with the advantage of securely using this technology. We, thereby, add further convenience to their lives.”

—Mehmet Sindel, Executive Vice President, Payment Systems, Akbank Turkey

Company Background

- [Turkcell Cep-T Cüzdan web site](#)

Case study source: Cisco sponsored research developed by [Ovum](#).



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