

Qtel Mobile Money

Mobile Connected Life Experiences



EXECUTIVE SUMMARY

Qatar Telecom (Qtel) is a leading telecom operator, with a presence in 17 countries across the Middle East, North Africa, and Asia. Qtel had 2.37 million customers in Qatar at the end of 2011.

Qtel has realigned its organizational structure and adopted a centralized sourcing strategy in an effort to facilitate faster decision-making, increase its focus on data services, and improve customer experience. Its focus is to streamline Qtel's operations and enable it to better capitalize on opportunities in its existing markets between 2012 and 2016.

In October 2011, Qtel launched a mobile money service that provides a variety of payment and money transfer options for consumers in Qatar. Services work across all devices, and partnerships are developing fast.

Experience Innovation

In October 2011, Qtel launched a mobile money service in collaboration with a number of financial institutions, including the Qatar National Bank. The initial mobile money service enabled customers to transfer money domestically and overseas, and buy Hala (Qtel's pre-paid package) Top-Ups. Since then, Qtel has added utility bill and credit card payment and merchant transactions. The Qtel Group's operations cover markets with a high number of residents and foreign workers, who regularly transfer a proportion of their salaries overseas to their home countries. A large proportion of these workers do not have access to traditional banking facilities and are "under-banked," relying on the services of money transfer kiosks to transport money home.

Qatar is Qtel's first mobile money services market. It has announced that it intends to launch mobile money services across all of its operating markets and will integrate lessons learned from this initial launch to deployments elsewhere. Ovum believes that it will initially focus on similar Middle-Eastern markets, which are also Arabic speaking.

Qtel is gradually enriching its portfolio. Its partnership with Mashreq for utility bill payment was announced in December 2012, and in early 2012, Qtel added an option for customers to pay cash into their m-wallet via a number of self-service machines. Qtel is now working with employers in Qatar to enable them to make direct payments of salaries into mobile money accounts.

“The services provide access and security for a whole cross-section of the community that is under-served by traditional banking, and we aim to be a leader in the countries we serve.”

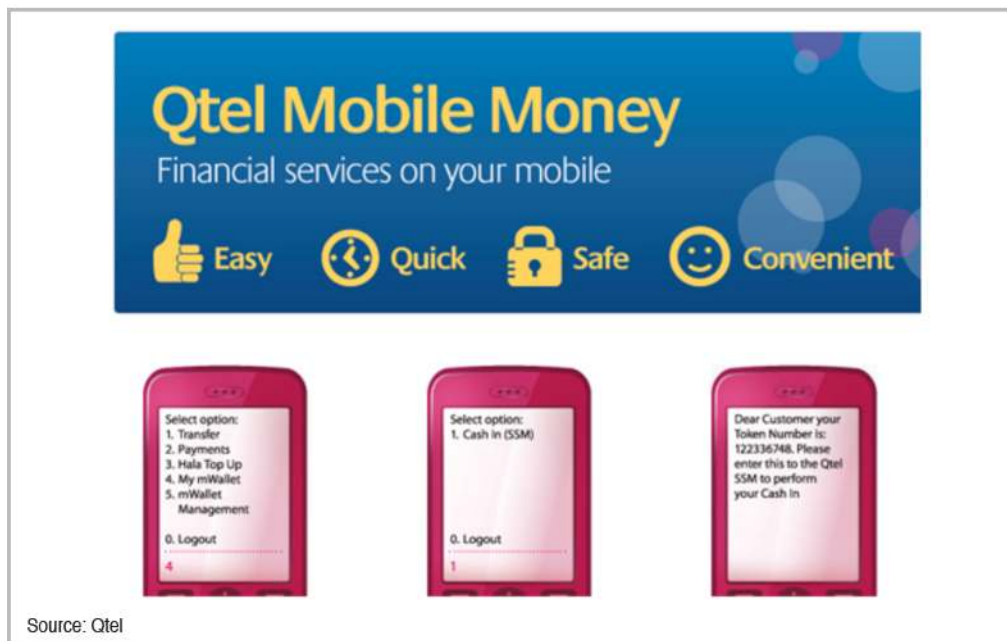
—Nasser Marafih, CEO, Qtel

Opportunity

Qtel's mobile money services address two main strategic aims:

- Create differentiation from the competition and invest in new growth engines of which finance is a key priority. Qtel has increased its focus on mobile value-added services (VAS) in an effort to complement its mobile offerings and drive revenue growth. It has expanded its VAS portfolio, placing a particular emphasis on TV, electronic payments, and health services.
- Provide solution to the demand for new payment and transfer solutions in emerging markets. There is significant potential for mobile money services in Qatar due to:
 - Lack of alternative payment solutions
 - High proportion of immigrants and international payment transfers
 - High mobile penetration (151 percent¹ end of Q4 2011)
 - Dynamic and growing economy.

Figure 1. Qtel Mobile Money



¹ Connections per population including post and pre-paid. Source: Ovum.

Challenges

Qtel faces several challenges in its strategy of expanding its mobile revenue stream via mobile money service.

- Qtel has experienced a decline in mobile market share from 77 percent in Q4 2010 to 75 percent in Q4 2011. Vodafone entered the market in mid-2009, and by the end of 2011 had 25 percent market share. Vodafone Qatar has focused on selling bundled devices and data plans.
- Qtel needs to drive additional value from its mobile services by reducing churn, focusing on customer retention, and growing VAS revenue. The company hopes that mobile money services can help it achieve this objective.
- Qtel must help ensure that it develops a balanced portfolio of mobile money services that cater to both its largely lower-income segment of immigrant workers and the higher-end segment to which it is promoting smartphones and higher-speed mobile broadband
- Qtel's plans for mobile money are similar to those of other emerging market operators such as MTN and Bharti Airtel. It faces intense competition from Vodafone in particular. Although the latter's Mobile Money Transfer service is more limited in scope, Vodafone will develop its mobile money services further, and Qtel must build its service quickly.

Strategic Partnership

- Qtel is building up a portfolio of financial partnerships with banks. The primary foundation partner is Qatar's national bank (QNB), but Qtel has also signed deals with others including Mashreq Qatar. Its partnership with Mashreq Online will help Qtel expand the range of services that it offers while helping enable Mashreq's customers to access its mobile payment services.
- Qtel is deploying Sybase's mobile wallet technology, which supports all mobile channels including SMS, Unstructured Supplementary Service Data (USSD), mobile browser, downloadable client, and STK, and works on any mobile device, with any currency.
- Qtel is using EastNets infrastructure for hosting, recovery, and security. Dubai is the main hosting site, and a Disaster Recovery (DR) site is in Bahrain. EastNets is also delivering compliance and anti-money laundering (AML) solutions to the Qtel Group through the en.SafeWatch Profiling as a Service (PaaS).

“We are extremely honoured to support our partner Qtel in this journey. Mobile Money is a revolutionary project for Qatar and the region, and it is a testament to the consistent innovation that is being witnessed in the Qatari market. QNB has always strived, directly or with valued partners such as Qtel, to deliver innovative, quality products and services that foremost aim to simplify and ease the lives of all people from every financial background.”

—Ali Al Kuwari, Executive General Manager and Chief Business Officer, QNB

Figure 2. Qtel Mobile Money: Mix of Paid For and Free Services

Download Tariff Guide and Transaction Limits

Tariff Guide

Transactions		Qtel
Register		FREE
Cash In		FREE
Cash Out		4 QR
Local Transfer		0.5 QR per transfer
International Transfer	To Mobile	12 QR
	To Cash Counter	12 QR
	To Bank Account	12 QR
Hala Top Up		FREE
Bill Payment		FREE
Merchant payment		FREE

Source: Qtel

Success Metrics/Monetization

Qtel's mobile money service is an innovative service offer that provides the following direct and indirect benefits:

- Direct revenues from paid for services, such as charges for all money transfer services (see Figure 2). Other services are offered for free, such as top-ups and bill/merchant payments.
- Indirect value. A key objective for mobile money is to increase stickiness. Qtel has an advantage here, because it is the first player to launch a comprehensive mobile money portfolio in Qatar.
- Qtel intends to deploy the service to its other operating markets over time, increasing the long-term revenue potential from mobile money.
- Mobile money services were only launched at the end of 2011, so little data is available in terms of uptake and usage. However, in the context of Qtel's drive to grow ARPU, the signs are encouraging (ARPU grew from US\$37.0 in Q4 2010 to \$39.9 by Q4 2011). In Qatar, Qtel's revenues grew by 4.3 percent year-on-year in 4Q11, while its EBITDA margin grew by 0.4 percentage points year-on-year to 48.4 percent due to lower opex growth.

“We have been at the forefront of designing innovative technology to provide our customers a seamless range of services round the clock, and are delighted to partner with Qtel in achieving this goal.”

—Howard Kitson, Country Head, Mashreq Qatar

Company Background

- Qtel web site: www.Qtel.qa

Case study source: Cisco sponsored research developed by [Ovum](http://Ovum.com).



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