



# **NEAR EAST UNIVERSITY**

## **Faculty of Economics & Administrative Sciences**

### **Department of Business Administration**

#### **Case Study on The TURKCELL Group**

#### **Graduation Project MAN- 400**

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## INTRODUCTION

Telecommunication is a very important aspect of life and the GSM industry is one of the easiest ways of communicating a stay connected wherever the person is. With the global communication developments people are more aware of things that are available at other countries. They demand these products at their home markets GSM providers like the TURKCELL tries to give high quality services to its customers in order to keep them connected all the time.

The aim of this study is to find out how the TURKCELL operates and manages its organization successfully, I have divided this study into three parts:

The first chapter gives an overlook at the companies background and its history also a look at the mission and objectives of the company.

The second chapter I mad a full situation and strategic analysis of the company in order to understand the company and the atmosphere that surrounds it.

In the third chapter I gave some strategies and activities that I concluded after making the analysis of the company.

## **CHAPTER ONE**

### **BACKGROUND OF TURKCELL**

#### **1.1. Company History**

TURKCELL was formed in 1993 and commenced operations in 1994 under a revenue sharing agreement with Türk Telekom, the state-owned fixed-line network operator. Since April 1998 TURKCELL have been operating under a 25-year license. TURKCELL provides high-quality mobile voice and data services and have developed the premier mobile brand in Turkey by differentiating itself from its competition based on quality of service. As part of TURKCELL's focus on customer service and customer growth, it have introduced a wide range of mobile services intended to attract and retain customers with various service needs.

TURKCELL completed its initial public offering of 25,102,963,000 shares in the form of ordinary shares and American Depositary shares ( with each ADS representing 250 ordinary shares ) on July 11, 2000. The ordinary shares are listed on the Istanbul Stock Exchange and the American depository Shares are listed on the New York Stock Exchange. TURKCELL is the first Turkish company to be listed on the NYSE. TURKCELL shareholder structure is as follows: TURKCELL Holding A.Ş. (51%), Çukurova Group Companies(15.33%), Sonera Holding B.V. (13.07%), publicly traded (13.89) and others (6.71%).

Since the beginning of its operation, TURKCELL has invested more than 3.5 billion USD including license fee for network infrastructure. It have approximately 11.3 million customers using TURKCELL's mobile communications network as of June 30, 2001. TURKCELL provides high-quality wireless telephone services throughout Turkey and has coverage of 100% of the towns with more than 10,000 inhabitants and 98.03% of the towns with more than 5,000 inhabitants.

At the end of 1999, TURKCELL became the first GSM operator in Turkey to be awarded the prestigious ISO 9001 certificate for the quality of its service. TURKCELL remains the leading provider of mobile communications services in Turkey. It provides a full range of products and services through its GSM network. TURKCELL believes



that the quality of its network, measured in terms of the network coverage and capacity, has been an important success to date.

Introduced in the first quarter of 1999 under two brandnames( Hazır Kart and Muhabbet Kart) TURKCELL prepaid service has generated new demand for TURKCELL mobile communications. Subscribers who want to control their budgets with their calls, or have more incoming calls than outgoing calls prefer Hazır Card. Prepaid customers are now offered a package of services almost equaling that of the postpaid customers.

TURKCELL is a public spirited company that believes in promoting the development of education and technology as well as supporting art and culture. TURKCELL gave the gift of education to 5,000 girls from rural districts in coordination with the Association in Support of Contemporary Living (ÇYDD). In addition to the "International Istanbul Film Festival", TURKCELL continued to sponsor the International Jazz Festival. TURKCELL has enhanced its reputation as a pioneer in mobile communications by sponsoring "Bilişim '01- A CeBIT Event" for the past four years. The primary principle behind TURKCELL's sponsorship activities is its commitment to social responsibility.

Since July 2001 TURKCELL have provided services to its customers in 96 countries through roaming agreements with 206 operators.

## **1.2. Mission & Objectives**

### **1.2.1. Vision**

TURKCELL vision is to become the leading player in the infocom (i.e.GSM,Internet,Digital TV) industry in Turkey as well as in the surrounding region.

To achieve this vision,TURKCELL took a 25% stake in Fintur Holdings B.V. in partnership with Cukurova Group and Sonera Holding B.V. Directly and through Fintur, TURKCELL has stakes in a portfolio of telecom and technology businesses in Turkey, Germany, Moldova, Georgia, Azerbaijan, Kazakhstan and NorthernCyprus.

### **1.2.2. Mission**

The mission of TURKCELL is to make life easier to its subscribers by providing high quality service and by investing in network infrastructure, decentralized control, customer care, marketing, brand image, value added data services and converging technologies.

### **1.2.3. Objectives**

TURKCELL is committed to maintaining its position as the largest and most coveted provider of mobile communications services in Turkey.

To achieve this, TURKCELL intend to:

- Ensure subscriber loyalty and satisfaction through customer focused policies that deliver the highest quality services available in the market.
- Operate a superior quality network.
- Compete primarily on the basis of service and quality.
- Provide an expanding bundle of services to its customers to increase minutes of use per customer and revenues.
- Increase penetration of its services.
- Lead the market in providing mobile data, Internet and mobile commerce services.

## **CHAPTER TWO**

### **SITUATION & STRATEGIC ANALYSIS**

#### **2.1. Strategy Setting**

The aim of this section is to set a realistic objective and make strategies to reach these objectives. TURKCELL will need to adopt an appropriate growth strategy to materialize its objective. Core strategies and Specific strategies will also have to be included in the strategy formulation.

The objectives of TURKCELL is to increase the number of its subscribers to a total of 12.5 millions in the year 2002 (6.61 postpaid customers & 5.89 prepaid customers), also to increase the revenues in order to reach 3,500 millions by the end of the year 2002 and this will help the company of maintaining its position and having the largest share of the market.

#### **2.2. Environmental Analysis**

##### **2.2.1. Pest Analysis**

Turkey, located at the juncture of Europe and Asia between the Mediterranean and Black Seas, is a vibrant democracy with a history stretching back to the beginnings of civilization.

A republic since 1923, Turkey has a population of over 65 million, approximately half of whom live in urban areas, of which Istanbul, Ankara, Izmir and Adana are the largest. The country has developed rapidly over the past two decades. It is a founding member of NATO and a candidate member of the European Union. Turkey offers significant growth opportunities for mobile communications. The mobile penetration rate is roughly half of the European Union average of 40%. Average age is 27, compared to an average age of 42 in the European Union. A young, mobile and ambitious population with rising educational levels and a short supply of public phones create further needs for mobile communications services.



### **A) Political and Legal Environment**

Turkey is a democratic country with a coalition government. Coalition governments are difficult to be formed and to sustain. Nevertheless the political situation in Turkey does not seem to affect the economy as much as it used to be in the past. After the liberalization period in the early 1980s the economy seems to be developing with limited interference from the state.

Joining the EU with a Customs Union has had some impacts on the state politics and the legal system. New international economic relations have now started with the new legal systems. Turkish relations with the non-EU countries are now regulated by the EU laws and regulations. The airlines industry of Turkey will have to meet the EU norms.

### **B) Economic Environment**

The performance of Turkish Economy during 1995-1997 periods can be best described as strong output growth backed with fiscal expansion and an accommodating monetary policy. In this process, price increases tended to accelerate significantly, while primary surplus declined sharply in 1997.

Despite some handicaps in the Turkish economy and despite some natural disasters such as the Marmara Earthquake, the Turkish economy is in a positive development. The recent approaches of EU to accept Turkey as a candidate member will mean a more internationalize Turkey. In turn Turkish people will be traveling more and more foreign are likely to travel to Turkey. There will be many new foreign investments in Turkey which will also mean increased activities for the airlines.

With the present developments Turkish economy is considered to be the 16th largest economy in the world. The positive developments in the economy, especially in the international trade will mean increased interaction between the other countries. TURKCELL will have to interact with other countries in the region and open more international services.



### **C) Socio-Cultural Developments**

Economic growth in Turkey is accompanied with social and cultural developments. Year after year the level of education is increasing and social standards are getting better and better. One of the biggest concerns in social aspects in Turkey is the uneven distribution of wealth. If the gap reduces so will be the social unrest. The Turkish society is now more aware of the western standards and there is a serious effort to catch up with them and the TURKCELL Company is trying to provide these standards to its subscribers.

Turkish society is well able to adopt for quick changes. With an effort to join the EU there are new approaches and new efforts to improve the social conditions. Large cities of Turkey are becoming centers for international political and cultural organizations and these are having positive influences on the social development.

One negative aspect in the social conditions is the recent earthquake disaster in the Marmara region. This will have a negative effect on various things including the social standards. This region was one of the fastest developing regions in social development. They had many new schools, hospitals and other social institutions in the region. These are all gone now and new ones are to be built. Although this situation is a negative thing TURKCELL may benefit from the situation by helping constructing and building what is lost and this way it would create a good image for the company.

### **D) Technology**

Turkey is luckier than many other western countries since just as when the technology of some of the western countries had started to decline Turkey has started to make technological investments. Naturally Turkey is adopting the latest technology in every new investment. TURKCELL is using the highest technological stations in order to provide the best quality to its customers and since the GSM industry is still developing TURKCELL must cope and follow these developments.



### **2.2.2. Porters Five-Force Model of Competition**

#### **A) Threat of New Entrants**

There are three huge GSM providers in Turkey and they are (TURKCELL, TELSİM and ARIYA) these companies are preventing any new entries because they are spending huge amounts of money on advertisement and this means a large cost of start to any new company thinking of entering the market.

#### **B) Power of buyers**

Buyers of the TURKCELL are the normal subscribers at large. But there are bulk buyers such as big companies and the government. These bulk buyers are trying to get the best offers by reducing the prices and increasing the services so they have some kind of power because when the company sells them the lines it sells to every single employee in the company or in the government.

#### **C) Power of Suppliers**

The suppliers here are the technology providers TURKCELL must have a good relation with these providers and try to get these technologies before competitors and in good prices so it can be ahead of the competitors.

#### **D) Threat of Substitutes**

The internet and pay-phones somehow may be a substitute to the GSM industry but till now there is no new invention that may take the place of mobile phones so there is no real threat on the GSM industry.

### **2.2.3. SWOT ANALYSIS**

#### **A) Strength**

- Established organization with a good reputation
- Secure financial position
- Wide range of services
- High quality service

- TURKCELL is very cleverly managed
- Big share of the market
- Highly motivated employee force
- Various shops and selling centers
- Well identified objects and goals

#### **B) Weaknesses**

- Weak position in the non urban areas (not reached)
- No special offers for the youth segment
- Not well identified segments

#### **C) Opportunities**

One of the main opportunities for the TURKCELL is to expand in regional markets and that what the company is trying to do by establishing new companies in other countries like in North Cyprus, Kazakhstan, Georgia, etc.

Also, if turkey managed to enter the EU this will give TURKCELL huge opportunity to expand and to enlarge by size in the European countries.

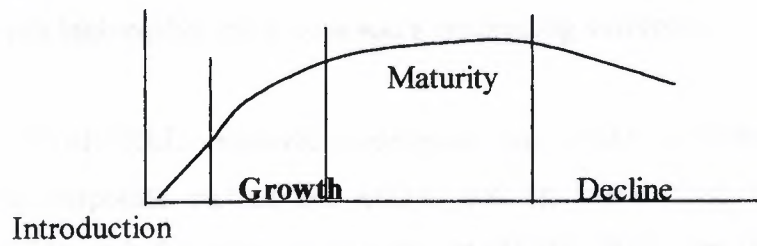
#### **D) Threats**

The main threat that may affect TURKCELL is any improvement that may be obtained by competitors, this may cause the loss of market share and less quality service provided for customers which may switch the customers away from the company towards competitors.

### **2.2.4. Product Life Cycle**

TURKCELL is at the growth stage as well as the GSM industry, TURKCELL is still building itself by getting new technology and by introducing new services to customers, although the market share is high but it should be maintained and increased and this will only happen by keeping up with all the innovations that are introduced by the GSM providers.





**Figure 2.1. Product Life Cycle**

		Market share	
Market Growth Rate		High	Low
		High	Low

**Table 2.1. The Boston Matrix**

According to the Boston Matrix, TURKCELL is a star since the firm has a reasonably high market share with a fast growth rate in the market. They are in the process of adopting and introducing new services that will attract even more customers.

#### **2.2.5. Human Capital**

TURKCELL employees are highly motivated and involved, with superior interpersonal, technical, marketing and management skills. Motivation, vision and technical expertise characterize TURKCELL's employees. Growth in employee numbers parallels the increase in business volume: the number of employees increased from approximately 91 employees in 1993 to 2,523 employees as of December 31, 2000. TURKCELL is able to recruit highly qualified employees due to its position of

leadership in telecommunications, its strong corporate identity and reputation as a fair employer. Stringent hiring and training standards have resulted in a professional organization with high-caliber employees and a challenging workplace.

Every TURKCELL employee undergoes two weeks of orientation training, which includes corporate culture and ethics, and an introduction to the services, facilities, methods and functions of departments. TURKCELL has developed an e-learning platform and gives the opportunity to employees to take technical and non-technical courses on their computers. In addition, each employee receives specific training for his or her particular job.

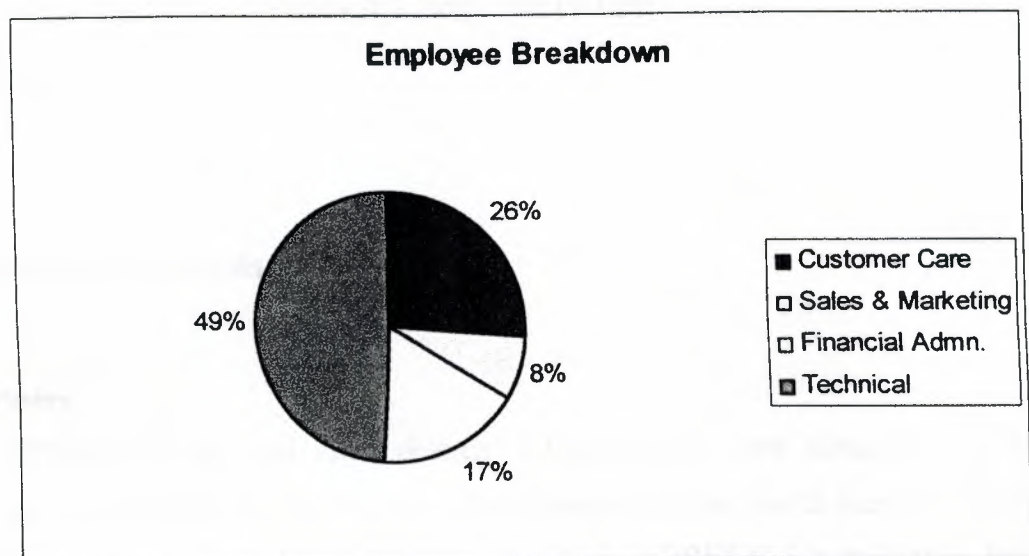
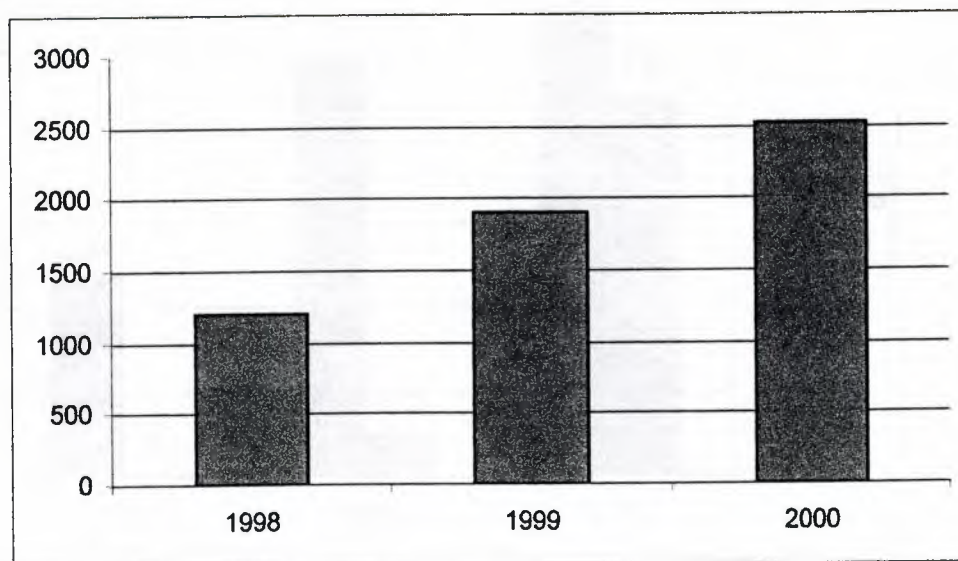


Figure 2.2. Employee Breakdown<sup>1</sup>

Customer support employees, for example, undergo an additional two weeks of training, work as interns alongside experienced employees and are spot-tested. Network training takes place at Ericsson Turkey's GSM Training Center in Istanbul.

<sup>1</sup> Figur is based on information retrieved from the web site.



**Figure 2.3. Employee Growth<sup>1</sup>**

## **2.3. Financial Analysis**

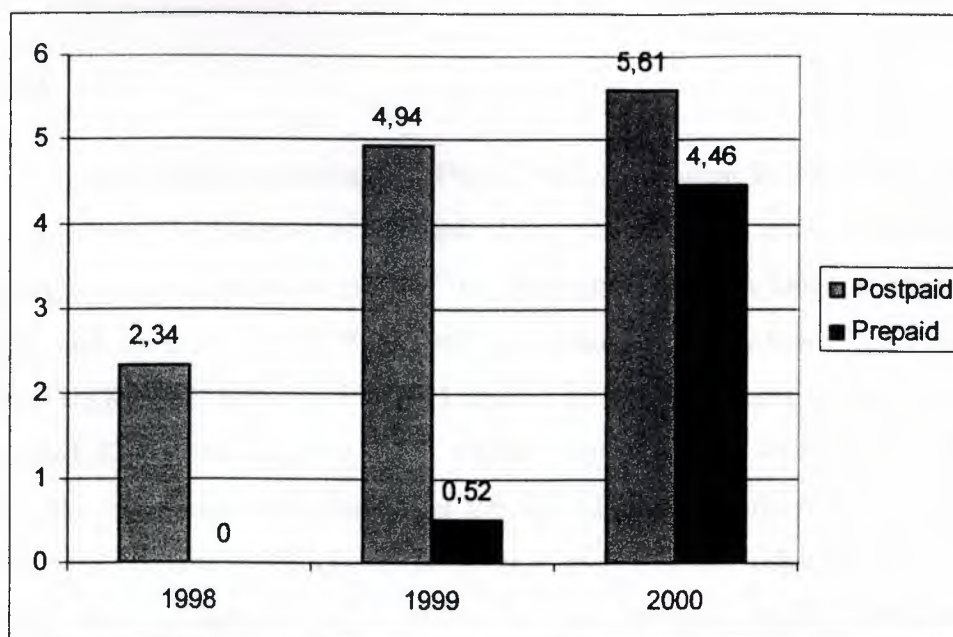
### **Subscribers**

TURKCELL acquired approximately 1.4 million net new subscribers in the fourth quarter of 2000. New gross subscribers acquired in the fourth quarter of 2000 consist of 87% repaid and 13% postpaid subscribers. TURKCELL's subscriber base increased 84% to 10.1 million at December 31, 2000 from 5.5 million at December 31, 1999. The overall subscriber base at December 31, 2000 consisted of 5.6 million postpaid and 4.5 million prepaid subscribers.

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<sup>1</sup> Figur is based on information retrieved from the web site.

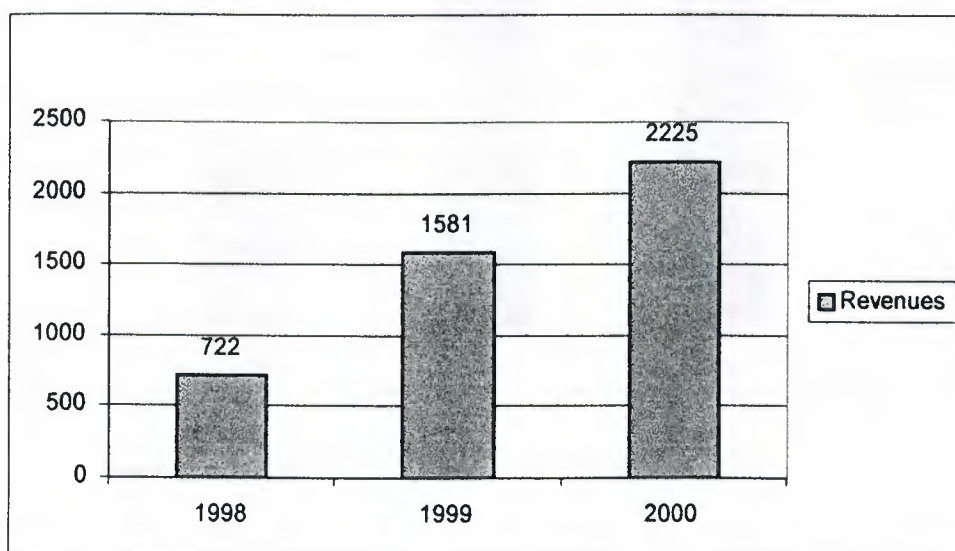




**Figure 2.4. Number Of Customers By Millions**

### Revenues

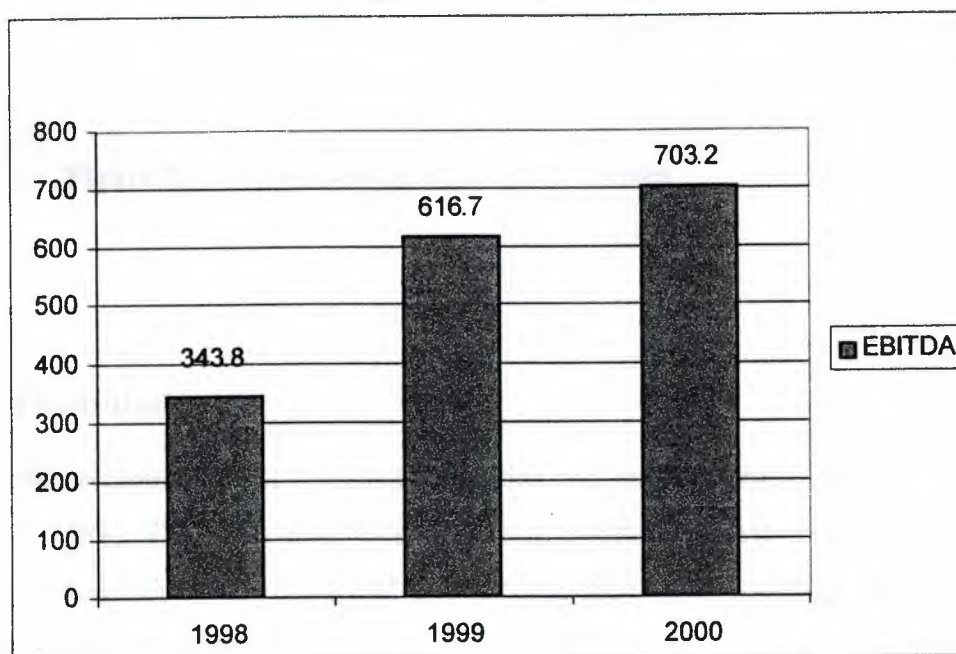
Total revenues for the year ended December 31, 2000 increased 41% to US\$2,224.9 million from US\$1,580.8 million for the same period in 1999. The increase in revenues for the year ended December 31, 2000 resulted primarily from TURKCELL's larger customer base. TURKCELL's revenues are mostly derived from communication fees. Revenues from communication fees for the year ended December 31, 2000 increased by 44% to US\$1,973.8 million from US\$1,372.5 million for the same period in 1999.



**Figure 2.5. Revenues In Millions Of Dollars**

## EBITDA

Adjusted EBITDA increased 14% to US\$703.2 million in 2000 from US\$616.7 million in 1999. The increase in adjusted EBITDA was not as great as the increase in revenue growth principally because of the Interconnection Fee Dispute, regarding the 15% fund and the 2.5% Turkish Radio and Television Institution share. As a result of the dispute TURKCELL included US\$87.3 million in the direct cost of revenues for the year ended December 31, 2000, which caused approximately 4% decline in EBITDA margin. The Earthquake Tax, enacted at the end of 1999 negatively affected our 2000 revenues and adjusted EBITDA. Maintenance expenses, and other operational costs associated with the network expansion, as well as acquisition costs attributable to the increased customer base have also contributed to a lower rate of increase in our adjusted EBITDA margin. Operating income, affected by the same costs except for the effects of depreciation and amortization expenses and translation losses, decreased by 26% to US\$425.6 million in 2000 from US\$574.0 million in 1999.



**Figure 2.6.** Adjusted EBITDA In millions Of Dollars<sup>1</sup>

<sup>1</sup> Figure and numbers are retrieved from the web site (see bibliography)

## Total Assets

TURKCELL increased its total assets by 36% to US\$3,884.9 million at December 31, 2000 from US\$2,851.3 million at December 31, 1999 mainly due to network expansion.

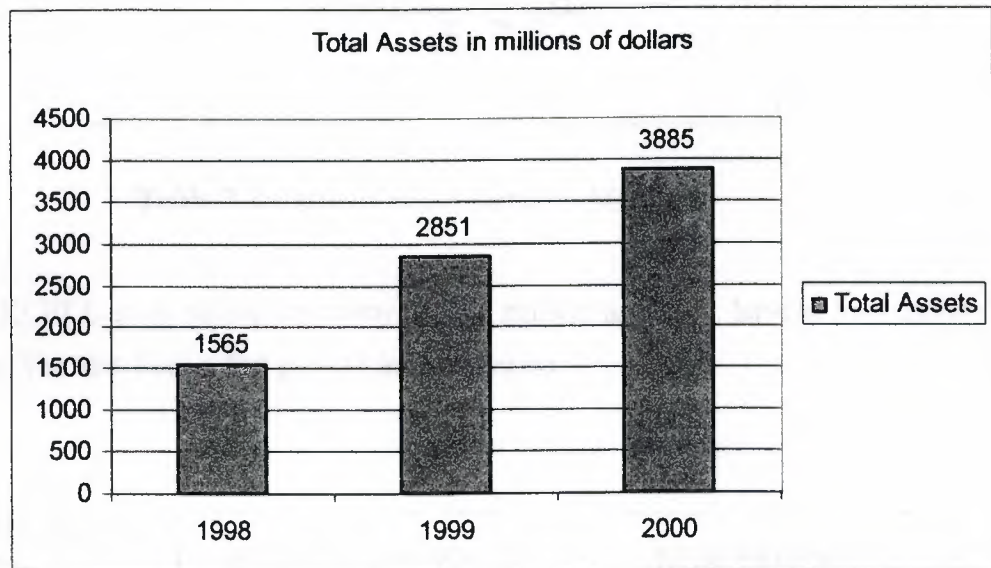


Figure 2.7. Total Assets In Millions Of Dollars


## 2.4. Strategy Formulation

The aim of this section is to set a realistic objective and make strategies to reach these objectives. TURKCELL will need to adopt an appropriate growth strategy to materialize its objective. Core strategies and Specific strategies will also have to be included in the strategy formulation.

One of the most important goals from this study is to suggest alternative growth strategies to attain growth. The easiest way to do this is to identify the position according to the Boston Matrix and then use Ansoff Matrix to formulate a growth strategy.



		Market Share	
		High	Low
Market Growth Rate	High	Star	Problem
	Low	Cash Cow	Dog



**Table 2.2.** Growth-Share Portfolio Matrix

TURKCELL is A strong company in the market and they have a very good market share. The also have a fast growth in the markets.

<div> <div>PRODUCT</div> <div>MARKET</div> </div>	EXISTING PRODUCT		NEW PRODUCT
	Consolidation	Market penetration	PRODUCT DEVELOPMENT
NEW MARKETS	<b>MARKET DEVELOPMENT</b>		<i>DIVERSIFICATION</i>

**Table 2.3.** ANSOFF MATRIX

As a growth strategy we can suggest that TURKCELL to continue with present services and develop new markets. The services of TURKCELL are very good and it must find ways of introducing these products in the new markets.

## **2.5. Strategies and Competitive Advantage**

Core strategy of TURKCELL will be to provide more quality services to their customers and make the use of mobile phones as interesting and easy as possible. They will be appealing to all market segments. They will continue to be innovative in order to increase the consumer satisfaction and to add more value and quality to their services.

TURKCELL will especially focus on people who use the mobile phone a lot like businessmen who need to be connected all the time. These people are more careful about the selection of the mobile network they are going to use. Since using the mobile to run their business out of the office is part of their life, TURKCELL must find ways to improve their services to reach a high quality service in order to attract more customers that use the mobile frequently.

## **CHAPTER THREE**

### **ANTICIPATED STRATEGIES**

#### **3.1. Proposed Activities**

TURKCELL must concentrate on two segments; first they should concentrate on the places that are still a bit far and have no clear idea about the services that they can get so TURKCELL should introduce its services to those areas, second TURKCELL must concentrate on the huge companies and the government in order to make huge contracts of providing its services to such companies, these contracts are very profitable and gives a good image for the company.

A second proposal is concerned with the technical system in the company, TURKCELL should enlarge and expand its operating systems in order to have higher capacity of subscribers, also TURKCELL must expand the coverage area in order to cover all Turkey.

In the other hand TURKCELL must continue its investing in providing internet services and digital TV broadcasting inside Turkey and to continue investing and providing mobile lines in the regional and surrounding markets.

##### **3.1.1. Product Differentiation**

In the service providing businesses all the companies tries to give the best quality available to its consumers, TURKCELL is doing this and its succeeding with it but it should continue its efforts of providing the best quality and introducing the latest technologies in the GSM industry.

TURKCELL have introduced almost every single service that is available in the GSM industry but in the coming years the third generation of mobile phones will be introduced internationally so TURKCELL must try to be the first company to introduce it to Turkey and other related markets.



### **3.1.2. Price Leadership**

Because of severe competition the prices are set in the lowest rate, so TURKCELL must find a way to cut its operating costs in order to be able to reduce prices and have a price leadership, but this leadership is hard to get under the available technologies so TURKCELL must concentrate on product differentiation.

### **3.1.3. Human Resource Management**

Human factor is the most important factor in an organization; the management should be investing in the people. They must not look at them as only a worker who should perform their responsibilities. They should acknowledge the value of human input. So they should be prepared to pay more and where it seems that TURKCELL is paying more, it is in fact the organization that will profit.

Human resource management is one of the most critical aspects of large organizations. The old days that the managers ordered people what to do is long passed. Today there are many studies and developed techniques right from the recruitment, selection process, orientation, training and so on. Employee participation is what is required. Managers are more of a facilitator. Everybody is equally important at the work place. Concepts like quality circles and total quality management are more widely practiced today.

So the employees of TURKCELL must be well trained, highly motivated and self confident so that they would perform their tasks in order to achieve the main goal of the organization

### 3.1.4. Promotion

When an organization wants to promote a product the main purpose is to make the people aware of the product and to create some curiosity that makes the people visit the sale centers to get more information. This was successfully done so now TURKCELL must concentrate now on new promotions and special discounts and rates with the introductory of the latest services in order to reach a point of providing a mobile phone line to everyone in Turkey and the related regions.

### 3.2. Budget And Control

Suggested new services should put into operations. Data should be collected to evaluate the success of the communication. Test should be made to find out how well is the message had been put through. Is it well understood. Are people persuaded? These and similar questions had to be continuously asked to evaluate and control our communication efforts. The company should spend about 10% of their revenues for the promotional activities and image building.

Objective	Strategy	Time	Responsibility
Increase the revenues to 3500 millions	Increase the Sales and the number of subscribers	First year	Sales department & Marketing department
Improved Image	Promotional activities	Within 6 months	Public relations department
Increase the profit to 5% of revenues	Productivity	In 1 year	Marketing Officer
Training the employees	Productivity	Immediately	HR Manager
Introduce Total Quality Management	Productivity	Within 6 months	CEO

**Table 3.1. Objectives And Strategies**

## CONCLUSION

TURKCELL has a good future in the airlines business. The study have proved that the company is doing what hey should do according to the theory of the strategic planning. The most important feature of the company is the innovative approach.

The management is creative and they are brave enough to do things that the other competitors are not doing. TURKCELL is using more flexible approaches and increasing their services to meet the customer needs. The management of TURKCELL is more clear about their objectives and they are directly involved in the activities. One of the biggest assets of TURKCELL is its dedicated employees and management.

TURKCELL is a growing organization and its doing very well and in order to stay in the market and beat its competitors it should continue to give quality services in order to satisfy their customers. The main important thing is to make the customer more satisfied and to add value to what he gets from the company.

TURKCELL wants to make life easier for its customers so they should continue its good work and must never forget that the consumers are the base of the company and as long as they are pleased and satisfied TURKCELL will maintain its strong position in the market.



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