

Evaluation of the Payments Landscape in Turkey

Similar to the rest of the world, financial institutions in Turkey are being disrupted on multiple fronts, especially in the area of payments. We talked to Dr.Soner Canko, SC Consulting CEO & Founder, and Murat Karagözoğlu, Diebold Nixdorf Turkey General Manager, Banking, on how these changes are effecting Turkish Financial Institutions (FIs).



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The payments landscape in Turkey has evolved considerably in recent years, and consumers are increasingly demanding the newest innovations, like open banking, digital (crypto) assets and instant payments from their financial institutions. Due to this active environment and countless new payments opportunities, many players are investigating to enable more flexible infrastructure for their payment system to be able to adjust it to new market demands. Otherwise, running heavily customized, multiple, in-house payments silos creates considerable costs of developing, operating and maintaining.

Years ago, the electronic funds transfer (EFT) platform was the single use to enable card services. Reliable and secure card payments were achieved, but the architecture was so closely bound to card transactions that it is now becoming incompatible with today's colorful payment universe. With the new market demands, supporting multiple payment schemes becomes a critical factor for an enhanced consumer experience. On the other hand, the profitability of supporting multiple payment schemes is being eroded by the considerable costs that come with developing, operating and maintaining multiple silos.

HOW IS THE PAYMENTS INDUSTRY CHANGING IN TURKEY?

This rapidly shifting environment presents a material challenge for FIs. These old systems have become more complex over the years, and the time it takes to migrate is several years, with the inherent risks of modifying existing systems and code causing unintended consequences. Forward-looking financial players are deploying modern payments platforms that are comprised of a set of re-useable services. These have the capacity to not only consolidate numerous payment schemes onto a single platform, but they can also future-proof businesses by facilitating easy adoption of new payment types.

With the emergence of new payment solutions, financial players need to build a more agile infrastructure with a cloud-native technology foundation offering an enhanced consumer experience. They need to understand and anticipate the needs of the customers and the payments space, such as digital currencies, which have considerable implications for the financial sector.

HOW HAS THE EMERGENCE OF NEW PAYMENT SOLUTIONS EFFECTED FIS?

The maintenance of older technologies is getting higher and higher. Many financial players are choosing to maintain ever-more complex or customized solutions and run countless in-house or outsourced payments silos – without considering the underlying systemic issues and spiralling costs that come with this approach. On the other hand, if financial institutions analyze the total cost of the old technologies, they will clearly understand that the newer technologies can lower the cost while removing the reputational damage of existing old payment platforms.

Financial institutions will face several issues if they choose to continue running heavily customized, multiple, in-house payments silos to support modern payments methods. These players should migrate to a new payment platform built with a cloud-native and micro-service architecture to reduce their time to market and operational costs. Otherwise, if they choose to maintain more complex customized solutions, they will be faced with systemic issues and increasing infrastructural costs.

WHY SHOULD FIS CONSIDER MODERNIZING THEIR PAYMENT PLATFORM?

The risk of maintaining old platforms, which are coded in languages developed several decades ago, is becoming increasingly an issue for financial institutions. Using cloud-native payment solutions facilitates the time to market, lowers infrastructure costs and enables the digital payments transformation. If these solutions are also API-integrated, the financial institutions can develop new services easily and can meet the market demands lowering their infrastructure costs. Hence, selecting a future-proof payments platform becomes critical for the industry, during this process financial institutions need to find the right partner to support them.

Diebold Nixdorf offers Vynamic® Payments to support financial players in their transition to the next-generation payments platform. With this aim, the solution is built on a cloud-native architecture to lower the infrastructure costs and permit faster updates. The platform is API-enabled, which allows banks to develop new services easily. To provide an uninterrupted payment experience, Vynamic Payments offers a reliable and secure environment for financial institutions.

HOW CAN PAYMENTS BE TRANSFORMED?

The pandemic has accelerated the behavioral and cultural changes driving digital transformation. The volume of digital and contactless payments reached the highest level of all times. But it is more than the payments, the financial institutions are looking for new revenue generation through the services provided with the digital transformation. On the other hand, customer expectations for the availability and the speed of the digital payment transactions are also increased.

Prior to pandemic, digital transformation was already started. The pandemic was only a catalyst for this transformation and with this, the cross-channel buyer journey experiences are also increased on the customer experience side. Customers expect to have different payment methods in their digital life on all the platforms. Hence, a cloud-native payment platform is the most critical dimension of a financial institution's selection.

DID THE PANDEMIC ACCELERATE THE NEED FOR PAYMENTS TRANSFORMATION?

THE TAKEAWAY

With the emergence of new payment solutions, financial institutions need to understand the consumer demands in the market and accelerate their digital transformation strategy to build a more agile, cloud-native payment solution to offer an enhanced consumer experience. Diebold Nixdorf offers a modern API and microservices payments platform with cloud-native technology to facilitate financial institutions on their digital transformation.