

Isolation by the West fuels a tech startup boom in Iran

June 5 2017, by Adam Schreck



In this Sunday, May 22, 2017, photo, staffers of the Bamilo online shopping site attend a meeting at their office in Tehran, Iran. Iran remains in many ways cut off economically from the rest of the world, fueling a surprisingly active local tech startup scene. It's driven by a growing number of Iranian millennials who see their country as a market ripe with opportunity. (AP Photo/Ebrahim Noroozi)

Mostafa Meisami has given up on the farming life, trading his old job

raising cattle for a better-paying gig ferrying commuters through the notoriously traffic-clogged streets of the Iranian capital Tehran.

The 38-year-old father-to-be plies his trade in a brand-new, locally assembled Chinese hatchback, scrolling for fares using an app on his Samsung smartphone.

Yes, even in Iran, there's an app for that—and quite a few other things too.

The Islamic Republic remains in many ways cut off economically from the rest of the world. Big-name Western brands shun the market for fear of violating sanctions that remain in place even after the country's landmark 2015 nuclear deal with world powers.

That means no KFC—just local upstarts like "Iran Fried Chicken"—or credit and ATM cards connected to global banking networks. Visitors to the country must carry in thick wads of dollars. Many popular social-networking sites like Facebook are blocked by government censors.

Order from Amazon or call an Uber? Forget about it.

In their place, a surprisingly active tech startup scene has sprung up. It's driven by a growing number of Iranian millennials who see their country of 80 million people not as an isolated outcast but as a market ripe with opportunity.

Among the fastest-growing companies in the digital transformation is Snapp, the ride-hailing app Meisami uses.

He estimates he makes more than \$900 working in a good month, pulling in a much larger cut per fare than he would driving for a traditional taxi-style car service. His hours are long—12 hours a day most days a

week—but he likes being able to pick when and where he works.

"This opened a door to people like me who had financial problems," he said.

Launched in 2014, Snapp operates a sleek Uber-like app that runs off of Google Maps and has a launch page featuring the Tehran skyline. It boasts 100,000 drivers and has carried more than 5 million passengers on some 50 million rides, according to its enthusiastic CEO, Sharam Shahkar, 32.

He's among the older employees in the company's northern Tehran headquarters, where bearded hipsters and fashionable young women in loose-fitting hijabs squeeze their laptops into a cramped workspace while builders across the hall rush to double the office space. It looks like a tech startup anywhere in the world, except for the Iranian flag in the corner.

Shahkar speaks in tech buzzwords like "onboarding" for the process of running background checks and training new drivers, and sees the company as a long-term solution for Tehran's nightmare traffic and parking woes.

"Our vision is to make it so convenient, so affordable that people will no longer have incentive to own a personal vehicle," he said.

In addition to its basic service, Snapp offers premium rides in nicer cars as well as female-driven vehicles for women and families. It recently expanded to the nearby suburb of Karaj and the central city of Isfahan, and is considering rolling out a motorcycle delivery service.

The company says it undercuts taxi prices by 30 to 50 percent—a consumer-friendly move that has rankled the old guard.



In this Monday, May 23, 2017, photo, Mostafa Meisami, driver of the Snapp online taxi company works with his smartphone at his car in Tehran, Iran. Iran remains in many ways cut off economically from the rest of the world, fueling a surprisingly active local tech startup scene. It's driven by a growing number of Iranian millennials who see their country as a market ripe with opportunity. (AP Photo/Ebrahim Noroozi)

In February, dozens of local taxi drivers angry over the competition gathered outside parliament and chanted "American Snapp should be destroyed" in an effort to link it wrongly to Iran's arch enemy, the U.S.

A formal request by the taxi association that authorities shut down Snapp and a smaller competitor known as Tap30 were ultimately rejected. The taxi federation has responded by launching a ride-hailing app of its own .

Snapp is owned by the Iran Internet Group, which has emerged as one of

the leaders in the country's startup scene. It is backed by telecom Irancell, which state-linked investors have stakes in, as well as South African telecom MTN.

Its other businesses include a food-ordering app called Zoodfood and a hotel booking site known as Pintapin—a useful service in a country that most booking portals don't touch.

The company's online shopping site Bamilo competes against Iran's biggest e-commerce site, Digikala , which ranks behind only Google and a local sports portal as Iran's third most-visited website, according to web traffic data site Alexa.

Like Amazon, the sites sell everything from laptops and cellphones to clothes, kitchen supplies and cosmetics. But there are subtle differences too.

Both sites are currently running promotions for the Islamic holy month of Ramadan, for example. Digikala even sells cars , including a 2017 Lexus hybrid SUV on offer for more than \$90,000.

And Iranians would not accept having their purchases left unceremoniously on the doorstep like in the U.S. They expect hand-to-hand delivery, said Afshan Samani, Bamilo's chief product officer.

Samani did graduate work in Sweden and Canada, but decided to return to her native Iran because she said she loves a challenge—and smelled opportunity.

"I noticed how kind of cultivated the environment is. It's ready," she said. "The huge difference I see right now is people say that 'I want to do something.'"

Figures released by Iran's central bank last month showed that online shopping jumped 34 percent and accounted for sales of more than \$370 billion during the last Persian year, which ends in March.

Nader Habibi, an Iranian expert on Mideast economies at Brandeis University in Massachusetts, said the rollout of 4G mobile connections and high-speed landline internet service over the past few years has fueled Iran's tech boom.

So too have supportive government policies like loans for innovative startups and deferrals on military conscription for promising young inventors and tech professionals.

"The first goal is to create jobs and new industries that can help reduce the burden of unemployment," he said. Fostering a strong tech sector could also support Tehran's homegrown defense industries and cyber warfare capabilities, Habibi added.

And the same international sanctions that have kept Iran isolated have been a boon for the tech sector by limiting competition.

"This is like a protected industry—not protected by the government, but by sanctions," Habibi said. "You don't need a lot of sophisticated machinery, just young talent with a background in coding and technology."

© 2017 The Associated Press. All rights reserved.

Citation: Isolation by the West fuels a tech startup boom in Iran (2017, June 5) retrieved 20 April 2024 from <https://phys.org/news/2017-06-isolation-west-fuels-tech-startup.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is

provided for information purposes only.