

Iran's tech sector blooms under shield of sanctions

July 25 2017

The names may be unfamiliar but the services are immediately recognisable: Snapp is Iran's answer to Uber, Digikala is its Amazon, and Pintapin its Booking.com.

US sanctions have protected the Islamic republic's tech sector, barring Silicon Valley from profiting from one of the world's most promising emerging markets, and giving a free run to domestic start-ups to recreate their services.

Even some Californian mumbo-jumbo has been imported: one booth at the Elecomp tech fair in Tehran this week claimed it was "Creating Artificial Mindfulness".

But don't dare call them copycats—transplanting a foreign business model to Iran is never straightforward.

"It's not a matter of copying code line-by-line," said Amirali Mohajer, the 32-year-old chief operating officer of Pintapin.

"You need local expertise that has to be built from the ground up, and it might need an entirely different business model to make it successful."

His office sits alongside several other fast-growing start-ups in the offices of the Iran Internet Group (IIG), a haven of north Tehrani hipsterdom where the jeans are skinny, the headscarves loose, and 20-somethings sip espressos in glass meeting rooms.

Pintapin's staff are not just building a website, they are transforming Iran's entire hotel industry.

"Up until very recently, a lot of travel arrangements were done completely offline through phone calls and faxes and traditional models that really belong in the last century," said Mohajer.

Half the company's time is spent convincing hotels to give up pen-and-paper reservations and start automating their business.

Mohajer, who spent 16 years abroad in Britain and Canada, says he came back to Iran because it felt like a place where tech could have "an impact that actually matters".

"We really believe we're working towards creating Iran's rightful place in the worldwide travel market... helping reconstruct an Iranian identity that's been unfortunately damaged due to political issues."

'People love it'

Across town, the huge hangars, strip-lighting and shiny booths of the Elecomp tech fair could be anywhere.

It is growing rapidly: its start-up section had 80 hopefuls three years ago, now there are more than 400—the usual mix of delivery apps, online shopping and games.

But global brands are almost entirely absent, the result of severe US sanctions that remain in place despite other countries lifting restrictions under a 2015 nuclear deal.

Some Iranians have found ways to profit from sanctions: one company at Elecomp buys Amazon products from the United States and ships them

to Iranians for a small surcharge.

"People love it. There are many fake products in Iran. When they order from us, they get the real thing," said its spokesman Hamid Tavakoli.

But isolation has been a very mixed blessing.

"There are two sides to the coin. When you are under sanctions, you have an opportunity to do many things yourself," said the fair's organiser, Naserali Saadat.

"But generally, it's not a good thing... you can't live like an island in this world."

That view is echoed by German-Iranian Ramtin Monazahian, who came from Berlin in 2014 to found e-commerce site Bamilo and taxi-hailing app Snapp.

He may not have to worry about Amazon and Uber muscling him out of the way, but nor can he hope they will buy him up for billions as happens elsewhere.

Moreover, he needs a thriving retail sector to underpin his services, and sanctions "hit the consumer area pretty hard. Purchasing power is suffering... that's hurting all businesses," he said.

Still, he sees huge potential in a country of 80 million people with a large, consumerist middle-class.

"It's probably the last big country with no major competition," he said.

Bigger picture

Foreign investors have taken notice. Iran's tech scene has attracted hundreds of millions of dollars from firms such as South Africa's MTN, Germany's Rocket and Swedish company Pomegranate.

The real breakthrough is not necessarily the tech itself, said Esfandiyar Batmanghelidj, founder of the Europe-Iran Forum, but the forging of these foreign partnerships.

"This is not just about digital innovation and young people thinking entrepreneurially—which is somewhat new in Iran—but also how venture capital can influence the bigger picture of investing," he said.

He predicts these partnerships will now be replicated in more traditional sectors like retail.

"Tech was a smart place to start—small initial amounts of capital and you're dealing with young entrepreneurs rather than entrenched family owners," said Batmanghelidj.

"Of course, many challenges remain, but they were made by people and can be solved by people."

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Citation: Iran's tech sector blooms under shield of sanctions (2017, July 25) retrieved 8 May 2024 from <https://phys.org/news/2017-07-iran-tech-sector-blooms-shield.html>

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