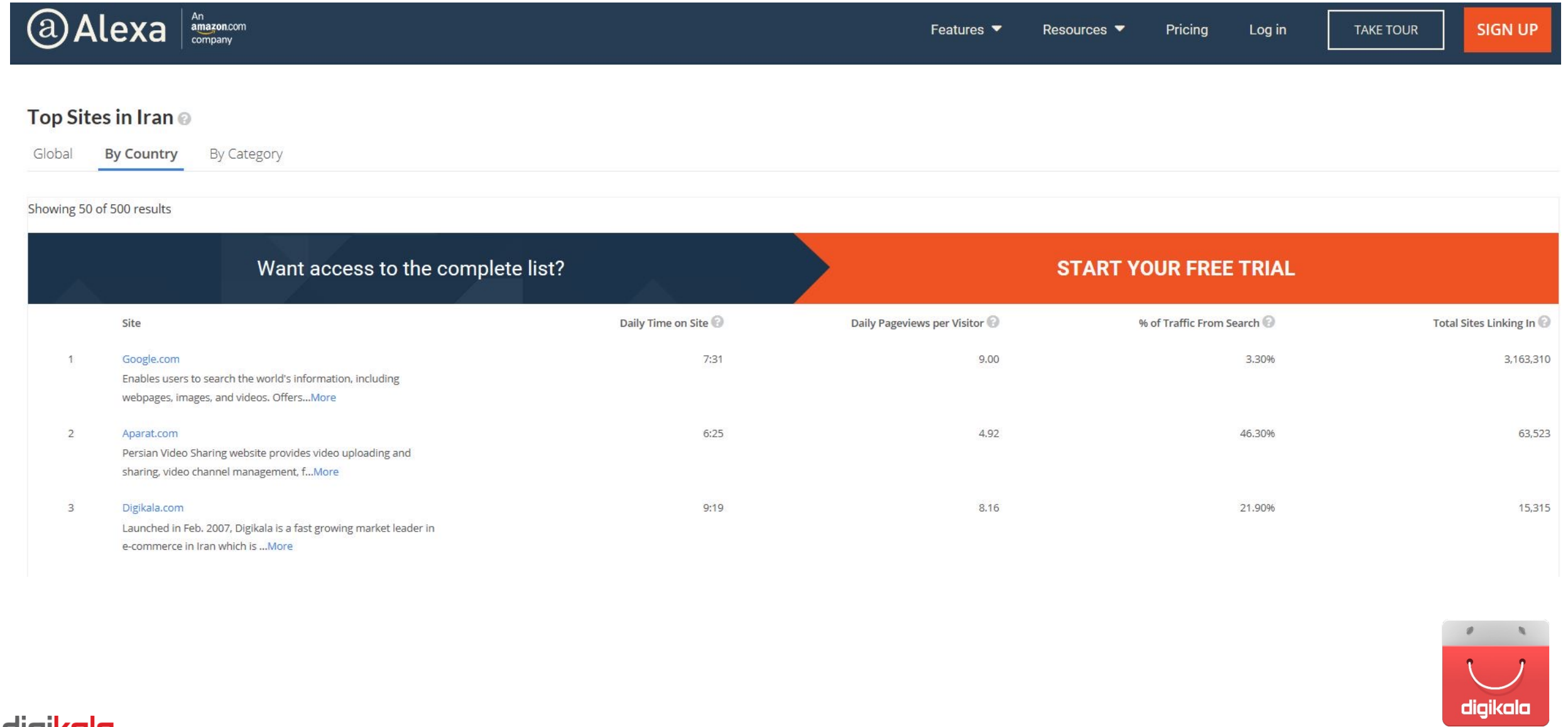
Iranian Businesses

Following Slides Contain Some Info on Newly Emerged Businesses that Have Been So Successful

DigiKala is an E-Commerce website in Iran and the website is estimated to be worth 853M USD



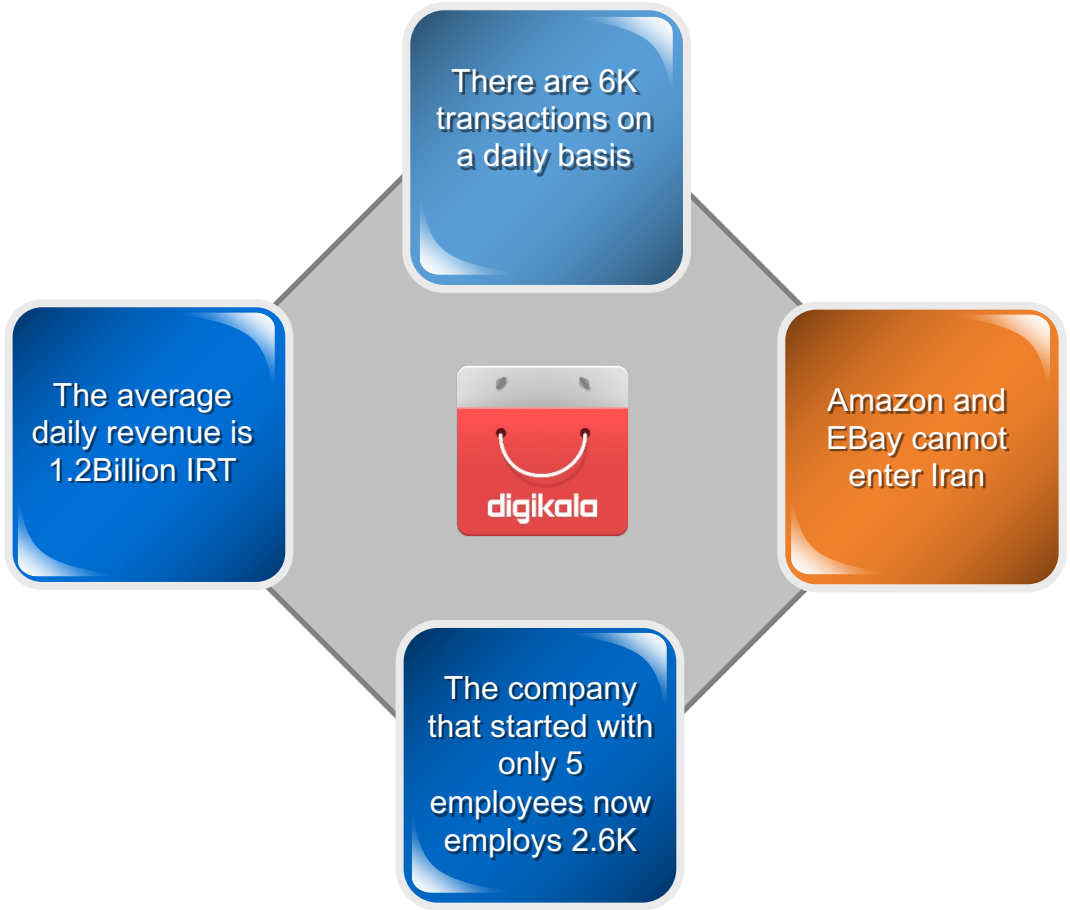
digikala

digikala

History : Digikala was founded in 2005 with only 5 people. At first the business mainly focused on computer accessories and printers

Bench Mark: Digikala is called the Middle East Amazon and the business model and success strategy is very similar to Amazon.

Reported Revenue : On average there are 2K transactions per day on this website and the average revenue per transaction is 600K IRT.



There are 6K transactions on a daily basis

The average daily revenue is 1.2Billion IRT

digikala

Amazon and EBay cannot enter Iran

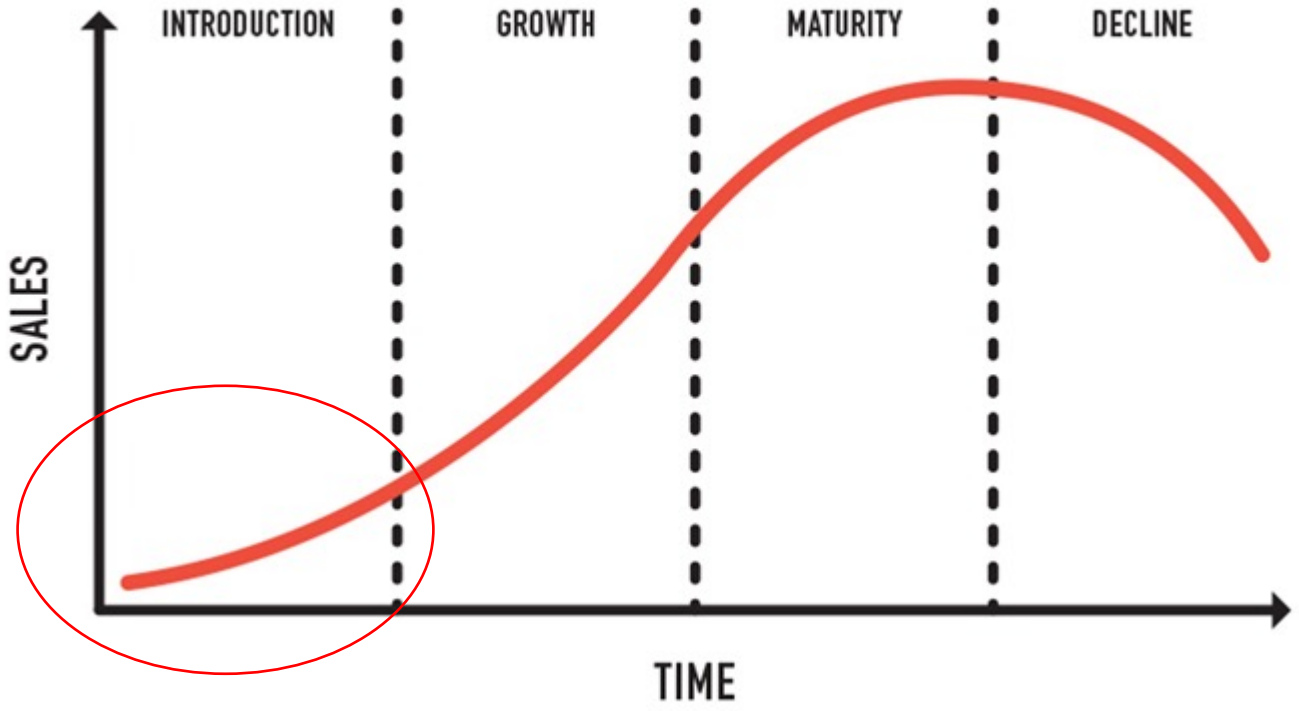
The company that started with only 5 employees now employs 2.6K

digikala

DigiKala Success Factor

One of the main reasons that made DigiKala successful was the fact that people were familiar with E-Commerce because of Amazon , but they could not use Amazon so when DigiKala was launched as Iranian Amazon , it was very soon adopted by users in Iran.

Because people were already familiar with this category , DigiKala did not have to invest a lot of money associated with Introduction of PLC.



digikala

Success Factors

Foreign Competition

Because foreign competitors cannot enter Iran's market , Digikala had a great opportunity to prosper.

Familiarity

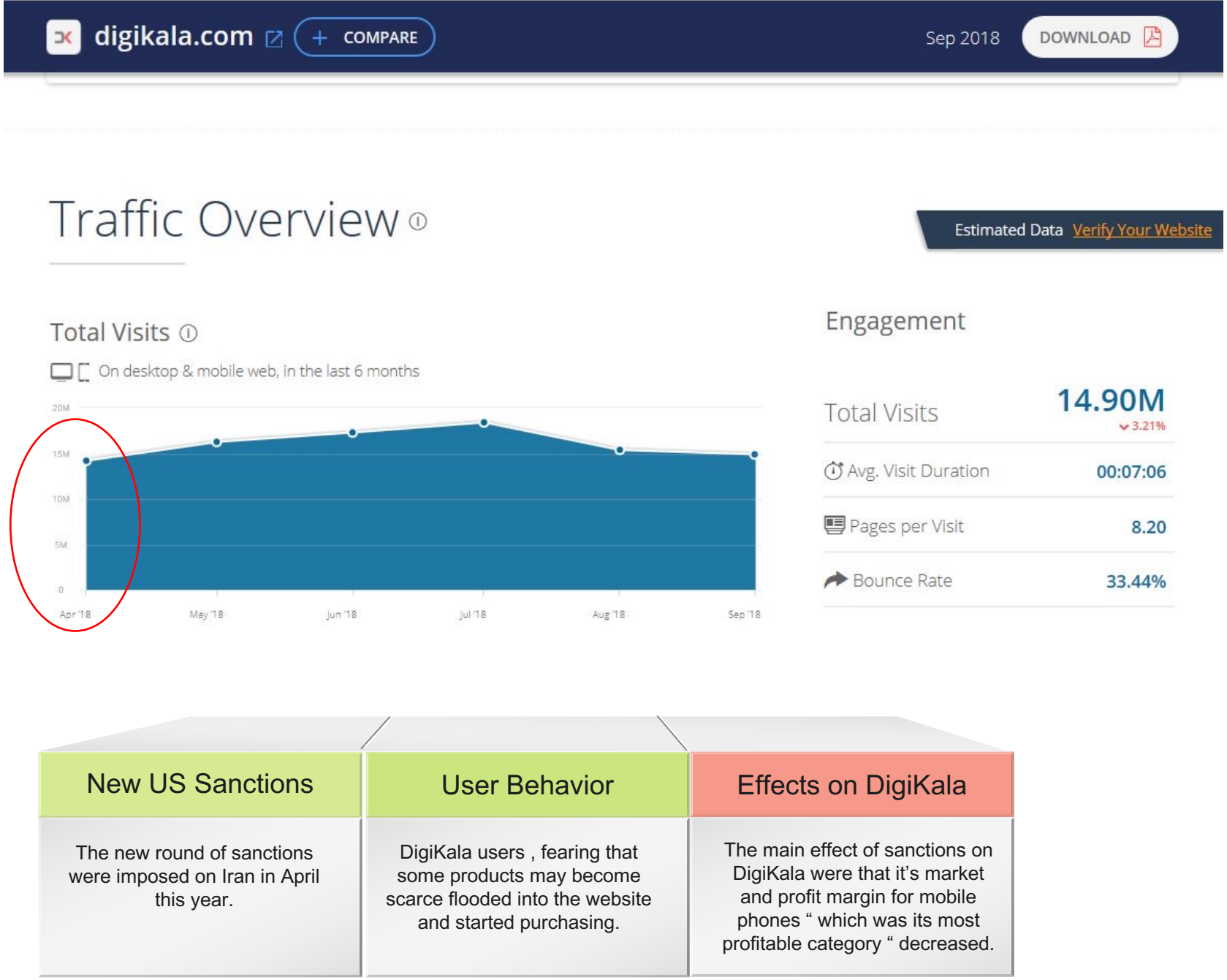
Because people were already familiar with E-Commerce industry and Amazon , DigiKala had low promotion costs

Low Operating Cost

DigiKala's main competitors were offline retailers and because DigiKala had lower operating costs relative to them , it could grow.



digikala



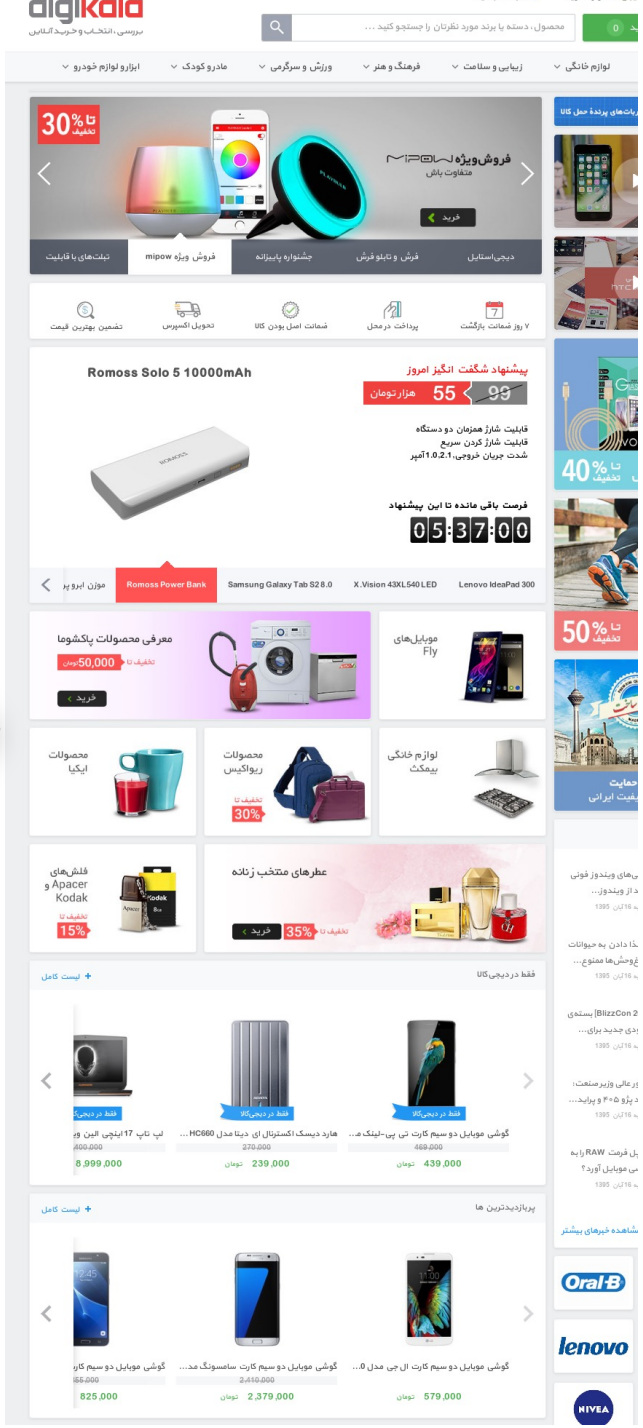
Start of US Sanctions

New US Sanctions	User Behavior	Effects on DigiKala
The new round of sanctions were imposed on Iran in April this year.	DigiKala users , fearing that some products may become scarce flooded into the website and started purchasing.	The main effect of sanctions on DigiKala were that it's market and profit margin for mobile phones " which was its most profitable category " decreased.

digikala

digikala

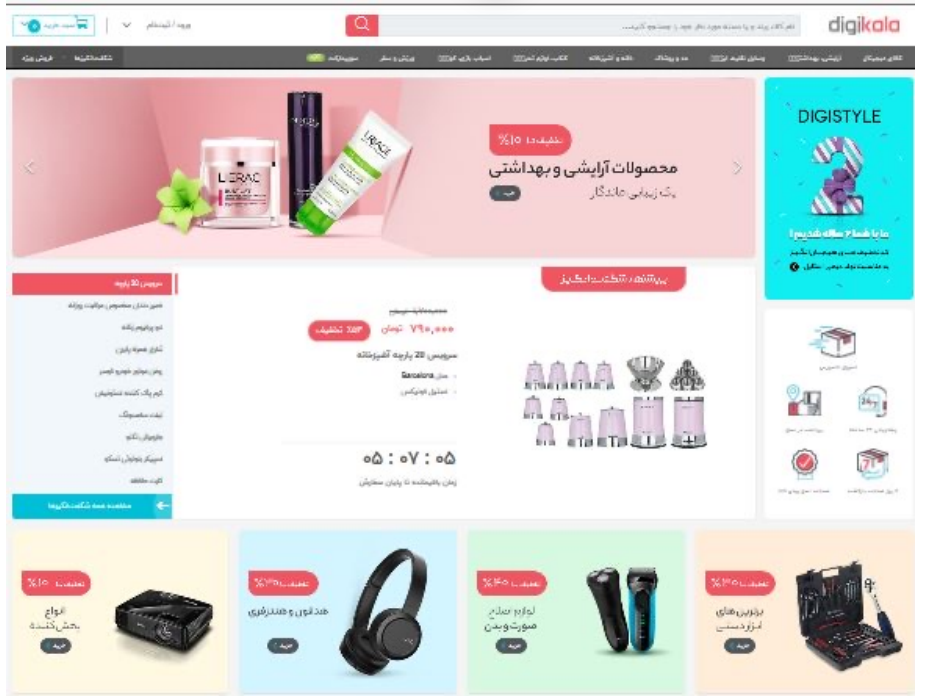
Before the sanctions most of the featured products were mobile phones and most of them were foreign brands



After the sanctions most of the featured brands are Iranian.



Mobile phones are less frequently featured after the sanctions



digikala

Mobile Phone

After the sanctions most mobile phones become too expensive in Iran and the DigiKala's profit margin in this category has decreased. However , the CEO said that he is willing to promote mobile phones even if the margin is 0 because it helps them do lots of cross selling.

Iranian Brands

After the sanctions most of the brands that get featured on the website are Iranian brands and people are attracted to them because they are better priced than their foreign competitors.

Increased Demand

The sanction is a great opportunity for DigiKala because foreign retailers have left the country and most people have found DigiKala to be an alternative to them

Market Expansion

DigiKala's CEO has recently announced that he has plans to expands its business to neighboring countries such as Iraq , Pakistan , Afghanistan , the countries where there is no Amazon.

What is Snapp?

Snapp is a taxi hailing app very much similar to UBER that was launched in 2015.

Record

Snapp is the most valuable startup company in Iran.

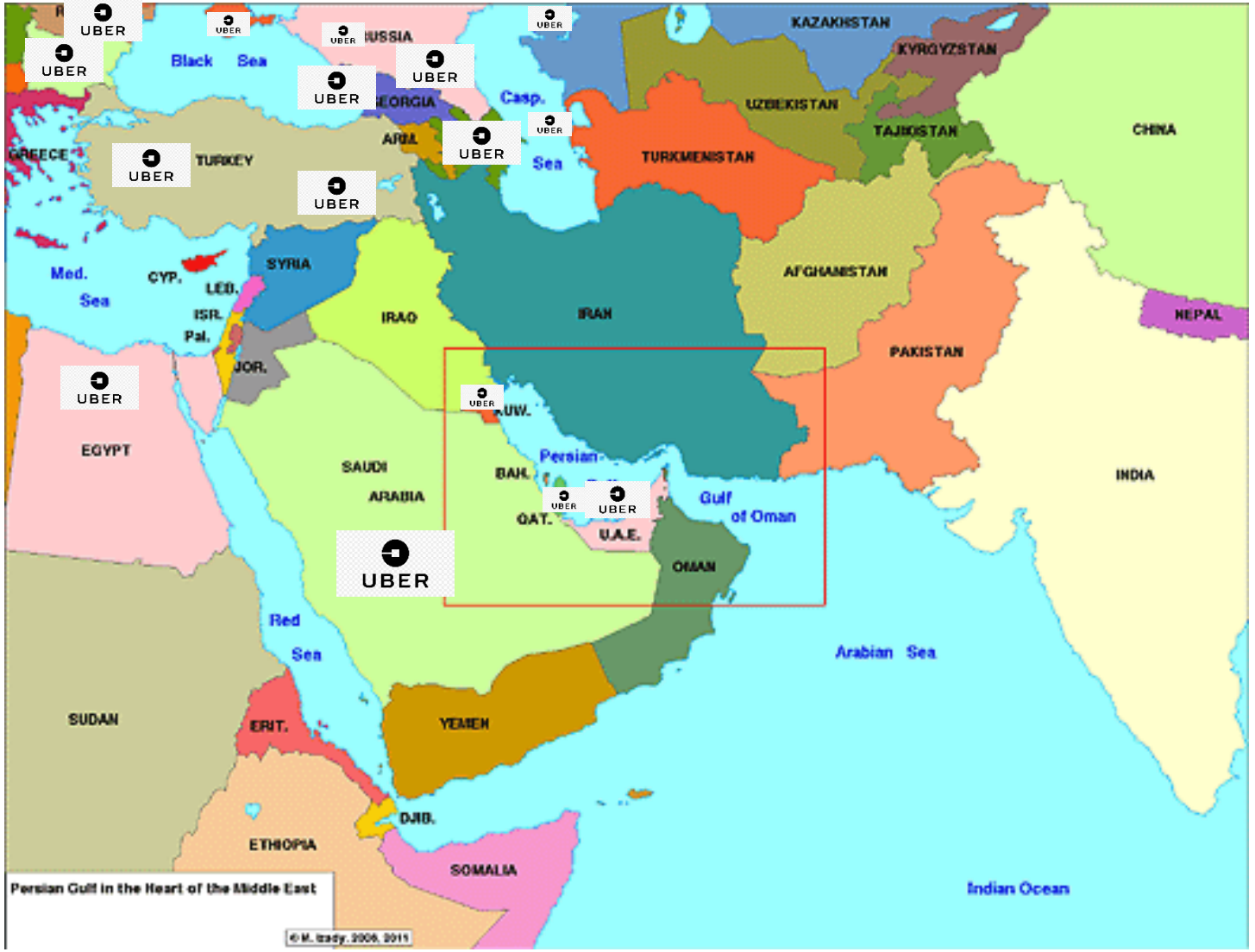
Key Success Factors

Very much similar to DigiKala , Snapp did not have to compete with any foreign competitors and people were already familiar with the industry.

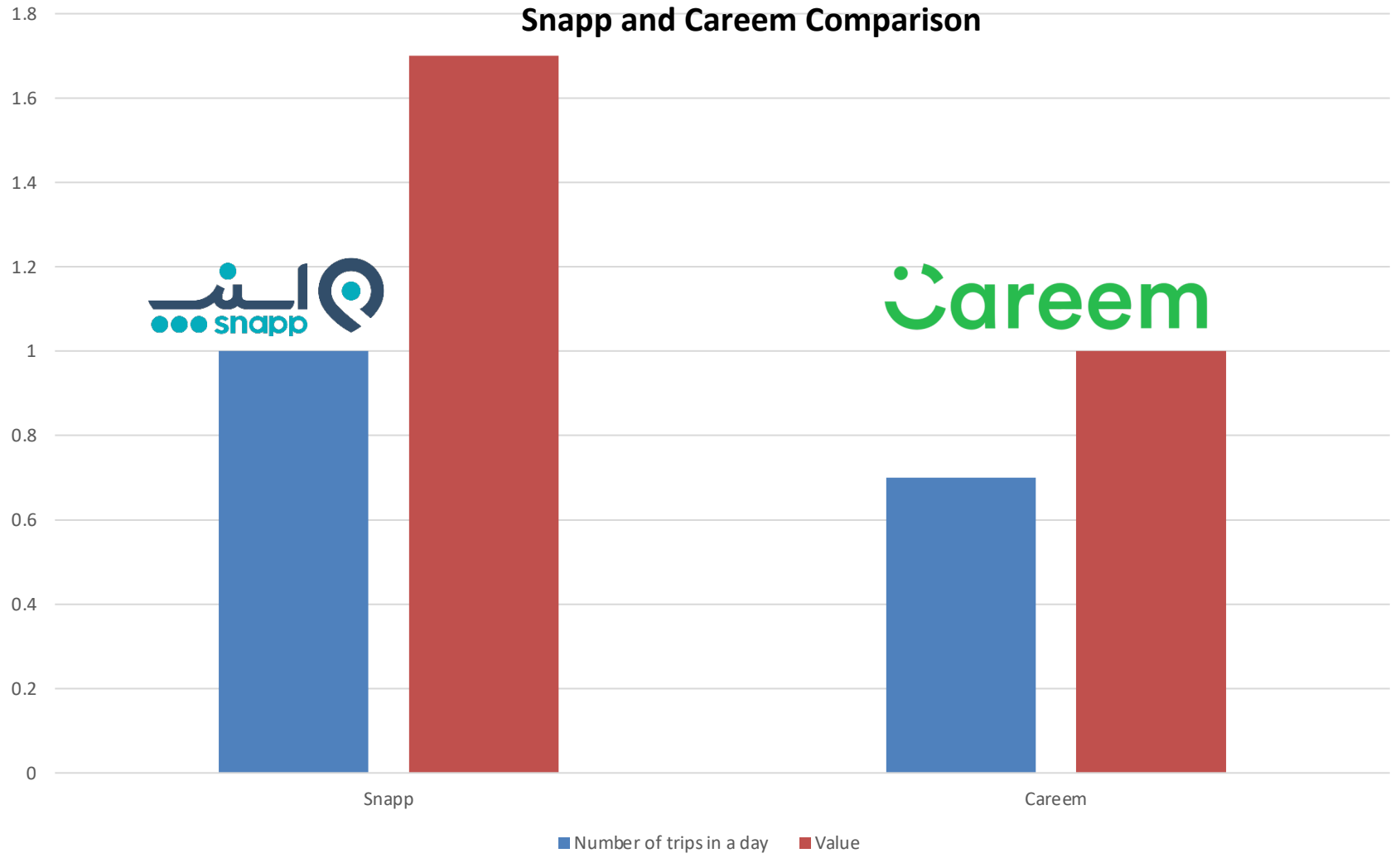
Branding

Snapp has used brand extensions , launching such products as Snapp Bike , Snapp Food , Snapp Market.

UBER had penetrated most of Iran’s neighboring countries , but could not enter Iran’s market. Iranian people who travel a lot to Turkey , Dubai , and other countries were familiar with UBER and how it worked. It meant that the market already existed and it was time to launch



Number of Users	The total number of subscribers as of today in 7M users. In other words 9% of Iranian whole populations is using Snapp.
Daily Transactions	Reportedly there are around 700K transactions happening on a daily basis
Profit	Average trip profit is 179200 IRR and the 1m transactions make it 17 billion IRR daily and 620 billion IRR yearly profit.

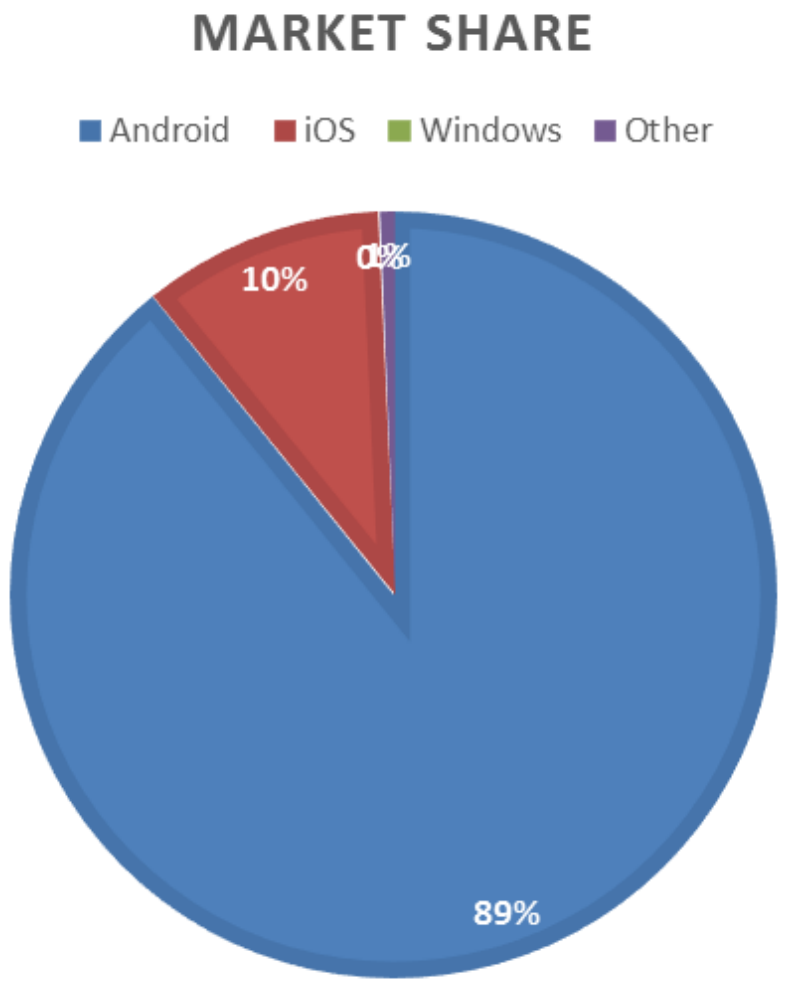


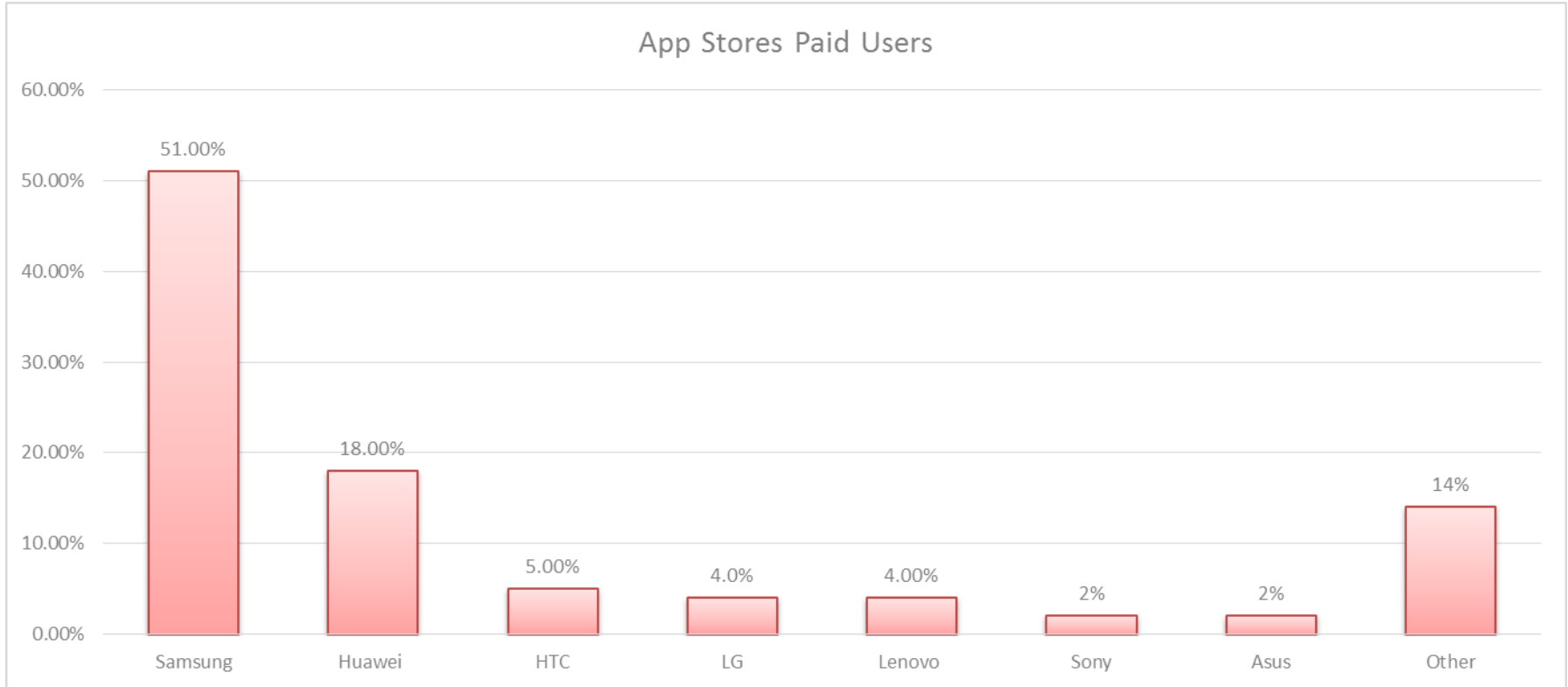
Careem was launched before UBER and many analysts believe that if they had launched after UBER they wouldn't even have survived

Careem a company that was founded in 2012 (3 years earlier than Snapp) and has expanded into MENA and Pakistan is worth less than Snapp

Android Market Share

- As it can be seen in the pie chart , almost 90% of Iranian smart phone users in Iran use Android. The market share in UAE is 79%. Also Huawei brand has 27% of market share in Iran smart phone market. While in UAE it could only reach 9% of the market.
- It means that if Huawei launches 2C services in Iran , it can get a huge market share at the very beginning.





Above you can see the chart for paid users in Iranian local app stores .
Samsung is the only brand that has launched its own app store and because of that is getting the most numbe of paid users.

Other brand users only have the option to make purchases from local stores , which are not very rich in content , however because they are the only option and that Google play is not available , they are getting the users of all other brands other than Samsung.

Mobile Device Stats in Iran		
Mobile Internet Users	53 Million	66% of the total population
Active Sim Card	88 Million	110% of the population
Android Users	47.1 Million	58% of the population

- As it can be seen in the table above , there is a tremendous penetration by Android in Iran. More than half of Iranian people are using android devices.
- 27% of this market belongs to Huawei devices , meaning that currently around 15% of the population is using Huawei devices.
- Iranian smart phone users have high adoption rate for new services because they are familiar with Google Play Services and how it works , so there is no need to spend on promotional campaigns that will educate them on the benefits of similar services.
- Google Play services are not available in Iran and it makes a great opportunity for new players in the market.
- The situation is very similar to Amazon and UBER , there is a gap in the market and if some smart business people spot this gap they will get successful in their business.
- Samsung has plans to enter this market and they have recently launched Galaxy apps and other services in Iran.