RIDE-HAILING MARKET IN UZBEKISTAN:
ATTRACTIVENESS, COMPETITIVE ENVIRONMENT AND
MARKETING STRATEGIES

by

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        Date _____

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LIST OF ABBREVIATIONS

API Application programming interface

B2B Business-to-business

B2C Business-to-consumer

CAGR Compound annual growth rate

CEO Chief executive officer

FDI Foreign direct investment

GAAP Generally accepted accounting principles

GDP Gross domestic product

iOS Iphone operating system

IPJSC International private joint stock company

KPMG Klynveld, Peat, Marwick, Goerdeler

SMS Short message service

SWOT Strengths, weaknesses, opportunities and threats

USD US dollar

CHAPTER 1. INTRODUCTION

Nowadays the ride-hailing has become a necessary option of everyday life for many people around the world. Major legislative milestones on the path of unshadowing of industry, as well as growth of major market players have pushed the development of such market during recent years. In a same manner, Uzbekistan as many other countries globally have experienced similarities during market development, however with country-specific peculiarities.

The purpose of this study is to deep dive and demonstrate the current stance of ride-hailing market in numerous dimensions by overviewing market attractiveness and competitive environment in Uzbekistan. In addition, the focus of the study is to review the position of a monopolist, Yandex Go, to identify potential steps towards increasing existing players' market share via a set of marketing strategies.

The interest in Uzbekistan as a market in this study is based on a set of factors, including macroeconomic. During recent years, the country has been working on and implementing a strong number of initiatives, designed to improve investment climate, protect rule of law, safeguard interests of foreign investors. In addition, Uzbekistan has demonstrated strong economic resilience lately. In particular, the country was among few states that showed GDP growth during 2020 – the beginning of COVID-19 pandemic.

Overview of the market in Uzbekistan is also based on the fact of presence of ride-hailing company with Ukrainian origin, Uklon. The ride-hailing company entered the market in July 2023 and currently operates only in the capital. As the presence of Ukrainian ride-hailing companies in other countries is not that often even, the activity of Uklon provides additional interest in overseeing the market.

In principle, the study is designed to cover three critical pillars. Firstly, the master thesis is aimed at overviewing the current market attractiveness. The Porter's Five Forces model is applied to address this issue, remaining one of the most relevant instruments for industry or market analysis. The author recalls that this study is instrumental specifically for existing market players. Comparing them to Yandex Go, he concludes that the latter has

far more considerable resources to embrace predatory pricing strategy, which has been used for a long time in ride-hailing globally to outperform rivals. At the same time, the author does not consider potential entry of such global players as Uber, Grab, Didi, Lyft or others, into the ride-hailing market in Uzbekistan, however probability of that happening exists.

Secondly, the author presents an analysis of the competitive environment in the country. Providing a brief overview of the current market situation, the author concludes that principal attention in this study should be given to Yandex Go, the monopolist on the market in the country. To analyze the latter, the author gathered publicly available data, information and reports to conduct SWOT analysis. This framework is powerful in strategic planning and allows to thoroughly analyze the organization. The author highlights the most critical points in respect of company's strengths, weaknesses, opportunities and threats.

Important to note that Yandex offers not only ride-hailing services but remains a super-app platform both in Uzbekistan and another countries of operations. However, the principal part of analysis in the section is given specifically to overview of Yandex's ride-hailing business in Uzbekistan. To a lesser extent, the author overviews ancillary businesses in Uzbekistan and general performance of Yandex as a multinational company operating in different markets. In addition, despite that Yandex Go remains monopolist at the ride-hailing market in Uzbekistan, the overview of literature on behavior of monopolist and anticipation of possible actions from the competitors' side are beyond the scope of this study.

The analysis of Yandex Go and competitive environment provide a solid ground for the final section. It is framed in such a manner that current competitors of Yandex Go are presented with a set of marketing strategies, possibly vital to the continuation of their operations. As the author comprehensively overviews the Yandex Go from various prospectives, the respective conclusions allow to consider possible marketing strategies for existing market players to compete at the market and potentially to grow positions and market share over the years. In particular, the non-exhaustive list of strategies is overviewed

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and proposed such as growth in B2B segment, focus on foreigners as target audience, decreasing Yandex's driver base, among others.

It is important to note that the list of marketing strategies could be extended upon additional and iterative analysis of Yandex Go throughout the period of other competitors' operations in Uzbekistan. The analysis and proposal of marketing strategies are based on approach and recommendations provided by Al Ries and Jack Trout in 'Marketing Warfare', which remains highly relevant for market players in a current market stance. In particular, the approach is based and built upon series of responses by existing market players to strategic weaknesses and threats of Yandex Go. As current market players are not in position to embrace predatory pricing to fight with Yandex Go for an extensive period due to lack of necessary resources, they could consider implementing marketing strategies that could allow them to increase performance and market share in future.

Lastly, the author notes that respective study is among very few that deep dive into the ride-hailing market in Uzbekistan, exploring the following from different prospectives, as the literature at hand only covers fragmented information and primarily discusses the shadow and informal character of the market.

CHAPTER 2. INDUSTRY OVERVIEW AND RELATED STUDIES

Uzbekistan is the second largest economy in Central Asia, that has been strongly growing during recent years due to favorable investment climate, ongoing reforms aimed at easing doing business at the country, as well as growing inflow of FDI among other factors. The ride-hailing was one of many markets that also benefitted from changing regulatory environment, paving the introduction of transparent and efficient rules. During 2018-2023, the country encountered continuing and major changes to legislation for the ride-hailing market towards its deregulation and accessibility for investors.

Due to partly those amendments, the country has gained strong attention from a variety of taxi aggregators (ride-hailing companies), both with Uzbeki and foreign origin. As a result, on 16th August 2024, 142 taxi aggregators already had been operating as in the country as reported by Uzbeki tax authority. Including well-known and recognized ride-hailing company with intranational presence, Yandex Go, and Uklon, a ride-hailing company with Ukrainian origin, among others.

Favorable market conditions, driven by robust supply, as well as due to strongly increasing demand from local population, have resulted in rocking growth of the market and respective projections for the upcoming future. Framing that in the context of geographical contribution of regions to total global ride-hailing market size, it is necessary to note that Asia is destined to become one of the largest markets globally. In this regard, Uzbekistan, in turn, is strongly positioned to make a significant impact towards contribution of such region.

Figure 1. Ride-hailing market by region in 2022 and 2028, in billions USD
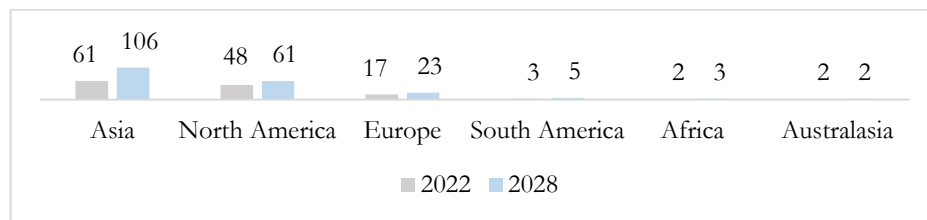
Source: Statista

In particular, Asia would experience growth of the market from 61.2 billion USD in 2022 up to 105.9 billion USD in 2028 according to Statista. In Uzbekistan, the growth of ride-hailing market is expected to reach 84.6 million USD in 2028, growing 2.6 times in comparison to 2022.

Figure 2. Ride-hailing market in Uzbekistan during 2022-2028, in millions USD
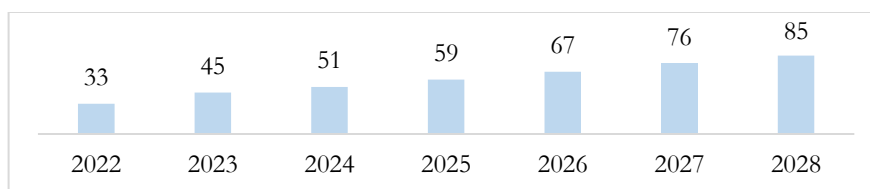
Source: Statista

Despite the tininess of the country's market, Uzbekistan indeed has the potential to become one of the fastest growing markets globally (see Figure 3) due to growing consumption, increasing population, strong interest by investors to the country, as well successful ongoing reforms. As Tashkent contributed to more than a half of ride-hailing orders in Uzbekistan according to Uzbeki tax authority, in this and upcoming sections, specific attention for some of conclusions is provided for the capital city as well.

According to World Population Review, country's population would reach 40.2 million in 2030 up from 36.6 million in 2024. With median population of around 29 years in Uzbekistan, the country presents itself as a destination for young, active and steadily growing population. In addition, Uzbekistan continues to watch growth of foreigners from 5.3 million in 2018 up to 6.6 million in 2023.

In Tashkent, the volume of real total income per capita grew 2.4 times in 2023 compared to 2018. In the same period, the unemployment rate in Tashkent declined from 9.0% in 2018 to 6.8% in 2023. The poverty rate continued to decrease and reached 7.9% in capital in 2023. The number of active companies in Tashkent increased more than twice during 2018-2023, reaching 117812 firms.

Nevertheless, despite forward-looking and positive projections, there remains a set of challenges and barriers, potentially affecting the positive outlook on the market. In this

regard, to properly assess the attractiveness of the industry or market, the author assumes that it is necessary to consider it through Porter's Five Forces model, covering competitive rivalry, supplier power, buyer power, threat of substitution, and threat of new entry. Prior to that, the author would like to highlight the peculiarities of ride-hailing companies' activity globally. This is important as the following understanding would allow to take it into account during overview of the ride-hailing market in Uzbekistan through the lens of Porter's Five Forces model.

Overall, the ride-hailing as a market remained non-profitable globally for a long time. Such situation is relevant even for large corporations, who stood at the beginning of market creation, such as Uber. For instance, only in 2024, Uber reported that in 2023 it received a positive operating profit, first time since 2009. Despite that Uber continues to be funded via variety of investors for a long time, the result was long to come. Other large and leading ride-hailing companies have also incurred losses for a long time. As another example, Markus Villig, CEO of Bolt, that was founded in 2013, stated in March, 2023 about plans to make the company profitable in next 12 months. In addition, in August 2024, Lyft announced its first-ever quarter of GAAP profitability since its founding in 2012.

Entry or activity in the new market, where a strong market leader such as a monopolist exists, typically requires sufficient resources from existing or potential entrant. Possibly, instead of choosing a fierce and long-lasting competition with strong monopolist or a top player at specific market, companies rationally would consider redistributing their budgets to markets, where they hold leading positions. And, if resources allow, expansion to markets at which they could have comparable or even higher financial resources to the market leader to sustain warfare.

The history of ride-hailing wars demonstrates that the longer competitor has the opportunity to sustain predatory pricing, more likely it would a chance to become leader and defend its market share. Such markets are, thus, also commonly referred to as winner-takes-all markets. In particular, according to Smichowski (2018), as a result of losing price wars to Grab and Didi, Uber left South East Asia and China markets. In the referenced study, the scholar cites Raphaël Morel, Uber's Head of City Development in France, who

disclosed that Uber exited those markets since it did not have as many financial resources as competitors to survive the price war.

At the same time, the history of ride-hailing wars knows lesser number of instances, where competitors would win or effectively compete for the market if they had lower financial resources compared to the leader. Some instances included intended curtailing of operations in the country by the top player or potential blocking of the service at the market. In a same manner, effectively implemented marketing strategies allowed companies to succeed in some cases.

Taking this into account, and even prior to thorough overview of the market through Porter's Five Forces model analysis, the author concludes that ride-hailing market in Uzbekistan demonstrates low to moderate attractiveness for existing market players. The most critical factor for market attractiveness in this regard is the presence of Yandex Go, the monopolist, and its forward-looking intentions to continue investing in the development of ride-hailing and super-app solutions in the rapidly growing Uzbekistan and capital city, Tashkent. In addition, Yandex possesses considerable resources, primarily financial, to outperform existing competitors in the market, and already invested significant ones. Additional information on competitive environment and support for such statements is provided in Chapter 3.

In particular, there is currently no evidence that Yandex Go with curtail its operations in Uzbekistan. On the contrary, the company plans to invest 33 million USD only in 2024. As of the end of the same year, the company also declares its plans to be present in 16 countries' cities. In addition, Yandex Go held dominant position in ride-hailing market in Uzbekistan with 86.3% as reported in December 2023 by Uzbeki tax authority. Yandex Go is nowadays a super-app platform, that offers not only ride-hailing services, but also food delivery, rent of scooters, as well as other related infrastructure. Recent appointment of Izzat Shukurov as CEO of Yandex Uzbekistan, who is ex-chief of Express 24 and MyTaxi, one of first ride-hailing businesses in the country, demonstrates also its strong vision towards acquisition of the whole market. Hence, to face the competition with such strong and forward-looking player, the entrant or existing rival should at least, referring to majority

of examples above, put comparable or even higher investment and resources into the market, as follows – not open to many. Or, alternatively, consider opportunities on fighting with the leader via other, not necessarily financial, means.

This, in turn, underscores the utmost importance of competitor analysis in such markets and overviewing potential opportunities to compete effectively in the market or even to become a leader. Despite one of lowest fares for taxi in the world, standing at approximately 1.42 USD during 1st January-15th August 2024 and scarce commission that ride-hailing companies receive in the country, the author assumes that Yandex Go would continue to invest in Uzbekistan, since the ride-hailing market, as well as country's economy have one of the highest potentials of growth globally. When considering such markets with low gross profit per order and continuous opportunity of Yandex Go to apply predatory pricing strategy, competitors should indeed carefully evaluate necessary risks associated with their performance in the country.

Taking above into account, the author concludes that the competitive rivalry in the market remains high, whereas the threat of new entrants is low. There are indeed no significant barriers for entry in terms of embodied rules specifically for ride-hailing companies after years of reforms on ride-hailing market liberalization. However, the strong foothold that Yandex Go has already put into Uzbekistan, naming it as one of top priority markets, demonstrate that the company would employ significant investments and resources to win and defend the market.

With respect to supply power, the drivers could be characterized as having a moderate force on industry attractiveness. According to Uzbeki tax authority, more than 576 thousand taxi drivers were registered as self-employed in Uzbekistan as of 16th August 2024. Among them, 361 thousand taxi drivers provided services via taxi aggregators. The author expects that the number of such drivers is expected to continue increasing in the future, as labour migrants, who are continuously moving to the capital, consider taxiing as one of the most dignified jobs in the informal sector.

The general mass of drivers could be also split into two cohorts: those working through fleets that are intermediaries or individually through the platform. At the same

time, Yandex Go has received a significant market advantage by acquiring and retaining a significant number of fleets and drivers connected to them, which could be hard for existing competitors to overtake. Not only due to potential predatory pricing strategy directed towards fleets, but also because of larger demand for Yandex Go services than of other taxi aggregators in the country, guaranteeing higher revenues for auto parks. Nonetheless, the volume of supply in Uzbekistan remains very high and ride-hailing platforms have an opportunity to manage it interchangeably.

In the author's opinion, the buyer power has moderate force in the market. There remain low switching costs, as there is a great variety of options to choose from. In addition, as demonstrated via analysis of app reviews in Chapter 4, users could be relatively price-sensitive, reporting about expensive prices of Yandex Go, despite that its average check could be not that far above 1.42 USD per ride. In addition, the ride-hailing service in general is not commonly that differentiated, meaning that buyers could easily switch. However, Yandex Go, on the other hand, constantly works on and offers service differentiation, as example, via fastest time car to arrive on the market, as well as launching unique classes in Tashkent such as Electro and Ultima.

In addition, the threat of substitution could be also regarded as moderate. As elaborated above, there are low switching costs. Buyer propensity to substitute is potentially high, since riders could possibly choose to constantly multi-app prices. Meanwhile, the availability of substitute service depends upon the location in Uzbekistan, since each company among reviewed players in Chapter 3, other than Yandex Go, is present only in Tashkent. Whereas the major market player plans to cover most major cities in Uzbekistan and constantly looks to expand further.

CHAPTER 3. METHODOLOGY

As written above, this study adopts a multi-dimensional approach that integrates an overview of market attractiveness and a thorough competitor analysis. In addition, it covers an overview of different marketing strategies aimed at, on one hand, strengthening existing players' market positions and, on the other hand, deteriorating standing of Yandex Go.

As seen from results in Chapter 2, the study starts with a high-level overview of ride-hailing market in Uzbekistan, by evaluating its attractiveness for market players. To conduct this, the author applied Porter's Five Forces model to discover necessary insights and analyze market environment. This specific instrument is widely used for conducting a deep dive into the market or industry, adopting managerial decisions on feasibility of entry into specific market, continuation or even suspension of the activity.

Based on respective analysis and overview, the author concluded that competitive rivalry in form on strong dominance of Yandex Go on the market is the most critical factor that impacts market attractiveness. Nonetheless, despite its strong position, as of 16th August 2024, Uzbeki tax authority reported that 142 taxi aggregators were conducting its activity in Uzbekistan. As summarized by authority, the leading players on the market during 1st January-15th August 2024 included Yandex Go, Uklon, GeoGeo, MyTaxi, and Biznes Taxi 1064.

The author underlines that despite that there overall remains a lack of specific information on the companies' activity and performance, it could be assumed that Yandex Go has far more significant resources, primarily financial, to compete with its rivals. Compared to the monopolist, almost all top players, such as GeoGeo, MyTaxi and Biznes Taxi 1064 have presence only in Tashkent. Uklon, the second largest ride-hailing company in Uzbekistan, is a market leader in Ukraine, whereas it generated approximately 23.3 million USD in revenue in 2023 from its activity in the country. The company does not conduct its activity in any other markets. At the same time, IPJSC Yandex reported in its investor materials that only in the first quarter of 2023 it generated 162.9 billion rubles or approximately 22.3 million USD in revenue from its activity.

Therefore, based on such brief analysis alone, it is highly unlikely that current market competitors could have resources to engage in a predatory pricing strategy with Yandex Go in the long run to increase their performance and market share. Hence, repetitive and thorough analysis of Yandex Go, including its activity, performance and plans is significantly important and relevant for existing market players.

Among available frameworks for organization analysis, the author decided to choose SWOT as one of the most used tools in strategic management. This comprehensive framework allows both to assess the activity of organization considering both internal and external factors, as well as serves as an instrument for strategic planning and guidance for other market players.

Applying SWOT to Yandex Go and its activity was not an easy task, since the ride-hailing company does not disclose or provide specific data, nor is its receival available via existing Yandex API. One of the few sources of data on the ride-hailing market and some of its peculiarities has recently been Uzbeki tax authority. However, the information it provides does not allow to conduct a deep dive into the market. The data provided by the authority represents rather general market results, such as number of orders and their split by country, top players, payment structure, driver performance and wages, etc.

Yandex Go, as well as other 141 taxi aggregators, are been connected to the government's platform. That could have occurred after the Uzbeki government threatened to suspend operations of Yandex Go in the country should it not comply with legal obligations to localize its operations. As a result, Yandex Go finalized localization of a legal entity in Uzbekistan only in December 2023, first time since launch of operations in 2018. Meanwhile, after the author's request to the authority regarding access to the platform, it neither responded, nor provided it to investigate the data.

Therefore, the list of used sources for SWOT analysis of Yandex Go was limited to the following sources of information such as public information as well as interviews of company's senior management; government publications and statistical data from state authorities; reports, studies and news in a public domain.

Starting from strengths, as specified above, Yandex Go was reported to hold 86.3% of the ride-hailing market in Uzbekistan according to information provided in December 2023 by the country's competition authority. In author's opinion, such share is expected to increase as the company considers to enter new cities and to increase presence to 16 locations in the country up to the end of 2024.

In addition, intranational presence of Yandex Go at different markets and leadership position therein, as well as robust financial results, also allow company to induce predatory pricing strategy during its operations in Uzbekistan if necessary. In particular, as seen from overview at Similarweb, Yandex Go holds a leading position in Russia, Armenia, Kyrgyzstan, Georgia and Uzbekistan among others as of September 2024 within map and navigation apps in Googler Play.

The strong foothold of Yandex Go in the country, as well as in a closer region, is attributed not only to its ride-haling business, but also a diverse range of other services falling within ecosystem of its app. It includes rent of scooters, delivery of food and items, among others. In particular, in October 2024, the country's competition authority reported that one of the companies in its ecosystem, Yandex Eats, would gain a control of 87.5% share of food delivery market after the purchase of a part of Express24 assets, one of the top players.

In addition, Yandex as a company with operations in many countries, also works on development of services in other domains, such as search and advertising, e-commerce, entertainment services, classifieds, fintech and others. The development and operations are supported by robust technological infrastructure of Yandex, which remains one of the most renowned Russian tech companies. As also reported by the firm, its ride-hailing business is regarded as one of its most cash-generating, largest and most mature businesses.

With respect to weaknesses, in the author's opinion, Yandex Go is strongly and extensively relying on its partnerships with fleets to support its ride-hailing business in Uzbekistan. The monopolist's business model is organized in such a manner that the platform works only via direct cooperation with fleets, without separate attraction of drivers that do not work via auto parks.

In addition, there is a growing concern among countries where Yandex Go operated or continues to conduct activity, regarding privacy, security and legal issues. Due to the following concerns, Yandex Go was blocked as a platform in Latvia in 2022, as well as Moldova and Togo in 2024. Hence, the author assumes that the platform could be also under the threat of service blocking in Uzbekistan and at app markets globally as well. Such risk already existed in 2023, when Uzbeki authorities suggest that the company could suspend its operations due to tax evasion case and urged it to localize operations.

Furthermore, despite the competitive advantage of Yandex Go in terms of huge rider and driver base, it remains the competitor's weakness as well. Managing and properly servicing such a large group of users requires significant resources. Non-adequate, as well non-timely and non-efficient response to a variety of customers' needs and requests, leads to decline in customer satisfaction rate and, as a result, to growth of users' churn.

Turning to opportunities, Yandex Go exercises a significant potential for increasing its performance on strongly growing ride-hailing market in Uzbekistan. In particular, the country's market is expected to demonstrate one of the highest growth rates globally, ranking fifth by estimated CAGR growth during 2022-2028 across markets.

Figure 3. Top countries by ride-hailing market growth by CAGR in 2022-2028
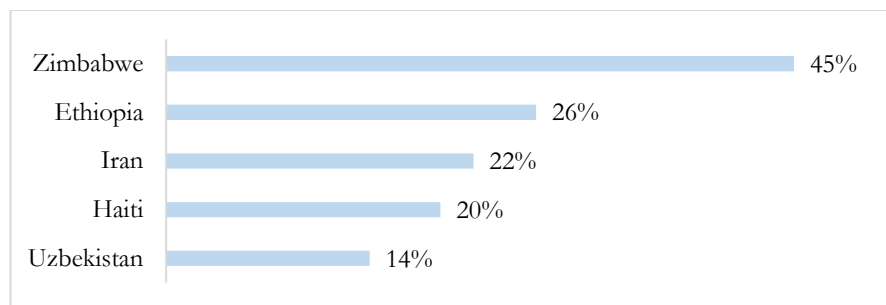
Source: Statista

Due to scale of its operations, as well as strong brand recognition among rider and driver base, as well as population in Uzbekistan overall, Yandex Go also has an opportunity to continue geographic expansion. Considering also the stable growth of consumer demand due to robust increase of real income, as well as underserved needs and a variety

of non-saturated markets in the country, Yandex has a competitive advantage to lead development and growth by providing additional services to population.

In addition, the favorable bilateral relations between Russia and Uzbekistan, including those governmental and business-related, create a room for Yandex Go to effectively lobby necessary government initiatives and reforms aimed at improving its competitive standing.

In terms of identified threats for activity of Yandex Go, they primarily include political, legal, and competition-based factors that could potentially hinder or negatively affect its performance in Uzbekistan. To start with, there remains an opportunity of entry of global ride-hailing companies into the market, which could also embrace predatory pricing strategy to shake up positions of Yandex Go, due to strong growth rates of ride-hailing in Uzbekistan. To elaborate, among global players, Didi has already shown interest in entering the market in 2021, however it did not proceed with launch of operations.

Furthermore, the recent investigation of Competition Committee of the Republic of Uzbekistan into activity of Yandex Go and recognition of its status as of monopolist in December 2023 did not have any consequences for the company based on public reports. However, in the author's opinion, the recent launch of Fasten, which is positioned as a low-cost brand, but, according to app reviews, remains as expensive or even costlier than Yandex Go, could present severe consequences for the company, provided that specific evidence is observed by the country's competition authority.

Figure 4. Most common trigrams in low-scoring Fasten reviews
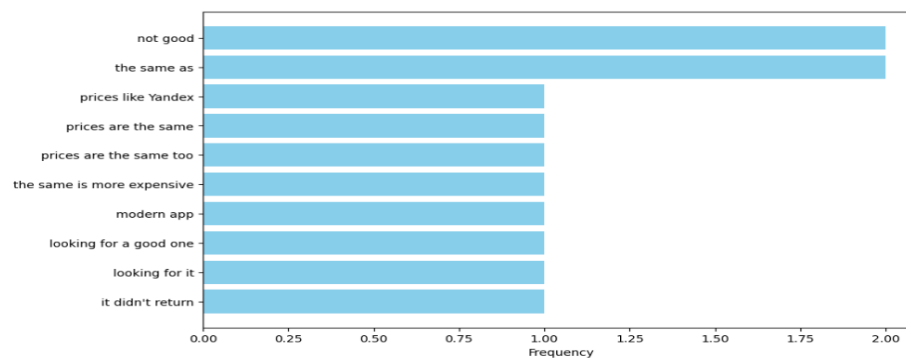
Source: Own analysis based on Fasten app reviews at Google Play

As demonstrated further in Chapter 4 'Data', to grow its driver base and continuously increase the number of completed orders, Yandex Go has connected to platform drivers that do not have specific registration status to conduct their activity, which could present a sufficient risk to its performance in the future should the government decide to monitor its enforcement more effectively. In addition, the company's origin from Russia could result in a decline of a number of counterparties willing to enter into contractual relations with Yandex Go as B2B clients in view of potential sanctions that could be imposed by Western governments on Yandex.

Given the above, in further chapters, the core of the research is focused on the analysis and development of effective marketing strategies for market players other than Yandex Go. As more than hundred of taxi aggregators are reported share less than 14 percent of ride-hailing market in Uzbekistan, these firms are more than interested in holding, as well as increasing their market share. By applying conclusions from SWOT analysis, the author considers a set of marketing strategies aimed at increasing competitors' market advantage and decreasing market share of Yandex Go.

In this respect, the application of marketing strategies should not be framed in view of consumer analysis, but rather overview and response to a major competitor, Yandex Go. This approach is based on conclusions and recommendations provided by Al Ries and Jack Trout in 'Marketing Warfare', and remains significantly relevant in view of strong market standing of Yandex Go not only in Uzbekistan, but in a variety of other countries as well.

Overall, the proposed methodology provides a structured and systemic approach to understanding attractiveness of ride-hailing in Uzbekistan, thorough competitor analysis of Yandex Go, and, finally, identification and testing a list of marketing strategies for competing with the main rival.

CHAPTER 4. DATA

In this and subsequent chapters, the author overviews a list of possible of marketing strategies for existing market players, conducting activity at ride-hailing market in Uzbekistan. The present list is primarily based on a response to strategic weaknesses and threats that have been identified based on an overview and analysis of publicly available information about Yandex Go. It is important to note that such a list of marketing strategies is not exhaustive and could be extended by additional ones during further research and receiving extra information on the rival.

4.1. Focusing on growth in business-to-business segment

Based on publicly available information for Tashkent city, as of November 2024, only three existing market players strongly targeted this segment for clients: Yandex Go, Millenium Taxi, and MyTaxi. Important to note, monopolist Yandex Go only launched B2B service in April 2024, while MyTaxi has created such market in the capital in December 2015. Information on the launch date of such service by Millenium Taxi is absent in public domain.

At the same time, despite only the recent launch of such service by Yandex Go, it has created significant demand and interest from businesses. The analysis conducted by the author with application of digital instruments, such as Similarweb, proves such hypothesis.

Millenium Taxi does not have a separate web page for B2B service, thus, there is no opportunity to check this ride-hailing company. The author checked its website through Similarweb to verify its current low rate of activity in this segment. In particular, it had only 577 visits during July-September 2024. However, in November 2023, Millenium Taxi reported that it had 700 B2B clients, among which Hyatt Regency, Anorbank, BAT and others.

In addition, the author checked landing pages of corporate taxi services, introduced both by ride-hailing companies Yandex Go (https://business.go.yandex/) and MyTaxi (https://business.mytaxi.uz/). It was identified that MyTaxi's web page visits were strongly

low with only 206 visits starting from July up to September 2024. Information on the number of MyTaxi's B2B clients is not publicly available. However, it includes such recognized global and local companies as Korzinka, Solo, Makro and Artel among others.

While in a same period, Yandex Go attracted 150898 web page visits from Uzbekistan. The author did not have an opportunity to get information regarding visits during April-May 2024. However, as information on the launch of corporate service by Yandex Go in Tashkent appeared only on 18 April 2024, the author makes a reasonable guess that it has not significantly impacted the number of web page visits.

Figure 5. Visits of Yandex Go corporate taxi page during July-September 2024
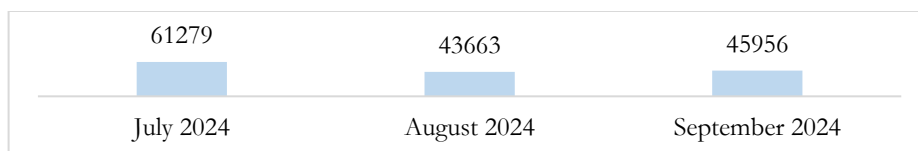

Source: Similarweb

According to digital performance analysis by various organizations, a good conversion rate for B2B lead generation ranges from 2 to 5%. At the same time, the normal for B2B rate of close lead remains at 25%. Hence, the number of potential B2B clients of Yandex Go potentially stands from 0.5% to 1.25% of web page visits, or from 754 to 1886 clients. Thus, the total number of firms that use corporate taxi services in Tashkent could start from 1500 clients. Meanwhile, the number of enterprises and organizations in Tashkent has been constantly growing recently. Comparing results in 2023 to 2017, their number increased more than twice. In addition, the number of employed population in capital increased strongly during 2017-2023, reaching 1396800 people.

Figure 6. Number of enterprises and organizations in Tashkent, in thousands
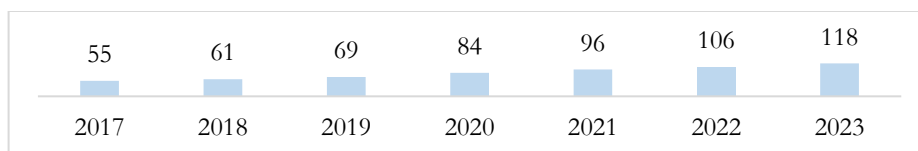
Source: Statistics Agency under the President of the Republic of Uzbekistan

Figure 7. Number of employed population in Tashkent, in thousands

1171	1131	1183	1244	1317	1371	1397
2017	2018	2019	2020	2021	2022	2023
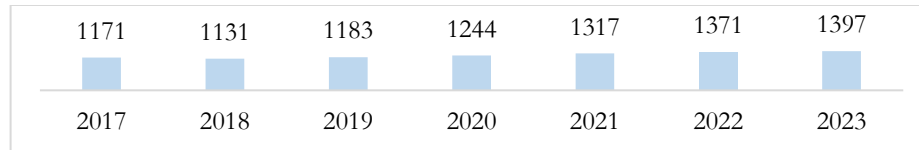
Source: Statistics Agency under the President of the Republic of Uzbekistan

The following demonstrates the B2B ride-hailing market in Uzbekistan has a strong potential for growth in upcoming future. In addition, major market players in this segment, including Yandex Go, have not currently saturated the market, as shown from the research. Taking this into account, existing players could utilize their potential by entering respective market, since it remains only in the nascent state of development. The respective move could also allow companies to increase their conversion in B2C in the future.

4.2. Responding to challenges posed by Yandex Go and Fasten users

As elaborated in Chapter 3 'Methodology', Yandex Go has an extensive rider and driver base in Uzbekistan. On one hand, this provides a competitive advantage, since the service has strong brand recognition and usage. On the other hand, the broad rider and driver base could negatively impact customer service and satisfaction due to limited capabilities to react to a great number of situations by specific team.

As indicated above, there is a limited opportunity to get insights and information on ride-hailing companies in a public domain. In this regard, the list of important resources, where analysts could receive additional information on the company, its product or service, as well as an app, includes riders' and drivers' reviews at Google Play. It is important to note that the author had no opportunity to extract reviews from AppStore due to lack of necessary response from API. The reviewed apps included for rider side – Yandex Go and its recently launched sub brand, Fasten, and for the driver side – Yandex Pro. Important to note, the author analyzed specifically app reviews in Uzbeki language at country's store with scores from 1 to 3. Reviews with such scores were regarded as low to moderate, while scores from 4 to 5 were considered as indicating good or exceptional response to service.

For instance, for Yandex Go app, the total number of reviews stood at 30872 reviews as retrieved by specific code. The number of reviews with 1 to 3 score only counted at 2455 reviews or approximately 8.0%. With respect to Fasten, the total number of reviews stood 348, since the service was launched in Tashkent only in the end of August. The number of reviews with 1 to 3 score only reached 75 reviews or approximately 21.6%.

To identify specific patterns on consumers' challenges and problems, the author applied bigram and trigram language models, since they allow to effectively identify text patterns in code, as they capture the sequence of relationships between words or tokens and are adaptable for error detection.

Figure 8. Most common bigrams in low-scoring Yandex Go reviews
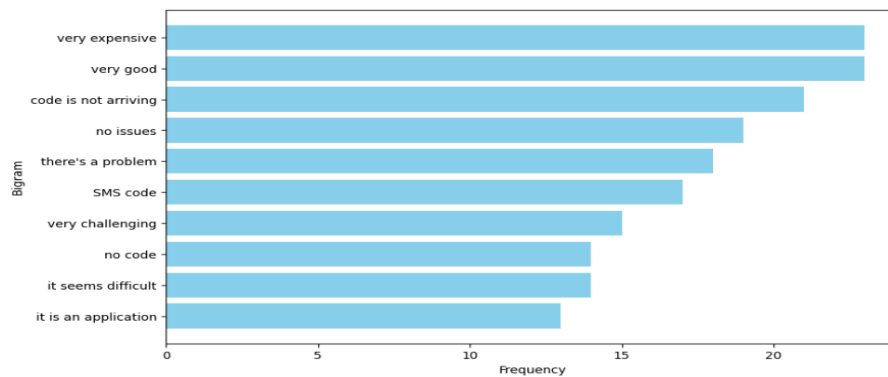
Source: Own analysis based on Yandex Go app reviews at Google Play

Figure 9. Most common bigrams in low-scoring Fasten reviews
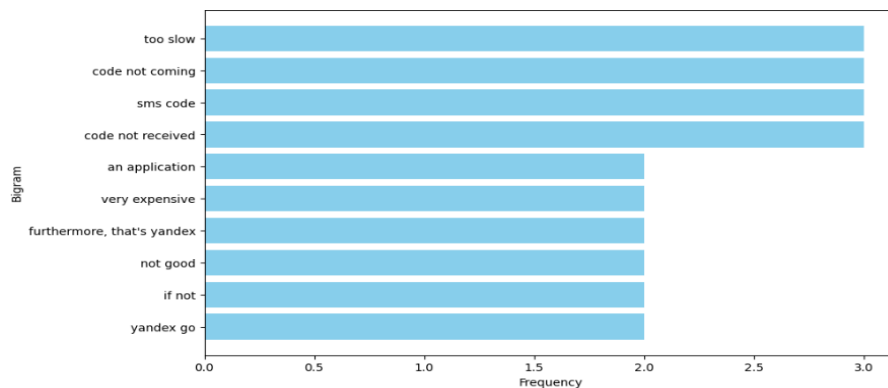
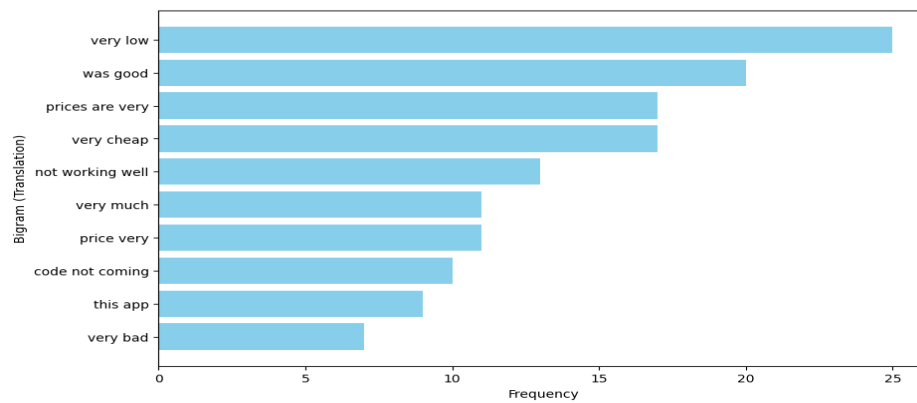Source: Own analysis based on Fasten app reviews at Google Play

Based on the respective analysis of Yandex Go, the author identified that the service was recalled by customers as ultimately expensive. Among other most frequent factors, users also reported difficulties and challenges in app and its usage. Among minor problems, like Yandex, users of both apps indicated the problem with a receival of SMS code.

It is important to note that Fasten's users had the following problems, such as slow arrival of cars and app functioning, as well as high prices. In some cases, users also indicated that the service was even more costly than Yandex Go. In addition, some of them also indicated that the service looks to them as much as same as Yandex Go (see Figure 4).

Turning to drivers, the author has collected 4274 reviews as retrieved by specific code. The number of reviews with 1 to 3 score only counted at 989 reviews or 23.1% reviews. Along the apps, as could be compared, specifically drivers were least satisfied either by app, product or service.

Figure 10. Most common bigrams in low-scoring Yandex Pro reviews

Source: Own analysis based on Yandex Pro app reviews at Google Play

Drivers, same as riders, experienced similar problems, indicating that the SMS code was not coming, as well as the app was not working well. At some instances, they have written that the prices were low, possibly indicating on the absence of opportunity to generate acceptable income. Indeed, the potential average revenue per ride of 1.2 USD (15 303 Som) or 85% from the order could have pressured drivers to post such comments.

Taking this into account, existing market players could utilize these weaknesses in their favor by focusing both for riders and drivers on developments towards ease and fast functioning of app. Since Yandex Go app indeed provides an opportunity to receive great variety of services, including ride-hailing, riders could be misled by different product features and have potentially posted these reviews in relation to these instances. In addition, competitors could use different communication strategies on income for drivers to pay their attention to additional income that is in fact received via bonuses.

Based on customers' reviews, pricing also remains a sensitive and important topic for them. Development of pricing strategy based on customers' reviews requires additional analysis, since the taxi service in Uzbekistan indeed remains cheap. According to Numbeo portal, the price for taxis in Tashkent remains one of the cheapest in the world, as capital ranks 166th among 182 cities in the list.

At the same time, it is important to note that Fasten positioned itself as low-cost service since the launch in the market. Despite announcements and based on the users' reviews, its prices could be comparable or even higher than of Yandex Go. In addition, at its website, the provider argues that the average time of car to arrive stands at 5 minutes. Meanwhile, users also report that the cars were slow to arrive, indicating that Fasten could have also misled its customers.

Considering above, existing market players could also consider addressing Competition Committee of the Republic of Uzbekistan on violation by Yandex Go and Fasten of competition laws by providing credible and supportive evidence in support of such position. However, this process could require significant time and resources, being not necessarily efficient for them.

CHAPTER 5. RESULTS

The author further considers additional marketing strategies that could be implemented by existing market players based on identified strategic weaknesses and threats of Yandex Go. They include attracting the necessary supply by leasing offering for drivers. Furthermore, existing market players could focus on decreasing the number of completed orders via Yandex Go platform by reducing its driver base, as well as focusing on foreigners as target audience.

**5.1. Attracting drivers to ride-hailing platforms by leasing offering**

The number of cars per 1000 inhabitants in Uzbekistan is considerably low compared to other countries, such as, for instance, Turkey, Kazakhstan, Belarus and Russia. At the same time, the rate of growth of such indicator was not robust during 2021-2023 in Uzbekistan and could be even expected to decline due to some recent actions of government authorities.

Figure 11. Number of cars per 1000 inhabitants in selected countries in 2023
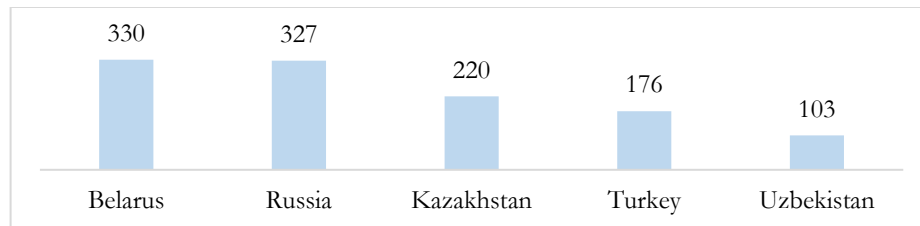
Source: KPMG analysis of motor vehicles market in Uzbekistan

Figure 12. Number of cars per 1000 inhabitants in Uzbekistan in 2021-2023
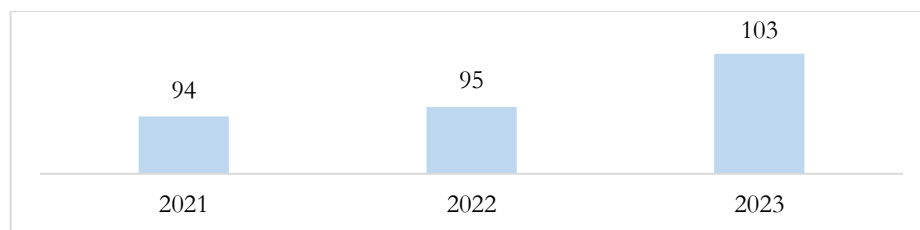
Source: KPMG analysis of motor vehicles market in Uzbekistan

In particular, in September 2023, the Central Bank of Uzbekistan ordered banks to limit loans for purchase of cars to 25 percent of the total loan portfolio. As a result of such initiative, in the first half of 2024 the monetary value of offered loans for purchase of cars decreased more than twice compared to the first half of 2023 from 18.5 trillion Som to 8.9 trillion Som. In addition, in October 2024, the authority also reported that in a same period the number of registered contracts for purchase of cars decreased by 25 percent.

The challenge with a car ownership in Uzbekistan also has a systemic character due to state's monopoly on production of cars and prohibitive import tariffs, protecting national car industry according. Meanwhile, a significant number of labor migrants consider taxiing as one of most dignified jobs in informal sector, however, encounter significant challenges on the path to acquiring the car. Whilst moving to Tashkent to gain necessary income, these individuals frequently request their acquaintances or family members for a car, paying an agreed fee to a car owner.

At the same time, the business model of Yandex Go in Uzbekistan is based exclusively on direct partnership with fleets, without direct and close involvement with drivers, both current and potential. As of March 2023, the company reported that 135 fleets have been connected to its platform. As Yandex Go managed to attract a significant share of supply via fleets, other platforms in Uzbekistan tend to attract drivers directly.

In the author's opinion, the monopolist's model has both strategic strengths, as well as weaknesses. The focus of Yandex Go only on available supply via fleets distorts its attention from the significant mass of motivated drivers, who are willing to enter the market, however, do not have a car to do so. Important to note, in Uzbeki society, a car ownership is regarded as an indicator of paramount success for labor migrants.

Based on above factors, existing market players could focus on attracting and increasing supply by means of leasing offering for cars. Such a model could be implemented via trilateral arrangements of a leasing firm, ride-hailing company, as well as potential driver. Due to their scale, ride-hailing companies could contract cars at more favorable prices and interest rates. At the same time, they could also optimize costs by not providing bonuses, but only paying fixed commission to the driver as a prerequisite of agreement. Meanwhile,

drivers would receive a car into ownership after completing the plan, as agreed with the ride-hailing and leasing firms. This could also allow companies to increase their driver base and their performance, as well as the number of completed orders via additional supply.

5.2. Decreasing performance of Yandex Go via reducing its driver base

In his numerous papers, Nikolas Olma discusses that a mass of informal drivers have connected to Yandex Go platform since the launch of its operations in Uzbekistan. Meanwhile, Uzbeki authorities have repetitively found that drivers are indeed working informally via Yandex Go platform, without necessary registration and status. Despite there is no information in public domain on the number of drivers that are informally conducting their activity and are connected to the Yandex Go platform, the author assumes that their number could be quite significant. Based on the estimates that the scholar provides, the overall number of informal taxi drivers in Tashkent could have comprised 30000 drivers.

The author considers that efficient enforcement of laws related to provision of services solely by self-employed drivers by government could result in tangible decline of a number of completed orders via Yandex Go. The author gathered data to estimate correlation between the number of completed orders and the number of drivers, that spans from 1st January to 27th of October 2024, containing 9 variables and 2709 observations.

Figure 13. Correlation matrix of key metrics for ride-hailing in Tashkent
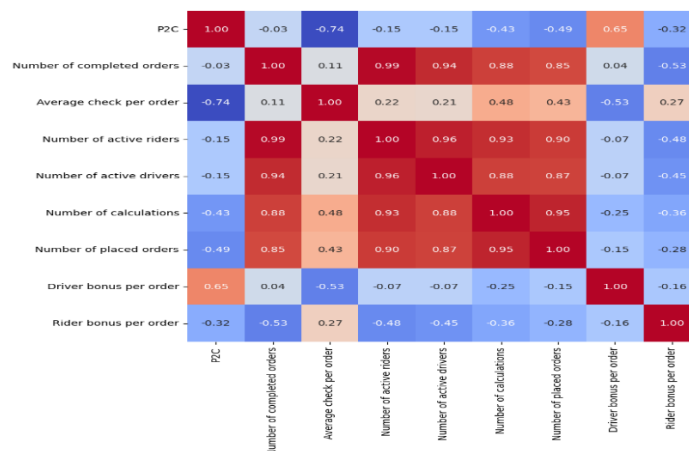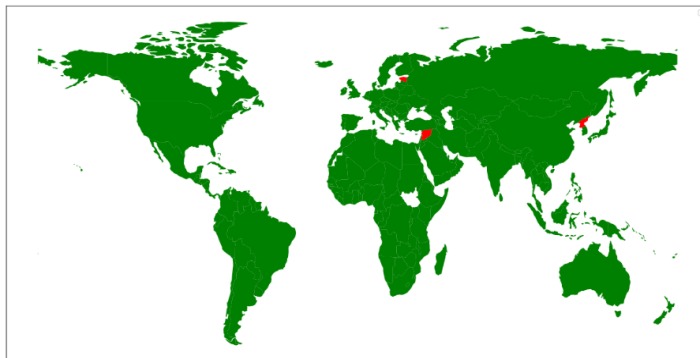

Source:

As seen from the correlation matrix, the number of completed orders strongly correlates with the number of active drivers. Meanwhile, the number of completed orders and driver bonus per order have low correlation. This shows that even if the supply drops, the bonuses for remaining drivers could not potentially improve the firm's performance.

Thus, existing players should focus their efforts on active enforcement by authorities of legal provisions related to non-provision of services by drivers, who do not remain self-employed and could not conduct respective activity due to absence of such status. The impact of respective actions on Yandex Go would indeed depend on the extent of informal character of its supply. Yet, there remains a risk that to recover from the following situation, Yandex Go would target drivers from competitors via increased bonuses.

5.3. Focusing on foreigners as target audience

Based on conducted SWOT analysis, the author had hypothesis that following Russian invasion into Ukraine in February 2022, AppStore and Google Play blocked or limited opportunity of downloading Yandex Go in a significant number of markets. The hypothesis was partially supported by a variety of reviews posted by foreigners at different forums on a lack of opportunity to download Yandex Go app. To check it thoroughly, the author decided to extract the data on availability of Yandex Go at different countries from AppStore and Google Play. As these two platforms control the majority of global app store market share through iOS and Android mobile operating systems.

Figure 14. Availability of Yandex Go app at Google Play store per markets

Source: Own analysis based on AppStore and Google Play data

Figure 15. Availability of Yandex Go app at AppStore per markets
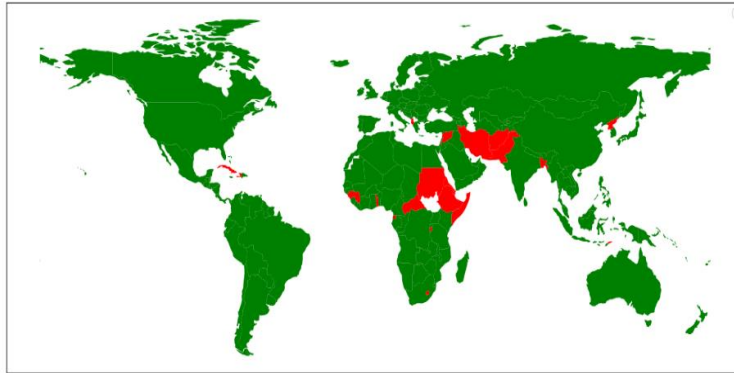
Source: Own analysis based on AppStore and Google Play data

Based on conducted analysis, it was preliminary inferred that Yandex Go is absent in three markets at Google Play and at 34 markets at AppStore. These markets primarily include countries and territories in Africa, Asia, Europe and North America. However, the author assumes that such data could not be correct and the number of markets where Yandex Go is not available is larger. The reason behind this could lie in fact that app developer initially sets and manages app availability on its own by specific settings, while AppStore and Google Play could not change such settings per se, but limit overview and downloading of app at certain markets.

In practice, there remain a limited number of instruments for verifying such statement. Firstly, such information could be manually checked by changing markets at AppStore and Google Play via device. At the same time, there remain specific limits for such procedure, as app markets do not incentivize such actions. Alternatively, this option requires surveying users across the world to check the availability of Yandex Go at their home market stores. Secondly, the absence of apps at specific markets could be indirectly proven by manual change of the country or territory code in the link to app.

By applying the second option, the author found out that Yandex Go could also potentially be not available in Lithuania, Ukraine and Azerbaijan at AppStore. No additional markets at Google Play, where Yandex Go could be absent, were identified during such analysis. Based on the list of markets, where Yandex Go is not available either

at AppStore or Google Play, the author retrieved the potential number of foreigners, arriving with tourism goal to Uzbekistan, without opportunity to use the app.

Figure 16. Number of foreigners from selected countries in Uzbekistan

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 76854 | 102498 | 29080 | 60355 | 34521 | 52015 |
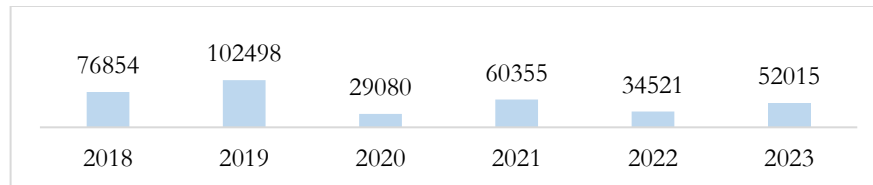
Source: Statistics Agency under the President of the Republic of Uzbekistan

The number of foreigners from selected countries with tourism goal in the country fluctuated during the period and reached 52015 tourists in 2023. Top countries by inflow from selected list included Azerbaijan, Ukraine, Iran, Bangladesh and Pakistan. While, the total number of foreigners was strongly higher. Compared to 2020, the tourist inflow grew 4.4x times and reached 6.63 million tourists in 2023. Top countries by tourist inflow into Uzbekistan with a share of 89.9% in 2023 included Tajikistan, Kyrgyzstan, Kazakhstan and Russia, or markets where Yandex Go has one of leading positions.

Figure 17. Number of foreigners with tourism goal in Uzbekistan, in thousands

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 5345 | 6746 | 1504 | 1881 | 5232 | 6626 |
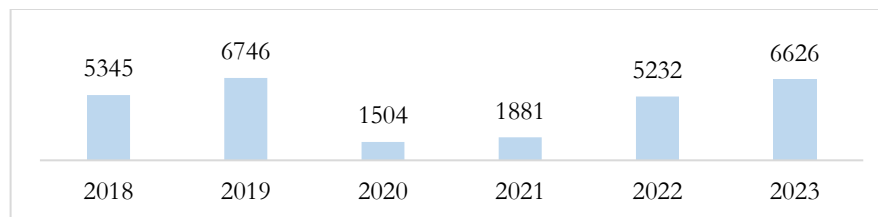
Source: Statistics Agency under the President of the Republic of Uzbekistan

Considering above, despite the tininess of market for foreigners from selected countries, existing market players could target this specific niche as Yandex Go currently has no opportunity to provide services to tourists from these countries. Furthermore, the number of stores where the app is not available could be indeed higher.

CHAPTER 6. CONCLUSIONS AND RECOMMENDATIONS

Based on conducted research and analysis, the author has come to following conclusions and recommendations.

Firstly, the ride-hailing market in Uzbekistan has moderate attractiveness. The growth prospects of the market indeed remain strong, however the current market standing of Yandex Go poses a significant challenge for existing market players. In the author's opinion, competitive rivalry in the market nowadays remains the crucial factor that impacts its attractiveness, aside other forces according to Porter's Five Forces model.

Also, Yandex Go has established itself as a leading player in the country's ride-hailing market, benefiting from extensive experience in the region, robust technological solutions, as well as strong brand recognition. By exercising its position as a monopolist on the market, Yandex Go has also become the preferred option for many consumers in ride-hailing as well as in other services it provides, such as rent of scooters and food delivery among others. In recent years, Yandex Go has managed to build extensive partnerships with a variety of fleets in Uzbekistan, which connect drivers to the platform.

The broad international presence of Yandex at different markets and significant financial resources in possession allow the company to utilize predatory pricing strategy, if necessary, which is widely used by ride-hailing companies worldwide to both defend as well as to increase the market share. As one of examples, in August 2024, Yandex launched its sub brand, Fasten, in Tashkent, positioning itself as a low-cost service with an average time to arrive up to 5 minutes, to compete with ride-hailing companies, which charge lower taxi fares than Yandex Go, among which Uklon.

At the same time, as the author demonstrates, other existing market players do not have comparable resources to engage into predatory pricing strategy in a long-run prospective. Implementing such a strategy to compete with Yandex Go would result in considerable financial losses for competitors with the following exit of the market. To compare, only in 2024, Yandex Go is assumed to invest into development of its services in Uzbekistan more than 33 million USD, one of its many markets. Meanwhile, Uklon,

the second largest player in the market, only generated approximately 23.3 million USD in revenue in 2023 from its activity in Ukraine, which remains its principal market of interest and where it remains present aside Uzbekistan.

Secondly, and in such a case, the author argues that existing market players should iteratively monitor and analyze the activity and performance of Yandex Go both in Uzbekistan and in international markets, as this remains extremely crucial for their present and future operations. Continuous overview of the rival would enable competitors to anticipate its actions and prepare accordingly. By tracking its performance and plans, businesses could gain additional insights and would be in position to adapt to them in due and short terms.

Given the respective approach, it is suggested that the process of monitoring Yandex Go and its activity could be even more important than overseeing its own performance. For this reason, the author decided to conduct SWOT analysis of Yandex Go to receive and retrieve necessary information about competitor, including both positive sides and pitfalls. Estimating and finding the latter was challenging, as the rival continuously works on improvements and tends to proactively block competitors' actions.

However, even such ride-hailing companies as Yandex Go have weaknesses and threats, that could be used by competitors in their favor. Following thorough analysis and overview of a variety of sources, the author identified a list of most critical issues in terms of strengths, weaknesses, opportunities and threats.

Thirdly, and given the results of SWOT analysis, the author decided to list specific marketing strategies that should be tested and utilized by existing market players in response to strategic weaknesses, threats and downsides of Yandex Go. It is important to note that the definition of marketing strategies should not be framed in a limited manner. According to classic definition, it is commonly referred to as the activity of organization directed at fulfilling and satisfying the needs of customers. On the other hand, in this study, the author overviews marketing strategies through the lens of activities, directed at competitor, specifically its weak sides and threats. More than that, this approach is strongly

relevant for purpose of this study, as Yandex Go holds a significant share of the market in Uzbekistan.

The list of proposed marketing strategies covers diverse actions, including those related to growth in B2B segment, reducing driver base of Yandex Go, focusing on attracting foreigners as target audience among others. In any event, it should not be considered exhaustive and could be extended upon additional analysis and overview of Yandex Go.

The author argues that in such two-sided markets as ride-hailing it is necessary to consider and evaluate the performance of competitors both through demand and supply sides. For this reason, initiatives are considered in such a manner that they include those directed at riders and drivers.

Turning to proposed marketing strategies, the author suggests that the above could provide existing market players with points of growth in those areas where Yandex Go lacks market advantage. It should be noted that to verify some hypotheses, additional research and analysis could be required, such as, for instance, on attraction of foreigners. In addition, despite that these strategies could be viewed as not bringing significant results, the author believes that still such actions, albeit minor, could serve as points of growth on the market.

Overall, the present study demonstrates that despite the dominance of Yandex Go on the market, closely and actively monitoring its activity remains vital for existing market players. Continuous competitor analysis allows to uncover strategic opportunities that companies should utilize to navigate challenges. As even such strong rivals as Yandex Go have their weaknesses and threats, companies should be ready to test and implement various marketing strategies to continue their activity, grow performance, and potentially increase market share in the future.

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