



2021: The rise of digital commerce in Latin America & the Caribbean

Tips to tackle the shifting digital economy

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Moving to digital commerce and payments



Prior to the onset of COVID-19, Latin America and the Caribbean were already making noticeable inroads in terms of introducing new digital business models and forms of commerce particularly **across verticals such as food and grocery, travel, insurance, etc.**

The momentum behind digital adoption has never been stronger than it is today, as Latin America and Caribbean countries strive to respond to the global pandemic. During the most part of 2020, economies in Latin America and the Caribbean have been in full or partial states of lockdown and millions of consumers resorted to digital channels (many for the first time ever) as a means of living their everyday lives.

Adoption of new or differentiated digital commerce models had been rarely embraced by the masses. “The pandemic will be bringing a **total digital buyer count to 191.7 million, or 38.4% of the region’s population ages 14 and older**”¹ What we had begun seeing was a younger, more digital savvy consumer use digital as a means to access goods and/or services anytime, anywhere. Yet, in parallel, **digital was excluding a bulk of the population in most markets** – not by design, but by default.

SOURCES:

1. Latin America eCommerce 2020. How COVID-19 Will Affect Growth and Sales in Argentina, Brazil and Mexico. <https://www.emarketer.com/content/latin-america-e-commerce-2020>

Emerging themes across mostly every industry for 2021



Establishing and/or expanding the digital footprint of businesses (selling, booking and servicing online)



Dramatic increase in the rate of migration from an analogue-based consumer lifestyle to one where digital services have a greater “share of life”



Doubling down on last-mile delivery solutions for end-customers as eCommerce continues to surge and retail begins a gradual transformation



Ever greater reliance on multi-functional platforms to get more done



Continuing interest in allocating capital to the digitalization of Latin America and the Caribbean (e.g., FinTech, Ag-Tech, eCommerce, etc.)



Our Visa Latin America and the Caribbean perspective paper provides insights to help you implement a digital commerce-powered business model to differentiate, enhance your customer experience and drive revenues.



Commerce-powered business models

Most, if not all, business models are powered by some form of commerce – an exchange of value between a buyer and seller. However, as smartphones become more accessible to mass markets and as more and more segments of the population are connected to the web, **we will gradually begin to see the acceleration of emerging digital business models across Latin America. Now, these models may look and feel somewhat seasonal, or trendy,** to the naked eye. However, we believe that **secular trends will influence the sustainability of many of these models, promising to usher a new wave of digital commerce across various sectors.**



Sector shifts driven by digitalization

Availability of faster connectivity, the rapid digitalization of many aspects of an individual's life, and the attractiveness of a relatively 'early stage' region (as it relates to digital penetration) are some of the key factors that are driving important changes across many industries in Latin America and the Caribbean.

New models that support creators of content, that make healthcare digitally accessible, and that leverage the power of social platforms are **driving important shifts across various industries and customer segments including insurance, real-estate, fitness, etc.**

Continued acceleration of certain FinTech verticals will also be seen, many of which have already gained significant traction in non-Latin American markets. In an environment where consumers can discover and consume digital goods and services directly from their mobile phone, the phone screen has, and will continue to be the most valuable real estate. For consumers, and for the companies vying for their attention and purchasing power.

Top disrupted segments where payments are core to the user experience



Insurance

Quickly migrating to a digital self-serve model where policyholders can enroll, pay premiums, submit claims, and receive reimbursements in real-time from their insurance carrier. No agents, no paperwork.



Real-estate

Facilitating the buying/selling of real estate online, facilitating digital rent agreements, recurring payments, and homeowner association management.



Fitness

Discovery and onboarding into virtual fitness experiences, enabling recurring payments, opting for installment payment plans for higher-priced sports equipment.



Healthcare

Finding the best provider, enabling a digital onboarding and secure payments experience, digital insurance coverage and claim reimbursement. Also, 'buy now, pay later' (BNPL) models for certain healthcare-related expenses such as elective surgeries.



Grocery and on-demand

Easily storing and accessing payment credentials for grocery delivery and on-demand services (e.g., restaurant delivery, handyman services, etc.). Additionally, embedding payment credentials into sharing-economy platforms (e.g., micro-mobility) to facilitate 'grab and go' models of commerce that create seamless payment experiences.



FinTech

Earned wage access (EWA), crypto, and wealth management platforms enable payment credentials to receive earned wages (instantly), facilitate the buying/selling of digital cryptocurrencies (via crypto wallets and exchanges), and serve as means to invest in foreign currency denominated assets (e.g., art, equities, etc.), additional financial holdings.



Creator-economy

The creator economy is perhaps one of the largest untapped opportunities in Latin America, and the world. Creators of content (e.g., graphic designers, writers, photographers, etc.), and goods, will spur the growth of platforms that allow them to distribute and monetize their content locally, regionally, and across the world. These platforms will have payments at their core, responsible for collecting and distributing creator revenues from all around the world – seamlessly, across multiple currencies, and in such a way that creators are incentivized to create more content.



Social commerce

Social networking platforms continue to achieve scale and engagement through primary (connecting with friends) and secondary (selling an item) platform features. These social networks, mainly through ephemeral videos or picture posts, have made product discovery a key reason for customer engagement, and retention. It's common, nowadays, to find everything from detox teas to makeup and men's belts on social platforms. Though, while sellers on these platforms have had to resort to offline payments methods (e.g., deposits into bank accounts), many of these social platforms are integrating 'native commerce' features whereby payments are automatically completed without leaving the platform. As a result, there's been an explosion of commerce occurring on traditional social network platforms as well as messaging apps. The convenience and speed at which these new commerce ecosystems operate will undoubtedly power a new wave of commerce – particularly aiding long-tail (individual) sellers.



Improving customer experiences for digital commerce

Experience will be key from every single customer touchpoint – discovery, payment, delivery, consumption, etc. While cash usage has slowed during the pandemic, in the following years we will continue seeing the prevalence of cash-to-digital offerings, new ways of obtaining consumer credit, an increased competitiveness of financial platforms vying for customer deposits and transactions, etc.

We will begin seeing traditional industries such as real-estate and automotive (mainly buying/selling of vehicles) make a further push into digital and we will certainly see the need, and reliance, on protecting personal information (payment credential, name, address, etc.) as there could be an increase in the rate of digital fraud.

Migrating towards cash-to-digital experiences



Paying for a **subscription-based streaming service** at a convenience store



Buying online in **real-time with click-and-collect, order-ahead or curbside-pickup**



Paying with **instantaneous methods available across channels and industries** including food delivery and ride sharing



Shopping and paying using **virtual assistants or services**



Purchasing with **wallets, wearables, biometrics or voice recognition**

Innovative technologies enabling emerging digital business models

Today, **the payments and commerce experiences that consumers demand require increasingly advanced, secure, and user-friendly technology.** For example, personalized digital shopping experiences (i.e., an automated stylist) and customer servicing greatly depend on platforms powered by artificial intelligence and machine learning.



Being able to open a bank account, from a computer or mobile phone, requires banks (and other financial services providers) to integrate new ways to identify and authenticate users. In fact, **some companies are using everything from selfies to voice recognition to authenticate its users and safeguard stored payment credentials.**

As it relates to using and safeguarding payment credentials in many of these digital experiences, token technology and push provisioning is key. For example, **companies in the eCommerce, on-demand delivery, and FinTech sectors are quickly embracing these technologies to provide safer and more convenient experiences.**



Token technology protects cardholder data (for example, credit card numbers) by replacing them with a 16-digit unique identifier (non-financial), in such a way that it becomes useless to fraudsters.



Push provisioning enables companies that store and manage payments credentials to seamlessly “push” those credentials into other platforms. For example, think of a user of a digital wallet easily and securely pushing his/her payment credentials instantly to a video streaming service. Customers gain the convenience, and companies can ensure that their payment credentials hold a prominent place (i.e., achieve top-of-wallet status) on other platforms.

Technologies gaining traction in Latin America and the Caribbean

-  Artificial intelligence
-  Machine learning
-  Chatbots
-  Blockchain
-  Tactile and facial recognition
-  Voice recognition
-  P2P payments
-  Tokenization
-  Contactless/NFC
-  IoT
-  Marketplace capabilities

Technologies are not arranged in any specific order.



5 tips to help create a commerce-powered business model



1. Build and optimize omni-channel

Businesses should establish infrastructure (payments, logistics/delivery, technology, etc.) that enable them to provide a rather uniform experience for their customers, whether in-store or online.

Today, companies are designing and implementing everything from **curbside pick-up, to order and pay ahead, to augmented reality-powered virtual fitting rooms**, etc. Over time, **customers will expect similar experiences regardless of the particular channel they engage through**. This is of ever-increasing importance moving forward.

Some U.S. retailers have successfully demonstrated what 'best-in-class' omni-channel strategies look like in practice, having the ability to seamlessly orchestrate, and pair, online and offline components of the customer journey. In fact, the adoption of a BOPIS (buy online, pay in store) model during the pandemic has proved to be a game changer for leading U.S. retailers who would have otherwise been crippled due to reduced store traffic. Many big-box retailers in the U.S. have re-wired their operations to ensure that BOPIS becomes a long-term (post-pandemic) option.



2. Digitize the "discovery to delivery" journey

At the core, this is the ability for companies to develop digital experiences throughout the entire customer journey. Specifically, this translates into **enabling customers to discover goods/services all the way through delivery and consumption**.

For example, does a customer have to physically go to a store to discover new furniture, or can this be done online? It's the end-to-end customer (or purchasing) journey via digital means. **The entire experience should be intuitive, seamless, and secure.**



3. Enable "magic moment" payment experiences

It is already known that **the payment experience is one of those 'make or break' moments** for consumers – whether swiping or inserting a card at the POS or filling out information on an online checkout page. As the use of virtual payment credentials and contactless payments grow in Latin America and the Caribbean, it will be key to deliver these payment experiences for customers, making their daily lives significantly easier.

The key objective of this new commerce experience is to make payments seamless, **enabled by securely storing and transferring digital payment credentials in an online or grab-and-go offline environment**. Again, it's drilling as deep as possible and making the payments experience seamless for riders, shoppers, or people ordering food.



4. Expand beyond borders

The world continues to reach unprecedented levels of connectivity (mainly through smartphones) which provides everyone access to doing business in a borderless world. Depending on the good or service, borderless commerce will be defined by being able to discover, buy, and consume goods that are sold in just about every location around the world.

For certain businesses, it's pivotal to future growth that they enable access to consumers from most any market. This is particularly the case for digital goods/services. In fact, it's never been easier for just about any company (or individual) to sell anything to anyone, anywhere. There are plenty of global platforms that enable companies to launch an online store and accept secure payments in as little as 30 minutes. Alternatively, companies can list their products and services on marketplace platforms with almost zero cost.



5. Drive customer experience

There has been tremendous focus on the theme of digital transformation. However, **amidst the rush to go digital many businesses may overlook the importance of the human element.**

Digital-born companies are layering experiences where customers can engage with human beings when needed, mainly from a servicing aspect. **Businesses need to leverage CRM tools, customer data, and digital interfaces to better tailor to the individual needs of their customers.** In a world where most everything can be managed through an app on your phone, the delivery of high Net Promoter Score (NPS) experiences are a key differentiator moving forward. In fact, for many digital companies it has become their competitive advantage, sometimes more so than the technology itself.

Increasingly, **the design of digital products and services is taking center stage** as companies aim accelerate the level of engagement their products have with consumers and businesses. Particularly, **human centered design (HCD) or design thinking as it is also known, has become fundamental to new product development.** As the name implies, HCD is anchored on a problem-solving framework that uses the elements of design and a customer empathy driven approach for idea generation and product design and development.

Tackling the shifting digital economy in 2021

Issuer



1. Reimagine the role

With shifting demographics evolving, consumer needs and digitally centered lives, banks should reimagine the role they play in people's lives. They should become an enabler to people's aspirations (i.e., enabling one to save to graduate school). This is particularly the case for digital and for rapidly growing generational segments such as Millennials and Gen Z's.

Banks should look at extending their reach to include things around personal financial management tools, financial education, segment-specific products/services, etc. This can all be done through technology, seamlessly integrated into existing online or mobile platforms. The key point here is for banks to rethink the role they play, or can play, in the lives of people and/or the businesses they serve.



2. Double down on technology

There needs to be greater investments into technology coupled with a tech company mindset. Technology budgets need to be the main investment center,

hiring should be focused on sourcing technology, product, and design professionals, and culture needs to adapt to support technology-driven operating models, processes, etc. Enabling customers to check their account balance or opening an account on a mobile app, for example, will simply not be enough.



3. Drive meaningful partnerships

Banks should look at identifying and executing partnerships that enable them to acquire new customers, distribute their products/services, and add value to their existing offerings. One of the most effective ways that banks can drive differentiated value is through partnerships, by cross-integrating capabilities with other companies under commercially viable agreements. By creating partnerships between industry incumbents (banks) and new players (FinTech startups), banks will be able to focus on what they do best. Many times, leveraging the partner's distribution or technology capabilities to address gaps that can improve time to market, return on investment, etc.

Tackling the shifting digital economy in 2021

Acquirers



1. Build/offer full-stack solutions

Beyond just payments acceptance, acquirers should look at full-stack solutions that merchants value most (fraud management tools, access to capital, loyalty platforms, etc.). Most acquirers currently provide undifferentiated services/capabilities, mainly competing on price, where merchant switching costs are quite low. As we move into a digital economy, there's a greater need for solutions that can digitally complement the core/basic service that an acquirer provides.



2. Reduce path to acceptance

Develop capabilities that make it easy for merchants to sign-up, to onboard, to set up, and to sell. The success of payment facilitators lies on their ability to get a merchant up and running quickly. In some cases, in a matter of minutes. Particularly, as the journey towards full digital enablement continues.



3. Service long-tail digital merchants

For the most part, traditional acquirers have focused on brick-and-mortar businesses which have represented the bulk of transaction/payment volumes. Do not forget about the GDP contribution of long-tail internet companies. Consider using new technologies available that are now economically viable vs. a regular POS terminal like: mPOS or tap to phone.



4. Enable B2B payments

Leverage commercial solutions catered for companies to improve the accounts payables processes and cash flow (domestically and internationally).

Tackling the shifting digital economy in 2021

Merchants



1. Digitize payments

Focus on acceptance of multiple forms of digital payments. This includes providing multiple ways to pay for goods/services, not just the traditional means (card, cash, etc.). For example, integrating BNPL (Buy Now, Pay Later) functionalities for high-ticket purchases.



2. Have an online presence

Regardless of merchant type/size, there is a need to finding a path towards having a small footprint in the digital world. This doesn't necessarily mean having a website and selling online. Rather, it means at least having an informational page, or appointment/reservation booking capabilities. Or, it can also mean leveraging existing platforms and distribution channels to seek customers immersed in online commerce. Again, it's about finding a path towards having a small footprint in the digital world.



3. Drive customer experience

Amidst the rush to go digital, do not forget to overlook at the importance of the human element. Be ready to provide experiences where customers can engage with human beings when and where needed. Leverage CRM tools, customer data, and digital interfaces to better tailor to the individual needs of your customers.

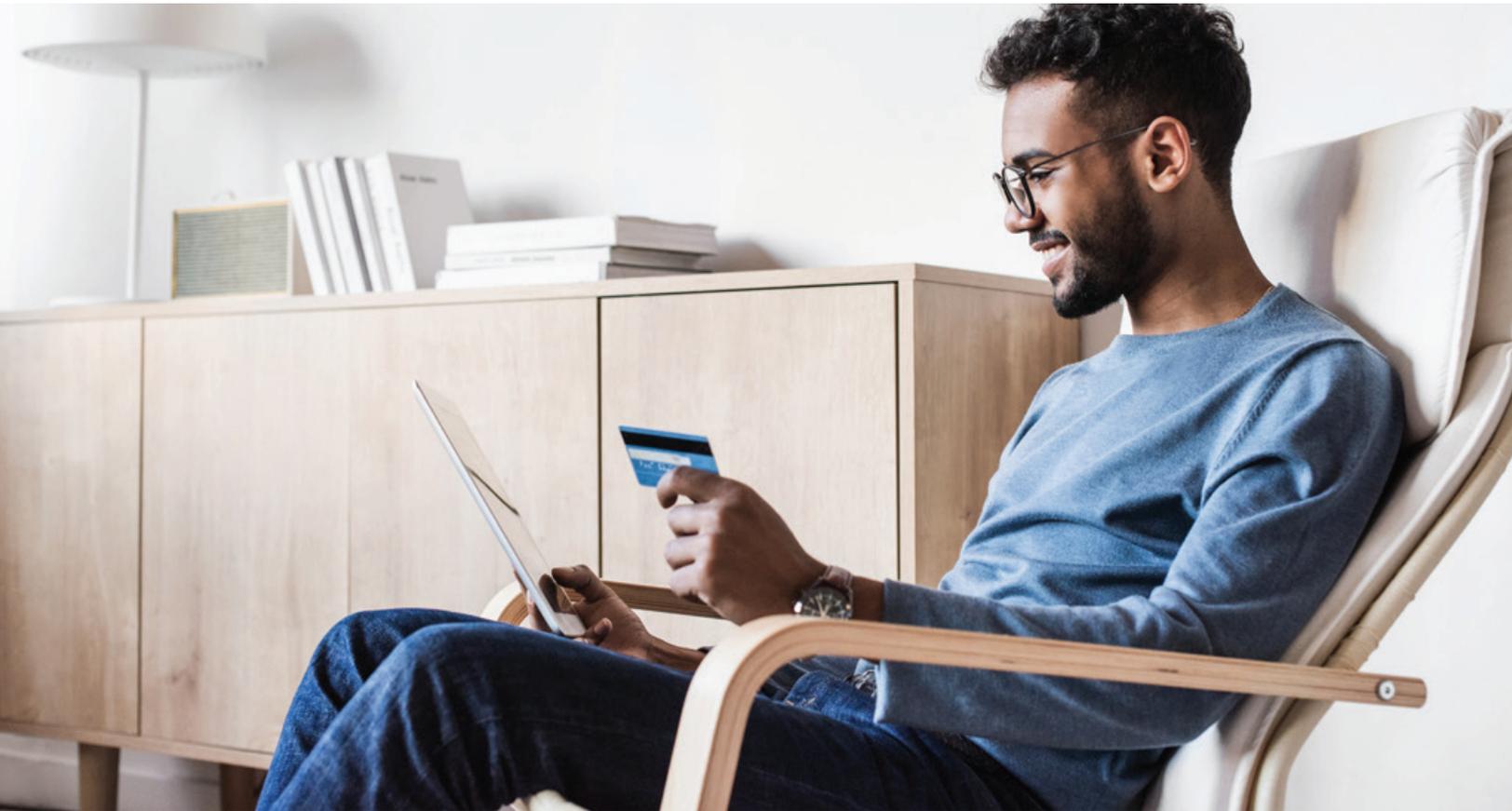


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Visa is here to help you

Contact your Visa account executive to learn how we can help you understand the consumer behavior shift, identify opportunities to maximize your portfolios with our Consulting services (analytics, managed services, credit lifecycle, digital roadmaps, etc.) and enhance your communication with clients with our Marketing services and toolkits.



This document was developed in conjunction with Arnoldo Reyes, Vice President of Digital Partnerships, Fintech & Ventures for Visa Latin America and the Caribbean.

About Visa

Visa Inc. (NYSE: V) is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network - enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of digital commerce on any device, for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce.

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