Emerging Trends and Opportunities in the Latin American Fintech Market 2018-2020

Research and analysis by Americas Market Intelligence
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AMI is Latin America’s leading Market Intelligence and Advisory group.

AMI’s founding partners are pioneers in the field of Market Intelligence in Latin America, with over 20 years experience in the region.

AMI has experience in every market in Latin America and the Caribbean.

AMI is a member of SCIP Strategic and Competitive Intelligence Professionals.
Payment industry thought leaders

AMI consultants speak at multiple payments industry events per year

Recent speaking engagements at payment industry events

Partner collaborations in speaking engagements
The surprising places we find fintech innovation
Low adoption of digital wallets despite investments by banks

Contactless mobile payments make up <1% of total credit card volume

1. Can't compete with cards and cash
2. Unimaginative products
3. Pushed by banks, not merchants
4. Offers no value-add
5. Poor customer experience

Digital wallet products in LatAm
Merchants as payment disruptors

Successful ‘fintech’ solutions are often low-tech. Online/offline hybrid solutions are winning.
### What is Rappi?
- Platform for on-demand goods and services
- Launched 2015
- Operating in Co, Mx, Br, Ar
- ~4,000 Rappitenderos in Bogota
- Total funding: $200 million

### Segments
It deals with:
- Restaurants
- Groceries
- Pharmacy
- Alcohol
- Cash
- Antojos
- Rappi Favor
### OXXO: Retailer innovating across payments

<table>
<thead>
<tr>
<th><strong>Tarjeta Saldazo: a low-tech solution that works</strong></th>
<th><strong>Femsa made investment in Mexican start-up Conekta to enable e-commerce</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-branded prepaid card</td>
<td>Real time cash payments for e-commerce</td>
</tr>
<tr>
<td>Issued at OXXO stores</td>
<td>Fraud-free</td>
</tr>
<tr>
<td>8 millions+ cards issued</td>
<td>The next digital wallet?</td>
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</table>

*Click to edit Master title style*
Amazon Cash: Creating a digital currency ecosystem

- A new model for cash-based e-commerce
- Enables cash top-ups at 6,000 convenience stores
- Prepaid account enabling access by the unbanked

- Digital wallet for Amazon digital products like streaming

- Mobile top-ups?
- Bill payments?
- Online gaming?
- P2P payments?

Amazon financial products
- Credit?
- Interest-bearing accounts?

Competition to banks?
Who will be the next payments disruptor?

Taxis becoming payments disruptors in South East Asia

- Prepaid wallet
- P2P credits for rides
- Retail payments

Wallets for drivers and passengers
- Payments for food delivery, massages, etc.

The next LatAm payments disruptors?

Who is leveraging these networks?
Beating cash is everyone’s priority
Despite billions in fintech investment, cash still reigns

### Debit card transactions,
trillions of Colombian pesos, August 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Debit card purchases</th>
<th>ATM withdrawals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit card purchases</td>
<td>3</td>
<td>16</td>
</tr>
</tbody>
</table>

### Debit POS spend/ATM withdrawals, Colombia, Q3 2017

<table>
<thead>
<tr>
<th>Bank</th>
<th>Debit POS spend/ATM withdrawals (%)</th>
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<tbody>
<tr>
<td>Falabella</td>
<td>63%</td>
</tr>
<tr>
<td>Caja Social</td>
<td>35%</td>
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<tr>
<td>Bancoomeva</td>
<td>35%</td>
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<tr>
<td>Citibank</td>
<td>34%</td>
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<tr>
<td>Itaú</td>
<td>28%</td>
</tr>
<tr>
<td>Banco Gnb Sudameris</td>
<td>20%</td>
</tr>
<tr>
<td>Bancolombia</td>
<td>20%</td>
</tr>
<tr>
<td>Davivienda</td>
<td>18%</td>
</tr>
<tr>
<td>BBVA</td>
<td>16%</td>
</tr>
<tr>
<td>Colpatria</td>
<td>16%</td>
</tr>
<tr>
<td>Occidente</td>
<td>14%</td>
</tr>
<tr>
<td>Bogota</td>
<td>13%</td>
</tr>
<tr>
<td>Banagrario</td>
<td>12%</td>
</tr>
<tr>
<td>Av Villas</td>
<td>11%</td>
</tr>
</tbody>
</table>

Sources: Superintendencia Financiera, AMI analysis
Apps are moving away from retail purchases and toward digital goods

Many payment apps and digital wallets set out to conquer cash in retail purchases

But, cash and cards, are too competitive. Mobile payments have no competitive advantage

Mobile top-ups and bill pay still remain the top payment app use cases (50%+)

For bank wallets, the top use case is the issuance of virtual debit cards for e-commerce

Payment methods that provide access win:

- Some wallets are becoming payment methods for digital goods/services
- Online gaming
- Ride share

Mass credit card issuing to first time cardholders
Cash replacement
What’s next at the POS?

Contactless card mandates from networks

January 2019

April 2019

Setting the stage for adoption of ‘tap and go’ and interoperable mobile payments

Competing with these networks is a risky venture

Opportunity still lies in merchants today do not accept cards

- Mom-and-pop
- Freelancers
- Public transportation
What does China tell us?

- Process 50% of China’s GDP
- Are displacing banks and card networks
- Easy for merchants to adopt
- Started as P2P platforms
- Closed-loop

But, would they succeed in Latin America?

- Much lower banked rates
- Need for a cash-in network
- Prevalence of WhatsApp
- No digital platform region-wide with same level of influence

What about P2P in LatAm?

- Extremely nascent
- Small volumes compared to mobile top-ups and bill pay
- Fairly effective P2P bank transfers
- Will become increasingly popular with digital natives
- Probably 5 years away from massive P2P volume
So...how to beat cash?

Access
Provide access to credit, to digital goods, to enhanced convenience

Product, not the payment
Consider what products consumers want to buy, not how they want to pay

Low tech solutions
Low-tech fixes are often easier to adopt and scale than high-tech ones

Card-on-file
Superior customer experience

Interoperability
Payments that can be made anywhere, by anyone
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