Kushki Insights:
New Economy

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Contents

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New Economy

In an increasingly interconnected and digital world, **Latin America is emerging as a region of innovation in digital payments.** The region has not only adapted quickly to global trends in technology, but has also forged its own path. Industries such as **delivery, fintech startups, retail, e-commerce, and mobility** are not only transforming the way we conduct financial transactions, they are also defining the **region's economic landscape** in an unprecedented way.
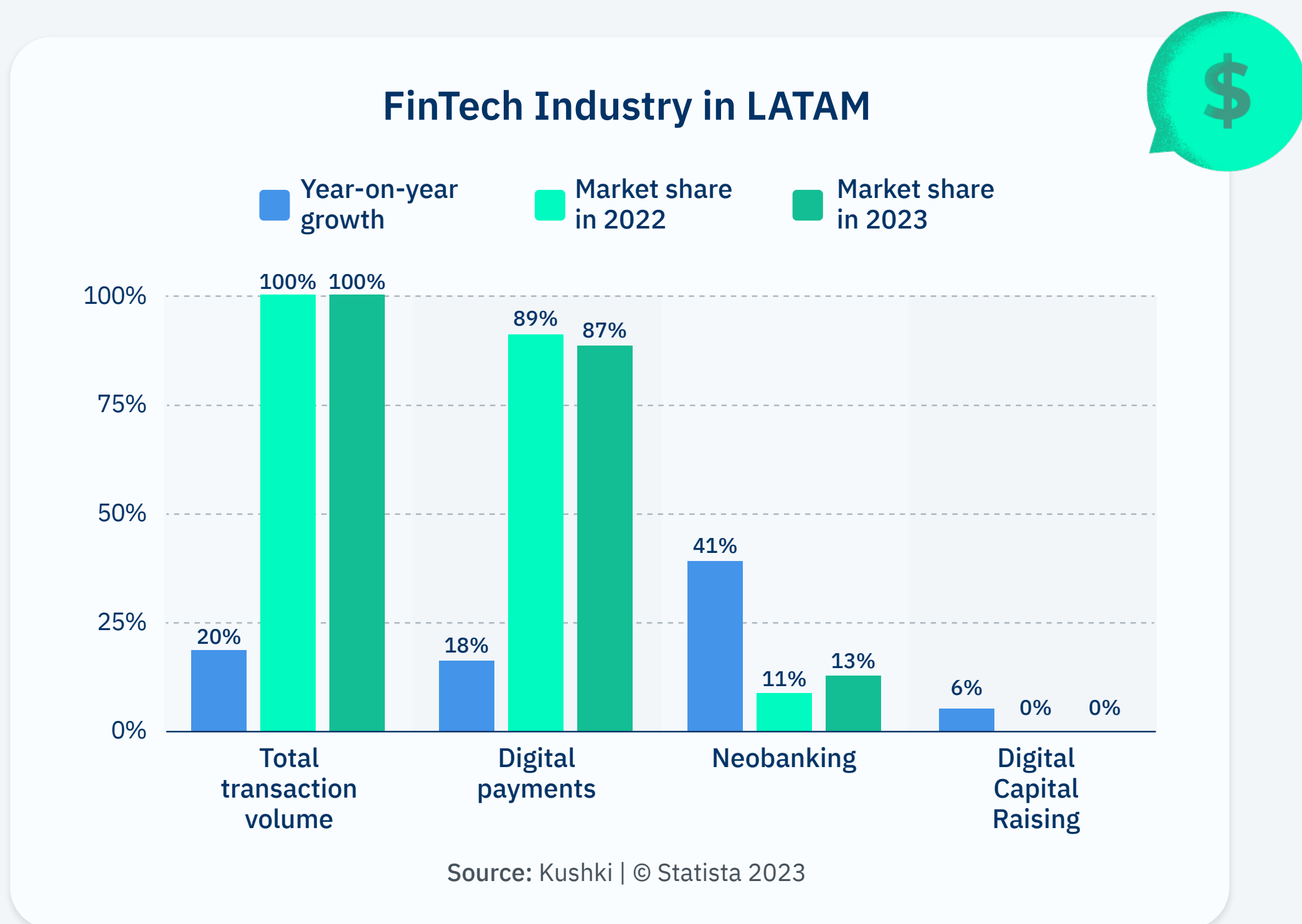
In this article, we will explore **how Latin America is becoming a beacon of opportunity in the world of digital payments,** and how these emerging - *and not-so-emerging* - economies are shaping a **more dynamic and accessible financial future for all.**

LATAM and the FinTech Industry

Currently, the FinTech industry is considered a fast-developing vertical in LATAM, with a **20% year-on-year growth rate in 2023** and a high **transaction volume** of more than **US$344 billion in total.** Growth is driven primarily by the large **Mexican market.**

In this study, we break down the FinTech industry into 3 branches: **digital payments, digital capital raising, and neo banking.**

FinTech Industry in LATAM

- Year-on-year growth
- Market share in 2022
- Market share in 2023

	Year-on-year growth	Market share in 2022	Market share in 2023
Total transaction volume	20%	100%	100%
Digital payments	18%	89%	87%
Neobanking	41%	11%	13%
Digital Capital Raising	6%	0%	0%

Source: Kushki | © Statista 2023

Within **digital payments,** most transactions are related to **online purchases,** accounting for **87% of the volume.** The second largest share of transaction volume corresponds to mobile **POS payments,** i.e. payments processed with a **mobile device at a payment terminal.**

By the end of 2023, the digital capital **raising segment is expected to report US$333 million,** thereby achieving **year-on-year growth of 6%.**

Meanwhile, the FinTech branch of **neo banking** shows **the highest growth rates,** rising from **US$30.712 billion in 2022,** to **US$43.333 billion** in **2023,** showing solid **year-on-year growth of 41%.**

Mexico and the Fintech Industry

Although **Brazil continues to dominate the FinTech domain** across LATAM, Mexico is following closely behind by maintaining a thriving environment favorable for growth in the industry, such as by **creating regulatory frameworks to oversee and promote innovation in the sector.**

For 2023, **19% YoY growth** is expected in the FinTech industry, with the **Digital Payments** sector being the one that has had and will have the highest transactional volume by far, with expected volume this year of **US$90 billion,** while the **Neo Banking** sector is the one showing the most strength, with a **YoY that exceeds 40%.**

Chile and the Fintech Industry

The total revenue of the FinTech industry in Chile in **2023** is estimated to reach **US$18.345 billion,** showing a **YoY of 19%,** and a staggering **91% Share of Market.**

When it comes to **sub-segments,** in Chile, as in other major LATAM countries, **neo banking** is gaining incredible momentum. It is estimated that by **2023,** its **YoY** will be **44%,** with a **Share of Market of 9%.**

Colombia and the FinTech Industry

Today, it is estimated that there are around **369 FinTech companies in Colombia.** With a **YoY of 13% for 2023** and revenue exceeding **US$15 billion,** Colombia is positioned as a prosperous country for the creation of new FinTech companies.

Among the sub-segments of the FinTech industry, **Digital Payments** leads **2023** in terms of revenue, with **US$14.650 billion;** but, as in neighboring countries, **Neo Banking (US$605 M)** leads year-on-year growth with **56%,** the highest figure among the countries mentioned in this study.
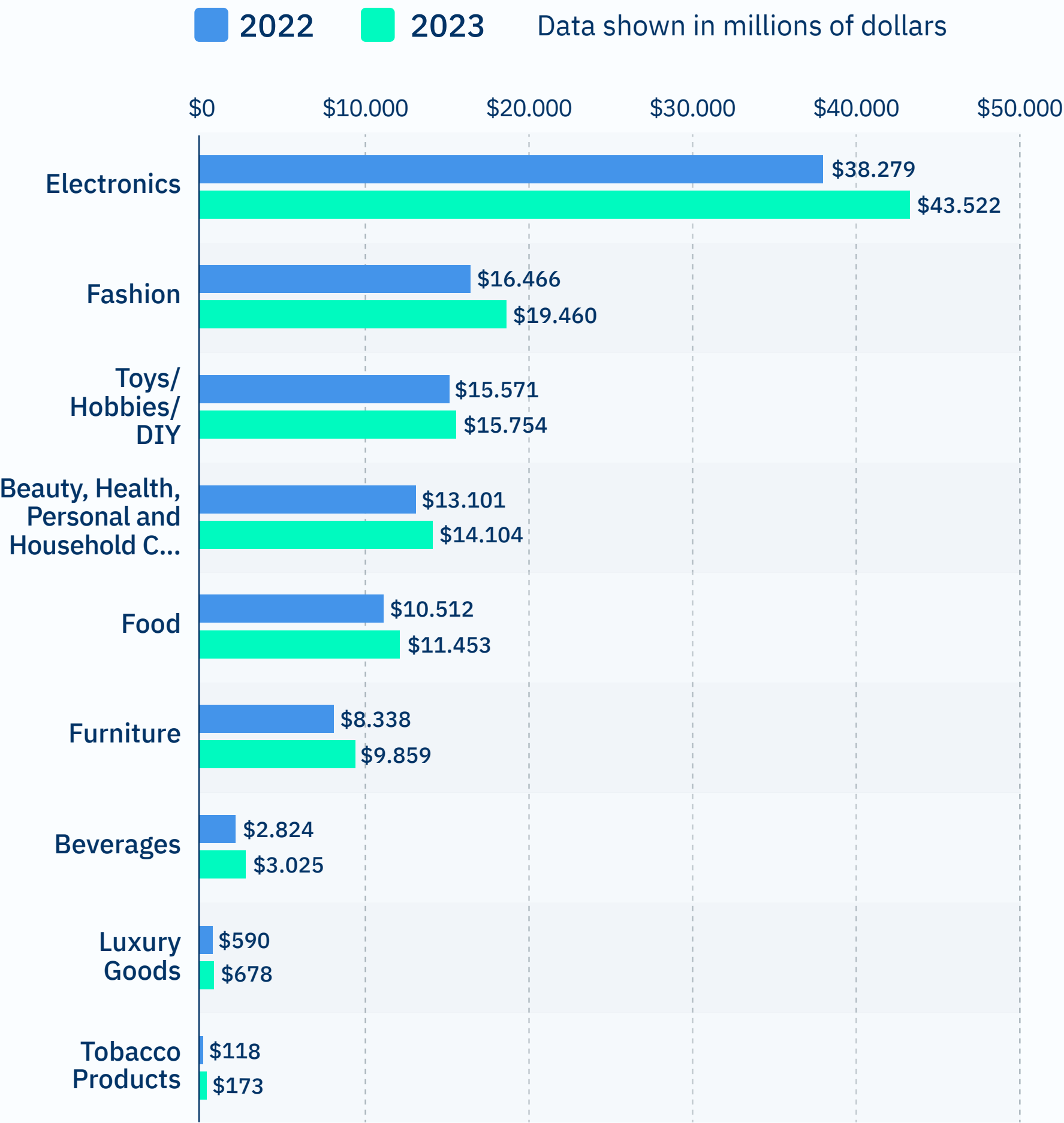
LATAM and the Retail Industry

The Retail industry is **the largest vertical in LATAM,** with **US$1.291 billion in revenue in 2022.** Revenue is expected to grow **7% year-on-year,** making it the slowest-growing vertical. E-commerce sales account for **9% of the total Retail sector in 2023,** with the highest share of e-commerce sales *(Share of Market)* in the **Electronics, Home Furnishings, and Beauty/Health/Home and Personal Care categories with 32%, 25%, and 19% respectively.**

In **digital sales,** the sector with the highest revenue was *Electronics* with expected revenue of over **US$43 billion in 2023.** This marks a clear trend in the way Latin Americans shop digitally and physically.

Digital revenue by Retail category in LATAM

■ 2022 ■ 2023   Data shown in millions of dollars

Category	2022	2023
Electronics	$38.279	$43.522
Fashion	$16.466	$19.460
Toys/Hobbies/DIY	$15.571	$15.754
Beauty, Health, Personal and Household C...	$13.101	$14.104
Food	$10.512	$11.453
Furniture	$8.338	$9.859
Beverages	$2.824	$3.025
Luxury Goods	$590	$678
Tobacco Products	$118	$173

Source: Kushki | © Statista 2023

Overall, the share of **e-commerce** in the Retail sector **is growing at a faster rate than that of traditional retail,** at **12% year-on-year in 2023,** indicating the continuing shift toward online shopping.

Brazil and Mexico are expected to **maintain the lead** in this sector in the coming years, while Peru follows closely behind Chile and Colombia.
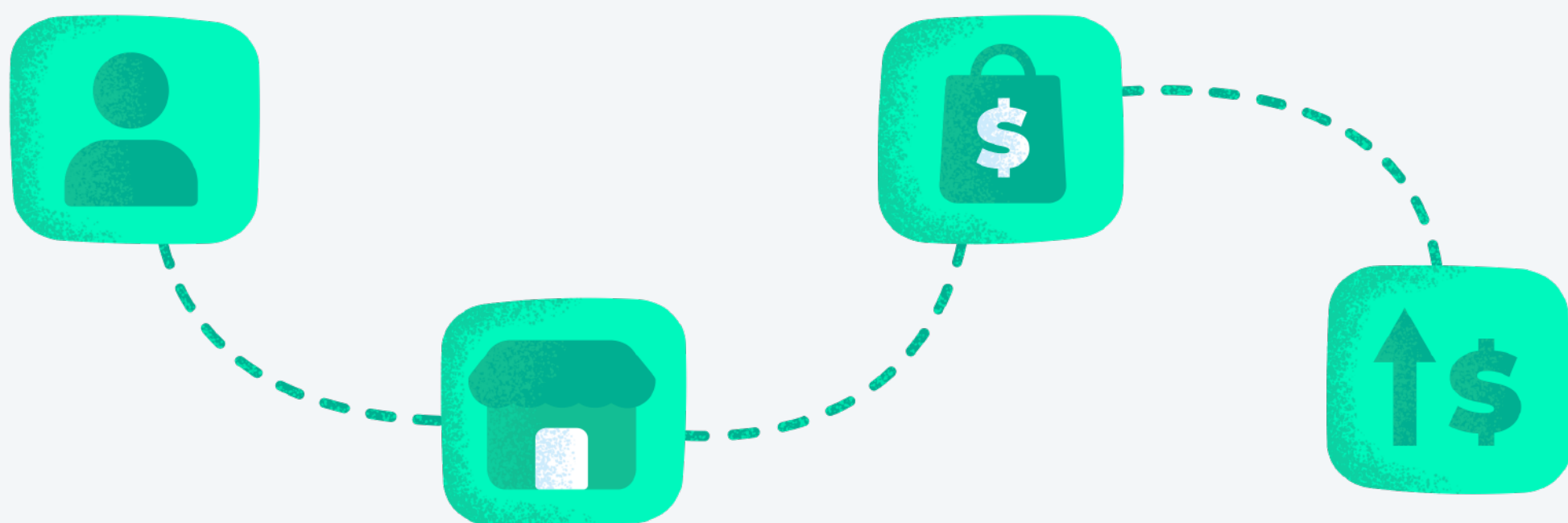
Mexico and the Retail Industry

In **2022,** this industry generated an impressive **US$399.98 billion** in revenue, highlighting its importance and pivotal role in the country's economy. By **2023,** revenue is expected to reach **US$424.068 billion** with **YoY of 6%.**

As for the **digital revenue of this industry,** it generated **US$32.887 billion,** and this figure is expected to reach **US$36.820 billion in 2023,** with an impressive increase in **YoY of 12%** and a **solid 9%** of **Share of Market.** The most used means of payment at **point-of-sale** in Mexico are **cash and debit card.**

In the overall picture, the strongest Retail industry sub-segments in Mexico are **Food,** followed by **Beverages** and **Electronics,** with **YoYs of 6%, 7%, and 3% respectively.**

In the thriving **digital earnings** scenario in the various sub-segments of the Retail industry in Mexico, an impressive lead in the **Electronics sector** stands out **with** revenue of **US$12.41 billion,** showing **YoY** growth of **14%.**

Chile and the Retail Industry

Increased **access to digital technologies, and the diversification of product and service offerings** have contributed to the expansion of this industry, which is growing at a year-on-year rate of **7%** for **total revenue,** and at **8%** for **digital revenue,** in addition to a Share of Market of 9%.

The Andean country registered **US$15 billion** in the e-commerce sector in **2022,** and by **2026** it is expected to reach an eye-watering **US$41 billion.**

Unlike the traditional channel, the sub-segments with the **highest revenue in digital channels** are *Electronics,* with US$3.115 billion in 2022, followed *by Toys/Hobbies/DIY and Fashion.* The subsegments with the highest **year-on-year digital growth** are: *Tobacco products,* **46%** *Food* **23%** *and Luxury goods* **21%.**

Colombia and the Retail Industry

Total revenue generated by the Retail industry in Colombia reached an impressive **US$101.876 billion** during **2022;** and by **2023,** it is projected to reach **US$108.822 billion,** showing a **solid 7% increase.** In **digitally-generated sales,** the figure for 2023 is US$8.743 billion, with a **YoY of 5%.** Most notably, **e-commerce** in Colombia registered **$12 billion USD by 2022,** and is expected to reach **$19 billion USD by 2026.**

In the Digital Retail categories, the one with the highest revenue in Colombia is *Electronics,* with **US$3.722 billion;** followed by *Fashion* with **US$1.991 billion;** and *Toys/Hobbies/DIY* with **US$1.520 billion.**

In Colombia, **electronic bank transfers** are the preferred method of payment for e-commerce users, at **40%,** followed **by debit cards at 36%.**
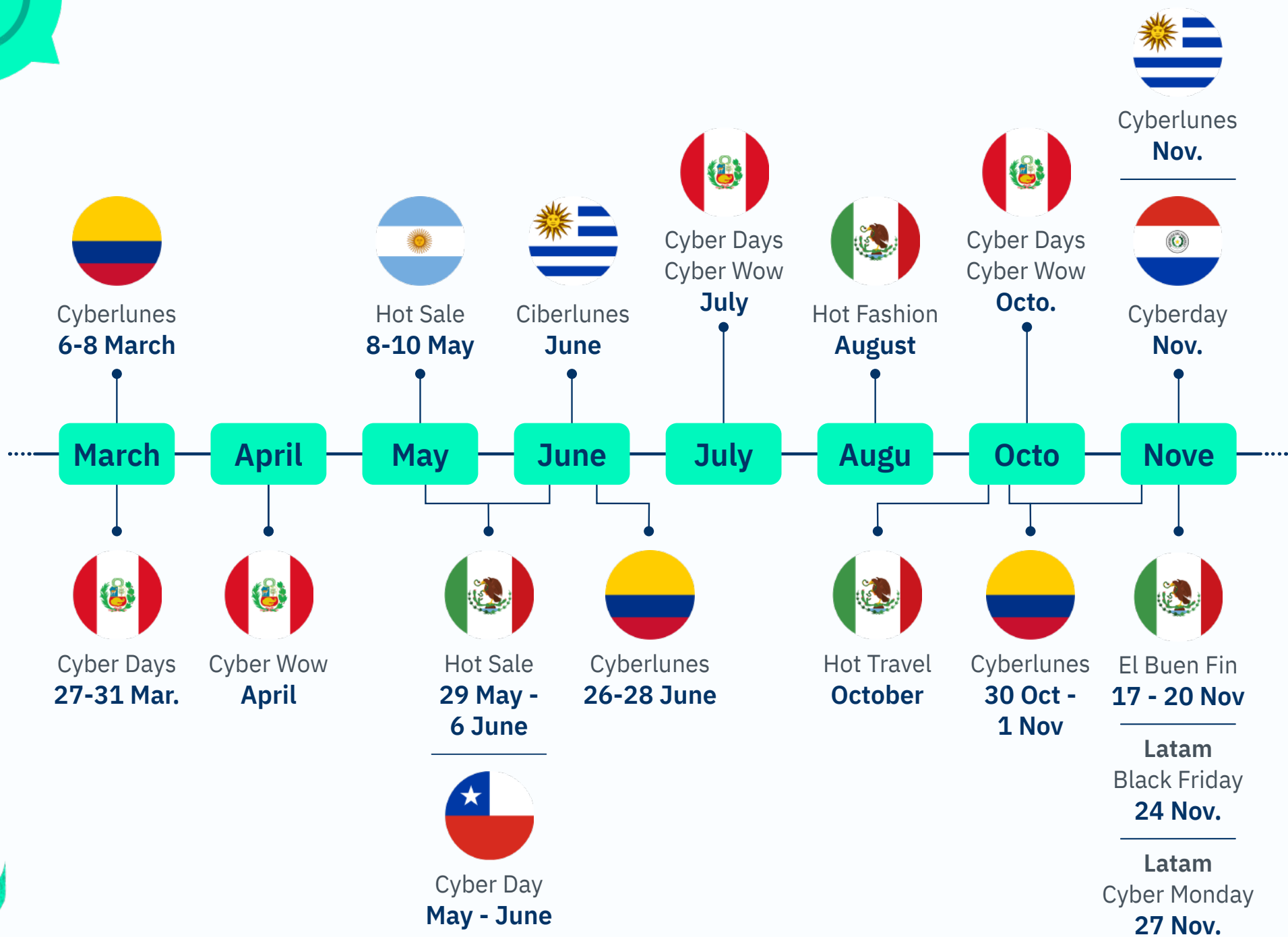
LATAM and E-commerce

E-commerce includes **any product or service that is sold digitally, either on a website, platform, or app.** The number of users in this category in LATAM and the Caribbean is expected to **reach 337 million in 2023** and exceed **388 million by 2027.**

To promote this type of sales in Latin America, as in other countries around the world, **various events** have been created **to promote e-commerce** with special discounts ranging from low prices, special promotions, interest-free monthly payments, etc. For any retailer or wholesaler, this is the ideal opportunity to increase sales in digital channels.

The e-commerce calendar in Latin America

Major e-commerce events in selected
Latin American markets in 2023

Cyberlunes
Nov.

Cyber Days
Cyber Wow
July

Cyber Days
Cyber Wow
Octo.

Cyberday
Nov.

Cyberlunes
6-8 March

Hot Sale
8-10 May

Ciberlunes
June

Hot Fashion
August

March	April	May	June	July	Augu	Octo	Nove

Cyber Days
27-31 Mar.

Cyber Wow
April

Hot Sale
29 May - 6 June

Cyberlunes
26-28 June

Hot Travel
October

Cyberlunes
30 Oct - 1 Nov

El Buen Fin
17 - 20 Nov

Latam
Black Friday
24 Nov.

Latam
Cyber Monday
27 Nov.

Cyber Day
May - June

Source: Kushki | © Statista 2023

Mexico and E-commerce

Mexico is one of the main e-commerce markets in Latin America. In **2023,** it was estimated that **more than 54% of the Mexican population would purchase goods or services online.** Three years earlier, in 2020, the figure **barely exceeded 40%.** This upward trend is expected to continue in the coming years, with a penetration rate close to **60% in 2025.**

In **2023,** Mexico's e-commerce revenue is expected to reach **US$37.35 billion, while by 2027,** revenue is projected to reach **US$60.84 BILLION.**

By number of visits, the top two **e-commerce** sites in Mexico are **Mercado Libre and Amazon,** with **1.3 billion and 700 million visits in 2021,** respectively. In the specific case of Mercado Libre, revenue generated during the same year exceeded **1.1 billion USD.**

Chile and E-commerce

In 2022, **Chile ranked fifth in Latin America in terms of e-commerce market share.** Although physical stores have returned to normal operations, e-commerce is expected to remain a fundamental part of the shopping experience for Chileans. Forecasts suggest that **digital sales will increase by 25% in 2023,** reaching an all-time high of around **US$15.7 billion.**

Both traditional retailers and digital natives have intensified their online operations. In 2022, **Mercado Libre** announced a **US$400 million** logistics investment plan for **Chile in 2022 and 2023.** The measure is part of the company's strategy to achieve delivery times of less than 48 hours, regardless of the region of the country. Far from being left behind, large department store chains, such as **Falabella and Ripley,** have also fully entered the digital transformation.

The **number of users in the Chilean e-commerce market** is expected to increase steadily between 2023 and 2027 by a total of **0.6 million users (+4.59%).**

Colombia and E-commerce

In **2022,** the number of e-commerce users in Colombia stood at over 26 million, and the figure is expected to increase to over **28 million by 2026.**

The percentage of users who shopped online weekly **exceeded 50% in 2022.** During the same year, Colombia ranked as the **third largest online commerce market in Latin America** and the sector is expected to grow by **60%** between **2022 and 2027.**

E-commerce continues to boom more than ever. Free **shipping and simplicity** when performing transactions are **two important factors** in the success of online commerce in Colombia.
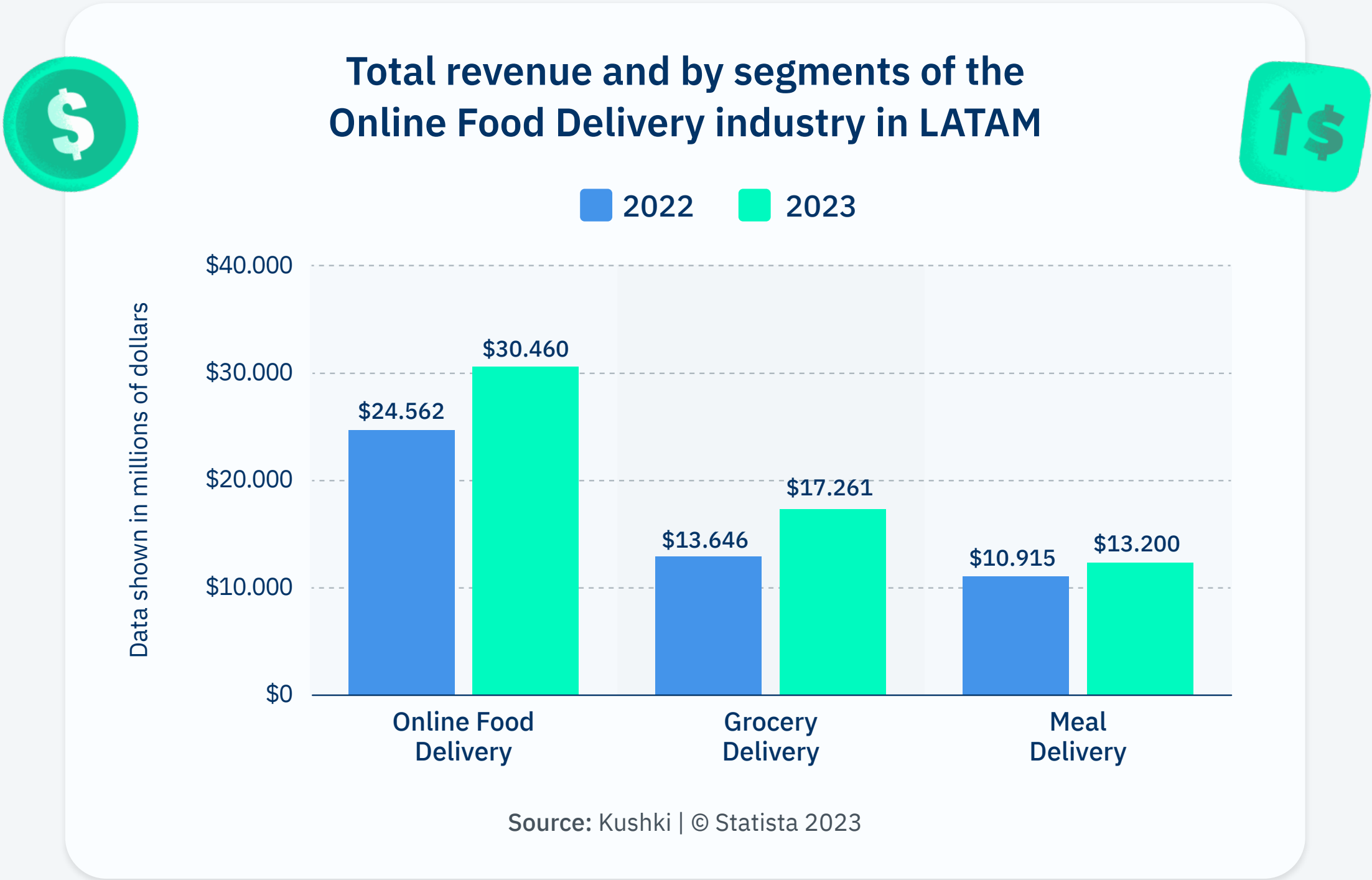
LATAM and the Delivery Industry

The online food delivery industry encompasses **grocery deliveries and meal deliveries.** These orders are usually made on an application or website, and delivery times vary.

This entire industry shows revenue of more than **US$24.5 billion** in **LATAM** in **2022.** However, this industry is advancing at an accelerated pace, reaching **24 % YoY growth in 2023 with revenue of US$30.46 billion.**

The *Meal Delivery* sub-segment in LATAM recorded revenue of **US$10.915 billion in 2022,** and is projected to **grow 21%** in **2023** to **US$13.2 billion.** Furthermore, the *Grocery Delivery* sub-segment is increasingly prominent and is **growing above the vertical growth rate,** with especially high revenue in **Mexico and Peru.**

Total revenue and by segments of the Online Food Delivery industry in LATAM

■ 2022 ■ 2023

Data shown in millions of dollars

	Online Food Delivery	Grocery Delivery	Meal Delivery
2022	$24.562	$13.646	$10.915
2023	$30.460	$17.261	$13.200

Source: Kushki | © Statista 2023

In Latin America, **Rappi** is the leading food delivery app, competing closely with **iFood and DiDi.**

Mexico and the Delivery Industry

With **US$7.175 billion** in total revenue in the Digital Food Ordering industry in 2023, Mexico is positioned as **the country in this study with the highest total revenue in the industry,** and this service is also the most used among those that can be booked online.

En el segmento de **Entrega de Comestibles (Grocery Delivery),** In the *Grocery Delivery segment,* Mexico once again tops the ranking with **US$4.724 billion** in revenue in **2023.** In terms of revenue in the *Meal Delivery segment,* revenue is estimated to reach **US$2.451 billion,** with a **YoY of 14%.**

Chile and the Delivery Industry

In Chile, the **Digital Food Ordering** industry has stood out, with total revenue at **US$1.037 billion in 2022,** and even more promising projections for **2023,** reaching **US$1.210 billion.**

With a **YoY** increase of **17%,** we can see a reflection of the steadily **growing demand** and how this industry has already taken root in the daily lives of Chileans.

Colombia and the Delivery Industry

The **Digital Food Ordering** industry in Colombia recorded **15%** growth between **2022 and 2023,** expecting revenue of **US$1.039B** for this year.

Among the sub-segments of this industry, the one reporting the most revenue is **prepared food,** with over **US$500 M,** a **YoY of 14%** and a **Share of Market of 46%.**

In March 2021, the most popular platform for buying groceries in Colombia was **Rappi,** with **60.3%;** followed by **Éxito** with **32.9%.**

LATAM and the Shared Mobility Industry

The complete **Shared Mobility** market includes flights, ride-hailing services, taxis, long-distance bus travel, and train tickets that are booked **online and offline,** as well as car rentals, car services, bicycles, e-scooters, and shared motorcycles, in addition to public transport. Chauffeur, carpool, and ferry services **are not included** in this study.

Shared Mobility represents a highly profitable industry in LATAM, with revenue of **US$66.2 billion in 2022.** It is expected to grow by **18% year-on-year in 2023,** driven by the **Chilean and Peruvian markets.**

Digitally, Shared Mobility is expected to generate more than **US$43 billion** this year, with **21% growth on 2022.**

In this study, we will divide Shared Mobility into 2 segments:

- ◆ **Shared vehicles:** buses, trains, flights, and public transport.
- ◆ **Ridesharing:** cabs, car rentals, private transportation, bicycles, scooters, and motorcycles.

As for bookings, in both segments the majority are made through **digital channels (54% in 2022),** with an upward trend in all countries.

The most booked **shared vehicle** services are **cab rides,** followed by car rentals. In **2022,** about **52% of the population used shared vehicles,** while **29% used ridesharing.**

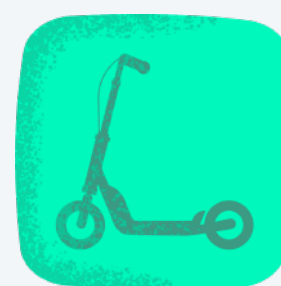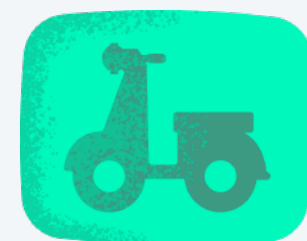# Mexico and the Shared Mobility Industry

The Shared Mobility industry in Mexico **is one of the largest and strongest** compared to other Latin American countries. **Mexico quadruples the total industry revenue** figures of countries such as *Chile, and Colombia.*

With year-on-year growth at **16%,** the country is expected to report approximately **US$20.629 billion** in **total revenue in 2023,** showing **growth** of **16%.** Meanwhile, **digital revenue** is expected to reach **US$10.818 billion with YoY of 20%.**

The percentage of car sharing users is higher in Mexico **(62% of the population).** And the most widely used online ridesharing platforms are **Uber and DiDi.**

Chile and the Shared Mobility Industry

In the Shared Mobility industry, Chile shows the highest year-on-year growth in the study, with 25% on the *total revenue* side and 28% in *digital revenue.* Meanwhile, the **Share of Market** for *digital revenue* is **61%** in 2023.

As for the comparison between **total and digital revenue,** we again observe a clear and high trend for digital purchases in the Chilean market, **exceeding more than half of total revenue in 2023.**

In the Shared Mobility sub-segments, Chile has the highest **YoY** rate compared to the other countries in the study, at **24%** in *Shared Vehicles* y **26%** in *ridesharing.*

Colombia and the Shared Mobility Industry

In 2022, Colombia recorded revenue of **US$4.317 billion** in the **Shared Mobility industry,** and is expected to record **US$5.014 billion** in revenue by the end of this year, with growth of **16%.**

The **car-sharing** sub-segment is expected to grow by **14%,** while the **ridesharing** category is expected to grow by **22%.**

In Colombia, the most popular **digital travel platform is inDriver,** with **55%,** followed by **DiDi Rider** with **31%.**

How can Kushki Boost the New Economy Industries?

At Kushki we have **years of experience** helping FinTech companies, e-commerce, mobility and delivery platforms to get paid. Some of the **benefits of using Kushki are:**

◆ We operate under the **non-bank regional acquirer model** to facilitate and optimize **the end-to-end collection flow.**

◆ Improved shopping experience to **increase payment acceptance rate.**

◆ PayOuts to **easily disperse funds** to multiple recipients in seconds.

◆ Multiple payment methods **with benefits per country.**

◆ High technology to **process payments without technical glitches** and bureaucracy, as well as **dispute resolution and chargeback handling.**

◆ High availability **and connection at all times.**

◆ **Digital and card-present payment solutions** (TP only in Mexico).

◆ Seguridad en la operación:
  - •**Fraud detection** system.
  - •**PCI** compliance.
  - •**Protection** of sensitive customer **data.**
  - •**Regulatory compliance** in each country.

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