NEW ZEALAND

RETAIL TECH IN LATIN AMERICA

Sector Overview

NZTE LATAM | OCTOBER 2022

Introduction

Background

One of the main collateral effects of the COVID-19 pandemic has been the new paradigm of consumption, which is not only explained by the significant changes in consumer purchasing behaviour but also by the new business models and growth strategies that began to transform the value chain of the retail sector. In this context, retail in Latin America has undergone a significant transformation in recent years with a massive shift to digital, which triggered a race by retailers for tech innovations that support their operations and the inescapable omnichannel approach.

Methodology

As primary sources, NZTE interviewed three professionals from the retail sector. Secondary market research sources are based on subscription databases and publicly available information. The main for this report sources are:

- Euromonitor;
- IGD Retail Analysis;
- CB Insights;
- Crunchbase.

Purpose

This report aims to present the state of Retail Tech in Latin America – with focus on Brazil, Chile, and Mexico. First, the report presents the competitive environment of traditional retail segmented by channels. To understand the innovation ecosystem, the report presents the venture capital trends in the region and the leading startups providing solutions for the retail sector. Finally, to assess general industry trends and identify opportunities, the report presents insights gained from interviews with industry professionals.

Limitations

The following limitations should be considered when reading this report:

- The findings are limited by the data that was available using online sources;
- The latest information available at the time of research was used; however, present values may differ;
- Some comparisons may be limited as the research uses different sources.

Key Takeaways

Latam is a large and diverse region

Latin America is one of the most populous regions in the world, with approximately 650 million people representing a considerable consumer market with a robust middle class. In addition, the region is young and increasingly digitally connected. It is no wonder that it is one of the regions where e-commerce sales register the highest growth rates in the world. Its diversity is often not captured by aggregate indicators. Although the region is often associated with economic instability, Latin America also has a large contingent of high-income individuals eager for luxury products and services.

The rise of Latam’s innovation ecosystem

The innovation ecosystem in Latin America is undergoing a massive transformation. The region's Entrepreneurs demonstrate world-class vision, business skills, and grit. They are transforming people's lives for the better through innovative solutions, generating jobs at scale, and delivering massive value to their shareholders.

Venture capital flows to the region hit new records every year. In fact, in 2021, Latin America was the region that saw the biggest increase in startup funding in the world. The region's tech startups are collectively valued at US$221 billion, and several unicorns are spread across different countries.

The Retail Tech industry is no different. The huge consumer market naturally promotes innovation in this space, as has been happening with Quick Commerce. Latin America is one of the pioneers in the segment producing cutting-edge solutions and attracting the attention of major global players.

Digital transition full of opportunities

The changes in consumer behavior triggered by the COVID-19 pandemic still put considerable pressure on retailers. After two years, retailers are still adjusting their operations to the new shopping patterns. The main change, unarguably, was the sudden and significant shift in the volume of purchases to e-commerce. Retailers still need technology solutions to help them navigate this new landscape. Technologies focused on logistics operations, and inventory management are the most sought-after today.

Many retailers are still considering how to repurpose their brick-and-mortar stores. Many are turning these spaces into mixed-purposed stores, combining micro fulfillment centers with selling space. At the same time, accommodating new consumer demands for a more flexible shopping experience that includes alternatives such as ordering online and picking up in-store, buying in-store and delivering at home, delivery lockers, and contactless payment also pose major challenges to be addressed.

Key Takeaways

Brazil

With 212.6 million people, Brazil is the largest economy in Latin America and represents 54% of the region's digital market. The country is the regional headquarters for many multinational companies such as Netflix, Airbnb, and Amazon. It is also one of the hubs of the SoftBank and the birthplace of venture capital firms like Kaszek, one of the most prestigious in the region.

The country has a competitive retail sector with many foreign and local corporations. Recently there have been consolidation movements with the French groups Carrefour and Casino concluding relevant acquisitions.

Brazil has a thriving innovation ecosystem and is among the top 7 destination for NZTE tech customers. The country is home to no less than 16 of the region's 31 unicorn startups. Due to its large consumer market, startups in the country are already born with great potential to scale their businesses. The main innovation sectors are fintech, e-commerce, and proptech.

Chile

Chile is home to 19.7 million people. Much of the country's consumer market is concentrated in the capital Santiago, where approximately 40% of the Chilean population lives. The country has a solid track record of economic stability and the second-highest GDP per capita in the entire region. Chile is often considered the beachhead for many companies seeking to enter the Latin American market. Chile is a member of the OECD and has a free trade agreement (P4) and a digital trade agreement (DEPA) with New Zealand and is among the top 10 destinations for NZTE tech customers.

Despite being small compared to other regional markets, Chile has a highly sophisticated retail sector and is home to major retailers with regional presence such as Cencosud and Falabella.

The awakening of the country's innovation ecosystem is relatively recent, and startups face challenges such as having to think about internationalization from a very early stage. Still, success stories are already emerging in the country, such as Cornershop's acquisition by Uber in 2019.

Mexico

With around 128.9 million people, Mexico is the second-largest economy in Latin America. The country is also a member of the OECD and has a free trade agreement with New Zealand (CPTPP). Mexico is among the top 6 destinations for NZTE tech customers.

Due to its proximity to the United States, Mexican retail has a significant influence from its neighbor. The leading American retailers, such as Walmart, The Home Depot, and Walgreens, are also present in Mexico. Sales in traditional channels are still quite relevant in the country, and some retailers are betting on their great capillarity throughout the national territory as a success factor.

The innovation ecosystem in Mexico is going through a prosperous period, with several startups reaching unicorn status in recent years. The country is home to 8 of the region's 31 unicorns. Financial inclusion is one of the main problems these innovations have tried to address. As a result, roughly 30% of Mexican startups operate in the fintech segment.

Contents

SECTION 1

LATIN AMERICA OVERVIEW

Latin America snapshot

Gross Domestic Product – Latin America
(2021, USD current prices)

Latin America
Population: **651.8 million**
GDP (USD, 2021): **$5,012 billion**
GDP Growth (2022): **2.5%**
GDP Per Capita (USD, 2021): **$7,819**
Unemployment (2022): **10.5%**
Inflation (12 month % change): **10.0%**

Brazil
Population: **212.6 million**
GDP (USD, 2021): **$1,608 billion**
GDP Growth (2022): **1.7%**
GDP Per Capita (USD, 2021): **$7,563**
Unemployment (2022): **9.3%**
Inflation (12 month % change): **8.7%**

Chile
Population: **19.7 million**
GDP (USD, 2021): **$317 billion**
GDP Growth (2022): **1.5%**
GDP Per Capita (USD, 2021): **$16,070**
Unemployment (2022): **7.9%**
Inflation (12 month % change): **14.1%**
Free Trade Agreement with NZ: **P4**
Digital Trade Agreement with NZ: **DEPA**

Mexico
Population: **128.9 million**
GDP (USD, 2021): **$1,294 billion**
GDP Growth (2022): **2.4%**
GDP Per Capita (USD, 2021): **$10,039**
Unemployment (2022): **3.2%**
Inflation (12 month % change): **8.7%**
Free Trade Agreement with NZ: **CPTPP**

Source: International Monetary Fund (IMF), Instituto Brasileiro de Geografia e Estatística (IBGE), Instituto Nacional de Estadística y Geografía (INEGI), Instituto Nacional de Estadísticas (INE).

Latin American consumers: income and expenditure

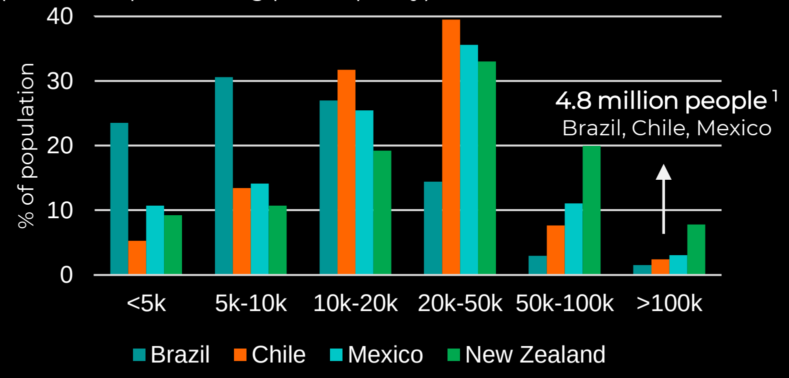
Aggregate indicators do not capture the region's diversity

With 650 million people, Latin America is one of the world's most populous regions. Latin Americans are relatively young, with a median age of 32.7 years. The slowing population growth, resulting mainly from declining fertility, will lead the region's population to peak in 2056 at 751.9 million.

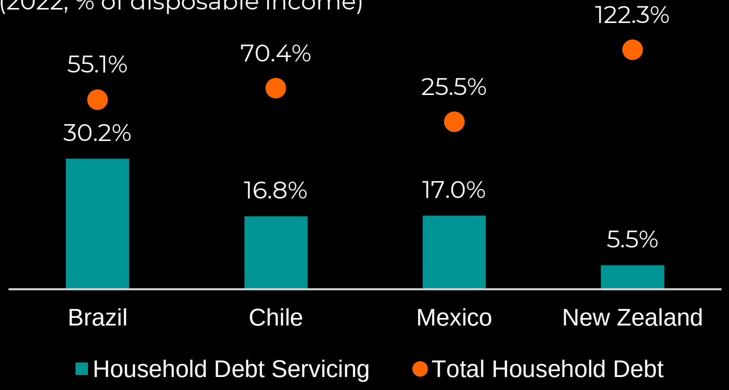
Latin American countries frequently appear on the lists of countries with the highest income inequality. Unfortunately, this issue will likely not be addressed in the short term. Rising inflation, emerging currencies depreciation, and geopolitical uncertainties constrain real income growth and exacerbate existing inequality.

On the other hand, the region has a large contingent of high-income consumers that are not usually evident through aggregate indicators. For example, Brazil, Chile, and Mexico are home to around 4.8 million people with annual income above US$100,000.

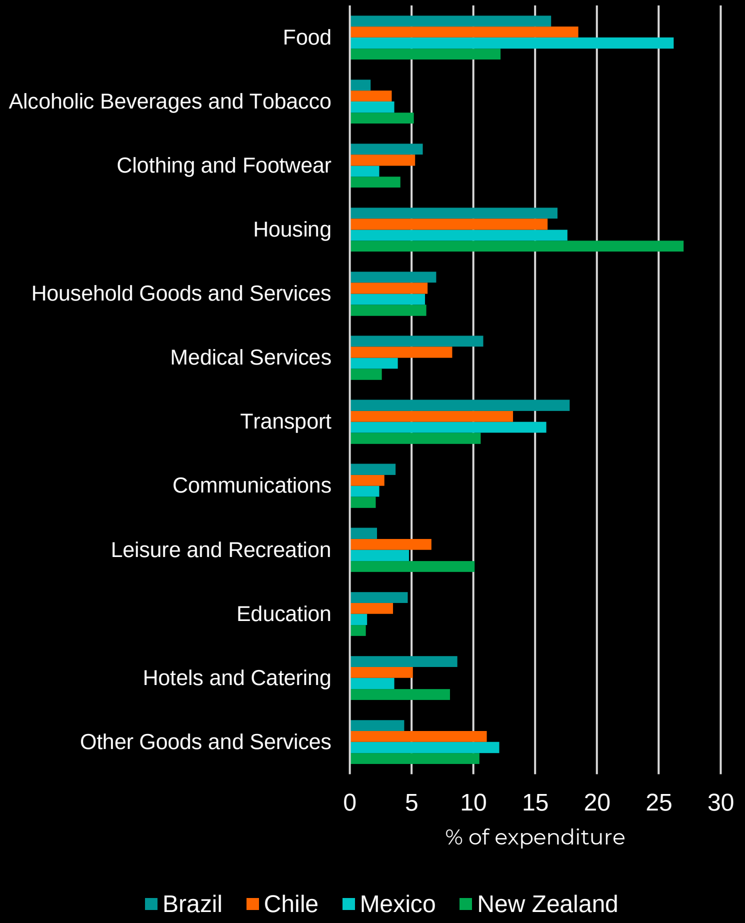
Population by Annual Gross Income Range
(2021, USD purchasing power parity)



Household Indebtedness
(2022, % of disposable income)



Consumer Expenditure by Category
(2021, USD)



Source: Comisión para el Mercado Financiero (CMF), Confederação Nacional do Comércio de Bens, Serviços e Turismo (CNC), Euromonitor, Instituto Nacional de Estadística y Geografía (INEGI), Reserve Bank of New Zealand.

[1] Brazil, Chile, and Mexico account for a market with 4.8 million consumers with an annual income above US$ 100,000.

Latin American retail sector

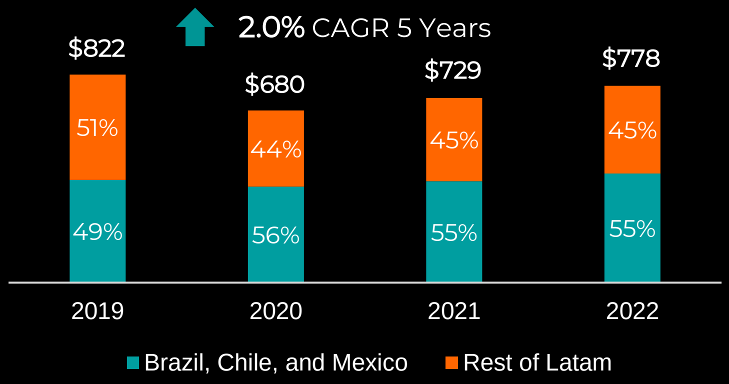
The region is experiencing an impressive expansion of E-Commerce

2021 was still quite challenging for retailers in Latin America, with sales remaining below pre-pandemic levels. In the first half of the year, countries in the region faced an upsurge in cases of COVID-19, while the supply of vaccines was still quite limited. Retailers still had to live with mobility restrictions imposed by local authorities – albeit at different levels between countries.

E-Commerce comes out of this period as the big winner. In addition to the mobility restrictions mentioned earlier, Latin America has experienced an unprecedented inclusion of its population in the financial system – resulting from the various initiatives aimed at transferring payments from governments to individuals.

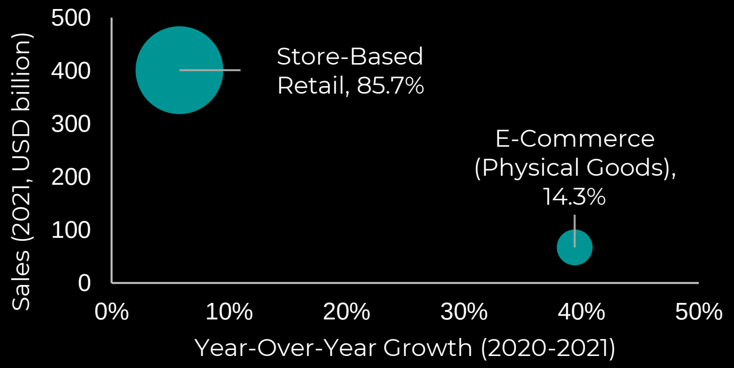
E-Commerce sales is set to more than doubled the four years period, increasing its penetration in the region's retail. During the pandemic, consumers began to buy online new categories such as food, drinks, pet food, and others, driving a revolution in new services that had already been launched a few years ago.

Store-Based Retail Sales – Latin America
(2018-2022, USD billion)



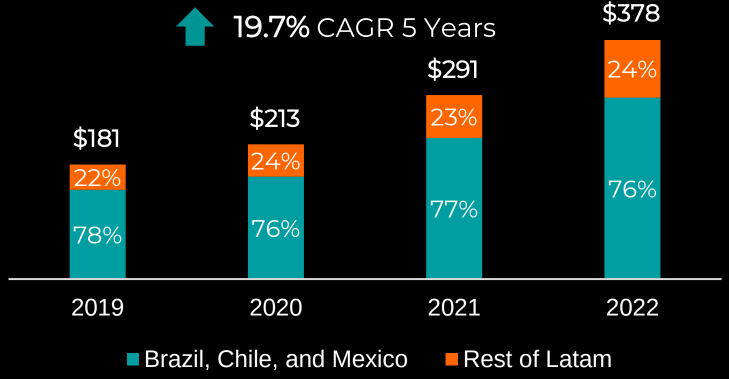
2022 sales are full-year forecasts.

Retail Channels – Brazil, Chile, and Mexico
(2020-2021, USD)



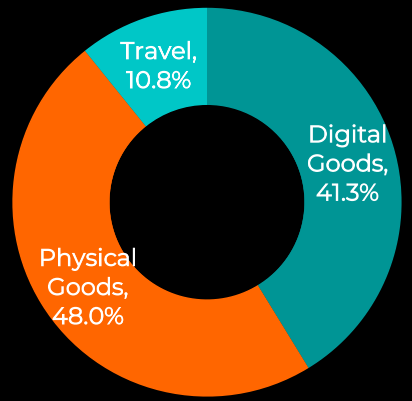
Bubble size and percentage indicate the market share in 2021.

E-Commerce Sales – Latin America
(2018-2022, USD billion)



2022 sales are full-year forecasts.

E-Commerce Verticals – Brazil, Chile, and Mexico
(2021, USD)



See appendix for vertical definitions.

Source: Euromonitor, EBANX.

The innovation ecosystem in Latin America

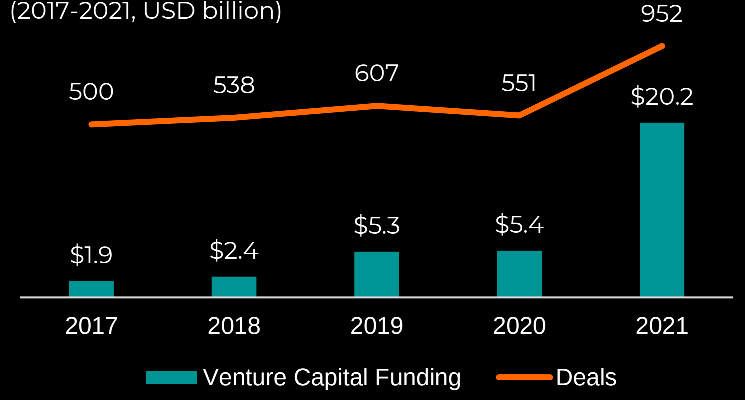
Latin America was the region with the highest growth in venture capital funding in 2021

The innovation ecosystem in Latin America is experiencing significant momentum. In 2021, amid a rise in venture capital funding globally, investments aimed at Latin American startups were the ones that grew the most – 274% annual growth.

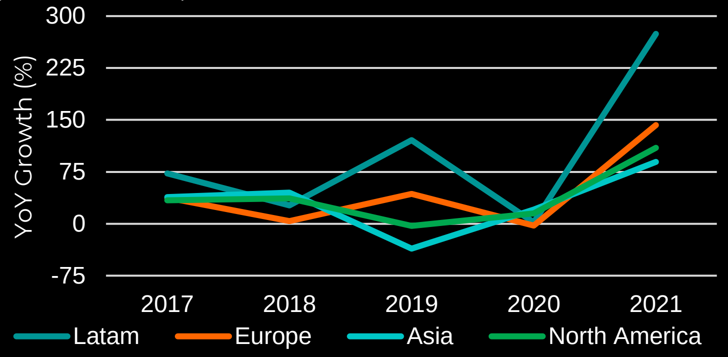
There are currently approximately 1,000 technology companies born in the region that raised over US$1 million. These companies are collectively worth US$221 billion, raised US$28 billion, including 30 companies worth more than $1 billion, and have over 245,000 employees.

The sectors with the highest number of startups are E-Commerce and Fintech. Together they account for around 65% of the ecosystem valuation. However, the region's challenges are many, and several new startups are being born to try to address them through innovation. Some fastest-growing sectors are Logistics and Distribution, Proptech, Edtech, and SaaS solutions.

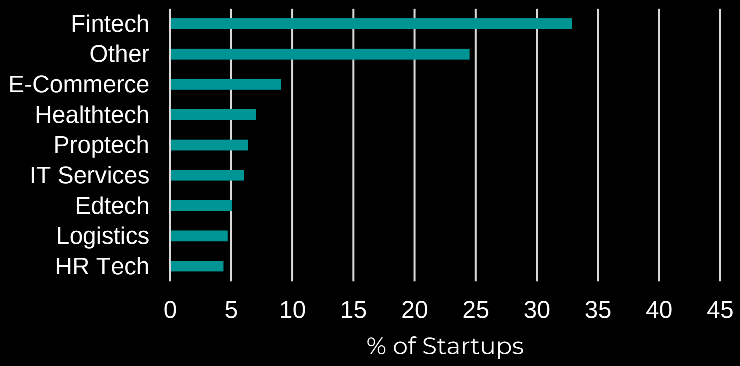
Venture Capital Funding & Deals – Latin America
(2017-2021, USD billion)



Venture Capital Funding – Year-Over-Year Growth
(2017-2021, USD)



Ecosystem Valuation by Sector – Latin America
(2021, Number of Startups)



Startups Worth Over US$1 billion – Latin America
(2021, number of startups)

Source: CB Insights, The Association for Private Capital Investment in Latin America.

SECTION 2

RETAIL SECTOR CHANNELS & RETAILERS

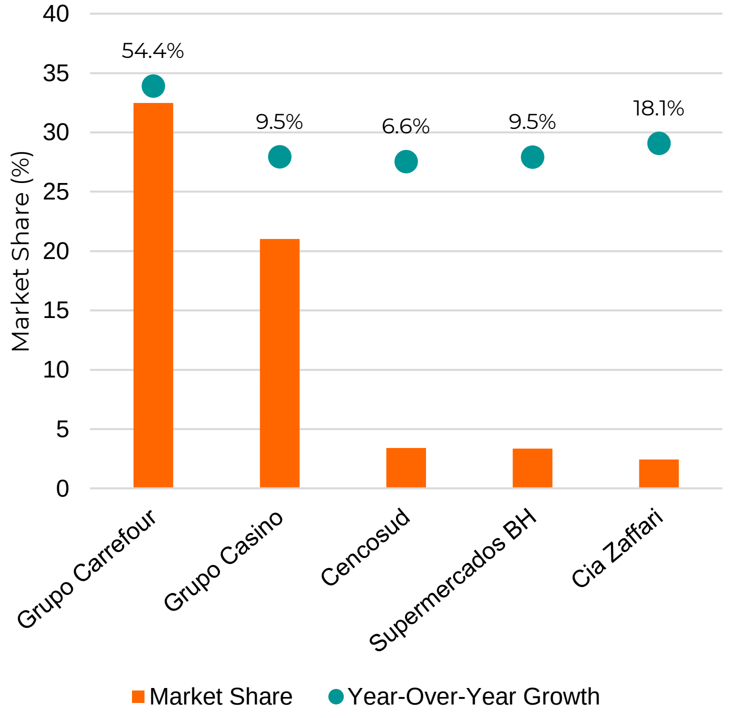
Grocery Retailers

Brazil

US$45.7 billion
Channel Sales (2021)

1.6%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)

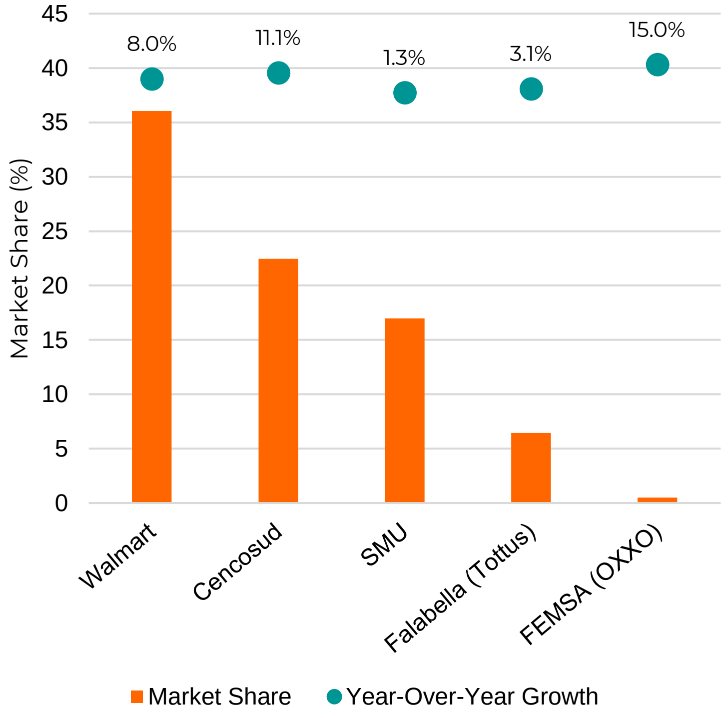


Chile

US$18.3 billion
Channel Sales (2021)

7.2%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)

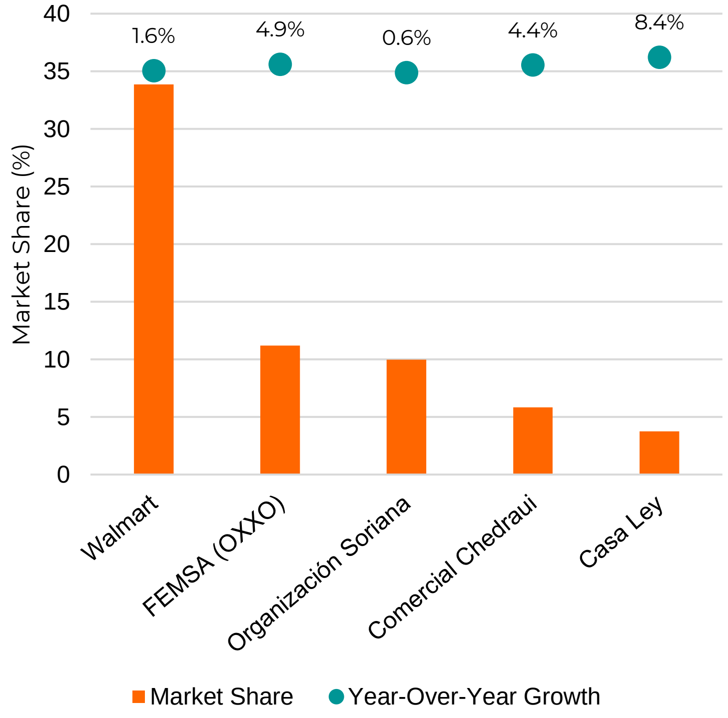


Mexico

US$71.9 billion
Channel Sales (2021)

3.8%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)



Source: Euromonitor.

Leading Grocery Retailers

Walmart

US$30.9 billion
Total Sales (2021)

Company Background

Walmart is the largest global retailer, and its operations span North America, Latin America, Asia, and Africa. The retailer is also the leader in Chile and Mexico, with approximately 4,000 stores and a 35% market share in both markets. The retailer operates banners in different formats, including hyper and supermarkets, discounters, and cash & carry. Amid a restructuring process, the retailer left several countries in the region.

Strategic Priorities

- Walmart aims to be the world's leading omnichannel retailer at scale. The is working to increase efficiency in inventory management, restocking, online order picking and completion and is investing in developing its own app and partnering with last mile delivery providers.
- Walmart recently launched Walmart Fulfilment Services, leveraging its extensive logistics network to fulfill orders from its marketplace.

Carrefour

US$14.8 billion
Total Sales (2021)

Company Background

Carrefour is the second largest French retailer, and its operations span Europe, Taiwan, and Latin America. The retailer has a strong presence in the Brazilian grocery channel, with approximately 900 stores and holding more than 35% of the channel's market share. Carrefour continues to expand in Brazil. In 2021, the retailer reached an agreement to acquire Grupo BIG – the former local Walmart operation.

Strategic Priorities

- Carrefour will maintain the aggressive expansion of its Atacadão cash & carry banner in Brazil. The retailer will convert several stores from the hypermarket format to cash & carry, renovate and integrate the stores of its recent acquisition of the BIG group and invest in organic new openings.
- To support online growth, Carrefour is reconfiguring stores from its core estate so they can be used as hubs for online order picking.

OXXO

US$8.1 billion
Total Sales (2021)

Company Background

Mexican OXXO, owned by Coca Cola bottler and retailer FEMSA, is the largest convenience store chains in Latin America. As of February 2022, the business operates 20,431 stores in Brazil, Mexico, Chile, Colombia, and Peru, of which 20,121 are in its domestic market Mexico. Between 2015 and 2019, OXXO opened an average of over one thousand stores per year.

Strategic Priorities

- Following a reduction in openings throughout the pandemic, OXXO will reaccelerate its expansion. The retailer is reportedly planning to open 10,000 stores in Mexico and Brazil over the next decade.
- With less in-store footfall throughout the pandemic, OXXO quickly pivoted to launch home delivery. Using technology developed in partnership with Instaleap and through using gig workers, it is fulfilling sub-30-minute deliveries in some of Mexico's major cities.

Cencosud

US$5.7 billion
Total Sales (2021)

Company Background

Cencosud is a Chilean retailer and one of the leaders in several South American markets. The retailer operates a network of approximately 1,000 stores across the region. Cencosud has announced plans to invest US$1.8 billion between 2021–2023. The investment will be primarily directed towards renovating and constructing stores, developing technology, and launching a new proximity supermarket banner.

Strategic Priorities

- Cencosud is rolling-out its new digital platform and store format Spid35. This is a unique proposition, targeted towards a younger customer base. Orders made through the Spid app will be delivered to customers in under 35 minutes. The retailer is repurposing surplus space in some of its larger stores to open micro-fulfilment centers.
- Cencosud has a strategic alliance with delivery apps Cornershop by Uber and Rappi.

Source: Euromonitor, IGD Retail Analysis.

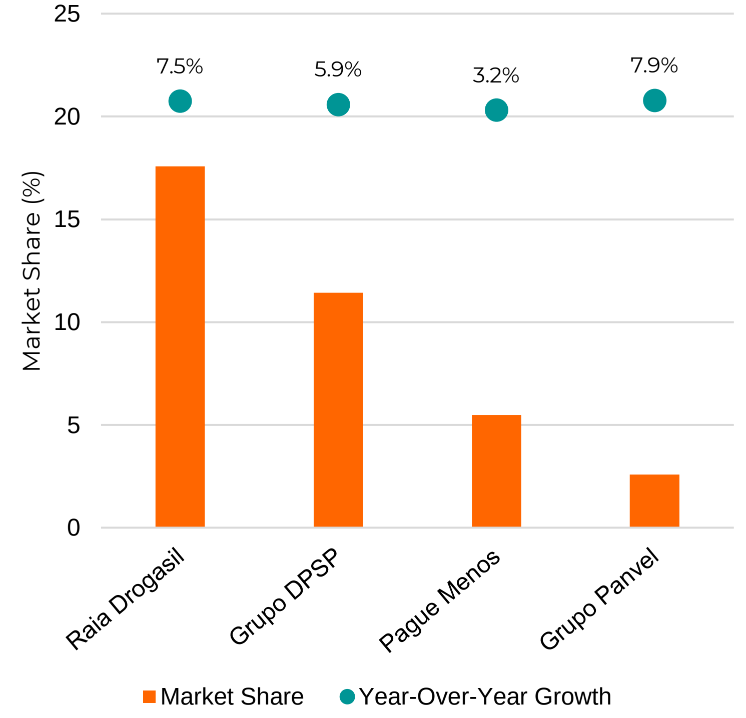
Pharmacies

Brazil

US$18.4 billion
Channel Sales (2021)

-4.2%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)

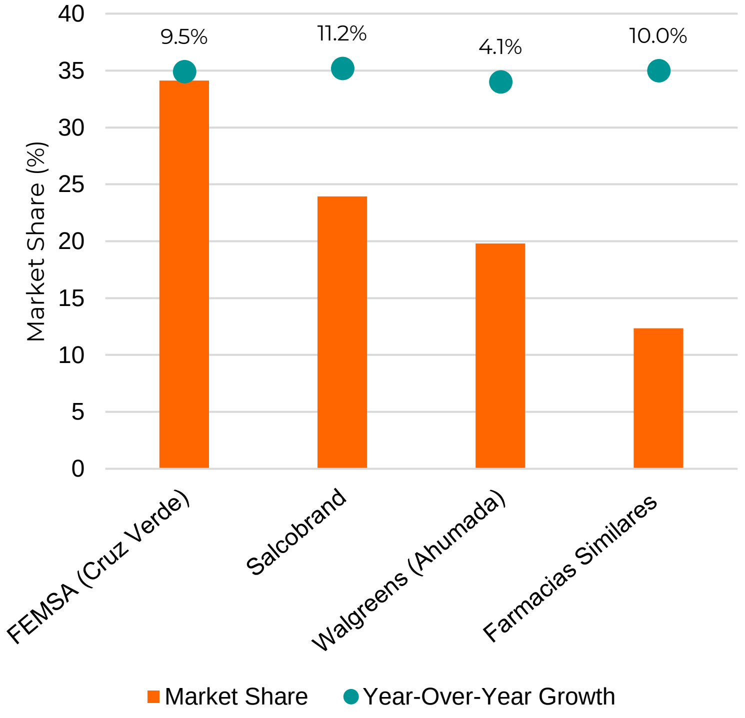


Chile

US$2.3 billion
Channel Sales (2021)

9.7%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)

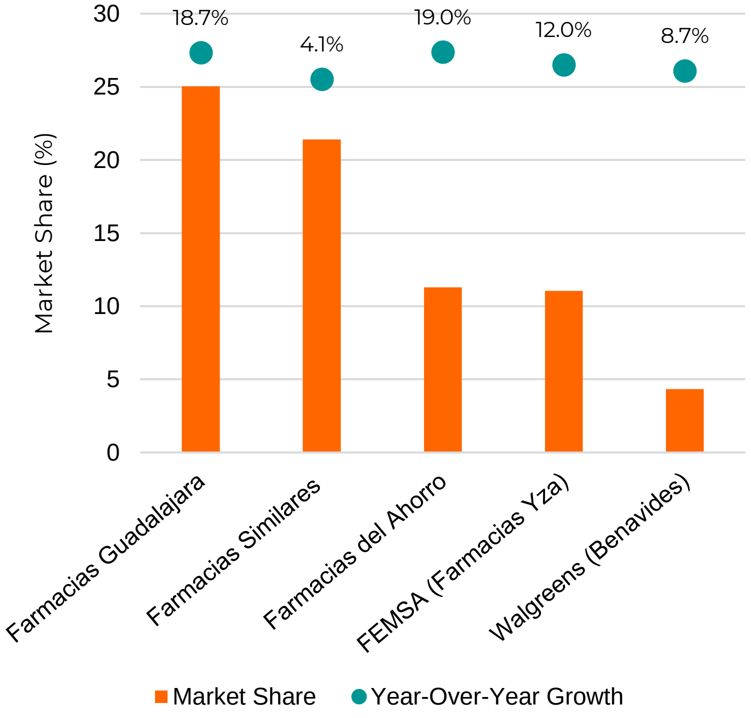


Mexico

US$17.1 billion
Channel Sales (2021)

8.7%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)



Source: Euromonitor.

Leading Pharmacies

US$4.3 billion
Total Sales (2021)

Company Background

Founded in 1942 in the Mexican city of Guadalajara, Farmacias Guadalajara is currently the largest pharmacy chain operating in the country. The retailer sells a wide assortment, including healthcare products and medicines, babies' products, perfumery articles, and beauty and hygiene products. Currently, Farmacias Guadalajara stores can be found throughout the country. The retailer has approximately 2,300 stores in 429 cities, covering all Mexican states.

Strategic Priorities

- To remain in the lead, Farmacias Guadalajara relies on its capillarity. Since 2001, the retailer has opened over 100 new stores every year across the country. In 2021, there were 120 new openings, and in 2022, 46 in the first half.

US$3.2 billion
Total Sales (2021)

Company Background

Raia Drogasil is currently the largest pharmacy chain in Brazil. The retailer was born in 2011 after the merger of two important drugstore chains. Raia Drogasil currently has approximately 2,500 stores. The retailer sells medicines, perfumery, personal care and beauty products, cosmetics, dermo cosmetics, and specialty medicines.

Strategic Priorities

- Raia Drogasil plans to accelerate its expansion plans in 2022, reaching 240 new openings. The retailer's focus is to expand to other regions of the country since most of its sales are concentrated in the Southeast.
- The retailer is also investing in its digital platforms. Recently Raia Drogasil announced the acquisition of eLoopz – a technology startup focused on media solutions for retailers. The movement aims to develop new advertising solutions to impact its 45 million customer base.

US$2.7 billion
Total Sales (2021)

Company Background

Over the years, the Mexican company FEMSA has transformed itself from a Coca-Cola bottler to a diversified retailer operating on multiple channels. The company entered the drugstore channel in 2013 when it acquired 75% of Farmacias Yza. In 2015, FEMSA acquired a 60% interest in the Chilean pharmacy chain Cruz Verde becoming the controlling shareholder in 2020. Currently, Cruz Verde has more than 700 stores in Chile; Farmacias Yza has approximately 1,300 in Mexico.

Strategic Priorities

- Also focusing on capillarity to accelerate growth, Farmacias Yza accelerates its expansion in Mexico. In September, the retailer opened its 1,500th store, which represents an increase of approximately 200 new stores in the year.
- Cruz Verde is rolling out automated stock-handling solutions and self-service terminals in Chile.

US$2.1 billion
Total Sales (2021)

Company Background

Grupo DPSP is the second largest retailer in the Drugstore channel in Brazil. The company was born in 2011 after the merger of retailers Drogarias Pacheco and Drogarias São Paulo. Grupo DPSP kept both brands in the market considering their substantial equity, and currently, they have approximately 1,400 stores. The company provides generic and other medicines, health and wellness, beauty and hygiene, personal care, mother and baby products.

Strategic Priorities

- Grupo DPSP has been accelerating new store openings. The retailer plans to end 2022 with 77 new stores and 130 next year.
- In 2022, Grupo DPSP launched the Viva Saúde platform – a healthcare marketplace bringing together doctors, laboratories, hospitals, health plans, and customers. The goal is to connect 150,000 doctors on the platform in five years and reach 10 million customers.

Source: Euromonitor, IGD Retail Analysis.

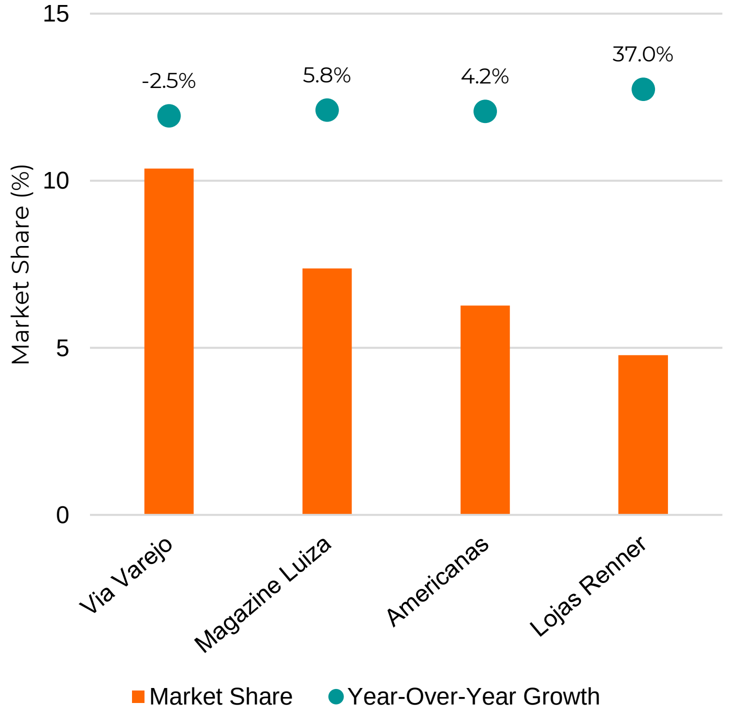
Department Stores

Brazil

US$33.1 billion
Channel Sales (2021)

2.3%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)

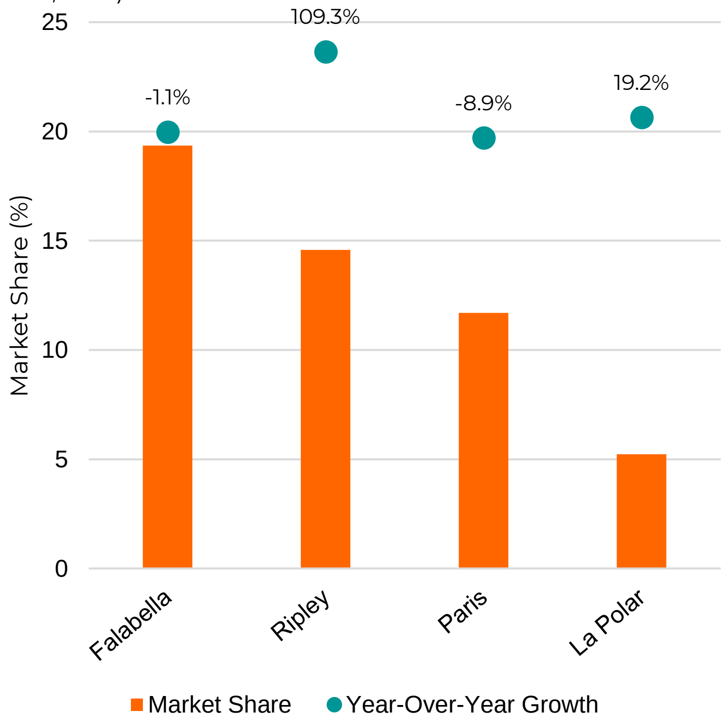


Chile

US$5.8 billion
Channel Sales (2021)

18.1%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)

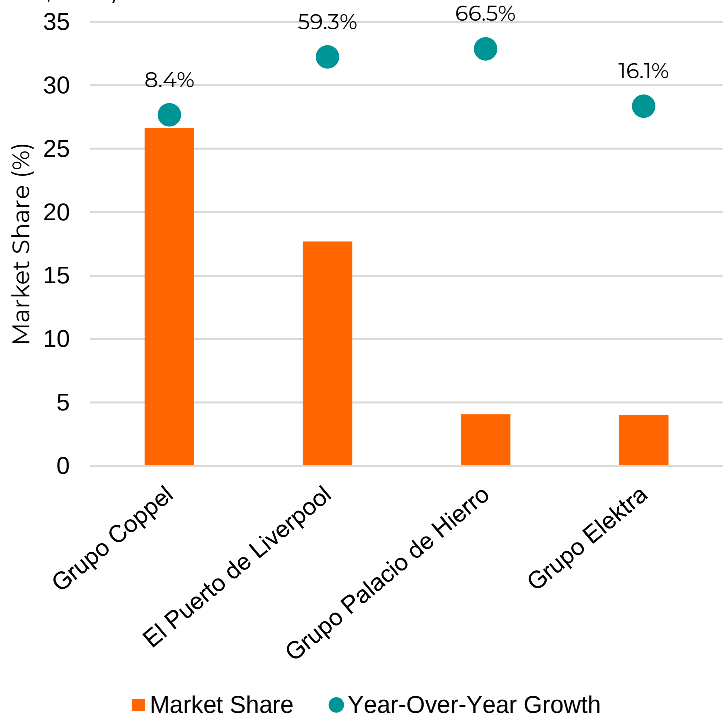


Mexico

US$32.9 billion
Channel Sales (2021)

19.7%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)



Source: Euromonitor.

Leading Department Stores

Coppel

US$8.8 billion
Total Sales (2021)

Company Background

Coppel operates department stores in Mexico. It sells apparel, electronics, personal care, home appliances, and furniture. Through its subsidiaries, the company also provides baking services to individuals and companies. Coppel has 1,574 active stores and 23 distribution centres..

Strategic Priorities

- Accelerate new store openings. Coppel plans to invest up to US$1 billion to open 350 new stores and remodel another 385 by 2024. In addition to brick-and-mortar stores, part of the investment will be allocated to acquiring new technology solutions.
- To strengthen its logistics operation in Mexico, Grupo Coppel will launch five distribution centers by 2024, located in Texcoco, Aguascalientes, Chihuahua, San Luis Potosí and Tijuana.

Liverpool

US$4.9 billion
Total Sales (2021)

Company Background

El Puerto de Liverpool operates a chain of department stores in Mexico. The company operates through Liverpool Commercial, Suburbia Commercial, and the real estate sector. Its stores offer various products, such as apparel, home appliances, furniture, cosmetics, and other consumer products. El Puerto de Liverpool has 291 active stores. In addition, the company operates Banana Republic, GAP, Pottery Barn, West Elm, and Williams-Sonoma stores.

Strategic Priorities

- Resume new store openings. Over the next three years, El Puerto de Liverpool will invest US$500 million to open between 20 and 25 new stores – the majority being Suburbia outlets.
- Targeting its e-commerce operation, El Puerto de Liverpool has been investing in logistics. Notably, the company invested approximately US$50 million in the Arco Norte project, which consists of a large distribution center in Hueypoxtla.

Magalu

US$2.4 billion
Total Sales (2021)

Company Background

Magazine Luiza engages in the retail of electronics, home appliances, furniture, and gaming. The company has 26 distribution centres and 1,481 active stores. It also offers its products through e-commerce platforms. In addition, the company provides consumer financing services.

Strategic Priorities

- New revenue streams. Magazine Luiza is a well-established retailer in the Brazilian market. Through its innovation arm, Luizalabs, the company has been acquiring and developing new businesses. In 2020 Magazine Luiza acquired ten startups. In 2021, there were 12 acquisitions - including product platforms for gamers, a food delivery service, a digital payment system, and online grocery shopping solutions.

falabella.

US$1.1 billion
Total Sales (2021)

Company Background

Falabella operates department stores offering fashion, decoration, and electronics through 46 stores. In addition, through its subsidiaries, the company operates supermarkets, hypermarkets, and home improvement stores. It also offers its products through e-commerce platforms. Falabella also provides consumer financing services and develops and manages shopping centres. The company has 26 distribution centres in Chile.

Strategic Priorities

- Falabella is expanding its e-commerce-oriented distribution centres. The company's objective is to reach 17 centres distributed throughout the country, representing an increase of 26,000 square meters. The company aims to reduce delivery times.
- Falabella plans to invest US$711 million to launch its marketplace in new markets - including new distribution centres to support this operation.

Source: Euromonitor, IGD Retail Analysis.

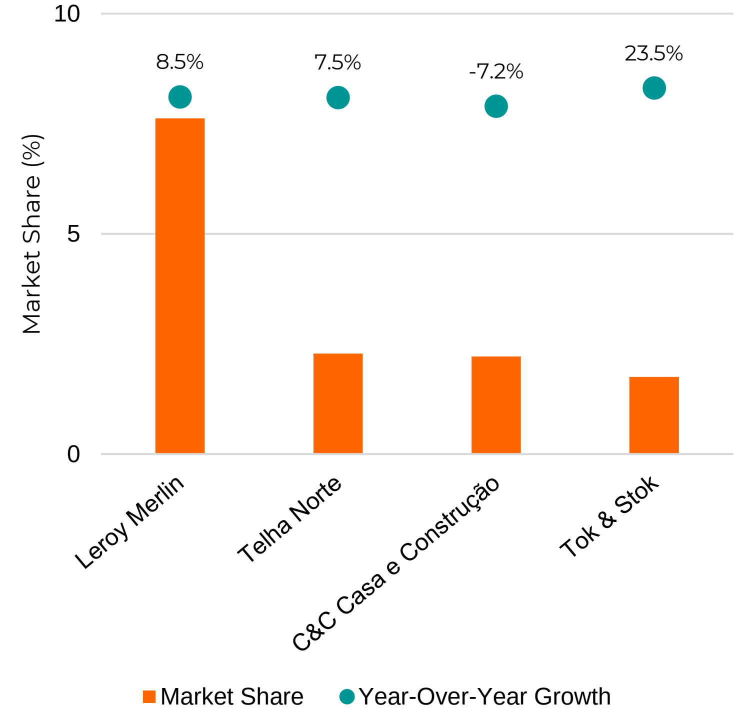
Home and Garden Specialists

Brazil

US$14.1 billion
Channel Sales (2021)

1.9%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)

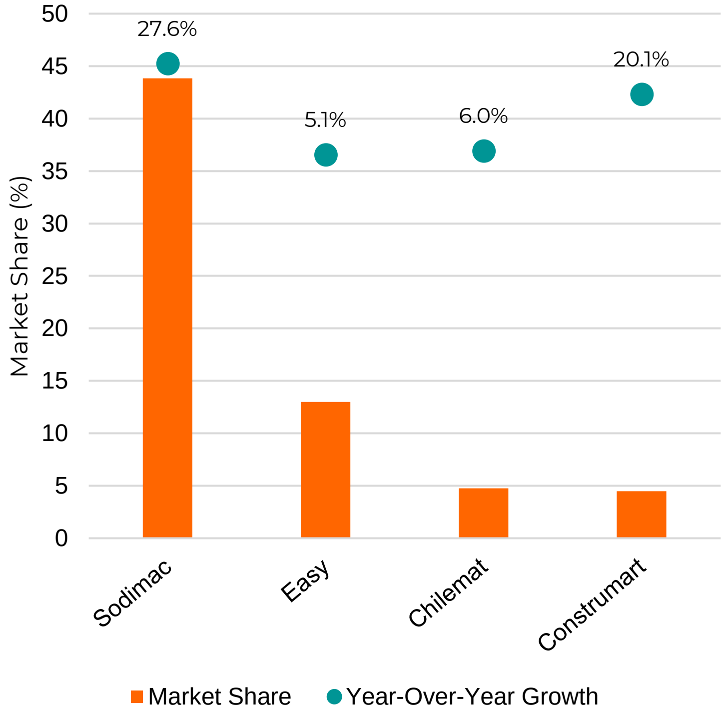


Chile

US$7.3 billion
Channel Sales (2021)

12.0%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)

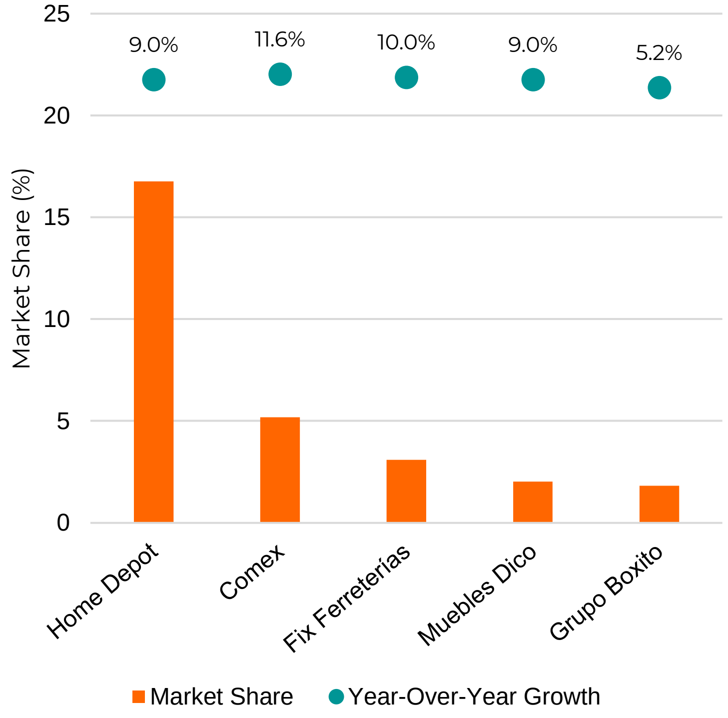


Mexico

US$10.8 billion
Channel Sales (2021)

7.0%
Channel Sales
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)



Source: Euromonitor.

Leading Home and Garden Specialists

Sodimac

US$2.9 billion
Total Sales (2021)

Company Background

Sodimac engages in the retail of home improvement products. It offers a range of products and services for equipment, renovation, remodeling and decoration, and home improvement. The retailer is present in several markets in Latin America, including Brazil, Chile, and Mexico. Sodimac has 162 stores in the region. The company also sells its products online and through call centers. Sodimac is a subsidiary of Chilean Falabella.

Strategic Priorities

- The expansion of new stores in the coming years will be concentrated in Brazil and Mexico. There are already 53 stores in Brazil, and Sodimac plans to open 8 new ones between 2022 and 2023. The retailer continues its expansion in Mexico, reaching 10 stores since its arrival in the country in 2018.

The Home Depot

US$1.8 billion
Total Sales (2021)

Company Background

The Home Depot operates as a home improvement retailer. It sells various building materials, home improvement products, lawn and garden products, décor products, and facilities maintenance, repair, and operations products. The company also offers installation services for flooring, cabinets and cabinet makeovers, countertops, furnaces and central air systems, and windows. The retailer is the market leader in the United States and Canada and has more than 2,000 stores. In Mexico, it is also the market leader and has approximately 130 stores. It also sells its products through its e-commerce.

Strategic Priorities

- The Home Depot completed 20 years in Mexico in 2021. When the retailer arrived, it planned to have a maximum of 50 stores in the country, and today there are 130. The retailer plans to open another 20 new stores in the next three years and a new distribution center near Mexico City.

Leroy Merlin

US$1.1 billion
Total Sales (2021)

Company Background

Leroy Merlin is a French retailer operating as a subsidiary of Group ADEO. The retailer engages in the retail of home improvement products helping residents and homeowners with their home-improvement projects. It offers products in do-it-yourself, building, decoration, and gardening categories. The retailer is the leader in many European markets, such as France, Spain, and Portugal. In Latin America, Leroy Merlin is present only in Brazil, with approximately 42 stores. It also sells its products through its e-commerce.

Strategic Priorities

- After almost two years without new openings, Leroy Merlin plans to open 15 new stores in its traditional mega-store format. In addition, the retailer plans to launch a new format of smaller stores in the country composed of smaller stores focused on quick purchases. Leroy Merlin plans to open 150 of these stores by 2024.

Easy

US$952.1 million
Total Sales (2021)

Company Background

Easy is a Chilean retailer operating as a subsidiary of Cencosud. The retailer engages in the retail of home improvement products helping residents and homeowners with their home-improvement projects. It offers products in do-it-yourself, building, decoration, and gardening categories. The retailer also offers other products, such as home appliances, automotive accessories, and pet food. In Chile, Easy is the second largest retailer in its category and has approximately 37 stores. It also sells its products through its e-commerce.

Strategic Priorities

- Easy has been resuming new openings in 2022 and plans 6 new ones in Chile. In addition, the retailer plans to launch a format of smaller, better-located stores providing convenience to consumers, recognizing that online sales are attributing a distinct role to brick-and-mortar stores.

Source: Euromonitor, IGD Retail Analysis.

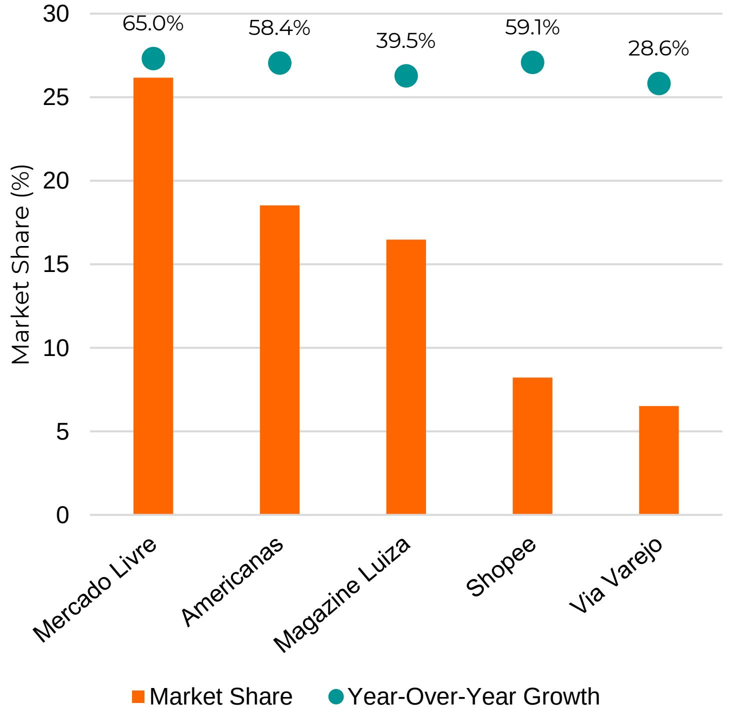
E-Commerce

Brazil

US$37.1 billion
Channel Sales (2021)

56.7%
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)

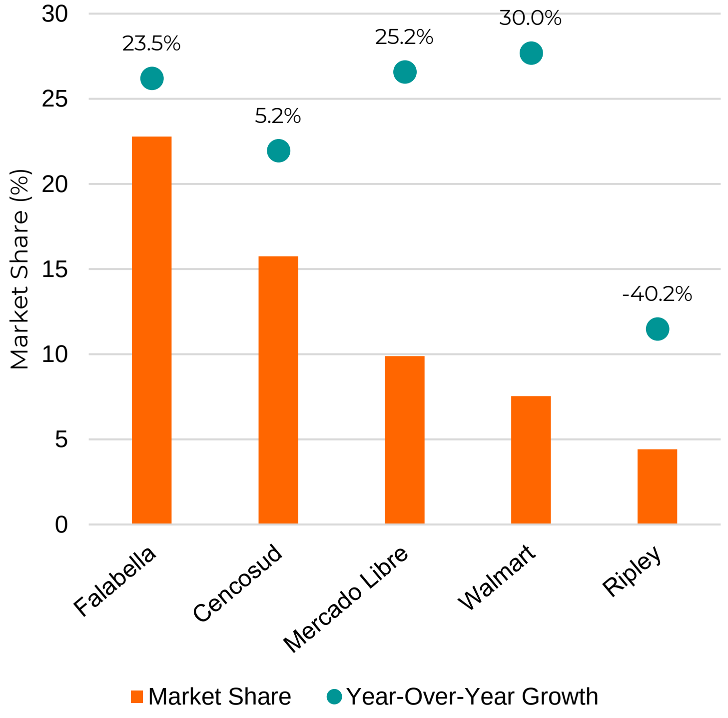


Chile

US$8.3 billion
Channel Sales (2021)

24.0%
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)

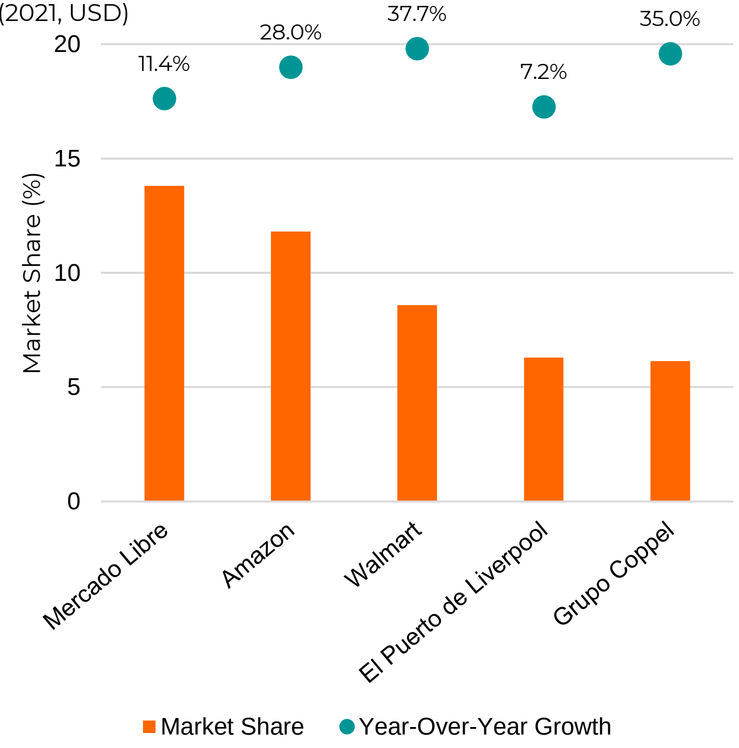


Mexico

US$21.4 billion
Channel Sales (2021)

22.0%
Year-Over-Year Growth (2021)

Top Retailers – Market Share & Growth
(2021, USD)



Source: Euromonitor.

Leading E-Commerce

mercado libre

US$13.5 billion
Total Sales (2021)

Company Background

Mercado Libre is a company founded in Argentina and is currently the leading marketplace in Latin America, present in all countries in the region. Mercado Livre is also the largest Latin American company in market value. In addition to the marketplace, the company offers a series of financial and logistical services to buyers and sellers on its platform. In 2021, Mercado Libre had 667 million monthly visits. The company has 16 distribution centers in the region and an extensive cross-docking network.

Strategic Priorities

- In July 2022, Goldman Sachs announced an investment of US$233 million in Mercado Libre to expand the company's ability to offer loans to individuals and small businesses in Brazil and Mexico.
- Mercado Libre will soon debut its food and grocery items delivery service, competing with regional giants such as Rappi.

americanas

US$6.9 billion
Total Sales (2021)

Company Background

Americanas is a company founded in Brazil and is one of the largest marketplaces in the country. The company offers a wide assortment through its subsidiaries. In addition, Americanas operates physical stores and more recently entered the groceries segment by acquiring Natural da Terra, a retailer focused on fresh produce. The retailer also offers financial and logistics services to buyers and sellers on the platform. In 2021, the company registered 130 million monthly visits and had approximately 1,700 physical stores and 25 distribution centers.

Strategic Priorities

- Americanas is focusing on expanding its quick delivery service, offering delivery of items such as food, drink, and personal hygiene in up to 30 minutes. For this, the company has been acquiring a series of startups that will bring greater efficiency to its service.

Shopee

US$3.0 billion
Total Sales (2021)

Company Background

Shopee is a company founded in Singapore and arrived in Brazil in 2019. In just under three years, the company has shown impressive growth in the country and is already among the largest marketplaces in Brazil. Shopee has approximately 40 million monthly visits and already has 5 distribution centres.

Strategic Priorities

- After rapidly expanding its operations across Latin America, Shopee has been stepping back and focusing its efforts on Brazil. In 2022 the company announced it is scaling back operations in Argentina, Chile, Colombia, and Mexico – offering only cross-border sellers to these markets.
- Shopee will continue to launch many of the features in Brazil that it already has in its home market. In 2022, the company announced the approval by the Central Bank of Brazil to operate as a payment institution.

amazon

US$2.9 billion
Total Sales (2021)

Company Background

Amazon is a giant global player in e-commerce. The company is among the leading players in Latin America; Amazon is present in countries such as Brazil, Colombia, and Mexico, and in 2023, it will start operating in Chile. The retailer, however, faces fierce competition from local players such as Mercado Libre, Americas, and Magazine Luiza and doesn't dominate as in the North American market, for example.

Strategic Priorities

- Amazon is scaling operations and services across Latin America. In addition to launching operations in Chile, the company has been expanding its logistics capacity in the region. In Mexico, the company opened in 2019 the largest distribution centre in Latin America, and in 2021 it opened 4 new centres. In Brazil, Amazon built 11 new distribution centres between 2020 and 2021.

Source: Euromonitor, IGD Retail Analysis.

SECTION 3

THE QUICK COMMERCE REVOLLUTION

What is quick commerce?

Quick Commerce Definition

Quick commerce, also referred to as last-mile delivery, is a restaurant food and groceries delivery service within 60 minutes. Orders are transported by couriers, either gig workers or staff directly employed by the operator, using bicycles, motorcycles, or scooters.

The adoption of this service has increased significantly during the COVID-19 pandemic. With people working from home and restrictions on mobility, many consumers tried ordering goods through quick commerce operators for the first time. Taking Chile as an example, supermarket sales via the leading players, such as Uber Eats, Rappi, PedidosYa, and Cornershop, increased by almost 80% in 2020 versus 2019.

Latin America is one of the regions where quick commerce services are most developed. The region has favourable conditions for the segment to thrive as highly urbanized and congested cities, an accessible and low-cost workforce, and digitally connected consumers. The success of quick commerce in the region has attracted the interest of global investors and venture capitalists such as the Japanese SoftBank Group, the US Tiger Global, and South African Naspers.

Quick Commerce Categories

1. Aggregators

Aggregators are third-party service providers offering on-demand fulfilment. Usually, these providers partner with restaurants and leading retailers in each market and provide fulfilment services through their own application – operating on a 3P model. Consumers place orders through the aggregator's application, the aggregator's staff or the partners themselves will fulfil the order, and then the courier will pick it up and proceed to delivery.

2. Pure plays

Aggregators are evolving into pure plays, especially when it comes to groceries delivery. Pure plays are building their proposition around a high-speed delivery service, often with delivery under 15 minutes. They run their own fulfilment centres or dark stores – small units, usually in densely populated areas, with a limited but highly curated assortment of products, which helps faster fulfilment. The main difference with a simple aggregator is that a pure play does not fulfil orders in a traditional brick-and-mortar store of a partner retailer but in its own fulfilment centre, which is usually a dark store.

3. Retailer-led solutions

Whilst many retailers have formed partnerships with aggregators, others are exploring their own solutions. In Brazil, Grupo Casino, one of the leading retailers, acquired James Delivery – a quick commerce startup – enabling it to fulfil its own orders. Chilean Cencosud started opening its own dark stores. The retailer manages its own fulfilment through Spid 35 and partners with other aggregators.

Source: IGD Retail Analysis.

Leading players in quick commerce

Summary

- Category: **Aggregator/Pure Play**
- Valuation: **US$5.4 billion**
- Total Funding: **US$2.1 billion**
- Main Investors: **Naspers (holding company)**

Company Background

iFood was founded in 2011 and is headquartered in Sao Paulo, Brazil. The company was born as an aggregator and has moved into the pure play category in the quick commerce segment.

Through iFood's application, consumers can access a wide assortment of products, including restaurants, supermarkets, drugstores, and beverages. The company has the leading food delivery service in the main Brazilian cities, as it establishes exclusive partnerships with many restaurants. iFood also offers financial assistance to its partners. The company has been investing in opening micro fulfillment centers, or dark stores, to support iFood Express, its own grocery delivery service.

The company is the pioneer in quick commerce in Brazil and is still the leader in the segment, in addition to having a solid brand positioning as a technology company. iFood tried to expand into the Mexican market; however, faced with intense competition, it scaled back its international expansion focusing only on its domestic market.

Summary

- Category: **Aggregator/Pure Play**
- Valuation: **US$5.2 billion**
- Total Funding: **US$2.3 billion**
- Main Investors: **Andreessen Horowitz, Sequoia Capital, and SoftBank**

Company Background

Rappi was founded in 2015 and is headquartered in Bogota, Colombia. The company was born as an aggregator and has moved into the pure play category in the quick commerce segment.

Through Rappi's application, consumers can access a wide assortment of products, including restaurants, supermarkets, drugstores, and beverages. More recently, the company has been opening micro fulfilment centres, or dark stores, aimed at grocery delivery through its Rappi Turbo service, which offers deliveries within 10 minutes. In addition, the application has a virtual wallet, RappiPay, where it is possible to make transfers and even payments in establishments.

Rappi is present in 9 Latin American markets – Colombia, Argentina, Brazil, Mexico, Chile, Uruguay, Peru, Ecuador, and Costa Rica.

Source: Crunchbase, CB Insights, Latin America Business Stories.

Leading players in quick commerce

Cornershop by Uber

Summary

- Category: **Aggregator**
- Valuation: **US$3.0 billion**
- Total Funding: **US$1.9 billion**
- Main Investors: **Uber (holding company)**

Company Background

Cornershop was founded in 2015 in Chile. The company was acquired in 2019 by Uber in a deal estimated at US$1.4 billion and is currently headquartered in San Francisco, United States.

Cornershop is an aggregator; through its application, consumers can browse and buy from supermarkets, local shops, independent grocers, and specialty stores. Teaming up with personal shoppers, Cornershop allows customers to schedule deliveries up to 60 min after the online purchase.

The company currently operates in 8 countries across the Americas: Chile, Mexico, Brazil, Peru, Colombia, Costa Rica, Canada, and the United States.

PedidosYa

Summary

- Category: **Aggregator/Pure Play**
- Valuation: **US$2.2 billion**
- Total Funding: **US$328.5 million**
- Main Investors: **Delivery Hero (holding company)**

Company Background

PedidosYa was founded in 2009 in Uruguay and acquired in 2014 by German Delivery Hero. In 2019, the company merged the Spanish quick commerce company Glovo's operations in Latin America in a deal estimated at US$270 million. PedidosYa is headquartered in Montevideo, Uruguay.

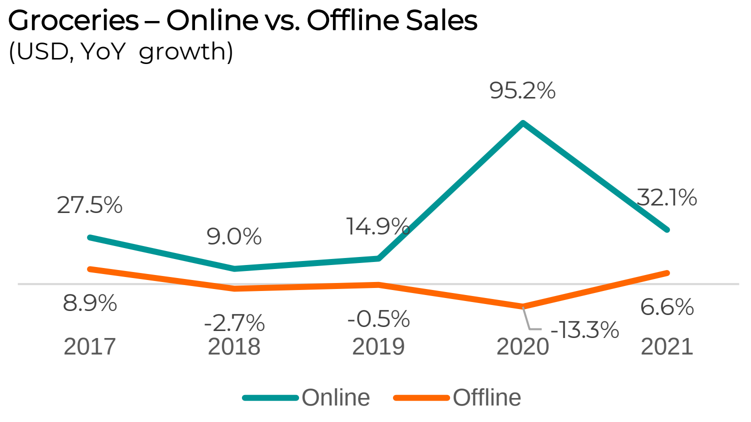
Through PedidoYa's application, consumers can access a wide assortment of products, including restaurants, supermarkets, drugstores, and beverages. Since 2020, the company has moved into the pure play category, investing in micro fulfillment centers in Uruguay and Peru to support its own groceries delivery service through PedidosYa Market.

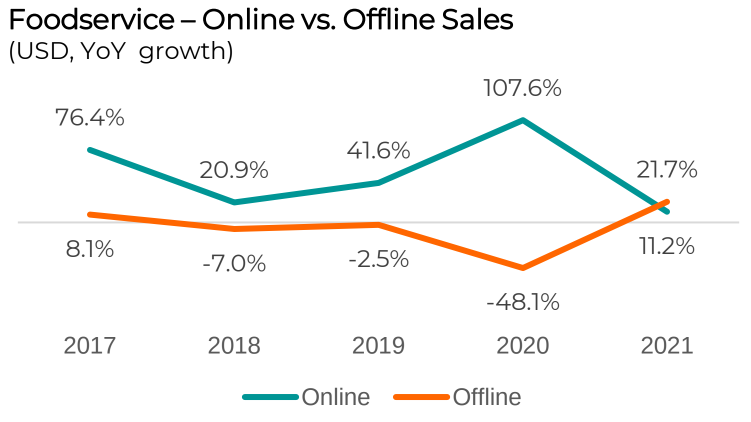
The company currently operates in 15 countries across Latin America: Argentina, Bolivia, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

Source: Crunchbase, CB Insights, Latin America Business Stories.

Key trends in quick commerce

Online vs. Offline Sales





Quick Commerce Prospects in the Short Term

1 Quick commerce is establishing itself as a channel

Quick commerce has been around for some time, but COVID-19 has catapulted its expansion to the point where it's become a channel in its own right. Quick commerce operators are morphing into retailers by opening their own dark stores, having autonomy over the assortment, and enabling ultra-quick deliveries of up to 10 minutes. Rappi, for example, plans to reach 300 dark stores in Brazil. Today there are 330 between São Paulo and Mexico City alone.

2 Industry consolidation

Many new players in the quick commerce segment are still emerging in Latin America. However, pressures on household disposable income and a slowdown in venture capital flows will likely promote consolidation in the segment. This movement is already observed in regions such as the United States and Europe. In Latin America, Uber Eats, one of the leading global quick commerce operators, has discontinued its operations in several markets, including Argentina, Brazil, and Colombia, in the face of fierce competition from local players. In addition, with operators focusing on profitability, ultra-quick deliveries will also be put in check, as longer delivery times allow multiple orders to be assigned to the same courier.

3 Driving loyalty through membership schemes

Industry consolidation can make quick commerce operators prioritize profitability. In addition, delivery fees will always be a challenge for quick commerce. Subscription programs will be where consumers see value. It appeals to frequent users, who can save money on the delivery cost. For example, Rappi and Cornershop have embedded subscription programs where customers can pay a monthly, six-monthly, or annual fee to receive unlimited deliveries. In addition to driving loyalty, quick commerce operators also use their membership programs to send personalized offers, encouraging unplanned purchases and bigger tickets.

Source: Euromonitor, IGD Retail Analysis.

SECTION 4

RAPPI: LATAM’S SUPER APP

Rappi's founders wanted to develop an application equivalent to a personal assistant where users would have access to numerous services

Company Overview

Key Statistics

US$109.1 million
Revenue (2020)

78.1%%
Year-Over-Year Growth (2020)

5,706
Employees (2022)

30 million
Monthly Active Users (2022)

Services

Rappi
Delivery of restaurant menu items and products from supermarkets and pharmacies.

Rappi Mall
Sales of products and services from commercial partners in categories such as fashion, books, toys, sports, etc.

Rappi Favor
Hourly services given by couriers to attend user's needs, such as walking dogs, paying bank utilities, and transporting documents.

Rappi Pay
Digital wallet allowing consumers to make payments, transfer money, and access a credit card.

Rappi Travel
Sales of airplane tickets, hotel reservations, and tourist packages.

Rappi Apuestas
A platform for sports and casino game betting.

Company Footprint

Quick Commerce – Market Share by Operator
(USD, 2020)

	Argentina	Brazil	Chile	Colombia	Mexico	Peru
Rappi	21%	16%	24%	77%	69%	40%
iFood	-	74%	-	-	-	-
Cornershop	-	4%	15%	8%	12%	8%
Uber Eats [1]	-	6%	6%	6%	17%	3%
PedidosYa	56%	-	52%	7%	-	-
Glovo [2]	21%	-	-	-	-	48%

Source: Crunchbase, CB Insights, Ivey Business School Foundation.

[1] In recent years Uber Eats has ceased operations in many Latin American markets including Argentina, Brazil, Colombia and Uruguay.

[2] PedidosYa took over Glovo's operations in Latin America in 2019.

Rappi links the needs of three types of actors: consumers, commercial partners, and couriers

Consumers

Consumers, who are Rappi's final clients, have money but no available time. Thus, they are willing to pay for access to products and services in the application.

Since Rappi's launch in 2015, users have bargained for more than take-out products. Therefore, Rappi explored and addressed diverse user needs rather than focusing on only one customer demand. It is still evolving the application and its service offering, aiming to become a super app that integrates multiple business categories.

Commercial Partners

The success of Rappi's business model is greatly attributed to its capacity to consolidate as an efficient solution for big and small businesses that need to increase their distribution channels. As consumers increasingly seek the convenience of delivery services, Rappi offers its partners an efficient alternative and eliminates the risks and operating costs of developing their own delivery solutions. It is estimated that Rappi currently has over 90,000 businesses connected to its application.

The commission varies according to factors such as volume, the commercial partner's visibility within the application, promotions, and the type of service hired. However, it is estimated they fall within a range of 8% and 27% of the sales value.

Couriers

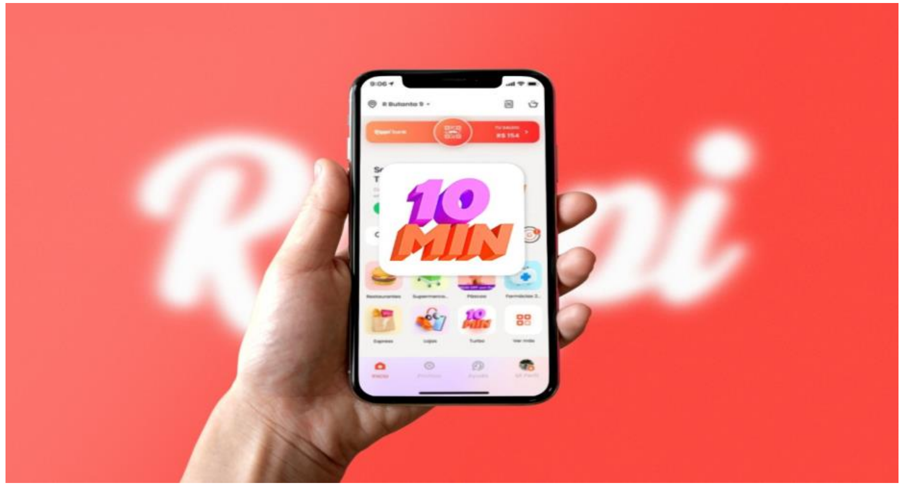
Rappi has over 70,000 couriers across Latin America. The couriers are gig workers who sign up to fulfill orders from Rappi users. They do not have a formal employment contract with the company and earn money through the delivery fee, which can vary according to time and distance, and tips.

Rappi's couriers not only deliver products from stores and restaurants to users but also perform other activities, including sending money, holding a place in line to buy concert tickets, paying bills, walking dogs, or taking someone to a doctor's appointment.

Source: Crunchbase, CB Insights, Ivey Business School Foundation.

Rappi is consolidating its digital ecosystem, and new disruptive services continue to be rolled out

Rappi Turbo



The more established players in the region have launched their ultra-quick delivery services. These operators are rapidly expanding their own dark store models in major cities, which will help them compete with emerging pure plays and enable faster fulfillment and delivery.

Rappi’s new 10-minute delivery service, launched in 2021, uses a network of dark stores and warehouses to offer customers over 1,500 items across fruit and vegetables, snacks, drinks, medicine, personal hygiene, baby products, and pet food.

Rappi uses data analytics to shortlist the most frequently ordered products in each location and customize the assortment. Since launching the service, it has registered an average delivery time of nine minutes.

Rappi Prime

Rappi Prime is Rappi's subscription program introduced in 2018. The program has monthly, semi-annual and annual subscriptions offering unlimited free delivery. In addition, the subscription also guarantees exemption from additional fees charged for overnight deliveries or on rainy days when there is a surge in demand for the service. The subscription also includes discount coupons at various establishments, such as restaurants and supermarkets, and free HBO Max streaming service access.

In 2022, Rappi introduced a cheaper subscription alternative that sets a cap on free deliveries and reduces additional fees the app charges.

Source: Crunchbase, CB Insights, IGD Retail Analysis.

SECTION 5

INNOVATION HUBS & THE RETAIL TECH ECOSYSTEM

Latin America innovation hubs: Brazil

Leading Innovation Hub: São Paulo

The largest city in Brazil, São Paulo is home to more than 20 million residents. Its size and density offer founders a large market and the opportunity to connect with fellow innovators. No wonder São Paulo is home to 2,770 startups, the highest number by far in Brazil, including 11 unicorns.

The University of São Paulo ranks in the top 100 in the World University Rankings. With some of the best academic programs in STEM fields, the city's businesses benefit from this talent pipeline.

São Paulo hosts the innovation and data centers of global giants such as Microsoft, Google, and Facebook. In addition, the city is the regional headquarters for Airbnb, Netflix, and Amazon. 63% of all companies operating in Brazil have a São Paulo location. São Paulo is also the Latin American base for many of the world's biggest banks, improving access to capital for the city's growing companies.

Country Highlights

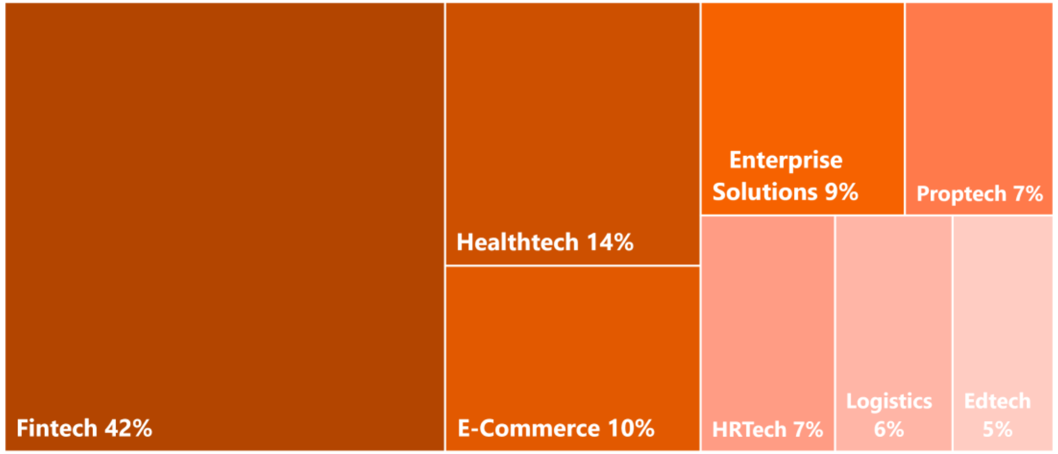
US$166.2 billion
Ecosystem Value
(2022)

US$17.6 billion
Venture Capital Funding
(2020-Q2 2022)

US$14.3 million
Average Series A Round
(2020-Q2 2022)

16
Unicorns
(2022)

Number of Startups by Sector – Brazil
(2021)



81% of the startup ecosystem

Source: BBVA, Startup Genome, StartupBlink, The Association for Private Capital Investment in Latin America.

Innovation ecosystem in Brazil

Website: **distrito.me**

Born as an innovation hub in 2017, Distrito has more than 700 resident startups in its development program, 15,600 monitored on its platform, and 27 directly invested in — among them a unicorn: Mercado Bitcoin, the first cryptocurrency startup to receive the title in Brazil. Distrito works on four complementary fronts: corporate innovation, investments, data intelligence, and boosting startups.

Distrito is sector agnostic; however, it has some locations focused on fintech, insurtechs, cybersecurity, ad tech, retail tech, and health tech - located in one of the leading hospitals in São Paulo.

Website: **startup.farm**

Startup Farm is one of the biggest business accelerators in Brazil. Since its inception in 2011, they have accelerated over 300 startups in various sectors. In 2016, Startup Farm launched a new accelerator program that runs for six months, when startups receive mentorship from over 450 mentors and corporate partners and access investors and potential customers.

Website: **acestartups.com.br**

Founded in 2012, ACE Startups has accelerated over 300 startups and has invested in 119 of them. In 2019 ACE Startups switched their business model away from a pure accelerator, moving towards an early-stage investment fund model whereby ACE Startups accelerate and continue to invest in the startups.

The accelerator offers a network of over 250 mentors and a database of 20,000 startups. ACE Startups is sector agnostic but prefers to invest mainly in B2B or B2B2C startups with a SaaS or marketplace revenue model.

Website: **cubo.network**

Founded in 2015, Cubo is an innovation hub where startup companies receive advice to develop their plans. The hub is linked to Banco Itaú – the largest bank in Latin America. In 2021 alone, startups that participated in the program received approximately US$600 million in funding.

Cubo is sector agnostic and welcomes both Brazilian and foreign startups. In addition to Banco Itaú, another 25 large companies are involved in the project as sponsors.

Source: Angel Investor Club, Distrito, Exame, Latin America Business Stories.

Latin America innovation hubs: Chile

Leading Innovation Hub: Santiago

With almost 7 million residents, more than a third of the national total, Santiago de Chile is the leading innovation ecosystem in the country. In this city, successful technology companies have been born, such as Cornershop, a home delivery app acquired by Uber. Between 2021 and 2022, two Chilean startups from Santiago achieved unicorn status.

One of the main factors contributing to the health of Chile's startup ecosystem is a developed economy relative to other countries in Latin America. "The appeal of Chilecon Valley." A decade ago, The Economist entitled an article with a phrase that described the potential of the Latin American country to become an innovation ecosystem comparable to Silicon Valley. One main feature was highlighted: Santiago's ability to attract international talent.

Chile has a relatively small market compared to many other countries in Latin America. Therefore, to expand, Chilean startups start thinking about internationalization from a very early stage. This is a common feature among the most successful startups born in the country: Cornershop, Betterfly, and NotCo.

Country Highlights

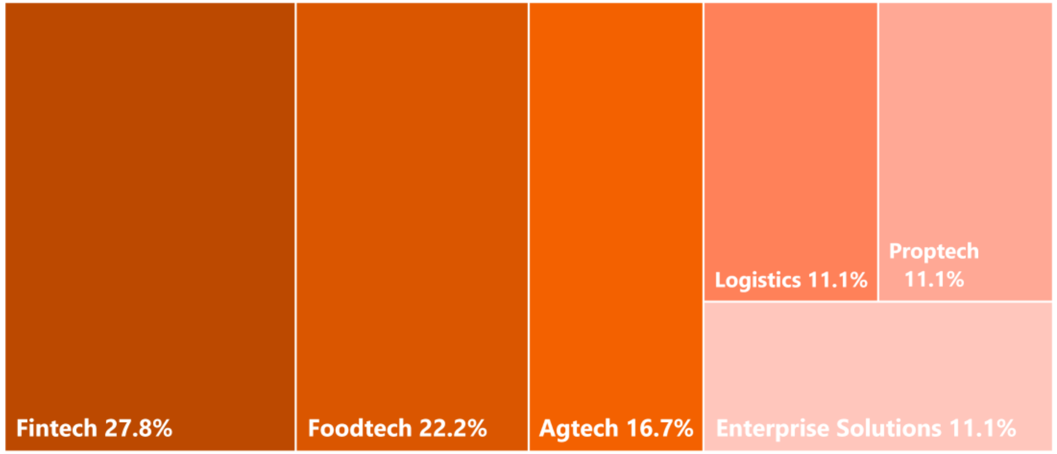
US$7.6 billion
Ecosystem Value
(2022)

US$1.2 billion
Venture Capital Funding
(2020-Q2 2022)

US$12.1 million
Average Series A Round
(2020-Q2 2022)

2
Unicorns
(2022)

Number of Startups by Sector – Chile
(2021)



86% of the startup ecosystem

Source: BBVA, Startup Genome, StartupBlink, The Association for Private Capital Investment in Latin America.

Innovation ecosystem in Chile

Website: **startupchile.org**

Startup Chile, created by the Corporación de Fomento de la Produção (CORFO), is a Chilean government program that provides financial, technical and networking support to national and foreign entrepreneurs who wish to start their business in Chile, using the country as a platform for global expansion.

Since 2010, Startup Chile has supported more than 2,200 startups. As a result, the portfolio valuation has risen to more than US$5.8 billion, more than US$2.1 billion has been recorded in sales, and more than 10,000 jobs have been created in Chile and the world.

Website: **grupo-imagine.com**

Imagine Lab is a Microsoft-backed incubator and accelerator that provides mentorship and connects startups with corporations. The firm is present in Chile and Argentina, working to develop, transform, and strengthen innovative technology-based ventures throughout the region. Founded in 2017, Imagine Lab has its main office in Santiago.

Imagine Lab has financed over 120 startups, supported an additional 500 with various services, and led more than 30 open innovation processes with Latam corporations and the public sector.

Website: **magicalstartups.com**

Magical is a private business accelerator founded in 2013. It was awarded as the best accelerator in Chile in 2021. It works with technology-based startups that are in the growth phase and have commercial validation. Its portfolio of 28 startups has a total valuation of USD 251,200,000.

Recently, Magical announced that it had created a fund for startups focused on mining, logistics, retail, fintech, and agriculture. The objective is to provide funding for early-stage startups. The average funding will be US$125,000 over a three-year period. The expectation is to invest in between 17 and 20 startups.

Website: **chileglobalventures.cl**

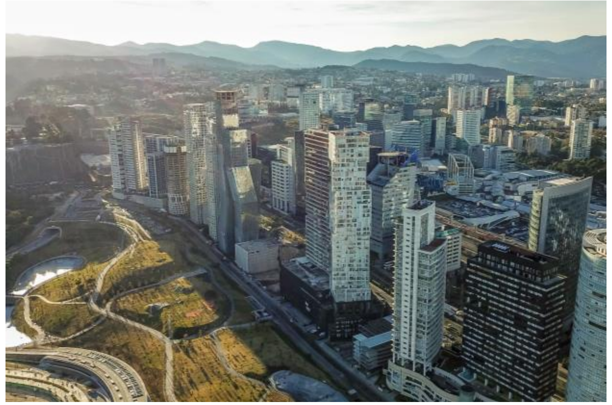
Chile Global Ventures is the venture capital arm of Fundación Chile - a non-profit organization created in 1976 to promote Chile's economic growth. A notable case was the vital role played by the organization in the 1970s in establishing the Chilean salmon industry. As a result, today, the country is one of the largest global suppliers of salmon.

Approximately 200 startups have participated in the acceleration and innovation program. In 2020, the organization launched a US$30 million fund to invest in new local and international startups to attract new talent and transfer knowledge to Chilean entrepreneurs.

Source: BBVA, Bloomberg Línea, Crunchbase, Latam L,ist.

Latin America innovation hubs: Mexico

Leading Innovation Hub: Mexico City



With over 21 million residents, a rich history, top-tier schools, and a vibrant tech and cultural scene, Mexico City draws talented individuals from all over Mexico and the world. This pool of young, educated talent has led to the development of both a thriving startup ecosystem and a nearshoring boom of U.S. and Canadian companies.

Bloomberg selected Mexico City to receive subsidies to accelerate its digital transformation, including funds to hire innovation specialists and set up world-class training initiatives.

Mexico City's educational institutions and startup support organizations are working to foster the city's entrepreneurial ecosystem further. The National Centre for the Support of Small and Medium Businesses (CENAPYME) offers training, consulting, and incubation services. Several universities host technological development laboratories.

Startups in the fintech sector stand out as they have detected a critical business niche and a social need where they can have a positive impact – improving financial inclusion. The low penetration of banking and the supply of unsophisticated consumer credit are two other reasons that explain this trend. The most relevant verticals in the fintech sector are loans, payments, and transfers.

Country Highlights

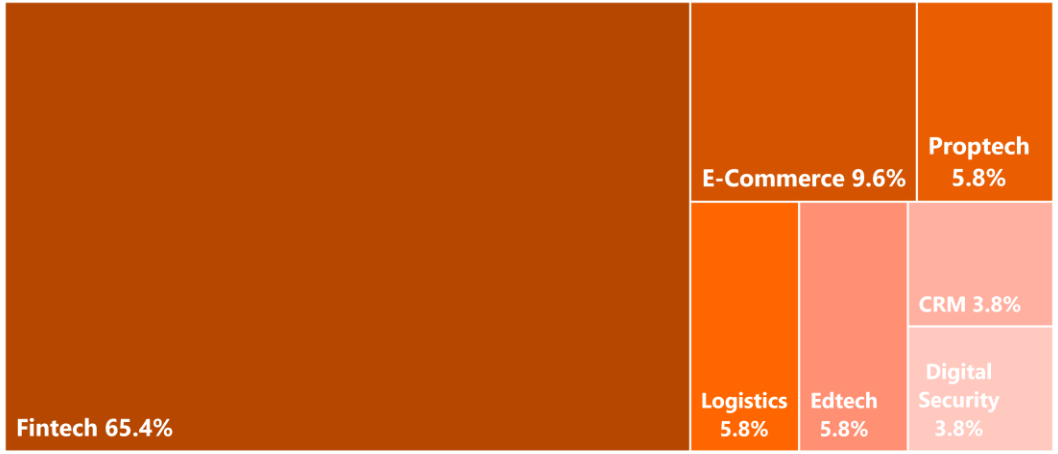
US$29.3 billion
Ecosystem Value
(2022)

US$5.0 billion
Venture Capital Funding
(2020-Q2 2022)

US$10.5 million
Average Series A Round
(2020-Q2 2022)

8
Unicorns
(2022)

Number of Startups by Sector – Mexico
(2021)



88% of the startup ecosystem

Source: BBVA, Startup Genome, StartupBlink, The Association for Private Capital Investment in Latin America.

Innovation ecosystem in Mexico

Website: **startupmexico.com**

Startup Mexico is the country's first innovation hub for entrepreneurs. This super hub includes newly formed high-impact companies, seed capital funds, and entrepreneurial services under the same roof, conceiving an ecosystem that fosters collaboration, innovation, and competition. Startup Mexico has conducted 45 programs and helped create 650 startups.

Website: **latam.500.co**

500 Startups is a global venture capital firm with a network of startup programs headquartered in Silicon Valley with over US$ 454 million in committed capital. 500 Startups support startups via accelerator programs emphasizing digital marketing, customer acquisition, lean startup practices, and fundraising for pre-seed companies.

In 2012 it opened offices in Mexico after acquiring the firm Mexican VC, beginning its Latin American operation. In its first decade, 500 Startups have invested in more than 240 startups in the continent, including food & meal delivery giant Justo.

Website: **levaduradeideas.com**

Levadura de ideas is the acceleration program created by Grupo Modelo in alliance with BlueBox Ventures, which aims to find the best startups within the beverage industry to enhance their projects and generate collaboration with Grupo Modelo.

The program is open to all those innovations that can improve some aspects of the beverage industry, such as new ingredients or packaging, as well as emerging technologies such as virtual reality, artificial intelligence, big data, or blockchain.

Website: **masschallenge.org**

MassChallenge is a startup accelerator that supports early-stage entrepreneurs. Over US$1 million in cash prizes is awarded annually to winning startups, with zero equity in return. Other benefits include world-class mentorship and training, office space, access to funding, legal advice, and media coverage.

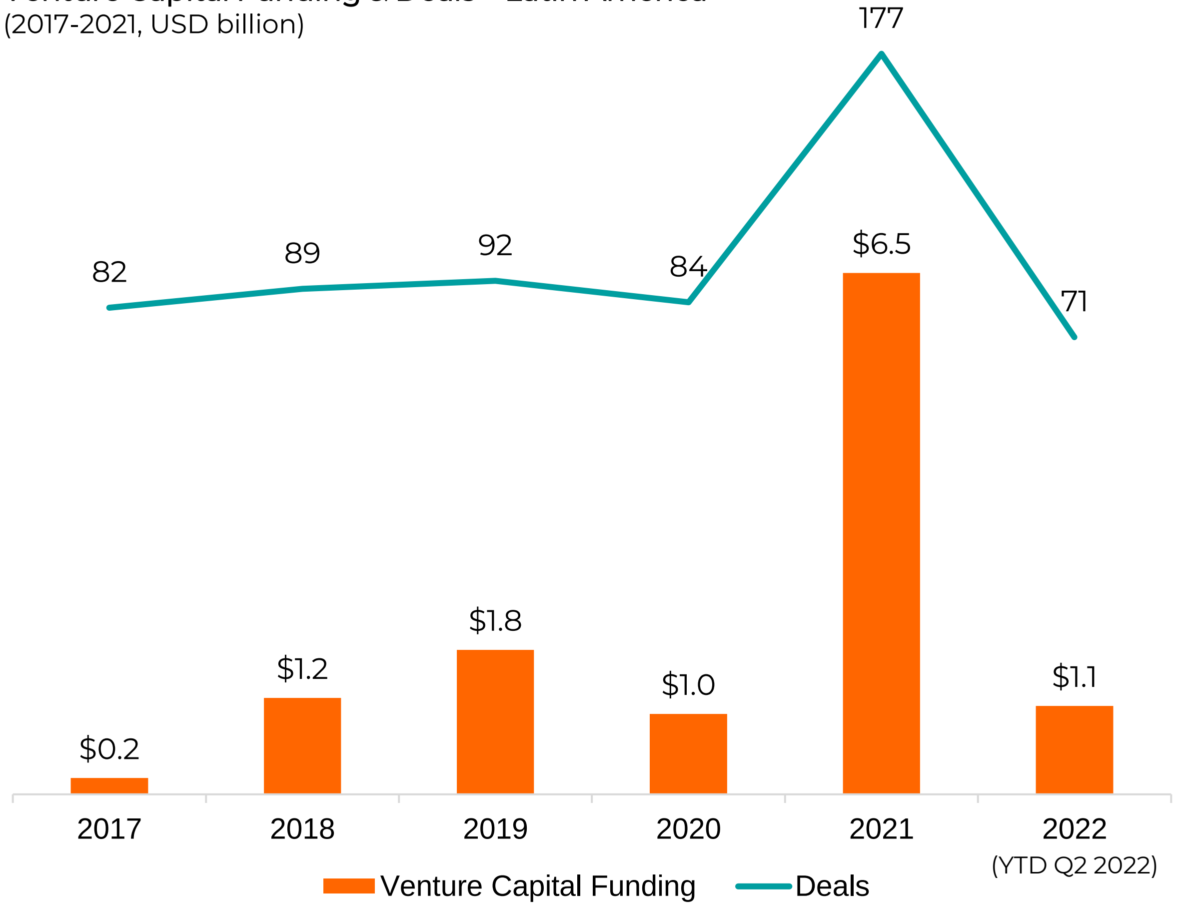
Since 2016, MassChallenge Mexico has accelerated more than 200 startups. Bitso, the first unicorn in the cryptocurrency industry in Latin America, participated in the first program in Mexico in 2016.

Source: CB Insights, Crunchbase, Contxto, Microsoft.

Funding for Latam's Retail Tech startups remains strong in 2022. Due to its large consumer market, E-Commerce is the most attractive segment

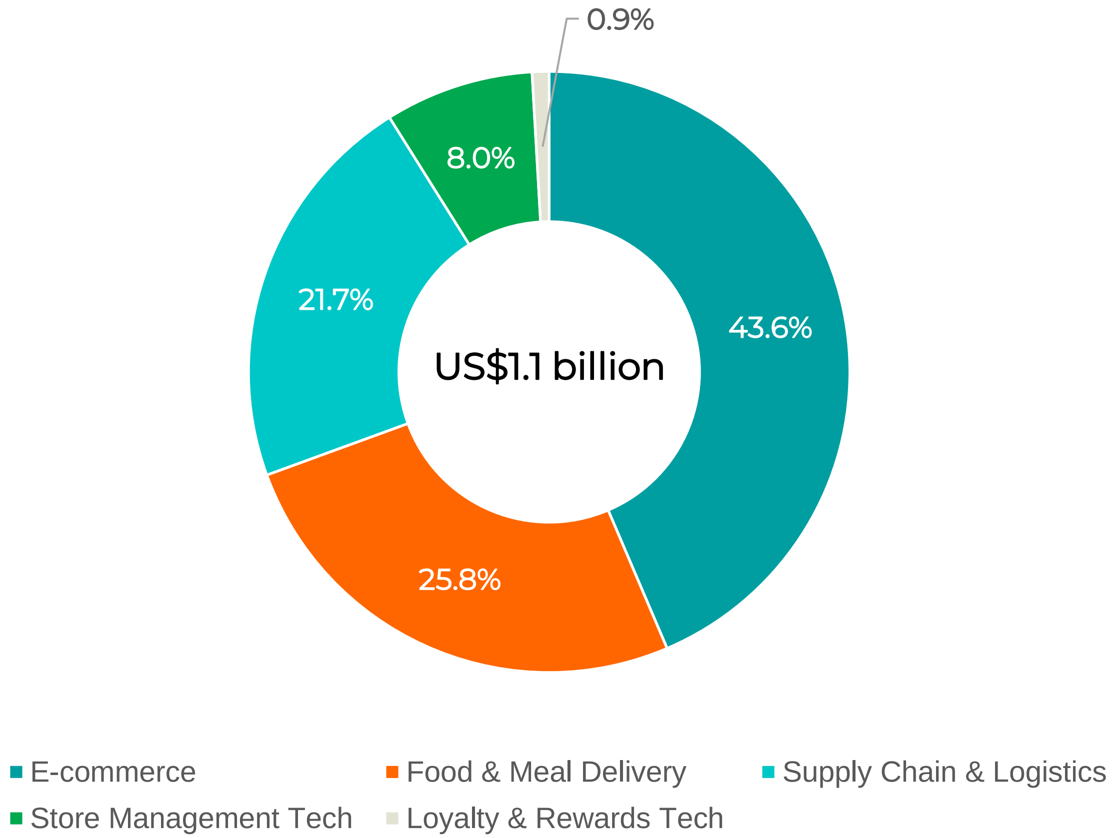
Venture Capital Funding & Deals – Retail Tech

Venture Capital Funding & Deals – Latin America
(2017-2021, USD billion)



Venture Capital Funding by Category – Retail Tech

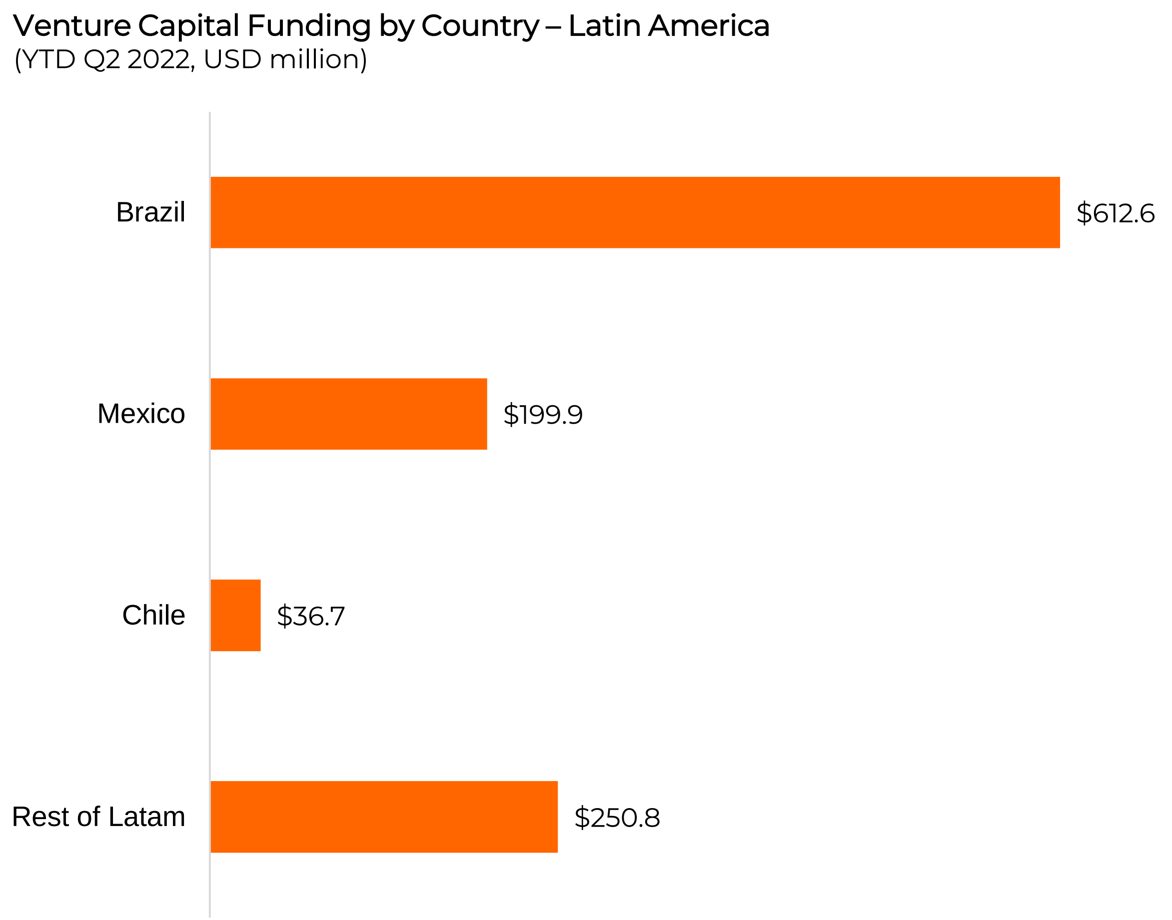
Venture Capital Funding by Category – Latin America
(YTD Q2 2022, USD)



Source: CB Insights.

Brazil and Mexico alone attract three-quarters of the venture capital for Retail Tech startups in Latin America

Venture Capital Funding by Country – Retail Tech



Latin American Unicorns – Retail Tech

Source: CB Insights.

E-Commerce: startups to watch

KAVAK

- Industry: **E-Commerce**
- Website: **kavak.com**
- Total Funding: **US$2.0 billion**
- Main Investors: **SoftBank, D1 Capital Partners. Ribbit Capital**

Kavak is an online platform that offers insight into buying and selling used cars. It specializes in the fields of e-commerce, automotive, and retail. The company was founded in 2016 and is based in Lerma de Villada, Mexico.

nuvemshop

- Industry: **E-Commerce**
- Website: **nuvemshop.com.br**
- Total Funding: **US$628.3 million**
- Main Investors: **Accel Partners, Alkeon Capital, Insight Partners**

Nuvemshop is a SaaS company that aims to provide a complete e-commerce platform for small retailers and entrepreneurs in Latin American markets. Within Nuvemshop's ecosystem, SMEs can connect directly with thousands of professionals specialized in digital marketing, content, brand positioning, development, and design, among other essential services, to leverage their business. The company was founded in 2010 and is based in São Paulo, Brazil.

EBANX

- Industry: **E-Commerce**
- Website: **business.ebanx.com**
- Total Funding: **US$460.0 million**
- Main Investors: **Endeavor, FTV Capital, Advent International**

EBANX is an integrated financial services company that offers cross-border payment processing across Latin America. From local fund-collecting, customer support, and KYC to remittance services, Forex solutions, and international settlements, it has a comprehensive business model. The company was founded in 2011 and is based in Curitiba, Brazil.

merama

- Industry: **Consulting & Outsourcing**
- Website: **merama.io**
- Total Funding: **US$445.0 million**
- Main Investors: **Advent International, Balderton Capital, SoftBank**

Merama partners with e-commerce product sellers in Latin America by purchasing a stake in their business and working alongside teams to promote growth, boost technology, and provide non-dilutive working capital. The company was founded in 2020 and is based in Lomas de Chapultepec, Mexico.

olist

- Industry: **E-Commerce**
- Website: **olist.com**
- Total Funding: **US$318.7 million**
- Main Investors: **Globo Ventures, SoftBank, Goldman Sachs**

Olist became known to investors with the Olist Store, a vertical that connects SMEs to marketplaces, helps sellers appear in a better position in searches, and optimizes inventory management. The startup also has a tool (Olist Shops) that allows retailers to set up their own virtual store in a few minutes. Currently, the startup serves 100,000 entrepreneurs in over 180 countries. Olist was founded in 2015 and is based in Curitiba, Brazil.

petlove

- Industry: **E-Commerce**
- Website: **petlove.com.br**
- Total Funding: **US$237.5 million**
- Main Investors: **L Catterton, SoftBank, Riverwood Capital**

PetLove is an e-commerce offering pet products for dogs, cats, fish, reptiles, rodents, and more. Its product offering includes food, supplements, accessories, toys, and more. The company was formerly known as PetSuperMarket. PetLove was founded in 1999 and is based in Sao Paulo, Brazil.

Unicorn status.

Source: CB Insights.

Food & Meal Delivery: startups to watch

Justo

- Industry: **E-Commerce**
- Website: **justo.mx**
- Total Funding: **US$284.0 million**
- Main Investors: **Foundation Capital, FEMSA Ventures, Endeavor**

Justo offers an online supermarket service in Mexico and Brazil. Justo designs, develops, and deploys technology to support different processes within the company, from assortment and inventory management to operations and logistics. The company was founded in 2019 and is based in Mexico City, Mexico.

Daki

- Industry: **E-Commerce**
- Website: **soudaki.com**
- Total Funding: **US$260.0 million**
- Main Investors: **Jokr**

Daki offers a grocery delivery service within 15 minutes. The company was founded in 2020 to rival traditional local players like iFood and Rappi. In 2021 it was acquired by US Jokr. Together, the startups managed to raise US$260 million in an investment round that featured Tiger Global, Kaszek, and Balderton. The startup has reached unicorn status, valued at $1.2 billion.

Liv Up

- Industry: **E-Commerce**
- Website: **livup.com.br**
- Total Funding: **US$83.2 million**
- Main Investors: **Endeavor, Kaszek Ventures, Globo Ventures**

Liv Up is a meal delivery service focused on using natural ingredients and partnering with local producers to produce naturally healthy and tasteful meals. The Liv Up app allows consumers to order low-carb, gluten-free, vegetarian, or vegan snacks and meals. Meals can be frozen or ready to eat. Frozen meals are delivered through 14 dark stores. The company was founded in 2016 and is based in São Paulo, Brazil.

Clubbi

- Industry: **E-Commerce**
- Website: **clubbi.com.br**
- Total Funding: **US$17.0 million**
- Main Investors: **Better Tomorrow Ventures, Valor Capital, Canary VC**

Clubbi is a Brazilian business-to-business resource for small food retailers. The company connects suppliers to neighborhood markets and grocery stores as an online commerce platform. It was founded in 2020 and is based in Rio De Janeiro, Brazil.

Mercê do Bairro

- Industry: **E-Commerce**
- Website: **mercedobairro.com**
- Total Funding: **US$10.0 million**
- Main Investors: **Quartz**

Merce do Bairro is an online B2B platform serving small neighborhood grocery stores. The startup is a supplier marketplace offering grocery products, including snacks, beverages, chocolates, home care products, fruits, and vegetables. The company was founded in 2019 and is based in Sao Paulo, Brazil.

Justo

- Industry: **Internet Software & Services**
- Website: **getjusto.com**
- Total Funding: **US$2.4 million**
- Main Investors: **Y Combinator, Liquid 2 Ventures, Wollef**

Justo is a Chilean startup that offers food delivery services to restaurants. Unlike the big players like Rappi and PedidosYa, each restaurant has its own domain through Justo's app, and the company also provides data analytics. Justo currently works with approximately 2,500 restaurants and plans to expand its services to Mexico. The company was founded in 2019 and is based in Santiago, Chile.

Unicorn status.

Source: CB Insights.

Supply Chain & Logistics: startups to watch

Loggi

- Industry: **Internet Software & Services**
- Website: **loggi.com**
- Total Funding: **US$489.3 million**
- Main Investors: **SoftBank, Kaszek Ventures, M12**

Loggi is an online express delivery service that connects clients directly with couriers through a computer or cell phone. The technology delivers pricing, automatic payments, and real-time tracking of their delivery with trained messengers. . The company was founded in 2013 and is based in São Paulo, Brazil.

cargo

- Industry: **Internet Software & Services**
- Website: **cargox.com.br**
- Total Funding: **US$377.9 million**
- Main Investors: **SoftBank, Tencent Holdings, Blackstone**

CargoX offers heavy-duty trucking services for corporations. It enables truck owners and operators to make use of excess capacity and avoid empty return trips. It was founded in 2015 and is based in Sao Paulo, Brazil.

nowports

- Industry: **Supply Chain Software**
- Website: **nowports.com**
- Total Funding: **US$239.5 million**
- Main Investors: **SoftBank, Y Combinator, Tiger Global**

Nowports is a digital freight forwarder that ships ocean containers to and from Latin America. Its offerings help facilitate the import and export processes of Latin American companies. The company serves exporters and importers that facilitate trade with Latin America. It was founded in 2018 and is based in Monterrey, Mexico.

ZIPPEDI

- Industry: **Artificial Intelligence**
- Website: **home.zippedi.com**
- Total Funding: **US$22.2 million**
- Main Investors: **Endeavor Catalyst, Gen 1 Capital, Grep VC**

Zipped digitizes shelves and optimizes the in-store execution through a robot that works with AI, detecting out-of-stock, planogram, and promotional compliance, among other services, and makes the tasks of in-store personnel more efficient, directly providing retailers with a better margin and a better shopping experience. The company was founded in 2017 in Chile and is headquartered in Burlingame, United States.

SimpliRoute

- Industry: **Internet Software & Services**
- Website: **simpliroute.com**
- Total Funding: **US$11.9 million**
- Main Investors: **TheVentureCity, 500 Global, ChileGlobal Angels**

SimpliRoute is a service that optimizes routes for any company with multiple deliveries, reducing fuel costs and saving time. The company was founded in 2014 and is headquartered in Santiago, Chile.

Algramo

- Industry: **Supply Chain Management**
- Website: **algramo.com**
- Total Funding: **US$11.5 million**
- Main Investors: **Dalus Capital, Closed Loop Ventures**

Algramos's business model focuses on a distribution channel of basic need products in bulk. The company aims to establish a wholesale relationship with manufacturers of consumer products such as detergents, rice, and oil to buy the products in bulk, saving packaging costs without lowering the product's quality.

Unicorn status.

Source: CB Insights.

Store Management Tech: startups to watch

- Industry: **Mobile Software & Services**
- Website: **clip.mx**
- Total Funding: **US$447.3 million**
- Main Investors: **Alta Ventures, General Atlantic, SoftBank**

Clip provides a digital payment platform to businesses in Mexico, which allows them to interact and transact with its consumers effectively via customer service, allowing them to accept all payment methods digitally. It uses a phone plug-in and a risk-management system to manage merchants and process transactions. The company was founded in 2012 and is based in Mexico City, Mexico.

- Industry: **Mobile Software & Services**
- Website: **cloudwalk.io**
- Total Funding: **US$345.0 million**
- Main Investors: **Plug and Play Ventures, Valor Capital, DST Global**

CloudWalk is an open payment platform for creating and managing point-of-sale, hardware-agnostic payments apps focused on North America and Latin America. The company's payment network is built from the ground up on modern technology and blockchain. It focuses on small-and-medium enterprise merchants and their customers. The company was founded in 2013 and is based in São Paulo, Brazil.

- Industry: **Internet Software & Services**
- Website: **omie.com.br**
- Total Funding: **US$137.1 million**
- Main Investors: **Globo Ventures, Goldman Sachs, SoftBank**

Omie is a cloud-based ERP for SMEs containing everything a manager needs to run a small business within Brazil's complex regulatory and tax environment, including financials, invoicing, inventory, and CRM. Omie has opened its platforms to third parties to develop vertical-specific features through its API. The company was founded in 2013 and is based in São Paulo, Brazil.

- Industry: **Mobile Software & Services**
- Website: **kyteapp.com**
- Total Funding: **US$9.5 million**
- Main Investors: **Amplo, DN Capital**

Platforms like Instagram and WhatsApp have helped small businesses display their products and communicate with customers. Managing sales and inventory, however, is still a challenge. That's where Kyte comes in, an app created to be a mobile point of sale aimed at SMEs. The application has a free version and a paid version with more features — which currently has 22,000 subscribers. The company was founded in 2017 and is based in Florianópolis, Brazil.

- Industry: **Internet Software & Services**
- Website: **holaflexio.com**
- Total Funding: **US$6.0 million**
- Main Investors: **Costanoa Vetures, Latidtud Capital**

In Mexico, all business-to-business (B2B) payments must be documented. This situation is tedious for many, with a large margin for error. Flexio offers automated accounts receivable and payable for small SMEs. The startup handles payments, communication, and integration with enterprise resource planning systems and accounting software. The company was founded in 2019 and is based in Mexico City, Mexico.

- Industry: **Mobile Software & Services**
- Website: **frogtek.org**
- Total Funding: **US$3.6 million**
- Main Investors: **N/A**

Frogtek helps small shopkeepers in emerging markets track and control their business. With its Tiendatek software, a tablet, and a barcode scanner, they register transactions, get valuable metrics, and charge credit cards. The company's data fuels Tiendatek Data, a Marketing Analytics tool used by companies like Unilever and Bimbo. The company was founded in 2010 and is based in Mexico City, Mexico.

Unicorn status.

Source: CB Insights.

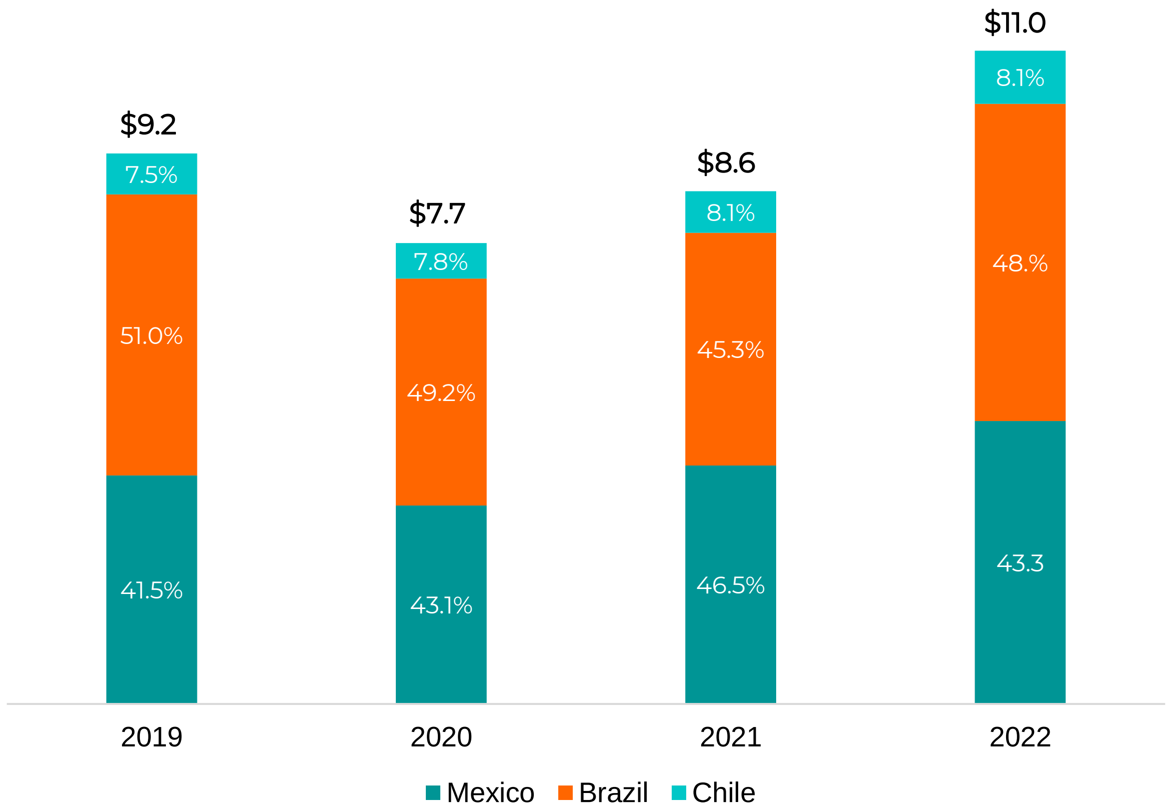
SECTION 6

SOFTWARE MARKET IN LATIN AMERICA

Since the pandemic, demand for solutions such as remote desktop, live chat, video conferencing, and e-commerce are on the rise

Software Market Size

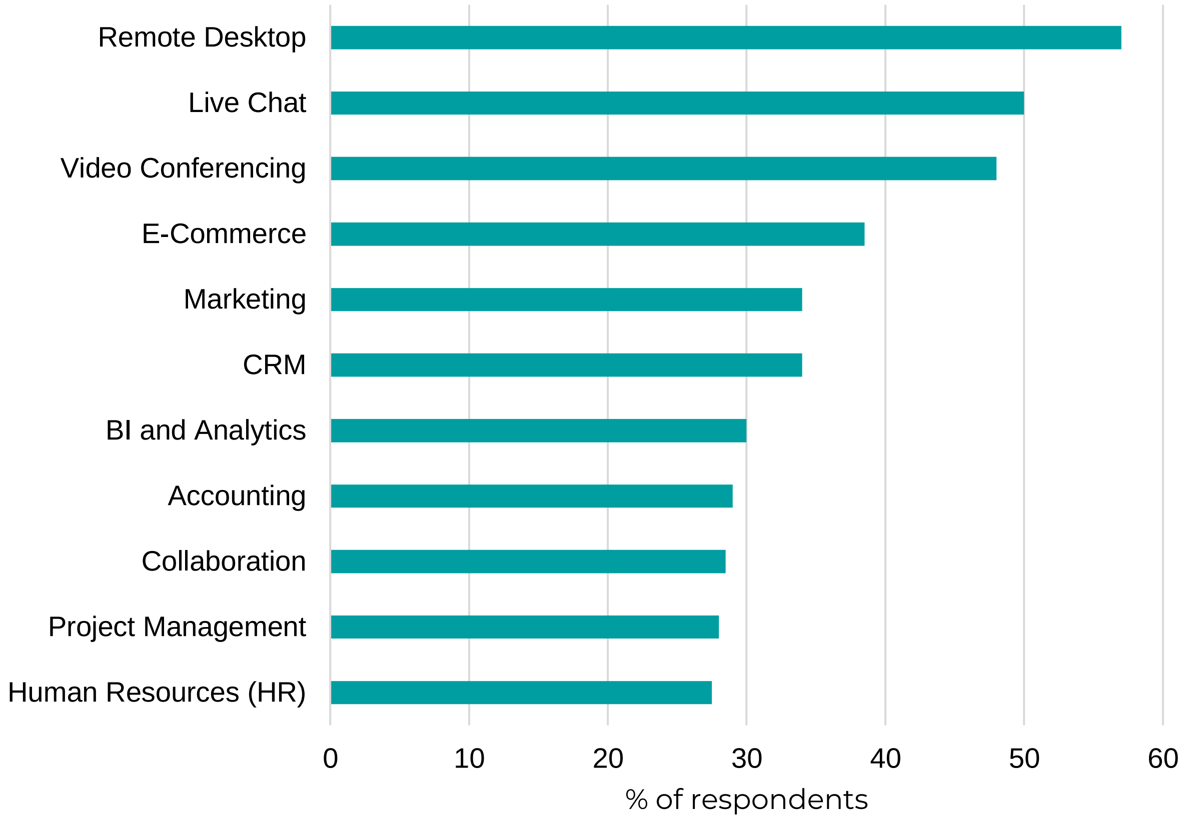
Software Sales – Latin America
(2019-2022, USD billion)



2022 sales are full-year forecasts.

Software Solution Trends

Software Solutions Adopted in the Last Two Years – Latin America
(2020-2021, Software Global Outlook survey)



Source: Gartner.

Understanding the Latin American software buyer

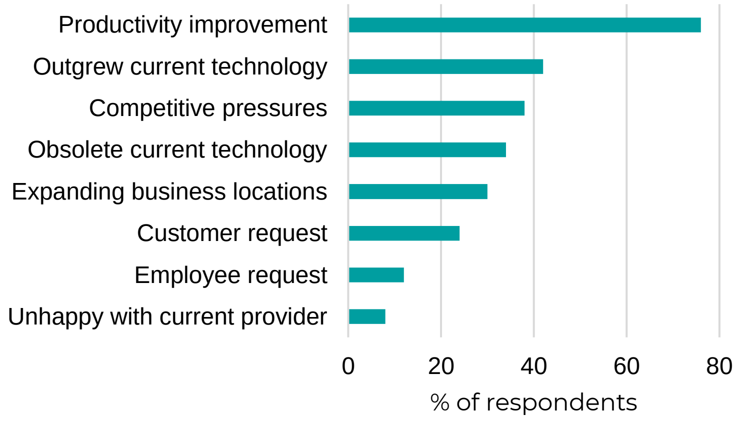
How to connect with Latin American software buyers

Most Latin American software buyers start considering acquiring a new software solution when they need to increase productivity. Therefore, providers should ensure they communicate case studies highlighting the productivity gains achieved through their solution.

Latin American buyers tend to be more conservative when choosing a software provider and well-known brands. Providers must obtain certifications and clearances from all relevant government and regulatory authorities and have a branding strategy tailored to the region.

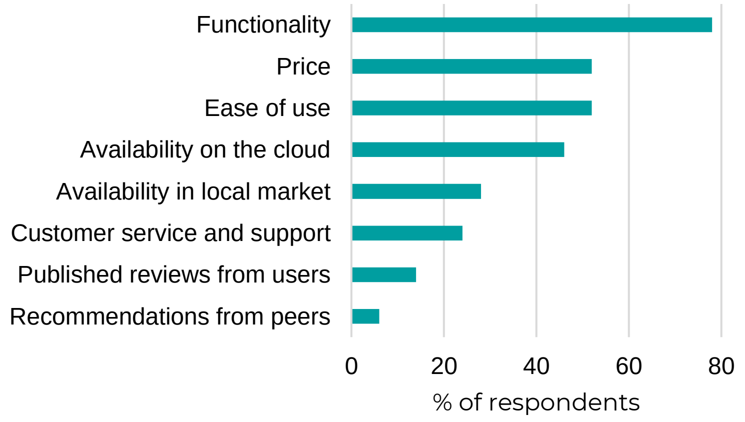
Buyers are also more value-conscious than price-conscious and prefer shorter subscription commitments. For providers, this represents the challenge of maintaining a strong engagement in a shorter period of time. Providers must also look for ways to retain buyers, such as highlighting discounts or better payment terms on longer commitments.

Triggers for Investment in New Software – Latin America
(2021, Software Global Outlook survey)

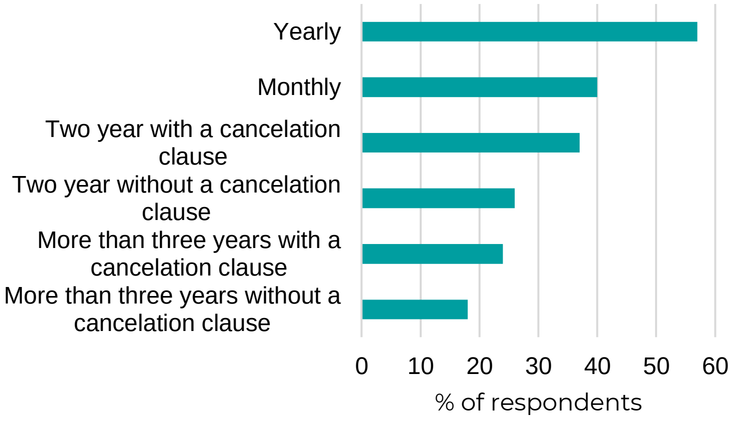


Buyer Preferences for Software Providers – Latin America
(2021, Software Global Outlook survey)

Key Factors in Investment Decisions – Latin America
(2021, Software Global Outlook survey)



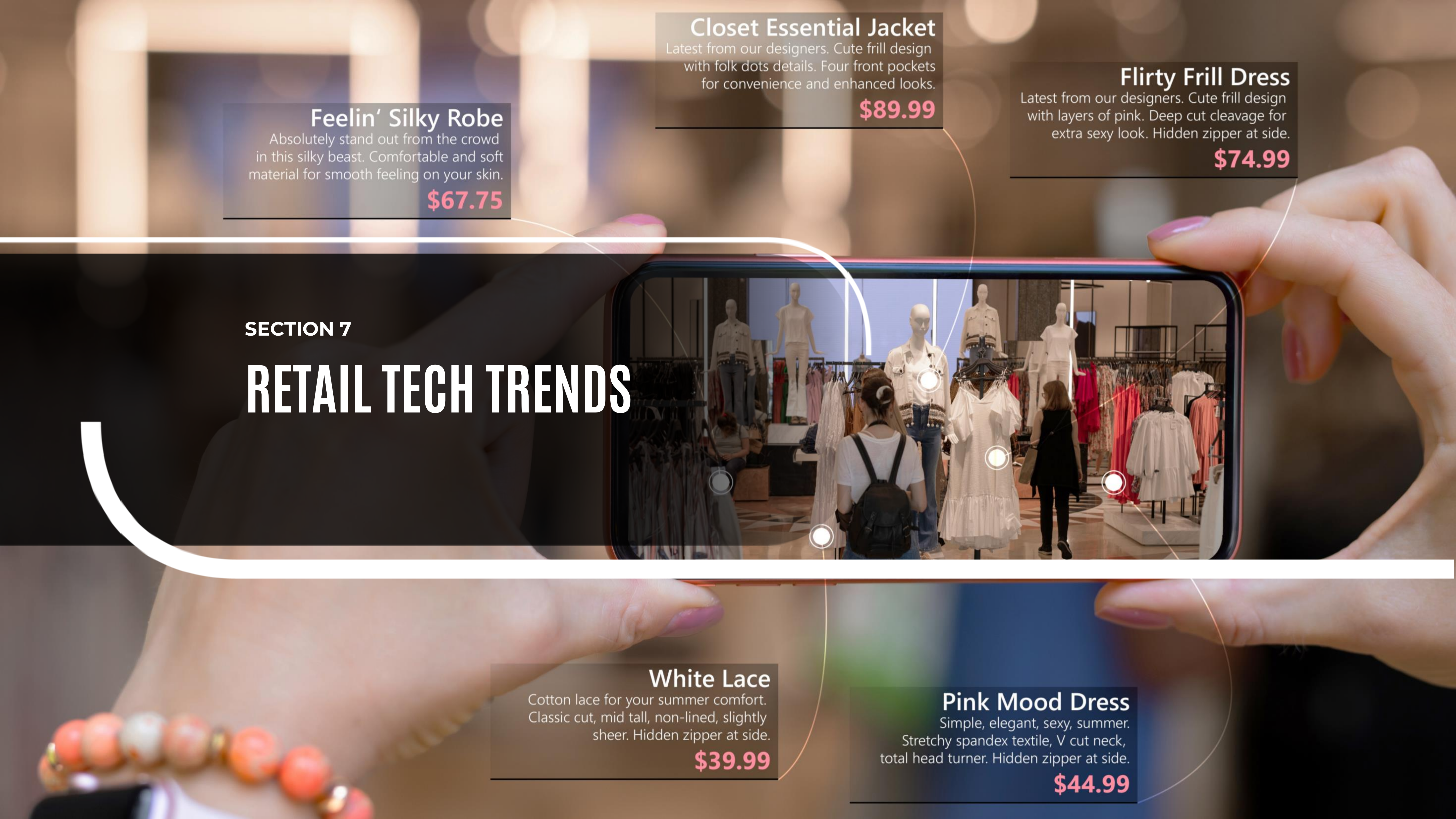
Subscription Agreement Preferences – Latin America
(2021, Software Global Outlook survey)



Source: Gartner.

SECTION 7

RETAIL TECH TRENDS



Trends in retail digital transformation

Fulfilment Execution

Background

Excellence in fulfillment execution has become a top retailer priority, driven by the significant rise in e-commerce during the past year. Proper fulfillment execution requires real-time analysis and reconfiguration of inventory across the retailer's physical and digital assets. In turn, inventory optimization enables a unified shopping experience, improved customer satisfaction, and higher profitability.

Implications

Many retailers are working on remodeling physical locations by reducing selling space and increasing on-site fulfilment and curbside capabilities.

In a scenario of continued high demand for online orders, retailers need to assess data requirements to support end-to-end cross-channel processes such as "buy online, pick-up in store," "buy online, pick-up curbside.“

Retailers must leverage IoT technologies such as RFID and smart shelving to improve the management of on-hand inventory.

Algorithmic Merchandising Optimization

Background

In a more restrictive macroeconomic scenario impacted by rising inflation and escalating operational costs are increasing retailers' focus on merchandise assortment and pricing. Algorithmic merchandising optimization uses customer behavior insights and predictive analytics to assess product performance across channels and customer segments. These optimization models allow retailers to improve their on-hand inventory management and determine how items should be priced and promoted.

Implications

- Inventory is usually a retailer's largest single expense. Therefore, supply chain and merchandising will be the areas with significant investments to incorporate data and analytics tools into processes to improve performance. In the coming years, retailers are expected to increase spending on business intelligence and artificial intelligence tools.

Touchless Interactions

Background

Even though many of the mobility restrictions imposed over the last two years have been lifted, and people are more confident to resume their normal activities, some consumption trends observed in the COVID-19 pandemic period will last and evolve even further. One of them is physical-contact-free interactions across the customers' entire shopping experience. These include providing multiple ways to search, purchase and consume goods in convenient, contact-free interactions.

Implications

- Search: augmented reality to deliver an immersive shopping experience.
- Transact: modern and interconnected POS and mobile applications enabling customers to transact within and across channels.
- Acquire: highly flexible fulfilment models enabling customers to acquire goods and services via a variety of methods such as click and collect, home delivery

Source: IGD Retail Analysis, Gartner.

Trending technologies

RFID Technology

In the last decade, the average cost of an RFID tag has fallen by 80%, while read accuracy has doubled and the range more than quintupled. RFID technology has evolved enough to become essential in today's rapidly changing marketplace. It can help retailers speed the transition to becoming fully omnichannel, for example, by providing accurate in-store inventory numbers to support online orders, pickup in-store, and curbside pickup and boost agility in responding to supply chain shocks. In addition, it can power contactless-checkout capabilities.

Smart Checkout

The traditional checkout model is quickly becoming outdated. Retailers who don't catch up are doomed to produce long lines at their stores and a poor shopping experience.

Smart checkout features

- Contactless Payments: Contactless technology is speeding up the payment process. Consumers can tap their credit card or mobile device onto a payment terminal, pay for their products, and leave the store within just a few seconds.
- Self-checkout: Self-checkouts allow retailers to provide more checkout terminals without increasing their staff, thus facilitating a more fluid process.
- Ship to home: Not all consumers can take in-store purchases home with them. Retailers should offer alternatives such as last-mile delivery for this type of purchase.

Augmented Reality

While augmented reality has been around for years, it has recently become a powerful lever for brick-and-mortar businesses and direct-to-consumer brands. Augmented reality is a technology that enhances the real world by adding real-time digital content to real-life objects.

Application examples

- Virtual fitting rooms: an alternative for consumers to try on products with virtual fitting rooms. RFID technology scans the products in their hand, while the live stream camera overlays it onto the consumer's body.
- Extended in-store experience: an alternative for consumers to have an in-store experience without leaving home and seeing the products in their actual size.

Source: McKinsey, Shopify,

Interview with retail tech experts

Interviewee 1

Professional with over 25 years of experience in the retail sector. CEO of the e-commerce division at one of the leading retailers in Chile between 2007 and 2022.

"Logistics operations are no longer perceived as an operational capability but as a strategic business capability, enabling differentiating attributes."

"Flexibility and the ability to implement and scale new solutions are crucial when choosing a supplier."

Trends in retail tech

Quick commerce is transforming the retail sector in Chile and throughout Latin America. The new delivery standard impacts not only retailers' operations but the entire shopping experience. Consumers increasingly expect short delivery times and alternatives such as in-store pickup, curbside pickup, and delivery lockers to become a common practice in the sector. These attributes have become major differentiators for retailers and put the supply chain and fulfillment logistics in the spotlight.

One of the most immediate challenges for the sector concerns inventory management in marketplaces. Retailers that offer this service must ensure that the product consumers want is available across thousands of different sellers and the order is fulfilled within the stipulated time. Another ongoing challenge concerns business intelligence. Millions of data points are stored every day. Retail needs tools to help it efficiently generate insights and turn them into new solutions.

Identifying the need for new technologies

The process of identifying the need for new technologies changes according to the company's size. Large companies generally have a technology team that works closely with the business areas. Every semester, companies conduct an exercise to build and reassess a technological development map. In this process, the different areas of the company map gaps, opportunities, and risks for adopting new technologies. In addition, they estimate the financial impacts and operational efficiency gains. On top of this analysis, companies determine their priorities. When assessing potential solutions, some key considerations are cost, ability to scale, and, most importantly, the effort required to implement the solution.

The stakeholders involved in the process come from technology and business areas. In general, business areas tend to have a greater influence on the final decision, especially e-commerce executives. Other stakeholders participating in the process are executives responsible for logistics operations, customer experience, and business intelligence managers.

Keeping up with sector trends

To stay up to date on new trends and solutions for the retail industry, executives typically come to the following sources:

1. Benchmarking with competitors and learning how large corporations like Tesco and Walmart deal with the main issues impacting the sector. Often these retailers apply A/B testing in their stores to assess new solutions. Visiting these stores is also a way to learn about the latest trends in the sector.
2. Advisory firms reports such as Forrester and Gartner, and specialized publications like Business Insider.
3. Participating in trade shows such as Shoptalk, which is becoming a reference event for the sector executives to learn about new trends and suppliers.

Interview with retail tech experts

Interviewee 2

Professional with over 20 years of experience in e-commerce. Head of E-Commerce Logistics Operations at a major Brazilian retailer.

"Logistics performance is becoming a game changer. Retailers realize that logistics operations can transform their business."

"When evaluating new technological solutions in a large organization, it is essential to have the option to carry out a pilot test before full implementation."

Trends in retail tech

Inventory management has been a hot topic among sector executives recently. Retailers have faced a significant challenge when reconciling product availability, warehousing, and logistics costs. The predictive models that determined the quantity of products to be purchased and their distribution among the warehouses proved to be quite fragile in the face of the changes in consumer behavior observed during the COVID-19 pandemic.

Retailers are looking for analytical solutions that identify consumers' behavior and help them predict product demand, thus determining an equilibrium between product availability and inventory cost.

Identifying the need for new technologies

The process of identifying the need for new technologies usually starts with the annual planning. First, the retailer's business units determine the organization's guidance and strategic priorities. Then, based on these inputs, the technical and technology areas assess the company's current capacity against the defined strategic priorities and the potential gaps to achieve them. Finally, when evaluating a solution, factors such as costs, implementation complexity, and especially the payback timeline are taken into account.

Large retailers usually have an innovation area that helps them identify new solutions. They are responsible for identifying potential technology suppliers and also work proactively to propose new solutions. The innovation area manages networking with technology suppliers, startups, and universities.

Challenges when importing software

The first challenge when importing new software is to validate compliance with local data protection legislation, especially in cases where it handles consumer data. Another concern is related to local support. The provider must offer local support due to language barriers and support during implementation.

In the retail sector, some companies with a more innovative mindset are open to new solutions and suppliers. However, on the other hand, there are those more traditional companies that will usually only acquire solutions that are already well-known or implemented by a competitor.

Interview with retail tech experts

Interviewee 3

Professional with over 10 years of experience in procurement/sourcing in the retail sector. Strategic Sourcing Lead at a major Mexican retailer.

"The IT department is not the sole decision maker when looking for new technological solutions for retail."

"Sector professionals know the big technology providers very well, but small and medium-sized companies are often a source of innovative solutions."

Trends in retail tech

As a way to differentiate themselves from competitors, many retailers are looking to offer new solutions to consumers.. One of them that has become quite common in Latin America is financial services such as offering credit cards and digital wallets. Although the stimulus payments put in place by governments during the COVID-19 pandemic have boosted the bankarization of a large contingent of its population, in Latin America, there are still millions of families excluded from the financial system. With their incredible capillarity, some retailers have started offering financial services to fill this gap, becoming true fintech.

Identifying the need for new technologies and suppliers

Identifying the need for new technologies and their requirements takes place during the core team meetings, which bring together representatives from different functional areas of the company. Once the priorities are decided, the sourcing team takes on the responsibility of identifying potential providers of the desired solution in the market.

The sourcing team is the link between the company's stakeholders and suppliers. Much of its work is focused on identifying these agents and the value they can add to the business. Once the requirements are defined, the sourcing team starts looking for potential suppliers. One of the alternatives is to turn to specialized advisory firms in the retail sector, such as Forrester and Gartner. These sources help them to identify not only big players in the market but also SMEs.

Some companies proactively seek out SMEs that sometimes can come up with very innovative solutions. Although they may not have the capacity to serve the entire organization, they can be referred to at least one business unit within the organization to implement their solutions.

SECTION 8

APPENDIX

Definitions

E-Commerce Verticals

- **Physical Goods:** items from department to grocery stores and marketplaces.
- **Digital Goods:** digital products and services such as online gaming, music and video streaming, ride-hailing services, food delivery, app downloads and in-app purchases, SaaS (Software as a Service), and online education, as well as subscriptions and recurring payments made online over an e-commerce gateway.
- **Travel:** all services related to travel, including airline and bus tickets, hotels and accommodations, car rentals, packages sold by travel agencies, etc.

Retail Channels

- **Grocery Retailers:** retailers selling predominantly food/beverages/tobacco and other everyday groceries. This is the aggregation of hypermarkets, supermarkets, discounters, convenience stores, independent small grocers, forecourt retailers, and other grocery retailers.
- **Pharmacies:** retail outlets selling mainly OTC healthcare, cosmetics and toiletries, disposable paper products, household care products and other general merchandise. Such outlets may also offer prescription-bound medicines under the supervision of a pharmacist.
- **Department Stores:** outlets selling mainly non-grocery merchandise and at least five lines in different departments, usually with a sales area of over 2,500 square metres.
- **Home and Garden Specialists:** retailers selling home furnishing and home improvement and gardening items. These are retailers with a primary focus on selling categories such as home improvement materials and hardware, paints, coatings and wall coverings, furniture and furnishings, and homewares.
- **E-Commerce:** sales of consumer goods to the general public via the Internet. Please note that this includes sales through mobile phones and tablets. Internet retailing includes sales generated through pure e-commerce web sites and through sites operated by store-based retailers. Sales data is attributed to the country where the consumer is based, rather than where the retailer is based.

Definitions

Innovation Ecosystem Sectors

- **Adtech:** advertising technology is a term that describes the tools and software advertisers use to reach audiences, and deliver and measure digital advertising campaigns.
- **Agtech:** agriculture technology is the use of technology in agriculture, horticulture, and aquaculture with the aim of improving yield, efficiency and profitability for farm managers and growers.
- **CRM/Sales:** customer relationship management is the use of technology for managing business interactions with customers and potential customers tracking spanning marketing, sales, digital commerce, and customer service interactions.
- **Digital Security:** digital security is the term that describes the resources employed to protect online identity, data, and other assets. These tools include web services, antivirus software, biometrics, and secured personal devices.
- **E-Commerce:** electronic commerce refers to companies and individuals that buy and sell goods and services over the internet.
- **Edtech:** education technology refers to hardware and software designed to enhance teacher-led learning in classrooms and improve students' education outcomes.
- **Enterprise Solutions:** enterprise solutions are designed to integrate multiple facets of a company's business through the interchange of information from various business process areas and related databases.
- **Fintech:** financial technology is a term referring to software, mobile applications, and other technologies created to improve and automate traditional forms of finance for businesses and consumers alike.
- **Foodtech:** food technology is the use of technology to develop, manufacture, and distribute food products. This includes everything from selection, preservation, processing, packaging, and distribution.
- **Healthtech:** healthcare technology refers to technology-enabled products and services that can be delivered or consumed outside of a hospital or physician's office.
- **HR Tech:** human resources technology is an umbrella term for software and hardware for automating the human resource function in organizations. It includes employee payroll and compensations, talent acquisition and management, and workforce analytics, among others.
- **Logistics:** logistics is a term that describes moving and sorting goods, services, and information within a supply chain. It includes services such as multi-modal transportation, freight forwarding, warehousing, and inventory management.
- **Proptech:** property technology is a term that describes the technology tools the real estate sector uses to optimize the way people buy, sell, research, market, and manage a property. These include platforms for matching retail investors and real estate assets or property management platforms for running residential, office, and retail properties.