



The **LatAm** Tech Report

A look into **LatAm's tech future** from
the eyes of its **builders**

20
23

Opening Letter

We opened the first edition of **The LatAm Tech Report** showcasing the grandness of Latin America. From Tijuana to Tierra del Fuego, this grandness not only remained but prospered: our GDP now surpasses US\$ 6T and we're inching closer and closer to 700 million inhabitants.

LatAm's grandness comes in many other forms, though. It also shines through when its startup founders transform challenges that seem as insurmountable as Aconcagua into opportunities as vast as the Amazon river. And as persistence is key, they do it time and time again – even when the outlook seems bleak.

We end this year with an estimate that our fundraising levels will go below pre-pandemic levels. Recent exciting deals show us that **we're taking the first steps to regain our pace** – but we're not looking at a throwback to 2021.

This past year made LatAm founders and investors not only stronger but wiser. Forced to do more with less and knowing only the best would survive and thrive, we expanded our capacity to focus. And so, we built **technology that will actually move the needle for us and our customers** while **keeping efficiency in check**. This is a common thread throughout all the pages you're about to read.

Once again, we hope to provide new coordinates for your opportunity map with **The LatAm Tech Report**. And since the best way to predict the future is to create it, we decided to **look into LatAm's tech future from the eyes of its builders**.

In the **Latitud Founder & Investor Survey 2023**, 100+ early-stage founders, investors, and operators across the region shared with us their perception on the fundraising environment, the maturity of their markets in LatAm vs the world, and the sectorial trends, opportunities, and challenges they see – with special attention to the rise of artificial intelligence (AI). This ecosystem perception was paired with a look at LatAm's most recent data and deeper conversations with ~30 founders and investors.

Opening Letter

The LatAm Tech Report 2023 starts with the **state of the general startup market in LatAm**. But we also explored the future of seven segments: **Fintech, E-commerce, Logistics, SaaS, Proptech, Edtech** and **Healthtech**. We asked ourselves these questions:

Context Setting: where are we now?

We're in the aftermath of the pandemic, yet still filled with economical, political, and social uncertainty. Seeing where each sector stands is a necessary baseline to understand how startup founders and investors are tracing their routes.

The Trends: what's changing and how are startups leveraging it?

Taking into account new market needs, the financing history, and the state of tech adoption of each sector, we highlight the macro and micro trends that already presented sizeable growth and will continue to do so.

The Opportunities: what can we expect?

For founders and investors looking at the medium and long term, we have also explored what players in each sector can take advantage of: new consumer behaviors and demands, remaining underserved markets with pressing needs, infrastructure gaps that curb growth and efficiency, and much more.

The Challenges: how should we prepare?

Just like every coin has two sides, we also present some challenges founders and investors in each sector will have to overcome in the coming years to propel their innovations.

Transforming Latin America is not a race but a marathon. This is a moment of looking at our maps, tracing our best routes, regaining our breaths, and restarting the climbing.

We believe that the journey's easier when we do it together.

Latitud



Latitud is the first-check partner for LatAm founders **building good sh*it.**



The Latitud Fellowship is where the top ideation-stage founders in LatAm come to learn, team up, get intros to the right people, and take their startups from -1 to 0.



Your partner from 0 to 1 and beyond. Latitud Ventures leads pre-seed rounds across Latin America and is the ideal first-check partner for top emerging founders in the region.

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building good sh*t, offering a stack for the VC track.

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VENTURES

Summary

08

Introduction

The state of the
LatAm startup market

16

The Future of **Fintech**

65

The Future of **E-commerce**

104

The Future of **Logistics**

134

The Future of **SaaS**

168

The Future of **Proptech**

207

The Future of **Healthtech**

243

The Future of **Edtech**

278

Team, data &
insights partners,
for more content

The state of the **LatAm** startup market



VC investments show a slowdown

The total number of venture capital-backed startups in Latin America started to pick up its pace in 2018. This metric reached a new level in the years of 2021 and 2022, which were also outliers in terms of total amount invested.

Although the number of VC-backed startups continues to rise, **so far, 2023 hasn't made the expected comeback in volume of capital invested.** Numbers are still lower than we saw in 2019 and 2020, even prior to the recent startup boom.

VC-backed startups in Latin America by country

(cumulative), 2013 - Q3 2023

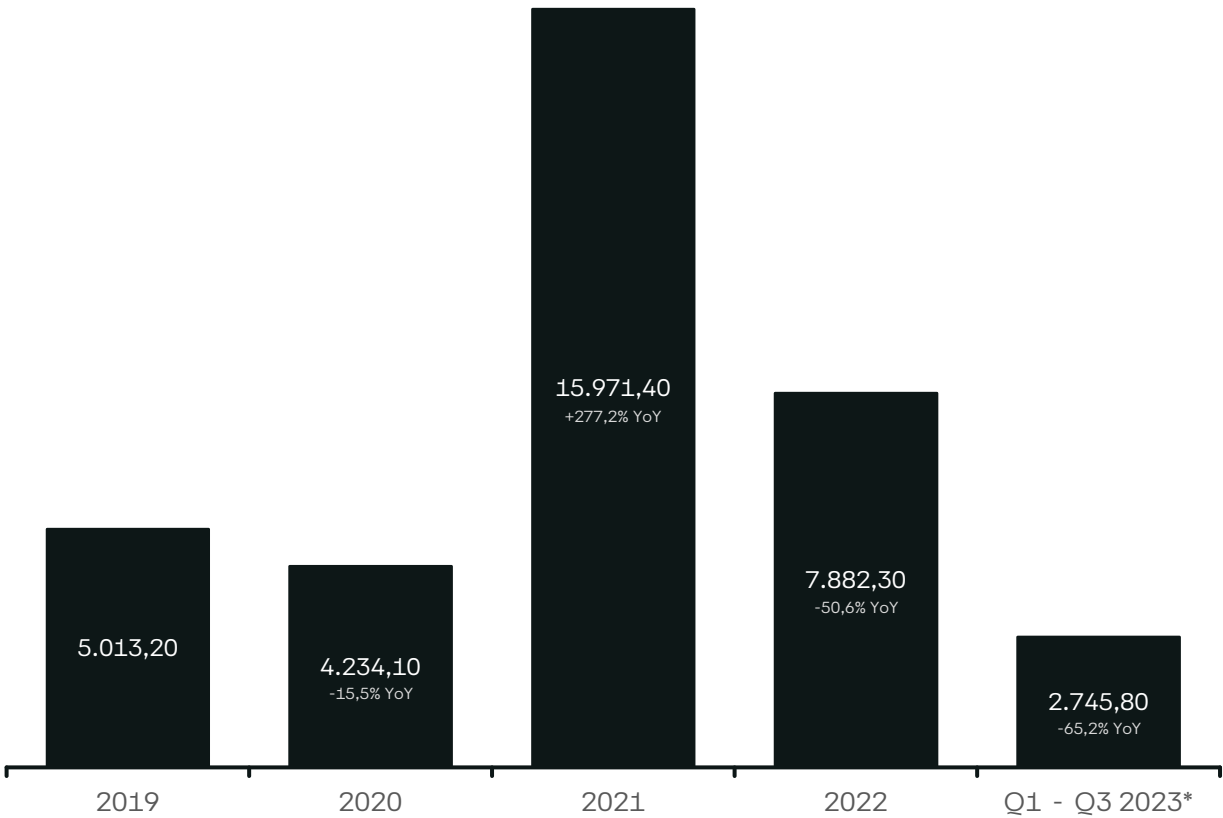
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1 - Q3 2023
Brazil	45	83	133	176	241	348	502	673	912	1174	1293
Mexico	18	39	57	80	104	144	201	243	323	448	475
Chile	2	12	14	22	34	65	95	113	154	211	235
Colombia	8	17	23	29	39	53	75	91	135	203	222
Argentina	21	37	48	56	63	72	89	101	155	204	219
Other	1	4	7	11	18	35	45	57	98	153	172
Total	95	192	282	374	499	717	1007	1278	1777	2393	2616

SOURCE: LAVCA November 2023

VC Investment in Latin America

2019 - Q3 2023

■ Capital invested, total (USD M)



* The decline rate should lower with Q4's results, providing the real year-over-year comparison
SOURCE: LAVCA November 2023

“ We need to look at the secular trend: the LatAm startup market is one that is still **undercapitalized** and that will **grow in the long-term**. But it's also a market that, to be effective, **doesn't need the amount of capital we saw in 2021**.

Riding the momentum isn't the best way to support companies. Sometimes, the more capital you have, the less focus you have on your core business. There's a **sweet spot of capital availability to have an effective business** and **that's what startups and investors are searching for right now.** ”



Carlos Ramos
LAVCA



Founders and investors are optimistic about fundraising in 2024

Founders and investors polled by the Latitud Founder & Investor Survey 2023 show an **increased optimism about the fundraising environment**.

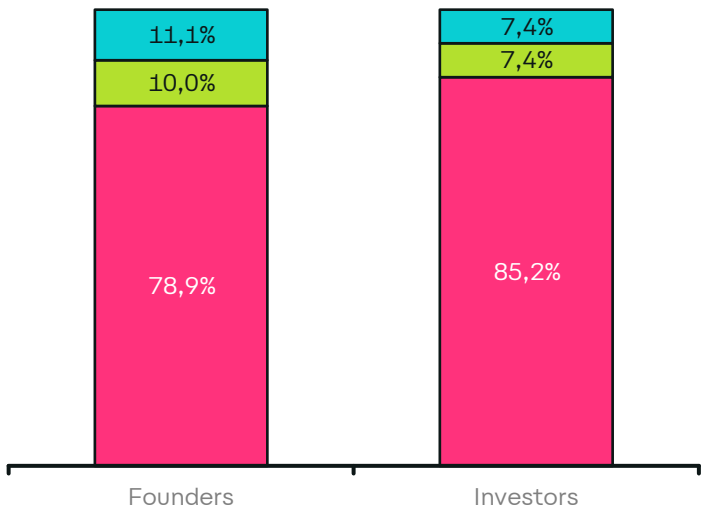
The vast majority of founders and investors saw a **worse environment when comparing this year to the boom year of 2021**.

When comparing this year's fundraising environment to **2022**, the **pessimism was reduced significantly but was still the prevalent answer**.

Expectations for 2024 present a brand new picture. The vast majority think the **next year will present a better fundraising environment**, to the point that no investor surveyed thinks it will be worse than this year's.

Do you feel like the fundraising environment has gotten better or worse in 2023, in comparison to 2021?

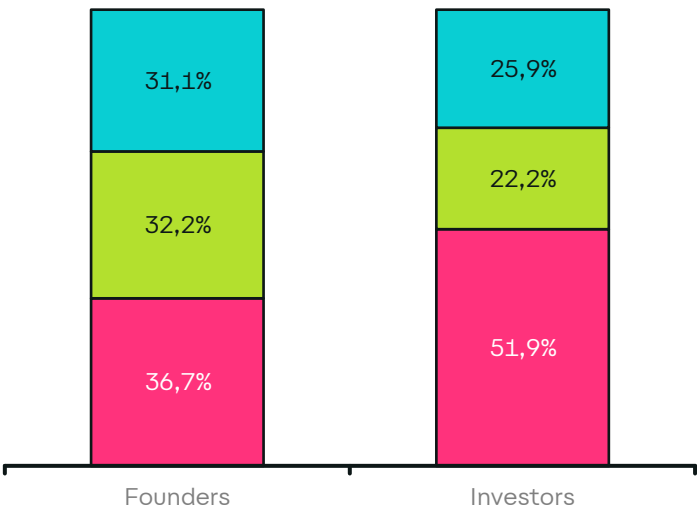
■ It has gotten worse ■ It has stayed the same ■ It has gotten better



SOURCE: Latitud Founder & Investor Survey 2023

Do you feel like the fundraising environment has gotten better or worse in 2023, in comparison to 2022?

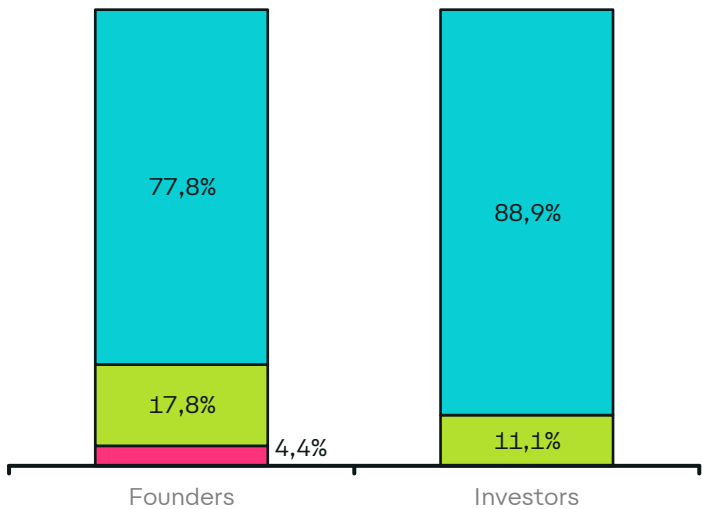
■ It has gotten worse ■ It has stayed the same ■ It has gotten better



SOURCE: Latitud Founder & Investor Survey 2023

Do you feel like the fundraising environment will get better or worse in 2024, in comparison to 2023?

■ It will get worse ■ It will stay the same ■ It will get better



SOURCE: Latitud Founder & Investor Survey 2023



LatAm is in the middle of its market maturity journey

Interestingly enough, LatAm founders and investors have arrived at **almost the same perception about the maturity of their chosen sectors**, in comparison to mature markets around the world.

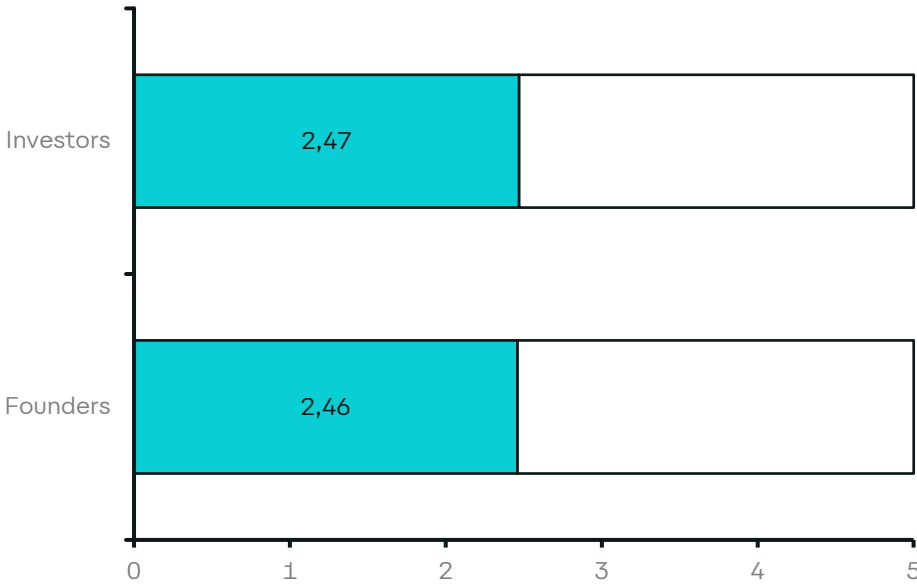
LatAm is at the middle of the road from incipient to mature. This a reflection of a mix of sectors that have already been through years of digital adoption (such as fintech and e-commerce); are in the middle of a digitalization process (logistics, proptech, healthtech); and are still in the beginning of that journey in comparison to US/European markets (edtech, climate tech).

The main obstacles for maturity observed from the surveyed founders and investors are:

- **Customer education** and creation of **digital habits** (especially when they're SMEs);
- Lack of **funding**, especially in the growth equity stage;
- Lack of major **liquidity events** that can serve as examples to other founders;
- The need to develop **artificial intelligence applications**.

Latitud's LatAm maturity index
With 0 being incipient and 5 being mature, how would you rate the current maturity state of the segment you're in as a startup founder or investor, when comparing it to other mature markets in your segment?

2.465 out of 5



SOURCE: Latitud Founder & Investor Survey 2023

“ At Latitud Ventures, we believe that the next decade will see **healthtech as the next frontier of innovation**. We’re particularly bullish about the B2B opportunities in this sector: from reducing fraud and waste (like Alinea Health or Arvo Saúde) to increasing access to out - of - pocket healthcare, improving the system’s infrastructure (Osana Salud), and digitalizing the revenue cycle and payment flows (Kuri Saúde).

We would add **B2B commerce and procurement** through either Vertical SaaS (FUDO, Extendeal, PulpOS, Agricompa) or marketplaces (Clubbi, Licify, Morado, Farmu) as **another massive area of disruption** – now enabled by the fintech infrastructure that was built and continues to be built by companies like StarkBank, Pomelo, and many others. ”



Tomas Roggio
Latitud Ventures



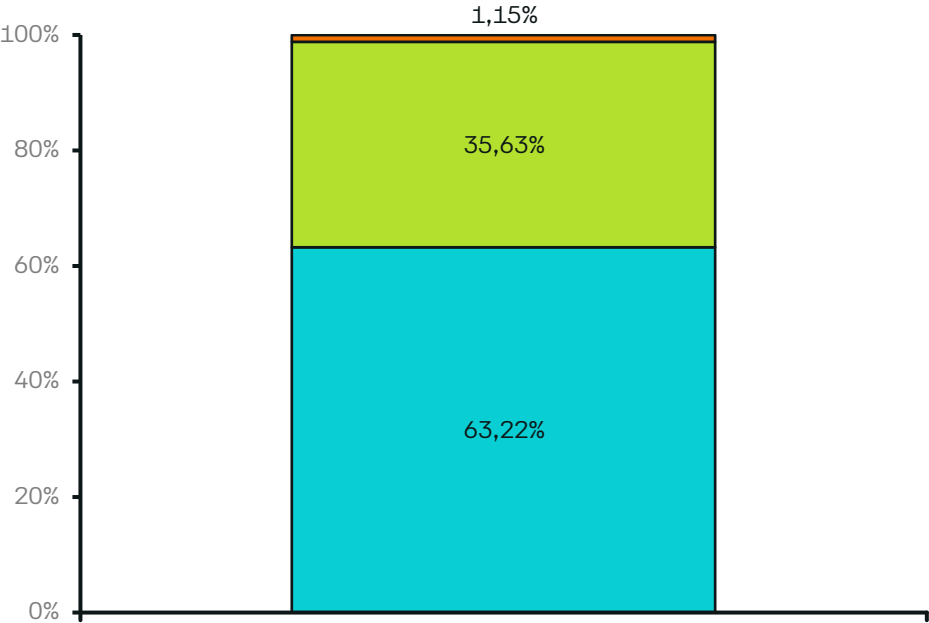
Most startups have implemented AI

While artificial intelligence is seen as a work in progress in Latin America, the **majority of startups in our survey claim to be using AI (63.22%)** in some form (from marginally to intensively, with low to high impact on their business).

Investors also pointed out that the vast majority of their portfolio companies have also adopted AI.

Have you been using artificial intelligence in your startup, or do you intend to?

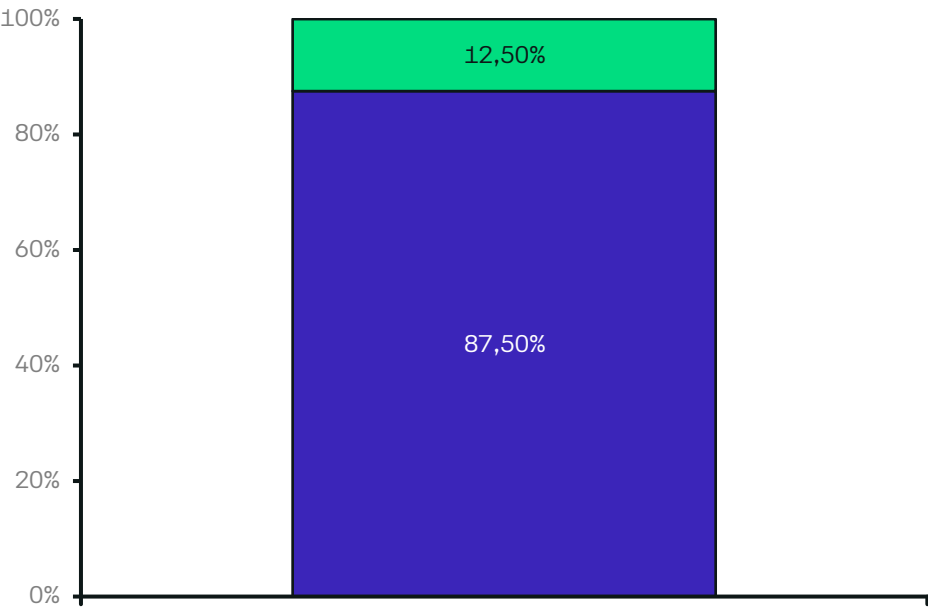
- I haven't been using AI in my startup and don't intend to use it in the future
- I haven't been using AI in my startup but intend to use it in the future
- Yes, I've been using AI in my startup but I don't intend to keep using it
- Yes, I've been using artificial intelligence in my startup and intend to keep using it



SOURCE: Latitud Founder & Investor Survey 2023

Have you seen startups in your portfolio using AI?

- Yes
- No



SOURCE: Latitud Founder & Investor Survey 2023



Fundraising is the biggest challenge for LatAm founders

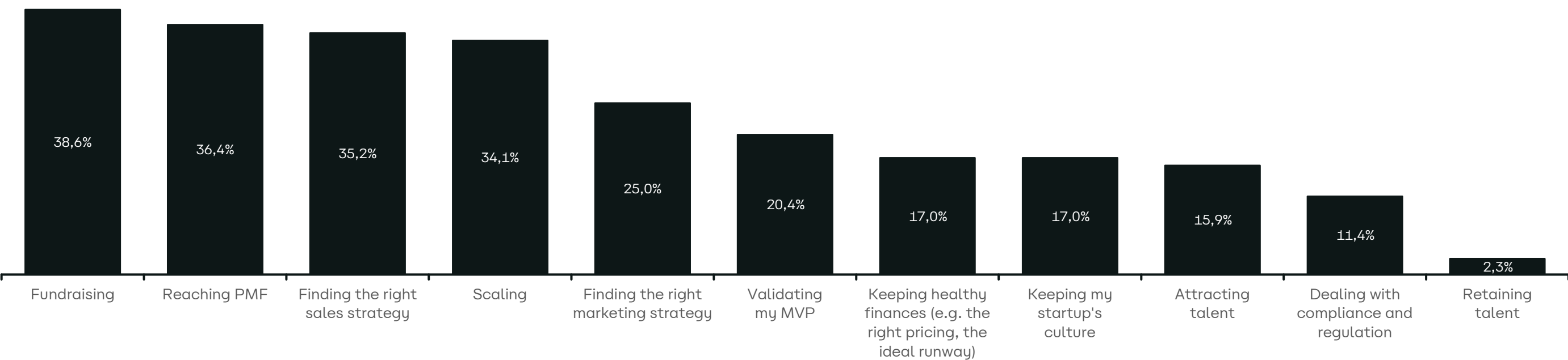
Fundraising is a challenge for almost 40% of early-stage founders surveyed, a sign of times of increased investor selectivity.

The next set of pressing challenges are related to **startup validation** (validating the MVP, reaching product-market fit) and **growth** (nailing the sales and marketing strategy, scaling).

More mature (talent acquisition and retention, culture) and specific (dealing with compliance and regulation) challenges complete the list.

What are the most pressing general startup challenges you've been facing?

Founders' answers only, multiple answers permitted



SOURCE: Latitud Founder & Investor Survey 2023

The Future of **Fintech**

The LatAm Tech Report 2023

Executive Summary

- Fintech is the **most mature startup sector in Latin America**, taking about **40% of all venture capital in the region as of 2023 YTD**. While Covid-19 has taken plenty of consumers and financial products and services online, there's still a lot to be done. After the **banking fintechs investment wave** and the **infrastructure laid by software fintechs**, **lending** and **payments** fintechs are following suit. They aim to solve gaps such as the lack of credit access and the abundance of rejected payments.
- Beyond the rise in lending and payment solutions, some other current trends for the fintech sector include **catering to companies and not end consumers** (B2B business model), with **embedded finance** being an example, and the adoption of **artificial intelligence** in predictive analysis, such as improving **customer service** and **credit scoring** based on past queries and data.
- Looking to the medium to long-term, opportunities for fintechs include catering to **promising niches**, providing **insurance**, tracking the evolution of **digital currencies**, and using AI once again, but this time for more **prescriptive and creative processes**.
- Even if the sector is mature, old challenges remain. Fintechs have to face obstacles such as **high cost of capital**, **obtaining and securing customer data**, increased **competition** and **cost of acquisition**, and **regulation** for spaces such as crypto and Open Finance.

The LatAm Tech Report 2023:

The Future of Fintech

Context Setting

- I. LatAm's fintech matured, but there's still much to be done
- II. LatAm's fintechs go from banking to software
- III. LatAm reaches 600+ venture-backed fintechs
- IV. Fintechs reach 40% of LatAm's VC investment
- V. LatAm's fintech funding goes beyond banking

The Trends

- I. Payments tech rises, boosted by instant and low-cost solutions
- II. Lending is between market opportunities and challenges
- III. B2B is the next fintech thing
- IV. Fintech is everywhere through embedded finance
- V. AI in fintech goes from customer service to credit scoring

The Opportunities

- I. Fintechs will double down on vertical solutions
- II. Insurtech is fintech's next frontier
- III. Currencies will go (partially) digital
- IV. AI will be a financial co-pilot and a trend predictor

The Challenges

- I. Cost of capital
- II. B2C competition and cost of acquisition
- III. Data privacy and security
- IV. Digital currencies' trust and regulation
- V. Open Finance's acceptance, regulation, and business models

Context Setting



LatAm's fintech matured, but there's still **much to be done**

The world has gone online during the first years of the Covid-19 pandemic, and Latin America's no exception. This increased access to the internet has also reflected in the financial services industry – from **boosted consumer adoption** due to sign-up convenience and increased competition to the consequent **expansion of venture capital investments**. Banking is the most well-known example of this trend (see more on the next slide).

Although the volume of fintech venture capital investment was significantly reduced in 2022 and 2023 YTD, the **sector's share of total VC invested was higher in these two years** than what we saw in the boom year of 2021. VCs see fintech as a matured safe haven, with software fintechs having already laid the foundation for other fintech segments to repeat banking's disruption trajectory.

Lending and **payments** for both end consumers and SMEs are next based on the investment volume seen from 2021 onward, while **investments** and **insurance** should follow their trail in the medium term.

Old paradigms have shifted, prices have declined through competition, and companies with poor technology have been, are being, and will be weeded out. 2023 was a year of **consolidation and value creation**, Kushki says.



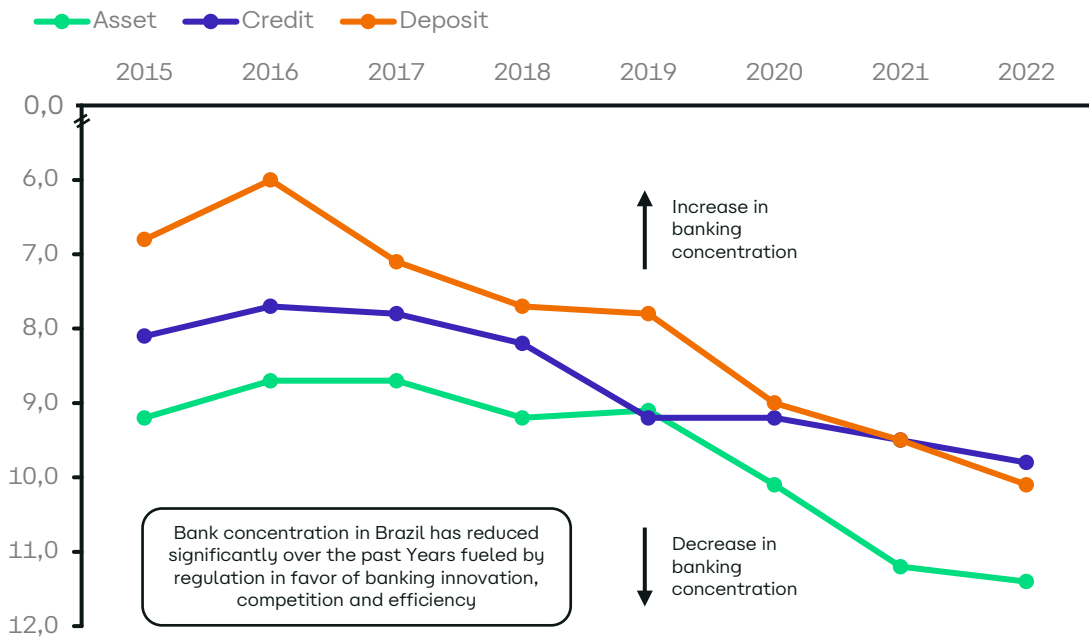
LatAm's fintech matured, but there's still **much to be done**

Banking's rise in LatAm

Opening a bank account **takes a few minutes** through your smartphone. This process became the norm during the pandemic. And that meant digital opening of accounts for traditional banks but **mostly for neobanks**, taking **Brazil's declining bank concentration as a proxy for LatAm**.

Bank account penetration has leaped in LatAm in 2021, while it stayed mostly flat in more mature markets such as the US. Consumer adoption and VC investments walked hand-in-hand: adding 2020 and 2021, **banking fintechs have raised over USD 2B**.

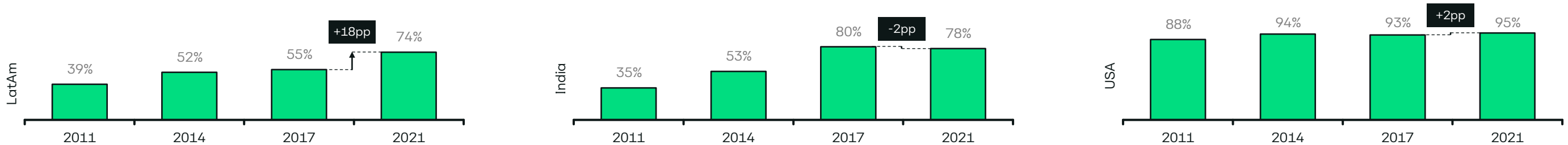
Bank concentration in Brazil is falling throughout offerings
2023, HHI (number of institutions, upside down for ease interpretation)



SOURCE: Atlantico's Latin American Digital Transformation Report 2023

Bank account penetration leapt in LatAm

2011, 2014, 2017 and 2021,% of population (age 15+)



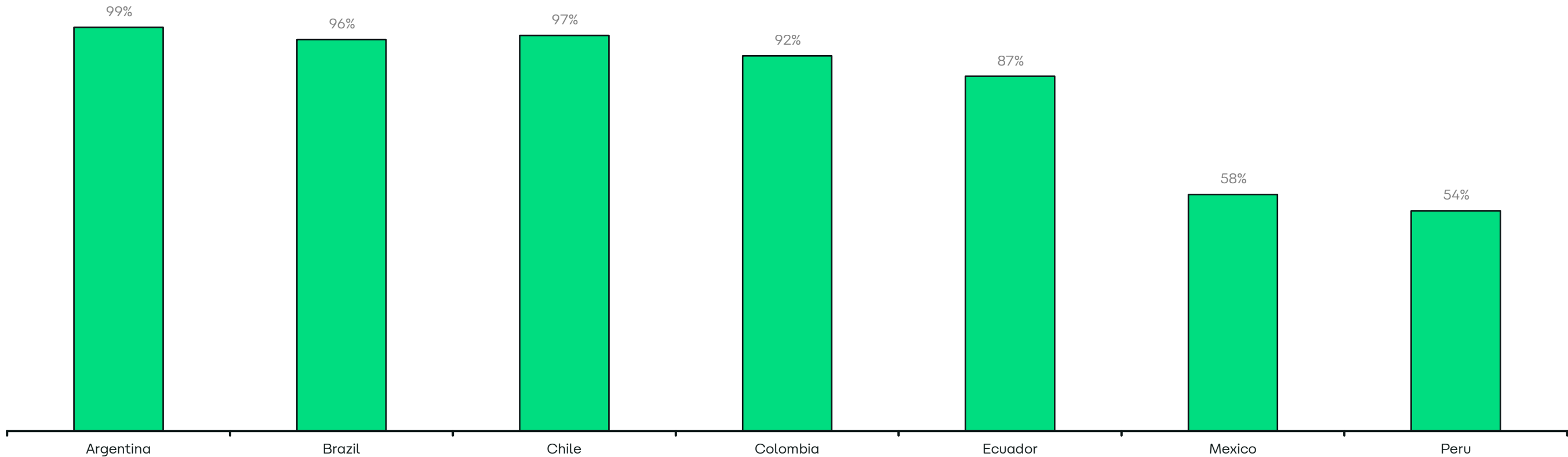
SOURCE: Atlantico's Latin American Digital Transformation Report 2023



LatAm's fintech matured, but there's still **much to be done**

Even with the slowdown in investment for banking fintechs, there are still opportunities to explore: **some LatAm economies still have to catch up**, such as Mexico and Peru, where **less than 60% of the population has a bank account**.

Number of adults with financial accounts vary in LatAm



SOURCE: [Americas Market Intelligence \(AMI\)](#) as of Aug 2023

LatAm's fintechs go from banking to software



Banking

Startups in this space provide services similar to traditional banks such as savings accounts, debit cards, credit cards, and other point-of-sale credit products.



Lending

Consists primarily of non-bank companies that provide a range of consumer and business loans, in addition to related underwriting services.



Payments

Startups in this space facilitate transactions, from an e-commerce payment to an international transfer.





LatAm's fintechs go from banking to software

Investment services

New capital market players have emerged offering features such as pre-trade analytics, order automation and execution, portfolio management, and access to alternative assets.



Insurance

Startups that are bringing innovation to the insurance sector in subcategories such as Health, Life, Car, Phone Insurance.



Fintech software

Startups that provide software on the financial services sector for both fintech and non-fintech players, from financial infrastructure and white-label products to management and FP&A platforms.



LatAm reaches 600+ venture-backed fintechs

There are now over **600 venture-backed fintechs across Latin America**. From 2015 to 2022, every year saw a rising number of added venture-backed fintechs (reaching 174 venture-backed fintechs added in 2022). The streak ended when looking at 2023 YTD and went back to pre-pandemic levels, with **49 venture-backed fintechs added up to Q3**.

While the number of new VC-backed fintechs went down, there's still volume to be invested in solutions that work. We recently saw a **comeback of sizeable late-stage fintech rounds**, with Series B rounds from Nomad (USD 61M) in August 2023 and QI Tech (USD 200M) in October 2023.

VC-backed startups in Latin America by tech vertical
(cumulative), 2013 - Q3 2023

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1 - Q3 2023
Fintech	10	24	34	52	84	136	197	266	394	568	617
Net additions	-	14	10	18	32	52	61	69	128	174	49

SOURCE: LAVCA November 2023

Financial services unicorns are spread across LatAm

The region has 20 unicorns in the fintech and insurtech sectors



SOURCE: Distrito's Corrida dos Unicórnios 2023



Fintechs reach 40% of LatAm's VC investment

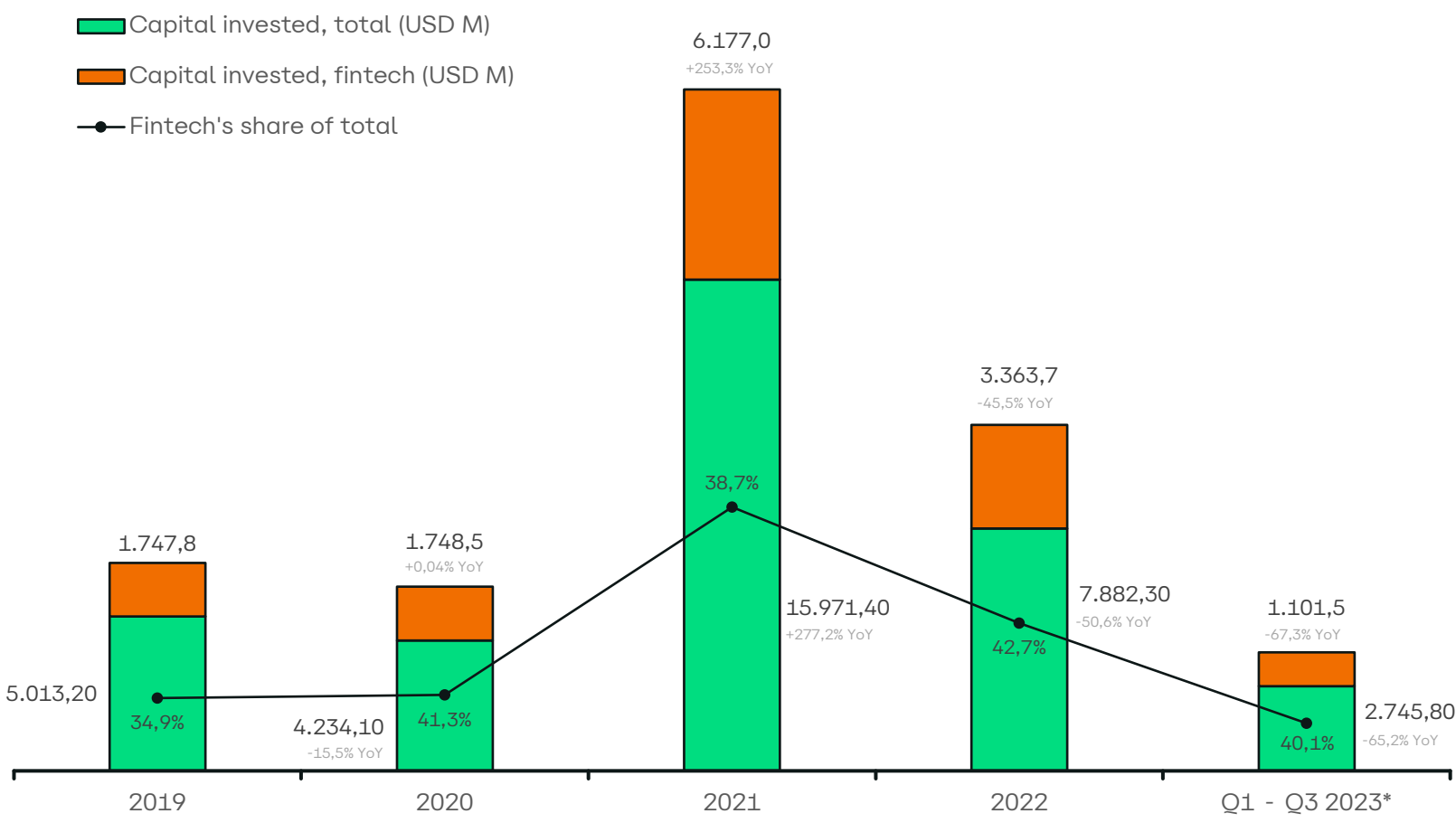
Investment in fintechs have picked up sooner than the overall startup market in the beginning of the pandemic, presenting a small growth vs the overall retraction in 2020 (+0.04% vs -15.5%).

In the boom year of 2021, it's interesting to note how venture capital has grown beyond its main sector in LatAm. Percentage-wise, fintech investment skyrocketed as expected but stood just behind the overall growth (+253.3% vs +277.2%). That made fintech get a smaller share of total capital invested.

In 2022, fintech's retraction was smaller when comparing to the overall startup market (-45.5% vs -50.6%), as investors kept backing the consolidated sector. **This year up to Q3, fintech saw slightly more retraction than the overall startup market (-67.3% vs -65.2%).** Even with these ups and downs, **fintechs still represent just above 40% of LatAm startup investing.**

Fintech's booming fundraising journey in LatAm

Venture capital raised by the fintech vertical (2019 – Q3 2023)



* The decline rate should lower with Q4's results, providing the real year-over-year comparison
SOURCE: LAVCA November 2023

“ **Fintech** continues to be the core of **the startup ecosystem of Latin America** for a myriad of reasons, but especially two.

First, it is the common denominator for some of the **most pressing issues** both individuals and businesses face in the region. Second, fintechs go beyond and **enable innovations inside other sectors**. The impact of fintech is multiple bigger than the sum of its parts. ”



Marcial González Fraga
Latitud Ventures

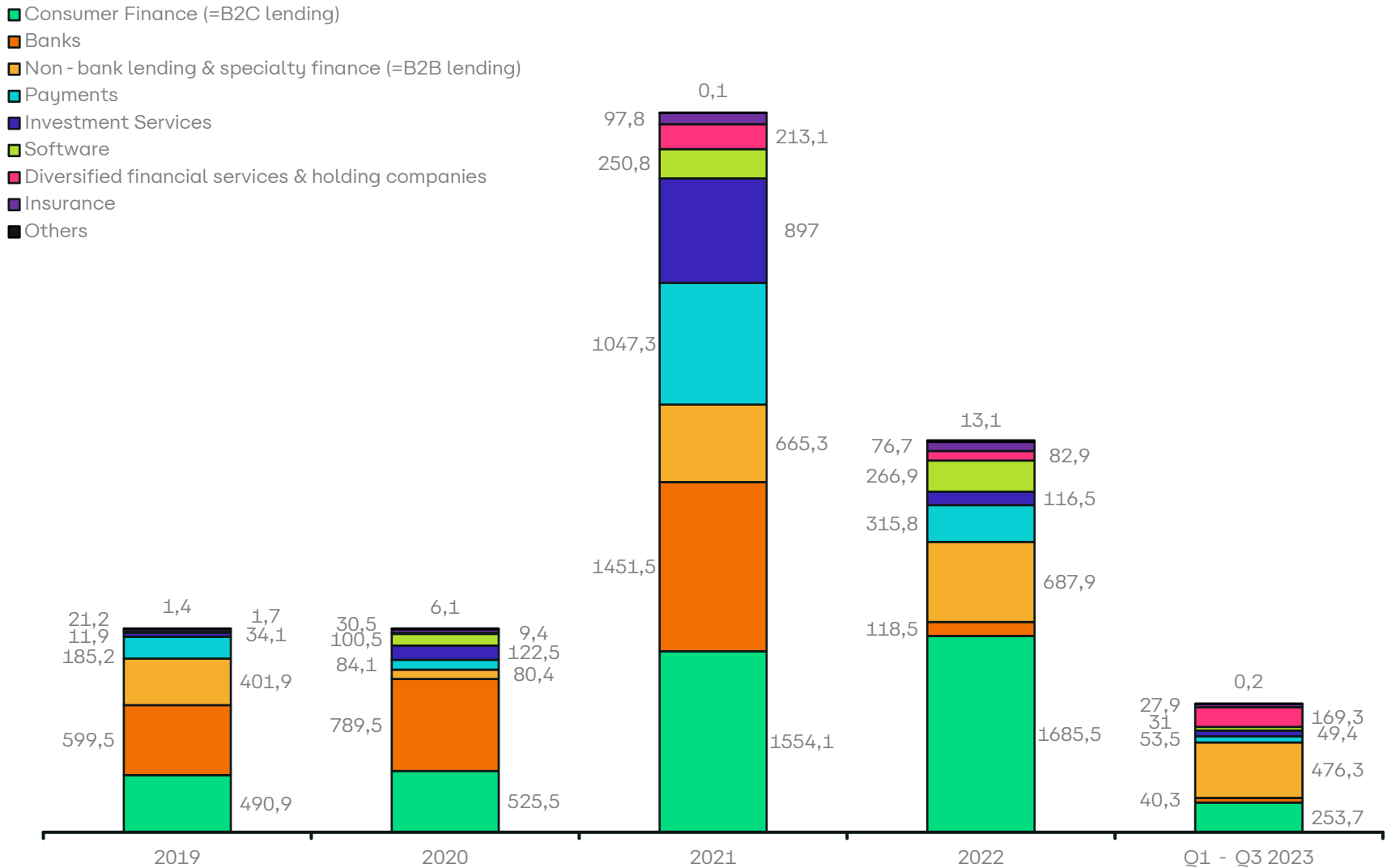


LatAm's fintech funding goes **beyond banking**

Founded in 2013, **Nubank became the most prominent case in the fintech banking segment in LatAm.** That opened the scene not only for other fintechs in banking but other financial services segments as well. Before and in the first year of the pandemic, **banking was the most-invested category while consumer finance took second place** (= financial products to individuals, such as credit cards and personal loans).

The story was different in the boom year of **2021. was finally surpassed by consumer Bankingfinance and payments grew sharply.** This showcased how investors were looking to expand their fintech bets while the banking segment's scene was already full of competitors. Having an account is just one piece of the puzzle for consumers and businesses.

Venture capital investment in Latin American Fintech by sector
2019-1H 2023, organized by higher investments in 2023



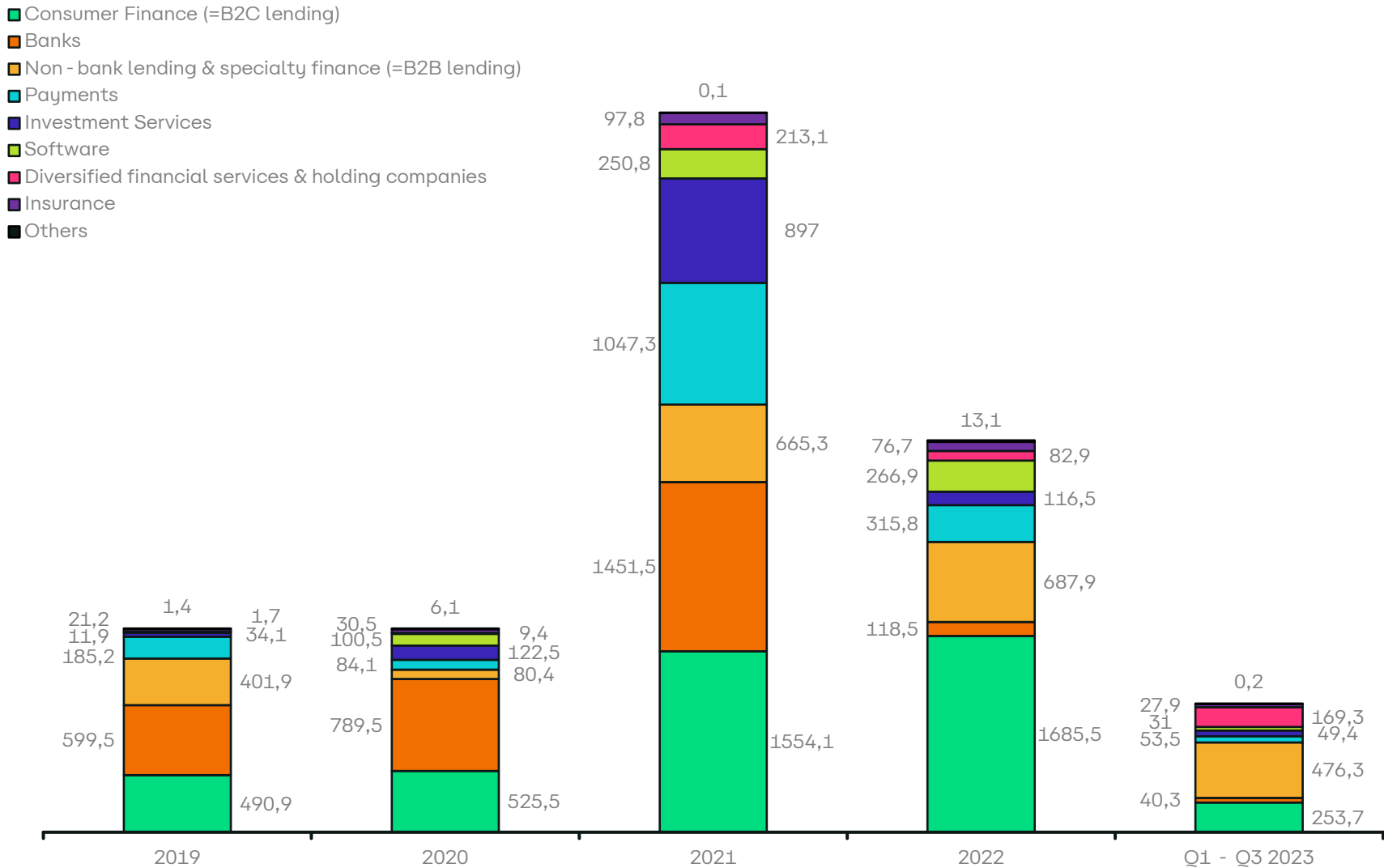
SOURCE: LAVCA November 2023

LatAm's fintech funding goes **beyond banking**

2022 presented a decline in investments in the general startup market, including fintechs. Still, we saw some sectors inside fintech that actually grew in venture capital, such as once again consumer finance; non-bank lending & specialty finance (= financial services primarily to SMEs, including lending); and fintech software.

In 2023 YTD, only the diversified financial services & holding companies category grew (a category of diverse financial businesses, such as financial research).

Venture capital investment in Latin American Fintech by Sector
2019-1H 2023, organized by higher investments in 2023.



SOURCE: LAVCA November 2023

The Trends

Payments tech rises, boosted by instant and contactless solutions



Innovation in payments has been fostered with progressive **interoperability** (a.k.a. letting new players enter the same scene as incumbents).

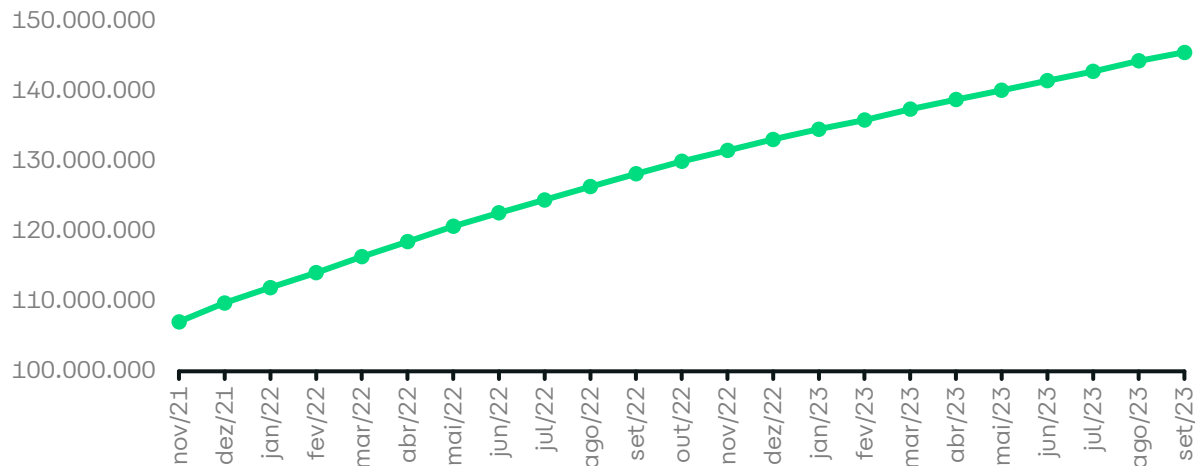
Brazil can serve as an example of old and new interoperability tales. Back in 2010, the country opened its acquiring networks and is now home to 30+ domestic and international payment processors, from Cielo and Rede to PagSeguro and Stone.

10 years later, the Brazilian Central Bank entered the payments processing scene with **Pix**, an instant payment service that's been growing at breaking-neck speed.

Pix is now close to 150M users and reaching new transaction records from April 2023 onward. The service already bolstered Brazil to the 2nd global place in real-time payment markets, based on the number of transactions per capita.

Brazil's Pix users grow steadily

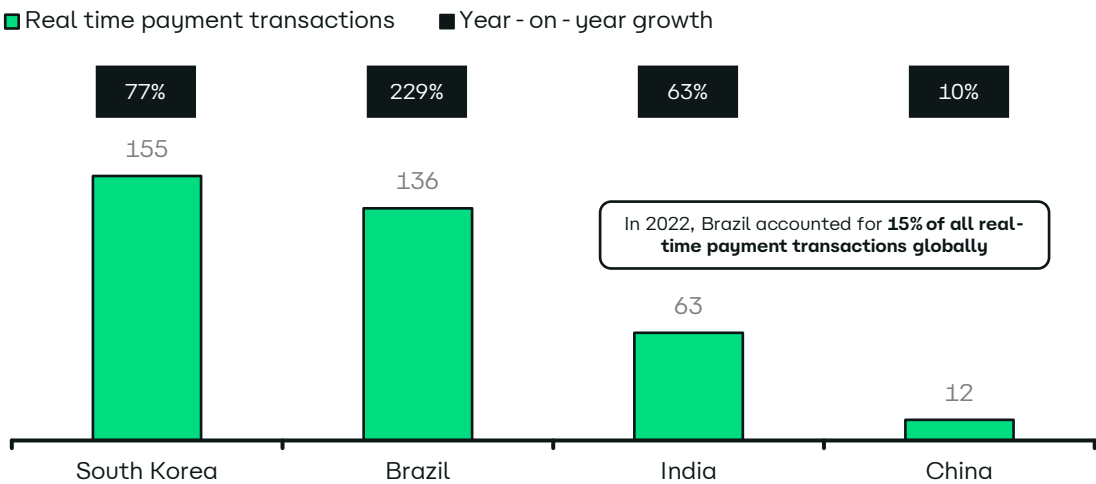
Oct/21 to Sep/23



SOURCE: Banco Central do Brasil up to September 2023

Brazil's between the top 5 real-time payment markets per capita globally

2022, transactions per capita



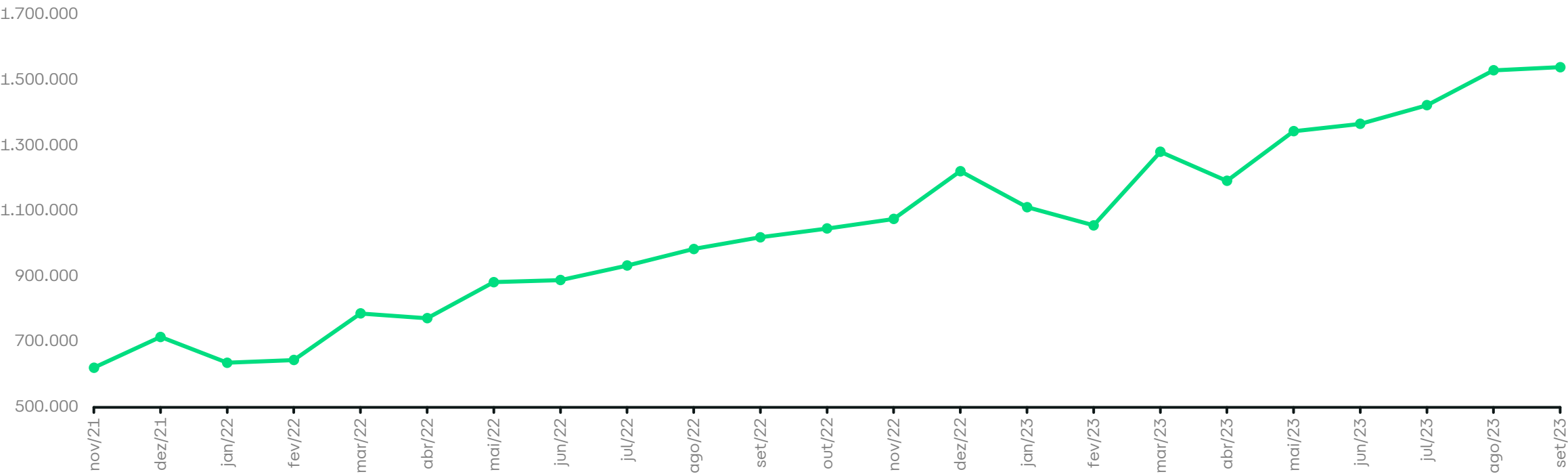
SOURCE: Atlantico's Latin American Digital Transformation Report 2023.



Payments tech rises, boosted by instant and contactless solutions

These transactions are not **only peer to peer (P2P)** but also **peer to business (P2B)**, as merchants also see low or no-cost fees and instant payments as benefits. Pix is now preparing to roll out features such as installments, programmed, offline, and international payments in 2023 and 2024.

Transactions through Pix hit record after record
In millions of reais



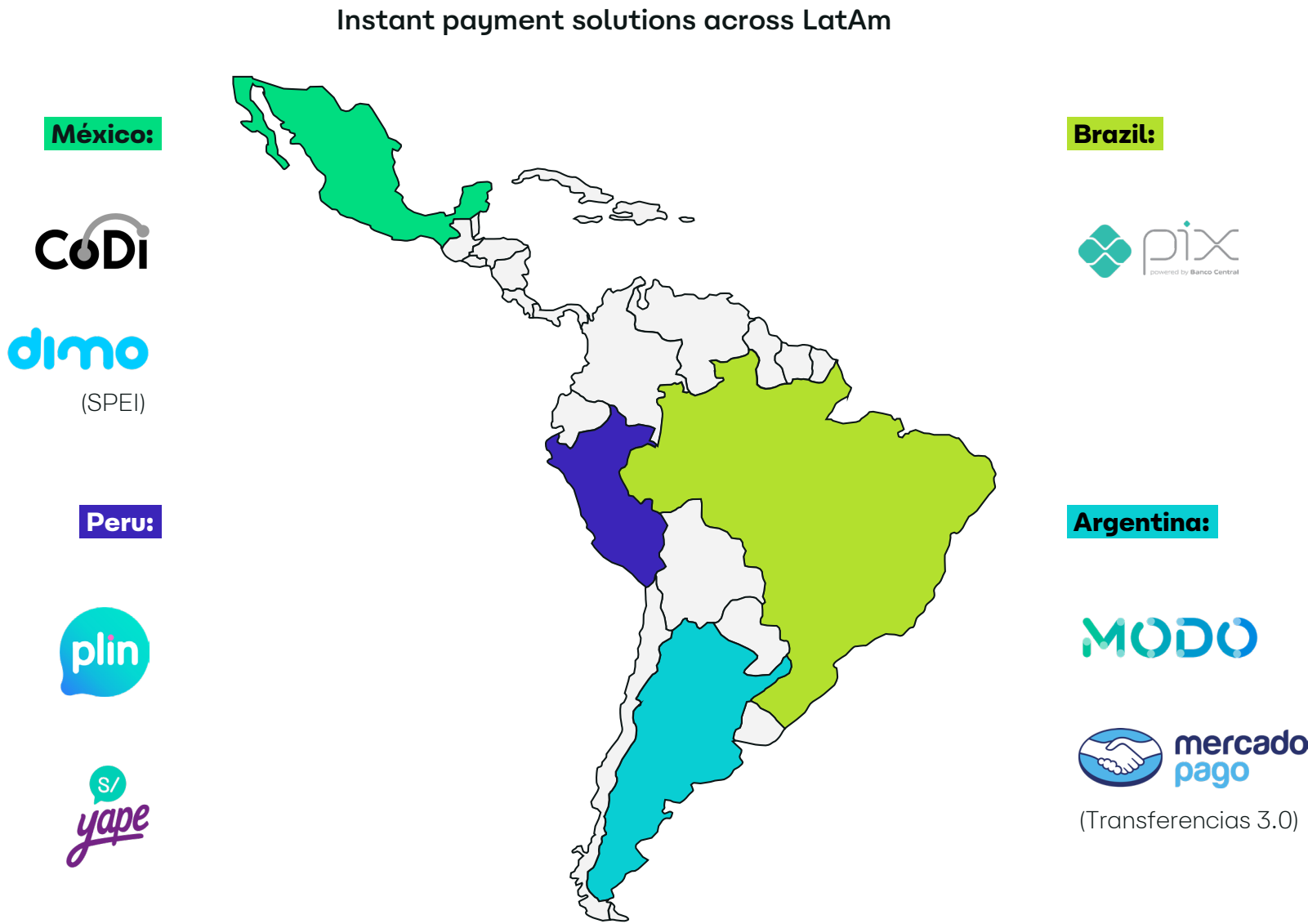
SOURCE: Banco Central do Brasil up to September 2023



Payments tech rises, boosted by instant and contactless solutions

These stories may be repeated in other LatAm countries at varying levels. Colombia (2012), Argentina (2019), Chile (2020), and Peru (2020) have also ended exclusive acquiring networks (even though most still operate with duopolies).

Public institutions around LatAm have been working on their own instant payment infrastructures, such as the Argentine infrastructure Transferencias 3.0 and the Mexican infrastructure SPEI.



SOURCE: Kushki's Digital Payment Trends in Latin America in 2023, FIS Global Payments Report 2023



Payments tech rises, boosted by **instant and contactless solutions**

In addition, there are over 20 **bank or fintech-led instant and low-cost payment schemes** in LatAm, such as CoDi and DiMo (Mexico), Yape and Plin (Peru), Modo (Argentina), and Mercado Pago (Argentina and across the region).

But these initiatives have yet to be as successful as Pix. Modo reached 9M users in September 2022 (19.5% of population coverage), while Pix had almost 120M users at that same point in time (55.8% of population coverage). And DiMo was launched in March 2023 after CoDi's failure in adoption.



Payments tech rises, boosted by instant and contactless solutions

Even with the rise of Pix, credit cards are still the preferred payment method in LatAm's e-commerce by a wide margin, at 51% of transactions. When it comes to physical retail, credit cards account for 20% of transactions. But that doesn't mean consumers still need to carry plastics around stores, and that business still need to have hardware to process these payments.

Contactless payments, also known as **tap to pay**, have been around for a while (Mastercard and Visa implemented the feature back in 2017). Now they represent more than 35% of in-store card transactions in LatAm. Apple announced its tap to pay feature in Brazil last September, after one year of Google Tap's presence in the country.

Now that the clunkiness has been solved on the consumers' side, fintechs are looking to **solve the business side** as well. 78 million small merchants across Latin America still do not accept cards, out of 106 million total enterprises. These cards still need to be tapped on POS machines, considered expensive and fussy by many small merchants. So the next best thing is converting LatAm's 400+ million smartphones into POS devices and popularizing **tap on phone**.

Startup cases



The payments fintech has developed the first app that allowed businesses to accept payments using Apple's tap to pay technology in Brazil.



The fintech has an app that lets businesses use their smartphones to process card payments, boosting their sales.



Lending is between market opportunities and challenges

There's a natural progression when consumers and companies access financial services. First they expect a place where they can keep their money (an account). Then they expect to be able to move that money around (payment solutions). The next natural step is leveraging their good behavior to go beyond the money they currently have (and that's **lending**).

From credit to loans, from consumers to businesses, working with financing solutions is a **double-edged sword for fintechs**, according to a collective reflection by Jeeves' Dileep Thazhmon, Pomelo's Gaston Irigoyen, and NuMundo Ventures' Ivan Montoya.



Lending is between market opportunities and challenges

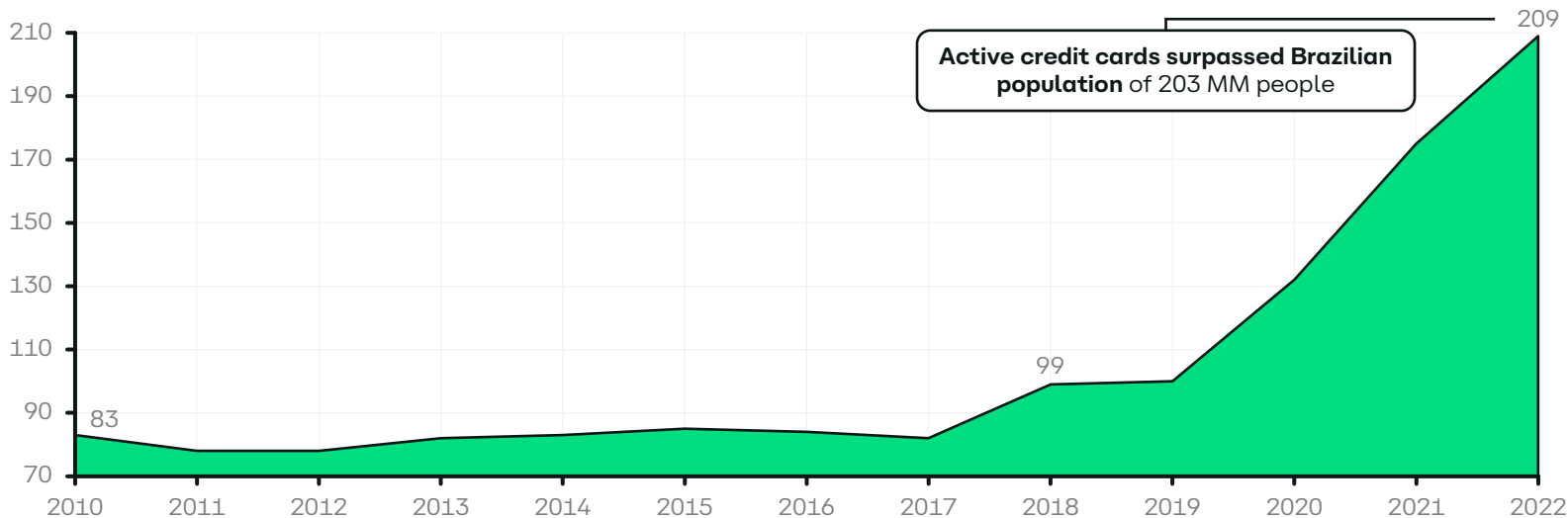
On one side, providing credit is a natural step for companies to make use of their previous relationship with customers and gain more share of wallet with a historically profitable business.

On the other, it's a capital-intensive business in an environment where interest rates are high and competition for the lowest rates is fierce (and that includes traditional banks with reduced costs of capital). And this is all happening while venture capital for all startups, including fintech, is dry.

This double-edged sword also applies to borrowers. Taking Brazil as an example, credit cards have grown to the point of outnumbering citizens. But consumer debt is also at record levels. That should be a yellow flag both for borrowers, of course, but also for lenders. Lending fintechs should **balance entering untapped markets with precise risk assessment models** to have a successful lending business.

As number of credit card grows, so does consumer debt in Brazil

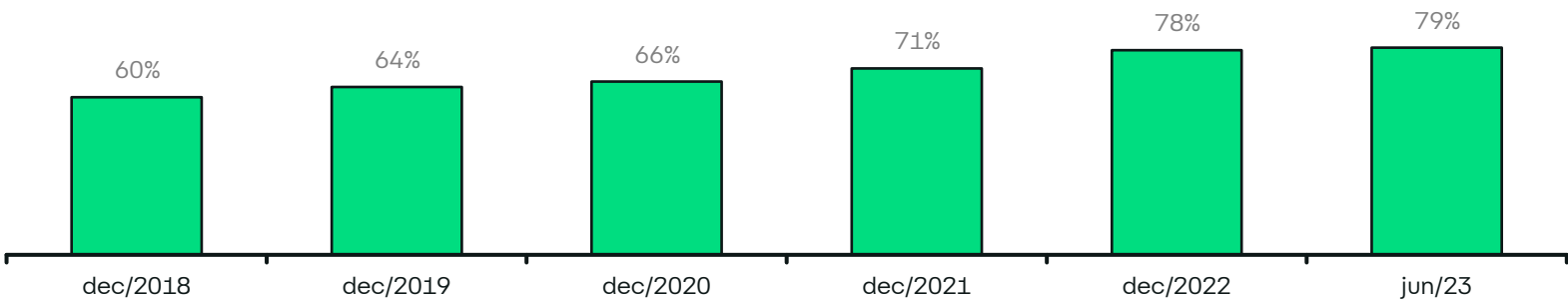
Growth in number of credit cards in Brazil
2010-2022, MM



Active credit cards surpassed Brazilian population of 203 MM people

SOURCE: Atlantico's Latin American Digital Transformation Report 2023.

Consumer debt increase in Brazil
2018-2023, % of consumers with debt



SOURCE: Atlantico's Latin American Digital Transformation Report 2023.



Lending is between market opportunities and challenges

Startup cases



The lending startup offers personalized loans for freelancers and gig workers.



The debt capital markets digital platform connects companies raising debt to institutional investors.



The BNPL startup caters to consumers in Venezuela, where many credit restrictions remain, Reuters report.



Lending is between market opportunities and challenges

Startup cases



The lending unicorn bets on collaterals to reduce interest rates, in the form of auto equity and home equity loans for end consumers.



The fintech provides financing alternatives and insurance for companies that deal with imports.



The startup offers monthly and annual car rentals loans, with the option of buying it later on without lengthy processes for credit approval.



The startup's also in the gig economy, but by supporting drivers with a car subscription model. They can get a new car now and eventually purchase it at a fixed price by the end of the contract.

“ **Lending is challenging, difficult, and risky** – especially when investors compare it to a software company that could be cash flow positive from day one, and see the need to raise more capital even during tough times and the associated dilution for both founders and investors. But it's still a massive B2B and B2C opportunity, especially in Spanish - speaking LatAm. **The percentage of people who have a credit card is small in Mexico** and even if they do have it, they still use it as they would a debit card. ”



Ivan Montoya
NuMundo Ventures

“ **Fintech is still very much the story of the opportunity of financial inclusion:** the sector has evolved from card issuers and payment processors to providers of economy - changing liquidity to consumers. **The economies in LatAm are oftentimes living paycheck to paycheck.** Providing payroll advancement to a medical expense can change their livelihood. It’s a story of **democratizing access to the financial system and improving the lives of consumers.** ”





B2B is the next fintech thing

After the B2C Fintech wave, we're seeing also the **rise of B2B Fintechs**, or financial services startups that serve other companies instead of consumers. We see B2B Fintech cases throughout this report.

Globally, **funding for B2B Fintechs presented higher growth and then less retraction than funding for B2C Fintechs**, McKinsey says.

In LatAm, LAVCA's funding data has shown how categories such as fintech software and non-bank lending & specialty finance have grown in 2022 in comparison to 2021. Both are categories with a B2B business model.

While Fintech B2C still has room to grow (as shown by the rise in venture capital for consumer finance), Fintech B2B is seen as a market that has yet to see the crest of the financial services innovation wave.

“ We’ve seen the first wave of fintech innovation with B2C, from Nubank to Mercado Pago. Only now we’re witnessing the **second wave of fintech innovation with B2B Fintechs**. Some transformations we can already perceive are **mobile POS**, **corporate credit cards**, and **account payables** and **receivables management** for small and medium enterprises. But even though these have already been in development for the past few years, it's only playing out now. ”





Fintech is everywhere through **embedded finance**

While we're talking about B2B Fintechs... Every company will be a fintech company, to quote a16z's Angela Strange. **Embedded finance** allows non-financial services companies to offer financial services for their customers, including the previously explored payments and lending offerings and adding investments and insurance offerings to that mix.

Companies that go from retail and supply chain to gas stations and telcos can increase their consumers' share of wallet and lifetime value while outsourcing the time and costs involved in licenses, processes, and security measures integral to financial services. Consumers that were previously not commercially interesting for banks can also access new sources of financial services providers.

Embedded finance's benefits have made it attractive for the Latin American market, taking as a proxy a comparison with the US.

Startup cases



The fintech helps financial services and non-financial services companies, from banks to CPG corporations, to offer credit to their suppliers and customers.



The fintech helps other startups, from e-commerce player Olist to payment provider dLocal, to offer lending for their customers.



Fintech is everywhere through **embedded finance**

Startup cases



The fintech offers banking-as-a-service throughout LatAm, with financial solutions such as accounts, cards, credit, and fraud prevention for traditional companies, startups, and even other fintechs.



The fintech offers cards infrastructure to other companies throughout LatAm. Some of their user cases are Rappi, Nomad, Stori, and Bitso.



The fintech enables e-commerces and payment processors to provide financing to their merchants.

“ Embedded lending can support the millions of small & medium businesses now **misunderstood by legacy financial institutions**. We now have access to the data, infrastructure, and technology necessary to not only seamlessly coalesce data from multiple sources but also to embed this whole offering **inside the solutions that SMBs already rely on.** ”



Miki Inoue
R2



AI in fintech goes from **customer service** to **credit scoring**

With improved access to digital services, comes a pool of data that financial services startups have been organizing, structuring, and using it in conjunction with **artificial intelligence** for some years now.

Fintechs apply AI in processes that involve deduction (formulating conclusions) and induction (assigning probabilities to conclusions), says ALLVP while citing Jerry Neuman's "AI and the Structure of Reasoning". That means **fintechs are already using AI to reap benefits such as:**

Credit scoring and collection: Artificial intelligence allows fintech to sift through a lot more variables with much less time and costs involved. That's especially useful in the risk analysis and credit scoring scene. Users get quicker confirmations or refusals of their credit requests, while fintechs can make more precise projections on how much credit they should give and what's the chance of repayment of that loan.

Startup cases



The fintech unicorn has data science teams using artificial intelligence to build and refine its credit models. Clara indicates what line of credit best serves each company and anticipates trends to offer new lines and new credit limits according to businesses' evolving needs.



The startup uses AI to improve debt collection across LatAm, from evaluating customers that would benefit from special payment conditions to promoting more effective conversations. Some of Colektia's clients are the unicorns Nubank and Rappi.



AI in fintech goes from customer service to credit scoring

Customer service: In line with other sectors, fintech can use AI, especially large language models (LLMs) and natural language processing (NLP), to create chatbots aimed at not only guiding customers through the discovery, consideration, and conversion phases but also helping these customers after the sale, in processes such as payment collection and update of their personal information.

Startup case



The startup builds NLP-powered chatbots that provide automated and always-available customer service through social media. Some of Blip's clients are major Brazilian banks, such as Bradesco and Itaú.

Fraud detection: AI can be used to analyze with lower costs and at scale data such as the value of the transaction, the time when it was made, the location of the smartphone or the card, and customers' biometrics to identify and curb suspicious behavior.

Startup case



The startup uses biometric features to verify customers' identity and curb frauds when opening bank accounts and making online payments, for example. Unico has 4 out of 5 main Brazilian banks in its client base.



AI in fintech goes from **customer service** to **credit scoring**

Products recommendations: Fintechs can use AI to go through customers' past data and give them investment and insurance recommendations based on parameters such as financial goals and risk tolerance, for example.

Startup case



Olivia was an AI-powered financial planning startup that offered recommendations for customers to have a healthier financial life based on their spending track record (and that could mean accessing a marketplace of selected financial products inside the app). In 2021, Nubank acquired the startup and integrated it within its app.



The fintech software provider through application programming interfaces (APIs) has proprietary machine learning models. These models go through transactions made via the APIs to provide information to serve various uses, from the previously mentioned credit scoring to financial health advice and product recommendations.

The Opportunities




Fintechs will double down on **vertical solutions**

As competition gets fiercer in the financial services industry, **catering to niches is increasingly seen as a way to build moats**. Fintechs can be more focused with their resources while still servicing sizeable markets, catering to their **specific needs rather than a one-size-fits-all** approach.


Vertical fintech solutions grow especially when they can embed themselves into vertical softwares-as-a-service (SaaS), per the analysis of the European VC fund Inventure. Fintechs **can help their subscribers deal with low digital maturity for financial services**, as most of their financial work is done on paper or manual spreadsheets.

Some examples of vertical fintechs in Latin America can be seen in **agriculture, education, and health**. Other fintechs also explore verticals inside gigantic markets, such as catering to cross-border inside the e-commerce sector or catering to mom-and-pop shops inside the traditional commerce sector.


Startup case

cometa

The fintech provides a platform for both schools and parents, following up, categorizing, and organizing payments.

educbank

The fintech provides financing for private schools.

finanex

The fintech offers financing to agriculture exporters operating in dozens of countries through its digital platform.

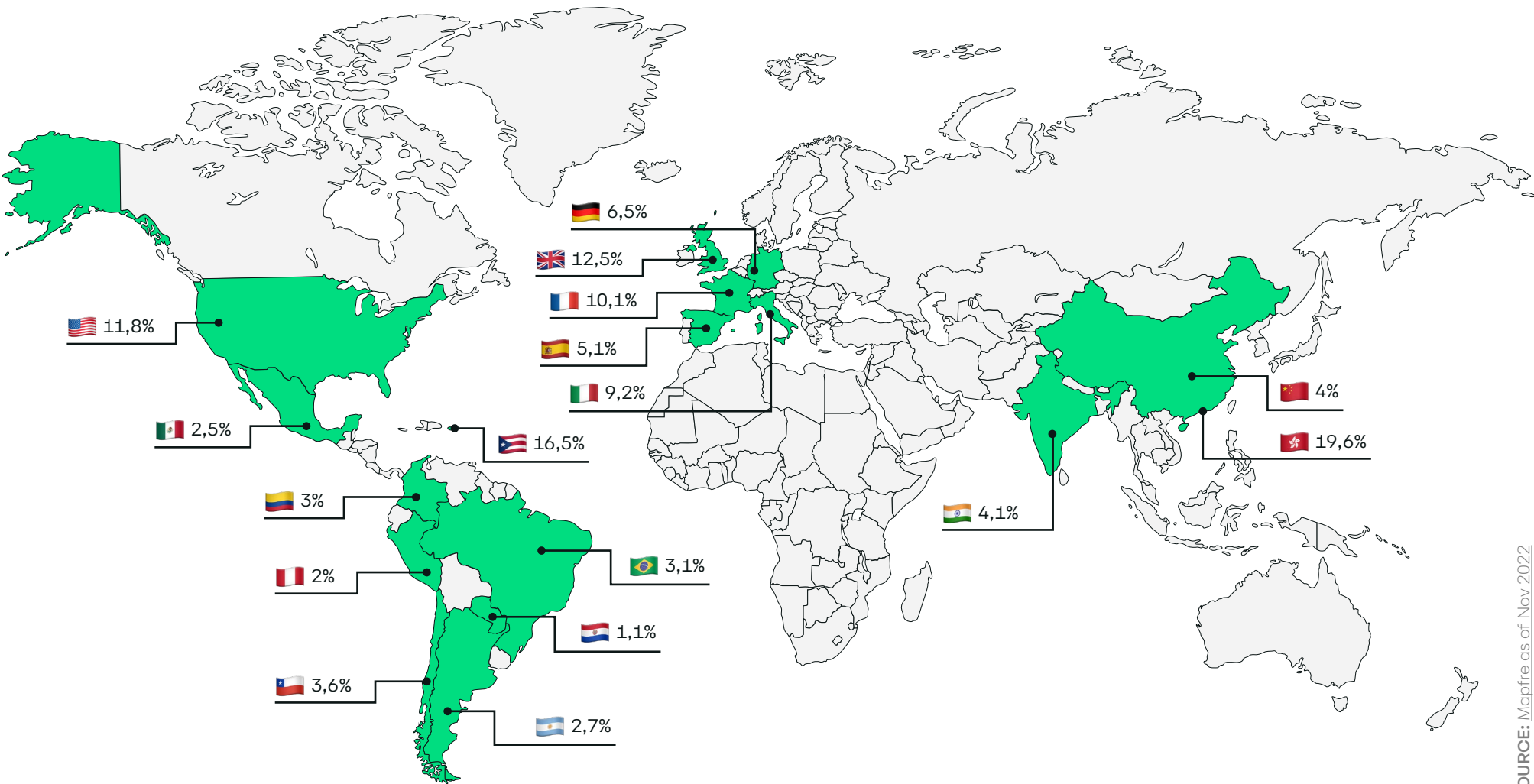
Insurtech is fintech's next frontier



LatAm still has to catch up in terms of the economic weight of insurance
Premiums/GDP

By the end of 2022, Mapfre reported that Latin America had reached an all-time record of insurance penetration (premiums in relation to GDP), at 3%. LatAm's global insurance premiums grew 15.9% and reached USD 173.7B in that same year.

Even so, Mapfre states that USD 400B would be an "economically necessary" insurance level for the region. Hence, there's an **insurance gap of USD 250B per year in the region**. LatAm's penetration was still under the global average in 2022.



Latin America average: **3%** Global average: **7,1%**

Latin America is, in general, an underinsured region

SOURCE: Mapfre as of Nov 2022



Insurtech is fintech's next frontier

Some contributors to that difference are the slowed rate of economic growth in the past decade, the unequal income distribution, the underdeveloped financial education, the limited implementation of public policies aimed at insurance, and the lack of interest from incumbents in serving lower and middle-income brackets.

Founders and investors are betting on innovation to overcome these challenges and **digitalize the enormous yet traditional insurance segment**. The insurtech segment has accompanied the fintech sector and seen a jump in investments in 2021. And in both 2022 and 2023, insurtech's retraction was smaller than what we saw overall (-21.6% and -63.6% in insurtech vs -45.5% and -67.3% in fintech).

Startup cases



The startup offers corporate healthcare plans with the value proposition of curbing annual price increases while providing digital customer service and medical history access.



The startup provides a platform for companies to provide benefits for their employees, including dynamic insurance, with coverage that accompanies their habits.



Insurtech is fintech's next frontier

Startup cases



Besides lending and debt repayment solutions, the fintech offers insurance for cars and motorcycles through its digital platform, with simplified access and support for the drivers via WhatsApp.



The startup provides customized insurance to businesses depending on their needs and sizes.

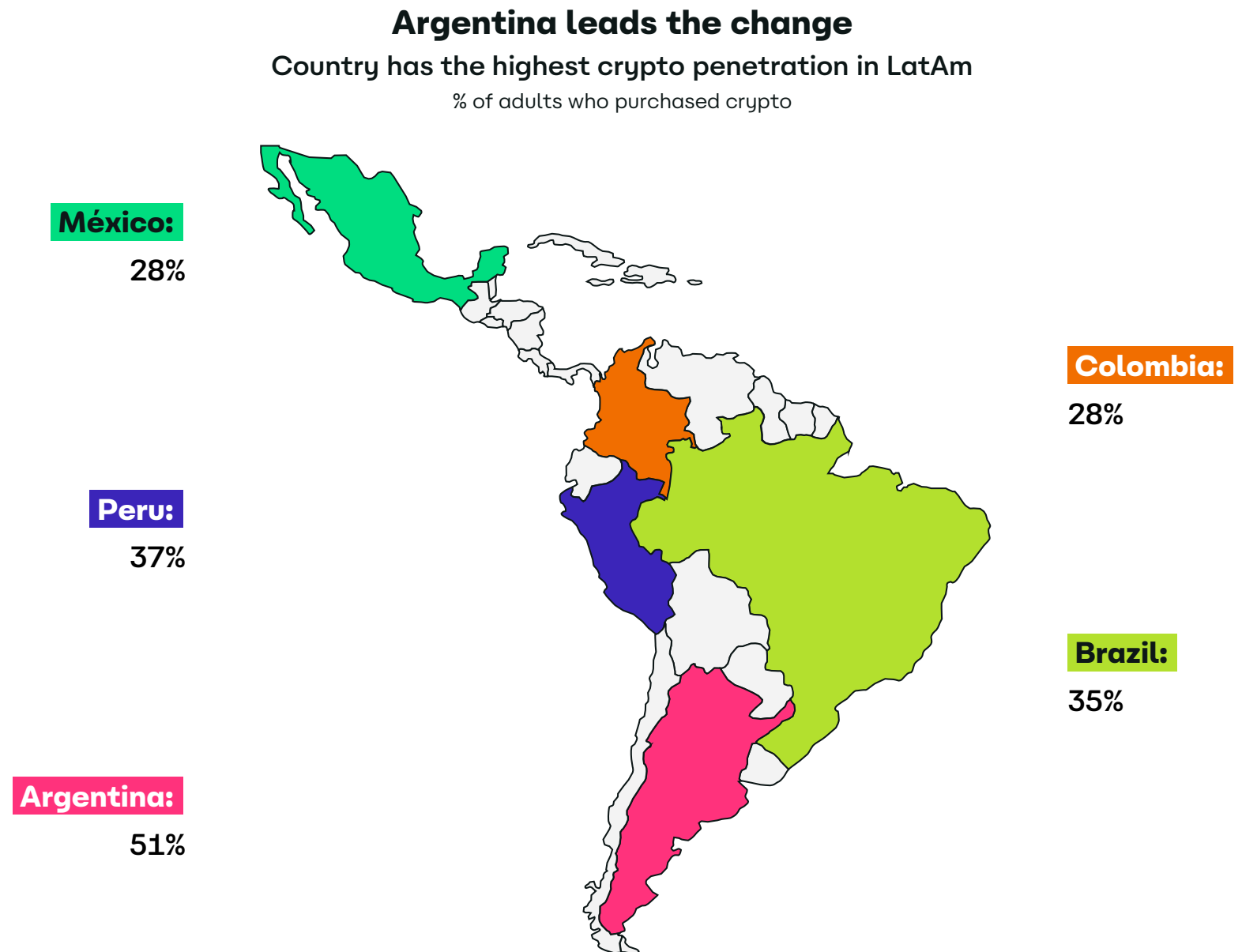


The healthtech is focused on companies, helping their employees make better use of their healthcare insurance.

Currencies will go (partially) digital

After years of development in the alternative and digital currencies space, we can take a look at some applications that came to stay.

Cryptocurrencies adoption's already at 51% of the population in Argentina, pushed by an environment political and economic instability and currency devaluation. **68% of crypto-curious consumers are low or middle-income** in LatAm, versus half of current crypto users worldwide.



SOURCE: Ebanx Beyond Borders 2023



Currencies will go (partially) digital

The most frequent reasons to buy crypto in LatAm are investing and hedging against inflation (the latter being a point of contention between specialists), followed by doing remittances with lower fees.

So cryptocurrencies are used mostly as an investment asset, with payments still in its early days: only 11% of LatAm crypto owners used their digital assets to make a purchase, online or offline.

Latin America already has unicorns in the crypto exchange space, such as Bitso and Mercado Bitcoin.

Startup case



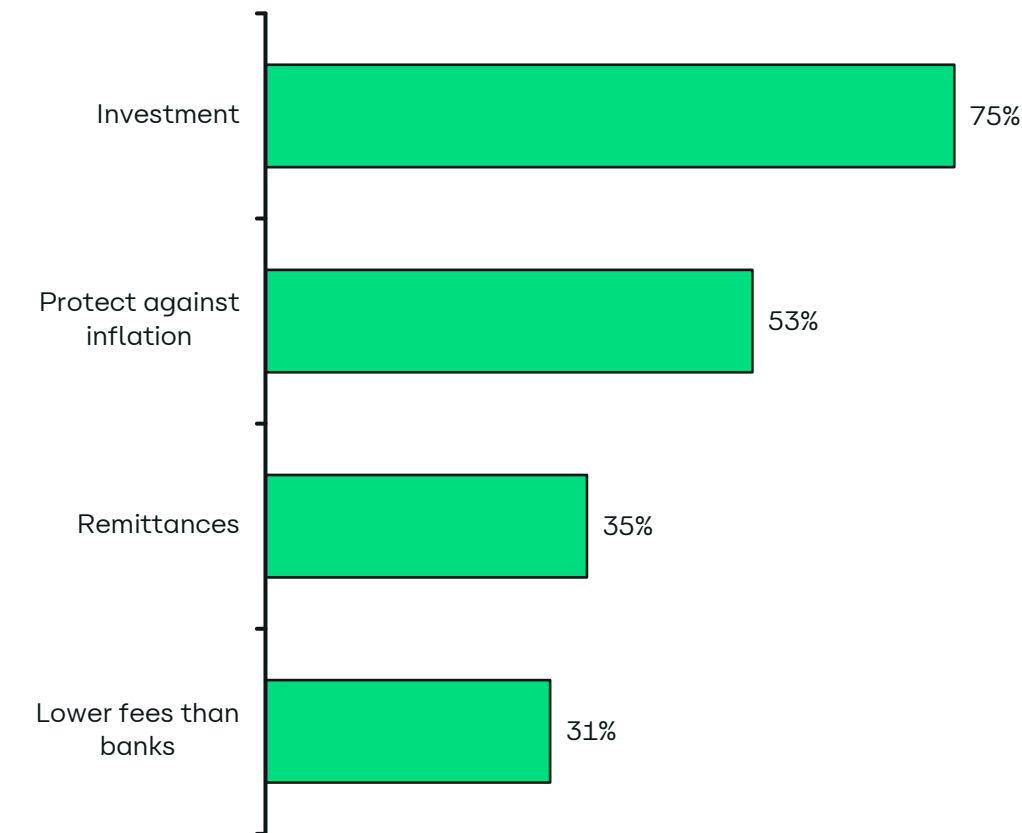
The manager of crypto assets launched the first Brazilian crypto exchange-traded fund (ETF) back in 2021.



The fintech aims to popularize cryptocurrencies and other decentralized finance (DeFi) applications.

Investment is the top reason for buying crypto in LatAm

Latin Americans use crypto not only as an investment, but as a savings and remittance tool.



SOURCE: Ebanx Beyond Borders 2023

“ **Blockchain and cryptocurrencies** had some fluff in the past years. **Now that we're not working in a hype cycle**, there are probably interesting applications in LatAm, especially when we talk about **storing value and sending funds.** ”



Dileep Thazhmon
Jeeves



AI will be a financial co-pilot and a trend predictor

After deduction and induction, artificial intelligence's next phase is **invention**, ALLVP says. With generative AI, **models can be trained to go beyond past data and actually generate new data**: code, images, written materials, and even making decisions are just some applications.

This can improve all the AI applications we've seen in The Trends but also **expand artificial intelligence** to other features:

Co-pilot for the financial team: Artificial intelligence can be used for automating, scaling, and improving operational processes such as managing payables and receivables, filings taxes, pricing, contract underwriting, producing reports, and identifying frauds.

From predictive to prescriptive analysis for product recommendation: AI-powered product recommendations based on analyzing past data sets and goal sets are already underway, as we've seen in The Trends. Generative AI will make it even better by not looking only at the past but also exploring new data (be it real time or synthetic) to fill the gap and project future trends. With that, Gen AI can create previously unset courses of action to achieve customers' desired outcomes, not restricting itself to some decision trees. These courses of action can include a unique mix of products, with applications such as automatic savings and portfolio allocations.

The Challenges

The Challenges



Cost of capital

Interest rates are still high worldwide, and that has a direct impact on the cost of capital for both companies and end consumers. Like every company, fintechs now face **limited access to credit** that could finance their solutions. The cost of capital can also affect the **demand for these solutions**, in the case of lending fintechs. Finally, interest rates also impact **venture capital fundraising**, as investors see safer financial applications with increased yields.

B2C competition and cost of acquisition

As more venture-backed fintechs are created, the **competition also increases** – and that can translate into a higher cost of acquisition (CAC). In an environment of lower funding per startup, there's **less money to be invested in strategies such as paid ads to turbocharge your growth**.

For Ivan Montoya, more and more early-stage startups are going to rely on organic growth, such as word-of-mouth and partnerships, and discover early on if they have product-market fit or just money to spend on paid acquisition. And for Dileep Thazhmon, startups will look at the other side of equation and think of **how to increase their lifetime value (LTV) to increase their return on investment (ROI)** even if the CAC is also higher.

The Challenges



Data privacy and security

Fintechs ask a lot of data from their customers. After putting the effort to structure or organize them, fintechs can use that data to **build better and less expensive solutions**, sometimes even powered by artificial intelligence and machine learning.

But the con is that fintechs also need to protect that data and customers' assets in an environment of constant online fraud, especially in a region which experiences **impressive growth in digitalization**. SaaS is built on data, and guaranteeing their privacy and security is an ever-pressing need as **regulation grows yet cyber attacks are still constant**.

Latin America and the Caribbean (LAC) is the world's least-prepared area for cyber attacks, says Americas Quarterly based on United Nations' data. More than 1 billion cyber attack blocks were recorded between June 2022 and June 2023, an average of 37.9 attempted attacks per second in Latin America, Kaspersky says.

The Challenges



Digital currencies' trust and regulation

Two challenges for digital currencies are **trust** and **regulation**. On the trust side, governments are exploring virtual money in the form of Central Bank Digital Currencies (CBDCs). 10 countries in the Caribbean have operational CBDCs in place, such as the Bahamas and Jamaica. Other 10 LatAm countries, such as Brazil, Mexico, Chile, and Colombia are also researching or developing their CBDCs.

On the regulatory aspect, LatAm has a long way to go. Argentina put a ban on crypto transactions by payment providers on May 2023. Meanwhile, Brazil's legal framework for cryptocurrencies came into effect in June 2023 – but with some matters still waiting for approval next year.

The Challenges



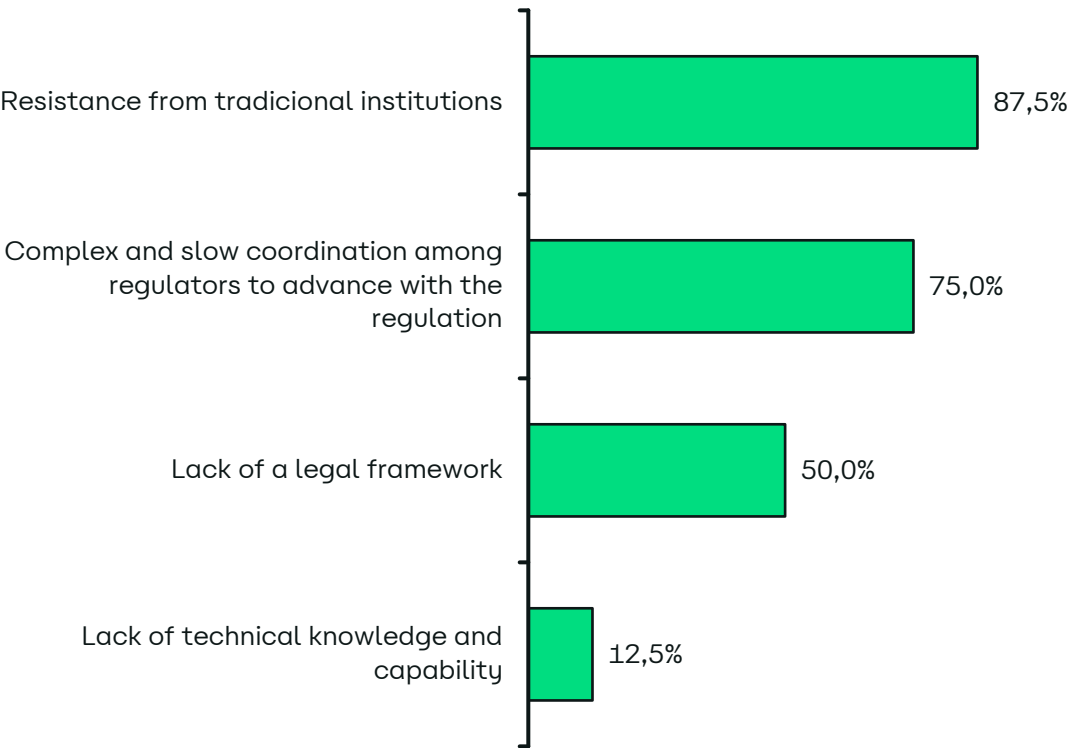
Open Finance's acceptance, regulation, and business models

Open Finance is building an ecosystem of financial services where consumers' data is shared between financial institutions in trade of tailor-made financial services and products, with consumers' previous and conscious consent.

According to a study from FDATA and IADB, Open Finance providers benefits such as **increased competition, reduced entry barriers for consumers**, and therefore more significant levels of **financial inclusion**. On the other hand, some risks are **operational risks and information security**.

Challenges to Open Finance perceived by fintech associations

These categories do not add up to 100%.
Respondents could select more than one answer.



SOURCE: [FDATA and IDB as of Jun 23](#)

The Challenges



Open Finance's acceptance, regulation, and business models

For fintechs, Open Finance can be an entrance point to 1) sell financial solutions inside traditional banks and 2) use their customer history to build better solutions. But acceptance from traditional financial institutions and regulation remain challenging, while regulation advanced mainly in Brazil and Mexico.

According to the fintech founders interviewed by Latitud, an added challenge is creating monetizable businesses around the Open Finance movement. That means: having customers willing to pay for data-sharing solutions and not only seeing them as nice-to-haves.

Open Finance regulation in LatAm

Jurisdictions that have Open Finance-related laws and regulations issued in Latin America and the Caribbean (LAC)



SOURCE: FDATA and IDB as of Jun 23

The Future of **E-commerce**

The LatAm Tech Report 2023

Executive Summary

- The Covid-19 pandemic **transformed online buyers from minority to majority in Latin America**, with 3 out of 4 people in the region having already bought something online. With that, e-commerce attracted sizeable funding, **reaching almost 25% of all LatAm venture capital investments in 2021**. But even after this growth spurt, **LatAm's e-commerce** share of total retail (10%) still **has ground to cover** to reach the shares in countries such as the US (16%) and China (46%).
- We've walked far in e-commerce, and that's reflected in LatAm's capacity to offer a variety of **buying channels** and **payment options**. **Artificial intelligence** (AI) applied to e-commerce is also advancing in the region, with local startups tackling a range of applications for the e-commerce sector.
- Some medium and long-term opportunities for e-commerce in LatAm are digitalizing more of its numerous analogic **SMBs**, reaching Chinese levels of **live commerce**, and watching closely the strategies and increased presence of **international players**. As for **AI**, the biggest challenge will be separating hype from fact.
- E-commerce had higher-than-average growth rates in venture capital during the acute years of the pandemic (2020 and 2021). But it has also retracted more than the average in 2022 and Q3 2023. LatAm e-commerce players face challenges such as the **difficult macro environment** (even if the region is well-positioned to recover quicker than others), the gap in quality network coverage, changing regulations and taxes, and the eternal search for margin efficiency in the form of **LTV:CAC**.

The LatAm Tech Report 2023:

The Future of E-commerce

Context Setting

- I. Buying online is no longer for a few in LatAm
- II. LatAm's e-commerce startups go from usual online merchants to backoffice enablers
- III. Venture backing for new e-commerce startups followed the sector's growth
- IV. LatAm's e-commerce funding amount and share recedes after 2021's boom

The Trends

- I. E-commerce is mobile-first
- II. Instant payments take e-commerce by storm
- III. Commerce is more than physical, more than digital
- IV. Social media includes social commerce
- V. Creators get more and more revenue
- VI. Cross-border gains territory
- VII. Retail media is quickly catching up
- VIII. AI in e-commerce boosts sales and curbs frauds

The Opportunities

- I. SMBs in various sectors will digitalize
- II. Live commerce will go live in LatAm
- III. AI in e-commerce will need to separate fact from hype

The Challenges

- I. Extracting and organizing data
- II. Eroding margins and a path to profitability
- III. Macroeconomic environment
- IV. Network quality
- V. Changing regulations and taxes, esp. for cross-border commerce

Context Setting



Buying online is no longer for a few in LatAm

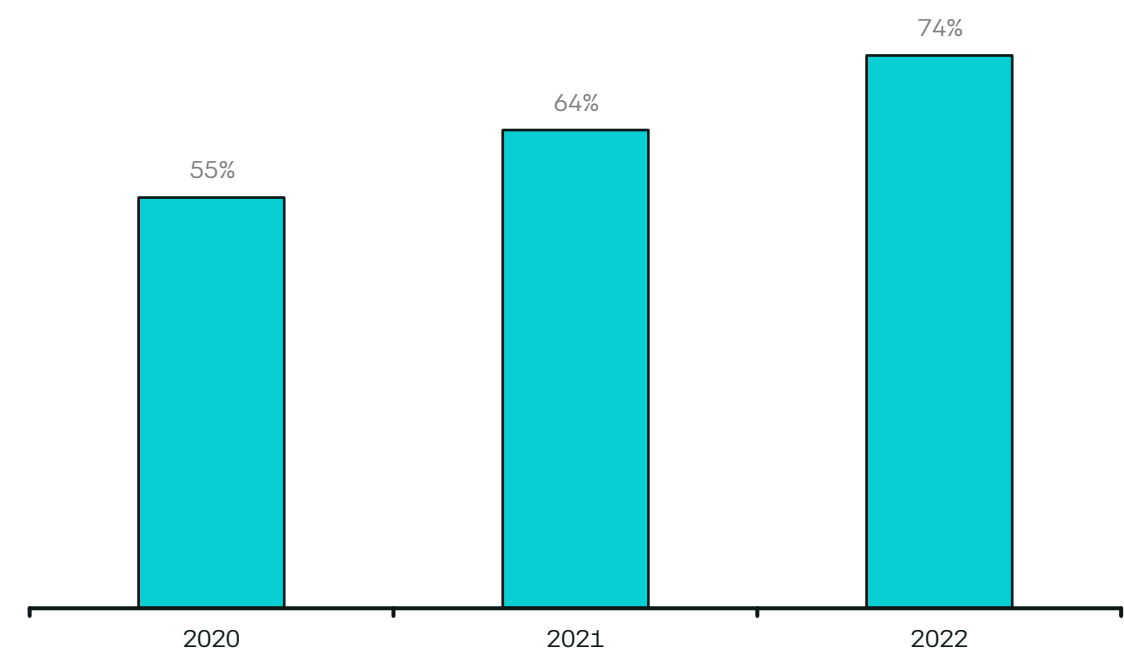
After the outstanding growth rates seen in 2020 and 2021, **3 out of 4 Latin Americans have already bought online**, young and old.

2023 onwards poses slower growth rates, given this new baseline. After consumers flocked back to physical commerce in 2021/22, we also see a trend of slowing growth rates in traditional retail.

Buying online is no longer for a few

Nearly 75% of Latin Americans have already bought online

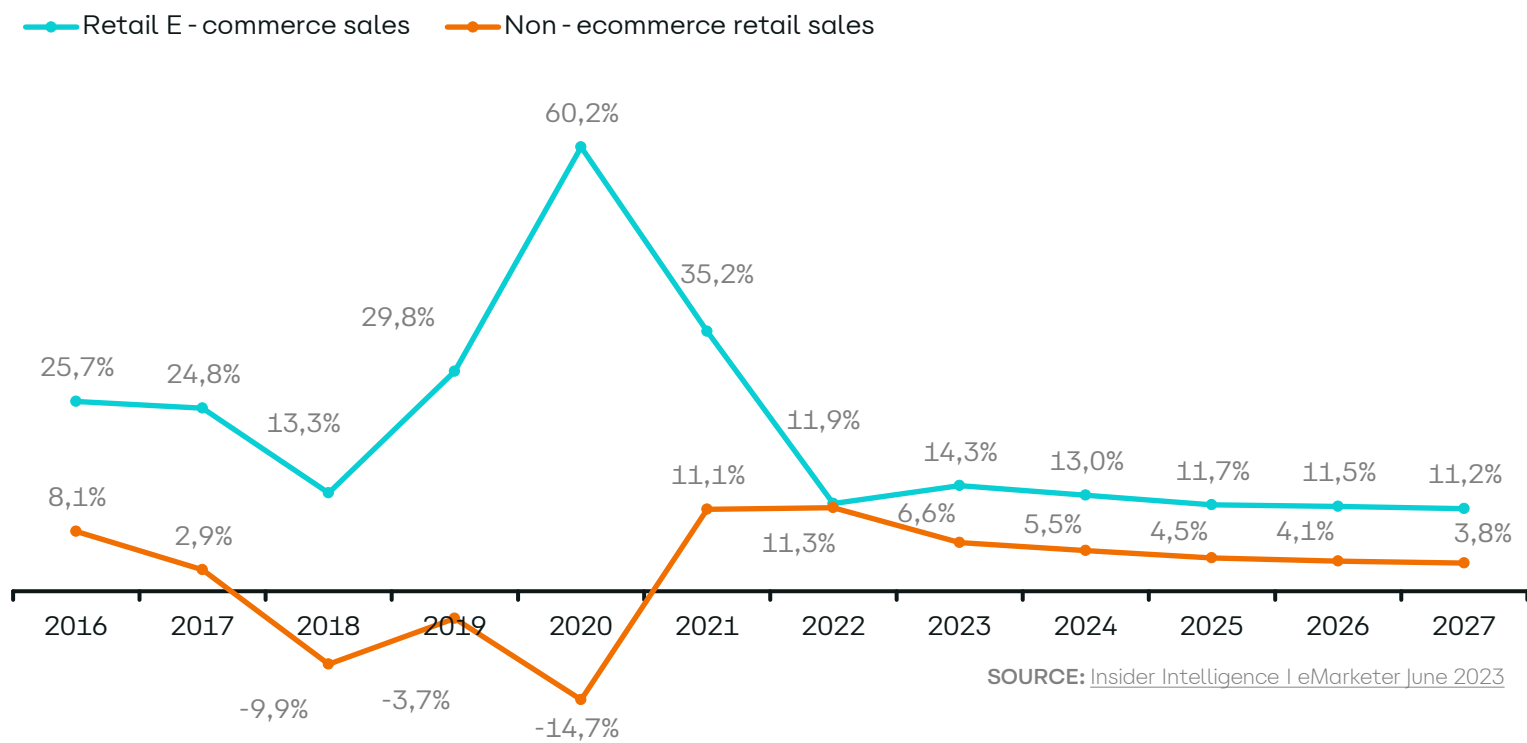
Latin Americans who bought online in the past year, in %



SOURCE: Ebanx Beyond Borders 2023

Retail e-commerce vs. Non-Ecommerce sales growth in LatAm, 2016 - 2027

% change



SOURCE: Insider Intelligence | eMarketer June 2023



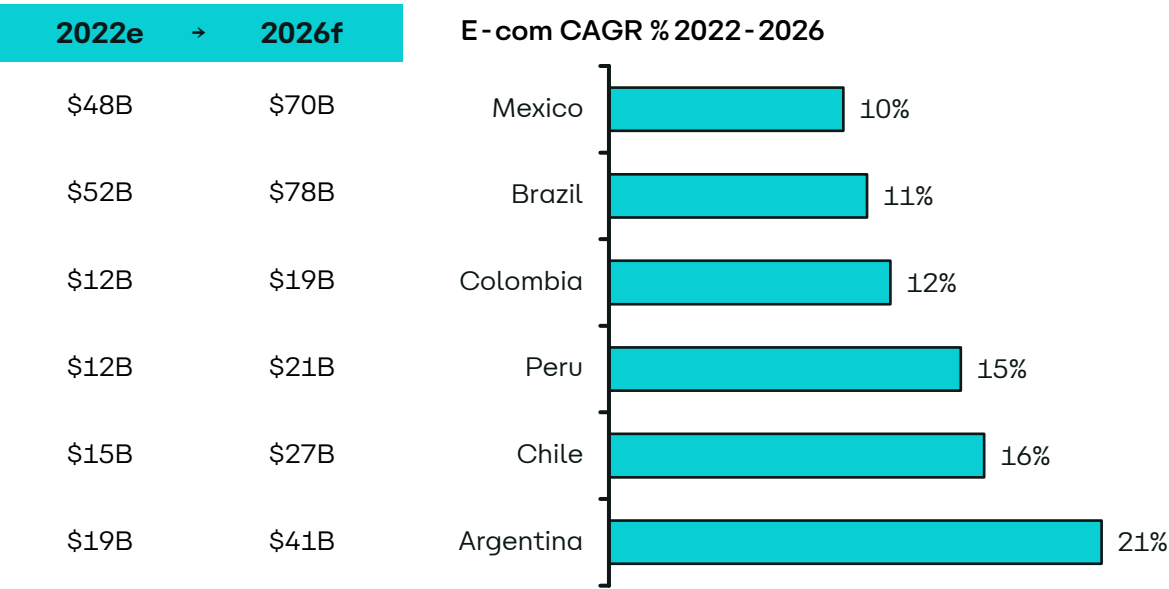
Buying online is no longer for a few in LatAm

Still, we're talking single-digit growth rates for physical commerce and double-digit growth rates for e-commerce. That difference is much needed, given the region has yet much ground to cover when you compare the e-commerce share of total retail sales with other regions' shares.

These **double-digit growth rates are seen in e-commerce markets throughout LatAm**. Argentina leads in growth rates, with an above-average mobile-commerce adoption rate for LatAm and 90% of adults having already purchased at least once via e-commerce, despite economic instabilities.

LatAm's robust e-commerce growth

All LatAm markets in GPR 2023 Project double-digit annual growth through 2026

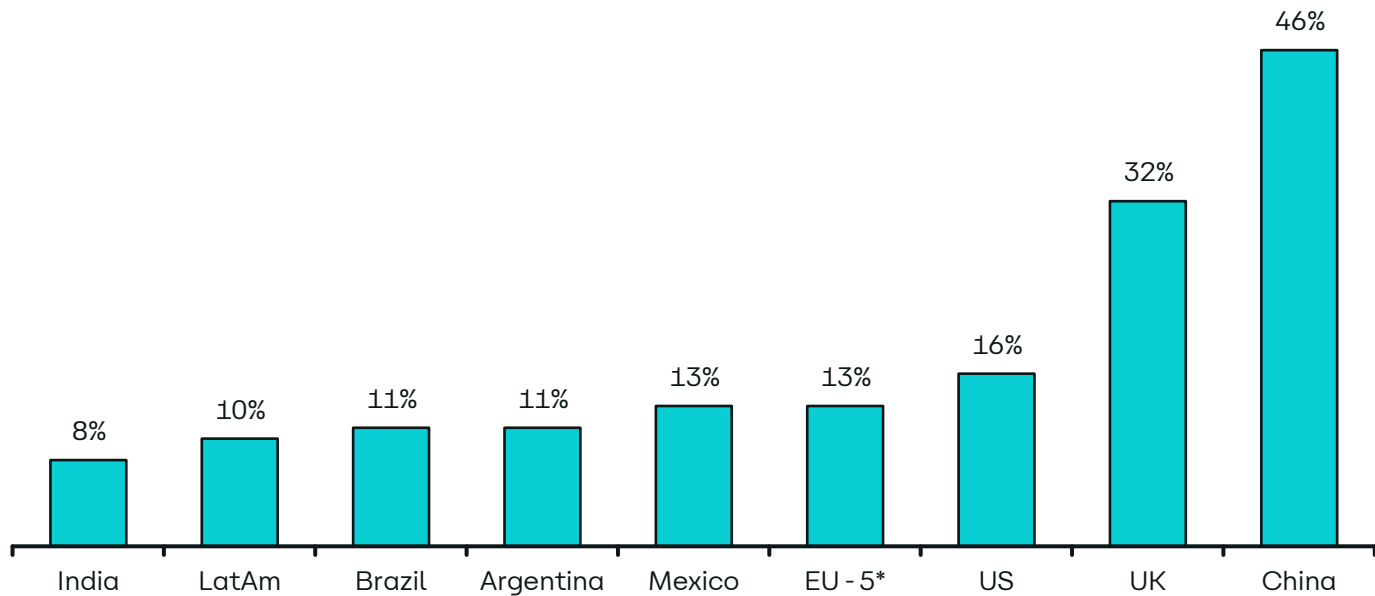


SOURCE: FIS Global Payments Report 2023

Mobile penetration in LatAm higher than US, UK, and Europe

May 2023, % of total retail sales

(mobile-commerce as % of e-commerce)



SOURCE: Insider Intelligence | eMarketer May 2023 in Atlantico's Latin America Digital Report 2023



LatAm's e-commerce startups go from usual online merchants to backoffice enablers

Online merchants

Brands, retailers, and resellers that trade goods on digital channels, be it their own websites or marketplaces.

magalu

falabella.



Marketplaces

Marketplaces do not own inventory but instead provide technology solutions to enable sellers to list goods and buyers to make purchases.

Vertical marketplaces sell products and services specialized in one industry and are sometimes better positioned to build a moat around their customers than horizontal marketplaces, in exchange for a smaller total addressable market (TAM).

Horizontal

Vertical

Rappi

morado

INIO

clubi

mercado libre

DI#ERENTE

Aggregators

Aggregators provide tools to link online merchants into multiple marketplace platforms. For the marketplaces, integrators are a source of increased assortment and also represent a more sophisticated counterparty than the individual merchants themselves.

merama

ELEVVA

VALOREO

Technology, fintech, and logistics enablers

Startups that provide tools to launch, maintain, and scale e-commerce operations. Small enterprises tend to adopt platforms and softwares to help manage increased complexities, such as website hosting, marketing, customer support, payment and credit processing, and logistics.

d.local

EBANX

VTEX

melonn

olist

Loggi

Venture backing for new e-commerce startups followed the sector's growth

In the boom years of 2021 and 2022, we can see a steeper growth in net additions of venture-backed e-commerce startups. Based on 2023 YTD data, this net growth now seems to be **returning to the levels seen in 2019 and 2020**.

VC-backed startups in Latin America by tech vertical
(cumulative), 2013 - Q3 2023

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1 - Q3 2023
E-commerce	15	37	48	59	68	82	110	136	197	273	297
Net additions	-	22	11	11	9	14	28	26	61	76	24

SOURCE: LAVCA November 2023

E-commerce is a powerhouse in LatAm

A country-wide snapshot of e-commerce unicorns

Mexico:
merama
KAVAK

Brazil:
Facily
olist
madeiramadeira
VTEX
hotmart

Argentina:
despegar
mercado libre
nuvemshop

SOURCE: Distrito's Corrida dos Unicórnios 2023

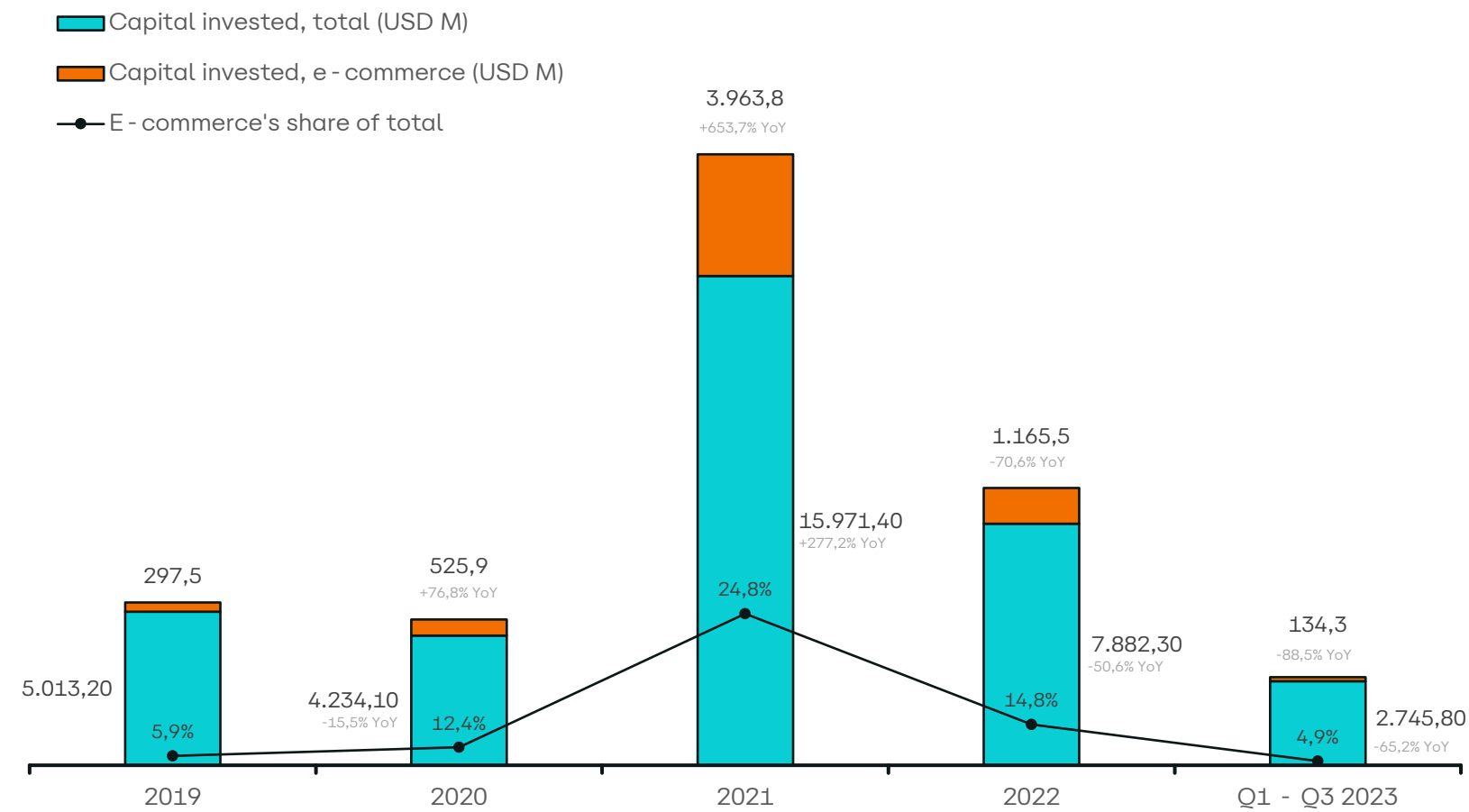


LatAm's e-commerce funding amount and share **recede** after 2021's boom

Investors' interest in LatAm's e-commerce rose during the pandemic. This was especially true during the boom year of 2021, when e-commerce funding grew by 653.7% while overall startup funding grew by 277.2%. With this, e-commerce reached almost 25% of total capital invested share.

E-commerce presented higher rates of growth during the pandemic but also **higher rates of retraction in the following years** compared to the overall market (-70.6% vs -50.6%). After much investment and consolidation, e-commerce's share of total capital invested in 2023 YTD was even lower than pre-pandemic levels, at 4.9%.

E-commerce's rise and fall fundraising journey in LatAm
Venture capital raised by the e-commerce vertical (2019 - Q3 2023)



* The decline rate should lower with Q4's results, providing the real year-over-year comparison.

SOURCE: LAVCA November 2023

The Trends



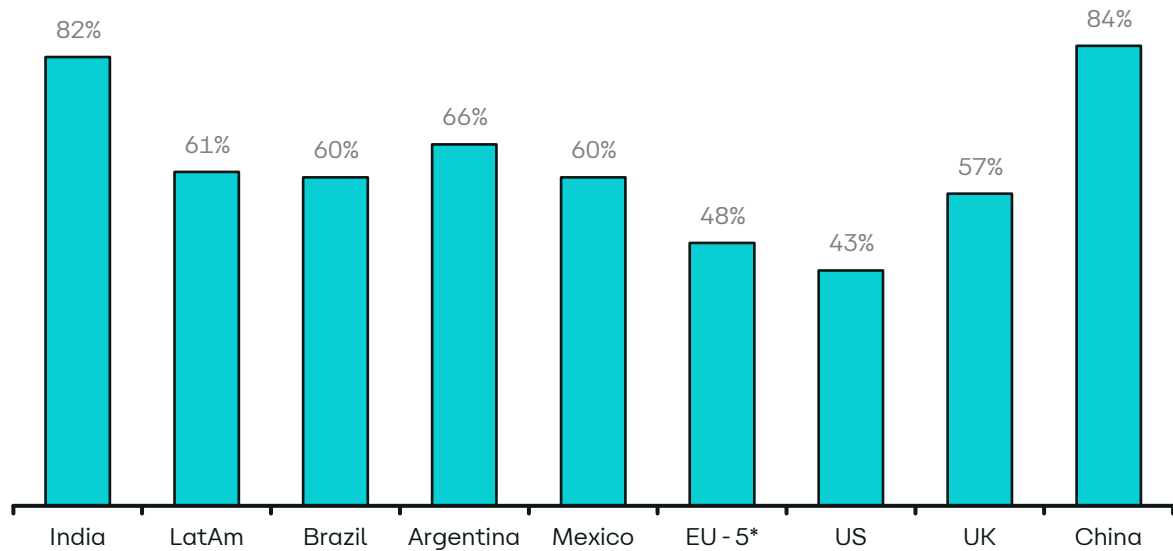
E-commerce is mobile-first

Mobile commerce has been the main fuel for e-commerce growth in the region since 2021, accounting for the majority of the sector's transaction value.

By 2026, mobile commerce is projected to account for 63% of all e-commerce transaction value in LatAm. The projected CAGR is of 16% in 2018-2026, twice the rate expected for desktop e-commerce.

The share mobile represents of LatAm e-commerce sales has **surpassed what we see in the US, UK, and selected EU countries** (France, Germany, Italy, and Spain). Still, emerging nations such as India and China show **how far LatAm can still go if it keeps embracing mobile commerce**.

Mobile e-commerce share of total e-commerce sales across countries
May 2023

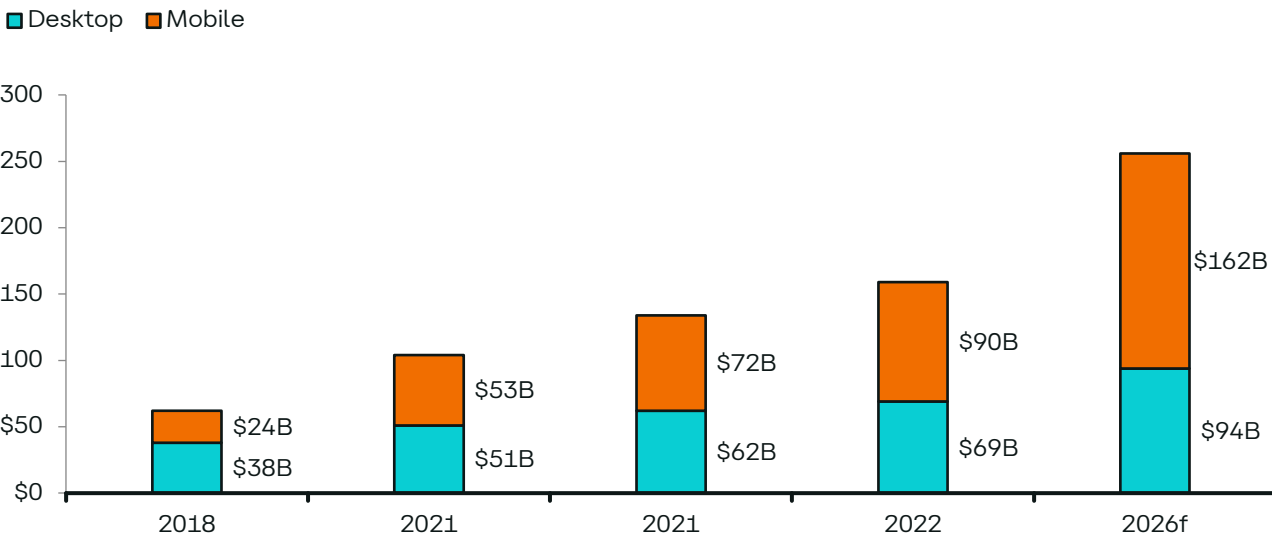


SOURCE: Insider Intelligence | eMarketer May 2023 in Atlantico's Latin America Digital Report 2023

Mobile commerce fuels e-com growth

Mobile commerce in LatAm is projected to grow at 16% CAGR through 2026

LatAm e-commerce transaction value, 2018-2026f, US\$ billions



SOURCE: FIS Global Payments Report 2023



Instant payments take e-commerce by storm

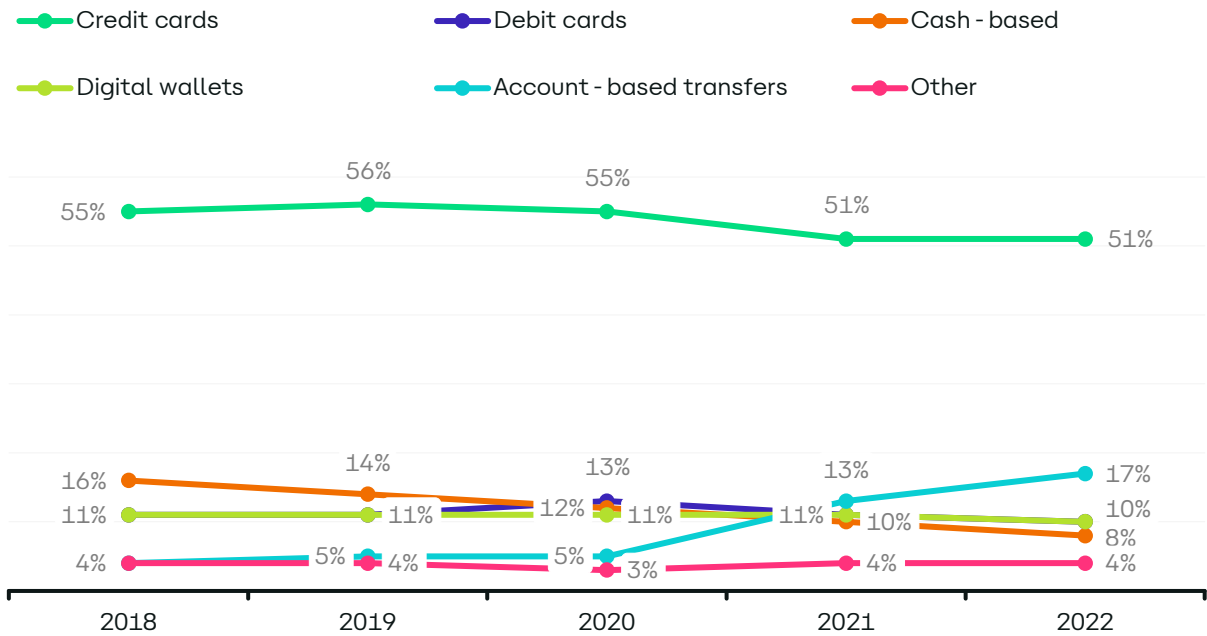
The present and future of payments in e-commerce is looking different from what we saw before the pandemic: cash and cards should open some space for account-to-account transfers (A2A), and **the future is of different payment methods coexisting** (and driving more conversion to e-commerces).

A2A transfers for e-commerce have leapt in most LatAm countries in the past years, going hand-in-hand with **mobile adoption** and the development of **instant payments** to serve purchases on-the-go.

A more diverse landscape

The rise of account-based transfers, such as Pix (BR) and PSE (CO), helped to drop cards' market share

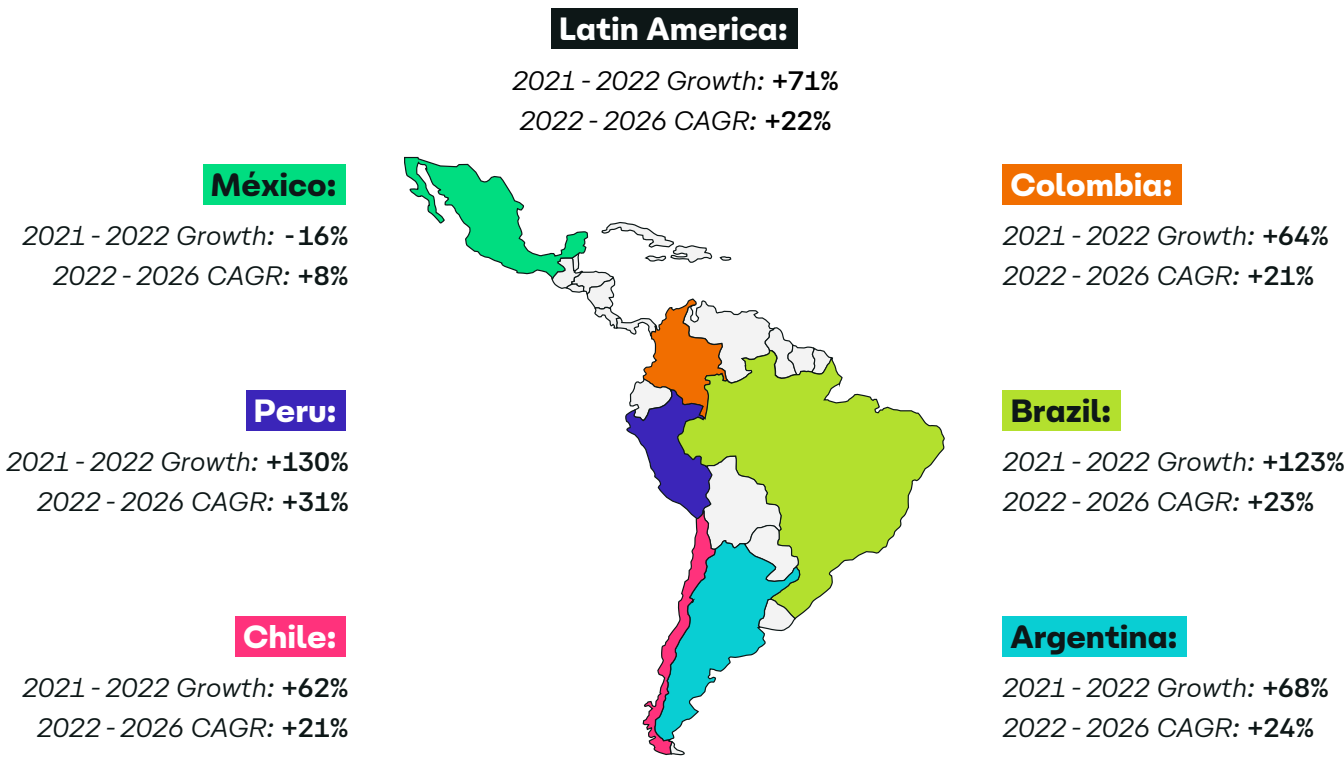
Share in LatAm's e-commerce



SOURCE: Ebanx Beyond Borders 2023

A2A payments see dramatic growth in LatAm

Inspired by Brazil's Pix, A2A payments are flourishing



SOURCE: FIS Global Payments Report 2023



Instant payments take e-commerce by storm

Brazil's at the forefront of A2A in terms of transactions value because of Pix – an A2A service launched by the Brazilian Central Bank at the end of 2020. Pix is expected to account for 30% of e-commerce transactions by 2026, boosted by features that bring it closer to credit cards, like paying in installments and doing cross-border transactions.

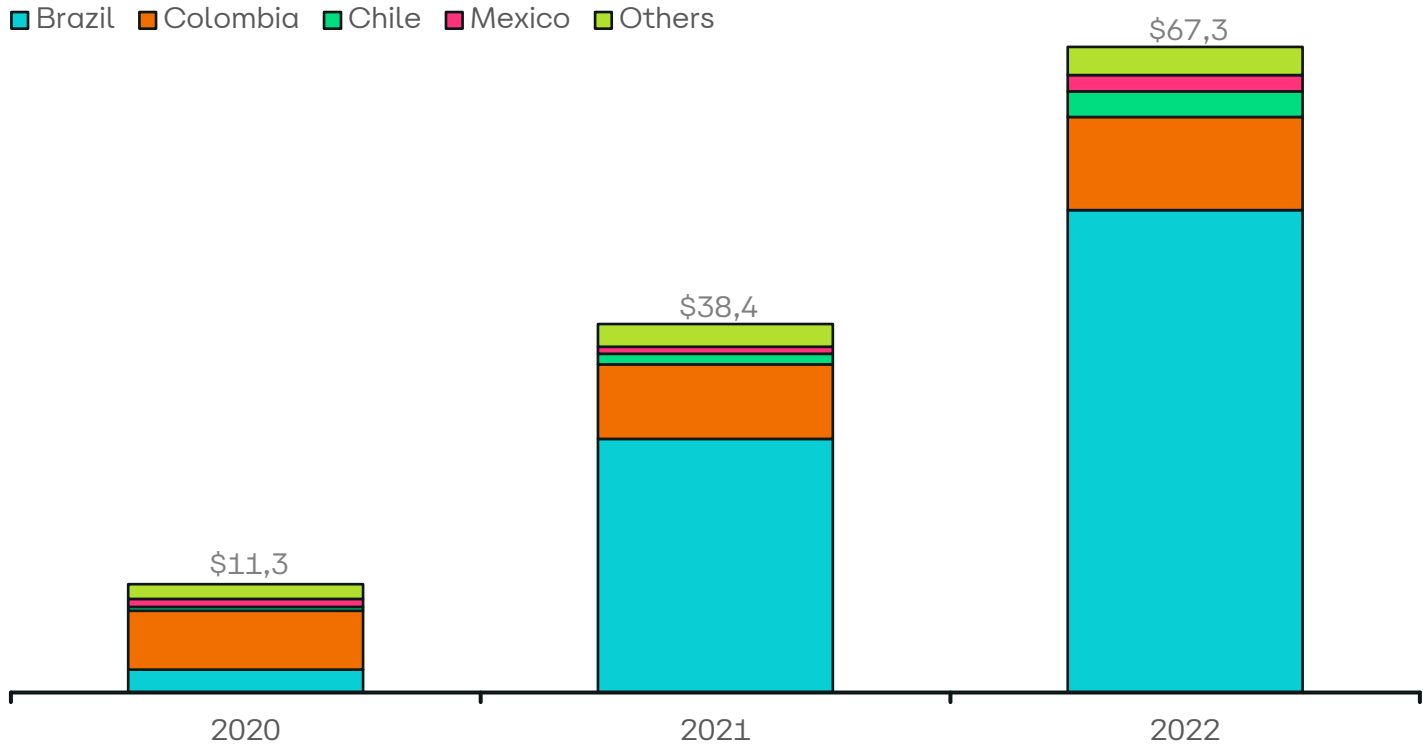
The other extreme is Mexico: LatAm's second-largest economy sees the highest rate of cash payments between large LatAm economies, with credit cards and digital wallets growing slowly. Mexican fintech regulations and the cultural preference for having cash and low trust in financial institutions and their benefits remain. There's a difficulty to innovate in fintech, with more than half of adults still needing to be convinced to even open a bank account.

Still, **A2A's growth is seen in selected LatAm countries for the next few years as well, developing their own solutions following Pix's trail.**

A continental spread

Brazil is at the forefront of account-based transfers' growth, but Colombia and Chile have impressive numbers

Account-based transfers in LatAm's e-commerce, in USD Bn



SOURCE: Ebanx Beyond Borders 2023



More than physical, more than digital: omnichannel

Mobile commerce has not only transformed the way e-commerce payments work. It has also breathed new life into a concept that has been the talk of the town for a while: **omnichannel**.

When the pandemic hit, businesses went fully digital and e-commerce boomed. Still, consumers also flocked back to stores as soon as possible searching for experimentation rather than convenience.

Now we're truly at the moment where **consumers have a buying journey with multiple channels at multiple points**. Shoppers on the consumer packaged goods segment visited an average of 8.3 different channels last year, Kantar says.

Walmart is one famous example. The company invested in large and small physical stores with separate fulfillment spaces, that work as local delivery networks for online orders. The retailers now offers a convenient, on-demand delivery service similar to last-mile delivery apps at an attractive price point.

Consumers can use their mobile phones as a discovery channel, finding out about a product through social media or researching more about a high-value purchase in their idle time. But it can also serve as a conversion channel, comparing prices online while at a physical store. **Merchants need to be everywhere** but at the same time, have the capacity to **identify that user as one and only via multichannel attribution**.

Startup case



The retailtech turns salespeople into content creators through its SaaS. These sellers can see which products are in stock and produce social media ads aimed at consumers nearby, while brands follow the ads' performance through a dashboard.

“The consumer isn't linear and logical all the time. When you see there's no milk, no bread, or no toilet paper, you might order from Rappi because you need that **convenience that comes from e-commerce**. But there are also moments you want to go to a delicatessen and spend an hour choosing cheeses. **Each consumer is a myriad of personas throughout their lives** – maybe even throughout their day. **Being omnichannel is an important feature for e-commerces.**”



Alex Szapiro
SoftBank

From social media to social commerce

Social media is an important piece of the omnichannel puzzle: it's now not only a discovery and advertising tool but a sales-closing one.

Social commerce relies on customers' existing communities and relationships to **quickly convert**, through engagement strategies such as **content** (e.g. educational images and videos), **experiences** (e.g. live commerce), and/or **network benefits** (e.g. bulk discounts and commissions to affiliates).

Latin America is a fertile ground for social commerce, as one of the regions with **most hours spent on social media**, hand-in-hand with its **growing appreciation for mobile commerce**. China, India, and Brazil are the markets with most mature adopters of social commerce, Accenture says.

Consumers in Latin America are already the biggest users of Facebook Marketplace and Instagram Shopping Bag, according to GWI. Tik Tok launched Tik Tok Shop, its marketplace to connect creators and consumers, this year. The app's top 5 countries in number of users are the US, Philippines, **Brazil**, **Mexico**, and Russia.

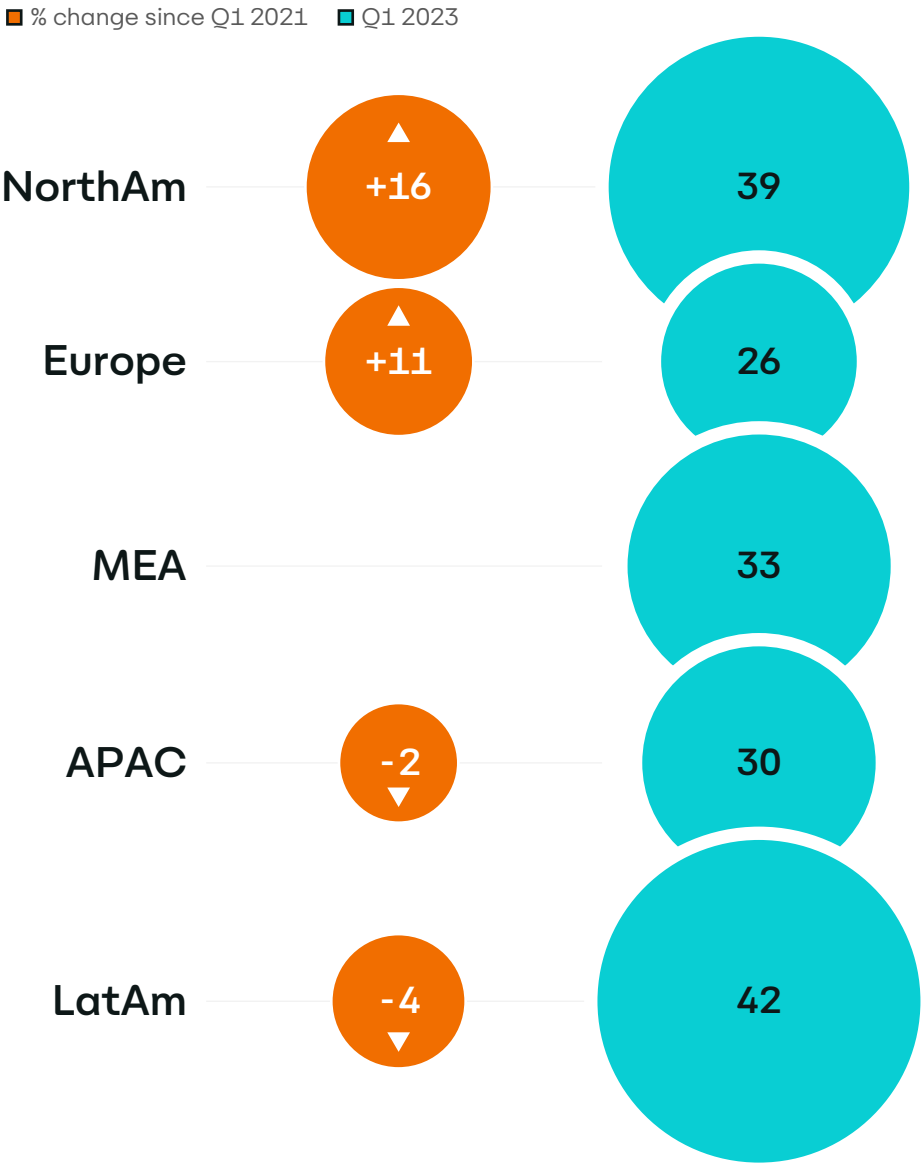
Startup case

leadsales

The social-media-focused customer relationship management software (CRM) centralizes communications made via WhatsApp, Facebook, and Instagram so companies can convert more.

Social commerce grows in some regions more than others

% of platform users in each region who say they've used Facebook Marketplace/Instagram Shopping Bag in the last month





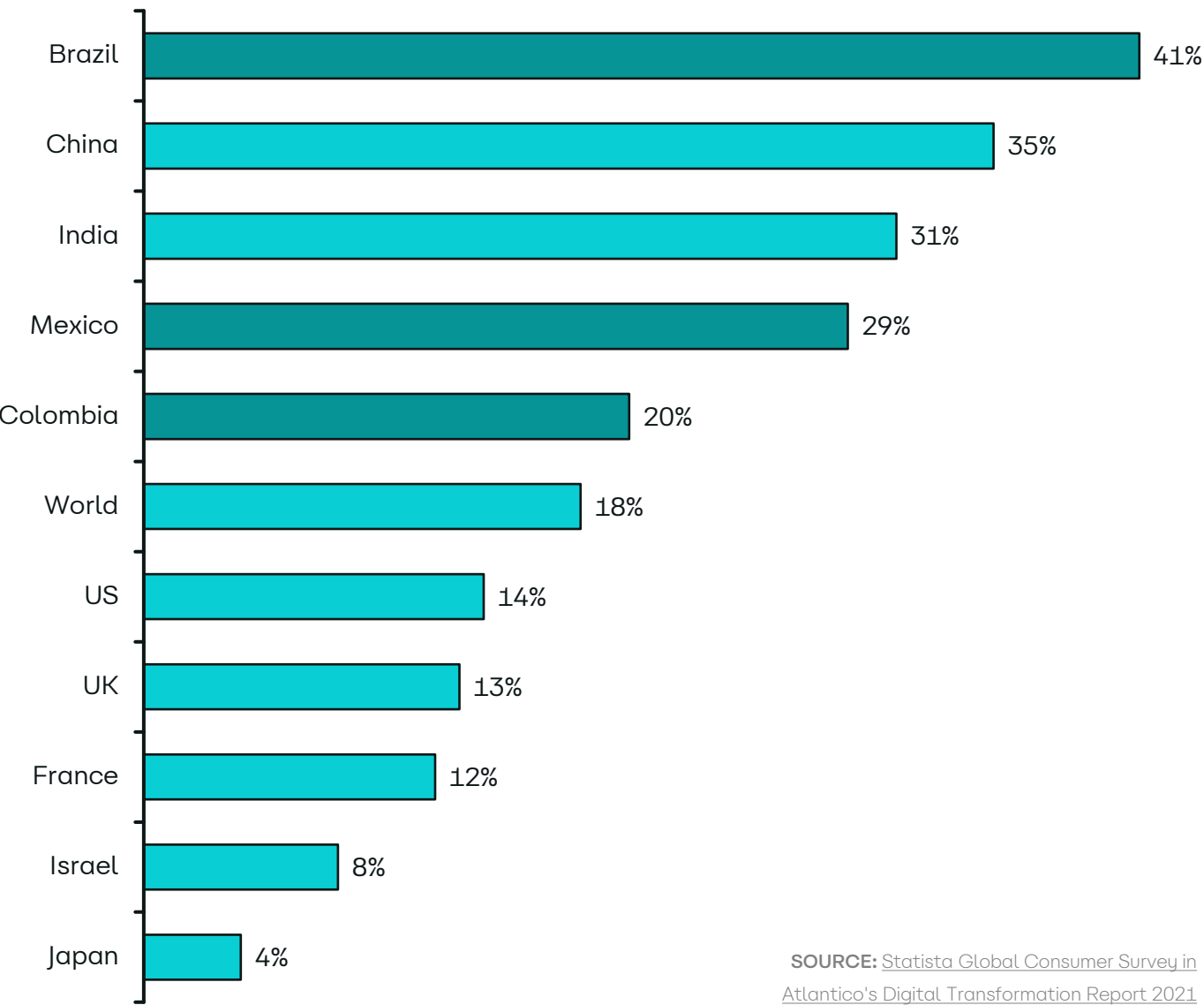
Creators are getting paid more and more

Another consequence of the heavy social media usage in Latin America is the rise and shine of the creator economy: **content producers leverage their influence to generate revenue**, oftentimes in association with other brands, that see them as a way to connect with an ever-growing yet scattered online audience.

Countries such as Brazil, Colombia, and Mexico have a higher rate than the worldwide average of internet users who purchased a product because a creator promoted it.

Emerging markets embrace purchases influenced by a creator

Population who purchased a product because a creator promoted



SOURCE: Statista Global Consumer Survey in Atlantico's Digital Transformation Report 2021

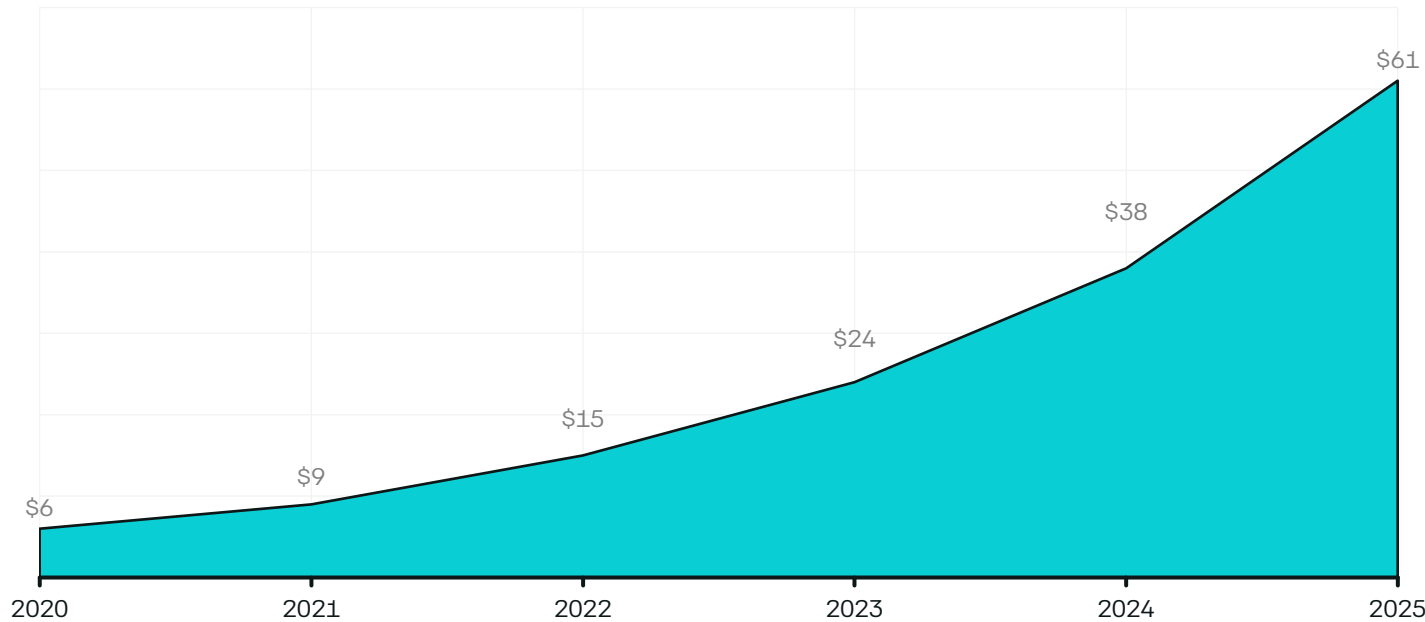


Creators are getting paid more and more

Although monetization remains a challenge for creators – half of Brazilian creators earn less than USD 100 a month, Atlantico says – it's evolving. The payout volume for influencers, streamers, and gamers in LatAm should grow and reach USD 61B in 2025, coming from both sponsors and creators funds from the social media platforms.

This opens up opportunities not only for the creators themselves but for tech companies building operating systems for these micro e-commerces to prosper – such as management, customer relationship, and payment softwares.

Payouts to influencers, streamers and gamers in LatAm
In USD Bn



SOURCE: Ebanx Beyond Borders 2023

Startup case



Created back in 2014, Squid connects brands to validated digital influencers in 30+ categories.
Exit to Locaweb

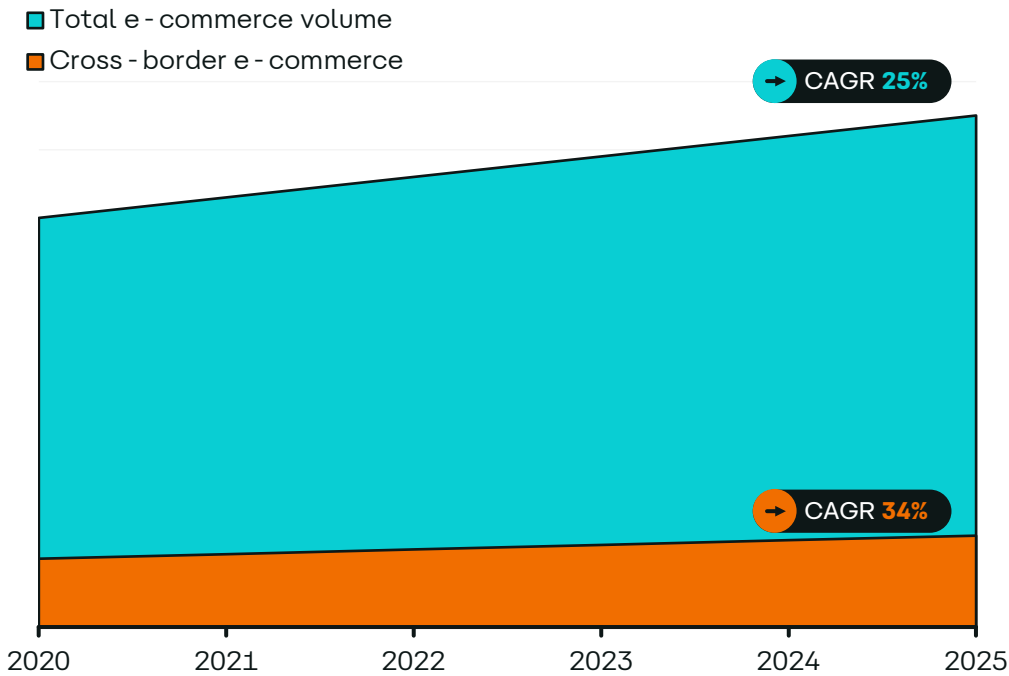
Cross border gains territory

A **large assortment of products on one side, the interest of an increasingly digitalize LatAm population on the other.** That's the formula that made cross-border e-commerce grow and keep growing at a faster pace than the total e-commerce value.

Cross-border is highly concentrated in marketplaces such as Shopee and Shein in Brazil, that are growing in terms of share of visits.

A global battlefield

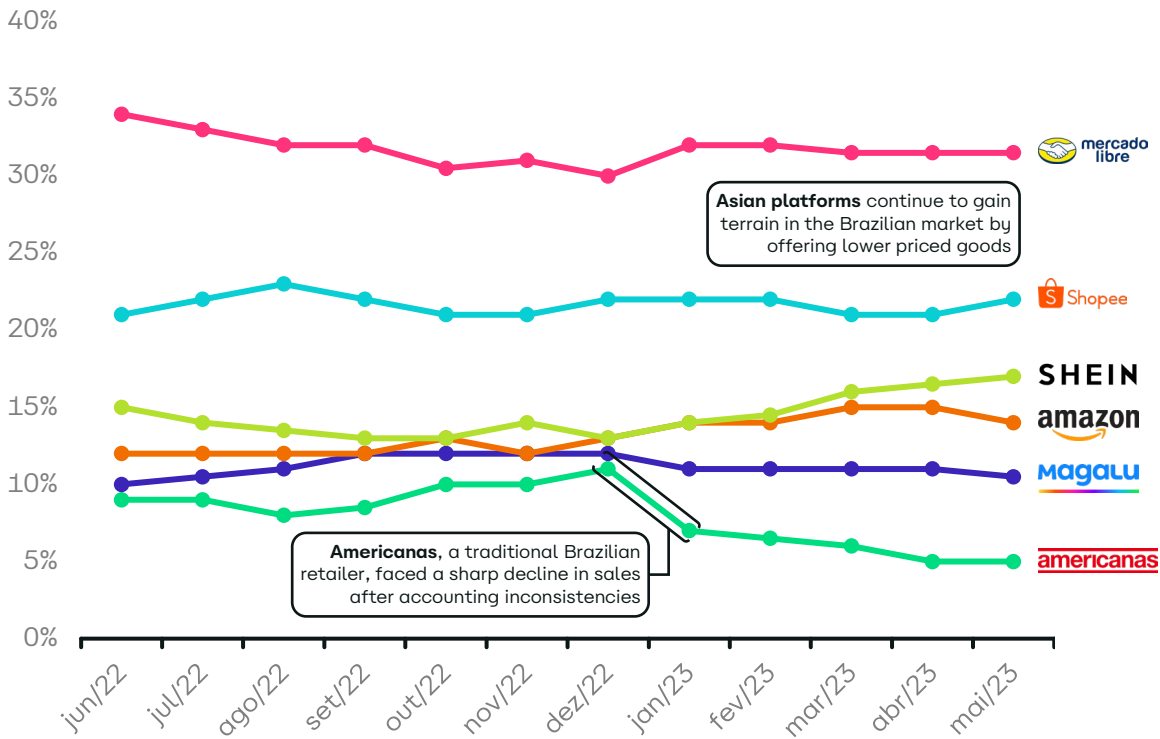
International online market grows faster than domestic in Latin America



SOURCE: Ebanx Beyond Borders 2023

Share of web visits changing: Asian platforms are gaining ground in Brazil

2022 – 2023, % of website and app visits



SOURCE: Atlantico's Latin America Digital Report 2023

Cross border gains territory

In terms of sales, the **cross-border share of e-commerce in LatAm** is expected to **grow from 13% in 2022 to 16% in 2025**. An additional movement is boosting cross-border in LatAm, especially in Mexico: nearshoring (moving your business activities, especially manufacturing, nearer to your potential markets).

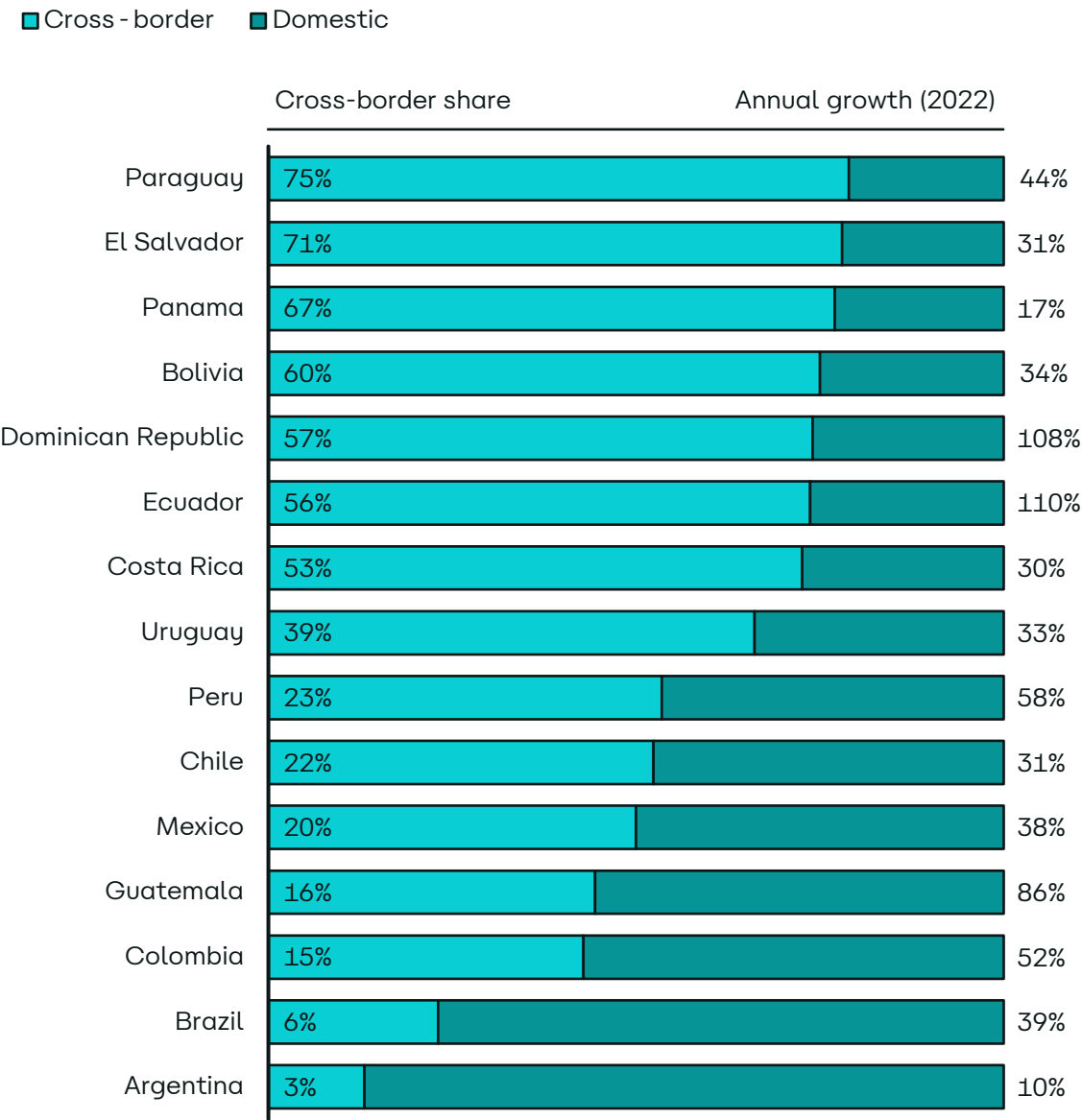
Currency fluctuations and ever-changing taxes and regulations are some of the challenges cross-border e-commerce faces. But the opportunity is in the space left for growth when looking at the current share of cross-border in countries with the region's highest GDPs, such as Brazil, Mexico, Argentina, and Colombia.

Startup case



The startup supports sellers wanting to enter the LatAm market, putting them in regional marketplaces and dealing with customer support and last-mile delivery.

Online sales volume
Per type (2022)



SOURCE: Ebanx Beyond Borders 2023

“ Outside players raise the bar. When a consumer makes a purchase on **AliExpress** or **Shein**, they have the experience of a huge assortment and an easiness and quickness to make payments and fill up the shopping cart. Even if they're not their customer, **everybody is exposed to global offers.**

LatAm companies need to **build products on a global level even if they just operate inside the region** – not only in e-commerce. The era of copycats, that bring ideas to the region because they see linguistic or bureaucratic barriers, is over. ”



Daniel Chalfon
Astella

Retail media is quickly catching up

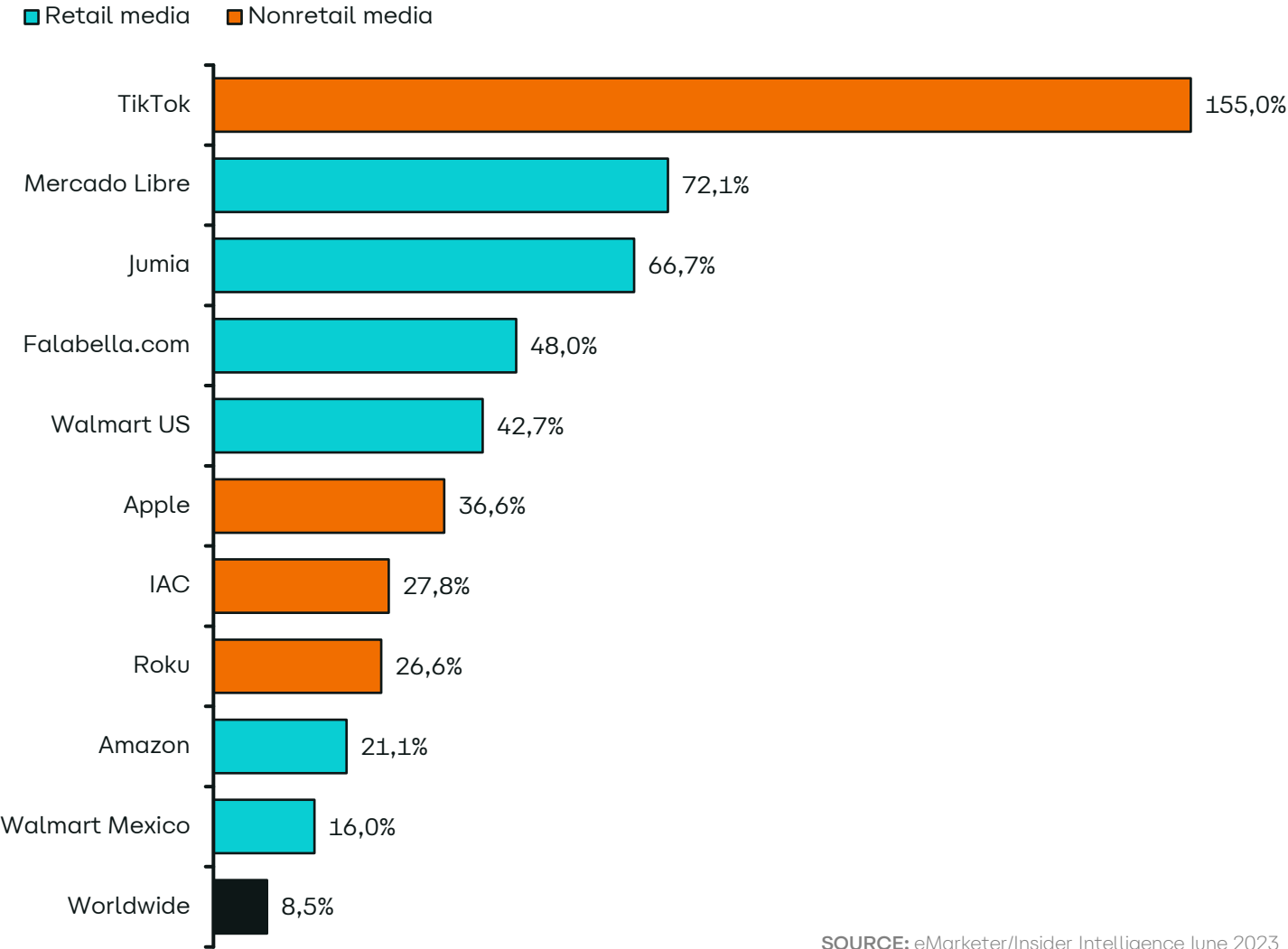


Social media and search engines still rule the ad world but retail media is quickly catching up.

Consumers start their product discovery on e-commerces. Manufacturers look to leverage e-commerces' traffic, consumer data, and higher conversion potential via personalization. And the e-commerces themselves see this demand as an additional revenue stream.

Three LatAm e-commerce players were featured on the list of top ten companies globally in digital ad revenue growth in 2022. And that's because LatAm's also one of the regions with the **highest return on ad spending (ROAS)**, taking Amazon Ads as a proxy.

Top10 companies worldwide, ranked by digital ad revenue growth, 2022
% change



SOURCE: eMarketer/Insider Intelligence June 2023

Retail media is quickly catching up

More than half of LatAm ad buyers said they will use retail media networks to place digital ads on the next 12 months, starting from June 2023. And while players like Mercado Libre and Amazon are the main destinations for retail media, e-commerce startups are thriving by helping to place ads in these and other e-commerces.

Startup cases

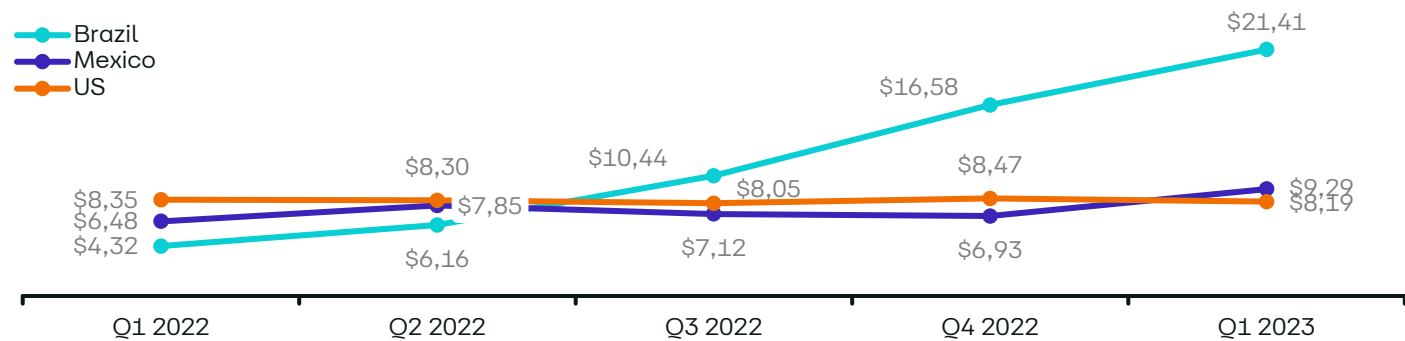


The retail media platform enables e-commerces to quickly launch and monetize their own ad network.



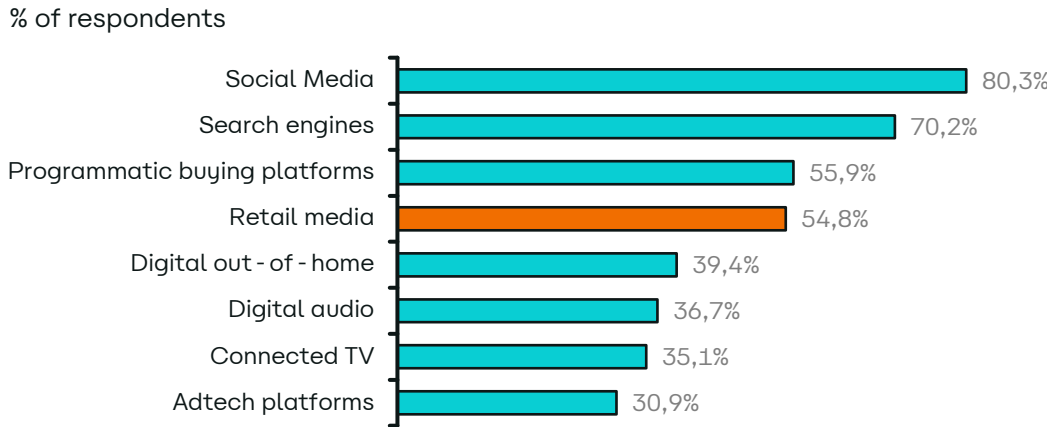
The startup connects manufacturers to e-commerces, offering a boost in sales to the former and an additional revenue via ads and data to the latter.

Return on ad spending (ROAS) for Amazon ads in Brazil, Mexico, and the US
Q1 2022 – Q1 2023



NOTE: representes cliente activity tracked by Macarta, broader industry metrics may vary
SOURCE: Macarta in eMarketer/Insider Intelligence May 2023

Paid media channels ad buyers in LatAm will use to place digital ads, June 2023



SOURCE: aeMarketer/Insider Intelligence June 2023

“ Retail media's a path started by big retailers, and with time we'll begin to see this arriving in **regional and medium retailers**. And it's expanding because it's all about creating a new revenue line with margins around **70** or **80%**, while retailers are used to operating with margins around **3** to **10%**. For industries, it solves a big problem in traditional advertisement: **segmenting customers and tracking their conversion after being impacted by the advertising.** ”





AI in e-commerce **boosts sales and curbs fraud**

Artificial intelligence – any technique that enables computers to mimic human intelligence – isn't exactly news for the e-commerce sector. Amazon has been applying machine learning, a subset of AI, for its sales forecasting algorithm since 2009.

Still, as more people shop online and competition grows fiercer, the e-commerce sector sees an **increased need to capture data and translate them into insightful business decisions and enriched consumer experiences.**

So we'll continue to see artificial intelligence being developed by more and more tech companies, including LatAm startups, and then applied for:

Creating chatbots that can clear simple doubts and qualify leads: Conversational commerce allows personalized recommendations, from initial engagement to upselling, in scale.

Startup case



The startup uses Chat GPT to assist independent workers when talking to their customers. Its virtual assistant guides potential clients, from first contacts to following up on their payments.



The conversational marketing platform aims to accelerate companies' sales, with an artificial intelligence that engages in chats with end customers about forgotten items in carts and product recommendations, for example.



The startup built its Gen AI-powered conversational commerce solution focused on B2B clients in the consumer goods space. Yalo acts in the awareness, sales, post-sales, and insights stages of the e-commerce journey.



AI in e-commerce **boosts sales** and **curbs fraud**

Creating a personalized yet scalable buying journey: defining customer profiles and offering the right product, at the right moment, for the right customer. Recommendation engines, made famous by companies such as Amazon and Netflix, allow for higher conversion rates in an optimized manner, with a marginal to null cost increase with the addition of each new buyer.

Startup case



The startup uses artificial intelligence to automatically tag products and then make product recommendations to customers.



The startup guides clients through e-commerce products returns, exchanges, cross-sell, and upsell, with an artificial intelligence that generates product recommendations.

Predict possible identity and financial frauds when buying and selling online.

Startup case



The software protect businesses, inc. retailers, from fraud using machine learning, increasing the rate of trustworthy payments. The self-learning model monitors every transaction, analyzes data points, and does a risk analysis to both prevent fraud attempts and reduce erroneous chargebacks.

Going through customer reviews to summarize pros and cons and improving the assortment of products.

Startup case



The feature was announced as of August 2023.

The Opportunities

SMBs in various sectors will digitalize

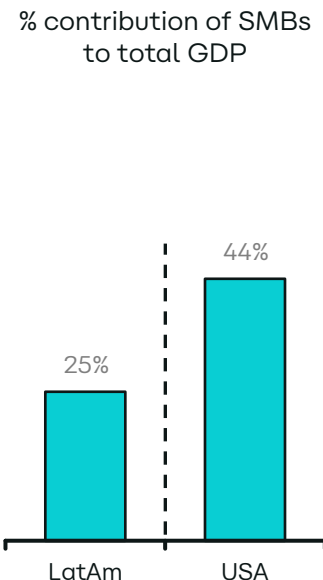
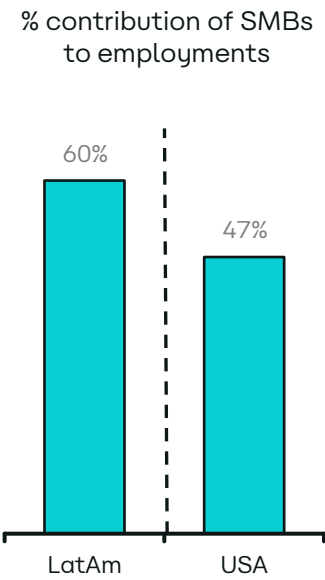
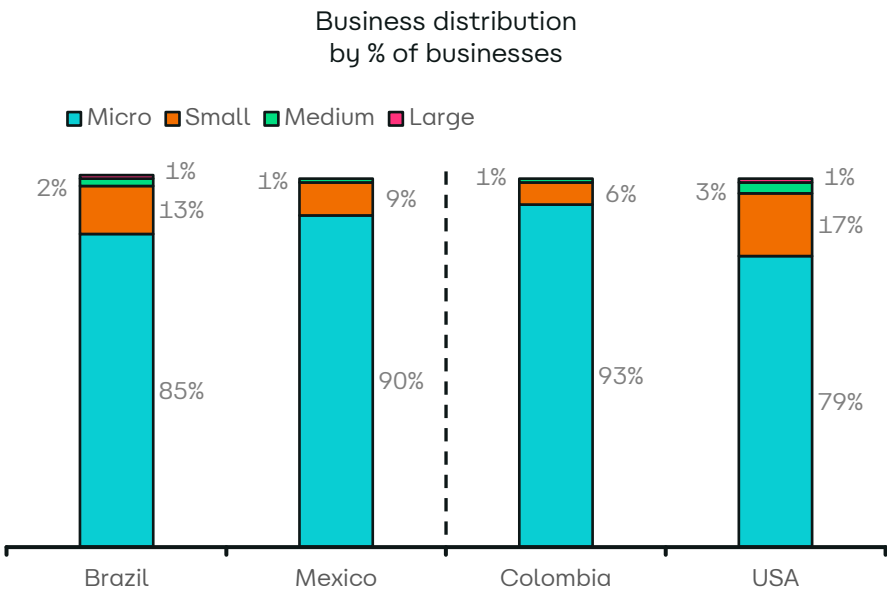
E-commerce is a market traditionally concentrated into big players such as Amazon, Mercado Libre, and Walmart – and that is no exception in LatAm. In Brazil, the top five players account for 51% of online sales. In Mexico, that same share is 66%.

So **most of the online retail growth should come from adding small and medium businesses (SMBs) to the online retail mix**, Americas Market Intelligence says.

These companies have space to grow: **LatAm SMBs create more jobs than what we see in the US**. Even so, they contribute way less to its region's GDP, Atlantico says.

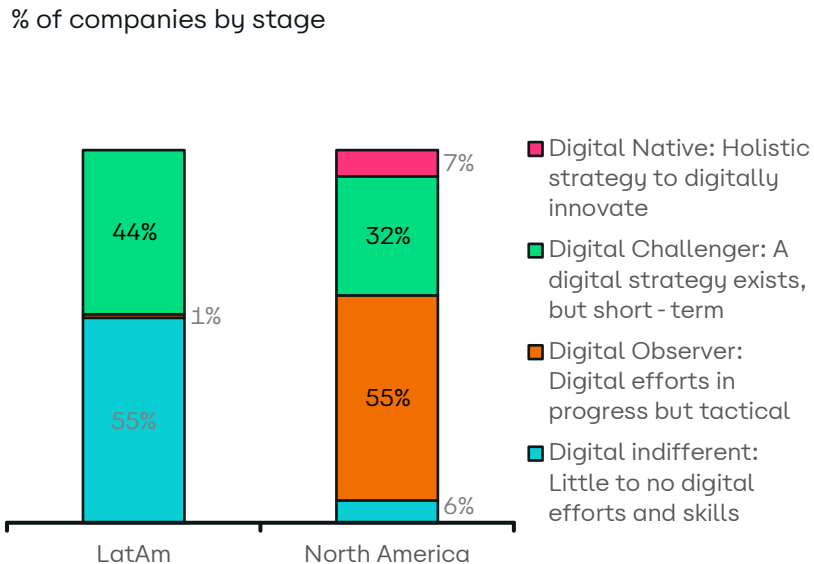
LatAm SMBs are either in the indifferent or short-term zones when it comes to e-commerce – so **there's an opportunity to help them eventually become digital natives**.

Latin American SMB contributions to the economy



SOURCE: Atlantico's Latin America Digital Report 2023

Latin American SMB digital maturity

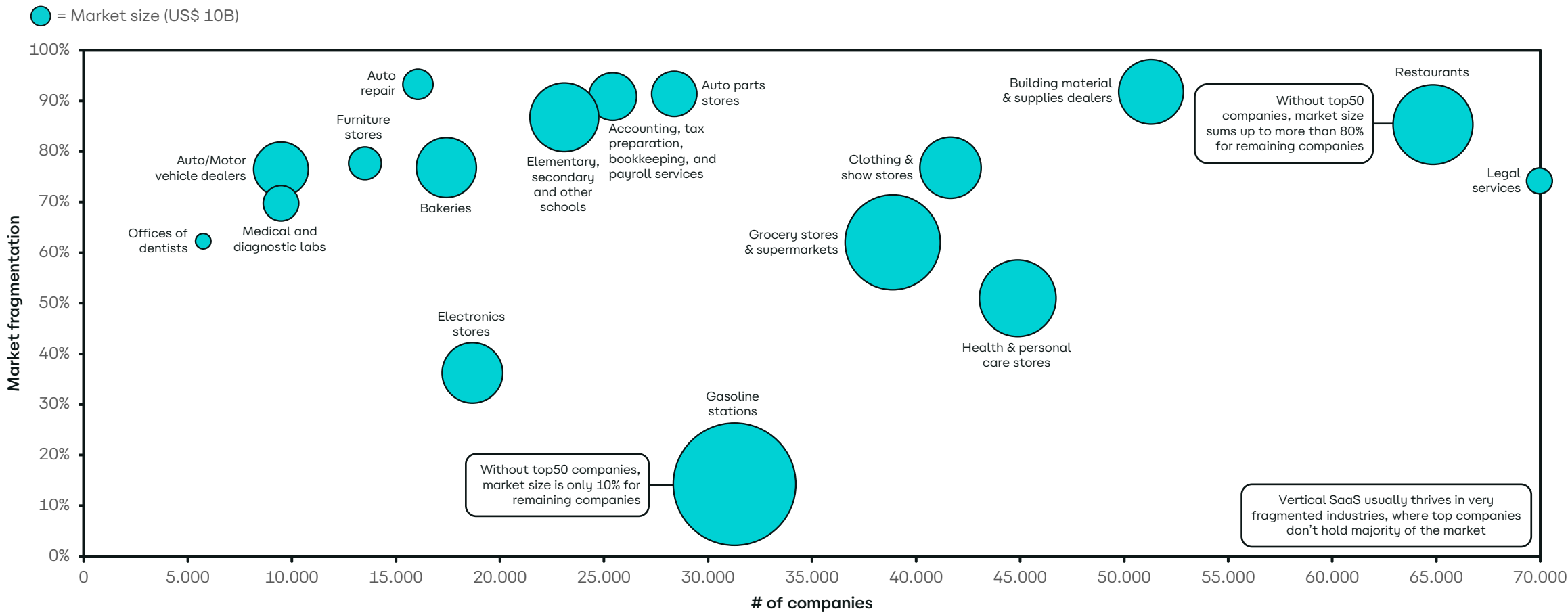


SOURCE: Atlantico's Latin America Digital Report 2023

SMBs in various sectors will digitalize

Taking Brazil as a proxy, some **sizeable sectors with high digitalization opportunities** are restaurants, building material and supplies dealers, auto dealers, repairers and parts sellers, schools, labs, and clothing and shoe stores.

We are just getting started: Brazil has several large and fragmented markets that can benefit from digitalization



SOURCE: Atlantico's Latin America Digital Report 2023



SMBs in various sectors will digitalize

One category of startups helping SMBs digitalize is **B2B vertical marketplaces**. Trading market size for market share, these platforms use niches as a strategy for focused product development, better customer satisfaction, and increased penetration.

Startup cases



The marketplace and delivery startup focuses on grocery stores, offering fast distribution of thousands of products and various payment options.



The marketplace supports pharmacies to order medicine online and compare brands and prices.



The marketplace and delivery startup connects organic farmers to end consumers by buying and delivering the share of produce that doesn't fit the aesthetic standard of supermarkets.



The marketplace helps contractors save time and money when purchasing building materials from certified suppliers, and also provides working capital for construction projects.



The marketplace connects brands to beauty professionals and businesses.



Live commerce will go live in LatAm

There's another rising e-commerce strategy catapulted by mobile commerce, social media, and creator economy (but not always restricted to them): **live commerce**.

Be it on social media or owned websites, mobile phones or desktops, **live streams integrated with e-commerce features** provide the best of both worlds: users can engage with brands and explore product details real-time, while also accessing special purchasing conditions and a convenient and quick purchase route. That's why live commerce can present up to 10 times higher conversion rates than traditional e-commerce.

Live commerce was born back in 2016, with Alibaba's Taobao Live. China's now the most mature of all live commerce markets, with 57% of users having accessed this shopping format for more than three years. That's compared with the 5 to 7% seen in Europe, the US, and LatAm, McKinsey says.

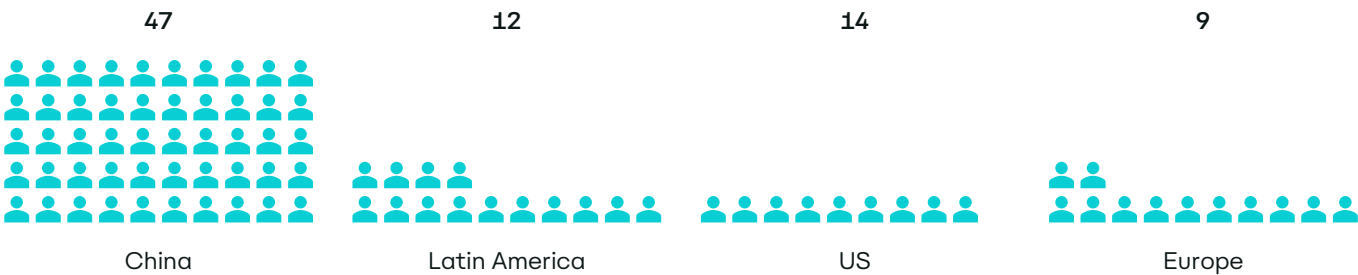
While still no match for China and with livestreams still mostly restricted to buying festivities, **LatAm sits above markets such as the US and Europe in terms of live commerce maturity**. Latin American users show an increased interest in buying more products and spending more on them through live commerce in comparison to these other regions.

Present:

China leads live commerce, while LatAm surpasses Europe and the US

Average number of live shows attended in past 12 months¹

Frequent live-commerce users



SOURCE: McKinsey July 2023

Average annual spend on live-commerce²

Frequent live-commerce users, \$

👤 = \$60



¹QUESTION: How many live-shopping shows have you attended in the past 12 months?

²QUESTION: How Much did you spend on the products you purchased via live shopping overall in the past 12 months?

SOURCE: McKinsey July 2023

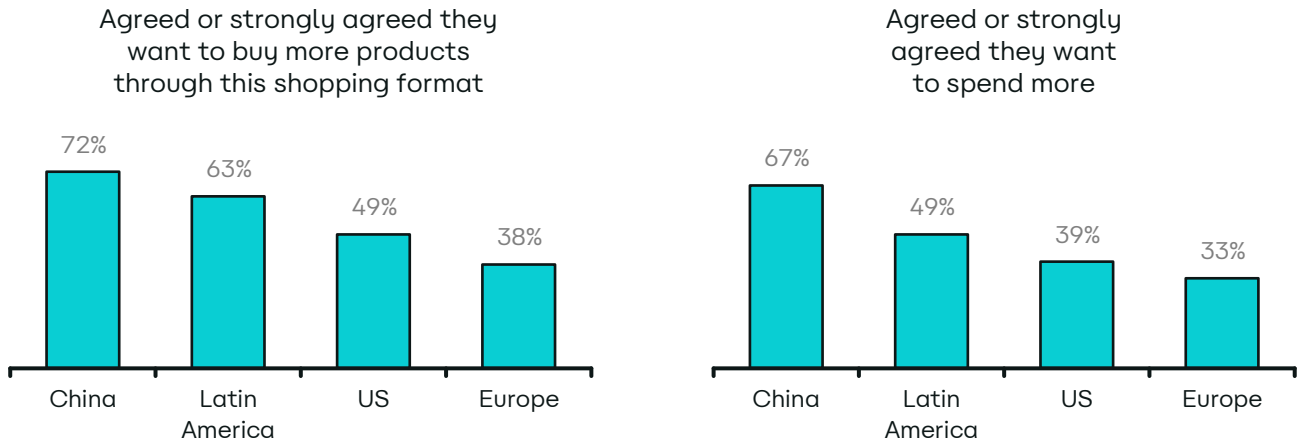
Live commerce will go live in LatAm

LatAm's also where **live commerces inside brand sites are most successful**: 16% of Latin American live commerce users watch them, compared to 9% in the US/Europe and less than a half a percent in China.

This is good news for LatAm brands making use of live commerce, big or small. The audience is smaller but more qualified, and companies can access **richer customer data** during the registration and interaction phases, and **facilitate a much smoother shopping experience**.


Future:


buy more, spend more



SOURCE: McKinsey July 2023

Startup case

- 

The livestreaming shopping app aims boost e-commerces results with one-to-one, one-to-few, and one-to-many live streaming services.
- 

The full-service live commerce platform operates in a SaaS model, helping brands select products, build a script, connect with presenters, and analyze conversion metrics.

“ We are seeing the first curve of live commerce in LatAm. There's a lot to explore. Globally, fashion e-commerce has a purchase rate of **2** to **3%**. Here, we see **20%**. For other markets like beauty, food, home apparel, and electronics, sales are **10 times bigger on average with live commerce**. When the conversion is moving like this, it means **it came to stay.** ”



Monique Lima
Mimo Live Sales



AI in e-commerce will need to separate **fact from hype**

When we look at **medium to long-term AI opportunities for e-commerce**, some opportunities pop out. For example:

- Automating inventory management and reducing warehousing costs via demand forecasting;
- Improving search on vast e-commerces by deeply understanding customers' preferences, from their preferred shade of blue to aluminum-free deodorant, opening the space for niche retailers to trump traditional options in marketplaces.
- Shopping with augmented reality (AR);
- And scheduling new purchases via IoT-powered house appliances.

But what's fact or hype, especially when thinking about the LatAm market? That is the real opportunity founders in the region will need to seize: **discovering where artificial intelligence can be applied so processes become more efficient and valuable for their startup and/or customers.**

“ E-commerce or not, almost everything a company does can be improved in terms of productivity with the use of AI. (...) **The biggest question a founder faces today is where to invest their time so they don't create something useless.** Think about spending years developing a product only to discover that AI can automate it and cannibalize your business. Or how everybody was talking about the metaverse and voice commerce, only to discover customers actually wanted the experience of seeing the products they were buying. **What's trending won't necessarily solve customers' problems and create a new trend. Be very careful when dealing with hype.** ”



Alex Szapiro
SoftBank

The Challenges



The Challenges

Extracting and organizing data

Data is the fundamental piece for e-commerces to make better decisions, which may include leveraging many of the trends and opportunities mentioned. But the **means to structure, require, extract, and analyze data** so it transforms into informations and then insights isn't always available – from talent to processes.

Eroding margins and a path to profitability

More expensive credit, higher inflation, reduced purchasing power, the new standard of free shipping for consumers, and the entrance the international players that did manage to navigate the tricky regional regulations put **pressure on the already tight margins of LatAm e-commerces**. At the same time, consumers expect more and more refined experiences. Regional players should **keep an eye on reducing costs while gaining share of wallet**, especially during a difficult environment for fundraising.

The Challenges



Macroeconomic environment

Like many other parts of the world, LatAm has been facing a combination of high interest rates, high inflation, difficult access to capital, and **sluggish economic activity and consumption** in 2023. Still, LatAm's also set to **rebound on the short to medium-term**. LatAm rose interest rates quickly and countries like Brazil and Chile already feel comfortable lowering them.

Network quality

Improved access to a high-speed and reliable internet connection will be key for the expansion of e-commerce – especially when we talk about trends such as mobile commerce and live commerce. 5G subscriptions are growing and LatAm and should reach 42% of total mobile connections by 2028 (compared to 91% in North America).

Changing regulations and taxes, especially for cross-border e-commerce

The **lack of unique and stable regulations and taxes** is a challenge seen all over LatAm in various sectors. But **cross-border** is especially sensitive to changing regulations – since cost is oftentimes the main variable consumers take into account when buying or not.

“ **The biggest challenge remains the same: CAC and LTV.** We are searching for **a level of efficiency that allows arbitrage.** What will make or break a startup in this sector isn't product because they're very similar. It's the **right go-to-market strategy** – and this relates to building a healthy top-of-the-tunnel, that doesn't survive on performance media, and expanding customers' lifetime value and recurrence without relying on aggressive promotions that lead into a new CAC. ”



Daniel Chalfon
Astella

The Future of Logistics

Executive Summary

- Logistics as a whole has gained more momentum with the **supply chain constraints** and the **rise of e-commerce** brought by the Covid-19 pandemic – and companies and investors have increased their attention to logistics startups, and investments into them poured. Even if funding has gone down in 2022 and 2023 in terms of volume, logistics startups keep gaining a **bigger share of total venture capital investments**.
- Observed trends represent a mix between **new consumer behaviors** made stronger by the pandemic and **new requirements for thriving in a difficult economic environment**. On one side, we have the demand for **convenience** and **cross-border products**. On the other, we have the search for **healthy margins and efficiency**, and strategies vary from **nearshoring** and more cost-saving delivery formats to investing in **artificial intelligence** (AI) and the internet of things (IoT).
- The medium and long-term opportunities for logistics startups in LatAm are more varied. Founders and investors heard by Latitud point out movements such as **providing logistics for soon-to-be-digitalized niches**; keeping **track of carbon emissions** in preparation for public regulations; and deepening the use of **AI** through applications such as machine vision.
- Logistics companies face some challenges that are actually opportunities for logistics startups– such as seeing high rates of theft and building solutions to curb it. Some other challenges are more difficult to solve by innovating and these are the ones we'll focus on in this study: **macro environment, cross-border logistics regulations, and infrastructure**.

The LatAm Tech Report 2023:

The Future of Logistics

Context Setting

- I. After renewed interest, LatAm logistics startups are promoting efficiency metrics
- II. LatAm's logistics startups go from last-mile to cross-border
- III. VC-backed logistics startups have been growing steadily in LatAm
- IV. Funding for LatAm's logistics startups stays resilient

The Trends

- I. Convenience is here to stay
- II. Still, healthy margins need to be the goal
- III. Nearshoring is shoring up
- IV. Cross-border logistics rises with cross-border commerce
- V. AI in logistics brings sustainability through efficiency

The Opportunities

- I. Niche supply chains will serve newly-digitalized SMBs
- II. Carbon emissions will be on the tracking list
- III. AI in logistics will include machine vision

The Challenges

- I. Efficiency and legislation for cross-border logistics
- II. Infrastructure
- III. Macroeconomic environment
- IV. Talent retention

Context Setting



After renewed interest, LatAm logistics startups are promoting efficiency metrics

LatAm tech companies have been looking at logistics for some years, with Mercado Libre launching its same-day delivery service back in 2018. But the Covid-19 pandemic emphasized both the vulnerability and the importance of transporting goods throughout the world. There was a **renewed focus on effective and transparent supply chains from companies and investors.**

Fast-forward to today. As more businesses went online and more consumers opted to have products delivered to their homes instead of flocking to stores, **logistics solutions like last-mile delivery grew.** But the current macroeconomic environment poses a challenge to retail and to the logistics startups relying on its growth.

Startups need to think of how to transform this into an opportunity, **promoting their solutions as a cost-cutting feature**, especially as venture capital investments shrink in volume.

83%

of managers from global companies in 18 countries consulted after some months of the pandemic said they had become **more aware of the risks** associated with raw material shortages, production shutdowns, and transport blockades than before the pandemic.



LatAm's logistics startups go from last-mile to cross-border

Last-mile delivery platforms and networks

Startups that cover short-distance delivery of products. They deliver from parcels to groceries, working inside urban centers or from regional hubs to distant cities. Convenience is their staple, oftentimes offering same and next-day delivery.



Road, air, and ocean freight digital marketplaces and solutions

Startups are also looking to revolutionize the freight industry, promoting regional and cross-border transportation. They offer both marketplaces and solutions that bring more efficiency to this part of the supply chain, from automation to working capital.



E-commerce fulfillment and enablement

Startups that seek to increase the logistics efficiency for e-commerce players while providing convenience to their end customers. They can work on picking, packing, warehousing, and/or delivering e-commerce products.



Inventory, order, and fleet management providers

Transporting goods from A to B isn't enough: logistics companies need to be efficient if they wanna survive. That's why startups are providing hardware and/or software that can help them optimize routes and have visibility and transparency on the status or orders, the location and safety of drivers, and cargo conditions.



LatAm logistics startups on the venture capital track have been growing steadily throughout the past decade, with an uptick in net additions during the pandemic years (2020-22). This year, VC-backed logistics startups finally crossed **the 100 mark**.

VC-backed startups in Latin America by tech vertical
(cumulative), 2013 - Q3 2023

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1 - Q3 2023
Logistics	1	4	6	12	17	30	39	53	73	97	109
Net additions	-	3	2	6	5	13	9	14	20	23	21

SOURCE: LAVCA November 2023

Logistics are spread through LatAm
Distribution of LatAm logistics startups and unicorns by country



SOURCE: Distrito's Corrida dos Unicórnios 2023

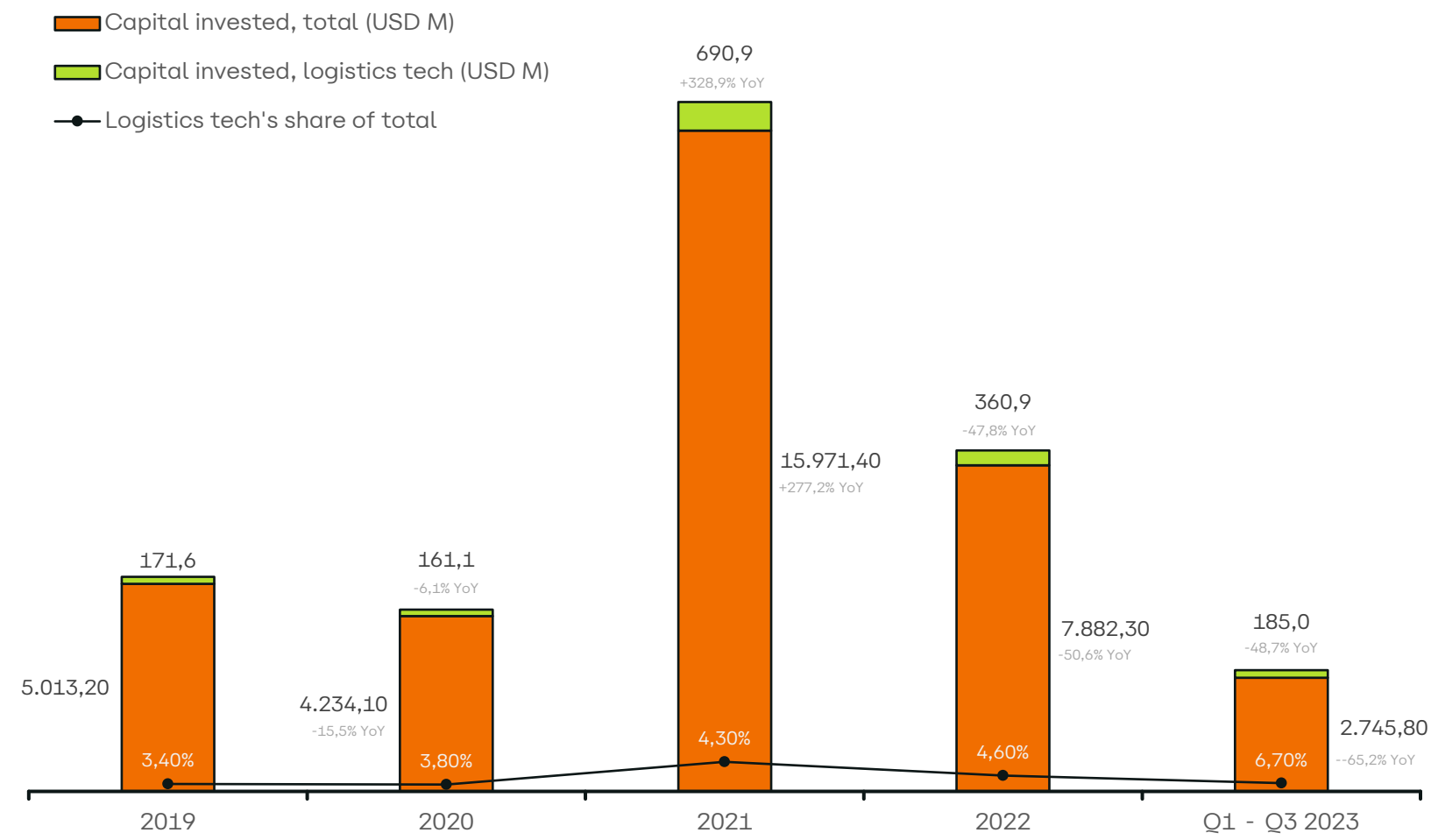


Funding for LatAm's logistics startups **stays resilient**

The capital invested in logistics startups has accompanied the general startup market in the sense that 2021 was a boom year, followed by sharp declines in 2022 and 2023. But it's interesting to note how **the logistics sector has stayed more resilient than average**, with higher highs (+328.9% vs +277.2% in 2021) and not as deep lows (-47.8% vs -50.6% in 2022, -48.7% vs -65.2% in 2023 YTD).

The logistics tech's **share of total capital invested has only gone up throughout the years**, reaching 6.7% in 2023 YTD, showcasing how this is a sector that only grows in importance for VCs in the region.

Logistics' journey of gaining fundraising share in LatAm
Venture capital raised by the logistics tech vertical (2019 - Q3 2023)



* The decline rate should lower with Q4's results, providing the real year-over-year comparison.

SOURCE: LAVCA November 2023

The Trends

Convenience is here to stay



Online retail brought and will keep on bringing more convenience – and **growth to logistics players with that.**

Using Brazil as a proxy for LatAm, we see young consumers dedicating most of their credit cards' share of wallet to mobility apps such as Brazil's 99 and Uber.

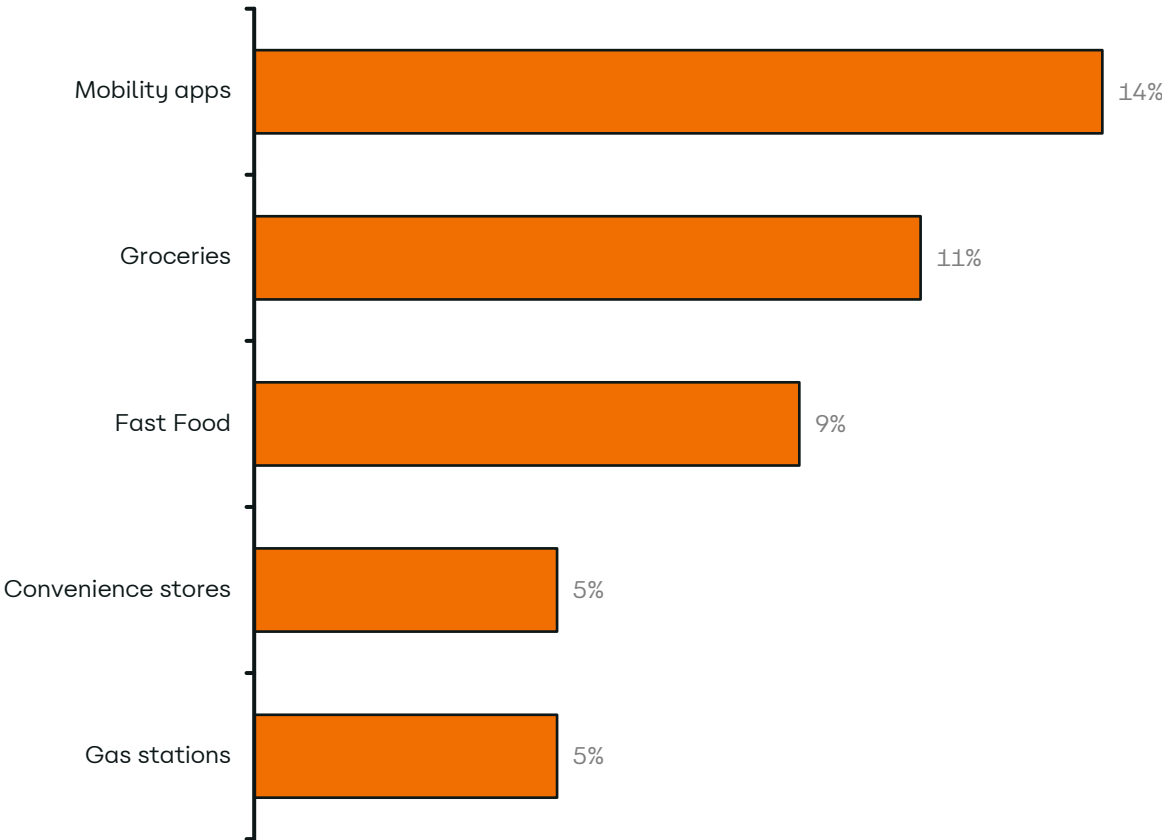
Groceries and fast food follow suit – another category that LatAm logistics startups are already leveraging through dark/cloud/ghost kitchens and delivery apps.

Generation Z's spending via credit cards in Brazil is linked to transport and logistics

Source: research made by Itaú Unibanco on Jan/Feb of 2023, reproduced in StartSe

Gen Z's biggest spending categories on credit cards

% of transactions in Jan/Feb 2023



SOURCE: Itaú Unibanco January/February 2023 in StartSe

Convenience is here to stay



Startup cases

Cornershop
by Uber

The on-demand delivery service was created in Chile back in 2015. Six years later, Uber acquired it at a US\$ 3B+ valuation.

Rappi

The Colombian last-mile delivery unicorn bets on ultra convenience with Rappi Turbo, a feature launched in 2021 that delivers products in 10 minutes.

foodology

The startup creates and operates virtual restaurant brands, which includes managing 80+ ghost kitchens making deliveries in four countries.

“ Lots of people are now **working fully or partially from home**, and that created a new market that needs to eat but maybe doesn't like or doesn't have the time to cook meals. I'm seeing a lot of willingness from consumers to try things that they've never seen on the street.

The pandemic brought a huge shift in consumer behavior and we haven't seen any kind of slowing in demand yet. More than that: the generation that's still in school is **growing up and seeing their families getting everything delivered**. It's a market that will only get bigger. ”



Daniela Izquierdo
Foodology



Still, **healthy margins** are the goal

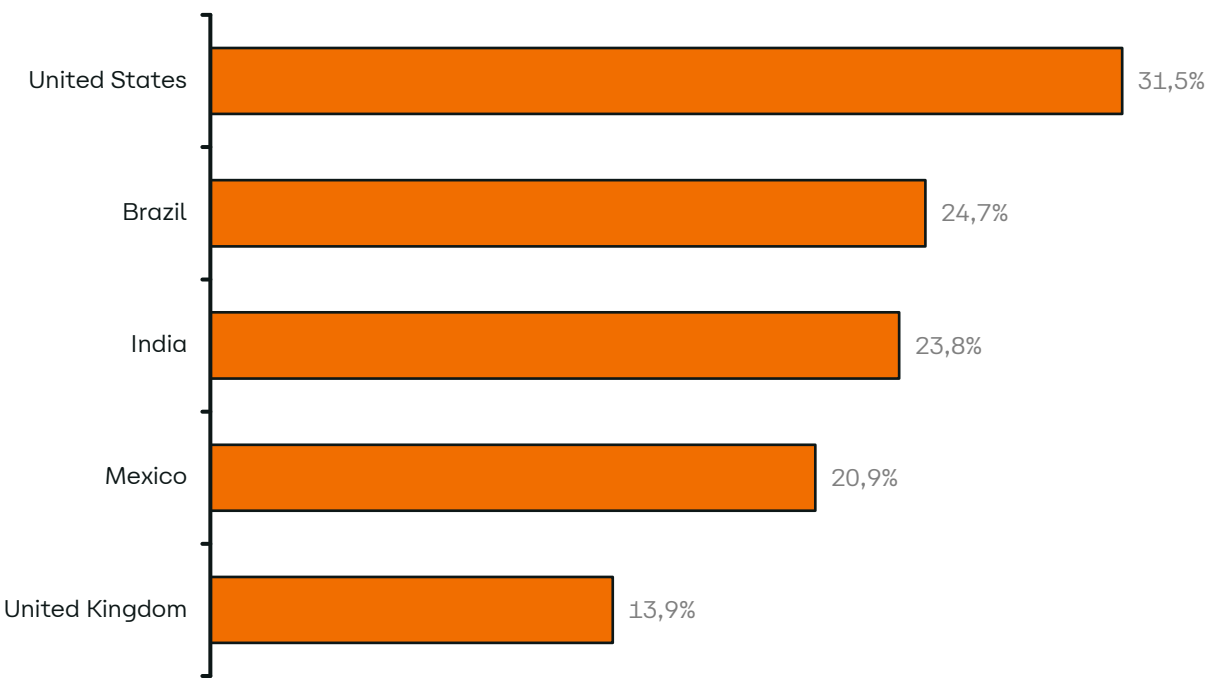
Warning: in the current environment, the convenient deliveries we just talked about are only allowed if the logistics player has a clear path to profitability. Investors are more selective with their investments, and **healthy margins** are on their list.

So it all comes down to solving customers' needs in a way that benefits all stakeholders, including the financial department of the logistics startup. And that can mean **more cost-saving delivery models**.

Some alternatives for shorter distances could be the ship-from-store or the buy online, pick up in store models (BOPIS) at owned or nearby shipping/collection points. Part of Latin American consumers is seeing value in trading convenience for lower or no shipping costs: BOPIS in LatAm already sits between US and UK levels, using Brazil and Mexico as proxies.

The pick-up economy grows

Share of consumers in different countries who picked up their most recent e-commerce order in-store or curbside in 2022



SOURCE: 2023 Global Digital Shopping Index (PYMNTS/Cybersource)

Startup case



Pegaki connects e-commerces to physical small businesses serving as collection points. While e-commerces reduce their logistics costs, small businesses receive more visitors as they collect their e-commerce parcels.
Exit to Intelipost



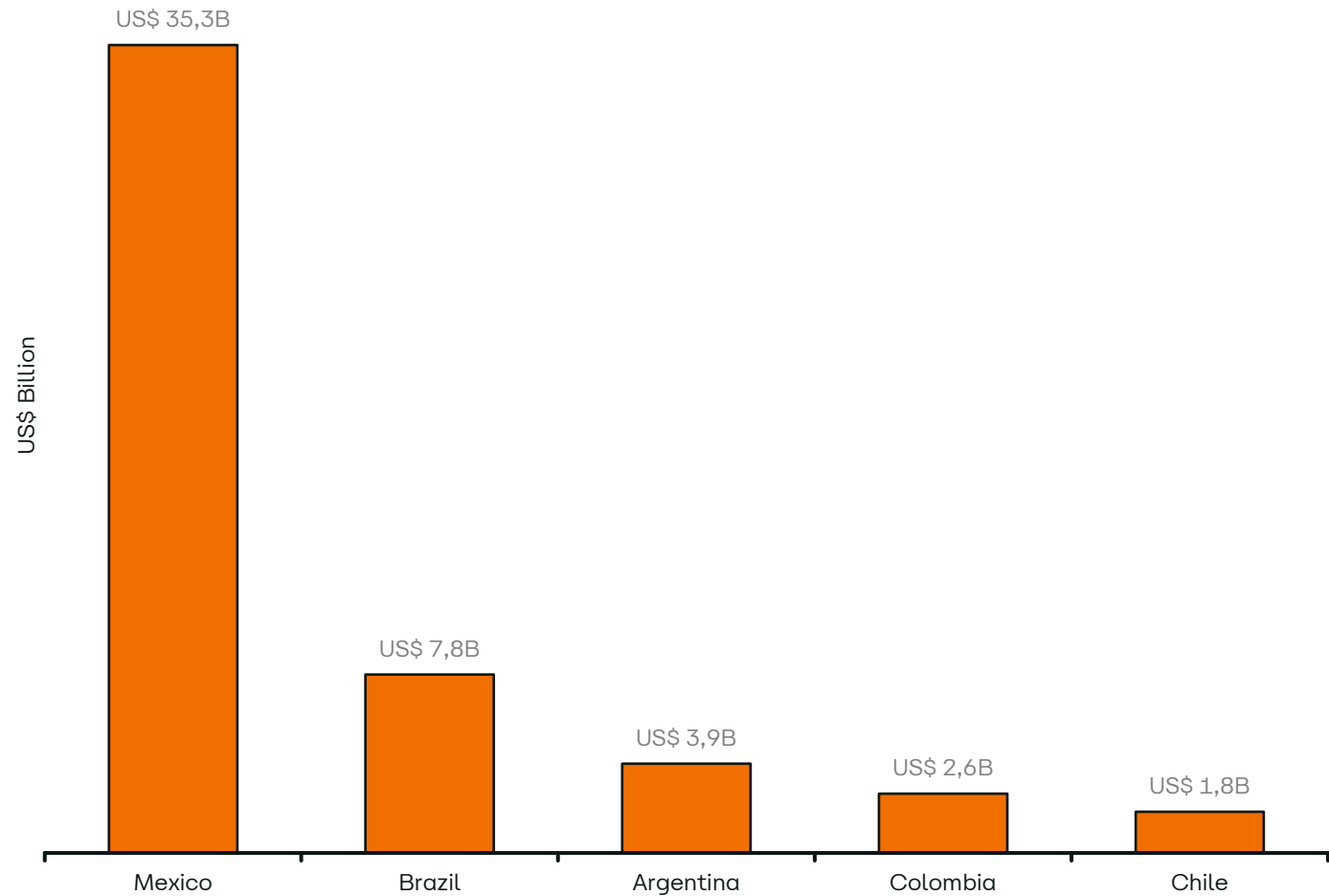
Nearshoring is **shoring up**

Nearshoring means moving your business activities, especially manufacturing, nearer to your potential markets to expand your exports and revenue while keeping costs down. Companies are always looking for time and cost-efficient alternatives for their manufacturing, especially in tense economic and political times, and effective logistics can play a vital role in that decision.

Nearshoring could **increase Latin America and the Caribbean (LAC)'s total exports by USD 78B per year** in the near to medium term, according to the IDB. **Mexico** is the leader of nearshoring in the region with a wide margin, since it's an attractive option for companies serving US customers.

Nearshoring presents an opportunity for logistics startups to cover more routes that are cross-border yet at close range, such as Mexico <> US and Brazil <> Argentina.

The potential annual increase in LatAm goods exports is led by Mexico
Due to nearshoring



SOURCE: Inter-American Development Bank (IDB) as of June 7, 2022.

“ We’ve talked to a lot of investors looking at that **nearshoring opportunity**, seeing geopolitical reconfigurations such as the **changing relationship states between the US and China**.
Foxconn and Tesla are investing in Mexican factories, and Shein is also planning and making significant manufacturing investments both in Brazil and Mexico to **serve their consumer base in the Americas**. ”



Carlos Ramos
LAVCA



Cross-border logistics **rises** with cross-border commerce

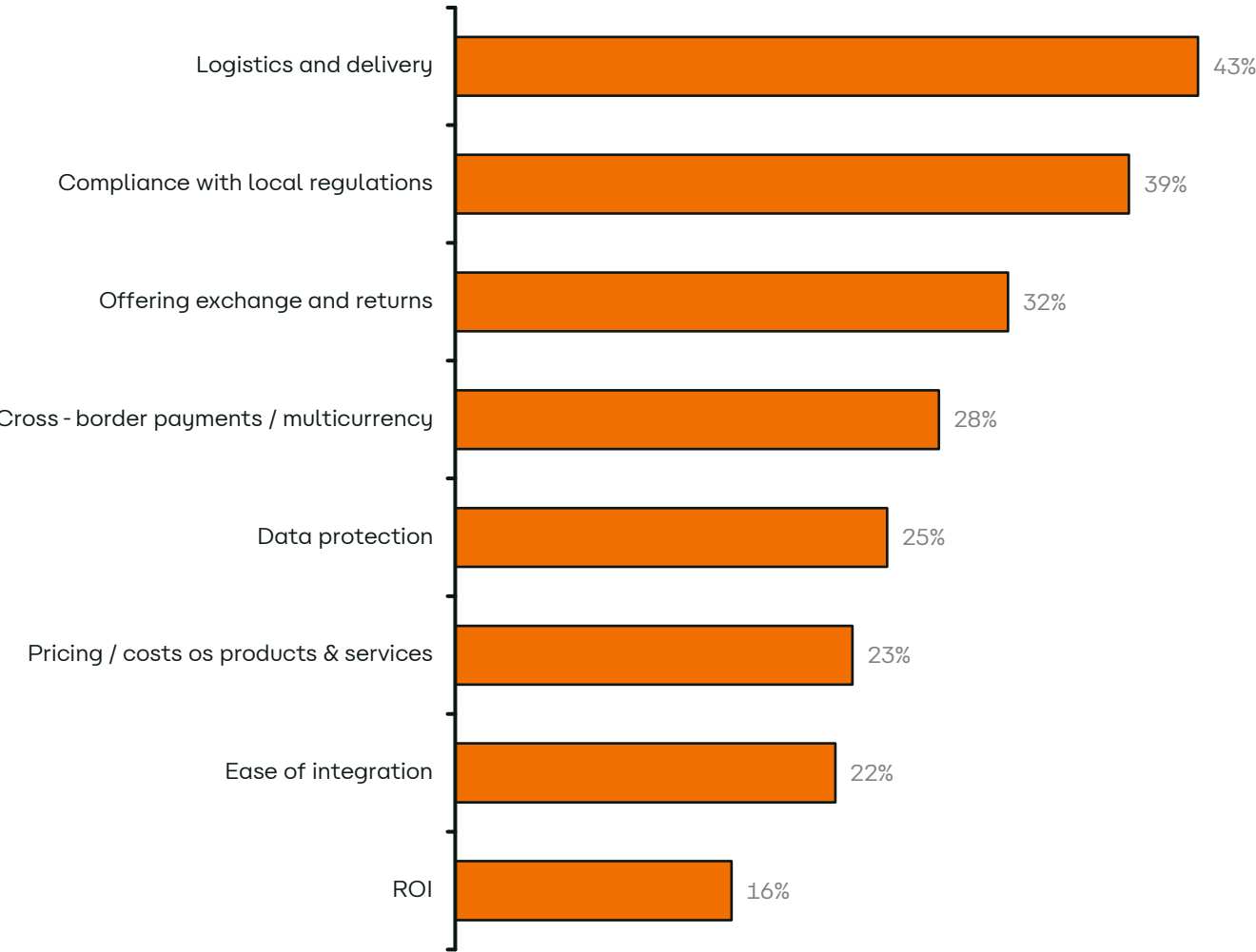
Even before the supply chain turmoil brought on by the pandemic, **delivery** was the main factor of concern for retailers when looking at cross-border e-commerce, Accenture says.

Tracking orders, determining liabilities, and meeting delivery timeframes for traditional logistics and reverse logistics – this is all more challenging when we talk about cross-border logistics.

As the import of goods grows in LatAm, be it from Asia or from other countries in the Americas through nearshoring, **logistics also needs to catch up**.

Startups can bring more efficiency to cross-border commerce, be it by moving goods or by moving money, as vertical fintechs are offering agile payment and financing solutions to these cross-border players.

Logistics and delivery are the most problematic pain points in cross-border e-commerce



SOURCE: Accenture, 2019



Cross-border logistics **rises** with cross-border commerce

Startup cases



The fintech provides financing alternatives and insurance for companies that deal with imports.



The fintech supports international trade players through insurance, payment, and financing solutions.



The freight forwarder and manager centralizes companies' international trade operations by air, land, or sea. Nowports also offers digital and financial tools to its customers, such as cargo visibility, reports, and financing (still to be deployed as of Oct 2023).



The startup focuses on the cross-border commerce between Mexico, the US, and Canada. It also offers digital and financial tools to its customers, such as insurance, cargo visibility, insights, and a shared workspace with suppliers.



AI in logistics brings **sustainability through efficiency**

You can't talk about the Environmental, Social, and Governance (ESG) agenda without mentioning logistics: the sector generates 60% of all global CO2 emissions. In Latin America and the Caribbean (LAC), **transport generates 39% of all CO2 emissions.**

Much has been said about electrifying vehicles or developing alternative fuels. But logistics companies are already getting to environmental, social, and governance impact through simply **executing with more efficiency.**

Startups, LatAm ones included, are helping in that transformation journey – especially through developing data collection points and processing said information with artificial intelligence-powered models.

During the pandemic, **AI-powered supply-chain management** has enabled early adopters to **improve logistics costs by 15%, inventory levels by 35%, and service levels by 65%** compared with slower-moving competitors.

SOURCE: [McKinsey April 2021.](#)

AI is already changing logistics by:

Environmental

Optimizing best routes to reduce travel distance and fuel consumption, curbing carbon emissions with that.

Social

Improving drivers' and cargos' safety through, for example, more vehicle maintenance and prevention of theft.

Governance

Having and providing more visibility on past, present, and even future orders and payments through predictive analysis. This supports a range of stakeholders (startup, suppliers, vendors, and end consumers) through different value propositions, from inventory management to buying experience.



AI in logistics brings **sustainability through efficiency**

Startup cases



The last-mile delivery startup has been investing in natural language processing (NLP) and artificial intelligence for years. Back in 2020, SoftBank awarded it for an algorithm improvement that reduced by 27% the distance traveled by couriers.

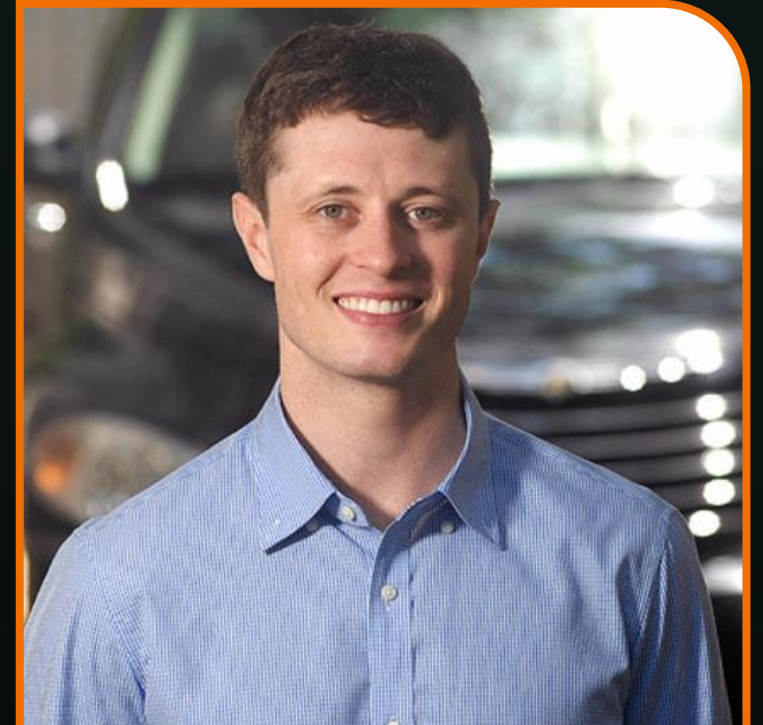


The long-distance delivery startup uses big data and machine learning to crunch through criminality data and suggest the best routes, dates, and times to transport cargo. Frete.com says it reduces 25% of stolen cargos. It also optimizes routes, leading to up to 20% less carbon emissions.



the long-distance delivery startup installs cameras and sensors in trucks. These equipments are optimized for data collection, through the internet of things (IoT). Using artificial intelligence to analyze said data, Cobli offers insights on the location of drivers and cargos; tracks driving behaviors and expenses; and suggests maintenance needs and route optimizations.

“ At the end of the day, **logistics is a big optimization algorithm that everyone is running**. The people who can optimize that algorithm in a better and faster way and then execute on in win. **It's very much a race for data.** ”



Parker Treacy
Cobli

“ **The next frontier is all about productivity gains.** Spend less time, go through smaller distances, check how many vehicles are really needed... Everybody is talking about the electrification of fleets or hydrogen fuels but we still have a long way to go. That would be like **changing all your incandescent bulbs to LED ones but not even considering turning off the lights** when you're not using them. ”



Thibaud Lecuyer
Loggi

The Opportunities

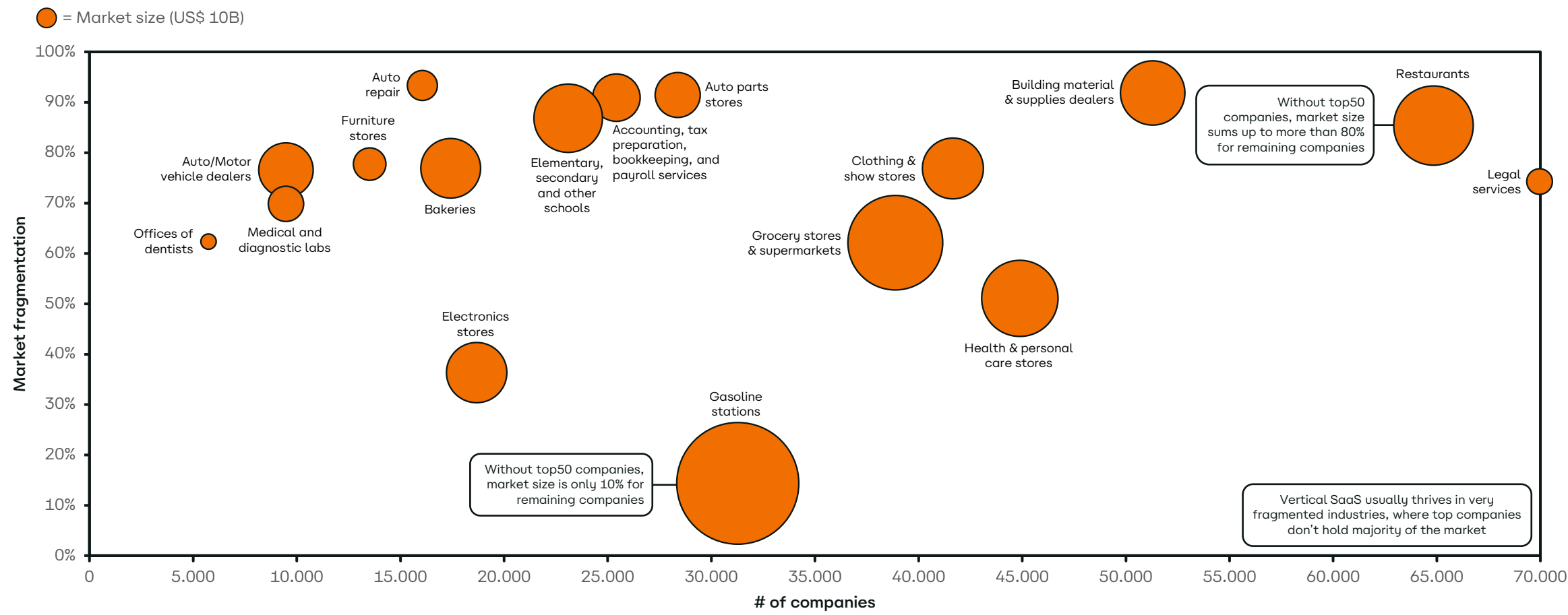


Niche supply chains will serve newly-digitalized SMBs

There's space for LatAm SMBs to go digital. And as they sell more online, logistics startups can also serve them.

Some sizeable sectors with high digitalization opportunities identified in the e-commerce study already have a mature competitive landscape in terms of logistics players that serve them, such as bakeries, restaurants, and groceries. Others have more space for logistics entrants, such as building materials, auto parts, and clothing/shoes.

We are just getting started: Brazil has several large and fragmented markets that can benefit from digitalization



SOURCE: Atlantico's Latin America Digital Report 2023



Niche supply chains will serve newly-digitalized SMBs

Startup cases



The marketplace and delivery startup focuses on grocery stores, offering fast distribution of thousands of products and various payment options.



The marketplace and delivery startup connects organic farmers to end consumers by buying and delivering the share of produce that doesn't fit the aesthetic standard of supermarkets.



Carbon emissions will be on the tracking list

20 countries in Latin America and the Caribbean have included low-emissions transport strategies in their goals, out of the 25 countries supported in the region by the United Nations' Climate Promise.

In the transition to an overall low-carbon economy, founders and investors heard by Latitud see electric fleets as a distant opportunity. Instead, the first step in that transformation is actually having an incentive for **reporting and reducing carbon emissions**. Chile, Colombia, and Mexico already have carbon taxes. Logistics players should be prepared for that – and also for similar taxation and regulations outside of LatAm in the case of cross-border logistics players.

As we've mentioned in The Trends, some LatAm logistics startups are already working on reducing said emissions by having more efficient routes. Public incentives in the following years should stimulate these efforts and create others.

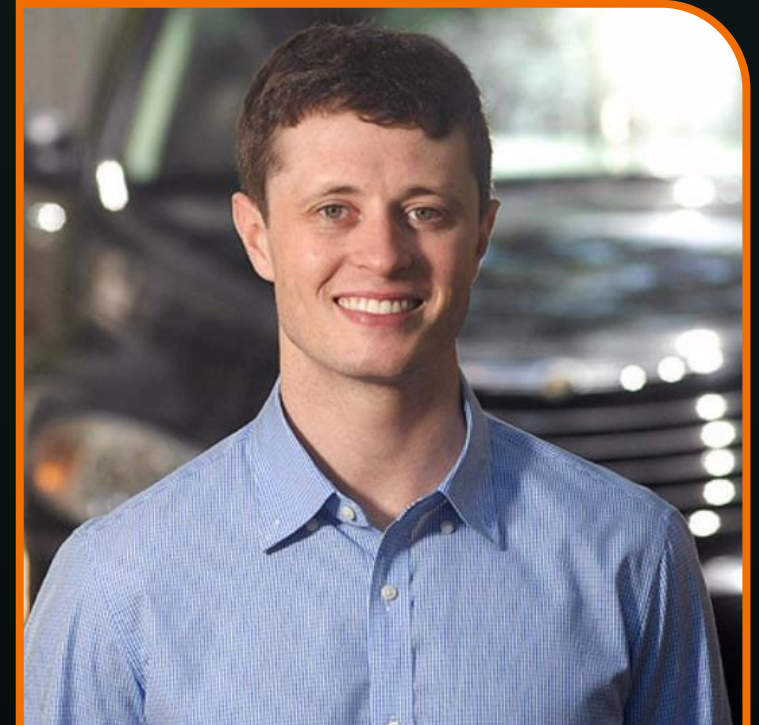


AI in logistics will include machine vision

Artificial intelligence isn't restricted to analyzing code. With **machine vision**, it can also process images and videos to identify and classify objects and, from then, derive insights such as the capacity of transport, the occupancy of docks and parking lots, the condition of the vehicle and the cargo, and the potential security breaches.

As network connectivity, quality and number of installations of cameras, and algorithms improve, **machine vision will have the right foundation to also grow.**

“ Today, vehicles are tracked with hardwares such as GPS and accelerometers attached to them. In the future, we're going to have a **surveillance network that can create complete visibility on where things are just through simply video feeds.** **Machine vision will be what changes logistics and supply chain more than any other technology that exists.** ”



Parker Treacy
Cobli

The Challenges

The Challenges



Efficiency and regulation for cross-border logistics

We've seen more efficiency underway through developments such as artificial intelligence. However, documentation, regulation, and taxes are ever-changing and will remain a challenge – especially when dealing with multiple geographies, as seen in the cross-border segment.

Infrastructure

Some challenges persist through time, and infrastructure is one of them. LatAm countries have improved their connectivity but they still need to connect small and medium-sized cities to hubs through roads, rails, and/or flight and sea routes. Improved access would bring more efficiency and expansion to the transport of people and goods, stimulating the region's economy.

The Challenges



Macroeconomic environment

The persistence of high-interest rates and inflation has led to reduced economic activity. And while that has helped supply chains to return to normality, it now faces too many containers lying around and reduced revenues. Specifically in LatAm, slower consumer spending and excess inventories in the US and Europe will affect the growth rates of traded goods to and from the region.

Talent retention

Keeping the best employees around is a challenge every startup faces – but in logistics the challenge is two-fold. Not only do startups in this sector need to retain senior talent in their offices but also the best and most reliable drivers and deliverers.

The Future of SaaS

Executive Summary

- **Software as a service (SaaS)** startups are **well-positioned to grow** after the **digitalization** brought by the Covid-19 pandemic, and in a fundraising environment where asset-light and metric-filled business models are prioritized. **LatAm SaaS fundraising has grown this year to date in comparison to 2022, while the overall startup sector has receded.**
- The trends for software as a service in the region point to a **post-pandemic world**: hybrid work is the new norm, enterprises are looking to eliminate redundancies, SMBs are continuing their digitalization track, and artificial intelligence is making SaaS better for customers and more productive behind the curtains.
- The medium and long-term opportunities for LatAm SaaS startups point to a **deepened development of the sector**: software focused on niches will expand, startups will only go beyond borders if it makes strategic sense, and Gen AI will increase SaaS' portfolios while maintaining efficiency.
- Challenges for all startups also haunt software as a service, such as **attracting and retaining talent, coupling growth with retention and profit**, and **dealing with data privacy and security**. An added challenge for the SaaS sector is **educating the market** and showing users that paying for and using software can be worth it in terms of cost reduction and/or revenue expansion.

The LatAm Tech Report 2023:

The Future of SaaS

Context Setting

- I. Cloud computing keeps growing in LatAm, and SaaS with it
- II. LatAm unicorns in e-commerce, fintech, and wellness adopt SaaS business models
- III. LatAm SaaS startups go from e-commerce to cybersecurity
- IV. SaaS startups offer business solutions going from e-commerce to cybersecurity
- V. LatAm's SaaS funding and VC share grow in 2023 YTD

The Trends

- I. Work is hybrid (and chaotic)
- II. SaaS governance is finally counteracting SaaS waste
- III. SMBs are the new focus
- IV. AI brings better customer experience and productivity

The Opportunities

- I. SaaS will go vertical in sizeable niches
- II. SaaS startups will strategize on going global
- III. SaaS' future will be efficient and AI-driven

The Challenges

- I. Attracting and retaining talent
- II. Coupling growth with retention and profit
- III. Data privacy and security
- IV. Market education

Context Setting

Cloud computing keeps growing in LatAm, and SaaS with it

With years of increased digital adoption from consumers and businesses, software solutions-as-a-service (SaaS) became a necessary foundation for many business processes. The explosive growth of the online conference platform Zoom was the more well-known example of this trend, with its profit growing more than 30x when comparing 2019 to 2020.

The pandemic boom's gone but there's still demand and growth to be seen. A study by the SaaS consulting firm Zylo cites a Gartner prediction that by 2025, **30% of organizations globally will depend solely on SaaS applications for mission-critical workflows**. These SaaS keep being created by big techs, but also by progressively more startups.

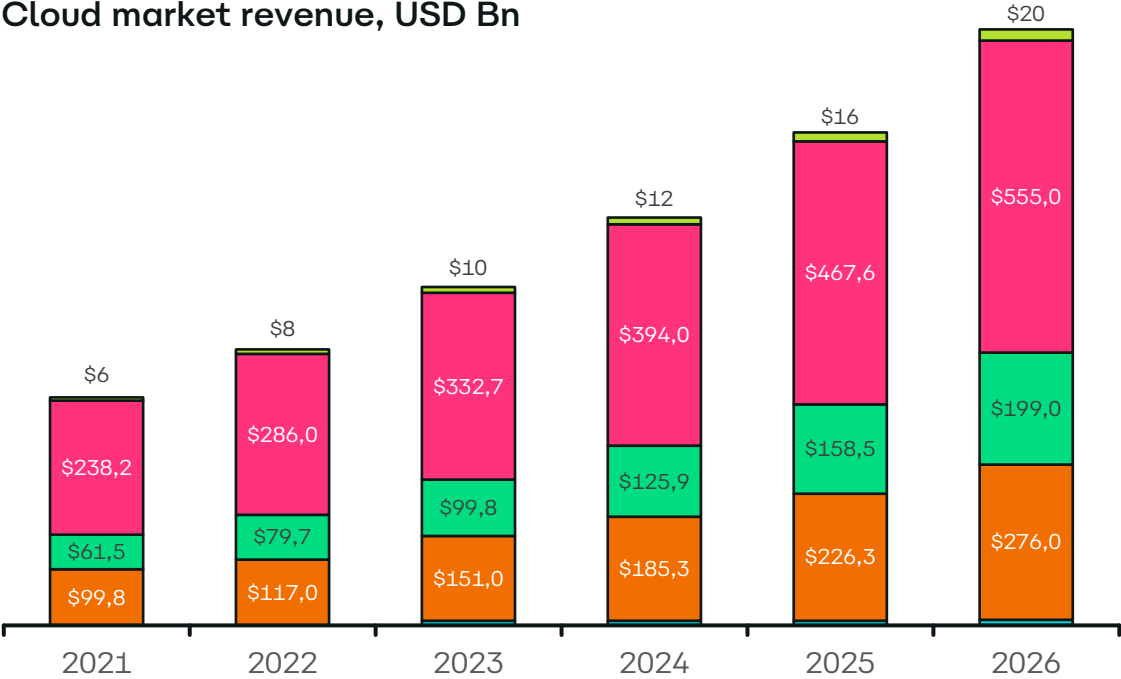
While it's still a small market in absolute terms, **LatAm has also been and will continue to be the fastest-growing region for the cloud computing industry** when looking at the pandemic and post-pandemic context (2021-2026), Ebanx says. And **SaaS is a subset of cloud computing**, comprised of 1) infrastructure, 2) platform, and 3) software as services.

Besides **company adoption** and **market growth**, the combination of high margins, low marginal cost, predictable and recurring revenue, low entry barrier for customers, high upsell and cross-sell potential, longer-term revenue potential, and a myriad of possible exits (M&As and IPOs) has also made **SaaS more attractive to investors**, with more capital being invested this year while the general startup market has been receding.

The fastest-growing in the world

Latin America's cloud industry should grow at 28% per year through 2026.

Cloud market revenue, USD Bn



SOURCE: Ebanx Beyond Borders 2023

REGION	CAGR
LatAm	28%
North America	18,4%
Rest of world	21%
Europe	22,6%
Africa	25,1%



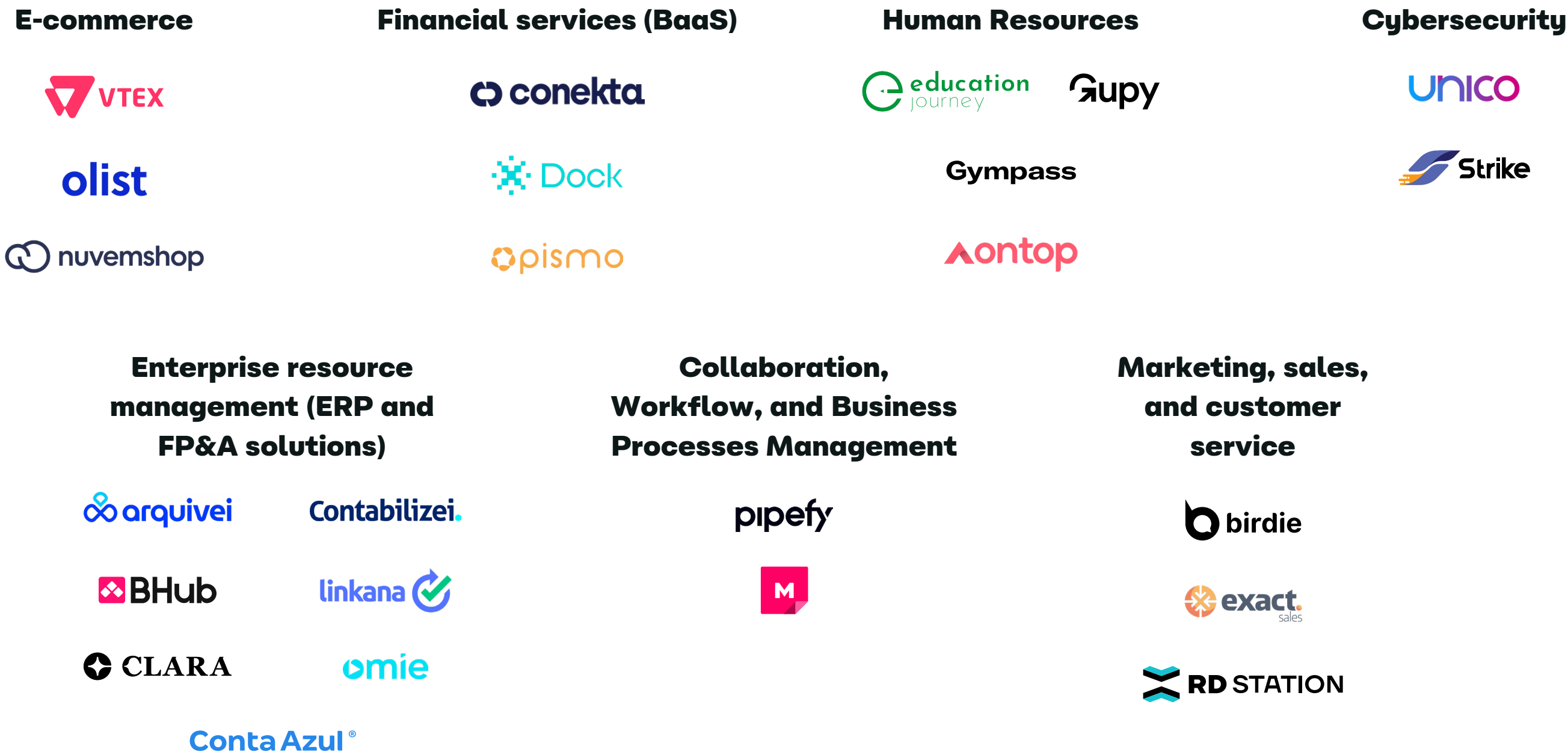
LatAm unicorns in e-commerce, fintech, and wellness adopt SaaS business models

Brazil leads in number of unicorns with SaaS models
Distribution of LatAm unicorns that operate fully or partially with a SaaS business model





LatAm SaaS startups go from e-commerce to cybersecurity



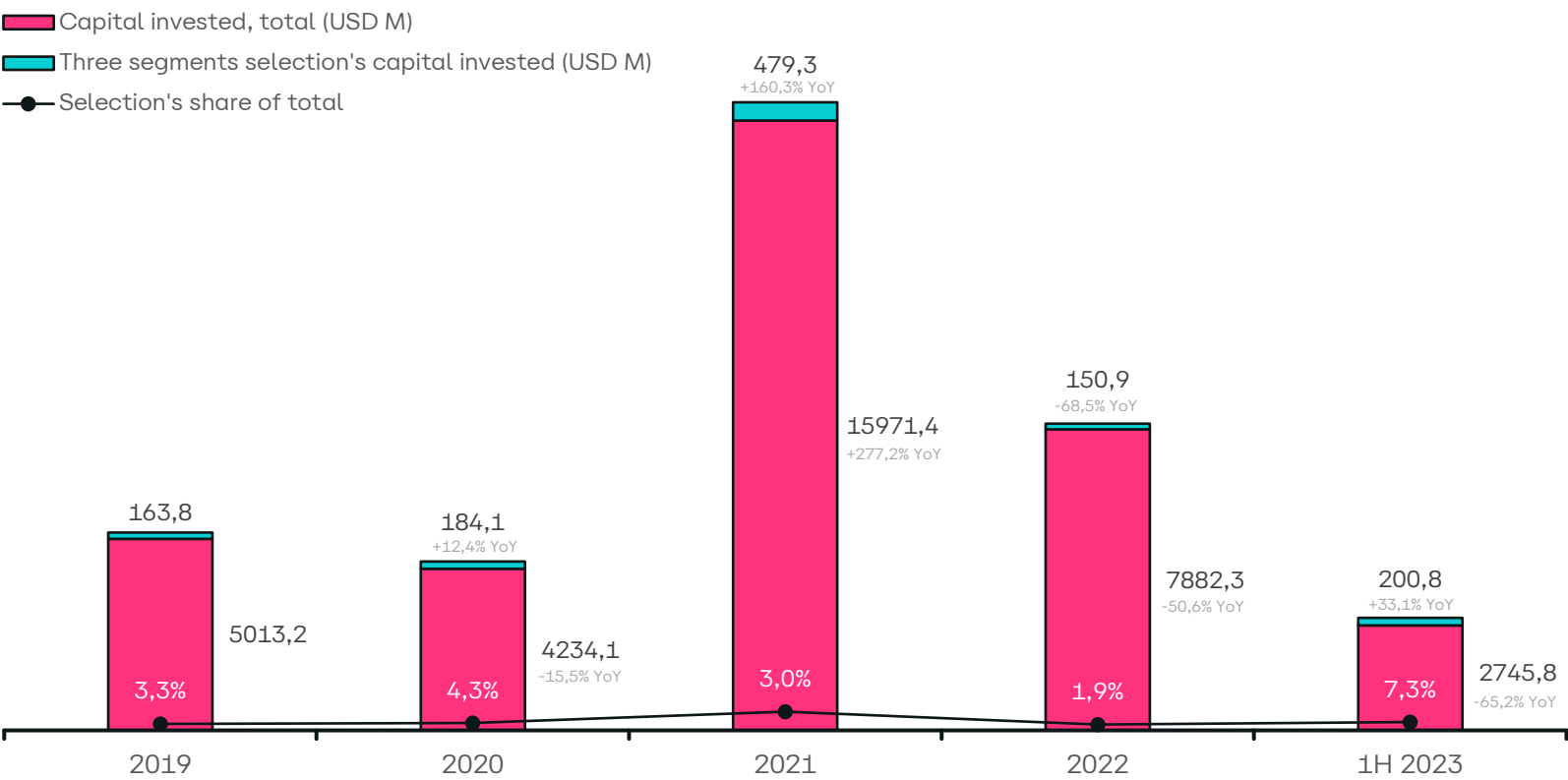
LatAm's SaaS funding and VC share **grow in 2023 YTD**

Software is present in every other sector covered in this report and many others in the form of vertical SaaS, and its growth tends to follow each sector's.

When looking at more general SaaS categories, we can see that these types of **software progressively lost its share of total invested capital** during the pandemic (from 4.3% in 2020 to 1.9% in 2022), only to regain it back all the way to a 5-year record of 7.3% this year until Q3.

In the boom year of 2021, investment in these selected software categories grew less than average (+160.3% vs +277.2%). In 2022, it receded more than average (-68.5% vs -50.6%). But in **2023 YTD, software has grown while the total startup market has receded** (+33.1% vs -65.2%). 2023's bounceback might point in the direction of investors directing more of their investments to **asset-light, metric-filled models**.

SaaS' journey of regaining its share in LatAm
Venture capital raised by selected software verticals (2019-1H 2023)



Three segments selection's capital invested breakdown
(USD M)

	2019	2020	2021	2022	1H 2023
Enterprise Resource Planning (ERP)	96,7	1,5	246,5	4,4	3,8
CRM/Sales Management	56,4	33	157,8	67,9	103,3
Other Enterprise Software	10,7	149,6	75	78,6	93,7

* The decline rate should lower with Q4's results, providing the real year - over - year comparison
SOURCE: LAVCA November 2023

The Trends

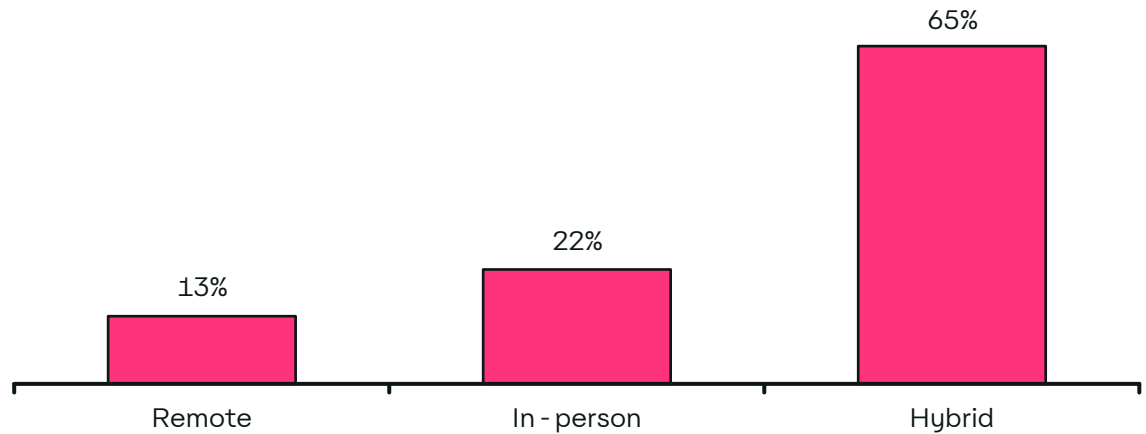
Work is **hybrid** (and chaotic)

The **hybrid work model** is still the preferred one by **companies throughout LatAm**, WeWork says in a research with 10,000 professionals across five countries in the region.

Constantly moving workplaces brings the challenge of consolidating all things corporate. Communications, data, processes, contracts, and even employee evaluations can get lost between in-person chats and virtual calls, written memos on a desk and documents stored digitally.

This translates into **opportunities for SaaS startups to make it easy for companies to market their platforms** as the one and only choice – if the solution proves to be beneficial for both companies and employees.

Hybrid is the work model of choice in Latin America



SOURCE: Work Trends and Perspectives – Report WeWork Latam 2023

Startup cases



The platform automates registering and managing fiscal documents, whether they're on paper, on WhatsApp, or on e-mail.



The startup facilitates hybrid work models by letting employers and employees manage workplace reservations online and offline, from desks and meeting rooms to food courts, parking spaces, and chartered transportation.



Employees find internal communications, employee benefits, and recognition prizes in a single app – that's also integrated with an employee's wallet.



Education Journey uses AI to create a personalized study plan based workers' and leaders' career inputs, with a curation of content tracks and learning methods.





SaaS governance is finally counteracting SaaS waste

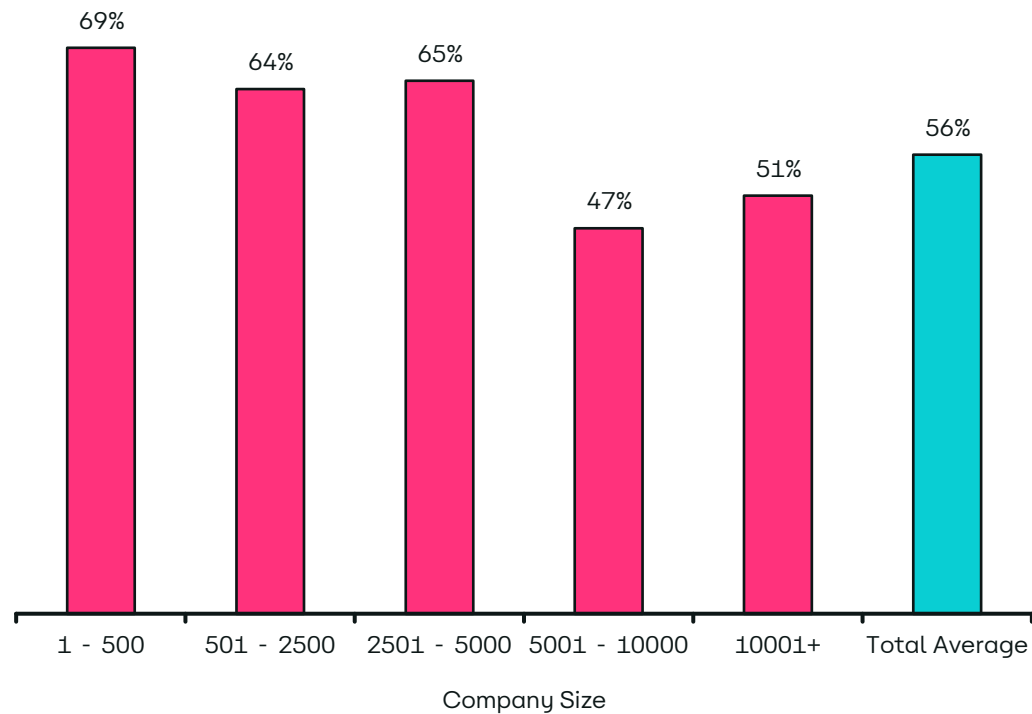
The remote and hybrid work frenzy leads us to another trend: **companies had to adopt software overnight**, for every use and every team. And you can imagine where we're going with this: businesses need to control their spending and manage their data efficiently and productively by avoiding redundant and underutilized SaaS.

Zylo has finally seen this become a trend. There was a **decline in SaaS portfolio size and spending in 2023, for the first time since 2016**. The average organization has 291 applications in its SaaS portfolio and spends \$50M annually on SaaS. This is a 4% YoY decline in portfolio size and a 10% decline in spend.

Yet there's a lot to be done: 23 of these applications are multichannel spending (= when the company already has a contract in place and employees still expense that application on their own). SaaS usage levels are also low, averaging at 56%.

SaaS waste is also true to some degree in LatAm. Let's take a Brazilian anecdote as an example: WhatsApp is used by 88% of 10,000 professionals heard by WeWork. 25% of respondents use tools such as Slack, Teams, and Trello. 20% use e-mails. And 10% use shared spreadsheets. There's decentralization – and both information and budget are bound to get lost.

SaaS utilization rates are a challenge for companies, averaging at 56%
Utilization is often less than ideal, presenting opportunities for optimization



SOURCE: Zylo's 2023 SaaS Management Index Report



SaaS governance is finally counteracting SaaS waste

Since companies are looking to consolidate software, there's an opportunity for SaaS to expand their offerings either through **internal product development**, **acquisitions**, or **integration partnerships to build SaaS ecosystems** in a horizontal fashion. It's a way for startups to compete against big, consolidated software players when businesses need to keep less SaaS in their budgets.

Startup cases



The SaaS aims to be the one horizontal solution for human resources, handling recruiting, admission, corporate education, and employee engagement & retention.



The ERP expanded its solutions through both internal development and acquisitions, covering storage, marketing, sales, accounting, and financial management.



The SaaS for building e-commerce stores has an app store inside its platform. The SaaS ecosystem lets entrepreneurs plug in customer support, payment, and logistics softwares, for example.

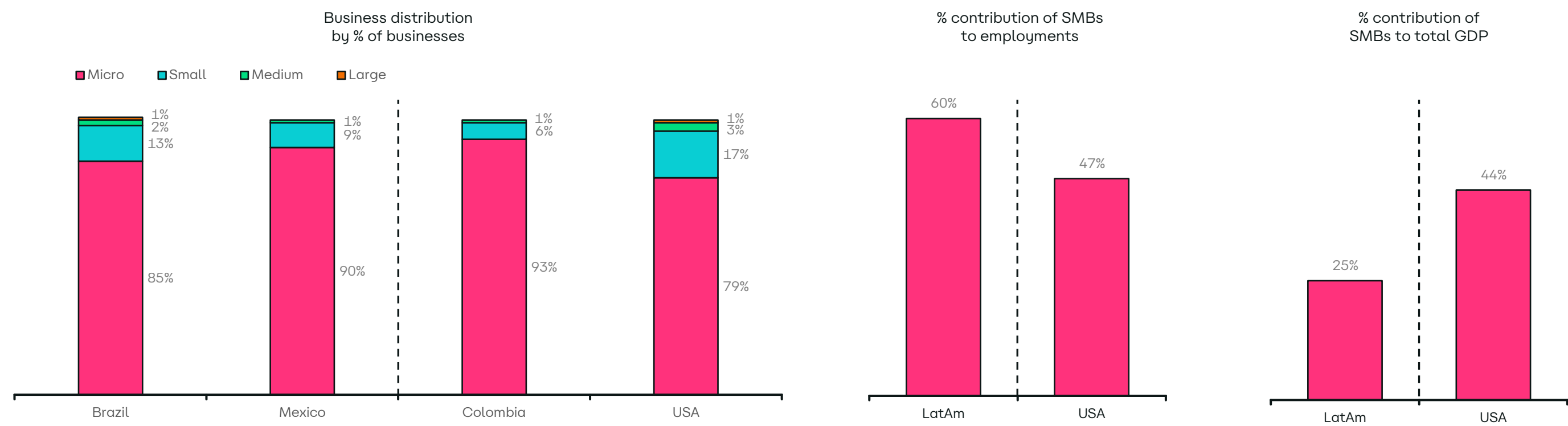


SMBs are the new focus

SMBs represent almost the totality of businesses in both LatAm and the US. Yet, LatAm SMBs employ more but represent less of the GDP. This shows just how much space there is to help these companies become more efficient, and offering software as a service is one way to do so.

Catering to enterprises is the norm for SaaS given their budgets. But sheer volume might compensate SMBs' smaller pockets in some cases, coupled with faster and less complex sales cycles.

Latin American SMBs contribute more to employment but less to GDP in relation to the US



SOURCE: Atlantico's Latin America Digital Report 2023

SMBs are the new focus



Startup cases

Conta Azul®

The financial management platform caters to both SMBs and accounting professionals, with offerings that serve from entrepreneurs working on their own to medium-sized businesses.

olist

The e-commerce platform helps entrepreneurs put their products on marketplaces such as Mercado Libre and Magazine Luiza.

omie

The ERP is focused on small and medium-sized businesses.

“ With the pandemic, many small and medium businesses had to close their doors or shrink their margins in order to adapt to a new business model. This necessity made them notice the **importance of going digital** and, with that, their interest in tech solutions increased. Yet, SMBs still face **the same major difficulties** in Latin America: little access to capital, difficulty in building a solid customer base, very manual processes, and little competitive advantage. All of this is an **opportunity for SaaS startups.** ”



Luisa Dalla Costa
Latitud Ventures

“ A lot of founders explore the market of enterprise SaaS because they were once employees in these companies and know that **there's a pain companies will pay a high average ticket price to solve**. While that was and is a natural path in countries like Brazil, now **the biggest opportunity is in small and medium businesses**. Its owners are already super connected as consumers, using apps such as Uber and Rappi. But that still hasn't been translated to their professional routines in the form of **more structure and better results in the long run.** ”



Marcelo Sato
Astella



AI brings better customer experience and productivity

By definition, **software as a service has data at its disposal as soon as clients sign up**, and even more when they start using the software. If they treat their data right, SaaS startups are well-positioned to make use of AI.

Its effect is two-fold: it can be used to improve the performance of the SaaS startup itself and also to develop new offerings for its users. Currently and in the short-term, we've been seeing AI being used in the first category, reaping benefits such as:

Better customer experience: like other sectors, SaaS can use conversational AI to improve customer support. It can also be used to facilitate sign-ups through document and image recognition, and to measure important customer metrics such as engagement and satisfaction. The idea is that SaaS will reduce the cost of acquisition up to the point where adding a new customer won't be an expense for companies anymore, turning marginal cost into no cost.

Startup case



The startup employs artificial intelligence in its customer service application for WhatsApp, improving support through real-time information.



AI brings better customer experience and productivity

Skill gap reduction and development efficiency: AI won't end careers just yet but it will bring more efficiency to lengthy and repetitive processes, such as crunching through large sets of data or writing basic code. By using programming copilots such as the one launched by GitHub (July 2023) and/or AI-powered no-code and low-code platforms to perform automations, we can see the programming skills gap filling up faster and processes and development gaining speed and assertiveness.

Startup cases

BotCity

The pay-as-you-scale service of robotic process automation (RPA) offers frameworks, plugins, and coding assistants so that businesses can develop complex automations and developers can be more productive.

pipefy

The AI-powered, no-code business process optimization platform lets companies create workflows and bring efficiency to the procurement, human resources, and information technology departments.

“ Everybody's trying to do something with artificial intelligence.

Some even decide to employ it first and think about applications and how to actually generate value later, in an effort to not look old in comparison to the rest of the market. But it's not as easy as it seems. **Deploying artificial intelligence models is just the beginning**: it takes data, training time, and investment in infrastructure and security to make good AI. **If it isn't essential, businesses will soon give up on AI. ”**



Patrícia Osorio
Birdie

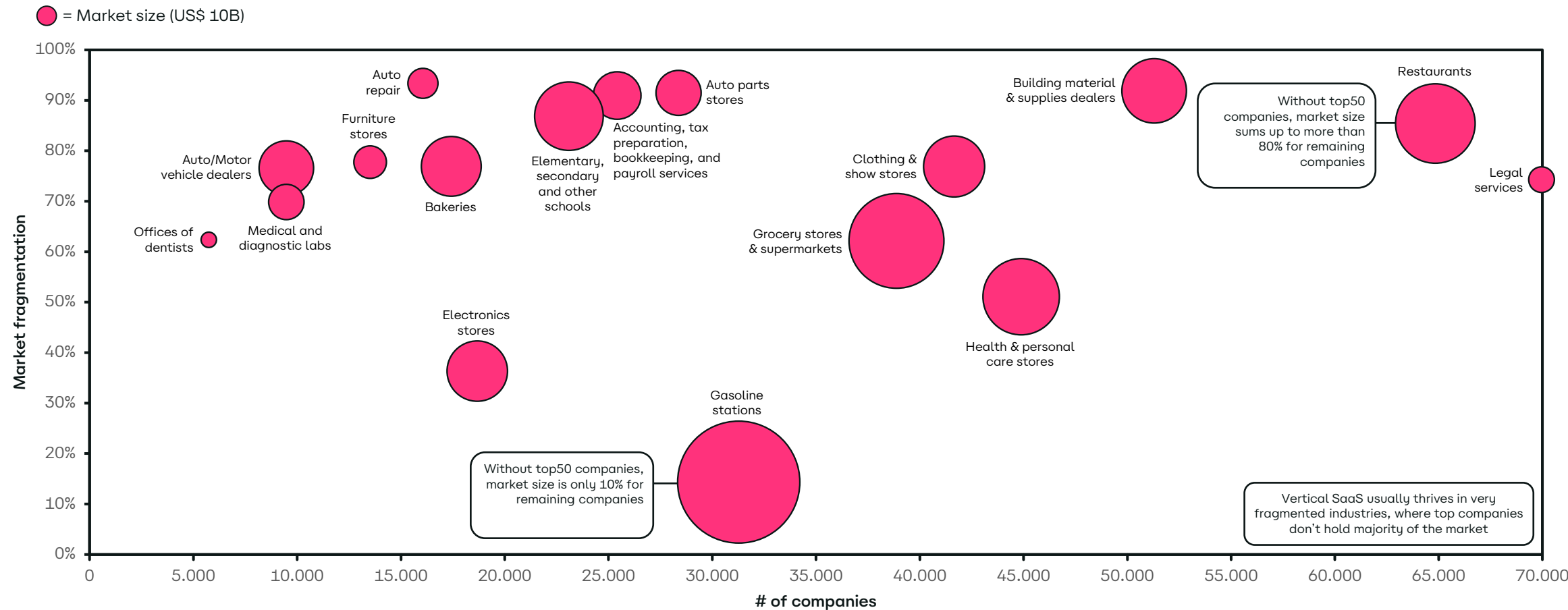
The Opportunities

SaaS will go vertical in sizeable niches

While horizontal SaaS provides specific functionalities across various sectors, **vertical SaaS** offers various functionalities for a specific sector.

In vertical markets, one or two vendors often dominate and capture most of the value in sizeable, yet-to-be-digitalized industries such as agriculture, financial services, education, healthcare, logistics, and much more. The larger yet more fragmented the sector, the more opportunity for vertical SaaS to claim their backoffices (and venture capital).

We are just getting started: Brazil has several large and fragmented markets that can benefit from digitalization



SOURCE: Atlantico's Latin America Digital Report 2023



SaaS will go vertical in **sizeable niches**

Being a category leader creates an ever-increasing advantage over possible competitors, as these startups have progressive access to data that can be turned into insights for their customers and themselves (also with the help of AI).

Startup cases



The startup provides "farming as a service", with software that lets farmers manage their crops through irrigation, temperature, and other data points.



The SaaS supports brands, distributors, and retail sellers in the automotive industry to go online with online cataloging, e-commerce, and logistics features.



The digital platform caters to the construction industry, uniting from manufacturers, construction companies, financial service players, and logistics providers.



SaaS will go vertical in **sizeable niches**

Startup cases



AgriCompa

The startup has a cloud-hosted platform to help fruit marketers track their suppliers, orders, certifications, payments, and more.



The software is aimed at restaurants looking to digitalize their menus, have a single platform for all the delivery apps they're in, and keep track of storage, expenses, and sales.



The cloud-hosted platform helps companies manage their fleets intelligently to increase efficiency, safety, and sustainability.

“ The increased verticalization of SaaS offerings is a consequence of increased SaaS adoption and market maturity. Less mature markets see early SaaS adoption happen for broader, horizontal SaaS categories such as ERPs and CRMs. Once a market matures and tech adoption increases, the market starts to look for more specific solutions designed for a specific industry. **Both horizontal and vertical SaaS companies have a lot of potential in LatAm** but founders should be cognizant of what type of SaaS they are building and **align strategy and distribution accordingly. ”**



Alexander Busse
NXTP Ventures

“ **Vertical SaaS is a trade.** By concentrating on a specific market, software startups can **exchange overall market size for greater market share.** In this effort, they're looking to reach a much **higher market penetration** and become **category leaders.** Vertical SaaS is a distinct and promising segment inside SaaS, an already growing - at - a - remarkable - pace sector. ”



Luisa Dalla Costa
Latitud Ventures



SaaS startups will strategize on going global

Horizontal and vertical is not the only choice a LatAm software as a service founder will have to make: **they'll also have to decide whether to stay regional or go global.**

SaaS in the region can either 1) **solve Latin American problems that global companies are unable or unwilling to solve**, in areas such as accounting, payments, and taxes or 2) **go global sooner or later if the solution and its pricing can work in other markets**, be they adjacent (other countries in LatAm) or distant (such as emerging markets in Asia or the US).

Startup cases



The feedback analytics platform consolidates user feedback and transforms them into insights for product prioritization decisions. Birdie has customers in LatAm, the US, Europe, and Asia.



The AI-powered business process outsourcing platform operates in dozens of countries, with subscriptions for both startups and enterprises.

“ SaaS companies need to quickly get to a point where **competition can't outrun them anymore**. So there's space for a regional SaaS if your solution caters to something so specific to the point it's deemed inefficient to explore by external players. If not, **we're seeing more and more companies conquering their space in their first country and then expanding to others.** ”



Patrícia Osorio
Birdie

“ Latin America is in the early innings of SaaS adoption – the region still has a long way to go. Contrary to the US where startups suffer from market saturation and fierce competition, in LatAm the **market is widely underpenetrated but adoption and willingness to pay lag more mature markets**. Venture capital funding for Latin American software-as-a-service businesses as a percentage of overall VC funding still remains a fraction of what we see in the US, making **LatAm SaaS an interesting sector for both investors and founders.** ”



Alexander Busse
NXTP Ventures

SaaS' future will be efficient and AI-driven

When launching this year's Cloud 100 companies, a list of the world's best private cloud computing companies, Bessemer Venture Partners wrote that the future of cloud computing would be **efficient and AI-driven**. AI "emerged as a shining light for the cloud ecosystem" in a year when the list value actually contracted YoY.

We could say the same for the subset of SaaS. As ALLVP's Jimena Pardo puts it, there are two significant outcomes that every startup should be leveraging today with AI: first, the optimization of their processes for increased efficiency. Second, the **empowerment of their value proposition to offer superior solutions for their users**.

AI takes the first two spots in Forbes' The Cloud 100 2023
10 first positions of the ranking that lists the world's best private cloud computing companies

Rank	Company	Headquarters	What it does
1	OpenAi	San Francisco, California, US	AI research and products
2	Databricks	San Francisco, California, US	Data and AI platform
3	Stripe	Dublin, Ireland; San Francisco, California, US	Financial infrastructure
4	Canva	Sydney, Australia	Visual communication platform
5	ServiceTitan	Glendale, California, US	Trade industry software
6	Klaviyo	Boston, Massachusetts, US	Marketing automation
7	Grammarly	San Francisco, California, US	Communication assistance
8	Talkdesk	San Francisco, California, US	Cloud contact center
9	Rubrik	Palo Alto, California, US	Data security
10	Miro	Amsterdam, Netherlands; San Francisco, California, US	Digital collaboration

SOURCE: [The Cloud 100 2023 in Forbes](#)



SaaS' future will be efficient and **AI-driven**

Artificial intelligence indeed helps SaaS startups to become more efficient, improving from customer experience to software development, as we've seen in [The Trends](#). This can be improved and also lead to new product offerings with the expansion of **Generative AI** – models that can be trained to go beyond past data and actually generate new data.

Code, images, written materials, and even making decisions are just some applications of Gen AI. 70% of the Cloud 100 Companies are already using AI and Machine Learning, and 55% are going further and using Gen AI.

The Gen AI adoption movement should trickle down to SaaS startups in the medium to long-term, LatAm included. But they will have to build applications that have **real value to their customers** and that can't be found on the current Gen AI models launched by big techs – with equally as big data sets and pockets. Chat GPT is one example, developed by the winner of this year Cloud 100's ranking, Open AI.

All SaaS, vertical or not, can apply Gen AI to their data sets in order to **improve product development and recommendations**, boosting upsell and cross-sell rates. But uniting founders that deeply understand customers' pains with niche but rich data sets that work as moats, **Vertical SaaS is very well-positioned to apply Gen AI in that logic.**

The next iteration of vertical SaaS will be vertical AI: vertically-focused AI platforms bundled alongside workflow SaaS, built on top of models that have been uniquely trained on industry-specific datasets, per Index Ventures' analysis.

The Challenges

The Challenges



Attracting and retaining talent

While this is a challenge for startups in all sectors, software as a service startups face unique challenges. The SaaS scene is **more global and remote than average** – and **competition for talent is stronger** because of that. LatAm startups have to attract and retain talent while other countries have revenue in stronger currencies, and can then make financially attractive job offers. Offering equity and prioritizing professionals with high learning capacity are some strategies that can be applied by early-stage LatAm SaaS startups.

Coupling growth with retention and profit

Startups in all sectors know that the current order is retention and profit over growth if there's a choice to be made. But the end goal should be that they all walk together, as the startup reaches product-market fit and keeps getting customers with an efficient CAC:LTV ratio. SaaS is no exception – and the good news is that **the sector's love for metrics can tell a story**. Founders should use their remaining capital to buy time to analyze every data point in detail, from trial-to-conversion rates to customer satisfaction, and **see what's missing to reach sustainable growth**.

The Challenges



Data privacy and security

SaaS is built on data, and **guaranteeing their privacy and security is an ever-pressing need** as regulation grows yet cyber attacks are still constant. Latin America and the Caribbean (LAC) is the world's least-prepared area for cyber attacks, says Americas Quarterly based on United Nations' data. More than 1 billion cyber attack blocks were recorded between June 2022 and June 2023, an average of 37.9 attempted attacks per second in Latin America, Kaspersky says.

Market education

The regional challenge for LatAm SaaS is still to **educate potential customers** on software's potential to make businesses more efficient, especially SMBs. In the long-term, that should translate into the culture of paying for tools that are worth the price because they generate cost reduction and/or revenue expansion.

“ If you have product-market fit, go-to-market, and sales efficiency, **you need to grow as fast as possible since you won't have problem making a profit.**

Now if you're seeing a high CAC, low LTV, or sales cycles that are way too long, you can't afford anymore to raise capital, burn through it, and keep showing growth rates.

You need to turn back, going lean to extend your runway, create your product-market fit, obtain go-to-market, fix your metrics, and then venture capital will come back to you. **Use your remaining cash to buy time and not growth. ”**



Alexander Busse
NXTP Ventures

The Future of Proptech

The *LatAm Tech Report* 2023

Executive Summary

- Latin American proptech startups are at a turning point after **years of progressive digitalization, accelerated by the Covid-19 pandemic**. In a post-pandemic world that becomes clearer as time passes, **real estate players see the need to adapt**. Proptech founders and investors are optimistic about participating in that change: founders expect a less challenging fundraising environment and investors expect more investments in the sector in H2 2023 and H1 2024, according to a global research by MetaProp/PwC.
- Some current and short-term trends for LatAm proptechs are tackling the opportunities of **making homeownership affordable, revamping offices, digitizing construction processes**, and making **customer service and operational tasks more efficient** through artificial intelligence.
- In the medium to long term, LatAm opportunities that proptechs can leverage are **Open Finance, regulation over real estate sustainability**, and the potential of **Generative AI**.
- Some challenges for proptechs have remained the same for some years: **making data less fragmented and obscure**, facing difficult **macroeconomic conditions**, and **educating** real estate consumers and stakeholders to **earn their trust**.

The LatAm Tech Report 2023:

The Future of Proptech

Context Setting

- I. Proptechs will need to leverage the new post-pandemic reality of real estate
- II. Geographic constraints act as a natural moat for real-estate-based proptechs
- III. LatAm's proptechs change residential, commercial, rental, and construction markets
- IV. New VC-backed proptechs had an outlier year in 2022, with a return to normalcy in 2023
- V. LatAm's proptech regained its fundraising share in 2023

The Trends

- I. Affordable ownership is a huge opportunity
- II. Home equity loans are at the intersection of fintech and proptech
- III. The rise of flexible workplaces present an opportunity in commercial real estate
- IV. Construction workflows go digital
- V. AI in proptech brings customer experience, efficiency, and safety

The Opportunities

- I. Open Finance will boost real estate financing
- II. Tech will take sustainability to construction
- III. AI-powered proptechs will bring creativity and intelligence

The Challenges

- I. Data gathering and transparency
- II. Macroeconomic environment
- III. Market education

Context Setting

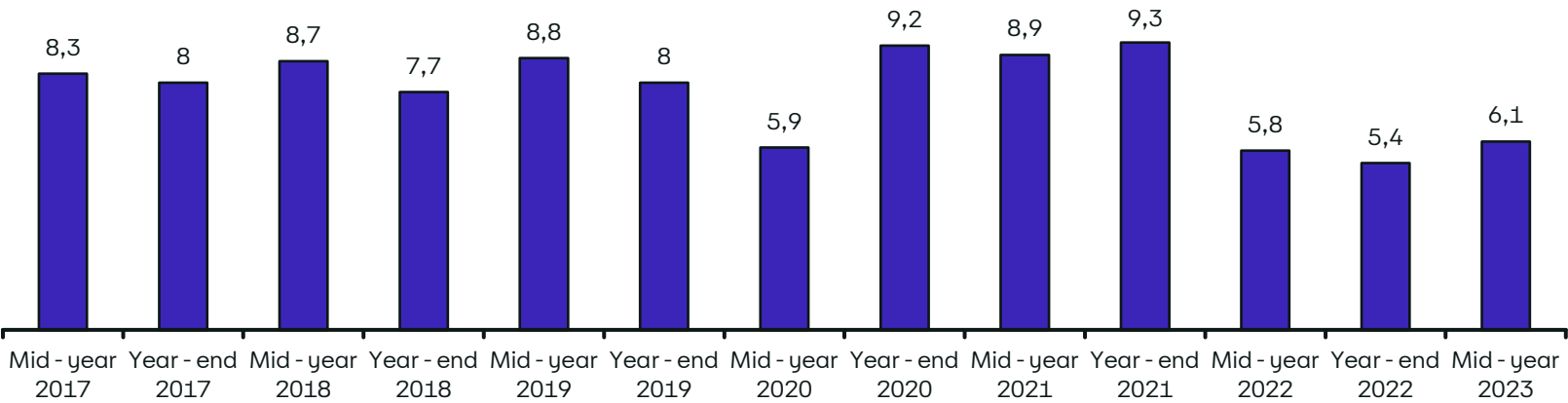


Proptechs will need to leverage the new post-pandemic reality of real estate

Global Proptech Confidence Index shows optimism from founders and investors

Investor confidence index

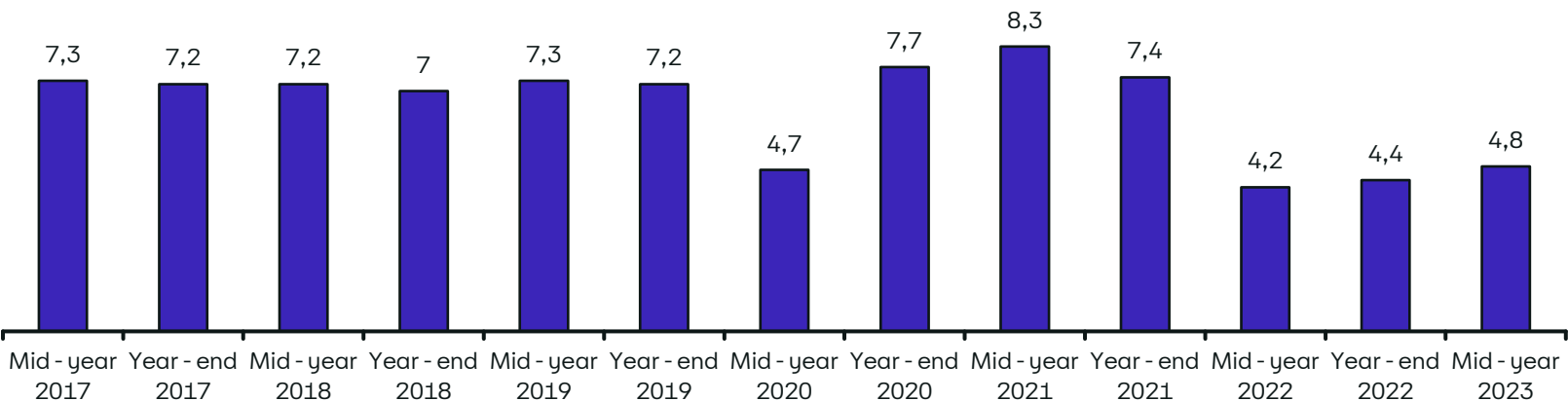
Mid-year 2017 - Mid-year 2023, (scores from 0 to 10)



SOURCE: MetaProp/PwC, mid-2023

Startup founder confidence index

Mid-year 2017 - Mid-year 2023, (scores from 0 to 10)



SOURCE: MetaProp/PwC, mid-2023

A lot of people might not be returning to the office after all. The worst of inflation might be done with but we've just started to walk the path of inflation rate stabilization and decline. Public interest rates remain high and it will take a while for the expected reduction to impact commercial rates.

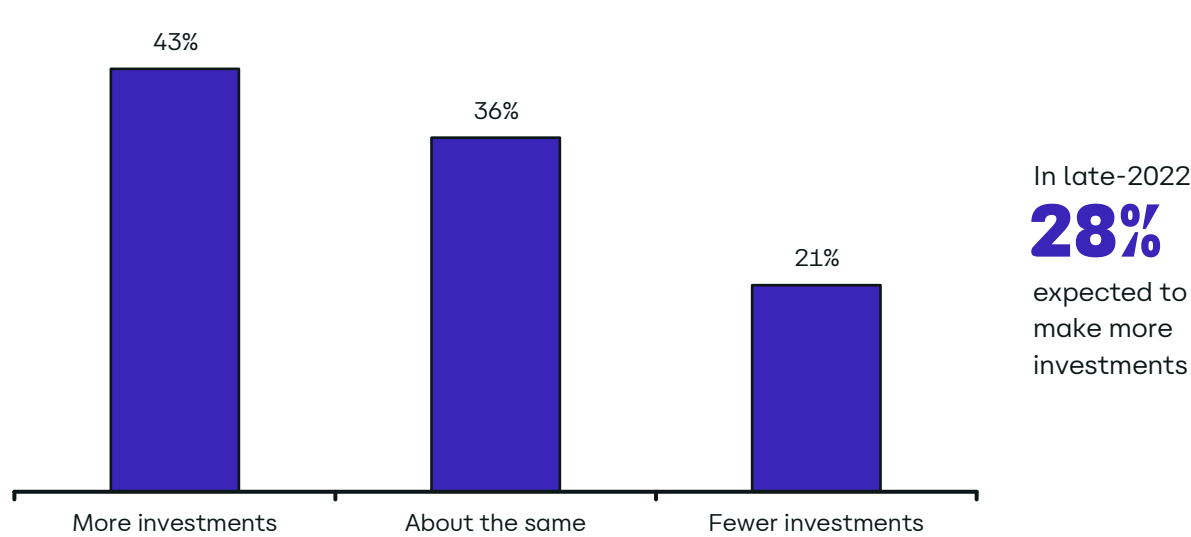


Proptechs will need to leverage the new post-pandemic reality of real estate

All real estate segments must adapt to this new reality. But they should also perceive said challenges as opportunities to innovate and maximize efficiency and returns.

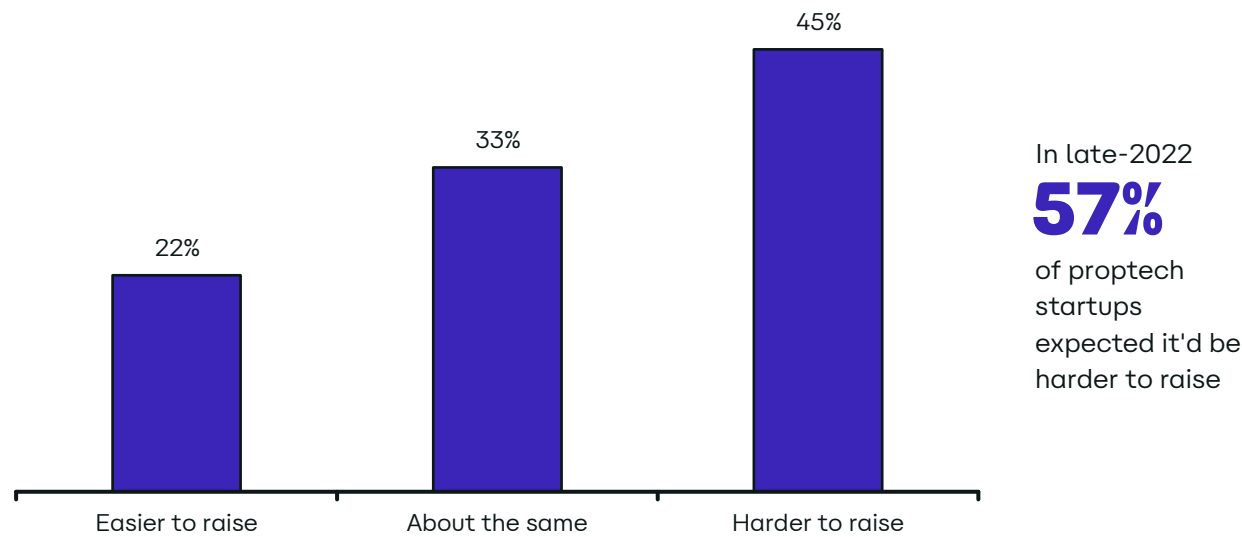
This scenario made proptechs become less pessimistic and their investors more optimistic from 2022 to 2023, according to a mid-2023 research made by MetaProp/PwC around the globe (LatAm included).

Investors expect to make the following number of PropTech investments in the next 12 months:



SOURCE: MetaProp/PwC

Level of difficulty startups are expecting to raise venture capital in the next 12 months:



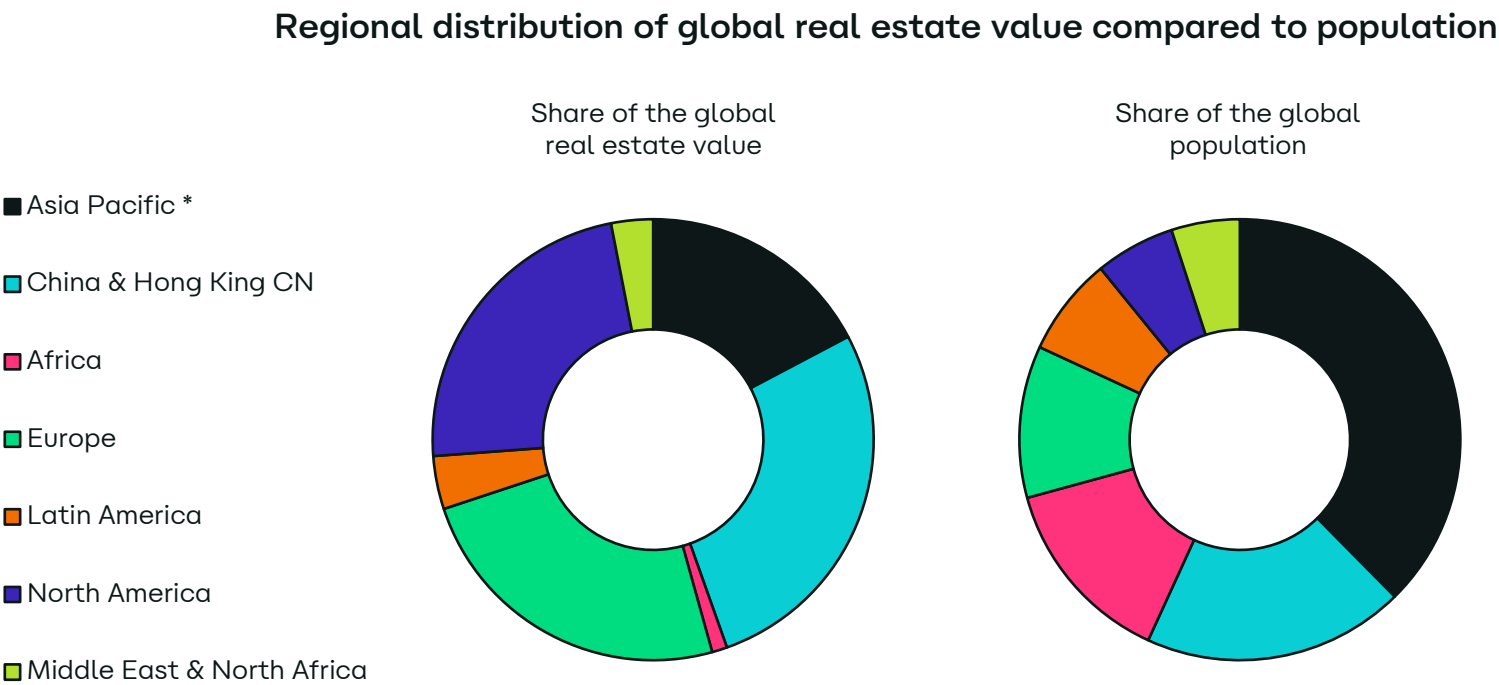
SOURCE: MetaProp/PwC



Geographic constraints act as a natural moat for real-estate-based proptechs

The potential is huge: the world's property value stood at USD 380T in 2022, almost four times the annual global GDP. Unfortunately, LatAm's share of global real estate value isn't proportional to its share of global population.

The good news is that the real estate sector is known for being **constrained by locality**, with businesses having to win block-by-block and facing bureaucratic and financial specificities. This creates a **natural barrier** for LatAm proptechs founders and investors to prosper in their own real estate markets.



* Excluding China & Hong Kong CN
SOURCE: Savills Research using Oxford Economics September 2023

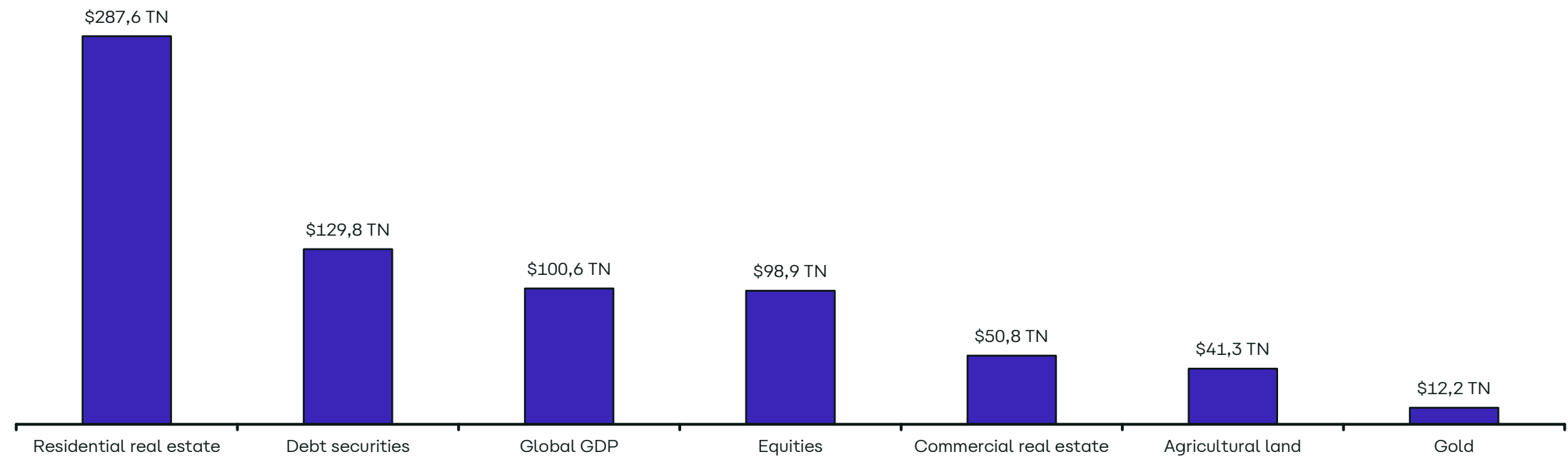


Geographic constraints act as a natural moat for real-estate-based proptechs

LatAm real estate has seen **progressive digitization**, with an additional push during the pandemic. **Residential real estate** has captured most of that digitalization but it still has some paths to explore, such as promoting affordable housing.

Commercial real estate is the next in line for more innovation in the midst of the uncertainty about the future of work. **Construction** also continues to have digitization potential.

Global real estate universe in comparison, 2022



SOURCE: Savills Research using Oxford Economics September 2023

“ There was a progressive development of trust in the digital world, from retail to financial services mostly. Now, this **education and infrastructure will accelerate the digitalization of significant traditional sectors**, such as healthcare and real estate.

While the property will remain physical, real estate services such as searching, negotiating, underwriting, transacting, registering, and managing will **go from analog to digital in the next years.** ”







Aram Apovian
aMORA







LatAm's proptechs change **residential, commercial, rental, and construction** markets



Residential real estate (buying or renting)

















Commercial real estate (buying or renting)







Short-term and travel rentals







Construtechs













New VC-backed proptechs had an outlier year in 2022, with a return to normalcy in 2023

The net additions of VC-backed proptechs have two distinct moments in LatAm: 2013-2017 (1-3 net additions per year) and 2018-2021 (11 to 18 net additions per year).

2022 was an exceptional year, with 30 new VC-backed proptechs. That made the sector reach the mark of 100 VC-backed proptechs.

In 2023 YTD, the net addition stood between the two distinct moments, tending to join the 2018-2021 trend until the end of the year.

VC-backed startups in Latin America by tech vertical
(cumulative), 2013 - Q3 2023

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1 - Q3 2023
Proptech	1	4	5	7	10	21	39	56	74	104	113
Net additions	-	3	1	2	3	11	18	17	18	30	9

SOURCE: LAVCA November 2023

Proptech around LatAm
Distribution of LatAm proptech unicorns by country



SOURCE: Distrito's Corrida dos Unicórnios 2023



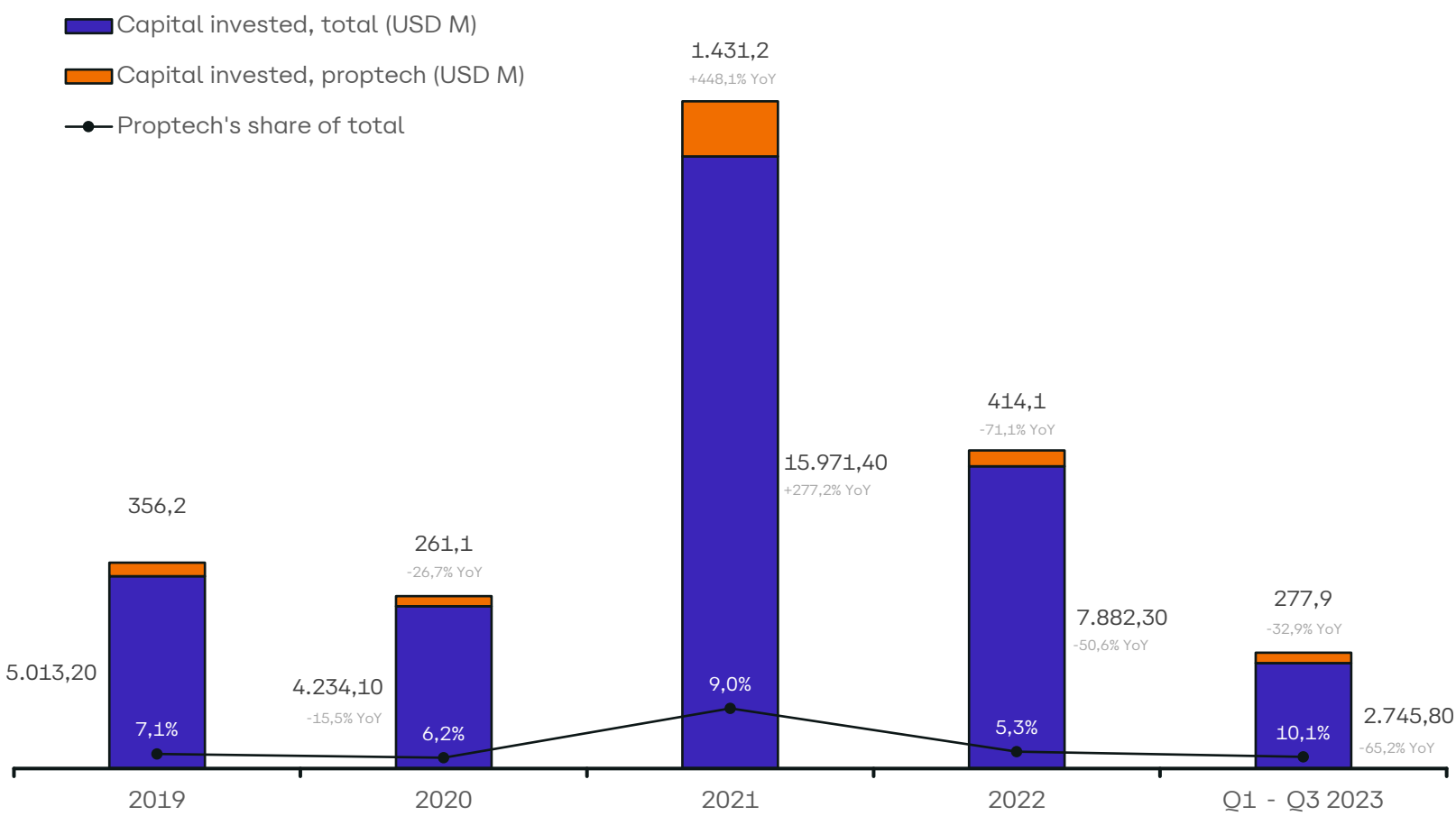
LatAm's proptech regained its fundraising share in 2023

2021 was a boom year in terms of fundraising growth for the startup market in general (+277.2% YoY), but even more so for proptech (+448.1% YoY). This made proptech's share of total capital invested rise from 6.2% in 2020 to 9% in 2021. Yet the tables turned in 2022, when venture capital for proptechs receded more than the average (-71.1% vs -50.6%). So far, it's a similar story to the e-commerce one.

The story starts to change in 2023 YTD. While the amount of capital invested in proptechs fell once again, it receded less than average. That made proptech's share of total capital invested reach 10.1%, a 5-year record, as the future of inflation and interest rates is still unexciting but clearer.

Proptech's rise and fall fundraising journey in LatAm

Venture capital raised by the proptech vertical (2019-1H 2023)



* The decline rate should lower with Q4's results, providing the real year-over-year comparison
SOURCE: LAVCA November 2023

The Trends

Affordable ownership is a huge opportunity



Real estate 1.0

Brought real estate **information** and **data** online.



Real estate 2.0

Was about the **transaction**, taking friction out of it by integrating the sell side and the buy side with trust-building and financial products.



Real estate 3.0

is going to be about **transforming and digitalizing ownership**, improving affordability and tradeability.



Affordable ownership is a huge opportunity

Affordability to buy property remains one of the most pressing challenges the real estate market faces, residential or commercial. In Latin America, the situation is critical as income disparity is prevalent.

In Buenos Aires, mortgages can represent more than 12 times the average monthly salary in the city. For comparison, even in the most expensive US cities, mortgages still represent max 90% of the average monthly salary.

Financing a home takes more than the average monthly salary in LatAm hubs

Mortgage as a percentage of income in selected cities, 2023 mid-year



SOURCE: [Numbeo](#)



Affordable ownership is a huge opportunity

Interest rates play an important role in the price of real estate, impacting construction budgets, selling and renting prices, and financing rates. LatAm proptechs have been working on innovative solutions, leveraging concepts like rent-to-own and fostering healthy competition between financing agents.

Startup cases



The rent-to-own startup allows homebuyers to put 5% down and lets them rent the place they'll acquire, with part of the rent going for the remaining 15% necessary for a full 20% downpayment.



The home financing startup helps customers improve their credit scoring and finances 85% of their home through a rent-to-own solution.



The startup allow consumers to search for free the best rates for financing and refinancing real estate and vehicles in its marketplace, with the monetization coming from the featured financial institutions.

“ Covid - 19 led first to a rise in interest rates and an overall lack of confidence, both factors that halted the demand for residential real estate. But then we saw people **remodeling and looking forward to changing their homes when conditions improved.**”

We are now in a **post-pandemic world**, with a tendency to **reduce interest rates and improve purchasing power** in the next two to four years. The residential real estate market will see another expansion cycle. ”



Aram Apovian
aMORA



Home equity loans are at the intersection of fintech and proptech

Some startups have been helping current homeowners to use their current property or rental income projections to access more financing at lower rates, improving their liquidity through the use of collaterals.

Startup cases



Through the fintech, landlords can advance up to a year of future real estate income in just 24 hours, allowing for liquidity at more accessible rates than traditional lending offerings.



The home equity lending unicorn allows homeowners to use their real estate as collateral for borrowing at more accessible rates.

“ If the value of the collateral is easily understood and the diligence and financing process are also much more rapid and seamless, **the interface of fintech and proptech can unlock wealth in a more cost-efficient way than through unsecured loans.**

HELOCs [home equity loans] have pros and cons. In responsible ways and with low LTVs [percentage of the home's value financed by the loan], they can be life-changing for families. ”



Brynne McNulty Rojas
Habi

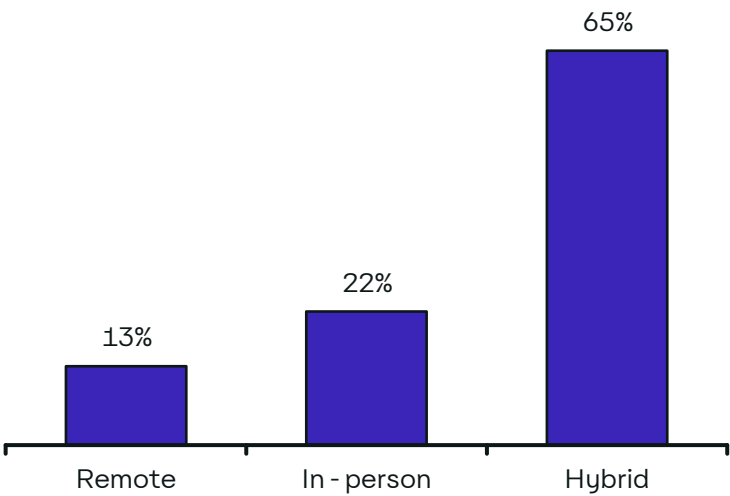


The rise of flexible workplaces present an opportunity in commercial real estate

The **hybrid work model** firmed itself as the preferred one by companies throughout LatAm, WeWork says in a research with 10,000 professionals across five countries in the region. And that translates into an **extended impact on office rentals**, even after the end of the remote-only work policy enforced during the pandemic.

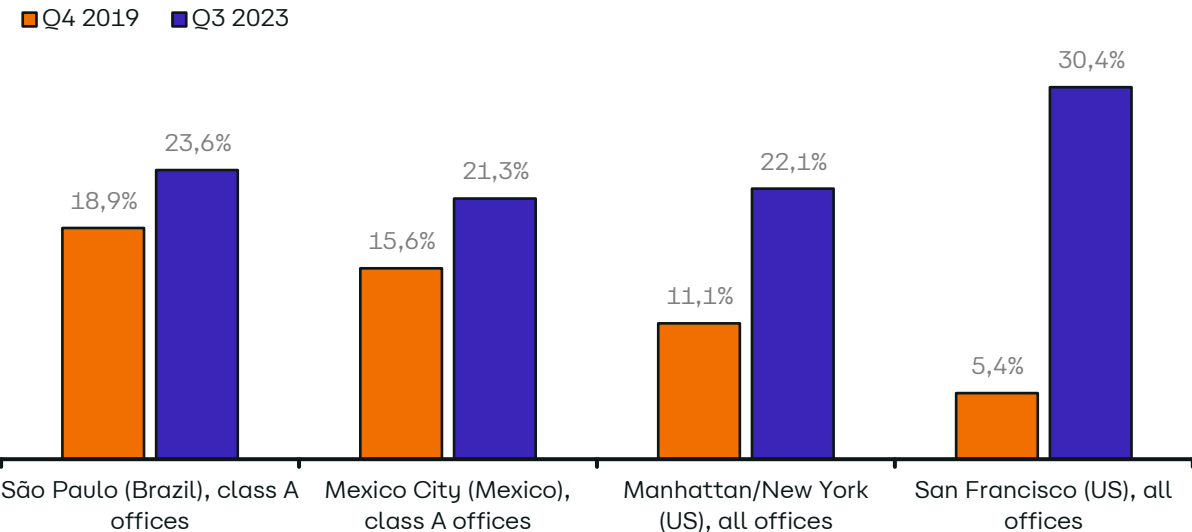
Although the rise of office vacancy rates was less impressive in LatAm cities such as São Paulo and Mexico City in comparison to US cities such as New York and San Francisco, occupancy levels are still shaken in comparison to how they were right before Covid-19.

Hybrid is the work model of choice in Latin America



SOURCE: Work Trends and Perspectives – Report WeWork Latam 2023

Office vacancy rates are on the rise through hubs in the Americas



SOURCE: Cushman & Wakefield



Proptechs brave commercial real estate

In LatAm, startups are already working with both commercial real estate agents and corporate tenants to improve the usage of office spaces.

Startup cases

around

The startup handles transforming empty properties into branded offices for companies, charging a monthly subscription depending on the space.

Plaza

The startup boosts business for real estate agents and managers, improving online listing, lead qualification, and rental insurance. The startups says its clients triple rentals by using the solution.

woba

The platform gathers more than 2,000 coworking, meeting, and event spaces. Companies can save up to 45% with flexible contracts and no initial investment in workplace infrastructure, Woba says.

“ **Residential real estate went from classifieds to fully-digitalized** property buying, renting, and related financial and insurance services. Commercial real estate has been left aside all the while, except for flexible workplace solutions. Now we're looking at **bringing that same digital transformation seen in residential properties to commercial properties.** ”



Julio Viana
Plaza

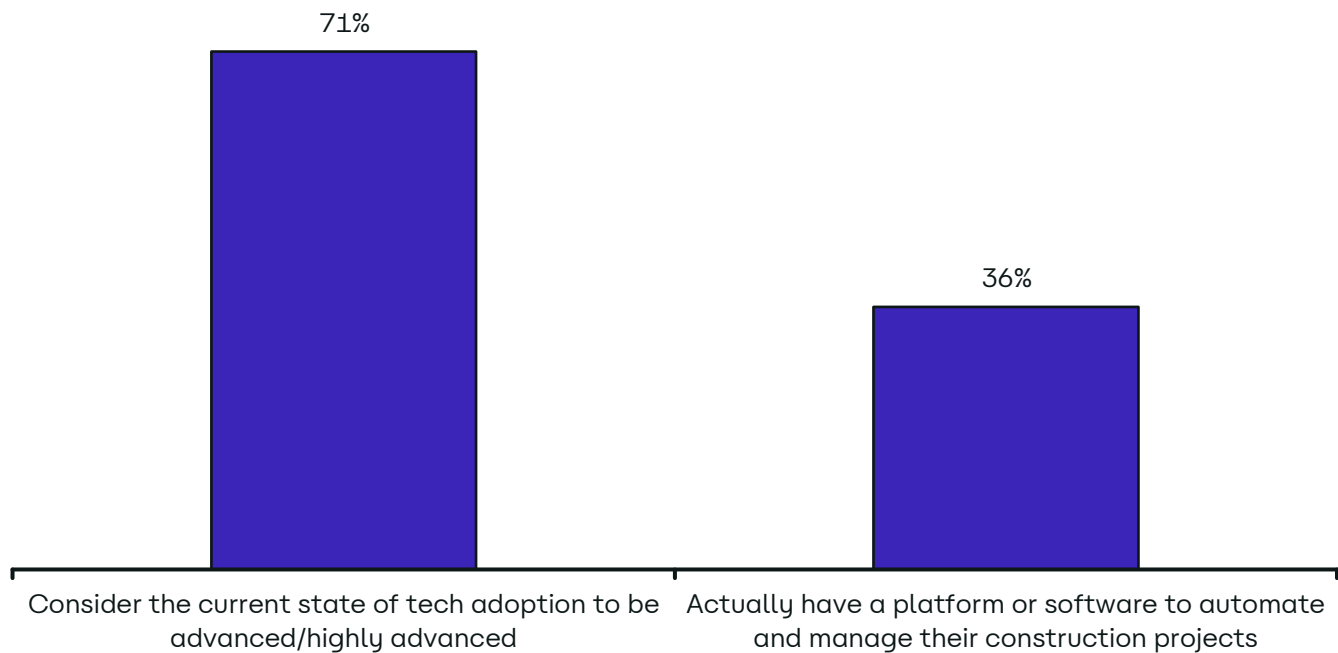


Construction workflows go digital

Just like the rest of the real estate chain, construction is still a **fragmented and highly analog sector** – even if it recognizes the general tech adoption by society. This discrepancy was noted in Procore's recent survey with 600 construction stakeholders in Chile, Colombia, Mexico, Peru, and Puerto Rico.

So LatAm startups are **accelerating construction's digital transformation**, solving pains and driving down costs in areas such as buying materials and making sure planning and on-site execution are one and the same.

Tech perception and tech adoption aren't the same in LatAm construction



SOURCE: Procore's Construcción 4.0: Estado y Tendencias en Latinoamérica, Q2 2023

Construction workflows go digital



Startup cases



The startup has a platform to register audios and memos, digitize documents and blueprints, and create QR Codes so that designers and builders always have access to automatically updated info about each project.



The B2B procurement marketplace helps contractors save time and money when purchasing building materials from certified suppliers, and also provides working capital for construction projects.



The digital platform caters to the construction industry, uniting manufacturers, construction companies, financial service players, and logistics providers.



The B2B marketplace connects industries to construction materials retail stores, optimizing procurement and logistics.



AI in proptech brings customer experience, efficiency, and safety

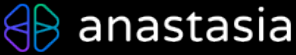

As consumers go digital, there's a race for claiming their data and turning it into business insights with the help of **artificial intelligence**.

That same strategy is starting to appear in the real estate segment, as builders, agents, homeowners, and tenants digitalize more and more steps of the real estate value chain. **AI-powered proptechs received USD 4B in investments in 2022**, JLL says.

When these startups overcome challenges such as market education and access to vast amounts of quality data, some AI-powered applications to drive down costs and boost revenue are:

Customer service: conversational artificial intelligence can be employed to create chatbots that ask questions for qualifying potential leads, help scheduling visits and maintenances, and solve general queries before, during, and after a sale or rental.

Startup cases

-  **anastasia**
- The startup brings AI-powered chatbots to SMBs, including construction and property companies such as Arauco, Siena, and Sencorp.
-  **globalbot**
- The startup develops AI-powered chatbots focused on the real estate market. These chatbots guide customers to find the best property for them, solve queries, qualify leads, and conduct customer satisfaction research.



AI in proptech brings customer experience, efficiency, and safety

Task automation: making listings descriptions and image/video materials, assessing the present and future value of properties, and supporting fraud detection, underwriting, and payments – these are all processes that can be improved with AI.

Startup cases



The startup provides management and finance software for real estate agents and managers, using artificial intelligence for services such as automating payments and support to tenants.



The startup provides efficiency tools for real estate agents, including an AI-powered assistant to write listing descriptions.

The Opportunities



Open Finance will boost real estate financing

Open Finance is building an ecosystem of financial services where consumers’ data is shared between financial institutions in exchange for tailor-made financial services and products, with consumers' previous and conscious consent.

The increased communication (and competition) between financial services providers can result in **more options for credit**, and therefore become an incentive to **drive down interest rates**. For people with solid payment history, this reduces monthly payments and, therefore, increases access to lending.

Home financing should be a largely impacted category in LatAm, where home prices and missed payments are increasing.

Nominal home prices and missed mortgage payments are on the rise in LatAm

Country	Nominal home prices (% change)			Late-stage mortgage arrears (%)		
	2022 estimate	2023 forecast	2024 forecast	2022 estimate	2023 forecast	2024 forecast
US	5,5%	-5% to 0%	0% to 3%	1,45%	1,8% to 2%	2% to 2,2%
China	-2%	-3% to -1%	-1% to 1%	0,3%	0,35% to 0,45%	0,35% to 0,45%
Brazil	5,5%	4% to 6%	4% to 6%	2%	1% to 3%	1% to 3%
Mexico	10%	6% to 8%	5% to 7%	3%	3% to 5%	3% to 5%
Colombia	7,5%	3% to 5%	3% to 5%	3,5%	3% to 5%	3% to 5%

SOURCE: Fitch Ratings' Global Housing and Mortgage Outlook 2023, December 2022

Brazil's home financing market might receive a R\$ 30.4B billion (~USD 6.2B) boost in the next five years due to Open Banking, says an August 2022 study by Serasa.



Open Finance will boost real estate financing

Acceptance from traditional financial institutions and **regulation** remain as challenges for Open Finance in LatAm. Even so, **startups working with financial services for real estate** are already making use of Open Finance in its current state.

Startup case



Yave offers mortgage lending services in Mexico. It uses Belvo's Open Finance API to securely automate accessing customers' financial information to facilitate the application process.

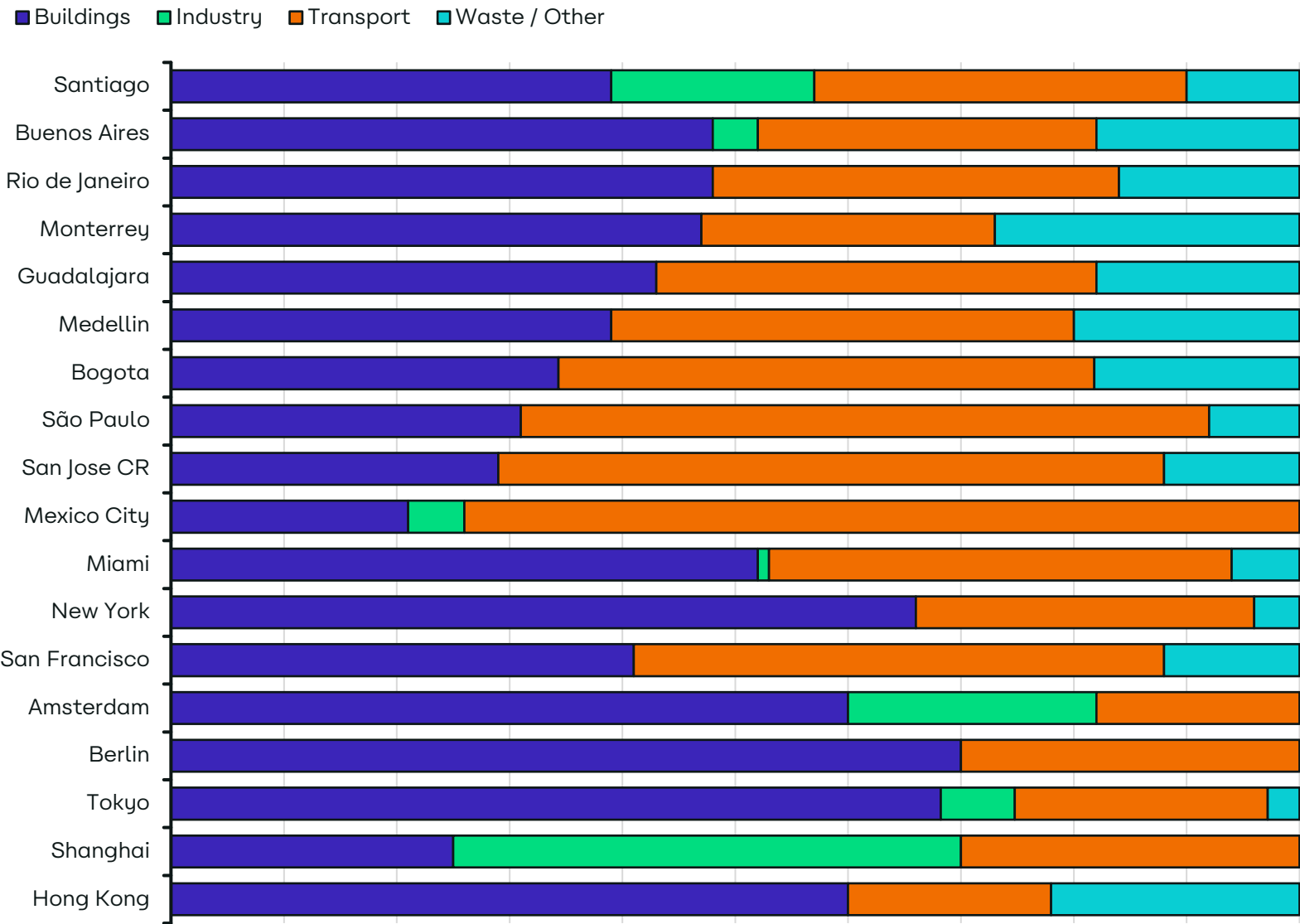
Tech will take sustainability to construction



Buildings account for 41% of total carbon emissions across Latin American cities. Even if that share is lower than the global average for cities (60%), thinking about how to make construction and property management environmentally friendly will be an essential step to fulfill the pledge of various Latin American and Caribbean (LAC) countries to significantly reduce emissions by 2030 and become net zero by 2050.

City emission by sector

By geographic area and per capita income quintiles



SOURCE: JLL Research, June 2023



Tech will take sustainability to construction

Capital planning, budgeting, and building development cycles stretch over long periods of time. So decisions made today for properties, from retrofits and construction to energy efficiency and clean energy sources, will shape successes and failures in **reaching a net zero carbon economy down the road.**

Yet, none of the LatAm cities evaluated by JLL's report have specified carbon targets for new constructions.

Cities at different points in their decarbonization journey

Starting Out	Climate Aware	Climate Progressive	The Trailblazers
Recently released their first climate action plans and NZC targets. More limited action. Tend to have higher climate vulnerabilities.	Climate action plans are aspirational but lack joined-up specifics. Comparatively limited action to date.	Catching up fast with the Trailblazers. Mapping out comprehensive pathways to NZC. Leading on initiatives to decarbonize buildings.	Solid track record of planning for a sustainable future. Considerable momentum, experience and accumulated knowledge. Hitting the ground running in this important decade of action.
Bogota, Buenos Aires, Dallas, Dubai, Guadalajara, Houston, Monterrey, Mumbai, Santiago, Sao Paulo, Shanghai	Chicago, Hong Kong, Medellin, Mexico City, Miami, Rio de Janeiro, San Jose CR	Berlin, Boston, London, Los Angeles, Madrid, New York, Paris, San Diego, San Francisco, Singapore, Sydney, Tokyo, Toronto, Washington DC	Amsterdam, Copenhagen, Vancouver

SOURCE: Decarbonizing Cities and Real Estate, Latin American Outlook, June 2023



Tech will take sustainability to construction

While regulations are still lacking and will probably only come to effect in the medium to long-term, **startups in the region are looking at the landscape in Europe and the US and already preparing for the future.** Sustainability solutions promote better resource management from construction to building management.

Startup cases



The startup works with off-site, prefabricated construction. The construtech says its building process generates ten times less residue.



The startup supplies factories and construction companies with cellular concrete, reducing carbon emission and residues.



The startup connect small-sized sustainable energy power plants to small and medium-sized businesses and residential buildings. Consumers can reduce their monthly energy bills while supporting solar, wind, biogas, and hydropower plants.



AI is in sight for proptech as much as for any other sector, but gaps in knowledge and data collection are large. As they become smaller in the mid to long-term, and in addition to the trends mentioned before, the impact of AI and later Gen AI can be extended to:

- **Development of essential real estate materials.** From text to images and complex 3D design.
- **Property recommendations.** This works similarly to the investments recommendations and optimized portfolio creation covered in [The LatAm Tech Report: The Future of Fintech](#). Gen AI will be able to matchmake properties and buyers and also indicate the best time to buy or sell.
- **Prescriptive maintenance analysis.** By looking at data provided by sensors inside buildings, powered by the internet of things (IoT), Gen AI can create and improve its own maintenance prediction model.

AI and GenAI are expected to have a significant impact, but understanding remains low

What emerging technology do you expect to have the greatest impact on real estate over the next three years?

What is your current level of understanding of these technologies?

Technology rank by expected impact		Rank by level of knowledge	
1	Clean energy solutions	1	Cloud & edge computing
2	Machine learning & AI analytics	2	Mobility solutions
3	Generative AI	3	AR/VR
4	Low-carbon materials & construction	4	5/6G
5	Cloud & edge computing	5	Blockchain/smart contracts
6	5/6G	6	Clean energy solutions
7	AR/VR	7	Low-carbon materials & construction
8	Robotics	8	Robotics
9	Mobility solutions	9	Machine learning & AI analytics
10	Blockchain/smart contracts	10	Generative AI

SOURCE: JLL's Global Real Estate Technology Survey 2023 (October).

The Challenges

The Challenges



Data gathering and transparency

Several LatAm countries don't have tools equivalent to the MLS (Multiple Listing Service) – a cooperative database of real estate listings in the US.

The development of real estate marketplaces in the last decade has helped us advance more in **data gathering and transparency via digitalization**. Yet making data less fragmented and obscure is a constant effort, and it must continue while startups also develop processes, technologies, and talent to **structure, require, extract, and analyze said data** so it can be turned into insights.

“ In such a complicated and informal market such as real estate, **there are difficulties on data and pricing.** It's really **hard to know the value of homes when there's no reliable data** available unless you **effectively build your own proprietary data asset**, and then build a pricing model that continuously get better on top of that. ”



Brynne McNulty Rojas
Habi

The Challenges



Macroeconomic environment

Like many other parts of the world, LatAm has been facing a combination of high interest rates, high inflation, difficult access to capital, and sluggish economic activity and consumption in 2023.

This is specially important to the real estate market, as **cost of capital for construction and home financing rates depends on interest rates**, which in turn are defined by pondering inflation and economic activity and consumption.

Still, LatAm's set to rebound on the short term, as countries like Brazil and Chile already feel comfortable lowering interest rates. **The region's real estate market is already pricing and being optimistic about a comeback.** 69% of 150 LatAm real estate leaders heard in June 2023 by GRI/Brain believed that the scenery would be better or much better in the following 12 months, against 31% back in the beginning of 2023.

“ There's a more positive outlook for economic growth for the next years in LatAm countries such as Brazil and Mexico. This leads to an **optimism about reduced interest rates, increased per capita income, and more external investment** in infrastructure – also given political instabilities around the rest of the world in the case of the latter. And this whole scenario **stimulates the supply of new buildings and the demand for these properties.** ”



Bruno Loreto
Terracotta Ventures

The Challenges



Market education

Many startups face the challenge of **educating the market** and **earning their trust** – even if the most recent digitization has helped consumers adopt technology as a whole. Proptechs face that challenge not only with consumers but also with stakeholders, as they generally deal with **traditional business partners with established analog processes**, such as construction companies, real estate agents, and small and medium-sized contractors.

The Future of Healthtech

The LatAm Tech Report 2023

Executive Summary

- LatAm healthtech is in a more mature moment, after the healthcare tragedy brought by Covid-19. The sector saw **increased venture capital investment** right at the beginning of the pandemic. Even if that volume of capital receded in 2022 and 2023 YTD, **healthtech's share of total VC** is at 3.8%, a **5-year high**.
- Some trends for LatAmhealthtech in the short term are to **keep improving virtual and home care solutions**, looking at **niches to build moats**, and **improving customer service and efficiency** with the help of artificial intelligence (AI).
- Some opportunities for LatAmhealthtech in the medium to long term are **catering to the region's growing elderly population**, developing **precision medicine** using regional genetic mapping as a foundation, and exploring the potential of **Generative AI**.
- Healthtech still faces a challenge known to every essential sector: leading with **multiple stakeholders and regulations**, which in turn causes **long development and growth cycles**.

The LatAm Tech Report 2023:

The Future of Healthtech

Context Setting

- I. Increased health expenditure boosts efficiency-focused healthtechs
- II. LatAm's healthtechs go from primary care to software
- III. Number of VC-backed healthtechs boomed and receded
- IV. Funding for LatAm's healthtech startups stays resilient

The Trends

- I. Virtual care and home care help with costs, convenience, and shortage of medical professionals
- II. Demand increases for wellness and mental health solutions for individuals and companies
- III. Braving niches to build healthcare moats
- IV. Battling rising costs through efficiency
- V. AI in healthtech improves service and reduces manual work

The Opportunities

- I. As LatAm 65+ population doubles in presence, the silver economy will gain traction
- II. Precision medicine will take its first steps in LatAm
- III. AI will support medical decisions

The Challenges

- I. Long product development and growth cycles

Context Setting



Increased health expenditure **boosts efficiency-focused healthtechs**

The Covid-19 pandemic changed the healthcare landscape forever – and healthtech with it.

Nearly 7M lives were lost, almost 3M of them in the Americas. The world woke up to how health institutions and professionals need to quickly adapt and evolve so more people get the care they need.

LatAm sees a **growth in current health expenditure, public and private**. The vast majority of countries in the region will see an expansion in healthcare spending as a share of GDP up to 2030.

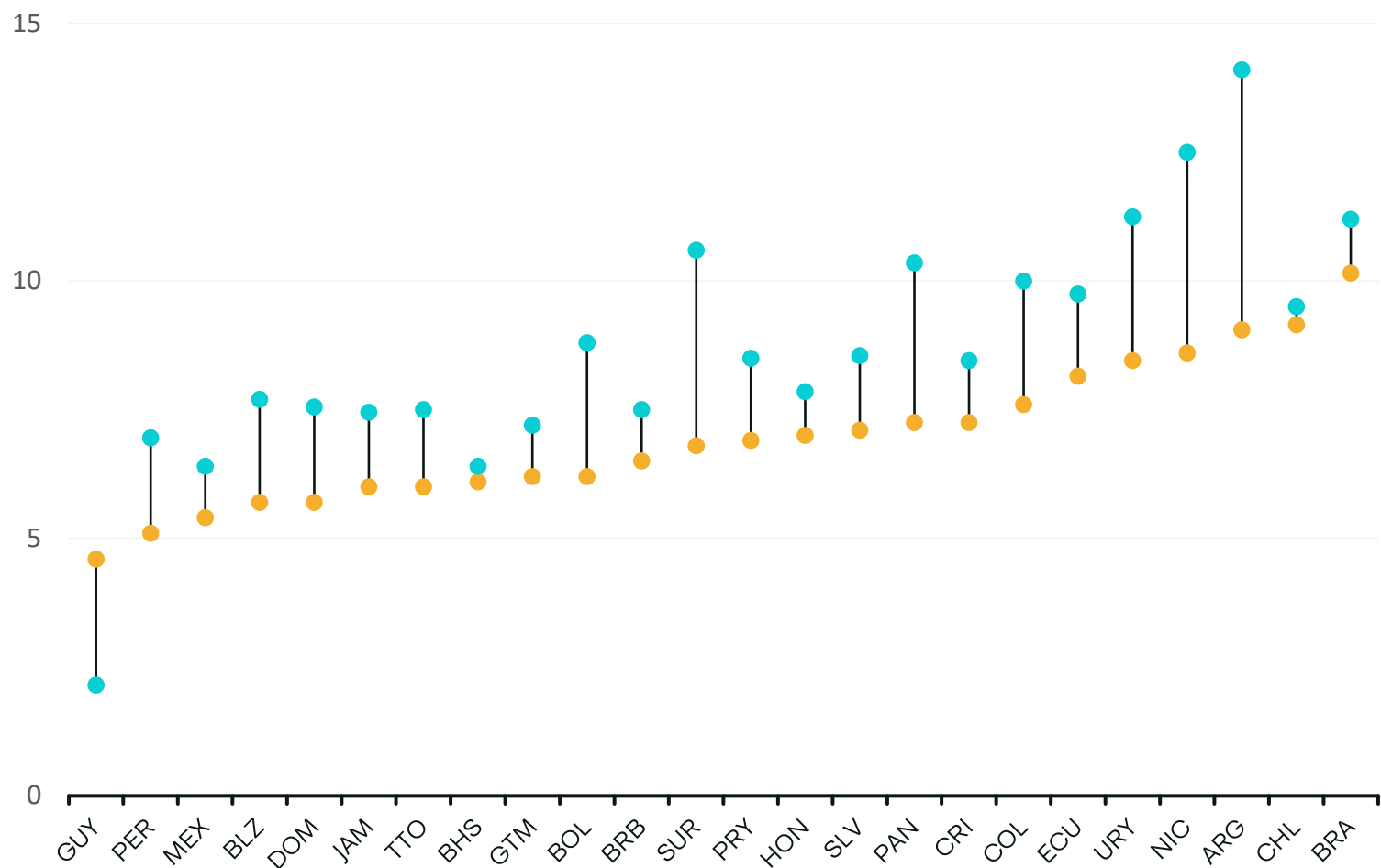
More spending means **more opportunity for healthtechs** to enter companies' and consumers' budgets, bringing cost-efficiency to them in the process.

The opportunity also translates into **increased interest from venture capitalists**, who were already looking at the sector and doubled down their bet at the start of the pandemic.

Current health expenditure will grow in most of LatAm as a share of GDP

From 2018-19 to 2030

● 2018/19* ● 2030



NOTE: The baseline year is 2019 for Brazil, Peru, and Trinidad & Tobago, and 2018 for all other countries

SOURCE: IDB, 2022

“ It was obvious that our healthcare system was broken and Covid-19 made this even more evident. It's broken first in the sense that we don't have enough capacity or the right coverage to serve people: a patient with dialysis and diabetes might have to travel five hours to see a doctor. But it's also broken in the sense of costs: good healthcare is expensive in parts because its management is inefficient. Seeing this context, **we are in the best moment for healthtech in LatAm.** ”



Ricardo Moguel
Clivi



LatAm's healthtechs go from primary care to software

Primary care

Healthcare at a basic, day-to-day level, with patients looking for orientation from nurses and general practitioners.

dr.consulta

SiMco
healthcare platform

Secondary care

Healthcare at a specialized level, with doctors treating conditions that couldn't be solved by primary care.

genial
care

Placi

salauno

Medical devices

Equipments that can be used for preventing, diagnosing, and treating health conditions.

brain4care

Clivi

hilab

KLIVO

Diagnostic tests and vaccines

Startups that improve on accessibility or quality of diagnostic tests and vaccine.

beep!

examedi

ISA

LatAm's healthtechs go from primary care to software



Oral care

Healthcare focused on treating teeth, gums, and the overall mouth.



Wellness

Healthcare focused on achieving and prolonging physical, mental, and social well-being, generally associated with nutrition, exercise, and lifestyle decisions.



Mental health

A subset of wellness, mental health is healthcare focused on emotional and psychological well-being.



Femtech

Products and services focused on supporting women's health, addressing conditions that affect them disproportionately.





LatAm's healthtechs go from primary care to software

Medical insurance

Healthtech meets insurtech to either create or mediate the usage of healthcare insurance plans for individuals and companies.

alice

alinea

sami

sofía

pipo saúde

Medical education

Healthtech meets edtech to provide innovation to medical studies, from improving access to bringing new learning methods.

medway

sanar

Medical marketplaces and software

Healthtech meets e-commerce, fintech, and SaaS to provide efficiency-driving digital platforms and systems for medical and wellness professionals and institutions.

Arvo

Memed

mevo

conexa

nilo

extendeal

osana

healthatôm

saludtools

kuri

TECNOFIT



Number of VC-backed healthtechs boomed and receded

The number of new venture-backed healthtech startups in Latin America started to pick up in 2019, even before the pandemic. 2021 and 2022 were outlier years in net addition of VC-backed healthtechs, making the sector **break the 100+ VC-backed healthtechs mark in 2022**. In 2023 YTD, however, the **addition of VC-backed healthtechs seems to have receded to pre-pandemic levels**.

VC-backed startups in Latin America by tech vertical
(cumulative), 2013 - Q3 2023

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1 - Q3 2023
Healthtech	3	6	9	10	17	22	41	63	90	119	129
Net additions	-	3	3	1	7	5	19	22	27	29	10

SOURCE: LAVCA November 2023

Healthtech unicorns are still beginning in LatAm

The only LatAm unicorns related to the healthcare space are Gympass and Betterfly – both hybrids of healthtech and HRtech





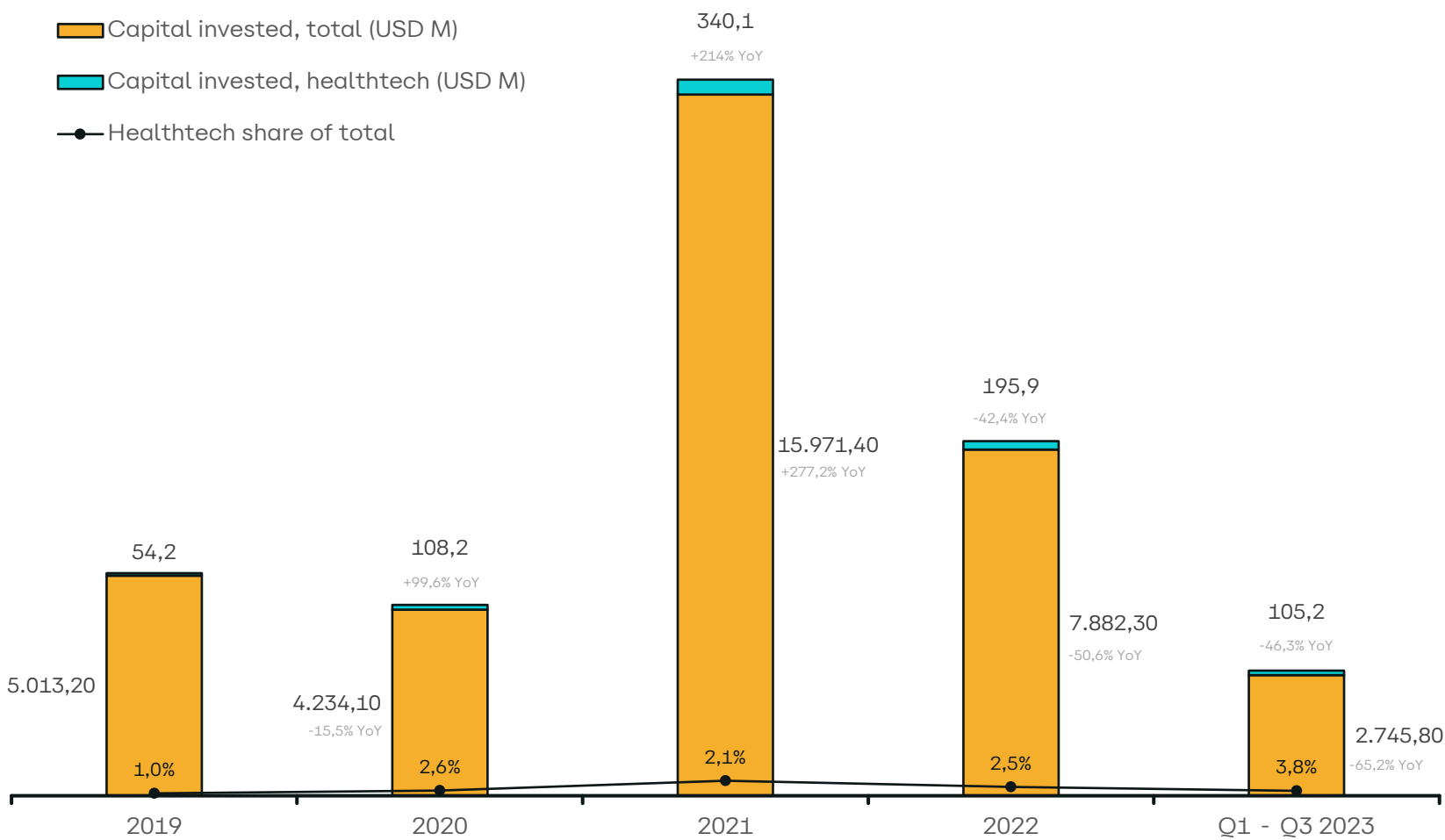
Funding for LatAm's healthtech startups stays resilient

Healthtech was one of the first segments to receive attention when the pandemic started, in 2020. In LatAm, venture capital investment in healthtechs almost doubled that year (+99.6%), while the investment in the general startup market declined (-15.5%).

In the boom year of 2021, healthtech investment grew significantly, even if below the general startup market investment rate (+214.2% vs +277.2%). In the 2022 downturn, healthtech investment receded significantly, but again not as much as the general startup market investment (-42.4% vs -50.6%). 2023 YTD shows once again that investments in healthtechs are receding but not as much as the investment in the overall startup ecosystem (-46.3% vs -65.2%).

This resilience of healthtech compared to the general startup market led to the growth of the segment's share of total capital invested in both 2022 and 2023 YTD. This year, healthtech's share reached 3.8%, a 5-year high.

Healthtech's fundraising journey in LatAm
Venture capital raised by the healthtech vertical (2019-1H 2023)



SOURCE: LAVCA November 2023

The Trends



Virtual care and home care help with costs, convenience, and shortage of medical professionals

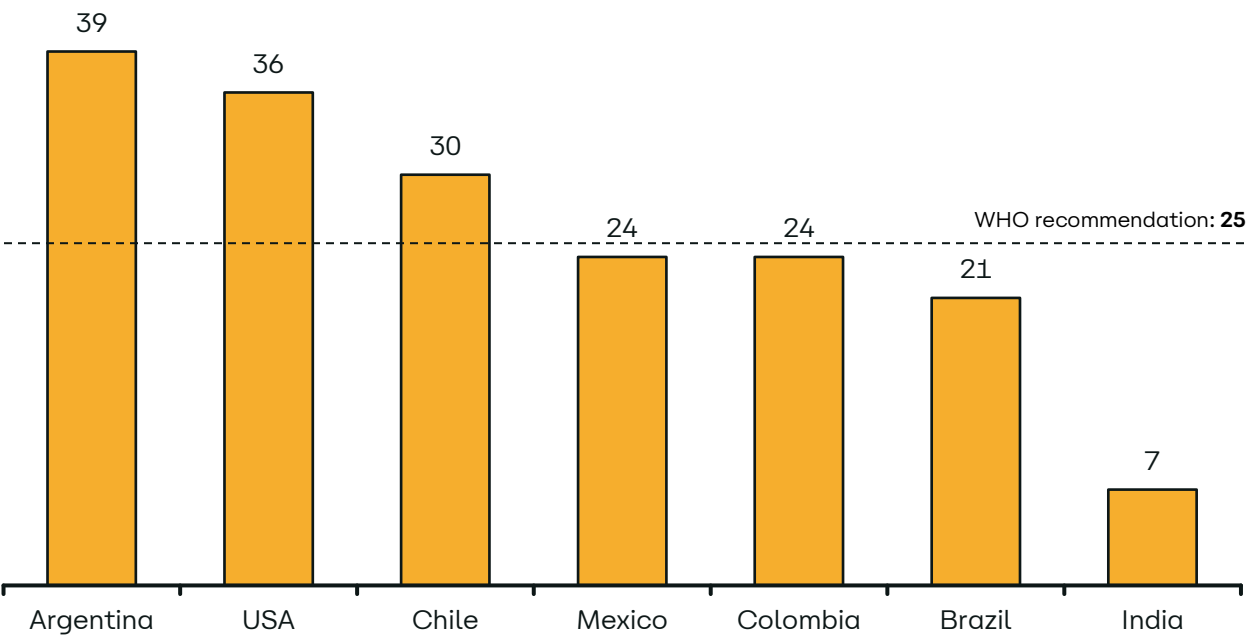
Latin America generally doesn't have as many doctors as it needs. That means there's a **pressing demand for healthcare professionals**, and the available ones need to **do more with less**. At the same time, more and more Latin Americans have **access to a smartphone**. That's **the recipe for telemedicine to shine**.

Telemedicine reduces costs and eliminates commuting time for both doctors and patients, amplifying access to healthcare and reducing disparities. Demand for more convenience and privacy during consultations are other drivers for the **growth of all home care solutions** – which includes telemedicine, in-person visits, and self-administration.

Virtual health consultations, prescriptions, and patient monitoring became a necessity in times of pandemic social distancing. Now telemedicine has both **regulations** and **adoption** from patients, doctors, and institutions in various regions, including Latin America.

Brazil, Colombia, and Mexico are under the WHO recommendation for number of doctors

Doctors per 10,000 people by country, 2020-2021



SOURCE: Atlantico's The Digital Transformation Report 2023



Virtual care and home care help with costs, convenience, and shortage of medical professionals

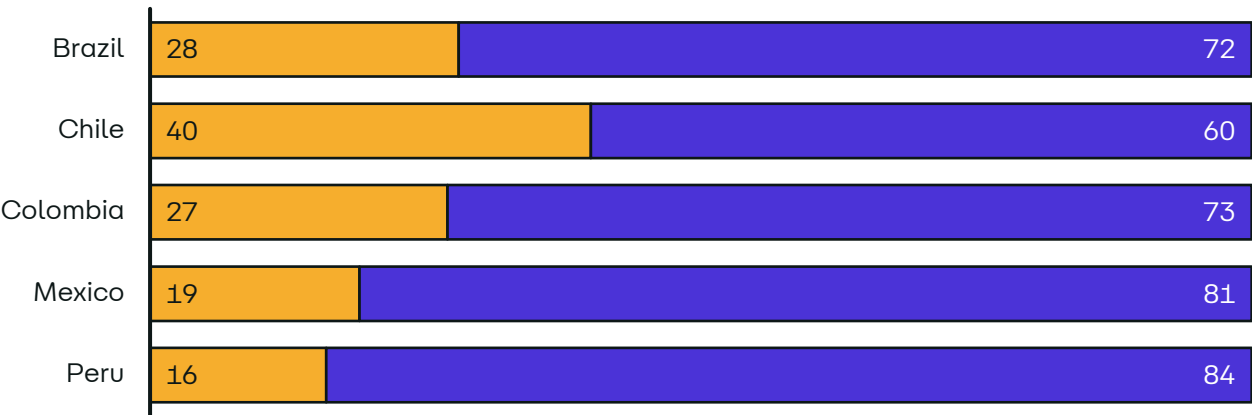
Argentina, Brazil, Chile, Colombia, and Mexico already have **regulations in place for telemedicine**, IADB says.

On the adoption side, more than **6 out of 10 doctors in selected LatAm countries offered telehealth** back in 2021. The most prevalent vision for them was that virtual care would be practiced a couple of hours per day in their routine, in a **hybrid** fashion.

Distribution of doctors offering telehealth

By country, % of respondents (n=517)

No Yes

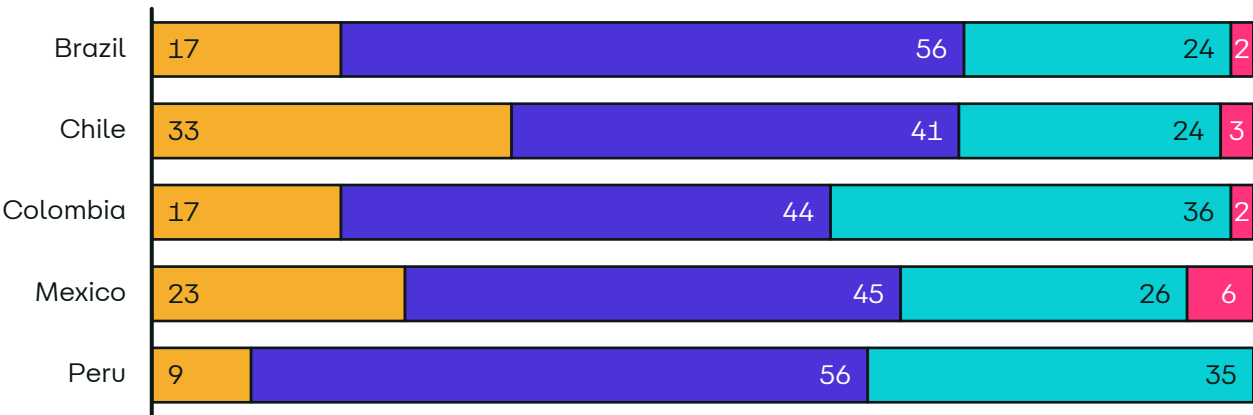


SOURCE: McKinsey in August 2021

Physicians' perception of the frequency of virtual care to be implemented in the future

% of respondents (n=478)

No virtual care A couple of hours a day A day each week Only virtual care



SOURCE: McKinsey in August 2021

Virtual care and home care help with costs, convenience, and shortage of medical professionals

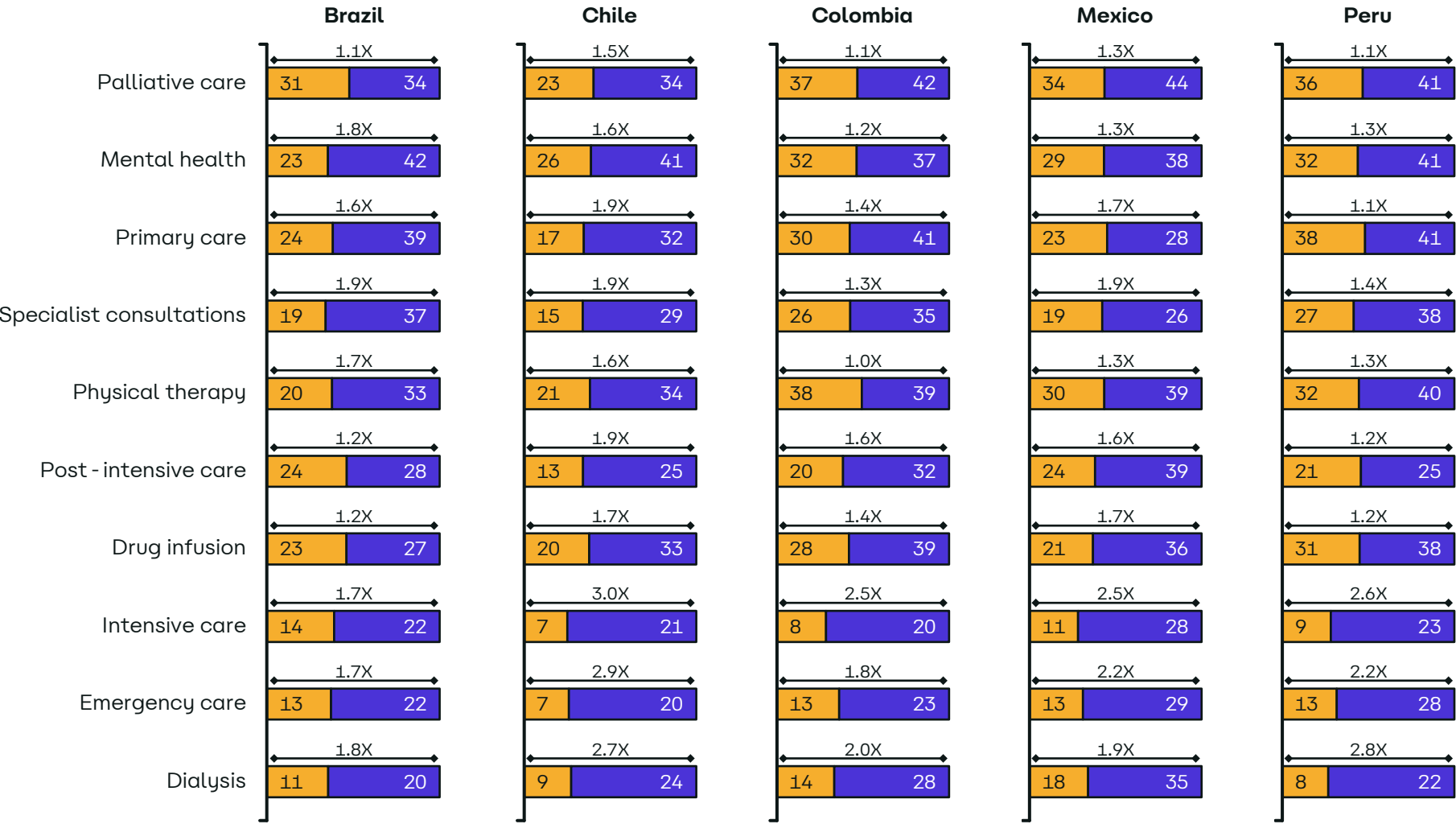
Physicians' perception of the percentage of medical care that could be home-based in 2025

Weighted average (n=517)

Q: Think about your patients. For the following types of care, what is your estimate of the percentage of total care currently provided in the home (through virtual care, in-person, or self-administration) today? What is the percentage of care currently being provided in an office or health center today that could be clinically appropriate and cost-effective in the home (through virtual care, in-person care, or self-administration) by 2025?

Home-based care today Potential for home-based care by 2025 (high estimate) Potential amount in 2025 vs today

Home-based care is expected to grow in various fronts, from palliative care to dialysis. Yet, challenges such as improving broadband access and regulation on data privacy and security remain for telemedicine.



SOURCE: McKinsey in August 2021



Virtual care and home care help with costs, convenience, and shortage of medical professionals

Startup cases



The platform helps companies to reduce employee turnover by offering mental, physical and nutritional care. The app offers consultations through chat and video, generating both a medical history and follow-up prompts.



The healthtech offers telemedicine and in-home diagnostics, focusing on preventive and chronic care.



The healthtech takes weight management online. Patients are assigned a team of healthcare professionals and a meal plan, then follow up constantly through scales delivered to their homes, in-app tools, and virtual consultations.



The healthtech offers a wellness platform for companies to improve their employees' productivity and retention. Some services offered are primary care, pediatric care, nutrition, and psychology sessions.



Demand increases for wellness and mental health solutions for individuals and companies

In the Latin America and Caribbean region, major **depressive disorders and anxiety disorders increased by 35% and 32% respectively** in 2021. Yet, only about 1.8% of governmental health expenditure goes to mental health in the Americas, at USD 7.81 per capita.

That opens the space for **healthtechs to supply services to improve mental health and wellness in general**. Startups can adopt both a B2C or B2B business model, handing the bill to patients, companies, or both (copayment).

For companies, providing wellness services is a way to **increase productivity and job satisfaction** while reducing burnout and employee turnover.

	Median government expenditure on mental health per capita (US\$)			Mental health expenditure as percentage of domestic general government health expenditure per capita
	2014	2017	2020	2020
Global	**	2.50	7.49	2,13%
WHO region				
AFR	**	0.10	0.46	2,1%
AMR	**	11.80	7.81	1,8%
EMR	**	2.00	12.08	1,3%
EUR	**	21.70	46.49	3,6%
SEAR	**	0.10	0.10	0,5%
WPR	**	1.10	5.81	1,6%
World Bank income group				
Low	***	0.02	0.08	1,05%
Lower-Middle	1.53	1.10	0.37	1,1%
Upper-Middle	1.96	2.62	3.29	1,6%
High	58.73	80.24	52.73	3,8%

* Domestic general government health expenditure
** Data not available
SOURCE: Crunchbase



Demand increases for **wellness and mental health solutions** for individuals and companies

Startup cases

Gympass

The unicorn works with companies to offer employees a physical wellbeing platform, with flexible access to gyms and wellness apps. Gympass says it reduces annual employee healthcare costs by 25% and improves employee retention by 43%.

 **vittude**

The mental health platform matchmakes patients and psychologists. In its corporate branch, Vittude offers consultations to employees from companies such as Ambev and Olist.

YANA
RURAL MENTAL HEALTH SUPPORT

The startup offers an app with a diary feature, daily objectives, and an AI-powered chatbot for users seeking to improve their mental health.

 **zenklub**

The mental health platform works with HR departments in companies such as Creditas, Loggi, and Shopee. According to Zenklub, employees with access to mental health stay 30% longer in a company.



Braving niches to build healthcare moats

Healthcare is a complex and regulation-filled sector in its many branches, and that makes it difficult to have an ample and effective solution outside of hospitals. So some healthtechs are looking at **niche yet sizeable segments in specialized care**.

Caring for more specific conditions is a similar strategy to software as a service becoming vertical. The objective is the same: investing into research, development, and brand in a niche to **build a moat**.

A moat widens the distance that potential competitors have to traverse, and with that, incentivizes partnerships instead. Vertical healthtechs can enter health insurance plans offerings as a strategy to quickly gain market, as it's financially difficult for consumers to pay for niche healthcare on top of a more general health insurance plan.

Startup cases



The healthtech tackles diabetes, helping patients manage their glucose levels through delivering equipments at home and making consultations through WhatsApp.

40 million adults live with diabetes in Latin America and the Caribbean, half of them undiagnosed and unaware of long-term complications.

SOURCE: OECD, 2023.

Braving niches to build healthcare moats



Startup cases



The healthtech focuses on guidance and care and development services for families that have children with autism.

Approximately 6 million individuals with autism spectrum disorder live in Latin America. Worldwide, 1 out of 100 children has autism.

SOURCE: UNIFESP, 2020; World Health Organization (WHO), 2023.



The healthtech focuses on contraception, fertility, and overall gynecological services through virtual and in-person consultations.

Each year, 6.2 million women in South America give birth, and many do not receive needed care. 8,400 women died each year in Latin America and the Caribbean from complications in pregnancy, childbirth, and postpartum in 2020.

SOURCE: Guttmacher Institute 2020; World Health Organization (WHO), 2023.

“ There are a lot of people who say that we need to show a huge market to investors. I disagree: you need a **market that's big enough** with a **pressing need** that **nobody has addressed**.

Remember that you're working with the most important thing to people, which is their health. It's really complex to create a solution that caters to several verticals and, at the same time, does it properly. Founders in the sector need to **be obsessed with a problem and be efficient in their structure**, since one of the main problems for healthtech LatAm is exactly the cost for companies and affordability for consumers.

Especially right now, investors will value more a good value proposition with satisfied and paying customers in a market where nobody has won yet than a huge market that can make you a USD 100B company if you get 0.3% of it. ”





Battling rising costs through efficiency

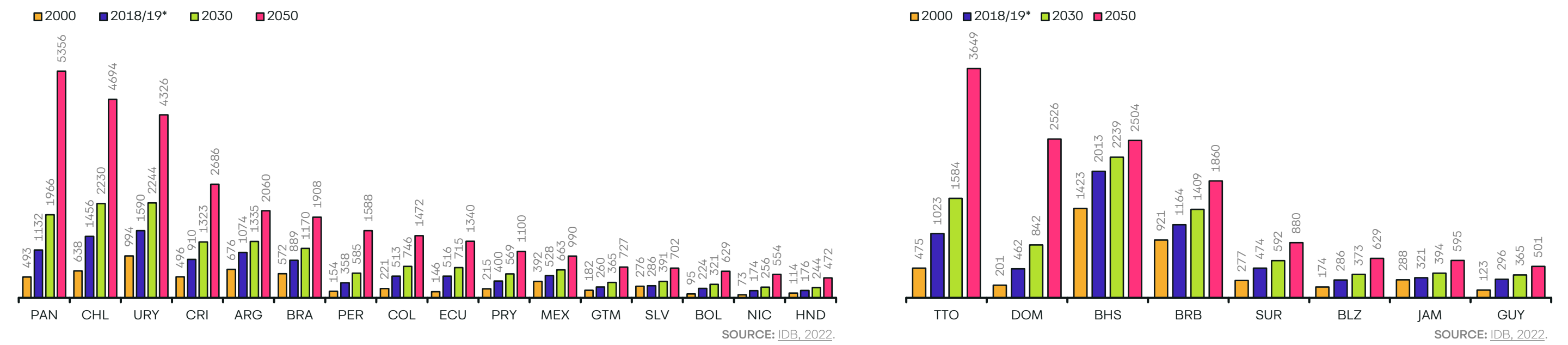
Latin American and Caribbean countries will face **significant increases in future health expenditures**.

Rising costs are happening for a variety of reasons, from demand for various medical procedures after the pandemic to populational aging and an epidemiological transition to non-communicable diseases (conditions that don't come from infections and so are more expensive to manage, from cancer to heart diseases).

This is happening worldwide but it's concerning for the region. In some Latin American and Caribbean countries, projected health expenditure per capita will more than double between 2018/19 and 2050, be these expenses public or private.

Health expenditure is rising at alarming rates in most of Latin America and the Caribbean

Current health expenditure keeps growing in Latin America and the Caribbean





Battling rising costs through efficiency

Most LAC countries are middle-income and face significant fiscal constraints – and their populations face a similar constraint in their budgets. 12.7% of the LAC population had its poverty condition aggravated by out-of-pocket spending on health, according to OECD back in 2021.

This opens the **opportunity for healthtechs to bring more efficiency and drive down costs** for every stakeholder – as we'll see in the next trend, more and more with the help of **artificial intelligence**.

Startup cases



The healthtech vertical SaaS enables intelligent purchases for the pharmaceutical industry, helping pharmacies compare medication costs.



The healthtech helps private hospitals to make use of vacant surgery rooms, providing surgery opportunities at a lower cost for patients.

“ During the pandemic, hospitals were occupied by Covid - 19 patients. We're now seeing people **catching up on missed healthcare** and the emergence of a **pent-up demand** for routine exams, non - urgent surgeries, and fertility consultations. The main consequence of this is, after years of delaying, **price adjustment** and therefore **medical inflation**. These will be **quite challenging years** when we think about the private healthcare market, because companies both providing and hiring health insurance will face significant **cost pressures**. ”



Manoela Mitchell
Pipo Saúde

AI in healthtech improves service and reduces manual work



Artificial intelligence enables computers to mimic human intelligence as it's developed with informational inputs. As healthcare companies keep building their proprietary patient data banks to leverage the other trends we've outlined, the potential for AI in healthcare grows.

In the short term, AI in healthcare has two main objectives: **improving service and work efficiency**. There's a need to relieve Latin America's overburdened healthcare systems and to improve the quality of healthcare provision, The Economist says.

LatAm healthtechs are offering these value propositions through solutions for segments such as population health, individual health, health systems, and pharmaceuticals and medtech.

AI uses in health care	
Population health	Surveillance Prediction Population risk management Intervention targeting
Individual health	Care routing / triage Diagnosis support Clinical decision support Chronic care management
Health systems	Fraud detection Facility / personnel management Quality assurance Coding and billing
Pharmaceuticals and medtech	Drug Discovery Clinical trial support Pharmacovigilance Real-world evidence

SOURCE: IDB's Artificial Intelligence in Health Care: Promises and Challenges 2020.



AI in healthtech improves service and reduces manual work

Startup cases



The healthtech uses AI to help health operators curb frauds and optimize their costs. Arvo analyzes medical expenses and insurance claims, for example.



The healthtech uses AI to analyze data such as scans and medical reports to help healthcare institutions with triages, patient risk analysis, and constant monitoring.



The startup uses AI to analyze potential deviations in claims received by the insurance company to predict frauds and future adjustments. The AI compares the usual healthcare utilization patterns with the details of each claim on a granular level, from procedures that were made to health items that were used.



The healthtech uses AI to help health institutions and professionals to manage contracts and pricing lists, helping them with their healthcare revenue cycle (identifying, managing, and collecting patient service revenue).

The Opportunities



As LatAm 65+ population doubles in presence, the **silver economy** will gain traction

From 2000 to 2019, 75% of Latin America's GDP growth came from people entering the workforce and only 25% from productivity gains, McKinsey says. For comparison, 95% of China's growth during that same period was due to productivity.

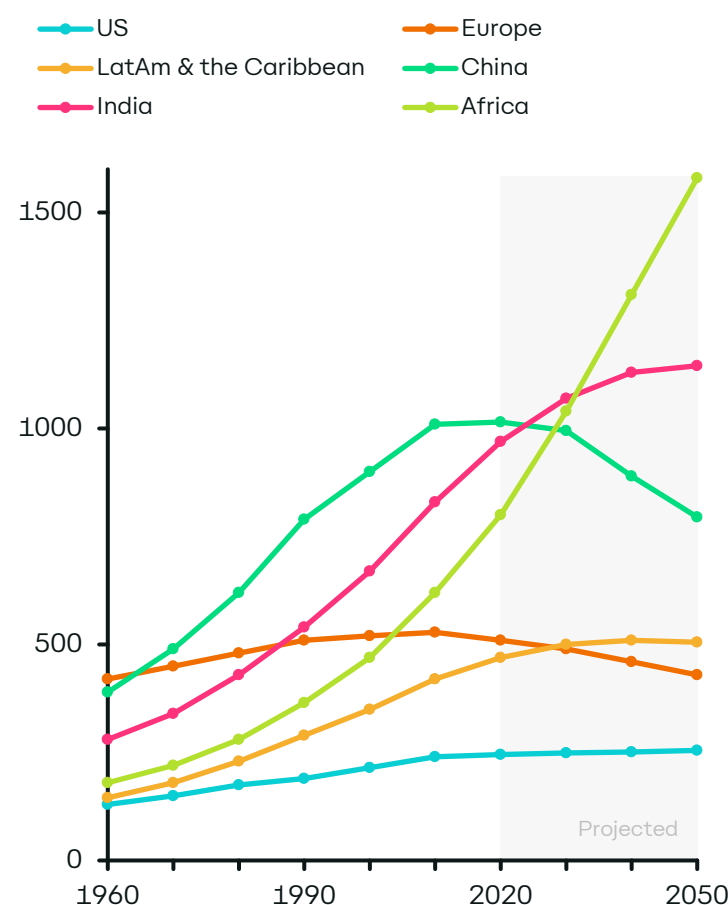
LatAm's ability to rely on workforce expansion to drive growth will not last much longer: in the next 30 years, **people aged over 65 will more than double their presence** in comparison to working-age people and reach a population of about 150M.

This growth and the popularization of smartphone usage across all ages present an opportunity for players in the "**silver economy**" – products and services aimed at the 50+ population. In healthtech, this means providing **specialized care** for this growing demographic segment.

Latin America is youthful but aging

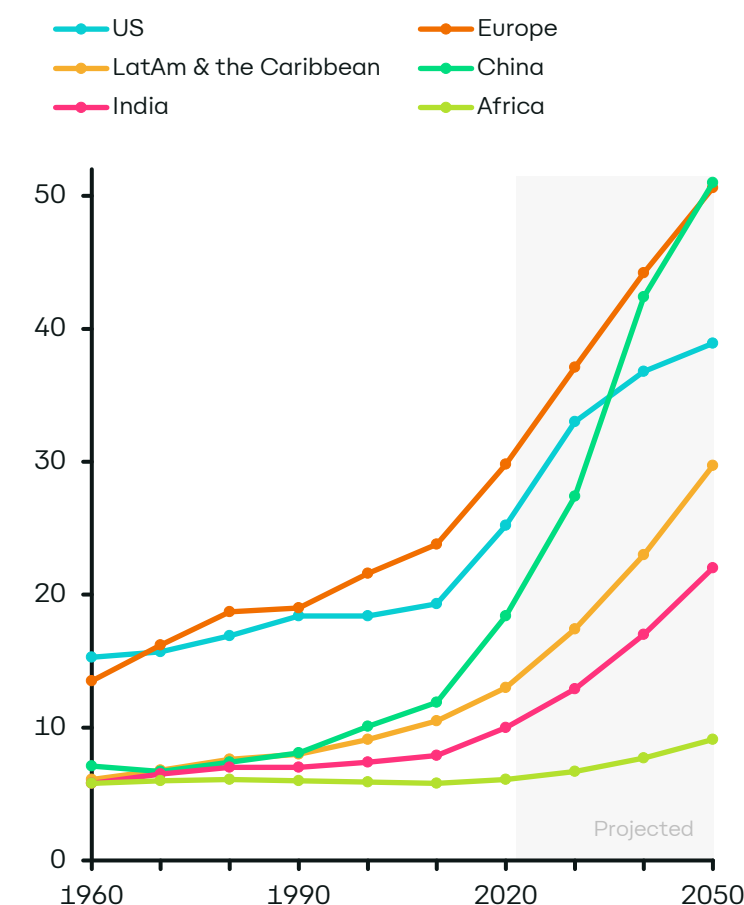
Working-age population

Million people aged 15-64 years old



Old-age dependency ratio

Number of people over the age of 65 per 100 working-age people



SOURCE: McKinsey July 2023



As LatAm 65+ population doubles in presence, the silver economy will gain traction

Startup cases

ISGAME

The startup provides exercises to avoid cognitive decline, both through its app and online/offline workshops.

 **ProBrain**

The startup provides a digital platform with exercises to help people hear and communicate better, catering to children with learning difficulties, adults with mental exhaustion, and elderly with hearing difficulties.

 **balance** TECH

The startup has a solution that evaluates the risk of falling, the postural balance, and the moving autonomy for the 60+ and hospitalized populations.



Precision medicine will take its first steps in LatAm

Precision medicine, also known as **personalized medicine**, takes into account data such as genetic, environmental, and lifestyle informations to provide each individual more tailored services for preventing, diagnosing, and treating medical conditions.

Precision medicine has evolved and will keep on doing so with the expansion on investments in big data, artificial intelligence, and more recently genomic medicine.

In **LatAm**, some countries are more advanced than others in precision medicine adoption. Yet all of them face **various challenges** in varying degrees, according to a The Economist analysis back in 2020:

- Awareness from health institutions, professionals, and patients themselves;
- Infrastructure, from data collection and processing services to laboratory facilities;
- Regulation, as there are still gaps to fill in policies for personalized therapies and for the related data collection and processing required.

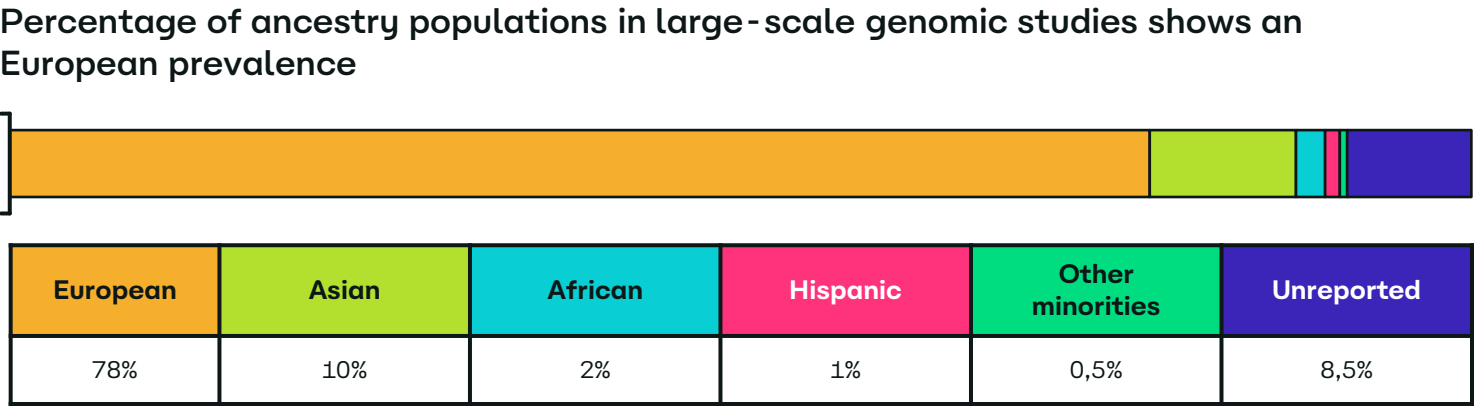
LatAm countries on the road to personalized care



SOURCE: The Economist, October 2020

Precision medicine will take its first steps in LatAm

Currently, only 1% of all sequenced genomes are from Hispanics. Yet, some **startups** are already working to tackle this and the previous challenges to **change the precision medicine landscape** in the medium to long-term.



SOURCE: [National Human Genome Research Institute](#) citing "The Missing Diversity in Human Genetic Studies", March 2019

Startup cases



The collective of scientists, entrepreneurs, and investors aims to sequence the genome of 200,000 Brazilians by the end of 2026, creating a diverse database for developing precision medicine.



The startup offers a fast and cheap genome sequencing service based on Latin American data sets, and is currently expanding to also provide health and well-being genetic traits.

AI will support medical decisions



The evolution of traditional artificial intelligence to **Generative AI** – models that can be trained to go beyond past data and actually generate new data – is also **coming to healthcare in the medium to long-term**.

This is critical for the sector since it's rich in unstructured data such as clinical notes, diagnostic images, medical charts, and recordings, according to McKinsey. 77% of healthcare executives heard worldwide reported they have at least tried to use Gen AI, and 16% of the healthcare executives use it regularly at work.

Beyond basing itself only on previous inputs and outputs, **Gen AI-powered solutions can support healthcare professionals and institutions** through prescriptive analysis. That means that Gen AI can **fill a lack of data** and project future trends that will increasingly support decision-making – even if right now having a human in the loop is a necessity.

The majority of worldwide executives are already exposed to Gen AI tools

% of respondents, by industry

■ Regularly use for work ■ Regularly use for work and outside of work ■ Regularly use outside of work ■ Have tried at least once ■ No exposure ■ Don't know



SOURCE: McKinsey, survey with executives worldwide on April/May 2023.

AI in healthtech improves service and reduces manual work



Startup case



The healthtech has an AI-powered chatbot to help individuals manage conditions such as anxiety and depression, detecting words that trigger directing the user to suicide hotlines. In August 2023, Yana announced it would use its 2 billion conversation records and incorporate Generative AI to its chatbot, to improve the capability to deliver effective emotional support.

“ What disease could I have and why? Which medication should I take, looking at the likelihood of this drug working for my case based on my genetic mapping? In the medium to long term, **artificial intelligence** will answer these questions and **bring customized drug formulations.**

It's a powerful innovation as many treatments are currently being introduced but they're also very expensive. AI can be powerful in **cutting development cycles, reducing costs on the ground, providing more access to medication, and having a positive impact on people's lives** – from preventive healthcare to health expenses when it comes to that point. ”



Manoela Mitchell
Pipo Saúde

The Challenges

The Challenges



Long product development and growth cycles

The healthtech sector is also one that works with a **myriad of stakeholders, regulation overload and deficiency** depending on the subject, and **long development and testing cycles** until it reaches success metrics.

This context **doesn't help healthtechs to quickly charm customers, scale, and make improvements** – as it's generally expected from venture capital investors.

The peculiar growth cycle **makes early-stage financing for healthtechs harder** in comparison to other sectors with faster development and sales cycles. Healthtechs have the challenge of surviving long enough until they reach the famous hockey stick growth.

But when they do reach it, **downstream capital is available**: the late-stage funding scene combines venture capital, growth capital, and private equity firms.

Selected sizeable LatAm healthtech rounds show the interest of VC and PE funds

Company	\$ (USD M)	Round	Year	Lead
Alice	127	Series C	2021	SoftBank
Betterfly	125	Series C	2022	GladeBrook
Memed	77	Series C	2021	DNA Capital
Conexa Saúde	40	Series C	2022	Goldman Sachs
Dr. Consulta	32	Series D	2022	Kamaroopin

SOURCE: Crunchbase

The Future of **Edtech**

The LatAm Tech Report 2023

Executive Summary

- The Covid-19 pandemic forced schools and a lot of workplaces to go digital, opening an opportunity to **digitalize traditional education and workforce development**. Even if that experience wasn't ideal around the world, including Latin America, **there's no turning back in digital literacy and adoption**. Edtechs can leverage the need of updating and improving the education sector.
- Beyond continuing to **digitalize schools**, other trends for LatAm edtechs are **improving financial access to education**, bringing **more engaging learning methods**, betting on **courses for workforce upskilling and reskilling**, and using artificial intelligence to **make education more personal and efficient**.
- In the medium to long-term, two opportunities for LatAm edtechs are **preparing students and workers to create and think**, rather than just applying new technologies, and **deepening the sector's relation with artificial intelligence**.
- While LatAm edtechs see many trends and opportunities, they also face the constant challenge of **being in a sector with various stakeholders, long sales cycles**, and **skepticism from a good share of investors**.

The LatAm Tech Report 2023:

The Future of Edtech

Context Setting

- I. The pandemic pushed the digitalization of education and revealed inequalities
- II. Number of VC-backed edtechs boomed and receded
- III. LatAm edtechs go from infancy to adulthood
- IV. LatAm's edtech see a striking fundraising slowdown in 2022 and 2023 YTD

The Trends

- I. Schools still need to be digitalized
- II. Edtech meets fintech in education financing
- III. In the content commoditization era, engagement is key
- IV. At least 23% of the workforce will need upskilling and reskilling in the next 5 years
- V. Demand for tech education remains high
- VI. AI in edtech makes education personal and efficient

The Opportunities

- I. Edtechs will also need to look at teaching creativity
- II. AI will be connected to a greater pedagogical and product vision

The Challenges

- I. Charming customers and investors

Context Setting

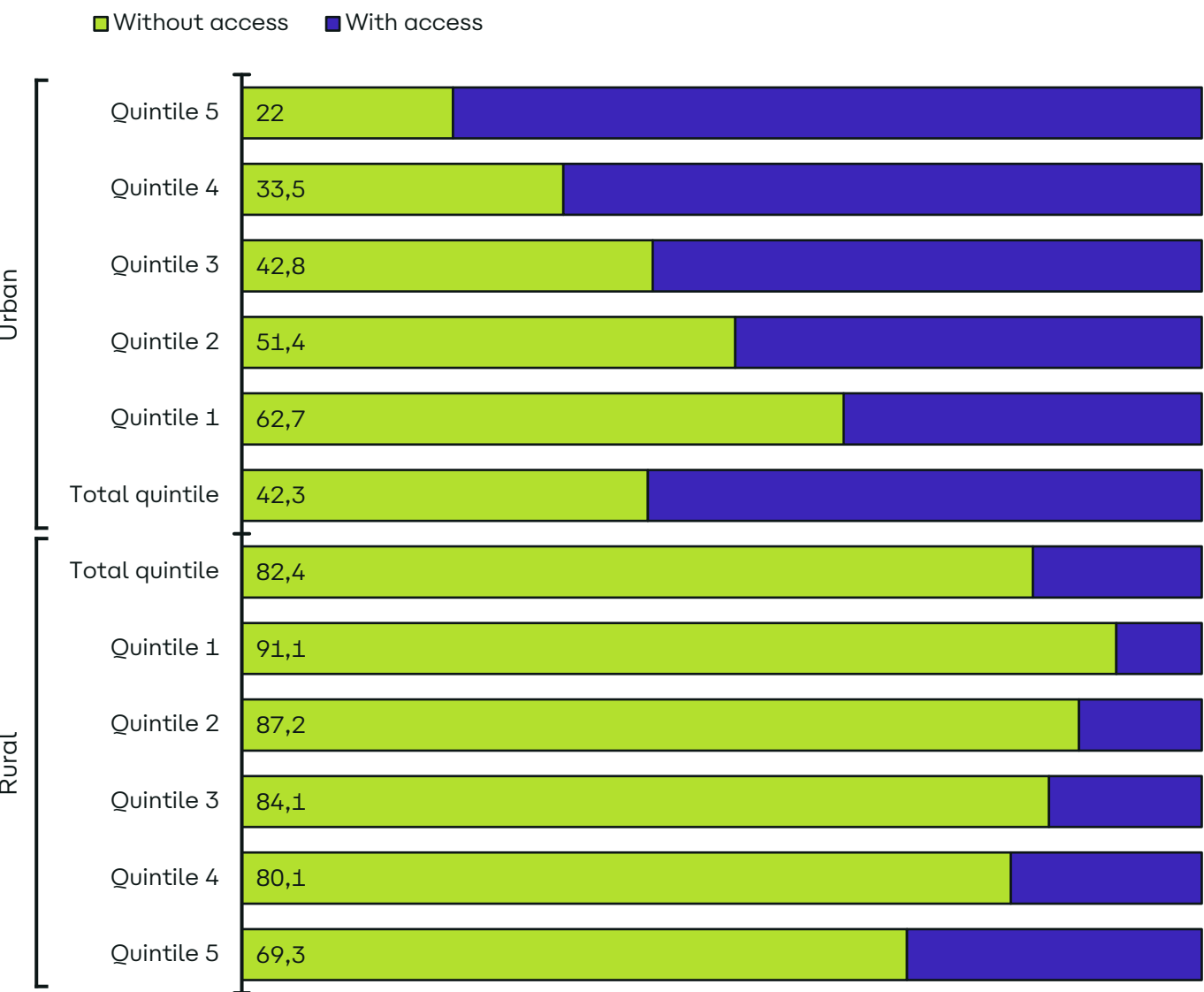
The pandemic pushed the digitalization of education and revealed inequalities

The **Covid-19 pandemic** forced more than 1B children to **study from home**, about 150M of them in Latin America.

That experience wasn't perfect. In LatAm, the pandemic revealed profound inequalities in access to connected devices and adequate study spaces in households; parental support and digital and socioemotional skills needed for autonomous learning; and training and tools for teachers to adapt to the virtual education environment.

Yet, these are also opportunities **edtechs** can tackle **the quest of offering quality yet affordable digital learning for these children.**

Difference in percentage of LatAm households without access to the internet
By geographic area and per capita income quintiles



SOURCE: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT, based on Household Surveys Databank (BADEHOG).



LatAm's edtech after the pandemic boom

The pandemic also shed light on similar challenges and opportunities in **corporate education**. There are 3B+ employees worldwide, a lot of them now having to thrive in hybrid and remote work models. That vision was reflected in the venture capital investment growth rates LatAm edtech saw in 2020 and 2021, outpacing the general startup market.

In this post-pandemic world, edtechs will be put to the test. They're currently facing a disproportionate reduction in investment volume and share of total invested VC.

There's no more obligation to have digital education solutions – they'll be adopted if edtechs adapt constantly and are able to prove their value year after year for all education stakeholders, such as investors, school directors or companies, teachers, and students.

LatAm edtechs go from infancy to adulthood



Pre-K and K-12

Edtechs in this segment focus on early childhood and on complimentary classes for primary education, secondary education, and university entrance exams.



(exit to Sandbox)



Higher Education

These edtechs look at tertiary education, supplied by trade schools, colleges, and universities. They either offer complimentary classes or create their own higher education institutions, with value props such as agile curriculum adaptation and more engaging learning methods.



Workforce development

These edtechs are focused on accelerating and maintaining adult learning, with employment and career advancement in mind. Coding schools have a relevant share in the segment.



DIGITALHOUSE

Financial services and software for education

Both fintechs and SaaS startups are looking at verticals as a way to build moats (see "[The Future of Fintech](#)" and "[The Future of SaaS](#)"). Education is one of these verticals, and startups are looking to provide financing, management and grading services, and more to educational institutions, teachers, and students.



(exit to educational group)





Number of VC-backed healthtechs boomed and receded

The number of new venture-backed edtech startups in Latin America started to heat up from 2018 onward, but grew especially in 2021 and 2022, leading to the **100+ venture-backed LatAm edtechs mark in 2022**.

2023 YTD shows that this is a year when the net addition of VC-backed edtechs tends to go **back to pre-pandemic levels**.

New VC-backed startups in Latin America by tech vertical
(cumulative), 2013 - Q3 2023

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1-Q3 2023
Edtech	4	5	10	15	21	32	49	61	93	122	131
Net additions	-	1	5	5	6	11	17	12	32	29	9

SOURCE: LAVCA November 2023

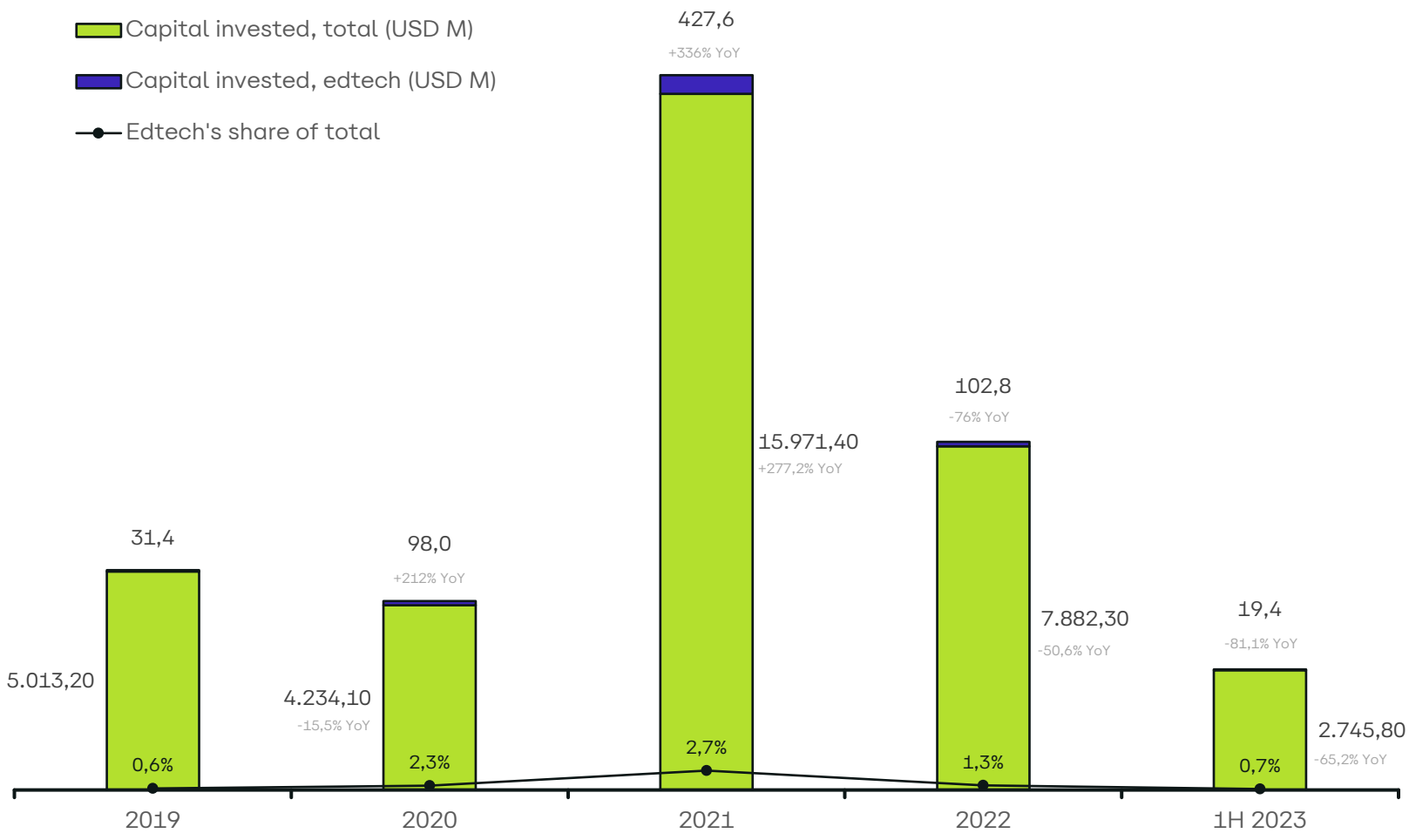


LatAm's edtech see a **striking fundraising slowdown** in 2022 and 2023 YTD

Edtechs was one of the first segments to **receive attention from venture capitalists during the pandemic**, with a 212% growth of capital invested in 2020, compared to a 15.5% reduction of the general startup market. The streak continued in 2021 (336% edtech growth vs 277.2% general growth).

2022 and 2023 YTD pose a different scenario. Edtech faced a **more striking percent decrease in venture capital investment** than the general startup market, leading to a **loss of share of total amount invested**.

Edtech’s fundraising journey in LatAm
Venture capital raised by the edtech vertical (2019-1H 2023)



* The decline rate should lower with Q4's results, providing the real year-over-year comparison
SOURCE: LAVCA November 2023

“ **Education has never been a sexy vertical for investors.** But a lot has changed since we started scaling Duolingo back in 2013 – and convinced parents, teachers, and students that **technology could actually provide effective results at scale.**

Now that the flip has been switched, there’s a lot of green field ahead. It’s particularly interesting because, although tools like Duolingo can work globally, programs of study across grade levels continue to be regional. **There are major opportunities for local disruption. ”**



Gina Gotthilf
Latitud

The Trends

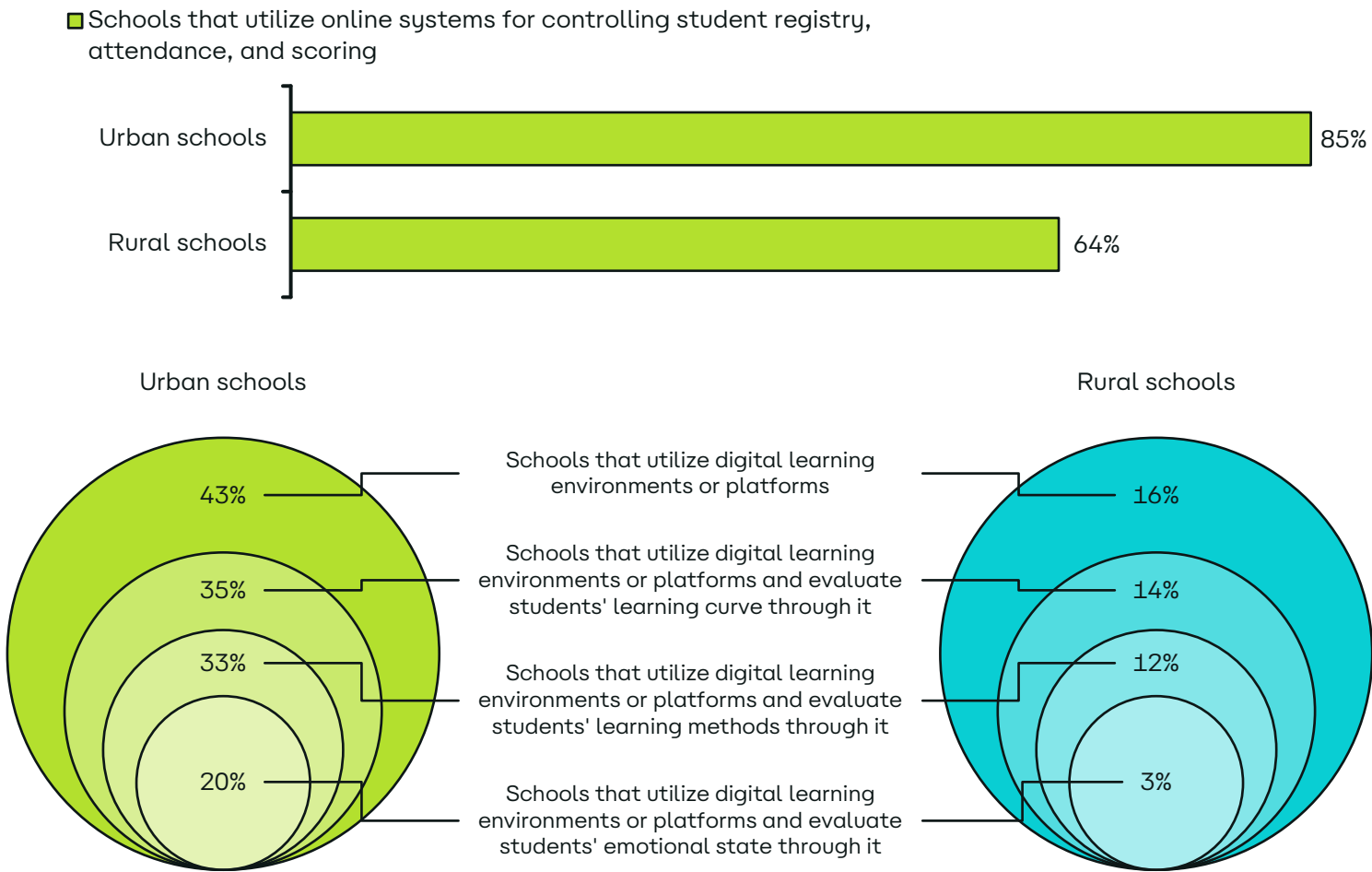
Schools still need to be digitalized

LatAm students have **progressively adopted tech, preferably via smartphones**, following the same trend as the general population.

For **government, schools, and teachers**, the progress made during the pandemic isn't enough and there's still a need for digitalizing both back offices and learning environments, taking Brazil as a proxy for LatAm. Schools of every size can turn to edtechs to solve their need to digitalize **as a means for:**

- **Better communication** between school, parents, teachers, and students;
- **Better management** of schools' customer relationship and finances;
- **And better education.** This can be achieved by, for example, training teachers on digital education processes and tools, taking content and evaluations online, and improving these based on collected data.

State of digital adoption in Brazilian schools
2022



SOURCE: TIC Educação

Schools still need to be digitalized



Startup cases



The edtech helps schools with communication, customer surveys, events scheduling, digital contracts signing, and payments.



The edtech helps schools in omnichannel communication, centralizing chats and news spread across the school's website, app, social media profiles, and WhatsApp. The edtech also helps with internal communications and customer relationship management (CRM).



The fintech provides a platform to both schools and parents for following up, categorizing, and organizing payments.



The startup provides both communication and financial solutions, developing white-label apps for schools to send institutional news and payment notifications, with built-in payment methods and conciliation efforts.



The edtech works with private and public schools to bring more digitalization and efficiency to student registrations and evaluations.



Edtech meets fintech in education financing

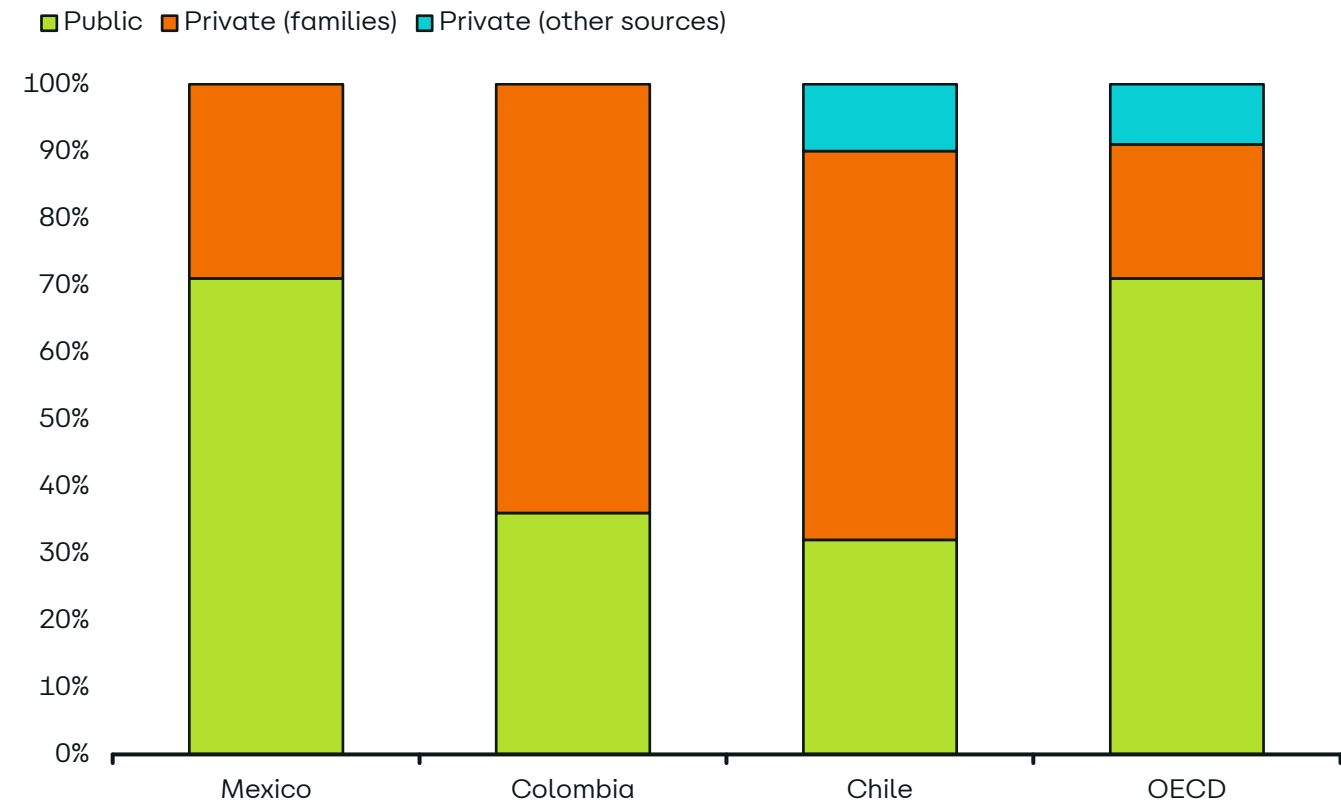
Throughout all income levels in LatAm, **private education is seen as an investment** in the future, be it in primary, secondary, tertiary, or upskilling education. And even though schools and universities have a wide range of tuition prices, **paying is a challenge for a significant part of the population.**

The problem starts in primary and secondary education: 25% of families in Brazil default on school payments, says Educbank. The need for financial relief, public or private, remains in higher education: almost half (45.6%) of Brazilian tertiary education students had some sort of financing in 2020.

The same reliance on family payments for higher education can be seen throughout Latin America and the Caribbean. LatAm edtechs have the opportunity to not only **facilitate financing for parents and students** but also to **help educational institutions battle defaults and lack of working capital.**

Families in LatAm countries finance higher education more than the OECD average

Proportion of financing for higher education by source of financing



SOURCE: Education at a Glance, OECD (2020, with data from 2015)



Edtech meets fintech in education financing

Startup cases



The mix of fintech and edtech provides financing to private schools, fighting defaults and guaranteeing they'll have access to capital for operations and investments.



Similarly, this fintech-edtech mix helps schools deal with defaults, taking care of contacting parents, offering better payment conditions, and guaranteeing the school will receive the monthly equivalent of all enrollments.



The fintech-edtech focuses on higher education financing. Students can ask for credit online, compare interest rates, receive an answer in 24 hours, and ask for payment deadline extensions.



The fintech-edtech also focuses on higher education financing but on the side of universities. It handles the contact with students to offer special payment conditions, to reduce unenrollments and defaults for institutions.



In the content commoditization era, engagement is key

First with search engines and now with intelligent chatbots such as ChatGPT, searching for information has never been easier. In an era in which content is a commodity, players in education will have to differentiate by creating **more engaging learning experiences**.

Education is based on **repeatable behaviors**: students need to come back often if they want to keep learning. Therefore, schools and teachers need to include tactics inside their educational offerings to make them **habit-forming**, a concept coined in Nir Eyal's "Hooked: How to Build Habit-Forming Products".

One way to make learning more engaging is through **personalization**. Educational institutions can now **adapt curriculums and learning methods** at an individualized level more than ever before.

But even the best curriculum still needs to be supported by a medium that attracts, provokes action, and rewards students. That's when a second engagement tactic comes in. Gamification adds gaming mechanics such as storytelling, quests, badges, and rankings to the learning environment.

A third habit-forming, engagement tactic is fostering **social learning**: through mediums such as forums, students can get instant feedback and have deeper discussions.

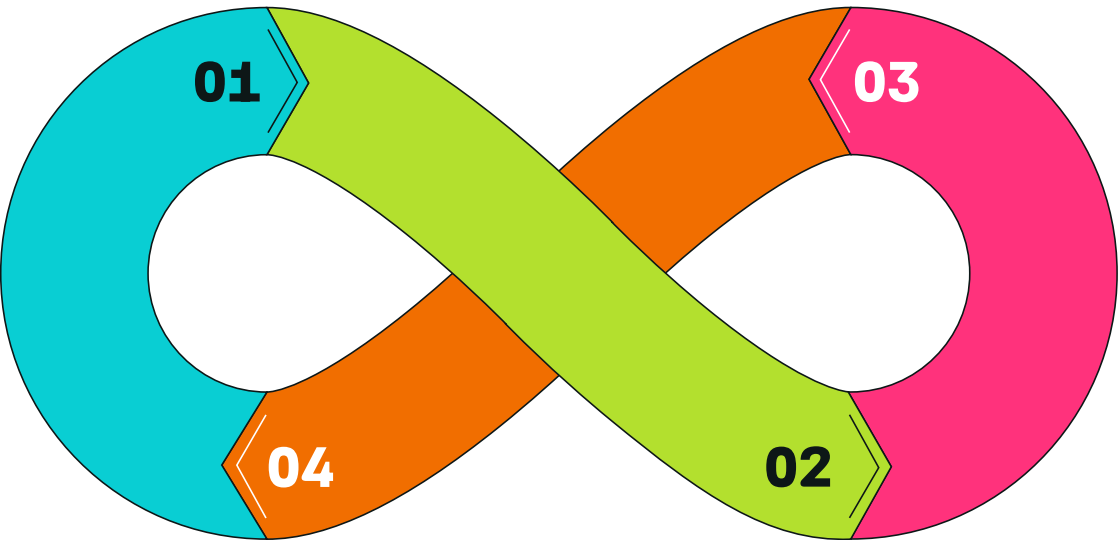
The science of habit-forming products

1. Trigger

- 1. What internal trigger is the product addressing?
- 2. What external trigger gets the user to the product?

3. Reward

- 4. Is the reward fulfilling, yet leaves the user wanting more?



4. Investment

- 5. What "bit of work" is done to increase the likelihood of returning?

2. Action

- 3. What is the simplest behavior in anticipation of reward?

SOURCE: Nir Eyal



In the content commoditization era, engagement is key

But the work doesn't stop at choosing engagement tactics and developing them. Edtechs need to assess **the return on investment** for themselves and their users (e.g. schools, companies, parents, students). Some metrics can be increase in enrollments (user acquisition), reduction in unenrollments (churn), engagement rates, student satisfaction, and upsell and cross-sell.

Startup cases



Through the early childhood edtech, parents define age, developmental stage, and milestones that feed a proprietary recommendation algorithm. Then, it recommends a daily plan for playtime and learning activities. Parents can follow their baby's progress chart in various developmental areas (e.g. cognitive, linguistic, social-emotional, physical) and talk to other parents through forums.



The edtech brings personalization and gamification to reading. Students receive a recommended reading list based on factors such as age and area of learning. Then, these readings are attached to the storytelling-filled goal of making a forest grow through each reading.



At least 23% of the workforce will need **upskilling and reskilling** in the next 5 years

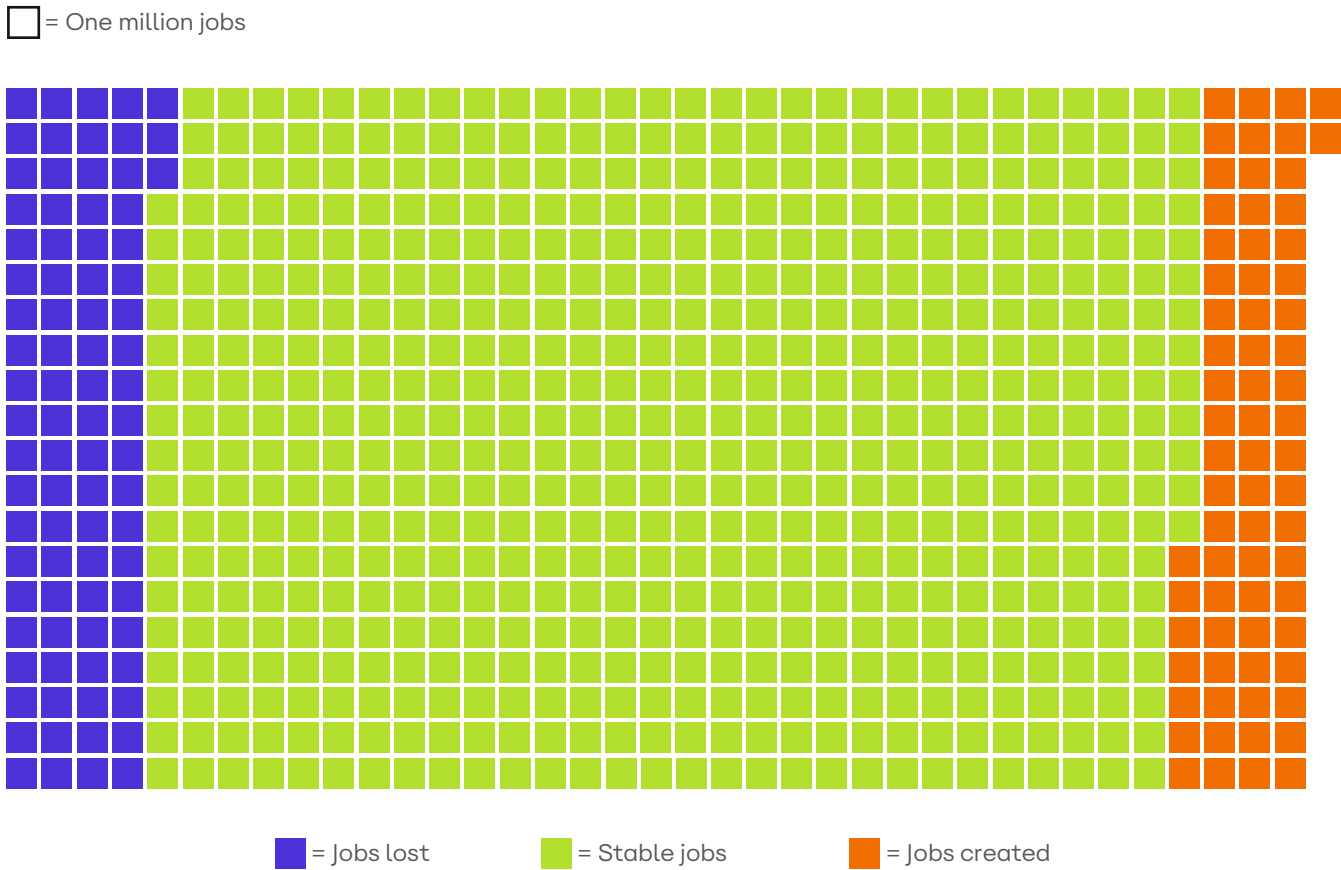
Skills in demand are ever-changing, especially with the advent of industrialization, digitalization, and now artificial intelligence. In the next five years, 83 million jobs will be lost and 69 million will be created worldwide.

That means learning should be a lifelong effort. That's why **some edtechs are focused on upskilling and reskilling**, a.k.a. improving current employees' current skill sets so they can advance in their careers or even switch their professional focus completely.

These edtechs can cater to **professionals looking for better employment opportunities and income improvements (B2C); companies looking to develop and retain their workforce (B2B);** or both.

Compared to edtechs in other segments, these look at **fewer regulatory barriers** and a **shorter time frame for return on investment**. But to stay competitive, upskilling and reskilling edtechs should always **interact with companies and revise their curriculum**.

Projected job creation and displacement, 2023 - 2027



SOURCE: [World Economic Forum's Future of Jobs 2023](#); Iona Szkurnik, Itali Collini, and Thiago Rached in interviews for Latitud.



At least 23% of the workforce will need **upskilling** and **reskilling** in the next 5 years

Startup cases



The edtech prepares young talents for the workplace with an education program that mimics the work environment in a digital company. Students go through real case studies and develop practical skills, feeding a learning evolution dashboard. Companies can access this dashboard and hire only after they get a sample of how these potential employees work.



The digital school is focused on helping workers learn from specialists with work experience in companies such as Nubank and Google. Students have classes at their own pace and also get help for improving their LinkedIn profile. Awari supports both employees in career transition and companies in workforce development with a focus on tech jobs.



The previously-covered edtech offers its personalized learning tracks also based on companies' KPIs, OKRs, and feedback cycles. They can access a learning engagement and performance evolution dashboard per employee, team, and business unit to evaluate their return on investment.



At least 23% of the workforce will need **upskilling** and **reskilling** in the next 5 years

Startup cases



The edtech focuses on helping professionals to double their income (70% of graduated students) or to create businesses of their own (20%). It supplies practical classes about in-demand subjects, from programming to soft skills, taught by tech industry leaders.



The edtech is focused on training developers in artificial intelligence, machine learning, computer vision, and natural language processing (NLP). Then, the school connects these professionals with companies that already have a demand for AI tech talent.



The AI-focused, remote-first college launched a graduate degree in data and decision science, where students can pay partial tuition via corporate scholarships. Sirius already has learning challenges created in collaboration with companies such as Ambev.

“ When we look at the future of work, solutions can go from Black - Mirror - style software that monitors your every step to the **social challenge of improving the skills of vulnerable workers**, close to being replaced by automation. Corporations can finance this training if it's a quick investment in getting specific skills for a role, in a model we like to call **last-mile upskilling**.

In venture capital terms, **education will continue to be a less attractive market in comparison to e-commerce or fintech**. But it's fundamental for productivity and that makes it more resilient and less elastic. It's not a sector that can disappear since we'll need to train people faster and faster to take on new jobs. ”



Itali Collini
Potencia Ventures

“ The artificial intelligence genie is already out of the bottle.

There are optimists who say that new jobs will emerge as they always have and pessimists who say that AI will kill everyone.

Either way, we'll have to grow as a species and find a way to **provide opportunities for those who are and will be excluded. ”**



Daniel Izzo

Vox Capital



Demand for tech education **remains high**

Technology and sustainability-related roles are the ones with **higher prospects of job creation** in the next five years globally, as a share of the existing labor force.

Yet, **tech supply can't even meet current demand.** PageGroup projected a 48% workforce deficit to satisfy Latin America's demand for software engineers, programmers, and developers back in 2022. Using Brazil as an example, there's a projected deficit of 530,000 information technology professionals from 2021 to 2025, according to Google and ABStartups.

So it's no wonder some of the previously mentioned **upskilling and reskilling edtechs** are **focusing on tech jobs in digital companies.**

For most sectors, this tech talent shortage is a problem. For edtechs, it's like selling umbrellas in the rain.

Tech jobs rise, clerical jobs fall

Jobs with most projected job creation growth and job displacement decline as a fraction of the existing labor force, 2023-2027

Job creation	AI and Machine Learning Specialists
	Sustainability Specialists
	Business Intelligence Analysts
	Information Security Analysts
	FinTech Engineers
Job displacement	Bank Tellers and Related Clerks
	Postal Service Clerks
	Cashiers and Ticket Clerks
	Data Entry Clerks
	Administrative and Executive Secretaries

SOURCE: [World Economic Forum's Future of Jobs 2023](#); Iona Szkurnik, Itali Collini, and Thiago Rached in interviews for Latitud.



AI in edtech makes education **personal** and **efficient**

Education companies see **artificial intelligence** (any technique that enables computers to mimic human intelligence) mostly as a means to **improve outcomes** and **save costs**.

The Trends we've previously outlined go in that same direction, with some of the covered startup cases already employing artificial intelligence to comb through vast amounts of data and generate insights.

Some current and short-term applications of AI in edtech are:

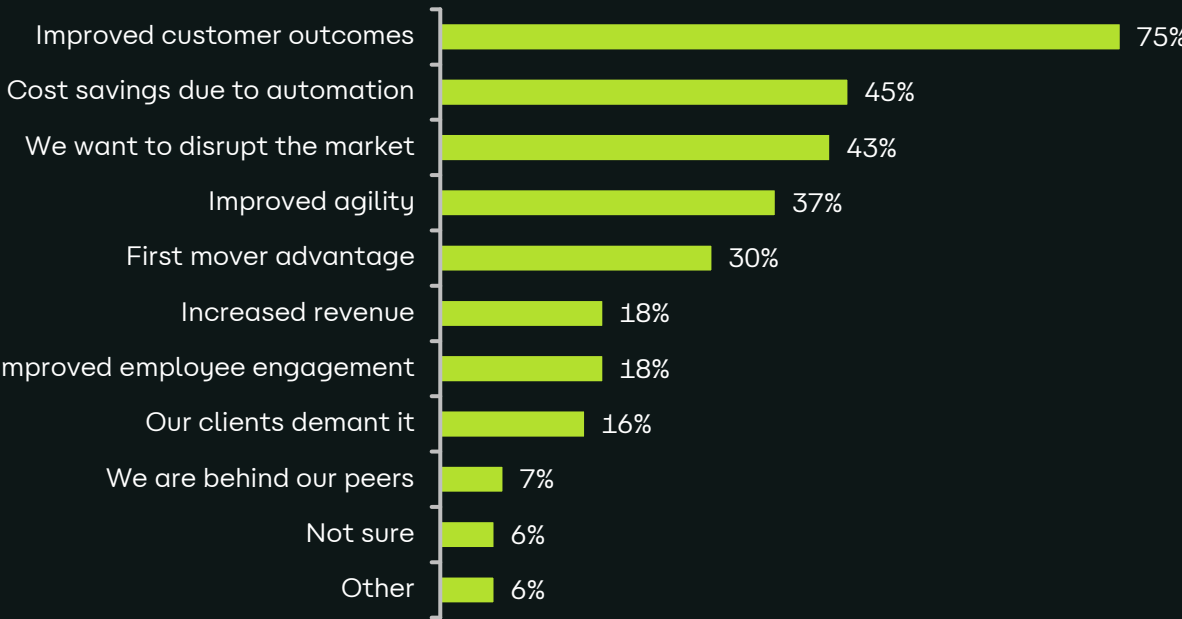
Personalized learning journeys: artificial intelligence can analyze goals and connect them to indexed content, building engaging individual learning tracks at scale.

Startup cases (previously covered)

Arvore

kinedu

Seeing better outcomes and reduced costs are the main reasons to adopt AI in education



SOURCE: HolonIQ's 2023 Global Education Outlook



AI in edtech makes education **personal** and **efficient**

Student support: artificial intelligence can help students with basic questions and also simplify and summarize complex readings and concepts.

Startup cases



the reading platform also created an AI-powered reading assistant, focused on business books and career development. The chatbot solves users' questions about their readings, provides summaries, and simplifies complex concepts.



The previously-covered edtech has an AI-powered chatbot that helps students with their issues, recommends custom studying plans, and mentors them. With the chatbot, students take and complete more courses.

Student evaluation: artificial intelligence can help teachers with scoring at scale, and also look at what each student got right or wrong to make a strengths and weaknesses assessment.

Startup cases



The edtech helps teachers to evaluate reading and writing assignments. Its artificial intelligence combs through exercises and supports with detecting plagiarism, evaluating writing skills, and suggesting improvements for students and next subjects for teachers.



The startup helps teachers digitalize and streamline lesson planning, exam creation, grading, and personalized learning recommendations. It has proprietary generative AI models, trained on the Brazilian Base Nacional Curricular Comum (BNCC), to combine the potential of producing an infinite amount of exercises with individual learning needs.

The Opportunities



Edtechs will also need to look at **teaching creativity**

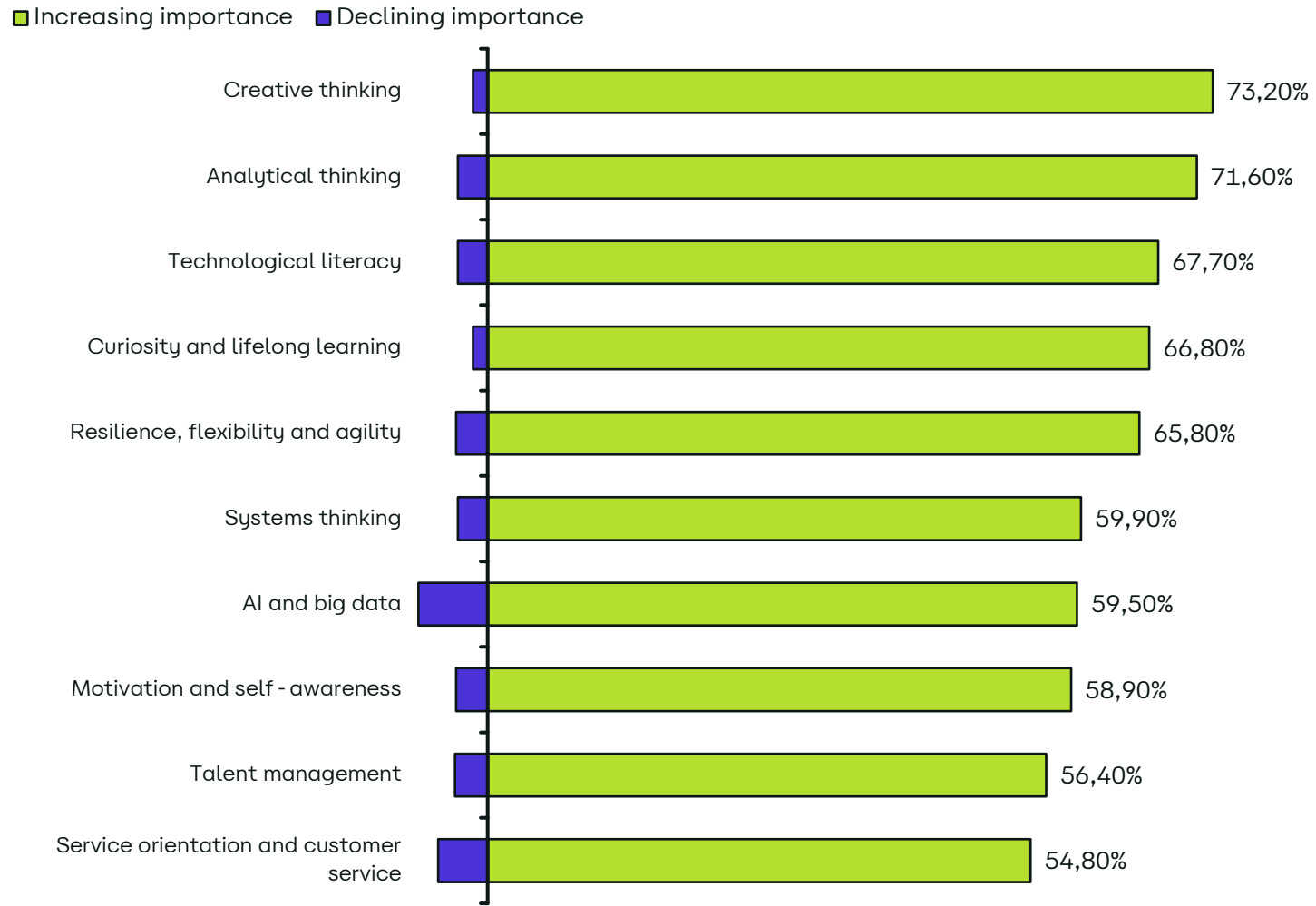
We'll live in a world where artificial intelligence can write most homeworks and automate a plethora of jobs. Education for children and adults will then face the common challenge of preparing students for a world in which operations are solved for – and what's mostly in need is **creative thinking**.

That holds true even in professions filled with hard skills. The demand for developers will remain strong but their routine will change. Even junior developers will need to learn to maneuver artificial intelligence to solve basic coding, giving rise to low-code and no-code platforms, while they have the creative and analytical thinking necessary to perceive flaws, suggest improvements, and further train the algorithm.

Given their agility, **edtechs should be at the forefront of developing curriculums for this new reality**. Their work will help **reduce the gap between talent supply and companies' demand**, with a sizeable social impact through reduced unemployment.

Skills on the rise

Share of organizations surveyed which consider skills to be increasing or decreasing in importance, ordered by the net difference



SOURCE: World Economic Forum, Future of Jobs Survey 2023.

“ Artificial intelligence will bring the opportunity to follow various educational systems, and that lets people go beyond taking notes and develop their best assets, from communication to problem - solving.

We should have learned from history that we don't need to fear technological revolutions. **Soft skills, which is exactly what makes us human, become more important in an AI scenario.**

We'll use all our **creativity to do amazing things** that the machines won't be able to do, writing history while they handle boring and error - prone jobs. ”



Iona Szkurnik
Education Journey



AI will be connected to a greater **pedagogical and product vision**

In the medium to long term, the previously covered AI-powered trends of personalization, student support, and student evaluation should be improved with more sophisticated algorithms powered by **Generative AI**.

Gen AI models can be trained to **go beyond past data and actually generate new data** on these fronts, giving rise to **digital tutors** that scale basic education. Human teachers will become premium professionals, focusing on progressively more complex and creative tasks.

Even with Gen AI's exciting applications, **edtechs should always connect technologies to a greater objective**. And this objective should be based on a strong understanding of market necessities – preferably, coming from a founder with experience in the education segment.

“ We've been through this same education soap opera several times: adaptive learning, big data, virtual reality, augmented reality... Yes, **artificial intelligence is powerful and can solve concrete pain points**. We've been dealing with AI since Letrus' foundation. But it's not our secret. **It's not about the technology** per se, **but the application** of it based on a strong pedagogical vision. ”



Thiago Rached
Letrus

“ If companies can adapt faster and more frequently with artificial intelligence, **competition will also be fiercer**. So how does an investor identify what sets a company apart? AI won't be the differentiator. It will be the **type of AI or the algorithm** coupled with other elements such as market share, go-to-market strategy, and the ability to **understand long-term educational trends and apply them to product development.** ”



Itali Collini
Potencia Ventures

The Challenges

The Challenges



Charming customers and investors

Edtechs are unique inside the startup market. It's a huge and resilient market with not as many startups competing in comparison to fintechs, for example. And that's because it's also a tough market to crack.

First, edtechs **work closely with a myriad of stakeholders** (from government, school boards, teachers, parents, and students to companies and employees).

Primary, secondary, and tertiary education present edtechs with a **highly-regulated environment**. One denial could bring the whole business model down. And even after everything is approved, **developing and assessing the solutions' outcomes in schools might take years**.

Monetization is an added challenge for all edtechs, as there's no standard on who's responsible for financing education. If we're talking B2B, schools and companies often plan budgets a year ahead, making sales cycles long. In B2C, customer acquisition, pricing strategy, and educational investment is a tough balance to strike.

The Challenges



Charming customers and investors

This context **doesn't help edtechs to quickly charm customers, scale, and make improvements** – as it's generally expected from venture capital investors.

Most edtech investments focus on companies with close relationships to the fintech and HRtech segments, with fewer regulations, faster sales cycles, access to success metrics, and finally, foreseeable return on investment. Descomplica is an exception, looking at complementing primary, secondary, and tertiary education – but it's also a LatAm edtech pioneer 12 years in the making.

Selected sizeable LatAm edtech rounds show the sector's interaction with finance and HR

Company	\$ (USD M)	Round	Year
Isaac	125	Series B	2021
Descomplica	84.5	Series E	2021
Crehana	70	Series B	2021
Digital House	50	Series C	2021
Educbank	40	Series A	2022
Trybe	26	Series B	2021
Ubits	25	Series B	2022

SOURCE: Crunchbase

“ There's still a **gap between the size of the problems to be solved in this sector and the available capital**. The largest segments are also highly regulated, while other segments such as workforce development have smaller addressable markets but growth curves similar to other venture-backed businesses.

Capital tends to look at education and tend to see a specific and complex market, with more risks than opportunities. The generalist investor tend to deprioritize education because they can invest in other markets with more information, more dynamism, and more downstream venture capital firms.

The good thing is that we're starting to have **specialized foreign investors looking at Latin America** and **late-stage Latin American funds with experience in education**. Leading rounds are often made by these specialists, encouraging generalists to follow suit. ”



Thiago Rached
Letrus



The **LatAm** Tech Report

A look into **LatAm's tech future** from
the eyes of its **builders**

20
23



The LatAm Tech Report 2023:

Team



Mariana Fonseca
Content Lead




Gina Gotthilf
Co-founder and COO



Gabriela Levy
Head of Marketing



Isabella Michels
Designer



Regina Pernaz
Content Specialist



Hellen Villena
Product Marketing Specialist



The LatAm Tech Report 2023:

Authors



Bruno Capelas
Business & Tech Journalist




Lucas Agrela
Business & Tech Journalist



Maria Clara Dias
Business & Innovation Journalist



Gabriel Bernasconi
Angel Investor, VC Investor & Partner



Mateo Bryant
CFO at Minted & Angel Investor



The LatAm Tech Report 2023:

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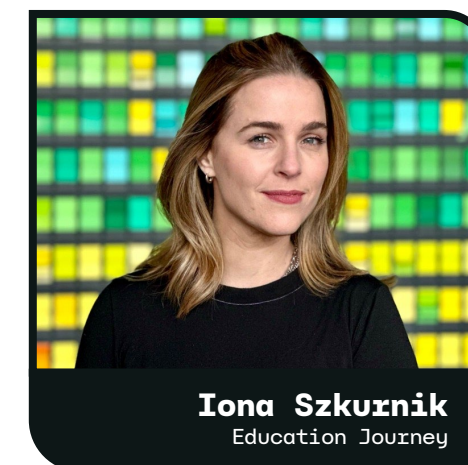
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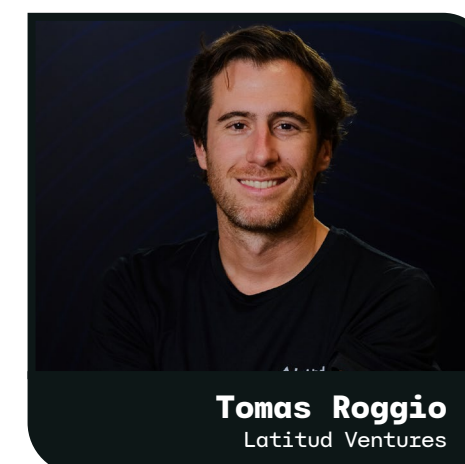
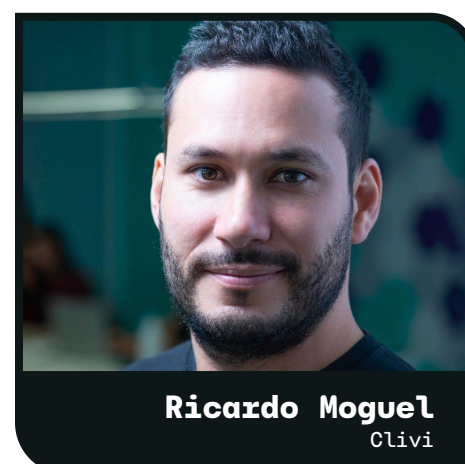
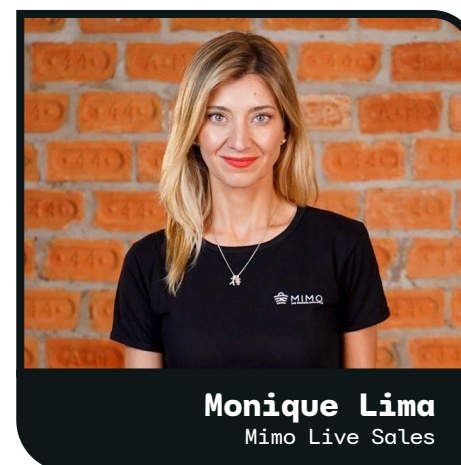
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We also thank the founders and investors that we've interviewed in more detail:





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