

# THE LATAM TECH REPORT 2024

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



## OPENING LETTER

It's the third year of The LatAm Tech Report. And once again, we see the expansion of Latin America. From Tijuana to Tierra del Fuego, our GDP now surpasses US\$ 7T, as we're inching closer and closer to 700 million inhabitants.

But we aren't dedicating this year to expansion. We're dedicating it to beginnings.

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Each Latin American country, startup, and founder is **carving their own path of validation, traction, scale, and maturity**. Throughout this report, we spotted asymmetries across regions, sectors, ideas, and entrepreneurs. Banking, payment methods, software, e-commerce, regulations: cross frontiers and you'll find a different opportunity story at every corner. Understanding local nuances is a privilege we have as local founders and investors.

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**Yet as we read between the lines, we also found commonalities.** We all see how much we still need to do to bring efficiency to fragmented sectors; but we also see just how much we can leapfrog if we're smart about what we have in our hands – from WhatsApp messages to AI models.

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We hope here to **value our differences while bonding through similarities**. A big one we love to state time and time again: LatAm founders just find a way to make it work, due to their capacity to transform challenges that seem as insurmountable as Aconcagua into opportunities as vast as the Amazon river. Add into that journey a long startup winter that taught us all to be even more resourceful, and you see founders who are just a **force to be reckoned with**.

You'll find plenty of them in the next pages – and many more in your travels across Latin America. Hit us up when you're around, and Vamos LatAm!

**The Latitud Team**

## OPENING LETTER

The LatAm Tech Report **looks into Latin America's tech future from the eyes of its builders.**

Through the **Latitud Founder & Investor Survey 2024**, dozens of early-stage founders (up to Series A), investors, and operators across the region shared their perception of the fundraising environment, the maturity of their markets in LatAm vs the world, the adoption of artificial intelligence, and segmented trends, opportunities, and challenges. This ecosystem perception was paired with a look at LatAm's most recent data and deeper conversations with another 50+ founders and investors.

The LatAm Tech Report 2024 starts with the **state of the general startup market in LatAm**. We then explored four segments in more detail: Fintech, SaaS, E-commerce/Logistics, and (of course) AI. We asked ourselves three main questions:

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

Taking into account market movements 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 and startups expect in the medium term?**

For founders and investors looking at 3+ years, we have also explored future movements in each sector: new consumer behaviors and demands, remaining underserved markets with pressing needs, and gaps that can turn into opportunities in the hands of the right entrepreneurs.

### **The Challenges: how should we prepare?**

We also present some present and future challenges that founders and investors in each sector will have to overcome to see traction, expansion, and maturity.

**Latitud** is the first-check partner for LatAm founders building good sh\*t. We invest in top emerging founders from ideation to conviction.





## Go from zero to one

📖 **Raise your pre-seed round**, getting the capital and guidance to validate key hypotheses without diluting too much equity.

📖 Get the **transformational fundraising advice and network** that'll lead you to your best next round.

[MORE ABOUT OUR THESIS](#)

## Meet some of our portfolio companies

 **BHub**  **cometa**  **ELEVVVA**

 **finkargo**®  **hyperplane**  **pomelo**  
*(Exit to Nubank)*

 **STARKBANK**  **tapi**  **yuno**



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Team, Data & Insights Partners, For More Content



# THE LATAM TECH REPORT

Introduction: The LatAm Startup Market in 2024



# Latam added one unicorn this year: Brazil's QI Tech



KUSHKI

tu habi

Rappi

99

credits

C6 BANK

cloudwalk

Dock

EBANX

Facily

frete.com

Gympass

hotmart

ifood loft

Loggi

madeiramadeira

Mercado Bitcoin

mercado pago

neon

bank

olist

PagSeguro

opismo

QITECH

QUINTOANDAR

stone UNICO

VTEX

WILD LIFE

BETTERFLY

Cornershop

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d-local

Alaph

despegar

mercado libre

mural

nuvemshop

PRISMA

ualá

technisys

SOURCES

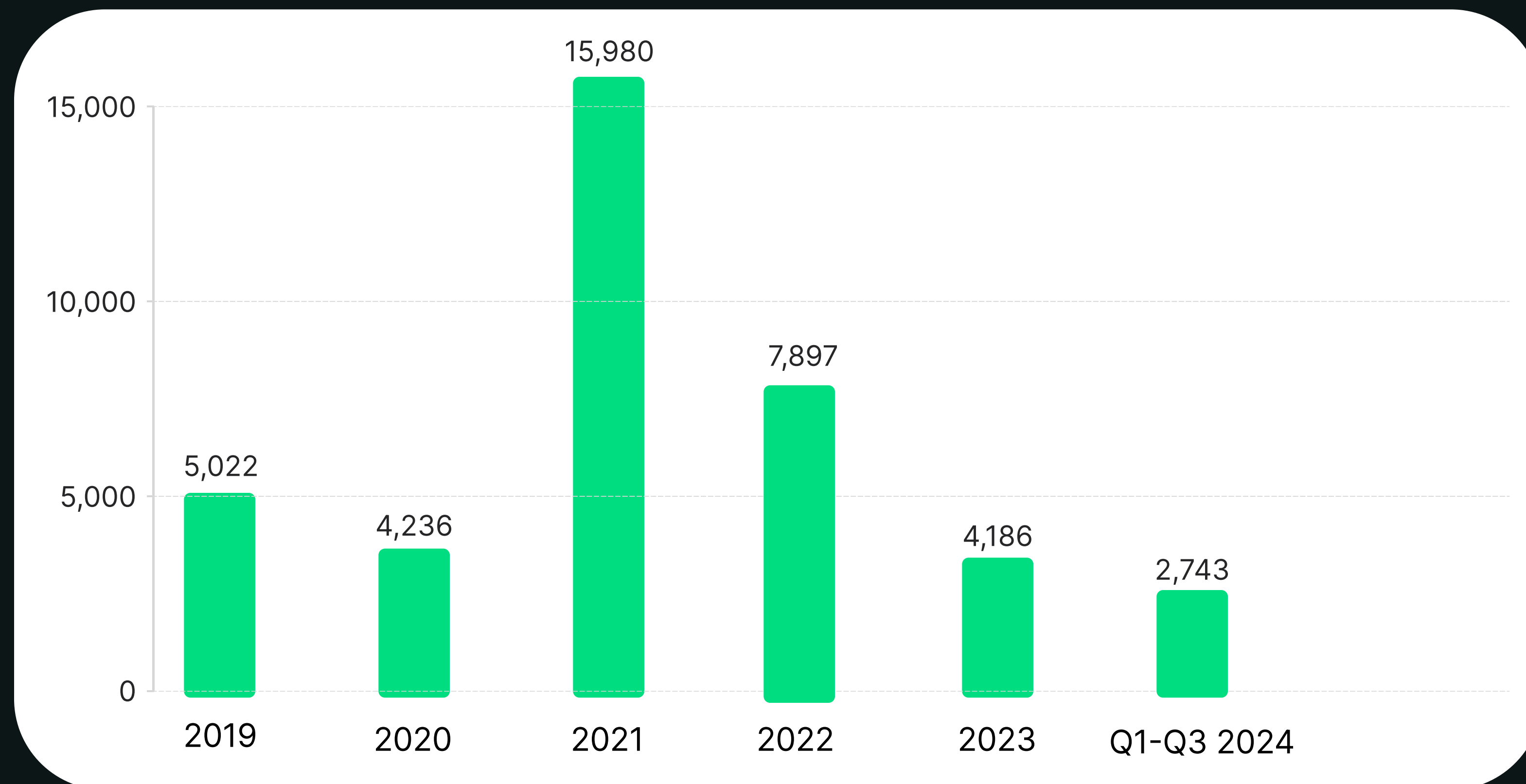
Distrito's Corrida dos Unicórnios 2024 with alterations from Latitud; Latin America Map Vectors by Vecteezy.

# The startup winter continues in 2024 YTD

2024's slowdown, even in relation to the also tough previous year, was somewhat expected. Many funds focused on raising capital this year, limiting their ability to invest.

Venture capital funding to LatAm startups, 2019 to Q3 2024 (\$M)

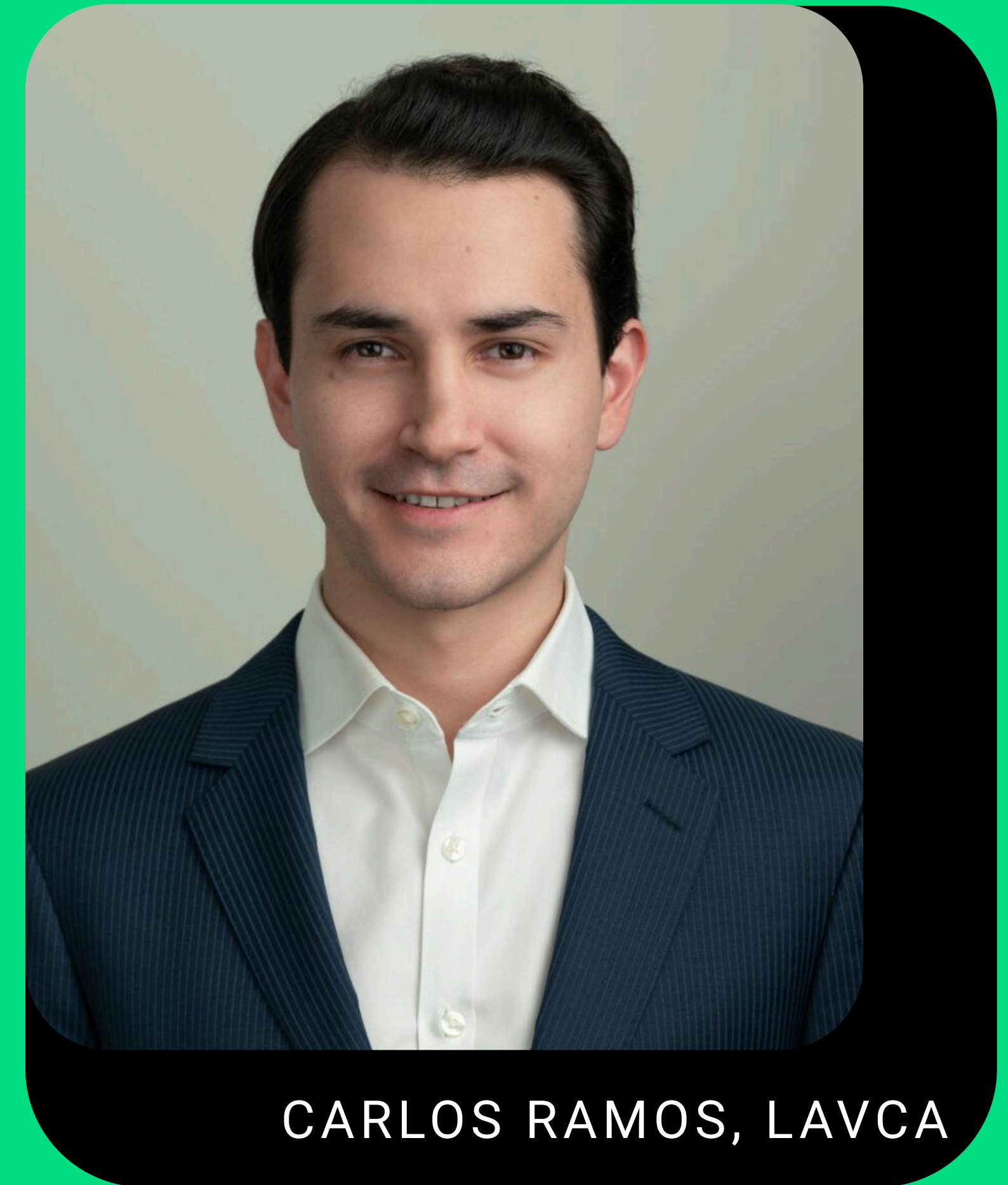
Source: LAVCA



We see a continuation from last year in 2024, yet with a significant uptick in later rounds and a more diversified mix of global investors in the second half of the year, as seen in the rounds of QI Tech, Cayena, and Ualá.

We're entering a decreasing cycle of rates in the US, which should positively impact **capital flows to Latin America**. Yet there's a lagging effect from public to late-stage private to early-stage private markets, not to mention a lack of liquidity.

And so, in LatAm we'll see not a cyclical but a secular growth, driven by fundamentals: **founders doing their job of building world-class companies.**



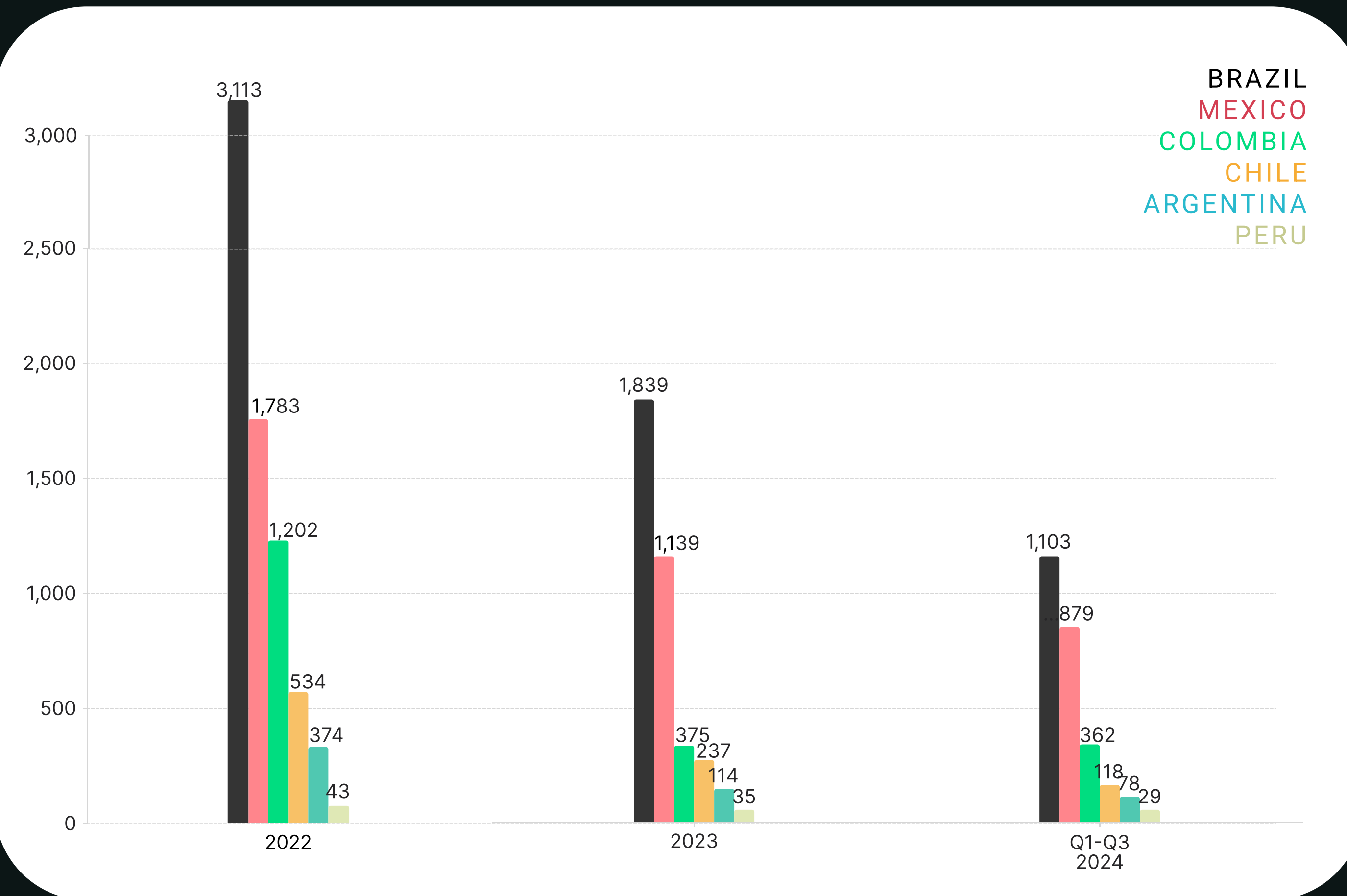
CARLOS RAMOS, LAVCA



# Mexico inches closer to Brazil in venture capital volume in 2024

Venture capital funding to startups in selected LatAm countries, 2022 to Q3 2024 (\$M)

Source: LAVCA

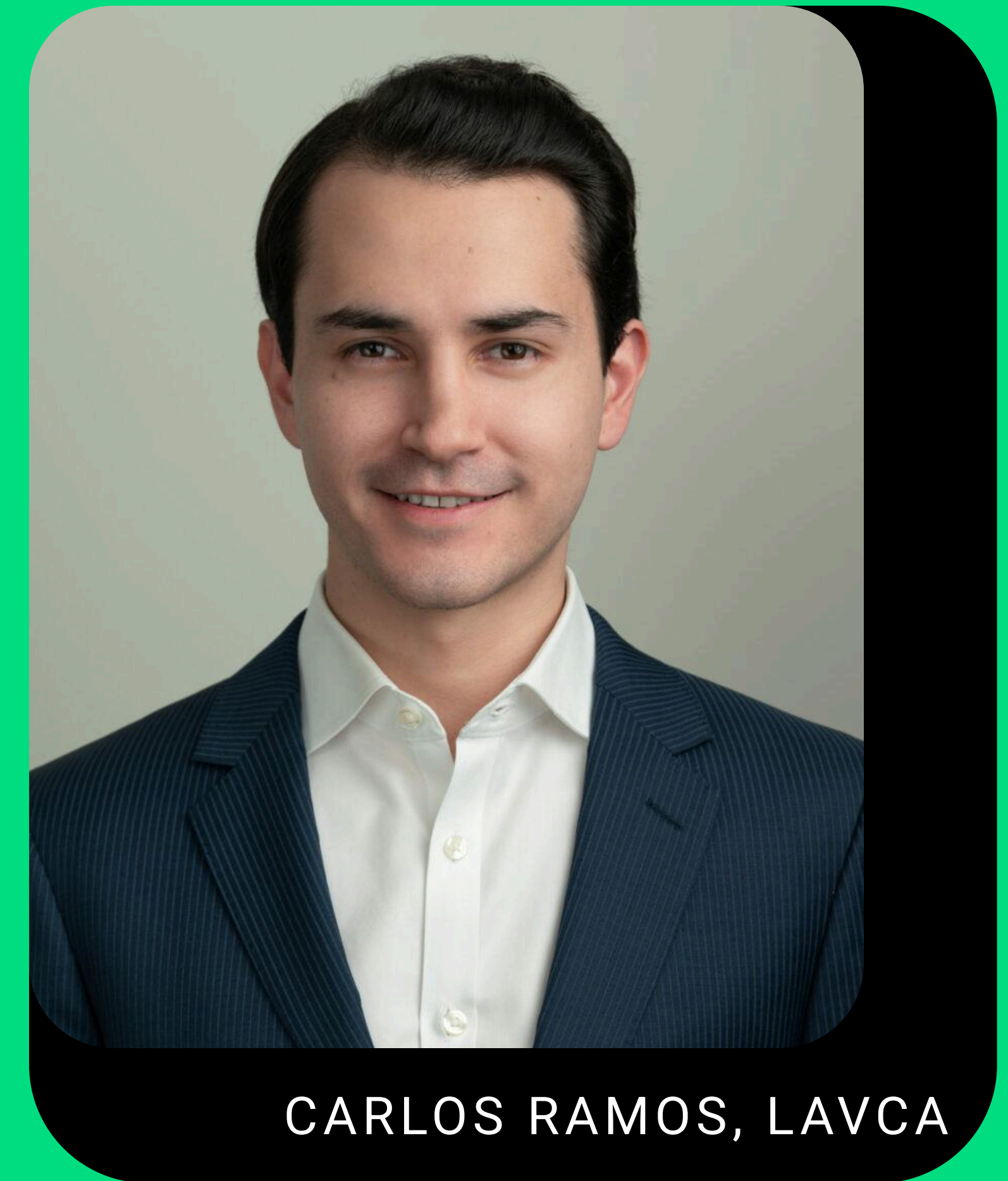


COUNTRY	% OF LATAM VC, Q3 2024	Q3 YOY CHANGE
BRAZIL	33%	-58%
MEXICO	44%	23%
COLOMBIA	15%	162%
CHILE	4%	138%
ARGENTINA	3%	1,060%
PERU	0%	-100%
TOTAL	100%	-21%

Talking to Mexican founders, we see how tech has expanded to more widespread adoption year after year as **digitalization** grows.

Software companies found a **more compelling value proposition** such as automation for SMEs, and increased metrics such as retention and LTV. Going beyond venture capital, **debt** has also been important to the growth of Mexican startups, as seen in rounds raised by fintechs Digitt and Stori and the marketplace Justo.

One challenge that remains for the Mexican market is **building stronger local liquidity solutions**, including public markets. These would allow some capital to flow back into the regional players of the ecosystem.



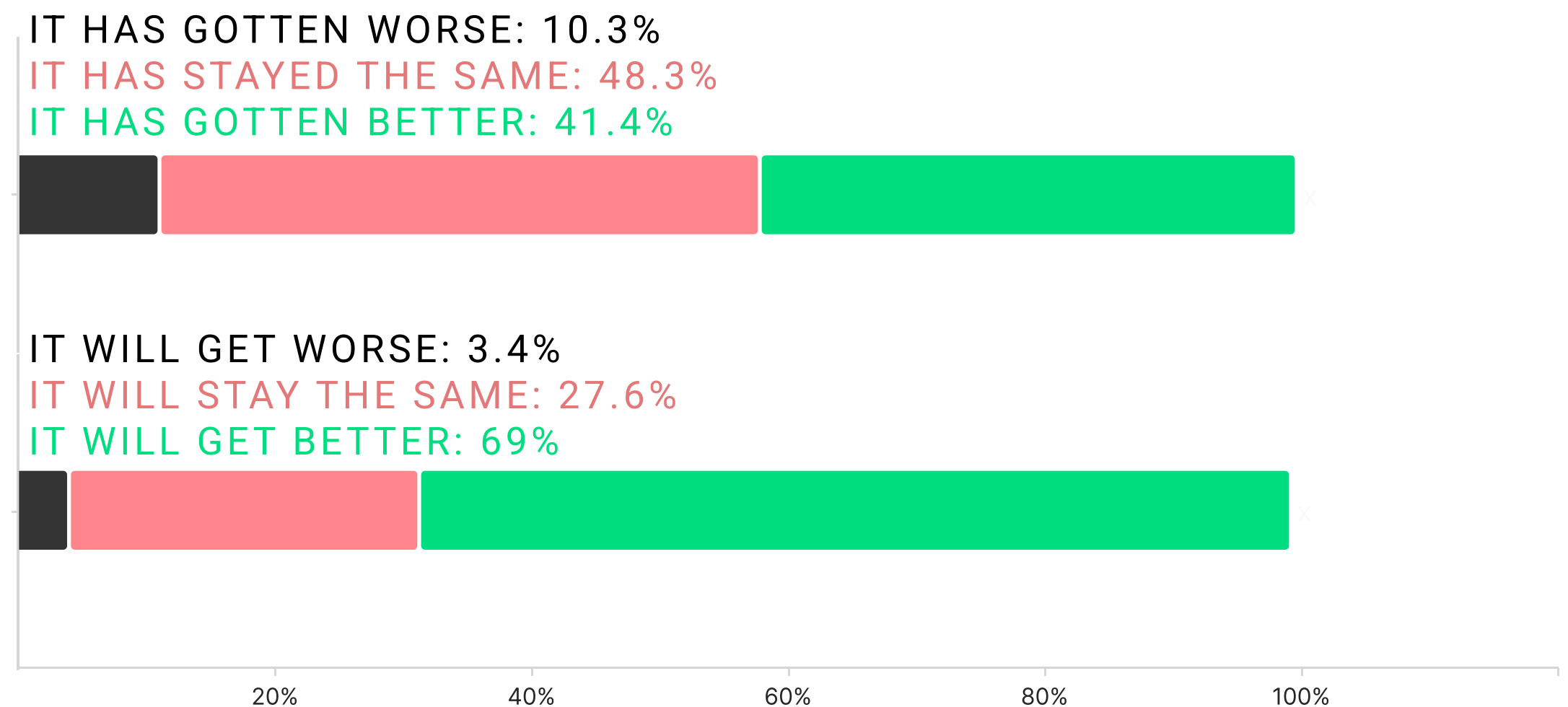
CARLOS RAMOS, LAVCA



# Latitud Founder & Investor Survey 2024: hope for the end of the fundraising winter by 2025

DO YOU FEEL LIKE THE FUNDRAISING ENVIRONMENT HAS GOTTEN BETTER OR WORSE IN 2024, IN COMPARISON TO 2023?

DO YOU FEEL LIKE THE FUNDRAISING ENVIRONMENT WILL GET BETTER OR WORSE IN 2025, IN COMPARISON TO 2024?



# Latitud Founder & Investor Survey 2024: LatAm market maturity is still in the middle of the road, with similar factors for optimism and pessimism

## General Market Maturity Index

2.465<sub>/5</sub>

*(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, investor, or operator, when comparing it to other mature markets in your segment?)*

Highest Score Causes

CURRENT QUALITY OF PRODUCT DEVELOPMENT  
CURRENT QUALITY OF COMPETITORS  
MARKET EDUCATION AND ADOPTION  
FUNDING OPPORTUNITIES  
PRESENCE OF SUCCESS CASES

Lowest Score Causes

CURRENT QUALITY OF PRODUCT DEVELOPMENT  
CURRENT QUALITY OF COMPETITORS  
MARKET EDUCATION AND ADOPTION  
FUNDING OPPORTUNITIES  
PRESENCE OF SUCCESS CASES  
OPPORTUNITIES YET TO EXPLORE  
REGULATIONS AND TAXES

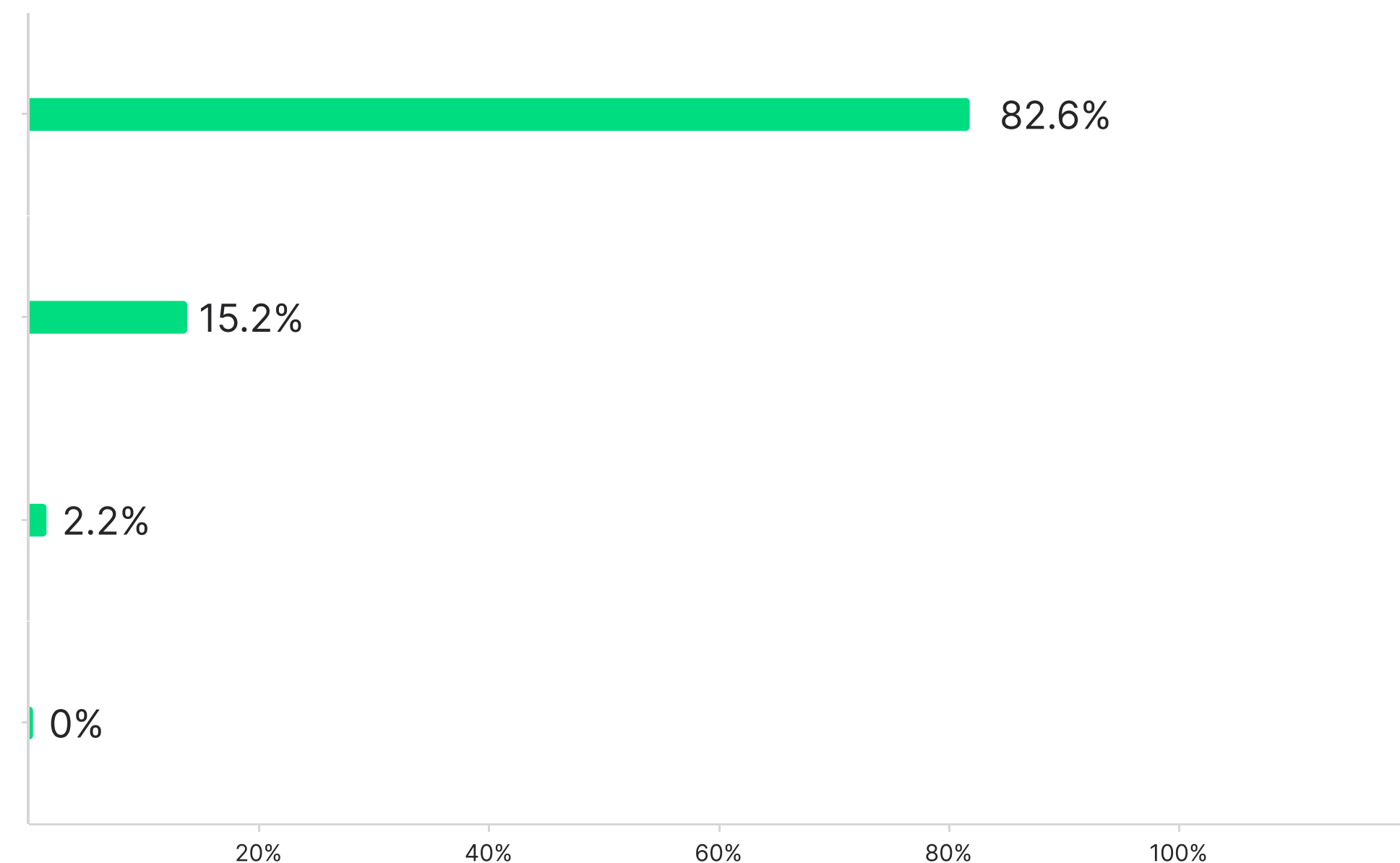
# Latitud Founder & Investor Survey 2024: AI usage is widespread in early-stage LatAm, with little turning back

YES, I'VE BEEN USING ARTIFICIAL INTELLIGENCE  
IN MY STARTUP AND INTEND TO KEEP USING IT

I HAVEN'T BEEN USING AI IN MY STARTUP BUT  
INTEND TO USE IT IN THE FUTURE

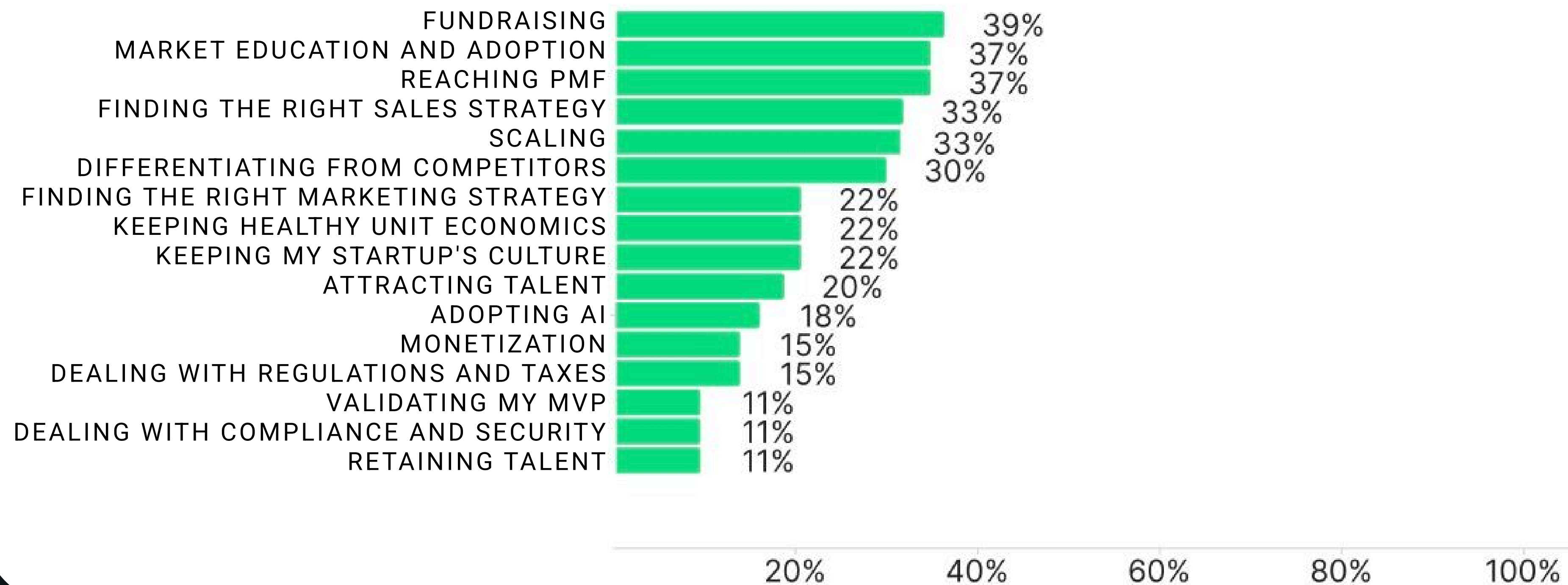
YES, I'VE BEEN USING AI IN MY STARTUP BUT I  
DON'T INTEND TO KEEP USING IT

I HAVEN'T BEEN USING AI IN MY STARTUP AND  
DON'T INTEND TO USE IT IN THE FUTURE



# Latitud Founder & Investor Survey 2024: LatAm early-stage challenges concentrate on fundraising, market adoption, and PMF

What are the most pressing general startup challenges you've been facing?  
Founders' answers only, multiple answers permitted



# THE LATAM TECH REPORT

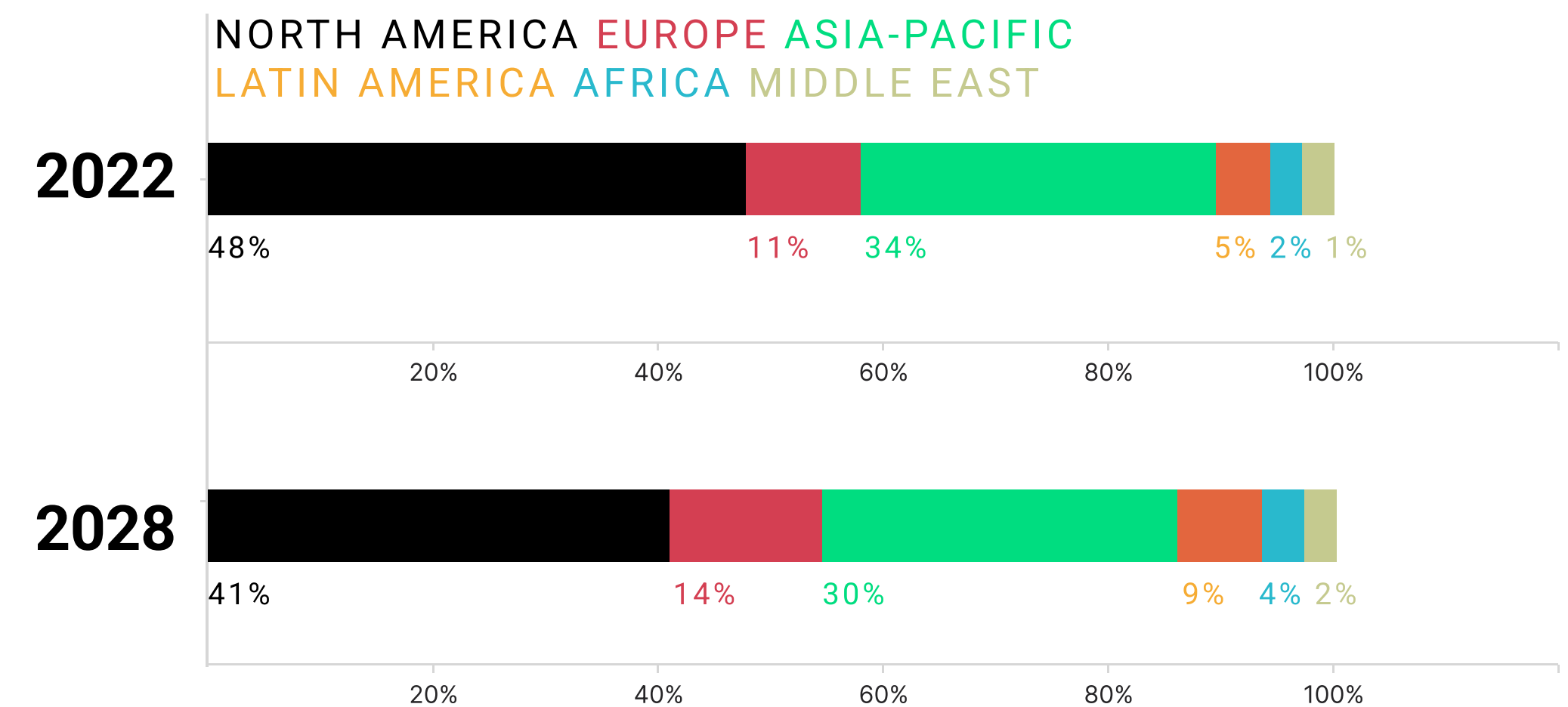
The Future of Fintech



# EXECUTIVE SUMMARY

- Even if Latin America and the Caribbean are now home to **3,000+ fintechs** (with Brazil being the only market showing signs of consolidation in number of players), work is far from done. The segment expects a 27% CAGR between 2022 and 2028, leading to an increased revenue share of LatAm in global fintech (along with more emerging markets).

Global fintech net revenue share by region, %



McKinsey's The Future of Fintech Growth (Oct 2023).



## SOURCES

IDB's Study: Fintech Ecosystem in Latin America and the Caribbean Exceeds 3,000 Startups (Jun 2024); McKinsey's The Future of Fintech Growth (Oct 2023).

# EXECUTIVE SUMMARY

- Fintech concentrates the **majority of venture capital** in the region, not to mention 20+ unicorns. As the banking segment consolidates, **B2C Lending, Payments, and Fintech Software** rise as the segments that received the most venture capital throughout this year.
- From banking to payments and remittances, from behaviors to regulations: the main trend we see is an asymmetrical development of finance across Latin America. But there are also regional commonalities in taking fintech to non-fintech companies through **embedded finance**, building **multi-product solutions**, using **WhatsApp as a wedge**, and increasingly adopting **artificial intelligence**.
- Looking at the medium to long-term, fintechs are entering realms such as **B2B Finance, SaaS, and Generative AI**.
- Yet challenges remain for fintechs in the region, such as **cost of capital**, updates on **data protection and privacy regulations**, **cybersecurity threats**, and the asymmetrical development of **Open Finance**.



## SOURCES

[IDB's Study: Fintech Ecosystem in Latin America and the Caribbean Exceeds 3,000 Startups \(Jun 2024\)](#); [McKinsey's The Future of Fintech Growth \(Oct 2023\)](#).

# Latin America is home to 20+ fintech unicorns



## SOURCES

Distrito's Corrida dos Unicórnios 2024 with alterations from Latitud;  
Latin America Map Vectors by Vecteezy.

# LatAm fintechs go from banking to backoffice

## BANKING



## LENDING



## PAYMENTS & REMITTANCES



## PERSONAL FINANCE & WEALTH MANAGEMENT



## INSURANCE



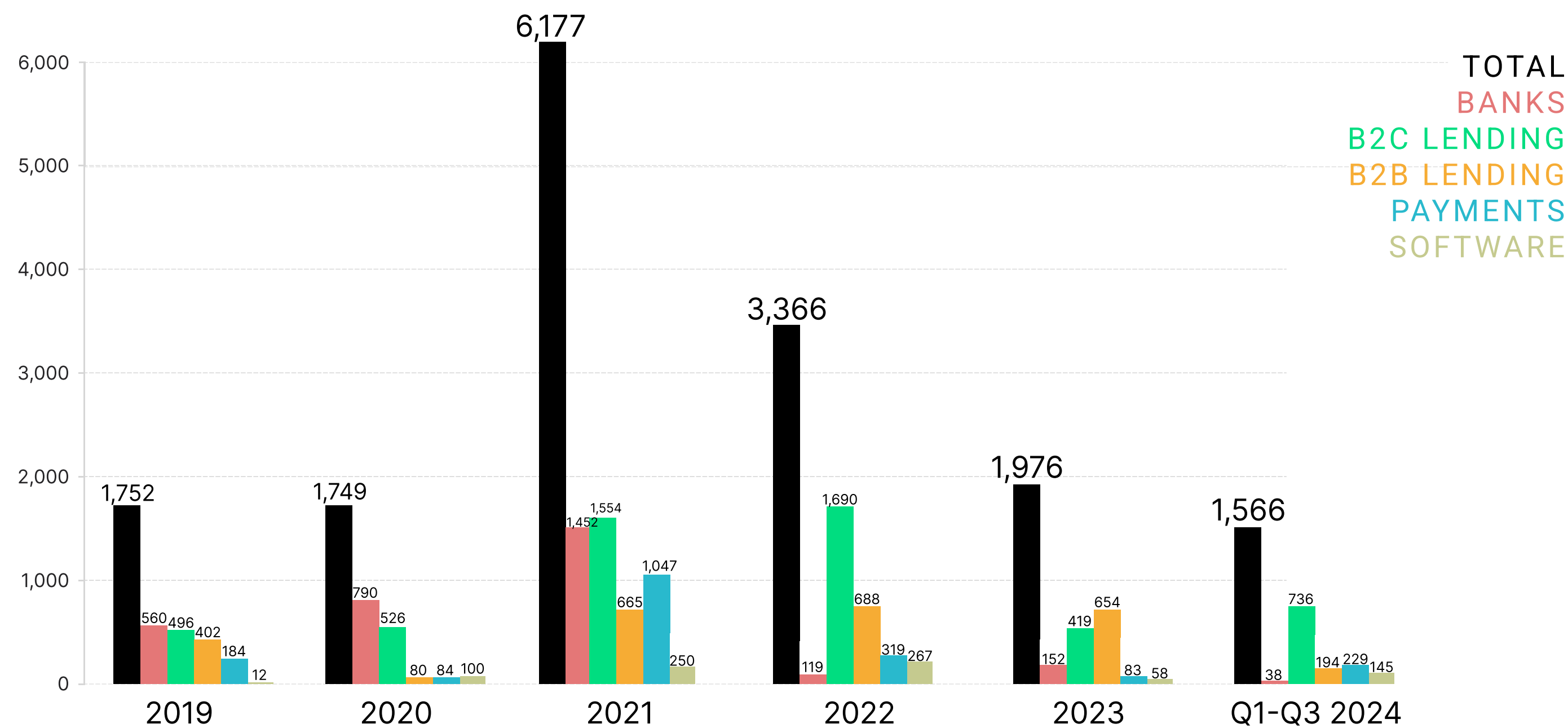
## CORPORATE FINANCIAL BACKOFFICE



# Fintech represents 57% of LatAm venture capital startup investment in 2024

That share stayed close to 40% in the previous 5 years. As the banking segment consolidates, B2C Lending, Payments, and Fintech Software rise as segments that already presented more funding in 2024 YTD compared to the full year of 2023.

VC Investment in Latin American Fintech by total and selected sectors, 2019 to Q3 2024 (\$M)  
Source: LAVCA



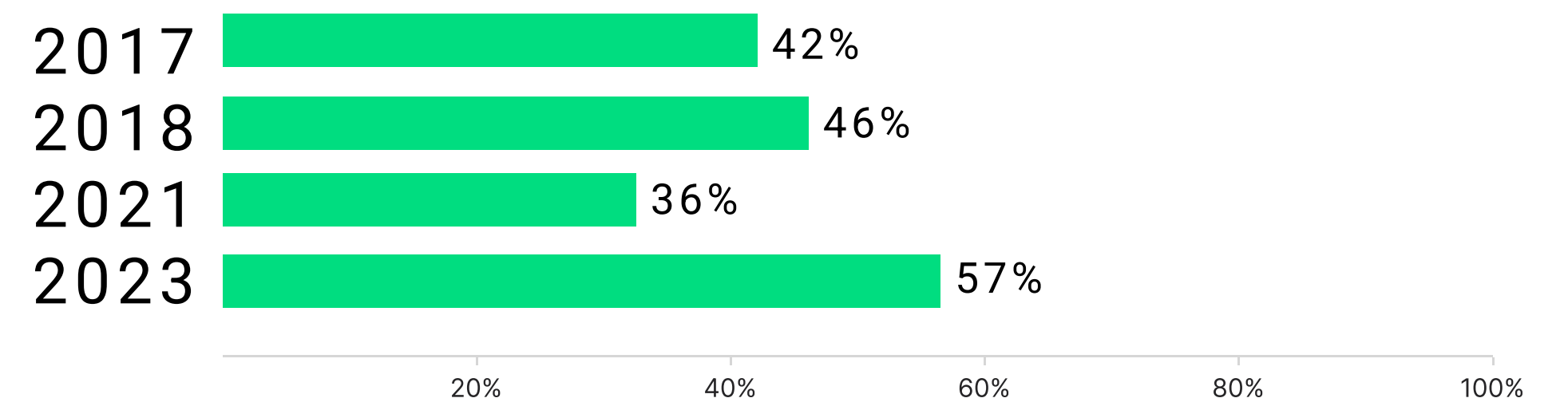
# In LatAm, fintechs are increasingly looking to the unbanked and underbanked

In search of new market segments to conquer and lead, fintechs are looking at the remaining **unbanked and underbanked citizens and businesses**. Fintechs with this customer segment recently became a majority in LatAm, according to the IDB.

In the **B2C** segment, the **lending** segment leads in serving the unbanked and underbanked. In **B2B** (specifically small and medium businesses), **payments and remittances** take the lead instead.

Both are consequences of the progressive access to more basic financial services, such as accounts.

## Fintechs catering to unbanked and underbanked retake growth in LatAm



*IDB's Study: Fintech Ecosystem in Latin America and the Caribbean Exceeds 3,000 Startups (Jun 2024)*

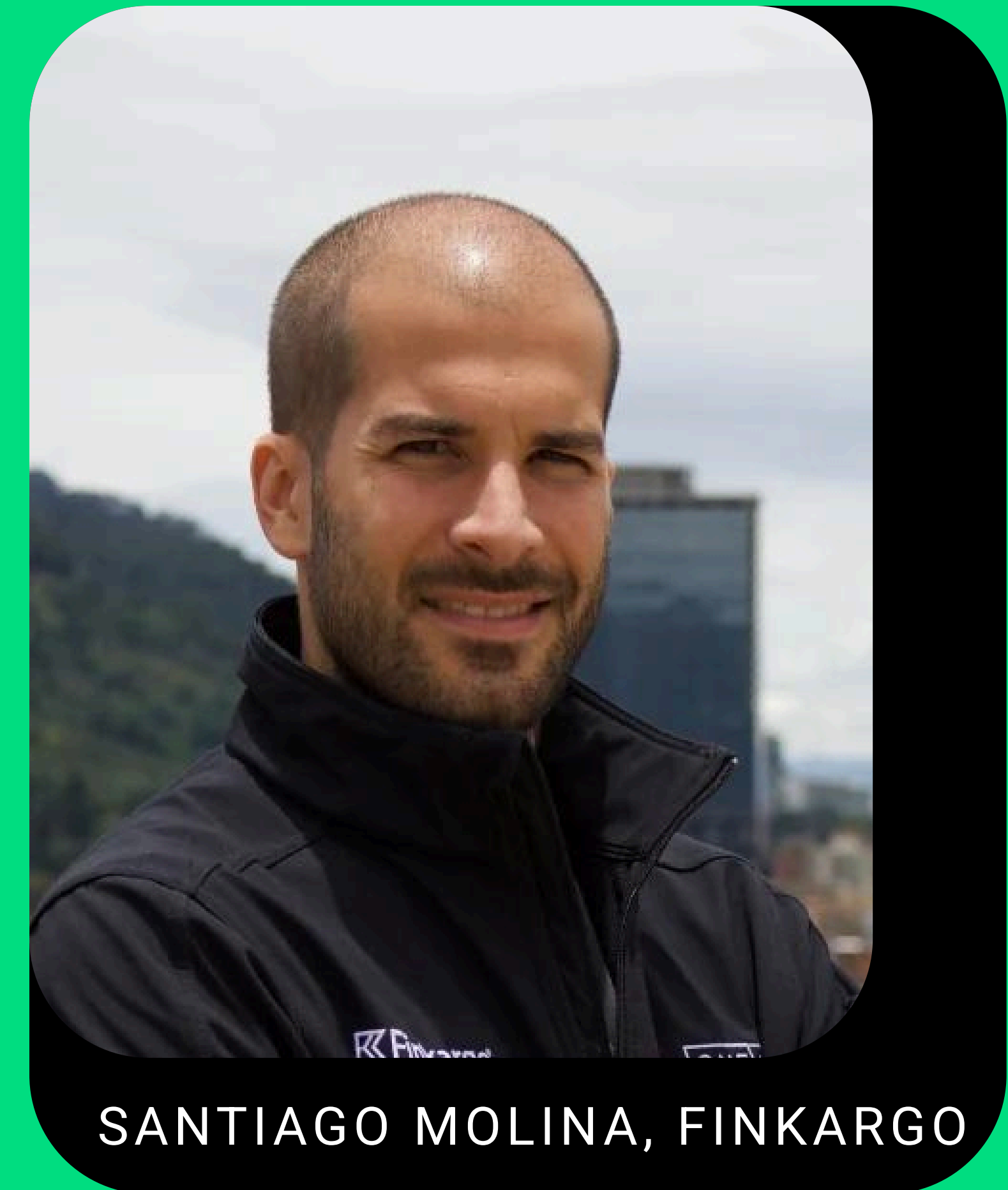
### SOURCES

IDB's Study: Fintech Ecosystem in Latin America and the Caribbean Exceeds 3,000 Startups (Jun 2024); Bruno Magrani, Camila Vieira, Marlene Garayzar, and Santiago Molina in interviews for Latitud.

The US sees a chartered bank for every 70,000 people. Brazil is the best scenario in LatAm for that, and still sees one bank for every 1M+ people.

Current institutions just don't have the capacity cover so many customers, yet **the need for credit isn't going anywhere**. That's when **innovation and competition need to come in through fintechs**.

The challenge for them, of course, is **finding gaps** and **doing lending well**, being good at these four components and exceptional in at least one: **go-to-market, underwriting, collections, and cost of capital**.



In Mexico, only 10.5% of the Mexican adult population has a credit card – and this is worse if we talk about vulnerable populations.

The pace of adoption will depend largely on the ability of fintechs to **innovate, diversify their offerings,** and **build trust** in sectors of the population that have historically been marginalized from the traditional financial system.

By targeting specific segments of the population, we can build **tailored solutions that solve particular needs.**



MARLENE GARAYZAR, STORI



# Embedded finance turns non-fintechs into fintechs

Seeing unbanked or underbanked populations inside their customer pools, non-fintech companies might also consider catering to that additional need due to the rise of **embedded finance**.

Businesses that go from retail and supply chain to software and telcos conquer an additional revenue stream from payments and remittances, credit cards, lending, investments, insurance, and more while outsourcing the time and cost involved in licenses, processes, and security measures integral to financial services.

Embedded finance players must put work into showing non-fintech customers **1. how the fintech product can interact with their current offerings** and **2. how much added complexity they'll have in accounting and liquidity**. There's a business learning curve not seen when catering to other fintechs.

## SOURCES

Latitud Founder & Investor Survey 2024; Deloitte's [Embedded Finance Strategic regulatory considerations for financial services firms \(2022\)](#); Gastón Irigoyen, Ignacio Arambarri, Marcelo Bentivoglio, Pedro de Paula, Sergio Saravia, and Tomás Mindlin in interviews for Latitud.

We don't think every company will become a fintech company. But **most category and industry leaders will embed financial services into their core business.**

**In Latin America, these cases can be even more successful** than in other parts of the world because leading players tend to have dominant positions, and so are better positioned to execute the **embedded finance play.**

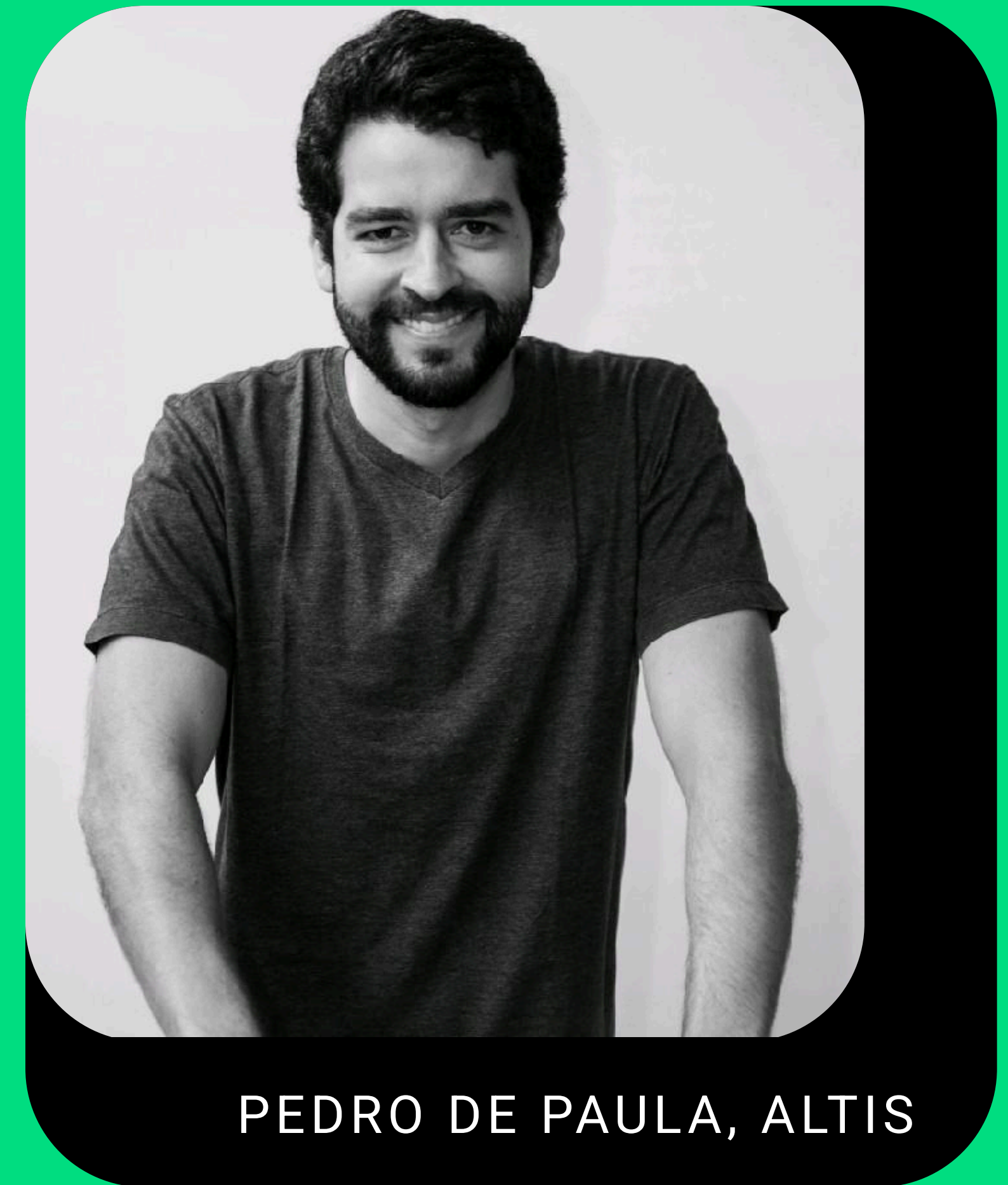


GASTÓN IRIGOYEN, POMELO



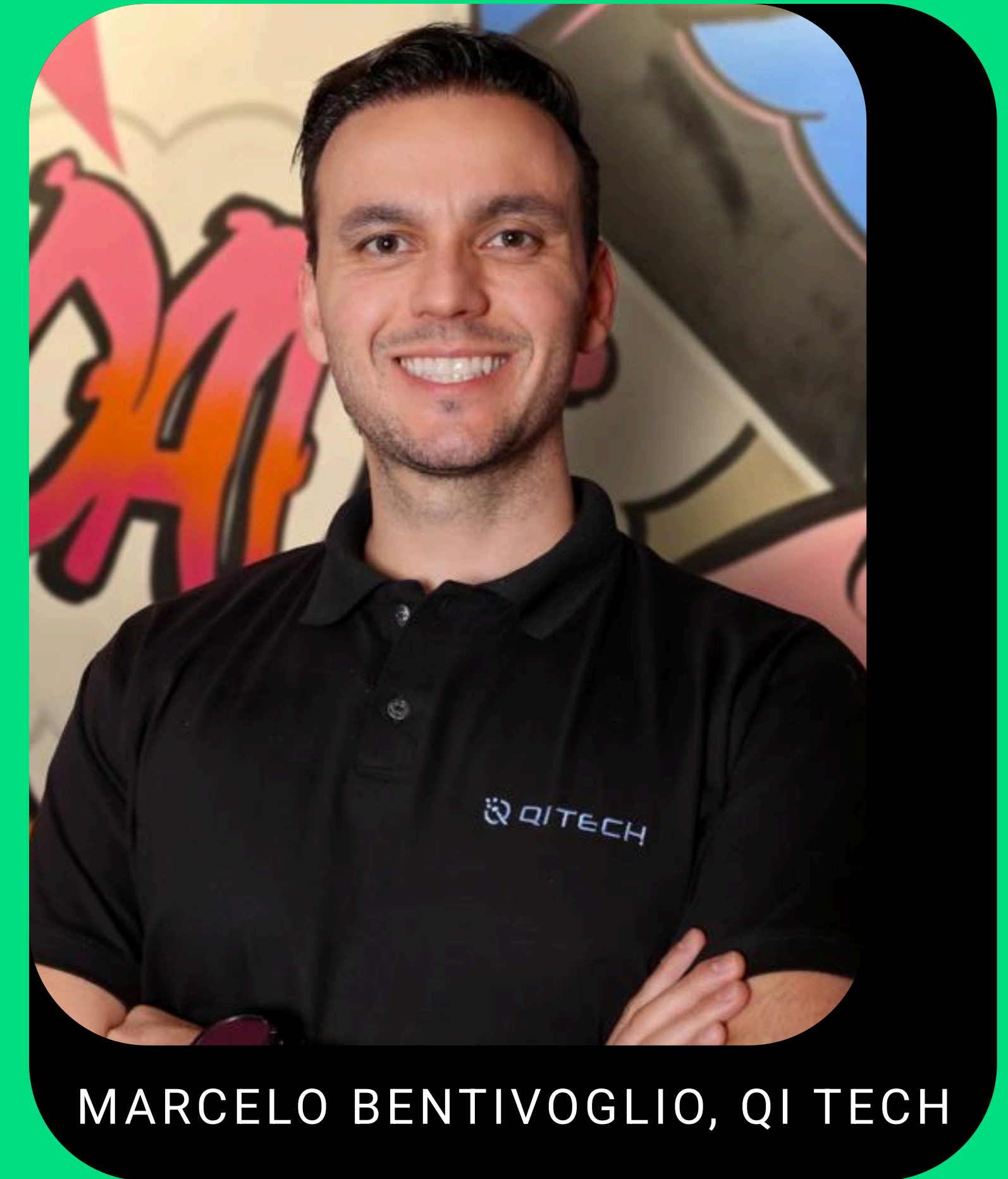
Mercado Libre took off an incredible new business when it **added banking and credit services to its marketplace**. There's space for other retailers and industries such as automotive and gig economy to **verticalize by adding a fintech layer** (not to even mention SaaS, which is a given).

Taking lending as an example, markets such as Brazil and Mexico present an interesting opportunity: Brazil due to its highest spread, and Mexico with an opportunity to be filled due to its bancarization lag.



A large portion of the population who has restricted access to financial services can still access **consumer apps** – which means these apps can become an **entrance door to offerings such as their first credit.**

As users keep interacting with the app, they not only conquer a better credit score but also generate data and retention rates **that improve even the core offering of the consumer app.**



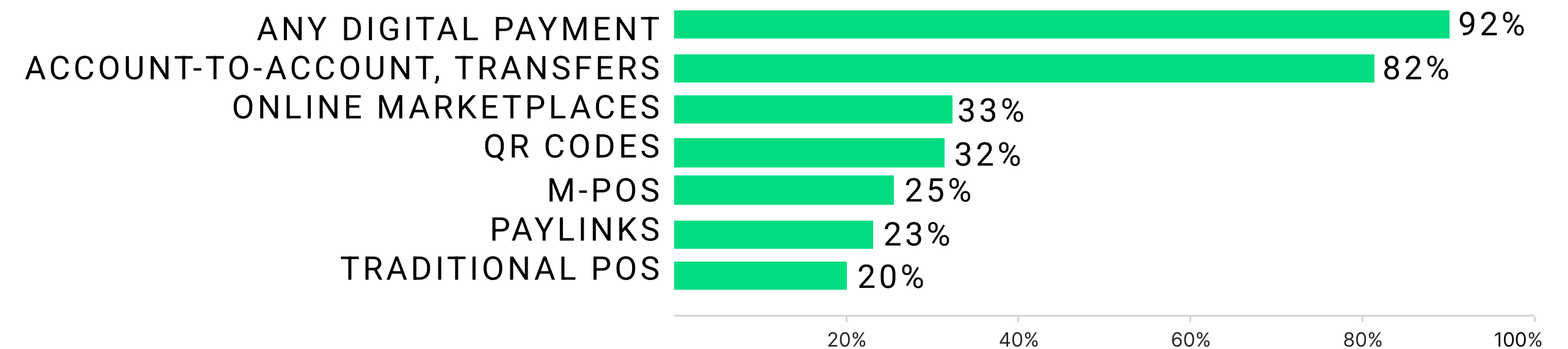
MARCELO BENTIVOGLIO, QI TECH



# Instant payments see an asymmetrical development across LatAm; the present is multi-rail

In less than four years, **20%+ of payments worldwide will be real-time. Yet the regional data doesn't paint the full picture.** Looking at real-time, account-to-account payments adoption more granularly by analyzing **adoption per service inside LatAm SMEs** (99.5% of businesses in the region), we see that **payment methods see an asymmetrical development across LatAm.**

## Acceptance of digital payments in LatAm SMEs



Mastercard's The state of financial inclusion post COVID-19 in Latin America and the Caribbean (May 2023)

### SOURCES

Mastercard's The state of financial inclusion post COVID-19 in Latin America and the Caribbean (May 2023); Latitud Founder & Investor Survey 2024; Cipriano Echavarría, Gastón Irigoyen, João Del Valle, Marlene Garayzar, Rafael Stark, and Tomás Mindlin in interviews for Latitud.

# Instant payments see an asymmetrical development across LatAm; the present is multi-rail

Brazil's PIX acceptance is at 95%. In the private, less-standardized sector, Peru's YAPE acceptance is at 85%, Colombia's Nequi is at 83%, Argentina's Mercado Pago is at 75%, and Mexico's SPEI acceptance is at 51%, while CoDi (Cobro Digital) remains at 5%.

There's still a lot to be achieved in terms of customer education, trust, integrations with current softwares, features expansion, regulations, and finally frequent usage for instant payments to be widespread across LatAm. On the flip side, one digital payment might actually lift the others, as the region has so much to yet be digitalized.

Country	Payment Method	Acceptance Rate
Argentina	MODO	28%
	TRANSFERENCIAS 3.0	20%
	MERCADOPAGO	75%
Brazil	PIX	95%
	PICPAY	45%
Colombia	NEQUI	83%
	DAVIPLATA	55%
	PSE	49%
	TRANSFIYA	25%
El Salvador	OPTO	4%
Guatemala	YOLO BANTRAB	16%
	SOY FRI	11%
Mexico	SPEI	51%
	CoDi	5%
	PAGA TODO	5%
	DAPP/PIM	1%
Peru	YAPE	83%
	PLIN	51%
	TUNKI	19%
	BIM	12%

**Acceptance of digital payments in LatAm SMEs**

Mastercard's The state of financial inclusion post COVID-19 in Latin America and the Caribbean (May 2023)

**SOURCES**

Mastercard's The state of financial inclusion post COVID-19 in Latin America and the Caribbean (May 2023); Latitud Founder & Investor Survey 2024; Cipriano Echavarría, Gastón Irigoyen, João Del Valle, Marlene Garayzar, Rafael Stark, and Tomás Mindlin in interviews for Latitud.

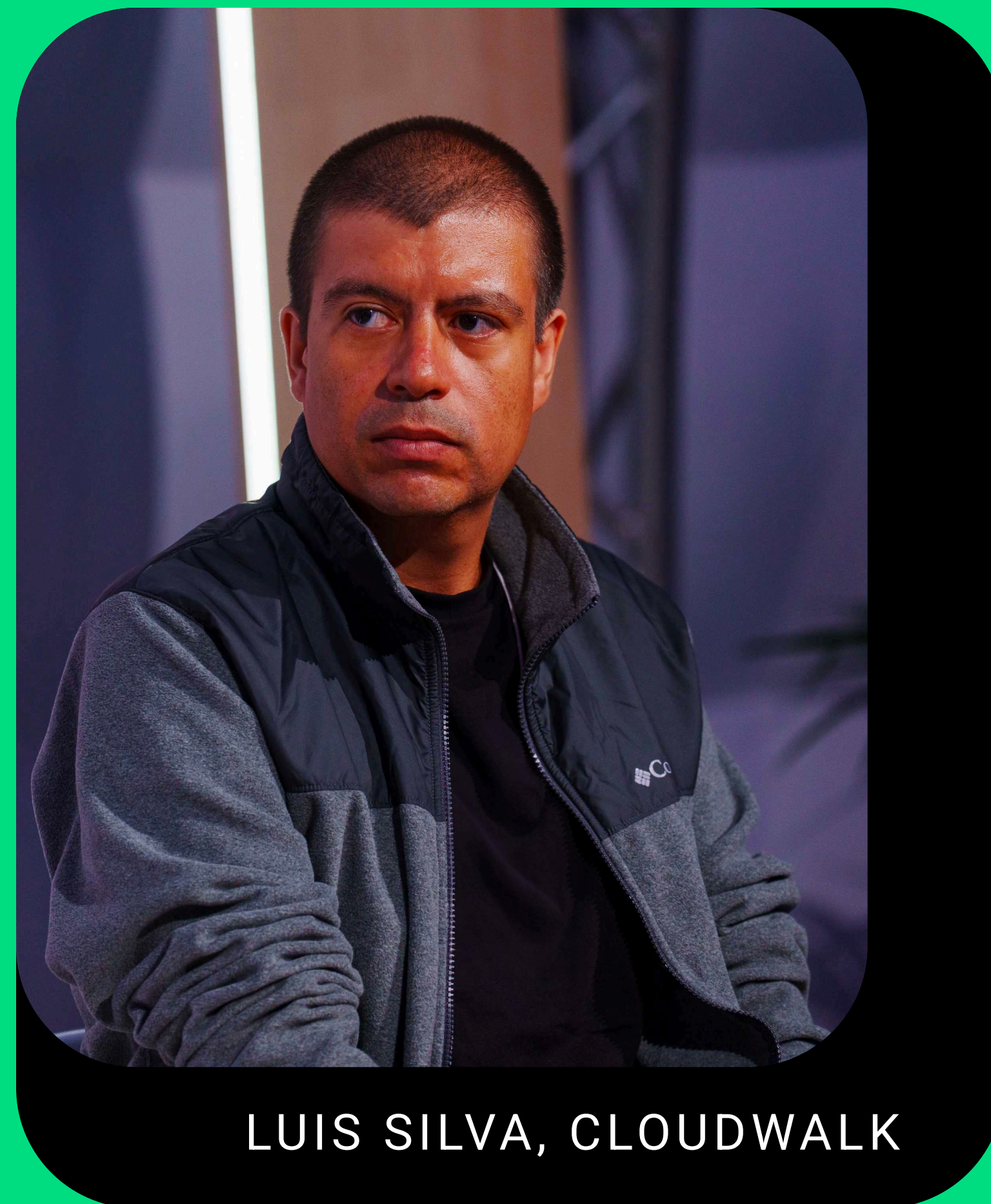
Brazil with very advanced regulations and banking systems, evolving at a good pace. Argentina with its complexities on capital controls. Mexico with its insistent high penetration of cash. Central American countries with their lack of individual scale and country-specific solutions. Each country is fighting its own challenges, with its own strengths and weaknesses.

I'm a bit skeptical when people think we'll live in a region of standardized solutions. Fintech is global and we see trends being applied and copied from one place to another, but the real secret sauce is how to adapt a global success trend to your particular market. The best path is to deploy region-wide solutions that accept and cope with the **intrinsic complexity, volatility, and fragmentation of Latin America.**



JOÃO DEL VALLE, EBANX

For small merchants, the importance of instant payments goes beyond just convenience. It's tied to having **resources quickly available, minimizing the impact of inflation and accelerating available cash flow, purchases, sales, and prosperity.**



LUIS SILVA, CLOUDWALK



# Instant payments and WhatsApp: two wedges for LatAm fintechs

Quickly seeing the benefits of instant payments makes them the perfect **catalyst for a cash-to-digital transition** in LatAm (and for fintechs to offer additional services to both end consumers and businesses). But there's another wedge LatAm startups, fintechs included, are also using: the omnipresent **WhatsApp**.



Magie's conversational AI understands audio, texts, and images to execute financial services such as transfers and bill payments inside WhatsApp.



A digital bank for Generation Z, NG.CASH launched a feature called NG.ZAP. Through WhatsApp, customers can access banking services such as making instant transfers and solving financial queries.



Palomma provides more payment methods (e.g. instant payments) and channels (e.g. WhatsApp) as a way for businesses especially in the real estate segment to collect, process, and reconcile payments (e.g. rents) more effectively.

## SOURCES

Cipriano Echavarría, Luiz Ramalho, and Mario Augusto Sá in interviews for Latitud.

There are still a lot of cash payments across Latin America. One strategy to incentivize digitalization is offering **instant payments within WhatsApp**.

We've seen that this is a really interesting **substitute for cash** – it's recognized as an easy next step by both consumers and small businesses, and for the latter, an **entrance door to the benefits of digitalization**, such as improved reconciliation.

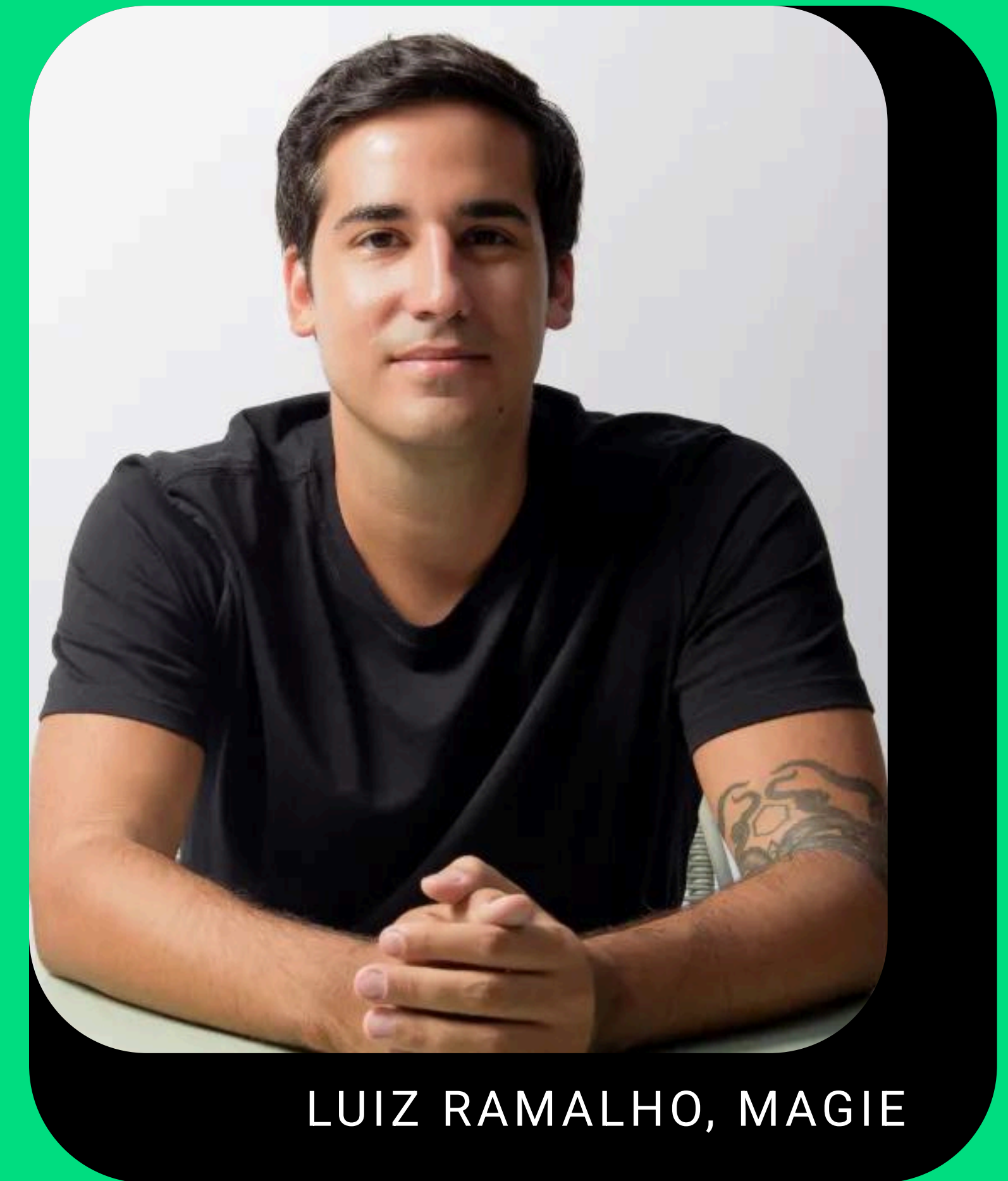


CIPRIANO ECHAVARRIA, PALOMMA



Both WhatsApp and Pix provoked a change of behavior in Brazilian consumers and businesses, pushing them to use digital communications and digital payments.

Yet both are networks that are almost free to use. So we don't see either of them as revenue channels but rather as **distribution channels**. WhatsApp and Pix are ways for us to later introduce our conversational AI and added services, and monetize on top of these instead.

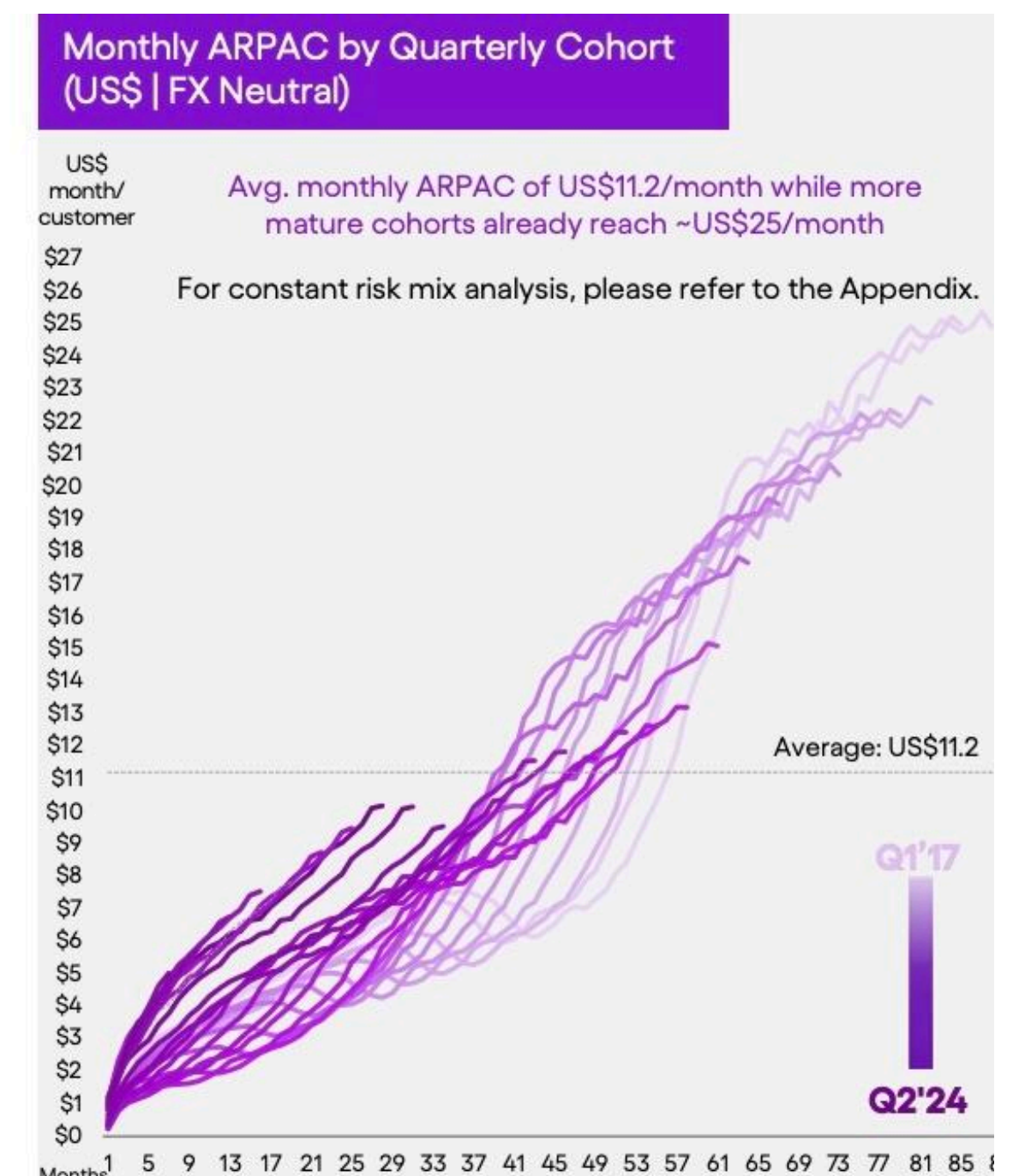
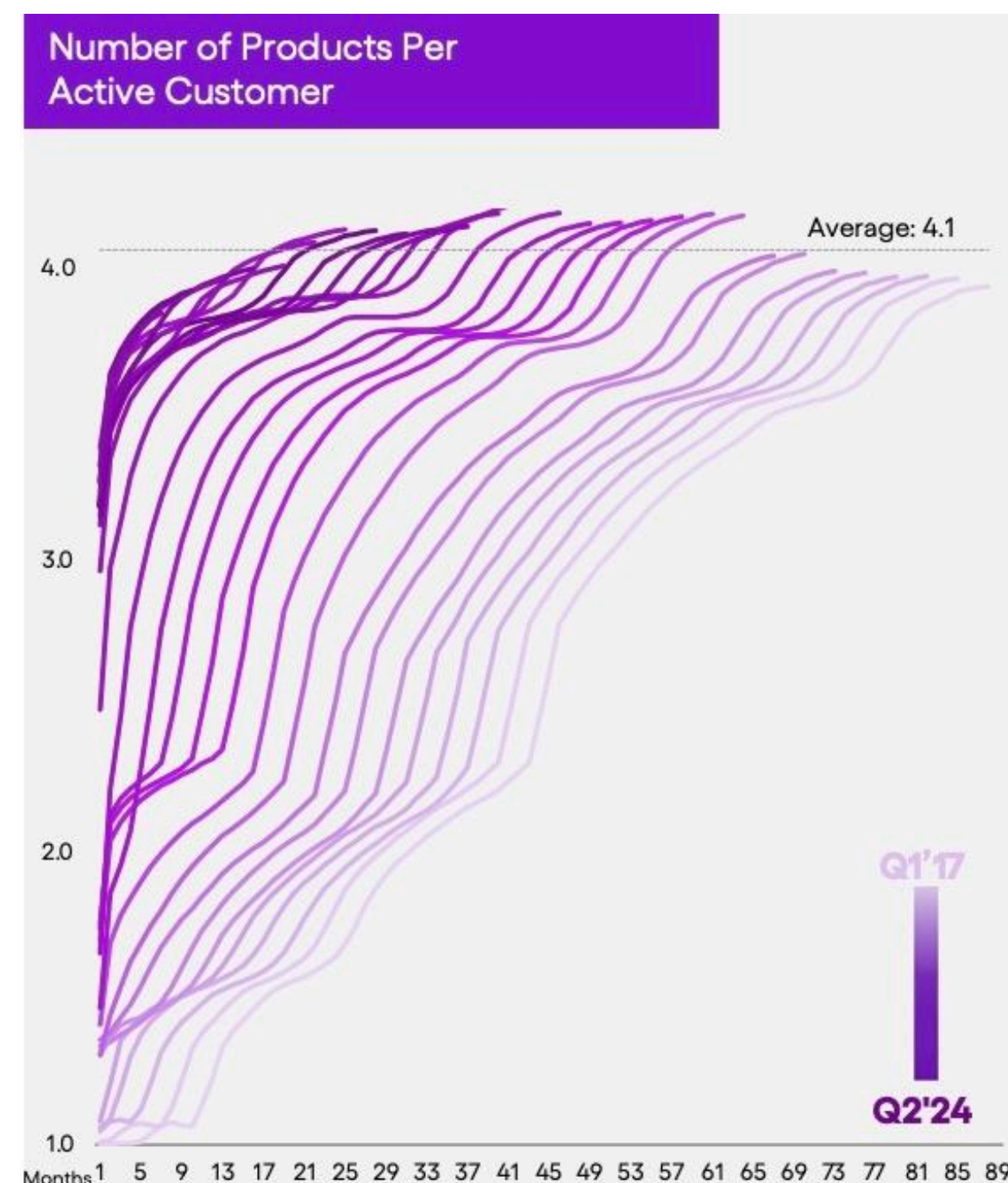


# LatAm fintechs are raising stickiness by becoming multi-product

As users became thousands and then millions, banks and neobanks turned into **multi-product platforms** as a way to raise average revenue per active customer – Nubank being one prime example.

Other fintechs are now following suit and **creating an end-to-end financial services ecosystem**, building or using infrastructure fintech offerings such as digital savings, both soft and hard collateral lending, investments, and insurance.

## Multi-product: rise in engagement and cross-sell positively impacted Nubank's ARPAC in Q2 2024



### SOURCES

Latitud Founder & Investor Survey 2024; Marlene Garayzar, Pablo Viguera, Rohan Ramanath, Rafael Stark, and Tomás Mindlin in interview for Latitud; [Nubank's Q2 2024 Earnings Report](#).

We went through **phases of fintech in LatAm**. First we had **B2C**, then **B2B focused on SMBs**, and now we see **B2B2C focused on enterprises**, inside and outside finance.

Within the financial institutions we support, we see they want **more stickiness, retention**, and an **additional revenue stream**, yet without incurring additional development costs, especially as they expand to more countries.



Being multi-product was a challenge a decade ago as you needed to develop everything from scratch – even Nubank kicked off with a credit card product only.

We're now in a **different age for fintech**: you can launch a new product in less than a week, with a couple of lines of code, and low upkeep costs due to APIs. Your team can focus on core offerings while your startup quickly adds compliments that'll lead to improved retention and revenue, maybe even geographical expansion.

In this scenario of increased competition between product bundles for the users' attention, **communication and distribution strategies** are even more expensive – and therefore more valued.



MÁRIO AUGUSTO SÁ, NG. CASH



Each fintech needs to figure out the best time to diversify, based on some conditions:

1. **How commoditized their current offering is,**
2. **The cost of developing the back-end infrastructure** that'll support each additional feature or geography (as financial services are highly regulated across each country),
3. And **the reduced margins** when adopting a third-party provider and costs in the front-office.



BRUNO MAGRANI, INVESTOR  
AND FORMER PUBLIC POLICY  
@ NUBANK, META



# 2025 will mark the shift to digital remittances predominance in LatAm

Remittances are poised to become predominantly digitalized in LatAm by **2025**, catching up to the global trend (where digital remittances became the prime choice by 2023).

Yet cash is still very relevant, and over a third of families globally state limited options to access the money they receive. The main obstacle for more transactions is **high cost** (including hidden fees), while providers deal with **various regulations** and maintaining **security** and **speed**.

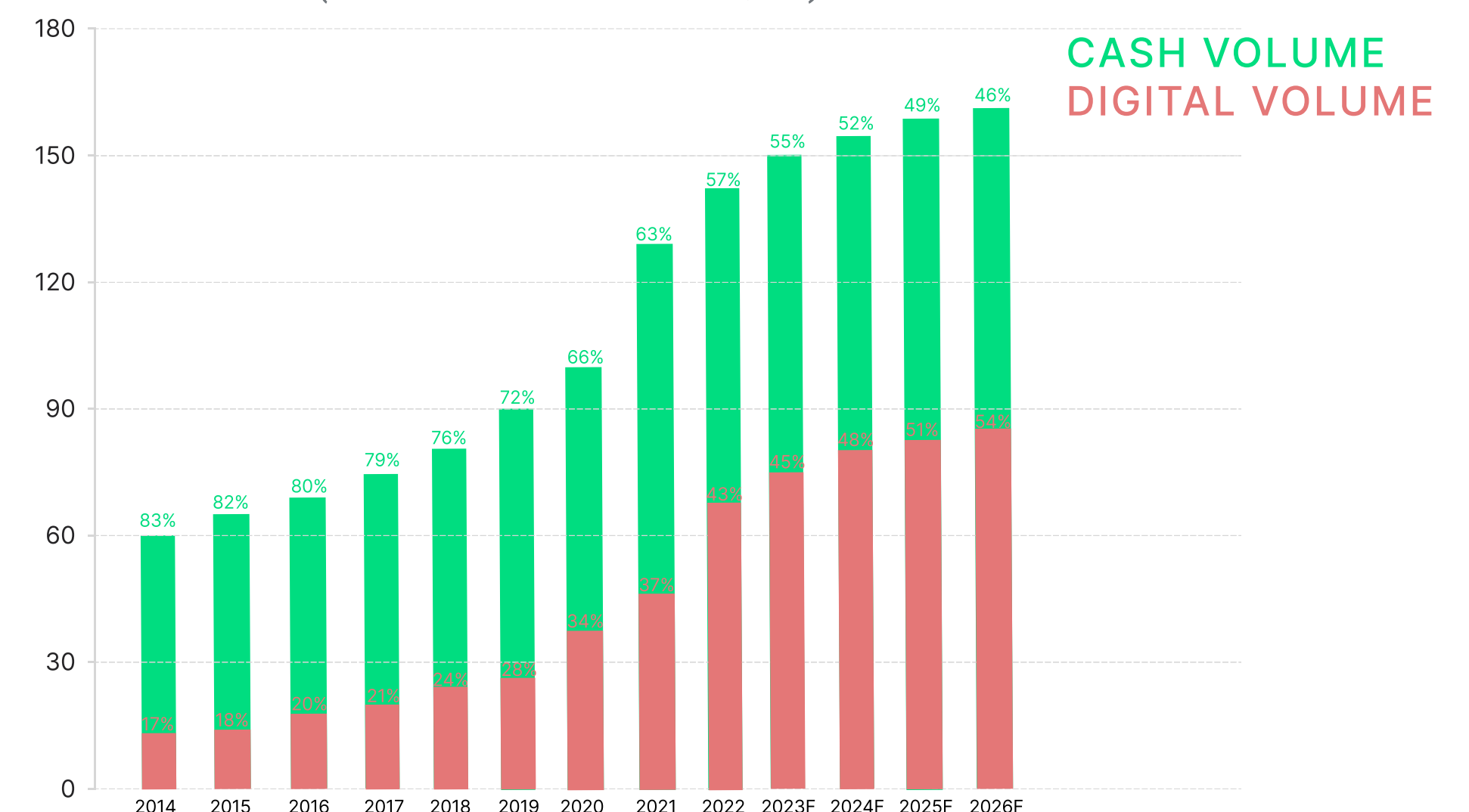
As we've seen in other segments, challenges can become opportunities in the hands of fintechs. In LatAm, **\$85B worth of cash-based remittances could be converted to digital**. LatAm remittance fintechs are betting on applications such as bill payments and transfer via stablecoins.

## SOURCES

Mastercard (March 2024); Sergio Saravia in interview for Latitud.

## Digital remittances to surpass cash-based remittances by 2025

(LAC remittances volume, \$B)



Mastercard (March 2024)

Doing remittance infrastructure as a service, we have to consider the challenge of **asymmetrical banking penetration in Latin America**. In countries such as Mexico, Colombia, Guatemala, and Honduras, if you only focus on the banked receivers of remittances, you'll never achieve market leadership.

While we also foster digital remittances as they're more efficient, we have to consider the current reality of remittances. We have to let family help be **collected in multiple ways**, not conditioning financial inclusion to banking.



# Fintechs apply AI to both front and back offices

Data-centered financial services have been using artificial intelligence for over a decade, employing machine learning to derive patterns out of large sets of structured information and support services such as credit scoring, underwriting, and fraud prevention.

More recently due to lowered cost, and much like other sectors, fintechs have been going beyond the risk segment and **building or incorporating AI-powered applications for more parts of the back office** (e.g. coding productivity) and finally **arriving at the front office** (e.g. customer support), using both "traditional" and generative AI.



Working in the infrastructure layer, Hyperplane built proprietary foundational models for financial institutions to improve decision-making in risk, collections, and marketing based on first-party data. *(Exit to Nubank)*



Magie's conversational AI understands audio, texts, and images to execute financial services such as transfers and bill payments inside WhatsApp.

## SOURCES

Latitud Founder & Investor Survey 2024; Ademar Proença, Bruno Magrani, Gustavo Mapeli, Ignacio Arambarri, João Del Valle, Luis Silva, Luiz Ramalho, Marcelo Bentivoglio, Mário Augusto Sá, Marlene Garayzar, Pablo Viguera, Rafael Stark, and Santiago Molina in interviews for Latitud; [Nubank press release](#).

Fintechs that don't understand the impact of AI will inevitably lose the capacity to be **efficient, innovative, and transformative** for their customers' lives, **shaping trends rather than following them.**

Automating repetitive tasks, optimizing transfer security, offering personalized product recommendations and credit offerings: artificial intelligence allows us to **operate with precision at a scale** that couldn't be reached in any other way.

By the end of 2024, **90% of customer support interactions** at InfinitePay were handled by AI-powered tools, up from 75% the previous year. These interactions are resolved in seconds, with customer satisfaction ratings comparable to those of our top human analysts. The efficiency gain in customer service is estimated to bring annual savings of US\$20M.



LUIS SILVA, CLOUDWALK



# Fintechs are coming for B2B

While **embedded finance** might already be a trend, B2B companies have yet to receive the intuitive fintech tools seen in B2C applications, even as this is a sizable market. Taking payments, a common initial wedge, as an example: **B2B payments in rising markets** are growing at a faster pace than in developed markets (14% vs 11% CAGR). By 2027, LatAm, Africa, and APAC will account for 40% of B2B payments.

But even if B2B payments flow digitally, they're also stuck in time. It's a back-and-forth process ridden with approval challenges, manual documentation, low visibility, and high fees. It can take up to 14 days and six intermediaries to process a B2B invoice, compared to 1-2 days for B2C.

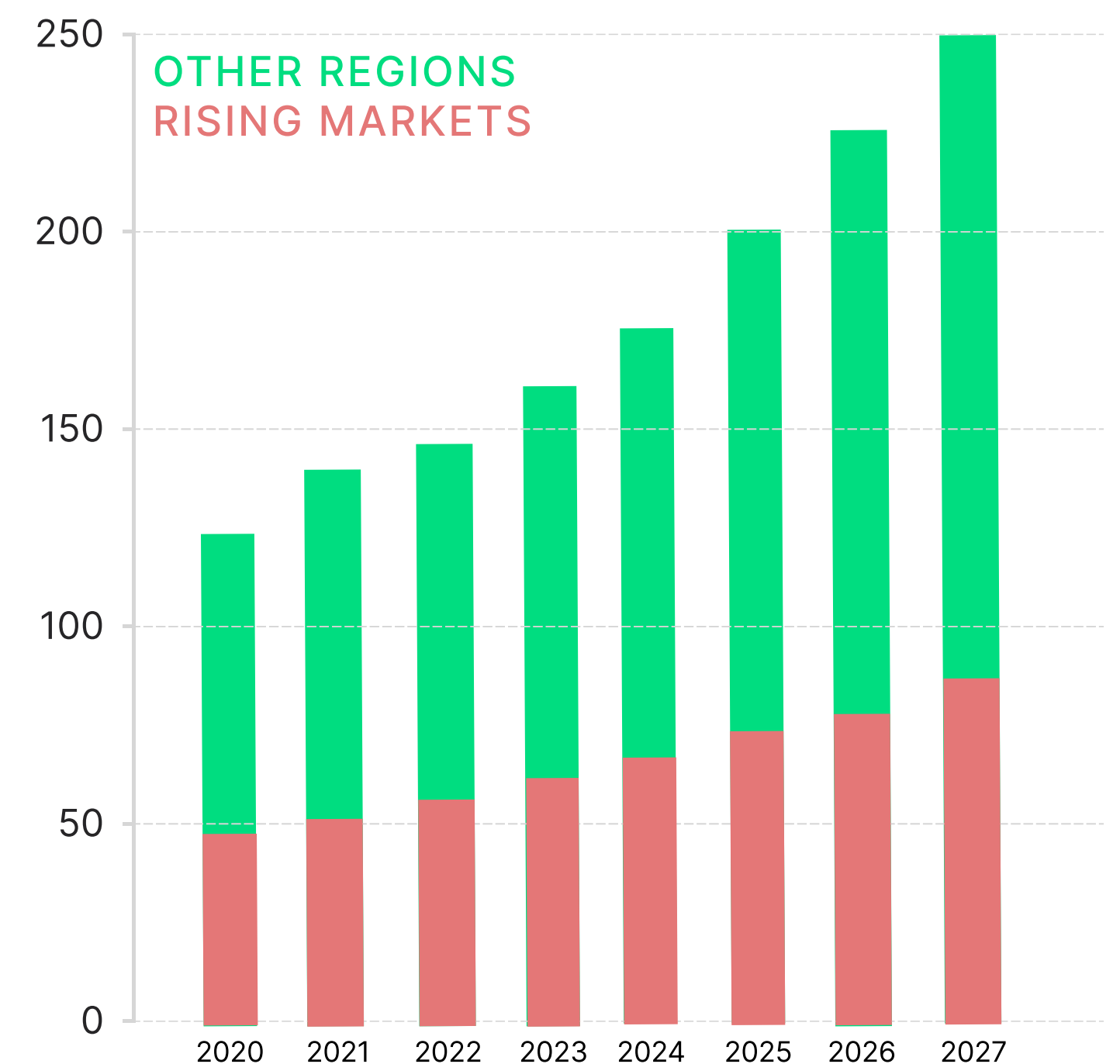
In the search for more efficiency, B2B companies can contact a payment fintech directly or use their services as they subscribe to a SaaS or join a marketplace (models that can develop a fintech layer themselves or add one via embedded finance).

## SOURCES

Latitud Founder & Investor Survey 2024; Ebanx Beyond Borders 2024; Magma Partners' Rise of Latin American Vertical Marketplaces (July 2021); Ademar Proença, Camila Vieira, and Rafael Stark in interviews for Latitud.

## Rising markets to reach 40% of B2B Digital Payments

(Digital B2B Payments Volume, \$B)



Ebanx Beyond Borders 2024

B2C companies see a more rapid digitalization since customers dictate that change. When you talk about B2B, there's a **true digitalization lag** caused by a **lack of system integrations and updates**, and **both issuer and payer have to walk in the same direction**.

It's because of this added complexity that you look at Brazilian payments and still see, even as Pix's adoption is massive, a lot of transfers and boletos [bank slips] between companies.



RAFAEL STARK, STARK BANK



As we **fill the software gap for B2B companies in Latin America**, including digital payments in that same offering becomes a natural next step.

With that, **B2B Payments will move away from one-size-fits-all to verticalized solutions.**

Different industries have different profiles, due dates, and risks, which makes it difficult to adopt a generic solution. Payments will be a component of each complex, verticalized workflow.



ADEMAR PROENÇA, LEGALBANK

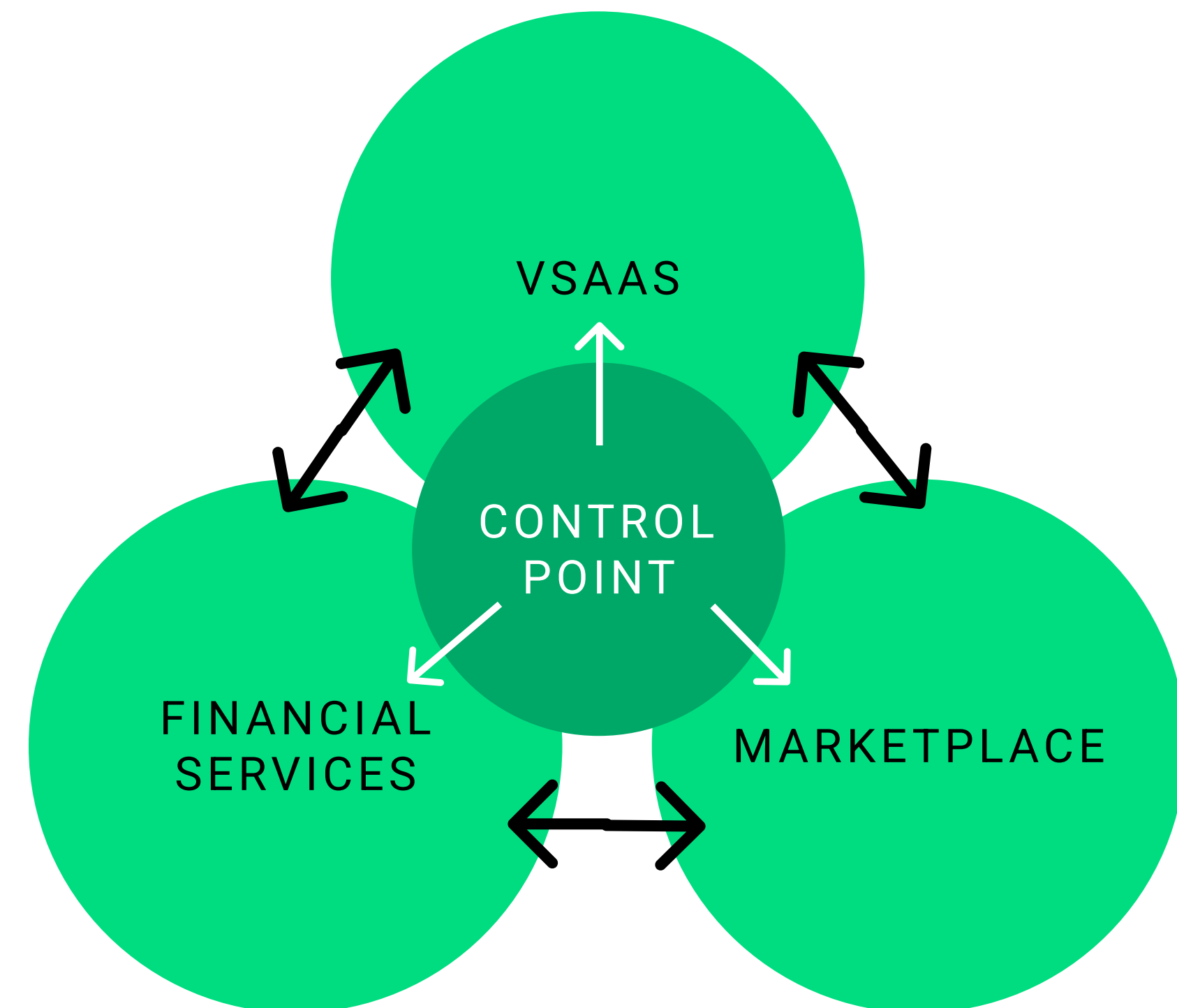


# SaaS enters fintech, and fintech enters SaaS

In The Trends, we saw how fintechs are entering other fintechs through infrastructure plays. Fintechs are also embedding their services inside SaaS, as a way for them to further improve and monetize their user experience.

But we can also see it the other way around, with fintechs tackling financial pains first but then **adding a SaaS layer**.

Growth roadmap: multiple entrance points and expansion routes

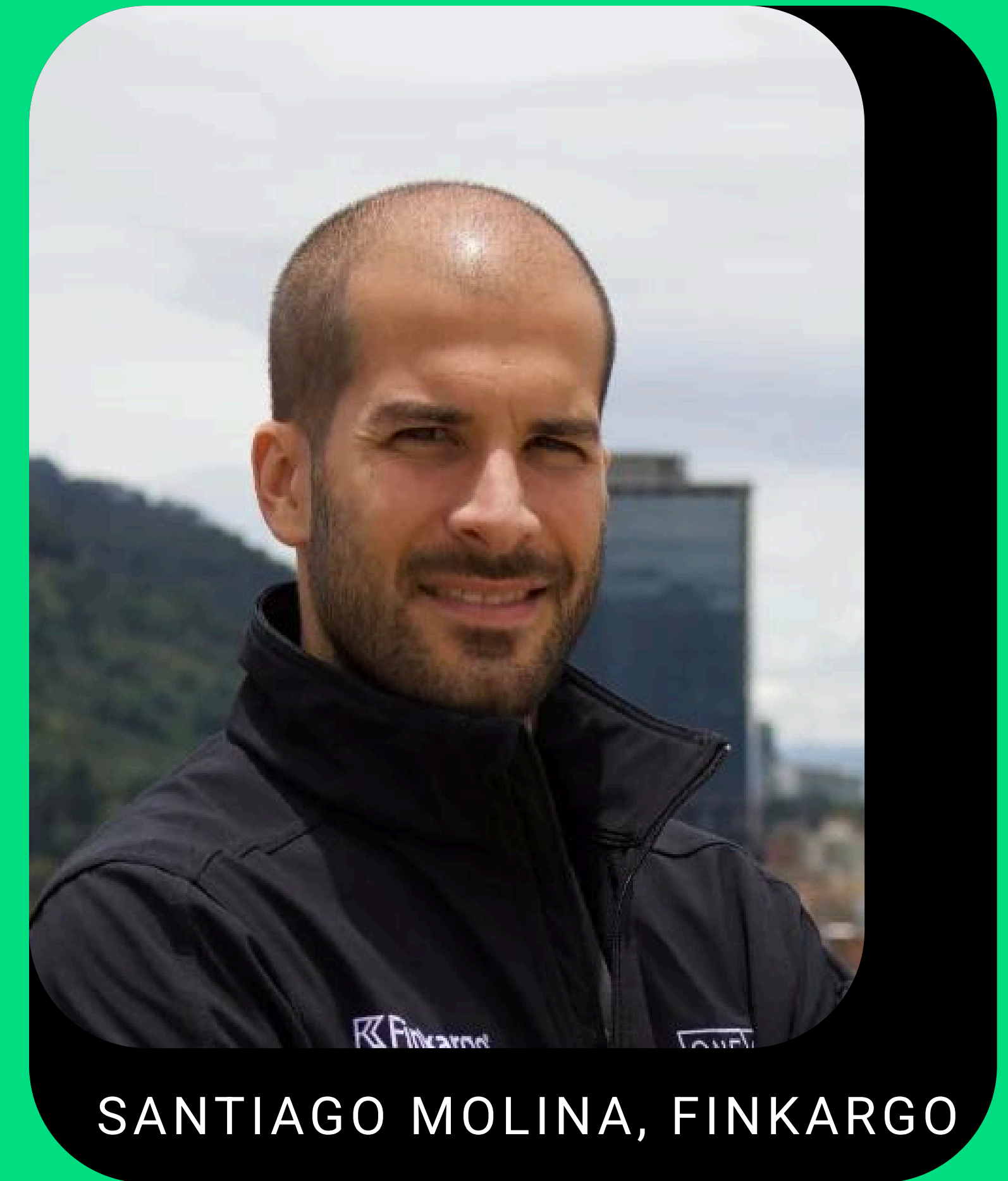


## SOURCES

Latitud Founder & Investor Survey 2024; Camila Vieira and Gustavo Mapeli in interviews for Latitud; [Jeff Busgang's A New Vertical SaaS Playbook: Fintech-First \(Aug 2023\)](#).

There are various playbooks for various industries. But in marketplaces, we saw a challenge in burning cash to build both supply and demand. In SaaS, we saw a challenge in actually selling paid software in LatAm.

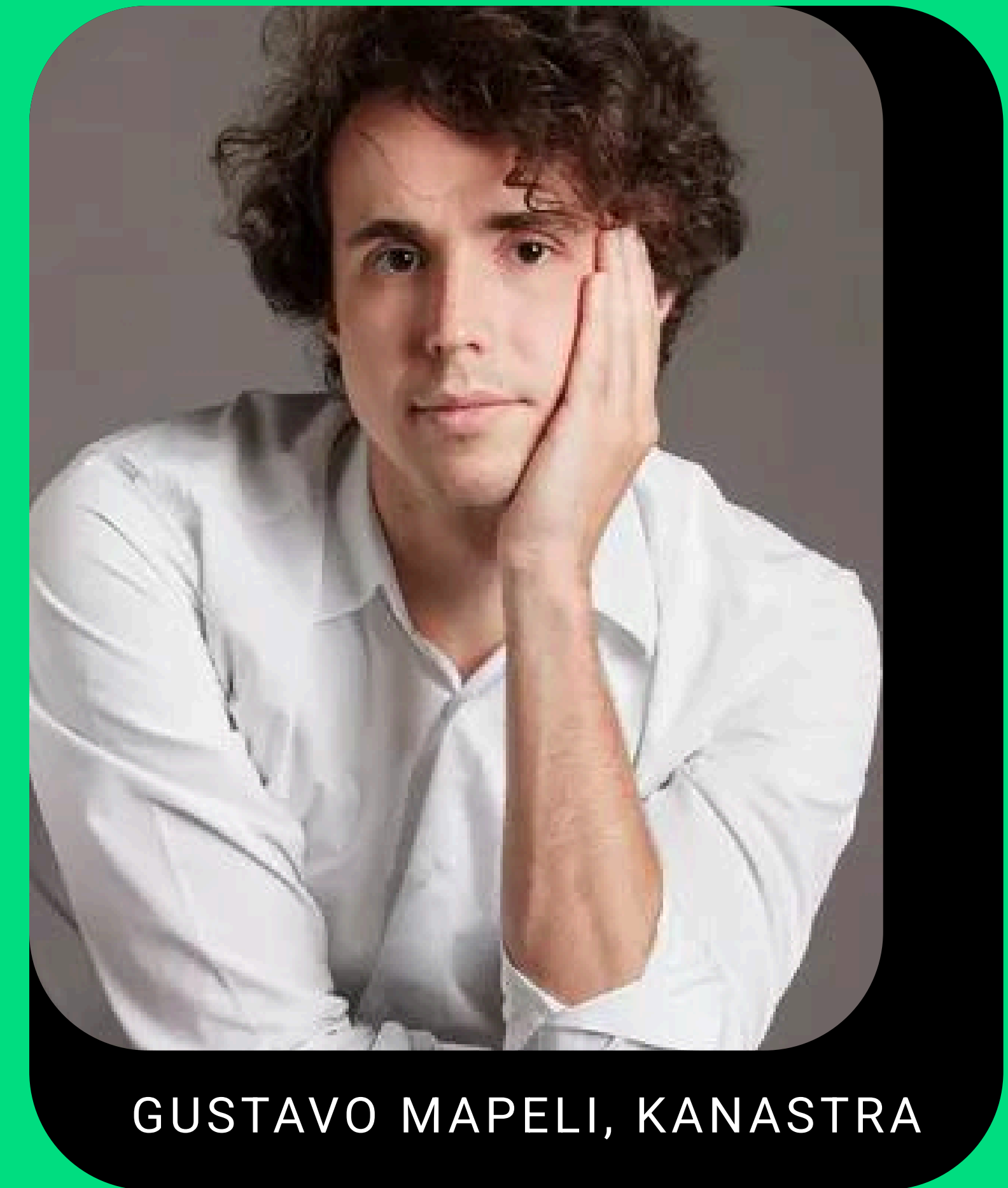
So we decided to **start with fintech** and then add the rest. Our hypothesis was that in the region, you have to address pains from the bottom up, going up the pyramid of Maslow's hierarchy of needs. As customers came back and back, we built the rest of our offering.



About players that going the other way around, **from lending to software**: this comes from a perception of **what gives them an edge in relation to traditional banks**.

It could be better origination, better evaluation, or better cost of funding. As larger players generally have better cost of funding due to scale, most lending players look at the first two advantages.

**Joining fintech and software** is a way for them to both **attract more customers** (improving expansion) and **capture more data** (improving their lending offer).



GUSTAVO MAPELI, KANASTRA



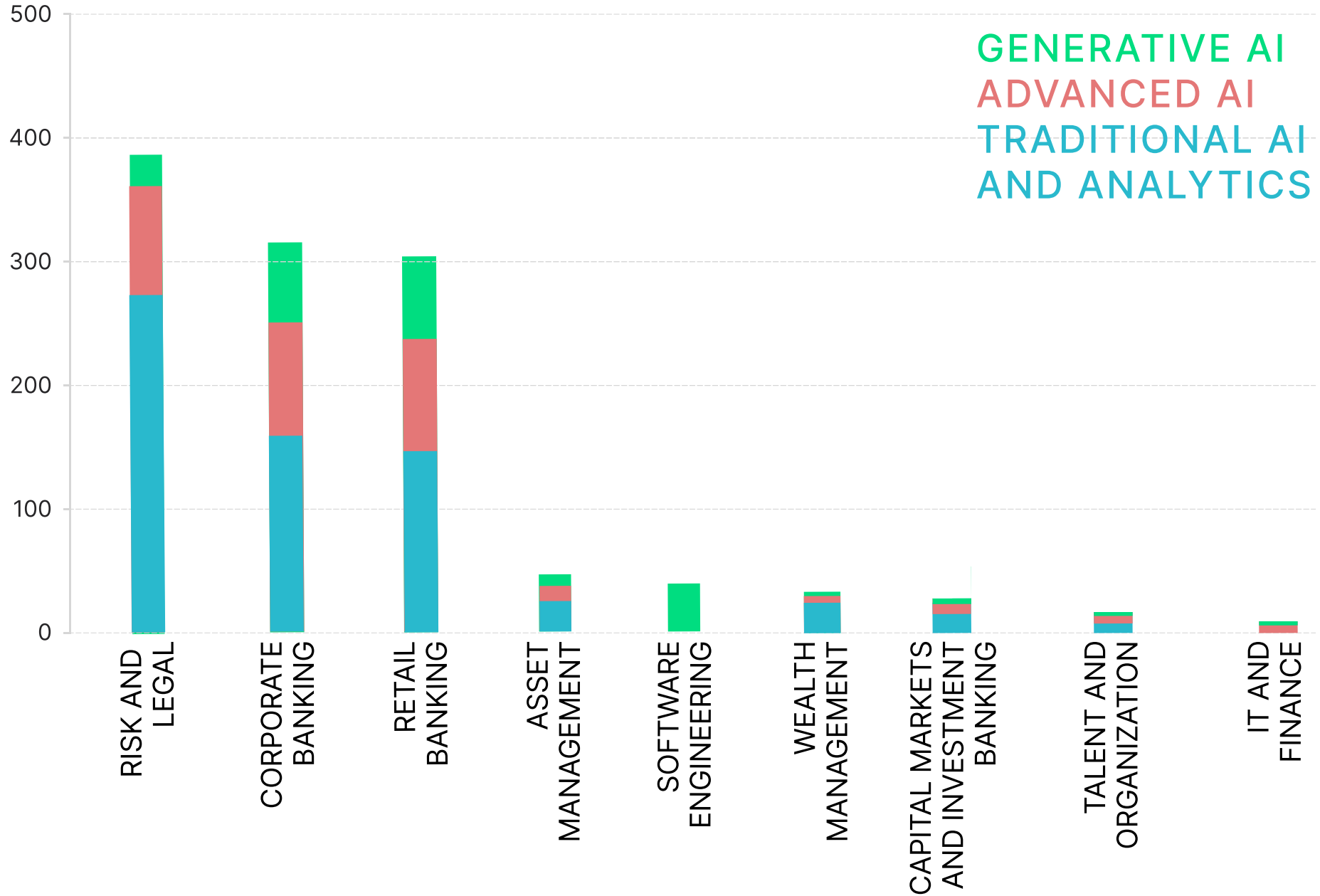
# GenAI will unlock billions of value in the financial industry

As the access cost decreases and technology evolves, it's expected that financial players will **ramp up their AI adoption**.

While traditional AI should keep its dominance in risk and legal analysis, GenAI can be employed as a complement and see a larger role in areas such as retail (more sophisticated customer support), financial/wealth management (portfolio suggestion), and back-office (documentation and report generation).

Across the banking industry, Generative AI is expected to deliver \$200B+ in global value creation. In LatAm, Open Finance's development will allow fintechs to effectively gather data, with their foundational models going from theory to practice.

Value created by AI at stake by segment and function (\$B)



### SOURCES

Latitud Founder & Investor Survey 2024; McKinsey's Capturing the full value of generative AI in banking (Dec 2023); Ignacio Arambarri, Luiz Ramalho, and Marlene Garayzar in interviews for Latitud.

McKinsey's Capturing the full value of generative AI in banking (Dec 2023)

## FINTECH: THE CHALLENGES

### Cost of capital

Even with recent cuts by the Federal Reserve, the impact on LatAm's **interest rates** should take a while, and even longer to be reflected from public to private markets. High rates have a direct impact on the cost of capital for both companies and end consumers. Fintechs already usually have higher borrowing costs than incumbents, and this added context leads to even **more expensive access to credit and venture capital** (in the latter, also higher selection as the fintech market becomes more populated). Fintechs can also see an impact on the **demand for solutions** such as lending, coupled with high inflation and delinquency rates. All of this pushes fintechsh to lay more into their lean structure to keep margins high.

### Updates on data protection and privacy regulation

Chile (1999), Argentina (2000), Uruguay (2008), Mexico (2010), Peru (2011), Colombia (2018), Brazil (2018), and Panama (2019) all have data protection and privacy regulation, mostly inspired by European standards. But multiple LatAm countries have manifested the **desire to update their frameworks**, and all digital businesses must be ready to adapt alongside them – including fintechs, especially those highly reliant on customer data collection to power their offerings.

### Cybersecurity threats

Latin America was the region with the **largest increase in cyber attacks** (+53%) in Q2 2024, compared YoY. In response, after China, Latin America is the region where cybersecurity investments are growing the fastest. According to the IDB, 57.22% of fintechs in Latin America and the Caribbean have a policy and/or system in place against cyber threats, while 21.26% are in the process of implementing them.

## SOURCES

Latitud Founder & Investor Survey 2024; Ademar Proença, Bruno Magrani, Ignacio Arambarri, Gustavo Mapeli, and Marlene Garayzar in interviews for Latitud; [IDB's IV Informe Fintech en América Latina y el Caribe \(2024\)](#).

## FINTECH: THE CHALLENGES

### The asymmetrical development of Open Finance

Open Finance allows for an ecosystem of financial services, in which consumers allow their data to be shared between financial institutions for more customized financial services and products.

For fintechs, Open Finance can be an entrance point to 1) sell financial solutions inside traditional banks and 2) use their customer history to provide better solutions in areas such as transfer authorizations, credit access, and investment/financial management (also including previously underbanked and unbanked consumers).

Yet much like the payments scene, **Open Finance's pace of development varies across LatAm countries**, and applications remain limited.

Open Finance has a different meaning across the region, with varied levels of implementation and consumer adoption



## SOURCES

Latitud Founder & Investor Survey 2024; [PCMI/AMI \(2024\)](#); Ademar Proença, Gastón Irigoyen, Marlene Garayzar, and Pablo Viguera in interviews for Latitud.

[PCMI/AMI \(2024\)](#)

**Open Finance maturity varies significantly**, with asymmetrical development in regulatory frameworks, market dynamics, and consumer adoption.

Yet the scenario is promising. In the next three years, we expect the **integration between Open Finance and AI**, improving predictive models and personalized offerings, and the **massification of "pay by bank" or account-to-account payments**, integrated into everyday apps and wallets.



PABLO VIGUERA, BELVO



**There's still no product that is an obvious winner in Open Finance.** That means there's a lot of opportunity to prioritize this movement in the product development roadmap, with the end goal of **making customers perceive true value.** Open Finance will probably lead to great innovations — just **not on the timeline we initially expected.**

Open Finance is just one example of a larger trend in LatAm: **fintechs cooperating with governments to develop frameworks and licenses** that'll give them the approval and the customers and investors' confidence to operate in profitable segments, inside the highly-regulated sector that is financial services.



BRUNO MAGRANI, INVESTOR  
AND FORMER PUBLIC POLICY  
@ NUBANK, META



I've been in fintech for a while and have seen many challenges. But in 2024, I see opportunities.

Most governments have understood that an efficient fintech environment is hugely beneficial for the countries, so regulations are getting clearer and competition is incentivized. Even for effort-consuming challenges such as cybersecurity and privacy, processes are more widely known and tools available at large. Talent has also improved, with many more people with experience in the industry.

Of course, how to mix all these variables into a scalable business will always be a main challenge – but I'd say **we live in great times for fintech.**



JOÃO DEL VALLE, EBANX



# THE LATAM TECH REPORT

The Future of SaaS



# EXECUTIVE SUMMARY

- **LatAm is the fastest-growing region in the world in terms of cloud market revenue up to 2026 – and SaaS represents ~40% of the industry, according to IDC's global benchmarks.**

REGION	CAGR
LatAm	28%
North America	18.4%
Rest of world	21%
Europe	22.6%
Africa	25.1%

- **Venture capital investment in LatAm SaaS is picking up the growth pace** seen before the Covid-19 pandemic, and regional solutions range from e-commerce to cybersecurity.



SOURCES

[Ebanx Beyond Borders 2023](#); [IDC \(July 2024\)](#).

# EXECUTIVE SUMMARY

- Yet LatAm SaaS is still a **growing market**, lacking saturation and consolidation. With **various industries lacking digitalization**, Horizontal and Vertical SaaS are in a race to become category or industry leaders. There are various paths to it, **from expanding products and geographies to leveraging artificial intelligence**.
- Looking at the medium to long term, most developments will be seen in the Vertical SaaS movement. VSaaS will go beyond payments and add **new multi-product layers**. There's also the rise of **Vertical AI**, which can both kill and breathe life into global and regional VSaaS.
- Besides the low adoption of software in LatAm, SaaS in the region also face challenges such as **adapting to new regulations** and protecting against increasingly sophisticated **cybersecurity threats**.



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



## SOURCES

Distrito's Corrida dos Unicórnios 2024 with alterations from Latitud;  
Latin America Map Vectors by Vecteezy.

# LatAm SaaS startups go from e-commerce to cybersecurity

## E-COMMERCE

 nuvemshop

## BUSINESS PROCESS MANAGEMENT

 COBLI 

## MKT & SALES

   
*(Exit to TOTVS)*



## VERTICAL SAAS

### EDUCATION



### HEALTH

### LEGAL

### PHARMA

### RESTAURANTS



### RETAIL

 pulpos

## FINANCIAL MANAGEMENT

## HUMAN RESOURCES MANAGEMENT





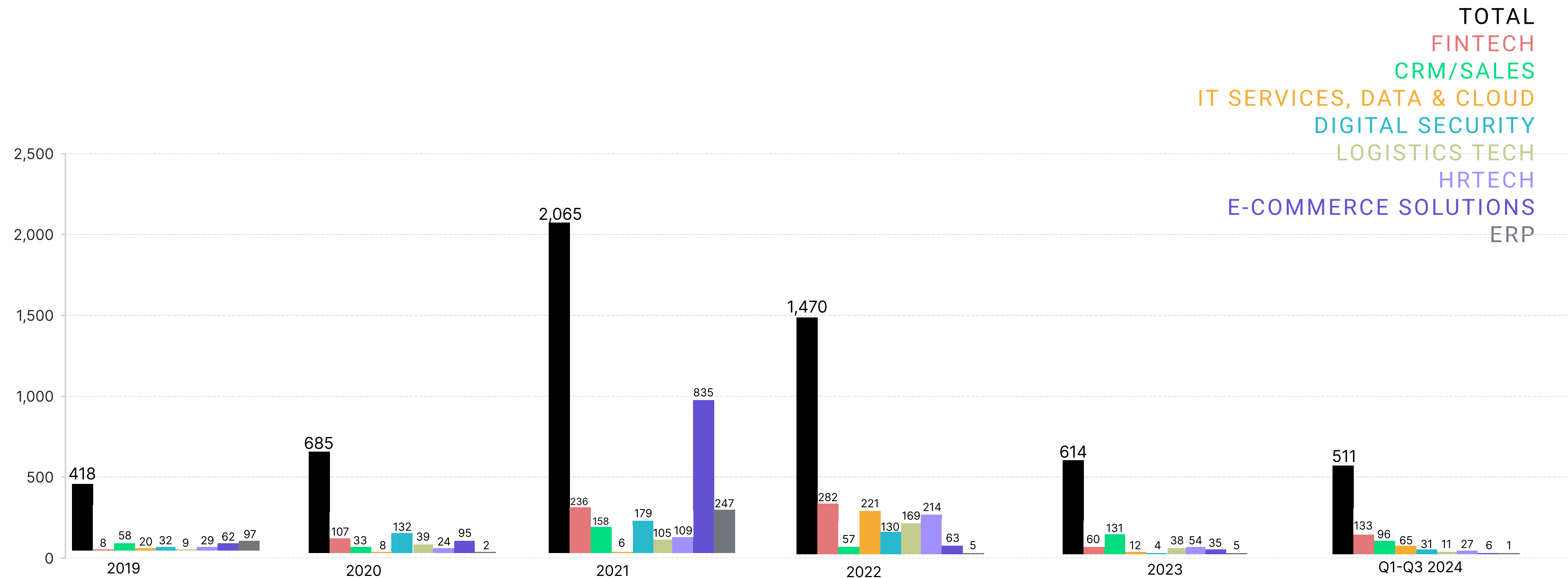
## CYBERSECURITY

# LatAm SaaS in Fintech, IT, and Security attract more venture capital in 2024 YTD compared to the full 2023

VC Investment in Latin American Enterprise Software by Tech Vertical, 2019 to Q3 2024  
Source: LAVCA

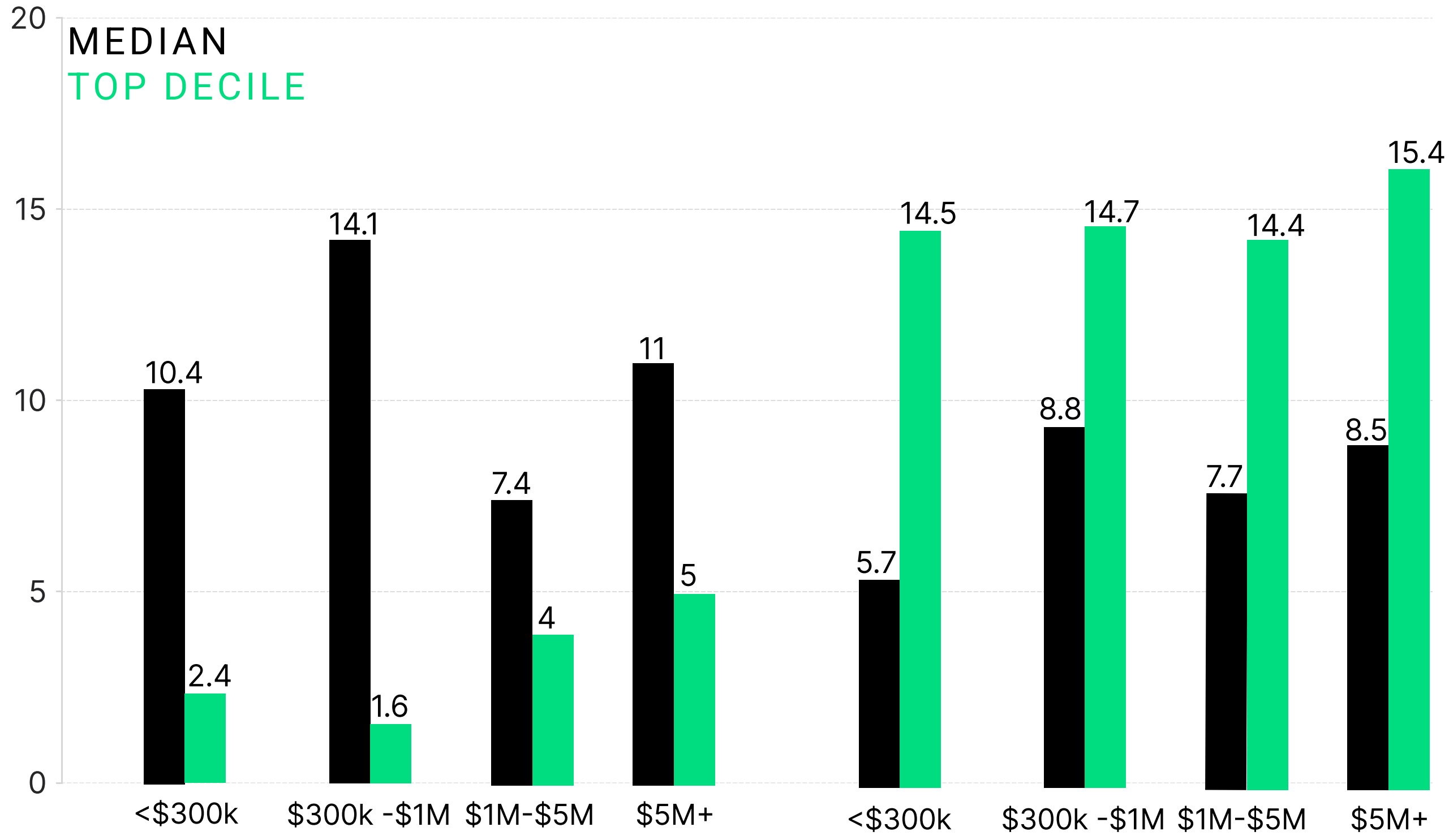


# LatAm SaaS is a growing market with space for entrants

Market metrics provide a glimpse into the state of the software as a service market in LatAm:

- Top-decile software as a service in the region reports CAC Payback Periods that are 32% lower than US benchmarks;
- Across all stages, LTV/CAC is at least 2x higher when comparing LatAm and US SaaS;

CAC Payback by company ARR size



LTV/CAC by company ARR size

SOURCES  
NFX, Capchase in State of SaaS LatAm Report (Feb 2024).

Capchase in State of SaaS LatAm Report (Feb 2024).

# LatAm SaaS is a growing market with plenty of space for new entrants

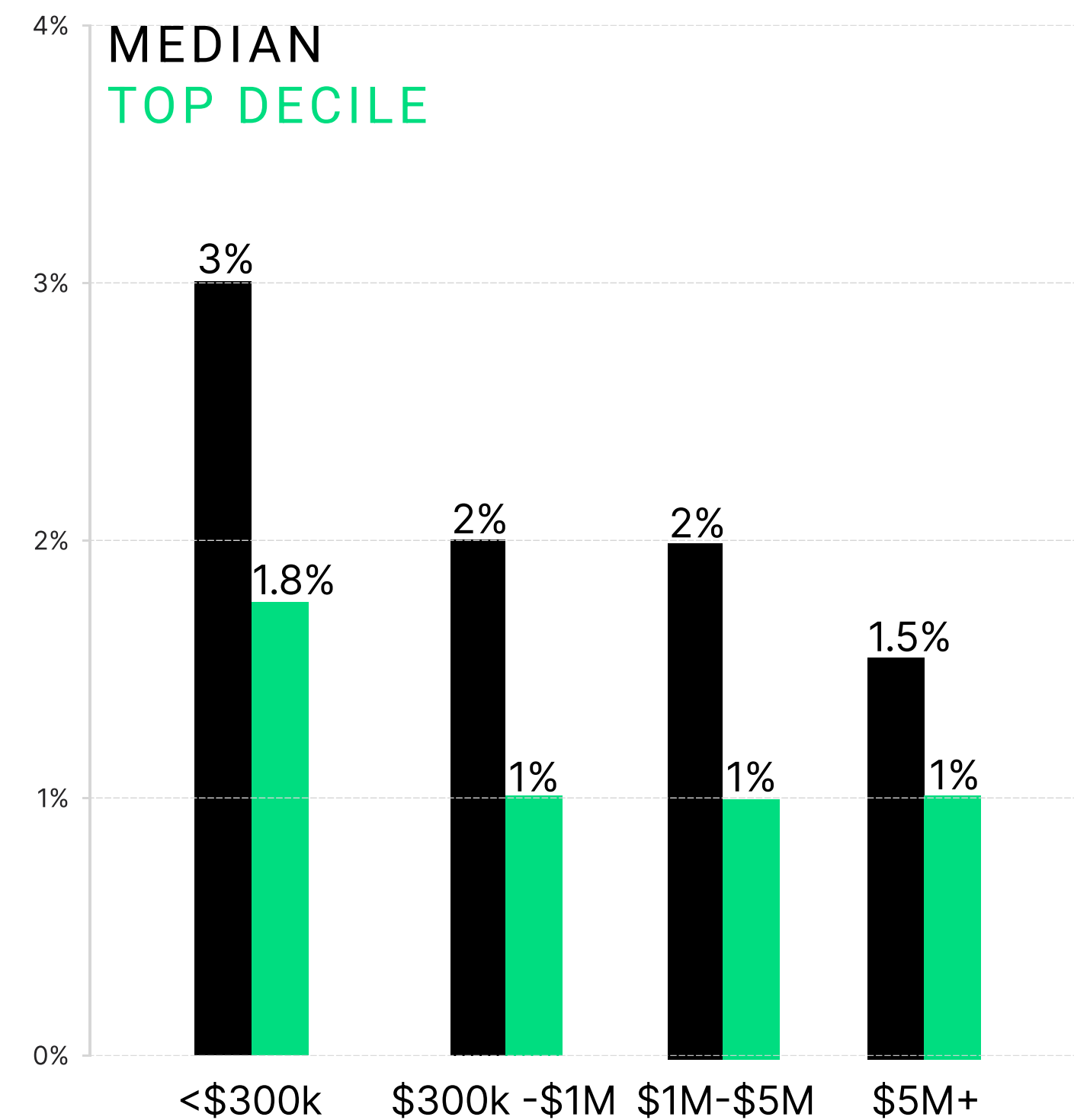
- While churn rates don't vary significantly between the top decile and median in the US, it's common for LatAm top-decile performers to have almost half the churn rate of the median.

These metrics suggest that LatAm's SaaS market is less saturated in comparison to more mature markets, with fewer competitors for customer acquisition and less incentive for customers to churn and trade players.

## SOURCES

NFX, Capchase in [State of SaaS LatAm Report \(Feb 2024\)](#).

### Monthly churn by company ARR size



Capchase in [State of SaaS LatAm Report \(Feb 2024\)](#).

**The US is facing SaaS fatigue.** In 2023, organizations used an average of 371 SaaS applications. They get bombarded by new businesses pushing new products every day, in addition to large incumbent platforms up- and cross-selling products. This leads to **pricing pressure** and **longer sales cycles**.

**The penetration of SaaS is still significantly lower in LatAm,** and the trend of digitizing business workflows is unstoppable. **It is a question of how quickly adoption will occur, not if.**



ALEX BUSSE, NXTP



Latin American markets are lagging behind 10 to 15 years in comparison with the developed world in terms of SaaS penetration.

Having said that, I believe that the **LatAm SaaS market will leapfrog the expansion years** that we saw in the US and Europe. The years spent on the traditional SaaS business model of paying per license are gone; **we're starting to feel the pressure of competition** that's already a cautious reality in developed markets.



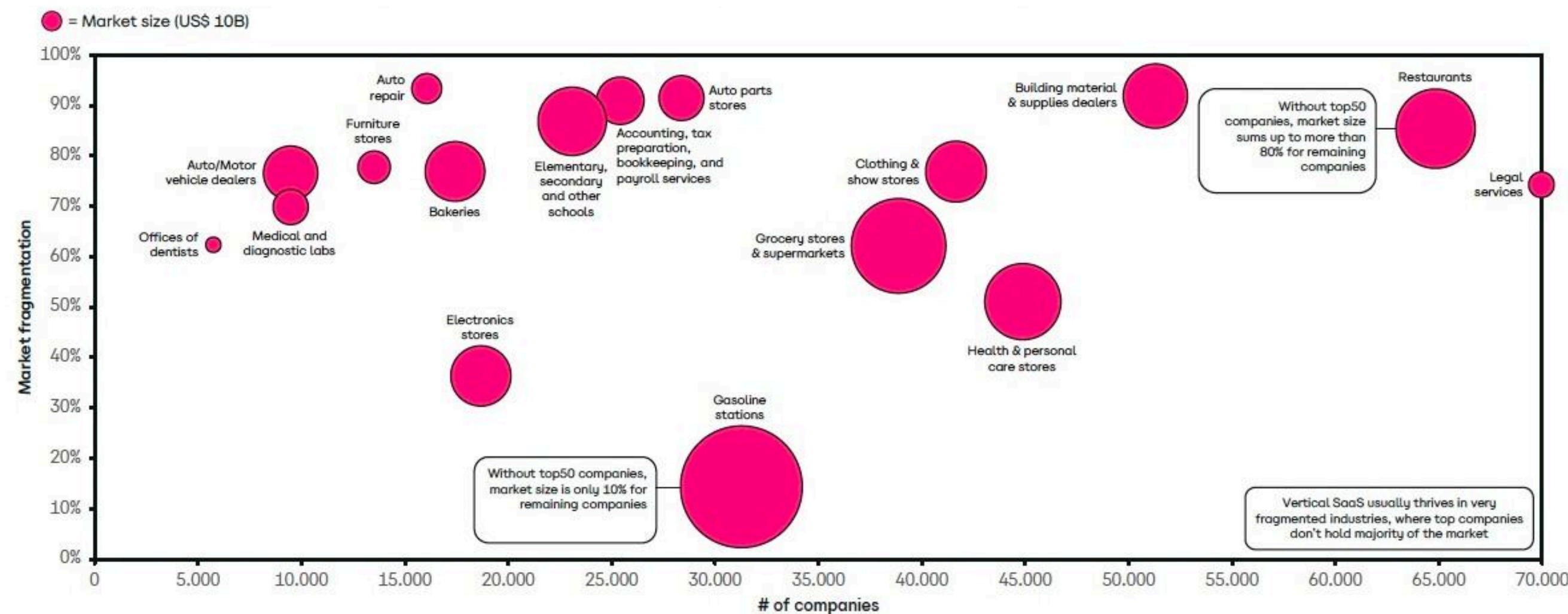
JORGE VARGAS NETO, BHUB



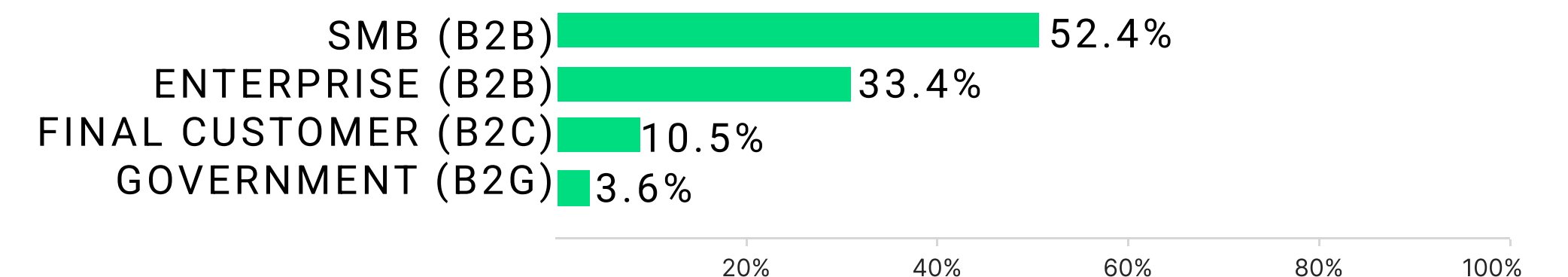
**SAAS: THE TRENDS**

# Vertical SaaS rises with the digitalization of sizable niches in LatAm

LatAm is full of markets that are **sizable**, yet **under digitized** and **spread across several companies, generally SMBs** (see Brazil as a proxy). This presents an opportunity for LatAm SaaS – but they have to develop strategies to convert these business owners to the digital world, e.g. in sales and pricing.



The new breed of LatAm SaaS startups focuses primarily on SMBs

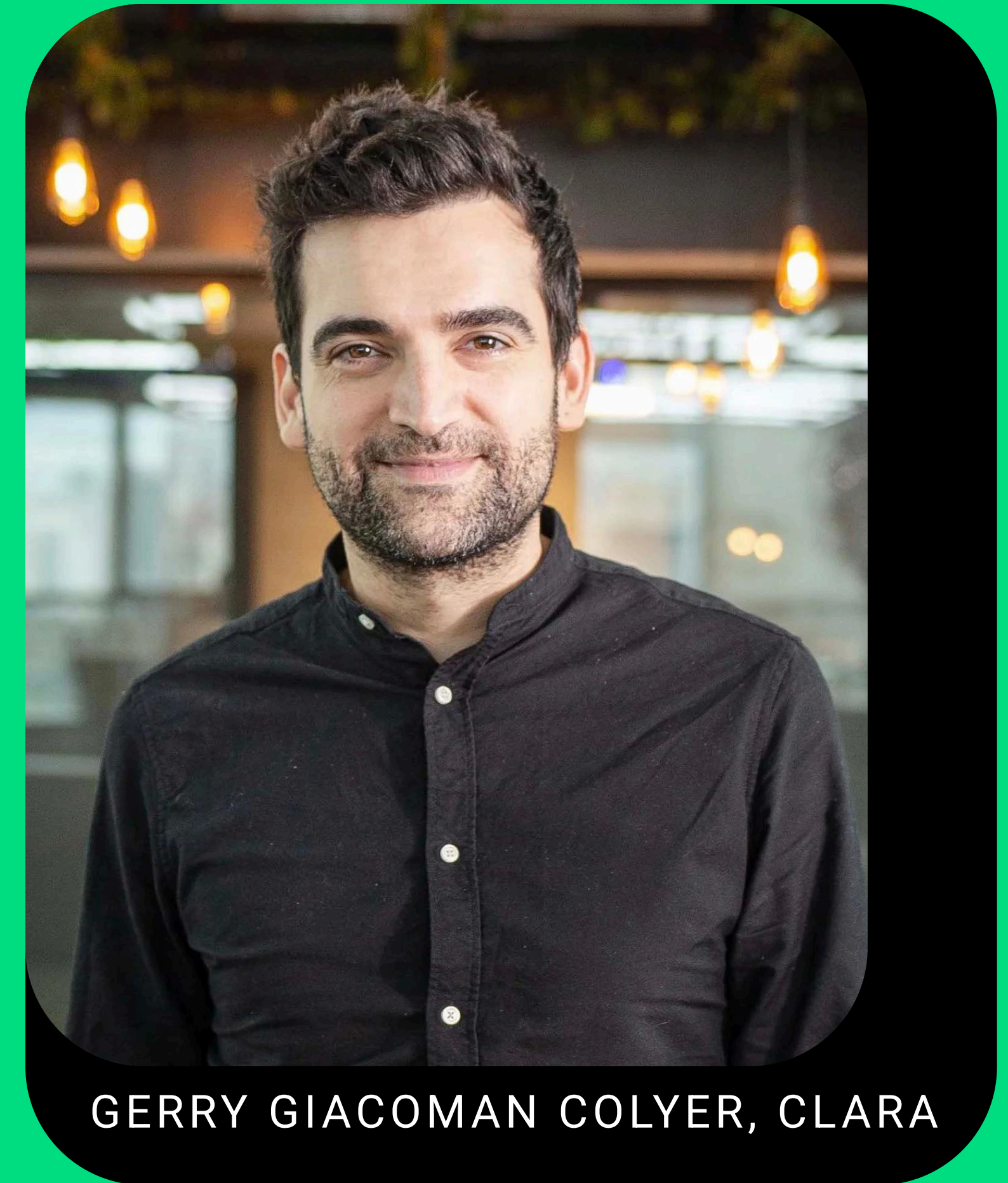


**SOURCES**

Latitud Founder & Investor Survey 2024; Atlantico's Latin America Digital Transformation Report 2023; State of SaaS LatAm Report (Feb 2024).

There's an opportunity for Latin America to **leapfrog in software adoption**. That's conditioned to SaaS players overcoming skepticism by **demonstrating value without upfront friction**.

We adopt a ramp-up approach, combining no/lower monthly fees with indirect monetization streams derived from customer relationships (transactional revenue, financing and intelligence solutions, etc). We think that approach makes a lot of sense for LatAm.



GERRY GIACOMANI COLYER, CLARA



There's still a blue ocean in LatAm SaaS, if players can learn and adopt **specific conversion strategies for the region.**

We adopted Ahrefs' model of \$7 for a 7-days trial, when customers can see value in the form of growth and be convinced to pay monthly. If customers are not even willing to invest a few dollars into their business, it might not be worth it to take them as a freemium user.

Second, we do group demos by industry. This is to protect our sales team cost, as 1:1 no-show is higher than average in the region. Third, we have a sales academy to educate customers in digital marketing and sales.



To build a sizable-sized SaaS in LatAm, it's important to have a team able to develop **flexible solutions**.

This is true in **monetization**, by getting customers in with no/low cost before charging usual monthly fees. But that's also true in **offerings**, as software might see the need to serve up and down in terms of company sizes as it sees additional growth opportunities.



COURTNEY MCCOLGAN, RUNA



# Vertical SaaS rises with the digitalization of sizable niches in LatAm


Businesses just beginning their digital transformation journey across various sizable industries open an opportunity not only for **Horizontal SaaS** (robust software that speeds up growth by catering to a wide range of industries) but also for **Vertical SaaS** (software that trades market size for market share and leadership, offering targeted value by solving specific industry pains).

Yet the decision between Horizontal or Vertical SaaS is not set in stone. Even horizontal players have some specialization in the form of serving multiple industries but restricting by company size or similar business processes. It's also not uncommon to see horizontal players assessing the highest-potential industries after their initial growth spurt, and then unbundling themselves into verticalized solutions.

## SOURCES

Alejandro Vázquez, Gerry Giacomani Colyer, and Roberto Peñacastro in interviews for Latitud.

# Vertical SaaS rises with the digitalization of sizable niches in LatAm

 Cometa is a management software focused on parents and schools. It allows parents to pay their monthly fees through the platform, while the staff doesn't have to manually do invoicing, collections, and reconciliations.

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Fudo (Deli in Brazil) is a point-of-sale software for restaurants. Some of its features include digital menus, order status confirmations for consumers through WhatsApp, cash flow and margin calculations, and storage management.

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Focused on legal firms, LegalBank automates management and financial routines from contract creation to payment processing, leading to a revenue increase of up to 25%.

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Focused on mom-and-pop shops ("tiendas") across Mexico, PulpOS offers features in storage management, sales (order registration, discounts, cash flow management), finances (invoice emissions), and digitalization (e-commerce creation).

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Extendeal is a B2B procurement service focused on retail pharmacies. Through its Vertical SaaS and marketplace, pharmacies can find suppliers, manage orders, and refill their shelves efficiently.

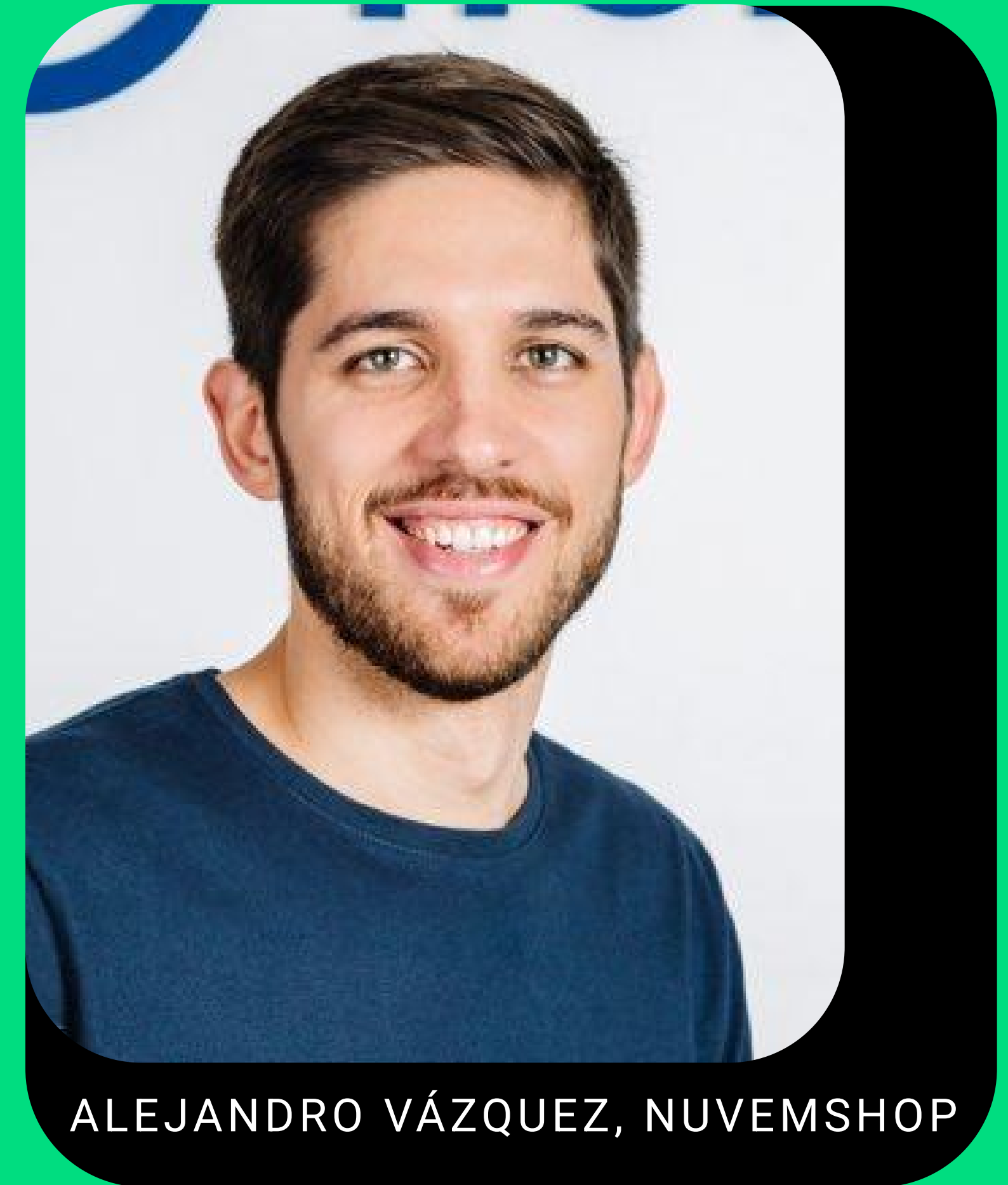
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Also focused on retail pharmacies but on the customer support side, Maggu supports clerks in looking at a customer's history and providing better product recommendations, complimentary offers, and usage guidelines.

Small and medium-sized businesses across the region are increasingly looking for scalable, cost-effective solutions to **compete in a rapidly digitalizing economy**. Yet there are still lower levels of digital adoption in LatAm compared to more developed markets.

There's a substantial opportunity to fill this gap with **SaaS**, providing tools that **simplify business processes, drive efficiency, and enable growth**. As SMBs continue to embrace digital transformation, the demand for **tailored software solutions** is likely to expand.



# LatAm SaaS is raising stickiness by becoming multi-product

Salesforce, Slack, and Trello are some examples of cloud companies who unbundled and focused on doing one thing really well to win against legacy players.

But fearing software management and subscription fatigue as competition increases, plus seeing the rise of artificial intelligence and no/low-code applications, SaaS are going back to becoming aggregators and **hyperbundling** to lead their industries.

**1. Win the category, 2. Expand offerings, and 3. Extend through the value chain:** as software as a service matures in LatAm, startups begin applying this growth playbook.

LatAm SaaS is maturing in terms of adoption, teams, and venture capital. Those who already nailed down their control point (i.e. the most important system for their customers) can do additional problems discovery, follow the spending trail at companies' P&L level, and **create layers of additional products.**

## SOURCES

Command AI's Rippling: The \$11.3B company raising \$ without pitch decks (May 2024); Bessemer Venture Partners' ten lessons from a decade of [software investing \(2022\)](#); Tidemark's 2024 Vertical & SMB SaaS Benchmark Report; [Gerry Giacomani Colyer, Roberto Peñacastro, and William Cordeiro in interviews for Latitud and in Welcome to the HyperBundle Era in SaaS \(Nov 2023\).](#)

## The SaaS Expansion Roadmap

- 1 WIN THE CATEGORY:**  
OCCUPY THE CONTROL POINT (CRITICAL SYSTEM) AND SCALE LOCATIONS
- 2 EXPAND OFFERINGS:**  
GO MULTI-PRODUCT AND INTEGRATE TO GROW ARPA
- 3 EXTEND THROUGH THE VALUE CHAIN:**  
MORE OFFERINGS TO KEY STAKEHOLDERS

# LatAm SaaS is raising stickiness by becoming multi-product

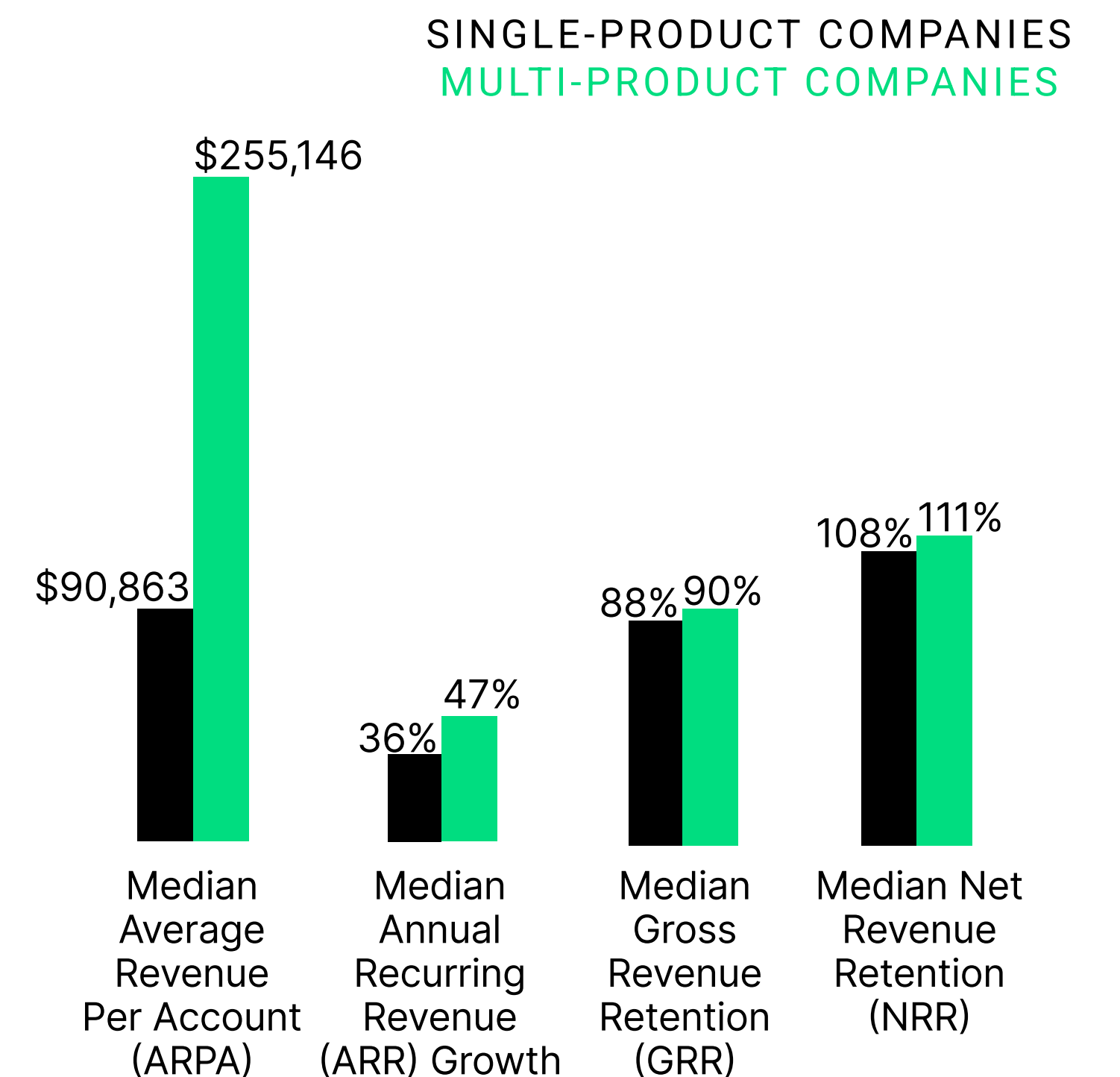
Being multi-product can increase metrics such as average revenue per account (ARPA), net revenue retention (NRR), and lifetime value (LTV).

Both horizontal and vertical SaaS are becoming multi-product – but this is especially important for VSaaS in smaller markets, as an essential step to capture a larger share.

One of the most common expansion routes for vertical software as a service is **adding a financial services layer, especially payment processing.**

Multiple payment facilitation services are now easily available through APIs. VSaaS can either leverage these services through B2B embedded finance providers or develop vertical-specific payment processors.

## Performance metrics of single and multi-product SaaS in multiple regions



### SOURCES

[Tidemark's 2024 Vertical & SMB SaaS Benchmark Report.](#)

A crucial aspect of being multi-product is adding products in a **logically adjacent space to your core product**. New products should be built using specific insights and data you leverage from your core product.

Both horizontal and vertical SaaS businesses can become multi-product. However, VSaaS businesses tend to have a stronger and slightly more loyal customer base, which makes product expansion easier.



ALEX BUSSE, NXTP



In SaaS, and especially in VSaaS, it's crucial not to fall into the "small TAM trap" by underwriting an early-stage deal based solely on the startup's initial product.

Investors should see it as an **ever-expanding addressable market**, as the startup builds on its core suite with incremental offerings (up-selling, cross-selling, and adding embedded financial services).

For SaaS founders, this approach to expansion lays the foundation for **better liquidity and higher valuations at exit.**



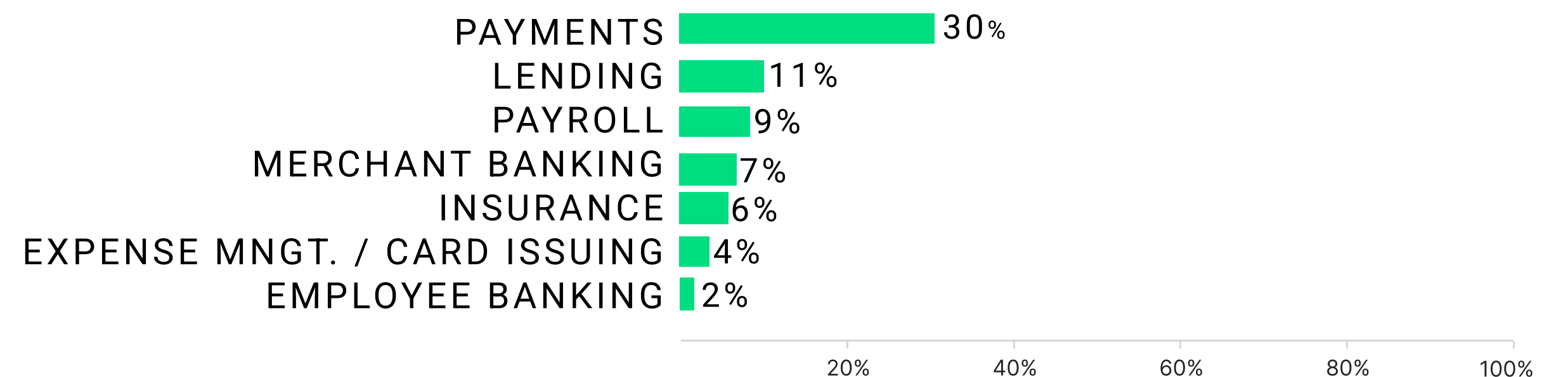
# Case: LatAm Vertical SaaS is adding a payments layer through embedded finance

One of the most common expansion routes for vertical software as a service is **adding a financial services layer, especially payment processing.**

Payments have gone from value add to commodity – yet companies need to "own the right" to do it for their customers, and that's what VSaaS are aiming to conquer.

Multiple payment facilitation services are now easily available through APIs. VSaaS can either leverage these services through B2B embedded finance providers or develop vertical-specific payment processors.

% of SaaS in multiple regions with select fintech offerings



## SOURCES

Bessemer Venture Partners (2022); Fractal's State of Vertical SaaS (Dec 2023); Tidemark's 2024 Vertical & SMB SaaS Benchmark Report; Luisa Dalla Costa in interview for Latitud.

Financial services aren't the main offering of a software as a service – yet they're extremely important to customers. **The combination of fintech and SaaS makes the overall product disproportionately more valuable.**

To validate product-market fit in the fintech vertical, many SaaS companies begin with third-party solutions. This approach allows them to assess which parts might later benefit from in-house development if they require greater control and flexibility.



ADEMAR PROENÇA, LEGALBANK



Founders are often strategically focused on **building volume** within their verticals before **adding fintech offerings**. But while these shifts occurred in sequence in other regions, **they are unfolding simultaneously in LatAm.**

The **convergence of verticalization and embedded finance** is especially relevant to Latin America. Incorporating fintech capabilities is quickly becoming essential for vertical players who want to stay relevant and fully meet client needs.



CAMILA VIEIRA, QED



SAAS: THE TRENDS

# The global cloud industry is surfing the artificial intelligence interest boom...

The market cap of **The Cloud 100** jumped 25% YoY and reached \$820B – the **highest list value in history**. Two factors drove that rise: first, companies have emerged from market turbulence more resilient than ever, and regained valuation with that. Second, there's the rise of artificial intelligence.

AI companies drove a massive jump in market cap, of \$100B+. AI is now the highest-valued category of The Cloud 100, at \$176B (21% of the list value), followed closely by Fintech, at \$173B.

**AI increases the breadth and depth of the value a SaaS company can deliver:** as many software businesses are all about creating efficiency, AI-powered agents are uniquely suited to automate tasks and provide data-driven insights inside workflows.

## SOURCES

Forbes Cloud 100 2024 List; The Cloud 100 Benchmarks Report 2024; Alexander Busse in interview for Latitud.

RANK ^	COMPANY	WHAT IT DOES	VALUATION	FUNDING
1	OpenAI	AI research and products	\$86 B	\$11.3 B
2	Databricks	Data and AI platform	\$43 B	\$4 B
3	Stripe	Financial Infrastructure	\$65 B	\$2.2 B
4	Canva	Visual communication platform	\$26 B	\$560 M
5	Anthropic	AI research and products	\$18.1 B	\$8.9 B
6	ServiceTitan	Trade industry software	\$7.4 B	\$1.5 B
7	Scale AI	Data infrastructure	\$13.8 B	\$1.6 B
8	Deel	Global HR	\$12 B	\$675 M
9	Wiz	Cloud security	\$12 B	\$1.9 B
10	Navan	Travel and expense management	\$9.2 B	\$1.6 B
11	Miro	Digital collaboration	\$17.5 B	\$475 M

## The Cloud 100 2024: Top 10 Companies

# ... and LatAm SaaS is also setting the stage to surf that AI wave

"It's rare to find a cloud company these days that isn't, at some, level an AI company." While this quote from Bessemer's State of the Cloud 2024 isn't yet a reality in LatAm, demand is pushing SaaS to adapt and embed AI – especially after the widespread adoption of GenAI models such as Claude, Chat GPT, and LLaMA.

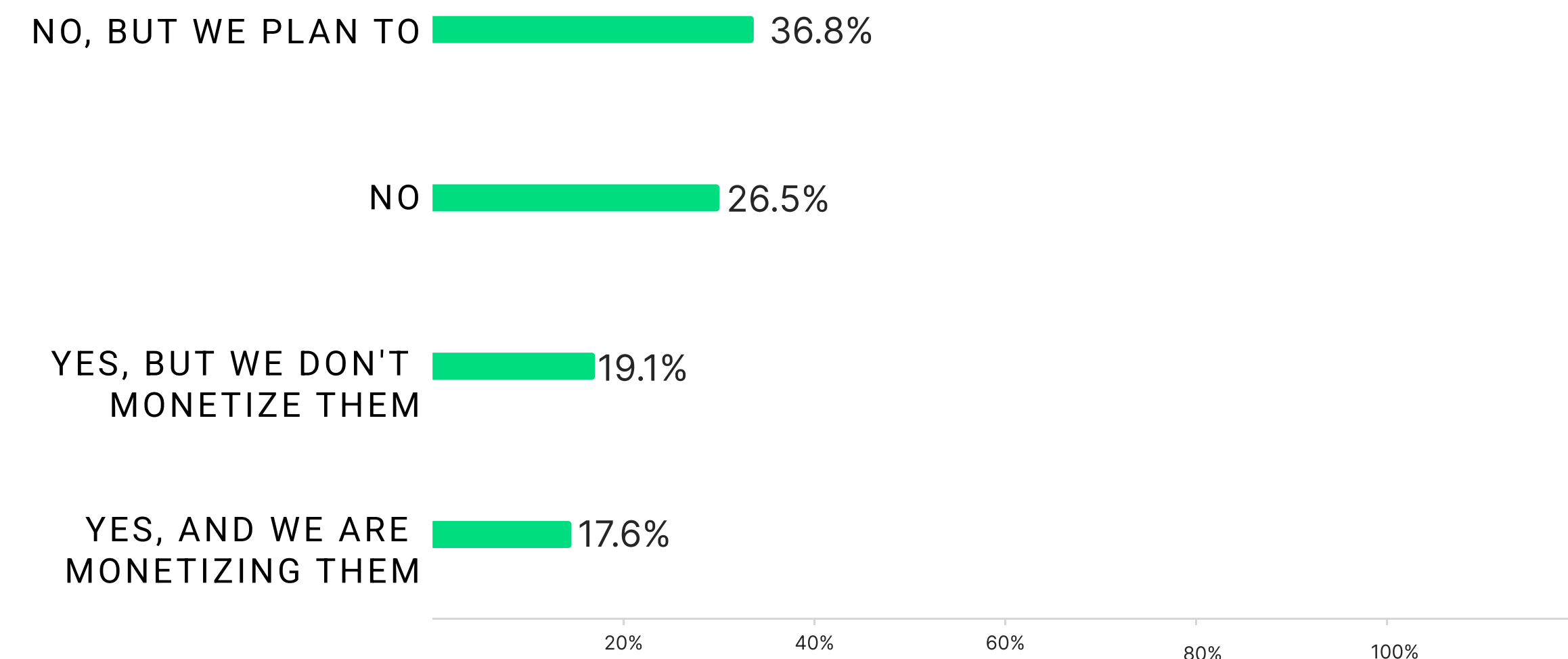
Global data shows that AI software utilization is higher than the overall software average (72% vs 65%). The proposition is so strong that might push players in traditional segments like health and law to leapfrog, and go from no-software to AI + SaaS software.

The result is that in LatAm, 70%+ of SaaS either already launched or plan to launch an AI feature, either consumer-facing or running in the background. This was not the case 2 years ago.

## SOURCES

Bessemer's State of the Cloud 2024; Vertice's SaaS & Cloud Spend Unwrapped Q2'24; Tidemark's AI: Extinction or Evolution? (2023); State of SaaS LatAm Report (Feb 2024); Alexander Busse in interview for Latitud.

## LatAm SaaS: did your company launch any AI features products?



State of SaaS LatAm Report (Feb 2024)

# LatAm SaaS will go beyond payments and add new layers

Some SaaS in the region are already starting to go beyond payments and add other layers to their product expansion roadmap – and this is poised to really pick up in the medium term, as the market matures.

The cash flow data collected through payments can set a good foundation to expand inside the fintech category. This data can help underwrite the most adequate lending products for each industry (e.g. credit cards, anticipation of receivables, short and long-term loans). SaaS can also consider payroll services (e.g. calculation, processing, taxation, and reporting).

LatAm SaaS layers aren't restricted to the SaaS → Payments → Lending route though. Based on the most pressing industry pains, startups have bet on other expansion routes, such as Marketplace and Ads as well.

## SOURCES

[Fractal's State of Vertical SaaS \(Dec 2023\)](#).



The B2B procurement service focused on bringing more purchasing intelligence to retail pharmacies. Using SaaS as its initial wedge into the market, Extendeal then added a marketplace layer, allowing pharmacies to discover even more suppliers.



Maggu supports retail pharmacy clerks to provide better product recommendations, complementary offers, and usage guidelines. The startup also offers Maggu Ads, leveraging the company's direct connection with customers to collect data. The pharmaceutical industry can see which products are in demand and run effective marketing campaigns.

SaaS, fintech, marketplace, and any other layers: what's important to be a winner-takes-all is to start by **solving your customers' main pain and conquer their engagement with that.** That's even more than pinpointing your revenue model.

At B2B Pharma, we identified that the biggest problem and potential addition of value was allowing them to make more intelligent purchases. After finding product-market fit, offering them more suppliers through a marketplace or financing working capital were natural steps.



# AI can both kill and breathe life into SaaS

Old and new, SaaS players are seeing increased competition from AI-native applications, leveraging foundational models to offer similar value props. The long-term risk is full substitution – companies going from buying software for their employees to outsourcing functions to AI-native service providers, whose TAM would become the labor + services markets.

**Competition can both kill or force the evolution of current software players.**

The winners of these battles lie in conquering the first step for every software to grow: dominating the control point, and data and workflow dominance with it. These winners will be able to better fine-tune models and offer features within workflows companies are already using.

In some industries, control points are dominated by adaptable software. In others, not so much, especially when we talk about solutions for specific industries. So the race is very much on between VSaaS and AI-native companies to dominate vertical proprietary industry data, train models, and launch applications with agile go-to-market aiming to seize control points.

## SOURCES

[Alejandro Vázquez and William Cordeiro in interview for Latitud; Tidemark's AI: Extinction or Evolution? \(2023\)](#) and [AI Evolution: An Update \(2024\)](#); [Fractal's State of Vertical SaaS \(Dec 2023\)](#); [Bessemer's State of the Cloud 2024](#); [Index's The Rise of Vertical AI \(Jun 2023\)](#).

## SAAS: THE CHALLENGES

### Low penetration of SaaS in LatAm

As mentioned throughout the study, there's still a regional challenge for LatAm SaaS in educating potential customers on software's potential to make businesses more efficient. In the enterprise market, long sales cycles can be too much for young SaaS. In the SMB market, there's work to be done in building a culture of paying for tools that'll generate cost reduction and/or revenue expansion in the long run.

### Operational costs

LatAm cloud and software players in the region might also face difficulties when dealing with economical factors such as currency volatility and the prohibitive cost of hardware (if using/building a local cloud provider). These added costs make competing more difficult in the global market of SaaS.

### Updates on data protection and privacy regulation

Chile (1999), Argentina (2000), Uruguay (2008), Mexico (2010), Peru (2011), Colombia (2018), Brazil (2018), and Panama (2019) all have data protection and privacy regulations. Multiple LatAm countries have manifested the desire to update their frameworks, mostly inspired by European standards, and all digital businesses must be ready to adapt alongside them – including software as a service, highly reliant on customer data collection.

### Cybersecurity threats

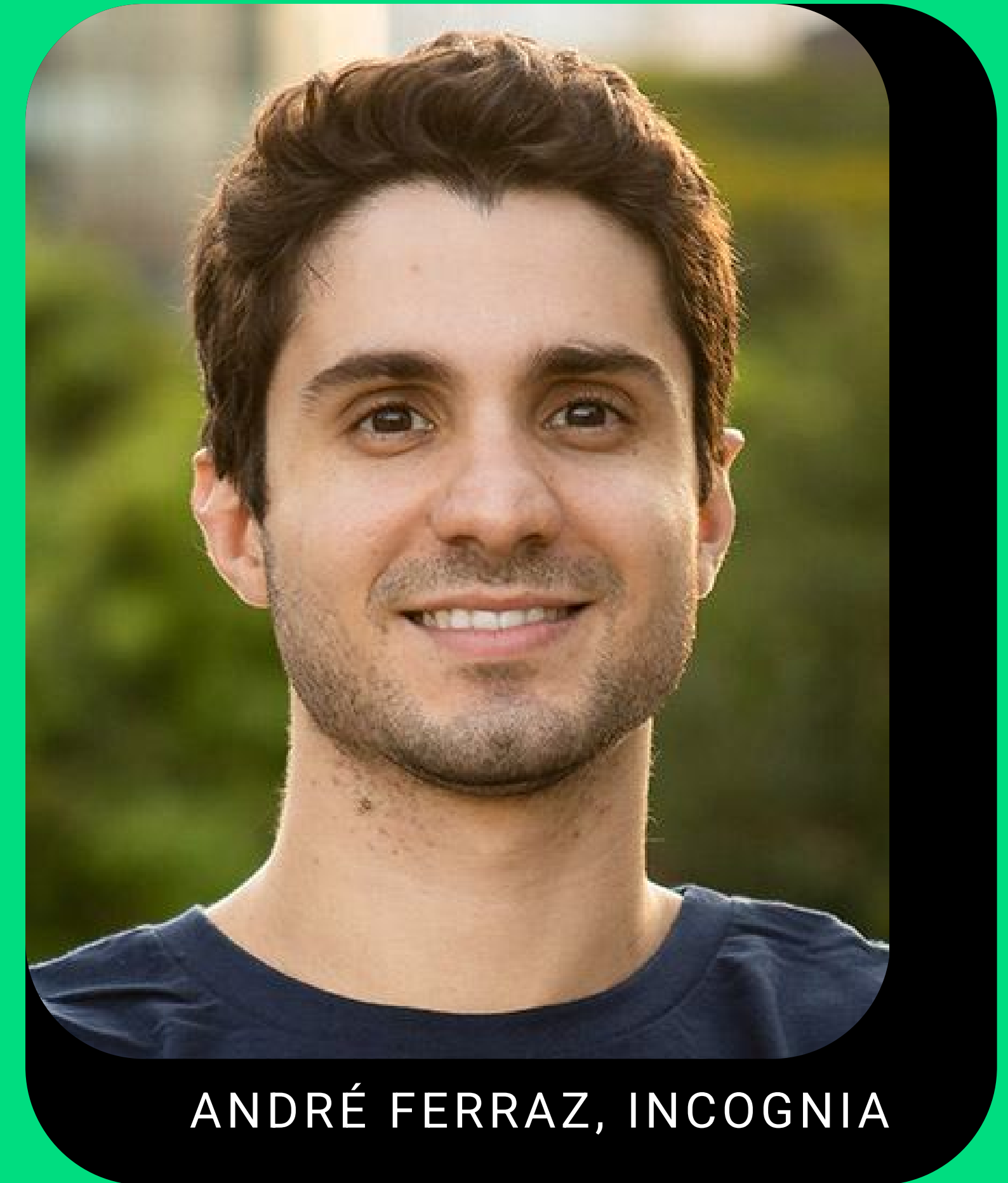
Latin America was the region with the largest increase in cyber attacks (+53%) in Q2 2024, compared YoY. Cyber threats are becoming more sophisticated due to the rise of artificial intelligence. While this poses a threat to all digital businesses, it also presents an opportunity for SaaS focused on curbing said cyber threats. After China, Latin America is the region where cybersecurity investments are growing the fastest.

## SOURCES

Alejandro Vázquez and William Cordeiro in interview for Latitud; Tidemark's [AI: Extinction or Evolution? \(2023\)](#) and [AI Evolution: An Update \(2024\)](#); Fractal's [State of Vertical SaaS \(Dec 2023\)](#); Bessemer's [State of the Cloud 2024](#); Index's [The Rise of Vertical AI \(Jun 2023\)](#).

The cost of importing hardware makes it **very difficult to build a local cloud infrastructure** that's also sustainable. When operating inside Brazil only, I remember opting for a global cloud solution while paying 50% more in taxes — because even then it presented a better cost than building a local cloud infrastructure for our software.

Be it AI or SaaS, local players have to understand they'll **compete with global prices even inside LatAm**. And international players won't worry about a 50% importing tax within their infrastructure.



# THE LATAM TECH REPORT

The Future of E-commerce and Logistics



# EXECUTIVE SUMMARY

- Latin America shines in e-commerce and the segment will keep on growing at a **30% CAGR in the next few years**, driven especially by increased digital adoption in laggard regional markets. Together with e-commerce's development, logistics are receiving an extra push towards better infrastructure and efficiency, which will include more technology.
- Unicorns in e-commerce and logistics are spread out across the region's main markets. After venture capital booms to both sectors in 2021 and 2022, **funding to these segments presented a slowdown in 2024 YTD.**

## Latin America is the fastest-growing region in e-commerce

	ASIA	US	EUROPE	LATAM	AFRICA
Retail e-commerce volume in 2023, \$B	\$1,811	\$925	\$631	\$272	\$36
CAGR 2023-2026	7%	14%	12%	30%	11%
Annual e-commerce spending per capita	\$657	\$3,370	\$1,017	\$467	\$83



SOURCES

PCMI's The 2023 Latin America E-commerce Blueprint (Aug 2023).

# EXECUTIVE SUMMARY

- **Latin America presents both mature and developing e-commerce markets**, with a similar asymmetry seen in digital payments. In logistics, the rise of **nearshoring** is seen especially in Mexico but with a sizable opportunity in the rest of LatAm. Both e-commerce and logistics are also betting on **cross-border commerce** and the use of **artificial intelligence** for improved efficiency.
- Looking at the medium to long term, some opportunities for e-commerce players are incorporating multi-rail payment systems, adding a revenue stream through **retail media**, and going **B2B**.
- Yet challenges remain for both e-commerce and logistics: **changing taxes and regulations**, the need for **security**, and **infrastructure** become even more important as these industries go cross-border (including nearshoring).



# E-commerce unicorns are concentrated, while logistics unicorns are spread out across LatAm



## SOURCES

Distrito's Corrida dos Unicórnios 2024 with alterations from Latitud;  
Latin America Map Vectors by Vecteezy.

# LatAm e-commerce startups go from usual online merchants to back-office enablers

E-COMMERCE

VERTICAL SAAS

## ONLINE MERCHANTS

**magazineluiza**

*falabella.*



## MARKETPLACES

HORIZONTAL

VERTICAL



*Rappi*

clubi

**farmu** **KAVAK**  
.COM

**mercanto**

**morado.**

## AGGREGATORS

ELEVVA

merama

## TECHNOLOGY AND FINTECH ENABLERS

d-local **EBANX** **olist**

**trinio** **unbox** **VTEX**

# LatAm logistics startups go from last-mile to cross-border

E-COMMERCE

LAST-MILE DELIVERY  
PLATFORMS, NETWORKS,  
AND RELATED SERVICES

 chazki

 CONECTAMOS

 dak

 ifood

 Loggi

 mensajeros  
urbanos

 Mottu

 Rappi

VERTICAL SAAS

E-COMMERCE  
FULFILLMENT AND  
ENABLEMENT

 99 minutos.com

 clicOH

 Cubbo

 Loggi

 melonn

 MOOVA

 pikkop  
envío fácil

ROAD, AIR, AND OCEAN  
FREIGHT DIGITAL  
MARKETPLACES AND  
SOLUTIONS

 COBLI

 finanex

 finkargo

 frete.com

 liftit

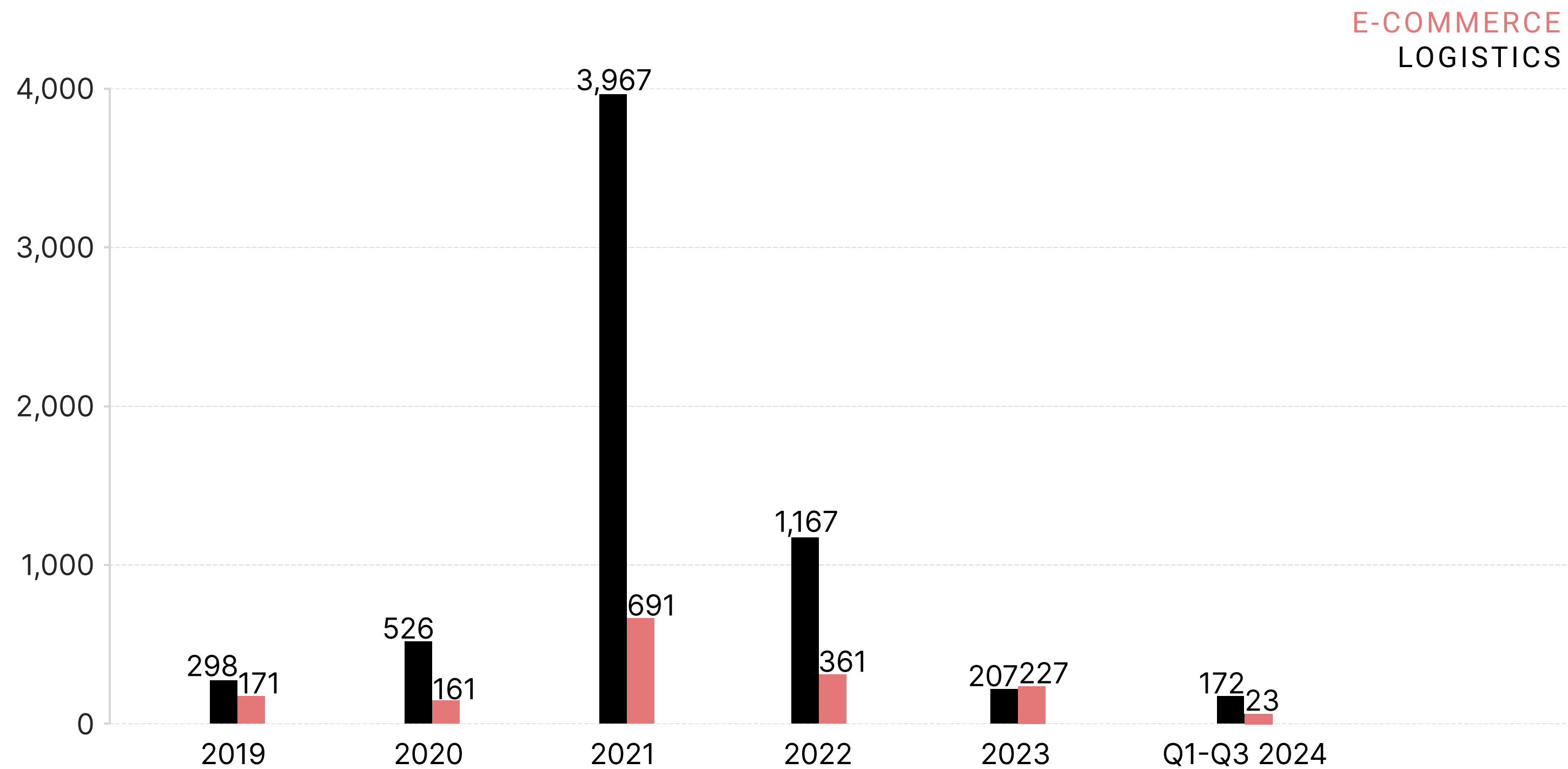
 nowports

 nuvo cargo

 ZARV

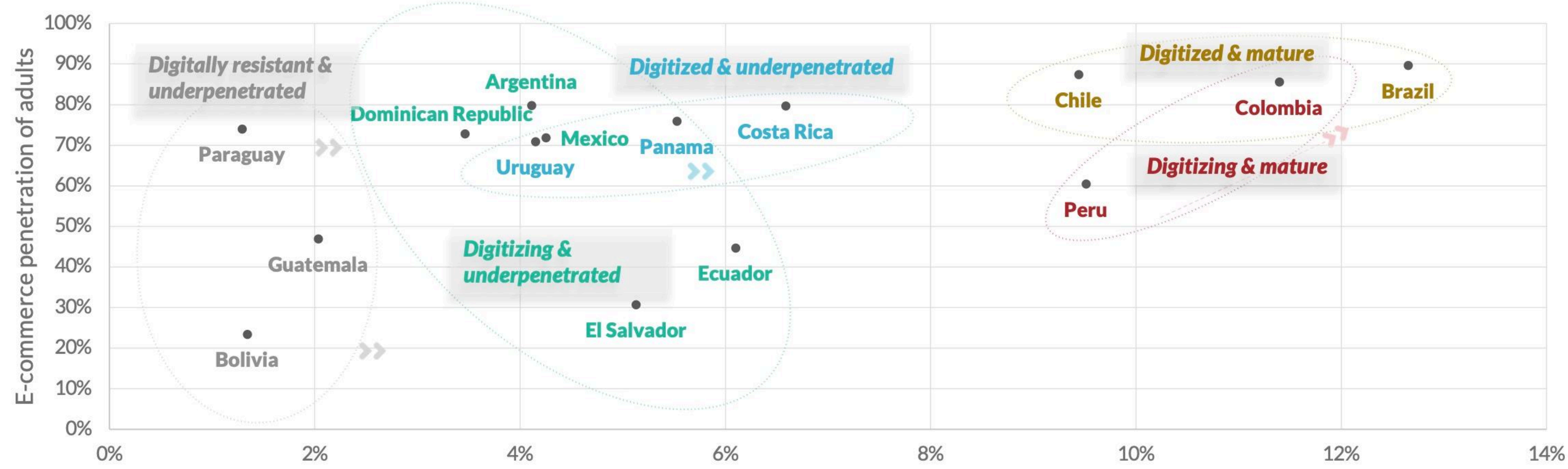
# Venture capital for LatAm e-commerce is set to stay flat while logistics slows down in 2024

VC Investment in Latin America by Tech Vertical, 2019-1H 2024  
Source: LAVCA



# LatAm sees an asymmetrical development of e-commerce

E-commerce penetration among adults (digitalization) and in relation to GDP (economic maturity) varies across countries in Latin America:



SOURCES  
PCMI's The 2023 Latin America E-commerce Blueprint (Aug 2023);  
Renato Pereira in interview for Latitud.

# LatAm sees an asymmetrical development of e-commerce

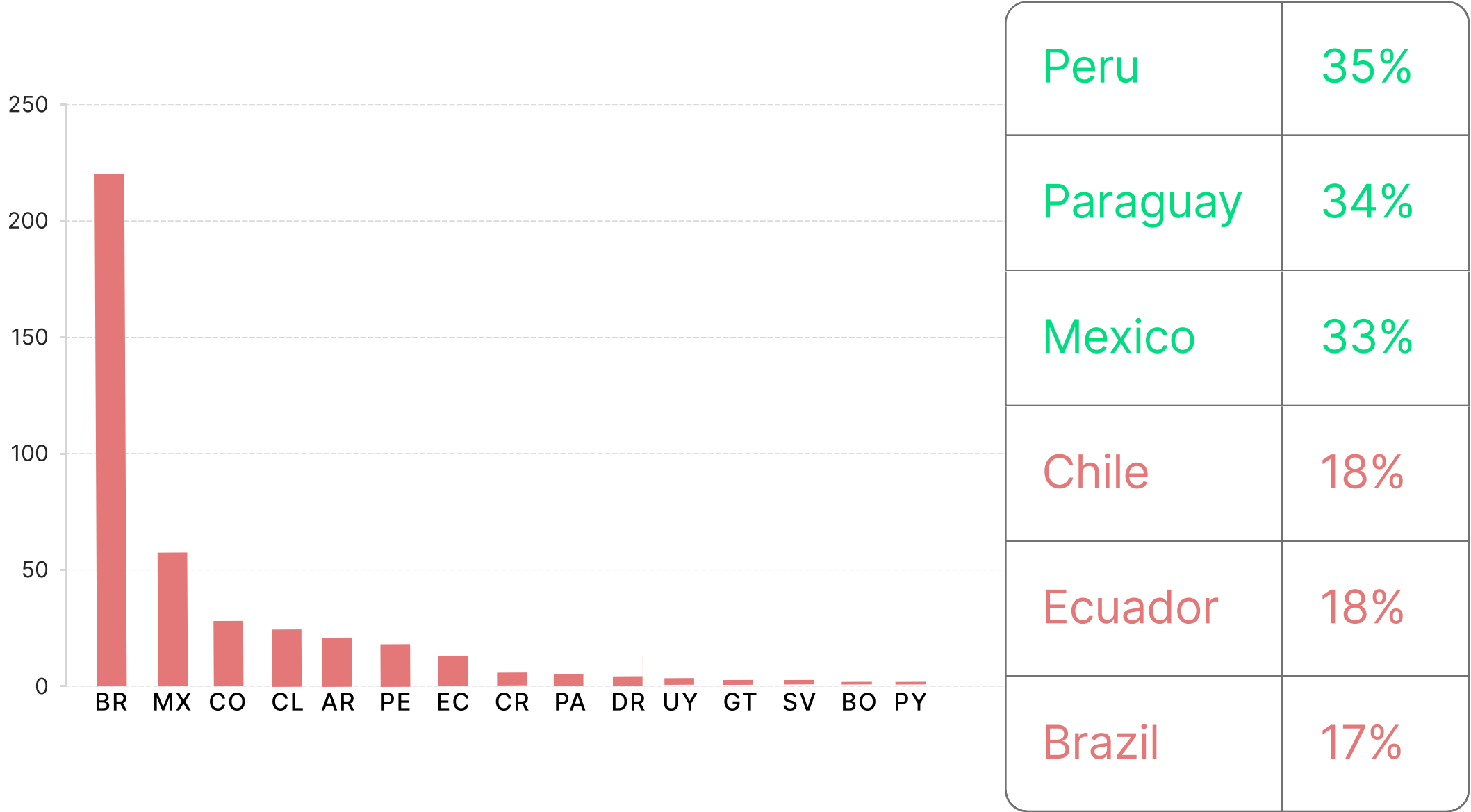
That has first a **direct impact on growth rates**. Brazil is LatAm's largest e-commerce market by a wide margin, yet presents the slowest growth trend. The countries with the fastest growth rates present varying degrees of digitalization and economic maturity (Peru, Mexico, Paraguay) – with Mexico presenting the best combination of market size and growth rate out of these.

This asymmetry leads e-commerce players to adopt **different strategies**. In underpenetrated markets, there's still an opportunity to migrate in-person retail volume to e-commerce and introduce digital payments. Markets with high e-commerce penetration have surpassed said challenges, and now require players to compete more deeply in user experience innovation.

**SOURCES**

PCMI's The 2023 Latin America E-commerce Blueprint (Aug 2023); Renato Pereira in interview for Latitud.

**E-commerce market volume, \$B  
Highest and lowest CAGRs**



PCMI's The 2023 Latin America E-commerce  
Blueprint (Aug 2023)

"Brazil and Mexico are the largest e-commerce markets, but **size** is not the only relevant metric when analyzing e-commerce opportunities in LatAm. Other countries like Chile, Colombia, and Argentina also hold an important transaction volume combined with **more sophisticated players** adding value to their ecosystems.

Buyers and sellers no longer go to the digital gondola only to try to sell an old used bike; e-commerce is turning into the go-to option for most of people's everyday needs. And that's not even the full story. To properly understand the potential, you also need to add to the picture a filter based on **industries** and on local complexities such as **taxation, infrastructure, and logistics**.

Looking at more developed markets, like the US, Europe or Asia, we still have **room to double or triple our current penetration. And this should happen in the next 3 to 5 years.** We are at the right place, at the right time. The e-commerce market is perfectly positioned to capture the tailwinds of e-commerce penetration's leading indicators, internet and credit/debit card penetration – for those who are willing to face the operational challenge of a fast-moving and scaling train.



# The asymmetrical development of instant payments is also seen in e-commerce

LatAm sports the **highest global percentage of account-to-account payment penetration in e-commerce, at 20%** (yet still behind credit cards, at 35%). Yet, as we mentioned when looking at The Future of Fintech, the regional data doesn't paint the full picture and payment methods see an **asymmetrical development across LatAm, e-commerce included.**

The presence of real-time and account-to-account payments is largely due to Brazil, where PIX is used by 144 million Brazilians (4 in every 5 adults) and transactions between customers and businesses via PIX have already doubled since 2022. While Colombia and Peru seem to be following in Brazil's footsteps in account-to-account payments adoption inside e-commerce, the reality is different in countries like Argentina and Mexico, where digital wallets are preferred. In every LatAm country, though, cards are still the preferred choice.

## SOURCES

[Capgemini \(Sept 2024\)](#); [WorldPay GPR 2024](#); [PCMI \(Feb 2024\)](#); [Ebanx Beyond Borders 2024](#); Gastón Irigoyen, João Del Valle, and Tomás Mindlin in interviews for Latitud.

# The asymmetrical development of instant payments is also seen in e-commerce

LatAm e-commerce payment methods

	DIGITAL WALLETS	CREDIT CARDS	DEBIT + PREPAID CARDS	ACCOUNT TO ACCOUNT (A2A)	BUY NOW PAY LATER	CASH ON DELIVERY	OTHERS
<b>ARGENTINA</b>	<b>31%</b>	35%	19%	10%	<b>1%</b>	3%	1%
<b>BRAZIL</b>	16%	<b>40%</b>	9%	<b>30%</b>	<1%	1%	4%
<b>CHILE</b>	20%	26%	<b>32%</b>	17%	<1%	2%	4%
<b>COLOMBIA</b>	18%	27%	18%	25%	<b>1%</b>	<b>6%</b>	5%
<b>MEXICO</b>	28%	33%	22%	6%	<b>1%</b>	2%	8%
<b>PERU</b>	11%	31%	21%	4%	<1%	<b>6%</b>	<b>11%</b>

REGIONAL HIGHS

The state of payment rails in e-commerce is defined by two key drivers. On one hand, consumers will search for the option that gives them **more access to credit** and **lower usage friction**. On the other hand, merchants will search for the option that best **optimizes payment approval rates** and **presents lower fees**. Payment methods will keep being created to leverage these drivers.



RENATO PEREIRA, SR. DIRECTOR  
OF CORPORATE DEVELOPMENT  
@ MERCADO LIBRE



# Commerce fills historical gaps in logistics through infrastructure and tech

Logistics is filled with challenges, worldwide or LatAm. In the region, we see a sector with **outdated technology** and **inefficiencies** that lead to **low margins** and **poor service in terms of price, quality, and speed from incumbents**, even at larger cities. Yet having fast and cost-efficient logistics is no longer a competitive edge – it's a given for e-commerces.

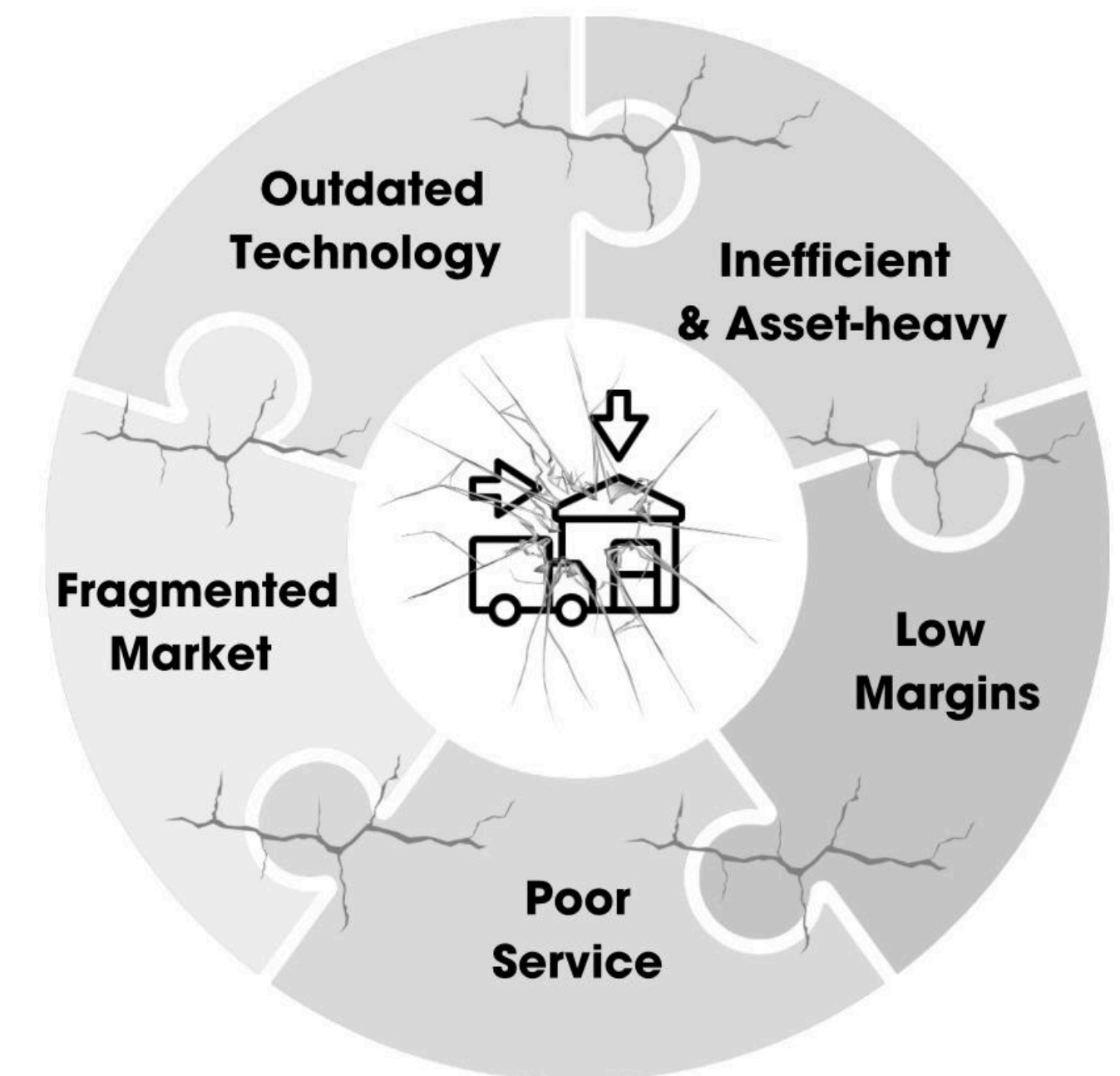
To battle these gaps, larger players such as Amazon and Mercado Libre have already been investing into **proprietary logistics infrastructure and tech**. Now they have owned distribution centers in key nodes across sizable e-commerce markets, such as Brazil and Mexico.

**Startups are looking at building a similar option for medium, small, and micro merchants and suppliers at scale.** Some solutions include creating marketplaces aggregating merchants and local suppliers, and offering these same suppliers more financing and efficiency tools.

## SOURCES

Jorge Jiménez and Renato Pereira in interviews for Latitud; Conectamos Study (2024).

## The historical gaps of logistics in LatAm



Conectamos Study (2024).

Amazon and Mercado Libre are outliers. Most of e-commerces are smaller direct-to-consumer brands, and they don't have the time and money to build their own logistics network. They rely on the currently available networks, which already being pushed to a breaking point.

**E-commerces could be growing more if there were better last-mile solutions.** The present logistics gap will keep affecting merchants more and more if startups don't step in.



# Nearshoring receives a push in LatAm, but challenges remain

Latin America is capturing more and more foreign direct investment through **nearshoring** (relocating manufacturing and operations to a nearby country) due to a series of factors.

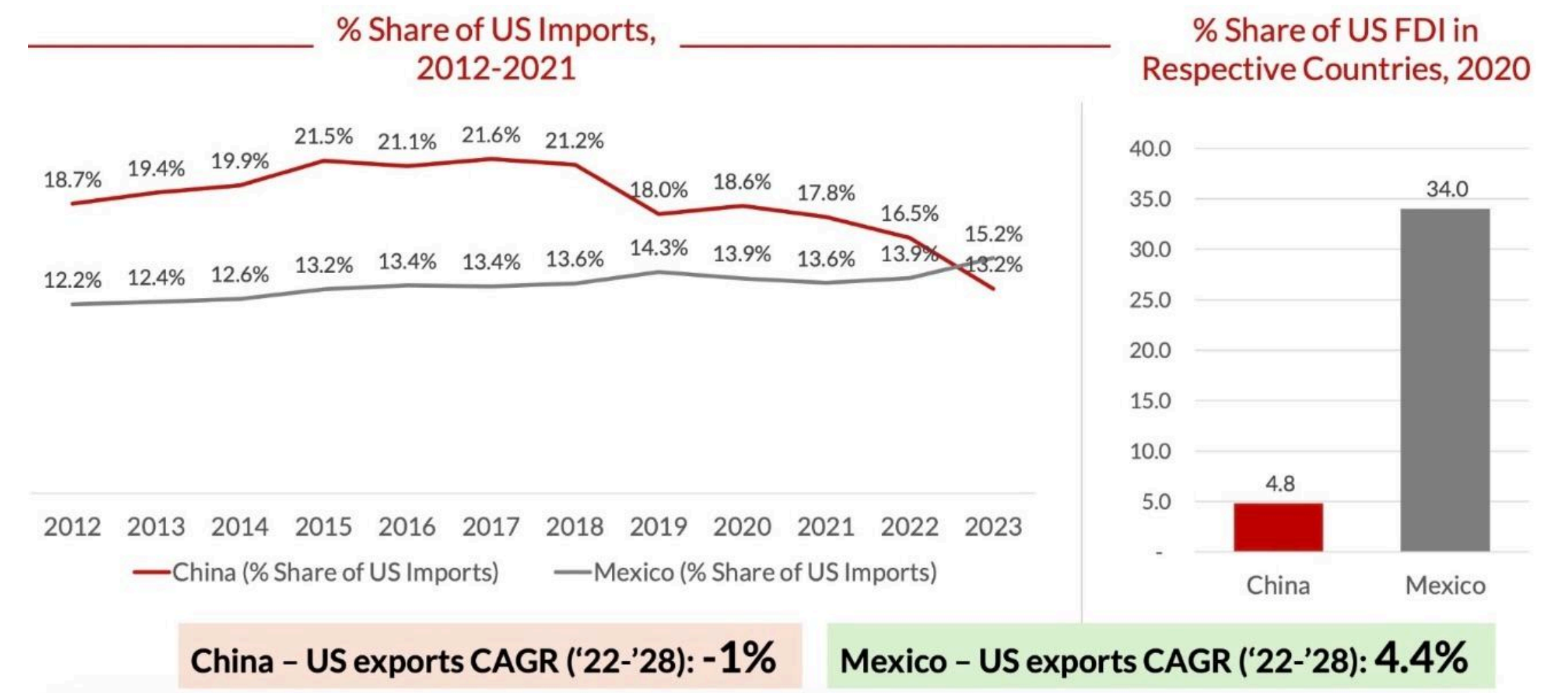
US companies are looking for a closer and more flexible **oversight on production**, lower their **logistics costs** and **lead times**, and **evade economic and political risks** related to manufacturing in China (including higher tariffs). In 2023, Mexico's share of US imports finally surpassed China's, with a difference of up to 26 days in lead time.

Mexico will start to **shrink its workforce due to aging** only in 2040, while that movement has been seen since 2008 in China. That has been reflected in **labor costs**: Chinese workforce wages have steadily risen in the past decade while Mexican wages have remained stable. Not only US but even Chinese companies are relocating factories to Mexico.

## SOURCES

World Economic Forum (Feb 2024); China Briefing's US Tariff Increases on Chinese Imports (May 2024); AMI (April 2024); Ignacio Arambarri and Santiago Molina in interviews for Latitud.

## US business is more vested and influential in Mexico than China



# Nearshoring receives a push in LatAm, but challenges remain

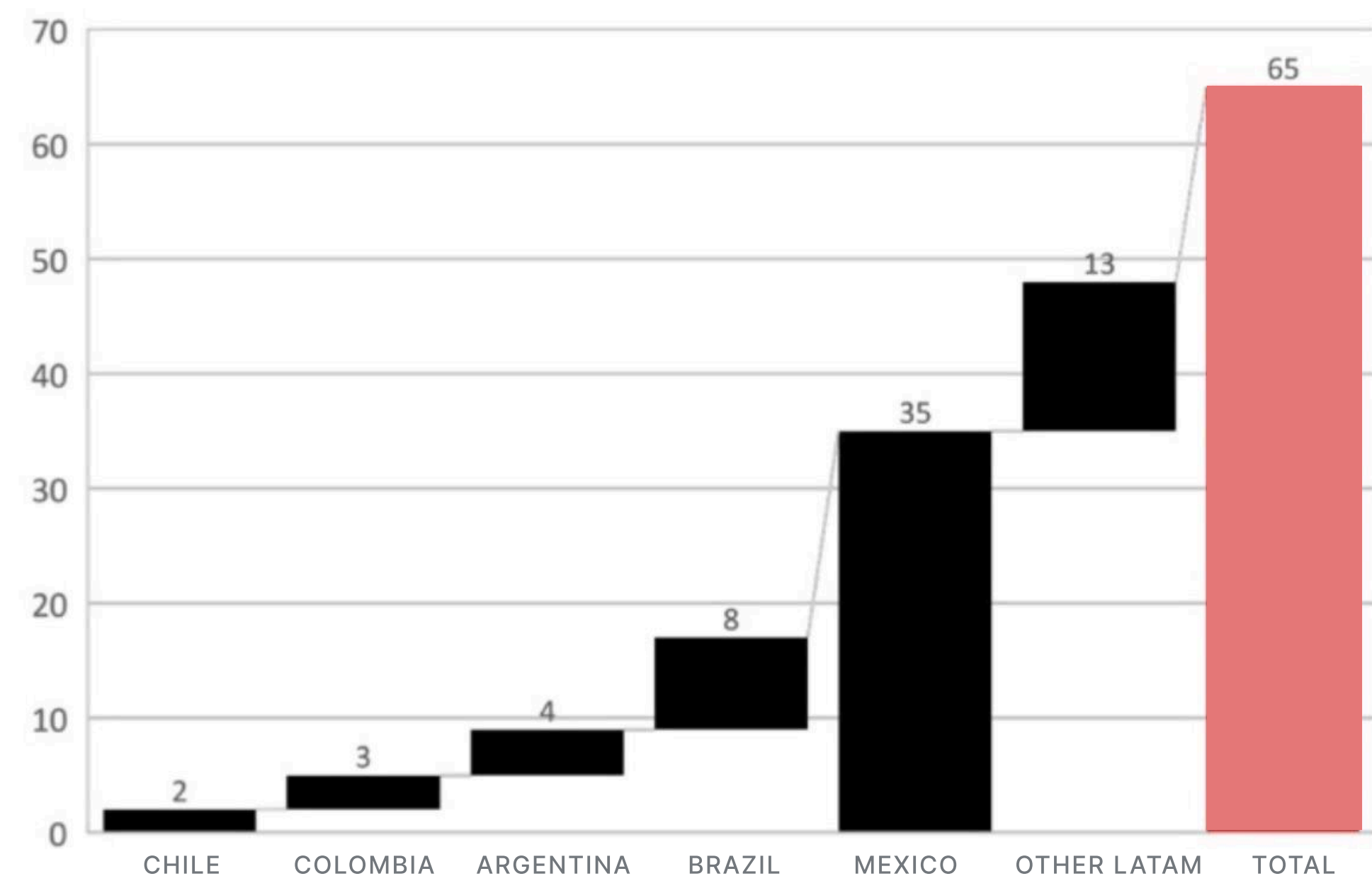
Nearshoring is expected to present a **\$65B opportunity for LatAm in 2025**. And even though Mexico represents the majority (54%) of the nearshoring opportunity in LatAm, other LatAm countries still see the opportunity to seize the remaining 46% of that value.

Yet the region still has challenges to overcome to fully leverage nearshoring's potential. Among developing regions, Latin America and the Caribbean invest the least in infrastructure as a share of GDP – roughly a third of East Asia.

## SOURCES

World Economic Forum (Feb 2024); Americas Quarterly (April 2024); The Economist's Nearshoring: A new era of connection for Latin America (April 2024); AMI's Taking measure of Mexico's nearshoring opportunity (April 2024) and Exploring 2023-2024 Logistics Trends in Latin America (October 2023); Ignacio Arambarri and Santiago Molina in interviews for Latitud.

Total nearshoring opportunity by LatAm country  
(2025 forecast, \$B)

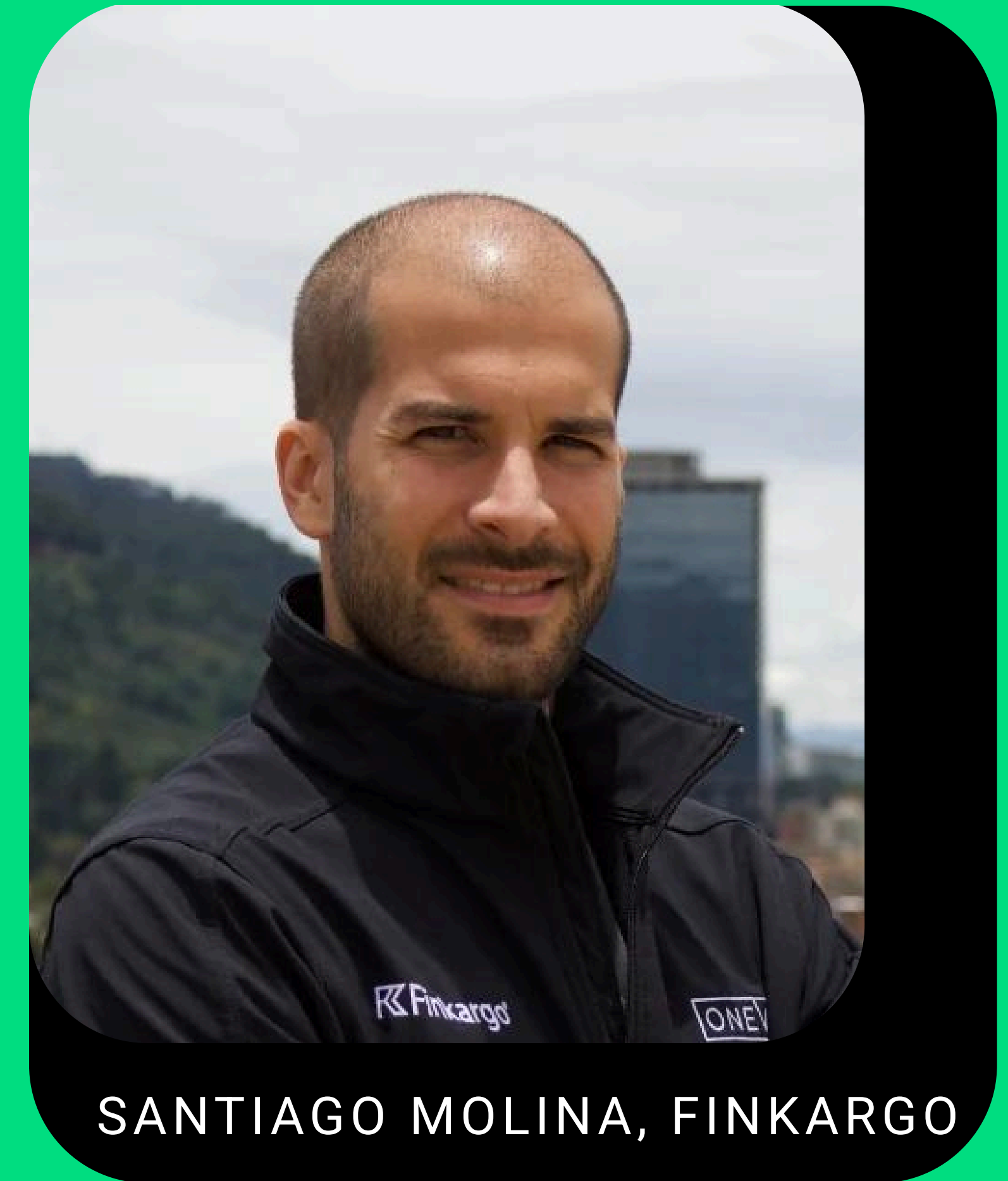


AMI (April 2024)

**Nearshoring** is a trend poised to pan out throughout the next decade in **three different stages**. We're at the beginning of the first stage, which is **setting up the infrastructure** as a manufacturing hub, from factories and warehouses to energy, gas, and water supply.

The second wave is **setting up the suppliers and production**. You have to find out how to source raw materials and other supplies across the region to reduce costs, bring in or build the machinery, and connect your production to local supply chains.

The third and final wave is **winning over the region**. And I believe that due to free trade agreements and higher trust credited to culture and proximity, everybody in LatAm would rather negotiate with Mexico than China, for example.



SANTIAGO MOLINA, FINKARGO



**In the short term**, nearshoring will continue to accelerate especially in sectors like electronics, automotive, and textiles, where supply chain flexibility and lower labor costs are crucial.

Countries like Mexico, due to its existing industrial base and trade agreements such as USMCA, are likely to be the largest beneficiaries, but other nations like Brazil, Colombia, and even Central America may start seeing more foreign direct investment and production shifts as companies diversify their supply chains.

**In the medium term**, Latin America could see more structural changes and the growth of regional nearshoring hubs. This will depend on **ramping up infrastructure investments** in manufacturing, logistics, and technology, plus **stronger integration within the global supply chain**.



IGNACIO ARAMBARRI, FINANEX



# Cross-border e-commerce is a \$70B market in LatAm, and conquering larger shares

Near or far, offshoring production leads to the rise of **cross-border e-commerce**. And LatAm can be both an exporter and a consumer.

US and Asian merchants such as Amazon, Shein, and Shopee have established footholds in the region due to its sizable, digitalized market. Local marketplaces have also embedded international shipments inside their platforms, from Brazil's Magazine Luiza to Mexico's Coppel.

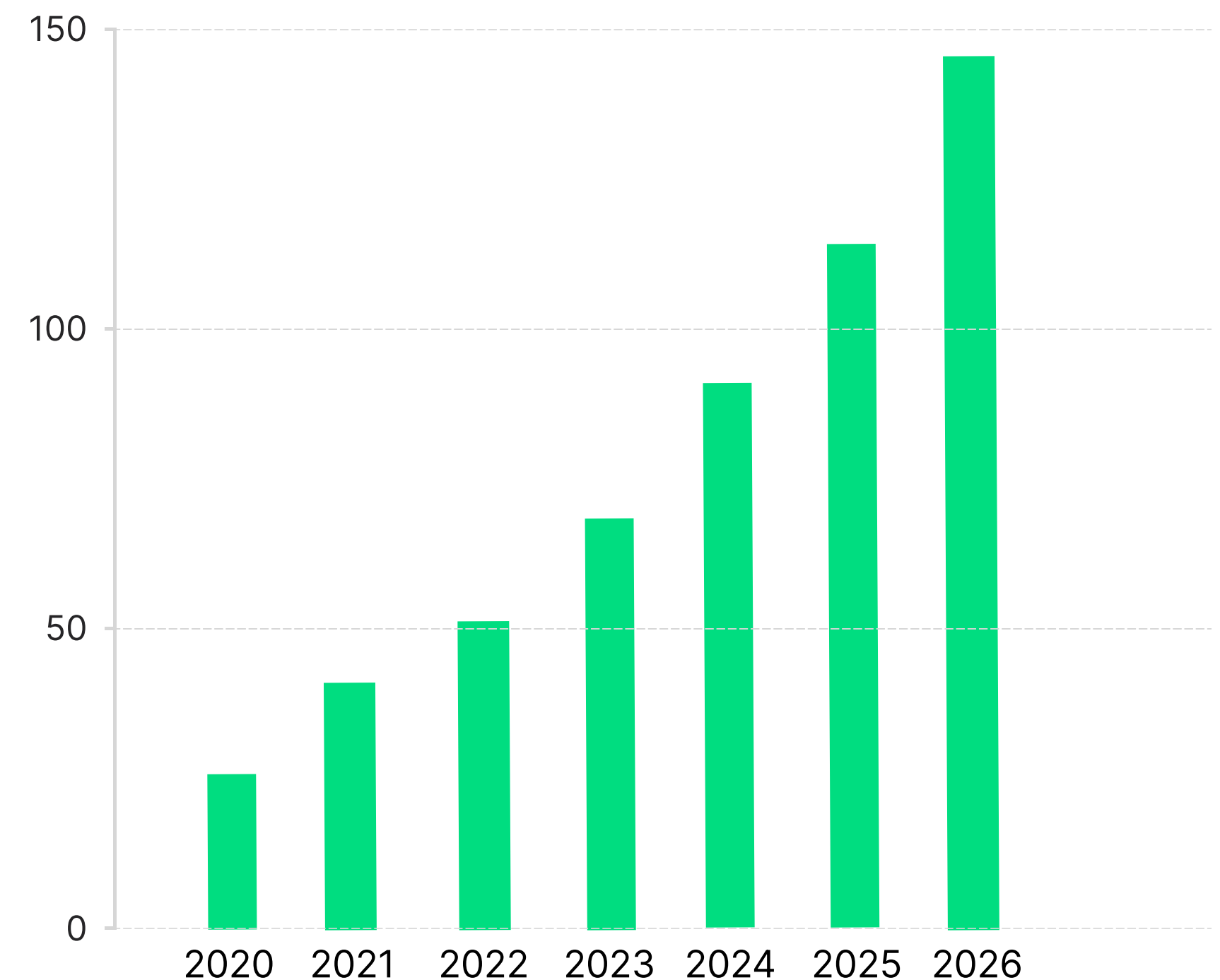
LatAm's cross-border digital commerce market stood at **\$70B in 2023**, **doubling in just two years**. By 2026, the market is estimated to soar to \$144B, at a 27% CAGR (above what we see in traditional e-commerce).

That means cross-border share will become more relevant, going from 14% to 16% of online sales volume between 2023 and 2026.

## SOURCES

[Nocnoc's Cross-border e-commerce: Key Insights for 2024](#); [Ebanx Beyond Borders 2024](#).

Cross-border digital commerce in LatAm will keep expanding



Ebanx Beyond Borders 2024

# E-commerce and logistics startups apply AI to both front and back offices

In LatAm e-commerce, artificial intelligence is already being used at the front office in applications such as ad optimization, customer support, personalized product recommendations, writing product descriptions, and designing assets.

In LatAm logistics, AI is also being developed by leading tech companies in the industry with years of data culture. Unlike e-commerce, most applications are for the back office: forecasting demand for inventory management, pricing and route optimization, and fraud and theft identification and prevention.

Darwin Ai ↔ Devolut

 NUVIA **yalo**

 frete.com *ifood* *Rappi*

We've been applying artificial intelligence and machine learning at Mercado Libre for years, with **hundreds of applications** across **internal and customer-facing business areas**, from coding support and ad optimization in our marketplace to digital identification and credit scoring at Mercado Pago.

In the long run, we expect the cost of models to go down and adoption to go up, to the point where **the usage of artificial intelligence will be as intuitive and widespread as electricity**, with so many daily applications that they become uncountable.



RENATO PEREIRA, SR. DIRECTOR  
OF CORPORATE DEVELOPMENT  
@ MERCADO LIBRE



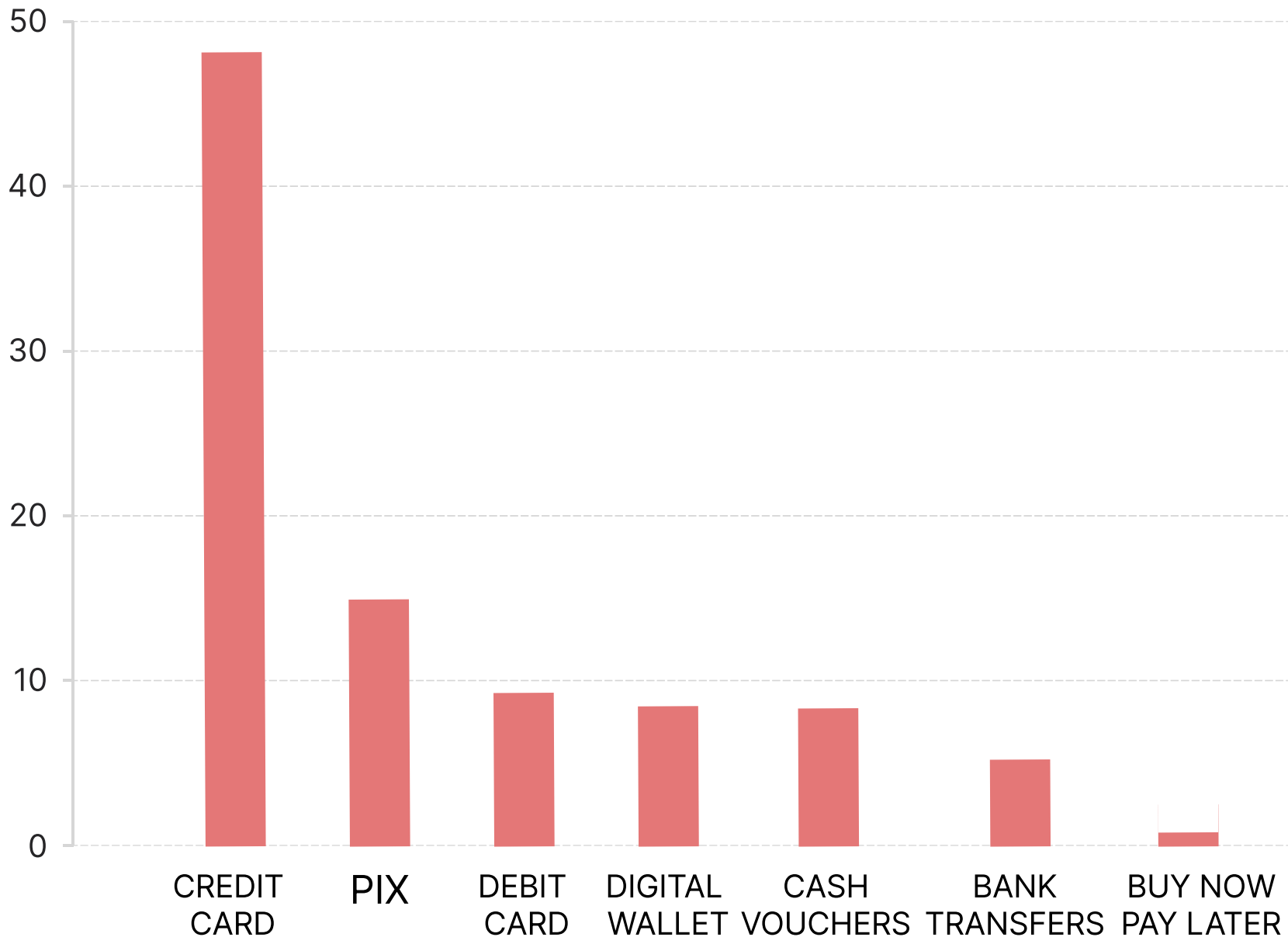
# Multi-rail payments are the future in LatAm e-commerce

Even though credit cards are by far the preferred payment method in LatAm e-commerce, they already lost majority (48% in 2023 compared to 55% in 2018, when it started to lose share).

The CAGRs for payment methods in the next few years point to a **multi-rail payments future**, where debit cards, instant payments (with a spotlight on the Brazilian Pix), digital wallets, bank transfer, and Buy Now Pay Later (BNPL) claim larger market shares and inch closer to the credit card share.

SOURCES  
[PCMI \(Aug 2023\).](#)

Payment method market share, % of e-commerce volume in Latin America



PCMI (Aug 2023)

METHOD	CAGR 2023-2026
CREDIT CARD	18%
PIX	26%
DEBIT CARD	30%
DIGITAL WALLET	20%
CASH VOUCHERS	15%
BANK TRANSFERS	38%
BUY NOW PAY LATER	35%

# Retail media will go beyond top enterprises and digital channels, worldwide and in LatAm

NRF Retail's Big Show 2024 featured two headlines due to their global maturity: the just-discussed artificial intelligence and retail media.

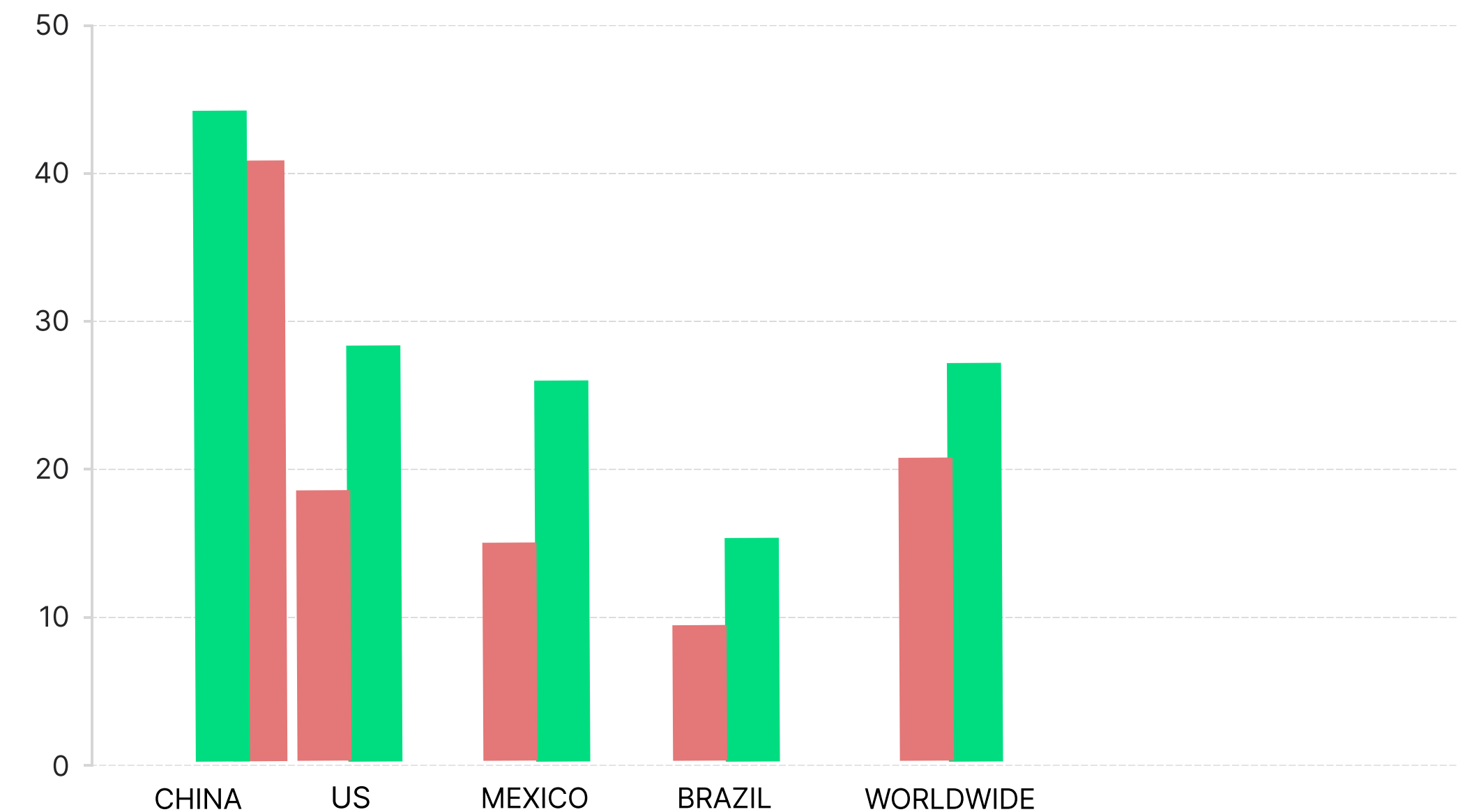
Retail media allows brands to run ads inside digital retail spaces such as marketplaces, using their data and artificial intelligence applications to better segment ads.

LatAm increasingly sees interest in retail media, with \$2B in forecasted investments for 2024. Brazil and Mexico present the largest forecasted growth rates globally for the year, and retail media's share is poised to grow in the following four years, especially in Mexico, which will reach similar levels to the US.

## SOURCES

Gabriel Monteiro in interview for Latitud; [eMarketer and Mercado Ads' Latin America Retail Media Trends 2024](#).

Retail Media ad spending share in selected countries worldwide, by country, 2024 and 2028

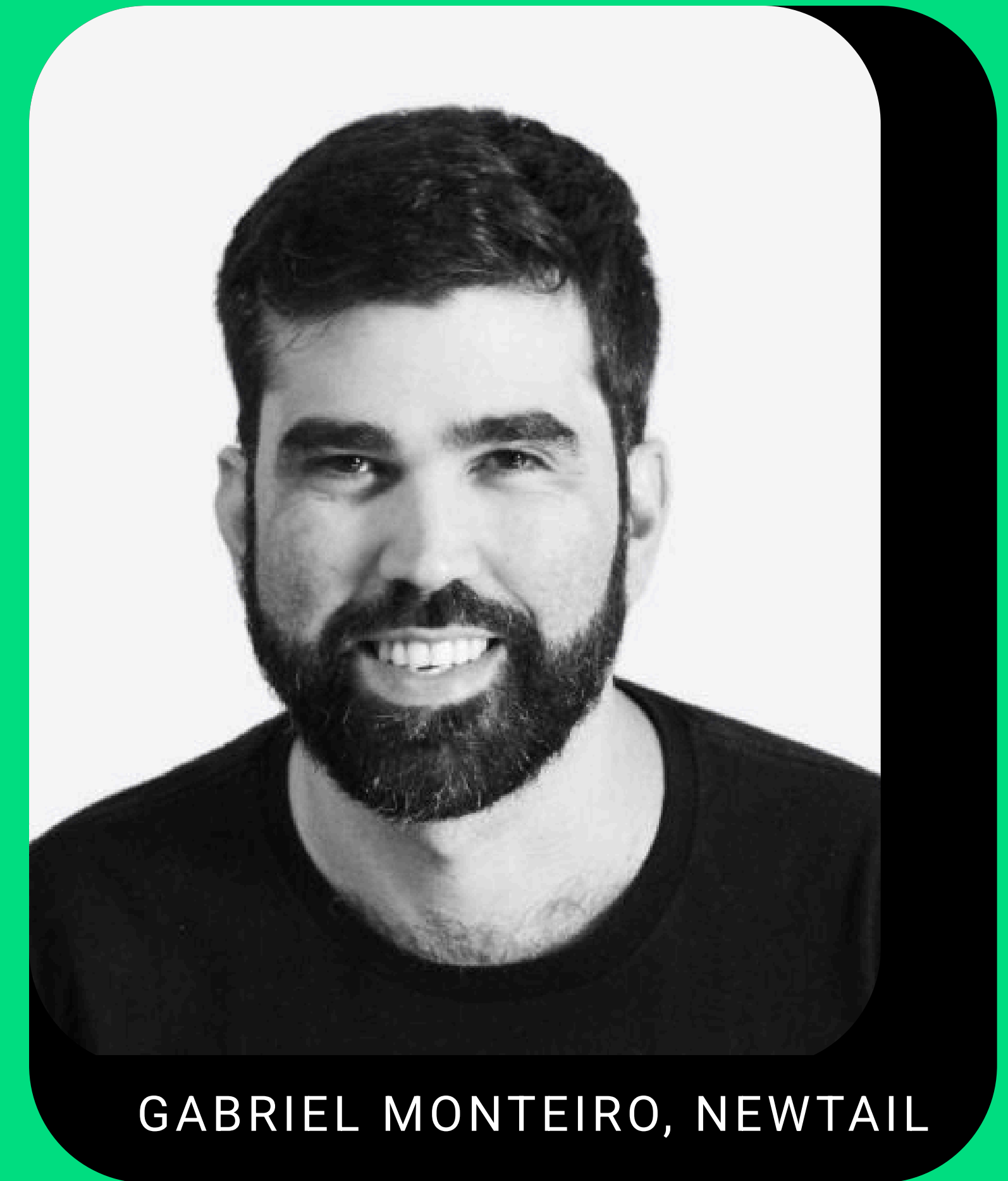


[eMarketer and Mercado Ads' Latin America Retail Media Trends 2024](#).

In 2023, the retail media party started. In 2024, the guests actually showed up.

In the US, we now see the **expansion of retail media** from the largest enterprises to the midmarket, achieving 100+ US companies with a retail media network. We also see retail media going from digital to physical spaces through digital activations.

LatAm sees similar movements, yet lives with larger market fragmentation and underdigitalization. So the rise of retail media in the midmarket accompanies the **rise of aggregators** to achieve the necessary customer reach for advertisers. On the other hand, the **rise of retail media inside physical stores** should turn out to be even more important in LatAm, as digital penetration still has to catch up to US levels.



GABRIEL MONTEIRO, NEWTAIL



# LatAm B2B e-commerce will see opportunities, challenges, and verticalization

As B2B companies represent a sizable market – and as they get progressively digitalized, there's an expectation that they'll increase the adoption of solutions that include **B2B e-commerces/marketplaces**. The challenge is players evaluating the time and cash necessary to achieve optimal demand and supply, and proving their unit economics in the long run.

These marketplaces will probably bet on **niche plays through verticalization** – since in B2B, both parties have particular sales processes and workflows that need to be addressed in their digitalization process.

**Vertical marketplaces**, that trade economies of scale for industry share, can be born from or expand to SaaS and Fintech solutions to drive up retention and revenue – what's important is starting by dominating the control point.

## SOURCES

Gartner in AméricaEconomía (July 2024); Magma Partners' Rise of Latin American Vertical Marketplaces (July 2021); Anibal de Frankenberg and Gabriel Monteiro in interview for Latitud.

Beauty  
**morado.**

Construction  
 Licify **TUL**

Drugstores  
 **farmu**

Logistics  
 **frete.com** nuvo cargo

Restaurants  
 **frubana**

## E-COMMERCE AND LOGISTICS: THE CHALLENGES

### Changing taxes and regulations

E-commerce and logistics **taxes** and **regulations** are constantly changing in LatAm, and that concern needs to be multiplied as players bet on cross-border commerce (inc. nearshoring). Startups need to understand and adapt to specifics such as weight and length limits, import restrictions on certain products, tax exemptions of variances per province or state, and customer protection laws.

### Security

Latin America experiences a **20% e-commerce revenue loss due to fraud**, putting it only second to Southeast Asia on this measure. With **3.7% of orders being fraudulent**, players must constantly invest in **updated systems and identification and transaction verification measures** to differentiate fraudsters from victims, adapt to fraud innovation, and curb automated fraud attempts.

Logistics players, on the other hand, have to invest in **data analysis and tracking technology to curb cargo theft** (and insurance to mitigate its financial consequences). In Brazil, **cargo theft sees an increased connection to e-commerce**: while general cargo theft decreased by 7,9% between H1 2023 and H1 2024, the majority (51%) of robberies that occurred nationwide in the first half of this year targeted the transportation of goods bought from online stores. And as **nearshoring has been heating up in Mexico**, the country saw a 35% increase in cargo theft between April 2023 and April 2024.

### SOURCES

Gartner in AméricaEconomía (July 2024); Magma Partners' Rise of Latin American Vertical Marketplaces (July 2021); Anibal de Frankenberg and Gabriel Monteiro in interview for Latitud.

## E-COMMERCE AND LOGISTICS: THE CHALLENGES

### Infrastructure

The **infrastructure gap for Latin America to fully leverage nearshoring** (and every logistics initiative with it) is estimated at 2.5% of LatAm's GDP, or around **\$150B a year**. It's recommended that governments in the region actually invest between 4% and 8% of their GDP in infrastructure.

This investment entails not only **ports, rails, roads, and airports** (and the connection between these modals). It also entails **telecommunications and information technology**; access to consistent, large, and inexpensive **electricity**; and **cargo security measures**.

### Data and systems gap

To make full use of digitalization, and artificial intelligence in particular, logistics players must fill a **data and systems gap**. Legacy software must be updated and integrated, together with standardized processes of data collection and curation, to see these tools' full impact on business intelligence and efficiency.

### SOURCES

[World Economic Forum \(Feb 2024\)](#); [Americas Quarterly \(April 2024\)](#); [The Economist's Nearshoring: A new era of connection for Latin America \(April 2024\)](#); AMI's [Taking measure of Mexico's nearshoring opportunity \(April 2024\)](#) and [Exploring 2023-2024 Logistics Trends in Latin America \(October 2023\)](#); Federico Vega, Ignacio Arambarri, Parker Treacy, and Santiago Molina in interviews for Latitud.

When you look at logistics, from payment to warehousing to delivery scheduling: every digital and physical step of that supply chain needs to be **integrated with the systems of other steps**, and all of them need to be **fully operational inside a single platform**.

The challenge is not only building machine learning algorithms or LLMs, but mainly maintaining an integrated data collection and treatment infrastructure. **In this sector, the AI challenge is mostly an information and systems challenge** – and while training an AI can take days, building the infrastructure necessary to feed a data lake can take years.



PARKER TREACY, COBLI



Everybody talks about AI, but few have the requirement that is a **structured data lake**. When you look at the **segments with tight margins**, logistics included, that investment becomes even more prohibitive. On the other hand, that opens an **opportunity for startups to offer plug-and-play tools to these industries**.



FEDERICO VEGA, FRETE.COM



# THE LATAM TECH REPORT

The Future of AI



# EXECUTIVE SUMMARY

- Artificial intelligence's moment has been decades in the making. Computing, internet, cloud, mobile: prior revolutions set the stage for the adoption of AI (and since Chat GPT's Big Bang in late 2022, GenAI).
- The current trend in LatAm AI and GenAI developments for companies is centered around **cost reduction and revenue growth**. Main applications include **customer support and qualification, product personalization, content and code writing, operational optimization, and compliance and fraud prevention**.
- In the medium to long term, LatAm AI startups will accelerate said applications all the way to building **AI-enabled services** and reaching professional levels of performance, **taking over a share of the labor and services markets**.
- Some challenges for LatAm AI startups include **hallucinations, mismatched expectations, short labor supply, and uncertain regulations**.



As expected, the interest from both companies and users in **educating themselves on artificial intelligence** has increased throughout this year.

A sign of this widespread reach of AI is how that knowledge demand is divided between **either very superficial or very specialized content**. We see a rise of searches in courses both on the basics of Chat GPT and machine learning operations (MLOps).



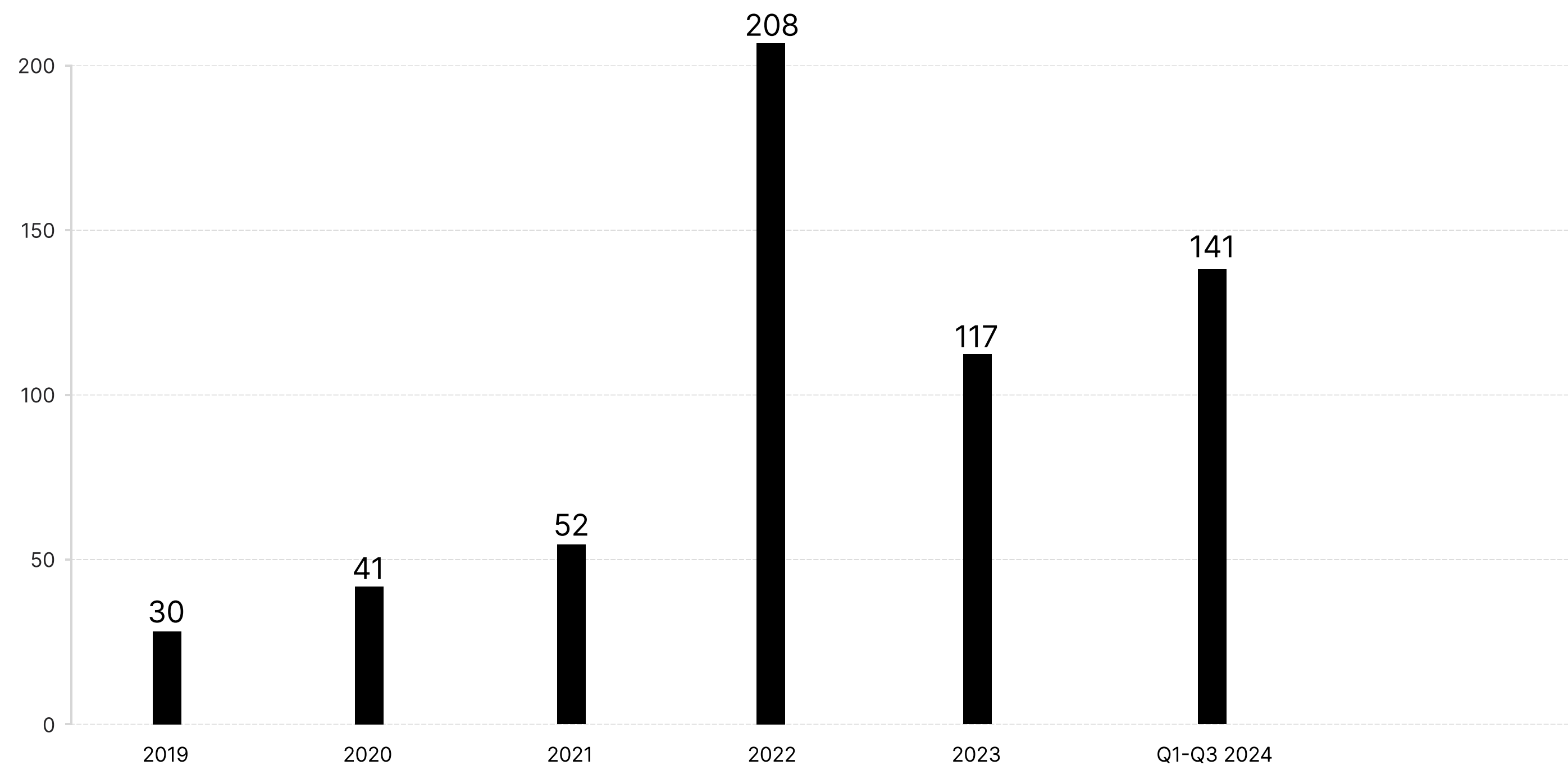
# AI startups are rising to transform segments, LatAm included

## THE AI-FIRST LATAM COMPANY MAP



# After a boom in 2022, funding to LatAm AI startups is once again picking up...

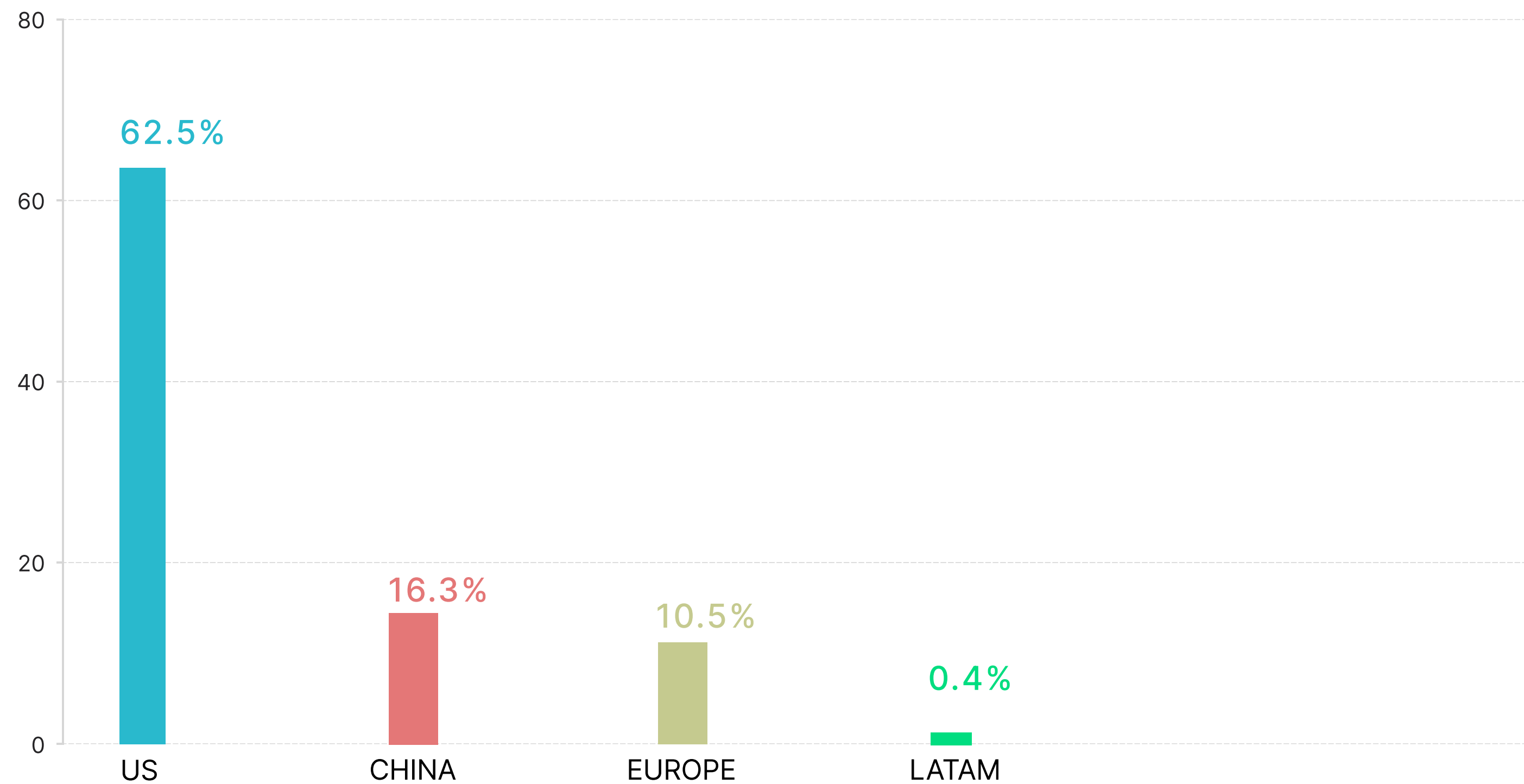
PE/VC Investment in Latin American AI & Machine Learning, 2019-Q3 2024 (\$M)  
Source: LAVCA



# ... But Latin America still takes a small share of global AI investment

Regional share of global investment in AI, 10 past years

Source: Crunchbase in Grão's The GenAI Impact in LatAm (Oct 2024)



# LatAm AI startups are mostly focused on the application layer

In LatAm, "Traditional" AI has been deriving patterns out of large sets of structured data for a while between capitalized, data-centered companies in some sectors. These models support **back-office processes** such as credit scoring, underwriting, and fraud prevention.

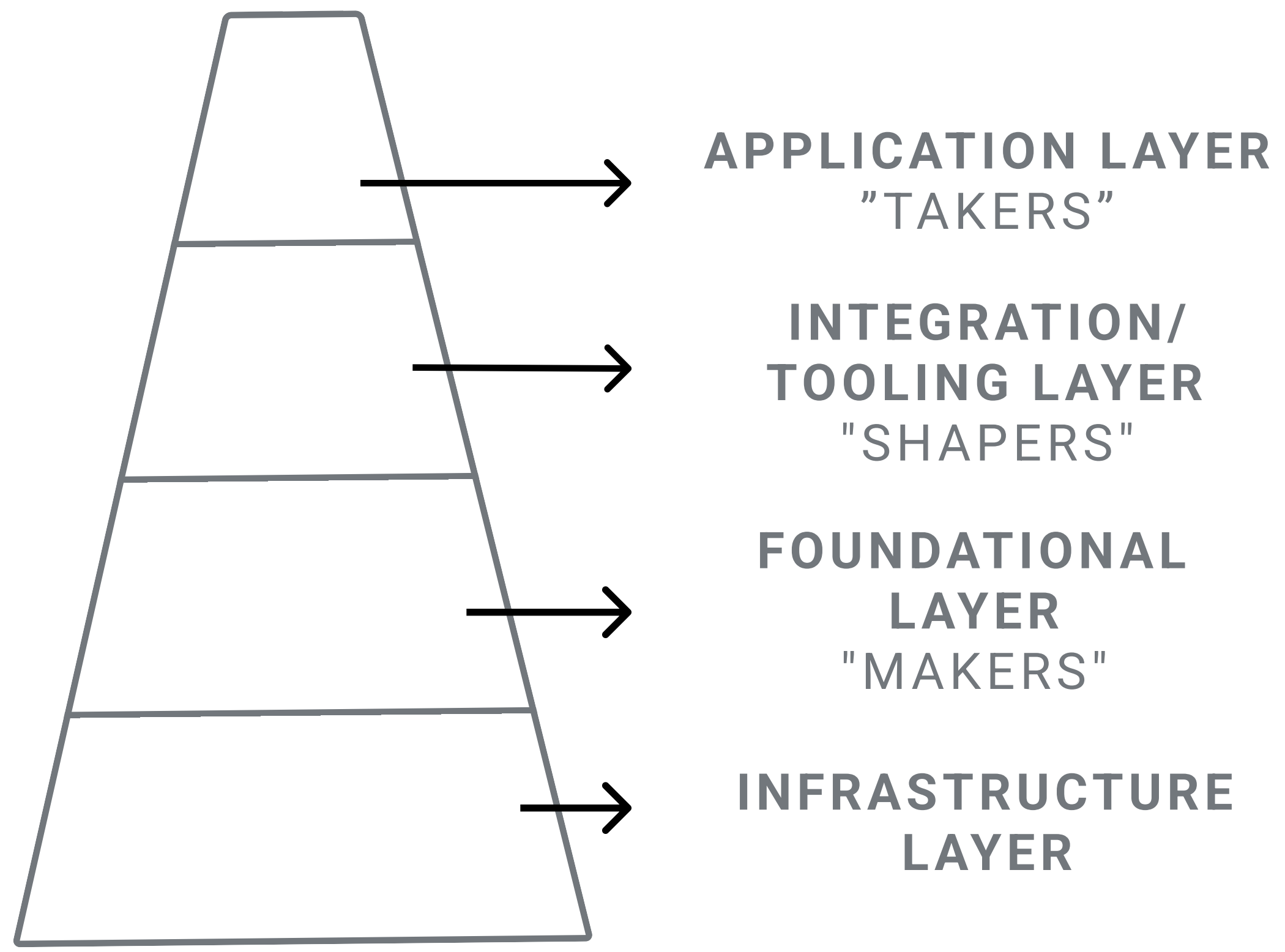
Much like smartphones allowed the creation of multiple apps, GenAI foundational models that already lowered usage costs and embedded fine-tuning, such as GPT-4o, provide LatAm startups a backbone to now mix and match models and build mostly **user-facing products, living in the application layer.**

Across the region, 26% to 38% of jobs are now possible to disrupt due to GenAI's capacity to create unique outputs based on unstructured data.

SOURCES

Open AI (August 2024); ILO and World Bank in Reuters (July 2024); McKinsey Technology Trends Outlook (July 2024); Andrea Campos, Carlos Ramos, Felipe Trevisan, Gerry Giacomani Colyer, João Félix, Luiz Ramalho, María González, Robson Amorim, and Sandor Caetano in interviews for Latitud.

The layers of Generative Artificial Intelligence



A problem that businesses will face is hallucination [inaccurate outputs] due to lack of context. You can put the smartest AI in front of a customer: without any context, it will fail. But most companies in the region don't have documented processes.

And so, the biggest opportunity today for LatAm startup is on this **context layer**. On top of LLMs, you'll find an **interface product** for getting context and managing the AI that's talking to the customer.



LAUTARO SCHIAFFINO, DARWIN AI



# LatAm AI applications aim at cost reduction and revenue growth

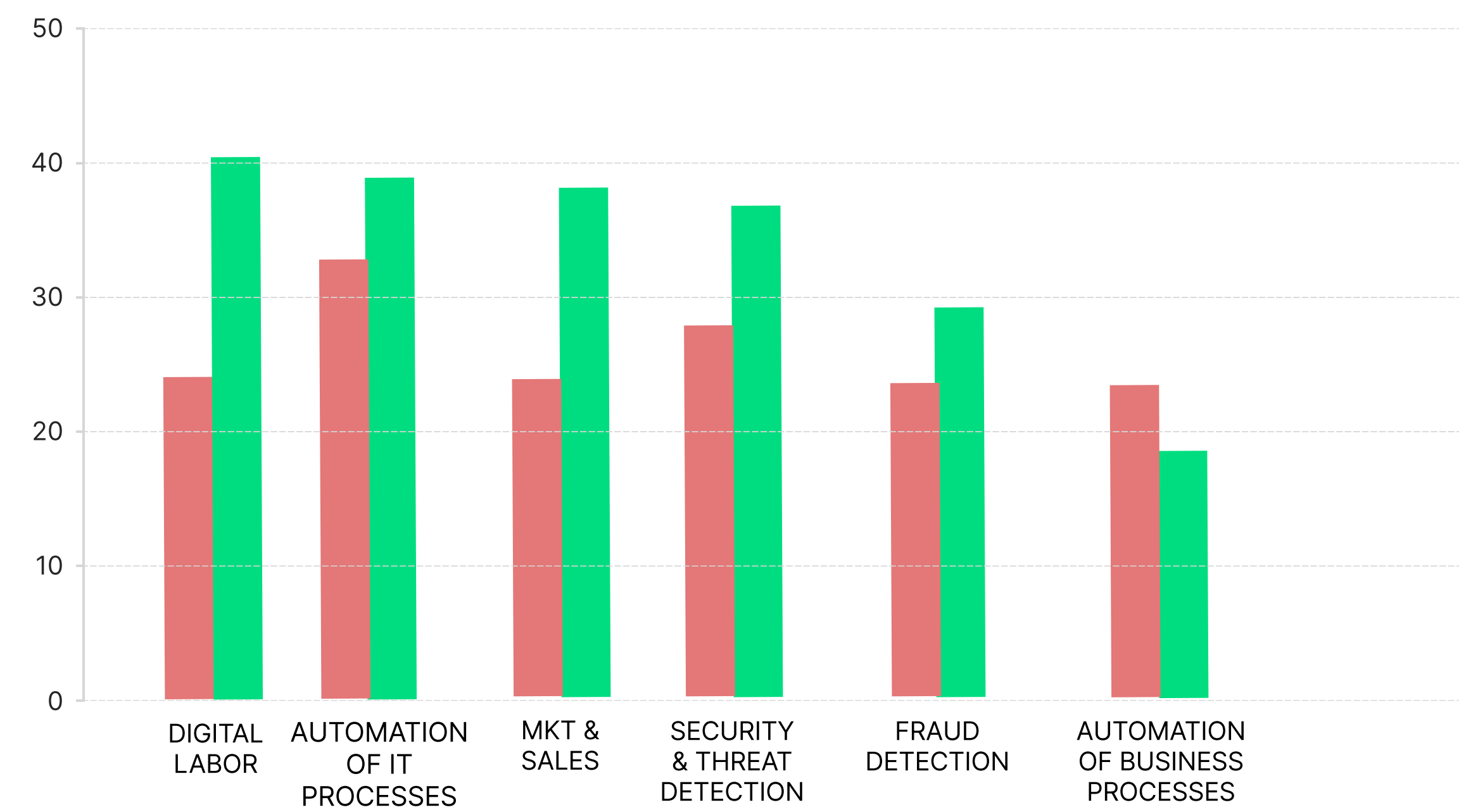
Latin American developers use artificial intelligence tools at a higher rate than the global average, be it Traditional or Generative AI.

Looking at the main usages, we see the rise of startups developing **AI Employees** for themselves or other companies on **two efficiency fronts: cost reduction** mostly in the back office (automation, digital labor, threat and fraud detection) and **revenue growth** mostly in the front office (marketing and sales).

In the short term, it's expected that **models become cheaper to use**, making the **cost of applications go down** and **companies' adoption go up**.

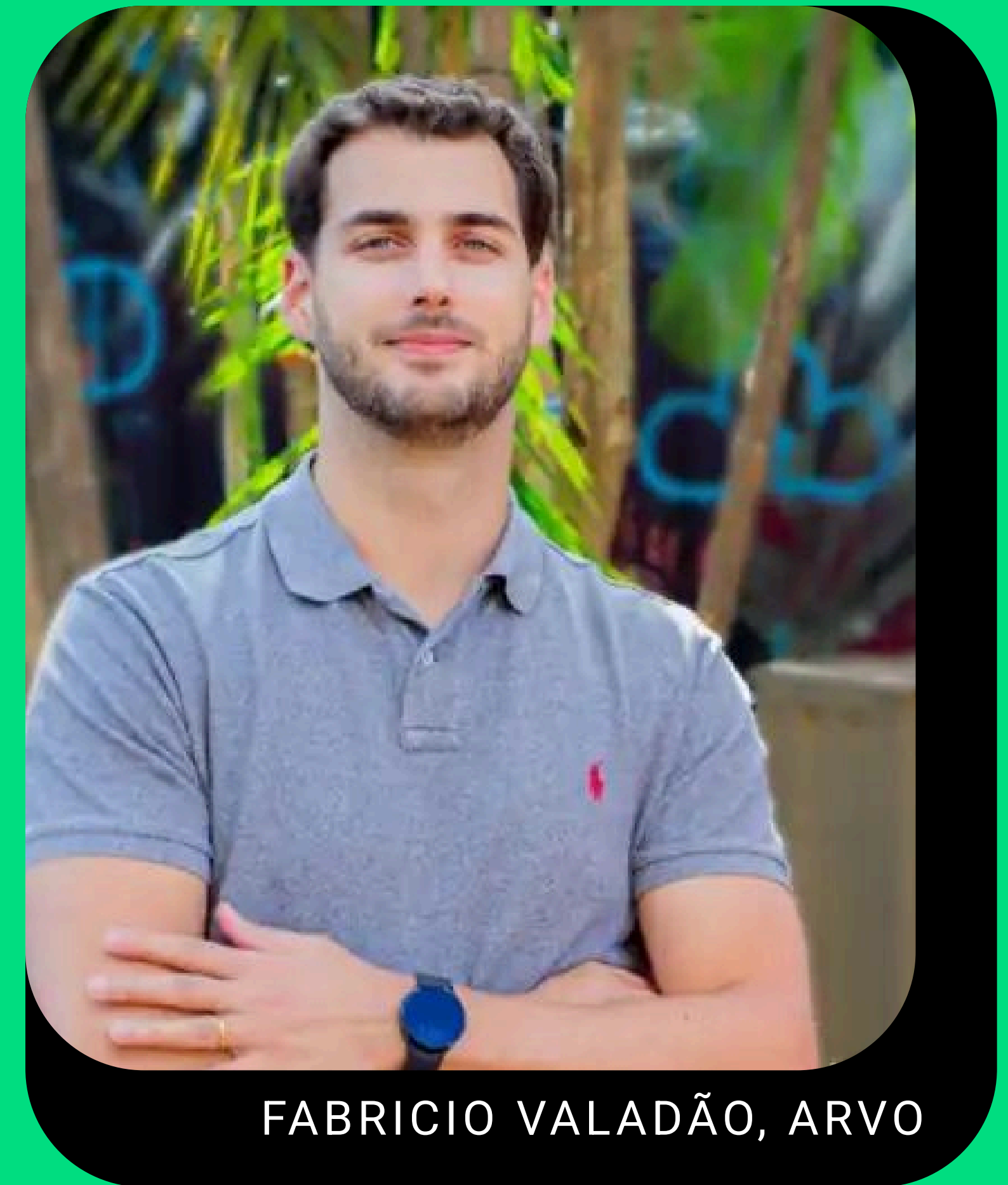
**SOURCES**  
Latitud Founder & Investor Survey 2024; [Atlantico's Digital Transformation Report 2024](#).

### Enterprise adoption of artificial intelligence *(% of enterprise respondents)*



Every technology, AI included, **starts at the back office** and **works its way out of hallucinations all the way to the front office**, where potential downsides are more apparent.

By working in the backstage of healthcare plan providers, we're allowed to employ a mix of traditional and generative AI to **maximize our learning (and results) curve**.



## LatAm AI applications focus on cost reduction and revenue growth: Customer support and qualification

AI-powered conversational assistants can guide customers through the **discovery, consideration, conversion,** and **post-purchase** phases 24/7.

In LatAm, companies of **every size and sector, B2C or B2B,** are already using third-party applications to help qualify leads, clarify simple doubts, provide quotes, schedule meetings, and close sales.



Assis helps solopreneurs rapidly reply to and follow up with their customers. Integrated with WhatsApp Business, the assistant provides personalized communications and quotes for independent workers to have a marketing and sales team in their pocket.




Darwin AI allows mid-market players in various segments to delegate 50% of their customer conversations via chats and voice to an AI Employee, automating repetitive and complex tasks and driving up contacts, conversion, and satisfaction.




Focused on retail pharmacies, Maggu supports clerks in looking at a customer's history and providing better product recommendations, complimentary offers, and usage guidelines.

## LatAm AI applications focus on cost reduction and revenue growth: Customer support and qualification

 **maggu** Focused on retail pharmacies, Maggu supports clerks in looking at a customer's history and providing better product recommendations, complimentary offers, and usage guidelines.


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 **blip** Focused on enterprises, Blip builds chatbots that lead support, sales, marketing, and human resources communications through social media and messaging apps.

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 **NUVIA** Nuvia streamlines B2B sales, making the entire process from lead generation to CRM updates faster and more efficient. Its intelligent sales agents automate prospecting, engagement, qualification, and meeting scheduling.

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 **yalo** Yalo built its AI-powered conversational commerce solution focused on B2B enterprise clients, betting on handling the inherent complexity and scale of the segment.

## LatAm AI applications focus on cost reduction and revenue growth: Product Personalization

One important subsection of customer support and qualification is offering the right product, at the right moment, for the right customer at scale, with marginal to no cost increase.

Recommendation engines have been mostly powered by traditional AI, following decision trees based on customers' data and goals, GenAI can be used in conjunction to explore more avenues based in real-time and synthetic data.



Working in the infrastructure layer, Hyperplane built proprietary foundational models for financial institutions to improve decision-making in risk, collections, and marketing based on first-party data. *(Exited to Nubank)*



BeConfident provides AI-enabled speakers so that users gain confidence and fluency when speaking English. Its AI tailors the conversation based on users' learning levels and topics of interest.



Extendeal has a team of 11 mathematicians focused on building features based on its data lake of pharmacies' orders. One of Extendeal's AI-powered features is an intelligent product recommendation tool for these pharmacies.



The startup guides customers through e-commerce product returns, exchanges, cross-selling, and upselling. Its AI algorithm generates product recommendations that turn negative experiences into new sales.

Personalization is often lazy analytics, offering clustered solutions to clustered customers. You have to look at personalization at an individual level, designing predictive models that'll lead to an AI that even goes beyond recommending products.

It's an AI that can **educate the consumer** on all the product differences and **make decisions** on their behalf, based on their goals. And there are actual business metrics we can optimize with that, such as **increasing growth and LTV** plus **reducing churn and CAC**.



ROHAN RAMANATH, HYPERPLANE



TikTok recommends things based on your likes, tracing a perfect path for you to stay there for hours and consume ads with it. We want to use that same addictive mechanism in teaching.

By modeling what's the next best question to ask the user, they can feel like they're talking to a best friend, and keep chatting and learning the language for hours. **Conversational AI companies should be thinking about personalization engines.**



## LatAm AI applications focus on cost reduction and revenue growth: Content and code writing

Foundational models were primarily designed to generate text, so it's only natural that applications focused on writing are growing faster than applications looking at audio, images, and video.

LatAm applications already support professionals in producing content and coding.



Clarice.ai focuses on writers, helping them write 10x faster with an artificial intelligence that helps to brainstorm ideas and produce from high-conversion content to humanized letters.



Theodora AI is focused on uncovering and removing biases in writing, helping companies manage reputational risk.



Abstra allows companies to scale with AI-powered, Python-based low-code in areas such as credit scoring, finance, customer onboarding, and revenue ops. Abstra is focused on helping junior programmers at mid-market companies fill their programming knowledge gap.



Blar.io identifies the root cause of coding errors and proposes solutions for developers to discuss and apply, helping to optimize coding.

We've seen coding assistants even before Chat GPT. Now, the models have improved so much that AI can already solve basic coding issues. With that, not only **companies can lower their building costs but the interest in programming also grows**, as junior professionals know they'll have a co-pilot by their side.



## LatAm AI applications focus on cost reduction and revenue growth: Operational optimization

LatAm AI applications are already helping companies to manage various processes in various industries.

Companies can develop said applications for the market or for internal purposes:



Colektia uses artificial intelligence to analyze sets of data and elaborate predictive models that boost credit portfolio health, payment collection, and debt repayment.

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Clara uses artificial intelligence to bring automation and insights to its customers, crunching through data and highlighting transactional intelligence data financial teams might have missed.

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Frete.com's marketplace offers AI-powered optimization of pricing, drivers, and routes. Workers in supported companies saved 80,000 hours so far by plugging into the application and automating freight negotiations.

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Loggi also applies artificial intelligence for drivers and route optimization, this time on the last-mile segment.

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Tractian provides asset management and condition and energy monitoring for factories through an IoT solution that combines hardware, software, and AI.

## LatAm AI applications focus on cost reduction and revenue growth: Customer support and qualification



Pipefy AI allows business units to automate up to 85% of their workflows, save up to 40% of their time on tasks, and check insights on performance and KPIs.

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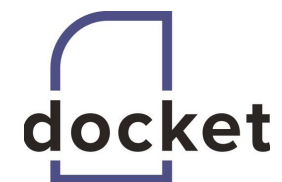
Snapfi provides to SMBs AI assistants to run several processes within their sales, accounts receivable, marketing, and logistics areas.

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Talently facilitates the match between tech roles and candidates. Its AI makes automatic applications based on the candidates' profile, experience, and aspirations.

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Docket uses AI to optimize the analysis of large and multiple documents, leading to an 80% time reduction in decision-making.


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Lexter.ai automates repetitive tasks for lawyers, such as going through diligence and writing legal documents, leading to an up to 50% increase in team productivity.

# LatAm AI applications focus on cost reduction and revenue growth: Compliance and fraud prevention

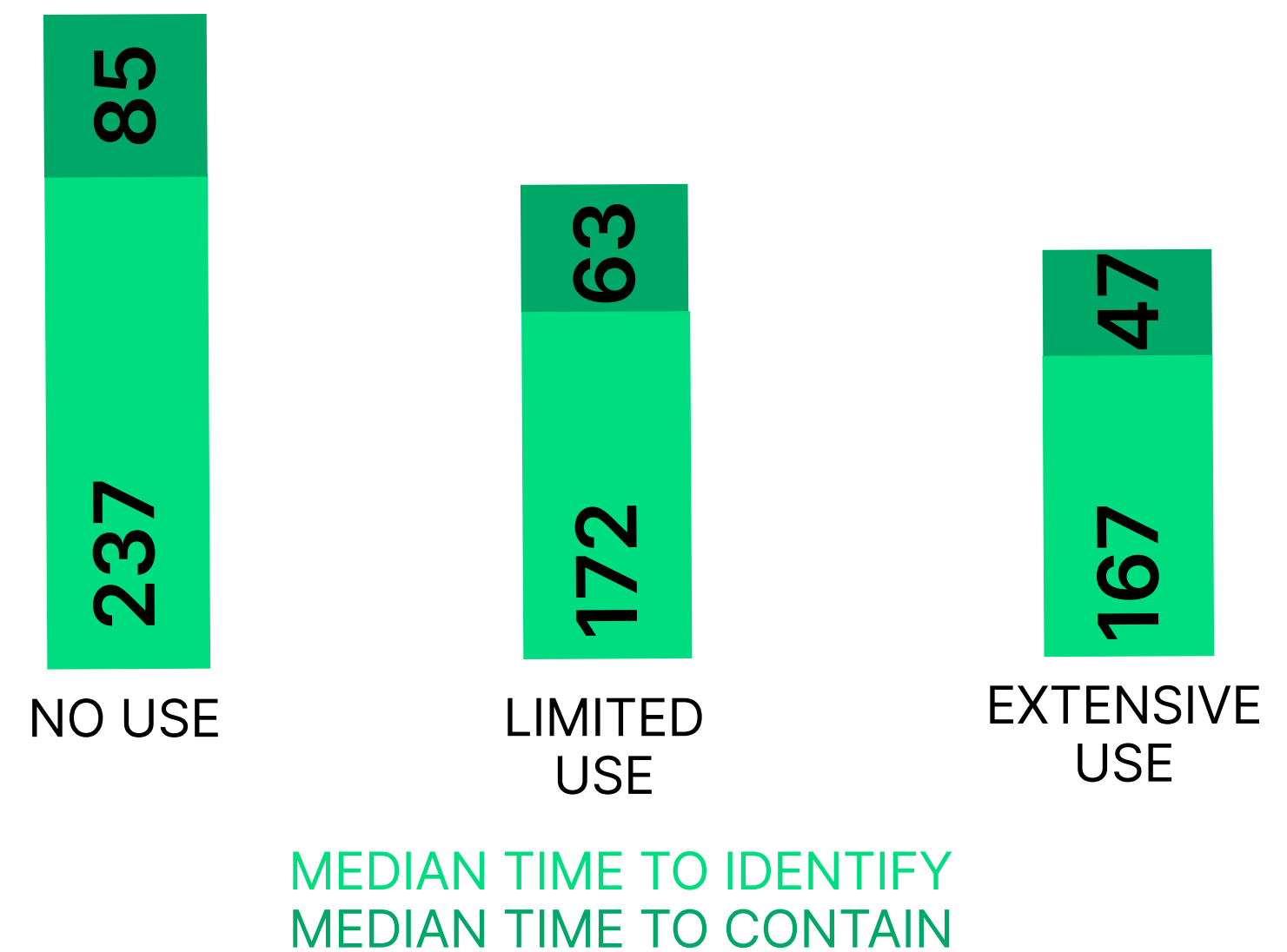
One of the most well-known applications of Traditional AI detecting and mitigating anomalies, based on large data sets and risk prediction models. The rise of GenAI has boosted both attackers' and defenders' capabilities, creating a **race for cybersecurity** both as a solution for the market or for internal purposes.

 **BAYONET** Bayonet has software to protect companies from chargebacks, powered by machine learning. Self-learning risk analysis models monitor transactions to improve payment success rates while still keeping an eye on fraud.

## SOURCES

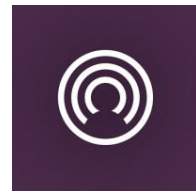
Latitud Founder & Investor Survey 2024; Grão's The GenAI Impact in LatAm (Oct 2024); André Ferraz in interview for Latitud.

### AI reduces time to identify and contain data breaches



IBM's "Cost of a Data Breach Report 2023" in Grão's The GenAI Impact in LatAm (Oct 2024); n = 500 companies who suffered data breaches

## LatAm AI applications focus on cost reduction and revenue growth: Compliance and fraud prevention



Incognia reduces fraud and friction through geolocation and device-based identification. Its AI uses said data to determine what's a fraud or not in real-time, and to crunch through data to feed companies' insights in a dashboard.

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**ArvoSaúde**

Arvo provides infrastructure for maintaining payment integrity in the healthcare sector. Its artificial intelligence lets healthcare plan operators avoid errors, fraud, and waste when analyzing claims for refunds.

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**cloudwalk**

The financial services company's AI products, developed over the past two years, are expected to generate \$235M in additional revenue. For example, CloudWalk's AI-powered fraud detection system combines predictive analysis models and real-time monitoring, and helped the company avoid \$2B in frauds between June 2023 and June 2024.

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**COBLI**

Cobli offers a compliance platform for companies in sectors such as telecommunications, energy, construction, and logistics. Through Cobli's IoT solution, cameras capture information that's later processed by an AI to provide more visibility and avoid infractions.

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**frete.com**

Frete.com recently launched Check.AI, an AI product for scoring both drivers and companies. The score is based on a data bank comprised of internal and external background information and evaluations after each delivery through Frete.com.

# Both Horizontal and Vertical AI companies kick off in LatAm

Just like SaaS, AI companies can adopt either a horizontal (solving similar pains across industries) or a vertical approach (solving pains specific to a single industry). Both models are taking off in LatAm, offering unique opportunities.

**Horizontal AI** has the advantage of broader market reach and faster scaling potential, running the risk of diluting expertise. It's also suited for overtaking systems of records, that concentrate data about customers, as it's a similar process across industries.

**Vertical AI** sees its industry focus as harder to replicate and more conducive to value creation, running the risk of having too small of a TAM. It's also suited for overtaking systems of resources, that manage the day-to-day of businesses, as Vertical AI deeply understands the sector's dynamics.

**The decision between horizontal or vertical is not set in stone though.** Even horizontal players have some specialization in the form of serving multiple industries but restricting by company size or similar business processes. It's also not uncommon to see horizontal platforms assessing the highest-potential industries after their growth spurt, and then unbundling themselves into verticalized solutions.

## SOURCES

André Ferraz, Anna Piñol, Felipe Trevisan, João Félix, Lautaro Schiaffino, Maria González, Pete Flint, and Raphael Machioni in interviews for Latitud.

We decided to verticalize as soon as we looked at the specificity of the products and the selling process in pharmacies – we're dealing with up to 30,000 SKUs, a lot of them with individual regulations and interactions with other products.

Had we looked at sectors where the sales processes were similar and trumped specificities of products, we'd have gone for a horizontal solution. **We were pushed to become specialists.**



Although fine-tuning your model with each new user interaction, building integrations with widely-used software, and negotiating scalable rates can provide an edge for first movers, these are not insurmountable barriers to entry.

**Both horizontal and vertical AI** companies should focus on **establishing unique advantages** that keep them **one step ahead**, allowing time to **develop their next breakthrough while competition catches up**.



In Horizontal AI, the thesis is about **product experimentation and iteration** – doing MVPs until you understand the market need.

In Vertical AI, it's about **sales strategy and commercial capacity** – quickly generate relationships and expand in your category.



MARÍA FERNANDA GONZÁLEZ,  
HI VENTURES



**AI: THE TRENDS**

# In LatAm, AI meets WhatsApp as an operational system

Across the region's main markets, WhatsApp sports an 80%+ adoption rate among adults. Companies deploying AI are already looking at that and using WhatsApp as one of or even their main channel of operations.

WhatsApp and Facebook are the most used media sites

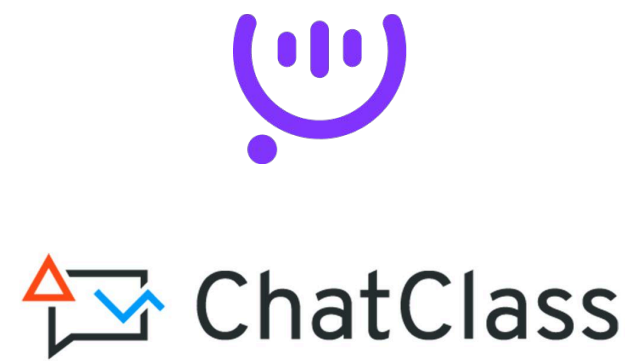
Customer support and sales



Fintech



Learning



	WHATSAPP	FACEBOOK	TIK TOK	INSTAGRAM	X	TELEGRAM
BRAZIL	90%	75%	51%	63%	22%	28%
MEXICO	83%	75%	41%	42%	30%	27%
ARGENTINA	88%	75%	31%	54%	20%	13%

Pew Research Center (Mar 2024)

**SOURCES**

André Ferraz, Anna Piñol, Felipe Trevisan, João Félix, Lautaro Schiaffino, Maria González, Pete Flint, and Raphael Machioni in interviews for Latitud.

For solopreneurs selling services, there's no CRM. **Their operating system is one and only: WhatsApp.** And we have to be right where their OS is.



RAPHAEL MACHIONI, ASSIS

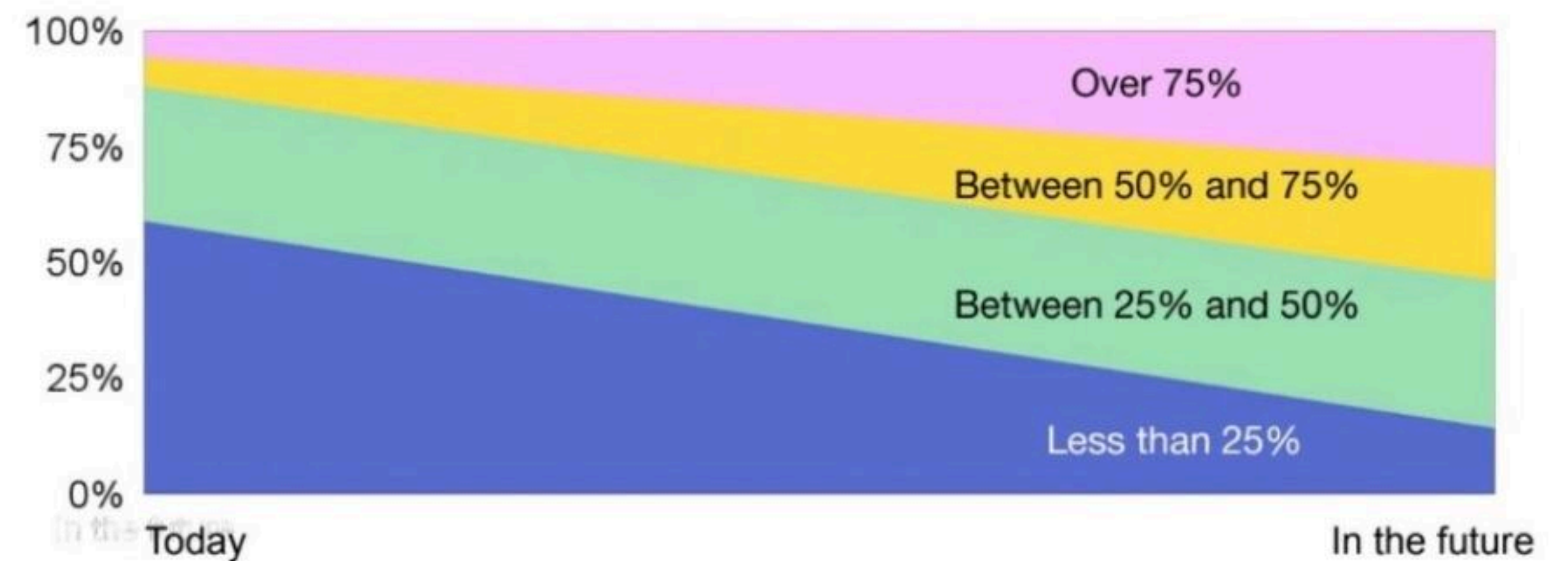


# AI-Enabled Services: The AI + SaaS market will take over the labor market

In the medium to long term, **AI is poised to take over offices**. The majority of startups expect 50%+ of processes will be AI-embedded in the future, compared to only 12% being AI-embedded today.

This means the applications seen in the Trends section should be supercharged: all tools workers use will either work alongside them to boost efficiency in riskier, more complex, human-preferred processes especially in the system of records (**co-pilots**), or fully replace them in simpler workflows, especially in the system of resources (**pilots or agents**).

LatAm startups expecting AI-embeddedness  
(What % of your startup's processes is AI-embedded today?  
How will this change in the future?)



## SOURCES

Latitud Founder & Investor Survey 2024; Hi Ventures' State of AI in Latin America 2024; Sequoia's AI Recruits a New Hybrid Workforce (Jan 2023); Bessemer's State of the Cloud 2024; NFX's The AI Workforce Is Here (Apr 2024); Felipe Trevisan, Lautaro Schiaffino, and John Paz in interviews for Latitud.

Hi Ventures' State of AI in Latin America 2024

**AI: THE OPPORTUNITIES**

# AI-Enabled Services: The AI + SaaS market will take over the labor market

One example is content and code. Sequoia predicts content and coding models will get better and better, all the way to reaching a professional level by 2030. AI-generated images and videos will catch up with development and also reach maturity in that timeframe.

	PRE-2020	2020	2022	2023F	2025F	2030	
TEXT	Spam detection Translation Basic Q&A	Basic copy writing First drafts	Longer form Second drafts	Vertical fine tuning gets good (scientific papers, etc)	Final drafts better than the human average	Final drafts better than professional writers	FIRST ATTEMPTS ALMOST THERE READY FOR PRIME TIME
CODE	1-line auto-complete	Multi-line generation	Longer form Better accuracy	More languages More verticals	Text to product (draft)	Text to product (final), better than full-time developers	
IMAGES			Art Logos Photography	Mock-ups (product design, architecture, etc.)	Final drafts (product design, architecture, etc.)	Final drafts better than professional artists, designers, photographers)	
VIDEO / 3D / GAMING			First attempts at 3D/video models	Basic / first draft videos and 3D files	Second drafts	AI Roblox Video games and movies are personalized dreams	

**SOURCES**

Sequoia's Generative AI: A Creative New World (September 2022).

It's expected that artificial intelligence **support applications** such as customer support, content and code writing, and identification will be **bought instead of built by companies**.

Players who build this from scratch will probably waste money, especially as costs go sufficiently down to make these third-party solutions attractive. Companies can even add their own previous data to make these solutions more effective.

With that, **AI building will be restricted to the areas where companies truly differentiate themselves**. In our case, we've improved our 1. cargo and driver matching, 2. freight negotiation, and 3. fraud detection with data and then AI applications developed in-house because these are core to our business.



FEDERICO VEGA, FRETE.COM

# AI-Enabled Services: The AI + SaaS market will take over the labor market

The fact that lack of technical talent and bandwidth are the two biggest challenges for non-AI companies to adopt AI showcases the difficulty of building in-house solutions, especially regarding non-core applications – and the opportunity for AI startups to step in.

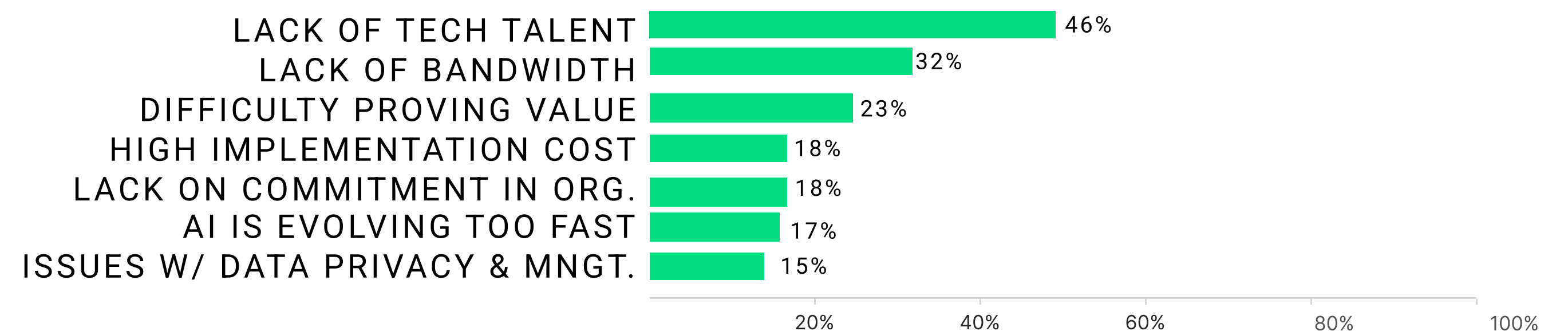
In the medium to long term, we'll see the rise of both horizontal and vertical AI companies using agents to conquer multiple end-to-end workflows. Added, they'll lead to **AI-enabled services**, promising better, faster, and cheaper solutions.

AI will push the software and the labor + services markets to fuse – expanding the TAM of SaaS with it.

## SOURCES

Latitud Founder & Investor Survey 2024; Bessemer's State of the Cloud 2024; a16z's The AI Future is Already Here, It's Just Not Productized Yet (June 2024); Federico Vega, João Félix, Lautaro Schiaffino, María González, Sandor Caetano, and William Cordeiro in interviews for Latitud.

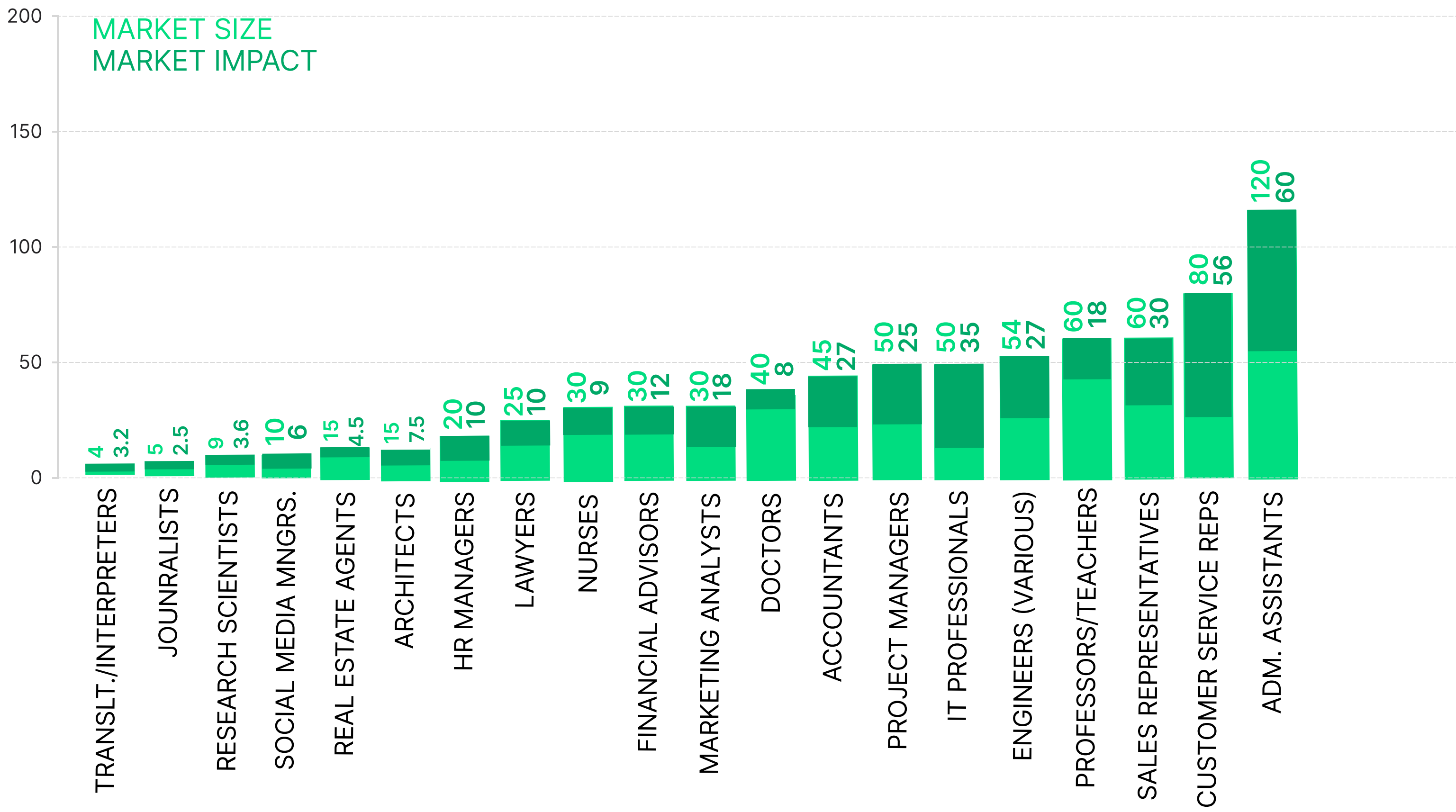
With talent and bandwidth being a bottleneck, co-pilots and agents can evolve to AI-enabled services  
*(What are the three biggest bottlenecks to deploying AI to your organizations?, % of non-AI startups)*



Hi Ventures' State of AI in Latin America 2024  
Bessemer's State of the Cloud 2024

## AI: THE OPPORTUNITIES

# In LatAm, the impact is almost at \$400B



### SOURCES

International Labour Organization / World Bank 2024, Latitud analysis.

## AI: THE OPPORTUNITIES

Job Role	Average Salary (USD/year)	Workers (M)	Market Size (USD M)	AI Disruption (%)	Market Impact (USD M)
Journalists	\$10,000	0.5	\$5,000.00	50%	\$2,500.00
Translators/ Interpreters	\$8,000	0.5	\$4,000.00	80%	\$3,200.00
Research Scientists	\$18,000	0.5	\$9,000.00	40%	\$3,600.00
Professors/Teachers	\$12,000	5	\$60,000.00	30%	\$18,000.00
Doctors	\$20,000	2	\$40,000.00	20%	\$8,000.00
Nurses	\$10,000	3	\$30,000.00	30%	\$9,000.00
Architects	\$15,000	1	\$15,000.00	50%	\$7,500.00
Real Estate Agents	\$15,000	1	\$15,000.00	30%	\$4,500.00
Engineers (Various)	\$18,000	3	\$54,000.00	50%	\$27,000.00
IT Professionals	\$25,000	2	\$50,000.00	70%	\$35,000.00
Project Managers	\$25,000	2	\$50,000.00	50%	\$25,000.00

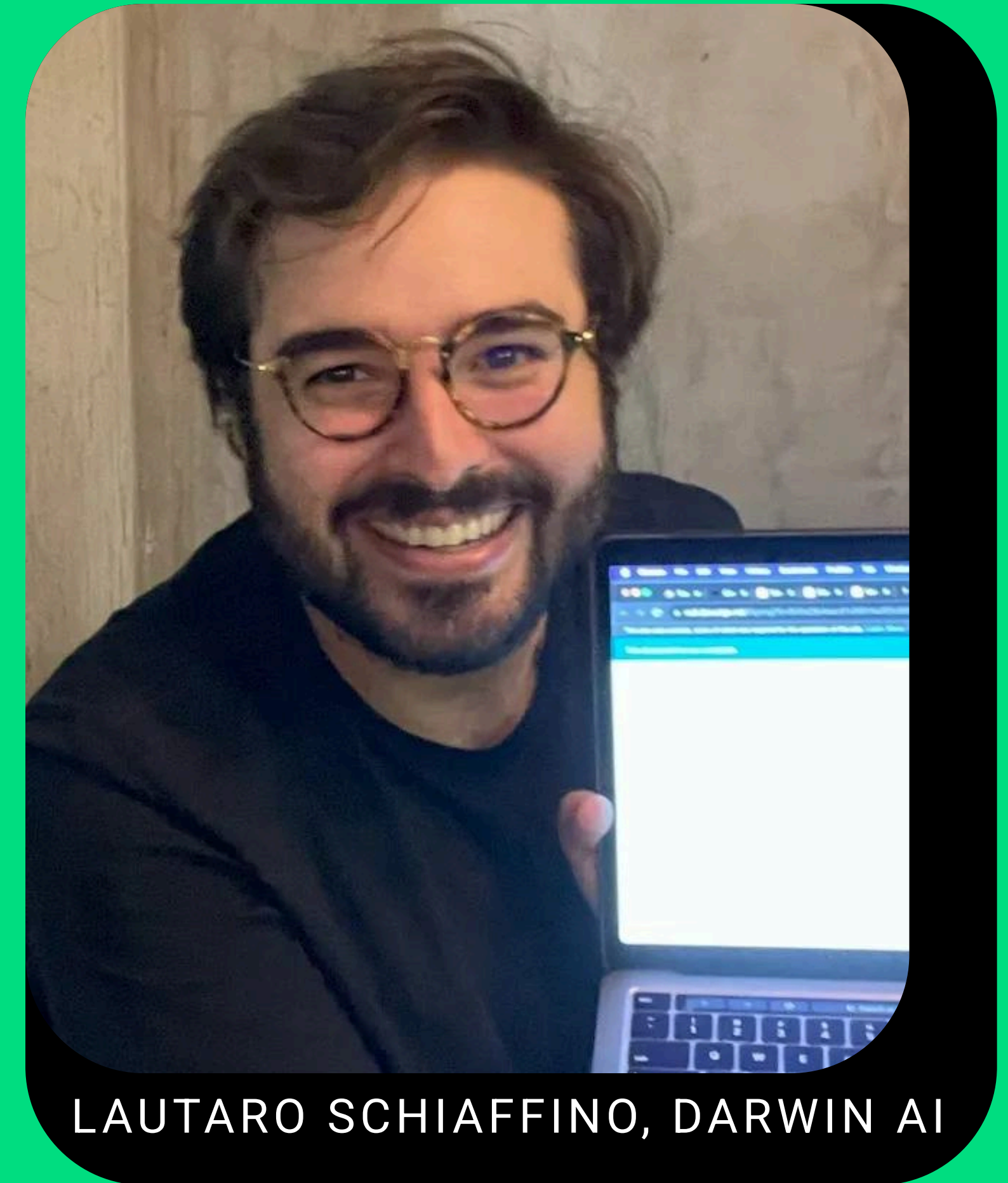
SOURCES  
International Labour  
Organization / World Bank  
2024, Latitud analysis.

## AI: THE OPPORTUNITIES

Job Role	Average Salary (USD/year)	Workers (M)	Market Size (USD M)	AI Disruption (%)	Market Impact (USD B)
Administrative Assistants	\$10,000	12	\$120,000.00	50%	\$60,000.00
HR Managers	\$20,000	1	\$20,000.00	50%	\$10,000.00
Lawyers	\$25,000	1	\$25,000.00	40%	\$10,000.00
Financial Advisors	\$30,000	1	\$30,000.00	40%	\$12,000.00
Accountants	\$15,000	3	\$45,000.00	60%	\$27,000.00
Social Media Marketers	\$10,000	1	\$10,000.00	60%	\$6,000.00
Marketing Analysts	\$15,000	2	\$30,000.00	60%	\$18,000.00
Sales Representatives	\$10,000	6	\$60,000.00	50%	\$30,000.00
Customer Service Reps	\$8,000	10	\$80,000.00	70%	\$56,000.00
<b>Total</b>		<b>57.5</b>	<b>\$752,000.00</b>		<b><u>\$372,300.00</u></b>

SOURCES  
 International Labour Organization / World Bank 2024, Latitud analysis.

You're not selling software; **you're selling an employee**. This is the first time software is **making a decision** to solve a problem. Going from software to employee is a lot **easier to sell**, a lot **tougher to implement**, and a lot **more valuable**.



LAUTARO SCHIAFFINO, DARWIN AI



For the first time, AI is able to sell **outcomes** instead of productivity. This is going to create massive opportunities for founders not just in market expansion but also margin expansion, as **service margins will become software margins.**



ANNA PIÑOL, NFX



As data and tech improve, AI will go **from recurrent to unique problems**. Automation will keep expanding until it reaches the point where it becomes less expensive and more effective than having a human in the loop.

That point keeps getting further and further – and **companies will have to rethink their corporate structure and talent strategy**.



With AI, **professionals will also need to be good at setting up and improving agents.** In sales, that might look like a sales development representative using AI to build a smart contact list, or an account executive using AI to send simple emails.

That will free employees to focus on **relationship-based skills**, such as developing a community or selling themselves and their companies on social media.



JOHN PAZ, NUVIA



## AI: THE CHALLENGES

### Hallucinations

Artificial intelligence players face the constant battle against hallucinations, especially in Gen AI. This is critical in sectors where a wrong output can lead to big losses, such as finance, while sectors like marketing are more open to experimenting with GenAI's creative, probabilistic outputs.

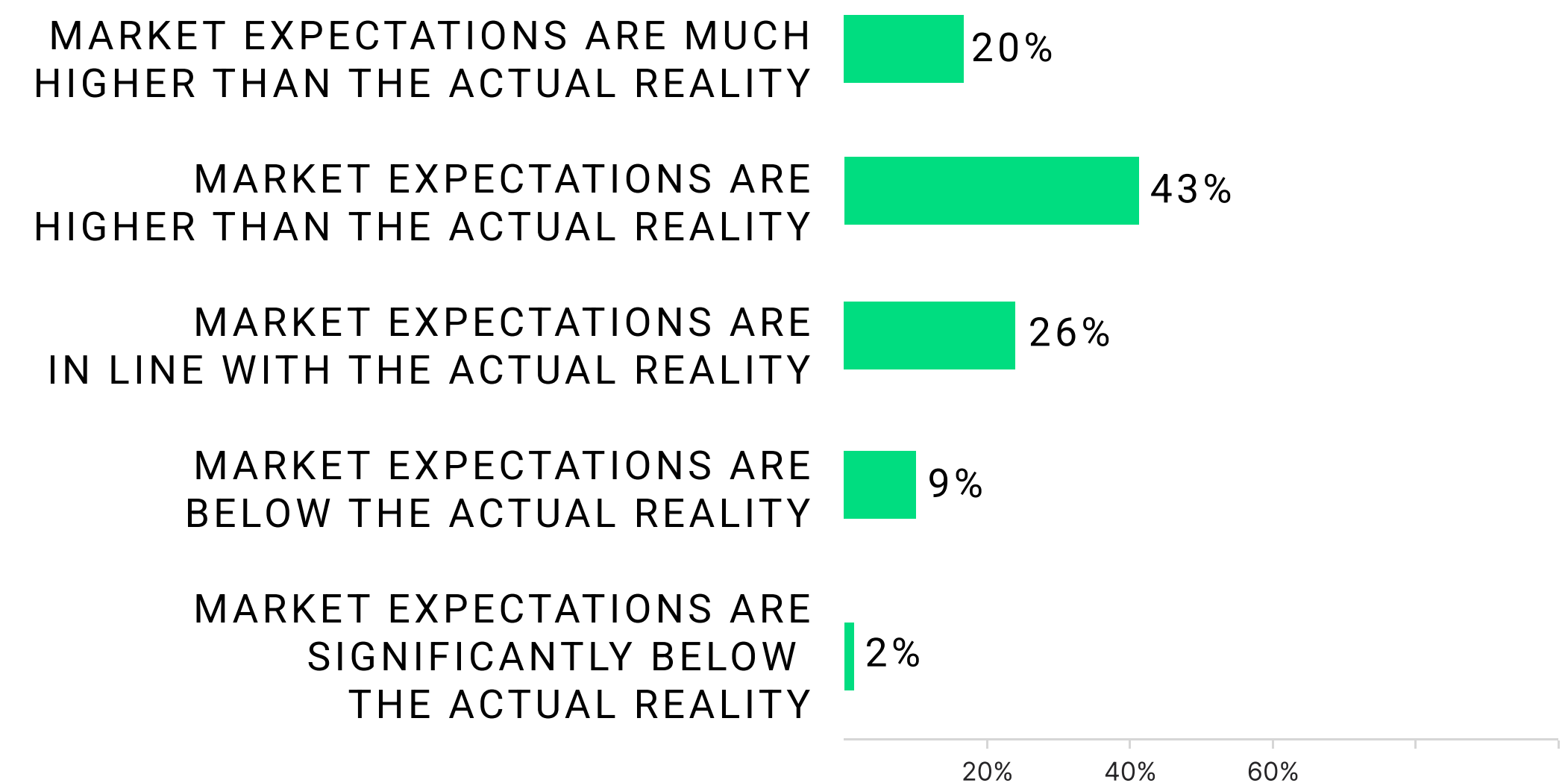
Finding flexible first customers, fine-tuning the model based on discovered problems, prompt engineering, and putting humans in the loop when necessary are some ways out of hallucinations.

### Founder vs market expectation mismatch

Most founders see the overall market overhyping AI, with 63% seeing much higher or higher expectations than reality. This leads to problems when defining branding and go-to-market (not to mention customer satisfaction, retention, and revenue down the line).

### Founders' perception on AI market expectations

(2024, % of respondents)



Atlantico's Digital Transformation Report 2024

### SOURCES

Latitud Founder & Investor Survey 2024; Atlantico's Digital Transformation Report 2024; Andrea Campos, María González, and Raphael Machioni in interviews for Latitud.

When OpenAI launched Chat GPT, everything changed for everyone. It wasn't a question of if I was going to integrate AI or not. It was, "I'm going to do this, so **how can I make sure it's going to be a safe experience for our users?**"

Otherwise, our technology was going to be definitely obsolete and someone else in health was going to do it. So it might as well be us – through **well-defined feedback loops, human oversight, and guardrails to mitigate risks.**



ANDREA CAMPOS, YANA



High-potential artificial intelligence companies show dynamics that are similar to comparable SaaS companies: they **address strong use cases, offer killer applications, and transform underdigitalized sectors.**



PATRICK ARIPPOL, ALEXIA VENTURES



## AI: THE CHALLENGES

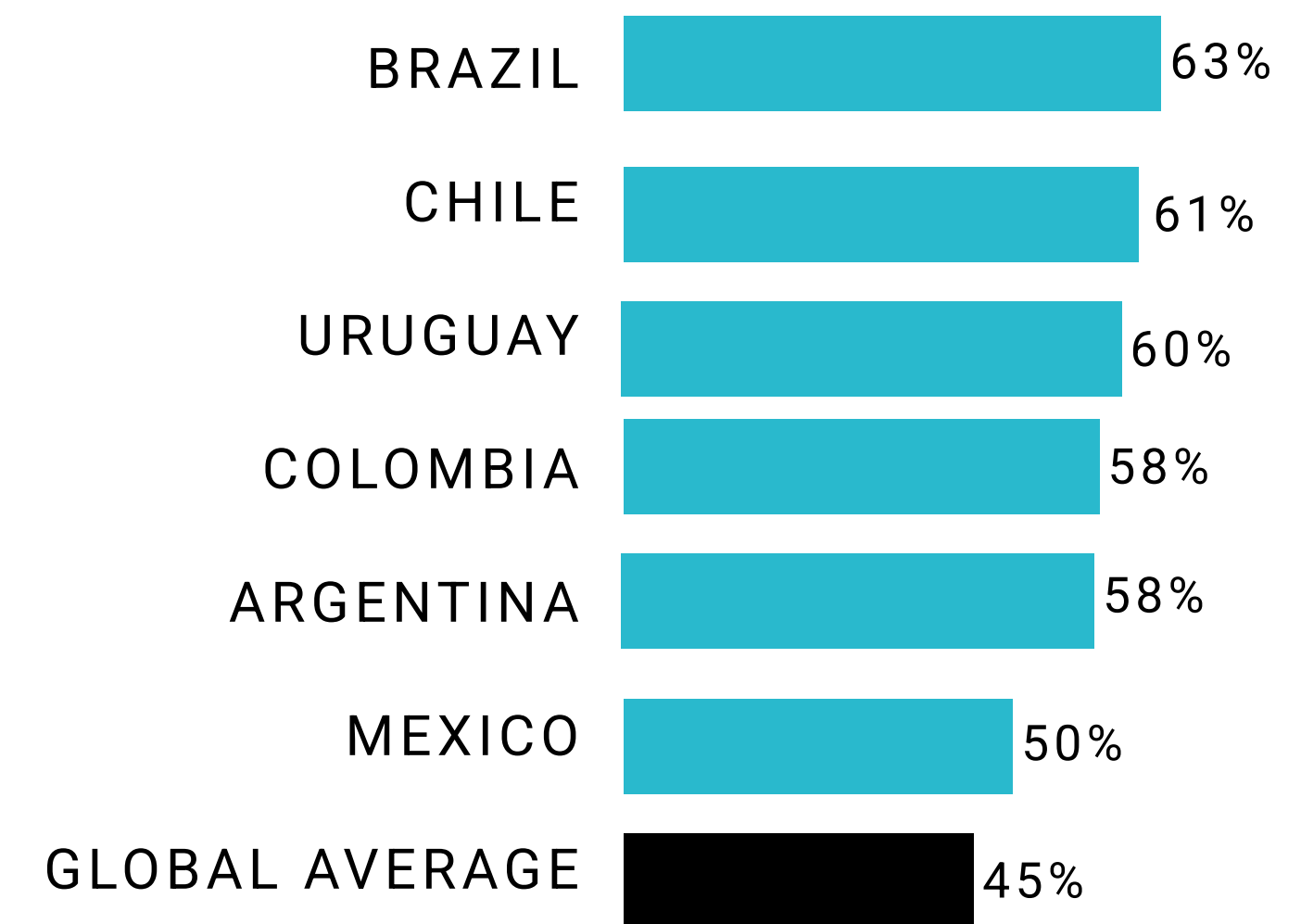
### Uncertain regulations on artificial intelligence and data protection

The regulatory framework for AI is in its infancy in LatAm. Countries like Argentina, Brazil, Chile, Colombia, Mexico, and Uruguay don't yet have a specific law in place to regulate the use and development of AI – although all have announced regulatory proposals, closer to Europe's Artificial Intelligence Act rather than American legislation on AI.

At the same time, personal data protection regulation also has yet to mature in some of these countries. Chile (1999), Argentina (2000), Uruguay (2008), Mexico (2010), Peru (2011), Colombia (2018), Brazil (2018), and Panama (2019) all have data protection and privacy regulation, mostly inspired by European standards. But multiple LatAm countries have manifested the desire to update their frameworks.

Decisions on both AI and data regulation can have an impact that has yet to be seen on artificial intelligence applications in the medium to long term.

### Government AI Readiness Index 2023: LatAm's ahead of the global average



[Google's Startups & IA Generativa \(Oct 2024\).](#)

### SOURCES

Latitud Founder & Investor Survey 2024; [Access Now and Thomson Reuters' Regulatory Mapping on Artificial Intelligence in Latin America \(July 2024\)](#); André Ferraz, Fabricio Valadão, Maria González, and Robson Amorim in interviews for Latitud.

## AI: THE CHALLENGES

### **Short talent supply**

Latin America lacks technology professionals in general, and it gets worse when we restrict it to data science and machine learning. But alongside the brain drain we're used to seeing in the region, there's also growing interest in tech careers, AI included.

To bridge the professional supply gap, companies will have to scoop talents and invest in training for both Traditional AI development, improvement, and management and for GenAI improvement and management (if it's in the application layer). The good news is that 1. programming has a quicker and less expensive learning curve in comparison to other, infrastructure-intensive scientific careers (e.g. biotech), and 2. AI itself can be used to accelerate this learning curve.

### **Integration with legacy systems**

When catering to midmarket and enterprises, startups can face the challenge of seeing outdated software. Retrofitting or migrating software so that companies can support their AI application can be seen as too large of an investment. The current software might also be siloed per company department, impacting the AI's effectiveness due to lack and/or fragmentation of data.

In the medium to long-term though, we'll see developments in the discussion on whether or not AI will be able to disrupt companies' system of records and become their operational software.

### **Bias and fairness**

Building artificial intelligence that more and more stays away from biases is a constant challenge for AI startups. Conditions to Ethical AI include diverse teams and data, conscious filtering and labeling, and more transparent algorithms.

## SOURCES

Bruno Costa and Lautaro Schiaffino in interviews for Latitud; Microsoft and Berkeley Haas in [Grão's The GenAI Impact in LatAm \(Oct 2024\)](#).



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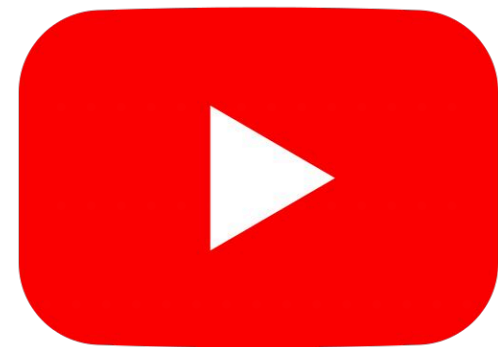
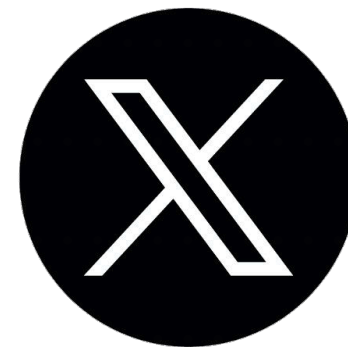


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