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## FEATURED Q&A

# Will Latin Americans Keep Buying Online Post Pandemic?



E-commerce saw strong growth last year in Latin America and the Caribbean. // File Photo: Daniel Foster via Creative Commons.

**Q Latin America and the Caribbean was the fastest-growing retail e-commerce market in 2020, according to Statista, with Brazil alone accounting for nearly one-third of the region's entire market. What factors are driving the e-commerce boom across Latin America and the Caribbean, and how sustainable is this growth once the Covid-19 pandemic recedes? What logistical challenges exist that prevent equitable access to the digital market, and how can they be overcome? How can the region's current value and supply chains be improved to maximize the benefits of e-commerce?**

**A Anabel González, nonresident senior fellow at the Peterson Institute for International Economics and former minister of trade of Costa Rica:** "Physical store closures, stay-at-home orders and fears of contagion have accelerated e-commerce growth in Latin America. Some estimates suggest that some 11 million consumers have made an online purchase for the first time. As has happened elsewhere, once the consumer benefits from the advantages of e-commerce, there is no going back. But a few points are to be noted. First, a recent survey by the Inter-American Development Bank shows that, on average, 26 percent of Latin Americans buy online, but there is great variation across countries—for example, in Venezuela, Costa Rica and Uruguay, it reaches 47 percent, 40 percent and 38 percent, respectively. Second, the use in the region of online platforms to generate income is still in its early days, with only 9 percent of Latin Americans on average having used these platforms for that purpose, with the highest use in Costa Rica, the Dominican Republic and Mexico, where the numbers rise

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## TODAY'S NEWS

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## Paraguayans Call for President's Ouster in Third Day of Protests

President Mario Abdo Benítez has been under pressure to resign over corruption allegations and apparent failure to handle the Covid-19 pandemic.

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### ECONOMIC

## Venezuela Begins to Ration Diesel

Venezuelan state oil company PDVSA has begun rationing diesel to truckers due to low domestic refining output. Last week, truckers blocked a highway in protest over the unprecedented shortages.

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### POLITICAL

## Mexico City Braces for Women's Day Marches

Authorities have fenced off the presidential palace ahead of a women's march planned for today to protest President Andrés Manuel López Obrador's continued support for a gubernatorial candidate accused of rape.

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López Obrador // File Photo: Mexican government.

## POLITICAL NEWS

## Paraguayans Call for President's Ouster in Third Day of Protests

Paraguay saw its third day of civil unrest Sunday as protesters again took to the streets in outrage over alleged corruption and mismanagement in the government of Mario Abdo Benítez, ABC Color reported. In the capital Asunción, marchers draped in the national flag carried signs expressing anger over a health system that has reached a saturation point due to the Covid-19 pandemic, as well as allegations that government-purchased health supplies and medicines had been illegally obtained by private merchants who were reselling



Benítez // File Photo: Paraguayan government.

them at a profit. The crowds were also calling for the resignation of Benítez's vice president, Hugo Velázquez. Authorities installed security fencing around the presidential residence over the weekend. Nearly two dozen people have been injured, according to the report. In a move to appease the protesters, the right-of-center Benítez, who is known by the nickname Marito, has sacked three members of his cabinet: the ministers of education, women and the head of his civil cabinet. Julio Mazzoleni, the health minister, resigned Friday following a march organized days earlier by medical professionals in Asunción to call attention to the scarcity of basic medical supplies. So far Paraguay has received just a few thousand doses of Covid-19 vaccines, according to The New York Times. This is a key point of contention with protesters, who want to know why, with so much time to plan, Paraguay had not negotiat-

ed the purchase of more vaccines sooner, as countries such as nearby Chile, which leads the region in vaccination rates, had done. [Editor's note: See related [Q&A](#) in the March 2 issue of the Advisor.]

## Three Plead Guilty to Charges Over Failed Venezuela Invasion

Three Venezuelan men on Friday pleaded guilty to helping organize a botched invasion attempt last year aimed at removing President Nicolás Maduro from power, the Associated Press reported. In a hearing before a Colombian court, the men acknowledged their role in helping Jordan Goudreau, a United States citizen and former Green Beret, to organize several dozen Venezuelan military deserters for an armed incursion, hoping to spark a movement to topple Maduro. "I accept responsibility for my actions but want people to understand that this is all the result of the consequences of what we Venezuelans are living through," said one of the men, Venezuelan National Guard Maj. Juvenal Sequea. Known as Operation Gideon, Goudreau's plot ended nearly as soon as it was launched last May, leaving six insurgents dead and two former U.S. soldiers jailed in Caracas. As part of the plea bargain, the men have accepted a single charge that is punishable with six to 10 years in prison, according to the report. However, under Colombian law they can be released on parole or be placed under house arrest if sentenced to less than eight years. The incursion was launched from northern Colombia, where some of the rebels were training for months before setting off on the gambit.

## ECONOMIC NEWS

## Venezuela Begins to Ration Diesel Fuel

Venezuelan state oil company PDVSA has begun rationing diesel fuel to truckers due to low domestic refining output, Reuters reported

## NEWS BRIEFS

## Mexico City Braces for Women's Day Marches

Authorities in Mexico City have fenced off the presidential palace and other buildings ahead of a women's march planned for today to protest continued violence against women and President Andrés Manuel López Obrador's support for a gubernatorial candidate accused of rape, Reuters reported. Félix Salgado Macedonio, a candidate to be governor of the Pacific coast state of Guerrero, denies the charges. Last year's march on International Women's Day left dozens injured. Activists clashed with police and counterprotesters, with some marchers reportedly tossing Molotov cocktails at the National Palace.

## Fewer Argentines Use Credit Cards in February

Fewer Argentines used credit cards to finance household spending in February, breaking an eight-month upward trend, Clarín reported Sunday. Consumer credit contracted 2.8 percent last month as compared to January. Personal loans also fell, declining 0.9 percent last month. Meanwhile, credit to private-sector companies contracted 2.3 percent in February.

## Ecuador Chooses Royal Dutch Shell for Crude Oil Export Tender

Ecuador's state oil company, Petroecuador, said on Saturday that it had awarded a tender to export 1.44 million barrels of crude oil to a unit of Royal Dutch Shell, Reuters reported. Shell beat out six other companies that submitted bids, offering to pay a discount of \$1.39 to West Texas Intermediate crude prices, according to the report. Shell agreed to export the oil through shipments of around 360,000 barrels each during the month of March, Petroecuador said. Under the tender, the shipments of Oriente crude should generate some \$86 million in revenue for the state, EFE reported.

Sunday. Last week, truckers blocked a highway in the central state of Maracay in protest over the unprecedented diesel shortages. With some of the largest oil reserves in the world, Venezuela has long offered diesel fuel to truckers at no cost and continues to do so despite the shortages, according to the report. The shortages could have implications for electricity production in the months ahead, as parts of the nation's grid are dependent on thermal generation. Power plants in the Andes region of the country are exclusively powered by diesel, Antero Alvarado, managing partner at Gas Energy Latin America, told the Advisor. In November, the administration of then-U.S. President Donald Trump declined to renew an exemption from sanctions for diesel supplied to Venezuela by non-U.S. companies, a measure that had been in place on humanitarian grounds. [Editor's note: See related Q&A in the Nov. 20 issue of the weekly Energy Advisor.]

## BUSINESS NEWS

### Arco Buys Pearson Education Assets in Brazil for \$162 Million

Brazil-based Arco Platform Limited on Saturday announced that it has entered into a definitive agreement with Pearson Education do Brasil to acquire COC and Dom Bosco, two K-12 learning systems in the South American country. The company is paying 920 million reais (\$162 million) in cash for the assets. Ari de Sá Neto, the CEO and founder of Arco, said in a statement that COC and Dom Bosco serve 800 partner schools and around 210,000 students. "The brands have a strong presence in the Southeast region of Brazil, especially in the state of São Paulo," he said. In a separate statement, Pearson noted the transaction also includes a distribution partnership with Arco, which will have exclusive rights to distribute certain supplementary educational solutions to primary schools in Brazil. Pearson will continue offering English learning, franchising and assessment business lines in the country.

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to 22 percent, 20 percent and 15 percent. Third, while cross-border regional trade in the region is expanding, there are increased opportunities for growth, including for small and medium enterprises. For Latin American and Caribbean countries to fully benefit from the role of e-commerce in order to increase productivity, promote the diversification of export markets and incorporate more firms into exports, it needs to improve its readiness, including by increasing the number of Internet users, expanding access to banking and improving the reliability of postal services. It also needs to strengthen digital trade policies by reducing restrictions on market access, establishment and data flows, among others."

**A** **A.J. Hernandez, president and CEO of shipping firm Sky-Postal:** "Covid has exploded e-commerce all over the world, and Latin America is no different. What is different in Latin America is that more people were 'forced' to try online shopping for the first time. These people were once wary of online shopping for fear of fraud or never getting their product. Now they are more comfortable and have become regular online shoppers. The growth will eventually plateau, but I don't feel that it will recede very much because of the ease and comfort of shopping from home. The biggest logistical challenge is the lack of reliable delivery service via the postal networks. Cross-border sellers are accustomed to using the USPS, Canada Post or the European postal services and getting good service, but this is not the case in Latin America. The postal service network in the region is very unreliable and results in poor user experiences, which is why it is important to work with private operators that know the region. Another challenge is understanding import duties and taxes, which can be complex. However, with the right partner, they can easily be managed. The biggest improvement needed throughout the region is a more simplified import process and

more reasonable import duties and taxes. Customs is still managed the way it was 50 years ago, and the individual consumer buying product for personal use is being treated like a commercial importer who plans to resell goods. Custom authorities in most countries must create a process for handling e-commerce imports that is more efficient and not taxed in the same manner that is a local merchant importing products for resale."

**A** **Paulina Ortiz, Mexico e-commerce leader at NielsenIQ:** "Based on several global studies, NielsenIQ developed a framework to identify the stage of e-commerce in each country. Using this model, most Latin American countries are in a 'growth stage.' There are three factors that have driven e-commerce's boom in the

**“The pandemic has undoubtedly accelerated the digital transformation and has also caused consumers to adopt new habits.”**

— Paulina Ortiz

region. First, new online retailers have entered the market. Second, purchase barriers related to infrastructure are being demolished, particularly in payment methods and logistics. In addition to this, consumers have been forced to try online shopping because of the pandemic. Third, smart e-shoppers are not only concerned about price, but also want convenience in delivery and ease of payment. The pandemic has undoubtedly accelerated the digital transformation and has also caused consumers to adopt new habits. Forty-six percent of e-shoppers say they will continue to buy online even after the pandemic ends. Although there are still some logistical challenges, most retailers

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have made efforts to increase and improve their logistical chains in recent months. All this has brought an improvement in delivery times and in consumers' online shopping experiences experience, leading them to continue buying online."

**A Welber Barral, senior consultant at BMJ Consultores Associados and former foreign trade secretary of Brazil:** "The Covid-19 pandemic has accelerated the growth of e-commerce all over Latin America. In the case of Brazil, the impressive growth rate of 35 percent in 2020 was prompted by concerns over contagion, the impact of lockdown measures and the entrance of many new consumers. This evolution will certainly keep these new consumers within the realm of e-commerce, if technological and logistical challenges are addressed. Consumers commonly criticize delivery delays in Brazil. This is related to the lack of the postal service's quality, the necessary investment in logistics and more coordination among regional operators. The proposed privatization of the postal service may be a step forward toward liberalizing this service, allowing international actors to compete in this market. Another challenge is the evolution of big data, AI and machine learning. Improved systems must consider how to improve fragmented data in Brazil and the regulatory requirements of the new Law on the Protection of Personal Data. An interesting trend in Brazil is that some e-commerce operators are venturing into payment systems and financial services. This adds value to the supply chain, adds financial options for sellers and consumers and minimizes the risk of credit card fraud (a regular risk in Brazil). Also, Brazil has an extremely complex tax system, as well as bureaucratic customs controls. Some recent efforts of digitalization will reduce transaction costs for these operations, bringing additional advantages for e-commerce in the country."

**A Mauricio Salvador, president of the Brazilian E-Commerce Association:** "As also happened in the rest of the world, lockdowns made e-commerce soar like a rocket in Brazil. More than 150,000 companies started selling online in 2020, and six million e-shoppers made their first online purchase. E-commerce's share jumped from 7 percent to 15 percent in total retail sales. But we still have some problems. Logistics is the number-one problem: violence and bad road maintenance

**“ More than 150,000 companies started selling online in 2020, and six million e-shoppers made their first online purchase.”**

– Mauricio Salvador

have made insurance and freight costs very high. Taxes and fraud are other problems. We pressingly need public policies as related to taxes, data privacy and logistics in e-commerce, so omnichannel sales can grow more easily. Marketplaces such as MercadoLibre and Magalu are providing small businesses with e-commerce tools that make it easy to sell online. We estimate that Brazil will reach 100 million e-shoppers by the end of 2023. There is room for international players. In two years, Shopee reached the top 10 e-commerce players in Brazil. If you have something to sell, there are many people there who want to buy it. Also, use of mobile devices is growing fast. More than 55 percent of online store visitors do so on mobile devices, but only 30 percent of purchases are made on these devices. This means that the conversion rates are lower on mobile than desktops; Brazilian online stores still have work to do to improve the user experience on mobile phones."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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