



**University of St.Gallen**

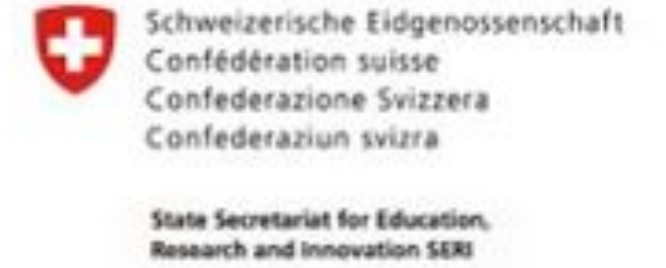
Institute of Management in Latin America



# **Startup Surge in Latin America: Navigating Innovation Trends in 2024**

**Dr. Rocío Robinson, AIT Startups and GIMLA**

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 RiseUp Summit  
 October 20, 2023  
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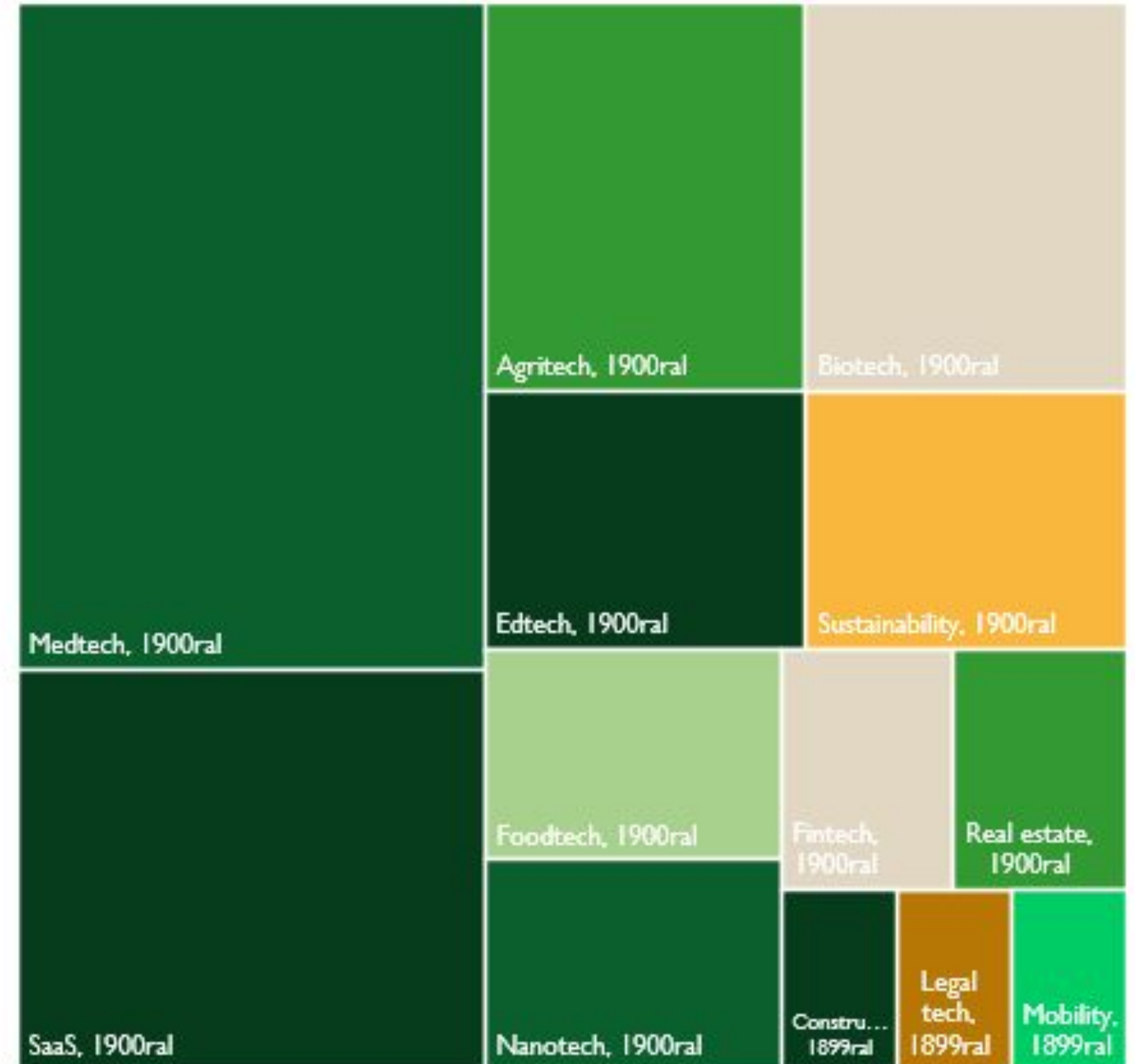


50 - 60 startups per year  
 4 - 6 camps per year  
 2 - 3 events per year

AIT  
 Brazil  
 10th edition

AIT  
 Colombia  
 4th edition

AIT  
 Mexico  
 3rd edition



## Objectives of the Academia-Industry Training (AIT)

- **Help Swiss and Latin American participants...**
  - innovate and develop their entrepreneurial and business skills
  - give them practical, hands-on canvassing, and skills acquisition
  - transform their high-level applied research into a market application
  - develop their business plan
  - help them figure out their intellectual property
  - network at an international level to foster new partnerships and collaborations
- **Impact the ecosystems in Switzerland and Latin America by...**
  - providing the latest methodologies (design thinking, agile, lean startup, etc.)
  - fostering spaces to change mindsets for more creativity and innovation
  - supporting sustainability and social entrepreneurship
  - providing tools and methodologies for sustainability and business model innovation

## Switzerland Camp: Lausanne, Bern, Zürich, St.Gallen



## Camps in Latin America: São Paulo, Rio, Bogotá, Medellín, CDMX



# Some of our partners in Switzerland

Spinoff **ETH zürich**



>>venture>>  
Companies for tomorrow



**MC**  
MASSCHALLENGE



**seif** DRIVING  
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INNOVATION

**ETH STUDENT  
PROJECT HOUSE**

 **Wyss Zurich**  
Translating  
Science into Life

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\* seedstars

# Success Stories

## from the AIT Startups Program

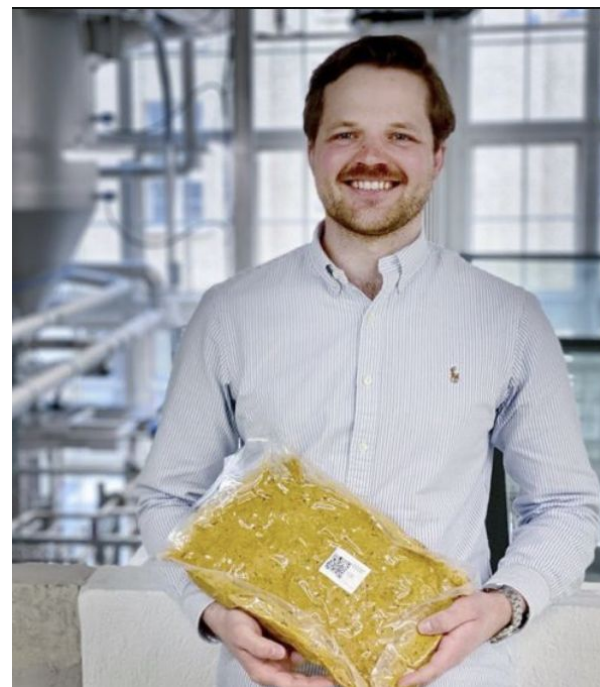
AIT Brazil 🇧🇷



Upgrain  
Eduard Müller



AIT Brazil 🇧🇷



Planted  
Peter Bohnacker



AIT Colombia 🇨🇴



AgroSustain  
Florián Guignard



AIT Mexico 🇲🇽



Rea  
Loulia Kassem & Erick  
Garcia





# The Latin American Startup & Innovation Ecosystem

Significant growth fueled by a **combination of 6 notable factors:**

## **1. Increased access to capital**

Venture capital investments in the region reached a record high of *\$5.2 billion in 2022, a 65% increase from 2020!* Latin American Venture Capital Association (LAVCA, 2023).

## **2. Favorable regulatory environment and tax reforms**

Special visas for entrepreneurs, simplified business registration processes, and offered tax incentives for investments in startups.

## **3. Technological advancements and more local talent!**

## **4. Growing number of startups and gender diversity**

The number of active startups in the LatAm region multiplied by ten-fold in the past 5 years and nearly 33% are currently women-led startups! (LAVCA, 2023).

## **5. Rise of incubators and accelerators**

Support to entrepreneurs through mentoring and networking opportunities. *Startup Chile, Wayra, and Endeavor* are notable incubators in the region (World Bank, 2023).

## **6. Regional integration**

LatAm startups are looking beyond their borders to expand into larger regional markets. Trade agreements including Mercosur and the Pacific Alliance make it easier for startups to access markets in neighboring countries (Stanford Social Innovation Review, 2022).

# Rise in LatAm Innovation Trends in 2024

1. Digitalization (E-Commerce) & Fintech
2. Clean Energy & Sustainable Solutions
3. AgriTech & FoodTech/Security
4. Smart Cities & Urban Innovation
5. Healthcare & Telemedicine



# Surge of Digitalization in LatAm

Expansion of digital technology and the proliferation of **E-Commerce & E-Payments, Online Banking & FinTech, and some EdTech startups.**

->Attributed to the rising levels of smartphone usage and internet penetration.

As of 2023, roughly 3/4 of the region's population has access to the internet, largely impacting both consumer and investment behavior.

Even higher projections for 2024! (World Bank, 2023).



# The Rise of Fintech and E-Commerce

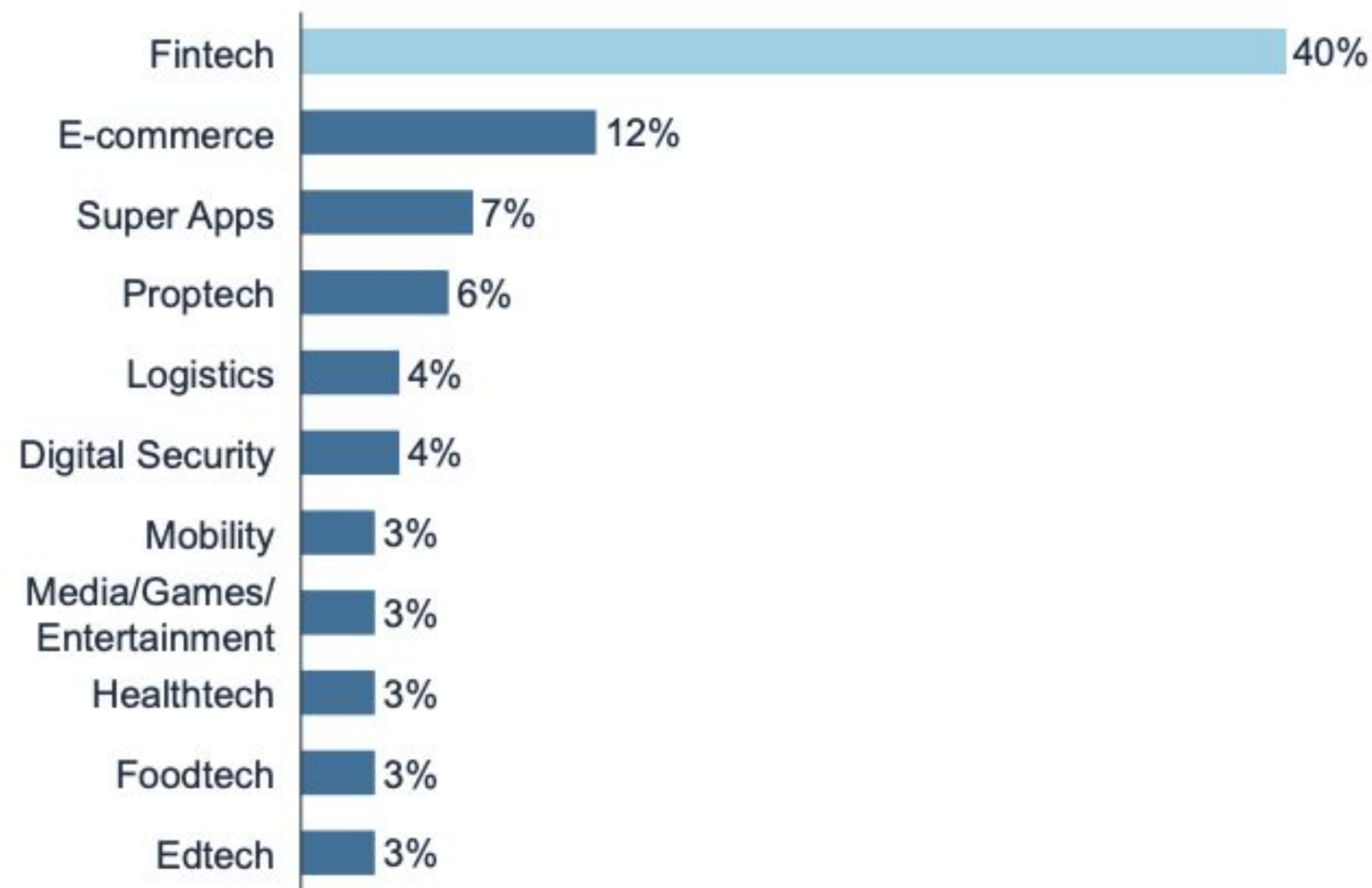
## Largest Fintech Funding Rounds, 2020 and 2021<sup>1\*</sup>

Top deals in USD\$ by country



## Venture Capital's Investments per Segment, 2020<sup>2</sup>

Percentage of total capital invested per segment



\*Up to September 2021

\*\*dLocal raised two rounds totaling \$350mm in 2020 and 2021 before raising \$617MM in its June 2021 IPO

Source: (1) LatAm Fintech Hub Report, CB Insights State of Ventures Report, Crunchbase, Atlantico interviews (2) LAVCA Report 2021

# Latin American Unicorns in 2021



Unicorns – 1 Billion US\$ +

The number of unicorns has increased **seven-fold** in the past two years! Currently, there are more than 50 unicorns in LatAm.

Brazil and Mexico are LatAm's thriving startup hubs, most venture capital into LatAm going to these two countries.

# Key Players in Latin America



- 1 — Brazil
- 2 — Mexico
- 3 — Colombia
- 4 — Argentina
- 5 — Chile

# 1. Brazil

## The Global Giant Awakens

- Hubs are São Paulo, Rio de Janeiro, and Belo Horizonte
- Most unicorn startups in LatAm are of Brazilian origin
- 19 Unicorns founded in Brazil: **QuintoAndar** (landlords/renters), **C6 Bank** (no physical branches), **Creditas** (financing for creditworthy individuals), **Nuvemshop** (online businesses), **WildlifeStudios** (gaming), **Loft** (real estate), **Unico** (IDTech), others in AI, digital banking, FinTech, deliveries, logistics, shipping...  
But also some limited Health and AgriTech focus!
- Brazil is increasingly looking for closer ties with the BRICS and towards Asia for funding opportunities, notably China.

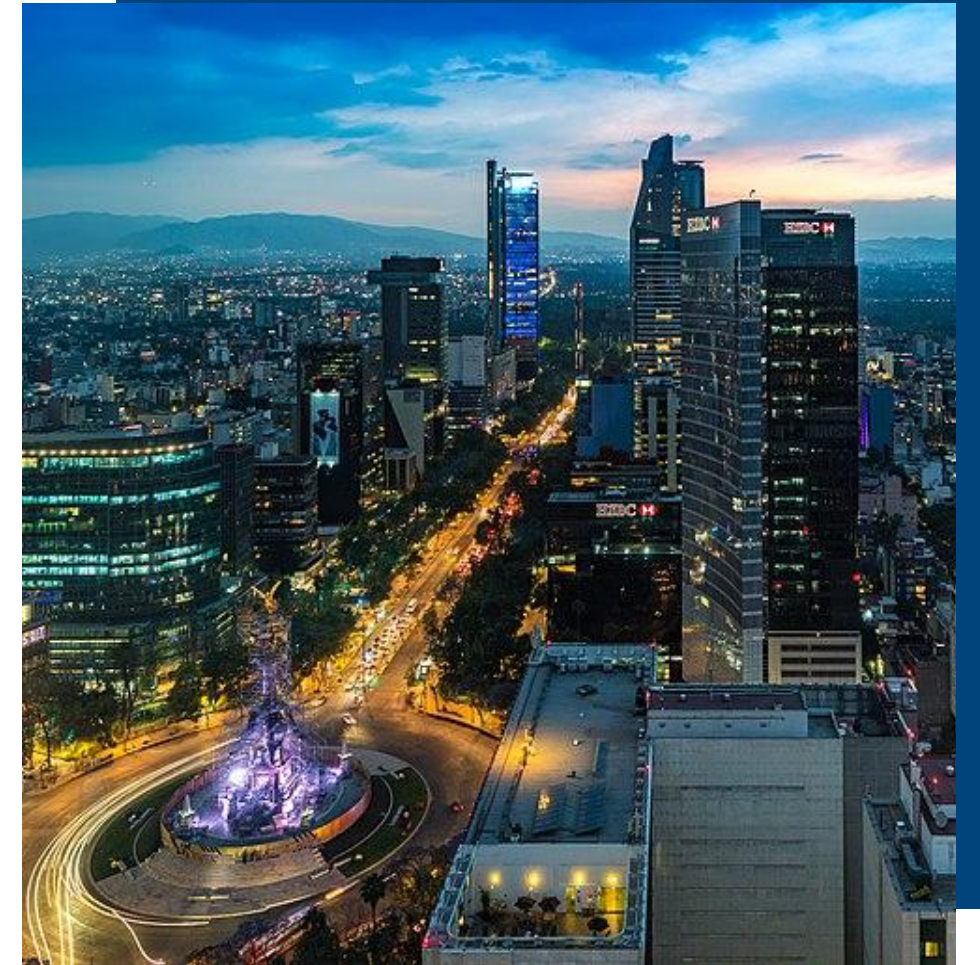


# 2. Mexico

## A Northstar Hub

### 3 major startup hubs / clusters with specific specializations:

- **CDMX:** FinTech, E-commerce & Retail, Transportation
- **Guadalajara:** Silicon Valley of Mexico! Software and digital components, electronics manufacturing, aerospace, automotive
- **Monterrey:** Manufacturing and E-commerce (major Tesla plant)
- Mexican government – new initiatives to support startup growth
- From zero to 9 unicorns in past 2 years!: **Kavak** (buy, finance, and sell pre-owned cars), val US\$ 8.7 Billion. **Bitso** (cryptocurrency) val US\$ 2.2 Billion. **Clip** (epayments terminal), val US\$ 2 Billion. **Konfio** (digital banking for SMEs), val US\$ 1.3 Billion. **Stori Card** (digital financial services), val US\$ 1.2 Billion. **Newports** (digital freight / supply chains) val US\$ 1.1 Billion, **Clara** (corporate credit cards), **Incode** (biometrics), **Merama** (e-commerce)
- Geopolitical advantage: entry to the USA!

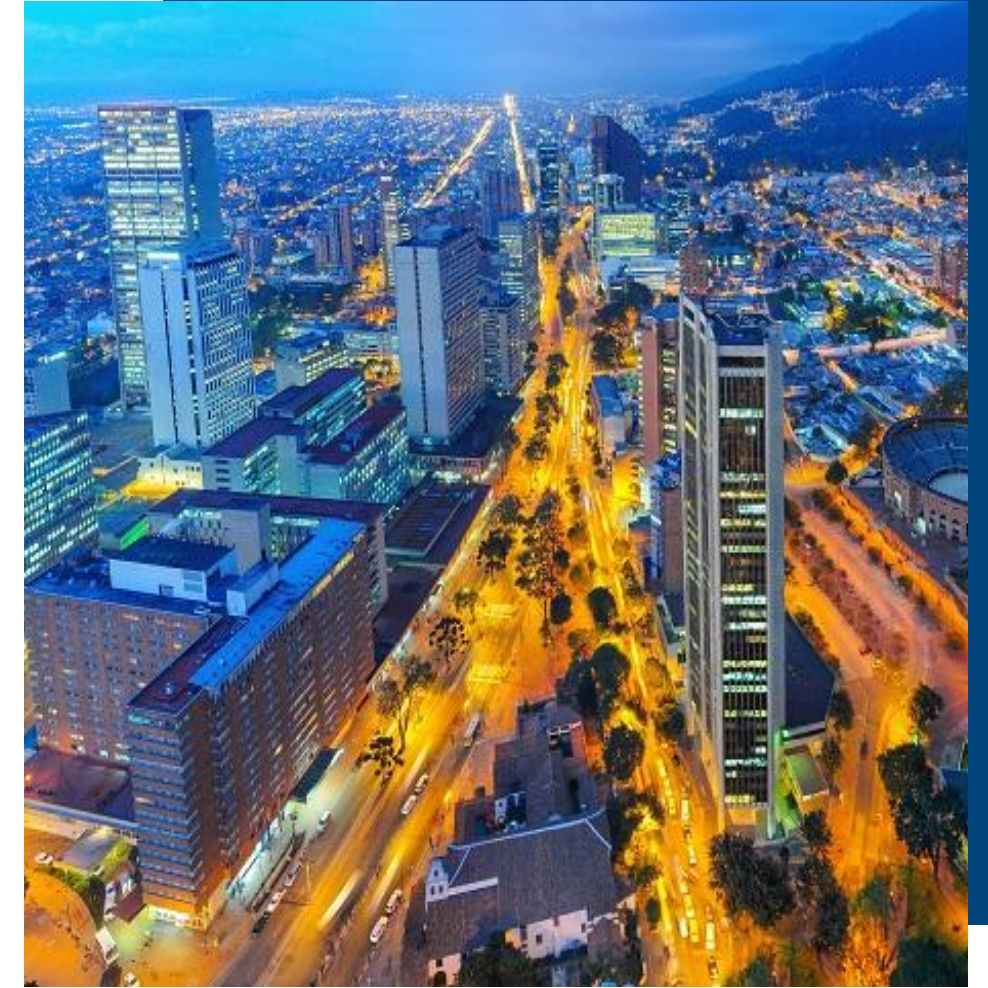


# 3. Colombia

## Local platforms and Social Impact

Bogotá and Medellín are the main centers for innovation.

- 3 Unicorns: **Rappi**, a delivery platform that provides job opportunities for low-income individuals. Has a presence in 9 LatAm countries now. Val US\$ 5.2 Billion. **Habi** (purchase of high-value properties in high-value areas), val US\$ 1 Billion. **LifeMiles** (promotions and discounts for airlines, hotels, cars, restaurants), val US\$ 1.1 Billion.
- Colombia's startup ecosystem has been characterized by its focus on **social impact**
  - Startups working on solutions for social issues such as education, health, and environmental sustainability (BIIA, 2022).
- Government works to support startups, social entrepreneurship
  - Ministries provide training, mentorship, and funding to startups. Connect Bogotá, iNNpulsa, RutaN



# 4. Argentina

## Servicing regionally, internationally

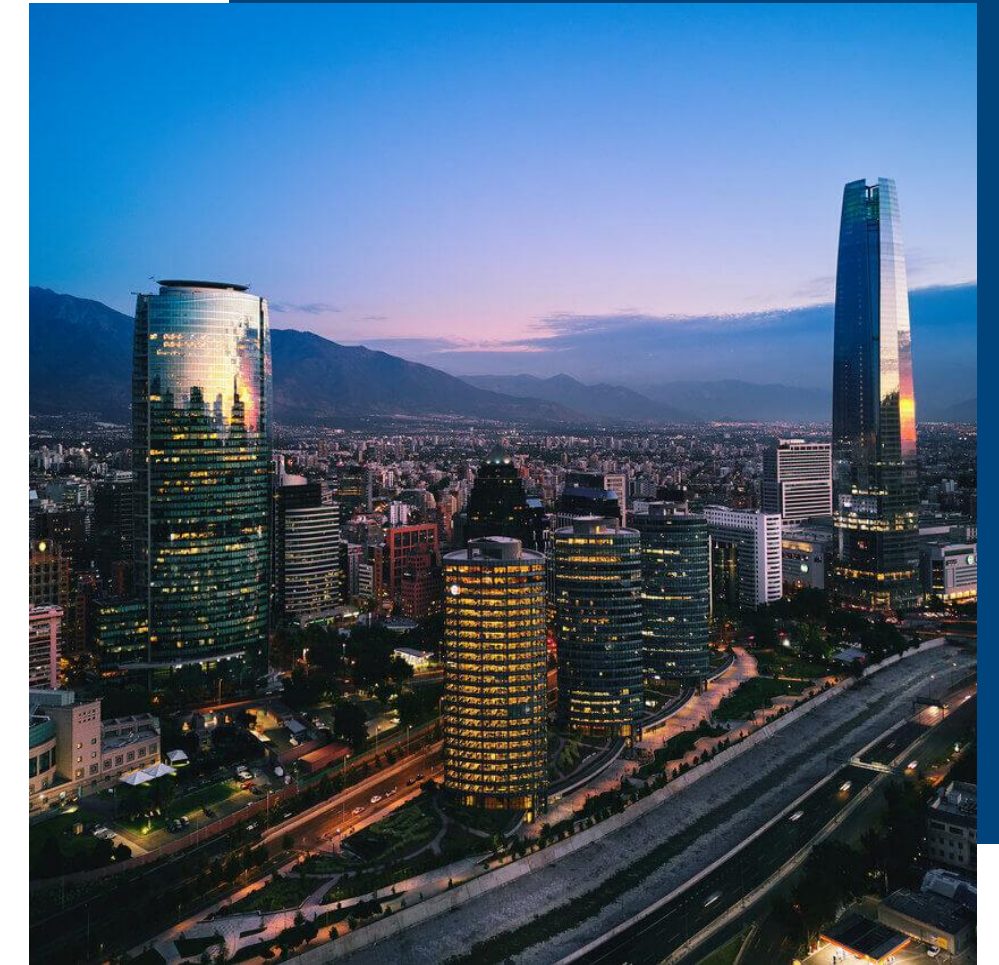
- Rapid growth in recent years, specifically in Fintech, E-Commerce, and AgriTech despite long history of political and economic instability
- 12 Unicorns that serve a global market: notably **MercadoLibre** (LatAm's biggest e-commerce platform), **Despegar** (online travel), **OLX** (online classifieds 45 countries), **Globant** (software for US & UK corps), **AuthO** (cyber security and IDTech), **Aleph** (advertising), **Bitfarms** (cryptocurrency), **Mural** (digital workspaces), **Tiendanube** (e-commerce), **Ualá** (FinTech), and **Vercel** (front-end software), **Prisma Medios de Pago** (epayments)
- 12 Unicorns...but needs stronger local ecosystem and +government support for innovation
- Ministry of Production and Labor launched the Entrepreneurship Promotion Program and the Seed Fund for Technological Innovation, but not enough for strong ecosystem.



# 5. Chile

## Attracting Global Investment

- Government supports and encourages the startup ecosystem: Start-Up Chile attracts top early-stage entrepreneurs from around the world to develop their startups in Chile and it provides startups with funding, a one-year visa, and access to a network of mentors, investors, and other resources.
- Prioritizes international partnerships to foster knowledge exchange: cooperation with USA, Sweden, South Korea, and Israel.
- 3 Unicorns: **Betterfly** (InsurTech) is the first B-Corp unicorn in LatAm, **Cornershop** (grocery delivery), **NotCo** (FoodTech),



# Challenges and Opportunities

## for a Latin American Startup

### Opportunities

#### Emerging Market Potential

- growing middle class & increasing digitalization / internet penetration

#### Government Programs and Support

- Governments recognize importance of startups and are implementing programs to support innovation
- Pro-innovation policies & tax incentives reforms

### Challenges

#### Regulatory Hurdles

- Lack of effective intellectual property protection
- Instability of the government and shifts in power

#### Funding Gaps

- Limited access to capital
- Risk-averse investment culture

# In sum.. 6 Innovation Trends in 2024

**1. Increased access to venture capital, expanding digital infrastructure, and a growing pool of local entrepreneurial talent. Less braindrain, more braingain!**

Smarter, stronger, younger! More local and foreign money... and more education!

**2. The most promising sectors are e-commerce, e-payments, online banking, real estate and logistics...even though there is a focus on SustainableTech.**

Startups, incubators, accelerators, and ecosystems are very focused on addressing *local* challenges and capitalizing on emerging *regional* opportunities.

**3. More regional integration and cross-border activity.**

LatAm startups are looking beyond their borders to expand into larger *regional* markets to cover more geographic space. Trade agreements, particularly Mercosur and Alianza del Pacífico are at the forefront. Lots of interregional exchanges with the Pacific!

# Innovation Trends in 2024

## **4. New constellations.**

Think long-term, competitively, and innovatively! Growing collaboration between government, universities, and the private sector.

## **5. Financial and political challenges still remain...**

Elections in Ecuador last week and in Argentina coming up on October 22. In 2024, five Latin American countries—El Salvador, Panama, the Dominican Republic, Mexico, and Uruguay—are set to elect new Presidents!

## **6. LatAm countries position themselves as dynamic players on the global stage!**

- Brazil looking to the BRICS – focusing beyond USA and Europe. Think global!
- Mexico and Nearshoring – strategy to move production closer to the final consumer (focus USA), reducing costs and avoiding logistical setbacks. Can help consolidate Mexico's position as an international logistics hub post pandemic and Ukraine war.
- Don't underestimate Alianza del Pacífico and China's investments in the region!



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