

James Robert Lay:

Noel asked, "Thinking about Latin America, what happens with FinTech deployment going forward? What will hold growth back? Is it cultural? Is it regulation? Is it political, and who is in the best position to innovate and capture growth going forward into the future?"

James Robert Lay:

Well, this is a great question, Noel, and one that transcends cultures and boundaries, and it is a question that many financial brand marketing and sales leaders should be thinking about regardless of where they are in the world, which is why I'm looking forward to answering it for you on today's episode of Banking on Digital Growth.

James Robert Lay:

Greetings and hello. I am James Robert Lay, and welcome to the 138th episode of the Banking on Digital Growth podcast, where I, James Robert Lay, your digital anthropologist, commit to continue to coach and guide you along your digital growth journey as you commit to continue to coach and guide people beyond financial stress towards a bigger, better and brighter future. Today's episode is part of the Inside Digital Growth series, and I look forward to answering a question from Noel, who is the Corporate Treasurer for a financial brand in Latin America. Before I answer Noel's question, I'd like to invite you to join me on a future podcast episode to gain clarity, to talk through your biggest digital marketing, sales or leadership questions that you'd like to get answers to, so please do text your questions to 832-549-5792, and my team will get with you to schedule a time for you to join me on the show. Let's get back to Noel's question here as I want to first provide some context around his thinking as he shared with me that some emerging markets, such as China, South Africa, India, all "Big-ticket countries" are leading the FinTech and nontraditional banking space, pioneering, really despite their low financial literacy and banking penetration in those markets.

James Robert Lay:

He continues, "Thinking about Latin America, with more than one trillion in GDP and close to 100 billion in remittance from the north to the south, what happens with FinTech deployment going forward?," he asked. "What will hold growth back? Is it cultural? Is it regulation? Is it political, and who is in the best position to innovate to capture growth going forward into the future?"

James Robert Lay:

Once again, this is a great question, Noel, for anyone who is listening from around the world as the thinking I'm going to share today transcends all borders and boundaries that transcends all cultures as the answer that I'm going to think through and talk through provides a clear path forward, not rooted in technology, but really rooted in people. To begin with, your question that you asked around culture is very valid. I'd like to take this a step further to note the importance of digital culture within a specific region, particularly through the lens of digital anthropology, which is right at the center of where we focus. It's the study of the intersection of marketing, sales, technology and human behavior, and you referenced China and India as big-ticket countries leading the FinTech and nontraditional banking space despite their low financial literacy and banking penetration. For a moment, I want to put banking behaviors aside and just look at the overall digital adoption behaviors that would first and foremost be a natural requirement for any type of FinTech growth.

James Robert Lay:

In 2020, in Brazil, the most populated country in Latin America, Brazil had around 141 million smartphone users, and that's about a 66% penetration rate into the total population of about 212 million people. Furthermore, let's look at Mexico, the second most populated country in the region, which was

estimated to have about 80 million smartphone users in 2020, and that's a 62% smartphone penetration in a country with a total population of 129 million. On the flip side, in 2020, the number of smartphone users in China reached 970 million people. It's almost one billion people, which is still around 63% of their population and follow similar trends to what we're seeing in Brazil, what we're seeing in Mexico, and in India, smartphone adoption was estimated to have reached over 748 million people in 2020, now dropping a little bit, which is about 54% of their total population. Stateside here, we are seeing smartphone reach for 2020 was about 294 million people or about 87% of the total population, which really is leading the world from a population penetration standpoint.

James Robert Lay:

The point of this exercise, when going in and looking at the number, looking at the data, looking at the research, the point is to consider, "What is the potential reach of any audience that has access to a smartphone capability, which is going to be required to boost FinTech adoption?" While China, Brazil, Mexico, they all have similar market penetration rates, coming around that 60, 65% penetration rate, China's total number of smartphone users is over 10 times greater than that of Mexico's, which is also over seven times greater than that of Brazil. Just getting access to eyeballs is going to be an important consideration for any FinTech at a global level. If I'm in Latin America, if I'm in Africa, if I'm in the U.S. even for that matter who is thinking about launching a FinTech, I first and foremost want to see how big my potential audience is when making a case for the future, and really, a case for future growth. The reason that I note this, and I note the U.S. is because even while FinTech continues to explode here stateside, I do see opportunities for both FinTech and traditional financial brands to tap into niche market opportunities, but it's important that those niche market opportunities are large enough, are big enough to create value over the long-term.

James Robert Lay:

They're not too small to where we start to get into something and we realize that there's just not the ability to scale within that particular niche market. I've had numerous conversations with Jeffery Kendall, who's the CEO of NYMBUS on the podcast, where we've talked about this idea that niche is the new local, and I believe this idea of niche, once again, it transcends all cultures. It transcends all boundaries, and this is why as FinTech and traditional financial brands look for collaboration opportunities, it is more important now than ever before to know your market. Recently, I was doing a keynote session for an event in Dubai, and I think the interesting thing about this particular event was I didn't have to get on a plane to give this keynote. I was actually able to just Zoom in, teleport in, if you will, and provide some perspectives for the start of what was a really good learning experience over in Dubai.

James Robert Lay:

Staying around and listening to a panel discussion that transpired after my opening remarks, it was interesting because one of the panelists was talking about this idea, and really, the need to know and understand the market now more than ever before, particularly within the financial services space because they made a reference that this particular institution had launched about 300 products over the years without really doing any type of early market research into identifying, "Why are we launching these products to begin with in the first place?," and so that's a ... This idea of knowing your market, and really, I would say going ALL in on your market, ALL being an acronym, A-L-L, will help to create a strategic, competitive advantage no matter where you are in the world. What I mean by going ALL in, A-L-L, it means this. Number one, asking good questions. Getting really good at asking good questions.

James Robert Lay:

What are people's pain points? What are their questions? What are their concerns? What's keeping them up at night, and really, how are these problems affecting their health, their overall health, their

physical health, their mental health, their relational health, because money is at the root of all mental, physical and relational problems? Granted there are other concerns as well, but the more research that we're doing, it's rooting back to financial stress, if you will.

James Robert Lay:

Once we get really good at asking good questions, we can then begin to listen to people's problems, and listen to the answers that they give. This is where we can tap into the emotional side of money. The more that we, as financial brands and FinTechs, can create prescriptions and cures to solve people's pains to cure their ills, to guide them towards a bigger, better, brighter future, the better off people will be. Well, I always say if you can transform a person's wallet, you can transform and improve their physical well-being, you can transform and improve their mental well-being, you can transform and improve their relational well-being. Number one, we ask good questions, number two, we listen to the problems, and number three, the second L is we learn from observation, because what people say and what people do are sometimes at opposite ends of the spectrums.

James Robert Lay:

I did an episode on this podcast that really talked about how to go beyond the traditional focus group. This is looking at just observational studies, the way that people interact with money, the way that people interact relationally, the way that people interact with technology, and so when we can look and observe, when we can listen to people's problems, when we can ask good questions, we can gain key insights and perspectives of how to help guide them forward on their own financial journeys. This is something that transcends all cultures, and it is a key reason that we teach financial brands, what we call the 90-day growth method, which is a system that empowers financial brands and FinTechs to escape getting stuck doing digital, because it's so easy to get stuck doing anything, but when you get stuck doing digital, it can be a very deadly place. That's why it's important to create space and time, to stop doing so that you can first review what you've done, learn from those experiences, and then think deeply about the key insights that you gain, and use that thinking to then, really plan out your next 90-day period of growth. I want to come back here for a moment back to your unique situation in Latin America and do some additional thinking for you, Noel, here.

James Robert Lay:

When we look at Latin America and some of the opportunities that exist, it's important ... Once again, coming back to people, putting people at the center of all of your thinking and all of your doing. It's important to consider how people shop and buy at a macro level. For example, in Latin America, the economy historically has been relying heavily on cash, on physical currency exchange. I want to go back to looking at the examples before around smartphone adoption in both Mexico and Brazil, but this time, let's look at it through the lens of payments, as in Mexico, more than 90% of payments are paper-based, and in Brazil, it's around 70% of payments are paper-based.

James Robert Lay:

However, according to the Mexico Daily News, e-commerce transactions have really seen a dramatic surge over the last 12 months or so. Mexico, for example, saw a 32% increase year over year in 2020 with e-com transactions. A lot of that is rooted in the pandemic, but, and this is a really big but, buying products online is still relatively slow as only a subset of the population in Latin America has the financial products to participate in these online digital economies. It's also interesting, and it's really important to note for a global audience listening today that the default for most people in Latin America, from a behavior standpoint, is they'll order online, and then pay at a local convenience store in cash, so it's really this digital, physical interaction here. Another point to make in Latin America is really around the world for that matter, particularly when we're thinking about the underbanked or the unbanked is

rooted in trust or a lack of trust, particularly within the banking system, as this lack of trust historically in banking systems is another factor that FinTechs moving into the space will have to consider.

James Robert Lay:

Not only do we have the technology side that we have to bridge on one side of the coin, pun intended, we also have the trust factor that we're going to have to bridge as well. Even with some of these historical challenges, whether that be technology-based, currency-based, trust-based, even with some of these historical challenges in consumer behavior, there are three things that I see showing favorable signs to FinTech players in Latin America, as well as around the world, particularly speaking to the point of Latin America's number one government regulation, is appearing to be what I call FinTech-friendly. In 2018, the government in Mexico passed a FinTech law that helped to create a framework for FinTechs to offer new products and do business legally under the same terms and conditions as a lot of traditional financial brands have done historically. Number two is even though Latin America has been primarily a cashed-base economy, COVID has really accelerated the transformation of consumer behavior as more and more people have tried out new financial products and apps, as opposed to visiting physical stores, physical locations. Back to this point of payments and just commerce in general, e-commerce in Latin America has seen double-digit growth throughout the pandemic.

James Robert Lay:

I think when you start looking at this as a macro level, you start seeing these trends and patterns across borders, across cultures, and back to Latin America, point number three, FinTech investment continues to flow in at an exponential rate, really over the last 12 to 18 months. We've even seen the rise of the Brazilian FinTech, Nubank, leading the way, is one of the largest neobanks in the world. In closing, no matter where you are in the world, no matter if you're at a traditional bank or a credit union, or if you're working on the FinTech side of things, the most important thing that you can do as you look ahead towards future growth to create an even bigger, better, brighter future for people is to put people at the center of your thinking. Put people at the center of all of your doing. This is what we call here at the Digital Growth Institute, it's called human-centered growth.

James Robert Lay:

I want to reference something that Derik Sutton from Autobooks recently shared with me in a LinkedIn conversation that we were having. Derik shared, "Human contact matters when it matters most to the end consumer. Human contact should not be used as a crutch to not embrace digital, and a focus on digital should not be used as a crutch to not also embrace the importance of human contact. The key," as Derik writes, "is to understand when consumers want or need each of the other, and then design a solution that helps them to make progress on their own terms." I really appreciated this thinking that Derik shared with me, which I thought was relevant for today's topic and conversation because when we look at the relationship between money, between people, between technology, and then really just focusing on the people and the technology, the human digital, we can bridge the human digital divide by studying the yin and the yang symbol, which has origin in Taoism, dating back to the fourth century, fourth century B.C..

James Robert Lay:

At the heart of really encapsulating the Taoism philosophy, finding the way, discovering harmony and balance within, the yin and the yang symbol has two distinct parts. The yin is the dark side of the symbol. The yang on the other side is the light side of the symbol. However, contrary to being what we would consider polar opposites, the yin and the yang are not complete opposites, and this is in fact ... Each side, if you Google the symbol, you'll see the circle with the black and the white.



James Robert Lay:

Each side has a little bit of the other in it while curling up and holding the other side in balance. Put another way, one side cannot exist without the other. The same is true when thinking about future growth and financial services around the human and/or digital experience. One cannot exist without the other. Each side, human, digital balances out the other.

James Robert Lay:

It complements the other, and it really elevates the other side to be even that much better. As you look ahead towards the future of digital growth, remember, it is about people, and technology is just a tool that connects people together to transact, to create value, to really help people ascend to the next level as a whole. If you're thinking about digital marketing, sales, leadership, you have a question as you're looking ahead on your own digital growth journey, and you have a question like Noel, text me your question that you'd like to get some clarity on to 832-549-5792, and I look forward to you joining me on a future podcast episode as my guest to talk through your question together. Until then, and as always, be well, do good, and make your bed.