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Latin American E-Commerce Market Primed for Take Off, Says New Study by DHL and Panama Ministry of Commerce and Industry

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E-commerce is predicted to grow at an annual growth rate of 22% in Latin America through 2021. Rapid adoption in the region of disruptive e-commerce models indicates high potential for growth. Online retail in Latin America predicted to grow by 22% per annum through 2021. Panama tops ranking in evaluation of possible cross border e-commerce hubs.

DHL, the world's leading logistics company, and the Panama Ministry of Commerce have issued a new report which highlights the tremendous growth potential of the Latin American e-commerce market. The white paper, E-commerce in Latin America and the role of Panama as an e-commerce hub for the region looks in detail at the specific trends shaping online retail in key Latin American markets, specific opportunities and challenges for its development, and the ways in which logistics can be a catalyst for further accelerated growth of the sector. It identifies cross-border e-commerce as a particularly strong opportunity, thanks to the lower density of physical retail space, high penetration of smart phones, limited product availability and purchase savings throughout the region.

E-commerce is predicted to grow at an annual growth rate of 22% in Latin America through 2021 [1]. From 2016-2018, the region was the fastest growing in the world for Uber, Netflix and Air BnB. The rapid adoption of these disruptive e-commerce platforms, accelerated by less variety, infrastructure challenges and a perceived lower level of customer service from traditional operators in the segments, suggests that Latin American consumers are particularly responsive to newer digital buying models. The market can be divided into three distinct segments: larger markets such as Brazil and Mexico, which are the first markets of entry for many e-commerce players; mid-size markets such as Colombia, Argentina, Chile and Peru; and smaller markets in Central America and the Caribbean. Mid-size and smaller markets offer significant potential for cross-border e-commerce growth, with many retailers able to stock centralized inventory in larger markets or cross border hubs and service multiple markets relatively quickly and at low cost.

"Latin America is set to be the next frontier for

the e-commerce revolution," said Matthias Heutger, Global Head of Innovation and Commercial Development at DHL. "The sector remains relatively underdeveloped in the region, so there is still a significant opportunity for retailers to establish a foothold and for logistics operators to support their future growth by establishing efficient e-commerce supply chains. DHL has identified e-commerce as one of four key global trends in our new Strategy 2025, and this white paper supports that view. Our DHL divisions will continue to make investments in e-commerce fulfillment capabilities, cross-border and last-mile delivery operations across the entire Latin American region to help our customers capitalize on this opportunity."

Many of the key challenges to more dynamic e-commerce growth in Latin America relate to logistics. Inconsistency in the ease and speed of customs clearance, poor GPS coverage and difficulties with congestion and suboptimal infrastructure for last-mile delivery, and the complexity of reverse logistics processes for returns are all potential brakes on growth. At the same time, the white paper identified five key elements that comprise a successful regional logistics hub to support cross-border e-commerce: free trade zone capabilities, efficient port and airport infrastructure, business-friendly trade and customs regulations (for example, for cross-border returns), specific e-commerce logistics knowledge and inter-industry cooperation, with merchants, technology and logistics providers working in sync. Based on an evaluation of eight key trade centers in the Americas against these five elements and other criteria such as freight connectivity and the World Bank's Logistics Performance Index, Panama recorded the highest score as a potential e-commerce hub. Panama has four free trade zones with varied rules and offerings, good connectivity with other Latin American markets, open immigration laws to attract international talent with e-commerce expertise, competitive labor costs, and the established trade infrastructure and ocean freight throughput of the Panama Canal. At the same time, the white paper pointed to areas where Panama could boost its e-commerce readiness further, such as expanding its air connectivity, investing in B2C-specific logistics infrastructure and talent, and simplifying export processes.

"Panama is already well-established as a B2B trade hub for Latin America, and our aim is to build on our trade expertise and infrastructure to help businesses in the region capitalize on the opportunities of e-commerce," said Richard Killborn, Director of Investment Promotion for the Panama Ministry of Commerce & Industry. "We welcome the findings of this report and will be incorporating many of its recommendations into our planning as we work towards our National Logistics Strategy by 2030. We are committed to making Panama a central part of the Latin American e-commerce growth

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story in the coming years."

DHL and the Panama Ministry of Commerce and Industry launched a Global Center of Excellence (GCOE) in January 2018 with the aim of fulfilling the central objectives of the National Logistics Strategy of Panama by 2030, to increase international investment in Panama in the areas of logistics and transport. The GCOE is focused on promoting Panama as a gateway to Latin America and a strategic logistics center through joint commercial development activities, education and training across the supply chain, and technical guidance for companies looking to develop their business in Latin America.

[1] Americas Market Intelligence

Source: Deutsche Post DHL Group

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