

VMLY&R COMMERCE

Latin American Shopper

**HOW DIGITAL ADDS VALUE TO THE
LATIN AMERICAN COMMERCE**

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As a context, at a global magnitude, e-commerce has been growing and more so in recent years. With the arrival of the COVID-19 pandemic, e-commerce has been an indispensable part of the global retail framework, transforming the way in which consumers buy and pay. A Statista (2021) report shows that global online retail sales rose from US\$3,351 billion in 2019 to US\$4,248 billion in 2020 and are projected to grow to US \$5,542 billion in 2022 (p.9). The lockdown forced merchants to replace their sales channels and forced consumers to rethink their payment methods to avoid contact and prevent contagion in times of pandemic. Therefore, transforming e-commerce from a convenience to a necessity. China, United States and Japan are drawing increasing attention due to their swift growth of e-commerce sales (Solórzano, 2020, para.7).



Latin America is not the exception in this process, according to Statista,

**LATIN AMERICA HARBOURS
ROUGHLY 300 MILLION DIGITAL
BUYERS, A FIGURE FORECAST TO
GROW OVER 20% BY 2025.**

Nevertheless, nowadays it only represents 8% of total e-commerce sales worldwide (Garzón, 2019, para.1). “The proportion of retail sales in physical stores in 2018, 2019 and 2020 was 96.5%, 95.6% and 94.4% of total retail sales in Latin America” (Sayyida et al., 2021, p.9).

Historically, Brick and Mortar (B&M) commerce prevail in Latin America, for instance, Latin consumers mostly use the Internet to browse for products and services as opposed to purchasing them online (Nielsen, 2014, p. 7). This occurs mainly due to economic, social, and cultural factors (Rodríguez & Romero, 2020, p.6). In this essay, it will be demonstrated that commerce in Latin America is not equivalent to the one in developed countries and will point out possible strategies that will boost commerce in this market.

Global speeches are orientated to talk about e-commerce growth worldwide in similar dimensions, nonetheless, adoption rates of e-commerce differ between the countries (Nielsen, 2014. p.7). In each region, each country, and each continent, people have different habits that are dependent upon the cultural values, affecting buyer's behaviour.

The Hofstede's model is probably the most accepted and employed framework to the effect of explaining cultural differences, for this reason, we will rely on it. Focusing the attention on the Hofstede's taxonomy, Latin American countries obtain similar values in all dimensions, however, the least representative is individualism, getting one of the lowest percentages. On average 19%, compared to the percentage of individualism in Global North

(U.S., Northern Europe), which is approximately 66%².

Based on this data, Latin American people are highly collectivistic, in other words, relationships are highly meaningful and essential for them. An individualistic cultural orientation emphasizes the stable properties, rights, and motivations of the individual person. In contrast, a collectivistic orientation emphasizes people in relation to others, "whereas individualistic cultures are all about "I" and "me," collectivistic cultures are all about "us" and "we"" (Pelham et al., 2021, p.1).



²Percentages calculated based on data obtained in the platform Hofstede's Insights (<https://www.hofstede-insights.com>)

With the purpose of clarifying the concept, collectivism is not intended to be associated with tribalism. Tribalism is a doctrine that consists of favouring (without reason) individuals from a given tribe or set of tribes (Kodila-Tedika & Asongu, 2021, p.2),

different from collectivism that refers to a state in which an individual's identity is immersed (with reason) in the group to which they belong (Triguero-Sánchez et al, 2022, p.8).

HOW IS COLLECTIVISM REFLECTED IN COMMERCE AND MARKETING?

Collectivism embraces the shopping moment as an important one to share with others.

FOR COLLECTIVIST SOCIETIES WINDOW-SHOPPING, HAVING A PHYSICAL APPROACH WITH THE SELLER, AND BUYING ACCOMPANIED ARE MEANINGFUL EXPERIENCES OF TRANSACTIONS.

This is proved in the findings of a survey showing that the 79% of the Hispanic shoppers in United States (U.S.) buy with someone, compared to the 59% of U.S. native shoppers that buy accompanied (AMG Strategic Advisors, 2017, cited in Statista www.statista.com).



Implying that Latin American people still prefer to shop in-store, regardless of the COVID-19 pandemic and the global growing trends of e-commerce.

What all this really means, is that the Latin American shopper understands the transaction moment as one with a social and symbolical value. Buying isn't only a process to acquire new products or services,

instead it is a moment to share with others and to enrich social relationships; not specifically by showing off the product, but by involving others in the shopping moment and the process it requires.

THIS MIGHT ALSO EXPLAIN WHY, WHILE THE UNITED STATES GOES THROUGH WHAT HAS BEEN CALLED THE "DEATH OF THE NORTH AMERICAN MALL", SHOPPING MALLS IN LATIN AMERICA STILL SEEM TO BE A THRIVING INDUSTRY.

According to the Business Insider (2021, Apr 6) a 2020 report by Coresight Research estimated that one-quarter of the existing malls in the United States will be closing over the next three to five years. This, as the result of the growth of e-commerce in this country.

For this reason major chains have been announcing their closure and retail e-commerce has been taking in strong, as a safer transaction method during the beginning of the pandemic, and now as a more comfortable one.

On the contrary, Latin America has an increasing number of malls in which, even now during the pandemic, the investment and revenue from 2020 to 2021 is continuously growing. As an example, we can observe the case of the Pei Asset Management group, a company specialized in the management of real estate investment portfolios in Colombia. According to their annual report, their malls had a revenue increase of the 34% in 2021, considering they manage more than 16 malls in the main cities of Colombia, such as Bogotá, Medellín, Cali and Barranquilla (Pei, 2022, p.71).



A trend that seems to be present in the whole region, for example, in Mexico, despite the rapid growth of e-commerce, more than 95% of the supply to cover the demand of purchase is served from B&M, meaning that people continue to attend to shopping centres, specially, because in 2022 the gross leasable area is expected to grow around 800 thousand m² (Colliers, 2021, p.5).

Even though, aspects such as the growth of the middle class and the economical reactivation after the strike of the COVID 19 pandemic influence in the strengthening of the mall and shopping centre industry. It is important to acknowledge that social factors are determinant in this matter;

“RECENT ETHNOGRAPHICAL STUDIES HAVE POINTED OUT THAT IN LATIN AMERICAN COUNTRIES CONSUMERS FREQUENTLY SUBVERT THE CONSUMPTION-DRIVEN DESIGN OF SHOPPING MALLS IN NUMEROUS AND UNEXPECTED WAYS”

(De Simone, 2019).

Meaning that the transaction moment that is supposed to occur in these places is constantly accompanied by other types of social activities, since the Latin American Shopper isn't only interested in buying.



Collectivism also implies social media. For these platforms are not making us more individualistic as most people think, on the contrary, social media provides means for interaction, networking, content sharing, and identity development with other people (Sirola et al., 2021, p.1).

Latin's self-identity is directly related to their groups of reference and the number of friends in social media. That is why Latin America houses the largest number of users in social platforms in the world, representing on average a daily consumption of 212 minutes, while the lowest regional average comes from North America, with 116 minutes (Duarte, 2019, para. 4-5). On the other hand, social media is ever persuasive and influences the way consumers are buying products and making shopping decisions (Brouwer & Shridhar, 2020).

For all the above, Spanish speakers tend to be more social in both channels: offline and online, nevertheless, greater purchases are transacted offline. Consequently, companies in Latin-America should not focus on replacing traditional commerce into digital, since it is more about how digital enriches collectivistic commerce.



THE REAL CHALLENGE

The real challenge in terms of marketing is to generate value by innovating in social media and on physical stores, which are channels that naturally conduct this collectivism. For this purpose, there are diverse approaches.

One consists of strengthening social commerce which is an effective strategy in collectivistic markets, as long as it involves social relations and experiences along brands, influencers, or individuals themselves, through social media. Considering that the platforms with the biggest interactions in Latin America are WhatsApp, Facebook, YouTube, and Twitter (Corporación Latinobarómetro, 2018, cited in Statista www.statista.com).

In Latin America, companies don't have problems linked to the shortage of buyers in physical stores, the opportunity is raised on improving the customer engagement in-store. So, another way of generating value is innovating in the physical stores in every stage of the customer journey. This can be done by omnichannel experiences, including digital devices in-store that offer unique and seamless options to retailers, such as, in-store app features, cross channels features, delivery and customer service channels. Without leaving aside the region characteristics, this being consumer behaviour, technology adoption and infrastructure.

At the end of the day, don't believe everything they tell you! The retail industry is evolving, however not in the same way all over the world. In Latin América, e-commerce is not growing as fast as in other regions. The traditional channel remains the most important in Latin America,



since collectivistic attitudes are determinant in this market, unlike the individualistic culture in developed countries.

This does not mean leaving aside digital strategies; besides, it proposes to understand how digital upgrades collectivistic commerce.

BRANDS AND RETAILERS WINNING FORMULA IN LATIN AMERICA IS TO INCORPORATE COLLECTIVISM QUALITIES, DIGITALIZATION AND INNOVATION IN THEIR STRATEGIES THROUGH SOCIAL COMMERCE AND OMNICHANNEL METHODS SUCCEEDING TO CREATE DEEPER CONNECTIONS WITH CUSTOMERS.



For future research, it is recommended a further exploration of the categories that have the biggest purchases made with a collectivist approach. It is also suggested to identify in which categories there is a tendency to search in B&M but then buy online or inversely, with the purpose of achieving a more specific and strong strategy based on category differentiation.

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