



## PAGE 3: B. ABOUT YOU

**Q1: Respondent details**

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**Q2: Country or country area**

ARGENTINA

**Q3: Organization**

Private sector



## PAGE 4: C. ABOUT YOUR CASE STORY

**Q4: Title of case story**

Mercado Libre and electronic commerce in Latin America

**Q5: Case story focus**

Development of e-commerce and efforts to reduce the "digital divide"

**Q6: Case story abstract**

The development of electronic commerce is one of the distinctive features of the new economy, and e-commerce is growing in all countries. It is a global phenomenon. Nevertheless, it takes on specific forms in each economy or region. Its success depends on the ability to interpret social, cultural and economic factors. This fragmentation of the global process opens up opportunities for the emergence of local and regional players. *Mercado Libre* was able to grasp this scenario and has established itself as a leader in e-commerce in Latin America.

Mercado Libre is the industry leader in e-commerce, with more than 42 million unique visitors per month. It is present in 20 countries, with Argentina and Brazil accounting for over 63% of its total operations. In 2015, 23 million people bought items on Mercado Libre, generating a gross merchandise volume of over US\$7.15 billion. Some 10% of all e-commerce in the region goes through its platform.

**Q7: Funding partner**

Private sector

**Q8: Project/programme type**

Regional

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## Q9: Text case story

The development of electronic commerce is one of the distinctive features of the new economy, and e-commerce is growing in all countries. It is a global phenomenon. Nevertheless, it takes on specific forms in each economy or region. This fragmentation opens up opportunities for the emergence of local and regional players. Mercado Libre was able to grasp this scenario, and has established itself as the benchmark for e-commerce in Latin America.

The company is the industry leader in e-commerce, with more than 42 million unique visitors per month to its online platform. It also contributes to making economic activity more democratic and formal, through innovative payment methods (Mercado Pago), in countries where only small percentages of the population are banked, and through inclusion in the credit card sector.

Mercado Libre is present in 20 countries, with Argentina and Brazil accounting for over 63% of its total operations. In 2016, 27 million people made a purchase on Mercado Libre, generating a gross merchandise volume of more than US\$8 billion. Some 10% of all e-commerce in the region goes through its platform.

Founded in 1999, the company developed over the years a comprehensive set of solutions to improve digital commerce: the online payment and credit solution, *Mercado Pago*; the *Mercado Envios* logistics service; *Mercado Publicidad*, which enables sellers to create advertisements in order to increase their visibility online; and *Mercado Shops*, which offers sellers an easy way to run their own e-commerce business. Consolidating this ecosystem was key to enhancing the online buying and selling experience and stimulating digital commerce within or outside the Mercado Libre platform.

The success of Mercado Libre hinges on its ability to interpret social, cultural and economic factors. It was able to build a social infrastructure that supports a new ecosystem, where trading becomes more democratic and a significant entrepreneurial effect is created. The major impacts are not only technological or economic, but also social and environmental.

### 1. INCOMES AND JOBS BASED ON MERCADO LIBRE

According to a report produced by the Ecolatina consultancy firm, throughout Latin America 55,530 sellers make sales that would enable them to earn an income and pay their staff salaries. Thus, it may be estimated that Mercado Libre is responsible for a total of 322,183 jobs. In addition, a further 50,122 sellers pocket significant supplementary income. Overall, this is equivalent to 372,205 jobs yielding 1.5 times the minimum wage or, at least, a substantial extra income.

### 2. PLATFORM FOR COMMERCIAL AND FINANCIAL INCLUSION

Mercado Shops provides more than 150,000 free accounts, which include all the tools needed for entrepreneurs and SMEs to run their own e-commerce site. Mercado Pago, for its part, has made it possible to provide entrepreneurs with access to online payment facilities, and extends new lines of credit to enable entrepreneurs and small traders to constitute their working capital. For unbanked consumers, Mercado Pago has become a means of online and mobile payment.

### 3. DEVELOPMENT OF LOCAL PROVIDERS

In 2015, Mercado Libre concluded 3,708 contracts with providers, worth US\$782 million. Some 97% of these contracts involved enterprises based in the region, thereby boosting the operations of professionals and SMEs throughout Latin America. Brazil tops the list, followed by Argentina, Mexico, Venezuela, Colombia and Chile.

### 4. A SINGLE MARKET, WITH MORE SUPPLY AND BETTER PRICES

With more than 90 million articles on offer and 4,000 hits per second, Mercado Libre is helping to make trading more democratic. Even people living in the smallest towns or the most remote places can get access to a wide range of products at competitive prices. It is also changing habits in the major consumption centres. For some categories of items, 80% of consumers look on the Internet before making a purchase. Prices can be up to 23% lower when the number of suppliers increases (taking into account high-end electronics, computer and household electrical goods).

## 5. STRONG COMMITMENT TO INNOVATION

Mercado Libre has more than 848 people dedicated to developing applications and optimizing processes. Its main development centres are located in Cordoba and San Luis, Argentina, although it also has large teams in Buenos Aires, São Paulo, Montevideo, Caracas and Silicon Valley.

## 6. INITIATIVES TO DO THE BEST FOR THE WORLD

In 2008, Mercado Libre virtualized its servers, thereby reducing the main source of energy consumption and CO2 emissions. It also renovated its offices in line with sustainability standards, and it promotes "4R" practices. Through the EcoFriday initiative, it encourages the development of triple-impact enterprises, and is expanding solutions for buying in line with the responsible consumption paradigm. Another important area is improving the efficiency of logistics processes and reducing waste, especially packaging.

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### Q10: Lessons learnt

- Of interest, as examples to follow, are the Law on SMEs or the draft Law on entrepreneurship put forward in September 2016 in Argentina to promote the activity of small and medium-sized enterprises. These instruments seek to eliminate bureaucratic obstacles that penalize new entrepreneurial ventures, hamper free competition and benefit just a few incumbent players. Laws to promote the software industry are crucial, as is any regulation that promotes innovation and R&D, to which Mercado Libre gives priority in its investments and planning. Argentina's Law on promotion of the software industry, dating from 2007, enabled Mercado Libre to set up various development centres and a large structure in Argentina, thereby creating and raising employment and securing increased exports of e-commerce related services to the whole Latin American region.
- The expansion of e-commerce has boosted traditional trade. It is not a "zero-sum" game. On the contrary e-commerce stimulates consumption, revitalizes trading channels and leverages most of the assets in the supply chain. At the same time, it fosters greater awareness of the need to build and modernize physical and digital infrastructures for connectivity.
- Technological development gives rise to new opportunities and benefits, but also conflict and resistance. Public policies can make the difference in terms of maximizing the benefits and mitigating the costs of restructuring, where this is necessary. In particular, there is a need for regulations that can place e-commerce and traditional marketing channels on an equal footing, spawn multiple payment methods, bolster the development of logistics services, protect data privacy and help bridge the digital divide.
- Given that the fast pace of change in economic processes is transforming social structures and the production system, a multi-stakeholder approach is required to formulate policies that ensure the inclusion of all citizens in the information society.
- Mercado Libre is competing with global Internet companies which also possess mobile operating systems and e-commerce platforms. In Latin America, Mercado Libre is subject to regulations on consumer protection, data protection, intellectual property, articles prohibited for sale, taxation, import/export, labour, advertising, digital content, invoicing, etc. There is a need for symmetrical regulation to avoid subjecting intermediaries to obligations that constrain their operations.

Link to additional material:

<https://www.youtube.com/watch?v=jrytkM6tJRY>

