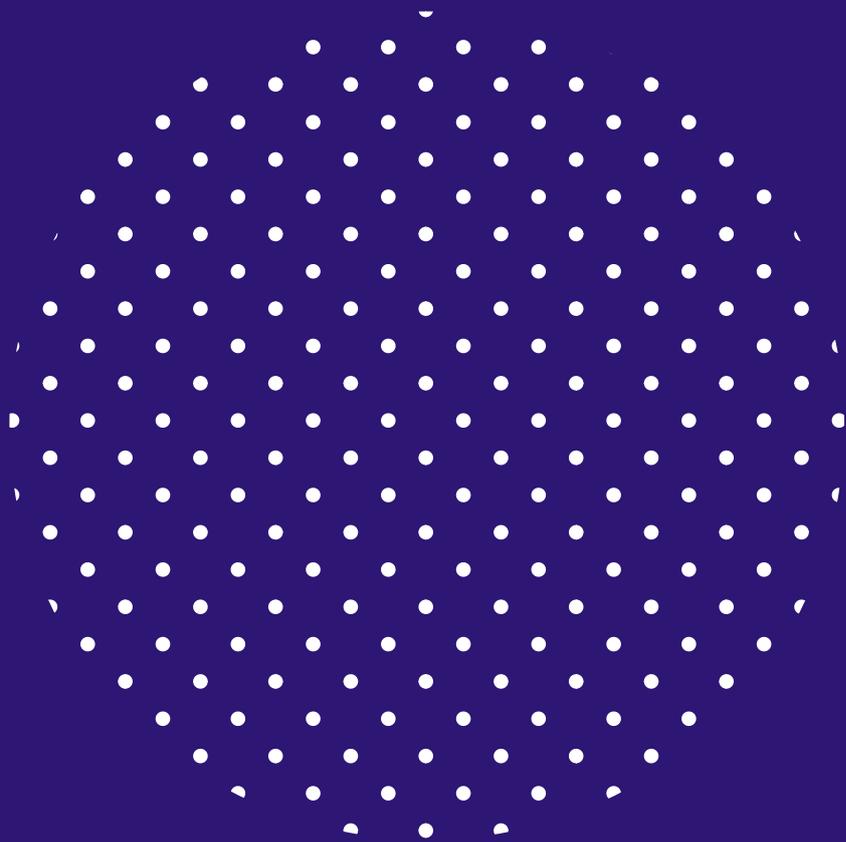




THE DIGITAL ECOSYSTEM THAT MEXICO REQUIRES



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As part of **Agil(e)**'s efforts to encourage informed dialogue concerning important themes for Mexico's economic development, on September 22 we launched a conversation with thought leaders from the information and communications technology (ICT) sector.

Our objective? Analyze the Mexican digital ecosystem and exchange ideas revolving around the creation of a fertile environment for promoting innovation. Our intention is to foster dialogue and help design a long-term vision that ensures that the digital economy becomes a motor of growth and development in Mexico.

During the discussion we identified the following areas of agreement between the participants:

Tech is booming...but a national strategy is missing.

- Although Mexico has recently made considerable progress in the ICT sector, with a marked growth in connected users, the country still requires a national-level strategy that brings together the public and private sectors.
- To reach this objective, it will be necessary to build bridges between the different stakeholders with the intention of constructing an open and inclusive dialogue regarding the needs of the tech sector in Mexico.
- With the accelerated digitalization precipitated by the pandemic, companies have been forced to offer their services and products online, catapulting e-commerce according to a study by AMVO (*Asociación Mexicana de Venta Online*), 2 out of 10 businesses have seen a 300% increase in their internet sales since the pandemic began and 19% expect that e-commerce will comprise 30% of their sales in 2021.
 - In fact, two-thirds of the SMEs in Mexico have increased their presence on online platforms, with internet sales growing 40% for this segment.
- The digital chapter of the USMCA will be an important regulatory tool to help propel the ICT sector forward; SMEs in particular will be able to more easily incorporate themselves into the digitalized regional value chains regional value chains.
- In this respect, a clear and flexible national regulatory framework is needed. Bureaucratization and over-regulation of processes often puts the brakes on growth and creativity, indispensable elements of the sector.
 - The Fintech Law is an example of this. While Mexico was initially applauded for being a pioneer in putting in place a legal framework, several financial institutions have decided to remain classified as Sofomes (*Sociedades financieras de objetivo múltiple*) instead of registering as Fintech entities, as they see no tangible benefits to doing so and registration has been plagued by bureaucratic hassles.
 - Along these lines, legislation should be made with a comprehensive vision regarding technology's role, its impact on users' daily lives and how it can become an enabler of development,

Greater access, but also more innovation and economically useful application of tech tools:

- Decreasing digital marginalization must be a focal point. Although 76.6% of Mexico's urban population has access to internet, national digital strategy should be focused on achieving more sophisticated uses for this connectivity (e.g. online education, financial transactions, remote work).
- Despite Mexico being an extremely attractive market for the industry - in 2018, Mexico City was the urban area with the most Spotify users in the world, and Mexico is currently in the global top 5 for Netflix subscribers - the country still has not reached its potential in terms of the national creation of value-added content and tech platforms.
- In order to spur innovation, it is of the utmost importance to invest in talent and human capital, as well as reduce the digital gender gap (women are less present and face a wage gap, earning 30% less than their male colleagues).
- Finally, financing will be the key to pushing Mexican startups to the next level. If we take into account that unicorns in Silicon Valley receive approximately \$300 million USD to bolster their success, this issue remains the Achilles heel for the Mexican ecosystem. Mexico's *Kavak*, however, just became the country's first unicorn!

IT'S TIME TO MAKE
MEXICO'S DIGITAL
ECOSYSTEM MORE **AGILE**

