

EMPOWERED CONSUMERS, DISRUPTIVE TECH: LATIN AMERICA'S DIGITAL REVOLUTION

Announcer 00:36

Welcome the panel on "Empowered Consumers, Disruptive Tech: Latin America's Digital Revolution," moderated by Enrique Acevedo, correspondent, CBS.

Enrique Acevedo 00:47

Hi, everyone. Thank you so much for being with us today. It's an exciting panel. We have a dynamic discussion coming up. I'm Enrique Acevedo, I work for TelevisaUnivision, the largest Spanish language media company in the world, and when they told me we were going to have this panel, I was excited about the members of the panel, mostly because I think they all have incredible value to contribute to what we will be discussing. Across the region, across Latin America, technology is not just transforming industries, it's redefining how people participate in the economy, how they access services, and how they express their power as consumers. I think, probably more than anywhere else, in Latin America technological disruption comes from the bottom up, and this is not just a technological revolution, it's really a social revolution. So, I wanted to start to begin asking each of you—and I'll start with Scott on the other side of his panel, how are consumers in Latin America driving innovation from the bottom up?

Scott Sobel 02:47

Well, thank you. Can everybody hear me?

Enrique Acevedo 02:48

Yes.

Excellent. Well, before I get started, I just want to thank the Milken Institute for having myself and Valor Capital Group on this distinguished panel to talk about some really important topics. And as you just heard from Enrique, how technology is impacting society is one of the topics that we're going to cover here. And just to give you context for myself, I'm one of the founding partners of our capital group, which today—I'm proud to say is, we're one of the largest venture capital firms in Latin America. We were founded in 2010 in Brazil, and now we're dedicated to the broader region as well as we've always had a cross border approach to investing, also investing in category defining tech companies in the US and helping them expand to Latin America. We have a very large team in São Paulo, and we just announced opening up an office here. So we're pretty excited about that. So let's go to the question at hand. It's really interesting. I think technology challenges the norms. It challenges the norms on how we perceive ourselves, society, and there's countless examples of that. And one of the examples I like to point out here in Mexico is thinking about pizza and the Domino's example of, you know—I honestly would prefer to have a really good taco and go to taquerías. And you would think that Mexicans would prefer that as well, and largely do. But when Domino's started their business here, they were one the first to use an on demand food delivery app. But then they also partnered with all the other big platforms. They had explosive growth from that sustained over a long period of time, and today they make up more than 60% of total pizza sales here in Mexico. But if you think back, many people, investors, probably would not have thought that would happen—maybe would not have invested in that. So it's an example of around, example around consumerization of technology and how it can challenge, you know, cultural norms. I'll fast forward. I know we're going to talk a lot about AI later, but it's the same thing that happened with AI and what we're all using, ourselves, today. If you think back just a short period of time ago, many businesses were using cloud, machine learning, their own data analytics, that was doing some form of AI. But the explosive growth that we're seeing today happened with the consumerization of AI through ChatGPT. And that's going to continue to proliferate. So you see this constantly—and then you can think about many other industries, financial services—and I'll end on this one, and we'll hand it back to you, financial services as well. And providing—for instance, just be more inclusive, and providing more access to credit will happen through digitalization, will happen through your mobile apps, and will only accelerate with AI. So I just back to the consumerization and technology and how it challenges status quo and cultural norms. You'll continue to see that

Enrique Acevedo 06:32

Of course. And I'm very curious to know how venture capital has approached Latin America as a region, especially now, through the lens of artificial intelligence. And we'll talk about that in a minute. But I wanted to ask Blanca Treviño from Softtek about—I was just saying, how technology has or is redefining the way, consumers are expressing their power, how they're participating in the economy and also accessing services, which is at the core of what you do, Blanca.

Blanca Treviño 06:57

Yeah, absolutely. And let me join in thanking Milken to give us this opportunity, and also to give Mexico such visibility. In the past, I don't know how—three weeks, four weeks, we have the North Capital Forum, we have the World Economic Forum and a few others. So I think it's not by chance. It is something that more and more, Mexico is becoming more visible in this in this space. But to your point, I truly believe that more than talking about technology, because technology has been here and in the past, probably it was more really to make our life simpler or to make things more efficient. So technology was more broader. But when we think about this technology, AI, things change completely. It's not a technology race anymore. It's not just the experiences that I'm sure they are going to talk about. Glad to hear that venture capital is also investing, but it is really understanding that this is a huge opportunity for the region, for Mexico. If we do understand that we have to create ecosystems around this, I think it will see a completely different picture of Mexico. Because in the past, not just technology, but every time that they will talk about Mexico, they will say, "Oh, low cost jobs" and things like that, or "manufacturing." And more and more—and we created the nearshore concept, it is a trademark. But near shore at the beginning, it was very focused in leveraging geopolitical advantages. But again, around services, IT

services. Now, I think—again we talk about near shore, but still, nearshore is more about where we produce something, and AI technology is more about how we produce things, what we produce. Because at the end, we are creating new services, new models, new revenue streams. So I think, and I hope that we'll have the chance to get into more detail. Certainly, I want to hear from consumers, fintechs and e-commerce and the venture capital. But I truly believe that we have to understand that this is a huge, huge opportunity for the region, for Mexico, for the world. But let's talk about Mexico in that perspective.

Enrique Acevedo 09:16

Absolutely. Thank you so much, Blanca. And Leandro, you know, we're just saying how—in a way, in Latin America, millions of people just skipped, they jumped traditional infrastructure, straight into digital banking, into digital innovation and e-commerce, and I think Mercado Libre has been at the front of that trend. Could you talk more about how it really answered a necessity, more than just provided innovation from the top down?

Leandro Cuccioli 09:49

So well first Well, thank you for having us and to Milken and having Mercado Libre here. I run strategy and corporate development and investor relations for MELI, based in Mexico. And—so when I was listening to your question, and I was reflecting that leapfrog that you talked about, I've seen it in other countries. You've seen it in Kenya, you've seen it in other places, and it's always the same story. I mean, it's people that haven't been served well over time. I mean, in Latin America, you know, it's been products and services. The access to products and services is very different if you're in the capital of a country or you live in a rural area. And I think that the novelty of what is happening in the last, for us 26 years, but it's happening, you know, of course, with AI and everything, is that now you have someone that, for the first time, can have access to a bank account. You know, 15% of Mexicans have a credit card. 15% of Mexicans have a credit card. You know, I'd say it again, right? I mean, it's crazy, right? You know, we have probably 60% of this country only have a bank account. So we are talking millions of people that are still out there without access. So you have entrepreneurs, you know, scientists—potential, everything that that potential cannot be fulfilled. So it is a bottom up, you know, movement. We are, in a way—you know, we were born out of a necessity. When Galperin founded Mercado Libre, his Latin American classmates at Stanford were telling him, "This will never work. No Latin American will trust another Latin American to buy online, forget it. And then get paid? Impossible." So all the things that we have created and the ecosystem has created, in our case, Mercado Pago, and other things, are that need to give people what they didn't have before, right? So a lot of people will not get into a bank, you know? They walk through—I mean, I said that's not for me, right? And for us, it's been, it's been quite a journey, but it's the first in American terms innings, right? I mean, just these can be 40, 50, 60, times bigger as an ecosystem. The same in e-commerce, right? Penetration of 15% of retail when in China is 30, 40%. You know, if you want to buy some categories today, still, you know, supermarket, it's very hard, right? Logistics are still a problem around that in America, right? So all of this is to point out to what you say is, is all about them, ops movement, and I see huge potential out there. And then we can talk about health care and other things that we technology. It bridges a gap that, you know, people never thought that they could be breached before.

Enrique Acevedo 12:34

I see a trend emerging where innovation and technology here is disruptive, not being born out of a garage in Palo Alto, but out on the streets of São Paulo and Buenos Aires and Mexico City. And I have the advantage of knowing Rubén Coppel personally. And for the longest time I can remember, Rubén, you've been talking about what Leandro was saying, listening to the consumers, to your clients, seeing what their necessities are making the experience a little more accessible, and that's at the core of what innovation looks like for BanCoppel.

Rubén Coppel 13:09

Yes, BanCoppel and Grupo Coppel caters to the unserved, not only in financial services, but also in soft lines and hard lines, meaning clothing, shoes, furniture, white lines, can go on like 70 categories, depending on how you cut it, but the bottom up necessity. It comes from what you were saying, the underserved, the customer that finds financial services in new technology and adopts it. It's because the traditional banks aren't even open when they're able to go to go and get a credit card, or they need to go to downtown somewhere and spend two hours in line. They don't. Nobody has time to do that, even—doesn't matter what level you work in, you need to take a day off or a couple hours in lunch to actually open an account. So that's why new technologies work so well. Though, our growth in digital has been tremendous for the past six years. Double digit, especially in financial services, there are 7 million active users of the website and about 26 million pay transmissions of money a month. So people are using it a lot, and they do want to go cashless in some activities. But the mass market, what we which is what we cater to, most of their spending is cash. They pay for school in cash, uniforms, cash. And all the purchases they do, there's very small amounts. Kilo of tortilla is about 29 pesos, 30 pesos. You don't use a credit card for that. You use cash. If you go to the supermarket, you buy they buy in small tickets. So the way cards are used in the world doesn't really apply to this consumer base. The digitalization is coming, and those are the kind of services that we need to bring to them. The reason why BanCoppel has been successful is because we're open seven days a week. We have cash if you want to take out cash. It's a safe, nice store where you can go in. And the other important thing is face to face. If you have an issue, you can see somebody in the face and find a solution to any issue you have. So those are the parts that it's not only digital, you also, we also feel that the physical part is very important. I was talking with this—about with Blanca, about this, people like to go to stores. Of course, there are several things that you don't mind not going to a store and buy online. But even our sale, our online sales, are almost like 30% of them are in store. Because they come to the store, they see this chair in blue, I think, and they want it in red. And you can find it in the website. And they start getting comfortable with the online experience with somebody helping them. They're not small purchases in general, they're larger purchases. And if you're doing a large purchase, you don't buy a lot of washing machines throughout your life. You buy probably two or three. You need to be very sure about what you're buying, who's going to deliver it, and the whole service that we do in logistics in Mexico, as you were saying, we actually have that where we can deliver big items, refrigerators and washing machines by the next day, 90% of the time. And if it's a rural area, it takes us two to three days to deliver. But those are the services which balance out and our customer base is actually using more and more.

Enrique Acevedo 16:40

Perfect. I think we have a 10,000 foot view of things, what each of our panelists do and what they care about. The beginning, Scott, you were talking about perception and reality in a way in Latin America. And how there seems to be a disconnect between the perception—because we have a global crowd here at the Milken Institute conference in Mexico City, and we should take advantage of that. And what I mean is, in VC, and other industries, other sectors, you have a perspective of what Latin America is like doing business in Latin America and Mexico and Brazil, where you operate mostly. And then there's the underground experience, which, as a journalist, is something I appreciate. So tell us more about sort of the misconceptions and breaking through that barrier that's made what you do about ourselves so valuable.

Scott Sobel 17:31

Yeah, I think one of the great things about Milken Institute, it brings together a diverse group of interests. And I think what we're talking about right now. The panel right before this was very focused on macro political, and that's really important, the macro and political take. A lot of the headlines. That's what creates the perceptions. Those perceptions influence the capital flows with what we're talking about, particularly with venture capital and startup ecosystem—capital flows are extremely important. So the perception is not always that positive, from that standpoint. Shifting, changing, dynamic. From the micro—which you started this conversation about and all the examples that we just heard are really exciting. From a

financial inclusion standpoint, from a better access standpoint, from healthcare and education, that's the stuff that excites us. There's massive markets here that are extremely inefficient, that you're applying technology to. So when you think about venture capital, you got to kind of redefine what that means. There's a perception, I think locally, we saw in Brazil, maybe here around venture capital is just something that happens in Silicon Valley or Tel Aviv or some other places. But redefine it. It's applied technology to a lot of these industries to drive more productivity gains and cost savings, and there's endless opportunities of that. The other thing here, which can tie back to a little bit of these geopolitical shifts that we're seeing, and thematically, there are really big—well, what I like to say, proximity creates opportunities. And there's really big opportunities across the Americas, and that's some of the things that are exciting us. So that's a little bit about the perceptions versus the realities from on the ground and some of the things that are exciting us and what we're investing in. And so, I encourage other people around the room to think about it from a similar standpoint,

Blanca Treviño 19:43

And if I may, something that just—

Enrique Acevedo 19:45

A quick announcement, I'd rather interrupt any of the panelists than encourage you to talk. So if you feel like you want to interrupt or add something—

Blanca Treviño 19:53

So we can do the same thing. That's good. No. But if I may—I would like to add something to that, because sometimes it's perception, but it's also confidence. Confidence because again, if you see all the factors that are very aligned for Mexico, and I'm gonna focus in Mexico, but I could say Latin America, but let me focus in Mexico. We have everything that is needed to really lead, really lead in this revolution. But it's really—when you look at—and I think we talked about this this morning, when you look at venture capital, why they don't see Mexico, and many times, is Mexicans don't believe that we can have the next Mercado Libre, or to understand much better what BanCoppel is doing, or many others, and sometimes it's we don't have that confidence, because we don't see everything really aligned. We have all the factors, but not necessarily aligned. This morning, Mike, in the first session, mentioned—and it is true, that probably 10 years ago, you will never think that a company like Nvidia could be, could start here in Mexico for whatever reason, different factors. But today, we can absolutely aspire to think that any kind of tech companies can be based or start here in Mexico. So, so I believe that we have to put in the in place perception and confidence. Many, many times it's it's really when you talk to people from Mexico, they will start conversations, just like Scott mentioned, trying to compete. Who has the worst? Worst. You knew about Mexico, instead of saying, do you know how many engineers we graduate every year here in Mexico? Do you know that two weeks ago, President Chairman announced this plan to incentivize AI? We don't really talk about that, and we should. We can change that perception if we understand everything—we have everything that is needed, not to follow, but to lead. We are so used to follow. Let's see what technology is being used. Let's see and apply. Apply AI, it's important. We are not expecting to be the next Silicon Valley, but we can have a leading position in the things that are needed today, in any kind of services.

Rubén Coppel 22:25

And I just want to hit on that word, because I'm adding that to everything that I'm talking about. I've taken a lot of pride, and our firm takes a lot of pride of helping build the venture capital ecosystem in Brazil, and that's something we're very

keen to help support here as well. Confidence comes from outcomes. And there's a lot of big outcomes that are coming here. Think back several years ago in Brazil, Mercado Libre, yes, started Argentina, but Brazil is their big market, amongst others, new banks similarly here as well, and iFood, those were those big outcomes. There's other big outcomes that are going to be happening here that you're going to all be hearing about, and that will build more confidence, and then it's a virtuous cycle. So I think what you're saying is coming, and that's what we're getting excited about too,

Rubén Coppel 23:10

And we see it coming. I mean, look at this crowd of very talented people, many people who I admire, also many board members. So I hope you don't quote me this week on everything I'm saying, but all the talent that's here and all the funds that have huge intention of opening and actually, action is happening. They're opening offices. They're bringing more and more talent. BlackRock is actually opening in there are about 200 employees right now. They're gonna go up to 600 employees, bringing talent from all over the world, and, of course, local talent and serve the world from here. So there's so much coming here. And what you were saying, Blanca in venture capital and private equity, it's—there are many pieces, and it's slow to build, but the pieces are here. It's going to take some time. I'm saying the capital is here. I'm also wearing the hat of a pension fund chairman, there's a lot of capital to be invested, and we're very happy to find new opportunities and new funds and new partners to invest with and to develop Mexico.

Scott Sobel 24:11

Your pension fund has been leading the way within this asset class and encouraging others to follow. So congrats on that.

Rubén Coppel 24:18

Oh, thank you.

Enrique Acevedo 24:19

And I think I've been trying to hold a conversation about AI as long as I could, but we're just going to jump right into it. There are several avenues for this. I'm sure a lot of people in this room are reading 1929, the new Andrew Ross Sorkin book. Is it a bubble? Is it not? Where is the opportunity? Where are the challenges? We should view this from the lens of Latin America, but not just from Latin America, which is also a misconception that Latin Americans only care about what's happening in the region and not the rest of the world, which I think it's a mistake. But Leandro, you're in charge of developing strategy, which nowadays seems like the hardest job. The world, because how do you develop strategy in ever changing environment like the one where we're going through they say great chess players are great because they're great at tactical and vision at the same time, right? They know their next three moves and they know what those next three moves mean in the long run. How do you plan to approach or how are you approaching artificial intelligence in the work of Mercado Libre and also, and I think this could be a good way to keep the conversation going. All the geopolitical and macro changes that we're seeing around the world, the opportunities and the challenges that in itself is creating.

Leandro Cuccioli 25:42

Well yeah, and, well, we will need more than 20 minutes. But if I think about, I mean, what change and what doesn't change? I mean, what it doesn't change for us is, you know, the consumer comes at the middle, right? At the center of what

we do, right? So, AI, for us, we see it as a way for some of the things we were talking about, about how people discover products. You know, how we remove frictions for people to find what they want to transact, etc. AI, is probably one of those big opportunities that we have in front of us and also challenge, right? I mean, because, you know, there are other platforms that are emerging. So it's a moment of both opportunity and threat. Now, if I look back at the last couple of years, you know, all—probably AI started more on the back office for us in terms of, you know, bringing efficiency to Mercado Libre. You know, we typically say the example of our customer support system. We were 7000 reps today. We have 7000 reps, and the business is four times larger, right? And the difference is AI. When you interact with Mercado Libre a lot of the times today, or a seller, it's going to be AI who's answering that for you. So that is probably the hygienic part of AI today, of basically doing things in a more efficient way. And probably a lot of people have examples of that. The frontier that I think today, we haven't conquered yet, and there is much more talk than what really happens is that the agentic side of things, right? So having a piece of software that does things on your behalf in an autonomous way, and checks with you at a certain point when it's not finding the right answer. Having that ability to do that, a lot of people talk about it. And then, I just came back from China 16 days there, you don't see a lot of UI. You don't see a lot of product developed around it, right? So we're in a moment in which we're all very excited about the technology it's going to come, I think, over the long term, it is going to be a huge change. In the short run, the main challenge we are seeing is, have—you know, if you look at, if you think about what you do with AI today, most of us, is an interaction with human in the loop. So you do deep research, or you're asked something for ChatGPT comes back with an answer, then you refine it and so forth. Product is different. Product you need, if you're going to have a payment assistant, you need to have that payment assistant do all the time, the things well without you being in the loop. And that requires a predictability of AI that we're not there yet. So that's why you see all these cases, they're still not emerging, right? Because we are the frontier of technology and there, I don't compare with—LATAM, is at the same level—I mean, the good thing about today is that you go to have a conversation in China, you go to have a conversation in the US, and, you know, information is so shared now that you don't see the gap, right? So I think that we are very excited. It doesn't change what we need to do in terms of strategy. You know, because at the end of the day, it will remove more frictions for people to buy online. It will remove frictions for people to have a financial partner a transaction that doesn't change. The difference is that it would be great if, on Saturday morning and I do my payments, I had an assistant that says, oh, Leandro, you know, don't forget that. Don't forget that. Or I paid that for you. Don't worry, right? That is coming, not there yet.

Blanca Treviño 29:15

But when you think about strategy, I think—and probably I already mentioned this, or in the previous panel, I don't know. It's the strategy should be something really coordinated. Today, many times you hear about what companies are doing related to AI, and you go to a university and they said, "oh, we're going to change training programs, whatever." And you go to governments, and we need a very coordinated strategy to really create that ecosystem. Otherwise, it's going to be tough, because you can define whatever strategy, but if you don't have the skills. I mentioned, the number of engineers that we have, but that—yeah, they are—they came from STEM careers, or whatever. But probably the skills are not aligned, but if we work together in a very coordinated strategy, then we can get to what we need. We need innovation hubs. I think what is going on in Brazil and in Argentina and in other countries, not necessarily in Mexico, it's certainly in the US and in other countries is they do have those hubs in which that innovation happens. Today, with immigration—and in this morning, they also mentioned this, because it's difficult for them to go to other countries. Mexico should be able to attract those scientists, those entrepreneurs, and give them space in order to create that kind of innovation, and the kind of things that can come out of that innovation strategy is a broader strategy that very coordinated, if we don't do it, government, universities, certainly companies that—venture capital—

Enrique Acevedo 30:57

Just to go into detail on what you just said. You're saying part of the opportunity here is also with the geopolitical moment we're going through, particularly how difficult it's become for talent to migrate to places like the US. There's an opportunity to import talent to Latin American economies.

Blanca Treviño 31:17

Absolutely, we should be the welcoming platform to receive them and to say you are more than welcome here come to whatever state. You see you have universities, we have the venture capital that will support you. We have companies that we can share data, whatever. So we have to understand that this should be very coordinated, and having those innovation hubs bringing that time—just and this morning, they also mentioned this, who is the CEO of Microsoft, who was the founder of Google, just—Nvidia. All those companies that started in the US are people not from the US. We should be able to attract that. We are. We have everything that we can offer for them to have a very attractive place to start their companies. And it's also a huge opportunity

Leandro Cuccioli 32:07

Well, but the—true but, you know, I think probably what's happening the US helps in that movement. You know, still, I think a Silicon Valley, is an ecosystem that is so hard to replicate. But today, to your point, I mean, you know, we are looking for people, you know, Latin Americans that are spread all over the world to work for us, right? They don't need to be here. So, I mean, I think you will not find the talent in AI all in Latin America. I think that's the other challenge, right, that probably you need to start. I mean, when I went, I went to Meta in Silicon Valley a couple of weeks ago. And, you know, there were not a lot of Americans, you know, in some of the most, you know, AI intense parts—departments of the company. And I think that if that is happening in the US, it can happen here. And we can have Latin Americans also working from Europe, working from the US, for Latin American companies. And I think we need to think in that way,

Blanca Treviño 33:11

Yeah, but it's not just bringing that talent or having that talent working for Latin American companies. That's, that's, yeah, that's, that's good. But also, let us give us the chance to say we can have those companies starting here in Latin America, here in Mexico, because, yes, we do have that access, and we can integrate people from other countries and we need them because there is not enough talent. We need upskilling here, reskilling. But also think that we should have other Mercado Libres here, or their Nvidias, or many, many other companies that can start here. Everything is—they have everything that is needed. So immigration to bring the talent, but immigration to create innovation hubs for people. Those entrepreneurs, they want to start their company just like they started in Silicon Valley, not to be Silicon Valley, but probably whatever valley we might—there is the chance.

Enrique Acevedo 34:08

You walk around Colonia Roma, here in Mexico, and go to Cabo, and it's basically an international crowd. Let me introduce the concept of speed into this conversation, the velocity of capital, the speed at which things are changing. Scott, from the perspective of VC, and going back to the question, are we in the middle of a bubble or walking right into that?

Scott Sobel 34:31

I think the word of the day for me that you started is perspective, and the perspective that I can share is a little bit from the investors standpoint right now. And your point around a bubble, only time will tell. I like what Bezos said recently about it's a good bubble. He said it's a good bubble because there's—

Enrique Acevedo 34:53

For him. [Laughter]

Scott Sobel 34:54

From an industrial standpoint, society will benefit. There's going to be massive benefits from a societal standpoint. From a financial standpoint, as said, time will tell. And we've been in these other cycles that we can point to the Sorkin point on 1929, etc. But let's dive into that a little bit more. And you bring up velocity of capital. In prior cycles—just to give you a perspective, in dotcom era, about 15 billion was invested in venture capital annually. In the mobile cycle, double, little bit more, 35 billion. The cloud cycle, you're talking about 70 billion. We're talking about 100 billion that has been invested this last 12 months, making up about 65% of all venture capital investments from an early to growth stage. So on a relative basis, it's not that much, but it kind of happened quickly. And why is it happening quickly? It's happening quickly because venture capitalists like myself are seeing explosive growth, revenue growth, user growth on these platforms. I'm a founder, first and foremost, as part of a founding team of a company called Net2Phone in the dotcom era, it took us, I don't know what it was, five to seven years, whatever it was, to reach about 200 million in revenue. We have a company this year that we have one of our companies from the US in which we're helping expand to Latin America, called ElevenLabs. When we invested earlier this year, they were generating less than 100 million revenue. They're going to generate more than 300 million in revenue this year. So there's other, many other cases of it. So I think that's driving the velocity of capital into the market. And I guess to Bezos's point and the power law dynamics of venture capital, there's going to be a lot of companies that are not successful. Folks like ourselves are making investments in projects and companies that will not pan out, and many will, and there's going to be a consolidation, as we've seen in other big tech companies. So I think that'll all play out, generally.

Enrique Acevedo 37:11

[Inaudible] Of course, of course, go ahead. I think people are here to listen to you. Not so—

Leandro Cuccioli 37:15

No. I mean, I think valuations are crazy. I run the VC—

Scott Sobel 37:21

I didn't hit on valuations. I could talk about that well, too, and I agree. [Inaudible]

Scott Sobel 37:27

Tulips were great also in the Netherlands in the 17th century. So, you know, we are in a bubble. I think that in that doesn't mean that everything is overpriced and that every company is crap, but basically, the valuations that I see—and I pass, and a lot of stuff is on pre-seed. You know, it's crazy. You are predicating on that kind of growth, and ElevenLabs is an amazing company, and, you know, there are ElevenLabs out there. But today I see—you know, when you start seeing those pitches

in when you don't have a clear moat of how these companies will have competitive advantage. Those rules don't change even with AI, right? And I think we are in the middle of a very exuberant market. I know the press is here,

Leandro Cuccioli 38:07

So I think—

Enrique Acevedo 38:07

The press is moderating, actually. [Laughter]

Scott Sobel 38:12

Let's stay on this subject for a moment, because I think it's a healthy conversation and debate. The revenue—yes, we're seeing explosive growth in revenue. I agree you tie that revenue growth to some multiple that you can justify or not rationalize. I agree with that. The question will ultimately be the durability of the revenue, and only time will tell on that as well. So I totally agree with what you're saying, and pass on a lot of things as well. It's really hard at the early stage, every pitch deck you see, every entrepreneur you talk to, is like an AI of this, AI that, and we've seen other things like that in time. I don't think a year from now that'll be the case. I don't think we're going to be talking in that language. It'll be much more pervasive, much more ubiquitous. Every company, every investor here will have to be using the tools, investing in the tools. As venture capital firms, we're doing the same thing as well. I think it's just just a really important part. And I just want to go back to one other thing that was said earlier. None of this is slowing down. And why is it not slowing down? Because this age of AI or this AI race that's happening. It's happening, you know, at the country level, competing country to country, it's happening company level, company to company, and it's global. So none of this is slowing down. The question is, how do you operate? How do you invest in it? How do you use the tools you kind of have to just lean into it. So anyhow.

Enrique Acevedo 39:37

It's the perfect gateway into our last question, because we're running out of time. So as a pace of change accelerates, the question is, no longer will technology and this disruption through AI touch every corner of the economy of life. But how do we make sure it benefits the many and not the few, especially in a region like Latin America where we've had rampant inequality for as long as we can remember?

Rubén Coppel 40:05

Well, in the case of Coppel, we're always trying to keep up with the customer and what he's being offered in the outside world, so the Coppel platform. I think—when you were asking the previous question, I was just thinking about capital deployment, because we can't spend more. There's so many things we're doing in just in the bank. We're changing the banking core, changing the onboarding, changing the biometric identification, the app, and moving everything to cloud at the same time. So I can't give more hours of programming to Blanca anymore.

Blanca Treviño 40:36

You can, you still can! You're a very, very good client.

Rubén Coppel 40:39

There's so many things going on. There's a traffic jam. There's a big traffic jam of so many things happening at the same time, and the customer doesn't really realize it from one day to another: "oh, wow. The app is fantastic." Not really. It's just a little better than yesterday. If you see five years ago now, it's much better. But that curve of expectations of what I'm expecting in our company to give our customers, that's really hard. Now the customers—they're the same products for the past 20 years, basically, just more digital, and it's just more accessible. It was, I think five years ago, 5% of the personal loans were given digital, and today, 75% of personal loans are just in their cell phone, and they get the account directly, directly to their account. In remittances, 75% is directly to account. And it used to be that our customer base and you get paid, which is not really being a bank, bank. You're just getting paid a little piece of plastic. They go to the supermarket, go to the ATM, take all the money out, and then go buy things and pay in cash. So that use is now more and more using the debit card or credit card more. But for this customer base, the debit card isn't really safe, because you can't use your whole payment. It's like going out with your whole monthly account when you're piggy bank out on the street and all the cash in your wallet. No, you need to phase it out. That's why credit cards work. But how are we going to make credit cards? He said, 15% of Mexicans have credit cards. How are we going to create that product? And we're working with MasterCard—that somebody, somewhere in here—to create a product that is easier and more relevant to our customer base. Where the payment is invariable. Because if it's \$100 or \$120 that \$20 difference is huge. And if you don't pay it one month, it becomes a little ball if you don't pay for three months, and it's a huge financial burden for you and your family. So I think being very close to the customer in that, and listening to them and creating that product that they're actually going to use.

Blanca Treviño 42:49

And you did it from the very beginning. I think when Coppel started many, many, many years ago, before FinTech, before technology. I think from—you really went to that very underserved, like you said, customer population. And you understood how important credit was. And I might be wrong about this, but I believe they really pay a lot of attention, and they they really honor those payments. It's—That's what I heard. Because at the end, they will go back to the to the store and buy something else. So they will really pay attention to that. And I think Coppel understood that from the very beginning. So for them, that evolution, and probably I'm wrong, but I think the evolution for you has been very I don't know, clearly, I wouldn't say simple, but you do understand that population. You understand the kind of things that are important for them. I think it's also very, very clear the way that you have evolved.

Rubén Coppel 43:50

We're trying to be very close to what their need. And because some months, you can't pay your refrigerator payment because you have, I don't know, your car broke down. You need to pay for the car. You pay next month when you need another product, but we have to be very close to the customer in that in their lifestyle.

Enrique Acevedo 44:08

Some closing remarks, if you don't mind. Closing remarks from you.

Leandro Cuccioli 44:12

For me, well, I'm very excited about, I think, you know, we—I mean, there's a lot of things to be pessimistic about the world today, but I never been more optimistic with everything that we said. I mean, not only for Mexico, but, you know, things are changing. There's a lot of people that are having, for the first time, chance to do things. Probably not this, this group. I mean, probably not seeing that change. But, you know, out there, millions of people are being included. 52% of the SMEs that we give a credit, these people that are having a credit for the first time, that's great. So let's keep building.

Enrique Acevedo 44:48

Scott, you also get the last word you got the first one.

Scott Sobel 44:52

Well, last word. I'll agree about my optimism. I view myself as a rational optimist, and I think there's a lot of opportunity. Yes, we have challenges, but when you bring people together, like the Milken Institute does, you could overcome those challenges and it's about ecosystems. We talked about ecosystems here and helping build them, and really excited about the talent we're seeing here in Mexico, not just the Mexican entrepreneurs, but entrepreneurs from around the world that are coming here because they see it a large and a fertile market, and partnering with the big companies like Mercado Libre and Coppel, there's a lot that can be done to from a developmental standpoint, from an impact standpoint, from an economic standpoint. So we're very encouraged about being here and happy to be part of this conversation today. So thank you.

Enrique Acevedo 45:46

Thank you. So just echoing what Leandro said, it's about the conversations that bring us together in a very divided world, that help create ideas, that help the creative process. And I hope that everyone in this audience benefited from that, from our panel. Scott, Leandro, Blanca, Rubén, thank you so much.

46:13

[Applause.]

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