



THE **iGamingFuture**

**MAGAZINE**

SERIES

January 2023



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# MARKET OVERVIEW

According to GSMA, the gross gaming revenue (GGR) of the LatAm betting sector is predicted to nearly triple between 2020 and 2025, peaking at over US\$3 billion.

At this singular moment in time, as we launch a new year, **it's hard to ignore the amazing growth potential available within the Latin American market.**

The **biggest drivers for this growth stem from the increased access to technology**, with smartphone penetration, alone, expected to hit 73 per cent by 2025. This, **alongside recent regulatory changes, has created fertile ground for iGaming expansion.**

But **operators still need access to the right products** in order to **fulfill the dynamic needs of Latin American players** – and achieve real

and lasting success.

**Brazil**, with a population of over 214 million people, **is potentially Latin America's largest market.** Within the iGaming community it's **often called a sleeping giant.** Once its pending regulations come into effect, the nation will have the continent's largest online sports betting market, expected to be worth over US\$1 billion-a-year..

**In addition, other growth regions** – notably Colombia, Mexico, Argentina and Peru – **also offer operators a fantastic opportunity for expansion.**

**But a word of caution:** Each country in the continental tapestry **has its own market nuances.** So **product adaptability is key.**

**Regulation** in the region is **continually evolving**, especially in some of the most promising LatAm markets, like Brazil.

**Understanding how to successfully navigate these newly-regulated territories** – while tackling issues of localisation, delivering an Omnichannel experience and harnessing convenient payment methods – **is key to securing your market share.**

**THIS IS WHY iGamingFuture has caught up with some of the most experienced operational leaders from the Latin American market**

– to deliver top-flight insight into what it really takes to achieve success in this sector.

This is a great opportunity to get an authentic, insider understanding of the product-related challenges present in the region, and, importantly, to gauge the most effective solutions going forward.



*Curtis Roach*

Head of Content  
iGF



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HEAD OF LATAM

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**THOMAS CARVALHAES**  
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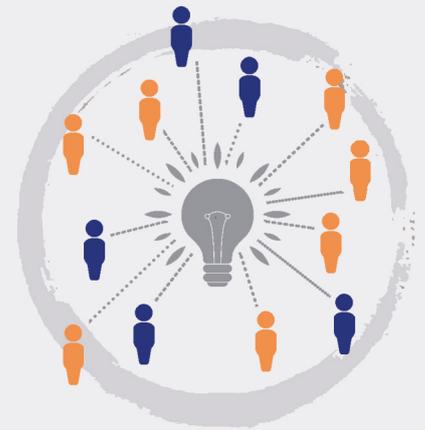
**OUR EXPERT SPEAKERS**

# INDUSTRY **INSIGHTS**

As the market landscape evolves and adapts to new trends, our industry has now been compelled to react accordingly.

**IN THIS SECTION** we hear from our expert and locally experienced panel, who take an in-depth view of the regulatory outlook in LatAm to help you overcome these challenges, ensuring a successful product launch and significant market share.

Looking for  
**more insights?**



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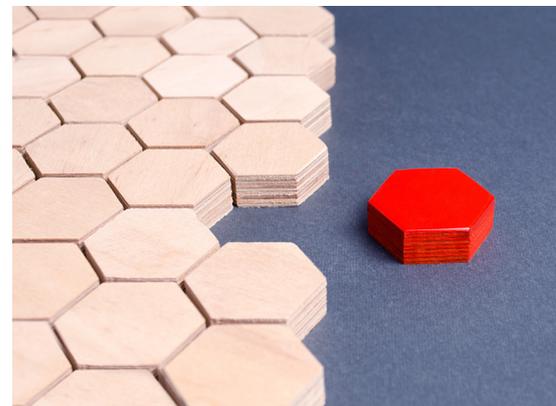
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**EDITOR'S CONCLUSION**



## LatAm has traditionally been a largely retail-based market. Now that online is coming to the fore, how do you see these two channels working side-by-side and complimenting each other?

### THOMAS

In order to do my best [in answering this] I **need to break it down to specific markets**. So let me start with Brazil.

As we know, **when it comes to land-based gaming in Brazil, we are very restricted**.

As it stands, **sports betting is considered legal**. However, **you barely see any land-based sports betting shops**. However, if you travel to the northeast of the country, you see them popping up everywhere.

If you look at the **mobile penetration in Brazil right now**, they are **one of the most advanced**, in terms of mobile penetration, **in Latin America**.

Right now, **Brazil has more than 75 per cent of the population with access to the web via a mobile device**. The **lowest percentage** of that [is] **in northeast Brazil**. For you to establish your online presence there, you need to set up shop first in order to then convert your customers over to an online betting experience.

**However**, if you look at the **southern areas of Brazil**, for example, Sao Paulo, Santa Catarina and other states, the population seems to **have a lot more access to online betting sites**. It's much [rarer] to see a betting shop in these areas.

**Brazil doesn't have any legal land-based casinos right now**. So, I think **the linking of land-based and online**, of course, is **extremely important**.

**Especially in a country like Brazil**, where people are very much used to going physically to a shop or to a bank to get things done.

### JACK

Some of the **operators we work with** are in the regions where it is **more heavily retail-focused**.

As a B2B supplier, our main focus becomes how to help our partners move their customers online. If you go back as far as three-years-ago, **when Covid first happened, everyone made an emphasis [on] digitalisation** and creating an 'armchair' experience for the greatest convenience of their players.

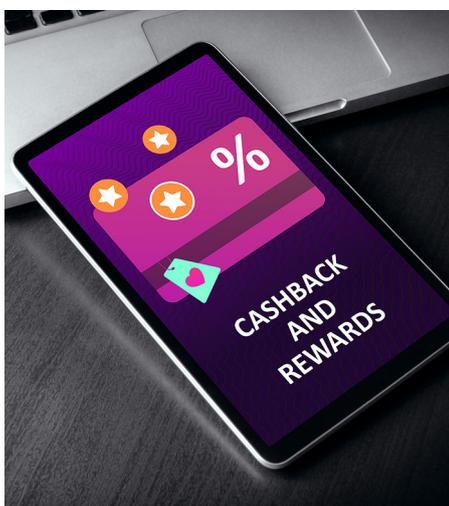
**You can do everything by your phone now, which obviously comes with huge benefits** because it means that you **can penetrate the market in a more effective way**.

Players no longer have to go to a physical point of sale, but **you must be careful not to cannibalise your own business**.

**We are more interested in providing solutions that enable you to cross-sell, and ensure that both channels still have a huge importance** for the business.



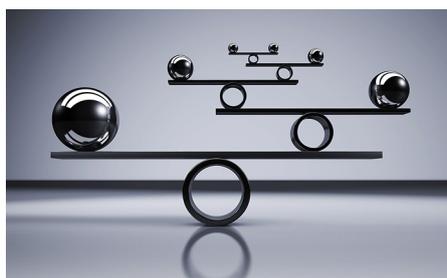
For example, we have a feature in-built within our products that allows players to log on to the mobile site, or on to the desktop site. From there they will be able to put their bet together, book the bet and then they'll receive a QR code that they can actually take to a physical point of sale and complete that bet in cash.



## JUAN

When I started in 2012, the **only thing we were speaking about was retail**. There were still some **big online operators around**. But the **people**, in my opinion, were **not prepared**.

**What changed everything was the Pandemic**. Before Corona, I would say LatAm was 10-years behind Europe, but **the impact of lockdown has driven this gap down to just five-years now**.



In countries like **Mexico**, we started with retail inside some **land-based casinos**.

Unfortunately, **Colombian regulation only allowed the retail shop to be used for deposits and withdrawals**. You were not able to actually place a bet in the shop. **So**, in Colombia, **you have a funny model where you have shops full of computers**, where the people log in and play there.

**I don't see a huge strength in this retail model** for most LatAm countries, whether they're trying to regulate it or not.



# Payments are a key part of any successful operation. What are the best payment solutions for the region? What are the associated challenges with payment solution integration?

JUAN

What I see as **the biggest challenge nowadays is the withdrawals.**

I think **this is still something that is not fluid**, and we are **still experiencing bottlenecks**. I haven't come across a payment aggregator yet that has a proper solution for this.

**The other main issue that I find in my operation is fraud.** But all-in-all, in the last three-years, payments have improved exponentially.

And I think that **in the different markets, you can find proper solutions to maintain a high-level customer experience for the players.** We still need to improve a lot, but I don't feel that we are [currently] in a bad position.



JACK

As a B2B platform provider, **we are currently operating in multiple continents.** At the moment we **have upwards of the high hundreds in regard to the number of PSPs that are integrated**, as each territory brings its own demands.

**In Brazil the PIX platform was a huge game changer.** It's been around for just over two-years now, but the **ability to be able to tap into a certain area of the market and give people access to move money around freely** is a significant step forward.

From our perspective, **we see PSPs as a unique selling point.**

THOMAS

**We Brazilians are very proud of PIX** because it has, **to a certain extent, revolutionised the speed at which we can make financial transactions**, bank-to-bank, CPF to CPF account.

We used to have instant bank transfers, but they were not that instant! We had Boleto as well, which was a bit of a nightmare for customers and for us when it came to settlements, fraud, processing times, etc.

**Many other Latin American countries are hoping to copy the PIX model.** However, I **don't know how many of them are familiar with alternative payment solutions**, such as MPesa from Africa.



They've **been running instant payments for almost 10-years now** in regions such as Tanzania, Kenya and South Africa. **They all use the MPesa system, which is very similar to PIX but even better**, in my opinion.

I know we're analyzing Latin America, but, just putting this into perspective, **Covid brought a tech benefit to [both] Brazil and Latin America**, [and] at the same time, **I think sometimes we forget to bring some African and Asian markets into the equation.**

Being a relatively new market, industry standards may still need improving – even if customers' expectations aren't very high, compared to more established regions like Europe.

Why is it so important to set new industry benchmarks in Latin America, and how do you go about doing this?

JACK

If you look at **other continents**, such as North America, they **very much embraced the European way** of doing things **in regard to customer experience standards**, etc. **European operators rushed to be first to market**, and put their stamp on the market.

Latin America is far less accepting of something that doesn't necessarily cater to their specific needs and demands.

If you give the operator the flexibility and the technical ability to be able to create something using their local knowledge, then you can create quite an exciting proposition for the player, whether it be certain verticals, or certain PSPs [that are] integrated [and] act as triggers to engage players.

I think that's why **we're now starting to see** some of the maybe **lesser established localised operators**, who have been able to jump onto some enhanced technology, **making great strides to overtake** some of the **larger operators**.



There is a gap here because **it's clear that if you want to use the same platform you use in other markets in Latin America, for sure, it will not work.**

THOMAS

We're usually not taken very seriously when we say **LatAm is different**, or **Brazil is different.**

JUAN

The **main thing that we can compare to Europe is football**. If you see statistics, bets on football represent 90 per cent of all bets made. That is **pretty similar to our model**. I think players started with really basic bets, but now players are starting to combine and now you have Bet Builder and **I think there is a path that is trying to follow Europe**. The big difference I see is that **when [European operators] come to the region**, they come with big wallets and they have strong brands, but **they continue using their technology or their platform from Europe**.

I've **seen instances where a giant European operator has not adapted and [so has subsequently] died**. This has happened time and time again because people are stubborn, and people **are not willing to adapt their strategies to the local markets they're targeting**.

**How do you know if your strategy is going to become a benchmark?** I think a benchmark cannot be created. The **target audience** are the ones who **provide these inputs and insights for what becomes the benchmark**.



We need to be willing to listen to our target audience and adapt our strategies accordingly.

# Can you comment on the current state of regulation across LatAm. What are your thoughts on recent regulatory updates and what countries will be next to go live?

THOMAS

I think **trying to copy a model of a country**, such as the United States, **into countries like Brazil and Argentina is a recipe for failure**, because we just **don't have the infrastructure**.

**We don't have the logistical support**. And we **don't have the IT support to make sure it works**. Now, at this point,

**what we have in our hands for Brazil is a presidential decree that has legalised sports betting and games of skills**, such as poker. However, when it comes to sports betting, **we're still waiting for a final piece of regulation to be approved and enforced**.

When it comes to **gambling**, it's **still completely deemed as forbidden**. We as **operators look at this with a lot of frustration because it's a massive market**. At the

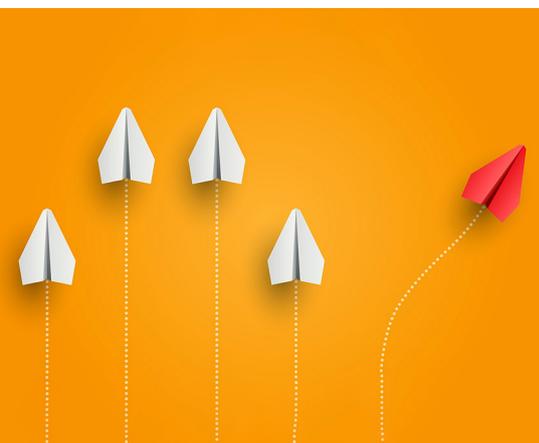
same time, I need to say that it's better that people [should] know how to do it: the agencies, the regulating boards, departments of state, or the politicians.

**I would prefer having people [who] really understand and know what [it's about] to regulate – rather than rush to a final piece of regulation that will encourage a [bad] market to grow instead.**

**Which was the case in Europe**, Portugal particularly, where the regulation wasn't very well thought through. We saw this in **Mexico as well**.

Mexico calls [itself] regulated. But I know there's many operators in Mexico with a '.com' site, and they can't be stopped because they just pop-up literally overnight. This is unfair to those with a '.mx' domain, paying their taxes, and doing the right thing, as per the regulation.

**At this stage**, as much as I am waiting anxiously for the regulation in Brazil, **I also prefer waiting for the right regulation to come about**, meaning [it will be] fair for the businesses and for the players in the country.



## JACK

For us, obviously **our compliance team is expanding all the time.**

We're completely engaged in the multitude of regulatory changes that we're expecting to come up in the next six-to-12-months.

If you consider the earlier points made about **creating benchmarks and learning from other regulated countries, that's something** that I think **these countries can lean on.**

Obviously, the US is very stringent and perhaps [it] isn't the way that people want to go. But **we've got a global market here**, where there are **many regulated markets and some of them work very well.**

I certainly believe that **there are aspects, or maybe certain factors**, that some of **these countries should be looking at and seeing what works and perhaps what doesn't work**, then **implementing them in a fair way.**

In **Colombia**, they've **gone down a route** where things have been **made very difficult for the local operator.**

I think you **need to create a fair regulation that allows [local] businesses to thrive.**



**Colombia**, where it's so expensive, is **now a market where you would say it's easier for companies with money.** European heavyweights can now easily tap into it because they're happy to come with a huge bank role and spend the necessary money.

**We've now ended up with an influx of European operators** [that potentially could dominate] the market. You are then **essentially ruling out the opportunity for creating local companies that can give back to the community**, in the way that some of the lotteries operate in Europe and around the world.



# EDITOR'S CONCLUSION

After hearing the panel's insights, **it's clear that in order to achieve successful penetration into multiple LatAm markets, product adaptability is essential.**

**Finding the balance between retail and online** has **proven a tricky path for many operators, but with the recent influence** of new payments platforms, localised content providers and improved regulation, **there seems to be a clear way forward to achieve growth in this sector.**

**Countries like Brazil offer so many opportunities for growth, but being** such a **relatively young iGaming market** that is yet to fully establish itself means that **operators must**



**be flexible and aware that the landscape can change at any moment.** These changes will have a **direct impact on the product demands**, creating difficulties, especially when operating at scale.

**Looking at solutions** like Mpesa in east Africa, is a **great example of what can be learned from other regions to help operators reach their full potential** and engage a larger audience who value convenience over everything.

**BEING ABLE TO RELY ON AN EXPERIENCED PLATFORM PROVIDER WILL GIVE OPERATORS THE CONFIDENCE THEY NEED TO SUCCESSFULLY ENTER THIS JURISDICTION AND OTHERS LIKE IT.**

**Taking advantage of country specific solutions**, such as the Pix payments, **will be a major advantage**, but it's even more **IMPORTANT TO LOOK AT HOW OTHER EMERGING MARKETS ARE DEVELOPING.**

**MARKET CONDITIONS ARE LARGELY DEPENDENT ON NEW REGULATIONS BEING INTRODUCED, BUT IT CAN BE A CHALLENGE TO KEEP YOUR PROCESSES AND MOST IMPORTANTLY, YOUR PRODUCTS UP TO DATE. FOCUSING ON THIS INTERNALLY AND MAYBE EVEN MAKING USE OF THE EXTENSIVE COMPLIANCE SERVICES OFFERED BY SOLUTIONS PROVIDERS, SUCH AS SPORTINGTECH, WILL BE PIVOTAL TO OMNI-CHANNEL SUCCESS IN LATIN AMERICA.**



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