

*Digital economy*

SMARTPHONES: UNLOCKING POTENTIAL AND OVERCOMING CHALLENGES IN LATIN AMERICA AND THE CARIBBEAN

CONTEXT: CONNECTIVITY AND CHALLENGES

The growing adoption of smartphones has boosted connectivity, making it one of the main means to access the internet and digital tools, which fosters socio-economic development, empowers people, and opens the doors to a more thriving future in the region.

Smartphones have revolutionized Internet access in Latin America and the Caribbean, providing users with a wide array of online goods and services. These portable devices have opened doors to information and services that were previously out of reach, in areas such as health, education, finance, and mobility.

Nevertheless, in order to unlock the full potential of smartphones, it is not only necessary to address the barriers of cost and digital knowledge but also to reduce the divide existing in access and quality of internet connection that is posed to rural areas.

Smartphones play a critical role in driving economic growth by improving productivity, generating employment, increasing manpower



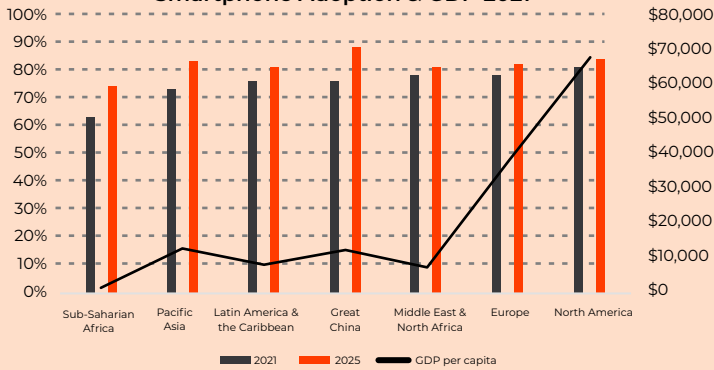
INDUSTRY TRENDS: THE COMMODITIZATION OF SMARTPHONES

DEMOCRATIZATION OF SMARTPHONES



In Latin America and the Caribbean, smartphones have become an accessible means of connecting to the internet, with more than 90% of households owning at least one device. Importantly, smartphone adoption is not linked to income levels, which reveals its role in democratizing access to technology in the region.

Smartphone Adoption & GDP 2021



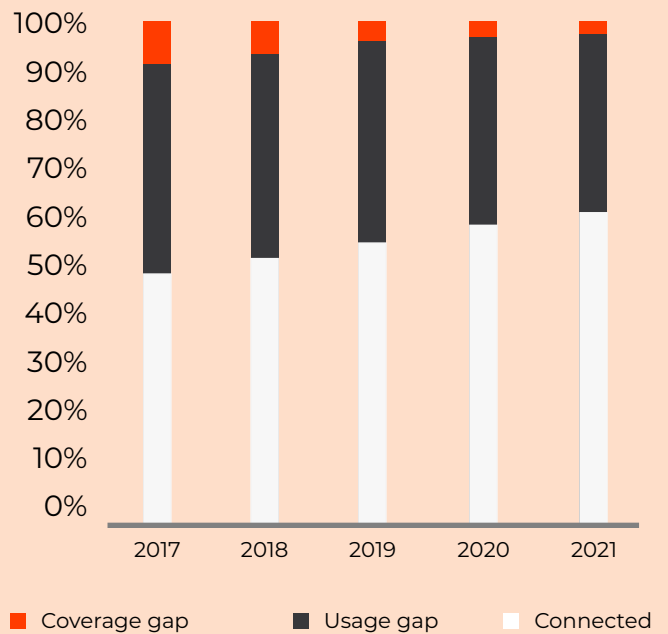
Source: Own production based on GSMA and World Bank data

INCREASED COVERAGE



The expansion of mobile network coverage has been remarkable, reaching 97% of the population. However, only 62% of this population accesses the mobile internet. It is capital to address this disconnection and work to close the 22% coverage divide between rural and urban areas.

Coverage (%)



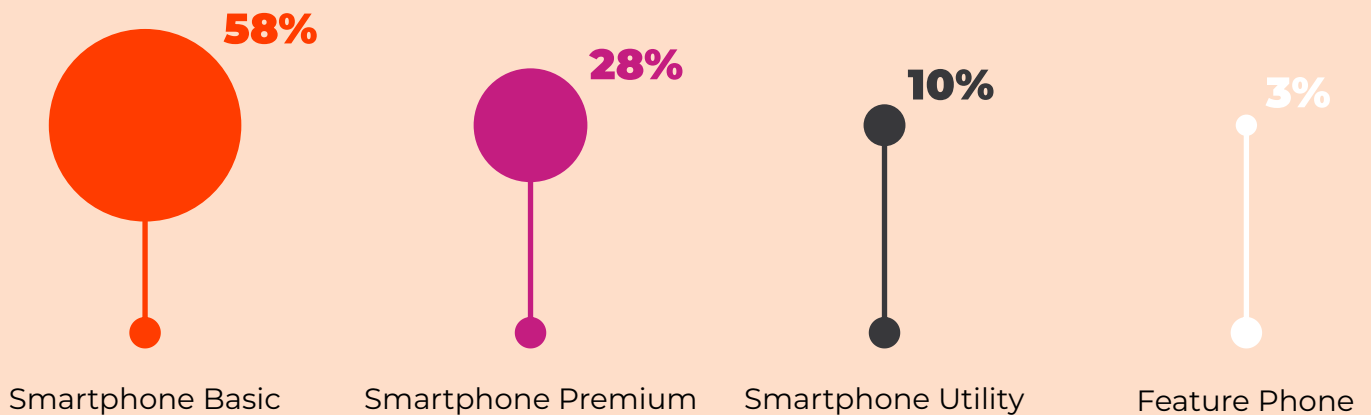
Source: GSMA 2022

MID-RANGE LEADERSHIP



In Latin America and the Caribbean, the smartphone market is strikingly competitive and diverse. Basic smartphones, priced between USD 120 and 300, lead sales, covering 58% of the market, more than double that of premium models.

Distribution by Industry



Source: Own production based on Gartner 2022 data

UNLOCKING THE POTENTIAL: IMPACT ON THE REGION

Smartphones have triggered a technological revolution, changing the way we interact with technology and becoming a key factor for regional development.



FINANCIAL INCLUSION

Financial inclusion is crucial for accessing financial products and promoting development. Even though the number of adults with bank accounts in LAC has increased by 18% since 2017, efforts are still necessary to ensure their effective use. Moreover, there continues to be a gender divide where women have a lower rate of bank account ownership (70% vis-à-vis 77% of men).



EDUCATION

Education rates in the region have improved, but progress is still needed to ensure access to and completion of higher education. Unfortunately, until 2021, only 4% of adults were enrolled in education and training programs. Smartphones have improved access to digital educational content and tools, removing obstacles such as mobility, cost, and language.



DIGITAL DIVIDE

Despite progress in bridging the region's digital divide, access to digital infrastructure remains a significant issue, with 35% of people not using their mobile connections to access the internet, despite coverage being available to 97% of the population. There is also an area of opportunity in internet quality, with rural residents experiencing 34% lower quality than that of urban users.



HEALTH

To address healthcare challenges in LAC, it is decisive to improve access to healthcare services, especially primary care, which leads to unsuitable health promotion, as well as a lack of vaccinations, tests, and routine care for chronic diseases. Telemedicine has shown promise in improving access and reducing costs.



MOBILITY

The region's transport industry emits 34% of total carbon dioxide, which contributes significantly to climate change. Fortunately, digitalization offers solutions to address these challenges and, in addition, smartphones also improve people's mobility by providing a means of easy access to services that improve transportation.



WHO USES SMARTPHONES? MAIN ARCHETYPES

The cultural and socio-economic diversity of the region results in different types of smartphone consumers, revealing differences between their preferences and motivations.

RURAL USERS



Their low level of knowledge and adoption of digital tools represents one of the most interesting opportunities in the region, as they are the ones who could benefit the most from incorporating them into their professional and personal activities

Digital interest



Low: Given the poor access and low quality of connectivity, they do not frequently connect to the internet. Young people are the most interested in connecting and benefitting from digital tools



LOW INCOME USERS

Although the biggest barrier for this group is cost and they depend on financing and alternatives that give them greater flexibility to pay for their devices and services, they continue to consume smartphones owing to their relevance in society



Digital interest



Average/high: Although it is harder for them to access mobile devices and services, they are aware of the efficiencies they bring and are willing to adopt them

FEMALE USERS

Women in the region face challenges that limit their connectivity, such as lack of knowledge, digital skills,



Digital interest



Average/high: Although they do not have the same level of access as men, female users are interested in digital tools

SUCCESS STORY: TRANSACTION WITH TELEFONICA

IDB Invest provided financing to an uncommitted revolving credit facility to support Telefónica Móviles Chile's cell phone financing program. The program supports the acquisition of mobile phones sold by providing its subscribers with the possibility of financing their devices, with a view to closing the digital divide in the country.



Telefónica is one of the world's leading telecommunications service providers. The company offers landline and mobile connectivity services, as well as a wide array of digital services for individuals and businesses. It has 3 brands: Movistar for Spain and Latin America, O2 for Europe, and Vivo for Brazil.

**USD 180
Million**

Amount
Granted

2018

Approval
Date



**We want to make
our world more
human, offering
connections that
bring people
together**

38

Countries
Served

+26

Million

Internet Access
and Data

90%

LTE Coverage



If you want to know more about the potential of smartphones and their impact in LAC, click the link to see the details of the report.

[Follow link](#)