LatAM:
Mapping Web3 Opportunities

LatAM | Base Camp

In collaboration with **MORGAN CREEK** D I G I T A L
ALTERNATIVE THINKING ABOUT INVESTMENTS

> "Latin America continues to attract interest from investors because of its dynamic economic landscape, growing digital adoption, and young, tech-savvy population. In this work we take a closer look at Fintech, E-commerce and Gaming as structural trends in LatAM, what is driving these trends and what Web3 narratives are playing into these trends."

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This research is created in collaboration with Morgan Creek Digital as part of our dedicated program targeting the LatAM region.

Latin America is one of the regions that has seen increased interest from founders and investors. Driven by structural trends such as rapid digital transformation, significant E-commerce growth, expanding fintech services, and rising investment in renewable energy, the region is experiencing robust economic development. It is attracting the attention of early-stage investors and entrepreneurs eager to capitalize on these opportunities.
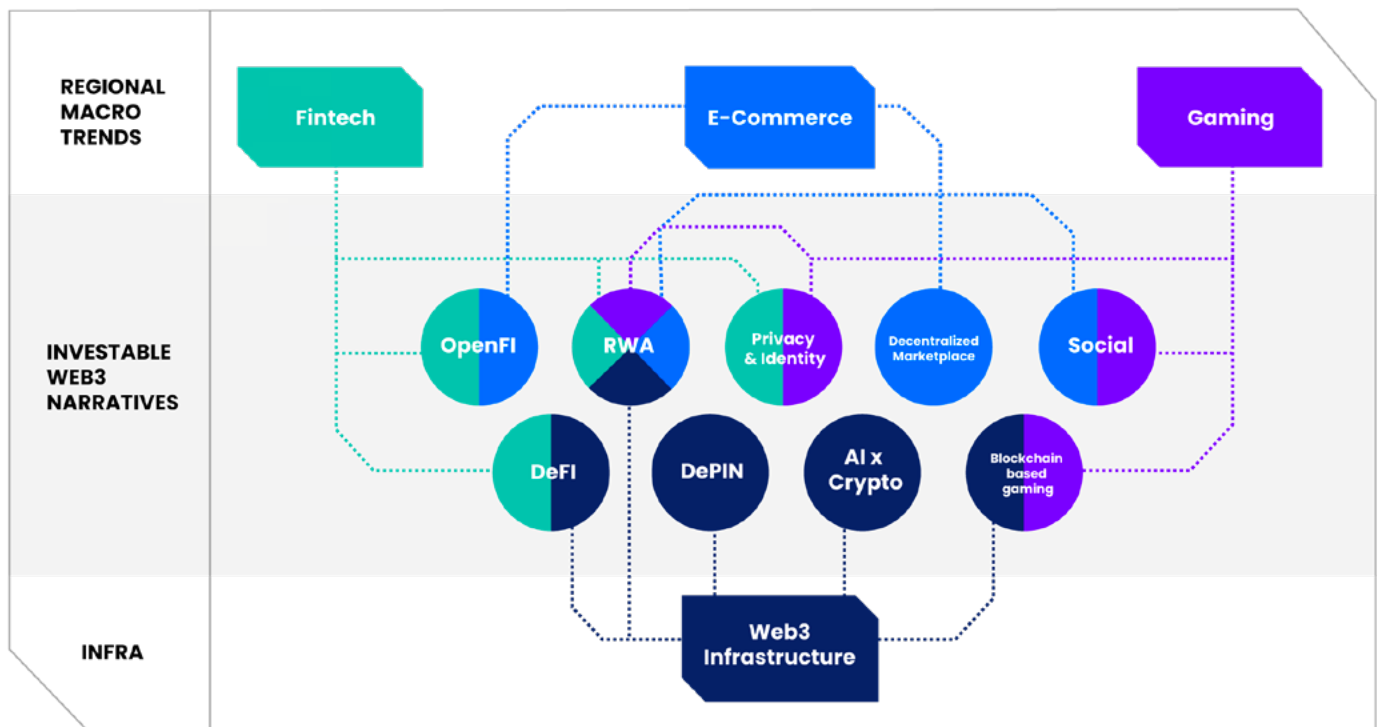
Boiling down what regional macro trends mean for the investment approach requires understanding the underlying trends. **In preparation for our LatAM cohort, we conducted this exercise to find the investable Web3 narratives, which we are running in collaboration with Morgan Creek.**

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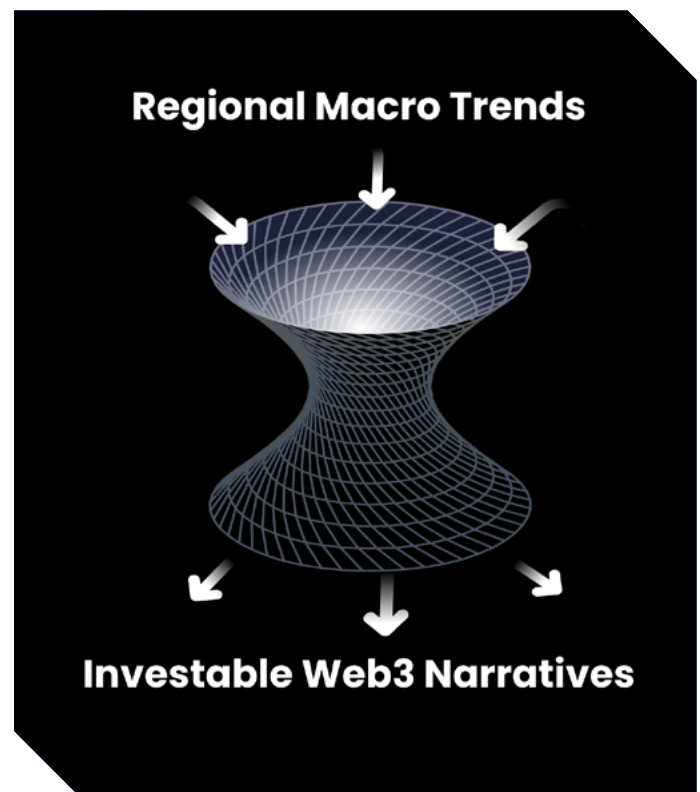
Like traditional VC investing, Web3 projects are most successful when aligned with the macro trends underpinning economic activity. The difference, however, is that Web3 is not an industry; instead, it is a cluster of technological innovations that diffuse across society, impacting various sectors. As a result, it is not always clear which trends serve as tailwinds for specific pockets within Web3.

To help investors navigate the Web3 opportunities in LatAM, we've created a framework based on three key structural LatAM trends in the region: Fintech, E-commerce and Gaming. These are multi-industry trends happening in the region. We identified the pockets of opportunity within Web3 that play into these. This framework should serve as a rule of thumb for anyone who is trying to play these structural trends from an angle of innovation over a longer time horizon, as VCs do.

Data sources: Outlier Ventures

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How do Web3, blockchain technology and cryptocurrency impact these trends?

- **Fintech:** Web3 and blockchain innovate fintech by providing secure, transparent financial services and enabling complex transactions through smart contracts.

- **E-commerce:** Blockchain and cryptocurrency drive E-commerce innovation by enabling secure, decentralized transactions, reducing fraud, and enhancing consumer trust.

- **Gaming:** Web3 revolutionizes gaming by offering true ownership of in-game assets, on-chain data storage, and new economic opportunities through blockchain technology.

Finally, there is Web3 infrastructure, which does not play into a structural LatAM trend but rather is a derivative play of the Aforementioned trends. As we move from Web2 into Web3, the innovation cycle of infrastructure is an opportunity to take more agnostic exposure, allowing for diversification of strategies across other promising investment areas.

In this work, we will only delve into some of the macro trends happening in LatAM. Instead, we will focus on the four key trends that we believe will significantly contribute to the overall development of Web3, blockchain technology, and cryptocurrency in the region.
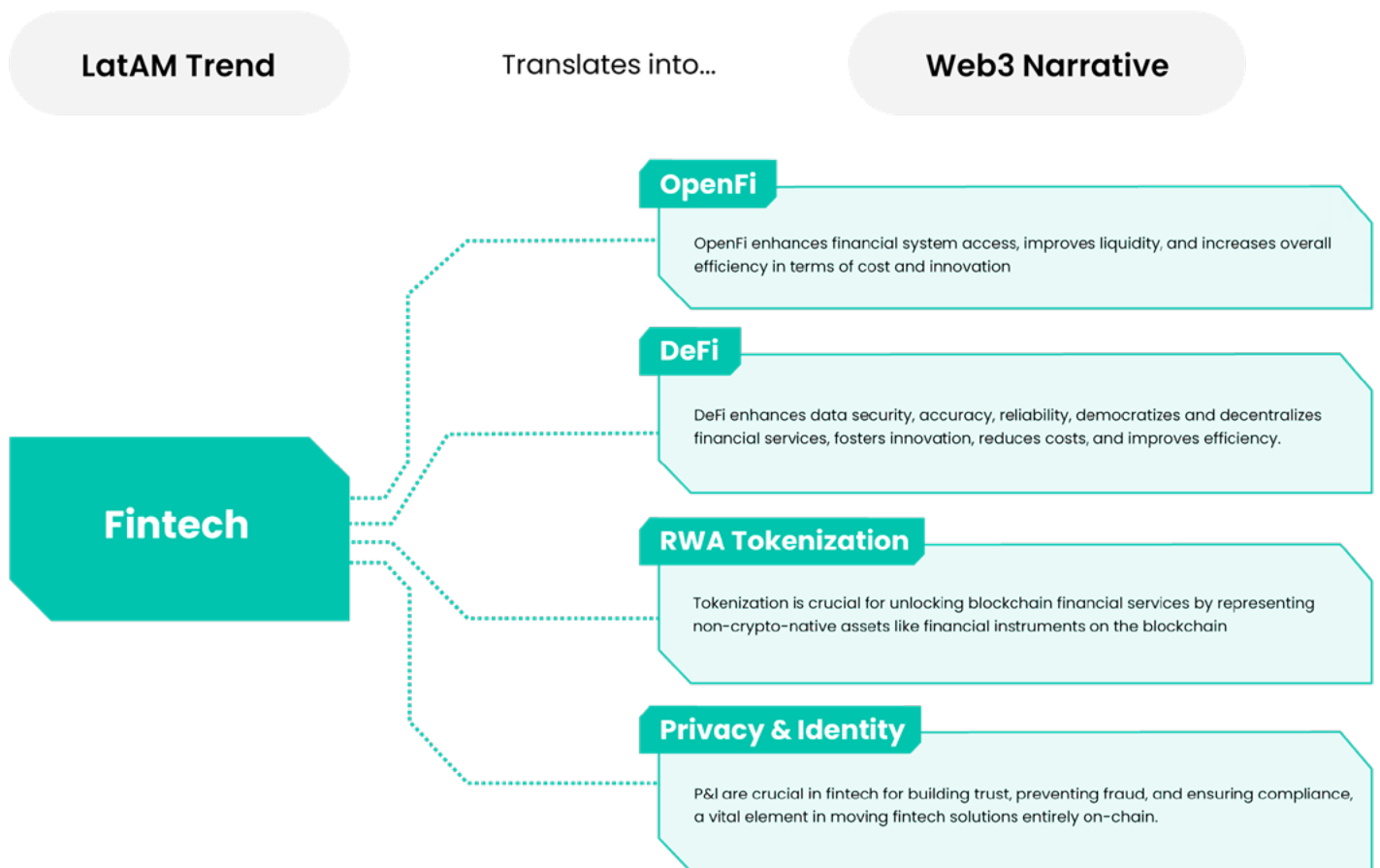
As we survey the four pockets (Fintech, Ecommerce, Gaming, Infrastructure) of Web3 investment, we will follow this structure:

- High-level trend description.

- What is happening in LatAM?

- What are the underlying drivers of this trend in LatAM?

- How does it tie into Web3?

- What is happening within the Web3 pockets which tie into into this trend?

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Fintech

Fintech refers to the integration of technology into financial services to enhance accessibility and efficiency within the financial system. This includes payments, lending, investing, insurance products, and more. Blockchain technology underpins this trend by offering secure and transparent frameworks for financial services, along with the capability to execute complex transactions through smart contracts.

Below an overview the overview of how we see Fintech flowing into different Web3 narratives.

LatAM Trend	Translates into...	Web3 Narrative

Fintech

OpenFi
OpenFi enhances financial system access, improves liquidity, and increases overall efficiency in terms of cost and innovation

DeFi
DeFi enhances data security, accuracy, reliability, democratizes and decentralizes financial services, fosters innovation, reduces costs, and improves efficiency.

RWA Tokenization
Tokenization is crucial for unlocking blockchain financial services by representing non-crypto-native assets like financial instruments on the blockchain

Privacy & Identity
P&I are crucial in fintech for building trust, preventing fraud, and ensuring compliance, a vital element in moving fintech solutions entirely on-chain.

Data sources: Outlier Ventures

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Fintech, while often referred to in aggregate, comprises a broad range of financial services and products, each leveraging technology in unique and innovative ways to improve their specific focus areas. These diverse fintech solutions address various aspects of the financial industry, enhancing efficiency and accessibility for consumers and businesses alike.

Below is the distribution of the fintech sector in LatAM according to activity.

Fintech Startups by Sector
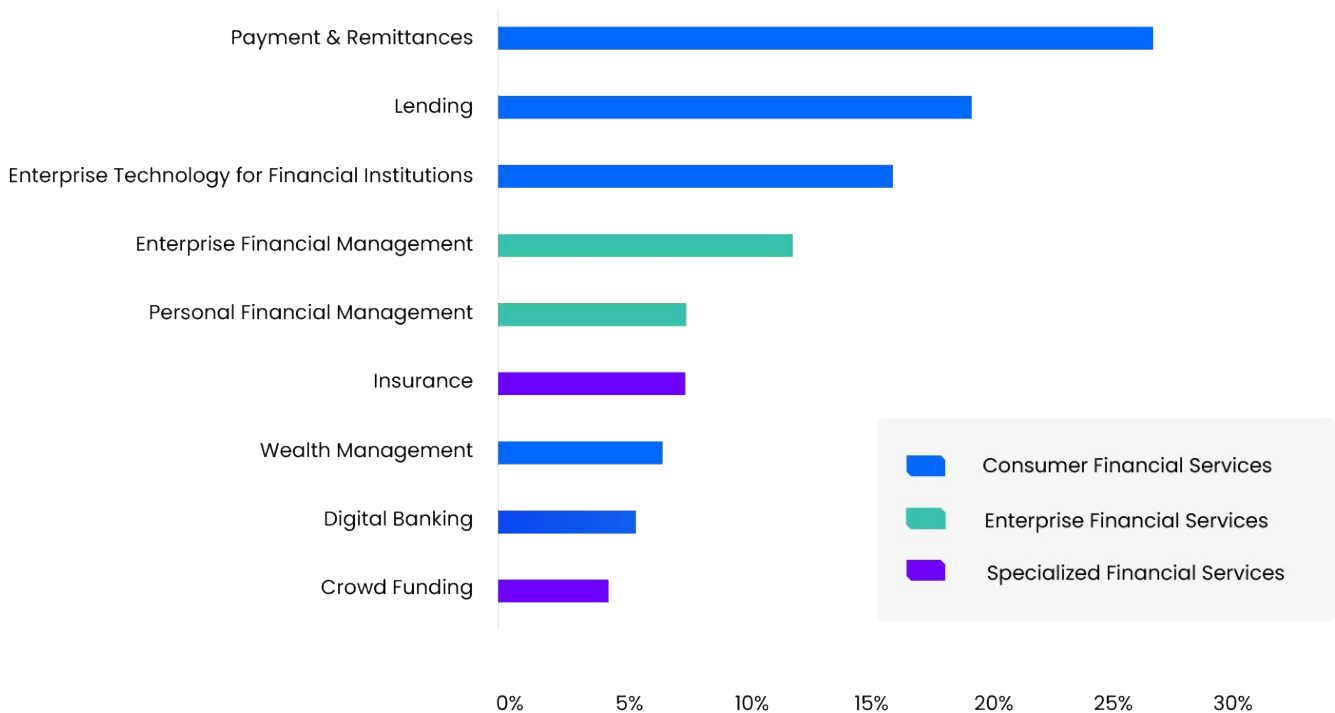
The distribution of Fintech services across various sub-verticals highlights that Payment & Remittances (25%) and Lending (18%), both consumer financial services, are the largest segments, reflecting their role as entry-level services crucial for financial inclusion. These services address the immediate needs of a large part of the unbanked population by providing essential financial access and facilitating transactions, which are fundamental in regions with significant unbanked populations.

Data sources: Helmi, Outlier Ventures

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Fintech Activity According To End User
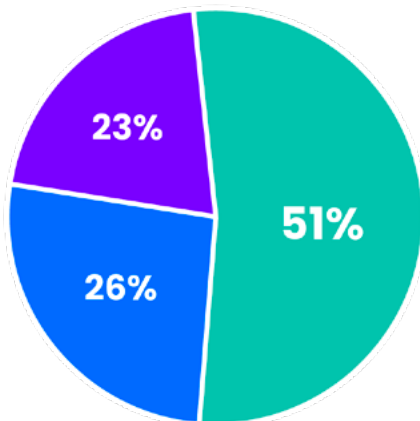
Consumer · **Enterprise** · **Specialized**

As a larger percentage of LatAM's population becomes "banked," the focus is expected to gradually shift towards more complex financial services such as Wealth Management (6%) and Digital Banking (5%). However, this transition will take time as the region evolves and integrates more advanced financial solutions.

Looking at the same data through an alternative lens, it becomes apparent that the region is dominated by consumer solutions, followed by enterprise and specialized solutions.

Traditional finance has struggled to serve Latin American consumers due to high operational costs, limited physical infrastructure, and stringent requirements that exclude large segments of the population from accessing financial services. As a result, it's natural that once Fintech offered an economically viable alternative, the take rate has been strong, further propelling forward the success of consumer finance applications in the region.

So why do we continue to see such a success of financial services embedding technology into their services in the LatAM region?

Data sources: Helmi, Outlier Ventures

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DRIVERS BEHIND FINTECH IN LATAM

We believe the following are the core drivers of the acceleration of Fintech in the region:

- **Digital Financial Inclusion:** Large segments of the previously unbanked or underbanked population are gaining access to digital financial services, driven by smartphone penetration and internet access.

- **Regulatory Support:** Governments across the region are implementing fintech-friendly regulations, encouraging innovation and competition within the financial sector.

- **Consumer Demand:** There is a growing demand for more accessible, efficient, and transparent financial services, especially among younger, tech-savvy populations.

- **Investment and Innovation:** Significant venture capital investment and the emergence of fintech hubs in cities like São Paulo and Mexico City foster a robust environment for fintech innovation.

TYING IT INTO WEB3

Having explored the traditional facets of fintech, it's important to understand what's next. Web3 and cryptocurrency are expected to play a pivotal role in the next phase of fintech integration in the LatAM region. Blockchain technology naturally complements financial services through its core principles of transparency, immutability, and automation. By integrating this technology into financial services, more decentralized and inclusive financial products can be offered to consumers, overcoming remaining challenges and opening new avenues for fintech growth.

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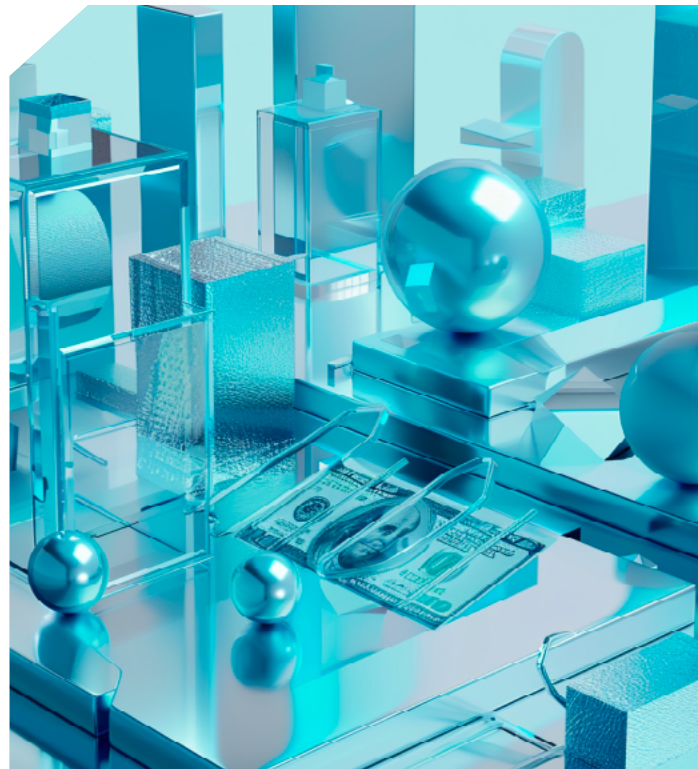
THE WEB3 ANGLE

We believe Fintech, in the context of Web3, breaks down into breaks down into two key trends. Both have a meaningful impact on how the fintech landscape will shape up in the future. Open Finance (OpenFi) and Decentralized Finance (DeFi), while different trends, are complementary as they involve innovation on different layers of the financial system. To recap, **the financial system is composed of three separate layers.**

- **Orchestration Layer**
  A layer that ensures smooth interaction and coordination of services. It manages the integration of various financial services and provides a seamless user experience.

- **Asset Layer**
  This layer handles the creation, management and regulation of assets, ensuring they can be traded (switch hands) in a structured, secure and compliant manner.

- **Infrastructure Layer**
  Supports other layers by allowing basic operations, security and functionality, consisting of foundational systems and protocols.

As illustrated in the image below. OpenFi is about the front-end of the financial system. It involves the improvement of the orchestration (Tokenization providers, legal frameworks, etc) and asset layer (wallets, dApps, marketplaces, etc.). DeFi focuses on the back-end and the infrastructure. The common denominator for both trends is that they leverage blockchain technology and smart contract execution to improve on the existing traditional financial stack.

Decentralized Financial System
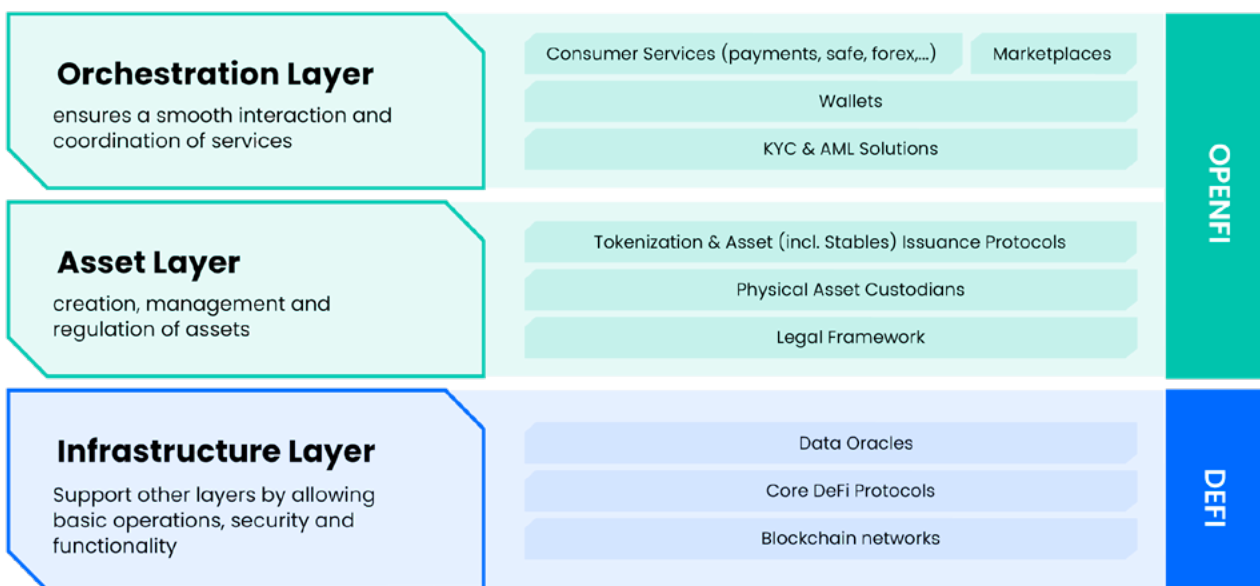
Data sources: Outlier Ventures

Mechanism Of Transmission

Stablecoins have played a critical role in the adoption of any DeFi/OpenFi solutions so far. The ability to have fiat-denominated assets represented on the blockchain is critical for tying in blockchain technology into the real economy. Today stablecoins are the mechanism of transmission, serving as the base denominator for blockchain-based transactions such as trading, remittances, saving products and more. **Without stablecoins, the decentralized financial ecosystem would be nowhere near as big as it is today.**

Overall, we believe that Fintech breaks down into four different Web3 trends as discussed below.

OpenFi

Open Finance (OpenFi) aims to combine the **functionality** of the traditional financial system with the permissionless, modular, and ownership-centric benefits of decentralized finance. OpenFi increases access to the financial system, improves liquidity, and makes it more efficient from a cost and innovation perspective.

DeFi

Decentralized Finance (DeFi) focuses on providing the **infrastructure** for a decentralized financial system through blockchain technology, oracles, and core DeFi protocols. DeFi aims to create an open, permissionless, transparent financial ecosystem without intermediaries. By leveraging blockchain infrastructure and oracles, DeFi enhances financial data and transactions' security, accuracy, and reliability. This approach democratizes access to financial services and fosters innovation, reduces costs, and improves overall efficiency within the financial sector.

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RWA Tokenization

Tokenization is the process through which a digital twin of a real-world asset is created and populated on the blockchain in the form of a digital token or NFT. The process of tokenization populates the blockchain (which is a database) with "digital copies" of RWAs. **Tokenization is an important step to unlocking financial services on blockchain** as it allows the representation of non-crypto-native assets, such as financial instruments on this new database.

Privacy & Identity

Privacy and identity involve privacy-enhancing technology like zero-knowledge proofs, homomorphic encryption, and multiparty computation. These computational approaches aim to protect user identities and transaction details, ensuring anonymity and data security when needed. **P&I plays an important role in fintech because it builds trust, prevents fraud, and ensures compliance.** It's a critical but often overlooked element in the journey to move fintech solutions completely on-chain.

WHY NOW?

Finally, we answer why we think it's a good time to be active in Web3 x Fintech in the LatAM region.

- **Mechanism Of Exchange -** Stablecoins, which serve as the mechanism of exchange of Web3 financial dApps are seeing broad adoption and regulatory approval.

- **Scaling -** Scaling is coming online, lowering transaction costs and making low-value exchange use cases like payments economically viable.

- **Smart Wallets -** Wallets are experiencing a renaissance with the embedding of AI, abstraction of accounts, and more. We also recently saw the EIP-7702 being discussed.

- **Cross-border Transactions** - The region has a high demand for efficient and cost-effective cross-border payment solutions, which DeF/OpenFi can facilitate.

- **Neobanks -** Neobanks are moving towards semi-custodial solutions and crypto rails. Their existing platforms could serve as an aggregation layer to drive adoption.

E-commerce

E-commerce is the buying and selling of goods and services over the internet, encompassing a wide range of businesses within the platform economy. Blockchain technology and cryptocurrency will drive this trend by enabling secure, transparent, and decentralized transactions, reducing fraud, enhancing consumer trust, and providing greater functionality through smart contract capabilities.

Below is the overview of how we see Fintech flowing into different Web3 narratives.

LatAM Trend   Translates into...   **Web3 Narrative**

E-commerce

Decentralized Marketplace
Within e-commerce, a decentralized marketplace reduces key human risk, increases security, lowers costs, and enhances transparency for both buyers and sellers.

RWA Tokenization
E-commerce requires tokenization platforms and infrastructure to represent real-world assets on-chain in a structured, compliant, and efficient manner.

OpenFi
OpenFi enhances e-commerce with secure, transparent payments, lower costs, and better financial data control, while streamlining cross-border transactions via stablecoins and smart contracts.

Social
Leverages social graphs to enhance trust and accountability in peer-to-peer interactions between buyers and sellers, adding a layer of social control and enabling feedback and reviews of transactions.

Data sources: Outlier Ventures
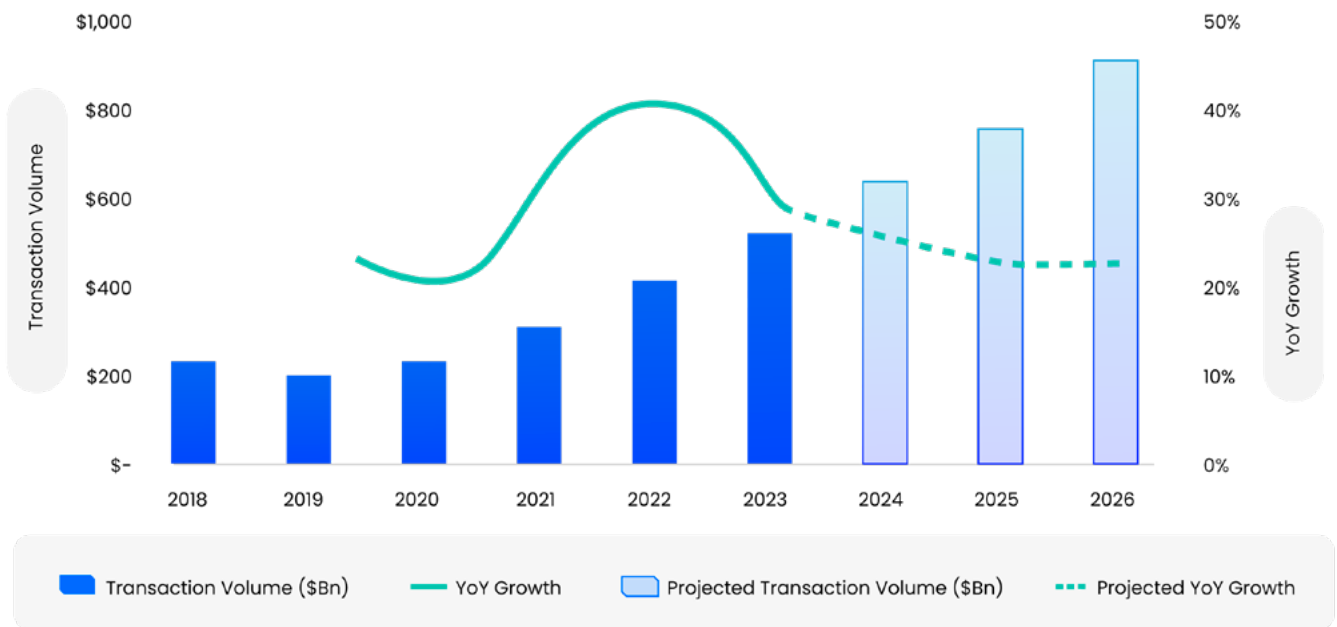
E-COMMERCE IN LATAM

Also partially fueled by the burgeoning fintech landscape, E-commerce is developing itself into an interesting vertical in LatAM. The COVID-19 pandemic accelerated the adoption of online shopping, transforming it from a niche activity into a mainstream practice across the region.

E-commerce is growing quickly in LatAM, acting as a significant growth engine for the region's economy. This growth is driven by increasing access to the internet, high smartphone penetration, and a growing middle class with rising disposable and discretionary income. Like

fintech, **E-commerce is seeing a rise in cross-border activity**, driving demand for a wider variety of products. Additionally, as previously discussed, fintech innovations support growth through secure and efficient payment rails. As traditional retailers face limitations, E-commerce offers a flexible and scalable alternative that meets the ever-changing demands of consumers.

As illustrated below, the total volume ($b) in LatAM has been steadily growing over the past five years and is expected to continue to do so in the foreseeable future. A lot of the adoption has been pulled forward by COVID-19, where north of 30% YoY growth. However, even as we normalize, E-commerce is expected to continue to grow at ~20% for the next few years.

Total Latam E-Commerce Volume

Legend: Transaction Volume ($Bn) — YoY Growth — Projected Transaction Volume ($Bn) --- Projected YoY Growth

Data sources: PCMI, Outlier Ventures

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OV•

Cross-border activity is a major driver of E-commerce, offering consumers access to a wider range of products and competitive prices from international markets. For businesses, it provides opportunities to reach new markets and increase sales. **Advancements in logistics, payment solutions, and regulatory frameworks facilitate this globalization, making it easier to conduct international transactions.** Consequently, cross-border E-commerce significantly contributes to the industry's overall growth.

As illustrated below, currently, 14% of E-commerce activity is cross-border. The absolute value of cross-border E-commerce is expected to continue increasing at a ~30% CAGR over the next couple of years.

Total LatAM E-Commerce Volume

Legend: ■ Cross-Border □ Domestic — % Cross Border
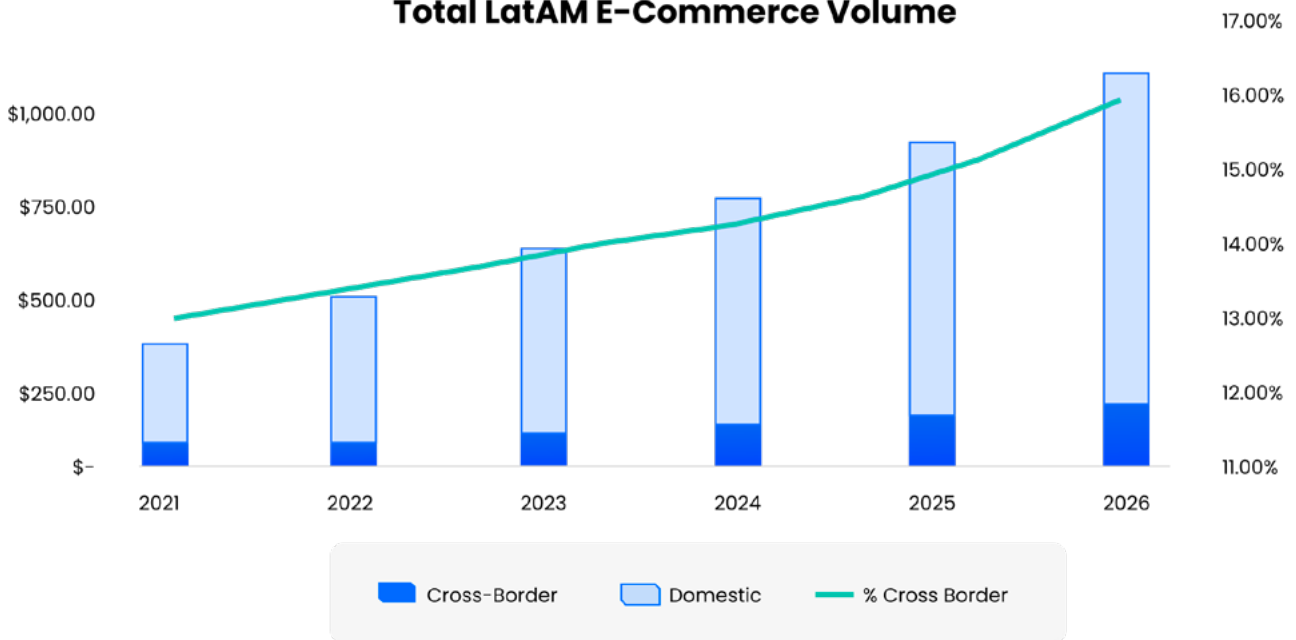
Data sources: PCMI, Outlier Ventures

Outlier Ventures•

Cross-border E-commerce relies on seamless fintech to handle diverse currencies, payment methods, and regulatory compliance, ensuring smooth and secure transactions for buyers and sellers. **Efficient fintech solutions, particularly alternative payment methods (APMs), facilitate swift cross-border payments, reduce transaction costs, and enhance trust, making international trade more accessible and attractive.** We are already seeing the impact of these solutions in E-commerce today, with strong growth in transaction volume and the share of E-commerce in LatAM using APMs. Unlike Western markets, APMs are almost the primary method of E-commerce in LatAM, creating a more seamless experience for consumers and setting the expectation that APMs will become the primary means of settling online transactions in the E-commerce space.

Share of APMs in Latin America's e-comerce
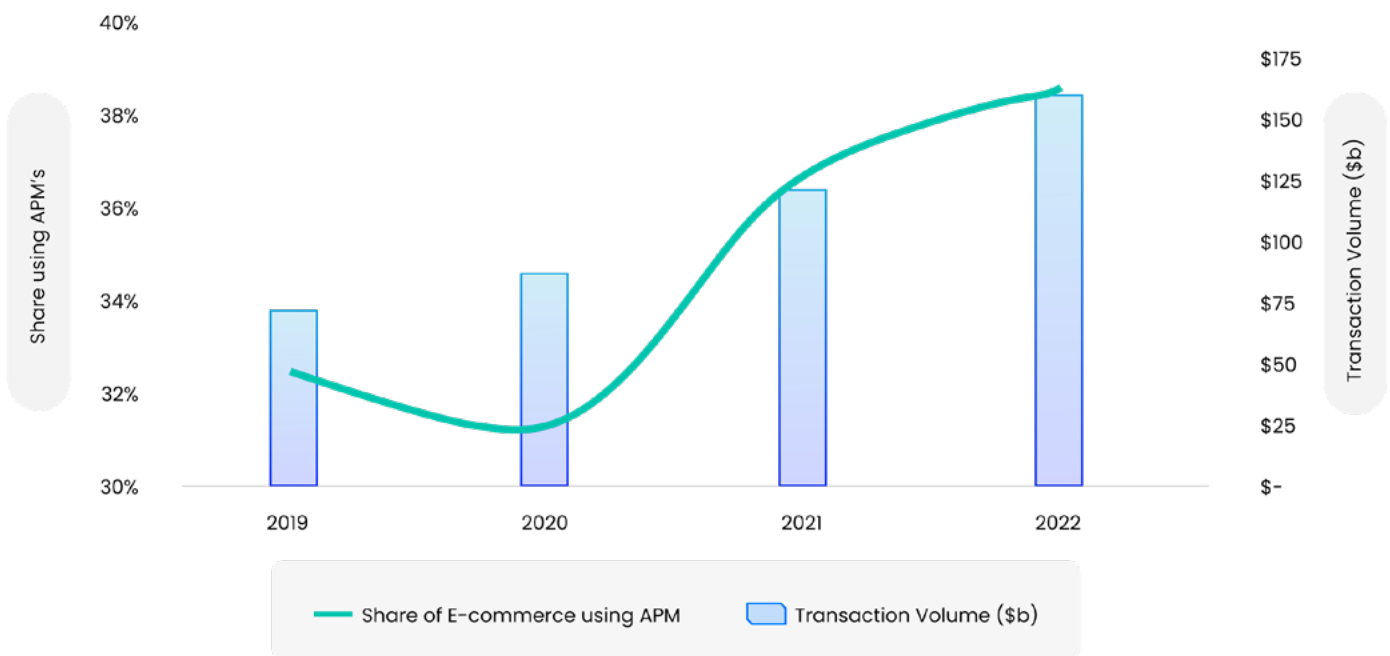
So why does E-commerce continue to be such a success in the LatAM region?

Data sources: Ebanx, Outlier Ventures

DRIVERS BEHIND FINTECH IN LATAM

We have already covered many of these points, but now we address why we believe E-commerce is rapidly evolving in LatAM.

- **Digital adoption:** Underpenetrated markets are rapidly embracing digital payments, propelling E-commerce forward.

- **Shifting consumer preferences:** Convenience and flexibility reign supreme, driving the adoption of alternative payment methods.

- **Ecosystem innovation:** Marketplaces, platforms, and payment providers continuously innovate to enhance the user experience.

- **Cross-border expansion:** commerce between different parts of latam is rapidly driving TAM and velocity of e-commerce businesses in the region.

TYING IT INTO WEB3

So, what is next for E-commerce, and how can Web3 and blockchain technology play a role? This new technology is expected to reshape today's platform economy, including that of the LatAM region. Blockchain technology can potentially create more decentralized, secure versions of marketplaces, which play an important role in today's economy (think Amazon, Uber, etc.). Integrating this technology will reduce single points of failure, increase consumer trust, streamline cross-border transactions, and reduce fraud. All of this contributes to a more seamless E-commerce experience.

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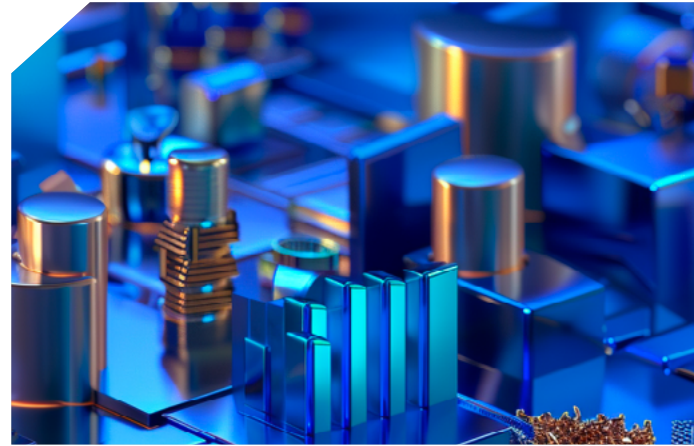
THE WEB3 ANGLE

Overall, we believe that E-commerce breaks down into four different Web3 trends, as discussed below.

OpenFi

We [previously defined](#) OpenFi. The integration of OpenFi enhances E-commerce by providing more flexible, secure, and transparent payment solutions while reducing transaction costs and increasing control over financial data. In terms of cross-border activity, it is set to offer a more seamless experience through cross-currency stablecoins and smart contract automation.

DeFi

We [previously defined](#) RWA. E-commerce naturally deals with real-world assets whenever transacting. To represent these assets in a structured, compliant, and efficient way on-chain, tokenization platforms and infrastructure are needed.

Decentralized Marketplaces

Decentralized marketplaces facilitate peer-to-peer transactions of goods and services directly on the blockchain, eliminating intermediaries. **Within E-commerce, decentralization reduces key man risk, increases security, lowers costs, and enhances transparency** and control for both buyers and sellers.

Social

Decentralized social refers to social networks built on blockchain technology, prioritizing user ownership, privacy, and control over data compared to centrally run (Web2) social networks. When **combined with E-commerce, social leverages social graphs to enhance trust and accountability in peer-to-peer interactions** between buyers and sellers, adding a layer of social control and enabling feedback and reviews of transactions.

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Gaming

Gaming, is set to change with blockchain technology. Through blockchain technology, Web3 revolutionizes gaming by offering players true ownership of in-game assets, enhanced security, and new economic opportunities.

Below is the overview of how we see gaming flowing into different Web3 narratives.

LatAM Trend   Translates into...   **Web3 Narrative**

Gaming

Blockchain-Based Gaming

Web3 gaming involves blockchain-hosted games emphasizing asset ownership, interoperability, and decentralized governance, aiming to return player control and enhance gaming experiences.

Privacy & Identity

Privacy-enhancing technologies like ZK, FHE, and MPC enable "fog of war" features in strategy games on blockchain by maintaining information asymmetry and ensuring secure, private gameplay.

Social

Decentralized social in gaming strengthens community and trust among players, allowing them to carry over achievements, assets, and progression across different gaming instances and environments.

RWA Tokenization

RWA tokenization in gaming enables secure trading and use of tangible and intangible real-world assets, blurring the lines between physical and virtual realms.

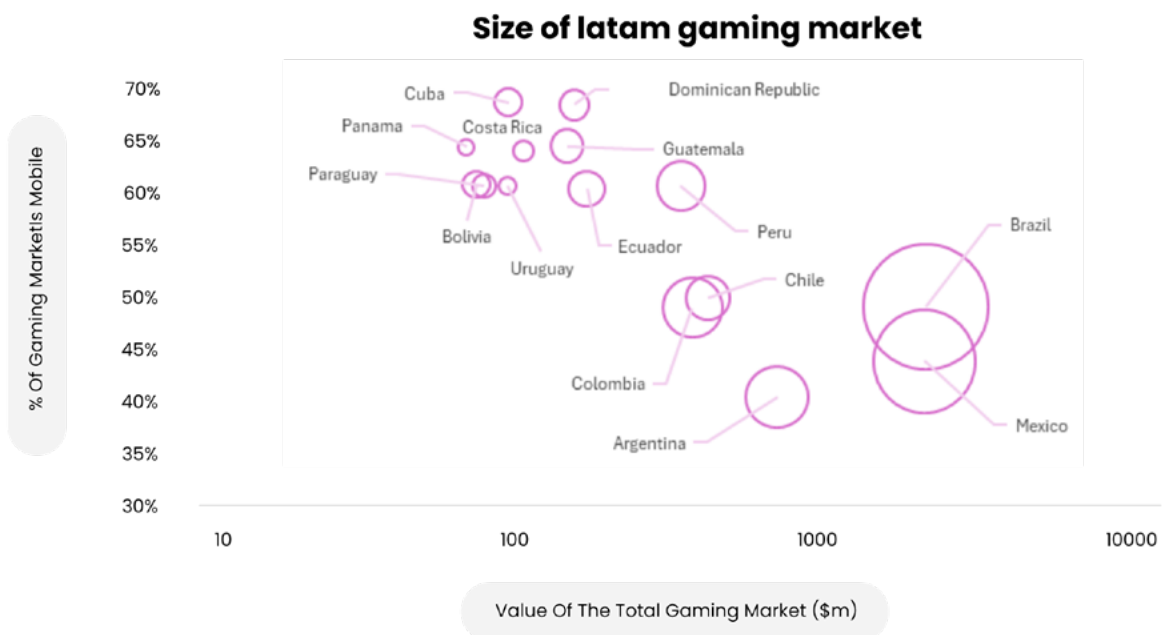**Data sources:** Outlier Ventures

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GAMING IN LATAM

Despite not being the largest gaming region, LatAM is seeing significant growth and potential in the gaming industry, driven by a young demographic and increasing hardware and internet infrastructure.

In LatAM, countries such as Argentina, Brazil, and Mexico are leading the development of the gaming industry in the region. **It's a market marked by a strong preference for mobile, free-to-play (F2P) games.** While challenges around economic volatility and infrastructure remain, the growing number of regional studios, publishers, and communities are driving the space forward. It's an interesting vertical within LatAM that is often underappreciated. However, like larger gaming regions such as Asia, LatAM has the ingredients for the gaming industry to thrive the gaming industry can thrive and experience structural long-term growth.

As illustrated below, a large part of the gaming industry in Latin America is in the mobile market. There is also a correlation between the size of the industry and the percentage of mobile gaming. Smaller GDP countries and smaller gaming economies tend to be more mobile-first, primarily due to the high cost of console hardware. Despite this, the market is still predominantly mobile, an area where Web3 is also highly focused and rapidly expanding. In the image below, you have the size of the gaming economy on the x-axis, the % mobile on the y-axis and the size of the bubbles representing the total # of gamers.


Size of latam gaming market

Data sources: Allcorrectgames, Outlier Ventures

Outlier Ventures

We've already touched upon some. So why are we so excited about the gaming landscape in LatAM?

DRIVERS BEHIND GAMING IN LATAM

We believe the following are core drivers of the acceleration of gaming in the region:

- **Youthful Demographics:** A large, young population with a high engagement in digital activities is fueling the demand for gaming.

- **Mobile Accessibility:** Increased access to affordable smartphones and mobile internet has made gaming more accessible to a broader audience.

- **Cultural Adoption:** Gaming is becoming an integral part of the entertainment culture in the region, with local developers creating content that resonates with regional tastes and preferences.

- **Economic Opportunities:** The potential for monetization through in-game purchases, advertising, and streaming is attracting both local and international game developers to the region.

- **Gig economy:** LatAM is a region where the gig economy is thriving, and gaming, along with E-sports, is increasingly becoming a source of income through competitions, streaming, and content creation.
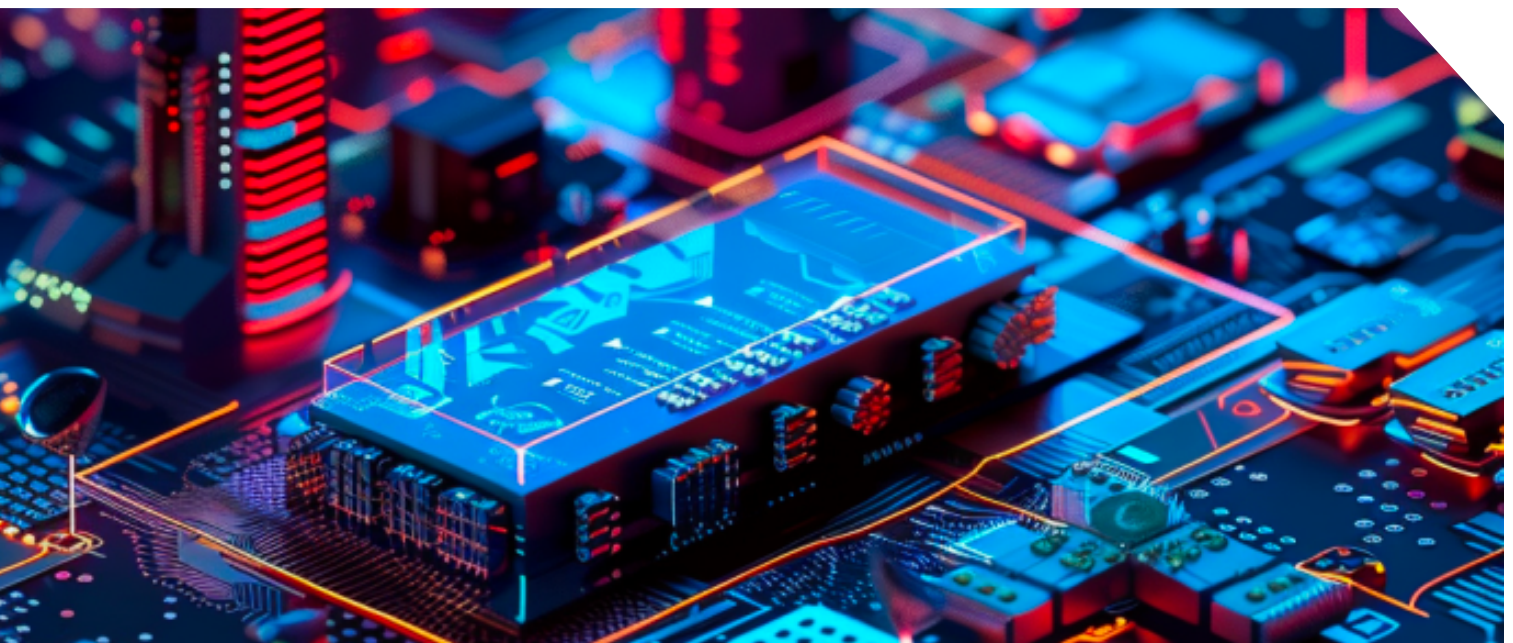
TYING IT INTO WEB3

What's next for gaming, and how can Web3 and blockchain technology transform the industry? Web3 will revolutionize gaming by integrating blockchain technology into the backend of games.

In doing so, it grants players true ownership of in-game assets, ensures secure data storage, and maintains game **states on-chain, reducing the risk of key failures such as server downtime and poor design choices.** This approach focuses on a decentralized, transparent, and community-driven gaming environment. Additionally, blockchain reduces the single point of failure we've seen with traditional developers, studios and infrastructure. As Web3 continues to evolve, it emphasizes player empowerment, economic inclusivity, and innovative gameplay experiences, ultimately reshaping the gaming landscape in the LatAM region.

THE WEB3 ANGLE

Overall, we believe that gaming breaks down into three different Web3 trends as discussed below.

Blockchain-Based Gaming

In the context of Web3, gaming refers to games (partially) hosted on blockchain infrastructure, focusing on ownership of in-game assets, interoperability between gaming instances, and decentralized governance and maintenance of the IP and infrastructure. Compared to traditional gaming (Web2), **Web3 gaming not only aims to return control over many aspects of gaming to the players but also seeks to enhance gaming experiences by leveraging unique elements of blockchain infrastructure in game design.**

Privacy & Identity

We [previously defined](#) Privacy & Identity. P&I are not only important for the users, they are equally important for good game design. **Many games, including strategy, MMOs, MOBAs, etc., are based on information asymmetry, commonly referred to as "the fog of war"**. The lack of information between players requires players to strategize. Blockchain technology is naturally transparent, theoretically allowing anyone to see the state of the information on the blockchain and as a result the state of the game. So something is needed to allow better information asymmetry for fully onchain games (FOCG). Privacy-enhancing technology (PET) like ZK, FHE and MPC does exactly this and is a critical piece to allow all aspects of gaming to move onchain.

Social

We [previously defined](#) Social. Decentralized social in gaming strengthens community and trust among players, allowing them to carry over achievements, assets, and progression across different gaming instances and environments.

RWA

We [previously defined](#) RWA. RWA tokenization in gaming allows players to securely use and trade tangible and intangible assets within the game environments, blurring down the barriers between the physical and virtual realms. Technically, every game asset put on the blockchain is done through the process of tokenization.

WHY NOW?

Finally, we answer why we think it's a good time to be active in Web3 x Gaming in the LatAM region.

- **Infrastructure** - Infrastructure is a significant bottleneck for fully on-chain games. The rise of L2 and L3 solutions with gaming SDKs and a multichain approach highlights efforts to overcome these limitations.

- **Porting Over** - Web2 gaming studios and incubators partner with tooling providers to transition to Web3 infrastructure.

- **Integrating Features** - Many Web3 games are now positioning themselves as Web2 with new features, a successful strategy for attracting new users.

Web3 infrastructure

The transition from Web2 to Web3 necessitates significant infrastructure upgrades to support decentralized applications (dApps), presenting substantial opportunities for investors. As new infrastructure is developed to host the next generation of internet applications, investors can diversify their strategies and capitalize on this migration.

Below is the overview of how investors can gain exposure to Web3 infrastructure based on the trends above.

LatAM Trend	Translates into...	Web3 Narrative

Web3 Infrastructure

DeFi
In an era of hyper financialization driven by Web3 adoption, mature DeFi infrastructure is crucial to enable liquid, peer-to-peer markets, facilitate RWA tokenization and utility tokens, and ensure an efficient, secure, and transparent financial system.

DePIN
DePIN infrastructure is crucial as it leverages blockchain to manage critical resources and services, challenging traditional centralized models in telecommunications, digital services, IoT, and more.

AI x Crypto
AI x Crypto infrastructure is crucial because it integrates AI's data extraction with blockchain's data storage, unlocking new use cases like decentralized compute, agentic systems, and decentralized model training, requiring a unified tech stack.

Web3 Gaming
Blockchain-based gaming infrastructure is crucial for enabling the next growth phase in the industry by supporting high-throughput, on-chain game actions, hosting in-game assets with smart wallets, and implementing privacy solutions like "fog of war."

RWA Tokenization
RWA infrastructure is crucial as it enables rule-based automated execution of transactions tied to real-world assets on blockchain, unlocking the true value of blockchain databases and smart contracts across various societal applications.

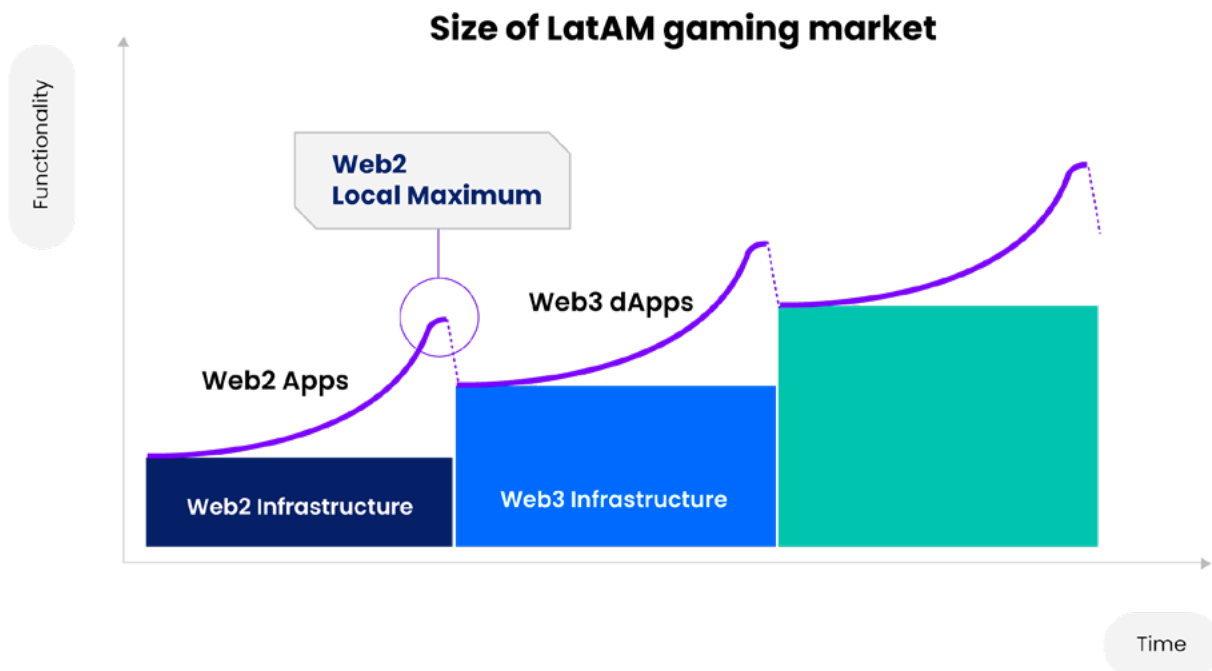**Data sources:** Outlier Ventures

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THE NEW INFRASTRUCTURE LAYER

Innovation of applications, such as those in fintech, E-commerce, and gaming goes hand in hand with infrastructure innovation. This is particularly true with the transition from Web2 to Web3, which requires fundamentally different infrastructure to host decentralized applications (dApps) that operate without centralized control.

Infrastructure upgrades are unavoidable as we move from Web2 to Web3. They lay

the foundation for the next generation of internet applications. This transition presents significant opportunities for investors to tap into infrastructure and diversify their investment strategies across multiple promising areas within the Web3 ecosystem.

Below, we illustrate the sequence of the transition from Web2 to Web3. Currently, the majority of internet activity operates in the Web2 local maximum, after which new infrastructure will be built to host the next wave of decentralized applications. The arrow marks the opportunity for investors to gain exposure to migrating from one infrastructure stack to another.

Size of LatAM gaming market

Web2 Local Maximum

Web2 Apps · Web3 dApps · Web2 Infrastructure · Web3 Infrastructure · Functionality · Time

Data sources: Outlier Ventures

THE WEB3 ANGLE

In the context of the structural trends in LatAM we've identified so far, we believe there are five interesting pockets of Web3 infrastructure which look promising for anyone trying to catch these tailwinds.

Decentralized Finance

We previously defined DeFi. The importance of mature DeFi systems within Web3 cannot be overstated. **Web3 leads to the hyper-financialization of many aspects of the economy through trends such as RWA tokenization and the use of utility tokens.** As a result, a sound, decentralized financial infrastructure layer made up of blockchains, core DeFi primitives, and oracles is needed to create liquid, peer-to-peer markets around these assets and disintermediate as many parties as possible in the process to achieve the most efficient, secure, and transparent system possible.

DePIN

Decentralized physical infrastructure networks (DePIN) refer to networks that leverage blockchain to provide infrastructure to support operations, distribution, and management of economically important resources and services. **Many traditionally centralized business models, such as telecommunications, digital services, IoT, and others, are being challenged** by decentralized networks that offer competing and complementary services. We also have recent examples of how centralization of economically important soft- and hardware leads can lead to key entity risk (for ex. Crowdstrike outage).

AI x Crypto

AI and blockchain technology have a natural, strong fit driven by their relationship with data. AI is about extracting value from data, while blockchain technology is about storing data in new ways. The combination, or convergence, of both technologies involves integrating previously siloed technology stacks into one. In doing so, we hope to unlock new use cases such as decentralized compute, agentic systems, decentralized model training, and more. For these use cases to materialize, infrastructure needs to be built that is geared toward hosting both technologies on the same tech stack.

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Blockchain-Based Gaming

We [previously defined](#) blockchain-based gaming. **Gaming on the blockchain is widely seen as the next major growth phase for the industry, but there are still infrastructure limitations** (and by extension investment opportunities). Playing games requires numerous actions (movement, skills, buffs, etc.) by gamers, constantly changing the game state. To move all this activity on-chain, we need a drastic increase in infrastructure throughput. Additionally, (smart) wallets are needed to host in-game assets, privacy solutions to create a "fog of war," and much more before we can fully transition on-chain.

RWA Tokenization

We [previously defined](#) RWA Tokenization. Sitting on top of the DeFi infrastructure, **RWA middleware, SDK and special purpose infrastructure are a critical component to unlock the true value of blockchain databases and smart contracts by bringing RWAs into the realm of distributed ledger technology**. Having rule-based automated execution of any form of transaction tied to real world tangible and intangible assets on a transparent database has applications in many different pockets of society. The endgame here is to unlock the "computational economy". We discussed this in detail in our [previous work](#).

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