



Consumer and Retail Trends in South America

6th Edition

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Some trends presented in previous editions of this report have evolved into good practices of the industry. However, several factors, some new and some embedded into broader standards, have stood out and consolidated themselves as trends in full force. The prevalence of data and artificial intelligence, as well as the transformation of supply chains, are examples of tectonic shifts that have created a new scenario for the consumer industry.



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Introduction

In the fifth edition of our survey *Consumer and Retail Trends in South America*¹, the focus was on four relevant trends in an attempt to deepen our understanding of the first impacts of new technologies on the industry, especially artificial intelligence (AI/GenAI), automation and the use of data, without leaving aside other interesting aspects such as customer experience, the (so-called) fluid trade², concerns about rising operating costs – driven by growing market uncertainty – and, as usual, issues related to sustainability and the set of ESG (environmental, social and corporate governance) guidelines.

While many of these factors remain currently relevant, some seem to have “moved out” of the realm of “trends” to become part of a growing body of good practices or industry standards, which must be embedded in the strategy of any consumer company that wishes to remain competitive, especially in a complex and volatile environment such as today’s.

In such a scenario, features such as omnichannel³, fluid trade, e-commerce platforms and marketplaces, strategies to internalize high and persistent operating costs, the full or partial adoption of personal data protection legislation, and even the social aspect of the ESG guidelines are no longer just trends and have consolidated themselves as pillars of the consumer and retail industry’s standard business strategy.

Building on these strong foundations, other components come to the fore that, although addressed in previous surveys, today emerge as new patterns or relevant trends. These include the growing need to manage data efficiently, the continuous advancement of artificial intelligence and its offshoots — especially generative intelligence — and the redoubling of efforts to boost sustainability and the circular economy.

In fact, at the National Retail Federation’s (NRF) latest Retail’s Big Show, held in January 2025 in New York City, USA, the majority of attendees and industry experts that assessed the event agreed that data collection and analytics will be of utmost importance for retailers to make informed decisions and enhance their strategies. They also pointed out that artificial intelligence (AI) will, from now on, play a key role in the transformation of the

industry, both in optimizing processes and in pursuing continuous improvements in customer experience.

In addition, they highlighted that new technologies and concepts, such as just walk out, robotization, digital twins and autonomous delivery vehicles are increasingly adopted, raising the bar for what is and isn’t possible in the race to elevate retail to new quality standards.

Added to these trends are the novelties in supply chains, where transformation and radical changes in the face of rising costs, global inflation, and unstable prices of inputs and final products have attracted attention in recent years. Among them, the so-called proximity strategies, generally known as nearshoring or strategic shoring, initiatives that seek to change the geographic distribution of chains, prioritizing proximity (preferably in the Americas) to ensure greater control, greater efficiency and operational agility, as well as resilience against global fluctuations and disruptions.

In addition to coming up for the first time in our report, this trend reinforces its relevance in a scenario that is a far cry from the standardized and obsolete value chain structures of the past, which put almost

¹ KPMG. *Consumer and Retail Trends in South America - 5th Edition*. 2024.

² According to the concept of fluid trade, the different stages of the business-customer relationship during the buying process can be completed across different channels. Therefore, the stages of product exploration, deal closing, payment, delivery and, when applicable, return of the merchandise, can be completed across multiple channels. The separation between offline and online purchasing no longer exists, replaced by a network of channels that makes no distinction between one and the other and turns buying into a truly fluid and seamless experience (KPMG, 2024).

³ *Omniciality* is a strategy used by companies to improve customer experience by offering several integrated marketing and sales channels. (SEBRAE, 2023).

exclusive priority on cost minimization and, therefore, on the sourcing of most inputs from low-income countries. This scenario has changed especially after the disruptive effects caused by the COVID pandemic, which exposed the dependence and fragility of global supply chains, and because of the current impacts of armed conflicts in the Middle East and Europe, geopolitical tensions, and the significant increase in protectionism and trade tariffs.

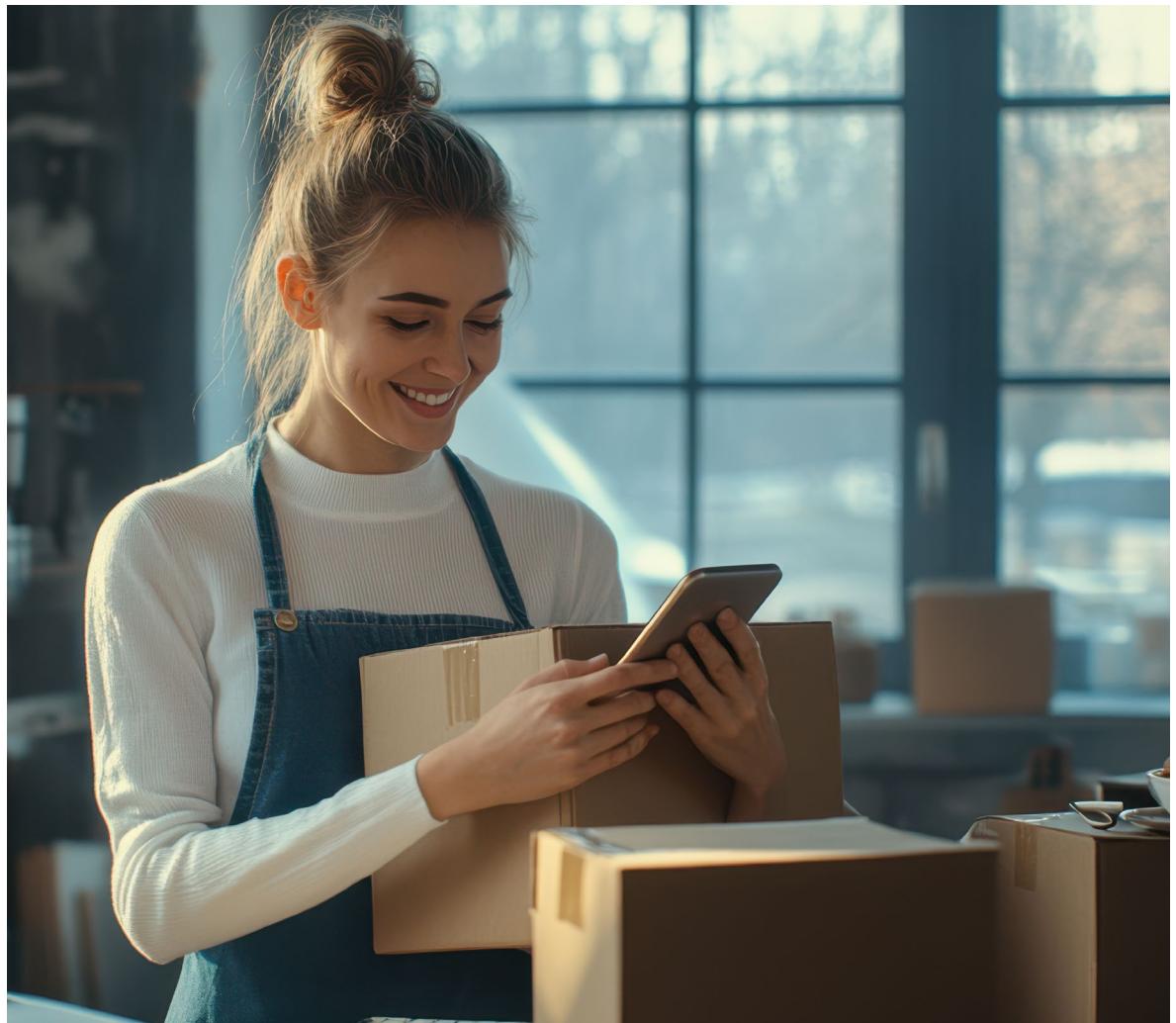
Given the strategic importance that value chains have for the global production system, these new circumstances have highlighted the need to rethink them and to encourage their restructuring not only to optimize their operation and resilience, but also to transform the way companies operate, source inputs and distribute their products.

In the specific case of the retail industry, these movements have led to a radical change in the organization of chains, which, in the short and medium terms, can especially benefit South America. Several markets in the region are attractive to global companies in terms of resources, clean energy, and tax incentives, which may lead those companies to increase the relocation of their chains to South American countries.

As part of this transformation and, above all, due to the tariff hikes currently applied by the United States to imported (especially Chinese) products, China will certainly seek to redirect its exports, expanding its presence in the South American retail industry – especially with the growth of e-commerce platforms from that country, such as Shein, AliExpress and Temu. This trend is explained by China's growing influence in international trade, the high competitiveness of its manufactures, and the expansion of Chinese investments throughout Latin America.

In addition to analyzing trends and connecting them to facilitate the design of strategies and models that allow retailers to navigate this landscape, this new edition (the sixth) of the report on the trends of the consumer and retail industry features up-to-date case studies of companies located in South America, showing how retailers have been adapting to the changes imposed by the new scenario and, specifically, how they are incorporating the previously mentioned trends into their business.

In conclusion, the last section of this report offers some final insights. As usual, these lines are not only meant to wrap up our deliverables or, possibly, raise some questions, but also to set the tune for the discussions that will shape the future of the industry.



I. Outstanding consumption and retail trends or patterns and their impact on South America

Most analysts generally agree that the South America's retail industry will continue to grow until 2026, driven by e-commerce and, in particular, retail media. These factors will cause the industry to generate, in retail e-commerce alone, an estimated sales volume of US\$200 billion throughout Latin America by the end of 2026⁴. However, retail will also face some obstacles that may affect its development, many of them inherited from the pandemic years, such as the constant evolution of consumer habits, the rise of remote work, and the impact of high inflation and interest rates; or others that are more recent and specific, such as the growth of online sports betting, which have gained particular relevance in the Brazilian economy.

In a recent report⁵, the Central Bank of Brazil highlighted that, between January and March 2025, online betting totaled an average of R\$30 billion (US\$5.4 billion) per month, which shows, in a way, its growing share of household spending. Similarly, other studies and surveys, such as the one conducted by the National Confederation of Trade in Goods, Services and Tourism (CNC)⁶, have pointed to the fact that these new dynamics may be associated with a reshuffling of consumer spending, with potential impacts on traditional retail categories, such as food, clothing, furniture, electronics, beauty products and medicines. In such a scenario, where the retail industry continues to undergo regulation and development, retailers should closely monitor these transformations to understand their effects and identify new adaptation and innovation opportunities.

Despite these "complications", which constantly hinder the industry's performance and reduce its opportunities for growth, South American consumer and retail companies will seek to strengthen their resilience and face this new scenario – and they will do so by deepening their knowledge about their customers through the use of data and technology, so that they can offer them unique buying experiences.

To that end, companies will bet on data gathering and analytics and the use of AI, but will also seek to optimize operational costs and supply chains, consolidate omnichannel, expand automation – for example, for inventory management, logistics and customer service – and, above all, to reinforce their commitment to sustainability initiatives in all their aspects.

Incorporating these trends into an integrated operational and commercial strategy will be of key importance for the survival and growth of retail companies from now on, considering that each of these companies plays a central role not only in the markets they serve, but, above all, for the consumers they seek to win.

⁴STATISTA. El sector de comercio electrónico en América Latina - Datos statistics. Available at: <<https://es.statista.com/temas/9174/e-commerce-en-america-latina/#topicOverview>>. Accessed in Aug 2025.

⁵SINCOVAGA NEWS. In addition to inflation, betting platforms affect consumption in supermarkets. Available at: <<https://www.sincovaganoticias.com.br/alem-da-inflacao-bets-aftam-consumo-em-supermercados-2/>>. Accessed in Aug 2025.

⁶MEDIUM &MESSAGE. Bets cause potential losses of BRL 103 billion this year in 2024. Available at: <<https://www.meioemensagem.com.br/marketing/bets-causam-perdas-de-r-103-bilhoes-ao-varejo>>. Accessed in Aug 2025.

1.1 The reign of data

As has been pointed out in previous reports, data collection and their thorough and effective analysis play a key role in the current performance of companies, both in the retail and any other industry. This not only means having the capacity and technology to gather large volumes of data, but also the skills and tools needed to process, analyze, and, even more importantly, interpret them, extracting valuable insights that reveal consumer attitudes and buying habits, potential new needs and demands, or enable company leaders to make informed decisions.

Data are numbers, letters, or symbols that have to be interpreted and contextualized in order to become useful and fulfill a goal. This interpretation can reveal patterns, trends, correlations, and other relevant information to support decisions, improve processes, products and services, manage inventories, and optimize supply chain operations, among other benefits.

To achieve these capabilities, data analytics and AI are key practices and technologies. While the former involves processing tools and techniques capable of transforming raw data into knowledge, including Tableau, Microsoft PowerBI, QlikView, Google Analytics, Mixpanel, and point-of-sale (POS) systems, which are an extremely rich source of raw data for the retail industry, the latter (particularly machine learning or ML) can automate and speed up this process, especially when a company is dealing with large volumes of information.

However, for these technologies or tools to work properly and fulfill their purpose, the quality of the data is of key importance. If data are insufficient, unreliable, incorrectly gathered, outdated,

or of poor quality, the analytics output will also be compromised. Therefore, an organization's data strategy must include not only analytics and processing technologies, but also a structure capable of gathering, storing, and using information in a timely and effective manner, in compliance with quality and privacy standards⁷ – the distinguishing features of a good governance structure.

But what does this mean for the consumer industry? Currently, retailers collect customer and supplier data through transactions, loyalty schemes, digital receipts, terminals, purchase tracking, searched and desired products, social media comments, gamification and smart technology in stores, as well as enterprise resource planning (ERP) and order management systems (OMS), among many other methods.

Afterwards, assuming that they have the necessary quality and quantity, these data can be analyzed using the technologies and tools mentioned above, which are capable of managing large volumes of information to generate results ranging from simpler outputs, such as descriptive analyses, to more advanced analytics, such as data mining, correlation analysis and econometrics, development of algorithms or predictive studies (for example, make sales forecasts or estimate the likelihood of an event and its impact on the business) and prescriptive studies (i.e., those that use the results obtained in previous analyses to propose actions). We cannot forget to mention AI systems, such as machine learning (ML), which are able to perform all these tasks automatically and much faster.

⁷ Especially considering the advancement of regulations and standards for the protection of consumer information, better known as the General Data Protection Regulation (GDPR).

These data analytics deliverables allow retailers to answer questions and decide on actions in an informed manner. For example, they can be used to estimate product demand, customize goods and services, carry out retail media initiatives (native, creative, sponsored, or in-store advertising, which uses customer information to offer products and influence their purchases), optimize pricing strategy (with dynamic tools that adjust values according to the market, competition, and consumer profile), or increase supply chain efficiency (creating intelligent inventories that automatically detect product shortages; forecasting, through predictive analytics, the potential impact of certain risks or problems on the supply chain, in order to devise solutions to face, mitigate or avoid them; or assisting retailers in meeting their sustainability goals, among others).

Whatever the goal, the use of data and these technologies optimizes the customer and product journey, helping companies in the industry to reduce costs and increase profitability and efficiency.

High-profile cases of data use and management are reported throughout the region, especially in Colombia. Brinsa S.A., a leading developer of disinfectant chemicals and solutions, has recently transformed its data management model with the support of KPMG by implementing Snowflake, a

cloud-based data solution. The project, in addition to providing a scalable, agile, and robust data analytics platform and contributing significantly to operational efficiency, comprised the design and configuration of ETL processes for integration with the ERP system, as well as the definition and implementation of data quality standards and information governance guidelines.

At the same time, KPMG assisted Team Foods Colombia, a pioneer in developing biodiversity potential and producing vegetable oils and fats, in designing and implementing a comprehensive data governance framework focused on strengthening organizational information management. In this case, the project consisted of creating an enterprise data catalog, documenting governance processes in detail, and defining the key tools needed for effective implementation. In addition, a knowledge transfer plan was developed and implemented to ensure the sustainability of the model and its adoption by internal teams, thus promoting an organizational culture based on the strategic use of data.

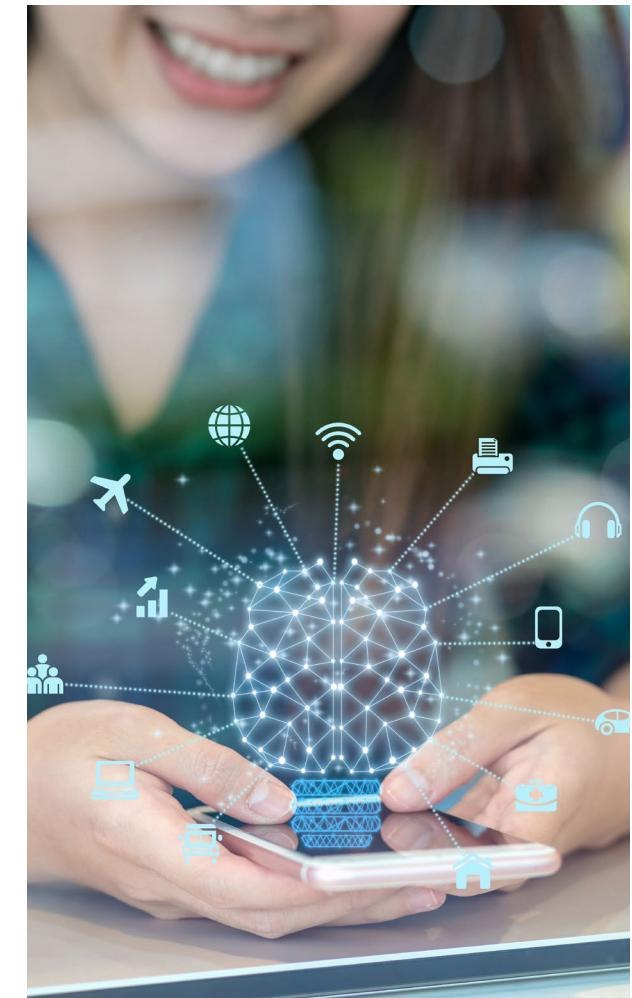
Another example is Dunnhumby, a company specializing in data science applied to retail, which is implementing the Retailer Preference Index (RPI) in the Colombian market⁸. This indicator, created based on a global methodology developed by the

company itself, measures customers' emotional bond with retailers and their financial performance. The goal is to help retailers better understand their customers and enhance their value proposition.

To that end, RPI combines data on consumers' emotional perceptions with their shopping behaviors, revealing which retailers are building stronger and longer-lasting relationships with their customers. This information is extremely valuable, as it allows retailers to identify areas of improvement and adjust strategies to increase consumer satisfaction and loyalty.

The methodology has already been successfully tested in other markets, including the United States, Canada, Mexico, Brazil, Spain and Italy, proving its effectiveness and applicability to the purposes for which it has been designed.

There can be no solid data and analytics framework without preventive measures, especially in the field of cybersecurity. Cybersecurity has become essential for the success of retail companies, given the high dependence on online purchases and payments, the need to ensure the security of transactions to build customer loyalty and gain their digital trust, in addition to representing a clear competitive and value-generating advantage.



⁸ DUNNHUMBY. Índice de Preferencia de Retailers en Colombia. Available at: <<https://www.dunnhumby.com/resources/reports/retail-trends/es/indice-de-preferencia-de-retailers-en-colombia-2025>>. Accessed in Aug 2025.



In such a highly digital scenario, in which agile purchasing is a key component of the customer's experience, experts point out that information security must be present in all areas of the organization and throughout the whole value chain, covering companies, suppliers and customers.

According to the latest edition of KPMG's Cybersecurity insights Report (KPMG, 2025)⁹, the advancement of digital transformation and, especially, the adoption of artificial intelligence, imposes new scenarios and challenges for organizations, requiring greater strategic focus—especially when it is necessary to balance productivity gains against the risks inherent in embedding AI and GenAI into cybersecurity and privacy functions.

A clear example of the importance of an adequate and adaptable cybersecurity strategy in the retail industry is the case of Cencosud S.A., a conglomerate that comprises Jumbo, Disco and Vea supermarkets. With operations in Chile, Argentina and other South American countries, the group was the victim of a ransomware attack in 2020 that resulted in the hijacking of a massive amount of customer data¹⁰.

As a consequence, in addition to the sanctions imposed by government authorities for the data leak, the company sustained significant economic and reputational damage. However, the episode led to the implementation of a modern and robust **cybersecurity** framework, focused on protecting data and systems, preventing breaches and detecting vulnerabilities.

⁹ KPMG. 2025 Cybersecurity Insights Report, 2025.

¹⁰ ÁMBITO. Hackerón Cencosud y piden millones de dólares para no revelar la información privada. Available at: <<https://www.ambito.com/informacion-general/hackers/hackeron-cencosud-y-piden-millones-dolares-no-revelar-la-informacion-privada-n5148493>>. Accessed in Aug 2025.

1.2 Artificial Intelligence (AI)

What else can be said about artificial intelligence that has not been repeated countless times over the past year — especially when it comes to generative artificial intelligence (generative AI)? According to some studies that have evaluated the importance of AI as a corporate investment¹¹, this technology and its offshoots (such as GenAI, VisionAI, and AgenticAI, to name the most relevant) have been climbing several rungs on the ladder of companies' investment priorities over the last year. This is not only due to its potential for revenue generation, product creation, and enhancement of capabilities, but also to the rapid return on investment that has been reported in practice.

In retail, for example, AI is already applied in day-to-day operations, i.e. to forecast demand, make recommendations, perform store analytics, implement advertising initiatives, set prices, manage inventories, and make significant improvements in consumer experience. Going further, generative AI — capable of producing texts, images and other results from prompts, “learning” over the process to generate responses — is being used to create hyper-customized experiences, campaigns and products, to control the flow of people and turnover on the shelves, and to optimize supply chain performance.

GenAI is at the heart of the so-called intuitive e-commerce — an approach that seeks to create fully customized e-commerce platforms and websites capable of replicating online the buying experience offered in physical stores. This requires not only timely and reliable data, but also the use of other supplementary technologies.

The influence of AI on the industry does not stop there. Agentic AI, which represents the next stage in the evolution of generative AI for its ability to perform tasks independently, automatically and without human supervision, is still in the early phase of implementation in most industries, but has already taken its first steps in retail. The retail industry has already developed systems that identify demand patterns and automatically replenish products, analyze data and suggest price changes, or interact with customers in real time, while also assisting employees with their tasks. As they say, “the sky’s the limit”

Among the most relevant cases of AI and generative AI implementation in the industry, Mercado Libre (ML), a major Argentine e-commerce company with operations in that country and throughout Latin America, stands out. The company has been applying AI to several processes, achieving substantial improvements both in the customer buying experience and in the assessment of credit and fraud risk — crucial aspects for its financial division, Mercado Pago.

At the same time, ML uses AI to gather product reviews and turn them into inputs that boost purchases, as well as to improve the experience of sellers on the platform, suggesting adjustments in product titles or descriptions based on consumer or target market search trends¹². The range of applications is vast.

¹¹ KPMG. KPMG 2023 CEO Outlook. 2024.

¹² AMBITO. *La inteligencia artificial revoluciona el ecommerce: ¿cómo la aplican las empresas en Argentina?* Available at: <<https://www.ambito.com/negocios/la-inteligencia-artificial-revoluciona-el-ecommerce-como-la-aplican-las-empresas-argentina-n5960913>>. Accessed in Aug 2025.

In Colombia, KPMG supports several companies in their development of AI-based tools to analyze competitors and identify changes in prices, promotions and conditions — allowing the formulation of more adequate and timely pricing policies to maintain or even gain market share. Virtual assistants capable of assessing inventory levels and, when necessary, issuing automatic orders to suppliers are also being implemented to prevent quantities from falling below minimum safety levels. In addition, systems are put in place to consolidate data and identify differences according to the means of payment, the point of sale, the date and the service provided by the company.

Also in Colombia¹³, Eatcloud — a technological platform that uses AI to connect restaurants, producers, food banks and other players in the industry — has been helping to significantly reduce waste in the food industry chain. The solution analyzes data and patterns to predict where there will be food surpluses in good condition and where or in which communities food will be needed, optimizing distribution and preventing or considerably reducing waste. The initiative has already received several awards and mentions for its innovative approach, and especially

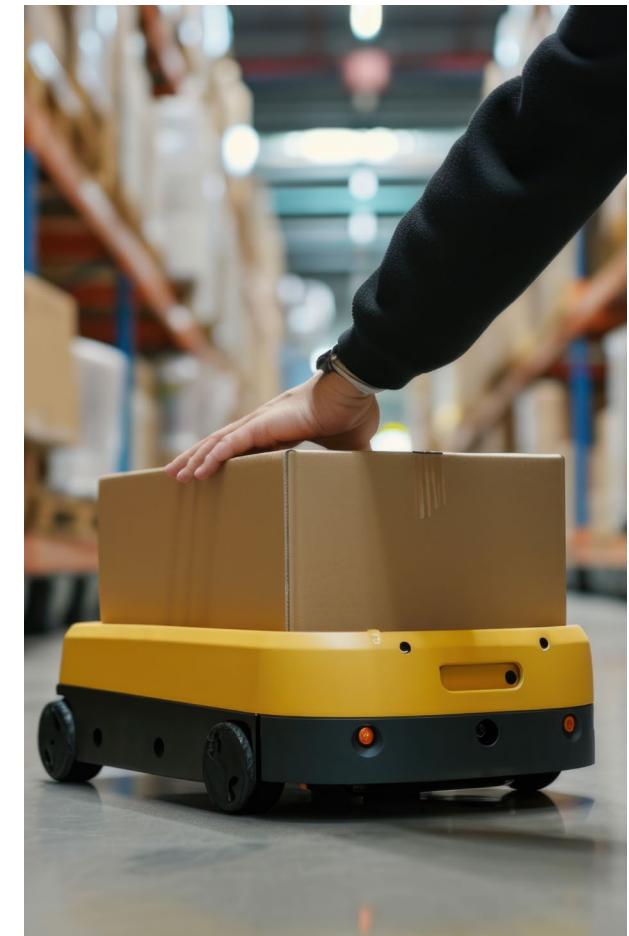
for its social impact. Currently, the platform is looking to expand to other markets. This technology is so important for the consumer industry that in the latest edition of KPMG's traditional global survey of executives from around the world¹⁴, 57% of the industry leaders who responded to the survey stated that they intend to continue investing in AI and generative AI, regardless of economic conditions. For these leaders, in addition to increasing efficiency and productivity, AI is an innovation engine capable of generating significant impact on business operations, creating growth opportunities and providing competitive advantages, as well as placing greater focus on consumers. This becomes even more relevant considering that "digital natives" are reaching the age of making their own purchasing decisions and demand simple and customized experiences.

One example is Falabella, a Chilean retail company with operations in several South American countries, which has developed intelligent facilitators and AI-powered chatbots on its e-commerce platform and mobile app to optimize its customers' buying experience and to attract digital natives. Using machine learning

algorithms customized in real time, the system suggests products based on the customer's browsing history, previous purchases, or the behavior of similar users. In this way, the system improves the experience of all customers, but especially that of younger people, who are looking for speed and customization.

The company also offers a virtual assistant that answers questions, helps customers to search for products, and guides them throughout the purchasing process. The chatbot, trained in Latin American Spanish as its natural language, makes interaction more fluid, accessible, and user-friendly, especially for younger users. At the same time, Falabella uses AI in its marketing campaigns to segment audiences more efficiently and launch specific initiatives on social networks such as Instagram and TikTok — where digital natives spend much of their time.

This range of technologies applied to the retail business has given a major boost to digital channels, brought about significant improvements in customer buying experience and, above all, increased the loyalty of younger customers, who value technology and customization¹⁵.



¹³ KPMG. *KPMG 2023 CEO Outlook*. 2024.

¹⁴ AMERICAMALLS & RETAIL. Presidente de Falabella sobre la importancia de la IA para el consumidor. Available at: <<https://america-retail.com/paises/chile/presidente-de-falabella-sobre-la-importancia-de-la-ia-para-el-consumidor/>>. Accessed in Aug 2025.

¹⁵ KPMG. *From data overload to data-driven decisions in retail*. 2025.



Despite the numerous benefits that AI can offer to retailers and their value chain, it also brings risks, challenges, and questions that need to be addressed.

In terms of challenges, most of the retail leaders who responded to KPMG's survey (KPMG, 2024) said that the ethical use of AI is one of their major concerns, closely followed by the high cost of and the lack of skilled people for implementing this technology and, above all, the lack of a regulatory framework for its proper use.

In different surveys on the impact of AI on business, KPMG experts (KPMG, 2025)¹⁶ reinforce the need to have the right technology, model, processes and, above all, the right people to efficiently incorporate AI into the operations of companies. The sheer volume of data generated in the retail industry requires an agile and scalable operating model. However, this information is just "noise" if no technologies or knowledge are in place to process it and make it produce useful deliverables. This, in turn, requires an in-depth assessment of employees' technical and interpersonal skills to identify gaps, provide training, and attract new talent.

At the same time, another study by KPMG (KPMG, 2025)¹⁷, which has analyzed the public perception and presence of AI in daily life based on a survey of 48 thousand people in 47 countries, including Argentina, Brazil, Chile and Colombia, has pointed out that as the capabilities and reach of AI become more evident, so does awareness of its risks. This raises questions about the reliability of AI tools and, especially, about the need to regulate them or for companies to implement solid management and governance structures.

While many respondents acknowledge the significant benefits of using AI, the majority (79%) express concern about the wide range of associated risks and consequences, especially regarding cybersecurity, decreased human interaction, misinformation, and, among other issues, high dependency on AI and loss of privacy. For this reason, setting a regulatory framework, which is currently widely considered to be insufficient, can achieve a trade-off between expectations and risks, both at the global and regional levels.

According to the KPMG survey, it will be necessary to raise public awareness about the laws governing AI and to help people understand whether existing regulations apply to their activities, as well as to strengthen trust in these systems by introducing corporate governance mechanisms and providing guarantees of responsible and reliable use.

As already pointed out in the previous edition of this report, questions remain about the possible future legal effects of the hyper-customization of products and services, which could also be mitigated with consistent regulation. Questions such as: *how to define the intellectual property of a product created by AI based on user instructions? Is there a legal definition applicable for registering patents in these cases? What legal disputes or conflicts of interest may arise in the future?*

In summary, in order to implement AI effectively in the retail industry, in addition to evaluating aspects such as data quality and privacy or current cybersecurity risks, industry leaders should take a step back to ponder on the future risks that these questions may bring in terms of intellectual property.

¹⁶ From data overload to data-driven decisions in retail. KPMG, 2025.

¹⁷ KPMG. Trust, attitudes and use of artificial intelligence. 2025.

1.3 Sustainability and circular economy

Retailers whose business strategies are customer-centric will also have to focus on sustainability-related issues — which are now heavily supported by circular economy practices — which in turn are included in environmental, social, and corporate governance (ESG) guidelines. These factors continue to gain importance in the industry, as they have definitively been integrated into the way companies operate their physical and virtual stores, interact with customers, work with suppliers, and leverage data and technology.

In addition, these are topics that have been raised to the top of the agendas of regulators, investors, employees and consumers, mainly due to the regulatory changes in force or planned for the short and medium terms in the markets in which retailers operate, and they are also a source of business opportunities.

It is no secret that retail companies continue to invest and place their bets on different fronts linked to sustainability as an engine of growth. This is a conclusion reinforced by industry leaders and experts, who highlight the importance of clearly communicating the values that the company stands for – necessarily linked to its purpose –, recognizing the central role played by consumers with a preference for sustainable solutions, and promoting collaboration with other industry players to drive the decarbonization of the entire supply chain. At the same time, they draw attention to the advancement of circular economy practices and to the possible environmental impact from technological progress, especially considering the rapid adoption of AI and the excessive or inefficient use of data.

When it comes to values, retailers increasingly recognize the strong link between the brand and the core principles it represents, i.e., its purpose or reason for existence. Previous editions of this report had already pointed out that the corporate purpose is a construct that defines the company's *raison d'être* beyond profit, balancing the maximization of benefits for the organization and its shareholders with the needs and interests of people, going beyond traditional business practices. Therefore, the ability to identify and manage the tensions and synergies between different forces when setting the corporate purpose is essential for retailers to make decisions relevant to their cultures, markets, and industries, while maintaining coherence with the values espoused by them and ensuring long-term success and customer loyalty. This is even more important given the weight that sustainable consumers and new generations attach to this new business philosophy based on "values", which directly influences consumers' current and future purchasing decisions.

In such a scenario, sustainability – although it is not yet the main attribute sought by the average consumer – has been gaining traction in purchase choices, making it even more relevant to define a purpose and a set of values aligned with this topic. This is especially important in light of the disclosure requirements related to compliance with ESG criteria, environmental regulations (usually local) and the varying importance that consumers attach to sustainability in their decisions, an influence that depends not only on culture or market. It also depends on the fact that the "sustainably minded consumer", because they are well-informed and do not fit into a specific demographic profile or market, demand that retailers stay in tune with sustainability, regardless of the market or expansion strategy.



At the regional level, Latin America occupies a global strategic position in this regard, not only because it is rich in biodiversity and natural resources, but also because it produces a significant portion of the food consumed globally and because it offers raw materials used in multiple industries. According to the World Economic Forum (WEF, 2024)¹⁸, these characteristics, added to its high agricultural output, make it the ideal region to seek viable solutions to the problem of global food insecurity, since agribusiness accounts for almost 7% of Latin America's GDP (Inter-American Development Bank, 2023).

However, the exploitation of this natural wealth is not free and today it faces a growing threat: the loss of biodiversity. To make up for such loss, several countries in the region have been implementing preservation policies and measures. In addition to the nationally determined contributions (NDCs) to mitigate and eliminate deforestation in South America – signed to, among others, by Argentina, Brazil and Colombia – measures are also driven by regulations that will soon restrict the import and sale of products associated with deforestation and environmental degradation. One example is the European Union's Regulation on Deforestation-Free Products (EUDR), which will come into force in January 2026, directly affecting South American countries that export meat, coffee, leather, and soybeans, among other products.

In Chile, the private sector is leading the Acción Empresas initiative (local chapter of the WBCSD) to create a Business Action Plan on Biodiversity¹⁹. The goal is to integrate the business sector into conservation efforts, and the chapter's board is made up mostly of companies in the agri-food industry.

The pilot project was developed by Nestlé Chile, which carried out a natural capital study considered to be a crucial step towards meeting the plan's targets. Applying the Task Force on Nature-related Financial Disclosures (TFND) framework, the company assessed natural capital and measured the impact of its activities and those of its dairy suppliers on biodiversity. Using environmental data, indicators such as Potential Disappearance Fraction (PDF), Average Species Abundance (MSA) and Land Conversion Equivalence (LCE) were calculated. That made it possible to estimate the loss of biodiversity and ecosystems in terms of affected areas, thus facilitating the interpretation and comparison of results.

¹⁸ WORLD ECONOMIC FORUM. *América Latina: Una solución a la inseguridad alimentaria*. 2024.

¹⁹ KPMG. *The role of agribusiness in Latin America's Biodiversity: Nestlé Chile Pilot Case*. 2025.

The study provided relevant information, such as the fact that agricultural suppliers have a greater impact on biodiversity, mainly due to their intensive land use; that facilities located in urban areas face a higher level of impact; and that the most influential environmental factors in biodiversity loss are greenhouse gas (GHG) emissions and land use. This highlights the urgent need to move towards a value chain that is more aligned with conservationist and sustainable principles.

Although it is a pilot project, the study has opened up new possibilities for understanding differences between types of production and going beyond traditional measurements or simple regulatory compliance. Nestlé can now make strategic decisions based on real and measurable risks, prioritize mitigation actions, and design more effective strategies involving the entire value chain. In a landscape of increasingly complex environmental challenges, measurement is essential to act in a proactive and sustainable manner.

Meanwhile, Latin America is one of the regions that has experienced, in recent years, one of the largest increases in the number of consumers choosing and demanding sustainable products. This, to some extent, makes it easier for retailers

to adopt this principle – as demonstrated, for example, by Nestlé Chile.

According to the 2025 report prepared by the Brazilian Association of Supermarkets (ABRAS)²⁰, which surveyed the opinion of 1,017 companies operating in Brazil in the fruits, greens and vegetables segment - intrinsically associated with healthy consumption -, showed the highest proportional increase in sales in Brazilian supermarkets between 2022 and 2024. The share of this set of products in the supermarket industry's revenues increased from 8.2% to 9.7% in this period, which represents an accumulated growth of 1.5 percentage points, equivalent to 18.3% in relative terms.

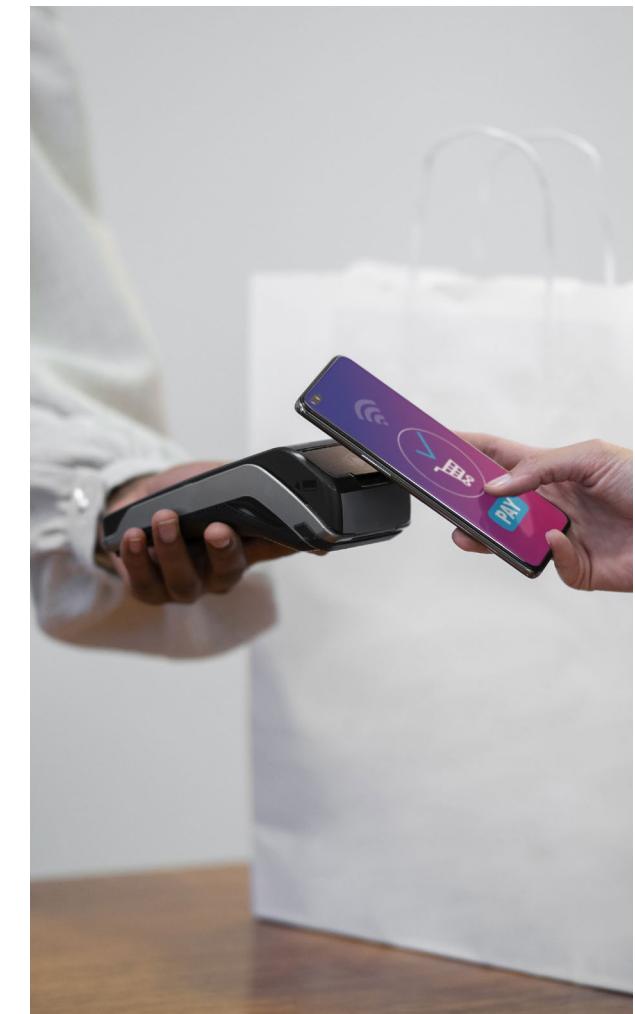
However, the trend of sustainable and natural consumption does not stop there. The same pattern is observed in organic products, which make up 67% of the supply of supermarkets that sell this type of product (against 33% of processed items), reinforcing consumers' preference for more natural food.

Despite this, a number of factors that can influence purchasing decisions and that can change this trend remain in place. While surveys show that consumers are willing to pay more for sustainable products and services, which encompasses not

only fruits, greens and vegetables and organic food, but a wide range of eco-friendly items such as reusable bags and bottles, clothing made from recycled materials or organic cotton, and eco-friendly cleaning products, a mismatch persists between stated concern for the environment and the actual impact of this concern on purchasing choices.

Price, availability and quality continue to exert a strong influence. Therefore, many sustainable consumption intentions may not be fulfilled if the product is not available, has a high price or does not have the desired quality.

That is why boosting this trend will require more than simply offering products with sustainable appeal. It will be necessary to make them available at affordable prices and margins, a decision that will inevitably depend on costs, logistics, and business strategy. It will also be essential to promote collaboration with the entire supply chain, involving suppliers, customers and other stakeholders, to implement, in a comprehensive and consistent manner, sustainable practices in logistics and in the life cycle of products, enhancing decarbonization in all links of the chain and strengthening the circular economy, based on recycling and resale, which reduces waste, costs and emissions associated with production.



²⁰ ABRAS, KPMG. *Guia ESG do Setor Supermercadista Brasileiro – 3aEdição*. 2024.

In fact, one of the practices or trends linked to circularity that continues to grow strongly is the second-hand clothing market. According to online resale platform ThredUp²¹, this market could reach a turnover of \$367 billion worldwide by 2029 and report an estimated compound annual growth rate of 10%.

The platform notes that in addition to having increased fivefold in size when compared with the retail clothing market by 2024, the second-hand segment will continue to grow consistently, driven by the economic difficulties faced by consumers. This trend is likely to intensify if the trade tariffs proposed by the United States and China make new products even more expensive and, as already is the case, brands start to incorporate resale into their business models, seeing this movement as an opportunity for expanding their operations.

Another clear example of this trend can be found among companies and manufacturers of consumer-packaged goods (CPG) and manufacturers, who are among the most advanced agents for sustainability in the consumption chain. Their practices include responsible waste management, through recycling and reuse programs, both in the company and in the

supply chain, the use of renewable energies, the promotion of fairer working conditions, and the selection of sustainable inputs in production processes – for example, prioritizing suppliers with aligned practices.

These initiatives, aimed at making production more efficient throughout the chain, are evolving as part of a smart business strategy that seeks to generate economic, social and environmental benefits.

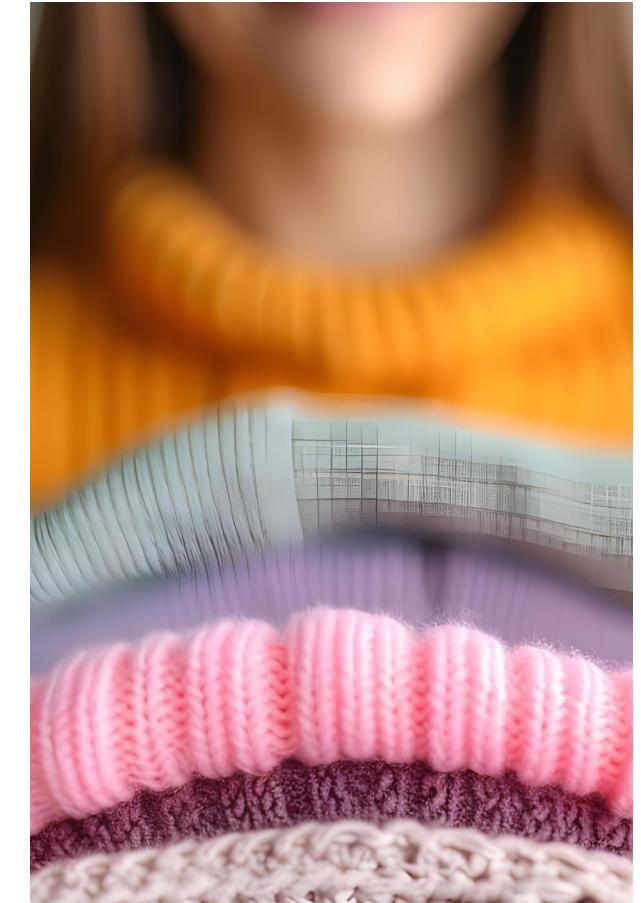
In addition to improving brand image, they promote talent retention and access to new markets, as well as compliance with current regulations.

In addition to providing companies with a clear corporate purpose aligned with social demands linked to sustainability, the central point of all these initiatives is to keep the customer as the focus of the overall business strategy. This is reflected on the weight given to communities, employees and other stakeholders in business decisions. In addition to favoring the company's financial performance, this customer-centricity helps retailers respond to regulatory and compliance requirements, as

legislation on sustainable criteria is drafted and evolves under the principle that people are a priority.

To this end, in Brazil, public companies are in the process of adopting the new IFRS S1 and S2 sustainability standards, which establish requirements for the disclosure of sustainability and climate-related information. This will make the presentation of this type of data more transparent, facilitate comparability with peers, improve decision-making by investors, and strengthen business resilience. In practice, these standards also increase the ability of companies to attract investment and build customer loyalty.

Brazil is one of the first countries in the region to adopt these standards, becoming an example for other nations that will inevitably follow the same path in the short and medium terms.



²¹ While nearshoring consists of geographically relocating operations to a location close to the main market, thereby reducing transportation costs and delivery times, strategic shoring is a broader term that covers the range of efforts made to find the optimal location of operations based on several factors, such as cost, risk, and market access. Friendshoring, on the other hand, focuses on establishing supply chains only in politically and economically aligned countries, thereby reducing geopolitical risk and disruptions.

1.4 Supply Chain

In the introduction to this report, a number of events have been mentioned that have disrupted major global supply chains in recent years. The pandemic was the first milestone that had a strong impact on the way chains operated then.

Given that these supply chains were based, in general, on a standardized structure framed around cost minimization and the sourcing of most inputs from low-income countries, the covid-19 pandemic caused them to undergo interruptions, recurring delays in deliveries and, in some cases, the total inability to meet demand. This has sparked the need to promote a radical change in value chains, leading to the formulation of new construction and management strategies, among which particularly those that seek to promote the geographic relocation of production stages – such as nearshoring, strategic shoring and even friendshoring²² – to increase resilience and efficiency.

These initiatives have gained even more relevance against the backdrop of armed conflicts in the Middle East and Europe, geopolitical and trade tensions, the significant increase in protectionism and, especially, the increase in import tariffs in key markets such as the United States and China – a particularly important point for South America.

Markets such as Brazil, Chile, Colombia and Argentina are currently attractive in terms of resources, clean energy and tax incentives for global companies, which may lead to an increase in the relocation of supply chains to these countries in the medium term. At the same time, the effects of the protectionist measures and tariff hikes already mentioned above tend to redirect part of global exportable production to more “flexible” countries and regions, such as South America.

²² While nearshoring consists of geographically relocating operations to a location close to the main market, thereby reducing transportation costs and delivery times, strategic shoring is a broader term that covers the range of efforts made to find the optimal location of operations based on several factors, such as cost, risk, and market access. Friendshoring, on the other hand, focuses on establishing supply chains only in politically and economically aligned countries, thereby reducing geopolitical risk and disruptions.

This movement is already visible in the case of Chinese companies that, in the face of restricted access to the North American market, have shifted their offerings to South America, generating a new cycle of growth – especially in e-commerce.

Chinese- e-commerce platforms such as Shein, Temu, and AliExpress, which offer low prices and international shipping facilities, are testing the limits of Latin American retail in general and South American retail in particular. These business models, based on economies of scale and the capacity to sell products at very competitive prices – through direct purchases from suppliers and agreements with logistics companies – have led many local governments to adopt measures to protect local industry and, especially, the domestic jobs it creates.

Examples include Brazil and Chile, which have recently eliminated tax exemptions for international purchases of less than \$50 and \$41, respectively; and Argentina, which has implemented measures affecting purchases on these platforms, including the imposition of taxes and the regulation of international remittances.

Still, experts predict that the impact of these measures will be limited as the platforms continue to carry out their expansion plans across the region. Shein, for example, intends to set up 2,000 factories in Brazil, transforming the country into an export hub for all of Latin America; AliExpress, with a long presence in the Latin American market, is investing in local distribution centers, has launched a new marketplace in Mexico and has been hiring global ambassadors and influencers to improve customer experience, reduce delivery times and strengthen relationships with consumers.

However, it is not just foreign platforms that are shaping the regional retail industry. Social networks have also found opportunities to expand their operations and explore new business models. In the past, Facebook (now Meta) sought to expand its reach by allowing the sale of products on its platform; Instagram is following the same path, with more success.

One novelty is TikTok Shop, which has been available for some time in Asia, the United Kingdom and the United States, and has been operating in Brazil²³ since May 2025. This feature of the short video social network makes it possible to sell different sorts of products directly to users, offering a new way of generating income, not only for the app, but also for influencers, who can receive commissions for the sales of items promoted in their videos.

As Forbes pointed out in a recent article²⁴, TikTok Shop is deeply transforming online shopping by offering four sales formats — short videos, live shops, product displays, and specific in-app tabs. The decision to launch the feature in Brazil was made based on internal data showing that daily searches on the app grew by more than 40% compared with 2024, offering an attractive opportunity for TikTok to expand its operations in the region.

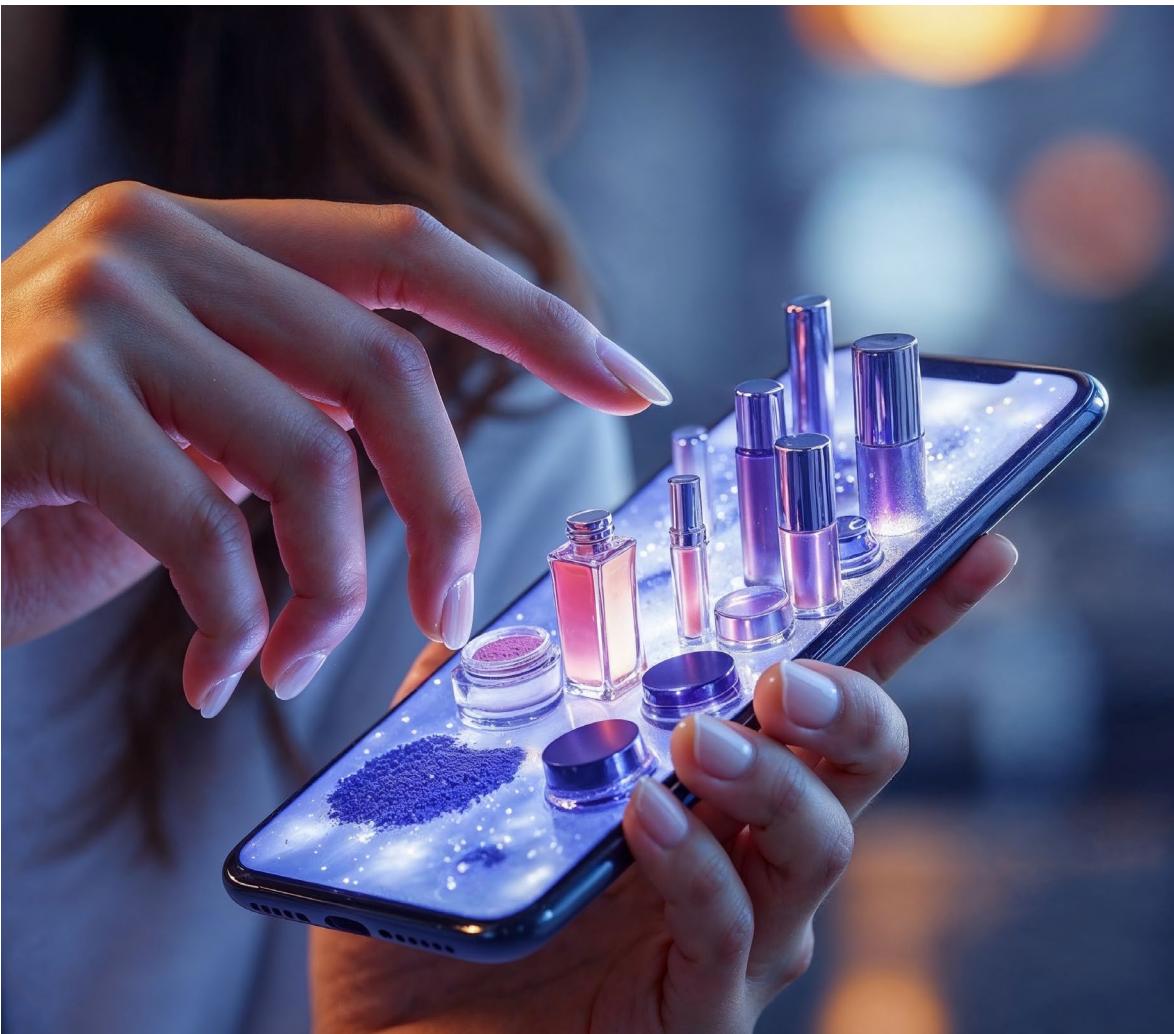
In addition to marketing itself as a “discovery tool”, the platform plans to increase its product portfolio and payment options, with the goal of winning 9% of the Brazilian e-commerce market by 2028-2029. Social media are clearly going far beyond their original function, becoming new sales channels and offering growth opportunities for retail companies – a trend that is here to stay.

In parallel with the restructuring of the retail industry and the introduction of new sales and engagement formats, automation will continue to play a decisive role in the supply chain, especially as a tool to optimize inventory levels, to plan production and marketing efforts, and to improve visibility, traceability and sustainability across all links. This includes Scopes 1 and 2 (companies’ direct emissions from fuel consumption and indirect emissions generated by acquired energy) and Scope 3 (indirect emissions from the entire value chain, especially those from transportation activities).

In addition to providing companies with the recognized advantages of optimizing workflows and collecting, managing, and analyzing data for making informed decisions, automation enables them to allocate resources more efficiently, increases their operational efficiency by eliminating repetitive or redundant tasks in stores, increases employee productivity by introducing clearer and more effective processes, and reduces costs.

²³ MEDIUM&MESSAGE. TikTok Shop chega ao Brasil: veja como será a solução. Available at: <<https://www.meioemensagem.com.br/midia/tiktok-shop-brasil>>. Accessed in Aug 2025.

²⁴ FORBES. TikTok Shop: o Que Você Precisa Saber sobre a Nova Função do TikTok. Available at: <<https://forbes.com.br/forbes-mkt/2025/06/tiktok-shop-o-que-voce-precisa-saber-sobre-a-nova-funcao-do-tiktok/>>. Accessed in Aug 2025.





In short, automation is extending its reach to encompass the entire value chain, providing companies with greater visibility of and control over its operations, from the manufacture of the product to its sale to the end consumer. It allows, for example, real-time inventory tracking, decision-making to optimize processes, and rapid response to market changes through automated demand forecasting systems. These systems generate accurate estimates of future consumption based on algorithms that analyze historical data and consumption trends, allowing companies to adjust their operations in an agile manner and to avoid excess inventories or stockouts.

Another aspect that automation simplifies is traceability. Using technologies such as QR codes, RFID and blockchain, companies can identify and track a product from its origin to the consumer, going through all stages of the chain. This feature has been gaining traction in recent years, driven both by consumers' demand to know the origin of what they buy and by regulatory quality and safety requirements—especially in the food industry – which are increasingly relevant for export and expansion to other markets.

An example of that is Carrefour Argentina, which has implemented a traceability strategy for its line of fresh products, such as meat, fruits and greens, with the aim of ensuring quality, food safety and transparency for customers. Labels with QR codes are used that, when scanned, inform the consumer about the origin of the product, date of harvest or slaughter, transportation and storage procedures, as well as certifications (when products have been certified as, for example, "organic" or "free of agrochemicals"). The project has also integrated resource management systems (ERP) and supplier databases, optimizing the entire process.

As a result, traceability has led to increased consumer confidence, greater logistics efficiency, and a substantial reduction in losses and waste. In this way, automation and the solutions it enables contribute to more effective supply chain management and a more satisfying buying experience for customers.

II. Final thoughts

The trends that will shape the future of the retail industry and have been analyzed in the previous sections share some goals: to increase efficiency and productivity, cut costs, achieve economies of scale, improve the sustainability of production processes, and diversify and redesign supply chains.

In particular, as detailed throughout this report, companies can diversify and restructure chains by pursuing strategies such as promoting nearshoring, multiplying supply sources, automating operations, and/or integrating stages through collaborations, mergers, and acquisitions. This last point is particularly relevant in South America, a region attractive to global companies due to the availability of resources, clean energy and tax incentives, factors that can encourage a greater relocation of production chains to this part of the world. That is the case especially considering the short and medium-term effects of reciprocal tariffs applied between countries and trade blocs, today driven by world powers such as China and the United States and watched with “some suspicion” by the European Union, Mexico and Canada.

At the same time, in order to incorporate these trends and consolidate good practices within an integrated strategy, companies in the industry must continue to invest in innovation and technology, with a special emphasis on data management and artificial intelligence (AI). These initiatives should be clearly directed towards fulfilling the company's goals and realizing its potential value, whether in terms of increasing competitiveness, driving growth and productivity, supporting new business strategies, or enriching customer experience.

In retail, AI is already being applied to forecast demand, make customized recommendations, perform store analytics, implement advertising initiatives, set prices, manage inventories, and optimize consumer experience. However, these technological transformations should be guided by clear objectives, as technological advancement alone does not guarantee value creation. Defining and estimating the expected business outcomes before investing is essential, especially in an industry with historically low margins, where the allocation of resources requires efficiency and strategic accuracy.

The data management strategy, in turn, should be supported by systems capable of gathering reliable and timely information, especially when used as input for AI and generative AI systems. This infrastructure has to be supported by robust security and governance mechanisms that comply with personal data protection legislation and, in addition, prevent cybersecurity threats. In a scenario in which AI is increasingly present, influencing everything from social life to commerce, “more AI” has to mean “more security”. Although this concept has been gaining traction, it is not yet consolidated, especially in segments with reduced profit margins or limited resources for investment.

Finally, sustainability will continue to be a strategic pillar for the retail industry, as well as for other business segments. Its transversal integration into operations, the relationship with customers and suppliers, and the use of data and technology will be increasingly decisive. In such a scenario, it will be essential for companies to communicate clearly their purpose and values, prioritize environmentally conscious consumers, foster collaboration throughout the value chain to advance the decarbonization and circular economy agendas, and understand the environmental impact of the technologies used by them.



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These strategies are even more relevant in markets such as South America, where retailers often operate in business environments marked by economic challenges such as high interest rates, inflation, low levels of investment, and consumers who are highly sensitive to price and availability. Recently, new consumption dynamics have also influenced this scenario, such as the growth of online sports betting, which has come to account for a significant share of household spending in Brazil. Although this segment contributes to government revenue by paying taxes, some studies indicate that its expansion may be associated with a reshuffling of consumer spending, with potential impacts on traditional retail categories. In such a scenario, it is essential that industry players monitor these transformations, seeking to understand their effects and identifying opportunities for strategic adaptation.

In such business environment, as in many others around the world, needs will remain diverse, resources limited, and the gap between the two is bound to be filled by efficiency. Only by adopting this approach will the retail industry be able to remain sustainable and follow a clear path towards development.



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