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CASE STUDY & TEACHING

Soy loco por ti, América: Nubank's process of internationalization towards Latin America

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Abstract

This teaching case examines Nubank's internationalization process into Latin America. Nubank is a fast-growing Brazilian financial startup, and its board of directors is facing the organizational dilemma of selecting the next country to expand into the region. The decision-making process was dramatized for educational purposes to illustrate the dilemma. The case holds significance in describing the internationalization of a digital bank in Latin America, a region with unique characteristics that pose additional challenges in determining the company's next steps. Students will have the opportunity to delve into topics such as barriers to the internationalization process, entry strategies into an international market, and the political and socioeconomic factors of the countries involved. They will be able to understand the complexity of the situation and produce a robust analysis of the topic.

Keywords: International business. Nubank. Latin America. Internationalization.

Soy loco por ti, América: o processo de internacionalização da Nubank para a América Latina

Resumo

O presente caso de ensino retrata o processo de internacionalização da Nubank, startup financeira brasileira de rápida ascendência, rumo à América Latina, trazendo o dilema organizacional do conselho diretor no processo de escolha do próximo país de operação na região. Esse processo decisório da futura expansão por parte do conselho diretor foi dramatizado para fins educacionais, para ilustrar o dilema. O caso possui relevância ao descrever a internacionalização de um banco digital na América Latina, região com características particulares que conferem dificuldade extra na escolha dos próximos passos. Os alunos terão a oportunidade de aprofundar-se por temáticas como as barreiras ao processo de internacionalização, as estratégias de entrada em um mercado internacional e o âmbito dos fatores políticos e socioeconômicos dos países em questão, entendendo a complexidade da situação no intuito de desenvolver uma análise mais robusta do tema.

Palavras-chave: Negócios internacionais. Nubank. América Latina. Internacionalização.

Soy loco por ti, América: el proceso de internacionalización de Nubank hacia América Latina

Resumen

El presente caso de enseñanza retrata el proceso de internacionalización hacia América Latina de Nubank, una startup financiera brasileña de rápida ascensión, planteando el dilema organizacional del consejo directivo en el proceso de selección del próximo país de operación en la región. El proceso decisional de la futura expansión por parte del consejo directivo fue dramatizado con fines educativos, como forma de ilustrar el dilema. El caso tiene relevancia al describir la internacionalización de un banco digital en América Latina, una región con características particulares que confieren una dificultad extra en la elección de los próximos pasos. Los estudiantes tendrán la oportunidad de profundizar en temáticas como las barreras al proceso de internacionalización, las estrategias de entrada en un mercado internacional y los factores políticos y socioeconómicos de los países involucrados, entendiendo la complejidad de la situación y produciendo un análisis más sólido del tema.

Palabras clave: Negocios internacionales. Nubank. América Latina. Internacionalización.

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INTRODUCTION

It's morning in October 2023 in the city of São Paulo. The board of directors of Nubank is preparing for an important meeting that will determine the company's future direction. Nubank is a fintech startup that, in just five years, has established itself as one of the largest financial organizations in Brazil. Between 2013 and 2018, the company became a unicorn, meaning it has a market value above $1 billion. This rapid growth has allowed it to take bold steps and embark on an ambitious challenge: the internationalization of its business.

Although it was born as a startup, a type of organization with a more disruptive character and used to skipping steps compared to traditional companies, Nubank understands that internationalizing its activities is not an easy task. The possibility of failure is real, and such negative results could affect the performance of the parent company and be decisive for either a stable or turbulent future.

The organization's first international ventures left the board of directors with a bittersweet taste: within a two-month time frame, Nubank began operations in Mexico, where it achieved success; however, it was unable to advance in its process in Argentina, stalling in the negotiations to offer its services to the *porteños*. The third nation to receive the company's activities was Colombia, where it achieved good results. With a positive balance, the company now needs to choose, from several options within the Latin American market, which country will be the next step in its internationalization process.

One of the board directors, still undecided about which path to follow, arrives at the meeting certain that he cannot leave without a clear position. Always guided by data and previous results, he understands that his principles are important, but the democratic decisions and the well-being of the organization are a priority and above any personal stance. He shows himself open to change his mind or respecting different ideas if he is outvoted. He only wants the decision to be fair, well-grounded, and to represent Nubank's best interests. At that moment, the director wonder:

— After all, what is the best choice of country for us to proceed with the internationalization?

THE EARLY YEARS OF THE JOURNEY

Nubank was founded by Colombian David Vélez, American Edward Wible, and Brazilian Cristina Junqueira in 2013, based on the market opportunity identified by Vélez to simplify the existing financial services in the country. A resident of São Paulo, the Colombian saw, during his visits to the bank, a recurring frustration among Brazilian consumers with the existing institutions, as they did not understand the fees charged and showed little interest in using the available physical branches.

To achieve this, Vélez sought two partners: the first should have deep knowledge of Brazil, its peculiarities, customs, and problems; and the second one, expertise with digital technology to enable fast and scalable growth. In this context, Nubank was launched to the general public in 2014 as a credit card operator with a business model strongly focused on the convenience and practicality of its customers: a widely accepted product in the market, thanks to a partnership with MasterCard, a brand that already had reputation and legitimacy in the Brazilian market, 100% digital, and free of annual fees and charges.

In the existing scenario, positive results did not take long to arrive: around two million card requests in just two years. In 2017, the company took a step further and introduced the NuConta banking service to the market, once again supported by the convenience and practicality that had previously succeeded with the credit cards. By eliminating the need for a credit analysis and being entirely electronic, it removed the necessity of visiting a physical location and staying there for hours just to open an account or solve a simple issue. In a scenario where, in 2011, 39,5% of the Brazilian population did not have a bank account (Instituto de Pesquisa Econômica Aplicada [IPEA], 2011), Nubank was also inclusive, bringing potential customers into the banking system who had previously been excluded for various reasons, such as the physical distance to a branch, for example.

As part of the startup ecosystem, traditional investment rounds and credit lines allowed the company to raise more than $2 billion in resources to be invested in its operations since its early days. This type of movement is more than necessary when products are developed with a demand that exceeds supply capabilities, and expansion becomes a matter of survival.

It also demonstrates the promising potential of a business model trusted by those with resources who inject capital, even when the company's financial statements have consecutively operated in the red, as was the case with Nubank until 2022, when it started to achieve its first positive results.

Another highlight in fundraising occurred in December 2021 with Nubank's listing on the New York Stock Exchange and its initial public offering, which skyrocketed the company's market value to $41 billion (Purchio, 2021). These efforts to secure financial investments, whether through venture capital firms or by offering shares on the New York Stock Exchange, provided a substantial amount of capital for investments and subsequent growth—both domestically in Brazil and in the company's international operations.

As part of this operational expansion, Nubank grew structurally, moving its activities from a small house in the Brooklin neighborhood of São Paulo to an entire commercial building in Pinheiros, better accommodating the constant influx of new hires at the time. The company's first international expansion also took place during this period but was not with commercial purposes: a technology hub was established in Berlin, Germany, to analyze the growing database, support product demands, and build a diverse and extensive team with various nationalities and skill sets.

Nubank's continuous growth and its ambition to become a global company made the expansion of its commercial operations into other nations a necessity to achieve its long-term objectives. The region chosen for the beginning of this commercial internationalization was Latin America, leveraging the geographical proximity of its countries to Brazil. On the way to the top of the Latin charts!

THE LATIN AMERICAN ROAD

One of the hubs inaugurated by the company in its growth trajectory was in the city of Buenos Aires, the capital of Argentina, in 2019. There, the tech office went beyond just supporting operations: it was a clear sign of market ambition, and offering its portfolio of products to Argentinian customers would be a significant step in the mission to attract a large number of customers who are fanatical about them.

Despite having global ambitions, Nubank can be considered a 'multilatina' in the strictest sense of the concept as adopted in international academic literature: it is a multinational of Latin American origin with operations primarily concentrated in the continent. The organization itself, in its disclosed strategy, states that its initial focus is on the region and plans to expand commercially first to other Latin nations, even though it already has hubs in countries like Germany and the United States.

In Argentina, in addition to opening the office, the venture was launched through an alliance with its long-time partner MasterCard, in a situation opposite to that in Brazil—in Argentina, Nubank would license its brand for a line of cards issued by the American company. The process stalled at this stage: due to the covid-19 pandemic and the severe economic crisis that has affected the country since then, the organization found itself unable to move forward and was forced to backtrack, placing its subsidiary in the process of liquidation and dissolution.

In the same year of 2019, Nubank entered Mexico with its credit card, following the same modus operandi adopted in Brazil. The similarities between the two countries justified the investment, as both nations have a large population outside the banking system and a sector concentrated in a few institutions (Alves, 2019).

The similarities also extend to the realm of success, and just as in Brazil, the credit card was well-received by the Mexican people. The launch of the digital account in the country in 2023 reached one million users in less than a month, even surpassing the Brazilian metrics in a comparative timeline of operations.

In 2020, Nubank initiated its activities in Colombia, again with the opening of an office and offering of a credit card. Seven hundred thousand customers in two years in the country were decisive for the company to prepare internally to follow the same path as Brazil and Mexico, raising $265 million in investments in 2023 to launch the digital account aimed at the Colombian public, a movement that occurred the following year.

For its entry into Uruguay in 2021, the company was more restrained and only established a tech hub, avoiding offering any services. This strategic position remained until 2023, with no clear signs of change. The existing infrastructure undoubtedly makes it a potential candidate to receive commercial operations sooner or later. Let's see what the board thinks.

NEW DESTINATION AHEAD?

Nubank's executive board needs to make an important decision: which country will be the next to receive its commercial activities? To help answer this question, several nations emerge as candidates and are naturally endowed with pros and cons to be evaluated and weighed by the board in the selection process. The board group divides into two profiles: one more daring and willing to take controlled risks; we will call these 'Group A.' The other group, more conservative, requires greater guarantees to support a particular move; we will refer to them as 'Group B.'

The impetuous nature of startup organizations and the rhetoric about the difficulties in the internationalization process highlighted by Nubank create a duality that reverberates within the board. It is undeniable that the decision needs to be made with the necessary care and prudence, and no one is against such an approach; after all, no one likes to lose money. The main point of differentiation between the groups is that some are excessively conservative, which frustrates the more fearless individuals.

The financial market is regulated by specific legislations that changes according to the locality. This is normal, as financial organizations handle an important and sensitive element in people's lives: money (in the form of credit, reserves, investments, assets, etc.). We are witnesses to how money impacts us, whether positively or negatively, and it is essential that those entrusted with managing their clients' resources do so with honesty and integrity.

In Mexico, Nubank only began operating in the banking segment after acquiring another fintech in the country, Akala, which had been inactive since 2018 but held a license as a popular financial institution (Sofipo), a document that enables the offering of financial services on Mexican soil. Akala was transformed into a subsidiary under the name Nu Financiera, responsible for controlling the issuance and management of credit cards and financial transfers from savings (Campos, 2021). In Colombia, the strong regulation is also similar: such services were only offered after approval from the Colombian Financial Superintendence for the establishment of a financial institution, a fact that occurred in January 2024.

When discussing regional compatibilities and differences, Latin America has interesting nuances: institutional distances, although present, are generally smaller compared to other parts of the world and this is undoubtedly an advantage for Nubank. All countries face some issues, to a greater or lesser extent, that are similar: populations historically excluded from the financial system for both geographical and income-related reasons, along with the expansive growth of mobile internet usage, present market opportunities to be explored by new organizations.

Within institutional distances, the economic and cultural aspects are likely the most challenging. The common lack of institutional and economic stability among Latin American countries makes economic crisis, unfortunately, frequent and also a barrier to the entry of new institutions. Cultural distances are particularly evident in the linguistic differences between Brazil and other nations, as well as in the unique personality traits of each country's population.

Even with the previous negative experience, Argentina is not ruled out by the board as a candidate for this next step. Group A believes it is a significant country in the region's geopolitics and that, despite a concerning economic situation, it still has a consumer market for this type of service. After all, even with inflation and the rapid devaluation of the peso, people still receive and spend money in the country. Brazil is an example of this: Nubank managed to thrive even during a prolonged economic crisis that began in 2014 and lasted until mid-2022. The absence of fees and charges imposed by the company would be an attractive factor in lean times when every cent counts, especially when even basic human needs are at risk. On the other hand, Group B vehemently disagrees with the line of thought of Group A and does not believe that a new attempt, investing resources in such a hostile economic environment, would be a good business move.

Uruguay also emerges as a possibility to host the next commercial operation. Its economic and political stability is viewed positively by the board as a whole. An indication that the country is important to Nubank is the fact that CEO David moved there, drawn by good public safety indices and social indicators. The existing office in Montevideo also contributes to the Uruguayan candidacy in the evaluation of Group B, as the structural costs of an expansion would be lower.

For Group A, the country's size is a negative factor in the balance. Its three million inhabitants position it as a small market, and while Nubank preaches caution in the internationalization process, the organization's ambitious side cannot be sidelined. Uruguay would definitely not be the country that would yield the substantial results the company envisions. The impasse remains.

A third candidate to enter the competition would be Chile. This country has a robust economy by regional standards, with a gross domestic product (GDP) higher than that of its neighbors Colombia and Peru, despite having a significantly smaller population. Its short-term commercial projections are promising: the volume of credit card purchases in the country is expected to triple between 2015 and 2025, a rate higher than that of regional competitors. Chilean e-commerce is also projected to grow by 41%, a percentage greater than its rivals. This type of information is relevant for Nubank, as credit cards are a key part of this equation, being the primary payment method for digital purchases, and it excites Group A, which is thrilled by the possibility of finally making a decision. The Table 1 below synthetizes some countries' socioeconomic information:

Table 1
Socioeconomic information about the mentioned countries

	Argentina	Chile	Uruguai
Gross Domestic Product (GDP) (2023)	US$ 621 billions	US$ 344 billions	US$ 76 billions
GDP growth(2023)	-2.5%	0.1%	1.0%
GDP per capita growth (2023)	-3.1%	0.0%	1.0%
Population with internet access (2022)	88.4%	90.1%	89.9%
Cell phone users' population (2022)	89%	87%	83.3%

Source: Cepal (2024), adapted by the authors.

However, the country faces the drawback of Nubank's unfamiliarity with the local market. Logically, the company would conduct research and studies to understand the dynamics and mitigate the inherent risks of entering new ecosystems; but the prior knowledge of markets like Argentina and Uruguay would reduce the need for the same volume of studies that would be mandatory in a pro-Chilean choice. Political volatility is also a concern for Group B, as the country has experienced various periods of social unrest in recent years and is facing challenges with a new constitution still awaiting popular approval. The political crisis inevitably affects the economic landscape, and an unstable economy could negatively influence the previously mentioned positive commercial projections. Group A does not understand how its "opponents" can adopt such a conservative stance that does not align with the type of company they are in. Group B counters by arguing that, after the setback in Argentina, Nubank should be even more cautious in its choice. And now?

THE MOMENT OF DECISION

One of the board members suggests that a consultancy company should be hired to produce and provide the group a detailed report on the most suitable country to host the organization's activities. Another director argues that the facts are laid out on the table, and that it would be best to conduct a vote right there to choose the winning location and go ahead with the initial procedures, and also keeping the channel between the directors open for a reevaluation of the position if the technical opinions were against the selected country.

The members of the board collectively decide to proceed with the voting process. They also agree on a 15-minute break before returning for the final considerations and only then conducting the voting itself. The director in question leans more toward one side but is not entirely convinced of his position. Although he is positioned in one of the groups, as he has a management-oriented profile, he also recognizes that the arguments from the other team are plausible. He would not have any issues changing sides and voting for another option he sees as potentially successful. The minutes of the break pass at an absurd speed, and before he can internally solidify any decision, the CEO invites everyone to return to their seats and continue with the voting.

The decision needs to be made: what to choose? What would you do if you were the director of Nubank?

TEACHING NOTES

The teaching notes have restricted access and are only available to professors and instructors associated with an academic institution upon request at: https://periodicos.fgv.br/cadernosebape/article/view/94718

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DATA AVAILABILITY

The entire dataset supporting the results of this study has been published in the article itself.

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