New pilot thrusts Coinbase into Mexico's \$56 billion remittance market

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The news: Cryptocurrency exchange **Coinbase** launched a pilot that lets users send crypto remittances to people in Mexico and eventually other markets, per a blog post.





Here's how it works: Through the Coinbase app, users can send cryptos to people in Mexico instantly and—through March 31—free of charge.

- Customers can use a redemption code generated by the app to cash out at more than 37,000 retail locations throughout Mexico. After March 31, Coinbase will charge recipients a cashout fee it says will be cheaper than traditional remittance services.
- Recipients can also convert their balance into more than 100 cryptos, a feature Coinbase already offers.

Why it's worth watching: Cryptocurrencies and blockchain technology are poised to <u>disrupt</u> the remittance market. They offer two key benefits:

- Lower costs. In Q3 2021, the global average cost of sending remittances was 6.30% of the overall payment, <u>according to</u> the World Bank. But blockchain-based remittances can be 40% to 80% cheaper because they eliminate intermediaries in the payment process, per Deloitte. The technology also brings down the risk of exchange rate volatility, which can cut costs further.
- Faster payments. Remittance incumbents like Western Union take an average of two to three days to deliver payments based on the type of transfer. Blockchain-based cross-border payments firm Ripple, by comparison, can settle transactions in three to five <u>seconds</u>.

Coinbase's opportunity: The firm can use its blockchain expertise to enter the lucrative and quickly digitizing remittance sector.

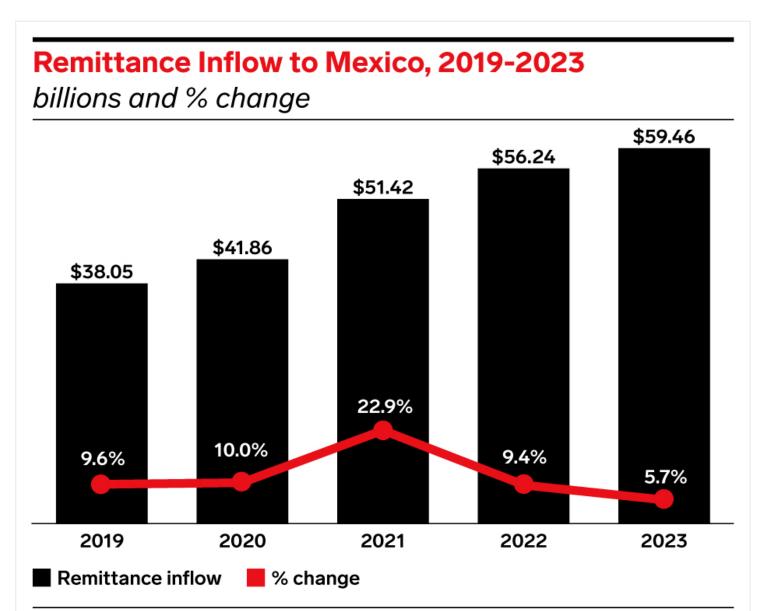
- Coinbase's remittance offering could position it ahead of the curve as incumbents sharpen their digital focus. MoneyGram said its <u>sale</u> to private equity firm Madison Dearborn
 Partners will help it beef up its digital presence, which may include cryptos given its recent <u>tie-up</u> with Stellar Development Foundation. And Western Union is also <u>ramping up</u> digital capabilities to attract more customers. Coinbase can capitalize on its digital-native remittance offering as consumers <u>lean into</u> digital transfers.
- And starting off in Mexico is a wise choice given the market's size and consumers' embrace of digital currencies. Mexico's remittance inflow will grow 9.4% year over year in 2022—the second-fastest growth rate globally—to hit \$56.24 billion, per Insider Intelligence forecasts. And Coinbase is well-positioned to capture some of that growth, which might bring in new users. Mexico-based crypto remittance provider Bitso says it supports up to 7% of the

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remittances from the US to Mexico, which might indicate demand for Coinbase's latest offering.

Related content: Check out our "<u>Global Remittances Forecast 2022</u>" report to learn about the cryptocurrency use case and Mexico's growth potential.



Note: remittances are defined as the value of money sent home by citizens working abroad to their country of origin; inflow is when a citizen of Mexico is working in another country and sends money back home through a financial institution or money transfer service, such as Western Union

Source: Insider Intelligence, Dec 2021

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