

Payments and E-commerce Report

Central and South America



Gain expertise and get granular insights on e-commerce in Central and South America: consumer demographics, payment preferences, cross-border shopping stats and more.

Central and South America

Central and South America is highly diverse, economically and culturally. To get a feel for the region's changing e-commerce landscape, we looked at trends affecting the whole region and at some of its leading markets in greater detail. These markets were Argentina, Brazil, Chile, Colombia, Peru and Uruguay.

The Argentine economy hit a turning point in 2019, with the election of Alberto Fernández to the presidency. Fernández has promised to renegotiate the terms of the \$56 billion IMF loan the country received in 2018¹ and to put a halt to the pro-market austerity measures of the previous administration². The big question for 2020 is whether the country can renegotiate and service its significant sovereign debt to the IMF.

In Brazil, the economy grew at a rate of 1.1%³. The country's central bank forecasted a full-year economic growth rate of just 0.9% for 2019⁴. National debt is now 80% of GDP⁵ and without significant reform is expected to rise to over 100% by as soon as 2023⁶. There are positive signs, with pension reforms passing the Brazilian senate in October 2019⁷. The country's long-term economic health depends upon the government's ability to build on this success and pass measures liberalising trade and reducing tariffs^{8,9}.

Between October 2019 and the end of the year, Chile suffered a wave of riots and protests against the Pinera administration's liberalising agenda¹⁰. In response, the government has lurched to the left, promising higher spending, firing eight ministers¹⁰ and increasing government spending by at least \$1.5 billion a year¹¹.

In 2018, Colombian growth rose to 2.7%¹². In 2020, the OECD expects the economic growth rate to increase again to 3.5%¹³, mainly driven by domestic consumer demand. By the middle of 2019, the volume of retail sales was growing at a rate of 10.1% a year¹⁴. In September 2019, consumer confidence was at -10 points, indicating a mildly pessimistic outlook. Nevertheless, this is an improvement of almost 12 points since June 2019¹⁵.

One factor which has helped Colombia considerably, is the US sanctions on Venezuela. No longer able to buy from the country's socialist neighbour, US importers have increased their orders from Colombia. Oil exports to the US rose by nearly 25% in the first quarter of 2019¹⁶. The flipside to this is that Colombia currently hosts 1.4 million Venezuelan refugees, which puts a strain on resources and infrastructure¹⁷.

Early in November 2019, Peru announced that it would be cutting its 2019 growth forecast from 2.7% by the end of December¹⁸. At the start of 2019, the country's central bank was forecasting 4% growth — so this is quite a come down¹⁸. Copper accounts for over 50% of Chile's exports¹⁹. Demand for copper, and therefore the price of copper fell in 2019 as a result of the slowdown in global trade arising mainly from the US-China dispute²⁰.

In Uruguay, voters elected centre-right candidate Luis Lacalle Pou to the presidency²¹. This brought to an end fifteen years of rule by left-wing parties. The new government has promised to cut budget deficits and to boost growth²². In 2018 the Uruguayan economy grew by just 1.6%, down from 2.6% in the previous year²³.

The economies covered by this report are highly dependent on commodity markets — most, with the exception of Colombia, export heavily to China — for oil, copper and other raw materials. For as long as the international trade slowdown persists, this puts them at a heightened risk of recession.

This risk may be heightened by American policies toward the region. Early in December 2019, US President Trump threatened to impose tariffs on steel and aluminium from Brazil and Argentina, in response to what he said was currency manipulation by the two countries²⁴. If this is a sign of things to come in 2020, then South and Central America could be in for a rocky ride.

THE LATIN AMERICAN E-COMMERCE MARKET

The e-commerce market in the countries selected for detailed study is worth \$50 billion and is growing at a rate of 23% a year²⁵. Today, 34% of online purchases are made using a mobile device and the average annual spend per online shopper is \$471²⁵.

The most popular purchase categories in Latin America vary from country to country. In Argentina, Chile, Colombia and Peru travel is the number one category. In Uruguay it's clothing, and Brazil electrical goods²⁵.

The region's biggest e-commerce player is the Argentine MercadoLibre. The company operates online marketplaces in 18 countries, from Mexico to Argentina, has net revenues

of over \$1.4 billion, 3.5 million sellers and over 34 million unique buyers²⁶.

THE LOCAL PAYMENT CULTURE

The most common means of paying for an online purchase in Latin America is by credit card, used in 58% of all online transactions²⁵. Cash has 17% of the online payment market, bank transfer 13%, e-wallets 10%, and other minor payment methods the remaining 2%²⁵. Visa is the biggest player in the card market, with a 42% market share, followed by Mastercard (38%), local and other schemes with 18% and American Express with 1%²⁵.

ENABLING AND LIMITING FACTORS

62% of the Latin American population has a bank account and 24% a credit card²⁵. But the region suffers a tremendous lack of trust in banks. But, with the recent rise of neobanks, this is beginning to change. Neobanks are entirely mobile-centric, with no physical branches, giving customers direct access to their money and a broader range of services than the normal banks provide. Financial inclusion has long been a problem throughout Latin America, but with the advent of these customer-friendly alternatives to traditional banking, that is changing rapidly²⁷.

67% of the population has an Internet connection and 63% an Internet-enabled smartphone²⁵. However, the market is dominated by mobile connections. According to a recent study, the percentage of Latin American households with

fixed-line broadband is now 12.3%, slightly below the global average of 13.4%²⁷.

CONCLUSION

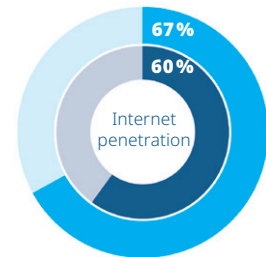
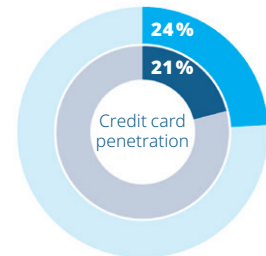
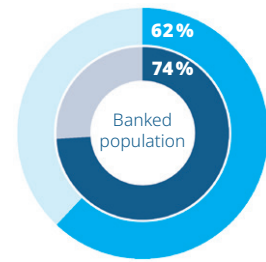
Latin America is a growing and increasingly interesting e-commerce market. There are big differences – even between neighbouring markets – in payment culture, in prosperity and in culture. Merchants entering the region cannot afford to assume that they can easily reuse a business model developed for one Latin American country in another. When planning entry into Latin America, keep an eye on key economic indicators – in particular the commodity indexes – and plan your go-to-market strategy based on the likely state of the economy at your time of entry.

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 2. Argentina's Fernandez pledges to 'turn the page' as left wins power, 28 October 2019, Adam Jourdan, Reuters
 3. GDP growth (annual %), World Bank.
 4. UPDATE 1-Brazil cenbank ups 2019 GDP growth forecast, but notes 'high degree of uncertainty', Jamie McGeever, Reuters, 26 September 2019
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 9. Following pension reform, Brazil looks to open up economy, BN Americas, 23 October 2019
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 12. GDP growth (annual %) - Colombia, World Bank
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 15. Colombia Consumer Confidence Growth, CEIC.com
 16. Ecopetrol says exports to the U.S. up on Venezuela, higher output, Reuters, 22 May 2019
 17. Venezuela refugee crisis to become far worse, surge to 6.5 million, U.N.-EU conference told, Japan Times, 28 October 2019
 18. Peru to cut 2019 growth forecast for third time this year, 8 November 2019, Reuters
 19. Chile, Observatory for Economic Complexity
 20. Copper Prices Fall on Weak Manufacturing Data, 1 October 2019, Sarah Toy, The Wall Street Journal
 21. Uruguay swings to the right as Luis Lacalle Pou wins presidential race, 30 November 2019, Buenos Aires Times
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 23. GDP growth (annual %) - Uruguay, The World Bank
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 26. Business Overview 2018: Mercado Libre.
 27. An overview of neobanks in Latin America, 4 September 2018, FinTech Futures.
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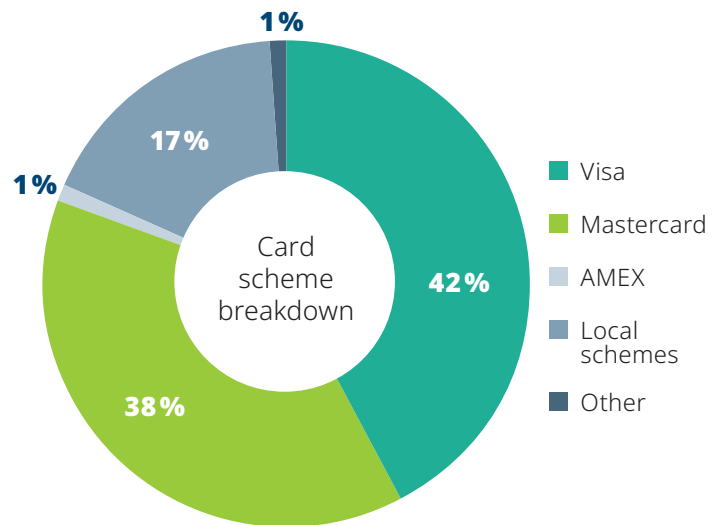
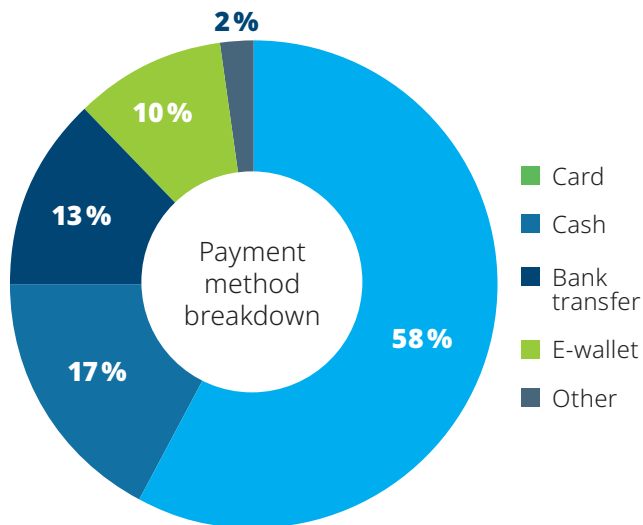
Regional Payment Trends

	Region	World
Population	357.8 m	7.6 bn
Population (15+)	277.4 m	5.6 bn
GDP	3.3 tr	85.8 tr
GDP per capita	9,216	11,299
B2C e-commerce	50.1 bn	3.4 tr
B2C e-commerce growth	23%	18%
Online population	239.3 m	4.5 bn
Smartphone penetration	62%	58%
Mobile e-commerce	34%	50%
Average online spend	471	2,594
E-commerce % of total retail	3%	16%

Currencies in this report are always depicted in \$USD



Region World



Argentina	.....	8
Brazil	.....	10
Chile	.....	12
Colombia	.....	14
Peru	.....	16
Uruguay	.....	18

Argentina

47%
e-commerce growth

	Argentina	Region	World
Population	44.5 m	357.8 m	7.6 bn
Population (15+)	33.5 m	277.4 m	5.6 bn
GDP	518.5 bn	3.3 tr	85.8 tr
GDP per capita	11,653	9,216	11,299
Online population	33.7 m	239.3 m	4.5 bn
Smartphone penetration	65%	62%	58%
Average online spend	476	471	2,594
E-commerce % of total retail	3%	3%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels: **14%**



Electrical goods: **14%**



Clothing & Footwear: **12%**

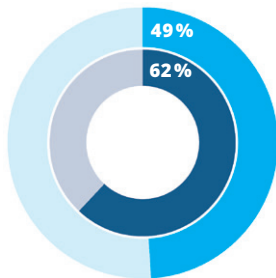


Homeware & Furniture: **12%**

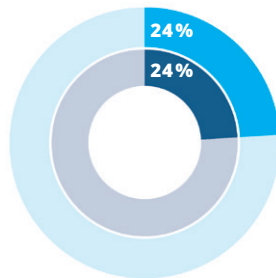


Food & Drink: **9%**

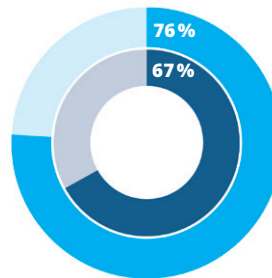
Banked population



Credit card penetration



Internet penetration



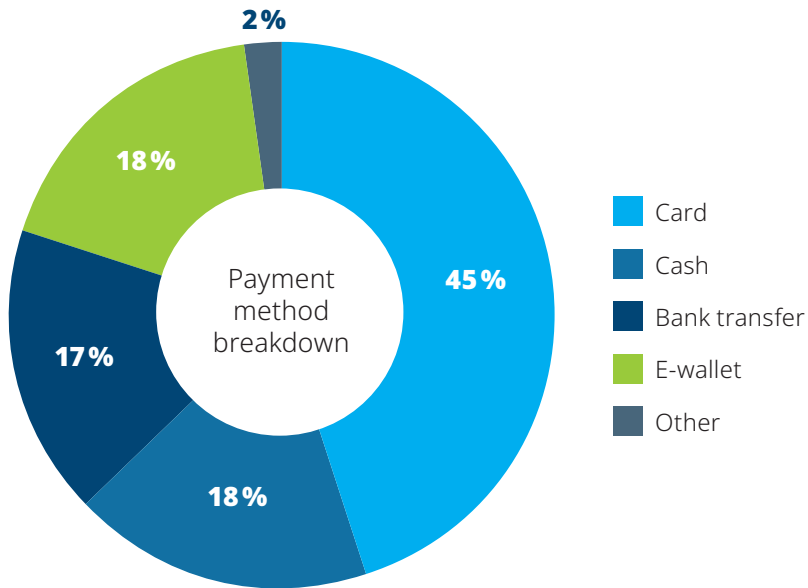
■ Argentina ■ Region



B2C e-comm.
11.4 bn



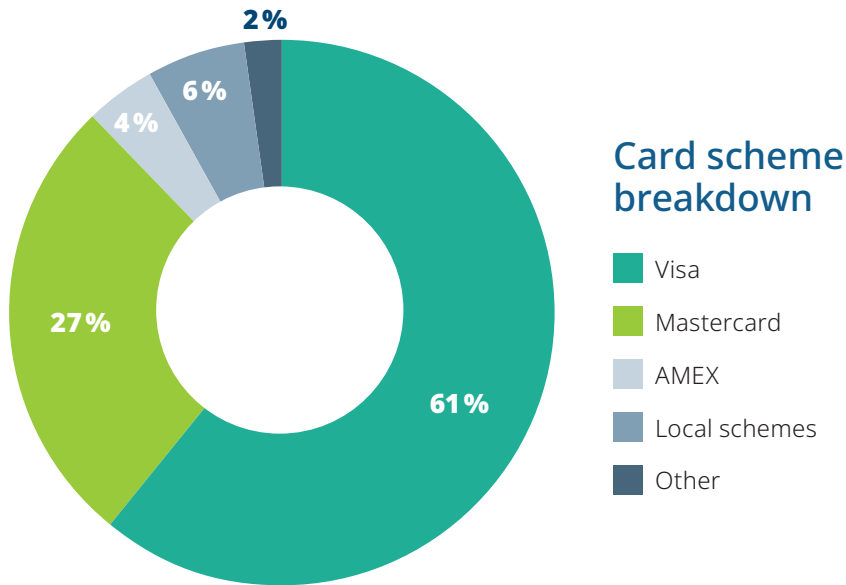
Mobile e-comm.
35% of total



45% Card total
 42% ICS
 3% Local schemes

18% Cash total
 7% Rapipago
 6% Other
 5% Pago Fácil

18% E-wallet total
 11% Mercado Pago
 6% PayPal
 1% Other



Top cross-border markets

43% shop cross-border

- Brazil
- USA
- China



Brazil

15%
e-commerce growth

	Brazil	Region	World
Population	209.5 m	357.8 m	7.6 bn
Population (15+)	164.7 m	277.4 m	5.6 bn
GDP	1.9 tr	3.3 tr	85.8 tr
GDP per capita	8,921	9,216	11,299
Online population	141.3 m	239.3 m	4.5 bn
Smartphone penetration	60%	62%	58%
Average online spend	379	471	2,594
E-commerce % of total retail	3%	3%	16%

TOP E-COMM SEGMENTS



Electrical goods: **20%**



Airlines & Hotels: **14%**



Homeware & Furniture: **12%**

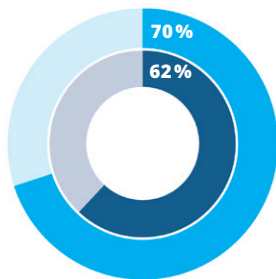


Clothing & Footwear: **12%**

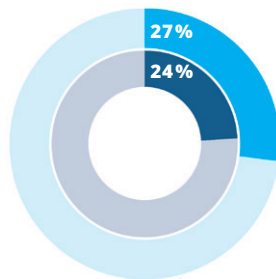


Food & Drink: **8%**

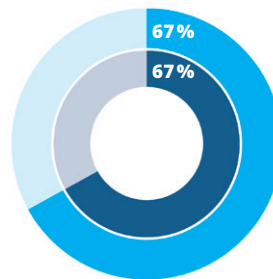
Banked population



Credit card penetration



Internet penetration



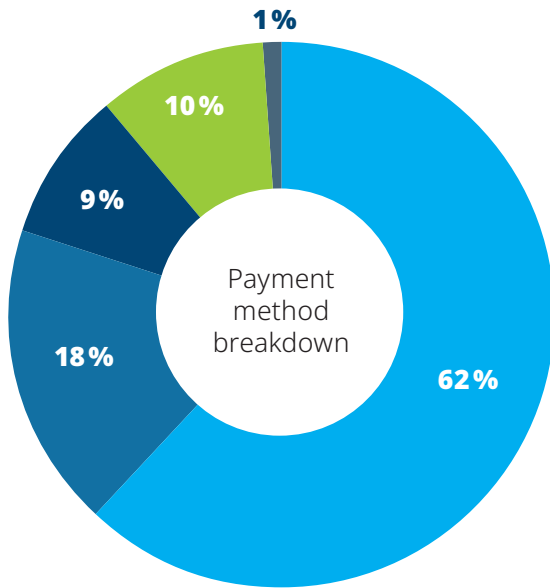
■ Brazil ■ Region



B2C e-comm.
20.6 bn



Mobile e-comm.
36% of total

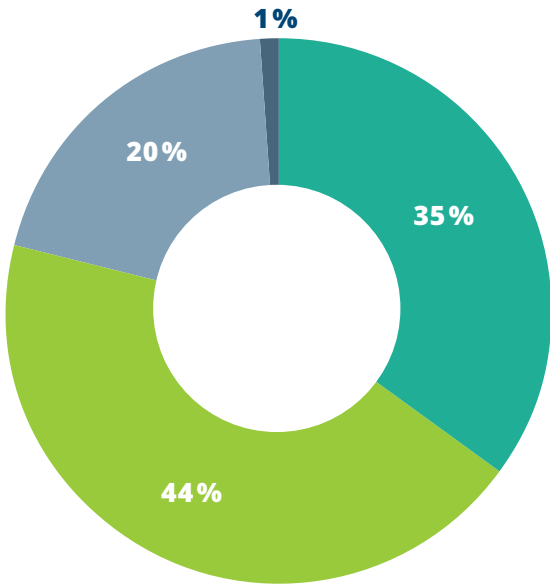


- Card
- Cash
- Bank transfer
- E-wallet
- Other

62% Card total
 50% ICS
 12% Local schemes

18% Cash total
 10% Other
 8% Boleto Bancário

10% E-wallet total
 5% PayPal
 2% Mercado Pago
 2% Other



- Visa
- Mastercard
- Local schemes
- Other

Top cross-border markets

48% shop cross-border

- China: 62%**
- USA: 23%**
- Japan: 3%**



Boleto Bancário



Mastercard (local)

VISA (local)

Chile

28%
e-commerce growth

	Chile	Region	World
Population	18.7 m	357.8 m	7.6 bn
Population (15+)	15 m	277.4 m	5.6 bn
GDP	298.2 bn	3.3 tr	85.8 tr
GDP per capita	15,923	9,216	11,299
Online population	15.4 m	239.3 m	4.5 bn
Smartphone penetration	72%	62%	58%
Average online spend	913	471	2,594
E-commerce % of total retail	5%	3%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels: **26%**



Food & Drink: **14%**



Electrical goods: **12%**

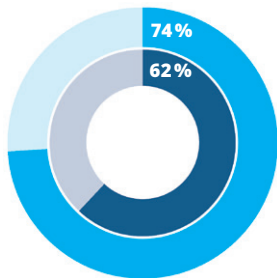


Clothing & Footwear: **10%**

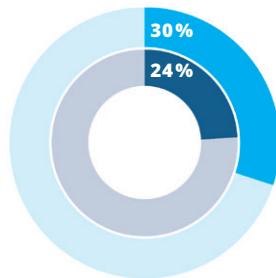


Homeware & Furniture: **7%**

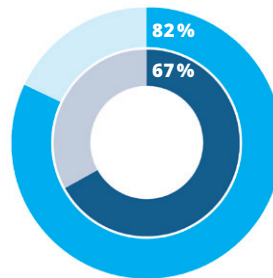
Banked population



Credit card penetration



Internet penetration



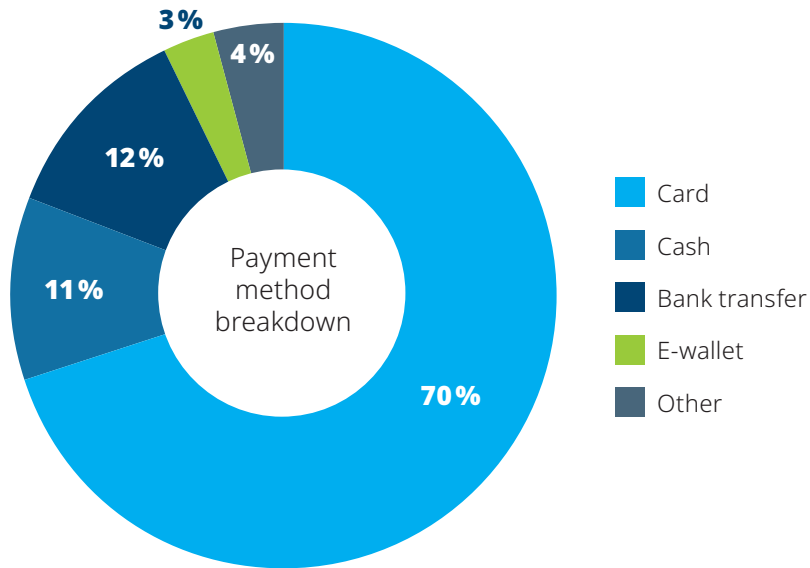
■ Chile ■ Region



B2C e-comm.
5.1 bn

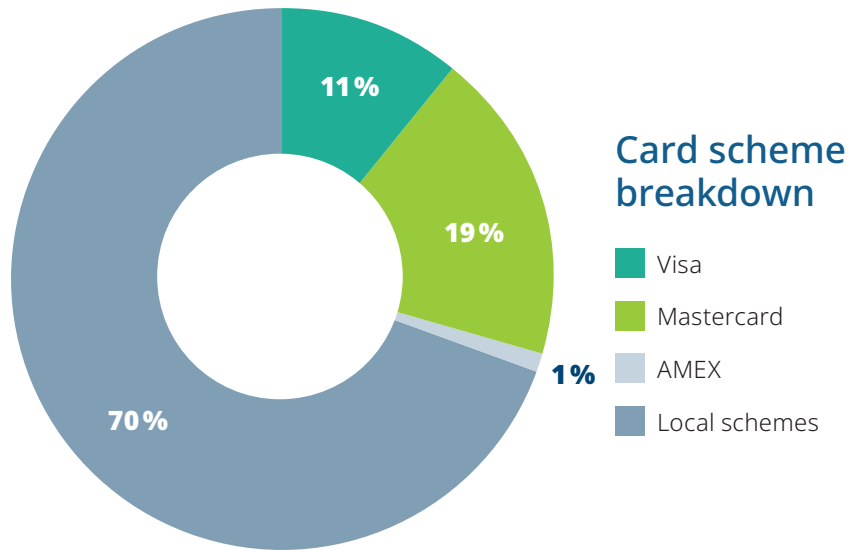


Mobile e-comm.
20% of total



70% Card total
 49% Local schemes
 21% ICS

3% E-wallet total
 2% PayPal
 1% Other



Cross-border e-commerce
 69% shop cross-border



Colombia

13%
e-commerce growth

	Colombia	Region	World
Population	49.6 m	357.8 m	7.6 bn
Population (15+)	38.2 m	277.4 m	5.6 bn
GDP	330.2 bn	3.3 tr	85.8 tr
GDP per capita	6,651	9,216	11,299
Online population	30.9 m	239.3 m	4.5 bn
Smartphone penetration	75%	62%	58%
Average online spend	351	471	2,594
E-commerce % of total retail	3%	3%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels: **30%**



Clothing & Footwear: **12%**



Electrical goods: **11%**

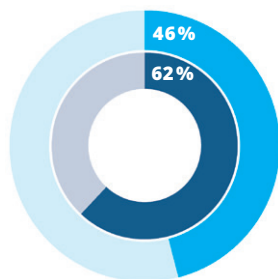


Food & Drink: **10%**

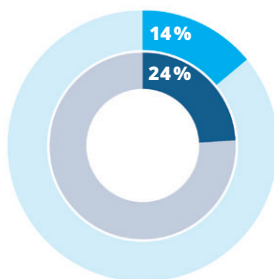


Homeware & Furniture: **6%**

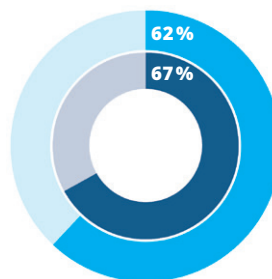
Banked population



Credit card penetration



Internet penetration



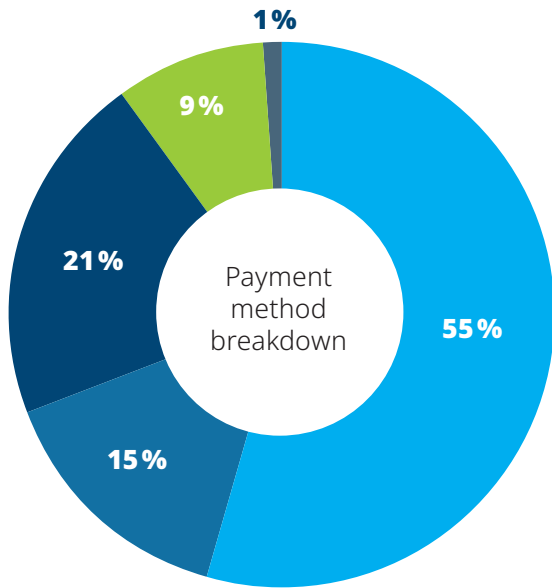
■ Colombia ■ Region



B2C e-comm.
7 bn



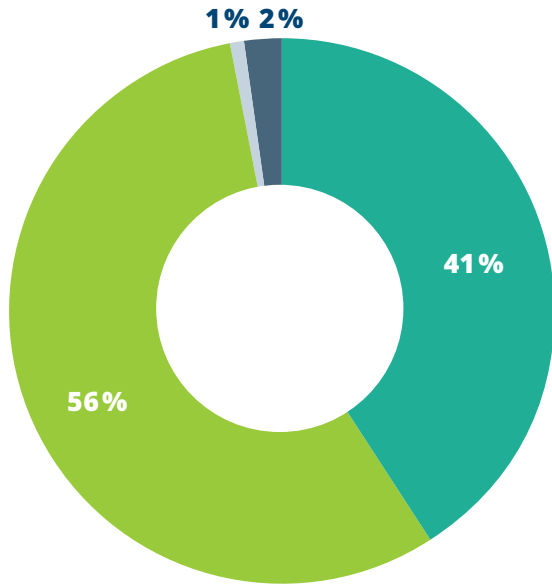
Mobile e-comm.
31% of total



- Card
- Cash
- Bank transfer
- E-wallet
- Other

15% Card total
 12% Other
 3% Efecty

9% E-wallet total
 6% PayPal
 2% Other



- Visa
- Mastercard
- AMEX
- Other

Cross-border e-commerce
54% shop cross-border



Mastercard (local)



Peru

12%
e-commerce growth

	Peru	Region	World
Population	32 m	357.8 m	7.6 bn
Population (15+)	23.3 m	277.4 m	5.6 bn
GDP	222.2 bn	3.3 tr	85.8 tr
GDP per capita	6,947	9,216	11,299
Online population	15.6 m	239.3 m	4.5 bn
Smartphone penetration	49%	62%	58%
Average online spend	472	471	2,594
E-commerce % of total retail	3%	3%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels: **25%**



Electrical goods: **14%**



Food & Drink: **12%**

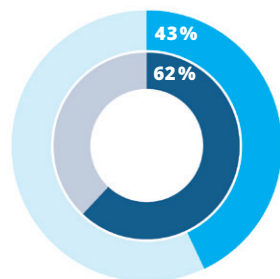


Clothing & Footwear: **11%**

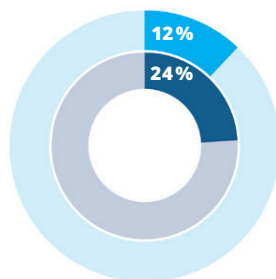


Media & Entertainment: **7%**

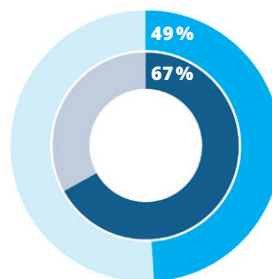
Banked population



Credit card penetration



Internet penetration



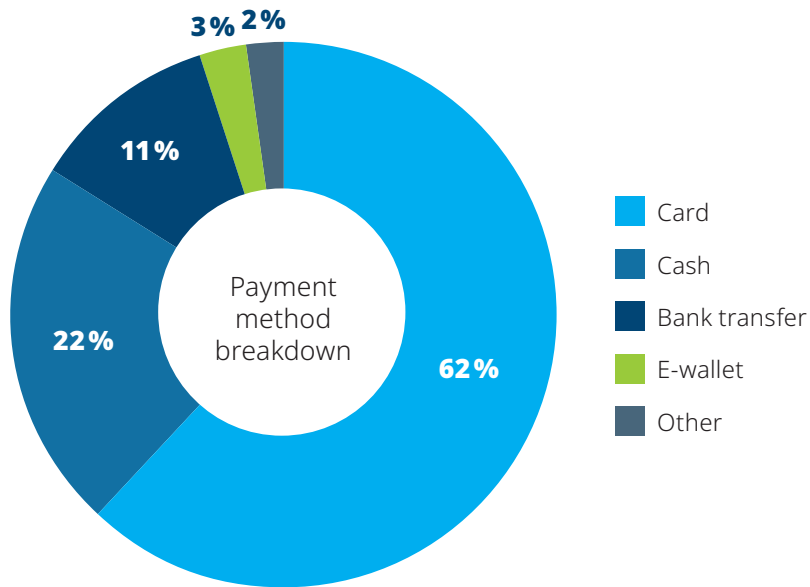
■ Peru ■ Region



B2C e-comm.
4.5 bn

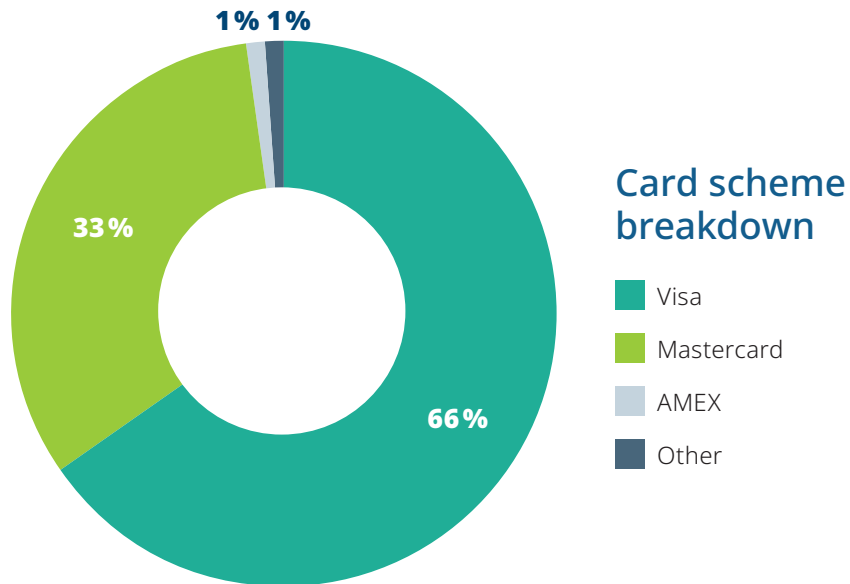


Mobile e-comm.
39% of total



22% Card total
 14% Other
 7% PagoEfectivo

3% E-wallet total
 3% PayPal



Cross-border e-commerce
 77% shop cross-border

Uruguay

16%
e-commerce growth

	Uruguay	Region	World
Population	3.4 m	357.8 m	7.6 bn
Population (15+)	2.7 m	277.4 m	5.6 bn
GDP	59.6 bn	3.3 tr	85.8 tr
GDP per capita	17,278	9,216	11,299
Online population	2.4 m	239.3 m	4.5 bn
Smartphone penetration	74%	62%	58%
Average online spend	778	471	2,594
E-commerce % of total retail	3%	3%	16%

TOP E-COMM SEGMENTS



Clothing & Footwear



Airlines & Hotels

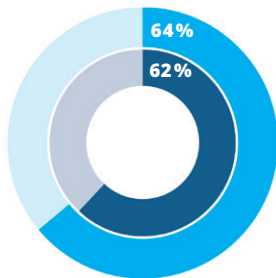


Homeware & Furniture

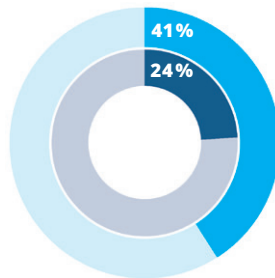


Electrical goods

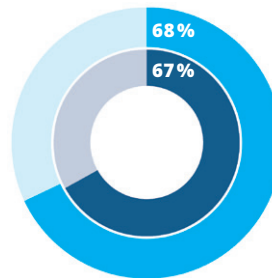
Banked population



Credit card penetration



Internet penetration



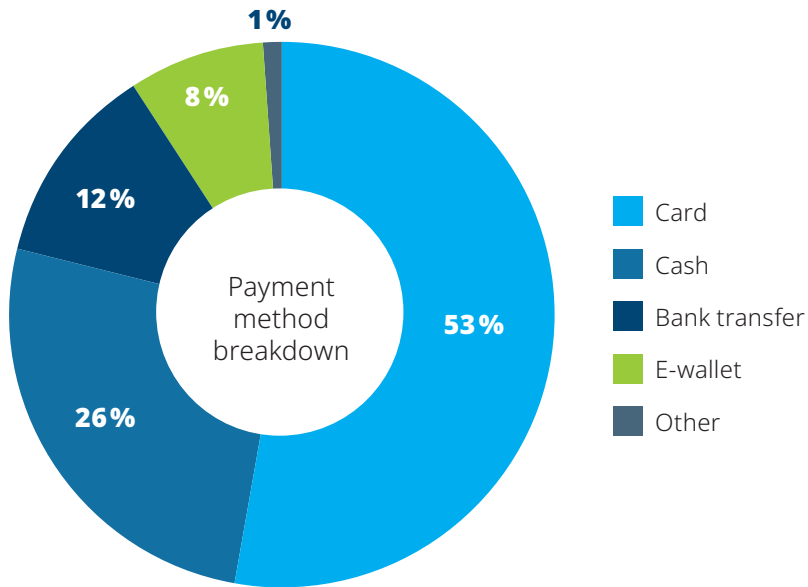
■ Uruguay ■ Region



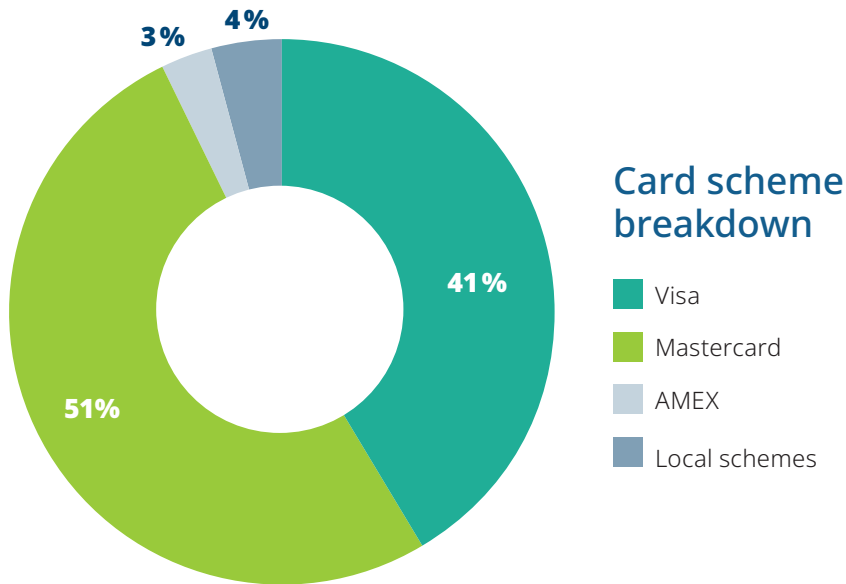
B2C e-comm.
1.4 bn



Mobile e-comm.
38% of total



53% Card total
51% ICS
2% Local schemes



Cross-border e-commerce
50% shop cross-border

As one of the very first payment service providers, Computop offers its customers around the world local and innovative omnichannel solutions for payment processing and fraud prevention. The internally developed Computop Paygate payment platform enables seamless integrated payment processes for e-commerce, at POS and on mobile devices. Retailers and service providers have the flexibility and freedom to choose from over 350 payment methods enabling them to specifically tailor their payment options per country. Technologies such as biometric authentication and self-learning algorithms improve security and convenience for retailers and consumers alike.

Computop, a global player with its head office in Germany and locations in China, England and the USA, has been servicing large international companies in the service, retail, mobility, gaming and travel industries for more than 20 years. These companies include global brands such as Amway, C&A, Fossil, the entire Otto Group, Sixt, Swarovski and Wargaming. Computop also provides its payment system to banks and financial service providers as a white-label solution. In total, Computop processes commercial payment transactions with a combined value of USD 36 billion annually in 127 currencies. With its individual and secure solutions, Computop makes a major contribution to the future of international payment processing.

Sources: PPRO and Edgar, Dunn & Company

Computop has been partnering with PPRO for a number of years and many of the alternative payment methods mentioned in this guide are provided through this partnership. PPRO provides Computop with the ability to accept locally preferred payment methods like e-wallets, bank transfers, cash, and local cards in more than 175 countries across the globe. Through one contract and one API.

<https://www.ppro.com/almanac>

For questions and inquiries about Computop's solutions, contact a payment specialist in your area or visit www.computop.com.

Computop GmbH

T: +49 951-980-0922
sales@computop.com

Computop Inc.

T: +1-800-701-7806
usa@computop.com

Computop Ltd.

T: +44 1932-895735
uk@computop.com