

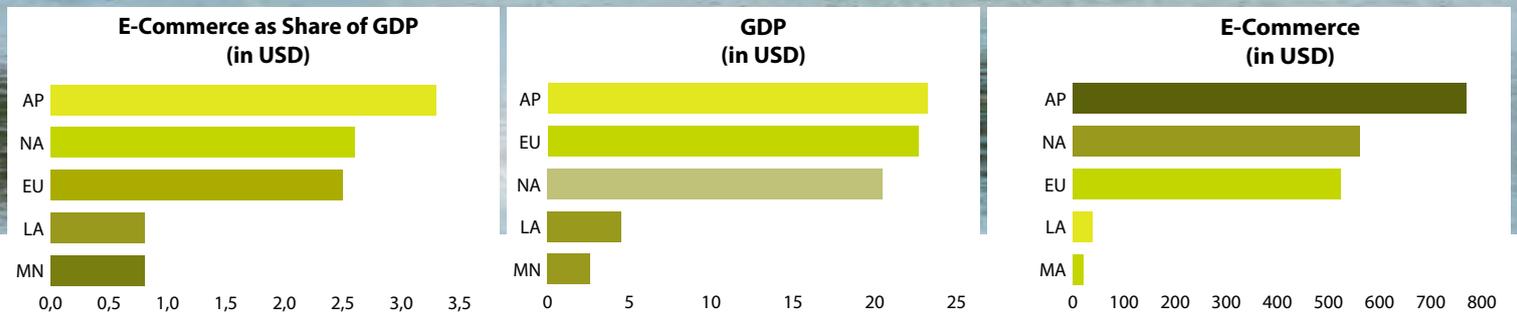


**COMPUTOP'S
PAYMENTS & E-COMMERCE REPORT
LATIN AMERICA**



In 1494 Spain and Portugal signed the Treaty of Tordesillas, dividing the world between them along a meridian 370 leagues west of the Cape Verde islands. Nowhere did this agreement have a greater impact than in South and Central America, where it led to Portugal colonising the east coast of what is now Brazil, and Spain claiming everything to the west. In the four hundred years since Columbus' arrival, Latin America has experienced colonisation, revolution, boom, and bust, and is today one of the world's most economically and culturally diverse regions.

Modern Latin America is home to over 600 million people across 20 nations. The dominant languages are still Spanish and Portuguese. But alongside these, hundreds of indigenous and immigrant languages are also spoken – some by just a few hundred people, others by many millions. This report looks at the state of e-commerce in the region. Concentrating on six key markets which together account for more than 95% of Latin American e-commerce turnover, it gives you the insights you need to understand this fast-developing online market.



AP = Asia-Pacific; NA = Northern America; EU = Europe; LA = Latin America; MN = Middle East & North Africa

In the mid-2000s, Latin America was seen as one of the world’s up-and-coming markets. Thanks to attractive labour prices and, above all, a booming commodities trade, the region experienced strong economic growth. The global financial crisis, however, hit South and Central America hard. From a growth rate of over 5% in the mid- 2000s, the region’s economy is expected to contract by almost 1% in 2016, before rebounding in 2017.

For the last half-decade financial inclusion has been a priority for Latin American policy makers. Since 2010, governments across the region have worked with financial-services providers to offer low-fee bank accounts, encourage the development of mobile and e-banking for use in rural regions, and improve access to credit.

As a result, since 2011, the percentage of the Latin American population with a bank account has risen from 39% to 51%. But despite this,

more than 200 million people in Latin America remain unbanked. This presents a challenge not only to policy makers, but also to e-commerce providers operating in the region.

According to the IMF, between 2003 and 2013 the number of people in Latin America with access to credit more than doubled. Today, 22% of the region’s population has at least one credit card. That’s higher than the global average but still behind regions such as Europe and North America.

Of Latin America’s 617 million people, 300 million use the Internet and 135 million shop online. The proportion of the population with Internet access is growing all the time. However, given the inaccessible nature of much of the terrain – particularly in rainforest and mountainous regions – there are significant difficulties in connecting some areas.

The relatively low penetration of fixed-line broadband in some areas goes some way to explaining the increasing popularity of mobile Internet services. Over 400 million people – and rising – in Latin America own a mobile phone. In the last few years, there has been significant regional investment in 3G services.

The region's e-commerce market was worth \$37.4 billion according to the most recent figures available. It's also growing at an estimated 22.9% a year – although this may slow down over the next year due to the economic contraction associated with the end of the commodities boom, particularly in Brazil.

Credit cards are the preferred payment method for most transactions. Given the relatively low card penetration rate, this reliance on cards could limit future e-commerce growth. Fortunately, however, most countries also have a widespread network of local providers – shops and post offices – able to take cash payments for online purchases.

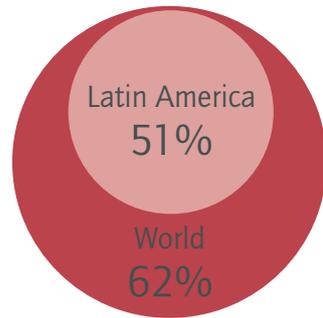
Almost a quarter of all online purchases are paid for with cash. Usually this involves the buyer printing a voucher and taking this to the participating retailer. Once the voucher has been paid for, and that payment logged, the vendor dispatches the purchase.

There is also an increasingly competitive market for alternative payment methods such as e-wallets. Currently such payment methods only account for 6% of the payment market, but this is expected to increase in the near future.

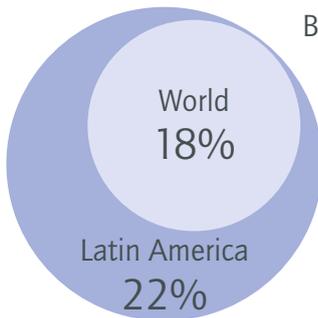
With mobile and fixed-line penetration rates growing rapidly and a booming e-commerce market, Latin America is a lucrative and fast maturing, with opportunities for online shopping vendors that can find a way to reach their target audience effectively, particularly with a mobile-optimised e-commerce experience.



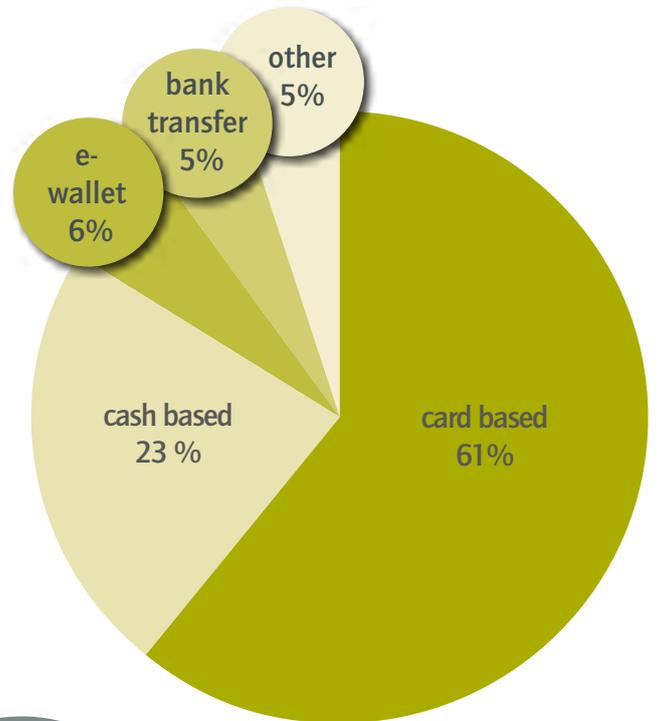
SOME BUBBLES ABOUT LATIN AMERICA



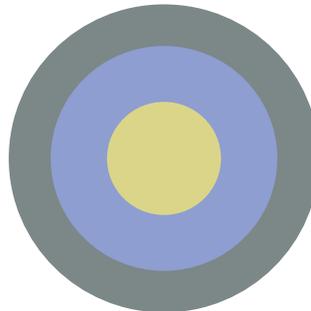
Bank Account Penetration



Credit Card Penetration



617 m people live in Latin America	100%
300 m people use the internet	49%
135 m people shop online	22%





COMPUTOP'S PAYMENTS & E-COMMERCE REPORT

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ARGENTINA

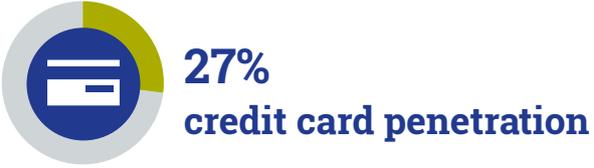


The world's eighth largest country, Argentina is one of South America's most sophisticated and diverse economies. It's also one of the continent's most turbulent – suffering periods of recession in the early 90s, the early 2000s, and again in the wake of the global financial crisis. The Argentinian government responded with robust but controversial measures – among other things nationalising the country's largest oil company and imposing currency controls. In 2015, however, a new government began to take steps to liberalise the economy once more. Shaped by a great wave of nineteenth century immigration, Argentinian culture and language have absorbed many influences, particularly from Italy. The country is famous for the sophistication of its cultural life, evoking images of Buenos Aires' famous café culture and night life.

FINANCIAL INCLUSION

The number of financially included Argentinians actually decreased in the early to mid-2000s, with a sharp fall in both loans and deposits as a proportion of GDP between 2000 and 2010. According to World Bank data, Argentina has only 14 banks per 100,000 – lower than most of its neighbours. Despite this low rate of bank-account penetration, 27% of Argentinians have a

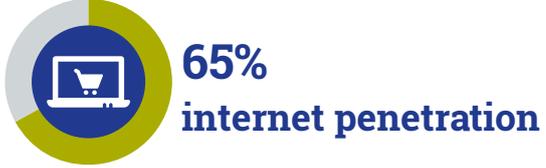
credit card. This seems to indicate that a high proportion of banked Argentinians can also afford credit, while many can afford neither. This is consistent with a country that – while it suffers the least inequality in the group – still has a higher Gini coefficient value than most developed economies.



INTERNET & SMARTPHONE PENETRATION

Just under 65% of Argentinians have Internet access. And in 2014 the Argentinian government passed a law guaranteeing a telecoms connection to all citizens, regardless of their geographical or economic conditions. Although not specifically targeted at Internet connectivity, the law is nevertheless expected

to increase digital participation. A little under half of Argentinians, 44%, have a smartphone: a proportion that compares well to the regional average of 39%. The mobile communications market is still growing, so this number is expected to rise in the near future.





ARGENTINA

E-COMMERCE TRENDS

The value of e-commerce in the country is growing by about 40% a year and is expected to reach \$12.4 billion by 2019. Almost half of Argentinians with an Internet connection also shop online. In contrast to many

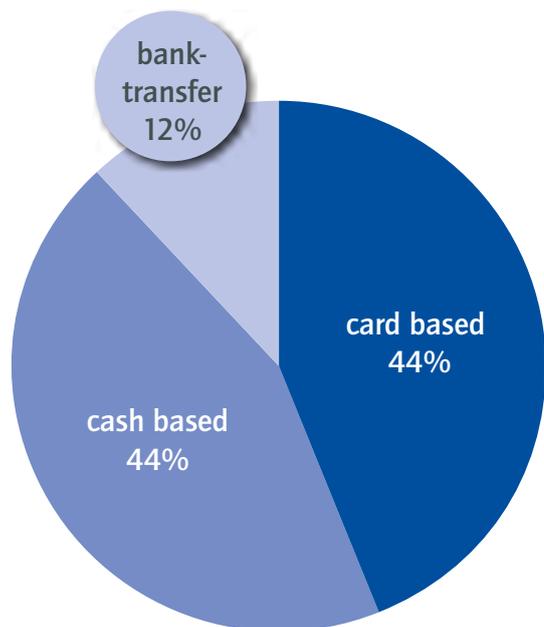
markets – where books, clothes, and electronics are the most popular purchases – the things Argentinians most commonly buy online are tickets and hotel reservations, which together account for 27% of all online sales.



population: 43 m
 GDP: 537.7 bn USD
 GDP per capita: 12,510 USD

HOW PEOPLE PAY ONLINE

The most common online payments method in Argentina are payment cards and straight-forward cashbased payments. Cash payments are made with services such as Pago Facil, which lets customers to shop online but then pay over the till at an affiliated shop or post office. This allows the unbanked, or those who have a bank account but not a payment card, to participate in the Internet economy.



Share of e-commerce transaction



BRAZIL



Since gaining its independence from Portugal in 1822, Brazil has become one of the world's largest and fastest growing economies. The largest country in South America and the only one in which Portuguese is the official language, Brazil has a population of over 200 million. Much of the country's land area is dominated by the Amazon River basin. Much of the Amazon's 6,000km course winds through Brazilian territory, making the country the custodian of one of the world's most important ecologies. In recent years, there has been some controversy about the extent of logging activity in Amazonia, with a study in November 2015 reporting a 16% annual increase in deforestation. Brazil's economy is diverse, with a large and growing middle class. But it's also more heavily dependent on commodities such as iron ore and oil than many Brazilian policy makers would like. This left the country vulnerable to a downturn in demand following the 2008 recession.

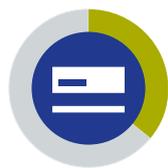
FINANCIAL INCLUSION

Almost 70% of Brazil's population now has a bank account. This follows determined efforts by the Brazilian government. In 2014 the country's central bank launched a 'financial citizenship' programme. By providing access to financial education and low-cost financial products, the bank has worked to

increase the proportion of banked citizens. A substantial minority of Brazilians – 32% – also have a credit card. Local credit cards are particularly popular in Brazil, so any e-commerce vendor moving in to the country will need to make sure they can support these.



68%
banked population



32%
credit card penetration

INTERNET & SMARTPHONE PENETRATION

Brazil's fixed-line Internet infrastructure is growing steadily but is limited by the inaccessibility of and challenging conditions in rural areas. Currently almost 60% of people have Internet access, well

above the regional average of 49%. Only 38%, however, have an Internet-enabled smartphone. Though this figure is expected to grow as the middle class becomes larger.



58%
internet penetration



38%
smartphone penetration



BRAZIL

E-COMMERCE TRENDS

Brazil accounts for nearly half of all e-commerce transactions in Latin America. The total online shopping market is worth \$19.5 billion and is growing at a rate of 15% a year. The average shopper spends just \$560

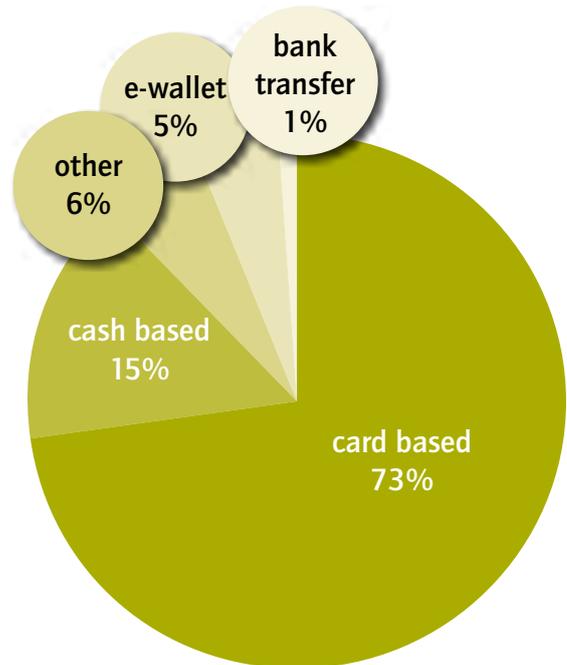
a year online. And the most popular types of purchase were of clothing, toys, games, shoes, and electronics. Under 10% of e-commerce is mobile based.



population: 204 m
 GDP: 2,346.1 bn USD
 GDP per capita: 11,384 USD

HOW PEOPLE PAY ONLINE

Nearly three-quarters of online transactions in Brazil are paid for with a credit or debit card. The next most popular payment method, with 15%, is to use cash. Like Argentinians, Brazilians use schemes that allow them to pay for their online purchases by taking a ticket to a nearby convenience store. Once the payment is received, the vendor dispatches the goods.



Share of e-commerce transaction



CHILE

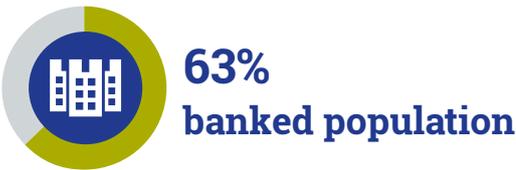


Since the reintroduction of democracy in 1990, Chile has been one of the most stable countries in Latin America. From its border with tropical Peru in the north to frozen Tierra del Fuego in the south, the country stretches for around 4,300km, but at its narrowest is only 64km wide. The population is diverse – descended from Europeans of various nations and Amerindians – but the Spanish language and a wide-spread adherence to Catholicism form the basis of a stable national identity. The country's economy is heavily dependent on copper mining, which accounts for 60% of its exports. Other important sectors include agriculture, fishing, and food processing. In 2015, Chile's economic growth rate was 2% – enough to make many western policy makers envious but still down from a 2013 high of almost 5%.

FINANCIAL INCLUSION

In recent years, Chile's government has actively tried to increase financial inclusion with its 'Chile Cuenta' or Chilean bank account. This low-cost bank account gives every citizen who wants it access not only to a bank account but also to a means of electronic payment. The result is the highest bank-account penetration

rate in Latin America: 63%. With the liberalisation of the economy since the 1990s, more foreign banks and financial-service providers moved into the Chilean market. This stimulated competition in the card market, leading to a relatively high credit-card penetration rate of 28%.



INTERNET & SMARTPHONE PENETRATION

With its sophisticated, prosperous and urban population – and well-developed infrastructure – Chile has the highest rate of smartphone penetration in Latin America. The country has an impressive 97% 3G coverage. Something that, along with the growing popularity of social media, helps explain the uptake of mobile devices. The Internet penetration rate is an impressive, at 72.4% – easily the

region's highest. The Chilean people's high disposable income and the country's relative compactness – compared to the vast and remote interiors of other South American nations – help to make high broadband penetration more achievable than in many neighbouring states.



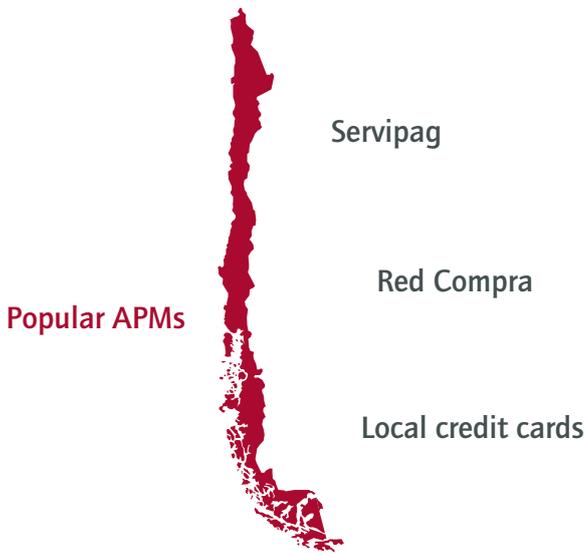


CHILE

E-COMMERCE TRENDS

Chile's e-commerce market is worth \$3.2 billion and growing at a rate of almost 20%. The average shopper spends \$662 a year online, mainly on clothes, home appliances, and electronics. Only 5% of

online purchases are made on a mobile device. One third of the online population also shops online. And in 2015, visits to e-commerce websites increased by 14.6% year-on-year.

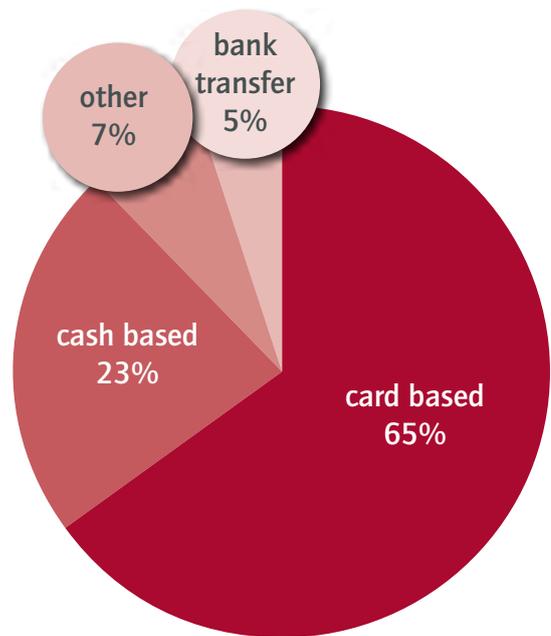


population: 17.5 m
 GDP: 258.1 bn
 GDP per capita: 14,528 USD

HOW PEOPLE PAY ONLINE

Credit cards are the most common form of online payment, with a 65% market share. The next most common payment method is cash. Like their neighbours in other Latin American countries, Chileans are able to pay for online purchases at local stores and other outlets.

As with other countries in this report, many Chileans prefer local credit cards – such as CMR Falabella, Johnson's Multiopcion, La Polar, Mas, and Ripley – to more well-known international brands.



Share of e-commerce transaction



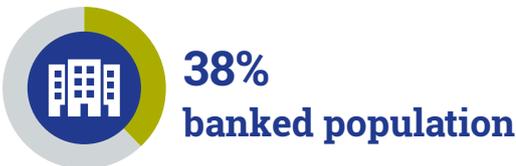
COLUMBIA

Independent from Spain since 1810, Colombia has had a turbulent twentieth century. In 1903 it lost control of the Panamanian isthmus, whose people achieved independence with US help. In 1953 the military took control of the country and it wasn't until 1957 that civilian rule was eventually restored. From the mid-1960s to 2006, Colombia suffered a bitter civil war. The country is now emerging from its period of civil unrest. The government is working hard to promote internal stability, economic development, and free trade. The most important economic sectors are oil and mining –for coal, nickel, gold, amongst other things. In recent years government policy has encouraged economic diversification to help lower exposure to fluctuating oil prices.

FINANCIAL INCLUSION

In 2006, as part of its anti-poverty agenda, the Colombian government adopted a robust financial inclusion policy. The policy's three main planks were increasing the availability of micro-credit, improving access to banking services, and fostering the growth of electronic banking. Despite this, only 38% of Colombians currently have a

bank account. Unsurprisingly, given how few Colombians have a bank account, only 14% have a credit card. Fraud was once a major concern and a barrier to card adoption. In recent years, however, Colombian card providers have adopted EMV anti-fraud technology, greatly reducing the risk to consumers.



INTERNET & SMARTPHONE PENETRATION

According to Asomóvil, an association of Colombia's three main mobile operators, half of all the country's citizens have a mobile phone. Market growth is high, however; with 70% of Colombians expected to have a

smartphone by 2019. Colombian Internet penetration is 52.6%, higher than the regional average. Further expansion is expected, but is hampered in rural regions by difficult terrain and lack of fixed-line infrastructure.



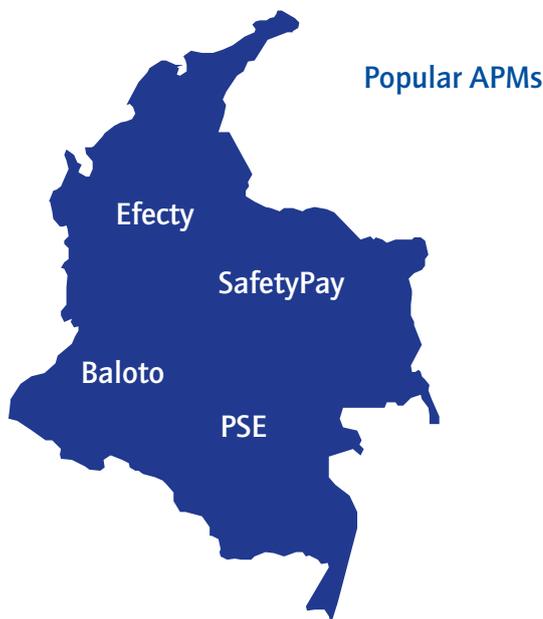


COLUMBIA

E-COMMERCE TRENDS

The Colombian e-commerce market is worth \$3.5 billion a year and is growing by around 41.3% a year. The most popular purchases are electronics, fashion, and entertainment. Overwhelmingly, Colombian online shoppers come from the country's top two socio-economic groups. As Colombia's e-commerce market

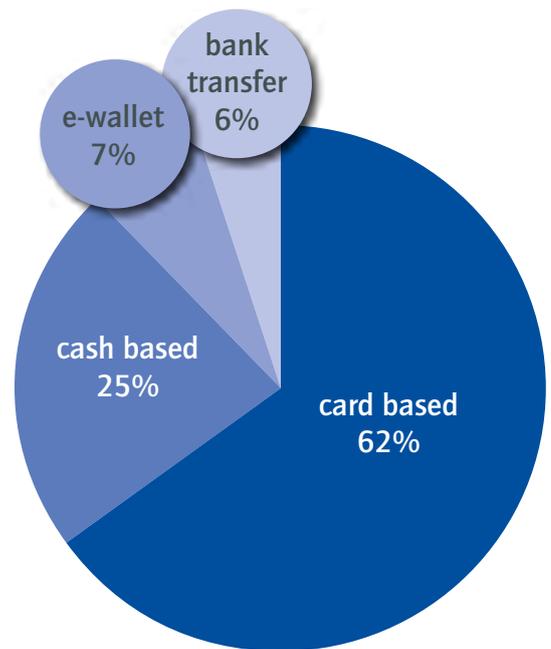
grows, lawmakers are taking an increased interest in its oversight. National financial regulator Superintendencia Financiera is currently in the process of drafting a new regulatory framework for financial services, which will apply to online payment service providers.



population: 46.7 m
GDP: 377.7 bn USD
GDP per capita: 7,904 USD

HOW PEOPLE PAY ONLINE

Despite only 14% of Colombians having a credit card, 62% of all online purchases are paid for by card, indicating the relatively narrow market for e-commerce. The next most common payment method is cash, with customers paying for online purchases in the usual way, at participating stores.



Share of e-commerce transaction



MEXICO

Once home to the great Aztec empire, Mexico was conquered by the Spanish in a three-year war, beginning in 1519. The last Aztec cities to hold out against the invaders finally fell on 13 August 1521. Almost exactly three centuries later, and after an eleven-year war of independence, Mexico freed itself from Spain once more. Independence, however, didn't immediately bring stability. In the nineteenth century Mexico was invaded by France, lost California and New Mexico to the United States, and saw its Mayan population rise up against its rule. Since the late twentieth century, when it joined the North American Free Trade Association (NAFTA), Mexico has increased its exports to the US. This has resulted partly from American companies moving their factories south of the border and partly from increased agricultural exports. Despite this, however, economic growth rates have been lower than hoped.

FINANCIAL INCLUSION

Financial inclusion has been a priority in Mexico since at least 2010. The country has worked to build a network of affordable banks and microfinance institutions. At the same time, the Ministry of Finance introduced new consumer protection measures designed specifically for small-scale savers. The strategy is clearly working.

Between 2011 and 2014 bank-account penetration grew from just 27% to 39%. Credit card penetration, meanwhile, is only 18%. This presents a potential barrier to e-commerce, particularly as not all of the cards work for online purchases.



INTERNET & SMARTPHONE PENETRATION

Only 44% of Mexicans have Internet access; behind the average for Latin America. There is currently a high demand for new connections, so this figure is expected to grow rapidly over the next few years. Smartphone penetration is also growing fast. It currently stands at

47% but many poorer consumers are buying OEM and budget-brand Android phones, in order to use them as their primary Internet device. So this percentage is also expected to rise fast.





MEXICO

E-COMMERCE TRENDS

Mexico is the second largest online-retail market in Latin America. The total value of Mexican e-commerce is currently \$5.7 billion a year. This is large in absolute terms, but small for such a populous country. Only a quarter of the country's Internet users have shopped online. Again,

however, this is expected to change rapidly with big players such as Amazon and Alibaba investing heavily in logistics and the e-commerce market currently growing at 30% a year.

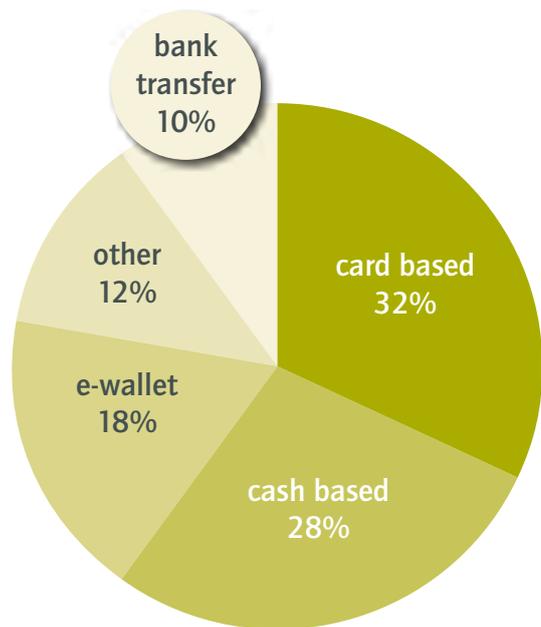


population: 121.7 m
 GDP: 1,294.7 bn USD
 GDP per capita: 10,326 USD

HOW PEOPLE PAY ONLINE

E-wallets are more popular in Mexico than in other Latin American markets – with an 18% market share. The two most popular online payment methods, however, are credit card (32%) and cash (28%).

The biggest market share for any single payment vendor is for Oxxo, a convenience store which facilitates cash payments for online purchases.



Share of e-commerce transaction



PERU

Despite being a tropical country, with the equator running through its northernmost department, temperatures in some parts of Peru can sink below zero. Rather than a single climate, the country is broken up into a series of highly diverse micro-climates: ranging from some of the world's driest deserts to tropical jungle and freezing Andean highlands. Peru was once the heartland of the Inca Empire, which held out against the Spanish until 1572. Today, the country's people are mainly descended from the pre-conquest population. But there's also a large minority with mixed European and Amerindian heritage. Peru's economy was once heavily state controlled. But liberalisation since the 1990s has opened it to increased competition. Since the mid-2000s the country has experience a high rate of economic growth, mainly fuelled by demand for commodities such as copper, bismuth, and silver. GDP is currently growing at just over 5% a year.

FINANCIAL INCLUSION

In 2015, Peru launched a national financial inclusion initiative. The programme makes low-cost financial products available to a much wider range of people, encourages the adoption of electronic payment methods, and makes financial education available to previously marginalised sections of society. It's too early for the initiative to have born much fruit yet – and currently

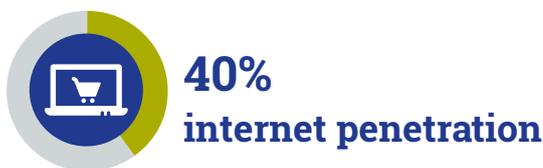
only 29% of the population is banked. The government hopes to get this up to 75% by 2021. However, the banking market is dominated by just four banks. This makes it difficult for newcomers to enter the market and compete on cost, which could hamper innovation. Only 12% of the population has a credit card.



INTERNET & SMARTPHONE PENETRATION

Just 40.2% of Peru's population has Internet access. According to a 2011 national broadband plan, the country intends to lay 11,000km of fibre backbone. Originally, the target was to have this done by 2016. But contracts to begin the project were still being

awarded last year. Smartphone penetration in Peru is currently 34%. Smartphone prices are still high, relative to average income. And only 686,000 subscribers have a reliable mobile data connection. So it's unclear if this market can be expected to grow rapidly.





PERU

E-COMMERCE TRENDS

Peru's e-commerce market is currently worth around \$800 million dollars and is expected to grow at around 8.2% a year. Although a respectable growth rate in isolation, this is slower than most of the neighbouring

e-commerce markets. The largest sector in the online economy is travel and tourism, accounting for 88% of online sales. The average spend per shopper is just \$312 per year.



Popular APMs

population: 30.4 m
 GDP: 202.6 bn USD
 GDP per capita: 6,541 USD

HOW PEOPLE PAY ONLINE

A reliable breakdown of how Peruvian consumers pay for online purchases is not available. Services such as BCP and SafetyPay allow shoppers to make direct bank-transfer, at the point of checkout. AstroPay gives shoppers the option to use a pre-paid card. And for the banked, there is the option of credit or debit card.

Computop is a leading global payment service provider that provides compliant and secure solutions in the fields of e-commerce, POS, m-commerce and Mail Order and Telephone Order (MOTO). The company, founded in 1997, is headquartered in Bamberg, Germany, with additional independent offices in China, the UK and the US. Computop processes transactions totalling \$24 billion per year for its client network of over 14,000 large international merchants and global marketplace partners in industries such as retail, travel and gaming. Global customers include C&A, Fossil, Metro Cash & Carry, Rakuten, Samsung and Swarovski. In cooperation with its network of financial and technology partners, which it has expanded over many years, Computop offers a comprehensive multichannel solution that is geared to the needs of today's market and provides merchants with seamlessly integrated payment processes.

Sources: PPRO and Edgar, Dunn & Company



Computop have 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 access to, processing and collection services for alternative payment methods and value added services, all through one API. Computop's merchants can benefit from this partnership via only one contract for more than 100 alternative payment methods, via their same integration, a single platform and with only one settlement for multiple APMs.

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