

BEYOND BORDERS

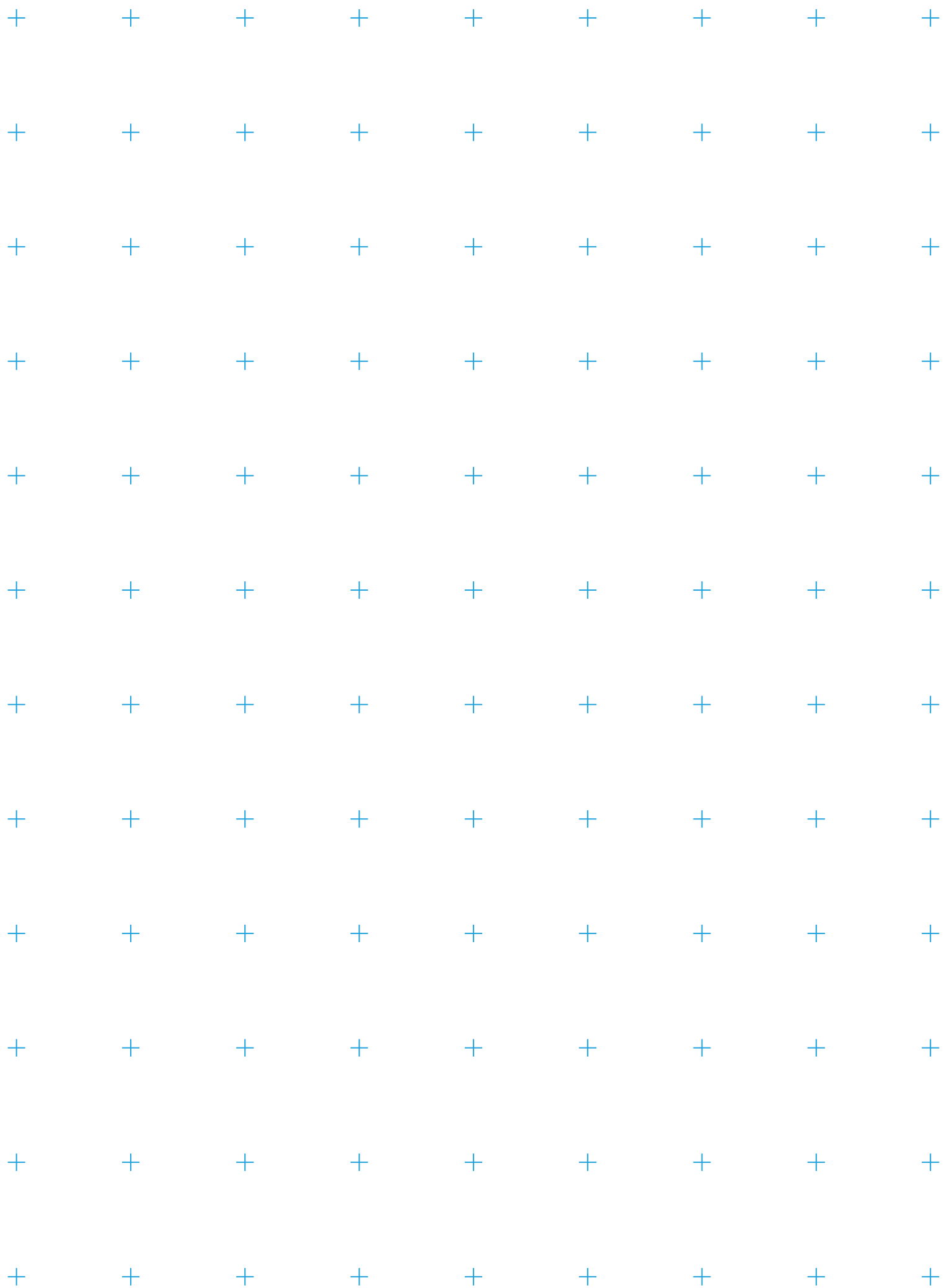
2021-2022 POWERED BY  EBANX

How digital payments and e-commerce
are gaining traction in Latin America

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INTRODUCTION

A huge transformation in Latin America

THERE IS A HUGE TRANSFORMATION AHEAD in Latin America's digital commerce. As digitization advances throughout the region with the **push of smartphones and mobile penetration**, the market gets more mature as new players, whether they be financial services, e-commerce or payments, enter into the arena and **amplify access to digital products and services for Latin Americans**.

Small and medium-sized businesses are going online for the first time, while global players are expanding to the region with an eye on LatAm, a **hypergrowth market**, where **e-commerce is expected to grow 30% every year through 2025**.

As the travel industry is yet to recover after the pandemic, **retail and digital products and services are booming**, with LatAm countries registering up to 80% expansion in these verticals as consumers start to massively adopt online shopping, streaming and gaming, and many others.

Meanwhile, the **rise of real-time payments** such as Pix in Brazil and interoperable digital wallets across the region has transformed Latin Americans' relationship with payments and e-commerce, creating a race to the "top of the hill" in terms of better shopping experience, expanded payment options, logistics' prowess and financial innovation.

As a leading payments platform in the region, helping to connect global and local companies to the Latin American consumer, **EBANX is proud to**

be a part of this transformation, giving access to the digital world to millions of Latin Americans.

In this third edition of **Beyond Borders**, our annual study on the state of digital commerce in Latin America, we make a deep dive into some of the region's main trends, with the help of many experts and a long-time partnership with **Americas Market Intelligence (AMI)**, an independent market intelligence consultancy who provided the e-commerce market data for this report.

Beyond Borders 2021/2022 also brings in a partnership with the AI-based market intelligence platform **Similarweb**, the Brazilian data intelligence company **Crawly** and the global data and insights firm **Netscribes** – whose figures, in addition to EBANX data and in-house experts, provide a deep dive into consumer behavior in LatAm.

Finally, this study is also combined with the contribution from **KoreFusion** (a strategy consulting advisory firm specializing in payments and financial services), **Punto Kardinal** (a market research agency based in Mexico), **Mercado Pago**, **Garena** and **Telefónica**, who kindly shared their time and thoughts on Latin America's digital market.

We hope the next pages will help you to better depict the opportunity that Latin America presents for digital commerce and the future of payments.

Enjoy!

ABOUT EBANX

EBANX is the leading payments platform in Latin America, connecting more than 35,000 global and regional companies with customers from one of the fastest-growing digital markets in the world. The company was founded in 2012 with the mission of giving access for Latin Americans to purchase from international e-commerce merchants. With powerful proprietary technology and infrastructure,

combined with the deepest knowledge in Latin American markets, EBANX allows companies with local or international operations to connect with hundreds of payment methods in different countries. EBANX goes beyond payments, increasing sales and fueling seamless purchase experiences for companies and consumers. For more information, visit business.ebanx.com.

On the same page


To make sure we are on the same page, here is a small glossary of the main digital commerce segments that we will explore in this Beyond Borders study:


How do we define digital commerce?


In this study, digital commerce covers all online purchases of goods and services, regardless of the device or payment method used – whether it is in retail, travel, or digital goods and services. This includes purchases made with locally issued payment methods, cross-border purchases, B2C e-commerce and B2B e-commerce that flows through a merchant's online website and payment gateway.

B2B orders placed online but paid via invoice or cash at a later date are not included.


Digital commerce verticals


 **Retail:** related to physical goods, from department to grocery stores and marketplaces.

 **Digital goods:** digital products and services such as online gaming, music and video streaming, ride-hailing services, food delivery, app downloads and in-app purchases, SaaS (Software as a Service), and online education, as well as subscriptions and recurring payments made online over an e-commerce gateway.


 **Travel:** all services related to travel, including airline and bus tickets, hotels and accommodations, car rentals, packages sold by travel agencies, etc.

How do we define payment methods?

 **Domestic credit cards:** credit cards that are not enabled for international use by the issuer. These include local-only credit card networks as well as international card brand cards that are restricted from international use by the issuer.

 **International credit cards:** enabled for international use by the issuer.

 **Debit cards:** all locally-issued debit cards.

 **Cash-based:** payments made to a physical agent in cash. In most cases in Latin America, this requires the customer to print a voucher with a barcode or receive a barcode on his mobile phone, and approach an agent with the voucher to make the payment. In Brazil, this category also includes Boletão Bancário, even if they are paid via online banking.



Digital wallets: all payments flowing through digital wallets, regardless of the payment method ultimately used to fund the transaction. This does not include payments made when the wallet is acting as a payment gateway, nor purchases made with a prepaid or debit card attached to a wallet (recorded as debit transactions).



Bank transfers: these may include proprietary bank transfer solutions developed by individual banks, bank transfers enabled by an aggregator, or transfers made on a bank consortium platform. This category includes the instant-payment methods Pix (Brazil) and Botón PSE (Colombia).



Other: this category comprises other payment methods not explicitly listed, including direct carrier billing, cash on delivery, payments at ATMs, as well as others.

Methodology notes

To develop the market forecasts for this study, AMI (Americas Market Intelligence) used two methodologies: 1) desk research, accessing both local and international public sources; and 2) interviews with key players of the industry. Public sources include reports conducted by local industry chambers, e-commerce associations and research firms, as well as government statistics and reports made public by local press and organizations such as the World Bank, eMarketer and Nielsen. The authors adopted a critical approach, identifying the holes, errors, and inconsistencies in this data to prepare it for primary research.

Then, AMI conducted interviews with local digital commerce industry stakeholders to clarify, deepen, and streamline data collected via secondary research. In the creation of this report, over 40 e-commerce executives were interviewed, in top 15 markets in Latin America, from January to October 2021 – including payment processors and acquirers, card issuers, online payment gateways and payment service providers, as well as consultants and top merchants in all product verticals.

Once data was collected from primary and secondary sources, AMI compared, cross-referenced, and triangulated all collected data points, through a rigorous analysis, to arrive at the final results contained here. This

report also brings data and tailored studies from **Similarweb**, **Crawly**, **Netscribes** and **EBANX**, whose details are described in the following chapters.

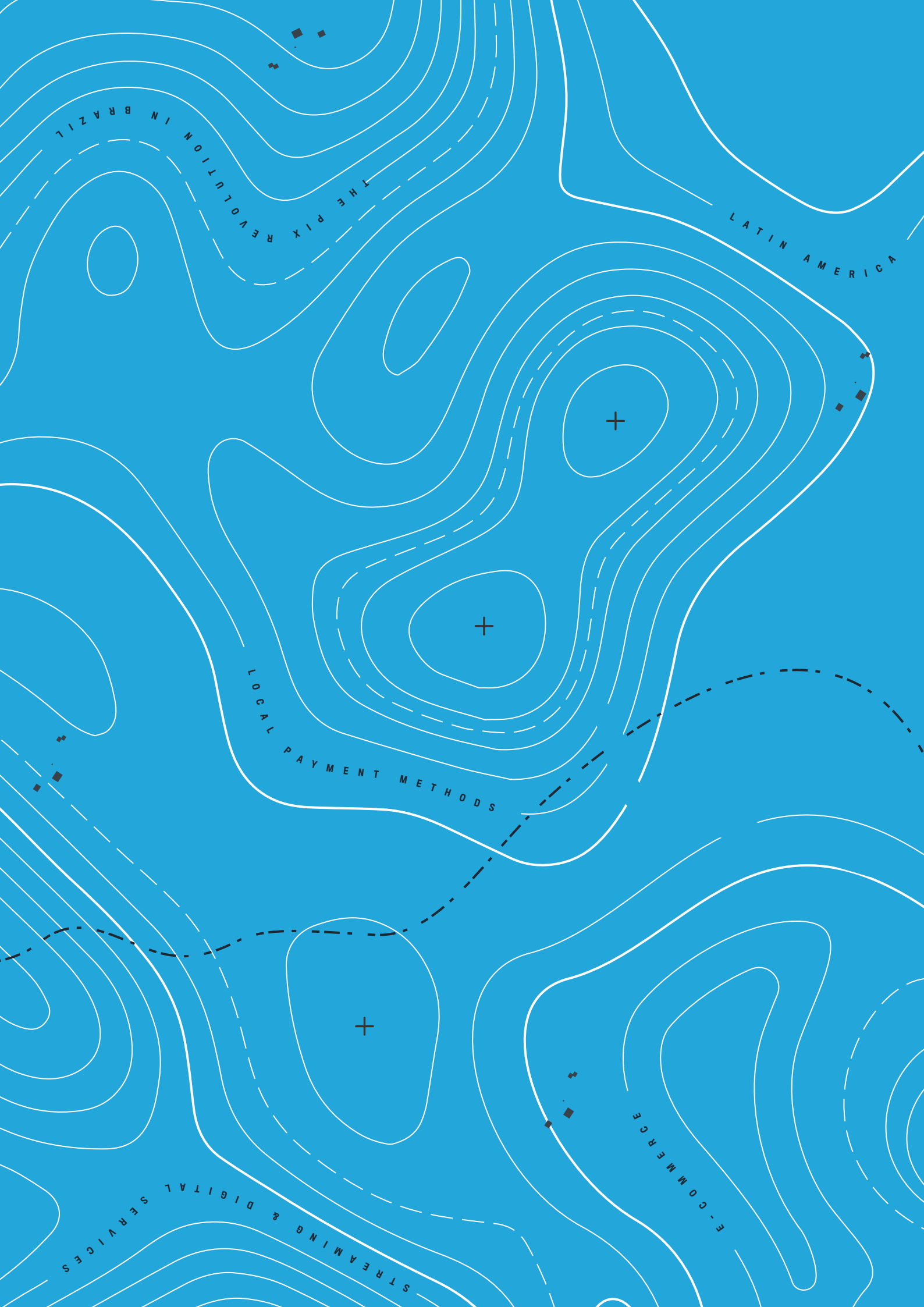
THE PIX REVOLUTION IN BRAZIL

LATIN AMERICA

LOCAL PAYMENT METHODS

E-COMMERCE

STREAMING & DIGITAL SERVICES



CHAPTER 1

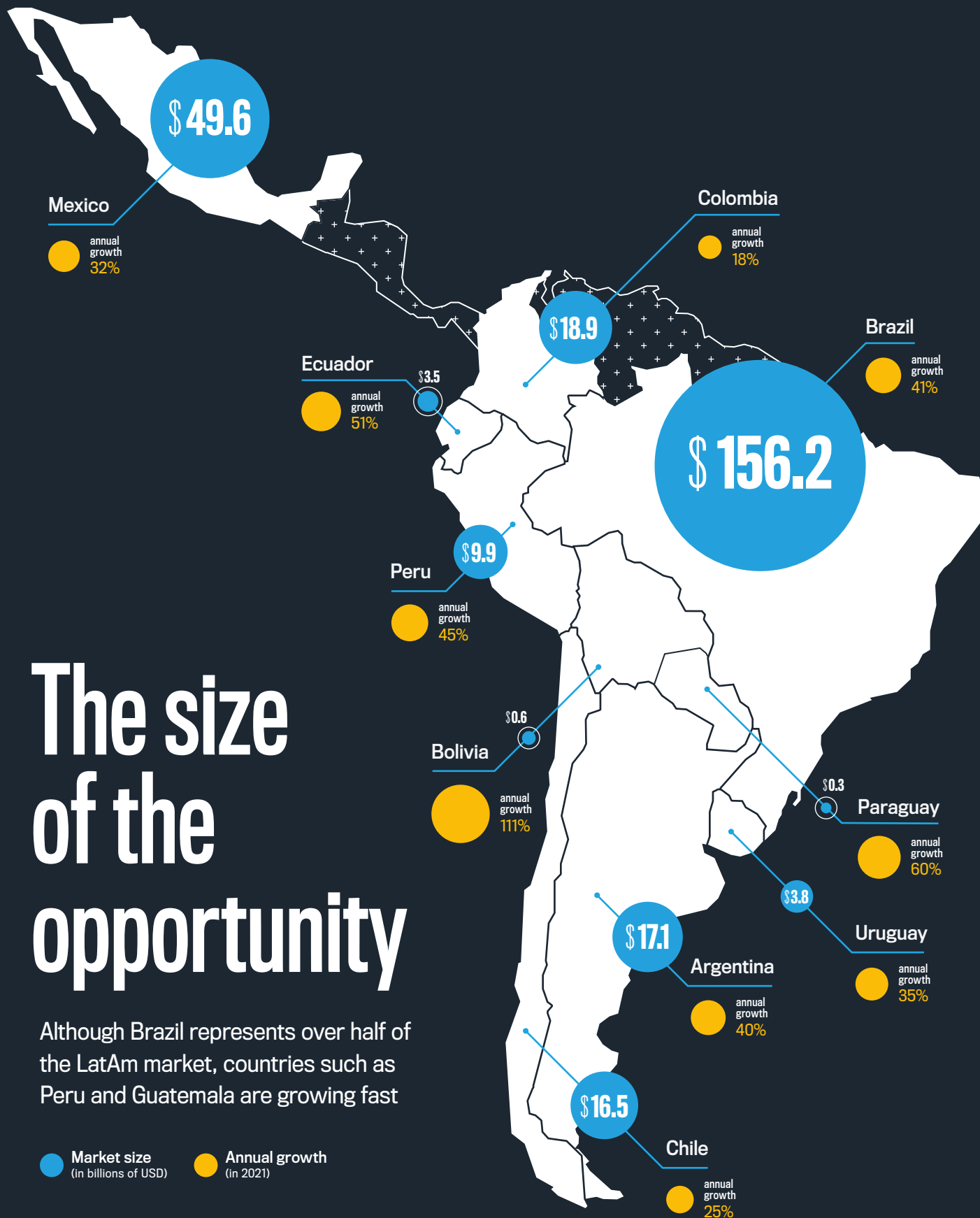
Latin America is one of the fastest-growing e-commerce markets in the world – and there is no decline in sight

IN THIS CHAPTER, we are going to look at the latest numbers of e-commerce in Latin America – which point to a **hypergrowth market, expanding 31% per year** until 2025. This means that, in three years, the Latin American digital commerce is expected to double in size, reaching millions of people who will have access to online shopping, digital products and travel.

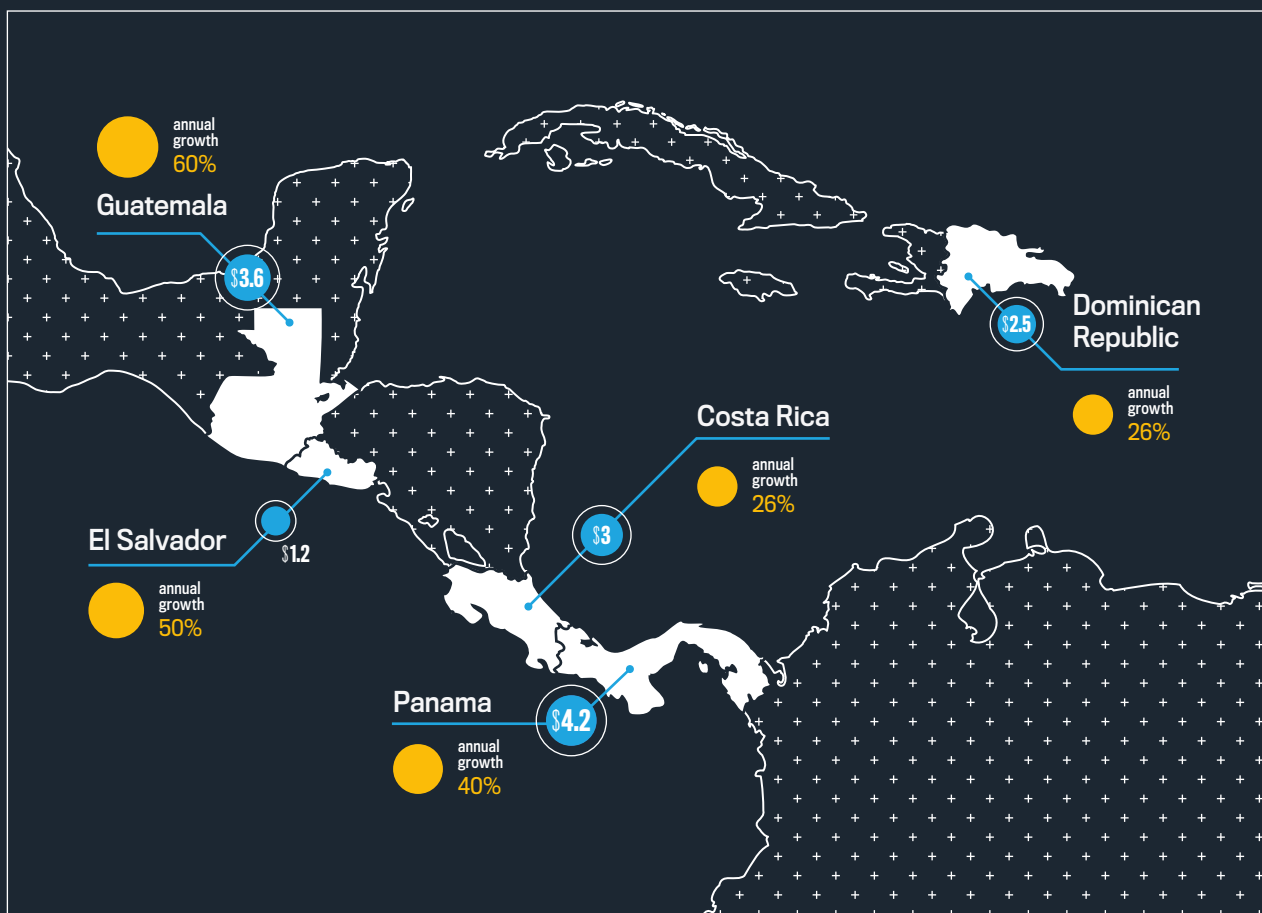
This movement not only applies to the leading markets, such as **Brazil, Mexico and Argentina** – which, despite having almost 70% of e-commerce penetration, are expected to grow around 30% a year through 2025. But it is especially remarkable in smaller countries, such as **Peru, Bolivia, Paraguay** and **Guatemala**, where growth rates are expected to go as high as **70% per year**.

In the next pages, we present a bigger picture of the Latin America digital market, highlighting three aspects: the profound impact of **mobile commerce** in the region, the **retail digitization** across LatAm, and the potential of a **new sweet spot: Central America**.



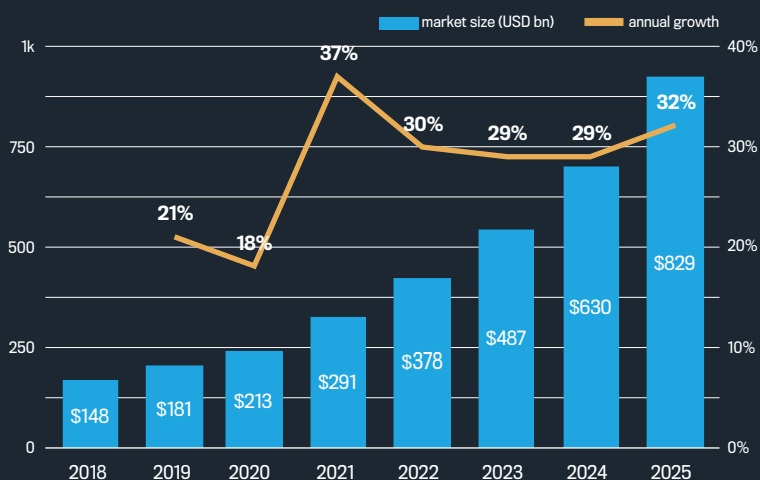


A sweet spot called Central America



A double-digit growth market

Digital commerce in Latin America will grow 30% every year through 2025



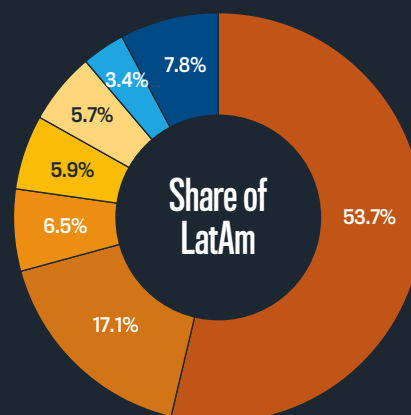
Country	CAGR (2020-2025)
Bolivia	82%
Paraguay	56%
Guatemala	50%
Ecuador	46%
El Salvador	44%
Peru	42%
Brazil	32%
Argentina	32%
Uruguay	30%
Panama	30%
Costa Rica	29%
Chile	28%
Mexico	27%
Dominican Republic	25%
Colombia	21%

Sources: AMI (Americas Market Intelligence), World Bank

The largest piece of the pie

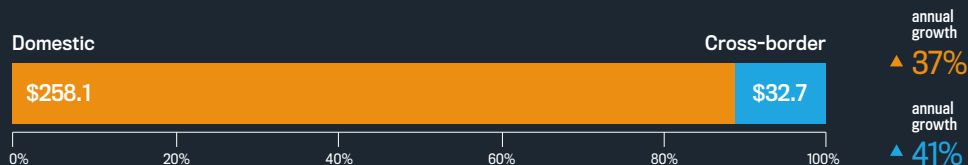
Brazil and Mexico account for 70% of the Latin American e-commerce

		Market size (USD bi)	Change from 2020	Share of LatAm
1	Brazil	\$156.2	-	53.7%
2	Mexico	\$49.6	-	17.1%
3	Colombia	\$18.8	-	6.5%
4	Argentina	\$17.1	1▲	5.9%
5	Chile	\$16.5	1▼	5.7%
6	Peru	\$9.9	-	3.4%
7	Panama	\$4.2	-	1.4%
8	Uruguay	\$3.8	-	1.3%
9	Guatemala	\$3.6	2▲	1.2%
10	Ecuador	\$3.5	-	1.2%
11	Costa Rica	\$3.0	2▼	1.0%
12	Dominican Republic	\$2.5	-	0.8%
13	El Salvador	\$1.2	-	0.4%
14	Bolivia	\$0.6	-	0.2%
15	Paraguay	\$0.3	-	0.1%



International e-commerce recovers

After a 25% drop in 2020, cross-border purchases will grow 41% in 2021



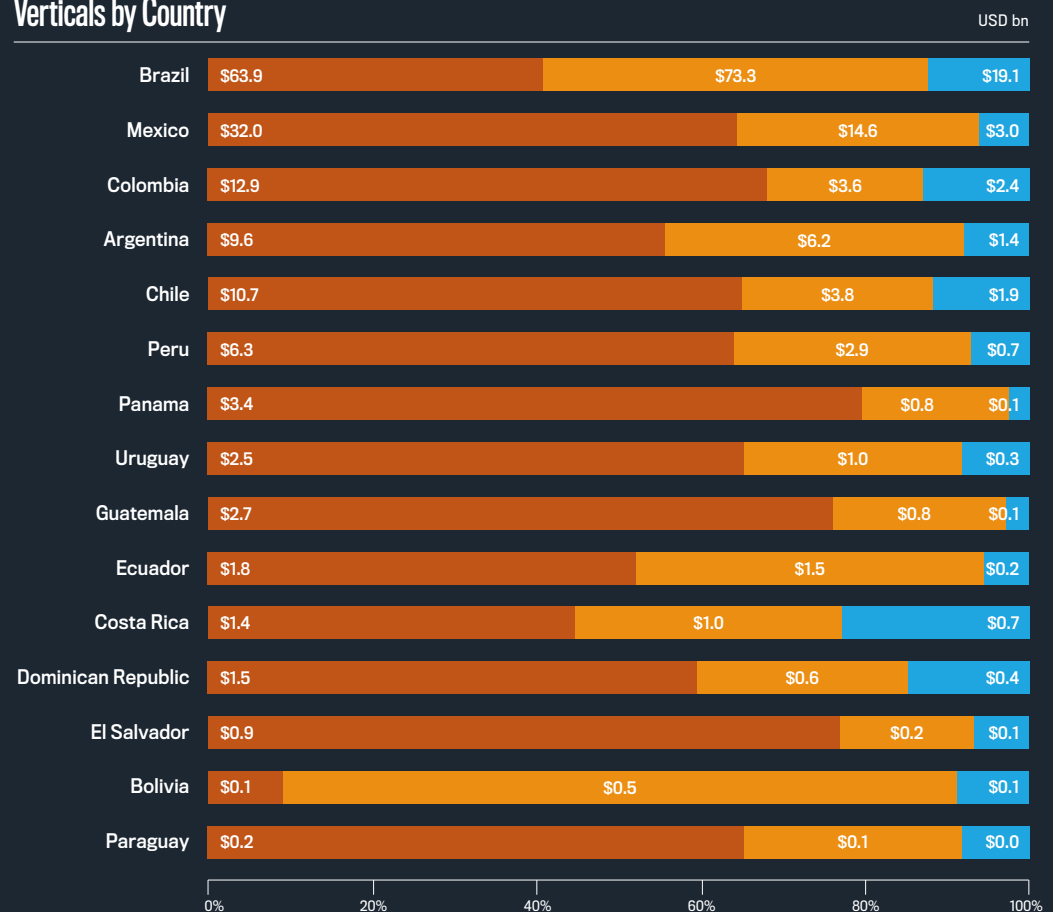
Retail grows fast

Retail will accelerate 40% in LatAm in 2021, closely followed by digital goods

Verticals in Latin America

Vertical	USD bn	Domestic	Cross-border	Annual growth
Retail	\$149.7	90%	10%	40%
Digital goods	\$110.7	87%	13%	39%
Travel	\$30.4	89%	11%	17%

Verticals by Country



CHAPTER 1.1

Latin America becomes mobile-first

IT IS ALREADY KNOWN that Latin Americans are keen on mobile phones. In a region facing lasting inequalities and an emerging broadband internet access, smartphones have become a bridge to the world. They have allowed people to communicate with each other, access online education, watch movies and pay for their bills. But over the last two years, after the pandemic brought millions of new consumers to e-commerce and pushed digitization forward, smartphones have now also become Latin Americans' preferred way to shop.

In this period, **for the first time, the volume of mobile purchases surpassed the desktop in Latin America's online commerce.** According to new data from EBANX and AMI (Americas Market Intelligence), based on 15 economies in the region, almost 60% of LatAm's e-commerce total volume will be paid through cell phones in 2021 – a 46% increase compared to 2020, when the mobile share reached 55%. For further comparison, in 2019, the mobile share was 44%, and in 2018, only 39%.

“In terms of online visits, mobile has been first for many years in Latin America. But for big-ticket purchases, people used to buy on their desktops. Volume now has gone all to mobile”, says Lindsay Lehr, Payments Practice Leader at AMI.

This rapid, strong shift to mobile was certainly boosted by the pandemic, which forced people indoors and brought more Latin Americans to online shopping. But there is also a cultural component involved: **in Latin America, smartphones are more affordable and numerous than desktop computers and, in some countries, even more widespread than bank accounts.** As stated by the World Bank, smartphone penetration reaches over 100% in some markets in the region, such as Colombia and Peru – while only 46% and 43% of the population, respectively, has a bank account in these countries.

“Smartphones are a fundamental instrument for digitization and financial inclusion in Latin America, given that in many countries there are more adults who have a smartphone than a bank account. They are a powerful tool of inclusion and innovation for cost-effective delivery of financial products.”

Juliana Etcheverry

DIRECTOR OF STRATEGIC PAYMENTS PARTNERSHIPS AND MARKET EXPANSION IN LATAM FOR EBANX

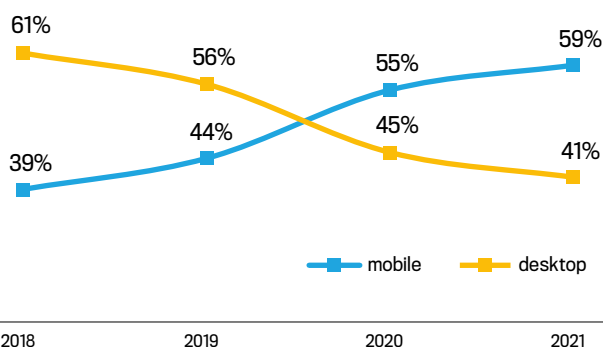
46%

Expected growth of mobile commerce in LatAm for 2021

Latin America becomes mobile-first

For the first time, mobile online purchases surpassed desktop in the region¹

* Share of total e-commerce sales



¹ Source: AMI (Americas Market Intelligence)

For the first time, the volume of mobile purchases surpassed the desktop in Latin America

“Mobile is definitely what is moving e-commerce and generally, digital life in Mexico”, says Alexandra Stamou, partner at Punto Kardinal, a Mexican market research agency. She stresses that smartphones are especially **key for people from middle to low socioeconomic levels in the region** – which reinforces the idea that mobile is bringing new consumers to online shopping in Latin America.

“These families tend to live in small spaces, having to share everything. Mobile gives them a sense of privacy and personalization. They sit against the wall with their phones, watch movies, buy online, and this is their private space.” Again, Stamou points out that this was a trend seen before the pandemic, but which has been accelerated since.

Iñaki Crujeiras, also a partner at Punto Kardinal, also noted that the emergence of mandatory online classes for children and teenagers in Latin America during the most acute phase of the pandemic pushed the penetration of smartphones in the region, with many families buying low-cost devices for their students, as a much more affordable option than desktops or laptops.

“Mobile is definitely what is moving e-commerce and, generally, digital life in Mexico and in Latin America. It gives people a sense of privacy and personalization – it is their private space.”

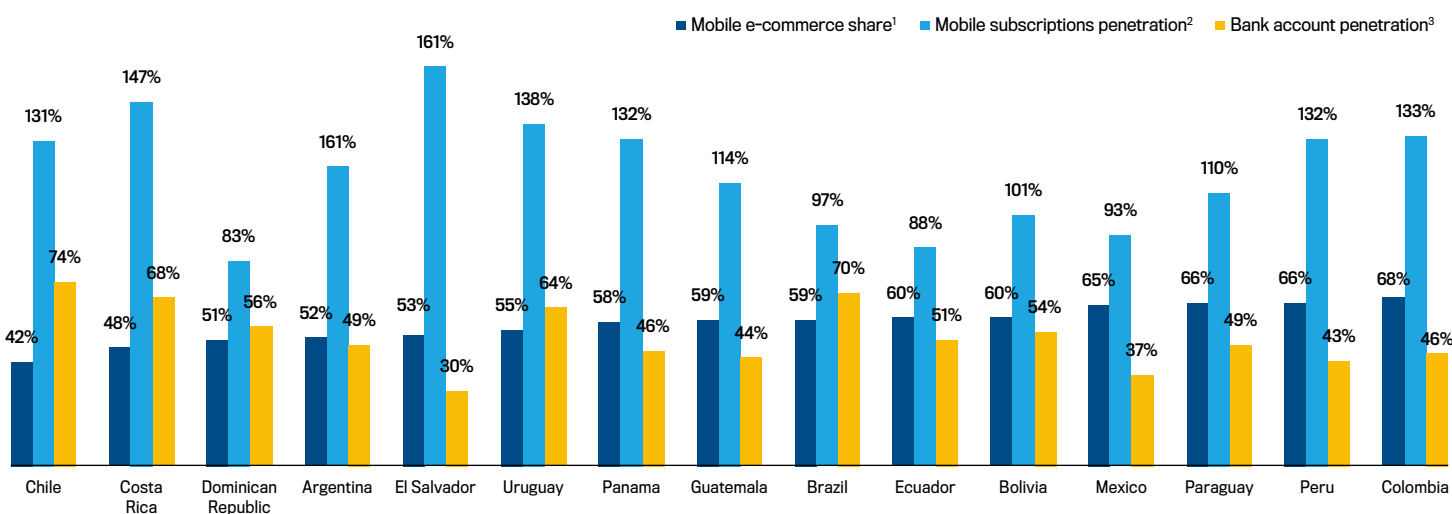
Alexandra Stamou

PARTNER AT PUNTO KARDINAL

The land of smartphones

Latin American countries with the higher mobile share on e-commerce¹

¹Of total volume on e-commerce (2021)



A better shopping experience

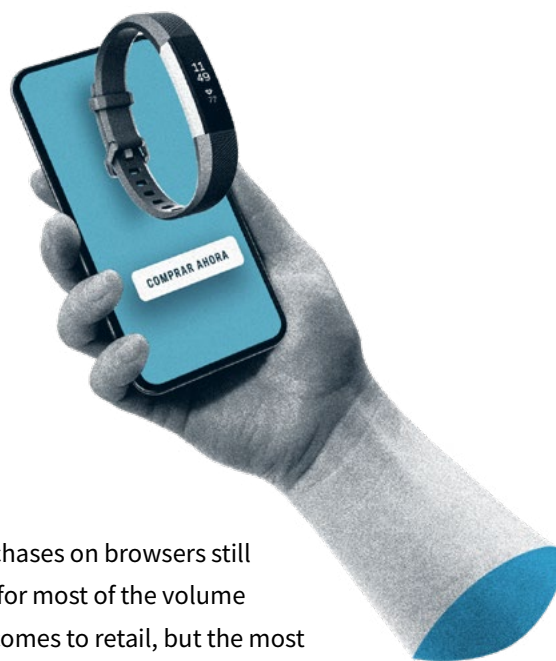
In terms of user experience, **buying on mobile can also feel easier than on desktops**. Since most smartphones are personal devices, consumers can load and save their card information, connect with digital wallet apps, and use biometric identification – which also makes these devices an important tool against fraud in Latin America. At EBANX, for instance, device fingerprints, when available, are used to ensure the transaction’s security, serving as an extra layer of information to confirm whether the purchase is actually being made by the consumer.

Convenience also helps to explain the shift to mobile. “Latin Americans are incredibly time-challenged. They work longer hours and suffer longer commute times than most regions of the world. Therefore, convenience is huge”, states John Price, managing director and founder at AMI.

In a global scenario, the behavior of Latin Americans towards mobile also stands out. “In general, the mobile share of online traffic in Latin America is impressive. This is something that we only have seen in Asia”, says Juliana Quarantani Junkes, Sales Director at Similarweb, an AI-based market intelligence platform that monitors online traffic around the world. “This is where the growth opportunity is: on mobile.”

The rise of mobile apps

In this context, it is no wonder why mobile apps have become a popular way for Latin Americans to shop: throughout the region, shopping apps were among the most downloaded mobile applications in 2021 (see Chapter 1.3 for more information). The last Beyond Borders study already showed that 73% of international digital buyers in Latin America downloaded a mobile shopping-app during the coronavirus pandemic. And having an easy to use mobile app was cited as the fourth most important factor when buying online by Brazilian and Mexican consumers, according to a [PwC survey](https://www.pwc.com/latam/en/issues-and-trends/retail/retailers-need-to-prepare-for-the-future-of-retail.aspx)¹ from November 2020.



“Purchases on browsers still account for most of the volume when it comes to retail, but the most sophisticated players will really want to push to the app, because they engage more, they incentivize loyalty, they maximize engagement. For them, it is a benefit to have you in the app”, says Lindsay Lehr, Payments Practice Leader at AMI.

Latin America alone was responsible for 15% of total global app downloads on iOS and Google Play stores, according to a recent [report from App Annie](https://www.appannie.com/en/insights/reports/2021-01-15-app-annie-report-2021/)² – an 18 percent growth compared to the previous period. This includes not only shopping apps, but also all the applications that fall under the digital goods category, such as streaming services, gaming, finance, social, delivery apps and ride-hailing services. All of this shows the increasingly important role that smartphones are playing in day-to-day life for Latin Americans.

“Apps are a top-of-mind choice by the

“Apps are a top-of-mind choice by the Latin American consumer. They are the sweet spot for mobile growth, and a smart strategy for bigger players that want to expand to the region.”

Juliana Quarantani Junkes
SALES DIRECTOR AT SIMILARWEB

¹ <https://chart-na1.emarketer.com/246970/leading-shopping-attributes-digital-shoppers-brazil-vs-mexico-find-important-shopping-digitally-nov-2020-of-respondents>

² <https://www.appannie.com/en/go/how-to-win-on-mobile-in-latam-report>

Latin American consumer. They are the sweet spot for mobile growth, and a smart strategy for bigger players that want to expand to the region”, says Juliana Quarantani Junkes, Sales Director at Similarweb.

Take the case of **Shopee**, one of the main international retailers in Latin America’s e-commerce: the Singapore-based company has cracked Southeast Asia by being mobile-first, seeing **95% of its orders in the region being made through in-app purchases**¹. They have adopted a similar approach in Latin America (where consumer behavior towards mobile has a lot in common with Southeast Asia), and its app is racing for the first place for most downloaded apps in both Mexico and Brazil (see Chapter 1.3 for more information).

Still not quite for everyone

Regardless of the potential of mobile apps for online shopping in Latin America, analysts are unanimous in saying that **going down that road might not be for everyone**. “You may not want to get into the war of App Real Estate”, says Lindsay Lehr, from AMI. “It’s a lot of money to invest, when a consumer only uses about ten apps everyday.”

Iñaki Crujeiras, partner at the Mexican Punto Kardinal, agrees. “Having a lot of apps, for a Latin American consumer, is not a way to go. Some apps consume a lot of space, which for the most affordable smartphones can be trouble. In general, I would say that having an app depends

on your relevance in the market, on what your competitors are doing.”

For them, apps that connect different stores or sellers, or aggregate multiple services in a one-stop-shop, might be more useful to move the needle in Latin America – in other words, the famous **super apps**.

“Latin Americans are often racing against time”, states John Price, from AMI. “If they have to jump from app to app to complete their online shopping, it is a real inconvenience. That is where the virtues of a super app really take hold in a mobile environment.”

“Having a lot of apps, for a Latin American consumer, is not a way to go. It will depend on your relevance in the market and on what your competitors are doing.”

Iñaki Crujeiras

PARTNER AT PUNTO KARDINAL

What is different in Chile

In the case of mobile growth in Latin America’s e-commerce, the exception is Chile.

Chile is one of the only two countries in the region (in addition to Costa Rica), according to AMI data, where desktop purchases still overcome mobile ones: they represent 58% of total e-commerce volume, while in Costa Rica, the desktop share is at 52%.

With a higher income than the region’s average, and also a higher penetration of desktops, both countries are considered a more mature e-commerce market. Online shopping has been a more widespread habit in Chile and Costa Rica for a while now, especially among upper-class consumers, which might help to explain the higher share of desktop purchases.

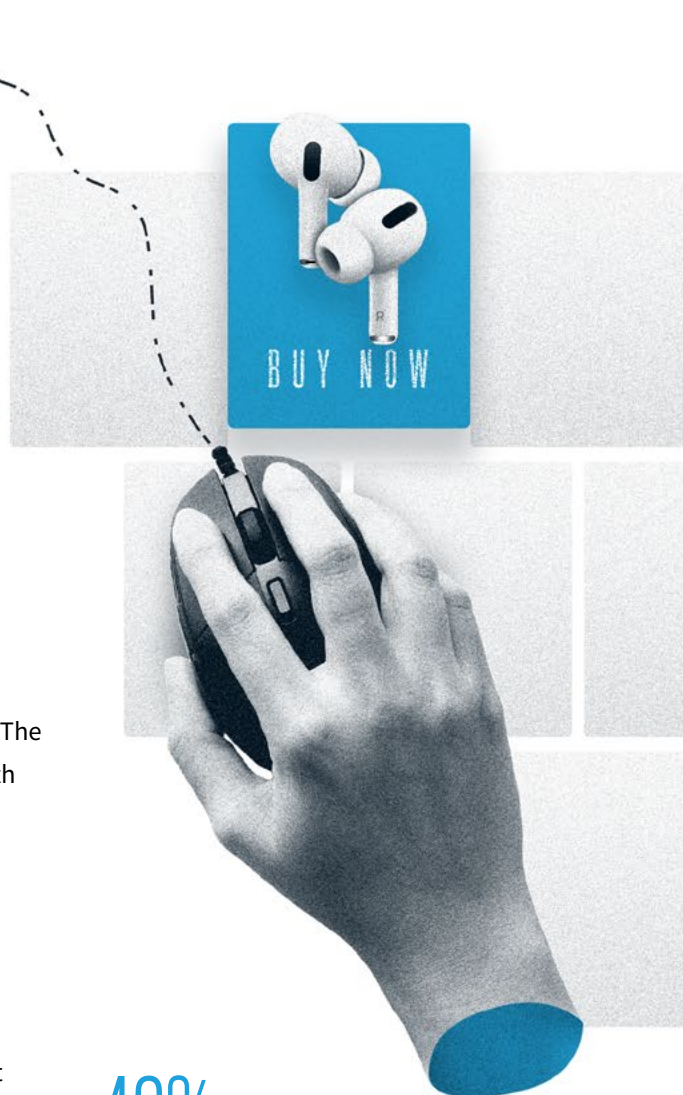
¹ <https://www.edb.gov.sg/en/business-insights/insights/how-5-year-old-startup-shopee-is-leading-e-commerce-growth-in-southeast-asia.html>

CHAPTER 1.2

Buying online, the new name of the game in retail

IT IS NOT JUST ABOUT THE PANDEMIC PUSH ANYMORE. The latest numbers on e-commerce and online retail growth in Latin America show that buying online is definitely here to stay. Even after an unprecedented acceleration in 2020, **online retail volumes are expected to grow by 40% in the region**, according to AMI (Americas Market Intelligence), with retail becoming the largest vertical of digital commerce in Latin America.

“Although the pandemic has been a very important reason for Latin Americans going into e-commerce, they now realize how convenient, easy and safe it is – and people tend to stay with this alternative for the long run”, states Alexandra Stamou, partner at Punto Kardinal, a Mexican-based market research agency.



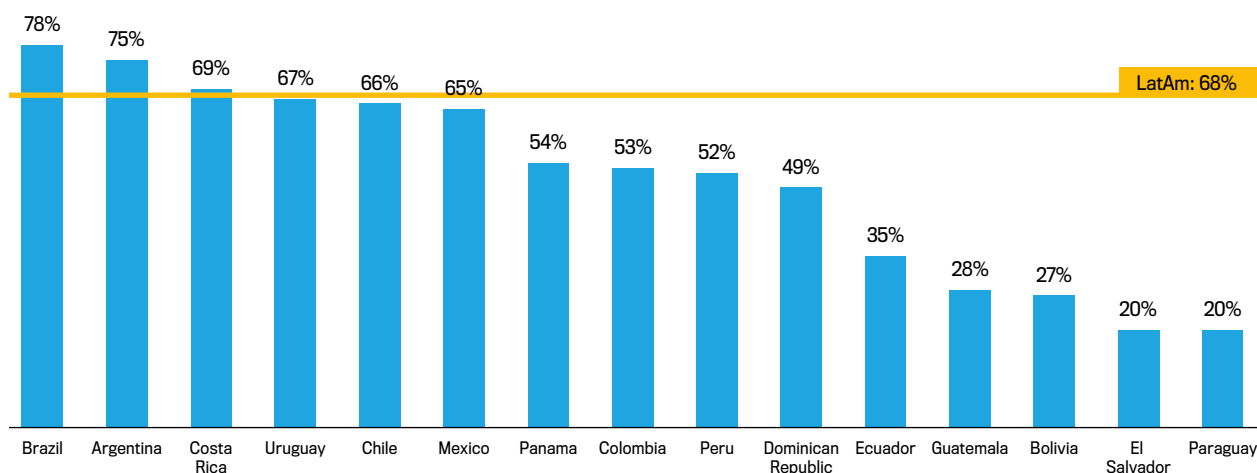
40%

Expected growth of online retail for 2021 in Latin America

On the way to becoming mainstream

E-commerce penetration in Latin America will reach 68% in 2021¹

* % of the population who bought online at least once



¹Source: AMI (Americas Market Intelligence)

Her company has been doing several studies on the Latin American consumer behavior towards online shopping. In Mexico, specifically, they have seen **a shift over the last few years from high-ticket purchases such as travel reservations, to day-to-day purchases** from supermarkets and pharmacies, and a huge adoption of retail e-commerce coming from the middle-class.

More so than not, people now prefer to shop online to avoid traffic, find better bargains or due to safety concerns. “Of course, in the beginning, protection against the coronavirus was the main driver, but there are other factors that also made sense to Latin Americans”, says Stamou. Avoiding dangerous neighborhoods, for some people, or dodging traffic jams in a megalopolis such as São Paulo or Mexico City, are still moving consumers to online shopping.

“Here in Mexico City, traffic is getting terrible again. So buying online is a way of escaping it”, says Iñaki Crujeiras, also a partner at Punto Kardinal.

Online retail volumes are expected to grow by 40% in Latin America in 2021, with a huge adoption of e-commerce coming from the middle-class.

A huge leap

It is no surprise that online sales have grown consistently as a share of total retail volume in Latin America. According to AMI, **e-commerce now represents around 10% of all retail sales in the region**, almost double if compared to 2019, when the online share was only 6%.

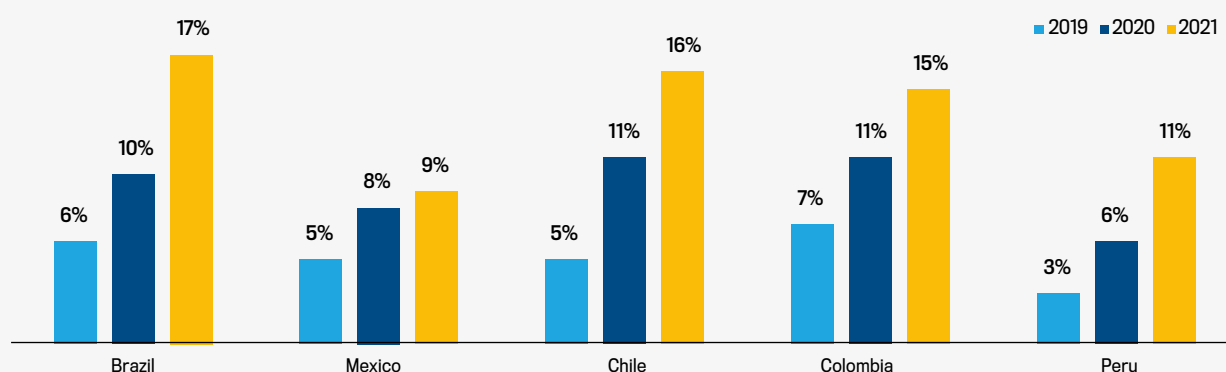
For the sake of comparison, in the United States, at the peak of the pandemic, online sales reached 15% of total retail, according to an [estimate from Statista](#)¹. Meanwhile, in the United Kingdom, it represented 25% approximately, as stated by the [Centre for Retail Research](#)².

“Retail is so massive that it takes a lot of volume to impact a 1% increase in digital penetration. This means online sales really boomed in Latin America in 2020, as they continue to boom in 2021 – and there is still a lot of room to grow when you look at developed markets, even in a major market such as Brazil”, says Lindsay Lehr, from AMI.

From physical to digital

Online retail has expanded significantly in LatAm, but there is still plenty of room to grow³

* e-commerce as a % of total retail



¹ <https://www.statista.com/statistics/187439/share-of-e-commerce-sales-in-total-us-retail-sales-in-2010/>

² <https://www.retailresearch.org/online-retail.html>

³ Sources: EIU and AMI (Americas Market Intelligence)

The drivers and the challenges

There are several drivers helping to move retail e-commerce upwards in Latin America. Not only are Latin American consumers more used to buying online, but more companies are selling through the web and expanding their capabilities. This movement includes global marketplaces, local giants and even small entrepreneurs, thanks to partnerships with bigger companies.

Jan Smith, partner at KoreFusion, a strategy consulting and M&A advisory firm specialized in payments and financial services, sees **three big drivers of online retail in Latin America**: 1) the emergence of gigantic **marketplaces**, selling proprietary products but also serving as a showcase for small and medium businesses entering the online world (see Chapter 3 for more information); 2) **brick-and-mortar sellers** going directly into the online space, opening small webstores; and 3) the **social commerce model**, where platforms such as Instagram, WhatsApp, Facebook, and TikTok become a showcase for individual entrepreneurs and small companies, in some cases also bringing payments within their own ecosystem.

“And here comes the challenge of how you promote yourself online”, adds Smith. “It is easier if you are big. But what about the smaller players?” An expert in digital payments in Latin America, he sees “an enormous opportunity there for the digitization and the ‘cardization’ of these payments, going hand in hand with the small businesses and micro merchants going online”.

In parallel, while **logistics** can also be pointed out as a challenge for retail e-commerce in the region, investments in this area from big players have helped to improve the purchase experience for many Latin Americans. Companies such as Banggood and AliExpress, for instance, launched **exclusive**

flights from China to Brazil¹ in order to speed up delivery and to ensure that parcels arrive in the country **as fast as one week**².

From the local side, Mercado Libre, one of the largest domestic e-commerce players in LatAm, has pivoted its strategy completely over the last few years, and currently **ships almost 95% of all purchases made in its platform**³ through **Mercado Envíos**⁴, its own logistics arm – helping to considerably improve the shopping experience within the website.

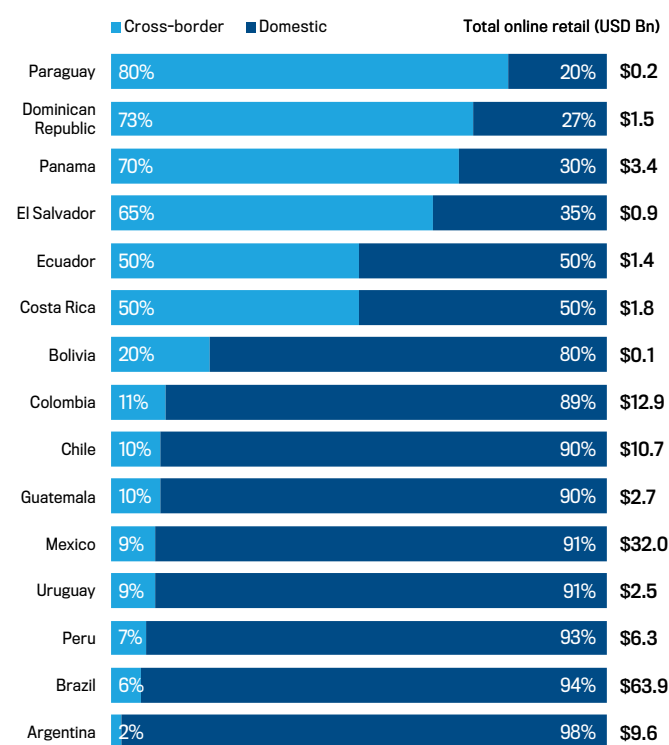
There are three big drivers of online retail in Latin America: the rise of marketplaces, the digitization of brick-and-mortar stores, and the emergence of social media commerce.

In the midst of everything, there is also “**the local flavor challenge**” on how to make consumers who are used to a personal touch feel the same sensation and experience online. In several Latin American countries, the Chilean delivery app Cornershop (**later bought by Uber**⁵) presented a solution for this: the platform recruited gig workers, with the same profile as its clients, to become drivers and shoppers. While shopping for groceries and day-to-day items, they get in permanent touch with the client via online chat, alerting that the avocados you asked for are green, for instance, or suggesting a different brand of milk in case they see any discounts.

“They make you feel they are interested, giving this personal touch to the online experience”, observes Iñaki Crujeiras, from Punto Kardinal. Many smaller businesses in LatAm are now part of Cornershop-like platforms, such as Brazilian-based iFood and Colombian unicorn Rappi, thanks to this local approach.

International vs. domestic

In general, underdeveloped countries have a larger cross-border share on online retail, indicating that brick-and-mortar sellers are yet to enter the online space⁶



¹ Source: AMI (Americas Market Intelligence)

The blockers

But of course there are still barriers to the digitization of retail e-commerce in Latin America. From Punto Kardinal's point of view, the main one is cultural.

"E-commerce is indeed becoming more democratic in LatAm, but is still very concentrated in urban areas, at least in Mexico", says Stamou. In small cities in the countryside, going for physical shopping is closely connected to a way of living. "People are used to visiting stores as part of their everyday life. Part of enjoying life is going out and talking to the little store owner on the corner."

Crujeiras, with Punto Kardinal, adds that there are towns in Latin America "still in the trade economy", and that in many countries only big retailers are dominant. "Smaller sellers are not well served yet, and I don't think this is a matter of internet penetration. There are other factors here."

"E-commerce is indeed becoming more democratic in Latin America, but is still very concentrated in urban areas. There is still a lot of room to grow."

Alexandra Stamou

PARTNER AT PUNTO KARDINAL

¹ <https://www.statista.com/statistics/187439/share-of-e-commerce-sales-in-total-us-retail-sales-in-2010/>

² <https://tecnoblog.net/452389/aliexpress-promete-entregas-internacionais-em-ate-7-dias-no-brasil/>

³ <https://investor.mercadolibre.com/news-releases/news-release-details/mercadolibre-inc-reports-second-quarter-2021-financial-results>

⁴ <https://content-na1.emarketer.com/how-mercado-env-os-working-improve-latin-america-s-underdeveloped-logistical-infrastructure>

⁵ <https://labsnews.com/en/news/business/uber-owns-cornershop/>

⁶ <https://labsnews.com/en/news/business/ebitnielsen-cross-border-already-represents-21-of-e-commerce-in-brazil/>

The cross-border opportunity

Although cross-border sales currently represent only about 11% of total retail e-commerce volume in Latin America, according to AMI (Americas Market Intelligence), there is a **mid-term opportunity for international players in the region**, as the market gets more mature.

International e-commerce was deeply impacted by the pandemic in 2020, when it lost approximately a quarter of its volume, but it is now recovering and will overpass pre-pandemic volumes by the end of 2021. As the domestic market becomes saturated and **international logistics improve across the region**⁶, there is an opportunity for global players who would like to expand to Latin America and seize its hypergrowth market.

"The local market can only grow so much compared to the massive world out there. It is just a matter of making it easier for international merchants to come into LatAm", says Lindsay Lehr, Payments Practice Leader at AMI.

According to her, cross-border retail e-commerce in Latin America can grow at an annual pace of 41% until 2025 – above the overall growth of 31% in the region. The only challenge ahead would be counting on a stable currency, at least in the major markets.

CHAPTER 1.3

Largest players of e-commerce in LatAm

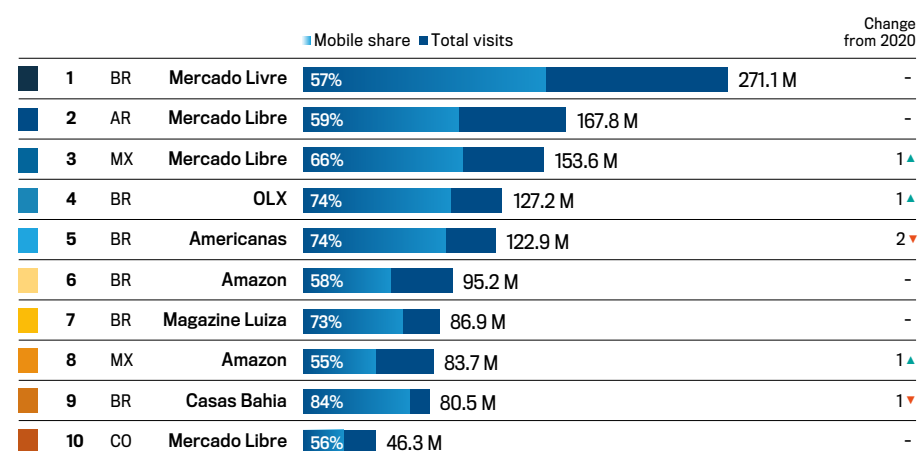
IN A HYPERGROWTH MARKET LIKE LATIN AMERICAN E-COMMERCE – which is expected to double its size by 2024, there is an opportunity for all types of players: challengers and incumbents, globals and locals, Davids and Goliaths. This is what we have seen in the region over the last couple of years. Although some e-commerce behemoths still lead the way, companies who bet on localization strategies and mobile can also reach for the top.

For the second year in a row, this study looked at **online traffic data** to identify **the largest players in Latin America's retail e-commerce**, thanks to a partnership with **Similarweb**, an AI-based market intelligence platform that provides insights and data about the digital market worldwide.

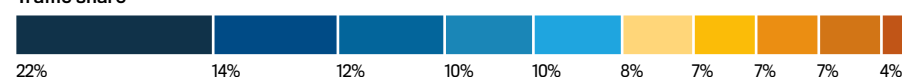
The Argentinian-based **Mercado Libre**, now a regional giant all across LatAm, continues to lead as the main e-commerce platform in the region, having more than 50% of the traffic among the top-10 players. But international players have gained a larger piece of the pie, with companies such as Amazon, Shopee and Walmart consistently gaining traffic and awareness in different countries. At the same time, domestic marketplaces and department stores like Casas Bahia, Magazine Luiza, Coppel, Bodega Aurrera and Falabella are also jumping into this hypergrowth ring.

Who is leading the race

The top 10 e-commerce websites in Latin America¹



Traffic share



¹ Source: Similarweb (data from January-September 2021)

“E-commerce has accelerated aggressively in Latin America, with many new players entering the space, which brought up a much more **pulverized market in terms of online traffic**”, says Juliana Quarantani Junkes, Sales Director at Similarweb. “In general, top players have lowered their traffic market share in different countries, with some exceptions.”

“E-commerce has accelerated aggressively in Latin America, with many new players entering the space, which brought up a much more **pulverized market in terms of online traffic.**”

Juliana Quarantani Junkes
SALES DIRECTOR AT SIMILARWEB

Leading players in the main markets

The top 10 e-commerce websites in Brazil, Mexico, Colombia and Chile¹

BRAZIL

		Mobile share	Total visits	Growth YoY	Change from 2020
1	Mercado Livre	56%	2.3 B	-4% ▼	-
2	OLX	73%	1.1 B	6% ▲	1 ▲
3	Americanas	74%	1.1 B	-11% ▼	1 ▼
4	Amazon	56%	799.9 M	27% ▲	-
5	Magazine Luiza	72%	764.5 M	20% ▲	-
6	Casas Bahia	84%	706.5 M	16% ▲	-
7	AliExpress	46%	402.7 M	34% ▲	-
8	Shopee	56%	376.1 M	885% ▲	new
9	Ponto Frio	76%	195.1M	24% ▲	new
10	Extra	76%	212.2 M	5% ▲	new

Traffic share



MEXICO

		Mobile share	Total visits	Growth YoY	Change from 2020
1	Mercado Libre	65%	1.3 B	22% ▲	-
2	Amazon	55%	698.4 M	51% ▲	-
3	Coppel	91%	334.9 M	10% ▲	-
4	Walmart	82%	287.8 M	26% ▲	-
5	Liverpool	73%	193.7 M	15% ▲	-
6	PromoDescuentos	66%	117.4 M	23% ▲	new
7	ebay	59%	94.7 M	13% ▲	1 ▲
8	Bodega Aurrera	90%	91 M	239% ▲	new
9	AliExpress	53%	79.1 M	13% ▲	-
10	Sears	81%	62 M	32% ▲	new

Traffic share



¹ Source: Similarweb (data from January-September 2021)

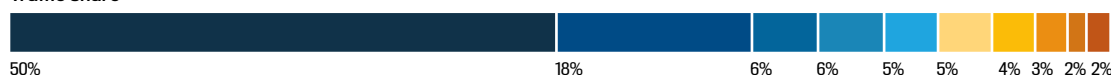
Leading players in the main markets

The top 10 e-commerce websites in Brazil, Mexico, Colombia and Chile¹

COLOMBIA

		Mobile share	Total visits	Growth YoY	Change from 2020
1	Mercado Libre		172.3 M	11% ▲	-
2	Amazon		61.3 M	54% ▲	-
3	Home Center		20.9 M	-4% ▼	1 ▲
4	Falabella		19.5 M	-22% ▼	1 ▼
5	AliExpress		18.4 M	13% ▲	3 ▲
6	Éxito		16.9 M	-8% ▼	1 ▼
7	Linio		14 M	-15% ▼	-
8	ebay		9.5 M	-4% ▼	2 ▲
9	Busca Libre		7.6 M	76% ▲	new
10	Tiendas Jumbo		5.4 M	-26% ▼	new

Traffic share



CHILE

		Mobile share	Total visits	Growth YoY	Change from 2020
1	Mercado Libre	45%	301.8 M	48% ▲	1 ▲
2	Falabella	64%	221.3 M	7% ▲	1 ▼
3	Ripley	58%	148.6 M	14% ▲	1 ▲
4	Paris	60%	133.7 M	26% ▲	1 ▲
5	Yapo	73%	129 M	-14% ▼	2 ▼
6	AliExpress	35%	98.2 M	37% ▲	-
7	Lider	64%	70.7 M	42% ▲	-
8	Amazon	40%	57.7 M	55% ▲	-
9	Easy	58%	39.5 M	0%	new
10	Busca Libre	42%	34.3 M	92% ▲	new

Traffic share



Taking Mercado Libre as an example: the company has four of its local websites among the top 10 e-commerce players in LatAm (Brazil, Argentina, Mexico and Colombia, according to chart 8). They have invested hard in logistics, user experience and brand awareness, and their engagement and loyalty metrics have increased considerably across the region, according to Similarweb.

But even Mercado Libre saw its share of online traffic among the top players decrease in countries like Brazil and Mexico – where it faced new and increasing competition from both domestic and international players.

¹ Source: Similarweb (data from January-September 2021)

So who is the new competition

Amazon is one of the new competitors in the arena, ranking twice among the top 10 e-commerce websites in Latin America overall, and growing consistently its online traffic in different markets across the region. “Amazon has done an excellent job of awareness in Latin America. In countries like Mexico and Colombia, it already appears in the second position in terms of share of visits, second only to Mercado Libre”, says Junkes.

Local players are also building out their footprint in the online space. In Brazil, the retail behemoth Via, owner of Casas Bahia and Ponto, has been transitioning from an offline to an online company, now with **65% of its sales being online**¹. In Mexico, the popular **Bodega Aurrera**, a supermarket chain owned by Walmart and with a massive presence in mid-to-low neighborhoods, has gone online with a lot of success. It ranks among the top 10 e-commerce websites in 2021 – due not only to the adoption of online shopping by its usual customers, using vast communication campaigns on TikTok and other social media, but also to the new middle to high-income consumers looking for bargains on its website.

“During the pandemic, Bodega started recruiting higher-class consumers through its online solution. You didn’t have to go to these neighborhoods anymore. You could just order your things online”, explains Alexandra Stamous, partner at the Mexican-based Punto Kardinal, a market research agency.

The competition also comes from East Asia: the Singapore-based **Shopee** was, to a large extent, the fastest-growing e-commerce player in the region, with its Brazilian website expanding almost 900% in 2021 when it comes to online traffic, according to Similarweb figures. The Asian company is betting heavily in the region, with what it calls a **“mobile-first strategy”**². “Shopee entered in a super aggressive way in Brazil and more recently, in Mexico. Its Mexican shopping app has been climbing positions fast in the country and is already taking local players out of the top 10”, states Junkes.

Hyper growth players

The e-commerce websites with the highest growth rates in total visits³

	Country		Growth YoY	Type
1	Brazil	Shopee	885%	Global
2	Mexico	Bodega Aurrera	239%	Local
3	Chile	Busca Libre	92%	Local
4	Colombia	Busca Libre	76%	Local
5	Chile	Amazon	55%	Global
6	Colombia	Amazon	54%	Global
7	Mexico	Amazon	51%	Global
8	Chile	Mercado Libre	48%	Local
9	Chile	Lider	42%	Local
10	Chile	AliExpress	37%	Global

¹ <https://labsnews.com/en/news/business/the-logistics-digital-transformation-retail-giant-via/>

² <https://asialink.americaeconomia.com/economia-y-negocios/que-esperar-de-la-llegada-de-shopee-latinoamerica>

³ Source: Similarweb (data from January-September 2021)





Apps

Shopee is not the only one who is craving the app market in LatAm. Having an app seems to be working out for fashion e-tailers such as **SHEIN**, **Dafiti** and **Netshoes**, who despite not ranking in the top 10 players when considering online traffic, are among the most downloaded shopping apps in Brazil, Mexico, Chile, and Colombia.

Regional department stores such as **Liverpool** and **Coppel** in Mexico, and **Falabella** in Chile and Colombia, are also having success in attracting users to their mobile applications, ranking among the top 10 players in these countries. “AliExpress, Wish and Amazon have also been delivering strong numbers of engagement in their apps”, says Junkes.

Leading shopping apps

The top 10 shopping apps in Brazil, Mexico, Colombia and Chile (Android only)¹

	 Brazil	 Mexico	 Chile	 Colombia
1	Shopee	Mercado Libre	Mercado Libre	Mercado Libre
2	Mercado Livre	Amazon	AliExpress	AliExpress
3	OLX	SHEIN	Wish	Wish
4	AliExpress	AliExpress	Falabella	OLX
5	Magazine Luiza	Liverpool Pocket	Yapo.cl	Linio
6	Americanas	Coppel	SHEIN	Amazon
7	Amazon	Shopee MX	Dafiti	Dafiti
8	Casas Bahia	Wish	Sodimac	Homecenter
9	Wish	Segundamano	Linio	Éxito
10	Netshoes	Claro Shop	Amazon	Falabella

¹ Source: Similarweb (data from January-September 2021)

CHAPTER 1.4

Central America, the next sweet spot in LatAm

WITH AN ONLINE MARKET STILL IN ITS INFANCY, and a young and digital savvy population eager to buy online, Central America will have some of the **highest growth rates in Latin America's e-commerce in 2021** – and should be the next big thing in the region.

While LatAm is expected to expand 37% in e-commerce this year, some Central American countries will outpace this mark reaching up to 50% growth, according to forecasts from AMI (Americas Market Intelligence). The region has the **perfect foundation for the exponential growth of e-commerce**: high connectivity and digitization, especially via mobile; a young population (average age of 25 years) eager to consume digital products; but also the market is still in its early stages, with few digital payment options and online stores.

“It is a barely explored region, without many players, and where consumers are eager to buy products and services from global merchants, such as streaming, SaaS, entertainment, games”, points out André Allain, Vice President of Growth at EBANX.

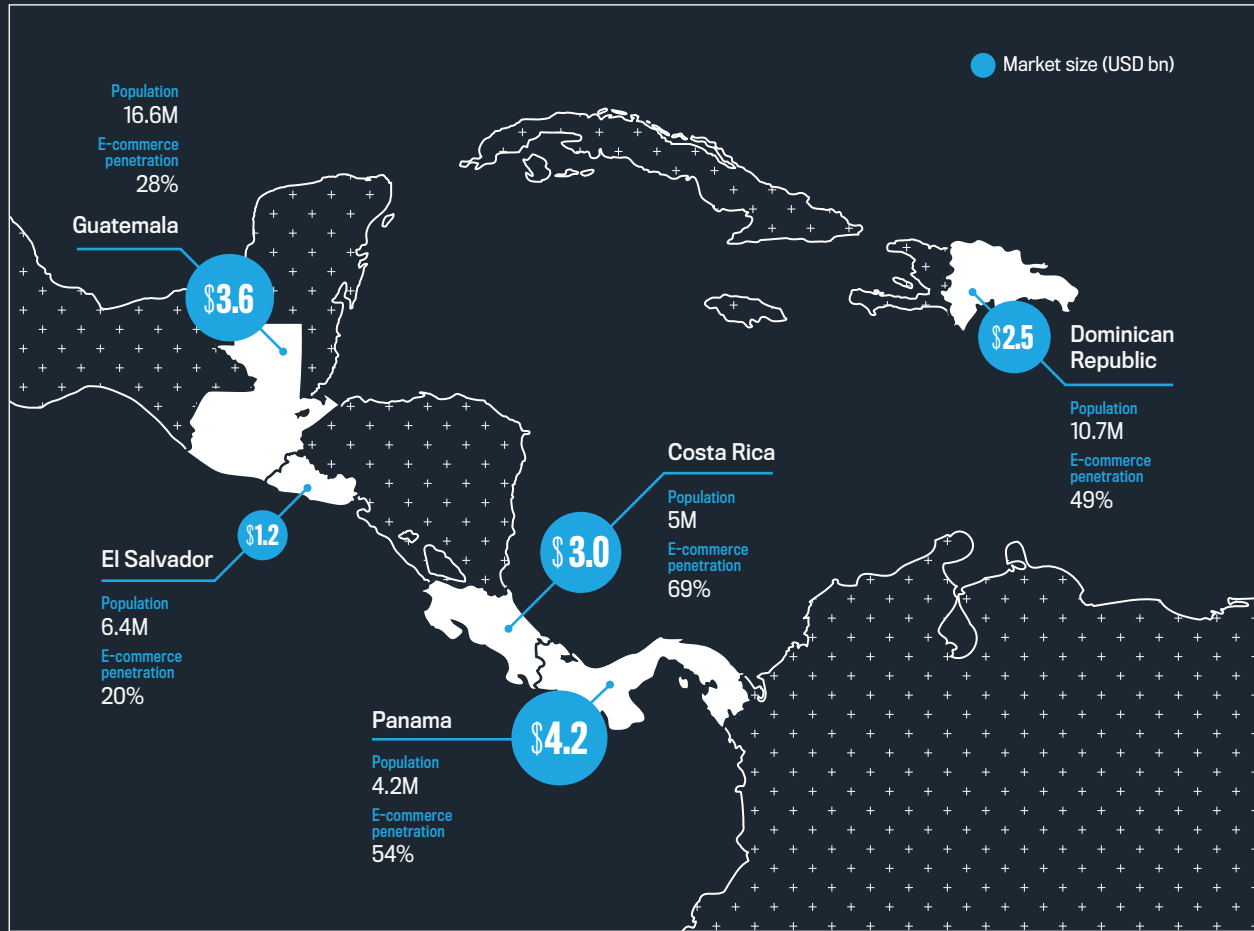
Until now, the region's e-commerce volume was **mostly cross-border**, with very few online consumers buying mainly internationally. But recently, countries such as Guatemala, with over 16 million inhabitants and a growing middle class, are experiencing an escalation in online retail, with a higher share of domestic volume.

“If you go back to before the pandemic, e-commerce in Central America was comprised of a very small deep-pocketed segment of affluent consumers in these countries: it was the 2% of the population who were buying almost exclusively internationally – because they weren't able to source many products domestically”, says John Price, managing director at AMI.

Now, Central America, as other hypergrowth and smaller markets in Latin America, is in the midst of a change: the pandemic **forced domestic retailers to pivot to e-commerce**, driving online growth – but also opening opportunities for global players and companies specialized in logistics, payments and technology to expand to the region and give access to the online world.

The next sweet spot

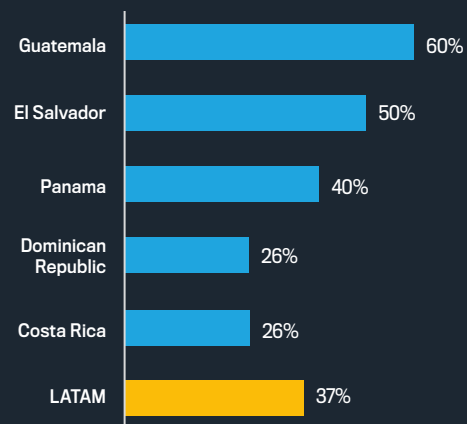
Central America will have some of the highest-growth rates in e-commerce in LatAm



The next sweet spot

Country	Total population (M)	E-commerce penetration	Market size (USD bn)	E-commerce growth (2021)
Guatemala	16.6	28%	\$3.6	60%
Panama	4.2	54%	\$4.2	40%
Costa Rica	5	69%	\$3.0	26%
Dominican Republic	10.7	49%	\$2.5	26%
El Salvador	6.4	20%	\$1.2	50%

E-commerce growth (2021)



A full block

One of the keys to unlock Central America’s full potential is to look at the **region as a block**, according to Allain. When combined, the e-commerce market in the five countries where EBANX is currently operating (Costa Rica, Dominican Republic, El Salvador, Guatemala, and Panama) adds up to almost 15 Billion USD, and is expected to grow 35% for the next five years – a market as big as Chile (and with higher growth rates).

Price, from AMI, highlights that Central America also brings to global companies **the ability to cluster**. “You can build economies of scale in Central America. For instance, with a marketplace where you keep inventory in El Salvador, you can truck goods to other countries from there – in contrast to what would happen in the Caribbean islands, for example.”

At the same time, it is important to **take regional differences into account**. Just like in the whole Latin America, countries in Central America are in different stages of e-commerce maturity. In **Panama** or the **Dominican Republic**, for example, it is easier to buy imported goods and the average income is higher than in other countries. In **Costa Rica**, e-commerce penetration is already at 69%, with a higher spending per capita and a more developed online market.

Guatemala, on the other hand, has a larger underclass who are now starting to buy online, bringing the domestic share to 83%. E-commerce penetration is still at low levels, just like in El Salvador, and there is a lot to do in terms of giving access to consumers in these two countries.

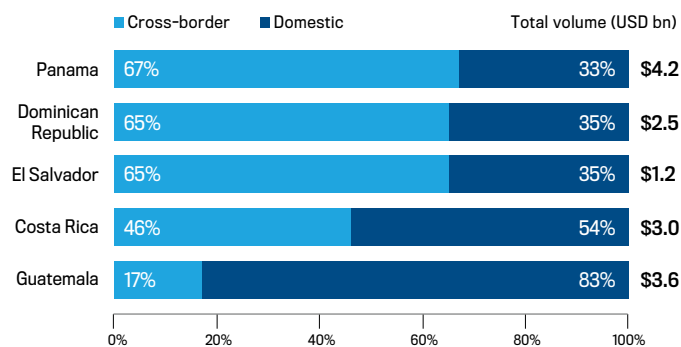
A legacy to be renewed

When it comes to business verticals, **travel** represented around half of Central America’s e-commerce before the pandemic – and it has now dropped to as little as 3% in some countries. Despite that, the industry is still quite strong for the region, and should recover in the short term. At the same time, demand for **digital products and services** is growing strongly, opening the way for new business opportunities.

For Allain, from EBANX, global and local companies have a one-time-only opportunity to give access to the region. “In terms of its digital market, Central America has a challenge on legacy payment processes. Through payment players, these processes can be simplified to provide the right value proposition to merchants and consumers.”

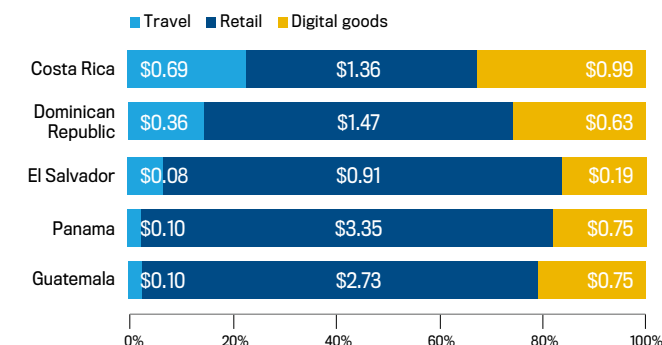
International market

Domestic e-commerce is still under development in most of Central America¹



Under transition

Travel represented most of e-commerce in Central America before the pandemic, but now retail and digital goods are gaining traction¹



Central America’s e-commerce is expected to grow 35% per year until 2025 – a market as big as Chile, and with higher growth rates

¹ Source: AMI (Americas Market Intelligence)

THE PIX REVOLUTION IN BRAZIL

ALTERNATIVE PAYMENTS REMAIN HUGE - AND ARE NOW INCREASINGLY DIGITAL

REAL-TIME PAYMENTS ACROSS LATIN AMERICA



CHAPTER 2

The landscape of payments on e-commerce in Latin America

IT HAS BEEN QUITE AN EXCITING MOMENT to work with payments in Latin America: over the last two years, new methods have emerged as the region's favorites, giving access to millions of people not only to the financial system, but to the digital market as well.

Payments have been playing a crucial role in the growth of e-commerce in LatAm. They are becoming increasingly digital (even in a region where cash is still king), bringing new consumers to e-commerce, at the same time that authentication protocols and security standards of payments also evolve.

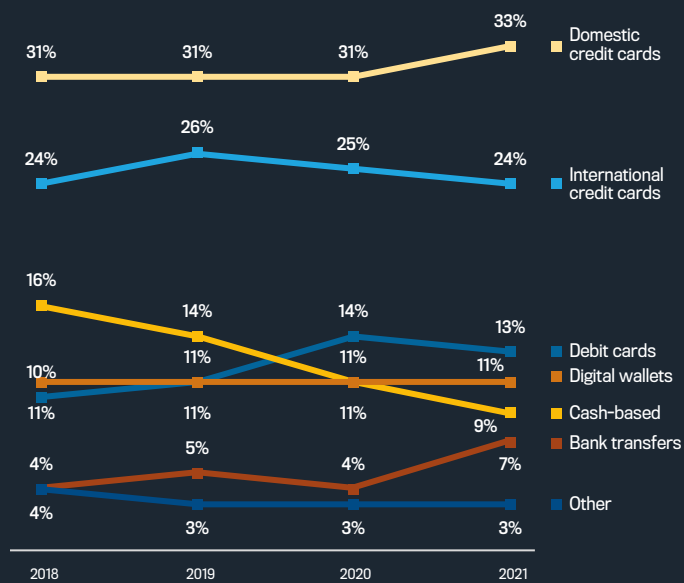
THE RISE OF DIGITAL WALLETS AND DEBIT CARDS

In the next pages, we will dig deeper into three aspects of this new payments landscape in Latin America: the **emergence of Pix**, the revolutionary Brazilian instant payment system, and what it means to the region; the phenomenon of **Alternative Payment Methods becoming digital**; and the **blooming of digital wallets and debit cards** on e-commerce.

Changing seats

Digital wallets and debit cards have outpaced cash-based payments in LatAm's e-commerce¹

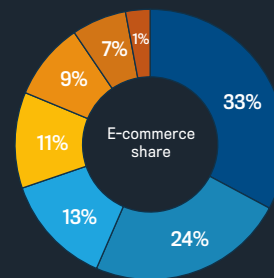
* % of total e-commerce sales in Latin America



How do Latin Americans pay on e-commerce

Credit cards represent over half of volume, but alternative payments' share is growing²

Payment Type	Volume (USD bn)	Annual growth
Domestic credit cards	\$95.4	44%
International credit cards	\$68.9	30%
Debit cards	\$38.6	32%
Digital wallets	\$33.4	40%
Cash-based	\$26.9	11%
Bank transfers*	\$19.1	107%
Other	\$8.5	17%



¹ Source: AMI (Americas Market Intelligence)

² Source: AMI (Americas Market Intelligence) | * include Pix and other instant payment methods



CHAPTER 2.1

The Pix revolution in Brazil

IT IS A UNANIMOUS OPINION AMONG THE MANY EXPERTS consulted for this study: it is not an overstatement to call Pix a revolution that is likely to spread quickly across Latin America. Brazil's new instant-payments system has been adopted by more than half of the country's population and has outpaced boleto, credit, and debit cards in total volume (while also virtually eliminating the old bank transfer model). Soon, Pix will become an ecosystem of solutions that will serve as a reference across Latin America – and, in the near future, it may even turn into a real-time cross-border payments hub for the entire region, helping to change the way Latin Americans pay for all types of goods and services.

Launched in late 2020, the Brazilian instant payment system was the payment method with the **highest growth rate in Latin America's e-commerce** in 2021. With fast adoption, Pix overall volumes have been growing at an average of 20% month-over-month, and have already outpaced boleto and card volumes in Brazil.

"Pix, not just in Latin America but across the world, **has been looked at as one of these success stories of engagement, uptake, financial inclusion, online commerce adoption and substitution of cash**", says Jan Smith, partner at KoreFusion, a strategy consulting and M&A advisory firm specialized in payments and financial services.

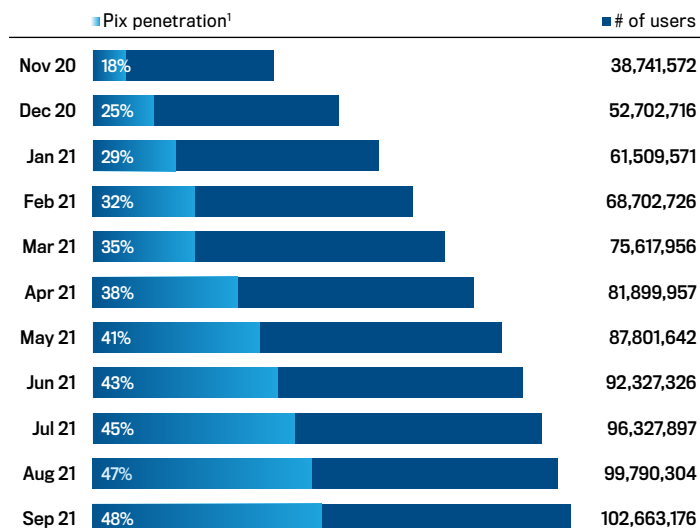
"Pix, not just in Latin America but across the world, has been looked at as one of these success stories of engagement, uptake, financial inclusion, online commerce adoption and substitution of cash. It really puts a positive light on that instrument."

Jan Smith

PARTNER AT KOREFUSION

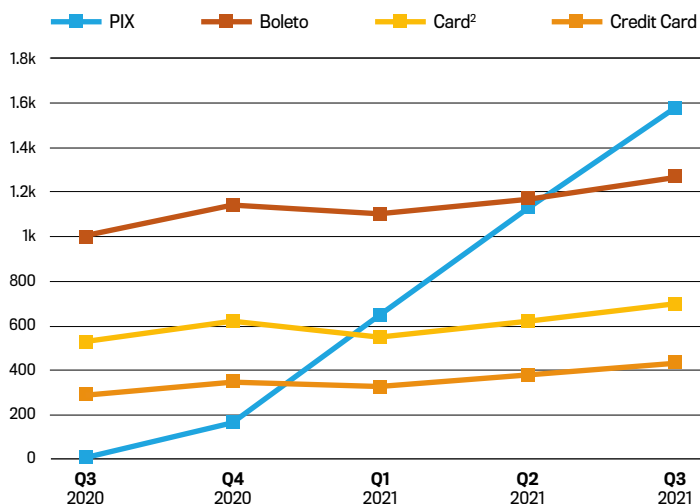
High adoption

Pix is already adopted by half of the Brazilian population¹



Exponential growth

Pix volumes already outpaced cards and boleto in Brazil²



According to the most recent data from the Central Bank of Brazil (from September 2021), approximately **half of the Brazilian population had already used Pix** – a rate higher than the credit card ownership in the country, which is at 25%, per the World Bank Global Findex.

Although almost half of Pix transactions are from Southeast Brazil, the Northeast and North regions, where the average income is considerably lower, account for 33% of total transactions. This is a much higher percentage than their GDP share (20%) – which shows the strength of Pix within the lower-middle-class population.

But what explains such a fast adoption of this real-time payment? And why, among so many similar experiences worldwide, did Pix succeed?

“Since the beginning, one of the major concerns from the regulator was the **product usability**”, says André Carréra, Director of Product Management at EBANX. “Pix is easy to adopt; it was conceived to be free for individuals, it has real-time confirmation and it is non-bureaucratic. All of this had a great influence on people and companies to adopt it.”

The **role played by the regulator**, the Central Bank of Brazil, is also highlighted by Carréra and other experts. Pix was indeed brought into effect from the top down, which obliged banks and other financial institutions to adopt it and keep it free of charge for individuals. At the same time, the regulator was smart enough to bring together multiple players, involving fintechs, banks and merchants since the beginning of Pix and creating awareness. “The Central Bank of Brazil has a much deeper integration with the financial system when compared to other countries. It is a success case”, says Carréra.

When compared with other countries,

¹ Considering all Brazilian population | Source: Central Bank of Brazil

² Card: credit, debit, prepaids | Sources: Central Bank of Brazil and ABECS

consumers in Brazil are also **more willing to experiment with technology** when it comes to financial services, both from the hands of fintechs and traditional banks, which are pushing experimentation in their apps. “All of these factors contribute to Brazilians being much more willing to transact with their phone”, says Smith, from KoreFusion.

Another reason for Pix’s fast adoption is its deep connection with **P2P payments** (peer-to-peer payments), made between individuals. Having a P2P functionality facilitates the everyday dealing for users, especially when it comes to shifting to small merchant exchanges..

This has happened in other regions such as Asia and Eastern Africa – and Brazilian regulators were smart enough to learn from these experiences. “In Africa, when mobile wallets came, they served the purpose of what Pix is doing right now: starting with P2P payments, then moving into bill payments, online payments, distribution of loans, cashback, etc. Pix can be that. And it can

be very well put to use to get more engagement”, adds Smith.

Going back to the Brazilian experience, Pix is already transitioning into more than just a real-time transaction. The QR Code functionality brings **interoperability to the market**, allowing multiple players to easily integrate with Pix under a uniform safety standard – and bringing more people into the game in a very seamless way and at a low cost.

The results of **these many players embracing Pix** is

“Pix is easy to adopt, it has real-time confirmation and it is non-bureaucratic. All of this had a great influence on people and companies in Brazil to embrace it.”

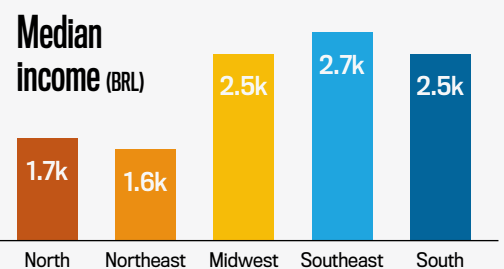
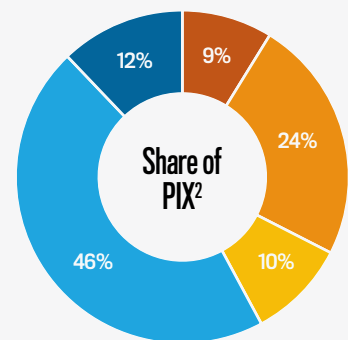
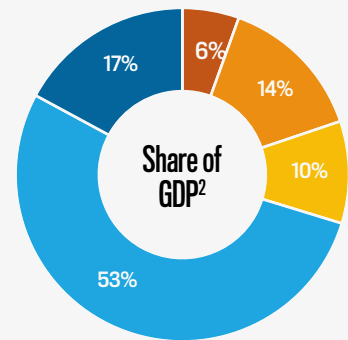
André Carréra
DIRECTOR OF PRODUCT MANAGEMENT AT EBANX

National reach

Pix is widely used by Northeast and North regions inhabitants¹



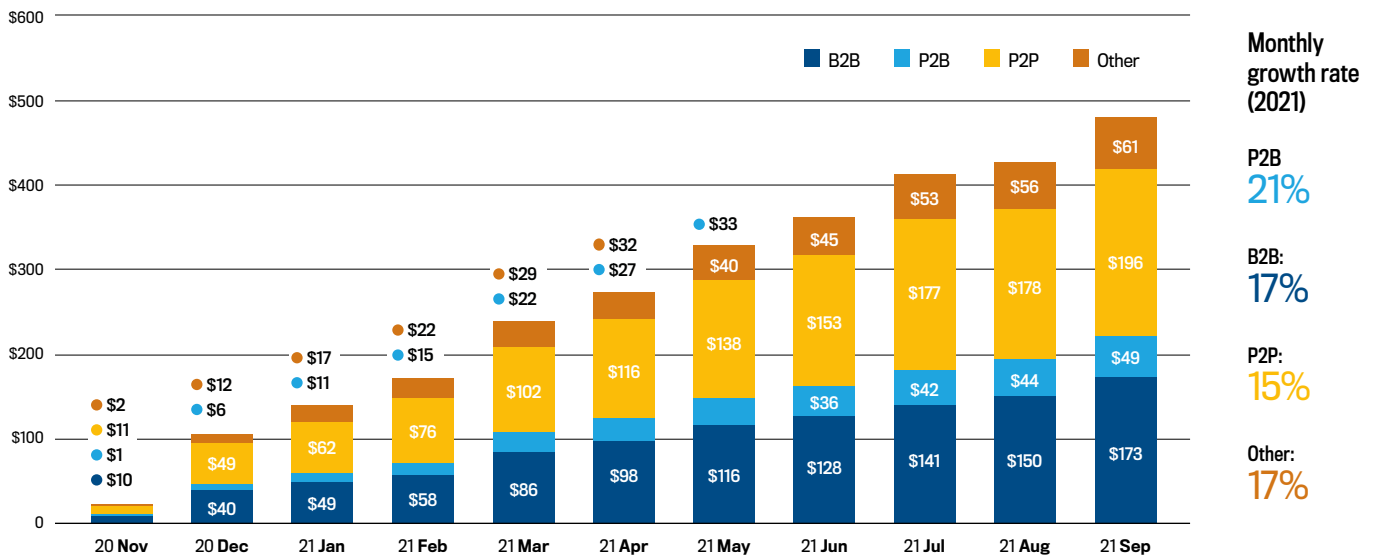
■ North ■ Northeast ■ Midwest
■ Southeast ■ South



¹ Sources: Central Bank of Brazil and IBGE (GDP, 2018; median income, 2020)
² Out of total number of transactions

From people to business

Pix gained traction as a P2P payment, but it is now increasingly adopted among businesses¹



already seen. If, in its first months of operation, P2P transactions represented the vast majority of Pix, now operations involving businesses have a growing share – especially P2B (people-to-business), which doubled its share since the beginning of the year (from 5% to 10%), indicating a deeper penetration of the payment method in the formal financial system in Brazil.

According to AMI, Pix P2B transactions are expected to reach 70 Billion USD in 2021, which is equivalent to 10% of the real-time payment's total volume – 700 Billion USD, “an outstanding achievement for a payments platform just one year old”, says Lehr.

Looking ahead, the **long backlog of tools** to be developed and launched within Pix, such as Pix Saque, Pix Troco (both for withdrawals) and Pix Garantido (for installment payments), also helps to push its adoption further. “That also makes it interesting economically for different players to get involved in this”, says Smith.

Pix P2B transactions are expected to hit 70 Billion USD in 2021, reaching a 10% share of the instant payment's total volume.

¹ (values in bn BRL) | Source: Central Bank of Brazil

The transition to e-commerce

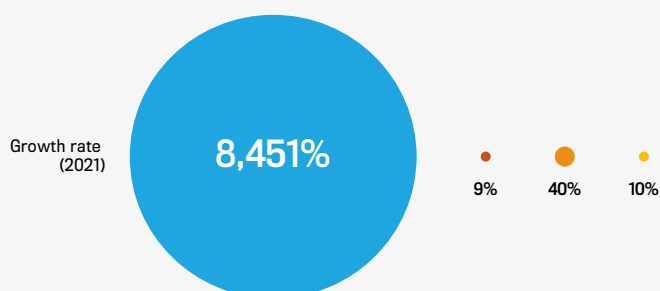
Pix is expected to account for around 9.5 Billion USD of online payments in 2021, as stated by AMI (Americas Market Intelligence). This total would represent **roughly 6% of all e-commerce volume in Brazil during 2021** – which makes the instant payment method bigger than debit cards, and one of the most important Alternative Payment Methods in the country after only one year in operation.

In 2020, when it had been operational for only two months, Pix had a small fraction of that amount with only a 0.1% share of Brazilian e-commerce, meaning it has seen an **85-fold increase since that time**. E-commerce transactions are expected to represent around 10% of all Pix's P2B purchases in 2021, according to calculations by EBANX. In other words, Pix has already captured a significant share of all e-commerce sales, but there is still a lot of room to grow as more merchants start to offer it as a payment method.

Pix on e-commerce

The instant payment already represents 6% of Brazil's online purchases¹

	Volume (USD bn)	Share of total E-commerce
Pix	\$9.5	6%
Debit cards	\$7.2	5%
Digital wallets	\$18.5	12%
Boleto	\$16	10%



“Pix has been boosted by its speed and lower taxes, both for the customer and the merchant.”

Juliana Borges

DIRECTOR OF PAYMENT OPERATIONS AT EBANX

“As merchants learn more about Pix and consumer adoption rises, we can expect it to take share away from bank transfers and Boleto in the long term”, says Lindsay Lehr, Payments Practice Leader at AMI (Americas Market Intelligence).

According to AMI, Pix volumes for online purchases **will nearly double every year**, growing at a 95% CAGR until 2024 – when it is expected to represent 9% of total e-commerce volume.

On e-commerce, the preference for Pix is gaining momentum with merchants due to its lower costs, and with customers due to the **instant and frictionless shopping experience it delivers**.

“Pix has two great features for the online world: real-time confirmation and 24/7 availability”, says André Allain, Vice President of Growth at EBANX. “If one is buying digital products, for example, confirmation is instantaneous. Thus, a merchant can provide access to a service or dispatch a parcel much faster than if the purchase had been made through Boleto [a popular cash-voucher in Brazil].”

From the merchant side, the overall costs and taxes from Pix are also much lower than that of cards and other payment methods, adding up to only a fifth of Boleto's costs, for instance. “Not only are these companies trying to find new ways to encourage the consumer to pay with Pix; they will probably pass along this benefit as a discount for their final customers,” said Juliana Borges, Director of Payment Operations at EBANX.

These are also the main features that attract online consumers to Pix: lower prices and speed, which are helping to deeply improve the shopping experience in Brazil's e-commerce.

¹ Source: AMI (Americas Market Intelligence)

A deep dive into the data

As a leading payments platform in the region, helping to connect global and local companies to the Latin American consumer, EBANX also has plenty of data that helps to better understand the phenomenon of Pix – and its widespread adoption – in the online space.

According to the most recent internal data (from the third quarter of 2021), EBANX's **customers who pay with Pix choose this payment method in about 40% of their online transactions** within our merchant base, showing that Pix is increasingly the preferred payment method among consumers.

For this analysis, EBANX's data team took into account all the online purchases made by around 350,000 unique users who paid with Pix within EBANX's platform through September 2021. These purchases were made with 140 merchants, from all business verticals – mostly retail, but also those in the gaming, travel and digital services sectors.

Once this data was collected, our analysis compared how these users paid for their online purchases after Pix, in Q3 2021, and before Pix, in Q3 2020.

In general, according to this data, **most of the Pix volume came from credit cards** – not surprisingly, the most used payment method in Brazilian e-commerce. Credit cards have lost 28 percentage points of their transactions' share among consumers who use Pix.

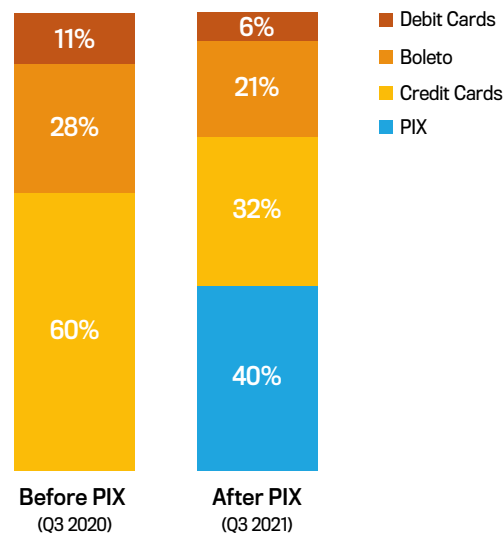
If, "before Pix" (during the third quarter of 2020), these consumers chose credit cards with roughly 60% of their online transactions, by the third quarter of 2021, that preference had shrunk to 32% of purchases.

"The truth is that Pix brings a much more simple payment experience to consumers, especially when compared to a credit card invoice, for example, which is something very complex to deal with for many Brazilians", comments Carréra.

Customers who pay with Pix choose this payment method in about 40% of their online transactions, which shows its increasing preference among Brazilian consumers.

The customers' choice

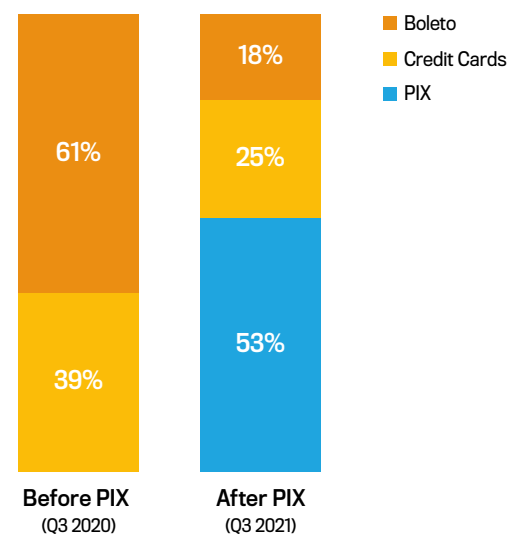
Brazilians choose Pix in roughly 40% of their online transactions¹



¹ This analysis considers the total number of transactions made at EBANX by customers who used Pix, and compares how these same users paid for their purchases before Pix (Q3 2020). The percentages shown in the chart represent the share of each payment method among these users
Source: EBANX internal data

Pix vs. Boleto

When Boleto is offered as a payment option, it's clear where Pix volumes are coming from²



² This analysis considers all transactions made by customers who used Pix at EBANX, but only in merchants that offered both Pix and Boleto as payment options. The chart compares how these users paid for their purchases after Pix (Q3 2021) and before Pix (Q3 2020)
Source: EBANX internal data

The second-most affected payment method, in this same scenario, was **Boleto Bancário**, a hugely popular cash voucher in Brazil. Boleto usage dropped from 28% to 21% of online consumers' preference during 2021, considering the total number of transactions. Debit cards, in third, shifted from 11% to 6% of transactions.

Nevertheless, when **Boleto Bancário was offered as a payment option**, along with credit cards, it becomes clear what Pix is actually going after: within online merchants that offered both Boleto and credit cards, Boleto held around 60% of transactions before Pix – a share that plummeted to only 18% in Q3 2021. In that case, Boleto actually lost 42 percentage points of its preference among consumers, a much higher loss than credit cards.

“It is fascinating to see how consumers have massively shifted to Pix in less than a year. It shows a high level of trust in a brand new payment method, and this is transformational.”

Erika Daguani
VICE PRESIDENT OF
PRODUCT AT EBANX

Will Pix end with Boleto?

For most of the experts interviewed for this study, it is not safe to say that Pix will end with Boleto in Brazil in the short term. Although it has a series of limitations, the cash-voucher is still a very solid payment method with huge adoption across all socioeconomic segments. “But Pix will keep increasing its market share over Boleto because of all its advantages and key features, such as instant confirmation and immediate product availability”, states Allain, from EBANX.

In the opinion of Carréra, though, “Pix will certainly end with Boleto in the long run”, just as it should impact POS payments as well, as the instant payment evolves and gains new features.

Higher value

Purchases made with Pix are 38% higher than ones with Boleto or credit cards¹

Payment Method	AOV (average order value) in BRL
Pix	\$21
Credit card	\$16
Boleto	\$16
Debit card	\$6

¹Source: EBANX internal data | Data from Q3 2021

In terms of **average ticket**, what we have been seeing at EBANX is that the transaction value decreases as the use of Pix becomes more widespread: it is currently at BRL 21 (approximately 4 USD). Nevertheless, Pix's average order value is still 38% higher than the one of credit cards and Boletos, considering Q3 2021 data from the subset above.

In the opinion of Borges, this happens due to the overall purchase experience with Pix, which is better when compared to the other payment methods because of faster settlement, faster delivery, and possible discounts or incentives given by merchants.

Finally, when looking at **recurring payments for digital products and services**, Pix preference is at 15% of transactions, still losing by far to Boleto (which has about 81% of the customers' preference), according to data from Q3 2021. This analysis considers only transactions made within Juno, a Brazilian B2B fintech recently acquired by EBANX, and with a huge portfolio of billing solutions for small and medium businesses in the country.

In this scenario, most of the 300k recurring transactions in Q3 2021 were made by clients who were buying SaaS (Software as a Service) and internet services. What is worth highlighting is that neither Pix nor Boleto actually have recurrence features – but this wasn't an obstacle for small and medium Brazilian companies to offer them as a payment option for small ticket recurrency.

In the case of Boleto, consumers receive a cash voucher every month via e-mail or postal service, which then can be paid through a barcode in any banking app or even physically. For Pix, companies have been using a "Pix copy and paste" feature (which generates a random code for the payment), or a QR Code attached to the Boleto itself, in what is called Pix Cobrança (for payments with a due date).

This scenario should change with the **arrival of Pix with automatic debit**, in the second quarter of 2022, which will allow recurring payments with the instant payment – and what has the potential of attacking Boleto even more.

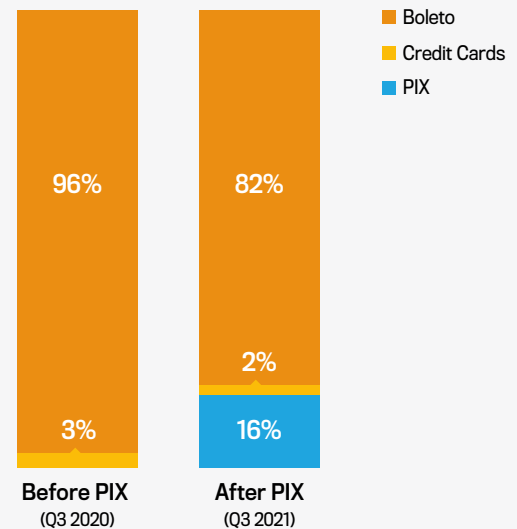
"Pix is a powerful newcomer. Both Pix and credit cards have been competing head to head, and this is exactly what the Central Bank of Brazil wanted: to raise the competition, in order to provide the best experience for the user."

André Allain

VP OF GROWTH AT EBANX

Pix for recurrence

Among SMBs in Brazil, Boleto is still the preferred method for recurring payments¹



¹ This analysis considers the total number of recurring transactions made at Juno. The chart compares how these users paid for their recurring purchases after Pix (Q3 2021) and before Pix (Q3 2020)
Source: Juno internal data

Real-time payments across Latin America

There is no question that the success of Pix in Brazil is sending a really good message to regulators and stakeholders across the region, serving as a **benchmark for other real-time payment experiences in Latin America to emerge**.

In the opinion of Jan Smith, from KoreFusion, there are a lot of **lessons learned** from the Brazilian experiment: launching with P2P payments, getting early involvement from all possible stakeholders, developing a roadmap of functionalities, offering a degree of interoperability, and being open to feedback across the board are some of them.

This is what is happening in Argentina, where the government-backed instant payments system **Transferencias 3.0** is bringing the QR interoperability to the market by the end of 2021. According to Ignacio Carballo, Payments Practice Southern Cone Affiliate at AMI (Americas Market Intelligence), “this will make digital payments and the whole financial sector in the country much more dynamic”.

But there is still the question of why other experiences such as Pix have arisen and yet not succeeded in the region. Take the example of **CoDi, in Mexico**: meant to be a cash substitute, the instant payment system has been available since 2019, but it was **deeply impacted during the pandemic**¹ since it was not meant for the online experience – differently from Pix, which was built from the start with the online experience in mind.

Even being an initiative led by the regulator, CoDi also failed in bringing onboard consumers, banks, and small and large merchants, having a lack of participation which also affected its adoption. “The Mexican government has been very stubborn about getting feedback from the private sector, incorporating interoperability standards, bringing in more players into the fold and adapting CoDi to the needs of merchants”, states Smith.

In **Colombia, PSE** (Pagos Seguros en Línea), a real-time bank transfer, **emerged with relative success**² after very deliberate efforts from the country’s government, which offered tax incentives for companies to accept it. The instant payment was developed by ACH Colombia (the national clearinghouse) for the online environment and reached a 25% share of Colombian e-commerce in 2020, thanks to the forced digitization with the pandemic. In 2021, it is expected to reach almost 27% of the country’s e-commerce, according to AMI.

“PSE got traction to pay taxes and bills, cases where the merchant didn’t want to pay credit card fees. And it expanded from there, being stronger in services and digital goods”, says Lindsay Lehr, Payments Practice Leader at AMI.

Although both experiences still cannot be compared to Pix, in terms of its widespread adoption and relevance, they all point out to a strong possibility that real-time payments will **help initiate a larger, open-loop digital payments ecosystem in Latin America**, combining digital wallets, Buy Now Pay Later solutions, merchant financing, loyalty programs, better online shopping experiences, and even cross-border payments into one seamless environment. It is a future to look forward to – and one that might be just around the corner.

Pix is sending a really good message to regulators across LatAm, serving as a benchmark for other real-time payment experiences to emerge in the region.

¹ <https://labsnews.com/en/articles/business/codi-mexican-instant-payment-system/>

² <https://www.betterthancash.org/news/boton-pse-ha-transformado-el-panorama-de-pagos-en-colombia>

An international hub for instant payments

One of the most expected features of Pix down the road is its international roadmap. The Central Bank of Brazil has already stated that it is **looking to enable international transfers**¹ within the Pix ecosystem, spurring the adoption of digital payments in the country.

For Jan Smith, partner at KoreFusion, this could turn Pix into a Latin American hub for instant cross-border payments, once it allows international remittances across the region. Along with that, international players eyeing the e-commerce hypergrowth in the region are also **partnering with local companies** to better seize this opportunity.

L A T I N
A M E R I C A

The private-led instant payments

Although Pix is the most remarkable example of an instant payment method in Latin America, there are other real-time experiences led by private institutions across the region, with relative success especially for P2P payments. This is the case of **Yape**, in Peru, an app launched by the country's largest bank, Banco de Crédito del Perú (BCP). The app already has over 6 million users, or 60% of the country's banked population, and is used even for government aid. Peru also has **PLIN**, owned by the fintech YellowPepper in partnership with Peruvian banks BBVA, Interbank, and Scotiabank. Both allow instant transactions through their apps 24/7, with no charge. Colombia has **Transfiya**, a real-time payment led by the fintech Minka and ACH Colombia (the country's clearinghouse, same institution behind PSE), which reduced the cost of bank transfers for Colombians from 2-5 USD per transaction down to zero.

¹ <https://www.bloomberg.com/news/articles/2021-10-06/pix-mobile-payment-how-brazil-s-central-bank-launched-platform>

² <https://content-na1.emarketer.com/brazil-s-pix-hits-110m-users-milestone-that-may-entice-global-partnerships>

CHAPTER 2.2

Alternative payments remain huge – and are now increasingly digital

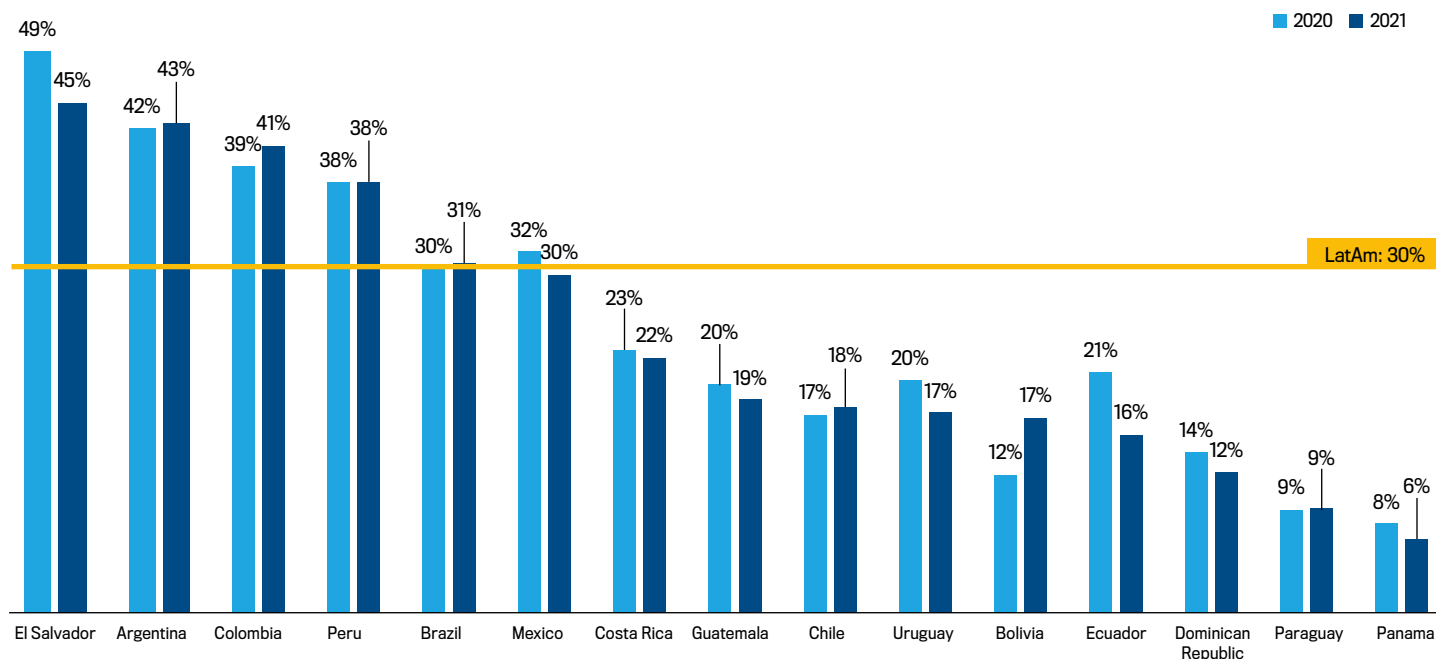
AFTER MILLIONS OF LATIN AMERICANS entered the financial system for the first time during the pandemic¹, and with the fast growth of credit and debit card penetration across the region, one would think that it would be a downhill road for Alternative Payment Methods, or APMs – basically, everything that is not a card.

Nevertheless, new data from AMI (Americas Market Intelligence) based on 15 economies within Latin America show that **the APM's share on e-commerce is expected to remain high in 2021**, reaching 30% regionwide and even increasing in some countries, such as Colombia (41%), Argentina (43%) and Bolivia (17%).

Everything but cards

Alternative payment methods remain strong on LatAm's e-commerce²

* share of Alternative Payment Methods as a % of total e-commerce volume



¹ <https://www.mastercard.com/news/latin-america/en/newsroom/press-releases/pr-en/2020/october/digitalization-in-latin-america-40-million-people-in-the-region-became-financially-included/>

² Source: AMI (Americas Market Intelligence)

For Juliana Borges, Director of Payment Operations at EBANX, **the main reason why APMs remain so important in LatAm is a cultural one**: across the region, the level of trust in financial institutions is still quite low, due to high taxes and interest rates.

“The reality is that alternative payments are fighting for a slightly less prestigious customer base. These people have embraced alternative payments because they have been locked out of the credit card and banking world. That is where innovation needs to go – to service the underbanked”, comments John Price, managing director and founder at AMI.

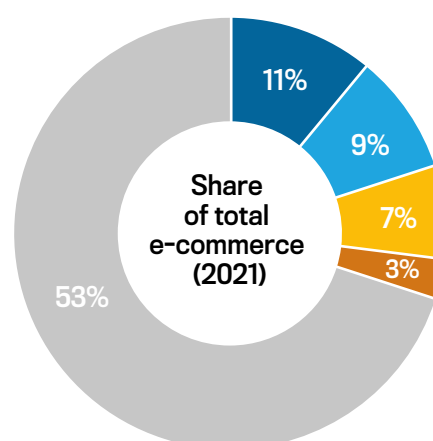
Jan Smith, partner at KoreFusion, a strategy consulting and M&A advisory firm specialized in payments and financial services, believes that **banking penetration has not changed much** in the last five years in the region. “We still have enormous challenges of getting banking penetration beyond 40% of the population, into the lower and middle socioeconomic segments. This is part of the reason why alternative payments remain strong”, he says.

According to him, the bancarization brought by the pandemic is quite relative, as countries such as Brazil and Mexico still have enormous levels of banking inactivity, particularly for debit cards, above the 50%.

The most preferred APMs in Latin America

Digital wallets outranked cash-based payments in LatAm’s e-commerce¹

Payment type	Annual growth
Bank transfers	107%
Wallets	40%
Other	17%
Cash-based	11%
Cards	37%



“We still have enormous challenges of getting banking penetration beyond 40% of the population, into the lower and middle socioeconomic segments. This is part of the reason why alternative payments remain strong.”

Jan Smith

PARTNER AT KOREFUSION

¹ Source: AMI (Americas Market Intelligence) | Based on 15 countries in LatAm, 2021 forecasts

Here is where **the alternative payment methods meet the needs of the underbanked in Latin America**: “APMs bring an opportunity to digitize and include consumers without necessarily relying on a banking relationship. In many countries in Latin America, the adoption of these APMs is so evident because they are easier and faster than a banking option”, says André Carréra, Director of Product Management at EBANX.

In other words, the unbanked and underbanked population remains a heavy user of alternative payments in Latin America, including in the online world – but now, new alternatives are being added to the mix.

“APMs bring an opportunity to digitize and include consumers without necessarily relying on a banking relationship. In many countries in Latin America, they are easier and faster than a banking option.”

André Carréra

DIRECTOR OF PRODUCT
MANAGEMENT AT EBANX

Cash on your phone

While old habits die hard, it is also true that the last couple of years transformed and changed habits in Latin America, where a digital savvy, smartphone-addicted and younger consumer generation was eager to adopt digital payments.

In Latin American e-commerce, if cash-based methods reigned before (having almost a sixth of the total online volume back in 2018), **digital wallets and bank transfers** (mostly real-time payments, such as Pix in Brazil and PSE in Colombia) have started to get traction and are expected to represent 18% of purchases in the region by the end of 2021, as stated by AMI. In other words, we are seeing a **digitization of alternative payments in Latin America**.

Even in Mexico, where cash preference hit 90% levels before the pandemic, consumers are now willing to adopt digital payments on a more day-to-day basis, with cash preference dropping to less than 50% in some scenarios, according to a **recent survey from Banco de México**¹. “Consumers have found digital payments, cards, or e-wallets more convenient, and merchants started to accept card and other digital payments, both online and offline, because it boosts their revenue. In Mexico, that means a lot”, says Smith.

“People have embraced alternative payments because they have been locked out of the credit card and banking world. That is where innovation needs to go – to service the underbanked.”

John Price

MANAGING DIRECTOR
AND FOUNDER AT AMI



¹ <https://www.banxico.org.mx/billetes-y-monedas/estudios-e-indicadores/%7B0A02FA1C-9507-B9D2-AB2E-DC31F3465119%7D.pdf>

“Cash won’t be abandoned any time soon, but this kind of payment method like Pix, cheaper and more accessible, is the key for the mass adoption of digital payments”, stresses Carréra.

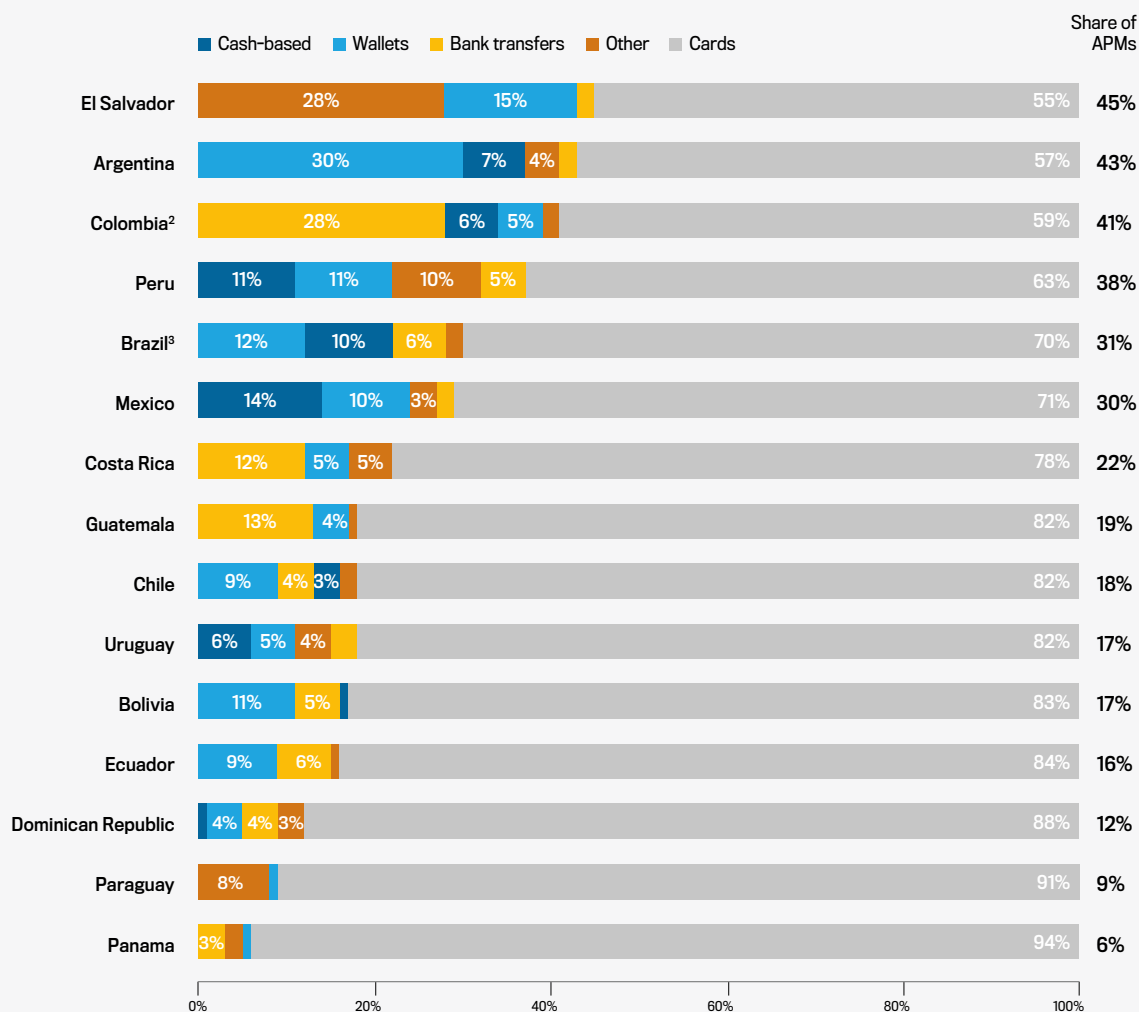
It is not a coincidence that both digital wallets and instant payments, two of the fastest-growing payment methods in Latin America (see Chapter 2.3 for further information), heavily **rely on smartphones and interoperability**, being able to connect multiple services, functionalities, and players all in one ecosystem. This ease-of-use is what has been driving consumers to new digital payment methods, especially in LatAm, where the credit card penetration is still low.

“Digital wallets, for example, have been working hard on features such as cashback, which is something that Boleto doesn’t offer. Many times, the feeling that people have when migrating to digital wallets is that they are not attached to any bank”, says Borges, from EBANX.

Again, the idea of **alternative payment methods becoming a full ecosystem** – just like what is happening with Pix, in Brazil – arises. “At some point, I think APMs will migrate to open-loop ecosystems, with interoperability standards, which will create a whole new level of embedded finance and payments opportunities – because of the richness of these solutions”, analyzes Smith, from KoreFusion.

Where APMs matter the most

LatAm countries ordered by their share of alternative payment methods on e-commerce¹



¹ Source: AMI (Americas Market Intelligence), forecasts for 2021
When referring to bank transfers: ² includes PSE ³ includes Pix

CHAPTER 2.3

The rise of digital wallets and debit cards

IN A GROWING DIGITIZED ENVIRONMENT, e-commerce in Latin America has paved the way for the **emergence of new payment stars**, which have been increasing their share over cash-based payments in the last couple of years.

The most obvious one, of course, is **Pix**, the Brazilian instant-payment system (see Chapter 2.1 for further information) mainly responsible for bank transfers to double their size in Latin American e-commerce, according to AMI's (Americas Market Intelligence) forecasts for 2021. Pix itself had a 67 fold increase in 2021, reaching 5% of Brazil's e-commerce market.

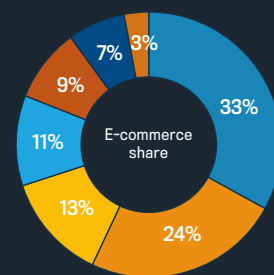
Two other payment methods, however, stand out in LatAm: in 2020, **debit cards** outranked cash-based methods in Latin America for the first time, becoming the third payment method in the region's e-commerce. In 2021, it was time for **digital wallets** to reach the top 4, surpassing cash payments.

The rising stars

Debit cards and bank transfers are among the fastest-growing payment methods in LatAm's e-commerce¹

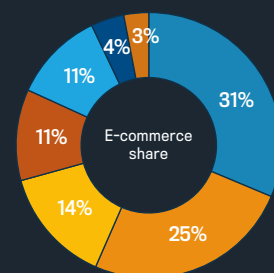
2021

Payment Type	Annual growth	Volume (USD bn)
Bank transfers ²	107%	\$19.1
Domestic credit cards	44%	\$95.4
Wallets	40%	\$33.4
Debit cards	32%	\$38.6
International credit cards	30%	\$68.9
Other	17%	\$8.5
Cash-based	11%	\$26.9



2020

Payment Type	Annual growth	Volume (USD bn)
Debit cards	48%	\$29.3
Other	31%	\$7.3
Wallets	21%	\$23.8
Domestic credit cards	20%	\$65.8
Bank transfers	13%	\$9.2
International credit cards	10%	\$53.1
Cash-based	-4%	\$24.3



¹ Source: AMI (Americas Market Intelligence)

² Includes Brazil's Pix and Colombia's PSE

The digital wallets powerhouse

Now the fourth most relevant payment method in Latin America's e-commerce, with 11% of all online transactions, digital wallets are having an enormous uptake across the region, helping to bring new people to e-commerce and becoming a hub for financial services and shopping experiences.

"There are no doubts about what wallets have brought to Latin America in terms of **payment ease, better user experiences, and easy onboarding**", states André Allain, Vice President of Growth at EBANX. "Wallets were conceived for the mobile experience, and their success is attached to greater adoption of e-commerce. Also, the purchase process at the checkout is straightforward and with instant confirmation of the payment."

For Allain, the growth of **subscription services** across LatAm, especially when it comes to digital services such as streaming, delivery apps, and online classes, also helps to explain their rise (see Chapter 4 for more information). On retail, though, most of the volume still come from closed-loop ecosystems, with wallets such as Mercado Pago (from the regional giant Mercado Libre) and Ame (owned by the Brazil-based retailer Americanas), in addition to PayPal (used for cross-border purchases across the region) and other smaller examples.

"As these wallets grow their ecosystems, they are starting to have more presence. Because just a purely fintech wallet is not so much directly integrated with merchants", says Lindsay Lehr, Payments Practice Leader at AMI.

The Argentinian example of **Mercado Pago** is an interesting one: the fintech arm of e-tailer Mercado Libre now has multiple experiences within it, such as cashback, loyalty program, transportation tickets and consumer financing, besides the shopping experience itself. It became a dominant player in the e-commerce space in Argentina, pushing the digital wallets to a 30% share in the country – by far, the largest in LatAm.

When it comes to the **customer experience**, wallets also offer a safer place for Latin Americans to store their personal and financial information, with more customization and ease of use than other payment methods. "People feel secure", says Lehr.

Additionally, e-wallets are undoubtedly **bringing new people into e-commerce in LatAm**, mostly because they don't necessarily have to go through a banking decision. "In countries like Argentina, Mexico and Colombia, we saw 30% of small and medium businesses seeking an online presence during the pandemic, with 15% of these beginning to accept online payments – and a lot of this has to do with e-wallets", says Jan Smith, a partner at KoreFusion.

A 2021 study by EBANX showed that almost **75% of purchases made with digital wallets were from new customers**¹ who had never bought from EBANX's merchants.

Of course, there are limitations. Many players in the region are adopting a "cash burn strategy" and aggressively acquiring new clients – sometimes in a direct dispute against banks. "My provocation here is: will this be sustainable?", questions Allain, from EBANX. He personally believes it will depend on the value proposition that each player delivers to its consumer, and how it is compared to the other payment methods.

Digital wallets are undoubtedly bringing new people into e-commerce in Latin America, mostly because they don't necessarily have to go through a banking decision.

40%

Expected growth rate for digital wallets in 2021 across Latin America

\$33.4 USD Bn

Total volume for e-wallets in Latin America's digital commerce in 2021

¹ <https://business.ebanx.com/en/press-room/press-releases/digital-wallets-flourish-in-latin-america-and-bring-new-online-consumers-to-the-region-shows-ebanx-data>

A middle-class payment method

Although not as popular and groundbreaking as digital wallets, **debit cards have gained their share of relevance** in Latin America and became the third payment method in the region's e-commerce in 2020, sustaining this position in 2021, according to AMI data.

With **new authentication protocols** that pushed their enablement on e-commerce, plus the surge of fintech issuers across the region, debit cards are accelerating by an average of 40% in the last two years in LatAm, surpassing cash-based payments.

During the peak of the pandemic, the **distribution of emergency aids** via digital accounts – that came with a debit card – contributed significantly to this payment method becoming more widespread on e-commerce, especially in Brazil. “When the Brazilian government pushed this movement towards debit cards, other financial institutions followed this flow. This accelerated sales, online and offline, with this payment method”, says Juliana Borges, Director of Payment Operations at EBANX.

In addition to that, there was also “a bit of a walk back from credit card users, with people not wanting to go into debt during economic uncertainty and shifting from credit to debit”, adds Lindsay Lehr, from AMI.

#3

Debit cards will be the third-most used payment method in LatAm's e-commerce in 2021

More recently, debit cards have also grown aggressively in **Central American markets** such as Guatemala and Panama, not only because of new players entering the financial system, but because e-commerce itself has expanded significantly in these countries (see Chapter 1.4 for more information).

It has been reaching middle to low-income classes who do not have access to credit cards.

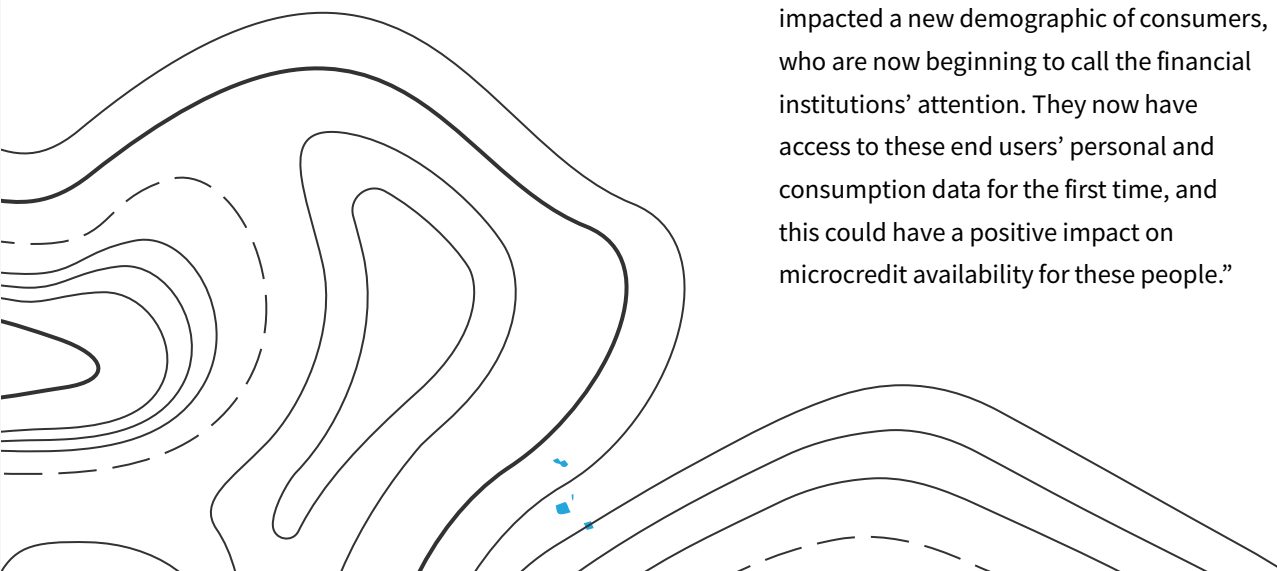
In other words, the growth of debit cards in Latin American e-commerce shows that **it is not just the upper class who is buying online**. Among the new debit card users on e-commerce, there are consumers from low to middle income segments, online newcomers and new generations brought in by the fintechs, according to the experts interviewed. Furthermore, consumer behavior has also changed, with people buying groceries and every-day products – items with a lower average ticket that make it more likely to use a debit card.

At the end of the day, the rise of debit cards and digital wallets can also **lay the groundwork for a faster financial inclusion** process after the pandemic, according to EBANX's Borges. “These payment methods impacted a new demographic of consumers, who are now beginning to call the financial institutions' attention. They now have access to these end users' personal and consumption data for the first time, and this could have a positive impact on microcredit availability for these people.”

“Debit cards and e-wallets impacted a new demographic of consumers, who are now beginning to call the financial institutions' attention. This could have a positive impact on microcredit availability for these Latin Americans.”

Juliana Borges

DIRECTOR OF PAYMENT OPERATIONS AT EBANX



THE PIX REVOLUTION IN BRAZIL



ALTERNATIVE PAYMENTS REMAIN HUGE - AND ARE NOW INCREASINGLY DIGITAL



REAL-TIME PAYMENTS ACROSS LATIN AMERICA



CHAPTER 03

It's a hybrid new world for marketplaces

Why local e-commerce titans are becoming global, and why international players are going local in Brazil

IT'S BEEN ALMOST TEN YEARS since the first international retail e-commerce titan landed in Latin America, with the arrival of AliExpress, from the Chinese behemoth Alibaba Group, in Brazil. Since then, dozens of global players have dove into this territory, gaining the loyalty of consumers in the region, and are now exploring a new path: going hybrid.

In the largest markets in LatAm, companies such as the US-based Amazon and Asian marketplaces **Shopee** and **AliExpress** are increasingly attracting domestic sellers to their platforms – in some cases already having more national than international sellers in Brazil, according to new data provided for EBANX by **Crawly**, a data intelligence company specialized in the development of robots for data collection and structuring.

In response, local retailers are launching their own 'international shelves', with players such as **Americanas**, **Casas Bahia**, and **Mercado Livre** already having up to a fifth of their products being international offerings in Brazil.

This points to a new trend in Latin America: the hybridization of retail marketplaces, which is amplifying the product range offered in their platforms, attracting small and medium businesses and entrepreneurs to the digital world, and allowing global and local players to compete head-to-head for Latin Americans' preference.

“At the end of the day, through technology, everyone can be domestic, everyone can be international – so there is not so much a divide. It is a two-way street.”

Lindsay Lehr

PAYMENTS PRACTICE
LEADER AT AMI (AMERICAS
MARKET INTELLIGENCE)

“At the end of the day, through technology, everyone can be domestic, everyone can be international – so there is not so much a divide”, says Lindsay Lehr, Payments Practice Leader at AMI (Americas Market Intelligence) “It is a two-way street.”

The data gathered by Crawly shows the strength of this trend in Brazil – the largest e-commerce market in the region and a benchmark for other LatAm countries.

Through web crawling, data scraping and data analysis, the company analyzed the

full range of products offered by six different marketplaces in Brazil (half of them international and half local), in early September 2021 – AliExpress, Shopee, Amazon, Mercado Livre, Americanas and Casas Bahia. The compilation considered the first hundred product pages in each website (as the most relevant products are within these pages), and divided both products and sellers into domestic versus international. Overall, more than 750,000 items, sold by more than 230,000 sellers, were considered in this analysis.

At this point, data showed that this hybridization trend is definitely **stronger among international marketplaces**. The share of Brazilian sellers within these platforms reaches 28% overall – and, most importantly, local sellers are already responsible for 64% of the products available to the Brazilian customer.

“This is happening because Latin America is such a fast-growing region that international merchants not only want to sell cross-border, but they see the potential of the local market and then make this transition”, says Lehr, from AMI.

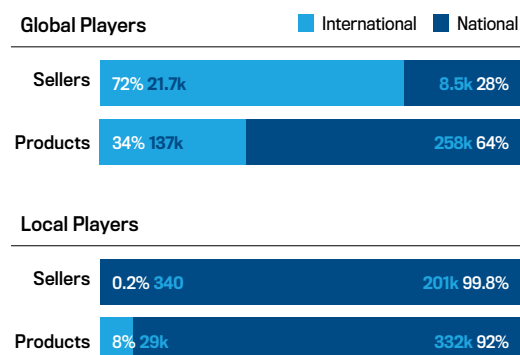
Among **local marketplaces**, the share of international sellers is small, reaching less than 1% overall, although they already account for 8% of the products offered by the three players considered for this analysis. However, recent partnerships announced by companies such as Via and Americanas are aimed at expanding their international offerings and have the potential to change this in the short term.

Global marketplaces are increasingly attracting domestic sellers to their platforms in Brazil – in some cases already having more national than international sellers.

In response, local retailers are launching their own 'international shelves', with players having up to a fifth of their products being international offerings.

Global vs. local

International marketplaces are bringing in local sellers, and domestic players are investing in imported goods¹



¹ Source: Crawly (data from September 2021, provided for EBANX) | Considering products announced in six different marketplaces (AliExpress, Amazon, Shopee, Americanas, Casas Bahia and Mercado Livre) in Brazil

Global going local

In the opinion of Lehr, global marketplaces are following the footsteps of big local players in LatAm, bringing third-party sellers to their platforms and investing in financial services combined with the shopping experience itself. “These big local players in LatAm are showing that there are still a lot of unpenetrated opportunities to continue to expand, since they are growing at 30% to 50% year over year.”

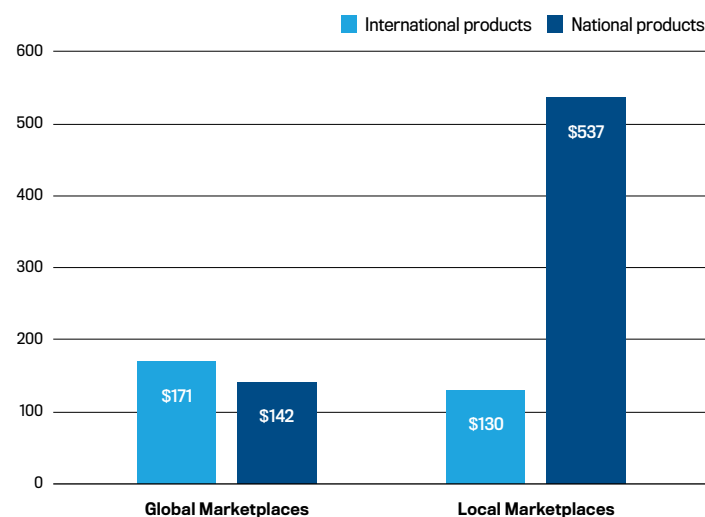
When it comes to price, in general, national products are cheaper than the international ones in global marketplaces, at least in the case of the three companies considered for this analysis. The average price for national items was BRL 142, versus BRL 171 for international options, according to data from Crawlly. This also leads to the **hypothesis of an economic factor** involved in the global players’ decision of opening their platforms to local sellers – so they can offer cheaper options to their consumers and, even more, with cheaper and faster delivery.

The Singapore-based **Shopee** already said that it now has [more domestic sellers in Brazil than cross-border sellers](#)¹. **AliExpress**, on the other hand, has recently opened its platform to local sellers in Brazil (for the first time in the Americas), with very competitive rates and [free shipping for national orders over BRL 50](#)². At the same time, the global behemoth **Amazon** is doubling down on attracting more domestic sellers to its platform, having recently launched [logistics and loyalty incentives for Brazilian third-parties](#)³ to sell in its marketplace.

The pricing factor

Going hybrid, for both local or international marketplaces, help them to lower their prices⁴

Average product price, as announced, in BRL



Ariel Patschiki, CPO (Chief Product Officer) at EBANX, believes that this phenomenon has a lot to do with global retailers’ maturity stage, after spending so many years in the local market in Latin America. “Not only the shopping experience improved, in terms of logistics, payments, inventory – but the level of trust in these retailers also increased”, he says. “Maybe, in the near future, consumers will not even be concerned about where the product is coming from, if it’s imported or not. Because the level of trust in these international companies will be extremely high.”

¹ <https://www.reuters.com/technology/singapore-shopee-changes-game-brazils-e-commerce-sector-2021-08-30/>

² <https://labsnews.com/en/news/business/aliexpress-brazil-allows-payments-via-pix-and-opens-the-marketplace-for-brazilian-sellers/>

³ <https://exame.com/pme/amazon-lanca-servicos-pmes-venderem-mais-eua/>

⁴ Source: Crawlly (data from September 2021, provided for EBANX) | Considering products announced in six different marketplaces (AliExpress, Amazon, Shopee, Americanas, Casas Bahia and Mercado Livre) in Brazil

Local going global

Although not in the same rhythm, big local marketplaces are also increasingly investing in international offerings. According to data from Crawly, this is not yet such a widespread strategy, since the share of global products in the three Brazilian marketplaces analyzed by this study is still at 8%. Nevertheless, there is definitely room to grow, given that less than 1% of sellers registered in these platforms are considered international, as stated by Crawly.

Akin to what is happening in global marketplaces, the arrival of international offerings in local big players in Brazil is also **contributing to lower prices**: in this case, according to data from Crawly, international products announced on these platforms cost an average of BRL 130, versus BRL 537 for national products. This huge price difference happens because of the distinct profile of international and national items. National offerings include high-ticket products such as home appliances and electronics, while some international items sold in these three marketplaces are low-cost, like Christmas ornaments or books.

For the moment, local titans seem to be kicking off their international expansion by investing in specific partnerships. This is the case of **Via**, one of the biggest retailers in Brazil (owner of Casas Bahia and Ponto), who has recently closed an **agreement with the Uruguayan gateway nocnoc**¹, connecting the marketplace with over 70,000 imported products from China and the United States.

But it will be a matter of time for local players to have a more significant share of international products. **Americanas**, for instance, has invested in **weekly chartered flights from China**² and is already delivering international packages from Asia within 11 days. Now, the company is **opening a second office in China**³, in the city of Shenzhen, specifically aimed at increasing imports.

“In general, international players will have some best practices that the local players don’t have, and vice-versa, so everyone can learn from each other”, says Lehr, from AMI.

More than this, for Patschiki, local marketplaces going global can also open the way for the rise of regional giants expanding within Latin America – with the arrival of new ‘Mercado Libres’.



¹ <https://labsnews.com/en/news/business/brazilian-retail-group-via-launches-imported-products-with-delivery-within-15-days-in-its-marketplace/>

² <https://labsnews.com/en/news/business/americanas-international-packages/>

³ <https://exame.com/negocios/americanas-cria-centros-de-distribuicao-e-reforca-entrega-em-ate-meia-hora/>

A digitized region

In addition to the battle for consumers and market share, the initiative of global and local players in bringing in third-party sellers to their marketplaces is also contributing to SMBs (small and medium businesses) and entrepreneurs across Latin America to go online.

Magazine Luiza, for example, recently reached the milestone of **100,000 third-party sellers on its platform**¹, with 40% of them being SMBs or the so-called “Magalu partners” – a program that was launched during the pandemic in Brazil and proved to be an important part of the company’s strategy. The same mark was **reached by Via**², at an impressive growth rate, since the company had only 10% of this number at the beginning of 2021.

International companies are also embracing the goal of **bringing small businesses to the online space**: “We will not only be able to serve Brazilian consumers, but also contribute with our technology to the growth of small and medium businesses in Brazil, the development and digitization of the Brazilian economy”, **said**³ Yaman Alpata, Head of AliExpress Marketplace in Brazil, driving the launch of its platform to local sellers.

The initiative of bringing in third-party sellers to marketplaces is also contributing for small businesses and entrepreneurs across Latin America to go online.

As this study already showed in its first chapters, e-commerce will not fade out in Latin America, and this should be reinforced by more merchants going online, including the small ones. “These small and medium businesses had to go online during the pandemic, but not always in a very organized way”, says Alexandra Stamous, partner at Punto Kardinal, a Mexican market research agency. “They are still not capable of providing uniform services in terms of logistics or payments, for example.” Giant marketplaces have then an opportunity of bringing more businesses online and expanding their addressable market in the region.

¹ <https://labsnews.com/en/news/business/magalu-partner-selles/>

² <https://labsnews.com/en/news/business/via-surpasses-100000-third-party-sellers-and-bolsters-its-marketplace-strategy/>

³ <https://www.consumidormoderno.com.br/2021/08/24/aliexpress-plataforma-para-brasileiros/>

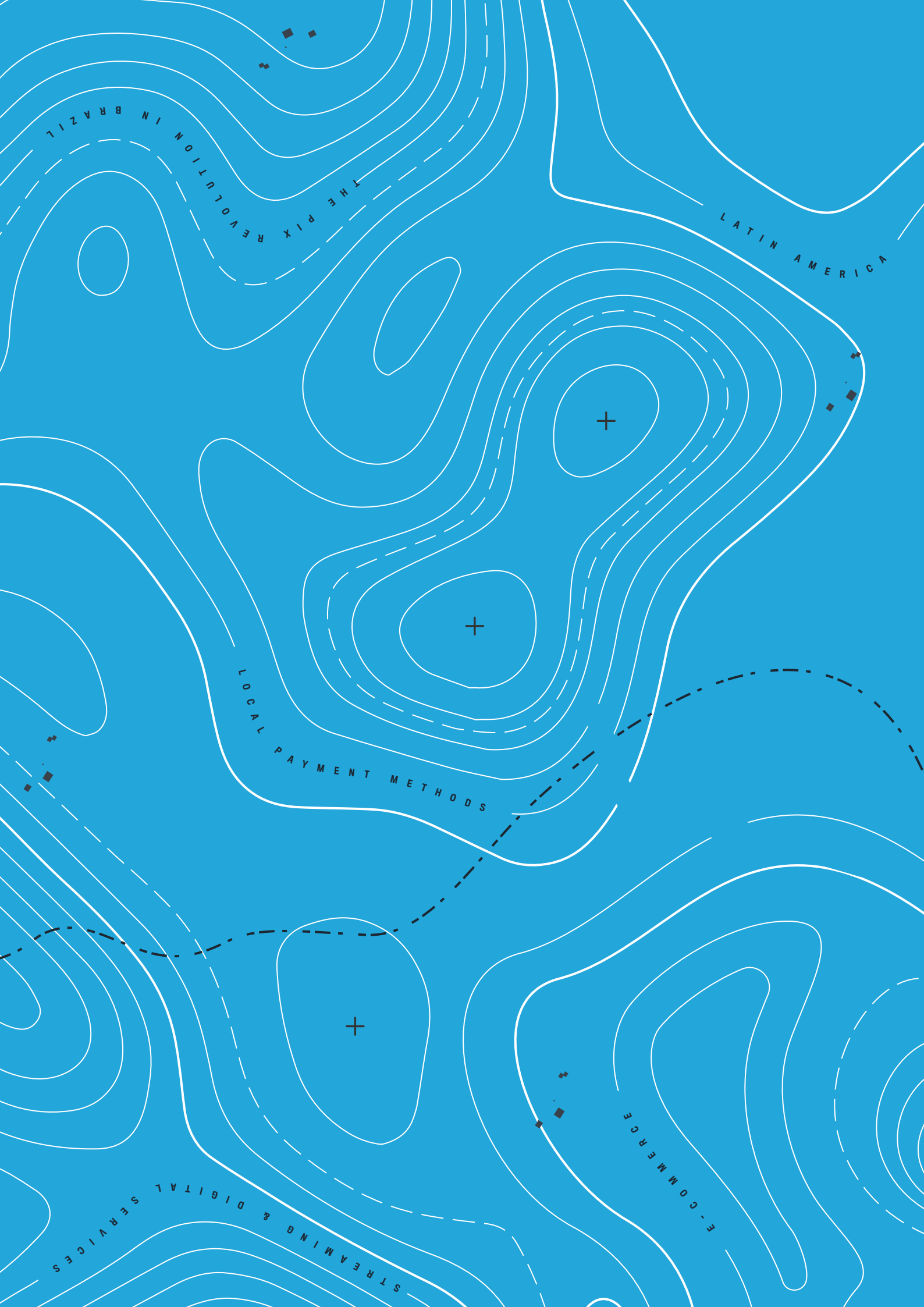
THE PIX REVOLUTION IN BRAZIL

LATIN AMERICA

LOCAL PAYMENT METHODS

STREAMING & DIGITAL SERVICES

E-COMMERCE



CHAPTER 4

Latin America is key for streaming players to grow

MARKED BY INTENSE USE OF THE INTERNET AND MOBILE DEVICES, Latin America will be the **key to sustained growth for global streaming players** over the next few years. With the United States and Europe nearing a saturation point, international markets should lay the groundwork for growth with LatAm at the forefront of this process.

According to a study provided for EBANX by **Netscribes**, a global data and insights firm, the Latin American streaming market is the **second fastest-growing in the world, both for video and audio**, just below Asia and the Middle East, but significantly ahead of Europe and North America.

In 2021, Latin America is projected to grow 21% for video streaming and 20% for audio, reaching a 7 Billion USD market by the end of the year – which will make it the fastest-growing region worldwide in audio streaming.

Bhavna Chandna, senior analyst from Netscribes, points out that the demand for streaming services in Latin America is not only growing due to a behavior shift pushed by the pandemic, with more people looking for entertainment options at home – but mainly, thanks to the **higher penetration of internet services**, both fixed and mobile, across the region.

“This is what has been driving growth in the streaming market in Latin America. The pandemic was just another push, and all of that, combined with the arrival of 5G technology in the region, will further drive streaming

Latin America streaming market is the second fastest-growing in the world, both for video and audio, just below AME (Asia and the Middle East).

services penetration”, says Chandna.

As in other verticals of Latin American e-commerce, **investing in mobile is strategic**.

By 2025, smartphones are expected to account for 80% of all internet connections in the region, according to a [GSMA study](#)¹.

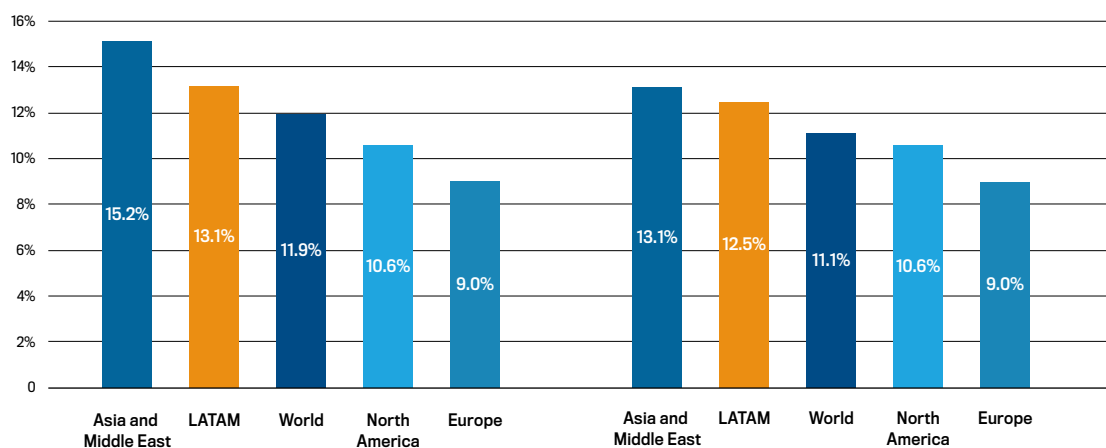
A [survey conducted by Penthera](#)², with consumers in Brazil, Mexico, Colombia and Argentina, shows that 90% of them use their phone to consume audio or video streaming content, a much higher preference than for connected TVs (70%) or desktops (65%).

Digital-savvy

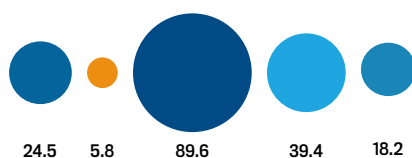
Latin America is already the second fastest-growing streaming market in the world³

Video streaming market

CAGR (2020-2025)

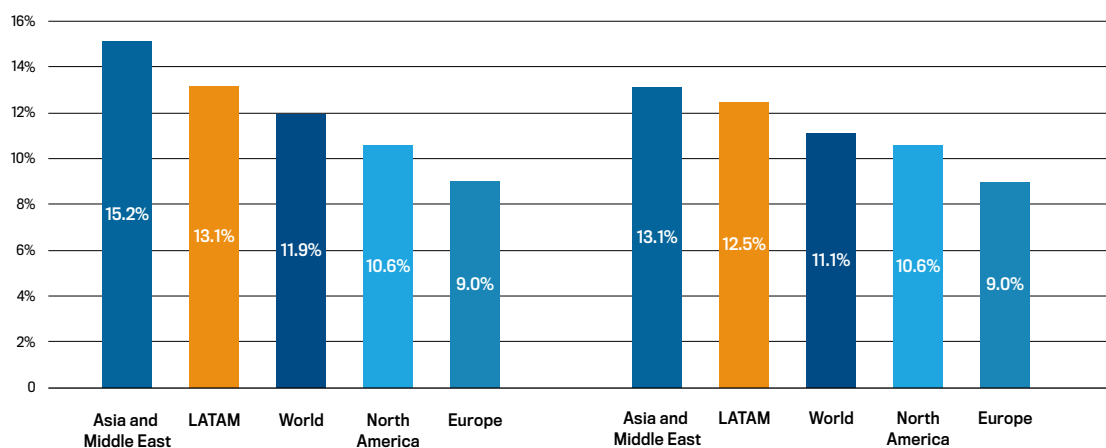


Market size (USD bn)

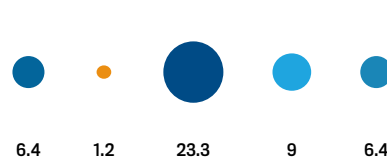


Audio streaming market

CAGR (2020-2025)



Market size (USD bn)



¹ https://www.gsma.com/mobileeconomy/wp-content/uploads/2020/12/GSMA_MobileEconomy2020_LATAM_Eng.pdf

² https://dataxis.com/wp-content/uploads/2021/06/Penthera-Latin-American-Insights_Q1_21_-English.pdf

³ Source: Netscribes | Market size data: 2021

A window to the world

Most used devices by Latin Americans for video and audio streaming services¹

Device	Usage
Smartphones	90%
Connected TV	70%
PC/laptops	65%

Mobile is decisive

Most important factors for Latin Americans to choose a video streaming service²

Reason	Usage
Having a mobile app	40%
Ease of use	15%
Availability of shows and movies	12%
Download videos to phone or tablet	11%

^{1,2} Source: Penthera Latin America Streaming Behavior Survey (2021)

¹ Survey conducted with consumers from Brazil, Mexico, Colombia and Argentina

The same survey shows that, while deciding on the subscription video service, 40% of Latin American users believe mobile app is the most important factor, followed by ease of use (15%), and availability of movies and shows (12%). It is not a coincidence that HBO Max has a specific [subscription plan for mobile devices](#)³, tailored for the Latin American market. Other players are also looking into it, with Netflix having launched a [free Android mobile plan in Africa](#)⁴.

In Chandna's opinion, the user experience across devices, like smartphones, tablets and smart TVs, is likely to encourage the demand for streaming in LatAm.

Investing in mobile is strategic: by 2025, smartphones are expected to account for 80% of all internet connections in Latin America.

The video streaming battlefield

When it comes to the competition, Latin America has been remarkably flooded by new global participants. Just in the last few months, Disney+, Star+, HBO Max, Discovery and Paramount Plus were some of the services that announced their debut in the region, eyeing its huge potential.

Slower subscriber growth in more mature markets, such as the United States and Europe, helps to explain this movement. Recently, both Netflix and Disney+ seemed to have [reached a saturation point in subscriptions in North America](#)⁵, with their [number of paid users stalling](#)⁶. In the meantime,

in Latin America, video streaming subscriptions are expected to reach 76 million by the end of 2021 – up from 53 million, a 43% growth year-over-year, [according to Digital TV Research](#)⁷.

All of this is also leading to **fierce competition in LatAm**. If, up to two years ago, Netflix was the absolute leader in video streaming services in the region, the company is now expected to end 2021 with a 50% market share in Latin America, followed by Disney+ (21%), HBO Max (19%), and Amazon Prime Video and Viacom CBS (10% each), according to Netscribes primary research.

³ <https://labsnews.com/en/news/business/hbo-max-arrives-in-latin-america-on-june-29-with-a-subscription-starting-at-3/>

⁴ <https://www.theverge.com/2021/9/21/22685091/netflix-free-android-plan-kenya>

⁵ <https://www.fool.com/investing/2021/10/21/3-warning-signs-in-netflixs-earnings-report/>

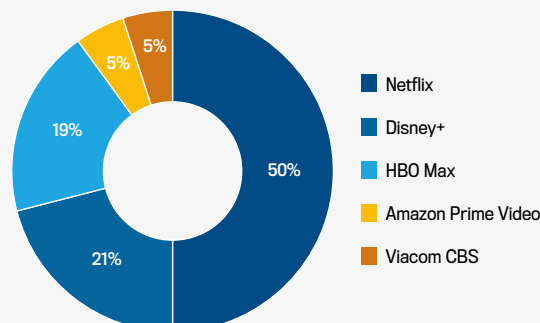
⁶ <https://variety.com/2021/digital/news/disney-plus-slowdown-q4-subscribers-bob-chapek-1235070370/>

⁷ <https://www.digitaltvresearch.com/products/product?id=>

The entry of global streaming players has also been accompanied by investments in **exclusive and local content**, which not only help companies to attain market share, but should boost the demand for streaming services within the region. Just around the corner, the addition of live and regional sports content to the catalog, as well as the launch of tailored sports services in the region, will push further the growth of the industry.

Heated competition

Share of video streaming market in Latin America, by player¹



Audio and podcast boom

Although a significantly smaller market than video streaming, audio streaming services in Latin America registered the **world's fastest-growing rate in 2021**, at 20% YoY. An expanding media and entertainment industry across the region, increasing penetration of smart devices, and improved internet connectivity were the main growth drivers, according to Netscribes' analysis.

“The Latin American region delivered more growth than we were expecting. Today, it is a pretty large market for us, and so far it has been providing good growth.”

Daniel Pakuschewski

HEAD OF PAYMENTS FOR
LATIN AMERICA AT SPOTIFY

Spotify, for example, the region's leading audio streaming platform, said at the beginning of 2021 that **Latin America surpassed expectations²** when it comes to premium subscriptions, at the very time that countries such as Mexico registered a “meaningful contribution” in the number of active users.

“The Latin American region delivered more growth than we were expecting in the beginning [when the company first expanded to LatAm, in 2013]”, says Daniel

Pakuschewski, Head of Payments for Latin America at Spotify. “Today, it is a pretty large market for us; we are processing across the region, and so far it has been providing good growth.”

Just as in the video streaming industry, audio streaming players are also focusing on enhancing the customers' experience by **investing in local content**. Companies have started **teaming up with both emerging and established artists³**, in different countries of Latin America, to **create live concerts, new songs and exclusive audio content⁴**.

Podcasts have also been a high bet in the region: for Spotify, original podcast shows received “notable traction in Latin America, where they have been helpful in stimulating new user acquisition”, according to its most recent **shareholders' letter⁵**. Deezer, on the other hand, highlighted Mexico and Brazil as **two of its top countries in podcast streaming⁶**, with Mexican listeners spending an average of 40 minutes in each episode.

¹ Source: Netscribes (2021)

² <https://labsnews.com/en/news/business/spotify-first-quarter-results-2021-latin-america/>

³ <https://newsroom.spotify.com/2021-08-24/artist-mano-brown-squares-up-with-brazils-biggest-personalities-on-spotify-original-podcast-mano-a-mano/>

⁴ <https://www.deezer-blog.com/press/el-joven-mexicano-leon-leiden-es-el-nuevo-elegido-para-el-programa-de-talentos-emergentes-deezer-fresco/>

⁵ https://s22.q4cdn.com/540910603/files/doc_financials/2021/q3/Shareholder-Letter-Q3-2021_FINAL.pdf

⁶ <https://www.deezer-blog.com/press/deezer-reveals-listening-trends-for-international-podcast-day-2021/>

Leading markets

Brazil and Mexico are the two largest video and audio streaming markets in the region, followed by **Argentina, Chile** and **Colombia**, according to Netscribes primary research.

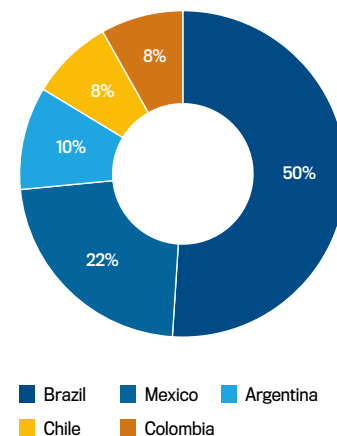
In **Brazil**, there has been a rise in competition with the entry of new players, both in video and audio streaming. This has been pushing players to more sophisticated or aggressive acquisition strategies, with the offer of bundle services in partnership with telecom companies.

Mexico, although quite a smaller market, has been through significant growth. Specifically, the country's appetite for audio streaming is being pushed by an increasing internet penetration among the younger population and a rise in mobile data consumption. "In the wake of the pandemic, Mexico became one of the largest investment hubs for global media streaming players, and around 20% of the Mexican households claim to have more than four streaming services", says Chandna, from Netscribes.

In **Chile** and **Colombia**, the video streaming market is also likely to expand rapidly due to the increasing number of households with broadband connections.

Regional share

Brazil and Mexico are the main streaming markets in LatAm¹



The recurring payments challenge for digital content and services

The lack of **reliable and sustainable payment options for recurring services** is still a challenge in Latin America. When credit cards are only accessible to about a third of the population, and bank accounts to only half of it, how can a streaming service provider make consumers pay for a recurrent subscription?

Bringing **alternative payment methods** into play is crucial. As fintechs and other players implement solutions for recurring engines, APMs are allowing global companies to expand their addressable market in Latin America and to reach consumers who don't have access to credit cards nor bank accounts.

Not many years ago, one of the only options to reach unbanked consumers in Latin America was the Brazilian cash-voucher **Boleto Bancário**. Although the bank slip doesn't have a recurrence feature, which makes the purchase experience quite poor and the conversion rates relatively low, its widespread adoption helped many digital companies to expand to the country. This is what **Spotify** did back in 2014, when it started its operations in Brazil, as well as other companies.

¹ Source: Netscribes (2021)

“At that time, some SaaS companies launched quarterly, biannual and annual plans, which you could Pay As You Go, using Boleto”, says André Allain, Vice President of Growth at EBANX. “Some of these companies reached a range of 5% to 10% Boleto share in their operations – and this is quite something for a recurring service.”

Over the last couple of years, the usage of **credit and debit cards** increased among digital companies in Latin America – since access to these payment methods has expanded across the region (as seen in Chapter 2.3). This has contributed for players to start shifting from alternative payments methods to using cards, which improved the customer experience and contributed to more loyalty, just like what happened to Spotify.

“A large part of Brazilians have a debit card. When we started offering it as a payment method, we increased our user base, and some users have even changed from Boleto to debit card. By enabling them, we had a better user retention rate on our side”, says Pakuschewski.

At the same time, Alternative Payment Methods remain relevant for digital companies, as they are increasingly enabling recurrence features. This is what is happening with **digital wallets**, **real-time payments** and **microlending solutions** in Latin America – which might help to close the gap between underbanked consumers and streaming services in the region.

Wallets such as Mercado Pago and Colombian Nequi are now adopting **tokenization to allow recurring payments**. A method initially adopted by credit cards, this generates a random code, or ‘token,’ that enhances the transaction security and allows recurrence with good approval rates. The difference is that this is being led by fintechs, as opposed to the traditional banking ecosystem. In other words, this makes recurring payments available to the underbanked and unbanked population – who can even use their digital wallets’ balance to pay for digital services, not depending on credit anymore.

“These wallets are borrowing concepts from other payment methods while capturing a new and incredibly relevant consumer segment”, says Allain. “It is a very transformational moment for the industry.”

Mercado Pago, the fintech arm of regional behemoth Mercado Libre, was one of the players who started offering recurring payments through its wallet, looking at an untapped opportunity across LatAm. “The penetration of credit cards in Latin America is still very low. Subscription services were mainly not convenient”, comments Patricio D’Amato, Senior Director at Mercado Pago. “Think about going every month to a physical place to pay for your streaming subscription. That’s simply not convenient. With mobile wallets, now you have your money available [on your fingertips] to achieve either one shot or recurring payments in an online experience. This enables merchants to increase their addressable market among the unbanked population.”

From the merchant side, this also means establishing a **new communication channel with the customer**. Since most wallets are phone-based, companies now have a way of contacting their clients through push

With new recurrence features, Alternative Payment Methods are allowing global digital companies to expand their addressable market in Latin America.

notifications, with alerts on lack of balance or any other problem during the payment processing. “You are basically in your customers’ pockets, on their phones. This is something that almost no other payment method offers”, says Allain.

Microloans have also been used to allow recurring payments in Latin America, by both issuers and merchants – such as the recently launched [Mastercard’s installments platform](#)¹ and other Buy Now, Pay Later solutions. And, in Brazil, **Pix** is expected to launch a solution for recurrence by the half of 2022, which will also take a significant share of the pie for recurring payments in the country. Both methods keep conversion rates high, while not breaking the recurrence chain.

Finally, some streaming players are also **partnering with local telecom companies** in LatAm to use their billing and collection processes for subscribers, creating a bundle offer with low-priced subscriptions and tapping into their existing customer base. This has been happening across the region: in [Mexico](#)², **HBO Max** joined forces with AT&T; in [Costa Rica and Honduras](#)³, **Paramount+** is offering its premium content to Millicom’s cable TV subscribers; and **Disney+** teamed up with several telecom companies in [Argentina](#)⁴ and [Brazil](#)⁵ to offer free trials and bundle services.

Not only does this help companies address the recurring payment issue, but it also is a strategy to compete in a **very cost-conscious market**, where most consumers still prefer to access free content and competition is getting stiff. After all, how many subscriptions fit into a Latin American’s pocket?

In Netscribes’ analysis, streaming players should focus on offering special prices in the region with bulk services or mobile-only plans, as well as bet on ad-supported services to lower their prices.

The cross-border opportunity for digital goods and travel

Among the three verticals considered in this study (retail, travel and digital goods), digital products and services have **the largest cross-border share in Latin America: 13%**, according to figures from AMI (Americas Market Intelligence). In a region with a lack of domestic solutions, global companies with the right localization and pricing strategy have an opportunity to get ahead of the competition and give access to a population eager to consume digital products and services. The cross-border share is higher in underserved markets, such as Paraguay (80%), Bolivia (75%) and El Salvador (70%) – which are also among the fastest-growing digital markets.

¹ <https://labsnews.com/en/news/business/mastercard-bnpl-program/>

² <https://www.att.com/es-us/hbo-max/>

³ <https://www.digitalveurope.com/2021/07/12/paramount-partners-with-millicom-for-latin-america-expansion/>

⁴ <https://institucional.telecom.com.ar/prensa/noticias/nota/flow-integra-a-disney-a-su-plataforma-y-lanza-una-oferta-especial-para-sus-clientes/436>

⁵ <https://tecnoblog.net/380718/vivo-integra-assinatura-do-disney-plus-a-planos-de-celular-e-banda-larga/>



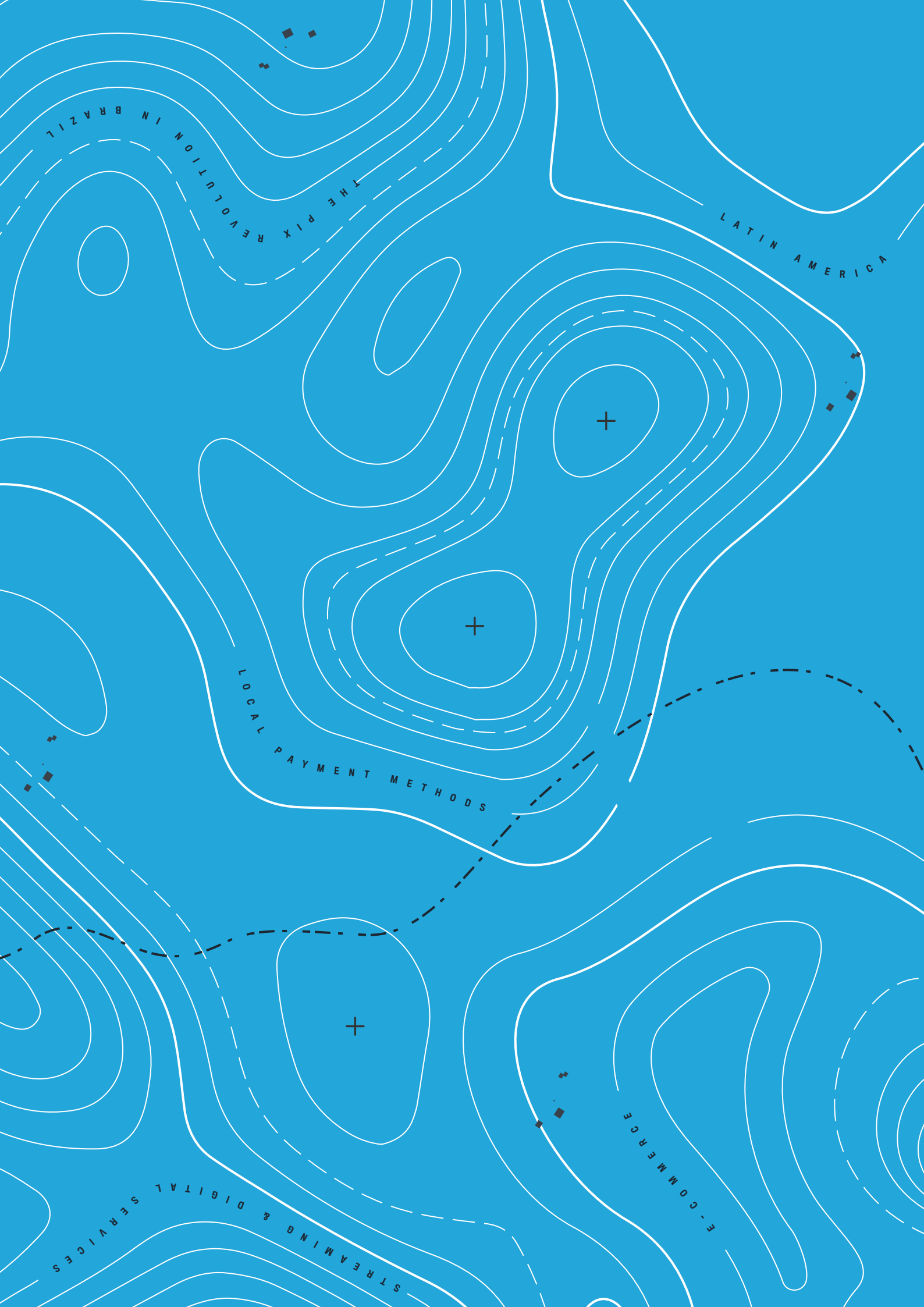
THE PIX REVOLUTION IN BRAZIL

LATIN AMERICA

LOCAL PAYMENT METHODS

E-COMMERCE

STREAMING & DIGITAL SERVICES



CHAPTER 5

How mobile and cloud are boosting the gaming industry in Latin America

AN INDUSTRY THAT IS CURRENTLY GROWING at a double-digit pace and generates a 7 Billion USD revenue in Latin America, according to Newzoo, the gaming market in the region should gain even more steam with two huge transformations ahead: the growth of **mobile gaming** and the arrival of **cloud gaming** in LatAm.

Both are two sides of the same coin, **driven by the significant mobile penetration** and the improvement of internet connectivity throughout the region. First, this led Latin America to have more mobile gamers than the United States, as stated by Newzoo. Now it is opening the market to cloud-based gaming, which has the potential of breaking barriers for Latin American gamers who will be able to access high-quality games through any device.

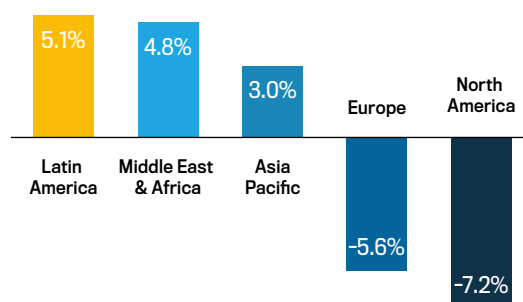
“Both mobile and cloud gaming have a **point of intersection**, when it comes to mobility and accessibility. They target different audiences, they offer different kinds of games, but they converge in many things”, says Roberto Tadeu Rodrigues, Global Digital Services Manager at Telefónica and lead of the company’s strategic partnerships with the gaming industry.

Additionally, mobile and cloud-based gaming have the long-term potential to bring the console gaming experience to a halt – which, in the case of Latin America, would be ground-breaking.

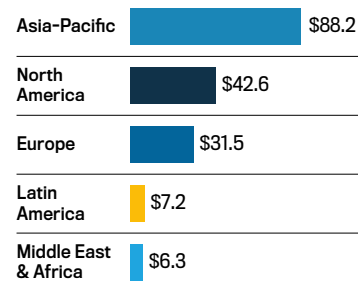
Growth trajectory

Latin America will be the world’s fastest-growing gaming market in 2021¹

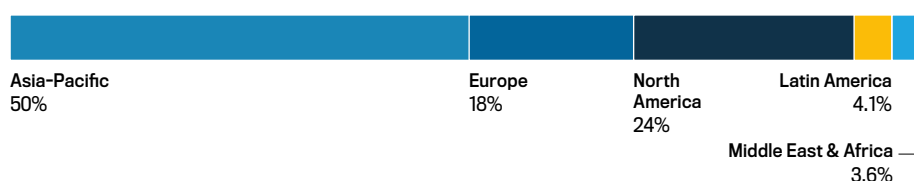
Annual growth



Revenue (USD bn)



Share of total market



Mobile boom

More than half of the Latin American online population – or over 273 million people across the region – play mobile games, according to a [study from Newzoo](#)¹, the leading global provider of games and esports analytics. This is **over 40% of the entire population** in the region, and more than all gaming players in the United States (212 million). If mobile gaming is a global phenomenon, it is safe to say that it is even stronger in Latin America.

“The mobile experience pushed online gaming to **another degree of access** in Latin America”, says Julio Vieitez, Head of Distribution at Garena in LatAm. “You can see people on their phones, playing in the bus, in the subway. Gaming entered into a whole new socio-economic segment in Latin America. In that sense, everyone is now a potential player.”

Garena, the gaming arm of the Asian internet giant Sea Limited, was one of the firsts to explore the mobile market in Latin America. The company is the publisher of Free Fire, a battle royale game that was the most downloaded game globally in 2020 – and is especially popular in LatAm.

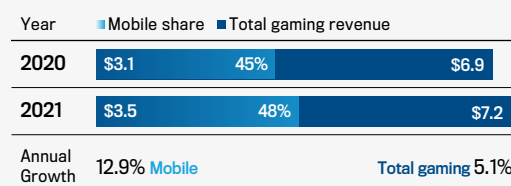
“The mobile experience pushed online gaming to another degree of access in Latin America. Everyone is now a potential player.”

Julio Vieitez

HEAD OF DISTRIBUTION AT
GARENA IN LATIN AMERICA

Mobile power

Almost half of gaming revenue in Latin America comes from mobile²



¹ Source: Newzoo Global Games Market Report

² Source: Newzoo Global Games Market Report

Everyone is a potential player

Over 40% of the total Latin American population play mobile games¹

Region	Players	Percent of total population	Annual growth (2021)
Latin America	289M	44%	6.2%
Asia-Pacific	1,615M	37%	4.8%
Middle East and Africa	434M	27%	10.1%
Europe	408M	55%	4%
North America	212M	58%	0.7%

“For things to work in markets such as Latin America, companies have to go deep and specialize – and this is what Garena did very well”, comments Rodrigues. According to him, Garena realized there was a **strong demand for battle royale games** in LatAm, where gamers are especially competitive. But at the same time, no titles were available with reasonable quality to be played on an average mobile phone. Free Fire was launched with very good quality, but easily downloaded on any smartphone.

“The point is that Latin America has a lot of opportunities, since the number of online gamers is enormous, but you need penetration; you need to know how to provide a good gaming experience locally and thus reach as many people as possible.”

Due to the size of mobile gaming in the region, players are now more aware of ensuring a customized and **localized experience to the Latin American gamer** – whether it is in accessibility, local language, payments or gaming elements. Many companies are now **partnering with local artists**³ to launch songs and even **characters inspired by them**⁴. Avakin Life, a global teenager-target game, has a

“caramel dog” in its Brazilian map, a symbol of the country’s street dogs. “There is a search for real connection”, comments Vieitez.

Mobile gaming has also been generating significant revenue in Latin America, which should reach 3.5 Billion USD by the end of 2021, as stated by Newzoo. Although the majority of games are free to download, most of them offer a ‘freemium’ experience, allowing users to buy extra features, passes and lives through their cell phones.

“Some free games actually generate a lot more money than mega productions like Super Mario or Zelda. Because, for many players, games are their social network. There are people who cook and post on Instagram, there are others who dance on TikTok. Gamers want to show off in a Fortnite match, with a stylish new cape”, says Rodrigues, from Telefónica.

Most played genres

Strategy games lead the Latin American mobile gamer preference²

Genres	Played by
Strategy game	35%
Shooter	32%
Racing	30%

¹ Data from 2021 | Source: Newzoo Global Games Market Report and United Nations

² Percentage of Latin America’s mobile gamers who played the genre in the past six months | Source: Newzoo Consumer Insights (2021)

³ <https://www1.folha.uol.com.br/ilustrada/2021/10/games-viram-plataforma-para-musica-e-geram-receitas-milionarias-no-meio-virtual.shtml>

⁴ <https://observatoriodegames.uol.com.br/mercado/e-agera-alok-garena-anuncia-outro-dj-famoso-como-personagem-jogavel-em-free-fire>

Cloud around the corner

For some enthusiasts, the revolution caused by mobile gaming is about to happen again – this time, with **cloud-based gaming**. Still in early stages around the world, the concept behind cloud gaming is that playing high-definition titles will not depend on a console or computer anymore, both still very expensive for most of the population in LatAm. In other words, this could break barriers for Latin American gamers, who would be able to access Triple A games through their smartphones, smart TVs or tablets.

The reaction from the Latin American public to cloud gaming is completely different from other parts of the world, in the experience of Rodrigues, from Telefónica. “In Europe, cloud is basically another way of playing; the motto is ‘play anywhere’. In LatAm, **it is about inclusion**”, he says. “People can play games they couldn’t afford before. It brings inclusion and access to a Triple A experience, without having to spend on a console.”

“In Europe, cloud gaming is basically another way of playing. In Latin America, it is about inclusion and access to a Triple A experience.”

Roberto Tadeu Rodrigues

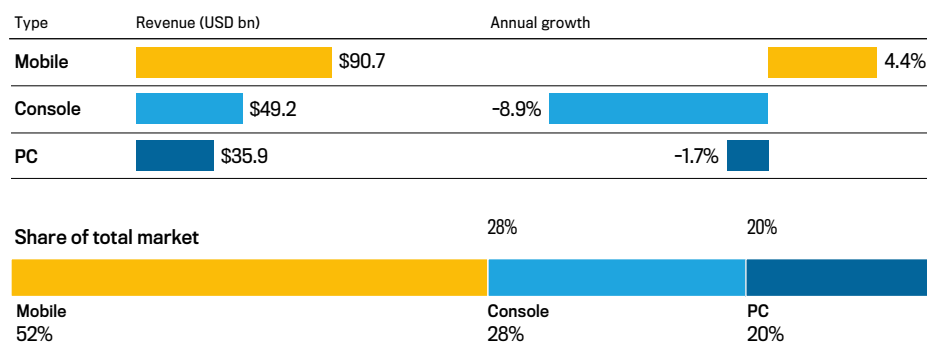
GLOBAL DIGITAL SERVICES
MANAGER AT TELEFÓNICA

Cloud gaming has just started in Latin America: Microsoft launched its [Xbox Cloud Gaming in Brazil and Mexico](#)² last October, same month as GeForce Now debuted in Brazil, with games such as Fortnite, League of Legends and Among Us. It is important to highlight that even traditional gaming companies such as Microsoft, which have grown their way around console gaming, are now investing in cloud experiences.

An enthusiast of the modality, Rodrigues believes that cloud gaming is going to play a pivotal role in the future of the gaming industry: a world without consoles. “We are still in baby steps toward that, but the reaction from the public has been positively surprising so far. For me, it is a path of no return.”

The biggest gaming platform in the world

Global mobile gaming revenue grows at a faster pace than console and PC worldwide¹

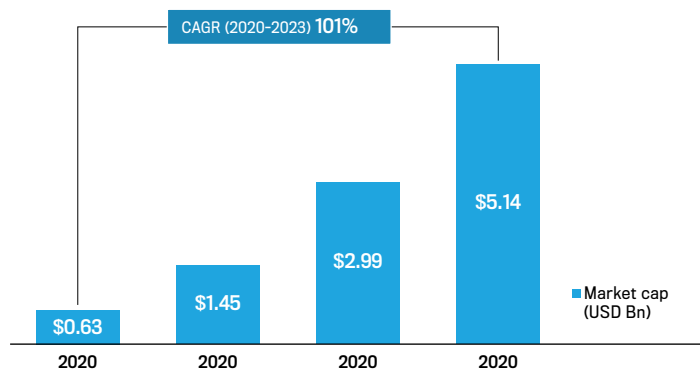


¹ Data from 2021 | Source: Newzoo Global Games Market Report

² <https://labsnews.com/en/news/business/microsoft-launches-xbox-cloud-gaming-in-brazil-and-mexico/>

The cloud gaming opportunity

Newzoo predicts that global cloud gaming revenues can double every year until 2023¹



For others, though, despite its potential, cloud gaming is targeted at a different public, and there is still no guarantee it will bring in more people to online games nor become widely adopted in the near future. “It is a guess, an experience curve, just like with any other emerging technology”, says Vieitez. In his opinion, it is necessary to observe if there will be enough demand for cloud gaming if the business model will succeed, or even if emerging technologies could dethrone it along the way. “There are many factors to be considered ahead, many open possibilities.”

Either way, there is no question on where the future of gaming lies ahead in Latin America: smartphones. “Mobile gaming will just get stronger and stronger, because now the smartphone is also a console”, says Rodrigues. Mobile devices will be key in giving access to more players in LatAm, either via mobile or cloud gaming, and generating significant revenue for the industry in the region.

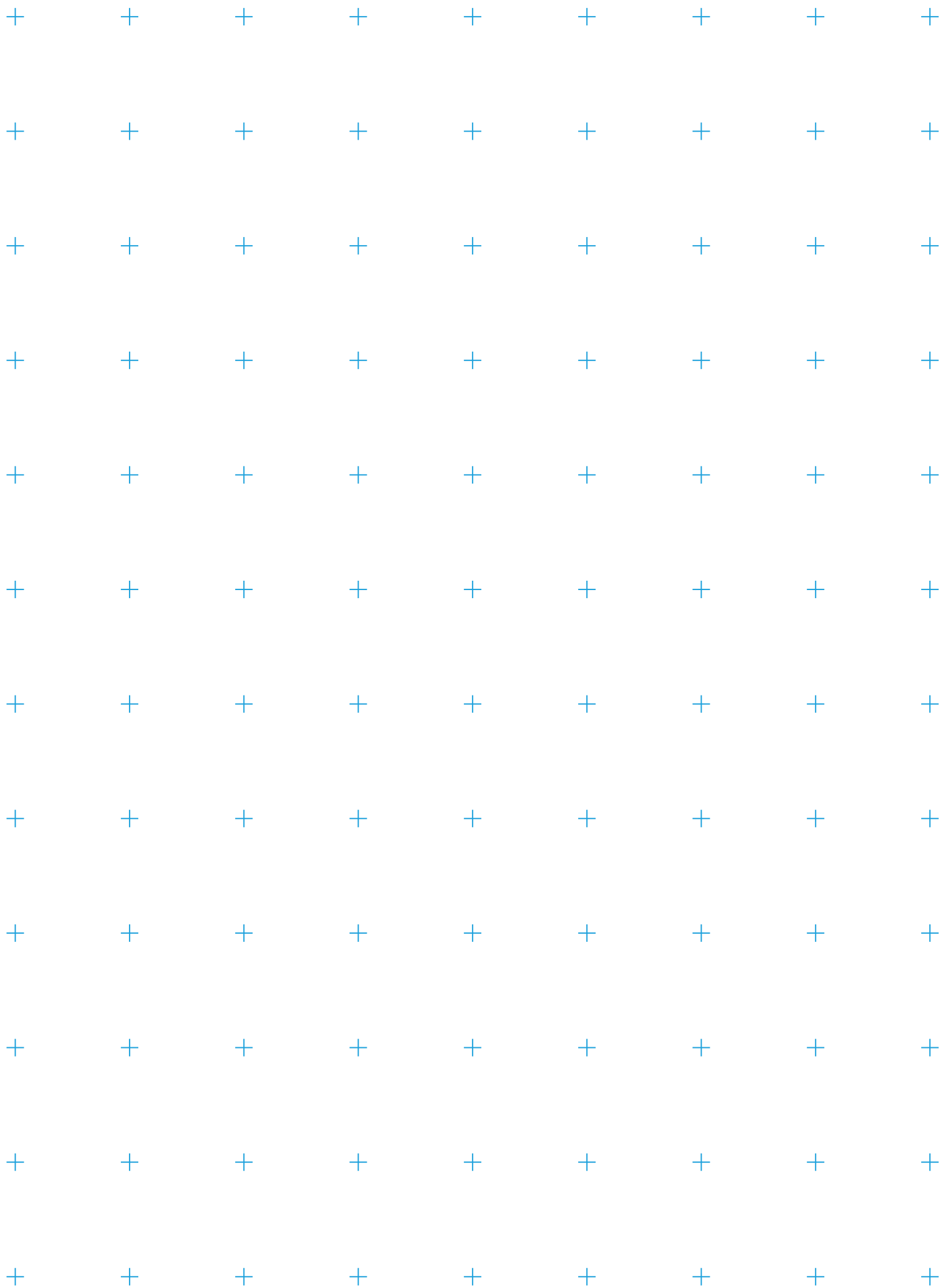
The gaming payments experience in Latin America

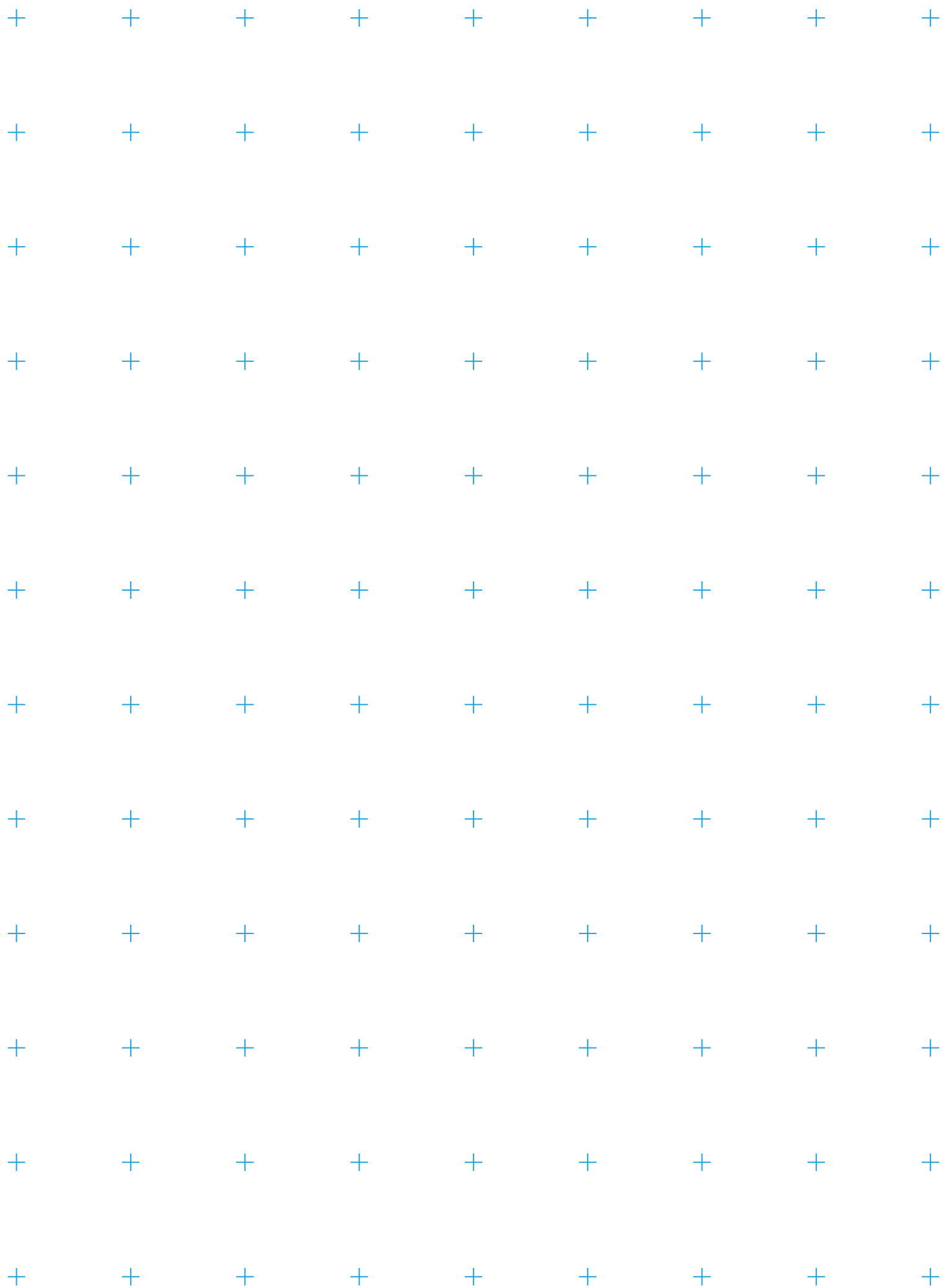
Differently from other markets around the world, the Latin American gaming industry needs to rely on more than credit cards to reach a massive number of players. Alternative payment methods such as digital wallets, prepaid cards (that work as vouchers and are sold in physical stores across the region) and, more recently, Pix (the Brazilian instant payment system), bring significant revenue to the industry.

Right now, there is also a crossroads worldwide on if and how gaming companies will charge consumers outside the app stores, like App Store and Google Play, directing consumers to alternate payment mechanisms and ditching the costs of up to 30% of tech giants. This is a primary challenge for both payment and gaming companies.

Finally, the subscription model that will rise with cloud gaming will also present new possibilities for the industry. Direct carrier billing, with payments being charged directly from the customer’s mobile phone, is one of them – and, due to the penetration of smartphones in Latin America, this should pave the way for gaming companies to reach a whole new set of players.

¹ Source: Newzoo Global Cloud Gaming Report

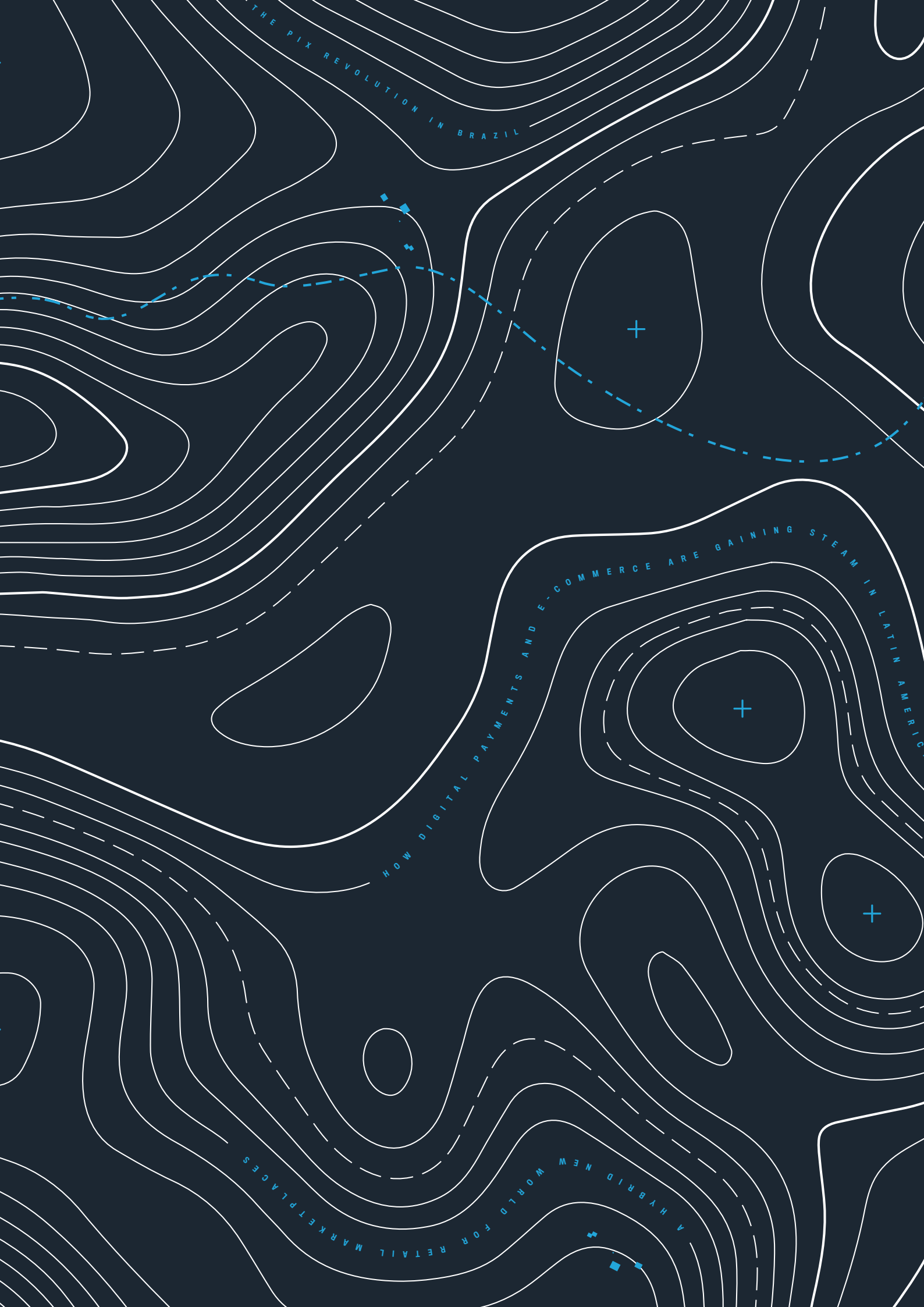




THE PIX REVOLUTION IN BRAZIL

HOW DIGITAL PAYMENTS AND E-COMMERCE ARE GAINING STEAM IN LATIN AMERICA

A HYBRID NEW WORLD FOR RETAIL MARKETPLACES



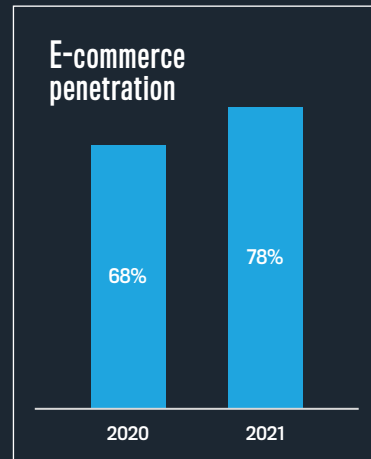
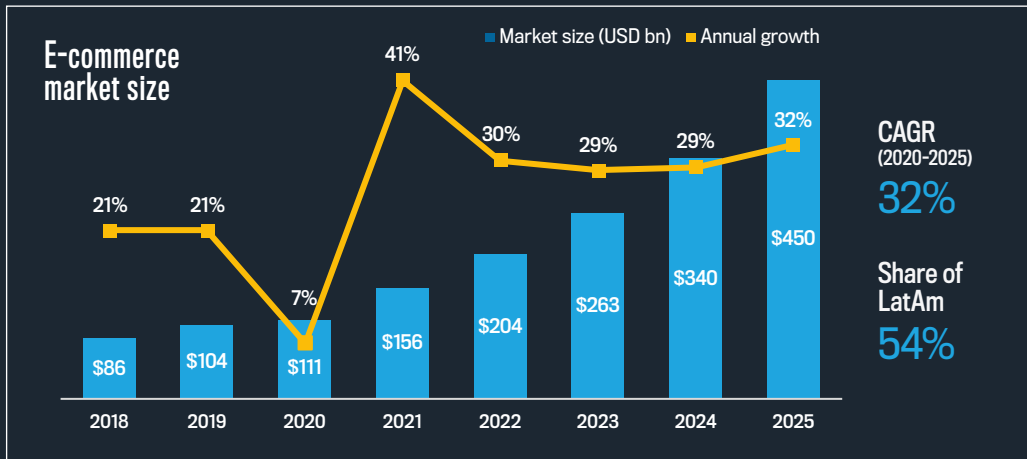


DATA APPENDIX

Brazil, Mexico, Colombia, Chile and Peru e-commerce numbers

Brazil

The largest e-commerce market in Latin America continues to grow fast



Payment methods breakdown (2021)

Payment type	Volume (USD bn)
Domestic credit cards	\$87.5
Digital wallets	\$18.5
Cash-based	\$16.0
International credit cards	\$13.8
Bank transfers ¹	\$9.6
Debit cards	\$7.2
Other	\$3.6

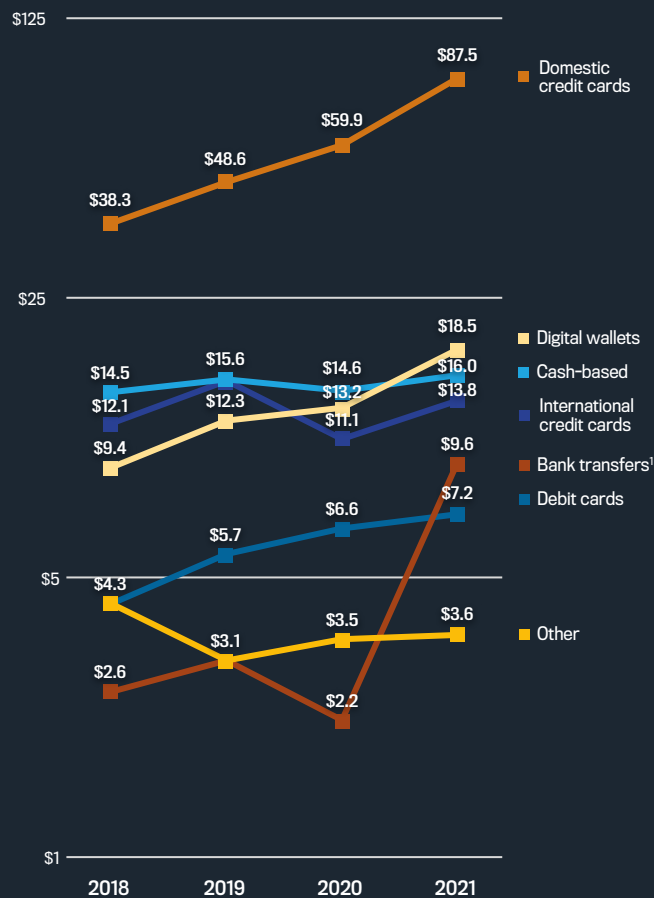
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Fastest-growing payment methods in 2021

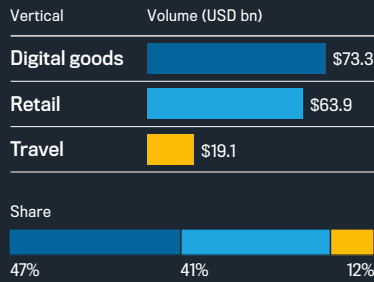
Payment type	Annual growth
Bank transfers ¹	332%
Domestic credit cards	46%
Digital wallets	40%
International credit cards	24%
Cash-based	10%
Debit cards	9%
Other	5%

Payments on e-commerce over the years

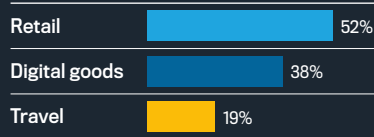


¹ Real-time payment Pix currently represents the vast majority of bank transfers in Brazil

Verticals breakdown (2021)



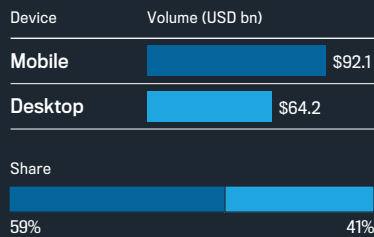
Fastest-growing verticals (2021)



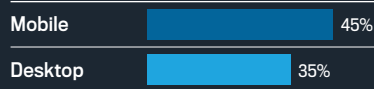
Verticals over the years



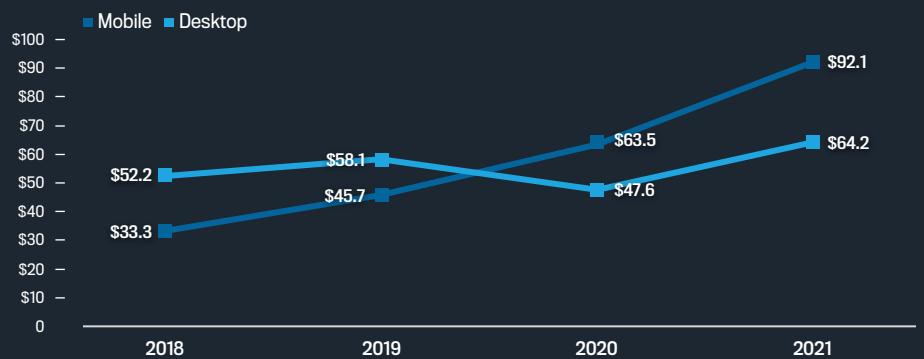
Mobile vs. desktop breakdown (2021)



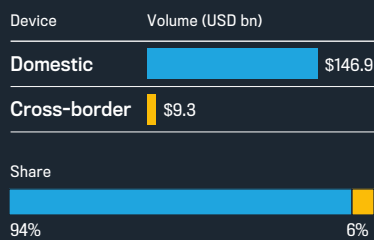
Device growth rate (2021)



Mobile vs. desktop over the years



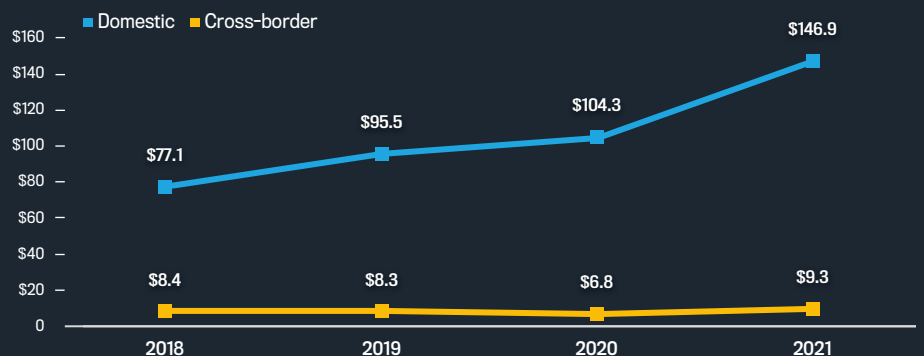
Domestic vs. cross-border breakdown (2021)



Growth rate (2021)

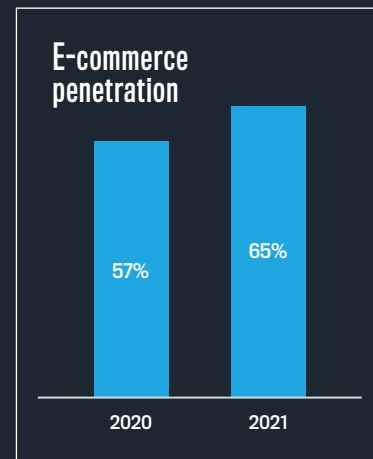
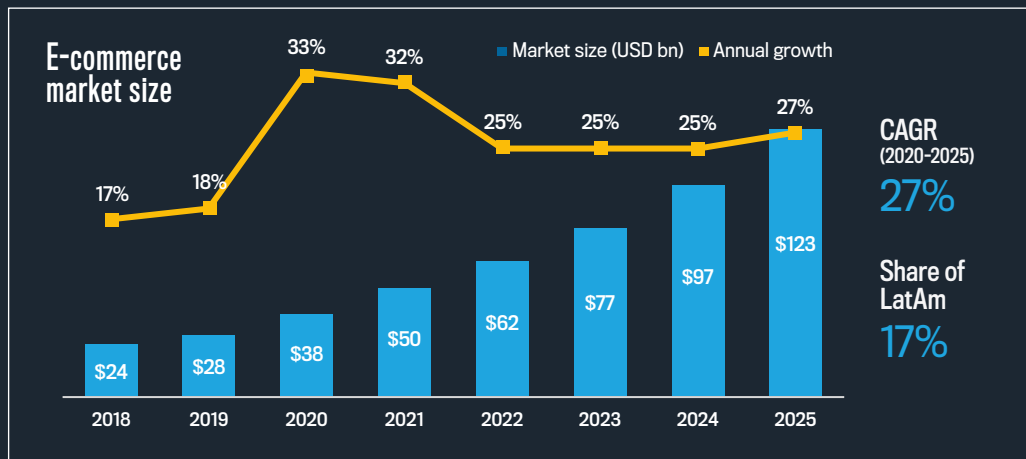


Domestic vs. cross-border over the years



Mexico

A digital market with fast adoption from high to low-income consumers



Payment methods breakdown (2021)

Payment type	Volume (USD bn)
International credit cards	\$20.2
Debit cards	\$13.6
Cash-based	\$6.8
Digital wallets	\$5.0
Other	\$1.6
Domestic credit cards	\$1.2
Bank transfers	\$1.2

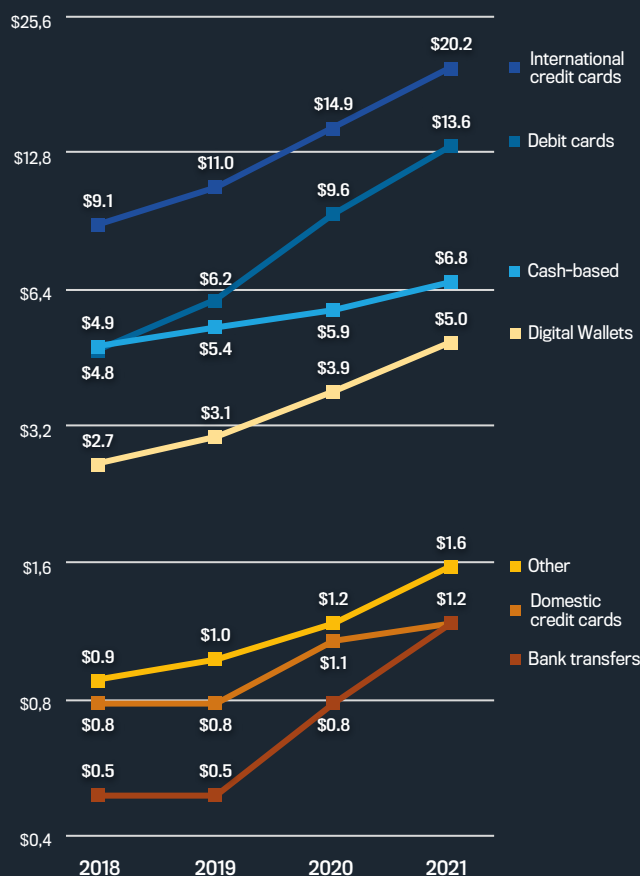
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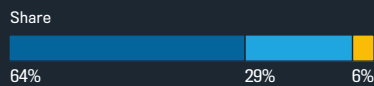
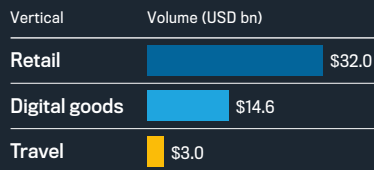
Fastest-growing payment methods in 2021

Payment type	Annual growth
Bank transfers	50%
Debit cards	41%
International credit cards	35%
Other	30%
Digital wallets	30%
Cash-based	15%
Domestic credit cards	9%

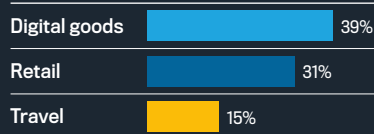
Payments on e-commerce over the years



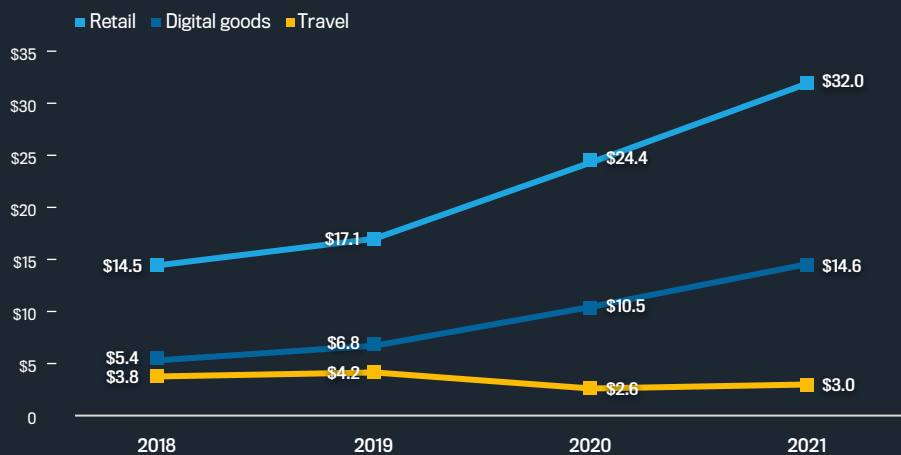
Verticals breakdown (2021)



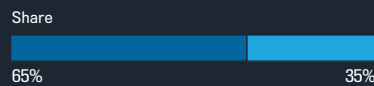
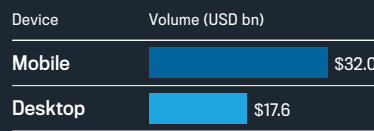
Fastest-growing verticals (2021)



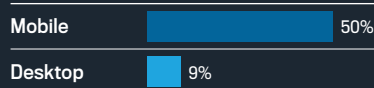
Verticals over the years



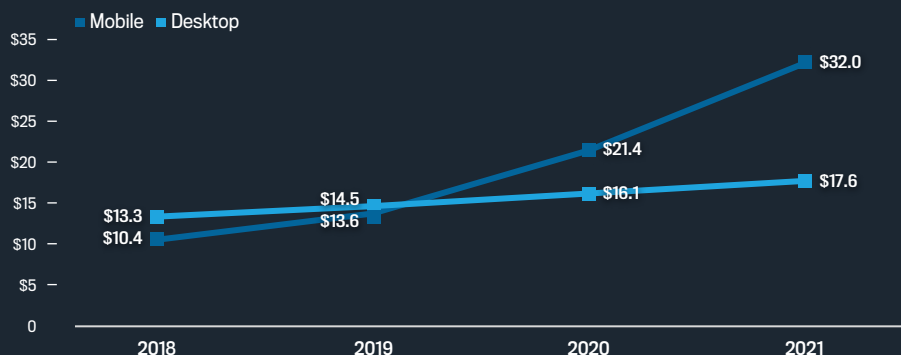
Mobile vs. desktop breakdown (2021)



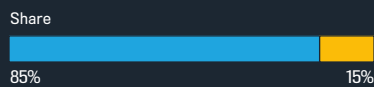
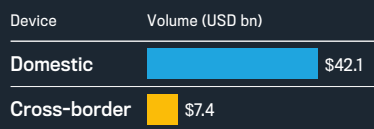
Device growth rate (2021)



Mobile vs. desktop over the years



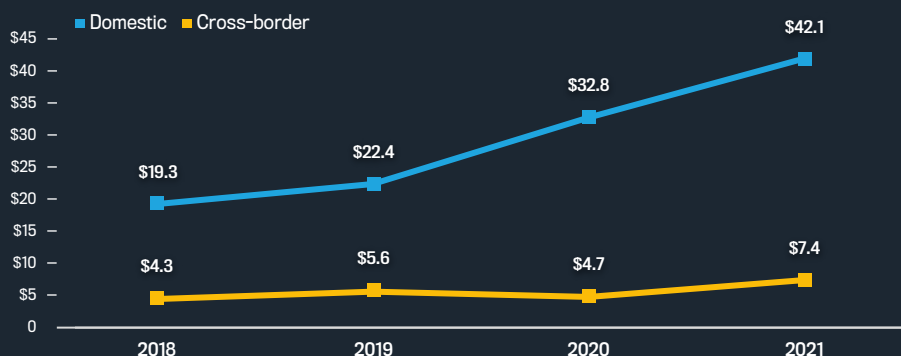
Domestic vs. cross-border breakdown (2021)



Growth rate (2021)

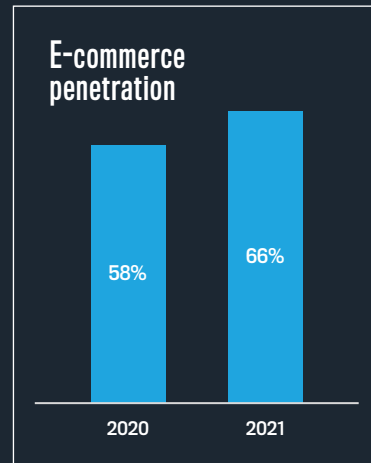
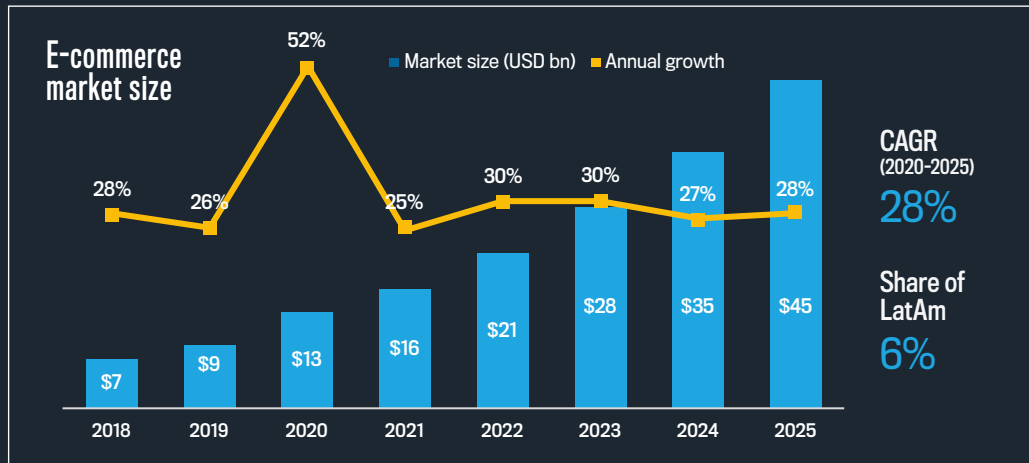


Domestic vs. cross-border over the years

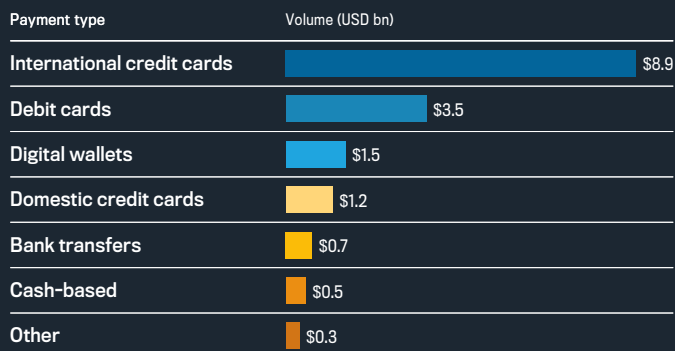


Chile

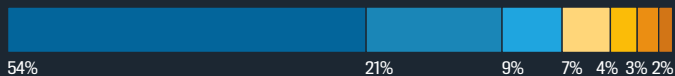
The highest penetration of credit cards in LatAm, while digital wallets rise



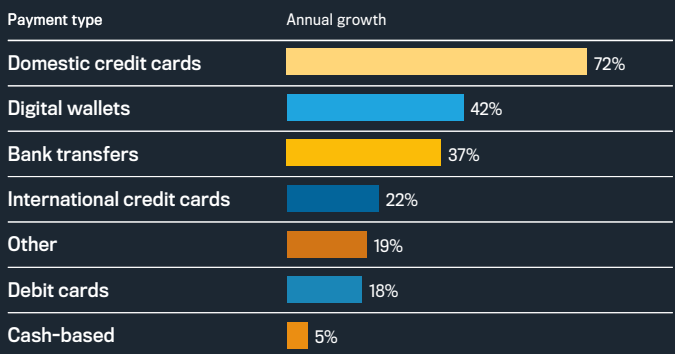
Payment methods breakdown (2021)



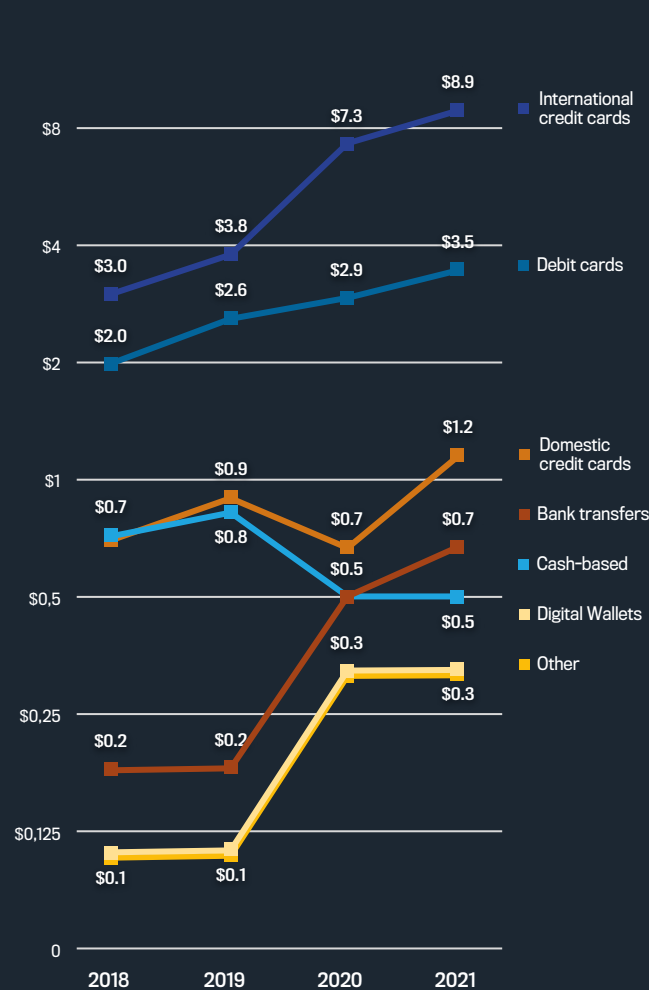
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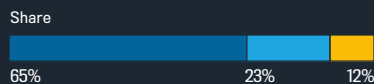
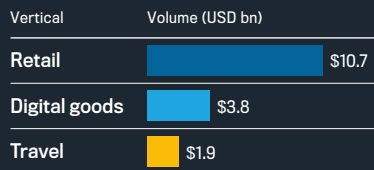
Fastest-growing payment methods in 2021



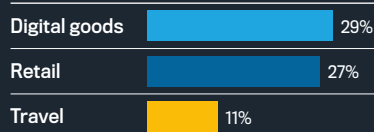
Payments on e-commerce over the years



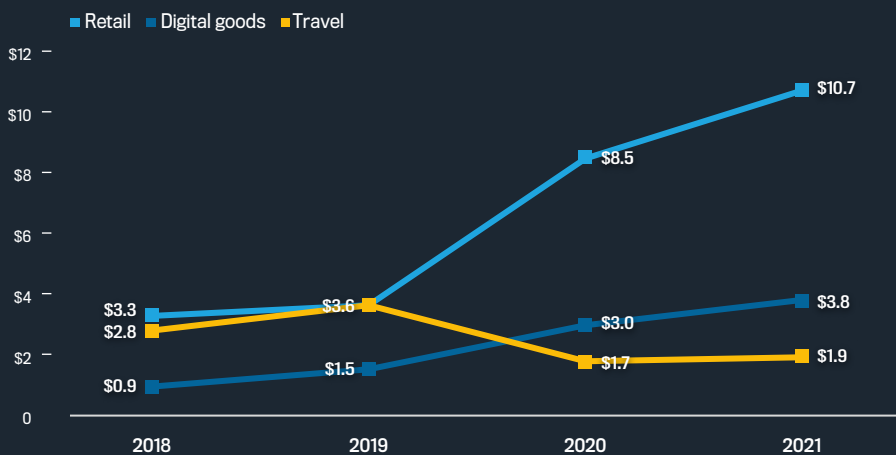
Verticals breakdown (2021)



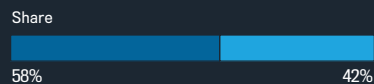
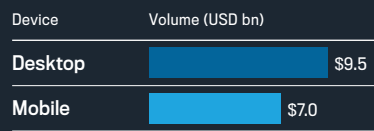
Fastest-growing verticals (2021)



Verticals over the years



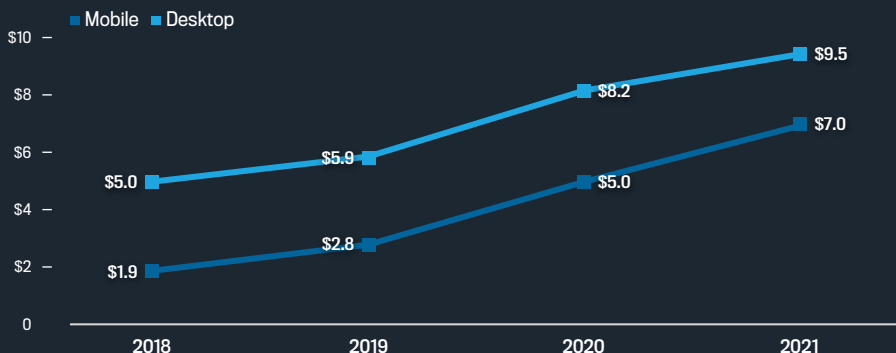
Mobile vs. desktop breakdown (2021)



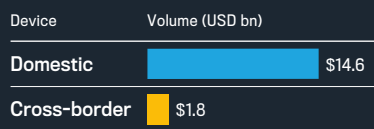
Device growth rate (2021)



Mobile vs. desktop over the years



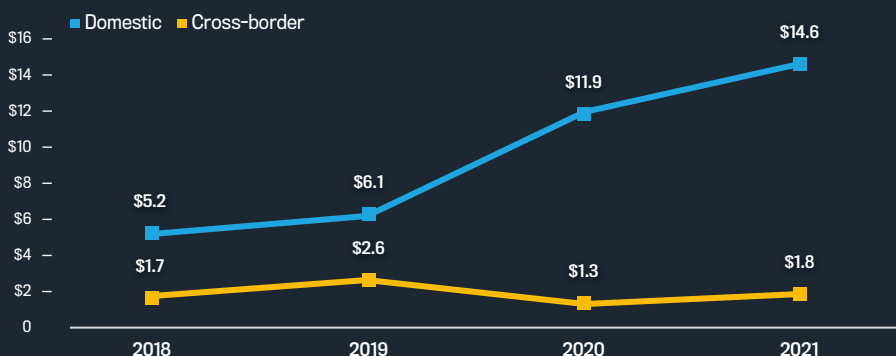
Domestic vs. cross-border breakdown (2021)



Growth rate (2021)

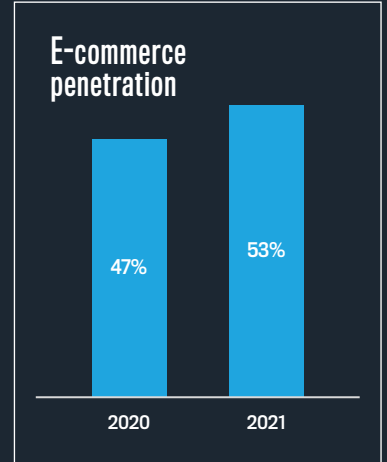
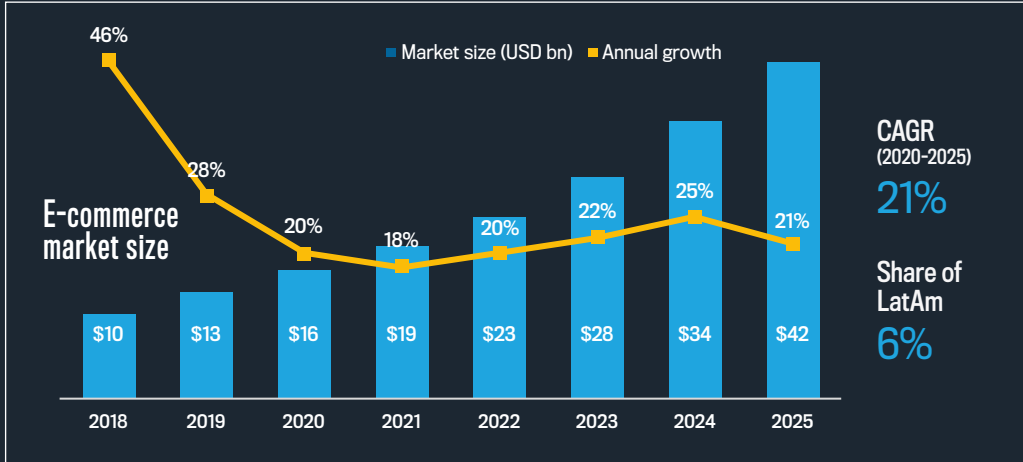


Domestic vs. cross-border over the years

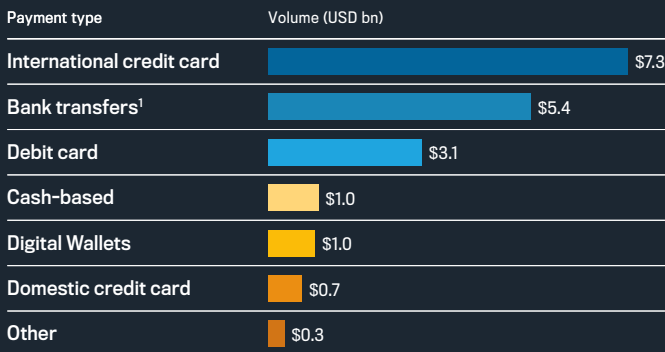


Colombia

Digital goods is the fastest-growing vertical on e-commerce



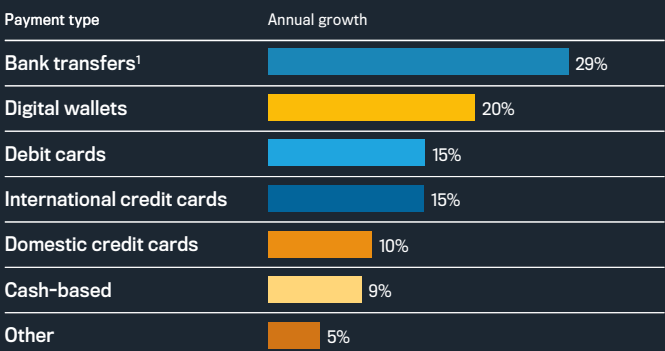
Payment methods breakdown (2021)



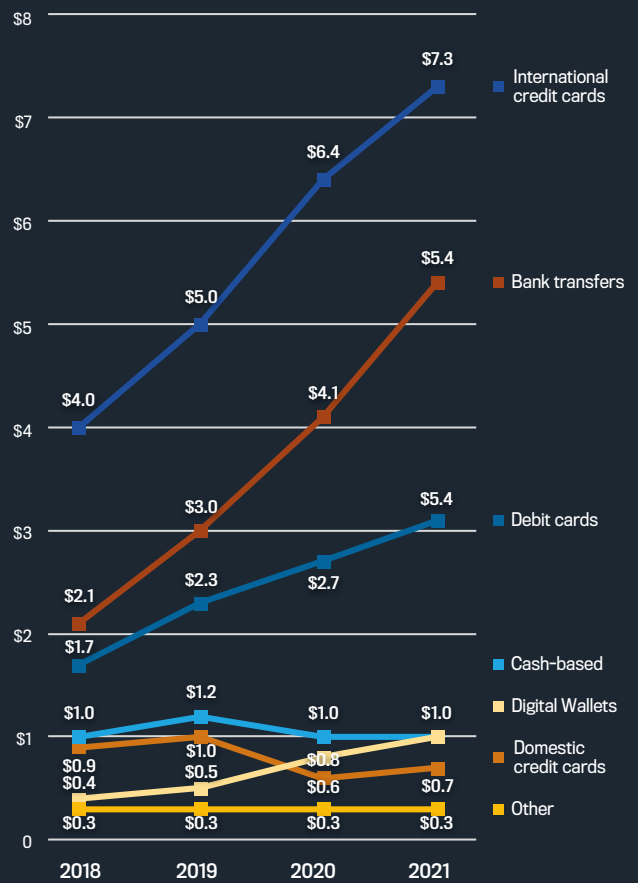
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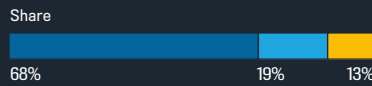
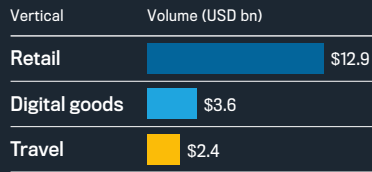
Fastest-growing payment methods in 2021



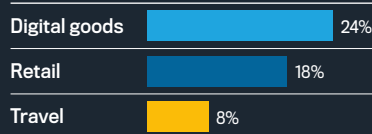
Payments on e-commerce over the years



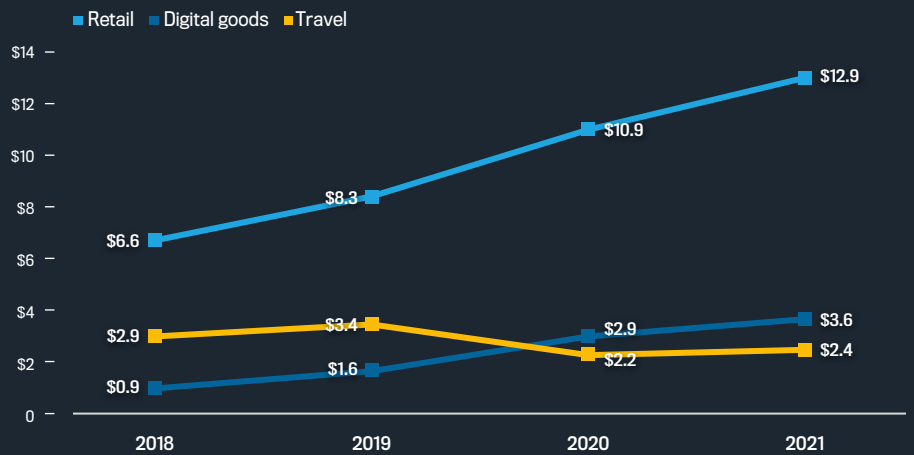
Verticals breakdown (2021)



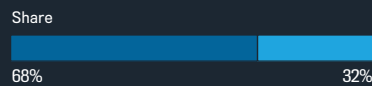
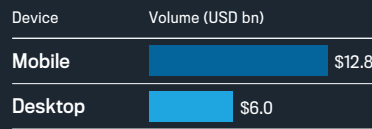
Fastest-growing verticals (2021)



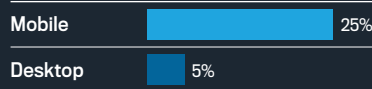
Verticals over the years



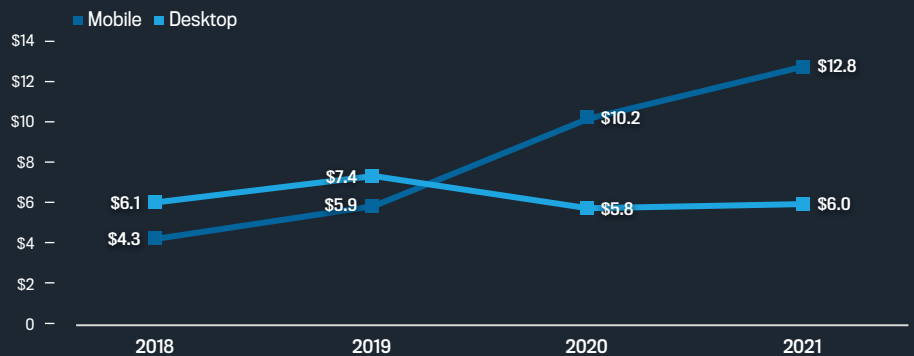
Mobile vs. desktop breakdown (2021)



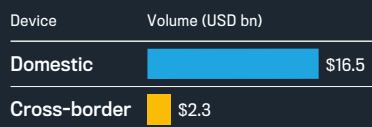
Device growth rate (2021)



Mobile vs. desktop over the years



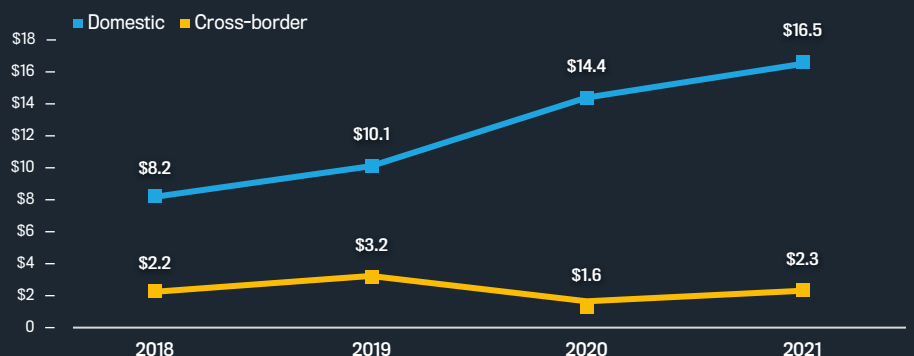
Domestic vs. cross-border breakdown (2021)



Growth rate (2021)

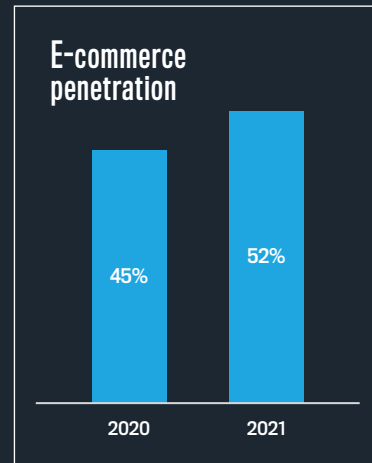
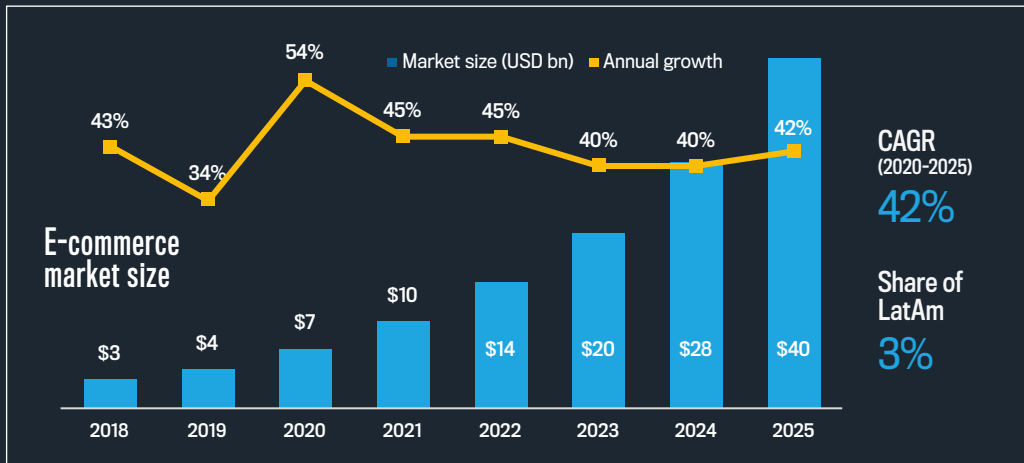


Domestic vs. cross-border over the years

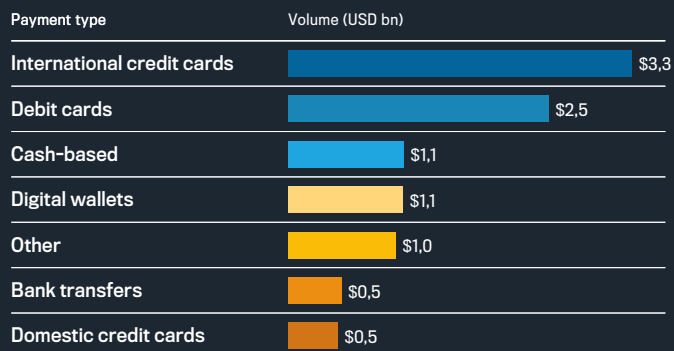


Peru

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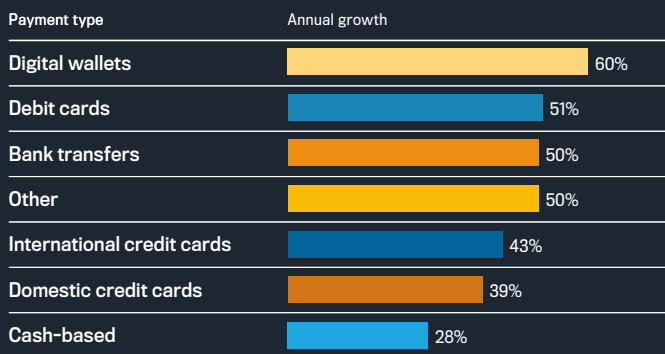
Payment methods breakdown (2021)



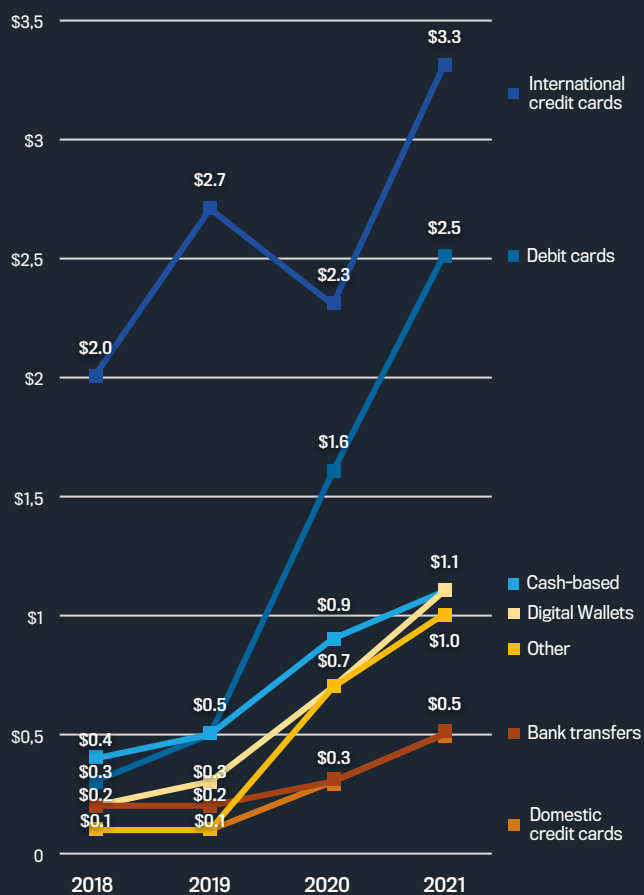
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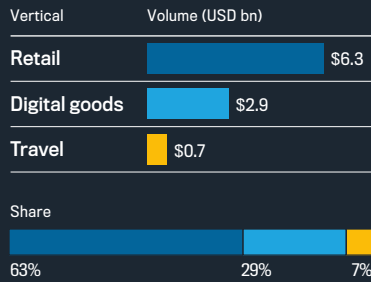
Fastest-growing payment methods in 2021



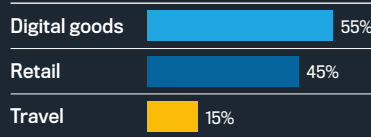
Payments on e-commerce over the years



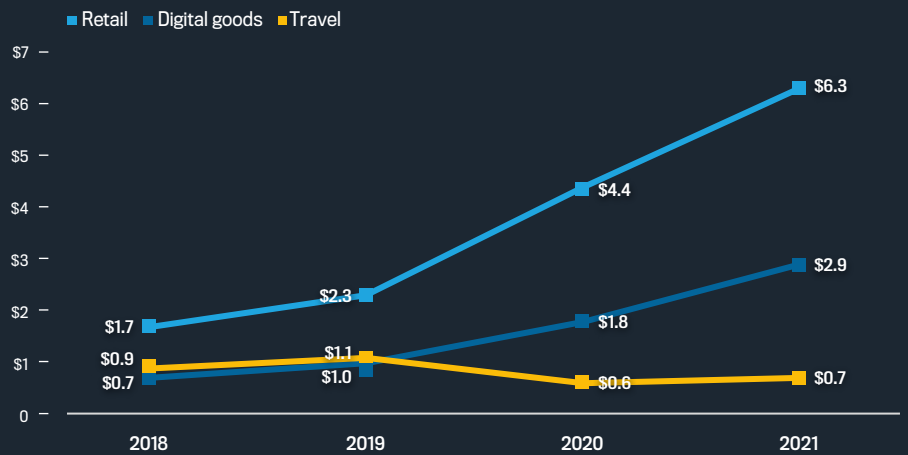
Verticals breakdown



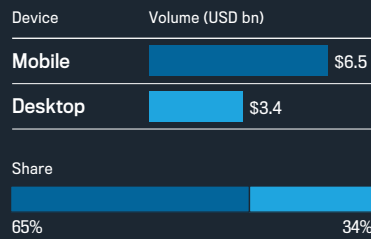
Fastest-growing verticals



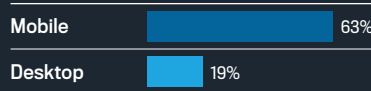
Verticals over the years



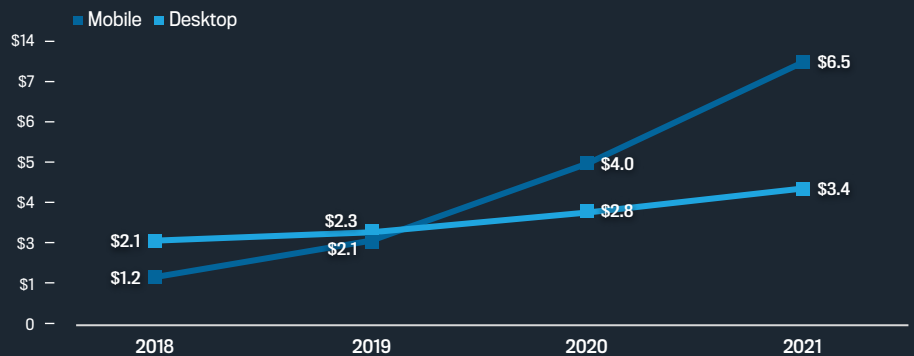
Mobile vs. desktop breakdown



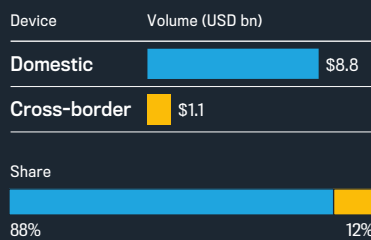
Device growth rate



Mobile vs. desktop over the years



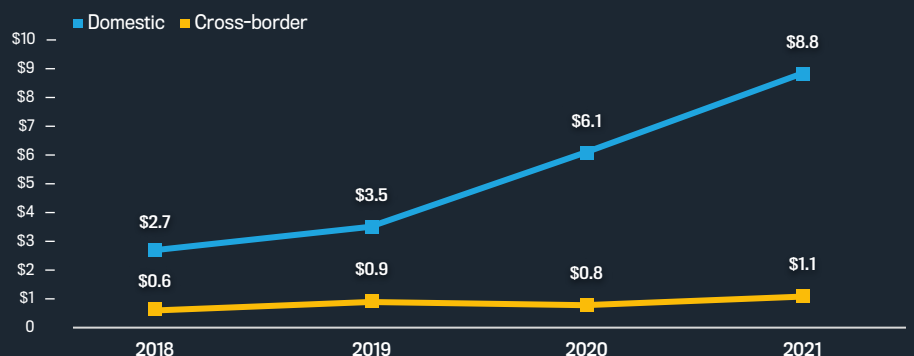
Domestic vs. cross-border breakdown



Growth rate



Domestic vs. cross-border over the years



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