

beyond borders

2020 • 2021

A study on the state of
cross-border e-commerce
in Latin America

Focus on Brazil, Chile,
Colombia and Mexico

POWERED BY



INTRODUCTION

We present you a new Latin America

Home to more than 600 million people, Latin America must be read through a particular lens from now on: before and after the COVID-19 pandemic. In this Beyond Borders 2020/2021 study, we will briefly show you the main impacts of this unprecedented health and economic crisis in the region, but also the bright side of it (yes, there is one).

You will see that, despite the political uncertainties and the economic setbacks brought by the COVID-19 pandemic, trends that were already in place before the coronavirus were pushed further.

We are talking about the increasing e-commerce penetration among Latin American consumers, sustained by the access to smartphones and the internet, as well as the undergoing fintech revolution in the region and its consequential greater usage of digital payments and banking services in general.

In the end, COVID-19 has been decisive for paving the way to the rise of a new, more digitally inclusive Latin America – which is also key to the growth of digital commerce in the region as a whole in the coming years.

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Beyond Borders 2020/2021 was made especially for global companies that know little about the Latin American market and the transformations that the region has recently experienced. Curated by EBANX experts, this study provides a contextualized portrait of the behavioral trends that shape the region's payments and e-commerce market.

An intelligence effort in five acts

In order to paint the big picture of what to expect from Latin America after COVID-19, our mission in the first part of this Beyond Borders 2020/2021 study was to seek the most reliable external data about the region's potential for digital commerce, with a special focus on the two largest Latin American economies – Brazil and Mexico –, as well as the fastest-growing economy in the region, Colombia, and the most digitally evolved country, Chile.

To better understand the changes that the region has undergone, especially in the recent months, we looked into renowned public sources (from the World Bank to GSMA open reports), talked to several key industry experts, and counted on figures and forecasts provided by Americas Market Intelligence (AMI), a leading consultancy and research firm specialized in Latin America.

According to AMI, the e-commerce industry “will look wildly different than it did in 2019 or ever before”. Although an important part of AMI's data, travel was the segment most hit by the COVID-19 pandemic, and its behavior throughout 2020 was nothing like the previous years. Therefore, we decided to concentrate the efforts of the second part of the Beyond Borders 2020/2021 study, based on EBANX's internal data and on an exclusive survey with Latin American consumers, on retail and digital goods verticals.

EBANX

EBANX is a global fintech company that bridges the access gap between Latin Americans and international companies such as AliExpress, Wish, SHEIN, Uber, Spotify and Sony PlayStation. EBANX is heading to close 2020 with 1 billion transactions processed. It's through this highly valuable internal data that we bring you unprecedented insights about the usage and the relevance of cash-based and alternative payment methods (meaning all the methods except cards) and the influence of the exchange rate on purchases made by Latin Americans.

To further explore all this background, we also carried out an exclusive survey with 3,280 Latin American cross-border consumers, mainly from Brazil, Mexico, Colombia, and Chile that bought international products and services in the last 12 months.

They talked to us about the main drivers and barriers in their consumption journey, especially when it comes to localization and digital goods and services.

Finally, we bring together some of the main trends that are not only reshaping the region's market today, but that will continue to do so in 2021. From the potential of PIX, Brazil's instant payment system, to the challenges and solutions being implemented to improve e-commerce logistics in the country. From regulatory changes in the Chilean acquiring market to the rapidly growing fintech ecosystem in Colombia.

As a final result, in the next pages, you will find the most comprehensive study about Latin America's potential for digital commerce.

If you have any questions, do not hesitate in contacting EBANX Market Intelligence Team through the email market.intelligence@ebanx.com.



On the same page

To be sure that we are on the same page, let us present you a small glossary of the main e-commerce (which we also refer to as digital commerce in the text) segments that we will explore in this year's Beyond Borders study:



Retail

Retail is generally related to physical goods, from department to grocery stores and marketplaces. But when it comes to EBANX internal data we are talking mainly about furniture, home appliances, home decor, clothes, cosmetics, fashion accessories, and electronics, usually sold in big marketplaces mainly by Asian sellers.



Travel

All services related to travel including airline and bus tickets, hotels and accommodations, packages sold by travel or tour agencies, etc.



Digital goods and services

This is generally related to products and services such as app downloads and in-app purchases, online gaming, digital downloads, music and video streaming, ride-hailing services, food delivery, software downloads, open and online courses provided by educational institutions, and subscriptions and recurring payments. But when it comes to EBANX data, we are talking mainly about streaming and gaming segments, services that require recurring payments most of the time.

About AMI's data

Traditionally, AMI's research is conducted using two research methodologies: 1) desk research, accessing both local and international public sources; and 2) interviews with key industry executives. Public sources include reports conducted by local industry chambers, associations, and research firms, as well as reports made public by international organizations like eMarketer and Nielsen. The bulk of the data, however, comes from interviews with top e-commerce industry executives, including payment processors and acquirers, card issuers, online payment gateways and payment service providers, and top merchants in all product verticals. Once data is collected from primary and secondary sources, AMI compared, cross-referenced, and triangulated all collected data points to arrive at the final dataset contained in this

document. At the beginning of 2020, AMI began updating its e-commerce dataset to reflect full-year 2019 using the methodology described here. Halfway through March, due to the coronavirus outbreak, this methodology changed a little bit. AMI scrapped all of the forecasting work completed up until that point and came up with a new model to predict what would happen in 2020 and 2021. The consultancy's new models forecast e-commerce growth by industry and cross-border/domestic spend on a month-by-month basis through 2020 and for some industry segments, through 2021. To create the forecasts contained in this report, AMI's experts made certain assumptions about future consumer behavior and consumption trends, based on what they knew about COVID-19 in the latter half of March and early April 2020.

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CHAPTER 01

Why Latin America, and why now?

Latin America's market potential versus the region's economic setbacks

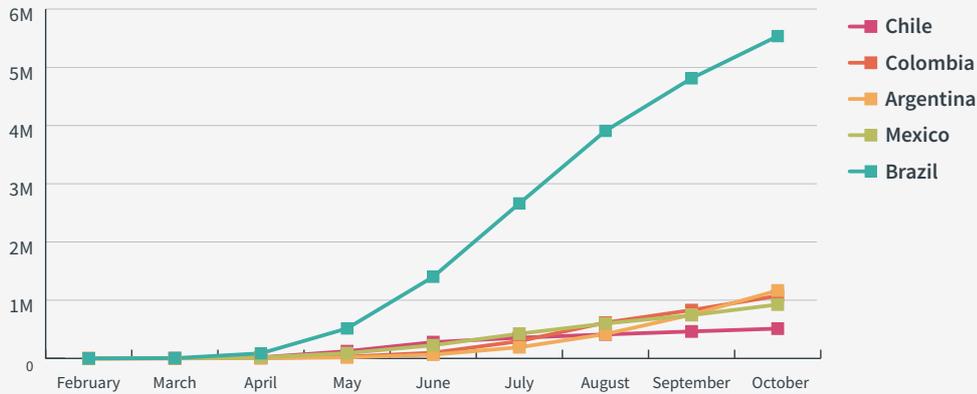
As the whole world, Latin America must be read now through a particular lens: before and after the COVID-19 pandemic (or before and during, since the disease will only be tamed with an effective and widely available vaccine).

Back to the beginning of this year, 2020 was supposed to be a year pulled by emerging countries, since, according to experts and institutions such as the **International Monetary Fund (IMF)**, the United States was expected to grow less than 2%, China would probably slow down from 6.2% to 5.7%, and the global economy would grow by around 3% – meaning that the world's largest powerhouses would not be enough to truly move the needle. In this scenario, Brazil (2.2%) and Colombia (3.5%) were seen as the region's (1.6%) main driving forces, its way out from a lost decade.

But then the pandemic came.

01 Cumulative confirmed COVID-19 cases in Latin America

The number of officially confirmed cases in the region's five largest economies



In Latin America, the coronavirus officially arrived on February 26th, with a 61-year-old man who traveled from Italy to São Paulo. As the only way to prevent the spread of the disease, isolation measures began to be applied by local administrations in March. Amid more restrictive measures in some countries and a great deal of denialism in others, Latin America became the epicenter of the disease in May. The extent of the human tragedy is overwhelming: with only 8.2% of the world population, the region accounted for nearly a fourth of the cases and over a third of the deaths, until end-October.

The scenario of reductions in GDP, employment, and consumption, as well as warnings about an imminent social collapse, prompted countries such as Brazil, Argentina, Peru, and Chile to announce emergency measures to mitigate the economic impacts of the COVID-19 pandemic – which also included minimal income transfer programs.

In Chile, for example, a \$2 billion package of subsidies was launched in April to help support the country's informal workers and generate jobs in low-income sectors, in addition to a previous \$12 billion stimulus package, worth nearly 5% of the country's gross domestic product. The country also allowed Chileans to withdraw up to 10% of their retirement savings. In Argentina, a single transfer of ARS 10,000 (\$135) served the unemployed and informal workers. In Peru, the government provided a \$224 grant to families in poverty or extreme poverty in rural areas.

In Brazil, as soon as social distancing was implemented by states and cities as a measure to mitigate the economic effects of isolation, a crucial measure to save time for a better preparation of the public health system, there was a need to help vulnerable people. Informality in the labor market exceeds 40% of the country's employed population, according to the **Brazilian Institute of Geography and Statistics (IBGE)**.

The emergency aid alongside other measures taken by the Central Bank of Brazil to bring liquidity to the financial system and amount to about 17% of GDP were the upside of the country's response to the COVID-19 pandemic.

The emergency aid in Brazil consisted of a monthly benefit of BRL 600 to BRL 1,200 (in the case of women responsible for the full support of their families) between May and September; and between October and December, in a monthly aid of BRL 300.

Latin America effectively entered a recession after the first quarter, with an overall 1.53% setback, according to

data from the **Economic Commission for Latin America and the Caribbean (ECLAC)**, a **United Nations body**. If in the beginning experts and organizations struggled to identify and measure the economic impacts of the disease in the region, two quarters later the damage is far more clear. It turns out that Brazil was the least affected country in Latin America by the pandemic during the second quarter of 2020.

In October, the IMF disclosed its latest **World Economic Outlook report**. The global lender expects the world gross domestic product to shrink 4.4% in 2020, an upward revision compared to the 5.2% contraction it predicted in June, when business closures were at their peak worldwide.

For Latin America, the forecast is also a little more optimistic than that of June: an 8.1% drop in the region's GDP and a rebound in 2021 of more than 3% growth. Previously, the IMF had predicted that Latin America's GDP would fall by 9.4% this year.

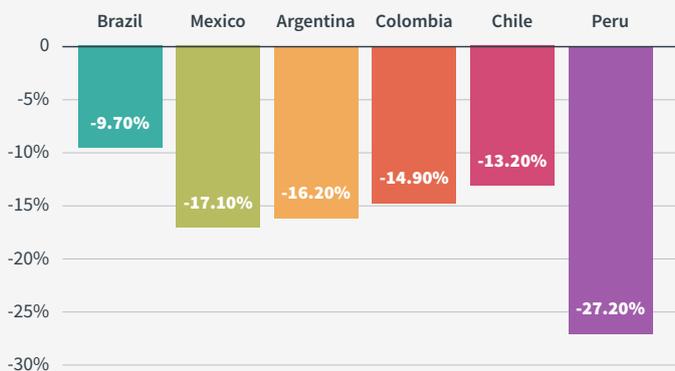
ECLAC, in its turn, says that the region's recovery will be slower than that recorded after the 2008 financial crisis, and projects drops of -9.2%, -9%, -10.5%, -5.60%, and -7.9% for the economies of Brazil, Mexico, Argentina, Colombia, and Chile, respectively.

The IMF says that governments needed to stay focused on their sanitary responses to the coronavirus and must not withdraw all their stimulus measures prematurely. This is crucial for limiting the COVID-19's damage.

Despite challenging economic projections for the region, the e-commerce and payments sectors, just after the initial hit in March and April, moved in the opposite direction from the crisis.

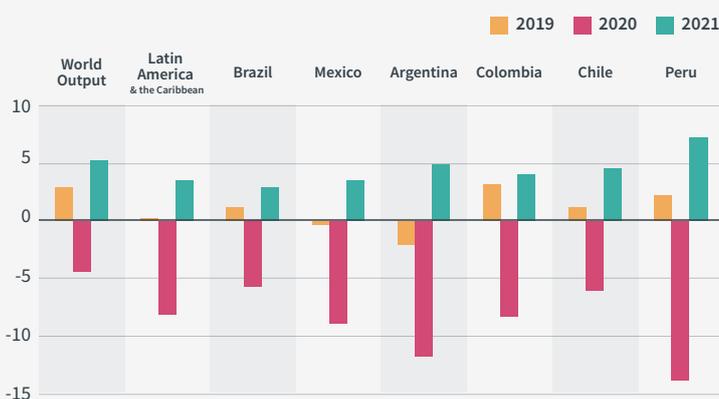
02 COVID-19's impact on GDP

Since the pandemic arrived in Latin America later than in other parts of the world, the region's main markets felt the greater impact of the disease in the second quarter. (GDP growth/in %)



03 GDP growth projections for LatAm

The IMF expects the world gross domestic product to shrink 4.4% in 2020. (real GDP, annual percent change)





Governmental aid, fintechs and connectivity: the key factors to increase Latin America's access to financial services and boost consumption

Amid this unprecedented crisis, however, the emergency measures taken to mitigate the effects of COVID-19 were also the backdrop of a greater-than-expected digitization and financial inclusion of people in the region.

Among statistics such as the number of checking, deposits or savings accounts, or even people with some kind of “banking relationship”, it is difficult to identify the actual number of people financially included in Latin America, since this depends on a broader concept. But what is clear is that the rise of those indicators normally lead to financial inclusion – as we will show you in the next pages with the cases of Brazil and Colombia.

The [Global Findex](#) research, the largest study about financial inclusion in the world made by the **World Bank**, defines as “financially included” someone who has an account through a formal financial institution—such as a bank, credit union, or microfinance institution—or through a mobile

money provider. An “account” is defined as one that can be used to (1) store money and (2) electronically send and receive payments.

Leora Klapper, a lead economist in the World Bank’s Development Economics Research Group, and the manager of the *Global Findex* database, told EBANX that some countries already consider card-based accounts owners as banked people.

But, in general, the most traditional concept of banked citizens considers an account not just as a way to store or move money, but as a way to access investments, credit and other financial services, and frequently used.

According to the latest data by the *Global Findex*, published in 2018, about half (54.4%) of adults (people over 15) in Latin America and the Caribbean have an account with a financial institution or through a mobile money service. But this scenario has probably changed a lot, as we will see in the recent experiences of Brazil and Colombia.



+67 million people

received more than BRL 238 billion in emergency aid by end-October in Brazil – which may have led to a major process of financial inclusion of more than 30 million people.

Brazil

A large survey made by the **Instituto Locomotiva** in 2019 has pointed out that Brazil has about 45 million people that don't have a bank account, 21% of the country's total population at that year. In 2018, World Bank's *Global Findex* found a slightly larger number: 70% of the Brazilian adults over 15 had a bank account – meaning that around 48.5 million at that time didn't.

From April, when the first installment of the Brazilian federal government's emergency aid to mitigate the effects of the COVID-19 pandemic was deposited for unemployed, self-employed professionals and individual microentrepreneurs in the country, to date, more than 100 million digital savings accounts have been opened by the state-owned bank **Caixa Econômica Federal**. Among these more than 100 million accounts, are the ones opened to the more than 67 million people that received the government's COVID-19 emergency aid.

“This is the biggest banking process ever occurred at a global level. Within the standard concept, they are people who have started to have an account and who (with the extension of the emergencial aid until December) will have moved this account in the last six months.”

JOÃO BRAGANÇA

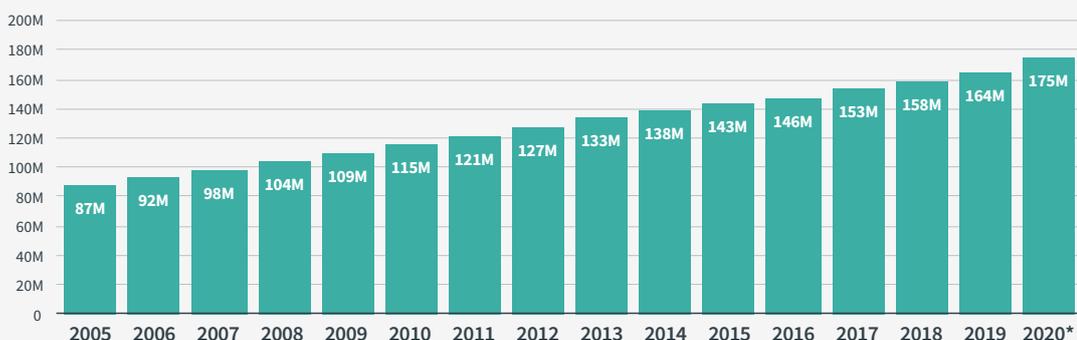
Senior director for the financial industry at consultancy Roland Berger

In May, after the payment of the first two installments, Caixa's president, **Pedro Guimarães**, and his team **estimated that from one third to 40% of the beneficiaries of the emergency aid** were people who had no bank account before that – that is, more than 30 million people may have gained access to their first account.

For comparison, between 2014 and 2017, the *Global Findex* research estimates that nearly 12 million adults opened their first bank account specifically to receive digital transfers of government social subsidies, public sector wages, or pension payments in the country.

04 Access to financial products in Brazil

From 2005 to 2020*, 87.76 million individuals gained access to a financial product in Brazil. (in number of individuals)



Another strong indication that more people were included in the Brazilian banking system this year than in other periods, is the increase in the number of people with “active banking relationships” (which refers to access to any type of product or service in financial institutions in the country, not necessarily an account).

“I believe that today, thinking about the Brazilian scenario, we have a format that is the payments account. I would say that an unbanked person is a person who doesn’t have an investment account or a deposits account.

What we have to reflect on is: “banking” means having only a place to store and deposit money or should we look at it from a broader perspective, like having access to other types of resources within a financial institution, such as investments, access to credit, etc?”

HELENA LOPES CALDEIRA

CFO at the Brazilian neobank Inter

While Caixa Econômica Federal estimates that more than 30 million people in Brazil may have gained access to their first account, as presented in the previous page of this study, according to the Central Bank of Brazil, from March to September of 2020, 9.8 million Brazilians started some kind of relationship with a financial institution. This figure is more than the double of the 3.5 million people that entered the banking system this way in the same period last year, as pointed out by the Brazilian Central Bank data. It is also the biggest annual growth registered since 2005, when this historical series started to be released by the entity. The numbers gathered by the Brazilian Central Bank do not consider payment institutions, which already offer millions of basic payment accounts in the country today. Only **Nubank**, **Inter** and **PicPay**, all together, have more than 63 million customers in Brazil. Many of them may also have accounts at traditional institutions, many may not.

+175 million

Brazilians or 83% of the country’s total population have some kind of active relationship with a financial institution, according to end-September 2020 data from the country’s Central Bank – a much higher banking rate than that of Latin America as a whole.

+23 million

That is the number of customers with digital accounts at **Nubank**, the largest neobank in Latin America, according to official numbers from their website, consulted in mid-December, 2020 – around 11% of the Brazilian population.

+7 million

That is the number of customers with digital accounts at **Inter**, one of the largest fintech companies in Brazil. It reached this number of customers by end-September – around 3% of the Brazilian population.

+33 million

That is the number of customers of **PicPay**, one of the largest digital wallets in Brazil – around 15.5% of the country’s total population. The company has added 18 million users only during the COVID-19 pandemic in Brazil, and reached this number of customers by end-September.



+31 million

Colombians (or 85.9% of the country's adult population) have access to a banking product or service, according to first half of 2020 data from Banca de las Oportunidades.

+3.2 million

That is the number of customers of **Nequi**, the Colombian digital wallet owned by Bancolombia – 1 million of them were added between the first and the second quarters of 2020. The company already covers about 6.5% of the country's total population.

A new kind of banking, led by fintechs?

The increasing number of fintechs that offer digital accounts, along with the rising of digital wallets, mean that a big change is in course in Latin America. In order to consolidate this process, however, neobanks and fintechs will have to offer the right range of services, with solutions built to solve historical issues in the region, like informality, if they really want to keep all these people inside the banking system.

Colombia

In Colombia, the COVID-19 pandemic also helped to accelerate the population's financial inclusion, driven by emergency aid programs. **The latest financial inclusion report** of **Banca de las Oportunidades**, body linked to Colombia's National Planning Department, shows that, in the first half of this year, 31 million adults already had access to at least one deposit or credit financial product in the country.

This figure represents an increase of 1.6 million people who entered the financial system for the first time – an increase of 3.4 percentage points (pp) when considered the data from December 2019 (29.4 million). A year ago this increase was only 0.6 pp. That means that the financial inclusion target of 85% of adults set for 2022 was met much earlier than planned.

In terms of use of these products, an important metric when it comes to real financial inclusion, the number of adults with an active financial product in Colombia rose from 66% to 71.6% of the total adult population

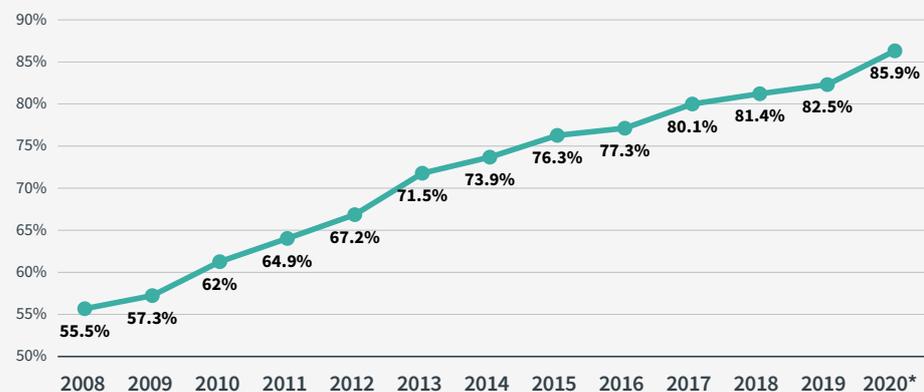
between December 2019 and June 2020. In this way, 25.8 million adults fulfilled this condition at the end of the first semester of 2020 – the growth of this indicator during the first semester of 2020 was 5.6 pp, while a year ago it was 0.8 pp.

According to Banca de las Oportunidades, emergency aid and VAT compensation programs of the National Government played a fundamental role in the progress observed in the indicators of access and use of financial products. Because of them, more than 730,000 Colombians activated their products or opened one for the first time.

The digital inclusion promoted by COVID-19 also leads us to think of a new concept that considers digital payment accounts, which normally come with a debit card and a limited number of operations, and are provided by fintechs, as a possible new and important step for financially included people in Latin America, even among high informality rates.

05 Access to financial products in Colombia

From 2008 to 2020*, 14 million adults gained access to a financial product in Colombia. (in % of the adult population)



05 Source: Banca de las Oportunidades/Transunión/Departamento Administrativo Nacional de Estadística (Dane). *Until end-July.

5G? No, the 4G revolution

Alongside the fintech revolution in Latin America, mobile phone ownership and mobile internet access are key to increase the financial inclusion in the region – and, therefore, the number of digital consumers.

Mobile phone ownership is relatively widespread in the Latin American countries, although the penetration of subscribers to mobile phone services varies by country. According to **GSMA Intelligence's** report [The Mobile Economy Latin America 2019](#), there were 422 million unique mobile subscribers across Latin America by the middle of 2019, that is 68% of the region's total population. Furthermore, 81% of them also subscribe to mobile internet.

By 2025, GSMA forecasts that unique mobile subscribers penetration will reach 73% of the region's total population, and that 87% of them will have access to mobile internet.

Besides that, an important milestone to fuel this increasing connectivity emerged in the first quarter of 2020: 4G

“We expect that 4G will still be the dominant technology for many years, coexisting with the growing number of 5G connections. By 2025, the 4G share will rise to 67% of the total connections driven by the growing number of smartphones, whose adoption will rise to 79% in 2025 from 69% in 2019.”

ALEJANDRO ADAMOWICZ

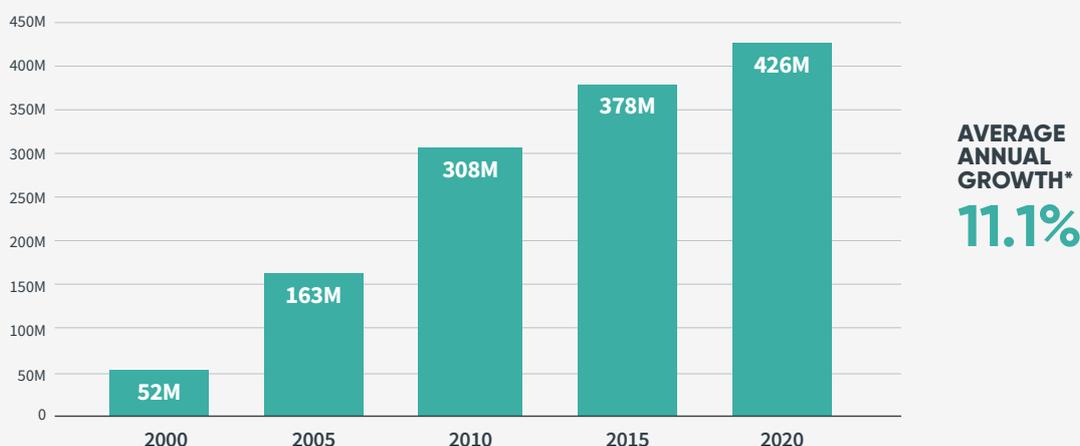
Director of Technology and Strategic Engagement for Latin America at GSMA

has finally become the main technology in Latin America, according to another report from GSMA, called [Region in Focus, Latin America](#), with consolidated data from the first-quarter of 2020.

According to Alejandro Adamowicz, Director of Technology and Strategic Engagement for Latin America at GSMA, Latin America is one of the top regions in terms of traffic growth, driven by video and social networking applications. “The mobile networks traffic is growing at an average 50% per year, and in some countries is doubling every 12 months,” he adds.

06 Mobile subscription evolution in Latin America

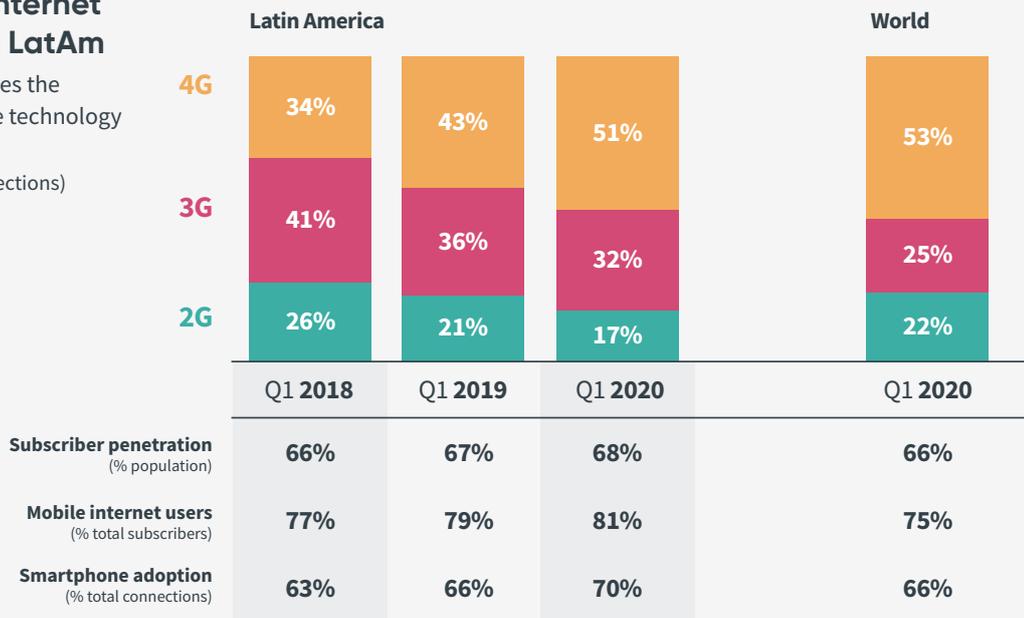
The historical evolution of mobile unique subscribers in Latin America from 2000-2020.



07 Mobile internet overview in LatAm

4G finally becomes the prevalent mobile technology in Latin America.

(in % of total connections)



“Smartphone technology has allowed us to change our consumption, work, and shopping habits. And these innovations tend to be accentuated next year with 5G technology when we will have an increase in the offer of products and services via cell phone. Our expectation is that this will bring a new universe of possibilities for services and consumption that will be commercialized. In addition, they will demand innovative payment solutions and we are prepared to serve this market.”

AUGUSTO LINS

President at Brazilian company Stone

“Across the world, people increasingly do their banking through mobile phones or the internet. Mobile phones—including smartphones—not only help previously excluded adults get financial services. Research also suggests they can help people manage economic risks and deliver a host of development benefits.”

LEORA KLAPPER

Lead economist of the World Bank's Development Economics Research Group, and manager of the Global Findex database

“This is one of the main factors for us to democratize financial services. Currently, the technology already allows anyone with a smartphone to access complex financial services. Just a cell phone, secure internet connection and some installed applications, such as PayPal's digital wallet, for example, and this taxpayer has, in the palm of their hand, a powerful tool to buy, sell, pay their bills, make investments etc. It is a revolution in motion - and one that will not stop. These mobile technologies are much faster to develop and have a gigantic capillarization capacity.”

CARLOS NOMURA

Head of Payments at PayPal Brazil

Smartphones and internet penetration driving e-commerce in Latin America

As already mentioned, connectivity is taking the region by storm, making room for new digital commerce strategies to flourish, and this is one of the main reasons why the region is such a key market for e-commerce.

According to **Ricardo Sfeir**, digital commerce expert at **Euromonitor**, countries with greater development in the region, such as Brazil and Chile, also tend to have a high share of mobile versus desktop access, something that discloses the evolution of the sector, and beyond that: the greater use of apps for purchases and activities in general.

Indeed GSMA's [Region in Focus, Latin America](#) report, with consolidated data from the first quarter of 2020, shows that regular digital application engagement in Latin America is the highest in the world and a key driver for data traffic growth – and therefore, for digital goods and services consumption in general.

“The biggest contributing factor [for e-commerce growth in the region] has been the widespread use of smartphones.”

SOFIA MERCER

Research analyst at AMI

“The smartphone is at the center of digital transformation for consumers in the region,”

EDUARDO TUDE

President of the Brazilian consultancy company specialized in telecommunications, Teleco

“Live Streaming-driven sales have become one of the hottest trends in e-commerce, reshaping the retail industry by developing a ‘see-now, buy-now’ trend that offers consumers instant gratification.”

KEN HUANG

AliExpress’ head for Latin America

“Mobile data usage in Latin America doubled year on year, reaching 4.7 GB per subscriber per month in 2019. And usage is expected to grow more than fivefold by 2025. This trend has been boosted by strong smartphone adoption rates in the region (around 70% at year-end 2019),” stated the organization.

Another key factor when it comes to the region’s potential for e-commerce is how passionate about social media and online engagement as a whole Latin Americans are. As consumers in the region spend more time online, they also consume more online.

[As forecasted by the marketing Saas company Socialbakers](#), even before the COVID-19 pandemic, 2020 was set to be the year that social commerce would take off worldwide, reaching Latin America as well. **Alibaba**’s international online marketplace **AliExpress**, which has Brazil as one of its top 5 markets in the world, is one of the pioneers when it comes to shopping videos.

According to the company’s head for Latin America, **Ken Huang**, during this year AliExpress’ global ‘Summer Sale’ Shopping Festival, its first large-scale sales event after the pandemic, live streaming took the festival by storm. “Customers from 213 countries watched 1,844 live streaming sessions to purchase products. Over 1,300 brands and 109 influencers participated in the sessions, covering 32 languages. Russia, Spain, France, Brazil, and Poland were the top 5 countries that led the live streaming viewership,” Huang told EBANX.

In late May, the company launched a platform called **AliExpress Connect** that bridges influencers and the company’s top sellers and brands, and sees in Latin America one of the main markets where the initiative can most develop itself.

This scenario, combined with Latin Americans’ willingness for sharing their lives through social media and for mobile engagement as a whole, urges e-commerce companies and digital services providers to look at this social commerce potential, but also to understand its particularities and strategies that encompass local preferences, language and payment methods.

Forced digitization and the newcomers to e-commerce in Latin America

The COVID-19 pandemic put digitization to play a role at an unprecedented pace in the region. Latin Americans are buying on digital channels like never before. And this wave of rapid digitization is likely here to stay. Those who had not yet bought online before are being highly encouraged to do so in the current stay-at-home circumstances. They are using digital tools to shop, compare prices, and pay.

In Latin America as a whole, AMI data points out that 52 million new latino consumers are expected to buy online for the first time in

2020, more than double the amount expected prior to COVID-19.

By 2022, e-commerce is likely to reach 63% penetration of the total population, compared to the 45% penetration at the beginning of 2020, winning 84 million new consumers (70% more than would have done so organically).

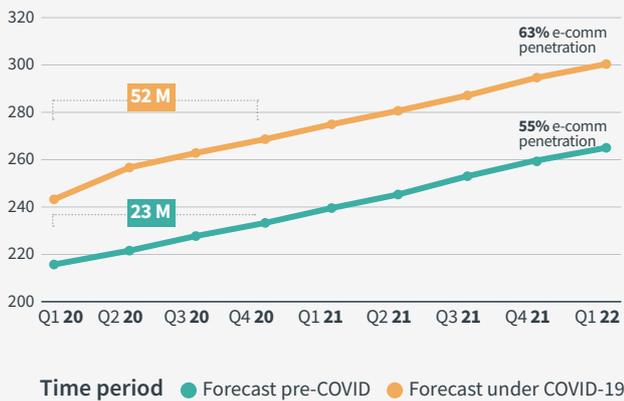
The reality has shown that business and payments digitization has left the realm of trends: stores will need to think of ways to deliver everything; banks will need to offer efficient, instant, and easy-to-use access to their services.

“Consumers that repelled the idea of using an online service have no choice but to. And the better the experiences, the more open you are to using and trying out different forms.”

SOFIA MERCER
Research analyst at AMI

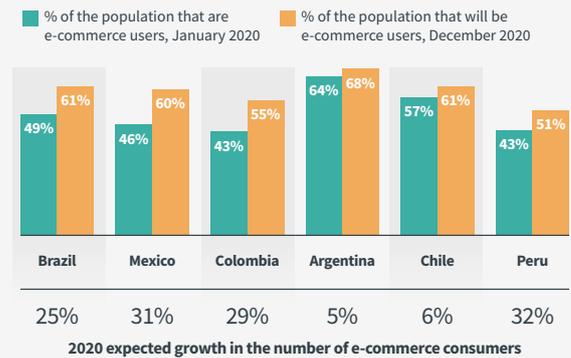
08 Newcomers to LatAm’s e-commerce

COVID-19 more than doubled the estimates about new online consumers in Latin America. (in millions of consumers)



09 E-commerce consumers per country

Consumers that have never bought online before are being highly encouraged to do so in the current stay-at-home circumstances.



EBANX TIP

In this scenario, the e-commerce industry must devise ways to make its channels and platforms convenient and user-friendly enough to entice the recently digitized Latin America.

CHAPTER 02

Latin America's potential for e-commerce

COVID-19 has just emphasized this: Latin America is still the next big thing when it comes to e-commerce

Currently, both consultancy firms **Americas Market Intelligence (AMI)** and **Euromonitor** place Latin America as the second-fastest-growing market for e-commerce in the world, only behind South East Asia.

AMI estimates that, in 2020, e-commerce market in Latin America will grow almost 8.5% over 2019, which is a number surprisingly low when compared to the double digits growth registered in the past years. In 2019, e-commerce grew 20% over the previous year, reaching \$177.56 billion in TPV. The region, however, is expected to gain a new pace in 2021.

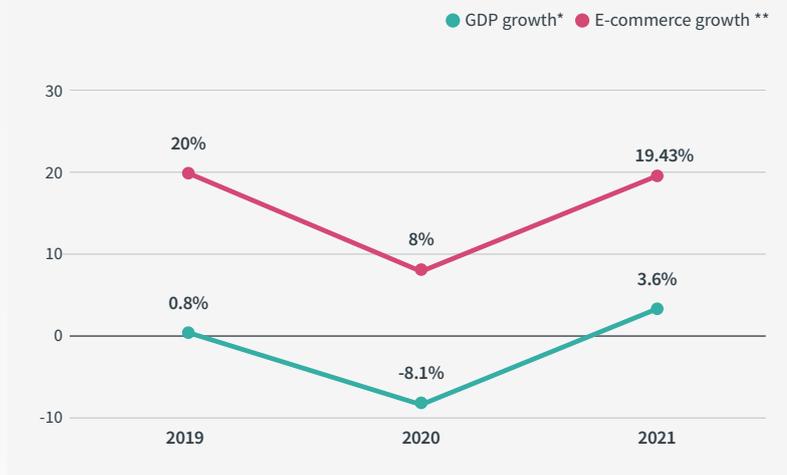
The reason for this comes from an undergoing change in the distribution of e-commerce expenditure caused by the COVID-19 crisis, not just in the region, but worldwide. The travel vertical was the most hit by the crisis due to the isolation measures caused by the pandemic, pushing down e-commerce sales as a whole. Retail and digital goods were also affected, but reacted faster (*see the details in the next page*).

If we consider the forecasts for economic growth in Latin America and other regions, however, we can infer that the region could become “the” fastest-growing region for e-commerce, alongside SE Asia.

“[In our view] Latin America will experience an -8.5% decline in GDP growth in 2020, compared to -8% in Europe, -10% in South East Asia, and -3% in Africa. As a result, we expect Latin America to match SE Asia in e-commerce growth, whereas in the past it was trailing just behind,” evaluates Lindsay Lehr, associate managing director at AMI.

10 GDP growth versus e-commerce growth in Latin America

Despite the political uncertainties and the economic setbacks, the e-commerce sector is growing way ahead of the region’s general economy.



Retail

It is growing at 21% this year, and it will have recovered by 2021, but growing to similar rates to 2019.

Key drivers for growth after COVID-19: home-office, gym, and home gym, toys for kids, electronics to support being at home.



Travel

This segment experienced the biggest hit, falling almost to zero in April, and slowly recovering throughout 2020, but still ending the year with negative performance. AMI expects a 37% drop in travel this year. For the consultancy firm, this segment will take around two years to fully recover from the COVID-19 impact.

Key drivers for growth after COVID-19: local/domestic tourism, and business trips. But only with a vaccine will the segment really recover.



Digital goods and services

An industry that has been growing 20% to 30% YoY, in 2020 is reaching 45% growth.

Key drivers for growth after COVID-19: delivery apps, grocery delivery, streaming, online content, online gaming. Other emerging categories: online education, telemedicine, productivity services, SaaS.

Ricardo Sfeir, a digital commerce expert at Euromonitor, emphasizes that the region held the second-highest growth in digital commerce in the last five years, from 2014 to 2019, and it will probably be the one leading the sector's growth in the coming years (2020-2024).

Latin America's first and biggest economy, Brazil remains the regional giant, representing 58% of total e-commerce spend in 2019, according to AMI. By 2023, the market intelligence firm forecasts that the region will surpass \$300 billion in e-commerce volume.

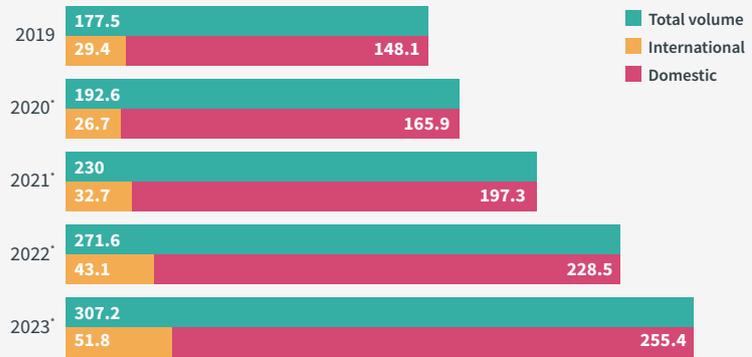
“Delivery apps have gotten Latin American consumers used to a greater array of things online, becoming more comfortable with the online channel in general. This has lifted digital goods overall.”

LINDSAY LEHR

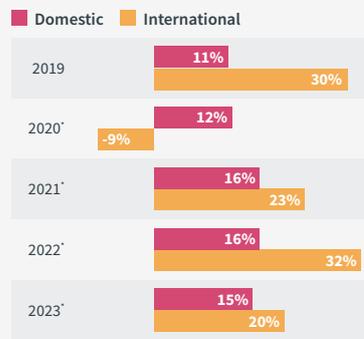
Payments expert and associate managing director at AMI

11 Latin American international vs. domestic e-commerce spend

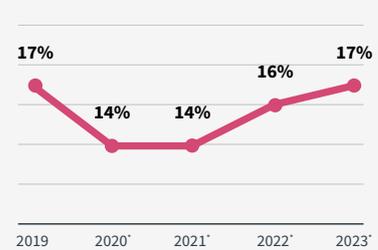
The cross-border share of e-commerce spend suffered in 2020 due to COVID-19, but it is likely to fully recover by 2023. (billion of USD)



Y-o-Y growth in total volume

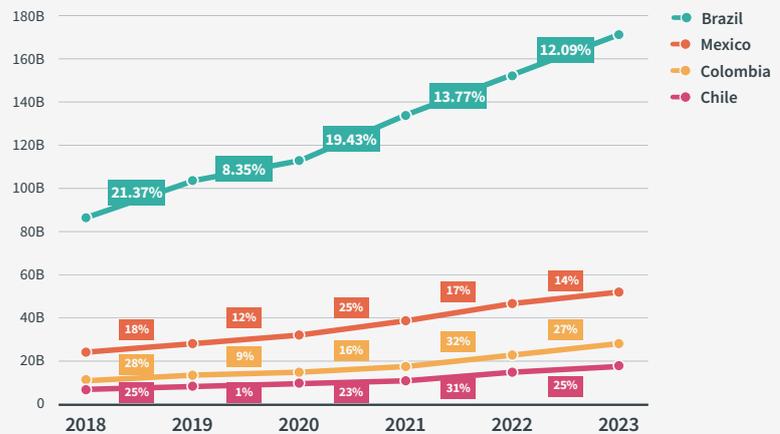


International e-commerce share of the total spend



12 E-commerce volume per country

Brazil and Mexico are the largest markets in Latin America, but Colombia and Chile are growing at a faster pace. (billion of USD)



An overview of the e-commerce market in Brazil, Mexico, Colombia, and Chile

Brazil

The Brazilian E-commerce

Association (ABComm) estimates an 18% growth for e-commerce in 2020, reaching BRL 106 billion in revenue – but as the sector gains ground with newcomers pushed by the pandemic, this forecast is likely to be surpassed, according to the organization.

AMI, in its turn, forecasts a 10% growth for the country's domestic e-commerce market, and a -11% drop for the cross-border market.

This negative growth on cross-border e-commerce reflects a scenario where international purchases decreased during this year, ending up with only 7% of 2020's total share of the e-commerce market. In 2020, as travel was the most impacted sector, digital goods is likely to take the lead as the main vertical in terms of expenditure, with a projected \$50 billion spend, out of \$112.4 in total volume (please check the “market size by vertical” graphic, on the next page).



45%

It is the share that the digital goods segment will have of the total e-commerce market in Brazil by the end of 2020, a 42% growth over 2019.



32%

It is the share that the retail segment will have of the total e-commerce market in Brazil by the end of 2020, a 23% growth over 2019.



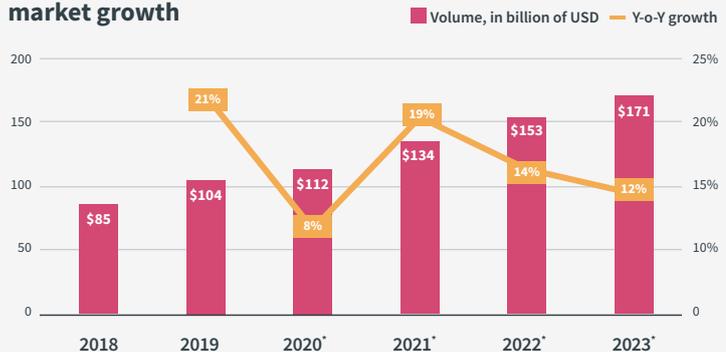
61%

of the Brazilian adults will be online consumers by the end of 2020, a 25% growth when compared to 2019.

13 E-commerce in Brazil

The largest e-commerce market in LatAm is likely to more than double its growth next year.

Historic and projected market growth



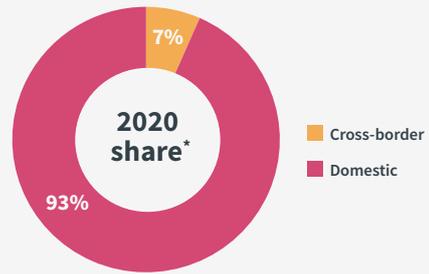
“Brazilians tend to be first movers, fast technology adopters. [The country] is already a very vibrant ecosystem for digital goods and services. We see Brazil as a very fertile ground for digital goods; it is most likely the most competitive market.”

LINDSAY LEHR

Payments expert and associate managing director at AMI

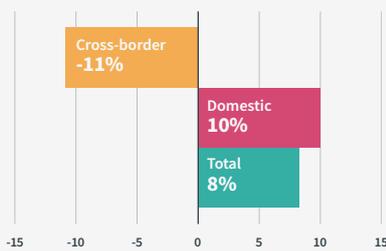
Cross-border e-commerce vs. Domestic e-commerce

Volume, in billion of USD



Y-o-Y growth

2019-2020* growth



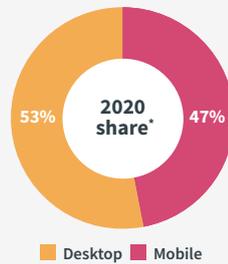
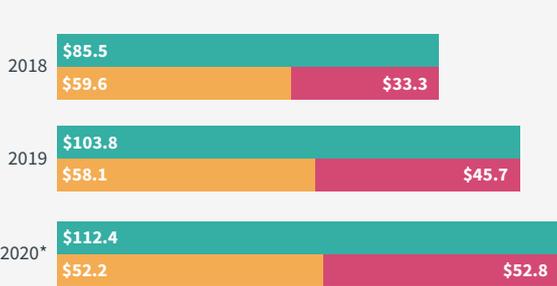
Split by vertical

2019



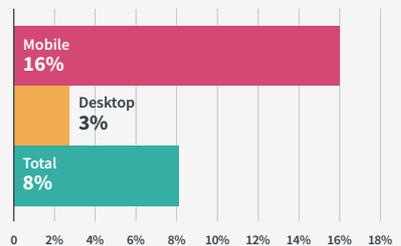
E-commerce by device (desktop vs. mobile)

Volume, in billion of USD



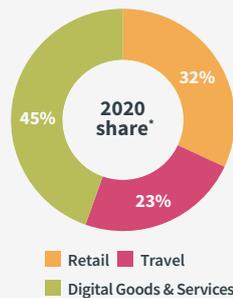
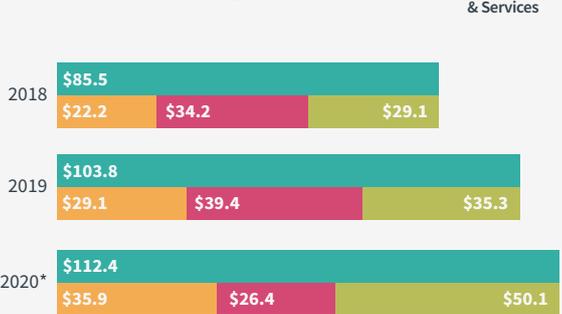
Y-o-Y growth

2019-2020* growth



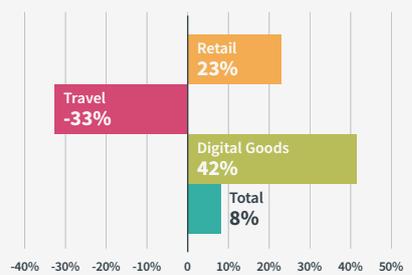
Market size by vertical

Volume, in billion of USD



Y-o-Y growth

2019-2020* growth





Mexico

The second-largest market in the region, Mexico has been showing a digital goods growth of 37% during 2020 and an e-commerce penetration that grows faster than in Brazil.

But according to AMI, Mexico has been particularly laggard in the adoption of digital technologies. “You have the upper-middle class who looks and feels like folks who live in first world countries, fast technology adopters very comfortable with e-commerce. Then you have a large segment of the population that still operates very much in cash, in the informal economy, and is much slower to adopt digital payments and digital goods,” stresses Lehr.

According to her, the landscape is changing, fueled by the pandemic. The acceleration towards digitization is particularly strong in Mexico, a country

with an underserved population when it comes to payments and digital adoption.

For **Ricardo Sfeir**, digital commerce expert at **Euromonitor**, Mexico has two major traits that define its digital market: low internet penetration, but a massive economy. “This difference explains why the country is still far behind Brazil in the development of e-commerce, for example. However, any increase ends up causing a massive boost due to its economic size, which results in the country filling the second place in the ranking of digital market size,” says Ricardo.

Digital payments, however, are still a hurdle: “The expectation is that the country will follow the steps of Brazil in terms of speed in the rise of digital, but we know that Mexico is still way behind in the development of digital payments.”



30%

It is the share that the **digital goods segment** will have of the total e-commerce market in Mexico by the end of 2020, a 37% growth when compared to 2019.

63%

It is the share that the **retail segment** will have of the total e-commerce market in Mexico by the end of 2020, a 16% growth over 2019.

60%

of the Mexican adults will be **online consumers by the end of 2020**, a 31% growth when compared to 2019.

14 E-commerce in Mexico

The second largest e-commerce market in LatAm has been showing an e-commerce penetration that grows faster than in Brazil.

Historic and projected market growth

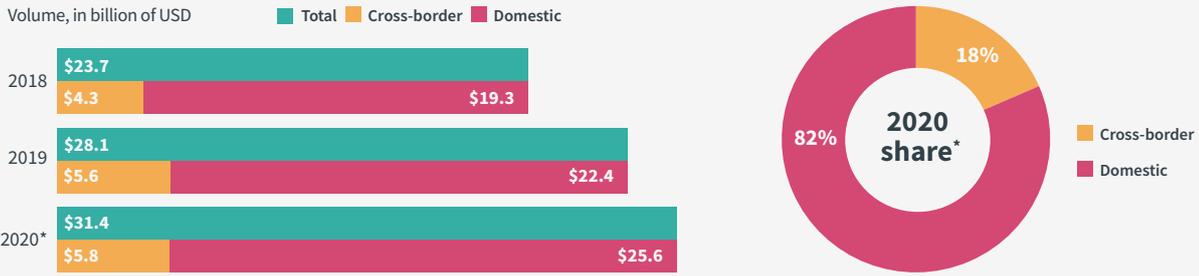


“Mexico is an exciting market for the increased adoption of digital goods.”

LINDSAY LEHR

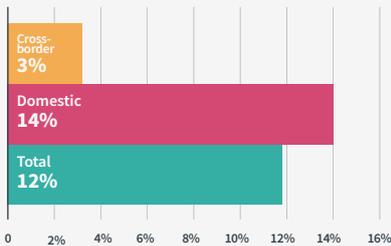
Payments expert and associate managing director at AMI

Cross-border e-commerce vs. Domestic e-commerce



Y-o-Y growth

2019-2020* growth



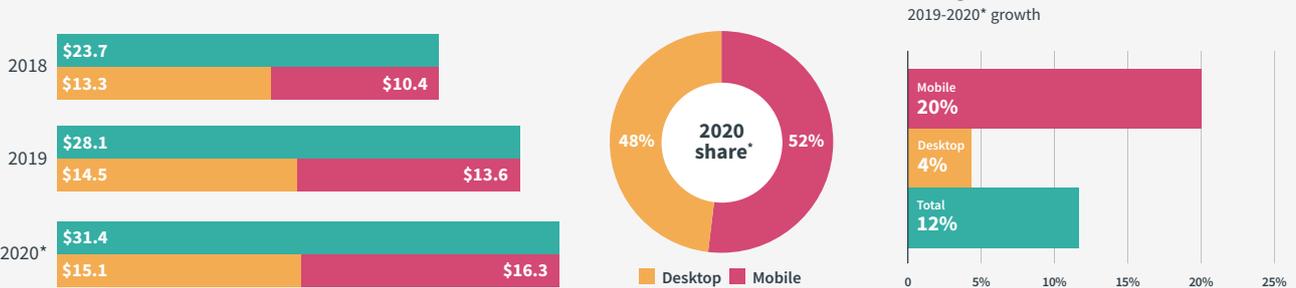
Split by vertical

2019



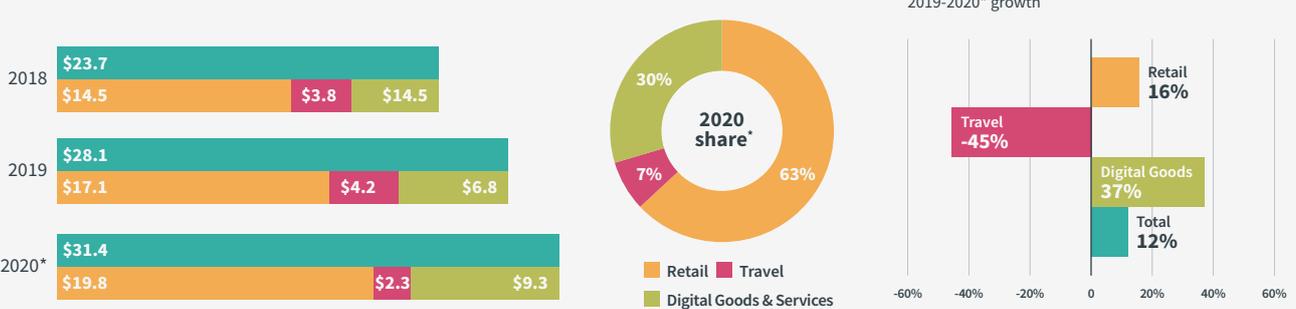
E-commerce by device type (desktop vs. mobile)

Volume, in billion of USD



Market size by vertical

Volume, in billion of USD





Colombia

With a fast-growing pace of digital goods (63%), Colombia has in a local player one of the major drivers for its digitization. According to AMI, **Rappi**, the popular Colombian super app, has been boosting the digital category in the country, and beyond that: preparing Colombians to adopt digital goods and services, as well as e-commerce, in all areas of their daily lives.

“Similar to Mexico, Colombia has two worlds: urbanized people who are very used to technology and are already avid adopters of digital goods, and outside the major cities, people who are coming to e-commerce for the first time,” points out Lehr. E-commerce penetration in the country is likely to reach 55% in 2020.

For Euromonitor, although Colombia is the most delayed country among the largest economies in the region when it comes to development of digital commerce and connectivity rates, the country has the highest growth rates in digital commerce and its rapid and steady increase in the penetration of mobile devices is having an effect on the development of the local ecosystem. “The country, for instance, ends up having higher rates of digital payments under total digital trade than Mexico,” points out **Sfeir**.



18%

It is the share that the **digital goods** segment will have of the total e-commerce market in Colombia by the end of 2020, a **63% growth** over the previous year

68%

It is the share that the **retail** segment will have of the total e-commerce market in Colombia by the end of 2020, a **19% growth over 2019**.

55%

of the **Colombian adults will be online consumers by the end of 2020**, a 29% growth when compared to 2019.

15 E-commerce in Colombia

The country has the highest growth rates in digital commerce.

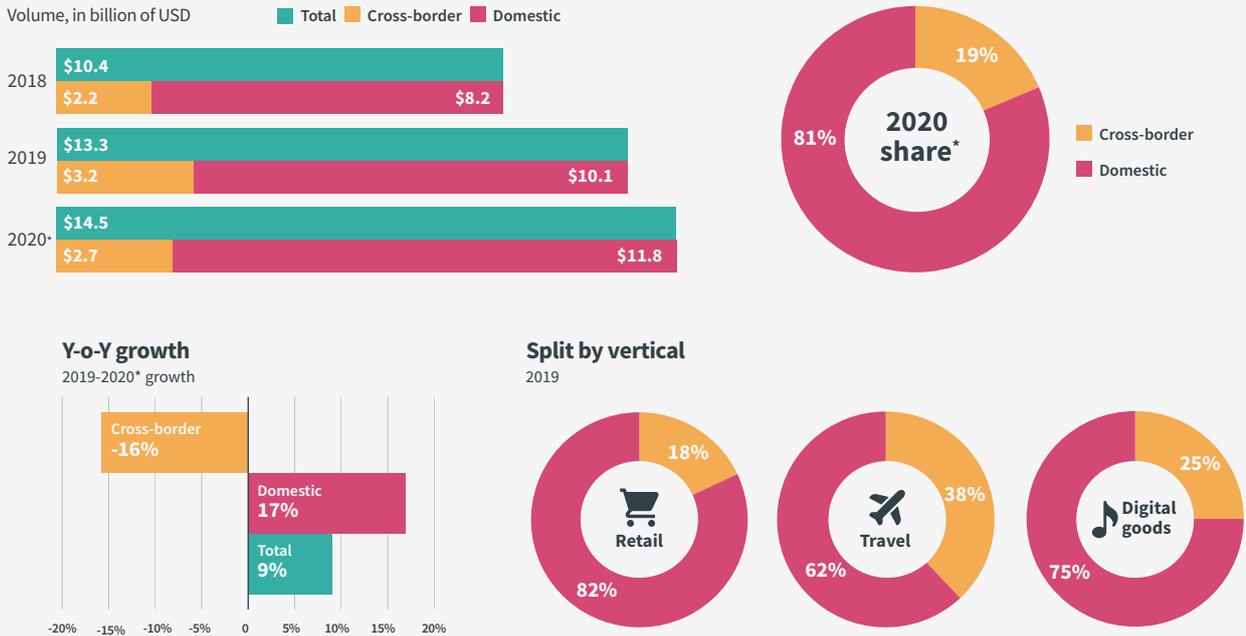


“Colombia is perhaps the most favorable market for digital goods adoption in 2020.”

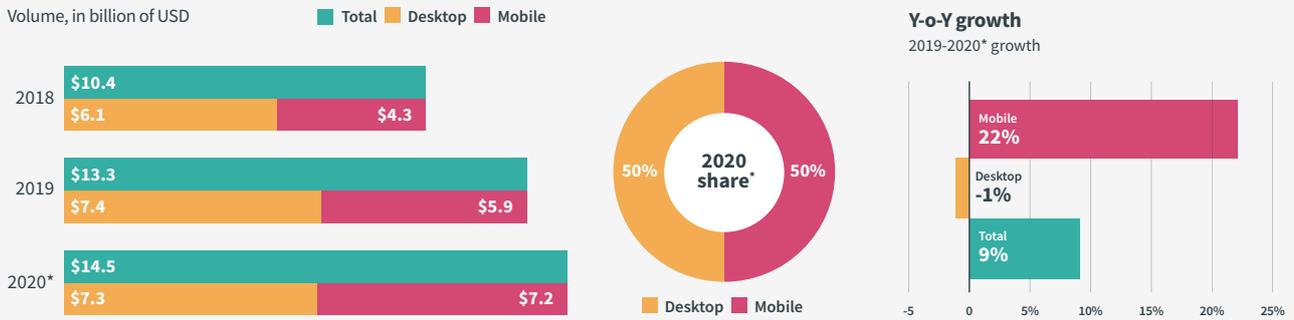
LINDSAY LEHR

Payments expert and associate managing director at AMI

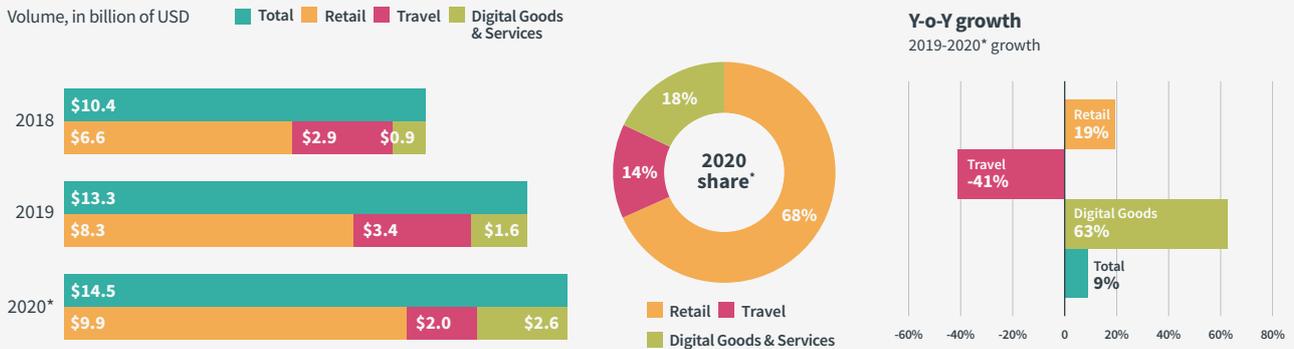
Cross-border e-commerce vs. Domestic e-commerce



E-commerce by device type (desktop vs. mobile)



Market size by vertical





Chile

With the most banked population among all the other Latin American countries, almost everyone in Chile has access to a debit card and a bank account.

On the other hand, due to the closed payments acquiring landscape, there are lower levels of new technology moving into the country. “On the e-commerce side, we have really sophisticated and advanced online retailers and players in the travel industry, but less movement in digital goods because of this less flexible payments infrastructure, that has held back the fintech revolution a little bit,” points out Lehr. Even so, the country

has experienced a surge in digital goods during the pandemic and is likely to see this segment reach a share of 26% of all e-commerce volume.

According to Euromonitor, Chile leads the internet penetration rate in the region, with 86.1% of consumers online in 2019. On the other hand, it is the only country that has the highest percentage of use of desktop as an online shopping device: a cultural trait. Chile is also the only country in the region, along with Brazil, to have bill payments as the main industry within digital commerce, with good levels of internet banking nationally.



26%

It is the share that the **digital goods** segment will have of the total e-commerce market in Chile by the end of 2020, a **53% growth** over the previous year.

51%

It is the share that the **retail** segment will have of the total e-commerce market in Chile by the end of 2020, a **25% growth** over 2019.

61%

of the **Chilean adults will be online consumers** by the end of 2020, a 6% growth when compared to 2019.

16 E-commerce in Chile

It has the most banked population among all the other Latin American countries.

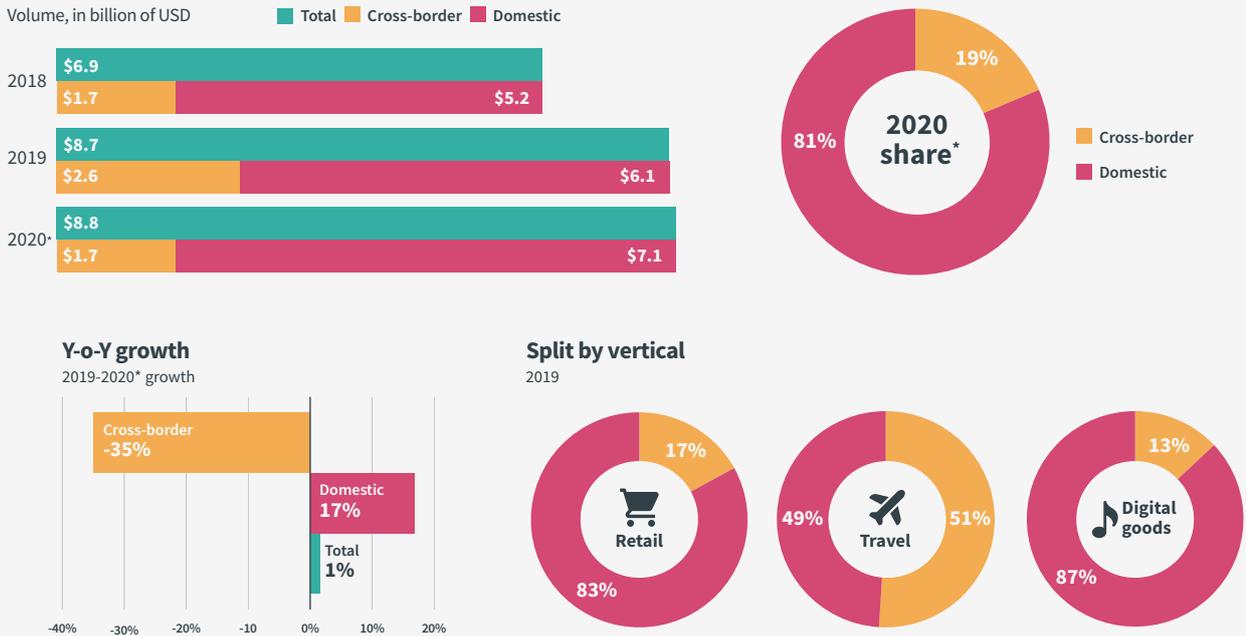


“Chile is the smallest market in terms of the number of people [...] But you have got an opportunity to really get in the door in the early stages and take advantage of this acceleration of digital goods we are seeing under the pandemic.”

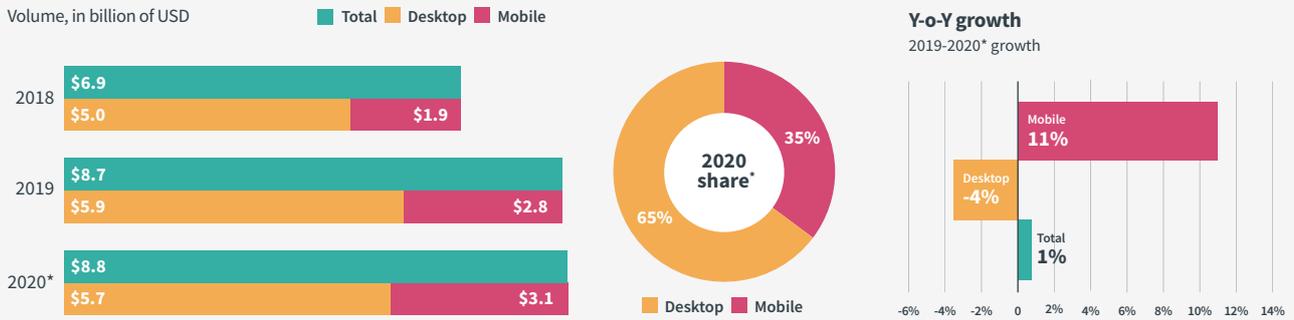
LINDSAY LEHR

Payments expert and associate managing director at AMI

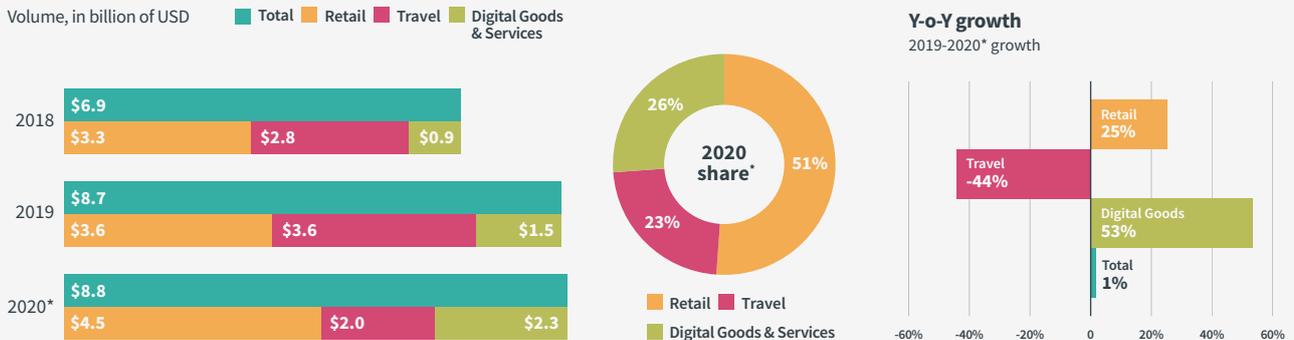
Cross-border e-commerce vs. Domestic e-commerce



E-commerce by device type (desktop vs. mobile)



Market size by vertical



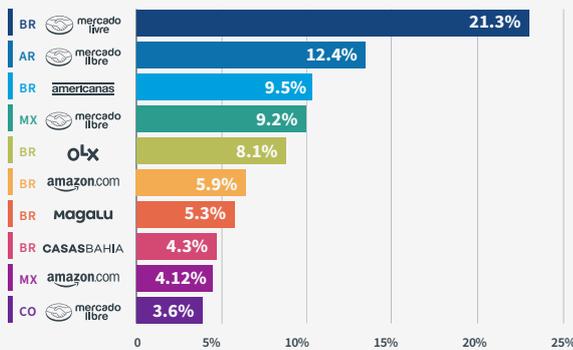
The main players in Latin America

The AI-based market intelligence platform **SimilarWeb**, founded in 2007 by **Or Offer**, measures the digital market by providing traffic intelligence to monitor and understand data. In this ranking provided for EBANX, **SimilarWeb** discloses the top ten e-commerce players in Latin America, and also the ten top websites per country.

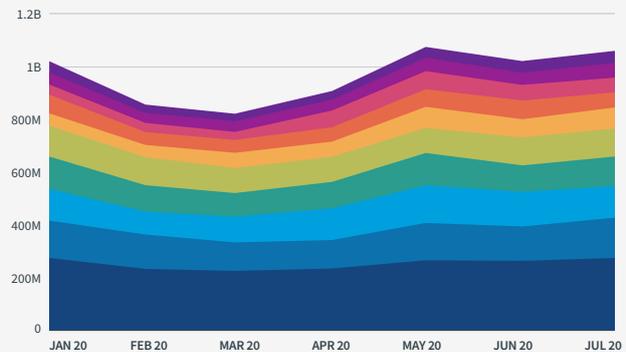
To compose the overall ranking of main e-commerce players in Latin America (infographic 17), SimilarWeb first analyzed the relevance of websites within the category of e-commerce in each country. Next, it added all the main websites of each country (infographic 18) in a customized category in order to analyze them side by side.

17 Top 10 e-commerce websites in Latin America

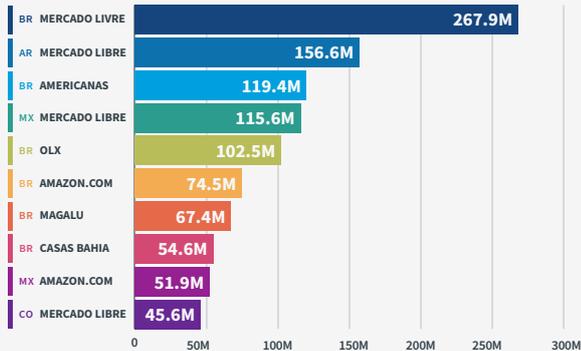
Traffic Share Data from July 2020



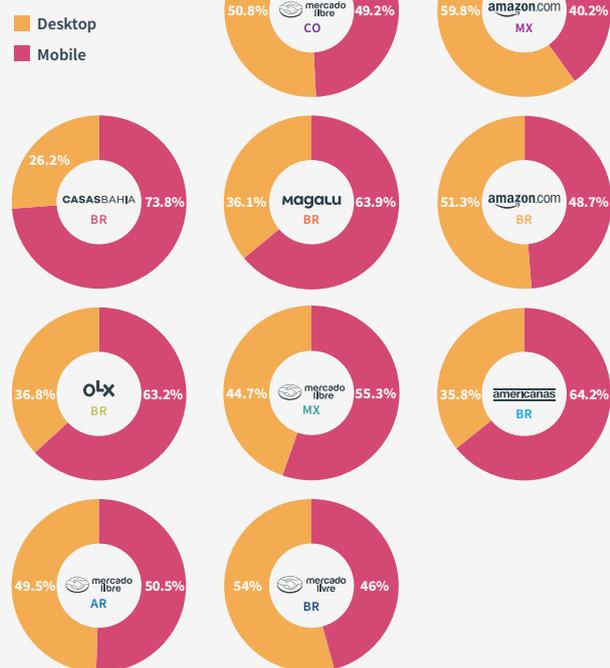
Traffic Share January 2020 - July 2020



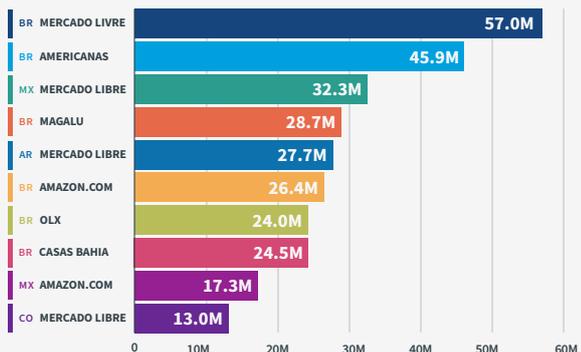
Monthly Visits In millions



Desktop vs Mobile



Unique Visitors In millions



Top 10 e-commerce websites in Latin America



Mercado Livre & Mercado Libre

With 21.28% of traffic share, Mercado Livre Brazil leads the ranking among the other e-commerce websites. The Latin American e-commerce platform, founded in Argentina in 1999, figures in three other positions at SimilarWeb's ranking in addition to the Brazilian website, as MercadoLibre Argentina places 2nd (12.45%); MercadoLibre Mexico places 4th (9.19%), and MercadoLibre Colombia places 10th (3.63%) in terms of traffic share and monthly visits. The Argentinian tech company reached a net revenue of US\$1.1 billion during the third quarter of 2020.



Amazon (BRAZIL & MEXICO)

Jeff Bezos' e-commerce and tech giant places 6th with its Brazilian website grabbing as much as 5.92% traffic share, while Amazon Mexico ranks 9th in SimilarWeb's list, with 4.12%. The US-based company announced US\$96.1 billion net sales for 2020's third-quarter.



Americanas (BRAZIL)

Founded in 1929 and headquartered in Rio de Janeiro, Americanas is one of the most popular retailers in Brazil and a subsidiary of Lojas Americanas, parent company of e-commerce conglomerate **B2W Digital** (Submarino, Shoptime, and Americanas.com). The Brazilian e-commerce website places 3rd in this list, with 9.49% traffic share and 119.4 monthly visits, according to data from July 2020. Lojas Americanas announced BRL 5.12 billion (about US\$924 million) of net revenue during the quarter comprising July to September 2020. The company has also a website dedicated to cross-border sales.



Casas Bahia (BRAZIL)

The Brazilian Casas Bahia, subsidiary of Via Varejo (company that also owns the Pontofrio chain in the country), places in 8th position, with a 4.34% traffic share and 54.64 million visits in July this year. The popular chain of furniture and home appliances was founded in 1952. Its parent company Via Varejo announced BRL 5.28 billion (US\$ 955 million) in net revenue during 2020's second quarter.



OLX (BRAZIL)

Part of the global Netherlands-based online classifieds business OLX Group, **OLX** Brazil belongs to the Norwegian Adevinta, and ranks 5th as the domain with more traffic share in this analysis (8.15%). The online marketplace founded in 2006 reported BRL 350 million (US\$ 63.3 million) of net revenue in 2019 for its Brazilian subsidiary.



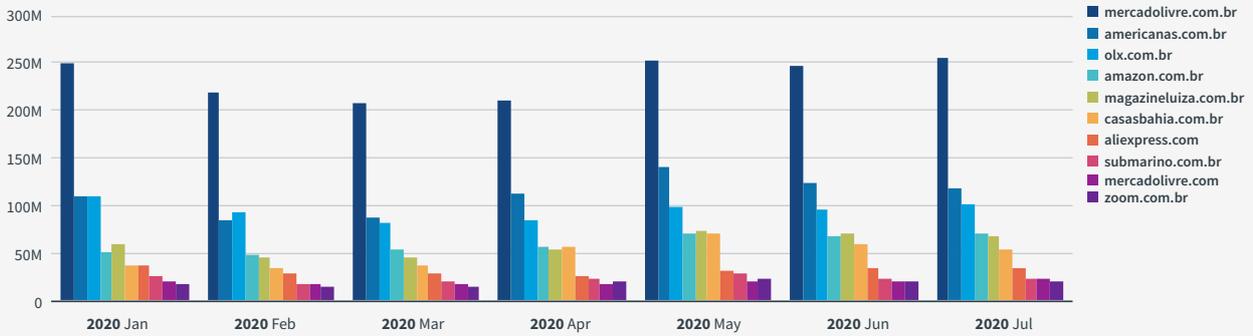
Magazine Luiza (BRAZIL)

One of the largest Brazilian retail companies, **Magazine Luiza** (or just **Magalu**) figures in 7th place in this traffic share comparison, with 5.35% and 67.39 million visits in July alone. Founded in 1957, Magazine Luiza consolidated itself as the largest multichannel retailer in Brazil. Digital sales reached 66% of the company's total sales in the third quarter of 2020, growing 148% over the same period in 2019, to BRL 8.1 billion. In 2017, e-commerce sales represented only 30% of the total. To many analysts, the company is the biggest competitor of MercadoLibre and even Amazon in Brazil.

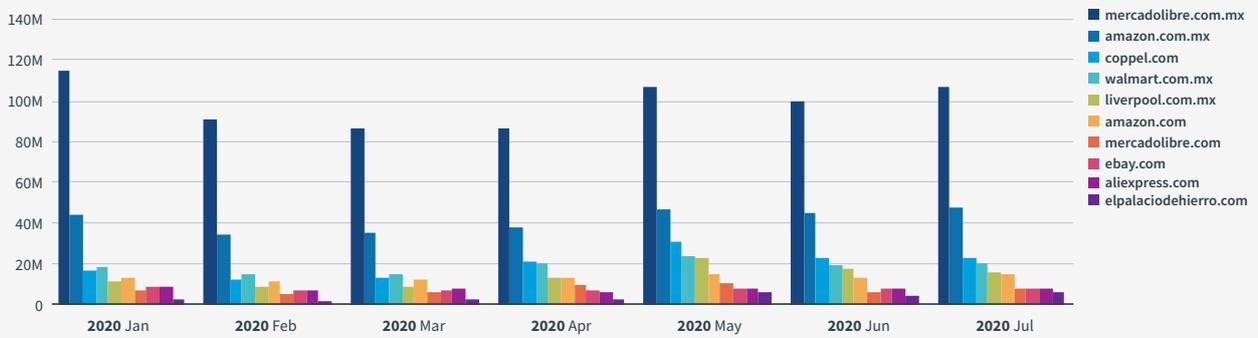
18 Top e-commerce websites per country

Total Visits & Engagement - Monthly. Data from January to July 2020.

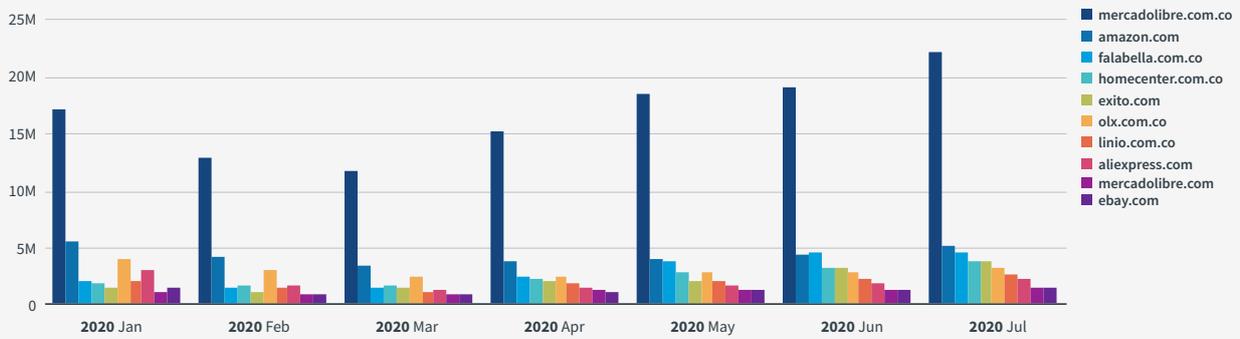
Brazil



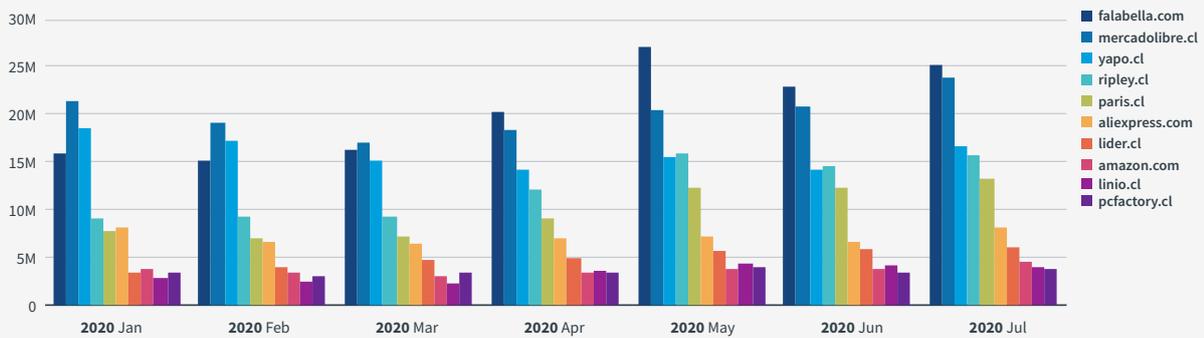
Mexico



Colombia

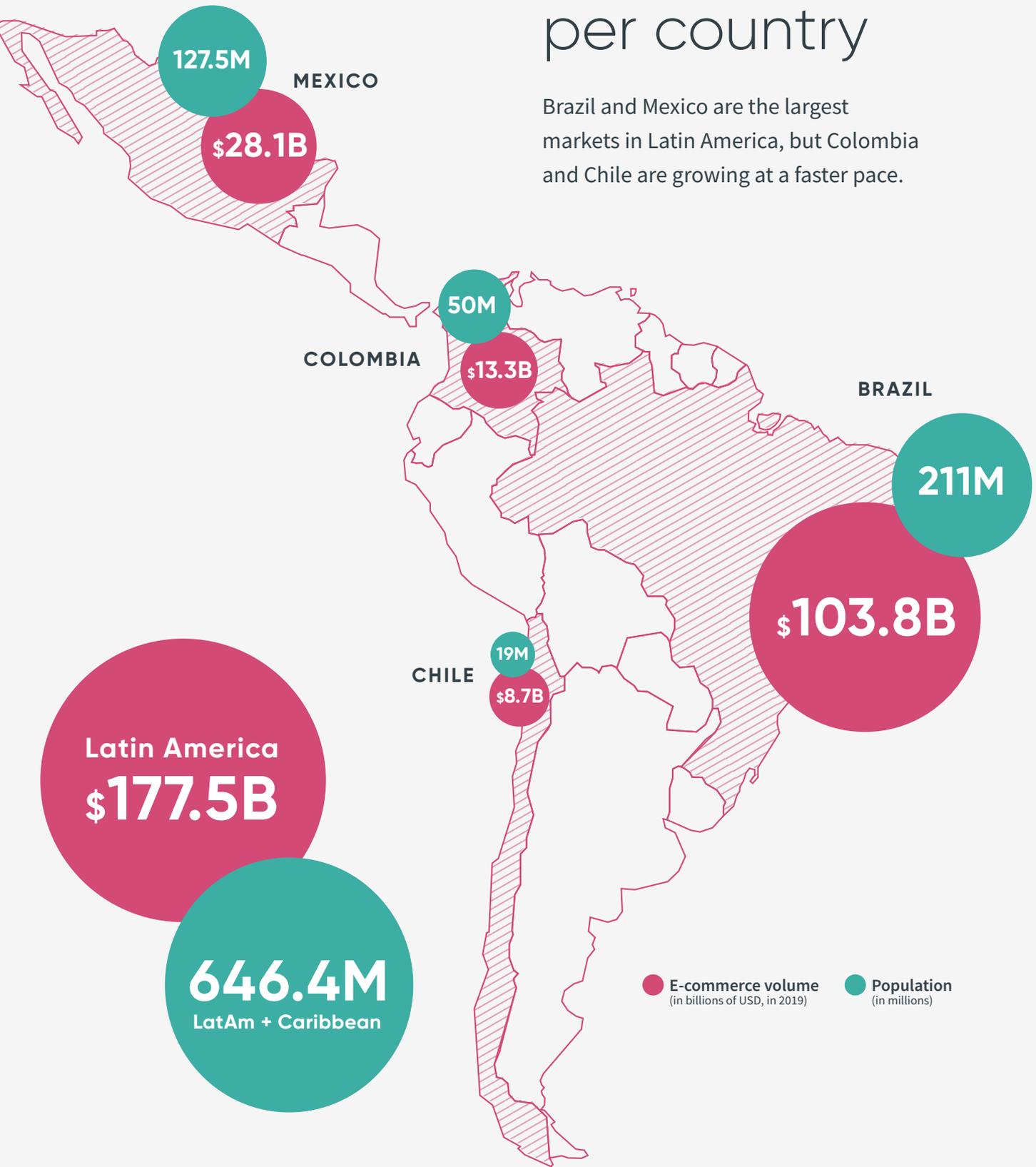


Chile



E-commerce volume per country

Brazil and Mexico are the largest markets in Latin America, but Colombia and Chile are growing at a faster pace.



CHAPTER 03

The payments landscape

How Latin Americans pay: an overview

Credit cards are the most used payment method for online purchases in Latin America. But that doesn't mean these are the preferred payment methods in the region – only that they are the most offered ones by merchants in general.

Despite the progress Latin America has made regarding financial inclusion, the region is far from being cashless. The key historical reasons for this? Cultural habits, high degrees of informality, and, therefore, of unbanked people having a hard time accessing credit and other financial resources and services.

“The pending task (when it comes to financial inclusion) is among businesses. There are close to 1 million medium, small, and micro-businesses in Chile and even enterprises that have not yet incorporated technology as a tool. Only 3% of SMEs use technology in processes because they do not see digitization as an essential element.”

PATRICIO SANTELICES
General director at Transbank

Consequently, local cash-based alternative payment methods – that is, all the other options except cards ([read our small glossary about it](#)) – are still very relevant in Latin America. Mexico and Chile exemplify these regional contrasts.

While debit and credit cards account for 65% of the e-commerce spending in Mexico, according to AMI data, the use of cash-based methods, such as the country's traditional payment voucher OXXO, responds for 19% of the online purchases in Mexico – reflecting the still low penetration of electronic payment methods in the country. Even innovations such as *Cobro Digital* (CoDi), Mexico's instant payment system launched in September 2019, work as a digitization effort but not necessarily as a way to reduce the circulation of cash ([read more about it here](#)).



70%

Is the average penetration of cards in e-commerce among the four Latin American countries evaluated in this Beyond Borders 2020/2021 study, which also means that almost a third of the online purchases made in those countries, on average, are made through cash-based or alternative payment methods.

On the other side of this Latin American payments portrait is Chile. The country has the region's highest level of card penetration – +40 million credit and debit cards issued or two cards per person, according to **Alliance for Financial Inclusion, Afi** data – and also of card's usage in e-commerce (accounting for 84% of the total volume processed online). Alongside these aspects, Chile also has the highest level of access to banking services in the region (74.3% of its population, according to the **World Bank's Global Findex**).

Unlike Brazil, where debit card usage for digital purchases is still gaining ground ([read more about it here](#)), this payment method already accounts for a large part of Chile's online transactions. According to AMI data projections, debit cards are expected to end 2020 accounting for 30% of the country's e-commerce spending (something around \$2.7 billion), an expressive 36% growth compared to 2018. Simultaneously, the use of payment vouchers (*Sencillito, Servipag, and Multicaja*) will account for 8% of the country's e-commerce payments volume. "There is still a long way to go to catch up with developed economies in terms of digitalization of payment methods. In 2019, 38% of private consumption in Chile was

carried out through digital platforms, getting closer and closer to the reference countries, whose rates are above 50%," Patricio Santelices, General Director at Transbank, the dominant acquiring company and payment processor in the country, told **EBANX**.

Chile is slowly opening up its acquiring market ([read more about it](#)) and implementing a four-part model – something that happened more than a decade ago in Brazil, spurring a series of innovations, from the spread of POS terminals throughout the country to the rise of fintechs more recently.

Next, you will find the profile of each country regarding payments in e-commerce.

"Chile is a bit of a paradox. On the one hand, it is the most banked population in the region; almost everyone has access to a debit card and a bank account in Chile, making it really prepared for e-commerce. At the same time, because of the closed acquiring landscape in Chile, we've seen lower levels of new technologies moving into the country."

LINDSAY LEHR

Payments expert and associate managing director at AMI

Brazil

According to AMI data, Latin America’s largest market is expected to end 2020 with a much larger share of payments made through debit cards and digital wallets than the previous years, with a 16% and 6% growth in volume Y-o-Y, respectively. In 2019, these methods accounted for \$5.7 billion and \$12.3 billion of the total spending of \$ 103.8 billion.

For the first time, the percentage of payments made with international credit cards will probably decrease (-1%) due to the drop in cross-border sales, more impacted by the COVID-19 pandemic, while the share of payments made with domestic credit cards is expected to grow 11%. “Cross-border was hit hard everywhere, and the markets where you already have an advanced e-commerce environment and an important share of

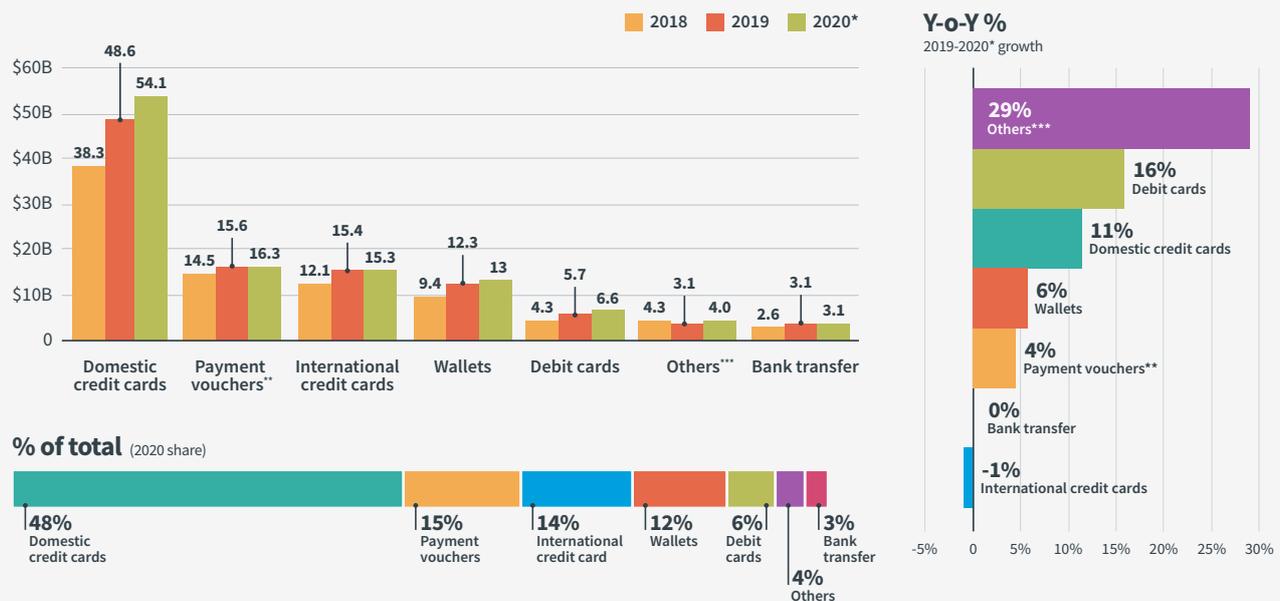
cross-border, that is where international cards are going to receive a biggest hit in terms of spending volume,” explains Lindsay Lehr, payments expert and associate managing director at AMI.

Domestically, the Brazilian e-commerce boom is being led by the increasing digitization and smartphone penetration, alongside the development of the payments industry itself.

An interesting thing has happened in the last couple of years: even with the accelerated digitization process, Brazilians did not stop using the boleto but “updated” the way of buying with it. When asked how they pay the voucher today, most say they do it electronically, a behavior change compared to Beyond Borders 2019 findings ([read more about it](#)).

19 How Brazilians pay on e-commerce

The use of debit card and digital wallets in the country’s digital commerce is rising. (volume, in billion of USD)



Mexico

According to AMI data, while cash is still king in Mexicans daily lives, international credit cards are the most used payment method in the country's e-commerce and are likely to end 2020 accounting for more than a third of the sector's financial volume.

Debit cards are the second most used payment method, heading to close 2020, with a 23% (\$7.2 billion) share of the total spending – a 16% growth compared to 2019.

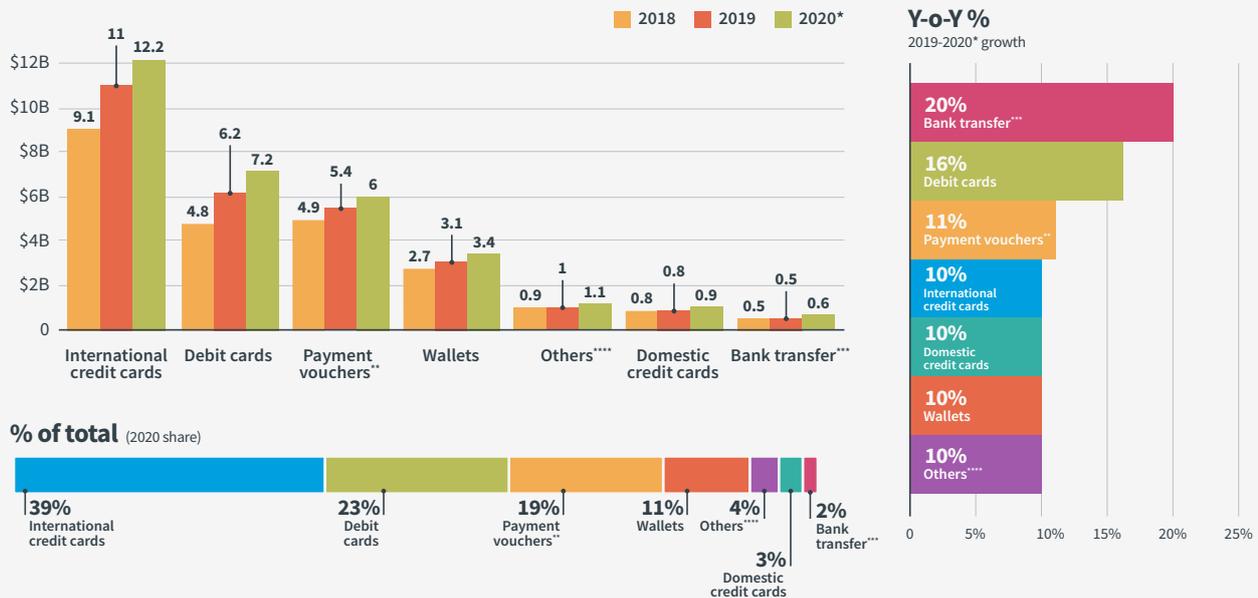
The third most relevant payment method in Mexico's digital commerce is its most popular payment voucher, *boleto OXXO*. This popular payment method allows merchants to tap into the substantial group of online buyers who don't have a bank account or pay their purchases with vouchers for cultural reasons. OXXO has more than 17,400 stores across the country. Through them,

consumers can pay for their online purchases in cash, and merchants have a zero chance of chargeback.

In addition to digital wallets, which are expected to grow 10% this year, bank transfers are likely to show a significant increase: 20% compared to 2019. Although in practice they should end the year accounting for only 2% of the payments within Mexican e-commerce, bank transfers seem to be gaining ground in the country's consumer preference. These transfers are completed through mobile banking using SPEI, Mexico's Interbank Electronic Payment System. Since 2019, banks are offering the new operative of the country's instant payment system, Cobro Digital, CoDi, that will simplify the process using QR code or push notification to complete the payment. CoDi, in practice, works as an extra layer of SPEI ([read more about this](#)).

20 How Mexicans pay on e-commerce

The use of payment vouchers or bank slips (OXXO) is still high in the country. (volume, in billion of USD)



Colombia

According to AMI data, Colombia has a different scenario than that of its neighbors. While credit cards are the most used payment method for online purchases, accounting for 45% of the entire sector's financial volume, bank transfers are also commonly used (21%) by Colombians, ahead of debit cards and digital wallets.

"[Recently] It seems like we've seen many people trending towards bank transfers, using their digital wallets, opening accounts on banks. I think that (financial inclusion) will rely on how well banks will be able to maintain a certain loyalty and develop an experience with the customer. It's their chance to break down that lack of trust that most Latin Americans have against banks."

SOFIA MERCER

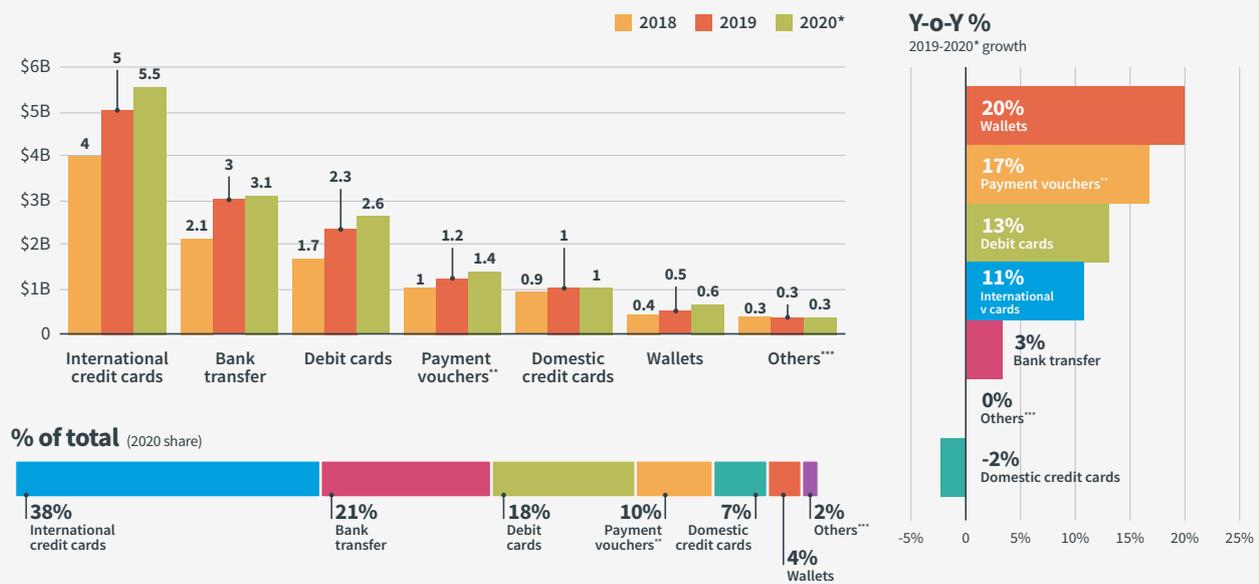
Research analyst at AMI

This happens because of the increasing internet and smartphone penetration in the country, alongside the growth of *Pagos Seguros en Línea* (PSE). PSE is a network developed by ACH, an organization that monitors and controls automated transactions between banks and financial institutions, and that also attracts fintechs eager to create fast and frictionless payment solutions. Through PSE's interface, consumers are redirected to their internet banking, making the transaction real-time, without needing a credit card.

As the explosion of delivery apps, especially the last-mile logistics unicorn Rappi, drives the rise of domestic e-commerce in the country, Colombian consumers are also becoming more familiar with buying from foreign websites.

21 How Colombians pay on e-commerce

Likewise Brazil, the use of debit cards and digital wallets in e-commerce is rising. (volume, in billion of USD)



Chile

According to AMI data, the Latin American market with the highest penetration of internet and smartphones is also the one in which cards rule in e-commerce. International credit cards, domestic credit cards, and debit cards are likely to account for more than 80% of the country’s e-commerce spending, according to AMI projections for the end of 2020.

“In Chile, there may be a decline of 35% in cross-border spending. As internationally enabled cards are the number one payment method for cross-border spending, it is natural that this method loses volume this year,” explains Lindsay Lehr, payments expert and associate managing director at AMI.

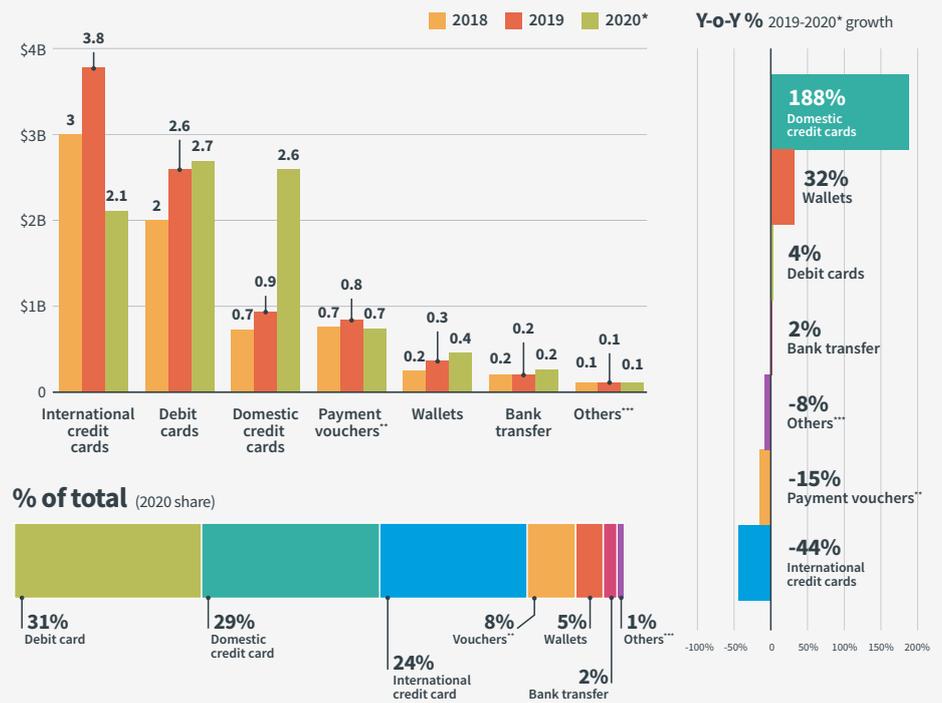
But while international credit cards are set to lose share among the country’s main payment methods – alongside payment vouchers – the use of domestic credit cards and digital wallets is skyrocketing among Chilean consumers.

There are some possible explanations for that. One of them is the expectation around opening the country’s acquiring market ([read more about it here](#)) and how this regulatory change might help the domestic payments industry to evolve and attract international players to Chile.

Another possible explanation comes from the success that digital wallets have in the country, boosted by the highest internet and smartphone penetration in Latin America. The latest World Bank’s Global Findex shows that 65% of Chileans have already made a payment online, a much higher percentage than the average for Latin America (46%).

22 How Chileans pay on e-commerce

The country has the highest penetration of cards in Latin America. (volume, in billion of USD)





Debit and prepaid cards as an essential asset for subscription businesses

If credit cards play an important role in this kind of business, there are other types of cards (debit and prepaid) growing in Latin America and being largely used for recurring payments.

The share of transactions made via debit card for subscription services more than doubled among EBANX merchants in Brazil. It went from 9% of the total number of transactions in October 2019 to 19% in September 2020.

In Colombia, internal data from EBANX shows that debit cards have a 25% share of subscription transactions, according to an analysis that took into account payments processed between April and September 2020.

In Chile, prepaid cards are stealing a spot that was previously filled by cash. One of these local solutions is MACH, a physical and virtual prepaid card with more than 2.5 million users in the country. This Chilean prepaid card was responsible for 15% of subscription transactions at EBANX within six months (Apr.-Sep. 2020).

Cash and alternative payments are still very relevant in Latin America, especially in the retail e-commerce vertical

(EBANX data and experts + Mastercard, Cielo, and OXXO interviews)

Out of necessity or habit, local cash-based alternative methods should not be overlooked when it comes to e-commerce and digital transactions, as they are often the only bridge connecting Latin Americans to products and services sold online.

Besides the big picture painted by AMI data previously, Beyond Borders 2020/2021 took a deep dive into EBANX's internal data since 2018 to better understand some of the nuances of local payment methods in Latin America.

Over the last two years, local alternative methods accounted, on average, for 29% of EBANX's total volume of payments (TPV) in the region's six main markets. In 2020, there was an impressive growth of

these methods in some countries where EBANX operates, during the second and third quarters.

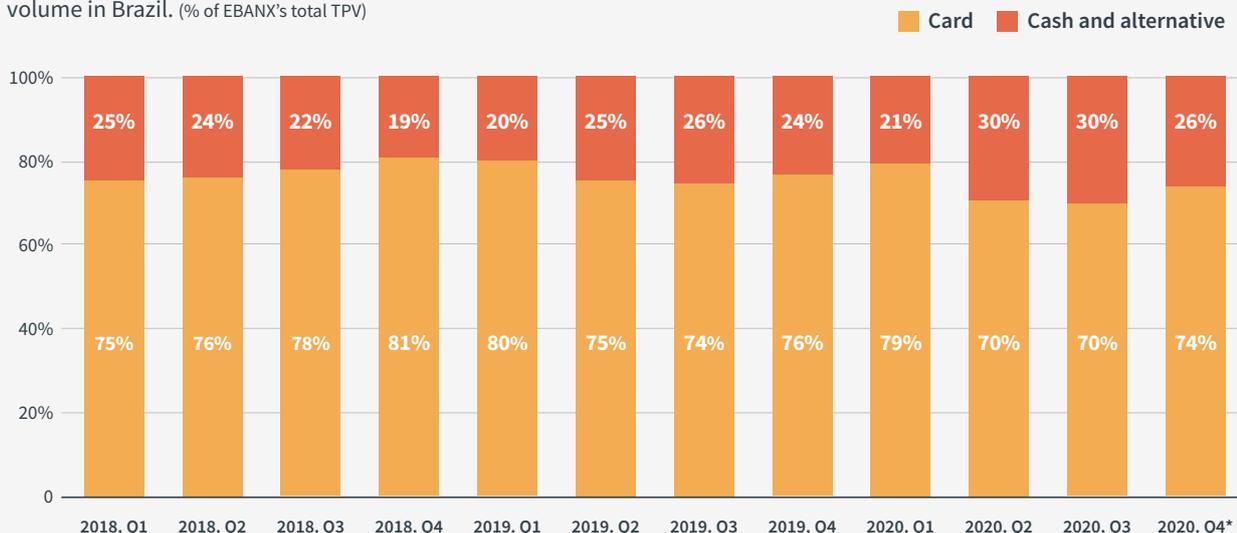
Experts say that an increase in cash circulation (banknotes and coins) always occurs when a crisis breaks out due to informality, unemployment, and consumers looking for a stable reserve of value and exchange means. This behavior also impacts e-commerce.

How?

More people without access to a credit card tend to resort to alternative, cash-based local payment methods for making purchases in this scenario. At the same time, even those who have a bank account or a credit card may no longer have an available balance limit and end up opting for cash-based methods.

23 Cash-based payments in Brazil

In the second and third quarters of 2020, the use of cash-based and alternative payment methods in Latin America increased, driven by the COVID-19 pandemic. This growth reflected on EBANX's transactional volume in Brazil. (% of EBANX's total TPV)



It is possible to see the impact of this behavior in Brazil's e-commerce through EBANX's data. While the share of card payments of the financial volume processed by the fintech fell in the second and third quarters over the first one, cash-based local payment methods grew.

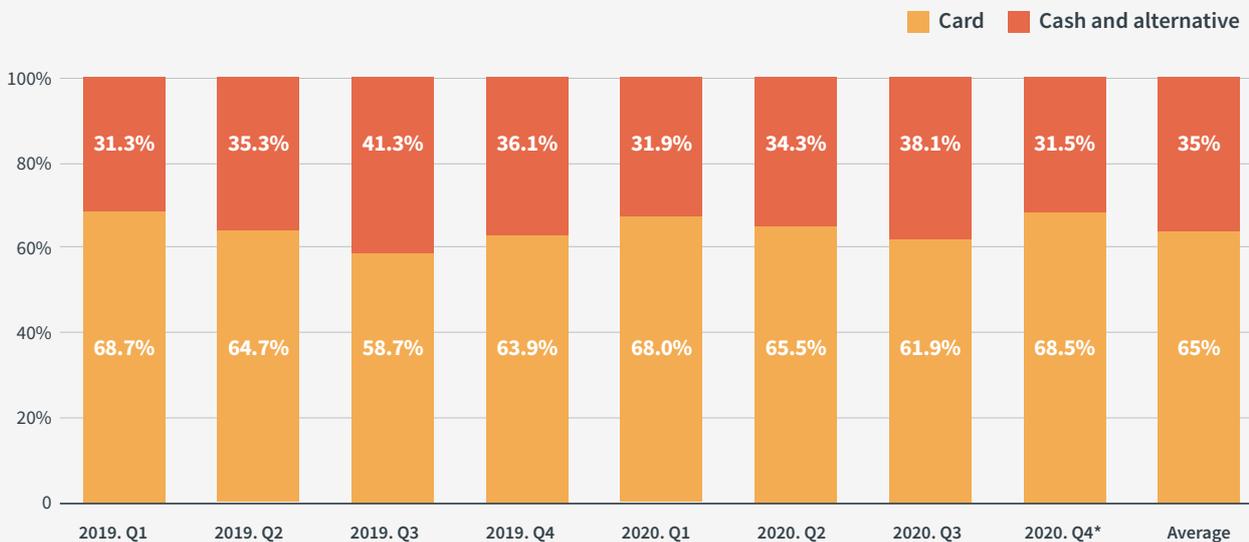
With the reopening of many of the activities and the government's stimulus for the resumption of the economy, the share of cards increased again in the last quarter of 2020, just as the percentage of cash-based methods seems to be returning to pre-pandemic levels (25.98% until the first half of November).

The importance of cash payments for retail

Looking at EBANX's data per vertical, it is also possible to see that the cash-based and alternative methods are even more relevant for retail than for travel or digital products and services. Considering only Brazil¹ – the largest market in the region –, cash-based methods account for 35%, on average, of EBANX monthly TPV with retail merchants in the country since 2019.

24 Cash-based payments in Brazil's online retail

Even when excluding some of the top merchants of EBANX from the retail TPV in Brazil, the fintech's most diversified market, the relevance of alternative payment methods remains. (% of EBANX's total TPV)





The influence of exchange rates on international online purchases: insights on Brazil's case



BRL 5.13
for every
dollar

That was the American currency's **average price** against the Brazilian real between January and October 2020.

The Brazilian real was one of the worst-hit emerging currencies in the world in 2020. The country's currency has dropped more than 25% versus the dollar this year (until November 24), knocked out not only by record low-interest rates but concerns about Brazil's fiscal health amid a surge in coronavirus infection rates. The Latin American country has reported the world's third-worst outbreak of the virus, behind only the United States and India.

As part of our deep dive into EBANX's data, we also examined the possible effect of the exchange rate on e-commerce. More precisely, in Brazil's e-commerce, the primary and most diversified market among the ones where the fintech operates.

For EBANX's growth not to influence this study, we considered only merchants that integrate the fintech's portfolio since 2018. The period analyzed runs from January 2018 to October 2020. And the analysis parameter for the dollar's influence takes into account the average weekly price of the American currency.

Typically, exchange rates and the local currency's devaluation has a higher impact on international purchases when the converted price gets higher than the prices customers can find locally. Looking at EBANX data, we found some impacts of the dollar's appreciation in purchases processed in foreign currency, which we present on the next page.



Purchases in foreign currencies

Considering the general number of transactions in Brazil since 2018, around 80% are processed in local currency (BRL), and 20% are processed in foreign currencies (USD, EUR). In this 20%, however, there is a direct correlation between foreign currencies appreciation and purchases, as seen in the infographic 25 (below).

We also investigated the exchange rate impact on purchases made in foreign currencies and in installments¹, which represent 11% of total transactions processed by EBANX in Brazil since 2018. Considering this record, in this scenario, each time the dollar gains a cent against the real, there are three 0.28% less weekly installment transactions.

Purchases in foreign currencies

For every dollar cent upwards, 0.03% of the weekly transactions is lost.

Installments in foreign currencies

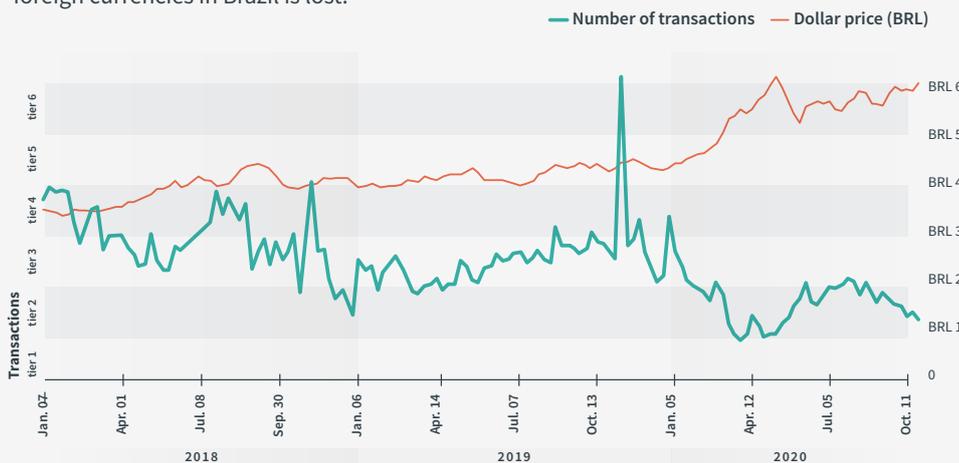
For every dollar cent upwards, 0.28% of weekly transactions is lost.

Average ticket in foreign currencies

For every dollar cent upwards, the average purchase ticket drops 0.06%.

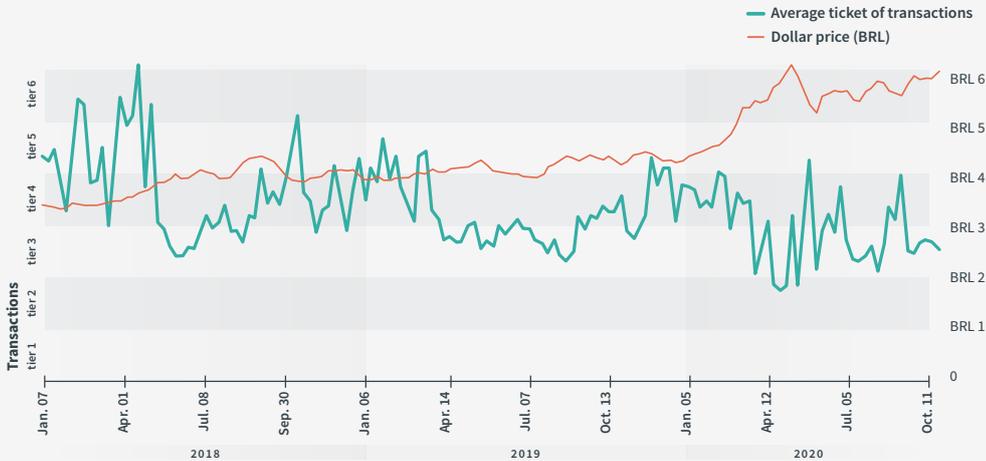
25 The impact of exchange rate in the number of online orders made in foreign currency in Brazil

For every dollar cent upwards, 0.03% of the weekly online transactions made in foreign currencies in Brazil is lost.



26 Average ticket vs. exchange rate for purchases in foreign currency in Brazil

For every dollar cent upwards, the average ticket for purchases made in foreign currencies in Brazil drops 0.10 cents



Comparison between the average ticket of transactions processed in foreign currency and the dollar price since 2018 in Brazil, considering all payment methods and e-commerce verticals.

When analyzing the average ticket of transactions processed in foreign currencies, the exchange rate's impact on this aspect is also evident, as seen in the infographic 26.

For every cent added to the dollar, the average purchase ticket drops 0.10 cents, or 0.06%, bolstering the hypothesis that when the foreign currency appreciates, in addition to making fewer installments, Brazilian consumers also choose to buy cheaper products.

GLOSSARY

Payments Explained

BOLETO BANCÁRIO: or just “boleto” is commonly used by Brazilians to pay for their monthly bills, such as water and electricity, or even taxes or fines, and has also become one of the preferred payment options for online purchases in the country. It is a payment voucher with a barcode generated for each purchase. Customers can either print, copy or scan it with their phone, and pay it in cash in over 200K locations or through their banking apps.

EFACTY: with real-time confirmation and easy UX, Efecty is one of the most popular cash payment vouchers in Colombia, payable in over 8,800 locations throughout the country.

MULTICAJA: a payment voucher used in Chile, specifically generated for each purchase, that can be paid in cash at any of over 5000 Multicaja affiliated places, or via debit from bank accounts..

OXOXO: it is a payment voucher widely used by Mexicans to pay for their utility bills and even online purchases in cash.

PAYMENT VOUCHER: it is an invoice with a barcode, which can be paid in cash at a physical store, or ATM, or, in some cases, through a banking application. it is a widely used payment method in many Latin American countries.

PSE: or Pagos Seguros en Línea (PSE), is the transfers network developed by ACH, which monitors and controls automated transactions between banks and financial institutions in Colombia.

SENCILLITO: it is a payment voucher used in Chile. Customers can pay it at any of the more than 1,000 Sencillito stores with cash or cards ABCDIN and HITES.

SERVIPAG: it is a Chilean company linked to a network of financial institutions, that allows customers to pay through a debit from their bank accounts, through retail cards, or pay in cash voucher at the Servipag stores.

VIABALOTO: or just baloto it is a payment voucher widely used in Colombia, which can be paid in cash at 13,500 stores across the country.

WALLETS: mobile wallets, e-wallets, and digital wallets are what they sound like: electronic wallets. Although these three possibilities are encompassed by the AMI data in this research in the item “wallet,” they have some differences. Mobile wallets are an actual digital replica of a consumer’s wallet, that tokenizes and stores credit cards in digital format, for use on a mobile device. Digital wallets, on the other hand, are an online tool that stores a customer’s payment information, for use in online purchases. They are typically used online, but some function on device apps as well. Finally, e-wallets can store a balance, through deposits made from a bank account, besides access payment information for an online purchase.

CHAPTER 04

Consumer behavior in Latin America related to cross-border e-commerce

An exclusive survey with Latin American consumers

EBANX has its roots spread across Latin America, and has been gathering deep knowledge about the region throughout the past years, since the fintech company was founded in 2012. This helped in the process of promoting a survey with international e-commerce customers in Brazil, Mexico, Colombia and Chile, in order to paint a more precise landscape of the region – one that could show how the countries can be so much alike and at the same time, so different from each other, with so many specificities and cultural diversity.

The survey was built upon some pillars that were chosen to define a better understanding of the profile of the international digital commerce user in LatAm. The first one was about the main drivers and blockers of online purchase in international websites. Questions about the importance of localized marketing, of local currency,

and the availability of domestic payment options like installments were in this part of the questionnaire. And speaking of payments, the survey also had a segment entirely dedicated to them, where we found out about people's favorite methods to buy online in those four countries, as well as the payment methods that are arising and growing in preference. One disclaimer here: the survey reports what the surveyed customers mentioned as their preferred payment options for international e-commerce. On chapter 3, the data provided on payments in e-commerce consider both the national and the cross-border e-commerce, and accounts for the volumes actually carried out until 2019, and projections for 2020 on based on these numbers. That said, information on chapters 3 and 4 on payments in e-commerce shall not be cross-referenced.

Other important topics addressed in the survey were logistics and the kind of device people use to buy online. The first one brings a significant amount of information for those who want to discover Latin American's perception of prices in logistics services for international purchases and also their behavior regarding tracking services. When it comes to devices, the survey's results show a growth on mobile platforms due to the digital revolution in the region. The survey also questioned people about where they look for information before buying something.

The Beyond Borders 2020/2021 survey was conducted online between November 2nd and November 15th, 2020, among Latin Americans who buy from international online merchants. 3,280 people responded to the survey, being the majority from Brazil, Mexico, Colombia and Chile. After this introduction, you will find a section with all the questions and graphs with their answers, in a raw-data format. It is important to highlight that some questions in the survey could have multiple answers – this is specified in each one of them in the next section.

As mentioned before in this study, Latin America stands out as a region that values localized communication, tailored payment strategies that consider and value local payment methods, and services that do not take the cultural differences across its countries for granted. The following data states the consumer behavior of Latin Americans during the COVID-19 pandemic, and also points out major aspects to take into account when investing in these countries. More than ever, we have a Latin America that is very connected and eager to consume, being one of the largest e-commerce markets in the world.



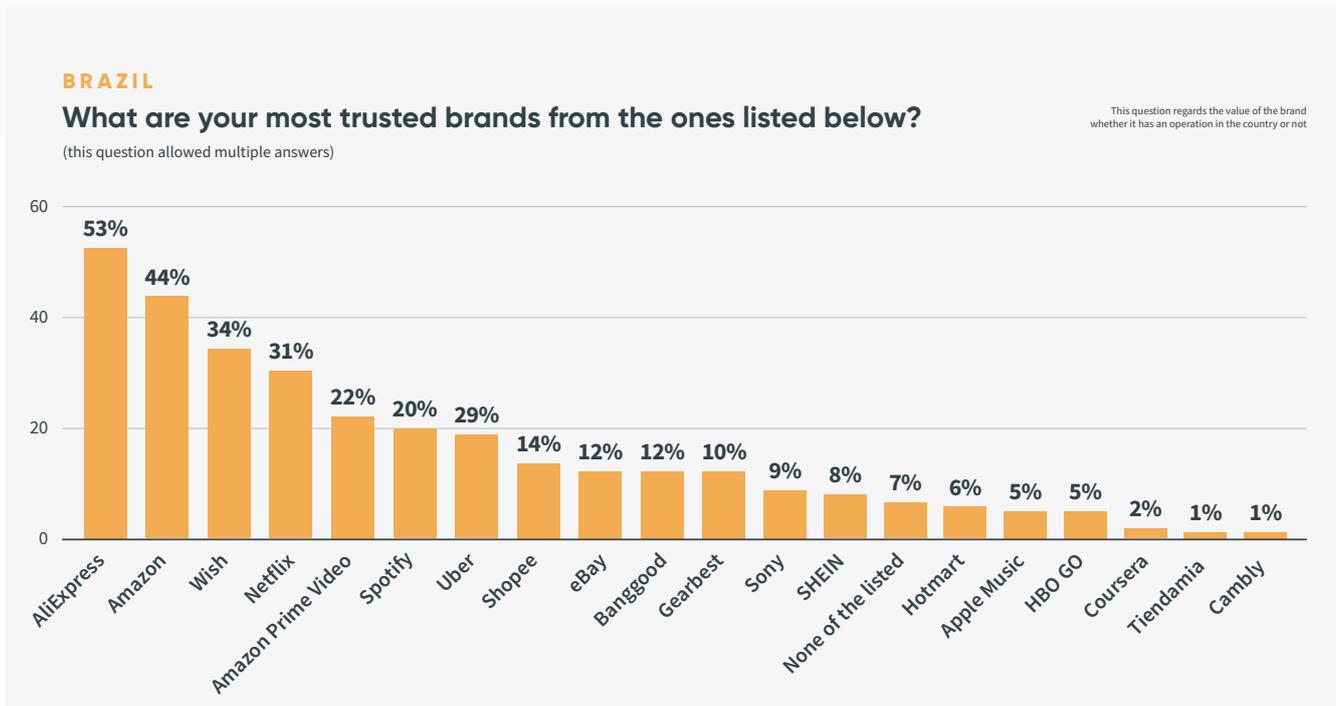
Brazil

Financial and digital inclusion

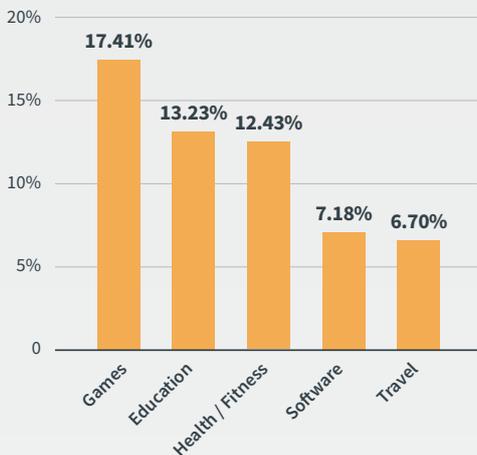
In Brazil, it is clear that the payment process on international e-commerce websites connects the strength of smartphones and the Brazilian culture of being faithful to local payment methods, in this case, the boleto. **68% of respondents said that they prefer to pay for their purchases on international websites using boleto and 56% of them pay this boleto through a bank app; the percentage of people who print it and go to a lottery store, market, bank agency, or other authorized place that can process boleto payments, is still relevant: 33%.**

Credit card is pointed out as the second most preferred payment method for international e-commerce purchases, to 54% of the respondents of the 2020/2021 survey, and payments with installments continue to be an important option for Brazilians who have a credit card. **The main reason for adopting this option is, again, the lower amount to be paid per month, according to 89% of respondents.**

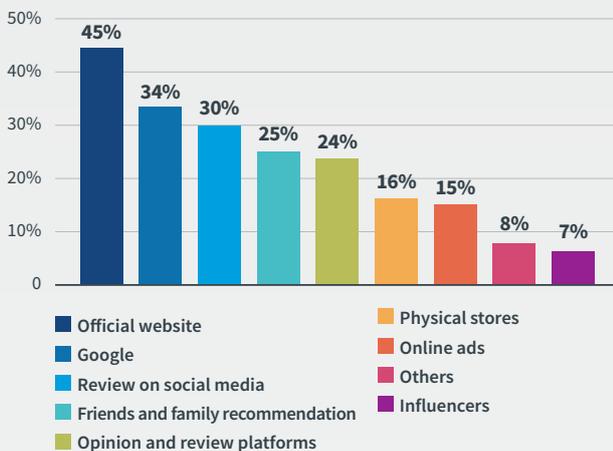
Many responses show the growth of smartphone penetration as a way of accessing the internet and payment options, adapted to the culture of Brazilians who still pay via boleto. It reinforces the importance of communication and localized payment methods to reach Brazilian users and increase their purchasing power.



When it comes to online shopping, what product/service categories do you currently consume? (this question allowed multiple answers)

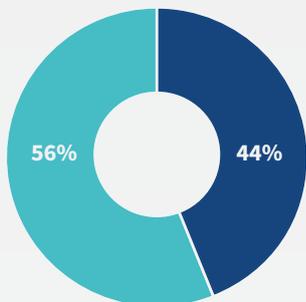


In what channels do you look for information about the product/service before purchasing online? (this question allowed multiple answers)



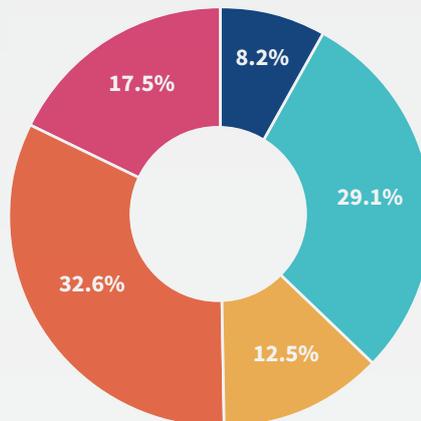
In what kind of websites do you prefer to buy online?

- International website
- National website



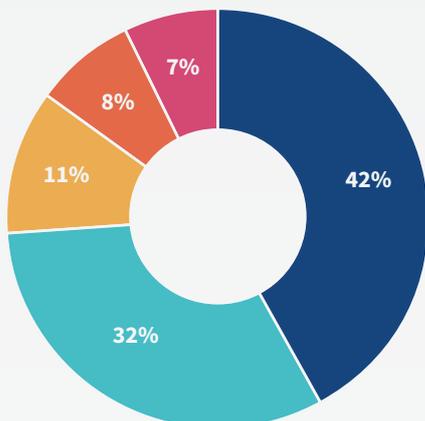
How often do you buy on international websites?

- Once a year
- Once every 2 or 3 months
- Once every 6 months
- Once a month
- Once a week



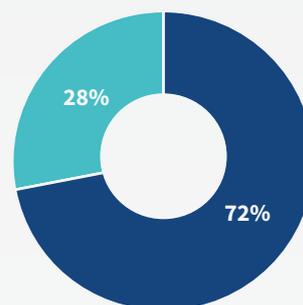
Have you ever done online shopping with a smartphone?

- Yes, more than 10 times
- Yes, 2-10 times
- Yes, just once
- No, I rather buy on desktop
- No I never did it



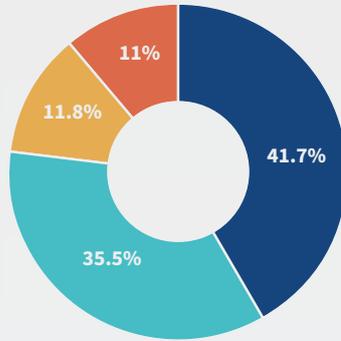
Did you download any app to shop online during the pandemic?

- Yes
- No



Regarding shopping frequency, if you compare your behavior now and before the pandemic you would say that:

- I did not change my frequency
- I started to buy on smartphone more than I did
- I started to buy on desktop more than I did
- I started to buy through apps more than I did

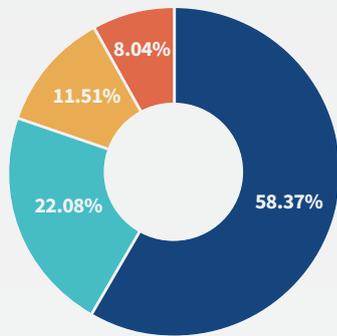


What is the reason for your increase in international online purchase?

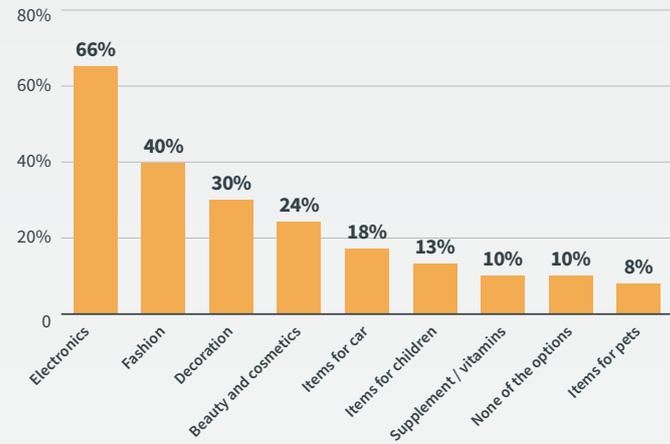


Do you have any streaming service subscription?

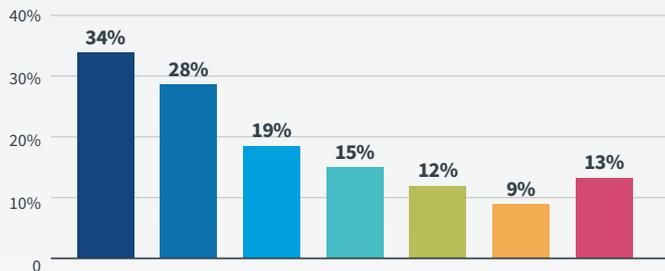
- No, I don't
- Yes, one
- Yes, two
- Yes, more than three



What kind of products do you usually look for when making online purchases? (this question allowed multiple answers)



Among the following options what attracts you more to buy online? (this question allowed multiple answers)



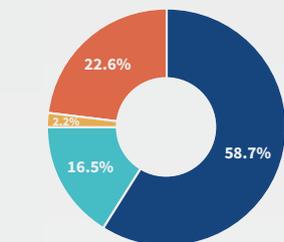
- Pay for the cheapest shipping regardless of the delivery time
- I'm not willing to pay for faster shipping if the product is cheap
- Low price product and freight charges
- Product with higher price and free shipping
- Pay more for faster shipping if the product is of high value
- Pay for more expensive shipping and fast delivery
- Other

Delivery

BRAZIL

All the questions below refer to international online shopping

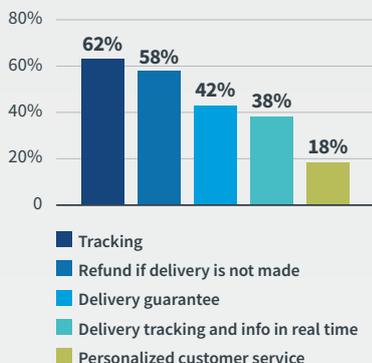
How much are you willing to pay to have a better and faster delivery?



- Up to 5% more of the product's price
- Up to 10% more of the product's price
- Up to 20% more of the product's price
- Up to 50% more of the product's price
- Any other amount

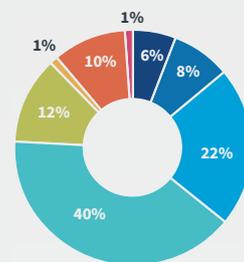
What kind of services regarding delivery do you value the most?

(this question allowed multiple answers)



- Tracking
- Refund if delivery is not made
- Delivery guarantee
- Delivery tracking and info in real time
- Personalized customer service

How long are you willing to wait for an international delivery?



- Less than a week
- One week
- 15 days
- One month
- From 2 to 3 months
- More than 3 months
- It depends on the product
- Other

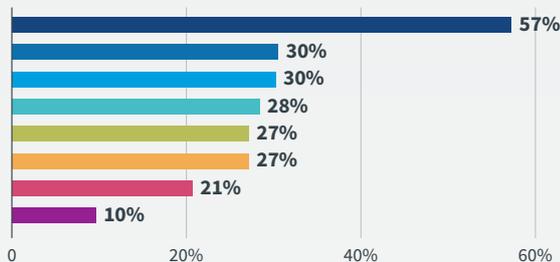
Localization

BRAZIL

All the questions below refer to international online shopping

In which situations do you consider an advantage to buy on an international website rather than on a national one?

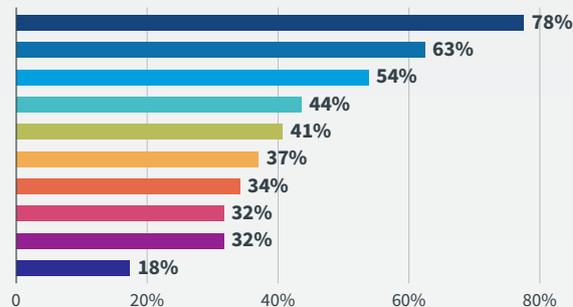
(this question allowed multiple answers)



- Price and the cost-benefit relation
- The lack of some kind of product in domestic websites
- The lack of some kind of product in physical stores
- I need an efficient delivery
- I only buy online if I know the brand
- Quality products are essential to me
- I'm searching for a reliable brand
- Already decided on the product and now searching for the better payment condition and method

What attributes do you consider to be essential when buying online from international websites?

(this question allowed multiple answers)

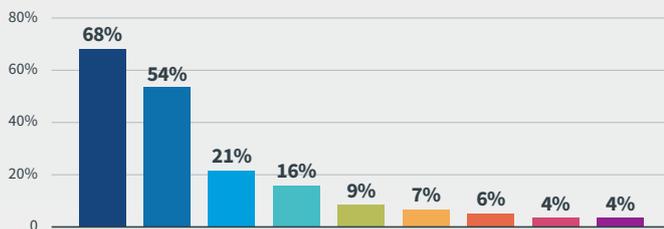


- Cost and benefit relation
- Quality of the products
- Reliable delivery service
- Delivery price
- Variety of products
- Diverse payment methods
- Promotions and coupons
- Customer service
- The lack of some kind of product in domestic websites
- Practicality and time saving

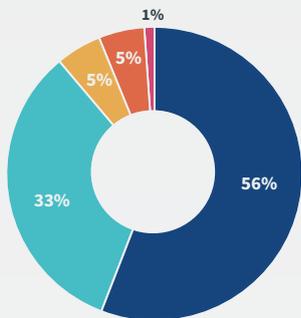
What payment method(s) do you prefer to use for online shopping on international websites?

(this question allowed multiple answers)

- Boleto bancário
- Credit card
- Debit card
- Digital wallets
- Prepaid card
- Bank transfer
- Debit into account
- Mileage program
- Others



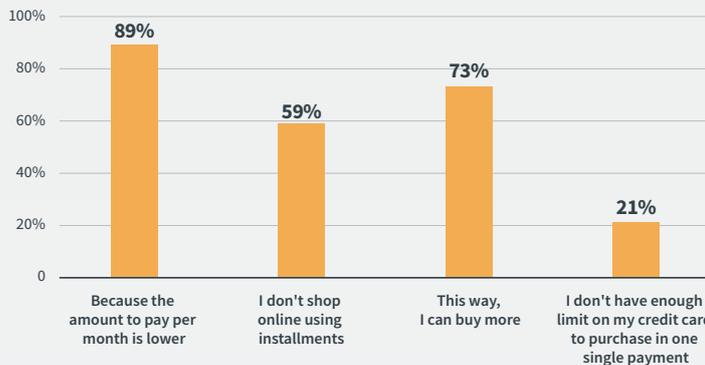
How do you pay your boleto?



- I pay through a banking app
- I print it and go to a lottery store or other place authorized to process boleto payments
- I save the barcode and pay it at the lottery store or other place authorized to process boleto payments
- I pay it through internet banking
- I pay it with a digital wallet

Why do you choose to split the payment in installments for purchases on international websites?

(this question allowed multiple answers)





Mexico

Cash, foreign brands and fast delivery

Mexico has a series of peculiarities that may seem contradictory at first sight, but in reality are nothing more than special characteristics that make it unique, like all Latin American countries. According to 2020/2021 survey, Mexicans are the only people among the countries surveyed who are most likely to shop on international websites (51%) than on national ones. More than 80% of the population made purchases on smartphone apps in the last six months, and 36% bought from 2 to 10 times via a cell phone in the period.

Retail is dominant when it comes to international e-commerce, which is reflected in the most trusted international brands brands in the country, a ranking that has three retail giants among the top five: SHEIN leading the way, followed by Amazon in second, and Wish in fourth place, after streaming player Netflix.

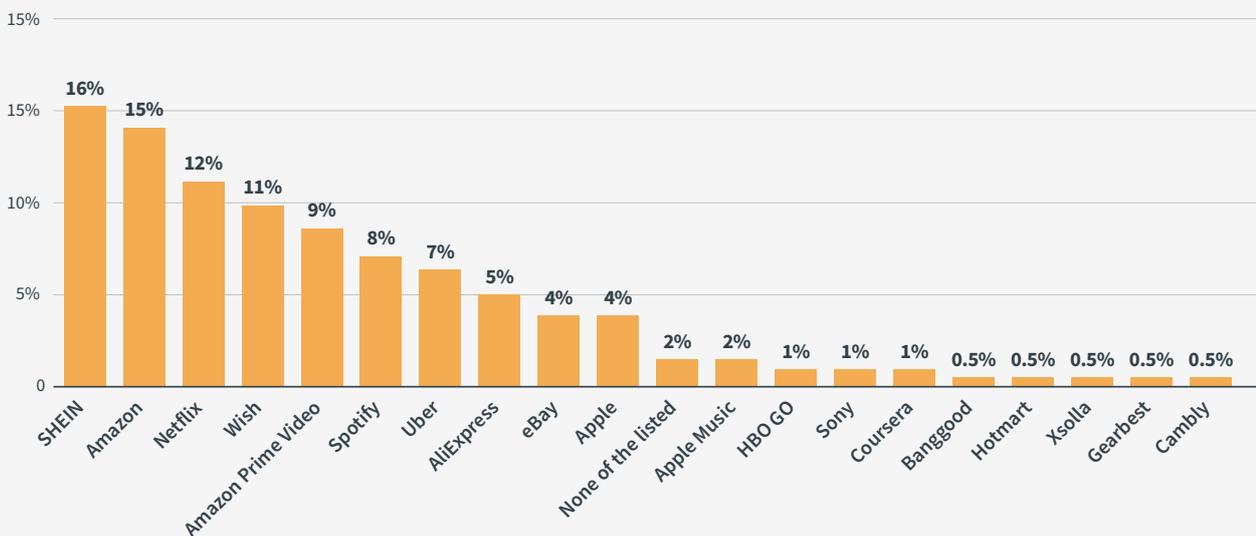
And on the logistics side of things, while other countries have greater tolerance when it comes to delivery time, 50% of Mexicans say that they accept to wait up to 15 days for an international parcel to arrive.

MEXICO

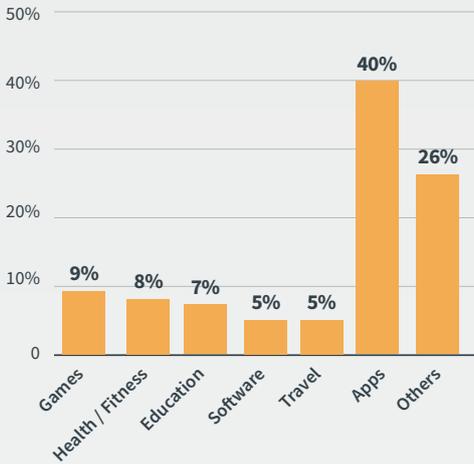
What are your most trusted brands from the ones listed below?

(this question allowed multiple answers)

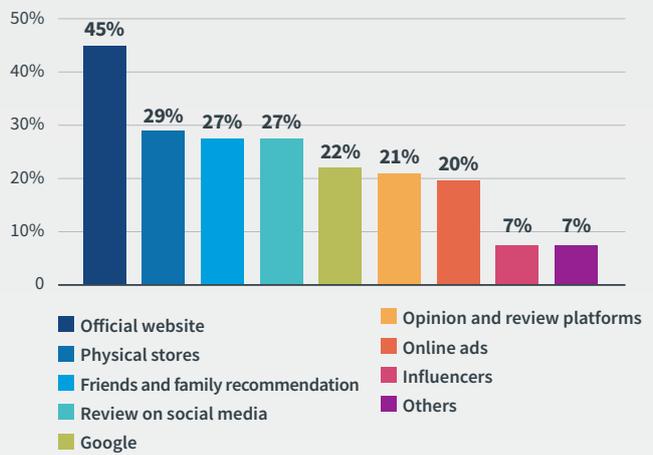
This question regards the value of the brand whether it has an operation in the country or not



When it comes to online shopping, what product/service categories do you currently consume? (this question allowed multiple answers)

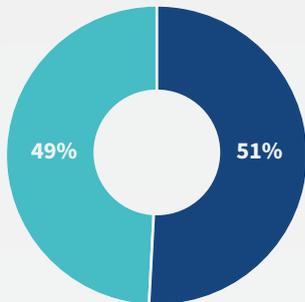


In what channels do you look for information about the product/service before purchasing online? (this question allowed multiple answers)



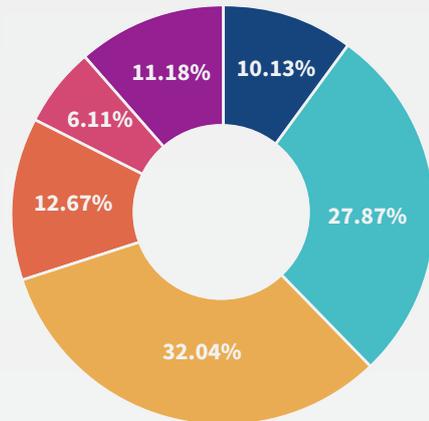
In what kind of websites do you prefer to buy online?

- International website
- National website



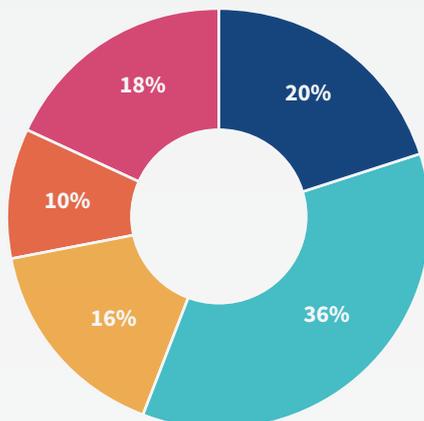
How often do you buy on international websites?

- Once a week
- Once a month
- Once every 2 or 3 months
- Once every 6 months
- Once a year
- Other



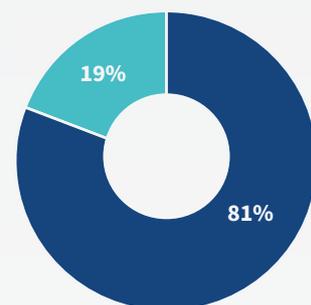
Have you ever done online shopping with a smartphone?

- Yes, more than 10 times
- Yes, 2-10 times
- Yes, just once
- No, I rather buy on desktop
- No I never did it



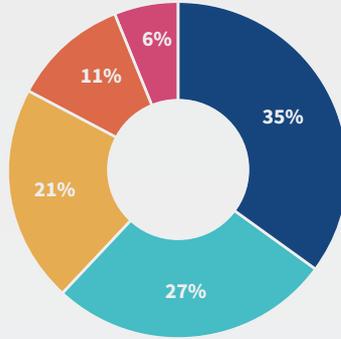
Did you download any app to shop online during the pandemic?

- Yes
- No

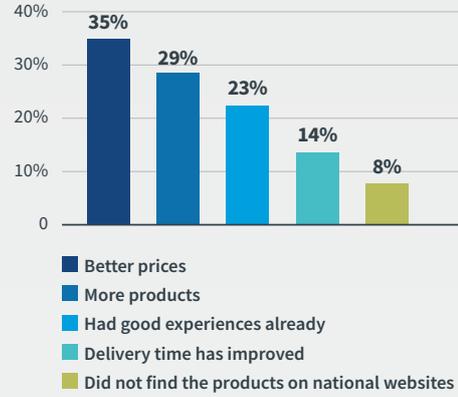


Regarding shopping frequency, if you compare your behavior now and before the pandemic you would say that:

- I started to buy on smartphone more than I did
- I did not change my frequency
- I started to buy through apps more than I did
- I started to buy on desktop more than I did
- I don't know

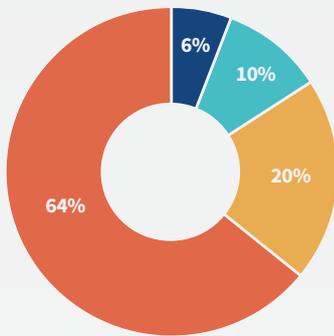


What is the reason for your increase in international online purchase?

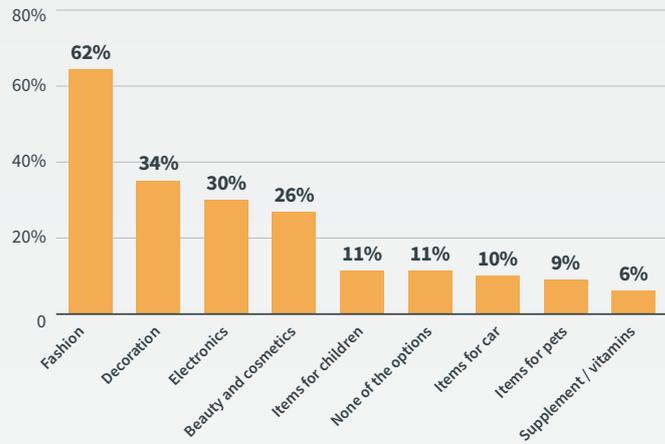


Do you have any streaming service subscription?

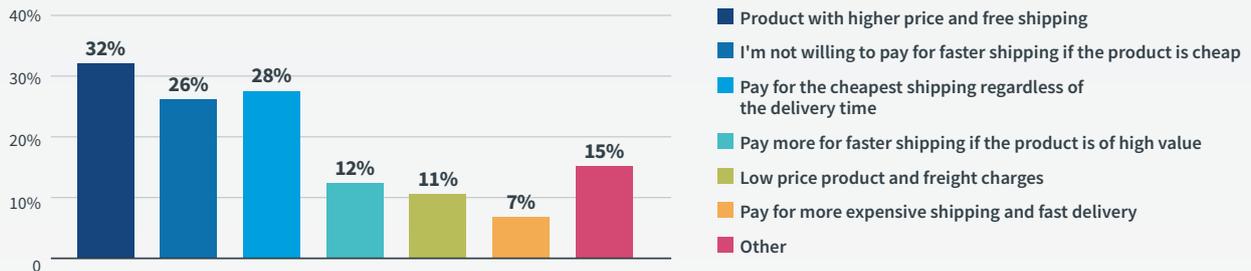
- Yes, more than three
- Yes, one
- Yes, two
- No, I don't



What kind of products do you usually look for when making online purchases? (this question allowed multiple answers)



Among the following options what attracts you more to buy online? (this question allowed multiple answers)

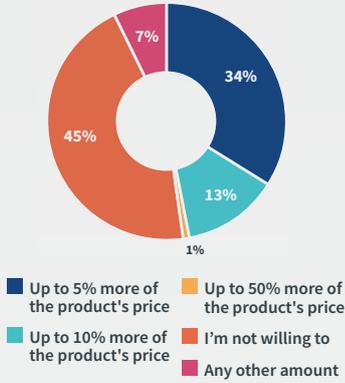


Delivery

MEXICO

All the questions below refer to international online shopping

How much are you willing to pay to have a better and faster delivery?

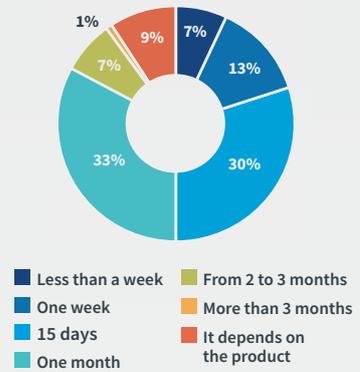


What kind of services regarding delivery do you value the most?

(this question allowed multiple answers)



How long are you willing to wait for an international delivery?



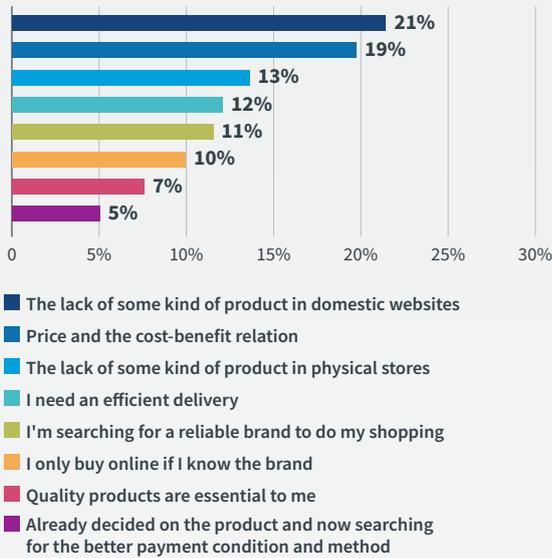
Localization

MEXICO

All the questions below refer to international online shopping

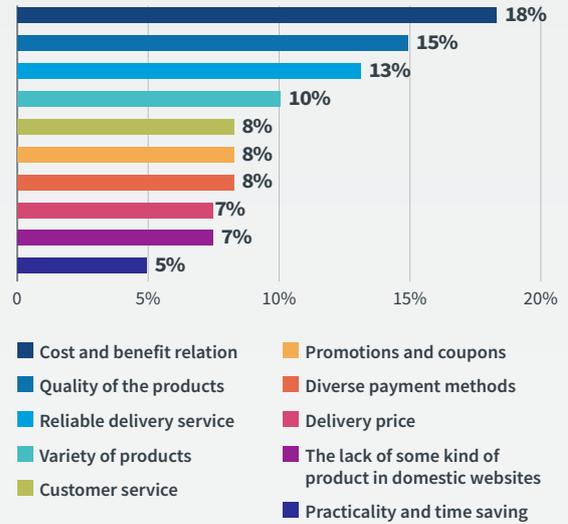
In which situations do you consider an advantage to buy on an international website rather than on a national one?

(this question allowed multiple answers)



What attributes do you consider to be essential when buying online from international websites?

(this question allowed multiple answers)



Payments

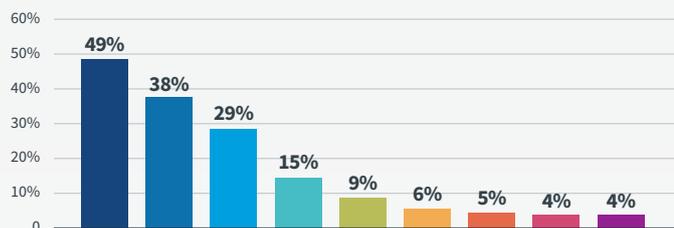
MEXICO

All the questions below refer to international online shopping

What payment method(s) do you prefer to use for online shopping on international websites?

(this question allowed multiple answers)

- Debit card
- Bank transfer
- Digital wallets
- Others
- Mileage program
- Debit into account
- Credit card
- SPEI
- Prepaid cards



Colombia Streaming services fans

Colombians made it clear at 2020/2021 survey that they have a particular preference when it comes to the type of products and services they seek on international digital commerce players. According to the survey, almost 80% of users already subscribe to a streaming service, which reflects directly on the most recognized brands – it is the only country among the surveyed ones in which the top five are almost all digital service brands, and the first three positions being of music and movie streaming services: Spotify in first position (tied with Amazon), Netflix in second, Prime Video in third, and Uber in fourth, followed by AliExpress.

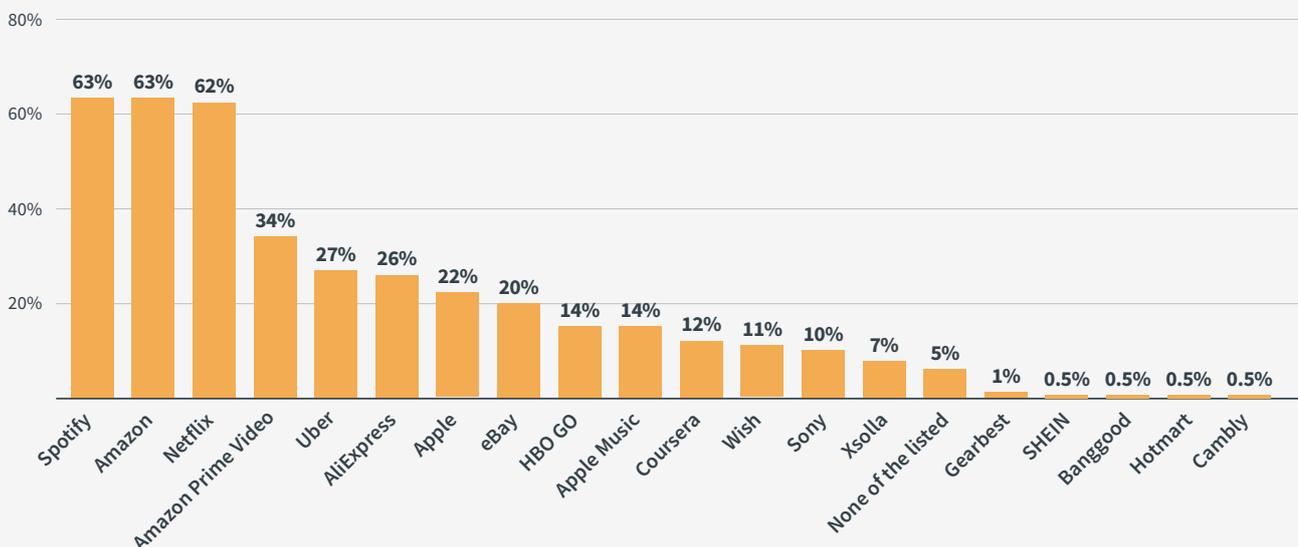
That being said, Mexicans pointed out as the preferred payment method for international purchases the credit card, with 55% of preference, followed by PSE, a kind of bank transfer, with 46% – according to the survey, Colombia was the only one of the surveyed countries in which bank transfer is quoted among the first three preferred payment options. The third preferred payment method for international purchases on e-commerce is the debit card, according to the Colombian respondents, which also atteststo the increasing digitization of the population.

COLOMBIA

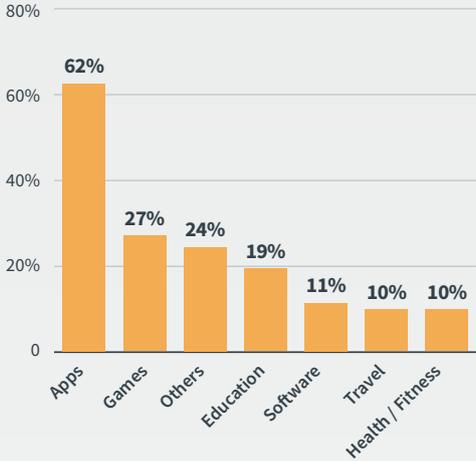
What are your most trusted brands from the ones listed below?

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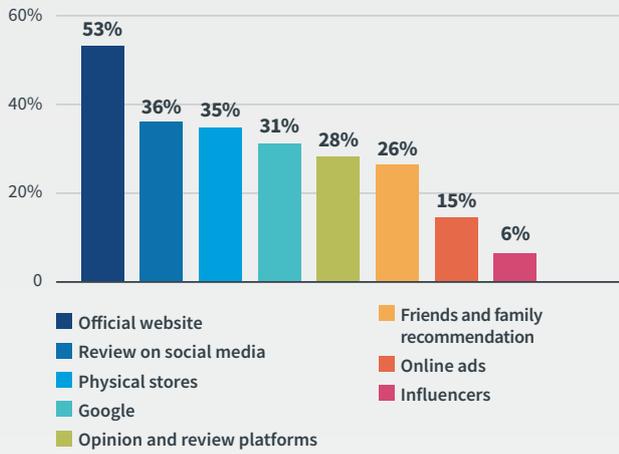
This question regards the value of the brand whether it has an operation in the country or not



When it comes to online shopping, what product/service categories do you currently consume? (this question allowed multiple answers)

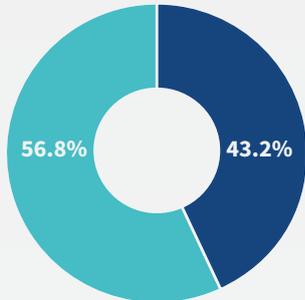


In what channels do you look for information about the product/service before purchasing online? (this question allowed multiple answers)



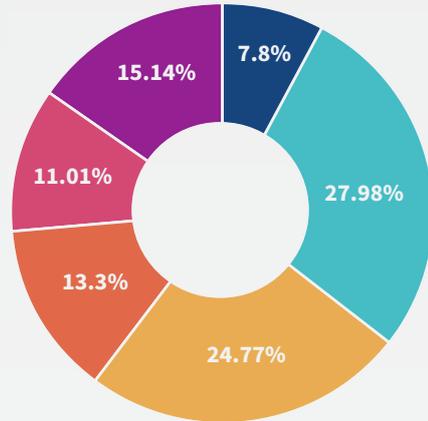
In what kind of websites do you prefer to buy online?

- International website
- National website



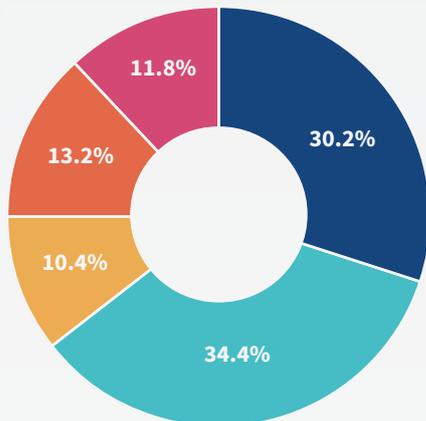
How often do you buy on international websites?

- Once a week
- Once a month
- Once every 2 or 3 months
- Once every 6 months
- Once a year
- Other



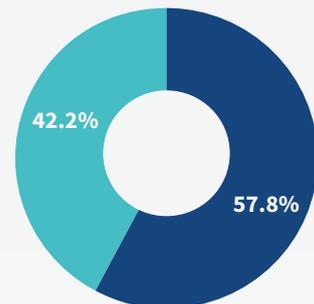
Have you ever done online shopping with a smartphone?

- Yes, more than 10 times
- Yes, 2-10 times
- Yes, just once
- No, I rather buy on desktop
- No I never did it



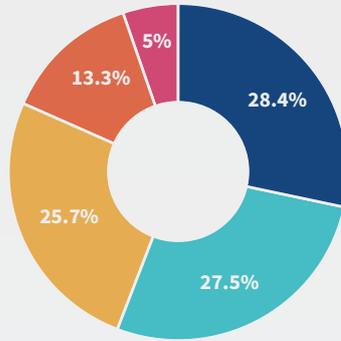
Did you download any app to shop online during the pandemic?

- Yes
- No



Regarding shopping frequency, if you compare your behavior now and before the pandemic you would say that:

- I started to buy on smartphone more than I did
- I did not change my frequency
- I started to buy on desktop more than I did
- I started to buy through apps more than I did
- I don't know

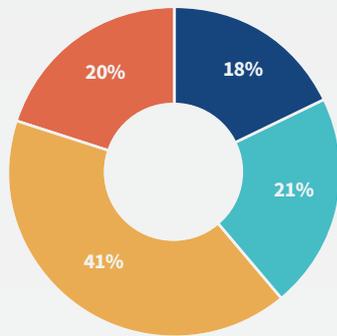


What is the reason for your increase in international online purchase?

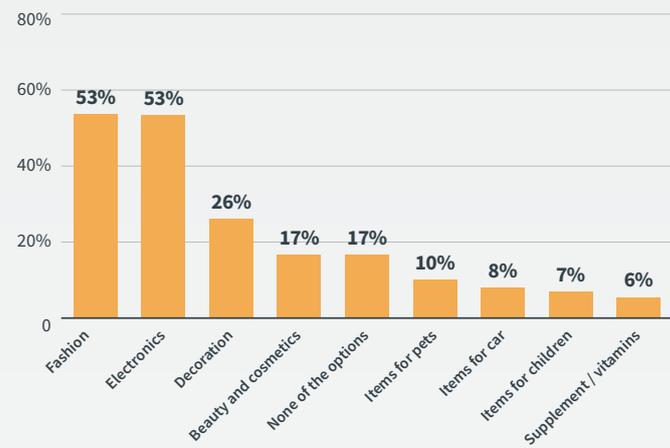


Do you have any streaming service subscription?

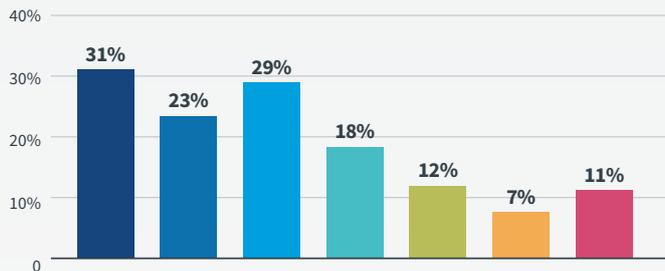
- Yes, more than three
- Yes, one
- Yes, two
- No, I don't



What kind of products do you usually look for when making online purchases? (this question allowed multiple answers)



Among the following options what attracts you more to buy online? (this question allowed multiple answers)



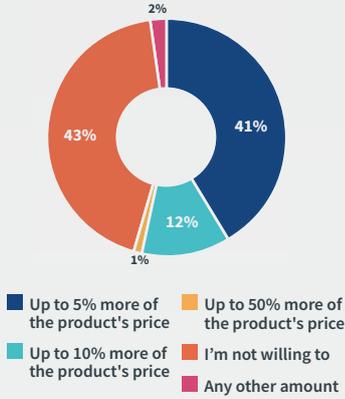
- Product with higher price and free shipping
- I'm not willing to pay for faster shipping if the product is cheap
- Pay for the cheapest shipping regardless of the delivery time
- Pay more for a faster delivery if the product is of high value
- Low price product and freight charges
- Pay for more expensive shipping and fast delivery
- Other

Delivery

COLOMBIA

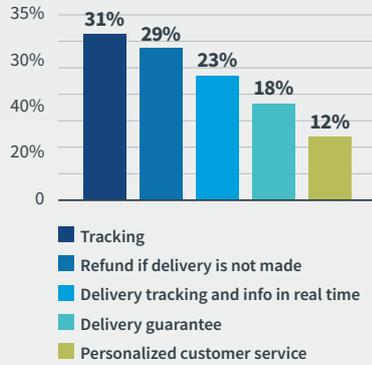
All the questions below refer to international online shopping

How much are you willing to pay to have a better and faster delivery?

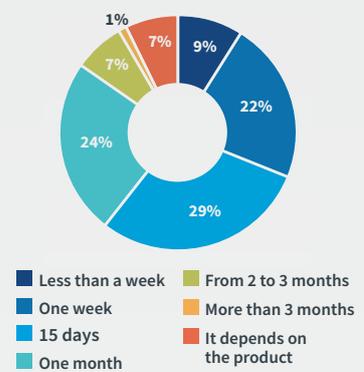


What kind of services regarding delivery do you value the most?

(this question allowed multiple answers)



How long are you willing to wait for an international delivery?



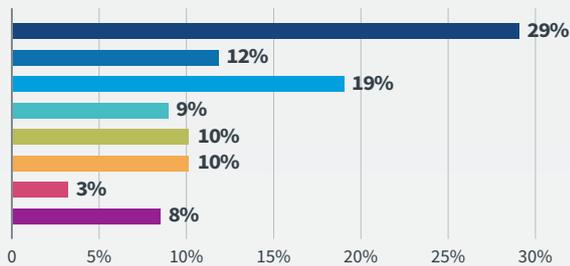
Localization

COLOMBIA

All the questions below refer to international online shopping

In which situations do you consider an advantage to buy on an international website rather than on a national one?

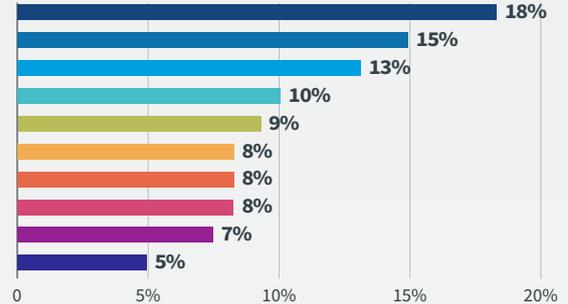
(this question allowed multiple answers)



- The lack of some kind of product in domestic websites
- The lack of some kind of product in physical stores
- Price and the cost-benefit relation
- I'm searching for a reliable brand to do my shopping
- I only buy online if I know the brand
- Quality products are essential to me
- Already decided on the product and now searching for the better payment condition and method
- I need an efficient delivery

What attributes do you consider to be essential when buying online from international websites?

(this question allowed multiple answers)



- Cost and benefit relation
- Quality of the products
- Reliable delivery service
- Variety of products
- Delivery price
- The lack of some kind of product in domestic websites
- Customer service
- Diverse payment methods
- Promotions and coupons
- Practicality and time saving

Payments

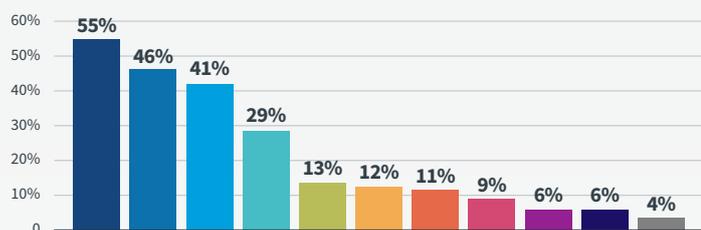
COLOMBIA

All the questions below refer to international online shopping

What payment method(s) do you prefer to use for online shopping on international websites?

(this question allowed multiple answers)

- Credit card
- PSE
- Debit card
- Nequi
- Bank transfer
- Other
- Prepaid cards
- Mileage program
- Digital wallet
- Online debit
- Servipag





Chile

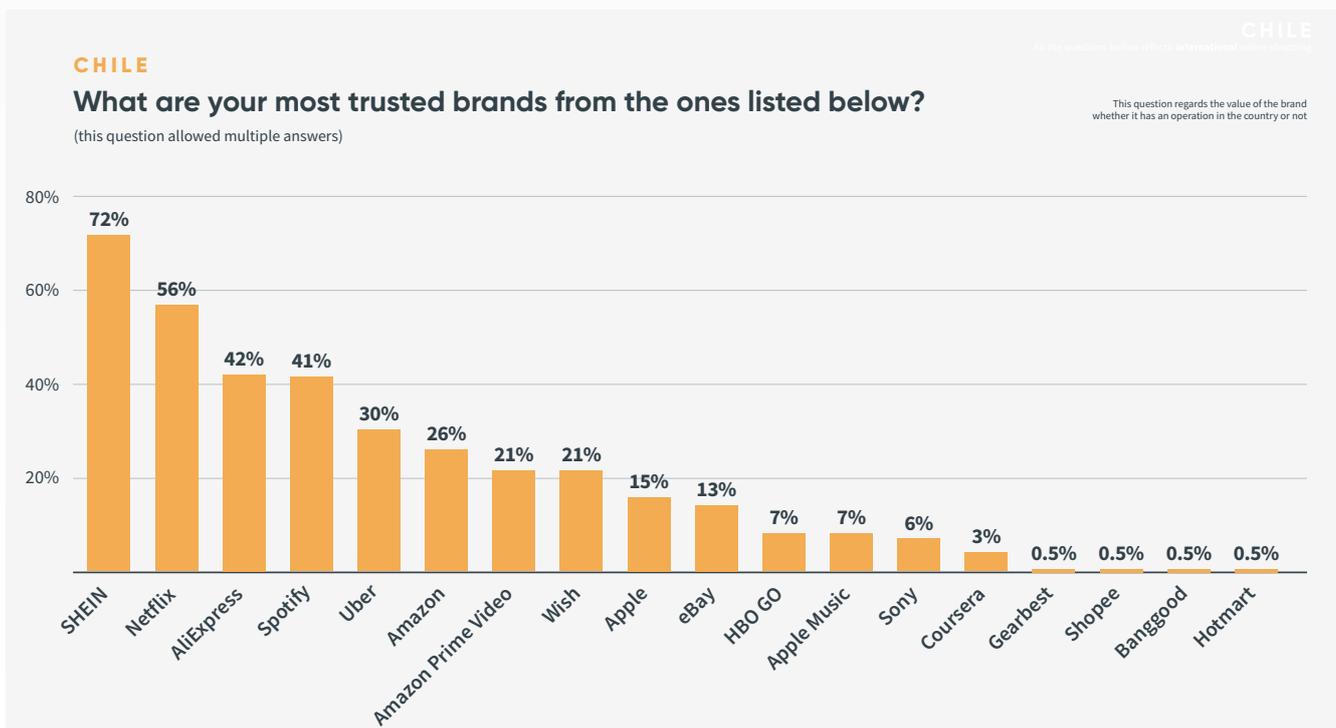
Mobile and credit card users

The Chilean population stands out at Beyond Borders 2020/2021 survey for some behaviors related to consumption of fashion and home decor items on international e-commerce. The most recognized brand in the country, according to the survey, was SHEIN, a Chinese fashion retail giant.

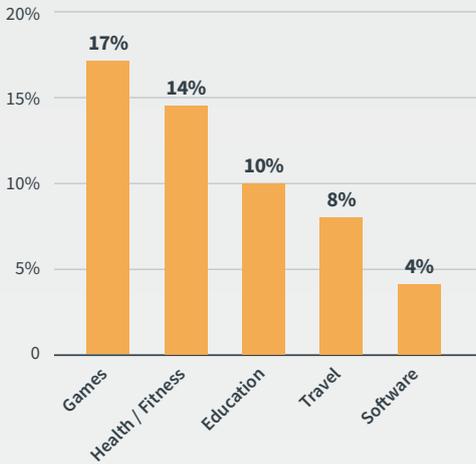
The way of buying, however, is what Chileans say that most differentiates them from all other countries in the region, starting with frequency: almost half (47%) of Chilean consumers say that they make purchases on international websites at least once a month. **In addition,**

purchases through smartphones have shown very high adherence in recent months: more than 80% of Chileans have used an app to make international purchases after the pandemic started, and this should increase the participation of this type of purchase in the country.

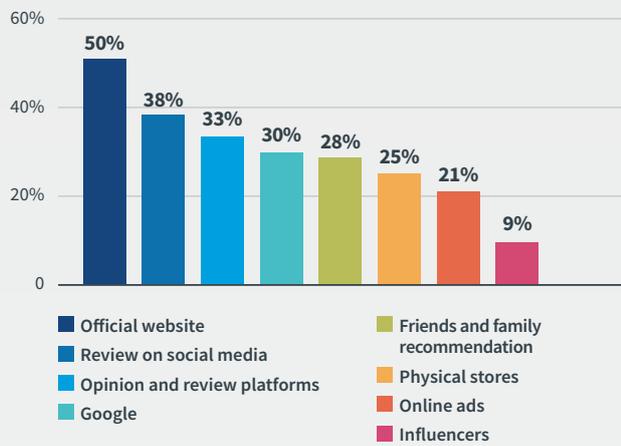
Digitization and financial inclusion in **Chile are even more evident when we look at payments: 80% of people say that they use credit cards to pay on international websites, and 38% mention they use debit cards for this kind of shopping.**



When it comes to online shopping, what product/service categories do you currently consume? (this question allowed multiple answers)

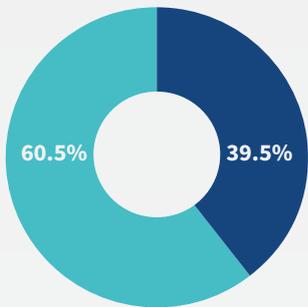


In what channels do you look for information about the product/service before purchasing online? (this question allowed multiple answers)



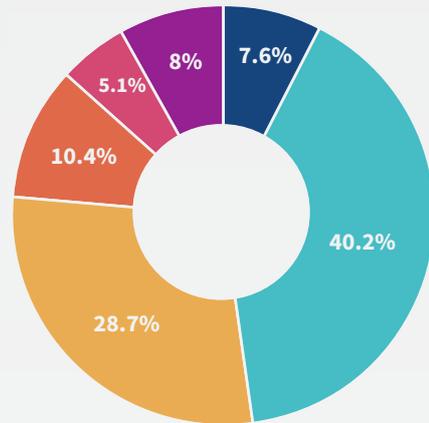
In what kind of websites do you prefer to buy online?

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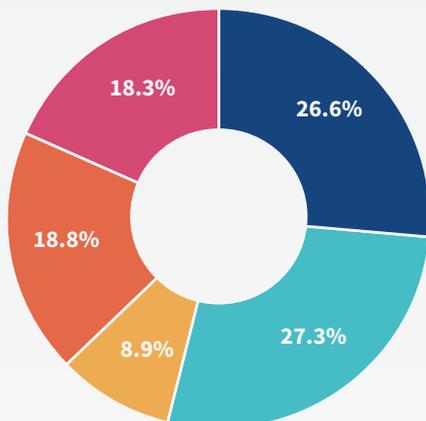
How often do you buy on international websites?

- Once a week
- Once a month
- Once every 2 or 3 months
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- Once a year
- Other



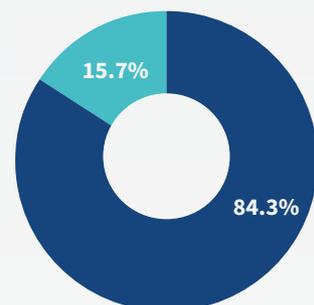
Have you ever done online shopping with a smartphone?

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- Yes, just once
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- No I never did it



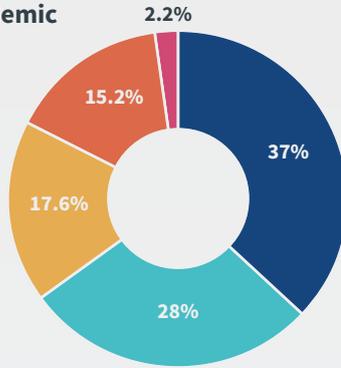
Did you download any app to shop online during the pandemic?

- Yes
- No



Regarding shopping frequency, if you compare your behavior now and before the pandemic you would say that:

- I started to buy on smartphone more than I did
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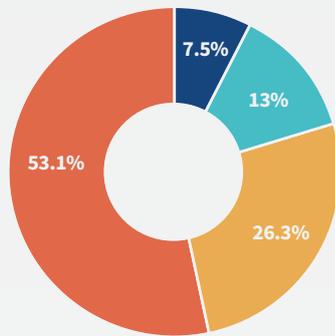


What is the reason for your increase in international online purchase?

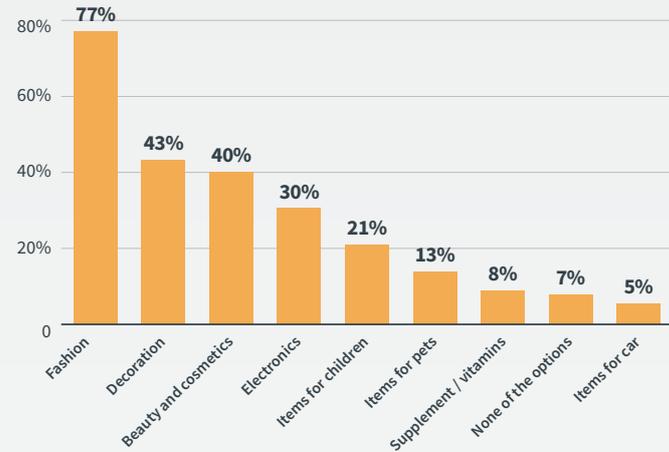


Do you have any streaming service subscription?

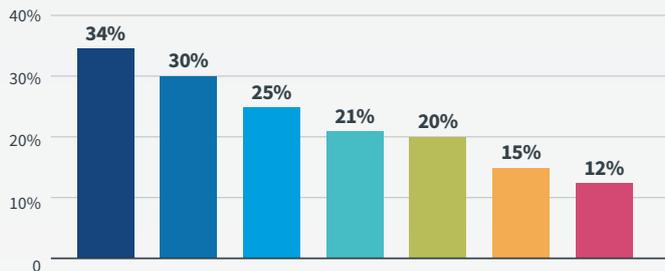
- Yes, more than three
- Yes, one
- Yes, two
- No, I don't



What kind of products do you usually look for when making online purchases? (this question allowed multiple answers)



Among the following options what attracts you more to buy online? (this question allowed multiple answers)



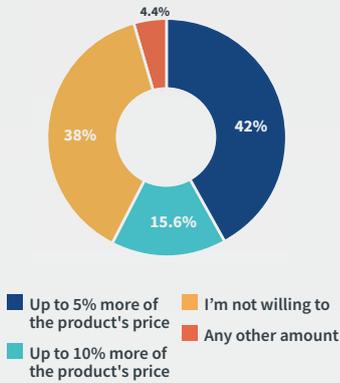
- Product with higher price and free shipping
- I'm not willing to pay for faster shipping if the product is cheap
- Pay for the cheapest shipping regardless of the delivery time
- Pay more for faster shipping if the product is of high value
- Low price product and freight charges
- Pay more for a faster delivery
- Other

Delivery

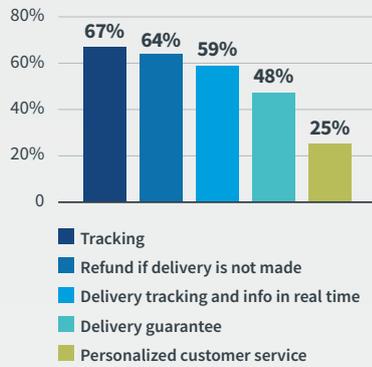
CHILE

All the questions below refer to international online shopping

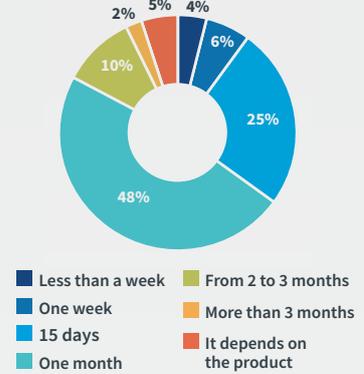
How much are you willing to pay to have a better and faster delivery?



What kind of services regarding delivery do you value the most?



How long are you willing to wait for an international delivery?



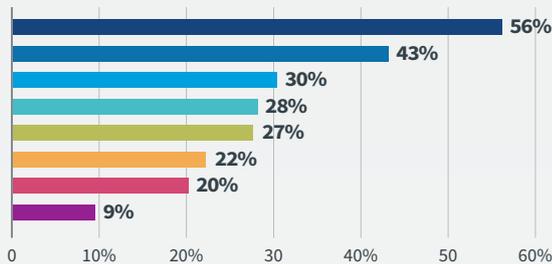
Localization

CHILE

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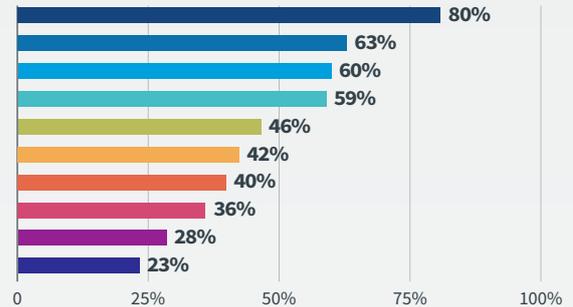
(this question allowed multiple answers)



- The lack of some kind of product in domestic websites
- Price and the cost-benefit relation
- I only buy online if I know the brand
- I need an efficient delivery
- The lack of some kind of product in physical stores
- I'm searching for a reliable brand to do my shopping
- Quality products are essential to me
- Already decided on the product and now searching for the better payment condition and method

What attributes do you consider to be essential when buying online from international websites?

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- Cost and benefit relation
- Quality of the products
- Reliable delivery service
- Variety of products
- Delivery price
- The lack of some kind of product in domestic websites
- Customer service
- Diverse payment methods
- Promotions and coupons
- Practicality and time saving

Prepaid

Payments

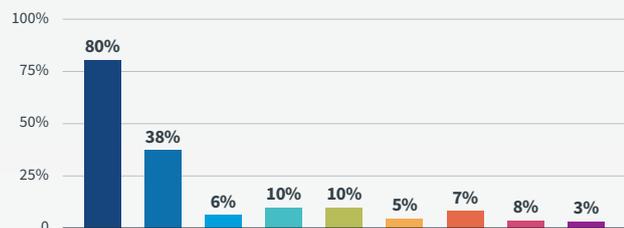
CHILE

All the questions below refer to international online shopping

What payment method(s) do you prefer to use for online shopping on international websites?

(this question allowed multiple answers)

- Credit card
- Debit card
- Other
- Bank transfer
- Prepaid cards
- Mileage program
- Servipag
- Digital wallet
- Online debit





Final insights about the Beyond Borders 2020/2021 survey

As we stated before, the COVID-19 pandemic has accelerated the evolution of some trends expected to be consolidated in the region only a few years from now. Perhaps the biggest example is the adoption of e-wallets, a consequence of the ever growing digitization of the region. Brazil is the country that not only showed this behavior but also saw a huge rise in financial inclusion due to the emergency aid that the government provided for the population.

This kind of movement not only contributed a lot to the growth of e-commerce in the country, but also made even more evident how many latinos were unbanked – and still are. And hence, how important it is to provide cash payment methods for consumers in the region, since they are still very important there – being a choice for many, but also the only option for others. And that did not happen only in Brazil.

Mexico, for example, one of the countries that have a closer relationship with international brands, still sees cash payments as a key ingredient for online purchases. And even though Chile provides higher rates around credit cards and Colombia starts to be a reference in digitization in the region, cash and alternative payment methods remain as a decisive factor for many consumers, and need to be seen as essential by the ones who invest in Latin American countries.

And that goes beyond payments, when we look to the main blockers for online purchases on international players: foreign language and out of context communication. Latin Americans engage with brands that speak their language and interact in the same environments that they do – and here we are mainly talking about social media, that alongside the official websites, are the main source of information for these consumers according to the survey.

It is safe to say that localization is a key asset for success within the online market in Latin America. The drivers and blockers for online purchasing are aligned with the concept of localized communication, products and payment methods. And even revealing trends that go to the same direction in different countries, the region has shown that each one of those countries has its own specificities, and in order to thrive there you need to dive into the culture and behavior of every single nation, to understand aspects like how its people pay, how they use the internet, who they go to when looking for information, and how they track their packages.

When questioned about the advantages in buying from international players, Latin American consumers surveyed said they can find specific products and services that they cannot find in their home countries. This is either the first or second advantage most highlighted by consumers in all four countries we focused our survey on, together with price & cost/benefit, reaching as much as 72% (in the case of Colombia).

When one put this together with all the data we went through in the previous chapters of this edition of Beyond Borders, on internet and mobile penetration in the region, on financial inclusion and new payment methods on the rise, the digitization process as a whole, it is easy to see that this is a market that has readiness at the same time that it has a high demand – Latin Americans are seeking for options from all around the world, and now they are better equipped than ever to access these options.

CHAPTER 05

Seven trends for Latin America

After gathering the most comprehensive data about the Latin American market, we also took a deep dive into the region's main digital trends. Read it all on [LABS - Latin America Business Stories](#), a news outlet focused on business, tech, and society powered by **EBANX**.

1. How instant payments can change domestic and international e-commerce in Brazil

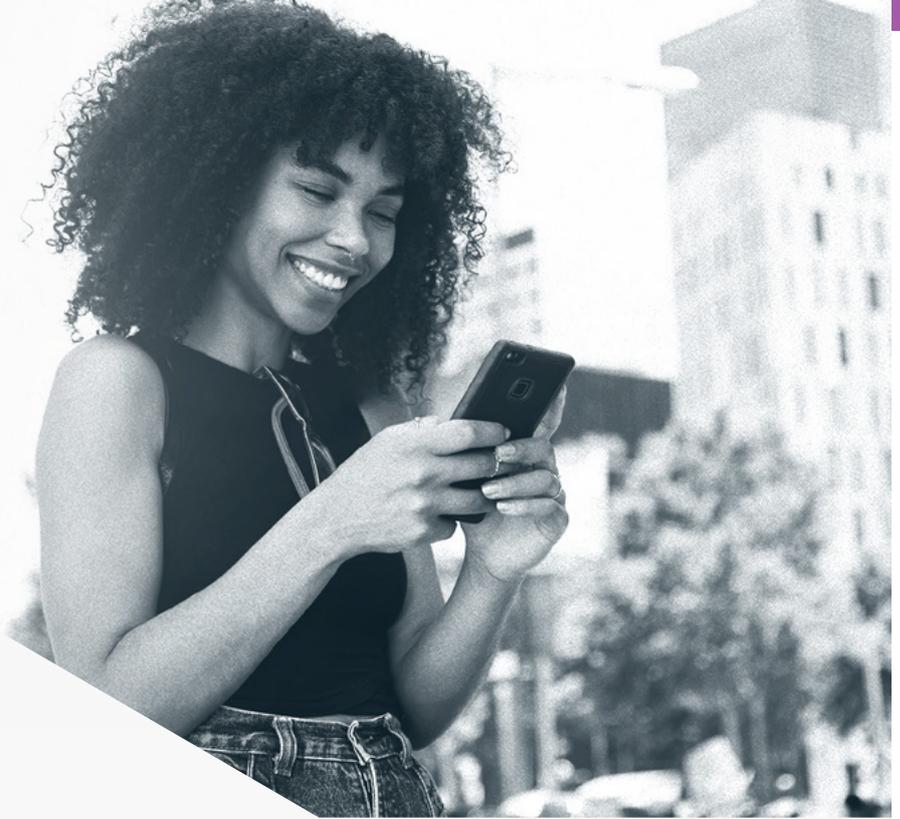
PIX, Brazil's instant payment system controlled by the country's Central Bank, was launched in November, just days before the most massive Black Friday ever in Brazil. More inclusive and faster than any other payment method, PIX is expected to change this industry in a matter of months, not years.

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2. Bad timing and cultural attachment to cash: Why hasn't CoDi, Mexico's instant payment system, taken off yet?

Mexico's instant payment system Cobro Digital, or just CoDi, completed one year last September amid a horrible timing, the unprecedented COVID-19 crisis. Despite the digital push brought about by the coronavirus pandemic, the isolation measures crushed the expectations around the first phases of CoDi, focused on in-person transactions. How to speed things up? Through new business models, especially the ones related to e-commerce and third parties apps (messaging and social media).

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3. The debit cards not so silent revolution in Brazil's e-commerce

Brazilian electronic payments industry recovers and sees digital purchases grow 31.4% in 2020. But according to the consultancy **AMI** and the association that represents the electronic payment sector in the country, only about 6% of the online purchases are made by debit cards in Brazil. What is missing, then, for the use of debit cards to soar in e-commerce? New habits by the consumers – something that the COVID-19 pandemic is helping to speed up – and the integration of more issuers (banks and fintechs who are the ones who effectively decide to grant a card to a user) and retailers to the new protocol.

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4. Why is the fintech industry in Colombia living its greatest moment?

Traditional banks with credit lines strangled by COVID-19, SMEs without access to loans and customized services, and a digital payment environment boosted by new regulations: these are some of the reasons that explain the country's opportunities right now, and the rising of the Colombian fintech ecosystem. Some regulatory novelties, such as the discussion around the country's acquiring system's opening and the recently launched financial sandbox regulation, also boost this industry. Global merchants have an increasing opportunity to reach Colombians as goods and services become increasingly digitized and mobile-compatible.

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5. The break of monopoly in the acquiring sector in Chile. What to expect from that?

While the four-part model separates card issuers from the acquiring companies, which operate and generate the technology for payment solutions, the three-part model, in which Transbank was set, allowed it to manage both the acquiring and operation of payment methods for its owners, painting a concentrated sector in Chile. The regulatory change that promised to open the country's on and offline acquiring market, increase competition and benefit millions of consumers has made a rocky debut. Will Chile be able to finally speed up financial inclusion?

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6. The next big thing in logistics for e-commerce

The coronavirus pandemic helped to speed up the development of logistics solutions in Brazil. There's nothing better than talking about this continental country to explain what, after all, is happening in this sector in Latin America. In this article, André Boaventura and Gabriela Rodrigues, director and project specialist at the Brazilian logistic startup LEVE, respectively, explain why everything points to increasingly fair and fierce competition between national and international players.

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7. Localization matters (a lot): The case of MercadoLivre in Brazil

The Latin American market is an open field of technological development opportunities. But to achieve such potential, it's necessary to remember that Latin America's nations are not one single thing. Offering a unified and massive experience for the region as a whole will hardly be efficient, given the diversity and cultural wealth in each country. This is where the user-centric strategy begins. In this article, UX Leader for Latin America at MercadoLibre, Allan Cardozo, explains how this can be done.

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