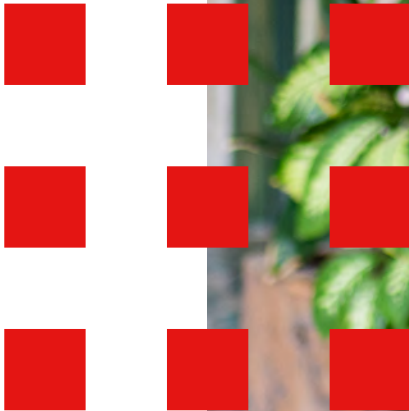


Payments trends

# Latin America fintech revolution

What this means  
for eCommerce

*How a regional  
fintech revolution  
is driving  
opportunities  
for local and  
international  
merchants*



2023

Getnet

A Pagon|xt COMPANY

## Introduction

### Subscripts:

<sup>1</sup> <https://www.santander.com/en/about-us/where-we-are/south-america>

<sup>2</sup> <https://globalindex.worldbank.org/>

<sup>3</sup> <https://www.thedialogue.org/analysis/how-much-growth-can-latin-american-fintechs-sustain/#:~:text=About%2070%20percent%20of%20Latin,more%20scrutiny%20over%20their%20use>

<sup>4</sup> <https://www.statista.com/statistics/437373/number-of-mobile-internet-users-in-latam/>

<sup>5</sup> <https://www.appannie.com/en/insights/market-data/consumers-in-five-countries-now-spend-more-than-5-hours-a-day-in-apps/>

<sup>6</sup> <https://mexicobusiness.news/finance/news/fintech-funding-drops-2022#:~:text=Funding%20and%20deals%20steadily%20declined,US%244%20billion%20in%202022>

### A new era begins

Latin America is a region well known for its vibrancy and exuberance. Think Carnival, samba, mariachi bands, rainforests and football... the continent full of energy and radiance.

Such energy has caught the eye of global analysts and businesses which have started to recognise the exciting market potential of Latin America more broadly. Such interest in the region comes off the back of the pioneering work that banks have done to break down the barriers to financial inclusion across Latin America for years and to democratise access to ecommerce. For example, Santander Bank continues to demonstrate its long-term commitment to investment in the region, with 69.6 million customers, and 3,653 branches<sup>1</sup>. With such progress made by banks in the region, it has paved the way for fintech companies to step in and take the financial services available to Latin American customers one step further.

There are two key factors that are signalling a new dawn in Latin America, fuelled by fintechs. Firstly, according to the World Bank, Latin America has a financial service market of \$1 trillion a year<sup>2</sup>. However, an estimated 70% of Latin Americans are either unbanked or underbanked<sup>3</sup>. Secondly, the region has huge mobile internet usage. By 2025, there

are expected to be 424 million regular mobile internet users<sup>4</sup>. Brazil and Mexico are among the five countries where users spend the most daily hours on mobile apps, totalling roughly five hours each day<sup>5</sup>.

A huge unbanked population and high mobile app usage create the perfect environment for fintech adoption, and investment in the region is booming. A growing number of companies are seeking to capitalise on this new fintech frontier. In 2022, funding and deals steadily declined as investment in Latin American fintech dropped to \$4bn<sup>6</sup>.

These companies are operating in a range of sectors, including banking, lending, wealth management, open banking and crypto. Payments are also booming, with overseas merchants looking to capitalise on the improved infrastructure.

Local eCommerce titans such as Mercado Libre, Americanas and Casas Bahia are now competing head-to-head with global players like Amazon, AliExpress and Shopee, with both offering national and international products on their platforms and attracting more small and medium-sized businesses to the digital world.

## Introduction

### Subscrips:

<sup>7</sup> [https://www.paysafe.com/fileadmin/user\\_upload/Paysafe\\_LATAM\\_Whitepaper\\_2022.pdf](https://www.paysafe.com/fileadmin/user_upload/Paysafe_LATAM_Whitepaper_2022.pdf)

<sup>8</sup> [https://www.paysafe.com/fileadmin/user\\_upload/Paysafe\\_LATAM\\_Whitepaper\\_2022.pdf](https://www.paysafe.com/fileadmin/user_upload/Paysafe_LATAM_Whitepaper_2022.pdf)

It's little surprise that so many international merchants are sensing the opportunity. Those looking to expand into the region must not act hastily, however. The Latin American market is notoriously challenging for international merchants, thanks, in part, to the vast range of regulations and preferred payment methods in the region. A 2022 report found that there was increased support of instant payments, such as Pix, and adoption of APMs, with 63% stating they had used a digital or mobile wallet, eCash or Crypto in the last month<sup>7</sup>. The cost-of-living crisis has had a significant impact on American consumers' choice of payment method for online purchases as 63% say it has changed the way they use certain methods<sup>8</sup>.

It's clear that without the aid of a trusted payments partner – such as Getnet, a technology and payment solutions company part of PagoNxt – international merchants will struggle to expand into Latin America, as well as trade between the markets within it. Only by taking the time to research the local complexities will merchants be rewarded with higher conversion rates and improved sales. Our latest paper aims to do just that – addressing some of the unique nuances in Latin America and sharing insight into how best to overcome these challenges.

### The unique challenges merchants face in Latin America

*"We have great opportunities when we look at Brazil and Latin America to expand the offer of value-added services and make them represent between 20% and 30% of revenue in Brazil, for example. Our growth path is anchored in a project with three pillars: reinforcement of higher value-added services such as a payment and credit platform and, especially, on what justifies the union with PagoNxt: an agnostic "as service" model. The payment industry, with all this new competition, needs to innovate. And this is happening."*

**Cassio Schmitt**  
CEO of Getnet Brazil





## Latin America fintech revolution

# Trend 01

Alternative  
payment methods  
are on the rise

Subscripts:

<sup>9</sup> <https://www.retailbankerinternational.com/analysis/latin-america-and-the-rapidly-shrinking-unbanked-population/>



Arguably the biggest difference between Latin America and many developed markets is that credit, debit and digital payments are neither widely utilised nor accessible in many parts of the continent.

With up to 45% of the adult population of Latin America remaining unbanked<sup>9</sup>, large numbers do not have access to many financial services, including debit and payment cards. As a result of the ever-growing popularity of eCommerce in Latin America, merchants must innovate and accommodate a range of alternative payment methods for those without access to credit and debit cards.

Mobile payments - driven by high mobile phone usage across the continent - have emerged as one of the most popular ways to pay. However, western platforms such as Apple Pay, Google Pay and PayPal are yet to reach the level of saturation they have in markets such as the UK and US. Instead, platforms such as OXXO Pay dominate in Mexico.



Latin America  
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## Trend 01

Alternative  
payment methods  
are on the rise

Subscripts:

<sup>10</sup> <https://www.fintechfutures.com/techwire/latin-america-mobile-payment-methods-analysis-report-2022-2026-adoption-of-mobile-wallets-is-projected-to-rise-with-brazil-and-mexico-dominating-the-mobile-wallet-landscape/>

Digital wallets provide almost instant confirmation and are seeing enormous adoption across the region, helping to bring new people to digital commerce and becoming a hub for financial services and shopping experiences. Digital wallets are estimated to be among the fastest growing payment methods in the region. While mobile wallet users in Brazil in 2021 accounted for just a little more than one-third of the population by 2025 it is expected to reach more than three-quarters of the population<sup>10</sup>.

Other popular alternative methods include online bank transfers (such as PSE in Colombia), or prepaid cash cards. The latter provides an accessible way for customers who do not have bank accounts to make purchases and payments online.

Despite all these options, cash remains popular too. Cash still makes up as much as a quarter, or more, of eCommerce transactions in Latin America, partly due to the lack of access to alternatives, or a lack of trust in banking institutions. As with mobile payments, cash payment solutions vary on a country-by-country basis, including Boleto in Brazil, Servipag in Chile and Redpagos in Uruguay.

*"Alternative payment methods, especially in Latin America, are contributing to more people having greater access to financial services. This means they have more ability, in theory, to purchase products and services in a way that suits them. However, for merchants it can be tricky to navigate all the different payment routes available in any given market. It is important for merchants expanding into a new market to understand the most popular payment methods, so they can offer them to customers in that region. Making it easy for consumers to pay in their preferred payment method will help grow customer loyalty through a positive experience, as well as reduce abandoned sales due to consumer frustration".*

**Fabian Ferrari**  
CEO of Getnet Mexico





## Latin America fintech revolution

# Trend 02

A myriad of payment methods means merchants much remain mindful of localisation

Subscripts:

<sup>11</sup> <https://www.prnewswire.com/news-releases/insights-on-the-buy-now-pay-later-market-in-latin-america-to-2028---players-include-wipei-pagomiscuentas-uala-and-sweetpay-301667461.html>

<sup>12</sup> <https://www.statista.com/topics/2453/e-commerce-in-latin-america/>

Chapter #1 highlighted the vast variations in payment methods across the region; here we highlight the myriad of nuanced payment methods between countries. Ultimately, the payment strategy an international merchant chooses to rollout depends on where the customers are located and how the population prefers to pay.

Latin America has over ten different currencies, and each country has its own preferred bank transfer service. From PIX in Brazil, to SPEI in Mexico and PSC in Colombia, international merchants looking to expand in the region must remain mindful of local preferences, and tap all these different methods into one, single integration. This applies not just to global trading, but intra-regional trading too.

In Brazil, where cards are used, Visa and Mastercard remain popular. However, Boleto (a cash solution) and Elo (a domestic debit and credit card company) are both popular payment methods. BNPL is a relatively new method in Brazil and across Latin America but has recorded strong growth over the past few years. The BNPL value will increase from \$9,500 million in 2021 to \$72,800 million by 2028<sup>11</sup>. One method recently developed is PIX Parcelado which features a combination of credit and scheduled payments allowing users to pay via PIX in instalments, although it is still in early stages of development.

Mexico - Latin America's second biggest eCommerce market<sup>12</sup> - offers OXXO as a cash-based payment method. Consumers generate a code for their purchase which they can then pay for in cash at their local convenience store. While card usage is on the rise (led by Visa, Mastercard and American Express), many domestic cards are not suitable for cross border transactions, resulting in low authorisation rates.

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Latin America  
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## Trend 02

A myriad of payment methods means merchants must remain mindful of localisation

To the south, in Colombia, services such as Efecty and SafetyPay are popular as secure and direct alternative payment methods. Baloto enables the unbanked to pay for goods online through the issuance of vouchers.

It's not just payment choices that vary between countries, but regulations too. Take sub-acquirers in Mexico and Colombia, which process payments and transmit data to the other players involved in the payment flow. In both markets there is no legal infrastructure which regulates the activity of the sub acquirers that serve international merchants. These companies are required to settle payments within a merchant's national bank account, which in turn excludes the activity of international payment facilitators from the sub-acquirer regulations currently in place.

Merchants must also be extremely mindful of different tax methods; Ecuador, for instance, has a five per cent tax on any foreign exchange. Merchants must make sure they are registered correctly and pay the tax or risk getting fined.

*"The myriad of different payment methods between countries in Latin America depends on where customers are located and how people prefer to pay. Merchants looking to expand in the region should be mindful of these preferences and tap into these methods via a single integration. Merchants should be also aware of and mindful of regulatory and tax requirements as regulations vary between countries".*

**Anna Werner**  
Head of Legal PagoNxt  
Merchant Solutions





## Latin America fintech revolution

### Trend 03

Social commerce is  
growing in popularity

#### Subscripts:

<sup>13</sup> <https://www.statista.com/statistics/1251145/social-commerce-sales-worldwide/>

<sup>14</sup> [https://www.gwi.com/reports/social?\\_ga=2.189249835.1414317636.1638352058-1361249689.1638352058](https://www.gwi.com/reports/social?_ga=2.189249835.1414317636.1638352058-1361249689.1638352058)

<sup>15</sup> <https://techcrunch.com/2022/10/11/social-commerce-startup-elenas-secures-20m-to-help-more-latam-women-sell-online/>

Buying and selling within social networks is expected to become a frequent habit worldwide over the next few years. Social commerce is expected to grow from \$992bn in 2022 to \$2.9tn by 2026<sup>13</sup>. Thanks to the high penetration of mobile phones and the growth of social media; on average consumers spend two and a half hours a day on social platforms<sup>14</sup>.

As such, social commerce is expected to grow three times faster than traditional eCommerce. Elanas, a social media marketplace in Latin America, for example, was able to scale up 30% in Mexico, meaning it accounts for more than a third of Mexico's business after its first year<sup>15</sup>.

Social commerce is  
expected to grow from

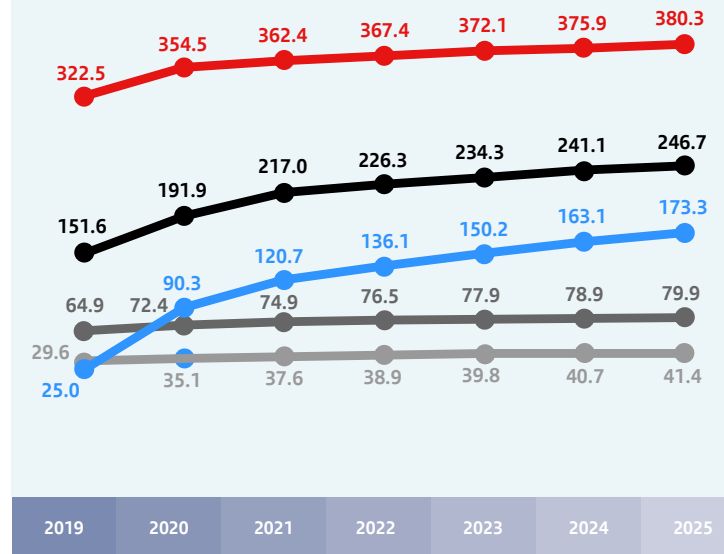
**\$992bn** in 2022

to

**\$2.9tn** by 2026

## Social Network Users in Latin America, by Platform, 2019-2025

millions



● Facebook ● Instagram ● Twitter  
● Snapchat ● Tik Tok

Note: Internet users of any age who use a social network via any device at least once per month; top 5 networks shown  
Source: eMarketer, November 2021



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fintech revolution

## Trend 03

Social commerce is  
growing in popularity

Subscripts:

16 <https://www.openbankingexpo.com/news/digital-payments-gaining-preference-among-latam-consumers/>

Already 50% of Latin Americans have made purchases via social commerce, with the most dominant payment method in Colombia and Mexico being bank transfer (61% and 54%, respectively)<sup>16</sup>.

This is a clear democratising force, opening new streams of possibility for small and large merchants in the region. Users are enticed by authentic content driven by brands and influencers, and people are harnessing their existing social networks to buy and sell. Soon, an increasing amount of augmented reality and virtual reality applications will facilitate purchases made through social media platforms.

A trend that is becoming more and more representative in Brazil, for example, is the number of online stores in the main social media platforms. This growth is due to the country's economic problems and the impacts of the COVID pandemic.

A good portion of Brazilians decided to face the problems generated by the pandemic in a creative and entrepreneurial way, creating their own online stores for clothing, shoes, party supplies, among others. In order to avoid major developments associated with the creation of these virtual stores, Getnet have adopted Pay by Link, named Get Link & Pay, which facilitates the charge of the store to the customer, who can receive it via social media chat, e-mail, or any other means of communication. By clicking the link, the customer is directed to a checkout page and needs only to enter his card data, where PIX and bank payment slip are also accepted, to complete the purchase safely.

Get Link & Pay brings convenience, security and agility to online store payments. In addition, the use of the payment link has been used by many clients in the online world and increases conversion rates. For example, for a customer who accessed your online store, put products into the cart but didn't go through with payment can be sent a payment link with the products already inserted to make life easier and try to recover that lost sale. Social commerce must therefore be embraced by merchants looking to expand into Latin America. The emerging field is driving growth, offering merchants the opportunity to build new experiences and ways to engage with consumers. Consumers have come to expect a range of payment options at the checkout, and this expectation must be met on social platforms too, or risk basket abandonment.

Only with the aid of localised payment partners can merchants harness this opportunity, embedding the payment options and preferences consumers have come to expect completely new platforms.

# 50%

of Latin Americans  
have made purchases  
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Latin America  
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## Trend 04

High potential for  
personalisation



**Big Data** and the  
use of **AI** to better  
understand and predict  
what consumers want

Thanks to the high internet penetration in Latin America, the digital footprint of consumers can be highly valuable, with merchants benefitting from transaction data, browsing history and geolocation. This data holds huge potential for merchants and can be harnessed to improve personalisation.

Doing so has a myriad of benefits. Merchants can create loyal customers by creating bespoke shopping experiences that anticipate their needs. Sales can be increased with recommended products, and ultimately merchants can add to their marketing function with bigger email lists and hyper-focussed content. Even the little things - be it preferred payment methods or local language - cannot be understated in their importance. The possibilities are near endless.

Information such as the time of day a purchase was made, where it was made and on what device can tell merchants a lot about the typical demographic of the customer. This information is simple for payment partners to offer, and equally can remain anonymous. The continued development of processing speed, apps, big data and the use of AI to better understand and predict what consumers want, how they want it, and when they want it are continuing to transform eCommerce and create new opportunities for international merchants.



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## Trend 04

High potential for  
personalisation

Subscripts:

**17** <https://www.zdnet.com/article/brazil-surpasses-us-in-breached-users-in-q2-2022/>

However, internet users in Latin America are particularly mindful of issues regarding data privacy, across South America an average person has been affected by data breaches at least once<sup>17</sup>. One of the key problems remains a lack of a standard definition of the ownership of personal data in the region. While continents such as Europe operate under the General Data Protection Regulation (GDPR), there is no Latin American equivalent which gives consumers the ability to choose who holds their personal data.

For international merchants seeking to harness the benefits of personalisation, they must ensure that their payment strategies offer robust and secure data protection. Payment partners such as those that operate under the PagoNxt umbrella, including Getnet offer preventative solutions not only capable of detecting and blocking fraud, but securely harness customer data to analyse patterns between several parameters to detect individual patterns. In turn, this can drive bespoke marketing and sales campaigns.





## Latin America fintech revolution

### Trend 05

Slow cross border  
payments must be  
considered

#### Subscripts:

<sup>18</sup> <https://www.electronicpaymentsinternational.com/sponsored/an-overview-of-the-cross-border-payments-market-in-latin-america/>

<sup>19</sup> <https://www.bis.org/publ/bppdf/bispap112.pdf>



Payments across borders in Latin America are typically slow, opaque and costly. It is estimated that strict domestic restrictions are present in up to 50% of the Latin American market – a major impediment for international brands who may be restricted to local payments<sup>18</sup>.

Technology is transforming both cross-border and intra-market payments, and fintechs can help to reduce cost and increase efficiency. Central banks have started to pave the way; the Bank of Mexico launched a new digital payment system in 2019 which allows payments through QR codes, and has already accrued 1.2 million users<sup>19</sup>. The Brazilian Instant Payment Scheme, driven by the Central Bank of Brazil, on the other hand, is now mandatory for all financial and payment institutions licensed by the bank. In turn, this is facilitating immediate transactions, including payments. An additional example of how technology is changing the game for cross-border payments can be evidenced by Santander's achievement as the first European bank to launch instant payments to companies in Brazil from across Europe.

As Latin American markets become increasingly interconnected, growth possibilities for companies rise. Equally, faster cross border transactions

hold immense appeal to international merchants. Building a better system of domestic and cross-border digital payment systems would serve as a catalyst for the internationalisation of the Latin American eCommerce market. It's crucial that international merchants can accept payments across every market they target to drive revenue.

This can be achieved by working with payments partners that offer secure, global gateways. These gateways must offer the wide range of payment and settlement currencies expected in Latin America, as consumers will want to know exactly what they are to be charged for a product or service online. Payments partners will also have unparalleled ability to identify micro-market similarities and differences and harness this insight to open new client bases, as well as adapt local languages.

Thanks to incremental improvements in cross-border payments, interregional cross-border eCommerce is on the rise. The onus is now on fintechs, banks, governments and regulators to build infrastructure capable of attracting international merchants which seek to operate across the entire continent.

## Conclusion

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# Navigating a local fintech revolution

It's evident that opportunity is growing across Latin America for international merchants, underpinned by high internet penetration, a mobile-savvy population and innovative fintechs paving a path forward.

For any merchant seeking to capitalise on this vibrant and growing economy, it is imperative that they understand the myriad of local payment preferences, emerging trends and potential pain points. Doing so is integral to offering excellence in customer service, and happy customers will result in increased revenue.

We know that keeping abreast of payment trends, however, is a lengthy process, and can take time away from what's most important for your business. The best route to success is partnering with an experienced payments partner to turn every challenge into opportunity and provide invaluable experience in navigating a nuanced market.

Those that do will be richly rewarded with the opportunities offered by Latin America.



# Getnet

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