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E - C O M M E R C E

Digital payments connecting businesses and people in rising economies

An overview of online
commerce in Latin America
and Africa



Beyond Borders

2022→2023

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Online retail still grows, fueled by alternative payments



Online retail still grows, fueled by alternative payments

DESPITE BEING THE LARGEST and most established industry in digital commerce in Latin America, reaching about half of all online transactions in the region, online retail continues to grow strongly in LatAm and is expected to expand 43% in 2022, according to AMI (Americas Market Intelligence) – **fueled by alternative payment methods.**

Online retailers are advancing vigorously, both in large and emerging Latin American markets. Retail is the fastest-growing digital vertical in countries like Brazil, Peru and Argentina, while also pushing e-commerce adoption in Bolivia, El Salvador, Paraguay and the Dominican Republic.

“In general, retail has a bigger potential supply, because it has more merchants to become digitized. It’s an industry with a huge plurality,” said Lindsay Lehr, Payments Practice Director at AMI. According to her, many businesses around the region are reporting growth upward of 100% in their e-commerce sales.

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43%

is the expected
2022 growth of
online retail in Latin
America, per AMI

This plurality is reflected in how consumers pay. Retail holds the largest share of Alternative Payment Methods (APMs) in the region, with 45% of online purchases being made with APMs, according to AMI data for 2021. In that same year, the average for the overall digital commerce market in Latin America was at 37%.

The numbers show that online retail **is a very democratized vertical in terms of payments in Latin America, providing multiple choices for consumers** to pay and almost equal volumes among the different APMs available.

Across Latin America, **account-based transfers** (16% share, considering Pix), **cash-based payments** (13% share), and **wallets** (11% share) are the most used APMs for online retail purchases, having equivalent volumes in the region. Traditional cash vouchers, by the way, achieve their best

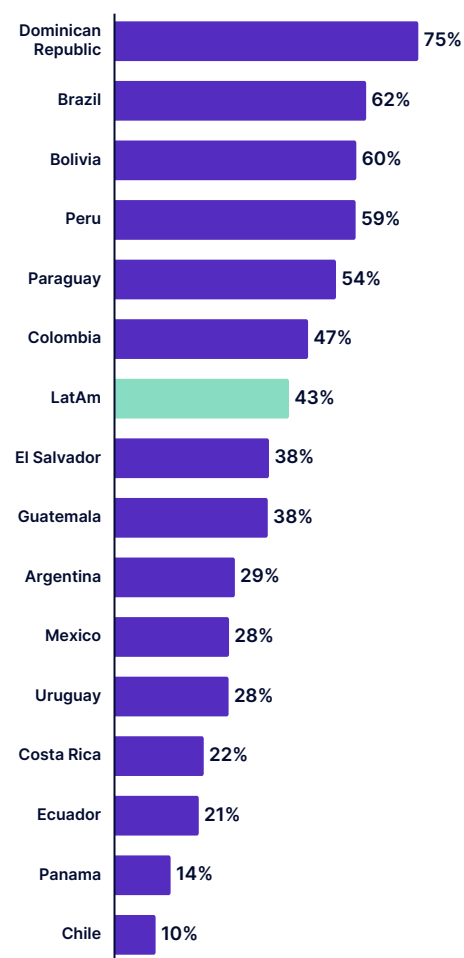
performance in retail as the second-largest payment method – just behind credit cards.

Percentages vary according to the country, reflecting the variety of customers' preference across the region. In Brazil, for instance, Pix (25%) and boleto (22%) are the most common alternative payments in retail; in Colombia, the instant transfer PSE has a 37% share; and in Argentina, where Mercado Libre (and its proprietary e-wallet Mercado Pago) reigns on online retail, digital wallets account for 35% of the sales.

Online retail growth remains strong in LatAm

Dominican Republic and Brazil are leading the way in 2022.¹

Online retail growth per country, 2022



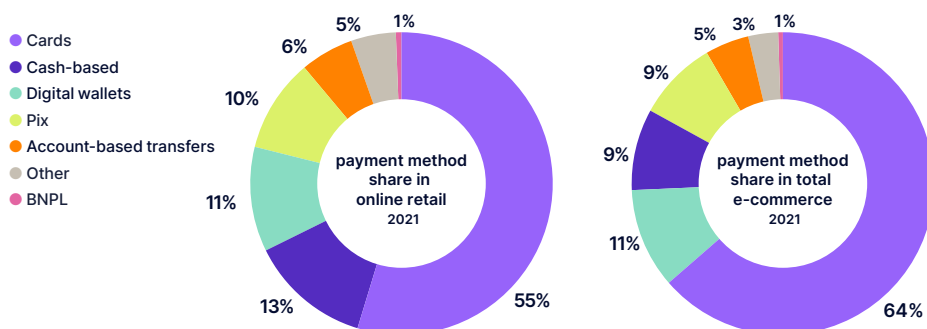
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Retail holds the largest share of alternative payment methods in Latin America, with 45% of online purchases being made with APMs.

¹ Source: AMI (Americas Market Intelligence)

Alternative payments account for 45% of online retail in LatAm

This is more than the total e-commerce average (31% in 2021).¹



Even global retail players are aware of this payment diversity in Latin America. They try to offer as many options as possible in order to capture the consumer. In Mexico, for example, **Amazon** shows remarkable adaptability to the market's nuances by offering a huge range of payment methods, more than any other country where the U.S. retail giant operates.

"One thing that Amazon does in Mexico, and not on a global scale, is offering different payment methods. There are countries where credit cards are the most common payment method, but not here. We have credit and debit cards, 25,000 physical locations for people to pay in cash and food vouchers," said Renata Arvizy, Head of Marketplace for Amazon Mexico, [in an interview with Mexican newspaper Reforma](#).

The broad variety of payments across LatAm's online retail sector is **a sign of maturity from the industry, with many retailers investing in their own financial solutions** and driving the adoption of digital wallets and other closed-loop payment options.

Mercado Pago, for example, the fintech arm of the largest online retailer in LatAm, Mercado Libre, accounts for approximately 30% of their marketplace sales volume. In Brazil, Ame, the digital wallet from **Americanas** (one of the main retailers in the country), has also been registering good results as a loyalty driver, with users having an average spending 2.5 higher than the overall marketplace customer.

"[These retailers may have] a greater retention of their customer base, since with more services offered, the customer can choose, for convenience, to have all its operations within the same ecosystem," said Pedro Serra, Research Manager at Ativa Investimentos, [in an interview with LABS](#).

¹ Source: AMI (Americas Market Intelligence)



What is pushing retail growth in Latin America

Despite its massive volume, online sales still represent only a small fraction of total retail purchases in Latin America. According to [Insider Intelligence](#), the e-commerce share for retail sales is now at 12%, compared to 15% in North America and Europe, and 28% in Asia. This means there is a lot of room for growth: the research firm predicts that this number can reach 18% by 2026, which would represent a 13% annual increase in online retail sales in the region.

“Consumers’ broader adoption of online shopping has forever transformed Latin America’s retail industry. In 2019, before the pandemic, retail e-commerce represented just 4.9% of the region’s total retail

sales,” reads the most recent [Insider Intelligence’s Latin America E-commerce Forecast](#), which predicts that **online retail will make further inroads in LatAm in the upcoming years**. “To take a global view, retail e-commerce will mature faster in Latin America than in more developed economies. In 2024, for the first time, Brazil will overtake Canada in e-commerce share and clinch the number 8 spot in the global ranking.”



12.3%

is the e-commerce share of total retail sales in Latin America

In the opinion of Lehr from AMI, most of the online retail growth will come from **small and medium-sized businesses (SMBs) starting to sell online**, since the majority of the industry is still concentrated among only a few players. According to the research firm, in Mexico, 66% of online retail sales are made by just five players, including Amazon, Mercado Libre, and Walmart. In Brazil, the top five players account for 51% of online sales.

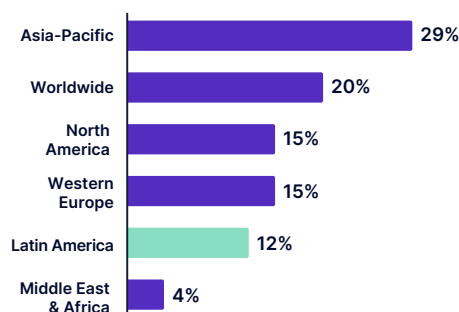
At the same time, investments in logistics and distribution, as well as expansions to smaller countries in the region, should create **a new e-commerce wave in small-to-mid-sized cities across LatAm**, which also have a big purchase potential.

"In 2022, small Latin American economies are at the start of an e-commerce wave similar to that of the most mature markets at the beginning of the pandemic," said Lehr. It is no wonder that countries like the Dominican Republic, Bolivia, Peru and Paraguay will register some of the highest growth rates for online retail in 2022.

Room to grow

Despite fast growth, LatAm's online retail still represents a small fraction of total retail sales.¹

E-commerce share of total retail sales, 2022



26% growth per year

Online retail sales should reach USD 360 billion in LatAm by 2025.²

Online retail sales in Latin America, USD Bn





Payments as an antidote against deceleration

Despite the fact that retail should continue to account for nearly half of e-commerce sales in Latin America, per AMI, digital commerce has slowed down in the region after the boom during the pandemic. As stated by [Insider Intelligence](#), "the days of triple-digit growth are over", due to macroeconomic challenges, such as high inflation rates and the recovery of brick-and-mortar retail in Latin America.

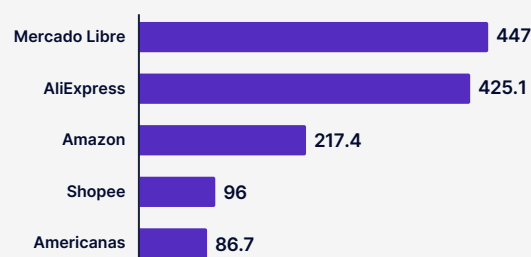
Nevertheless, online retail is still a very promising industry in LatAm and should grow by 26% per year through 2026, according to AMI.

More than this, in an even more price-sensitive market, **payment methods can represent the success or the failure of an online retailer**. A [recent survey with online shoppers in Brazil](#), for example, shows that 17% of them have abandoned their shopping carts because the website or app didn't offer a payment method they would like to use. This is why **APMs are important to keep retail growth in Latin America and can even be an antidote to the vertical's deceleration across the region**.

There is no doubt that retailers still have an opportunity to grow their business in Latin America, but the path is not simple. "Retailers can't rely on their old playbooks. As economic headwinds put a squeeze on household budgets, companies must find creative ways to reduce costs, offer enticing promotions and deliver exceptional mobile-first experiences to attract consumers and bolster sales," [attested Insider Intelligence](#). ●

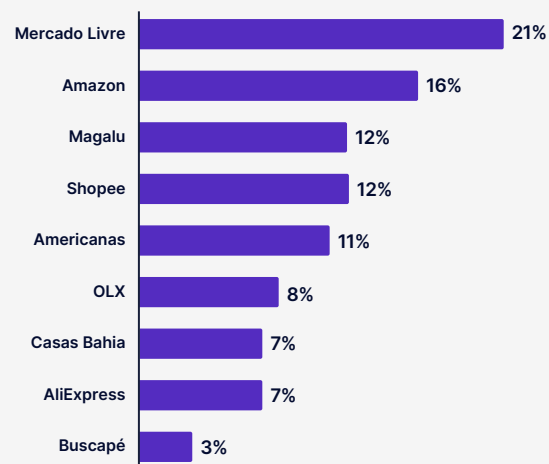
The leading online marketplaces in Latin America

Number of monthly visits, July 2022.¹



Global behemoths are among the top players in Brazilian online retail

Share of monthly visits among the top-10 e-commerce websites in Brazil.²



¹ Source: SimilarWeb via Statista

² Source: SimilarWeb

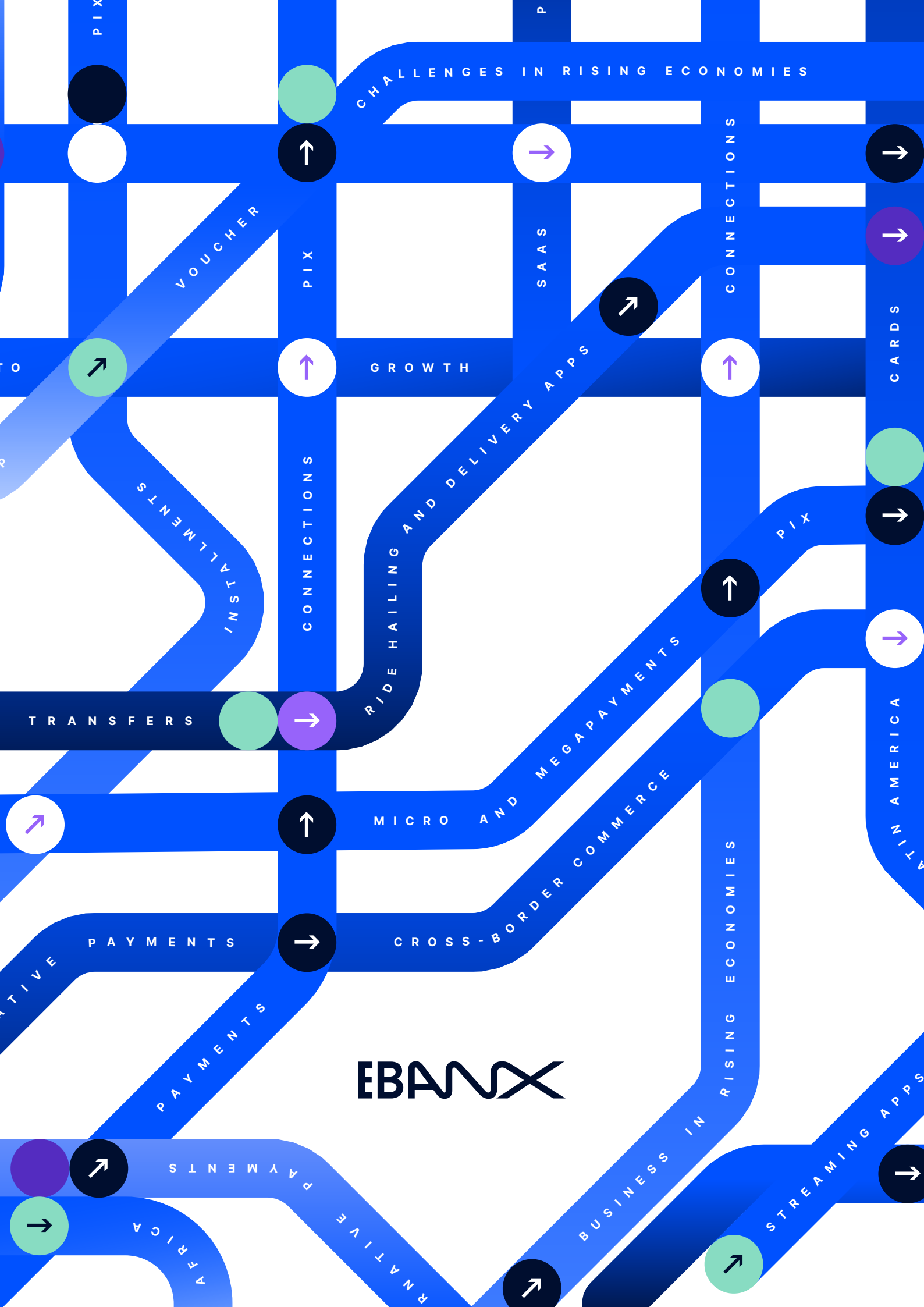


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