




wherever people pay

Brazil Reach 200 million shoppers

A guide to payments in LATAM's
biggest ecommerce market






INTRODUCTION

Before rushing to translate your website into Portuguese, or scouting for office space in São Paulo, it is worth taking the time to consider how your potential Brazilian customers might like to pay for your goods or services.

Card penetration in Brazil is relatively high at 69%, but it is important to know that Brazilians rarely pay for anything outright and 80% of online transactions are paid in installments. Additionally, cash-based methods such as Boleto Bancário are popular, and will give businesses access to Brazilians without credit cards.

Furthermore, restrictions on banks and currency controls mean that, from an outside perspective, entry into Brazil is not always straightforward. This document will walk you through some of the key issues international merchants should consider prior to market entry, including local payment legislation and payment methods, based on extensive on-the-ground experience.

A photograph of a young couple with dark skin and curly hair, smiling warmly at a laptop screen. The woman is on the left, wearing a blue patterned top, and the man is on the right, wearing a maroon shirt and glasses. The background is blurred, showing what appears to be a modern interior with warm lighting.

THE OPPORTUNITY

Despite recent upheaval, Brazil remains a key market for businesses eyeing Latin America as a region for expansion. It is the largest online market in Latin America, representing over 40% of the region's ecommerce sales. In 2015 online retail sales reached \$19 billion and Bain and Company expects the Brazilian ecommerce market to maintain a healthy annual growth of 11% right up until 2019. As an illustration that the market is alive and well, Brazilian ecommerce giant Magazine Luiza has seen its revenue triple in Q2 of 2016.

Furthermore, as of January 2015, its middle class accounted for as much as 70% of the population, outnumbering the combined populations of France and England. Tough-times aside, that represents a considerable potential customer base, and enticing opportunity for expansion.

A SNAPSHOT OF THE BRAZILIAN SHOPPER

Internet penetration has been growing steadily in recent years. 66% of the population is now online, up 5% from 2015 . This means a whopping 127.6 million Brazilians were online in 2016, a figure projected to grow to 148.3 million by 2021, which ranks it seventh in the world in terms of internet usage.

This change is being lead by the young city-dwellers. According to comScore Media Matrix, almost half of online shoppers are aged between 18-34, and are overwhelmingly located in urban zones in the southeast (including São Paulo, Rio de Janeiro and Belo Horizonte), the northeast (Salvador and Recife) and south (Porto Alegre, Curitiba, Florianópolis).

But while connectivity is on the rise, the inevitable belt-tightening resulting from the economic crisis has made the Brazilian shopper a cautious spender. A McKinsey survey revealed that more than half respondents are actively looking for the best deals, and a study by SPC Brazil found that 60% are more likely to buy a product online if there is a promotion or loyalty program attached to the purchase. Another crucial driver of online sales in Brazil is free shipping. A study conducted by SPC Brazil reported that 39% of respondents cited this as a top-influencing factor when deliberating over a purchase.

More affluent shoppers have the luxury to be socially conscious, and factors such as a brand's social commitment to the protection of the environment or sanitary standards are important. Furthermore, international brands are seen as a sign of wealth, and international technology brands and sports retailers can expect to do well within this segment.

Online fraud is a big concern in Brazil, with 78% of respondents of an eMarketer survey saying they were worried about identify theft. So businesses must take care to put shoppers at ease by limiting redirects to unknown sites and clearly displaying security certification. Further, smart risk management systems reduce friction for shoppers by using data to identify and block fraud while letting legitimate customers pay unhindered.

Seriously social

Brazil is famously a hyper-social country, and this trend is just as prevalent online, with The Wall Street Journal crowning it the 'social media capital of the universe'. Messaging apps are particularly popular and nearly 100% of Brazil's online population use WhatsApp. Ecommerce sites in Brazil are catching onto this trend, with about 60% of companies using social media to drive brand engagement. Therefore, as the lines between ecommerce and social media blur, businesses would do well to keep the Brazilian enthusiasm for social networking in mind.

Mobile shopping

A late bloomer in terms of smartphone adoption, Brazil is now catching up at an incredible pace, with an average of almost two devices per person (around 400 million cell phones in total). Consequently mcommerce is very much on the rise, climbing from 10 to 18.6% in 2015 , and expected to reach almost all internet users (close to 60% of the country's population, or over 100 million people) by 2017. In-app payments are also popular; a study conducted by OpinionBox in 2015 found that 39.5% of Brazilian smartphone owners purchased in-app content.



It is important for businesses to keep mobile payments in mind to fully capitalize on the potential in the market, as Netshoes CFO explains:

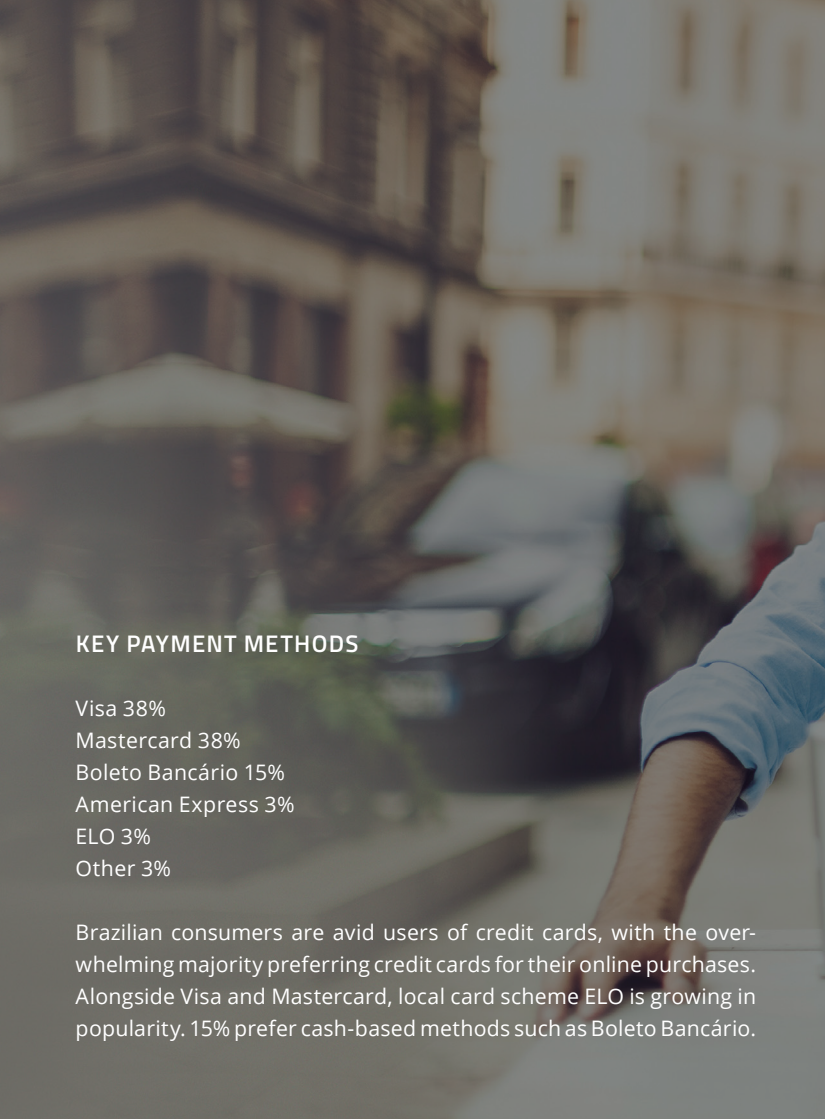
“Having a mobile strategy has become crucial for retail companies. For Netshoes it is a clear focus. Mobile represents more than 50% of the traffic to our website and 30% of conversion. This is why investing in innovation in payment technology is fundamental.”
Leonardo Dib, CFO, Netshoes

CROSS-BORDER OR LOCAL?

Back in 2013, in a move to keep ecommerce local and discourage international purchases, the Brazilian government added a 6.38% tax to all cross-border transactions. Additionally, Brazilian acquirers began to refuse cross-border transactions processed in BRL.

Consequently Adyen recommends investing in a local entity and processing via a local acquiring network. In this way you can keep your prices low and your authorization rates high. Other benefits:

- Higher authorization rates (by up to 30-40%).
- Shoppers spared the 6.38% tax.
- No exchange rate variations on credit card bills.
- Access to more shoppers.
- Access to domestic acquirers and payment methods.
- Ability to support paying in installments.



KEY PAYMENT METHODS

Visa 38%

Mastercard 38%

Boleto Bancário 15%

American Express 3%

ELO 3%

Other 3%

Brazilian consumers are avid users of credit cards, with the overwhelming majority preferring credit cards for their online purchases. Alongside Visa and Mastercard, local card scheme ELO is growing in popularity. 15% prefer cash-based methods such as Boleto Bancário.





CREDIT CARDS

The market situation

In the joint lead for online purchases are Visa and Mastercard. AMEX serves a small segment of high earners while ELO is typically targeted at lower income earners. An important point to note is that around 70% of consumers have cards that are not enabled for cross-border payments.

There are four key acquirers in Brazil capable of processing e-commerce transactions: Cielo, Rede, Santander and Adyen's own local acquiring network.

WHAT ADYEN OFFERS

Adyen has its own acquiring network in Brazil (Adyen Acquiring) for Visa and Mastercard, delivering a robust and reliable connection underpinned by advanced data-driven technology. Additionally Adyen is connected to all major Brazilian acquirers (Cielo, Rede and Santander/GetNet).

Adyen helps merchants to maintain processing stability and optimize approval rates by dynamically routing transactions to ensure the best results for each bank.

INSTALLMENTS

Market situation

Payments in installments are very common in Brazil, accounting for 80% of ecommerce payments for businesses with a typically high average transaction value. These are interest-free for the buyer and are collected month-by-month by the merchant (ranging from two to 12 months). Businesses have the possibility to anticipate the payment of the full amount but this generates a so-called anticipation fee, which is charged by the acquirer. Anticipation fees may vary depending on the amount of installments to be paid upfront and the volume anticipated.

Global ticketing merchants Eventbrite and ViaGoGo have recognized the importance of accepting payments via installments, and now allow Brazilian customers to stagger their ticket purchases over a few months.

WHAT ADYEN OFFERS

Adyen offers payments in installments to its merchants operating in Brazil, and reconciliation facilities for payments executed via installments.





Boleto Bancário

Boleto Bancário, simply referred to as Boleto (literally meaning 'ticket'), is a payment method regulated by the Brazilian Federation of Banks. A Boleto can be paid at

- ATMs
- Any bank (including online banks) or post office
- One of the more than 250k Lottery Agent stores
- Supermarkets
- Via a mobile app

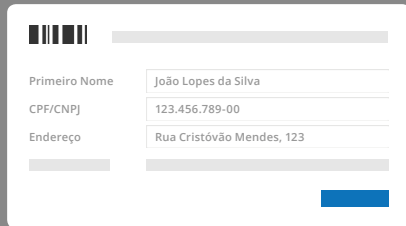
(Once it has expired it can only be paid at the issuer bank facilities.)

Because Boleto payments cannot be disputed or reversed by the consumer, it is a low-risk payment option.

Boleto Bancário represents about 15% of all payments in Brazil and is a must-have option for businesses operating in the market. Solutions like Boleto are very common across LATAM, but the Brazilian Boleto has the advantage that it can be paid at any bank, not just the issuer bank.



HOW IT WORKS ON DESKTOP

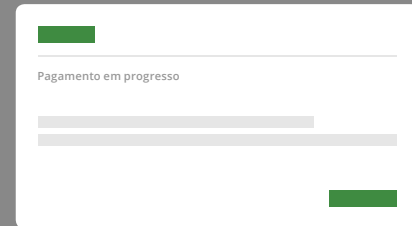


A screenshot of a web form with a barcode at the top left. The form contains the following fields and values:

Field	Value
Primeiro Nome	João Lopes da Silva
CPF/CNPJ	123.456.789-00
Endereço	Rua Cristóvão Mendes, 123

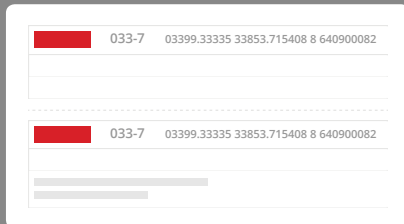
There are several empty input fields and a blue button at the bottom right.

1. In most cases the form comes pre-filled with the customer's details.



A screenshot of a payment progress screen. It features a green progress bar at the top, the text "Pagamento em progresso", and two horizontal bars representing progress. A green button is at the bottom right.

2. The voucher is generated and download starts automatically.



A screenshot of a voucher with a barcode at the top left. It contains the following information:

Field	Value
033-7	03399.33335 33853.715408 8 640900082

Below this is a dashed line and another identical set of fields. At the bottom, there are empty input fields and a blue button.

3. The voucher can be paid at an ATM or in a bank, lottery store, convenience store, or supermarket.



A screenshot of a payment selection screen. It features a barcode at the top left, a dropdown menu labeled "Escolha o seu banco", and two input fields labeled "Agência" and "Conta". A blue button is at the bottom right.

1. It is also possible to pay the voucher online with internet banking. Most banking apps make it possible to scan the barcode.

A screenshot of a payment interface. At the top left is a barcode. Below it is a numeric input field containing the value "03399.33335 33853.715408 8 640900082". The interface is white with a blue button at the bottom right.

5. Online, the customer enters the barcode taken from the voucher.

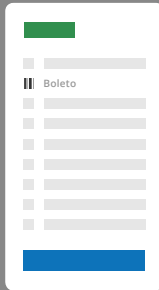
A screenshot of a payment interface. It shows a date selection menu with options "Pagar", "Hoje", and "Agendar para". The "Agendar para" option is selected, and a date input field is visible next to it. The interface is white with a blue button at the bottom right.

6. The shopper schedules the payment.

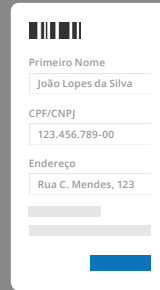
A screenshot of a payment receipt interface. It displays several fields: "Nome", "Agência", "Conta", "Código de barras", "Valor documento", and "Vencimento". Each field has a corresponding input area. The interface is white with a blue button at the bottom right.

7. The payment receipt is generated.

HOW IT WORKS ON MOBILE



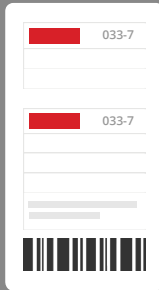
1. The shopper chooses Boleto.



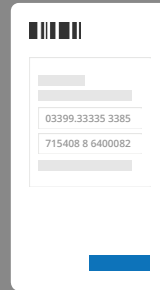
2. The shopper fills out personal details.



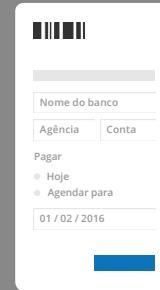
3. The barcode reference is issued and downloaded automatically.



4. Voucher is generated.



5. The shopper then copies the barcode and uses in their banking app.



6. Or the shopper pays using internet banking.

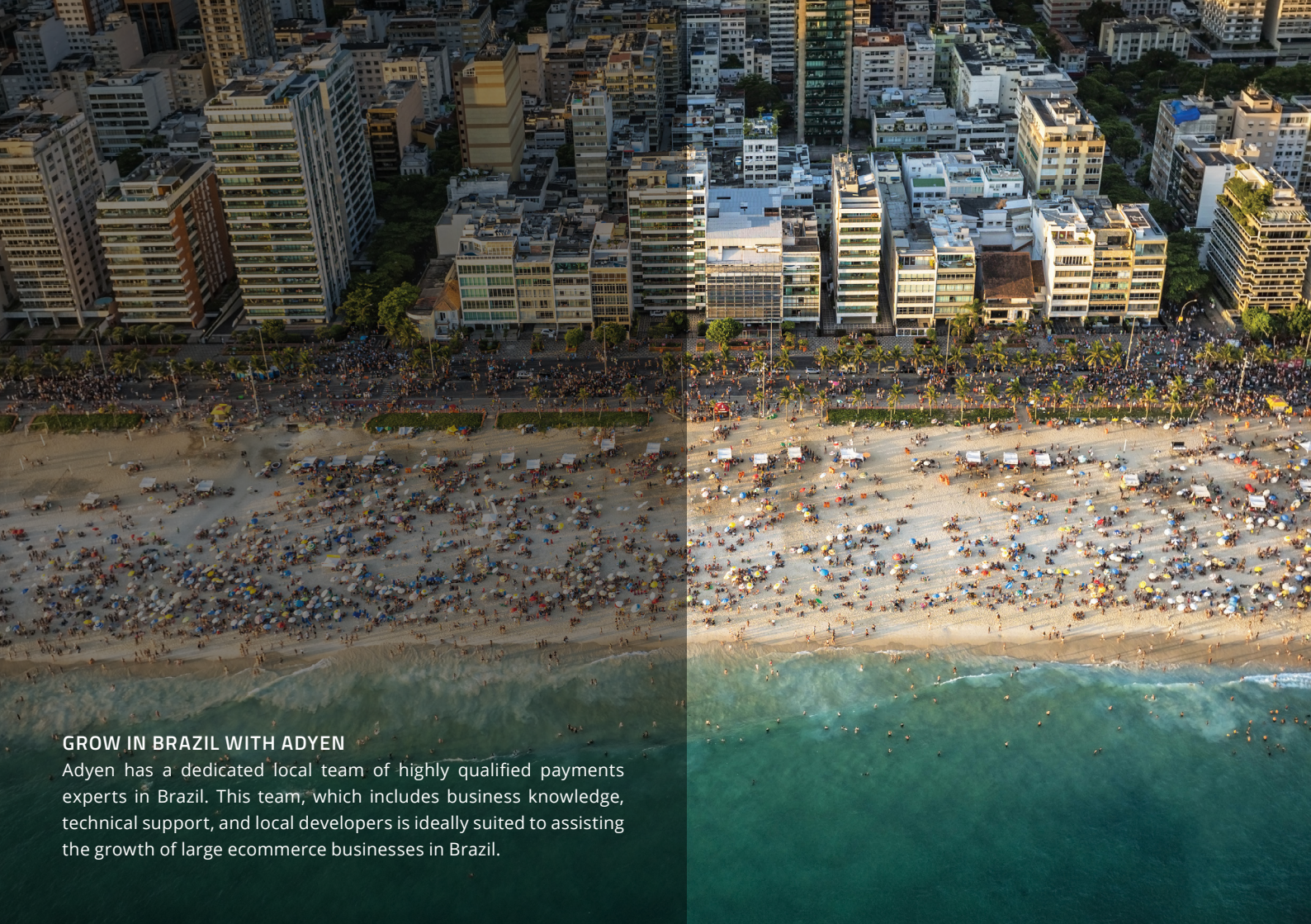


WHAT ADYEN OFFERS

Adyen enables the storage of shoppers' Boleto Bancário payment information using secured tokenization of the data. This is an advantage because it means that, although Boleto Bancário is not automated, Adyen can help merchants speed up the process by pre-filling certain information for repeat customers.

eWallets

In addition to the key payment methods, Adyen supports multiple local wallets. These wallets have limited reach, meaning they are optional, rather than must-haves.



GROW IN BRAZIL WITH ADYEN

Adyen has a dedicated local team of highly qualified payments experts in Brazil. This team, which includes business knowledge, technical support, and local developers is ideally suited to assisting the growth of large ecommerce businesses in Brazil.



In addition to offering the most stable payments platform in the Brazilian market, Adyen comes with a suite of built-in features unrivaled in any single platform solution. These include:

Dynamic card validation

Dynamically formats card validations as \$0 or \$1, depending on bank compatibility, dramatically reducing churn.

AVS: Address Verification System

Verifies the shopper by crosschecking the billing address provided by the user with the address held by the card issuer.

Automated chargeback management

Adyen can defend up to 25% of chargebacks automatically, freeing up valuable resources by not dealing with lengthy disputes.

24/7 live reporting

Merchants have the ability to review transactions in real-time from Adyen's live customer area.

One-click payments

Merchants can deliver easy payments for returning customers without the burden of PCI. This can be done in combination with installments.

Fully automated refunds

Automating both partial and full refunds from Adyen's processing platform.

KEY TAKEAWAYS


For international merchants looking to gain a foothold in the Brazilian market, it is advised to keep the following key points in mind:

- An overwhelming majority of Brazilian consumers use credit cards, but due to currency controls and bank restrictions, the bulk of these can only be used in the local currency. Therefore, international merchants are advised to process payments locally.
- Boleto Bancário is a local payments method that accounts for around 15% of online transactions, making it a must-have payment option for international merchants serious about reaching a mass audience in the market.
- Due in part to local payment preferences such as paying by installments and using local methods such as Boleto, mcommerce has been slow on the uptake, compared to other emerging markets. However this is changing, and mobile is rapidly becoming a key sales channel in Brazil.

Want to speak to a local payments expert?

We would love to set up a call to discuss further how we can help accelerate your expansion into Brazil. Call our São Paulo office on +55 11 4130 2520 or email brazil@adyen.com.





ABOUT ADYEN

Adyen is a technology company that provides businesses with a single solution to accept payments anywhere in the world. The only provider of a modern end-to-end infrastructure connecting merchants directly to Visa, Mastercard, and 250 other payment methods globally, Adyen delivers frictionless payments across online, mobile, and in-store. Headquartered in Amsterdam and San Francisco, with offices across North America, South America, Europe, Asia and Australia, Adyen serves more than 4,500 businesses, including 7 of the 10 largest U.S. Internet companies.



wherever people pay

Companies growing with us



Booking.com



NETFLIX



UBER



BJÖRN BORG



RIVER ISLAND



MANGO



SUITSUPPLY

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