



BRAZILIAN E-COMMERCE AND PAYOUTS IN 2021: A DIGITAL GIANT STILL ACCELERATING

A deep dive into Brazil's e-commerce and payout landscape in 2021

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ABOUT AMI

Americas Market Intelligence (AMI) is the premier market intelligence firm for Latin America, providing powerful market and competitive intelligence-driven insights for companies to succeed in the region. With a specialization in the payments industry, its expertise includes e-commerce, neobanks and digital wallets, fintech, POS and acceptance technology, financial inclusion, cross-border payments, B2B payments, open banking and real-time payments. Its customized research reports deliver data-

based clarity and granular strategic direction based on expert sourcing.

AMI's payments practice is focused on helping financial institutions, merchants and others navigate the unique payments landscape in Latin America and compete in a rapidly digitizing environment. AMI consultants are recognized thought leaders in verticals such as e-commerce, payments innovation, contactless technology, real-time payments, and consumer and payment industry trends.

FOREWORD FROM BOACOMPRA

The COVID-19 pandemic paved the way for a rise in online shopping and online everything, but it didn't create this need for the digital; it only accelerated it.

We were already becoming a more and more digital world very fast – you've probably already heard about how this global situation took what was expected to happen in 5 years and made it all happen in a few months. Brazil is an excellent example of that.

The e-commerce rise in Brazil during the pandemic has been gigantic, but the country's digital revolution was already well into place long before that. Brazil's fintech scene is highly innovative, and has been so for years: besides the population's growing preference for mobile banking and digital accounts, this financial revolution is seen in disruptive solutions such as instant payment method Pix, released in early 2020, and the implementation of Open Banking, set to happen at the end of 2021.

Digital banks, e-wallets, instant payments, and other financial innovations are quickly embraced by Brazilian consumers, and the same is expected of Open Banking. This sets the stage for continuous innovation in other segments as well, creating an environment full of potential for disruptive companies to operate in.

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This tremendous and high-speed digital revolution also creates challenges and increases user expectations: the more digitized consumers become, the more demanding they are. The more companies move to digital, the more the products and solutions they sell become commodities, leading users to look for other aspects when searching for the best choice. At that moment, every step of the way counts.

Even the payment experience plays a massive role in how consumers will feel about the purchases they make. Was it fast? Was it easy? Was it secure? Was it convenient? Or was it full of friction and hidden fees that might lead them to choose your competitor next time?

That's where BoaCompra comes into place. Our one-stop payment

solution allows companies aiming to operate or already operating in Brazil to offer local payment methods in local currency to their customers and domestic or international remittance to anywhere in the world, with no need for having a local entity in Brazil. Our payin solution offers a much better payment experience and much higher chances of sales conversion and client retention.

Two other consequences of this fast digitization process Brazil is going through is the freedom to work from anywhere and the rise of different forms of online social interaction. How does the former align with the latter? Streaming, freelancing for foreign companies, and the monetization of social media are now not only more popular than ever in Brazil, but also career opportunities for many professionals. The way we work and connect with each other has changed forever, not bound by frontiers anymore. Still, the way such professionals are paid has not, traditionally, been as disruptive as the digital environment they operate in.

Streaming, freelancing for foreign companies, and the monetization of social media are now not only more popular than ever in Brazil, but also career opportunities for many professionals.

Transferring money from one company to another is still a bureaucratic, costly, and slow process. The transfer takes days to clear, fees are high (and, often, hidden), and it only gets more complicated when the transfer is from a company to a non-employee partner.

That's why we also offer a payout solution for companies anywhere in the world that need to send money to users, freelancers, or partners in Brazil, a practice that's boosting social networks such as TikTok. Thus, the company can transfer money in a matter of minutes, and with no banking fees attached, a disruptive cross-border payment experience is virtually impossible without a partner such as BoaCompra.

The alternative for accepting local methods and currencies and/or sending money to Brazilians that easily would be to open a branch of your company in Brazil. That would, of course, lead to a lot of expenses, a lot of bureaucracy, and a lot of business insecurity. Not the best strategy, is it? Much better to leave all that work to a specialized partner that can do it with high guarantees of anti-risk validations, quickness and agility for you and your users in all operations, localized support teams to offer the best help to your consumers in their native language, dedicated account management support, and much more.

Today, it's easier than ever for users to go online and, with a few clicks,

find exactly what they want to buy – but how many of them will actually complete the purchase? How many foreign potential buyers do companies lose simply because they only offer international credit cards (which not many Brazilians have) as a payment option, or by leaving users vulnerable to all the currency fluctuation the Real goes through?

At BoaCompra, we believe it is fundamental to offer the best possible experience for users in such an essential step of the shopping process. Offering local payment methods and local currency is a way for companies to reach a much wider audience; talking specifically about Brazilians, an audience that's eager to buy online with ease, agility, security, and no friction – and with particular payment habits and preferences that only a native company could really understand.

With over 15 years of expertise offering locally preferred payment methods in Brazil and 16 other Latin American countries, BoaCompra excels at handling complex cross-border transfers, including conversions, fees, and compliance requirements.

BoaCompra is part of PagSeguro PagBank, one of the biggest fintech businesses in Latam, a company born out of innovation that is pioneering and leading the Brazilian online payment media market. This extends our technological and economic resilience, driven by a robust and consolidated infrastructure.

In this report, we partnered up with America's Market Intelligence (AMI) to bring you extensive information about the current Brazilian e-commerce and payouts trends, best practices, and a comprehensive payment landscape, so you can have accurate, up-to-date market data that shows just how much offering local payment methods and local currencies in your pay-in or pay-out processes makes all the difference for digital companies to not only survive, but also successfully scale businesses in Brazil.

Offering local payment methods and local currency is a way for companies to reach a much wider audience;



INTRODUCTION

On a regional scale, there's no denying that Brazil is a heavyweight e-commerce contender. **Reaching \$111 billion dollars¹ in volume in 2020, it makes up 52% of the total Latin American market².** Shocked by COVID-19, the world's eighth-largest economy saw record numbers of people making online purchases of everyday items throughout 2020, and an estimated 77% of the population did so in 2021.³ With the pandemic bolstered Brazilian e-commerce to new heights and the impacts of COVID-19 stretching well into 2021, experts now wonder whether such tectonic shifts in consumer behavior are temporary or permanent.

As spending habits in key verticals digitize, this report aims to inform prospective international merchants of what and how Brazilians are purchasing online, paying particular attention to evolving verticals, payment methods, and local payment trends. The report also analyzes the lingering barriers preventing Brazilians from accessing e-commerce channels and reveals best practices for international merchants aspiring to reach a broader base of consumers.

This report also does a deep dive into Brazil's payouts industry. Payouts are defined as payments made by companies to non-employee individuals or other businesses for work conducted. The rise of e-commerce in Brazil has resulted in unprecedented demand for payouts to individuals participating in the gig economy, freelancers, and social

The rise of e-commerce in Brazil has resulted in unprecedented demand for payouts to individuals participating in the gig economy, freelancers, and social media influencers.

¹ This figure was determined by analyzing data from Brazil's Central Bank and card industry association (ABECS), industry interviews and AMI's internal e-commerce database. This figure comprises all online commerce, including retail, travel, digital goods and services, all payment methods, and both local and cross-border e-commerce.

² Considering a total regional market size of \$214 billion that comprises the top 10 regional markets.

³ AMI analysis using data from the World Bank and local public sources

media influencers. Such parties, reliant on prompt and effective payouts to make their living, represent an often-neglected part of the e-commerce experience. They represent a distinct consumer segment—one that can shape the future of those businesses capable of addressing their needs. Most urgently, they are facing an acute need for robust, flexible and easy-to-manage payout schemes as more Brazilians embrace remote and subcontracted work over digital applications in the wake of COVID-19.

The first section of this report showcases the vastness of Brazil's e-commerce market, shining light onto those verticals most stimulated by the pandemic. The second portion demonstrates the ways in which payouts are an integral part of e-commerce for those working online, yet one that still requires major improvements in the face of increasing demand. The report then examines how the pandemic ushered in a new era for Brazilian consumers and service providers—and to international merchants who want to service them. The final goal of the report is to convey a comprehensive understanding of how to strategically pursue both e-commerce and payout operations in Brazil.

SCOPE AND METHODOLOGY

AMI conducted research for this report in March and April of 2021. The report data is the result of in-depth desk research, interviews, and proprietary analysis conducted by AMI. The AMI team utilized public sources such as the Brazilian Central Bank, ABECs card association, various e-commerce organizations, as well as local press and reports. The report also incorporates interviews with over 15 local and cross-border merchants and from various e-commerce industries in Brazil including retail, streaming, gaming, ride-hailing, delivery, and charitable donations, as well as local payment processors. To arrive at the e-commerce numbers contained in this report, AMI relied on its internal e-commerce database, updated annually since 2016, in combination with the findings revealed through 2021 desk research and interviews.

On the payout side, AMI conducted interviews with multinational companies sending payouts to Brazil including international freelancer platforms, educational platforms and global remittances companies, as well as cross-border payout enablers.

Definitions

In this report, our e-commerce analysis covers all online purchases of goods and services, covering all product categories, payment methods and both local and cross-border purchases. Relevant definitions include:

Industry verticals

- **Retail is defined as:** All physical products purchased online directly from a merchant or marketplace
- **Travel is defined as:** Services including airline tickets, car rentals, tour packages, hotels and home rentals
- **Digital goods and services** comprises two categories:
 - Digital goods: All digital goods and services include ride-hailing, delivery apps, streaming, online gaming, online education, digital downloads, mobile top-ups, advertising, SaaS, etc.
 - Other services: Purchases such as monthly bills, insurance payments, school tuition payments, home ownership association fees, taxes and government licenses and fees if they are paid online over an e-commerce gateway. These expenses are not included if they are paid via online banking or direct debit from a check or savings account. Recurring payments to a credit or debit card are included.

Payment methods

- **Internationally enabled credit card:** A credit card from an international network, such as Visa, Mastercard and American Express, that is enabled by the issuing bank to make cross-border purchases
- **Domestic-only credit card:** A credit card that may only be used for domestic purchases, as determined by the issuing bank. These include cards from local card networks, such as Elo and Hipercard, as well as Visa and Mastercard cards that are restricted to domestic use only.
- **Debit card:** A debit card from an international or local card network. Prepaid cards issued by digital wallets and fintech companies that draw off of a digital account are included in this category.
- **Boleto bancario:** A common payment method in Brazil, used in both e-commerce and for other payments. Boleto for short is an invoice generated by an issuing bank that can be paid online via a payer's online banking portal, or in cash at thousands of associated supermarkets, lottery houses, or bank branches.

- **Digital wallet:** AMI defines a digital wallet as a payment method that stores any funding source on file, including a credit card, debit card, bank account, or stored balance, and uses that funding source to remit payment. E-commerce volume falls into the digital wallet category if the wallet brand is selected at checkout, even if a different funding source (such as a credit card) is ultimately selected to fund the transaction. Examples include PagSeguro, PayPal, MercadoPago and Aime Digital, among others.
- **Bank transfer:** This consists of bank transfers made for e-commerce through a direct bank integration with the merchant, as well as payments made over the Pix network. Launched in 2020, Pix is the Brazilian Central Bank's real-time payment system, which will be discussed in detail in this paper.
- **Other:** Other payment methods included in this report include one-time use gift cards, direct carrier billing, meal voucher cards, and cash on delivery, among others.

Cross-border and domestic transactions

- **Cross-border transaction:** A purchase made by a Brazilian consumer at a merchant located outside of Brazil. Purchases made at global merchants with a local presence in Brazil (e.g. Amazon, Uber) are considered domestic purchases.

What else is included in our e-commerce numbers?

- **B2B e-commerce:** All e-commerce between businesses over an e-commerce payment platform using any of the payment methods above is included in this analysis. B2B invoices paid via bank or wire transfer or in cash are not captured here.

What is not included in our e-commerce numbers?

- E-commerce **purchases facilitated by marketplaces or social media** but that do not take place over digital channels.
- E-commerce **purchases from international visitors to Brazil** or using credit or debit cards issued from a non-Brazilian bank.
- Payments **made in cash for ride-hailing and delivery app services.**

Other specifications

- All monetary values are expressed in **US dollars** unless otherwise specified
- Please note that numbers in charts may not add due to rounding



E-COMMERCE IN BRAZIL

DIGITIZATION DUE TO COVID-19

COVID-19 triggered what many consider to be Brazil's irreversible acceleration into a digital era. With 90% smartphone penetration among the adult population⁴ and e-commerce revenue totaling \$111 billion in 2020, it's easy to see how Brazil has become the most digitized country in Latin America. 77% of adults (128 million people) have now made an online purchase⁵, up from 68% prior to the pandemic. All this means increasing opportunities for international companies to sell to Brazilian consumers.

COVID-19 also accelerated banking penetration among Brazilians. AMI estimates that in 2021, **88% of Brazilians—the highest proportion in Latin America—own a digital account**, issued by a traditional bank, a digital bank, a digital wallet or a fintech. These accounts provide access to digital payments and/or a physical or virtual debit card, enabling access to e-commerce. This is a vast improvement over the previous bank account penetration level of 60% reported by the World Bank in 2017.

4 AMI analysis based on data from the EIU, GSMA, and GlobalStats

5 AMI analysis using data from the World Bank and local public sources

Several factors contribute to this geometric increase in banking access. Over the past five years, the balance has been tipped by the emergence of digital banks and wallets offering easy onboarding and frictionless card issuance, including PagBank, Nubank, Neon. Traditional banks have also ramped up their online acquisition capabilities, making it easier and faster to open bank accounts.

Perhaps most impactful has been the collaboration between the Brazilian federal government and the state-owned bank Caixa Econômica Federal. The result? Approximately 68 million low-income citizens have been provided with digital wallets as a means to disburse economic relief related to COVID-19 shutdowns. So far, authorities have funneled over BRL\$320 billion (USD 61 million) into this endeavor.⁶ In addition, partnerships between state-run social benefits and fintech companies have further developed Brazil's banking sophistication. For example, recent alliances born of the pandemic—between the state of Minas Gerais and PagBank, and the state of Sao Paulo and fintech PicPay— have paid out digital wallet benefits to over one million⁷ low-income students.

In short, Brazil's population is now better-equipped and more fully capable of engaging with the digital economy than ever before in its history.

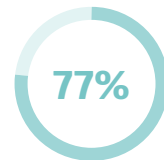
BRAZIL IN 2021:



smartphone penetration



banking penetration



e-commerce penetration

6 Brazilian Government and Caixa Economica Federal

7 São Paulo and Minas Gerais education secretary

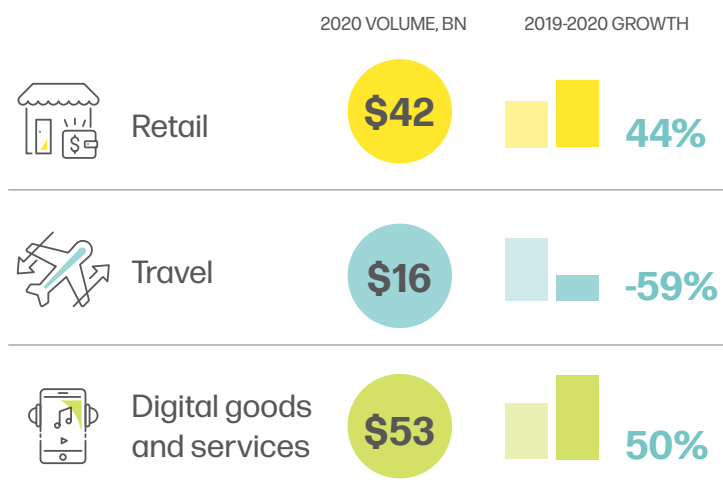


E-COMMERCE IN BRAZIL: THE BIG NUMBERS

Comparing all Latin American e-commerce markets, Brazil ranks on top with revenue totaling \$111 billion in 2020—nearly three times the size of Mexico, the region’s

number two market.⁸ Overall, Brazil has followed the international trend during the pandemic wherein retail and digital goods flourished while travel collapsed.

BRAZIL'S BIG E-COMMERCE NUMBERS⁹



⁸ Mexico’s e-commerce market totaled \$38 billion in 2020

⁹ Numbers based on AMLI proprietary analysis, considering official local sources and market interviews

Despite brick-and-mortar retail spend falling by 22% and the national GDP falling 4%¹⁰,

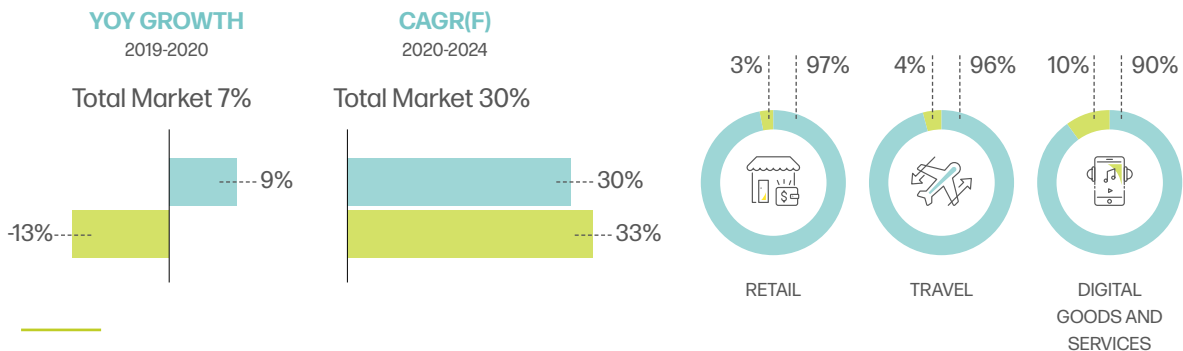
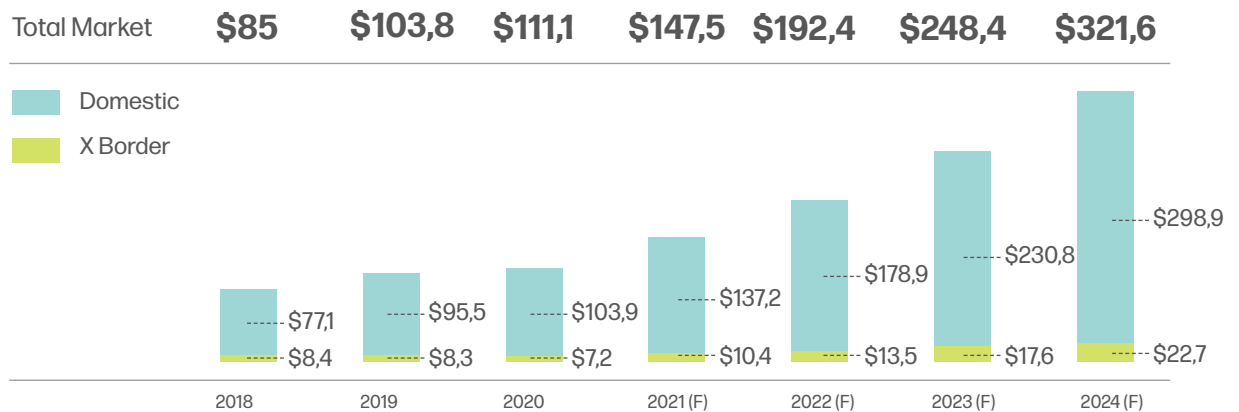
Brazil's e-commerce growth remained positive in 2020, growing 7% overall.

Domestic e-commerce fared especially well in 2020, growing 9% and topping \$100 billion in sales, as local online retailers rushed to supply Brazilian consumers with everyday needs while in quarantine. Brazilian domestic e-commerce also claims a larger share of the pie than in other markets (compared to cross-border purchases), since large global technology companies, such as Google, Uber and Netflix, and others have local presence in Brazil. This also impacted the growth and stability of domestic online sales in 2020. In total, domestic merchants represented 97% of online sales in the retail segment, 96% of travel, and 90% of digital goods and services.

On the other hand, cross-border e-commerce spend dropped 13% in 2020, not only due to the travel industry contracting but also the depreciation of the national currency paired with supply chain issues originating in China resulting from the COVID-19 outbreak. A debilitated travel industry will drag down cross-border volumes in 2021 as well, but the cross-border retail market is on its way to full recovery as Brazilian consumer confidence becomes restored. Going forward, AMI predicts that domestic e-commerce will grow at a rate of 30% per year, while cross-border will outpace this, growing at 33% annually, propped up by retail, primarily from the United States and China, as well as the flourishing gaming, software and online education industries.

E-COMMERCE BY XBORDER/DOMESTIC

USD\$B



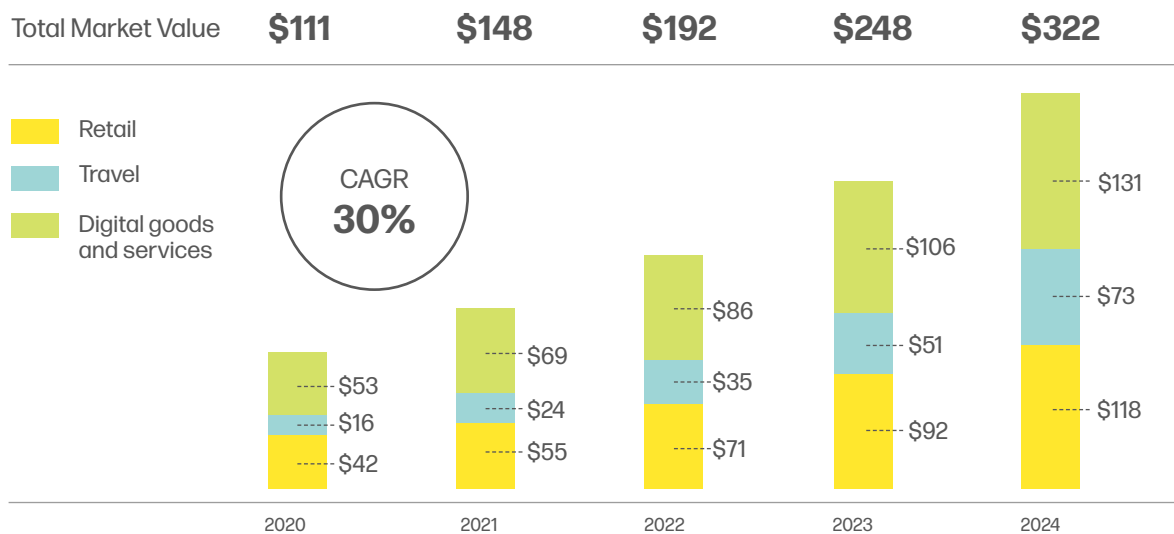
¹⁰ EIU data

Despite the prolonged COVID-19 pandemic, the economy is already recovering in comparison to 2020, and with projected GDP growth of 3.2% for the year. This, combined with increasing e-commerce adoption, the (albeit slow) recovery of the travel industry,

and recuperating cross-border spend, AMI expects the Brazilian e-commerce market to grow at a CAGR of 30% through 2024. All in all, the market will soar past \$300 billion by 2024, as shown below in Figure 2.

BRAZILIAN E-COMMERCE MARKET

2020-2024, USD BN



The final overall trend is the growth of the mobile channel for online purchases, expanding 39% over 2019. Local e-retailers relate that mobile devices have become

dominant in e-commerce, representing up to 80% of online visits. The growth of mobile can be attributed to three major factors:

- 1** Local merchants improving their mobile UX
- 2** Consumers becoming more comfortable with the mobile channel to make transactions
- 3** New users of e-commerce (both young people and low-income segments) predominantly using mobile phones over desktops

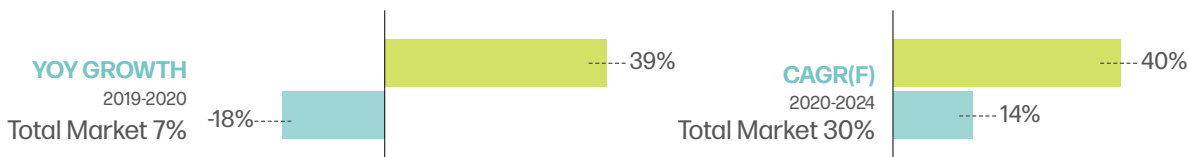
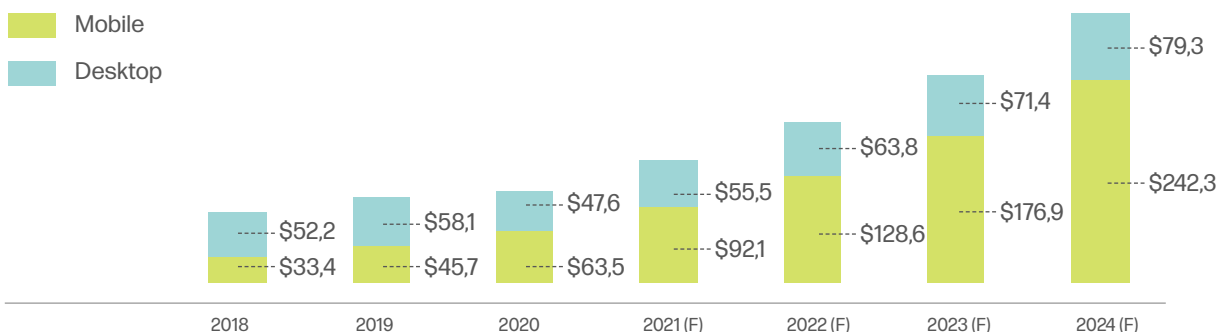
These factors, combined with the dominant sector size of digital goods that heavily favors

the mobile channel, has pushed mobile purchase volume above 50% of total spend.

E-COMMERCE BY DEVICE

USD\$B

Total Market **\$85,5** **\$103,8** **\$111,1** **\$147,5** **\$192,4** **\$248,4** **\$321,6**



E-COMMERCE TRENDS BY INDUSTRY

Any analysis of e-commerce must consider the large distinctions by industry, which deepened further in 2020 due to COVID-19. The pandemic has profoundly impacted

how consumers are behaving in 2021 and its effects will almost certainly continue to be felt for years and even decades to come.



Retail

Online retail purchases declined in the first quarter of 2020 as consumers navigated the uncertainty of the pandemic. However, beginning in late April, online retail began to surge, surpassing 100% YoY growth in some emerging categories like food and medication.

Local retailers provide other examples of niche growth spurts. There was a surge in sales of items for working and studying from home. Home exercise and gym gear sales increased by +300% in some cases, and bicycle sales jumped by 200% as public transportation across

Brazil dwindled. By year end, the average ticket had grown 8% compared to 2019, the number of transactions by 30% and overall volume 44%, demonstrating the momentum of Brazilians acquiring consumer goods online.

This trend is accelerating in 2021: e-commerce penetration of retail is growing even as brick-and-mortar retail

Brazilians have learned that e-commerce works for myriad product categories.

opens up once more. Brazilians have learned that e-commerce works for myriad product categories—from mattresses to toilet paper, fresh flowers to fine wine. Sales of everyday goods including groceries, medication, and personal care products are increasing most. Now that Brazilians have experienced the convenience of supplying their everyday needs online, this category will drive ~30% growth of the segment in 2021.

Although the COVID-19 pandemic appeared to be improving as of July 2021,¹¹ Brazilians are still spending more time in the home in 2021 than they did in 2019, stimulating ongoing demand for domestic products such as furnishings, garden supplies and electronics. The benefit for international merchants is that Brazilians now have an expanded appetite for e-commerce and are willing to buy an increasing variety of products online.



Travel and mobility

Due to COVID-19 quarantines and travel restrictions, Brazil's travel vertical for e-commerce fell 59% between 2019 and 2020. Business travel and international travel suffered the most, dropping to near \$0 from March to December 2020. The Brazilian National Confederation of Goods & Services (CNC) report that, by the end of 2020, some 50,000 travel-related businesses had closed, including hotels, cultural destinations and restaurants. According to the Brazilian Hotel Industry Association, hotel occupancy rates fell to 20% by the end of the year.

The industry is following a similar trend in 2021, with some mild signs of recovery. With vaccination efforts slowly underway—as of May 2021, 15% of Brazil's population was fully vaccinated¹²—families are more willing to take short trips to visit family, beaches

and other natural locations. But flights and hotel bookings remain low. When traveling, Brazilians are choosing home rentals like Airbnb properties over hotels, car travel over airfare and frequenting natural destinations instead of cities or theme parks.

For the 2021 Christmas holiday season, Brazilians can be expected to seek out less crowded tourist destinations

—opting for small cities and remote areas, such as those found in the northeast state of Ceará, rather than Rio de Janeiro. For the travel industry, this presents the opportunity to help develop emerging travel hubs outside of the traditional destinations like the Brazilian Pantanal. Industry experts do not expect international travel to resume in large numbers until 2022—and the industry may never fully recover to 2019 levels.

¹¹ In terms of new reported cases per day. Reuters COVID-19 Tracker

¹² Reuters COVID-19 Tracker



Digital goods and services

The most impressive increase in e-commerce in 2020 was in digital goods and services.

This sector expanded by 50% during the year, the growth being especially marked in areas like delivery apps, gaming, and streaming that grew two or even three times faster than other categories.

A particularly notable emerging sector of digital goods and services include online education, especially as homeschooling and personal enrichment became more common. Global online education platform Udemy observed that, throughout 2020, adults began to take interest in non-career development-related courses, such as cooking, yoga and automotive maintenance. This trend signals a national change of heart when it comes to online education and indicates that online self-directed learning will continue to be a growing product category.

Streaming and gaming services also took off during COVID-19 as Brazilians had to find ways to entertain themselves at home, whether that be movies, television

services, or gaming platforms. Gaming platforms attest to an increase in the average ticket price, indicating more overall investment—both emotional, time and monetary—in online gaming, as well as increase in purchase frequency.

Data from Hootsuite reveals that in 2020, **Brazilians spent 10 hours per day using the Internet, four hours watching television (including online streaming), 3.75 hours on social media and one hour playing video games.** These numbers are not likely to decrease much in 2021 and may actually increase, as activities are permanently transferred to the online channel, including e-learning, socializing and gaming.

This excessive online content consumption is also triggering the arrival of a new trend: digital tools for mindfulness, wellbeing, and self-care. Increased fear and anxiety related to COVID-19 and quarantines has increased consumer desire to invest in mental health, opening up a new industry to Brazil. International merchants following these global trends into Brazil will benefit from the population's increased interest in consuming newly expanded varieties of digital products.

Payment methods

Even though e-commerce penetration in Brazil grew in 2020, access to credit cards—the most readily accepted online payment method—is still limited to an estimated 36% of the population.¹³ This reveals an important lesson for international

merchants venturing into Brazil: that accepting alternative payment methods will unlock the digital channel for 109 million Brazilians who want to shop online but do not have a credit card.

AT A GLANCE: E-COMMERCE PAYMENT METHODS IN BRAZIL



Internationally enabled credit cards

Together, international card brands (Visa, Mastercard and American Express) represent 85% of credit cards issued. However, only an estimated 20% of them are enabled for international use by the issuing bank.

KEY PLAYERS



SHARE OF E-COMMERCE VOLUME, 2020 **10%**

SHARE OF E-COMMERCE VOLUME, 2024 **8%**

PROJECTED 2020-2024 CAGR **23%**



Domestic-only credit cards

Brazilian networks Elo and Hiper, as well as domestic-only Visa and Mastercard, are important to access 100% of Brazilian cardholders

KEY PLAYERS



SHARE OF E-COMMERCE VOLUME, 2020 **54%**

SHARE OF E-COMMERCE VOLUME, 2024 **55%**

PROJECTED 2020-2024 CAGR **31%**



Debit cards

International card brands represent 62% of debit cards issued in Brazil, while local networks Elo and Hiper represent a third of all debit cards. Debit cards have not gained large penetration in e-commerce due to issuing banks blocking their use in e-commerce for fraud risk reasons. As 3DS2 protocols are growing throughout Brazil the online debit card experience is improving and will drive the growth of debit cards in e-commerce.

KEY PLAYERS



SHARE OF E-COMMERCE VOLUME, 2020 **5%**

SHARE OF E-COMMERCE VOLUME, 2024 **6%**

PROJECTED 2020-2024 CAGR **29%**

¹³ Nubank



Boletão Bancario

A highly popular payment method in Brazil for many different payment types, *boleto* has traditionally been the leading way for unbanked Brazilians to shop online. At the time of checkout, the merchant generates a boleto, or invoice, which the customer can pay for via their online banking portal or in cash at affiliated banks, supermarkets and other retail locations.

SHARE OF E-COMMERCE VOLUME, 2020

13%

SHARE OF E-COMMERCE VOLUME, 2024

7%

PROJECTED 2020-2024 CAGR

10%



Wallets

Wallets to shop online have gained popularity because of their card-on-file capability as well as their ability to store a balance, acting as a bank account. They provide a secure and seamless shopping experience that many e-commerce shoppers trust over simply entering in their credit card information into a merchant's website

KEY PLAYERS



SHARE OF E-COMMERCE VOLUME, 2020

12%

SHARE OF E-COMMERCE VOLUME, 2024

12%

PROJECTED 2020-2024 CAGR

29%



Bank transfers

Until 2020, bank transfers had limited use in e-commerce, because of a poor user experience, which depended on individual merchant integrations with each bank. In 2020, Brazil's Central Bank launched Pix, its real-time ACH platform, which has experienced massive adoption by Brazilian consumers and is increasing its adoption for payment acceptance in e-commerce and the physical world on a weekly basis. *Pix* is likely to transform e-commerce payments over the next several years (see report section Pix for details)

KEY PLAYERS



SHARE OF E-COMMERCE VOLUME, 2020

2%

SHARE OF E-COMMERCE VOLUME, 2024

12%

PROJECTED 2020-2024 CAGR

105%



Other

Includes primarily one-time use gift cards, direct carrier billing and cash on delivery

KEY PLAYERS

Miscellaneous other payment methods

SHARE OF E-COMMERCE VOLUME, 2020

3%

SHARE OF E-COMMERCE VOLUME, 2024

1%

PROJECTED 2020-2024 CAGR

5%

Despite unequal credit card distribution throughout Brazil, credit card transactions were still the most dominant payment method in 2020 with expenditure surpassing \$71 billion, taking up 64% of total e-commerce share. Credit cards will remain first place for three major reasons: first, it is the most accepted payment method by merchants, including among international merchants who are not familiar with Brazil's local payment method landscape.

Secondly, credit card penetration is increasing in Brazil, thanks to the rise of neobanks like PagBank, Nubank, Neon, C6, and others. Around 36% of Brazilians have a credit card today, up from 27% in 2017.¹⁴ With both local and global neobanks being bullish about credit card issuing in Brazil, this trend is likely to continue.

Thirdly, **many Brazilians prefer credit cards in order to take advantage of interest-free installment payments, or *compra parcelada*, a hugely popular option offered by almost every merchant that accepts cards.** Using installments, consumers can break purchases up in to three, six, twelve, even

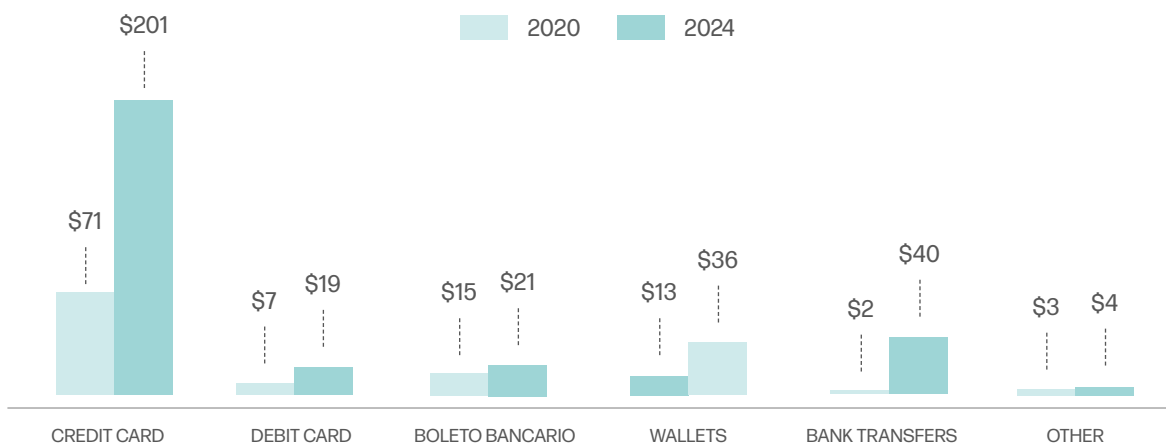
up to 24 monthly payments, in many cases with no interest

This is a common practice for up to 79% of Brazilians, according to a consumer survey conducted by SPC Brasil, and is only available to merchants who are processing locally through local acquirers.

While credit cards will remain the top payment method for e-commerce, not all credit cards are created equal. Domestic-only cards are growing faster than internationally-enabled cards, since local banks are bullish on issuing local Elo and Hiper cards, and Brazilians are looking to cancel or cut bank on cards with high fees, such as premium/affluent, those which are most often internationally enabled. Enabling the full spectrum of credit cards in Brazil will be important to consider in order to leverage growth through 2024.

E-COMMERCE VOLUME BY PAYMENT METHOD

2020 AND 2024 USD BN



14 World Bank, Nubank

In second place during 2020 were boleto bancarios, a type of payment voucher created at the time of purchase and to be paid in person at the affiliated retail location or via online banking. Not only does this option appeal to those without a credit card but also consumers who are reluctant to share their banking information online.

Today, boletos represent 13% of e-commerce volume, or \$15 billion, and their penetration can rise up to 50% penetration in some cases.

Boletos have their inefficiencies, however. Because there is a multi-day lag between when the boleto is issued and when the payment is made, merchants lose out by having to reserve inventory before the payment is confirmed. Considering that up to 50% of boletos are never paid for, this can cause logistical difficulties for merchants. In addition, once a boleto is paid for, the payment confirmation to the merchant is not in real time, delaying the final payment still.

To help mitigate these challenges, BoletoFlash is a technology solution that confirms payment to the merchant within one hour. Yet, this still does not help mitigate the challenge of boletos that are never paid. As digital payments continue to accelerate, and with the November 2020 launch of Pix, the Brazilian Central Bank's real time payment network, the share of boletos for e-commerce will fall slightly over time, yet still remaining the only e-commerce payment method available for consumers completely out of the banking system.

With just 7% of e-commerce share in 2020, debit cards have a long way to go

before they make meaningful impact in Brazilian e-commerce. Most issuers in Brazil require 3D Secure technology for debit card transactions to protect against fraud, and up until now, issuers have an inconsistent and clunky 3D Secure checkout experience, causing a poor user experience and a high customer abandonment rate. Adding to this is the fact that Pix, with its easy mobile interface, is now creating additional competition for debit card payments, which may disincentive banks from investing in a better 3D Secure UX.

However, some merchants in Brazil, namely tech-driven streaming companies, have done the heavy lifting of negotiating with issuers one by one to open up debit cards for online transactions on their websites, which they attest "is a game changer" in terms of enabling online debit transactions. **This demonstrates that Brazilians are ready and willing to use their debit cards online.** In fact, under the coronavoucher social benefits program, in which social benefits were deposited into a digital account at Caixa Econômica bank, usage of the Elo-branded companion virtual debit card quickly became the number-one use case. As 3DS2 standards are adopted by issuers in Brazil, which creates a more seamless debit card experience for online shopping, we can expect this payment method to grow at the market rate in coming years.

While bank transfers took the least amount of Brazilian e-commerce share with \$2 billion in 2020, data reveal that they are becoming the fastest-growing payment method through 2024, thanks to the increased adoption of Pix. Still in the early stages with minimal usage for online shopping, this payment platform

could become the go-to mobile channel for app-based payments within the next three years, helping to transform Brazil's e-commerce payment landscape.

Finally, **digital wallets such as PagBank, MercadoPago, PayPal and others have accumulated an estimated 12% of the e-commerce market and are keeping pace with overall market growth.** Wallets are popular for a variety of reasons. Some e-commerce buyers consider them to be more secure than regular credit card

payments, since the shopper doesn't need to share their payment credentials with the online merchant, just with the digital wallet platform. For others, wallets offer a superior and consistently easy UX when checking out. Finally, wallets that hold a stored balance such as PagBank, are a convenient option for consumers who do not have another bank account or who receive funds into a digital wallet and want to use those funds to buy online.

PIX

The Brazilian payments space is on the cusp of a complete revolution, thanks to the launching of Pix.

Debuted in November 2020, Pix is a real-time ACH money transfer platform accessed via mobile device. Free for consumers and executing payments in real-time, Pix is intended to improve the ability to move money, replacing a previous system which charged consumers a fee for bank transfers and was only available during working hours. Furthermore, Pix enables non-banks, including fintechs, wallets, and others, to participate. Today, over 900 institutions are registered to offer Pix payments to their customers.

Both consumers and businesses can register for Pix using chaves ("keys" in English), essentially aliases that help Pix users identify each other to send each other money. Chaves can be a user's phone number, national ID number, or a randomly selected number. Users can register up to five bank accounts within Pix and assign a different chave to each one.

In its first six months of existence, Pix has seen outstanding adoption by Brazilians. As of June 30, 2021, PIX had over 270 million registered chaves and over 98 million users (92.3 million individuals and 6.1 million companies), representing 60% of Brazil's banked population. Historic transaction volume as of June 30 surpassed 1.6 trillion reais (USD 312 billion), already exceeding monthly credit card spend and growing 41% monthly. **Early results demonstrate Brazilians' vast eagerness to adopt real-time, mobile-**

TOP PIX STATS



313 MM
chaves registered



106 MM
registered users



\$526 BN
transaction volume
JULY 2021



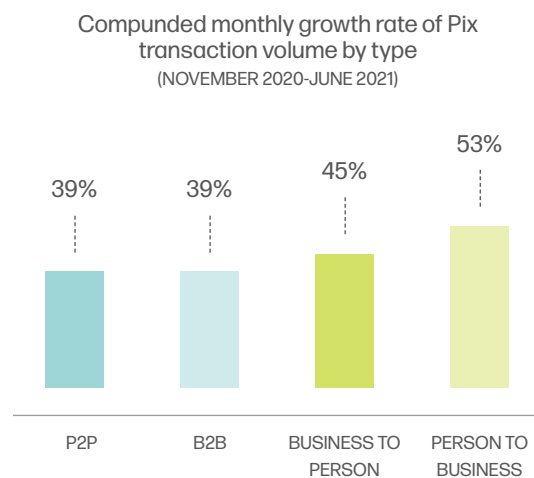
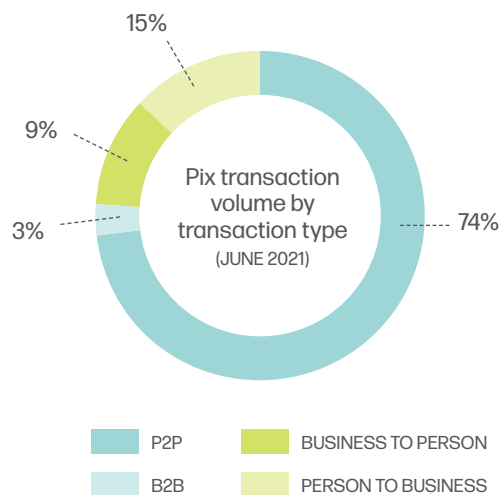
41%
average monthly
growth of transaction
volume since launch

ready payment methods and that Pix has all the potential to fully disrupt the way Brazilians pay in the long term.

So far, Pix has been adopted mostly for P2P payments, primarily replacing cash and traditional bank transfers (known locally as TEDs). The most recent Central Bank data demonstrates that Pix is overtaking even boletos in number of transactions, suggesting a cannibalization of B2B and some consumer payments. Its adoption as a payment method for purchases is small so far, representing 13% of purchase volume, but this is likely to grow

exponentially throughout 2021, as leading merchants, including iFood and UberEats (food delivery apps), retailers Americanas, Lojas Renner, Submarino, Shoptime, and Pão de Açúcar (grocery), add Pix as a payment method. Leading wallets PagBank, MercadoPago and Ame Digital have also enabled Pix as a payment method as well as online store builder Nuvemshop. Reflective of this enablement by large merchants, **Pix person to business transactions grew at an average monthly rate of 53% since its launch and grew 22% in the month of April.**

PIX TRANSACTIONAL DATA



For merchants who have already enabled Pix, the results have been impressive. Data provided by BoaCompra reveal that **Pix is already appearing as the second or third largest payment for such merchants, surpassing bank transfers, wallets, debit cards and boleto, and representing on average**

25% of total sales volume. MercadoPago reports that merchants accepting Pix are experiencing a 20% weekly increase in overall sales and not impacting the volume of other payment methods, suggesting that Pix is attracting new users to the e-commerce channel.¹⁵

¹⁵ E-commerceBrasil, April 2021.

Considering this data, it is likely that **merchant payments (in the on- and off-line channels) via Pix could surpass \$115 billion in 2021.** Conservative AMI forecasts estimate that e-commerce could take 10%-15% of this volume, sparking a growth of bank transfers as an e-commerce payment method of 600%+ in 2021. Assuming Pix for e-commerce

would then grow at the average market rate (a conservative assumption), by 2024, Pix would represent \$40 billion, or 12% of total e-commerce volume, up from 2% today. While these estimates are highly speculative, early data and merchant anecdotes paint a highly optimistic picture for Pix as a transformative force for Brazilian e-commerce.

Regulatory landscape and e-commerce

Brazil's financial regulatory landscape never lives a dull moment. Currently, Brazil is experiencing the evolution of several regulatory initiatives aimed at modernizing the Brazilian payments system by increasing speed, transparency, security and competition, and promoting data sharing and privacy of consumer information. These include open banking, PSD2, marketplace of receivables, and LGPD. Overall, interviews with market players reveal that none of these developments will have an immediate or concrete impact on payments, but there is the perception that the reforms overall will bring positive change, including more transparency, security and competitiveness to the Brazilian payments ecosystem.

Open banking implementation started in February 2021, to be completed in four stages, finalizing by the end of 2021. This means that the industry will likely not feel real implications until 2022. Open banking

should help reduce fraud and increase authorization rates for e-commerce transactions, since banks and fintechs will be able to access each other's aggregated customer data on card and purchasing behavior, thus improving fraud and authorization models. As a result, fewer good transactions will be declined, and the customer experience will improve.

Another implication is increased and improved access to banking. So far, in Brazil and across Latin America, one of the main use cases of open banking is banking-as-a-service, or issuers leveraging third party platforms to allow customers to open bank accounts and other products. This will continue to promote the availability of banking services, financial inclusion and participation in the digital economy.

Related to open banking is **LGPD**¹⁶, or Brazil's general data protection law. It gives power to consumers, making each individual the owner of his/her personal data, who must expressly allow companies

¹⁶ LGPD: LGPD (Lei Geral de Proteção de Dados) is a set of rules that determine how information and personal data must be treated, shared and collected. It empowers individuals to exercise ownership of their personal data and require that companies ensure greater protection when dealing with third party information.

to use it. This law is considered a victory for consumers, and even though Brazilian companies understand the importance of this law, merchants generally admit that it is not optimal for their business. This is because they lose the ability to access

some customer data, which is fundamental to their product and marketing strategies. In the long run, however, the hope is that strong consumer protections such as LGPD will generate trust in online transactions and support the digital ecosystem overall.

Brazilian e-commerce: A call to the market

Overall, international companies can feel bullish about e-commerce in Brazil as the percentage of sales from online retail grew from 6% of total retail in 2019 to 10% in 2020, reinforcing the change in consumer behavior that wouldn't have happened at the same rate without COVID-19. With a forecasted growth rate of 30% per year through 2024, one thing is for certain: the imprint of Brazil's digital revolution is permanent.

Certain challenges still prevail in Brazil that prevents even greater e-commerce adoption, especially for offshore merchants without local connections. Credit card access is still stratified by social class, and

many Brazilians still feel uncertain about entering credit card details online. More so, there are issues involving patchy logistics and customs and unstable public security in urban areas, making order fulfillment challenging. And despite high technology penetration, there is still deficient technology infrastructure in rural areas. Finally, navigating the rapidly changing local payment infrastructure can be daunting for international companies with no local visibility.

For these reasons, international merchants with their eyes on Brazil should bear in mind the following recommendations:

- Retailers should focus on promoting products to help Brazilians feel comfortable, healthy and productive at home throughout 2021
- Travel-industry merchants should help enable Brazilians to have safe and tranquil vacations in 2021, by highlighting natural and non-crowded destinations and prioritizing alternative accommodations
- Digital goods providers of all kinds can be creative in how they engage Brazilian consumers, offering tools for entertainment, gaming, physical exercise, education, creativity, self-improvement, and mental health
- **Merchants with average tickets of \$50 or over must offer installments in order to be competitive**
- Enabling local-only credit cards are important to accessing 100% of Brazilian credit card holders

- **Enabling Pix as a payment method is an absolute must to be competitive in Brazilian e-commerce going forward and to attract first-time e-commerce shoppers**
- *Boleto bancario* will continue to be an option for unbanked consumers and those wary of digital payments, although its share of volume will remain in the single digits
- Having a seamless mobile UX is imperative to retain e-commerce customers, especially younger shoppers
- **Brazilian e-commerce will surpass \$300 billion in 2024**, offering diverse opportunities for merchants of all kinds to thrive

The final conclusion is that having a local-like presence in Brazil is essential to compete in a marketplace that has high quality local competitors and an increasingly sophisticated userbase.

Connections to local acquirers to enable both internationally enabled and domestic-only cards, enabling installments, offering preferred alternative payment methods, and making sure all of these payment methods work well over the mobile channel

are essential to creating a Brazilian payment experience and making the buyer feel comfortable. Beyond payments, creating websites in Portuguese, as well as accepting the national currency are integral to a successful Brazilian strategy. This can be accomplished through creating a local entity in Brazil and developing a full-fledged local presence. It can also be accomplished much faster and easier through the right local partner. In either case, looking and feeling Brazilian to Brazilian e-shoppers will position international merchants to win in this promising market.



PAYOUTS IN BRAZIL

WHAT IS A PAYOUT AND WHY IS THIS SEGMENT IMPORTANT?

A disbursement, or a *payout* as it is commonly known, is defined as a payment made by a company to a non-employee for a service provided, including payment to ride-hailing app drivers, delivery app agents, home rental hosts, freelance service providers, influencers, streamers, and gamers, among others. Coinciding with the uptick of Brazilian e-commerce activity throughout 2020, the disbursement segment of payments is becoming increasingly strategic to merchants' ability to scale and at the same time provide a

quality experience to both payers and payees utilizing their platform.

Not all disbursements are treated equally; while typically in the payments industry, this family of payments are generically labeled as *disbursements*, or *payouts*, there are important distinctions that impact the user experience, payment flow, and cost for both the paying company and the payee. For this reason, in the following analysis, we make the two important distinctions: a local vs. cross-border disbursement and a split-payment vs. a payout.

Local disbursements

Local disbursement occurs when a company (either a local company or a multi-national with local presence) receives funds from a local payment processor for payment from local customers. This enables the company to draw upon their locally held funds to make payouts to local payees. Well known examples of companies conducting local payouts in Brazil include Rappi, iFood,

99 Taxi, MercadoLivre, Uber, among others.

An important nuance within local disbursements is the distinction of what we denote as "split payment." A disbursement is considered a split payment when a local processor handles the payment flow, splitting each payment between the company/platform/ marketplace

and the payee (driver, seller, delivery agent) according to the agreed upon compensation plan.

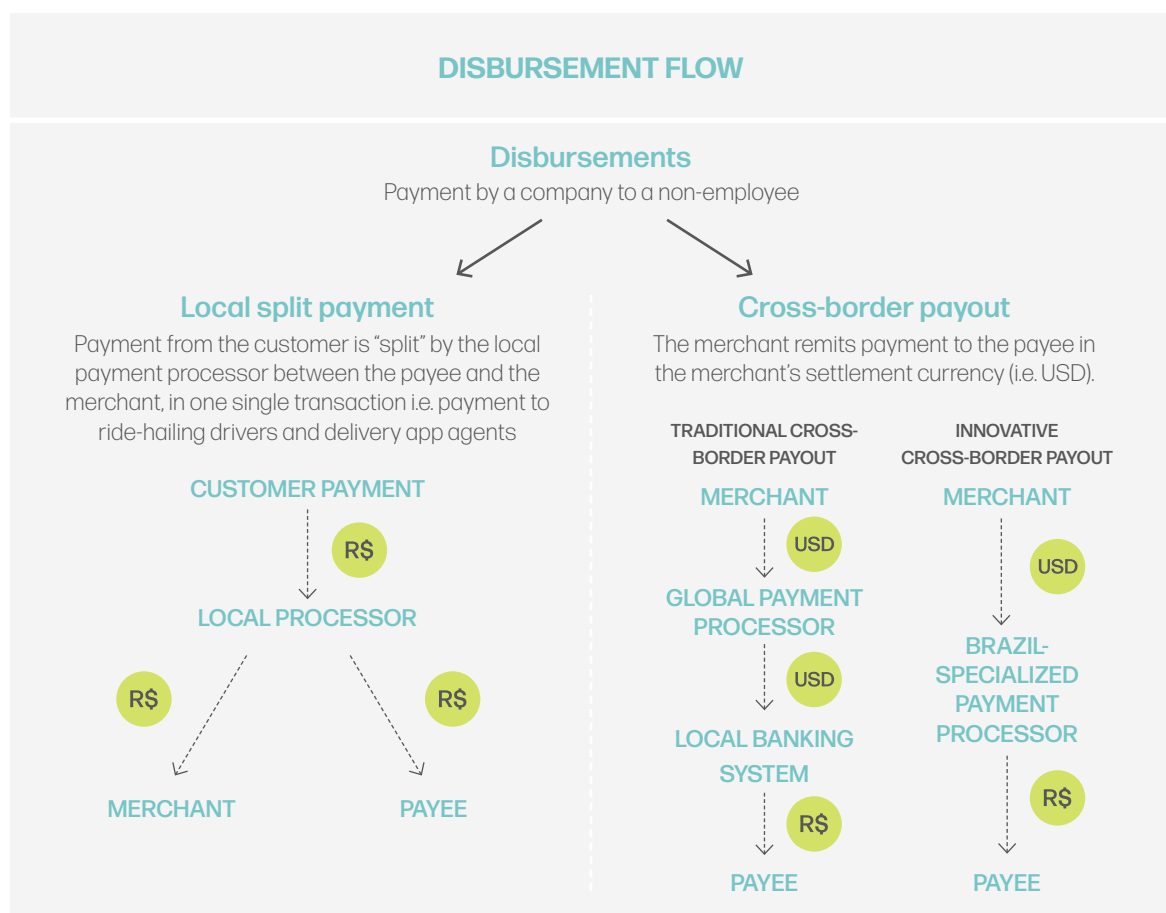
Ride-hailing apps provide a good example. Typically, when a passenger pays for a ride in a ride-hailing app, a Brazilian payment provider delegates the portion that goes to the driver as compensation for services provided and the remaining portion to the

ride-hailing platform. This represents one single payment from the customer made in local currency that is automatically split between the two parties—driver and rider. A split payment can only happen for companies with a local presence and partnership with a local processor to split payments between the merchant and the payee.

Cross-border payouts

Meanwhile, offshore companies who do not have a local presence in Brazil depend on cross-border payouts. These merchants have traditionally used on global payment platforms like Paypal or Payoneer to facilitate payment to their local payees. **But cross-border payments are subject to certain challenges related to exchange rate volatility, local bureaucracy, and**

long waiting times, which complicate the payment process for payees waiting to be compensated. However, as this whitepaper will reveal, the cross-border payout process is changing, as fintech companies are providing solutions to solve these pain points, and provide a better user experiences for payers and payees.



For millions of Brazilians working in freelance sectors, improved cross-border payouts are a matter of survival while the economy still recovers from the pandemic. No matter if a person is selling artwork over Etsy or marketing on TikTok, **the resiliency of Brazilian e-commerce ultimately**

depends on how well foreign companies optimize their cross-border payout solutions with assistance from local partners. This is where AMI will devote most of its analysis in the following section of the report.

DISBURSEMENTS IN BRAZIL: MARKET SIZE AND PLAYERS

Brazil's disbursement market size

The sheer size and growth of Brazil's gig, freelance, and influencer economies reinforce the need for optimized cross-border payouts with assistance from disruptive local partners. Just in terms of Brazil's social media usage, the tech-savvy nation has among the highest in the world with +140 million Facebook users, +95 million Instagram users, and +40 million TikTok users. Brazil has an estimated 1.5 million freelancers on websites like Workana, around 150 million YouTube users, and more than 80 million gamers. Streaming is a growing segment, with the top-performing Brazilian YouTuber accumulating over 60 million subscribers, **and Brazil is the second-largest global market for streaming platform Twitch** owned by Amazon. Simply put, Brazil is a strategic imperative for digital companies looking to compete on the global stage.

PAYOUTS IN BRAZIL

BRAZIL'S DISBURSEMENTS MARKET, IN NUMBERS



150 MM
YouTube



95 MM
Instagram



40 MM
Gaming
platforms



140 MM
Facebook



40 MM
TikTok

BRAZILIANS' SOCIAL MEDIA AND DIGITAL ENTERTAINMENT USAGE



+8 MM
Streamers and
influencers



400k
travel
accommodation
hosts



1 MM
Delivery app
agents



1.5 MM
service
providers on
freelance work
platforms



50k
teachers and
tutors on digital
platforms



3MM
ride-hailing
drivers

Today's data suggests that **nearly twelve million Brazilians are mass disbursement recipients, accumulatively earning over \$18 billion in 2020.** According to AMI estimates and analysis, cross-border payouts represent 60% of these payees and 29% of total payment volume. Industry segments with the highest share of cross-border volume include freelance worker platforms, influencer/streaming and gaming, championed by companies like TikTok, Twitch, Awari, Xsolla and others.

In line with overall e-commerce growth, AMI estimates that **overall disbursements in Brazil will grow 25% per year through 2024.** Cross-border payout volume is growing the fastest, at 29% per year, as more Brazilian consumers—mostly under the age of 25—flock to streaming and gaming platforms for both leisure and professional purposes. To respond to this growth and to remain competitive in an increasingly crowded market, companies must optimize their cross-border payout strategy and prioritize the UX of their digital-savvy payees.

Trends in disbursements' top segments

New sets of challenges also ensued during COVID-19 for these prevalent vertical industries. Quarantines and mobility restrictions negatively impacted ride hailing and travel platforms like Airbnb. As mentioned, domestic travel is slowly reemerging, and research demonstrates that for the remainder of 2021, Brazilians will be more willing to stay in rented homes than a hotel.¹⁷ In addition, ride hailing has started to reemerge again in larger Brazilian cities, many opting for Uber or others instead of taking public transportation. A common emerging trend is households providing ride hailing expenses to personnel working in their homes, such as cleaning staff, nannies, private teachers, etc. to avoid them taking public transportation and potentially exposing themselves to contagion. As the Brazilian economy opens up through 2021, mobility will resume but with a greater

awareness of health and safety.

Delivery apps, freelance platforms, and social media influencers benefitted the most during quarantine, experiencing 100%+ growth in certain months of 2020. And data reveal that this increase is permanent.

An AMI survey of Brazilian consumers in June 2021 revealed that 49% of consumers said they would increase their usage of delivery apps over the next three months. Freelance platforms also got a boost of public relations during the pandemic, as they provided a much-needed lifeline for workers who were laid off, and after more than one year working from home, the option to work full-time online also appeals

¹⁷ AMI and Echo Research, 2021. The LatAm COVID consumer – 1 year later.

to many Brazilians who would rather not return to a traditional work setting. Freelance platforms like Workana, Fivrr, and Upwork saw a rise of 120% in job requests throughout 2020, despite experiencing a drastic drop during the pandemic's onset.

The Brazilian gaming industry is among the fastest-growing in the world. Kantar estimates that Brazil will have 95 million players by the end of 2021, up from 81 million in 2019, representing \$2.3 billion in revenue. And games are getting more sophisticated and professional—all major soccer teams are forming professional esports teams. Trends such as this provide space for

professional gamers to make their living online, depending on payouts from international platforms to receive compensation.

Within streaming, Brazilian Twitch users spend an average of 6.4 hours per month on the platform, with nearly 50% of them under the age of 24. And TikTok was the fastest growing social media platform in Brazil in 2020, while usage of Facebook and Instagram with declined or stagnated. These innovating platforms represent the new generation of online interaction for young people, and a nexus of growth of digital commerce in Brazil and globally.

CROSS-BORDER PAYOUTS INTO BRAZIL

Considering the growth of segments requiring cross-border payouts into Brazil, streamlining this payment flow is important for companies who want to capitalize on

these trends. Unfortunately, for companies operating outside of Brazil, making mass payouts into the country has traditionally had several challenges, including:

- For traditional payment methods, such as wire transfers, the cost can exceed \$30 per transaction. This is not cost effective or scalable in a segment like streaming, in which the payout amount averages \$5.
- Most global payment providers do not payout in local currency, leaving payees susceptible to exchange rate fluctuations confused about the final amount they will receive in Brazilian reais
- Payees are subject to vaguely defined processing fees assessed by their bank, as well as regulatory taxes like the IOF¹⁸
- Cross-border payouts have traditionally not been made in real time, sometimes taking up to three days to settle. While this may be suitable for a professional freelance designer, for example, getting

¹⁸ IOF: Tax on Financial Operations (“Imposto sobre Operações Financeiras”). IOF is a tax on various types of financial transactions in Brazil – including foreign exchange, investments, and credit. It's levied at a range of rates depending on exactly what kind of transaction is being carried out and can by change at any time.

paid large amounts on a bi-monthly or monthly basis, this situation is not practical for a streamer, who wishes to get paid small amounts multiple times per week. In general, cross-border payouts have not have the flexibility to cater to distinct use cases and payee profiles.

- International payers without a local entity in Brazil and paying in USD or euros, find themselves disconnected from the payee and unable to assist the payee with questions about their payment

These challenges speak to the imminent opportunity to improve the cross-border payout experience. **Just as Brazilian neobanks began to disrupt traditional banking services starting with the launch of Nubank in 2012, Brazilian fintechs are disrupting the payout space.** By partnering with such fintechs, foreign companies can avoid establishing a local entity in Brazil even after having developed large Brazilian customer and payee bases, and simultaneously optimize their payout flow.

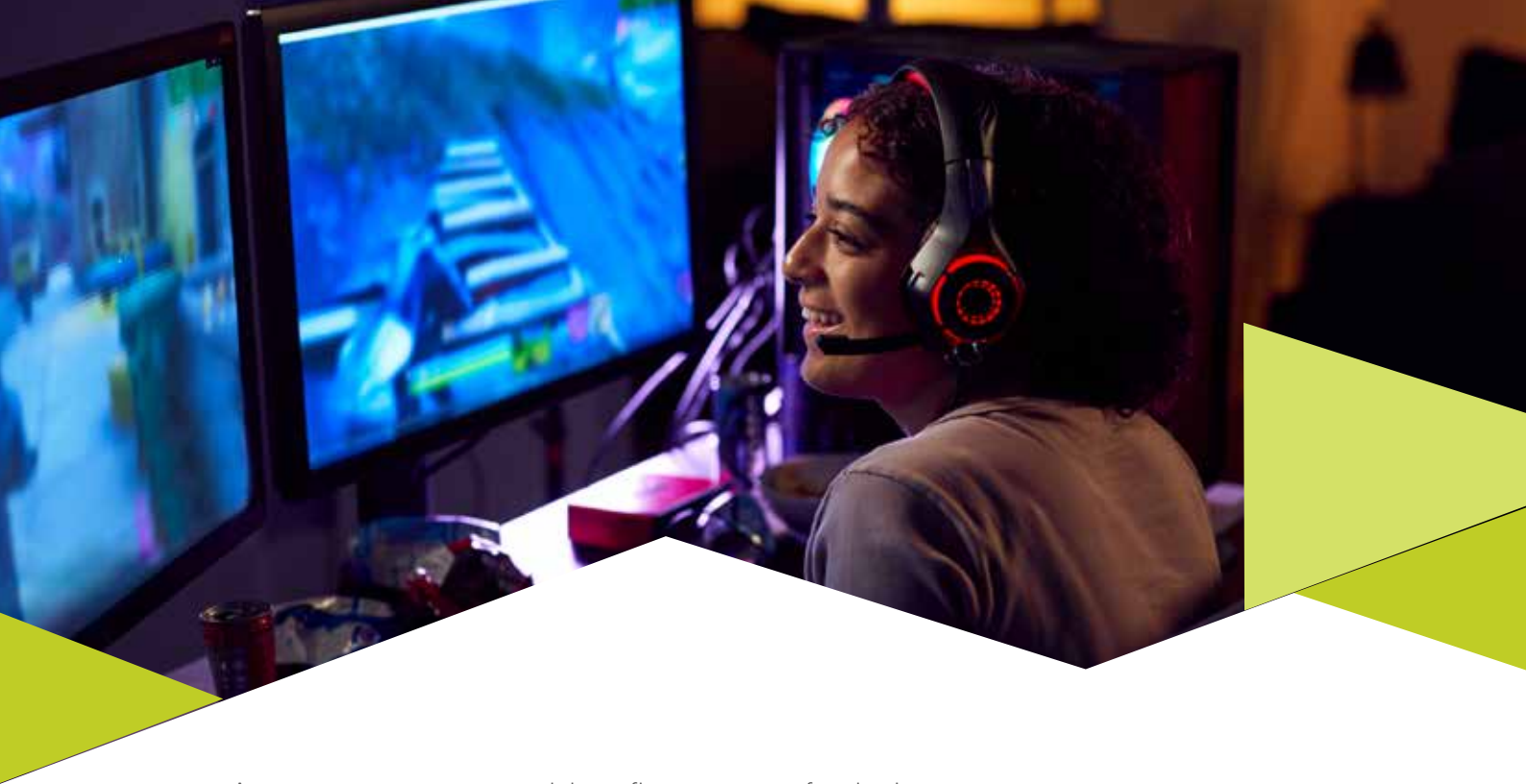
One example of these fintechs is BoaCompra, cross-border payment provider owned by PagSeguro, local bank, acquirer and one of Brazil's most important local payment players. **BoaCompra's cross-border payment solution allows its clients' payees to receive almost instantaneous payment in local currency,** with total visibility of their funds throughout the entire transaction flow. They also see their payment amount reflected in Brazilian reais, giving them certainty on how much they will receive throughout the process.

Presently, payment from BoaCompra can be made into a PagBank account, with payment to any bank account via Pix to be enabled in Q4 2021. Because of PagBank's easy online account opening process, this is an ideal solution for young streamers/ gamers/influencers who may not yet

have opened a bank account and need a place to receive their payouts. In this way, partnerships between such platforms and fintechs like BoaCompra are increasing financial inclusion, digital financial literacy and participation in Brazil's ballooning digital economy.

A relationship with a local fintech also enables merchants to leverage payout solutions as an opportunity to make cross-sales to their payees. By connecting to an account where a merchant's payees' receive funds, the merchant is now a participant in that payees' financial life. This creates the opportunity for merchants to provide additional financial services, including insurance, loans, investments, and lower payout fees to reward certain behaviors, like earnings levels on the platform. Other cross-selling opportunities include health or car insurance, job training and advice for payees on how to optimize their earnings.

Such a strategy helps merchants develop closer relationships with their payees, secure their loyalty and simultaneously open up new revenue streams, all the while operating 100% outside of Brazil.



As gaming, streaming and the influencer economy continue to scale in Brazil, the trend for cross-border payouts in the medium term is for the average ticket to come down, and the demand for frequent (weekly or daily) payouts will increase. In addition, with the arrival of Pix and real-time payments to Brazil, there will be less tolerance for lengthy wait times to receive

funds. Just as superapps are capturing an increasing share of consumers' expenditure across Brazil and Latin America, consumers will tend to favor payout platforms that can offer additional benefits and services. Companies paying out into Brazil must start to understand their payees as a valuable user base they need to take care of and add value to.

PAYOUT RECOMMENDATIONS

Thus, it's recommended that international companies cater to the payment experience directly to the payees. To promote higher levels of trust and loyalty, payers must offer a quality experience to Brazilian service providers with varying preferences for payment frequency and cash out amounts. Among freelance workers, seamless, transparent, and accurate is the best recipe for success, therefore attracting highly-qualified professionals who want to know how much they will receive and when instead of having

to monitor the process.

Among influencers, gig economy, and marketplaces, speed is essential.

Additionally, paying out via prepaid cards or cash are also important options to provide since not every payee wants a completely digital experience. Payees will ultimately choose a company with the best user experience for their industry as the one that provides payment into their preferred payment method and the amount and frequency of their choosing.

Overall, the top best practices for merchants paying into Brazil include:

- Payment in **real time** to any bank account or wallet
- Payment in **local currency**
- Providing the payee **flexibility** on when to be paid, how often, and how much
- Overall transaction **transparency**
- Offering **additional financial and other services**, including loans, insurance and training

It is also important for payers to understand that they don't need to maintain a local entity in Brazil to achieve seamless, transparent, and quick payouts. After all, while it may have advantages, it's difficult for foreign companies to become a local entity in Brazil without the correct scale, local relationships, government relations, etc. What's more, offshore businesses are understandably dissuaded from becoming a Brazilian entity due to high tax burdens and bureaucracy. Therefore, there incentive to work alongside disruptive local fintech partners to simulate local presence in Brazil, all the while remaining offshore.

All things considered, global merchants aspiring to take cross-border payouts to the next level in Brazil should approach the situation as if they were a local company well-versed in handling in-demand payment methods and currency. With this comes full visibility of the payment process in order to build trust between payers and payees. Suffice to say that optimizing payouts will better equip foreign companies to pivot and innovate over time in Brazil, guaranteeing the robustness of their platform in the market and attract the best service providers available on the ground.

CONCLUSION

On one hand, it's evident that e-commerce demand in Brazil will continue to flourish for years to come, showcasing the long-lasting effects of COVID-19 on consumer behavior. Compared to any other time in history, **today more Brazilians can fully engage with e-commerce seeing that banking penetration now stands at 88 percent, the highest in Latin America**, thanks to governmental efforts as well as influx of neobanks, digital wallets, and traditional banks catering more to Brazil's under-banked and unbanked

There are plenty of other reasons to be bullish about Brazilian e-commerce in consideration to its 30% CAGR until 2024, eventually reaching a value of \$300 billion. This helps explain why Brazil experienced the most drastic evolution in Latin America from traditional brick-and-mortar shops to digital channels during COVID-19, especially retail as well as digital goods and services like delivery, gaming, streaming, and online education topping the rankings.

As for payment methods, credit cards reigned supreme in 2020 as it marked 64 percent of the year's e-commerce spend, and will continue to do so in the coming years. Yet considering that only 36 percent of Brazilians have access to credit cards, **it's still crucial for multinational companies to offer additional local**

payment methods like boletos bancarios, bank transfers, and digital wallets to win over more consumers. Though boletos bancarios ranked high for 2020 e-commerce spend, they will become increasingly less prevalent as the Brazilian Central Bank pursues PIX, a real-time payment platform using QRcodes gradually becoming more mainstream.

In the long run, what will distinguish Brazil as an advanced e-commerce market is how well it improves its cross-border mass payouts to the freelance, gig, and influencer economies.

Around 12 million Brazilians participate in these sectors, meaning a substantial amount of people requiring reliable and transparent payout methods during economically challenging times. Under this falls the ability to cash out regardless of the amount being exchanged, not to mention optimized exchange rates, speedy transfers, and added benefits available to sellers like health insurance or supplemental training opportunities for users to succeed on the platform.

Proving the need for disruption, historically it has been complicated for non-local

entities to make cross-border payouts to Brazilians based on pricey wire fees, exhaustive waiting times, unpredictable exchange rates, bank fees, etc. However, now multinational companies are partnering with growing local partners developing disruptive payment solutions to curb these affects, providing a much-needed solutions in the process for both payers and payees. While service providers also once carried the burden of

currency fluctuation on typical platforms like Paypal or Wise, new players in Brazil are setting new precedents with streamlined operations.

When all is said and done, local partners in Brazil are proving that international merchants don't need to become a local entity to ramp up payouts or participate in the country's robust e-commerce market.

