PCMI Payments & Commerce Market Intelligence

Global payment MegaTrends:

E-commerce, RTPs, credit and everything in between

2023 Q3 Update

2023

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PCMI Payments & Commerce Market Intelligence

PCMI was born in 2022 out of AMI, the leading market intelligence firm for Latin America, with over 30 years' experience providing market intelligence to leading corporations in the region.

With payments and commerce transcending borders, AMI evolved into PCMI, to support our clients across the globe.

In Latin America and beyond, our mission remains:

to be more committed to our clients' success than any consultancy on earth

Global payments industry advisory group

30

years experience

in the industry

Coverage of 50+ global markets,

through expert network of over 100 consultants

Executed

400+ projects

in the payments industry since 2003

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Our GLOBAL COVERAGE

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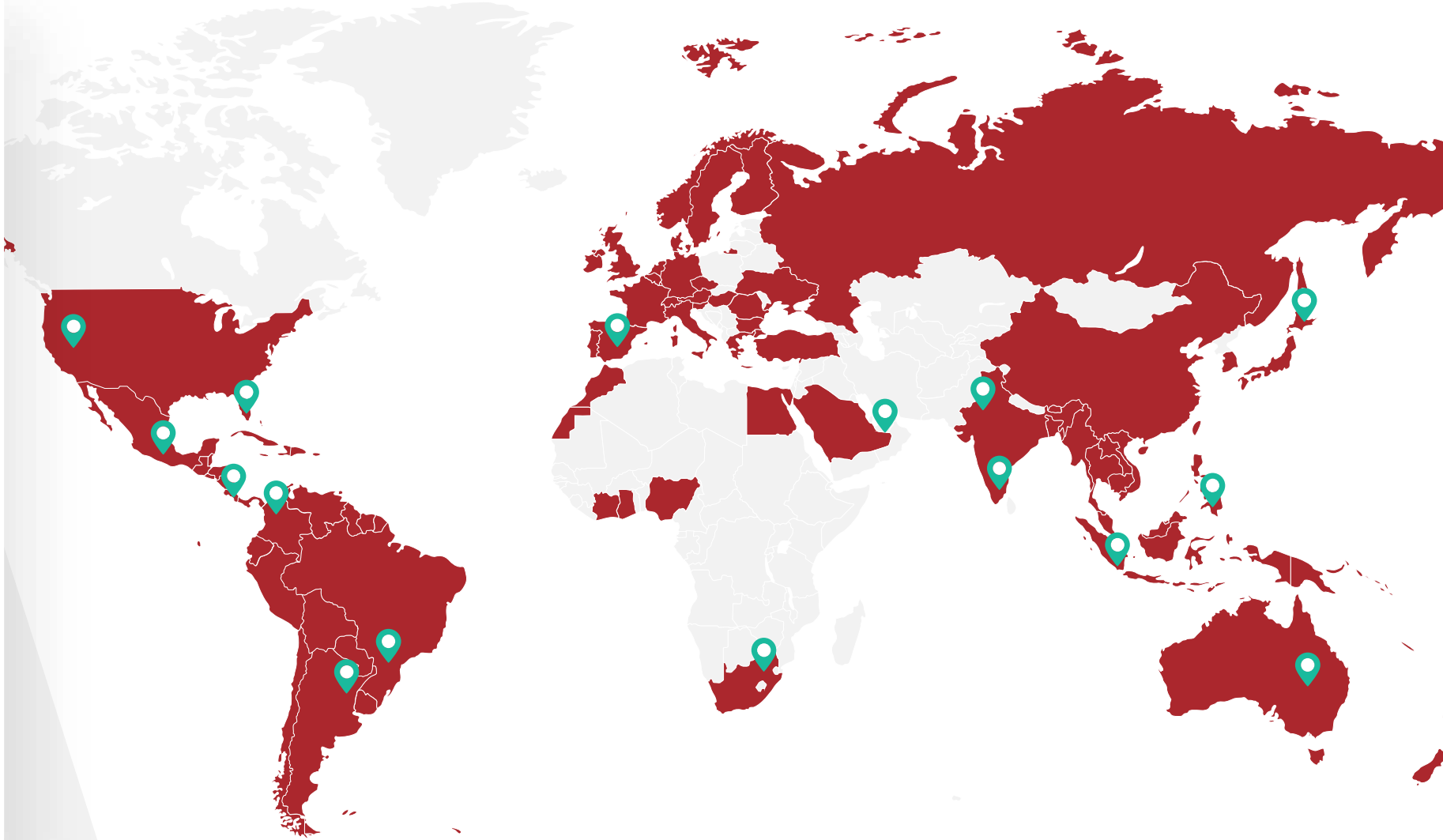
Medellin	Manila
San Jose	Melbourne
Barcelona	Tokyo

PCMI teams

Our global coverage



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2023 global payment trends

01 State of e-commerce payments

02 Real-time payments

03 Credit, retailers and ecosystems

04 Final observations and conclusions

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State of e-commerce payments in top markets

Payment methods, cross-border and trends

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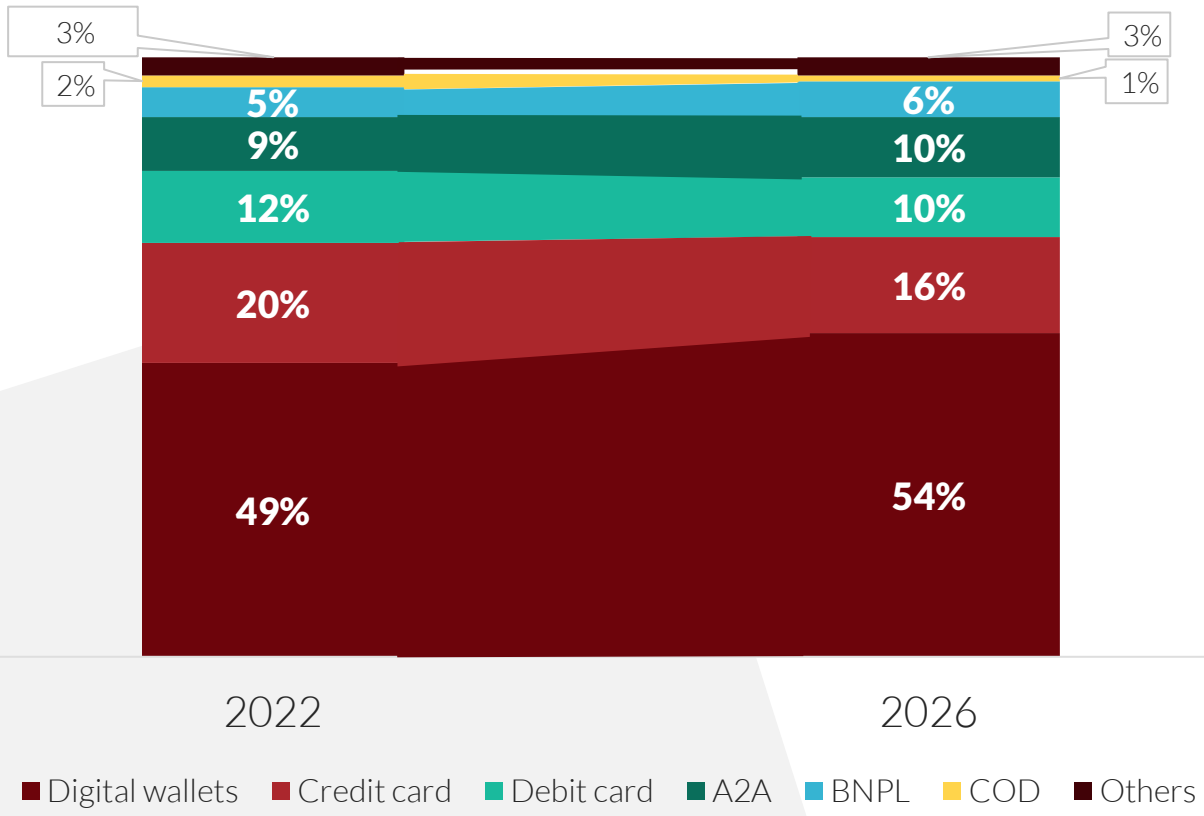
Alternative payments

Continue to gain share of e-commerce

Global payment methods, share of e-commerce



Winning share

- Digital wallets
- A2A payments
- BNPL

Losing share

- Credit card
- Debit card

Source: FIS

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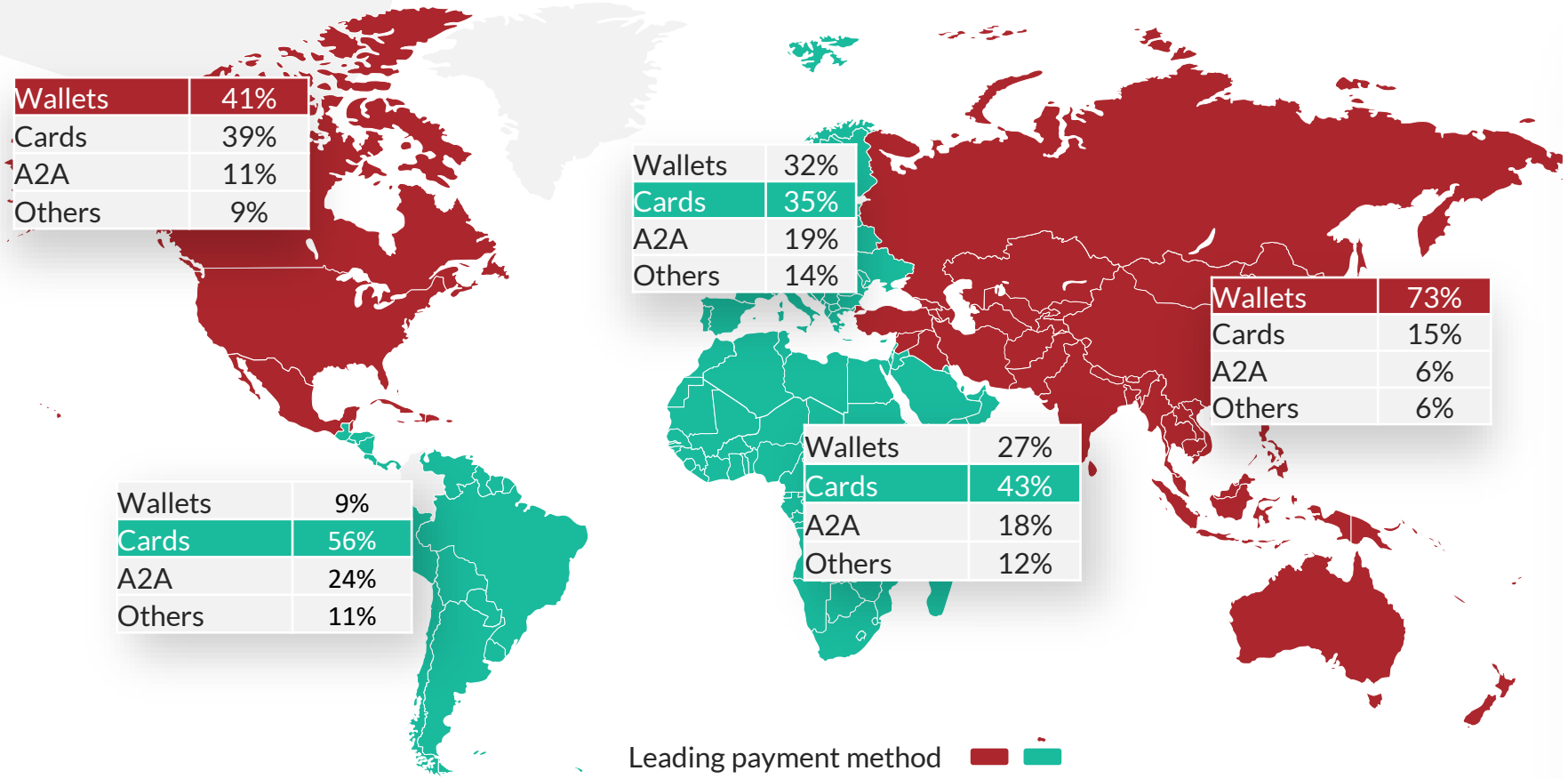
Share of

e-commerce transaction volume by region, 2026



By 2026, cards will still maintain leadership in 3 out of 5 regions

Notable trends:

- In USA, wallets will surpass cards
- In Europe, cards compete head to head with wallets
- In EMEA, cards will still be the leader by 10+ pp, pointing to an underdeveloped market
- In APAC, China dwarfs the rest of the region, with AliPay and WeChat dominating
- In LatAm, A2A will have the highest share globally thanks to Brazil's Pix

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Source: FIS, PCMI E-commerce Payments Library

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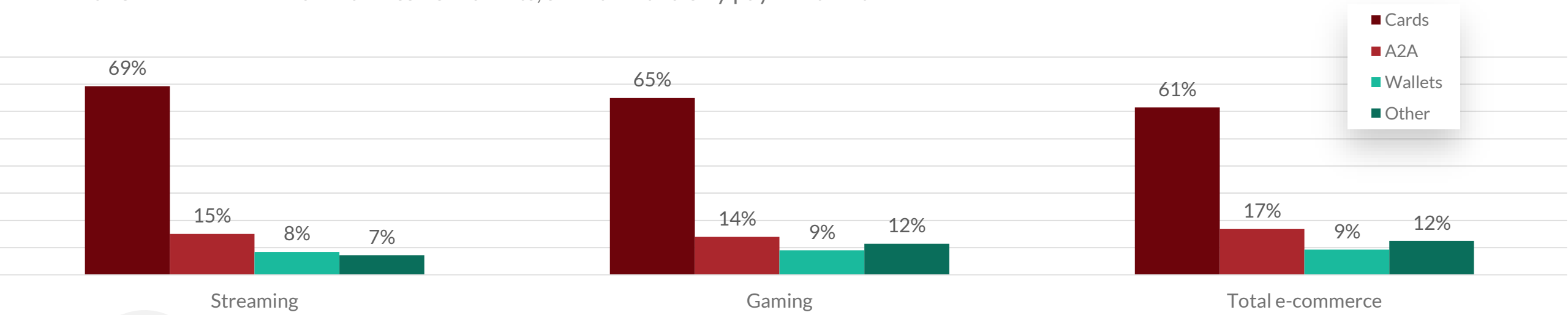
In digital,
cards claim a higher share

In Latin America, cards represent 67% of gaming and streaming volume, vs. 61% of overall e-commerce

Deep dive into Latin America

2023 e-commerce volume across 15 markets, select verticals by payment method



Cards dominate digital e-commerce, but its share will decrease over time because of the increasing availability and popularity of A2A payments. Pix in Brazil alone reached 10%+ of all streaming spend across the region in 2023.

PCMI Sources: 2023 PCMI Data Library, interviews, PCMI analysis

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Why a local approach is required:

Mexican habits stand out

Cash and credit are the keys to penetrating Mexico

Traditional retailers are extending credit to SEL C and D, financing **35-70% of their GMV**

Coppel elektra

Food voucher networks, which serve lower SELs are becoming regulated and digitizing their operations.

Click-and-collect accounts for **35%** of Liverpool's online sales, while **65%** is paid using **closed-loop Liverpool credit** cards

Liverpool

"I always use my Edenred card before using cash or my debit card if I see that its even available online. I have to use it."
— **31 y/o female, SEL C**

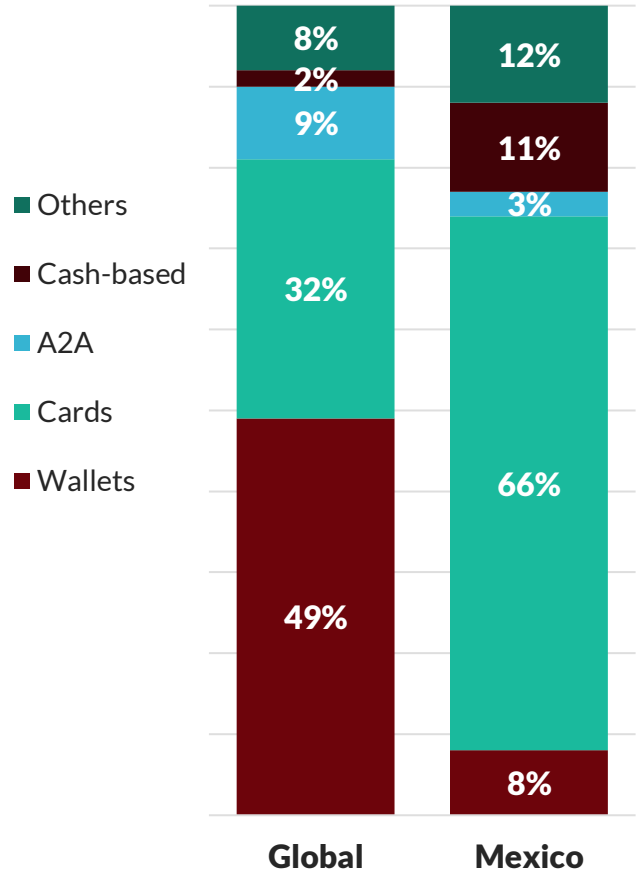
Up sí vale El poder de crecer Edenred

By 2026, Mexico will experience

17 mn
new internet users,
of which 63% are SEL C

26% CAGR (2022-26)
in e-commerce volume
paid by cash voucher

Payment methods, share of e-commerce, 2022



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Mexico: Cash, the most expensive, and yet necessary way to accept payment online

Cash vouchers

- Anecdotal evidence from merchants indicate a **20%** conversion rate
- While card acceptance hovers between **1.3%-3.6%**, cash acceptance costs an average of **3.7%**.

Cash upon pick up

- *Click and collect* accounts for **7%** of Liverpool total sales in 3Q22
- **56%** of Elektra online orders are picked up in store
- Amazon launched cash on pick up in 4Q22

Cash on delivery

- Popular for online food deliveries
- Merchants are re-considering this option, as it poses a security threat to drivers vulnerable to theft

Retailers in cash networks

2022	USD $6 BN	USD $3 BN	<USD $1 BN
	Primarily enabled by Oxxo	Driven by Liverpool, Walmart, and Elektra	Driven by Rappi

PCMI Source: Interviews

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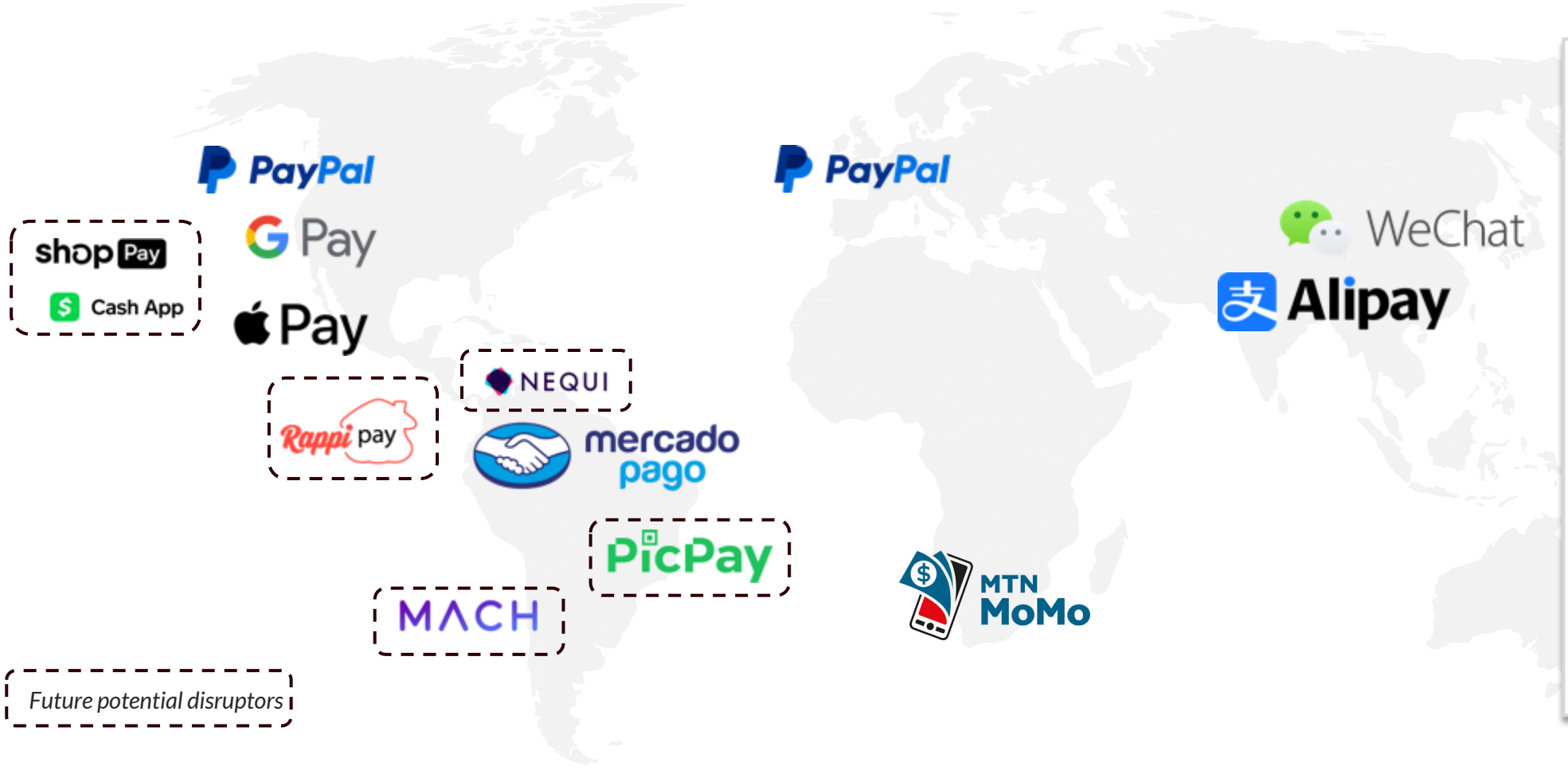
Just a handful of wallets dominate at the global level

In the US and Europe, wallets serve as a digital home for tokenized cards, while in other regions, they are hubs for cards + alternative payment methods. UX + security + value-added services drive wallet adoption.



Value-added solutions driving digital wallet adoption

- Access to credit, reaching traditionally underserved populations
- Loyalty programs, championed by merchant wallets
- Ease of use
- One-stop-shop for payments, including retail, bills, and P2P
- Ability to split payment methods
- Ability to fund the wallet with a variety of payment methods

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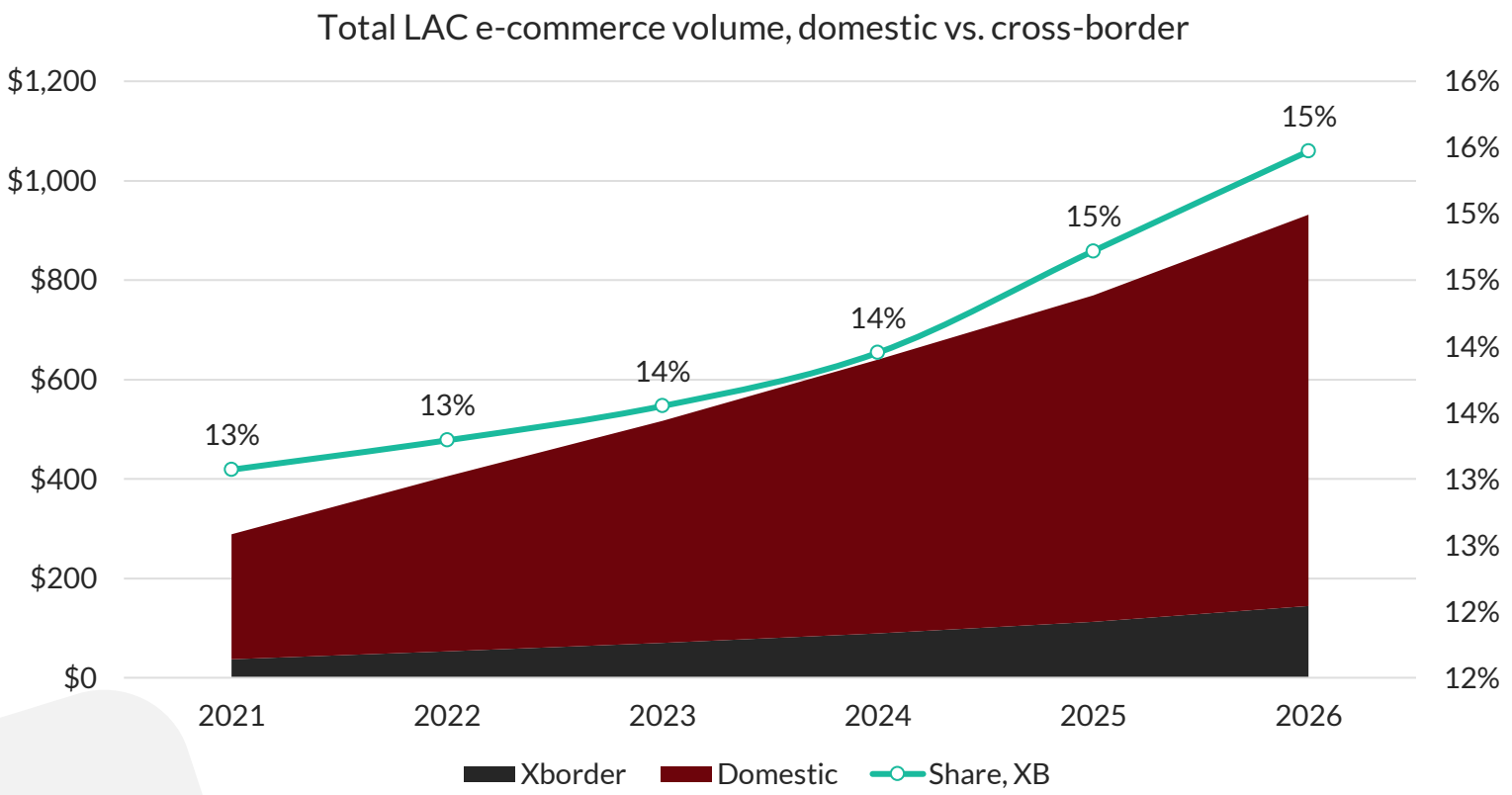
Domestic e-commerce vs.
cross-border: A peak into Latin America

Cross-border growing faster than domestic



As one of the world's fastest-growing e-commerce regions, Latin America has captured the attention of international merchants looking for growth markets.

In total, cross-border will represent $70bn, or 14% of the total market in 2023.

Cross-border e-commerce is growing faster than domestic and will grow in share through 2026

PCMI Sources: 2023 PCMI E-commerce Data Library

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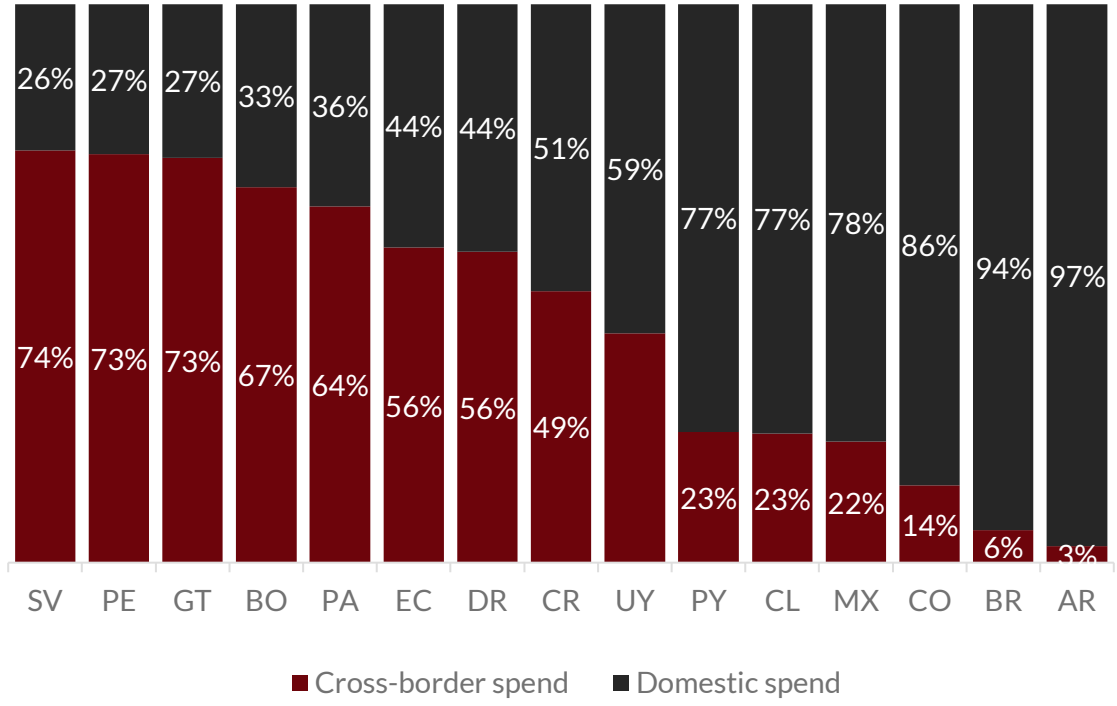
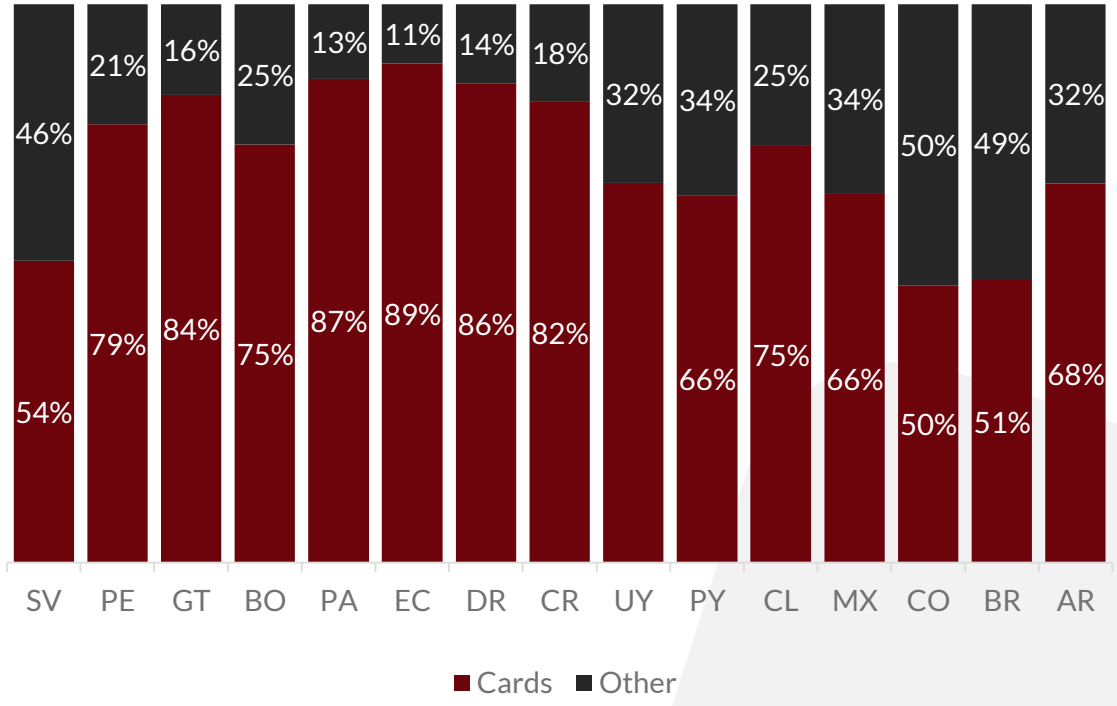
Latin America: The share of xborder and the share of APMs are a proxy for e-commerce market development

Latin America, cross-border vs domestic spend by country, % of e-commerce volume, 2023



Latin America, cards vs alternative payment methods, % of e-commerce volume, 2023



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TOP TAKEAWAYS

By 2026, digital wallets will represent **>50% of e-commerce**

With the dematerialization of money, payment credentials need a place to live (wallets). Open-loop is driving the bulk of spend (this varies by market). Google and Apple have consolidated their role as competitors. Within wallets, cards drive the bulk of spend

Cards and RTPs will **compete for 2nd place,** with success of RTPs depending on the market

RTPs will represent >40% in Brazil and India by 2026. Closed-loop RTPs have not significantly evolved past P2P (with the exception of China)

Cash is still highly strategic in some markets and is successful at attracting SEL C and D

In markets with 30%+ unbanked, cash is successful at driving incremental demand for e-commerce

Cross-border e-commerce is growing faster than domestic e-commerce around the world

Especially in emerging markets, growing at 20%+ globally. This will continue as technology improves, with xborder RTP schemes possibly cutting out middlemen

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Real-time payments and e-commerce

RTPs are succeeding in markets with visionary, technology-forward Central Banks

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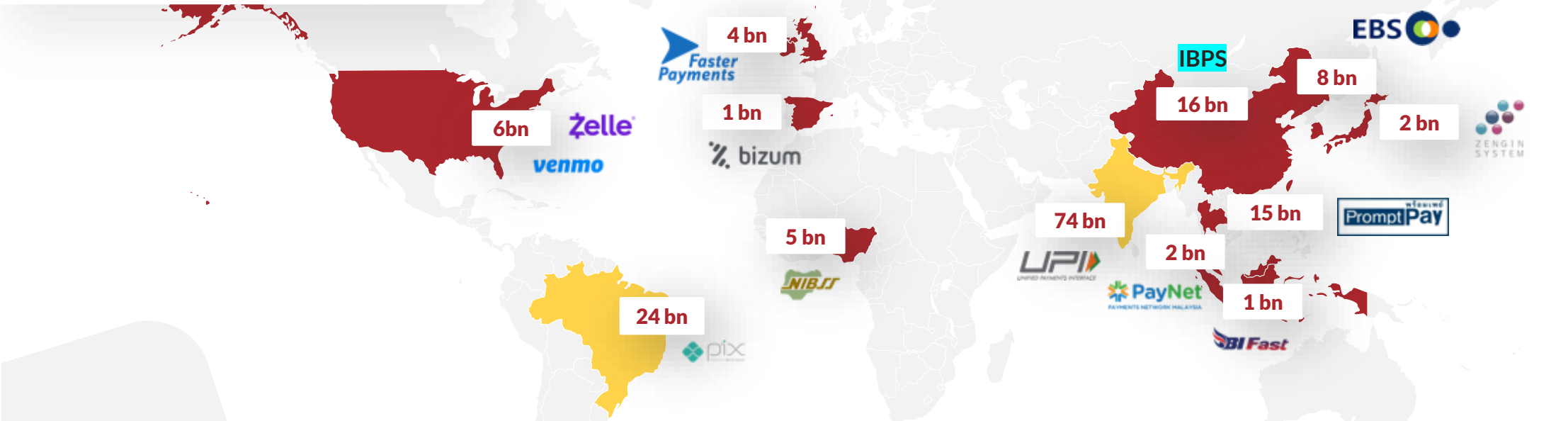
Where will instant payments disrupt next?

Top global cases

India and Brazil lead the pack, with a strong clusters in Asia trending toward xborder RTPs

Total 2022 instant payments transactions, #



Source: PCMI, central bank authorities, BIS and others

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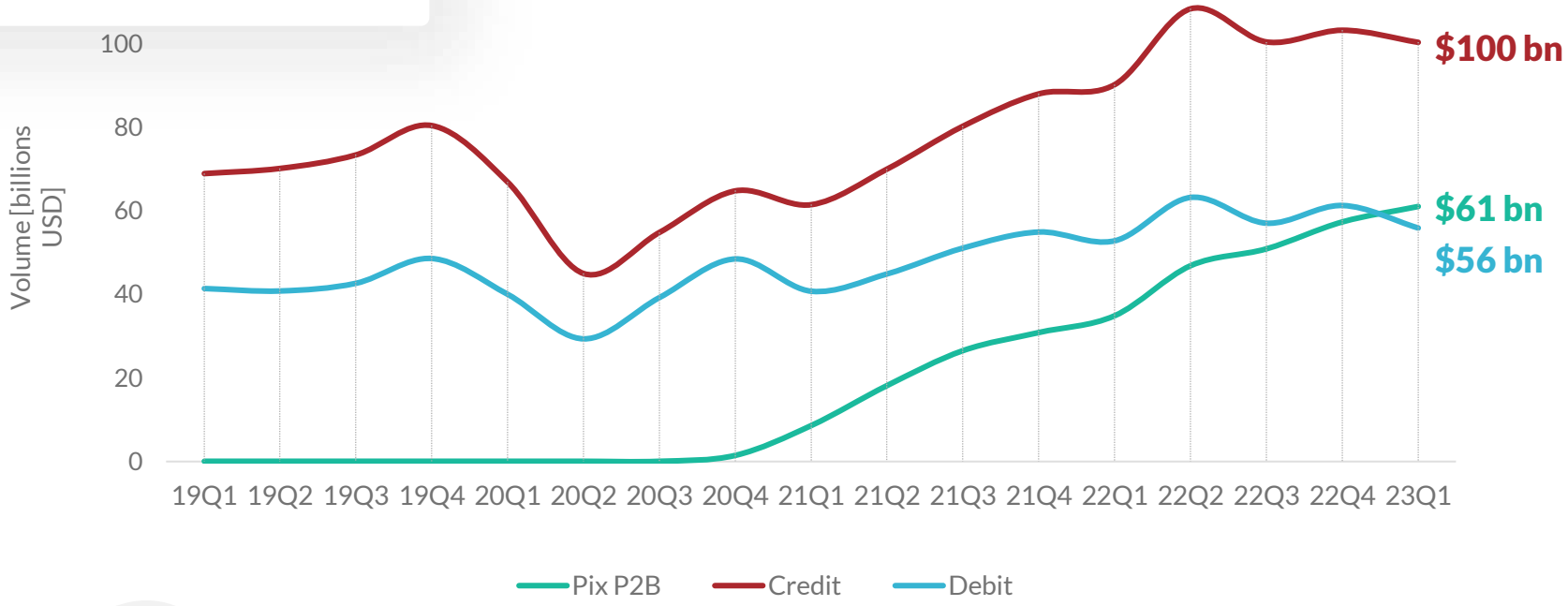
In Brazil, Pix P2B surpassed
debit card volume in Q1 2023

Volume by Quarter



- Both credit and debit card volumes fell in Q1 2023, while Pix P2B volume grew **6%**
- Pix is effectively stealing share from debit card volume, especially in e-commerce, where reportedly 70%+ of online merchants accept Pix

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Source: Central Bank of Brazil, GMattos

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Brazilian merchants promote Pix due to its

low cost on and offline

Mercado Livre:
"Discount offers with Pix"

CASASBAHIA

Casas Bahia: "7% off (Pix exclusive)"

magalu

Magazine Luiza: "with Pix (10% off)"

Pix in-store

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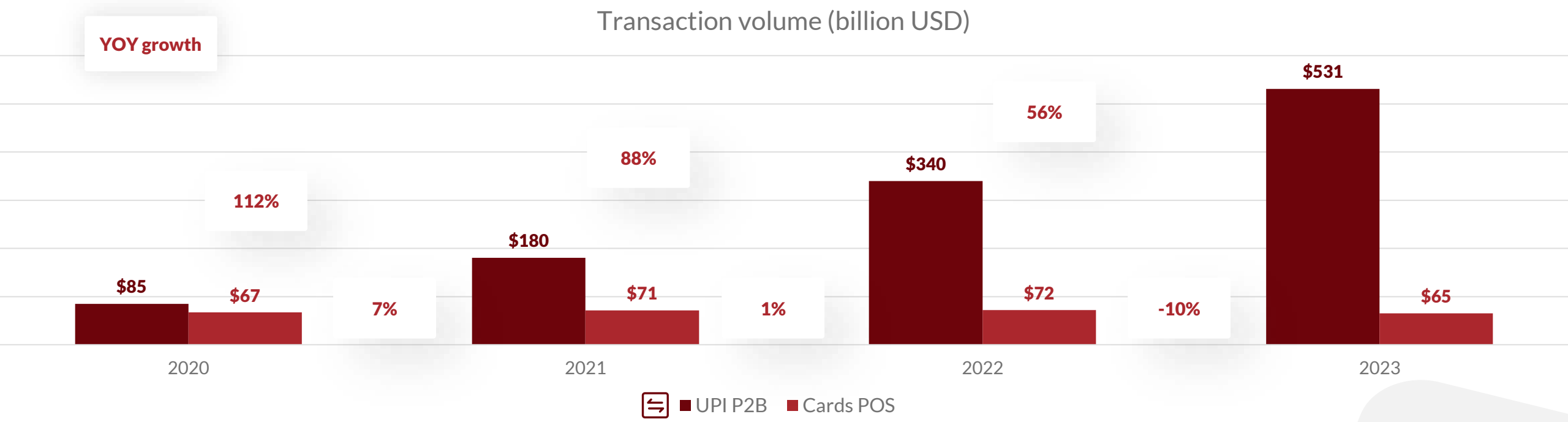
UPI remains at the top of

P2B and P2P payments in India, by far

Card volume declined in 2023 as UPI surged 56%



PCMI Source: RBI, The Times of India

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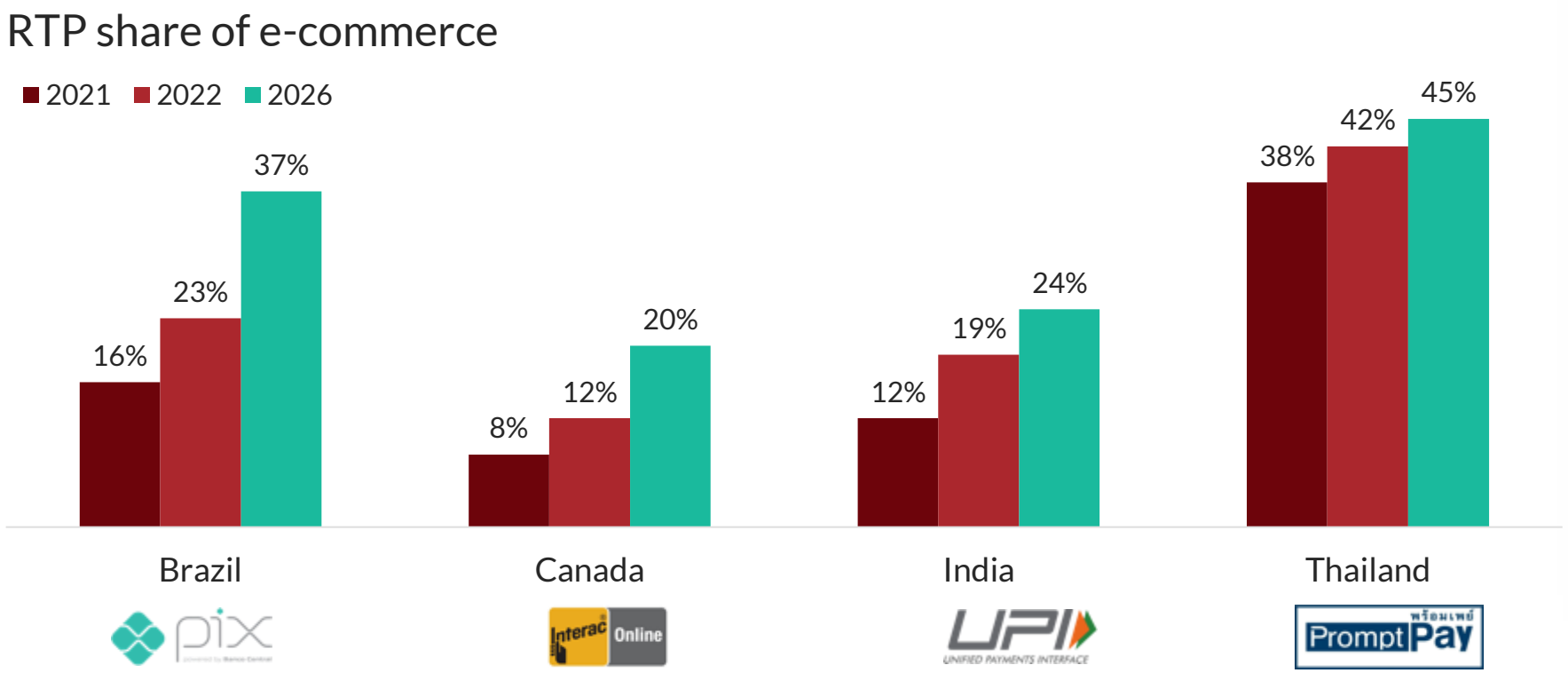
Where RTPs are successfully implemented,

they scale in e-commerce rapidly



Drivers of RTP payments for e-commerce

- Merchant discounts
- Lack of debit card enablement for e-commerce
- Low card penetration
- Instant merchant settlement
- No chargebacks
- Easy mobile UX

Source: RBI, The Times of India

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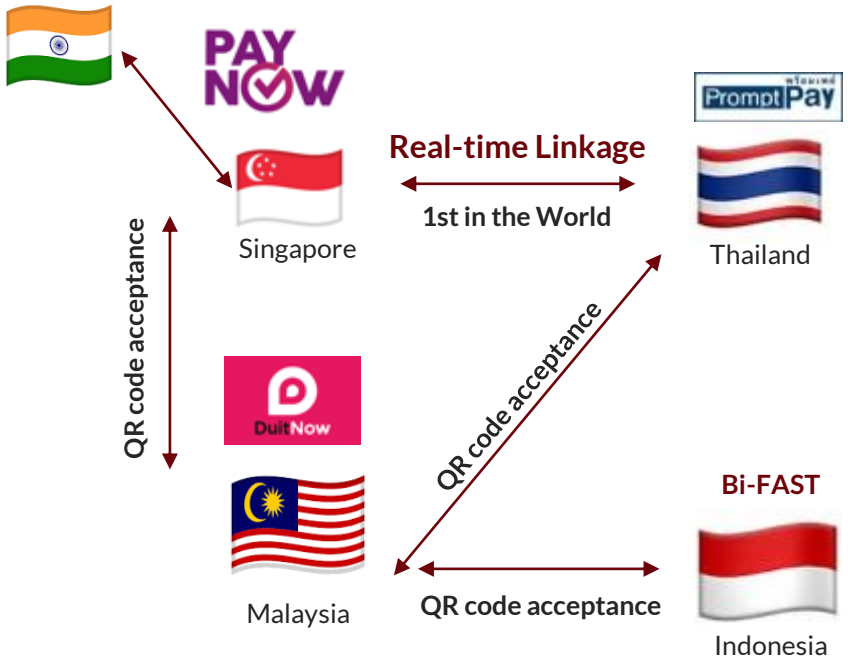
Market clusters with high remittance volume are

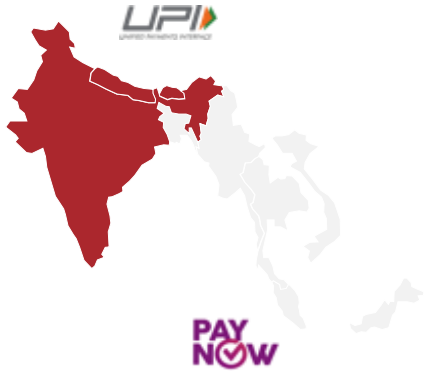
paving the way for xborder RTP

This will eventually facilitate cross-border e-commerce, especially in the case of UPI

South East Asia

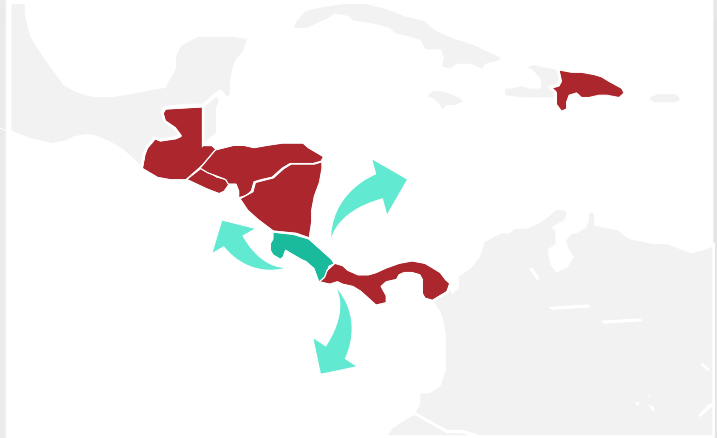


UPI



- UPI interoperability between Singapore, Nepal and Bhutan
- Active discussions underway with 30 more countries including UAE, Australia, Hong Kong

Central America



The Central Bank of Costa Rica is working with neighboring countries to expand SINPE RTP rails across Central America and the DR

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TOP TAKEAWAYS

RTPs are **gaining e-commerce market share faster** than any other payment method

in markets where government-led RPT schemes have scaled, being the #2 consumer use case (after P2P). Merchant decisions to promote RTPs with discounts have paid off

Cross-border RTPs for e-commerce is the next evolution, manifesting first in Asia

This trend will accelerate cross-border e-commerce and could eliminate the need for middlemen like dLocal, EBANX, etc. who provide local processing for cross-border purchases

RTPs are **unlikely to dethrone cards** in the Europe and the US in the short-term

despite the rollout of FedNow (US) and SEPA (Europe). This is due to the deeply entrenched card culture (US) and value-added services of cards and wallets (loyalty, credit, security). RTPs are most successful in less developed markets with a financial inclusion deficit and latent digital demand

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Credit, retailers, and ecosystems

A combination of credit, omnichannel strategy and value-added services are winning share among the underbanked

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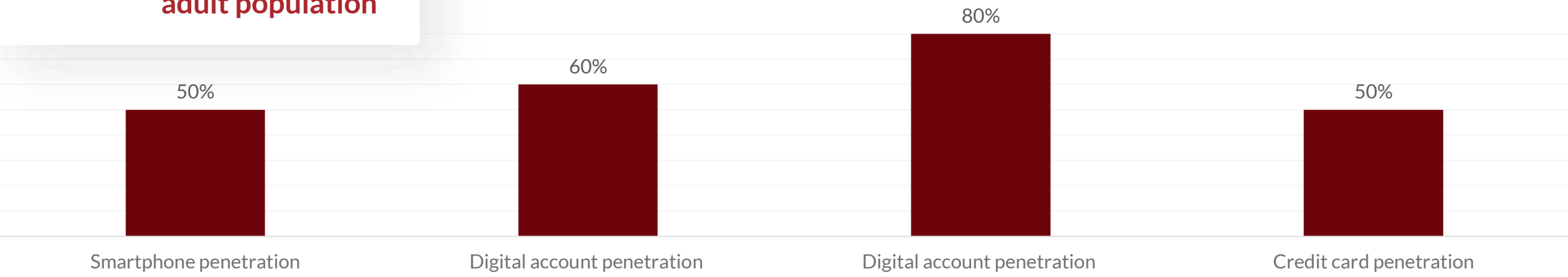
PCMI benchmarks for
understanding digital payment maturity

Minimum thresholds, % of adult population



Ripe for transformation

Mexico Philippines Indonesia

Cash is losing its stronghold

Colombia Argentina Uganda

Saudi Arabia

Rapidly maturing

Brazil South Africa

Developed

Germany

PCMI Source: RBI, The Times of India

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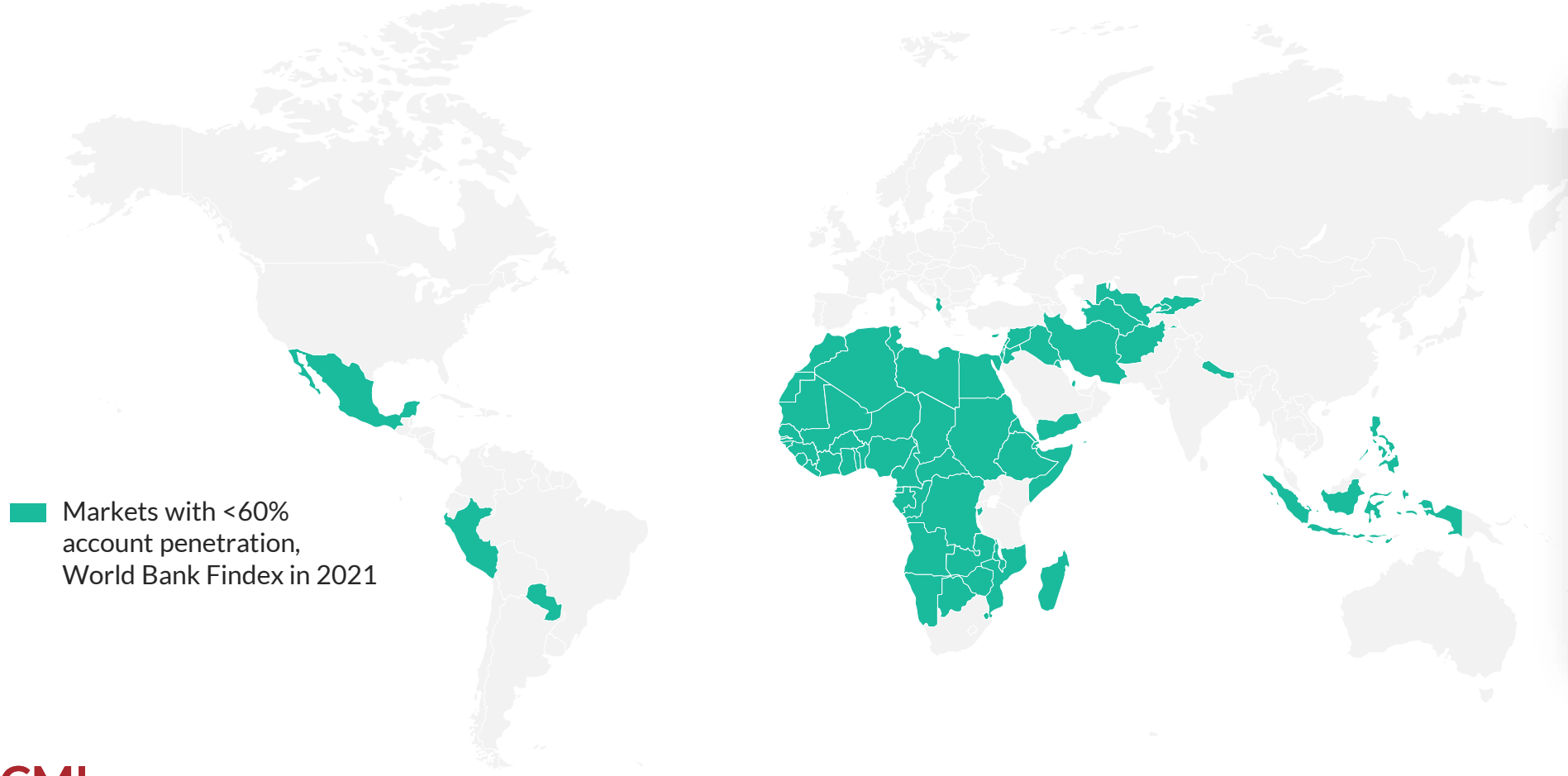
Account penetration is a proxy for cash usage

and indicates a cash-based strategy

Over 60 world markets have <60% financial account penetration



Markets with <60% account penetration, World Bank Findex in 2021

- These represent markets where cash is still culturally predominant
- Many are large markets with massive opportunity, i.e. Mexico, Nigeria, Indonesia
- Here, a cash-based approach to digitization and credit can, and is, working

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Mexican retail groups are creating
massive ecosystems designed to capture SEL C/D

	Grupo Salinas	Walmart	FEMSA	mercado libre	Coppel
Mobile and internet	Totalplay, tv azteca	bait	OXXO CEL		redi Coppel
Loyalty	baz super app	Walmart Pass	OXXO Premia	nivel 6	CoppelMax
Account	baz super app	cashi	spin by OXXO	mercado pago	Coppel Pay
Market	baz super app	Walmart.com.mx	NetPay MAKER	mercado libre	Coppel
Acceptance and Credit		cashi	NetPay CHECKOUT, NetPay LINK, NetPay LOOP	mercado crédito, mercado pago	Coppel Pay
Logistic	baz entregas	Walmart Marketplace México	Solistica	mercado envíos	Coppel Digital
Optimizing	Mobile top up sales	Walmart Connect México	DIGITAL FEMSA	mercado ads, mercado shops	

Consumer services

Merchant services

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Asia alternative credit has high penetration and is growing

Thailand

- **Credit Ok** has launched Protect Now Pay later, securing cashflow for SMEs; customized credit scoring model specific to industries, more inclusive;
- **BNPL**: second behind credit cards**; leads Southeast Asia in frequency of BNPL usage (26%),** and 89% is aware of BNPL.
- **Kbank** is the first bank offering its own BNPL for unbanked/underbanked – **K Pay Later**

India

- **BNPL market of $12 bn in 2022 to grow 41% CAGR to 2028.** Gen Z ad Millennials focused. Estimated 200 million users. BNPL at POS is a large driver
- **Credit offered over UPI expected to be a large disruptor**

China

- Ants Zima credit – AI and Big data capabilities, Data crunch model in microlending:, Offered for **Alipay users, up to 12 installments, focused on cardless population**
- WeBank offers via AI, Blockchain, Cloud Computing and Big Data model for personal loan and working capital for SMEs, advocates for "inclusive financing".

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Asia alternative credit has high penetration and is growing

Malaysia

- **HSBC** – launching installments via **VISA** credit card, interest free up to 3x and up to 36x depending on minimum good value.
- **Ablr** healthcare expenses, music classes, travel experiences, home decor products, etc.. (from 1 to 60 months)
- **Atome from Singapore** (partnered with 3,000 retailers) for BNPL , Sephora, Shein, JD Sports …

Singapore

- **Ablr** is Singapore BNPL founded, strong presence locally and neighboring Malaysia.
- **Atome** (partnered with 3000 retailers) for BNPL , Singapore based.

Indonesia

- With **98% without credit card**, 4th most populated country in the globally, BNPL has an enormous potential.
- **BNPL** Leading player is **Kredivo** with over 50% market share and 6 million users so far. Expanding partnerships with main retailers/outlets to expand also at POS.

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Buy Now
Pay Later (BNPL)

Market leaders

Klarna. PayPal afterpay alma

Trends

1

Credit risk
Delinquency is generating the same concerning effect as elsewhere such as USA: customers seeking other more expensive funding to clear their obligations and affecting overall credit score.

2

Increased regulation
Regulation changes being discussed in the UK and EU parliament. New regulation is expected in 2023 and additional revision of this industry to tackle concerns around consumer protections. More transparency, control and accountability expected.

3

Growth
Estimated at 8-10% of total APM for online purchases. CAGR expected 20% for the next 4-5 years, which could decrease if regulation is implemented

Low awareness and/or installment culture in Europe shows a greenfield market for BNPL. Where e-commerce is more mature, such as the UK or France, BNPL without credit (no interest model) has an increasing up-take. Typically, 3-4 installments are offered in, up to 90 days, mostly interest free if paid on time. BNPL is also popular in Scandinavian countries and Germany with strong Klarna share

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Alternative Credit,
BNPL growth despite hiccups

Rising interest rate due to global inflationary crisis challengend the competitive BNPL providers landscape, shifiting from a race for customers to a race for getting more viable business model and also more efficient/niche credit assessment. New regulation likely under way, as elsewhere.

28% of consumers had used BNPL by Aug 2022 vs 18% at Q1 2022.

Klarna.
affirm
afterpay
PayPal
ZIP

Klarna.

Main global BNPL fintech, has seen its Market valuation drop by 85% to $6 billion. Business model sustainability is under question

Pay Later

This has been an important news to the BNPL industry, up to 3 installments within Apple Pay

Regulation

The U.S. Consumer Financial Protection Bureau (CFPB) plans to start regulating BNPL and several BNPLs left New Mexico, where new restrictions came into place

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TOP TAKEAWAYS

To capitalize on future growth trends, companies should focus on **SEL C and D**, who require a tailored approach

There is still large opportunity to capture low-income consumers around the world, who need cash-friendly options, alternative credit scoring and innovative, contextual financial education`

Most of Africa, Mexico and Central America and pockets of Asia and the Middle East are still **predominantly cash.** Credit is the key

They have resisted payment digitization so far, despite widespread smartphone penetration. Point of sale lending and fractional payments is a huge enabler capable of shifting consumer behavior

An **omnichannel, ecosystem approach** is required to merge cash behavior with digital

In-person cash payments, click-and-collect, and other value added services are working to digitize low-income consumers and their shopping

Open Finance is opening doors to enable **expanded lending**, especially when government-led and based on an open API infrastructure

An opportunity for companies to provide data, service loans, and expand revenue

Additional

PCMI observations

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There has never been more downward pressure on fees charged to merchants

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Retailers are innovating more than ever, investing in loyalty, credit, logistics and value-added services

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With the economics in domestic payments deteriorating

Investment will flow to cross-border payments.
More and better options will become available for xborder e-commerce

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Wrap up

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1 **Wallets are the new cash.** Consumers choose them for their convenience and security and increasingly for their value-add.

2 **The era of instant money transfers is here**, disrupting the card business, pushing card networks into money movement like remittances and disbursements payouts. Xborder is the new innovation arena

3 **Credit is the new barometer for financial inclusion,** with huge gaps still to be solved and big opportunity in alternative credit scoring

4 **Cash and omnichannel experiences** should be deployed strategically by market capture the last mile, cash-only consumers (over two billion people worldwide)

5 **Culture matters**. More than investment, regulation, new fintechs, etc., what matters most to payment technology innovation is how people think and what they believe

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Join our Coffee Chats

Mondays 11am ET

For the 4th year in a row, PCMI offers its bi-monthly Coffee Chat series, an opportunity to share mutual learnings on the developing payments industry in Latin America

Lindsay Lehr
PCMI Managing Director

Register here

PCMI Payments & Commerce Market Intelligence

Q&A

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Thank You

www.paymentscmi.com

Lindsay Lehr

Managing Director

lindsay@paymentscmi.com

Andreas Farge

Director

andreas@paymentscmi.com

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