



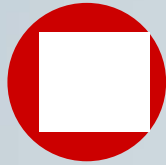
Americas
Market
Intelligence

Solving e-commerce obstacles in Latin America: Payments and Logistics

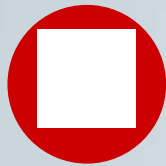
A webinar hosted by Americas Market Intelligence



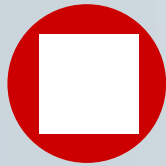
AMI is the leading independent market intelligence provider in Latin America



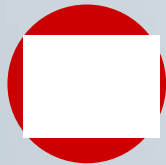
AMI is Latin America's leading Market Intelligence and Advisory group.



AMI's founding partners are pioneers in the field of Market Intelligence in Latin America, with over 20 years experience in the region.



AMI has experience in every market in Latin America and the Caribbean.



AMI is a member of SCIP – Strategic and Competitive Intelligence Professionals.



Our panelists and today's agenda

Today's speakers



Lindsay Lehr
Senior Director, Payments
Practice Leader **Americas**
Market Intelligence



Diego Rodriguez
Co-Leader, Logistics Practice
Americas Market Intelligence



Fernando D'Alessio
Co-founder and CEO
Juntoz.com



Felipe Iván Campos
Supply Chain
Product Engineer
FedEx

Moderated by



John Price
Managing Director
Americas Market Intelligence

Our agenda

1. Introductions
2. Payments: What it takes to truly access LatAm online shoppers
3. Logistics challenges in e-commerce in LatAm
4. Expert panel
5. Live Q&A

End-to-end e-commerce in
LatAm:
Big opportunity, multiple
challenges



LatAm e-commerce is at a pivotal moment



80% of Latin Americans live in cities



50% of the population is aged 20-35

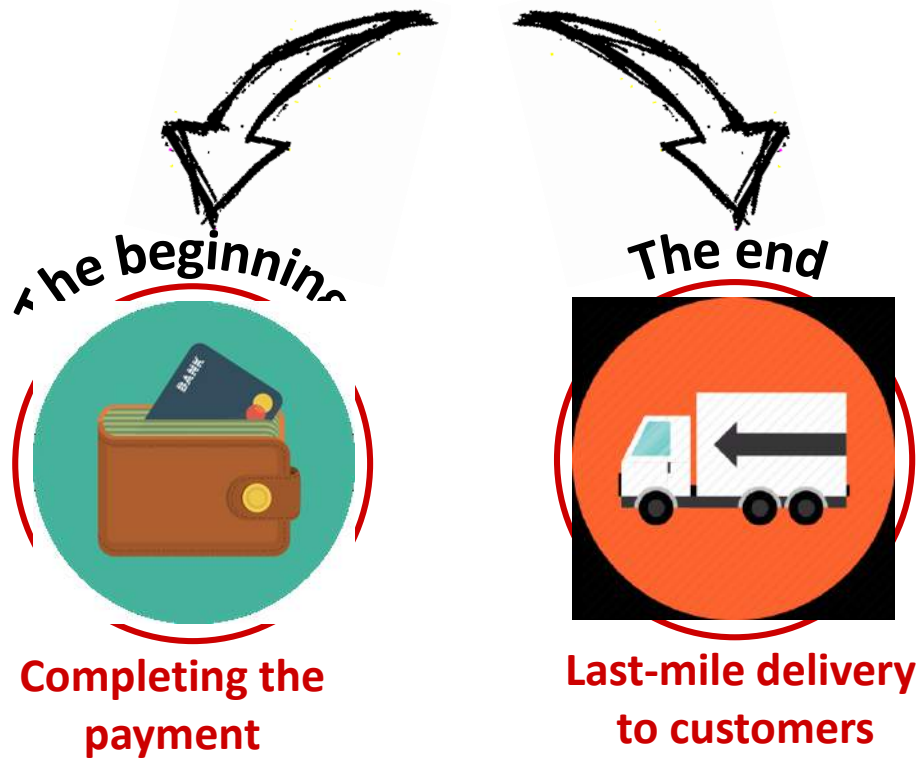


56% of mobile users own a smartphone



But local challenges still obstruct the industry's full potential

- Two key stages in e-commerce transactions are present tricky challenges
- Especially for **cross-border merchants** who don't understand the local landscape

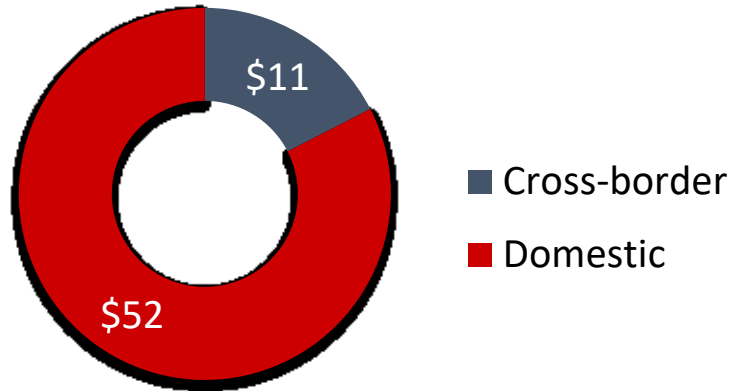


Payments: What it takes to truly access LatAm online shoppers



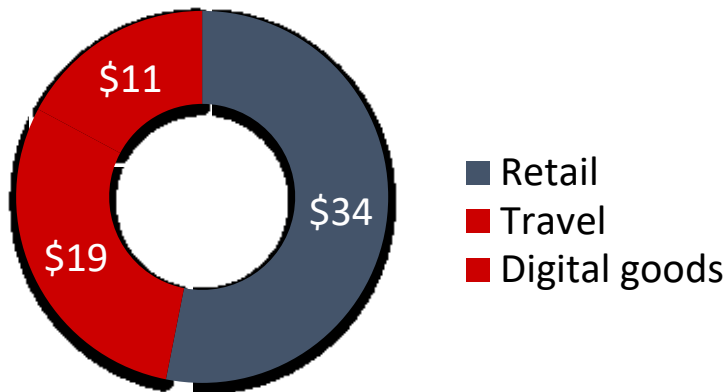
Landscaping e-commerce in Latin America

E-commerce volume in Latin America, 2016, USD bn



- Cross-border, marketplaces i.e. Amazon, eBay AliExpress, Wish, DealExtreme are increasingly popular.
 - Differentiators = price + variety
- Rapidly maturing domestic market is driving overall growth

E-commerce product verticals, Latin America, 2016 volume, USD bn



- More than 50% of e-commerce sales is retail
 - Promotes the use of cash-on-delivery and pick up in stores.
- Large and growing demand for returns processing

E-commerce payments landscape

Challenges to access Latin American e-shoppers abound...

Country	Credit card ownership, % of population 15+ years old
Brazil	30%
Argentina	51%
Chile	55%
Uruguay	42%
Mexico	25%
Colombia	26%
Peru	20%

In these countries,
50%-80% of credit cards in circulation
cannot be used internationally



Average authorization rate on cross-border credit card transactions is ~30%



Outside of Mexico, debit is generally not enabled for e-commerce



20% of all e-commerce spend is made using cash



Regionally, 68% of all e-commerce volume is spent using a local payment method. This is equal to \$43 billion

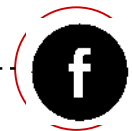
Who is using local payment methods?

Potential customers have diverse profiles and utilize payment methods differently

Socio-economic status	Upper-middle	Credit card holders who are afraid of using their card online Verticals: Travel, retail		
		Consumers with a domestic-only credit card, often women Verticals: Retail, travel	Credit card holders with a low credit limit, often women	University students, millennials ages 18-34
		Budget-conscience consumers who want to buy in installments Verticals: Retail, travel	SES: Middle class Verticals: Retail, travel	SES: Middle class Verticals: Retail, digital goods
		Emerging middle	Consumers with no digital payment method, esp. millennials Verticals: Retail, digital goods	



Urban



Connected to social media



Aspirational

Growth will come from the under-penetrated middle class

Smartphone holders		2017	2020	Growth CAGR
1	International credit card holders	20 mn	22 mn	5%
2	Domestic-only credit card holders	84 mn	93 mn	12%
3	No credit card	104 mn	117 mn	12%

Key markets for accessing new Internet users: Mexico, Colombia, Peru

Growing competition from an improving local market

Local players are finding ways to overcome local obstacles and promote growth



Mercado-Libre offering credit to customers in Mexico and Argentina



Walmart in Mexico to launch its own marketplace in 2018



Enabling real-time notification to merchants for cash payments



Creating an Uber-style cash collection platform in Chile



- Latam's first **online shopping mall** gathering hundreds of brand and retail eStores



Opening storefronts for brands and retailers on one single site



Complementary sales channel for those with and without online presence



Solution

Payments

- All credit cards
- Bank payments
- Cash on delivery

Logistics

- Same-day delivery
- Store pickup
- Free shipping

Innovations

- Subscribe & Save
- Cross-Border E-Commerce

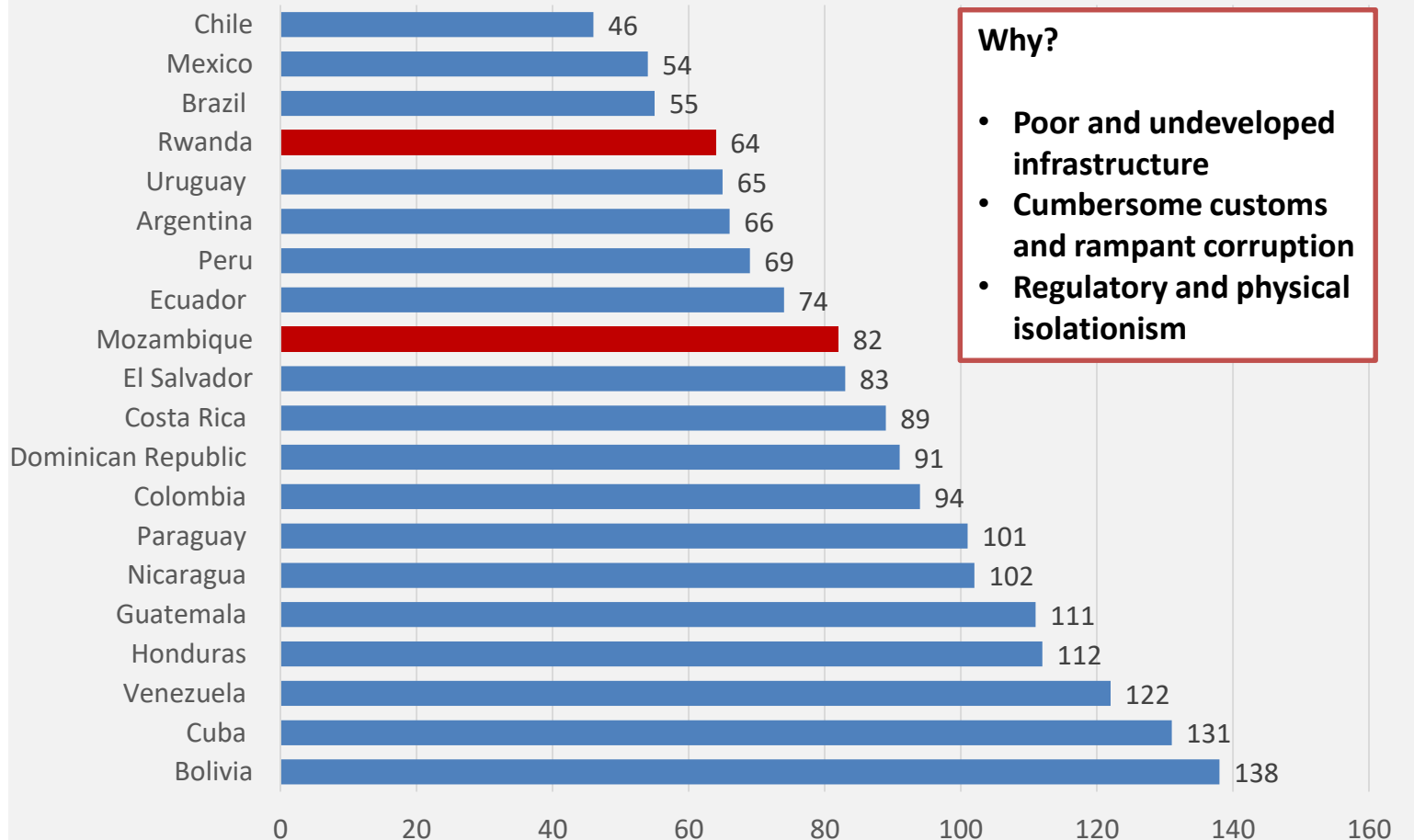


Logistics challenges in e-commerce in LAC



Rwanda and Mozambique are ranked higher than several countries in LAC in the World Bank's LPI index

Logistics performance index 2016



Fulfillment Delays and Lack of Reliability

The last mile of delivery can be the biggest source of obstacles



Lack of infrastructure and know/how on fulfillment to pick up, sort, consolidate and distribute goods beyond first-tier cities, arguing that there is lackluster demand to justify such investments.



Traffic is so overwhelming that same day or next day shipping terms can be impossible to fulfill. In Sao Paulo, the 20 km trip from the international airport to downtown can take anywhere from 1.5 to 4 hours.



Distribution centers rarely operate on 24-hour shifts due to security concerns, costly overtime and a lack of trained personnel, which prevents shippers from picking up goods at night when there is less traffic.

Solutions:

1. Third party fulfillment centers and centralized distribution to customers from DCs
2. Mixed matrix of last mile delivery providers. From large national coverage to local small, on-demand delivery firms like Rappido (BR), 99 minutos (MX), Chazki, iSend, Urbaner (PE)

Cross-Border Customs Delays and Corruption

Bureaucracy, red tape and corruption in customs are the greatest hurdles for cross-border online purchases in Latin America

The obstacles that parcels encounter at customs in Latin America are somewhat unique when compared to other continents, according to a mystery shopping exercise conducted by AMI in 2016



In Argentina, customs officials requested a bribe to expedite the clearing of the packages.



In Colombia and Mexico, local authorities did not clear the goods, arguing the receiver must be a registered importer (in itself a time-consuming process) prior to delivery and refused to release the package.



High costs in air transportation, import taxes and long transit times discourage shoppers in Latin America to take advantage of cheaper cross border e-commerce products.

Solutions:

1. FedEx, DHL, and UPS offer a complete end to end logistics solutions to SMEs and large firms to handle cross-border sells.
2. Start-ups like Logapp are focused on tackling high shipping costs

Lack of End-to-End Responsibility

It only undermines consumers trust in e-commerce



There is a widely held and flawed perception among online merchants that a sale is completed when the customer buys it online, as opposed to when the customer receives the product in their hands.



Too often, merchants and couriers blame one another when products arrive late or damaged to the customer.



The consumer seeks the guarantee of a merchant or logistics company that will take full responsibility for any delivery mishaps, without question and will facilitate return and replacement of damaged goods

Solutions:

1. Promote the outsourcing of fulfillment operations with 3PLs and the benefits of end to end responsibility with costumers
2. Improve integration between 3PLs and sellers by upgrading trace and tracking tools offered to customers

Lack of Customer Return Solutions

How a merchant deals with returns can enhance or destroy a customer relationship—as Amazon’s U.S. operations example reveals



Every online consumer eventually needs to return an order, either because he made a mistake or the merchant did or it arrived damaged



- Few merchants in Latin America are effective at managing returns.
- International merchants selling into the region are even more stymied by returns.



- In Colombia, Argentina and Chile, e-merchants till now have been focused on catching up to under-served demand.
- The issue of client retention is only now becoming prioritized by e-merchants.

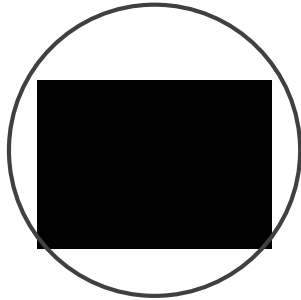
Solutions:

1. 3PLs offer the know-how and the expertise needed to handle product returns.
2. Clear return policies and tailored return solutions depending on the size of the seller are key to keep customers happy.

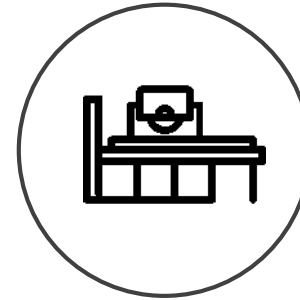
Poor Inventory Management

Well-administered inventory management both improves margins and reduces working capital requirements

Inventory management is the last thing on e-merchants' minds, until their sales explode and their lack of investment in adequate warehouse management systems (WMS) jeopardizes their continued performance.



- Most e-merchants are focused on the revenue side of the business, i.e. the pursuit of more customers and larger sales volumes.



- Underinvestment in warehousing technology capabilities in Latin America is more acute compared to other emerging markets, such as Asia.

Solutions:

1. Shared warehouses and inventory spaces are starting to gain traction mainly in Mexico and Brazil
2. Adequate stocking levels and appropriate WMS tools can increase cash flow in the bottoms side of merchant's operations

Disrupting logistics start-ups

Are they re-shaping e-commerce in Latin America?



- The gig economy is taking hold in Latin America thanks to its abundant supply of inefficient, over-taxed service industries.

Logistics start-ups



Dozens of start-ups are sprouting in LAC by reducing delivery costs and transit times, thanks to tapping into thousands of idle people who own a bike, motorcycle or cars.

- Among the new firms found are Chazki, Rapiddo, 99 Minutos and Shippify

Start-ups are not only limiting themselves to solve the last mile but also are tackling cross-border air transportation and customs brokerage.

- Loggap connects people who want to buy products from other countries with travelers willing to make room in their luggage.

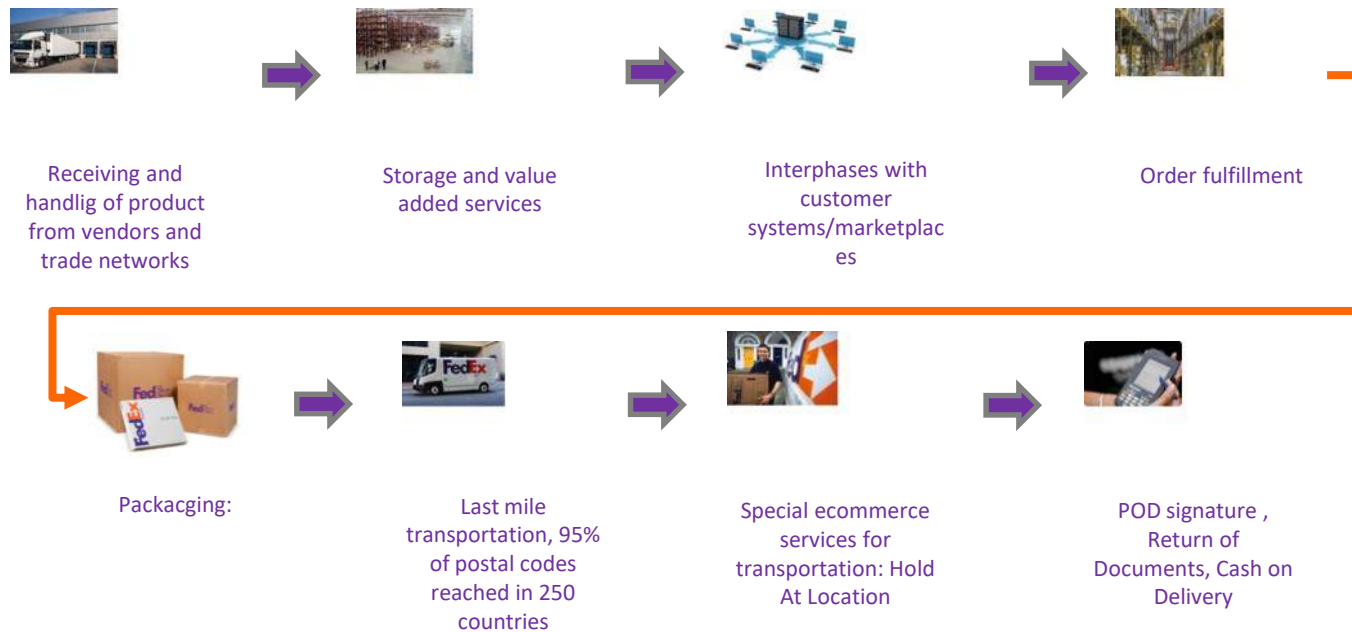
Case study: FedEx

E-commerce

- The retail industry is being transformed by e-commerce, and FedEx is at the forefront of making online shopping more convenient for consumers.
 - FedEx is a global transport and logistics company that can connect almost every person and business in the world in one to two business days, door-to-door, and we provide unique value added services across many industries.
 - Focusing on local delivery options still requires significant cost. Retailers and e-tailers will need to continue to heavily invest in higher inventory levels, more inventory management systems and more distribution centers and/or stores to meet the customer demands within each local market. For decades, customers have leveraged our networks to avoid some of those higher costs and we expect that to continue.
- FedEx – and the other leading global transportation providers – are the backbone of the e-commerce industry.
 - More than 95 percent of e-commerce packages in the United States are delivered by FedEx, UPS or the United States Postal Service.
 - E-commerce is expected to continue to grow aggressively in the years ahead, which will result in growing demand for delivery and returns service from all three of these companies.

Case study: FedEx

Logistics Solutions for ecommerce company



Where do I get more information?



AMI payments thought leadership

AMI-produced content to help payment industry players think strategically



Payments industry **whitepapers**.

- *Insights to Win in E-commerce in Latin America*: <https://americasmi.sharefile.com/d-s3ea7986ba5f4877a>
- *Latin America Payments Under Digital Transformation*: <https://americasmi.sharefile.com/d-s002cb3fc8c649f2a>



AMI *Perspectiva*, Market Insights for Success in LatAm, AMI's payment industry **blog**.

Access here: <http://amiperspectiva.americasmi.com/category/payments>



AMI payments industry **presentations and data**:

- *M-commerce in Latin America: Opportunities, best practices, and case studies, 2016*
<https://americasmi.sharefile.com/d-s6bbeed507944eccb>
- *Landscape of Virtual Money in Latin America: Trends, opportunities and risks, 2016*
<https://americasmi.sharefile.com/d-s1c877a59b674fe09>



Insights available for purchase

- *Comprehensive e-commerce data in eight LatAm markets*
- *Optimizing e-commerce payments in Brazil, 72-page market report*: <http://americasmi.com/productsindex>

AMI logistics thought leadership

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AMI Perspectiva, Market Insights for Success in LatAm, AMI's logistics industry **blog**.
Access here: <http://amiperspectiva.americasmi.com/category/logistics/>



Notable Analysis Pieces from AMI's Logistics Team:

- [Disrupting Start-ups Impact the LatAm Logistics Industry](#)
- [How Will Latin America's Legacy Logistics Players Cope with Disruption?](#)
- [Cómo las empresas de logística en LatAm pueden lidiar con la tecnología "disruptiva"](#)
- [4 Ways Companies in Latin America Are Reducing Logistics Costs](#)
- [2017-18 U.S.-Latin American Logistics Outlook](#)
- [The 5 Biggest Logistics Challenges Facing Latin American Logistics](#)

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