Discover the potential of these four emerging eCommerce markets. Each factsheet contains information on local methods of payment, the restrictions, mandates and legal requirements that ought to be considered, along with the mobile payments landscape.
eCommerce

- Consumer electronics and computer hardware will drive eCommerce in Brazil; these segments currently account for more than half the online retail revenues. Categories like clothing are less popular.2

- Many consumers continue to be cautious about shopping online, preferring to speak with a customer service representative prior to placing an order.3

- Domestic players like Americanas.com, MercadoLivre, Buscapé, and Submarino dominate the online retail landscape alongside a few multinational companies like Walmart and Carrefour. Global competition like Sony, Netflix and Amazon Web Services are gradually making inroads.

- Retailers in Brazil have trained consumers in São Paulo and Rio de Janeiro to expect packages in a couple of days, even when they select free shipping.2

- Shipping prices and delivery times vary by geography. Customers in remote cities like the northeastern city of Fortaleza or the Amazon’s regional capital of Manaus can expect deliveries to take three weeks or more, even after paying steep shipping charges.

- Recently, the leading online retailer Americanas.com was prohibited from accepting new orders from consumers in Rio de Janeiro after it failed to deliver packages on time.

Online Payment Preference

- Credit Card: 55.3%
- Debit Card: 8.3%
- Online Bank Transfer/Direct Debit: 5.3%
- PayPal: 3.2%
- Country Specific Card: 3.1%
- Gift Card, Pre-paid Card: 3.2%
- Other eWallet (Mercado Pago): 1.4%
- Other: 8.0%

* Other includes miscellaneous online payment methods, cash and check.
Source: ComScore study 2011 commissioned by CyberSource.
Methods of Payment

- With an 83.5% share of online transactions, credit and debit cards dominate online payment, due to rising disposable income and attractive promotions offered by card merchants.

- The Brazilian credit card market is dominated by domestic banks, with about 30.0% of the cards authorized for in-country transactions only.7

- Interest-free installment payments are popular, driven by low credit card spending limits and some of the highest interest rates on credit cards in the world.8

Funding and Settlement windows

- Merchant funding in Brazil takes 30 days, with the credit card issuer settling funds on the 31st day after the transaction.

Fraud Prevention

- As in any emerging market, businesses should be prepared to diligently manage fraud in Brazil. According to a study conducted by CyberSource, the chargeback rate in Brazil is 0.74%, only slightly higher than the Latin American average of 0.63%, but significantly higher than the US average of 0.41%. The order rejection rate of 5.6% is more than double that of the US, which stands at 2.5%.10

Restrictions, Mandates, and Legal Requirements

- New laws mandate that retailers must specify the time of day when packages will be delivered.

- Brazil passed the Credit Information Law (CIL) in June 2011, which regulates “the creation and the access to databases related to credit information of citizens and companies.”

- A draft Data Protection Bill 2011 and Brazilian Internet bill of rights is pending approval. As of 2011, there are no restrictions for cross-border data transfer.

- Foreign retailers find that legal and tax requirements make eCommerce in Brazil a complex market to navigate.

- Brazil has some of the highest taxes and duties in the world, much higher than in other Latin America countries.11

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CHINA

At roughly US $100 billion, China’s online retail market is one of the largest and most dynamic in the world. Chinese consumers are rapidly embracing online shopping – they are buying more frequently, across more categories and spending more per person every year. C2C sites like Taobao Marketplace still dominate the landscape.

Ecommerce

- Chinese consumers, especially those in smaller cities, favor shopping with retailers through their Tian Mao* storefronts (formerly TMall) rather than brick and mortar stores. Major foreign brands with storefronts on Tian Mao include UNIQLO, Adidas, Levi’s and Gap.

- With consumers seeking more variety, quality and service, B2C eCommerce sales are expected to grow at a faster pace and will account for ~53.0% of the eCommerce market by 2015.¹

- About 70% of consumers indicated they shop online at least once a week, compared with around 40% in the US and the UK.²

- Foreign retailers looking to sell to China have to build their own delivery systems by creating a network of local couriers and third-party express delivery services.

- According to an October 2011 article in Forbes.com, fierce price competition and logistical challenges severely limit the profit potential of domestic and foreign eCommerce businesses.

Online Payment Preference

- eWallets (Alipay, Tenpay, PayPal, etc.): 27.0%
- Online Bank Transfer/ Direct Debit: 15.0%
- Debit Card: 11.0%
- Gift Card: 4.0%
- Cash on Delivery: 10.0%
- Other: 2.0%*

* Other includes miscellaneous online payment methods, cash and check. Source: ComScore study 2011 commissioned by CyberSource.

Insight:

Online Payment Preferences

CURRENCY: Chinese Yuan (Renminbi)
REPATRIATION: Very Difficult

$95 billion
Ecommerce Sales Volume in 2011³

79%
Ecommerce Annual Growth Rate in 2011³

178.4 million
Online Buyers in 2011⁴

94%
Share of eCommerce Market – Retail⁵

6%
Share of eCommerce Market – Travel⁶

* Originally a part of Taobao, Tian Mao or TMall, is a dedicated B2C platform featuring hundreds of thousands of Chinese and international brands. It is by far the most popular B2C website in China.
Methods of Payment

- Cash on Delivery (COD) remains one of the leading online payment types in China and is frequently the first option listed at leading online retailers. Many consumers prefer to inspect purchases prior to paying for them.
- Some companies cap the amount that can be paid via COD – Amazon.com, for example, allows COD payments for up to RMB 20,000 (approximately USD $3,000).\(^6\)
- Most payment cards in China are debit cards, and can only transact in-country. Debit card eCommerce transactions are actually online bank transfers (push payments). Certain Chinese debit accounts have daily spending limits – sometimes as low as 300 RMB (USD ~$47).
- While initially not too common, credit cards are gradually becoming popular with upwardly mobile online shoppers in China. Many cards have single transaction limits, in addition to daily and monthly limits.\(^6\)
- Some banks impose monthly transaction limits on payment gateways like Alipay, for payments linked to banks’ credit cards. For example, CITIC Bank restricts its cardholders to RMB 1,000/month (USD ~$155).

Restrictions, Mandates, and Legal Requirements

- Repatriation of funds from China is relatively difficult for international businesses. Funds need to be routed through the State Administration of Foreign Exchange (SAFE). Further, the repatriation amount is subject to monthly limits.
- Businesses can access online transaction facilities from payment intermediaries only if they are domiciled in China and have Internet Content Provider and business licenses.
- In most instances, retailers are restricted from shipping directly to consumers. Instead, goods need to be routed through a local intermediary.

Most Chinese Online Retailers Support Alipay and Cash On Delivery

Payment methods offered by leading retailers paint a different picture from the payment methods listed by consumers (see page 1). Retailers may need to reduce their reliance on eWallets and more traditional methods of payment like cash and postal remittance, in favor of debit and credit cards.

<table>
<thead>
<tr>
<th>Payment Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alipay</td>
<td>96%</td>
</tr>
<tr>
<td>Cash On Delivery (COD)</td>
<td>93%</td>
</tr>
<tr>
<td>Direct Bank Transfer</td>
<td>66%</td>
</tr>
<tr>
<td>TenPay</td>
<td>53%</td>
</tr>
<tr>
<td>Postal Remittance</td>
<td>46%</td>
</tr>
<tr>
<td>99Bill</td>
<td>33%</td>
</tr>
<tr>
<td>China UnionPay</td>
<td>30%</td>
</tr>
<tr>
<td>PayPal</td>
<td>23%</td>
</tr>
<tr>
<td>Quick Money</td>
<td>20%</td>
</tr>
<tr>
<td>International Credit Cards</td>
<td>16%</td>
</tr>
</tbody>
</table>

Base: 30 prominent online retailers within China
Source: Online Payment Preferences in China, Forrester Research Inc, 2011

Alipay, owned by the Alibaba Group, is an electronic payment system similar to PayPal. It is the largest eWallet in China and extremely popular with consumers and retailers. Consumers need to register with Alipay in order to make payments. Purchases can be funded using debit cards, credit cards, and even cash.

eCommerce

- Online buyers in Mexico tend to be relatively affluent, but per capita online spending remains quite low.²

- The Mexican government has spearheaded several e-Government initiatives that are likely to spur wider adoption of eCommerce. In 2011, 410,000 Mexicans, the largest number of online tax payers of any country in the region, paid taxes using the web.

- Consumer electronics accounts for almost one-quarter of online retail sales in Mexico and digital products and services are also very popular.³

- Liverpool and MercadoLibre are the leading eCommerce players in Mexico.⁴

### Online Sales Tactics Used by B2C eCommerce Companies in Mexico, 2011 & 2012

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounts</td>
<td>75%</td>
<td>67%</td>
</tr>
<tr>
<td>Free shipping</td>
<td>39%</td>
<td>53%</td>
</tr>
<tr>
<td>No interest for a period of time</td>
<td>38%</td>
<td>57%</td>
</tr>
<tr>
<td>Freebies</td>
<td>36%</td>
<td>33%</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>11%</td>
<td>18%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
<td>20%</td>
</tr>
</tbody>
</table>


### Online Payment Preference

- PayPal: 15.2%
- Debit Card: 13.8%
- Online Bank Transfer/Direct Debit: 5.3%
- Mercado Pago: 2.3%
- Gift Card, Pre-paid Card: 5.2%
- Cash: 10%
- Off-line Wire/Bank Transfer: 6.2%
- Convenience: 1.2%
- Other: 4.3%

Source: ComScore study 2011 commissioned by CyberSource.

### eCommerce Market – Retail

- $8.0 billion eCommerce sales volume projected for 2013¹
- 8.4 million Online buyers projected for 2013³
- 67% Share of eCommerce Market – Retail⁴

### eCommerce Market – Travel

- 33% Share of eCommerce Market – Travel⁴

### eCommerce annual growth rate projected for 2013³

- 29.6%

*This projection does not include C2C transactions, taxes, and other payments made to the government.
**Methods of Payment**

- Debit cards far outnumber credit cards in Mexico. In 2011, it is estimated that there were only 25 million active credit cards (just one out of ten Mexicans possesses a credit card) as compared to 83.8 million debit cards and more than 100 million checks written over a three-month period.7

- Not all debit cards in Mexico, however, can be used for making online payments, making online payments difficult for the average Mexican.

- New methods of payment are emerging to tap non-cardholders. One such off-line payment system is DineroMail. During checkout, the consumer selects DineroMail OXXO or DineroMail 7eleven, enters name, email address, and phone number, and is redirected to the DineroMail website to print out a voucher containing a barcode. The consumer then presents the voucher and makes the payment at an OXXO or 7eleven store.

- Another alternate payment option involves cash payments at bank branches for purchases made through low-cost travel websites.7

- Security of online payments was the most often cited reason for using offline payment methods in Mexico (49%).8

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**Mobile Payments**

- At present, mobile phone and smartphone ownership and usage in Mexico lags behind that of other Latin American countries like Brazil and Argentina, however, the trend is expected to improve in coming years.

- About one in four mobile phones in the country are smartphones and not all owners subscribe to a data plan, preferring instead to use Wi-Fi locations.9

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**Restrictions, Mandates, and Legal Requirements**

- Mexico requires CVN for all eCommerce transactions except those from merchants that initiate recurring transactions.

- Mexico has comprehensive privacy legislation in place. The Personal Data Protection Law is recent, and specific requirements have yet to be developed. There are no registration or other cross-border privacy requirements in the law at this stage.8

- The law includes a general requirement that data subjects must be notified when a data breach occurs.

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1. eMarketer, 2012  
2. Latin American Online Retail Forecast, 2012 To 2017, Forrester 2012  
3. ComScore study 2011 commissioned by CyberSource  
5. eMarketer, 2012  
6. AMIPO, 2012  
9. eMarketer: Mobile Mexico: Overcoming Obstacles to Growth, 2012
RUSSIA

WITH THE LARGEST NUMBER OF ONLINE USERS IN EUROPE\(^1\) AND A RAPIDLY GROWING POPULATION OF ONLINE SHOPPERS, RUSSIA HOLDS CONSIDERABLE PROMISE FOR eCommerce BUSINESSES. YET, SUCCESS HAS SO FAR BEEN LIMITED TO LOCAL FIRMS THAT UNDERSTAND LOCAL PREFERENCES AND ARE ABLE TO OVERCOME SERIOUS LOGISTICAL BARRIERS.

**eCommerce**

- Lack of infrastructure makes it hard for global retailers to be successful in Russia. Delivery of goods is hampered by an unreliable, expensive postal system. An underdeveloped financial services sector makes cash acceptance unavoidable.

- eCommerce in Russia is dominated by local players like OZON.ru (similar to Amazon.com), that claims more than 700,000 unique visitors who spend more than $1 million in sales every day. OZON.ru has its own delivery service, O-Courier, which operates in 130 cities across the country.\(^2\)

- Despite logistical barriers, eCommerce sales are strong even beyond major metro areas. The Moscow region was responsible for 45% of all online sales in Russia in 2011, followed by Saint Petersburg (11%) and Ekaterinburg (4%). Forty percent of all eCommerce sales in 2011 came from smaller towns.\(^3\)

- To build consumer trust, online retailers in Russia prominently display phone numbers and maintain extensive call center operations.

<table>
<thead>
<tr>
<th>Online Payment Preference</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Card</strong></td>
<td>20.6%</td>
</tr>
<tr>
<td><strong>Debit Card</strong></td>
<td>19.3%</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>22.0%</td>
</tr>
<tr>
<td><strong>WebMoney</strong></td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>Online Bank Transfer</strong></td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Yandex</strong></td>
<td>4.0%</td>
</tr>
<tr>
<td><strong>Offline Bank Transfer</strong></td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>KII</strong></td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>PayPal</strong></td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>7.1%*</td>
</tr>
</tbody>
</table>

* Other includes eCheck, eWallet other than PayPal, prepaid card, etc.
Source: ComScore study 2011 commissioned by CyberSource.

$17.5 billion  
eCommerce sales volume projected for 2013\(^4\)

21%  
eCommerce annual growth rate projected for 2013\(^5\)

26.2 million  
Online buyers projected for 2013\(^6\)

55%  
Share of eCommerce Market – Retail\(^7\)

45%  
Share of eCommerce Market – Travel\(^8\)
Methods of Payment

- Exorbitant bank charges and lack of trust in electronic payments result in cash being the preferred payment method in Russia, especially for physical goods. Cards often require pre-authorization and card data is not stored by merchants.

- Since credit cards pose significant fraud risk for merchants, Russian businesses continue to favor cash.

- Card and online payments, are however, gaining ground on travel sites and for digital goods.

- A number of online payment systems such as Yandex.Money (~14.0 million users; 20,000 merchants and WebMoney (~6.0 million users, 2,200 merchants) are also gaining popularity. Customers fund them by linking these accounts with domestic bank accounts, debit cards or deposit cash through offline stores/kiosks. These payment systems can have daily transaction limits.

- Kiosks, where consumers pay for online purchases as well as other bills, are another form of payment in Russia. They can be seen on streets, supermarkets, small stores, etc. Sometimes, there are multiple terminals by different companies, creating a ‘payment island’.

Restrictions, Mandates, and Legal Requirements

Russia has its own approach to privacy legislation. The Russian law has many similarities with the EU Directive. However, enforcement of the law appears to be very limited.

Mobile Payments

- Mobile traffic represents just 3%-5% of total traffic on eCommerce sites in Russia and the share of online orders made via mobile phones is even lower.

- Still, service providers are trying to change the landscape. QIWI Limited, a local payment services provider, and Visa Inc. formed a strategic alliance in 2012 to introduce a digital wallet providing consumers access to various electronic payment options.

104.4 million

Projected Mobile Phone Users

76%

Projected Mobile Phone Users (% of population)

Source: eMarketer 2012, projections for 2013

36.6 million

Projected Smartphone Users

35%

Projected Smartphone Users (% of mobile users)

Source: eMarketer 2012, projections for 2013

17%

Internet Users who have made a Purchase on their Mobile Phone


“...It’s better for us to take cash rather than card in many cases since the cost per transaction by card is much more expensive for us. We’ve always supported cash payments, and in fact I believe this has been instrumental in establishing customer trust in us and getting us to our market-leading position.”

– Maelle Gavet, Chief Executive Officer of OZON Holdings, a leading eCommerce company in Russia

ABOUT CYBERSOURCE

CyberSource Corporation, a wholly owned subsidiary of Visa Inc., is a payment management company. More than 400,000 businesses worldwide use CyberSource and Authorize.Net brand solutions to process online payments, streamline fraud management and simplify payment security. The company is headquartered in Foster City, California. CyberSource operates in Europe under agreement with Visa Europe. For more information, please visit www.cybersource.co.uk or call +44 (0)118 990 7300.