



# ARGENTINA

## e-commerce payments overview

In the last decade, Argentina has been one of Latin America's more volatile markets. Under the administration of president Cristina Kirchner, the country suffered restrictions on foreign exchange and imports that drove many multinational companies out of the country. High inflation, rising crime and unemployment were all heavy drags on economic growth.

In 2015, Argentines elected free-market proponent Mauricio Macri, who lifted currency controls and some import restrictions in an effort to increase competitiveness.

Argentina is still suffering from ~30% inflation and President Macri has failed to make key economic improvements since taking office. However, investors and multinationals are eyeing Argentina with optimism, as a consolidated middle class, high educational attainment and moderate GDP per capita make it an attractive market with enormous potential.

### KEY STATS

#### E-commerce market size

**\$8B** in total e-commerce spend in 2017

**16%** projected 2018-2021 CAGR

#### Desktop vs. mobile purchasing

**57%** of online sales took place on a desktop

**43%** of online sales took place on a mobile device

#### Domestic vs. cross-border shopping

**70%** of online sales were to local, Argentine merchants

**30%** of online sales were cross-border —made on an international website

Sources: CACE, interviews, AMI analysis

\* 2017 data.

FIGURE 1. HISTORIC AND PROJECTED E-COMMERCE VOLUME, ARGENTINA, 2014-2021, USD BILLIONS



Sources: CACE, market interviews, AML analysis

Despite trying macro-circumstances, Argentines are of the most innovative and resourceful in Latin America. Argentina is home to the region's largest homegrown Internet company, MercadoLibre, which locally represents around 30% of all e-commerce spend. MercadoLibre was responsible for evangelizing e-commerce in Argentina early on, and as a result, the e-commerce market there is robust. It outperforms Colombia, the market most similar to Argentina in terms of population in size and growth, and it has the fastest projected growth rate of the region's top markets.

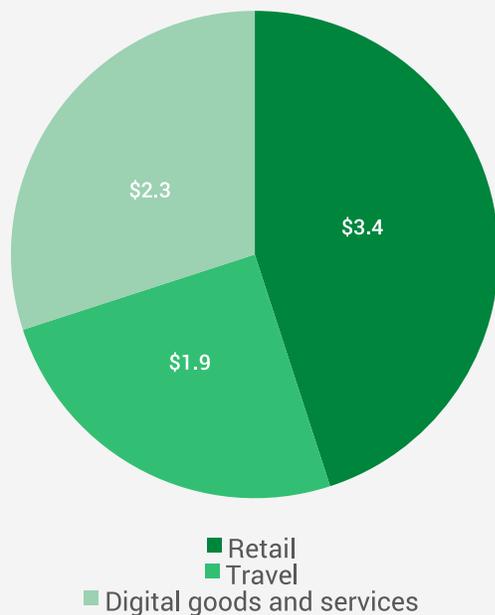
## WHAT IS DRIVING GROWTH?

- ▶ **Regulatory changes.** With currency controls lifted in 2015, consumers are no longer subjected to a ~35% tax when using their credit cards on international sites.
- ▶ **Increasing use of e-commerce by women.** In 2017, the fastest-growing product categories in e-commerce were home furnishings, groceries, and cosmetics—all categories preferred by women.
- ▶ **Debit enabled for e-commerce.** Until late 2016, debit cards were not enabled for use in e-commerce. Visa's acquirer Prisma, as well as some payment processors, have built partnerships to enable debit cards, which will drive growth among the banked who do not have credit cards, particularly millennials.

A major hindrance to e-commerce growth in Argentina was a Kirchner-imposed 35% tax placed on international credit card transactions, an effort to keep dollars in the country. This prevented the development of cross-border e-commerce, which is stunted in Argentina compared to its neighbors. President Macri lifted this tax when he eliminated the fixed exchange rate, a move that will contribute significantly to future growth.

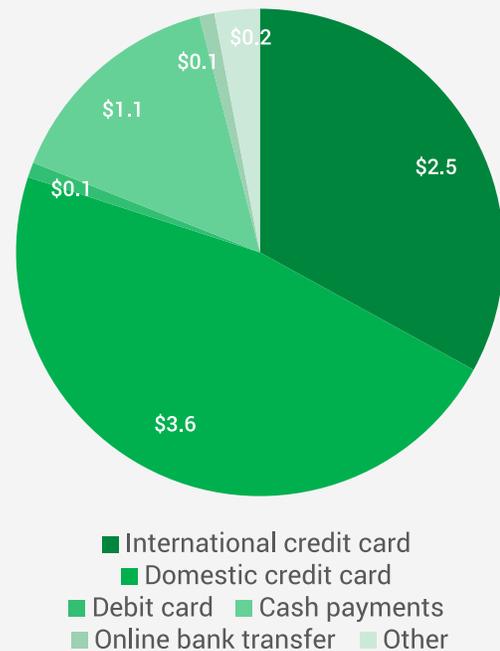
on international networks like Visa and MasterCard. There are also local credit cards such as Tarjeta Naranja that utilize local-only credit card networks, which are sold mostly to low- and moderate-income consumers.

**FIGURE 2. E-COMMERCE SPEND BY VERTICAL, ARGENTINA, 2017, USD BILLIONS**



Sources: CACE, market interviews, AMI analysis

**FIGURE 3. E-COMMERCE VOLUME BY PAYMENT METHOD, ARGENTINA, 2017, USD BILLIONS**



Sources: CACE, market interviews, AMI analysis

## HOW ARGENTINES PAY

About 51% of Argentines have a credit card; this is the second highest penetration rate in the region after Chile. Credit cards also account for the largest share of e-commerce of all markets analyzed in this report, at 80%. The bulk of this spend, however, is done using domestic-only cards. As occurs with Brazil, banks automatically restrict some cards from international purchases, even if they operate

The use of cash payments in Argentina is on par with other markets at a healthy 15% of e-commerce spend. Leading payment networks PagoFacil and Rapipago are well-known brands, but they are mostly used to pay utility bills and to provide a reliable payment method for the unbanked.

Perhaps the most notable aspect of payment behavior in Argentina is the widespread use of installment plans. A recent survey conducted by the Argentine Chamber of E-Commerce found that 76% of online shoppers used a credit card for their last purchase to access installment-based financing made available by the merchant. Consumers expect the option of paying up to 12 interest-free installments for high ticket items like technology and 3 to 6 installments for everyday purchases like clothing and cosmetics.

Payments with international credit cards represent 33% of all e-commerce spend in Argentina.

67%—or \$5.1 billion—of the Argentine e-commerce market is inaccessible to merchants without a local payments strategy.

## ESSENTIAL ARGENTINA TAKEAWAYS

- ▶ 2018 is a particularly opportune moment to invest in Argentina: a pro-market president and recent reforms are contributing to 20% annual growth in e-commerce volume.
- ▶ Local payment methods represent 79% of the e-commerce market. Credit card penetration is higher than in other LatAm markets, but most cards can only be used domestically. Local cards account for 47% of e-commerce spend. Cash payments take another 15%. Debit card use will grow exponentially from 2018 onward.
- ▶ Offering installments is essential to having a relevant presence in Argentina. Merchants who do not offer installments risk getting undercut by competitors.

## RELEVANT REGULATORY DEVELOPMENTS

The Central Bank of Argentina is actively working on modernizing Argentina's payment system and breaking up the perceived duopoly in credit card processing, which is currently controlled by Visa's acquirer, Prisma (65% market share) and Mastercard acquirer First Data. The Central Bank and local anti-trust authorities have pressured the 14 owner banks of Prisma to sell the company and have capped bank interchange rates.

Under government pressure, credit card acquiring will inevitably open up, as has recently occurred in Brazil. This will bolster domestic card networks, which will gain access to current card acceptance infrastructure. It will also increase opportunity for new acquirers to enter the market, who may offer competing local payment methods. These developments will make a local payments strategy for merchants all the more relevant.

In Q2 2018, the Argentine government passed a law that imposes a 21% VAT on digital goods and services purchased from foreign companies, such as Netflix, Spotify and Apple.