



# URUGUAY

## e-commerce payments overview

Uruguay is referred to locally as a *país boutique*, or a boutique country. This is because it is small—population 3.4 million—with exemplary development metrics for Latin America.

With its GDP per capita of \$15,500, and its Internet and smartphone penetration, at 86% and 65% respectively, Uruguay is well ahead of most of its neighbors. Uruguayans are highly computer literate thanks to government initiatives: Uruguay was the first country in the world to fully implement the One Laptop per Child program, distributing one laptop to every public primary school child in 2009. Following that, in 2010, the public phone company Antel committed to installing free Internet in every home with a fixed phone line. Thanks to this investment in information and communication technology (ICT), Uruguay has one of the highest e-commerce penetration rates in the region: 35% of the population buys online.

### KEY STATS

#### E-commerce market size

**\$1B** in total e-commerce spend in 2017  
**54%** projected 2018-2021 CAGR

#### Desktop vs. mobile purchasing

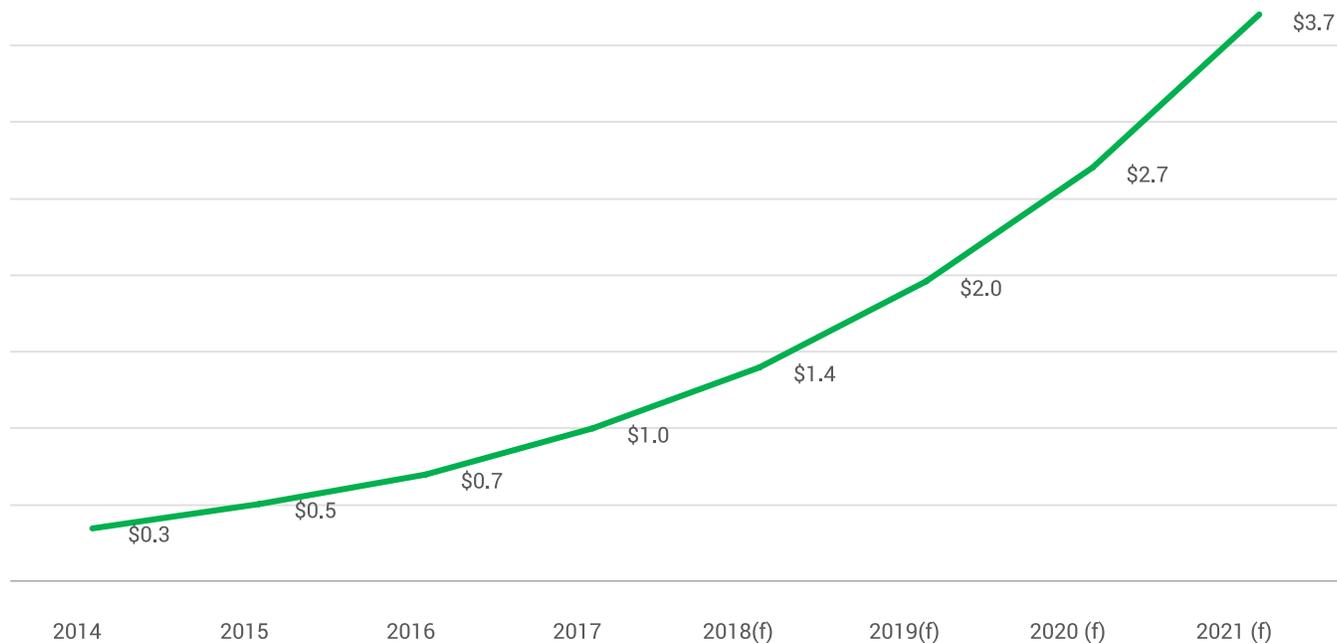
**70%** of online sales took place on a desktop  
**30%** of online sales took place on a mobile

#### Domestic vs. cross-border shopping

**88%** of online sales were to local, Uruguayan merchants  
**12%** of online sales were cross-border—made on an international website

Sources: AGESIC, Cedu, interviews, AMI analysis  
\* 2017 data.

FIGURE 34. HISTORIC AND PROJECTED E-COMMERCE SPEND, URUGUAY, 2014-2021, USD BILLIONS



Sources: asegi, interviews, AMI analysis

## WHAT IS DRIVING GROWTH?

- ▶ **Government commitment to financial inclusion.** Laws mandating direct deposit payment for salaries and free checking accounts for workers have helped to promote widespread access to electronic payment methods, especially debit cards.
- ▶ **Enablement of debit in e-commerce.** The Uruguayan Chamber of E-commerce is actively working with banks, acquirers and merchants to enable debit for e-commerce on a larger scale.
- ▶ **Arrival of MercadoPago.** MercadoLibre has been present in Uruguay for 10+ years, but in 2016 the company's payment platform set up shop. This has accelerate the inclusion of local merchants in e-commerce and push card acquirers to improve their service.

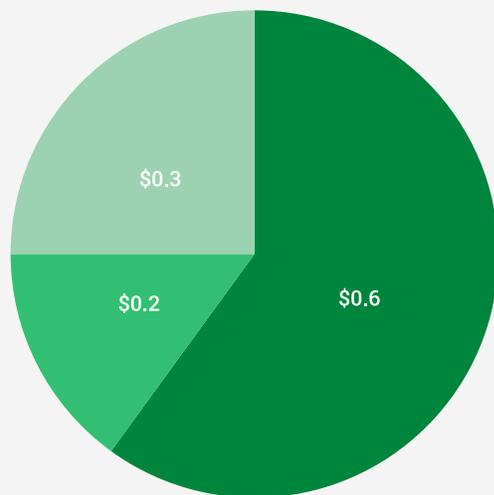
Uruguay's e-commerce market is small but growing at a projected rate of 54% between 2018 and 2021. Following in the steps of MercadoLibre, Uruguay's local e-commerce market has flourished and is constantly improving. Local merchants, with an understanding of local preferences and behaviors, have surpassed international companies. In 2015, Groupon closed its Uruguay operations for failure to grow; local analysts attribute this to the success of Woow, a competing discount coupon seller who, as opposed to Groupon, used localized language and enabled local payment methods. Since Groupon's exit, Woow has diversified into travel, restaurants, and experiences.

Challenges still confront the local e-commerce market, however. Local merchants and payment gateways lack expertise and funding. One key challenge is that most local merchants are not PCI-compliant, which introduces friction during the payment process by requiring shoppers to be re-directed to card acquirers' sites to complete the payment. The entrance of PCI-compliant MercadoPago will nudge the rest of the industry to mature.

## HOW URUGUAYANS PAY

About 41% of consumers in Uruguay own a credit card. This is the third-highest rate of countries examined in this report, behind only Chile and Argentina. But only 53% of cardholders own a card enabled for international use. Similar to Chile, Brazil and Argentina, leading banks Itaú and Santander issue Visa and Mastercard cards that are enabled for local use only. Another large swath of consumers owns the Oca card, issued by Banco Itaú. Together, international and domestic credit cards represent 70% of e-commerce.

**FIGURE 35. E-COMMERCE SPEND BY VERTICAL, URUGUAY, 2017, USD BILLIONS**



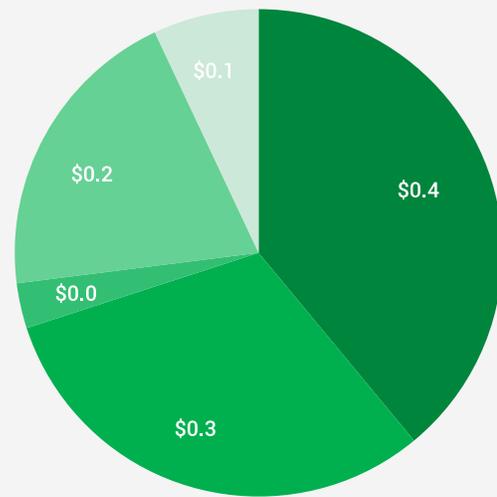
■ Retail  
■ Travel  
■ Digital goods and services

Sources:  
asegic, interviews, AMI analysis

Like its neighbors, the use of cash payment vouchers for e-commerce is commonplace in Uruguay. These are enabled primarily by two payment collection networks: RedPagos, with agents in currency exchange shops, and Abitab, affiliated with lottery agents. Together, these cash payment methods represent 20% of total spend.

Debit cards today represent a tiny volume, only 3% of total e-commerce billing, but this will likely jump in 2018 as merchants and banks increasingly enable this payment method.

**FIGURE 36. E-COMMERCE VOLUME BY PAYMENT METHOD, URUGUAY, 2017, USD BILLIONS**



■ International credit card  
■ Domestic credit card  
■ Debit card  
■ Cash payments  
■ Other

Sources:  
asegic, interviews, AMI analysis

Interest-free installments also play an important role in local e-commerce sales. Customers are accustomed to making online purchases in up to 12 installments, interest-free. The ability to offer installments acts as an important differentiator for merchants and banks. In fact, Banco Itaú has partnered with MasterCard to enable Oca cardholders to swipe their cards at MasterCard points-of-sale, which allows for international purchasing while simultaneously enabling interest-free installments.

Merchants processing payments internationally in Uruguay will only access 53% of cardholders, who in turn represent only 21% of the total population.

Without a local payments strategy, international merchants forfeit access to 61% of the market.

## ESSENTIAL URUGUAY TAKEAWAYS

- ▶ While Uruguay represents a small market, it is very prepared for e-commerce due to high technology literacy rates and socioeconomic indicators.
- ▶ The government is committed to financial inclusion and the promotion of electronic payment methods. The use of credit and debit cards will grow compared to cash in coming years.
- ▶ The ability to offer local credit cards and alternative payment methods has proven to be critical to a successful Uruguay e-commerce strategy.
- ▶ Local payment methods make up a total of 61% of all e-commerce spend.

## RELEVANT REGULATORY DEVELOPMENTS

In an effort to prop up the local e-commerce market and under pressure from local retailers, the government places restrictions on international e-commerce for physical goods. Uruguayans may receive a maximum of three international e-commerce shipments per year, for a maximum value of \$200 per shipment. If a shopper exceeds these restrictions, their shipments can be legally seized in customs or incur a 40% import tax. This has naturally hindered the growth of cross-border e-commerce and benefitted the local market.

But these rules do not apply to digital goods and services, putting digital goods merchants at a distinct advantage.