



# PERU

## e-commerce payments overview

Peru is Latin America's least-developed middle-income country, with one of the smallest e-commerce market sizes covered in this report.

Despite recent government efforts to formalize the economy, Peru is hampered by a large informal sector and a greater dependence on cash than other countries in the region.

Peru has the least developed mobile market, with 35% smartphone penetration. Banking penetration is also low: although Peru has made improvements in financial inclusion in recent years, only 20% of the population owns a credit card and 32% owns a debit card.

Peru is still very much a cash economy. However, unlike Brazil and Chile, whose growth has slowed to <20% due to market maturity, Peru is growing rapidly, forecasted at nearly 35% year-over-year through 2021.

### KEY STATS

#### E-commerce market size

**\$3B** in total e-commerce spend in 2017

**35%** projected 2018-2021 CAGR

#### Desktop vs. mobile purchasing

**82%** of online sales took place on a desktop

**18%** of online sales took place on a mobile device

#### Domestic vs. cross-border shopping

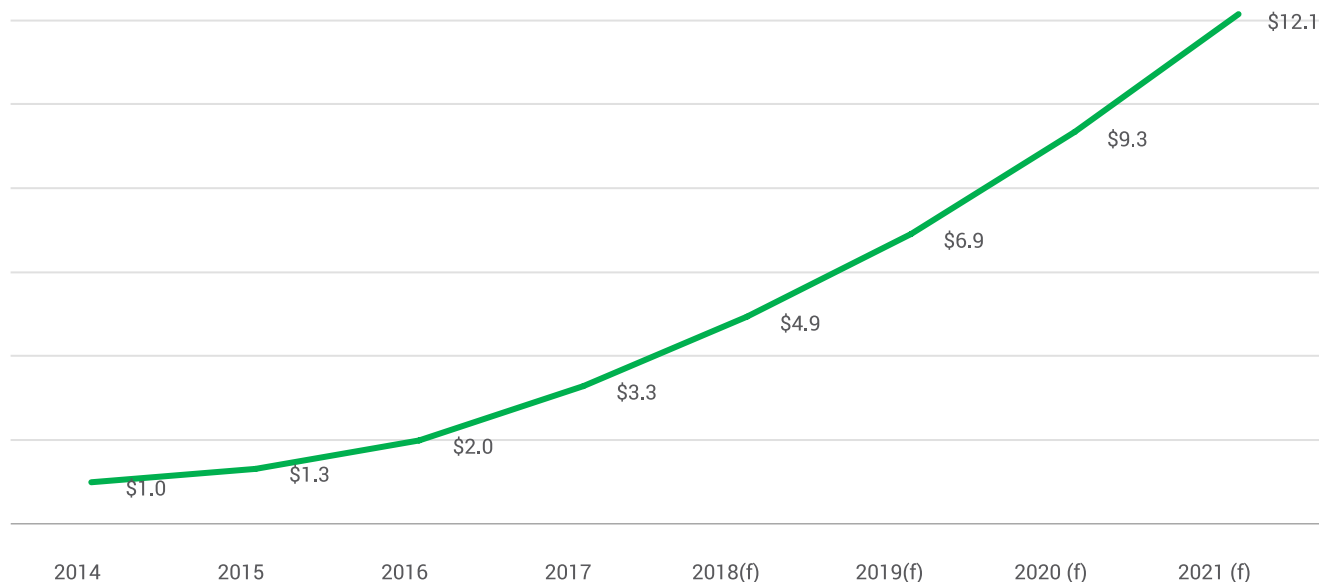
**80%** of online sales were to local, Peruvian merchants

**20%** of online sales were cross-border —made on an international website

Sources: Cámara de Comercio de Lima, interviews, AMI analysis

\* 2017 data.

FIGURE 28. HISTORIC AND PROJECTED E-COMMERCE VOLUME, PERU, 2014-2021, USD BILLIONS



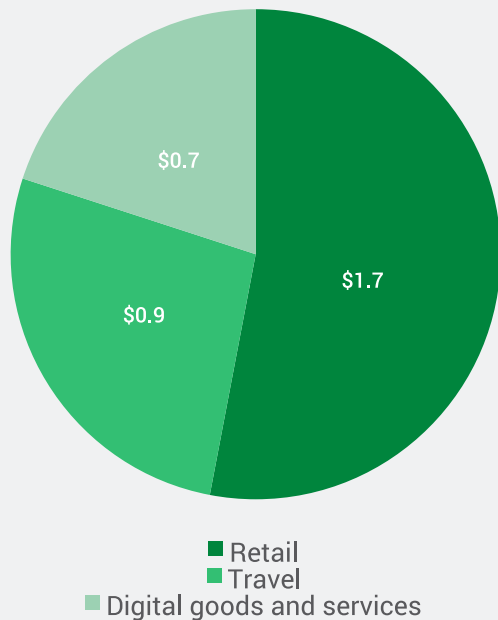
Sources: Cámara de Comercio de Lima, interviews, AML analysis

A handful of regional and local retailers control the bulk of e-commerce in Peru, including Chilean department stores Falabella and Ripley, airlines LATAM, Avianca and Peruvian Airlines, marketplace Linio, and discount/coupon sites like EstiloMio and Ofertop. EasyTaxi, Cabify, Uber, Netflix, and Spotify are also active in Peru, signaling Peruvians' appetite for trendy digital goods. Acquirer VisaNet has been active in developing in-app payments in collaboration with merchants for goods like mobile top-ups, although m-commerce is limited by the low penetration of smartphones.

#### WHAT IS DRIVING GROWTH?

- **Emerging product categories.** All product categories in Peru are growing. Event tickets and online coupons have proven to be especially popular, growing at twice the overall market rate.
- **Increasing acceptance of cash payment methods.** Local merchants are increasingly adopting non-card payment methods, driving the growth of cash in e-commerce.
- **Merchant and bank-supported e-commerce events.** Known as Cyber Days, these special campaigns throughout the year offer steep discounts and promote overall e-commerce spend.

**FIGURE 29. E-COMMERCE VOLUME BY VERTICAL, PERU, 2017, USD BILLIONS**



Sources:  
Cámara de Comercio de Lima, interviews, AMI analysis

On the cross-border side, Amazon, eBay, iTunes and AliExpress are the leaders, as well as various airlines and hotel chains. The relatively high share of cross-border in Peru reflects the fact that the most active e-commerce consumers are affluent international travelers with a taste for international brands. Thus far the local market could be characterized as anemic, but this will change as the market grows organically. This should encourage international merchants looking to capture demand from Peruvian consumers.

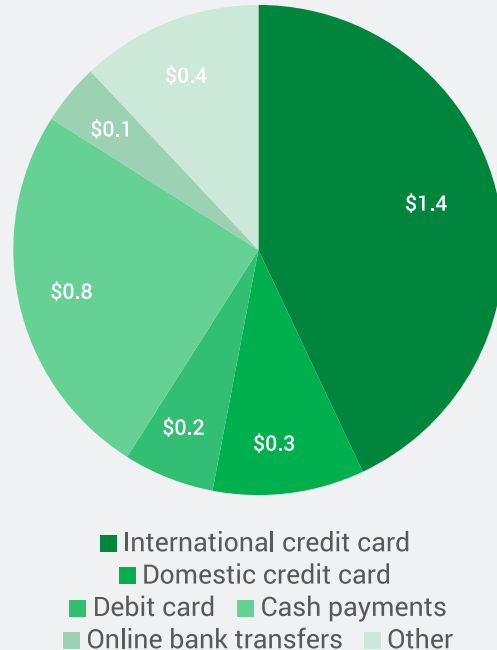
## HOW PERUVIANS PAY

The biggest challenge facing merchants entering Peru is the high and growing share of non-card payments in e-commerce, currently at 41%. These were first introduced by LATAM Airlines, who built its own cash payment network to accommodate its non-carded customers. Now, payment aggregators SafetyPay and PagoEfectivo are capitalizing on Peruvians' desire to pay in cash by offering

cash payment vouchers, prepaid cards, and bank transfers. To the chagrin of merchants, cash on delivery is also popular in Peru because many skeptical Peruvians see it as a risk-free way to ease into buying online. Cash on delivery currently represents 9% of total volume and is growing at the rate of 50% per year, driven largely by increased merchant adoption.

Despite the prevalence of alternative payments, cards comprise 59% of e-commerce sales and 43% of that spend is with international credit cards. Unlike in Brazil, Argentina, and Chile, Peruvian banks do not automatically disable international transactions on Visa and MasterCard cards, allowing most credit card holders to shop internationally. While there is a large number of closed-loop retailer credit cards in circulation, their representation in e-commerce is still small at 8% of total volume.

**FIGURE 30. E-COMMERCE VOLUME BY PAYMENT METHOD, PERU, 2017, USD BILLIONS**



Sources:  
Cámara de Comercio de Lima, interviews, AMI analysis

Despite Peru's small market size today, it is on track to reach \$12 billion by 2021; forward-thinking merchants would therefore be wise not to overlook Peru. But growth will be championed by mass market consumers—those who do not currently have credit cards. Therefore, enabling local payment methods is critical to accessing the majority of Peruvian shoppers.

41% of Peru's e-commerce spend is made using local, non-card payments. An additional 16% is made using debit and domestic-only credit cards.

Merchants without a local payments strategy miss out on \$2.3 billion annually.

## ESSENTIAL PERU TAKEAWAYS

- ▶ Peru's e-commerce market today is small but growing at 36% annually—faster than most others in the region.
- ▶ Still in early stages of development, every product category is growing. Marketplaces and coupon sites are especially popular because of the discounts they provide.
- ▶ Peru is largely a cash economy. Cash payments make up 25% of e-commerce spend.
- ▶ To successfully penetrate Peru, merchants must understand the customer mindset, which is highly skeptical of e-commerce. Creating a simple, frictionless transaction is crucial to earning customer trust.

## RELEVANT REGULATORY DEVELOPMENTS

Peru is making strides in financial inclusion. In 2012, the government passed electronic money legislation, enabling non-bank entities to issue and store electronic funds in mobile wallets. This gave rise to the interoperable mobile money platform, Bim, which is in early stages and still not compatible with e-commerce. This, along with other mobile wallets including the BBVA Wallet and Starbucks' recently launched wallet, is evangelizing digital and mobile payments.

As of June 2017, the government is also aiming to enhance customer choice around credit cards and improve fee transparency via a bill that would promote the availability of credit cards that do not assess cardholders an annual fee. The hope is that cards will become more affordable to consumers and therefore more widespread.