



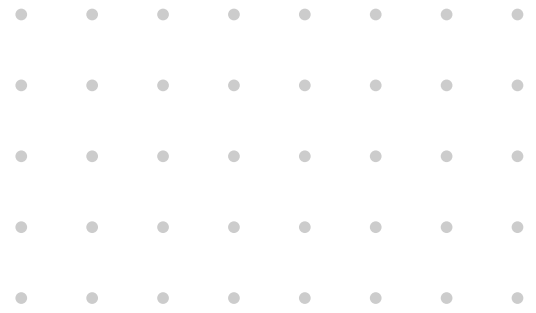
BRAZIL

# COUNTRY GUIDE

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# EXECUTIVE SUMMARY



**Brazil has seen phenomenal advancements in digital payments in recent years. The eighth largest economy in the world and the most influential country in Latin America, Brazil is expected to remain among the top 10 eCommerce markets globally, with a projected growth of 17% through 2021.**

Payment options are a key consideration in the purchasing process for Brazilian consumers, and although credit cards are the most used method for online purchases, having a range of payment methods has contributed to the continual growth of digital sales in this region. The rate at which Brazilian consumers are going digital unlocks huge potential for merchants, with both internet and smartphone penetration growing year on year. This growth was evident in 2020 when eCommerce sales reached the historical milestone of more than BRL 78B.

What's more, the unbanked population in Brazil is currently around 45 million (one-fifth of the total population). Offering local payment methods such as Pix, a low cost, convenient instant payment system developed by the Central Bank of Brazil, is key for merchants looking to tap into this sizeable market.

However, bank restrictions and currency controls can make entry into Brazil tricky, so finding a payment solutions provider that understands the local payment method landscape, as well as legislation, is crucial.

## **How Yapstone can help you to optimize growth in Brazil!**

Yapstone's Brazilian business structure enables merchants to process payments in Brazilian Real (BRL) and receive funds in all major currencies. Our payment processing solution supports both offshore, as well as local merchants within Brazil.

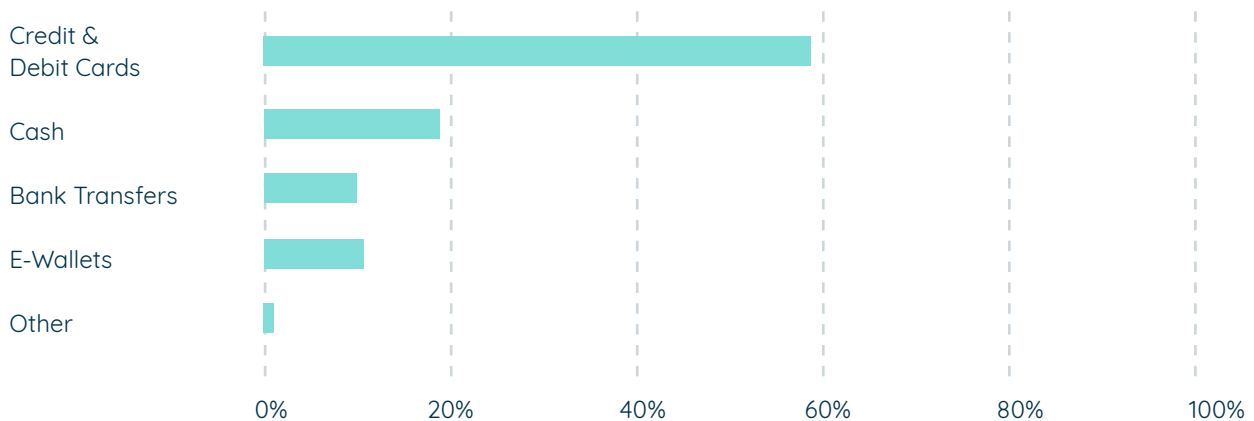
By offering local payment methods such as Boletão and Pix, locally issued credit cards that are co-branded with Visa and Mastercard, along with Hipercard, Elo cards, we enable merchants to reach customers looking to pay using their preferred payment methods with maximum authorization rates and minimal chargeback risk.

We recommend payment methods that match our merchants' business model, such as recurring payments, high order value, one-time payments, trial ware, etc. We take into consideration recent industry trends, government policy and tax changes when making recommendations to merchants.

# MARKET OVERVIEW

## Preferred Payment Methods by Payment Type

(digital goods purchases)



## Country Payment Mix

- Brazil's most common online payment methods are credit and debit cards which are used in 59% of all transactions. National cards can only process in BRL, whereas international credit cards can process in both foreign and local currencies. However, as only 5% of Brazilian buyers have access to international cards it is crucial for merchants to have access to local cards.
- With 19% market share, the second most popular payment method market share among ecommerce buyers is a Boleto Bancario. The number one cash payment method in Brazil, Boleto Bancario, simply referred to as Boleto, is an official and popular payment method regulated by the Central Bank of Brazil. The Boleto payment type targets a separate portion of the market and doesn't cannibalize the card payment option. All B2B payments in Brazil are made with Boleto because it allows companies to avoid costly wire transfer fees.
- Closely following Boleto is Pix, the latest trend in instant payment methods which has had a successful launch in Brazil. The instant payment system created by Brazil's Central Bank makes it possible to transfer money between people and companies in up to 10 seconds, 24 hours a day, seven days a week. Pix will allow instantaneous payment for e-commerce purchases. Expectations are that Pix will encourage more people to make online purchases, boosting Brazil's already extraordinary growth in e-commerce.

# CREDIT AND DEBIT CARDS

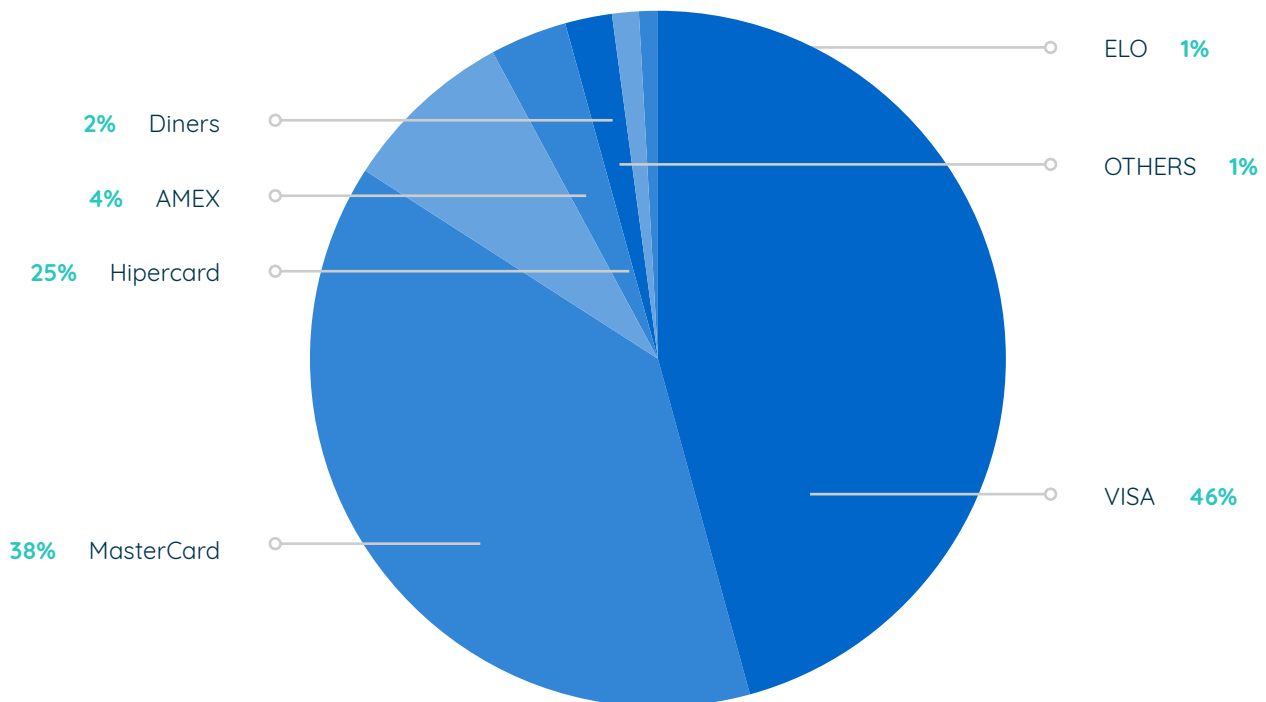
There are approximately **200 million active credit and debit cards** in Brazil's circulation. About 64% of all Brazilians over the age of 18 have a debit card, while 50% have a credit card. Less than 30% of credit cards in circulation are activated for international purchases and support purchases only in Brazilian Reals (BRL), therefore, it is important for international merchants to offer local cards so as not to lose a large potential customer base.

Brazilians are used to paying for their purchases by splitting the payment into 12 monthly-installments. This accounts for 55% of all online purchases. The most popular installment increments for ecommerce are three, six, nine, or 12 periods. Enabling installment payments significantly favors visitors' conversions. Consequently, the total addressable market increases, as consumers' decisions are easier and the impact

of the purchase on their budget, especially for higher ticket size purchases, is reduced. According to data from Abecs, 70% of buyers who finance their purchases with a credit card would not have made their purchase if they did not have the option to pay in installments.

Most debit cards in Brazil lack a CVV code and are thus not enabled for e-commerce purchases. Traditionally, banks have been concerned about fraud on debit cards, because fraudulent transactions result in the theft of customers' actual funds. Most recently, debit cards issued by Banco do Brasil were enabled for ecommerce purchases without the need to enter a four-digit PIN on checkout. Other banks are evaluating this move and will likely follow the trend. All debit card transactions require authentication with 3D Secure, but some banks and issuers are relaxing this requirement upon merchant business case evaluation.

## Brazil Card Market Share



Brazil's cards co-branded with Visa, MasterCard, American Express, and Diners have market share of 46%, 38%, 4%, and 1% respectively. Major local brands include Hipercard and Elo cards with 8% and 1% market share. Yapstone offers these through robust **local acquirers including Rede, Stone and Cielo**. Although, account updater is still being improved. Currently, it is limited to cards issued by a few local banks. Yapstone has enabled it to maximize benefits for subscription-based billing merchants.

**All cards offered by Yapstone support recurring billings**, and the highest conversion rates (60%-80%) are observed during the day (7am-11pm) within the first week of the calendar month, per the local salary schedule.

Chargebacks are enabled for credit cards, and Yapstone supports both automated full and partial refunds. Your customers will always recognize your transaction on the card statement because they will see your shop name in the card soft descriptor, helping keep chargeback rates low.

Local card purchases do not have any transaction amount limits imposed on single purchase. It is a pull payment method which requires customers to provide a **card number, expiry date, cvv, and CPF/CNPJ national ID number**.

**Supported credit and debit cards:**



<b>PUSH / PULL PAYMENT</b>	Pull Payment
<b>RECURRING PAYMENT</b>	Supported
<b>REVERSAL RISK</b>	High
<b>MAXIMUM VALUE</b>	No limits on single purchase



# CASH – BOLETO BANCÁRIO

The second largest payment method among ecommerce buyers in Brazil is Boleto Bancário tickets with 25% market share. **Approximately 50 million Boletos are issued every month in Brazil.** It is a cash voucher slip issued through the banks and regulated by the Brazilian Federation of Banks. **The Boletos target a completely new portion of the market - 46 million Brazilians who do not have a bank account** or any electronic payment method. Thus, Boleto payments do not cannibalize the credit card payment market. In addition, almost all B2B payments in Brazil are made with Boletos because it allows companies to avoid costly wire transfer fees. Most global merchants operating in Brazil like Groupon, Adidas, and McAfee are offering Boleto Bancário as a payment method.

A Boleto ticket can be paid for at ATMs, branch facilities, and internet banking of any bank, post office, lottery agent, and some supermarkets until its due date. After the due date, it can only be paid at the issuer bank facility. The vast majority of Boleto payments for ecommerce purchases are finalized via online banking payments made easier as banks issuing Boletos. This has allowed more control of the user experience for presenting Boleto tickets.

Currently, **the subscription based model billings is not supported by Boletos and payments cannot be disputed or reversed by the consumer.** Following the local salary payout schedule, the highest conversion rates (40%-60%) are being observed within first week of calendar month during the daytime (7am-11pm).

Boleto payments do not have any transaction amount limits imposed on single purchase. It is a push payment method which requires customers to provide a CPF/CNPJ (national ID number) to generate a Boleto ticket. Customers complete payment on average within 48 hours since purchase order submission to merchant. However, the banks are the only local parties allowed to issue registered Boleto tickets. They do not process payment notifications on weekends. Therefore, merchants avoiding fraud risk will need to keep consumers, who paid with Boletos on weekends, waiting until Monday when the banks can return successful payment notifications

## Supported cash proxy payment methods:



<b>PUSH / PULL PAYMENT</b>	Push Payment
<b>RECURRING PAYMENT</b>	Not Supported
<b>REVERSAL RISK</b>	Low
<b>MAXIMUM VALUE</b>	No limits on single purchase



# MERCHANT BUSINESS MODELS

Yapstone supports the following business models in the Brazil market:



RECOMMENDED PAYMENT FOR GIVEN BUSINESS MODEL



PAYMENT METHOD MAY NOT BE OPTIMAL FOR GIVEN BUSINESS MODEL AND NEEDS CASE-BY-CASE EVALUATION



NOT RECOMMENDED PAYMENT FOR GIVEN BUSINESS MODEL

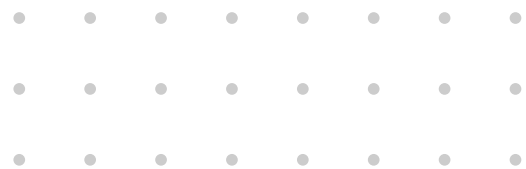
## One-Time Purchase: Credit Debit Card Boleto

One time purchases with order size ranging from USD 10 to USD 100.

## Recurring Payments: Credit Debit Card Boleto

Fixed amount is charged on a predefined frequency. The average order value ranges from USD 10 to USD 100 and frequency could be monthly, annually etc. Pull methods are appropriate for this business model. The most common acquisition channels for subscription based billings which we support are:

- **Search (SEO/SEM):** Customer selects a subscription product through merchant website and selects a payment method to complete enrollment
- **OEM (OOBE - out of the box experience):** Customers converting from trial versions pre-installed on devices shipped to customers
- **Resellers:** Customers purchasing product from Merchants' Partner web shop or store (CD / USB / Memory card / Serial Key). Customer card details for product purchase are then passed to merchant for recurring payments
- **Product Renewal:** Customer receive notification on their PC (even when offline) on product expired. Such notification includes Merchant payment page URL. This case is for customers who didn't consent to subscription billings upon initial product purchase
- **Product Bundling:** Merchant product is sold together with another one that it compliments e.g. software starters packages for hardware and software products like notebooks, student utility software, games, office software licensing. Customer installs merchant product and has a choice to opt-in for subscription billings
- **Trialware (Opt-In or Opt-Out):** Customer enrolling for subscription auto-renewal while purchasing trial license. Customers need to call to opt-out from auto renewal before trial license expires
- **Memberships:** Processing recurring payments for monthly or quarterly membership



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NOT RECOMMENDED PAYMENT FOR GIVEN BUSINESS MODEL

**High Order Value:** Credit Debit Card Boleto

One time purchases with average order values above USD 1000 e.g. student loans payments for foreign courses.

**Micro Transaction:** Credit Debit Card Boleto

The average order value is quite low i.e. under USD 1, with instant gratification expected by customers i.e. digital gaming transactions.



# INDEX OF TERMS

## Pull Payment

Yapstone debit the funds from the customer's account after they have provided consent.

## Push Payment

The customer is required to send the funds to Yapstone

## Recurring

Subscription based billing cycle is supported

## Reversal

Consumer initiated chargeback

## Max Value

Single purchase amount limited by customer's debit card balance restrictions and/or payment method specific transaction limits

