



The Next Frontier

The most promising markets for emerging e-commerce leaders in 2021 and beyond



Introduction

There has never been a better time to be in e-commerce. At a time of unparalleled global disruption onset by COVID-19, e-commerce has not only sustained sales for retailers, but provided a lifeline for many consumers, offering their only route to groceries and everyday essentials.

We have reached the much-anticipated tipping point of e-commerce adoption. Many consumers who had resisted online shopping have been won over by its simplicity and convenience, with respondents to a UN survey saying that their shopping habits have now changed for life¹.

It's not just COVID-19 driving rapid growth in e-commerce. There are also positive societal changes making a huge impact too. Mobile penetration, increased levels of internet access, and digital inclusion more generally, are helping both merchants and consumers to shop online, while new regulations are pushing for better security for consumer payments.

Across a number of markets we're also seeing a concerted governmental shift toward greater digitalisation of their economies, with e-commerce as a key pillar of this. In short, multiple factors have combined to take us to the tipping point for e-commerce adoption, resulting in more opportunities than ever before for online and omnichannel merchants.

With so many opportunities across so many different markets, it can be difficult to know exactly where to turn next. Numerous Western markets are saturated with a high number of merchants in verticals such as fashion and gallantry and digital goods, and many online sellers are also beginning to realise that there are billions of potential customers living elsewhere. Regions with increasing disposable income for certain population groups, including Latin America, Central and Eastern Europe, Africa, as well as India and Southeast



Mario Shiliashki
CEO, PayU Global Payments

Asia, boast digitally savvy shoppers with strong demand for globally-sourced goods and services.

Conquering new markets is crucial for emerging e-commerce leaders looking to extend their customer base, but this is highly complex, resource-intensive, and requires deep knowledge of each market, including the payment ecosystem and consumer preferences.

That's exactly why we created [The Next Frontier: the most promising markets for emerging e-commerce leaders in 2021 and beyond](#); to help emerging e-commerce leaders navigate expansion into new, overseas markets.

There are few companies better qualified than PayU to undertake this. As a global fintech operator and a local payment partner to hundreds of thousands of e-commerce businesses, PayU has unrivalled insight into the behaviour of online shoppers in over 50 markets and numerous verticals. This unique insight underpins our report.

Throughout, we'll look at data from our own platforms, as well as national data, to generate insights that give emerging e-commerce leaders the best chances of success when expanding internationally.

We define emerging e-commerce leaders as fast growing online or omnichannel businesses which hold big ambitions to be the stand-out brand in their sector. We find that these companies best understand the need to use state-of-the-art technology to uplift revenues, and are looking for trusted partners to expand into exciting high growth markets. These businesses are fundamental to the future of global commerce.

The report examines four of the fastest growing consumer sectors - fashion and gallantry, beauty and cosmetics, digital goods and education - where we see the biggest growth potential over the coming years. Of course, there are bountiful opportunities for businesses selling to other business too; for instance eService providers, such as online storage services,

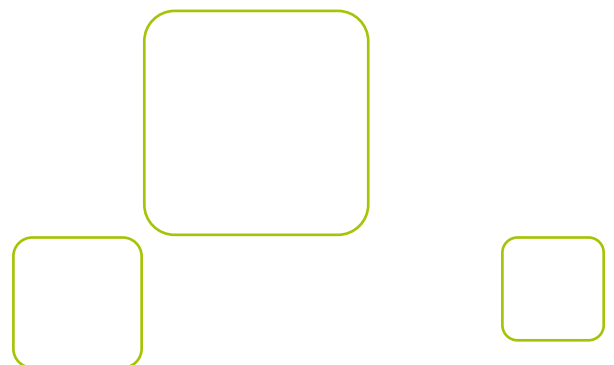


online advertising services and hosting providers, are flourishing across the world as COVID-19 accelerated the digitization strategy of almost every business.

We explore nineteen markets spanning four continents to provide a truly comprehensive global analysis. What we consistently saw is that PayU's platforms outperform the growth rate shown by external data, which is testament to our success in offering e-commerce expertise and all trusted local payments methods in each of our markets. Across 2020 we onboarded more merchants than any year previous as a result of brick-and-mortar retailers recognising that, because of COVID-19 restrictions, e-commerce became a necessity to reach customers.

Our regional leaders provide additional insight on each region, sharing views on what makes their markets so appealing, from tech adoption to favourable regulatory landscapes.

What our findings prove is that this is a golden opportunity for e-commerce merchants. With consumer habits changing irrevocably, there's never been a better time for any merchant to conquer a new market, and we hope that the report empowers every emerging ecommerce leader to take that step. Opportunity awaits!



1. Shopping habits have changed: <https://unctad.org/news/covid-19-has-changed-online-shopping-forever-survey-shows>

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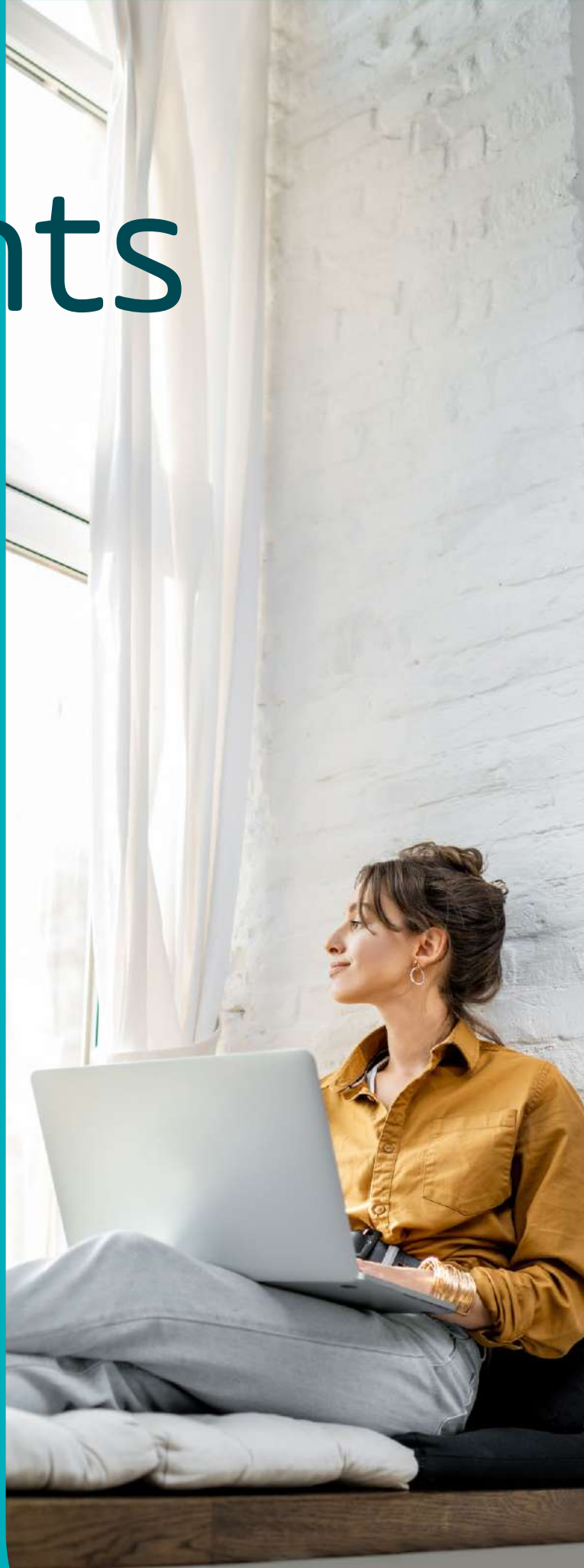
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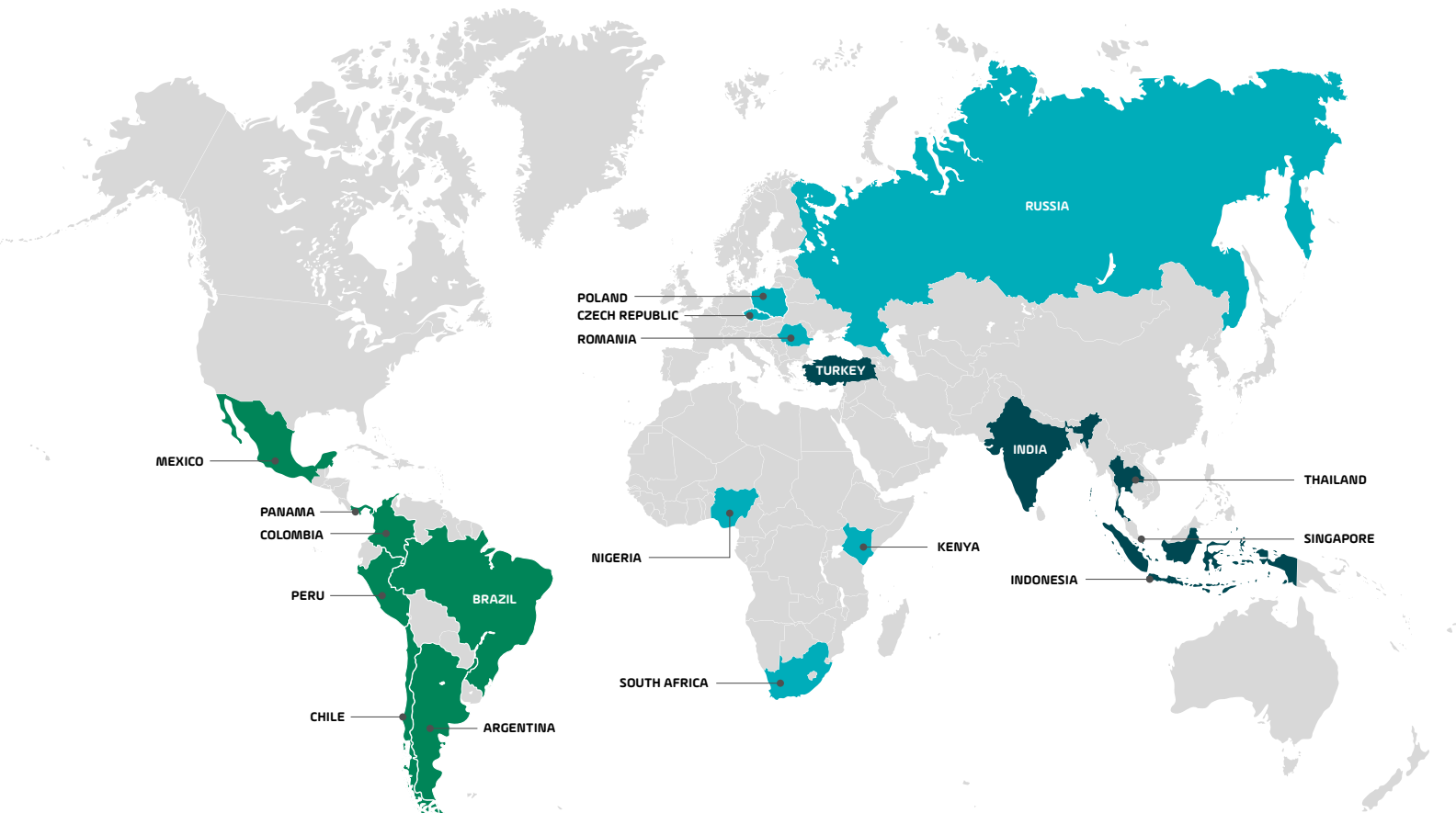


Joanna Pieńkowska-Olczak

Country Manager, PayU Poland

Scope

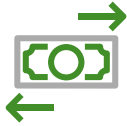
We pulled data from our payment platforms on four market segments and compared it to national data in 19 countries:



Definitions

This report is aimed at emerging e-commerce leaders, which we define as fast growing online or omnichannel businesses with big ambitions to be the stand-out brand in their sector. These businesses understand the need to use state-of-the-art technology to uplift revenues and are looking for trusted partners to expand into exciting high-growth markets.

Emerging e-commerce leaders typically have the following characteristics:



Revenue optimisation

A never-ending drive to improve conversion rates by optimising the checkout process.



Cross-border expansion

See international markets as the best channel for new customer acquisition and long-term growth.



New technology

Seek to solve problems by incorporating new and innovative technology.



Emerging markets

Actively look for solutions to realise the potential of emerging markets.



Solution-driven

Want seamless tools to ensure compliance with local regulations.



Locally-focused

Rely on local experts and know-how for meeting local preferences.

The four sectors explored are as follows:



Beauty and cosmetics

Consisting of haircare, fragrances, personal care, skincare and make-up.



Fashion and gallantry

Consisting of apparel, footwear and bags & accessories.



Digital goods

Consisting of digital music, video on demand (VOD) platforms, streaming platforms, video and audio-conferencing platforms and ePublishing.



Education

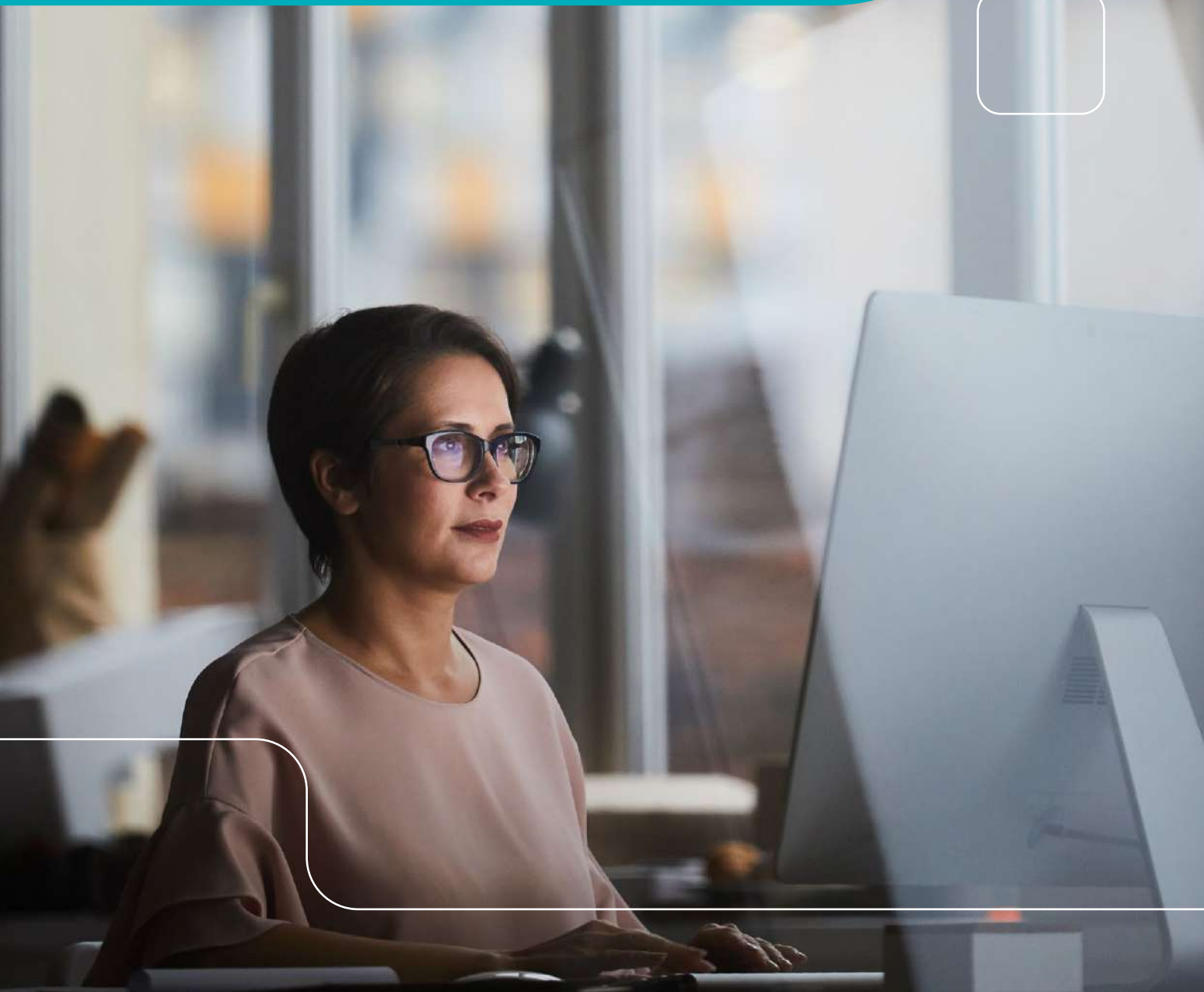
Consisting of online courses, professional educational services, school publishing, and school and universities fees.



Methodology

External data was primarily sourced from Statista in January 2021. In order to compare this directly to PayU's own data, we calculated the annual growth rate from 2019-2020 based on total e-commerce spend. 2021 projections were generated in 2020 and based on consumer spending between January 2019 and September 2020. All PayU data was sourced in January 2021.

Europe, Middle East and Africa



Poland

Where Digital Literacy Drives E-commerce Growth



Joanna Pieńkowska-Olczak,
Country Manager of PayU Poland



Population

37.9m



Internet
penetration

77%



No. of online
shoppers

20m



eCommerce
penetration

53%

Source: ecommerceDB country report, 2020¹

According to the Polish E-commerce Chamber, 27% of internet users started shopping online more often due to COVID-19². As a result of the pandemic, 50% more businesses started trading online².

In the midst of mandated lockdowns, businesses realised that online sales channels presented the only viable opportunity to continue operations. We witnessed soaring registrations of online stores to the PayU platform, especially in the early months of the pandemic in April and May 2020 and then during the second wave in September.

COVID-19 was the catalyst for 2020's e-commerce growth, but is far from the only reason. For a number of years, consumers' digital literacy has been increasing as a result of the growing popularity of smartphones and increasing internet penetration, leading to a boom in e-commerce spending. Of the 20.3 million internet users in Poland that shop online, 59% do so from their mobile phones². Other popular devices to purchase from include smartwatches and smart TVs.

Both COVID-19 and this growing digital literacy are accelerating the shift towards omnichannel selling. Soon, we will no longer distinguish between e-commerce, m-commerce, social commerce or brick-and-mortar sales – there will be just 'commerce'. As boundaries blur, it will become imperative that merchants offer uniform payment methods regardless



of the sales channel or device which a consumer will be using.

This is an incredibly exciting time for e-commerce in Poland.

Analysis: A Boom for Beauty?

Poland has quickly emerged as one of the world's fastest growing economies³, which in turn is leading to financial prosperity for citizens. This, in combination with Poland's tech savviness, has led to increased e-commerce spending. This is backed up by data from PayU's payments platform, which demonstrated a voracious consumer appetite for buying both beauty products and fashion online.

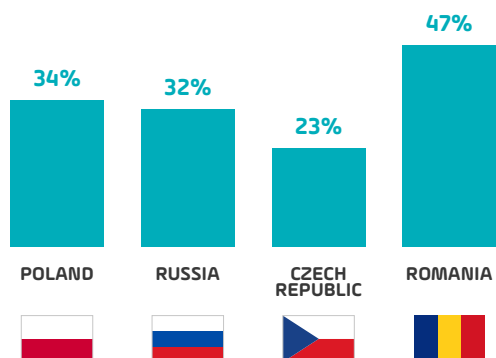
On the other hand, the sharp rise we saw in e-commerce spending on digital goods and is testament to how much time was spent online by Poles in 2020.

Beauty and Cosmetics

External data shows that Poland has enjoyed higher year-on-year growth than the Czech Republic, Slovakia and Russia when it comes to beauty and cosmetics. By the end of 2021, spend is expected to have swelled

34% since 2019 to \$720m⁴. Although spend in Romania and Hungary may be accelerating faster, Poland eclipses both in total e-commerce spend.

Projected e-commerce spending growth in beauty and cosmetics between 2019 and the end of 2021.



Source: Statista

While external data shows a 7% increase in spending between 2019 and 2020, data from PayU's platform shows a far greater increase of 81% in year-on-year spending over the same time period.

Fashion and Gallantry

Fashion and gallantry is the most established e-commerce sector in Poland, with consumer spend exceeding \$5.7bn in 2020⁴. According to external data, e-commerce spending on fashion and gallantry is expected to have grown by 41% from 2019 levels by the end of 2021.

Data from PayU's platform paints an even stronger picture of growth. Between 2019 and 2020, e-commerce spending on fashion and gallantry through our platform grew by 81%, peaking at 120% above 2019 levels in Q2.

Digital Goods

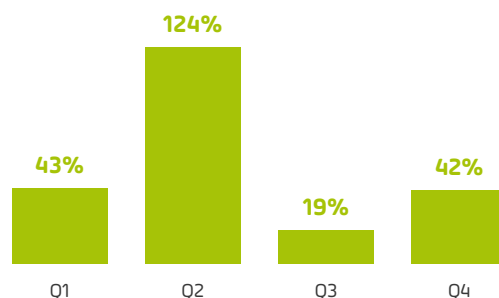
According to external data, Poland's projected growth in e-commerce spend on digital goods between 2019 and 2021 is second only to Romania's, growing at 39% versus Romania's 54%⁴. By the end of 2021, spend in the sector is expected to reach \$615m.

Data from PayU's platform showed 36% growth in year-on-year spend between 2019 and 2020, with consumer spend peaking at 63% above 2019 levels in Q2 2020.

Education

Due to the rise in remote learning, as a result of consumers making constructive use of time spent at home during lockdowns, e-commerce spend in the education sector grew by 39% in Poland in 2020, according to PayU data. Merchants offering a variety of online courses and other professional educational services saw particularly rapid growth in Q2, with average e-commerce spend increasing by 124% compared to Q2 2019.

Year-on-year growth in e-commerce spend on education in Poland on PayU's platform 2019-2020.



Source: PayU



1. ecommerceDB country report, 2020: <https://ecommercedb.com/en/reports/country>
2. Polish eCommerce Chamber, Omni-commerce - Kupuję wygodnie, 2020: <https://eizba.pl/wp-content/uploads/2020/06/Omni-commerce-Kupuje-wygodnie-2020.pdf> (Polish)
3. FTSE Russell, Poland: The journey to Developed Market status: https://content.ftserussell.com/sites/default/files/research/poland--the-journey-to-developed-market-status_final.pdf
4. Unless otherwise specified, external data sourced from Statista in January 2021. 2021 predictions were generated in 2020 and based on consumer spending in 2019 and 2020 (up to September 2020).

Czech Republic

Steady E-commerce Growth is Set to Continue



Martin Prunner
Country Manager of Czech Republic, Slovakia and Hungary



Population

10.7m



Internet penetration

81%



No. of online shoppers

6m



eCommerce penetration

57%

Source: ecommerceDB country report, 2020¹

Eastern Europe has undeniably experienced a huge boom in e-commerce over the past decade. But of all of the markets that the region covers, none hits the business headlines quite like the Czech Republic, which is often cited as one of the fastest growing e-commerce markets in Europe^{2,3}.

This was even prior to the COVID-19 pandemic, which of course had a huge impact. According to the Czech Association of E-Commerce and Heureka.cz, books, films and games saw the biggest increase in 2020, followed by food sales, sports equipment and products for the home and garden⁴. Due to the temporary closure of brick-and-mortar stores, many consumers moved into the online space to buy essential goods and services, and are likely to stay there.

Modern payment methods are becoming increasingly popular, with consumers now accustomed to paying for goods online in advance. As such, the share of cash on delivery as a payment method, which was strongly represented previously, has significantly declined. The expansion of Google Pay and Apple Pay also helps the popularity of modern forms of payments. As such, any merchant looking toward the Czech Republic needs

a tech savvy payments partner by their side to help them navigate these evolving preferences.

The regulatory landscape is also changing, to the benefit of e-commerce. The introduction of Strong Customer Authentication in December 2020 will drive down fraudulent activity, while online payment card security protocol 3DS 2.0 will improve payment safety and the user experience.

Analysis: Growth in Every Sector

PayU's data highlights that the Czech Republic remains a significant contributor to e-commerce growth in Europe, despite its relatively small market size. Each sector shows huge potential for any merchant, especially digital goods, on which total e-commerce spend is approaching \$200m per year.

Beauty and Cosmetics

External data projects e-commerce spend on beauty and cosmetics category to grow by 3%⁵ in the Czech Republic this year, reaching a value of \$175m by the end of 2021.

Merchants from the Czech Republic using PayU's platform to accept payments saw an average transaction value



of \$62, which was high compared to other European markets we analysed.

Fashion and Gallantry

External forecasts show that e-commerce spending on clothing and accessories in 2021 is going to top \$1.1bn⁵, representing 16% growth on 2019 levels. However, average year-on-year growth is expected to slow from 12% between 2019 and 2020 to just 4% by the end of 2021.

Data from PayU's platform, however, shows that the category has experienced higher growth than this in 2020, of 55% year on year.

Average transaction value on fashion and gallantry in the Czech Republic on PayU's platform between 2019-2020.



Source: PayU



Digital Goods

External data predicts huge growth in e-commerce spending on digital goods in the Czech Republic, which is expected to top \$195m⁵ by the end of 2021, up 33% on 2019 levels. However, spending is expected to slow in 2021, likely in anticipation of COVID-19 restrictions easing and people spending a greater amount of time outside of the home.

Education

PayU expects e-commerce in the education sector to increase in the coming months and years, in line with projections of higher consumer uptake of online courses and learning from home. Already, most learning subscriptions and online courses can be paid for online, and we expect to see regular school fee payments move online in the near future too.



1. ecommerceDB country report, 2020: <https://ecommercedb.com/en/reports/country>
2. 2020 e-commerce Payments Trends Report: Czech Republic: <https://www.jpmorgan.com/merchant-services/insights/reports/czech-republic-2020>
3. E-commerce News Europe: <https://ecommercenews.eu/the-czech-republic-is-fastest-growing-e-commerce-market-in-europe/>
4. https://www.idnes.cz/ekonomika/domaci/eshopy-nakupy-online-maloobchod-knihy-eroticke-pomucky.A210107_085609_ekonomika_rts
5. Unless otherwise specified, external data was sourced from Statista in January 2021. 2021 predictions were generated in 2020 and based on consumer spending in 2019 and 2020 (up to September 2020).

Romania

A Decade of Digital Transformation



Elena Gheorghe
Country Manager of PayU
Romania



Population

19.3m



Internet
penetration

74%



No. of online
shoppers

9m



eCommerce
penetration

47%

Source: Statista Digital Market Outlook, Eurostat, 2020¹

It's hard to think of a more pivotal year for e-commerce growth in Romania than 2020. Early into the year, even before COVID-19 had truly made its mark, its newly elected government created the Authority for the Digitalization of Romania (ADR).

The ADR is leading the digital transformation of the Romanian economy and society². It's too soon to point to its direct impact, but it is expected to bring huge benefits to the entire e-commerce ecosystem and accelerate the adoption of new technologies.

Shortly after it was introduced COVID-19 disrupted daily life in Romania, and in doing so, boosted progress toward the ADR's objectives. Early into the pandemic, many shoppers became e-shoppers; over one million payment cards were registered on the largest online merchant platform to be used for fast payments and more than 300,000 new cards were used online for the first time ever. With brick and mortar shops shutting and people spending more time online, we also saw significant growth in internet traffic³, both on fixed lines (+21%) and mobile (+12%). It's impossible to say whether people shopped more because they were online more, or whether they were online more because they needed to purchase goods and could not visit brick and mortar stores. Either way, e-commerce transactions rose. Consumers had the opportunity to experience just how simple, fast, and safe e-commerce is.

2021 will be another pivotal year for Romania, with payment card security protocol 3DS 2.0 to be adopted

across Europe. The protocol will provide a greater degree of transaction safety and an upgraded user experience and is likely to win over any remaining e-commerce sceptics. Innovations such as biometric authentication will also increase the volume of customers that complete their transactions, reducing checkout abandonment.

In short, Romania's long-term acceleration towards e-commerce is well underway. Merchants looking to crack the next big European market should look no further.

Analysis: Spending Milestones Beckon

Romania is a great market for online and omnichannel fashion and gallantry and beauty and cosmetics retailers. Both external and internal data show huge promise for the sectors, with annual consumer spending on fashion and gallantry expected to pass the \$1bn⁴ milestone by the end of 2021.

Beauty and Cosmetics

External data highlights the plethora of opportunities in Romania for beauty and cosmetics retailers. The country's projected growth in e-commerce spend by the end of 2021 of 47% is bettered only by Hungary (49%). Total spend on products is expected to reach almost \$190m by the end of this year⁴.

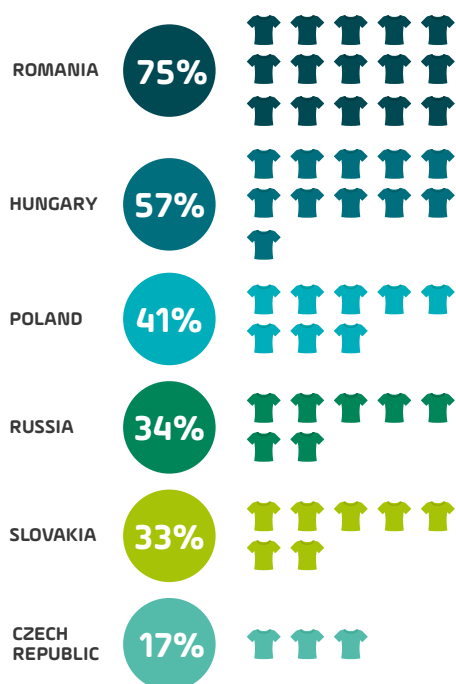


Merchants using PayU's services to accept online payments saw a 56% year on year increase in consumer spending in the Beauty & Cosmetics category in 2020. The majority of this growth arrived in Q2 and Q3 2020, when consumer spending was up 70% and 73% respectively compared to the same periods in 2019.

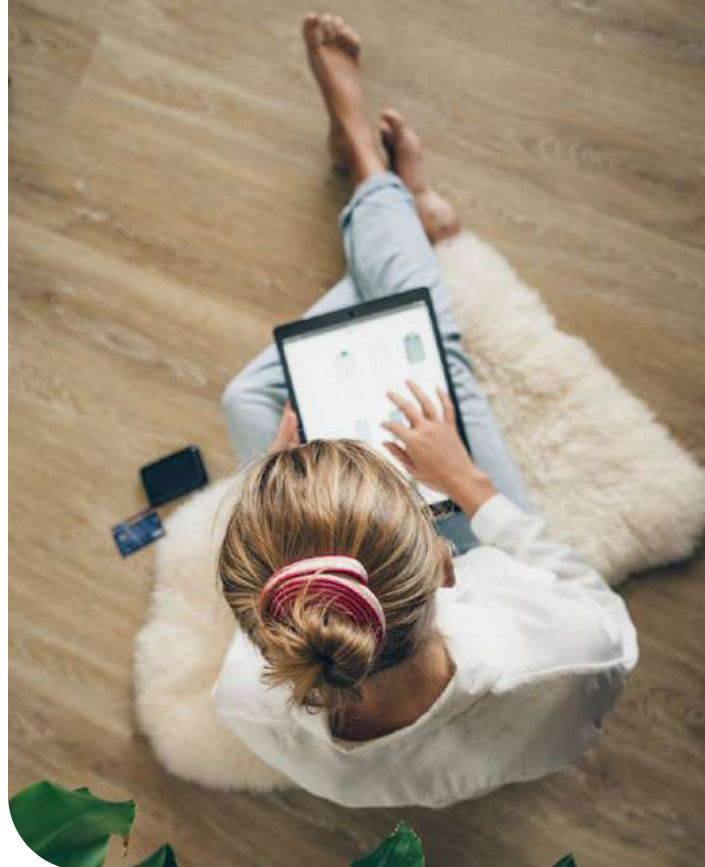
Fashion and Gallantry

Of the five European countries investigated, external data suggests Romania is where e-commerce spend on fashion and gallantry is growing the quickest. Before the end of 2021, e-commerce spending in the sector is expected to be up by 75%⁴, passing \$1bn for the first time. Revenues are expected to show an annual growth rate of 10% between 2021 and 2025, resulting in a projected market volume of \$1.6bn by the middle of the decade.

Projected e-commerce spending growth in fashion and gallantry between 2019 and the end of 2021.



Source: Statista



Meanwhile, merchants across PayU platform witnessed a much higher year on year growth in spend of 1192% in 2020. The lion's share of this growth was seen in Q2, when e-commerce spending on clothing and accessories was up 1715% on 2019 levels.

Digital Goods

Across the European markets we analysed, e-commerce spend on digital goods is growing the fastest in Romania, according to external data. Between 2019 and the end of 2021, spend is expected to increase by 54% - well ahead of Poland and Russia, both of which project the next highest growth rate of 39%⁴. This is testament to how quickly people in Romania are adopting digital products.

Education

In 2020 the total amount of consumer spend on education in Romania was estimated at \$1.8bn, with a projected spend of \$2.2bn a year by the end of 2025⁴. Although Romania is already in the top 15 EU countries in EU in terms of consumer spending on education, the e-Learning vertical is still growing. Considering that the e-Learning market in Eastern Europe represents ~11% of the total European market, the potential for this vertical in this region is huge.



1. Statista Digital Market Outlook, Eurostat, 2020
2. Aim of Romania's ADR: <https://www.lexology.com/library/detail.aspx?g=4d6b4d78-50ca-41ff-af6c-faab94b4e697>
3. The National Authority for Management and Regulation in Communications (ANCOM): <https://www.telecompaper.com/news/romania-fixed-internet-traffic-up-21-mobile-internet-up-12-amid-corona-crisis--1333937>
4. Unless otherwise specified, external data was sourced from Statista in January 2021. 2021 predictions were generated in 2020 and based on consumer spending in 2019 and 2020 (up to September 2020).

Turkey

Where Tech Adoption and E-commerce Growth Go Hand In Hand



Barbaros Özbugutu
CEO of iyzi and PayU Turkey



Population

83.4m



Internet
penetration

71%



No. of online
shoppers

37m



eCommerce
penetration

44%

Source: ecommerceDB country report, 2020¹

It's almost impossible to comprehend the impact that technology has had in Turkey in a little over 10 years.

Technology has become a vibrant sector and now comes to the fore in almost all aspects of society. Turks love to use tech; the average person is online for 7.5 hours per day and more than 92% of the population use a mobile device². This high adoption has led consumers to prioritize speed and convenience and has changed the expectations of consumers, particularly when it comes to e-commerce.

The pandemic also accelerated e-commerce development. With lockdowns and quarantine requirements in place, individuals benefited from the practicality, speed and variety of online shopping. In fact, the first 6 months of 2020 saw a 64% increase compared to the first six months of 2019³.

Over recent years, the Turkish government and regulators have adopted a raft of new measures to make online payments more secure. Digital signatures and certificates, which enable two parties – a merchant and consumer for instance – to be sure of each other's identity are becoming increasingly popular across the country. Continuous upgrades like this make consumers feel safer online, and, as such, drive further digital consumption.

Turkey boasts a society open to innovation and new processes. Over the coming years, Turks will continue to

adopt online shopping and new payment methods at a rapid pace, bringing a prosperous future for merchants with it.

Analysis: How E-commerce is Turkey's Next World-beating Market

Turkey is synonymous with markets – Istanbul's Grand Bazaar has been listed as the world's most visited attraction⁴. But our analysis shows that the old is truly giving way to the new, with bustling and vibrant marketplaces to be found online. The beauty and cosmetics, fashion and gallantry, and education sectors have performed particularly well over the past two years, although all segments promise plentiful opportunities for merchants looking to expand overseas.

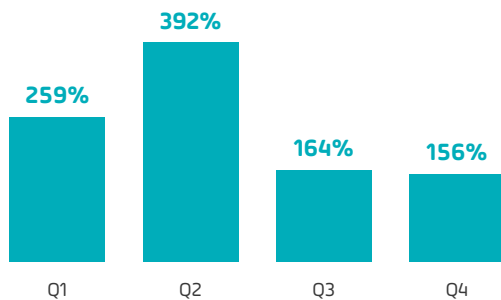
Beauty and Cosmetics

The beauty and cosmetics e-commerce industry has grown quickly in Turkey over recent years, with over half of all spend in 2021 and beyond now expected to take place online⁵. According to external data, average year-on-year e-commerce spend is projected to grow by 80% between 2019 and the end of 2021⁶.



Of the four sectors we investigated, beauty and cosmetics benefitted from the largest year-on-year increase in consumer spend on the PayU and izico platforms (229%). This was the largest increase across all six EMEA markets we explored, with the biggest increase in Q2 2020 (392%) versus the same period in 2019. This presents an excellent opportunity for international brands looking to expand to new markets.

Year-on-year growth in e-commerce spend on beauty and cosmetics in Turkey on PayU and izico platforms between 2019 and 2020.

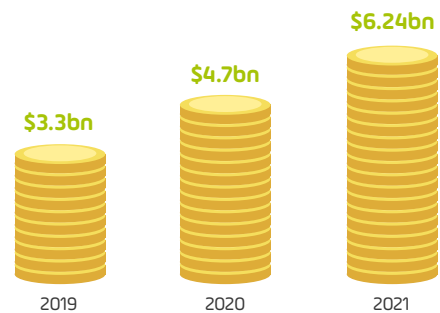


Source: PayU

Fashion and Gallantry

Turkey has always been distinguished for its textile trade, and our research shows that appetite is as high as ever. External analysis shows that e-commerce spend in this area is projected to grow 89%⁶ above 2019 levels by the end of 2021, exceeding \$6.24bn.

Projected e-commerce spending growth in fashion and gallantry in Turkey between 2019 and the end of 2021.



Source: Statista

Year-on-year data from merchants using both PayU and izico platforms also shows an impressive increase of 65% in 2020. Growth was particularly high between April to June, with our merchants taking 110% more than they did in Q2 2019.

Digital Goods

Between 2019 and the end of 2021, total e-commerce spending on digital goods is expected to grow by 52%, reaching \$879m⁶. Spending in 2021 is projected to grow slower than it did in 2020, with the sector growing by 17%, as opposed to 30% in 2020⁷.

Education

As people spent more and more time at home in Turkey, we saw a corresponding increase in e-commerce spending on education. In 2020, consumers spent 28% more with education retailers using both PayU and izico platforms than they did in 2019, with the biggest year on year increase in Q4. In addition, the average transaction value in 2020 was \$100 more than in 2019.



1. ecommerceDB country report, 2020: <https://ecommercedb.com/en/reports/country>
2. We are social, Digital in 2020, Turkey: <https://datareportal.com/reports/digital-2020-turkey>
3. Turkey - Ministry of Commerce Statistics for E-Commerce in 1st 6 Months of 2020 vs 2019 half year: <https://www.eticaret.gov.tr/istatistikler>
4. Grand Bazaar most visited attraction: <https://www.travelandleisure.com/attractions/landmarks-monuments/worlds-most-visited-tourist-attractions#2>
5. Half of all beauty and cosmetics spend now expected to take place online: <https://www.hairmagazine.com.mk/rising-exports-will-help-beauty-industry-to-grow>
6. Unless otherwise specified, external data was sourced from Statista in January 2021. 2021 predictions were generated in 2020 and based on consumer spending in 2019 and 2020 (up to September 2020).

South Africa

A Year that Changed the Future



Karen Nadasen
CEO of PayU South Africa



Population

58.6m



Internet
penetration

56%



No. of online
shoppers

22m



eCommerce
penetration

37%

Source: ecommerceDB country report, 2020¹

2020 was a year of reckoning; a year that lit a fire beneath online payments in South Africa, transforming e-commerce while creating immense economic pressure. As the global pandemic waged war on government processes, merchant sales and consumer behaviour, companies were faced with tough decisions and mercurial markets that reshaped how they worked, innovated and delivered services.

South Africa underwent one of the world's most rigorous lockdowns. Essential goods were the only items allowed to be sold online and in-store, and many companies were put at risk of closure. This saw significant innovation and shifts in approach, particularly in the e-commerce arena. Retailers adapted quickly, with Checkers Sixty60 and Zulzi re-shaping the way that groceries were bought, while Uber pivoted to the delivery of food and other essential products. Despite the ban on non-essential purchases, we saw significant growth in e-commerce, with more and more transactions being completed on mobile devices - up 35% on 2019 levels.

South Africa is creating a brilliant trading environment for merchants to operate in. First, merchants can capitalise on the new African Continental Free Trade Area (AfCFTA) agreement, which enables improved business reach into new markets. As Africa is a significant market for remittances, the AfCFTA gives

merchants a foundation to expand their e-commerce footprint internationally, with the right infrastructure and regulations in place. We'll also see developments in security. The upgraded payment card security protocol 3DS 2.0 will become mainstream in 2021, and attract new online shoppers thanks to the improved transaction security and user experience.

2020 was tough, but it was also a year that taught the retail sector essential lessons in online engagement and created opportunity amid the complexity of a pandemic. The effects of the last year will be felt long into the future.

Analysis: A Country Embracing Digitalization

Our research clearly points to a market which is embracing digitalization and e-commerce. There are plentiful opportunities across every sector in South Africa, notably for specialist merchants in both beauty and cosmetics and fashion and gallantry.

Beauty and Cosmetics

The online beauty and cosmetics sector is growing quickly in South Africa, and is expected to be worth more than \$169m² by the end of 2021. This is a 69%



increase on 2019 e-commerce expenditure, which stood at \$100m.

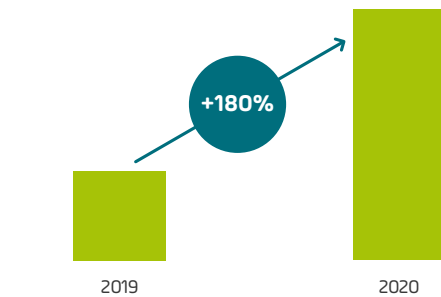
According to PayU data, year-on-year spend in that shopping category grew by 140% between 2019 and 2020. Spending particularly ramped up in Q3 2020, increasing by 229% compared to the same period in 2019.

Fashion and Gallantry

Over the course of 2020, South Africans have remained willing to part with money to revamp their wardrobes. According to external data, e-commerce spend on clothing and accessories is projected to grow by 54%² between 2019 and 2021, falling just short of \$1.5bn.

Consumer spend on fashion and gallantry through PayU's platform rose by 180% between 2019 and 2020, with the average transaction value increasing by \$11. Q2 2020 saw the biggest increase on our platform, with consumer spend up 340% from 2019 levels.

Growth in total year-on-year spending on fashion and gallantry on PayU's platform in South Africa between 2019 and 2020.



Source: PayU

Digital Goods

E-commerce spending on digital goods is projected to grow by 46% between 2019 and the end of 2021, reaching \$336m in total spend². This has been bolstered significantly by strong growth of 69% in 2020, which was resulting in people consuming more digital media whilst spending time at home.

Education

E-commerce spend on education boomed across South Africa in 2020 as people sought to upskill themselves during prolonged time at home. PayU data shows a year on year increase in spend of 67% in 2020, with the average transaction value growing by \$136 to \$404. The majority of the growth was in Q3 2020, when spending rose by 134%.

Average transaction value on education on PayU's platform in South Africa in 2019 and 2020.



Source: PayU



1. ecommerceDB country report, 2020: <https://ecommercedb.com/en/reports/country>
2. Unless otherwise specified, external data was sourced from Statista in January 2021. 2021 predictions were generated in 2020 and based on consumer spending in 2019 and 2020 (up to September 2020).

Further growth opportunities for merchants in EMEA

There are, of course, many opportunities for emerging e-commerce leaders right across EMEA. Here, we put three more growing economies under the microscope.

Russia



Population

145.9m



Internet penetration

76%



No. of online shoppers

63m



eCommerce penetration

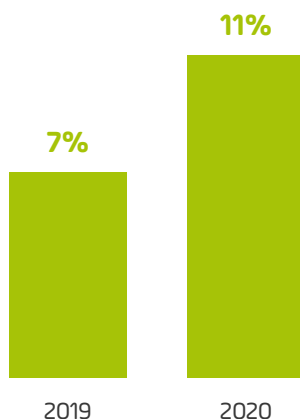
43%

Source: ecommerceDB country report, 2020¹

Although Russia's unique size and sparse population density present e-commerce businesses with numerous logistical challenges, COVID-19 helped to spark growth in the sector.

According to Euromonitor, e-commerce penetration in Russia increased from 7% of total retail sales in 2019 to roughly 11% in 2020².

E-commerce share of total retail sales in Russia in 2020 versus 2019.



Source: Euromonitor

Some analysts predicted that online sales in Russia would grow by more than 40% in 2020 to around 2.5

trillion roubles (\$33.9bn) and by 10-15% a year over the next five years².

While data from Statista paints a slightly more conservative estimate, it still demonstrates a clear gear change in e-commerce spend. Digital goods, which includes streaming services, was one of the fastest growing sectors in 2020³, with total online spend growing by 23% to \$1.02bn.

E-commerce sales of beauty and cosmetics are growing even quicker. Between 2019 and the end of 2021, total consumer spend is expected to grow by 32%, reaching a huge \$1.85bn, showing just how many opportunities there are in the sector for merchants looking to expand into new territories.



Kenya



Population

52m



Internet penetration

31%



No. of online shoppers

13m



eCommerce penetration

25%

Source: Statista, 2020⁶

Kenya is primed for a boom in e-commerce. For the past decade, e-commerce ventures have tended to lean towards the travel and gift industries, with various startups such as TravelStart and MamaMikes successfully making their mark.

With the rapid rise of internet users, Kenya is quickly providing a large and attractive market for international emerging e-commerce leaders, due to remarkable growth in the industry. The initial success of the travel industry has been dampened by COVID-19, and as a result, other sectors are growing at a greater pace.

Look no further than the digital goods industry for evidence. According to external data, the sector is expected to grow by 94% from 2019 levels by the end of 2021⁷, reaching \$70m in total consumer online spend. Research by the UN found that digital platforms (such as video streaming sites) in Kenya proved popular right through the pandemic, playing a key role in fending off boredom throughout lockdown⁸.

Perhaps the biggest success story of all, however, is the fashion and gallantry sector in Kenya. In 2019, a modest \$194m was spent online. By the end of 2021, just two years later, this figure is projected to have grown by 160% to \$504m³.

In fact, our external analysis shows that Kenya outstrips both Nigeria and South Africa when it comes to expected growth of online clothing and accessory sales, making it an excellent opportunity for any emerging e-commerce leader in the fashion space.

Nigeria



Population

206m



Internet penetration

46%



No. of online shoppers

76.7m



eCommerce penetration

37%

Source: IMF, Statista, 2020⁷, Statista⁸

Along with South Africa and Kenya, Nigeria is a growing force in Africa when it comes to e-commerce.

Nigeria is Africa's largest business to consumer e-commerce market, both in terms of number of shoppers and revenue.

This can be attributed to a combination of a fast-growing and youthful population accustomed to buying online⁹ and high smartphone penetration, which make it attractive to any merchant looking to expand.

External data validates the popularity of e-commerce in Nigeria. Both fashion and gallantry and beauty and cosmetics showed high total e-commerce spend in 2020, hitting \$1.8bn and \$199m respectively³. Nigeria's beauty and cosmetics sector is expected to grow by a further 28% by the end of 2021, hitting \$255m in total e-commerce spend³. This would represent a staggering 105% increase in spending since 2019.

Although our external analysis found Kenya to be Africa's fastest growing e-commerce market³, it will be a long while until Nigeria's crown is taken when it comes to total online spend across the sectors we investigated. For this reason, Nigeria cannot be overlooked for any e-commerce leader looking to expand into Africa.



1. ecommerceDB country report, 2020: <https://ecommercedb.com/en/reports/country>
2. Euromonitor analysis of Russia: <https://www.reuters.com/article/us-russia-ecommerce-focus-idUSKBN272102>
3. Unless otherwise specified, external data was sourced from Statista in January 2021. 2021 predictions were generated in 2020 and based on consumer spending in 2019 and 2020 (up to September 2020).
4. Statista, 2020
5. E-commerce ventures have tended to lean towards the travel and gift industries: <https://ecommerceguide.com/news/kenyan-ecommerce-set-major-growth/>
6. UNCTAD, Digital platforms in Kenya proved popular right through the pandemic: <https://unctad.org/news/digital-platforms-give-lifeline-kenyas-creatives-amid-covid-19>
7. IMF, Statista, 2020
8. Statista, 2019: <https://www.statista.com/statistics/1139883/digital-buyers-in-nigeria/>
9. Nigeria's youthful population: <https://www.austrade.gov.au/ArticleDocuments/1353/Accessing-the-Ecommerce-market-in-Kenya-Nigeria-RSA.pdf.aspx>

India and South East Asia



The opportunities and challenges facing Indian e-commerce

A deep dive with
Anirban Mukherjee,
CEO of PayU India

What drove e-commerce in India in 2020?

2020 accelerated the adoption of digital services in India in a way which no other year could have done. COVID-19 pushed contactless and digital payments to new age groups and locations in India, reaching more rural areas and older age groups. By some estimates, the onset of the coronavirus pandemic is expected to help boost India's e-commerce market almost threefold¹. The sudden arrival of the pandemic also pushed businesses to explore cross-industry collaboration, particularly with regards to supply chain management, digital payments and lending, and logistics.

As of May 2020 over a third of India's population were active internet users². As digital accessibility continues to increase, India's internet economy is growing with it. Many retail businesses have recognised that in order to expand operations and scale they will need to collaborate with e-commerce platforms, as well as offer e-payments solutions to cater to evolving, mobile-first customers.

India crossed half a billion smartphone users in 2020³, which in turn led to more consumers turning to their devices for various needs – from financial to retail to educational.

Coupled with affordable internet options, e-commerce has become an entrenched way of life in urban areas and is making rapid inroads in rural locations too.



The Government is also making a concerted effort to digitise payments and move away from a cash economy. The behaviour change in consumers seen in 2020, as well as the increased availability of cheaper devices and simpler payment modes (such as Unified Payments Interface) are all driving increased e-commerce.

What are the most important challenges for e-commerce and e-payments in India currently?

Firstly, India is predominantly a cash-based economy. The low uptake of credit and debit cards, as well as alternative payment methods, is partly due to a cultural reliance on cash, and is compounded by an under-developed digital payment infrastructure. This means that even consumers who are willing to make digital purchases do not always have the means to do so, despite the rapid advances in this field. Even popular payment solutions such as UPI are more dominant in person-to-person (P2P) rather than person-to-merchant (P2M) transactions.

Secondly, how businesses use personal data and, in particular, the consequences of data breaches, are high on the political agenda, with a new bill likely to be tabled in parliament soon. However, most e-commerce firms have not developed actionable roadmaps to

manage this. Fraudulent transactions are one of the key problems hampering further growth of the e-commerce sector today. Since the shift to digital in India is fairly recent, and accelerated suddenly due to COVID-19, consumer education about staying safe online is still lacking.

However, these challenges can be mitigated by working with a verified payments partner with extensive local expertise, such as PayU. Such partners can tailor payment technologies to the needs of the local population, as well as enhance the shopping experience and increase security against fraud for consumers. This is essential for any merchant looking to expand in India.

What are three most important opportunities for e-commerce and e-payments in India currently?

While cash on delivery has traditionally been the most popular e-commerce payment method, this is gradually changing. Affordable and intuitive innovations that provide alternatives to cash are allowing merchants to offer digital payment options to consumers. In addition, more secure and stable infrastructure and affordable smartphones and internet connections are triggering the movement from traditional payments to e-payment options such as internet banking and subscription-based models.

There is huge scope for digitising the end-to-end value chain, for SMEs as well as enterprise-scale businesses. It is imperative to create infrastructure which helps to solve merchants' problems, such as augmenting sales and connecting them to digitally enabled consumers. This will add value for merchants and help to propel e-commerce growth.

The shift from traditional cash to e-payments will occur along a continuum, which will also include middle-of-the-road phygital solutions.

The potential for omnichannel solutions – convergence of offline and online payment solutions – is vast. Essentially, it enables the consumer to move smoothly between digital and physical payments with solutions such as UPI, QR codes and payment links. The advances in payment solutions allow e-commerce firms to create multiple touchpoints and access a wider range of customers.

If you could give one piece of advice to emerging e-commerce leaders considering expanding to India, what would it be?

To invest in robust physical and digital infrastructure. For optimum customer experiences, this should encompass logistics infrastructure, digital payment and lending capabilities, scalable networks, and a privacy and data protection framework. The importance of strong core operational processes cannot be understated in a large market like India, with significant urban and rural opportunities to be tapped.



1. Threefold e-commerce growth in India by 2024: https://www.business-standard.com/article/economy-policy/despite-pandemic-india-s-e-commerce-expected-to-grow-three-fold-by-2028-120062402043_1.html
2. 500 million internet users: <https://www.livemint.com/news/india/india-now-has-over-500-million-active-internet-users-iamai-11588679804774.html>
3. Half a billion smartphone users: <https://www.news18.com/news/tech/smartphone-users-in-india-crossed-500-million-in-2019-states-report-2479529.html>

South East Asia: drivers and trends in e-commerce

A deep dive with **Randy Tan**,
CEO, Red Dot Payment,
a PayU company

What drove e-commerce in South East Asia in 2020?

As seen the world over, 2020 was a monumental year for e-commerce thanks to the impact of COVID-19. South East Asia (SEA) saw huge growth across a number of areas, particularly in online food delivery and e-marketplaces, as people shopped online in their millions.

Demographics across the region meant many countries were well placed to meet this acceleration of online behaviour.

Around half of South East Asia's population are under the age of 30 and the region includes several of the world's fastest-growing internet economies.

While it does have a large unbanked population (around 50% of the population¹) there is incredibly high mobile penetration². This meant that in many places, consumers were prepared for the sudden shift to online shopping. Take QR codes; while for many countries QR codes were introduced in 2020 to help reduce physical contact while shopping, in South East Asia they were already commonplace.

Across the region there were of course differences in how countries responded to the crisis. In Singapore, for example, the government released mass stimulus packages, totalling over \$100bn, after its economy was among the hardest hit in Asia thanks to its open and trade-dependent economy. Stimulus packages like



these have helped some economies weather the storm and in turn have had a positive impact on e-commerce.

What are the most important challenges for e-commerce and e-payments in SEA currently?

While this naturally varies across the region there are some standout challenges common across all countries. Firstly, the multitude of payment methods can cause complications for any e-commerce business looking to trade across multiple countries. In markets like Indonesia and Thailand many shoppers are still using cash, and even those who do have cards can be wary about sharing details due to fears around security. Thanks to the high mobile penetration, mobile payment methods are growing in popularity, but each country still has an average of 3-5 payment methods.

Secondly, regulations differ hugely from market to market. In Indonesia for example, the government requires a payments business to be 51% controlled (voting shares) by local Indonesian players. Meanwhile, in Thailand it can take years to get a PSP license, with high associated compliance costs. Payment previously in Singapore has always been considered one of the less-regulated markets, but the government there is now moving to introduce more compliance measures;

a positive move to ensure payment providers are delivering a compliant service.

What are the most important opportunities for e-commerce and e-payments in SEA currently?

While regulation can cause challenges, it also presents opportunities. New regulations that keep up with evolving technology and the requirements of forward-looking merchants can be positive for the market as a whole, ensuring strong standards are kept and the best players can succeed. We welcome regulations that look to safeguard consumers and businesses, while also fostering strong innovation.

Cryptocurrencies also offer a huge opportunity for e-commerce in SEA. While markets like Singapore might be making it hard to fund crypto, many are finding ways around this. In Thailand it's estimated that 10% of the population already own some form of cryptocurrency³, second only to South Africa in global ownership rates. The opportunities cryptocurrency presents to those who are still unbanked across SEA is huge, removing barriers to e-commerce and opening up the market for many.

Buy now pay later (BNPL) is another area to watch in SEA. With low credit card penetration across the region, BNPL has a huge opportunity to provide access to underbanked (or even unbanked) consumers looking to buy online. Companies like Kredivo and Akulaku have both already had 10m+ installations of their apps on Google Play in Indonesia alone. Meanwhile Hoolah, founded and based in Singapore, grew its transaction volume by 1,500% in 2020⁴. While Atome, another



local BNPL player, reported in November 2020 that its 1,000+ merchants had seen a 20-30% increase in conversions, and as much as a 30% increase in average order size amid the pandemic. A subsidiary of Advance ai, Atome launched its BNPL product in July 2020⁵.

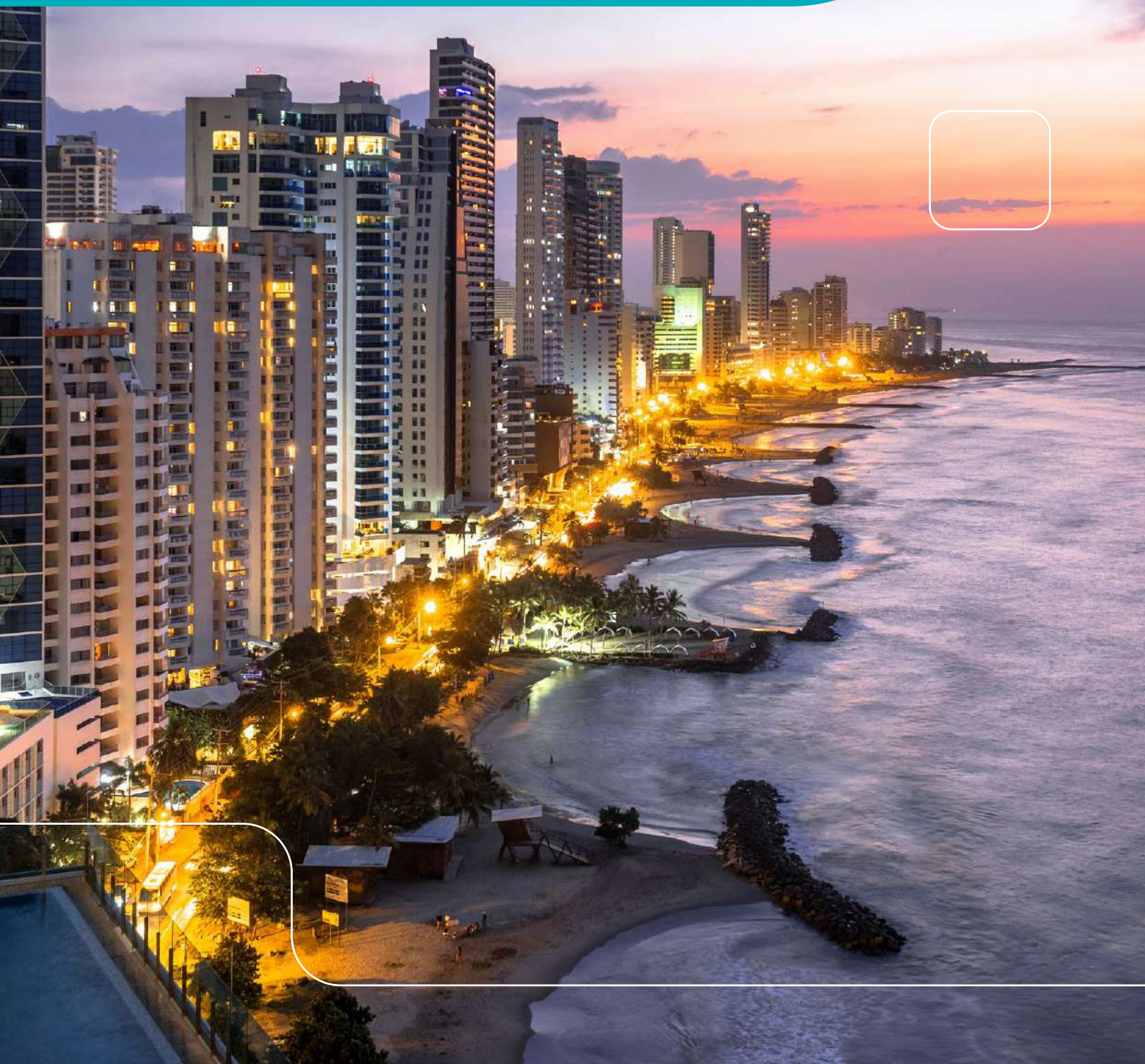
If you could give one piece of advice to emerging e-commerce leaders considering expanding to SEA, what would it be?

Put simply, emerging e-commerce leaders must approach the region with a flexible and open mindset. South East Asia is a region of opportunity but it's also a complicated landscape. From the differing regulations in each country, to the host of ever-changing payment methods, it's a region that's constantly evolving. Choosing the right partner is critical; online retailers need a team that knows the local regulations and how best to navigate often daunting looking challenges around compliance.



1. Unbanked population of SEA - <https://www.businessinsider.com/southeast-asia-financial-services-revenue-will-triple-by-2025-2019-11?r=US&IR=T>
2. Mobile penetration in SEA - <https://www.geopoll.com/blog/mobile-penetration-asia-south-asia-southeast-asia/>
3. Cryptocurrency ownership in Thailand - <https://www.asiablockchainreview.com/wp-content/uploads/2019/10/ABR-Thailand-Blockchain-Landscape-Report.pdf>
4. BNPL downloads and transactions volumes - <https://www.entrepreneur.com/article/365905>
5. Competition Heats up in Southeast Asia's Buy Now Pay Later Market | Fintech Singapore (fintechnews.sg)

Latin America



Colombia

COVID-19 and VAT Incentives Accelerate E-commerce Growth



Monica Vergara
North LatAm Business Head
& PayU Colombia Country Manager



Population

50.3m



Internet
penetration

70%



No. of online
shoppers

22m



eCommerce
penetration

43%

Source: ecommerceDB country report, 2020¹

2020 changed everything in Colombia. Prior to the pandemic, e-commerce in Latin America was already growing by 20%² year-on-year and was on course to reach a value of 187 billion USD by 2021.

Almost overnight, we witnessed a real surge across the country. Across the year transaction volumes increased by over 54% compared to 2019, and we had to work hard to ensure our systems could handle the increased demand.

One initiative that had a huge impact on e-commerce volumes was the creation of three 'VAT free' days across the year. In order to stimulate consumer spending, the Colombian government set dates in June, July and November. The VAT free days were a huge success, and each day PayU processed more than 81 million transactions, well above our daily average. Most importantly, two of the three days were online only, highlighting the government's recognition that e-commerce is an integral component of economic health.

COVID-19 may have caused a short-term surge, but the consumer migration towards e-commerce has been underway for years. By 2025, we anticipate that there will be 424 million mobile internet users in Latin America³, which will likely grow the sector even further as m-commerce takes off in popularity. As a payments provider, our challenge now is to reach those new users, understand their needs, and keep them confident in the security of digital payments.

I'm incredibly positive about the future of e-commerce in Colombia. My optimism is reflected in this research,

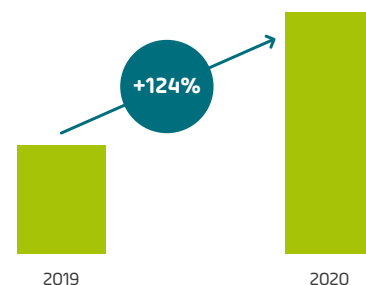


which clearly indicates that merchants looking to expand into a new market should put Colombia near the top of their list. Across the four sectors we investigated, there are plenty of opportunities within this growing market for online retailers to leverage.

Analysis: Consistent Colombia

Across the board, Colombia is one of the most consistent performers when it comes to e-commerce spend. External data shows that the country is distinguished for its spending on fashion and gallantry, where it exceeds the continent's average year-on-

Growth in total year-on-year spending on fashion and gallantry on PayU's platform in Colombia between 2019 and 2020.



Source: PayU

year growth. This is little surprise, given the country is consistently recognised as the fashion capital of Latin America. Every sector we investigated displays a very promising growth rate.

Beauty and Cosmetics

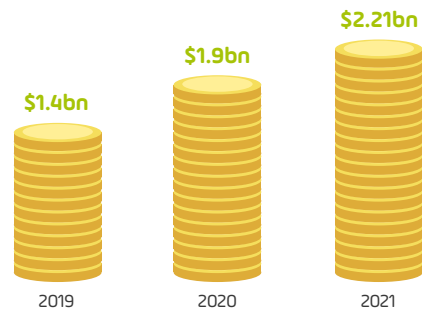
Although external data showed a dip in total spend on beauty and cosmetics in 2020⁴, the amount spent via e-commerce channels increased by 19%. In total, between 2019 and the end of 2021, the sector is expected to have grown by a total of 53%⁴ (from \$116m to \$178m).

Across our own platforms, we noted an increase in spending on our platform far exceeding this pace of change, showing an average year-on-year spending increase of 70% between 2019 and 2020. We onboarded a large number of beauty and cosmetics specialist merchants in Latin America across 2020, showing the huge demand for buying beauty products online.

Fashion and Gallantry

Despite the pandemic putting a pause on weddings, parties and gatherings, it appears nothing could dampen Columbia's enthusiasm for staying on-trend. Of the sectors we investigated, external analysis shows that fashion and gallantry displays the fastest projected growth in e-commerce spend between 2019 and the end of 2021, increasing by 58%⁴ from \$1.4bn to \$2.2bn. Only Mexicans and Brazilians will part with more money than Colombians for the latest must-have looks over the same time-period.

Projected e-commerce spend on fashion and gallantry in Colombia between 2019 and 2021.



Source: Statista

Our own data showed high volumes of growth too. On PayU's platform we saw a 124% increase in year-on-year consumer spend on fashion and gallantry in 2020. Spend was particularly high in Q3 2020, where it increased by 211% compared to 2019 levels.

Digital goods

Despite internet access increasing across the country, expenditure on digital goods in Colombia is below the region's average. According to external data, average year-on-year growth stands at 14%⁴, below the continent's average of 46%.

However, year-on-year growth in spend proved significantly higher for digital goods merchants using PayU's payments platform (62%). We also found a greater pace of growth across the continent than the internal data showed, with year-on-year spend for digital goods on our platforms growing by 23%.

Education

Adapting to the new normal has meant that the education sector, even with many disadvantages caused by virtuality, had a positive impact. No questions asked, education has been the best method to face the days of pandemic and confinement.

This is demonstrated by the data shared by PayU: the sector generated a turnover of more than 350 million USD in all of 2020, which compared to 2019 represents a growth of 73%. Particularly showing growth from Q2. (Q2 66% - Q3 119% - Q4 69%)



1. ecommerceDB country report, 2020: <https://ecomcedb.com/en/reports/country>
2. DHL: <https://www.zdnet.com/article/e-commerce-growth-to-exceed-20-in-latam-by-2021/>
3. Statista: <https://www.statista.com/study/72332/smartphone-market-in-latin-america/>
4. Unless otherwise specified, external data was sourced from Statista in January 2021. 2021 predictions were generated in 2020 and based on consumer spending in 2019 and 2020 (up to September 2020).

Brazil

Where the Rhythm of LATAM's E-commerce Boom was Set



Henrique Vicentini
Risk Operations Director, LATAM



Population

211m



Internet
penetration

67%



No. of online
shoppers

105m



eCommerce
penetration

49%

Source: ecommerceDB country report, 2020¹

If Latin America is an awakening e-commerce giant, then we must credit Brazil with setting the pace of its growth.

Over the past few years, Brazil has proved itself to be one of the world's most prosperous high-growth markets for merchants. The pandemic accelerated the shift to digital, and we saw online sales grow by more than 50% across the country on our platform. Early data suggests that new consumer habits are likely to stick, making it the opportune time for a merchant to enter the market.

These online sales are not solely made up of domestic goods and services, either. Cross-border sales are growing fast for two key reasons. First, the entry of consumer-facing players like Alibaba, Wish and Amazon, and second, the emergence of e-payments businesses that can enable global cross-border payments for online retailers with a single, simple API integration. In total, cross border sales are expected to represent 25% of all online sales in Brazil by 2024², showing how healthy the country's short and medium term prospects are for international retailers looking to enter the market.

The Central Bank is also accelerating growth. Its Open Banking agenda will bring financial system interoperability to Brazil, and reduce consumer barriers to financial inclusion while reducing costs of accessing financial systems for consumers. The Central Bank has also launched QR-code based instant payments, which are expected to become so popular that they will account for 25% of all online payments within three



years³. To avoid missing out, merchants will need to implement technology that enables them to accept Open Banking and QR code payments.

With a tech savvy payments partner, these opportunities are there for the taking. It is my true belief that there has never been a better time for emerging e-commerce leaders to look towards this energetic and thriving market.

Analysis: High Spenders on High Fashion

Of all of the sectors we investigated, Brazil is distinguished for its high spend on fashion and gallantry. Data from PayU's platform showed that year-on-year spend in the sector grew by more than 500% between 2019 and 2020, while external data predicts that total online spending on fashion & gallantry will have grown by 13% to \$5.16bn between 2020 and the end of 2021⁴.

Beauty and Cosmetics

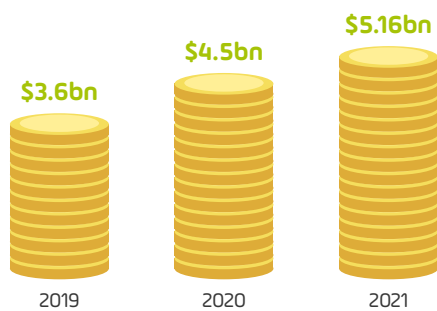
It's no secret that Brazil is incredibly beauty-conscious, and is consistently recognised as a high spender on cosmetics and personal-care. External sources predict further growth in the sector in 2021, with consumer

online spend on beauty and cosmetics expected to total a huge \$2.85bn⁴. This is more than three times that of Mexico, which is the second biggest spender in Latin America⁴.

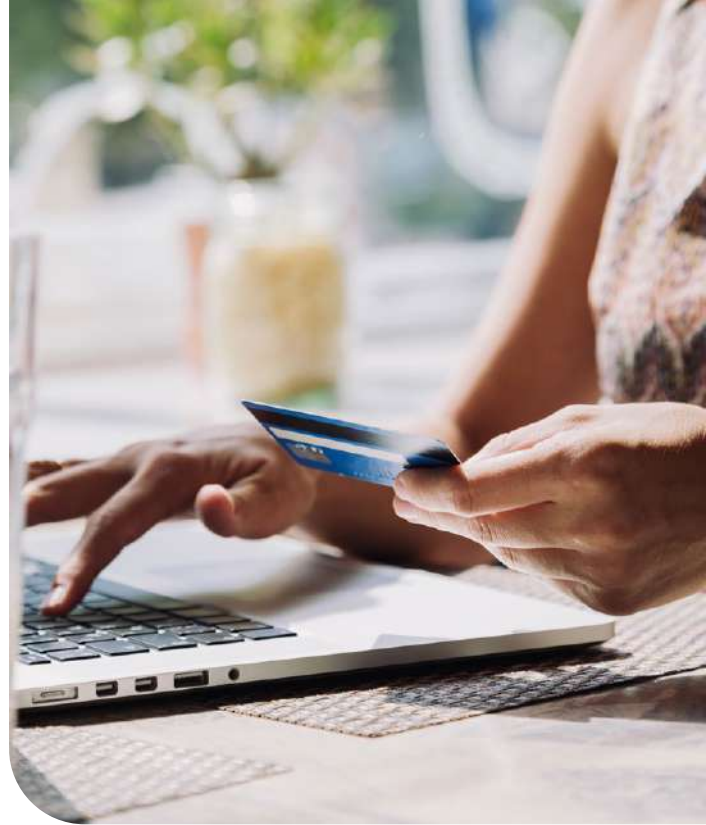
Fashion and Gallantry

Brazil is synonymous with flair and style; look no further than the annual Carnival in Rio de Janeiro for evidence. External data projects growth in e-commerce spend on fashion of 43% between 2019 and the end of 2021⁴.

Projected e-commerce spending growth on fashion and gallantry in Brazil.



Source: Statista



Across the PayU platform, we saw huge year-on-year growth in online consumer spend of 508% between 2019 and 2020. The greatest increase was in Q2, when 2020 spending was up 910% on the previous year.

Digital Goods

External data shows that 2020 saw more growth in terms of year-on-year spend (32%) on digital goods than is projected in 2021 (21%)⁴. This decrease can be explained by analysts anticipating people spending more time outside of their homes as COVID-19 vaccinations are distributed and restrictions lifted. With spending expected to top \$3.16bn in 2021 though, there are still plenty of opportunities for merchants.

Education

As a result of people looking to upskill and learn new things throughout the COVID-19 pandemic, e-commerce spend in the education sector grew by 14% between 2019 and 2020. Growth was 59% higher in Q4 2020 than it was in the same period in 2019, and with the pandemic still rumbling on, we expect to see this figure climb even higher in 2021.



1. ecommerceDB country report, 2020: <https://ecommercedb.com/en/reports/country>
2. <https://www.ecommercebrasil.com.br/noticias/cross-border-sites-estrangeiros-faturam-2019/>
3. <https://exame.com/future-of-money/pix-open-banking/pix-chega-a-25-dos-brasileiros-movimenta-r-203-bilhoes-e-deve-ganhar-novas-funcoes/>
4. Unless otherwise specified, external data was sourced from Statista in January 2021. 2021 predictions were generated in 2020 and based on consumer spending in 2019 and 2020 (up to September 2020).

Further growth opportunities for merchants in Latin America

E-commerce is booming right across Latin America. Here, we outline the potential of five additional markets of interest to many of our merchants: Mexico, Panama, Peru, Chile and Argentina.

Mexico



Population

127.6m



Internet penetration

63%



No. of online shoppers

51m



eCommerce penetration

39%

Source: ecommerceDB country report, 2020¹

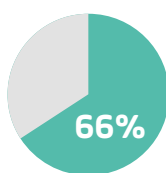
When it comes to total e-commerce spend across the four sectors we investigated, Mexico is often toe-to-toe with Brazil, despite having a population approximately half the size.

There are many reasons for this astounding success. For e-commerce to thrive, the ideal sociodemographic is young, urban and middle class. Mexico has this in abundance; according to the Economist Intelligence Unit and the Consejo Nacional de Población, the Mexican agency responsible for monitoring population growth, 66% of Mexico's citizens are 15 to 64 years old², and 80% live in cities³.

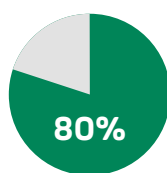
Population in Mexico (% of total population).



AGES 15 - 64



LIVES IN URBAN AREAS



As a result of this young population, more Mexicans are using the internet than ever before, which translates into



higher e-commerce spend. Mobiles are particularly popular, with mobile penetration exceeding that of all other LatAm countries⁴. Consequently, purchases via smartphones are growing rapidly. Mexico is now second only to South Korea for using mobile devices to buy online, with 15% of all e-commerce sales taking place on mobiles⁵.

This translates into a high growth market for consumer goods, with external data showing that total online consumer spend on fashion and gallantry is expected to grow 57% above 2019 levels by the end of 2021⁶. On PayU platforms, although fashion still performed very well, beauty and cosmetics took the lead, growing by 1410% year-on-year in 2020.

Panama



Population

4.2m



Internet penetration

62%



No. of online shoppers

1.4m



eCommerce penetration

35%

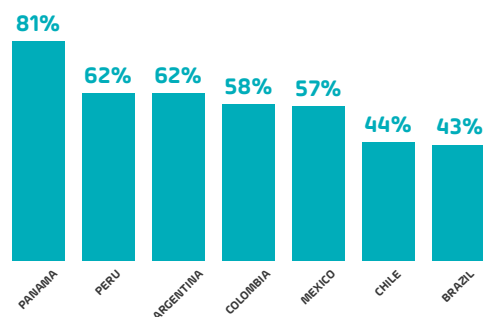
Source: Statista, 2019⁷

It would be easy to overlook Panama when directly comparing it to the likes of Brazil, Mexico and Colombia, but the smallest Latin American country we analysed certainly packs a punch when it comes to e-commerce.

Despite being in its infancy, e-commerce is strong in Panama. This is due to a combination of its multiple free trade zones, strong links with other Latin American markets, competitive labour costs, and, most notably, well established trade infrastructure thanks to the Panama Canal⁸. Smartphone penetration is high in the country⁹, and more people are now purchasing goods and services on the internet.

Of the seven Latin American markets whose e-commerce data we analysed, Panama projects the highest growth between 2019 and the end of 2021 in fashion and gallantry, standing at 81%⁶.

Projected growth in e-commerce spend on fashion and gallantry in Latin America between 2019 and the end of 2021.



Source: Statista

Similarly, Panama outstrips all other countries when it comes to projected growth in beauty and cosmetics; by the end of 2021, e-commerce in the sector is expected to have grown by 91%, reaching \$60m in total spend.

While total e-commerce spend does not match that of its more populous neighbours, our research clearly indicates strong growth potential for any merchant.

Peru



Population

33.16m



Internet penetration

57.1%



No. of online shoppers

12.5m



eCommerce penetration

35.8%

Source: Statista, 2019⁵, Societe Generale, 2021¹⁰

Although Peru is a relatively small market for e-commerce, it has still grown quickly over the past decade. According to analysis by AMI, e-commerce in Peru could be worth \$14 billion a year by 2022, up from just \$4bn in 2019¹¹.

At present, Peruvian consumers still prefer to use cash for payments, which has hampered the penetration of e-commerce¹². However, like in so many other markets, COVID-19 has accelerated the growth of online shopping, and in tandem, the willingness to try new payment methods. The volume of online transactions soared by 120% in just one month between February and March 2020, and e-commerce accounted for 12.5% of credit card transactions between January and March in the same year, growing to 45% by June¹².

This growth is expected to continue in 2021. According to external data, total e-commerce spend on digital goods is projected to grow above 2019 levels by 47% to \$314m by the end of this year⁶. Similarly, fashion and gallantry is expected to grow by 62% over the same timeframe, reaching a total online consumer spend of \$690m⁶.

Across the seven Latin American markets we investigated, Peru exceeds the average growth rate in every sector, showing just what a brilliant opportunity this is for any online merchant.

Chile



Population

19m



Internet penetration

84%



No. of online shoppers

11m



eCommerce penetration

59%

Source: ecommerceDB country report, 2020¹³

Chile's e-commerce market is full of untapped potential. While it may have grown in recent years thanks, in part, to multinational companies moving into the market, our research suggests that the country is yet to fully hit its stride.



Mobile commerce remains a sticking point, with recent research indicating that while 45% of Chileans own a smartphone, only 15-20% make online purchases via their mobile¹⁴, although this number is growing¹⁵. Delivery logistics also remain a prominent issue, with the Andes presenting a significant barrier between businesses and their customers.

Despite this, however, the market is full of promise. Since 2011, Chile has held an annual 'Cyber Day' to encourage online shopping, and to foster e-commerce growth, the Santiago Chamber of Commerce holds an annual E-commerce Day, which includes an e-commerce start-up competition. As with so many markets, COVID-19 has also accelerated the transition to e-commerce, with consumers expected to have picked up lifelong habits during 2020.

As a result, Chile now projects above average growth (compared to the rest of Latin America) in both digital goods and beauty and cosmetics between 2019 and the end of 2021⁶. While external data suggests that projected growth over the same time frame is slightly behind the Latin America average for fashion and gallantry, it still shows impressive growth at 44%⁶.

In short, Chile is an unsung market that is well worth any merchant looking toward.

Argentina



Population

44.8m



Internet penetration

72%



No. of online shoppers

25m



eCommerce penetration

55%

Source: ecommerceDB country report, 2020¹⁶

Over the past few years, e-commerce has been a vital asset to the Argentinian economy. The sector was a particularly bright spot for the economy following the country's 2018 economic crisis, the aftermath of which is still being felt today. According to the Argentine Chamber of Electronic Commerce, e-commerce grew 76% during 2019, after growing by 64% in 2018¹⁷.

Similarly, e-commerce has also been a shining light amid disruption caused by COVID-19, providing the only viable consumer route to many products whilst bricks and mortar retailers remained shut. As a result, many sectors grew faster in 2020 than 2019, despite the broader economic challenges of last year.

Until recently, e-commerce in Argentina has been heavily concentrated in the densely populated capital Buenos Aires, where almost one third of the population lives¹⁸. However, over the past year e-commerce has become increasingly popular in the interior of Argentina, and an increasing number of companies are beginning to extend their operations further south, driving growth rate up. Internet penetration is increasing, mobile users are rising, and more Argentinians are gaining access to financial services¹⁶, all of which contribute to greater e-commerce.

Of the sectors we investigated, fashion and gallantry projects notable growth by the end of 2021, up 62% on 2019 online consumer spend⁶. By the end of 2021, total e-commerce sales on fashion and gallantry are expected to exceed \$1.7bn⁶, showing the clear potential for any merchant in this sector looking to expand internationally.



1. EcommerceDB country report, 2020 Mexico: <https://ecommercedb.com/en/markets/mx/all>
2. Mexico age group: https://www.un.org/en/development/desa/population/pdf/commission/2017/keynote/nvp_mexico.pdf
3. Mexicans living in cities: <https://www.inegi.org.mx/programas/ccpv/2020/>
4. Mobile penetration in Mexico: <https://newzoo.com/insights/trend-reports/newzoo-global-mobile-market-report-2019-light-version/>
5. Mobile sales in Mexico vs South Korea: <https://www.es.kearney.com/consumer-retail/article/?a/the-tipping-point-for-e-commerce-in-mexico>
6. Unless otherwise specified, external data was sourced from Statista in January 2021. 2021 predictions were generated in 2020 and based on consumer spending in 2019 and 2020 (up to September 2020).
7. Statista, 2019
8. Panama's good trading environment: <https://www.ipc.be/news-portal/e-commerce/2019/11/07/14/59/latin-american-e-commerce-market>
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10. Societe Generale: <https://import-export.societegenerale.fr/en/country/peru/e-commerce#:~:text=There%20are%20over%2012.5%20million,of%20them%20purchase%20using%20desktops.>
11. Projected growth in Peru: <https://www.trade.gov/knowledge-product/peru-e-commerce>
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14. Mobile penetration in Chile: <http://www.ecommerce-day.org/conclusiones-del-ecommerce-day-santiago-2017/>
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16. ecommerceDB country report, 2020 Argentina: <https://ecommercedb.com/en/markets/mx/all>
17. Argentina e-commerce growth in 2019: <https://www.cace.org.ar/estadisticas>
18. One third living in Buenos Aires: <https://worldpopulationreview.com/countries/argentina-population>



Conclusion

Throughout this report, we have unearthed key opportunities for emerging e-commerce leaders across the world, highlighting incredible growth in countries that have perhaps been overlooked before 2020 in favour of more traditional, Western markets.

While COVID-19 has resulted in a surge in e-commerce spending, it's apparent that the effects of the pandemic are just a small part of a much bigger picture. For the first time in e-commerce's 40-year history¹, the sector has a solid foundation to grow from, thanks to the growing ubiquity of smartphones and ever-expanding reach of the internet in high-growth countries.

Although every market differs in regulation and digitalization strategies, they are united in improving the security of e-commerce for consumers, who are increasingly embracing new ways to pay. This will only push total year-on-year e-commerce spending even higher in the years to come, as consumers feel more at ease buying online. Trade deals, such as the African Free Trade Area agreement, will also unlock opportunities for cross-border e-commerce in high growth markets such as Kenya, Nigeria and South Africa. In short, it's an exciting time for online and omnichannel retailers.

This paper sought to do more than provide an overview of e-commerce in 2021; we set out to help merchants find the best markets to expand into.

While external data shows that Turkey, Kenya and Panama boast some of the fastest growing e-commerce sectors, our own data also unearthed huge success stories elsewhere. Overall, Latin America displays the most promising growth trends when it comes to total year-on-year consumer spend.

Our data showed clear leading markets across the different sectors, with huge opportunities for emerging e-commerce leaders, including:

Beauty and Cosmetics

While external data showed a dip in total spend (both online and offline) on beauty and cosmetics between 2019 and 2021, the proportion of sales made

via e-commerce channels is increasing, creating many opportunities for merchants.

Our data shows that beauty and cosmetics merchants should look towards Mexico when expanding internationally. Between 2019 and 2020, PayU saw total year-on-year online spend in Mexico increase by 1410%. Brazil also spent heavily throughout 2020, up 1276% on 2019 levels. Our data clearly indicates that Latin America is the place to be for any beauty and cosmetics merchant, with a regional growth rate of 133% on PayU platforms. This was validated by our external analysis, which showed that total online spend on beauty and cosmetics across LatAm in 2020 reached nearly \$3.8bn.

Fashion and Gallantry

Across every market that we looked at, fashion and gallantry emerged as the sector with the highest consumer spend. Annual consumer e-commerce spend in the fashion segment is projected to be particularly high by the end of 2021 in India (\$16bn) and Indonesia (>\$9bn), followed by Russia, Poland, Turkey (>\$6bn) and Brazil and Mexico (>\$5bn). In 2020 alone, over \$14bn was spent across LatAm on clothing and accessories.

Data from PayU's platform highlighted tremendous growth in Turkey, up by 65% in 2020 when compared



to total spend in 2019. Both Brazil and Argentina have grown at staggering rates over the past year, with total e-commerce spend on our platform increasing by 508% and 447% respectively. Year on year growth in spend on fashion and gallantry across LatAm on our platform reached an incredible 191%.

Digital Goods

The events of 2020 truly moved the needle when it came to digital goods. As people spent more time indoors, spending on digital media increased, particularly in Latin America and Africa.

In LatAm, consumers in Chile and Argentina in particular gravitated towards digital goods in 2020, where spending increased by 211% and 131% respectively, according to PayU's data. In Argentina, consumer spend in the sector is expected to reach \$615m by the end of 2021. Any merchants specializing in digital goods should look towards Latin America as the next big frontier. Africa should not be discounted, however, with Kenya and Nigeria seeing 42% and 32% year on year growth respectively in this sector in 2020, according to external data.

Education

Lockdowns across the world truly transformed the education sector with remote learning and virtual courses becoming the norm as lockdowns increased demand for edifying pastimes. As a result, the sector showed a huge increase in spending between 2019 and 2020. This is likely to increase further in 2021, with many of the world's institutions and leisure spaces remaining closed for at least the first half of the year.

Mexico and Argentina showed the biggest increase in consumer spend on PayU's platform between 2019 and 2020, standing at 139% and 138% respectively. Notably, the average transaction value for merchants working with PayU increased the most in South Africa across 2020, up by \$136 on 2019's spend.



Summary

Our report paves the way for emerging e-commerce leaders to expand internationally, and clearly demonstrates the growth potential of markets across Latin America, India and EMEA.

Success can only be achieved with the right local expertise and payments technology. A dependable payments partner can help to quickly scale operations and build successful businesses which enjoy supercharged growth.

As a local payment partner to hundreds of thousands of online and omnichannel retailers, PayU has unmatched insight into all verticals in more than 50 markets around the world. Our unique insights into the behaviour of global online shoppers can help ensure that your e-commerce expansion is a success.

As our report shows, the potential rewards are abundant.



Mario Shiliashki
CEO, PayU Global Payments



1. 40-year history: <https://www.miva.com/blog/the-history-of-ecommerce-how-did-it-all-begin/>

PayU is the payments and fintech business of Prosus, a global consumer internet group and one of the largest technology investors in the world. PayU is a leading online payment service provider, operating in 50+ high growth markets, dedicated to creating cutting-edge financial services tailored to the needs of over 300,000 merchants and millions of consumers. Focused on empowering people through financial services and creating a world without financial borders where everyone can prosper, PayU is one of the biggest investors in the fintech space, with investments totalling \$1 billion to date.

Local operations in Asia, Central and Eastern Europe, Latin America, the Middle East and Africa enable PayU to combine the expertise of high growth companies with its own unique local knowledge and technology to ensure that online customers have access to the best financial services. For more information please visit: <https://corporate.payu.com/>

Prosus, the owner of PayU, has a primary listing on Euronext Amsterdam (AEX:PRX) and a secondary listing on the JSE Limited (XJSE:PRX), and is majority owned by Naspers. For more information on PayU, please visit: <https://corporate.payu.com/>