



Country factsheet - April 2014

# Brazil

Brazil may be best known for its carnival, samba and football, but it hasn't been left behind when it comes to e-commerce either. In fact, it's one of the emerging countries to watch out for. Brazil alone represents half of the land mass of South America and shares borders with all of the other countries that make up the continent, with the exception of Chile and Ecuador. This makes it an opportune market and a key player in the American sub-continent. The €8.69 billion of sales generated in 2013 positions Brazilian e-commerce tenth in the world ranking, making it the largest market in Latin America. Forecasts estimate that in 2017 the Brazilian e-commerce market should achieve as much as €18.17 billion in sales turnover.

## 1. The Brazilian consumer

Brazilian e-shoppers account for 36.4% of all online shoppers in Latin America.

Historically, there has been a tendency to attribute the success of Brazilian e-commerce to the upper class or to growth in the middle class, but those on the **lowest incomes have now also readily begun to shop online**. Those with a higher level of education only account for 37% of all cyber-shoppers.

Brazilian e-shoppers number around 32.9 million and represent 36.4% of the total number of online purchasers in Latin America.

It is worth noting that **65% of online sales are made using credit**. When it comes to the gender split, there are slightly more female cyber-shoppers (55%) than there are male (45%). The average age is between 30 and 39 years old.

### An enormous cyber appetite and opportunities for online advertising

Compared to their neighbours in South America, Brazilian Internet users spend an enormous amount of time on information sites (88.4% of them) and blogs, mostly **browsing for sports information**. In this domain, Brazil comes out on top in the BRIC emerging countries ranking (made up of Brazil, Russia, India and China) and is significantly above the world average of 76.1%.

Investments in paid search advertising will increase by 57.3% between 2014 and 2017.

Advertisers are acutely aware of this massive consumption and **are shifting advertising investments towards "paid search advertising"**. Investment in this sector is expected to reach around €850 million in 2014. And when you consider that click-through rates on adverts are particularly high (2.4% on average, whilst in the United States they don't exceed 2%), you can see why these investments should continue to increase by 57.3% between now and 2017.

**This habit of searching for information can also be seen in the usage rate e-commerce sites, which is 77.3% for Brazilian internet users** - once again, higher than the global average of 74.4%.

The most frequently used types of e-commerce sites in Brazil are:

1. Retail shops
2. Auction sites
3. Group purchase sites
4. Travel/tourism sites
5. Price comparisons

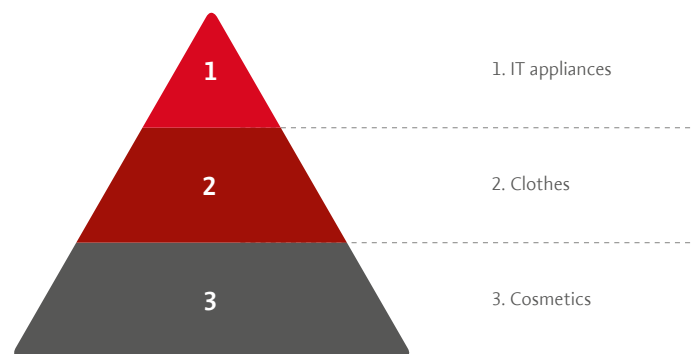
However, usage and purchases don't necessarily go hand-in-hand. To illustrate this, the proportion of online sales in the travel sector only accounts for a quarter of the total sales in the sector. This shows the latent potential of e-commerce in Brazil. The main barriers are fears over privacy and security. However, these figures should increase by 34.2% in 2014, driven by the Brazilian craze for football and the fact that the World Cup is going to take place in 12 cities spread across the country.

### Online purchasing habits

While they are indeed shopping online, what do Brazilian e-shoppers actually buy? How do they make payment and what are their expectations in terms of delivery?

In 2012 the most frequently-bought items were **home appliances** but by 2013 **fashion and accessories** had overtaken them to become the most popular domestic purchase.

**With regard to cross-border purchases**, Brazilians buck the trend found in many markets and buy more **computer equipment** than clothing and cosmetics. The Brazilians mainly buy their gadgets from the United States and China.



The 3 most-purchased products on foreign sites in Brazil

To return to the domestic market, Brazilian consumers show **a very strong desire for free shipping**. In 2012, over half of all orders were delivered for free.

As we saw above, a large number of purchases are made using credit. It is therefore not surprising to find that credit cards are the main method of payment, followed by the local system from Central Bank of Brazil, Boletto Bancario. Launched in 1993, this online payment system today generates 3 billion transactions a year, which represents 30% of the total number of online payments.

## 2. The market

The Brazilian online economy could be qualified as **mixed**. Unlike in certain other emerging countries, it shows no clear trend. There is no overwhelming majority of local e-commerce companies as there is in China. Similarly, there is no invasion of foreign e-commerce companies, as is the case with Spain, perhaps owing to the local market not being developed enough yet.

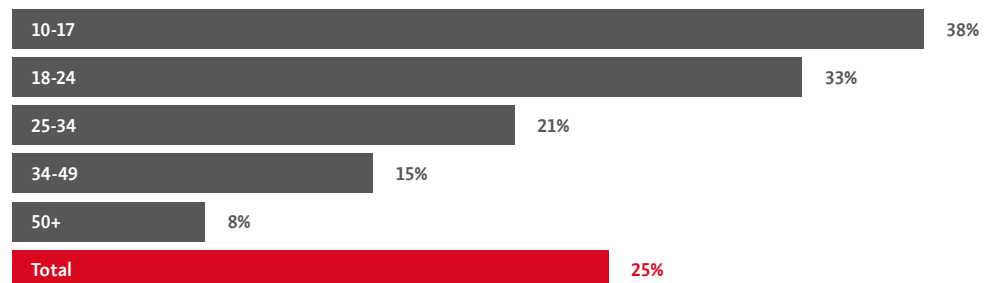
### The mobile explosion and its impressive statistics

Mobile is currently exploding in Brazil, as the following impressive figures show:

- **Mobile connections have increased by 80% in five years.**
- At the end of 2013, there were 18% fewer 2G connections and **75.9% more 3G connections**, compared to the start of the year.
- **The number of pre-paid connections fell from 22 to 19.5% between 2012 and 2013, with more post-paid contracts being purchased.**
- **Sales of traditional mobile phones fell by 33%, whilst smartphones sales increased by 147% between 2012 and 2013.**
- At the end of 2013, **53.5% of Internet users were also believed to be mobile users.** If this trend continues as expected **in 2017, 60% of the population will use a mobile connection to access the Internet.**

The diagram below shows that smartphones are taking a firm hold among future generations, upon whom the future of Brazilian e-commerce depends.

Use of smartphones as the main means of accessing the Internet among smartphones owners (according to age)



**Tablets** are keeping up too, and are the fourth **most popular device for accessing the Internet** with a penetration rate of 39% - in 2013 no fewer than 7.9 million tablets were sold. This is an increase of 142% on the previous year. Among tablet sales, Android features as the predominant operating system and has almost monopolised the market, accounting for 95% of tablet sales in 2013.

It is interesting to note that in terms of pure navigation, mobiles seem to break down socio-demographic barriers as their usage is similar across all social classes. When it comes to m-commerce, however, consumers with higher incomes, who had already adopted e-commerce quite early on, seem to feel more comfortable with the idea of spending their money using mobile.

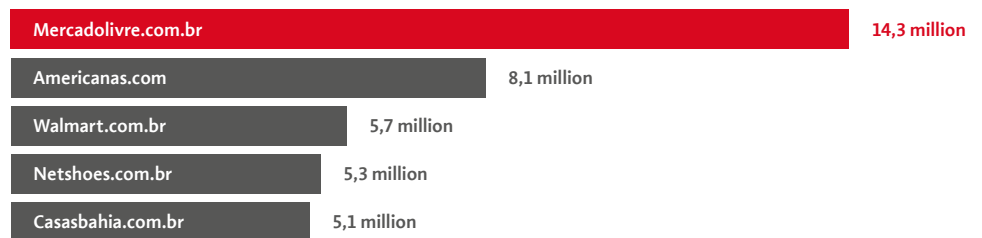
Mobile surfing in Brazil takes place for the most part at home or at work.

Finally, it is worth highlighting that in Brazil, “mobile” browsing doesn’t necessarily mean “on the go”. In fact, 95.6% of smartphone owners use their mobile connections at home and 87.2% of them at work.

### The players in the market

According to Internet Retailer, Brazilian success stories have several things in common: **the capacity to attract new customers and retain them through good business practices, plenty of stock and effective, targeted marketing.** You will see that this is indeed the case, by referring to e-traders in the ranking below.

The Top 5 most visited sites in Brazil in 2012 (in terms of unique visitors):



The largest group of Brazilian e-tailers is **B2W Inc.** Established in 1999, it owns two of the largest mass merchandise sites: Americanas.com and Submarino.com (positioned at 6th place in the ranking mentioned above). As with Amazon, B2W uses a hybrid model and sells its own products whilst allowing other e-traders to sell their goods on its sites. B2W competes with **Mercado Libre**, the largest market place in Latin America, and **Wal Mart**. The latter launched Wal-Mart Latin America as a separate store and distinct e-commerce organisation in order to capitalise on the growth in Brazilian e-commerce. This initiative has proven to be a wise and profitable one, as WalMart Latin America features among the top 5. The main points of investment for the group have been technology, logistics and customer service.

In response to this fierce competition from international e-traders, B2W has diversified its services by offering direct shipping and fulfilment of orders and by facilitating data exchange between the market place and sellers’ accounting systems. B2W has also added four new lines of own-brand products, for health and beauty, pets, stationery and furniture. Alongside these new services, the Brazilian giant has also purchased companies specialising in **e-commerce platform system development, advanced research and product recommendation application development and logistics and fulfilment.**

Proof that the growth in e-commerce is not just benefiting a privileged few comes in the form of the record expansion of **Kanui** (25<sup>th</sup> in the e-commerce classification in Latin America), a pure player whose .com.br clothing and sports equipment site has **grown by 9000%!**

### 3. Trends

69% purchase a product thanks to an advert seen on social media.

#### From targeting to success thanks to social media

During our market analysis we highlighted the importance of targeted marketing and social media as an appropriate tool for doing so. In fact, 69% of Brazilian Internet users have bought a product or service after seeing advertising on social media according to an April 2013 study.

The success of social media in Brazil is incomparable. **In 2012**, Comscore reported that **97% of Brazilian Internet users were already using social networks**. And when it comes to products, they put more faith in posts by their friends or family than those of experts. In addition, 31% believe that social media is a good source of information about specific brands.

#### Positive developments in the logistics chain

Not so long ago we would have warned anyone with an interest in Brazilian e-commerce to proceed with caution, owing to the lack of regulation and the slow speed of deliveries. In addition, Brazil only occupies 65th place in the “logistics performance index” ranking (World Bank), which measures the efficiency of transport, ports and the transfer of goods in the logistics chain in 160 countries. Its logistics doesn’t escape the famous “Custo Brasil” either - the nickname given to the high costs which impede production in the country and hamper its growth and development.

However, **logistics won’t be the Achilles heels of Brazilian e-commerce for very long**. The large number of tourists attracted by the World Cup will force the country **to give a boost to its aviation and ground transport infrastructure**. This will have inevitable and positive repercussions for e-commerce, namely easier and faster shipments.

Shipping has been given another boost, too. At the end of 2013, the national postal operator - which is responsible for shipping products for 93% of Brazilian webshops - announced the launch of its new environment management system. This system is part of the **Brazilian postal service’s new national strategy for sustainable development**, which aims to manage waste, reduce carbon emission and protect national resources.

We are also witnessing **the emergence of “freight gateways”** which enable e-traders to **improve their services** with regard to their end customers, going so far as to offer free shipping. In this way, the gap is closing between webshops, market places and transporters operating in the e-commerce sector. As with a payment gateway, a “freight gateway” integrates all of the information in the logistics chain. The webshop can thus **make available several options for transport and delivery**, including shipping to post offices. And when **customers feel reassured**, e-traders can look forward to seeing conversion rates increase.

Given the magnitude of the online economy, the Brazilian government has seen the need to update its regulations - though when it comes to customs, the situation is far from favourable for e-commerce. Measures are relatively unstable and include quite high import rates.

However, one encouraging gesture has been the newly-introduced **requirement to provide a registration number and full contact details to help reassure customers.**

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