

Emerging Markets – the State of Online Payments

As emerging markets continue to show economic growth rates that far exceed those of developed nations, it is no surprise that gaming operators are looking to expand into these territories, by **Tricia Lines Hill**, VP Marketing and Corporate Communications at First Atlantic Commerce.

Overall, **emerging markets** are expected to grow at about 6.1 percent in 2011, according to the Royal Bank of Canada. Compare that to expected North American and European growth rates of somewhere in the 2.5 percent range and expansion into emerging markets seems a good proposition. But just as these markets open up huge revenue potential, they also expose new challenges, of which payments top the list.

An obvious element to the success of expansion in these markets is the payment systems and access to each payment type. Currently, not only are the online payment systems across the emerging markets underdeveloped, but payment methods and consumer preferences are different in each country. For the purpose of this article and space constraints, I will only refer to the payment methods in the emerging markets of the Latin America Caribbean Region, which ranks second among emerging markets (behind Asian countries) in terms of GDP growth (according to the International Monetary Fund [IMF], the region's economic growth is forecast at four percent for 2011).

Latin America Caribbean Region (LACR)

The online marketplace in Latin America is growing at an unprecedented rate. Francisco Ceballos, Country Manager at MercadoLibre Mexico, the largest eCommerce player in Latin America, said that Internet sales have grown at a compounded rate of 30 to 40 percent for the last five years, as reported by Worldwide Business Research (WBR).

And according to WBR, 28 percent of Latin America's half a billion people are already using the Internet. With increased broadband penetration, better access to computers, and improved payment and security options, experts predict this number to more than double by 2015. A compelling reason to expand.

Many of the large multinational operators have already developed roadmaps for expansion or are currently serving various markets within South America with Mexico and Argentina proving particularly popular. For those companies looking to enter LACR, each jurisdiction in this region needs to be considered separately as the payments systems are unique to each country.

In Argentina, for example, popular methods include Babro, CobroExpress and Ripsa cash payments, Cabal, Shopping and Italcred local credit card payments and Argentinean bank transfers.

Mexico does not allow credit card payments for online gambling. However, Oxxo, 7-Eleven and Elk3tra are prevalent cash payment options as are Bancomer, Santander, IXE and Scotiabank bank deposits and transfers. Ukash is also available in both markets.

The banking market is underdeveloped and this clearly poses a challenge for the gaming industry. Yes, there are various payment options out there, but they are primitive when compared to Western payment methods. Cash payments and bank transfers are not instant. So there is a lag time between a player's deposit and them being able to play the game. It takes between 24 to 48 'working hours' for a company to get paid via a cash payment method and 48 hours for a local bank transfer. Plus you also need to add in the window of time it takes for the player to initiate the payment. This, of course, takes away from impulse gambling revenues and affects the speed at which an operator can acquire new players.

Working with the right payment provider

The bottom line is that if you are looking to grow your business outside of the UK and/or Europe, you need to consider LACR. While there are challenges,

the online market is large and growing, and the right payment partner can connect you to the popular payment methods across the region.

Look for an international, Internet payment solutions provider that understands the region, and provides both credit card processing (if available) and domestic payment options across your planned markets of entry. Operators that find the right partner will be able to focus on their game, while leveraging the expertise of the gateway. Gaining access to alternative and domestic payment options via one implementation or point of contact is a key component for expansion. Not only is it a cost saver in terms of integration time and IT/HR resources from the outset, but it will allow you to spend less time on managing these payment infrastructures going forward. ■

First Atlantic Commerce (FAC) is a secure, PCI certified payment gateway that has been offering custom, online payment and risk management solutions since 1998 to merchants across the Latin American Caribbean Region, Europe and Asia Pacific. We are based in the Latin American Caribbean Region for credit card acquiring so we understand the region and we can support payment using popular domestic services across the Latin American Caribbean markets. Payment methods include real-time bank transfers, eWallets and online cash payment systems including those previously mentioned, as well as Electronic Funds Transfer (EFT), checks, Ukash and Moneybookers. For information on how First Atlantic Commerce can help your business, please email us at sales@fac.bm.