VISA | THALES

Growing eCommerce revenues with tokens in Latin America

Fighting low authorization rates with tokenization technology

$200bn

Latin America's eCommerce market value at the end of 2020[1].

2.2%

Average global authorization uplift with EMV® network tokens, compared to non-tokenized transactions[2].

$1.3bn

Potential additional revenues per year for Latin American* merchants by reducing false declines as a result of keeping tokens up to date[3].

Optimizing digital commerce with agile and resilient payment infrastructure

Thales is one of the world's leading technology service and solution providers, aimed at enabling digital transformation across a multitude of sectors. Thales's presence in Latin America is extensive, supporting payments strategies for customers such as Santander, Banco do Brasil and Bradesco.

Thales is a longstanding Visa partner, collaborating on digital payments since 2012. In 2016, Thales broadened its strategy to include tokenization, with live implementations in over 50 markets. Both companies are committed to bringing tokenization technology to the Latin American market to help unlock the eCommerce opportunities for merchants and banks.

Combating rising levels of fraud in Latin America

Latin America is already a significant eCommerce market and, with 351 million potential online shoppers active in the region by 2024, there's an enormous opportunity for merchants to grow and scale[4]. As sales volumes increase, efforts to reduce fraud have resulted in a rise in false declines, legitimate transactions declined by issuers. In Brazil, the average online purchase decline rate is 5%[5]. This is 240 basis points above the global average of 2.6%, which means Brazilian merchants are missing out on potential sales and revenue[6]. This challenge is not unique to Brazil and affects the wider Latin American region. Network tokens present an opportunity to improve authorization rates by enabling the protection and sharing of payment data between merchants, acquirers, networks and, most importantly, issuers. Thales sought to deploy network tokens with the goal of uplifting authorizations by 1% for its merchants.

The growing Latin American market

Latin America is poised to become the fastest-growing region for eCommerce, alongside South East Asia, in 2021. While Brazil remains the dominant market, Mexico, Chile & Argentina offer equally enticing opportunities.

● Mexico

eCommerce market is now worth $22.6bn with a projected annual growth rate of 12.6% and the mobile commerce market is growing[1].

● Chile

One of the fastest growing eCommerce markets in Latin America, growing by 23% in 2020. It also has the highest internet penetration in the region, with 86% of consumers online in 2019[1].

● Argentina

By 2025, the eCommerce market could reach over $11 billion[1] with 68%[1] of the population shopping online.

Working closely with Thales and its customers

Building on a longstanding collaboration, Visa worked closely with Thales on a go-to-market plan to integrate network tokens which took into account the complexities of the market and readiness of issuers.

Thales ramped up its token portfolio quickly without impacting the customer shopping experience. The token migration was seamless, driving immediate benefits for merchants through higher approval rates. This is because Visa network tokens both replace sensitive customer data, and incorporate richer user data, such as device information, to help issuers confidently approve transactions.

In just six months Visa and Thales helped its Brazilian merchant customers tokenize 16% of their card on file portfolios and is actively expanding their reach in Brazil and beyond[7].

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Increasing revenues and enhancing the customer experience

Visa's network tokens have already exceeded Thales's expectations. Thales had an initial target of 1% minimum authorization uplift, and, to achieve this, Visa and Thales worked closely with both merchants and issuers in Brazil. While results may vary, an average increase in payment authorization of 2.2%* can be expected across the portfolio[2].

Confidence is at the heart of this jump in authorization rates. With tokens, financial institutions receive richer data (like device information) that enables better decisioning and benefits from proactive credentials updates. Keeping tokens up to date limits false declines due to out-of-date credentials by proactively updating details. Globally, 35% of consumers admit to not updating credentials when they receive a new card. With 67% of Brazilian consumers having at least one subscription payment per card, merchants risk losing revenue if details are not updated[8]. Ensuring credentials are up to date has the potential to recapture over $1.3bn in lost revenue annually in Latin America from out-of-date credentials, helping merchants secure the growing ecommerce opportunity in Latin America[3].

Visa and Thales believe tokenization is key to enabling the full potential of digital commerce in Latin America and globally. It also lays the foundation for additional innovation. Thales is already on its way to realizing this potential by deploying Visa network tokens with a clear roadmap to continue building upon this success. Plans are underway to utilize Visa's Cloud Token Framework in Latin America, a solution that enhances digital payments security by recognizing a user across multiple connected devices and helps reduce friction at checkout.

> Striking the right balance between reducing fraudulent transactions and optimizing customer experience is a challenge digital commerce has faced from the start. Visa tokens offer a great opportunity for merchants in Latin America to maximize revenues, without compromise.
>
> Ansar Ansari, SVP,
> Product, Digital Solutions, Visa

> Tokenization is the ideal solution to uplift authorization rates in Latin America. Following our live deployments in Brazil, we are already seeing a positive impact on our customers' transaction rates. We are committed to bringing innovative solutions to the region, enabling merchants to offer an effortless checkout experience and harness the true potential of eCommerce. We look forward to achieving this with Visa.
>
> François Chaffard, SVP,
> Digital Banking & Payment, Thales

Unlock Tokenization

Click below to enjoy the benefits now or get in touch with your Visa Representative

Discover how

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[1] EBANX, Beyond Borders 2020/2021 Study, May 2021
[2] VisaNet, Visa global card not present transactions for token vs non-tokenized credentials, May–July 2020
[3] VisaNet CNP auth payment volume only, 12 months ending 3/31/21, based on issuer country location (LAC), Visa branded, excludes processing error declines. Declines calculated as percent of total authorizations (payment volume). Deduped Auth attempts shown. The dedup algorithm determines that two transactions are duplicates using a unique dedupe key which allows to identify repeat CNP decline transactions within a 14-day timeframe.
[4] Statistia, Latin America: online retail users 2017-2024; November 2020
[5] Visa, VPS authorization dashboard based on Visanet data, April 2016– March 2017
[6] Merchant Risk Council & CyberSource, 2017 MRC Global Fraud Survey, 2017
[7] Thales' Brazilian Merchants cards on file portfolio, tokenized from July to December 2020
[8] Credential-on-file Pain Point Research conducted by Engine Group, Inc; June 2018

* Disclaimer: Token performance varies based on merchant category and region

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