

COLOMBIA.

The Fastest Growing
Market in Latin America



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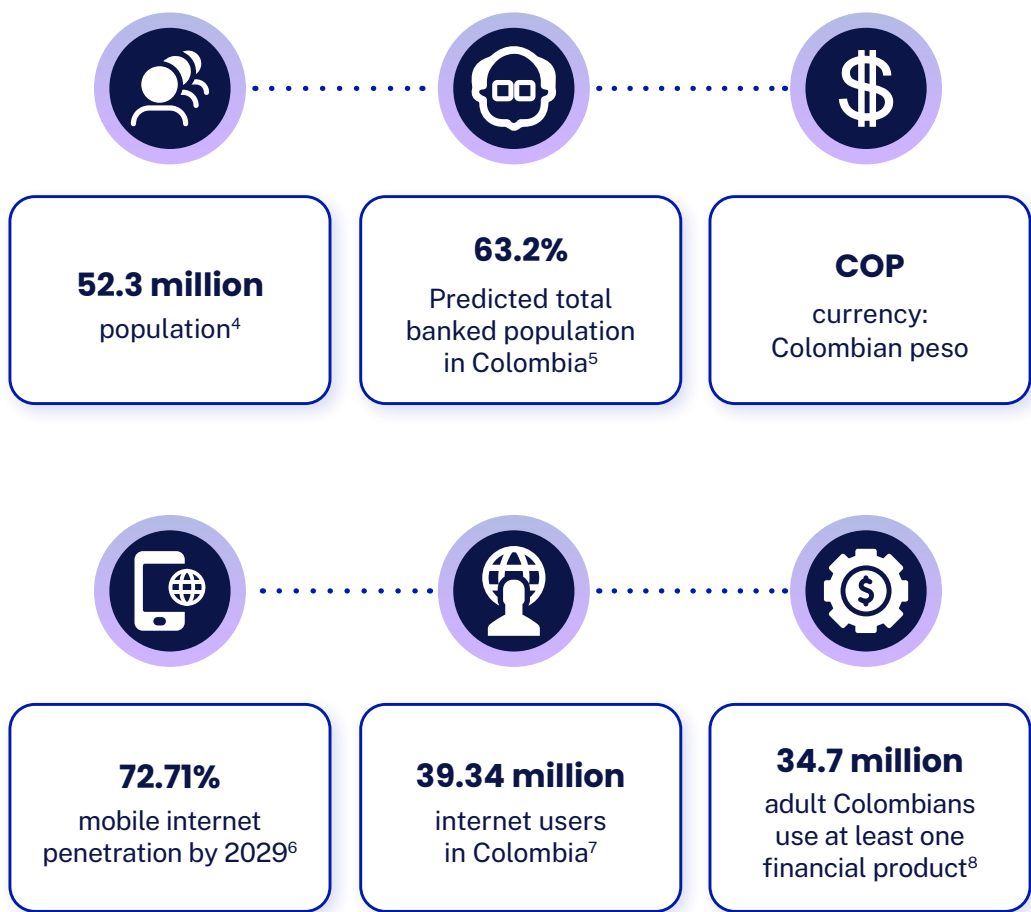
The Colombian market.

Colombia is the 4th largest economy in Latin America and has seen one of the fastest economic growth rates in the last few years.¹ Colombia is the only South American nation with a coastline in the Atlantic and Pacific Oceans, and the Caribbean Sea, providing easy access to the global markets for foreign trade. The country also holds a strategic location that grants it access to both North and South America.

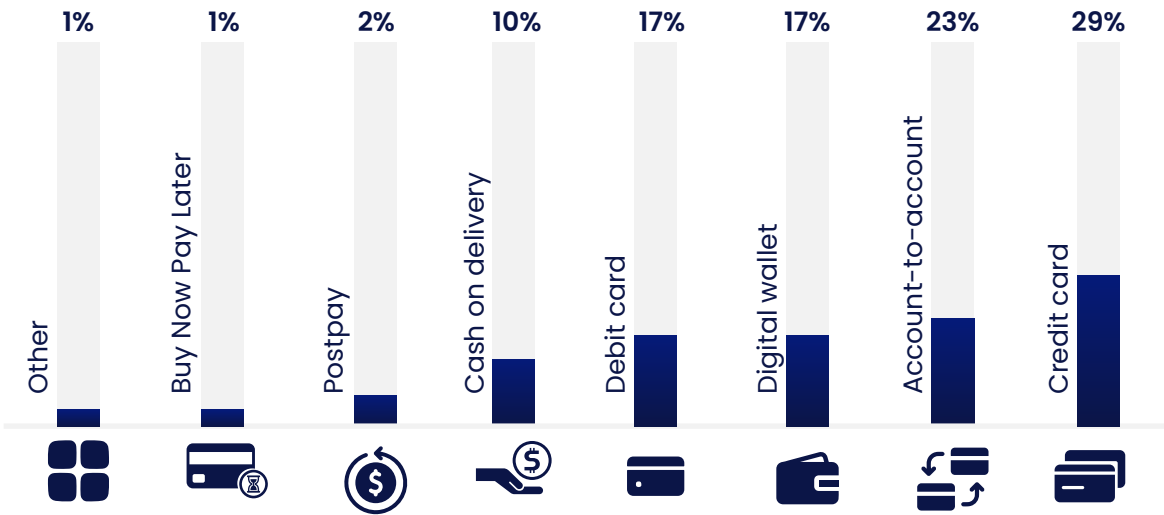
Cross-border e-commerce accounts for 15% of total online sales in Colombia, with the bulk of transactions taking place via domestic sites.²

The Colombian economy is expected to grow by:

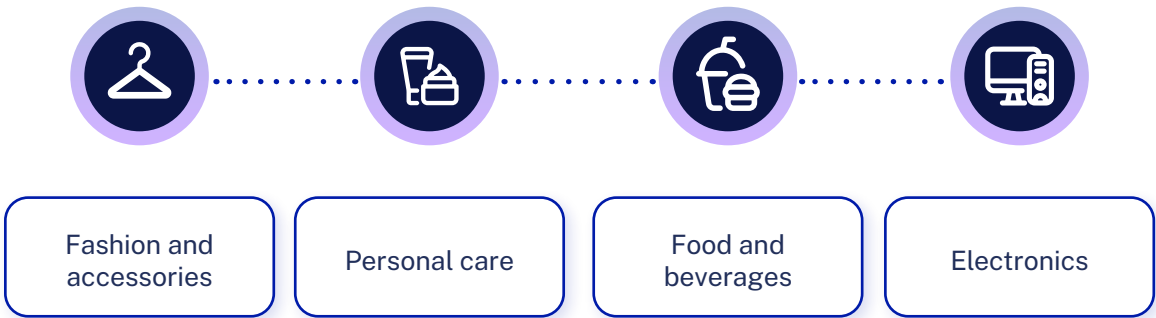
1.5% in 2024
2.8% in 2025³



Most common e-commerce payment methods⁹



Most popular purchases online¹⁰



Rapid digitalization promoting business growth.

The Ministry of Information Technologies and Communications Colombia (MinTIC) has focused on developing the country's digital ecosystem since 2010, with the launch of its "Vive Digital" plan.¹¹ The MinTIC is also currently working on the Plan de Conectividad Rural; an initiative that will see the Ministry invest \$1.7 billion to bring internet access to the country's most remote areas.¹² The Plan also comprises the ConectiVIDAd para Cambiar Vidas initiative, which will see 400,000 households in 178 municipalities get internet access.¹³

When it comes to e-commerce, the total number of online shoppers in Colombia is only expected to grow in the coming years. Estimates pit the total number of users in 2024 at 21.29 million, with this figure expected to swell to 28.22 million by 2029.¹⁵

The transactions made by this digital savvy group are primarily domestic, with only 15% of online purchases in Colombia being made on foreign sites.¹⁶

Merchants seeking success in the Colombian online retail scene should also consider the power of social media. A robust digital presence is particularly important in Colombia, where 65.8% of online shoppers research brands on social media, far more than the global average of 43.1%.¹⁸

68.32%

internet user penetration in Colombia¹⁹

Colombia's e-commerce revenue is expected to grow at a CAGR of 12.4% between 2024 and 2028.²¹



268 million

Expected number of Latin American e-shoppers in 2025¹⁴



86%

Digital wallet users in who say that the pandemic accelerated digitization.¹⁷



72%

Proportion of e-commerce purchases made using a mobile device²⁰



57%

Colombians say they hear about new digital financial tools from friends and family²²

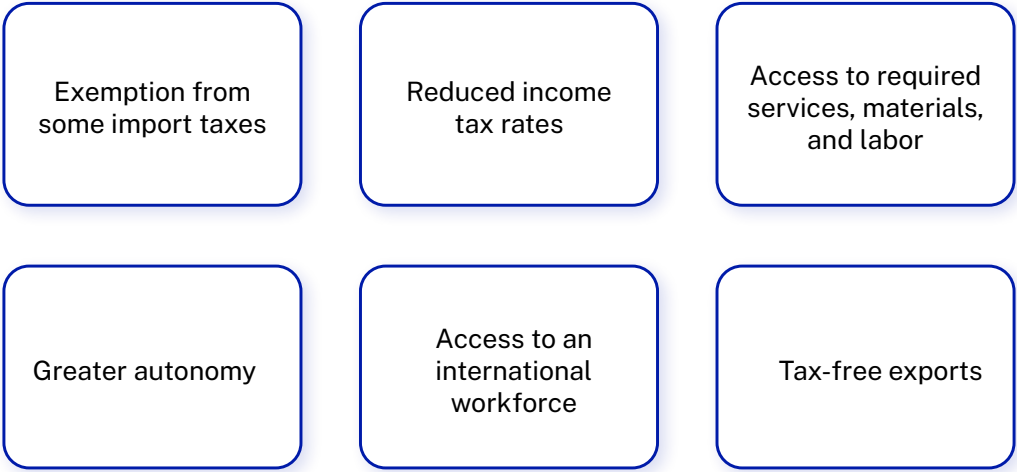
Why do business in Colombia?

The Colombian government is keen to encourage foreign direct investment. ProColombia, a government agency that promotes activities such as foreign investment, states that foreign and domestic investments are treated equally.²³ The country has also implemented International Investment Agreements and Double Taxation Avoidance Agreements to boost foreign investment.²⁴

Colombia is home to over a quarter of the Free Trade Zones in Latin America, with the country being home to 120 of these companies.²⁵ Of these 120 Free Trade Zones, 42 are permanent and 78 are special permanent Free Trade Zones.²⁶ These companies enjoy a single income tax rate of 20% and essential purchases that are VAT-free.²⁷



Benefits of Colombia’s free trade zones²⁸



Tax benefits

Colombia offers tax benefits for companies from various sectors, to attract foreign capital and boost the local economy.

In 2020, the Ministry of Finance introduced a special tax regime for mega investments, including new investments in commercial and industrial activities that provide at least 400 new jobs and exceed 30 million tax value units.²⁹ For these investments, the following tax rates apply:³⁰

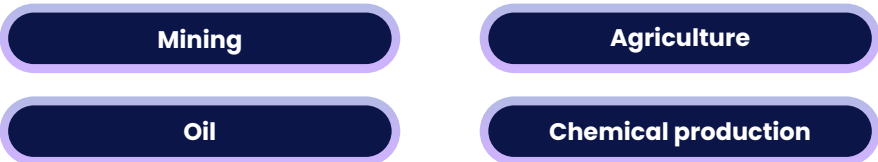


A growing workforce

Colombia’s employment rate is also on the rise, with the country’s unemployment rate dropping from 12.66% to 10.6% between January 2024 and April 2024.³¹ While this figure still remains higher than the Latin American average of around 6%, this improvement represents a significant step forward and indicates that new jobs and opportunities are being created.³² Current estimates even predict a further drop in the unemployment rate to 9.3% by 2026.³³

Economic expansion

Sectors that traditionally led the growth of the Colombian economy were:³⁴



More recently, the sectors that are spearheading growth are:



Thriving sectors with exceptional growth potential.

The growing software and IT services sector

Through the MinTIC's initiatives and commitment to digital transformation, Colombia is set to become one of the main technology-based service providers in the region.

Due to increased digitization and cloud software adoption, Colombia's Information and Communications Technology sector has grown in the last few years.⁴⁰ This sector is predicted to reach a market value of \$11.26 billion in 2024, an increase from \$8.04 billion three years earlier in 2021.⁴¹

Colombia's startup hubs³⁹

1. Bogotá
2. Medellín
3. Cali
4. Barranquilla
5. Manizales

Leading sub-sectors in Colombia are:⁴²

Digitization

SaaS

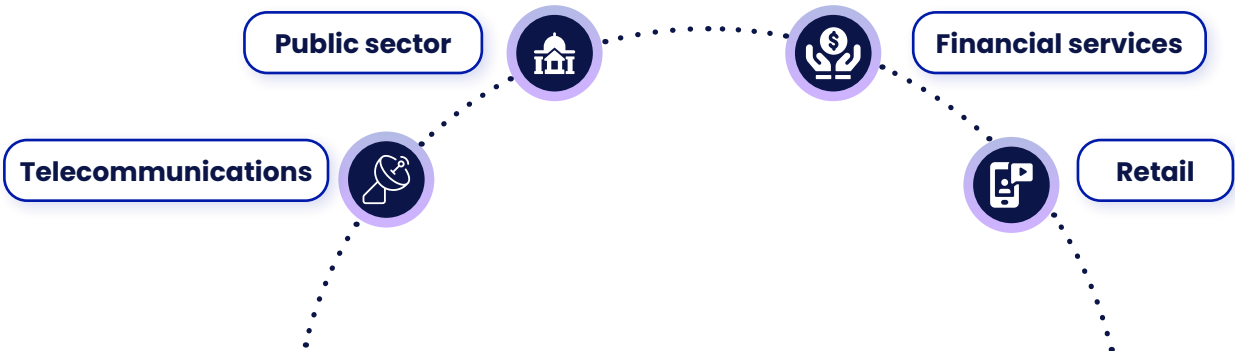
Cloud computing

Cybersecurity solutions

Servers and storage



Sectors with a high demand for IT services:⁴³



The emerging e-commerce market

Predicted CAGR of 12.4% between 2024 and 2028⁴⁴

Mobile e-commerce has already overtaken desktop purchases in Colombia, with this lead set to continue in the future.⁴⁵

The bright future of e-commerce

Colombia's e-commerce sector is predicted to grow by 60% between 2022 and 2027, indicating a significant increase in online shopping and internet adoption in the country.⁴⁶

US\$7.8 billion

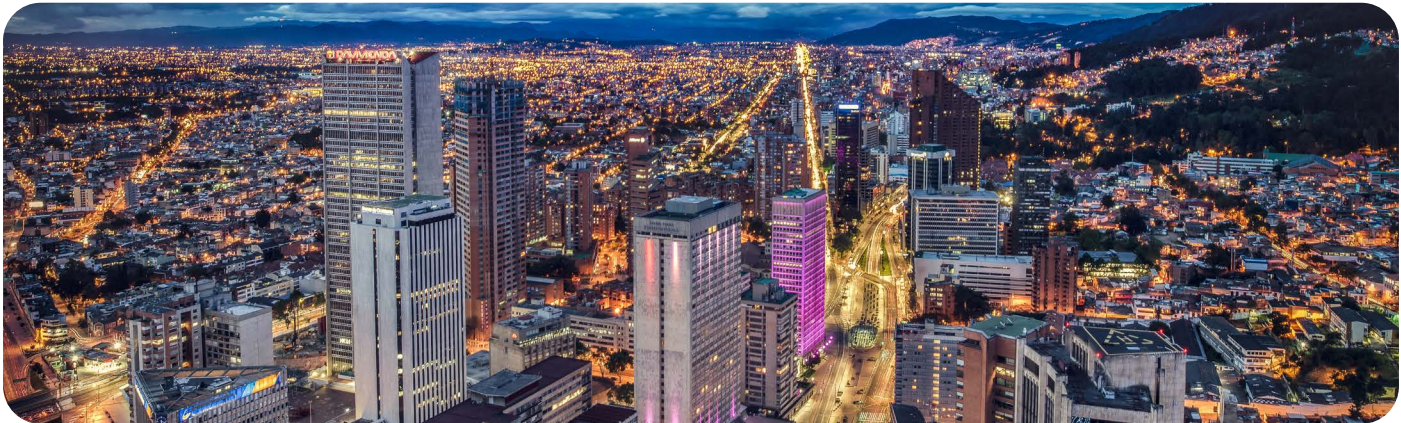
E-commerce sales revenue in 2023⁴⁷

332.4 million

Number of online transactions in 2022⁴⁸

3.5%

E-commerce as a share of Colombia's GDP⁴⁹

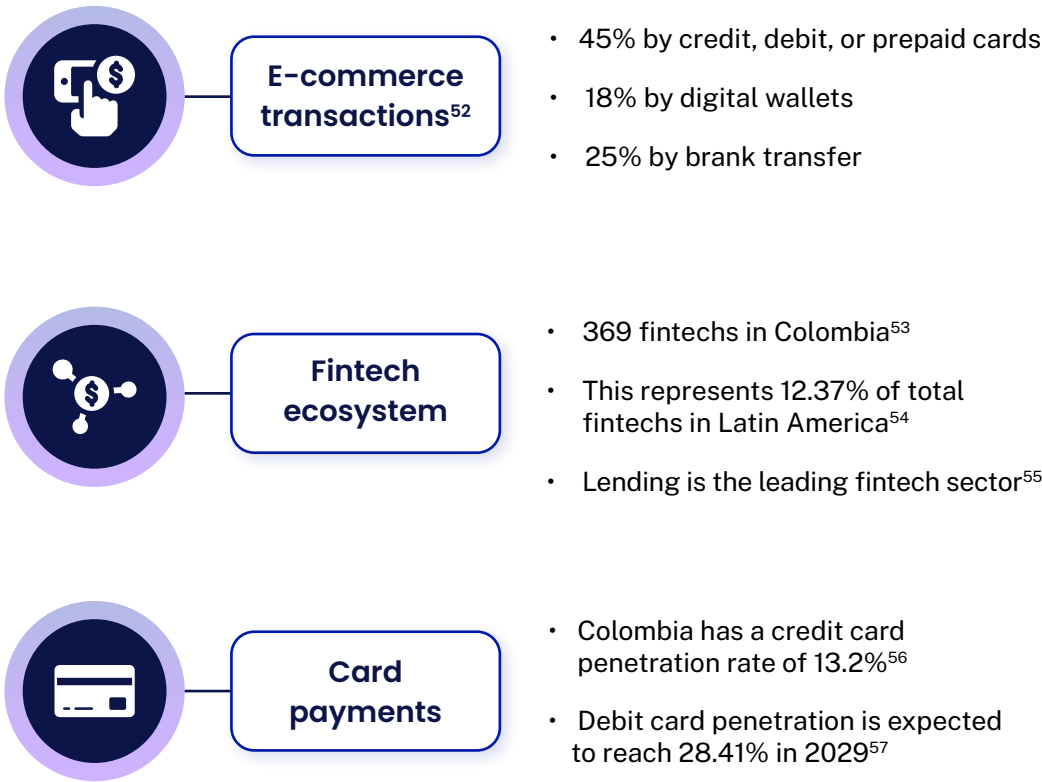


Facilitating payments in Colombia.

Cash has traditionally been the foundation of Latin American commerce, capturing the majority of point-of-sale (POS) payments. However, more and more Colombians are gaining access to formal financial products in recent years as financial inclusion improves. Between 2012 and 2022, the number of Colombians with access to at least one financial product soared from 67.2% to 92.3%.⁵⁰ When paying for items in person, 9% of Colombians also opt to pay with their digital wallets over other payment methods such as cash or cards.⁵¹



Digital payment options are on the rise in Colombia



The Colombian government is also keen to emulate the success of Pix in Brazil, with the government implementing an interoperability regulation in October 2023.⁵⁸ This regulation's aim is to open Colombia's banking market up to more institutions, eliminating the monopoly that three players currently possess.⁵⁹

21.29 million
online shoppers in
Colombia⁶⁰

In addition, as smartphone and internet penetration rates continue to rise, it will become easier for the population to adopt and use digital payment methods.

The country's regulatory framework has also supported the transition to digital payments, with Colombia being the first Latin American country to create a regulatory "sandbox".⁶¹

Local payment methods in Colombia

Despite the growth of digital payment methods in recent years, cash is still king in Colombia. In 2023, 78.4% of the population preferred to use cash for regular monthly payments over methods such as cards and wire transfers.⁶² With over a third of the population remaining unbanked, a preference for cash is unsurprising.⁶³ However, as this number decreases, more Colombians are likely to gain greater trust in digital payment methods and use them more frequently.

PayRetailers is dedicated to advancing Colombia's goal of financial inclusion by supporting businesses that use innovative technology to provide financial services.



Top 5 payment methods in Colombia



1. Efecy

Efecy's easy UX and real-time confirmation make it one of the top payment choices. It is one of the most popular cash payment methods and is accepted in over 9,000 locations around the country.⁶⁴

Efecy is widely used in Colombia by individuals and companies, covering 1,070 municipalities⁶⁵



2. Davivienda

Davivienda has a long track record in Colombia and serves almost 24 million customers across Latin America. They also have over 670 branches and 2,840 ATMs.⁶⁶



3. Pagos Seguros en línea (PSE)

PSE allows customers to make transfers directly from their bank accounts, without the need for a credit card. Multiple transfers can be made in a signal day.

In the first quarter of 2024 alone, PSE processed 240,000,000 transactions⁶⁷



4. Nequi

This app allows people to transfer money directly from their cellphones without any fees. It also offers Wardrobe, where customers can recharge data for their phone, make bill payments, and remit dollars from abroad.

Nequi has over 18 million users in Colombia and 150 million in Panama⁶⁸



5. Local credit and debit cards

Card payments are by far the most popular means of making e-commerce transactions in Colombia.⁶⁹ However, card ownership remains low, with only an estimated 14.9% and 30.4% of the population owning a credit card or a debit card, respectively.^{70 71}

Expand your business in Colombia with PayRetailers.

PayRetailers takes your business to Colombia with more payment alternatives for your customers, all in a single platform.

Being able to offer flexibility in payments can empower your business to grow. With PayRetailers, you get to achieve just that. We offer a fully localised solution for payment processing in the region. With a single API integration, you gain access to over 300 local payment methods.

Our payment gateway supports multi-channel and multi-currency payments, enabling you to provide unparalleled customer check-out experiences to maximize sales. With our always-available, robust and scalable payment infrastructure, you can start processing transactions within 48 hours.

Fraud prevention & risk management

PayRetailers ensures a completely compliant solution with a focus on the highest standards of security as part of our fraud prevention solutions.

Local collection, global settlements

Make sales in Colombian pesos and receive US dollars, anywhere in the world. We offer unified settlement across all currencies through a 24-hour fixed forex rate in USD and EUR.

Turnkey merchant services

With our highly scalable cloud-based solutions, you can access data quickly and easily, at any time and from anywhere.

Localized solutions

Maximize your market reach by offering the most popular local payments methods without needing to set up a local entity.

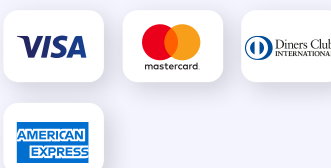
Online Payments



Cash Payments



Card Payments





Fintech associations



Our commitment to financial inclusion & financial education

We foster business growth for our partners, driving innovation in financial solutions and working towards a shared goal of accelerating financial inclusion. We believe that we can achieve this goal by providing the knowledge and skills for people to better manage their personal finances. At PayRetailers, we use our collective industry knowledge and best practices to elevate financial services for everyone.

Are you interested in the Colombian market?

Our team of experts can help you:

- Understand your Colombian customer and their preferences.
- Get local expertise and assistance.
- Find the reliable payment methods trusted by Colombian consumers in your industry to form a

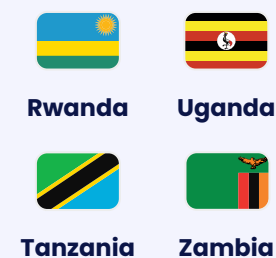
50+ leading companies trust us.

We're here to help you grow your business. Contact our expert sales team to discover our solutions and elevate your business.

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