



KANTAR

Young Colombians and their money

LATIN AMERICAN PAYMENTS

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Foreword



For nearly 50 years, Vocalink has provided and supported leading-edge technologies to enable the frictionless flow of payments, initially in the UK and more recently in countries around the world. Now, as part of Mastercard, our ideas and innovations play out on an even bigger stage. But our core purpose remains the same: to provide payments solutions that enable people to do what they want to do, and businesses and economies to flourish, thus powering economies and empowering people.

We see thought leadership, proprietary research, market analysis and opinion sampling as central to our offer. As providers of the infrastructure through which so much of business and personal commerce is conducted, we are uniquely well-placed to explore and offer insight on emerging trends in the way people and organisations want to access and move their money. At the same time, customer insight is a vital part of our own product and strategy development, so research like this serves a dual purpose – informing thinking across our industry and enlightening and driving our own innovation.

Previously, we've looked in depth at the attitudes and behaviours of young people in the US and key markets in Europe and South East Asia. Now we are turning our attention to Latin America. This is part of a series of reports that will reveal the state of payments in Peru, Brazil, Argentina, Chile and Colombia.

This report on Colombia highlights some interesting and, at times surprising insights into the way people currently make payments and imagine making them in the future. Above all, it shows that payment choices are influenced by a complex blend of practical and emotional considerations centring around control, convenience, security and trust.

I hope that you enjoy reading this research report and the others that will follow. I welcome you to engage in the discussion about how the payments landscape in Latin America will evolve.

Andrew Buckley

Executive Vice President, Product

Join the conversation

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[#LatinAmericanPayments](https://twitter.com/LatinAmericanPayments)

Terminology

Talking about mobile payments is, by definition a technical subject, so let's be clear about a few definitions and references.

Mobile payment

A mobile payment is any payment made from or through a mobile phone, including using a phone-based contactless payment application such as Samsung Pay or Apple Pay, even though these usually work as proxies for credit or debit cards.

Mobile payments also include buying an app, music or digital content, in-app purchases – such as add-ons to games – Uber car bookings or car parking – or shopping through a web browser on a mobile phone.

For the purposes of this paper, payments made on a tablet would not be deemed as mobile payments.

Mobile banking

This means accessing and managing your bank accounts via a mobile phone. For the purposes of this paper, if a person accesses their account via a tablet or laptop while out and about that would count as online banking rather than mobile banking.

P2P

Person-to-person or peer-to-peer

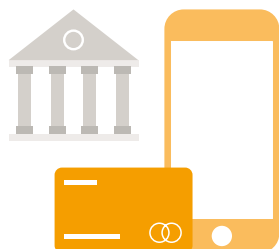
P2B/P2M

Person-to-business/Person-to-merchant

B2B

Business-to-business

Executive summary



In this report, we've looked at the attitudes and behaviours of 18-35-year-old Colombians — those who have access to both a smartphone and a bank account.

Young Colombians, like young people around the world, are adopting new technologies enthusiastically, driving advances in payments and creating demand for greater availability and reliability.

Like their counterparts in other markets that we have researched, young Colombians increasingly manage their lives and finances through their smartphones. Mobile banking is now well established and mobile payments are beginning to gain traction. This is in spite of the fact that young Colombians are the heaviest users of cash across our Latin American survey.

Cash continues to dominate in most kinds of transactions, even for large items, meaning that in Colombia — perhaps more than in any other Latin

American country we surveyed — mobile payments have an opportunity to leapfrog card payments. With relatively low card usage and an apparent hesitation to use cards on account of the fees charged by card providers, young Colombians seem both ready and eager to embrace innovative new technologies.

Young Colombians are also less concerned about issues related to security of mobile payments than their peers in other countries. Indeed, Colombians are more concerned about the physical security of their phones and whether they have charge. If anything, it would appear that the greatest obstacle to progress with new forms of payment and money management will be improving education about what's available and what the benefits of these technologies are.

Banks in Colombia are in an especially strong position to support and even drive the adoption of mobile payments. Banks enjoy a high degree of trust in Colombia — in fact they are more trusted as sources of information and recommendation regarding payments than friends and family.

Taken alongside our findings about young Colombians' appetite for new technologies, this paints a picture of a country where conditions are ripe for rapid advance in mobile payments. Whether this will be enough to tempt Colombians away from cash remains to be seen, but it's fair to suggest that Colombia is in a strong position to reap the benefits of efficiency, economy and security that come with the transition to digital payments.

Paying and being paid

Cash rules

Any examination of the payments landscape in Colombia has to begin with the role of cash. Why?

Because, even by the standards of the Latin American countries we surveyed, Colombia demonstrates significant cash use.

While much of the world has reduced its dependence on cash in favor of either cards or, more recently, mobile payments, Colombians have bucked the trend, with 92% of 18–35-year-olds still using cash for everyday small purchases. That compares with 84% in Argentina, the next highest in Latin America, and just 67% in Chile. While 29% use cards for everyday small purchases, this is lower than in the other markets surveyed: the equivalent in Brazil is nearly double this (57%) while the survey average is 42%.

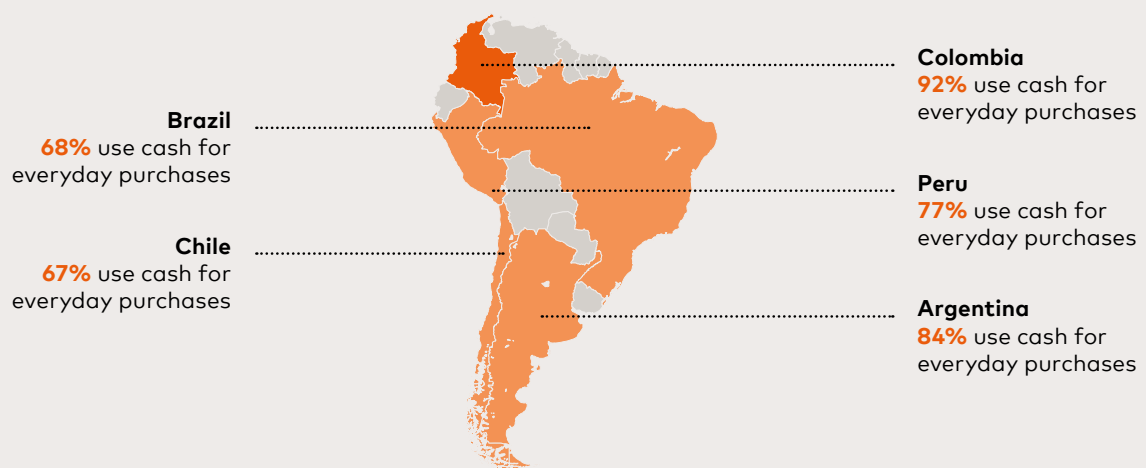
Cash is also the go-to option when it comes to peer-to-peer transactions, such as lending or gifting money to friends and family, with 69% using cash in this way (above the survey average of 57%) while 46% use bank transfer. In fact, Colombians are the second

highest users of bank transfer for this type of peer-to-peer transaction, topped only by Chileans (67%). Elsewhere, for other smaller, more regular types of transactions, significantly more young Colombians favour cash for taxi rides (84%), public transport (81%) and weekly grocery shopping (74%) than their counterparts in any Latin American country we surveyed. Even when paying for larger items such as furniture or appliances, nearly half of young Colombians (49%) still prefer cash.

Correspondingly, young Colombians' use of credit and debit cards is typically lower than in most of the other Latin American countries surveyed: 16% use them for taxis, compared to an average of 23% and 41% in Brazil. In fact, when it comes to settling bills, such as credit card bills, young Colombians revert to cash (53%) – more than the survey average (36%) and the next highest, Brazil (41%). Greater numbers of Colombians claim to choose bank transfer to pay their bills (37%) than in any other country surveyed apart from Chile (46%), which correspondingly has the lowest reliance on cash.

Card fees could be one of the reasons why card use is relatively lower among young Colombians: when asked whether 'the fees I pay to use my credit or debit cards make me think twice about using them,' 64% agreed. This is higher than in any of the other markets surveyed and well above the survey average of 56%.

So, Colombians continue to like and use cash, despite the availability of alternatives. However, hidden within these figures is the kernel of a story that may come to transform Colombia's payments landscape: Mobile payments are just beginning to gain a foothold – and marginally more so than in any other Latin American country surveyed. Six percent of young Colombians use mobile for small everyday purchases, which while not that many, is still higher than the survey average of 4%. Six percent use mobile to pay for groceries against an average of 3%; 5% for restaurant and bar bills, and perhaps most notably, 15% use mobile to give or lend money to friends and relatives, compared to an average of 10%. In fact, 22% of young Colombians pay their bills using mobile, the highest of any other country surveyed except for Chile (24%).



← LESS RELIANT ON CASH MORE RELIANT ON CASH →



92%

of young Colombians use cash for everyday small purchases



69%

use cash to give or lend money to family and friends



64%

agree that the fees they pay to use their credit or debit cards make them think twice about using them



49%

use cash when paying for larger items such as furniture or appliances

"When it comes to daily money management, young Colombians are increasingly turning to apps and online banking."

Online vs physical banking

When it comes to daily money management, young Colombians are increasingly turning to apps and online banking. When asked about ways in which they've managed their money in the past three months, nearly half (46%) replied that they have used a financial services provider's app on their phone or tablet to transfer money between accounts. A further 37% did this via a web browser on a laptop or tablet while 28% did so via their mobile phone browser. However, nearly a third (31%) have transferred money between accounts by visiting a bank branch in the past three months and a further 18% at an ATM.

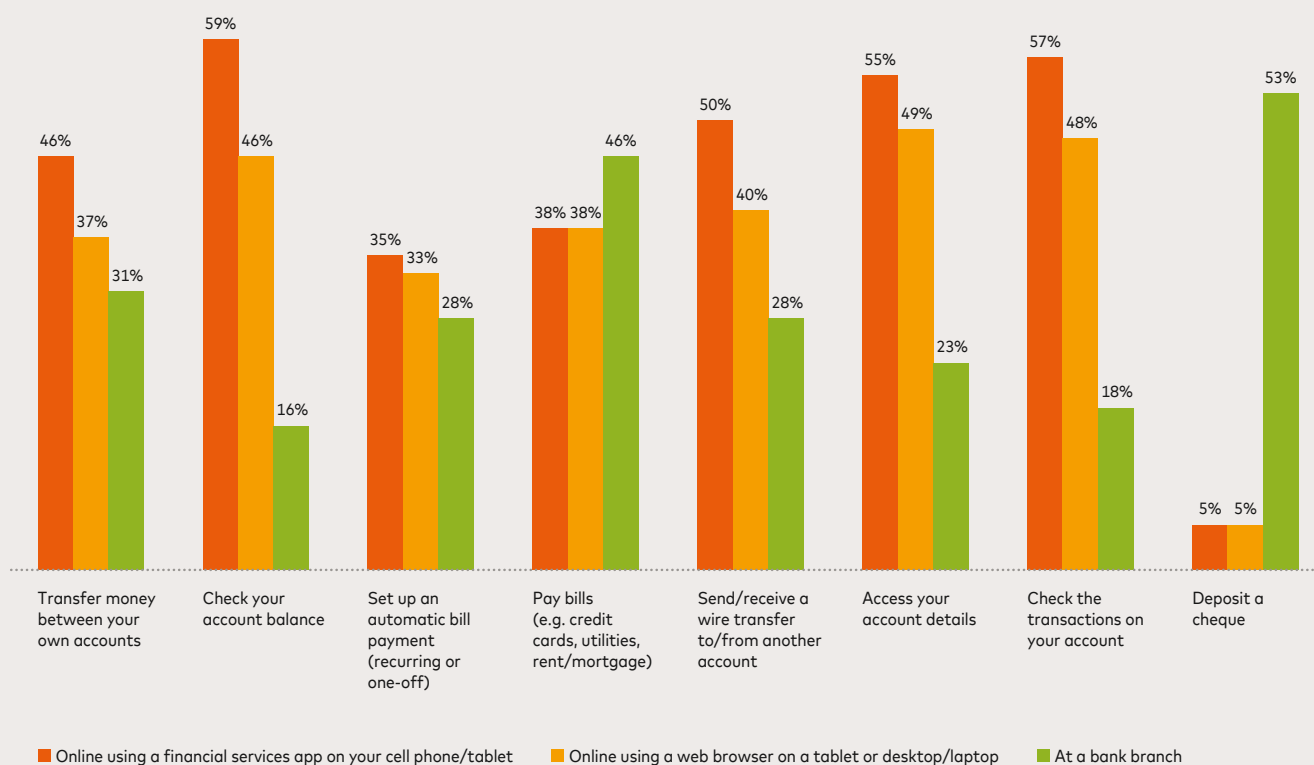
ATMs are also a popular route for checking bank balances — 37% claim to have used them to do so in the past three months. But this may simply be a reflection of the opportunity to check

balances when withdrawing cash: young Colombians more frequently monitor their balance online, either by a financial services app on their phone or tablet (59%), or via a browser on either their mobile (38%) or on a laptop or tablet (46%). Likewise, when asked how they had paid bills in the past three months, 38% had done so using a financial services app on their mobile phone; 38% had used a web browser on a laptop or tablet and 26% had used a mobile web browser.

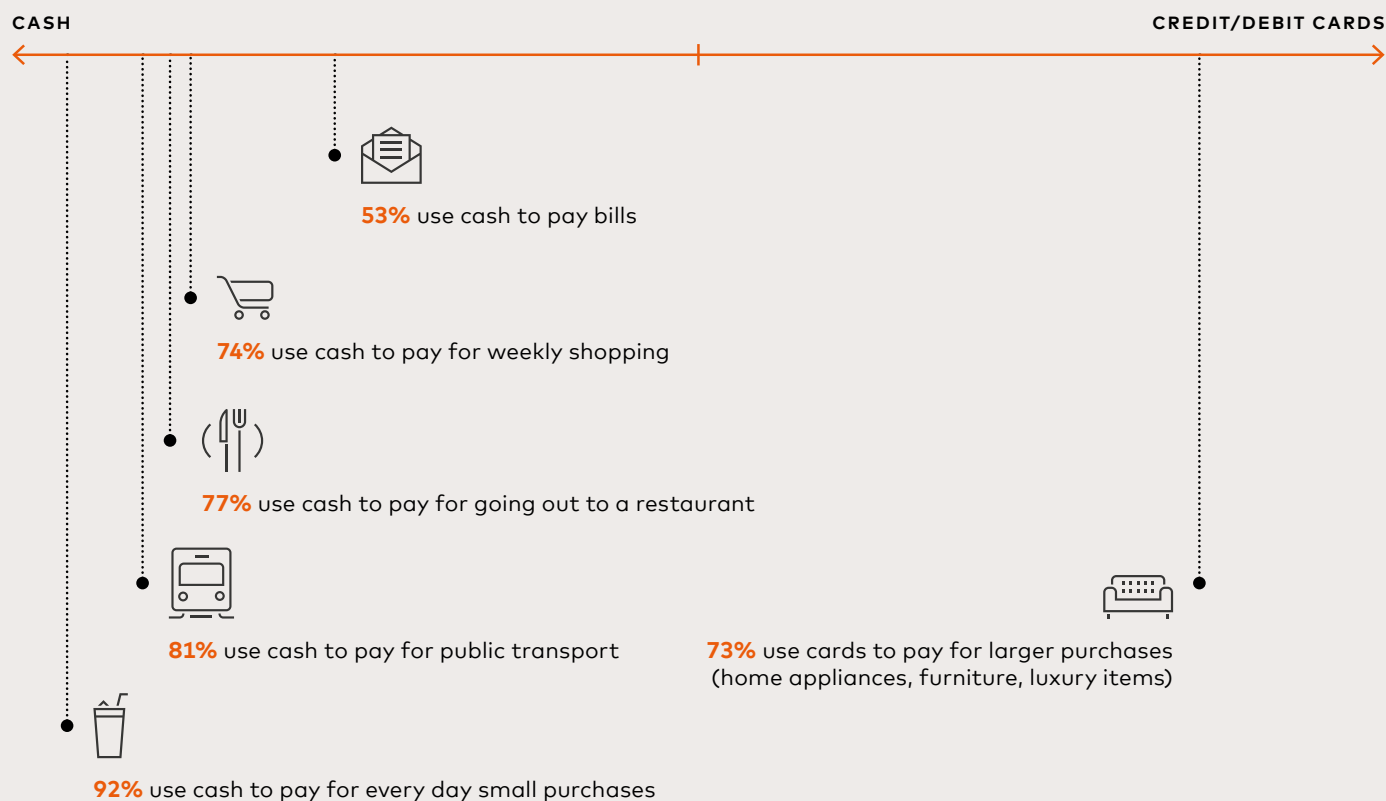
Online channels are also the preferred means of setting up automatic bill payments, with financial services providers' mobile apps leading the way (35%), ahead of web browsers on laptops and tablets (33%) and mobile browsers (23%). However, in stark contrast to this shift to online channels, 28% visited branch banks to perform

this action — more than in any other Latin American country surveyed — and nearly half (46%) had paid bills and 53% had deposited cheques at a bank branch. By comparison, just 28% of young Brazilians and 12% of Argentinians have paid bills at their bank branch in the last three months, and 30% of Brazilians and 32% of Argentinians had deposited cheques at branch banks.

How have you conducted any of the following in the last three months?



How do you currently pay in each of the following situations?



Attitudes to technology

Young Colombians are hungry for technological innovation, with 34% saying they like to be seen using the latest technology. Across our Latin America survey, Colombia shows the highest proportion of young people who claim to embrace all types of new technology at 60%, with the same proportion (60%) saying that technology simplifies their lives — second only to Brazil (63%). Correspondingly, just 11% of young Colombians feel that technology makes their lives more complicated, which is consistent with the survey average.

However, while Colombians may be enthusiastic about technology, they are not so enamored with it that they can't see the potential for problems. Over a quarter (28%) say that they are worried about becoming overly reliant on technology and just 16% say they 'couldn't live without my smartphone'. This is consistent with the survey average for Latin America (16%) but lower than the 23% of young Brazilians who feel this way about their phones.

If young Colombians enjoy the convenience that technology brings, what would they like it to offer in terms of money management? Nearly

three quarters (70%) agreed that they would like to be able to make instant payments to people and businesses whose accounts are with other banks and providers. At the same time, 75% would like to be able to see an 'available balance' when making a payment with their mobile.

Young Colombians seek greater control

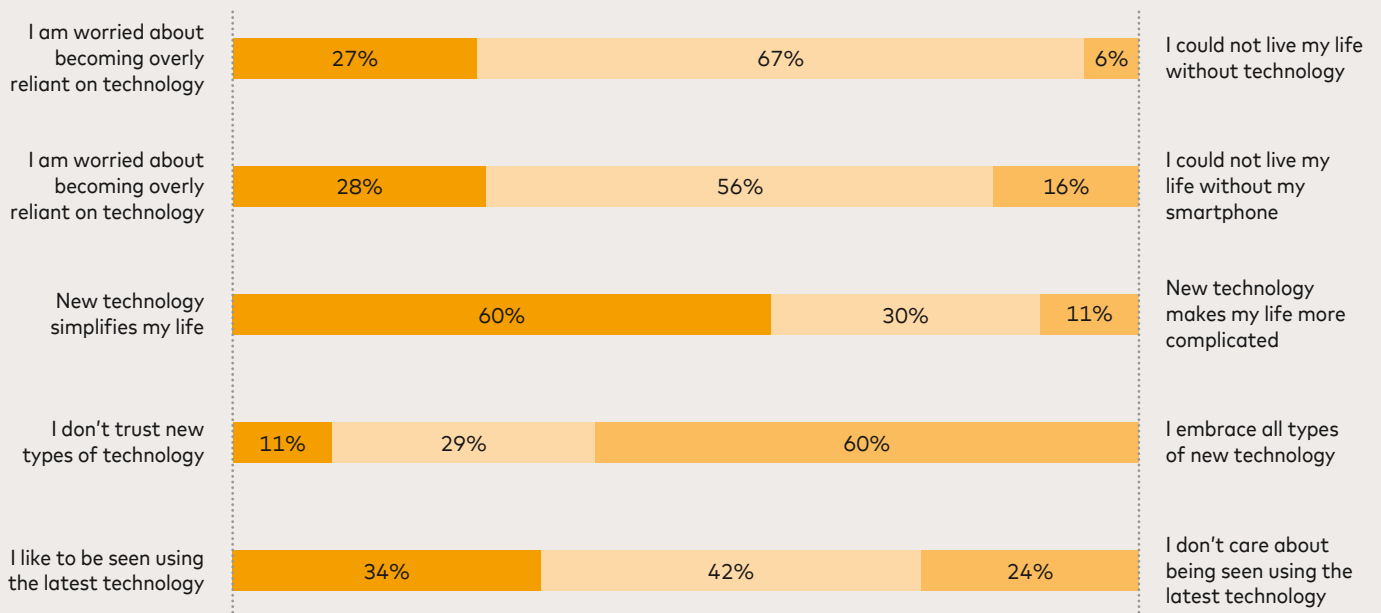
Young Colombians rate themselves highly when it comes to money management – higher in fact than their peers elsewhere in the Latin American countries surveyed: 44% claim to be 'very good at managing money', compared with just 34% who feel this way in Peru and 33% in Chile. And while even more Colombians on higher incomes (50%) rate their money management skills as very good, the 37% of those on lower incomes who rate themselves as very good is still close to the survey average (39%).

Like many of their peers across the Latin American countries surveyed, young Colombians prioritise control (36%) over convenience (13%) when it comes to managing their money. This emphasis on control is the second

highest across Latin America behind Brazil (37%), but well ahead of Argentina (25%) and Chile (23%).

However, despite most young Colombians claiming to be very good at managing money, just 18% say they check their accounts daily, compared to 26% of Brazilians. Is this perhaps a reflection of the dominant role that cash plays in the Colombian economy? If the majority of your transactions are conducted in cash, and you keep cash on hand for those purposes, then there is far less reason to check your accounts as often. There is some evidence to suggest this may be the case: less than half of young Colombians (46%) claim they regularly receive money from a business or organisation, such as their salary, via bank transfer, lower than the survey average for Latin America (49%) and well below Brazil (58%) and Chile (56%). At the same time, 22% of Colombians say they are receiving this type of payment in cash — the second highest proportion in Latin America behind Brazil (25%).

Which of the following statements best describes your attitude towards new technology?



75%

would like to be able to see an 'available balance' when making a payment with their mobile

70%

agree that they would like to be able to make instant payments to people and businesses whose accounts are with other banks and providers

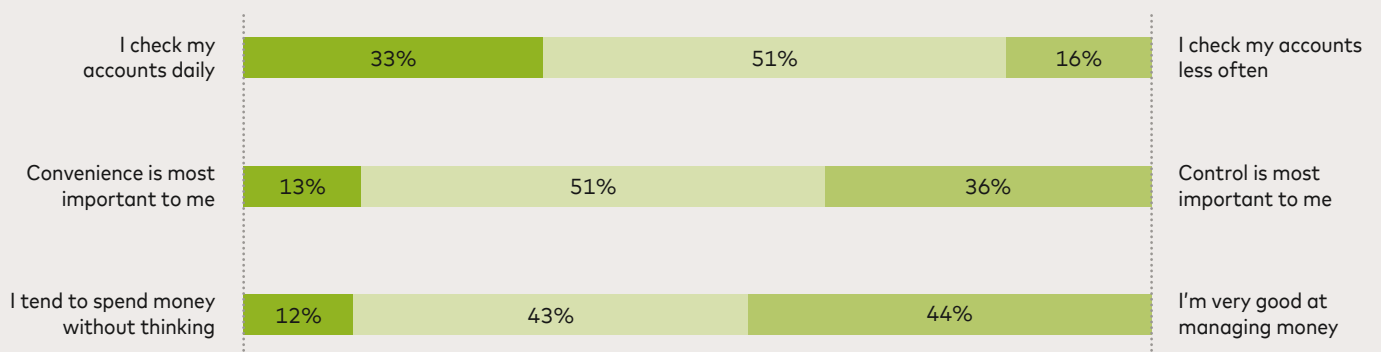
60%

embrace all types of new technology

60%

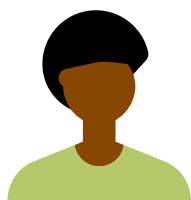
agree that technology simplifies their lives

Which of the following statements best describes how you see yourself when managing your money?



Colombia highlights

Paying and being paid



92%

of young Colombians use cash for everyday small purchases



49%

use cash when paying for larger items such as furniture or appliances



69%

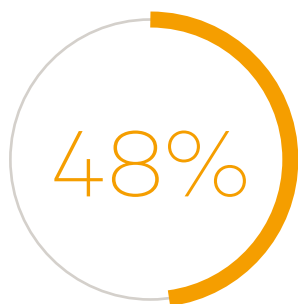
use cash to give or lend money to family and friends



64%

agree that credit or debit card fees make them think twice about using them

Obstacles to mobile



agree not enough stores accept mobile payments



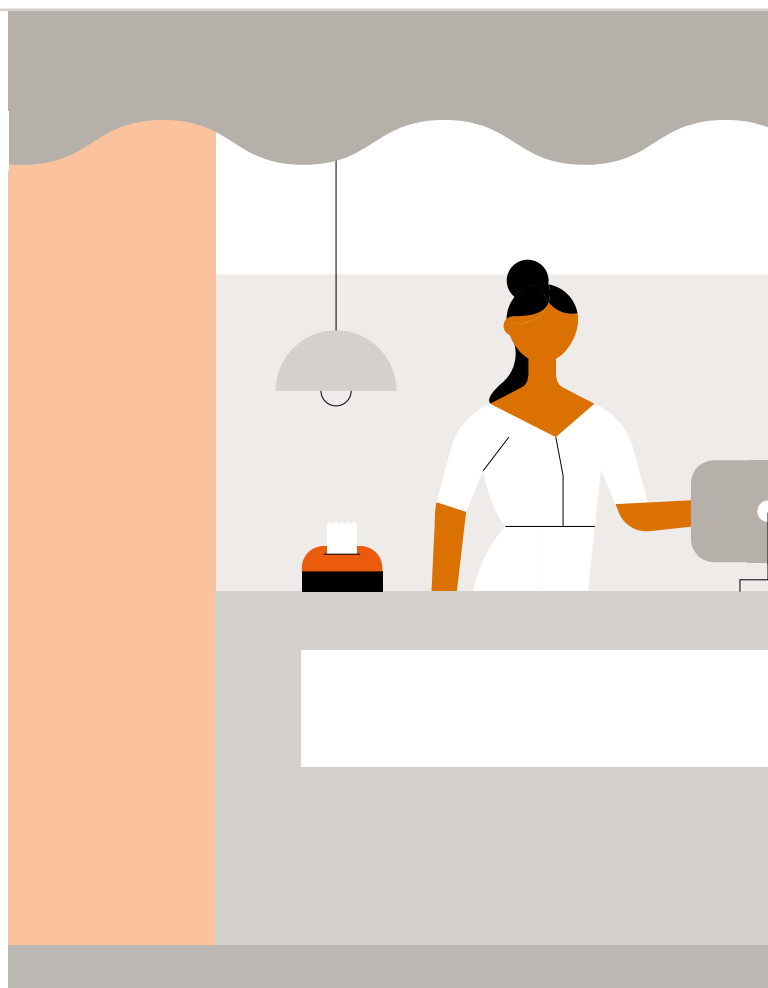
of young Colombians have used their bank's app

Banks are expected to fulfil this need



57%

would expect to first hear about new mobile payment services from their banks



An appetite for innovation



83%

would find the ability to pay bills at time that was right for them via their banking app useful

78%

would find being able to pay for all forms of public transport via mobile useful

Attitudes to technology

60%

embrace all types of new technology



75%

would like to be able to see an 'available balance' when making a payment with their mobile



60%

agree that technology simplifies their lives



70%

would like to make instant payments to people and businesses whose accounts are with other banks and providers



Growing interest in mobile payments



95%

are aware of mobile payment apps



62%

agree that mobile payments are easy to use on the go

Future advances in security and authentication

72%

find fingerprint scanning the most secure method of payment authentication

46%

expect all transactions to be carried out in real-time in ten years' time

32%

expect that stores will no longer accept cash by 2028





Mobile payments

Growing interest in mobile payments

For a country where cash dominates, mobile payments are gaining a foothold. Nearly all young Colombians (95%) say they are aware of the capability of make mobile payments through an app on their phones — the joint highest level across the countries surveyed; 80% claim to have made an app-based mobile payment and around one in three (35%) say they do so regularly. Those on higher incomes are more likely to have made a payment via a mobile app (89%) than their peers on lower incomes (67%).

Contactless mobile payments were introduced in Colombia in 2013 and 83% of those surveyed say they are aware of this technology — more than in Chile (73%). Nearly half (49%) of young Colombians have tried this payment

method and 14% say they regularly use their phones to make contactless payments while a further 18% do so occasionally. While the number of regular users is the same in Chile, occasional users there are lower (12%) and the overall total of people who have tried contactless is significantly lower at 38%, suggesting that young Colombians are embracing new payments technologies more enthusiastically than their peers.

Asked about which benefits encourage them to make mobile payments, the single greatest advantage was ease of use 'on the go' (69%) — 8% higher than our survey average; less than half of Brazilians agree with this statement (47%). A quarter (25%) indicated that

convenience would be their main reason to try a new payment method. Forty-three percent also see the value in using mobile payments as a back-up in case they forget their purse or wallet.

Another main benefit, say young Colombians, is the immediacy of transactions and instant confirmation of payment: 61% see this as a benefit, which is well above the survey average of 56%.

95%

of young Colombians are aware of mobile payment apps

65%

agree that mobile payments are easy to use on the go

"Despite the high awareness and growing interest in mobile payments, availability appears to be a real obstacle to their further adoption."

Obstacles to mobile

We've seen that app-based mobile payments are gaining traction among young Colombians, particularly banking providers' apps: over half 58% have used their bank's app, a proportion that is second only to Peru (64%) but considerably more than the 29% of Argentinians and 38% of Brazilians who have used their banks' app. But half (50%) of the Colombians in our survey have used Mercado Pago, which is the second highest usage after Argentina (80%).

Despite the high awareness and growing interest in mobile payments, availability appears to be a real obstacle to their

further adoption. Asked about what would prevent or deter them from using a mobile payments option, nearly half (48%) said 'not enough stores accept mobile payments'. Alongside Argentina, this was the highest response on this point across the survey.

Encouragingly for the advance of mobile payments, more young Colombians were concerned about the ramifications of losing their phone (49%) or running out of battery (37%) than about the security of mobile transactions and storing their card details in their phone (20%).

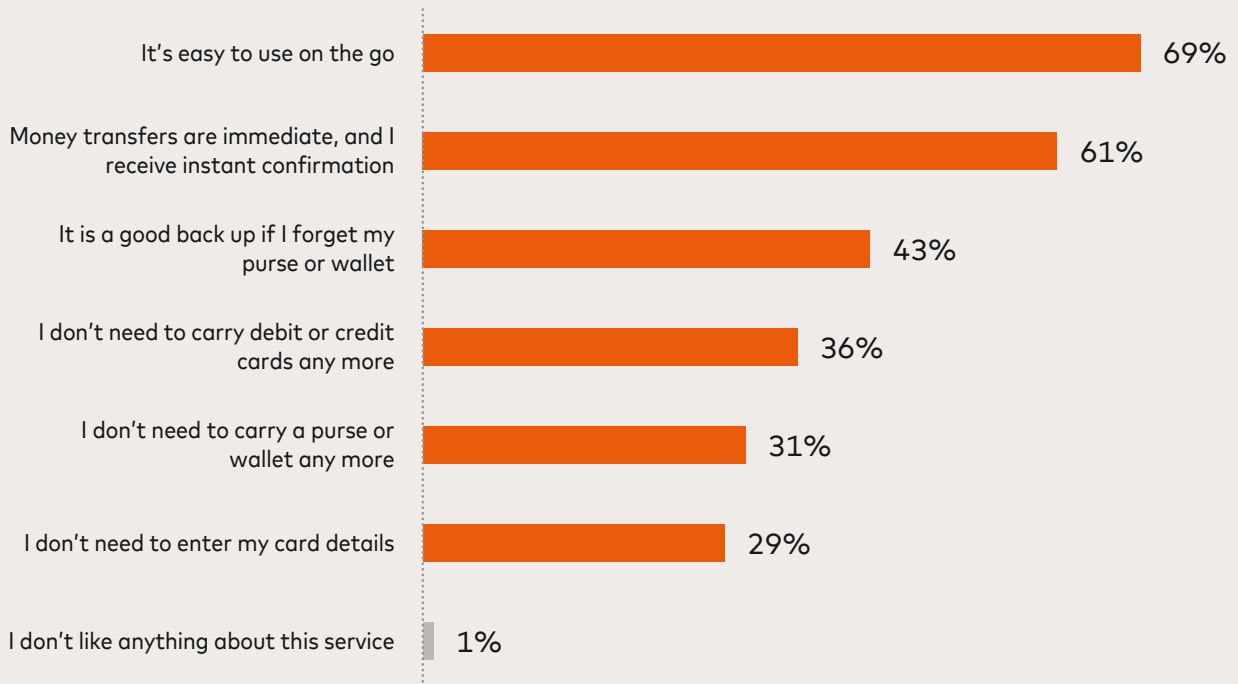
58%

of young Colombians have used their bank's app

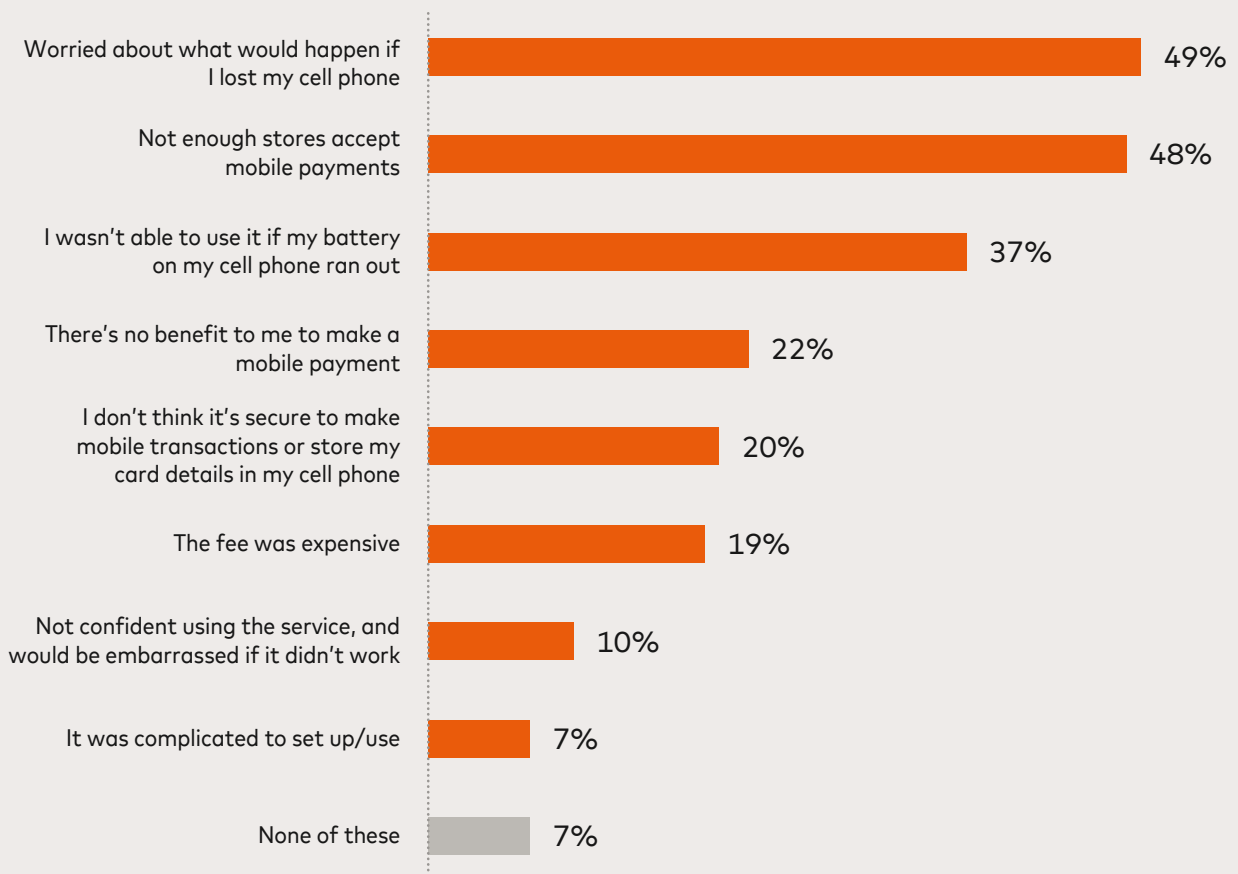
48%

agree that not enough stores accept mobile payments

What are the most important benefits to you personally that would encourage you to make a mobile payment?



What are the most important barriers to you personally that would prevent/deter you from making a mobile payment?



57%

would expect to first hear
about new mobile payment
services from their banks

Banks are expected to fulfil this need

With mobile payments gathering steam in Colombia, it is interesting to see that banks and financial service providers are the greatest source of awareness among 18-35-year-olds: 57% would expect to first hear about new mobile payment services from their banks. This expectation is much stronger than in Brazil (32%) and Argentina (30%) and well above the survey average for Latin America (43%). While just 21% of Argentinians and 23% of Brazilians would trust their banks' recommendation of a new mobile

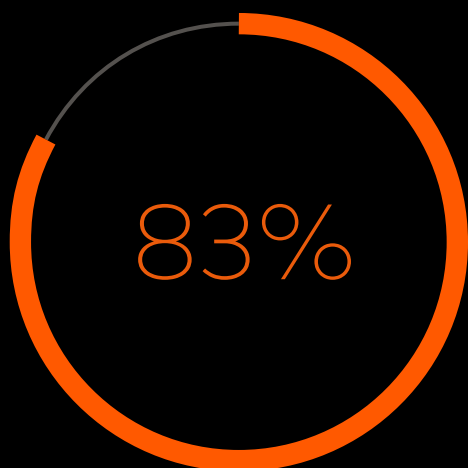
payments service the most, 42% of young Colombians would trust their bank to make such a recommendation.

Young Colombians are also much more inclined to trust the recommendation of their bank than they are their friends and relatives (33%) — the only country we surveyed to feel this way. In every other country we looked at, 18-35-year-olds are substantially more likely to trust the recommendation of their friends and relatives.

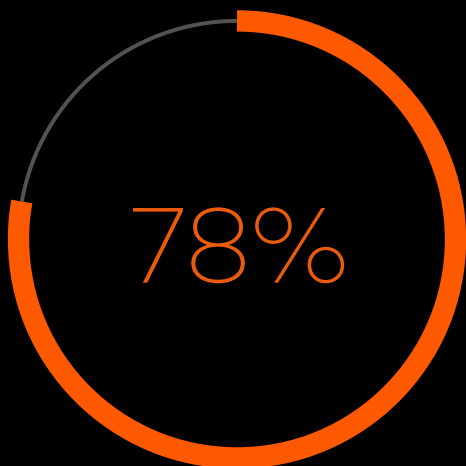
But 44% would make their own decision about a new platform rather than wait for reassurance from others (21%), and they're unlikely to take a gamble on something new it's tried and tested: 30% said they will wait until new payment methods are more established before considering using them. There is therefore a great deal of education to be done when it comes to the availability and benefits of new payment solutions.

"With mobile payments gathering steam in Colombia, it is interesting to see that banks and financial service providers are the greatest source of awareness among 18-35-year-olds"

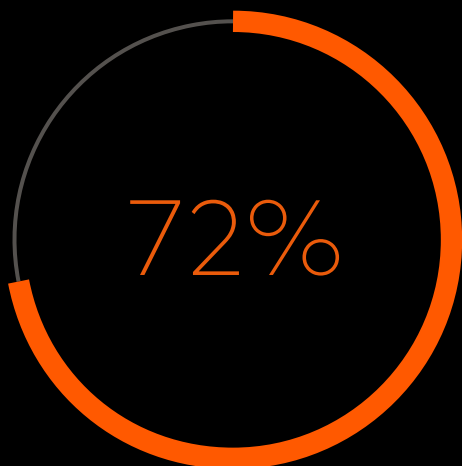




would find the ability to pay bills at time that was right for them via their banking app useful



would find being able to pay for all forms of public transport via mobile useful



find fingerprint scanning the most secure method of payment authentication

What does the future look like?

An appetite for innovation

Having looked at what Colombians like most about mobile payments, we wanted to explore what they would like to be able to do with new payments; what kinds of new functionality or control would they find most attractive? Seventy-eight per cent — the highest in our survey — would find being able to pay for all forms of public transport via mobile useful, including 56% who

would find it 'extremely useful'. Similarly, 83% would find the ability to pay bills at time that was right for them via their banking app useful, with 62% saying this would be 'extremely useful'.

More innovative still, nearly three quarters (74%) of young Colombians said the ability to grab-and-go in a checkout-free store where purchases

are automatically charged to a pre-approved payment platform would be useful. While the level of interest in this was still higher than elsewhere, it seems that young Latin Americans are generally quite taken with this idea — the average across our survey was 69%.

Future advances in security and authentication

As well as exploring how mobile payments might evolve, we also looked at Colombians' views on advances in payment authentication. Around three quarters prefer to use their fingerprint to authenticate payments or withdrawals using their payment cards (74%) or their mobile phones (73%) while facial (47%) and voice recognition (39%) are much less favoured. These responses broadly echo the views of young Latin Americans across the countries we surveyed, and may reflect the growing prevalence of biometric authentication as a security measure on

smartphone handsets. Not surprisingly, young Colombians consider fingerprint authentication the most secure method (72%), which is the highest across our survey, compared to just 41% in Brazil and an average of 63%.

In keeping with their enthusiasm about innovation, young Colombians expect to see significant change in the payments landscape over the next decade. More than half (52%) expect to be able to pay using just their thumbprint, 46% expect all transactions to be carried out in real-time and 32% expect that

stores will no longer accept cash — only in Argentina (36%) is this expectation for cashless stores exceeded. Twenty-eight percent of young Colombians, the highest proportion in our survey, expect branch banks to have disappeared.

Around a quarter of young Colombians expect to stop carrying cards altogether (22%) and for all their financial information to be stored in a sub-dermal chip (22%). Of these innovations, payment by thumbprint alone is expected to happen soonest by the greatest number of people (22%).

Conclusion

These findings reflect a trend that we have observed across the region: that Latin America remains a predominantly cash-based continent — particularly when it comes to smaller, everyday purchases.

Overcoming functional and emotional barriers will be key to transitioning from cash as the dominant payment method.

And while this is truer in Colombia than in any other Latin American markets we surveyed, young Colombians are no different to many young people anywhere else: they like and value technology; they increasingly manage their finances through smartphones, and they are open to digital payment solutions that meet their needs for convenience, security and control. Our sample certainly expects significant change in payments over the next 10 years, and seem excited by the prospect rather than concerned.

All this suggests that Colombia presents an opportunity for rapid, technology-driven advances in payments. And who will be trusted to lead this advance?

The short answer is banks. The need for security around money speaks to a deep-seated reverence of banks that has been established over generations.

Perhaps the greatest challenge in building confidence in mobile payments will be balancing young Colombians' desire for convenience and control with assurances of security. Improving the availability of card and contactless/mobile payment-enabled terminals at the point of sale will also be a key pre-requisite.

Progress in these areas will be achieved by strategic partnerships between banks, issuers and payments technology companies to meet the needs and demands of a digitally-savvy, young Colombian demographic.

"Colombia represents an opportunity for rapid, technology-driven advances in payments."

Technical note and methodology

This research was conducted between May and July 2018 as part of a project covering five countries in Latin America: Peru, Brazil, Argentina, Chile and Colombia.

Following face-to-face focus groups in each market between 2 and 5 July 2018, a nationally representative sample of 1,000 responses was gathered in each territory via an online/telephone survey during August. Participation in the research was restricted to an age profile of 18–35 years, and to individuals with a bank account and access to a smartphone.

The study was conducted in association with Kantar.

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About Vocalink

A Mastercard company, Vocalink designs, builds and operates industry-leading bank account-based payment systems.

Our technologies power the UK's real-time payments, settlements and direct debit systems, as well as the UK's network of nearly 70,000 ATMs.

In addition, our real-time bank account-based payment solutions provide more payment choice to customers in Peru, Singapore, Thailand and the United States.

About Kantar

Kantar is the world's leading data, insights and consulting company. We understand more about how people think, feel, shop, share, vote and view than anyone else.

Combining our expertise in human understanding with advanced technologies, Kantar's 30,000 people help the world's leading organisations succeed and grow.



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