

DineroMail

COMPANY BACKGROUND

An e-commerce payments processor, DineroMail facilitates electronic payments between businesses and customers. Founded in 2004 by entrepreneurs Alejandro Estrada and Alex Oxenford, DineroMail is incorporated in Delaware in the United States. The company operates in Argentina, Brazil, Chile, Mexico, and Colombia. As of February 2011, Naspers held a 79.71% equity stake. Other shareholders include IFC (14.31%) and DineroMail's founders (6%).

DineroMail is headquartered in Buenos Aires, Argentina, and also has offices in Brazil, Chile, and Mexico. Its 100

Country: Latin America

Sector: Information and Communication Technologies

IFC's Investment: \$5 million in equity

staff have experience in the banking and payments, e-commerce, information and communications technology, and retail industries.

DRIVERS FOR DINEROMAIL'S INCLUSIVE BUSINESS MODEL

- Business opportunity to facilitate the spread of e-commerce in Latin America
- Market need for an online payments solution that enables small and medium enterprises (SMEs) seeking to engage in e-commerce to accept multiple forms of payment
- Demand for electronic payments solutions to reach customers who transact in cash

Internet penetration in Latin America and the Caribbean (estimated at 36.7% as of 2011) is expected to grow rapidly in the future. Certain countries have higher estimated rates of internet penetration like Argentina (66%), Chile (55%), and Colombia (50%). Such countries are beginning to demonstrate the benefits of e-commerce—convenience, greater choice, and easier access—to all people, including low-income customers. This creates a market opportunity for DineroMail, helping e-commerce to spread by creating the essential electronic payments infrastructure.

E-commerce can not only benefit customers, but also SMEs, as evidenced by the success of e-commerce portals like Amazon and eBay in the United States. But the vast majority of SMEs in Latin America that have websites still use them to showcase rather than sell products and services. SMEs

that want to sell online still need to overcome the complex challenge of developing the means to accept and manage electronic payments. DineroMail is meeting this market need by providing SMEs with a simple, secure, and cost-effective electronic payments solution.

There is also market demand for an electronic payments solution to reach customers that transact in cash. An estimated one in five individuals has a bank account in Latin America. While there are country-level variations, roughly 30% of the region's population has access to credit cards. And more than 60% of all e-commerce transactions in Latin America are paid for through cash payment alternatives. Even many banked customers prefer to pay by cash for online purchases for security reasons. DineroMail addresses these needs.

DINEROMAIL'S INCLUSIVE BUSINESS MODEL

SMEs that sell or seek to sell products and services through the internet must be able to accept multiple payment methods in order to reach a broad set and large number of customers.

However, to accept payment by credit card, debit card, or bank wire transfer, they would have to negotiate agreements with numerous banks and credit card providers, as well as to electronically connect to their technology systems. These time-consuming and costly tasks are not possible for SMEs. In regions like Latin America and the Caribbean—where an estimated one in five adults has a bank account—SMEs engaged in e-commerce have the additional challenge of reaching customers who may wish to purchase products and services online, but only have the means to pay in cash—or who simply prefer to pay in cash for security reasons. Against this backdrop, DineroMail offers SMEs a simple, lower-cost, and secure solution.

DineroMail developed a way for unbanked customers to participate in e-commerce, enabling them to purchase goods not available locally—or available only at significant mark-ups

As an electronic payments processor, DineroMail enables SMEs (the sellers) to accept multiple payment methods—both electronic and cash—from customers (the buyers) for goods and services purchased through the internet.

Approximately 90% of sellers that use DineroMail are SMEs. Most importantly, DineroMail has developed a way for unbanked customers to participate in e-commerce, enabling them to purchase goods not available locally—or available only at significant mark-ups. They may also remit money to friends and relatives, and pay utility and other bills through DineroMail.

To begin using DineroMail as their electronic payments processor, SMEs simply download the company's free payments solution software and open a DineroMail electronic wallet (e-wallet)¹ – an account where they receive electronic payments from buyers. These payments, in turn, can be transferred to SMEs' bank accounts by wire transfer or check. DineroMail protects SMEs by assuming the risk of credit card fraud, and also protects both sellers' and buyers' sensitive financial information using state-of-the-art proprietary software and procedures. DineroMail earns revenue by charging sellers as well as receivers of funds a



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transaction fee that is either a flat fee or a percentage of the transaction value. SMEs benefit from a lower-cost structure since DineroMail doesn't charge any set-up or monthly fees.

DineroMail has built partnerships with various financial institutions, retailers, and companies that build agent networks, to offer SMEs an integrated electronic payments solution and buyers with a variety of payment options:

First, the company works with over 100,000 agents—post offices, retail chains, and other entities with large geographic coverage—that can act as intermediaries between buyers and sellers to accept cash payments for online purchases. For example, a small carpenter may visit an internet café to order a power drill from a seller affiliated with DineroMail. Thereafter, he prints and presents a receipt from the seller's website along with cash to the DineroMail agent. The agent, in turn, scans the barcode on the receipt, converts the cash payment into e-money, and makes the electronic payment to the seller. As of 2011, 50% of buyers using DineroMail paid for online purchases in cash.

Second, DineroMail has built partnerships with banks and credit card providers so buyers may pay by debit card, credit card, or wire transfer. In this instance, buyers are directed to

a payments web page either on the seller's or DineroMail's website where they can choose from several options.

Third, DineroMail allows buyers to open their own DineroMail e-wallets to pay sellers directly. Buyers fund their accounts via credit card, bank wire transfer, or by paying cash to agents that deposit an equivalent amount of e-money into their e-wallets.

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In addition to offering a simple, secure, and low-cost online payments solution, DineroMail effectively extends working capital to SMEs by bridging payments due to them from credit card providers. These providers settle payments, on average, only after 15 to 20 days, while SMEs affiliated with DineroMail receive electronic payments instantly in their DineroMail e-wallets. Small enterprises can also benefit from additional business management support by downloading a version of DineroMail's payment software that includes free store management modules covering basic accounting and inventory management.

¹ An electronic wallet is a virtual account in which electronic money is held and used to make electronic payments.

RESULTS OF DINEROMAIL'S INCLUSIVE BUSINESS MODEL

- 5.6 million online transactions and total payment value of over \$271 million in 2011
- 10,000 small and medium enterprises served
- 50% of buyers who use DinerMail have paid for online purchases in cash

Since its founding in 2004, DineroMail has established operations in five countries: Argentina, Brazil, Chile, Colombia, and Mexico. Between 2006 and 2011, DineroMail grew its online transactions and payment value at a fast rate and throughout all its operating countries, tripling its business every year. In 2008, the company processed over 618,500 online payment transactions for a total payment value of over \$36.1 million. These figures grew to 5.6 million transactions for a total value of over \$271 million by 2011. Argentina and Brazil are DineroMail's largest markets. In 2011, DineroMail processed 2.8 million online transactions in Argentina and 1.4 million in Brazil for total payment values of \$127.3 million and \$84.8 million respectively.

DineroMail has a customer base of 10,000 SMEs with the largest share of SMEs in Argentina. To serve these SMEs' cash-paying online customers, DineroMail leverages an agent network comprising 100,000 retail stores, post offices, and other enterprises. To date, approximately 50% of buyers have used this agent network to pay for their online purchases in cash.

IFC'S ROLE AND VALUE-ADD

IFC's Investment: \$5 million in equity

Investment Year: 2009

- Fill a gap in patient growth capital for early-stage companies as a result of the global financial crisis in 2008
- Facilitate DineroMail's expansion in Argentina, Chile, and Colombia, as well as entry into Brazil and Mexico
- Help DineroMail in its future fundraising efforts as a credible investor in companies in emerging markets
- Support corporate governance, provide access to IFC clients in financial services and retail sectors, and advise on major global trends in the payments industry

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For more information, visit ifc.org/inclusivebusiness and dineromail.com