



Simplify and Save: The **Next Evolution** of **International Payments**

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Exceptional Financial Services
for Businesses with Global Ambitions

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Introduction



Like other financial services, international payments have undergone considerable change over the last decade. Fintech solutions have proliferated. A new generation of alternative providers has stepped into areas that, not too long ago, were the exclusive preserve of banks.

But, while this positive change is welcome, it hasn't gone far enough. For growing businesses in particular, complex and costly payment, foreign exchange (FX) and cash management processes are proving a brake on growth, just as they look to bounce back from the pandemic.

With limited resources of their own, these businesses struggle with arcane and inefficient international payments, which put them at a competitive disadvantage compared to larger, better-served enterprises.

Happily, the situation is changing. The next evolution of international payments promises smarter and more integrated solutions. These one-stop-shops for international payments and cash management also offer a more bespoke and cost-effective service for businesses looking to grow.

In this paper, we'll look at the increasing need for more seamless international payments options, the challenges that ambitious businesses face today, and the new solutions that are making cross-border transactions and cash management easier for everyone.

International Payments and Growing Businesses: the Background



“72% of growing businesses have made a strategic decision to look for new opportunities in new markets”

A background of post-Brexit trade disruption, rising inflation and a testing geopolitical environment has slowed the post-pandemic global recovery.

But growing businesses are bucking the trend. They are increasingly looking to internationalise their operations. Covid was a lesson in the benefits of diversified markets for companies of all sizes and in all sectors, and businesses are also investigating new options as they look to create more resilient supply chains and cut costs.

According to Mastercard's most recent Borderless Payments Report, nearly three quarters (72%) of small and medium sized businesses

globally have made a strategic decision to look for opportunities in new markets. On top of that, nearly half (43%) are already doing more international business than they did before the pandemic¹. Of course, the growth of online trade makes reaching distant markets far easier than it used to be.

A similar number (47%) say they now use more international suppliers¹. It all amounts to a concerted effort by businesses to protect against future economic shocks and drive growth by expanding their international reach.

These global figures are mirrored among growing businesses in the UK. A recent American Express survey found that over half (51%) of UK small and medium sized businesses that currently operate internationally plan to enter new global markets in 2023².

These plans are ambitious and forward-thinking. Businesses are turning to cross-border trade as a way to mitigate economic headwinds and grow. But for their plans to flourish, they need easy and cost-effective ways to pay overseas suppliers and get paid by international customers.

“There is a concerted effort by businesses to expand their international reach”

Too often, they encounter the opposite - a payments ecosystem that works against them. International payments for businesses can be complex, clunky and fragmented. That means international payments and cash management are often less efficient and more expensive than they need to be.

¹<https://www.mastercard.com/news/insights/2022/borderless-payments/>

²<https://intrademagazine.com/uk-smes-reveal-2023-international-expansion-plans-american-express/>

The International Payments Landscape for Businesses with Global Ambitions



“The G20 has identified urgent challenges in cross-border payments, including transparency, cost and speed”

According to the World Bank, SMEs represent approximately 90% of businesses and more than 50% of employment worldwide³.

The growing international outlook of many of them means the volume of cross-border business to business (B2B) payments is rising rapidly.

³<https://www.worldbank.org/en/topic/sme/finance>

But the means to manage cash and make and take payments simply and cost-effectively have not kept up. Big banks still dominate the global payments landscape, holding 80% of the market.

For growing businesses, dealing with banking giants can be a deeply frustrating and impersonal experience. And too often, bank FX and cross-border payments processes are cumbersome and outdated, leading to delays, strained supplier relationships and lost revenue.

To some extent, the industry has recognised these challenges. In 2021, the G20 group of nations identified a number of key challenges in cross-border payments, including transparency, cost and speed.

Growing businesses themselves are well aware of the roadblocks they face. According to the Mastercard research cited above, significant numbers admit to anxieties around the possibility of fraud in cross-border payments, while nearly half (45%) are worried about high FX rates and transfer fees.

“Nearly half of scaling businesses are concerned by high FX rates and transfer fees”

Another huge concern for businesses is the additional complexity traditional FX and payments' processes force upon already stretched finance teams. Without dedicated in-house resources, businesses who trade across borders are often faced with a significant administrative burden.

Current Challenges in International Payments



For developing businesses, current challenges around cash management and international payments include:

Separate Suppliers for Connected Services

Businesses have to deal with one partner for payments, another for FX and others for cash management solutions like company debit cards and multicurrency wallets. These are connected services that should be working together. Instead, they're fragmented and uncooperative, creating a huge administrative burden for business and adding costs, friction and inefficiency to cross-border trade.

A Lack of Choice

The best cross-border payment method in any given circumstance can depend on a number of factors. One size does not fit all. But too often, in an attempt to reduce complexity, businesses limit their payment options. That means they have to use the payment process a partner offers, rather than the best one for any particular transaction. Again, that can lead to delays, frustration and added costs.

Fragmentation

Multiple payments partners and systems work in competition, not collaboration. That increases friction and drives up cost.

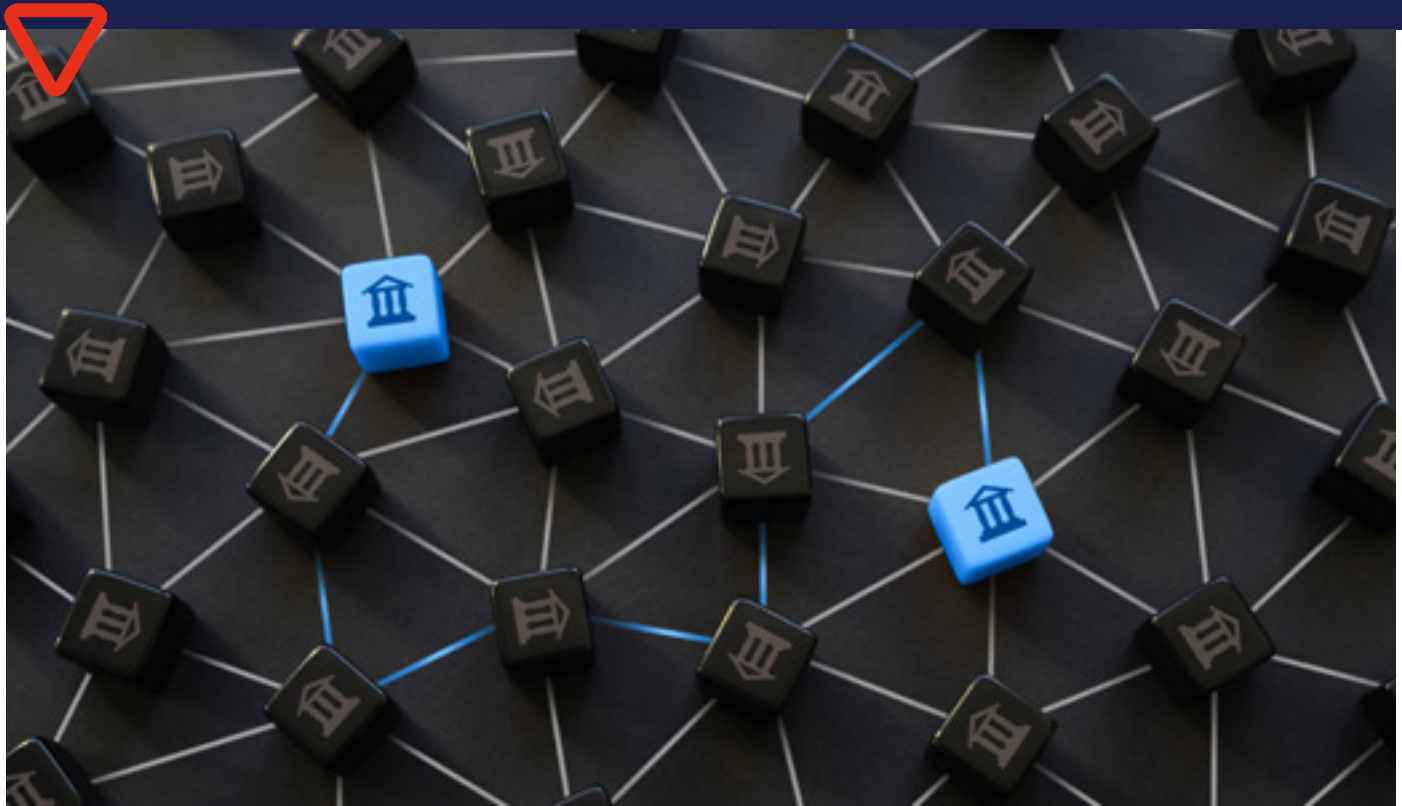
Impersonal Service

Growing businesses are not considered important by most payment providers, and receive an off-the-shelf service at best. That means they don't get a bespoke solution that truly meets their needs. In many cases, they are left to navigate the huge complexity of international payment networks without adequate specialist support. Lacking in-house experts, they end up with a clunky and costly solution.

“The complexity of cash management and payments is holding ambitious businesses back, but it doesn't have to be like that.”

The good news is that it no longer has to be like this. The next evolution of international payments is here. It's now possible to find single partner solutions that offer a full cash management, FX and cross-border payments service, with bespoke advice and support regardless of your size or spend. For growing businesses, these partnerships can create simplicity, increase speed and reduce friction in every transaction.

What the Next Evolution of B2B Payments Looks Like



We know that forward-thinking businesses are looking to do more trade abroad, and to enlist the services of more overseas suppliers. We also know that the current cross-border payments system is putting a brake on these ambitions, rather than helping to drive them forward.

But alternatives are now available. Simple, agile and effective international payments are achievable for every business, regardless of size or sector.

The next evolution of payments is massively simplifying payments processes for all businesses, reducing friction and creating the equivalent of a localised ecosystem for global transactions. It's bespoke to the needs of every company, and offers a complete set of financial services' products for international trade, managed from a single online portal or app.

FX and Payments in One

FX and payments needn't come from separate providers. Instead, they should work together for the seamless and cost-effective transference of money. Simplifying FX and payments in one combined solution reduces complexity and friction and decreases administrative burden. Innovative payments and FX simplify international trade and ensure fast and efficient multicurrency transfers, optimising and streamlining global payments.

Integrated Cash Management

International payments get even simpler when cash management solutions are integrated into the same service. For example, multi-currency wallets give you access to a large number of currencies simultaneously, allowing you to make and take international payments in the currency of your choice without incurring added fees. Company debit cards give your staff efficient and flexible ways to pay, at home or abroad. Together, these innovations give you simple and effective ways to hold cash, pay suppliers and spend company money.

The Right Choice for Every Transaction

When it comes to international payments, choice is essential. Don't offer your suppliers, employees and business partners one way to transact, offer them the best way for their particular circumstances. That might be IBAN, SWIFT, SEPA, card payment or something else. The result is smoother, more seamless business and potentially lower costs.

One Ecosystem for You and Your Suppliers

Take regular suppliers and partners out of the banking ecosystem altogether. Creating an integrated payments ecosystem essentially turns your global business network into a local one, at least as far as payments are concerned. That means no FX fees on transactions, and frictionless payments between contacts. *(See our explainer on the next page for more information)*

A Personal and Bespoke Service

Businesses of any size shouldn't have to put up with second rate service. Specialist financial services partners should act as an extension of your team, providing advice on the very best payment pathways for your

business needs. If they're process-agnostic, they can advise you on the best solution for you, rather than pushing a particular product. The service you receive should be entirely bespoke, with flexible pricing to match.

Complete Control and Easy Management

Control payments your way, through a web service, mobile app, and secure API.



EXPLAINER

What is an Integrated Payments Ecosystem?

When we talk about an integrated payments ecosystem, we're really talking about removing friction from regular cross-border transactions. In PayAlly's case, we do this by taking you and your suppliers out of the banking system altogether, and setting up what is, in practice, a local network for regular payments.

It's simple but highly effective. After onboarding you and your suppliers, we set you up with your own PayAlly account and pay structure. When that's complete, you can move money around your internal network at will, in the currency of your choice, without paying FX fees. You can hold money in our multicurrency wallet. Fees are only applicable when you take money out of the system. You can also pay for goods and services using our company debit cards (virtual and physical), up to a pre-agreed spending limit.

The New Evolution of B2B Payments in Practice



How might all of this work in practice? To find out, let's set up a typical use case. We'll call our hypothetical business Smith's Importers, a UK-based company that imports a range of finished goods and sells them to customers across Europe. The business sources products from manufacturers around the world.

- A. Supplier A, in Iceland, has been onboarded into Smith's localised payment ecosystem. Smith's pays them in Euros, from one multi-currency virtual wallet to another. There are no FX charges, and the payment goes through instantly.
- B. Customer B is also inside Smith's localised payment ecosystem, and pays Smith's in the same instant and seamless way.
- C. Customer C is in Europe and uses Smith's acquiring channel. They pay for goods in Euros using Smith's online payment gateway. Refunds are serviced in the same way.
- D. Customer D is outside Smith's localised payment ecosystem in the Far East, but wants to pay in sterling. They also use the acquiring system, with Smith's sending a payment link for added security. The customer simply clicks the link and makes the payment.
- E. Supplier E is outside Smith's localised payment ecosystem, so Smith's offers several ways for them to be paid. In this case, the supplier chooses to be paid using the SWIFT system.

See Figure 1 on the next page for a concise illustration.

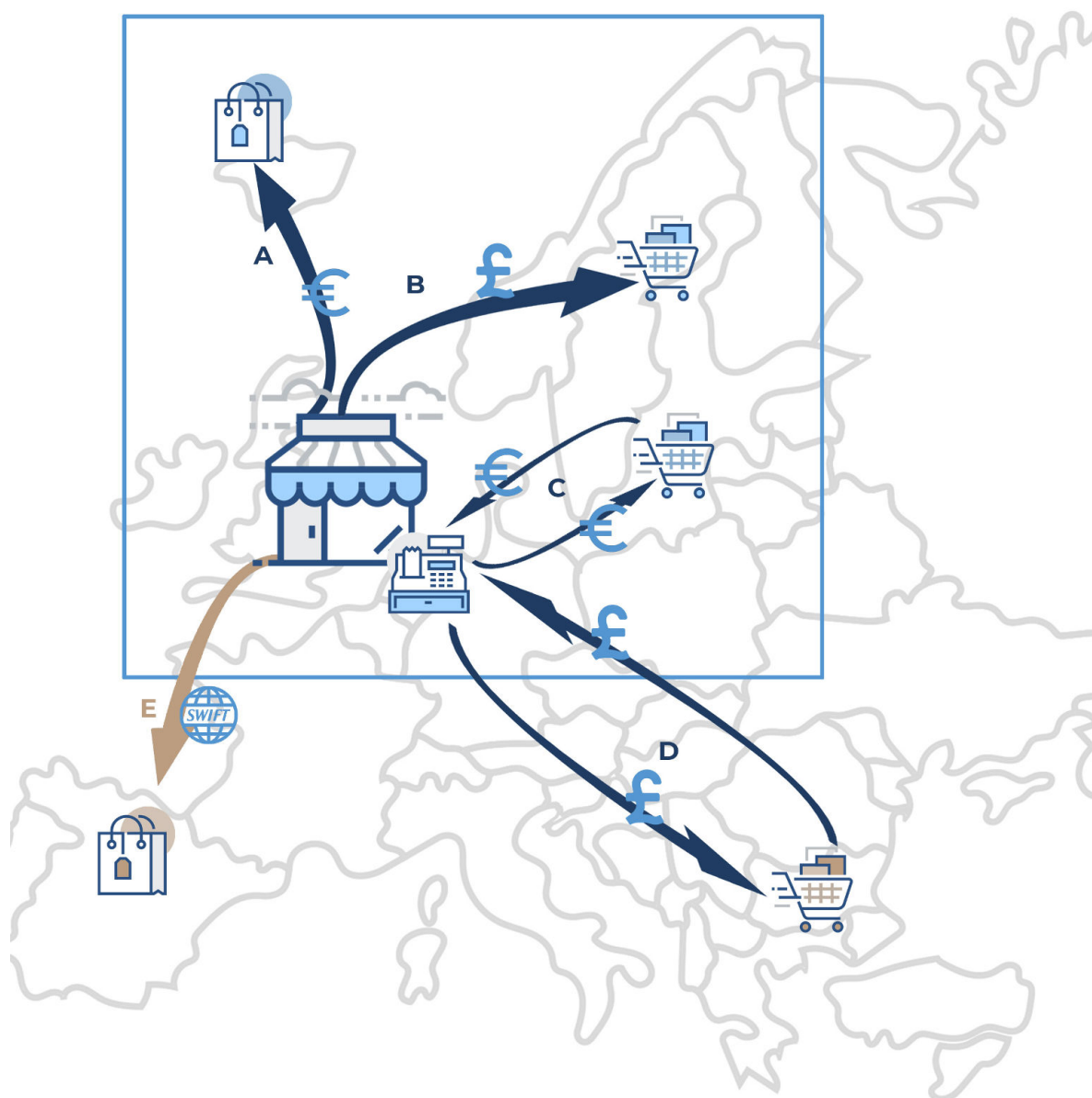


Figure 1: Ideal state of B2B payments

“In the case of a company like Smith’s, it’s clear that taking a suite of financial services from one dedicated partner offers real advantages in terms of cost, supplier relations and the ease of doing business.”

Conclusion



The SME sector is creative, progressive and ambitious. It is determined to survive and thrive despite tough economic times. Part of its strategy for success is expanding its international reach.

Growing businesses are looking for new customers, partners and suppliers across borders. But their ambitions are being held back by an international payment system that remains complex and fragmented, despite some progress over the last few years.

These businesses are having to deal with multiple providers, and systems that are competitive and disjointed rather than collaborative and integrated. The result can be slow or costly payments, supplier frustration and missed opportunities.

But there is, now, a better way. The next evolution of international payments takes friction out of the system and replaces multiple providers with a single partner for payments, FX and cash management. It offers alternative ways to hold and use money, so every transaction can be routed along the most efficient payment pathway.

It's even possible to take banks out of the equation altogether, creating an internal ecosystem for regular cross-border payments. That cuts fees and eliminates delays.

For growing businesses, it simply makes life easier. A specialist provider advises them of the most cost-effective and seamless option for every business case. The same provider gives them a full cash management and payment proposition for international trade.

Many potential partners can do some of this. Only one can do it all. PayAlly is a specialist in financial services for businesses with global ambitions. We offer payments, FX and cash management in one.

Weclome to PayAlly

Exceptional Financial Services for Businesses with Global Ambitions

PayAlly simplifies your financial ecosystem for international trade. Firstly, we offer fast and reliable foreign exchange. Convert money at the best rate for every business case and hold it in your PayAlly multicurrency account.

We also offer a full range of money transfer options, including SWIFT, SEPA and TARGET 2, and let you accept payments in 39 currencies. With PayAlly, your money is kept in a safeguarded account (until requested) with reputable credit institutions.

We also issue Mastercard Business Debit cards, allowing you to spend money in multiple currencies around the world. In conjunction with our multicurrency business account, it lets you stay in complete control of your finances at home or abroad.

Taken together, this amounts to a full suite of financial services for international trade, from a single, dedicated partner.

We back SMEs with dedicated 24/7 support from a personal account manager who becomes an extension of your finance team. We believe we are the only player in the space to offer this level of service to all types of clients regardless of size or transaction volume.

Unlike multinational enterprises, growing businesses don't necessarily have the resources, expertise or technology to monitor cross-border payments, or the in-house knowledge to pick the best options for their needs. As a result, they often pay too much for slow, opaque and potentially insecure services. They need better solutions.

For more information on what PayAlly can do for you, please visit www.payally.co.uk

Download the PayAlly app

