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International B2B Payments

A Guide For Entrepreneurs
And Digital Businesses

International B2B Payments: A Guide For Entrepreneurs And Digital Businesses, a PYMNTS and Payoneer collaboration, examines how efficient, secure and compliant cross-border payments help small to mid-sized businesses (SMBs) and entrepreneurs achieve their global ambitions during crises that impact their business.



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Introduction

The proliferation of digitally powered retail business models, such as globally livestreamed shopping events and virtual pop-up shops, has opened new possibilities for innovative entrepreneurs, retailers and platforms. Even beyond eCommerce, international business as a whole has greatly benefited from digital technology, with local entrepreneurs now able to develop a clientele around the globe as easily as they can within their own cities. As digital payments make cross-border businesses simpler to launch, many startups and entrepreneurs are developing business models that focus on developing international businesses in tandem with domestic ventures.

International B2B Payments: A Guide For Entrepreneurs And Digital Businesses, a PYMNTS and Payoneer collaboration, examines the difficulties organizations face when navigating new global structures and explores the complexities of cross-border payments.



Addressing the payments challenges of international expansion

The World Bank estimates that 90% of businesses are small to mid-sized businesses (SMBs) and that SMBs represent more than 50% of employment worldwide. While these businesses hold deep roots in local communities, they have increasingly become entrepreneurial on a global scale, with many launching international ventures online. For some of these businesses, the impetus for launching commercial operations in this way is an effort to recapture lost revenue from the early days of the pandemic. According to recent research, between February 2020 and April 2021, 70% to 80% of SMBs in 32 countries lost between 30% and 50% of their revenues.¹ For these businesses, a lack of access to the financial services that can power their international reach, such as cross-border payments tools, is a key constraint to their global growth.²

That said, cross-border business is on the rise among SMBs. According to recent reports, 38% of SMBs reported an increase in cross-border payments sent or received between 2020 and 2021.³ As SMBs and entrepreneurs expand their workforces across borders to seek audiences abroad, they may face various difficulties, including managing multiple currencies, managing business-to-business (B2B) accounts payable (AP) and accounts receivable (AR) and ensuring that payments remain compliant with global regulations. According to research by PYMNTS, 27% of SMBs see the complexity of cross-border payments as a key hindrance to their ability to grow, and just 23% of small businesses found their current cross-border payment solutions to be very or extremely satisfactory.⁴

¹ Lin, D.; Rayavarpu, S.N.; Tadjeddine, K.; Yeoh, R. Beyond financials: Helping small and medium-size enterprises thrive. McKinsey & Company. 2022. <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/beyond-financials-helping-small-and-medium-size-enterprises-thrive>. Accessed December 2022.

² Author unknown. Payoneer Global Inc. (PAYO) Q2 2022 Results - Earnings Call Transcript. Seeking Alpha. 2022. <https://seekingalpha.com/article/4533383-payoneer-global-inc-payo-q2-2022-results-earnings-call-transcript>. Accessed December 2022.

³ Consumers, SMBs, Gaining Comfort With Cross-Border Payments. PYMNTS. 2022. <https://www.pymnts.com/news/cross-border-commerce/cross-border-payments/2022/consumers-smbs-gaining-comfort-with-cross-border-payments/>. Accessed December 2022.

⁴ SMBs — and Their FIs — Share Cross-Border Payments Pain. PYMNTS. 2022. <https://www.pymnts.com/news/b2b-payments/2022/smbs-and-their-fis-share-cross-border-payments-pain/>. Accessed December 2022.

The cross-border payments challenges impacting SMBs can be categorized in several ways, including:

Organizational

While fast, efficient payments drive growth, payments management is resource intensive. The absence of a global, quick and easy-to-use cross-border payments system or tool accessible to an SMB may draw human and technical resources away from other critical areas of operations.

Scale

Payments are essential to stable business and customer relationships for businesses seeking to grow. Similar to the business-to-consumer sphere, poor or inconsistent user experience for B2B payments may hinder an SMB's ability to secure the loyalty of clients or customers or meet its payment obligations in a timely fashion.

Compliance

As businesses expand operations abroad, they run into new regulations and business customs, including those affecting payments. These firms must be confident that their payments provider understands these markets and can move with them.

Liquidity

Cross-border payments' processing times can be erratic, making it difficult for SMBs to estimate future revenue flows accurately. When transactions take longer than expected to process, the delay can limit access to critical working capital.



Spotlight: Brazilian Freelancers



Freelancers globally are developing new ways of doing business, often starting with expanding operations overseas. According to research, Brazil is no exception:⁵

• **83%**
of Brazilian freelancers have started offering or plan to offer services to new countries.

• **49%**
have seen a big spike in demand in the past 12 months.

• **Portugal, France and Germany**
are the most popular countries to which Brazilian freelancers are exporting their services.

• **68%**
have had to learn new skills to offer their services to other countries.

• **90%**
are optimistic about their business in the next 12 months.

The biggest problems Brazilian freelancers face when exporting their services are:

1. Accounting and regulatory knowledge (46%)
2. Language (43%)
3. International market knowledge (43%)
4. Finding new clients (42%)

⁵ Bagnasco, F. Report: Brazilian freelancers on the rise. Payoneer. 2022. <https://blog.payoneer.com/freelancers/brazilian-freelancers-on-the-rise/>. Accessed December 2022.

The role of digitization in SMB cross-border business scalability

Moving towards digital payments is a logical first step for SMBs seeking to grow their businesses across borders. International growth requires sending and receiving from any region in a secure, regulatorily compliant fashion. Creating this capability from scratch would mean coordinating with banks and payment services providers and monitoring current and emergent compliance mandates for each region where a company does business — too much for most to do efficiently. Instead, accessing a user-friendly digital platform that globally manages transaction monitoring and payments processing is a better solution. SMBs also face other challenges in improving their cash flows and payments speed, such as high per-transaction processing fees and slow payment transfers. International wire transfers can take an entire week, with limited visibility regarding the time the payment will be received.

Digital transformation is more than modernization: It is a lifeline for growing SMBs. Because payments digitization is key to making business models scalable internationally, SMBs need a reliable system for managing cross-border payments. A financial platform and global ecosystem with the same level of technology

and service that big enterprises use can enable an SMB to grow without hindrance in any region it chooses.

Payments digitization allows SMBs to:

- Pay and accept payments digitally with a high level of speed, security and convenience
- Offer financial services with global coverage that respect local preferences
- Enable multiple payment options such as credit cards, bank transfers or automated clearing house bank debits
- Track, manage and clear payments domestically or internationally
- Unify AP/AR accounting processes and manage cash flows

These features are more than conveniences; they are essential for sustainable long-term business growth.

How service-focused SMBs grow internationally

Offering services virtually can involve many of the same issues regarding tariffs, fees and cross-border regulatory compliance as selling goods. Due to the pandemic, many service-based businesses have launched online and abroad before beginning in-person sales in domestic markets. Setting up a service offering internationally requires the ability to manage reservations or bookings efficiently and necessitates a simple method for managing deposits, payments and refunds for services and customer data.

As SMBs grapple with the complexity of digital transformation, streamlined payments can serve as a catalyst for innovative business models. Digital payments transformation makes new iterations of in-person business models possible by providing SMBs with access to payments tools that can accelerate access to revenue, make it easier for clients and customers to pay and support better client relationships by streamlining refund processes. Simple, easy-to-integrate digital business payments tools make it easy for unique business models to expand internationally and flourish.

Developing an SMB-focused solution for international payments

SMBs and entrepreneurs need access to global markets and demand to run and scale their businesses, and comprehensive payments digitization tools are vital to that process.⁶ The future of global trade is increasingly dependent on the ability of suppliers, SMBs and entrepreneurs to send, process and receive payments efficiently and quickly.⁷

⁶ Bagnasco, F. Report: Brazilian freelancers on the rise. Payoneer. 2022. <https://blog.payoneer.com/freelancers/brazilian-freelancers-on-the-rise/>. Accessed December 2022.

⁷ Ibid.

The global trade self-audit:

Is your business ready for international payments?

Payments considerations when SMBs go international:

- **Is it possible to accept and send payments globally using a single payment gateway?** SMBs should have access to one tool that can quickly onboard and manage new client and customer payments internationally.
- **Is setting up international payments management simple and adaptable to multiple devices and platforms?** SMBs need flexibility when reacting to new opportunities. A payments solution that supports rapid sustainable growth will be simple to integrate with business strategies and easy to launch.

For some SMBs, a third-party solution is the simplest way to launch internationally.



Why SMBs need a compliance-aware payments partner

Regulation and compliance are the foundation of a responsible global financial system. A compliant and regulation-aware payments partner is crucial, as these partners have the expertise, knowledge and experience that SMBs need to rely on and trust. SMBs can then focus on business rather than managing these kinds of complexities. However, regulation should not be seen as a barrier to innovation but as a partner for creating new markets and growth opportunities.

When SMBs select a payment services provider (PSP), they should verify that the PSP:

- Is licensed and follows regulations in the jurisdictions of both sender and receiver
- Has competence in anti-money laundering and countering the financing of terrorism
- Ensures that the standards used for monitoring and flagging potential compliance violations are routinely tested, audited and reviewed
- Automatically screens transactions against Office of Foreign Assets Control and other country-relevant lists to prevent payments to sanctioned entities
- Administers a robust know your customer program that third parties regularly audit
- Monitors transaction activity of customers for suspicious activity and reports any red flags

How to evaluate and choose an international payments solution

- Look for B2B AP/AR features that allow SMBs trading across borders to invoice, get paid and pay their suppliers across currencies without needing to open bank accounts around the world or rely on legacy methods to move money, such as wires and checks.
- Seek out a technology solution that supports innovation when business models evolve, such as the ability to pay smaller suppliers, creators or other freelancers internationally with ease.
- Choose a service that offers local payment options allowing senders or receivers of payments to withdraw funds to bank accounts worldwide, which is especially useful for SMBs with multiple entities or types of business operations.
- Opt for a payments provider that offers low-cost or free transfers between accounts with the same service, as well as affordable conversion fees and registration costs for new accounts.
- Look for a powerful global network of payments management services with connections to a robust banking infrastructure. When an SMB launches a cross-border enterprise, the chosen payment services provider should have access to a network that permits rapid region-to-region growth seamlessly.



Conclusion

As businesses grow internationally, the ability to manage and support new payments strategies becomes key to growth. SMBs may encounter multiple risk factors, including noncompliance and slow or erratic user experiences based on regional payments processing speeds. The right payments solution can streamline cross-border business expansion for SMBs, allowing them to grow more seamlessly.



About

PYMNTS

PYMNTS is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



Payoneer is the world’s go-to partner for digital commerce, everywhere. From borderless payments to boundless growth, Payoneer promises any business, in any market, the technology, connections and confidence to participate and flourish in the new global economy.

Since 2005, Payoneer has been imagining and engineering a truly global ecosystem so the entire world can realize its potential. Powering growth for customers ranging from aspiring entrepreneurs in emerging markets to the world’s leading digital brands like Airbnb, Amazon, Google, Upwork, and Walmart, Payoneer offers a universe of opportunities, open to you.

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.

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