8 Tips for Managing International Payments for Importers and Exporters

Are you paying international suppliers, sourcing new ones, or expanding your global footprint?

It's time to give your global payments process a checkup

International business is dynamic and exciting—and at times, unpredictable. Whether you're importing or exporting, managing international payments will likely be a part of your business planning. It's a good idea, particularly in times of change, to re-examine your business forecasts from time to time to ensure that your assumptions are sound, and that you're on track to achieve your business goals.

Here are 8 tips to consider as you plan for the future.

1 Protect yourself against fraud.

Reduce your company's fraud risk by verifying with your vendor all bank details sent to you, or any changes made. Be on the alert for malware, email takeovers, and phishing attempts which tend to rise in times of crisis or disruption. Any emailed change to a banking instruction on an invoice, or a change in a supplier's or client's email address, should prompt a phone call from you or your team (e.g., voice verification using a two-way live phone call you make to a phone number you are certain belongs to your vendor) as a best practice.

2 Examine your contract terms closely.

Understand and negotiate favorable contract terms. For example, you might it useful to use Incoterms® , a set of international accepted International Commercial Terms (hence, "Incoterms®") developed by the International Chamber of Commerce after the First World War to facilitate international trade. The first version was published in 1936 and the latest revision went into effect in January 2020. These rules are widely used for international trade and can help you avoid misunderstandings and expensive mistakes. You can check with your local World Trade Center or International Chamber of Commerce for training sessions.

3 Insurance and tax.

If you're adding new products, suppliers, or expanding to new markets, it would be wise to consider checking whether your coverage fits your business planning. Your tax advisor can help you navigate implications for new markets or international investments.

4 Keep an eye on the exchange rates.

The foreign currency market is the largest and most liquid financial-market in the world, trading approximately $6.6 trillion US* per day and rates change constantly. Currency volatility can affect your profit margins— sometimes negatively and sometimes positively. Many events like war, inflation, etc. can increase volatility in the markets, making planning for FX exposures even more challenging.

As exchange rates fluctuate constantly, you might wish to familiarize yourself with the main currency pairs in which you're trading. Ask your provider to keep you apprised of fluctuations outside of "normal" ranges, and to suggest ways to take advantage of favorable rates.

*BIS Triennial Central Bank Survey 2019

5 Consider local currency for import and export.

Paying an invoice in a supplier's local currency, or accepting your customers' local currencies, can give your business a competitive edge.

- Importers: Some suppliers ask to be paid in U.S. dollars (USD) for various reasons. It's the most widely traded currency, and some markets have currency controls that make it more difficult to exchange non-USD local currencies. While paying in USD seems to be the easiest path, your supplier may well be building the cost of conversion into your invoice. Ask for invoices in their currency and in yours for an apples-to-apples comparison, and decide which is more favorable for you. That gives you more control.

- Exporters: Giving your international customers the option to pay you in their currency can help you expand your business and deepen your relationships. It's easier and often more cost-effective for them, and you can control the cost of conversions. While many banks charge maintenance fees for foreign-denominated accounts, some FX specialists provide multicurrency capability as part of their service offering. This capability has the added benefit of allowing you to hold the foreign currency against a future payment and avoid doing a double conversion.

6 Hedging against volatility.

FX hedging can help you minimize risk. There are several approaches you can use to temper the impact of currency volatility on your margins—and you can choose how much of your exposure you wish to hedge and for how long. Tools range from simple market orders to forward contracts that lock in a future exchange rate, to FX structured products that can allow you to take advantage of currency moves in your favor. What you do—and if and how you hedge—depends on your risk appetite and your business goals. Your provider can be a great resource for you for consultative insights and information.

7 Transaction analysis and review.

It's smart to review recent transactions and fees periodically, and to evaluate actual performance against your budgeted rates and your initial plan. Some businesses conduct annual reviews; others review more frequently, when there are material changes to the business (for example, onboarding a new supplier or expanding a product line), or in unforeseen circumstances. Talk to your provider about rates and tactics to lay the groundwork for the future.

8 Foreign exchange in your business planning.

Rather than considering foreign exchange a sunk cost or a necessary evil, a thoughtful and well-considered approach to the global payments process is something you can build up as a key pillar of your business strategy. Understanding currency market dynamics and taking a proactive approach can help you contain costs, protect your margins, and allow you to take advantage of areas of opportunity as they arise. Working with a trusted partner who understands your business and your risk appetite can give you a real advantage, particularly in challenging times.

What's next?

Recent events have shown us how deeply interconnected we are, and uncertainty has made long-range planning challenging for some businesses. Keeping your goals in your sights, and building flexibility into your planning, can help make your business more resilient and adaptable now and for the future.

Interested in learning more?

If you would like to speak with us about your FX process, and planning for the future, please request a call-back here: **payments.corpay.com/contact-us/cross-border**

About Corpay Cross-Border

Global businesses trust Corpay Cross-Border to power their international payments, execute plans to manage their currency risk and support their growth around the world. We aim to deliver unmatched service and expertise with respect to moving money globally. Utilizing our proprietary payment automation technology and currency risk mitigation solutions, we take pride in connecting companies large and small with the global financial markets and businesses all over the world.

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