

B2B CROSS-BORDER PAYMENTS

TRACKER®

AUGUST/SEPTEMBER 2022



■ FEATURE STORY

Unique Carpets Ltd. on the ideal B2B cross-border payments partner

■ PYMNTS INTELLIGENCE

Unpacking B2B cross-border payments' challenges and solutions



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ACKNOWLEDGMENT

The B2B Cross-Border Payments Tracker® was produced in collaboration with American Express, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

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■ JUNE/JULY 2022

ERP Solutions in B2B Payments Tracker®

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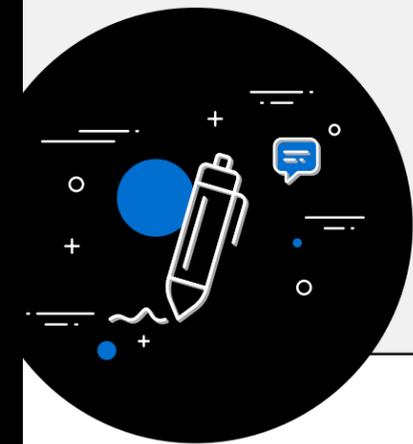
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Navigating Shifts

In B2B Cross-Border Payments

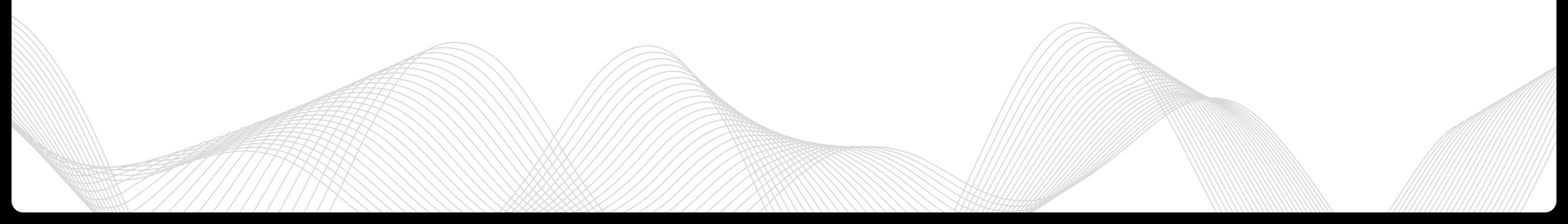
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The business world continues to become more digital and more global. Once exclusively the domain of major multinational companies, international trade is now becoming common for companies of all sizes. Technology has made it easier and more effective for more companies to pursue cross-border business opportunities. Even small to mid-sized businesses (SMBs) can now have global supply chains, work with foreign vendors and sell to an international consumer base. SMBs are now pursuing these opportunities at a rapid pace. According to an American Express [survey](#) from June 2022, 64% of SMBs and financial decision-makers in the United States expect their total spend with businesses outside the country to increase in the next six months.

With more companies operating across international borders, business-to-business (B2B) cross-border payments are an increasingly important aspect of business. Companies with global operations need to regularly send and receive payments across borders. In an ideal world, sending these payments would be simple, quick and secure. As a growing number of companies are finding out, however, the cross-border payments process is often slow, complex and full of friction. These pain points are more than just a nuisance, as nearly nine in 10 finance professionals [reported](#) that the complexities in cross-border payment collections hinder their businesses' ability to grow globally.

There is an obvious need for better cross-border payment solutions, and companies are looking to their financial institutions (FIs) to provide them. Businesses want solutions that offer more transparency, quicker speeds and an easier user experience — and these sentiments are widespread. According to the same American Express survey, nearly half — 48% — of U.S. SMBs and financial decision-makers, for example, are [seeking](#) a cross-border solution that has transparent fees and rates and a simple user experience (44%). Thus, it is important for FIs and other players in the market to provide innovative cross-border payments solutions.

This edition of the B2B Cross-Border Payments Tracker®, a PYMNTS and American Express collaboration, examines the current challenges in B2B cross-border payments and how businesses can address them to offer customers a better experience.



Unique Carpets Ltd. On
**The Ideal B2B Cross-Border
Payments Partner**



**FOR MANY BUSINESSES IN TODAY'S
FAST-PACED, INTERCONNECTED WORLD,
THE NEED FOR SOLUTIONS THAT MAKE
CROSS-BORDER PAYMENTS MORE EFFICIENT
IS GROWING.**

Even companies that have operated internationally for decades are finding it increasingly important to improve the cross-border payment experience. [Unique Carpets Ltd.](#) is a prime example.

“Up until about 20 years ago, we would wire payments to suppliers using our local bank, but as our company expanded and we conducted more business internationally, we needed to find a more efficient solution to pay our suppliers,” Bob Binford, executive vice president at Unique Carpets Ltd., told PYMNTS in a recent interview.

Unique Carpets Ltd. first started importing wool carpets from Europe in 1985. Since then, the company has grown to become one of the largest importers of tufted 100% pure wool broadloom carpets in America. Binford explained that as the need to make international payments grew, Unique Carpets Ltd. started using American Express as its conduit to wiring payments around the world.

THE TOP THREE QUALITIES OF A B2B CROSS-BORDER PAYMENTS PARTNER

Binford said that when it came to selecting a B2B cross-border payments partner, three qualities stood out as the most important:

1. Simplicity and ease
2. Safety and security
3. Solution-oriented mindset

He explained that simplicity and ease were important because Unique Carpets Ltd. was seeking a way to simplify the payments process.

“Put simply, we need to pay our suppliers on time and efficiently,” he said. “We don’t need a payments solution that overcomplicates the transaction process. We just need the funds to get where they need to be in a timely and easy manner.”

The emphasis on safety and security, Binford explained, stemmed from the fact that fraud is always top-of-mind — especially in the cross-border transaction environment. Therefore, the company was looking for a trusted and dependable partner that offered a secure platform for sending and receiving payments. This partner also had to have a solution-oriented mindset because problems invariably arise, and it helps to have a partner that can quickly resolve them.



BETTER SOLUTIONS MEAN BETTER OUTCOMES

The company’s decision to find a B2B cross-border payments partner paid off. One of the biggest improvements came in the form of speed. Binford noted that transaction speed became particularly salient when comparing his company’s current experience of paying suppliers to past experiences.

For the last 35 years, Unique Carpets Ltd. has paid its suppliers on Thursdays. Approximately 10 years ago, before selecting its current cross-border payments partner, the money that the company sent to its supplier on a Thursday would not reach the supplier’s bank account until Monday morning. Now the payment almost always arrives in the supplier’s bank account the following morning, sometimes even earlier.

“The speed at which payments and information is shared around the world is a game-changer,” Binford explained. “It’s made us all more productive. Today, I can go online and schedule a payment — regardless of [whether] I’m sitting in my office or in a local café — and be done with it.”



Q&A

OLANN KERRISON
Vice president,
Cross-border B2B products

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Why are B2B cross-border payments an increasingly important aspect of business for merchants? What dynamics or trends are in play?

We believe there are four key factors in play that are driving an increased interest in and need for B2B cross-border payments:

1. Many small and mid-sized businesses are starting out as global businesses; because of this, they are facing greater complexity and cross-border needs.
2. Macroeconomic challenges, such as supply chain issues and inflationary pressures, are making digital payments and automation a necessity and driving the need for businesses to diversify their supply chain. Often that includes international diversification and the need to more tightly manage cash flow through digital platforms.
3. Companies are doing things differently with the way they work. As employees and accounting departments become more spread out, they expect things to be digital. And with digital, often comes global.
4. Small and mid-sized businesses want more capabilities, but fewer vendors and a seamless experience without complex technology integrations as they build toward a digital future. As consolidation helps reduce payments hurdles, more opportunities open up for businesses to do international business.

What do corporate customers expect and need from their banking partners when it comes to cross-border payments?

Businesses expect and need the ability to make seamless cross-border payments in a way that is fast, clear and straightforward. While larger companies have long had access to cross-border payments solutions, we heard from small and mid-sized businesses in particular that they needed a cross-border solution designed for their size of business that does not require a significant technology uplift. A June 2022 survey by American Express found that 27% of U.S. small business owners said that one of the top obstacles they are facing when making cross-border payments is process complexity, and more than 40% said their ideal would be to bundle multiple financial services products under a single provider. This led us to build and introduce Global Pay, with a mobile friendly self-service platform where small businesses can manage their international B2B payments in the same place they manage their American Express Business Card account — no tech integration required.

The Problems And Promise Of B2B Cross-Border Payments

This month, PYMNTS examines the difficulties SMBs face when making B2B cross-border payments, the solutions businesses are leveraging to address these pain points and how these innovations increase the range of products, services and payment methods available to businesses.

DIFFICULTIES OF CROSS-BORDER PAYMENTS

As with B2B payments in general, efforts to modernize and speed up the B2B cross-border payment experience have lagged behind similar efforts to improve the online payment experience for consumers, resulting in a cross-border payments process that is often complicated and filled with friction. For many businesses, the cross-border payment process is prohibitively complex. SMBs are particularly hard hit, with 27% [ranking](#) the complexity of making cross-border payments as one of their top obstacles.

Data from a recent PYMNTS [survey](#) shows that the perception among FI executives on their digital payment solutions is less positive as the size of the client decreases. For large enterprises, 74% of respondents were very or extremely satisfied with the solutions offered, while this percentage dropped to 23% for small businesses. It is also worth noting that for cross-border payments, around 80% of respondents said they were very satisfied with their solutions, despite the challenges for this type of payment.

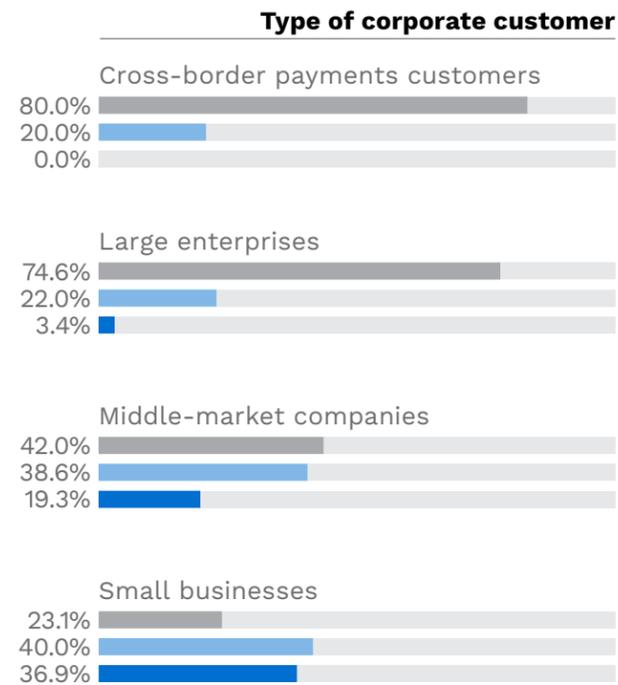
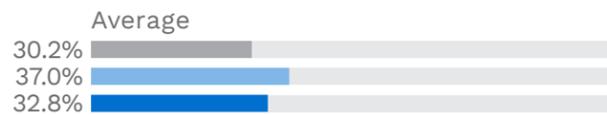
Another difficulty in cross-border payments revolves around interoperability and application programming interfaces (APIs). To make payments across borders, information must be shared across different payment networks and systems. APIs are one of the best ways to [accomplish](#) this communication, which is why a striking 65% of payment operators currently use APIs and another 20% plan to. API or no API, however, networks and systems can communicate with each other only if they are interoperable. This means they must share the same protocols, formats and other aspects that allow a message from one network to be understood by the other. At present, there is a distinct lack of interoperability and standardization, with only 38% of payment system operators reporting the existence of domestic standards for APIs. Nearly eight in 10 payment operators view this lack of standardization as the biggest barrier to API adoption. Without this adoption, cross-border payments will remain challenging.

FIGURE 1:

Treasury or wholesale banking FI executives' perceptions of the digital payments solutions they offer corporate clients

Share of FI executives citing the effectiveness of their digital payments solutions in addressing clients' B2B frictions, by client type

- Very or extremely effective
- Somewhat effective
- Slightly or not at all effective



Source: PYMNTS.com
The New User Experience Report, February 2022
N = 311: Whole sample, fielded Oct. 28, 2021 - Nov. 30, 2021

SOLUTIONS TO THE RESCUE

According to PYMNTS' [data](#), the most common solution FIs currently provide to reduce B2B payments friction is automated account validation, so FIs not currently offering this product should consider doing so. Faster or real-time payment functionality should be another consideration. The ideal cross-border digital solution should be easy to use and provide customers with important details such as transparent exchange rates and payment delivery dates.

If FIs can provide the right solutions, businesses will benefit in a variety of ways. For example, 64% of U.S. SMBs [view](#) reduced fraud risk as the biggest benefit of cross-border payments innovation. PYMNTS' [data](#) also shows that 56% of overall U.S. businesses view enhanced cash management capabilities as a benefit of cross-border payment solutions. They also believe innovation would reduce errors, improve accounts receivable (AR) efficiency and provide access to a range of new products and services. With all these benefits, it is no surprise that business customers are increasingly seeking cross-border payments solutions. It is now up to FIs to provide them.





NEWS & TRENDS

IMPORTANCE OF INTEROPERABILITY AND TRANSPARENCY

LACK OF API STANDARDS IS A MAJOR CHALLENGE TO CROSS-BORDER PAYMENTS, STUDY FINDS

Sending and processing payments from one country to another without the sending company having to register in the receiving country requires interoperability between payment systems. APIs serve as one of the best tools for creating this interoperability. When the right systems are in place, APIs allow for different networks to communicate with each other easily. In other words, APIs are central to improving the B2B cross-border payments experience.

Given this, a recent [study](#) from the Bank for International Settlements (BIS) has an alarming finding. The study found that payment system operators cited a lack of API standardization — of protocols, formats, etc. — as the most significant challenge to their adoption of the technology, with nearly eight in 10 respondents holding this view. BIS concluded that this means there must be greater international cooperation to prevent payment systems from fragmenting.



TRANSPARENCY IS A TOP OBJECTIVE OF CORPORATES

In addition to interoperability, transparency is an important consideration for B2B cross-border payments. A lack of transparency can result in friction in both the payment process and communication between providers, firms and end customers. This is especially important in B2B industries, such as healthcare and insurance, where transactions can involve multiple entities.

One of the best ways to improve transparency is to digitize the payment process, as many companies have already done or plan to do. A recent PYMNTS [survey](#) found that 56% of companies with plans to digitize their payment operations view making the payment process more transparent as an important outcome. Of the surveyed companies that had accelerated their digitization efforts, a striking 35% reported doing so to provide their vendors and customers with a more transparent process. This rush to digitize is understandable because, once completed, payments digitization can have a tremendous impact. Of the companies that had already digitized payments, 60% said those projects had a positive impact on supplier relationships.

FIs PURSUING SOLUTIONS TO ADDRESS **CROSS-BORDER PAYMENT PAIN POINTS**

MAJORITY OF FIs WILLING TO BRING IN NEW TECH TO SOLVE CROSS-BORDER CHALLENGES

It appears as though FIs are open to using technology to address the issues found in B2B cross-border payments. In a recent PYMNTS [survey](#) of over 300 executives in charge of treasury services or wholesale banking at FIs, 64% of respondents said they are very or extremely willing to adopt new technology to solve pain points in cross-border payments. This is good news for businesses because current solutions are often not meeting all their needs, a fact that many executives seem to concede.

For example, only 30% of executives said their current solutions were very or extremely effective in addressing B2B payments frictions. In contrast, 33% viewed their current solutions as slightly or not at all effective, while 37% regarded their current offerings as somewhat effective. Interestingly, the survey indicates that FIs serving cross-border payments customers are already leveraging technology to meet client needs, with these FIs offering an average of 7.1 digital solutions to improve B2B payments.

AMERICAN EXPRESS INTRODUCES DIGITAL, CROSS-BORDER PAYMENT SOLUTION FOR SMBs

To make B2B cross-border payments easier, American Express recently launched [Global Pay](#), a digital solution that allows U.S. businesses to make both domestic and international B2B payments. Dean Henry, executive vice president of global commercial services at American Express, explained that Global Pay is a response to small business customers' desire for international payment solutions that are simple, convenient and offer the chance to earn rewards.

Using Global Pay's mobile friendly platform, business customers can make secure payments to their suppliers in over 40 countries. Multiple currencies are supported, and users can view and accept the associated exchange rates before making transactions as well as access American Express' estimates for when payments will be delivered. Eligible customers can also earn reward points on their foreign exchange payments.

CBDCs A POSSIBLE 'HOLY GRAIL' FOR CROSS-BORDER PAYMENTS, SAYS ECB

A central bank digital currency (CBDC) could be the "holy grail" of cross-border payments, [according](#) to a [report](#) from the European Central Bank (ECB). The report explained that a such a solution would make cross-border payments immediate, inexpensive, far-reaching and settled in a secure environment — a solution that the business world has sought for centuries without success.

Broadly [defined](#), a CBDC is a digital liability of a central bank to which the general public has access. The report explained that CBDCs check all the boxes of a "holy grail" cross-border payment solution, from immediacy to secure settlement. Furthermore, CBDCs have greater compatibility with foreign exchange (FX) conversions, norms around monetary sovereignty and instant payments via third parties such as central banks. The ECB did caution that there are some potential barriers to CBDCs being the perfect solution, including money laundering concerns and the need to add more layers for efficient FX conversions.

B2B Cross-Border Payment Customers Would Benefit From Improved Solutions

With an increasing number of businesses needing to make payments across international borders, there is a growing need to address the pain points in B2B cross-border payments.

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FIs already provide cross-border customers with many digital solutions.

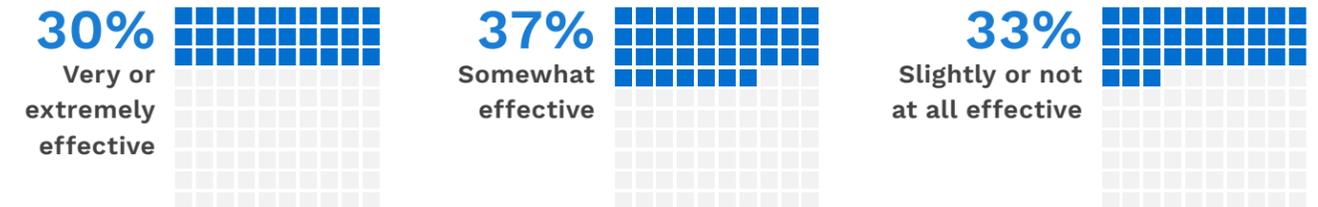
Understanding the need for B2B cross-border digital solutions, the majority of FIs are already offering their business customers a variety of digital tools to facilitate international payments.



There is still a need for more-effective solutions.

Although FIs provide business customers with many cross-border solutions, most FIs are aware that their solutions are only somewhat, slightly or not at all effective at addressing B2B payment frictions.

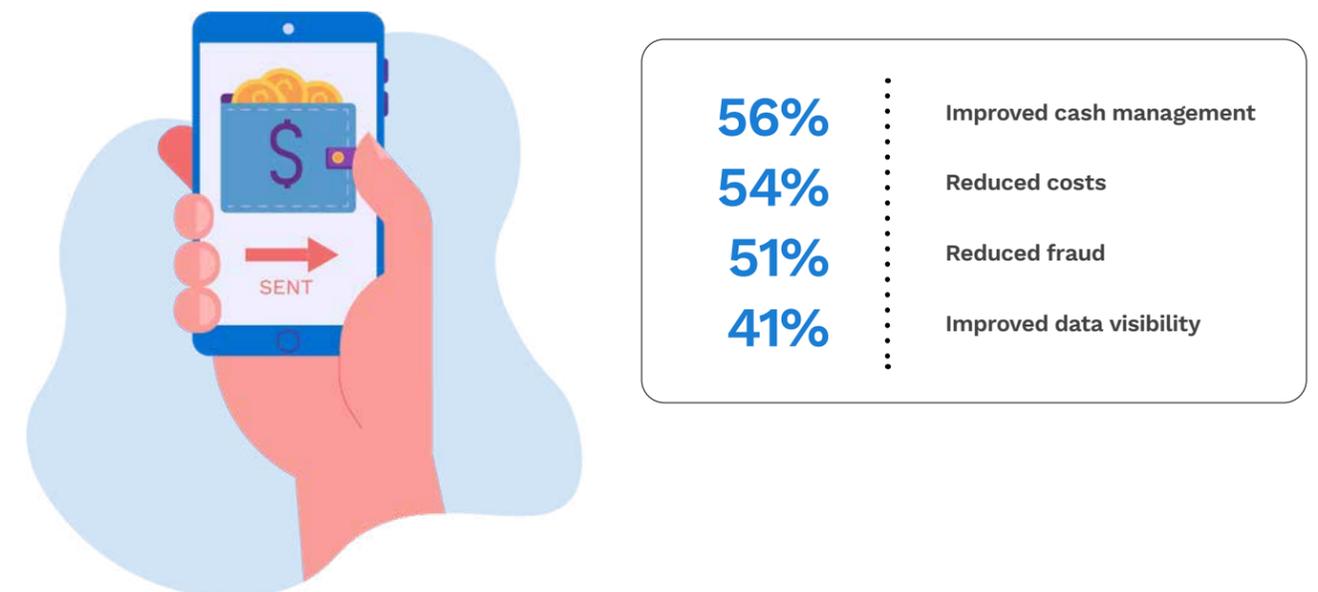
Share of FIs that say their current solutions are effective in addressing B2B payments frictions:



Businesses expect many benefits from cross-border payments innovation.

If FIs were to provide more innovation on the cross-border front, businesses expect that this would result in a variety of benefits, highlighting the opportunities that would come with FIs expanding their cross-border offerings.

Share of surveyed U.S. businesses planning cross-border payments innovations that expect them to yield select benefits:



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