

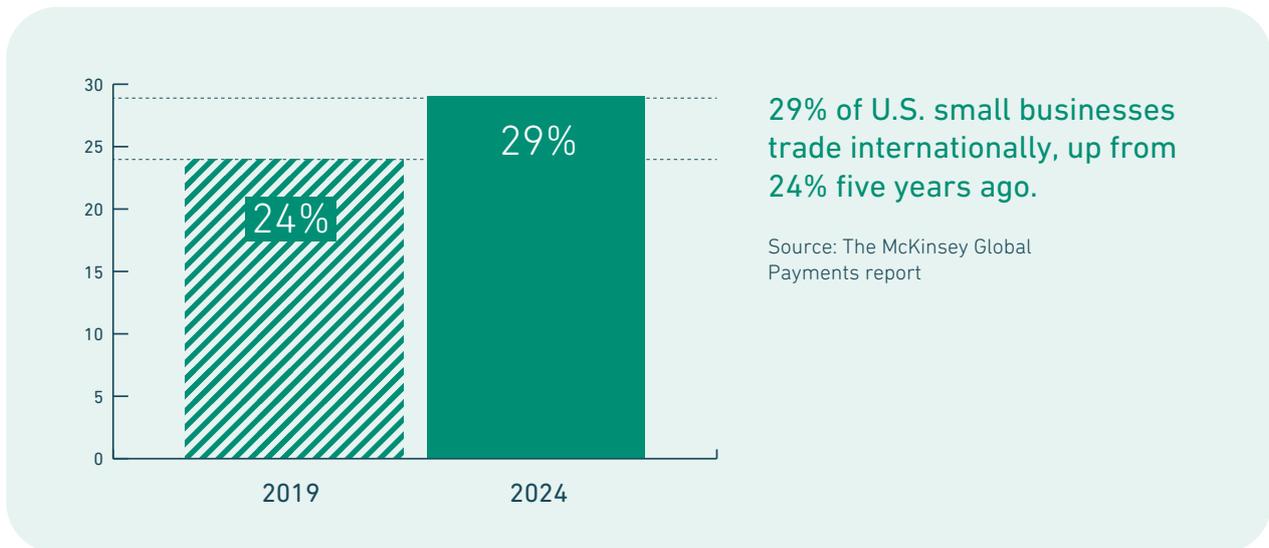


# CROSS-BORDER PAYMENTS FOR SMALL BUSINESSES

**As small businesses get international, better cross-border payments are more valuable than ever.**

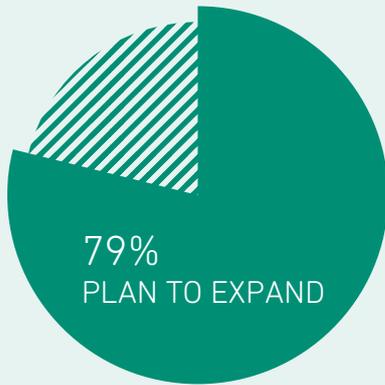
We are in an age of growing ambition for small businesses. Even some of the most focused companies are finding ways to reach new markets. A large part of that growth is coming from moving abroad. Whereas a business catchment area previously might have been a neighbourhood or a single city, now they are looking further afield.

## GROWTH IN INTERNATIONAL TRADE FOR US SMALL BUSINESSES





## THE MARKET LANDSCAPE



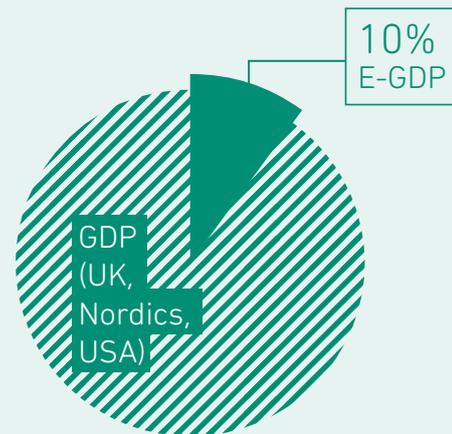
### Future expansion plans for small businesses.

When asked about their future plans, 79% of small business respondents said they plan to expand into new geographies shortly.

Source: Visa's Global Back to Business Study

### Growing digitisation is helping surcharge the growth of e-commerce.

E-commerce is growing at a double-digit rate year-over-year in many developed markets in Europe and North America. In the UK, Nordics, and the US, the digital economy (also known as the E-GDP) now accounts for nearly 10% of GDP.

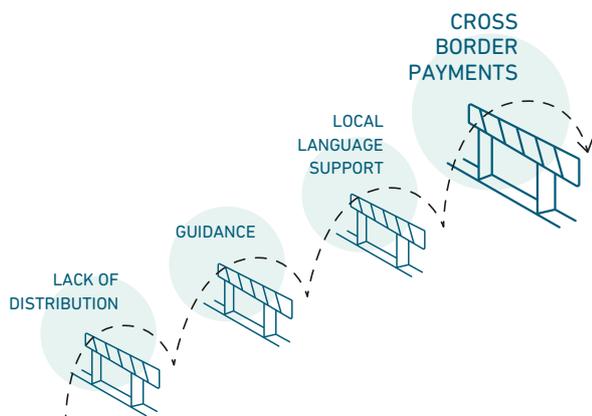


ALL GOODS ON AMAZON

58%  
THIRD  
PARTY  
SELLERS

### Businesses use platforms such as Amazon and Shopify to handle logistics that arise across borders.

In 2023, third-party sellers' revenue on Amazon grew by 18.1%, reaching \$32.3 billion, which means that on Amazon alone, customers can be reached in more than 180 countries.



## THE SHIFT INTERNATIONALLY ISN'T SEAMLESS

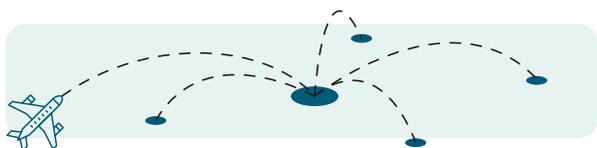
Some hurdles will appear for entrepreneurs heading abroad. They may lack distribution, guidance or local language support. One of the most vexing problems has been cross-border payments.

Small businesses often struggle with sending and receiving payments internationally due to complexities and high fees associated with foreign exchange and cross-border transactions. The process of cross-border payments can be slow, causing delays for businesses trying to operate in different countries. Despite recent advances, 11% of payments through the SWIFT system take more than an hour. Businesses face high transaction fees when transferring funds, as it can be difficult to compare rates, cutting into profit margins. There are also growing concerns about fraud and security, as small businesses may not be as familiar with the business landscape and counterparties.

All of this creates a paradox – businesses want and need to go international, but significant barriers prevent them from maximizing their potential. Unfortunately, measured, incremental changes in the overall payment infrastructure won't cut it.

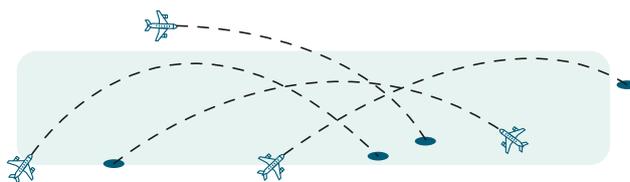
## WE NEED TO REWIRE THE SYSTEM END TO END, TOP TO BOTTOM

Consider an analogy from aviation.



Traditional legacy carriers like Singapore Airlines or British Airlines have built route models centred around a "hub-and-spoke" approach. This means passengers fly from a number of destinations to either Singapore and London and then on to their final destination. While this is convenient for the operator, it means long layovers and circuitous journeys for passengers.

This needs to happen with cross-border payments as well. Legacy infrastructure is centred around a few countries and currencies. Now, for a few country pairs, this is fine. Sending money between France and the United Kingdom is usually simple. But with access to hundreds of countries, increasingly businesses are working with customers where transfers have to go through multiple banks, each with its own anti-money laundering measures and Know Your Customer checks. For businesses, this means higher costs (they have to pass on to consumers, making their offering less competitive) and unnecessary delays.



Over the past couple of decades, challenger brands such as Ryanair and Wizz Air have taken a different approach, building a dense network of direct flights between even second and third-tier European journeys.

The result is lower costs and the ability for passengers to have a shorter, better experience.



To serve this growing audience, we need the banking system as a whole, to be rethought. This means creating a 'coalition of the willing' ready for systematic reform.

Challenger and legacy banks, fintechs, technology companies, and risk and compliance specialists all have a role to play in creating this new future.

## WE SEE SEVEN PRINCIPLES BEHIND THIS NEW, IMPROVED WORLD OF CROSS-BORDER PAYMENTS:

