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GUIDEBOOK

7 Important B2B Payment Considerations for Global Expansion Strategy

Setting Your Retail Business Up for Successful Global Expansion

While the worldwide retail scene has shifted in the past few years, many paths exist to expand B2B retail business. We've seen explosive growth in online sales, presenting an opportunity for retailers. Online sales are foundational but have you considered how you'll reach new buyer types in new places while offering programs (like net payment terms with high-touch support to multiple payments options) to help them buy more?

According to Deloitte's Global Powers of Retailing 2022 report, in 2020, the 250 largest global retail companies' total revenue reached a remarkable $5.1 trillion — a 5.2% increase from the prior year. Also, from 2020 to 2025, digital sales are projected to constitute half the total value growth for the global retail sector, amounting to $1.4 trillion. With such promising possibilities, diversifying revenue streams and catering to a broader audience has emerged as the driving force for international expansion in the retail sector.

When you head into this maze, you need an experienced guide to keep from getting lost and, someone who knows which paths to avoid. Around every corner lurks a new challenge. It can be enough to make some enterprises steer clear. But then, how do you grow and expand?

While entering a new market is anything but simple, let us show you how to go about it strategically. We've seen businesses make the mistake of approaching it with a siloed perspective. Finding success in a new market requires multiple departments to work together — finance, customer support, sales, credit management and fraud, to provide their departmental points of view. This guide presents the necessary factors to support a global expansion strategy and how TreviPay, a B2B payment technology leader, can simplify and streamline payment and invoicing processes for your retail business.

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Understanding the International Retail Expansion Landscape

It's essential to have the right partner to automate payments processes. This is especially true when embarking on international expansion. According to "Critical Capabilities for Integrated Invoice-to-Cash Applications" from Gartner, global and complex companies "prioritize capabilities that provide a global view of their AR by customer and have enough transaction data to fully exploit advanced analytics capabilities within their collections, cash applications, and deductions and disputes processes." Fast-growing companies "prioritize capabilities that will drive automation in their collection workflow and cash applications process."

For complex companies to tap into potential growth avenues in new countries and regions, you'll need a partner to demystify diverse commerce norms, cultural specifics, languages, local regulatory frameworks, advanced analytics, cash applications, collections and disputes. And for fast-growing companies, you'll also need support for process automation.

The first step to successfully navigating these complexities involves a detailed regional analysis. For instance, expanding into markets like Mexico, where businesses primarily serve local customers, will vastly differ from embarking or expanding in Europe, including the non-Eurozone countries, where cross-border sales across currencies could occur. Europe and several other countries are mandating eInvoicing (electronic invoicing), but the rules and norms differ by country. And then we have Australia, known for having the strictest AML (Anti-Money Laundering) rules.

If your company has a set of distribution channels — brick and mortar, eCommerce, phone sales, etc., you might not set up the same ones in every country you expand into. To simplify the process, you may even consider organizing your expansion through a marketplace. In the marketplace model, companies can have another entity act as the merchant of record (MOR). The MOR manages refunds, chargebacks and tax payments and ensures PCI (Payment Card Industry) compliance. Keep in mind that not all jurisdictions allow third-party merchants of record.

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1 Managing International Payments

Dealing with transactions across multiple geographies and currencies outside your company's home country poses unique challenges that can be both expensive and time-consuming. Most often, expenses tied to new markets wind up underestimated because they aren't prepared with a depth of country-specific knowledge. Unless you are conducting cross-border business between Eurozone countries, you will need to establish a bank account in the new country which often requires a local business entity and, sometimes, local employees. This adds substantial time and investment to set up in addition to ongoing reporting and management.

When you receive payment in a foreign currency, there may be a lag between invoice and collection dates that might present exchange rate fluctuations, resulting in unpredictable profit margins.

Experts predict the B2B segment will continue to dominate the cross-border payments market globally, as transaction volumes are expected to increase substantially. A good partner will help navigate the differences as most merchants aren't able to establish bank accounts in every currency their customers want to transact in.

For example, some Canadian-based businesses prefer to pay invoices in CAD when purchasing from a company based in the United States. Retail outlets enable foreign exchange so purchases can be made in CAD instead of forcing the corporate buyer to make a cross-border payment in a foreign currency.

A 2020 survey found that nearly 60% of B2B buyers conduct at least 25% of their business through online B2B cross-border marketplaces. More businesses are bypassing intermediaries and buying online directly from distributors, manufacturers and suppliers. This makes it seamless, speedy and cost-effective as long as the sales invoices can be verified.

Invoicing in multiple currencies can invite additional operational modifications and contractual complexities. All these complications may drive businesses to hire other staff, increasing staffing costs — usually in the form of boots-on-the-ground employees in the target country.

Opening a bank account can be one of the biggest challenges of breaking into a new country. In some cases, it can take up to 18 months. Keep this in mind for realistic planning.

TreviPay operates in 32 countries and 20 currencies and facilitates transactions when the seller invoices, and they can then pay in a currency different than the one disbursed to the merchant. This enhanced trade credit capability bolsters buyer loyalty, which begins at the payment. Businesses we work with see a 10% boost in cross-border transaction volume.

2 Compliance

Compliance with regional regulations represents another hurdle for international expansion since requirements differ by country and industry.

According to the Tax Complexity Index, the overall level of complexity significantly rose between 2018 and 2020. Negotiating in certain countries, such as Argentina, Brazil, India, Italy and Mexico, is particularly complicated.

And in 2021, the World Bank announced a new database containing the laws, regulations and guidelines of 200 different countries. It's essential to stay current with these standards and frameworks as they continue to develop, particularly in areas such as interoperability, to ensure streamlined payments and minimal risk of being out of compliance.

In many countries, businesses must adopt eInvoicing standards set forth by their local government to help reduce fraud, tax evasion and other legal issues. So, in keeping up with each country's timeline of adoption of PEPPOL in Europe (Pan-European Public Procurement On-Line) or CFD in Mexico or any other requirements, understanding which buyers or sellers it applies to and complying with the electronic standard requires constant attention due to regulatory changes.

3 Regulatory and Legal Landscapes

Setting up companies and bank accounts in multiple countries often has unexpected drawbacks since every country introduces a distinct set of legal and regulatory criteria. These often necessitate installing a local business entity and employing local employees — which isn't always feasible or desired based on the type of business being conducted. And even if you go this route, you can't just set it up once and forget it. It can be time-consuming since it requires ongoing management and reporting.

Beyond the time involved, it can be costly, too. The global amount of money laundered annually is estimated to be between 2% and 5% of the world's GDP ($800 billion to $2 trillion).

You want to follow these regulations to avoid significant penalties and severe consequences. The AMLA can levy fines of up to €10 million or 10% of annual turnover. The penalty amount depends on the severity of the violation and can be imposed daily if the issue isn't addressed.

As part of the Digital Age (ViDA) reform, by January 2028, eInvoicing will become mandatory for European countries

The financial implications of meeting these constantly changing standards can overwhelm a business. TreviPay eases this burden by expertly navigating the complexities of AML and KYC compliance.

Countries have varying AML and KYC (Know Your Customer) lending requirements. Companies are responsible for choosing the right data sources for AML. Onboarding may require sellers to contract with one or more local data providers, resulting in a new IT integration or manual process. KYC and data providers can be expensive if volume is expected be low at the onset. In this case, ROI may not be feasible to do business in that market due to the cost of being able to do business in that area.

A commitment to continually monitoring regulatory guidance in each country is necessary to underwrite accurately, as they may change frequently. Different rules and regulations exist in different territories when it comes to credit denial, and sellers must adhere to them. Additionally, standard consumer protection laws apply to trade credit like they do to consumer purchases.

According to TreviPay research, 51% of U.S. and 69% of UK business buyers prefer to buy online.

4 Language and Cultural Support

Culture and language play a key role in effective international expansion. Since every region has distinctive cultural nuances and lingo, it can significantly affect business operations, especially in customer interactions and invoicing support. Adapting to these diversities can be daunting.

ERPs and A/R platforms still require customization to provide invoices for specific countries — translated into the local language and with fields customized to this country's requirements.

Spoken and written language is only a small part of communication. Understanding cultural nuances and norms from country to country helps set your business relationships off on the right foot by building trust and goodwill. This means more than simply translating the language. Culture isn't a direct translation, so we must consider the nuances. Communicating effectively with your international clientele will build rapport and foster a loyalty-building customer experience.

Time to resolution in support cases is faster when not only speaking our customers' language — but also with writing and providing invoicing support with regional and cultural considerations. This in turn builds trust and boosts rapport. We know when customers need support, the time to resolution is critical in keeping customers happy.

5 Payment Culture and Norms

With payment methods, different industries and countries will prefer paying how they're most familiar — whether credit card, trade credit, digital wallets, ACH/EFT, checks, purchasing cards or direct debit.

When most retailers expand internationally, they turn to credit cards for convenience, but they won't always work long-term. Credit cards make sense for small, non-recurring purchases — they're easy to implement and use, so it can be an optimal solution. Once a business buyer needs to purchase repeatedly and the investment grows beyond a card's spending limits, the trade credit option becomes more suitable, especially with an additional complexity added by needing a PO number, SKU data and other additional information in the invoice for proper reporting. Forrester research shows that most business buyers prefer vendors offering flexible 30-, 60-, or 90-day payment terms at checkout. These adaptable terms boost smoother transactions and cash flow, leading to increased customer satisfaction.

According to TreviPay research, 72% of B2B buyers in the UK use trade credit. Direct debit is often used in conjunction with trade credit to build trust between the buyer and seller — which should be set up correctly from the start. This means that before a customer's bank account can be debited for a purchase, they must have a valid bank mandate form registered with their bank. If the mandate isn't registered correctly, funds can't be debited. Although similar, there are different forms and requirements for EUR payments in the EU and GBP payments in the UK.

Customers want to pay on their preferred terms, but you need cash flow for growth. With such opportunities for growth in new markets, cash flow is vital, with 68% of business buyers saying that net terms are essential when purchasing, so most companies need a partner for financing.

Collection rates can also vary by region, and customers often key in on local dialects and phone numbers as people want to conduct business with local entities. However, the availability of identity and credit history tools differs by country, resulting in higher fraud and credit non-payment risks in certain regions. It's important to remember these distinctions when dealing with late payments in different parts of the world.

According to TreviPay research, 80% of survey respondents deemed the ability to pay using their preferred payment method while choosing their supplier is important.

In many countries, SEPA (Single Euro Payment Area) mandates are required, which TreviPay supports.

TreviPay can provide alternative payment methods for business buyers to use alongside credit cards. By offering a trade finance option at checkout, buyers can pay on their terms while ensuring the seller is paid timely every time — effectively removing the headache of collections and follow-up.

Late payments can also be tricky when [dealing with different countries and cultures.] Overall, 60% of invoices are paid late — a fifth of those are more than two weeks late.

Then we have companies in China paying in 94 days on average — the slowest country to pay. A little speedier are South Africa, Mexico and Australia paying on average 26 days late, and the U.S. paying seven days late. On the quick payment side, we have Japan, looking after invoices on average six days early.

You can reduce the risk of lagging payments but also lessen the cash flow risk for non-payment by automating your accounts receivables, making payments easy for buyers and keeping communication lines open.

TreviPay protects your business by providing all KYC, KYB and AML validations for all your business buyers and eliminates the risk of bad debt to the seller since we take it on.

6 Mitigating Risk and Driving Business Growth

Entering a new international market can be risky business. Fraud risk and evolving fraudster tactics continuously pressure merchants to adopt new and improved fraud management technologies to stop bad transactions while enabling an effortless experience for good ones.

As merchants expand their commerce endeavors, they're often forced to use multiple data sources, resulting in complexity and cost inefficiency. Needing access to all these sources will raise costs and require more time. If not implemented properly, it will result in higher fraud and non-payment risks too.

You'll want a partner with experience with this in the country where you're expanding to avoid running into dead ends. On the other end are rising stars — which can be challenging to identify. These companies don't yet have a strong credit history but are developing quickly and will be profitable in the near-term. Some businesses are too quick to reject these companies if they use a standard approach to underwriting. Turning away companies gaining momentum can lead to customer dissatisfaction and loss of future income. A blended credit model can solve this. A blended model uses both the business and consumer credit information for underwriting. It can be more accurate and give a buyer better chances to obtain credit.

Also, keep in mind that your known buyers need to pass through barriers easily and will require a different approach than newcomers to increase their loyalty.

7 Strengthening Customer Loyalty

Legal and regulatory details can weigh you down when it comes to building a sustainable international expansion, but in the end, your customers keep your business in business. At the heart of a thriving global expansion strategy is the power to build and maintain long-term customer relationships. And while loyalty is often the last thing companies focus on when expanding, it's one of the most important, as it's critical to building long-term success.

Reducing supplier barriers is essential for building loyalty. What could loyalty mean for your business? Loyalty can increase average order volume (AOV) and improve lifetime value (LTV). Once customers are seamlessly onboarded and satisfied with your service, they become committed to you as a vendor. Typical frustrations for B2B buyers include inefficiencies, lack of support and lengthy onboarding. Inflict enough pain and they'll change suppliers or opt out of purchasing. Buyers want suppliers to prioritize innovation in the pricing and the payment experience.

You have various levers to ensure customer loyalty — a seamless onboarding experience, fast and efficient customer support, supporting payment methods, a smooth purchase experience, and, of course, effective communication, including cases of disputes or issues that may arise throughout the entire customer journey.

Many companies overlook the importance of branding and go-to-market processes. We see sales and marketing playbooks that are poorly executed. Localization is often non-existent and simply a carbon copy of the practices they used in their home country. This poor execution can damage more than the brand image, it can be detrimental to sales.

The payment should support every aspect of brand familiarity, which strengthens loyalty. You can achieve this by branding the payment experience to reinforce your brand equity. When a dedicated line of credit, PO numbers, net terms, purchase, invoicing and support options look and feel like your brand, you continually build trust and foster devoted customers.

What about when a customer needs to increase their purchase account limit? In most situations, this requires multiple phone calls and a lot of waiting. The right partner can efficiently facilitate an increase in a purchase account limit in an average of only 24 hours (sometimes in seconds) without anyone needing to pick up the phone. This is one small example of a customer-focused gesture that keeps top customers coming back.

Loyalty pays: With TreviPay's seamless payment process, businesses see an average annual network spend retention **increase of customer loyalty and cart volumes of 130%.**

TreviPay provides a robust customer management experience. With expertise in multiple countries, we enable businesses to manage customer relationships effectively, offer fast support and tailor their services to meet customer needs.

TreviPay provides a seamless digitized white-label onboarding process and customer support.

Ready To Make Your Mark in the Global Arena?

Now that you know these important B2B global expansion considerations, a partner can help you decide if and when expanding is right for your business.

Get in touch with us — we're happy to help you decide when to expand and support you in your next steps.

About TreviPay

At TreviPay, we believe loyalty begins at the payment. Thousands of sellers use our global B2B payments and invoicing network to provide choice and convenience to buyers, open new markets and automate accounts receivables. With integrations to top eCommerce and ERP solutions and flexible trade credit options, TreviPay brings 40 years of experience serving leaders in manufacturing, retail and transportation.

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