

WORLDFIRST

A Business Owner's Guide to

# Saving Money on International Payments



## THE WHY

Making it easier to do business with the world

## THE WHAT

How currency markets impact your international payments

## THE HOW

Your 60-second guide to making more money on international business

## CASE STUDIES

## CHECKLIST

## FAQs

## GLOSSARY

---

# CONTENTS



# THE WHY

## Making it easier to do business with the world

The digital connectivity we all have today means it's easier than ever to run a global business. From creatives selling homemade goods on Etsy, businesses selling through Amazon Marketplace to freelancers working with companies overseas to manufacturers importing and exporting high volumes of goods, our market of potential suppliers and customers is confined only by our imagination.

For small and medium sized businesses, working with suppliers, staff or customers overseas, however, means you need to do a fair amount of homework. As well as understanding local idiosyncrasies and customs, you need to get yourself well acquainted with local demand, delivery and trends.

And then there's the money side of things. In business, every dollar matters and, if you're working domestically, it's simple. The business that's selling the goods has a price, the person buying pays that price. Easy.

When operating globally, it's much, much more difficult. For starters, you've got currency fluctuations to consider. One month you might sell something for \$100, the next you receive \$90 for the very same thing. It all depends on the value of the currency that day, and a percentage point here or there quickly adds up.

And then there are the bank fees for making an international transaction to consider – banks generally charge significant fees for sending and receiving overseas currency, and rarely offer market-leading exchange rates either.

All up, foreign exchange rates and bank transaction fees can add a huge variable and a hefty expense to the cost of doing business – and significantly impact your bottom line.

If you're a small business using a regular bank to trade globally, it's likely you're leaving a lot of dollars on the table for the bank to scoop up. It's far better being in your bank account, surely?

This eBook will give you the information you need to know to save money on international payments, right now.

### We will cover

- Why you should care about currency markets
- How Aussie small businesses save money on importing and exporting, featuring real case studies
- What tools can help you to do it yourself



# THE WHAT

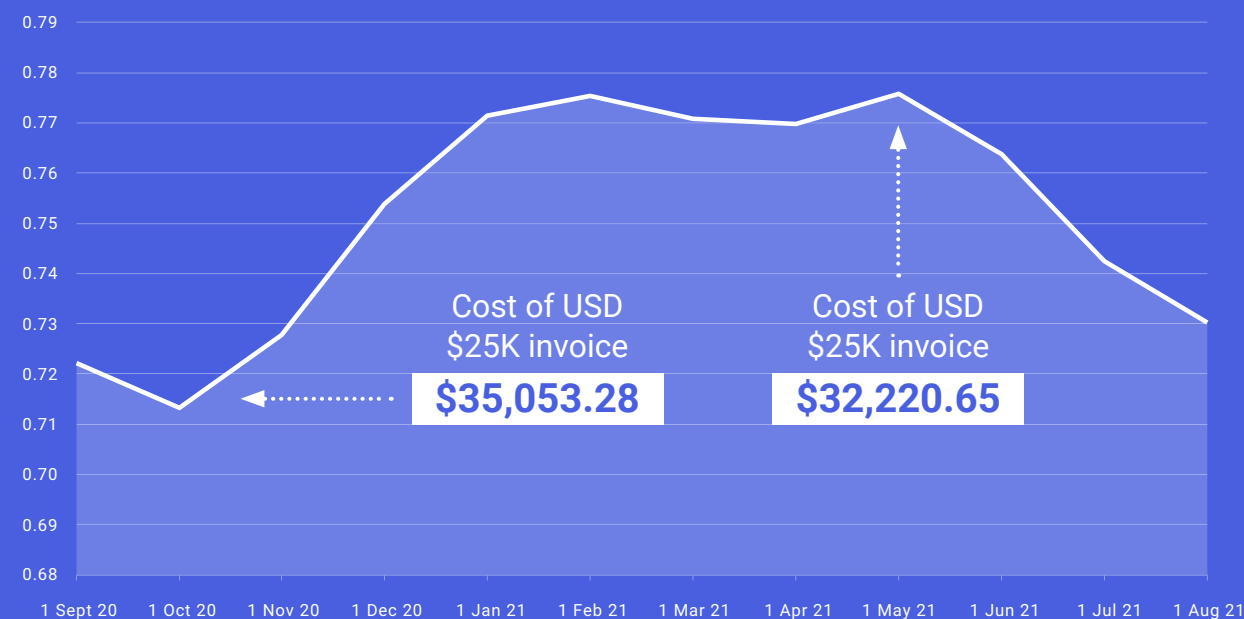
## How currency markets impact your international payments

You may be asking yourself, 'why should I care about international payments?'. You may be thinking, 'I'm just a small business, surely it doesn't matter that much?'

The simple answer is this: get it wrong, and it costs you an awful lot of money. If you just take the exchange rate your bank is offering at the time you need to make a transaction – and pay a transaction fee on top of it – you may find yourself paying your bank a lot of money that by rights is yours.

Banks thrive off being the 'default' because you know them. They focus on a range of other products like business banking, loans and credit cards. But for international money transfers, they're charging an unnecessary truckload. You'll get charged a fee from your local bank, then the international bank, and on top of that, you'll be given a terrible exchange rate. There's got to be alternatives, right?

**AUD / USD Volatility - 12 Months**



# Why currency markets fluctuate

---

*First and foremost, it's good to get an understanding of why currency valuations shift.*

## **Economic data releases**

There are a range of data releases which indicate the health of an economy such as retail sales figures, non-farm payrolls, GDP and labour market data. Currencies will strengthen or weaken based on how far they beat or miss forecasts by.

## **Iron Ore**

Iron ore is Australia's biggest commodity, and the price of iron ore impacts demand for the Aussie dollar. If iron ore demand is high, the Aussie dollar strengthens. If iron ore demand is lower, the dollar follows suit. China is our biggest customer, so a strong economy means more demand for iron ore.

## **RBA**

Interest rates are an indicator of the health of the economy. If the RBA puts interest rates up, then the Aussie dollar is positive. If the RBA decreases interest rates, the Aussie dollar weakens.

## **Market sentiment**

The Aussie dollar is a risk-based currency, meaning it's heavily dependent on global growth and commodity prices. Therefore, uncertainties in the market have the potential to impact its value. If the market is positive (i.e no looming US elections, certainty in the market) the Aussie dollar is strong. If market sentiment is negative (i.e. global uncertainty) the Aussie dollar can weaken.



# Traditional bank transfers in a nutshell

Many small business owners use their banks to make and receive international payments – and it's easy to understand why. Dealing with the bank is a known process and keeps transactions in line with domestic activity.

But, here's the thing: using your bank to process international transactions could be costing you a serious amount of money. Why?



## Exchange rates

The exchange rate that a bank will offer you is generally a lot lower than you can get through an FX specialist. That's because they build in their margin to the exchange rate. The margin a bank charges can be up to five percent. Comparatively, international payments business WorldFirst has a maximum margin of 0.60 percent.



## Speed

A bank-to-bank international transaction can take days, rather than hours.



## Fees

Banks generally charge a transaction fee for international transfers – combined with a lower exchange rate you're getting hit with a double whammy. WorldFirst transactions of AUD \$10,000 or more are fee-free.





*“Achieving better exchange rates made my European supplier payments cheaper when purchasing important equipment while launching Eggzi. Cost savings on international payments meant I could spend more money on marketing my business.”*

**Mark Beattie, Founder, Eggzi**

*“We’re saving a lot of money dealing with WorldFirst vs going through the banks. The service has been great and the process is simple. I’ve got a better relationship with this business than I do with our business banks.”*

**Lee Michaels, Sales & Marketing Director, Habitat Digital**



# THE HOW

## Your 60-second guide to making money on international business

Here are 5 things small and medium-sized businesses should consider when making international payments:

### 1. Cost

How much is it going to cost to simply do business overseas?

**Importing:** Save on international supplier payments.

**Exporting:** Bring home more overseas revenue.

### 2. Speed

Will the money arrive at its destination quickly, or will it disappear into a 'banking black hole' for a few days?

**Importing:** Make payments on time to ensure goods are released and/or relationships are maintained.

**Exporting:** Receive money as quickly as possible to help cash flow.

### 3. Security

Is the transaction secure? Will it definitely get to where it's supposed to?

### 4. Volatility

How much money will I lose – or pay – if there's volatility in my currency pair?

**Importing:** Protect business profit when local currency weakens.

**Exporting:** Protect business profit when local currency strengthens.

### 5. Ease

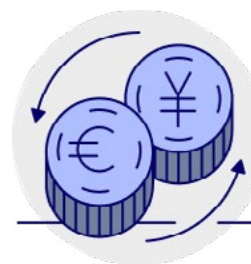
Save time managing foreign exchange transfers – focus on running your business! Look for a great online platform backed with local account support.



**Fee**  
Fixed \$  
amount



**Margin**  
The % between a  
provider's buy rate  
& your customer  
exchange rate



**Total Cost**  
of FX payment





## Hitting you in the pocket: why getting a good rate is so important

**Importing:** An Australian manufacturer is paying a US supplier an invoice for USD \$25,000.

Value of transaction: USD \$25,000	Typical bank	WorldFirst
<b>Exchange rate offered (including margin)</b>	0.7058	0.7320
<b>Other fees</b>	AUD \$10	N/A
<b>Time for payment to be received</b>	Can take a number of days	Hours
<b>Total to pay</b>	AU\$35,431	AU\$34,153
<b>Potential saving</b>		<b>AU\$1278</b>

Interbank rate: 0.7363. Sample rates taken on: 12 August 2021

**Exporting:** An Australian business is selling in the US and wants to transfer sales of USD \$10,000 back home.

Value of transaction: USD \$10,000	Typical bank	WorldFirst
<b>Exchange rate offered (including margin)</b>	0.765	0.7411
<b>Other fees</b>	AUD \$12	N/A
<b>Time for payment to be received</b>	Can take a number of days	Hours
<b>Total received</b>	AU\$13,058	AU\$13,493
<b>Potential extra revenue</b>		<b>AU\$435</b>

Sample rates taken on: 12 August 2021

*Note: The interbank rate is the rate banks trade at with each other, usually in the hundreds of millions. This is the rate you will see on Google or the news, but is not the rate a businesses will typically achieve when making an international payment.*



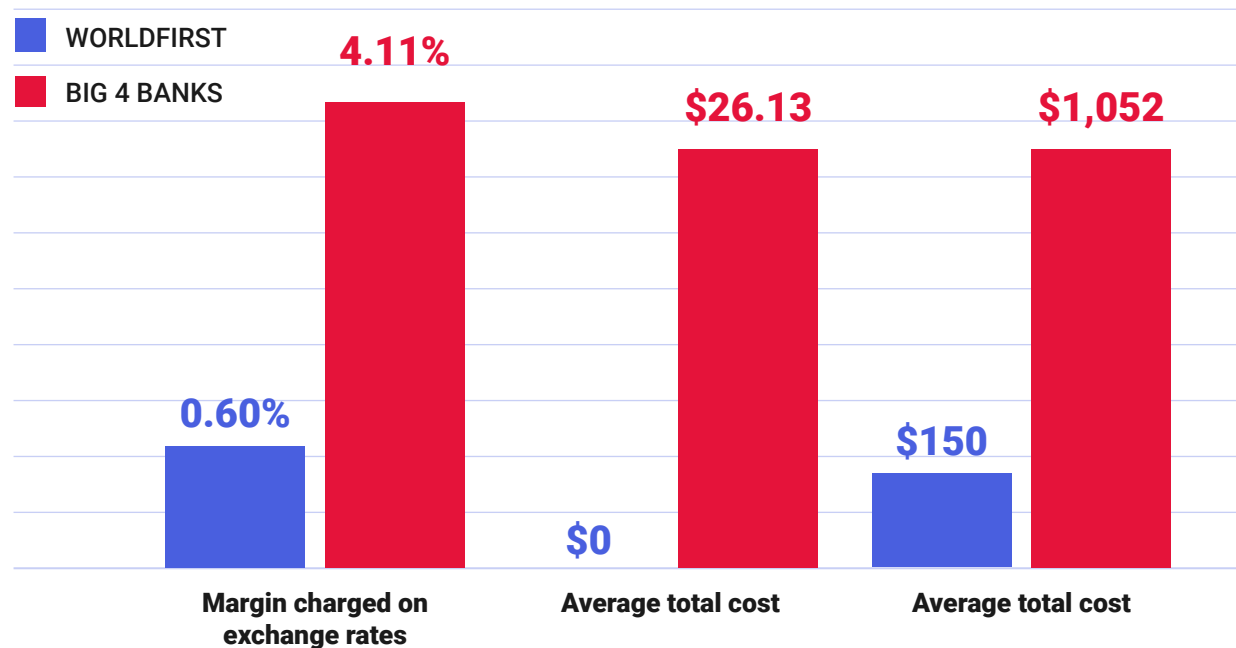
### Inside knowledge: How banks make money from foreign exchange transactions

Banks typically build in a margin to the exchange rate they offer – a small ‘transaction fee’ is usually charged too, however, their real profit lies in their margin. It’s not transparent, so it’s easy to assume you’re getting a good deal, however, the margin they are building into the exchange rate (sometimes up to five percent) can significantly increase the amount of money you spend if you’re sending money overseas – or reduce the money you receive if you’re being paid.



## Average cost of transferring \$25K AUD/USD in August 2021

*The comparison savings are based on single transfer of AUD\$25,000 to USD. Savings are calculated by comparing the exchange rate including margins and fees provided by each bank (ANZ, CBA, WPC and NAB) and WorldFirst on the same day 25/08/2021. FXC Intelligence Ltd, an independent third party provides the pricing date. The comparison savings provided is true only for the example given and may not include all fees and charges. Different currency exchange amounts, currency types, dates, times and other individual factors will result in different comparisons savings. These result therefore may not be indicative of actual savings and should be used only as a guide. WorldFirst does not guarantee its accuracy and it may be incomplete or condensed.*



### Hot tip: Set up accounts for collecting or making payments

WorldFirst's International Collections Account enables local merchants to do global business like a local by giving them access to currency accounts to collect overseas sales in local currency. This is an alternative to accessing a bank in the location you're selling, and can save you a lot of money in the long run. If you're the one making the payments, then you can do this through WorldFirst's International Payments Account, which offers the benefit of bank-beating exchange rates.



# CASE STUDY

## Exchange rates key for Budgy Smuggler's Euro expansion

When Budgy Smuggler decided to expand its swimwear business overseas, it looked at where its international custom was coming from and headed to Europe, setting up stores in England and France.

In doing so, the business needed to make payments overseas and send money back to Australia, too – and chose to partner with WorldFirst for its currency transfers.

“The reason we chose WorldFirst was rate sensitivity, to begin with, and there’s light and day between them and the banks,” says Adam Linforth, owner and chief smuggler at Budgy Smuggler.

“If we need someone to call we can pick up the phone, and they’ve always been very responsive. Some of the different countries can be a little bit complex and the team’s always been there when we’ve called on them.”



# CASE STUDY

## Caden Carbon Wheels on the road to global success

Sydney-based business Caden Carbon Wheels sells 'the lightest, most durable wheels for bikes on the planet'. When the time to expand into regions outside of Australia came he wanted to sell via online retail channels to provide the best value for his clients.

While custom took off in France, Spain, the UK and the US, owner Ben Cawood's plans were hindered by the cost of doing business.

"Foreign payments were a big issue for us, and we had a huge amount of fees and costs associated with that, which were really inhibiting our growth," says Ben.

"Now I have 12 accounts internationally – my clients can pay into their local account and there are no fees for them, and WorldFirst sends me the money from that account at only half a percent.

"For me, it's been a game-changer internationally."

As a result, Ben has been able to avoid price rises to absorb the money banks had been charging him, money is getting back to Australia more quickly, and Caden Carbon Wheels is firmly riding the road to global success.



# CHECKLIST

*Eight questions to ask your foreign exchange provider.*

---

- What is my fixed fee for international payments?**
  - What is my margin, and does it change per transaction?**
  - How long have you been in business and how are you regulated? (If switching from a bank)**
  - How fast will my payments be?**
  - Do you have products to manage volatility?**
  - Do I get allocated a dedicated account manager?**
  - Is your online platform easy to use?**
  - What products do you have to support business selling in overseas markets?**
- 





# FAQs

*Some of the most commonly asked questions from WorldFirst clients.*

## **How secure is your platform?**

Ensuring the safety and security of your money is central to our business. We comply fully with all relevant regulations and ensure your funds are appropriately segregated from business funds in line with requirements. We are required to hold sufficient capital to protect our business and further safeguard our customers.

## **Why do you charge a margin?**

A margin is how foreign exchange businesses make money – without a margin there'd be no FX businesses.

## **What should I look for in a new foreign market?**

From an FX perspective, you need to understand how accessible the local currency is – for example, currencies in countries such as Malaysia and the Philippines are heavily regulated and it's difficult to set up online to take local currency.

## **How are your exchange rates better than a bank's?**

We offer lower fees and a better exchange rate making your international money transfers cheaper. Savings are usually from 0.25 percent up to four percent of the amount being

transferred. We try to cover correspondent and receiving charges where we can (i.e. the charges from the banks who handle the transfer along the way).

## **Why should I bother using a dedicated FX company rather than my bank – it's just a lot of hassle, isn't it?**

Quite simply, it can save you an awful lot of money – independent pricing data shows WorldFirst is up to seven times cheaper than the banks. In terms of hassle – opening an account is quick and easy, it's free and there are no ongoing subscription costs.

## **What can I do if a currency is rising?**

If a currency is rising you can book spot deals to take advantage right now, and also use market orders to lock you in at a certain point so you can benefit from a higher rate in the future.

## **What can I do if a currency is dropping?**

If a currency is dropping you can book a forward contract at the current rate, securing that for up to two years.

## **Can I set an exchange rate for the future?**

You can lock in a rate for up to two years in the future – this is a forward contract, and you'll need to pay an initial deposit and the balance will be due at the end of your contract.

## **There seem to be a few tools to manage currency but I'm not sure I have the time or experience to use them. What can I do?**

With WorldFirst you get a dedicated account manager who can help you take full advantage of all of the tools we have available to maximise the return you get on FX.



## **FX**

FX stands for foreign exchange – the trading of one currency for another.

## **Margin**

A margin is the percentage difference applied on the internal buy/sell price of your currency. The higher your margin, the worse your exchange rate is. WorldFirst's maximum margin is 0.6 percent.

## **Fees**

Banks usually charge a standard fee for sending money to or receiving from overseas. WorldFirst charges a fee of AUD \$10 for payments between \$2,000 and \$9,999, and AUD \$20 for payments less than \$2,000. Payments of AUD \$10,000 or more are fee-free.

## **Forward contract**

A forward contract enables you to secure an exchange rate over a set period of time on a predetermined volume of currency – for example, you can lock in an exchange rate for up to 24 months, protecting you against any volatility.

## **Spot contract**

A spot contract is the simplest form of international payment, whereby you're offered a rate based on the live market. With a spot contract, you can make a payment very quickly.

## **Firm order**

A firm order is when you specify the rate you want to transact at – when that rate is available, your transaction takes place automatically.

# GLOSSARY



# Cheap, fast and secure international payments for your business



Save with bank-beating exchanges



Manage volatility with forward contracts



Transfer online 24/7 or via your dedicated account managers



Make payments in 68 currencies



Collect overseas sales in local currency accounts in ten currencies, integrated with Xero

**WORLDFIRST**

Disclaimer: The following comments are only our views and should not be construed as advice. You should act using your own information and judgment. Although information has been obtained from and is based upon multiple sources the author believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute the author's own judgment as of the date of the briefing and are subject to change without notice. Unless stated otherwise, any rates given are 'interbank' i.e. for amounts of \$5million or more thus are not indicative of the rate by WorldFirst for smaller amounts. E&OE. Definitions of jargon/market terms can be found in our Glossary of Foreign Exchange Terms at [worldfirst.com.au](http://worldfirst.com.au). World First Pty Ltd, trading under the name WorldFirst, is a subsidiary of the Ant Group and is regulated in Australia by ASIC (AFS License number 331945). ACN 132 368 971. Member of the Australian Financial Complaints Authority, membership number 13405. Registered office 7/33 York Street, Sydney 2000, NSW, Australia.

