WHITE PAPER

6 Essential Considerations for Doing Business Globally

Where do your customers reside? These days, even for small businesses, the answer is “all around the world.” You’re not just selling to Jim in Oregon or Sally in Massachusetts—you’re also selling to Sunita in India, Seo-yoon in South Korea, and Jules in Belgium. Even the smallest startup can instantly become a global company.

The same holds true for the professionals you work with. Need a graphic designer? You’ll find one in Germany. A textile supplier? Look to Vietnam. Help with marketing? Contract an expert in Canada. Your talent pool isn’t limited to where your business resides: you can tap the expertise of anyone, anywhere.

Global markets are a boon for small businesses, but they also present new challenges. The biggest is how to transact.

Transacting in the Global Marketplace

Transactions make the world go round. But when it comes to doing business across borders, in other countries, the exchange of cash for goods and services gets more complex. Currency considerations, tax ramifications, accounting questions, and more all rise to the surface. It can be difficult and intimidating for small businesses to stay on top of them.

Thankfully, software is making it easier (and generally more accessible) to transact in the global marketplace. You might not know the best way to sell to a customer or send money to a contractor in another country, but technology makes it simpler to capitalize on opportunities around the world.

Global Commerce Creates Big-Time Opportunities

There's a world of possibilities out there for small businesses, and you shouldn't fear opening your business across borders. When it comes to doing business globally, there are a few simple considerations to keep in mind—considerations you can rely on the right software stack to take care of for you.

Let's look at six of the most important factors small businesses need to plan for as they expand their transactions across borders and around the world.

CONSIDERATION #1:

Multi-Currency Processing

Far and away the biggest consideration small businesses need to make as they begin transacting abroad is currency. Every region of the world has its own currency, and that currency has relative value to the United States Dollar (USD). Doing business globally means having a system in place to account for currency differences and currency exchange.

Local Currency vs. Landed Currency

Businesses need to think about currency in two ways: local and landed. Local currency is the currency used in a specific region; landed currency is the currency that's available upon transfer. For example, the local currency in Mexico is the Mexican Peso (MXN); however, if you transfer American dollars to someone in Mexico without converting, the landed currency is USD. When dealing with multiple currencies, businesses need to identify local and landed currencies, and any costs required to exchange them.

A Simple Example

Tom agrees to pay a graphic designer in Italy $500 to develop marketing materials for his business. However, the contractor sends an invoice denominated in Euros. Tom needs to determine who's responsible for the cost of currency conversion (and the rate of conversion), to determine how much money he's actually sending to the contractor.

Digital Wallets are Essential

Sending money internationally through traditional institutions means giving up control over many aspects of currency handling, such as how you send currency or the rate of currency conversion. Digital wallets bring this control back to the sender and recipient. A business can send USD to someone in another country, who can hold USD as the landed currency until they choose to exchange it for local currency. This flexibility makes it easy to capitalize on changing exchange rates or to send USD funds in a capacity that's conducive to your schedule or needs.

Daily foreign exchange volumes **average $6.6 trillion**. Currency is the most active financial market in the world as businesses and individuals seek to exchange currency and capitalize on fluctuations across the value of currency pairs.

— Investopedia, 2021

Key Takeaway: BECOME CURRENCY INCLUSIVE

The quickest way to simplify currency considerations? Become currency inclusive! Businesses can use simple tools to manage payments without much knowledge or overhead—but still have control over how and when they send payment. Wires, cards, and wallets allow for flexibility, while allowing the vendor to receive and handle currency how they prefer.

CONSIDERATION #2:

Transparency in Payments

If you've ever sent money overseas, you know how long it can take before sent funds show up in the recipient's bank account. The time between when funds come out of one account and land in another represents a period of uncertainty. Where are those funds? Even wire transfers—which happen in just a day or two—come with a gap in visibility.

Transactional Trust is Crucial

Visibility across every phase of a transaction is crucial when sending money around the world. Both senders and recipients need to know where the money is and when they can expect the transaction to conclude. When both parties are on the same page, relying on the same information, it's easier to establish transactional trust. No more waiting or uncertainty that might put unnecessary strain on the relationship.

A Simple Example

Miranda uses her bank to transfer $1,000 to her supplier in Malaysia. The bank withdraws the money on Day 1, but by Day 5, Miranda's supplier still hasn't received payment. Her shipment is on-hold until funds are received, and Miranda has no idea where they money is or when it will arrive in her supplier's account.

Peer-to-Peer Payments are the Future

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) system is becoming antiquated, largely due to its opaqueness. As small businesses seek to develop transactional trust with their global partners, peer-to-peer payments have emerged as the best way to establish that trust. From suppliers to contractors and even customers, everyone feels better when they know the money is on its way and can see exactly where it is.

Key Takeaway: RELATIONSHIP-BASED PAYMENTS

Small businesses doing business globally need to start thinking about payments from a relationship standpoint, not a strictly transactional one. Don't just exchange money for goods and services; leverage transactions into a business relationship that's rooted in transparency, honesty and reliability. Here again, digital wallets and digital payments are key.

Traditional transfer times are unpredictable. They **range from 1-5 days** and longer, depending entirely on institution, currency, destination and other factors. There is no guarantee on how long it takes funds to land, and due to intermediary banks and generally opaque processing, finding out the status of the transfer is nontrivial.

— nerdwallet, 2019

CONSIDERATION #3:

Payment Reporting Tools

Any time a transaction occurs, there’s a tax implication to think about. Doing business domestically is easy, since most accounting software automates tax-specific considerations. But what happens when you transact abroad? It can quickly become a nightmare for small businesses to account for foreign tax across the scope of their global transactions.

A Tangled Web of Paperwork

Chances are, most small business owners aren’t also accountants or tax professionals. They’re not thinking about the paper trail that accompanies every transaction—instead, they’re focused on keep their business up and running. They rely on tax and accounting software to for bookkeeping, and they need software that’s smart enough to understand the implications of doing business abroad—no matter the nature of the transaction.

A Simple Example

George works with suppliers and contractors in multiple countries, including Vietnam, Ukraine, India, and Pakistan. He pays them all monthly, in differing amounts. When tax time arrives, he’s unsure of how to report these payments or what tax considerations are relevant to him as a small company doing business abroad.

Democratizing the Global Marketplace

Payment reporting tools are making it much easier for companies to transact abroad, without the stress of understanding the tax and accounting standards that follow it. The ability to connect multiple payment methods and processing to accounting software and push transaction data into an intuitive bookkeeping ecosystem makes it easy for small businesses to focus on the transaction: not the implication. Businesses stay tax-compliant as they grow, no matter how many countries they expand to do business in.

Business tax rates around the world vary significantly, and there are as many **as 180 unique jurisdictions.** Thresholds for taxation also differ significantly across countries. Modern digital tools are simplifying compliance, to democratize global markets for even the smallest businesses.

— taxfoundation.org, 2021

Key Takeaway: PRESERVE A (DIGITAL) PAPER TRAIL

While opening up to a global marketplace increases accounting demands, modern software solutions are simplifying the duties of small business owners. Automations, intelligent processing and compliance safeguards have democratized the accounting process. Small business owners just need to make sure they're setting up integrations and automations appropriately, so they can focus on transactions.

CONSIDERATION #4:

Software Stack Integrations

Speaking of integrations, small businesses establishing themselves in the global marketplace need to create synergies across their tech stack. This means ensuring transactional data is available at every level: from ecommerce platforms, to digital wallets, to bookkeeping software, and beyond. No matter where or how they occur, payments deserve consistency across operations.

Small Business Tech Stacks

To do business globally, small companies can rely on a simple-but-mighty tech stack software that makes it possible to do business virtually, with anyone in the world. What's more, these various programs, platforms, services and technologies can coexist and communicate with one another. Without seamless data sharing and the ability to push-pull information between them, businesses can't operate. A synergized tech stack breaks down barriers to make transacting (and accounting) effortlessly efficient—not to mention accurate.

A Simple Example

Rosalba, who lives in Mexico, purchases sewing equipment from Michelle in Nebraska. Michelle invoices Rosalba, who sends the funds from her Mexican bank account through a payments platform like Veem. The currency is converted and dropped into Michelle's designated receiving account in her own payments platform. The transaction is automatically recorded, matched to the invoice, and reconciled via accounting software.

Creating a Standard for Data Visibility

Transactional data is the most important data to share, because it represents operations. Small businesses need to create automations and synergies that span the entire tech stack, to ensure that data is put to work effectively—from facilitating payment, to accounting for it, to executing fulfillment, and beyond. Success in the global marketplace hinges on data visibility—specifically when it comes to transactional data and payments.

Key Takeaway: DE-SILO TRANSACTIONAL DATA

Small businesses need total data visibility from the moment they transact, through funds settlement and fulfillment. To do that requires a de-siloing of data. Integrate the tech stack to create a seamless flow of transactional data, so there's always an audit trail and never any questions. No matter how many countries or the volume of transactions, there will always be an easy-to-follow record of posterity.

By 2026, transactions through digital wallets are **anticipated to reach $80 billion**, with 66% of individuals citing convenience as the number one reason for adopting a peer-to-peer form of funds transfer.

— emizentech.com, 2021

CONSIDERATION #5:

Automation Capabilities

Running a small business by yourself or with a small team is difficult enough without the prospect of managing global operations. As small businesses expand their reach and start to tap into a global talent pool or customer base, they need to work smarter, not harder. That means creating automations that streamline transactions, without compromising their integrity.

Save Time and Reduce Human Error

Automation is key in reducing the administrative burden on small business owners—especially when it comes to accounting at a global level. Trying to process multiple payments, across multiple currencies, to multiple recipients on different schedules is a recipe of confusion, mistakes and stress. Automating payments and transfers creates a system for repeatability that more than saves time: it also reduces the potential for human error.

A Simple Example

Debra's growing business now works with contractors in five countries and suppliers in three countries. She has monthly invoicing agreements in place, and pays everyone on the first Thursday of the month. She creates an automation that processes invoices on the first Tuesday of the month and disperses payments two days later. recorded, matched to the invoice, and reconciled via accounting software.

Enable Consistency Across Payments

Routines are good for everyone. It helps you know what to expect and when to expect it. This is especially true for business payments at the global level. In establishing transactional trust, it helps to have systems specifically designed to process payments and transfers quickly, accurately and routinely. This consistency gives both parties peace of mind and a shared framework of understanding, so that in the event something does go wrong, it can easily be put right.

Key Takeaway: BUILD REPEATABLE FRAMEWORKS

Business transactions happen daily. Creating automated systems for processing these transactions—especially repeatable or recurring transfers and payments—provides peace of mind to both parties. Even simple automations can create certainty, while more complex automations reduce administrative burden and create the efficiency needed to do business with partners around the globe.

According to Goldman Sachs, AP automation can reduce the time it takes to input and verify transactions by as much as 70-80%. Further, this efficiency can create **costs savings of up to 33%** due to the elimination of clerical and administrative labor costs.

— gspublishing.com, 2018

CONSIDERATION #6:

Peer-to-Peer Communication

Business transactions aren't just about money changing hands. They need to be reinforced with communication, and that communication needs to be simple, informative, and transparent. The consumerization of business tools has only emphasized a growing expectation for accessible communications. Unfortunately, traditional transaction mediums cut out communication entirely. As businesses seek to improve how they do business abroad, they're turning to peer-to-peer mediums that cut out the middleman.

Payments Don't Happen in a Vacuum

Traditional payments are focused exclusively on the funds: $100 leaves your bank account and $100 arrives in someone else's account. The problem is, payments need context. What's that money for? Who's it from? When was it sent? The opaqueness of institutional transfers makes it difficult for senders and recipients to contextualize payments. Small businesses doing business worldwide need the ability to communicate with their partners, not just transact.

A Simple Example

Elliot wants to build trust with his supplier in Malaysia. He uses digital payments not only to send funds on-time and in-full, but also to ensure his transactions land before close of business. He also includes payment details and a friendly message, to show that he appreciates working with that supplier.

Communication Needs to Transcend Borders

Communication in the context of payments needs to be robust. There are so many important details that accompany payments, and those details need to transcend different languages, time zones, practices and processes. Businesses can and should rely on systems that enable them to send information alongside payments, and ensure they're sending data in a format that bridges any gaps in communication, understanding and context. This includes embedded payment information, receipts, documentation and more.

According to the U.S. Department of Commerce, improving digital communication to reduce transaction barriers could **increase U.S. GDP by 0.1-0.3% annually.** Moreover, U.S. real wages would likely increase 0.7-1.4% as a result of improved commerce.

— commerce.gov, 2016

Key Takeaway: PRIORITIZE TRANSPARENCY AND ACCESS TO INFORMATION

It's time to start looking at payments as a form of communication, and relying on tools that convey information alongside funds. Small businesses should seek to contextualize transactions at the global level, to ensure anyone they're doing business with has a clear understanding of all details involved in every transaction. Relationship-based payments don't just facilitate business; they also build stronger relationships.

Veem is Built for Small Businesses Going Global

From currency, to communication, to gaining more visibility, small businesses ultimately need a platform for reliability when it comes to participating in the global marketplace. Veem offers a solution to help with every consideration outlined in this guide, and make global commerce simpler for businesses.

Veem provides tools small businesses can use with confidence, to take advantage of business opportunities anywhere.

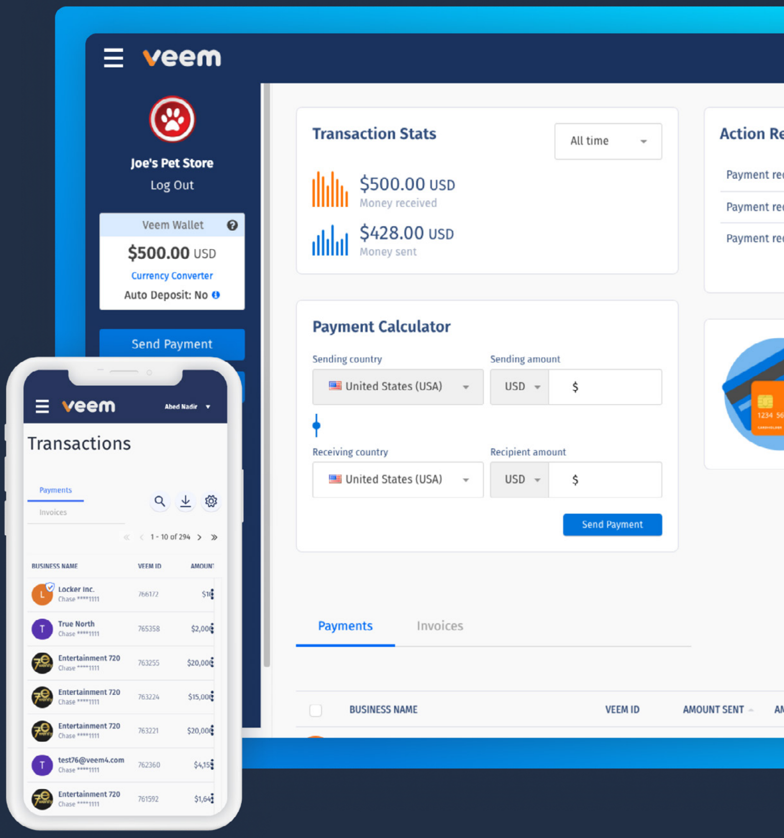
+ **Secure, transparent international wires, with competitive rates to over 100 countries.**
+ **Flexible payment options that include wires, digital wallet and card so you can pay and get paid on your terms.**
+ **Trusted by over 500,000 global users on a verified business network**
+ **Real-time integrations with accounting software: QuickBooks Online, Xero and NetSuite.**
+ **24/7 live support in multiple languages, for reliable world-class transaction support.**

Ultimately, Veem is a peer-to-peer tool that benefits both small business and the people they're transacting with: customers, contractors, vendors and partners all across the world.

About Veem

Veem helps small businesses save time and optimize cash flow by simplifying the way they send and receive payments domestically and internationally. Trusted by more than 500,000 users in over 100 countries, Veem uncomplicates the end-to-end AP/AR process with seamless integrations to leading accounting software, real-time tracking on payments and cost-effective, flexible payment options. Now businesses have the power to pay how they prefer and eliminate friction with customers to get paid faster.

Veem holds all required licenses and works with regulated parties in every location it serves.



With Veem global payments, your business can go anywhere–get started today

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