

Navigating cross-border payments

A guide to FX and currency conversions

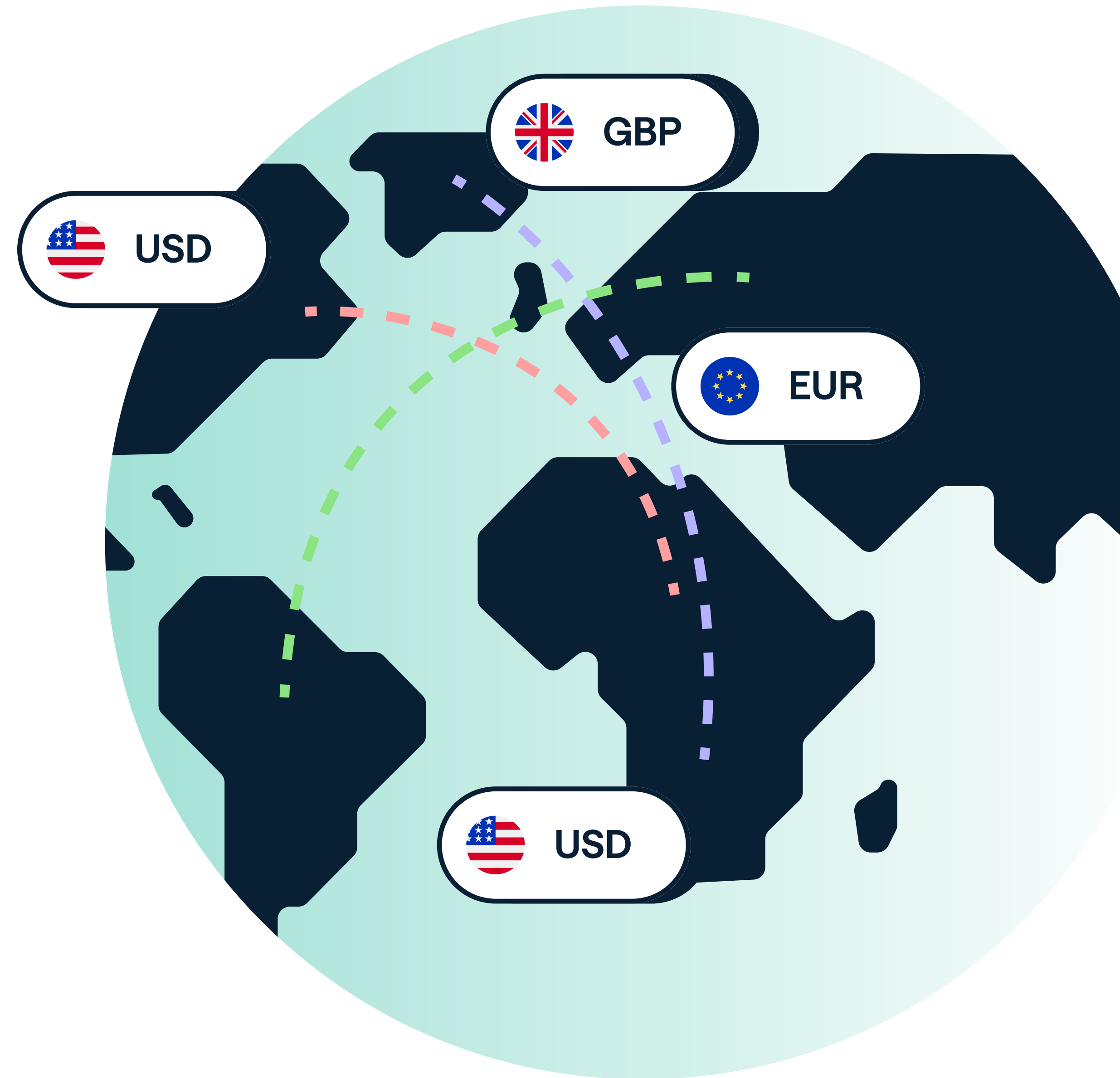
A stylized graphic featuring several concentric, overlapping circles in various shades of blue, green, and purple. Scattered around these circles are several small, solid-colored dots in colors like orange, yellow, pink, and light blue. The overall composition is abstract and modern.

FX by
wangopay

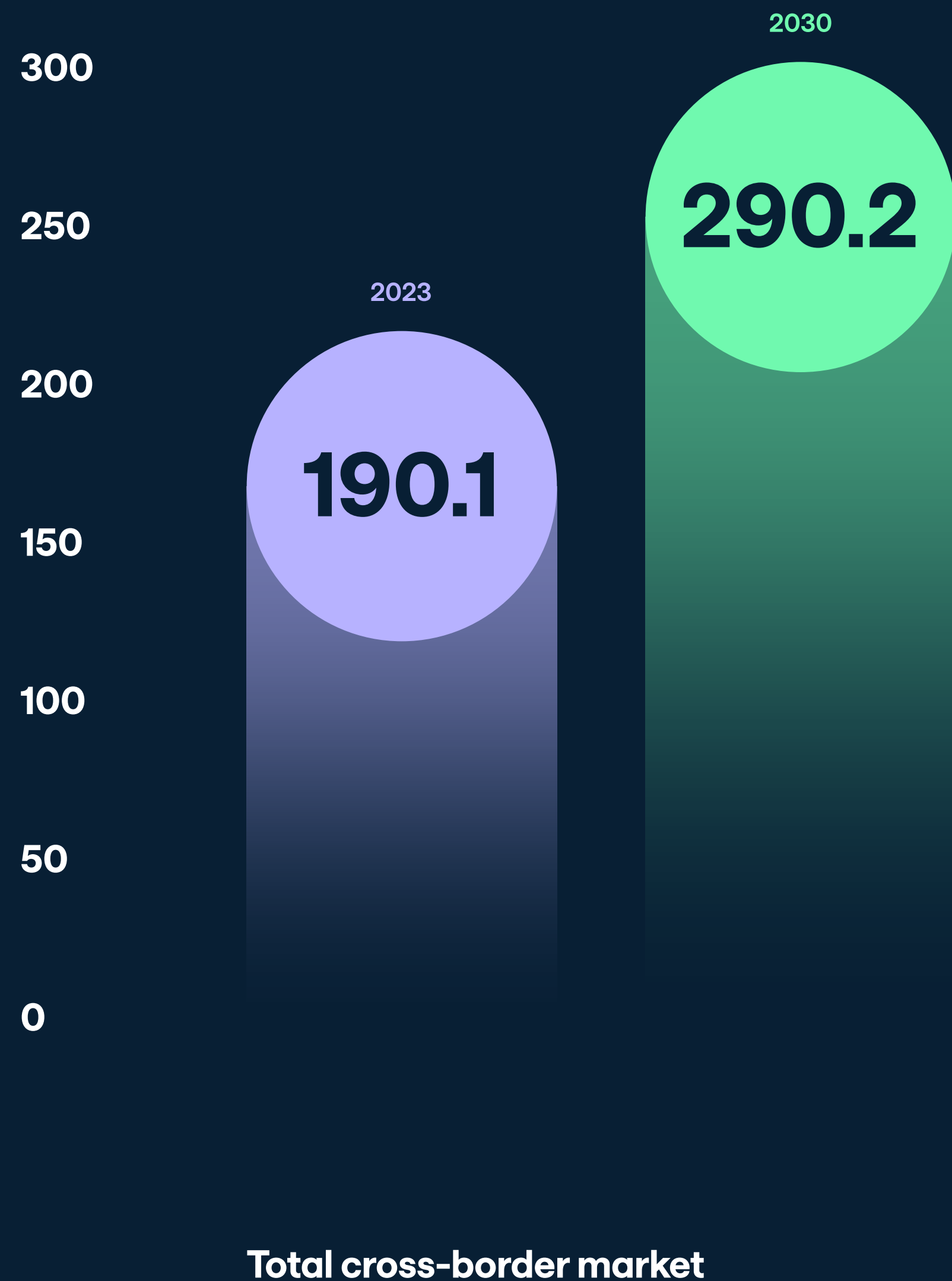
Understanding cross-border payments

Global platforms and marketplaces have revolutionized the way buyers and sellers interact worldwide, fundamentally transforming interactions in a borderless economy. Whether it's gig-economy platforms, service marketplaces, or retail hubs, the apparent growth path is embracing a borderless approach to connect global sellers with local buyers.

At the heart of this borderless commerce lies the significance of cross-border payments that enable this expansion.



Value in trillion U.S. dollars



Source: Statista

Cross-border payments are transactions that occur when the sender and recipient are located in different countries, often dealing with different currencies.



Millions of businesses around the world play a crucial role in facilitating nearly \$190 trillion in annual cross-border payments, projected to grow to over \$290 trillion by 2030.

For platforms and marketplaces operating across different geographies, efficiently managing sellers, buyers, and treasury operations on a global scale while offering seamless cross-border capabilities has become a table stake to drive scale, growth and operational efficiency.

Key challenges in cross-border payments

While cross-border payments power global growth, they also introduce significant challenges for platforms and marketplaces operating in the borderless economy.

Lack of control
and hidden costs

Building local
experiences
while expanding
globally

Mitigating high
FX risk in global
treasury
operations

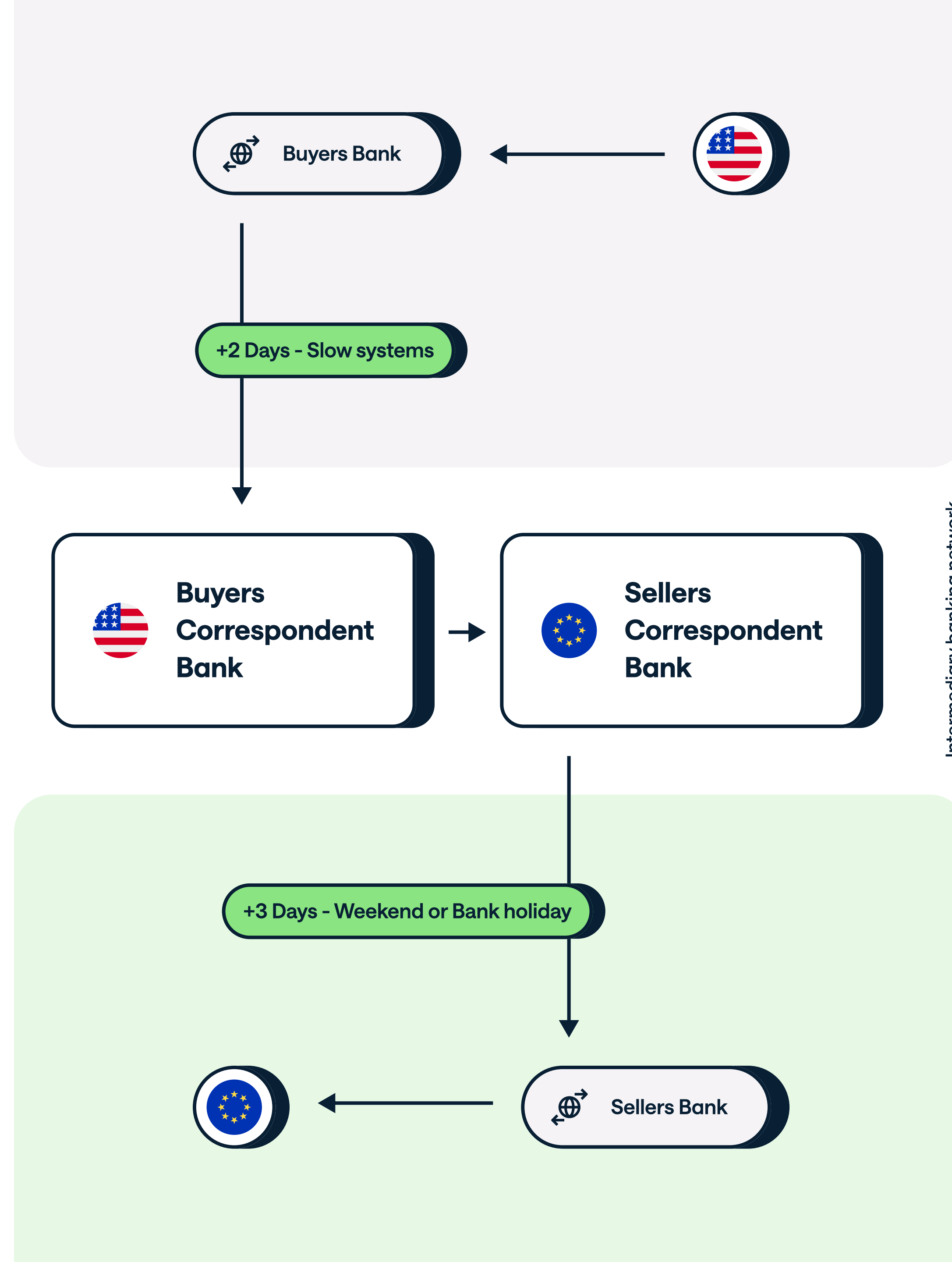
Maintaining
operational
efficiency in
cross-border
flows

1

Lack of control and hidden costs

Traditional cross-border payments involve multiple intermediaries, such as correspondent banks or banking networks. Each of these intermediaries adds to processing times and costs, leading to poor seller experiences and expensive transactions. These hidden costs include fees, currency conversion charges, and varying exchange rates.

As a result, cross-border payments often come with slow and expensive settlements with limited control and visibility for both the recipient and the platforms involved.



2

Mitigating high FX risk in global treasury operations

FX risk, also known as currency risk, is the risk that arises from fluctuations in exchange rates between different currencies.

Global platforms and marketplaces are inherently sensitive to FX risk. Fluctuating exchange rates disrupt pricing, impact customer purchasing decisions, and introduce uncertainty into liquidity and financial flows. Effective risk mitigation strategies not only protect profit margins but also foster financial stability, ensuring that cross-border payments don't become a cost centre for global platforms.

In a survey by HSBC, **57%** of CFOs say they suffered lower earnings due to significant FX risk while **51%** of CFOs reported FX risk as the most challenging risk to manage within their organization.

Source: HSBC

3

Building local experiences while expanding globally

Cross-border success isn't just expanding globally, it's about playing to local dynamics to drive growth.

When customers are confused about why they can't view prices in their local currency, it automatically leads to a psychological barrier and added inconvenience impacting conversions. Additionally, if platforms are not able to ensure that their sellers receive their earned revenue in local currencies, they significantly reduce chances of ensuring these sellers remain loyal.

While global platforms and marketplaces manage intricacies of cross-border operations, building local payment experiences that reduce conversion barriers, and increase transparency are critical to cross-border success.

Extra costs lead 48% of shoppers to abandon their carts.

Source: Baymard's Study 2022

Maintaining operational efficiency in cross-border flows

For platforms operating on a global scale, the complexity of managing financial flows is amplified.

Global platforms handle multiple transactions and payouts originating from various geographies, each with its distinct characteristics and requirements. Cross-border transactions introduce additional layers of complexity, involving different currencies, multiple intermediary institutions and varying regulatory conditions.

One significant hurdle is robust reconciliation. Reconciliation is the process of matching and verifying every financial transaction ensuring that it aligns seamlessly and automatically with the intended financial structure.

Inefficient reconciliation processes result in manual work, hinder operational efficiency, and pose a substantial burden for global platforms striving for cross-border success.

Top 4 strategies to maximize cross-border revenue



1

Enable dynamic local pricing to boost conversions

Multi-currency pricing (MCP) empowers platforms to present prices in local currencies, creating local buying experiences. This allows customers to effortlessly browse and complete transactions in their preferred currency, simplifying the buyer journey & boosting conversion rates.

Dynamic pricing automatically adjusts prices based on the customer's location or chosen currency, promoting pricing transparency and equipping businesses to address changes in exchange rates.

For global platforms and marketplaces, in particular, a robust multi-currency pricing system is essential. It ensures that sellers consistently receive accurate payouts in their chosen currencies, regardless of the buyer's location.

Tap into new markets while building local payment experiences

Leverage transparent pricing to reduce checkout churn

Ensure prices adapt to the customer's location or chosen currency

Boost efficiency through accurate payouts to sellers in currencies of their choice

2

Master your treasury management strategy to mitigate FX risk

For platforms and marketplaces operating in the cross-border space, it is important to ensure financial stability and liquidity by minimising currency risk and successfully navigating currency fluctuations.

Managing liquidity requires a thorough understanding of operational and financial obligations, including payment schedules, repayments, and working capital needs in different currencies.

A key first step is to reduce reliance on legacy third-party integrations for treasury operations, which streamlines financial processes and enhances control. Moreover, it is important to reduce exposure to currency market volatility through a robust FX strategy. One effective way is to lock in favourable exchange rates for rate certainty, flexibility, and opportunity capitalization.

Choose the ability to lock in rates when favorable without any obligation

Protect against currency fluctuations by locking in FX rates

Combat the risk of currency fluctuations on liquidity and cash flows

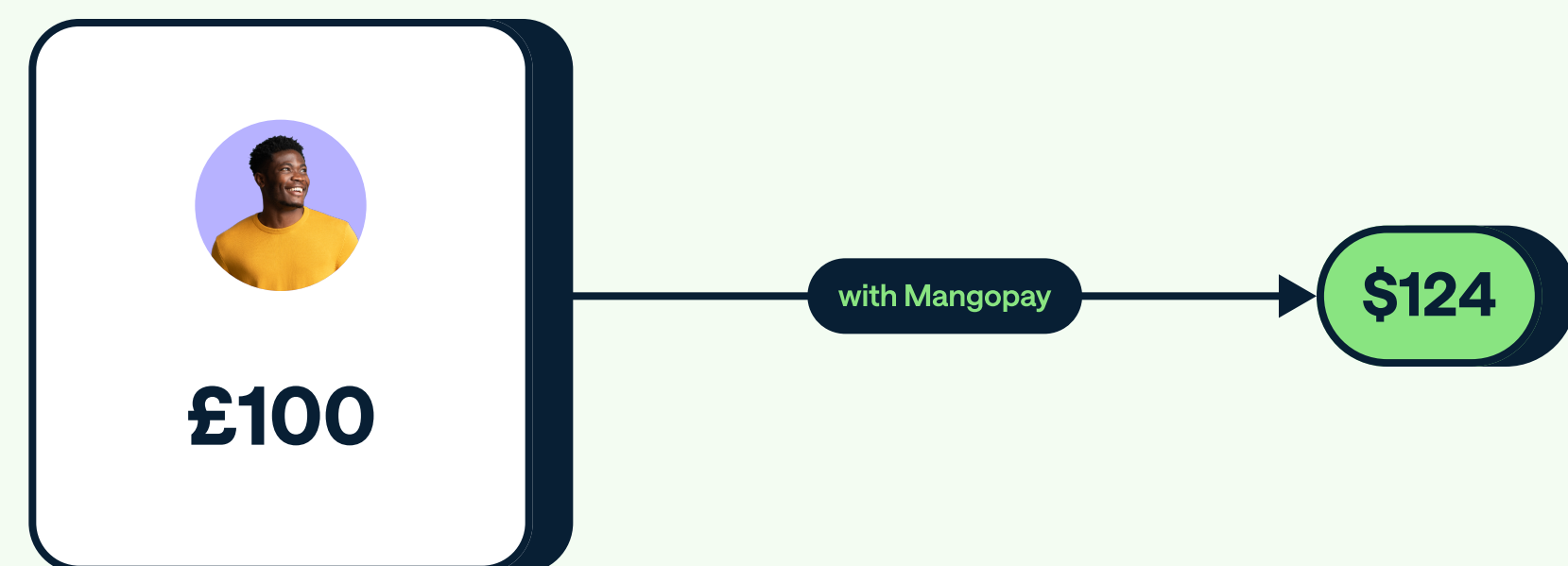
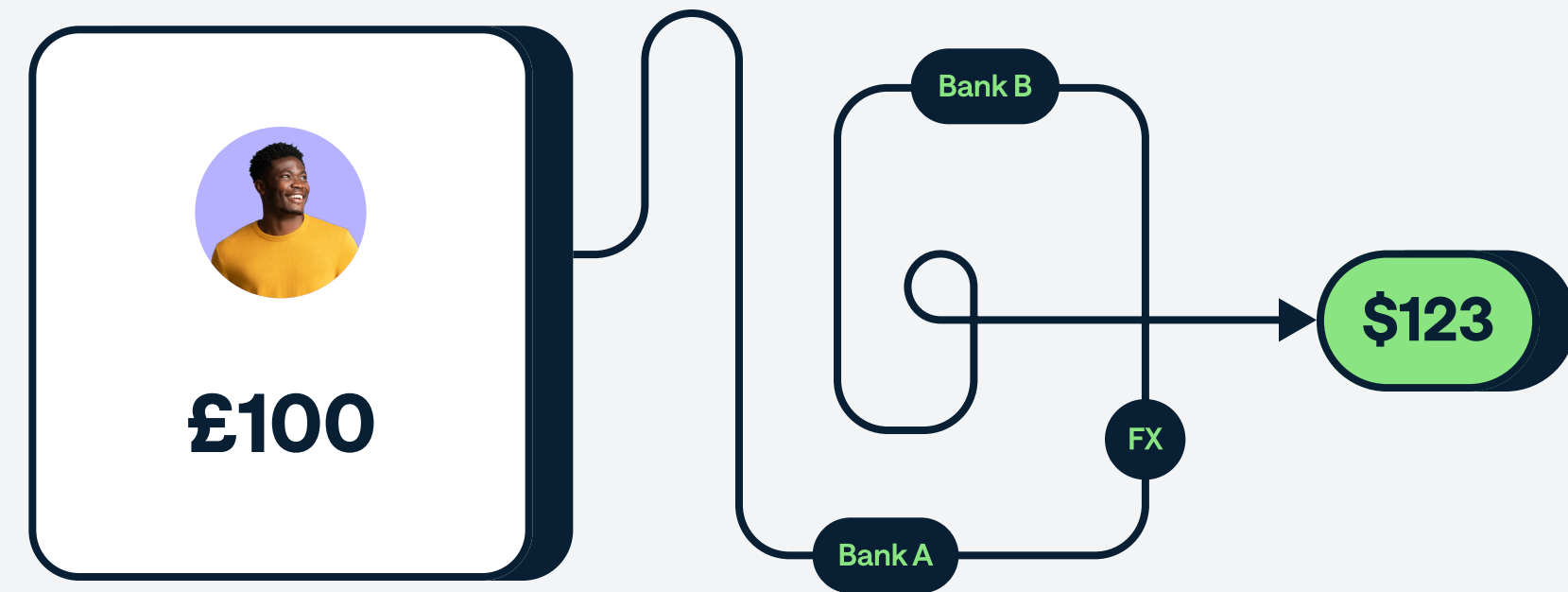
Maintaining operational efficiency is critical for financial reporting

3

Enable fast, cost-effective local payouts across the world

Enabling efficient payouts in local currencies isn't merely a convenience; it's a strategic necessity. This is driven by the need for global marketplaces to offer sellers the convenience, efficiency, and transparency they demand in their financial transactions. Fast payouts also play a role in attracting and retaining high-quality sellers, such as top-rated suppliers, service providers, or content creators.

Optimizing payouts can have a direct impact on reducing operational costs and increasing overall profitability. Traditional payout methods often involve manual work, long settlement cycles and come with hidden conversion fees. With streamlined and efficient payout processes, platforms can effectively cut down operational inefficiencies, minimize friction and reduce added costs.



4

Build unique experiences through multi-currency e-wallets

Whether you're running a retail marketplace or a peer-to-peer marketplace, offering a seamless way for your sellers to manage their finances can be a strong competitive advantage. This is where embedded e-wallets with currency conversions come into play.

Unlocking the potential of multi-currency wallets, platforms can empower sellers collect and convert funds without the limitations of traditional banking systems.

Multi-currency e-wallets offer sellers the freedom to decide whether to retain their earnings in various currencies or convert them into a preferred currency of their choice. This flexibility enables them to manage their finances in a way that best suits their business needs and financial goals.

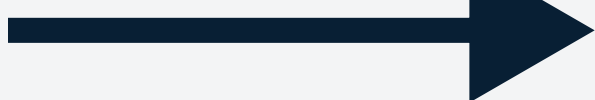
With embedded e-wallets equipped with multi-currency capabilities, the settlement process becomes more efficient. This financial autonomy simplifies transactions, eliminating the need for intermediaries and their associated costs.

Cross-border payments made simple with Mangopay's end-to-end FX suite

Display prices in local currencies with multi-currency pricing



Pay-in



Convert both user and platform funds



Treasury and liquidity management



Global payouts, settled locally

End-to-end FX with a single integration

Flexible & modular to the core

Spot FX

Get real-time exchange rates through our API for instant currency conversions.

Guaranteed FX

Lock-in FX rates for a brief period of time with no obligation to fulfill the quote.



Tailor your FX flows



Leverage competitive FX rates



Drive new revenue streams



24/7/365 execution on funds



Virtual IBANs for seamless
reconciliation

Looking for a smarter way to handle cross-border payments?

Talk to our payment experts today.

[Get in touch](#)



mangopay.com

Sources

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