



# An online sellers guide to currency transfers

# Save money when you sell overseas by managing your currency transfers

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From logistics to listings and tax to translation, the list of things that you need to consider as a cross-border online seller can appear daunting. But as any international marketplace seller will tell you, getting these things right can go a long way to making your online business a success.

There's one more thing to add to that list, however; international payments. You may be surprised to hear that the way you buy from overseas suppliers, price your goods abroad and then send your revenue home could be costing you a couple of percent off your bottom line every month.

And unlike most other tools and services, like listings and translations, a well-thought out currency strategy will actually save you money rather than cost you money. It's just a matter of finding the best rates and staying clear of unnecessary fees.

This short guide is a great place to start.

We'll look at some of the ways in which currency can affect online merchants trading on international marketplaces and look at how you could save money simply through managing your international payments in the right way. We'll also hear from online sellers about how they make their currency payments work for their business.



# Buying from international suppliers – don't lose out

The amount you end up paying for stock from overseas suppliers will depend on the exchange rate you're using. The rates are always fluctuating, so if you get your timing wrong, you could end up paying much more. Things can change in a matter of weeks, days or even hours, and if they move against you, you could end up seriously out of pocket. Of course, things can also move in the other direction, which could make your stock cheaper, but the point is that anything can happen in the currency markets.

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When the rates go against you, and you find yourself out of pocket, you could have a pretty quick decision to make: either increase the selling price of your products (which could risk you being uncompetitive in the marketplace) or retain the same prices, but make less of a profit. What would you do?

With currency markets and exchange rates capable of moving at such speed – sometimes dramatically and in a short space of time – it can be difficult to keep on top of what these moves mean for your business. Even in the time between negotiating with a supplier and paying them, the rates could have moved markedly.

If this sounds worrying to you, it really needn't be. There are ways of combatting uncertainty in the currency markets.

Through what's known as a forward contract, you can fix an exchange rate for a period of time, perhaps even a year or more, so that you know now exactly how much a payment you make in the future will cost you. Through a forward contract you can be sure that the exchange rate won't change for you, even if it goes against you by the time the payment is due. This is good for budgeting.

Then there are currency options that guarantee a rate but which can also allow you to benefit should the rate go in your favour – something a forward contract won't do.

Or you can stick with a spot contract, which means you get the best rate on the day.

More about these in a bit!





# My story

Martin Howie runs [The Fragrance Counter](#), an internet retailer of fragrance and beauty products, which exports goods to many countries around the world.

## **What currency products do you use, and can you explain how this works in practice?**

“We use a mixture of simple spot purchases and forward contracts, which allow us to fix a rate and be protected when rates go against us. Through these, we have the flexibility to manage our currency transfers in our own way. The business is able to remain competitive if there are big movements on certain currencies, as we can book a spot contract, and take advantage there and then.

“Exchange rate markets have been incredibly volatile over the last 12 months in particular so it’s very important to have a plan in place to deal with this uncertainty. I feel confident that the currency aspect of our business is being dealt with in a cost effective way.”

## **Can you give an example of how you have saved money through your FX dealings?**

“We receive an extremely competitive exchange rate from World First. Their systems are very easy to use and the customer service is excellent.

“The systems allow us to benefit from favourable exchange rate movements. We are able to transact using World First Online very quickly, with full information and without the need to contact anybody. Forward contracts are easy to put in place.”

## **What are the benefits of World First setting up bank accounts on your behalf?**

“When entering a new foreign market, there are many aspects to consider such as delivery, prices and margins. It’s very helpful to know that international bank accounts can be set up securely and quickly with World First. They have ‘got it covered’ so I can concentrate on the other aspects of operating the business.”

## **Do the exchange rates affect your pricing model? If so, can you explain how?**

“Some products in our business have a minimal profit margin. The reverse is also true that some lines will have a very high profit margin. It’s important to price items to ensure that exchange rate fluctuations do not take sales into losses or unacceptably low profit margins. Higher prices might also be set if the actual exchange rate is factored into profit calculations or some products might be priced more competitively if better exchange rates are available.”

# Making sure the price is right

Some online sellers sell their goods on international marketplaces – the Amazons, Rakutens, Neweggs and eBays of this world – to increase the number of people who will see their products. But of course, where you're competing with many other sellers on the same marketplace, often selling the same products, the onus is on you to be as competitive as you can be.

"If you were sending €100,000 worth of sales back to the UK in early March 2015, you'd have got more than £7,000 less than you would have done at the start of the year."

The exchange rate could be one of the key factors that decides how competitive you're prepared to be. If the rates are in your favour – and your money goes further – you may decide to lower your prices to make them more appealing to consumers.

For example, back at the start of 2015, the euro rate against the pound was around 0.78. Just over two months later, the EURGBP exchange rate had dropped beneath 0.71, and that's the kind of fluctuation in exchange rates that can seriously impact on your revenue. For example, if you were sending €100,000 worth of sales back to the UK in early March 2015, you'd have got more than £7,000 less than you would have done at the start of the year – that's the equivalent of 9% off your profit margin just because of exchange rate movements.

This is why it makes sense to have a pricing strategy. Decide upon the most competitive price and the highest price you're prepared to sell at and allow for the rates to move against you.

It's all about making the most possible profit out of your pricing model. Investigate your competitors' products and prices, and choose your position on the competitiveness/profitability scale.

The key is making sure you're aware of how you could be affected by fluctuating exchange rates, and being comfortable with the actions you're taking to negotiate the ever-changing currency markets.





# My story

Martin Young is from **Positive Noise**, a multichannel ecommerce retailer which sells CDs, vinyl records and DVDs. World First set up bank accounts for Positive Noise in the USA, Canada and a single euro account in Germany, and he brings his funds home from there.

## **Martin gives us a little more background about his company and currency need**

“Most of it is a case of repatriating funds from overseas markets, predominantly Amazon, and mainly US dollar and euros. We ship out from the UK. The funds are received in the local currency in the local market. We manage our listings through third party software, so we’re listing as if we’re a native seller in that territory, but with a longer lead time to ship.”

## **What currency products do you use?**

“Just spot contracts. It’s more convenient and worry free for us.

“We use it almost like an offshore reserve account, and if we let the funds build up long enough, they become a reasonable sum of money that we can then do something with, for example paying part of our wage bill, suppliers, paying taxes. It’s a way of letting money drip feed into the account, consolidating our profits from multiple marketplaces, and we can make a single one-off transaction.

“It minimises the time that I have to think about it and review it. Basically, we transfer the money back home when we need the money, and that works well for us.”

“I know that I’m not losing out. I know I’m getting a better rate than if Amazon was handling the currency transfers.”

## **How easy is it to send money home?**

“It’s dead easy. I can log in once a fortnight to see what’s there, and then we can make a single transaction through World First’s web portal that pulls all that cash in one go into our UK bank account.”

## **What are the benefits of World First setting up local bank accounts?**

“What’s great about it is that it’s very low touch in terms of compliance – they take care of all that side of things for us. We had a US bank account in the past with our bank, and they eventually closed it on us. We know how difficult it is to keep a bank account open, especially in North America, for an SME – from a compliance point of view. In fact, it



seemed they couldn't be bothered to deal with us. World First opened an account in an afternoon for us.

“Doing it with World First, it's a much simpler way of having the funds received by them, and, for me to pay any suppliers with a credit card. The simplicity saves me money – I'm time poor as much as anything. I know that I'm not losing out. I know I'm getting a better rate than if Amazon was handling the currency transfers. I don't know the exact savings off the top of my head, but it runs into whole percentage points – 2, 3, 4%.”

### **If exchange rates do move, does that affect your pricing model?**

“For a lot of the stuff we sell, we use a dynamic pricing tool, which keeps us competitive. So if our competitor lowers its price by a penny, we follow them down. Of course, if exchange rates move in the favour of the customer, we'd like to see more sales. If they're getting a better deal, we're selling more stuff – it's all about volume.”

### **Anything else?**

“One other thing I would add, the customer service I've had from World First has always been impeccable. It's really world class, and the phone's always picked up in three rings – it's spot on. It's nice and easy, taken care of, no nasty shocks, it all works brilliantly. Full visibility, full control.”





# Saving money when you send your profits home

Before long, your online business will have taken off, and your attentions will turn to getting your funds back home. But by not managing their international payments in the most effective way, many online sellers are costing themselves money, without even knowing it.

## More expensive with a marketplace

Many marketplace operators will offer a service to transfer your sales revenues back to a bank account in your home country and in local currency. What you may not be aware of, however, is that some marketplaces can sometimes convert your funds at an uncompetitive exchange rate, which means you end up with less. It is not uncommon for a marketplace to charge up to 4% of your sales to convert your sales revenues, and that's not including the selling fees that you need to pay directly to the marketplace.

That's why securing a better rate through a currency specialist like World First can help you save money.

## How to avoid marketplace transfer fees

By having access to native bank accounts – into which you can receive sales revenues in the country in which you're selling – once your funds are taken out of the marketplace environment, you can then use a currency exchange specialist to move your funds back to your chosen account back home at a much better rate and without the fees!

"Marketplaces can charge up to 4% of your sales to convert your sales revenues, and that's not including the selling fees that you need to pay directly to the marketplace."

## Safety first

As well as saving money, the security of your money is all important too. Check that the currency company you choose will set up segregated overseas bank accounts that are exclusively yours to use, rather than opening a single bank account in another currency, into which all of their clients' funds will be put. This can be risky, and lead to black-listing if other businesses accessing that account don't play by the rules.



# How World First can help save you money

By now, you should be feeling more confident about how to manage your currency requirements. Before we go, here are some of the ways in which we can make it easy to get your currency transfers right, and save you money when you send your funds back home or pay suppliers abroad.



## Free, segregated in-country bank accounts

World First can set up receiving bank accounts in the US, UK, Europe and Canada on your behalf, which let you receive payments from your marketplace sales completely free of charge. Once we've set them up, you can effortlessly manage via our trading platform, World First Online.



## Boost your bottom line with our great rates

We'll send your funds home at a great exchange rate, helping you to save money compared to using your marketplace or bank. Oh, and we won't charge you fees. Nada. Nothing. Ever.



## Lock in a rate today for a payment tomorrow

Like the exchange rate now? With a forward contract, you can fix an exchange rate for up to three years before the transfer has to be made. This is great for budgeting as you'll know what you'll pay and/or receive in advance.



## Our Marketplace Gurus are always on hand

We understand that you'd rather spend more time running your business than thinking about currency risk. Quite right too. That's why our Marketplace Gurus are always on hand, leaving you to concentrate on what you're best at.



## Rate alerts and updates to keep you in the know

From rate alerts to updates, we've got the resources and the tools you need to keep you on the inside track.

The currency rates could play a big part in determining your business's bottom line. When it comes to your international payments, make sure you make the right decisions.

Get in touch with World First, and see how much you could save.



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