



Why Payments Are Critical *to Companies Going Global*

Payments are at the heart of how companies, especially those in new economy sectors, can both grow rapidly and differentiate themselves. This article is the second in a series that looks at the challenges and opportunities facing businesses going global and considers how payments can be used to accelerate international expansion and act as a differentiator that facilitates faster growth.

Using payments to accelerate time to market

For many new economy firms, speed to market is critical. As sectors such as food delivery or ride sharing emerge in new geographies, first-mover advantage can be key to gaining market share. Even for more traditional companies, it can be important to scale and stand-up business operations rapidly in new markets.

While local banks and payment service providers (PSPs) may offer corporates quick access to domestic payment instruments, companies should consider the scalability of these solutions before implementing. Reliance on many different local partners can prove complex and costly for businesses expanding rapidly and could increase risk associated with counterparty exposure.

Glovo, a Spanish quick-commerce start-up which operates in 1,300 cities in 25 countries, initially chose to work with local providers and ended up with “a highly fragmented banking map because of hypergrowth during our start-up phase,” according to Lorena Gil, Head of Treasury at the company. Faced with multiple challenges, including difficulties in funding operations efficiently, Glovo switched to working with Citi.

Citi’s global cross-border payments platform, WorldLink, enables Glovo to efficiently and quickly enter new markets and lower cost utilizing domestic

Key Payment attributes:

- **Ubiquity:** Relevant payment options should be accessible to payees wherever they are
- **Security:** Payment information and sensitive data should be managed in a secure way
- **Cost:** Payments must be cost effective, both for the payer and the beneficiary
- **Embedded FX:** Centralizing payments to a global provider will streamline FX cost.

payment types. Leveraging WorldLink, Glovo cost-effectively funds its operations via local ACH in highly regulated markets including Nigeria, Morocco and Kazakhstan, without the need for a local account. In addition, Glovo benefits from significant FX savings when sending funds to its entities worldwide, as it has access to pre-agreed FX spreads that are more attractive than those available from local banks.

Companies that work with a global bank for payments and collections can benefit from consistency across platforms, reduced points of contact, and robust lending relationships. Managing many connections creates complexities and inefficiencies for businesses that rely on local partners as they expand internationally. Ultimately, a single banking partner like Citi enables companies to scale rapidly without ramping up costs and increasing the operational burden.

How payments can act as a differentiator

The payments landscape has undergone a dramatic transformation in recent years; emerging payment schemes are proliferating around the world. Evolving consumer expectations drive this changing landscape – beneficiaries are becoming accustomed to faster, cheaper and more transparent payments for their personal transactions. Instant payments, digital wallets and other non-traditional payments have become mainstream because consumers prefer real-time settlement and simple user interfaces.

Companies that create a seamless beneficiary experience will attract in-demand partners including content creators, gig economy contributors, and app developers. The social media, gaming, and sharing economy spaces rely on these partners to attract users to their platform and ultimately to increase revenue. Companies that prioritize payment choice and speed are better positioned than their competitors in the battle for the highest volume of contributors. Moreover, companies can monetize this payment flexibility by charging beneficiaries a small fee to receive payment instantly.

Let's consider a few examples of these new economy use cases more closely:

- **Content creators:** The online gaming and advertising industries increasingly rely on the skills of content creators. Rewarding content creators promptly, in their preferred currency, using their desired payment method (often via a digital wallet using an email address or cell phone number), and without loss of value is crucial to winning the loyalty of these in-demand influencers.
- **Gig/sharing economy:** Often ride hailing/food delivery/vacation rental firms are competing for the same pool of drivers and hosts. Firms that can make instant payments to these contributors on-demand may find it easier to recruit and retain them because they choose when they are paid. More platform contributors can improve the end-customer experience and boost company growth.

Working with the right partner

Competition remains fierce, especially in new economy sectors, and speed is key for companies looking to differentiate themselves. Time to market can be a key determinant of success to gain loyal market share early. Gaining access to talent by offering faster payments is equally important.

Working with the right partner for payments can accomplish both goals. PSPs can provide access to certain markets but often PSP infrastructure relies on banking technology in the backend. In this way, choosing a single global bank like Citi can be a business enabler by helping to ensure scalability, consistency, visibility and cost efficiency leading to top-line revenue growth.

In the next article in this series, we outline how firms going global can set up efficient liquidity structures so that they can avoid trapped cash, fund local entities easily and make effective use of surplus liquidity.

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