Winning with fintech: International trade and accessing finance

How to leverage fintech and finance solutions to grow your business internationally

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Foreword

For decades, businesses across the UK have benefitted enormously from engaging in international trade. Growth from access to new markets, the provision of cheaper materials and services abroad, and reduced risk by diversifying across geographies have led to international trade being a significant economic advantage to our economy.

However, for UK-based businesses who already rely on, or want to engage in, international trade, a set of unprecedented headwinds means that these businesses face an increasing number of challenges in doing so. With evolving post-Brexit trade policy, the ongoing shock to global supply chains, rising inflation, rising interest rates, and a set of macroeconomic conditions indicating a looming recession, small and medium-sized enterprises (SMEs) need more help than ever in growing their businesses.

The UK fintech sector is one of the most advanced in the world and a host of innovative solutions offer SMEs significant support in overcoming these challenges in international trade. From understanding where to start, to accessing and optimising working capital, to scaling and streamlining your operations, this international trade toolkit is aimed at equipping UK businesses with some practical tools and inspiration from the UK's fintech ecosystem.

Finastra is delighted to partner with the CBI on the Winning with fintech campaign and support UK businesses looking to unlock the benefits of engaging in international trade.

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Getting started

What is the *Winning with fintech* campaign?

Businesses are facing a range of challenges as they come out of the pandemic. With spiralling costs and supply chain challenges against a backdrop of uncertainty, managing risk and improving operations is vital for any business that wants to get ahead.

The CBI wants to move the dial through *Winning with fintech* – a campaign to get more non-financial services firms engaged with financial technology (fintech) to help manage their costs, gain efficiencies, and go for growth.

Where does fintech come in?

The CBI's economic strategy – **Seize the Moment** – identified the UK's fintech sector as a key opportunity, both in terms of contribution to UK GDP and as an enabler of economic and business transformation.

But to realise this, it's critical that businesses across the UK are fully benefitting from fintech's success. By driving digitisation within firms, fintech can enable efficiency gains through process improvements in access to finance, compliance, and operations. By creating enhanced customer propositions, it can also improve firms' business development opportunities.

Today's businesses, whether budding or accomplished, should be harnessing the power of fintech solutions to give them a competitive edge.

What is the focus of this toolkit?

The CBI wants to help firms across all sectors increase their international ambitions – whether it is encouraging SMEs to export for the first time or increasing the range of markets that established firms target and the range of products and services that they sell to them.

To help inform this toolkit and better understand the UK business landscape and appetite for global trade, the CBI and Finastra carried out a survey in September 2022. The 204 survey respondents are financial decision makers in UK businesses, 97% of which are small and medium-sized. **See here for a brief methodology and breakdown of respondents.**

Whilst designed for all UK businesses, this toolkit has an emphasis on supporting SMEs –CBI's Seize the Moment campaign found that a new generation of SME exporters could create around £20 billion in additional UK export revenues by 2030. Similarly, whilst this toolkit is for any UK business with an eye on trading internationally, players across the global trade space, from fintechs to traditional financial institutions, may find the data and guidance helpful to their own proposition.

In the current context of rising prices globally, supply chain disruption, and continued uncertainty as a result of the Ukraine crisis, it has never been more important for businesses to consider using innovative solutions to lower the cost and risk of doing business internationally.

Shocks to the economy have affected different companies in different ways, but what is universal is the need for businesses to develop high-growth strategies for the long term, leaving no stone unturned when seeking new sources of revenue. That is as relevant for services firms as it is for manufacturers.

International trade is often seen as high-risk, low-reward, and too complex for businesses to grapple with. The **Seize the Moment campaign** is seeking to change that perception and point to resources that better enable companies to find new global markets. With the right support and ambition, businesses can collectively take the UK export performance to the next level and secure a multitude of benefits for their firm and the wider economy.

International trade is a part of everyone's lives, from the products we consume to our economic performance as a country. A truly globalised economy can increase output and productivity, boost living standards, and offer lower prices and more choice for consumers.

For businesses of all sectors and sizes, going international means:

- innovating products and services
- identifying new opportunities
- understanding the rules of the road when doing business in target markets
- accessing the right products and services to manage risk and finance new business cost effectively

As a business, navigating an export journey can initially be complex, not to mention time-and resource-intensive.

For businesses thinking about exporting, three key considerations need to be made:

1. **Identifying new markets** – What is the export opportunity for my products and services? How do I find out if there is interest in my product and who wants to buy it? Who should I speak to in target markets?
2. **Managing risk and working capital** – Once I've understood the market opportunity, how can I better manage the practicalities of trading internationally? How do I manage the risks of trading with another country and finance this in a cost-effective way?
3. **Making the most of international trading activity** – As a more experienced exporter, how can I better manage my trade and finance flows to improve efficiency?

A range of fintechs are providing solutions to a number of these challenges, some by embedding themselves in established tools offered by financial institutions, others by offering standalone propositions. Fintech solutions are making it easier for businesses to open new markets internationally, access finance to support growth, and manage risk and cost effectively.

This toolkit contains:

- An understanding of fintech and its relevance to global trade
- How fintech is making it easier for businesses to trade globally
- Tools, case studies, resources, and fintech solutions depending on the stage your business is at in its trade journey
- Emerging trends in the global trade finance space and what this might mean for your business

Why should I consider exporting?

Exporting is all about increasing revenue and growing sales in new markets. But it's not just about revenue and growth. By opening up to the competitive global environment, exporting can increase productivity and help firms become more innovative. Importantly, as we saw through the pandemic, a diversified risk profile will also make firms more resilient.

Despite a relatively small proportion of firms exporting in the UK, those which do generate 27% of UK GDP from international activity[1]. While internationalisation is crucial to economic success, exporting specifically is the route to successful regions. Helping level up the country by building the exporting capability of critical sectors centred on tech and a clean economy is an ambition of the government's **export strategy**. As well, exports support high-quality jobs in communities directly and indirectly. So, by growing nascent clusters and attracting investment, business can put their region into the global marketplace.

Consumers can also reap significant gains from the UK being an international, open, trading economy. Whether it's giving them more choice or cutting the production costs of their latest gadget, international trade can help consumers save money. In a period of higher inflation, this is a crucial consideration.

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1. **Exports of goods and services**

Where can businesses go for guidance?

Depending on your needs as a business there are a wide range of support services in the public and private sector. Some useful resources:

- **GREAT.gov.uk** is your first port of call for advice on exporting, including 'how to' guides, finding your local DIT adviser, information on events to attend, and links to wider resources.
- The **Export Support Service (ESS)** is a government helpline offering practical advice about exporting to specific markets, and will route through to relevant government officials where necessary.
- **UK Export Finance (UKEF)** is a government-led facility offering financial products for companies to fulfil export orders where the private sector is unable to do so.
- **The Institute of Export and International Trade (IOE&IT)** is an independent body offering practical advice on exporting, including issues such as customs and paperwork.
- **The Department for International Trade (DIT)** has a very busy agenda that is worth monitoring to understand new opportunities for your business.
- The **CBI's Global Trade Hub** and the associated **export strategy campaign** are regularly updated by CBI's International team and overseas offices with the latest trade insights and guidance on specific issues. You can also **become a member** and start to engage with our work.

Barriers to trading internationally and the role of finance

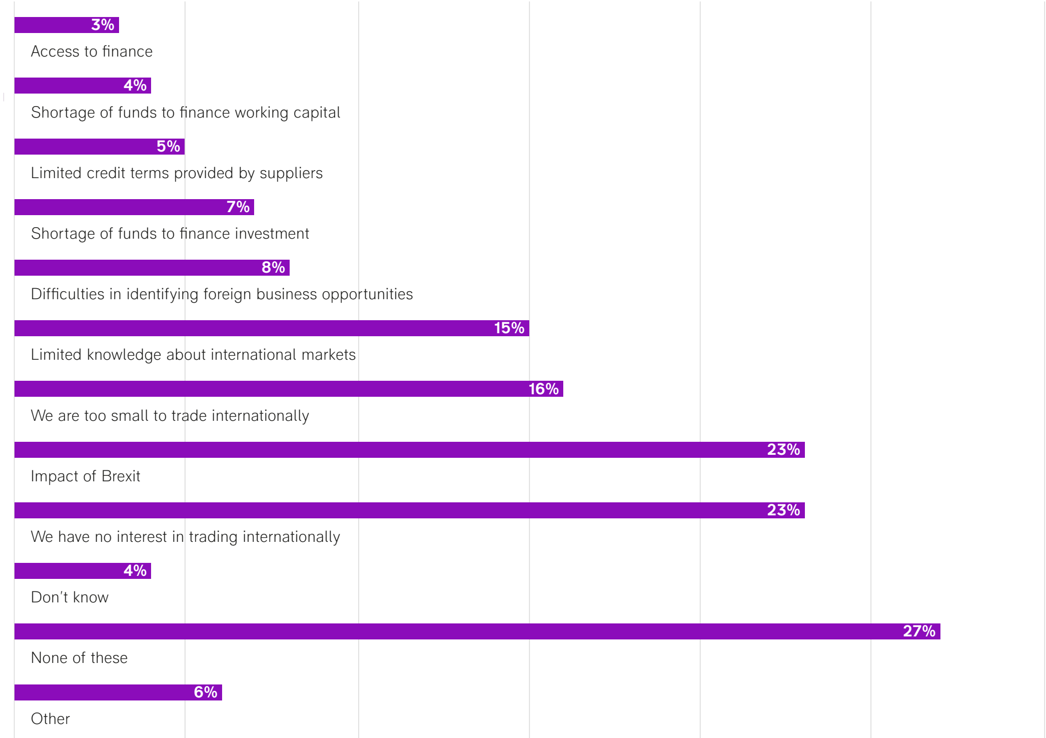
To better understand current business attitudes to international trade and accessing finance, the CBI and Finastra worked with YouGov to survey over 200 SMEs to gain more insight into the specific challenges businesses are facing, their attitude to finance, and their ambitions for international growth.

Key takeaways

1. **Interest in trading:** Only 23% of businesses surveyed have no interest in trading internationally but only 44% currently trade internationally, suggesting a gap between ambition and reality of trading internationally.

2. **Businesses face significant barriers to trade:** A third of SMEs see value in trading internationally, but do not due to barriers and lack of support.

    a. **Figure 1** Which of the following barriers, if any, limit your business's ability to trade internationally?



    b. Common barriers to trade include the impact of Brexit (23%), being too small to trade internationally (16%), and limited knowledge about international markets (15%).

    c. "Virtually all our EU sales have gone. Now they are less than 10% of pre-Brexit levels. People won't order as consumers are anxious about receiving unexpected customs charges and businesses find it too complicated so prefer to order from within EU."

3. **Ambitions for growth:** Of those who currently engage in international trade, 27% expect further growth through an increase in their imports/exports. Of those that do not currently trade, only 4% expect to start in the next couple of years.

4. **Turning for advice:** Government advice and guidelines is the top source for help, advice, and support for international trade.

    a. Three in ten businesses say they would turn to business organisations such as the CBI for advice, rising to two in five for those who already trade internationally.

5. **Reluctance to source finance:** Just under two in five businesses have never applied for financing.

    a. This suggests more needs to be done to support SMEs in understanding how finance can help them with their growth ambitions.

    b. However, the level of funding sought is increasing with 23% of those that have sourced finance applying for more than £50,000

6. **Sourcing finance:** When sourcing finance, financial institutions that businesses have an existing relationship with are the most common provider (51%).

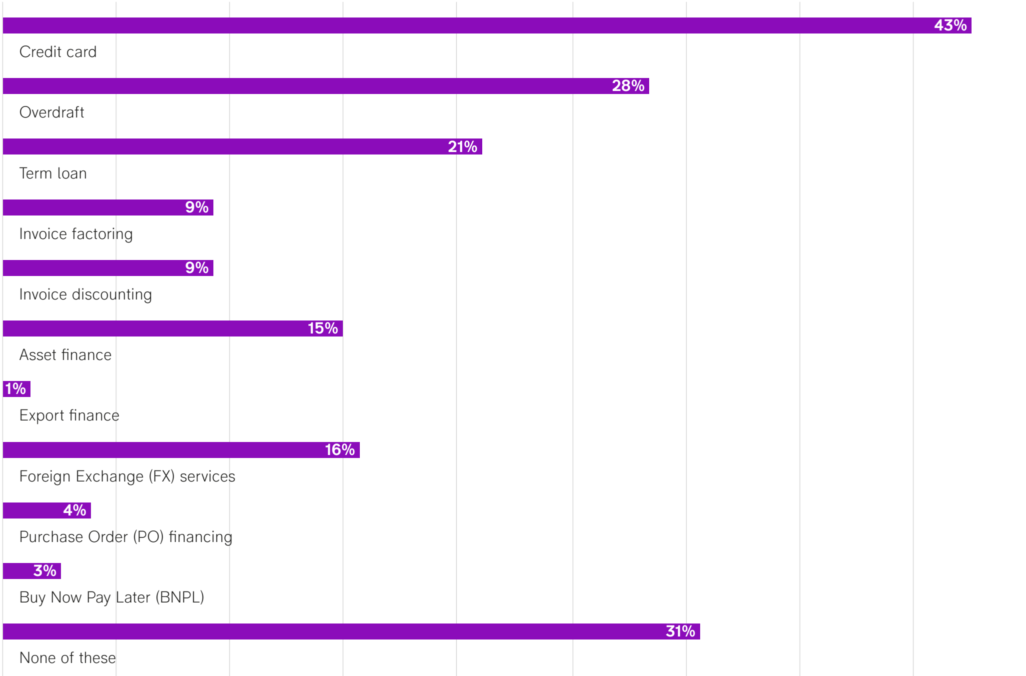
    a. Reasons for using financial institutions include businesses having a primary financial relationship with them, ease of application, and trust in the brand

    b. However, businesses still face several challenges when using financial institutions including providing the necessary paperwork (36%), form filling (33%) and high cost of capital, e.g., interest rates (17%).

7. **Use of high-cost financing:** Of all the financial products available to businesses, they are most reliant on using their credit card (43%) and overdraft (28%) which are traditionally more expensive types of finance.

   a. Other products used by more than one in ten businesses include term loans, FX services, and asset finance.

   b. **Figure 2** which of the following financing products, if any, does your business use today?

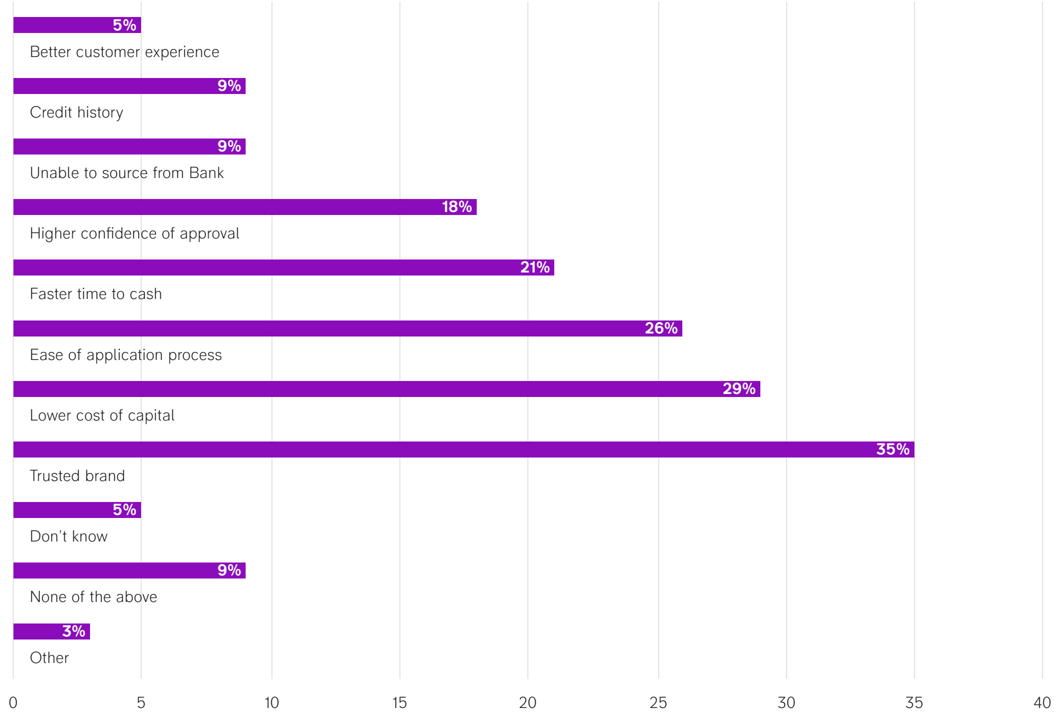


8. **Choice of finance:** : SMEs' most common reason for choosing a traditional/ bank finance provider (44%) is that they have an existing primary relationship with that provider.

   a. This suggests SMEs may need help in sourcing other financial products if better suited to their needs.

9. **Reducing cost:** Businesses are most likely to use a non-bank provider for finance because of the trusted brand (35%), lower cost of capital (29%), and faster time to cash (21%).

   a. **Figure 3** Which of the following were the most important factors in your decision to access finance directly from a non-bank provider and/or channel?



10. **Hesitancy in using embedded finance solutions:** There is some reluctance to using embedded finance solutions.

    a. While three in ten say they would be likely to use these channels, just over half say they would be unlikely to.

    b. 17% are unsure whether they'd use embedded solutions from a non-bank business application, which suggests a lack of awareness rather than a definitively negative perception of embedded finance.

Fintechs are helping businesses to overcome these barriers through a variety of solutions and propositions. Fintech solutions can help businesses by:

- Powering infrastructure in financial institutions to help create new tools
- Creating more tailored and bespoke finance products for customers looking to expand internationally
- Helping businesses unlock the working capital they need with the financial products that are most relevant to them
- Supporting businesses to build resilience in their supply chains through data analytics
- Managing the cost of cross-border payment flows

This toolkit shines a spotlight on just some of these use cases, but the landscape continues to evolve.

Learn

How do I generate interest in my product and identify new markets?

Many businesses feel uncertain about exporting to international markets whilst also seeking robust relationships with their suppliers.

Whether you're just starting out as an importer or exporter, or already engaging in some international trading business, trade portals can provide detailed insight on international markets, trade networks and business opportunities, helping businesses to keep on top of the latest developments and trade overseas with confidence.

Trade portals are increasingly being offered by the major UK banks such as **Santander**, **HSBC**, and **Lloyds Bank**. Speak to your provider to learn more about how trade portals can support you in your international trade journey.

Spotlight: Lloyds Bank International Trade Portal – exploring new international trade opportunities and supporting businesses' export ambitions

How can the Lloyds Bank International Trade Portal help businesses identify new markets?

The Lloyds Bank **International Trade Portal** offers businesses an easy-to-use gateway to explore international trade opportunities and detailed market information.

1. **Making connections**
    a. Intuitive search to help you quickly find the best market for your product or service based on economic data or choose to focus on a specific country of interest.
    b. Database of buyers and suppliers organised by product and country, and their contact information to support you in making that first step.
    c. Trade show calendar for you to make important connections and showcase your business, complete with information on how to join and register.
2. **Exploring new markets**
    a. Country Profiles include a range of economic and market data, as well as cultural guidance on how to conduct business in the country.
    b. Calculate the cost of trade through intuitive customs calculators and view the shipping documents you need.
    c. Tender information, both public and private, available to browse, set up alerts, and respond.
3. **Keeping up with change**
    a. Brexit-driven changes will be updated in real time, with customs calculators allowing you to toggle between preferential and potential non-preferential tariffs.
    b. COVID-19 sections added to country profiles to keep you up to date with how each country is responding and recovering.
    c. Incoterms 2020 to help guide you through regulations and terminology.

The portal is open to all businesses and is **free to register.**

Case study

Beyond the Bean, a Bristol-based family company, used Lloyds Bank International Trade Portal to seek new markets to grow internationally

Beyond the Bean, a Bristol-based family company create and source innovative ingredients such as syrups, hot chocolate and frappés – as well as blenders and barista gear. They supply and support a wide range of national and international partners – ranging from high-street chains to independent coffee shops, to online retailers and coffee roasters, bars, hotels and restaurants all over the world.

The business wanted to find new products for their market to help boost their presence internationally and export to more markets around the world, ultimately growing their business as a result. Key to this was using the expansive data and insights provided by Lloyds Bank International Trade Portal to decide where it would be best for the business to target new markets.

Beyond the Bean have seen the Lloyds Bank International Trade Portal as –

- An essential tool for **exploring export markets** which is easy to use and saves the business time finding priority markets to export to
- A key tool in relation to Beyond the Bean **conducting due diligence** for targeting new international markets.
- An effective way of **researching their product ranges** by using their HS codes to calculate import tariffs, which enables us to check if there are any preferential tariff arrangements in place that will make us cost effective in market.

How do I access the right finance for my business and unlock working capital?

Trade finance is the financing of international trade flows. It exists to mitigate, or reduce, the risks involved in an international trade transaction.

There are two players in a trade transaction: an exporter, who requires payment for their goods or services; and an importer who wants to make sure they are paying for the correct quality and quantity of goods.

As international trade takes place across borders, with companies that are unlikely to be familiar with one another, there are various risks to deal with. These include[2]:

- **Payment risk:** Will the exporter be paid in full and on time? Will the importer get the goods they wanted?
- **Country risk:** A collection of risks associated with doing business with a foreign country, such as exchange rate risk, political risk, and sovereign risk. For example, a company may not like exporting goods to certain countries because of the political situation, a deteriorating economy, the lack of legal structures, etc.
- **Counterparty risk:** The risks associated with the company (exporter/importer): what is their credit rating? Do they have a history of non-payment?

To reduce these risks, financiers have stepped in to provide trade finance products. Traditional banks continue to play an integral role in the provision of trade finance. Alongside this, fintechs are also helping to create more finance options for businesses and helping them to access the most relevant financial product depending on their need.

2. Trade-Finance-Guide

An overview of trade finance products

Type of product/service	Benefits
Revenue-based financing – smaller businesses with an e-commerce focus can obtain financing based on a future sales forecast.	• Quick time to cash • No need for collateral or presentment of invoices • Repayment taken as a percentage of daily sales, in line with a company's cash intake
Letter of credit – a pledge to make a payment, issued by bank on behalf of its importing client.	• Reduces risk of non-payment • Secure method of settlement • Enable business to expand into new markets where other payment types could be risky
Supply chain finance – smaller businesses supplying goods to larger customers can receive 100% of the value of an invoice from a lender, minus a fee, once the buyer has approved its invoice and confirmed this with the lender. The buyer will then pay the lender the full value of the invoice.	• Supports continuing flow of goods • Businesses can be paid quicker – improving cash flow • Could see lower charges where a business can leverage the buyer's credit worthiness • Buyer benefits through extended payment terms
Factoring – a business selling its invoices to a factoring company (the factor). The factor will process the invoices and allow funds to be drawn against the money owed to the business. The factor will agree to advance a proportion of approved invoices with payments being made to the business. The factor then collects the payment on behalf of the business and chases payments as necessary.	• Means to fund rapid growth in sales and improve cashflow • Easier to obtain in some circumstances • Cost of financing can be lower • Not repayable on demand
Invoice discounting – accessing funds against a business's sales book. Business retains full control over the administration of sales ledger. Invoice discounter holds legal title to the sales book.	• Easier to obtain in some circumstances • Flexibility for re-payments • Business has control over collection of money and maintains customer relationship
Structured trade and commodity finance – specialised activity to finance high-value supply chains. E.g, pre-export finance, borrowing base facilities, revolving credit facilities, warehouse financing.	• Term can be up to five years • Suitable for cross-border commodity flows
UK Export Finance - UK government-backed finance and insurance products to support businesses to trade.	• Additional support in winning contracts • Working capital loans can help businesses fulfil orders • Insurance against non-payment also offered

For more information on access to finance, see CBI and EY's **Powering growth: An SME's Guide to Accessing Finance.**

The role of fintech

Today, SMEs have increasing levels of choice when it comes to accessing finance. Over the last decade, a wave of fintech disruption has resulted in the rise of alternative lenders serving the SME market, in addition to the traditional banking system.

These emerging platforms and digital lenders tap into a vast swathe of data, underpinned by emerging technologies (such as e-invoicing) and open banking regulations, to build a more up-to-date picture of businesses' health. As a result, businesses may qualify for more suitable, price-efficient products they otherwise may not have considered.

With the growth in types of financing products available to SMEs, it is important for each business to research the market and shop around in order to source the best deal available for their circumstances.

This section details examples of of how businesses have used fintech solutions to support their growth.

Case study

Harlow Group used Previse's InstantAdvance solution to ensure stability of working capital and improve their bottom line

Harlow Group, a metal fabrication company based in Essex, found that it needed to change both its market and the way it was selling its products.

Moving from being a subcontractor to making products and holding them on behalf of their customers meant a big change. It was great for their customers, as they were able to draw down the products when they needed them, but it put heavy strain on Harlow Group's cashflow. And, as with any industry that involves metal products, the high price of raw materials was a major setback. At one stage, Harlow Group hit £1.6 million in stock, WIP, and finished goods. Holding that level of stock meant there was a lot more working capital tied up in the business, unavailable to use.

Cash shortages can limit businesses by forcing them to:

- reject big orders because of upfront costs
- struggle to make big investments to scale up
- pay employee wages before issuing an invoice
- invest nothing into extra marketing or inventory even when it will drive guaranteed growth

How did InstantAdvance help?

Using **InstantAdvance**, Harlow Group could pre-order a larger quantity of raw metal products and lock in a better price.

This in turn meant that Harlow Group could take on both new customers and larger orders as they had a stable raw material supply. "The difference that it made was that we could now attract and service customers that we couldn't before" David Gordon-Smith, Director at Harlow Group says. "We needed short-term cash flow and the big advantage with Previse is that we can get it when we need it. It has been absolutely fundamental to our growth"

InstantAdvance helps businesses:

- Access short-term funding so they have cash on hand when they need it
- Bridge the gap between paying large, up-front expenses and waiting for customer payment terms
- Do more business with existing customers and take on new ones without being restricted by cashflow
- By providing flexible terms that mean the funding is only repaid when customers settle their invoices

Practical example:

Funding Circle helps small businesses expand internationally with efficient, smooth, and hassle-free funding.

Fintechs want to support small businesses as much as they can, to help them win. Although the current economic climate is challenging, having efficient access to finance is a vital part of laying the foundations for SMEs to invest and grow their businesses.

Small businesses request loans for a wide range of reasons, often including growth, working capital, investing in a new product range and to help with cash flow. Another example is international expansion.

Funding through lending platforms like **Funding Circle** can help small businesses realise their expansion ambitions. For example, a handmade art jewellery company was looking to expand internationally and came to Funding Circle following success in the UK. The business utilised its loan to fund some immediate-growth opportunities such as recruiting senior management to strengthen the expertise that the company needed to make inroads into international markets. The loan provided working capital to finance their growth forecasts, which subsequently exceeded 200% and fulfilled their plan to expand. Having expanded into the likes of the US, Saudi Arabia, Japan, and across Europe, the funding also supported the launch of local e-commerce for territories outside the UK.

Loans have also helped small businesses by providing working capital, for example, to finance expansion forecasts and assist them in building their brand.

How can Funding Circle help small businesses expand/realise their expansion goals?

- With its instant technology revolutionising the customer experience, borrowers can complete an application in six minutes, and receive a decision in as little as nine seconds.
- Provides a customer experience delivered through technology, machine learning, and data science, coupled with a human touch.
- Flexible loan terms available - ranging from six months up to six years - giving options to plan over the short or long term.

Case study

Sonovate supported Capu Search to create a business based on paying and managing contractors without any liquidity

Founded in March 2021 by Nathan and Duncan, CAPU is a specialist in permanent and contract recruitment for the medical technology and diagnostics industries. They wanted CAPU to be different.

Being a start-up meant the company had little to no liquidity. This was coupled with being in an industry where contractors had to be paid on time. Clients not paying on time would have significantly impacted their cashflow.

How did Sonovate help?

Sonovate ensured that CAPU's contractors got paid on time, no matter how fast the client pays. Placements are managed by CAPU using the Sonovate portal. It's a complete package for handling contractors. From day one they partnered with Sonovate for invoice finance and timesheet management.

CAPU can log onto the portal to see their placements, have sight of all timesheets submitted including their status, approvals, and the end dates for placements finishing so the busienss can see which jobs may need extending.

Sonovate integrates with all major accounting packages. CAPU uses Xero to manage invoices and finance, and the outsourced accountants find it a powerful combination. Accountants have access to Sonovate and can pull off reports. An invoice in Xero is generated for each timesheet. For CAPU, managing finances is easier. The business can pull-off quarterly intermediary reports from Sonovate that can be submitted to HMRC. This is usually a time-intensive task made much easier by Sonovate, by providing the right information, without needing to format it.

The business can now focus on its growth ambitions. CAPU is now looking to double its revenue year-on-year and can place more contractors safe in the knowledge that late-paying clients can't disrupt cash flow.

Optimising trade and finance flows

For businesses that already have a multinational presence and export internationally, managing multiple trade flows can often lead to inefficiencies. For larger corporates this might look like time spent logging onto multiple platforms to manage trade finance relationships, for example. Smaller businesses may struggle with effectively managing their foreign currencies when paying foreign invoices.

Fintech solutions can help bring about greater efficiencies.

Case study

Gymnamo used HedgeFlows to solve its post-Brexit importing challenges

Gymnamo sells specialist rhythmic gymnastics products imported from abroad, making them more available and affordable to UK consumers. When Brexit's new customs rules hit, Gymnamo could no longer get small quantities of orders shipped in quickly and regularly. The larger currency amounts involved, delayed shipping and ongoing volatility, led to cost instability for Gymnamo.

With **HedgeFlows,** Gymnano could automatically track exchange rates whilst preparing its purchase orders. With most of its orders coming in from Europe and Japan, the team at Gymnamo used the HedgeFlows platform to easily book guaranteed exchange rates in advance. This meant Gymnamo no longer had to block any of its cash. Instead, they used their pre-booked rate to pay the invoiced amounts on orders that were placed weeks or even months before.

What were the results?

- More stability in costs despite an unstable pound sterling – Gymnamo saved 7% on their last order as the pound collapsed
- No more calls to and from FX brokers with every new shipment
- Easy-to-use platform that gave Gymnamo the autonomy needed
- The pre-booked rate saved Gymnamo from having to raise its shop prices for UK customers; a crucial win for a business whose ultimate aim is to keep the costs of high-quality specialist gear down for UK customers

HedgeFlows have also provided two recent guides to support businesses manage their foreign invoices and currency risks –

1. **How to save money on foreign invoices** (suitable for small businesses)
2. **How to manage currency risks without breaking a sweat**

Practical example:

Using Komgo's digital trade finance solutions to streamline workflows

Komgo offers digital network and workflow solutions for the trade finance industry. Komgo removes the need for manual and paper-based processes, mitigates against fraud risk, and provides a benchmark data reference for the industry.

Businesses that have used **Komgo** manage to do additional business by using the platform.

Example tool: Trakk

- Trakk allows users to deliver secure digital documents which can be exchanged between multiple parties via email or other electronic means.
- Once a document is registered on Trakk, anyone can confirm the origin and content via a simple verification process.
- Trakk also integrates easily with a corporate's internal systems, to ensure that businesses are always working with trusted, genuine documentation.

Example tool: Digital Agent solution

- A big issue can be immobility, for example companies who still use frequently use email.
- Komgo's Digital Agent solution leverages existing tools like email and Excel to automate some of the most painful steps in the trade finance process.
- With little change management, borrowers and lenders can extract far greater value from their facilities.
- For the businesses, this benefits them by speeding up the trade finance process enabling faster drawings and better utilisation of credit lines.

Case study

JBM Freight used smart, integrated software by HedgeFlows to track and simplify its international payments

JBM Freight provides customers with a tech-enabled account management service for freight forwarding. Due to the untimely and unrelenting economic conditions in which it launched at the peak of the pandemic, JBM Freight was hit with the impact of Brexit, price increases for sea freight and containers, driver shortages, and then currency fluctuations. As a small start-up at the time, expensive desktop-based software used by its larger competitors was not within its reach.

JBM initially used a government grant to invest in a freight software solution, and then used **HedgeFlows** cloud-based technology to manage its international payments. JBM found that the HedgeFlows smart software integrated well with Xero, its cloud-based software for accounting. Using both systems together gave JBM the ability to pull international invoices and pay them directly without having to deal with any messy reconciliations afterward

What were the benefits?

- The JBM team is able to use the time saved to proactively build relationships with customers and better understand what they need from JBM. Alice, co-founder of JBM, is clear about how she spends the time that her team saves thanks to this technology – to meet and get to know more customers: *"Being more proactive. Going out to see the customers… Asking them what they need from us. When we're going out to get customers, it's very 'in person"*
- Transparent and easy-to-read technology that simplifies their international payments
- Easy integration with other cloud-based systems such as Xero
- Allowed JBM to carry on growing its young business at a seemingly impossible time in the UK

Spotlight: looking ahead to the digitisation of international trade

Looking ahead, the digitisation of the trading landscape promises to bring more opportunities to reduce cost and risk in international trading for business.

The Centre for Digital Trade and Innovation (C4DTI), created by the International Chamber of Commerce (ICC) United Kingdom, is a partnership between the private and public sector and a global initiative to accelerate the digitalisation of the trade system. As the UK's Electronic Trade Documents Bill is expected to be written into law by Parliament in 2023, the use of digital commercial trade documentation will soon be possible for the first time.

Switching to seamlessly transferable digital documents and a responsive data-driven digital infrastructure will make international trade faster, cheaper, and simpler for exporters and importers both in the UK, and around the world.

For example, in August 2022 Lloyds Bank produced the UK's first transaction utilising a digital promissory note purchase[3]. This was a key milestone in the digitisation of trade finance and reduced the speed of payment and paves the way for an increase in the use of promissory notes for a broad range of transactions. The digitisation and simplification of this solution opens this form of payment discounting to potentially millions of small businesses, improving their ability to manage their working capital and the cashflow of their suppliers by fulfilling invoices more quickly.

This is just one example of how fintech capabilities are being leveraged by larger financial institutions to make trade easier, more productive, and cheaper for businesses.

3. **Lloyds Bank completes UK's first digital promissory note purchase**

"Embedded finance solutions take advantage of the unique positioning of digital platforms where SMEs do most of their business"

Be inspired

What are some of the emerging trends in the international trade and finance space that I need to be aware of?

Spotlight: Embedded finance

The demand for faster, more agile, and more tailored trade finance solutions across industries and sectors is driving corporate banks to embark on a digital transformation journey to change how they position themselves to meet new customer needs.

Traditional relationship models are being reimagined through digital transformation – creating a shift away from traditional relationship management to an increased focus on being connected to customers through digitally powered platform players, be they in-house or third party. The key is to meet the customer where they are doing business.

The objective is not to completely remove the relationship manager from banks, but to increase their ability to make informed, flexible, and bespoke decisions – fast. By developing their position as a platform provider, banks will be more able to automate and accelerate trade finance processes. Ultimately, this will lead to a more efficient financing ecosystem for businesses to obtain tailored finance products fit to their needs.

Banks to Platforms – ICC TRADECOMM™

To this end, the ICC TRADECOMM™ marketplace, powered by Finastra, aims to reduce trade finance barriers for SMEs and enable all parties to benefit from improvements in matching supply and demand, ultimately decreasing the global US$1.5 trillion trade finance gap.

Ecuador has been chosen as the pilot market for ICC TRADECOMM™. During the pilot, bank and non-bank financers are given the opportunity to finance local SME invoices via a risk-based approach. The focus will be on engaging with early adopters in region to support local platform development, with the goal being to bring the solution to all SMEs and financers there.

New markets for additional pilots have already been identified and will be revealed soon.

Spotlight: Moving from products to outcomes

Today, SMEs in the UK can face challenges in timely access to financing. This can be due to an asymmetric information problem between traditional suppliers and demanders of funds. Some funders still rely on underwriting models that use generalised, industry-agnostic data points when making decisions on whether to approve a corporate loan.

Funding processes can be time-consuming for SMEs, with business owners having to compile data from many different sources before submitting them to a funder, which may result in slower turnaround times and low approval rates.

Embedded finance solutions take advantage of the unique positioning of digital platforms where SMEs do most of their business, for instance e-commerce platforms where merchants sell their products to a global client base. Utilising the unique insights into the health of businesses on these platforms, embedded finance providers can deliver tailormade financing offers as part of their core business processes on platform.

Case study

Liberis helps Nets deliver a value-added financing service

The challenge: differentiating the core proposition while creating real value for customers

In early 2019, with acquiring and terminal markets gradually moving towards commoditisation, and SMEs ever-increasing need for growth financing, Nets understood the importance of looking at Value Added Services (VAS) as a way to differentiate its proposition and create additional value for its customers.

As the European industry started exploring embedded finance, Nets was at the forefront of this innovative journey in the Nordics. Nets quickly realised such a service could help their customers overcome challenging business conditions, as well as develop their business further, therefore enabling Nets to retain them in the long run.

The solution: an embedded financing service

With almost $1bn funded to businesses globally via its technology, Liberis was able to use its knowledge and experience of transaction-based financing to offer Nets a comprehensive service.

- Liberis provides the initial capital and takes the financing risk, helping Nets to offer financing services without having to lend to businesses directly.
- Leveraging Liberis' and Nets' core expertise gave the partnership the ability to develop an integrated embedded offering, while at the same time having the agility to launch within six months from when the opportunity was first evaluated by Nets.
- By establishing local languages support centres, Liberis was able to fully support a multi-country expansion and adapt to the diverse Nordic market conditions where Nets operates.
- The embedded nature of merchant financing meant repayments were collected automatically by Nets on behalf of Liberis from the merchant's card transactions. This seamless process ensured the flexibility of customers' repayments, as they adjust and flow in accordance with the merchant's cash flow.

The result: helping merchants thrive

With consistent three-digit year-on-year growth since launch in 2019, the Nets-Liberis partnership has created an offering that has proved to be one of the fastest growing VAS in the business, and has resulted in a number of benefits:

- Improved Nets customers' access to financing solutions while smoothly blending into Nets proposition - with approval rates above 80%, Liberis has helped Nets merchants to grow and thrive under the varying market conditions we have seen in the last few years.
- Demonstrated benefits to customers, with a major share of financed businesses returning for further financing after trying this service the first time.
- Boosted Nets brand image, with more than 80% of the surveyed customer having used the product recommending Nets to fellow merchants.
- Strengthened Nets' position in retaining customers: merchants having used financing have been measured to be three times less likely to churn than the average Nets acquiring customer.
- Created more business to both Nets' customers and Nets, with an estimated average 10% increase in transaction volumes from merchants that have used financing.

Take Action

Successful partnerships – five-steps you can take to maximise partnership value when adopting fintech solutions

Over the course of the CBI's Winning with fintech campaign, we have spoken to a number of businesses and fintechs on how financial technology partnerships can be maximised and how both parties get the most out of this relationship. The steps below can help you start this journey and consider how you can work more closely with fintechs.

1. Know your needs
    a. Assess partnership opportunities based on the capabilities you need but don't have
    b. Focus on where a partner can help you create more opportunities and grow your business or materially impact existing operations
2. Partner sourcing and selection
    a. Don't wait for inbound requests; develop a proactive scouting capability and establish a partnership thesis for each partnership upfront
    b. Understand all the benefits which a fintech provider can offer
    c. Screen potential partners for suitability/fit, pilot and test before completing
3. Design
    a. Design partnerships that drive real value – define joint goals and identify which structure is required to maximise value for both parties
    b. Create a winning situation for both parties: make your needs clear, so your partner can produce bespoke solutions to meet those needs
4. Partnership management
    a. Put 80% of the effort on the 10% of partnerships which matter, and clearly delineate what resources are required for success
    b. 'Course correct' as needed: refresh the partnership strategy, realign with partners and adapt operating model
5. Build a repeatable partnering model
    a. Design an operating model that is recognised strategic muscle and a competitive differentiator
    b. Learn from the partnerships created

"Design partnerships that drive real value – define joint goals and identify which structure is required to maximise value for both parties"

Glossary of terms

A full list of international trade terms can be found here – produced by Department for International Trade (DIT)

Accounts receivable Money owed to a company by its customers for products and/or services the company has provided.

Asset-based lending A form of Trade Finance that allows businesses to leverage its assets as collateral for a loan

Banking as a Service (BaaS): The provision of banking products and services through third-party distributors

Blockchain: A decentralised, distributed ledger (or database) that records the origin of a digital asset

Cash flow A measure of the amount of funds coming into a business over a given time period (e.g., a month)

Cloud provider Delivers hosted services over the internet (e.g., server storage, software, analytics)

Commodity A good sold for production or consumption just as it was found in nature

Cross-border payments Financial transactions where the payer and the recipient are based in separate countries, often involving multiple types of currency

Embedded finance When non-financial companies offer their customers access to credit through their technology platform

FinTech Short for financial technology

Invoice discounting A type of finance that is drawn against a company's outstanding invoices but does not require that the company give up administrative control of those invoice

Invoice factoring A type of finance where a business sells some or all of its outstanding invoices to a third party to improve cashflow and revenue stability

Invoice financing When a lender uses an unpaid invoice as security for funding, giving businesses quick access to a percentage of that invoice's value

Letter of credit A document issued which authorises the seller to draw a specified sum of money under specified terms

Risk management The process of evaluating and managing current and future financial risk to reduce a company's exposure

Software as a Service (SaaS) Allows a cloud provider to host applications and make them available to end-users over the internet

Supply chain finance Technology-based solutions that aim to lower financing costs and improve business efficiency for buyers and sellers linked in a sales transaction (e.g., automating transactions and tracking invoice approval)

Trade finance An umbrella term that covers financial instruments and products used to facilitate international trade

White label platform Software that can be rebranded and used by another company

Working capital A measure of a company's liquidity and short-term financial health

About the CBI

Founded by Royal Charter in 1965, the CBI is a non-profit business organisation that speaks on behalf of 190,000 UK businesses of all sizes and from across all sectors, employing nearly 7 million people between them. That's about one third of the private workforce. This number is made up of both direct members and our trade association members. We do this because we are a confederation and both classes of membership are equally important to us.

The CBI's mission is to promote the conditions in which businesses of all sizes and sectors in the UK can compete and prosper for the benefit of all. With offices around the UK (including in Scotland, Wales and Northern Ireland) and representation in Brussels, Washington, Beijing and Delhi, the CBI communicates the British business voice around the world.

Our mandate comes from our members who have a direct say in what we do and how we do it

The CBI receives its formal mandate from 9 Regional Councils, 3 National Councils from Scotland, Wales and Northern Ireland plus 16 sector based Standing Committees. These bodies are made up of members in that region, nation or sector who serve a term of office. The chair of each Standing Committee and Regional and National Council sit on the CBI's Chairs' Committee which is ultimately responsible for setting and steering CBI policy positions.

Each quarter this formal engagement process across the CBI Council reaches over 1,000 senior business leaders across 700 of our members who have a direct say in what the CBI do and how they do it, from refreshing their workplan to discussing the key business issues of the day and re-calibrating its influence. Over 80% of the businesses represented on the CBI Council are outside of the FTSE350 as the CBI represents a wide range of sizes and sectors from the UK business community. This formal governance process is supported by a wide range of working groups, roundtables, member meeting and events that makes the CBI unparalleled at listening to and representing British business.

CBI Council in numbers

1000+

Committee and Council representatives

28+

Regional and National Council and sector based Standing Committees

50%

Representatives of the CBI Council at C-Suite level

80%

Of the CBI Council from non-FTSE 350 businesses

To share your views on this topic or ask us a question, contact:

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