

# Counting the cost

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*of Smart  
Currency  
Exchange  
explains  
how using a  
specialist to make  
international  
payments could  
save your business  
money and bring  
some welcome stability  
to your cash flow*



**Y**ou can't work in the jewellery business without being keenly aware of the dangers of fluctuating prices. At the beginning of 2011, diamond prices rose by 40 per cent, only to give up half of that price rise with a 15 to 20 per cent fall in August/September – this type of price movement can make budgeting for the future more than a bit tricky. With this continual uncertainty over the price of raw materials, it makes sense to have as much control as possible over those costs that you can manage.

Another uncertainty that businesses making regular international payments have to deal with is currency exchange rates. One of the many repercussions of the global economic crash of 2008 is that previously stable currencies have since fluctuated in value to a much greater extent.

## How exchange rates can affect your business

So how does this affect your business? Let's say that last month you agreed to buy €10,000 of raw materials from a European supplier. Let's look at how much you would have to pay to settle that contract, on two different days:

20 February: £8,316

24 February: £8,506

The change in the pound/euro exchange rate means that you could have lost £190 in under a week, simply by delaying paying the invoice by just four days.

The problem is exaggerated if we look over a slightly longer scale:

28 October 2011: £8,821

9 January 2012: £8,224

In just 10 weeks, our €10,000 contract has decreased in cost by almost £600 – that's a seven per cent difference in price.

## But what can you do about it?

Faced with this instability, many companies take the sanguine view that "no one knows where the markets are going so there's no point in worrying about it – we'll just take whichever rate is offered at the time."

There is an element of truth in this – predicting the movement in the market can be difficult, even for the experts – but there are ways that you can limit the effects of these changes. The simplest change you can make is to use a currency specialist to exchange your money, rather than buying your currency through a bank.

The benefits of using a specialist foreign exchange company rather than a bank are numerous. Let's run through a few of them:

### Reduced or no transfer fees

International bank transfer fees