Buying into Better Ecommerce

Include sales tax automation in your platform strategy

Ecommerce sales are expected to exceed $296 billion in 2014.[1] With that level of consumer spending, it's not surprising that more retailers are adding or expanding web sales as part of their growth strategy. Online shoppers now spend more than half their time on retail sites on smartphones and tablets.[2] Providing an omnichannel experience is no longer a nice-to-do. Retailers have to scale operations and converge systems to keep consumers happy.

As you grow your business to include more locations and higher volume of sales, it will likely increase the complexity of your transactions. An ecommerce system allows greater visibility and control over your business processes and ensures better compliance across retail operations.

A new research report, *Digitizing the Store*,[3] found that most retailers understand this shift in thinking. A vast majority (80 percent) expect to invest in new technology over the next three years, with a two-to-one preference for ecommerce software over traditional point-of-sale systems.

The Changing Landscape of Commerce and Compliance

In the last decade, ecommerce has grown leaps and bounds. More consumers are going online to research and make purchases, manage finances and self-serve on personal affairs such as travel and medical care.

This "digital revolution" has led to stricter standards about how we handle consumer information through legislative controls like Payment Card Industry Data Security Standard (PCI DSS), Health Insurance Portability & Accountability Act (HIPAA) and the Marketplace Fairness Act (currently pending). These standards mitigate how information is processed and reported, for example, how cardholder data is protected or whether sales tax should be charged for online purchases.

A properly deployed ecommerce system has the capability to handle these compliance activities with a high degree of accuracy and reliability. However, integration is critical. Implementing new systems can result in data fragmentation, with transactional and customer information making its way into multiple locations, often in pieces. This can have a major impact on customer service and also on your ability to stay compliant in all areas of your business.

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[1] U.S. Department of Commerce
[2] ComScore
[3] *Digitizing the Store: The Next Wave of Online and Offline Convergence*, National Retail Foundation, Demandware, University of Arizona

Take the time to understand how your partner and third-party vendors integrate with your new system and choose ones that are pre-certified, integrate quickly and easily and have a solid track record of service and performance.

Ecommerce systems also offer flexibility to increase functionality as your business grows. For example, you can add an integrated shopping cart, order and payment processing, inventory management and email marketing. And don't forget about sales tax.

Transactional tax is a critical piece of the overall compliance puzzle. Yet, it can often be overlooked during implementation. This is primarily due to companies not fully realizing the impact that improperly handled sale and use tax can have on the business or customer service. It can even trigger an audit.

The Taxing Process of Manual Tax Management

Most ecommerce systems have built-in sales functionality to handle transactional tax, but it's very basic. Retailers often believe this process is automated when, in fact, it still requires manual effort.

Tax management is difficult, especially when your business involves selling online or in multiple states, adding more locations or remote employees.

Without adding full sales tax automation, you will still have to upload rate tables, enter and track sales tax schedules in each applicable city, county, and state as well as update rules, rates, and boundary changes. Address validation functionality is limited to ZIP codes, which aren't always accurate, leading to wasted time tracking down correct addresses and contact information and charges from carriers for undeliverable items.

Any accounting manager or controller will quickly agree that manual sales tax management is difficult, especially when your business involves:

- Selling online or in multiple states
- Buying, selling or reselling multiple products or services that could be taxable at more than one rate
- Adding more locations or remote employees
- Relationships with resellers or affiliate partners

It's not just complexity that makes this practice flawed. Sales and use tax rates and rules are constantly changing at local, state, and federal levels. With more than 12,000 taxing jurisdictions, 100,000 tax rates, and more than 9.9 million taxability rules related to products and services, it's nearly impossible to ensure the right tax is calculated and collected on every transaction.

Take, for example, the sales order and invoice entry process. In the standard ecommerce set up, you are required to choose the tax tables to apply to a transaction. If you don't know how tax should be applied, the risk of choosing an incorrect tax rate is highly possible. Yet the burden of accuracy falls on you in the eyes of the tax jurisdiction.

The truth is, if you are attempting to handle sales and use tax compliance manually, you are expending valuable time, energy, and money on activities that are not generating revenue. At the same time, you expose the business to unnecessary financial risk from an audit. The good news is that it is simple and straightforward to add automation to your ecommerce system.

Automation is the Answer

Despite the prevalence of new technology, end-to-end tax compliance – whether sales tax calculation, managing exempt sales or audit-ready transactional reporting – continues to be a challenge for most ecommerce companies.

A sales tax management solution that automates compliance can make this process simpler. Avalara's AvaTax solution integrates with hundreds of ecommerce systems, so no matter which system you employ, it's highly likely that AvaTax will be a certified turnkey solution for your business.

When you turn on AvaTax, the tax decision engine delivers instant address validation and sales tax calculation across multiple states and tax jurisdictions. Geo-location mapping (similar to GPS technology) calculates sales tax "down to the rooftop" with exact longitude and latitude for each transaction so the right tax is collected each and every time. And advanced processing logic manages complicated tax issues such as situs, nexus, tax holidays, exemption certificate management and product taxability rules.

Avalara manages the updates, hosts them in the cloud and serves them to your ecommerce system in real time, without disrupting workflow. Information is centralized and easily accessible along with comprehensive reporting capabilities.

Best of all, automating sales tax compliance frees up resources to focus on building the bottom line. Which, after all, is the whole point of growing your business.

Manual sales tax compliance stunting your growth?
- Talk to your administration partner about adding AvaTax to your Ecommerce system
- Go with a trusted provider like Avalara to automate sales tax compliance
- Seek counsel from Avalara Professional Services world-class tax experts

A sales tax management solution that automates compliance can make this process simpler.

Thousands of companies have turned on tax compliance in their ecommerce system with AvaTax. Here's what some of them had to say:

"We were growing as a company and in retail locations when we decided it was time to update our logic and have an automated system that would calculate the rates for that retail location for us. We're about three years into Avalara AvaTax and it works very well for us…"

– Bernie Garduno, Sales Tax Manager, Crocs

"As we grew, our affiliates created a presence for us in new states. We knew we couldn't be tax experts in every state. We needed a company to provide that expertise. I did my homework. I looked at several possible solutions that could give us accurate sales tax calculation and reporting. In the end, I selected Avalara."

– Bob Romano, Vice President of Finance, Life is Good

"The pinpoint accuracy we get with Avalara AvaTax is impressive. It isn't just zip code + 4, like many other solutions offered. Avalara AvaTax breaks everything into specific jurisdictions and target areas. Because our processes are now 100% accurate, we sleep better at night knowing that we're in compliance. Avalara AvaTax eliminates any potential for manual mistakes."

– Scott Vogel, CFO, David Yurman Corp.

About Avalara

Avalara makes sales tax compliance simple and automatic for thousands of customers every day. Its SaaS-based, sales tax and compliance automation software solutions span the compliance spectrum; each year these solutions deliver billions of tax decisions, manage millions of exemption certificates, file hundreds of thousands of sales tax returns, and remit billions of tax dollars to states nationwide.

Recognized as one of America's fastest growing technology companies, Avalara is integrated with leading ERP and ecommerce software systems that serve millions of small to medium sized businesses. Founded in 2004 and privately-held, Avalara's venture capital investors include Battery Ventures, Sageview Capital and other institutional and individual investors. Avalara employs more than 500 people at its headquarters on Bainbridge Island, WA and in offices across the U.S. and in London, England and Pune, India. More information at: www.avalara.com

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