**Best Practice Guide:**

# 4 Pillars for Embedding Tax Management and Compliance into Financial Processes

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## Introduction

Retailers are hard at work driving innovation, identifying new engagement strategies and nurturing big ideas into reality. And with shifting consumer expectations and a highly competitive marketplace creating fresh needs and new moments of opportunity, brands have a unique window to deliver products to specific shopper segments through new selling channels.

But before executives can transform their organizations to capitalize on the retail paradigm of the future, they need to elevate their existing tax and compliance strategies to align with a more sophisticated business environment that includes:

- Increasingly complex tax and reporting structures across multiple jurisdictions
- Growing compliance requirements at the state, regional and national levels
- Goals calling for greater agility to swiftly pivot when opportunities appear
- The need to develop real-time insight into financial, operational and supply chain performance.

**For retailers focused on growing forward, several strategies are key to positioning your brand for success:**

- Elevating processes and technologies
- Increasing agility and integration
- Developing forward-looking capabilities
- Enhancing compliance and reporting functions.

In this best practice guide, we'll outline four pillars retailers should leverage to enhance their tax strategies, build more efficient reporting workflows, optimize their supply chains and streamline operational activities. We'll also offer a checklist of key considerations retailers can use to assess potential tax and compliance partners as they position their organizations for the future of retail.

# PILLAR 1: Processes and Technologies

Slow or outdated processes and technologies hamper retailers' ability to develop the best-of-breed financial capabilities necessary to keep pace with increasingly complex business needs. Without the right tools in place, you'll find it difficult to efficiently move data between key systems, optimize the elements within your supply chain and identify revenue opportunities.

In some cases, existing constraints have their roots in the siloed structure that persists within many retail organizations. As traditional brick-and-mortar brands expanded their businesses — first into e-commerce and then into mobile, marketplaces and other selling arenas — they launched each channel with its own systems and processes.



"An architecture that still delineates channels within their own silos really paints retailers into a corner. All of those separate systems make it difficult to move and leverage data, which is the backbone of achieving true visibility and a holistic view of your entire enterprise."

- Peter Olanday, Director of Retail Consulting, Vertex, Inc.

Inconsistencies and wasted motions quickly multiply in siloed environments. For example, brands struggle to measure and forecast financial performance. They also may suffer from inefficient reporting functions, inaccurate tax calculations and an inability to transform quickly enough to seize a competitive advantage.

Implementing well-developed technologies and workflows that align with industry best practices is crucial in gaining the insight you need to make smarter and faster business decisions. With forward-looking financial capabilities, you can position your organization to pursue new innovations and drive revenue in an increasingly competitive marketplace.

# PILLAR 2: Agility and Integration

To build a more holistic view of the brand, retail leaders need to support the development of an integrated and agile technology environment. **Begin by addressing these three key areas to gain the capabilities you need to move your business forward:**

## 1. Item and pricing management

Only when you can provide meaningful product attributes at every touch point will you optimize sales. A highly capable item and pricing management solution will enable you to present the unique features and service differentiators that make customers want to purchase what you sell. The right platform will also deliver powerful reporting functionality to help you better understand the most relevant metrics, including catalog performance, profitability and marketing campaign success.



### Almost $3 billion

The cost of missed sales across the top 10 most common sold-out CPG items.

Source: Supermarket News, "NielsenIQ: Out-of-stocks During Pandemic Lead to Billions in Missed CPG Sales," March 24, 2021

## 2. Warehousing and inventory management

You need responsive, flexible systems to ensure accurate inventory at stores and in warehouses, and that replenishment happens at the right time and with the right items. Avoiding stockouts and overstocks requires technology solutions that empower you with real-time visibility into inventory levels at every location in your network — stores, warehouses, fulfillment centers and even third-party partners.

## 3. Omnichannel support

Disconnects anywhere within your infrastructure will make it difficult to deliver a seamless experience across every channel. To compete against digitally native e-commerce titans, established brick-and-mortar brands and marketplace newcomers, you need a way to enable access to every element of your business across multiple touch points including web, mobile, e-commerce, in-store, through apps and on third-party sites. You also must process tax consistently and accuracy across all those channels to support your omnichannel business.

> "To deliver the best shopping experience possible, retailers should craft a personalized journey that's supported across every channel. When everyone in the organization is enabled with real-time customer, inventory, fulfillment, pricing and tax information, each step in that tailored journey is frictionless, and your backend data remains in sync."
>
> - Asad Ahmed, Principal Industry Solution Advisor, Retail, Oracle NetSuite

# PILLAR 3: Forward-Looking Capabilities

Propelling your business from where it is today to where you want to be tomorrow is fraught with questions and concerns including:

- Have you outgrown your accounting solution?
- Can your current platform support your future compliance needs?
- Is your ERP ready for the next stage in your brand's transformation?
- Can you support modern use cases everywhere across all channels, such as edge computing?

The ability to integrate your primary systems, automate repetitive tasks, and maintain visibility into your operational efficiency and financial health are key competencies for growth.

Retail executives need to be aware of the red flags that indicate their organization is prepared to grow but their technology stack is not.

> **70%** of retailers plan to increase their investments in digital technology from the previous year.
>
> Source: EY Capital Allocation Survey, 2021

Consider if **your financial monitoring and reporting actions rely heavily on spreadsheets** or other manual processes. These outdated workflows are too time-consuming and error-prone to move your business into the next stage of its evolution. You'll also lack current insight into your financial performance. Because outdated accounting systems focus on past actions, they run behind on providing the up-to-the-minute figures you need to understand cash flow, identify waste, optimize revenue and make solid strategic decisions.

Evaluate whether **your tax engine falls short in supporting real-time calculations in every channel.** For instance, if your solution can't scale to maintain parity between the way physical stores charge for product categories and the rates used in your online channels, then you're not in a good position to grow. You may find yourself losing money on sales when the amount you're collecting from customers falls below your remittance obligations. These limited platforms also hinder your ability to embrace new channels and manage growing sales volumes.

Review your processes to see if they **require jumping between multiple systems** to confirm inventory, input orders, review demand planning, check on supplier deliveries and generate financial and compliance reports. Not only is this type of workflow disorganized and wasteful, it's also a recipe for data entry errors and poor information sharing between different functions. Through eliminating backend bottlenecks and streamlining core tasks, you will elevate your operational model to enter new markets, drive innovation and capture more sales.

# PILLAR 4: Compliance and Reporting

"Data privacy, accounting practices and omnichannel selling all make the landscape more complicated for retailers, particularly as they expand their selling footprint. Things like multicurrency management, comprehensive language support and configurable tax engines that work in every region become a priority."

- Asad Ahmed, Principal Industry Solution Advisor, Retail, Oracle NetSuite

Compliance has grown increasingly complex in recent years, and there's no indication that this trend will slow any time soon. Retail leaders must consider how these intricacies impact their plans to expand, widen their omnichannel presence, participate in different marketplaces, and engage customers in new and exciting ways.

**Brands should consider these three areas as they assess their compliance posture and reporting capabilities:**

**Data privacy:** Requirements around data privacy have become more nuanced, with jurisdictions enacting their own legislation and different areas demanding unique measures and reporting functionality. Meeting a mandate in one place — whether it's an individual state, at the national level or across an economic region — doesn't mean you're compliant anywhere else. Retailers seeking to enter new markets or widen their presence in existing markets need to know how

their growth plans will change their data privacy requirements.

**Accounting and financial:** Regulatory guidance for financial compliance continues to evolve, and brands must understand which rules apply to them, and which rules are likely to apply in their future based on their transformation strategy. Depending on where your brand operates, you may need to adopt Generally Accepted Accounting Principles (GAAP) standards, International Financial Reporting Standards (IFRS) or both. You must commit to developing the internal capabilities to meet your reporting and compliance obligations early in the process. Additionally, you will need leadership buy-in to adopt and integrate the right tools within your organization.

**Tax collection, reporting and remittance.** Tax calculation and collection are anything but straightforward. Many municipalities, stung by the decrease in tax monies coming in during the pandemic,

launched new tax structures — or expanded and increased existing structures — to help offset losses and capture new revenue streams. The Supreme Court's *Wayfair* decision also introduced changes dictating where retailers must collect, remit and report tax. Maintaining awareness around evolving tax laws and jurisdictional requirements is an intricate and time-sensitive undertaking. Retail executives can help meet the organization's obligations by developing a relationship with an experienced partner who can deliver powerful tax management technologies and services that help you remain compliant.

"Accounting for a customer journey that crosses multiple channels requires capabilities at several layers. What if a shopper purchases an item online and picks it up in-store? Or they bought something at a local shop, and they want to return it by mail? Maintaining tax compliance, consistent calculations and accurate reporting in an omnichannel environment is nearly impossible using legacy technologies or manual reconciliation processes. Retailers simply cannot scale those outdated workflows as their customer base expands and new selling channels emerge."

- Peter Olanday, Director of Retail Consulting, Vertex, Inc.

## New Vendor Checklist

**Use this handy guide to ensure potential tax and technology partners can deliver the features and capabilities you need to transform and grow your retail organization.**

✓ Consider the vendor's ability to help you identify and eliminate process and infrastructure roadblocks that may hinder your transformation.

✓ Look for features that enable you to eliminate data silos and streamline information sharing among different systems and cross-functional groups.

✓ Prioritize integration capabilities between key tax, compliance, ERP and operational systems.

✓ Inquire about the depth of the provider's developer network to ensure you gain access to best-in-class solutions designed to work alongside your primary platforms.

✓ Ask about your potential partner's experience helping retail enterprises elevate their tax and compliance programs.

✓ Assess the scope of the vendor's automation capabilities and confirm they align with your strategy to enhance your existing workflows.

✓ Understand the expertise and services available through the provider to support your evolving compliance and reporting obligations.

✓ Make sure the vendor has in-house expertise and comprehensive pre- and post-implementation support services.

✓ Evaluate how the vendor can assist in tackling new selling strategies with capabilities such as support for on-premises, cloud and hybrid services.

## Solidify Your Grow-Forward Plan

The retail landscape is experiencing a rapid transformation. Forward-looking retailers who deliver consistent and frictionless experiences across preferred channels and have the agility to take advantage of new sales opportunities will position themselves ahead of competitors and expand their brand's equity. By properly integrating tax determination and compliance into their financial processes with the right technologies and trusted partners, retailers can grow forward into a bright future.

Together, Vertex and NetSuite provide solutions that enable retailers to better manage and support their businesses today and tomorrow. With a full suite of integrated solutions, they are trusted by many of the world's leading brands, providing technology and services to help customers increase efficiency and become more agile, enabling them to confidently capitalize on new market opportunities.

Vertex offers a full suite of Built for NetSuite validated solutions, including integrations with NetSuite ERP Legacy (Single Company and OneWorld), SuiteTax and SuiteCommerce, empowering businesses to automate their back-office business processes and streamline order-to-cash transactions. And as the leader in tax technology for more than 40 years, the team of experts at Vertex can help retailers to keep pace and remain compliant with fast-moving changes in global, regional, and local tax and regulatory requirements.

Partnering with Vertex and NetSuite will enable your company to conquer future regulatory and technology challenges, so you can focus on your core business and capitalize on new market opportunities.

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**Vertex Inc.,** is a leading global provider of indirect tax software and solutions. The company's mission is to deliver the most trusted tax technology enabling global businesses to transact, comply, and grow with confidence. Vertex provides solutions that can be tailored to specific industries for major lines of indirect tax, including sales and consumer use, value added, and payroll. Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,200 professionals and serves companies across the globe.

To learn more, visit VertexInc.com.

## ORACLE NETSUITE

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