



Strength in Numbers

Harnessing the Combined Value of Vertex, NetSuite and Shopify



To thrive in a risk-laden global business environment, companies must operate in a forward-looking and risk-intelligent manner. This organizational capability, often referred to as business agility or resilience, requires enabling components such as:

- Collaborations across finance and accounting, information technology (IT), tax, commerce operations, e-commerce and other parts of the business;
- The ability to rapidly deploy advanced supporting technology systems, including enterprise resource planning (ERP), e-commerce, and tax automation solutions; and
- An automated, control-centered risk management and indirect tax compliance capability that sustains compliance in the face of emerging business needs, a changing technology systems environment, and evolving global tax compliance regulations, rules and rates.
- The accurate, consistent determination, calculation and application of tax across multiple systems and processes.

These activities and capabilities must keep pace with changing customer needs and expectations, particularly those related to how, when and where buyers want to shop, purchase and return items. Because customers want their purchasing activities to occur in different locations and channels, retailers must ensure the consistency of pricing and the customer experience, regardless of which systems and applications customers use.



This explains why so many retail, consumer goods, food & beverage, health & beauty, technology, manufacturing, and wholesale and distribution companies develop, deploy and continually enhance omnichannel operations that deliver a consistent experience to customers regardless of whether they shop, purchase and return online, in-store, or via mobile devices. Omnichannel proficiency requires a holistic mindset, end-to-end process-management, a modern approach to commerce operations (e.g., composable and cloud-based) and the following types of automation:

- An ERP system that serves as the backbone of the business while handling finance and accounting needs, supporting activities throughout the order-to-cash and procure-to-pay cycles (including inventory management, order management and invoicing), and data that supports customer relationship management (CRM) activities;
- An easy-to-use, highly scalable e-commerce platform that offers customizable storefronts, payment processing, customer analytics and more; and
- A single global tax engine (with global compliance, e-commerce, marketplace and edge computing capabilities) that can integrate seamlessly with the ERP and e-commerce systems to ensure accurate and consistent indirect tax determination and calculation on all transactions – regardless of when, when and/or where businesses engage with their customers.

To optimize the combined value of these automation investments, finance, e-commerce, IT and tax groups should:

- Understand evolving business and customer expectations along with other risks;
- Leverage their technology investments to remove growth barriers and future-proof the business by optimally addressing threats and opportunities; and
- Seamlessly integrate ERP, e-commerce and tax automation solutions to ensure consistent customer experiences, pricing, tax calculations and performance across different systems, channels and geographies.

Risks, Opportunities and Taxes

Today, organizations commonly pursue growth by:

- Elevating the customer experience while keeping pace with changing customer expectations;
- Enabling and enhance omnichannel operations;
- Developing innovative products and product lines, expanding product catalogs, adding new services to existing products, and entering new geographies; and
- Acquiring other companies.

To perform those activities, organizational must navigate obstacles inside and outside their four walls, including new regulatory and tax compliance requirements; talent and resourcing challenges; bandwidth challenges; spikes in transaction volumes; and cost-optimization mandates.

Indirect tax compliance figures prominently throughout most of those obstacles and opportunities. Before they are sold, new products must be mapped to the correct tax category; any delays in that mapping process heightens tax compliance risks. Changes to the mix of product SKUs carried in inventory (due to seasonal and/or performance factors) as well as changes to packaging, quantity, size and ingredients, pose tax compliance challenges.

Business consolidations also create tax compliance challenges. Following a merger or acquisition, finance, IT and tax teams must ensure that:

1. Newly acquired systems are integrated so that processes and tax determination can be applied consistently and accurately; and
2. Operation in new geographic regions and/or via any additional sales channels can be accounted for.

When a company enters a new region, country or state — or creates a new channel, or expands existing product inventories — tax groups must identify and understand relevant indirect tax rules and rates, and then accurately apply them. When that work is conducted too slowly, manually or otherwise ineffectively, it exposes the organization to tax-determination errors, heightened audit risks, and/or sales delays in the new location.

This tax compliance speed and scalability has larger, more strategic implications as global tax authorities embrace e-invoicing and real-time reporting mandates.¹ E-invoicing requirements help governments reduce tax evasion, decrease carbon footprints and track revenue in real time. While e-invoicing benefit businesses (via more efficient payment processes, shorter invoice cycle time and lower error rates), complying with these requirements requires substantial work. This work often includes the design and implementation of new processes, the deployment of new supporting technology, extensive cross-functional collaboration, and adjustments to relationships with customers and vendors. Data governance, which ensures quality and accuracy, is also crucial: getting the tax right at the checkout supports all downstream processes and needs.



¹ <https://www.vertexinc.com/en-gb/resources/resources-library/vat-digital-age-part-1-eu-e-invoicing-requirements-when-not-if>.

Organizational Challenges and Systems Implications

Most business trends, risks and challenges ultimately require organizations to operate faster and more nimbly while sustaining risk management and compliance amid ongoing changes.

The higher-level pursuit of organizational agility translates into distinct, more specific needs within each business group:

- **Finance and accounting:** In addition to managing accounting, treasury, banking, investor relations, regulatory compliance and reporting activities, finance groups also oversee data-driven financial planning & analysis (FP&A) activities. Many parts of the organization rely on these analyses and reports – and ERP systems play a crucial role in the execution of this mandate. The ERP system provides a secure, centralized and standardized repository for all transactional data while offering a range of reporting (including real-time reporting), forecasting, planning and analytics outputs. The best ERP systems are highly scalable, flexible and mobile-friendly; and they help support end-to-end compliance, auditability, productivity and operational efficiency gains, cost savings, workflow improvements, and cross-functional collaboration.
- **E-commerce:** E-commerce groups need a platform that balances sophisticated functionality (e.g., currency conversion in overseas markets and smooth integrations with payment gateways) with ease of use. The solution must provide accurate and consistent pricing while supporting unique sales opportunities (e.g., tax holidays) and business opportunities (geographic and channel expansion) and delivering an optimal customer experience – from cart to checkout (and returns/exchange). Since most IT groups have heavy workloads bulging with competing priorities, e-commerce solutions should enable users to take advantage of advanced features with minimal, if any, assistance from IT. These features include the ability to customize storefronts and the buying experience in support of the company's unique brand; smooth integrations with ERP, accounting and tax systems; and performance and scalability capabilities. The solution should handle unexpected spike in transaction volumes and support expanding product catalogs, new product lines and entrances into new geographic markets.



- **IT:** CIOs are stewards of the organization's IT strategy, which in many companies overlaps with business strategy. IT groups oversee the organization's software, hardware and digital infrastructure assets and investments. These responsibilities include the management and protection of all organizational data, including transactional, accounting, customer and tax data. IT groups also tend to play a leading role in digital transformation: nearly nine out of 10 CIOs report that their roles are becoming more focused on digital transformation and innovation. This means that most IT groups need to devote less time on the burden of routine maintenance and systems performance, and more time on modernizing IT infrastructure (e.g., enhancing cloud services and virtual architecture) to drive efficiency and enable rapid provisioning and scaling as well as seamless integrations across systems and platforms.
- **Tax:** Tax groups must ensure that their organizations comply with all indirect tax rules via accurate sales tax and VAT calculations, reporting and returns preparation. Tax automation must maintain current tax content (i.e., rules and rates) that supports accurate tax determinations, reduces audit risks and enhances reporting capabilities (*see Is Tax Compliance Continuous? side bar*). These abilities require access to tax-relevant data in e-commerce platforms, ERP systems and other accounting applications via seamless integrations. The tax group's mandate amounts to the timely provision of accuracy, consistency and compliance, while supporting the needs of the business and enabling the best possible customer experience.

Is Tax Compliance Continuous?

Establishing and sustaining accurate, efficient and scalable tax indirect compliance requires a comprehensive solution that addresses evolving compliance risks, supports business growth initiatives and aligns with internal business transformation activities. To determine the extent to which an organization achieves continuous compliance, ask the following questions about the current tax automation solution:

- **Systems integration:** Does the tax solution integrate seamlessly with ERP systems and e-commerce platforms?
- **Tax determination:** Does the solution perform automated sales tax, use tax and VAT calculations, even for intricate transactions, with precise location identification?
- **Tax content:** Do automated updates ensure that the tax engine contains the latest tax rules and rates (eliminated the need for manual updates)?
- **Enhanced reporting:** Does the tax automation support and streamline reporting and returns preparation.
- **Audit risk mitigation:** Does the current tax engine help minimize audit risks and exposure?
- **Scalability:** Does the solution easily grow with the business while supporting operations across new regions and jurisdictions?
- **Efficiency:** To what extent does the solution streamline compliance and planning processes while reducing manual work in the tax, finance, e-commerce and IT groups?
- **Time-to-value:** To what extent does the solution support valuable capabilities within ERP systems, other accounting applications and e-commerce platforms?
- **Support:** Does the vendor provide access to certified implementation specialists and consulting partners to support deployment, maintenance, and troubleshooting?

Where Integration is Evident

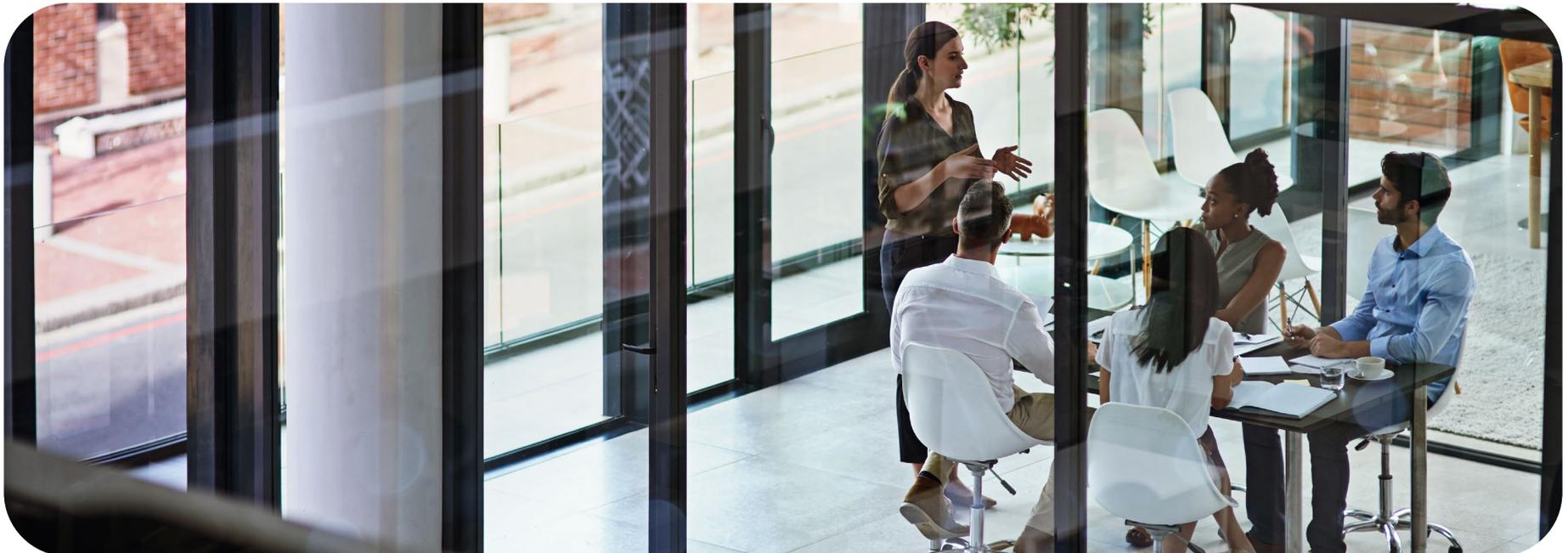
Given the strategic pressures bearing down on e-commerce, commerce operations, finance, tax and IT departments, it is important for these groups to collaboratively assess the overall efficacy, efficiency, consistency and accuracy of e-commerce, accounting, and indirect tax compliance activities.

When evaluating the efficacy of ERP, e-commerce, and tax engine integrations, it helps to zero in on the following high-risk, high-reward activities:

- **Shopping cart decisions:** Shoppers fail to complete the checkout process due to inconsistent, slow or complicated checkout processes, mandatory account creation, ambiguous return and refund policies, a lack of discount/promo codes, performance issues, unexpected fees, and inaccurate sales tax calculations. Most of those problems can be mitigated or eliminated by harnessing the combined value of a robust business management solution, a versatile e-commerce solution and a comprehensive tax automation platform
- **Transactional speed:** Lag times in transactions – even a few extra seconds spent on indirect tax calculations – can negatively affect the customer experience and result in cart abandonment and lost revenue. A similar dynamic holds for tax calculations, which is why leading tax automation solutions move tax calculation close to the point of need by leveraging edge computing. Highly resilient localized tax calculation endpoints ensure that customer checkouts are swift and accurate while providing a unified source of data that manages full tax configuration, audit records, compliance activities and data analysis.
- **Returns:** The returns process poses customer satisfaction risks at a time when omnichannel operations complicates the execution of returns. Some online shoppers prefer to return items to physical locations that may or may not be in the same tax jurisdictions of the original purchase. This makes returns-related recalculations of indirect tax difficult: current tax rates and rules, SKUs and purchasing locations must be considered; and any errors omission in those recalculations can have negative ripple effects on accounting activities. Since customer experience and customer loyalty tends to increase following a satisfactory returns process, these transactions are crucial to perform accurately and quickly.

- **Business growth:** As companies enter new markets, expand product offerings, add new services and pursue other growth initiatives, e-commerce platforms and back-office systems must scale quickly to support changes related to payment processing, storefronts, product catalogs, accounting activities, financial reporting, orders, invoicing and customer relationships. Selling new products, entering new markets, requires similar effective and efficient compliance adjustments. When manual work is required to make compliance adjustments, errors, delays, audit risks and revenue losses often result. When compliance adjustments are performed in an automated manner via an integrated tax engine, organizations generate more value from growth initiatives (e.g., new channels, marketplace transactions, and payment mechanisms) – and they do so sooner.
- **Advanced analytics:** An integrated, highly functioning ERP-e-commerce-tax automation environment also produces actionable insights on financial performance, sales trends, warehouse and distribution channels, other supply chain management activities, customer behaviors, tax compliance risks, tax operations performance, variance trends and tax rate changes. These forward-looking analyses help organizations anticipate and respond to threats and opportunities more effectively than competitors.

While those are not the only areas where the risks and rewards of ERP-e-commerce-tax integration are evident, they are notable, given the magnitude of their impacts on customer experience, audit risk exposure, revenue and profitability.





Conclusion: Future Readiness

Organizations that are better equipped to adapt swiftly to customer- and market-driven changes are more likely to deliver valuable and innovative solutions to customers. True organizational agility is continuous in nature – a full-fledged organizational capability as opposed to a one-time act.

The same holds for indirect tax compliance, which is a decidedly end-to-end activity whose true value is derived from its seamless integration with finance, accounting and e-commerce capabilities – and with ERP systems and e-commerce platforms.

North America

Latin America

Europe

Asia Pacific



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