2021 guide:

Cross border selling: an omnichannel strategy for business recovery

Avalara

Tax compliance done right

Cross border selling: an omnichannel strategy for business recovery

Avalara works with businesses going through dramatic changes to their businesses when expanding globally, and the driving force in their expansion plans is the development of an omnichannel strategy for their infrastructure.

An omnichannel strategy isn't just about the different channels you sell through (i.e. website, physical store) – it's about how those channels work together to deliver a seamless customer experience. Successful international businesses put the customer experience at the heart of their what they do, enabling the end user to choose how they will interact with their business.

The cost of building the infrastructure to support a global presence is not small, so it is important to understand what the infrastructure will need to do, and which vendors can supply the key pillars needed to create an effective, seamless operation.

To offer this valuable insight, we've engaged our network of partners to provide examples of customer success stories about disruptive technology and consultancy services that will help you grow your international business in 2020 and beyond.

And of course, we've provided an update about the tax challenges ahead in 2021 that will affect your technology platforms, including new EU tax legislation for marketplaces and businesses moving goods across Europe.

This guide will cover:

- Case studies from European businesses who have implemented new technologies for global expansion.
- Tools to help evaluate your readiness for international growth.
- Advice from Avalara technology and consultancy partners on topics such as localisation of languages and payments, online checkout experience and cross-border delivery experience.
- Tax challenges ahead in 2021 for ecommerce businesses, including customs duty, import tax, marketplace tax liabilities and EU VAT reforms for distance sellers.

Contents

Delivering a seamless customer experience

The power of automation: choosing an ecommerce platform

An ecommerce platform is the foundation for a business to grow on. The best ecommerce platform for your business is one that complements and facilitates your team members to meet business objectives.

The ultimate aim for any website is to be able to automate as many processes as possible, which will call for integration, not just of the web and ecommerce platforms, but also ERP and delivery solutions.

The imposition in Europe of GDPR, and restrictions in other countries around the gathering of information from website visitors, shows that ecommerce vendors still recognise that the most vital aspect of their infrastructure is being able to understand and interact with customers.

This means not just being able to track the kind of devices they are using, their location, their product preferences and shopping habits, but also how they use the website, move around it, what content attracts and keeps their interest, and how they then move forward to the point of purchase. Several vendors have recognised this and the importance of addressing the different interfaces and languages. This excellent white paper from Woo Commerce is recommended further reading.

The challenge of finding the right technology

Choosing the right platform is a long and complex process, which is why we found Space 48's white paper ***The complete guide to choosing the right ecommerce platform*** very useful. It contains four key elements that are required reading for anyone looking to build a sustainable and scalable ecommerce platform.

Ecommerce and ERP platforms such as Oracle NetSuite, Magento and Microsoft Dynamics are a good example of platforms that automate business processes with a wide variety of web, email, SMS and social media platforms, enabling you to design customer journeys and serve appropriate content.

Even though it is the ultimate "deal closer", optimisation of the checkout page is a frequently overlooked area for retailers looking for routes to increase online revenue. Instead, many online business owners and managers focus on optimising for the front end of the website – creating beautiful designs, site experiences and merchandising product to push customers down a purchase funnel.

Case study: Sweaty Betty automates for international expansion

Founded in 1998 by Tamara Hill-Norton, Sweaty Betty has been shaking up the activewear market for 20 years and has opened over 60 stores globally, from London all the way to San Francisco.

Working with Tryzens, an international digital commerce consultancy, the retailer selected Salesforce Commerce Cloud which provided global expansion abilities with a responsive framework, rich merchandising, and content creation. The digital offering included AI predictive search, editorial product pages and a strong emphasis on social proof with ratings and reviews.

The end result?

A 50% increase in international transactions.

tryzens.

Tryzens is an international digital commerce consultancy that takes a holistic approach to growing your business, no matter how or where customers choose to buy.

They focus on being collaborative partners, optimising opportunity for growth and engaging customers in compelling and intuitive experiences.

AI and personalisation

Artificial Intelligence (AI) first started to appear in the recommendations sections of many sites – Amazon has it down to a fine art, as do sites like TripAdvisor recommending products or places based on your previous purchasing patterns. But the future potential for AI is far, far greater.

Corra, a global digital agency that lifestyle brands trust to accelerate their growth, says that today's consumers are demanding shopping experiences tailored to their unique needs and habits, but they are also increasingly expecting brands to predict their future desires. As AI becomes more sophisticated, this is how we can expect it to evolve – analysing patterns in behaviour in order to predict what consumers want before they've actively begun looking for it.

Currently, personalisation is about using data intelligently to serve the most relevant offers and recommendations throughout the customer journey and increase the likelihood of conversion. Gartner forecasts that, by 2023, 80% of merchants leveraging AI in their ecommerce storefront will achieve at least a 25% improvement in customer satisfaction, revenue or cost reduction.

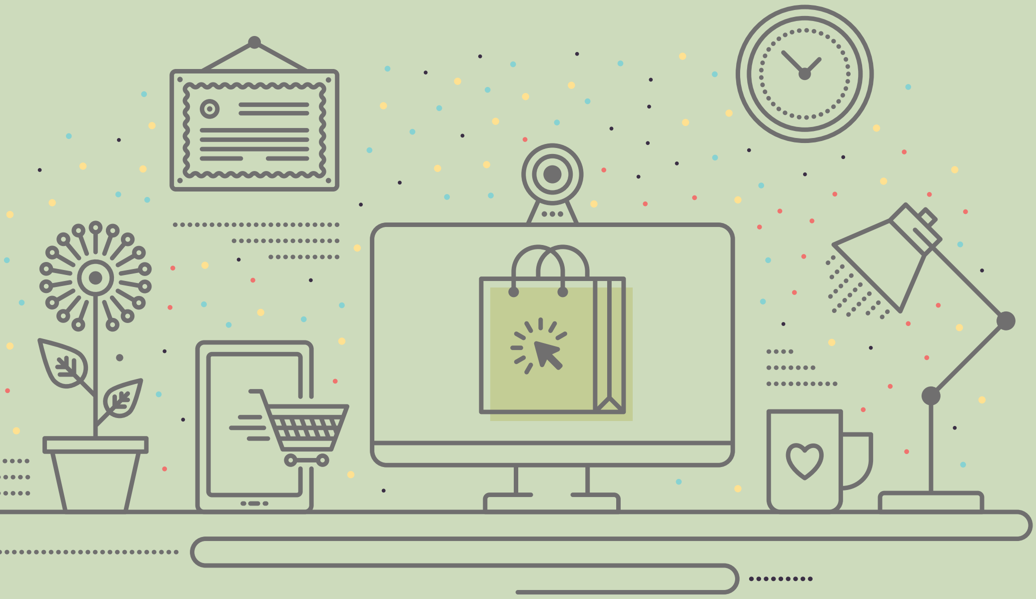
Corra partners with personalisation solutions like Adobe Target and Dynamic Yield that examine the geographical location of visitors, their shopping history, purchase history, and a multitude of other behavioural data to ensure the right recommendations are served to visitors at the right time.

> *Digital personalisation cannot simply be a consideration for the modern brand, but an absolute requirement.*
>
> World Global Style Network

Transparency builds trust with customers

In 2021, Corra predicts that merchants will continue to become more transparent about exactly how they plan to use their consumer's data and better communicate the value proposition of doing so (more relevant and streamlined shopping experiences). Gaining consumer trust and respecting data privacy will be more crucial than ever as consumers become selective about who they choose to share their data with. And in an age where data is power and personalisation is proven to lift conversions and give merchants a noticeable edge on competitors, consumer trust is a must.

People indicated they are **more than 2X** as likely to add items to their basket and **40% more likely** to spend more than planned when they identify the shopping experience as highly personalised



Google/BC, U.S., Business Impact of Personalization in Retail study, customer survey, n=3144, 2019

CORRA

Corra is the global digital agency that lifestyle brands trust to accelerate their growth.

Working at the intersection of commerce technology and customer experience strategy, they deliver complex digital solutions to leading B2C and B2B retailers.

Localisation: the value of investing in language

It stands to reason that if you are going to drive success for your ecommerce strategy when servicing international markets, you must take language seriously and look at the scope of the market. It's estimated that there are there are 437 million first-language Spanish speakers worldwide, but currently only 5.1 percent of websites catering to Spanish language. In contrast, German is the second most common language on the Internet, even though it doesn't appear on the top 10 most-spoken list.

Language impacts not only user experience, but also trust. If the language of your website is poor, then customers will question if they want to share their user details with you let alone place an order.

Bounce rates, conversions, basket size and customer lifetime value benefit massively from having content in local language, allowing for you to give yourself the best chance of success in the new market.

Getting started with language localisation

Global translation company Lingo24 recommends that businesses take these steps when looking to support a sustainable, multi-lingual website, whether you are starting afresh or reworking your current approach:

1. Pick one or two territories where you already have customers. Use these to test a microsite, with static content translated and with a sub-set of products.
2. Take a close look at search. Keyword mapping of your new markets is important, and this varies a lot by country. You don't want to rely on your home keywords as a simple translate and replace.
3. Try to automate through integration by hooking an API integration into your ecommerce platform, PIM or CMS.
4. Make sure that the level of the translation service is in keeping with your products. The higher up the chain the product the more you should invest in quality translations.
5. Think about icons for certain product properties. For example, in performance clothing, an icon for windproof or waterproof doesn't need translating.
6. Make sure you think about the culture and seasonality in different markets. For example, think of the cultural differences between China and the Arabian Gulf, or the difference between the Christmas weather in Australia and the United Kingdom.

Joseph Joseph

Case study: language affecting conversion and basket size

Two simple metrics which came out of some A/B tests for customers servicing markets in English and local language include:

- UK-based retailer Sport Pursuit saw conversions improve by 130% during one flash sale, when comparing performance in Denmark, with English content streams versus content in Danish.
- Joseph Joseph, an innovative British homeware site, saw a significant spike in traffic and doubling of their basket size after translating their site into French.

These results highlight the importance of comparing before and after translation. This ensures that you measure the continued investment of time, effort and money in servicing these markets.

Don’t abandon your basket

When it comes to buying, an online store’s checkout far surpasses any other element of the website in terms of importance – including CTA buttons, product page specifications, and other factors.

This is the time when you present risk to the consumer. There is a reason that 7 out of 10 shopping carts are abandoned. 20+ years after the advent of ecommerce, consumers are still wary of providing sensitive information such as credit card details, unless a retailer can prove that it is trustworthy, secure and worthy of the sale.

There are multiple ways to increase consumer trust with your product at checkout, product page, in the shopping cart and at checkout.

Marketers can use AI tools to target customers based on their online behaviour, and the level of interest they have shown in products. These tools can use machine learning to help marketers decide which leads would more than likely convert, and which may abandon their carts.

Global Freight Solutions (GFS), a provider of automated logistics solutions, recommends offering a range of different delivery options at checkout. This gives the customer clarity on timing and full cost of the order, thus lowering the chances of cart abandonment. GFS also recommends offering detailed information about delivery, including estimated transit times and any expected duties or taxes, ideally through a duties and taxes calculator.

The reason behind abandonment

Understanding the reasons why your customers are not completing a sale allows you to remedy the problem and make the purchasing process more streamlined and straightforward.

In its report ***The definitive guide to browse recovery***, Oracle identifies both reasons for abandonment and the potential success rates from targeted follow-ups. They identify five key aspects you need to understand before creating a browse recovery strategy:

- **Opt-In:** If you haven't captured a contact's email address, you can't market to them.
- **Content:** Decide whether you are willing to offer incentives.
- **Timing:** How soon after abandonment do you send messages? Use metrics from your cart recovery programme as a baseline. Then choose a time that seems to make sense and measure it.
- **Number of Messages:** Will you send one message or a series? Again, this may depend on the products you sell. If you are open to using incentives, consider offering the incentive with a later message. This has been a successful strategy for ecommerce marketers when creating a cart recovery series.
- **Frequency:** Should you trigger browse recovery messages every time a contact shops your site or limit it? Are you comfortable sending messages to contacts once per week if they abandon each week, or do you prefer to limit it to only two messages per month?

The evidence supporting the benefits of browse recovery is compelling with many companies reporting recoveries of as high as 50% from a well-structured abandoned cart programme.

The rise of shopping list creation: buy now, pay later

2020 brings the continued rise of the Millennial and Gen Z shoppers. These tech-savvy and connected shoppers are not fans of credit cards but are still craving flexible payment options. They're expected to be the main driver of online shopping for years to come, and flexibility isn't all they're looking for.

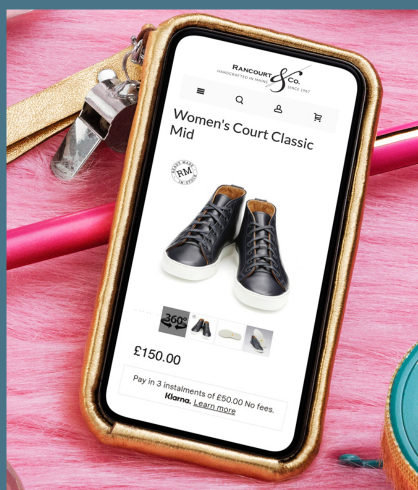
Nowhere is the growth of this strategy more visible than in the US, where retail analysts Kantar, point out in their report *Retail Predictions: Coming of age in the 2020s* that to understand the future of ecommerce one has to look at shoppers in the same way as a population segment such as Baby Boomers or Millennials.

Kantar believe that the simplest way to reduce shopper stress may be automating core replenishment shopping on a wide scale, forecasting that by the early 2020's, auto-reorder shopping lists will be a major battleground for grocery retailers in particular. Understanding and influencing shopping list creation will be an investment that pays significant dividends now and in the future.

Alternative payments drive growth

With control, convenience and choice at the top of Millennial wishlists, it's no surprise that alternative payment methods have grown so rapidly in recent years. Swedish owned Klarna, one of Europe's largest banks providing payment solutions, is seeing an average of 50,000 new Klarna users per week in the UK, and over a million purchases made per day globally.

Klarna offers three payment solutions that give retailers the edge, by giving everyone the opportunity to shop now, pay later. Retailers partnered with Klarna typically see a 68% increase in AOV with payments in three instalments and a 20% increase in purchase frequency for customers choosing to pay in 30 days.



GYMSHARK

Case study: Gymshark boost AOV by 33%

"From a tech perspective it's almost as easy as flicking a switch. Customer acquisition is a huge growth factor of this business right now but similarly so is customer retention and we've seen Klarna used in both instances. There's an evident uplift in using Klarna, not just on Black Friday but in normal trading periods where we see incremental spend and rises in average basket value." Niran Chana, Trading Director, Gymshark

Klarna.

Klarna is the leading global disruptor of payments and banking, providing merchants with a flexible range of preferred payment alternatives.

Over 200,000 merchants, including ASOS, Michael Kors, Samsung, Topshop, and many more have chosen Klarna's innovative shopping experience.

Localised payments for international success

A key consideration for current and aspiring international businesses is how to get paid and make payments in different currencies. This was particularly evident in the turbulent times of 2019, where we saw GBP-EUR currency conversion move over 13%.

Businesses have come unstuck with unstable markets and undefined currency strategies. Whether you trade on the FTSE100, or are just getting off the ground, volatility in the currency markets can wreak havoc on a business' profit margins and managing this proactively remains essential.

When talking payments in overseas markets, localisation is hugely important. Multi-currency platforms provide businesses with local currency accounts globally, allowing them to make and receive payments and allow collection from multiple sources, whether that be marketplace income, sales direct from a buyer or even collection from acquiring banks and payment processors. All these sources feed into a single platform where funds can be held, sent and converted seamlessly.

> *One of our European clients – a mobile app marketing agency – were told they needed a USD account, or their buyer would pull out of a new high value deal. A previous solution would have been to fly out to the US, set up an office and name directors there in a bid to be able to open an account there. Instead, they were made aware of World Account which enabled them to open a USD account. Within days, the payment from the US customer was settled into the European business's USD account.*
>
> Tom Kiddle, Head of Commercial, WorldFirst

Mitigating your exchange rate risk

WorldFirst suggests these steps businesses may want to consider taking in 2020 to mitigate their exchange rate risk:

1. Localise currency accounts. High street banks will typically offer currency accounts which are UK based. By opening accounts which are in the country of the currency, you will shorten payment routes, meaning increased speed and better trust with your buyer, but with decreased cost.
2. Understand your costs and choose wisely. Fully understand your foreign exchange costs (margins and fees) and make sure your provider is fully transparent on these.
3. Be naturally hedged where possible. Being naturally hedged is when the income in a foreign currency squares off the outgoings in the same currency. This reduces the requirement to do foreign exchange conversions, which means there is less risk on your business. By having currency accounts, you can receive in a certain currency and then hold it until you have a payment in that same currency.
4. Consider a forward contract. This tool within the platform enables businesses to buy at current market rate for valuation at a later date (up to three years). Using forward contracts means a business can set a budget rate and know what their profit margins will be over that period of time. Please note that you may be asked to pay an initial deposit and the balance will be due at the end of the contract. You may also be asked to pay extra deposit if the rate moves against you. Relationship managers will explain this before you book.
5. Speak to an international payments consultant. Understanding international payments is not straightforward and not always front of mind, particularly for smaller businesses. However, it can have one of the biggest impacts on a business's bottom line. If you require help trying to understand current cost, or to put a plan in place to minimise your risk, speak to an international payments consultant.

WORLD FIRST

For more information on the localisation of your payments or to find out more about transparent international payments pricing, check out [WorldFirst's World Account](#).

Fulfilment: from factory floor to customer’s door

Delivery is a key part of the online buying experience, and while cross-border delivery does have its challenges, if you get it right it can also be a real driver for growth.

Having managed millions of international deliveries on behalf of retailers, logistics provider GFS recommends implementing these key components in your international delivery strategy:

1) In the warehouse

Technology can help you automate dispatch and ensure your labelling, Duties and Taxes and customs documentation are as accurate as possible – helping to streamline operational processes and avoid unnecessary charges.

Multi-carrier delivery not only enables you to offer choice of delivery for customers, but also to spread the risk and allow for operational flexibility to switch carriers and maintain consistent service levels anywhere in the world.

2) On the move

Delays at customs can impact transit times and the customer experience, and Brexit could have a significant impact on deliveries to the EU. You can minimise risk of delays by ensuring you have:

- A unique tracking number on each parcel label
- A valid EORI number
- Relevant certificates and documentation (e.g. Food and Drug Administration)
- Correct commercial values – declaring goods with a generic value or a zero will raise a red flag
- Parcel visibility is an absolute must as it makes parcel exceptions easy to spot and quick to resolve.

3) On the doorstep

End-to-end parcel tracking also helps your customer to gauge when they their parcel is likely to appear on their doorstep, ensuring delivery is made at the first attempt.

4) Returns

Your returns policy is just as important as delivery, but when it comes to cross-border returns you need to make sure it’s cost-effective.

Delivery is a challenge when it comes to cross-border selling due to higher costs, longer shipping times and legal complexities, but you can easily reduce the cost, effort and headaches with the right guidance and support.

Case study: Hatton's Model Railways offload delivery to GFS and clear barriers to international growth

Like many independent retailers, Hatton's worked with different carriers, which meant multiple technology integrations and collections at different times. GFS was able to offer Hatton's access to all the international carrier services they need, through a single technology integration and single collection service, offering a single view and single point of contact for shipping across all carriers and all countries.

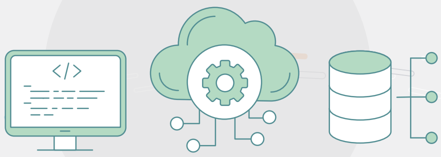
The result? Hatton's Model Railways experienced 15% increase in international sales growth in 12 months. Order fulfilment time became 40% faster and repeat orders increased as orders were delivered faster.

GFS ENTERPRISE CARRIER MANAGEMENT

GFS has helped some of the UK's fastest-growing retailers achieve significant international growth through expert delivery services, technology and logistics support.

For more on international delivery contact GFS for a free consultation.

Future technologies that could re-write the rulebook



It has long been recognised across all industries that there are two good times to invest in new software – yesterday and tomorrow! The costs of re-platforming are huge, especially when a new system uses different schema relationships and nomenclature from the legacy.

However, there are some significant new technologies in the wings that every ecommerce provider should be looking at in the short to medium term, in order to scale in the long term.

Selling through Marketplaces

For many ecommerce operators, the easiest introduction to global sales is through an online marketplace. By far the largest of these is Amazon.com, which operates marketplaces in 14 different countries, although the company has declared an intention to prefer Amazon native brands to marketplace customers.

Marketplaces offer a wide range of benefits, not least where they also operate a payment platform, such as the eBay/PayPal tie up, which takes care of all the problems of exchange rates and invoice formatting, albeit at a premium cost.

There are around 100 well-known marketplaces, ranging from general sites such as Amazon.com, eBay, Bonanza, Ababa and even Wal-Mart. Other specialist marketplaces are also doing well for specialist vendors, such as ETSY in the crafts space and Wayfair in home furnishings.

All these offer new routes to market and the more sophisticated will also bundle in services such as invoice and taxation management, together with fulfilment, payment management and distribution. Not surprisingly selling through a marketplace is the first step into ecommerce for over 90% of new entrants.

The online marketplace model

It won't be long until marketplaces account for more than 50% of global online transactions. That's because marketplaces provide a better way for online sellers to interact and engage with customers, offering a broader assortment of products and services at competitive prices. An online marketplace is an environment in which third-party B2C or B2B merchants sell physical items or services on a marketplace website owned by another company–the marketplace "operator."

Today, online marketplaces are fostering global ecosystems of participants, which grow and improve the experience of customers, merchants, and marketplace operators alike. Bloomberg claims Amazon's annual revenue has nearly tripled since 2010. This is driven by third party sellers in their online marketplace, which accounted for more than $200 billion worth of products in 2019. Marketplaces like Alibaba and JD.com have driven China's contribution to global ecommerce from 0.5% to 42% in only 10 years.

As a result, companies are rethinking their ecommerce strategies to respond to customers' new buying behaviours. Amazon and other online marketplaces have taught consumers they can have unparalleled product choice and high-speed fulfilment. Now, the online marketplace is enabling other brands, retailers and B2B companies to compete.

More choice leads to bigger sales

According to Gartner, "marketplace integration and management" helps ecommerce operators "nimbly provide an outstanding experience without significant upfront investment." That's because onboarding third party products and services at scale enables companies to meet increasing customer demand– without over-investing in owned inventory.

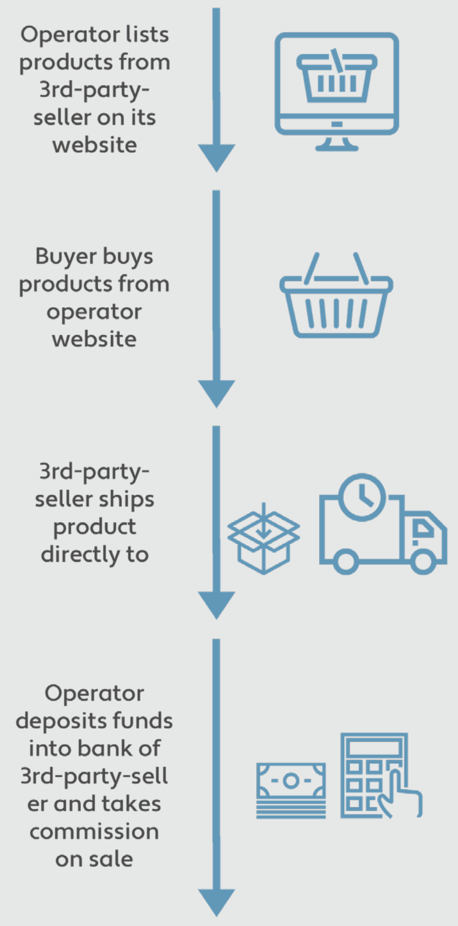
While transformative, developing an online marketplace is easier and less costly than you might think. The next section will help you better understand the features and benefits of marketplaces, including insights into launching your own.

How does the marketplace model work?

Transactional marketplaces help connect more buyers and sellers, giving marketplace operators the ability to offer more products and services, learn more about what customers want, and ultimately sell more with an increased profit margin. These marketplaces foster ecosystems of participants, which help marketplaces grow and improve customer experiences and appeal. Soon, there will be as many marketplaces as traditional business models.

The operator owns, manages, and realises business value from their online marketplace. Third-party sellers leverage the operator's marketplace in exchange for a commission of their sales.

Marketplace model



Launching your own marketplace

Mirakl, a global marketplace solutions provider, suggests that companies implement these best practices to launch their own marketplace:

1. Ensure full company commitment to the marketplace model
2. Enlist sufficient human resources
3. Integrate the marketplace into your existing ecommerce site
4. Target the right third-party sellers
5. Build trust through transparency

MIRAKL

Discover your marketplace opportunity with Mirakl.

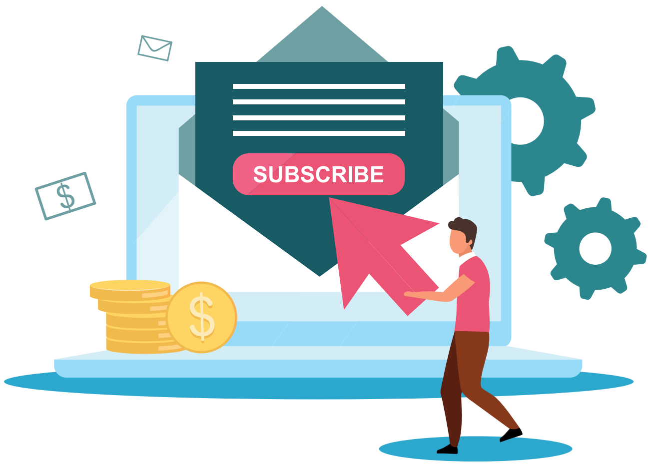
The subscription model

As a loyalty marketing approach underpinned by technology, the subscription model this is fast becoming a cash cow for many organisations. Undoubtedly one of the most high-profile subscription companies to launch was the US-based Dollar Shave Club whose irreverent digital ad campaigns, featuring its founder, broke the mould for selling FMCG, as did their business model.

Generally speaking, there are three types of ecommerce subscription services:

1. Curation: the customer receives a curated collection of items, often within a specific category. The longer the customer remains a subscriber, the more tailored the collection becomes. The key value customers receive is the surprise factor based on collection variety.
2. Replenishment: the customer receives automatic shipments of the same or similar items, often at a lower cost than retail. Common examples include commodities like coffee, alcohol, nutritional supplements, and food.
3. Access: the customer receives access to exclusive items or services such as instructive courses or exclusive product releases.

As buyers become subscribers, ecommerce companies need to revamp their subscriber acquisition processes to secure their piece of the pie.



The rise of subscriptions in ecommerce

The past decade has seen a phenomenal shift in consumer behaviour, particularly in digital commerce, with a widespread transformation of products into services. It is the subscription economy that has played a pivotal role in this change. This shift was demonstrated in a 2018 McKinsey study conducted in the US, which found that the subscription ecommerce market had grown by more than 100 percent year-on-year for the previous five years. The largest subscription retailers generated more than $2.6 billion in sales in 2016, up from $57.0 million in 2011.

The convenience of subscriptions has made consumers willing to commit to monthly payments and establish long-term relationships with their suppliers. This has opened the door for new business models, but equally has threatened many well-developed markets because of the technological expectations the subscription economy has brought about.

Challenges of the new subscription model

Converting to a subscription business model means facing major challenges. First, is being creative and developing a killer value proposition to entice customers and retain them long-term. Second is the need for total digitalisation of business workflows and consumer contacts. Sophisticated subscription business models are, by nature, digital and automated. They enact a multiple chain of events and processes at the click of a subscribe button. Yet, it has become apparent that even modern systems often are only optimised for transactional business models with one-off sales, rather than for recurring revenue.

A crucial challenge therefore is the need for optimised opportunity capture and retention processes which can handle all customer journeys. Subscribers need the flexibility to upgrade, downgrade, buy add-ons or cancel their subscriptions at the click of a button; if not they may churn. Already subscribers are spoilt for choice in most markets and anything which hinders their subscription journey can have a detrimental impact on their decision-making and spending habits. Adding to this, subscribers often get tied into contracts for long periods of time, so once customers are gone, they are gone.

This means that right now there is a window of opportunity for companies to rapidly build their own network of loyal subscribers and generate recurring revenue, but they must have the correct infrastructure in place to succeed.

Subscriptions in practice

keylight, a German-based provider of subscription technology and consultancy, recommends that businesses take these steps towards implementing a subscription business model:

1. Understand the subscription economy and its immense potential. This can be achieved by analysing subscription-based business models to learn about their technique, added value, processes and culture.
2. Review your business model, as well as your current product and services offering. It's important to realistically analyse and define its digital maturity. The subscriptions process should be automated and optimised, so businesses must review and optimise their current digital capabilities accordingly.
3. Implement the right subscription commerce infrastructure, such as Zuora and keylight. This subscription monetisation ecosystem needs to be customisable, modular and adjustable.
4. Start a test with a real value proposition. This could be done in a restricted business area for one service or applied to a restricted region. Learn from it: what went wrong? What could be improved? Use your review to strategically plan a holistic transformation, technically and organisationally.
5. Go live and stay beta. Do this whilst continuously adjusting and optimising. Do not forget that going live is only the very start of the journey.

Selling cross-border: overcoming customs duty and import tax

The internet has made buying and selling products easier than ever, giving ecommerce companies, large and small, a path for rapid growth in a global marketplace. Yet, customs and tax complexity often prevents sellers from entering new markets. This is because cross-border compliance is far more complex than domestic compliance. It's a complicated maze to navigate, made worse by the fact that there are multiple government agencies involved, each enforcing their own rules and changing them frequently.

The good news is that it's getting easier, even for companies that do not have dedicated resources for addressing the issue. With the right technology, such as the AvaTax Cross-Border solution, businesses can solve these key pieces of the cross-border puzzle:

Harmonized System codes (HS codes)

Cross-border compliance starts here. A product's HS code determines the unique customs charges applied to imports by each country. This is a huge burden on a company's resources, with time needed to learn thousands of HS codes in order to classify products.

Calculating customs charges

Meet customer demands by providing an estimated cost at the point of sale. Customers want to know the total landed cost - product, shipping, customs charges, and tax - of their purchase up front without surprises upon delivery. AvaTax Cross-Border provides the customs charges at the point of sale, enabling the total cost to be estimated at the point of purchase, so buyers are not surprised with unexpected costs when the order arrives.

Helping shipments arrive on time

Sellers want to provide estimated delivery dates at the point of purchase. AvaTax Cross-Border helps ensure export and import clearance documents are correct, so that shipments are not unnecessarily delayed in customs.

Marketplace businesses – new tax liabilities

Is your business a marketplace?

From next year, the EU may make you directly responsible for the VAT collections and payments of your sellers on your platform This imposes complex duties and VAT calculations obligations on you, and leaves you exposed for uncollected taxes and fines.

Under new EU rules coming into effect in 2021, marketplace businesses will be defined as "electronic interfaces" which includes: online marketplaces; platforms; portals; or similar means.

This includes not just traditional marketplaces, but also retailers that open-up their own ecommerce platforms to product partners and facilitate their sales.

What is the new tax legislation for marketplaces?

Marketplaces facilitating sellers' transactions to consumers may become the "deemed supplier" under the new EU rules called the "VAT ecommerce package." This means that marketplaces may act as the seller of record, and become responsible for collecting and reporting VAT.

This imposes complex tax obligations on the marketplaces, including: product classification: VAT calculations; plus VAT and goods movement reporting. Unless full automation is in place throughout the new marketplace journey, this cannot be achieved without disrupting the seller and customer experience.

Which transactions are affected?

There are two cases where the facilitating marketplace takes on the role of the deemed seller:

1. EU or non-EU sellers' sales to EU consumers where the goods are imported and valued at or below €150.
2. Non-EU sellers' cross-border sales to EU consumers of any value.

When is a marketplace "facilitating"?

- When it controls the terms and conditions of the sale of goods.
- Authorises the charge to the customer in respect of the payment for the supply.
- Orders or delivers the goods.

Is your business operating as a marketplace? Take a closer look at the new legislation in the Avalara guide [2021 ecommerce EU VAT reboot.]

EU VAT reforms for distance sellers

On 1 January 2021, the member states of the European Union (EU) will introduce sweeping reforms to the VAT obligations of B2C ecommerce sellers and marketplaces.

These reforms are aimed at helping eliminate an estimated €50 billion in annual VAT fraud. The key reform will mean many ecommerce sellers will be able to report all their pan-EU sales on a single VAT return in their home country, instead of having multiple VAT registrations across the EU.

Some of the key areas of the new legislation include:

- A single EU VAT return for ecommerce
- Closing the low value consignment stock loophole
- Proof of cross-border transportation
- Marketplaces become the deemed supplier and VAT collector

For more details, take a look at the latest Avalara guide, 2021 ecommerce EU VAT reboot.

Evaluating your readiness for international growth

Are you ready to scale globally? What are the key implications for your back office processes?

As technology improves and consumer expectations continue to rise, customers expect the same level of service, regardless of whether it's an international purchase or a domestic one. In fact, a recent study from Brightpearl, a retail operations platform provider, found that 89% of customers stop doing business with a brand after just one bad experience, and for each of those experiences that leads to a customer leaving a negative review, it takes 12 positive reviews to make up for each negative.

What considerations do you need to make beforehand to ensure your international expansion is a success? Brightpearl recommends taking a look at your business and getting the answers to these key questions:

1. Are you making the most of the market you're already in?

Before expanding overseas, consider whether you're already making the most of the market you're currently in. Are you efficient? Do you have a fast time to ship record? Are you quick at invoicing?

2. Have you automated repetitive and time-consuming tasks?

Efficient workflows and processes are essential for businesses to scale effectively, keep up with customer demand and reduce costs. Automatic order creation, fulfilment, invoicing, purchasing, accounting and email marketing are all ways that merchants can confidently and easily automate their business to support efficiency at home and internationally.

3. How do you know you're ready for international growth?

In a survey of nearly 400 executives, only 10% felt their company had the full complement of capabilities to take their business global. It's important to think about whether you have accurate data on inventory availability, and whether you can see which countries have growth opportunities for your business.

4. Is your product right for the new market?

The number one reason why businesses fail is lack of market need, and re-wrapping your current items rarely works, unless you know that your popular, niche products are missing in that overseas market.

In order to mitigate this risk, you'll need data from your back office to support your evaluation of which products in which countries have done well in the past, as well as an integration to the local marketplace to manage your orders, should you decide to test this way.

5. Can your business adapt to a different logistics and distribution infrastructure?

Logistics and distribution infrastructures vary around the world. In order to get your goods in front of consumers, you will need to heavily research how that country operates and fit in with their processes and practices.

6. Do you need to consider additional costs or tax variations?

There are additional costs associated with trading overseas such as freight charges, insurance costs, and import duty which could mean you have to increase your product price overseas. These costs are known as landed costs. It's also important to consider whether your back office solution can efficiently and easily manage these extra costs for you, or whether you'll need to manually account for them in your reports.

Also, don't forget about VAT. For VAT-registered UK businesses, you'll need to be aware of selling rules if you sell from the UK to Europe. For instance, you need to declare to HMRC up to set thresholds; once you hit these thresholds, you are liable for tax in the country you're selling to. As for US businesses selling to the EU, once you've reached these same country thresholds, you'll be required to VAT register in each country you sell to as well.

Your back office should provide you with tax and VAT reporting tools, as well as up-to-date accounting information to help you stay compliant.

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Avalara helps businesses of all sizes get tax compliance right.

In partnership with leading ERP, accounting, ecommerce, and other financial management system providers, Avalara delivers cloud-based compliance solutions for various transaction taxes, including sales and use, VAT, GST, excise, communications, lodging, and other indirect tax types.

Headquartered in Seattle, Avalara has offices across the U.S. and around the world in Canada, the U.K., Belgium, Brazil, and India.

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