From Cart to Compliance: Optimizing B2B Commerce

A Vertex + Echidna Guide

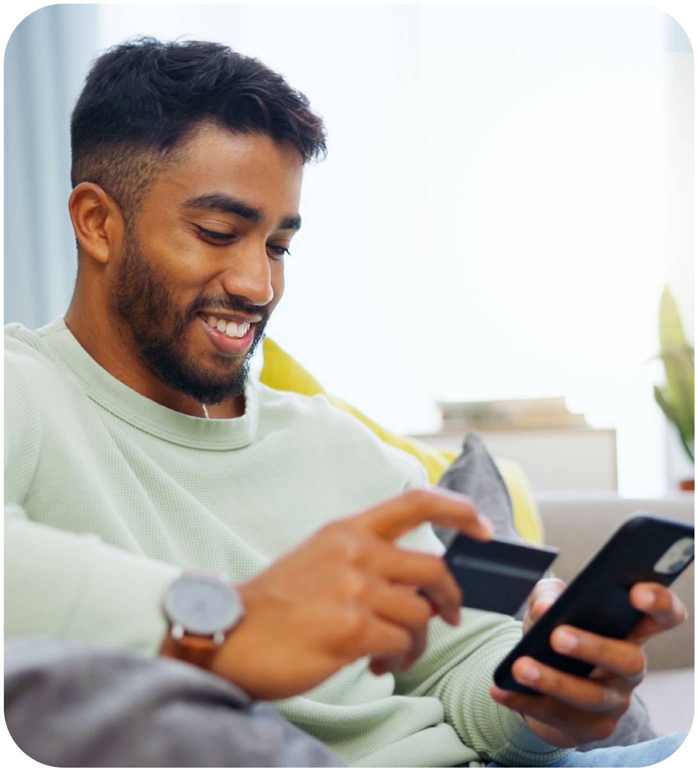
Introduction: B2B Commerce Expands

Consider why B2B buyers will pay more for a superior customer experience

The lines between B2C e-commerce and B2B e-commerce have blurred in recent years. While this trend is readily apparent in traditional manufacturers' adoption of direct-to-consumer (D2C) sales channels, many companies in all B2B segments now sell through online marketplaces, deploy e-commerce platforms, venture into mobile commerce, and zoom ahead with omnichannel capabilities.

These strategic pivots share a common objective – to meet rapidly changing buyer expectations while continually improving customer experiences, engagement, and loyalty. Nearly nine in 10 B2B buyers report that they will pay more to work with a supplier that provides a superior customer experience, according to a Shopify trends report.[1]

Whether e-commerce, digital experience, IT, accounting, orandor indirect tax teams are considering launching an e-commerce capability or seeking to improve their current platform, they should ask questions such as:



- What e-commerce trends and developments should we monitor and respond to?
- How can we optimize our e-commerce capability (and platform) to ensure top-notch user and customer experiences while supporting internal efficiency and scalability requirements?
- How will our e-commerce platform implementation coordinate front-end optimization with back-end tax accuracy?
- What indirect tax compliance challenges do our e-commerce activities pose (e.g., satisfying global e-invoicing mandates associated with international expansion), and how can we address those issues?

In addition to brushing up on B2B commerce developments, getting answers to these questions involves:

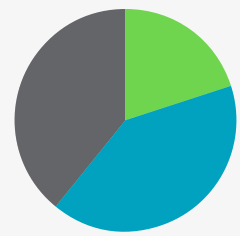
- Assessing the organization's e-commerce needs and/or current e-commerce technology stack
- Understanding e-commerce-related sales and use tax, value-added tax (VAT), and related e-invoicing and real-time reporting requirements (in a growing number of overseas jurisdictions) – and evaluating the current tax technology stack's ability to handle those requirements
- Executing an expertly designed integration between the Shopify e-commerce platform and the Vertex indirect tax engine.

The Dynamic State of Digital B2B Commerce

Consider omnichannel adoption, product-and-services bundling, and new tax compliance requirements

B2B e-commerce is experiencing explosive growth. The portion of B2B companies' revenue generated via digital channels is projected to reach 56% by the end of this year, which is nearly double the share of B2B digital commerce in 2020 (32%).[2] This growth continues to stimulate B2B investment in e-commerce supporting technology and customer experience improvements.

In a separate survey, three-quarters of B2B sales leaders (73%) report experiencing an increase in demand for digital B2B sales processes during the past three years; 14% report a "substantial" increase in demand. **At the same time, many B2B sales leaders do not feel well-equipped to satisfy this demand. Only 20% of sales leaders report they are "very prepared" for the future of digital B2B sales; 41% feel only somewhat prepared.** "This lack of readiness suggests that many organizations may be at risk of falling behind in areas like technology adoption, omnichannel sales strategies, and automation," according to a survey report by Deloitte Digital and Shopify.[3]



Very prepared: 20%
Somewhat prepared: 41%
Other: 39%

Preparation starts with an understanding of how digital B2B commerce is evolving. While e-commerce and digital experience teams are likely familiar with most of the following developments, these trends are equally important for finance and accounting, IT, and tax groups to monitor:

- **The consumerization of B2B customer expectations continues:** Influenced by the digital B2C experiences they perform in their personal lives, B2B buyers increasingly expect convenient, intuitive online ordering interfaces; around-the-clock access to product, pricing, and inventory information; self-service tools that support reorders, returns, quotes, and invoice processing; and smooth integrations with procurement processes and systems. B2B buyers also expect "personalized interactions expecting streamlined product discovery and context-aware recommendations," according to IDC.[4]

- **Omnichannel adoption is also accelerating:** While omnichannel strategies initially arose in B2C retail companies (which complemented their physical stores with e-commerce, "bricks and clicks" approaches, and, more recently, mobile commerce and social media selling), B2B companies have since followed suit. More manufacturers now sell through their own online sites, mobile apps, and third-party digital marketplaces.

- **The bundling of products and services:** As more B2B companies launch new digital services, they are combining these services with products to provide customers with more personalized, and more valuable, offerings. Manufacturing companies are leveraging advancements in Internet of Things (IoT) sensors, IoT networks, smart devices and telecommunications technologies (e.g., 5G and 5G Advanced) to deliver products (e.g., tractors) and support services (e.g., engine-maintenance monitoring). A construction company might offer site mapping software bundled with a drone. A logistics company might offer truck rentals along with GPS tracking and usage analytics applications.

- **AI integration:** AI tools can enhance customer experience via a wide range of front-end (e.g., marketing, sales and service) and back-end (fulfillment, demand planning, accounting, and tax compliance) improvements. "From hyper-personalized interactions to predictive analytics, AI is poised to transform the entire buying journey," according to an IDC post on B2B digital commerce. "AI-driven product configuration tools can streamline workflows and provide dynamic and needs-based solutions… To fully leverage this potential, B2B organizations must build robust data foundations and enable their workforce to fully leverage AI's potential."[5]

- **Global expansion:** Each of these trends, especially the adoption of online marketplaces and other digital channels, also make it easier and more cost-efficient for domestic B2B companies of all sizes to sell in new overseas markets.

These developments, particularly digital commerce and global expansion, expose B2B companies to new regulatory and tax compliance requirements. A company that traditionally complied with a handful of state and local sales and use tax rules and rates in the U.S. will contend with numerous VAT rates along with new e-invoicing mandates and real-time reporting requirements when it begins selling to customers in the EU or Latin America.

How Do Current E-Commerce Systems Measure Up?

Consider these steps when subjecting existing e-commerce systems to a thorough assessment

The adoption of e-commerce and omnichannel strategies by B2B organizations raises a pressing question: Are our current supporting technologies sufficient?

"No" is often the answer given the rapid pace of B2B commerce's evolution along with the AI-enablement of e-commerce systems and related applications and tools. While clunky portals, ERP extensions, or custom-built systems can support a certain volume, and maturity level, of digital commerce, these legacy approaches also tend to give rise to:

- Difficult user experiences
- Slow page loads
- Limited customization
- Complex maintenance
- Integration challenges with modern tech stacks[6]

> "As more upfront payments via credit card or other payment options take place, orchestration is needed on the back end. How do we make sure we're accurately integrating tax considerations into those transactions? Does that fulfillment adjustment change the tax determination or calculation? Does it affect your remittance?"
>
> Echidna President,
> Mike Pierce

Besides detracting from customer experiences and increasing the risk of cart abandonment, these limitations create internal process inefficiencies. This makes it imperative for internal e-commerce stakeholders to conduct a methodical evaluation of their current e-commerce tech stacks.

Echidna outlines a five-step assessment process that can be performed every 12-18 months to identify inefficiencies, integration gaps, and scalability issues:

1. **Map your current e-commerce tech stack:** Document the complete technology ecosystem, including your online store platform, content management system, business management software, tax compliance automation, customer relationship tools, payment processors, product information systems, and reporting tools. Identify which systems are essential, which duplicate functions, and which create slowdowns.

2. **Identify pain points across teams:** Bring together experts from marketing, sales, operations, accounting, tax, and customer experience to assess where digital commerce processes break down. Look for issues such as delayed website updates, manual order entries, abandoned shopping carts, and difficulties in matching financial reports across different systems.

3. **Evaluate scalability and flexibility:** Check how well existing systems connect with each other, whether they can support selling through marketplaces and social media, if they can handle B2B features such as custom quotes and tiered pricing, and whether global expansion is straightforward or complicated.

4. **Benchmark performance and user experience:** Measure website speed, how long purchases take to complete, and the efficiency of search functionality. It also helps to pinpoint where customers drop off during checkout as well as mobile performance. Frustrating customer experiences often signal technology problems.

5. **Prioritize an improvement roadmap:** Build a phased improvement plan that includes immediate fixes (speed optimizations, simpler forms), mid-range projects (connecting business systems, organizing product data), and major investments (switching platforms or adopting flexible architectures).[7]

One other facet of B2B e-commerce also demands a thorough evaluation: indirect tax compliance.

B2B Commerce's Unique Tax Compliance Requirements

Consider the tax compliance requirements associated with e-commerce

When B2B e-commerce stakeholders assess the efficacy of their existing supporting technologies, they should include a hard look at the automation they use to support tax compliance. The magnitude and difficulty of tax compliance expands as organizations operate in more locations given that countries, states, and local tax jurisdiction each have their own set of tax rules and rates.

This is a pivotal assessment given that indirect tax operates at the intersection of compliance, cashflow, and customer experience. Frequent and/or sizeable errors in tax determinations and calculations can lead to customer dissatisfaction as well as unexpected payments and penalties that have direct impacts on cashflow management activities.

While e-commerce platforms and ERP systems may come with some level of native tax-compliance functionality, these capabilities are rarely equipped to support complexities associated with selling across national borders or transacting in complex local tax regimes. B2B tax groups and the automation they rely on should address:

> "When B2B companies launch an e-commerce capability, the world often gets smaller quickly. Digital channels enable companies to sell into markets around the world, including countries with e-invoicing mandates. I don't know how you fulfill those requirements without tax automation." I don't know how you fulfill those requirements without tax automation."
>
> Vertex Director, Retail Consulting, Pete Olanday

- **Tax rates and rules volatility:** In the U.S. alone, there are more than 12,000 state and local tax jurisdictions. While each of those jurisdictions maintains unique tax rules and rates, it is important to recognize that those rates change frequently in response to fluctuating fiscal conditions. Since 2015, there have been 2,404 new sales and use taxes, an average of 240 per year. During that same time period, there have been 3,768 sales and use tax changes, an average of 377 per year. Combined, that adds up to a total of 6,172 new and adjusted rates in the past decade or so, which is an average of 617 per year.[8]

- **VAT updates, e-invoicing mandates, and real-time reporting requirements:** VAT rules and rates also continually change, thanks to initiatives like the EU's massive VAT in the Digital Age (ViDA) overhaul. Moreover, as B2B companies extend digital sales channels to new global markets, they must comply with e-invoicing mandates in various countries that require invoices to be submitted directly to government jurisdictions in real-time (or near real-time). These types of real-time reporting requirements are nearly impossible to manage manually or with native ERP or e-commerce tax compliance functionality.

- **Exemptions management:** Tax teams must identify and keep track of which customers are exempt from tax and which products and services those exemptions apply to.

- **Tax treatments of product-services bundles:** The bundling of products and services creates significant tax complications. The launch of a new digital service often requires B2B organizations to address nexus exposures while addressing sales tax, VAT, digital services taxes, e-invoicing mandates and new classification challenges. For example, when tractors and elevators "talk" to manufacturers' maintenance and monitoring systems to order new parts and schedule service engagements, these transactions may be subject to federal, state, and local telecommunications taxes.[9] While standardized approaches to bundling taxation are being discussed in the U.S., a multi-state agreement on a unified approach does not appear imminent. Research from The Multistate Tax Commission (MTC), an intergovernmental state tax agency, indicates that "bundling issues can make coding compliance systems much harder… the technology is not the problem; it's the complexity of products and states approaches with the multitudes of bundling approaches that exist."[10]

- **Upfront tax estimation:** It is often difficult for B2B companies to transition from invoice-based taxation to collecting payment with estimated taxes up front. This is the case because subsequent fulfillment decisions can change the source or destination of the transaction, subjecting the transaction to different tax rules and rates – and making cumbersome (and often manual) reconciliation processes necessary.

Before B2B companies move forward with an e-commerce system implementation or upgrade, tax compliance challenges should be identified so that they can be addressed during the implementation and related integration work.

Leading Implementation, Integration, and Orchestration Practices

Consider your vision for B2B customer experience and then orchestrate the implementation

As B2B companies prepare to implement e-commerce platforms and connect them with standalone tax engines, it is important to ask fundamental questions such as:

- What experience do we want to create for our customers?
- What process flows need to be supported?
- What can be automated?
- How can the e-commerce platform be "orchestrated" with related applications (e.g., stand-alone tax engines) and tools?
- How will this work lay the foundation for future integration of more AI functionality and additional AI-powered applications that enable more conversational and dynamic interactions that no longer require users to learn complex interfaces?

Those answers help inform an effective e-commerce implementation. While Echidna's plans for Shopify implementations vary by organization, most of those approaches include the following actions:

> "The enablers of a successful B2B e-commerce capability extend well beyond technology and tax compliance considerations. The business vision is crucial. Even if someone in the organization doesn't understand the technology, they need to know what the business is going to accomplish with this investment."
>
> Echidna President, Mike Pierce

- **Establishing a vision of the e-commerce capability:** This planning involves a definition of what the organization wants to accomplish as a business with an e-commerce capability. The vision should extend well beyond technical specifications to clarify the desired customer experience and business objectives the company is targeting. Some companies approach e-commerce without clear direction, often because business leaders feel pressured to "do something about e-commerce." A well-defined vision avoids that pitfall while guiding subsequent decisions about digital experience and the go-to-market strategy.

- **Identifying a project champion:** This role centers on ensuring successful digital transformation, which involves considerations beyond implementing the e-commerce platform. Project champions typically collaborate with sales, support, marketing, merchandising, fulfillment, remittance, accounting, and tax groups to ensure that all stakeholders understand the new digital environment.

- **Developing a user-centric design:** User-centric design includes customer-facing experiences as well as work performed by administrators and operators. An effective design creates optimal experiences and process flows for all stakeholders while determining what can be automated and orchestrated. Tax compliance considerations are especially important for B2B companies transitioning from invoice-based tax assessment to upfront estimations.

- **Orchestrating the implementation:** An orchestration design approach aligns system integrations with people, processes, and technology. Operational enablement distinguishes highly effective e-commerce platform implementations from projects that do not exceed expectations. This involves letting businesses independently change operations and administer workflows independently. Tools like Shopify Flow provide no-code environments where business analysts can configure order validations, tax verification, and shipping confirmations without technical help. Integration platforms like Boomi accelerate implementation while reducing costs. This "orchestrated foundation" helps prepare companies to for future integrations of AI functionalities and tools.

- **Evaluate pre-built tax engine integrations:** When selecting tax automation, consider solutions that integrate with your e-commerce platform. For example, tax engines, like Vertex, that support Shopify Plus and Shopify Commerce Components can calculate sales and seller's use tax, VAT, and GST for both B2B and B2C transactions.

Conclusion: Three Flavors of Orchestration Drive Success

Consider the value-multiplier of front-end optimization combined with back-end tax accuracy

As B2B commerce continues to boom -- digital channels are projected to generate 56% of B2B revenue by year's end – organizations face mounting pressure to deliver consumer-esque experiences while navigating complex tax compliance landscapes. The journey from cart to compliance requires more than implementing new technology; it also demands a holistic orchestration approach that harmonizes people, processes, and systems across the entire organization. This method involves performing three distinct yet interconnected forms of orchestration.

First, stakeholder alignment is essential. E-commerce, digital experience, IT, accounting, and indirect tax teams each bring different priorities to the table. Without deliberate coordination among these diverse stakeholders, e-commerce platform implementations will fall short. Savvy project teams bring these groups together early, ensuring that all perspectives inform the implementation roadmap.

Second, orchestration design principles should guide system implementation. This approach ensures that technology, people, and processes work in concert. It also helps to select platforms that enable business analysts to configure workflows using no-code tools, accelerate deployment, and build operational enablement into the foundation. These steps help establish the agility needed to respond to market changes while laying the groundwork for future integrations of AI tools and other advanced applications.

Third, organizations should create a complementary connection between front-end optimization and back-end accuracy. A seamless checkout experience means little if tax calculations are incorrect or compliance failures result in penalties. The integration of e-commerce platforms and standalone tax engines should deliver precise calculations for every transaction while remaining invisible to customers. This front-to-back orchestration becomes a value multiplier that transforms digital commerce into a competitive advantage.

Organizations that master these variations of orchestration position themselves to thrive as B2B commerce continues evolving, delivering superior customer experiences while maintaining the accuracy and efficiency needed to drive sustainable growth.

End Notes

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[9] https://www.vertexinc.com/resources/resource-library/when-tractors-talk-compliance-risks-arise.

[10] https://www.vertexinc.com/resources/resource-library/digital-products-and-services-taxation-under-microscope.

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