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Unified Commerce: Bringing your omnichannel offerings to the next level

Awareness of compliance challenges

Unified Commerce and tax compliance

In the first two parts of this deep dive series about Unified Commerce, we have discussed the topics of digital capabilities and customer fulfilment. We have seen what it takes – behind the scenes - to offer consumers the seamless omnichannel shopping experience they expect, in terms of technology and supply chain. For consumers, it's the product and the speed of delivery that counts – they shouldn't be bothered with how a retailer needs to organise complex issues such as unlimited availability, same-day delivery (at home, at work, or at a shop nearby), easy payment and returns. However, for retailers this is a completely different story. One of the most challenging aspects of Unified Commerce is discussed below: compliance. Topics such as fiscalisation, transfer pricing, reconciliation of returns, and contract set-up and management can be a real headache for retailers. Here are the most urgent issues that you should be aware of if you want to offer true Unified Commerce.

Fiscalisation: additional complexities

Fiscalisation refers to the fiscal law that was designed to avoid retailer fraud. It involves topics from cash registration to VAT filing. As such, it has always been a challenge for many retailers. However, Unified Commerce has complicated these matters even more, as the supply chain for Unified Commerce involves more entities of a company (online and offline) and, in many cases, several countries, each with their own tax rules, regulations, and tariffs. Even within the European Union, there are remarkable differences between the member states. For instance, Italy, Portugal, Poland, and Spain have stricter laws and regulations when it comes to sharing purchasing data with the authorities. Now let's assume that a consumer buys a pair of shoes and a shirt in a shop in Barcelona, but the shirt is not available in-store and will be shipped to the consumer via the retailer's e-commerce entity. Both purchases need to be reported to the tax authorities. But in which country should these transactions be reported, and by which entity of the retailer?

Key questions for transfer pricing

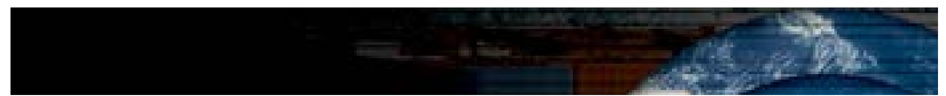
Another aspect of compliance that requires special attention is transfer pricing, or intercompany pricing. Transfer pricing refers to the establishment of prices for goods and services that are exchanged between entities of the same company and its fiscal implications. In the case of Unified Commerce, supplying products to consumers could involve several – online and offline - entities in various countries. For instance, a Dutch tourist buys a pair of socks and a coat in a store in Paris. In order to save room in his suitcase, he doesn't take the coat with him, but has a similar one delivered as soon as he returns to the

Netherlands – by the Dutch e-commerce entity of the same company. So the Dutch e-commerce entity will have to charge the French store. This involves several complexities, including cash registration, VAT, risk management, and profit allocation.

Now let's see what happens in the case of "ship from store", which is a Unified Commerce concept that allows a consumer to buy a product online and have it delivered by a store close to home. In this example, the revenues of the product go to the online store, but the actual costs of the product, including storage and delivery, are on the account of the physical store. For consumers, this should be a seamless consumer journey – it doesn't matter to them which entity of a company is responsible for what action, and who is financially rewarded. However, for the tax authorities these are key questions. Which entity name should be on the customer invoice? Who should pay the VAT (and in what country)? And retailers are faced with yet another key question: how should the intercompany reward mechanism be organised?

Reconciliation of returns

It's one thing to understand the tax implications when consumers buy a product online but want to pick it up or have it delivered by a store close to their home, or the other way around, but what if they decide that they want to return a product in-store when it was initially purchased online? This "reconciliation of returns" might actually be the biggest headache in terms of compliance. Not only because it involves cancelling the initial transaction, but also because it impacts intercompany pricing and internal tax allocation – should these be cancelled as well, or regarded as new transactions? And when the product is returned, which entity of the company should be considered as the owner? This compliance issue requires a level of flexibility that many retailers are currently unable to offer. Still, it is what consumers want. And as the number of consumers who buy online increases, so does the number of returns, so it needs careful consideration – and the sooner, the better.



Reconciliation of returns not only involves cancelling the initial transaction

From "sticking plasters" to long-term solutions

As we have explained before, the secret to Unified Commerce is to think big, but act small. Elements of the Unified Commerce should be added incrementally. One of these elements is partner inventory. In terms of compliance, partner inventory adds another (external) entity and another layer of complexity to the entire process. Take, for instance, the reconciliation of returns, which is already such an intricate issue. When third parties are involved, the complexity will reach even higher levels.

Not surprisingly, many retailers have been "sticking plasters" as a short-term solution for Unified Commerce-related compliance issues. They are considering long-term solutions, but have been postponing them, as these solutions require fundamental transformations and involve serious risks. However, if the COVID-19 pandemic has made one thing clear, it is that there is no way back. Consumers have gotten used to a omnichannel shopping journey and retailers need to facilitate them and offer them a seamless experience in order to remain future-proof. Eventually, the plasters will tear, so it's best to develop long-term Unified Commerce solutions now.

Flexibility vs. contract set-up and management

Underlying all these transactions are intercompany contracts that need to reflect the actual transaction flow between entities within the company. This should be the starting point for all types of transactions mentioned above. All roles and responsibilities of the logistic entities, e-commerce stores and physical stores involved must be included and should reflect the actual processes. There is a paradox here, as contracts are far from flexible while flexibility is key in Unified Commerce. In order to avoid new contracts every time a new Unified Commerce use case is introduced, it is vital to consider all kinds of current and future Unified Commerce scenarios now.

Are you ready to bring your omnichannel offering to the next level?

Please visit our website or contact our specialist through the contact information. If you register for the Unified Commerce Lab, this "show not tell" experience will help you to kick-start your journey into Unified Commerce.

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