



CFO'S STATE OF COMMERCE PLAYBOOK

*A COMPLIANCE & FINANCE PROFESSIONAL'S
ROADMAP FOR MANAGING DIGITAL GROWTH*

— Research Highlights —

41% of businesses are improving their financial processes to better manage the growing number of transactions due to more sales channels.

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Best-in-Class are **24%** more likely to increase data visibility and accessibility to promote collaboration.

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Best-in-Class are **30%** more likely to invest in external vendors to manage certain finance activities.

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Best-in-Class grow their long-term revenue at a nearly **3x** higher rate than All Others.

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Overview

The digital transformation in the global economy is evolving at a rapid pace, significantly impacting how businesses operate. This shift has led to an expanded range of choices available to customers of how they choose to purchase goods and services. As a result, businesses must adapt their strategies to effectively cater to changing customer preferences and meet the evolving commerce demands. To understand how finance and account operation teams are supporting sales growth, Aberdeen surveyed a range of companies globally and across different industries that offer a mix of physical products and services. This research report highlights the impact of digital transformation changes on overall business strategies and how finance teams are relying on external vendors to help them support these strategies. We will also analyze how these efficiencies fuel better reporting that gives leaders the ability to safely manage future challenges.

Diversified Sales Channels Highlight the Need for Greater Compliance to Drive Future Growth

Today, the only constant for businesses is change, whether it be with the technologies they use or how they sell to their customers. Externally, businesses also face fluctuating economic conditions and changing customer behaviors. The ability to address these changes is critical if businesses want to continue to outperform their competitors and grow. In the face of evolving needs, businesses must adapt to incorporate new strategies and approaches to meet the changing demands of their customers and stakeholders. Aberdeen Strategy & Research conducted a survey of 500 finance professionals in the United States (n=200), United Kingdom (n=200), and Netherlands (n=100) who have substantial knowledge of tax and global compliance processes at their businesses in order to identify the strategies and tools that they are using to shape their overall digital transformation strategies.

Businesses are evolving their strategies to fuel digital growth (see sidebar). This research report identifies the strategies that Best-in-Class finance teams have in place that helps them support overall business sales strategies and activities, specifically by:

- ▶ Utilizing external vendors to tackle critical tax-related activities
- ▶ Leveraging technologies that improve overall reporting processes
- ▶ Improving reporting capabilities by creating a 360-view of relevant information

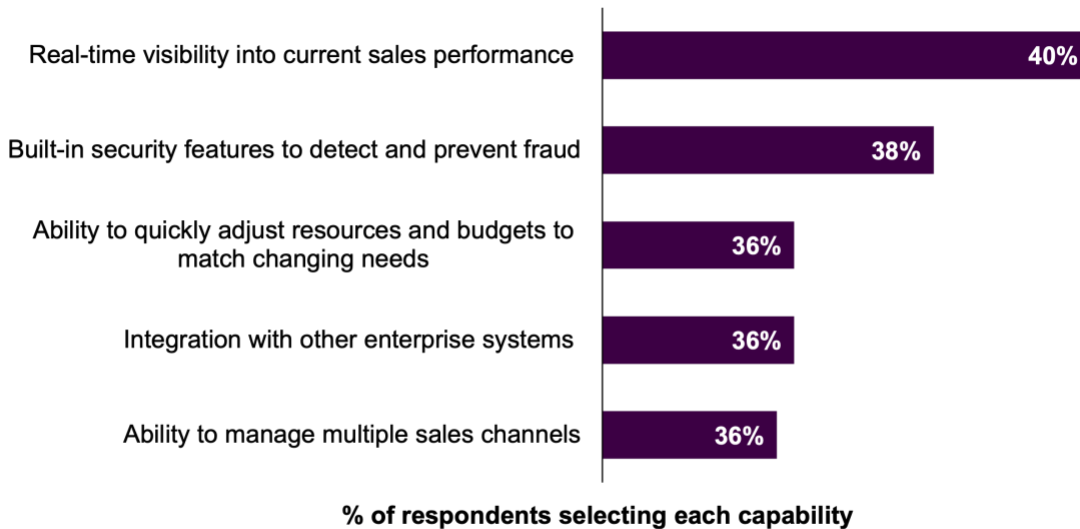
Top Digital Growth Strategies

- ▶ Increasing the number of digital channels, **39%**
- ▶ Improving the functionality / features of our eCommerce store, **31%**
- ▶ Increasing the number of payment options, **26%**

Greater Visibility Supports Overall Digital Strategies

Improving planning capabilities on all fronts is critical to adequately supporting digital transformation strategies (Figure 1). 40% of professionals say that the top capability that businesses are implementing to support their digital transformation strategies is ensuring they have real-time visibility into current sales performance. This ensures that leaders across the business can monitor how well their current activities are at driving increased sales.

Figure 1: Top Capabilities to Support Digital Commerce Strategies



n = 500, Source: Aberdeen, March 2023

Another 38% say that another capability that their business has in place is built in security features within their sales platforms. This is important since it will be more difficult to proactively detect fraudulent purchases as businesses continue to add new ways they sell through whether it be opening a new brick-and-mortar store, adding B2C platforms such as Facebook and Etsy, or adding B2B marketplaces such as Amazon and Alibaba.

Furthermore, 36% of businesses support digital transformation strategies by quickly adjusting resources and budgets to meet changing needs. The ability to adjust these resources is dependent on the getting the right data to fuel planning and reporting capabilities. This highlights the need for integration with other systems (36%) and the ability to manage multiple sales channels (36%). In having information from all their sales channels and other business systems, leaders can identify specific department strategies that best supports overall business goals.

Top Capabilities by Country

United States

- Real-time sales visibility – 43%
- Integration – 41%
- Adjust resources – 41%

United Kingdom

- Real-time sales visibility – 36%
- Security – 35%
- Sales performance – 41%

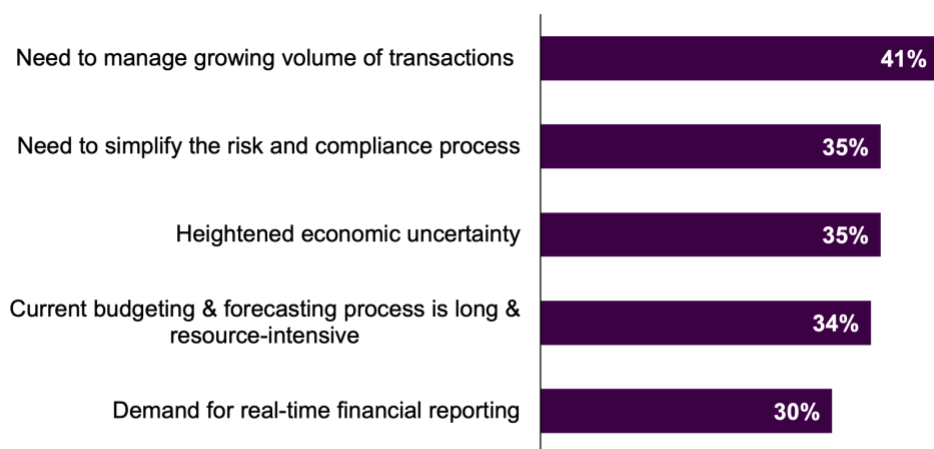
Netherlands

- Real-time sales visibility – 38%
- Security – 38%
- Multiple sales channels – 38%

Better Financial Processes is Needed to Drive Commerce Strategies Forward

Evolving overall commerce strategies lead to a variety of pressures and challenges that impact finance teams directly, leading teams to improving their processes (Figure 2). 41% of businesses say that the top pressure driving the need for better processes is the need to manage a growing volume of transactions. This is especially important as many businesses plan to not only increase the number of channels they sell through, but also the number of payment options.

Figure 2: Top Pressures Driving Financial Process Improvements



% of respondents selecting each pressure

n = 500, Source: Aberdeen, March 2023

Looking forward, finance teams will be tasked with being able to efficiently manage all of these transactions, thus emphasizing the need for simpler and more efficient processes. Specifically, 35% say that the need to simplify the risk and compliance to be a top pressure driving improved financial processes. In addition, 35% say heightened economic uncertainty is another pressure that is driving better processes. Having agile processes that allow for real-time planning ensures that businesses can adjust resources as needed to minimize unnecessary costs and better prepare for the future.

In 2022, an Aberdeen research study on resource optimization found that 19% of businesses are improving their project tracking and reporting capabilities to relieve resource management challenges. Other pressures that are causing finance teams to improve their processes include long and resource-intensive processes (34%) and the demand for real-time

Top Pressures by Country

United States

- Transaction volume – 41%
- Economic uncertainty – 38%
- Simplify processes – 35%

United Kingdom

- Transaction volume – 39%
- Simplify processes – 37%
- Economic uncertainty – 36%

Netherlands

- Transaction volume – 54%
- Long / intensive process – 40%
- Simplify processes – 34%

financial reporting (30%). Having better processes results in better reporting to help support current and future business strategies.

Inefficient Processes Puts Businesses at Risk

In addition to the variety of business pressures, finance teams also face numerous challenges that put their business at risk (Figure 3). These challenges highlight the need for better processes and tools moving forward to maintain resiliency.

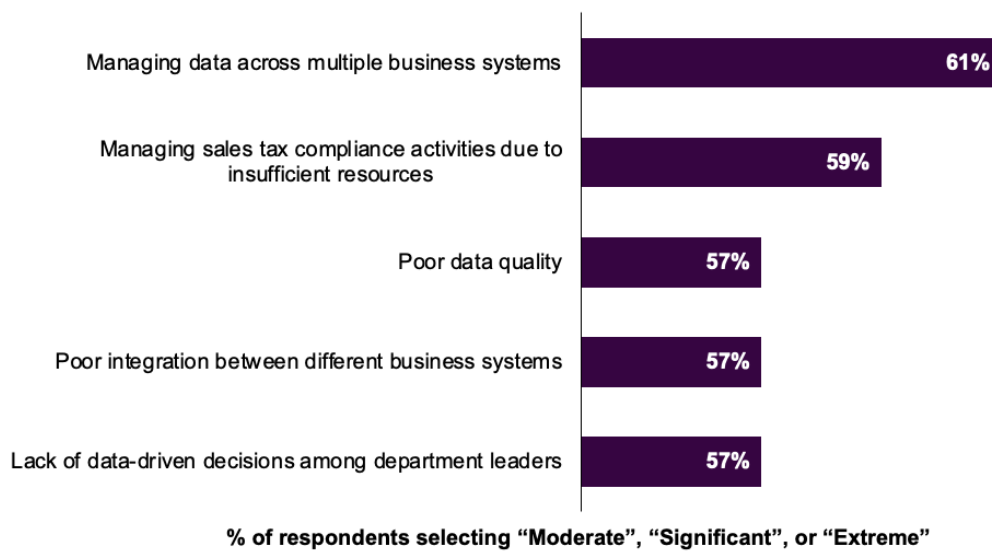
61% of respondents say that the top riskiest business challenge that finance teams currently face is managing data across business systems. 59% say that insufficient resources to manage tax compliance activities is the second most significant business challenge that puts them at risk. With increased data and insufficient resources, having the right processes and technologies in place is imperative to mitigating risk.

Best-in-Class companies are

24%

more likely to **increase data visibility and accessibility** to promote collaboration compared to All Others (42% vs. 32%)

Figure 3: Most Risky Business Challenges Faced by Finance Teams



n = 500, Source: Aberdeen, March 2023

With large volumes of data and not enough resources to manage key activities, 57% businesses say that they run the risk of making more errors when managing their data, leading to poorer data quality. In addition, 57% also say that poor integration across different systems is also another challenge posing a risk to their business. Ensuring that business teams can view up-to-date information across systems is necessary to fuel the most accurate decisions among business leaders.

When data is inaccurate or not easily accessible, 57% of business leaders say that another challenge they face is using data to make

decisions. This can lead to wasted time and resources on strategies that may not give businesses the greatest benefit.

Therefore, having financial reports that have accurate and comprehensive information is imperative to being able to effectively address different market challenges. Specifically, finance teams are doing the following to better set their businesses up to address market challenges and pressures:

- ▶ Digitize our systems for improved data visibility, **43%**
- ▶ Improve our finance and tax compliance reporting tools, **40%**
- ▶ Integrate our financial data with other business systems, **39%**

The Best-in-Class Have More Efficient Processes and Better Reporting

Due to the growing number of digital transactions across a wide variety of systems and platforms and the heightened need for security measures to prevent fraud, businesses need to be able to improve both operational processes and financial accuracy. But which technologies and capabilities are the most influential at doing so?

To answer this question, let's look at what the Best-in-Class are utilizing. Best-in-Class organizations are defined by Aberdeen as the top 20% of companies based on their performance in key business performance metrics (see sidebar). Best-in-Class companies have greater efficiencies and accuracy than All Others, resulting in fewer audit costs long term (Table 1).

To evaluate maturity, Aberdeen classified respondents into one of two categories based on their self-reported performance across several key metrics highlighted in Table 1:

- ▶ **Best-in-Class:** Top 20% of respondents based on performance
- ▶ **All Others:** Bottom 80% of respondents based on performance

Table 1: Maturity Matrix for Tax Compliance Management

Year-over-Year Performance Improvement (n=500)	Best-in-Class (n=103)	All Others (n=397)
Change in accuracy of returns over the past 2 years	+20.7%	+0.3%
Change in total cost of audits , including fines/penalties/corrective labor over the past 2 years	+20.6%	-0.6%
Change in time / resources dedicated to monthly tax processing and reconciliation over the past 2 years	+15.2%	-1.0%

The Best-in-Class Use SaaS Solutions Across Their Finance Activities

To achieve these higher levels of performance seen on the previous page, the Best-in-Class rely on external vendors such as cloud or SaaS vendors to support their end-to-end commerce activities (Figure 4). Compared to All Others, the Best-in-Class are **26%** more likely to use sales and use tax calculations (31% vs. 23%) and **10%** more likely to use cloud solutions (29% vs. 26%) for tax rates research.

Figure 4: Use of Cloud-Based Solutions to Manage Finance Activities



The Best-in-Class gain efficiencies by outsourcing tasks that are typically time-consuming and error-prone. By leveraging external vendors for tax rate research, Best-in-Class companies can efficiently identify the applicable rates for selling products in specific locations. This enables business leaders to make informed decisions by accurately evaluating the costs and benefits of entering new markets. In addition, cloud solutions can alleviate manual sales and use tax calculations activities by ensuring that the appropriate rates are automatically applied depending on the product sold and what channel it is sold through (e.g., Amazon, Etsy).

The Best-in-Class are also **17%** more likely to use tax reporting (29% vs. 24%) compared to All Others. By utilizing a cloud solution, businesses can consolidate their data and incorporate the required registration details, resulting in more streamlined and efficient processing of tax reporting and filings. Compared to All Others, the Best-in-Class are also **19%** more likely to use exemption / certificate management (27% vs. 22%). By leveraging SaaS technologies with tax exemption and certificate management capabilities, businesses can securely store all required documents. This not only reduces

Best-in-Class companies are

30%

more likely to **invest in external vendors** to manage certain finance activities

15%

more likely to be **satisfied with their finance solutions.**

the time and effort spent by finance teams, but also ensures greater regulatory compliance. This enables Best-in-Class companies to avoid costly fines.

Overall, the Best-in-Class leverage cloud solutions to tackle the most time-consuming finance activities, such as applying the correct tax rates, managing returns/filings, and addressing tax audits (see sidebar). In doing so, the Best-in-Class improve their reporting and decision-making capabilities without placing the burden on internal teams, with the most important factors when choosing a finance solution being:

- ▶ Ensuring better data quality, **73%**
- ▶ Quickly accessing the data we need, **71%**
- ▶ Providing easier document management, **69%**

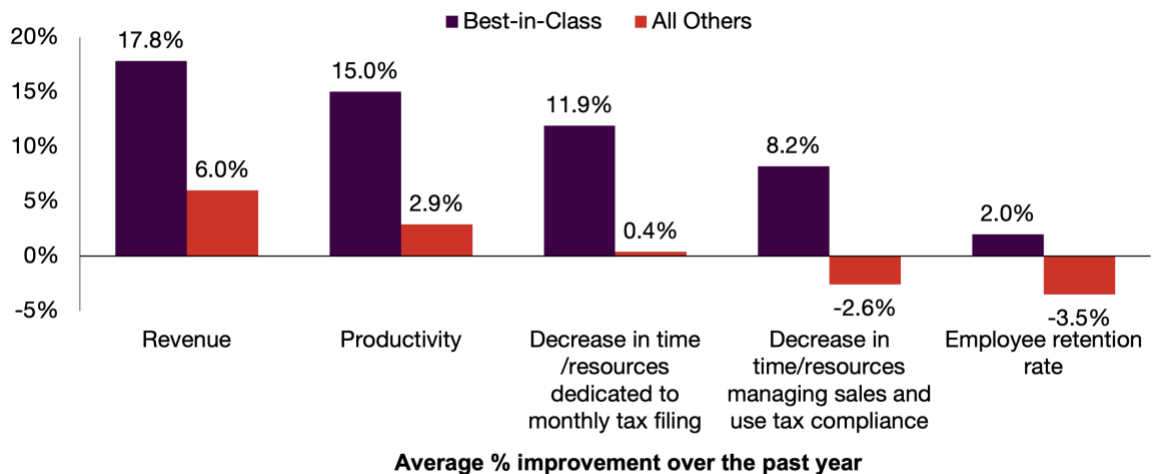
Most Time-Consuming Tax Compliance Activities

- ▶ Applying the correct tax rate, **40%**
- ▶ Managing tax returns and filings, **40%**
- ▶ Addressing tax audits, **40%**

Using External Vendors Gives Businesses the Ability to Efficiently Grow

Outsourcing time-consuming tax activities to SaaS providers allows Best-in-Class to remain ahead of their competitors. These businesses see greater improvements in critical business metrics resulting in more efficiencies, happier employees, and greater revenue gains (Figure 5).

Figure 5: KPI Improvements for the Best-in-Class



n = 500, Source: Aberdeen, March 2023

One of the key improvements that Best-in-Class businesses experience is greater process efficiencies. By maximizing their tax management processes with SaaS technologies that automates traditionally manual activities, the Best-in-Class spend less time doing tasks and activities that

are traditionally manual and error-prone, such as tracking expenses, issuing invoices, or identifying any relevant tax obligations. This free up employee time to focus on more strategic tasks leading to a **5x** greater improvement in productivity.

Traditional finance processes are typically error-prone and with growing sales and channels streams, creates greater financial risk. These errors require additional time and resources from finance teams to address and correct when they are audited with 40% of businesses citing it as the most time-consuming tax compliance activity for their teams. Cloud technologies allows businesses to minimize these calculation and reporting errors to maintain compliance and security. By decreasing the number of calculation errors, the Best-in-Class minimize audit costs and efforts, allowing them to be more efficient with their time and resources. In doing so, the Best-in-Class avoid unnecessary and costly audits allowing them to see a 30x decrease in monthly tax filings. Furthermore, they also see an 8.2% improvement in monthly sales and use tax compliance resources compared to a -2.6% worsening for All Others.

Another benefit that Best-in-Class businesses achieve is higher employee retention. In minimizing the number of tedious tasks and activities that finance professionals need to manage via automated cloud solutions, businesses free up employees' time. This allows them to work on more strategic tasks and projects that are more impactful for their own professional growth. This translates to the Best-in-Class having a 5.5% advantage over All Others when it comes to improvement in employee retention (2.0% vs. -3.5%). Especially with staffing and knowledge shortages among key business teams, it's imperative that businesses keep employees satisfied by equipping teams with the technologies they need to alleviate any knowledge gaps.

Lastly, by gaining efficiencies that minimize audit costs and retains employees, the Best-in-Class achieve higher operational margins. They can leverage SaaS solutions to tackle time consuming and manual activities allowing them to accomplish more with less resources and errors. In addition, new payment and commerce channels leads to more customer transactions and sales. With the ability to grow commerce sales while maximizing their time and resources the Best-in-Class grow their long-term revenue at nearly a **3x** higher rate than All Others (17.8% vs. 6.0%). By relying on external vendors, the Best-in-Class position themselves to be smarter with their resources, setting themselves up for greater future resiliency and success.

Compared to All Others, Best-in-Class businesses experience

3.0x

greater improvements in **revenue**

5.2x

greater improvements in **productivity**

29.9x

greater decreases in **tax filing time and resources**

Best-in-Class Businesses are More Prepared to Address Future Pressures

Saving time and resources not only gives the Best-in-Class current success, but also allows them to do so while remaining well-prepared to face future business pressures – both at an internal and broad market level (Figure 6).

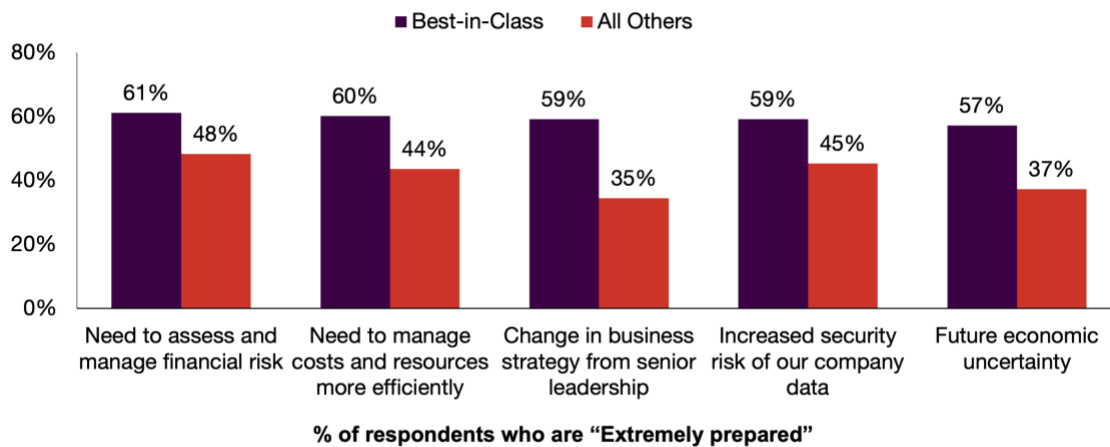
Cloud technologies allow for greater data consistency across all channels, creating a reporting tool that has a comprehensive, 360-degree view of all data. This allows Best-in-Class leaders to more efficiently manage their costs and resources based off current market demands (60% vs. 44%). In addition, having a centralized reporting tool ensures that the Best-in-Class are well-equipped with the right information needed to effectively pivot their activities and processes to align with changes in business strategy from senior leaders (59% vs. 35%) or address future economic uncertainties (57% vs. 37%).

Best-in-Class companies are

56%

more likely to rate their **level of preparedness to support future digital commerce growth** to be a “9” or “10” (34% vs. 15%)

Figure 6: Level of Preparedness in Addressing Market Pressures



n = 500, Source: Aberdeen, March 2023

Furthermore, the Best-in-Class minimize risk on all fronts with their cloud technologies. From a reporting perspective, there are fewer manual tax and calculation errors which ensures that businesses have enough employees and resources to address potential audits and minimize financial risk (61% vs. 48%). Cloud technologies also have additional features embedded into the platform that securely stores critical business information, such as customer credit card and other payment methods, which enables the Best-in-Class to be more prepared to address company data security risks (59% vs. 45%). By being proactive and more

prepared to address the large variety of business challenges, the Best-in-Class set themselves up to outperform their competitors and achieve greater future success.

Key Roadmap Takeaways for Finance Teams Managing Business Growth

Finding better ways to meet customer needs continue to shape strategies with businesses planning to add more sales channels and payment platforms to increase sales. To continue to effectively support further business growth, businesses need to have the right tools, technologies, and processes in place. In adopting cloud-based technologies and relying on external providers to manage tax processes, the Best-in-Class set themselves up to thrive in future. When thinking about the importance of optimizing financial reporting capabilities in the future, there are three key points to consider:

- ▶ A 360-centralized platform encourages cross-department collaboration and data-driven decision making among key business leaders.
- ▶ Finance management software allows for easier management, freeing up employees so they can support other impactful business strategies.
- ▶ Automating key finance processes eliminates errors resulting in higher quality data that can be used to fuel more successful future business decisions.

By following in the footsteps of the Best-in-Class and investing in solutions that promote efficiencies and data accuracy, businesses can begin to prepare for the future and alleviate risks that come with the ever-evolving challenges they can expect to run into in the future.

About Aberdeen Strategy & Research

Aberdeen Strategy & Research, a division of Spiceworks Ziff Davis, with over three decades of experience in independent, credible market research, helps **illuminate** market realities and inform business strategies. Our fact-based, unbiased, and outcome-centric research approach provides insights on technology, customer management, and business operations, to **inspire** critical thinking and **ignite** data-driven business actions.

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