



Overcoming Ecommerce Accounting Challenges

A comprehensive guide for small retailers

Ecommerce Growth and the Rise of Online Retailers

Whether you're new to the game or an online retail veteran, there's never been a more exciting time to run an ecommerce business.

Fueled by global turbulence paired with a nearly [insatiable demand by consumers](#) to make purchases how, when, and where they want, the ecommerce industry is witnessing growth the likes of which we've never seen.

What's more, consumers are voting with their wallets, and supporting smaller, independent brands.

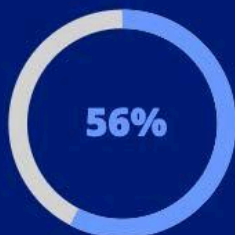
[A recent study](#) found that 50% of consumers are looking for ways to support independent businesses, and 65% of them report they prefer to shop small businesses.

The result? Buyers are not the only ones rushing online. Ecommerce — now seen as an “economic sweet spot” for both entrepreneurs and established retailers — has witnessed an influx of new operators hurrying to gain a foothold in an extremely crowded marketplace.

Data shows that 70% of SMBs expanded their digital capabilities during the early days of the COVID-19 pandemic, and more than half of them expect even higher online sales post-outbreak.

Ah, the days of wine and roses. Running a small online business has never been easier, right?

Not so fast.



The growth of online purchases as a percentage of all retail sales in just 5 years. ¹



The percentage of purchases experts believe ecommerce will facilitate by 2040. ²



150 million

The number of people who shopped online for the first time during the COVID-19 pandemic. ³

The Challenges of Running an Ecommerce Business

But despite the recent record sales growth and access to an influx of new online shoppers, running a small ecommerce business is far from easy. Entrepreneurs drawn to the industry are often charmed by the low barrier to entry and the perceived ease of running their own stores. Unfortunately, they often overlook the resources required — in terms of both time and money — to keep up with constantly changing consumer demands, technological innovation, supply-chain logistics, and a wildly competitive market.



The percentage of all internet business startups that fail within the first four months. ⁵



14 million

The number of ecommerce businesses in the United States. ⁶

Less talked about is the onus of properly running your small ecommerce business from an accounting perspective. The truth is, if you're an online retailer, every transaction can lead to a web of potential accounting headaches. The busywork piles up as you pull data from different sales channels, struggle to accurately reconcile your books, sweat complicated sales tax regulations, and [manage inventory issues](#). These manual tasks can steal hours from every day — time that you'd rather spend scaling your business.

Small business owners, who often wear many hats and have a considerably smaller financial reserve than their larger online retail counterparts, face particular challenges when it comes to successfully managing their accounting operations.

Our research shows that these struggles can be categorized into three specific pain points:

- 1 Accounting busywork consumes valuable resources
- 2 Bookkeeping errors and inefficiencies leave sellers open to risk
- 3 Lack of financial control and visibility stymies growth

Read on as we explore each of these challenge areas, call out key considerations and solutions, and explore how collaborative relationships with both the latest technology and accounting professionals can help.

P.S. We'll work hard to paint a picture in layman's terms and steer clear of financial jargon. See a term you're not familiar with? Head over to our [Glossary](#).

CHALLENGE #1

Accounting Busywork Consumes Valuable Resources

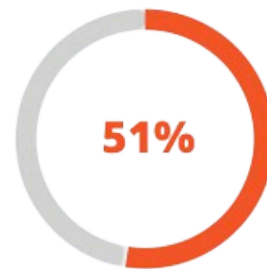
Small ecommerce businesses know the drill well: Time is money. As online retailers start up and scale their businesses, owners are often playing multiple roles: Director of Marketing, Head of Supply Chain Logistics, and Chief Financial Officer, to name a few.

And while many enjoy the excitement of sourcing new products and marketing their stores, dealing with the constantly shifting nuts and bolts of the [ecommerce bookkeeping process](#) is not a regular fan favorite. Small sellers experiencing sales growth — but still burdened by manual accounting processes — can become overwhelmed by the subsequent data entry headaches required to stay on top of their accounting.

But like it or not, the state of your books might very well determine whether your online store thrives or dies. So let's dig into the main culprit when it comes to ecommerce accounting busywork, and talk about what you can do to alleviate the burn.



The percentage of the workweek hours that can be saved with ecommerce accounting automation.



The average percent of the workday spent on low-value tasks. ³

CHALLENGE #2

Bookkeeping Errors & Inefficiencies Slow Sales, Boost Risk

More likely than not, you didn't start up your small online retail business because you enjoyed the intricacies of ecommerce accounting. In fact:

- According to the small business mentoring organization SCORE, [40% of small business owners polled](#) said bookkeeping and taxes were the worst parts of owning a business.
- In a survey by TD Bank, [58% of small business owners](#) working 60 hours or more a week said bookkeeping was particularly draining.
- Another report found that [60% of small business owners](#) felt like they were not very knowledgeable about accounting and finance.

Adding insult to injury, ecommerce accounting is particularly complicated due to confusing sales tax liability laws, complex inventory management and returns issues, high transaction volume, and more. Smaller online retailers rarely have a dedicated accounting team to tackle the books, and tout less financial padding to cushion lean times, sales tax fines, or supply chain logistics snafus. In short, a small seller's accounting books are the perfect breeding ground for errors and inefficiencies if proactive measures aren't taken. Let's explore a couple of key areas where ecommerce accounting inaccuracy can cause dire business results, and what you can do about it.

CHALLENGE #3

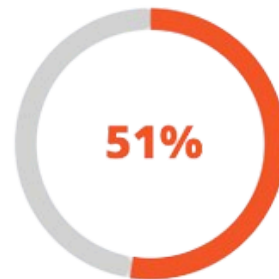
Lack of Control & Visibility Stymies Your Business Growth

Today's world is one of record-setting ecommerce sales. It's an industry that rewards sellers who drive with data and can quickly pivot in response to marketplace changes.

Unfortunately, smaller online retailers often struggle to gain visibility across their various ecommerce platforms. They spend too much time pulling their financials piecemeal — and lose out on embracing the control that comes with unique financial insights.



The percentage of SMBs that still process paper-based or PDF invoices. ⁷



The average percent of the workday spent on low-value tasks. ¹⁰

CHALLENGE #4

Is It Time to Call In an Accounting Professional?

While technology can go a long way toward helping smaller online retailers curb the busywork, avoid errors, and fuel data-driven insights, many sellers realize an even greater benefit when they pair ecommerce accounting automation with advice from a respected accounting professional. Here are the [top 5 signs](#) you might need professional accounting help:

- You want to get clearer visibility into your profitability.
- You need help managing and tracking your sales tax liabilities.
- You could use a hand integrating technology into your accounting process.
- Your financials are an utter mess.
- You're struggling to track inventory/cost of goods sold.



The percentage of small business owners who agreed with the statement, "My accountant is a trusted advisor who I can turn to for a wide range of business advice." ¹¹

What's in Your Ecommerce Tech Stack?

Whether you're an established seller or just setting up your shop, it makes good business sense to investigate how technology can help you save time, increase accuracy, and boost profitability. There are hundreds of ecommerce-associated solutions in the marketplace, but you'll want to pay particular attention to the following categories when building out your tech stack:

- + An accounting platform you can trust for speed, accuracy, and insights
- + An online store or marketplace that fits your target audience
- + An ecommerce accounting automation solution that syncs your accounting platform and ecommerce channels, saving you time, boosting accuracy, and fueling data-driven insights



Glossary

Cash flow: The net amount of cash and cash-equivalents that a business receives and disburses during a set period of time.

Cost of Goods (COGS): The direct expenses involved in producing the goods sold by a company. While COGS includes the labor and materials directly leveraged to create the product, it does not take into account indirect costs (such as marketing and distribution).

Ecommerce accounting automation platforms:

Technology that seamlessly syncs data between your accounting software and your ecommerce platforms, marketplaces, payment processors, and shipping solutions. These platforms put manual data entry on autopilot and deliver better visibility into an ecommerce business' cash flow and profitability.

Ecommerce accounting software: Accounting software designed to help ecommerce businesses easily track and report on taxes, inventory, revenue, and fees.

Economic nexus: A connection between a business and a taxing jurisdiction that creates a legal requirement for the business to register and remit taxes within the jurisdiction.

Inventory management: The process by which a business orders, stores, and uses its inventory. It includes the oversight of both raw materials and finished products, as well as the warehousing and processing of these goods.

Marketplace: A website on which multiple sellers offer their products under a single web address (example: Amazon, eBay, Etsy). The primary advantage of using marketplaces is that the store setup is very easy and they have a large, built-in customer base.

Online store: A website through which consumers can place orders for goods and services. It is different from a marketplace in that it only features products or services listed by the company running the store.

Reconciliation: An accounting process that compares two sets of records to check that the financials match and are correct.

2018 Wayfair, Inc. v South Dakota: A Supreme Court ruling declaring that ecommerce sellers must remit sales taxes in every state where they reach a sales volume or revenue threshold, or face steep fines for not complying in some jurisdictions.

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ecommerce – trusted by 20,000 ×
brands and approved by accountants.



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