10 tips for successful selling in a holiday season like no other

The 2020 holiday shopping season is projected to be unlike any we've seen before, due largely to shifts in how people are choosing to buy since the onset of COVID-19.

For the health and safety of employees and customers, brick-and-mortar sellers are imposing store capacity limits and social distancing rules. Such precautions, combined with shoppers' unease about venturing out during a pandemic, mean stores won't be bursting with the same swarms of shoppers they've traditionally welcomed on Black Friday. Forecasters predict in-store retail spending in the U.S. to decrease by 14%, to $4.18 trillion, in 2020. But that doesn't mean your season won't be bright.

Instead of waiting in line to get first dibs at doorbuster sales, more buyers will be checking off their holiday shopping lists using laptops and mobile phones. They'll also be buying earlier in the season. Online sales are already skyrocketing as shoppers choose to stay at home.

Online sales forecast for the 2020 holiday season and beyond

Ten years of digital commerce adoption took place within three months of 2020 and predictions for the 2020 holiday season and beyond show increasing movement toward online sales. For example:

$709.8 billion	**$4.8 trillion**	**71%**	**30%**
U.S. retail ecommerce sales are expected to total $709.8 billion this year, an increase of 18%.	Global online sales are expected to reach $4.8 trillion by 2021.	71% of U.S. adults said they plan to do more than half of their holiday shopping digitally.	Up to 30% of global retail sales will be made online this holiday season.

This increasing shift to online will create enormous potential for retailers who conduct ecommerce. To help you capture more from new sales opportunities while ensuring satisfied customers and maintaining your tax compliance, we've put together a list of 10 important tips to guide you in preparing for a holiday shopping season like no other we've experienced before.

Tip 1: Be prepared for the surge in online sales and new sales tax obligations

For a successful 2020 holiday season, a well-considered ecommerce plan will be the bow on your favorite present. This may be your first opportunity to sell online to new customers, or you may be a seasoned ecommerce seller. It's time for all retailers to get set for a significant swell in online sales by thinking outside of the box – and if you're prepared, you'll be shipping a lot of those.

You also need to understand your sales tax obligations, since any change or increase in your holiday sales activities may trigger nexus and new requirements surrounding collection and remittance of sales tax. For example:

- Ramped-up online sales means you'll be more likely to have new customers in states or even countries you've never sold to before. These new jurisdictions will have different sales tax rates, rules, and processes that you'll need to abide by.
- Though every fall and winter can bring the possibility of surpassing a nexus threshold due to increased holiday sales or hiring seasonal staff in new jurisdictions, the increases in online sales we expect to see in the 2020 holiday season mean you'll need to keep an even closer eye on your nexus.
- Come January, when you're handling merchandise returns from buy online, pickup in store (BOPIS) purchases along with other types of sales, be sure to keep tabs on sales tax from all returned goods in order to get the full amount of tax credit owed to you.

Tip 2: Increase reach through online marketplaces

In 2019, digital marketplaces generated $2.03 trillion in sales globally, accounting for 57% of ecommerce sales. Marketplace selling is an ideal way to get your merchandise in front of more buyers without setting up your own online shop or dealing with fulfillment. Sales by third-party sellers on Amazon grew 52% year-over-year during the second quarter of 2020. Etsy sellers made $2.5 billion in sales – a 125% spike – during the same period.

Marketplace facilitator laws require platforms that meet specific criteria to collect and remit sales tax on behalf of third-party sellers. More than 43 states now have these laws. Although marketplaces collect and remit on your behalf, they don't handle everything for you. Some states count marketplace sales against economic nexus thresholds, while others don't. As a seller, it's critical you understand whether you've reached economic nexus, as well as who's responsible for collecting and remitting in order to remain compliant. Closely monitor marketplace transactions and aggregate the data from all your sales channels to get a full picture of your potential sales tax liability in each state.

Marketplaces may also choose to store inventory on your behalf in a state where you didn't previously have nexus. Because stored inventory creates physical nexus and an obligation to collect and remit sales tax, you'll want to keep a close watch on your inventory.

Tip 3: Boost revenues by selling direct to consumers

With many brick-and-mortar stores closing their doors, manufacturers and wholesalers are bypassing normal distribution channels and going direct to consumers to make up lost revenue. U.S. direct-to-consumer (D2C) sales are projected to make up $17.75 billion of total ecommerce sales in 2020, an increase of more than 24% over the prior year. Adding a D2C channel can help you grow your business while maintaining control over the entire buying experience. Know that choosing this route puts you on the hook for collecting and remitting sales and use tax.

Tip 4: Monitor economic nexus

More online sales increase the likelihood of triggering new economic nexus obligations. Two years after the U.S. Supreme Court ruling in South Dakota v. Wayfair, Inc., more than 43 states now have economic nexus laws that require remote sellers to charge sales tax for online purchases if they meet certain thresholds. These laws base the obligation to collect and remit sales tax on sales volume or revenue, sometimes both. Some states include exempt sales as part of the threshold count while others don't. Keep an eye on ecommerce transactions and sales volumes for all your sales channels so you know when you cross a threshold that requires your business to register, collect, and remit sales tax.

Tip 5: Fortify your ecommerce site to provide a seamless buying experience

Last year, 142.2 million Americans shopped online between Thanksgiving and Cyber Monday This year, nearly half of U.S. adults said they're more interested in shopping online for the holidays compared with last year. In fact, sites offering store pickup may see a 90% increase in digital sales over the previous holiday season.

You'll want to be aware that having more online shoppers could increase the likelihood of your site turning sluggish or your shopping cart system crashing. Fortifying your ecommerce site with an ecommerce acceleration solution will help ensure it's ready to handle additional traffic, dramatically speed up page load times, and optimize the delivery of rich imagery and content that drives engaging and smooth shopper experiences.

YOTTAA

Industry perspective: Site performance and scale
Heading into the most unpredictable holiday shopping season ever, the focus on digital performance is table stakes. The baseline amount of traffic from YOTTAA's community of more than 1,500 ecommerce sites is already over 50% higher for this time of year without signs of slowing. In addition to the amount of traffic, the holiday shopping rush will start earlier than ever with the launch of Amazon Prime Day in October.

Heavy traffic presents opportunities to make up for lost revenue from store closings due to the pandemic – but it also comes with challenges if brands are not prepared, as well as risks to site speed, shopping experiences, and ultimately, revenue.

Your number one priority this holiday season should be to give your shoppers the best experience possible while on your site by optimizing for performance, with a focus on speed and consistency. The more optimized your site is, for both mobile and desktop, the easier an influx of traffic will be on your infrastructure and the greater your conversion rate will be.

"*We're anticipating the most massively competitive holiday season yet. As an ecommerce team, you've got to be enormously focused on the brand experience customers get when they shop your site because an alternative is a click away. It's time for every retailer to be looking at their site and saying, 'How do I create that great experience and how do I get enormous confidence that when traffic goes up, I'm going to be able to deliver that experience at scale?'***"**

— Rich Stendardo, **CEO of Yottaa**

Technologies that optimize the shopping cart experience and ensure speedy checkouts are key to a seamless buying experience. Research shows that 95% of buyers expect to see all shipping fees and taxes before making a purchase. With 99.97% uptime and an average response time of just 60 milliseconds, Avalara AvaTax can quickly give your customers the right sales tax rate. There's no risk of a wrong upload and forget time-sucking updates because the cloud-based system provides real-time, highly accurate rates at the time of sale.

Tip 6: Provide convenience across all channels

Desktop still dominates, but retailers now generate 42% of their online sales from mobile devices. Mix in click-and-pick options like BOPIS and curbside delivery, and omnichannel retailers will need to make sure their platform provides a seamless and convenient experience regardless of which option a consumer chooses. An order management system is one way to coordinate order processing across sales channels.

deckcommerce
Order Management. Simplified.

Industry perspective: **Tips for powering omnichannel operations**
Prepping for the holiday season will look different for retailers this year. COVID-19 has accelerated the timeline for digital transformation and is emphasizing the importance of having an omnichannel strategy. Many brands have seen Black Friday-level sales volumes for months. Other brands are realizing that 2019's nice-to-have capabilities are fundamental for 2020. For all direct-to-consumer retailers, distributed order management has become the linchpin to a successful peak season.

From Deck Commerce, here are some tips for powering omnichannel operations:
- **Plan for increased, omnichannel orders (BOPIS, Curbside, Ship-from-Store, etc.).** With limited travel, shipping volumes will surge and therefore retailers will see more consumers "going omni" for last-minute gifts, while still avoiding in-store lines and exposure.
- **Ensure you have inventory visibility across all channels.** Monitor available-to-sell (ATS) store inventory and define stock guardrails to prevent "stockouts" that lead to lost sales and disgruntled customers.
- **Prepare for returns and automate processes to save time.** Return rates jump significantly for items bought online, so have a behind-the-scenes system to process returns, trigger shipping labels, and initiate refunds or gift cards.

- **Aim to create more omnichannel shoppers.** Omnichannel consumers have a higher value for retailers (both in transaction size and lifetime value) so by incentivizing customers to engage with your brand in another channel (app, online store, marketplace, brick-and-mortar store, etc.), you can drive customer satisfaction, revenue, and long-term customer loyalty.

" The increased volume on ecommerce has accelerated and exposed challenges for retailers — and it's happened at warp speed. We're seeing many high-volume retailers leverage a dedicated order management system to prepare for the holiday season — and really the new era of retail. "

— Christopher Deck, CEO and Founder of [Deck Commerce](#)

Tip 7: Go global

Nearly [85%](#) of the world's purchasing power exists outside the U.S., making the holiday shopping season a great time to market to international customers looking for unique gifts. But cross-border transactions can be tricky. Set up your business for success and provide a positive customer experience by being transparent and upfront about all costs, including customs duties and import taxes like VAT and GST. Surprise fees can lead to rejected shipments and poor reviews, not to mention lost revenues.

ShipStation®

Industry perspective: Setting up business for global sales

Preparing for the holiday rush takes planning, thorough research, and extra work throughout the whole year. Activities like setting a timeline for buying supplies and inventory and ramping up your warehouse team require a lot of energy. An effective holiday strategy will help you smoothly navigate the busiest time of year and increase your sales.

Using a shipping software like ShipStation helps get orders out the door — particularly during the busy season. Printing multiple labels at once greatly reduces the amount of time it takes to fulfill your orders. Instead of individually entering each order's shipping data to print a label, combine orders into a single batch and print their labels together. In addition, by creating packing slips and pick lists for orders, retailers can further expedite their picking processes. Shipping software also makes it easier to pick orders from multiple selling channels at the same time.

" While 2020 has seen challenges with international shipping, now is the time for ecommerce merchants to dip their toe in the cross-border water this holiday season. Experimenting with selling products to markets with similar customer preferences to the United States, such as common trade partners like the United Kingdom, Australia, and Canada, can pay dividends down the road. When other merchants are trying to figure out cross-border, the merchant who has invested in it in 2020 will be at a distinct advantage. "

— Krish Iyer, Head of Industry Relations and Strategic Partnerships at [ShipStation](#)

Tip 8: Harness creative sales strategies

A holiday season like no other calls for fresh ideas. Instead of offering one-day discounts on in-store products, consider offering online promotions spread over multiple days. Start advertising special offers earlier in the month to reduce traffic spikes on Black Friday and Cyber Monday. Providing mobile payment options like Apple Pay and PayPal can lower wait times at checkout. Social platforms like Facebook and Instagram can be additional viable sales channels, as well as great ways to connect with customers. Research shows 58% of consumers are comfortable with buying goods via social media rather than a company's website.

Tip 9: Understand how fulfillment and shipping impact compliance

Consumers have come to expect fast and, frequently, free shipping. As you work on getting gifts to their destination on time, you'll quickly realize how calculating shipping and handling fees, using drop shippers, and storing inventory at third-party fulfillment centers can muddy the already complex waters of tax compliance. Take the time to learn how fulfillment and shipping can impact your tax obligations.

With drop shipping, you don't need to store your inventory in a warehouse or spend time shipping products. However, you will want to evaluate different tax scenarios that depend on multiple factors. These include: the locations of the customer, the seller, and the supplier, as well as the taxability of your goods and where you, as the seller or supplier, have nexus.

States also have a plethora of tax rules around shipping, handling, and delivery charges. In some states, shipping is taxable regardless of whether it's part of the price of the item or listed separately. Other states exempt tax on shipping when it's separately stated, but require tax when shipping is included as part of the item cost. And that's just the tip of the iceberg.

Storing inventory in fulfillment centers comes with its own challenges. Marketplaces like Amazon may move your inventory to another state, opening your business to physical nexus in new locations.

Shipping overseas means risking supply chain delays, shipments being held up in customs, and rejected deliveries. Calculating and collecting customs duties and import taxes upfront allows packages to ship Delivered Duty Paid (DDP). Opting for this shipping method means the customer receives convenient, contact-free delivery at their doorstep and they won't have to go to the post office or carrier to pay additional fees and collect their package.

Correct addresses are critical to not only getting your goods to the recipient but also calculating sales tax. Some sales tax calculation solutions rely on ZIP codes, which don't align neatly with tax jurisdictions. That can lead retailers to charge the wrong tax rates. Increased online sales also require omnichannel retailers to assign tax rates that vary depending on whether the customer opts for delivery, BOPIS, or buying in-store.

Industry perspective: Holiday shipping guidelines

Shipping impacts shoppers in a big way. Meeting customers' shipping needs help convert more sales. During the holidays, customers shop around to find the best deals. Offering products at the lowest price isn't always enough to attract customers. If your items are affordable but shipping charges inflate the cost too much, you run the risk of cart abandonment.

Free shipping is the most commonly demanded shipping feature, with 76% of consumers saying it's the most important shipping option. If you are unable to offer free shipping across the board, most customers expect free shipping for orders over $50.

Every holiday season reinforces shopping trends while also changing them. Customers want additional options. For instance, fast shipping is especially crucial during the holidays. Purchasing gifts for other people elicits more urgency from buyers. In fact, customers are 76% more likely to use express shipping, even if it comes at a premium cost, when buying gifts. There are a few possible reasons for this. But, the major factor for expedited shipping during the holiday season is the fear of a gift arriving after Christmas.

" *Your shipping strategy gets put to the ultimate test in the final leg of the holiday rush. At one extreme are consumers who report starting their holiday shopping this year as soon as August. At the other extreme are customers who are still shopping – and shipping – in the final 10 days of the season. Guaranteeing these gifts arrive in time is the deciding factor between someone shopping online with you or visiting a brick and mortar. Offering express services for last-minute shoppers ensures all packages will arrive on time.* "

— Krish Iyer, ShipStation

Tip 10: Don't let returns cut into revenues

More than a third of Americans return holiday gifts. Be sure you're set up to process online and in-store returns accurately. Merchandise returns also affect your sales tax filings. Many states allow you to claim refunded sales tax on an amended sales tax return. They will usually then apply the amount as a credit toward a later payment.

Holiday readiness checklist

Every holiday shopping season takes a significant amount of preparation but 2020 is sure to be unique. To help you make the most of this shopping season, we've wrapped up the tips from above into a detailed checklist. Keep it handy as you prepare your store for this year's holiday rush.

Nexus

Have you registered in all states where you need to collect and remit sales tax?
- o   If you'll be selling direct to consumers, remember to register, collect, and remit sales taxes.

Will you be selling through online marketplaces?
- o   If so, make sure you know which states have marketplace facilitator laws and who's required to remit sales tax – you or the marketplace facilitator.

Are you monitoring economic nexus thresholds?
- o   Exempt sales can be included in these thresholds in some states.

Avalara State Sales Tax Registration simplifies the registration process. Avalara AvaTax keeps tabs on changing laws for you, tracks all your transactions, and informs you when you're nearing or when you cross an economic nexus threshold.

Online sales

Is your business ecommerce-ready?
- o   Create an ecommerce plan.
- o   Ensure your site can handle additional traffic. An ecommerce acceleration solution can help.
- o   Optimize your site for mobile.
- o   Confirm shopping cart contents transfer across devices.
- o   Check that sales tax is accurately calculated in your shopping cart based on geolocation rather than ZIP code.

Are you ready to provide a seamless shopping experience across channels?
- o   Consider using a dedicated order management system.
- o   Automate tax compliance with a system that can tie into the technologies you're already using (e.g., POS, OMS, ERP, and ecommerce platforms).

AvaTax provides real-time, highly accurate calculations across channels, regardless of whether purchases are made online, in-store, or BOPIS.

International sales

Are you set up to provide a good customer experience for international customers?
- o   Be transparent about all costs, including customs duties and import taxes like VAT and GST.
- o   Ship Delivered Duty Paid (DDP) for a more convenient and frictionless delivery experience.

[Avalara AvaTax Cross-Border](#) calculates customs duty and taxes at the point of sale, creating a transparent online shopping experience.

Innovative sales strategies

How are you attracting new customers?
- o Develop a robust holiday marketing and promotions plan.
- o Create buyer personas so you can personalize messaging and content.
- o Consider spreading promotional offers and discounts over several days.
- o Assess the benefits of implementing mobile payment systems.
- o Consider selling over social platforms.

Fulfillment and shipping

Have you accounted for shipping and handling fees?
- o Make sure there are no surprise costs.
- o Collect sales tax for shipping and handling on required transactions.

Are you using a drop shipper?
- o Identify which goods are taxable and where you have nexus.

Do your marketplaces store your inventory in fulfillment centers in other states?

Do you have a way to validate addresses?
- o Avoid undeliverable and returned packages due to invalid addresses.

AvaTax automates sales tax compliance, can identify where storing inventory may establish nexus, and provides rooftop-level accuracy to calculate sales tax based on geolocation.

Merchandise returns

Do you have a system in place to handle returns?
- o Verify that your sales tax compliance solution accurately calculates and applies sales tax rates to return transactions.

[Avalara AvaTax](#) keeps track of sales tax on all your transactions so that you can easily apply tax credits from returned merchandise to your next sales tax return.

Filing

Have you already automated the sales tax return preparation and filing process?

[Avalara Returns](#) integrates with AvaTax and other business systems, allowing you to manage data from all your sales in one place. With Avalara Managed Returns, we do all the prep work and handle any state tax notices. Simply review your tax liability and file sales tax returns with the click of a button. Avalara remits the taxes to applicable jurisdictions on your behalf and stores all returns for easy access in the event of an audit.

Exemption certificates

Do you sell B2B, but also deal with exempt sales?
- o   Consider automating your exemption certificate management.

Avalara CertCapture enables businesses to collect and validate new sales tax exemption certificates during checkout, whether in store, online, or in the field. CertCapture syncs with AvaTax to automatically apply tax exemptions to purchases, including drop shipments and purchase orders. It also serves as an audit management platform by storing all your exemption certificates in one place. It's the easiest, quickest way to manage the exemption certificate process and be prepared for audits.

While preparing for a holiday shopping season like no other, make sure to cover all your bases and avoid the risk of expensive audits or unsatisfied customers. Instead, count on Avalara for help with all your sales tax compliance needs. In 2019, we calculated tax on $19 billion in goods for our 30,000+ customers worldwide during Cyber Week. Our tax automation experts are available to talk and assist you in finding the right solutions so you can have a happy holiday season.

Learn more at avalara.com/retail.

To learn more
about Avalara visit:

avalara.com

or call

877-780-4848

Sales tax rates, rules, and regulations change frequently. Although we hope you'll find this information helpful, this guide is for informational purposes only and does not provide legal or tax advice.

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