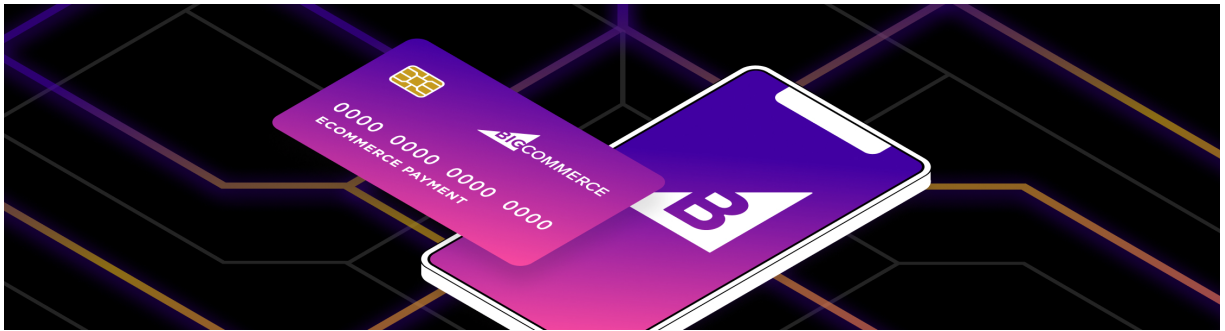


Accounting Pitfalls to Avoid in an Omnichannel Business



The evolution from single-channel to [multichannel](#), and now to [omnichannel](#) business models, is no longer merely a trend — it's the standard.

As the boundaries between physical and digital commerce continue to blur, businesses are finding it necessary to engage with customers across multiple touchpoints, from traditional brick-and-mortar stores to various digital platforms.

This [strategy](#) opens your business to different types of customers and lets you sell beyond your storefront, reaching buyers elsewhere in the country and even [globally](#). However, the difficulty of this approach is that it requires more effort to get accurate, reliable financial data.

In this context, accounting becomes more than just tracking income and expenses. It morphs into a strategic [tool](#) for understanding your current financial situation, identifying opportunities for improvement or leverage and ultimately driving business growth.

Additionally, ecommerce accounting is no walk in the park, and it's laden with complexities such as batched payments that aren't always deposited daily, various transaction types and sales channel fees.

Understanding these complexities, let's delve into four major accounting pitfalls that, if not handled properly, can put your thriving omnichannel business at risk.

Not Having Solid Accounting Processes

Not having robust accounting processes can have significant consequences. It is crucial to have a well-defined and accurate process in place to ensure the reliability of financial data for analysis, decision-making and tax purposes.

Good accounting processes typically involve using cloud accounting software such as QuickBooks or [Xero](#). It's also important to know how to reconcile your payouts manually or using a specialist tool such as A2X.

Having proper processes in place can avoid recurring mistakes. For example, many online brands get into trouble when they record the entire payout they receive as income in [QuickBooks](#) or Xero.

In reality, these bulk payouts consist of many transaction types, including collected sales tax, shipping income, reimbursements and [BigCommerce](#) fees.

It is essential to account for each transaction type accurately; otherwise, your records will be inaccurate, potentially resulting in overstatements or understatements of income.

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Making Bad Business Decisions Due to Inaccurate Data

As an omnichannel brand, your costs and sales volume will vary depending on the modes and locations of your product sales. Having reliable data on this is key in determining pricing strategies and running profitable promotions.

In fact, inconsistent pricing and promotions can have a devastating impact on a business. Notably, among failed ecommerce startups, [a significant 29%](#) cited issues related to pricing and costing as the cause of their failure.

For example, discounts, giveaways and buy-one-get-one-free deals are all popular and effective promotions. When implementing these, it's important to know what your current margin is, what your margin will be with the discount or giveaway applied and the additional volume you need to sell to [avoid operating at a loss](#).

Good data allows you to delve deeper into this analysis, evaluating your most profitable or costly SKUs and adjusting prices as necessary. The complexity of this task increases with omnichannel sales, as certain SKUs may perform better online than in-store or vice versa.

Acquiring this type of data begins with proper reconciliation and [accounting](#) for all transaction types and not just categorizing any cash deposits as sales.

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Neglecting Financial Reporting and Analysis

When starting a business, the sheer multitude of tasks can mean that accounting can quickly become an afterthought. Even so, neglecting your finances or not giving them adequate attention can negatively affect your business.

As previously mentioned, inaccurately stating your income could result in tying up cash that could be spent elsewhere or owing more in tax. A less discussed consequence of neglected financial records is that it produces bad data, which can lead business owners to ignore the information and make poor business decisions.

With enough poor choices, a business may run out of cash and ultimately fail. It's worth noting that 32% of [failed startups](#) have attributed their downfall to this very reason.

If you're not in a position to put together these reports, hiring a [specialist ecommerce accountant](#) could be one of the best business decisions you can make. An accountant with expertise in ecommerce will already understand the complexities that come with selling online, such as batched payments and sales channel fees.

Because of this, they will bolster your confidence in your financials, ensuring total tax compliance and trustworthy reports. They can advise on growth strategies and educate you on best practices through their expertise.

If you need help finding an ecommerce accounting specialist, the [A2X directory](#) can assist. There, you can even filter by sales channel to find accountants experienced in aiding brands on BigCommerce.

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Not Properly Tracking COGS/Inventory

As an [ecommerce](#) brand, purchasing stock is likely one of your biggest expenses. With your focus on correctly managing stock levels, it's not uncommon that accounting for stock can go by the wayside.

It can be tempting to account only for the Cost Of Goods Sold (COGS) when you purchase your inventory. However, doing so leads to inaccurate financials and creates unreliable data for making business decisions.

To correctly track your COGS, you need to account for when inventory is purchased and sold. This means adding the inventory to an asset account in your books upon purchase and expensing it when sold so that you can see the flow in and out of stock.

To properly track this, you need accurate COGS prices. There are various methods when it comes to calculating COGS prices. Smaller brands can start with spreadsheets, while larger or more complicated businesses can use inventory management software.

Once you have determined your COGS costs, you can create an entry in your cloud accounting software. A [tool like A2X](#) simplifies this process by automatically generating and consolidating the entry for the appropriate period.

Inventory management becomes even more complex for omnichannel brands, particularly when dealing with multiple warehouses or locations. Therefore, conducting stocktakes becomes critical in order to monitor stock levels and locations.

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The Final Word

While focusing on other aspects of your business can be tempting, maintaining diligent accounting practices is essential for long-term success. Overlooking this will lead to complicated, time-consuming and costly problems down the line.

By investing in your brand's accounting, you'll be rewarded with dividends in the form of a sustainable business, opportunities for growth and data that can be relied upon.

Start your journey to accurate finances today by examining your business's accounting practices or skip the hassle and find a professional using the [A2X directory](#).

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