

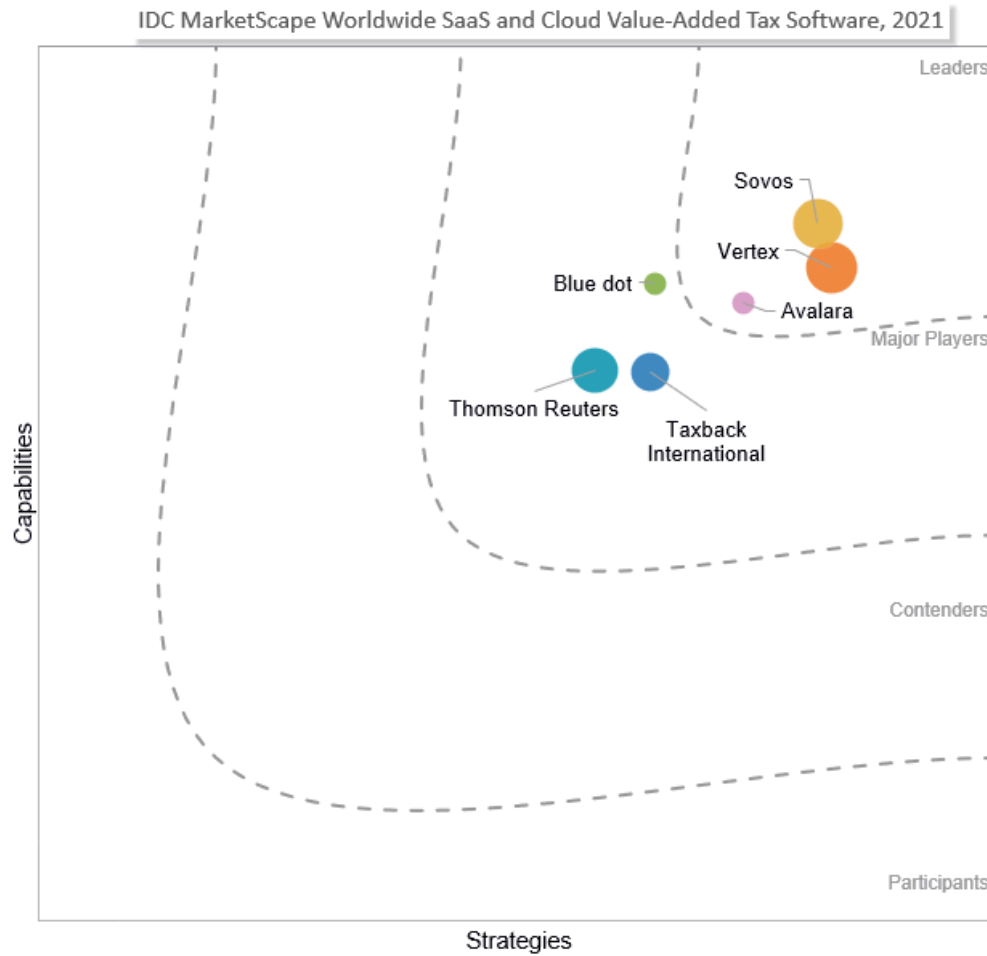
# IDC MarketScape: Worldwide SaaS and Cloud Value-Added Tax Software 2021 Vendor Assessment

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## IDC MARKETSCAPE FIGURE

FIGURE 1

### IDC MarketScape: Worldwide SaaS and Cloud Value-Added Tax Software 2021 Vendor Assessment



Source: IDC, 2021

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

## IDC OPINION

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Indirect taxation is one of the most complicated aspect of today's business environment. Indirect taxation sits in the center of a long financial value chain that forms the backbone of corporate finance. Indirect taxation touches a whole host of business functions, including procurement, accounts payable/accounts receivable, inventory/supply chain, and expense management. Indeed, tax is quickly becoming a major part of the core business functions. Nearly every major economic region is undergoing some level of indirect tax reform and VAT/GST changes, which will add additional levels of frustration and complexity for businesses: Further:

- **COVID-19 impacts add for value-added tax (VAT) complexity:** The impact of COVID-19 and the loosening of VAT restrictions caused many governments to experience budget shortfalls. As a result, we can reasonably expect increased vigilance to close tax gaps in the years to come. For example, European Union (EU) countries lost an estimated €164 billion in value-added tax revenue in 2020.
- **Brexit adds more complexity to VAT:** As of January 1, 2021, the United Kingdom left the EU VAT tax regime. This dramatically shifted the VAT landscape for the United Kingdom and within the EU. This transition has increased the complexity of moving goods between the new United Kingdom trade zone and the EU zone.
- **Complexity grows in LATAM:** LATAM is quickly becoming a leader in VAT transformation. Countries like Mexico, Columbia, and Brazil have all taken major steps to embrace digital tax transformation in the past 18 months.

## Relevant Market Trends

- **Growth in the marketplaces.** Cross-border marketplaces are ecommerce sites where product is provided by multiple third parties (e.g., eBay, Etsy, Alibaba) that are growing rapidly. In fact, in many countries like China, Japan, and the United States, marketplaces are all expected to grow faster than their retail website counterparts.
- **The spread of e-invoicing in the European Union.** e-Invoicing mandates are quickly taking root in the EU and beyond. In fact, in the past 12 months, there have been new/updated e-invoicing initiatives in Italy, France, India, Chile, Brazil, and Poland.
- **Growth of the digital economy.** As a result of the massive shift toward digitalization, the amount of nonphysical digital goods (e.g., on-demand services, software, online gaming, ebooks, music files, and digital images) being sold has exploded. This explosion has caught the attention of tax authorities all over the globe.
- **Growth of the gig worker.** The gig economy is growing rapidly with companies like Uber, Grubhub, and Lyft representing a significant shift in the business landscape. This represents an opportunity for tax compliance vendors to develop/enhance software functionality to help businesses manage 1099s and other related tax forms.
- **Growth of the tax gap.** The new digital economy is placing tremendous strain on the legacy methods of collecting taxes within the United States and Western European nations. In the United States, the IRS estimates the gap between taxes owed and taxes collected is roughly \$400 billion for 2019. There will be increasing energy from tax authorities toward closing this gap.

## IDC MARKETSCOPE VENDOR INCLUSION CRITERIA

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The vendor inclusion list for this study was selected to accurately depict the vendors that are most representative of any given software application on a buyer's selection list based on the following:

- Vendors must have a SaaS or cloud offering – on premises-only applications are out of scope.
- Software application can be purchased separately (not just functionality built into a larger system) and is available off the shelf without required customization.
- Software application has capabilities for determination, filing, recovery/reclaim, e-invoicing, and localized VAT support.
- The vendor had at least \$5 million in 2020 tax management software revenue.
- The vendor has a minimum of one tax solution in market for at least three years.

## ADVICE FOR TECHNOLOGY BUYERS

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Tax applications are evolving rapidly as vendors invest research and development dollars into bolstering, augmenting and, in some cases, redesigning their applications. The applications must align with the new digital enterprise and its preferred way to absorb technology. The vendors must work to align their go-to-market strategies and product development strategies with the new digital enterprise. While the vendors in this study may vary widely in size, experience, levels of support, and sales model, the goal for all the vendors listed in this study is the same – create/curate a differentiating user experience (UX). To do that, the user experience must go beyond the software to include the sales process, account management, implementation, and post-implementation support. As a buyer in this market, here are a few of the key questions to consider during the buying process:

- **Begin by looking inward.** Before making purchasing decisions on tax software, here are a few key questions to ask regarding the internal resources and processes:
  - What are some of the issues I would like to resolve with this new system?
  - Are the issues technology related?
  - What are my internal support resources and capabilities?
  - How should we define success for this implementation?
  - Which internal stakeholders should we include in the evaluation processes?
  - How will a new system change my organization?
- **Select the right partners (internal and external).** The first step in the journey to tax system is developing a strategy and plan for the implementation. This includes doing the due diligence in finding the right vendor. Here are a few key questions to ask regarding the software vendor:
  - Does the vendor have experience with my type of product, service, and company size?
  - Can the vendor show me a hands-on demo with my organization's "live/real" data to show the benefit to the business?
  - Does the vendor understand the regulations that will impact my business? How are these regulations reflected in my current product and how will it change in the future?
  - What is the vendor's strategic investment outlook for the next three to five years? Why? How will that change and enhance my business?
- **Consider the foundation.** Tax application vendors have seen many iterations from a technology architecture standpoint. Even among cloud vendors there are many different

varieties of software architectural approaches. IDC believes that taking time to understand the foundation of the software and its advantages (or limitations) is of critical importance during the buying decision. Here are a few key questions regarding the tax software vendor:

- What is the data flow design within the current solution?
- What kind of APIs are available now from this vendor? RESTful? SOAP? GraphQL?
- What kind of developer tools does the vendor provide (e.g., sandbox, dedicated portal, low-code/no-code tools, and database management tools)?
- Is any part of the software currently built on a microservice architecture? If so, which parts?
- **Take ownership of the implementation.** For the best results, organizations must take a very active role in the actual implementation of the software. Tax software touches upon a lot of other back-office systems (order management, accounts payable, accounts receivable, treasury, expense management, etc.). As a result, extreme attention must be given to how the tax system is set up and how it interacts with other systems within your organization. Here are a few key questions to ask regarding the tax software implementations:
  - What levels of support are available and are they geographically available for my business?
  - How should I set up the service-level agreement (SLA) before signing any contracts?
  - Can the system integrate with my company's other IT systems and those of my partners?
  - Which IT system needs to be integrated and to what degree?
  - How are we set up to deal with frequent product updates?
- **Note that post-implementation is critical.** In many ways, the success of any SaaS implementation hinges on what happens after the implementation is up and running. This is where change management takes center stage and the people's side of tax management becomes essential. Here are a few key questions to ask regarding the post-go live phase of tax software implementations:
  - Do we have a strategy to encourage rapid adoption among employees?
  - Do we have the right amount of training for employees to master the new features within the system?
  - Are we communicating the purpose and benefits of the system change to the relevant employees?
  - Have we aligned existing policies and procedures to enable the adoption of the new workflows?

## VENDOR SUMMARY PROFILES

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This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

### Avalara

After a thorough evaluation of Avalara's strategies and capabilities, IDC has positioned the company in the Leaders category in this 2021 IDC MarketScape for worldwide SaaS and cloud-enabled value-added tax software market.

Avalara helps businesses of all sizes get tax compliance right. In partnership with leading ERP, accounting, ecommerce, and other financial management system providers, Avalara delivers cloud-native global compliance solutions for various transaction taxes, including sales and use, VAT, GST, excise, communications, lodging, and other indirect tax types. Headquartered in Seattle, Avalara has offices across the United States and around the world in Brazil, Europe, and India.

The Avalara Compliance Cloud enables customers to address the complexity of indirect tax and complementary compliance processes with advanced technologies and solutions. The Avalara Compliance Cloud suite includes six product categories that represent the core requirements for achieving VAT compliance, including calculations, returns and reporting, document management, licensing and registrations, fiscal and risk management, and content, data, and insights.

Avalara has several solutions to help customers with their VAT obligations that span country-specific requirements. This includes VAT Registration and EU-wide OSS/IOSS/MOSS services, real-time VAT calculations, and VAT Reporting returns preparation and filing. Avalara delivers several key capabilities as SaaS solutions and offers a Managed VAT Reporting service for customers who choose to outsource their VAT compliance tasks.

Avalara VAT offers connectors to several key ERP/accounting systems to fully automate the ingestion of data, including SAP. In addition, Avalara Managed VAT Reporting offers data analytics checks within the solution, with over 160 compliance checks on each line item complete with an auditable correction process. In addition, Avalara recently acquired INPOSIA Solutions GmbH and the technology to bolster its electronic invoicing and real-time compliance capabilities.

Quick facts about Avalara include:

- **Employees:** 700+ employees supporting VAT Applications; 140+ content professionals and dedicated content engineers globally
- **Total number of clients:** 16,570+ core customers
- **Globalization:** Avalara VAT solutions support country-specific requirements around the world, with a global database for VAT calculation.
- **Industry focus:** All verticals are represented.
- **SaaS:** Multitenant architecture
- **Pricing model:** Usage-based model depending on the product
- **Average time of implementation (VAT):** 90+ days
- **Partner ecosystem:** Avalara has more than 1,000 signed partner integrations.

## **Strengths**

- **Tax compliance platform:** Avalara has VAT compliance products for every size business. Small and midsize businesses can utilize Avalara products to manage their full compliance process from VAT Registration, VAT calculation, and Managed VAT Reporting and returns filing, as well as cross-border customs and duties solutions. Tax Research global modules and insights allow businesses to get tax right with comprehensive, up-to-date, and relevant sales and use tax research.
- **Global content:** Avalara maintains a global database of up-to-date tax content spanning major industries and global tax jurisdictions including VAT and GST countries. For businesses selling internationally, Avalara can offer a source of truth for rules and rates in local, regional, and

country-level tax requirements and cross-border compliance requirements like customs and duties.

- **Real-time compliance:** With the 2021 acquisition of INPOSIA, Avalara has expanded its real-time compliance capabilities, including support for e-invoicing and EDI transfers. INPOSIA owns or manages 19 integrations into country-level tax reporting systems and is a certified access point for the exchange of electronic invoices between private companies and public authorities on the Pan-European Public Procurement OnLine (PEPPOL) network.

## Challenges

- **Implementation challenges:** The biggest challenge with implementation is always related to customer data availability and quality. Both VAT determination and reporting need quite a bit of data, and many systems and companies are not well set up to provide this data, making implementation time and resource intensive in some instances.
- **Rapidly changing regulatory landscape:** The major challenges in producing the software are in keeping up with the explosive rate of change in global VAT. Avalara has dedicated content research teams with more than 100 people monitoring, updating, and testing the content for our determination and returns solutions. Significant R&D is being invested into content automation to help Avalara to scale to more countries and address more complex use cases faster.
- **Partner integration management:** Avalara has an extensive technology partner network, which is a double-edged sword. Avalara's integrations are specific to versions of software, and it can be resource intensive to stay up to date as their wide range of partners continue to update their software. Avalara has recently added the Avalara Integration Studio to address these partner integration issues.

## Consider Avalara When

Consider Avalara if you are a growing multinational organization looking for a cloud-native software vendor with wide geographical VAT compliance coverage and an aggressive compliance road map.

## Blue dot

After a thorough evaluation of Blue dot's strategies and capabilities, IDC has positioned the company in the Major Players category in this 2021 IDC MarketScape for worldwide SaaS and cloud-enabled value-added tax software market.

Founded in 2013, Blue dot has developed a technology-based and dynamically updated financial platform for employee-driven transactions in the market. The Blue dot Tax Compliance Platform harnesses digitization, tax compliance, and automation to process and analyze a company's employee spend data for VAT, taxable employee benefits, and corporate income tax in real time. As a privately held company, Blue dot has raised more than \$50 million in private equity funding and attracted a large portfolio of Fortune 500 clients.

Quick facts about Blue dot include:

- **Employees:** 220
- **Total number of clients:** 3,900+
- **Industry focus:** Not dedicated to a single industry
- **SaaS:** Multitenant
- **Pricing model:** Subscription pricing model

- **Average time of implementation:** 14 days
- **Partner ecosystem:** 10 (SAP Concur, KDS, PwC, Iron Mountain, SAP, Oracle, and BCD)

### **Strengths**

- **Technology-first approach:** The technology-first nature of the Blue dot service results in a faster time to process and deeper analytics than the traditional market is able to offer. Only through total automation of the end-to-end process can you reliably process, analyze, report, and manage your tax position, for example, relying on the thoroughness and accuracy of the data to take advantage of the configurable posting tool or using the Blue dot tool as the basis for authority audits.
- **Artificial intelligence (AI)-driven functionality:** Blue dot has made heavy investments to harness artificial intelligence to drive tax event management and compliance. The AI powering its Blue dot software package includes deep learning and natural language processing, as well as multiple external data sources and historical data, to create a comprehensive account of employee-driven transactions.

### **Challenges**

- **Building a larger partner ecosystem:** Blue dot has partnerships with several notable companies including SAP, Oracle, and PwC currently. It will be important for the company to work to grow its ecosystem to include more financial technology providers, more travel software/service providers, and more accounting software providers.
- **Business impacts of COVID-19:** During COVID-19 times, when most of the travel industry was shut down, companies have been less minded toward VAT recovery for T&E, which heavily leans on travel volumes. Like all companies in the space, Blue dot must contend with the continued uncertainty as business travel slowly returns.

### **Consider Blue dot When**

Consider Blue dot if you are looking for a VAT, TEB, or CIT provider with compliance and reclaim capabilities that leverages artificial intelligence extensively to provide compliance and automation.

### **Sovos**

After a thorough evaluation of Sovos' strategies and capabilities, IDC has positioned the company in the Leaders category in this 2021 IDC MarketScape for worldwide SaaS and cloud-enabled value-added tax software market.

Sovos VAT compliance solutions and services include full coverage for VAT reporting, continuous transaction control compliance, e-invoicing clearance, post-audit e-invoicing, and tax determination. Sovos has a global strategy that leverages local expertise, with teams in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, the Netherlands, Portugal, Peru, Sweden, Turkey, the United Kingdom, the United States.

Quick facts about Sovos include:

- **Employees:** 2,000+ employees worldwide, inclusive of staff working across SUT, VAT, tax and regulatory reporting, and shipping compliance products and services
- **Total number of clients:** 20,000+ including customers across VAT, sales and use tax, tax and regulatory reporting, and shipping compliance products and services
- **Industry focus:** Manufacturing, retail, and financial services

- **SaaS:** Multitenant architecture
- **Pricing model:** Subscription (based on tiers/groups of service)
- **Average time of implementation:** Varies based on products, services and scope
- **Partner ecosystem:** 125+ partners

### *Strengths*

- **Cloud platform:** Sovos provides users with a strong cloud software platform that gives the user access to tools and data in a consistent user experience. The cloud platform is supported by a multiple physical datacenter approach. In addition, Sovos APIs are compatible and optimized to work with additional SaaS, on-premises, and customer-built financial systems and workflows.
- **Globalization:** With recent acquisitions, Sovos is a global solution with local expertise, supporting customers operating in more than 70 countries with aggressive growth plans for further geographic expansion. Sovos has a growing roster of multinational, enterprise, and SMB customers around the world.
- **e-Invoicing compliance:** Multiple customer references cited Sovos' capability with e-invoicing and continuous transaction control (CTC) compliance as one of the major benefits of choosing their solution. e-Invoicing compliance is particularly important for larger enterprises with complex tax processes and regulatory demands.

### *Challenges*

- **Aggressive acquisition strategy:** Sovos is aggressive about deploying an M&A strategy to expand its presence in key compliance regions and markets. The challenge for Sovos is quickly integrating these companies and harmonizing infrastructure and road maps. To do this on a single platform and from a single source of data requires the ongoing integration of people, products, and practices.
- **Country-level competitors:** Other players occupy part of this space, such as point solution providers operating at a country level or vendors with broader geographic coverage that offer some reporting and determination, but not e-invoicing, either clearance or post-audit. By contrast, Sovos uniquely combines local excellence with a seamless, global customer experience across its full VAT compliance solutions suite.

### *Consider Sovos When*

Consider Sovos if you are looking for sophisticated cloud tax software to keep complex or multicountry business processes compliant with tax, e-invoicing, and other regulatory mandates.

### **Taxback International**

After a thorough evaluation of Taxback International's strategies and capabilities, IDC has positioned the company in the Major Players category in this 2021 IDC MarketScape for worldwide SaaS and cloud-enabled value-added tax software market.

Taxback International is the world's leading technology and services company, which specializes in VAT compliance and VAT reclaim. The company's client list is global including many large companies like Google, Tesla, Facebook, Twitter, and IBM. Taxback International's technology enables real-time processing of over 10 billion transactions across 180 countries in multiple languages.

Taxback International's Comply is an automated, end-to-end VAT fulfilment platform, with in-built regulated cross-border payments capability. Comply delivers global visibility, centralized control, and



on-time payments all to support the preparation and filing of your VAT reclaims and removing complex manual and often noncompliant reporting.

Quick facts about Taxback International include:

- **Employees:** 230+
- **Total number of clients:** 12,000+
- **Industry focus:** All verticals
- **SaaS:** Multitenant
- **Pricing model:** Subscription pricing model
- **Average time of implementation:** 14 days
- **Partner ecosystem:** 50+ partners (SAP Concur, Visa, Grant Thornton, Infor, and Coupa)

### **Strengths**

- **Experience in VAT compliance:** With over 25 years of experience in VAT management, Taxback International allows customers to tap into long-standing relationships with tax offices and gain access to their network of local advisors, agents and fiscal representatives around the world.
- **Forecasting and analytics capabilities:** Comply provides trend analysis and financial modelling based on big data analysis. Comply's cloud-based analytics delivers intelligent workflow forecasting and accurate payment predictions. Comply also uses artificial intelligence and machine learning-based algorithms to analyze historic VAT return data to detect patterns and predict future VAT return amounts.
- **Security and data protection:** Taxback International is an ISO 27001-certified software vendor. The certification ensures secure handling of customer data and compliance with applicable regulations. These include GDPR and other data protection laws. Taxback International regularly reviews and updates security policies, provides security training to staff, performs security testing, monitors compliance with security policies, and conducts internal and external risk assessments.

### **Challenges**

- **Customer experience:** Customer experience is critically important in such a complex space like VAT compliance. It is obvious that Taxback International has made investments in improving customer experience. However, this is a moving target and require further investment to maintain its current position.
- **Increasingly crowded market:** The VAT compliance market has been an area of focus for many software vendors as its importance and profile among tax authorities also grows. This has attracted new investment into this space. It will be important for Taxback International to maintain a high level of investment in product development and content to maintain its current market position.

### **Consider Taxback International When**

Consider Taxback International if you are looking for a VAT provider with experience with large, complex businesses and a provider with a long history of success in VAT compliance.

## Thomson Reuters

After a thorough evaluation of Thomson Reuters' strategies and capabilities, IDC has positioned the company in the Major Players category in this 2021 IDC MarketScape for worldwide SaaS and cloud-enabled value-added tax software market.

Thomson Reuters' ONESOURCE software suite determines a company's liability for sales tax, use tax, GST, VAT, excise tax, and other country-specific taxes using the most current SSAE 18-certified global tax rates and rules. Whether entering new markets or simply modernizing existing tax systems, businesses all over the world have used ONESOURCE to make sure transaction taxes are calculated and reported correctly.

Quick facts about Thomson Reuters include:

- **Employees:** Employs approximately 27,000 people and operates in over 100 countries
- **Total number of clients:** 180,000+ users for corporate ONESOURCE solutions
- **Industry focus:** No single industry focus
- **SaaS:** Thomson Reuters ONESOURCE offered in a cloud-based deployment
- **Pricing model:** Subscription (based on tiers of transactions)
- **Partner ecosystem:** Thomson Reuters ONESOURCE that integrates with numerous ERPs (NetSuite, SAP, Oracle, and others) and financial, accounting, and ecommerce applications

### Strengths

- **Deep enterprise expertise:** Thomson Reuters has a long history of servicing very large Fortune 1000 companies. In fact, Thomson Reuters has operated in more than 100 countries for more than 100 years. Thomson Reuters uses this deep well of experience to guide both fast-growing companies expanding their tax footprint and the most complex multi-entity, multinational companies.
- **Expanding ecosystem:** In addition to the standard integration offering built by Thomson Reuters such as NetSuite, the ONESOURCE Development Partner Program enables companies and individual developers to integrate the solution with various ERPs (Quickbooks, JD Edwards, and Coupa) and financial, accounting, and ecommerce applications to facilitate real-time tax automation capabilities through ONESOURCE Indirect Tax.

### Challenges

- **Developing cloud technology infrastructure:** Thomson Reuters is still developing its cloud deployment architecture strategy to include more advanced cloud technologies and APIs. The challenge for Thomson Reuters will be updating its platform while still serving some of the world's largest and most complicated businesses.
- **Developing user experience:** Over the years, Thomson Reuters has built a great deal of detailed functionality into its software package. However, with that complexity comes the challenge of balancing modern demands for user experience with deep functionality.

### Consider Thomson Reuters When

Consider Thomson Reuters (ONESOURCE) if you are a small to medium-sized United States-based organization with transactions across North America or a large, multinational corporation with worldwide operations.

## Vertex

After a thorough evaluation of Vertex's strategies and capabilities, IDC has positioned the company in the Leaders category in this 2021 IDC MarketScape for worldwide SaaS and cloud-enabled value-added tax software market.

Vertex Inc. is a global provider of indirect tax software and solutions. The company's mission is to deliver tax technology enabling global businesses to transact, comply, and grow with confidence. Vertex provides cloud-based and on-premises solutions that can be tailored to specific industries for major lines of indirect tax, including sales and consumer use, value-add, and payroll. With the recent acquisition of Taxamo, Vertex now offers solutions for payments, invoicing, liability assessment, multiseller invoicing, and more. The Vertex VAT Compliance solution enables multinational corporations to meet VAT/GST compliance needs, improve audit performance, and employ a globalized strategy for VAT/GST compliance that reduces risk and supports business growth.

Headquartered in North America and with offices in South America and Europe, Vertex employs over 1,200 professionals and serves companies across the globe.

Quick facts about Vertex include:

- **Employees:** 1,200
- **Total number of clients:** 4,175
- **Industry focus:** All verticals
- **SaaS:** Solutions offered in a multitenant deployment at the application, database, and cloud infrastructure layers. (There is also a single-tenant hosted option of the Vertex on-premises solution. It offers significant cloud growth, while maintaining a hybrid deployment model.)
- **Pricing model:** Subscription (multiple modes of pricing based on tiers/groups of service)
- **Average time of implementation:** Varies based on customer requirements/complexity
- **Partner ecosystem:** Global partners including alliances, resellers, systems integrators, channel partners, and connector partners, as well as hundreds of integrations and connectors including Adobe-Magento, Microsoft, Mirakl, Oracle-NetSuite, SAP, Salesforce, Workday, and Zuora

## Strengths

- **Specialized vertical expertise:** Vertex is a pioneer in indirect tax with marquee client base including over 59% of the Fortune 500. Vertex has developed specialized vertical expertise and offers indirect tax content and solutions tailored to the unique needs of industries including communications, hospitality, leasing, manufacturing, and retail, as well as specialty returns for food/beverage and business occupation returns.
- **Supporting complexity:** Vertex has historically focused on the enterprise market and is able to handle the most complex business, tax, and technology scenarios. Through recent acquisitions, the company's offering includes solutions packaged and priced for midmarket and enterprise businesses. Vertex has built solutions to support organizations throughout their life cycle, supporting tax determination and compliance for over 19,000 tax jurisdictions globally, including tax calculation, cross-border logic, real-time customer location verification, invoice and currency management for ecommerce, and filing and remittance.
- **Reporting and visibility:** Vertex VAT compliance software offers integrated customizable rule-based data quality and validation tools, as well as workflow automation that maximizes data and return accuracy and minimizes the risk of liability. Users also have access to VAT/GST

data and adjustments through drilldown capability from the return to transaction-level data. Users can edit or add data prior to filing, with complete version control. Vertex VAT compliance also provides authorized users with access to audit event logs and detailed archives to support audit prep.

## Challenges

- **Adding midmarket functionality:** Vertex has traditionally targeted large multinational enterprises. As a result, it has traditionally missed some of the functionality needed to support certain segments of the midmarket. Vertex has recently added more functionality to support midmarket VAT and GST demands through the launch of its Vertex Cloud VAT Compliance solution, as well as recent acquisitions like Taxamo, a European specialist in tax automation for ecommerce and marketplaces.

## Consider Vertex When

Consider Vertex if you are an upper midmarket or large multinational company looking for advanced tax management tools from a company with deep experience in building enterprise-level tax management software. Vertex offers international reach to capitalize on continuously emerging compliance requirements and global content database coverage across verticals, digital, and physical goods.

## APPENDIX

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### Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

### IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to

provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

## **Market Definition**

IDC defines indirect tax software as software that supports the management of tax considerations for external business transactions sales and use tax, value-added tax (VAT), goods and services tax (GST), excise tax, and property tax. Key elements of the software include functionality for corporations to calculate taxes for current transactions, estimate tax burden for future transactions, determine tax exemptions, manage filing and compliance, and house tax-related forms/documents.

## **Strategies and Capabilities Criteria**

Tables 1 and 2 provide key strategy and capability measures, respectively, for the success related to the SaaS and cloud-enabled value-added tax applications.

**TABLE 1**

**Key Strategy Measures for Success: Worldwide SaaS and Cloud-Enabled Value-Added Tax Applications for Enterprise**

Strategy criteria categories	Definition	Weight (%)
Functionality road map	This element speaks to the breadth and depth of plans for future (near-term) release functionality of the product.	17.00
R&D pace/productivity	The vendor has a strong strategy to improve its application's architecture, including its APIs, developer community, and integrations. Also multitenancy is planned for at the application, database, and infrastructure layers. A strong cloud road map is planned.	14.00
Financial/funding	The vendor has offered evidence of strong financial performance and stability.	4.00
Growth	The vendor exhibits strong revenue growth as well as product, geography, industry, and partner ecosystem growth.	10.00
Customer satisfaction strategy	The vendor's customers are satisfied with the vendor's road map/future plans regarding customer-facing aspects.	15.00
Delivery	Plans are in place for support of offering delivery models that will match customers' shifting preferences. These plans are effectively communicated to the customer base.	14.00
3rd Platform technology	The vendor has clear and defined plans to incorporate advanced technologies like machine learning, natural language processing, virtual assistants, predictive analytics, and or blockchain within the next 12 months.	7.00
Cloud strategy	Multitenancy is planned for at the application, database, and infrastructure layers with a strong cloud road map planned.	8.00
Architecture vision	The vendor has a strong strategy to improve its application's architecture, including its APIs, developer community, and integrations.	11.00
Total		100.00

Source: IDC, 2021

**TABLE 2****Key Capability Measures for Success: Worldwide SaaS and Cloud-Enabled Value-Added Tax Applications for Enterprise**

Capability criteria categories	Definition	Weight (%)
Functionality	The software provides extensive functionality for calculation, exemption management, registrations, returns, and audit management.	18.00
Automation	The software uses automation extensively in this specific workflow/aspect.	6.00
3rd Platform usage	The software uses advance technologies including NLP, virtual assistants, and machine learning extensively through the software product and its workflows.	7.00
Architecture	The company has made significant investments in software architecture including microservices, multitenancy, and update/release management.	12.00
Cloud delivery capabilities	The software provides extensive capability for users to configure the look and feel to suit job role and function.	15.00
Portfolio benefits	The vendor offers an extensive portfolio of adjacent and complementary products including support for complementary elements (risk assessments, e-invoicing, documents management, and tax information reporting).	3.00
Extensibility	A detailed look into the software's ability to be a platform, including an examination of the partner ecosystem, the APIs, and developer experience, is provided.	12.00
Customer service delivery model	The vendor has a formal customer success team/program and high customer success metrics and extensive customer support infrastructure.	9.00
Customer satisfaction	The vendor has demonstrated a level of customer satisfaction in the form of high renewal rates and customer satisfaction ratings.	18.00
Total		100.00

Source: IDC, 2021

## LEARN MORE

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### Related Research

- *Worldwide Corporate Tax Management Applications Forecast, 2021-2025: Complexity and the Pandemic Drive Technology Transformation* (IDC #US47995821, July 2021)
- *Worldwide Corporate Tax Management Applications Market Shares, 2020: Pandemic and Shifting Regulations Shape Market Dynamics* (IDC #US47995721, July 2021)
- *Market Analysis Perspective: Worldwide Corporate Tax Management Applications, 2020* (IDC #US45754920, September 2020)
- *Worldwide Corporate Tax Management Applications Forecast, 2020-2024: eCommerce and Dynamic Global Taxation Driving Growth and Innovation* (IDC #US46530420, June 2020)
- *Worldwide Corporate Tax Management Applications Market Shares, 2019: Global Regulatory Changes Raise the Profile of Tax Software* (IDC #US46530320, June 2020)

### Synopsis

This IDC study provides an assessment of the SaaS and cloud-enabled value-added tax applications and discusses the criteria that are important for companies to consider when selecting a system.

"Growth in tax regulations has made it increasingly complicated to sell product globally. More and more, organizations are looking to technology advancements to cope with the ever-changing challenges of global business. Tax software companies are uniquely positioned to provide the necessary tools and expertise to help digital companies cope with the new digital dynamics," says Kevin Permenter, research director, Financial Applications at IDC.



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