FORRESTER®

Avalara Offers Compliance Benefits That Enterprise Businesses Need

As tax laws continue to change and tax authorities demand more transparency and accountability from organizations, it is increasingly vital for those organizations to manage tax processes and documentation accurately and efficiently. For enterprise organizations in particular — with multiple sites, geographies, and tax jurisdictions — managing at scale can be challenging and extremely resource-intensive.

Avalara offers a modern suite of customizable, flexible software solutions that simplifies and accelerates tax compliance, allowing enterprise organizations to manage tax processes and documentation at scale while reducing the burden on internal resources and minimizing the risk of costly errors and fines.

Avalara commissioned Forrester Consulting to interview six representatives and conduct a Total Economic Impact™ (TEI) study to better understand the benefits, costs, and risks associated with Avalara.[1] This abstract will focus on three interviewees who were decision-makers at enterprises with annual revenue of more than $1 billion, their organizations' use of Avalara products (AvaTax, Exemption Certificate Management, Managed Returns, and Tax Research solutions), and Avalara's value to their organizations.

The interviewees include:

- Senior director of finance applications for a professional services organization with 8,500 employees and $2.8 billion in annual revenue.

- Senior tax director for a manufacturing organization with 4,500 employees and $1.36 billion in annual revenue.

- Executive tax director for a manufacturing organization with 15,500 employees and $8.5 billion in annual revenue.

Read the full study ➡

Audit preparation efficiency gained using Avalara vs. prior environment

85%

Tax streamlining and filing efficiencies gained with Avalara vs. prior environment

85%

INVESTMENT DRIVERS FOR ENTERPRISES

Interviewees shared that their enterprise organizations relied on a variety of tools and solutions to help them manage taxes before Avalara, including third-party consultants; tax tools built into other technology stacks; and manual, low-tech processes. The interviewees' organizations faced significant challenges managing tax processes and documentation at scale, including:

- **Inefficient manual processes.** Interviewees shared that manual tax-related tasks consumed a significant amount of time and resources and diverted focus from other critical business operations. A senior director of finance applications at a professional services firm shared, "Our previous environment was the worst because it was pen and pencil, and we couldn't do anything right." They also explained, "We have several thousand new sales every month and we had to manually research, calculate, and apply sales tax at a transactional level." A senior tax director at a manufacturing company said, "You often have to update rates manually, which means that updates are delayed until someone calls you saying, 'Hey, my rate is different.'"

- **Labor-intensive exemption certificate management.** The time and effort it took the interviewees' organizations to collect exemption certificates from eligible customers, file them, ensure each certificate was filled out correctly, and track expiration dates was massive, and frequent errors caused downstream rework to correct problems. Moreover, interviewees expressed difficulty locating necessary certificates during audits, leading to delays and uncertainty. An executive tax director at a manufacturing organization said: "Before [Avalara], we had all our certificates collected by our plants and they were keeping them in boxes at their desks! … We would send messages to the plant saying, 'Send these certificates [for

audits],' and then we'd get boxes. My sales tax manager would just have boxes piled up to the ceiling in our office."

- **Challenges scaling as the business grew through M&A.** Interviewees shared that the nuances and complexities of geographic expansion were difficult to predict, and the labor required to manage different tax regulations and paperwork at increasing volumes was daunting. A senior tax director of finance applications at a professional services firm shared this sentiment: "Through acquisitions, our business grew substantially. And our sales taxability grew significantly, too. … [As we scaled], our revenue grew, our taxability grew, and we were spending a significant amount of time [trying to keep up with our changing taxability]. … Because of those factors, our accounting team and billing team would have to go into every transaction and put in the rate per that state or per that jurisdiction. Our transactional volume grew even when it was a low dollar amount and that still took a considerable amount of time for staff, probably at least half of an FTE."

> "I've got a lot of vendors and projects that I've done and support and [Avalara] truly is one of the best in terms of laws that it has or doesn't have. And the amount of maintenance and support and enhancements it needs – there's just very little. We're truly happy with it."

SENIOR DIRECTOR OF FINANCE APPLICATIONS, PROFESSIONAL SERVICES

INVESTMENT OBJECTIVES

The interviewees' organizations looked for a solution that could:

- **Improve productivity and organizational efficiency.** Interviewees shared that their organizations were looking for a solution that could reduce the manual effort required by teams to manage tax-related processes and documentation to allow them to focus on value-added work instead. The interviewees had to consider the costs of having headcount dedicated to these projects (or third-party consultants) compared to investing in a digital, continuously updated tax software solution. In addition, they were looking for a solution that would let them refocus existing resources from spending time managing returns and VAT back to doing more value-added activities.

- **Ensure process adherence and compliance as the businesses grew.** Scalability of tax solutions across the compliance landscape was a challenge for the interviewees' enterprises, from core functions of classification, returns, documentation, and filing to having the right tax rates across jurisdictions and lines of business. Interviewees shared that enforcing adherence to standard processes could be challenging, especially as their organizations evolved. Compliance was critical for these enterprises, as there were legal and financial consequences for failure to meet requirements, but their compliance teams were stretched thin supporting complex tax types and use cases across geographies as their businesses continued to expand globally.

- **Improve data quality and accuracy.** Errors from disorganized manual processes led to rework, time-consuming audit preparation, and the potential for penalties and fines. Interviewees said their organizations needed a solution that could reduce the likelihood of errors and allow them to work more confidently and efficiently.

> "On Avalara, given everything is completely automated volume doesn't change anything for us."

SENIOR TAX DIRECTOR OF FINANCE APPLICATIONS, PROFESSIONAL SERVICES

KEY RESULTS FOR ENTERPRISES

The results of the investment for the interviewees' organizations include:

Streamlining tax filings labor savings. Adopting Avalara Managed Returns reduced complexity by helping the interviewees' organizations file and process tax returns and refunds in minimal time, saving internal resources significant amounts of labor:

- **Time spent managing tax returns reduced by 85%.** A senior director of finance applications at a professional services firm said: "[Before Avalara, filing returns] was a very manual process that was probably a full FTE. Our teams had to log in to every state's portal and file the returns monthly, semi-monthly, quarterly, annually. Every jurisdiction has a different filing period. We had to remit the funds to each jurisdiction which, again, [means] preparing those wires, getting those wires approved, physically processing those wires. With Avalara Managed Returns, it takes half a day or a few hours just to review the details monthly. Avalara files all the returns for us, pays every jurisdiction, and we just pay Avalara one lump sum. It's been a massive gain for us."

- **Fewer amended returns and refund requests.** A senior tax director at a manufacturing company shared that Avalara reduced their internal efforts significantly as they didn't need to make additional amendments to previous tax filings. They shared, "Avalara allows us to do less amended returns, less refund requests, because we're catching and addressing the things before."

Tax exemption certificates labor savings. Interviewees noted that Avalara's Exemption Certificate Management solution automated the management of exemption certificates, reducing the time and effort needed to track expiration dates and catching errors that would require rework:

- **Time spent on exemption certificate management for an account receivable specialist reduced by 50% from 1 hour to 30 minutes.** Interviewees explained that prior to installing Avalara's Exemption Certificate Management solution, their organizations stored physical certificates in a variety of locations, often misplacing them. A senior director of finance applications of a professional services firm shared how a lack of a single storage location slowed down their team's efficiency, stating: "Clients would provide the certificate, but we didn't store it [centrally]. We had a few different shared drives, but they were not kept up to date, so we had to cancel, adjust the sales tax, and re-invoice." With Avalara, they estimated it took someone 5 minutes to manage a certificate and, with everything in a central repository, it was easy to keep track.

- **Less rework correcting and updating exemption certificates.** A senior tax director at a manufacturing company explained how the Exemption Certificate Management tool helped improve certificate accuracy. They shared: "Before, one of the issues we had with certificates was even though the form says to fill out these sections, people would just write their name and sign at the top. … With Avalara, they go into the web portal, and it doesn't let them hit the submit button until they fill everything out. It eliminates those errors for sure."

Audit preparation efficiency. Interviewees stated that preparing for audits could be onerous, and poor audit findings could lead to additional audits in addition to penalties and fines. Because Avalara maintained accurate, up-to-date records in a centralized location for the interviewees' organizations, audit preparation was faster and easier:

- **Audit preparation efficiency improved by 85%.** An executive tax director at a manufacturing company said that audit preparation with Avalara was "much faster." They explained: "We're able to run reports or have reports available right away for the auditor. Whereas before, it was

always difficult to get the data from our systems … and we struggled to get a good report we could give an auditor. Now we have that, so that goes very quickly. We can immediately tie it to our returns, which we really struggled with before. … Getting the data to them is much quicker and more accurate. The questions that come back from the auditor we're able to answer, or there aren't really questions at all."

Tax research labor savings. Interviewees noted that Avalara Tax Research solution and its continuous updates to tax laws and rates allowed internal resources at their organizations to spend less time manually identifying, calculating, and reviewing appropriate taxes and requirements and instead focus on more value-added work:

- **Tax research is 90% more efficient.** A senior tax director of finance applications for a professional services company shared that before Avalara, researching and updating tax rates for transactions was done manually and required half a fulltime employee's time. They said: "That was very manual and time-consuming. And as our transactional volume grew, it still took a considerable amount of time." Similarly, an executive tax director at a manufacturing company shared that answering tax-related questions took several hours per question, and they received several questions per day. With Avalara, they said: "It's really quick. It's made a huge difference for us. We can get to our answers, ask our questions directly. It's more intuitive for the staff, so they're not poking around everywhere trying to figure out an answer. Much better."

Return on investment (ROI)
153%

Net present value
$465K

TOTAL ECONOMIC IMPACT ANALYSIS

For more information, read the full study: "[The Total Economic Impact^{TM} Of Avalara](#)," a commissioned study conducted by Forrester Consulting on behalf of February 2024.

STUDY FINDINGS

While the value story above is based on three interviews, Forrester interviewed six total representatives at organizations with experience using Avalara and combined the results into a three-year financial analysis for a composite organization. Risk-adjusted present value (PV) quantified benefits for the composite organization include:

- Labor savings from streamlining tax filing worth $83,000 over three years.

- Labor savings on tax exemption certificate management worth $96,000 over three years.

- Savings from audit preparation efficiency, avoided penalties, and external auditing worth $210,000 over three years.

- Reduction in spend on third-party services worth $317,000 over three years.

- Tax research labor savings worth $63,000 over three years.

Unquantified benefits for the composite organization include:

- Decreasing sales tax liabilities

- Simplifying expanding into new jurisdictions.

- Gaining access to reliable expertise.

- Improving processes for salespeople trying to validate certificates.

- Reducing shipping errors due to address confirmation.

- Enhancing confidence in tax compliance.

- Shifting focus to business needs rather than tax decision-making.

- Improving voluntary disclosure agreement (VDS) processes.

- Gaining credibility with customers.

Appendix A: Endnotes

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[1] Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

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