

The Total Economic Impact™ of Avalara



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Avalara

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Meet your presenters



Meet our speakers



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Avalara

Agenda

- > How tax compliance automation is transforming finance
- > Who is Avalara?
- > Business pain points of tax compliance
- > The quantified and unquantified benefits of Avalara
- > The Total Economic Impact™ of Avalara
- > Q&A

Tax compliance automation is transforming finance

Meng Liu
Senior Analyst



3 reasons why tax compliance automation is rising in CFO priorities

1. The economic uncertainty reminded CFOs of the importance of their bottomline – and tax automation helps reduce operating costs and improve on the forecasts of future cash demands
2. Tax automation supports more efficient and more effective financial processes – accelerating finance transformation
3. Global tax and e-invoicing compliance is a prerequisite for businesses to operate globally

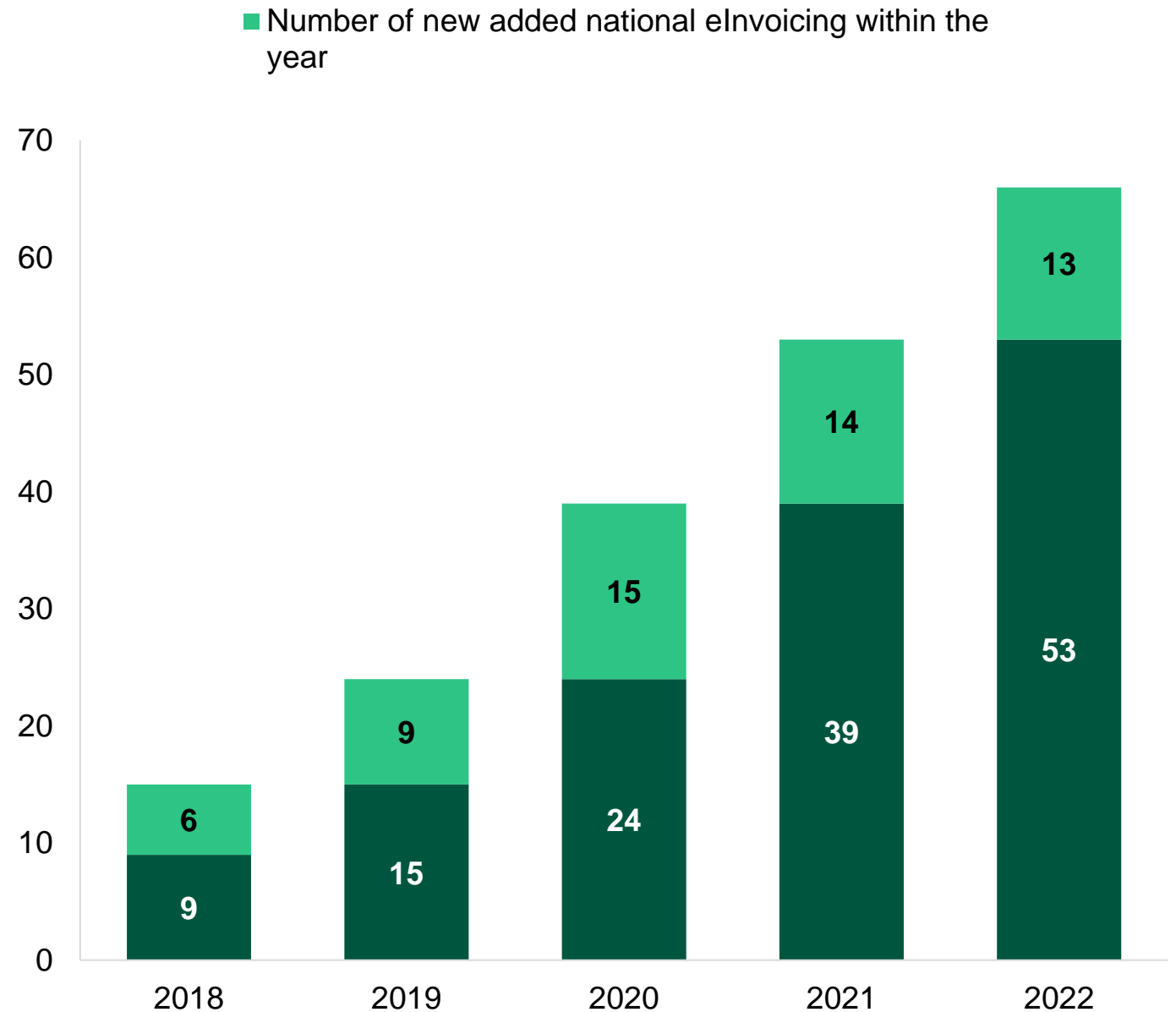
U.S. sales tax compliance is getting much more complex

There are more than 13,000 U.S. sales and use tax jurisdictions.

In 2023 there were:

- 11,192 sales and use tax rate updates in the U.S.
- 85,836 taxability updates in the U.S. and Canada.
- 98,910 U.S. sales tax holiday rule updates.
- 337 international rate updates and 6,779 international taxability updates.

Globally,
eInvoicing
mandates have
been rapidly
increasing



Three key values of tax compliance automation

1. Streamline and automate complex tax calculations, such as the U.S. sales tax, GST, and VAT tasks
2. Improve tax compliance capabilities in a cost-effective way
3. Provide visualized reporting and analysis of the financial implications of tax and e-invoices

Key market dynamics of tax compliance automation

MAIN TREND	PRIMARY CHALLENGE	TOP DISRUPTOR
<p>SaaS model is gaining ground</p>	<p>Disconnected systems cause integration and communication issues.</p>	<p>Advanced AI is the new differentiator</p>

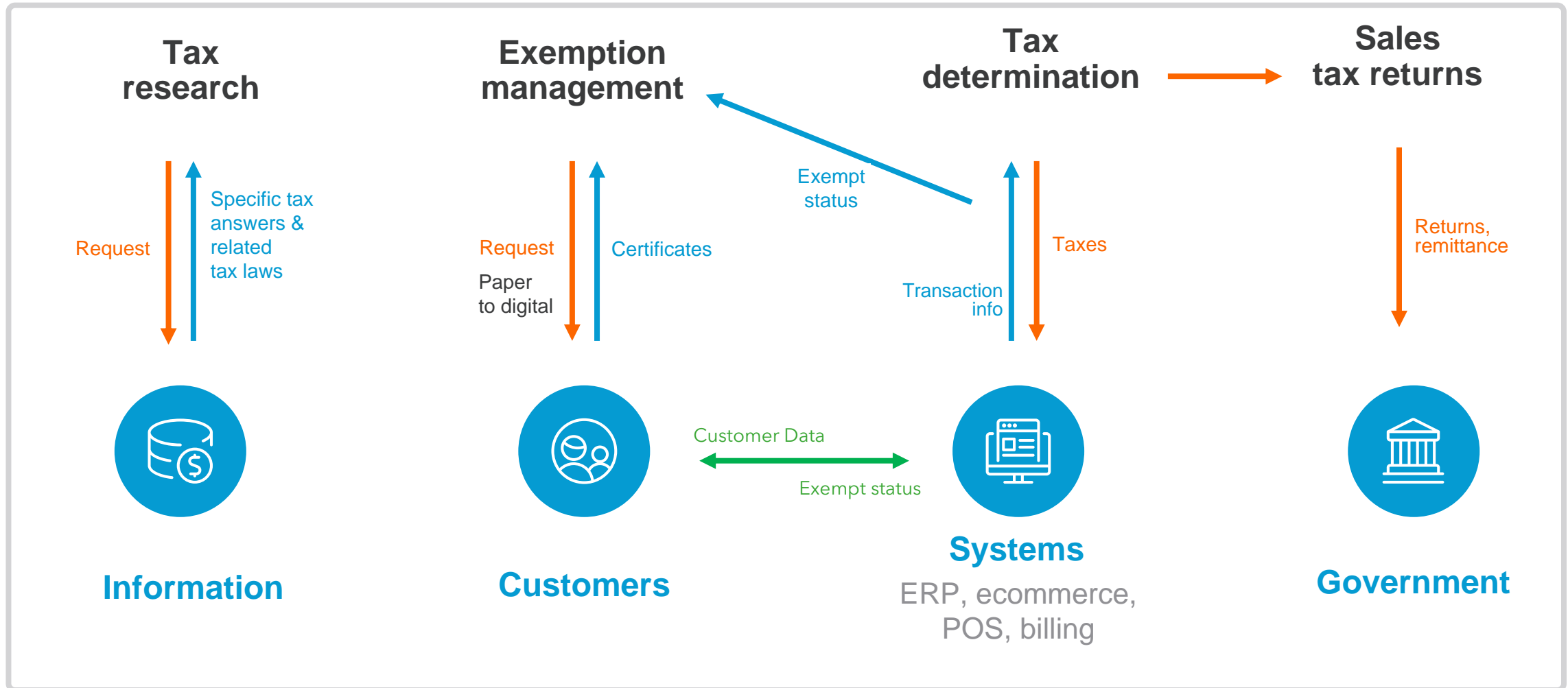
What is Avalara?



COMPLIANCE CLOUD



Tax Compliance Automation Suite





Vendors



You



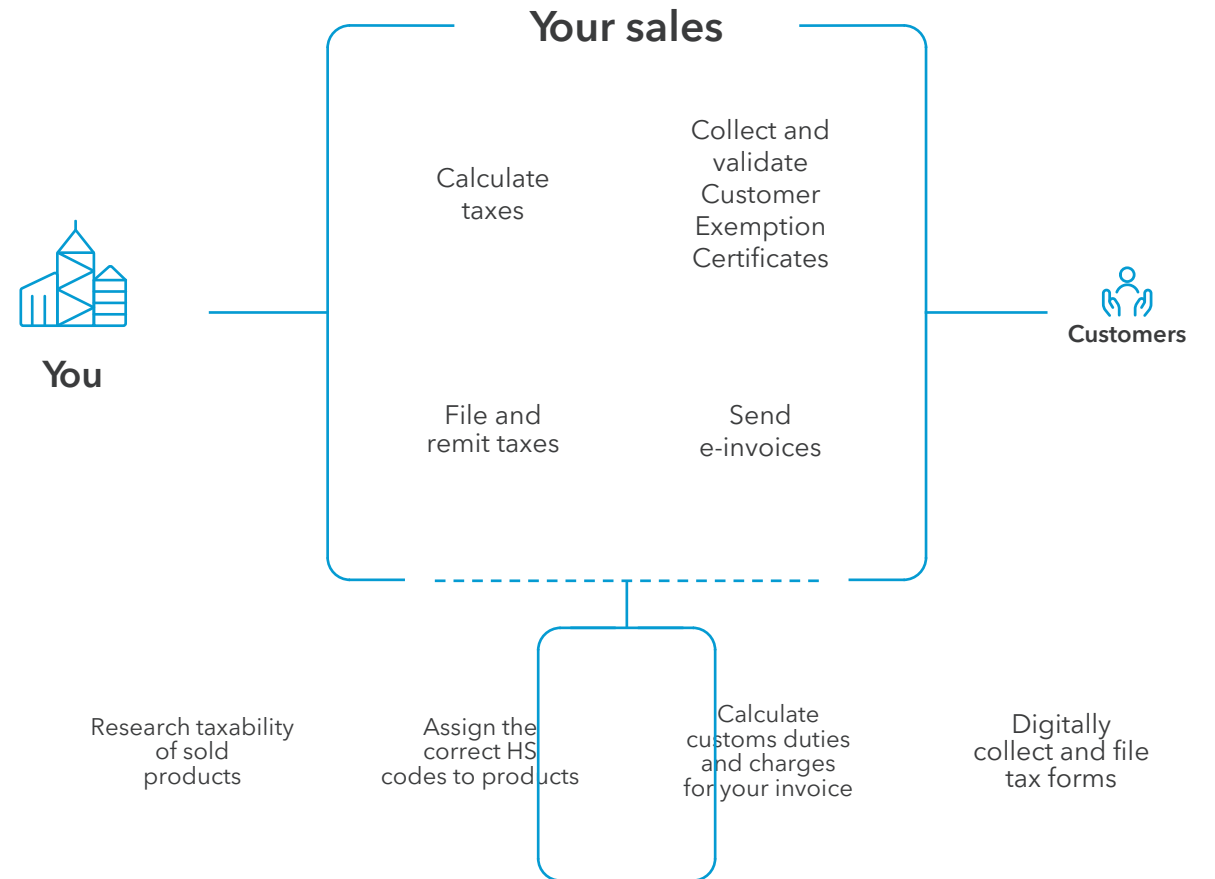
Customers

Comply with
business
licenses & tax
registrations

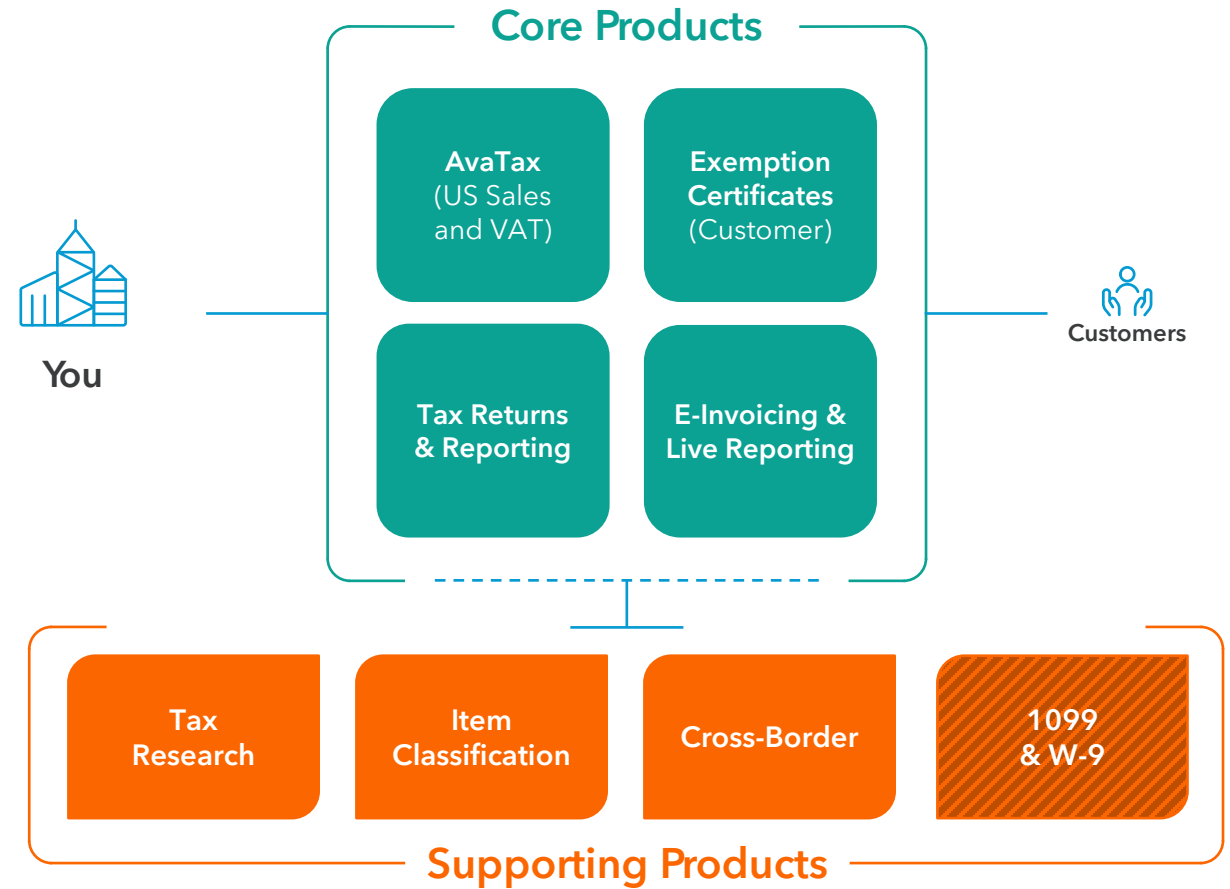
Assess your tax
compliance risk
and submit
voluntary
disclosures

Manage
property tax
assessments
and returns

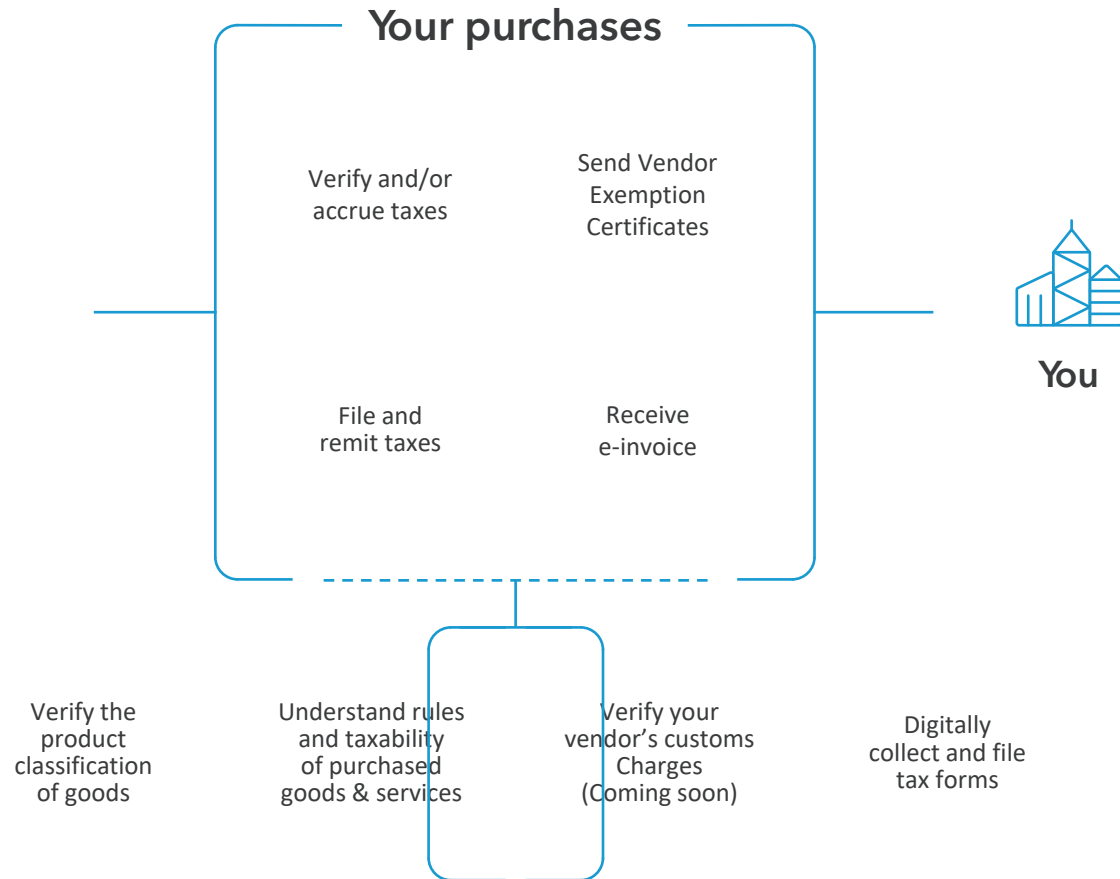
Avalara sales compliance products



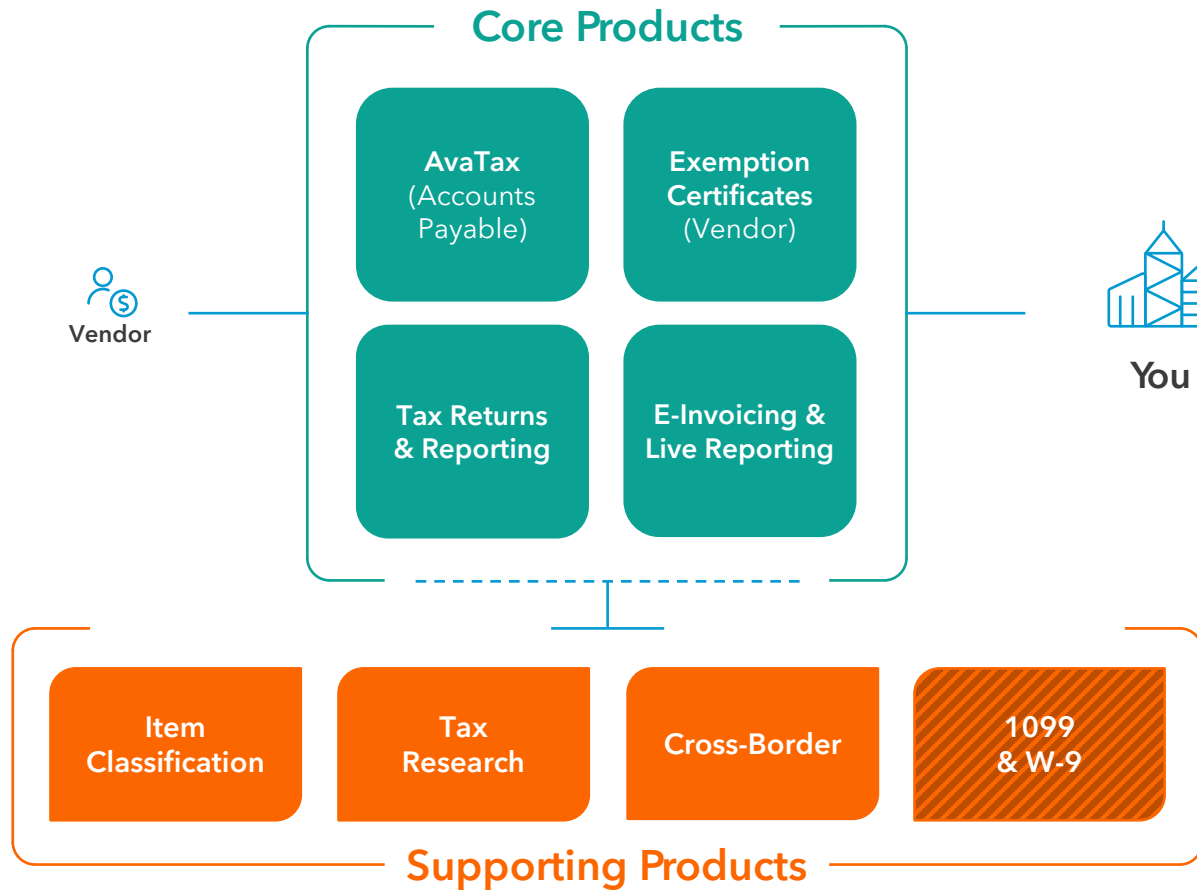
Avalara sales compliance products



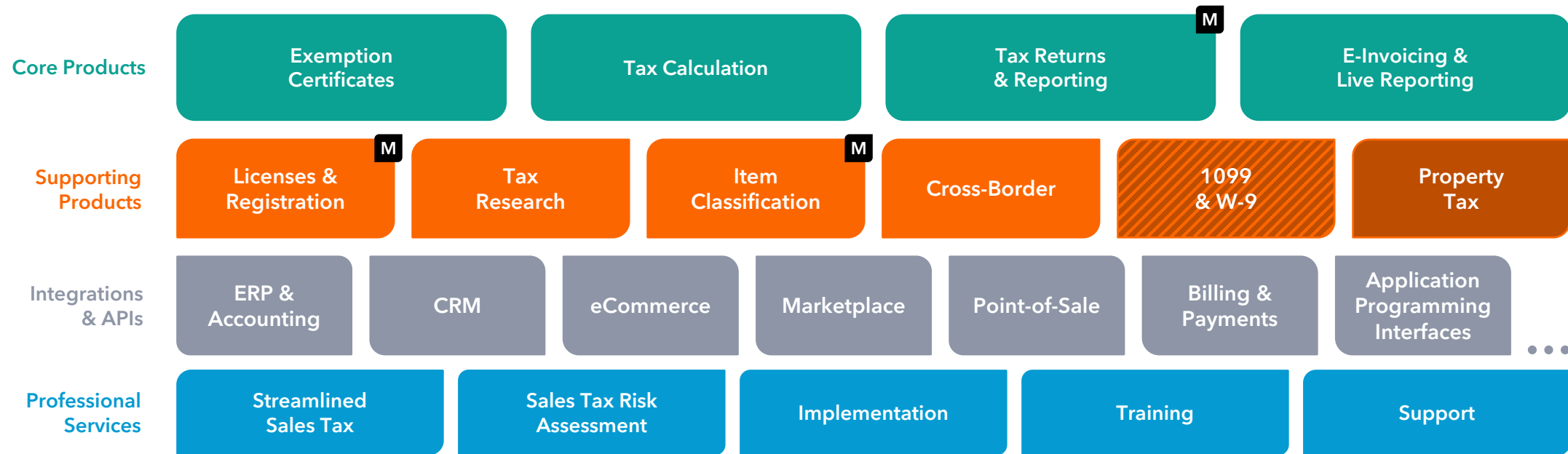
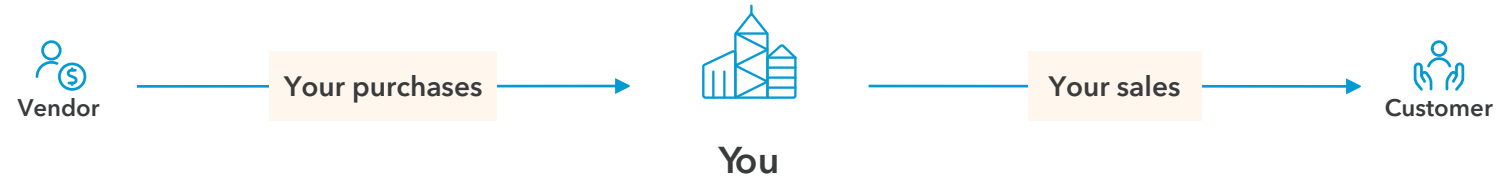
Avalara procurement compliance products



Avalara procurement compliance products



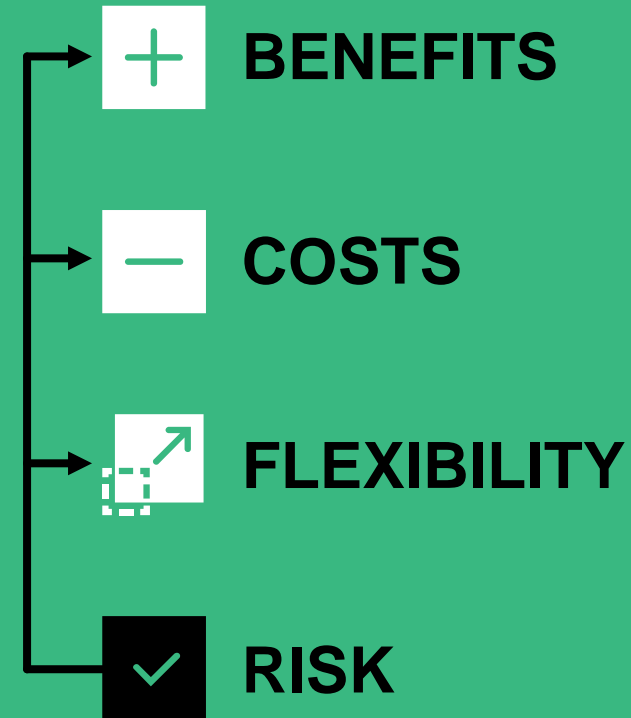
Avalara products and services



^M Managed services

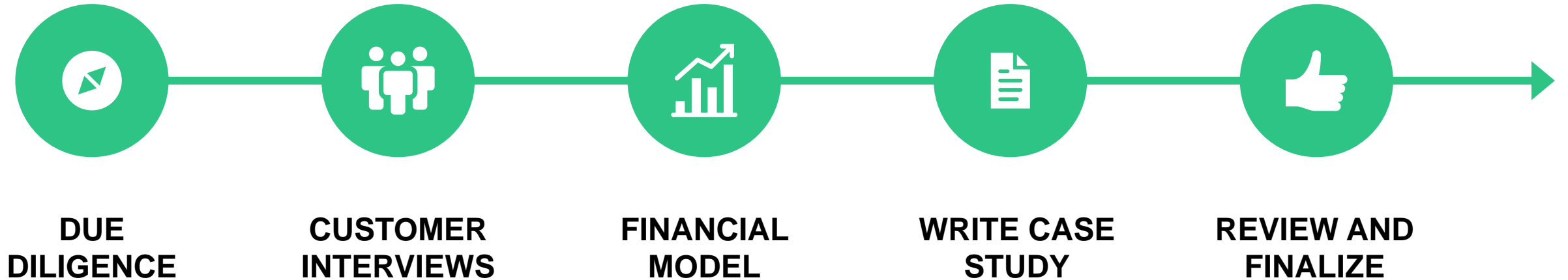
TEI is a proven, consistent, repeatable methodology to justify technology investments.

TOTAL ECONOMIC IMPACT



Project approach

Forrester took a multistep approach to evaluate the impact of Avalara.



Source: A Total Economic Impact Of Avalara,, a commissioned study conducted by Forrester Consulting on behalf of Avalara, February 2024.

Disclosures

The audience should be aware of the following:

- This document is an abridged webinar version of a full case study (Total Economic Impact of Avalara, February 2024).
- The study is commissioned by Avalara and delivered by the Forrester Consulting group.
- Forrester makes no assumptions as to the potential return on investment that other organizations will receive. Forrester strongly advises that readers should use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Avalara.
- Avalara reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.
- The customer's names for the interviews was provided by Avalara.
- Forrester does not endorse Avalara.

Forrester has determined the following three-year impact:



ROI

153%



BENEFITS

\$770K



NPV

\$465K

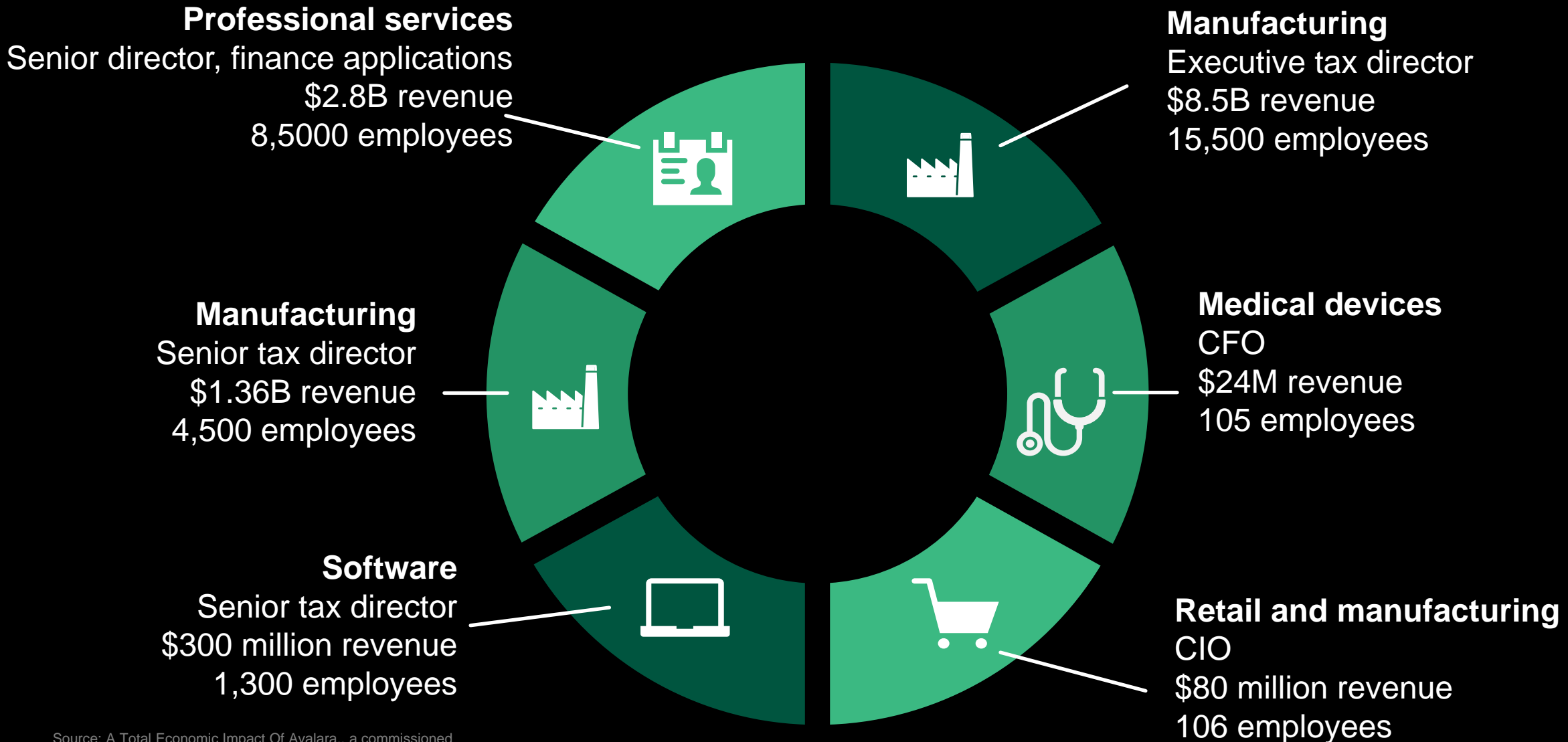
Source: A Total Economic Impact Of Avalara,, a commissioned study conducted by Forrester Consulting on behalf of Avalara, February 2024.

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“When I’m not on Avalara, we’re – on a good day – only 25% to 30% compliant. And when you get on Avalara you’re probably 95% to 100% compliance. That’s the big difference to me.”

— Senior tax director, manufacturing

Forrester interviewed 6 Avalara customers



Source: A Total Economic Impact Of Avalara,, a commissioned study conducted by Forrester Consulting on behalf of Avalara, February 2024.

Prior to using Avalara



Inefficient and manual processes.



Lack of expertise around tax laws and rates.



Increase in risk and vulnerabilities with growth.



Poor exemption certificate management.

Investment objectives

The interviewed representations searched for a solution that:




Improve productivity so internal team could focus on value-add work.



Improve data quality and accuracy.



Provide highly skilled personnel with extensive tax expertise to ensure compliance and maintain proper tax processes as taxability grows.



We shopped around for a different software company, but Avalara seemed to have the most bells and whistles for what we were looking for as far as consistency ... and [we wanted an] easy way to customize [reports] for our needs. ... Avalara spent time with us to come up with a way to customized queries the way we wanted it. Because they were willing to work with us and have that customizability that we needed, we went with them.

— Executive tax director, manufacturing



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Creating a business case for Avalara

Forrester created a composite organization to convey the aggregate financial analysis.

REVENUE

\$300 million

EMPLOYEES

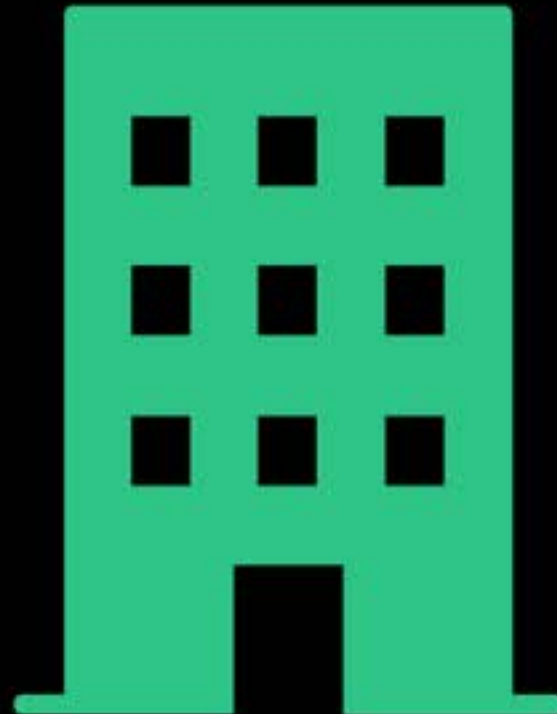
1,000 employees

EXEMPTION CERTIFICATES

2,000

SOLUTIONS IMPLEMENTED

AvaTax, Exemption Certification Management, Managed Returns, Tax Research solutions



MANAGED RETURNS

400 annually

TRANSACTIONS

10,000 annually

NET NEW CERTIFICATES

100 annually

IMPLEMENTATION

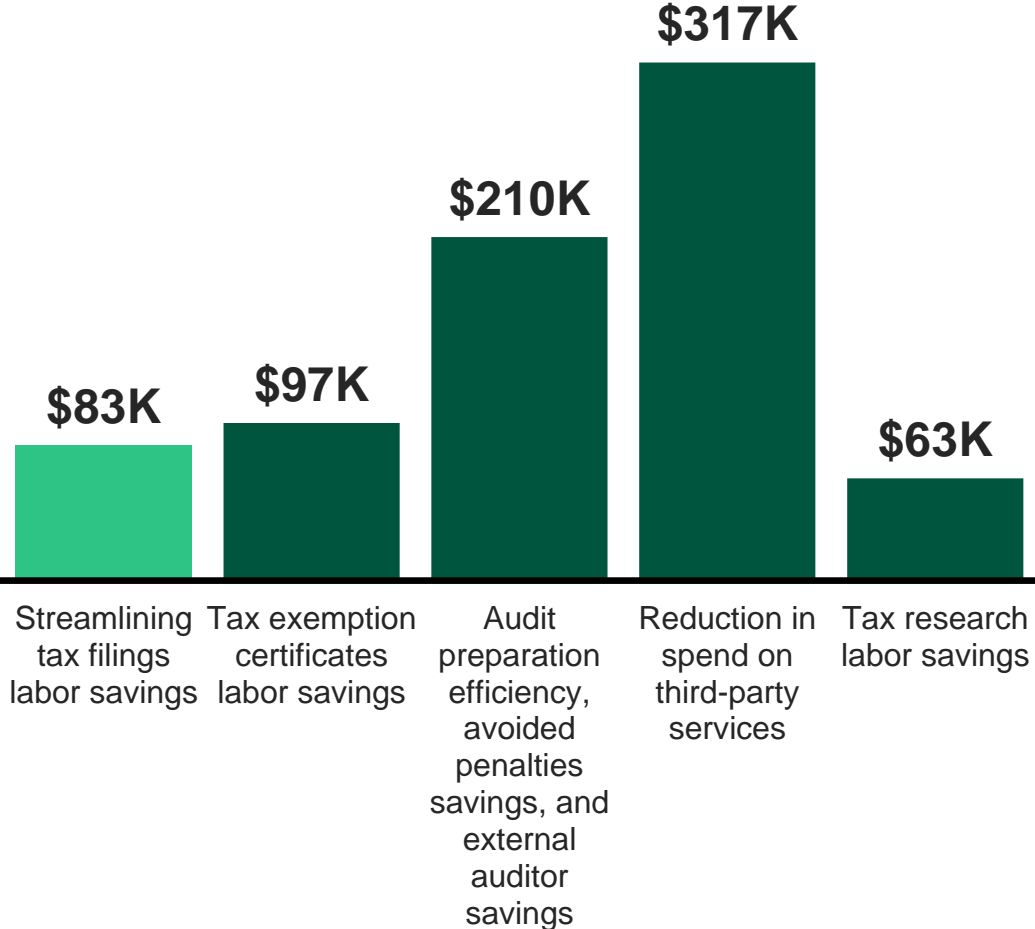
2 IT professionals dedicated

Source: A Total Economic Impact Of Avalara, a commissioned study conducted by Forrester Consulting on behalf of Avalara, February 2024.

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Three-year, risk-adjusted benefits

Based on the composite organization

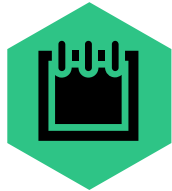


Source: A Total Economic Impact Of Avalara,, a commissioned study conducted by Forrester Consulting on behalf of Avalara, February 2024.

Streamlining Tax Filings Labor Savings



85% efficiency gained using Avalara



50 hours per month to 7.5 hours per month on collecting documentation and filing activities



\$83,000 three-year risk-adjusted PV

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“I celebrated by saying never again in my life do I have to file a state sales tax return. [Before Avalara,] it was painful, and it probably took 40 hours a month to do the calculations and file the returns. Now, it’s maybe an hour.”

— CFO, medical devices

Tax Exemption Certificates Labor Savings



1248 hours avoided due to Avalara ensuring all exemption certificates are filled out correctly



50% reduction in time spent on managing certificates



\$96,000 three-year risk-adjusted PV

Source: A Total Economic Impact Of Avalara., a commissioned study conducted by Forrester Consulting on behalf of Avalara, February 2024.

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“Using Avalara’s Exemption Certificate Management tool has been an amazing transformation for us. We zip out the files based on the query we get from the auditor. It’s so fast, and then we can go through them electronically, check them, and send them off.”

— Executive tax director, manufacturing

Audit Preparation Efficiency, Avoided Penalties Savings, And External Auditor Savings



85% reduction in time spent on audit preparation



2 penalties avoided per year due to centralization of records and automatic tax calculations



Eliminated need for external auditor



\$210,000 three-year risk-adjusted PV

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“I would say there are fewer audits than before because I haven’t had any since we started using Avalara. I was in four states and now I’m in 40, and I still haven’t had any audits. That says something.”

— CFO, medical devices

Reduction In Spend On Third-Party Services



1 consultant hired for sales tax-related questions reduced



\$317,000 three-year risk-adjusted PV

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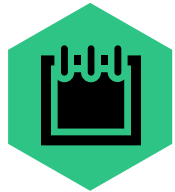
“Before, we used outside legal advice to try to understand what a particular tax rate [was] or what the requirement is as the laws change or you move into a new jurisdiction. We get to sleep at night not worrying about our tax rates or the accuracy of our tax rates. We don’t need additional legal costs anymore.”

— CFO, retail and manufacturing

Tax Research Labor Savings



90% tax research efficiencies gained using Avalara



35 hours per month to 3 hours per month on research efforts



\$63,000 three-year risk-adjusted PV

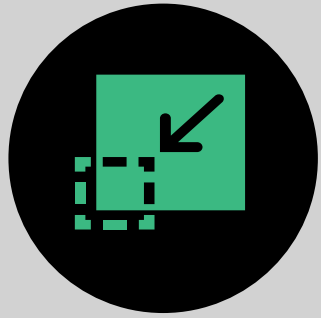
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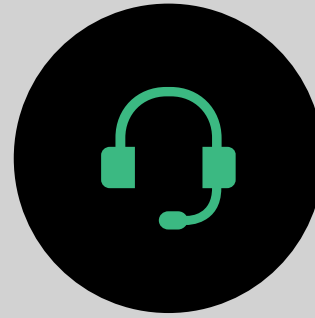
“Having Avalara in place helped automate the practice of calculating the correct amount of tax. Before Avalara, there was a lot of manual decision-making, which obviously requires time and requires human decision-making. Having Avalara in place automates that process and helps us make sure that we’re collecting the right amount of tax.”

— Senior tax director, software

There are benefits to using Avalara that customers couldn't quantify



Decreasing sales tax liabilities.



Gaining access to reliable expertise.



Simplifying expanding into new jurisdictions.



Improving processes for salespeople trying to validate certificates.

There are benefits to using Avalara that customers couldn't quantify



Reducing shipping errors due to address confirmation.



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



Gaining credibility with customers.



Enhancing confidence in tax compliance.



Improving voluntary disclosure agreement (VDA) processes.

Source: A Total Economic Impact Of Avalara,, a commissioned study conducted by Forrester Consulting on behalf of Avalara, February 2024.

Flexibility

Where the customer expects to see more value from Avalara in the future.

- Enhancing global expansion.
- Supporting merger and acquisition activities.

“If we were to do a VAT tax in Europe, if we started selling direct instead of just through an OEM, I can rest comfortably knowing that I have the tools available to do that and I wouldn’t have to figure it all out [on my own].”

- CFO, medical device manufacturing

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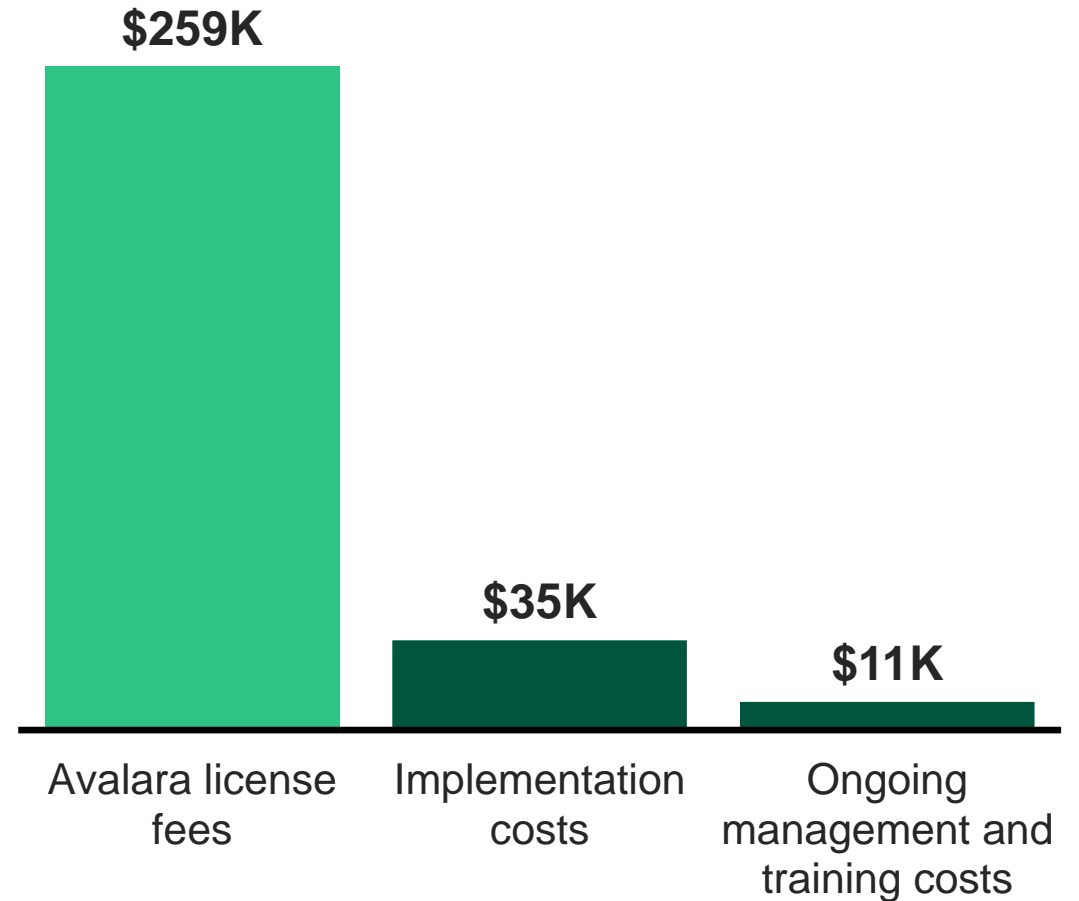


Three-year, risk-adjusted costs

Based on the composite organization

"I was somewhat concerned that [the implementation] was going to be an overwhelming or confusing process. [I thought] I was going to need a lot of handholding, but it actually ended up being quite the contrary."

Senior tax director, software



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ROI
153%



BENEFITS PV
\$770K



NPV
\$465K



PAYBACK
<6 months

“In my opinion,
Avalara is still the best
tax service on the
market.”

—Senior tax director, manufacturing



Questions?

Thank You.

Stephanie Slate
Senior TEI Consultant



Business case definitions 101



Present value (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



Net present value (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



Return on investment (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



Payback period

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.