

# IDC MarketScape: Worldwide SaaS and Cloud-Enabled SaaS Sales and Use Tax Automation Software for Small and Midmarket 2024 Vendor Assessment

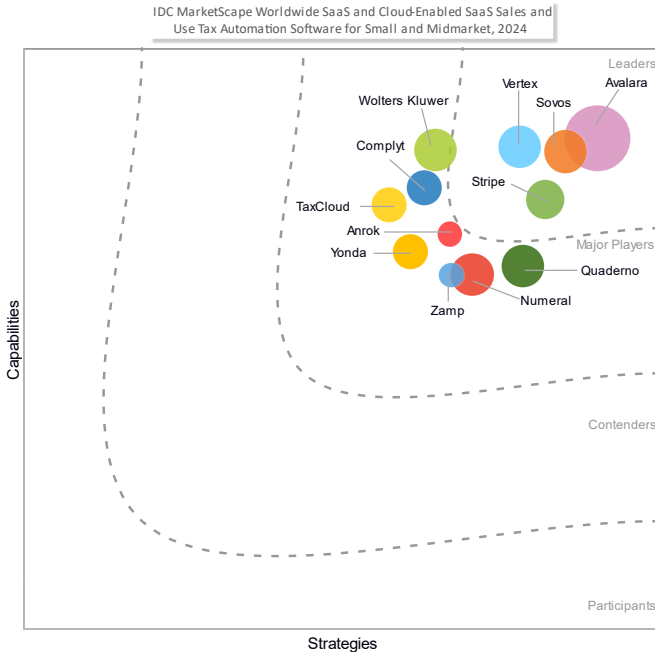
Kevin Permenter

**THIS IDC MARKETSCAPE EXCERPT FEATURES VERTEX AS A LEADER**

## IDC MARKETSCAPE FIGURE

**FIGURE 1**

### IDC MarketScape Worldwide SaaS and Cloud-Enabled SaaS Sales and Use Tax Automation Software for Small and Midmarket Vendor Assessment



Source: IDC, 2024

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

## ABOUT THIS EXCERPT

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The content for this excerpt was taken directly from IDC MarketScape: Worldwide SaaS and Cloud-Enabled SaaS Sales and Use Tax Automation Software for Small and Midmarket 2024 Vendor Assessment (Doc # US52732724).

## IDC OPINION

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Corporate tax departments are currently facing increased regulatory and reporting demands, driven by the digital transformation of economic transactions. This shift emphasizes the need for enhanced speed and efficiency in tax operations, with a particular focus on e-invoicing and other digital innovations. The complexity of global tax laws is fueling the demand for advanced corporate tax software solutions that leverage cloud-based technologies, AI, and ML to improve data-driven insights, reporting capabilities, and regulatory compliance. These technological advancements are crucial for businesses to navigate tax compliance complexities, offering benefits such as automated tax calculations, real-time updates, and seamless integration with accounting systems. The future of tax compliance is digital, with AI playing a pivotal role in automating processes, enhancing accuracy, and providing strategic insights. As such, the adoption of these technologies is essential for businesses to maintain compliance and achieve operational excellence in a competitive market landscape.

### Smaller Business Perspective

Managing sales tax is a significant challenge for smaller companies due to limited resources and the complexity of tax regulations. Key strategies to address this include understanding tax obligations based on physical presence and economic thresholds, registering with appropriate tax authorities, accurately collecting sales tax at the point of sale (POS), maintaining detailed records, staying updated on tax rates and laws, managing exemptions properly, leveraging technology for automation, and seeking professional advice. By focusing on these areas, smaller companies can better manage their sales tax obligations and avoid potential pitfalls.

## IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

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

- Vendors must have a SaaS or cloud offering — on-premises-only applications are out of scope.
- Software applications can be purchased separately (not only functionality built into a larger system) and are available off the shelf without required customization.
- Software applications have capabilities for sales and use tax (SUT) functionality like calculations, exceptions, registrations, returns management, and audit management and reporting capabilities.
- The vendor had at least \$5 million in 2023 software revenue.
- The vendor must have a minimum of one tax product in the market for at least three years.
- The vendor must have a significant footprint with businesses with <1,000 employees.

## ADVICE FOR TECHNOLOGY BUYERS

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Sales and use 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 is the same — create/curate a differentiating user experience. To do that, the user experience must go beyond the software to include the sales process, accounting management, implementation, and post-implementation support.

As a buyer in this market, the following are a few of the key questions to consider during the buying process:

- **Begin by looking inward.** Before making purchasing decisions on software, the following 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 implementing sales tax management systems is developing a strategy and plan for the implementation. This includes doing due diligence in finding the right vendor. The following 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.** Sales tax management applications 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. The following are a few key questions regarding the software vendor:
  - What is the dataflow 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. Sales tax management software touches upon a lot of other back-office systems (CPQ, accounts payable, payroll, sales management, talent management, etc.). As a result, extreme attention must be given to how the sales tax system is set up and how it interacts with other systems within your organization. The following are a few key questions to ask regarding the 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. The following are a few key questions to ask regarding the post-go-live phase of 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?

This IDC MarketScape assists in answering the aforementioned questions and others.

## 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.

### Vertex

After a thorough evaluation of Vertex's strategies and capabilities, IDC has positioned the company in the Leaders category in this 2024 IDC MarketScape for worldwide SaaS and cloud-enabled SaaS sales and use tax automation software for small and midmarket.

Vertex Inc. is a global solution provider of intelligent indirect tax software and solutions. The company's mission is to deliver innovative tax solutions enabling global businesses to transact, comply, and grow with confidence. Through AI-powered technology and advanced data fabric integration, Vertex provides comprehensive tax management that goes beyond traditional calculation and compliance. The platform seamlessly handles major lines of indirect tax, including sales and use tax, value-added tax, and payroll tax,

while supporting the evolving digital tax requirements such as e-invoicing, Continuous Transaction Controls (CTC), and Periodic Transaction Controls (PTC). With one-click data integration and reconciliation capabilities, Vertex transforms complex tax processes into streamlined workflows. This flexibility ensures comprehensive compliance and efficiency across diverse market requirements.

Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,500 professionals and is deployed by companies across the globe, serving over 60% of Fortune 500 companies..

## Strengths

- **Specialized vertical expertise:** Vertex serves over 60% of the Fortune 500 companies. Over the years, Vertex has developed specialized vertical expertise and has worked that into its indirect tax portfolio of solutions. Vertex offers specialty content and solutions for food and beverage, hospitality, leasing, communications, retail, healthcare/medical, and oil and gas. Aside from industry solutions, Vertex also includes premium content such as satellite radio and CBD.
- **Sales tax holiday flexibility:** Vertex's tax holiday functionality allows businesses to quickly adjust for regional tax exemptions, ensuring they capture additional revenue opportunities during these critical periods. This agile feature enables seamless updates for tax-free items, driving sales while maintaining compliance. By providing the flexibility to respond to changing regulations, Vertex empowers companies to enhance their competitive edge and optimize their tax strategies effortlessly.
- **Supporting complexity:** Due to its history in the enterprise market, Vertex has built its software to handle complex business environments. Vertex offers 1,500+ return forms across the United States, Canada, and Puerto Rico. Vertex offers standardized as well as customized reports and supports customers ranging from simple tax use cases to the most complex tax scenarios for multinational enterprises. The company understands that complex businesses might have many different business channels operating in different industries, with different needs. Vertex solutions are designed to support omni-channel experiences, supporting many different lines of business with the same tax solution.
- **Expansion strategy for ecommerce and marketplaces:** Vertex has strengthened its market position by becoming the first global tax technology partner integrated with the Shopify Tax Platform. This collaboration automates global indirect tax calculation for enterprise merchants, streamlining compliance across 195 countries and enhancing transaction efficiency, thereby empowering businesses to scale and innovate confidently in the ecommerce space. In addition, Vertex's new Tax Links integration for Mirakl — supporting over 300

online marketplaces — enables seamless VAT determination amid evolving regulations. As companies expand their sales channels, this solution reduces audit risks and compliance complexities, empowering businesses to scale confidently in the dynamic marketplace landscape.

## Challenges

- **Content management:** The regulatory landscape is changing so fast that tax content providers are challenged to keep up. As a result, newer compliance regulations such as Wayfair and increasing digitization of tax departments are necessitating faster, new indirect tax content. Vertex has heavily invested resources to fortify against the constant regulatory change within this market. For example, Vertex has a large pool of tax research and development resources combined with modern technology. Vertex supports some of the larger tax regimes with incredibly rapid rates of legislation, such as Brazil, constantly tracking increases in legislative complexity and frequency, so its customers can manage these with ease.
- **Expanding ERP partner ecosystem:** Recent discussions with Vertex executives highlighted ecosystem growth as a key strategic priority, reflecting the company's commitment to enhancing collaboration and support for its partners. Discussions with Vertex executives revealed that ecosystem growth has been a recent strategic priority. Recently, Vertex has made a heavy investment to address this area. For example, recently, Vertex has added integrations into NetSuite, Acumatica, Microsoft D365, Workday, Salesforce, QuickBooks Online and many more. In addition, Vertex supports omni-channel commerce by acting as a central tax solution for all deployed financial systems, including ERPs, ecommerce, purchasing systems, and brick-and-mortar POS applications. Highlights in the midmarket ecommerce space include Adobe Commerce Magento, Shopify, Mirakl, Salesforce Commerce Cloud, BigCommerce, Oracle Xstore, and SAP Hybris.
- **Market reach:** Recent acquisitions have expanded the company's offerings to include solutions tailored for midmarket and enterprise businesses. Some solutions may not suit small businesses unless they anticipate rapid growth and/or face complex tax scenarios.

## Consider Vertex When

Consider Vertex if you are likely a growing business with global tax complexity looking for advanced tax management tools from a company with a deep experience in building enterprise-level tax management software, especially in manufacturing, retail, wholesale, healthcare, oil and gas, telecom, leasing, and business services verticals. Consider Vertex when you need industry-leading content, robust tax enterprisewide capabilities, and implementation and support solutions.



### 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 sales and use tax (SUT) applications as those helping corporations calculate taxes for current transactions, estimate tax burden for future transactions, determine tax exemptions, manage filing and compliance, and house tax-related forms/documents. Core functionality for SUT software includes determination, calculation, exemptions, registration, filing/returns, and reporting capabilities.



### Related Research

- *IDC Market Glance: Corporate Tax Management Applications, 1Q24* (IDC #US51657824, March 2024)
- *Generative AI in Corporate Tax Management: Potential for Elevating Compliance Efforts Within the Tax Department* (IDC #US51920124, March 2024)
- *Worldwide Corporate Tax Management Applications Market Shares, 2022: Compliance Converging with Key Financial Applications* (IDC #US49193723, September 2023)
- *Market Analysis Perspective: Worldwide Corporate Tax Management Applications, 2023* (IDC #US50232523, September 2023)
- *Worldwide Corporate Tax Management Applications Forecast, 2023–2027: Digital Invoicing Adding Complexity to Tax Compliance* (IDC #US50231723, September 2023)
- *The Evolution of e-Invoicing: Examining the Accelerating Convergence of Compliance and Accounts Payable* (IDC #US50470623, April 2023)

### Synopsis

This IDC study provides an assessment of the SaaS and cloud-enabled SaaS sales and use tax automation software for small and midmarket and discusses the criteria that are important for companies to consider when selecting a system.

“The landscape of global business and tax compliance is becoming increasingly complex, driven by the growth in tax regulations and the digital economy. Organizations must embrace technology and ensure effective data management to navigate this challenging environment successfully. The emphasis on indirect taxes and the evolving role of tax technology highlights the need for businesses to stay informed and adaptable, integrating tax into their strategic operations to achieve compliance and operational excellence,” said Kevin Permenter, senior research director, Enterprise Applications at IDC.

## ABOUT IDC

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International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology, IT benchmarking and sourcing, and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly owned subsidiary of International Data Group (IDG, Inc.).

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