

MICROSOFT BUSINESS SOLUTIONS: THE EAGLE HAS LANDED

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More than 30 years ago, Neil Armstrong was the first to land on the moon, and immortalized the moment with the words the "The Eagle has landed."

To get there required a vision, a comprehensive strategy and billions of dollars. Microsoft's vision is to "enable people and businesses throughout the world to realize their full potential."

Microsoft's key technology today is .NET, and it has been said that Bill Gates has bet the company on .NET. Microsoft Business Solutions (MBS) is one important vehicle for Microsoft to help in making .NET a reality.

With MBS, Microsoft's objective is to attain global leadership in business applications for small- (<50 employees), mid-market (between 50 and 1,000 employees), and corporate customers (>1,000 employees).

MBS includes the businesses of the former Great Plains (includes eEnterprise, Dynamics and Solomon), Microsoft bCentral, and Navision (includes Navision Attain (renamed to Navision) and Axapta, the latter of which was acquired in July this year. Microsoft has invested and will continue to invest significantly in MBS.

MBS currently includes 3,800 team members worldwide, 4,500 business partners, and 250,000 customers. Two-hundred-and-fifty-thousand customers sounds like a lot, but when you consider that every business requires business applications, it is a small fraction of the market. Microsoft sees the mid-market especially as fragmented and a huge opportunity. Mid-market for Microsoft means companies with between 25 and 500 employees.

MBS Strategy

At the MBS Global Partner Conference Stampede 2002 in Minneapolis, Sept. 17-20, Microsoft unveiled its strategy for MBS. Consider this Stampede conference as the day the Eagle landed for MBS.

Microsoft Business Solutions' strategy was announced and it includes enhancing and protecting the investment in current business applications, creating new solutions and building the next generation of business solutions.

Microsoft's success is not just based on its R&D. It is also based on its marketing machine, which has

been put to good use with the launch of MBS.

At Stampede, MBS also unveiled its marketing strategies that include pragmatic branding, customer choice packaging, consistent and visible pricing, and total solutions financing.

For anyone in the process of selecting new systems, it is difficult to sort out the various modules in terms of what they offer.

Microsoft intends to standardize the terms used to describe the modules and functionality offered in a business application.

Microsoft will also give customers more flexibility in purchasing systems. You only need buy the modules and options within each module.

You will pay for the modules and options, and you will pay for the number of users. The cost per concurrent user will be about \$3,500 for a system with one to 10 users. Microsoft will also offer named users limited access to the system for about \$100 per user.

Microsoft will offer discounts based on volumes and based on loyalty. Loyalty is determined based on what other Microsoft products you have installed. These policies will be published and will be adhered to by all business partners throughout the world. These consistent and visible pricing strategies will take the guess work out of the costs to acquire the software.

However, don't expect consistent and visible pricing for implementation, which will continue to be subject to negotiation on price.

Microsoft Capital will finance the purchase of not only the software, but also the costs of implementation services and hardware.

The program offers interest rates starting at prime +1 per cent if you have a good credit rating, and does not require a personal guarantee. Microsoft will partner with one of Canada's lending institutions, and plans to offer this new service in January 2003, pending no regulatory problems. Microsoft's business partners at Stampede were very enthusiastic about this new Microsoft initiative.

Enhancing and Protecting the Investment

Microsoft was not forthcoming in its plans to enhance its existing products. This is not an unusual practice for any developer not wanting to highlight current limita-

tions or make promises that may not be met because of shifting priorities or other factors. Microsoft does not want any customer to postpone the decision to purchase today because of concerns about the longevity of the existing systems.

The company will guarantee that clients' investment in MBS technology will be protected. There will be no charge to update to the next generation of product as long as the customer keeps current with the upgrades and there is functional equivalence between the existing and new product. That opens the question as to what is functional equivalence.

Does it mean that if you have the general ledger system for Great Plains, there will be no charge if you upgrade to the general ledger system of the new product even if the new product offers extensive new functionality?

Perhaps this will not be a problem because the new functionality will be offered as options with their own pricing. In any event, it is likely that Microsoft will avoid problems in providing upgrades that protect the investment of their existing customer base. However, this protection may also be the Achilles heel of MBS. Microsoft will need to consider all the functionality of the existing products and offer its equivalence in the new system. That could be a huge challenge in creating one system that incorporates all the functionality of Great Plains, Solomon, Navision, Axapta and bCentral.

New Products

Microsoft will be releasing a Customer Relationship Management (CRM) system in the next few months. The first release of Microsoft CRM will include contact management, marketing automation and customer service. Microsoft believes that mid-market companies have been vastly underserved so far with CRM, which is usually considered a high end system for *Fortune 500* companies. Microsoft intends to release an easy to use and relatively inexpensive CRM product that will be tightly integrated with Outlook and all the other MBS products. Microsoft CRM will be available as a Web-based product, via Outlook, and it was written from scratch using .NET technology.

Microsoft CRM will also be available as a stand-alone product. It will likely be integrated into the sys-

tems of MBS competitors.

At Stampede, Microsoft also announced it will deliver two new industry-specific solutions, Microsoft Business Solutions Professional Services Automation (PSA) and Microsoft Retail Management System (RMS).

PSA is to professional service-based organizations what ERP (Enterprise Resource Planning) is to distributors and manufacturers. It includes timesheet and expense reporting, project management, opportunity management, resource management, and billing. In the past, professional service-based organizations have been neglected by many of the leading vendors of accounting and ERP systems. Many niche products have jumped into fill the void, but these systems typically don't include general ledger, accounts payable or accounts receivable. RMS will include POS, inventory management, pricing and promotions, reports, and analysis, with integration to the back-office financial applications.

The Next Generation

.NET makes it possible for any application to interconnect with one another and with suppliers, customers and employees — regardless of platform or device. Today, integration between systems is one of the biggest challenges facing any company — even small ones that have different systems. The future looks great when systems will be easily able to talk to each other. .NET is a double-edged sword for Microsoft.

On the one hand, Microsoft will attract new customers that want to take advantage of this new technology. On the other hand, competitors will probably adapt portions of .NET standards such that their applications will be able to integrate with all MBS products or any other product that adapts to .NET. Thus one of the compelling reasons to switch systems (lack of integration) should be solved by .NET.

Product Positioning

Microsoft was relatively quiet about the product positioning of their existing systems. There are some changes in the works. The eEnterprise and Dynamics version of Great Plains will merge as one Great Plains edition running under Microsoft SQL Server.

The former Dynamics product, which was available using the Perva-

sive database, will be rolled into a new edition called Select for the lower end of mid-market.

Small Business Manager will continue to be targeted to companies with less than 25 employees. The Small Business Manager will soon be enhanced to include distribution and multi-currency. Great Plains scales from lower mid-market through to corporate accounts. Solomon is targeted to mid-market companies looking for functionality depth. Solomon will be tightly integrated with Microsoft Project and forms the basis of the new PSA offering. Navision is targeted to companies seeking functionality breadth and strong developer tools for customization. Axapta is targeted to the upper end of the mid-market and into the corporate space, and would appeal to manufacturers.

Conclusion

The Eagle has landed but it will take years before we will know whether Microsoft has conquered mid-market space — not the final frontier or the moon — but important enough for Microsoft to invest billions of dollars.

The mid-market space has already been colonized by many Microsoft partners who have invested in Microsoft databases, development tools, operating systems — with the expectation that they will not compete with Microsoft for business applications.

A battle is looming for mid-market. The high-end systems are running out of *Fortune 500* companies and are now aggressively targeting mid-market. The small business systems are releasing enterprise editions that will be attractive to the lower end of the mid-market. Now that Microsoft is in the battle, many vendors will not survive.

Other vendors who don't have to protect their clients' investments may be more nimble in releasing new technology than Microsoft. It's unlikely that the battle for the mid-market space will resemble Star Wars — but it should be a great fight.

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