

**Microsoft Convergence 2009: Upgrading The Dynamics Channel**

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At recent [Microsoft Convergence](#) user conference in London, executives from Microsoft Dynamics reviewed the past year and presented plans for the coming year. The user conference was the first out of four local Convergence events in EMEA that are replacing the EMEA-wide Convergence conference. By replacing one regional event with several local events, Microsoft aimed to boost the number of travel-restricted attendees. All four events (London, Vienna, Frankfurt, Rotterdam) were sold out ahead of time, so the local conference concept appeared well received by customers.

Kirill Tatarinov, Corporate VP of Dynamics, highlighted how Microsoft Dynamics is executing against last years promises of helping customers become a “Dynamic Business”:

- New products including Microsoft Dynamics AX 2009 and Microsoft Dynamics NAV 2009 SP1 have been released according to schedule.
- The upcoming Microsoft Dynamics AX v6 will natively support industry functionality in five macro industries (Services Industries, Retail, Public Sector, Manufacturing, Wholesale/ Distribution).
- Microsoft Dynamics CRM Online was launched in North America.
- New partner initiatives such as flex licensing with a three-year amortization has been introduced, as well as a new, tiered partner certification model to better differentiate partners according to capabilities.
- Stability in the top management team with the addition of General Manager of Microsoft Dynamics ERP Crispin Read, Michael Park as Corporate VP of Sales, Marketing and Operations, and Marie Huwe as GM of Dynamics Marketing.

Microsoft Dynamics has felt the impact of the economic downturn along with the rest of the enterprise application vendors. The fiscal year ending June 2009 yielded a 7% decline in Dynamics bookings and the following quarter (ending September 2009) a 6% decline. The Microsoft Dynamics CRM business has consistently grown double-digit during this period and particularly North America have seen remarkable growth, while the Microsoft Dynamics ERP products declined in excess of 10%, according to IDC's estimates. Especially the lower and core midmarket customers have held back in terms of investing in ERP, while enterprise customers are starting to show signs of spending again.

The ERP market in Europe has been very hard hit by the recession. Companies, which typically invest in ERP to accommodate growth plans, are holding back on administrative and process automation until better times. ERP vendors have to reinvent themselves around new areas that better allow customers to reap short-term returns of investment and competitive differentiation. This is where the reorientation of Microsoft Dynamics ERP around industries comes into play.

Microsoft Dynamics ERP has re-pivoted its own organization around verticals. The coming release of Microsoft Dynamics AX v6 will support industry-specific processes in five macro industries. However, the most critical move towards to verticals lies with the channel partners and in how Microsoft helps them go to market. 12 months ago, Microsoft organized the Certified for Microsoft Dynamics (CfMD) program around industries. In the planning of fiscal year 2010, the annual channel assessment and capacity planning was framed around verticals with a focus on moving partners with deep industry experience or solutions into new countries. The assessment also looked at targeting new industry-specific VARs and ISV for recruitment. In a cutthroat marketplace, where competing midmarket ERP vendors typically have

amassed considerable industry specialization, a Microsoft Dynamics reseller with a few industry references and a horizontal approach is up against tough odds.

Therefore, the specialization and industry-orientation of the Dynamics channel ecosystem is the make-or-break task for Microsoft over the coming years. It needs a greater number of real industry authorities among the ERP partners, both ISVs and VARs. Many partners have gone far already, but most partners can take their specialization further.

There is plenty of evidence that true vertical specialization, which requires industry-specific software and expertise in addition to the core ERP suites, works. As an example, a large Microsoft Dynamics reseller in the UK selling to manufacturers has managed to consistently grow revenues during the past recession quarters, propelled by a highly specialized solution for discrete manufacturers. If that can be done among recession-hit ERP buyers in British manufacturing, it can be done everywhere.

In CRM, Microsoft's challenge lies more in controlling current business growth and in laying the groundwork for future growth. The xRM market campaign, which highlights Microsoft Dynamics CRM as both an application and a process automation framework is hitting home with prospects, including public sector institutions looking to automate tasks and serve citizens. One strong feature of Microsoft Dynamics CRM v4 is its ability to support application configuration and management by non-IT staff. If line of business staff can take control of their own business processes, adhering to certain design standards and guidelines from IT, customers will be able to take a significant step towards the vision of a Dynamic Enterprise. The planned 2010 launch of Microsoft Dynamics CRM Online in markets outside North America is likely to propel revenue growth further.

In IDC's view, the current challenge for Microsoft Dynamics CRM lies in refining a partner ecosystem around customer success and solid implementation and change management practices. If Microsoft can keep the implementation quality and level of customer success high, it is hard to see significant obstacles to continued CRM growth over the coming years.

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