

**In Down Economy, Microsoft Is Up on Innovation**

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Comment by [Albert Pang](#)

Despite the economic downturn, Microsoft has reaffirmed its long-term value as the source of technology innovation that its enterprise applications customers can depend on for years to come.

Before a crowd of nearly 7,000 Microsoft Dynamics customers and resellers attending the recent [Convergence](#) conference, Microsoft unveiled a slew of new products including some that were still in prototypes as well as others that would be instrumental in restoring growth to the enterprise applications market.

It was hard not to marvel at the vision outlined by Microsoft executives, who were showing off next-generation touch-screen computing technologies at the main event and how average users ranging from order clerks to warehouse workers would be able to use the so-called Microsoft Surface device to access reams of inventory data by simply manipulating images on a screen, for example to rearrange popular inventory to areas within reach to improve the pick-and-pack process.

The same applied to the introduction of Microsoft Dynamics AX 2009 for Lean Manufacturing designed to meet stringent manufacturing requirements with new modules for quality management, capabilities that until recently were only available from Microsoft ISV partners like eBECS.

In both cases Microsoft has transformed existing technologies — the former being a PC kiosk and the latter a highly customized manufacturing program — into something that is more intuitive and economical for a wider audience.

The implication is that Microsoft is expanding its reach into areas that previously might not have considered its solutions, allowing its resellers to better compete with high-end offerings by delivering functionally equivalent solutions that are affordable. For example, the base price of Microsoft Dynamics AX 2009 for Lean Manufacturing is \$13,000.

At the conference, Microsoft Dynamics also unveiled a new environmental sustainability dashboard for AX 2009, readied the shipment of NAV 2009 SP1 and GP 10 SP4 for later this year, and accelerated the push into the CRM market with the planned launch of CRM 5 in 2010 along with next year's release of SL 8 that aligned with Office 14. On the heels of its successful zero percent financing offering, Microsoft Dynamics introduced SmartPay, which allows customers to defer payment for six months.

At a time when other technology vendors are struggling to stay afloat, Microsoft is raising the bar. With a more functionally rich product line that is scalable enough to handle the increased workload of a good-size company, Microsoft Dynamics is setting its sights higher.

Already many of its customers have seen remarkable results using Microsoft Dynamics applications as key enablers of their growing business. A large food service company in Europe reported using Microsoft Dynamics AX 2009 to process 2,500 invoices — each containing 10 to 15 line items — every day with ease, while a growing number of customers have started using Microsoft Dynamics products as replacements of their JD Edwards and Oracle 11i ERP systems as well as other legacy applications previously favored by midmarket companies because of their reliability and scalability.

This is not to suggest that Microsoft's ERP strategy has been flawless. Despite the capable leadership of Kirill Tatarinov, who has been spearheading the Microsoft Dynamics division for a little over a year, the path to sustainable growth and profitability for Dynamics and its resellers is still a work in progress. For starters, the giant Microsoft organization with its sometimes divergent interests could hamper the ability of Microsoft Dynamics to leapfrog its more agile competitors in such areas as on-demand delivery of ERP applications, channel segmentation to boost reseller capabilities in key verticals, and even the creation of an international ERP edition for midmarket organizations going global.

By the way, all of these initiatives are being worked on at Microsoft Dynamics. The question is whether the division, which shares the glory and the burden of being a part of the software giant, can excel by harnessing not just its parent company's \$9 billion R&D budget for 2009 (compared with \$8 billion last year) but also the customer insights and reseller connections that enable it to continue to innovate and deliver long-term value.

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