



Microsoft Dynamics

The Future of Software-plus-Services for Microsoft Dynamics ERP

White Paper



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BACKGROUND

Rapid globalization, demanding customers and shareholders, and intense competition are challenging today's organizations like never before. As a result, decision makers are increasingly looking to technology to overcome these formidable business issues. To maximize the business value of IT investments, organizations need to choose solutions, business models, and IT platforms that meet their business needs today and yet are flexible, agile, and forward-looking enough to meet their requirements tomorrow.

Traditionally, however, organizations have been forced to deploy their critical enterprise resource planning (ERP) software using one of two discrete, fairly rigid deployment models: On-premise or hosted. Traditional on-premise solutions provide superior integration and customization opportunities, but carry upfront costs because of the hardware and software infrastructure that must be set up and the ongoing staffing needed to maintain the solution. Hosted solutions, which allow organizations to deploy software at remote locations and subscribe to them, provide for more rapid implementation and lower upfront costs but often provide less integration with other software applications.

With benefits and limitations to each option, corporate decision makers have been forced to compromise and make uncomfortable trade-offs on the right deployment model and accompanying benefits to their organization.

SOFTWARE-PLUS-SERVICES: THE FUTURE OF ERP

At Microsoft®, we believe that an organization should not be locked into rigid deployment or acquisition models. Rather, we are committed to providing “the power of choice.” This means that organizations have the ability to choose to deploy Microsoft Dynamics® ERP in the way that it works best for them. Deployment options include implementing a Microsoft Dynamics ERP system as a wholly owned on-site solution, via online services, all or partly hosted—or a combination of these options. With this flexibility, today's companies can take advantage of the business model that best fits their specific needs, and they can easily migrate from one method to the other should their business situation change.

Our vision for the next generation of enterprise computing is “Software-plus-Services.” As its name suggests, this philosophy has two components that, when combined, provide outstanding benefits for today's organizations. The first component is software that can be deployed in one of two ways: either on-premise or hosted in a public cloud by one of our hundreds of Microsoft Dynamics hosting partners around the globe (commonly referred to as software-as-a-service, SaaS). The second component is online services, which include new offerings around payments, commerce, and, in the future, sites through our recently announced Windows Azure platform.

With Software-plus-Services, online services work in concert with the core software to extend the functionality of the Microsoft Dynamics ERP solution. This fusion of online services with client and server or hosted software is designed to provide organizations with new capabilities and new levels of utility, convenience, and flexibility. Software-plus-Services is the next logical step in the steady evolution of corporate computing. By combining the best aspects of on-premise or hosted software with the best aspects of online services, organizations can be more successful through easier access to rich applications and flexible, easy-to-use deployment options that truly work best for them.

While Microsoft has taken the clear leadership role in this effort, other solution providers have taken notice and begun to embrace the concept as well. Across the industry, Software-plus-Services is rapidly

growing as a model strategy, and even solution providers that claim to deliver Web-only offerings are moving toward this flexible, hybrid delivery model.

SOFTWARE-PLUS-SERVICES AND MICROSOFT DYNAMICS ERP TODAY

The Microsoft Dynamics line of familiar, adaptable enterprise resource planning (ERP) solutions is designed to meet almost any business need and provides the information today's organizations need to make critical business decisions. In addition to helping automate and streamline financial and supply chain processes, Microsoft Dynamics provides customers with the power to choose the delivery model that best fits their specific business processes.

BENEFITS OF SOFTWARE-PLUS-SERVICES

By applying a Software-plus-Services approach to Microsoft Dynamics ERP, organizations can realize many benefits, including:

- **Increased growth.** A Software-plus-Services deployment can provide organizations with new and exciting opportunities for business growth by helping to attract new customers, sell products online, collect and remit payments, and complete other important business processes.
- **Improved IT flexibility and reduced spending.** The flexible deployment options offered as part of a Software-plus-Services strategy can help companies accelerate return on investment, easily scale to meet demand fluctuations, and align their deployment model with their business focus and current IT capabilities.
- **Higher employee productivity.** With Software-plus-Services, organizations can streamline access to systems and information and rework business processes for maximum employee productivity. For example, online services make it easier to deliver access to information in the most suitable form and presentation factor, such as on a desktop, in a Web browser, or on a mobile device.

DEPLOYMENT OPTIONS

Microsoft's Software-plus-Services approach combines the best aspects of client software, on-premise servers, and Internet-delivered services. This enables Microsoft Dynamics ERP customers to switch between hosted and on-premise delivery, or create a hybrid solution that takes advantage of both models. This blended approach also provides customers with additional flexibility and choice in how they use, buy, deploy, manage, and streamline their business processes.

Microsoft Dynamics ERP is currently available through one or more of the following deployment models:

- **Traditional on-premise.** The most common deployment option, Microsoft Dynamics is hosted at an organization's own location, on its own servers. This option offers maximum opportunity for customization and integration with other IT systems.
- **Hosted ERP through Microsoft Dynamics ERP partners.** Microsoft Dynamics ERP software is also available as a service hosted by Microsoft partners. This option provides organizations with more flexibility in customizing their solutions and integrating them with other line-of-business applications while still benefiting from a hosted delivery model. Using this option, customers can get started with little upfront investment and more easily align their IT spending with their

business needs. Customers can also take a hybrid approach and keep certain business processes of their Microsoft Dynamics implementation on premise while contracting with Microsoft partners to host other elements.

- **Online services for Microsoft Dynamics ERP.** More and more companies today are connecting to the Internet to conduct business. In particular, they're using it to buy and sell products online, collect and remit payments, and complete other business processes, such as payroll. Online services for Microsoft Dynamics ERP provide a way for Microsoft Dynamics customers to enable these scenarios.

ONLINE SERVICES: A CLOSER LOOK

Online services for Microsoft Dynamics ERP are new Internet-enabled payment and commerce offerings that work together with Microsoft Dynamics ERP to help organizations extend the functionality of their Microsoft Dynamics ERP system. Online services are managed by Microsoft experts in our secure data centers. This helps alleviate IT departments from having to worry about behind-the-scenes tasks or hiring outside specialists. The services are easy to deploy, enabling organizations to concentrate on running their business, not running their software. These offerings help customers incrementally move to a model where particular business processes are supported by online services.

Online services for Microsoft Dynamics ERP:

- **Payment Services for Microsoft Dynamics ERP.** By combining Payment Services with Microsoft Dynamics ERP software, organizations can accept credit and debit transactions in real time, while ringing up sales. No credit card terminal is needed. Payment Services is fully compliant with the Payment Card Industry Data Security Standards (PCI DSS) to ensure security of credit transactions. With Payment Services, organizations can:
 - Take advantage of payment processing offers from different payment providers.
 - Reduce costs because Payment Services eliminates the need for separate card payment terminals and associated phone lines.
 - Enter data once by capturing transactions directly in a financial and point-of-sale system, saving time and reducing data-entry errors.
 - Initiate, authorize, and settle credit and debit card transactions directly from within Microsoft Dynamics ERP.
- **Connect for Microsoft Dynamics ERP.** This service provides rapid access to powerful information organizations can use to and maximize the effectiveness of their Microsoft Dynamics solution. With Connect, employees can access community-driven knowledge, best practices, training, and updates tailored to their specific role directly from their Microsoft Dynamics ERP application. Connect enables companies to:
 - Realize unmatched value from their Microsoft Dynamics solution by adopting a new standard that provides best practices, trends, problem-solving, and training—and enjoy access these resources anytime, day or night.
 - Collaborate with peers to share best practices vital to success.
 - Increase business productivity and enhance competitive advantage by easily accessing information to better use the system.

- Reduce downtime and support costs through timely access to a powerful support knowledge base.
- **Commerce Services for Microsoft Dynamics ERP.** This service enables organizations to easily sell products online through established marketplaces such as eBay and online storefronts. Catalogs and listings are centrally managed in Microsoft Dynamics with easy-to-use interfaces, and all orders resulting from the online sales flow seamlessly back in to Microsoft Dynamics for processing. With Commerce Services, companies can:
 - Sell through multiple channels by extending their sales presence to their own web store and online marketplaces, such as Amazon, eBay, and others. Commerce Services makes it easy to sell inventory, accept payments, and download orders. It also allows users to research online and then buy off-line.
 - Provide seamless inventory management between ERP and Web store. Commerce Services provides easy integration between ERP system and online store, which means that changes in stock levels are automatically reflected in the Web store. In addition, detailed information is exchanged seamlessly between online sales and in-house operations.
 - Provide seamless payments between ERP and Web store. With Commerce Services, payment processing is integrated between a company's online shopping cart and its back office software for the first time. It even allows customers to buy online and return goods and receive credits on-premise.
 - Provide seamless order management between ERP and Web store: Commerce Services ties together online customer-acquisition efforts with back office order fulfillment. Online sales update in-stock inventory with a simple transaction download.
- **Sites for Microsoft Dynamics ERP.** Marketing professionals can now seamlessly create, manage, and optimize Internet-based marketing campaigns while effortlessly capturing and tracking complete lead data from landing pages to maximize revenue opportunities. With landing page templates, intuitive wizards, and lead-staging capabilities, Sites for Microsoft Dynamics ERP provides a true closed-loop process. With it, companies can:
 - Easily capture sales leads and other customized information from visitors.
 - Make the most of search-engine marketing efforts through embedded intelligence and optimization models.
 - Streamline and speed the process of product registration, customer feedback, job recruiting, and much more.

THE NEXT FRONTIER: DELIVERING ADDITIONAL CHOICE IN MICROSOFT DYNAMICS ERP SOFTWARE-PLUS-SERVICES

For organizations to fully realize the benefits of Software-plus-Service, Microsoft believes that ERP systems must be able to operate fully and completely in the cloud. When it comes to this capability, ERP systems currently lag other applications, most notably customer relationship management (CRM) solutions, which have been successfully deployed and embraced as cloud-based applications for years. There are several reasons for this disparity: ERP vendors have historically focused on client-server based applications and have been slow to make their solutions available as cloud-based applications. At the

same time, customers have been reluctant to store their critical financial and business data offsite data and access that data via the Internet.

At Microsoft, we believe that acceptance of cloud-based ERP applications will begin to accelerate as the systems become more readily available and as organizations increasingly discover that security is no longer a barrier to the many benefits cloud-delivered ERP systems can provide. We believe that companies will soon begin to understand the efficiencies of cloud-based applications and will begin to demand that ever more robust ERP applications be delivered through the cloud.

As that transformation begins to take place, the capability differences of the current ERP delivery models—traditional on-premise, online services, and Microsoft partner-hosted—will gradually disappear, their cost profiles will change, and a new model will emerge that treats the cloud as a robust, additional tier for delivering even greater ERP capabilities.

INVESTING IN THE FUTURE OF MICROSOFT DYNAMICS ERP AND SOFTWARE-PLUS-SERVICES

Perhaps the biggest benefit of Software-plus-Service model is its ability to provide enterprise customers with much-needed choice in the way they deploy their ERP software. In the near future, cloud services developed hand-in-hand with on-premises server counterparts will deliver even more choice—enabling flexibility in developing, scaling, operating, and migrating systems that are distributed between the cloud and the enterprise data center.

At Microsoft, we see the cloud as an integral part of fulfilling our Software-plus-Services vision for Microsoft Dynamics ERP—and we're investing heavily in making this vision a reality. It's hardly a secret that Microsoft has vibrant businesses on the desktop and in the enterprise. But Microsoft has also been making sizable investments in online services, storage, and software. As these worlds rapidly converge, no technology vendor is better positioned to deliver on the vision of Software-plus-Services than Microsoft.

EXPERIENCE IN CLOUD-BASED COMPUTING

Microsoft has vast experience and a rich history in cloud-based computing. For instance, the popular Bing™ search engine runs millions of searches from computers worldwide by combining both local and cloud-based applications. Far from being a static game console, Xbox LIVE® is in fact a Software-plus-Services application that allows players to enjoy an interactive game experience with multiple players across the world. Windows Update combines both desktop software and cloud-based applications to provide an enormous service that touches millions of PCs worldwide. Other large and highly recognizable Microsoft services that take a Software-plus-Service approach include MSN® and Hotmail®.

BUILDING THE CLOUD INFRASTRUCTURE

As a complement to our demonstrated experience in cloud-based computing, Microsoft is investing in new technologies that will constantly help improve Microsoft Dynamics ERP in the cloud. Microsoft recently announced Windows® Azure, a powerful new platform for running Windows applications and storing data in the cloud. Running on servers in Microsoft data centers, Windows Azure is a powerful subscription service customers can use to run applications and store data offsite. Using Windows Azure, organizations will be able to take advantage of new applications and technologies to extend the capabilities of their Microsoft Dynamics ERP solution.

When building a robust cloud capability, the key is to be able to scale out, and not just up, to handle anticipated volumes. To do that, Microsoft is not only constructing a vast network of new data centers across the globe, but also engineering new hardware and software to help those data centers run more efficiently and increase their capacity to deliver true multitenant capabilities.

CHOOSING THE RIGHT DELIVERY OPTION

With constraints on budget and IT staffing, companies must maximize their IT investments. Simply reducing the reliance on IT isn't an option as companies cannot sacrifice the tools needed to effectively grow their business. Instead, organizations need to carefully choose the right ERP solution and the right deployment model.

Fortunately, companies no longer need to weigh the benefits of traditional on-premise deployment against those of a hosted approach. Microsoft Dynamics and Software-plus-Services provide the best of both worlds. Microsoft Dynamics offers flexible deployment options that accelerate return on investment, scale to meet increased demand, and enable companies to align the deployment model with their business focus and current capabilities.

For some customers, Microsoft Dynamics ERP deployed on premise and running behind the company firewall may be the best deployment scenario. In other situations, a hosted solution that is delivered over the Internet may be more desirable because of cost, flexibility, and faster implementation. In contrast to a software-as-a-service approach, where the solution in its entirety is delivered via the Internet, the Software-plus-Services approach supports deployment options that provide customers even more choice in how their software is delivered. With Microsoft Dynamics, customers have a choice of on-premise deployment, hosted solutions from Microsoft or Microsoft partners, or a combination of the two (a hybrid model). In addition, customers have options in how they pay for their solution: purchase an upfront license, use a pay-as-you-go model or finance the solution.

The ultimate way in which software is deployed and purchased ultimately depends on customers' IT strategies and business needs. The hosted service offerings from Microsoft provide IT departments the flexibility to replace on-premise servers with a hosted equivalent, ultimately helping to reduce the costs incurred in managing their solution.

CONCLUSION

For too long, organizations have been forced to deploy their critical business software using one of two rigid deployment models. Traditional on-premise solutions provide opportunities for superior integration and customization, but carry upfront hardware and software costs. On the other hand, hosted solutions allow organizations to deploy software at remote locations and combine more rapid implementation with lower upfront costs but allow for more limited integration.

However, Microsoft Dynamics ERP represents a viable third option for many organizations. Software-plus-Services combines software-as-a-service, or cloud computing, with more traditional client and server deployment approaches, providing the power of choice: a single business solution that supports *both* on-premise and remote deployment.

By applying a software-plus-services approach to Microsoft Dynamics ERP, organizations can realize many benefits, including improved IT flexibility and reduced spending, increased opportunities for growth, higher employee productivity, and much more.

Software-plus-Services is the wave of the future. As a pioneer in the concept of cloud computing, Microsoft is underscoring its commitment to Software-plus-Services by building a network of data centers, creating the Microsoft Windows Azure platform, and developing new applications that can be delivered in a cloud-based environment. For today's organizations, this means even more choice and power in the way they choose to deploy and realize the future business benefits of their Microsoft Dynamics ERP system.

ADDITIONAL RESOURCES

For additional information about Software-plus-Services, please visit:

<http://www.microsoft.com/dynamics/en/us/erp-software-plus-services.aspx>

<http://www.microsoft.com/softwareplusservices/software-plus-services-full-story.aspx>

Microsoft Dynamics is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like and with familiar Microsoft software, automating and streamlining financial, customer relationship, and supply chain processes in a way that helps you drive business success.

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