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Microsoft Business Solutions Leads In Enterprise Apps Software Licensing And Pricing For SMBs

The Forrester Wave™ Vendor Summary, Q4 2007

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EXECUTIVE SUMMARY

The Forrester Wave™ evaluation of enterprise apps software licensing and pricing assesses vendors against two distinct requirement sets: small- and medium-sized business (SMB) licensing requirements that favor user-based pricing, and large enterprise licensing requirements that value a choice of licensing metrics. Extensive efforts at streamlining software and licensing for Microsoft have paid off. Microsoft has maintained its client-friendly concurrent user license and aligned its packaging and pricing across the Microsoft Dynamics line. Business Ready Licensing, launched in July 2006, eliminates the module and SKU complexity of legacy pricing schemes in favor of a user-based licensing approach. The current offer includes three key packages: Business Essentials Edition, Advanced Management Edition, and Advanced Management Enterprise Edition, which correspond, respectively, to good/better/best offers. Partners and customers agree that the new policy has improved simplicity. Microsoft does not offer any usage-based models and relies on partners for all of its direct sales. Microsoft earned the top slot in the SMB edition, and is among the top three in the large enterprise edition, of the survey due to extensive support for provisions in the enterprise software licensee bill of rights.

MICROSOFT BUSINESS SOLUTIONS IS BEST SUITED TO SMBs AND LARGE ENTERPRISES

Microsoft entered the small- and medium-sized business (SMB) enterprise resource planning (ERP) market via the \$1.1 billion acquisition of Great Plains in 2001 and subsequent acquisition of Navision in 2002. With 100,000 customers and more than 9,000 partners around the globe, Microsoft relies on its partners to deliver sales, implementations, and additional micro-industry functionality. The Microsoft Business Solutions' Microsoft Dynamics product line includes Microsoft Dynamics AX, Microsoft Dynamics NAV, Microsoft Dynamics SL, and Microsoft Dynamics GP. Forrester estimates Microsoft's 2006 revenue for the Dynamics product lines to be \$0.9 billion.¹

Forrester evaluated Microsoft Business Solutions' current offering and strategy for enterprise apps software licensing and pricing against 97 criteria (see Figure 1). Microsoft Business Solutions' licensing and pricing policies are an especially good fit for buyers that:

- **Seek a wide variety of user-based metrics.** Microsoft Business Solutions supports single-named user, multiple-named user, and concurrent user pricing, a key requirement of SMBs. Customers with site and enterprise license needs can inquire about multi-site agreements during negotiations, which are available on a limited basis.

- **Uphold the spirit and provisions of the enterprise software licensee’s bill of rights (LBoR).** Microsoft Business Solutions earned a top finish among evaluated vendors in support of the LBoR. Top scores come from an excellent showing in general rules of engagement, implementation policies, utilization policies, and maintenance policies.
- **Expect below average software life-cycle ownership costs.** Microsoft Business Solutions scored highest for most favorable software life-cycle ownership costs. Key factors include lower priced maintenance programs, favorable discounting perception, and implementation costs.

To see how Microsoft stacks up against 11 other competitors, see the Forrester Wave evaluation of the enterprise apps software licensing and pricing market.²

Figure 1 Microsoft Enterprise Apps SLP Evaluation Overview

CURRENT OFFERING	
User-based metrics	Microsoft primarily offers concurrent user-based pricing and supports nonemployee users. Other options depend on product. Site and enterprisewide licenses require negotiation.
Usage-based metrics	Microsoft Business Solutions (MBS) has not moved into the usage-based metric arena and has no options for users outside of human capital management (HCM) applications.
Hardware-based metrics	Microsoft does not provide processor-based pricing but counts dual core processors as one unit.
Usage types by tiered intensity models	Microsoft offers three distinct tiering packages for its concurrent users. In addition Microsoft Dynamics Client for Office users (covering multiple predefined roles), Microsoft CRM users, and Mobile Solutions users for Microsoft Dynamics are available for light or casual users.
License terms	Microsoft ties for the highest score in license terms.
Delivery and financing mechanisms	Microsoft delivers on most delivery and financing mechanisms such as hosting, lease to buy, financing options, and delivery options. Lack of a true software-as-a-service (SaaS) solution hampers the overall score.
Software life-cycle ownership costs	Microsoft scores the highest for most favorable software life cycle and ownership costs.

Source: Forrester Research, Inc.

Figure 1 Microsoft Enterprise Apps SLP Evaluation Overview (Cont.)

STRATEGY	
General rules of engagement	Microsoft scores the second highest among the vendors evaluated for general rules of engagement.
Selection policies	Microsoft delivers upfront policies for written definition of user and usage metrics, availability of the standard contract, pricing structure, discount rationale, and vendor financials. Areas where the vendor lacks a formal policy include: entire agreement clause, commitment to delivery functionality gaps, and disclosure about known and unknown defects.
Implementation policies	Microsoft tied for the highest score among all vendors for implementation policies.
Utilization policies	Microsoft earned the highest score for policies around utilization.
Maintenance policies	Microsoft earned the second highest score for policies around maintenance.
Overall licensing and pricing strategy	Microsoft provides strong overall licensing and pricing strategies.
MARKET PRESENCE	
Installed base	Microsoft ranks among the top 20 ERP vendors based on revenue, customers, and employees.
Revenue	Microsoft's FY 2006 revenues were \$5.1 billion. Forrester estimates the vendor's application revenue to be \$0.9 billion.
Systems integrators	Microsoft relies on more than 10 system integrators. MBS works in an indirect model and relies on 9,240 partners for both sales and delivery.
Services	MBS services are delivered primarily by its extensive partner channel. In addition, Microsoft Consulting Services resources may augment partner resources. The vendor has between 100 to 499 employees focused on implementation services for the MBS product lines.
Employees	Microsoft employs between 5,000 and 9,999 employees worldwide for Microsoft Dynamics. As of June 30, 2006, Microsoft employed approximately 71,000 people on a full-time basis.
Global sales presence	MBS Group is a worldwide provider of enterprise applications with a strong foothold in North America and EMEA.

Source: Forrester Research, Inc.



Go online to download additional in-depth data and scores for this vendor and other vendors included in this Forrester Wave evaluation.



SUPPLEMENTAL MATERIAL

Online Resource

The underlying spreadsheet for Figure 1 is available online. The spreadsheet includes more detailed data and scores for this vendor.

This detailed data and scores for this vendor are also available online through an Excel-based vendor comparison tool that provides detailed product evaluations and customizable rankings.

The Forrester Wave Methodology

We conduct primary research to develop a list of vendors that meet our criteria to be evaluated in this market. From that initial pool of vendors, we then narrow our final list. We choose these vendors based on: 1) product fit; 2) customer success; and 3) Forrester client demand. We eliminate vendors that have limited customer references and products that don't fit the scope of our evaluation.

After examining past research, user need assessments, and vendor and expert interviews, we develop the initial evaluation criteria. To evaluate the vendors and their products against our set of criteria, we gather details of product qualifications through a combination of lab evaluations, questionnaires, demos, and/or discussions with client references. We send evaluations to the vendors for their review, and we adjust the evaluations to provide the most accurate view of vendor offerings and strategies.

We set default weightings to reflect our analysis of the needs of large user companies — and/or other scenarios as outlined in the Forrester Wave document — and then score the vendors based on a clearly defined scale. These default weightings are intended only as a starting point, and readers are encouraged to adapt the weightings to fit their individual needs through the Excel-based tool. The final scores generate the graphical depiction of the market based on current offering, strategy, and market presence. Forrester intends to update vendor evaluations regularly as product capabilities and vendor strategies evolve.

ENDNOTES

- ¹ Complete revenue figures and a vendor profile can be found in the latest SMB ERP market overview. See the August 13, 2007, "[Competition Intensifies For The SMB ERP Customer](#)" report.
- ² Forrester evaluated the licensing and pricing strategies of leading enterprise applications vendors across 97 criteria. Oracle and Agresso were found to have established early leadership among large enterprises thanks to their ability to accommodate complexity and choice in licensing metrics and support for the enterprise software licensee bill of rights (LBoR). Microsoft, QAD, Sterling Commerce, Epicor Software, Lawson, and Infor are Strong Performers but lack breadth in usage-based metrics. SAP provides strong usage-based metrics but could improve on provisions in the LBoR. Microsoft, Oracle, QAD, Agresso, and Epicor Software lead in delivering on small- and medium-sized business (SMB) requirements like choice in user-

based metrics and support for the LBoR. Sterling Commerce, Lawson, Sage Software, SAP, Infor, and Deltek are Strong Performers that offer competitive options but could improve support for SMB requirements in the LBoR. IFS's licensing and pricing models leave SMB customers with limited choices but offer a simplified, easy to understand approach. See the October 15, 2007, "The Forrester Wave™: Enterprise Apps Software Licensing And Pricing, Q4 2007" report.