

The Total Economic Impact™ Of A Migration To Microsoft Dynamics 365 Business Central

Cost Savings And Business Benefits Enabled By Dynamics 365 Business Central

A Forrester Total Economic Impact™ Study Commissioned By Microsoft, June 2024

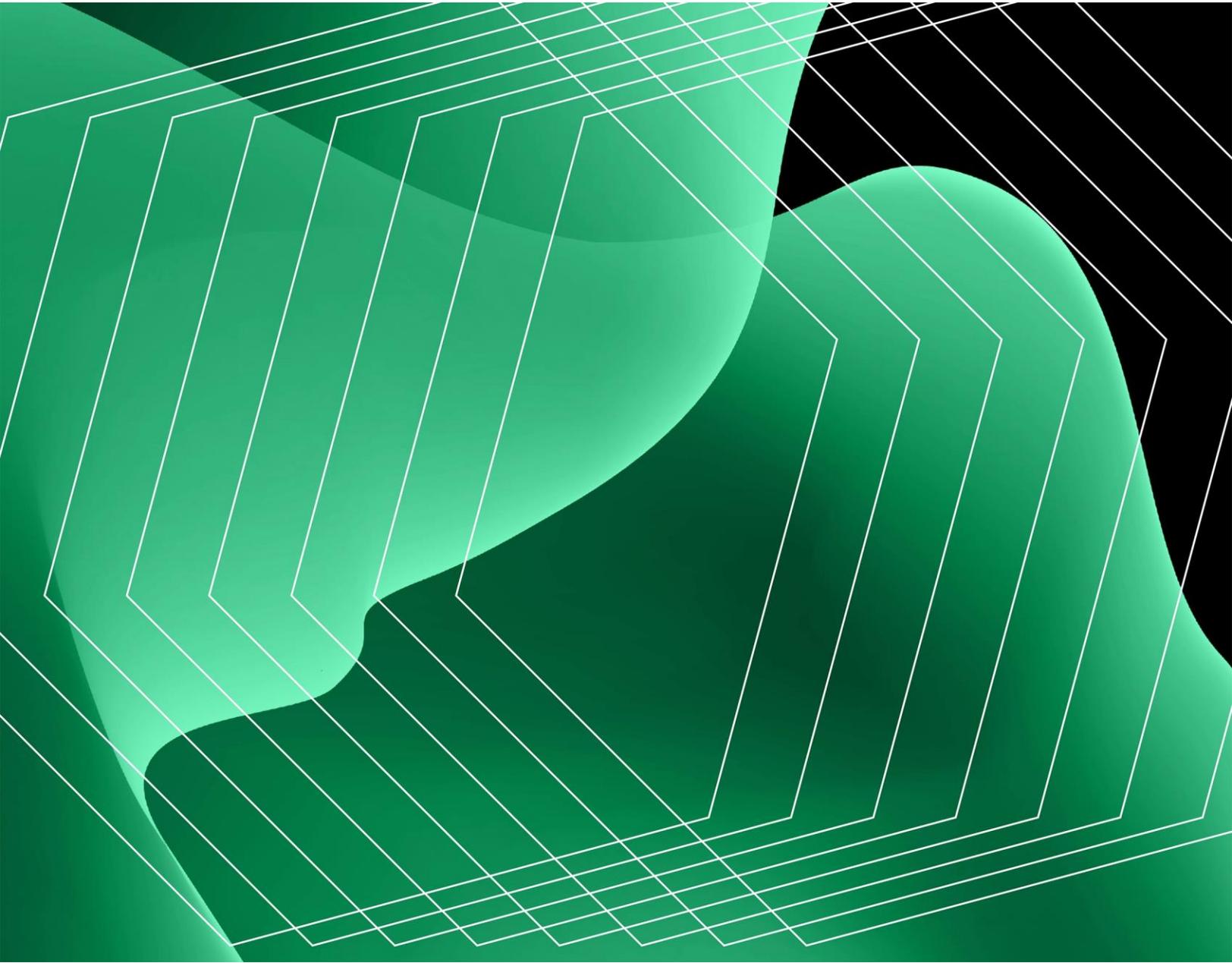


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ABOUT FORRESTER CONSULTING

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Executive Summary

Microsoft Dynamics 365 Business Central empowers small to medium-sized organizations to modernize enterprise resource planning (ERP) in the cloud, which may allow them to avoid the costs associated with scaling on-premises infrastructure, support, custom integrations, and partner fees. Finance, operations, and sales staff can utilize capabilities to support better decision-making based on real-time information, and this may create additional opportunities to support customers and employees, drive additional revenue, and increase profitability.

Microsoft Dynamics 365 Business Central is a cloud-based business management solution for small to medium-sized businesses. Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by migrating from an on-premises Microsoft ERP solution to Dynamics 365 Business Central.¹ The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of a Dynamics 365 Business Central migration for their organizations.



Return on investment (ROI)
265%



Net present value (NPV)
\$529K

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives of organizations that recently migrated from an on-premises Microsoft solution (Dynamics NAV, GP, or Business Central on-premises) to Dynamics 365 Business Central. To provide additional context, Forrester also fielded a survey of 160 decision-makers from organizations that recently migrated to Dynamics 365 Business Central. For the purposes of this study, Forrester aggregated the interviewees' and survey respondents' experiences and combined the results into a

EXECUTIVE SUMMARY

single [composite organization](#) that has 150 employees and annual revenue of \$15 million.

Interviewees and survey participants noted that prior to using Business Central, their organizations struggled to scale ERP capabilities with the ever-increasing demands of their business. The organizations' on-premises Microsoft tools did not always support real-time visibility and interoperability of data across the organization, which hindered decision-making across finance, sales, and operations functions. The cost to extend the life of these on-premises solutions and grow with the business also swelled as infrastructure costs, support costs, and partner fees increasingly outweighed the perpetual licenses.

The interviewees and survey respondents noted that after migrating to Dynamics 365 Business Central, their organizations saw improvements to productivity across finance, operations, and sales users while supporting decision-making that unlocked additional revenue opportunities and profitability. Cloud-based ERP solutions allow organizations to scale in the cloud at the current demand level of the business without overprovisioning infrastructure, support resources, or partner consulting hours.

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Productivity improvement of 12.5% for operations staff, 15% for sales staff, and 15.6% for finance staff.** Deploying Business Central allows the composite organization's finance and operations staff to reduce the amount of time they spend on manual reporting and information reconciliation while also providing improved visibility and tools to accelerate and improve the quality of decision-making. Sales personnel have access to the records they need while in the field.
- **Avoided third-party fees of more than \$80,000 annually.** The composite organization previously engaged third-party IT consulting services to work on customizations and integrations amid the complexity inherent to an on-premises ERP deployment. Third-party external reporting was also required to supplement personnel effort. After implementing Business Central, the composite eliminates

third-party consulting and report reporting costs because IT staff can internally manage integration and customization work.

- **Avoided costs of legacy ERP solutions and support worth up to \$53,000 annually.** With its previous on-premises Microsoft Dynamics deployment, the composite was incurring infrastructure costs, maintenance personnel costs, and upgrade fees. By migrating ERP functionality on Dynamics 365 Business Central in the cloud, the organization avoids these costs traditionally associated with an on-premises deployment.
- **Profitability from improved sales pipeline generation.** By migrating to Dynamics 365 Business Central, the composite's sales and support staff are better equipped to service the organization's customer base directly from the field, which yields improved sales pipeline generation revenue, retention, and profit.

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified for this study include:

- **Improved business outcomes from more informed decision-making.** Day-to-day decision-making at the composite organization's finance and operations functions improve with Business Central due to visibility into real-time information rather than making decisions based on static information related to a single point in time.
- **Improved employee experience.** With Business Central, the composite's finance and operations personnel are less burdened by manual effort and reconciliation tasks mandated by a disparate set of ERP solutions, which improves employees' quality of life improvement. Staff also find the user interface to be intuitive and easy to navigate, and it's easier for them to find the information for which they're looking.
- **Compatibility with Microsoft solutions.** Because Business Central works natively with other Microsoft solutions, this drives additional value from these solutions while reducing the need to train users on the integrations.
- **Increased customer satisfaction.** Having real-time access to information translates to faster servicing of end customers and ultimately may yield additional long-term customer satisfaction for the composite organization.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Subscription fees paid to Microsoft totaling \$82,000 over three years.** The composite organization pays a monthly subscription fee per user for Business Central access.
- **Implementation, ongoing management, and training personnel costs of \$118,000 over three years.** The composite organization leverages internal personnel resources to deploy Business Central over a four-month period. Once deployed, part-time staff work to maintain and upgrade the solution (e.g., making customizations and integrations).

The representative interviews and financial analysis found that a composite organization experiences benefits of \$729,000 over three years versus costs of \$200,000, adding up to a net present value (NPV) of \$529,000 and an ROI of 265%.

Operations staff productivity improvement

12.5%

“Before moving to [Dynamics 365] Business Central in the cloud, our customer data was scattered across multiple on-prem environments. With centralized customer data, we’re now able to quickly access information to create and test new features that better serve our customers and unlock business growth.”

GLOBAL CIO, FINANCIAL SERVICES



Return on investment (ROI)

265%



Benefits PV

\$729K



Net present value (NPV)

\$529K



Payback

<6 months

Benefits (Three-Year)



TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering a migration to Microsoft Dynamics 365 Business Central.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Dynamics 365 Business Central can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Microsoft and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Dynamics 365 Business Central.

Microsoft reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Microsoft provided the customer names for the interviews but did not participate in the interviews.

Forrester fielded the double-blind survey using a third-party survey partner.

Due Diligence

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Dynamics 365 Business Central.

Interviews And Survey

Interviewed four representatives and surveyed 160 representatives of organizations that recently migrated from on-premises Microsoft solutions— Dynamics NAV, GP, or Business Central on-premise— to Dynamics 365 Business Central to obtain data about costs, benefits, and risks.

Composite Organization

Designed a composite organization based on characteristics of the interviewees' and survey respondents' organizations.

Financial Model Framework

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees and survey respondents.

Case Study

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The Microsoft Dynamics 365 Business Central Customer Journey

Drivers leading to the Dynamics 365 Business Central investment

KEY CHALLENGES

The interviewees and survey respondents noted how their organizations struggled with common challenges, including:

- **Expensive scaling.** Each interviewee told Forrester that as their organization continued to grow, its ERP deployment struggled to meet the demands of the business. Given the on-premises state of the organizations' ERP solutions, scaling to meet the demand as is would result in increased costs, increased personnel requirements to maintain these deployments, and additional partner support fees.
- **Decision-making with static information.** With on-premises solutions, decision-makers were often forced to make business decisions using incomplete and out-of-date, static information. This inherently led to suboptimal decision-making in the areas of supply-chain forecasting, budgeting, and customer support or sales opportunities. Additionally, they frequently had to export data to Excel for consolidation and analysis, which resulted in reconciliation and synchronization issues whenever updates occurred in the system. This not only increased the workload, but it also introduced the risk of errors, further compromising the quality of the decisions being made.
- **Offsite access to company data.** Several interviewees noted that their organization's on-premises Microsoft ERP solution required an onsite presence for its staff to access key company or customer information, which hindered the ability to service customers in real time or to work remotely. A sales manager from a manufacturing organization spoke about the difficulties related to information coming from sales representatives in the field: "We needed a full utilization of our CRM (customer relationship management solution). Previously, the field sales reps wrote notes and then entered them all in at the end of the week or towards the end of the month when they got back into the office."

- A need for customizations or integrations to maintain functionality.**
 Interviewees said that as their organizations evolved with their on-premises ERP deployments, they developed customizations and integrations between different solutions/systems to create and maintain functionality as dictated by the business. These ERP deployments were not just costly from an infrastructure standpoint, but also from a personnel resource standpoint because internal or partner hours were dedicated to maintaining and/or creating these customizations and integrations. The interviewees indicated a need to return to an ERP solution that was closer to “out of the box.”
- Difficulty staying up to date.** Interviewees told Forrester that updates for their specific on-premises Microsoft Dynamics ERP solution were version-dependent and required personnel resources to deploy, if the update was possible to begin with.

“What organizational goals or opportunities did your organization hope to address with its investment in Dynamics 365 Business Central?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization

Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

INVESTMENT OBJECTIVES

The interviewees' organizations searched for a solution that:

- Could be deployed in the cloud and scale with the needs of the business.
- Has a modern and intuitive user interface/user experience.
- Enables employees to always have access to real-time company data.
- Could deliver the functionality required by the business out of the box without the need for involved customizations or integrations.
- Could be updated automatically.

“We chose Business Central because it will grow with us as our business continues to grow.”

GLOBAL CIO, FINANCIAL SERVICES

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the four interviewees and 160 survey respondents, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

- **Description of composite.** The composite organization is a \$15 million organization with 150 employees. It primarily operates within the region of its headquarters, but it has customers and suppliers around the globe.
- Prior to deploying Microsoft Dynamics 365 Business Central, the composite organization maintained an on-premises deployment of Microsoft Dynamics

NAV.* As the organization continued to grow, its on-premises deployment limited its ability to scale due to infrastructure constraints. Budget did not allow for the overprovisioning of infrastructure. Furthermore, several staff members (notably sales staff members) did not have access to the organization's ERP on-site, which resulted in delayed customer communication, support, and satisfaction. It was difficult for the majority of finance, operations, and sales/support staff to use hybrid work without compromise.

- **Deployment characteristics.** In line with organizational cloud-transformation mandates, the composite organization deploys Business Central in the cloud supported by a Microsoft partner and internal staff. It also begins a phased retirement of its legacy on-premises Microsoft Dynamics tools, and retires 90% of these costs by the third year of the Business Central deployment. The organization has 28 staff members responsible for finance, supply chain operations, and sales decisions, and they are the primary users of Business Central.

Key Assumptions

15 million revenue

150 employees

28 Dynamics 365 Business Central users

Migrates from Microsoft Dynamics NAV to
Dynamics 365 Business Central*

*The financial model aggregates insights customers migrating from multiple legacy Microsoft systems, including Dynamics NAV, GP, and Business Central on-premises. While the composite organization migrates from Dynamics NAV, the findings of this study are representative of migrations from any of these systems.

Analysis Of Benefits

Quantified benefit data as applied to the composite

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Improvement to staff productivity	\$38,556	\$38,556	\$38,556	\$115,668	\$95,883
Btr	Avoided third-party fees	\$71,400	\$71,400	\$71,400	\$214,200	\$177,561
Ctr	Avoided costs of previous solutions and support	\$28,104	\$38,729	\$45,104	\$111,938	\$91,445
Dtr	Improved sales efficiency and profitability	\$146,400	\$146,400	\$146,400	\$439,200	\$364,075
	Total benefits (risk-adjusted)	\$284,460	\$295,085	\$301,460	\$881,006	\$728,964

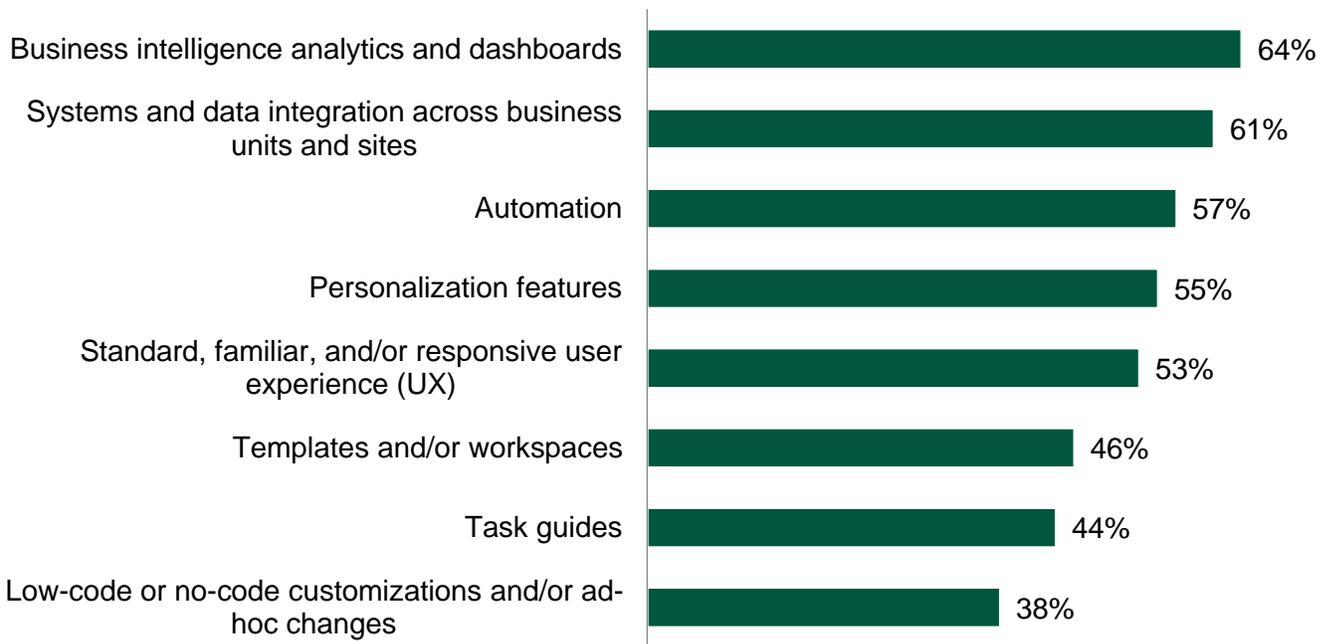
IMPROVEMENT TO STAFF PRODUCTIVITY

Evidence and data. Interviewees said deploying Business Central allowed their organizations' finance and operations staff to reduce the amount of time they spent on manual reporting and information reconciliation while also providing improved visibility and tools to accelerate and improve the quality of decision-making. Automating tasks within these finance and operations processes yielded quantifiable productivity savings for the organizations' staff. As a result, as the organizations continued to grow, they required fewer finance and operations hires because of the capacity increase due to more efficient staff. Having a modern, intuitive user experience further improved productivity, which reduced the requirement for training or re-training for new and existing staff. Ultimately, migrating to Business Central in the cloud enabled finance and operations staff to operate more effectively while offsetting subsequent hires required as the organizations grew, which yielded savings quantified in user productivity.

- The interviewee at the manufacturing organization spoke to efficiencies for finance staff resulting from the Dynamics 365 Business Central migration — notably, integration with online document signatures, real-time reporting and integration with CRM, online customer payments, and faster internal reimbursements.

- A finance manager in the food and beverage importing industry said that after migrating to Dynamics 365 Business Central, their organization was able to consolidate several business units under one ERP system, which improved the productivity of supply-chain personnel by reducing the need to consolidate information across several business units operating on Microsoft Dynamics on-premises ERP solutions.

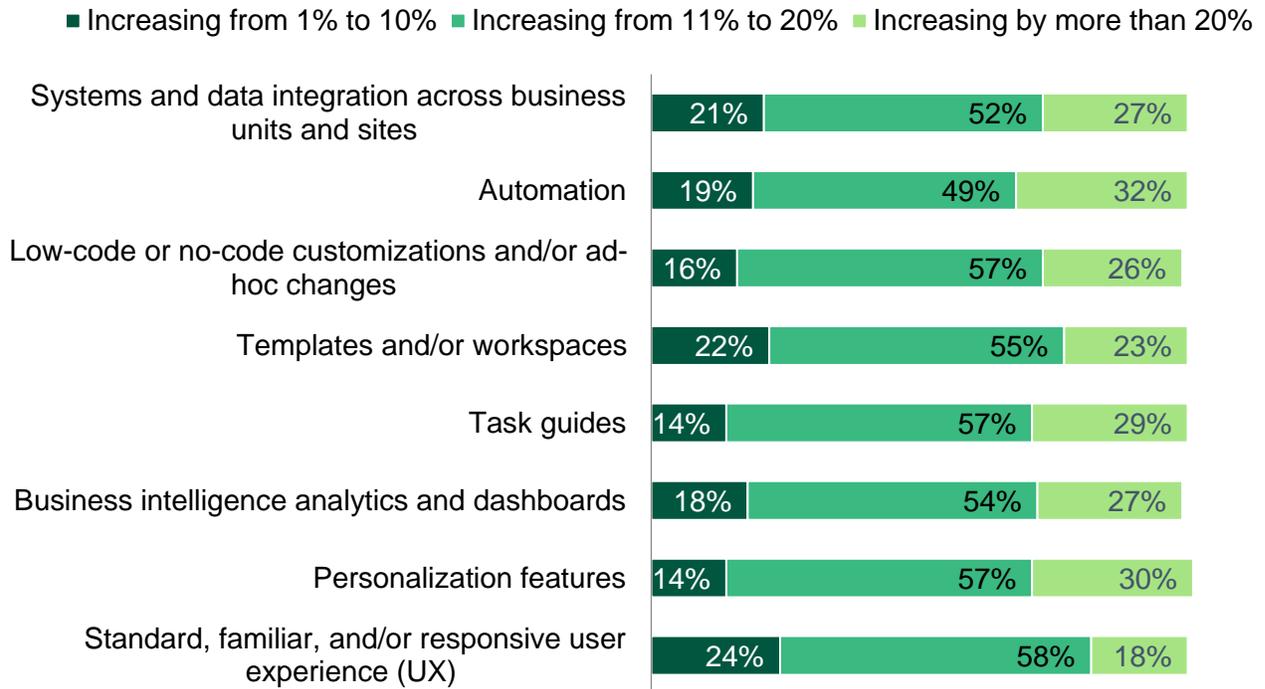
“Has Microsoft Dynamics 365 Business Central in the cloud increased productivity in any of the following areas?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization

Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

“By how much has productivity increased as a result of Microsoft Dynamics 365 Business Central?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization

Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

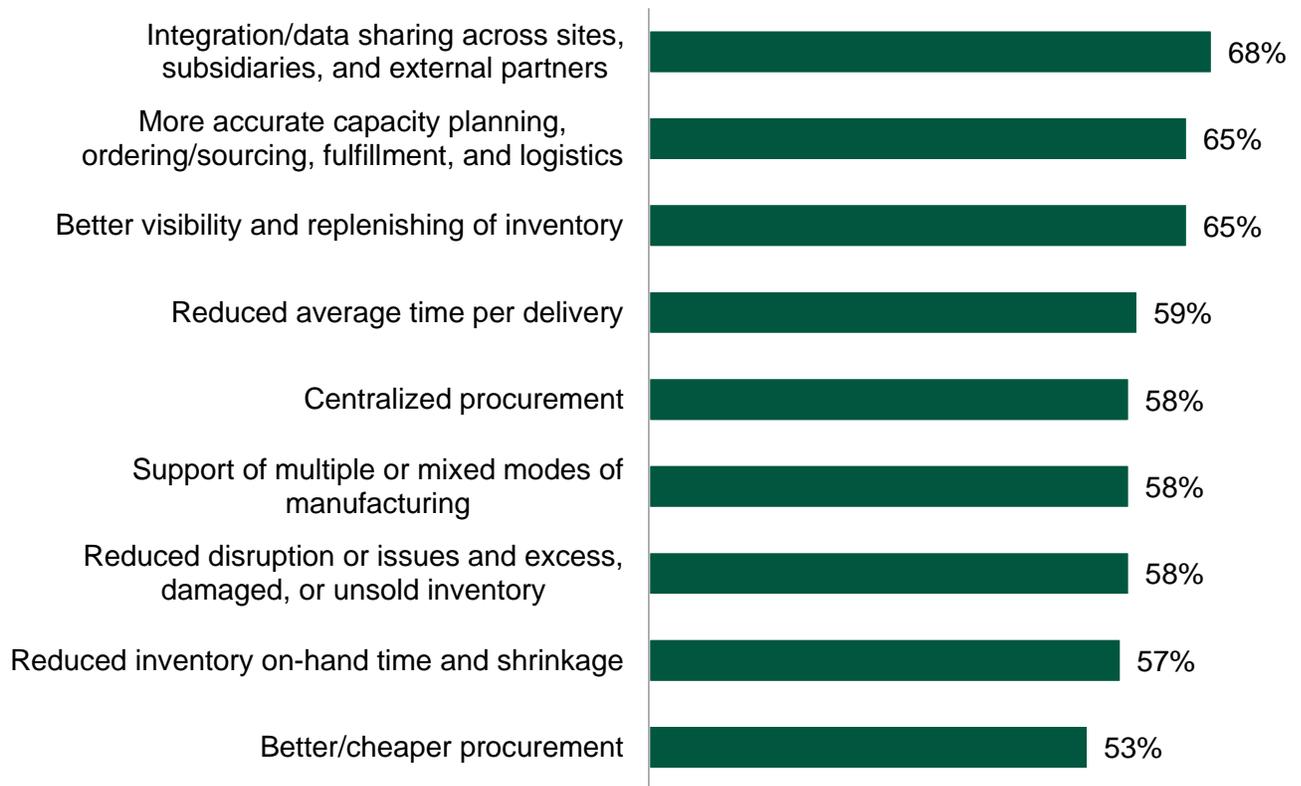
“Has Microsoft Dynamics 365 Business Central in the cloud impacted any of the following finance areas?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization

Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

“Has Microsoft Dynamics 365 Business Central in the cloud improved any of the following supply chain areas?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization

Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions.

- Four finance users save 25 hours per month through automation of finance tasks that previously required manual work.
- Four supply-chain staff members save 20 hours per month through automation of supply-chain tasks.
- The average hourly rate for a finance or operations staff member is \$42.
- The composite has a 50% productivity recapture rate because not all reclaimed hours are dedicated to value-added work.

Risks. This benefit will vary among organizations based on:

- The skill and effectiveness of the organization's finance and/or operations staff.
- The functionality gap between Business Central and the organization's legacy ERP solution(s) as it relates to the possibility of automating manual tasks.
- The organization's industry as it affects its ability to customize Business Central for industry-specific functionality.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$96,000.

25 hours

Monthly time saved per finance staff member

“With Business Central, our employees can quickly pull the information they need to get their work done faster. Not only are they more productive, they're also happier.”

GLOBAL CIO, FINANCIAL SERVICES

ANALYSIS OF BENEFITS

Improvement To Staff Productivity					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Finance users (baseline)	Composite	4	4	4
A2	Time savings on manual reporting per month (hours)	Interviews and survey	25	25	25
A3	Percentage of time reclaimed per working month (rounded)	A2/160	15.6%	15.6%	15.6%
A4	Hourly rate for a finance personnel FTE (rounded)	TEI standard	\$42	\$42	\$42
A5	Subtotal: Savings due to automated reporting with Business Central	A1*A2*A4*12 months	\$50,400	\$50,400	\$50,400
A6	Operations users	Composite	4	4	4
A7	Time savings on operations activities per month (hours)	Interviews and survey	20	20	20
A8	Percentage of time reclaimed per working month (rounded)	A7/160	12.5%	12.5%	12.5%
A9	Hourly rate for an operations personnel FTE (rounded)	TEI standard	\$42	\$42	\$42
A10	Subtotal: Savings due to operations task automation with Business Central	A6*A7*A9*12 months	\$40,320	\$40,320	\$40,320
A11	Total savings for finance and operations users due to saved time	A5+A10	\$90,720	\$90,720	\$90,720
A12	Productivity recapture	TEI standard	50%	50%	50%
At	Improvement to staff productivity	A11*A12	\$45,360	\$45,360	\$45,360
	Risk adjustment	↓15%			
Atr	Improvement to staff productivity (risk-adjusted)		\$38,556	\$38,556	\$38,556
Three-year total: \$115,668			Three-year present value: \$95,883		

AVOIDED THIRD-PARTY FEES

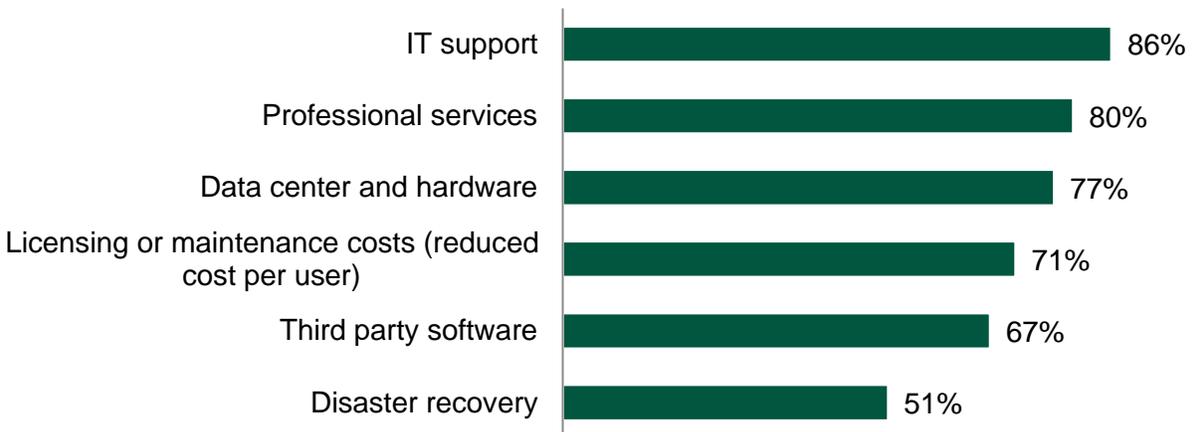
Evidence and data. Interviewees said that despite the fact that their organizations “owned” licenses for their on-premises Microsoft Dynamics ERP solutions, the complexity resulting from years of customizations and integrations required significant ongoing partner/IT consulting investments to maintain. In addition, functionality gaps often meant the organizations paid for additional external reporting on a monthly or quarterly basis. Interviewees said that once Business Central was implemented, their firms eliminated third-party reporting costs while internal IT staff could manage any

ANALYSIS OF BENEFITS

integration or customization work because Business Central operates closer to “standard.”

- A global CIO in financial services explained: “One of the areas we’ve found especially valuable is the ability to produce reports in-house. We’re less reliant on outside help with Business Central.”
- Of the 160 survey respondents, 86% reported a reduction in IT support costs (partner/consulting fees) and average annual savings of \$69,703, which is a 55.2% reduction.

“You noted that you were able to reduce costs as a result of using Microsoft Dynamics 365 Business Central. In what areas have you reduced costs?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization

Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- The composite previously paid \$5,000 per month for external report preparation. It eliminates this cost once Business Central is implemented.
- The composite avoids 80 IT consulting hours annually (20 per quarter) at a rate of \$300 per hour, which results from a more out-of-the-box configuration that requires fewer partner hours to maintain customizations and integrations.

Risks. This benefit will vary among organizations based on:

- The organization’s current spending on third-party reporting and consulting hours as mandated by current functionality and level of customization.
- The skills of the organization’s personnel and the firm’s capacity to manage historically third-party activities internally once Business Central is implemented.
- Industry- or organization-specific customizations or integrations that still may require third-party consulting.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$178,000.

80 hours

Annual partner consulting time avoided

Avoided Third-Party Fees					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Cost per customized report	Interviews	\$5,000	\$5,000	\$5,000
B2	Reports	Composite	12	12	12
B3	Subtotal: Avoided third-party reporting fees	B1*B2	\$60,000	\$60,000	\$60,000
B4	Avoided IT consulting time per quarter for ongoing support, upgrades, integrations, and strategy (hours)	Interviews	20	20	20
B5	Avoided IT consulting time (hours)	B4*4	80	80	80
B6	Cost per IT consulting hour	Assumption	\$300	\$300	\$300
B7	Subtotal: Avoided IT consulting costs	B5*B6	\$24,000	\$24,000	\$24,000
Bt	Avoided third-party fees	B3+B7	\$84,000	\$84,000	\$84,000
	Risk adjustment	↓15%			
Btr	Avoided third-party fees (risk-adjusted)		\$71,400	\$71,400	\$71,400
Three-year total: \$214,200			Three-year present value: \$177,561		

AVOIDED COSTS OF PREVIOUS SOLUTIONS AND SUPPORT

Evidence and data. Interviewees told Forrester their organizations incurred increasingly expensive costs associated with maintaining their on-premises Microsoft ERP solutions. Notably, the organizations paid for infrastructure, maintenance (personnel costs), and upgrade costs, where possible (personnel hours). As the organizations grew, overprovisioning infrastructure would be required to support peak demands of the business. Interviewees concluded that by adopting Dynamics 365 Business Central, their organizations were able to avoid most of these costs as a result of their cloud migration.

- Of the 160 survey respondents, 77% reported a reduction in infrastructure or datacenter costs, with a median annual savings of \$112,500, a 52.4% reduction.
- The global CIO in financial services explained that they were able to reallocate IT resources after moving to Business Central in the cloud: “Our IT team members are able to spend less time supporting and maintaining infrastructure and focus their energy on building more robust architecture to support more transactions and enable our business to continue to grow.”

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- The annual cost of the organization’s legacy ERP solutions was \$50,000, including all infrastructure and/or datacenter fees.
- With Business Central, the composite avoids 50% of these costs by the end of Year 1, 75% by Year 2, and 90% eliminated by Year 3.
- The composite previously dedicated 16 hours per month among two IT personnel to basic ERP solution maintenance work. It avoids this with Business Central.
- The average hourly rate of an IT FTE is \$42.

Risks. This benefit will vary among organizations based on:

- The scope of the organization’s previously deployed Microsoft ERP solution(s) and its related infrastructure as it relates to the total cost of infrastructure or datacenter spend.

ANALYSIS OF BENEFITS

- Contract or “owned” infrastructure specifics as they relate to an organization’s ability to avoid infrastructure fees once migrated to Microsoft Dynamics 365 Business Central.
- The skill and capacity of the organization’s IT personnel who support the ERP solution(s).

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$91,000.

Avoided Costs Of Previous Solutions And Support					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Cost of infrastructure supporting legacy MS solution(s)	Composite	\$50,000	\$50,000	\$50,000
C2	Percentage of total spend retired	Interviews and survey	50%	75%	90%
C3	Subtotal: total retired spend	C1*C2	\$25,000	\$37,500	\$45,000
C4	IT personnel supporting and developing previous tool(s)	Composite	2	2	2
C5	Hours per month spent on support and development (per IT FTE)	Interviews	8	8	8
C6	IT FTE hourly rate (rounded)	TEI Standard	\$42	\$42	\$42
C7	Subtotal: cost of infrastructure, support, and development for previous tool(s)	C4*C5*C6*12 months	\$8,064	\$8,064	\$8,064
Ct	Avoided costs of previous solutions and support	C3+C7	\$33,064	\$45,564	\$53,064
	Risk adjustment	↓15%			
Ctr	Avoided costs of previous solutions and support (risk-adjusted)		\$28,104	\$38,729	\$45,104
Three-year total: \$111,938			Three-year present value: \$91,445		

55.2%

Average IT cost reduction (ERP tools) attributable to Business Central deployment

“After moving to [Business Central] in the cloud, we were able to reduce the complexity of our environment and cut our infrastructure costs in half.”

GLOBAL CIO, FINANCIAL SERVICES

IMPROVED SALES EFFICIENCY AND PROFITABILITY

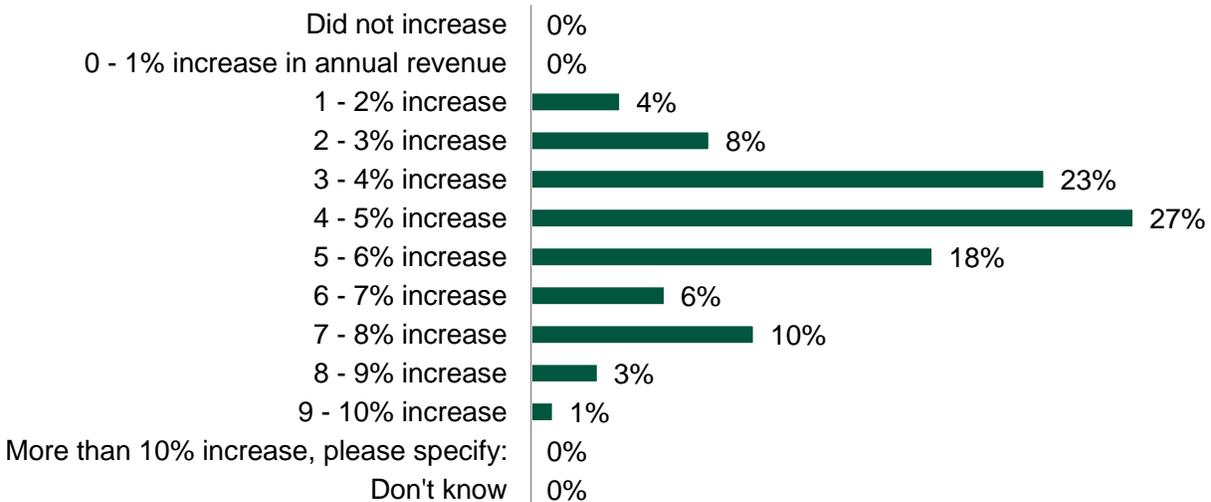
Evidence and data. Interviewees said that with their organizations’ previous on-premises Microsoft ERP solutions, constant access to company and customer data was not a given because accessing these records required onsite presence. They also noted that this often delayed the ability of sales staff to deliver timely proposals or provide support in real time, which affected sales, satisfaction, and retention. Interviewees noted that by migrating to Dynamics 365 Business Central, their organizations’ sales and support staff became better equipped to service their customer bases and ultimately drive revenue.

- The interviewee at the manufacturing organization spoke to the ability of their company’s sales representatives to log customer interactions, deliver customer proposals and support from the road, which drives more accurate customer information, acquisition, retention, revenue, and customer satisfaction: “Now [the sales representatives] are able to come out of their meetings with customers and log information right away. It’s been recorded more timely, so it’s more accurate. It’s better for us as a senior management team to see the information in real time. We’re able to respond to the customers’ needs a lot quicker than chasing our sales reps for them to update CRM when they’re next back in the office.” They continued: “In our industry, time is key. We operate in a saturated market with a lot of competitors, and if we’re not getting big quotes to customers or samples to customers quickly enough and our competitor can, we will ultimately lose the business.”

ANALYSIS OF BENEFITS

- Of the 160 survey respondents, 85% noted that it required fewer sales personnel to maintain the same level of sales and support for their organization’s customer base. They said that on average, they required 2.6 fewer sales personnel to maintain the same level of efficiency.
- Across the survey respondents, efficiencies to sales processes (e.g., faster proposal generation/RFP response, more efficient customer data search capabilities, additional buying options, and resulting shorter sales cycles) yielded an average revenue improvement of 4.8% attributable to Dynamics 365 Business Central capability improvements.

“By how much did your annual revenue increase with the investment in Microsoft Dynamics 365 Business Central on the cloud?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization

Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- Twenty sales representatives support the organization’s prospects and customers.
- Based on real-time access to customer and company data, each of these sales representatives becomes 15% more productive, resulting in potentially avoided hires.

ANALYSIS OF BENEFITS

- The composite organization experiences a 5% increase in deals closed per sales representative with Business Central. As a result, each sales representative closes one additional deal per year.
- Each sales opportunity at the composite organization is worth an average of \$30,000.
- The composite's operating margin is 8%.
- The average annual salary for a sales representative is \$90,000.
- The composite has a 50% productivity recapture rate because not all reclaimed hours are dedicated to value-added work.

Risks. This benefit will vary among organizations based on:

- The organization's customer base as it relates to sales representatives' ability to provide support from the field.
- The skill of the organization's sales staff and its capacity to generate sales opportunities.
- Industry or company specifics that will affect the revenue and profitability such as average deal size, average close rate, and operating margin.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$364,000.

\$600K

Additional annual revenue generation through Dynamics 365 Business Central attributable to sales pipeline generation

ANALYSIS OF BENEFITS

Improved Sales Efficiency And Profitability					
Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Sales representatives	Composite	20	20	20
D2	Efficiency improvement with Dynamics 365 Business Central	Interviews and survey	15%	15%	15%
D3	Average salary for a sales representative	TEI standard	\$90,000	\$90,000	\$90,000
D4	Productivity recapture	TEI standard	50%	50%	50%
D5	Subtotal: Sales productivity improvement	D1*D2*D3*D4	\$135,000	\$135,000	\$135,000
D6	Revenue	Composite	\$15,000,000	\$15,000,000	\$15,000,000
D7	Average deal size	Composite	\$30,000	\$30,000	\$30,000
D8	Deals	D6/D7	500	500	500
D9	Deals per sales representative	D8/D1	25	25	25
D10	Increase in deals closed per sales representative with Business Central	Interviews and survey	5%	5%	5%
D11	New deals per sales representative	D9*D10	1	1	1
D12	New revenue from new deals attributable to Business Central	D1*D11*D7	\$600,000	\$600,000	\$600,000
D13	Operating margin	Composite	8%	8%	8%
D14	Subtotal: Profitability increase attributable to Business Central	D13*D12	\$48,000	\$48,000	\$48,000
Dt	Improved sales efficiency and profitability	D5+D14	\$183,000	\$183,000	\$183,000
	Risk adjustment	↓20%			
Dtr	Improved sales efficiency and profitability (risk-adjusted)		\$146,400	\$146,400	\$146,400
Three-year total: \$439,200			Three-year present value: \$364,075		

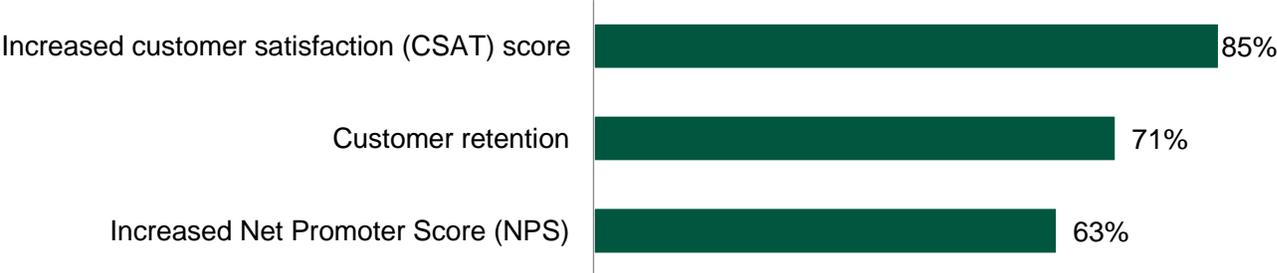
UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- Improved business outcomes from more informed decision-making.**
 Interviewees told Forrester that their organizations' finance and operations functions improved their day-to-day decision-making with Business Central due to visibility into real-time information.

- **Improved employee experience.** Interviewees said that with Business Central, finance and operations personnel are less burdened by manual effort and reconciliation tasks mandated by a disparate set of ERP solutions. They noted this is a quality-of-life improvement for employees because the user interface is more intuitive, easier to navigate, and easier for staff to find the information for which they’re looking.
- **Compatibility with Microsoft solutions.** Because Business Central works natively with other Microsoft solutions, it drives additional value from these solutions. The interviewee at the manufacturing organization said Business Central integrates nicely across their firm’s Microsoft solutions, including Excel and Power BI for reporting. They also noted that Business Central is intuitive and that it’s easy to train staff members who are already familiar with Microsoft solutions. The interviewee at the food and beverage importing firm said that after consolidating several business units under one ERP on Business Central, their organization benefited from consolidated reporting with PowerBI.
- **Increased customer satisfaction.** Several interviewees noted that having real-time access to information translated to faster servicing of end customers and ultimately may yield additional long-term customer satisfaction. Among the survey respondents, 85% reported an improvement in customer satisfaction (CSAT) scores, while 71% noted an improvement to customer retention, which is an average estimated improvement of 3.7% resulting from the migration to Business Central.

“You indicated that your organization has improved customer experience. Which of the following areas have you seen an impact?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization
Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

“[Business Central’s] user interface is very easy to train people on, and it integrates with the applications that they’re used to [using]: Word, Excel, and PowerPoint. It’s all very important that the training was kept minimal when we made the migration.”

SALES MANAGER, MANUFACTURING

“[With Business Central,] issues raised can be picked up by management, squared away, and smoothed over before customers decide to give our competitor the chance. If a customer submits a complaint, an email immediately goes to management so we can get on top of it straight away, and we don't lose the business.”

SALES MANAGER, MANUFACTURING

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Dynamics 365 Business Central and later realize additional uses and business opportunities, including:

- **Scalability in the cloud.** Nearly every interviewee said their organization now has the ability to scale users and capabilities for its current business demands. They said that amid periods of growth, their organizations have been able to provision their ERP resources accordingly on Business Central and save on costs.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in [Appendix A](#)).

Analysis Of Costs

Quantified cost data as applied to the composite

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Etr	Subscription fees paid to Microsoft	\$0	\$32,844	\$32,844	\$32,844	\$98,532	\$81,678
Ftr	Implementation, ongoing management, and training personnel costs	\$89,286	\$11,537	\$11,537	\$11,537	\$123,896	\$117,976
	Total costs (risk-adjusted)	\$89,286	\$44,381	\$44,381	\$44,381	\$222,428	\$199,654

SUBSCRIPTION FEES PAID TO MICROSOFT

Evidence and data. Interviewees said their organizations pay Microsoft a subscription fee for their usage of Business Central. Their firms pay license fees on a per-month, per-user, or per-device basis.

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- The composite has 28 Dynamics 365 Business Central users divided among finance, operations, and sales staff.
- Assuming an even split between Business Central Essentials (\$70) and Premium (\$100) licenses, the composite pays \$85 per user per month.
- Pricing may vary. For more details, contact Microsoft.

Risks. This cost will vary among organizations based on:

- The specific tier of Dynamics 365 Business Central license the organization uses.
- The organization's number of Business Central licenses and/or users.

Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$81,700.

28

Dynamics 365 Business Central users

Subscription Fees Paid To Microsoft						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Total subscribed users	A1+A6+D1	0	28	28	28
E2	Monthly price per user (assuming an even split between Business Central Essentials and Premium licenses)	Interviews	\$0	\$85	\$85	\$85
Et	Subscription fees paid to Microsoft	$E1 * E2 * 12$ months	\$0	\$28,560	\$28,560	\$28,560
	Risk adjustment	↑15%				
Etr	Subscription fees paid to Microsoft (risk-adjusted)		\$0	\$32,844	\$32,844	\$32,844
Three-year total: \$98,532			Three-year present value: \$81,678			

IMPLEMENTATION, ONGOING MANAGEMENT, AND TRAINING PERSONNEL COSTS

Evidence and data. The interviewees described migration experiences for Business Central that averaged four months from concept to implementation, were often staged in phases, and typically leveraged Microsoft partners. While the level of partner support varied, partner involvement in some capacity was consistent among the interviewees' organizations.

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- Two IT and business FTEs spend 25% of their working time over four months on the initial implementation of Business Central.
- The composite pays a partner fee of \$45,000 throughout the duration of the implementation.
- The average annual rate for an IT or business FTE who works on implementation is \$90,000.
- The composite organization uses 20 hours of third-party professional services at an hourly rate of \$75 to assist with customizations and integrations each year.
- Once Business Central is deployed, one IT FTE spends 8 hours of their time managing and continuing to develop on it during the subsequent years of this analysis.
- Each of the 28 Business Central users undergoes an initial 15 hours of training to maximize their effectiveness on the platform from initial implementation.

Risks. This cost will vary among organizations based on:

- The skill and effectiveness of the personnel or third-party partner that manage the organization's Business Central deployment.
- The organization's change management tendencies as they relate to user training and effectiveness.

Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$118,000.

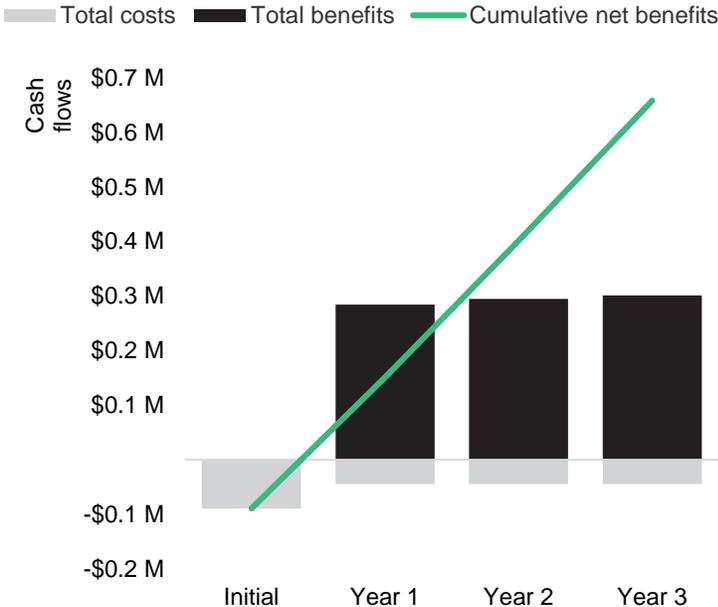
ANALYSIS OF COSTS

Implementation, Ongoing Management, And Training Personnel Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Required personnel for implementation	Composite	2			
F2	Implementation and initial ramping duration (months)	Composite	4			
F3	Percentage of personnel time spent on implementation	Composite	25%			
F4	Average rate for a personnel FTE	TEI standard	\$90,000			
F5	Total personnel cost for implementation	$F1 \times F2 \times F3 \times F4$	\$15,000			
F6	Total partner cost for implementation	Composite	\$45,000			
F7	Time spent on ongoing management by third-party professional services per quarter (hours)	Composite		20	20	20
F8	Hourly rate of third-party professional services for ongoing management	Composite		\$75	\$75	\$75
F9	Total third-party professional services cost for ongoing management	$F7 \times F8 \times 4$		\$6,000	\$6,000	\$6,000
F10	Required personnel for ongoing management	Composite		1	1	1
F11	Personnel time spent per month on support and development	Composite		8	8	8
F12	Hourly rate for a personnel FTE (rounded)	TEI standard		\$42	\$42	\$42
F13	Total personnel cost of ongoing management	$F10 \times F11 \times F12 \times 12$ months		\$4,032	\$4,032	\$4,032
F14	Total users who require training	$A1 + A6 + D1$	28			
F15	Training time per user (hours)	Composite	15			
F16	Hourly rate for a user who requires training (rounded)	TEI standard	\$42			
F17	Total personnel cost of training	$F14 \times F15 \times F16$	\$17,640			
Ft	Implementation, ongoing management, and training personnel costs	$F5 + F6 + F9 + F13 + F17$	\$77,640	\$10,032	\$10,032	\$10,032
	Risk adjustment	↑15%				
Ftr	Implementation, ongoing management, and training personnel costs (risk-adjusted)		\$89,286	\$11,537	\$11,537	\$11,537
Three-year total: \$123,896			Three-year present value: \$117,976			

Financial Summary

Consolidated Three-Year Risk-Adjusted Metrics

Cash Flow Chart (Risk-Adjusted)



organization’s investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite

Cash Flow Analysis (Risk-Adjusted Estimates)						
	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$89,286)	(\$44,381)	(\$44,381)	(\$44,381)	(\$222,428)	(\$199,654)
Total benefits	\$0	\$284,460	\$295,085	\$301,460	\$881,006	\$728,964
Net benefits	(\$89,286)	\$240,080	\$250,705	\$257,080	\$658,578	\$529,310
ROI						265%
Payback						<6 months

APPENDIX A: TOTAL ECONOMIC IMPACT

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

Total Economic Impact Approach

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.

NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.

RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.

DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.

PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

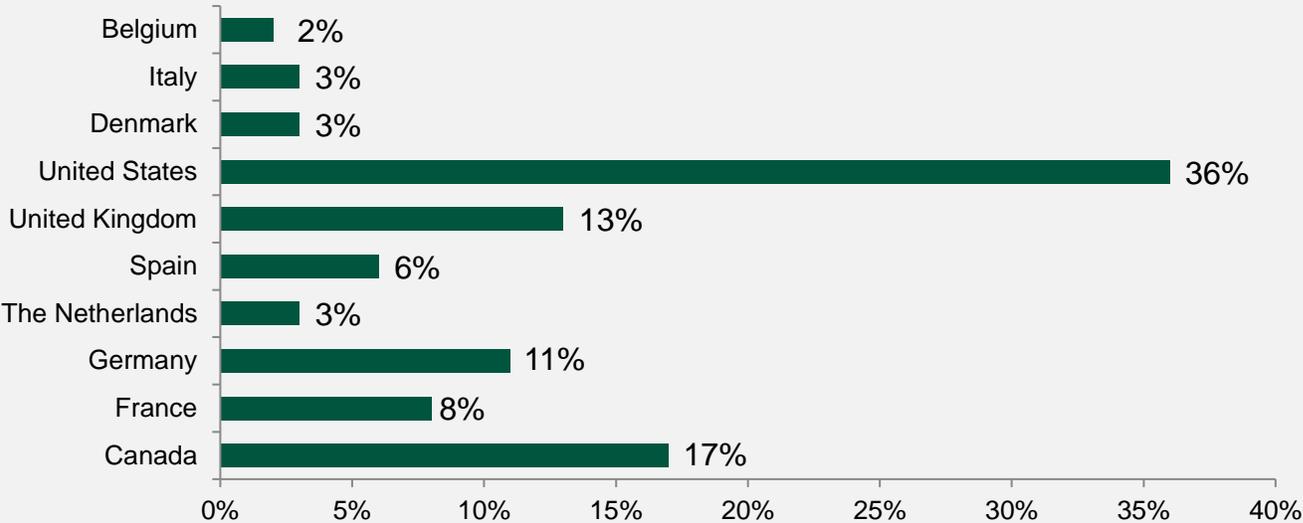
The initial investment column contains costs incurred at “time 0” or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.

APPENDIX B: INTERVIEW AND SURVEY DEMOGRAPHICS

Interviews			
Role	Industry	Region	Migrated from
Sales manager	Manufacturing	Europe	Dynamics Business Central (on-premises)
Finance manager	Food and beverage importing	Europe	Dynamics NAV
Global CIO	Financial services	North America	Dynamics GP
Manager of finance and integrations	Healthcare	Europe	Dynamics NAV

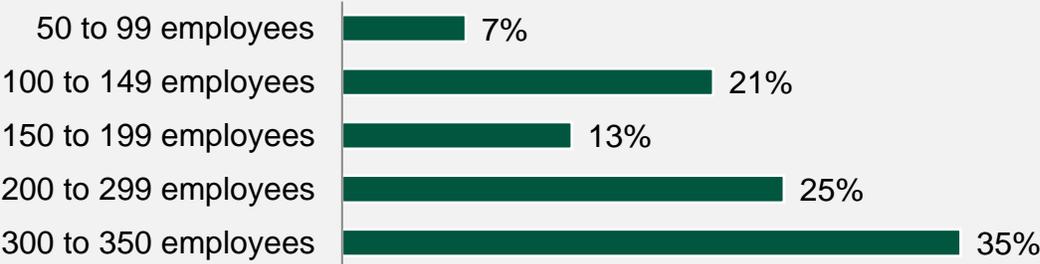
Survey Demographics

“In which country are you located?”



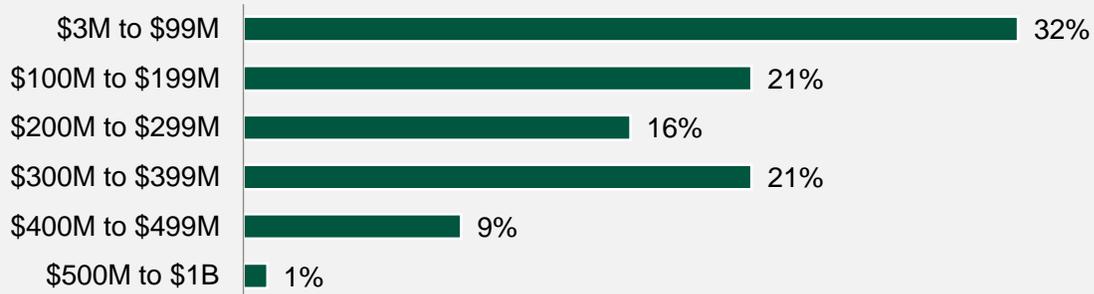
Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization
Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

“Using your best estimate, how many employees work for your firm/organization worldwide?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization
Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

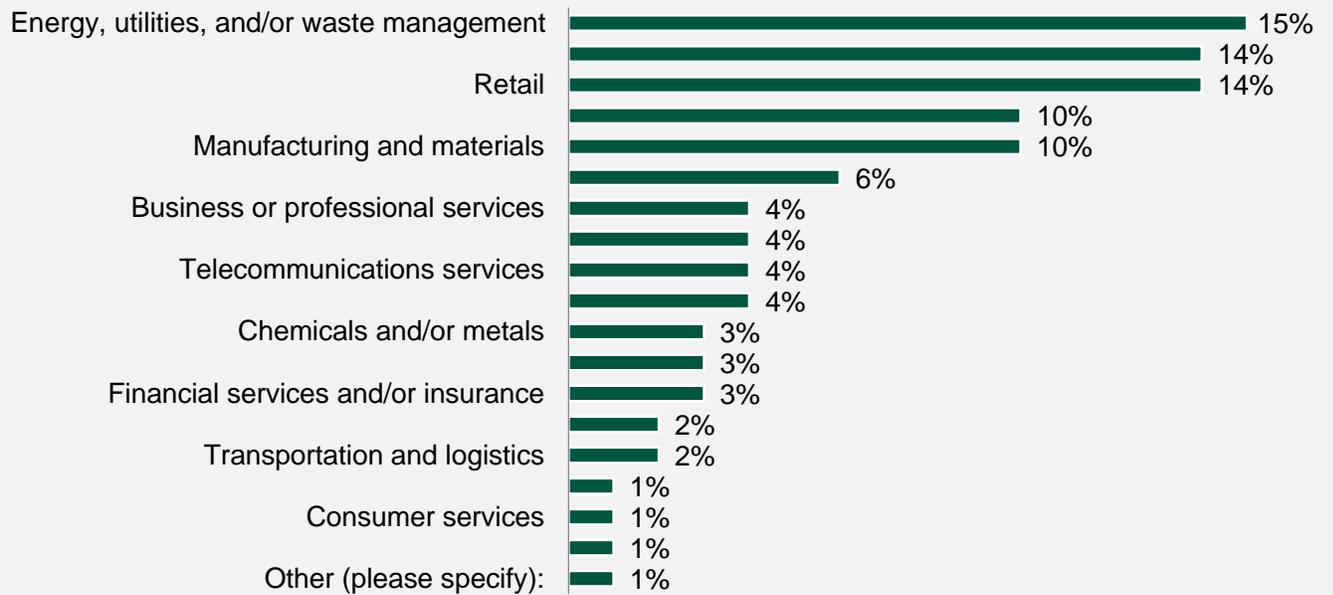
“Using your best estimate, what is your organization’s annual revenue (USD)?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization

Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

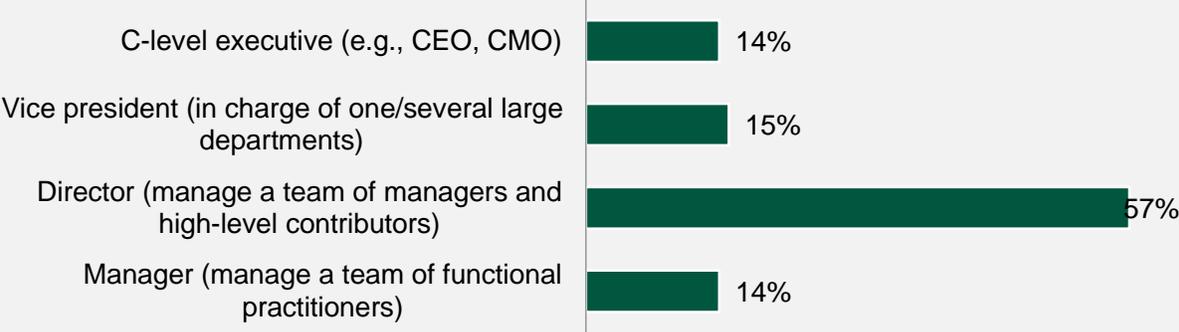
“Which of the following best describes the industry to which your company belongs?”



Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization

Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

“Which title best describes your position at your organization?”

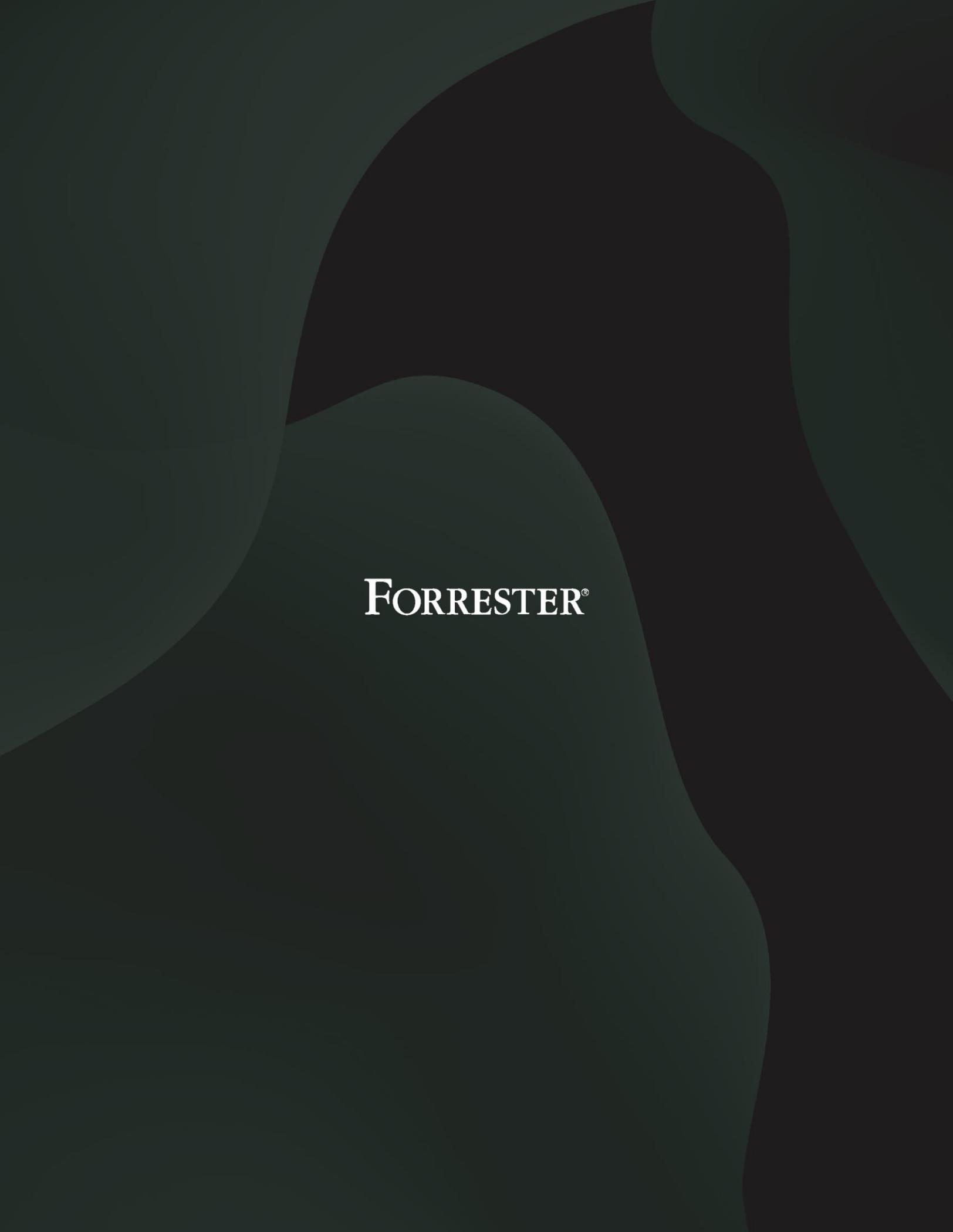


Base: 160 decision-makers with experience using Dynamics 365 Business Central at their organization

Source: A commissioned TEI study conducted by Forrester Consulting on behalf of Microsoft, June 2024

APPENDIX B: ENDNOTES

¹ Total Economic Impact is a methodology developed by Forrester Research that enhances a company’s technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

The image features a dark green background with several overlapping, organic, wavy shapes in various shades of green, creating a layered, abstract effect. The word "FORRESTER" is centered in a white, serif font with a registered trademark symbol (®) at the end.

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