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RESEARCH NOTE

MICROSOFT DYNAMICS AX 2012 FOR RETAIL: THE CONSUMER AND USER EXPERIENCE

THE BOTTOM LINE

The third release of Microsoft Dynamics AX for Retail since its debut in 2010 provides end-to-end transaction support from promotion to point of sale to financial reporting, and adds new capabilities to improve the end user and consumer experience.

At the National Retail Federation's annual conference, Microsoft announced Microsoft Dynamics AX 2012 for Retail, the latest version of Microsoft's enterprise retail application. Scheduled for general availability in 25 countries on February 1, the application builds on Dynamics AX's strengths in usability and integration while adding new capabilities for multichannel management, special orders, and merchandising. Nucleus saw Dynamics AX for Retail in action at a recent visit to a Microsoft store and found there are a number of benefits to Microsoft's approach to retail.

ONE APPLICATION FROM SALE TO REPORTING

Because Dynamics AX for Retail extends Dynamics AX using the same model-driven unified architecture, transaction data flows automatically from the point of sale (POS) to order management to financials to reporting to the supply chain. This architecture has several cost advantages over the best-of-breed or modular approach that has typically been the option for retailers:

- One end-to-end application reduces initial planning time, integration costs, and deployment time, enabling retailers to open locations faster and reach payback more quickly.
- Without integration points or manual data reentry, ongoing overhead and support costs are lower, and retail operations can be supported in locations with limited or no IT resources.
- Changes or upgrades require less integration rebuilds, retesting, or recoding, enabling retailers to make changes that may be driven by the market or opportunities for competitive advantage more quickly and cheaply.

Microsoft has promoted the concept of hub-and-spoke enterprise applications for some time. However, retail is one area where the approach is likely to resonate with retail customers that have deployed a more traditional ERP solution at corporate headquarters for back-office business management but seek something more nimble and less resource-intensive to drive retail operations.

USABILITY REALLY MATTERS IN RETAIL

Microsoft's play for the retail space is about more than TCO. The core usability features of Dynamics AX are an advantage in the retail environment as well. Role-based views can be set for every employee or group of employees logging into the application, and those views and privileges extend automatically to the POS device interface (at the Microsoft store, it was a touchscreen tablet). Administrators can use drag-and-drop capabilities to customize the POS interface for particular environments.

In an industry like retail that has historically had more than 100 percent annual turnover, bringing employees up to speed quickly, empowering them to solve specific customer problems, and retaining high performers are clear challenges. Providing retail employees with an intuitive interface that matches their role and experience reduces training and helps onboarding, customer service, and employee retention. Dynamics AX 2012 for Retail provides further improvements, enabling employees in certain roles to create and manage special orders at the POS and view relevant information such as inventory and promotions through tailored dashboards.

THE CONSUMER EXPERIENCE

Microsoft has also added multichannel capabilities to Dynamics AX 2012 for Retail, with support for mobile and social commerce so retailers can offer promotions or coupons through Web sites, electronic marketplaces, or social networks. Customers can then leverage their Web-enabled devices, such as tablets and smartphones, to recall the offer and redeem it at the retailer's POS. Nucleus expects Microsoft to offer other capabilities to connect with consumers in future releases, such as:

- Integration with Bing! searches and location monitoring so consumers could be notified when they're near a promotion for an item they've reviewed online
- Integration of social ratings so consumers could see what their friends have bought or rated in a certain store.

In its stores, Microsoft is just beginning to show the potential of Kinect for consumer retail as well.

Out of view of the customer, just-in-time updating of inventory and sales forecasts helps retailers to anticipate and plan for trends and make them more likely to be able to sell what consumers demand. AX 2012's category and hierarchy management tools help them quickly manage assortments and replenishment to improve margins.

LOOKING FORWARD

As Oracle and SAP have moved downstream to focus on midmarket customers, Microsoft has become more aggressive in positioning Dynamics AX as a competitive enterprise solution with greater usability and a lower price tag. Dynamics AX for Retail is a great example of Microsoft's approach to enterprise success: focus on usability and integration. Although SAP and Oracle have a big head start, many retailers will be making retail application upgrade or migration decisions in the next few years as maturing solutions reach end of useful life and become too challenging to upgrade or too costly to maintain given the demands of multichannel

retail integration. As Microsoft sets its sights on retail, it has more than just user interface research and development to leverage: Bing, Surface, Kinect, SharePoint, and other Microsoft investments in areas like big data and artificial intelligence for merchandising, pricing, and marketing will make Microsoft a serious shortlist contender moving forward.