

Microsoft Dynamics® AX

Statement of Direction

Product strategy and roadmap for Microsoft Dynamics AX

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www.microsoft.com/dynamics/ax

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WELCOME

Welcome to the Microsoft Dynamics AX Statement of Direction. This document provides insight into our current Microsoft Dynamics AX development plans through the year 2015. Whether you are a new or existing customer or channel partner, this information will help you plan and get the most from your Microsoft Dynamics AX investments.

Over the past few years Microsoft Dynamics AX has evolved to be the default Enterprise Resource Planning (ERP) choice for many organizations. Our focus on innovation and business value to our customers has resulted in a Microsoft Dynamics AX community that has grown to over 20,000 customers with an extensive channel partner ecosystem across more than 36 countries. New customers and channel partners are joining every day. We believe this success is due, in large part, to three main factors:

- 1. The dedication, industry expertise and solutions being delivered throughout our valued ecosystem.
- 2. The ongoing commitment by Microsoft to help customers protect their Microsoft Dynamics AX investments by continuing to optimize Microsoft Dynamics AX for the targeted markets.
- 3. An industry strategy that enables the Microsoft Dynamics AX ecosystem to create the solutions customers need, and our continued investment in industry-specific capabilities.

Looking ahead, we will continue to focus on these three factors by innovating, improving, and extending Microsoft Dynamics AX in the markets we serve today while enabling new scenarios that helps customers improve time-to-value as well as adopting workloads targeted to address specific business issues.

In addition, our model-driven architecture, service-enabling Microsoft Dynamics AX, and the extensive investments into next releases sets a foundation for embracing the next wave of Cloud computing.

On behalf of the entire Microsoft Dynamics AX team, thank you for considering Microsoft Dynamics AX.

OVERVIEW OF MICROSOFT DYNAMICS AX

Microsoft Dynamics AX is the ERP solution for enterprises that provides rich functionality across five focus industries, along with comprehensive, core ERP functionality for financial, human resources and operations management. It empowers and helps your people to anticipate and embrace change so your business can thrive. Packaged in a single, easily deployed, scalable global solution, Microsoft Dynamics AX helps businesses deliver rapid time to value.

INDUSTRY RELEVANCE

Microsoft Dynamics AX provides an integrated ERP solution that meets the unique needs of a large community of organizations. However, often the requirements of an organization are contingent on both specific needs of their vertical as well as requirements unique to the company.

Through out-of-the-box industry capabilities, the Microsoft channel partner ecosystem can more efficiently provide value-added, repeatable solutions.

With Microsoft Dynamics AX we're focused on fulfilling the needs of companies across five industries:

- Manufacturers
- Distributors
- Retailers
- Services Organizations
- Public Sector Organizations

With these industry capabilities included in a single architecture, customers can evolve their business model and optimize their supply chain as desired. For example, a retail apparel customer that fully outsources manufacturing could explore ways to take more control of the manufacturing and procurement process without owning the manufacturing function.

DEPLOYMENT FLEXIBILITY

Organizations are mandating a stronger ROI of their IT investment to automate their business processes and bring IT investments more in line with the requirements around business investments in the current economic climate. Microsoft Dynamics AX and the Microsoft application platform contain a rich set of business processes to help accelerate deployment of your ERP solution and deliver ROI more quickly:

Full ERP deployments

Organizations with multiple operations can replace legacy applications with a single, centralized implementation of Microsoft Dynamics AX. This enables these organizations to harmonize and optimize business processes across the organization and provide insight into its global operations. This also offers a basis to share resources across divisions. Rationalizing on a standard ERP technology can help lower IT maintenance costs and reduce training time.

With a company-wide integrated ERP solution, organizations can provide flexible access to a wide range of users within the organization. Capabilities that support multiple industries are included in the industry foundation, allowing organizations the ability to evolve their business model by extending their role in the supply chain. For example, distribution companies can add a retail function.

• Business Workload deployments

Global organizations are increasingly considering a two-tier ERP strategy to serve their diverse business needs across various divisions and subsidiaries. With a two-tier ERP strategy, global enterprises can combine the benefits of a single enterprise ERP solution that provides financial insights as the backbone for the enterprise, while using a more cost-efficient, flexible ERP application to serve the unique needs of different divisions and subsidiaries.

In addition, organizations can choose a more phased adoption, targeting their deployment of Microsoft Dynamics AX and the Microsoft application platform capabilities to address specific business processes and pain points, which can enable organizations to reap benefits more quickly. We refer to this targeted deployment as 'Business Workloads'. Business Workloads functional examples include: Expense Management and eProcurement. Examples of industry-specific workloads are: Store Management and Merchandising (retail) and Plant Operations (manufacturing).

Microsoft Dynamics AX is ideally suited to support these different deployment strategies due to its extensible Microsoft service-oriented architecture, its global capabilities and its ability to service different industry requirements on one common ERP platform.

SIMPLIFYING THE APPLICATION LIFECYCLE

<u>Microsoft Dynamics Lifecycle Services</u> (LCS) helps organizations improve predictability and quality of Microsoft Dynamics AX implementations by simplifying and standardizing the implementation process. Proactively monitoring your ERP can reduce system downtime.

LCS helps organizations model, manage, and maintain their implementations. These services utilize Microsoft Dynamics AX meta-data and best practices and help reduce time-to-value of implementations.

This Windows Azure-based workspace provides a Microsoft hosted online environment that allows Microsoft Dynamics AX customers to easily collaborate with implementation business experts. The service offers characteristic cloud benefits such as access to the latest best practices and updates, and a low IT burden. In addition, it supports the continuum of the business application lifecycle from deployment to upgrade by storing data from earlier phases to be used in later phases of the lifecycle.

The first release of LCS will be comprised of the following services: Business Process Modeler, Usage Profiler, License Sizing Estimator, Customization Analysis, System Diagnostic, Upgrade Analysis, and Issue Search.

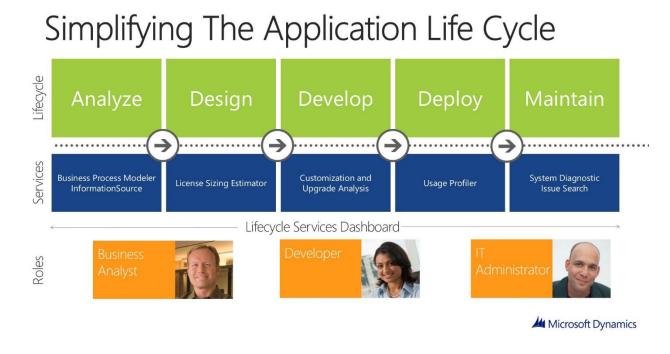
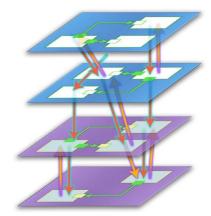


Figure 1: simplifying the application lifecycle with Microsoft Dynamics Lifecycle Services

In addition, the <u>Service plans</u> from Microsoft will help you maximize the value of your solution, protect the investments and improve the productivity of your organization. One of the benefits of our Service plans is the availability of software updates and upgrades, like hotfixes, cumulative updates, tax and regulatory updates and major releases. It includes a 10-year support lifecycle commitment for major releases to help our customers control the timing of when they move to the next release and better align with their business plans.

THE MODEL-DRIVEN LAYERED ARCHITECTURE

Microsoft Dynamics AX is based on a Model-Driven Layered Architecture (MDLA) which makes company-differentiating changes easy to execute. The individual application objects (e.g., tables, forms, code units, reports) that make up the application are defined in meta-data and grouped-in models, which are accessible through central model-stores. In this architecture, unique requirements can be addressed declaratively, without writing code. Key benefits to Model-Driven Layer Architecture include:



- Helping accelerate the application development process for our channel partners and customers through writing less code, enabling them to deliver the solution more quickly.
- Higher quality solutions that meet customer's unique business needs. Layering in the
 model store allows for support of a base model, extended with models for localization,
 industry specialization, and on top of that can incorporate ISV solutions and customerspecific customizations. Although these models are separated through the layer structure,
 they are contained within one model store and are executed as one solution at runtime.
- MDLA also helps reduce the application ownership cost by improving and simplifying the application lifecycle of the solution from system design, installation, configuration, operation to upgrade. A clear separation system of different 'parts' of the solution (e.g. core functionality, 3rd party ISV solutions, and customer-specific customizations) through layers of the model store provide the ability to host multiple models into one layer, allowing for easier deployment and upgrade for the complete solution.

EMBRACING THE CLOUD

Our investments in cloud computing are driven by conversations with customers about their needs today, future growth aspirations, and how consumer experiences are shaping expectations for the role technology can play in their business. From these customer conversations it's clear that our customers are looking for ways to take advantage of cloud services. As previously announced, the next major version of Microsoft Dynamics AX will be available on the Windows Azure platform. We intend to support customers in migrating to the cloud at the right time for

their business. But this is only one aspect for how our customers will benefit from our cloud innovation.

Cloud – more than just a way to deploy

The cloud computing conversation today centers on deployment to the cloud to reduce costs. At Microsoft we view the cloud as an opportunity to re-imagine business applications that deliver rich experiences with services, information, and capabilities from cloud and on-premises solutions in ways that today are too costly or impractical. To deliver the innovation that enables new business scenarios, we intend to extend the integration available today with Microsoft's leading business and productivity applications including: Microsoft Dynamics CRM Online, Microsoft Office 365, and services from Windows Azure SQL Database, and Windows Azure Data Market.

Get started today with Microsoft Dynamics AX 2012 R2

Our customers can experience many of the benefits of cloud computing today with our Microsoft Dynamics AX 2012 R2 release, including:

- 1. **Cloud deployment:** Partner-hosted offerings give customers a way to realize many of the benefits that come with outsourcing their application infrastructure and management.
- 2. **Simplifying the application lifecycle:** Utilizing the Microsoft Dynamics Lifecycle Services, which are available as an online service, reduces implementation time and helps minimize the IT burden across the application lifecycle

3. New scenarios:

- **Supply chain collaboration:** through the Microsoft Windows Azure-based Sites Services for Microsoft Dynamics ERP, Microsoft Dynamics AX customers can easily setup pre-integrated microsites to connect with their customers, business partners, and future employees.
- **Commerce runtime services:** through online services such as Payments Services for Microsoft Dynamics ERP and Commerce Services for Microsoft Dynamics ERP, our customers can drive growth through a host of new online channels.
- **Extend processes to mobile devices:** this enables our customers and channel partner to easily build their own scenarios for mobile device experiences by providing an API and documentation on how to use the Azure Service bus for WAM deployments.
- 4. **Move to the cloud when it's best for your business:** Migration paths and tools from Microsoft Dynamics AX 2012 will be available to facilitate a move to the cloud.

One of the best ways to take advantage of what the cloud can offer your business today and in the future is to get started with Microsoft Dynamics AX 2012 R2.

MICROSOFT DYNAMICS AX 2012 R2

Microsoft Dynamics AX 2012 R2 is a single, powerful ERP solution that is simple to learn and use. It quickly delivers value by supporting industry-specific and operational business processes across your global enterprise. Highly adaptable and easy to scale, you can take advantage of business opportunities and reduce risk by quickly modifying processes and differentiating your business to meet new requirements. With Microsoft Dynamics AX 2012 R2, you can drive user involvement and innovation. Your ERP solution can unlock greater productivity, enable collaboration throughout the supply chain, and provide rapid insight with Microsoft Dynamics role-tailored access to self-service business intelligence, contextual information, and processes. With Microsoft Dynamics AX 2012 R2, you and your employees have the insight and flexibility to drive innovation that improves business operations and the way they serve customers – powering businesses to thrive.

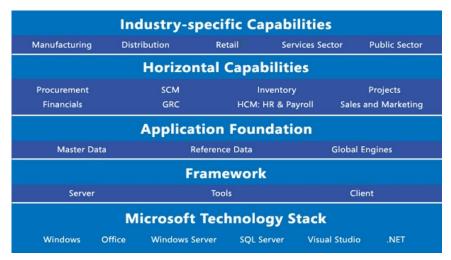


Figure 2: Microsoft Dynamics AX 2012 R2 product overview

Microsoft Dynamics AX 2012 R2 is:

Powerful – Helps achieve value faster with a single, powerful solution that supports industry-specific and operational demands across your global enterprise.

- Multiple, rich industry and operational capabilities in one solution.
- Global solution that includes business management support for operations in 36 countries (country-specific functionality available in a staged rollout).
- Real-time access to business intelligence, ad hoc reporting and streamlined workflows with a Microsoft Dynamics RoleTailored user interface.

Agile - Expand business opportunities, modify processes, and differentiate your business with ERP software that provides unprecedented agility.

- Unified natural models that gives customers the ability to continuously plan, visualize, and change their processes.
- Flexible deployment options (such as two-tier ERP) that can change as you grow.
- Agile technology that makes it easy to be responsive and differentiate your business.

Simple - Drive user involvement and innovation with a business management solution that is simple to use, deploy, and manage—and deliver easy access to data and processes.

- Empower employees to innovate with quick access to information and business processes.
- Integrated, self-service collaboration capabilities for employees, customers, suppliers, and partners.
- Application lifecycle management to streamline IT processes from initial deployment through continuing change.

Pervasive Interoperability - Drive innovation—today and tomorrow—by working with a standard Microsoft technology platform that simplifies deployment and helps lower costs, giving you the power to drive your business forward. You can deploy in the way that works best for you—on-premise, in the cloud (through partners), or using a hybrid model—and make incremental changes as needed. With Microsoft Dynamics AX 2012 R2, you get a business solution from Microsoft that is backed by an ongoing commitment to research, development, and innovation.

Maximize your investments, lower TCO, and make additional productivity gains through Microsoft Dynamics AX 2012 R2 interoperability with Microsoft business productivity solutions and the application platform, including: Microsoft Dynamics CRM, Management Reporter 2012 for Microsoft Dynamics ERP, Microsoft Office, Microsoft SharePoint, Microsoft SQL Server, Microsoft Visual Studio, Microsoft BizTalk Server, and Microsoft Lync.

Innovate rapidly and take your organization forward by taking advantage of:

- Ongoing investments by Microsoft and its channel partners in the Microsoft Dynamics
 AX platform, infrastructure technologies, and applications that enable your ERP solution
 to evolve as your organization grows.
- Easy access to a broad and talented pool of Microsoft Visual Studio developers and solutions that can help your IT implement and maintain your ERP solution to meet your organization's changing needs.

Additional information on Microsoft Dynamics AX 2012 R2 is available on Microsoft.com/dynamics/ax, including full system requirements, product localization and language availability and what's new. To follow regular product news and updates, visit our Microsoft Dynamics AX product blog.



ROADMAP 2013 - 2015

Microsoft is committed to a predictable release schedule that helps customers adopt and take advantage of the latest innovations at a reasonable pace. Going forward, Microsoft may also offer minor releases between major releases for one or more functional enhancements. These minor releases are on an 'opt-in' basis and will help customers benefit from enhancements between releases without the need to install multiple solutions.

The Microsoft Dynamics AX roadmap shows our current plans through calendar year 2014. The following sections include detailed information about the current release, functionality for Microsoft Dynamics AX 2012 R2, and our vision for future releases.¹

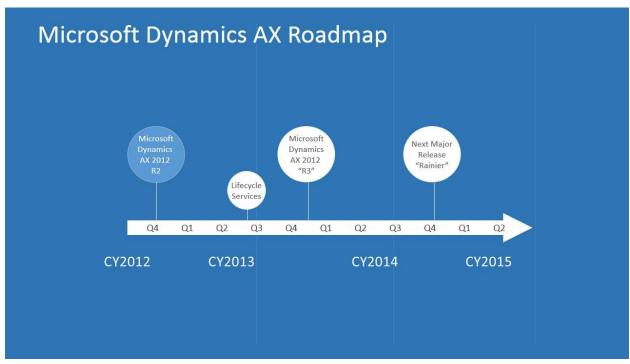


Figure 3: Microsoft Dynamics AX product release timeline (in Calendar Year)

MINOR RELEASES AND CUSTOMER SUCCESS

Microsoft continues its commitment to customer success through continuing our regular release cadence of Cumulative Updates (CUs) which is comprised of rollups of released hotfixes, regulatory updates, and existing business process enrichments.

¹ Note: This represents Microsoft's current view of its product direction and should not be interpreted as a commitment on the part of Microsoft. Until Microsoft releases any version of this software in a particular country, product availability, features and dates are subject to change without notice.



In addition, we will provide new capabilities for our customer and channel partners through the release of Microsoft Dynamics AX 2012 "R3", which customers can choose to adopt. We're planning to release the following new capabilities through this minor release that are currently planned to be made available in Q4 CY2013:

IMPROVEMENTS IN WAREHOUSE MANAGEMENT

We're planning to release new Warehouse Management capabilities that will help our customers across industries to streamline distribution and warehouse operations including:

- **Enhanced inventory control:** includes various inventory control improvements through 360 inventory visibility, real-time cycle counting and replenishment.
- **Embedded radio frequency:** provides real-time transaction processing through mobile devices including receiving, putting away, picking, staging and loading.
- **Improved warehouse operations:** improves efficiency of inbound and outbound processes with flexible warehouse process support including ASN-receiving, advanced put-away rules, EDI-support, flexible picking strategies, and wave/load planning.
- Rate, route and load planning: provides inbound and outbound planning, order
 consolidation, routing guides, constraints-based routing, load build capacity calculations,
 multi-mode planning, and methods to select a rate for specific loads based on the
 carrier's rate profile.
- **Freight reconciliation:** allows you to match system generated freight bills with invoices received from carriers.

DEMAND PLANNING

The planned demand planning functionality supports basic SKU-level demand planning needs based on historic data. This functionality will be using the <u>Time Series</u> algorithm of Microsoft SQL Service Analysis Services in combination with Microsoft Excel to view, visualize, and edit the forecast data.

RETAIL

The investments in Retail capabilities is comprised of four areas: Mobility, eCommerce and Social, Industry Excellence, and Enterprise Manageability.

Mobility:

We are committed to provide immersive mobile experiences for retailers and their consumers virtually anywhere, anytime, on any device. Future investments address the retailer's needs to enhance the shopping experience, and include the following:

 A native and immersive Windows 8 (RT & Pro) Tablet Point of Sales (POS) and Mobile POS for Windows Phone 8, allowing retailers to provide differentiating customer facing in-store experiences.



- Assisted Sales scenario: a rich clienteling experience with detailed customer information, product details and comparisons to help associates in-store personally engage with customers.
- Other planned mobile scenarios include *Unassisted Sales* with wish lists, product details, comparisons, and self-check-out *Inventory Management* including picking, receiving, stock counts, price checks, and labeling *Daily Operations* supporting punch-in/out, shift and drawer management, and *Key Metrics and KPIs*.



Figure 4: Clienteling with a modern Point of Sales experience

eCommerce and Social

eCommerce and Social is an important investment area for this planned release to provide retailers with an opportunity to offer consumers an omni-channel shopping experience. Planned enhancements include the following:

- Loyalty programs across legal-entities and tiering of customers as well as enhanced gift card support.
- eCommerce investments include customer-specific pricing, wish lists, and integration with 3rd Party Marketplaces. In addition to the electronics web-store, we plan to include a pre-defined web-store for fashion retailers.
- Campaigns utilizing Facebook and Twitter.
- Multi-Language and multi-Storefront support.

Industry Excellence:

Enrichments of specific retail scenarios include pricing and promotions, assortment and catalog, BI and reporting, and seasonality and markdowns enhancements. Kitting is planned to be introduced in next release.

Enterprise Manageability:

In order to support deployments in enterprise organizations we plan to introduce the following support:

- Setup and upgrade of retail stores per store in order to phase and align deployment with business requirements.
- Large scale deployment using Microsoft System Center Configuration Manager.
- Monitoring and Diagnostics using System Center Operations Management.

E-PROCUREMENT

We will continue to invest in procurement areas to enhance functionality to support the purchasing of complex organizations and public sector organizations. These new capabilities will benefit purchasing managers and buyers by improving operational efficiencies. Enhancements for e-procurement include:

- Improve management of Request for Information (RFIs), Request for Proposal (RFPs) and Request for Quote (RFQ) from solicitation to award;
- Provide better control on response types to include sealed, open, and reverse auction type bids; ability to define groups of items or all items in the request;
- Improve decision making by the purchasing entity by defining evaluation criteria and scoring upfront;
- Support publishing addendums and questionnaires in addition to item/service requirement;
- Improved vendor portal experience to view and respond to open RFXs;
- Allow vendors or government contractors to propose substitutes or no bid; and
- Provide vendors or government contractors visibility into the status and results of a solicitation.

BUDGET PLANNING

Similar to e-procurement, we will continue to invest in budget planning areas to enhance functionality to support the planning needs of complex organizations and public sector organizations. These new capabilities will directly benefit financial and budget directors, enhancements for budget planning include:

- Enable budget allocation based on allocation basis rules;
- Enhance ability to budget by summary/total dimensions;
- Improve process flexibility and control by default and locked dimension values on certain type of budget plans;



- Position cost using effective dates or the start of benefits;
- Evaluate different scenarios for what-if analysis;
- Enhance management and oversight, lock certain lines such as position costs in a budget plan; and
- Enable HR position budgeting functionality into budget planning.

COMPANION APPS

Form factors and the interfaces people are using are changing rapidly. They are more mobile and touch oriented; people are asking for their information in context. New technologies are enabling new scenarios. The investments Microsoft is making in R&D are enabling new scenarios and ways of how our customers work with devices; Microsoft Dynamics AX is taking full advantage of this work.

We will enable new native device experiences for the next release of Microsoft Dynamics AX 2012 R2 focusing on a broad set of employees to help them improve their efficiency. These experiences are **Personal:** they understand what I need; they are **Social:** allow me to get help from your network, and provide an **Immersive** experience that is engaging and actionable.

The specific mobile scenarios which will be made available by H2 CY2013 focus on:

- Capturing and reconciling your expenses helps workers both capture and reconcile
 expenses while traveling, cutting down time and effort to get money back to employees
 more quickly; helps organizations implement expense policies more seamlessly.
- Time entry capture time worked on projects 'on the go', simplifying this administrative burden while providing businesses the opportunity to improve working capital through decreased billing cycle times.
- Approvals enable managers to approve business requests like budget, time sheets, submitted expense reports and purchase requisition to cut down on administrative task and reduce time spend.

We will be targeting native experiences for both mobile phone as well as Microsoft Windows 8 tablet devices. Demo applications are available today in the Windows Store.

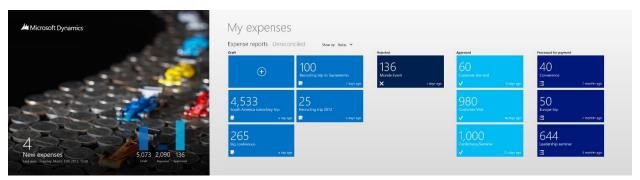


Figure 5: Expense management through a native Microsoft Windows 8 experience

In addition, we'll enable our customers and channel partners to easily build their own scenarios for native device experiences by providing an application programming interface (API) and documentation.

MICROSOFT DYNAMICS AX 'RAINIER'

At Microsoft, we will continue our investments in Microsoft Dynamics AX with a focus on enabling 'Dynamic Businesses' around the world. We understand that your customers and your people are the center of your business. The energy, creativity, and commitment they provide to your business is what makes it special. Nobody is closer to your customers than your people and they constantly see opportunities to increase the value that can be brought to interactions with your customers. But they need the right tools that help them work in new, more effective ways with innovative devices, connections across your organizations and instant insight they need to make critical decisions and act with confidence when working to serve customers even better.

The next major release of Microsoft Dynamics AX is code named 'Rainier'. It is a new cloud optimized platform for deployments in private and public cloud as well as on-premises. It will underline and the enable next generation of user experiences. Breakthrough application lifecycle management with adoption of 'what you need, when you need it' along with new levels of process and business insight will make 'Rainier' a true breakthrough release!

The first elements of 'Rainier' are expected to be available in Q4 CY2014 with key investments areas including:

- **Next Generation User Experience** a context-sensitive Windows 8 experience based on HTML5 client technology
- **Cloud Delivered** with a focus on enabling a "what you need, when you need it" approach via Windows Azure and/or Windows Server
- **Best in class lifecycle management** regardless of deployment choice from on-premise, hybrid to full cloud

With 'Rainier' we will continue to deliver the most intuitive and simple solution for your customer interactions, your people and your business by innovating and building out the functionality footprint across retail, distribution, manufacturing, services and public sector.



COMMITMENT TO YOU

Our commitment to our channel partners reflects the value that they add to your business. We seek to complement that value by offering information and content through <u>CustomerSource</u>, a web portal that provides a wealth of product information, online training, and access to the wider community of Microsoft Dynamics AX customers.



Figure 6: CustomerSource website

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