

How to Save Up To \$20,000 Each Year With Dynamics 365 Business Central

DYNAMICS NAV VS BUSINESS CENTRAL



What is Business Central?

Dynamics 365 Business Central is a cloud-based enterprise resource management (ERP) system from Microsoft. While it is an ERP solution, it also offers robust customer relationship management (CRM) capabilities. This means that you can accelerate your sales while also being able to optimize your supply chain, manage financials, and more.

Business Central offers a comprehensive all-in-one solution that can manage your entire business. As part of the Dynamics 365 solutions, it can be used as a stand-alone application but also easily integrates with other Dynamics 365 applications when you decide to further scale your business.

It was originally known as Microsoft Dynamics NAV which evolved into Business Central, which offers the flexibility of being hosted in the cloud, on-premises, or as a hybrid. It is often seen as an upgrade to Dynamics NAV, as it is essentially a new and improved, cloud-based version of Dynamics NAV and has some significant improvements over its predecessor.

Cloud ERP & Total Cost of Ownership

If your company is evaluating whether to transition from an on-premises ERP like Dynamics NAV to a cloud-based solution like Dynamics 365 Business Central, you're likely to see a significant decrease in costs over time. That's because typically cloud ERP solutions have a lower cost of ownership, compared to on-premises systems.

What is the total cost of ownership? The Total Cost of Ownership (TCO) is a financial estimate that can help you determine the economic value of your investment against your total direct and indirect costs over your ERP system life cycle. There are 6 factors that contribute to TCO, which include:

- **Software**
- **Hardware**
- **Maintenance**
- **Implementation**
- **IT Personnel**
- **Upgrades**

This whitepaper will explore the factors that contribute to TCO, help you analyze the TCO of your on-premises NAV solution and show you how you can reduce your costs with a cloud-based ERP solution like Dynamics 365 Business Central.

TCO Factors



Software

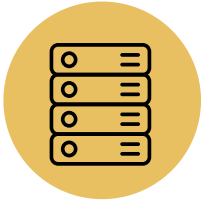
This is the cost of your software application including the cost of all supporting products and services, such as ISV solutions, add-on applications, customizations, and other integrations. One big difference from a licensing standpoint is that the cloud is a SaaS that you pay-as-you-go monthly or annually and expense the cost, which is classified as Operating Expense (OpEx). In the case of on-premises applications, you pay a high upfront cost classified as a Capital Expense (CapEx) which is usually depreciated or amortized over several years



Implementation, Customization, and Training

These costs apply in both the cloud and on-premises scenarios and will vary depending on the level of complexity and use-case. Implementation costs typically include software installation, configuring parameters, developing customizations and integrations, migrating data, and testing. After completing the implementation, you may need training. However, according to a Forrester Total Economic Impact report, companies that moved to the cloud reduced their deployment costs by an estimated 30% to 50%, compared to on-premises implementations.

TCO Factors



Hardware

With an on-premises ERP solution, you incur a high upfront cost to purchase your infrastructure, such as servers, networking hardware, operating systems, databases, and data storage, and then periodic additional operating costs to effectively run, manage, and secure your ERP solution on-premises. On the other hand, the cloud allows you to flexibly manage your hardware costs without having to own, maintain, and pay for servers regardless of utilization percentage.



IT Personnel

One of the biggest single line cost items is often your IT personnel budget. Maintaining IT personnel is expensive, and in an on-premises scenario, you'll need to factor in their labor costs plus maintenance of your real estate, servers, databases, and other technology. In a cloud scenario, some of these costs will apply towards service, but that cost is typically a tiny fraction of maintaining your own in-house IT personnel, resulting in redeploying your free resources and immediately improving your bottom line.

TCO Factors



Maintenance

Now that you know your hardware and IT staff costs, you'll need to include the maintenance costs of your on-premises ERP, which include the loading of fixes, patches, updates, and upgrades. Additionally, factor in the cost of IT personnel labor to test updates as they are released. In the cloud, updates, fixes, and patches are released on a continuous upgrade cycle, allowing for immediate deployment.



Upgrades

In the cloud, upgrades run automatically in the background and require minimum oversight from your IT personnel, so there is no additional software or upgrade costs. However, in an on-premises scenario, you'll need to account for additional IT personnel labor costs to test and deploy your upgrades.

The verdict is straightforward. In the long-run, cloud ERP solutions have a much lower cost of ownership than on-premise solutions. They also come with additional benefits such as increased security, agility, and ability to quickly scale with ease.



So, What is the Cost of Your On-Premises Dynamics NAV?

With all these factors in mind, let's delve into the cost of ownership for your current on-premises Dynamics NAV solution.

Cost #1 Annual Enhancement Plan

One reoccurring cost for clients using on-premises NAV is their annual enhancement service plan. While optional, most on-premises customers opt in for this in order to gain new version rights, hotfixes, service packs, and regulatory releases. It helps companies stay compliant, reduce downtime, and mitigate support costs. It's typically 16% of your total Dynamics NAV license value at the time of purchase. Most companies pay an average of \$4,500 per year or more, depending on how many users the company has.

EP = Minimum of \$4,500 / year or more

Cost #2 - Business Software Licensing

Another reoccurring cost is the software tools your on-premises system needs to operate, such as Microsoft Server, Remote Desktop Servers, SQL, etc. On average, companies using on-premises NAV can expect to pay at least \$1,200 a year or more.

Business Software Licensing = \$1,200 / year or more

Cost #3 - Infrastructure & Software Upgrades

On-premises software needs upgrades to ensure you're using the latest version. Typically, companies using Dynamics NAV spend a minimum of \$30,000 or more every 3 years for a version upgrade. The costs fluctuate according to the complexity of your business processes and the number of customizations you have. You also tend to upgrade your hardware and infrastructure every 5 years, which typically costs companies \$25,000 or more.

Infrastructure Upgrades = Approx. \$25,000 / every 5 years

Software Upgrades = Approx. \$30,000 / every 3 years

Cost #4 - IT Resources

With on-premises solutions like Dynamics NAV, companies require IT services, whether through an in-house team or external agency, to maintain their software and servers. Again, the costs depend on the size of your company. Still, on average, we can estimate that a typical company pays anywhere from \$175/hour for IT services for approximately 96 hours in a year, for a total of up to \$16,000 each year.

IT Resources = Approx. \$16,000/ year

TCO for NAV On-Premises

Since purchasing and implementing your on-premises solution, you have likely been spending up to \$21,700 each year or more to keep your solution running. Plus, every 3-5 years, you incur additional expenses for upgrading your software which can cost you upward of \$30,000 and another \$25,000 or more for infrastructure upgrades .

A common misconception about on-premises solutions is that you won't have to make a monthly "rental" payment for the software. But with EP, upgrades, and infrastructure updates, you end up paying a lot more than you would on a cloud-based subscription.

Approx. \$21,700 / per year to keep it running



Cut Costs with Business Central, the "New" NAV.

If you're looking to keep your total cost of ownership low, Microsoft Dynamics 365 Business Central - the newest iteration of Dynamics NAV - can help you there. As a cloud-based ERP solution, Business Central will lower your total cost of ownership and cut out many expenses associated with an on-premises solution. .

Let's delve into the ways you can cut down on costs by switching to Dynamics 365 Business Central from on-premises Dynamics NAV.



Savings #1 – No annual EP payments

Dynamics 365 Business Central operates as SaaS and has a monthly billing subscription. This means you'll have a set payment per month per user, and there are no additional hidden fees for ownership.

Savings #2 – Never Pay For Software Upgrades or Hardware Again

Since Business Central is a cloud-based ERP system, upgrades run automatically in the background and require minimum oversight from your IT personnel, so there are no additional software upgrade costs. You will never have to ask for a capital budget to do a big system upgrade ever again. You will also reduce hardware costs since you will not need to upgrade your infrastructure, build redundancies, or pay for servers. Your operating costs (for instance, electricity costs) will see a reduction as well.

Savings #3 – Cut Maintenance & IT Costs

As a cloud-ERP, updates, fixes, and patches are released on a continuous upgrade cycle, allowing for immediate deployment, which means little to no maintenance requirements on your part. Your IT personnel will no longer need to spend the bulk of their time maintaining the servers, databases, and other technology. They can now be redeployed towards value-added activities, which can improve your company's bottom line.

NAV vs. Business Central

If you compare TCO of on-premises Dynamics NAV and D365 Business Central, you'll see that in the long-run, switching over to the cloud-based Business Central solution means a significantly lower TCO over a 5-year and 10-year period.

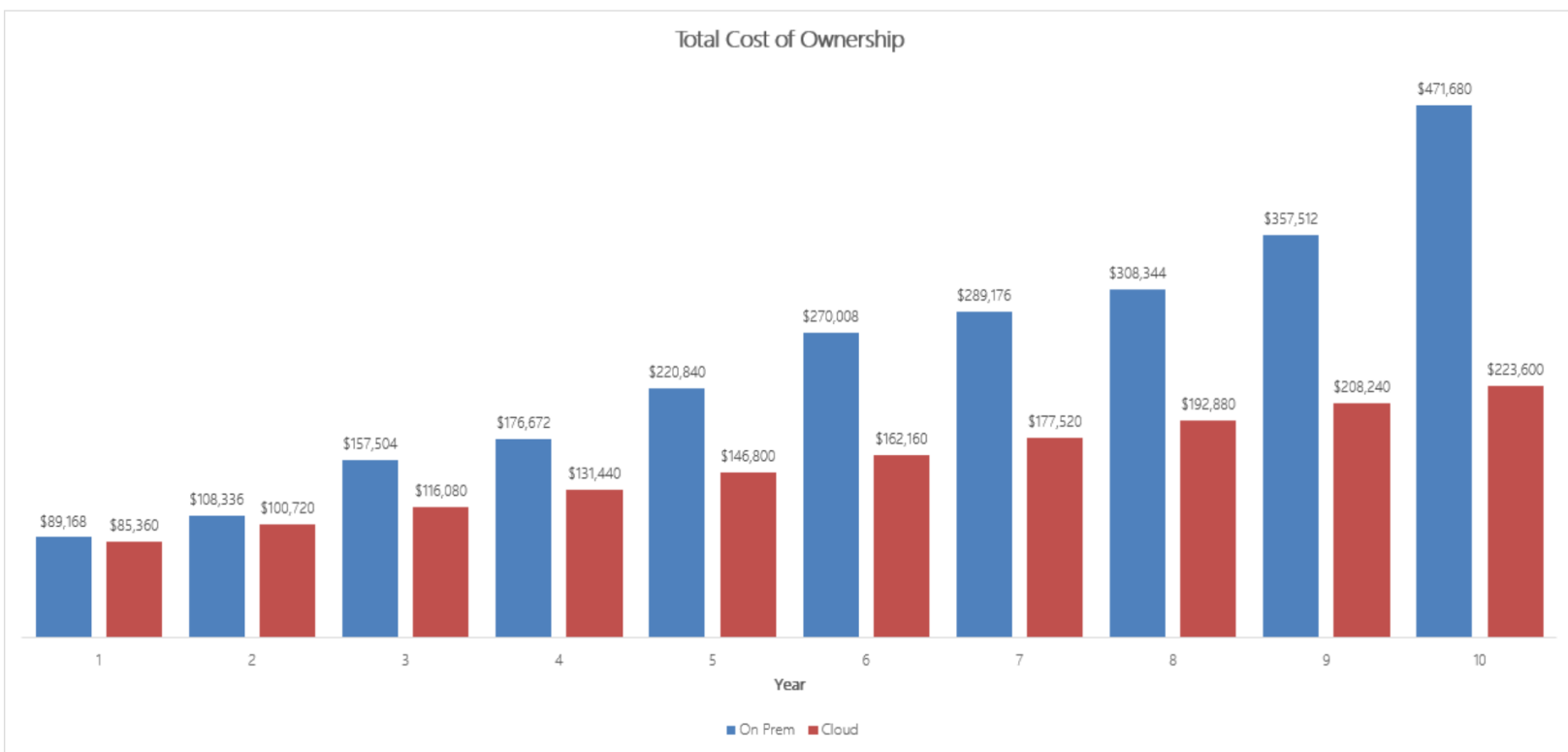
Business Central Customer Migration Model

		Business Central (Cloud)	
Concurrent Users	10	Named Dynamics Premium Users	10
Concurrent Users	0	Named Dynamics Essential Users	0
Concurrent Team Users	0	Named Dynamics Team Users	0
ISV License Maintenance Fee (per average user, per year, if app)	\$0	Monthly ISV Subscription Fee (per average user)	\$0 per user
Technical Platform Costs (Hardware only)	\$25,000	Dynamics Subscription Discount Duration	0 months
Technical Platform Replacement Cycle	5 years	Monthly Partner IP Subscription &/or Support Fee (average per user)	\$0 per user
Annual Technical Platform Costs (Software)*	\$1,200 per year	Ongoing Customization Maintenance/Testing Costs (if needed)	\$0
Annual Technical Solution Support/Admin	96 hours	Ongoing Customization Maintenance/Testing Cycle (if needed)	6 months
Annual Technical Solution Support/Admin Cost per Hour	\$175	Current Solution Replacement/Migration Project Costs (upfront)	\$70,000
Assumed Solution Upgrade Project Costs	\$30,000	Solution Replacement Cycle	evergreen
Assumed Solution Upgrade Cycle	3 years		
Current Solution Replacement Project Costs (upfront)	\$70,000		
Current Solution Replacement Cycle	10 years		
3-Year TCO	\$60,000	3-Year TCO	\$74,256
5-Year TCO	\$145,000	5-Year TCO	\$95,760
10-Year TCO	\$290,000	10-Year TCO	\$149,520

Want a TCO calculation for your specific NAV system? Contact us to schedule a personalized review.

NAV vs. Business Central

Once the cost of migration has been absorbed, the cloud-based Business Central (red graph) shows offers a lower TCO as soon as the third year, compared to the on-premise Dynamics NAV solution (blue graph).



Want a TCO calculation for your specific NAV system? Contact us to schedule a personalized review.

Next Steps: Register for a Free One Day Assessment

Making the switch to D365 Business Central means a lower TCO and countless other business benefits such as increased security, more agility, and the ability to work from anywhere, on any device.

If you'd like to learn more about what an upgrade from NAV to Business Central would look like for your business, register for our free one-day assessment. The assessment includes a report determining whether Dynamics 365 Business Central makes sense for your business, as well as the cost, timeline, and requirements to adopt it.

[Register Now](#)



About Kwixand Solutions

Kwixand Solutions was founded in 2018 with a mission to provide small to mid-sized businesses with the strategies and solutions they need for successful digital transformation. As a trusted Microsoft Dynamics Partner, we work with clients across various industries to help achieve their business goals and scale with ease. With decades of experience in ERP, CRM, BI, and cloud technologies, our team of seasoned experts dive deep into the nitty-gritty of your business processes and values and work with you to develop a plan that is designed specifically for your business. We guarantee results - that is our commitment to success.



To learn more about how Kwixand Solutions can help you, drop us a line at info@kwixand.com or give us a call at 1-604-256-5800

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