

By Mahi2008aga, Technology News Editor

## [Will Vista SP1 Go Where Vista Never Went? Even with XP SP3 and Windows 7?](#)

*Even with new, user-friendly price tags across the world?*

Throughout 2007, it became painfully clear to Microsoft that the main competitor for Windows Vista was not Apple's Mac OS X or even the open source Linux operating system but Windows XP, and, in fact, specifically XP SP2. Vista sales climbed slowly, with the operating system hitting an install base of 100 million by the end of 2007, a performance which culminated, only coincidentally claims Microsoft, with the departure of G. Michael Sievert former corporate vice president for Windows Product Marketing as of February 2008. Sievert was responsible with overseeing global marketing for Windows Vista. The beginning of 2008 is synonymous with a unprecedented move from Microsoft, designed to accompany the release of Windows Vista Service Pack 1. The Redmond company revealed that it plans price cuts for a few flavors of its operating system to coincide with the worldwide availability of [Vista SP1](#). Historically, the first service pack is regarded as a maturity milestone for Microsoft products, and signals an acceleration in uptake, especially with a customer segment that has been lagging to adopt - the corporate customers. Microsoft's decision to slash the prices of some of the retail standalone versions of Vista comes at a time when Windows users are dividing their focus between Vista SP1, the upcoming Windows XP SP3 and the first taste of Windows 7. Still, as far as Microsoft is concerned, the slice of standalone retail Vista packages is only a fraction of the overall Windows market that is dominated by OEM sales. The Redmond company closely correlates revenue growth for the Client Business division with sales of OEM PCs which feature pre-installed versions of Windows. Overall, no less than 80% of the total Client (Windows) revenue comes from copies of the operating system pre-loaded on new machines. **Vista Price Cut Details**The price cuts are inevitably going to generate additional success for Vista, but an adoption explosion will not be the case. Microsoft has been crunching numbers of Vista's uptake throughout 2008 and decided that the new pricing strategy that will be implemented simultaneously with the delivery of [Vista SP1](#) can only deliver a positive impact. The company was reticent in providing details of the actual price cuts. When I contacted Microsoft, a spokesperson stated that the reductions will impact exclusively the consumer versions of Vista, but the specific percentages will vary by region, being tailored in accordance to different markets around the world. "In emerging markets, we are going to package the upgrade version of both Windows Vista Home Premium and Windows Vista Home Basic with the full version, so there will only be one choice. Developed markets will still have upgrade versions, as our research has borne out that there is a healthy market for upgrades as well as full versions. Since the majority of consumers in emerging markets are looking for that full version on Windows Vista, packaging them together helps them purchase the version they are looking for the first time," a Microsoft spokesperson revealed in an email to Softpedia. "As we mentioned, the most notable changes customers in developed markets will see will be to the new editions we introduced in 2007 - Home Premium and Ultimate. However, some developed markets will see some adjustments to Home Basic based on feedback we saw from promotions run in specific markets."The new prices will ultimately favor emerging markets over developed countries. The move is designed to counter both a higher rate of piracy in these regions across the world as well as an increasing adoption of the open source Linux operating system. Microsoft only placed an emphasis on offering users around the world the opportunity to enjoy the benefits of genuine software. There was absolutely no reference being made to Linux. "The vast majority of our retail customers - especially those in developed markets - may not notice anything different from the promotions they've already seen in their region. After all, the changes we're introducing are based on promotions we've run with several partners already in order to continue to grow our retail business," the Microsoft spokesperson added. Details for the price cuts that are coming to the retail standalone Vista editions have not been made public. It will be cumbersome operating for Microsoft to do so at this point. Price reductions will reflect the specific market in which they will be applied. The company made it clear that the new pricing strategy does not come with a one-size-fits-all perspective, and that it will be designed to reflect the demand of retail customers in various markets around the world. "It honestly varies country to country and version by version; some Windows Vista editions will see no price changes, others will see moderate changes that may be as small as 3 percent. Others will see changes up to

47 or 48 percent on specific editions, like editions sold in emerging markets. But the vast majority of our retail customers - especially those in developed markets - may not notice anything different from the promotions they've already seen in their region. This is really about formalizing promotions we've run with several partners already to continue to grow our retail business," stated the Microsoft spokesperson. **Microsoft Has Been Testing Vista Promotions in 2007** According to the company, price changes will not be limited to the new editions of Vista SP1 that will come out on the market, but also to the existent Vista RTM editions. Microsoft has given clues of what pricing cuts it plans to implement over the past year through promotions run in collaboration with its partners. In developed markets the price drop will be reflected by the Ultimate and Home Premium SKUs of the operating system, where reductions will be in place. Emerging markets will also see changes in the way Home Basic and Home Premium upgrade and full retail packages are being marketed. "A number of our retail partners already have promotions in place that are the equivalent of the price changes we're talking about - that's part of what provided the feedback that some customers are interested in stand-alone versions of Windows at lower price points. For example, in the UK, retailers have been running promotions on a variety of upgrade versions of Windows Vista that informed the changes we're announcing today," the Microsoft spokesperson noted. "Also, as we mentioned, we know several of our retail partners are already offering special promotions even before SP1 is released at retail in different markets. These changes just extend that practice more broadly, though the specific price adjustments vary depending on the market." The beginning of 2008 represents for Microsoft not only the launch of Vista SP1 and Windows Server 2008 but also the continual survival of [Windows XP through XP SP3](#). The third and final service pack for XP is officially planned to drop by the first half of 2008, but it could be released earlier based on customer impact. Right now, Microsoft has made available XP SP3 RC2 to the general public. At the same time, the Redmond company has to deal with an early halo of [Windows 7](#) that has is getting an increased contour on the back of the details leaked with the Milestone 1 release of the next Windows iteration. The price drop associated with Vista retail standalone editions got the focus back on the latest Windows client just ahead of the general availability of SP1 in mid-March, but it will be interesting to see how Microsoft will deal with the remaining items of the equation, namely XP SP3 and Windows 7. The company denied preparing additional price cuts for the Vista copies sold through the OEM and Volume License channels. "We cannot speak for our OEM partners about their future plans. That said, our OEM partners set their own prices based on the total value of the combined hardware and software solution they offer - which goes beyond the retail copy of Windows you could purchase on retail shelves. That combined value is why a new PC purchase continues to be the main way most customers get Windows, and we expect that to be unchanged as a result of our announcement today. Volume licensing is not impacted," the Microsoft spokesperson added.