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Analyst: \$120 for Windows 7 'way too much'

Retail expert applauds pre-order discount, slams upgrade price in light of Apple's low-cost move

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June 25, 2009 ([Computerworld](#)) Microsoft's pricing of Windows 7 threatens to derail its efforts to move users off the aging Windows XP and make them forget the bad taste of Vista, a retail research analyst said today.

"I'm very disappointed in the upgrade pricing," said Stephen Baker, an analyst with the NPD Group. "I would have much rather seen Microsoft come out aggressive, and wipe the world clean of all the Vista problems."

Earlier today, [Microsoft unveiled list prices](#) for Windows 7, which put the lowest-priced upgrade -- an edition of Windows 7 Home Premium -- at \$119.99, a price cut of less than 8% from Vista's comparable version.

"That \$120 is a pretty big nut, especially when you can buy a new PC for around \$300," said Baker, who's dubious about Microsoft's upgrade pricing.

Earlier on Thursday, Baker took Microsoft to task over pricing in a post to the [NPD company blog](#), calling \$120 "way too much for the software" and adding that Microsoft could hamper migration to the new OS. "It is in Microsoft's best interests to erase all vestiges of Vista from consumers' homes, and by making the upgrade expensive, and a bit painful, Microsoft is creating a large disincentive for consumers to move to a far superior platform with a better user experience," Baker said.

He also slammed Microsoft for not providing a multi-license offer for upgrading all of a family's PCs. "In a world, at least in the U.S., where most homes are moving into a multiple PC environment, it would enhance the consumer home experience if they could upgrade all their home PCs at a single low price with a single boxed purchase," Baker said.

Baker compared Microsoft's pricing and lack of a "family pack" to Apple's aggressive moves at the beginning of the month when it announced that Mac OS X 10.6, the performance and stability upgrade known as "Snow Leopard," would be [priced at just \\$29](#) for a single-user license, \$49 for a five-license pack. Apple traditionally charges \$129 for an operating system upgrade.

"Apple's Snow Leopard pricing model is much more appropriate to driving adoption and raising customer satisfaction levels," argued Baker. "This is a direction I would have much preferred to see Microsoft head."

Microsoft's response, when asked if it was planning a family-pack for Windows 7, was noncommittal. "We expect to have other great offers in the future as we lead up to and beyond general availability," a spokeswoman said via instant messaging. "[But] we have nothing to announce at this time."

On the bright side, said Baker, Microsoft has so far managed the rollout of Windows 7 "pretty darn well," especially when compared to the disaster of Vista, which launched in January 2007, one of the worst-possible months to introduce an operating system at retail.

"There's plenty of time between now and October for people to buy PCs, and get free upgrades," he said, referring to the [Windows 7 Upgrade Option Program](#), which Microsoft also announced today. "And they've dramatically reduced prices of some upgrades with the \$50 offer. That's pretty slick, and a great way to build up buzz."

Starting Friday, Microsoft and a limited number of U.S. retailers -- including Amazon, Best Buy, Costco, Office Depot, Quill.com and Microsoft's own online store -- will take [pre-orders for a \\$49.99 upgrade](#) to Windows 7 Home Premium and a \$99.99 upgrade to Windows 7 Professional.

Microsoft's covered both the holiday and back-to-school season with Windows 7, said Baker, even though the OS won't be shipping in time for the latter. "They would have had to have it out now, not in October, to make

back-to-school," said Baker. Instead, back-to-school PC sales will continue as usual -- the Oct. 22 launch is much too late to entice students and parents to delay a summer or early fall purchase -- and most will be eligible for the free upgrade from Vista.

"Overall, there's more positive here than negative," said Baker, who in his blog gave Microsoft's Windows 7 effort thus far an "A+" grade.

But there's still room for improvement. "I don't think they'll extend [the pre-order discount] now. They'll let it run its course and see what happens." But the \$50 pre-sale price, which Baker applauded, shows that there's some flexibility in the Microsoft's pricing for Windows 7. "It clearly says that they're hedging their bets a little."

Later, as the Oct. 22 launch approaches, Baker said he wouldn't be surprised if Microsoft didn't return to that discount well.