TECHNOLOGY

Rethinking System 7

Dave McClure • Oct. 01, 2009

Microsoft is in the midst of rolling out System 7, the newest generation of Windows operating system. The company is betting much on the success of this system, particularly after the lukewarm reception it received to Vista. What's more, System 7 is seen as the base of future generations for the software — leaner, more secure, more capable and easier to use.

For enterprise-level organizations, System 7 is everything they could ask for — a bridge between the more functional Windows XP and the system corporations
want and need.

For the rest of us, System 7 is a nightmare. Not because it is a bad system. Not because it is a resource pig that will need upwards of 16GB of RAM to run well. But because Microsoft's marketing departments just aren't
doing their job.

The company that built its reputation on savvy marketing and out-maneuvering competitors would rate no more than a C-minus for its efforts. Sure, the company does a great job of promotion, and has its distribution networks in place and functioning. But marketing is a blend of four elements — product, price, promotion and distribution. If the "mix" of these four elements
is wrong, it doesn't matter how good the product is. And Microsoft has
the wrong mix.

Here's what I mean:

- The product has too many versions. As of release time, there are six different versions that include Windows 7 Starter, Windows 7 Home Premium, Windows 7 Professional, Windows 7 Enterprise, and Windows 7 Ultimate. Windows 7 Home Basic will also be sold, but only to emerging markets. A seventh will be added for European customers. Even if you can figure out which of these to buy, nearly all will come in both 32-bit and 64-bit configurations. Awk!

- The Windows product names are alphabet soup. We've noted before the goofy ways in which Microsoft confuses consumers by using the same name for different products. Explorer, for example, being the name of both your file system manager and web browser. With Windows, the problem is that they can't use a consistent naming scheme. It was Windows 1, 2, 2.1, 3, and finally 3.11. Then, it leapt to Windows 95 and 98, followed by the incredibly forgettable Windows ME, then back to years with Windows 2000. And then, the went back to the alphabet again for Windows NT and XP, followed by the art department deciding to express themselves and call it Windows Vista. And now, we see a new naming scheme, Windows 7. Surely there is a better way.

- The product costs too much. Sticking it to your customer base is hardly a way to build customer loyalty, and by keeping the price of each new system so high (Windows 7 will carry an upgrade price of more than $200, while the competitive Mac OSX 10.6 "Snow Leopard" will sport an upgrade price of $29). All that this pricing strategy has done is to push more consumers, including small businesses, to software piracy in an effort to keep using Microsoft products and stay current. This has then forced Microsoft to resort to increasingly bizarre and draconian efforts to stop piracy that end up punishing users who have actually paid for their software.

- This pricing strategy cripples product distribution. If Windows 7 follows the standard Microsoft pricing strategy, it will offer the initial product at an astronomical price, and then drop the price over time according to how sales are going, how the product is received, etc. This strategy trains consumers not to use the system when it is first released (surely not what the company intends). In fact, the mantra for Windows operating systems is now to wait until the first service pack is released. Microsoft's product pricing strategy therefore encourages customers to help drive up the distribution

costs by forcing Microsoft to essentially scrap the first generation of its products in order to replace them with new products that incorporate the service packs.

The danger for any company of the stature of Microsoft is that it begins to believe its own press releases. Far from being the marketing wizard it once was, the company appears to be sitting on its marketing laurels, doing things the way they have done them in the past with no real understanding of how the marketplace has changed in the past 25 years.

They will change, eventually, as new blood comes to the company or sales continue to decline. But that's not what we want from Microsoft, and that is not what will best serve accountants who use its products.

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REALITY CHECK

A compendium of ideas, products, rants and raves from the viewpoint of
the author.
The author has no financial interests in any of the products mentioned.
Feel free to
disagree, or to share your ideas by sending them to
davemcclure@cpata.com.

Internet Site of the Month:

eCost.com

We Scots have the reputation for frugality, and I am no exception. I like this site because it carries quality new, refurb and overstock technology stuff at some of the best prices on the web. Check out is "bargain countdown" section, as well, for special deals..

– **User Discussion Groups.** In a world grown fractious and polarized, it is nice to find civil places where people politely share
knowledge and ideas. These are the forums, which I use extensively to

learn more about accounting, technology and products I use. I belong to

discussion forums for my Goldwing cycle, DirecTV, BlackBerry cell phone

and computing tech support. And I visit them almost daily.

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Broadband Stimulus Dollars. I noted last month that there was almost no way that this program would truly stimulate jobs to pull us

out of recession. Now the schedule has bogged down, the rules are changing

almost daily, and the inspector general of the Department of Commerce

is stepping in to investigate the whole mess. Anyone still want the federal

government to run a National Broadband Plan?

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YouTube Rippers. I got dragged kicking and screaming to YouTube, a service that has no clear business model, is burning through money faster

than an ex-spouse, and has a lot of dubious content. But I do find it of value to sometimes take a snippet here or there for personal review

at a later date, and for this there are a wide range of websites and software

solutions that allow you to convert YouTube videos (called ripping the

videos) and store them. What remains to be seen, when the courts finally

rule in on this, is whether it will be deemed legal.

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Advertising on Twitter. Okay, let's go over this again. Really cool Internet services that have no business model must eventually

turn to one of two models to survive — they will either sell your personal information to marketers or inundate you with advertising.

Twitter is the latest to announce it has changed its terms of service agreement to enable advertisers to target its users directly. Prediction: Facebook is next.

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Windows 7. While I have blasted Microsoft's increasingly inept marketing efforts for the Windows franchise, this operating system is easily the best since Windows XP. Smaller, better, more secure and with some interesting new features, I'm betting that most accounting firms will want to make the upgrade ... after the first Service Pack, of course.

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