Microsoft has to do more if it wants to boost Windows Vista sales in Asia's emerging markets as affordability is still an issue, an analyst says.

According to a statement Thursday on Microsoft's first-quarter earnings for fiscal 2007, Allan Krans, an analyst at research house Technology Business Research (TBR), noted that while enhancements included in Vista offer security and functionality improvements, the operating system also requires a heavier hardware configuration compared with Windows XP.

Although the costs of a dual-core processor, added memory, and graphics processors may not be prohibitive for users in the Americas or Europe, any additional cost on a PC can have a substantial impact in emerging geographies like China, Krans said.

"As a result, TBR believes many Chinese consumers may have chosen either pirated versions of Vista that sell for as little as US$1, or free versions of Linux that are offered free of charge," the analyst added. "Although Vista contains enhanced antipiracy technology, press reports indicate that illegal copies of Vista were readily available in China, and piracy remains quite prevalent in the country."

Recently, a Japanese press report indicated that Microsoft had only sold 244 legitimate copies of Windows Vista in China in the first two weeks following its release--a claim that Microsoft has denied, according to a CNET News.com blog post.

When contacted by ZDNet Asia, a Microsoft spokesperson declined to reveal Vista shipment figures in the Asia-Pacific region.

TBR's Krans noted that Microsoft did take action to improve sales in the emerging geographies during the first quarter. For example, the software giant announced a joint development agreement with Lenovo aimed specifically at the Asia-Pacific region, as well as a software bundle that includes a US$3 base-level OS and productivity software suite aimed at governments and educational institutions in select developing geographies.

Called the Microsoft Student Innovation Suite, the software bundle includes Windows XP Starter Edition, Microsoft Office Home and Student 2007, Microsoft Math 3.0, Learning Essentials 2.0 for Microsoft Office, and Windows Live Mail desktop.
Krans said: "While this initiative may well expand the company's installed base in China and other critical economies, Microsoft will not generate significant revenue or profitability by selling a low-end US$3 software bundle."

"TBR believes Microsoft is still facing the challenge of establishing a business model to harness the growth in Asia-Pacific PC sales, and funneling that growth through to the company's bottom line," the analyst added.

Microsoft's Student Innovation Suite is part of the company's Unlimited Potential program, which aims to help close the digital divide by creating new products and programs that will help bring social and economic opportunity to the estimated five billion people who are not yet realizing the benefits of technology.

Under the Unlimited Potential program, Microsoft said it will establish an employability portal in India by the end of 2007. The portal will aid the country's nearly 400,000 engineering students, who graduate each year, to improve their technology, business and communication skills through online training and verification.

The software giant also recently announced an alliance with the Asian Development Bank to enhance the competitiveness and sustainable economic development of the Asia-Pacific region by supporting and building technological and innovation capacity; promoting the development of applied research and entrepreneurship; and improving the efficiency, transparency and accountability of public administration at the national and local levels.