

From stefanir Thu Aug 13 21:41:20 1992
To: baerblb bengta bernardv carstens cwedell jeffl joachimk jochenh
Cc: berndk gerdab reginaw stefanir wolfe
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You are all probably going to demand that my email rights be taking away after the length of this email, but I felt it was very important to communicate all the issues that happenend today.....

Today I went to Vobis to discuss current business issues and to prepare for the agenda of items that Lieven wishes to discuss in next weeks meeting with Billg in London. Also attending the meeting with Lieven was Gerda Beining, Channel Marketing Specialist from the OBU. I invited Gerda along with me in order to approach Lieven on the Marketing Plan targeted towards working together with Vobis that we developed together. (This plan was distributed to all of you on July 6th). We also wanted to present a proposal for working together on a Christmas Promotion and WinWord campaign in Germany.

Overall, the meeting went very well and included some very positive reactions on many issues, which I need to tell you about and get your feedback as quickly as possible.

Lieven is looking forward to the meeting with Billg next week. He is excited to be able to discuss with him where MS's strategy is going and his own. Currently, Lieven is very positive towards MS and is very committed to the contract which was signed on July 2nd. The negative problem areas that exist in the relationship right now are the problems that have happened in the past and currently in the receipt of product tapes and documentation.

Lieven plans on mentioning this issue because he sees it as an area that continues to stand in the way of us working together smoothly and for him to be able to bring to market the products. Otherwise he is very positive. I was also able to present to him in this meeting information on MS-DOS 6.0 and WFW. He was very excited to hear about our intentions for MS-DOS 6.0 (for example H/D compression and our anti-virus product.) It turns out that he was lately in contract discussions with Central Point to license from them their anti-virus product, but they couldn't agree on price. Needless to say, he was impressed and excited.

I also discussed with Lieven our plans for WFW. Many of you are aware that our competitors in the market are aggressively targeting our OEMs, and they are not forgetting Vobis. LOTUS has been actively targeting Vobis in licensing and selling Lotus 1-2-3 and AMI-Pro for DM 88.00. BORLAND has also been approaching them lately as well with offers and WordStar Germany has offered WordStar for a license of DM 2.00. NOVELL is also aggressively targeting Vobis with selling NetWare Lite and DR-DOS, especially since they are their top OEM in Europe.

The Sum of All of this is as follows:

Lieven has been giving thought to these offers, but he prefers our product palette and feels that we are the market leaders. Price is ofcourse important to Lieven, but he would rather pay a slightly higher price to us knowing that he can offer the customer the leading market standard and high quality products. What he is willing to do, is commit entirely in a "Strategic Alliance"....He even said he would be willing to no longer offer DR-DOS, LOTUS or BORLAND etc. In exchange for such

a commitment and investment from him, he would like to see an equal commitment and investment from Microsoft. Along these lines, he would like to have a commitment from us for better customer support to him in areas such as documentation and in joint marketing and strategically working together in the marketplace.

On this topic, I would then like to refer to our discussion together with him on the topic of our Marketing Plan and the proposed Christmas and WinWord promotion. Call it fate, but it just so happens today he introduced a gentleman by the name of Marc Pastuere. He is a new member of the Board and is Lieven's right hand guy in getting Vobis and in particular the "HIGHSCREEN" name recognized in the market. The timing of our presentation and his coming on board couldn't have been more perfect. They invited us to Lunch to discuss the marketing proposals more in depth. After several hours of discussion, they loved the concept and are basically ready to do the following:

- After next weeks meeting with Billg, he wants to issue together with us a press release stating the "Strategic Alliance" to us and commitment to Microsoft's strategy. (This would send a very direct statement to the public and the media that they have chosen MS, and not DRI, NOVELL, Lotus or Borland).
- They will invite us in early October to present and train their Store Managers and sales people from all of their stores in Europe on MS-DOS 6.0, Win 3.1, NT and WFW as well as applications.
- They will also commit to atleast initially to a WFW agreement for 25K WFW licences with the anticipation of much more since they have plans to break into the networking market and target small businesses. They would NOT offer NetWare Lite and instead push us and they are planning on having a stand at the PC-Windows Show in Frankfurt Oct 14-17th, where they would issue jointly with us a press release stating that they are committed to MS and our strategy with WFW in networking. (NOT NOVELL's NetWare Lite)
- Lieven wants to do ACTIVE marketing with us.... He wants to actively on a Europe-wide base advertise and promote software in all 130 stores, including information displays, auto-demos, show window displays and stickers in windows etc.... He is willing to share costs with us and at NO CHARGE to MS bring us into his flyer "Denkzettel" that has a current distribution in Germany alone of over 6 Million, and around Christmas he estimates it to be at over 10 Million. He also wants to bring us into his new Advertising campaign for Highscreen computers which is appearing on Billboards and major business magazines (ie. Stern, Spiegel etc).
- Lieven also wants to start actively selling retail packages of software, in particular WinWord and Excel to his "Power user" that needs more than the Works for Windows product.

Many of you who attended the meeting at CEBIT92 where Lieven stated "That he doesn't care about software and is a "Hardware Seller only" and is not interested in marketing or selling software", are probably wondering now why Lieven had a 180 degree turn in his viewpoint. This is because quite simply, Lieven sees what is happening in the Marketplace and that he needs to react if he wants to continue to grow and be successful in the marketplace. He now understands and "Has seen the Light" regarding the importance of software helping sell his hardware. He knows that he cannot offer every operating system, every spreadsheet or every word processing product.

He therefore feels that as the leading OEM in the Market he should partner with the leading software company....which he feels is Microsoft. In exchange for the above items which he wants to do with us he proposed the following committment from us on the Marketing side:

- To participate in the Microsoft Christmas Promotion in all of his 100 stores in Germany. He will only do this if we give him exclusivity and not if we are proposing on doing this with ESCOM or Shadt etc.
- He would then like to work together with us very aggressively along with a Decoration Service for Window display where he will also pay for a share of the costs.
- He will put atleast 1 or 2 pages of free advertising of this promotion in all of the flyers/Denkzettels that go to approx. 10 million recipients per month.
- He wants to plan to do joint datasheets that would then be displayed in info racks throughout his stores along with coupons to mail back for more information.
- He wants to do joint mailings on this to both the Vobis and MS database.
- He wants to be able to bundle WinWord and Excel with his computers during the time of this promotion. He wants them on commission and sell them as follows:

Machine bundled with Works for Windows: Price-DM2999.00
Same machine, but with option to choose WinWord or Excel:
Price-DM3499.00
Same machine with both WinWord and Excel:Price-DM3949.00

(I realize that these are ridiculously low....Lieven knows it, but its what he proposed and he basically wants a counter proposal that is attractive and competitive)

- He also wants to sell all of our app products such as Office, Winword, Excel, Powerpoint, Windows, PC-Word, Mouse, Publisher Money, Golf, and Flight Simulator. He wants to be able to sell them as closely as possible to the prices that mail order houses sell for and get them from us on commission and at a price where he can earn a little on it.

(All of the above is waiting for a counter proposal from us....even if we do not agree to all, he basically needs something to differentiate and would only want the special prices during the promotion period. Afterwards, he would go to standard prices and buy from distributors. He sees our benefits as being able to achieve in this short period time a high market penetration and get the update business. He says at the prices that our competitors are offering that we need to be aware that alot of OEMs may just sell it to get the business in the store.)

- After this promotion, he would want to continue to work with us on a regular basis doing in-store promotions and having normal non-christmas information displays etc. as we had proposed in our original marketing proposal for Vobis. They also would like us to work together at the different sub-levels doing promotions in each country.

He needs to know that if we do this project, that we really are committed and support them in making a success, just as they will.

He says that unless we can offer him something which is for a short period of time exclusive for 3 months and can help differentiate himself in the Market and from his competitors, then he is not interested in giving us exclusivity or any of the above mentioned items. Quite simply said, he needs to decide in the next month which partner with whom to work and he is asking us first. He wants us, but may have to choose another partner if we are not interested in this type of strategic alliance. I ask that you consider his proposal for working together and I am basically just reporting to you what Lieven and Vobis are interested in doing. The strategic decision for such lies with you, the management in how we should proceed. Lieven wants to act on this as soon as possible, especially since any Christmas promotions etc. need to be planned to take place as soon as November.

As follow up and to emphasize his interest, he has requested a meeting with Jochen Haink on Tuesday, August 18th in Munich.

Please respond as quickly as possible on your thoughts regarding this email and let me know how we should proceed.

Thanks

Stefanie