

**Bill Gates**

**From:** Joachim Kempin  
**To:** Bill Gates  
**Cc:** Bengt Akerlind; Brad Silverberg; Christian Wedell; Paul Maritz; Steve Ballmer  
**Subject:** RE: Os/2 bundling in germany  
**Date:** Sunday, November 20, 1994 11:17AM

After talking to ESCOM and VOBIS over the last 6-8 weeks constantly it looks like that IBM has hooked them with mktg money and other favours to bundle WARP on most of their PCs- but knowing that the customers can pick and choose in their shops- they might not pick WARP. The situation with both accounts is below freezing point at the same time we do not 100% know what they are really up for because they are not telling us.

this is the best I know today:

Both ESCOM and VOBIS have threatened to cancell our current contracts- none has done so far. ESCOM has said that they would continue to bundle MS-DOS and WIN or O\$, VOBIS is at 5 \$. Both are claiming that they can license all they need from IBM. In case they do they will receive substantial mktg \$\$ from IBM , at least a 1:1 match of their payments for PC-DOS and WARP. These funds make the SW free of charge because it only costs them ink in their adds to fulfill their obligations. The really issue for them is WINDOWS. In the case of ESCOM the information coming back to us is we do not need You at all MS, which means they will ship just pc-DOS and full OS/2(which is not ready yet); in the case of VOBIS Lieffen says I want to license WINDOWS from You, because IBM is more expensive then YOU, Yes IBM has started offering WINDOWS not only in Germany but in DENMARK as well. The interesting thing is that they might not understand what they will have to pay for it. **Privilege Material Redacted**

We will have a video link call with Cwedell and the OEM team in Gmbh to discuss the latest situation and decide on a what to do. Our current thinking is that we cannot bend over and let them get away with this. We need to fight back massively. The reason for the situation beeing completely out of controll is two fold: We have no relationship with either account despite trying, and I believe meanwhile they might not want one - they are looking at us at just another component vendor. Their prices for our SW have been coming down but not fast enough in their opinion and they are continuing to pressure us. At the same none of the companies is profitable and VOBIS is now owned 70% by Kaufhof which is owned by METRO. ESCOM just sold 10% to SNI and more will be sold to improve the cash flow. Both companies have not innovated beyond original massmarketing concepts and both companies are copying each other constantly. The market acceptance for their products is slowing down and their answers have been lower and lower price point with less quality PCs- something You can do easier in Germany because of missing return policies even if You suffer on the warranty side later... So this is a mess and I am afraid that we will have to fight ourselves out of this, by not bending over. More next week.

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**From:** Bill Gates  
**To:** Joachim Kempin  
**Cc:** Brad Silverberg; Paul Maritz; Steve Ballmer  
**Subject:** Os/2 bundling in germany  
**Date:** Friday, November 18, 1994 6:33PM

Curious to know more about what this means - is it real bundling or install on request?

"IBM also announced it has signed agreements with three German PC manufacturers, Escom, Vobis and Comtech, to preload Warp on their PC systems. A German business publication, Focus, says anticipated sales of these units will give Warp more than 40% of the operating system market, making it the best selling operating system in the country."