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For the next two hours, I plan to give a brief overview of our industry.

Godmic --Voice of Bob Stegner: That's TWENTY-FIVE minutes, Mr. Foster.

Right, Bob. I just wanted to make sure you were listening.

I'd like to begin by welcoming you to San Antonio.
I've lived in Texas for # years and there's no better time to be here than in April.

I understand Tech Data is bringing its vendors in August!

We have a great three days planned for you.
You'll get to spend time with old friends and make new ones.
And we'll have plenty of opportunities to talk about our business.

It's been eighteen months since I last spoke to this group.
In the fall of 2000, Bill Clinton was still president.
No one had heard of a hanging chad.
And September 11th was almost a year away.

In the last year and a half, our world has changed in ways we could never have imagined.

This morning I want to speak frankly.
I know that many of you are concerned about the future.
There may be those who wonder if you will be in business this time next year.
And you may be asking the same thing about Ingram Micro.

I'd like to respond to those unasked questions.
I believe the vast majority of you – maybe ALL of you - WILL be in business next spring.
And I can assure you that INGRAM MICRO WILL BE HERE.

Yes, some resellers have closed in the last six months.
If you analyze why they left the business, you'd find that they did not adapt to the changing realities of our marketplace.
They stuck with their old business model.
They did not make the transition to the new model we are creating together.

If you haven't yet adjusted your operations, this week is a good time to commit to change.... to get ideas from Ingram and other network members.

We will continue to be a strong partner and advocate for SMB resellers.
If you take home nothing else from this speech, remember that we will do everything we can to work with you and support you.

As Benjamin Franklin said when the Continental Congress was discussing the Declaration of Independence, "Either we all hang together – or we will all hang separately."
Let me say loud and clear: we intend to hang together – and hang tough.

As we look at our industry, we face some real challenges.
To pretend otherwise would be foolish.
But we've faced challenges before.

The most obvious question mark is the state of the economy.
Unfortunately, I have no hot line to the future.
I don't have the skills of Madame Cleo.
I can't tell you how fast our industry is going to bounce back.

Will we see double-digit growth a year from now – or will recovery come more slowly?
No one has the answers to those questions.
And those who claim to have them...DON'T!

Ours is a relatively new industry.
We've only been around a little more than twenty years.
We have no long history of economic cycles to point the way to the future.

We do know that when change comes to IT, it comes at warp speed.
Remember: two years ago dotcoms were the future.

I can't predict what will happen in the coming months, but I can tell you about the last three months.

Although 2001 was a tough year, distribution still represents 27% of the worldwide IT products market.

Over the next few years that will grow to 29%.

That's a \$1.3 TRILLION market.

Our market is GROWING – not going away.

And Ingram Micro owns the lion's share of that market.

Last year we were \$7 billion ahead of our nearest competitor.

We lead market share in the U.S., Asia and Latin America.

For twenty years we have held the benchmark on logistics capabilities

Kevin Murai has said, "In 2002, innovation in technology services and bundled

product solutions will be the mechanism for growth."

I agree completely.

This economy will continue to shift and we must evolve with it.

End customers hold the key to our success

We must let them know that WE know they are operating under restricted budgets and that our service and solutions can save them money.

But we can't just SAY it; we have to demonstrate it.

Another key factor in the evolution of our business is that more manufacturers are selling direct.

They've seen Dell's success and have decided it is the ONLY way to go.

What they forget is that – so far – Dell's model has ONLY worked for Dell.

Manufacturers are turning computers into mere commodities.

They are eager to ship product – but sometimes forget about the customer.

I believe their strategy is our opportunity.

Consumers are smarter and more sophisticated than ever.

They will pay a premium for service.

This is not the time for business as usual.
VARs must provide an equal level of technology services and solutions to small and medium-sized businesses.
We must offer them smarter and more sophisticated solutions.
It's our job to enable them to offer the same technology services that larger companies use.

We have created turnkey programs to help you with training and financing so you can bring complete solutions to your customers.

We know you are also concerned about the continued erosion of margins from your vendor partners.
I don't believe that's going to change.
We are the ones who must change.
VARs must become consultants.
And Ingram Micro will help you offer products and services that will allow you to ask for a higher price or a larger margin on top of that price.
We are leveraging our relationships with manufacturers to enable to help you increase sales.

Our most important products no longer come in cardboard.
For years, people have talked about thinking "out of the box."
For us, that's not a cliché.
It's a necessity.

When I was preparing this talk, I talked to some experts.

I called some of the people I respect most in our community - members of the VTN Advisory Council.
I asked for their perspective on our business and industry trends.
I asked them about the strengths of our network and where we could do better.

I thought they might want to think about their answers and call me back
But I was wrong.
They had plenty to say off the cuff.

Steve Harper from Network Management Group in Hutchinson, Kansas told me:

"VTN gives us a national presence by allowing us to partner with clients all over the country. It brings us strength in areas where we may not have it. It

helps us look bigger to our clients. We may never be IBM, but we enjoy sounding like them.”

Jennifer McCadden of Universal Connecting Point in Pittsford, New York told me that when VTN started about six years ago the competition was so fierce that the smaller companies like hers couldn’t compete. She said, “Either we had to grow beyond our limitations or we weren’t going to make it.”

She told me, “When I go to vendor partners such as HP and say that I’m a part of Ingram’s Venture Tech Network, they realize that there is more behind me than just ME.

We have a different level of conversation than if I were just representing one small company from upstate New York.

Arlin Sorenson from Harlan, Iowa said, “The biggest positive about Ingram Micro are the relationships we’ve established.

The people I work with make all the difference in the world. I have a whole team of people assigned to me and we work together daily to find solutions for my customers.

My team understands that if they help me succeed, THEY will succeed.”

Laurie Benson, from Inacom Information Systems in Madison, Wisconsin, feels that “Ingram is committed to VTN as the premiere channel for the small to midsize business. She believes that although these are challenging times, we will come out of them stronger.”

Tommy Wald, Riata Technologies in Austin, Texas used a phrase that I really liked: He said “Ingram Micro is not only an active partner, but also an ADVOCATE for his business.”

And then there is Ted Warner, President Emeritus of the Member Advisory Council, from the Connecting Point in Greeley, Colorado

Ted was one of the founders of this community and I respect his perspective. I asked him what he considered our biggest challenge.

He feels we must continue to add value in an industry that is becoming more technical, complex and complicated.

Ted believes strongly in the power of networking. “We’ve used almost every portion of the program at one time or another. There is nothing more valuable than networking with other resellers who have similar skill sets and abilities. We never miss an annual conference or an invitational – and we don’t intend to.”

Customers can’t get customized solutions from our ordering on-line. And they don’t get them from other distributors. They get them from us. Ingram Micro and you.

VTN members can have someone at the front door in Fargo while Dell still has a customer on hold.

A key to the health and effectiveness of our community is its diversity.

(PAUSE...SMILE)

As some of you know, I play a little golf.

In fact, my home is on the edge of a golf course.

Unfortunately, proximity has yet to make me a great golfer – only a more humble one.

In the world of professional golf, two of the most famous names are Tiger Woods and John Daley.

And yet, you could not find two more opposite individuals.

Tiger Woods is young, handsome, doesn’t smoke, exercises daily, practices relentlessly, and has yet to marry.

And he was last year’s Master’s champion.

John Daly smokes, drinks, eats fast food, is forty pounds overweight, has been known to throw temper tantrums and is married to his fourth wife.

And he, too, is a champion – having won two of the Big Four tournaments.

Like golfers, VARs come in many shapes, sizes and personalities.

You do your business in your own distinctive styles.

We all bring individual strengths to the table.

The scope and variety of our network allows us to support each other and partner for mutual success.

One of the most powerful value added services that Ingram Micro provides is the quality of our technical support.

Last year we received more than fifty million pieces of mail. I'd like to read one of them to you.

Let me share a letter that our Tech Support people recently received. It came from Mike Witherspoon.... Senior Government Account Manager at Apogee Computer Solutions.

“I want to let you know that your Tech Support people have been nothing but the greatest. We use IM's Tech Support – as well as Tech Data's – and the difference is huge.

Your philosophy of heavy training really pays off. The days of box moving are over and I think you will find that previous IM customers who switched to Tech Data will be back soon.

Words can't cover how much I want to thank your and your team. They are a salesman's dream come true. Please keep up the excellent service – as service is everything nowadays.”

As far as I'm concerned, that is **pleasure reading!**

In IT, new products get more complex and complicated all the time. My kids are my technology consultants.

Actually, I believe every new VCR should be delivered by a teenager who does not leave the house until the owner can play, record and pause!

Ingram Micro doesn't offer teenagers yet - but we do have the next best thing.

We have a 24-hour help desk and our break/fix program.

Have you ever called Customer Service at another company and been put on hold while they play Beethoven's entire 5th Symphony?

Then – before you can speak to a human being – you are disconnected?

That's not the way we treat customers at Ingram Micro.

When it comes to taking your calls, we want to be the quicker picker upper.

I wouldn't normally refer to a government report, but I read about one that caught my attention.

The federal government did a massive study to pinpoint the number one factor in the success of a high school.
Most people assumed it would be demographics or the student-teacher ratio.
You know what they found?
The most important factor was the quality of the principal.
The attitude and commitment of the person in charge affects everything else!

We need to see ourselves as principals.
We can't change world economic trends.
We can't fix the price of oil or bring peace to the Mideast.
However, we can fix our attitude if it's off kilter.
We can reaffirm our commitment to success and to each other.
And we can be straight with each other.

I told you up front this was going to be a candid speech so let me say something about our Electronic Store Front.

PAUSE...SMILE

I wish we had it ready for you!
We are working on it.
We are committed to it.
And you will get it as soon as we get it RIGHT.
However, when we introduce it --- we want it to be a solution, not a work in progress.
Today we will give you an update to tell you where we stand in the development process.

You expect a lot of Ingram Micro.
And you have every right to.
Our goal is not just to meet your expectations – but surpass them.
We remain committed to meeting the needs of small to medium sized businesses.
As they say in Texas, we're going to dance with the gal that brung us!
All three thousand of you!
You are the ones that brung us.
You are our partners, colleagues and friends.
And we're with you all the way – come what may!

