

About the Handbook of Industry Profiles 2009

Hoover's Business Press, a leading provider of company information and publisher of the popular Hoover's Handbooks series, has teamed up once again with First Research, Inc., a leading industry intelligence resource, to bring you the second edition of the *Handbook of Industry Profiles 2009: Analysis and Trends for 300 Industries*.

Industry Intelligence Tools from First Research improve both your efficiency and effectiveness. Without adding hours to your workday, you can infuse sales calls, business meetings, presentations, proposals and outreach efforts with accurate, up-to-date industry information that demonstrates a thorough understanding of your potential and existing clients' business challenges and opportunities.

Industry Intelligence allows you to be strategic through every stage of the sales cycle. Instead of focusing on your products, you bring value to the table with industry insights that your prospects and clients can use to make more informed decisions and better meet their own goals. In doing so, it is easy to engage Business Decision Makers while positioning your products and services as solutions that address the industry and economic developments already impacting their business.

ABOUT FIRST RESEARCH

First Research was founded in 1998 by a sales professional in the financial industry who recognized a direct correlation between the amount of time he spent preparing for and learning about a client's business and industry conditions and the success of the sales call. Today, First Research is the leading Industry Intelligence company.

In addition to the information presented in the Handbook of Industry Profiles, First Research offers a number of other industry data points through its premier, subscription-based Web site at www.firstresearch.com. First Research updates each online Industry Profile quarterly and sends out email alerts to ensure content is both timely and top of mind.

Used by over 95,000 business professionals, First Research Industry Intelligence can benefit any organization that has prospects in multiple industries.

HOOVER'S TOP COMPANIES

To help readers understand the breadth of the 300 industries included in this book, we have supplemented First Research's industry analysis with lists of the largest and fastest-growing companies extracted from Hoover's extensive company information database. These lists vary in length and content, depending on the concentration of large, public companies within a given industry versus those industries with a preponderance of small, private companies.

HOOVER'S FOR BUSINESS NEEDS

In addition to Hoover's widely used MasterList and Handbooks series, comprehensive coverage of more than 40,000 business enterprises is available in electronic format on our Web site at www.hoovers.com. Our goal is to provide our customers the fastest path to business with insight and actionable information about companies, industries, and key decision makers, along with the powerful tools to find and connect to the right people to get business done. Hoover's has partnered with other prestigious business information and service providers to bring you all the right business information, services, and links in one place.

We believe that anyone who buys from, sells to, invests in, lends to, competes with, interviews with, or works for a company should know as much as possible about that enterprise. We believe our extensive print and online products represent the most complete source of corporate information readily available to the general public.

As always, we hope you find our books useful. We invite your comments via phone (512-374-4500), fax (512-374-4538), mail (5800 Airport Boulevard, Austin, Texas 78752), or e-mail (custsupport@hoovers.com).

The Editors,
Austin, Texas,
April 2009

Computer and Office Equipment Distributors

THIS INDUSTRY INCLUDES:

SIC CODES

- 5044 Office Equipment
- 5045 Computers and Computer Peripheral Equipment and Software

NAICS CODES

- 423420 Office Equipment Merchant Wholesalers
- 423430 Computer and Computer Peripheral Equipment and Software Merchant Wholesalers

The US computer and office equipment distribution industry includes about 10,000 companies with combined annual revenues of \$180 billion. Large companies include Ingram Micro, Tech Data, SYNEX, Avnet, and Arrow Electronics. The industry is concentrated: the top 50 companies account for almost 60 percent of industry revenue.

Competitive Landscape

Demand is strongly affected by the level of business activity. The profitability of individual companies depends on merchandising and efficient operations. Large companies have economies of scale in purchasing. Smaller companies can compete effectively by offering specialty products or superior service. The industry is highly automated: annual revenue per employee is about \$600,000.

Products, Operations & Technology

Major products include computers, packaged software, copiers, data drives, and printers. Computers account for 25 percent of industry revenue, packaged software for 10 percent, copiers for 10 percent, data drives for 10 percent, and printers for 5 percent. Other products include a large number of peripheral computer devices and supplies, such as networking equipment, scanners, and ink cartridges.

Distributors buy products from equipment manufacturers or importers and resell them to local customers. Distributors are especially important for small manufacturers that can't directly reach end-users. Most distributors operate one or more warehouses, but in some cases merely process orders shipped directly to customers from a manufacturer. Large warehouses exceed 100,000 square feet. Orders may be taken over the phone by a product specialist with technical knowledge, or received electronically over a website or by electronic data exchange (EDI). Companies monitor performance

BUSINESS CHALLENGES

» Revenue Tied to Business Activity

Sales of office and computer equipment depend on a growing economy and rising corporate profits. During the latest recession, industry revenue fell almost 20 percent, after increasing 10 percent in previous years. During economic downturns, customers can delay buying new computer and office equipment.

» Risk of Declining Inventory Value

The value of computer and office equipment distributor inventories can rapidly decrease. Because of innovation, manufacturers frequently improve products and cut prices. Distributors may have price protection agreements with some suppliers, but try mainly to protect themselves by rapidly moving inventory. The monthly inventory/sales ratio for the industry is low. Despite these protections, distributors face a high risk of inventory write-downs as retail prices fall.

» Competition from Manufacturers

Many large manufacturers bypass distributors and sell products directly to resellers or end-users. Only about two-thirds of US office and computer equipment pass through distributors; the other third is sold directly by manufacturers. In general, manufacturers sell to large customers who don't need immediate delivery. Developing Internet sales systems and improving shipping capabilities allow even small manufacturers to sell products directly to users.

measures such as "fill rate" (the percentage of orders filled in a period of time, such as 24 hours) and "stock-outs" (how often ordered products are out of stock). Products typically are shipped using independent shipping companies.

To minimize inventories, purchases are made according to recent sales mix or only when requested by customers. Major suppliers include Hewlett-Packard, IBM, Xerox, Cisco, Seagate, and Microsoft. Trade shows are a major source of information about new products and

suppliers. Large distributors may buy from several hundred suppliers and sell to thousands of customers, but many small distributors specialize in the products of just a few suppliers. Contracts with suppliers may designate a distributor as an “authorized distributor” and specify a sales territory, but contracts are often non-exclusive and can easily be canceled. Authorized distributors may provide services such as installation, maintenance, repair, and training for the products they sell.

Computer systems are heavily used. Radio and bar code scanning allows real-time inventory tracking and improves the accuracy of order fulfillment. Information systems also enter documents to streamline accounts payable and accounts receivable processing.

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Sales & Marketing

Major customers are retailers, corporate end-users, and value-added resellers (VAR). Large retailers include CompUSA, Office Depot, Amazon.com, and CDW. Resellers include companies that customize standard computers with special components or software.

Even large customers, which could buy directly from manufacturers, often prefer to buy from distributors because of the large number of highly technical products they stock, the need for frequent replacement with newer versions, and the efficiency of delivery from a local distributor.

Sales are typically handled by a sales force and may be supplemented by telemarketing. Internet sites are an increasing source of sales and many distributors have websites with both product information and order entry capabilities.

Prices for computers and peripheral equipment decrease steadily and price competition is widespread. Discounts are used frequently to move older merchandise. The price of a typical home computer system has fallen below \$1,000.

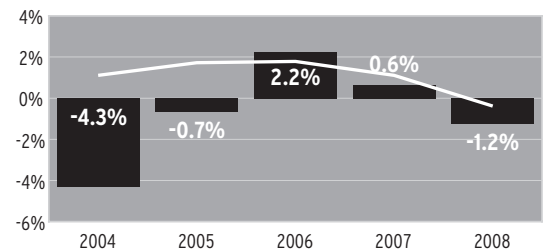
FAST FACTS

- » The US computer and office equipment distribution industry includes about 10,000 companies with combined annual revenues of \$180 billion.
- » Large companies include Ingram Micro, Tech Data, SYNEX, Avnet, and Arrow Electronics.
- » Major products include computers, packaged software, copiers, data drives, and printers.
- » Major customers are retailers, corporate end-users, and value-added resellers (VAR).
- » Because of the risk of product obsolescence and falling prices, distributors carry fairly low levels of inventory – typically around 20 days sales.

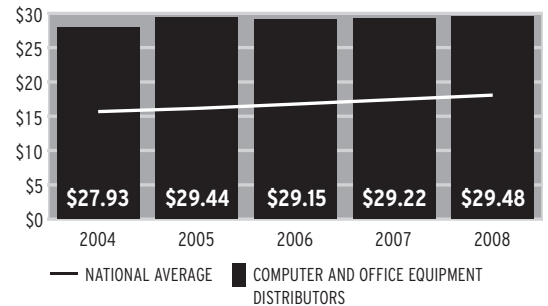
Human Resources

Because of very large increases in productivity due to sophisticated logistics systems and consolidation in both the retail and supplier segments, employment in the industry has steadily decreased in recent years. Labor productivity doubled in the last five years. Companies generally have about a third of their workforce in each of three functions: sales, administration, and warehouse management and shipping. Wages are well above the national average because of the highly technical skills required to sell and service electronic products. Industry wages are 60 percent higher than the average US wage. The wholesale industry has a good safety record with only two injuries per 100 full-time workers annually.

Industry Employment Growth



Average Hourly Earnings



SOURCE: BUREAU OF LABOR STATISTICS

Call Preparation Questions

How are anticipated changes in the US economy expected to impact the company?

Sales of office and computer equipment depend on a growing economy and rising corporate profits.

How does the company protect itself from falling prices?

The value of computer and office equipment distributor inventories can rapidly decrease.

How much does the company compete with manufacturers for large customers?

Many large manufacturers bypass distributors and sell products directly to resellers or end-users.

What percentage of revenue does the company get from services?

As profit margins for commodity-like computer products narrow, distributors can offer higher-margin logistics and leasing services.

Does the company help customers install computer systems?

For complicated products such as computer networks, some distributors offer technical installation services.

Web Links

ChannelWeb

Industry and company news, trade show news, executive interviews.
www.crn.com

eWeek Channel Insider

Industry news, technical analysis, company updates.
www.thechannelinsider.com

Information Week

Computer industry news and links.
www.informationweek.com

National Association of Wholesaler-Distributors

Common issues facing distributors.
www.naw.org

Glossary of Acronyms

EAR — Export Administration Regulations

SMB — small to medium business

VAR — value-added reseller

HOOVER'S TOP COMPANIES

Largest Companies by Sales (\$ mil.)

Ingram Micro Inc.	34,362.1
Tech Data Corporation	23,423.1
Avnet, Inc.	17,952.7
Arrow Electronics, Inc.	16,761.0
SYNNEX Corporation	7,768.2
IKON Office Solutions, Inc.	4,168.3
Software House International	2,330.0
ScanSource, Inc.	2,175.5
MA Laboratories, Inc.	2,000.0
Newegg Inc.	1,900.0

Largest Employers Employees

Ingram Micro Inc.	15,000
IKON Office Solutions, Inc.	15,000
Avnet, Inc.	12,800
Arrow Electronics, Inc.	12,700
Tech Data Corporation	8,300
CompuCom Systems, Inc.	7,700
SYNNEX Corporation	7,672
Black Box Corporation	5,000
Pomeroy IT Solutions, Inc.	2,212
Newegg Inc.	1,500

Fastest Growing* by Five-Year Sales Growth (%)

Incentra Solutions, Inc.	97.1
IceWEB, Inc.	57.2
PFSweb, Inc.	36.8
Quest Solution Inc.	36.2
MTM Technologies, Inc.	34.3
MA Laboratories, Inc.	29.1
Newegg Inc.	23.9
ePlus inc.	23.2
ScanSource, Inc.	17.0
Avatech Solutions, Inc.	16.6

Fastest Growing* by Five-Year Employee Growth (%)

Incentra Solutions, Inc.	78.7
MA Laboratories, Inc.	41.4
SYNNEX Corporation	35.8
Black Box Corporation	23.1
PFSweb, Inc.	18.8
TransNet Corporation	16.7
Newegg Inc.	11.8
Media Sciences International, Inc.	11.8
ASI Computer Technologies, Inc.	8.6
Pomeroy IT Solutions, Inc.	8.6

Top Public Companies by Market Value (\$ mil.)

Avnet, Inc.	4,143.5
Ingram Micro Inc.	2,255.4
Arrow Electronics, Inc.	2,247.8
Tech Data Corporation	1,815.0
ScanSource, Inc.	705.1

* These rates are compounded annualized increases and may have resulted from acquisitions or one time gains. If less than 6 years of data are available, growth is for the years available.

SOURCE: HOOVER'S, INC., DATABASE