



Business-to-government marketer

Windows and Unix based hardware, software and networking products

GTSI Corp.
NASDAQ - GTSI

WSQR #103383
DENDY YOUNG
Chairman, President and
Chief Executive Officer

Interview by John O'Hanlon
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Editor

Mr. Dendy Young

I was born in Zimbabwe and attended under graduate school at MIT as well as graduate school at Harvard where I earned an MBA. During my career, I have founded and sold two different companies. I have held my current position of chairman, president and chief executive officer of GTSI for about four and a half years. Before GTSI, I was with Falcon Microsystems, which grew to \$190 million in revenues before it was sold to GTSI in 1994. Prior to that, I was with Falcon Systems, which grew to about \$45 million in revenues and was sold to Oracle Corporation in 1988. I also worked for a company that has done very well in this market, Federal Data Corporation, a privately held company. Having said that, the school of the real world has clearly been my school, as I believe that you gain the most knowledge through experience."

GTSI, Corp.

"GTSI, Corp. is a business-to-government marketer of Windows and Unix based hardware, software and net-

working products to the Federal Government market. We have two sets of customers. We have a customer set in the government who might buy product from us and we go out of our way to make it easy for them to do so. We educate those folks on what products, from our very broad product set, are available to meet their needs and we facilitate their sales by having the right contract vehicle. We also have a separate set of customers - the product manufacturing and publishing community. We take their products to the 'right' people in the government. That service helps these companies target and get their products to the 'right' people. This process makes it easier for our customers to buy product when they want to buy it. Having said that, our ability to service both sets of customers is the key to GTSI. There are many different hurdles that companies have to overcome to sell to government.

"An established company like IBM has a large sales force that is already selling to the government and a way of getting their message out by themselves. But GTSI can still provide value to IBM get because GTSI can bring IBM's product to a complementary set of the 'right' people in the government. However, there is a tremendous cornucopia of new companies that have great products, but do not have a way to communicate information about their products rapidly to the government because they do not have the infrastructure, sales force, contract vehicles or the

name recognition that GTSI has. Even more importantly, we have the customer database that will help those companies to get their product to the 'right' people in the government. In addition, GTSI offers those ancillary support services - integration, on site installation, network configuration, follow-on support and consulting services - that integrate and support the full range of products our customers want. This service offering, a natural extension of our business, is designed to meet



the growing and changing needs of our government customers, especially in the fast-growing enterprise-related hardware and software areas."

Performing the service

"GTSI is a business-to-government or B2G business and we use a wide range of communication techniques to educate our customers as to what is available. For example, a company that has a cutting edge product to sell might work with us and we would send out an e-blast to our cus-

tomers database or use our outbound telemarketing organization to contact those same people or a different subset of people and tell them about the product. We might use our creative group to develop an awareness campaign to educate people, which may include advertising, shows and events, and follow that with an outbound sales activity to make sure that we actually talk to people face-to-face about the product. My belief is that business is done between people and although the web facilitates business between people, it doesn't replace people in the process.

"We use the Web to communicate, but in order for that customer to buy, he/she often is going to want to have somebody to deal with and that person would be one GTSI's salespeople. We do a lot of business through our web site. In fact, we have been selling product through our web site since 1994, so we have been a pioneer in the B2G marketplace. However, it all comes back to the fundamental fact that while customers might be willing to do very small transactions with a company they do not know, they are much more likely, because they know us, to work with GTSI through our web site. That is why we believe that face-to-face contact that we provide is such a critical factor in the business process and paves the way for a successful web environment."

Creating more awareness

"GTSI is clearly the largest independent provider of com-

puter product into the government. Companies like Compaq sell more total dollars into the government than we do, but a lot of what they sell actually goes through companies like GTSI. If you were to ask any government buyer,

happening, we have also been subjected to tremendous change in our customers' marketplace and the way the customers have been buying so we have had a fair amount of chaos to deal with. We are proud of the fact that we are

web as a logical extension of that business and believe it should be utilized to facilitate that business. We further believe that it is important to have personal contact with the buyers and information system managers so that they will feel comfortable doing web-based business with us. We continue to contact our customers personally through a field sales organization and stay in touch through a lot of outbound telephoning. We use a leveraged sales strategy that combines the benefits of face-to-face sales with telephone contact and email. We are well aware that there are lots of potential customers and they take risks when dealing with any supplier. Our challenge as a B2G company is to persuade these people that because we are accessible, it is indeed easier and less risky for them to do business with GTSI."

Air Force were to visit our web site, that customer would get a different set of contracts to view. We have also built what we call sub-webs, which are personalized web sites that are focused on specific buying groups within the government. For example, we have a special web site for Randolph Air Force Base or one that is dedicated to Panasonic laptops as sold to the U.S. government.

"On our web site, we are providing a lot of very personalized and focused information that is packaged specifically for our customers' individual needs. In addition, we continue to increase the value of the web site by providing

"We are growing and profitable. Our market cap is half the tangible net worth of the company. I believe it is an excellent investment."

— DENDY YOUNG

technical person, or IT person about GTSI, they would tell you that they buy a lot of product from GTSI and although they may not use us for everything, we are extremely well known in the market. People know that if they want something, they can always get it through GTSI. We have a very strong brand image in that marketplace and our challenge is to continue to leverage that brand awareness and use it to grow the company."

still the predominant supplier to the government and that GTSI is growing and profitable again. In fact, we think that we can grow faster and be even more profitable. As a major shareholder in GTSI, I wouldn't be here if I didn't believe that."

Focus

"Clearly, we have specialized skills, as well as a 17+ year track record in dealing with the Federal government. These are different than the skills needed to deal with a commercial customer. We have chosen as a strategy to be very, very good at what we do, which is B2G. Going forward, we will continue to expand to state and local governments. We are already doing business in several states. We will also continue to expand in the Federal government by further investing in our existing customer base and addressing the many agencies in the government with whom we have not yet successfully developed a customer relationship. We believe that there are still substantial growth opportunities in our existing market space. We continue to change and evolve as quickly as our market, which, frankly, is why we've maintained our longevity in this marketplace and why our customers depend upon us."

Turning the company around

"GTSI, as a company, was a victim of its own success. In the '80s, the company grew like wildfire because the services that we provided were very important to our customers. However, any company that grows that fast typically develops internal problems with regard to management, infrastructure and communication within the company. Consequently, when I was brought into the company, it was already in a deep slide, but I am pleased to say that we have turned around the decline in revenues and the profitability problems that the company had in the past. Our challenge for the next year is to make sure that we continue to optimize. We had to change our culture, which is very hard to do.

"Slowly but surely we are changing the processes, internal systems and the access to financial information, and, in fact, have made a lot of progress. While that has been

Attracting new customers

"Building on our basic philosophy that business is done between people, we view the

Keeping up to date with product upgrades

"At GTSI, we do over 1,000 adds, deletes, and changes to our product list on a daily basis to keep up with our customers' rapidly changing needs. GTSI then notifies the customer as changes occur that are of interest to that customer."

Web site

"Since 1993, we have invested very heavily in building our web site, which is located at www.gtsi.com. Our web site is unique in that it is government-centric. Among its unique aspects is its ability to search through those contract vehicles that a particular customer might want to use. For example, we have contracts that are available to people in the Army so that when an Army customer comes to our web site, that customer will see products, prices and availability that are applicable to their contract vehicles. If someone from the



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each customer information about what was bought, how it was purchased, when it was bought and the delivery status. We have done everything that we can to make it easier for our customers to get information. In fact, the earliest adopters of our web site were government customers in Germany and Korea. The U.S. government has forces all over the Pacific Rim and throughout Europe that traditionally had a hard time contacting suppliers in the United States because of different time zones.

"As soon as we put up our

web site, we had customers from remote locations logging on to get information who were unable to do so in the past because our business hours in the U.S. were the middle of the night for them. We have been responding to our customers' needs like that for the past eight years, but we still serve those people with local coverage. For example, we have salespeople in Korea to serve just the U.S. government. In addition, we have a huge sales office in Mannheim, Germany to serve our U.S. customers in Germany, Italy, Spain and wherever the government customers are. We are where the customer is and believe it is the combination of our face-to-face and phone contact combined with the web that gives us our strength."

Growth strategy

"Going forward, GTSI will continue to grow through our own internal effort. That being said, we are always open to acquisitions and in fact, we did an acquisition about two years ago, which was very

successful for the company. Fundamentally the real value in the company is the people and relationships that our people have with our customers both on the vendor side as well as on the end-user side."

Cash and/or credit

"Of all of the challenges that GTSI faced over the past three or four years, it turns out that capital was not one of them. The company is well financed and well capitalized and we believe that the capital that we have will continue to support our growth for at least the next two to three years. We are very positive and comfortable with the capital markets and the capital structure of the company."

A fulfillment company

"Our customers buy very large quantities of product because they are buying for the Federal Government, which is really Fortune 1 of the Fortune 100. We do million dollar plus transactions frequently. Our customers

want to deal with a company that they know has the capability to perform and deliver because they are taking a lot of risk. We have been very successful in fulfilling their needs. We encourage them to use the Web and in fact, many of our customers will first work with us and get to know us on a face-to-face basis and then place their order through the web. Others yet will do research on the web and then place the order on a face to face basis or via telephone with us. We are using the web in whatever way our customers feel comfortable."

Most important decision

"The most important strategic decision we have made was to continue to focus on our core customer and leverage our core strength, which is that of being a B2G company. Internally, the most important decision we made in the past nine months was the decision to restructure our sales organization and make it more customer-centric than

it had been in the past. We have created small and very technical teams of both field and internal salespeople to focus more thoroughly on the customers that we have."

Remember most

"GTSI has a very strong management team, a focused business and a very strong portal-like positioning in the market where if you want to take your product to the right people in the government, you will want to use GTSI. In addition, we have excellent relationships and brand image with our customers who know that we have the right contract vehicle to make it easier for them to buy the products that they want to buy. We believe that we are very well positioned to take advantage of the changes in the marketplace. We have turned the company around and made substantial progress. Today, we are growing and profitable and our market cap is half the tangible net worth of the company. I believe it is an excellent investment."



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