

Interview

Brightpoint Values

An Interview with Robert J. Laikin,
Chairman of the Board and Chief Executive Officer, Brightpoint, Inc.

EDITORS' NOTE In 1989, Robert Laikin launched Brightpoint from its inception as Wholesale Cellular to a multi-billion dollar Fortune 500 global leader in the wireless device distribution and supply chain solutions space. Since August 1989, he has been its Founder and Director, and has been Chairman of the Board and Chief Executive Officer since January 1994. From June 1992 to September 1996, he was President of the company and Vice President and Treasurer from August 1989 until May 1992. From July 1986 to December 1987, he was Vice President, and from January 1988 to February 1993, he was President of Century Cellular Network, Inc. Laikin received his degree in Business Administration from Indiana University.



Robert J. Laikin

COMPANY BRIEF With operations in more than 25 countries and employing approximately 2,700 people worldwide, Brightpoint, Inc. (www.brightpoint.com) is a global leader in the distribution of wireless devices and in providing supply chain solution services to the global wireless industry. The company's innovative services include distribution, channel development, fulfillment, product customization, e-Business solutions, and other outsourced services that integrate seamlessly with its customers.

When you look at the past 24 months and the global economic crisis, were you surprised at how severe it was and do you now see the market stabilizing?

At Brightpoint, we were about three months ahead of the rest of the folks in our industry and the rest of the world in realizing that there was a significant slow-down happening.

But we, like everyone else, underestimated how severe it was going to be. We also started to see a recovery earlier than everyone else in the first quarter of 2010.

The wireless industry is very different compared to other industries because the product life-cycle has been changing rapidly since the early '80s when wireless was invented. The replacement cycle has benefitted the whole wireless industry.

Over the years, you've not just had the growth of new users but also people trading in and upgrading their devices. The embedded base grew so much that the industry was fortunate enough to grow even through multiple recessions since 1980.

How challenging has it been for Brightpoint to continue to show those unique qualities that set you apart?

For the manufacturers, operators, mobile virtual network operators (MVNOs), and retailers that we provide services for, there has been a real challenge for them to not be perceived as a commodity. Airtime providers have been trying to differentiate themselves with coverage, quality of service, and different offerings related to content. On the handset side, it's very similar.

So we built Brightpoint's business model around providing different services for network operators, MVNOs, manufacturers, and retailers to help them differentiate their products and services and be a competitive force in the marketplace. Our goal as a company is to provide flexible services that can be customized for the hardware, per the requirements of the consumer, and for how the consumer is going to get that product bundled with the service. We have to bet on the right partners that we believe are going to be the winners in the future. Otherwise, if we don't invest the time in educating new companies coming into the space about Brightpoint and handicapping the industry the right way, we would miss opportunities.

We were also fortunate in predicting the Smartphone trend and aligning ourselves with Smartphone manufacturers like RIM and HTC in addition to leaders including Samsung, Nokia, and Motorola.

On the operator side, we have also been successful in aligning with Telefónica, Vodafone, TeliaSonera, Telenor, Debitel, TracFone, Virgin Mobile, T-Mobile, Sprint, Cricket, and Metro PCS among others.

So our goal is to always align with industry leaders and new entrants on the network operator and hardware side, as well as with new marketers who create innovative ideas for taking airtime and hardware to consumers.

One of the big focus areas for us is the proliferation of the Android mobile operating system. We saw Android as an alternative to a lot of the other operating systems, so we aligned ourselves with Google. Not only were we successful with Google's direct-to-consumer program, but Brightpoint was selected to be the logistics provider to Google for their Nexus One product, which allowed us to be endorsed by Google as the leading supply chain services provider to everyone from Motorola to HTC to Acer and the other players getting involved with Android.

So for new hardware manufacturers who want to take their products to 50 markets around the world in an efficient manner with the best price, quality, and flexibility, they look to Brightpoint as a natural partner.

Do you foresee broadening the global footprint of the brand in the future?

From the 25 countries where we operate, we service 50-plus markets in addition to being a leader in the U.S. We touch about one out of every three handsets sold in the U.S. In Europe, we're in more markets than any of our competitors.

We're also focused on Eastern Europe, Middle East, Africa, Central America, and Colombia. We haven't yet figured out the right recipe to be successful for the risk/reward in Latin America, but we're looking at several opportunities.

In Asia-Pacific, we have operations in Hong Kong, Singapore, India, Australia, and New Zealand. We like our footprint there, but we're not in China, and we're analyzing alternatives to enter that market.

We're in South Africa and Dubai and we're studying ways to expand in the African market as Smartphone penetration goes from today's percentage of 25 to 75 percent over the next three to five years. If Smartphone penetration as a percentage of all devices sold increases, the opportunity to sell our supply chain services increases significantly.

How challenging is it to stay on top of new technology when it is changing and evolving so quickly?

Being the leader and consolidator in our industry, the pure wireless investment on Wall Street, and being able to tell our story over the years has fed upon itself and created huge opportunities for us with the new manufacturers and marketers who are creating the new technologies.

If there is one thing we don't have, it's lack of opportunity. We've been public since 1994 and a leader since 1989, and we have acquired many of our competitors on a global basis. Most people entering this space with new technology or services want access to the consumers through store shelves or direct-to-consumer platforms. In 2010, Brightpoint expects to touch approximately 100 million wireless devices out of a total of 1.2 to 1.3 billion devices that will be sold. New technology developers want access to our platform and our channels, as well as the customization and the services that we provide, because we've already built the railroad that would be cost prohibitive for companies to try to build themselves.

Then our potential partners look at the track records of the customers that we provide services for today, and look at our 30,000 plus B2B customers who represent over 100,000 points of sale, and it's a pretty easy decision to align with Brightpoint.

Going forward, will it be important to be of a certain size and scale to survive? Will niche players be able to compete?

This industry is going to become so complicated with new applications and new uses for wireless devices that you need the ability to provide not only scale and geographic reach, but also the technological capabilities to tie in a wireless number to a desktop behind a firewall for the enterprise user along with tying into the retailer through EDI or the Web sites, and to be able to track all of the proprietary information within the device, while providing mobile device management services like remotely turning the devices off, an important security feature. There are so many permutations of how the device is going to be used that, if you don't have a good balance sheet to invest in new technology and security, then you're going to slip behind quickly.

You also need a proven engine that has been able to deliver and support tens of millions of devices. When you're dealing with technology leaders, they want to ensure that this service level is being delivered by a well-established, credible company that has done it before versus a start-up or a smaller company who may have a good solution in one country in Eastern Europe, Mexico, or India, but hasn't taken it outside of their local market. That gives Brightpoint a competitive advantage.

During the recession of 2008 and 2009, we saw many of our smaller regional competitors go out of business because of deteriorated balance sheets. Several manufacturers also took some heavy bad debt write-offs because our smaller competitors were either undercapitalized, overleveraged, or operating multiple businesses out of the same company where they were invested in real estate or retail.

One of the reasons for our gain in market share over the past two years is because we have had the strongest balance sheet, along with our industry-leading service offerings.

There will always be competitors on a regional basis, but we're confident we will continue to grow market share in the category of wireless devices handled, and we're never going to rest on our laurels.

You have a clearly defined set of values for Brightpoint. How critical have those values been to attracting and retaining talent?

The Brightpoint values – integrity, accomplishment, quality, respect, learning, and community involvement – are critical to our people in the 25 countries in which we operate. We embrace our communities by having our people commit their time to volunteering within them.

We have been awarded the designation as one of *Fortune* magazine's Most Admired Companies several times, and we didn't get that designation by just being a company that was successful in handling devices; it was the community involvement and the values that we try to share with our associates around the world.

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When you have an organization that has good values and is part of the community, it allows us to go out and find the best talent.

We look for people who want to be part of the leading company in a growing industry that has a global organization. We look to bring people in who have different backgrounds and talents, and who are diverse, in order to help develop the people that work at the company now because we want to keep changing.

Our employees need to continue to develop their talents as well and we have a focus on leadership development programs to support them.

Has it been challenging for you to relinquish some of your involvement as the business has grown?

Absolutely. In the late '80s and '90s, I was the salesman, the finance director, and I collected bills and packed boxes – I did what I had to do to please my customers and suppliers.

When we went public in 1994, we had 29 employees, but I did everything just as the other 28 people did.

When we did the IPO, I enjoyed getting to know investors and analysts in the wireless industry, and leaders with new technology on the hardware side and on the operator side, and I had to give up the daily selling and many other duties, but I stayed involved with selling some major customers from 1994 to 2000. I gave up a lot of the operational and finance opportunities, but I assembled a great management team and acquired several companies during the '90s and became a global company.

Did I find it challenging? Yes, but I was too busy doing what I had to do with public offerings in 1994 and 1995, and 1997 and 1998, as well as last year, and along the way, we made some mistakes. We grew too fast in the '90s and we had to do a lot of restructuring from 1999 to 2002, because our market cap went from over \$1 billion in the '90s to only \$10 million in 2002. It was a personal challenge to survive and so I spent my time renegotiating with bondholders, banks, and suppliers and keeping Wall Street interested in Brightpoint.

From 2002 to 2004, the market cap went from \$10 million to more than \$1 billion, and it was personally rewarding because I had kept my global team together.

We then acquired assets of one of our largest competitors in the mid-2000s and, in the late 2000s, acquired our biggest competitor in Europe.

Then we had challenges in integrating the acquisitions or assets of those companies, and continuing to educate all of the associates of those organizations about what it means to be associated with Brightpoint.

As we entered 2010, concerns about Brightpoint's integrations and restructurings, and our balance sheet all ended because we were successful and focused. We have been able to catch our breath a bit, and the good news is, our industry is starting to grow again, and we're growing faster than our industry.

In terms of the embedded base of wireless devices, which is over 4 billion today, our customers have a reason to get a new device that needs new customization and programming, and put it in the hands of their customers with some new permutation or complication that Brightpoint then builds and supports, or has predicted as a service and built it in advance. So when technology changes, we are the default partner to help the retailers, operators, and manufacturers deliver that new device to meet the needs of the consumer and to make it a seamless transaction.

Do you think that Smartphones make it difficult to find a work/life balance today?

Smartphones are a curse personally and a blessing for my industry, because people just can't turn them off.

People get addicted to these devices and always want to update them, so even though we don't have direct relationships with every player in the industry, our industry will always sell over a billion devices a year because the base is so big and the technology keeps changing. ●