

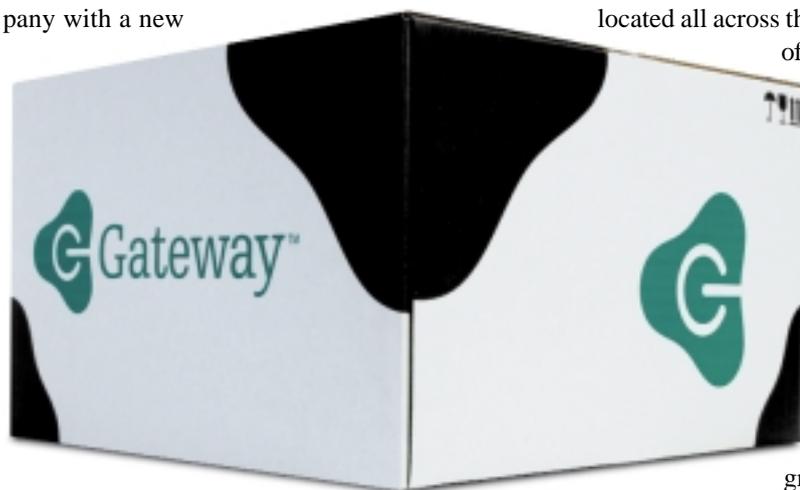


## THE MARKET

For more than a decade, the most recognizable manifestation of the Gateway brand was the company's ubiquitous black and white cow-spotted computer boxes. A frequent sight on both front porches and business loading docks, these boxes cemented Gateway into the public consciousness, and accelerated the company's rise to the top tier of the computer industry. These spotted boxes became such a potent corporate symbol that, in the latter half of the 1990s, Gateway incorporated a stylized version of the PC box into their company logo.

Times, however, change, and Gateway has wisely changed with them. Beginning in the late 1990s, Gateway had already broadened its focus beyond the PC with a variety of "Beyond the Box" offerings such as training and Internet service. With the saturation of the PC market following the Y2K ramp-up, and the overall decline of the global economy in the early 21st century, the need to decouple earnings from PC sales became critical to the company's future growth. The result was a radically different Gateway. Gone were the days when Gateway was simply a manufacturer and marketer of computers. On the consumer side, Gateway became an emerging force in the digital home entertainment market, stocking and/or selling digital photography systems, video cameras, MP3 players, and big-screen plasma televisions through its nationwide network of local Gateway® stores.

On the business and institutional side, Gateway complemented its PCs, notebooks, and servers with an increased emphasis on networking products and integration, eBusiness services, and other productivity enhancing services and add-ons. By the end of 2002, Gateway had become a true digital solutions company with a new



product line, a new outlook, a new logo, and an updated version of its famous cow-spotted boxes. Yet it still maintained the same "people focused" brand values that have become the hallmark of its business operations.

## ACHIEVEMENTS

Perhaps Gateway's most important achievement is its ongoing ability to realign its product focus in response to changing market demands. Over the past 17 years, the company has evolved from a marketer of computer enhancements, to a top-tier PC manufacturer, to a provider of complete digital solutions. Along the way, Gateway has grown into a multibillion-dollar a year company, with stores

located all across the United States. Although often regarded as a consumer company, Gateway has used its solutions-oriented approach to make significant gains in the competitive small and medium business market, to the point where business and institutional sales now account for nearly half of Gateway's total sales. In April 2002, *PC Magazine* recognized Gateway's growing prominence in this

market with its Editor's Choice Award for Small Business Solutions.

Gateway's emerging role as a solutions provider was put to the ultimate test during the 2002 Olympic Winter Games. As the official computer hardware supplier to the Games, Gateway coordinated with software and communications vendors to integrate, deliver, and install over 5,400 fully customized Gateway®

E-Series PCs, Gateway Profile® All-in-One computers, notebooks, and dual processor-ready servers to the

Games. Due to the nature of the Games, Gateway systems were installed in some extraordinarily challenging operating environments. Yet

the Gateway computers turned in a near flawless performance, earning words of high praise from the Salt Lake Olympic Committee, the press, and Gateway's technology partners.

## HISTORY

Gateway was founded in September 1985 when friends Ted Waitt and Mike Hammond set up shop on the Waitt family cattle farm in Sioux City, Iowa. At that point, the PC world was in a state of transition. IBM PCs were emerging as the standard for both business and home, but there was still a large installed base of earlier technologies. When Computerland, one of the top PC retailers at the time, stopped selling parts and services for Texas Instrument (TI) PCs, Waitt and Hammond saw a potentially lucrative market niche. They seized the opportunity, and with a \$10,000 loan from Waitt's grandmother, they began selling mail-order upgrades, parts, and software for TI computers. Waitt and Hammond ran the computer business from one of the farm buildings, taking and shipping orders in the day and often helping to unload cattle at night.

After just a little more than half a year of operations, they outgrew the farmhouse and moved to the historic Sioux City Livestock Exchange Building. By 1987, Gateway had recorded more than \$1.5 million in sales and fully implemented the direct-sales channel philosophy that still fuels its sales today. This direct-channel philosophy was a revolutionary approach at a time when most large PC manufacturers sold through resellers.

In 1988, Gateway ran its first national ad, and the company was rewarded with an 1,100 percent

gain in year-over-year sales. Thanks to this explosive growth, Gateway once again outgrew its company headquarters, and in 1990 the company moved to the wide-open spaces of North Sioux City, South Dakota, where its cow-spotted buildings are still a local landmark.

Gateway became a publicly traded company in 1993 and cracked the Fortune 500. Soon after, it joined the elite ranks of multibillion-dollar computer companies. The first local Gateway store opened in 1996, laying the groundwork for the company's growth as a solutions provider, while its purchase of award-winning server manufacturer ALR in 1997 cemented its commitment to the business and institutional markets. Soon after, Gateway consolidated its corporate and business marketing operations in Southern California, although it still maintains extensive manufacturing, sales, and marketing facilities in South Dakota; along with several other sales, manufacturing, and support offices located throughout Kansas, Colorado, and Virginia; and hundreds of local Gateway stores from coast to coast.

## THE PRODUCT

As would be expected, the Gateway product line of today is vastly different from the product line of 1985. TI computer parts and accessories have faded into the footnotes of history books, to be replaced by products as diverse as thin and light notebook computers and wide-screen plasma televisions. But one common thread has always run



vendors and a nationwide source for high-speed Internet access. Small businesses have come to rely on Gateway for its technology integration and support services, while consumers have discovered that their local Gateway stores are a great source for test driving and purchasing digital cameras, video cameras, MP3 players, wide-screen plasma TVs, and a whole range of other digital accessories.

Nevertheless, Gateway still maintains a strong PC presence. In 2002, the entire product line underwent a complete redesign, resulting in some of the best-performing and best-looking PCs, notebooks, and servers around, as well as dozens of industry awards. The unique Gateway Profile 4, for instance, set new design standards and captured words of praise in venues as diverse as *C/Net* and *The Chicago Tribune*.

## RECENT DEVELOPMENTS

In 2002, Gateway became a full-service electronics retailer, stocking an array of digital devices in its nationwide network of Gateway stores. Gateway also began offering high-speed, broadband Internet access through all of its stores, solidifying its position as a full-service digital technology provider. In recognition of its evolving business focus, Gateway launched a new logo and new branding campaign reflecting the company's added strengths.

## PROMOTION

Gateway's first national magazine ad in 1988 featured the Waitt family cattle farm under the heading "Computers from Iowa?" The juxtaposition of Silicon Valley technology with heartland America contrasted greatly with the competitive ads of the day, and was credited with the sales explosion of 1988. Over the next few years, Gateway engaged in a number of unique — sometimes quirky — ads, often parodying movies and other popular social icons while poking fun at the computer establishment. Sales multiplied as the ads and Gateway's popular "You've got a friend in the

business."® tagline crept into the public consciousness.

But perhaps the most compelling promotional step ever taken by Gateway was the addition of cow spots to its shipping boxes in the early 1990s. The boxes became a conversation piece overnight, providing a constant reminder of the company's defining Midwestern roots and a bountiful source of free word-of-mouth advertising.

Gateway increased its visibility even further when it introduced its first national television spot in 1994. Starting in the late 1990s, the commercials were complemented with shrewd product placements of Gateway® PCs and Gateway-branded merchandise on popular shows such as *E.R.* Today, commercial television is an important element of Gateway's advertising strategies. Its newest spots echo the fun yet informative feel of the Web while still focusing on the

benefits of technology on people's lives.

## BRAND VALUES

From its earliest days, Gateway has positioned itself as a "people first" company — a direct extension of its Midwestern roots. Its mission is to empower people through the use of digital technology. This position has been a constant in Gateway's business efforts and is the very embodiment of the Gateway brand. It extends beyond Gateway's sales and marketing efforts and into local communities across the nation, where Gateway has donated thousands of PCs to Boys and Girls Clubs and other organizations as it works to make the digital revolution accessible to everyone.

## THINGS YOU DIDN'T KNOW ABOUT GATEWAY

- During the 2002 Olympic Winter Games, Gateway employees traveled to Afghanistan to provide e-mail communications between the troops of Operation Enduring Freedom and the athletes in Salt Lake City, Utah. U.S. troops were also able to use the equipment to e-mail loved ones at home.
- The first digital signing of an official document by two world leaders occurred on a Gateway notebook PC, when U.S. President Bill Clinton and Ireland's Prime Minister Bertie Ahern signed an international electronic commerce agreement using a Gateway Solo® 3100 notebook PC.
- Working with Buena Vista University, Gateway helped to create one of the nation's first campus-wide wireless networks.
- Following the 2002 Olympic Winter Games, Gateway donated most of the more than 5,400 Gateway® PCs used for the Games to schools and charities across the United States.

**Be Your Own DJ**

College is all about freedom. You get to pick your own friends, your own food, your own music, make your own choices and have your own digital music. Gateway's digital music products give you the freedom over your life to be the music you want to listen to. Download the latest promotional MP3s, music and more CDs. Put it all on an MP3 player and jam off to class. Gateway has you covered with today's hot new PCs, notebooks, MP3 players, even training courses to help you put it all work together. And hey, you might even be able to see some of the staff for school. :)

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through the Gateway product line: Gateway sells solutions that allow customers to get more out of their technology investment and more out of life.

To do that, Gateway has become much more than a computer company. Certainly, PCs still account for a large part of the company's sales, but Gateway is also one of the nation's top training