

ARI-WE CREATE CONNECTIONS

Our business is to make your business grow

A solution is only as good as the company behind it. That is why we are committed to customer satisfaction, superior value, and innovation. Our Mission: *Be recognized as the leader in creating, marketing and supporting the best solutions that enhance revenue or reduce costs for our customers.* Our Goal is to help make you stronger, enabling you to solve your most important business challenges.

We dedicate ourselves to continually enhancing the value of our solutions, not only the software, but the consulting, training and support. Deep industry experience – with more than 25 years in the business the ARI Team serves over 125 manufacturers and 150 distributors worldwide. Additionally, ARI provides electronic parts catalogs, dealer websites and/or professional marketing services to more than 18,500 dealers worldwide. Our energy, research and development are well informed, engaged and focused. As your long term business partner, we will work with you to ensure that our solutions grow and adapt to changes in your business.

Together we can do more – ARI brings more to this relationship than eCatalogs and eCommerce tools. We bring insight. We bring experience. That is the difference between our industry specific applications and mere automation.

Some individual efforts might produce the appearance of more efficiency... other solutions might produce the illusion of improved performance... but the combined power of our industry relationships ensures that our solutions will meet your needs long term. Together we create connections that specialize in the unique needs of our profession.

Unlock the Power of ARI Today

Today Manufacturers and Dealers have to become more efficient than ever, managing costs in an environment of economic turmoil, increased operational costs and budget cuts. Fortunately ARI's solutions are up to the challenge. Regardless of the size of your organization, it's your people who drive results. Business success depends on providing everyone in your organization – from management and teams to individuals – with access to the information, systems, and tools they need to work at peak performance.

With ARI you can enjoy a seamless integration between your dealership management system, Website, e-Commerce, CRM, Lead Generation, Lead Management, Parts Finder, Inventory and Marketing automation. With our award winning technology built by the profession for the profession, the seamless integration fuels your team's productivity by eliminating double or triple entry of information. You have all the resources you need to maximize your profitability. Don't miss any more opportunities – contact ARI today.

LEAD GENERATION AND MANAGEMENT |

AUTOMATE MUCH OF YOUR SALES & MARKETING ACTIVITY BY DOING MORE WITH LESS.

ARI offers a way to streamline the sales process boosting conversion rates, transaction sizes, and customer loyalty. Streamline the sales process and accelerate the buying cycle, turning more prospects into customers. Whether you're a manufacture or dealership, ARI makes it easy to route, segment, market and work leads from ALL sources.

WEBSITES AND ECOMMERCE |

INTEGRATED ELECTRONIC COMMERCE CREATES SALES OPPORTUNITIES.

ARI is the award winning platform for powering highly personalized, efficient and effective e-commerce sites. As you know, competition among eCommerce websites is fierce. Fortunately, we've put our eCommerce clients at the top of the search rankings, above their competitors, enabling them to bask in high-volume traffic.

ELECTRONIC CATALOGS |

SIMPLIFY: USE RESOURCES WISELY, REDUCE EXPENDITURES, AND IMPROVE EFFICIENCY.

ARI: a trusted name in electronic parts catalogs with a reputation for having the deepest manufacturer relationships and content management system in the industry. We deliver a solution with the power to match your passion, and the adaptability to meet your changing business needs.



LEAD GENERATION & MANAGEMENT |

It's about making things work better, it's about making your life easier.

Bring order to chaos with the visibility and control you need to succeed. ARI enables you to configure the applications based on your unique workflow and we help you get it set up, so you can hit the ground running and benefit from increased conversion rates and revenue.

ARI lets you automate much of your sales & marketing activity. Keep customer interactions consistent across the sales cycle. ARI drives every interaction from a centralized customer profile and interaction repository, so you can leverage what you know about your customers to ensure a satisfying experience at every turn.

ARI helps you build brand strength and customer loyalty by giving you the tools to develop personalized, multi-stage campaigns that closely integrate your website with your eMail blasts. As a result, you can ensure that every campaign is consistent, relevant, and cost effective, while showing your customers that you understand and respect their preferences.

SEE THE STORY
FOCUS YOUR ACTIVITY
CLOSE THE LOOP

WEBSITES AND ECOMMERCE |

It's about making your business more profitable, more efficient, and more successful.

ARI offers web solutions built for rapid installation and ease of use, packaged and priced for companies on a growth path. Designed to help people accomplish more from the start, it is designed to streamline and connect information, processes, and reporting capabilities across your entire organization. And, as you change and grow, ARI offers a cost-effective path for adding functionality and solutions.

ARI specializes in website development and the implementation of the most highly advanced search engine optimization techniques in the industry. With over a decade of Internet marketing experience, combined with our extensive background in the industry, we provide each of our customers with a strategy fully customized for their individual store and brand needs.

Rely on a single mature, highly scalable platform to drive your entire ecommerce operation. Infuse every customer interaction with consistency and relevance; as shoppers move around the Web, eMail, mobile devices, social media, and physical stores.

MORE CONVERSIONS
LARGER TRANSACTION SIZES
STRONGER CUSTOMER LOYALTY

ELECTRONIC CATALOGS |

It's about gaining control over your business and automating critical tasks.

Your customers have needs and desires that need to be met with a variety of content solutions. To help meet this demand ARI provides Parts, Garments and Accessory catalogs. Claim your share of this growing market with a single consistent, integrated platform. ARI increases efficiency, boosts productivity, and strengthens ties that keep customers coming back for more.

Whether you represent one line or multiple lines, ARI offers immense benefits: A single sign on (login) to relevant information helps people focus on their key responsibilities and reduce time spent chasing information. Bottom line - increased revenue.

Electronic catalogs with automated updates, increase the effectiveness of service technicians and parts managers by enabling them to quickly locate relevant information, including pricing and inventory. Improve order accuracy by displaying only the parts information for a particular configuration of equipment and by directly integrating with inventory, procurement and order management processes.

IMPROVE ORDER ACCURACY
INCREASE PARTS REVENUES
REDUCE SERVICE AND SUPPORT COSTS



COMPLETE SOLUTIONS EQUIPPING YOU WITH EVERY ADVANTAGE.



TO OUR SHAREHOLDERS

Last year was a very tough year for many of our valued customers. Manufacturers cut production dramatically, distributors struggled, and dealerships slashed their spending to the bone, with more than a few being forced to lock their doors. Especially hard hit was our new marine and RV vertical, with major manufacturer bankruptcies and restructurings, dealership closings, and plummeting industry sales.

Yet your Company held its own, growing revenues and remaining profitable.

Fiscal Year 2010 in Review: Growth and Investment

Fiscal year 2010 was a good year for ARI, considering the economic environment. Revenues were up 22%, driven mostly by last year's Channel Blade acquisition, but also by growth in our pre-acquisition ARI offerings. New sales were strong, 60% higher than in fiscal 2009, and overall revenues increased in spite of a rise in our customer churn rates.

As an aside, "churn" is new terminology for ARI, but not for the software-as-a-service ("SaaS") industry of which we are a part. In a subscription-based business model, churn refers to the loss of recurring monthly revenues when customers discontinue or reduce their use of our services. Essentially, it is another way of looking at customer retention, but it is focused on monthly recurring revenue, which is a key driver of your Company's value as an investment. SaaS companies like ARI spend a great deal of time and energy designing a business model that relies on recurring subscription revenue and low churn rates.

Reducing churn is a key focus for us. The #1 driver of churn is actually something we can't do anything about: dealer bankruptcies and discontinuations of individual manufacturers' lines. However, we conducted an extensive investigation of the reasons why our churn was up, and as a result, we gained very valuable insights into our customers' needs and value drivers. We have already used those insights to enhance our development and operational plans so we can deliver even greater value to our customers in the future.

We also made significant investments in integration, infrastructure, and innovation during the year that we believe will enable us to increase profits as well as to scale the business more smoothly when the economy returns to growth.

First, we spent a lot of time and energy integrating the Channel Blade acquisition, which gave us the pole position in websites and lead management for the marine and RV vertical. We drove cost out of the business through operational synergies, made progress toward product upgrades and beat our cross-selling target for the year. There is still work to be done in terms of rationalizing the product offering and our multiple data centers, but much of the integration is now behind us.

Second, we made huge strides in the infrastructure area, under our new operational leadership. Nickolo Villanueva, who joined the Company mid-year as Director of Operations, has upgraded staff, injected greater reliability into the server infrastructure, and re-energized our support team. And he's off to a great start on a major project to consolidate our data centers into a world-class third-party hosting service over the next nine months.

In addition, Darin Janecek, our Vice President of Finance, has overhauled his team with an eye to streamlining operations, reducing re-work, and improving internal forecasting and management reporting. We also have new, re-engineered processes for managing receivables, work-in-process, project management, and other functions outside the finance group. And throughout the organization, decision-making authority and accountability for results has been pushed down, resulting in a stronger, more scalable operation.



Finally, our corporate value of “Innovation” has taken center stage in every corner of the business. During the past year, we delivered innovative upgrades to key products, including:

- PartStream™, our market-leading web delivery system for parts catalog content; and
- FootSteps™, our mission-critical lead management system.

Fresh ideas everywhere are fueling new ways of selling and supporting our customers, developing products, and generally managing the business. Clearly, everything we touched last year didn't turn to gold. But despite the economic maelstrom sweeping down on our customers, we grew revenues, stayed profitable and continued to invest in the future.

A Focused, Three-Pronged Growth Strategy

The coming year will be focused around extensions of the same key strategies we pursued last year:

1. Deepening relationships with our existing customer base to foster organic growth;
2. Continually enhancing our core services to foster new sales and subscription renewals; and
3. Refining our organization and processes to drive innovation and efficiency.

The first two pillars of our strategy – deepening customer relationships and continual enhancement of our core services – are clearly inter-related: by knowing our customers, we know what they need from our services. We mentioned above that we have gained deep insights into the various reasons for customer churn (beyond the number one reason, which is dealer bankruptcies, closures and dealers exiting product lines). During the coming year, we have already put in place a series of initiatives to improve utilization, satisfaction, and ultimately, retention:

- Major new product releases, including the ARI Updater Service (which will allow our PartSmart® customers the ability to automatically update the catalog content to which they subscribe over the Internet), WebSiteSmartPro™ 2.0 and Footsteps 3.0, each of which addresses critical needs that our customers have cited;
- Significant technology, staffing, and third-party data acquisition investments in order to publish even more whole goods, parts, and accessories information and do it faster than ever before; and
- The additions of dedicated customer renewal specialists who will pro-actively monitor the results customers are achieving from the use of our services and help them get the most out of them.

But having customers stick around is only part of our agenda. We also want to sell them new value-added services. To that end, we intend to introduce major new product extensions during the year, each of which is characterized by providing higher value to our customers and a higher gross margin, recurring revenue business model to ARI. Watch for these announcements throughout the year.

The third pillar of our strategy is the relentless, perpetual refinement of our organization and business processes. Last year, we undertook a restructuring and business improvement initiative, the fruits of which we expect to reap this coming year in the form of increased efficiency and profitability.

We also pruned the F&I business. Though the acquisition initially appeared to be very promising and we certainly bought the business at a low price point, continued turmoil in the retail credit market and an inability to innovate effectively within the unit caused us to conclude that at least another two years of net investment would be required. Furthermore, it became clear that the business – even if it were to be ultimately successful – would not meet our desired criteria for technology-enabled services: high recurring revenues and gross margins with the ability to scale without a proportional investment in direct labor costs. For all these reasons, we have decided to invest our capital elsewhere.

You can expect that we will continue to refine our organization and processes to drive increased efficiency and profitability throughout fiscal year 2011 and beyond.

Outlook: Improved Profitability in FY2011 and Accelerated Revenue and Profit Growth in FY2012

As a result of our investments in integration, infrastructure, and innovation during this past year, we expect a significant uptick in profits in FY2011, though we expect revenues to grow only modestly. And as a consequence of our strategy to continue to deepen our customer relationships, enhance our core services, and refine our organization and business processes, we expect to drive significant revenue and profit growth in FY2012 and beyond.

Each of us writing this letter is a shareholder just like you – not simply an option holder drawing a salary from your Company. We stand to gain significantly only when the good work of our management and employees translates into shareholder value. We continue to believe that the best way to achieve that is to build a Company with sustainable, growing profits. In short, the path to value lies not through “financial engineering” but through financial performance, which we are committed to delivering.

As always, we thank you for your continued interest and support.



Roy W. Olivier
President and Chief Executive Officer



Brian E. Dearing
*Chairman of the Board of Directors,
Chief Corporate Development and Strategy
Officer, and Interim Chief Financial Officer*

October 29, 2010

Statements in this letter include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act. The forward-looking statements can generally be identified by words such as "believes," "anticipates," "expects" or words of similar meaning. Forward-looking statements also include statements relating to the Company's future performance, such as future prospects, revenues, profits and cash flows. The forward-looking statements are subject to risks and uncertainties, which may cause actual results to be materially different from any future performance suggested in the forward-looking statements. Such risks and uncertainties include those factors described in Item 1a of our Form 10-K for the fiscal year ended July 31, 2010 filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements. For more information, please refer to the Company's filings with the Securities and Exchange Commission.