INSIGHT ENTERPRISES INC
Form 10-K
February 25, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

þ **Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2009

or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________.

Commission File Number: 0-25092
INSIGHT ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**86-0766246**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

6820 South Harl Avenue, Tempe, Arizona 85283
(Address of principal executive offices, Zip Code)
Registrant s telephone number, including area code: **(480) 902-1001**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:
n/a
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.
Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No þ

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing price of the registrant s common stock as reported on The Nasdaq Global Select Market on June 30, 2009, the last business day of the registrant s most recently completed second fiscal quarter, was $436,594,152.

The number of shares outstanding of the registrant s common stock on February 19, 2010 was 45,973,309.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement relating to its 2010 Annual Meeting of Stockholders have been incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K.

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ANNUAL REPORT ON FORM 10-K
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INSIGHT ENTERPRISES, INC.
FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K, including statements in Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of this report, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include: projections of matters that affect net sales, gross profit, operating expenses, earnings from continuing operations, non-operating income and expenses, net earnings or cash flows, cash needs and the sufficiency of our capital resources and the payment of accrued expenses and liabilities; our business strategy and our strategic initiatives; that we will be able to renew our accounts receivable securitization financing facility; that we may be able to negotiate extended payment terms with a supplier; effects of acquisitions or dispositions; projections of capital expenditures and trade credit liability settlements, our business outlook and earnings per share expectations in 2010; plans for future operations; the availability of financing and our needs or plans relating thereto; plans relating to our products and services including, but not limited to, our planned launch of our Software as a Service (SaaS) portal; the effect of new accounting principles or changes in accounting policies; the effect of guaranty and indemnification obligations; projections about the outcome of ongoing tax audits; statements related to accounting estimates, including estimated stock-based compensation award forfeitures and the realization of deferred tax assets; our positions and strategies with respect to ongoing and threatened litigation, including those matters identified in Legal Proceedings in Part I, Item 3 of this report; statements of belief; and statements of assumptions underlying any of the foregoing. Forward-looking statements are identified by such words as believe, anticipate, expect, estimate, intend, plan, will, may and variations of such words and similar expressions, and are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. There can be no assurances that results described in forward-looking statements will be achieved, and actual results could differ materially from those suggested by the forward-looking statements. Some of the important factors that could cause our actual results to differ materially from those projected in any forward-looking statements include, but are not limited to, the following:

- our reliance on partners for product availability, marketing funds, purchasing incentives and competitive products to sell;
- changes in the information technology industry and/or rapid changes in product standards;
- general economic conditions, including concerns regarding our ability to collect our accounts receivable and credit constraints;
- disruptions in our information technology systems and voice and data networks, including our system upgrade and the migration of acquired businesses to our information technology systems and voice and data networks;
- actions of our competitors, including manufacturers and publishers of products we sell;
- stockholder litigation and regulatory proceedings related to the restatement of our consolidated financial statements;
- increased debt and interest expense and lower availability on our financing facilities and changes in the overall capital markets that could increase our borrowing costs or reduce future availability of financing;
- the integration and operation of acquired businesses, including our ability to achieve expected benefits of the acquisitions;
- the variability and seasonality of our net sales and gross profit;
- the risks associated with international operations;
- exposure to changes in, or interpretations of, tax rules and regulations;
- exposure to foreign currency exchange risks;
- failure to comply with the terms and conditions of our public sector contracts;
- our dependence on key personnel; and
- intellectual property infringement claims and challenges to our registered trademarks and trade names.

Additionally, there may be other risks that are otherwise described from time to time in the reports that we file with the SEC. Any forward-looking statements in this report should be considered in light of various important factors, including the risks and uncertainties listed above, as well as others. We assume no obligation to update, and do not intend to update, any forward-looking statements. We do not endorse any projections regarding future performance that may be made by third parties.

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INSIGHT ENTERPRISES, INC.
PART I

Item 1. *Business*

General

Insight Enterprises, Inc. (Insight or the Company) is a leading provider of brand-name information technology (IT) hardware, software and services to small, medium and large businesses and public sector institutions in North America, Europe, the Middle East, Africa and Asia-Pacific. The Company is organized in the following three operating segments, which are primarily defined by their related geographies:

Operating Segment*	Geography	% of 2009 Consolidated Net Sales
North America	United States and Canada	69%
EMEA	Europe, Middle East and Africa	28%
APAC	Asia-Pacific	3%

* Additional detailed segment and geographic information can be found in Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 and in Note 18 to the Consolidated Financial Statements in Part II, Item 8 of this report.

We are a global provider of technology solutions, helping companies design, enable, manage and secure their IT environments with our process knowledge, technical expertise and product fulfillment and logistics capabilities. Our management tools and capabilities make designing, deploying and managing IT solutions easier, and our expertise helps our clients control their IT costs. Insight is located in 22 countries, and we support clients in 190 countries, transacting business in 18 languages and 13 currencies. Currently, our offerings in North America and the United Kingdom include IT hardware, software and services. Our offerings in the remainder of our EMEA segment and in

APAC are almost entirely software and select software-related services. On a consolidated basis, hardware, software and services represented 50%, 44% and 6%, respectively, of our net sales in 2009, compared to 54%, 42% and 4%, respectively, in 2008.

We were incorporated in Delaware in 1991 as the successor to an Arizona corporation that commenced operations in 1988, and our corporate headquarters are located in Tempe, Arizona. We began operations in the U.S., expanded into Canada in 1997 and into the United Kingdom in 1998. In 2006, through our acquisition of Software Spectrum, Inc. (Software Spectrum), we penetrated deeper into global markets in EMEA and APAC, where Software Spectrum already had an established footprint and strategic relationships. In 2008, through our acquisitions of Calence, LLC (Calence) in North America and MINX Limited (MINX) in the United Kingdom, we enhanced our global technical expertise around higher-end networking and communications technologies, as well as managed services and security.

As part of our focus on core elements of our growth strategy, in 2007 we sold PC Wholesale, a seller of IT products to other resellers in the U.S., and in 2006 we sold Direct Alliance Corporation (Direct Alliance), a business process outsourcing provider in the U.S.

Business Strategy

Our strategic vision is to be the trusted advisor to our clients, helping them enhance their business performance through the implementation of innovative technology solutions. With the continual emergence of new technologies and technology solution options in this dynamic and fast-paced industry, we believe clients and partners (we refer to our suppliers as partners) continue to seek technology providers to supply value-added advice to help them identify and deploy IT solutions. As a trusted advisor, we are involved earlier in our clients IT planning cycles, assisting them with technology decisions. We believe that Insight has a unique position in the market and can gain significant, profitable market share and provide enhanced value to our clients. We have a multi-partner approach and excel at providing broad product selection at competitive prices through an efficient supply chain. We have deeper services and solutions capabilities than many of our competitors, we are the only value-added reseller with a multi-national footprint, and our client base covers a broader cross-section of clients small, medium and large businesses and public sector institutions than many of our competitors.

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To further refine our strategic focus and strengthen our execution and operational effectiveness, Insight is focused on six strategic initiatives:

- Strengthen the foundation of our business;
- Accelerate growth of our value-added services and product offerings;
- Expand our client relationships and reach;
- Seize new growth opportunities from new technologies;
- Expand selectively in key global markets; and
- Focus on cost effectiveness and operational execution.

Strengthen the foundation of our business. Hardware and software sales continue to be core to Insight s continued growth and success. Insight s business was built on these offerings and they are the foundation of many of our client relationships today.

Insight s hardware and software capabilities include:

- World-class supply chain management capabilities;
- 5,000+ partnerships with manufacturers and publishers;
- Over $3 billion in virtual inventory and over $80 million in on-hand inventory;
- Telesales, field sales and e-commerce/web capabilities;
- Global software capabilities;
- Dedicated global account managers; and
- Global reporting multi-currency and multi-language.

With current clients, Insight s multi-partner approach, breadth of offerings, quality of supply chain execution, cost competitiveness, and overall ease of doing business will continue to be the heart of our value proposition. We believe we can build on these solid relationships and the confidence our clients have in Insight.

In addition, we continue to invest in our transactional capabilities to maintain a competitive position in the marketplace. A major focus area will be to continually enhance our Insight.com web site to improve the end-user experience and increase the volume of business completed over the web across all client sets. In addition to the web, other focus areas include new, emerging technologies, such as virtualization, collaboration, cloud computing, wireless, security, data center and convergence.

Additionally, we are working closely with our partners to ensure we deliver value to them by increasing their access to target clients. Our goal is to achieve higher sales and profitability levels by aligning more closely with our partners. Our value proposition for our partners includes:

- Access to over 60,000 commercial and public sector clients globally;
- Customizable sales engagement and program models;
- Multi-partner integration and project implementation capabilities;
- 2,500+ technical certifications; and
- Complementary solution services.

Accelerate growth of our value-added services and product offerings. While our foundation has been built on hardware and software sales, we believe there is a strong opportunity for competitive differentiation and greater long-term success by introducing value-added services and solutions capabilities to earn a greater share of our clients IT spend. Our 2008 acquisition of Calence augmented our service and networking capabilities to enable us to provide more sophisticated and higher margin solutions to our clients. We believe these same capabilities will strengthen relationships with key clients and enhance our status as a trusted advisor.

Insight s service capabilities are in three primary categories:

- IT lifecycle services
- Consulting and professional services
- Managed services

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Lifecycle services support our hardware and software capabilities and are often the first, natural add-on in a client relationship. Insight s IT lifecycle services capabilities include:

- Complete integration services, including
  - Simple to advanced configurations
  - ISO-certified labs
  - Image management
- Software asset management
- Managed warranty solutions
- Full equipment, partner-certified depot repair center as well as field repair services
- Deployment services
- Help desk support
- Complete end-of-life asset management, including
  - Asset disposal
  - Redeployment
  - Remarketing

Consulting and professional services help our clients manage and deploy IT assets within their environments to minimize the total cost of ownership. Insight s consulting and professional services capabilities include:

- Strategy, assessment and implementation services around
  - Infrastructure
  - Data Center
  - Security
  - Collaboration
- 1,000+ services professionals
- 2,500+ technical certifications
- A proprietary methodology
- Experienced project management

Managed services include our most advanced capabilities, which enable a client to drive improved efficiency and generate cost savings by outsourcing non-core IT capabilities, thus allowing the internal IT department to focus on more value-add activities. Insight s managed services capabilities currently available in the United States include:

- Services ranging from off-hours monitoring through business process outsourcing
- World-class Network Operations Center (NOC), with
  - 24/7 operations and
  - Best-in-class management tools
- Telecom cost management services
- Help desk support services

Expand our client relationships and reach. Our operating model allows us to tailor offerings based on the size and complexity of our client. Accordingly, we believe that there are many opportunities for Insight to expand our relationships with our existing clients and increase the types of products and services each of our existing clients buys from us.

We also believe there are opportunities for growth by increasing the number of new small- to medium-sized businesses (SMB) and public sector clients in our base. We are addressing these opportunities by continuing to invest in our SMB sales teams in EMEA and APAC and by strengthening the sales teams in North America. Additionally, partially in response to the various fiscal stimulus packages implemented across the globe to re-invigorate economic growth, we have sales teams focused on public sector opportunities in all geographies and have been successful in securing several large supply contracts, particularly in EMEA and APAC.

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Seize new growth opportunities from new technologies. As manufacturers, publishers and service providers develop new technologies and as new ways of buying and supplying technology take hold, we are committed to taking advantage of and leveraging these opportunities. We are building an as-a-service aggregation portal linked to Insight.com which takes advantage of opportunities such as Software as a Service (SaaS). As an aggregator we are designing our portal to enable the procurement, delivery, billing, administration and support of on-demand services, making it easier for a client to leverage the availability of software and services provided through the cloud. We are planning to bring this solution to the market beginning in late 2010.

Expand selectively in key global markets. We will continue to offer global software licensing and asset management, as these global capabilities represent meaningful differentiation with our clients. We will introduce hardware sales and value added services capabilities in select markets based on careful economic analysis and assessment of client needs. This expansion is planned to begin with building capabilities to allow clients to procure hardware in selected countries in Europe. We have been developing the IT systems capabilities in our EMEA operating segment to enable this expansion and plan to begin deployment of this new system in the second half of 2010. The roll out will occur in phases, and we expect a positive contribution to our financial results beginning in 2011. In addition, we plan to expand our partner network in the United Kingdom and Canada (where we currently offer the full suite of Insight capabilities) to further augment capabilities to deliver lifecycle services and our targeted solution practice areas. Further, as hardware capabilities are expanded to other countries, we will evaluate feasibility of further expanding our partner network to deliver lifecycle services and targeted solution practice areas.

In other countries where we will not expand beyond software, we will continue to enhance our software offerings, introducing SaaS solutions, expanding our software services capabilities, and extending our client reach in SMB. In addition, we will maintain our global software capabilities differentiation, although we will continue to look for efficiencies in our approach to ensure we operate profitability in supporting our global clients.

For a discussion of risks associated with international operations, see Risk Factors There are risks associated with our international operations that are different than the risks associated with our operations in the U.S., and our exposure to the risks of a global market could hinder our ability to maintain and expand international operations, in Part I, Item 1A of this report.

Focus on cost effectiveness and operational execution. In order to ensure the effective implementation of our strategic initiatives and to drive enhanced financial results for the Company, we must drive improvements in our daily execution. In addition, we must improve the speed of execution in the organization, which will enhance the client, partner and teammate experience.

We are focused on improving the business intelligence from within our business in addition to intelligence on our client and partner activities. The resulting dashboards will enable us to quickly identify successes as well as areas where focus is needed to improve efficiency, service and value. In addition, we are focused on training and investments to understand and deliver operational excellence. Employee incentive plans are aligned to various key metrics in order to drive continuous improvement.

Hardware, Software and Services Offerings

Hardware Offerings. We currently offer our clients in North America and the United Kingdom a comprehensive selection of IT hardware products. We offer products from hundreds of manufacturers, including such leading manufacturers as Hewlett-Packard (HP), Cisco, Lenovo, IBM, Panasonic and American Power Conversion Corporation (APC). Our scale and purchasing power, combined with our efficient, high-volume and cost effective direct sales and marketing model, allow us to offer competitive prices. We believe that offering multiple partner choices enables us to better serve our clients by providing a variety of product solutions to best address their specific business needs. These needs may be based on particular client preferences or other criteria, such as real-time best pricing and availability, or compatibility with existing technology. In addition to our distribution facilities, we have direct-ship programs with many of our partners, including manufacturers and distributors, allowing us to expand our product offerings without further increasing inventory, handling costs or inventory risk exposure. As a result, we are able to provide a product offering with billions of dollars of products in virtual inventory. Convenience and product options among multiple brands are key competitive advantages against manufacturers direct selling programs, which are generally limited to their own brands and may not offer clients a complete or best solution across all product categories.

Software Offerings. Our clients acquire software applications from us in the form of licensing agreements with software publishers, boxed products, or through a growing delivery model, SaaS. Under a SaaS arrangement, clients subscribe to software that is hosted either by the software publisher or a dedicated third-party hosting company on the internet. The majority of our clients obtain their software applications through licensing agreements, which we believe is a result of their ease of administration and cost-effectiveness. Licensing agreements, or right-to-copy agreements, allow a client to either purchase a license for each of its users in a single transaction or periodically report its software usage, paying a license fee for each user. For most clients, the overall cost of acquiring software through a licensing arrangement is substantially less than purchasing boxed products.

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As software publishers choose different models for implementing licensing agreements, businesses must evaluate the alternatives to ensure that they select the appropriate agreements and comply with the publishers licensing terms when purchasing and managing their software licenses. We work closely, both locally or globally, with our clients to understand their licensing requirements and to educate them regarding the options available under publisher licensing agreements. Many of our clients who have elected to purchase software licenses through licensing agreements have also entered into software maintenance agreements, which allow clients to receive new versions, upgrades or updates of software products released during the maintenance period, in exchange for a specified annual fee. We assist our clients and partner publishers in tracking and renewing these agreements. In connection with certain enterprise-wide licensing agreements, publishers may choose to bill and collect from clients directly. In these cases, we earn a referral fee directly from the publisher.

Services Offerings. We currently offer a suite of IT lifecycle, consulting and professional services in the U.S. and the United Kingdom via our own field service personnel, augmented by service partners to fill gaps in our geographic coverage or capabilities. We also utilize partners to deliver these services in Canada. In addition, we offer managed services in the U.S. Developing these capabilities internally or through targeted acquisitions over time in other geographies is an essential element of a technology solution and, we believe, will be a key differentiator for us.

The breadth and quality of our technical and service capabilities are key points of differentiation for us. We have, and continue to develop, an array of technical expertise and service capabilities to help identify, acquire, implement and manage technology solutions to allow our clients to address their business needs. We don t believe that our competition is able to offer the same breadth and depth of IT solutions that we offer across our target client groups in North America and EMEA.

To strengthen our solutions offerings, we have focused on the following specific solutions/value-added practice areas:

- Infrastructure
- Data Center
- Security
- Collaboration

These technology practice groups are responsible for understanding client needs and, together with our technology partners, customizing total solutions that address those needs. These technology practice groups are made up of industry- and product-certified engineers, consultants and specialists who are up-to-date on best practices and the latest developments in their respective practice areas.

We are a Cisco Gold Certified partner in the United States and the United Kingdom and have Master Certifications in unified communications and security in the United States. Our data center practice in the United States is an HP Authorized Enterprise Provider and holds HP Storage Elite, HP Blade Elite and HP Services Elite partner status. We also have been awarded premier partner status by a number of other partners, such as IBM, EMC and VMware. Our networking and communications solutions provide clients secure voice and data communications within and across organizations.

Infrastructure. Today s networks are becoming increasingly complex. Support for critical enterprise applications and converged communication systems have created unparalleled expectations for network availability and performance. Insight s core networking competency is the architecture and deployment of infrastructure. We offer services to successfully plan, design, implement and support the operation of complex and secure wired and wireless networks. Solution offerings also include network strategy, network assessment and application delivery infrastructure services.

- Network strategy services assist clients in ensuring that their network is positioned to support their business and provides a roadmap to guide investments in people, operations and technology.
- Network assessment services help clients ensure their network is ready to support their business, is designed based on industry best practices and is operating at peak performance.
- Application delivery infrastructure services allow clients to deploy next generation solutions, such as application acceleration, WAN optimization and load balancing, to optimize the performance of critical applications on their networks and better utilize their technology infrastructure.

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We also have the scale, skill and technology investments required to execute a spectrum of managed services. Operating 24 hours a day, 7 days a week and 365 days a year through our network operations center, we serve as an extension of our clients teams, dedicating resources to keep their networks operating at optimal capacity.

Data Center. Using technology and products from various partners, we provide high-end servers, data disk arrays, hard drives, tape libraries, blades, and virtualization software to help clients build and maintain responsive IT infrastructures that allow them to quickly adapt to changes in business priorities. We also provide IT professional services for designing, implementing and managing adaptive server and storage environments for our clients ensuring a resilient and cost-effective data center while reducing the client s maintenance and management costs.

Security. To properly implement a security strategy, a client must first define its risk. From regulatory compliance and business operations to asset protection, threat mitigation and vulnerability identification, a security program is essential to maintaining productivity and profitability. Every organization requires a comprehensive security program and procedures to ensure data integrity, confidentiality and availability. Our security solutions include a range of offerings including: strategy solutions to quantify the skills, methodologies and experience needed for a comprehensive security program; assessment solutions to help clients identify gaps and risks as well as make the right decisions to manage them; security design, implementation and operation services; security compliance solutions to help clients make certain their internal processes are able to repel attempts to breach security; and risk and vulnerability assessments in which security testing is utilized to highlight unmanaged security risks.

Collaboration. Advanced networking technologies that merge voice, data and video applications are increasingly becoming a critical component of an enterprise s strategic IT infrastructure and the backbone of an organization s unified communications strategy. With advanced collaboration technology implementations, we offer our clients an integrated combination of email, chat, audio, video and web conferencing capabilities. These solutions offer a more cost effective answer than traditional audio, video and web conferencing with increased productivity, increased functionality and added security over internet-based solutions as well as the ability for clients to leverage existing investments in IT infrastructure. This practice area also includes unified communications, unified contact center solutions and video solutions.

In addition to these specific solutions/value-added practice areas, we continue to offer clients a suite of services designed to streamline the deployment cycle of IT assets, as well as minimize the complexity and cost of managing those assets throughout their lives. We:

- provide advice on hardware, software licensing and financing programs;
- streamline procurement;
- plan and manage the rollout;
- assist with developing standards and implementing best practices;
- pre-configure systems, load custom software images and tag assets;
- provide logistics planning and drop-ship to locations;
- provide on-site implementation;
- offer help desk support for users; and
- provide IT maintenance services and disposal of equipment at end-of-life.

These services are available primarily in the U.S., Canada and the United Kingdom at present.

In addition, we offer clients a portfolio of Software Asset Management (SAM) services, including SAM consultation, assessment of ISO standard attainment, license reconciliations, and our proprietary Insight:LicenseAdvisor SAM solution platform. Our SAM services are provided to clients throughout North America, EMEA and APAC.

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Our Information Technology Systems

We have committed significant resources to the IT systems we use to manage our business. We believe that our success is dependent upon our ability to provide prompt and efficient service to our clients based on the accuracy, quality and utilization of the information generated by our IT systems. These systems affect our ability to manage our sales, client service, distribution, inventories and accounting systems and the reliability of our voice and data networks. Our U.S. and foreign locations are not on a single IT system platform. To support our business more efficiently and effectively, we are on a continuous improvement plan to maintain our IT systems. We are focused on driving improvements in sales productivity through upgraded IT systems to support higher levels of client satisfaction and new client acquisition, as well as garnering efficiencies in our business as more processes become automated. We are also in the process of converting our EMEA operations to a new IT system platform that will allow us to expand our sales of hardware and services in addition to software to clients in that region to promote future sales growth. We believe that in order to remain competitive, we will need to continue to make enhancements and upgrades to our IT systems.

For a discussion of risks associated with our IT systems, see Risk Factors Disruptions in our IT systems and voice and data networks, including the system upgrade and the migration of acquired businesses to our IT systems and voice and data networks, could affect our ability to service our clients and cause us to incur additional expenses, in Part I, Item 1A of this report.

Competition

The IT hardware, software and services industry is very fragmented and highly competitive. We compete with a large number and wide variety of marketers and resellers of IT hardware, software and services, including:

- product manufacturers, such as Dell, HP, IBM and Lenovo;
- software publishers, such as IBM, Microsoft and Symantec;
- direct marketers and resellers, such as CDW Corporation (North America), Systemax (Europe), SoftChoice, PC Ware and SHI International Corporation;
- systems integrators, such as Compucom Systems, Inc.;
- national and regional resellers, including value-added resellers (VARs), specialty retailers, aggregators, distributors, and to a lesser extent, national computer retailers, computer superstores, Internet-only computer providers, consumer electronics and office supply superstores and mass merchandisers;
- national and global service providers, such as IBM Global Services and HP/EDS; and
- e-tailers, such as New Egg, Buy.com and e-Buyer (United Kingdom).

The competitive landscape in the industry is changing as various competitors expand their product and service offerings. In addition, emerging models such as cloud computing are creating new competitors and opportunities.

For a discussion of risks associated with the actions of our competitors, see Risk Factors The IT hardware, software and services industry is intensely competitive, and actions of our competitors, including manufacturers and publishers of products we sell, can negatively affect our business, in Part I, Item 1A of this report.

Partners

We are focused on understanding our partners objectives and developing plans and programs to grow our mutual businesses. Our strategy is focused on: increasing partner alignment by focusing on skills and marketing alignment with key partners; building enhanced capabilities to deliver, monitor, analyze and report return on marketing investment for our partners; and building strong relationships with our key partners field sales organizations.

We measure partner satisfaction regularly through a partner satisfaction survey in North America and EMEA and through similar means in APAC. We hold quarterly business reviews with our largest partners to review business results from the prior quarter, discuss plans for the future and obtain feedback. Additionally, we host an annual partner conference in North America, EMEA and APAC to articulate our plans for the upcoming year.

During 2009, we purchased products and software from approximately 5,500 partners. Approximately 58% (based on dollar volume) of these purchases were directly from manufacturers or software publishers, with the balance purchased through distributors. Purchases from Microsoft (a software publisher) and Ingram Micro (a distributor) accounted for approximately 24% and 12%, respectively, of our aggregate purchases in 2009. No other partner accounted for more than 10% of purchases in 2009. Our top five partners as a group for 2009 were Microsoft, Ingram Micro, HP (a manufacturer), Cisco (a manufacturer) and Tech Data (a distributor). Approximately 60% of our total purchases during 2009 came from this group of partners. Although brand names and individual products are important to our business, we believe that competitive sources of supply are available in substantially all of our product categories such that, with the exception of Microsoft, we are not dependent on any single partner for sourcing products.

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We obtain partner funding from certain product manufacturers, software publishers and distribution partners based typically upon the volume of sales or purchases of their products and services. In other cases, such funding may be in the form of participation in our partner programs, which may require specific services or activities with our clients, discounts, marketing funds, price protection or rebates. Manufacturers and publishers may also provide mailing lists, contacts or leads to us. We believe that partner funding allows us to increase our marketing reach and strengthen our relationships with leading manufacturers and publishers. This funding is important to us, and any elimination or substantial reduction would increase our costs of goods sold or marketing expenses, resulting in a corresponding decrease in our earnings from operations and net earnings.

During 2009, sales of Microsoft products and HP products accounted for approximately 28% and 15%, respectively, of our consolidated net sales. No other manufacturer s products accounted for more than 10% of our consolidated net sales in 2009. Sales of product from our top five manufacturers/publishers as a group (Microsoft, HP, Cisco, Lenovo and Adobe) accounted for approximately 60% of Insight s consolidated net sales during 2009.

As we move into new service areas, consistent with our strategy to expand our technical expertise, we may become more reliant on certain partner relationships. For a discussion of risks associated with our reliance on partners, see Risk Factors We rely on our partners for product availability, marketing funds, purchasing incentives and competitive products to sell, in Part I, Item 1A of this report.

Teammates

As of December 31, 2009, we employed 4,898 persons, of whom 2,740 were engaged in management, support services and administration activities, 1,979 were engaged in sales related activities, and 179 were engaged in distribution activities. Our employees are not represented by a labor union, and we have never experienced a labor related work stoppage.

For a discussion of risks associated with our dependence on key personnel, including sales personnel, see Risk Factors We depend on certain key personnel, in Part I, Item 1A of this report.

Seasonality

General economic conditions have an effect on our business and results of operations. We also experience some seasonal trends in our sales of IT hardware, software and services. For example:

- software sales are seasonally higher in our second and fourth quarters, particularly the second quarter;
- business clients, particularly larger enterprise businesses in the U.S., tend to spend less in the first quarter and more in our fourth quarter as they utilize their remaining capital budget authorizations;
- sales to the federal government in the U.S. are often stronger in our third quarter; and
- sales to public sector clients in the United Kingdom are often stronger in our first quarter.

These trends create overall seasonality in our consolidated results such that sales and profitability are expected to be higher in the second and fourth quarters of the year. For a discussion of risks associated with seasonality see Risk Factors Our net sales and gross profit have historically varied and include some seasonality, making our future operating results less predictable, in Part I, Item 1A of this report.

Backlog

The majority of our backlog historically has been and continues to be open cancelable purchase orders. We do not believe that backlog as of any particular date is predictive of future results.

Intellectual Property

We do not maintain a traditional research and development group, but we do develop and seek to protect a range of intellectual property, including trademarks, service marks, copyrights, domain name rights, trade dress, trade secrets and similar intellectual property relying, for such protection, on applicable statutes and common law rights, trade-secret protection and confidentiality and license agreements, as applicable, with teammates, clients, partners and others to protect our intellectual property rights. Our principal trademark is a registered mark, and we also license certain of our proprietary intellectual property rights to third parties. We have registered a number of domain names, applied for registration of other marks in the U.S. and in select international jurisdictions, and, from time to time, filed patent applications. We believe our trademarks and service marks, in particular, have significant value, and we continue to invest in the promotion of our trademarks and service marks and in our protection of them.

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Available Information

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the reports of beneficial ownership filed pursuant to Section 16(a) of the Exchange Act are available free of charge on our Web site at www.insight.com, as soon as reasonably practicable after we electronically file with, or furnish to, the Securities and Exchange Commission (SEC). The information contained on our Web site is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K.

Item 1A. ***Risk Factors***

We rely on our partners for product availability, marketing funds, purchasing incentives and competitive products to sell. We acquire products for resale both directly from manufacturers/publishers and indirectly through distributors. The loss of a partner could cause a disruption in the availability of products to us. Additionally, there is no assurance that, as manufacturers/publishers continue to sell directly to end users and through the distribution channel, they will not limit or curtail the availability of their product to resellers like us. In addition, a reduction in the amount of credit granted to us by our partners could increase our need for and cost of working capital and have a material adverse effect on our business, results of operations and financial condition.

Although product is generally available from multiple sources via the distribution channel as well as directly from manufacturers/publishers, we rely on the manufacturers/publishers of products we offer not only for product availability and partner funding, but also for the development and marketing of products to compete effectively with products of manufacturers/publishers we do not currently offer, particularly Dell. Although we have the ability to sell, and from time to time do sell, Dell products if they are specifically requested by our clients and approved by Dell, we do not proactively advertise or offer Dell products.

Certain manufacturers, publishers and distributors provide us with substantial incentives in the form of rebates, marketing funds, purchasing incentives, early payment discounts, referral fees and price protections. Partner funding is used to offset, among other things, inventory costs, costs of goods sold, marketing costs and other operating expenses. Certain of these funds are based on our volume of net sales or purchases, growth rate of net sales or purchases and marketing programs. If we do not grow our net sales over prior periods or if we are not in compliance with the terms of these programs, there could be a material negative effect on the amount of incentives offered or paid to us by manufacturers/publishers. No assurance can be given that we will continue to receive such incentives or that we will be able to collect outstanding amounts relating to these incentives in a timely manner, or at all. We anticipate that, during 2010, the incentives that many partners make available to us may be reduced. Any sizeable reduction in, the discontinuance of, a significant delay in receiving or the inability to collect such incentives, particularly related to incentive programs with our largest partners, HP and Microsoft, could have a material adverse effect on our business, results of operations and financial condition. Additionally, the activities for which resellers are compensated change from time to time. If we are unable to react timely to any fundamental changes in the programs of publishers or manufacturers, including the elimination of funding for some of the activities for which we have been compensated in the past, such changes would have a material adverse effect on our business, results of operations and financial condition.

Changes in the IT industry and/or rapid changes in product standards may result in substantial inventory obsolescence and may reduce demand for the IT hardware, software and services we sell. Our results of operations are influenced by a variety of factors, including the condition of the IT industry, shifts in demand for, or availability of, IT hardware, software, peripherals and services, and industry introductions of new products, upgrades or methods of distribution. The IT industry is characterized by rapid technological change and the frequent introduction of new products, product enhancements and new distribution methods or channels, each of which can decrease demand for current products or render them obsolete. Net sales can be dependent on demand for specific product categories, and any change in demand for or supply of such products could have a material adverse effect on our net sales and/or cause us to record write-downs of obsolete inventory, if we fail to react in a timely manner to such changes. In addition, in order to satisfy client demand, protect ourselves against product shortages, obtain greater purchasing discounts and react to changes in original equipment manufacturers terms and conditions, we may decide to carry relatively high inventory levels of certain products that may have limited or no return privileges. There can be no assurance that we will be able to avoid losses related to inventory obsolescence on these products.

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Our operating results are also highly dependent upon our level of gross profit as a percentage of net sales, which fluctuates due to numerous factors, including changes in prices from partners, changes in the amount and timing of supplier reimbursements and marketing funds, volumes of purchases, changes in client mix, the relative mix of products sold during the period, general competitive conditions, opportunistic purchases of inventory and opportunities to increase market share. In addition, our expense levels are based, in part, on anticipated net sales and the anticipated amount and timing of partner funding. Therefore, we may not be able to reduce spending quickly enough to compensate for any unexpected net sales shortfall, and any such inability could have a material adverse effect on our business, results of operations and financial condition.

General economic conditions, including concerns regarding our ability to collect our accounts receivable and credit constraints, or unfavorable economic conditions in a particular region, business or industry sector, may lead our clients to delay or forgo investments in IT hardware, software and services, either of which could adversely affect our business, financial condition, operating results and cash flow. Weak economic conditions generally or a reduction in IT spending adversely affects our business, operating results and financial condition. A prolonged continued slowdown in the global economy, or in a particular region, or business or industry sector, or prolonged or further tightening of credit markets, could cause our clients to have difficulty accessing capital and credit sources; delay contractual payments; or delay or forgo decisions to (i) upgrade or add to their existing IT environments, (ii) license new software or (iii) purchase services (particularly with respect to discretionary spending for hardware, software and services). Such events could adversely affect our business, financial condition, operating results and cash flow.

The failure of our clients to pay the accounts receivable they owe to us or the loss of significant clients could have a significant negative impact on our business, results of operations, financial condition or liquidity. A significant portion of our working capital consists of accounts receivable from clients. If clients responsible for a significant amount of accounts receivable were to become insolvent or otherwise unable to pay for products and services, or were to become unwilling or unable to make payments in a timely manner, our business, results of operations, financial condition or liquidity could be adversely affected. Economic or industry downturns could result in longer payment cycles, increased collection costs and defaults in excess of management s expectations. A significant deterioration in our ability to collect on accounts receivable could also impact the cost or availability of financing under our accounts receivable securitization program discussed below.

Disruptions in our IT systems and voice and data networks, including the system upgrade and the migration of acquired businesses to our IT systems and voice and data networks, could affect our ability to service our clients and cause us to incur additional expenses. We believe that our success to date has been, and future results of operations will be, dependent in large part upon our ability to provide prompt and efficient service to our clients. Our ability to provide that level of service is largely dependent on the accuracy, quality and utilization of the information generated by our IT systems, which affects our ability to manage our sales, client service, distribution, inventories and accounting systems and the reliability of our voice and data networks and managed services offerings. We have been making and will continue to make enhancements and upgrades to our IT systems. Additionally, certain assumed expense synergies are dependent on migrating acquired businesses to our IT systems. There can be no assurances that these enhancements or conversions will not cause disruptions in our business, and any such disruption could have a material adverse effect on our results of operations and financial condition. The conversion of EMEA to a new IT system platform is intended to enable us to sell hardware and services to clients in that region, and therefore any delay in that implementation or disruption of service during that implementation would have an adverse effect on current results and future sales growth. Further, any delay in the timing could reduce and/or delay our expense savings, and any such disruption could have a material adverse effect on our results of operations and financial condition. Additionally, if we complete conversions that shorten the life of existing technology or impair the value of the existing system, we could incur additional depreciation expense and/or impairment charges. Although we have built redundancy into most of our IT systems, have documented system outage policies and procedures and have comprehensive data backup, we do not have a formal disaster recovery plan. Substantial interruption in our IT systems or in our telephone communication systems would have a material adverse effect on our business, results of operations and financial condition.

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The IT hardware, software and services industry is intensely competitive, and actions of our competitors, including manufacturers and publishers of products we sell, can negatively affect our business. Competition in the industry is based on price, product availability, speed of delivery, credit availability, quality and breadth of product lines, and, increasingly, on the ability to tailor specific solutions to client needs. We compete with manufacturers/publishers, including manufacturers/publishers of products we sell, as well as a large number and wide variety of marketers and resellers of IT hardware, software and services. Product manufacturers/publishers have programs to sell directly to business clients, particularly larger corporate clients, and are thus a competitive threat to us. In addition, the manner in which software products are distributed and sold and the manner in which publishers compensate channel partners like us are continually changing. Software publishers may intensify their efforts to sell their products directly to end-users, including our current and potential clients, and may reduce the compensation to resellers or change the requirements for earning the available amounts. Other products and methodologies for distributing software may be introduced by publishers, present competitors or other third parties. An increase in the volume of products sold through any of these competitive programs or distributed directly electronically to end-users or a decrease in the amount of referral fees paid to us, or increased competition for providing services to these clients, could have a material adverse effect on our business, results of operations and financial condition.

Additionally, we believe our industry will see further consolidation as product resellers and direct marketers combine operations or acquire or merge with other resellers, service providers and direct marketers to increase efficiency, service capabilities and market share. Moreover, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to enhance their product and service offerings. Accordingly, it is possible that new competitors or alliances among competitors may emerge and acquire significant market share. Generally, pricing is very aggressive in the industry, and we expect pricing pressures to continue. There can be no assurance that we will be able to negotiate prices as favorable as those negotiated by our competitors or that we will be able to offset the effects of price reductions with an increase in the number of clients, higher net sales, cost reductions, greater sales of services, which are typically at higher gross margins, or otherwise. Price reductions by our competitors that we either cannot or choose not to match could result in an erosion of our market share and/or reduced sales or, to the extent we match such reductions, could result in reduced operating margins, any of which could have a material adverse effect on our business, res