Insight Enterprises Finds Success
Mixing Internet, Human Advice

By MICHAEL SELZ
Staff Reporter of THE WALL STREET JOURNAL

To appreciate the Internet's potential, consider Insight Enterprises Inc. With the help of its Web site (www.insight.com), which 70% to 80% of its customers visit before making a purchase, Insight has become one of the country's largest direct marketers of computers.

But to grasp the Internet's limitations, look again at Insight. It derives only 12% of its business from unassisted Web sales. To land the rest of its orders, the company employs more than 1,800 salespeople, each of whom may make or take more than 100 phone calls a day.

"The Web is only a tool," says Timothy Crown, Insight's president and co-chief executive officer. "It's not a business model by itself."

For struggling purveyors of computer products, Insight's understanding of both the Internet's strengths and weaknesses offers a valuable lesson. Though the company also is suffering from falling demand and increasing price competition -- the worst of which may be far from over -- its use of the Web to complement rather than replace customer service so far has buoyed its performance.

"I think their model is going to be more effective in any kind of environment," says Brian Alexander, a stock analyst who follows Insight for Raymond James & Associates, St. Petersburg, Fla.

Insight, based in Tempe, Ariz., reported net income for the fourth quarter rose 52% to $14.4 million, or 35 cents a diluted share, from $9.5 million, or 23 cents a share, a year earlier. Sales for the period rose 31% to $545.3 million from $417.9 million.

Insight's stock fell 56 cents to $20.56 in Nasdaq Stock Market trading Monday at 4 p.m., below its 52-week high of $43.42.

Many competitors have fared much worse. Buy.com Inc. and Cyberian Outpost Inc., pure Web retailers that counted more heavily on the Internet to sell computers, are reporting losses. Sales have fallen at such computer superstores as CompUSA, a unit of Mexico's Grupo Carso SA. Even deft direct marketer Dell Computer Corp. announced plans to lay off 1,700 employees.

Overall, personal-computer shipments at Insight and similar companies (classified as third-party Internet "telesales") that use the Web to support a telemarketing and customer-service staff rose 27% last year, faster than that of any other distribution channel, according to International Data Corp., an industry research company.

Selection, inventory control, and delivery speed also have contributed to those results. Insight offers 130,000 different products. More than 70% of those sold in the U.S. and Canada are shipped directly from
manufacturers or such big distributors as **Ingram Micro** Inc. and **Tech Data** Corp. Insight's so-called virtual stock reduces holding costs and write-offs of unsold goods that traditional computer retailers often suffer.

Insight and such peers as **CDW Computer Centers** Inc. and **PC Connections** Inc. "have become superefficient at aggregating products of many vendors and fulfilling orders in 24 hours," says Joseph Rigoli, an International Data analyst. "They add a significant amount of value to the procurement process."

Founded in 1988 by Tim Crown and his brother, Eric, who serves as chairman and co-chief executive, Insight now sells annually more than $2 billion of computers, software, networking equipment and other devices mainly to U.S. businesses with 50 to 1,000 employees. To win customers in an increasingly competitive market, it combines the convenience of the Web with personal attention from account managers such as John Mitchell.

Previously a labor-relations manager at a marine terminal, Mr. Mitchell after a month or so of training received a desk, computer and phone in a room resembling the floor of a brokerage firm. With a prospect list he and Insight developed, he began making cold calls. When he needed help, he consulted the salesman seated next to him: a former college roommate whom Insight hired three years earlier. (With turnover of new recruits running more than 50% in the first year, they now are assigned to a mentor.)

Today, Mr. Mitchell, whose pay is tied to the gross profit of his sales, arrives at his desk in Tempe as early as 6 a.m. to tend to 100 accounts, mainly in the Northeastern U.S. He has created for most of his clients a custom Web page that allows them to do anything that he can. At the site, they can peruse products, note technical specifications and special promotions, check availability, track existing orders or place new ones that average $1,300 each, and pay with a credit card.

While 20% of Mr. Mitchell's customers place orders themselves, others prefer Mr. Mitchell to handle personally the entire transaction. Even some of his most technologically savvy clients often treat him as a consultant. On a busy day, as a result, he may write or receive 100 e-mail messages.

The management-information systems department at Dubois Regional Medical Center, Dubois, Pa., speaks to Mr. Mitchell "all the time," says the department's head, Thomas Johnson. The topics of recent conversations: getting a better deal on two servers and finding devices that control hard drives.

Insight's mix of automation and human advice "is refreshing and rewarding," says Mr. Johnson, whose employer has purchased more than $1 million of goods from Insight since responding in 1998 to one of Mr. Mitchell's electronic marketing brochures. The account manager tries to set aside two hours a day to develop new business. While he is an active user of his custom Web site, Mr. Johnson says, "when I need him, John Mitchell is there."

**Write to** Michael Selz at michael.selz@wsj.com

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