SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

OR

[ ] 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: 0-25790

PC MALL, INC.

(Exact name of registrant as specified in its charter)

Delaware	95-4518700
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2555 West 190th Street, Suite 201
Torrance, CA 90504
(address of principal executive offices)

(Registrant's telephone number, including area code): (310) 354-5600

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value $0.001 Per Share

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 [x] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the 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. [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes [ ] No [x]

As of June 30, 2003, the aggregate market value of the Common Stock held by non-affiliates of the Registrant was approximately $31.9 million. The number of shares outstanding of the Registrant's Common Stock as of March 29, 2004 was 10,871,199.

Documents incorporated by reference into Part III:

Portions of the Proxy Statement for the Registrant's 2004 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after the Registrant's fiscal year end of December 31, 2003 are incorporated by reference into Part III of this Report.

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PART I

ITEM 1. BUSINESS

General

PC Mall, Inc. ("PC Mall"), formerly IdeaMall, Inc. and Creative Computers, Inc., together with its subsidiaries (the "Company"), founded in 1987, is a rapid response direct marketer of computer hardware, software, peripheral, electronics, and other consumer products. The Company offers products to business, government and educational institutions as well as individual consumers through dedicated outbound and inbound telemarketing sales executives, the Internet, direct marketing techniques, direct response catalogs, a direct sales force, and three retail showrooms. The Company offers a broad selection of products through its distinctive full-color catalogs under the PC Mall, MacMall, ClubMac, PC Mall Gov, and eCOST.com brands, its worldwide Web sites on the Internet: pcmall.com, macmall.com, clubmac.com, pcmallgov.com and ecost.com, and other promotional materials. The Company believes that its rapid response service and its broad product selection result in customer loyalty and repeat customer orders. The Company also operates OnSale.com, an online marketplace and auction, which was formally launched in October 2003.

In September 1997, PC Mall formed a wholly-owned subsidiary, uBid, Inc. ("uBid"), to sell computer-related products and consumer electronics through an auction format on the Internet. On December 9, 1998, uBid completed an initial public offering of 1,817,000 shares of its Common Stock. Upon completion of this offering, PC Mall owned 80.1% of the outstanding Common Stock of uBid. On June 7, 1999, PC Mall divested its ownership in uBid by means of a tax-free distribution of all of its remaining 7.3 million shares of uBid Common Stock to PC Mall's stockholders of record as of May 24, 1999. In April 2000, uBid was acquired by CMGI.

In February 1999, PC Mall formed eCOST.com as a wholly-owned subsidiary. eCOST.com is a multi-category Internet retailer of new, refurbished, and close-out computer products, consumer electronics, digital imaging products, home and houseware products, watches and jewelry, and other consumer products. eCOST.com offers a broad selection of name-brand products, most of which are sold at competitive prices plus itemized fees for handling, processing and shipping the order.

During 2000, the Company shifted its strategy to focus primarily on its outbound telemarketing operations. Accordingly, the Company changed its operating strategy for eCOST.com, emphasizing profitability over growth.

During 2002, the Company completed two acquisitions. In April 2002, the Company acquired substantially all of the assets of Pacific Business Systems, Inc. ("PBS"), a privately held direct marketer of computer products to businesses and consumer customers under the ClubMac and PBS brands. The Company operates the acquired business as ClubMac. In July 2002, the Company completed the acquisition of substantially all of the assets of Wareforce, Inc. ("Wareforce") through a United States Bankruptcy proceeding under Chapter 11 of the United States Bankruptcy Code. The Company considers ClubMac and Wareforce to be part of its Core Business segment. Also during 2002, the Company formed a new subsidiary, PC Mall Gov, Inc., to focus on the public sector market, and hired an experienced public sector technology sales executive to lead the entity's operations.

In June 2002, the Company formed Onsale, Inc. as a wholly-owned subsidiary. The Company acquired the URL and software that operated the original OnSale.com website for approximately $0.4 million through bankruptcy proceedings of Egghead in December 2002. In October 2003, the Company formally launched OnSale.com, an online marketplace including auctions. The OnSale.com website has been rebuilt on a technology platform using the latest .NET solutions. As of December 31, 2003, the Company has invested approximately $0.8 million in capital expenditures and software development costs in connection with its OnSale.com business. As OnSale.com is a marketplace service, and is not itself a seller of the products sold on its website, the Company expects that in the foreseeable future, revenue through OnSale.com will be immaterial.

The Company operates in three reportable segments: 1) a rapid response supplier of technology solutions for business, government and educational institutions as well as consumers, comprised of Corporate, Public Sector, Inbound Catalog and other sales, collectively referred to as the "Core Business", 2) a multi-category Internet retailer of new, refurbished and close-out products under the eCOST.com brand, and 3) an online marketplace/auction business under the OnSale.com brand. Beginning in the first quarter of 2003, the Company integrated its eLinux segment into the Core Business segment. The OnSale segment, which was previously reported as part of the Core Business, was established as a new segment beginning in the third quarter of 2003, and prior period segment amounts have been adjusted to reflect the new presentation. The Company allocates resources to and evaluates the performance of its segments based on operating income. Corporate expenses are included in the Company's measure of segment operating income for management reporting purposes.

Strategy

The Company's strategy is to be a leading rapid response direct marketer of a broad range of computers, software and related technology products and solutions to business, government and educational institutions, and individual consumers. Specific elements of the Company's operating strategy include:

Continued Development of Outbound Telemarketing. During 2003, the Company continued to intensify its Outbound telemarketing efforts to focus on the under-served small and medium business ("SMB") market, as well as large business (enterprise), government and education markets. The Company believes that its inherent cost efficiencies and its purchasing power with key vendors provide it with competitive advantages and growth opportunities to acquire market-share from small Value-Added Resellers ("VARs"). The Company's strategy is to expand its Outbound telemarketing sales executive workforce. To this end, during 2003, the Company continued to hire experienced Outbound telemarketing executives to manage this initiative and expand the Outbound telemarketing sales executive workforce. In June 2003, the Company opened a new Outbound telemarketing sales office located in Canada to access an abundant, highly educated labor pool and to obtain cost advantages from a government labor subsidy that extends through the end of 2007. The Company also focused on the development of its Outbound telemarketing executives through its comprehensive training program. The Company expects to continue to invest in new tools and training to develop its Outbound telemarketing sales operation.

Focus on Sales of Enterprise Products. The Company continues to focus on sales of enterprise products such as networking, servers, storage and volume licensing, as these products represent high growth segments of the enterprise market. The Company is authorized or otherwise has the ability to sell Cisco, EMC, HP, IBM, Microsoft, Network Associates and other name brand products. The Company is also authorized to sell Microsoft contractual licenses to large enterprise customers. The Company also enhanced its ability to support enterprise products during 2003 by launching new tools, such as software license asset management, to simplify software license tracking.

Leverage Macintosh Market Position. Throughout 2003, the Company continued to be a leading rapid response direct marketer of Apple products. The Company believes that its Apple leadership position provides opportunities to acquire new commercial customers as well as penetrate existing customers. The Company's sales of Apple-related products in 2003 were $317.6 million, an increase of $12.7 million, or 4%, compared to $304.9 million in 2002. The Company's PC Mall Gov subsidiary also received authorization to sell Apple products on the GSA schedule to federal government customers in April 2003. During 2003, the Company published 14 editions of its MacMall catalog with a circulation of 22.9 million copies, an 8% decrease from the prior year's 24.8 million circulation and a 23% decrease from the 29.7 million copies circulated in 2001. The decrease in MacMall catalog circulation was due to the Company's intensified outbound telemarketing effort, which is less dependent on catalog circulation.

Increased Relationship-Based Selling. The Company's sales executives are highly trained in relationship building with their customers and are continuously coached to offer higher levels of service. The Company is committed to relationship-based selling. Each sales executive is trained and empowered to handle all customer needs, including ongoing customer service and returns-related issues. Additionally, sales executives bring other expertise to bear as needed from within the Company, including Apple, Cisco, Computer Associates, EMC, HP, Microsoft Windows Server specialists (MCSE) certified technicians, and Novell-trained Certified Network Engineers (CNE).

Leverage of Internet Expertise. The Company considers itself a leader in Internet e-commerce innovation and intends to continue enhancing its leadership position on the Internet. The Company was among the first to enter the Internet auction space with its ubid.com web site. uBid completed a successful initial public offering in December 1998, and the Company subsequently distributed to its stockholders all of its remaining shares of uBid in June 1999.

In March 1999, the Company launched the eCOST.com web site, which offers a broad selection of name-brand products, many of which are sold at discount prices. Customers are provided an itemized description of the fees associated with processing their orders, including a handling and processing fee, and a shipping fee.

In October 2003, the Company launched its latest Internet venture, OnSale.com, an online auction and marketplace Website. OnSale.com provides Internet sellers an alternative site to market products. Over time, OnSale.com intends to provide customers with sophisticated marketing services and technology. Also in 2003, the Company expanded its use of "Corporate Access Pages" or CAP sites, which are custom extranet-based dedicated web sites that allow customers to perform routine tasks online and gives account executives increased time for acquiring new customers.

Penetration of the Public Sector Market. In April 2002, PC Mall formed PC Mall Gov, Inc. ("PC Mall Gov"), a wholly owned subsidiary, and hired an experienced public sector technology sales executive to lead its public sector sales efforts. Public sector sales are one of the fastest growing categories, and the Company believes that PC Mall Gov's efficiency is well suited to support the procurement model of the government and education buyer. PC Mall Gov intends to establish a larger presence in the federal government market. To this end, in 2003 PC Mall Gov expanded its sales office in the Washington D.C. area and obtained authorization to sell Apple and HP products on the GSA schedule to government customers.

Marketing and Sales

The Company designs its various marketing programs to attract new customers and to stimulate additional purchases by previous customers. The Company employs Outbound telemarketing sales techniques to establish new customer relationships with businesses, selectively mails catalogs to prospective customers and advertises on the Internet and in major computer user magazines such as Computer Shopper, Federal Computer Week, Government Technology, Mac Addict, Mac Home, Mac Today, MacWorld and others. In addition, the Company obtains the names of prospective customers through selected mailing lists acquired from various sources, including manufacturers, suppliers and computer magazine publishers. The Company sells its products to business, government and educational institutions, as well as individual consumers, primarily within the United States of America.

The Company utilizes third-party software designed to manage marketing campaigns using different media channels and to optimize campaigns through advanced data mining techniques. The software combines these optimization techniques with multiple models to more effectively match offers to individuals and businesses to provide the most profitable results.

Outbound and Inbound Telemarketing. The Company believes that much of its success has come from the quality and training of its sales executives. Sales executives are responsible for assisting customers in purchasing decisions, answering product pricing and availability questions and processing product orders. Sales executives also have the authority to vary prices within specified parameters in order to meet prices of competitors. In addition, sales executives undergo an initial sales training program focusing on use of the Company's systems, product offerings and networking solutions, sales techniques, phone etiquette and customer service. Sales executives also attend regular training sessions to stay up-to-date on new products. Sales executives staff the Company's toll-free order lines 24 hours a day, seven days a week. Customer service and technical support personnel assist inbound and Outbound telemarketing sales executives. The Company's phone and computer systems are used for order entry, customer tracking and inventory management. During 2003, the Company shipped approximately 621,000 inbound and Outbound telemarketing orders with an average order size of $1,084. This compares to approximately 612,000 inbound and Outbound telemarketing orders with an average order size of $912 in 2002.

Catalogs. The Company published 13 editions of its PC Mall catalog during 2003 and distributed approximately 10.4 million PC Mall catalogs, a decrease of 5% compared to 11.0 million catalogs distributed in 2002. The Company published 14 editions of its MacMall catalog in 2003 and distributed approximately 22.9 million catalogs, a decrease of 8% compared to the 24.8 million catalogs distributed in 2002. Active PC Mall and MacMall customers receive a catalog several times a year depending upon purchasing history, and the Company includes a catalog with most orders shipped, as well as special promotional flyers and manufacturers' product brochures. The Company also published and distributed ClubMac, eCOST.com, Mac Software and PC Mall Gov catalogs in 2003, totaling an additional 39 editions, approximately 7.7 million catalogs.

The Company creates all of its catalogs in-house with its own design team and production artists using a Macintosh-based desktop publishing system. The in-house preparation of the catalogs streamlines the production process, provides greater flexibility and creativity in catalog production, and results in significant cost savings over outside production.

The Internet. The Company operates several worldwide web sites on the Internet, including pcmall.com, macmall.com, clubmac.com, pcmallgov.com, ecost.com and onsale.com. The Company offers many advanced Internet features such as on-line ordering, access to inventory availability and a large product selection with detailed product information. The Company also maintains and operates an extranet for its corporate customers, called "Corporate Access Pages" or CAP sites. CAP sites provide custom catalogs and online purchasing channels for corporate customers and their employees. CAP sites enhance sales productivity by allowing customers to perform routine tasks online, freeing the account executive's time for acquiring new customers. Sales generated through the Internet have grown rapidly for the Company as it offers its customers a convenient means of shopping and ordering its products. The Company's web sites also serve as another source of new customers. In 2003, the Company shipped approximately 768,000 Internet-related orders, a 30.8% increase over the 587,000 Internet orders shipped in 2002.

Vendor Supported Marketing. The Company sells advertising space in the Company's catalogs and on the Company's Internet sites, and provides vendor supported Outbound telemarketing campaigns. These advertising sales generate revenues that offset a substantial portion of the expense of publishing and distributing the catalogs. The Company also develops marketing campaigns designed to maximize product sales.

National Off-Page Advertising. The Company attracts new catalog customers and generates orders through large multi-page color advertisements in major publications such as Computer Shopper, Federal Computer Week, Government Technology, MacWorld, Mac Home, Mac Today, and Mac Addict. During 2003, the Company purchased 186 pages of magazine advertising.

Corporate Sales. The specific needs of corporate buyers are fulfilled through a combination of inbound and Outbound telemarketing sales force, as well as a direct sales force through the Company's CCIT and Wareforce subsidiaries. The Company's sales staff builds long-term relationships with corporate customers through regular phone contact and personalized service. Corporate customers may choose from several purchase or lease options for financing product purchases, and the Company extends credit terms to certain corporate customers.

Customer Return Policy. The Company offers a limited return policy on a number of its products, subject to vendor terms and conditions. Returns are monitored to identify trends in product acceptance and defects, to enhance customer satisfaction and to reduce overall returns.

Products and Merchandising

The Company offers hardware, software, peripherals, components and accessories for users of computer products, as well as electronics equipment and other consumer products. The Company screens new products and selects products for inclusion in its catalogs and web sites based on features, quality, sales trends, price, margins, cooperative/market development funds and warranties. The Company offers its customers other value-added services, such as the ability to purchase systems that have been specifically configured to meet the customer's requirements. Through frequent mailings of its catalogs and e-mails to its customers, the Company is able to quickly introduce new products and replace slower selling products with new products.

The following table sets forth the Company's net sales by major product category as a percentage of total net sales for the periods presented.

	Year Ended December 31,		
	2003	2002	2001
Computer systems	36.8%	36.9%	39.0%
Peripherals, components and accessories	42.2	42.1	45.5
Software	12.3	12.1	10.4
Other (1)	8.7	8.9	5.1
Total	100.0%	100.0%	100.0%

(1) Other consists primarily of other electronic products, income from configuration charges, sales of extended warranties, and other consumer products.

Computer Systems. The Company offers a large selection of desktop, laptop and server systems from leading manufacturers including Apple, HP, IBM, Sony, Toshiba and others.

Peripherals, Components and Accessories. The Company offers a large selection of peripheral and component products from manufacturers such as 3Com, Apple, Canon, Cisco, EMC, Epson, HP, IBM, Iomega, Kingston, NEC/Mitsubishi, Sony, Viewsonic and Xerox. Peripherals and components include printers, monitors, data storage devices, add-on circuit boards, connectivity products and communications products. The accessories offered by the Company include a broad range of computer-related items and supplies such as toner, ink cartridges, magnetic tape, cables and connectors.

Software. The Company sells a wide variety of software packages in the business and personal productivity, enterprise, utility, language, graphics and video editing categories, including word processing, spreadsheet and database software. The Company offers a large number of software programs and licenses from established vendors, such as Adobe, Apple, Computer Associates, Filemaker, Intuit, Lotus/IBM, Macromedia, Microsoft, Network Associates, Quark, and Symantec, as well as numerous specialty products from new and emerging vendors.

Purchasing and Inventory

The Company believes that effective purchasing is a key element of its business strategy to provide name brand computer products and related software and peripherals at competitive prices. The Company believes that its high volume of sales results in increased purchasing power with its primary suppliers, resulting in volume discounts, favorable product return policies and vendor promotional allowances. During 2003, the Company purchased products from over 1,200 vendors. During 2003, 2002 and 2001, products manufactured by Apple represented approximately 20.4%, 23.1% and 24.1% of net sales, respectively. Products manufactured by HP accounted for 20.9% of net sales in 2003, 17.8% of net sales in 2002 and 17.3% of net sales in 2001. The Company is also linked electronically with eleven distributors or manufacturers, which allows account executives to view distributor product availability online and drop-ship product directly to their customers. The benefits of this program include reduced inventory carrying costs, higher order fill rates, and improved inventory turns.

Most key vendors have agreements to provide market development funds to the Company, whereby such vendors fund portions of the cost of catalog publication and distribution based upon the amount of coverage given in the catalogs for their products. Termination or interruption of the Company's relationships with its vendors, or modification of the terms of or discontinuance of the Company's agreements with its vendors, could adversely affect the Company's operating results. The Company's success is dependent in part upon the ability of its vendors to develop and market products that meet the changing requirements of the marketplace. As is customary in the industry, the Company has no long-term supply contracts with any of its vendors. Substantially all of the Company's contracts with its vendors are terminable upon 30 days' notice or less.

The Company attempts to manage its inventory position to generate the highest level of customer satisfaction possible while limiting inventory risk. The Company's average annual inventory turns were 15.1 times in 2003, 18.6 times in 2002 and 18.9 times in 2001. Inventory levels may vary from period to period, due in part to increases or decreases in sales levels, the Company's practice of making large-volume purchases when it deems the terms of such purchases to be attractive and the addition of new manufacturers and products. The Company has negotiated agreements with many of its vendors that contain price protection provisions intended to reduce the Company's risk of loss due to manufacturer price reductions. The Company currently has such rights with respect to products that it purchases from Apple, HP, IBM and certain other vendors; however, such rights vary by product line, have other conditions and limitations, and can be terminated or changed at any time.

The market for computers, computer products, peripherals, software and electronics is characterized by rapid technological change and a growing diversity of products. The Company believes that its success depends in large part on its ability to identify and obtain the right to market products that will meet the changing requirements of the marketplace and to obtain sufficient quantities of product to meet changing demands. There can be no assurance that the Company will be able to identify and offer products necessary to remain competitive or avoid losses related to excess or obsolete inventory.

Backlog

The Company's backlog generally represents open cancelable orders. The Company does not believe that backlog is useful for predicting future sales.

Distribution

The Company operates a full-service 212,000 square foot distribution center in Memphis, Tennessee and a 20,454 square foot warehouse facility in Irvine, CA. The Memphis warehouse, the Company's primary distribution center, is strategically located near the Federal Express main hub in Memphis, which allows most orders of in-stock products accepted by 10:00 p.m. Eastern Standard Time to be shipped for delivery by 10:30 a.m. the following day via Federal Express, if requested by the customer. Upon request, orders may also be shipped at a lower cost using other modes of transportation such as United Parcel Service Delivery. The Irvine warehouse primarily functions as a custom configuration and distribution center for Wareforce's corporate customers. The Company believes that its existing distribution facilities are adequate for its current needs.

When an order is entered into the Company's systems, an automated credit check or credit card verification is performed, and if approved, and the product is in stock, the order is electronically transmitted to the warehouse, where a packing slip is printed for order fulfillment. All inventory items are bar coded and located in computer-designated areas which are easily identified on the packing slip. All orders are checked with bar code scanners prior to final packing to ensure that each order is packed correctly.

The Company also has electronic purchasing and drop shipping systems for products that are not in stock at its distribution centers. Eleven distributors or manufacturers are linked electronically to provide inventory availability and pricing information. The Company transmits an electronic order for immediate shipment via an electronic interchange (EDI) to the selected distributor after considering inventory availability, price and location. This capability allows the Company to ship a high percentage of orders on the same day that they are received.

Management Information Systems

The Company has committed significant resources to the development of sophisticated computer systems that are used to manage its business. The Company's computer systems support telemarketing, marketing, purchasing, accounting, customer service, warehousing and distribution, and facilitate the preparation of daily operating control reports which provide concise and timely information regarding key aspects of its business. The systems allow the Company to, among other things, monitor sales trends, make informed purchasing decisions and provide product availability and order status information. In addition to the main computer systems, the Company has systems of networked personal computers. The Company also applies its management information systems to the task of managing its inventory. The Company believes that in order to remain competitive it will be necessary to upgrade its management information systems on a continuing basis.

The Company's success is in part dependent on the accuracy and proper utilization of its management information systems and its telephone system. In addition to the costs associated with system upgrades, the transition to and implementation of new or upgraded hardware or software systems can result in system delays or failures. The Company currently operates its management information systems using a HP3000 Enterprise System. Hewlett-Packard has indicated that it will support this system until 2006, by which time the Company expects that it will need to seek third party support for such systems or upgrade the Company's management information systems hardware and software. Any interruption, corruption, degradation or failure of the Company's management information systems or telephone system could impact its ability to receive and process customer orders on a timely basis.

Retail Computer Showrooms

The Company currently operates three retail computer showrooms, located in Santa Monica and Torrance, California, and Memphis, Tennessee that are targeted at high-end consumers and small businesses residing in the local area.

Competition

The retail business for personal computers and related products is highly competitive. The Company competes with other direct marketers, including CDW, Insight Enterprises and PC Connection. In addition, the Company competes with computer retail stores and resellers, including superstores such as Best Buy and CompUSA, certain hardware and software vendors such as Dell Computer and Gateway that sell directly to end users, and other direct marketers of hardware, software and computer-related products. Barriers to entry are relatively low in the direct marketing industry and the risk of new competitors entering the market is high. The markets in which the Company's retail showrooms operate are also highly competitive.

The manner in which personal computers, software and related products are distributed and sold is changing, and new methods of sales and distribution have emerged. Technology now allows software vendors the ability to sell and download programs directly to consumers, if so desired. In addition, in recent years the industry has generated a number of new, cost-effective channels of distribution such as computer superstores, consumer electronic and office supply superstores, national direct marketers and mass merchants. Computer resellers are consolidating operations and acquiring or merging with other resellers to achieve economies of scale and increased efficiency. In addition, traditional retailers have entered and may increase their penetration into the direct mail channel. The current industry reconfiguration and the trend toward consolidation could cause the industry to become even more competitive, further increase pricing pressures and make it more difficult for the Company to maintain its operating margins or to increase or maintain the same level of net sales or gross profit.

Although many of the Company's competitors have greater financial resources than the Company, the Company believes that its ability to offer consumers and businesses a wide selection of products, at competitive prices, with prompt delivery and a high level of customer service, together with its good relationships with its vendors and suppliers, allow it to compete effectively. There can be no assurance that the Company can continue to compete effectively against existing or new competitors that may enter the market. The Company believes that competition may increase in the future, which could require the Company to reduce prices, increase advertising expenditures or take other actions that may have an adverse effect on the Company's operating results.

Employees

As of December 31, 2003, the Company had 1,386 full-time employees. The Company emphasizes the recruiting and training of high-quality personnel and, to the extent practical, promotes people to positions of increased responsibility from within the Company. Many employees initially receive training appropriate for their position, followed by varying levels of training in computer technology, communication and leadership. New account executives participate in an intensive sales training program, during which time they are introduced to the Company's philosophy, available resources, products and services, as well as basic and advanced sales skills. Training for specific product lines and continuing education programs are conducted on a regular basis, supplemented by vendor-sponsored training programs for all sales executives and technical support personnel.

The Company's employees are generally compensated on a basis that rewards performance and the achievement of identified goals. For example, sales executives receive compensation pursuant to a commission schedule that is based primarily upon gross profit dollars generated from their sales efforts. The Company believes that these incentives positively impact its performance and operating results.

The Company considers its employee relations to be good. None of the Company's employees is represented by a labor union, and the Company has experienced no work stoppages.

Since its formation, the Company has experienced rapid growth. As a result of this growth, the Company has added a significant number of employees and has been required to expend considerable effort in training these new employees.

Risks Related to International Operations. The Company faces certain risks of doing business internationally. For example, the Company recently opened a telemarketing sales office located in Canada and expects to obtain cost advantages from a government labor subsidy that extends through the end of 2007. International sales and operations are subject to inherent risks and challenges that could adversely affect the Company's business, including but not limited to: unexpected changes in international regulatory requirements and tariffs; difficulties in staffing and managing foreign operations; political and economic instability; potential adverse tax consequences; foreign currency fluctuations; and price controls or other restrictions on foreign currencies. There can be no assurance that the Company will be able to realize expected cost savings from its Canadian call center or comply with the requirements necessary to obtain all or a portion of the government subsidy for its Canadian call center. Any negative impact on international sales or operations could negatively impact the Company's business, results of operations and financial condition. In particular, gains and losses on the conversion of foreign payments into United States dollars may contribute to fluctuations in the Company's results of operations and fluctuating exchange rates could cause reduced revenues from non-dollar-denominated international sales.

Properties

The Company's principal facilities at December 31, 2003 were as follows:

Description	Sq. Ft.	Location
PC Mall, Inc. Corporate Headquarters	153,532	Torrance, CA
Distribution Center	212,000	Memphis, TN
Irvine Sales Office and Warehouse	60,888	Irvine, CA
Wisconsin Sales Office	35,503	Menomonee Falls, WI
Canada Sales Office	23,675	Montreal, Quebec, Canada
Retail Showroom	9,750	Santa Monica, CA

The Company leases each of its principal facilities, except for the Santa Monica retail showroom, which is owned by the Company. The Company's distribution center includes shipping, receiving, warehousing and administrative space. In 2003, the Company amended the lease at the Memphis warehouse location to occupy 57,000 additional square footage, co-terminus with the existing lease.

Regulatory and Legal Matters

The direct response business as conducted by the Company is subject to the Merchandise Mail Order Rule and related regulations promulgated by the Federal Trade Commission and laws or regulations directly applicable to access to or commerce on the Internet. While the Company believes it is currently in compliance with such laws and regulations and has implemented processes, programs and systems to address its ongoing compliance with such regulations, no assurances can be given that new laws or regulations will not be enacted or adopted, or that the Company's processes, programs and systems will be sufficient to comply with present or future laws or regulations, which might adversely affect the Company's operations. Due to the increasing popularity and use of the Internet, it is possible that a number of laws and regulations may be adopted with respect to the Internet. The growth and development of the market for Internet commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on those companies conducting business over the Internet. The adoption of any additional laws or regulations may decrease the growth of the Internet, which, in turn, could decrease the demand for and growth of the Company's Internet-based sales.

Based upon current law, certain of the Company's subsidiaries currently collect and remit sales tax only on sales of products to residents of the states in which the respective subsidiaries have a physical presence. Various state taxing authorities have sought to impose on direct marketers with no physical presence in the taxing state the burden of collecting state sales and use taxes on the sale of products shipped to those states' residents, and it is possible that such a requirement could be imposed in the future. In addition, a number of bills may be introduced or are pending before federal and state legislatures that would potentially expand the tax collection responsibility of Internet-related companies. Until these legislative efforts have run their course and the courts have considered and resolved some cases involving these tax collection issues, there can be no assurance that future laws imposing taxes or other regulations on commerce over the Internet would not substantially impair the growth of e-commerce and as a result have a material adverse effect on the Company's business, results of operations and financial condition.

Available Information

The Company makes its annual reports on Form 10-K, the Company's quarterly reports on Form 10-Q, the Company's current reports on Form 8-K and all amendments to these reports available free of charge on the Company's corporate website as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. The Company's corporate website is located at www.pcmall.com. None of the information contained on the Company's website is intended to be part of this report or incorporated by reference herein.

Executive Officers

The executive officers of the Company as of March 29, 2004 and their respective ages and positions are as follows:

Name	Age	Position
Frank Khulusi	38	Chairman of the Board, President and Chief Executive Officer
Theodore R. Sanders	49	Chief Financial Officer
Daniel J. DeVries	42	Executive Vice President - Marketing
Kristin M. Rogers	45	Executive Vice President - Enterprise Sales

The following is a biographical summary of the experience of the executive officers:

Frank F. Khulusi is a co-founder of the Company and has served as Chairman of the Board and Chief Executive Officer of the Company since the Company's inception in 1987, served as President until July 1999, and resumed the office of President in March 2001. Mr. Khulusi attended the University of Southern California.

Theodore R. Sanders has served as Chief Financial Officer since September 1998 and was Vice President - Controller of the Company from May 1997 to September 1998. Prior to joining the Company, Mr. Sanders spent ten years with the Pittston Company in various senior finance roles including Controller of its Burlington Air Express Global division and Director of Internal Audit. Mr. Sanders started his career with Deloitte & Touche and rose to the position of Manager. Mr. Sanders is a C.P.A. and received a B.S.B.A. degree from Nichols College.

Daniel J. DeVries has served as Executive Vice President - Marketing since February 1996 and was Senior Vice President from October 1994 to that time. Mr. DeVries is responsible for marketing, consumer sales and product management strategy. From April 1993 to October 1994, he held various sales and marketing positions with the Company. From July 1988 to April 1993, Mr. DeVries was a Regional Manager for Sun Computers, a computer retailer. Mr. DeVries attended the University of Michigan.

Kristin M. Rogers joined the Company in February 2000 and was appointed as Executive Vice President - Enterprise Sales in June 2001. Ms. Rogers is responsible for corporate sales strategy. Prior to joining the Company, Ms. Rogers held a variety of positions with Merisel, a computer wholesale distributor from 1980 through 1999, the most recent position being Senior Vice President and General Manager of the US region. In addition, Ms. Rogers spent one year (1997) as Executive Vice President and General Manager of the US region for Micro Warehouse, a direct marketer based in Norwalk, Connecticut. Ms. Rogers received a B.A. degree in Political Science at Bates College (Lewiston, Maine).

CERTAIN FACTORS AFFECTING FUTURE RESULTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended. Such statements include statements regarding the Company's expectations, hopes or intentions regarding the future, including but not limited to statements regarding the Company's strategy, competition, markets, vendors, expenses, new services and technologies, growth prospects, financing, revenue, margins, operations and compliance with applicable laws. Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from such forward-looking statements include the risks described in greater detail in the following paragraphs. All forward-looking statements in this document are made as of the date hereof, based on information available to the Company as of the date hereof, and the Company assumes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Report or to reflect the occurrence of unanticipated events.

Dependence on Vendors

The Company is dependent on sales of Apple and Apple-related products, HP, and those of other vendors including IBM, Ingram Micro, Microsoft and Tech Data. Products manufactured by Apple represented 20.4%, 23.1% and 24.1% of the Company's net sales in 2003, 2002 and 2001, respectively. Products manufactured by HP represented 20.9%, 17.8% and 17.3% of the Company's net sales in 2003, 2002 and 2001, respectively. A decline in sales of Apple or HP computers or a decrease in supply of or demand for software and peripheral products for such computers could have a material adverse impact on the Company's business. During parts of 2003, 2002 and 2001, certain Apple products were in short supply. A continuation of such shortages or future shortages could adversely affect the Company's operating results. The Company is an authorized dealer for the full retail line of Apple products; however, the Company's dealer agreement with Apple is terminable upon 30 days' notice. The Company's business would be adversely affected if all or a portion of the line of Apple or HP products were no longer available to the Company. The Company's success is, in part, dependent upon the ability of Apple and HP to develop and market products that meet the changing requirements of the marketplace. To the extent that these products are not available to the Company, the Company could encounter increased price and other competition, which would adversely affect the Company's business, financial condition and results of operations.

The Company purchases all of its products from vendors. Certain key vendors, including those listed above, provide the Company with trade credit as well as substantial incentives in the form of discounts, credits and cooperative advertising. Most key vendors have agreements to provide, or otherwise have consistently provided, market development funds to the Company, whereby such vendors finance portions of the cost of catalog publication and distribution based upon the amount of coverage given in the catalogs to their respective products. Termination or interruption of the Company's relationships with one or more of these vendors, including Apple or HP, or modification of the terms or discontinuance of the agreements and market-development fund programs with these vendors, could adversely affect the Company's operating income and cash flow. The Company's success is dependent in part upon the ability of its vendors to develop and market products that meet the changing requirements of the marketplace. Substantially all of the Company's contracts with its vendors are terminable upon 30 days' notice or less. In most cases, the Company has no guaranteed price or delivery arrangements with its suppliers. As a result, the Company has experienced and may in the future experience short-term inventory shortages on certain products. In addition, manufacturers who currently sell their products through the Company may decide to sell their products directly or through resellers or channels other than the Company. Further, the personal computer industry experiences significant product supply shortages and customer order backlogs from time to time due to the inability of certain manufacturers to supply certain products as needed. The loss of a key vendor or decline in demand for products of a key vendor may reduce sales and affect operating results. There can be no assurance that suppliers will be able to maintain an adequate supply of products to fulfill the Company's customers' orders on a timely basis or that the Company will be able to obtain particular products, on favorable terms or at all, or that a product line currently offered by suppliers will continue to be available. Similarly, there can be no assurance that the Company will be able to obtain authorizations from new vendors who may introduce new products that create market demand.

Competition

The retail business for personal computers, electronics and related products is highly competitive, based primarily on price, product availability, speed and accuracy of delivery, effectiveness of sales and marketing programs, credit availability, ability to tailor specific solutions to customer needs, quality and breadth of product lines and services, and availability of technical or product information. The Company competes with other direct marketers, including CDW, Insight Enterprises, and PC Connection. In addition, the Company competes with computer retail stores and resellers including superstores such as Best Buy and CompUSA, certain hardware and software vendors such as Dell Computer and Gateway that sell directly to end users, and other direct marketers of hardware, software and computer-related products. In the direct marketing and Internet retail industries, barriers to entry are relatively low and the risk of new competitors entering the market is high. Certain existing competitors of the Company have substantially greater financial resources than the Company. There can be no assurance that the Company can continue to compete effectively against existing competitors, consolidations of competitors or new competitors that may enter the market. In addition, price is an important competitive factor in the personal computer hardware, software and peripherals market and the market for electronics products, and there can be no assurance that the Company will not be subject to increased price competition, which may have an adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that the Company will not lose market share or that it will not be forced in the future to reduce its prices in response to the actions of its competitors and thereby experience a further reduction in its gross margins.

Narrow Gross Operating Margins

As a result of intense price competition in the computer products and electronics industry, the Company's margins have historically been narrow and are expected to continue to be narrow. These narrow gross margins magnify the impact on operating results of variations in operating costs and of adverse or unforeseen events. The inability of the Company to maintain its margins in the future could have an adverse effect on the Company's business, financial condition and results of operations.