



Dell Inc. in 2005

History of Dell Computers

- Michael Dell, Founder.
- Dell started business as a student in 1983.
- Company renamed Dell Computer in 1987.
- Dell Computers hit Fortune 500 in 1992.
- Became the leader of PC industry in the U.S. in 1999.
- Became the worldwide leader in PCs in 2001.



Michael Dell, Founder of Dell Computers

Products

➤ Dell's principal products include:

- Desktop PCs
- Notebook computers
- Workstations
- Servers
- Printers
- Storage devices
- MP3 players
- LCD and Plasma TVs
- Digital cameras
- Memory cards
- ...



How Well has Dell been Performing?

	2004	2003	2002	2001	2000	1999	1998
U.S. market share	33.10%	30.90%	27.90%	23.50%	19.70%	16.60%	13.20%
Global market share	18.40%	16.90%	15.20%	12.90%	10.60%	10.50%	8.50%
Revenue (millions)	\$41,444	\$35,404	\$31,168	\$31,888	\$25,265	\$18,243	\$12,327
Gross profit	\$7,552	\$6,349	\$5,507	\$6,443	\$5,218	\$4,106	\$2,722
Operating expenses	\$4,008	\$3,505	\$3,718	\$3,780	\$2,955	\$2,060	\$1,406
Net income	\$2,645	\$2,122	\$1,246	\$2,177	\$1,666	\$1,460	\$944

How Well has Dell been Performing?

	2004	2003	2002	2001	2000	1999	1998
U.S. share growth	7.12%	10.75%	18.72%	19.29%	18.67%	25.76%	
Global share growth	8.88%	11.18%	17.83%	21.70%	0.95%	23.53%	
Revenue growth	17.06%	13.59%	-2.26%	26.21%	38.49%	47.99%	
Gross profit margin	18.22%	17.93%	17.67%	20.21%	20.65%	22.51%	22.08%
Operating efficiency	9.67%	9.90%	11.93%	11.85%	11.70%	11.29%	11.41%
Net margin	6.38%	5.99%	4.00%	6.83%	6.59%	8.00%	7.66%
Net profit growth	24.65%	70.30%	-42.77%	30.67%	14.11%	54.66%	

Dell Inc. Performance

- Market shares continue to grow, so do revenues and net profits.
- Able to maintain profit margins.
- Able to gain in operational efficiency.
- Overall, a great company!



(Potential) Problems Faced by Dell Inc.

- Growth in sales, market share, and profits are slowing down.
- Not clear what SBU could serve as “Star” and which SBU is a potential “Star”.
- How to continue to grow into the future.



Factors that Contributed to Dell Inc.'s Performance

- A great strategy!
- Superb execution.
- Growth of the PC markets.
- Leadership.
- Human resources.



What is Dell's strategy for growth?

- Leverage the company's strong capabilities in supply chain management, low-cost manufacturing, and direct sales to expand into product categories where it could provide added value to its customers (chiefly in the form of good products at lower prices than rivals charged)
 - The standard pattern of attack was to identify an IT product with good margins, figure out how to build it (or else have others build it) cheaply enough to be able to significantly underprice the competitive products of rivals; and then market the item to Dell's steadily growing customer base.

Key Elements of Dell's Strategy

- A cost-efficient approach to build-to-order manufacturing and mass customization;
- Partnership with suppliers to squeeze cost-savings out of the supply chain;
- Commitment to just-in-time inventory practices;
- Direct sales and the use of extensive market segmentation
- Customer value-added services and technical support;

Key Elements of Dell's Strategy

- Pioneering use of Internet and e-commerce technology;
- Expansion into new products and IT services
 - deliberately launch offensives to take sales and market share away from rivals in those areas where they make a high proportion of their profits (i.e., HP in printers and printer cartridges; Compaq and HP in servers; Cisco in routers and switches);
- Building the Dell brand via advertising;
- Good testing and quality control procedures.

Factors That Contribute to Dell's Problem

- Slowing down of PC markets
- Intense competition
- Shifting customer preference
 - Consumers want laptops
 - Businesses demand systems and services
- Limited product lines
- Lack of R&D capabilities



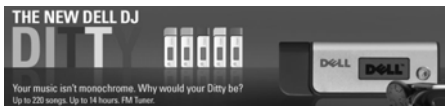
What are Dell's Distinctive Competencies?

- Just-in-time inventory practices and supply chain management (no one in the PC industry does it better—or even comes close to matching what Dell can do).
- Low-cost build-to-order manufacturing and mass customization—a world-class manufacturing innovator.
- Direct sales capabilities (no rival can yet match Dell)—and the capabilities are global.
- Leadership in use of the Internet and e-commerce technologies.

What are Key Weaknesses of Dell?

- Direct sales is probably not the best way to access first-time buyers, plus it has disadvantages in Japan and China where buyers like to look and touch before buying.
- No in-house repair service capabilities (as some rivals have).
- Lacks the product line and IT service breadth of Hewlett-Packard and IBM.
- A somewhat weaker brand name image and reputation as compared to HP and IBM (at least for large enterprise customers).
- Lacks R&D capabilities.
- Become too big and too diversified too fast (battery problem).

What Recommendations would you make for Dell to achieve long-term growth?



Some broad strategies

- Complementing product development with market development.
- Global expansion.
- Leverage its distinctive competencies.
- Continue brand building and skill upgrading (e.g., in-house R&D).
- Develop/acquire systems and service capabilities.
- Build viable "Stars"!



Dell's Sales Growth by Geographical Markets

	2004	2003	2002	2001
Americas	14%	15%	-5%	28%
Business	13%	12%	-9%	25%
Consumer	19%	26%	15%	44%
Europe	23%	8%	0%	14%
Asia-Pacific	29%	16%	14%	46%