

Analysis of dells competitive environment and future actions



**ASSIGN
BUSTER**

Introduction

Dell is a company that was founded by Michael Dell in 1984. Michael's idea was to sell computers to his customers directly, to be able to deliver the most effective solutions you can find. Dell is selling both products and services, consisting of; laptops, desktop computers, servers, storage and networking, electronics and accessories, consumer services, business solutions, and printing and imaging.

Dell, or the electronics industry itself, is facing a large increase in demands which focuses on environmental impacts, and how the products are designed. The market is demanding more green products, so Dell created the "Design for the Environment (DfE)" program, to add environmental features into every aspect of the Product Life Cycle.

I would say that Dell is located on the Growth stage of the Product Life Cycle, mainly because of their increase in Units sold from 2009 to 2010. Even though their market share decreased by 1.2%, the market itself has grown a whole lot, and is still growing. The sales are going up, but competitors are getting more of the new customers. The other companies getting most of the new customers might be one of the largest threats to Dell in the future.

PEST-Analysis

Political:

Dell's business is regulated by several different federal and state government agencies. Such as the regulation of; Anti-trust regulatory activities, the consumer protection laws and financial services, export/import

regulatory services, product safety regulatory activities, investor protection and capital markets regulatory activities, environmental, employment and labour.

Dell were not assessed any fines, not have any other environmental costs, during Fiscal 2010.

Economic:

As the electronics industry is growing with fast speed, the demands focus on reducing the impacts on the environment, and how the product is managed at end-of-life. As a result of the “ green” policies, the global market is demanding products with environmental improvements, including more environmental information.

Dell’s marketing and sales are aiming at the forever changing needs of their customers. Their direct business model gives Dell direct communication with their customers, which allows them to refine their products to specific customer groups. Dell has got an offer for their customers to suggest enhancements to current or future products.

Social:

The demand for Dell’s products depends on the country, and it’s financial and educational level. If the country is on a higher level of education, it is more common to see a large increase in demand. But computers and computer-accessories are getting more involved in the daily life, and we are seeing an extreme growth in how people need their computer.

Dell is in cooperation with The University of Texas at Austin, looking for university students with inventive ideas to solve social or environmental problems, or to come up with new ideas, with a cash prize of over \$100, 000.

Dell is creating products for the whole family, which is functional for work, school and amusement. Their computers have got high performance, and when you make your order, it is easy to modify the computer after your own needs. Dell's type of products is an very important part of almost every family in the world's household, a huge part of their lifestyle.

Dell and their employees are very active and engaged in their communities. Whether it's charitable activities or political engagement, Dell employees are informed and involved in the decisions that affect their company.

Technological:

Dell is a company that relies on their technology and Direct Model. For Dell to get back on the top of sales, they need to improve their technology, with a faster pace than the other companies.

Because Dell is a company that focuses a lot on being " Green", they are developing new ways to stay that way. Dell has got the industry's first worldwide free consumer recycling program, something that allows their customers to recycle their products for free.

Dell is also co-operating with " The Conservation Fund" and the " Carbonfund. org", which is non-profit organizations that use the funds to plant trees that absorbs carbon dioxide. " The company said that 100 per

cent of the donations received by the “ Plant a Tree for Me” program will be used by partners to facilitate planting trees.”

Dell is currently also working on several different ways to enhance your computer life in the coming future, such as “ Next-Generation Optical Storage Technology – Blu-ray Disc” and several improvements on the “ Systems Management”.

Competitive Analysis

Strength Measure

Dell

Hawlett-Packard

Acer

Quality/product performance

10

10

10

Reputation/image

8

8

6

Market share

5

7

5

Financial resources

4

9

2

New product innovation

8

6

4

Customer satisfaction

7

7

7

Distribution

2

9

6

Overall strength rating

6, 6 (46)

8, 3 (58)

5, 7 (40)

From what I've seen of the computer market, there is no way to decide which company has got the best quality, because it all depends on what the person wants. As every company these days has got high performance, there is now way to separate them. And because these are the leading companies providing computers, I set them all to 10.

Concerning reputation and image, I used some of the results I got on Google about what people recommended, and the knowledge I already got about this subject to place my numbers. Most people recommend HP and Dell, while there are fewer that recommend Acer. The reason why the “Market share” and “Financial resources” are placed like this is because of the data I found on each of the company's homepage.

Based on the information I found about product innovation about these companies, I really believe Dell is the most innovative, is because of the large amount of information about innovation on the homepage, while there was less on the other competitors' respective sites. While searching the internet, I found a page that stated Dell, HP and Acer has got an equal amount of customer satisfaction, while the company leading the list, is Apple.

When it comes to distribution, Dell has only got their Direct Model on their homepage, and no distributors, while HP have been distributing for 60 years. Acer is about the same spot as HP, but they are a smaller company, so they of course have got a smaller amount of distribution.

When I look back at this competitive analysis, I feel that I am a bit too much affected by Dell, because it is a brand I really like, and that might have made me blind when looking at the other companies. But, this is the way I feel the table is correct.

2007 Market Share (%)

2008 Market Share (%)

2009 Market Share (%)

2010 Market Share (%)

HP:

18.1 %

18.4 %

19.1 %

17.9 %

Acer:

9.7 %

11. 1 %

12. 9 %

12. 9 %

Dell:

14. 2 %

14. 3 %

12. 1 %

12. 0 %

Other:

58. 0 %

56. 2 %

55. 9 %

57. 2%

Total:

100.0 %

100.0 %

100.0 %

100.0 %

2007 Units

2008 Units

2009 Units

2010 Units

HP:

49,428,300

55,686,800

58,942,530

62,768,547

Acer:

26,484,500

33,497,400

39,783,933

45, 265, 678

Dell:

38, 703, 000

43, 144, 400

37, 353, 774

42, 123, 680

Other:

157, 836, 700

168, 878, 900

172, 261, 436

200, 746, 216

Total:**272, 452, 500****302, 207, 500****308, 341, 673****350, 904, 121****Market Share and Unit Growth****Market Share 2009 Market Share 2010**

What we can tell from these tables and “pies” is that Dell has lost a part of its market share since its peak in 2008, when it was at 14.3%. From there on, the market share has only declined to 12% in the fourth quarter in 2010. But we can also see that the amount of units sold has increased, so Dell is increasing in size, but just can't keep up with the competitors so they are losing out on market share.

For Dell to win back some of the market share, something has to be done. They are not getting enough new customers, so their market share is decreasing. If Dell is continuing to lose their market share, they will have to do something drastic. My idea, is to get retail stores. They are losing many customers because they are using their Direct Model, and would benefit in many ways from getting retailers. They could give customers the choice between the Direct Model, and Retailers. The customers could see the computer they want to buy, and then modify it on the internet if they don't have the exact features they want in the store.

SWOT Analysis

Strengths:

Many of Dell's strengths come as the result of their Direct Model. The model can be considered Dell's most important asset. However a few specific advantages are gained through the Direct Model relative to the laptop market.

The Direct Model allows customers to customize their new computer, something that is an important point when the market is being more and more educated. Customers now want more performance and better design. In addition to this, the Direct Model provides relatively fast delivery, so the customers can receive their new computer within days from the time they ordered.

Another one of Dell's great strengths is the large amount of revenues from the large business and government organizations. So with Dell being in good connection with large companies, they can benefit from that in another way. The companies can pass on the relationship to their employees, by giving them Dell products, showing what a great company Dell really is.

Weaknesses:

A huge weakness for Dell is the fact that they have a very small amount of student sales, a really small part of the student segment of the market. Dell does not have any good relationships with educational institutions. Because students often buy their PC's through their schools, Dell cannot even try to benefit from this without a better offer to students.

Another weakness to Dell is the fact that the customers cannot touch or be in physical contact with the products they buy, because Dell has not got any retailer that sells their computers. The consumers can't just go to a store and buy the computer, as they can with other brands, so the main difference is the level of customization you can do on your new product.

Opportunities:

As the electronics industry is growing with a fast pace, it is facing an increasing number of demands focused on reducing environmental. As customers are focusing more and more on the environmental impacts, Dell has got a huge opportunity, if they can manage to play their part well.

Dell's sales and marketing is targeting the evolving needs of their customers. Their direct business model gives Dell direct communication with their customers, which allows them to refine their products to specific customer groups. Dell has got an offer for their customers to suggest enhancements to current or future products.

While Dell is a company that focuses a lot on being "Green", they are developing new ways to stay that way. Dell has got the industry's first worldwide free consumer recycling program, something that allows their customers to recycle their products for free.

Dell is currently also working on several different ways to enhance your computer life in the coming future, such as “Next-Generation Optical Storage Technology – Blu-ray Disc” and several improvements on the “Systems Management”.

Threats:

A large threat to the computer part of Dell is the computer market always changing. It is always needed better quality and lower priced products to keep up with the competitors. The price ranges between companies is always getting smaller, so the benefit Dell gets from their Direct Model, is combatted by other cost savings by the competitors.

Another threat is the gap between companies is getting smaller, so everyone needs to intensify their effort in differentiating themselves from the competitors. Also the technology is evolving in a fast pace, it is easy to fall behind. Mainly because technology is the largest part of the computer market.

New Product Development Process

STUDENT-PC

Concept

The main idea about this new product is to explore the student segment of the market. Dell has not got any large income from students, and they need to find a way to benefit from this market segment.

Dell will need a laptop that is cheap, but has got power. It can't be weighting much at all, because students will carry it around. And it has to be fast and easy to produce, cheap. The youth today, cares a lot for good design, so there has got to be several options on how the outside of the laptop is design. If the student wants more performance, the price can't go really much higher because students doesn't often have a lot of money, so it has to be relatively cheap compared to other computers.

Business Analysis

To keep the cost down, we have to use already known technology, and not waste money on bringing in new experts. As I've already stated, Dell has got large business and government contacts. They should use these to spread the word of new and cheap laptops, and contact schools and educational institutions to make them refer to Dell when they need a new laptop.

To decrease the cost of production, Dell should outsource their production to countries with cheaper labor than in highly educated and developed countries. Another important point is to get to know what students want. They can hand out surveys to schools and other educational institutions, and they can make internet surveys to save money. They need to know what the student wants, to give the student what it wants.

Launch Preparation

The launching should begin around July, because this month is right before the new school year begins. The students will need laptops, and they ask their schools. A key point to this is to get the schools interested in the offer, to make them show it to the students.

We need to have a lot of commercials television, internet, in newspapers and posters on for example the tube. We need to update the homepage, to attract the attention of people visiting just to check in.

Launch / Rollout

To monitor the progress of how the new product is doing on the market, we need to make a Product Life Cycle. This is a very important process, to let us know when to make the next move concerning marketing and pricing.

When the product has been launched, and been out on the market for a few months, we need to ask students for reviews on the product, and see what we can improve.

A good idea for the time after product launch is to maybe have a discount the first few weeks. This way we can attract more customers, and create a good foundation to help attract new customers.