

# Dell's internal and external influences



**ASSIGN  
BUSTER**

## Task 1

### **Introduction**

In this assignment, I will be using Dell Corporation to complete task 1 and 2. Task 1 is about determining and analyzing Dell's internal and external influences. The external factors are the elements come from outside the organization that beyond the control of organization and internal factors are the influences within the organization. In task 2, political change, effectiveness and improvements of the Dell will be discussed.

### Background Information of Dell

Michael Dell, the founder of Dell in 1984. Michael Dell started selling personal computers out of his dorm room at the University of Texas in Austin. Dell has a simple concept that is by selling computer systems directly to their target customers by cutting out retailers and suppliers. Dell listens and understands customers' needs and delivers the most effective computing solutions to meet those needs. Dell is the number 1 PC provider in the United States and number 2 worldwide. Dell was also listed in Forbes magazine as the 25th largest company on the Fortune 500 list. Dell headquarter is located at Texas, United States. In 2009, Dell has employed more than 76, 500 people worldwide. Dell sells its products directly to customers such as government agencies, public institutes, healthcare and educational institutions, small to large businesses through sales representatives, telephone-based sales, and online through the company web site.

**Internal Factors**

Internal factors or influences include statement of mission, vision and goals, product and services, leadership and SWOT analysis.

**Statement of Mission, Vision and Goals**

Dell's success is based on a simple premise that is to listen to customers, delivers technology and services they value. Dell's mission is "to be the most successful computer company in the world at delivering the best customer experience in markets we serve", by means of meeting customer expectations of highest quality, leading technology, company accountability and support as well as flexible customization capability, and financial stability. The company vision was to produce computers that could easily be fitted with individual components to build a computer system to accommodate individual requirements. Dell's primary goal is to customize, design and built products to satisfy they customer's requirements so that customers can get exactly what they desire. Dell has achieved their main goal by doing business directly with customers one at a time. They believed that they could better than anyone in the world. This is their primary goal because they want to be the best at what they do and make a profit. Dell feels that their great customer service will keeps customer loyal.

Dell's another goal is to become the greenest technology company in the world. Dell has launched a long-term, global effort to become the greenest technology company in the planet. It has set an ambitious Zero Carbon Initiative whereby it aims to maximize the energy efficiency of Dell products, and over time offset their carbon impact. Furthermore, Dell is going to

extend its “ Plant a Tree for Me” programme into Europe and Dell will also continue offering its consumers worldwide free recycling for used Dell equipment and other branded equipment when new Dell hardware is purchased.

### Products and Services

Dell is globally recognized for award winning products and outstanding services. Dell's dedication to customer satisfaction means that consumer can count on them for a responsive, reliable, quality service. Dell pay attention and listen to their customers needs and wants. Thereby, Dell delivers innovative technology and services they trust and value. Dell offers a wide range of product such as desktop computers, notebook computers, network servers, workstations, handheld computers, monitors, printers, high-end storage products, and a variety of computer peripherals and software. Dell's systems are built to order and so that customers have the freedom to choose what requirements they require. Other than that, the company is now offering wide range of electronics and PC accessories networking accessories, digital cameras and camcorders, gaming consoles and software, LCD televisions, projectors and surround sound speakers. Moreover, Dell has designed smart, simple services to fit the current customer's lifestyle and it has brought customers a lot of convenience. Dell also provides 24/7 customers service and support tool that secure customers' personal data and keep their system running in good condition. Dell technology experts can remotely access a customer's computer to solve issues instantly.

### Leadership

## SWOT analysis

### Strengths

- One of the best renowned computer brands
- Dell is the largest PC maker in the world and also well-known for online selling of computers. Dell offers a wide range of PC, Laptops, Monitors and LCDs, hardware and software. The company's web site received at least 25 million visits at more than 50 country-specific sites.
- Direct to customer business model
- Dell sells directly to their customers by cutting out the retailers and suppliers. Dell's efficient procurement, manufacturing and distribution process allowing it to offer customers powerful systems at competitive prices. Dell' provides top-notch customer service before and after the sale and also 24 hours customer service and support.
- Customization
- Every Dell system is built to order. Dell built computer based on customer provided specifications. So customers get exactly what they desire.

### Weaknesses

- No Proprietary Technology
- Dell does not have proprietary technology, the current technology used by Dell are shared by the other major competitors.
- Product Failure

- There is the occasional product recall that can cause Dell some embarrassment. In 2004, 4.4 million laptop adapters are recalled back because of a fear that they might overheat.

### Opportunities

- Diversification
- Dell is introducing many new products to its range through diversification. This initially has meant good such as printers, desktop and laptops, but now also includes LCD televisions and other non-computing goods.
- Strong market potential
- Dell has the opportunity for expansion in all parts of the world, especially in markets outside of the U. S.; in all customer segments; and in all product categories. The number of PC users is expected to hit or exceed 1 billion by 2010.

### Threats

- Competitor
- Dell attracts customers through cost saving. Since competitors are offering computers at low costs, this could threaten Dell's price-conscious growing customer base. With almost similar prices, price difference is no longer an issue for customers.
- Technology Advancement
- Rapid change in technology obsoletes the product in small span of time. Dell has to keep up with technological advancements to be able to compete.

- Currency fluctuation
- Changes in world currencies can affect production costs. As the costs of supplies increase, the price of the computers will also increase.

### **External Factors**

The external environments consist of Porter's 5 and PESTLE analysis. PEST is very effective for the understanding of business situation and global issues and Porter's 5 analyses the company's external environment in an existing market or a new one.

#### PEST analysis of Dell Corporation

1. Political
2. Political factors include government regulations and legal issues determining the conditions under which companies have to operate. Dell Corporation encounters problems in certain countries where political stability is not guaranteed, no matter whether companies operate production facilities or if they do business with that country through exports or imports. Many countries still have restrictive policies such as the trade quotas and certain government regulations that implies on MNC (Multinational corporations) which are maintained to protect domestic manufacturers and production. These policies are more likely to obstruct foreign companies from investing or entering into these markets. The only possibility to do business in those countries is to establish partnerships with local companies such as joint ventures or strategic alliances, where they are additionally forced to accept minority shares and to provide resources concerning money, local culture and technological knowledge. However, the computer

industry sees great potential in those countries with looser and less restricted government regulations for countries like China which has opened for many industries since its accession to the WTO in 2001. This causes the globalisation trade barriers to be less restricted and the opportunities for new market to emerge thus allowing free trade to expand.

### 3. Economic

4. Economic conditions influences both demand/supply, capital and cost and is greatly influences by political and government policies. The computer industry expects a growth of approximately ten percent over the next years. This growth is influenced by the economic situation in a specific country, having an impact on the purchasing power of potential customers. Hence, changing inflation rates and currency fluctuation also determine the profitability of a company. If the cost of capital is low it will be an interesting market for firms to invest and expand in the market thoroughly. Certain countries in Asia represent a great opportunity for firms to invest and expand in. For example, in Malaysia GDP for 2007 was estimated at 357.9 billion with a growth rate of 6.3%, while in 2008 it comes with a growth rate of 5.0%. Apparently in 2009 the growth rate has increased from 2008 of 5.0% to 2009 of 5.2%.

### 5. Social

6. The social cultural factor represents the demand and taste.

Promotional and pricing strategies will have to change according to the market saturation to adapt to the consumer demand. The national



demand for computers is dependent on the educational level prevailing in a specific country. The higher the educational standard, the higher is the demand. Furthermore, computers get more and more involved in daily life. Today, children are more exposed to computers compared to the 1990s. Firms should be aware of demographics changes as the structure of the population by ages, affluence, regions, the employment rates can strongly influences the demand and supply for a particular products and services. Therefore, threats to existing products might be increasing and this indirectly causes the opportunities for differentiation and market segmentation to increase.

#### 7. Technological

8. The technology today has indeed become an asset rather than a liability to human beings today. Firms must evolve accordingly in order to stay competitive among existing rivals in the market. Plus technology external can also be captures and used, and this again can be influenced by government support and encouragement. New technology can be useful in both manufacturing and services for a better and more efficient and effective output. For example, in Malaysia Dell corporation is famous for producing affordable and good quality laptops such as the Dell Inspiron and Dell Studio laptops to suit all range of income earners and taste.

#### Porter's five Forces

Five forces analysis help the marketer to compare and contrast a competitive environment. It has similarities with other tools for environmental audit, such as PEST analysis, but tends to focus on the single,

stand alone, business or SBU (Strategic Business Unit) rather than a single product or range of products. For example, Dell would analyze the market for Business Computers (one of Dell's SBU units)

1. Threat of New Entrants (moderate)
2. Barriers to entry, however can restrict the firms from entering the market, more number of entry barriers will make it difficult for the new entrants to exploit the opportunity of new market. Existing firms which produces at economies of scale makes it difficult for new firms to enter the market. Certain distribution channels are control by either the government or existing firms and makes it difficult for new entrants. Furthermore, not all programs can work all computers therefore switching costs is quite high. This causes customers to stay with the same product because it can be expensive to buy new software for a new system.
3. Bargaining Power of Buyers (high)
4. The bargaining power of buyer increases when there is a huge amount of players in the market. Rival firms offer discounts, warranty and services to switch the consumer from one brand to another in the same industry. Consumers are highly price-sensitive and might switch to other PC company if Dell increases their price. Thus, Dell can lower this threat by differentiating their products. Customers select mainly based on price although Dell differentiate their products because customers might not see much differences between products. Firms should maintain good relationships with customers by practicing CRM processes in the company. For example, P & G has an online portal to

ask the customer about their views, opinions and new ideas about the products of their desire.

5. Rivalry among existing firms

6. A war between the firms competing in the same industry for gaining customer share in order to increase their revenues and profits.

Dell is offering affordability computers

7. Threat of Substitutes

8. Other gadgets such as mobile phones can be a threat to computers due to enhancement of phone features that have similarities with PDAs. A firm faces intense competition from substitute product producing firms, when the customer cost of switching is lower, substitute products are better in quality and functionality. The competitive strength can be determined by market share, sales pattern, producers adding capacity for more production, and rise in profits.

9. Bargaining power of supplier

10. Bargaining power of suppliers affect the intensity of competition especially if there are huge numbers of suppliers in the market plus less availability of raw material and the cost of switching between suppliers or raw material is high in the market. The influences of certain huge suppliers such as Microsoft enforce computer manufacturers to load Windows in their computers and place their logo on laptops, desktops and server machines.

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