

# Situation analysis dell



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Situation Analysis Dell Inc. MKTG 300-51 Glenn, Hayden By: Brian Cavalier 2-28-2010 History & Background As a student at the University of Texas Austin, Michael Dell founded Dell Inc in 1984. Michael started his venture by building PC's from his dorm room. He wanted to sell directly to the consumer and give them options during assembly, which would lower cost and give the consumer more of what they desired. Michael believed that by selling directly to the consumers, he could better understand the wants and needs of the people who were purchasing his products.

This was an immediate success, as Dell was grossing over \$80, 000 a month (Gale, 2010). In 1984, he dropped out of school and went public with Dell Computer Corporation. Large firms such as IBM dominated the market in the 80's, so Dell advertised in computer magazines directed at people with the knowledge that Dell used high quality parts, and sold their PC's for less. Using this approach, Dell Inc. hit gross sales of \$6 million in its' first full year of distribution, and almost \$40 million in the second year (Gale, 2010)

Dell is the second largest player in the global personal computer market with a 15% market share (Standard and Poors). The company's expanding growth spurs out to Brazil, Russia, China and India with revenues from these countries rising by 20% the past year (Standard and Poors). Revenues have increased by 48% in segments outside the United States. The company recorded revenues of \$61, 101M (Business and Company) million during the financial year ended December 2009. FY2009, operating profit of the company was \$3, 190 M and its net profit was \$2, 478 M (Datamonitor, July, 2009).

Dells' customer base is mainly personal users, families, businesses, healthcare, governments and schools. They are the number one supplier of personal PC's in the United States and are second in the world. ( Standard and Poors) Dell's main competitors are Hewlett-Packard and IBM. Industry Analysis The computer hardware industry is one which is growing globally. It grew by 7. 6% in 2008 to reach a value of \$411 billion (Datamonitor, December, 2009). In 2013, the global computer hardware market is forecast to have a value of \$511. 2 billion, an increase of 24. 4% since 2008 (Datamonitor, December, 2009).

With growth potential forecasted to increase, Dell and its competitors will have room to increase their market value. With favorable forecasting in the industry, computer hardware companies have a great deal of decisions to make. The industry has many diverse users all with different wants and needs. Issues such as storage, music manipulation, video enhancement, money management tools, peripheral options, business use, school use and a plethora of other applications affect market segmentation. With so many options, it means that the customer base is very diverse and has many different individual needs.

The ability of companies to meet the needs of consumers effectively and find small advantages over their competitors is key to increasing overall earnings. Technology trends play a huge role in the computer hardware industry. With the development of better, smarter, faster and innovative products the industry offers, it makes competition very great. The computer hardware industry strives to give every person a use for their products. New

ideas happening everyday make their products more practical for users to purchase. Service has also become an interesting trend.

Consumers don't always know how to use their computer properly, and in turn they tend to blame it on the computer, not their inabilities. Great customer service is a trend Dell has embarked upon to gain market share. Increased globalization is a trend that will continue to happen in the industry. As the world economies become more stable and able to purchase computer hardware, they will have different wants and needs which will have to be met. Being proactive about globalization will be fundamental if companies want to expand and gain market share. Dell's main Competitor is Hewlett Packard .

Hewlett packard has taken over the dominant market share. IBM is also a big competitor of Dell and the situation isn't going to get any easier for them in the future. Both companies have recorded better revenue and increase in market share than Dell. Competition within the industry is based upon product line, price, new technologies and marketing tactics

Strengths Strong Brand Name Recognition High Market Share Niche sales marketing

Weakness Declining market share Product Recalls Opportunities Indirect Sales market growth Increase competitive edge Product Growth Threats

Hewlett-Packard (Competitors) Declining Economy Strengths

Dell has strong name recognition with a market share of 15%. Dell has been around for a long time and has developed good customer relations. Dell has reached consumers in an innovative way that engages them in the building process of their computers. This will continue to be a strong point of Dell; it's

a nice niche to have in such a competitive market. Weaknesses Dell has seen operating success in terms of revenue, but Dells market share has been steadily losing value in the market. Although they have a healthy share of the market, Dell will need to increase their market share by keeping up with new and expanding markets.

Dell has also had some product recalls; this causes loyal customers to look elsewhere and deters new consumers. Dell can't afford to make manufacturing mistakes as consumer's opinion is vital for success.

Opportunities While not Dells traditional way of operating, Dell has the ability to increase their indirect sales. Dell could gain more recognition by establishing themselves in a traditional retail setting. Dell offers a lot of products that consumers might not always hear about and by putting products in a retail environment they could gain market share.

With Dell already being a leader in the industry, they have the opportunity to increase their competitive edge. Dell has the capabilities to make their products better and more unique than competitors to entice consumers.

Consumers are always interested in new ideas and Dell has the opportunity to introduce other technology into their brand name. While Dell already has many products, there is always room for growth in the industry. Threats Dell has tough competition in the industry. Dell is behind Hewlett-Packard in Global Market Share and is increasing their position.

Others in the market are also very strong competitors. Dell is in a constant battle to create the best products at the best price. Since prices of computer systems are becoming more comparable, Dell will need to go beyond their

normal business model if they want to keep their market position. Declining economy could be a huge threat for Dell. If companies are closing and people aren't working, it makes their products, no matter how great they might be, not be applicable to peoples' change in economic status. If the economy doesn't rebound, this could be detrimental to Dell Inc.

Marketing Recommendation My market strategy for Dell is to design and produce smart phones. This would be similar to what Mac has done with the iphone, but I want Dell's phones to be available on all service providers. I feel this is a great way to help close the gap between them and Hewlett-Packard. By providing this product that Hewlett-Packard doesn't, Dell can gain market share and increase revenue. Dell already makes palm pilots and by combining that technology into a phone, they can design a really useful, efficient consumer product. Dell could market these phones to businesses at a discounted rate.

By selling to large corporations, they can increase revenue at a very high rate. They can set up a web site where consumers can design and pick options they desire. Selling directly to the consumer will save the consumer time and money. Dell can set up the phone so that it is ready for use as soon as the consumer receives the product. The consumer won't have the hassle of setting the phone up at the store, saving them time and frustration. Dell needs to continue to come up with ideas that grab consumers attention. Dell must come up with new products and innovate current products keep consumer interest.

If Dell hopes to increase Market share they should be very selective in choosing new avenues enterprise Work Cited 1. Dell Inc. " International Directory of Company Histories, Vol. 63. St. James Press, 2004. Reproduced in Business and Company Resource Center. Farmington Hills, Mich. : Gale Group. 2010 2. Standard and Poors (2010) Retrieved from <http://www.netadvantage.standardandpoors.com.ezproxy.metrostate.edu/NASApp/NetAdvantage/showPublication.do?dataPosition=3&SPID=20251> 3. Datamonitor. (2009, July 8). Datamonitor: Dell Inc. Dell inc. Company profile, Retrieved from <http://ezproxy.metrostate.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=43606079&site=ehost-live> 4. Datamonitor. (2009, December). Software industry profile: global. Retrieved from <http://ezproxy.metrostate.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=47196292&site=ehost-live> 5. Business & Company resource Center. (2010) Retrieved from <http://galenet.galegroup.com.ezproxy.metrostate.edu/servlet/BCRC?vrsn=unknown&locID=mnamsu&srchtp=glbc&cc=1&c=1&mode=c&ste=60&tab=1&tbst=tsCM&ccmp=Dell+Inc.&mst=dell&docNum=DC322938&bConts=3>