

Dell marketing



" Dell Case Analysis" Being the biggest computer company in the world, Dell had always been known for yielding high returns to its investors, largely in part to rapid growth and a superior business model which had revolutionized the entire computer industry. However, a recent downturn in growth coupled with an overly ambitious revenue target has taken some of the wind out of its high-flying sails. That given, the company had diversified its strategy by placing greater emphasis on the Asia-Pacific market, where the industry segment remains on a considerable upswing. A key emerging market which has delivered tremendous returns for the company is China, which accounted for 45.7% of total unit shipments in the Asia-Pacific (p. 14).

The Chinese market had grown to be the largest in the region from a volume standpoint, and as with each of the company's international channels posed its own set of unique challenges. The market leader domestically was Lenovo, a company which had an extensive small-to-medium scale business model appropriated for the country.

In order to compete with Lenovo, for starters Dell tripled its production capacity by shoring up its operations in Xiamen. Bear in mind that for any sustainable competitive advantage to be achieved by the company in the region, the strategic plan must be closely adaptable to the pertinent market segments. Although opening its doors has resulted in a hitherto unseen westernization of the country, the smaller cities remain highly industrial in nature. Hence, the market demographic remained strictly lower income, most of whom were not comfortable ordering over the Internet. Dell's strategic answer to this was to open numerous offices across Chinese cities in deference to their direct sales business model. And as mentioned earlier, the unfamiliarity with E-commerce led Dell to make extensive use of toll-free

numbers to cater to the less sophisticated business segment. In addition, the company established a significant presence in local banks where consumers could make payments directly, in recognition of potential clients who did not have credit cards or were uncomfortable with Internet transactions (p. 15)

Dell's direct sales model, which was tremendously successful in the United States, fell prey to the socio-economic disparity which is typical of emerging Asian markets. While the company was relatively successful in tapping the high-end segment, it faced numerous problems in attracting the low-cost income market. Its intrinsic disadvantage was that its primary competitor could sell cheap CPU's from Advanced Micro Devices, the company was limited to selling expensive units from Intel. Thus, Dell was considered to be expensive by the market, and they simply could not compete from a pricing standpoint. Feeble attempts to introduce low-cost models were later pulled out, which some analysts viewed as a nod to unrealistic pricing pressures and the limitations of their direct sales model, which was previously unseen in the United States.

The direct sales model was fueled largely by Internet and phone sales, and the Chinese market was simply not conducive to E-commerce (at least for now). That given, most of the orders for low-cost computers came from the smaller cities, and the lack of a local distribution channel meant that orders had to be shipped from the nearest big city. From a Customer Relationship Management standpoint, this proved highly detrimental as numerous complaints abound from slow turnaround times and poor customer service. It turns out that the business model that had fueled its rise to becoming

America's most admired company would serve as its biggest bane in its attempts to penetrate an emerging but financially disparate market.