Dell corporate plan and situation analysis or market background essay sample

Technology, Computer

Overview.

It started 21 years ago, when he was ditching classes to sell homemade PCs out of his University of Texas dorm room. Michael Dell was the scrappy underdog, fighting for his company's life against the likes of IBM and Compaq Computer Corp. with a direct-sales model that people thought was plain nuts. Now, Michael Dell is worth $17 billion, while his 40, 000-employee company is about to top $40 billion in sales. Yet he continues to manage Dell with the urgency and determination of a college kid with his back to the wall. " I still think of us as a challenger," he says. " I still think of us attacking."

http://www. businessweek. com/magazine/content/03_44/b3856001_mz001. htm

Dell was founded in 1984 by Michael Dell. Dell started with a simple vision statement that by selling computer systems directly to customers, Dell could best understand their needs and efficiently provide the most effective computing solutions to meet those needs (Dell Official Website). By selling directly to customers, Dell will also eliminate the time and costs that retailers add when selling their products. This direct model then offers customers the latest technology quicker than companies with slow moving and indirect distribution channels. With this vision in mind and his persistent focus on delivering the best possible customer experience by directly selling computing products and services, Dell has become one of the world's leading computer manufacturers. It has excelled in market leadership and re-defined and transformed the way marketing is and should be applied in

our society. Its success is built on a foundation of personal and professional integrity.

Corporate Plan.

Through its direct business model, Dell designs, develops, manufactures, markets, sells, and supports a wide range of computer systems and services that are customized to customer requirements. These include enterprise systems (servers, storage and networking products, and workstations), client systems notebooks and desktops), software and peripherals, and service and support programs.

Dell markets and sells its products and services directly to its customers, which include large corporate, government, healthcare and education accounts, as well as small-to-medium businesses and individual consumers.

Dell conducts operations worldwide and is managed in three geographic segments: North America, Europe, and Asia. Within North America, Dell is further segmented into Business and U. S. Consumer.

Dell's business strategy combines its direct customer model with a highly efficient manufacturing and supply chain management organization and an emphasis on standards-based technologies.

Dell's objective is to maximize stockholder value by executing a strategy based upon the direct model that focuses on a balance of three priorities: liquidity, profitability, and growth. This strategy enables Dell to provide customers with superior value; high-quality, relevant technology; customized

systems; superior service and support; and products and services that are easy to buy and use.

Dell's mission is to be the most successful computer company in the world at delivering the best customer experience in markets it serves. In doing so, Dell will meet customer expectations of highest quality, leading technology, competitive pricing, individual and company accountability, best-in-class service and support, flexible customization capability, superior corporate citizenship and financial stability.

http://sbinformation. about. com/gi/dynamic/offsite. htm? site= http%3A%2F %2Fwww. freeessays. cc%2Fdb%2F29%2Fmul71. shtml).

Dell's Market Background: Situation Analysis

External Influences.

" Economic output is determined by labor-force growth and productivity rates," says Richard Samans, managing director of the WEF's Institute for Partnership & Governance. " In countries with significant projected labor shortages, the supply of goods and services may not meet demand and standards of living could fall."

JANUARY 23, 2004 Global Demographic Time bomb

http://www. businessweek. com/bwdaily/dnflash/jan2004/nf20040123_7879. htm

Economic Trends: Although cultural change usually produces tangible results over time, Dell has been able to track some immediate and meaningful improvements using what is known as the Tell Dell survey. Dell's value-chain strategy combines technologies from Intel, IBM, and Microsoft to serve customers efficiently and with state-of-the-art computer technology. Dell is able to introduce next generation products faster than its competitors can because its market-driven strategy is developed around a direct sales, built-to-order business design. This distinctive process capability is supported by effective supplier, distribution, and service partnerships with other companies. Dell's management understands its customers since company personnel are in close contact with buyers who make inquiries and place orders. Not only does Dell process some 500, 000 telephone calls each week, but 65, 000 corporate customers are linked to Dell through their own Dell Premier Pages on the Internet, and Dell's Internet based sales reached $50 million a day in 2000. Indeed, in 2001, Dell became leader in global market share.

Social and Demographic Trends:

Technology Trends: One of the main reasons this industry, the computer hardware industry, is so successful is because the market and technology are continually changing. There is always a new breakthrough or technology advancement making computers more effective and efficient. More and more businesses are becoming dependent on Internet systems and e-commerce, therefore making this a very powerful industry. Profit outlook is still very high, despite the recent recession and failure of several internet

companies. Dell continues to grow, especially in their line of personal computers.

Dell's Direction in technology- Standardization is the key to the data center evolution and the basis for this approach. It enables multiple suppliers for a data center function and provides opportunities to evolve features in a way that benefits the entire industry. Standardization also encourages rapid price reductions in data center solutions as multiple suppliers compete for business. By participating broadly in the promotion of standardization, Dell is in an excellent position to assess the practical effectiveness and relevance of each area. As a result, Dell can provide simple, pragmatic steps toward the future data center as they become practicable.

http://www. dell. com/downloads/global/vectors/2005_scalable_enterprise. pdf

Market Analysis.

Market size and growth: The industry market size is large and new companies are emerging. Dell has continued to grow since its founding, massing $32. 1 billion as of the past four quarters. The scope of the industry is worldwide and the market continues to expand and grow throughout the years. The pace of technology change and innovation continues to be fast and product innovation is improving among computer companies. Dell also saw the prospect for international growth. Many firms moved into Europe by exporting. But Dell set up its own operations there. Dell knew it would be tough to win over skeptical European buyers.

They had never bought big-ticket items such as PCs on the phone. Yet in less than five years, sales in Europe grew to 40 percent of Dell's total revenue and Dell pushed into Asian markets for more growth. That also posed challenges, so Dell's advertising manager invited major ad agencies to make presentations on how Dell could be more effective with its $80 million global advertising campaign. But there's one number he cares about most: operating margin. To Dell, it's not enough to rack up profits or grow fast. Execs must do both to maximize long-term profitability. That means products need to be priced low enough to induce shoppers to buy, but not so low that they cut unnecessarily into profits. (http://www. businessweek. com/magazine/content/03_44/b3856001_mz001. htm)

Regional Market Importance and Trends:

Emerging workforce trends motivated Dell to undertake the research and to convene a recent Global Women's Summit, which was attended by diversity and human resources executives from several dozen Fortune 500 companies. According to the Harvard Business Review in March 2005, figures released by the U. S. Department of Education indicate that in the next decade the number of women with graduate and professional degrees is projected to grow by 16 percent. By contrast, the number of men with these degrees is projected to grow by only 1. 3 percent1. http://www1. us. dell. com/content/topics/global. aspx/corp/pressoffice/en/2005/2005_04_19_rr_001? c= us&l= en&s= corp

Market Segments Analysis:

Dell is able to successfully connect with all kinds of computer customers and build mutually satisfying, mutually profitable relationships that last. Michael Dell understands that different kinds of customers have different computing requirements. With these differing needs in mind, Dell's marketers use geographic, demographic, and behaviorist variables to segment the consumer and organizational markets for computers and servers. Once they have identified suitable customer segments for targeting, they use differentiated marketing to match the appropriate marketing mix of product, price, place, and promotion to each segments needs.

http://faculty. valencia. cc. fl. us/redwards/MARKET_SEGMENTATION. html

Major customers: large corporations, government agencies and medical and educational institutions to small business and individuals. *
Strategy: Multinational corporate customers

Consumer data:

Dell saw an opportunity to take advantage of customer information gathered through the Dell direct model. The company sought to improve customer relationship management (CRM) by implementing a robust and consistent data model for defining and identifying its customers throughout the enterprise.

-Affinity customer data platform helps Dell identify its customers

– Correlation enables better analysis of shopping habits

– Standard data model offers benefits for customers

-Streamlined fulfillment processes reduce mailing costs

The benefit: Enriched quality of customer relationship management (CRM) by creating a Dell customer system of record (code-named " Affinity"); made customer data highly available throughout the enterprise; lowered the cost of fulfillment and improved accuracy of customer mailings by reconciling customer records; enhanced marketing analysis of customer shopping habits; began managing customers holistically to improve customer service and provide targeted marketing offers

http://www. dell. com/downloads/global/casestudies/2003_affinity. pdf

Consumer behaviour: Dell decided there was a target market of price conscious customers who would respond to a different marketing mix. He used direct-response advertising in computer magazines–and customers called a toll-free number to order a computer with the exact features they wanted. Dell built computers to match the specific orders that came in and used UPS to quickly ship orders directly to the customer. Prices were low, too– because the direct channel meant there was no retailer markup and the build-to-order approach reduced inventory costs. This approach also kept Dell in constant contact with customers. Problems could be identified quickly and corrected.

Product Analysis.

Products Analysis: The important aspects of Dells Product and Service Dells core competency lies in customizing its product – computer hardware and software to the specific needs of the consumer. The organization has been able to gain a cost advantage by creating a standardized product as well as achieving the market advantage of variety and uniqueness. The modular design of Dells products has made that possible. Dells use of modular design involves using a standardized building block/chassis to which; value is added by building each product to the customer's specifications, the outcome being a unique finished product. Modular design also gives Dell the increased flexibility in its procurement function.

Products/Services.

Dell PowerApp appliance servers are designed to perform a dedicated function within Internet data centers and the related build-out of the Internet infrastructure. Dell PowerEdge servers, Dell's award-winning servers that have led the company to its place as the No. 2 PC server provider in the world1, are general-purpose servers that support many different configurations, operating systems and applications, and are designed to perform multiple commerce support and other applications within an Internet infrastructure or traditional computing environment. Dell's PowerVault line of storage products includes external SCSI storage, Fibre Channel Storage Area Networks (SANs) for high availability and high-speed backup capabilities, and Network Attached Storage (NAS).

http://webevents. broadcast. com/dell/pressconf040500/fs_powerapp. asp

Sales Volume Trends: Dell remains determined to outgrow competitors and dominate in all its markets. Dell met its revenue and earnings forecasts for the quarter ending April 30, 2001, and has met or exceeded analysts' estimates in every quarter since. In the third quarter of fiscal 2004, quarterly income rose a healthy 22 percent, with the record growth in sales that Dell depends on.

Market Share Trends: Today, by nearly any measure–market share, return on invested capital, or simple revenue growth–Dell is among the most successful companies created in the last 50 years. This year, its 20th anniversary, the company expects to reach nearly $50 billion in revenue, and to grow more, in dollar terms if not by percentage, than in any previous year in its history. Since 2000, the company has been adding market share at a faster pace than at any time in its history — nearly three percentage points in 2002. A renewed effort to control costs sliced overhead expenses to just 9. 6% of revenue in the most recent quarter and boosted productivity to nearly $1 million in revenue per employee. That's three times the revenue per employee at IBM and almost twice Hewlett-Packard Co.'s rate.

Distribution Trends: Dell is known for its direct sales model. Dell. com launched in 1994 as a customer-service and support tool. In 1996, the company piloted e-commerce on the site, selling desktops, notebooks and servers directly to customers. In December of 1996, dell. com became the first Web site to generate $1 million per day in online sales.

Dell. com runs entirely on industry-standards-based Dell PowerEdge servers, backed-up by Dell/EMC Fibre Channel storage. Dell. com also is among the most responsive Web sites on the Internet, with an average per-page download time of 1. 05 seconds, according to company internal metrics.

Dell's distribution facilities demand nonstop availability, instant access to data to ensure on-time customer deliveries and bulletproof disaster recovery capabilities.

http://www1. us. dell. com/content/topics/global. aspx/corp/pressoffice/en/2003/2003_10_20_rr_002? c= us&cs= 22&l= en&s= dfh

Marketing Communications Activities: As sales grew, Dell put more money into advertising. Its ad agency crafted ads to position Dell in consumers' minds as an aggressive, value-oriented source of computers. At the same time, Dell added a direct sales force to call on big government and corporate buyers–because they expected in-person selling and a relationship, not just a telephone contact. And when these important customers said they wanted Dell to offer high-power machines to run their corporate networks, Dell put money into R&D to create what they needed.

Dell in the past have not concentrated on extensive marketing campaigns but this revolutionaries in 1999 when Dell changed its tactics by engaging in extensive marketing campaigns. The " Be Direct" attitude has changed the way consumer view Dell as the local producers. They also tend to have exclusive trust in exploiting the company as evidence from the customer

from UK who complaint against Dell's promotional campaign, that the company does not follow its promise. However, apart from the ad hoc mishap in its marketing campaign Dell has been successful in its promotions. Yet, it is time again to revise this campaign as many of its rivals are beginning to follow the same trend (" Dell Launches New Consumer Advertising Campaign" 1999).

Rapid server deployment advantages: The Dell " DirectShip" program allows customers to receive select configurations of Dell PowerEdge servers within 24 hours through an expedited order process. Through Dell's OnSite Capacity program, Dell will also make backup servers available at customer sites as " hot spares," which are tailored to customer specifications. These servers can be equipped with the customer's desired disk image through DellPlus® custom factory integration.

Enhanced support : Customers may be eligible for an on-site or designated Dell Systems Engineer, four-hour response options for 24×7 support(1), Dell certified server support training, consulting on server and storage architectures, and access to Dell's " proof-of-concept" labs.

Customer co-marketing programs: To leverage Dell's expertise in e-business marketing, qualifying customers will be eligible for co-marketing programs with Dell. These co-marketing programs could apply to print media, direct mail, Dell catalog placements, Webcasts or other customized activities.

(http://webevents. broadcast. com/dell/pressconf040500/pr_expand. asp)

Competitor Analysis

Dell has many diverse competitors and continues to grow in the market each year. IBM is the industry leader and none of its competitors are in a position to steal its dominance of the industry. Gateway is Dell's closest competitor in the personal computer market. Hewlett-Packard and Apple also provide tough competition in the personal computer market. In the enterprise server market, Dell is becoming a larger competitor, but is far from being IBM's closest competitor. Dell may try to change this by selling its business systems to large corporations.

Although not achieving all of its business plan goals, the company was still more profitable than its major competitors, including Compaq, Hewlett-Packard, Sun Microsystems and the relevant portions of IBM. Moreover, it gained market share in 2000 and 2001. In contrast to large industrial-age companies that struggle to adapt to the demands of today's competitive environment, Dell was naturally lean, fast and entrepreneurial. These were the desired attributes of a large high-performance company in a high-speed and unpredictable business world.

Rival companies that compete with Dell are Hewlett-Packard, Gateway, IBM, and Apple. IBM leads the industry with the highest total revenue of $87, 401, 000, 000 and highest net income. Hewlett-Packard earns $45, 226, 000, 000 in total revenues and falls in second behind IBM. Dell is third with total revenues of $32. 1 billion. Gateway reported full year 2001 revenue of $6. 1 billion and Apple amassed $5. 36 billion in revenues in 2001. The market

continues to grow as well as Dell's share of the market, which reached 14. 3% at the end of 2001. IBM leads the industry by a large margin in every category, almost fifty percent in total revenue as compared to Hewlett-Packard, which is ranked second.

Dell compared to Competitors – Competitors like IBM, Hewlett-Packard and Compaq have used Dell as a benchmark in analyzing their own efficiencies and inefficiencies. They have also taken steps a developed their individual build – to – order processes and integrated supply chains in their efforts at reducing the lead-time of their products. The major difference between Dell and its competitors is that while their inventory remain on shelves for months they eventually become obsolete as the pace of technology rapidly changes. Dell does not start ordering components and building computers until an order is booked.

Relative Market Share:

Marketing Activity Assessment: In the past Dell has initiated corporate branding campaign " Be Direct" in which it targets consumer base with new advertisements that differ from the traditional industry. The campaign focus on consumer benefits of new technology rather than comparing its products with other rival products or company. The idea is to project the concept of a virtual home, a hi-fi office and a dynamic playful environment whoever uses Dell products. The essence is to keep up with the tagline Dell4me in the new advertisements. The headlines therefore run like " I want a PC that will make

my stereo fear for its life" which indicate how Dell will integrate different technologies into one combined product – the desktops.

Similarly, servers, printers, laptops as well as PCs will aim to achieve the same motive (" Dell Launches New Consumer Advertising Campaign" 1999). Ever since Dell has following this campaign though not entirely successful in achieving the aim of becoming the world's number one computer manufacturers. Some of the reasons are given in the following sections.

Positioning Map:

Dell's global strategy is to be the premier provider of products and services, including those that customers require to build their information-technology and Internet infrastructures. With manufacturing facilities and sales offices throughout North America, Europe, Asia and South America, Dell is close to its customers wherever they are. And Dell uses its outstanding products, services and direct relationships to meet the unique needs of those customers, one at a time.

SWOT Analysis.

Strengths: No inventory buildup, industry leading growth, cost efficiency, direct to customer business model – latest technology, customization, internet sales leadership.

Dell's dynamic organizational structure allows it to achieve diversified targets. By allowing the above stated components of its strengths it has been able to reduce middle channel costs (Kraemer and Dedrick 2004).

– Cutting edge, reliable products

– Strong in personal computer market

– Strong adverting campaign

– Continually increasing market share

Weaknesses: Within the strengths lies its weaknesses. Much of Dell's strategies rely on the capacity and capability of the following manufacturing components: logistics, system integrations, repair, support companies, component suppliers, third party HW and SW suppliers and distributors, etc. To list its weaknesses, it can be stated that Dell has no proprietary technology, and has a rather high dependency on component suppliers. Relative newcomer to the business server market

Opportunities: Having established an integrative and virtual network, Dell has been able to achieve high level of corporate outcome that challenged most of the industry leaders. The established value web corporate model has allowed Dell to have global wide access to customers and market. Dell's marketers can reach any niche market in any continent. List of Dell's opportunities include: Network-internet, intranet and extranet, strong potential market in Europe, China and India, low costs and advanced technology, growth in business, education and government markets. Working with universities to sale computers – The growing market for personal computers

Threats: Dell has to compete at the final product level AND at the supplier's level. For example, third party software and software have great competition for price and product categorization which could eventually affect Dell's position in the market. The following is a list of threats that Dell may encounter: Competition (price and market share), currency fluctuation in countries outside the US, political instability, tariff trade barriers

– Easy entry of new competition into the market

– Continually changing technology and advancements

– Saturated Market

http://sbinformation. about. com/gi/dynamic/offsite. htm? site= http%3A%2F %2Fwww. freeessays. cc%2Fdb%2F29%2Fmul71. shtml

Conclusion:

For Michael Dell, inventing the Next Big Thing is not the goal. His mission is to build the Current Big Thing better than anyone else. He doesn't plan on becoming IBM or HP. Rather, he wants to focus on his strength as a superefficient manufacturer and distributor. That's why Dell continues to hone the efficiency of its operations. The company has won 550 business-process patents, for everything from a method of using wireless networks in factories to a configuration of manufacturing stations that's four times as productive as a standard assembly line. " They're inventing business processes. It's an asset that Dell has that its competitors don't," says Erik

Brynjolfsson, director of the Center for eBusiness at the Massachusetts

Institute of Technology's Sloan School of Management.