

Dell computer value chain

[Technology](#), [Computer](#)



Dell Computer Corporation Background: Founded in 1984 by Michael Dell with the aim of building relationships directly with customers. Dell is a premier provider of PC products and services sought by customers worldwide to build their information technology and internet infrastructures. Through its direct business model it designs, manufactures and customises products and services to customer requirements and offers an extensive selection of software and peripherals. Dell's operations using Porter's value chain - Inbound logistics: Dell has three main factories globally in Austin, Texas; Limerick, Ireland and Penang, Malaysia. The majority of components have to be warehoused within close proximity so suppliers are located close to the factory plants as this facilitates the ease of dispatch of goods whilst lowering costs. Dell established partnerships with its major suppliers using JIT (Just-In-Time) deliveries.

Where necessary, Dell provides sales forecasts to suppliers for non-JIT deliveries. To minimise inventory costs Dell opted not to take delivery of bulky items such as monitors and speakers. Such items are dispatched directly to the customer from the suppliers warehouses. Operations: Time and cost savings are key issues and Dell utilises the JIT manufacturing process, loading software and testing the PC's assembled to order. Finished goods are kept to an extremely low-level hence minimising the risks associated with buffer stock. Dell sees its manufacturing process as a way to cut costs and maintain its competitive advantage. Outbound logistics: Dell provides direct delivery by courier of the finished goods to the final customer.

Supplies of sub-assembly components are delivered directly to the customer by the supplier. Marketing and Sales: Dell utilises telesales, media (TV, newspapers and magazines) advertisements in addition to online ads as marketing tools. There are provisions for customer advice on PC specifications and price. This leads to more up to date product specifications due to low quantities of buffer stocks being held in-house. Dell uses its marketing and sales to continually improve and develop its relationship with the end-user/customer. Services: Dell provides installation services by Dell experts as well as 24/7 online support for large businesses and institutions as well as for small businesses and home PC users. Asset recovery and recycling services in an environmentally friendly manner are offered.

PC support services in case of malfunctions and protection services against accidental damage are provided. Procurement: Dell built strong supplier relations through their close proximity to the factories in return for guaranteed orders. In this way suppliers inventory levels rarely pile up thereby keeping their costs down. Through the creation of supplier hubs (supplier-managed distribution points) near Dell plants the company was able to limit the number of suppliers required globally. Technology department: Dell has developed e-services and 24/7 online support via their website [www. dell. com](http://www.dell.com).

More recently Dell is investing in network server technology and building partnerships. Human Resources Management: At Dell, HR is divided into Operations and Management. HR Operations coordinates transactional functions such as benefits, compensation and employee relations through a

service centre. Staff members report directly up the chain through HR and rarely have contact with the core business units. HR management includes Dell University, the company's education and training function, staffing and HR generalists who report to both the VP of a business unit and the VP of HR. Management deals with tactical rather than transactional issues. These HR employees attend the business unit's staff meetings as consultants, develop the leadership team, produce matrices for such things as turnover, productivity and cycle times and develop HR strategy for that particular line of business.

Firm's infrastructure: Dell is a global company operating in 34 countries in 3 world regions with about 35,000 employees and \$30 billion in sales. Dell is organised along geographic lines into the Americas, Asia-Pacific and Japan, and Europe/Middle East/Africa (EMEA). The corporate headquarters is located in Round Rock, Texas and is also the regional headquarters for Dell Americas. Each of these regions has its own regional headquarters and its own assembly plants and supplier networks. Regional headquarters include Bracknell, UK for EMEA, Hong Kong for Asia-Pacific and Kawasaki for Japan.

Dell's use of innovation and its effect on operations: Dell, one of the world's leading providers of Technology has been using innovation throughout its business and as a result gained reputation and market share. Three examples of innovation which the company uses are as follows: Affordability of latest technology through Direct Sales Services - Dell uses direct customer relationship or as it calls it "customer intimacy" as its distribution strategy.

This means meeting customer needs directly and cutting middleman interference as much as possible. This is done either through dedicated sales representatives, telephone based sales and online at www.dell.com. As a result, the purchase price would be lower than other competitors. Dell provides different pricing for different budgets. The secret lies in the customer choice in selecting which parts s/he wants to have in the computer.

Does the customer want a simple or a more luxurious computer and how much is he willing to invest in this purchase. Customer Choice and Custom Tailored Services - Customers have various methods of purchasing and can choose whichever channel is appropriate for them. These include telephone, website and kiosk where they can examine, read reviews and check the price. Dell uses a “ build-to-order” manufacturing process which will on average enable them to turn over inventory every five days. This will result in reduced inventory levels and bring the latest technology and design to customers at the lowest price. Customers have 24/7 support via the telephone or online whereby “ any time, any problem can be consulted for”. There is also a 24 hour shipment service.

A customer not only can tailor to their needs but can have what they want within 24 hours. Relationship with the supplier - Dell has been a successful player in building relationships with its suppliers and uses a Just in Time (JIT) approach to inventory management with suppliers maintaining their own inventory. Once a customer orders parts for a computer, Dell notifies the supplier to deliver the parts to the factory for assembly. It was widely believed that customers would prefer buying the computers through

traditional retail distribution methods. Dell tried this traditional approach and this resulted in its first ever big loss of (\$36m) in 1993. As a result of this Dell reverted back to a direct business model approach. Dell's combined market led and product led approaches Dell combines both market led and product led approaches together as a method of satisfying its customers to outperform its competitors.

Dell identifies its customers' needs i. e. the type of PC's they like and the features and specifications they are willing to pay for. This is achieved through online surveys, telephone and face to face market research in order to get a general idea of what to produce and then work with a target costing method to achieve its profits but also satisfying customers' price. Having identified the customers' needs the next step is to market and sell the final product. Examples of this approach are: Online 24/7 shopping and customer service - To create an excellent customer service above its competitors Dell offers 24hrs online service where customers can fill in questionnaires (customer feedback forms) at their convenience, view available products, custom build their PC's with step by step specification pricing, quick and secure ordering process , regular special deals and financing options . Free one to one buying advice - With this service customers can either speak to or chat live with an adviser on a one to one basis and ascertain the available features relevant to the specification of their desired PC along with the benefits.

How Dell gained competitive advantage: With the rapid growth in technology during the 90's Dell experienced a slump in 1993 whereby it was forced to

re-evaluate their business model in order to try to recapture their market share and competitive advantage. Management's objective was to focus on specific aspects of Dell's business and identify how to bring about efficiency through cost savings and thereby increased profitability. Management recognised that by focusing on three areas profitability could be attained.

Virtual integration: – In by-passing the retail distribution chain Dell significantly reduced costs by virtually eliminating inventory at each factory through its supplier relations and directly linking customers to the manufacturer. The aim being to cut costs and expedite delivery time with a more reliable value added finished product. E. .

Dell was able to trim the number of suppliers used from 204 to 47 in their Austin facility between 1995 and 1998. This led to the number of days a PC sat in inventory from 32 to 7 days. Dell's target customer was the “knowledgeable PC user” who knew what they wanted. Dell focused on using a direct business model to target these customers. Real value customer service features: – Dell identified from past sales history and experience since inception that their customer base could be segmented and further targeted to identify their needs. They identified 2 categories – (1) Relationship buyers i. e.

large businesses and institutions and (2) Transactional buyers i. e. small businesses and home PC users. Dell recognised that each category had specific needs. For example, the Relationship buyer was their larger customer base and required more assistance and so were assigned a representative to guide them through the buying experience whereas the

Transactional buyer was offered online or telephone assistance. By integrating these categories into their customer service system repeat purchases were quick and easy, purchasing history could be consulted and follow up customer service was more effective. Tailoring manufacturing to customer needs: – Through integration Dell was able to link customers directly to the manufacturers.

Customers specific needs were met directly and a more efficient manufacturing process leading to final product completion time added value to the customer by way of a quicker delivery time. Suppliers were also eager to do business with Dell because their inventory levels rarely piled up and reduced their in-house costs. This all added value to Dell's profitability. Analyse how Intel's approach to R&D and manufacturing could be applied to Dell Although most research focuses on doing something new which is related to technological advancement, in the case of Dell this is different because it has identified customers with specific needs. Dell targets "knowledgeable PC users" and makes its task of providing a PC easier. Their research focused mainly on an operations management strategy of Just In Time (JIT) process to minimise stockholding costs and delivering the customer order on a timely basis i. e.

Economy. Also, Dell researched customer needs and then developed their website e-services (build a PC to order, delivery of PC, and 24/7 online and telephone customer service) i. e. Efficiency. In this way, Dell is able to meet its customers expectations with quality products within the shortest delivery time i. e. Effectiveness.

Intel's approach to research focuses mainly on " manufacturing capabilities and materials" and " what technology can offer". This relates to Dell in that they are using JIT to save costs and shorten lead-time through the management of supplier relationships. Technology has continually enabled Dell to develop their website to offer their customers flexibility. References:

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