

# Dell background

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The background and history of Dell began in 1984 with Michael Dell as the founder which has been known as the most innovative entrepreneur for marketing computers. Dell began his adventure with computers in 1983 by selling PC components out of his college dorm room at the University of Texas. He bought RAM chips and disk drives for IBM PCs at cost from dealers and resold them in newspaper and magazine ads for 10-15 percent below regular cost.

One year later he was already running sales of \$ 80, 000 and dropped out of school, creating a company called PCs LTD, selling both components and PCs. Dell had a strategic approach to selling which was buy the dealers surplus at cost and create his own by adding graphic cards and more memory. He was making clones of the PCs eliminating the retail markup, cutting the price about 40 percent and attracting the price conscious customers. This produced rapid growth and by the end 1986 sales had reached \$ 33 million.

In 1987 the company was renamed to Dell computers and a year later added a sales force that quickly gained government agencies, as well as becoming a public company. This venture raised 34. 2 million from common stock in the first offering to the public. Dell during the years of 1990-93 began to distribute his computer through superstores, but quickly realized that margins grew thin with this distribution channel and quickly withdrew from selling to retailers by 1994.

Transitioning to focus on the direct sale of the computer and customize it during the ordering process for the customer. This was possible because

each computer was individually assembled setting it apart from the others. During this time the laptop or notebooks started to also emerge in the early 90's, however in 1993 Dell ran into some financial problems from a risky foreign currency hedging strategy and problems with laptops and PC models.

These difficulties turned off buyers and caused Dell to suspend the sales of the laptops, then write off \$ 40 million of its laptop PC models. In order to get sales back on track a redesign of the computer models were done and the company started to go strong into an internet site by 1997. Using the internet to sell there computers opened up a new market for Dell. They were building powerful computers with multiple features custom made to each individual. This model is the build to order business model and resulted in great sales.