

Value chain model – dell



Dell's value chain model resulted in capabilities across its functions. Inbound logistics capability of order configuration's electronic movement to the manufacturing center and at the operations end, high-volume cell production lines improved the plant's capacity and also more easily integrated DellPlus program components allowing for even greater customization for customers. Due to this there was a reduced need for quality checking at several points. For outbound logistics, shipping was contracted out with multiple shippers and the PC monitors were shipped directly by the shipper resulting in \$30 savings in freight costs per display.

Number of human touch points while assembling was reduced to less than 15 from 30 per drive.

This reduced failure rate for Dell PC's by 20%. Supplier's were based less than 15 minutes away from the plant with the plant holding bare minimum of 13 days of inventories far less than the industry average. Direct retailing ably supported by customer care centers and outsourced servicing at customer door step gave Dell early mover advantage with other companies making a bee-line to incorporate the model later on. 2.

As more customers buy on the internet, Dell is able to meet customized demands in the shortest time. Lower inventory stocks and resultant savings in costs due to high degree of forecasting accuracy of customer demand has worked in favor of Dell.

Higher margins due to absence of channel partners have ensured that Dell has been able to price aggressively and service exclusively big corporate giants and gain re-orders. Competitors have tried to imitate the direct to

order model and outsource PC assembly with limited results. Hence, Dell's focus on all aspects of value chain gives it a competitive edge.