

Pestle analysis and the bigger environment



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Founded in 1984, Dell is one of the world's leading technology manufacturers specialising in personal computers and other computer-related products. Currently based in Texas, Dell is also a large multinational company employing 76,500 employees worldwide in 2009 (Mintel). The purpose of this essay is to identify, analyse and discuss strategic issues of Dell using the PESTLE method which will look at a range of macroeconomic factors the company should consider.

The PESTLE analyses

Political

Government regulations and legal issues are all part of the political factors that determine the conditions which the company will have to operate under. As a large multinational company with operations in many countries, Dell will have to take into account the different political factors in different countries if it wants to succeed. Some countries may have policies which favour home companies or to protect them from large multinationals such as Dell. Sometimes, it may be necessary to form partnerships with local companies in order to distribute or manufacture to the home market and/or export. However, with increasing globalisation, a large multinational like Dell should also benefit from access to new emerging markets and free markets as their governments loosen up trade barriers (FT, 2009), such as when China joined the WTO in 2001, or when some of the eastern European countries entered the EU.

Economical

Like most companies, Dell's performance will be greatly affected by many economic factors which include changes in exchange rates, interest rates

and overall economical growth. For example, similar to its competitors, many of Dell's personal computers may have all or parts of it manufactured or assembled in emerging economies such as China where the cost of production is low. If the local currency's exchange rate, i. e. the Chinese RMB, rises against the currencies of Dell's exporting markets, then this would clearly have an effect on Dell's production cost. Another example is the recent economic crises (the credit crunch) had clearly had its negative impact on Dell; it reported another fall in quarterly profit when computer sales were down as consumers cut back their spending (BBC News, 2009). Of course, as the recession recedes and economic growth improve again, sales should improve again.

Social

Social factors include areas such as population growth, education level and other culture aspects. These issues will have an impact on the type of consumers in a market and demand. Studies have shown that there is a positive relation between the education level and demand of computers. Also, as computers become more integrated in people's daily lives, and more people, old and young, get more familiar with technology, this can all increase demand or create niche markets for Dell to explore and take advantage of. Trends can also influence the design and marketing methods of products in order to make it more appealing, and should not be ignored if Dell wants to gain or remain its competitive advantages. Dell's made-to-order approach helps to tackle this issue by allowing customers to choose what they want in the product (Dell).

Technological

With the advancement of technology, new products and market can be created, e. g. the MP3 players. Also, with the development of electronic databases to store large volume of information and increasingly sophisticated processors and memory storage system, the computing industry can expect growing demand in computer hardware as businesses seek to upgrade their IT system. As Dell is largely a technology based company, it will need to keep up with new technologies and invest in research and development to remain competitive. For instance the development and growth of the smartphones has prompt Dell to enter the market. Another example is the more recent introduction of the Netbooks, considered a niche between mobile phones and Laptops (Mintel).

Legal

Consumer laws, labour laws and many other legal factors can all affect how Dell can operate, and similar to the political factors, it can vary country by country. For example, the legal changes in the UK on age and disability legislations can affect how Dell hires or fires employees. Also, different standards of the minimum wage (if a country has it at all), will most likely have some influence over the labour cost of the operation in that region. In some countries, certain laws may not be enforced as rigidly or underdeveloped compared to most industrialised countries. Different competition laws can also affect how Dell can compete against rivals in a country (Times 100).

Environmental

Just as the name suggests, environmental factors includes climate change and weather. This is an important area for certain sectors such as farming, tourism and insurance (Gillespie, 2007). However, Dell is in the technology sector, its factories can still be operational whether the local weather is rainy or sunny. If its customers cannot get to the shops because of the snow, then they may still make the purchase when the weather gets better or order online. Therefore, direct influence from the weather is small for a company such as Dell.

The bigger environment

Dell should also consider the opportunities and threats from external factors. For example, the growing wealth in China can create much opportunity for Dell, but there is also the threat from Chinese firms increasingly competing on a global stage, such as Lenovo and its increasing global presence ever since the acquisition of IBM's Thinkpad division (BBC, 2005). Also, the constant deflation in the PC sector as the average prices falls may allow more people to own a PC or laptop, but it can also affect the profitability of the sector.

The PESTLE analysis already provided many factors for managers to consider on a macro-environmental ground. However, for Dell to be successful, managers should concentrate on areas that will have the biggest impact and the most relevant. The factors can also change as time progresses, so the analysis should be done on a regular basis to remain accurate and useful. Overall, Dell has performed well despite the fall in profit due to a recession,

its strategy to keep its pricing sharp and remain competitive has proven effective and helped it grow year-by-year on the long run.

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Essay Assessment

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Marketing: An analysis in Innovation and the product life cycle of Dell in comparison with Acer

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Introduction

Every organisation should constantly innovate and improve in order to adapt to changes and gain competitive advantages. Both Dell and its competitor, Acer, are part of a fast paced technology industry where innovation is very important factor to survival and growth. Currently, Acer ranks third in global PC market share (IDC) behind HP and Dell.

The rate of innovation can also have impacts that can be felt throughout the whole industry and the market. For instance the average prices of computers falling significantly in the past 15 years (Intel), this was a result from the increasing competition and shortening of the product life cycle where new products and innovations have been released constantly and faster. This essay will largely analyse innovations and product life cycle of Dell and Acer and compare their differences and similarities in those areas.

Innovation and product life cycle

Figure Source: <http://www.trumpuniversity.com/business-briefings/post/2008/04/product-life-cycle.cfm>

All products will have a life cycle which starts with the introduction and end in withdrawal. This can be shown in different stages and can be seen in Figure 1. Managers will need to identify the stage where each of their product or service lies so that an appropriate marketing strategy can be applied (Kaplan, 2007). As the product reaches maturity, decline can be pushed back and product life cycle extended by innovation. Otherwise, a new product may need to be introduced in order to maintain income and growth for the firm. Also, the time frame of the product life cycle will vary between industries as well as products. The PC and laptop industry, of which both Dell and Acer are part of, tends to have short product life cycles as new technology becomes available. For example, as a new faster processor is developed, PC companies may need to assemble new laptops or PC with the newest accessories, which in turn devalue the existing models.

Of course, innovation does not necessarily apply only to new products; it can happen in any area of the organisation. There are three main types of innovation; product innovation looks at the development and improvement to products (i. e. a new laptop), process innovation targets areas such as where manufacturing or supply lines can be improved, and service innovation can focus areas such as the customer service.

Product innovation

The PC makers are likely to have access to similar technologies to build their computers, although there are still much room for innovation. One way is to

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target specific markets, where products are made with a certain type of user in mind. For instance, Dell has a range of products catering different types of users; like its 'Studio' range consists of desktops and laptops with high specifications for multimedia purposes (Dell). Although most leading computer makers have a similar range, but Dell offers its customers the option of a range of custom cover designs, increasing its computer's appeal to art conscious consumers.

Acer also has a broad range of computers which has helped to make it the leading player especially in the laptop sector. The Timeline laptops were advertised as 'super-slime and light weight', offering a cheaper alternative to Apple's Macbook Air for frequent travellers while maintaining high specifications. In addition according to Mintel's report, Acer was the first major computer brand to launch a netbook product into the UK with its Aspire One model, helping it to gain a foothold into this growing market from the start.

Process Innovation

Process innovation can be defined as the execution of a new or considerably enhanced production or delivery process (OECD, 2005). In this area, Dell has established itself as a leader in supply chain management and just-in-time (JIT) manufacturing. Its ability to keep the inventory low has helped to keep Dell's cost low and producing competitive prices for the customers, all the while transforming it from a second-tier PC maker to a market leader (Byrnes, 2003).

For Acer, it has retained strong growth even during the recent credit crunch where Dell's profit faltered. This has been due to the company's constant streamlining in recent years, selling off low value operations, and diverts focus away from manufacturing while becoming a pure brand company (Slob, 2005).

Service innovations

As part of its direct customer business model, Dell is also well known for its build-to-order services, as emphasised in its TV adverts as well. Taking the progress of online shopping, its customers are given a degree of choice to customise their chosen computer from its cover to the specifications inside, allowing Dell to gain a greater access to a wide range of audience. Acer, like its major rivals, has also implemented the use of the internet to market its products and opened new forms of communication with consumers.

Conclusion

Both Dell and Acer compete in the low end and the high end of the market; however the methods they use to compete is very different. In contrast to Dell's shift towards being more like a traditional manufacturer by using methods such as selling directly to customers and predominantly web-based, Acer outsources all manucatusing and assembly, selling through retailers (Einhorn, 2009). This strategy has drastically reduced costs and cutting the overhead expenses. This clearly helped Acer to maintain its profit during the recession as the industry was hit by a fall in demand. However, in order to gain long term success, both companies will need to constantly come up with new innovations to keep up with changes in the market.