

Dell is a very  
successful company  
marketing essay



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## **Introduction**

In this project we will observe how strategies and business models plays important roles in the company's success and these strategies and business models manage company's success.

“ We believe that all our businesses should make money. If a business does not make money, if you cannot figure out how to make money in that business you should not in it”. Michael Dell

Dell is one of the largest computer manufacturers of the world. Since 1984, Dell has grown very fast because of its unique “ direct-build-to-order” sale model. The key success of dell was fast supply chain, cost efficient; providing its service over phone or over website. Direct sale model and fast supply chain was the competitive and key success of Dell Company at that time. When any company lost the grip on their competitive advantage then other companies took advantages and sometimes replace their place from market leadership. Similarly in 2006 Dell faced problems in the supply chain because of recalling Sony battery cells in their laptops which slow down their supply. On the other hand HP took advantage and took the market leadership from Dell. Now competing HP; Dell decided to go in wholesale market. But it also got a problem with Dell. Because of Dell low cost price in the market Dell has to minimize its cost in wholesale business which gave low margin. In the whole sale market there is a massive competition between companies. But Dell can grow their new products and new areas where Dell can take back its market position over HP. (Pinegar, 2002)

## **Dell Business Model**

Dell has a business model of Direct-sale and build-to-order sale model which gave Dell the competitive advantage over the other companies in the past.

But the business model boosts Dell Company very fast. Dell business model showed about importance of IT role in the business where time is critical.

Customer

Dell

Suppliers

(Kraemer, 2000)

But in these days Dell competitors and new companies are challenging Dell in indirect sale via retail stores. Dell now enters in the indirect sale via retail stores to compete its competitors in retail market. For that reason Dell made slightly changes its business model by mixing direct sale model with indirect sale model. Dell is now mixed its direct business model to partially indirect sale model by selling its products in retail stores. So, if anybody wants to purchase Dell's products indirectly they can buy them from retail stores indirectly. Although Dell introduced its products in selective retail stores as compared to its competitors. Dell's direct interaction with its customers helps them to observe the high demand of customer, satisfaction and customer feedback, although other companies depend on indirect feedback from the retailers. The feedback by the customers gave Dell the opportunity to quickly identify the problems or needs of the customers. (Kraemer, 2000)

## **External Environment**

### **PEST Analysis**

PEST analysis measures the market potential in the computer industry. PEST analysis's factors (Political, Economic, Social, and Technological) have to be considered direct influence in the company. (Bensoussa & Fleisher, 2008)

According to Qin PEST analysis is also known as environmental analysis.

PEST analysis analyse the environment (Political and Economic) if the environment is good then they have to develop the company or new product. If any company has to launch company, launce new products or enter in the new market then they have to observe the political and economic environment if these are stable then they can go further according to their strength and capabilities if not then there is no meaning to develop. (Qin, 2008)

### **Political**

Dell also plays big role in the American economy every year. But in the previous year's Americans political environment is changing very fast like changing in laws and legislations from the US government. Dell is affected by these changes. US environmental groups increased pressure over Dell to take responsibility of their old computers. This is also a big threat for the company and Dell can make it opportunity by making recycling of old computers. Dell can recycle these computers or repair them and sale them in third world companies.

## **Economic**

It is very difficult for Dell to enter in the market out of US because of high tariffs on IT products. IT industry is changing very fast and the young population is adaptive to new technology. Dell has to manufacture products which are more adaptive for young people.

There are nearly half of the world's population is under 25%. In the world there is the change in purchasing power in the young population. So, Dell has to modify its policies according to the market changing.

## **Social**

In these days people want to save time because the life became very fast. So, many people prefer shop online. Dell is providing online buying products through their site dell. com.

## **Technological**

Technology is changing very frequently. Dell has to increase their product line because the computers and laptops are going to be replaced by tablets. Dell has introduced Dell steak in the market but they should improve their product line. In the recent market tablet PCs are also a big demand by customers like iPad. Before launching iPads analysts predicted that it will be a great failure of market but it proved that iPad became above expectations. Dell launched Dell Steak but it should launch tablets type PCs which can also support mobile phone capabilities.

## **Industry Analysis**

According to market research firm isuppli Corp, in the second quarter of 2010 Dell took its second position after nine months of time because before <https://assignbuster.com/dell-is-a-very-successful-company-marketing-essay/>

nine months Acer took its runner up position. In the second quarter of 2010 Dell shipped 10.5 million units globally. However it is 1.2 percent low as compared to first quarter of 2010 which was 10.7 million units. Acer lost its second position because its shipments dropped down from 10.9 million to 10.2 million units and its shares dropped down to 12.4 percent from 13.3 percent in the first quarter of 2010. (Dell-Retakes, 2011)

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## **Analysing Dell in recession**

In the recession period US revenue dropped by 17% and Dell's shipments also dropped down by 23%. Because of recession it effected all type of organization even the large organizations. So, Dell has also effected indirectly in this recession. Dell job cutting programme is also the part of recovery in recession as Dell announced 12% cuts of jobs in the Ireland site 2008. Dell closed its manufacturing plant in Limerick Ireland in January 2009 and transferred its plant to Poland.

## **Dell's Strategies**

### **Corporate strategies**

Dell Company is based on direct Model and their corporate strategy is providing products directly to customers via telephone service or over the internet. Dell has a strategy to cut cost where possible. To make their deliveries fast Dell has created manufacturing plants all over the world. (itmweb, 2010)

## **Business strategy**

Dell's business strategy is based model with an effective supply chain and manufacturing plants which are high quality. This business model provides customer good quality, fast delivery and customized products.

## **Functional strategy**

Because of direct sale model Dell is cost leader in the market. Dell minimizes the margin by cutting the middle man like retail shops. Direct sale model has many characteristics like efficient and fast supply chain, reduced cost, and strong relationship with other companies.

## **Competitor**

HP is the largest computer maker. In the first quarter of 2011 HP's revenue by grew 8% which is \$31. 2 billion. HP is in a very good leading position.

There are many other competitors like Apple, Acer, Asus, Sony, IBM, Toshiba, Sun Microsystems, Gateway, Lenovo, Toshiba and Asus. Dell is very slow in introducing even small features like face recognition, fingerprint scanner, Tablet pc's as compared to its competitors.(Picks of the Week, 2010)

## **Competitor's Analysis**

As a manager or analyst you must know the competitor's strategies. There are two main activities of competitor's analyses, first analyse the main competitors in the market and secondly identify their behaviour against market. So, you can judge the market behaviour and also competitor's strategies and then you can make your strategies effectively. (competitor-analysis, 2011)

## **Core competencies**

Dell has core competencies which gave it an edge on the other companies.

Dell's direct model gave customers quality products on low cost and the opportunity of customization. Dell is doing this direct sale from many years so they have competitive advantage over other companies.

## **Direct sale to consumer**

By selling directly to the customers removes the cost of reserving cost. Dell's prices are 15%-20% lower than other competitors. The cost of leadership will be mentioned in details in Porter's Generic Strategy later on. Consumer can select their desired components and build their PCs as they want which improves satisfaction of customer. The benefit of customization is that the customer is not bound to buy what company made. It gives benefit to dell also to get rid of huge retail mark-ups and costs. Dell's direct interaction with its customers helps them to observe the high demand of customer, satisfaction and customer feedback, although other companies depend on indirect feedback from the retailers. The feedback by the customers gave Dell the opportunity to quickly identify the problems or needs of the customers. (Kraemer, 2000)

Dell is on the second place in the market leadership. Dell is recently changed to its phone and online sale model slightly and also started to sell their products in retail stores indirectly which gave the opportunity to those customers who wants to buy PC's from retail stores.

## **Porter's Five Force Model**

Threat of Potential entrants



Bargaining power of suppliers

Bargaining power of buyers

Competitive rivalry among existing firms

Threat of substitute products

## **Threats of new potential entrants**

### **Moderate level**

Threats of new potential entrants in the market are a moderate level threat.

New companies entrants are difficult because of the barrier factors like low prices, reputation of the company, brand name, effective customer services, supply chain customization and competition.

## **Rivalry among existing companies**

### **Very High level**

Rivalry among existing companies is a very high level threat. Although there is a massive war of prices, low profit but in the high competition between companies Dell has opportunity to gain market because of its business strategies. Business strategies of Dell have been defined in details in the section of Dell's Strategy.

## **Bargaining power of suppliers**

### **High level Threat**

Dell depends on their suppliers. If the supplier raise their prices then Dell can lost its low cost leadership.

## **Bargaining power of buyers**

### **High level Threat**

Dell has the direct business model so their prices are very low. But there are other competitors who have low prices. Buyers have many other options to buy products. But Dell has the customization option.

## **Threat of substitute products**

### **Low level Threat**

That is a low level threat because the PC's are now used in about every field of the society. There is a threat for substitute to apple pc but high prices and limited software support can prevent this threat.

## **Porter's Generic Strategies**

According to Michael Porter a firm's strength depends on the one of the two factors differentiation and cost advantage. Organizations apply their strengths in broad or narrow way which caused three generic strategies like cost leadership, focus and differentiation. These are called generic strategies (generic, 2011) as shown in the table below.

(Kreitner, 2009)

## **Cost leadership**

Dell's business is based on direct business model which gave it the base of becoming cost leadership leader. Dell sells its products directly to customers which cutting the price of 3rd parties like retailers. Any company can reduce cost by eliminating retailers and 3rd parties either in the selling sector or manufacture sector. With the emergence of telephone and internet orders

gave Dell relatively marginal cost benefit. Because of its distinctive supply chain model it gave huge advantage as compared to its rivals. Build-to-order model gave customers the flexibility for customization of their products.

(Kluyver, 2006)

The distinctive supply chain gives Dell the competitive advantage over its rivals. Dell use negative cash cycle of conversion which helps dell to receive payments before paying to its manufacturers. As a result Dell has low overhead cost which a huge advantage. Dell has big demand and a good relation with government sectors and big organizations as a consumer. They depend on massive sectors as compared to other companies which depends only indirect sale. (Kluyver, 2006)

Dell is now mixed its direct business model to partially indirect sale model by selling its products in retail stores. So, if anybody wants to purchase Dell's products indirectly they can buy them from retail stores indirectly. Although Dell introduced its products in selective retail stores as compared to its competitors. Dell's direct interaction with its customers helps them to observe the high demand of customer, satisfaction and customer feedback, although other companies depend on indirect feedback from the retailers. The feedback by the customers gave Dell the opportunity to quickly identify the problems or needs of the customers. (Kraemer, 2000)

## **SWOT Analysis**

SWOT is a practical analytic tool for making strategic planning for the company and effective used by the IT analyst, consultants and executives.

SWOT is the simple but more effective way to consider company's strategic

planning. The main objective of SWOT analysis is to identify company's strength, weaknesses, threats and opportunities in the real world environment according to the company's strategic planning. (Piercy & Giles, 1989). Abell and Hammond had been given one of the best technical descriptions which have a connection with SWOT analysis to market strategy. Strength and weaknesses are linked with internal environment of the company opportunities and treats are external. (Abell & Hammond, 1979)

SWOT is used to analyse company's situation and is also popular of "situation analysis". It helps company's executives to know the company's overall context in the marketplace and they can decide that what kind of strategies they have to adopt according to their Strengths, weaknesses, opportunities and threats. (Bensoussa & Fleisher, 2008)

## **Strengths**

## **Opportunities**

## **Weaknesses**

## **Threats**

## **Strengths**

Providing quality PCs (Desktop and laptops) at low prices

24×7 Reliable customer support and reliable Services

Online and unique " direct-build-to-order" sale model

Dell own Brand name

Well-known as direct sale model company

Expertise in managing the supply chain

Fast customer needs adaptability and implementing strategy according the market

Well-known company for online selling PCs

Dell has low manufacturing cost

Efficient inventory management

## **Weaknesses**

Depend on suppliers and single sourcing

Failed to attract large number of students

Slow in changing products and weak product line as compared to competetors

Lapses in supply chain management

Ineffective entry in the wholesale market

Failed to ensure the secured netbook

Not innovator of new technology and depend on other major competitors technology

## **Opportunities**

Introduce new products

Grow product sale in different region like Pakistan, India, china etc.

Approach the customers who wish to buy from retail

Low cost can attract students

Globally sale market

Expand new product line

## **Threats**

Competitors

US Dollar fluctuation rate outside from US

Rapid change in the market

Competition

Global economy and recession

New company's entry in the market

Attractive and aggressive marketing by competitors

## **Analysis**

In the SWOT analysis it will describe that how Dell can adopt the SO (strength and opportunity) strategy, WO (weaknesses and opportunities) strategy, ST (strength and threat) strategy or WT (weaknesses and Threat) strategy. From SWOT analysis we identify Dell's strength, weaknesses, opportunities and threats and then analyse that

How Dell can use its strengths avail new opportunities?

How Dell can minimize its weaknesses and build new opportunities?

How Dell can use its strengths to minimize threats?

How Dell can turn its weaknesses to strength and minimize its threats?

(Piercy & Giles, 1989)

### **SO (strengths and opportunities) strategy**

Dell is well known company because of its direct sale model. It provides quality products on low cost price which can help them to boost their revenue in the recession time in which everybody wants to buy cheap things and save money. Dell is not a market leader but Dell can go ahead to those regions where they can make money even to the small countries of the world. Dell can avail the opportunities in those regions like Asian countries and it can fulfil its targets because Dell has the experience of direct sale.

### **ST (strength and threat) strategy**

Dell Company is well-known because of its direct sale model. They have a lot of experience in that practice. Although there are too many companies coming in the market like Lenovo and there are other companies with other business model but Dell has a good grip on direct sale. So, Dell can overcome its competitors because of its unique competitive advantage.

### **WO (weaknesses and opportunities) strategy**

Dell has problem with innovation of new products as compared to its competitors. Dell has a big weakness about new product line. They are very slow in changing products and style. In these days IT companies have very

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fast competition and technology changes very frequently. So, Dell can improve this weakness and make it opportunity.

### **WT (weaknesses and Threat) strategy**

Dell is not good in indirect sale. If other competitors have good hold on indirect sale e. g. HP then they can also go towards adapting direct sale model. But it is a bit difficult for them because Dell is well known because of its direct sale model. Dell can compete its competitors in indirect sale sector. Dell is well known company. So, they can improve the indirect sale model and overcome this threat.

### **CUSTOMER ACTIVITY CYCLE**

The life cycle of a customer consists of three phases - the acquisition of clients, improvements in relation to customer and retention of customer's.

#### **Acquiring customers**

Contact management and direct marketing methods of CRM allows companies to effectively promote and market their products and services to consumer's potential.

#### **Improved Customer Relations**

CRM helps companies to better understand the needs today's customer and his behaviour and improve the profitability of the consumer's by existing through cross-selling.

#### **Retention of customer**

CRM system gives organizations the edge in attention to consumer and call centre services. This helps to increase the satisfaction of customers while



reducing the cost of support. The retention of customer is critical to the overall profitability of an organization. For an organization it takes a lot of effort and incurs expenses to acquire a customer and unsatisfactory services can lead to switching of customers to other companies in a fraction of seconds.

Customer activity cycle shows about customer's progress throughout the searching and buying process. Dell has the brand name loyalty. It attracts the customers because of price and durability especially in the time of recession. Dell's interaction with the customer is directly. So, they get the feedback directly and make changes as the customer's need. But Dell is not attractive for youngster or the person who like stylish products. Dell has to improve the style and approach towards young people.

## **Choose The product**

### **Search the Product if Available**

Product Search

Product Choice

Replace

## **Purchase Orders**

## **Maintenance**

## **Payments**

## **Utilization of Product**

## **Choose The product**

## **Existing Customer Activities**

## **New Customer Activities**

## **Suggestions**

There are many suggestions which can be given to Dell. According to the recent market Dell can boost its position by following these suggestions.

Dell can look to merger with other companies. Dell should also focus on China, India and other third world countries which can boost in their revenues.

Dell should invest more on research and development and improve its customer services.

They should not only depend on their internet or direct sale but also focus on their retail stores indirect sale. Although Dell has entered in indirect sale sector in retail stores but they have to expand it to more accessible stores by customers.

They should improve their product line. In the recent market tablet PCs are also a big demand by customers like iPad. Before launching iPads analysts predicted that it will be a great failure of market but it proved that iPad became above expectations. Dell launched Dell Steak but it should launch

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tablets type PCs which can also support mobile phone capabilities. Modify laptop style and design according to student's mind because there is a massive demand of products if Dell attracts the students. The ratios tell us that Dell has very little number of student customers who purchase Dell products. Dell does not spend sufficient funds on marketing. Dell is very slow in adapting new technology as compared to its competitors. There is tough competition environment in the market now-a-days.

## **Conclusions**

Dell is a very successful company because it gives customer the option of customization and also it has direct interaction with customers. Dell is very successful towards its basic mission of direct sale to customers. Dell faced also recession but they tried to recover the situation but we have to keep in mind that Dell is not only company which is facing problems in recession. Dell has to look other alternatives to boost its revenue. Dell has the cost advantage. There are many suggestions and key issues mentioned in the suggestion section. If Dell try to apply these suggestions then it would be beneficial.