

Dell company is a global leader case study

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The company uses a direct sales strategy to attract consumers. This form of personalized service which develops products according to client specifications and configurations. It is sales and marketing strategy which involves a strong online presence where clients are able to process products, configure them and access technical support. It's a supply strategy involving a strong Internet network of suppliers who offer support and distribution services for Dell products.

This paper has analyzed Porter's Five Forces and their application to a case study involving the Dell Company.

Porter's Five Forces are the popular strategies used to evaluate the competitiveness of a market and its attractiveness to the new entrants. In terms of threat of substitutes, Dell is in the computer industry where there are numerous competitors such as MM, Apple, Compact and HP who develop products which are similar to those developed by Dell and offer substitutes to consumers. In bargaining power of buyers, buyers have a relatively high bargaining power.

This is due to the wide availability of a variety of computer products as well as the dynamic nature of the technology industry. Companies such as MM, Apple Compact and HP are the global competitors for Dell; they are in high position in computer industry where the competitive rivalry is a survival.

When analyzing barriers to new entrants, it is clear that the global computer industry has many barriers especially when competing with the top global brands such as Dell which has an established sales and distribution network as well as resources to meet its goals.

Finally, in this industry there is low bargaining power of suppliers due to the availability of many suppliers in the market as well as high level of substitute products. Introduction Porter's Five Forces have been effectively used by investors and business managers to evaluate the competitiveness of industries. These forces were developed by Porter to help managers analyze a market and develop an effective sales and marketing strategy. They include threat of substitutes, bargaining power of buyers, competitive rivalry, barriers to entrants and the supplier bargaining power (Porter 2002).

Dell Company is a global leader in the development and sale of computers and accessories which has effectively used these forces to evaluate its competitiveness. The company has achieved high profitability over the years with revenues growing by 16% between 2010 and 2011 to \$3 billion. Its operating income also grew by 58% to \$16 billion during the same period. Cash flows recorded were \$4 billion while investments and cash in 2011 are \$15 billion. Although the company achieved profitability during this period, its sales revenues decreased by 8% due to strong competition.

In technology industry strong competition is a major factor which has made Dell to use unique sales and marketing strategy to attract and maintain customers.

Dell applies a strong online presence where clients are able to process products, configure them and access technical support. It also applies a supply strategy that involves a strong Internet network of suppliers who offer support and distribution services for Dell products (Dell Website, 2011). This

paper will apply the Porter's Five Forces to Dell's sales and marketing strategy.

This will evaluate the competitiveness of the company in the global computer industry. Aspects such as threat of substitutes, bargaining power of buyers, competitive rivalry, barriers to entrants and the supplier bargaining power will be applied to the Dell's case study. The paper will apply peer reviewed Journals and articles to develop conclusions and findings.

Discussed issues will be summarized at the end. * Brief summary of case study peripherals. It began operating in 1984 and it develops customized services and products to clients across the globe.

The company gradually grew through leadership from Dell who used a direct sales strategy to attract consumers. This form of personalized service enabled him to develop products according to client specifications and configurations.

An online presence boosted the sales strategy and it gave Dell an advantage over competitors such as MM, Apple, Compact and HP. The company used clients to develop relationships with larger corporations who form its customer base. Research on market tastes and preferences is regularly undertaken by Dell to ensure high quality products are delivered to the market.

It is sales and marketing strategy involving a strong online presence where clients are able to process products, configure them and access technical support. This also reduces expenditure on fixed assets such as stores.

Its supply strategy involves a strong Internet network of suppliers who offer support and distribution services for Dell products. This forms an effective value chain which relies on external and internal information systems.

However, the firm faces challenges from automating processes since one flaw in computer systems affects the whole supply network.

Such an incident occurred in 2007 and this led to the generation of negative publicity about the company. Porter's Five Forces and their application to case study Porter's Five Forces are the popular strategies used to evaluate the competitiveness of a market and its attractiveness to the new entrants.

These forces help managers analyze a market and develop an effective sales and marketing strategy. There are five major forces which are analyzed when assessing the Porter Five Forces model. These will be briefly analyzed in more detail below.

Threat of substitutes This is the first factor which is analyzed when discussing Porter's Five Forces. It is the degree with which a product can be substituted for another which satisfies the customer needs (Porter et al.

2004). Products with high degree of substitution have higher shifts in demand with change in price and vice versa. Such products are usually sold by many retailers and suppliers. It is difficult for sellers to sell such products to increase prices without reducing demand.

The threat of substitutes helps sellers understand the effect of price change on demand for their products. In this case study, Dell has got a numerous amount of competitors where they develop products which are similar to those developed by Dell and are equally effective in satisfying client needs.

It is therefore clear that in the computer industry, there is a high threat of substitutes from global competitors. If Dell does not satisfy client needs, or if the product is overpriced, consumers are likely to acquire substitutes from competitors such as MM, Apple, Compact and HP.

This has influenced Dell to apply a unique marketing strategy, which is an online presence strategy, direct sales treated and the development of personalized products, to ensure that consumers do not purchase substitute products. Bargaining power of buyers When discussing Porter's Five Forces. It is the level at which customers can influence price changes through their bargaining power. Sometimes customers may be able to influence price changes due to factors such as access to market information, presence of few buyers, availability of substitutes and others.

In such cases, sellers have unfavorable outcomes in the market since they are unable to influence prices and only consumers can control them. The bargaining power of buyers helps sellers assess their ability to control product prices without influence from the market (Laser et. Al. 2009). In the computer industry, buyers have a relatively high bargaining power.

This is nature of the technology industry. There are many global producers of computer products and high competition in the industry. In addition, there

are many substituting products and Dell consumers have a bargaining power due to these factors.

They may have option to purchase products from the many competitors if their needs are not meet or if product cost does not match the product quality. Dell wherefore has a responsibility of ensuring that the products have satisfied customer needs through regular research on market trends. Competitive rivalry Competitive rivalry refers to the level of competition which is present in a certain industry.

There may either be weak or strong competition in an industry and different factors influence the level of competitive rivalry.

These include market growth, number of market players, storage costs, fixed costs, exit and entry barriers, product differentiation and many other factors (Chuddar ; Jean 2002). The level of competition determines whether investors will capture a fair market share ND achieve returns on investment in the short run or long run. It also dictates the level of success which a business organization is likely to achieve especially through executing effective marketing strategies such as product differentiation. In the case study, Dell is in the computer industry where competitors include MM, Apple, Compact and HP.

These are very strong competitors who have a global presence. The competitive rivalry of the global computer industry and the technology industry in general, and therefore it is very high. Dell has a unique strategy which helped him to achieve the objectives. The development of personalized products for consumers tongue market research NAS Nellie Dell <https://assignbuster.com/dell-company-is-a-global-leader-case-study/>

malignant market learning Ana Talent competition from global computer brands such as Apple and HP. Barriers to new entrants This is another factor of the Porter's Five Forces model.

It represents the difficulty or eases which investors have entered the market for a specific product or industry. There are various barriers to entry depending on the industry and some of the barriers include high entry costs, strict regulations, technological patents, strong customer loyalty or strong competition (Peter & Olson 2004). These factors help investors and entrepreneurs determine the ease with which they will achieve returns on investment and attain their organizational objectives and goals. They also determine the rate at which an investor develops and maintains customer loyalty while achieving high sales levels.

The entry into the global computer industry has many barriers especially when competing with the top global brands in this industry.

Dell is a global brand with a global following and strong customer loyalty in different continents. It also has an established sales and distribution network which makes it have an edge over new entrants. In order to effectively compete with Dell, firms have to enter the market with a unique marketing strategy which will attract consumers from the use of Dell products. Due to the economies of large scale and resources available to Dell, this is very difficult to achieve.

The barriers to new entrants are therefore high and Dell does not face a significant threat from new entrants into the computer products market.

Bargaining power of suppliers In Porter's Five Forces model it is the level at which suppliers can influence price changes through their bargaining power. Suppliers are able to influence market price wrought factors such as hoarding products, economies of large scale or a monopolistic market model (Bateman 2010). In such cases, sellers also have unfavorable outcomes in the market since they are unable to influence prices and only suppliers can control them.

Suppliers can therefore set higher prices so that they make higher profits and this will reduce profits made by sellers. The bargaining power of buyers helps sellers assess their ability to control product prices without influence from the suppliers. In the computer industry, suppliers have a relatively low bargaining power.

This is because of the wide availability of a variety of suppliers of computer products in this market. There are many global producers and suppliers of computer products in this industry which make supply of these products high.

There exists several substitute products and Dell consumers have a bargaining power due to these factors. They can purchase products from the many competitors if their needs are not met or if product cost does not match product quality. The bargaining power therefore shifts to customers from suppliers since there is high supply of computer products and low demand for the same. The suppliers of Dell products therefore have a responsibility of ensuring that the product has satisfied the customer.

Conclusion The paper has analyzed Dell sales and marketing strategy by using Porter's Five Forces.

It has evaluated ten competitiveness at ten company in ten global computer industry. Aspects such as threat of substitutes, bargaining power of buyers, competitive rivalry, barriers to entrants and the supplier bargaining power have been applied to Dell's case study. The research has shown that in terms of threat of substitutes, Dell is in the computer industry where there are numerous competitors such as IBM, Apple, Compaq and HP who develop products which are similar to those developed by Dell and offer substitutes to consumers.

Buyers have a relatively high bargaining power while suppliers have low bargaining power.

The global computer industry has high competitive rivalry and has many entry barriers (Porter 2002). It is important that Dell's managers use this information to improve the competitiveness of their products. Due to low supplier bargaining power and high buyer bargaining power, Dell should continue developing products which satisfy market demand. Regular research on market trends as well as accurate forecasting of future trends is necessary for the company to remain ahead of competitors.