

# Evaluation of dells model of supply chain management



Supply chain management is one of the basic aspect applications of which increases along with scale of the organizational operation. Similar is the case with Dell, a US based computer manufacturer. Reason for choosing this organization is proficient supply chain that it possesses that has helped it in attaining high level of customer satisfaction over time. It is this supply chain that made it possible for Dell to not only establish direct contact with its customers, but also provide them with required product in minimum possible time span. Till 2006, Dell was considered to be as top PC manufacturer in global market, but in third quarter of that same year, HP overtook Dell. Prime reason for this defeat was reported as disturbed supply chain management of Dell over which extra efforts are required to regain its position in the market.

## **Situation Analysis**

### **Basic model**

Dell adopted a unique technique of selling PCs directly to the customers bypassing all the resellers that existed in various conventional models. This tactic made it possible for Dell to retain its profit margin along with providing cheaper product to its customers. This provided Dell a high end competitive advantage that made it possible to further expand this supply chain strategy further and make its application in various regions of the world without any ambiguity. (Dell's Supply Chain Management Practices)

Using this direct model helped Dell to manufacture tailored made products that are completely based over demands provided by clients. This also helped in reducing inventory costs as all the products were manufactured on direct basis. Due to removal of all such intermediaries, overall performance

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of the company also got augment due to reduced time consumption and superior product availability at low prices than other vendors operating in the market. (Dell's Supply Chain Management Practices)

## **Detailed flowchart**

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## **Reason for choosing this strategy**

Prime reason for adopting this technique in this case is easy availability of high flexibility to the clients in the form of customization of all its products according to their requirement. It also allows its users to make an online payment with a highly secure money transfer service usage. This booking of product could be done either through online booking or ordering through telephone. There is an on time tax free delivery at most of the places of world by Dell. (Dell's Supply Chain Management Practices)

One of the most advantageous activity that it performs is that it directly obtain the customer requirement in both software and hardware segment that is the main essence of its supply chain management. This violates any need for additional engineer, thus save a large number of resources that could further be utilized in various other processes.

## **Managing supply chain**

### **Planning**

Planning is one of the most important aspects in supply chain management as it is this factor that decides the attainment of pre-decided goals. Also it is these factors that make sure that how effectively Dell is able to make its

existence possible in a profitable manner. All these reasons make it inevitable for the company to avoid this parameter from its supply chain management. (Case Study: Supply Chain Management at Dell, Dell's Direct Model )

## **Demand Plan**

Dell basically focuses over anticipating its consumer demand in accordance to the external environmental factors. Dell works over a large number of assumptions as it is not possible for the company to make sure that it is able to predict each and every scenario that may arise. Prediction and depiction of customer behavior has become comparatively easier with the advancement of technology and rising usage of internet all over the globe. But it is not so easy to make a correct estimation of the demand of the clients that could be proved from the presence of storing and warehousing, which is considered as an essential need of all the companies. (Case Study: Supply Chain Management at Dell, Dell's Direct Model )

## **Supply Plan**

Supply Plan of Dell is based over made on order computer product. This was made possible through preparation of a basic infrastructure of the product and finalizing it when an order is placed. This step in supply planning was made to maintain apposite synchronization between highly changing demand of the customers present in marketplace as compared to the availability of the product. Supply Plan of any organization is developed in accordance to the availability of the product with the company.

Manufacturing a product is considered to be an important step in supply chain management of the organization, but making it available to the <https://assignbuster.com/evaluation-of-dells-model-of-supply-chain-management/>

customer along with maintaining profit is also considered to be an important task. Also, providing maintenance services to the customers after product has been sold is important, especially for Dell as it is well known for its after sales services. (Case Study: Supply Chain Management at Dell, Dell's Direct Model )

## **Supply Side**

**Raw Material:** When a detailed analysis is to be performed over Supply Side of Dell, main facets that come into picture are raw materials that are required in order to manufacture the product and obtain required output. Its build-on-order scheme takes care of this activity in a highly organized mode. As it assembles laptops and computers, it requires all the computer parts and peripherals as its raw materials. Some of the specific raw materials that are required in the manufacturing process are chipset, motherboard, different types of memories, graphics cards, LCDs, different software that are to be installed on customer demand, various connecting wires, etc. All these entities are arranged in orderly fashion to obtain a quality product. (Dell's Supply Chain Management Practices)

**Manufacturing Process:** It's totally dependent over the organization that which manufacturing procedure it wants to adopt in order to prepare its product. This adoption of specific technique is also the reflection of quality standard that an organization like Dell follows. There are several quality management techniques like TQM (Total Quality Management), Six Sigma, ISO 9000, etc that Dell could adopt. Also these techniques bring out the difference in the manufacturing process that company is going to choose for its future production. In current scenario, Dell follows ISO 9000 quality  
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management technique for manufacturing its product. This technique ensures that production engineers are taking care of the product at different levels of production. (Dell's Supply Chain Management Practices)

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## **Distribution**

This step can be said to be violated from the supply chain process of Dell as it directly distributes its manufactured products to its customers. As UAE is considered to be one of the hottest emerging business destinations, it is also one of the largest consumers of Dell products because of their lofty efficiency. Dell uses a mix of pull and push strategies for the distribution and marketing of its products. It takes its products directly to the customers by providing the online shopping facility. Advertisement and promotion of its products make a brand name for the company and increase the demand of the product in the market.

## **Documentation**

Documentation is considered to be an important step in supply chain management of the company as it is this factor that makes it possible for Dell to keep a record for future analysis. Future analysis is considered to be highly significant in various financial issues as Dell has to perform comparative study with its own performance at different points of time. This process is impossible without pertinent documentation. Following are the certificates or cargo packages that are involved in the Supply Chain Management of the organization,

Packed item listing

Financial statement of all the items

Cargo documents

Quality analysis documents

Import/Export authority certificate

Inspection certificate

## **Logistics**

Logistics is considered as one of the most important concerns for Dell. This factor comes into consideration when company is providing its product to its customers. This is also helpful in conducting various promotional activities that company is performing in order to boost its sales. Cargo is designed in such a manner that it acts as a moving banner for the organization and make sure that enough people are influenced by this promotional act in which shipment is making its way to its customer. (Dell's Supply Chain Management Strategy)

One way of carrying out these promotional activities is through retailers and distributors. But, since Dell avoid both these entities; it has to lay extra stress over such occurring in order to make sure that it is able to add up to its customer in both quality and quantity.

## **Responsiveness of Supply chain**

Based on parameters defined in previous sections, supply chain followed by Dell is highly responsive in nature as it does not have any intermediate entity, which automatically reduces chances of dilemmas and response time. In such kind of structure, customer directly deals with the organization and not with any dealer that increases response time, hence cost incurring to the company. Such structuring could also be considered to be as the basic reason for Dell being such a successful organization in spite of a number of competitors operating in the market which signifies responsiveness of its supply chain. (Dell's Supply Chain Management Strategy)

## **Issues and problems**

### **Current Supply chain problems**

Some of the problems that are being faced by Dell in recent times are,

First problem that Dell encountered was regarding its competition, i. e. HP. After 2005, HP overtook Dell in several measures especially in terms of supply chain management that made it possible for HP to provide cheaper products than Dell that diminished competitive advantage of the company. This decreased cost of HP due to increased efficiency of supply chain put more pressure over supply chain of Dell to make further augmentation.

Another problem faced by Dell was increasing complexity in its product line that cannot be handled on a direct basis without any assistance from intermediaries. This was an essential step for organizational growth, but it leads company in an undesired direction that was not expected by the



strategic department of the organization. (Dell's Supply Chain Management Strategy)

## **Risk management tactics**

Some of the risk management tactics adopted by Dell include,

One of the best aspects associated with Dell is its customers that can be segmented in the category of loyal. In order to suffice their aspirations from the company, it started investing more in its R & D department such that quality of its products could be enhanced without any exception.

Also to reduce the risk associated with rising competition in the market, Dell made use of innovation with the help of its supply chain to serve its customers in a better manner by providing personalized solutions to its clients.

Another measure to mitigate risk associated with the organizational functioning is molding its supply chain functioning in such a way that it is categorized with respect to its product without any difficulty and simplify complexities associated with the product. (Dell's Supply Chain Management Strategy)

## **Evaluations and Solutions**

Dell has incurred a supply chain management system which is free of intermediaries in the process as a result of which the response time to the consumers demand decreases and thus the credibility of the company improves. This structure of supply chain is really helpful for the customers to deal directly with Dell without interference from any intermediate. The

distribution process of the company is a bit bizarre from the normal supply chain process because Dell use to deliver its final products directly to the end users or customers. The Economic and political forces like fluctuation in exchange rates, flexibility of operations, and regional trade agreements are being helpful in increasing the efficiency of the supply chain management of the organization. The supply chain management adopted by the company is highly beneficial for the company as well as for the customers because the company use to customize the process of supply according to the group of customers it is going to deal. The company should adopt several quality assurance systems of TQM, six sigma and ISO. Complexity of the product line should be reduces to increase the organization's growth.