

Introduction to dell case

Business



“ They have been suffering from a corporate market slump, and the usual bag of tricks—leveraging the supply chain and their economies of scale—haven’t worked. ” Richard Shim, Analyst, IDC “ The old Dell was phenomenal at balancing growth and profitability. The new Dell appears to be still having to struggle” Rob Cihra, Analyst, Caris & Co. “ Businesses are spending with a lot more conviction at this point in the year than they were at this point in time last year, We feel like we’ve been chasing demand, and we’re feeling like we are starting to get out in front.

Michael Dell, CEO, Dell Inc. Introduction On February 18th 2010, Dell’s profit dropped to 4.8% in its fiscal fourth quarter even as a surge in holiday computer demand lifted revenue 11% from a year earlier. The decline can be traced to the steep discounts that Dell is offering customers in a mad race for acquiring market share. In particular, Dell’s consumer division—which accounts for about a quarter of the company’s revenue—saw sales increase by 11% from a year ago to \$3.

5 billion, but its profit dropped more than 80% to \$9 million. The profit decline was partly due to the acquisition of computer-services firm Perot Systems, which closed during the quarter. But excluding deal expenses profit still fell 2% from the year before. (Refer to exhibit-1 for Dell’s quarterly profits in millions from 2008-2010) The slide in profit is the latest setback for Mr. Dell in his attempt to turn around the struggling PC maker. Dell, which had been the world’s largest PC maker by unit sales, now ranks No.

2, behind Hewlett-Packard Co. and keeps swapping its position with Taiwan’s Acer Inc. Both these companies In recent quarters, Dell’s PC-sales growth has

lagged behind its rivals' rates, as they have been able to better take advantage of demand from consumers. Dell's unit shipments in its latest quarter rose 16% from a year earlier, compared with a 26% jump for H-P in the same period, according to the companies. (Refer to Table 1, for leading PC vendor's worldwide shipment) (Refer to table 2, Top 5 Global PC OEM Ranking in the second Quarter of 2010) The company's strategy has been to improve profitability and not focus on market share, moving away from the practice of deeply discounting computers to capture business.

Unfortunately for Dell, they've struggled with misalignment by failing to link their strategic goals to their operations, derailing the successful execution of their strategy. They have so far been unable to break free of their old habits within the business divisions. Dell hasn't historically targeted its products to non-expert consumers; a segment that has generated most of the growth and innovation in the technology industry in recent years. Dell's success can be attributed to its " You tell us what you want and we will build it for you" (build to order) attitude which is good with corporate (IT) and professional users. But this is a cut throat market since the users are aware of the prices. Dell has always had a hard time with non- expert buyers.

Dell Inc. (NASDAQ: DELL) listens to customers and delivers innovative technology and services they trust and value. Uniquely enabled by its direct business model, Dell sells more systems globally than any other computer company, placing it No. 25 on the Fortune 500. Dell a \$52. 9 Billion company for long has been a strong company at Wall Street, but it fell out of favours as its direct selling model became commodity.

Its business is organized in the geographic segments, Americas; Europe, Middle East and Africa (EMEA), and Asia Pacific-Japan (APJ). Its products and services are organized under its core products of Desktop PCs, Mobility, Software ; amp; Peripherals, Servers ; amp; Networking, Enhanced Services, and Storage. Exhibit-1 Dell's Quarterly profit from 2008-2010 Table-1

Leading PC Vendors Worldwide Shipments from 2000-2007 (from 2008 onwards Packard Bell a leading PC vendor in the U. S. market, was decimated in the late 1990s. The Packard Bell brand name was retired in the U.

S. in late 1999, but is still used in other regions. IBMPC sales are now included inLenovo.

Gateway sales are now part of Acer.)Source: - Computer Industry Almanac ; amp; eTForecasts Source: - Computer Industry Almanac ; amp; eTForecasts Table-2: Top 5 Global PC OEM Ranking in the second Quarter of 2010 Source: - Daily Tech, [http://images.](http://images.dailytech.com/nimage/16510_large_isupp; liq22010.jpg)

[dailytech.com/nimage/16510_large_isupp; liq22010.jpg](http://images.dailytech.com/nimage/16510_large_isupp; liq22010.jpg)

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[html#ixzz17tS4punl](http://online.wsj.com/article/SB10001424052748703315004575073770137219054.html#ixzz17tS4punl), accessed on December 12 2010.