

Case study dell inc

Business



However, along with the successful and achievements, Dell Inc also experienced its tough times. In 1993, after 14 consecutive quarters of growing profit, the firm had its profit Net down to half of what it had announced at the beginning of the year. Not stopping at that, Dell's stock down 28% from \$32 per share to \$25 per share. The firm also experienced a callback of 17, 000 its first line of portables on October 1993.

The company also locked them shelf up when they canceled their new line of laptops because of slowing progress and too expensive.

In order of getting the company out of its deep hole, a meeting was called between Mark Holiday, Dell's Portable Division, and the product development team of Dell. The conversation was about a new battery technology from Sony named Lion that could push Dell back into its original position.

However, realizing the Lion technology hadn't practical proven yet, Holiday Nas being put in a really distressing situation. Not only Just facing a critical situation, Dell also needed to make its new move in the computer industry.

II.

Dell's Business Model In the previous past, the personal computer market was a very competitive environment. However, until sass's, this market had become less competitive than the portable computers market by 3%-5%. With the born of new technology, and the rise of portable market, many company had develop a new business model for to occupy a portion of this market. Among them the Dell model was a new potential method in order of satisfying customer need. Since the first day was founded, Dell Company had made its success through direct business approach.

Not relying on any intermediation like wholesaler or retailer, the firm decided that the best way to gain profit was selling products straightly to its customer via its main website.

The company had managed many advantages through this strategy like dealer markup Newer avoided, eliminating retail inventory cost, minimizing product demerit by putting resources in efficient locating network, and maintaining customer relationship by providing and receiving immediate feedback from customer.

Comparing with indirect model from Compaq, Dell completely gains competitive advantages that Compaq does not. Not only using that strategy, Dell also provided a 24-hour telephone support system that became the first post-shipment level of support. This plan was able to give Dell another competitive advantage when the helping team could help customer diagnose and solve issues approximately 91 percent efficient.

The company also use outsourcing as its supply strategy. With smaller inventory, Dell had quickly successful inputted new technologies and impacted product development cycles to move faster. Through creating good relationship with its suppliers, Dell had formed a large corporation illusion in customers' view and maintained their leadership in technology and quality at that time.

III. Product Development at Dell Prior Approach

Prior to implementation of a formal new product development process in 1993, Dell had employed a rather ad hoc approach characterized by:

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Inconsistent and often unpredictable results
Autonomous teams centered around experienced product developers
Lack of rigorous risk assessment
Poorly defined project objectives and goals
Financial ramifications of new product not taken into consideration
Lack of timely attention to quality-related issues
In order to remedy the deficiencies noted above and improve the product development process, Dell adopted a new multiphase procedure to handle products from beginning to end.

These procedures contained six phases and each of them was designed to address the deficiencies of the old approach as follows: Phase I (Profile) - creating a development team that helped to ensure that everyone shared the same vision before embarking on a new project. Phase II (Planning) - the development team created a detailed business case in order to ensure that there are no missing payments from product developers before getting into the subsequent expensive phases.

Phase III (Implementation) - Functional prototypes of new product were developed and tooling orders with long lead times placed with vendors.

Documentation and service plans were developed in support of product.

Phase IV (Qualification) - Production prototypes of new product were developed and sales training initiated. Key users would use product and provide input and feedback. Phase V (Launch) - Complete customer-oriented testing was performed and early product shipments made. Production capacity was increased and product released.

Phase VI (Acceptance) - Customer feedback was collected for up to three months and results compared with product objectives and goals.

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“Lessons Learned” analyses Newer performed to improve future product development. Although it took some time to take hold, Dell’s adoption of a multiphase new product development process marked a complete turnaround from the company’s previously unrecognized and unsystematic approach and enabled the company to develop computer systems that enjoyed improved functionality, reliability, serviceability and manipulability.

Eatery Product Features As all laptop computer owners know, short battery life is one of the product’s major inconveniences. Traditionally powered by nickel hydride (NIH) batteries, most laptop computers will operate for no more than two to three hours without recharging. Although the option to carry an additional battery does exist, most laptop owners Mould prefer to have a battery that allows them to work all day uninterrupted. Fortunately, the development of lithium ion (LiOn) batteries has made that possible.

Nevertheless, at the time Dell was first considering this option, Lion was an unproven technology that held great promise as well as significant risks. Not only did they occupy more space -a valuable commodity on laptop computers- than traditional batteries, but Lion batteries were also supplied predominantly by Sony, which had only recently initiated battery testing and production. For Dell to throw its reputation behind this untested technology was a significant risk indeed. ‘ V.

Options Indoor of resolve the issue of getting the company out of its del hole and created a new strategy that push the profit of Dell, the company need to make a decision about Inch battery (Lion or NIH) should be used for their product. They also should consider about finding a different battery that is compatible with their new portable computer.

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This led to three options that the firm can choose: Option 1 – The first option was to continue placing nickel hydride (NiH) batteries in laptops. The advantage of this method can help the company going with proven, well-tested technology.

In addition, NiH batteries would occupy less space than lithium batteries, thereby freeing up room to place additional features. Another positive was that the supply of NiH batteries was dependable. On the other hand, reliance on traditional batteries would not address customer concerns regarding limited battery life, nor would it do much to differentiate Dell products from those offered by competitors. This approach was expected to bring in \$485 million in revenues.

Option 2 -The second option was to input the Lion batteries from Sony in Dell's laptops.

The advantages of this option was helping Dell capable of providing longer battery life and addressing customer concerns that would help to differentiate Dell notebooks from those other competitors. If successful, this approach could bring in as much as \$584 million in revenues. However, Lion batteries were untested and unproven and supply was limited to one vendor. Sony reported that 60% chance that the batteries would work as intended and the batteries occupied more space than nickel batteries, thereby limiting the number of additional features that could be added.

The failure could destroy Dell's reputation for years and effectively end its highly competitive advantage in the laptop market Option 3 – The third option was for Dell to balance both positions and essentially hedge its bets
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by deferring commitment to either battery technology until it had more information upon which to make an informed decision regarding the performance and reliability of Lion batteries. Option 4 - The fourth option was to find a new battery that can give firm higher revenue than the NIH battery with no side effect issue. V.

Decision and Conclusion At the end the Lion was chosen to be a solving way for the portable issue of. Indeed, Lion were unproven and presented a significant risk to Dell's financial position and reputation. Moreover, adoption of unproven Lion technology would have diverted financial and engineering resources away from a proven battery technology.

However, given the negative repercussions tot the company's initial tray into the daybook market, it could ill afford to take a gamble on an unproven technology that held only a 60% chance of success.

Base on financial perspective, the revenue difference between a completely successful launch of unproven Lion technology (:\$584 million) and continuation of proven NIH technology (\$485 million) was less than \$100 million, whereas projected revenue could have dropped by \$349. 5 million (to \$234. 5 million) if Lion technology had failed. In the other hands, the originally financial cost, the cost to the company's reputation would have been incalculable.