

Dell

The US-based technology company Dell Inc. has its headquarters in Round Rock, Texas. It develops, manufactures, markets, sells, and supports personal computers, servers, data storage devices, network switches, software, televisions, computer peripherals, and other technology-related products. The company employs over 100,000 people world-wide.

Michael Dell the founder of Dell Computer Corporation is often credited with creating a revolution in the personal computer industry. Dell's business model built around direct selling to the customer and managing its inventory and distribution processes effectively is credited with a rapid growth in the business.

The idea for the company originated in a business run from Michael Dell's parents' home when he was a teenager. From here he originally sold memory chips and disk drives for IBM PCs. Michael Dell was able to sell his products through newspapers/magazines at 10-15% below retail prices. He dropped out of college in 1984 and started assembling his own IBM clones selling direct to customers at 40% below retail price. In 1988 his company went public. Having experienced some problems in 1990 the company re-established its position through selling its PCs via mail order through soft warehouse/compUSA superstores. In 1994 the company abandoned superstores to return to its mail-order/direct retail roots. Dell is now a worldwide business based around integrated manufacturing and supply of hardware.

The primary value-stream for Dell is tangible products such as computers and peripheral equipment. A certain degree of other

intangible items such as software are also provided to customers. It attempts to provide added-value services such as customisable configuration and on-line help and support. Dell originally started its Internet initiative in the late 1980s to attempt to increase its level of customer support. The company traditionally provided such customer support using a call-centre. At the call-centre Dell customer care representatives normally advised customers to obtain software updates either sent on disks or as software downloads from a site run by Compuserve. By 1989 Dell began on-line distribution of software updates.

Dell's main transformation is the assembly of computing equipment. The key inputs for Dell consist of parts from a vast range of suppliers as well as a vast range of data associated with this supply. The key outputs from Dell are completed products. The competitive environment for Dell consists of hardware companies producing comparable products. Control in the case of Dell means ensuring that it has sufficient information about its internal operations to ensure the efficient and effective delivery of goods to its customers (regulation). It also needs to ensure effective monitoring of its competitive environment to ensure that it develops new products for its marketplace (adaptation).

Dell engages in both B2C and B2B eCommerce. It also has integrated its internal information systems to become an effective intra-business eBusiness, through strategies such as just in time inventory management. In terms of efficacy, Dell has been able to diversify into a vast range of hardware products for retail. In terms of efficiency, Dell

has been successful at lowering its internal costs and is able to pass on lower costs to its customers. In terms of effectiveness, Dell is able to sell its products across the world and is able to relate to a large range of suppliers.

In 1996 the company launched www.dell.com to provide technical support on-line. Initially, the Web-side was used to provide technical information to customers. Later, customers were able to order through a Web-site that provided an on-line catalogue of products. Customers can now also enter details of specific configurations of hardware they require and hence configure systems on-line. Dell routes technical support queries according to component-type and to the level of support purchased. For instance, there are five levels of support offered for business customers. For individual consumers the company offers 24 x 7 telephone and online troubleshooting.


Dell engages in supply-chain innovation including customisation of hardware and direct retailing to customers. Customers may order a personal computer through a web-site that provides an on-line catalogue of products. Customers can also enter details of specific configurations of hardware they require through this web-site. Such build-to-order retail requires assembly plants around the world (Austin, Texas; Limerick, Eire; Penang Malaysia) close to suppliers such as Intel (Chips), Maxtor (Hard drives) and Selectron (Motherboards). Order forms follow

each PC across the factory floor. As well as on-line customer support the Dell site provides order and courier-tracking and pages of technical support related to the tagging of machines. Dell associates a Service Tag, a unique alpha-numeric identifier, with most of its products.

Traditionally, Dell has sold all its products whether to individual consumers or to business customers using a direct-sales model via on-line and telephone channels. The company receives payments for products before it has to pay for the materials and practices just-in-time (JIT) inventory-management. This means that Dell builds computers only after customers place orders and by requesting materials from suppliers as needed. Dell advertisements have used several channels including television, the Web, magazines, catalogues and newspapers. Marketing strategies include lowering prices at all times of the year, offering free bonus products (such as Dell printers), and offering free shipping. Dell also runs its own on-line community site in which members can access and contribute to fora and blogs on the use of latest technology. Dell introduced a customer community known as IDEASTorm. The aim was to allow users of Dell products to help each other with problems such as software installation. One aim of IdeaStorm was to take pressure off the company's helpdesk. IdeaStorm also enabled the company to gather information about use of their products and what their customers thought.

Points for reflection

- Would you describe Dell as engaging in customer relationship management through its Web-site?
- Dell uses Just-in-time inventory management and manufacturing. How important is ICT to this business philosophy?
- How important is tracking of products to the Dell business; not only in terms of the supply chain but also in terms of its customer chain?

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- IdeaStorm could be considered a type of adjunct electronic community. Is it appropriate to describe it as such?