Example 1: Dell

Dell Inc. was founded in 1984 by a University of Texas student named Michael Dell. He sold computer components during his spare time, and then realized the opportunity he had to create something significant. He then dropped out of school and started Dell Computer Corporation. At that time, the industry was dominated by big firms like IBM. Del’s initial objective was to provide PCs to customers at a low price and high quality, and target the people who didn’t want to pay the higher price of IBM’s computers. Dell was aggressive in their marketing. They offered a toll free number to allow customers to order their products and also a mail delivery system. As a result, they quickly became the leader in the direct mail market. (“International Directory of Company Histories”, 2011; Hoovers.com, Dell history; aboutdell.com)

The company started with only a $1,000 initial investment. Their growth accelerated well beyond the date of their initial launch. In 1985, Dell introduced his first computer, the turbo computer. They recorded sales of $40 million; a huge growth compared to the $6 million sales of the previous year. Once the company became the leader in mail order in 1987, they needed to change their strategy to keep expanding. In order to do so, a new staff was put in place, a marketing team from Tandy Corp. was hired, more employees were added and new facilities were built. The low cost emphasis was retained, but now additional markets were targeted. In 1988, the firm opened subsidiaries in London and Canada. They also went public the same year. Dell’s expansion has continued through the years and it has been fueled by the expansion of new products such as printers, data storage devices, network switches and more. (“International Directory of Company Histories”, 2011; Hoovers.com, Dell history; aboutdell.com)
Dell’s growth didn’t happen without challenges. In the early 1990’s, the industry had a big war of prices. As the industry matured, competitors adjusted to Dell’s low cost strategy and started cutting their prices as well. These cuts forced Dell to cut their prices even more. They could afford to do it because they had the lowest operating cost percentage in the market. The changes in the industry also made the company to get involved in other products. The competition was very intense and it caused Dell to record his first quarterly loss in 2003. (“International Directory of Company Histories”, 2011)

Strategy and Culture

Michael Dell had been the indispensable leader of the company until 2004 when he stepped down as CEO and was replaced by Kevin Rollins. The company’s identity had always been closely related to him. Dell’s strategy consisted of maintaining low operating costs and selling products directly to customers at prices below the competition. They did not use retailers until 2007, when they partnered with Wal-Mart, Best Buy and some systems integrators, resellers, and distributors worldwide. Their pride is in the customers finding the same satisfaction as they would in any other computer but for a cheaper price. That explains the disagreement between Dell and the Tandy team that they hired for marketing. The marketing team wanted more funding and more salespeople but Dell didn’t think that it was necessary. Some people criticized the company’s management as being impatient without understanding the company’s real identity. (aboutdell.com, 2011)

Dell’s focus was, and still is, on customer satisfaction. They get involve in thousands of interactions with customers daily so that they can improve their products and services. As they say in their website: “Customers are at the core of everything we do. We listen carefully to their needs and desires, and collaborate to find new ways to make technology work harder for them.”
To keep their consumer approach intact, Dell looks for trust, integrity, honesty, judgment, respect, managerial courage and responsibility in their employees. Offering low prices, being innovative and an aggressive marketing strategy are the reasons for Dell’s success.

(aboutdell.com, 2011)

Products and Operations

Dell manufactures most of its products through six production facilities worldwide located in:

- Austin, Texas
- Nashville, Tennessee
- Eldorado do Sul, Brazil
- Limerick, Ireland
- Penang, Malaysia
- and Xiamen, China

It offers a variety of products:

- Computers
  - Desktop (Alienware, Dimension, OptiPlex, Studio, Vostro, XPS)
  - Notebook (Adamo, Inspiron, Latitude, Vostro, XPS)
- Enterprise systems
  - Network servers (PowerEdge)
  - Storage (EqualLogic, PowerVault)
  - Workstations (Precision)
- Ethernet switches (PowerConnect)
- Point-of-sale systems
- Printers
  - Inkjet multifunction
  - Laser
- Projectors
- Refurbished systems
- Smartphones (Mini 3)
- Third-party peripherals and software

(Hoovers.com, Dell description, 2011)

Even if they offer some services and software such as asset recovery, financing, infrastructure consulting, support, systems integration, and training, they are mainly a hardware company. Their products represented 83% of sales in 2010. The company operates all over the world. Its 2010 sales outside the U.S. are 47% of total sales compared to 53% in the U.S. From public corporation to households, the company has a much diversified and well balanced group of customers. They target everybody: public corporation, large enterprise, small & medium business and individual. These four groups represent respectively 27%, 27%, 23% and 23% of their 2010 sales. The company sells its products through dedicated sales representatives, telephone-based sales, and online via the company web site. (Hoovers.com, Dell description, 2011)