

Case study **Dell Computers**

Dell is renowned for its direct sales to customers by phone, Internet and now through e-business enabling consumers to go through the whole sales process online. What is less well known is that Dell, in 2005, took on 150 salespeople to sell their products in United Kingdom/Europe. The reason for this change from direct selling to personal selling is that the cost of a salesperson for an individual customer makes no economic sense, but if you are selling many computers, printers, servers and other products and ancillaries to one customer then personal salespeople are required to understand the customer's needs, offer appropriate solutions and sell the correct package. In this regard, Dell must compete with HP and IBM for business customers on a more personalised service basis.

Yet Dell's background is interesting as the company pioneered direct selling and mass customisation. Founded in Texas in 1984, by 1992 Dell had made the Fortune 500 list and in 2004 was ranked 34 in *Business Week's* Global list of the world's most valuable companies. In 1996, Dell began to sell computers on the Internet, and within 2 years, sales were exceeding \$3 million per day. Much of this was due to the way Dell reduced transaction costs by cutting out expensive distribution and sales channels, including the high cost of personal salespeople. The Dell direct selling model gave the company infrastructure leanness, market agility, minimal inventory and high customer differentiation. Although relatively weak compared with competitors in R & D (Dell 1.3% of revenues; HP 5.8%; IBM 5.9%), the financial discipline using off-the-shelf components and assembly technology gave it a market-leading performance, quality and price combination.

Revenue figures and projections are shown in Table 1.6. Anticipating low growth in the future PC market, the company has refocused as an Internet-centric company (see Table 1.7).

Table 1.6 **Dell revenues (in billion US dollars)**

	2001 \$	2004 \$*	2006 \$*
PCs	20	27	30
Servers/storage	5	8	10
Services	3	5	9
Software/peripherals	3	7	13
Total	31	47	62

*estimate

Table 1.7 **Dell's service products**

Service	Name
Private Intranet sites: customer-specific pricing and paperless ordering	www.Premier.Dell.com
FAQs: diagnostics, customer discussion forums, parts ordering dispatch requests, service call status	www.Support.Dell.com
Web site hosting to provide small business with own website and web storefront	www.DelleWorks.com
Direct online auction for Dell customers	www.Dellauction.com
e-Commerce services including reselling	Gigabuys

The philosophy of selling

Table 1.7*Continued*

Service	Name
Automated detection, diagnosis and resolution through Internet	Resolution assistant
Dell/Ariba alliance to create inexpensive tools for B2B e-commerce	Dell B2B marketplace exchange
Custom factory integration service and custom-built factory-installed solutions	DellPlus
'Brick to Click' works with dot.coms to improve business efficiency for SMEs starting in e-commerce	Dell consulting
Equity and incubation services for early-stage Internet companies	Dell ventures

Sources: 1. www.dell.com (accessed 12 Dec 2006)

2. *Business Week* 'What you don't know about Dell' (3 Nov 2003) 46–54

3. Dell, M. S. and Fredman, C. (1999) *Direct from Dell* London: HarperCollins

Discussion Questions

- 1 Given the company background above, are you surprised by Dell's move to personal salespeople and sales teams for business customers? Analyse the pros and cons in their strategy.
- 2 Draw a scenario of how you would perceive a working day for a Dell sales representative.
- 3 Discuss some of the issues integrating salespeople with other functions within the organisation.