

Case Analysis for Dell

Name

Institution



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### I. Major Facts

In the case study, there are several major facts about Dell. Firstly, Dell is among the largest corporations in America because it was ranked position 38 on the Fortune 500 listing of America's largest corporations (Mangan, Lalwani & Butcher, 2008). Secondly, Dell's success emanates from its outstanding expertise in the supply chain management that include the responsiveness and the speed with which it processes and delivers orders to customers. Thirdly, Dell sells its finished products directly to the customers and disintermediates the intermediaries to ensure that the ordered products reach the intended customers faster. According to Mangan, Lalwani and Butcher (2008), Dell utilizes third-party logistics to deliver finished products directly to the customers. Furthermore, Dell utilizes a strategy known as standardization and postponed manufacturing in producing their final products. Another fact is that Dell's strategy involves using the internet to facilitate full visibility of the supply chain processes including communication directly with customers and linking with suppliers. Mangan, Lalwani and Butcher (2008) argue that the major challenge facing Dell includes strong competition as a result of enormous infiltration of cheaper substitutes in the marketplace.

### II. Major Problem

Although Dell is a large corporation, the company is not immune to the stiff competition generated by the tremendous infiltration of low-priced substitutes in the marketplace.

### III. Possible Solutions

As stated in the problem statement, the major problem facing Dell is a stiff competition that is fuelled by a rapid increase in the number of low-priced substitute products in the marketplace. Should Dell lower the prices of its final products to endure the competition? This

section discusses two possible solutions that Dell can adopt to gain a competitive advantage over its business rivals.

The first possible solution that Dell can consider includes the differentiation strategy. In particular, Dell should consider becoming unique in dimensions that are highly and widely valued by customers. For instance, Dell can improve on the features of the final products using a cutting-edge technology to make its products extremely unique and difficult to imitate. By so doing, Dell would be able to not only sell its products at high prices but also retain its current customers. However, the disadvantage of the differentiation strategy is that it is expensive because it needs experienced professionals and utilization of more advanced technology in making high-quality and inimitable products (Banker, Mashruwala & Tripathy, 2014).

The second possible solution that Dell can adopt includes the cost focus strategy. Cost focus strategy can enable Dell to focus on a specific segment in the industry and commit itself to serve the selected market segment with its products. For example, Dell may focus on selling its products to market segments such as IT firms and educational institutions. By so doing, Dell would be able to exploit the disparities in cost behaviors of the selected market segments. Porter (2004) argues that the advantage of using cost focus strategy is that it saves the cost of advertisement because the company concentrates on a few major market segments only, disregarding the other market segments. According to Porter (2004), the disadvantage of using cost focus strategy is that it concentrates on a particular market segment and excludes the larger market segment. Therefore, the strategy lowers product utilization rates in some market segments.

#### IV. Choice and Rationale

The reason for choosing the differentiation strategy is because Dell has the capacity to manufacture unique and inimitable products that can attract new customers and help the company to retain current customers. Just like how Apple utilizes the differentiation strategy to defeat low-priced products, Dell is capable of doing the same. In fact, Dell needs to identify some unique features that are widely envied by customers and incorporate them in its products. By so doing, customers would be willing to buy Dell's products even at higher prices as opposed to buying low-priced substitutes. Another reason for selecting the differentiation strategy is because it would assist Dell in refining its brand name and reputation. Banker, Mashruwala and Tripathy (2014) state that the differentiation strategy helped Apple to build a good brand name and reputation. Just like in Apple's case, customers would be willing to buy Dell products even if they would be set high just to be associated with its prestigious brand name.

Cost focus strategy is another momentous strategy that can save Dell from the wrath of stiff competition. The reason for choosing this strategy is because it can enable Dell to exploit the differences in behaviors of prices in the market by focusing on just a few market segments where there is less competition (Banker, Mashruwala & Tripathy, 2014). Although Dell is currently responsive in delivering orders, the strategy would enable it to be more responsive because it would supply products to dedicated market segments.

#### V. Implementation

Dell needs to develop a strategic plan to enable it to implement differentiation and cost focus strategy. However, the first step towards implementing both strategies is conducting a scrupulous market research. As with the differentiation strategy, Dells needs to research about unique features to incorporate in its products. Consequently, the company needs to assess

whether it has adequate and necessary resources required in implementing the identified features. Thirdly, the company needs to incorporate the features in the manufacturing process if it has the required resources. The fourth step involves communicating to the customers about the changes made in the products through advertisements. The implementation of cost focus strategy commences with identifying market segments that have less competition. Subsequently, Dells needs to enter the identified market segments in a bid to reach customers. Finally, Dell needs to focus on the demands of customers who are encompassed in the selected market segments. This step may involve customizing the products to perfectly match the requirements of the customers.



## Appendix

### a) Fundamental reasons for Dell's success

The first reason as to why Dell is successful includes possession of great expertise in supply chain management that enable it to demonstrate its responsiveness in processing and delivering orders to customers with high velocity. Secondly, Dell sells its products directly to the customers and disintermediate the middlemen to ensure that the customers receive the orders soonest. Lastly, Dell's success owes to its strategy of standardization and postponed manufacturing where it customizes final products according to the customers' requirements.

### b) How Dell can maintain its competitive advantage.

Dell's business model is still viable. However, Dell needs to adopt differentiation and cost focus strategies to gain a competitive advantage over its business rivals that sell low-priced substitutes. Dell's business model is still viable because automotive companies including Skoda, Volkswagen, Seat and Audi that use the same business model as Dell are becoming successful every day.

### c) Reasons as to why Dell's formula can work elsewhere.

Indeed, Dell formula can work elsewhere including in the automotive industry. Currently, successful automotive companies such as Skoda, Volkswagen, Seat and Audi use the same formula in manufacturing their products.

## References

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