



TECHNICAL UNIVERSITY - SOFIA

ENGLISH LANGUAGE FACULTY OF ENGINEERING

RESEARCH PROJECT

MASTER'S DEGREE

**Title: DIRECT MARKETING MODELING
A CASE SUDY WITH DELL**

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SOFIA 2011

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1 Introduction

This chapter aims to present the background of this thesis, introduce the research questions, and elucidate the research purpose. It points out the basis of the reasons for choosing this topic and with what purpose this thesis should be performed in the following chapters.

1.1 Background

A general and basic idea about what is Marketing, we could say that it's a set of activities designed to find the need and desires of markets in exchange for a profit or benefit to the companies or organizations. So there is no doubt that Marketing is essential for success in today's markets.

According with experts in the world of Marketing, we could find better and clearer definition about this.

- For Philip Kotler

"Marketing is a social process whereby individuals and groups obtain what they need and want through generating, providing and exchanging products of value with their peers".

- According to Jerome McCarthy

"The marketing is to conduct activities that are designed to meet the goals of an organization to anticipate customer requirements and customer and channel a flow of goods suitable to the needs and the services the producer provides the consumer or customer."

- Stanton, Etzel and Walker proposed the following definition of marketing:

"Marketing is a total system of business activities designed to plan products satisfactions of needs, to price, promote and distribute them to target markets in order to achieve the objectives of the organization".

- For John A. Howard, Columbia University,

"Marketing is the process:

- 1) Identify customer needs,
- 2) Conceptualize such needs according to the company's ability to produce,
- 3) Communicate such concepts to those with the capacity of decision making in the company.
- 4) Production in conceptualizing the role of previously identified consumer needs and
- 5) Communicate such concepts to the consumer"

- According to Al Ries and Jack Trout,

"The term marketing means" war. "Both consultants considered that a company should be directed to the competitor, that is, devote much more time to analysis of each participant "in the market, giving list weaknesses and competitive forces and an action plan to exploit and defend them

- For the American Marketing Association (AMA), "Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing relationships with them, in ways that benefit all the organization ..."

1.2 Problems on discussion

It's possible to find many articles written about Direct Marketing modeling by various authors. In some of them, it's possible to read about the increase of this kind of marketing, which nowadays has more importance because of the help of the new technologies... But also, there are companies, which, instead since the beginning they bet to be Direct Marketing one of the most important issues in their business, now they are reconsidering if it's still working, and if they have to develop in the market a new strategy. This, for example, is the case of Dell, which we will deepen in this thesis.

1.3 Purpose

The purpose of this paper is to investigate how Direct Marketing improve the competitiveness of the companies, and in what ways they use it to achieve their goals.

2 Method

This chapter identifies the research approach, which is the combination of qualitative and quantitative methods. It includes the procedure for the theoretical framework, literature review and the means of presenting and analyzing the empirical data. It ends with the criticism of the method.

2.1 Research Approach

In order to obtain the information that we need to fulfill our research purpose, we made a detailed research about the different kinds of research methods. The most important point that has to be addressed is to extract the data that lies in the core of our area of interest. In order to be able to find answers to our research questions, we will conduct an in depth empirical study all through our research.

According to Muijs (2004), there are two types of research techniques, first type is quantitative and second type is qualitative. Van Maanen (1983, reproduced by Easterby-Smith et al., 2002) define qualitative research techniques as the interpretative techniques that aim at transforming events, which are likely to occur in the real world, into meaning by means of describing, decoding and translating them. According to Aliaga and Gunderson (2002, reproduced by Muijs, 2004), quantitative methods can be described as the method of conducting research by gathering quantitative data and analyzing them by means of mathematical methods.

According to Ford (1987, reproduced by Williamson, 2002), depending on the research, qualitative and quantitative methods can either be used uniquely or mixed, and we will mix them in our study. The reason for combining those two is, some of our questions are open-ended and thus will provide us data that will be analyzed based on the qualitative methods, whereas remaining questions are based on a numerical scale that the respondent has to assign as an answer to each question, thus quantitative data analysis methods would be used when analyzing them. Besides, the author supports the mixed utilizations by asserting that usually a more comprehensive understanding of the topic is provided by this approach.

Furthermore, according to Abrahamson (1983, reproduced by Easterby-Smith et al., 2002), mixing several methods during one study is advantageous as it avoids the constraints brought by utilization of a unique method. Thus mixing approaches will provide us with a better understanding and less limitation, and those are the other reasons why we preferred to use a mixed approach.

2.2 Information Gathering Techniques

2.2.1 Theoretical study

While conducting the research, searched from books, written documents and electronic resources in order to obtain theories that were relevant to our topic. The key words that we used in our research are direct marketing, marketing and marketing innovation.

Some sources contained references that attracted our special attention as they had ideas that were relevant to our research topic, thus we tried to find more sources that include those references.

We paid special attention to the verification of the validity of the electronic resources that we retrieved from the Internet. As the websites can change or be removed over time, we kept the articles that we extracted from the Internet sources as hard copies. In the situation where a reference could not be reached again, it was neglected. Furthermore, we showed special care to use sources that are not so old in order to ensure the up-to-date validity of the information. Besides, in order to ensure the reliability of the references that we have used all through the thesis, we tried to use the sources from the library or library database as much as possible to be sure that the sources are reliable. However we used some sources from the Internet too and in order to ensure the reliability of those sources, we tried to find out scientific articles that are published on the Internet sources other than using the information published in an ordinary website.

Based on the ideas that we have derived as a result of our literature study, we built a theoretical framework.

The role of the theoretical framework is to provide understanding about the subject to the reader and provide a basis on which to generate the research questions. It further enables the analysis of the empirical findings by comparing the results with the theories in order to find the relationships between them. Thus, the theories will be utilized in the analysis, in order to find out the answers of the research questions.

2.3 Research Trustworthiness

2.3.1 Reliability

Reliability can be defined as the degree of consistency of the findings with the prospective studies on the same subject (Lecture Notes in Research Methods, 2004).

Daymon (2002) claims that, in quantitative research, reliability refers to the degree of consistency of the answers, gathered from the same study by the same information gathering technique conducted by different researchers. On the other hand, the author states that, for the qualitative research, same research technique can show variability among different researchers and the conclusion of the study is effected so much by the experiences of researcher. Thus the reliability can be provided by a clear presentation of the methods and choices that the researcher utilized and applied in the study.

We conducted this study with a clear and uncomplicated research method. Furthermore, we presented the method and the techniques that have been used unambiguously and consistently, and the interview guide and questionnaire guide, with the explanations that we have given, has been published in the appendix 1, in order to provide reliability to our study. Thus any other researcher, who wants to conduct a study about the same subject, can use those as a blueprint for his/her study.

2.3.2 *Validity*

There is a probability that a reliable study is not valid but there can be no situation in which a study is valid without being reliable. Thus the validity of a study cannot be guaranteed by its reliability (Lecture Notes in Research Methods, 2004). Daymon (2002) states that, for the quantitative studies, validity refers to the appropriateness of the research approach, method and information gathering techniques to the purpose of the study. For the qualitative research, it is defined by Maxwell (1996, reproduced by Daymon, 2002) as the degree of trustworthiness of the presented procedure and the findings of the study.

Daymon (2002) defines three aspects of validity; internal validity, generalizability and relevance. Degree of trustworthiness of the findings of a study and to what degree they are consistent with the purpose of the study and representing the reality refers to the internal validity. It can be provided by comparing the interpretation of the researcher with the respondents. Generalizability is the degree of the application of findings of a study to a whole. Relevance refers to the degree that the study is making sense to all readers.

In order to provide validity of this thesis, we started with clear minds about the subjects by not expecting certain answers to the research questions. Also, our research approach and information gathering techniques are appropriate for our study, which contributes to the validity of it. Generalizability of our study will be discussed deeply in the next section.

2.4 Method Criticism

In the following sections, we will discuss the generalizability of our study.

2.4.1 Generalization

As defined by Daymon (2002), generalizability refers to what degree the findings of a study can be applied to a whole. Patton (1990) states that, in qualitative researches a commonly encountered problem is to achieve generalization because of the small sample sizes that the study has been applied and Kemp (2004) claims that the generalizations that can be done by statistical measures by using the quantitative data, which is collected, require a reasonably big sample size. Because of those reasons, we felt that there could be a problem when we are making generalizations about our case study as we are using only one company.

However, the claim made by Easton (2003) clarified our concern. He claims that, the position that the case study falls in the epistemology is the indicator of its sufficiency for the venerability. There are three positions; positivism, pragmatism, critical realism. Firstly, positivism states that one case study is not enough to make generalizations. Secondly, pragmatism supports that, in order to make generalizations by using one case study, the case study must be sufficient by itself, in other words it must provide in-depth information about the subject. Lastly, critical realism claims that, despite the fact that deriving general ideas about a subject by using causal relationships between empirical findings of several cases and theoretical framework is more robust, one case study is sufficient when it is supported by the theoretical framework by means of causal relationships between them. Similarly, Williams (2002) claims that, generalizations can be done by the help of theoretical inferences by considering the relationships between data and current theories. As our method falls into the last position and verifies the claim of Williams (2002), we believe that our case study is enough for making generalizations about the subject.

3 Theoretical Framework

3.1 Direct Marketing

The term direct marketing began to be used with some frequency since the change of name of the principal industry magazine, which went from The Reporter of Direct Mail Advertising Direct Marketing in May 1984. Subsequently, many clubs have changed their name, and the Association of Direct Marketing Members did not exist until 1984, was called Direct Marketing Association (DMA). In Spain when the Association was formed in 1977 called Correspondence Selling Association and Direct Marketing (AVPC) and renamed in 1989 Spanish Direct Marketing Association (AEMD).

As reflected in the above have been used many terms to describe the relationship between buyer and seller without the existence of an establishment. It's called direct marketing, mail order, wholesale telematics, direct response marketing, telemarketing, distance selling, etc... However, all these terms are not fully descriptive and merely reflect some of the features, or the means used for conducting business transactions.

3.2 What is it?

We can difference 3 kinds of groups, according of the type of explanation the skilled give about this term.

The first set of definitions is formulated from the standpoint of commercial distribution. One could consider that this is the classical approach to tackling the issue of direct marketing. Among the most valuable contributions we can highlight Parley (1973), Vargas Sánchez (1989), Stanton (1992) and Santesmases (1992). These authors define direct marketing as: "all activities for which the seller makes the transfer of goods or services to the purchaser directing their efforts to a qualified audience, and using one or more means in order to request a response an actual or potential customer, either by phone, by mail, through advertisements in newspapers, magazines, radio, television, or personal visit." (Vargas Sánchez, 1989).

The second group of definitions makes more emphasis on the type of communication used. You can highlight the contributions of Pasavant (1989) and Lambin (1993).

Pasavant: "sending a direct message to the client or potential client to produce an immediate action"

Lambin: "A marketing system in which the producer goes directly to potential consumers and clients, through the intermediary of one or more media personal and impersonal, with a view to elicit an immediate behavioral response, and measurable"

As you can see these definitions get to give importance to a key aspect of direct marketing, the existence of an emissions interactive communication and response message.

Finally you can find other definitions less complicated and more realistic. The most prominent of them is offered by Ferry (1987), which states that "Direct Marketing is marketing is done through a database." While this definition is very simple, it serves to differentiate the actions that use this marketing tool in its entirety, to any direct marketing applications that only exploit the tactical side. For example, sending a battery of mailings to a list of people who have been previously rented, whose goal is to obtain short-term performance differs greatly from the holding of direct and interactive medium long term through the use of a rich data base for each contact with current or potential customer.

3.3 How it works

Direct Marketing includes various approaches in which the producer of goods or services is in direct contact with the end-user.

A direct marketing strategy is a strategy developed to make a direct marketing campaign successful. In this form of marketing, companies approach consumers directly with the goal of spurring an action, such as buying or ordering a product, requesting more information, or visiting a website. This type of marketing eliminates intermediaries between companies and consumers, and it can be highly effective when it is organized well.

Marketing strategies are the key to any sort of marketing campaign, because companies want to market effectively and efficiently. They must think about the target demographic for the products they are advertising, and develop marketing techniques

which will reach to this demographic. Developing a direct marketing strategy involves everything from thinking about how the product should be positioned to writing scripts for people who will be in contact with the consumers.

Direct marketing encompasses face-to-face selling, direct mail, catalogs, kiosks, telemarketing, and more. Regardless of the form you choose, there are some critical considerations.

If we consider that marketing is a system of thought and action system that has three dimensions: (Lambin, 1993)

- Ideological Dimension. Reflects the role of marketing as a set of ideas that follow the activities of the company towards meeting the needs of people and organizations through the creation and the voluntary exchange of goods, competitive and revenue-generating services.
- Analytical Dimension. (Strategic Marketing) is the part of marketers to gain information from the reality that surrounds the company facilitating the development of tenders in accordance with market needs and getting the organization to adapt to changes in the environment.
- Dimension of Action. (Marketing Operations) is the dimension of marketing that reflects that marketing is an action system that gives the company a number of variables, tools to act in the market and achieve the objectives. Essentially these tools are the famous 4Ps of McCarthy (1974) (product, price, promotion, distribution and communication).

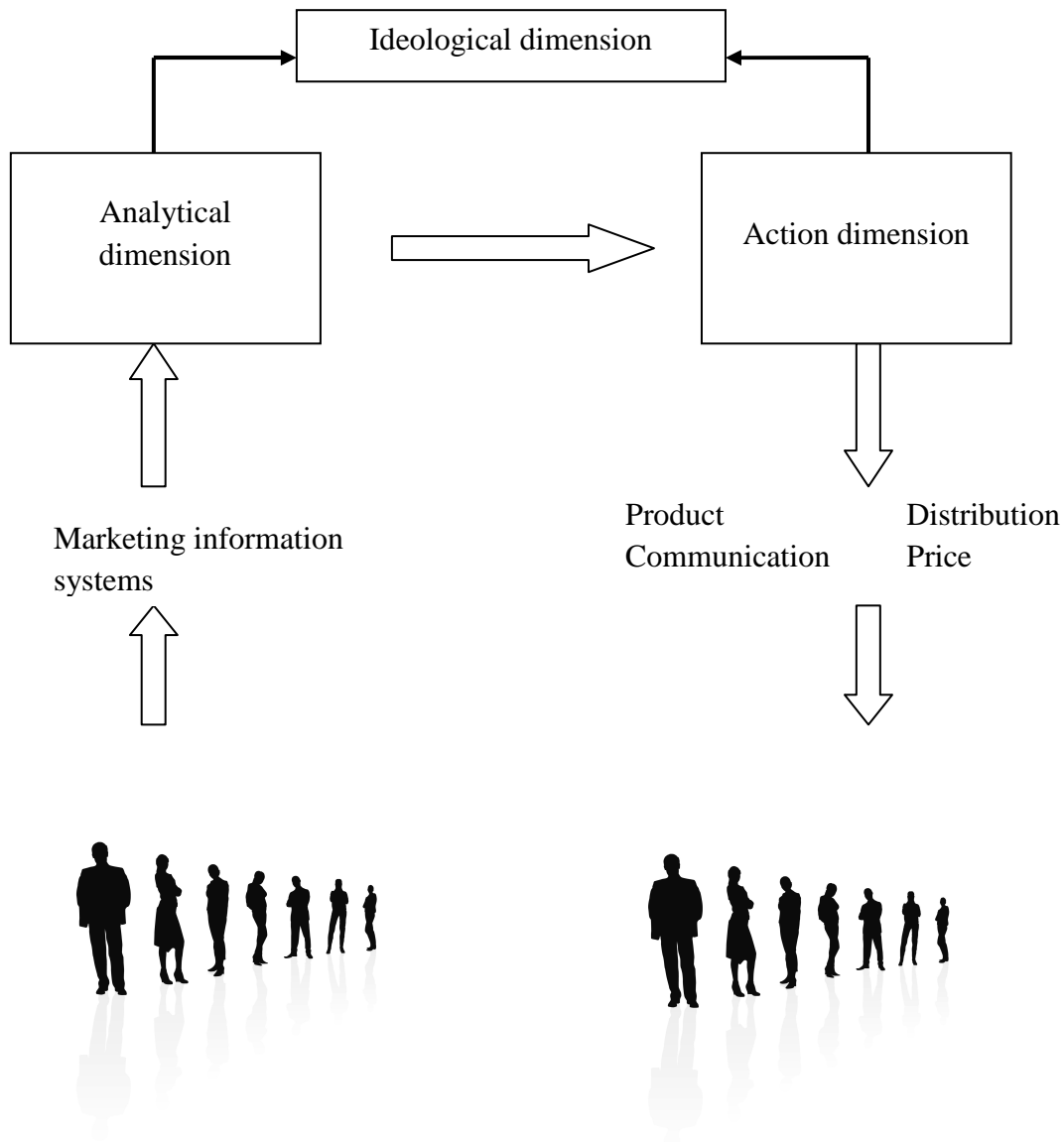


Fig. 3.1

As shown in the figure 3.1, it involves the ideological dimension to the other two dimensions, analytical and operational, determining its orientation and objectives. The obtained analytical dimension of the markets he frequents and the general environment, the necessary information through various information systems that make up the MIS (Marketing Information System) which will allow development of the strategy that determines the action the company through its controllable variables (operational marketing): product, price, distribution and communication.

Given these considerations on the dimensions of general marketing can establish a "homology", using the terminology of General Systems Theory, including direct

marketing and general marketing. This homology is based on the existence of these three dimensions, oriented to the same ultimate goal: the business benefits through meeting the needs and desires of individuals and organizations, but carried out differently.

Thus it can be said that direct marketing has three dimensions: ideological, analytical and operational. In the figure 3.2 is showed:

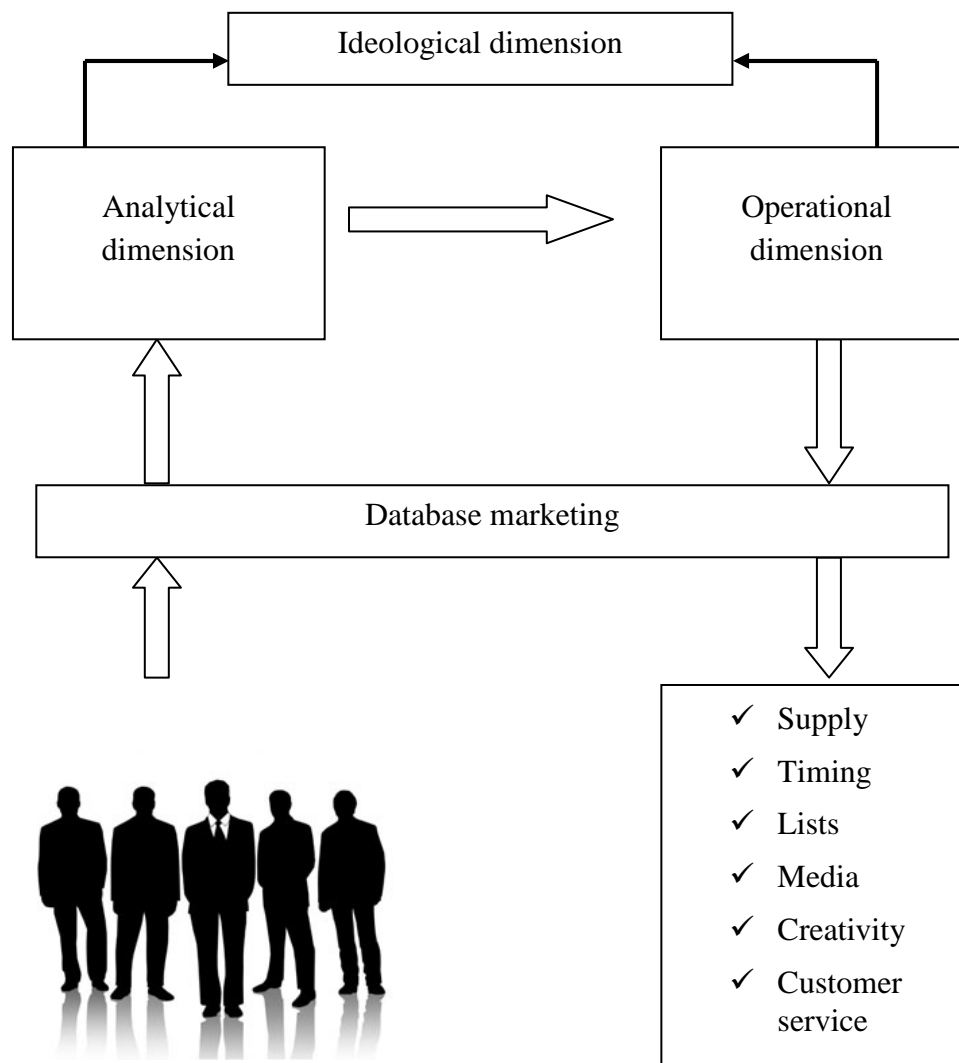


Fig. 3.2

3.4 Types of Direct Marketing

Internet Marketing

The Internet has revolutionized direct marketing for promoting the sale of products and services to targeted audiences. Access to the Internet provides users with services in four basic areas:

Information, entertainment, shopping, and individual and group communication.

Online channels can eliminate geographic considerations. With this capability people around the world have the same access as the person across the street. Many businesses that can sell their products and services through downloading or can economically ship those products have discovered an entirely new way to market.

The Internet makes direct marketing easier, more targeted, more flexible, more responsive, more affordable, and potentially more profitable than ever. Virtually every business should seriously consider the Internet as a part of their marketing mix and determine if it is a viable fit for direct marketing.

Face-to-Face Selling

The most traditional direct marketing involves the in-house sales force personally contacting potential and established consumers.

Direct mail

Direct mail is described as sending information about a special offer, product or sale announcement, service reminder, or other type of communication to a person at a particular street or electronic address. Historically direct mail has existed in the form of printed materials, but CDs, audio tapes, video tapes, fax mail, email and voice mail are also used in direct mail campaigns. For example, America Online experienced a highly successful campaign through mailing out CD-ROMs to prospective customers. Direct mail permits high target-market selectivity; it can be personalized, it is flexible, and it allows early testing and response measurement to take place. A highly selective and accurate mailing list often determines the success of direct mail efforts to enhance response rates and control costs.

Catalogs

Product catalogs are another version of direct mail where the catalogs are the communication tool. The most common use of this approach involves featuring a variety of products that target the needs of a specific audience who have shown a propensity to order from catalogs. An increasing number of business-to-business marketers are sending catalogs on CD-ROM to prospects and customers.

Telemarketing

The process of contacting people on a qualified list to sell services over the phone has grown in popularity to the point that the average household receives 19 telemarketing calls each year.

Successful telemarketing campaigns depend on a good calling list, an effective script and contact structure, and well trained people that are compensated and rewarded for making calls that result in sales.

Direct-response Advertising

Direct-response advertising is communicating with potential buyers through television, radio, magazines, and newspapers. The prospective consumer watches, hears, or reads about the product or service and initiates a call to a toll-free number to place their order. Television, for example, offers a wide range of exposure, from a 30-second commercial to a 60-minute infomercial.

Kiosk Marketing

Customer order machines, versus vending machines that actually provide products, are another form of direct marketing. Bank's automatic teller machines (ATMs) placed in convenient and high traffic areas are another example of kiosk marketing. A combination of these direct marketing techniques may offer the optimal revenue generation solution.

3.5 Conclusion of the Theory

Once we are here, we should think if Direct Marketing is useful or not. So we are going to think in the main uses that Direct Marketing provides:

- **Direct sales of products or services**

This is the main function that we should ask for. Not all products or services meet the requirements to be sold in this way.

You can have a short-term (just selling a product), or establishing a lasting relationship with the client obtained the typical case of mail order companies or online retailers or ecommerce.

In this role, direct marketing allows the delivery of the product from the company to the consumer, by an absolute. Decide how and when to send, the publicity they should delete it.

Cases where interactive marketing is remarkable in this role are:

- a) **As a distribution channel.**

Direct sale to consumers or businesses. Here we are in the so-called mail order (including email) or mail order or online sales (the aforementioned e-commerce), a global system that is growing above the overall distribution.

For DELL, virtually all the selling is done remotely through the Internet, and aggressive promotions sent through faxing and emailing (email marketing).

- b) **Supplementary product sales and servicing existing customers.**

In many cases, does not require the representative's visit, or the distribution network. This application is particularly useful for repair service firms, with different accessories of machinery, equipment and interrelated. One example is IBM, which is in operation worldwide catalog sales of office furniture, typewriters, PCs and accessories (including services such as Internet or HELPWARE). All supported by telemarketing.

c) Sales of some interesting for the sales force.

Usual products with little value or complicated technical explanation. This technique was successfully held for sale Hewlett Packard calculators.

d) Sales in areas that we have no distribution.

In areas of low population density or low number of people making up the target group. This was the case of Citicorp, which, by the regulation that limits U.S. development office, conducted a major campaign-test direct marketing, telemarketing and mail combination, for the sale of mortgage loans in Virginia. Was a great success, and became a leader in the mortgage business in the mid-Atlantic region.

On the internet, sometimes you surprise your relocation, as the site is available to everyone, and asked where you least expect it, is a great test to identify new areas for sale.

e) Sale of prospects and customers to marginal low interest to be introduced in the channel of distribution and too small to be seen or disseminated by the sales force.

A good example is Procter & Gamble, the number one company in general advertising, which was forced into direct marketing to sell diapers for adult incontinence. The potential market was so small and delicate that it did not justify the use of indirect methods of marketing.

f) Test or development of concepts of products or services.

Direct marketing and especially marketing online allows you to test the concept and design of the product to find its proper application and the appropriate audience. It is also a good way to launch a product without making large investments in the distribution channel for products that may not be profitable.

Direct marketing provides a great flexibility both with respect to product development or service and to recall in case of failure.

The test development times on the Internet is as simple as putting the product information on the web and wait to see if the defendant or not, so easy and inexpensive.

4 DELL

4.1 Introduce the company

4.1.1 Area of work

Dell is one of the most important companies of the world which are related with the informatics. DELL is a U.S. multinational company established in Round Rock (Texas) that develops, manufactures, sells and supports personal computers, servers, software, peripherals and other technology-related products

4.1.2 History

Dell was founded by Michael Dell in 1983. Michael Dell was a young student at the University of Texas at Austin, who spent his free time formatting hard drives for upgrade IBM-compatible PCs.

He founded the manufacturing company and supplier of PC's limited (known as SIC). A year later he left school to serve its business had grown from nothing to 6 million.

In 1985 the company produced its first computer of its own design, the "Turbo PC" with Intel 8088 processor running at 8 MHz.

In 1987, the "limited PC" installed its first service programs to compensate for the lack of local retailers prepared to act as service centers. It also starts international expansion by opening a subsidiary in the United Kingdom, eleven more international operations followed within the next four years.

In 1988, Dell's market capitalization grew from 30 to 80 million dollars in its initial public offering day. That same year, the company changed its name to "Dell Computer Corporation (DELL Computer Corporation.)"

In 1990, sales had surpassed 500 million.

In 1991 the company launched its first notebook PC type. The company had a comprehensive line of products such as desktop and notebook computers based on Intel's newest processors and had gained a strong reputation for its products and

services.

In 1992, Fortune magazine included Dell in its list of the 500 largest companies in the world. Dell's successes continued in 1992 until 1993 had its first operating loss in its history, despite a 40% increase in sales.

The problems, they quickly discovered Dell, arose in part from his efforts to sell their products through retailers such as CompUSA, Staples and Sam's Club in the U.S.. In addition, quality problems with their laptops exacerbated the financial problems of Dell. While some scholars question the future of the company, Dell acted decisively, leaving retailers and solving re-enter the market for laptops only when product quality was to match or surpass the quality of the desktop PC Dell.

In 1993 subsidiaries in Australia and Japan are the first line of the company in the Asia-Pacific region.

In 1996 customers began to buy Dell computers over the Internet.

In 1997, Dell made two types of desktop systems, the Dimension line offering high technology at a good price, and the line Optiflex, network systems of high reliability designed for corporate and institutional clients. Similarly with notebooks (laptops), the Inspiron line offering high technology at aggressive prices, while the Latitude line offering reliable notebooks designed for work in offices equipped with connectivity to trusted networks. Adding to its desktop products and laptops, Dell introduced its product PC / LAN (server) the PowerEdge 1996 and 1997 workstations.

In 1998 the company expands its facilities manufacture in the Americas and Europe, and opens a production and customer center in Xiamen, China. In the same year Dell introduces its PowerVault storage products.

In 1999, Dell overtook Compaq becoming the company selling PCs largest U.S.. Open in Nashville (Tennessee) its second major U.S. location Open a plant in Eldorado do Sul, Brazil, to serve the Latin American market and introduced "E-Support-Direct from Dell", an online technical support.

In 2000, sales via Internet reach \$ 50 million dollars a day. That same year, Dell is No. 1 in workstation shipments worldwide, introduces PowerApp servers and ships its PowerEdge server number 1 million.

In 2001 for the first time Dell is ranked No. 1 in global market share, is No. 1 in the U.S. in shipments of standard Intel architecture servers, and presents the line network switches DELL PowerConnect 2002, named "Topfer Manufacturing Center "to its manufacturing site in Austin, delivers the PowerConnect network switch to number 2 million U.S. consumers choose Dell as No. 1 supplier of computer systems and ships its first blade server, enters the market handhelds with the Axim X5, launched an offer retailers.

To recognize the company's expansion beyond computers, shareholders approved changing the company name to "Dell Inc." at the annual meeting of the company in 2003.

In March 2004, Dell introduced attempted to expand the market of multimedia products and began to sell televisions, and digital media players. Dell printers also produced branded "DELL" for home and small office.

On December 22, 2004, the company announced it would build a new assembly plant near Winston-Salem, North Carolina United States, the state provided approximately 250\$ million in incentives and tax exemptions.

In January 2005, shares of sales coming from international markets increased.

In 2006 DELL sent more than 10 million systems in a single quarter (Q4 FY06) for the first time in its history.

4.1.3 Where they work

Dell works in the whole world. With the help of internet, they can find the customers, and they can find them. Obviously, there are countries which statistically are more interested in their products (normally, developed countries).

Dell has started the last years to open shops and contact directly with the customer. It's a very important point in the countries where Internet is not is the same effective tool that other countries (some of the countries of East Europe, or Asia).

4.1.4 Organization structure

Dell, like a company, has a Functional Structure (Fig. 4.1), which has some advantages, like good Coordination and Communication between them, continue Improvement, Motivation and Control of all the Company.

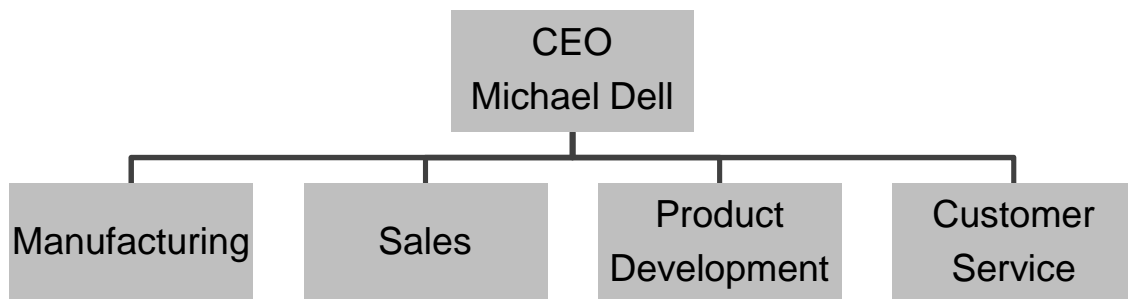


Fig. 4.1

But, on the other hand, it has some disadvantages like the limits to number of products or services (because it becomes so hard) and coordination difficulties at larger size.

If we pay attention in the way they work, Dell has Divisional Structures of:

- Product (Fig 4.2)
- Market (Fig 4.3)
- Geographic (Fig 4.4)

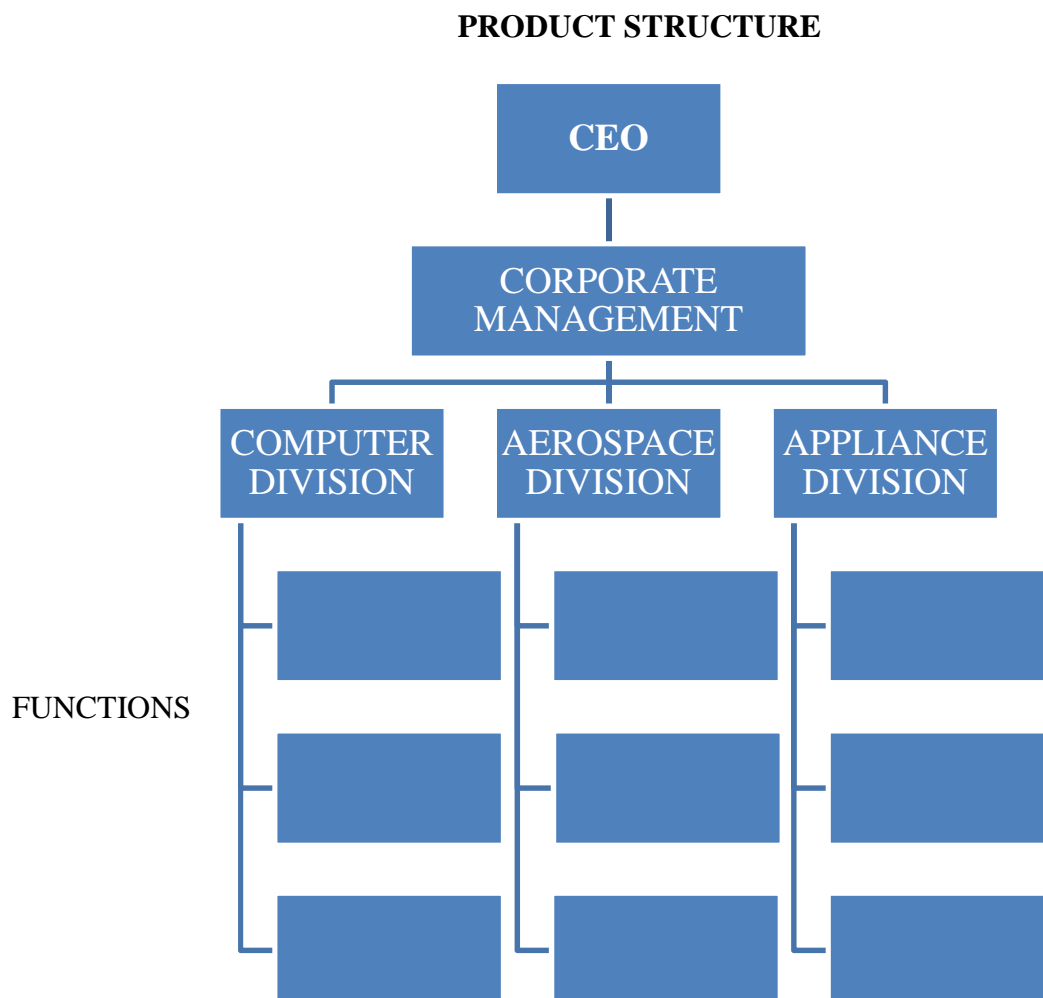


Fig. 4.2

MARKET STRUCTURE

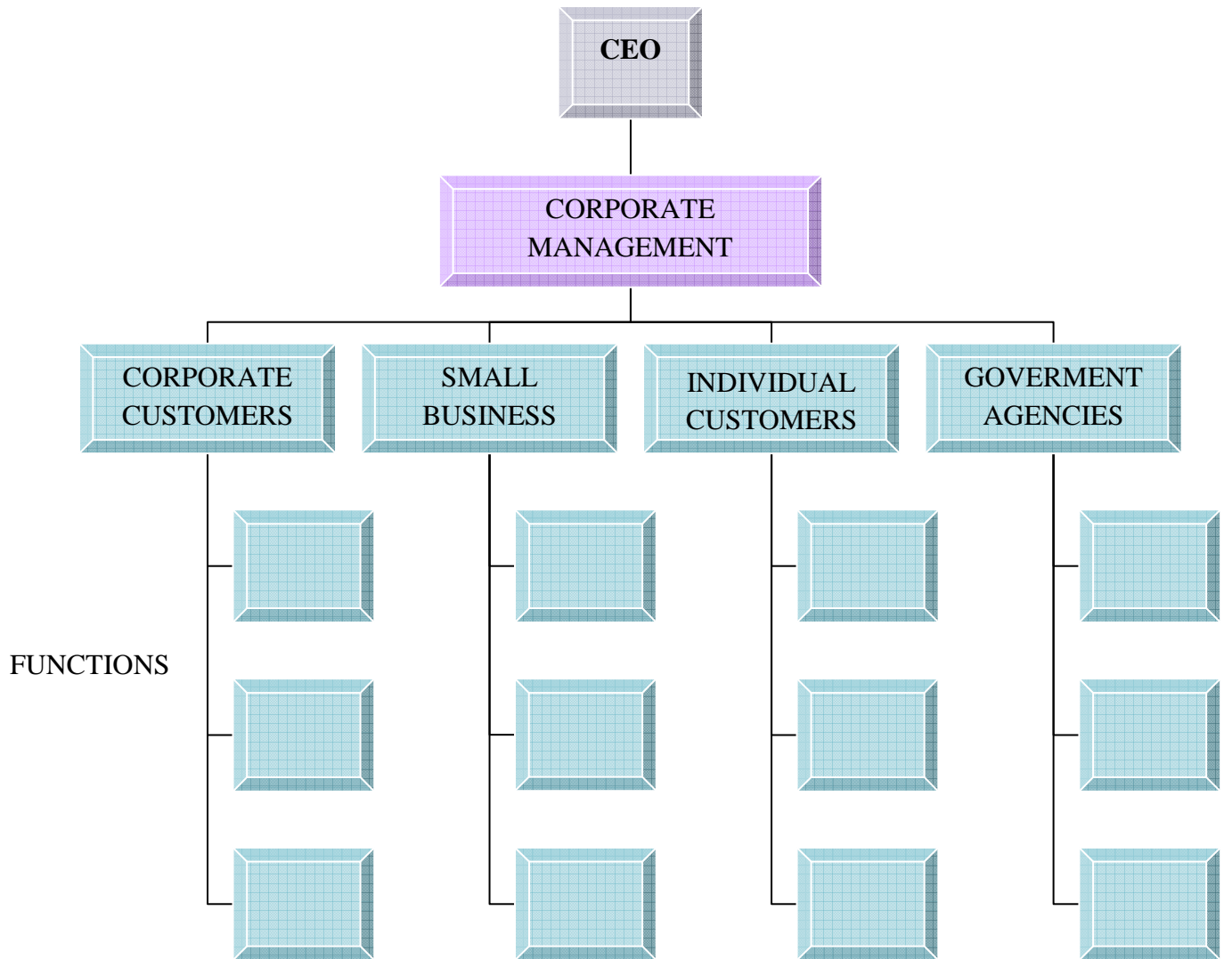


Fig. 4.3

GEOGRAPHIC STRUCTURE

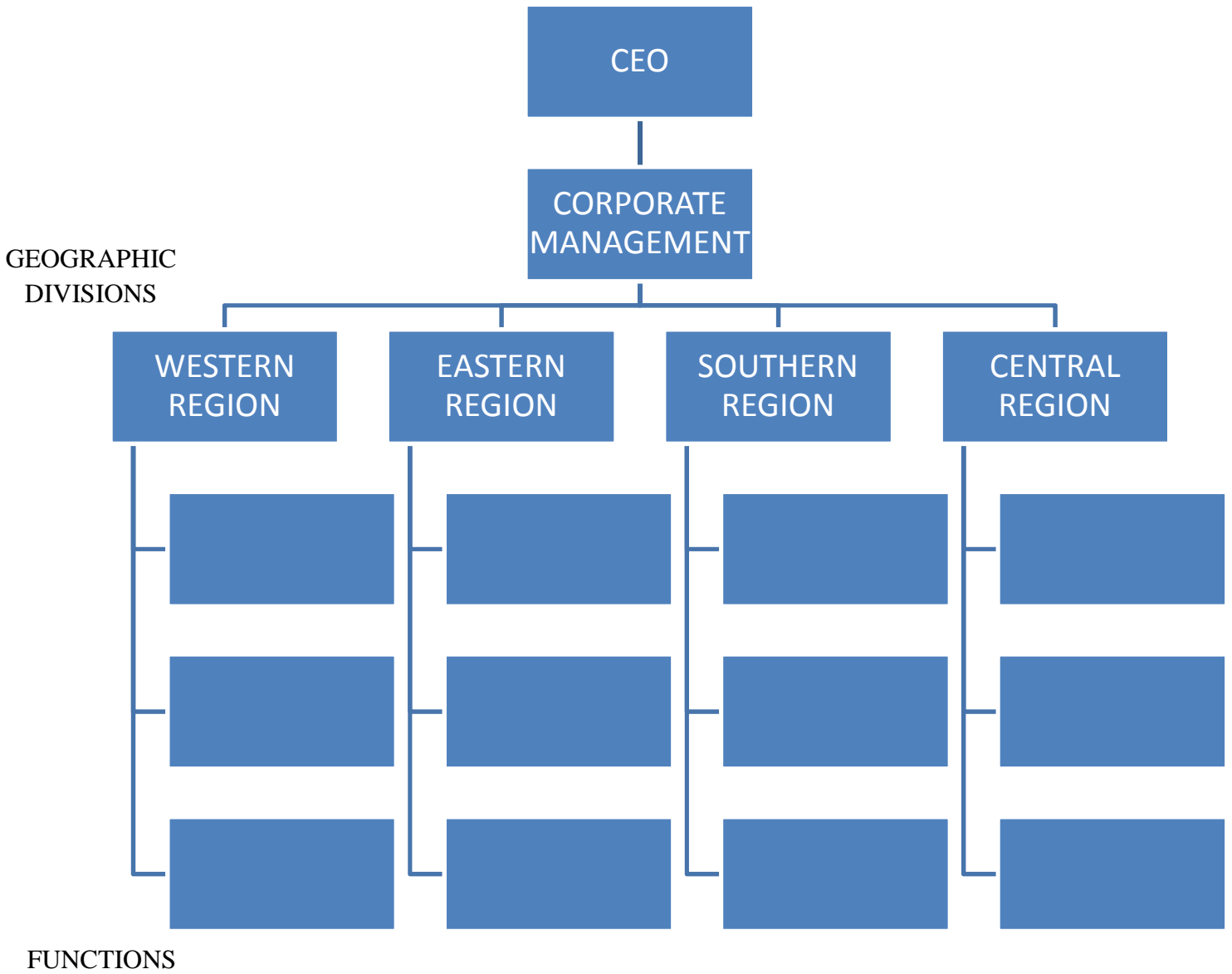


Fig. 4.4

The divisional structure shows us also different advantages and disadvantages to consider:

Advantages

As size and complexity of organization increases,

- Coordination
- Communication
- Motivation
- Autonomy

Disadvantages

- Increased costs
- Duplication of functions
- Miscommunication across divisions
- Competition for resources
- Conflict

4.1.5 Size of the company

The company is one of the largest technological corporations in the world, employing more than 96,000 people around the world. Dell had 46,000 employees, about 22,200 of those, (48.3%), were in the United States, while 23,800 people (51.7%), worked in other countries, according to a filing with the Securities and Exchange Commission. Dell is the third largest PC maker in the world.

5 ANALYSIS (PEST and SWOT)

5.1 PEST

PEST stands for "Political, Economic, Social, and Technological analysis" and describes a framework of macro-environmental factors used in the environmental scanning component of strategic management. It is a part of the external analysis when conducting a strategic analysis or doing market research, and gives an overview of the different macro environmental factors that the company has to take into consideration. It is a useful strategic tool for understanding market growth or decline, business position, potential and direction for operations.

- **Political** factors are how and to what degree a government intervenes in the economy. Specifically, political factors include areas such as tax policy, labour law, environmental law, trade restrictions, tariffs, and political stability. Political factors may also include goods and services which the government wants to provide or be provided (merit goods) and those that the government does not want to be provided (demerit goods or merit bads). Furthermore, governments have great influence on the health, education, and infrastructure of a nation.
- **Economic** factors include economic growth, interest rates, exchange rates and the inflation rate. These factors have major impacts on how businesses operate and make decisions. For example, interest rates affect a firm's cost of capital and therefore to what extent a business grows and expands. Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy
- **Social** factors include the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Trends in social factors affect the demand for a company's products and how that company operates. For example, an aging population may imply a smaller and less-willing workforce (thus increasing the cost of labor). Furthermore, companies may change various management strategies to adapt to these social trends (such as recruiting older workers).

- **Technological** factors include technological aspects such as R&D activity, automation, technology incentives and the rate of technological change. They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Furthermore, technological shifts can affect costs, quality, and lead to innovation.

So we study this case in the 4 points this Analysis is divided:

5.1.1 Political

Dell is set in USA, probably the most powerful country of the world, with all the advantages (or disadvantages) it means. The political stability of the country is assured. There are not restrictions on export for this kind of product, at least for the most interesting countries for the company (in the point of view of the sales... North America, Europe and Asia) and the external relationships with these countries are fine.

It's a very interesting point, because Dell focuses the sales and after-sales support via internet and telephone, so they send the products by mail, in the shorter period of time that it's possible. The logistics channels are very important for the company.

USA is one of the countries where the pressure groups are strong. The lobbies, like the bank system or other multinational companies, shouldn't be a big problem for the company. In fact, Dell is a consolidated company.

Wars and other kind of conflicts, nowadays, don't influence in the Dell market.

One of DELL's biggest threats is involving the fourth element of the external environment, the political/legal environment. The Chinese government prefers to promote national PC vendors to foreign companies. There is a lot of red tape involved in securing government contracts. The Chinese government not only favors local firms but also local companies. Government control of internet usage in China is another threat to the growth of the internet.

Environmental issues are important, and the laws about this topic are becoming harder in the different countries where Dell works. For example, The Waste Electrical and Electronic Equipment Directive (WEEE) is a European directive addressing end-of-life treatment of products. The directive requires products to be labeled with the WEEE

“wheelie-bin” mark and to include printed customer information on WEEE. Dell approached this as a global directive — all products worldwide should have the WEEE label. Dell implemented both requirements of WEEE on or before the Aug. 13, 2005 compliance deadline.

Political factors include government regulations and legal issues determining the conditions under which companies have to operate. In this field, the computer industry has to face certain restraints. Problems can arise in countries where political stability is not guaranteed, no matter whether companies operate production facilities or if they do business with that country through exports. Many countries still have restrictive policies which are maintained to protect domestic manufacturers and production. Such policies often hinder foreign companies from entering into these markets. The only possibility to do business in those countries is to establish partnerships with local companies, where they are additionally forced to accept minority shares and to provide money and technological know-how. However, the computer industry sees great potential in those countries which lose their restrictions. This is especially true for China which has opened for many industries since its accession to the WTO in 2001. In the course of globalization trade barriers decline and new markets emerge, allowing free trade to expand.

5.1.2 Economic

Currency: United States dollar (\$) (USD)

Unemployment: 8.9%

GDP (Gross Domestic Product) per Capita: 47,132 \$ (6th of the world).

The economy of the United States is the world's largest national economy. Its nominal GDP was estimated to be nearly \$14.7 trillion in 2010, approximately a quarter of nominal global GDP. Its GDP at purchasing power parity was also the largest in the world, approximately a fifth of global GDP at purchasing power parity. The U.S. economy also maintains a very high level of output per capita. In 2009, it was estimated to have a per capita GDP (PPP) of \$46,381, the 6th highest in the world.

Historically, the U.S. economy has maintained a stable overall GDP growth rate, a low unemployment rate, and high levels of research and capital investment funded by both national and, because of decreasing saving rates, increasingly by foreign investors. It has been the world's largest national economy since the 1870s and remains the world's largest manufacturer, representing 19% of the world's manufacturing output.

The economic environment refers to the nature and direction of the economy in which a firm competes or may compete. A primary threat that computer companies encounter is the problem of software piracy. India has a shortage of skilled labor, even though the country has many economic opportunities. Computer companies have to acknowledge that the average consumer could not afford the investment and very few had a bank account. DELL is aware that India customers go for the cheapest System.

The computer industry expects a growth of approximately ten percent over the next years. This growth is influenced by the economic situation in a specific country, having an impact on the purchasing power of potential customers. Additionally, changing inflation rates and currency fluctuation also determine the profitability of a company.

5.1.3 Social

Population: over 308 million people

Capital: Washington, D.C.

The socio-cultural segment is concerned with a society's attitudes and cultural values. The potential for Internet growth is huge in India, giving foreign computer companies, DELL the opportunities to expand into a new market. Computer companies have to acknowledge that in the Indian culture, people are still unsure about card sales because of the huge expense of computers in India. DELL has to invest in door- to-door or face-to-face operations to gain consumers' faith and consumers' trust in the company and product.

The national demand for computers is dependent on the educational level prevailing in a specific country. The higher the educational standard, the higher is the demand. Furthermore, computers get more and more involved in daily life. Nowadays, computers are more than a tool for working or studying. They are in the daily life of every person with a certain purchasing power, and it's not necessary to be so high this one. It could be said, that it's part of the social life.

5.1.4 Technological

USA, with Japan and the Scandinavian countries are the leaders of the Technology of the world. They go for research in this field.

So this is a big point too to set the company in USA, at least, the part of the company which cares about the improvement of the company in this area.

The technological segment includes the institutions and activities involved with creating new knowledge into products, processes and materials. In the computer industry, technology continues to be smaller and faster than ever. Providing access to technologies developed by institutions has proven a key government resource. The internet is a great opportunity for companies to get their name into the public domain as well as a fast way to tailor services to its customer segments.

- PEST is useful before SWOT - not generally vice-versa.
- PEST definitely helps to identify SWOT factors. There is overlap between PEST and SWOT, in that similar factors would appear in each. That said, PEST and SWOT are certainly two different perspectives:
- PEST assesses a market, including competitors, from the standpoint of a particular proposition or a business.
- SWOT is an assessment of a business or a proposition, whether your own or a competitor's.

5.2 SWOT

SWOT is a method used to study the competitive situation of a company in its own market (outside situation), and its own characteristics (inside situation).

With this, we can determinate:

- ✓ **Strengths:** characteristics of the business or team that give it an advantage over others in the industry.
- ✓ **Weaknesses:** are characteristics that place the firm at a disadvantage relative to others.
- ✓ **Opportunities:** *external* chances to make greater sales or profits in the environment.
- ✓ **Threats:** *external* elements in the environment that could cause trouble for the business.

Finally, we could know with all this information the competitive advantage of the company, very valuable information.

5.2.1 STRENGTHS

- ⇒ Dell is the World's largest PC maker.
- ⇒ The Dell brand is one of the best known and renowned computer brands in the World.
- ⇒ Dell cuts out the retailer and supplies directly to the customers. It uses information technology, and Customer Relationship Management (CRM) approaches to capture data on its loyal consumers.
- ⇒ Well-Known for online selling of Computers.
- ⇒ Dell Company employs more than 96000 people.
- ⇒ Provide quality PCs, Laptops and computer peripherals at low price.
- ⇒ Support 24 hours per day, 7 days per week.
- ⇒ Capacity of make computer on customer provided specifications.
- ⇒ Dell always keen to embed latest technology in its products.
- ⇒ It has a reliable support and service.
- ⇒ The company website at least receives 25 million visits.
- ⇒ Efficient Inventory management.
- ⇒ Dell became the first company in the information technology industry to establish a product-recycling goal.

5.2.2 WEAKNESSES

- ⇒ The company has such a huge range of products and components from many suppliers from a plethora of countries, that there is the occasional product recall that can cause Dell some embarrassment. In 2004 Dell had to recall 4.4 million laptop adapters because of a fear that they could overheat, causing electric shocks or fires.
- ⇒ On January 8, 2009 Dell announced the closing of its manufacturing plant in Limerick, Ireland with the loss of 1,900 jobs and the shift of production to its plant in Poland.
- ⇒ Dell not able to attract the students of schools and colleges, this segment earns only 5% of total revenues.
- ⇒ Dell willingly discontinued the “world’s most secure laptops” advertisement after the declaration of the NAD investigation.
- ⇒ Dell have no proprietary technology, the currently used technology by dell are shared by the other major competitors.
- ⇒ Dell is dependent on its suppliers
- ⇒ Dell is a computer maker, not a computer manufacturer. It buys from a group of concentrated hi-tech component manufacturers. Whilst this is a tremendous advantage in terms of business operations, allowing Dell to focus on marketing and logistics, the company is reliant on a few large suppliers, and to an extent is locked in for periods of time.

5.2.3 OPORTUNITIES

- ⇒ Kevin Rollins replaced Michael Dell in 2004 as Dell's Chief Executive Officer. Dell remained the company's Chairman. Despite founder Dell's massive success, new blood and a change in management thinking could lead the company into a new, even more profitable period.
- ⇒ India, Pakistan and Bangladesh are the untapped markets.
- ⇒ Market penetration in education and Government markets.
- ⇒ Cost reduction in latest technology.
- ⇒ Partnership or acquiring of suppliers.
- ⇒ Dell has opportunity to sell computer directly to retailers.
- ⇒ Dell is pursuing a diversification strategy by introducing many new products to its range. This initially has meant good such as peripherals including printers and toners, but now also included LCD televisions and other non-computing goods. So Dell competes against iPod and other consumer electronics brands.
- ⇒ Dell is making and selling low-cost, low-price computers to PC retailers in the United States. The PC's are unbranded and should not be recognised as being Dell when the consumer makes a purchase. It gives the company new market segments to attack with the associated marketing costs.

5.2.4 THREATS

- ⇒ Competitive rivalry that exists in the PC market globally.

- ⇒ Fluctuation in currency.

- ⇒ Most of the countries are hit by recession which may result in the reduction of revenues.

- ⇒ Government Policies.

- ⇒ Bargaining of Suppliers.

- ⇒ Rapid change in technology obsoletes the product in small span of time.

- ⇒ Aggressive marketing by competitors.

5.3 Competitive analysis with direct rivals

Dell's message was similar to those offered by rival Hewlett-Packard Co., the world's N^{er} 1 PC seller, and supplier Intel Corp., the world's biggest computer chip maker, in their latest quarterly reports: consumers are coming back to the stores to buy PCs, but corporations are still being stingy.

Acer and Lenovo, the world's No. 3 and 4 PC makers, also reported better numbers in the last months.

Dell added that it might not be until 2011 that businesses open their wallets again. Analysts have been eyeing next year for a turnaround because companies will have new budgets, can't hold on to old PCs forever, and will have a new version of Microsoft Windows available.

Dell is hurt more than HP by anemic corporate PC buying, since about 80 percent of Dell's business comes from sales to businesses, government agencies and other institutions. Dell is the world's No. 2 PC maker.

Dell's sales to corporations fell 32 percent from last year to \$3.3 billion.

Dell's shipments of consumer PCs increased 17 percent over last year, while revenue in that category was down 9 percent to \$2.9 billion. Price-cutting explains the discrepancy. PC makers have been slashing prices to preserve market share. Consumers also have been favoring netbooks, which generate lower profit margins for manufacturers.

Michael Dell, the company's CEO, said in a statement that Dell expects better revenue in the second half of the year compared to the first half, if current demand trends continue. But the company warned that its profits will continue to be pressured by "aggressive" pricing and higher costs for components like LCD screens and memory chips.

Dell's profit was \$472 million, or 24 cents per share, in the three months ended July 31. That compares with profit of \$616 million, or 31 cents per share, in the year-ago period.

The latest profit figure includes 4 cents per share in pretax expenses connected to Dell's ongoing restructuring.

Sales fell 22 percent to \$12.8 billion.

Analysts polled by Thomson Reuters expected profit of 23 cents per share on \$12.6 billion in sales. Analysts generally exclude one-time items, like restructuring charges, from their estimates.

Dell's latest numbers were released early, right before the market closed, and Dell stock jumped 6.7 percent to end regular trading up 98 cents at \$15.65. They added 48 cents, or 3 percent, to \$16.13 in after-market trading.

While the numbers were ahead of Wall Street's forecasts, analysts said the steep revenue and profit erosion was still troubling.

Dell is trying to save \$4 billion a year in a major makeover as it tries to hold its ground against mounting threats from rivals. HP and No. 3 PC vendor Acer Inc. have both gained market share while Dell's share has slipped.

One way Dell is saving money is by trimming staff. After a deep round of layoffs the company's head count fell by 9,300 last year to 78,900 at the end of January. Dell is also changing the way its computers are designed, made and sold, relying now more on contract manufacturers and retailers. The restructuring has also included an overhaul of how Dell's business units are organized.

5.4 Regional Outlook

- **United States** –Strong Portables sales were part of a back-to-school season that saw consumers continue to gravitate toward lower-cost Portables. Vendors with a solid retail presence were the main beneficiaries as HP regained the top spot in the U.S.
- **Europe, Middle East, and Africa (EMEA)** – Despite a year-over-year decline, the EMEA PC market reported sequential improvement as expected, driven by sustained consumer demand in Western Europe. Mini Notebooks continued to be pushed by both telcos and retailers and attracted more consumers while aggressive pricing also helped stimulate mainstream notebook purchases.
- **Japan** – The region is still feeling the pinch of tight business spending which has not been mitigated by Consumer purchases. The market saw a double-digit decline year over year and, contrary to past seasonal patterns, negative sequential quarterly growth. Although Portables performed slightly better than forecast, Desktop shipments declined further than expected, leading most vendors to see declining year-over-year growth.
- **Asia/Pacific excluding Japan** – Both Desktop and Portable PC markets saw shipments expand nicely in this region. China and Taiwan in particular were ahead of forecasts as public sector projects were deployed more quickly than expected. Most other countries came in close to or just slightly ahead of projections.

5.5 Competition companies

5.5.1 Hewlett-Packard

Two companies dominate the personal computer business: HP and Dell are clearly the largest with market share of 17.4% and 14.4% respectively and each with sales above 50 billion annually. Indeed, Dell and H-P are rivals in just about every market. And while Dell is, by almost every measure, winning at every turn, Hewlett-Packard is working overtime to catch up with its younger, stronger rival.

While Hewlett-Packard boasts in its corporate ad campaign that "H-P invents," Dell spends relatively little on research and development -- just 1.1 percent of revenues. H-P is spending 4.6 percent on R&D.

But avoiding the "cutting edge" gives Dell a competitive edge, according to US Bancorp Piper Jaffray Analyst Ashok Kumar.

"I think that Dell's advantage, right from the onset, is that is process driven as opposed to product driven," he said. "And I think that's what I would consider a sustainable advantage for Dell."

Dell applies that cookie-cutter model to every new market it enters. What began with personal computers spread to servers. Now it's offering consumer electronics, televisions and, ominously for H-P, Dell printers, targeting one of H-P's core product lines.

Hewlett-Packard finds itself in virtually every business arena as Dell, but with much higher fixed cost. A merger with Compaq has helped. But a breakdown of Hewlett-Packard today reveals the company has changed little in the last five years. The company is in many businesses, but most of the profits still come from printing.

Like Dell, H-P sells PCs and servers and offers services. Financing and a big printing business round out H-P's broad offerings.

But in terms of profits, printing contributes 65 percent of H-P's earnings; personal computers bring in only 1 percent

Still, Silver Lake Partners venture capitalist Roger McNamee says that consumer electronics could become a bright spot for H-P.

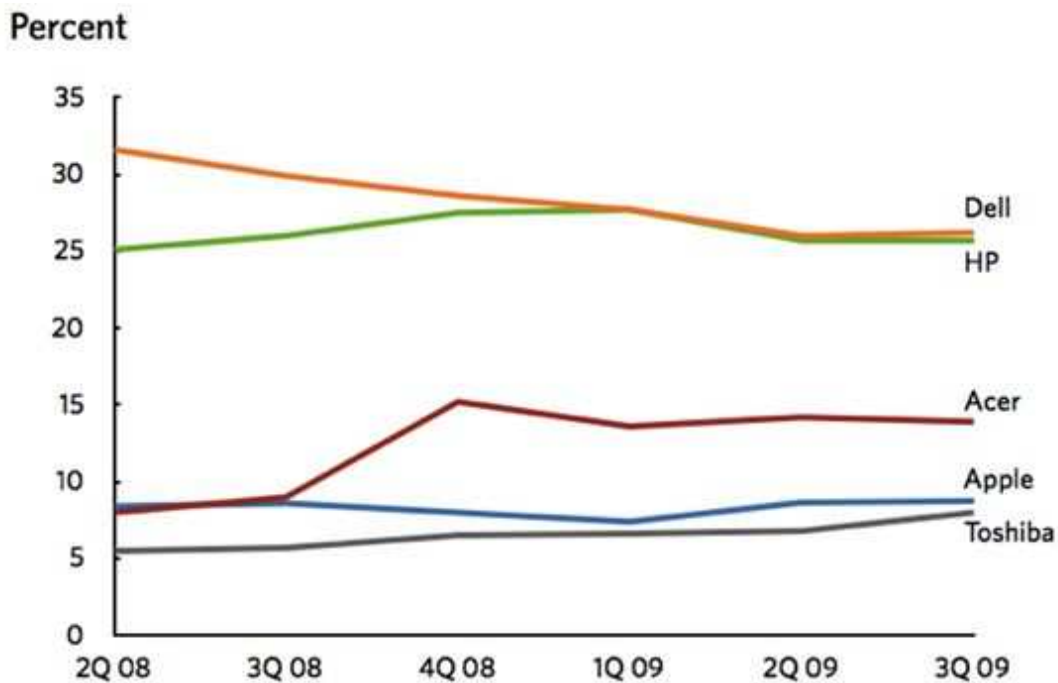
5.5.2 Acer

The general idea is that Dell represents quality, and Acer represents low-cost.

This is the reason that, instead of being DELL the second most powerful company in the market, they achieve to be second in the third quarter of 2009 ranking second of sales.

According to IDC data, a consultant company, the ranking in this period becomes:

1. HP - 20.2% market share with 15.7 million units sold
2. Acer - 14% market share with 10.9 million
3. Dell - 12.7% market share, with 9.9 million
4. Lenovo - 8.9% of the market, with 6.9 million
5. Toshiba - 5.2% market share, with 4.03 million
6. Other - 38.9% market share, 30.3 million



Source: Gartner

Fig. 5.1 US PC market share trend

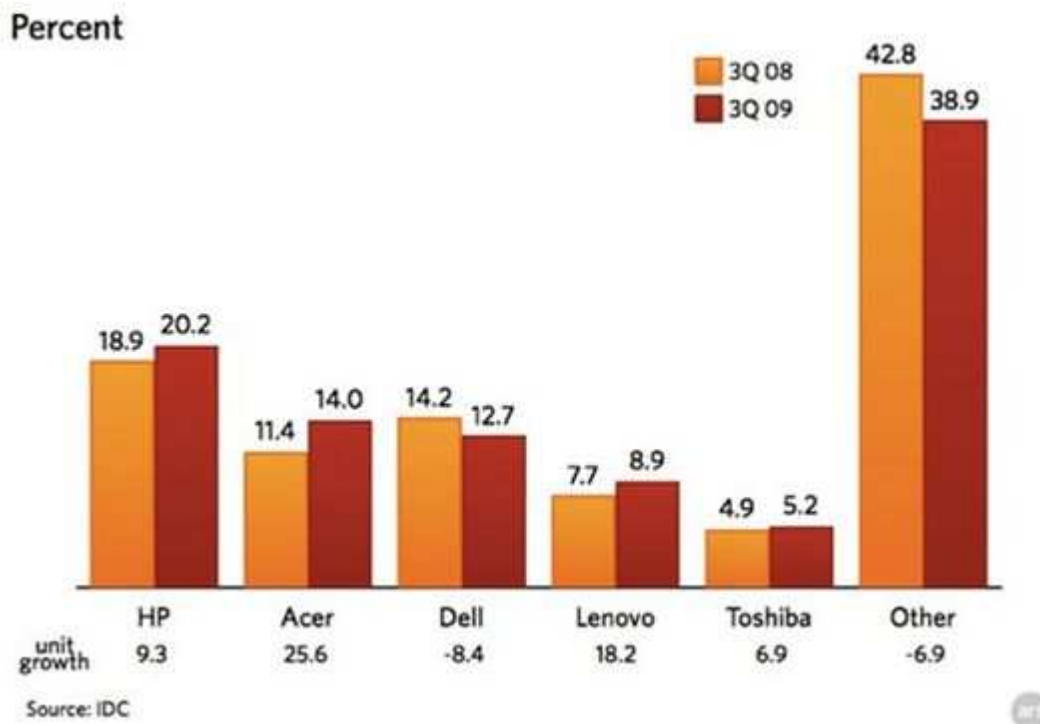


Fig. 5.1 Worldwide PC market share: 3Q08 vs. 3Q09

5.5.3 *Lenovo*

Lenovo is the 4th company's global computer manufacturer. The Chinese company capitalized on resurgent demand in Asia/Pacific excluding Japan, benefiting from government stimulus programs and successfully growing both its Commercial and Consumer shipments. The vendor also improved in other regions, with resulting market share gains worldwide. The company saw strong gains in Japan and EMEA while a slight decline was reported in the U.S.

5.5.4 *Toshiba*

Toshiba Corporation is a Japanese multinational conglomerate corporation, headquartered in Tokyo, Japan. In 2009, Toshiba was the world's fifth largest personal computer vendor, after Hewlett-Packard of the U.S., Dell of the U.S., Acer of Taiwan, and Lenovo of China. Toshiba performed above market in all regions except EMEA. It has continued to see solid results in the U.S. and Latin America, while seeing a sizable sequential jump in Asia/Pacific excluding Japan.

5.5.5 Apple

Apple is an American multinational corporation that designs and markets consumer electronics, computer software, and personal computers. The company's best-known hardware products include the Macintosh line of computers, the iPod, the iPhone and the iPad. Apple software includes the Mac OS X operating system; the iTunes media browser; the iLife suite of multimedia and creativity software; the Safari internet browser; and iOS, a mobile operating system.

The company sells its products worldwide through its online stores, retail stores, direct sales force, third-party wholesalers, resellers, and value-added resellers. In addition, it sells third-party Mac, iPhone, iPad, and iPod compatible products, including application software, printers, storage devices, speakers, headphones, and other accessories and peripherals through its online and retail stores; and digital content and applications through the iTunes Store. The company sells its products to consumer, small and mid-sized business, education, enterprise, government, and creative markets. As of September 25, 2010, it had 317 retail stores, including 233 stores in the United States and 84 stores internationally.

5.6 Compare. Competitive advantage of the company.

The business model of Dell is based on direct sales using the Internet as a channel only. This gives a great advantage over its competitors as to have no middlemen. Dell can offer their products at lower prices than the competition, becoming one of its greatest competitive advantages.

Once the online sale is done, they start the manufacturing process of the PC. Dell has distributed its own factories in the U.S., China, Malaysia, Brazil and Ireland. It has no stock, so you can introduce new models and updates to the PCs quickly. Its competitors depend in their sales channels, which also depend if they sell these PCs in stock in order to introduce technological innovations. Not having inventory is much better than them. And too much time in the cycle from purchase order to the office costs money.

Michael Dell realized that personal computers were becoming increasingly a commodity driven and its competitors like HP and Compaq computers were assembling components purchased from the same suppliers in Asia.

This prevented it from Dell they differ in price and then decide to focus on producing single computers or electronic products were consumer goods.

In this way they did not have to invest heavily in research and development and better focused on assembling the cheapest possible and therefore sell them cheaper than any of its competitors. The Dell factory in Austin (Texas, USA), is considered the most advanced computer plant in the world.

That plant produces 25.000 computers a day and is only 2 square feet of inventory. Dell registered a big number of patents in operating procedures and technological innovation. This is because Dell beat any competitor in productivity. Almost the entire operation is done electronically with robots, even the cardboard boxes are assembled with robots, and only with one other employee to monitor the operation and carrying out delicate operations only. In this plant produce 1 computer for every 2 minutes with only 2 employees.

Another competitive advantage that Dell uses is to sell computers directly to customers. Michael Dell realized that since you buy a chip in Taiwan until selling it in a computer assembled by an Office Depot store as late as 5 months.

By this time the price of the chip was devalued at least 15%. Therefore he decided to sell only by phone (and now by Internet), directly to their customers. And only once a computer is requested and paid by the customer they start to assemble the computer.

In this way, it takes only 1 month after buying a component and delivers it to the client.

So, the most important competitive advantages that Dell has respect of its rivals is closely related with the model of the company, the Direct Marketing. Direct Marketing provides to the company the power to be more efficient, faster, and more productive than other companies of the sector.

6 How to increase the market of the company

6.1 Study how the company uses Direct Marketing to grow up.

Dell has been the best seller of computers in the world of direct sales. Its differentiation from competitors is its quick answer to the customers, information is the competitive weapon. Receives over 50,000 calls and e-mails from potential clients which communicate with sales representatives and others seeking for technical support.

The professional who is the responsible of the call is connected to a large database containing customer information. This person writes down the name and address, product reference and technical problems.

The information is to personalize the e-mail and advertising for each person who sends you a mail. Dell has sales classified into three types: individual customers, businesses (small, medium, large, ISPs) and public (local government entities, federal, education and health. The marketing database is organized accordingly.

A routine analysis of customer information and sales has enabled Dell to gain market trends, with this Dell can anticipate and negotiate with their suppliers and thus be able to deliver their production before their competitors.

Dell gets to know their customers through the information in the database; this is one of the tools for success and one of the most important points to do Direct Marketing their style of work.

The database helps Dell to manage their marketing strategies, with benefits such as:

- ✓ **Information sharing:** Salespeople can enter customer information on each call they receive. The information is stored in a database and is shared with different departments, like marketing, new product development and customer service.
- ✓ **Customer Service:** database guide the sales representatives who receive the calls, this allows them to learn the history of the person who is calling and how they can give answers to their questions more quickly, creating a better relationship with them and retain customers. The database works as a deposit of tips and knowledge with technical information. The knowledge is shared and it

helps to the technical employees involved in the problems when are receiving a call. The database also directs sales representatives who pick up the calls, to offer in the best way the products and services that are available for the correct person. This causes an increase in sales.

- ✓ **Trends:** A routine analysis of sales and customers allows Dell to realize the customer trends. Customer trends in services and products like hard drives can be analyzed and identified in advance. The final information provides an alert to Dell for new products that customers could need. Therefore, Dell takes the lead ahead of their competitors.

- ✓ **Materials management:** The database allows them to manage a material requirements plan. Knowing the needs of clients Dell has a negotiating power with suppliers for discounts and secure deliveries before their competitors. Therefore, they have more control on the market.

- ✓ The company with the help of databases can identify potential customers, designing and using better tactics to make more attractive the company to these customers with their products and services.

The most important step of Dell in the business was two decades ago and it's linked with Direct Marketing.

E-commerce was supposed to be quick, easy, and direct. But it was a problem when the customer still has to deal with a hard copy of the purchase order. That was usually the way online purchasing works. A customer places an order via the internet and had to wait for financial approval before faxing a signed copy to the supplier. It was a time consuming process.

In June of 1998, Dell cut out the paper to make ordering online more efficient. Dell began giving its customers the option of ordering products through an internet-based purchase order system. The paper-free alternative is available through Dell's premier page web sites, which are customized, password-protected extranet sites created by Dell for its corporate and public-sector accounts.

With the paperless purchase order system, customers can submit an order electronically, have the product selection checked for accuracy, and get instant financial approval online, without having to fax or mail Dell a hard copy of the order. Dell customizes each customer's premier page to accommodate its approach to doing business.

Eliminating the trail of forms and faxes made the process of repeating orders easier. When a customer wanted to place an order, all he had to do is go to the Dell's premier page and pull up a pre-configured purchase order.

For companies that place orders regularly with Dell, it was a huge time saver. Dell was open 24 hours a day and it was no necessary to talk to anyone.

With the paperless system, the customers could spend about four minutes placing each order. Previously it took them up to an hour of completing forms and faxing them back and forth to place one order.

Dell's sales reps benefit, too. Released from the chore of processing orders, they had more time to spend focusing on the customer, making selling easier for them.

The system is also a big selling point when Dell tried to find new customers. Since the moment Dell took the advantage of the virtual purchase order system, the number of people placing orders online has increased dramatically since the introduction of the program.

One of the most important reasons why Dell uses Direct Marketing is to save costs.

For example, the department of Dell in Spain, cut its budget by 25% thanks to increasing use of e-mail marketing to promotions in 2001 with the simple idea of a campaign by email, to recover a very active customer segment. The result was that 40% of them bought back the firm.

Nowadays, the model of Dell is changing. It started in 2005 when the style of rivals like Hewlett-Packard improved efficiency. Same time, Dell was surrounded by its own strategy and a new attitude of users: go to stores, specialty or not to buy computers. This was also among business customers, where Dell had concentrated efforts.

Dell is moving to transform itself from a product company to be inclusive of solutions, this progress has already been adopted by its competitors HP and IBM. It is estimated that most of the investment return from 2010, gradually, because many older computers that need to be replaced to get to have the productivity that organizations need. And the release of Microsoft (Windows 7 and Office 2010) will be a reason for growing sales because many businesses still operate with XP, an operating system eight years ago. Also, the development of emerging countries will be other opportunities to consider.

6.2 Conclusion

Throughout this thesis, we have been able to understand the utilities of Direct Marketing, and more exactly, to test it in an international Company likes Dell.

Dell has made Direct Marketing its Business Style with all the advantages and disadvantages it means. However, the advantages of using Direct Marketing as their more powerful tool are stronger than the disadvantages. This is the reason why Dell is one of the most important companies in the world of computing, and two points are noteworthy to remember about this.

In one hand, direct marketing allows direct contact with the client. The client speaks directly with Dell. This direct communication encourages a close and interactive relationship that can respond quickly to technological and business needs of customers. Consequently, it offers a level of personalized service, as that often ends up producing true partnerships with them.

On the other hand, direct marketing means to have a defined way to produce the products, which for example mean to have minimum stocks to customize the product, adapting it to customer needs at all times, and before anyone else offer the latest technological improvements, plus the cost advantage which is minimizing stocks.

All this results in better customer service are the answer why Dell is considered the leader in "customer satisfaction".

Despite the change of the market along the years since Dell was born, its business model provided them always a competitive advantage to be always one step before the other companies of the sector, which means to win the market and to be a reference company in the entire world.

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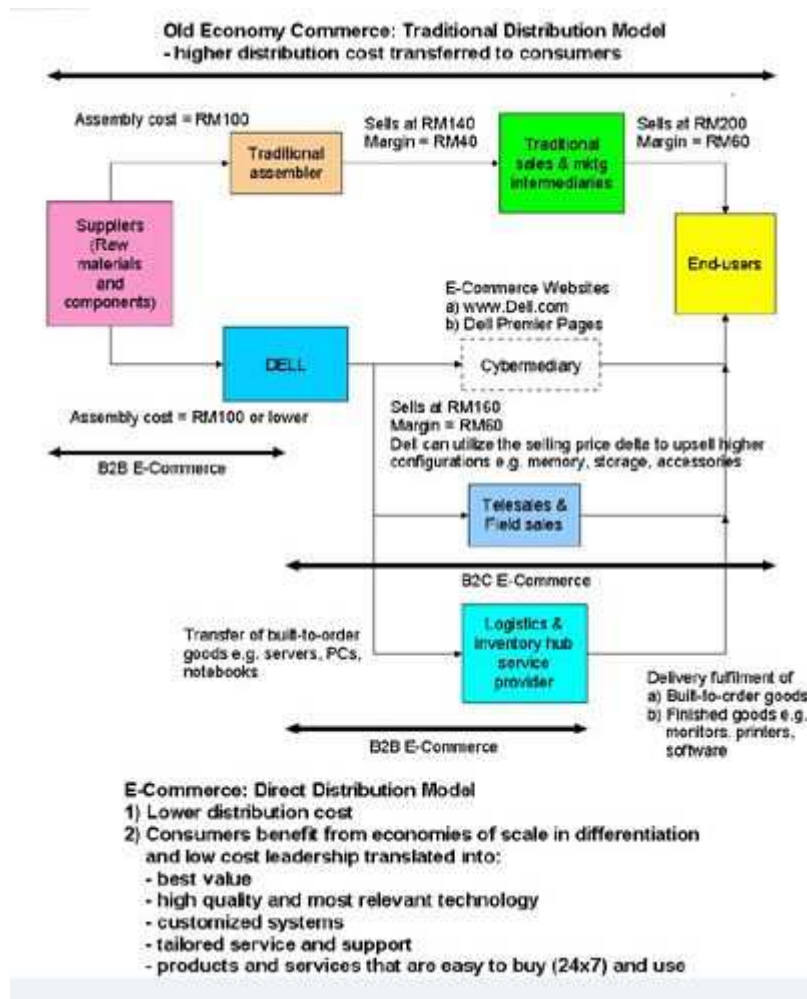
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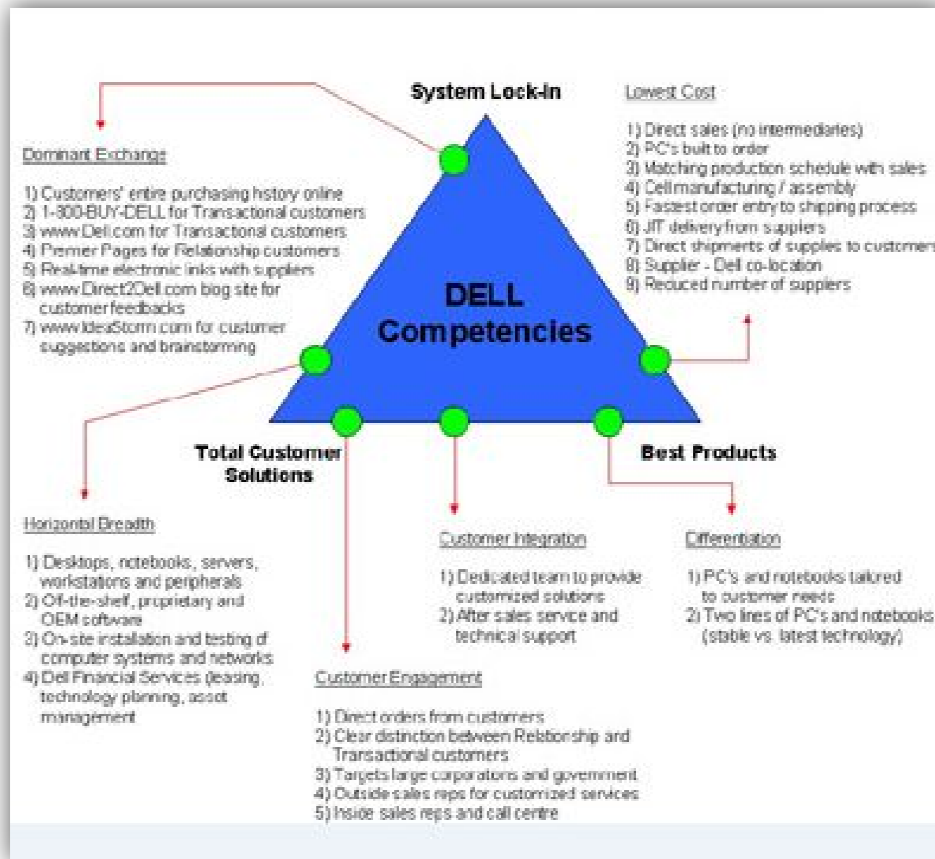
Appendix 1

Comparing Dell Distribution Model and Traditional Distribution Model.



Appendix 2

Dell Competencies (using the MIT Slean Business School's Delta Model)



Appendix 3

Shipment statistics of the top five companies on the international stage, including Apple in the case of USA.

Top 5 Vendors, United States PC Shipments, Second Quarter 2009 (Preliminary)

(Units Shipments are in thousands – excludes x86 Servers)

Rank	Vendor	2Q09 Shipments	Market Share	2Q08 Shipments	Market Share	2Q09/2Q08 Growth
1	Dell	4,174	26.3%	5,148	31.4%	-18.9%
2	HP	4,134	26.0%	4,043	24.7%	2.3%
3	Acer	2,009	12.6%	1,331	8.1%	51.0%
4	Toshiba	1,225	7.7%	915	5.6%	33.9%
5	Apple	1,213	7.6%	1,385	8.5%	-12.4%
	Others	3,133	19.7%	3,556	21.7%	-11.9%
	All Vendors	15,889	100.0%	16,377	100.0%	-3.0%

Source: IDC Worldwide Quarterly PC Tracker, July 15, 2009

Top 5 Vendors, Worldwide PC Shipments, Second Quarter 2009 (Preliminary)

(Units Shipments are in thousands – excludes x86 Servers)

Rank	Vendor	2Q09 Shipments	Market Share	2Q08 Shipments	Market Share	2Q09/2Q08 Growth
1	HP	13,095	19.8%	12,644	18.5%	3.6%
2	Dell	9,108	13.7%	10,984	16.1%	-17.1%
3	Acer	8,431	12.7%	6,815	10.0%	23.7%
4	Lenovo	5,757	8.7%	5,596	8.2%	2.9%
5	Toshiba	3,494	5.3%	3,163	4.6%	10.5%
	Others	26,407	39.8%	29,202	42.7%	-9.6%
	All Vendors	66,291	100.0%	68,403	100.0%	-3.1%

Source: IDC Worldwide Quarterly PC Tracker, July 15, 2009

Appendix 4

Magic Quadrant for Global Enterprise Desktops and Notebooks



The leaders in this Magic Quadrant are all international vendors that can provide consistent products and services across multiple regions. While smaller vendors can also play effectively in this market, lack of global capabilities for delivery and/or support would put them into Niche Players or Challengers position. Such smaller vendors typically specialize in certain vertical markets.

Leaders

PC vendors in the Leaders quadrant register the highest scores on Ability to Execute and Completeness of vision. These vendors have wider geographic coverage, comprehensive sales organizations, financial stability, comprehensive customer support, broader product portfolios, longer product availability and larger market presence.

Challengers

Challengers have high scores in Ability to Execute, but their Completeness of Vision scores are not as high as those of the Leaders. Challengers often have a good market presence and financial stability, but they may have less geographic coverage, or they lack an innovative view of the products.

Visionaries

Visionaries have high scores in Completeness of Vision: however, their Ability to Execute scores are not as high as the scores of vendors in the Leaders quadrant. Their market presence may be less than that of the Leaders, and their financial stability may not be as solid. Also, their sales organization and customer support mechanism may not be as comprehensive as those of the Leaders.

Niche Players

Vendors in the Niche Players quadrant do not have high scores on both axes. They have a low market share, and their market coverage of different regions is limited. It is important to note that a PC vendor's position in this quadrant is not a value judgment on suitability, because that vendor may specialize in particular areas in a vertical-market segment or have product portfolios in which Leaders may not have much focus.

DIRECT MARKETING MODELING A CASE STUDY WITH DELL

RESEARCH PROJECT

MASTER'S DEGREE

Student: Jose Javier Calvo Ibero

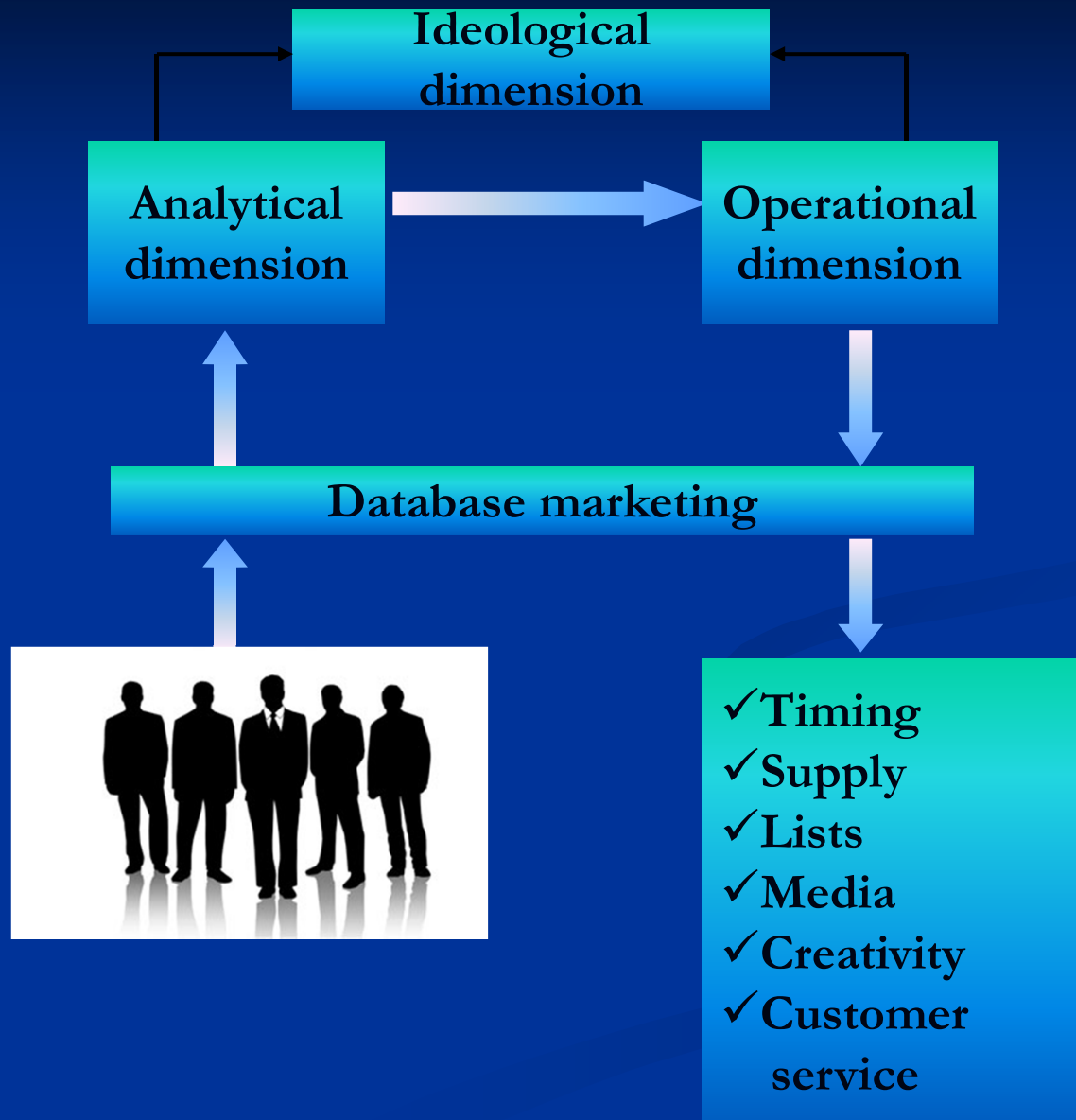
Supervisor: Assist. Prof. Eng. Rositsa
Nakova

DIRECT MARKETING

WHAT IS IT?

A marketing system in which the producer goes directly to potential consumers and clients, through the intermediary of one or more media personal and impersonal, with a view to elicit an immediate behavioral response, and measurable. Lambin (1993).

HOW IT WORKS?



TYPES OF DIRECT MARKETING

➤ Internet Marketing



➤ Face-to-Face Selling



➤ Direct mail



➤ Catalogs



➤ Direct-response Advertising



➤ Telemarketing



➤ Kiosk Marketing



DELL

Area of work

DELL is a U.S. multinational company established in Round Rock (Texas). They develop, manufacture, sell and support personal computers, servers, software, peripherals and other technology-related products.

Where they work

2 ways:

- Worldwide. With the help of internet, they can find the customers, and the customers can find them.
- Direct contact with the customer. Important point in the countries where Internet is not is the same effective tool that other countries (East Europe or Asia)

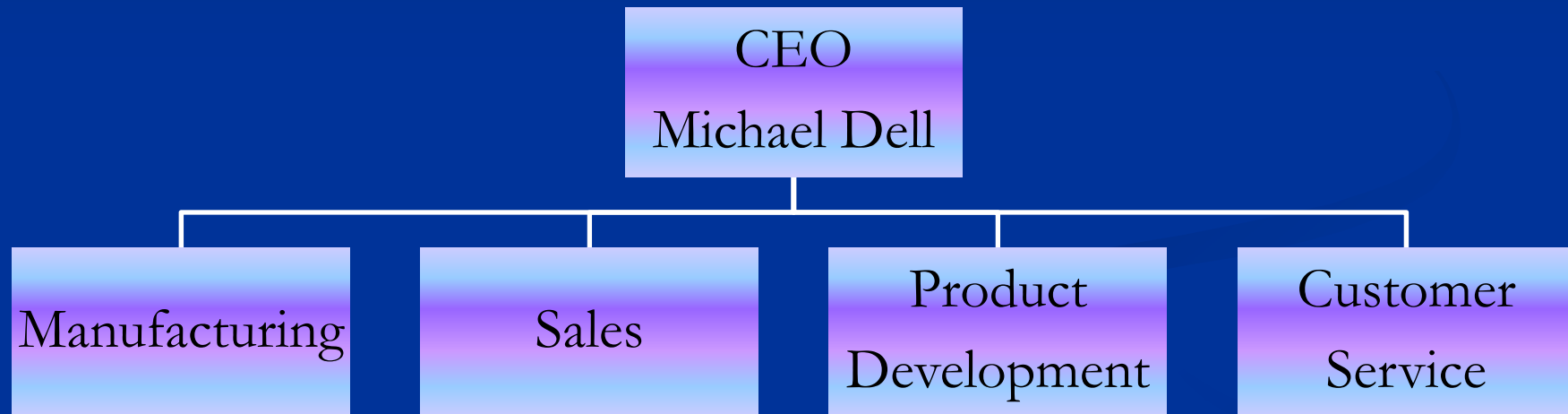
Size of the company

96.000 direct and indirect labor, worldwide.

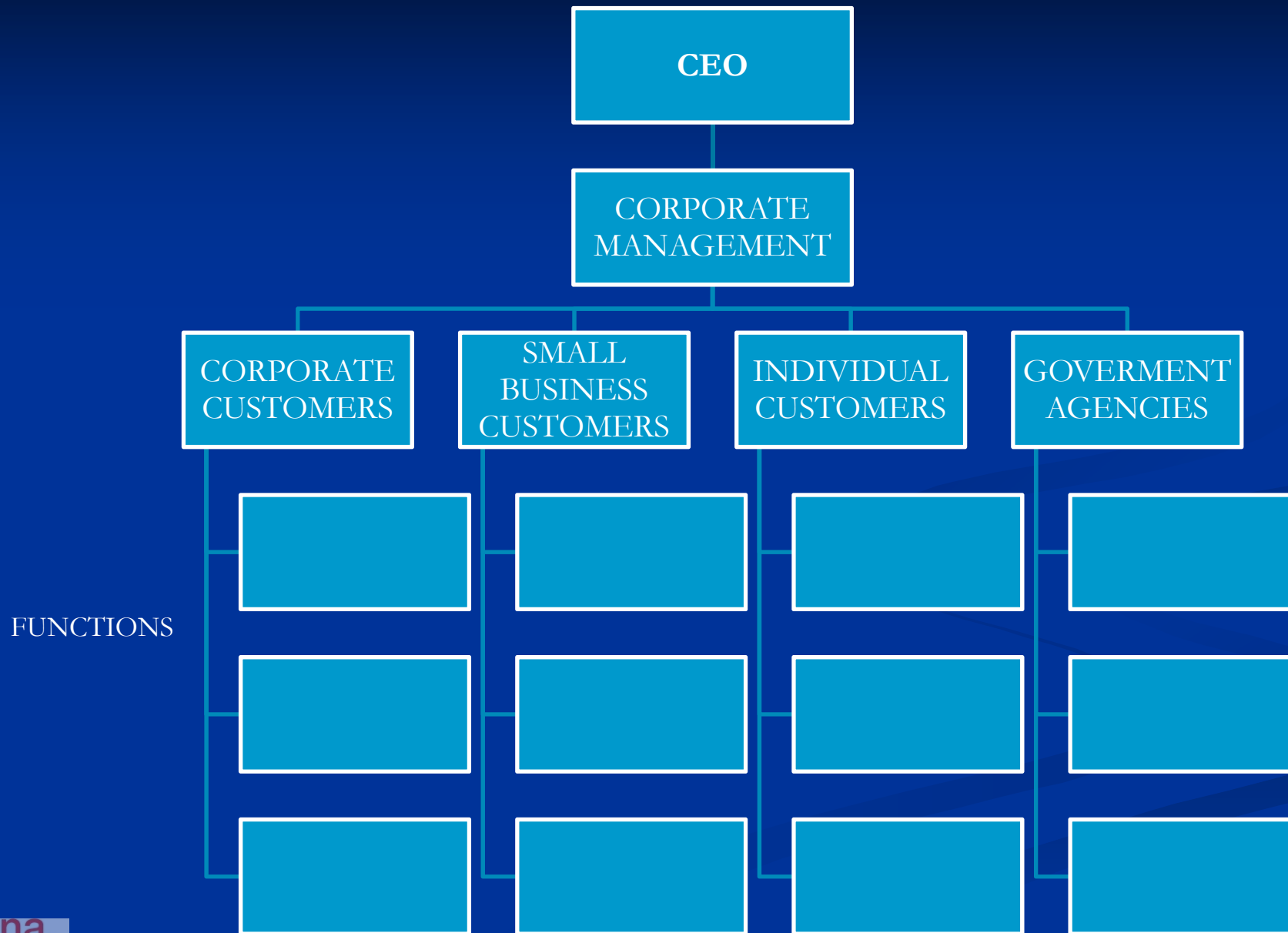
Dell 46.000 employees, 22.200 (48.3%) USA, 23.800 (51.7%), other countries.

Dell is the third largest PC maker in the world.

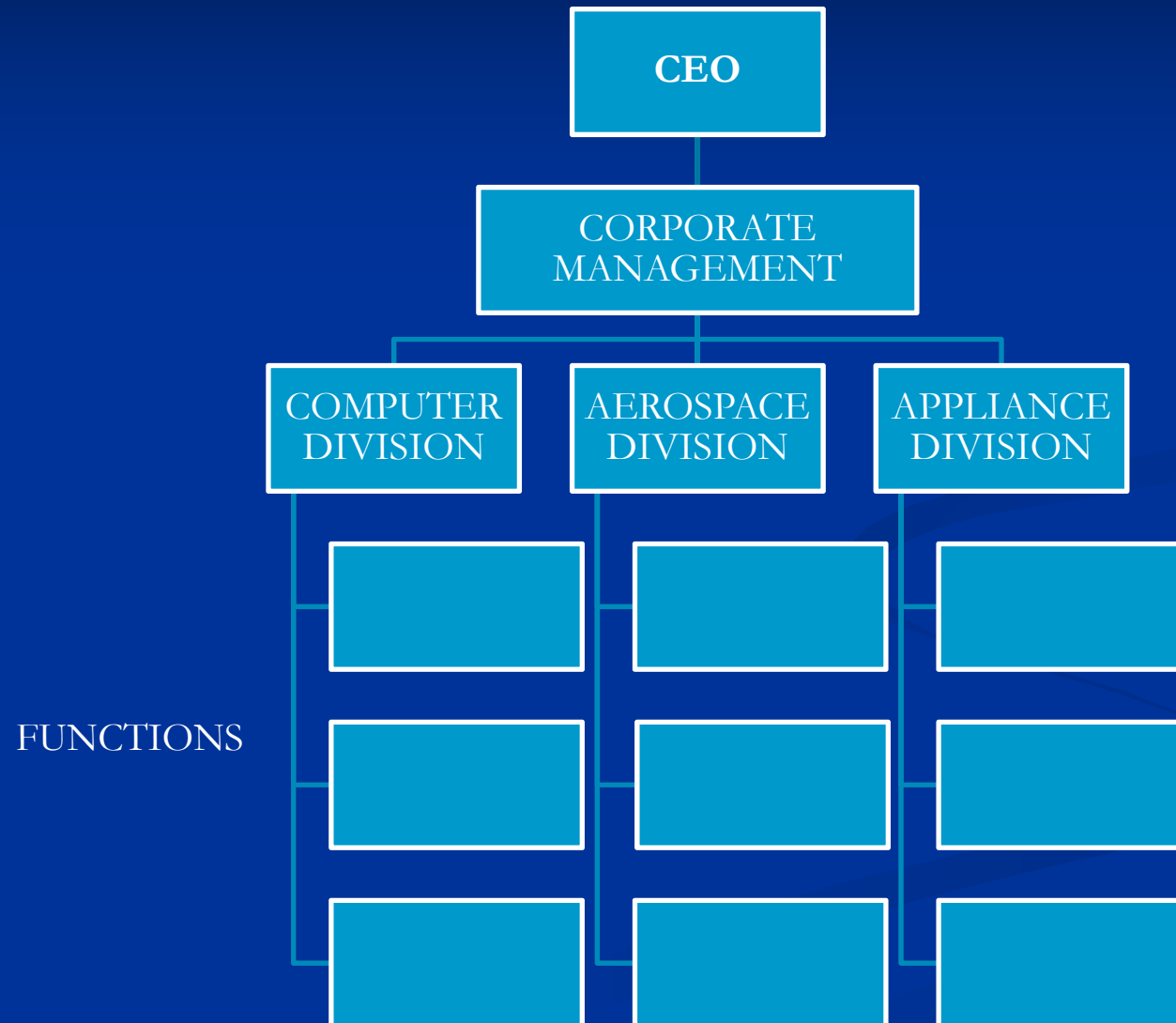
Organization structure



PRODUCT STRUCTURE



MARKET STRUCTURE



SWOT

✓ STRENGTHS

- World's largest PC maker
- Well-Known for online selling of Computers
- Support 24 hours per day, 7 days per week
- Efficient Inventory management
- Always keen to embed latest technology in its products
- Capacity of make computer on customer provided specifications

✓ WEAKNESSES

- Dependent on its suppliers
- No proprietary technology
- Dell is a computer maker, not a computer manufacturer

✓ OPORTUNITIES

- New markets: India, Pakistan and Bangladesh
- New markets: Low cost USA
- Market penetration in education and Government markets.
- Cost reduction in latest technology.

✓ THREATS

- Competitive rivalry that exists in the PC market globally.
- Fluctuation in currency.
- Most of the countries are hit by recession which may result in the reduction of revenues.
- Government Policies.
- Bargaining of Suppliers.
- Rapid change in technology obsoletes the product in small span of time.
- Aggressive marketing by competitors.

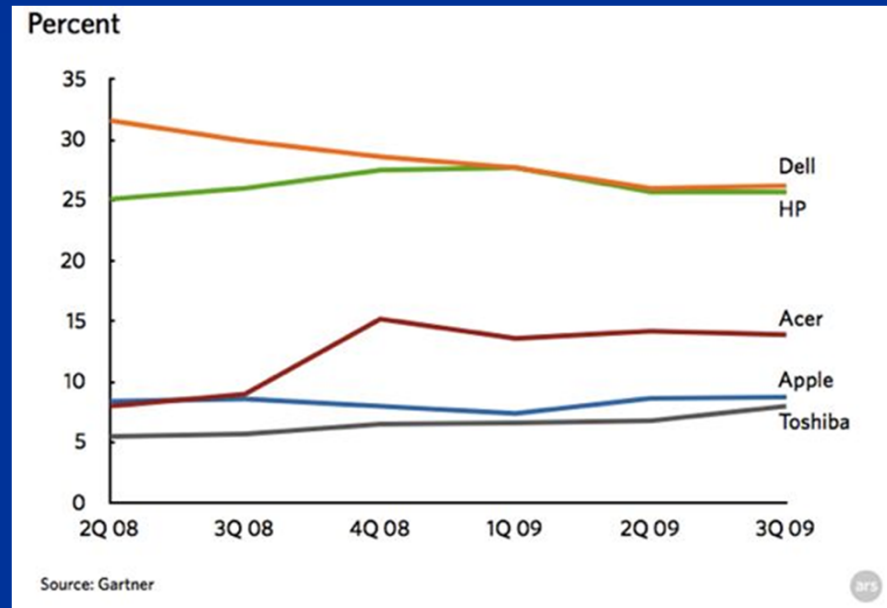
Rivals

• **Hewlett-Packard**

N^{er} 1 seller

• **Lenovo**

Asia/Pacific



• **Acer**

Low cost

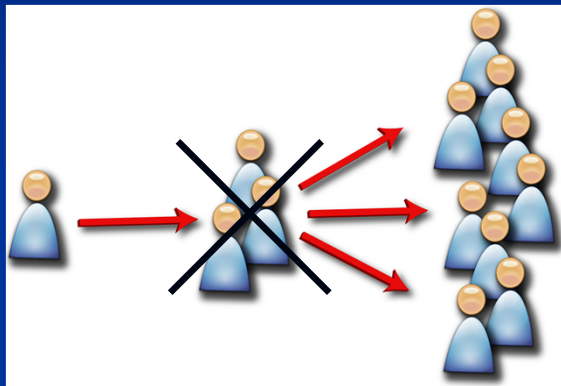
• **Toshiba**

• **Apple**

Strong in USA

Competitive advantage of the company.

No middlemen



Not devalued products



No stock



Differ in price



Conclusion

- More efficient

Its competitors depend in their sales channels, which also depend if they sell these PCs in stock in order to introduce technological innovations Not having inventory is much better than them. And too much time in the cycle from purchase order to the office costs money.

- Faster

The most advanced computer plant in the world

- More productive

Almost the entire operation is done electronically with robots, even the cardboard boxes are assembled with robots, and only with one other employee to monitor the operation and carrying out delicate operations only. In this plant produce 1 computer for every 2 minutes with only 2 employees.

Questions and/or suggestions