

**Dell Computer Corporation:
Market Trends and SWOT Analysis**

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Introduction

As one of the largest computer manufacturers in the world, Dell Computer Corporation has grown tremendously since its incorporation in 1984. Dell's Direct Model, which is largely responsible for the success of the company, provides a fast, cost-efficient, and customer friendly means of production and distribution. Now, in a market that is ever changing, competitors are challenging Dell with new and unique products in an effort to overcome the superiority of the Direct Model. The growth and development of laptop computers is a primary area in which Dell can work for continued success, despite the threats posed by its competitors.

Market Trends

The market for laptop computers has distinguished itself as one of the fastest growing segments of the computer industry. Throughout its growth and development, this market, like many others, has changed a great deal as a result of customer demands. In an effort to cater to these demands, companies like Dell look to market trends to aid in the development of new products. In its most recent stages, the laptop market has been specifically influenced by a number trends.

Generally, the overall market for PC's is being influenced by many of these trends. One in particular, however, is affecting the market more than any other. Simply, *customers are becoming more educated about their purchases*. Computers are being sold less to first-time buyers, and much more to consumers who have purchased personal computers at least once

before (Matching Dell, page 4). As an increasing number of customers become more knowledgeable about computers, other trends are beginning to take shape.

As a result of this consumer education, buyers want increased *customization of personal computers*. The growing amount of knowledge among consumers is creating the ability for buyers to distinguish their own personal needs in a computer from a standardized product. This, in turn, affects trends that are specific to the laptop market.

The laptop market is growing at a faster rate than desktop computers. This trend is being driven by global integration and advances in communication technology. Customers are living more mobile, communicative lives, and their computers must have similar characteristics that make such activity not only possible, but also efficient and easy.

When it comes specifically to the product, customers are demanding *increased portability and durability from laptop computers*. Driven by this new mobile lifestyle, customers want a product that will be easy to move and difficult to harm or damage. This may include making it smaller, lighter, and perhaps sturdier than previous models.

In addition to demanding more from the physical features of laptop computers, customers need *greater performance capabilities*. Consumers need their computers to operate at higher speeds, work with more memory, and to be easier to navigate than ever before. Computer users depend more and more on their laptops to organize their lives and to hold vital information, and as a result companies must work to provide them with the best technology available.

Creating a New Laptop

In developing a new laptop computer, Dell would like to target three specific market segments. The first, business executives, generally receive their computers from their employer

through a direct relationship with a manufacturer or supplier. The second, college students, generally buy their computers through the school they attend. This is very much like the way in which business executives receive their computers, in that the individual is limited to the options chosen by the institution. Finally, Dell would like to explore the option of creating a laptop as a replacement for home desktop computers. Each of these market segments poses its own challenges and possibilities. In analyzing Dell's strengths and weaknesses relative to these markets, as well as the opportunities and threats provided by the macro-environment, a clear picture can be drawn to aid in the development of the new product.

Strengths

Clearly, many of Dell's strengths come as results of the Direct Model. The model itself could be considered one of the company's greatest assets. However, a few specific advantages are gained through the Direct Model relative to the laptop market.

First and foremost, the Direct Model allows consumers to fully customize their laptops. The market is becoming more educated, and now more than ever individuals want a product that can target their specific needs. In the case of laptops, this means that customers want more options in terms of both performance and portability. By cutting out the retail seller as a distributor, Dell has made it possible for each buyer to order directly from the factory, thus giving them the opportunity to fully customize their product.

In addition to this customization, the Direct Model yields relatively fast delivery. This allows customers to place their order, and receive their customized computer often within days. Both of these Direct Model benefits are great assets in targeting the home-user market segment mentioned above.

Dell also has an advantage in their inventory turnaround time, and in their well-controlled relationships with suppliers. These business features create large cost savings, which Dell can pass on to its customers. The final result is a customized, low-priced computer delivered to the customer's door within days.

One of Dell's great strengths in targeting the business executive category is that roughly 75% of all sales revenue comes from large businesses and government organizations (Matching Dell, page 6). In other words, Dell has already created relationships with large companies, and this provides most of their business. These companies, in turn, pass the relationship on through their employees, providing them with Dell products. Here again, Dell has the ability to customize their products to cater to whatever needs the business or individual may have. This, combined with their extensive business relationships, puts them in good position to target the business executive segment with new products.

Weaknesses

Dell has a significant weakness in targeting the college student segment of the market. This is due to the fact that only 5% of Dell's total sales revenue currently comes from educational institutions such as colleges (Matching Dell, page 6). Unlike its business customers, Dell lacks a large amount of relationships with educational institutions. And, as many students purchase their PC's through their schools, Dell is clearly not in a position to take advantage of the college market yet.

In terms of the home user, Dell's greatest weakness is that buyers can't physically touch or see the product they want to purchase. While the Dell Direct Model provides many great opportunities, its greatest disadvantage is that customers can't go to a retailer, try a few different

products, and walk home with a computer all in a single trip. The very thing that differentiates Dell from its competitors, customization, also creates a problem in that consumers can't go out to buy a Dell as simply as they could some other brands. Many computer buyers are wary of a product that they can't personally examine before purchasing. Furthermore, an anxious buyer would have to wait a number of days before their computer was delivered. This is the price that must be paid for customization.

Opportunities

Personal computers are being purchased and used more than ever before. The market for laptops, in particular, is growing much faster than that of desktop computers. This general trend lends itself as a great opportunity for Dell's laptop business to grow in all segments.

Another great opportunity for all of the targeted segments relates to the first trend that was mentioned. Customers are becoming more educated about personal computers, as an increasing number of them are second-time buyers. Consumers who have purchased computers in the past know what they want, and Dell can cater to them. The Direct Model can provide the framework for customers to make truly personalized computers in a relatively hassle-free environment. This trend toward more educated buyers provides a great opportunity in this respect.

Increased communication and technological integration also create great opportunities for Dell. Customers can now go onto the Internet to personalize their computer, place an order, or even just to get information. This is more efficient for both Dell and the customer, and its benefits are many. For one, the ability of a customer to go to an "online store" can, in some

respects, make up for Dell's lack of physical retail stores. The continued advancement in these technologies will surely bring similar opportunities.

Threats

In such a volatile market as personal computers, threats are many and great. Because of the ever changing nature of the computer industry, companies are constantly being challenged to produce higher quality, lower priced products, and to do it faster and more efficiently than the competition.

One of the primary external threats to Dell is that the price difference between brands is getting smaller all the time. Dell's Direct Model benefits the consumer in many ways, one of which is cost savings. Now that other companies are finding ways to combat the low costs of Dell, they too can pass along savings to their customers. As a result, price differential is becoming less of an issue, if not nonexistent, for buyers. Many of Dell's competitors are therefore becoming closer substitutes.

Another serious threat is simply that the growth rate of the computer industry is slowing. At the current time, Dell owns a greater market share than any of its competitors throughout the world. However, as the market slows, competition for market share will intensify. Companies will have to work harder than ever before to distinguish their brand from substitutes. If a company has trouble differentiating its brand from its competitors, they will find it hard to hold a significant market share.

Finally, the quick pace of technological advancement, while generally being a tremendous opportunity, is also a great threat. Now that the low-cost leadership strategy is becoming less applicable to computer companies, brand names must differentiate themselves

from their competitors. In the laptop market, this is largely based on technology and product design. The newest, fastest, most efficient technology, and the most durable, user-friendly product is going to sell. If a company fails to keep up-to-date with innovations in technology, they will quickly see a decline in performance.

Conclusions

The current market trends in the personal computer industry, for laptops in particular, are being driven by ever changing consumer needs, wants, and demands. As a result, companies like Dell Computer Corporation are forced into a constant state of adaptation in order to satisfy their customers. By taking full advantage of their strengths, paying close attention to their weaknesses, and identifying both opportunities and threats from the macro-environment, these companies can position themselves as significant shareholders in an intensely competitive market.