

CASE STUDY: DELL

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## Case Study: Dell

### Introduction

There are no standard approaches which would help a company achieve a global success and brand recognition. Each business searches for unique strategies and methods, which would suit its marketing objectives and products delivered to a mass consumer. Dell, an American-based technology company, has developed a set of unique methods and tools constantly used in marketing and management for obtaining and sustaining its brand image and excellent service quality. These methods can be described as company's philosophy and outward manifestations of a basic and important development in marketing and management.

### Historical Information

From the historical perspective, Dell tends to see marketing operations as complete systems. The first computer of Dell – 'Turbo PC' – appeared on the market in 1985. Since that time, Dell remains one of the market leaders in personal computers, servers, network switches and software. In order to coordinate these divisions and improve marketing management, Dell follows the systems approach, which is essential for effective decision making, for the utilization of models in marketing, and for the application of computer technology. Late in 1996, Dell sold its first computer through the website, and it was, without any doubts, a notable moment. The main unnoticeable factors of success are a unique corporate strategy and coordination activities used by Dell. Every company and business use these strategies, but only an effective selection and analysis of the market really helped Dell achieve success on the global market. It is worth to mention that, in contrast to many other companies in this industry, Dell involves employees in corporate strategy management and decision-making (Cage, 2009). Company's management realizes that employees must understand, accept and internalize the corporate strategy if the

strategic blueprint is to be transformed into positive strategic results.

### Blue Ocean Strategy

Dell Corporation follows a Blue Ocean Strategy based on a unique product image and innovative solutions in computer industry. Suppliers, strategic partners, and customers must have a basic understanding and appreciation of the firm's strategic direction if these stakeholder relationships are expected to be productive. The financial community must be aware of the company's strategic intentions for properly evaluating a firm's current value and prospects for the future. Only when the corporate strategy message is presented in a clear, concise, timely, and persuasive manner, the stakeholders will have an idea whether or not the firm has an opportunity to achieve competitive advantage (Friedman and Miles, 2006). Dell focuses on corporate strategy communications designed to create competitive advantages.

Obviously, effective strategy communications can result in significant benefits. Payoffs include an improved climate within the financial community, better relationships with suppliers, customers, and strategic partners, as well as increased employee morale (Lee, 2007). Some firms have experienced a boost in their share price and improved shareholder value.

The underestimated coordination of organizational activities is often neglected by big companies perceived as a traditional and old-fashioned tool of management. Thus, Dell uses this strategy willing to improve its internal activities and increase productivity. The coordination necessitates communication: formal and informal, vertical and horizontal, to and from the marketplace. In Dell, complex networks of marketing communication have to come into being with multiple levels of management, widely diversified products, geographically decentralized plants and distribution centers. Without any doubts, the gathered information affects the efficiency of the organization and largely determines its operational effectiveness.

Dell contains several structures. A task structure delineates the work people are expected to perform. An authority structure gives some people the responsibility for directing others, although, in practice, there may be a discrepancy between responsibility and authority. A status structure determines the rights and privileges of people. A prestige structure permits people to expect deferential behavior from others. A friendship structure stresses interpersonal trust (Khanna, Palepu, and Sinha, 2005). These structures have an important effect on organizational relationships, particularly on communication. In establishing organization patterns, Dell management is concerned with the span of control – the number of subordinates reporting to a manager.

#### Did Blue Ocean Become a Red Ocean?

It is possible to assume that in 10 years, Dell's strategy and market position will be characterized as Red Ocean Strategy, and the computer market will be saturated with low cost computers and digital devices; so the majority of Dell's products will have to compete with other companies in the same industry. These decisions are based on information retrieved from market researches, sales analyses, distribution cost accountings, standard costs, surveys, experiments, sales forecasts, simulations, and statistical techniques. The information specifically concerns competitive prices, cost data, demand estimates, product profitability, salesmen and customer reactions, and, of course, middlemen needs. The information about future demand schedules, competitive reactions, and costs is incomplete at best (Eisner, 2005). Dell passes the necessary information to markets through promotion and receives information from them through feedback.

#### Financial Issues

Financial reports allow saying that Dell will remain competitive and will be able to increase its sales during the next years. The analysis of four main areas of performance has showed that Dell uses traditional management and marketing approaches but selects a

unique combination of methods and tools, which help the company compete and create a strong brand image. The philosophy implies that such activities as pricing, management of the sales force, advertising, personal selling, credit, physical distribution, and other marketing efforts should be integrated, coordinated, and directed as per customers' demands. It also emphasizes that success of Dell is dependent on profitable sales which logically depend on consumer actions.

Dell pays a special attention to marketing resources with particular emphasis on the organization of marketing activities. Through promotion, Dell unleashes stimuli and supplies the marketplace or components of the marketing network with informative and persuasive messages in order to stimulate, reinforce, or modify behavior. Conversely, the marketplace and marketing network transmit information to a company through feedback. In marketing, this span should also include the span of markets and the variety of product line. Since product diversity, geographical spread and heterogeneity of markets increase, the same thing happens with the complexities of marketing organization.

### Conclusion

The main silent factors that influence success of Dell are price and integrated marketing communication. Dell underlines that since they have both economic and political dimensions, pricing policies are more likely to be governed by tradition than by innovation. The uniqueness of Dells approach is that its executives consider the whole marketing system – manufacturers, wholesalers, retailers, consumers – and the impact at each stage.

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