



E-COMMERCE WITHIN DELL AND HOW THIS NEW WAY OF DOING BUSINESS IS MANAGED

INTRODUCTION

Dell is one of the world's top providers of computer products and services to businesses and consumers. The company has revenues of \$38.2 billion worldwide and employs over 41,000 staff worldwide.

Ireland is home to Dell's European manufacturing operation, with a plant in Limerick, and a UK/Ireland sales and support operation in Bray/Cherrywood. Dell's success has made it the number one PC supplier in Ireland*.

The company is the the State's biggest revenue generating technology firm. During 2002, Dell's revenue equated to 5.8 per cent of gross domestic product. During the same time period, Dell's exports of EUR.7bn account for 7.8 per cent of all Irish exports.

Michael Dell founded the company back in 1984 when he was just 19 years old. He had \$1,000 and the unique idea to sell computer systems directly to customers.

Now he heads up one of the world's most successful corporations with his direct sales approach acting as the cornerstone of the company's global success.

This case study will look at the impact of the internet and e-commerce on Dell and how the company has successfully managed the new ways of doing business that e-commerce has created.

* IDC Q2 2003

WHAT IS E-COMMERCE?

Firstly, let's take a look at electronic commerce (e-commerce). E-commerce refers to business transactions and communications that are carried out through computers - over networks and the internet. This includes buying and selling goods and services, funds transfers and other commercial communications. It creates a new way of buying and selling - one that uses technology to make the transaction.

E-commerce can take place in different situations:

- Between businesses and consumers (B2C), as when you purchase from a shop's website. You, the consumer can now do everything over the internet from banking online to shopping for computers, books, clothes, games, holidays, concert tickets etc!

B2C



- From one business to another (B2B), as when one company buys its supplies from another company online. E-business has transformed how the business world operates from the supply side to the selling side and all the banking and commercial transactions in between. This affects everything from small family-run enterprises to international stock exchanges.

B2B



- From consumer to consumer (C2C), for example, when you buy something from your friend and pay for it by transferring money from your bank account online to your friend's. Many websites such as ebay.com enable consumers to buy and sell second-hand items to and from each other.

C2C



E-commerce offers many benefits to businesses and consumers in their purchasing activities. It changes the purchasing process from being a physical transaction to being a virtual transaction where no paper is involved.

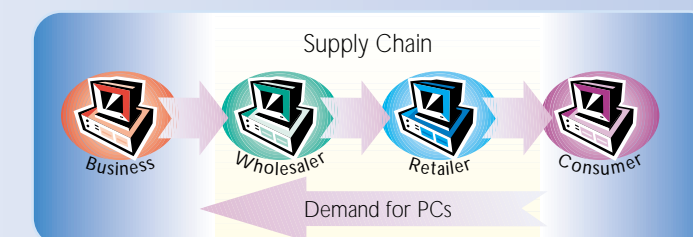
This saves time and money for everyone and opens up a virtual global marketplace - for example you could live in Cork and buy online from a shop in New York. It is also convenient as you can access the Internet 7 days a week, 24 hours a day, at your own convenience. However, it requires whole new business methods and infrastructures to meet the demands of the buyer and the needs of the seller.

HOW DOES DELL'S SUPPLY CHAIN WORK?

Due to its efficient **supply chain management**, Dell is capable of shipping a PC within 24 hours of receiving an order. The introduction of the internet and e-commerce has helped Dell improve this efficiency and profitability.

First we need to understand what is involved in a supply chain. A simple supply chain covers the whole process of the production of the goods for sale. Once the goods are produced, they lie in stock at the outlet until an order is made. When an order is processed, the specific goods are delivered to the buyer and payment is received by the seller.

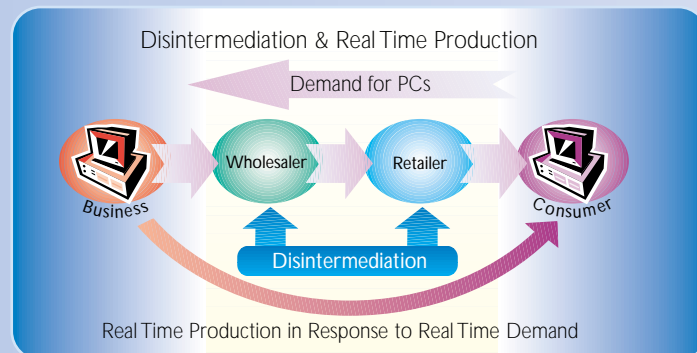
A computer manufacturer depends on suppliers for parts when designing and manufacturing a PC for the mass market. The complete product will then be sold to a distributor, who in turn will sell it to a retailer who will eventually sell it to the end customer.



Let's say Liam walks into the retailer's shop and decides to purchase a PC. The PC has been manufactured well in advance at this stage. When Liam pays for his order, the PC is taken from the stock and handed over to him.

At Dell, the traditional supply chain has two fundamental differences: *disintermediation* and *real-time production*. Dell sells directly to its customer, cutting out the middle man, the distributor and retailer. When a layer that exists between two other layers is removed like this, it is known as disintermediation.

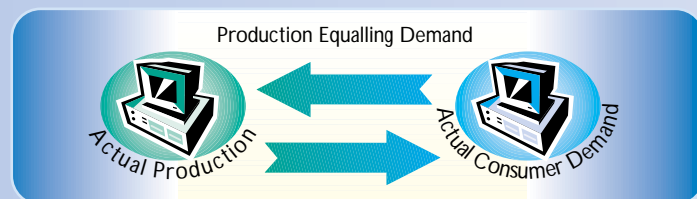




As Dell manufactures the products and then sells them directly to the customer, Dell creates **disintermediation** – the outside retailer is cut out of the process. This reduces time and costs in the process and also ensures Dell is better positioned to understand its customers' needs directly.

Crucially, Dell's supply chain costs are reduced on the storage side too by its efficient relationship between orders and production. Each individual PC that is ordered is only manufactured AFTER the order is received and only using the freshest raw materials, which are delivered to the factory several times a day. This is known as **just-in-time production** or **real-time production**. There is no warehouse for either raw components or finished goods. Each computer has been paid for and has been built for a specific customer before it is shipped.

Real time production ensures no costs are incurred from rising inventory stocks. Output is always driven by actual customer demand. Each individual product is created with the latest technology and each product is custom-made to exactly what the customer wants.



Dell's direct selling started off using the customer channels of mail order and ordering using toll-free phone numbers and this has grown to embrace online sales channels too.



HOW DOES DELL USE E-COMMERCE TO IMPROVE SUPPLY CHAIN?

When internet technology arrived, Dell was quick to set up the e-commerce processes that would enable it to also sell directly online to customers. Selling online allows the whole process to be automated and more efficient.

Since 1996 when Dell opened its website www.dell.com for e-commerce, the company has had huge sales success. By 1997 the company recorded \$1 million in online sales. By 2000 the company's internet sales had reached \$50 million a day!

If we go back to our example above, the customer, Liam, would go to Dell's Irish website www.dell.ie to buy his notebook computer. The full product range is online with detailed information to help him make his decision.

He simply follows the easy, automatic instructions that come up on screen. These allow him to customise the computer he wants with the features he needs. He can increase, say, his hard disk space and see the difference that increase makes to the overall price. Then he is given a variety of options on how to pay, either directly online or, via a customer service operator. There is even an automated leasing option available through a financing arrangement that Dell has here with PermanentTSB.

Liam's order is then passed automatically through to the production department at Dell's factory in Limerick where it will be manufactured to his specification, tested and shipped out to him. All of the systems relating to the sale are done through e-commerce: order placement, order tracking, payment processing, inspection, testing and delivery.

Similarly, internally at Dell, the whole purchase and procurement of materials is automated between Dell and its suppliers. At www.valuechain.dell.com, Dell shares information with its suppliers on a range of topics, including product quality and inventory.

The crucial benefit is the total automation of the whole process, which not only makes it faster and more efficient, but also much more cost effective, especially given the volume of business involved. Dell's global website receives more than 1 billion page requests per quarter at 80 country sites in 28 languages and 26 currencies.

Dell's approach to e-commerce simulates the benefits of face-to-face contact between the buyer and the seller. This ensures that staff can be focused on delivering a quality product and providing excellent customer service and support.



HOW DELL'S E-COMMERCE FOCUS IMPROVES CUSTOMER SERVICE

Dell has created many features and services online to help the customer see the whole purchasing process clearly. The premise of Dell's business is selling directly to customers – customers tell Dell exactly what they want and Dell provides them with the goods directly.

As well as being able to customise the product, customers can track the progress of the order as it is produced and delivered. This can help the customer see the stages of the process and likely delivery times.

Customers can create and view their service records online. This includes product support, shipment and delivery dates. Each purchase comes with a service tag code, which can track the model bought and its service requirements. This allows Dell customer service representatives to quickly and efficiently handle requests.

This level of 24 hour customer service and fast response time helps Dell build strong customer relations, which of course is crucial for the company in its understanding of customer needs. It is also a very cost-effective way of providing sales and support – cost savings which can be passed on in the form of better prices to customers.

Success depends greatly on the efficient management of the website. The customer must have a convenient experience when shopping online and have faith that Dell will successfully complete the order and safeguard financial details.

Customers need to be comfortable using paperless transactions without face-to-face contact. It is crucial that customers consider purchasing online as an alternative to the traditional method of going into a retailer and buying a product off-the-shelf.

Dell is focussed on enhancing its image and relationships, not only with customers, but also with employees and the wider community. To do this, the website is also used as a communication tool for news, press releases and general information to help customers, employees, the media and prospective employees find out more about the company.



CAREER DEVELOPMENT AT DELL

When recruiting, Dell looks for energetic, enthusiastic people who are committed and excited about building a career with the company.

Dell keeps all the CVs it receives on file so that it can contact individual candidates when new job opportunities come up. The latest job listings in Ireland are posted regularly in the careers section of the website at www.dell.ie and you can apply directly for individual positions by emailing your CV to bray-hr@dell.com or emf-recruitment@dell.com or by completing Dell's online CV application form at www.dell.ie.

THE ROLE OF THE CUSTOMER CARE AGENT

Let's take a look at the job of a customer care agent at Dell. In this role you would be responsible for pre-sales and post-sales service to customers over the phone and online. You would have to act as a liaison between customers and manufacturing, sales, technical support and financial services to take care of all kinds of enquiries such as billing queries, delivery questions, order status, customer returns and exchanges, complaints, etc.

You would be given training and direction at Dell but you would also have to use your own initiative and professionalism to deal with the different kinds of situations that can arise.

When dealing effectively with customers a candidate should have strong communication skills, good problem-solving skills, and a thorough knowledge of Dell's products, policies and procedures.

This type of role would normally require some level of specialised training, in some cases, higher education and ideally customer service experience.

TASKS & ACTIVITIES

- 1) Discuss the benefits of e-commerce for businesses and consumers.
- 2) Explain the term disintermediation. Why is disintermediation so important to Dell's success?
- 3) What is meant by just-in-time production? What benefits does this bring to an organisation?
- 4) How can the internet and e-commerce contribute to customer service levels?



www.dell.ie

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