

Dell Computers and Direct Distribution

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Direct Distribution:

A distribution channel with no intermediaries. This is the shortest distribution channel.



Introduction

Michael Dell started Dell Computers in 1984 with only \$1,000. Currently, Dell has grown to be a \$30+ billion company, with average daily earnings of \$40 million. How did he do it? He started his company with a new concept: eliminate the middlemen, and sell directly to the consumer. By eliminating wholesalers and retailers, Dell has been able to maintain complete control over inventory levels, as well as distribution costs.

Direct Distribution

As mentioned above, Dell figured out a new way to sell computers to the consumer, which is through direct distribution. By using a direct distribution approach, Dell was able to gain a competitive advantage for several reasons:

- First of all, direct distribution allows Dell to eliminate wholesalers. This is advantageous because Dell does not have to deal with wholesalers and have to be responsible for keeping track of inventory for numerous wholesalers.
- Second, Dell has eliminated retailers. This is effective because without retailers, Dell does not have to receive customer orders through thousands of different retailers- they can take orders directly from the customer, and eliminate the hassle of selling their product through retailers.

Customer Service

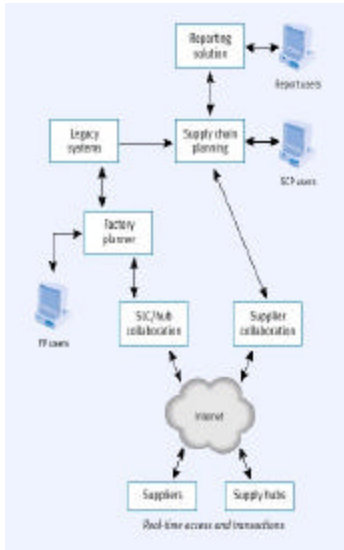
By dealing directly with the customers, Dell has earned a reputation for having excellent customer service. Instead of dealing with a retailer that carries Dell products, customers have the benefit of being able to reach Dell 24 hours a day, 7 days a week for technical support and customer complaints. This makes the consumer feel more at ease knowing that they are dealing directly with the source instead of having a retail store relay their problems to Dell. Dell also has an extensive customer database that allows them to quickly and efficiently deal with all customer problems. Dell reportedly deals with up to 10,000 customers per day, either by phone or through e-mail.





Supply Chain Management

In addition to their customer service, Dell has implemented an outstanding supply chain system that has made their business even better. They use supply chain software by i2, which gives them the ability to get materials from suppliers over the web in real time, and get those supplies to the factories every two hours to meet customer needs. The key to the success of this method is that Dell has suppliers within close proximity to all of their factories. Basically, Dell never runs out of an item, and if they need something, they can get it so quickly that they can take an order for a custom computer and have it in the mail and on the way to the customer in a couple days or less.



By maximizing their supply chain capabilities and developing excellent customer service, Dell computers has established themselves as one of the front-runners in the computer business. Their ability to provide customers with custom-built computers in a matter of days at an affordable price is unheard of in their market, and their business has thrived as a result.

References:

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www.zeromillion.com

www.dell.com

