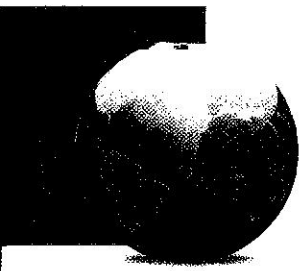


CASE 32

Dell Inc.:

CHANGING THE BUSINESS MODEL (MINI CASE)

J. David Hunger



DELL INC. was founded in 1984 by Michael Dell at age 19 while he was a student living in a dormitory at the University of Texas. As a college freshman, he bought personal computers (PCs) from the excess inventory of local retailers, added features such as more memory and disk drives, and sold them out of the trunk of his car. He withdrew US\$1000 in personal savings, used his car as collateral for a bank loan, hired a few friends, and placed ads in the local newspaper offering computers at 10%–15% below retail price. Soon he was selling US\$50,000 worth of PCs a month to local businesses. Sales during the first year reached US\$600,000 and doubled almost every year thereafter. After his freshman year, Dell left school to run the business full time.

Michael Dell began assembling his own computers in 1985 and marketed them through ads in computer trade publications. Two years later, his company witnessed tremendous change: It launched its first catalog, initiated a field sales force to reach large corporate accounts, went public, changed its name from PCs Limited to Dell Computer Corporation, and established its first international subsidiary in Britain. Michael Dell was selected “Entrepreneur of the Year” by *Inc.* in 1989, “Man of the Year” by *PC Magazine* in 1992, and “CEO of the Year” by *Financial World* in 1993. In 1992, the company was included for the first time among the *Fortune 500* roster of the world’s largest companies.

By 1995, with sales of nearly US\$3.5 billion, the company was the world’s leading direct marketer of personal computers and one of the top five PC vendors in the world. In 1996, Dell supplemented its direct mail and telephone sales by offering its PCs via the Internet at dell.com. By 2001, Dell ranked first in global market share and number one in the United States for shipments of standard Intel architecture servers. The company changed its name to Dell Inc. in 2003 as a way of reflecting the evolution of the company into a diverse supplier

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