

Dell India's Game Changing Strategies

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ABSTRACT

Dell India is once again on the transitional trajectory and this time it is much more challenging as the transition is from a box maker to a high margin end to end IT solutions player. The question that rises is why the company is taking such big risk when it is performing well with its global core business of hardware. The answer is very simple, this changeover from products to services will open up new avenues and opportunities for the company as truly Dell India is completely different company what it was five years go. It is quite obvious from the history of the company that change has been one of the key components of Dell India's successful strategies. Michael Dell, the CEO is once again leading what is being called as the "Dell Manifesto" after changing the rules of personal computing (PC) industry with his disruptive direct selling model and lean manufacturing, in the past. Faster growth in the urban and semi urban India is propelling the PC market growth resulting in 7.7% expansion in the first quarter of FY 2012 over the last quarter of FY 2011. And consistently Dell has been either leading the market or had been in the second position. This study brings about the various strategies successfully implemented by Dell in the form of the customer's opinion who consider these as key differentiators and contributors to the success of the company in India. The result and analysis is performed using factor analysis tool.

Keywords: Strategies, Hybrid Retail Model, Hardware and Software services, PC Market.

1. INTRODUCTION

Dell had become a market leader in the US through its online and direct made to order sales model but when the computer manufacturer decided to enter India, a change of strategy was required. When Dell entered the Indian market the market was already captured by HP, Lenovo and IBM. HP and Lenovo both had factories in India and they had a vast and efficient retail network. Resultant was huge inventory with the dealers and the customers were offered machines to clear up the inventory and not what they actually demanded. But huge discounts were offered as a result sales went up high. On the other hand to buy a Dell those days Indian consumers had to wait for twenty one business days as the company had its factory in Penang, Malaysia and the machine was supposed to be shipped to the customer's doorstep in India from Malaysia which many time surpassed the committed delivery time. As a result Dell was able to sell only 79,244 laptops and desktops in India in 2007 compared to which HP's 1 million figure. In the year 2007 only Dell set up their factory in India in the SIPCOT region of Sriperumbudur that cut the delivery time by almost 50% and also improved

profitability. This actually came as a blessing for the company as it had eased down many other problems. Indian customers were also skeptical in paying a huge amount of fifty thousand or above online or by sending a cheque or demand draft without physically touching and seeing the laptop or desktop. Also they always had the apprehension of the system getting damaged in the transit process and the entire process of availing the after sales service as at that time no Dell outlet was available where they could take their machine and get it repaired. On the contrary a service engineer was supposed to provide them onsite service and that too from the companies with whom Dell India had tie-ups depending on the location of the customer and accessibility. Another big problem with the Indian customers was their tendency of asking for the most economic deal and bargaining be it laptops or textiles. The customers would compare the prices and the discounts with that of the competitors and were not convinced with the fact that since there were no middlemen involved the, the price advantage is already passed on to them. These issues were then taken care of when Dell changed the way it sold computers in India in late 2008. While online and telephone purchasing remained an option the company ventured with its retail model first time in India by setting up 38 exclusive outlets across the country, by tie-ups with retailers like Tata group's Croma and future group's E-Zone for shop in a shop counter for its products and also by hiring 35 sales affiliates based on the Insurance Agent Model. Dell ensured these affiliates and channel partners were given incentives to sell. The company also made no investments in warehousing the products as they were offering that no other competitor could offer-customized pc tailored exactly to the needs and requirements of the customer. By now the customers were able to touch and feel the product and hence it was easier convincing them to buy.

Dell had actually entered India way back in 2000 focusing on large enterprise and government business and it went to have a business of worth \$250 million in this segment. Cashing in on the upsurge of outsourcing, it had set up four customer care and tech support centers in India for its global customers. But they wanted the wanted a hold of the increasing attractive personal computer segment. Finally Dell India achieved the \$1 billion revenue target in 2009-2010 driven by the "Billion Dollar Core Team".

2. OBJECTIVES OF THE STUDY

To identify the remarkable strategies that factored in influencing the growth and sustenance of Dell India, from the company's customer's perspective from all over the country.

3. RESEARCH METHODOLOGY

The sample size considered is 400 out of which 35.5% are corporate customers and the remaining 64.5% are the customers belonging to consumer and small and medium business segment. Convenience sampling method has been considered. A questionnaire consisting of 32 factors or variables that contributed to successful strategies was developed to check the consumer's perspectives and opinions.(Appendix-Table1) Respondents were asked to rate the factors on a 4 point Likert scale (4- Strongly agree to 1- Strongly disagree). Factor analysis using SPSS is performed to extract the major factors that turned out to be the most prominent implemented strategy.

4. DATA ANALYSIS & RESULTS

First, the reliability of the questionnaire items was checked upon and the Cronbach's Alpha value is 0.786 which shows sufficient internal consistency among the factors considered in the questionnaire. (Table2)

KMO and Bartlett's Test was performed to check the sampling adequacy and the value obtained for KMO is 0.670 which supports the sample size. (Table 3)

Varimax rotation with Kaiser Normalization was chosen to get % of variance for 32 statements in the questionnaire. (Table 4)

11 factors were extracted after conducting Principal Component Analysis and according to the variables having highest loadings on each of these 11 factors were grouped together on the basis of the Rotated Component Matrix. (Table 5).

5. DISCUSSION

The 11 factors extracted have been condensed to 9 strategies that can be assigned nomenclatures based on the highest loading factors grouped under them as follows.

1. **Market Defense Strategies-** This includes the expansion to the mid market segments which comprise of nearly 40% of the \$28-30 billion Indian IT market, realignment of the Indian business in sync with new Dell Manifesto, focusing immensely on customer relations , promoting the brand through real life entrepreneurs like Raman Roy (the father of India's back office processing industry) and P. Rajendran (Co-founder and CEO of NIIT) that adds value and credibility to the brand and initiation of the desktop virtualization project (DVP).
2. **Transition Strategies-** Transition strategies include the introduction of the Hybrid retail model which is completely different from the conventional 3-tier retail structure followed by the competitors, instead Dell adopted the insurance agent model and appointments of Master sales affiliates working along with the retailers like Croma and E-zone and they also supported the field affiliates. Setting up of factory in India and opening up of exclusive Dell retail stores and supported the hybrid retail model by extending onsite service by bringing the technicians to individual customer's home and to retail and small business customers in 650 cities.
3. **CSR Strategies-** The corporate social responsibility strategies include various initiatives taken by Dell India for social cause like ecofriendly approach for environmental concern through innovations in packaging, energy efficiency and e-recycling. This also includes working with nonprofit partners aiding them with technology, expertise and funding to solve pressing social challenges and transform our communities.
4. **Market Nicher Strategies-** Though Dell has always been in the category of market leaders, it puts into use the best combination of strategies for not just achieving high volume but also to achieve high margins by focusing on high margin business like providing end to end software solutions along with extensive onsite services. This also includes tremendous potential task of correct integration of the values from the acquired businesses with right kind of technologies and solutions.
5. **Preemptive Defense Strategy-** With reference to Indian market Dell has been able to implement its strategies successfully most of the times because it maneuver their strategies before the competitor starts its offense. That's why even though they entered the skeptical Indian market with direct marketing option with the alternatives of online or telephonic purchase, it didn't become an instant hit but slowly it gained popularity because no other competitor could offer the

customization option. Presently Dell has built a strong supplier ecosystem in India as well. Today Dell distribution is covering 93% of 634 districts in India and with a new program that started in June 2012; the company aims to cover all 6500 taluks in the country within next six months. Also the company is well known for its ethical governance by conducting business legally; ethically and in accordance with the law and the company's own stringent code of conduct. Another important aspect under this strategy is acquisition. In a carefully executed strategy Dell has acquired dozens of companies over the last three years in data storage, networking, software and security. With the plans of acquiring Hexaware Technologies and NIIT technologies, each with revenues of around \$300 million, the company wants to leverage in tier II space also and double the current IT services revenues of \$8 billion in 3-4 years. Since beginning Dell has been a great acquisitive company especially in the services space and a mid-sized acquisition will definitely add value for them by letting them support their clients even faster.

6. **Competitive Advantage Strategies-** The option to customize the machine as per once requirement gives the biggest edge to the company globally as well as in India. At the same time the variety of products offered for different requirements like Inspiron and XPS for personal use but priced reasonably competitive and high respectively, Vostro for medium sized business, data storage, software, networking and security solutions for big corporate, latitude for corporate, again add to the company's competitive advantage. With the factory in India and extensive hybrid retail model timely delivery of the machine and efficient after sales service are also adding value to the customer relations.
7. **Game Changing Strategies-** Out of 30 acquisitions made by Dell till now, 13 either have presence in India or their products are available in India and by leveraging the existing relationships Dell is confident in selling more solutions by entering the end to end game in India. Approximately 85% of the mid market customers reside in top 8 cities and the remaining 15 % in the next 17 cities and interestingly the latter is growing as at much faster rate. To make this diversification into end to end solutions fruitful, Dell has put together a team to focus on the top eight cities with the highest potential and an entirely new team within mid market to focus on the next 17. And to support this solutions venture, Dell launched its financial service arm last year to finance its IT projects for its mid market clients on an operating lease model. Along with this continuous focus on customer relations is maintained by the usage of the tool "Net Promoters Score" (NPS) that evaluates customer loyalty and it has doubled this year over the score of last year.
8. **Empowerment Strategy-**The achievement of the target of \$1 billion by Dell India was powered by the formation of the "Billion Dollar Core Team". The team consisted of people from rivals HP, IBM and even from Hindustan Unilever, Whirlpool India and Airtel India.
9. **Pricing Strategy-** Dell India's one of the first strategic moves was the PC business (45% of the revenues) that started focusing on the mid and high end products and that was highly successful as the PC manufacturer has been by far the number one in revenue share since last seven quarters which explains Dell's average selling

price being 5-8 percent higher than the competition. And now the company has planned to sacrifice the low price band and target for revenue share.

6. CONCLUSION

Michael Dell is known to be a game changer. He has brought his company to a leader's position from business that initiated in college dorm in early 80s. Along with the dynamism of the environment and the evolving customer requirements he has transformed and guided the orbit of his company from being merely a PC manufacturer to an IT solutions provider. The company's strong customer base and brand conviction made the respondents of this survey come out with various favorable responses that speak volumes for the strategies implemented by the company. How the company performs as an end to end solutions provider is something the market has to wait and watch.

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APPENDIX

Table 1. Variables used in questionnaire and factor analysis

S. No.	Variables	Code
1	Direct marketing strategy	DMS
2	Competitive Pricing	CP
3	Customization Option	CUS
4	Online Booking	OB
5	Telephone Booking	TB
6	Efficient After Sales Service	EAS
7	Timely Delivery	DEL
8	Billion Dollar Core Team	BCDT

9	Insurance Agent Model	IAM
10	Factory in India	FAC
11	Dell Exclusive Retail Stores	ERS
12	Extensive Onsite Services	ONS
13	Hybrid Retail Model	HRM
14	Rural Access & Distribution	RUR
15	Endorsements Through Real Life Entrepreneurs	RLE
16	Varied Products and Services	VAR
17	Supplier Ecosystem	SECO
18	Diversification	DIV
19	Acquisitions	ACQ
20	Moving to End to End Solutions Provider	ESP
21	Moving up in the Value Chain	VC
22	Targeting Mid Market Segment	MMS
23	Customer Relationship	CR
24	Desktop Virtualization Project	DVP
25	Net Promoter Score Tool	NPS
26	Transition to Higher Margin Business	HMB
27	Integration of the values from acquisitions	INT
28	Realignment Of Indian Business	REAL
29	Corporate Social Responsibility	CSR
30	Ecofriendly Approach	ECO
31	Non Profit Partnerships	NFP
32	Ethical Governance	EG

Table 2: Reliability Statistics

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.786	.797	32

Table 3: Sampling Adequacy

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.670
Bartlett's Test of Sphericity	Approx. Chi-Square	5879.703
	df	496
	Sig.	.000

Table 4: Total Variance Extracted

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.165	16.141	16.141	5.165	16.141	16.141	2.926	9.144	9.144
2	3.733	11.666	27.808	3.733	11.666	27.808	2.858	8.931	18.075
3	2.250	7.032	34.839	2.250	7.032	34.839	2.806	8.770	26.844
4	2.094	6.545	41.384	2.094	6.545	41.384	2.664	8.324	35.169
5	1.871	5.846	47.231	1.871	5.846	47.231	2.050	6.405	41.574
6	1.664	5.201	52.432	1.664	5.201	52.432	1.885	5.892	47.465
7	1.496	4.676	57.108	1.496	4.676	57.108	1.780	5.561	53.026
8	1.344	4.199	61.306	1.344	4.199	61.306	1.751	5.473	58.499
9	1.207	3.772	65.079	1.207	3.772	65.079	1.530	4.780	63.279
10	1.128	3.526	68.605	1.128	3.526	68.605	1.460	4.563	67.841
11	1.034	3.232	71.837	1.034	3.232	71.837	1.279	3.995	71.837
12	.968	3.025	74.862						
13	.835	2.609	77.471						
14	.780	2.439	79.910						
15	.665	2.078	81.988						
16	.617	1.930	83.918						
17	.605	1.891	85.808						
18	.556	1.738	87.546						
19	.533	1.666	89.213						
20	.513	1.604	90.817						
21	.446	1.394	92.210						
22	.421	1.317	93.527						

2										
2	.368	1.151	94.678							
3										
2	.302	.943	95.620							
4										
2	.257	.804	96.424							
5										
2	.217	.678	97.102							
6										
2	.200	.626	97.729							
7										
2	.182	.570	98.298							
8										
2	.170	.532	98.830							
9										
3	.154	.481	99.311							
0										
3	.119	.372	99.683							
1										
3	.101	.317	100.000							
2										
Extraction Method: Principal Component Analysis.										

Table 5: Rotated Component Matrix

Rotated Component Matrix^a

	Component										
	1	2	3	4	5	6	7	8	9	10	11
MMS	.796										
REAL	.688										
CR	.658										
RLE	.602										
DVP	.558										
HRM		.770									
IAM		.766									
FAC		.722		.499							
ERS		.668		.406							
RUR		.665									
CSR			.916								
ECO			.913								
NFP			.862								
INT				.861							
HMB				.849							
ONS				.719							

OB				.650					
SECO				.627					
ACQU				.569			.447		
EG				.523					
TB				.491	.415				
CUS					.830				
VAR					.691				
DEL						.806			
EAS						.783			
ESP							.748		
DIV							.612		
NPS							.460		
DMS								.685	
VC								.565	
BDCT									.861
CP									.870

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 14 iterations.