

2006

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Recommended Citation

Klinker, Sharon; Terrell, Ronald; and Mahfouz, Ahmed Y. (2006) "Dell's Use of CRM-SCM Integration to Dominate the PC Market," *Communications of the IIMA*: Vol. 6: Iss. 3, Article 9.

DOI: <https://doi.org/10.58729/1941-6687.1328>

Available at: <https://scholarworks.lib.csusb.edu/ciima/vol6/iss3/9>

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Dell's Use of CRM-SCM Integration to Dominate the PC Market

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ABSTRACT

Dell is one of the most successful and profitable computer corporations in history. It has been known for its innovative customer service and product custom configuration. As it continues to grow, it is faced with the challenge of how to maintain its customer relationships and inventory management, while continuing to meet the demands and requirements of its customers. This paper will examine how Dell implements enterprise-wide computing software, which profiles and targets its customers, as well as streamlines the flow of its products throughout the supply chain. Dell's collaboration with other computer software companies has allowed it to become a leader in customer relationship management (CRM) and supply-chain management (SCM). These initiatives have resulted in net revenues of between \$30 and \$60 million over the last five years.

INTRODUCTION

The computer industry encompasses computer software, computer hardware, as well as the production of computer components, assembly, logistics distribution, sales, marketing, and the provision of information technology services. Dell is in the business of manufacturing computers and servers. Its competitors are Hewlett Packard/Compaq, IBM, Apple, and Gateway.

The new trend in the computer industry is to become a virtual corporation and Dell is leading the way. According to Dedrick and Kraemer (2006), Dell is "aiming to combine the cost advantages of horizontal specialization with close coordination of vertical integration". In the early 1990's, Dell shifted gears and tried to distribute its products through retail outlets, later realizing how unprofitable this approach was. It decided to focus on improving customer service and support by allowing customers to place and custom configure orders directly. This resulted in a unique strategy, synonymous with Dell, customization. Nearly one out of five standards-based computer systems sold in the world today is a Dell.

Dell has one simple concept: to sell computer systems directly to customers. Dell's customers are global wide and range from individuals, small businesses, large businesses, and institutional organizations, such as schools and hospitals. The mission statement for Dell is "to be the most successful computer company in the world at delivering the best customer experience" (<http://www.dell.com>). Since Dell is a global wide company, its "direct approach is relevant across product lines, regions and customer segments" (<http://www.dell.com>).

When Michael Dell started Dell in 1984, it was out of his dorm-room. He had limited cash and purchased most of the supplies needed to build his first computers after the sales were made. Well-established computer manufacturers like IBM had a lock on the computer market, where customers preferred to purchase products from retail outlets. This new idea of "building-to-order" and ordering over the phone was a major risk. The first obstacle was to create a need on part of the customer to desire the purchase of a customized computer. The second hurdle was having customers call a toll free number to order the product. Dell had to find a way to overcome these obstacles and then provide a service that would build a reputation for superior business to consumer efficiency. Facing these challenges, Dell had to answer the following questions:

- How can Dell maintain its customer relationship management, and what technology will it need to implement to accomplish this goal?
- How can Dell streamline its supply chain to further enhance planning and execution, reducing inventory levels while still meeting customer demands?

IMPLEMENTATION OF A CRM-SCM STRATEGY

Customer relationship management (CRM) is used to define the process of creating and maintaining relationships with business customers or consumers (Moon, 2003). A long-term relationship with the customer insures their repeat business. It costs more money to gain new customers than it does to retain current ones. Dell's goal is to provide customers with their technological, as well as customer service needs. There are three types of software that facilitate Dell's CRM: marketing automation software; custom designed Web pages containing purchase data; and a system that benefits the sales, marketing, financial and management segments of Dell.

Before Dell's concept of building made-to-order computers, people went to an electronic or retail store to buy computers. There was no interaction with the manufacturer, only with the salesperson of that particular store. These salespeople were not as knowledgeable about the product since they were not involved in building the computers. Dell pioneered the concept of interacting with the customer by phone or by way of the Internet to custom-build a computer specific to that customer's needs and delivering that computer in a very timely matter. Dell created a supply chain management (SCM) system that ensured that the right computer parts were always available when and where needed.

SCM is the term used to describe the management of the flow, of raw materials to the end product, which a company uses to get products and services to its customers. Dell has developed a strong relationship with both its suppliers and customers that allow it to ensure that computer components are available from suppliers to meet customer demands. It also ensured that a system was in place to get the product shipped and delivered to the customer effectively and efficiently. This direct customer focus resulted in Dell's competitive advantage.

Dell utilizes database software, which is effective and efficient with customer relationship management. These particular databases store tables of data that can be mined for information about clients and used to generate promotional campaigns. The databases would include customer information, their interests, and products. The customer database helps increase profits because the database contains client information that helps determine effective and efficient ways to target and segment the customers.

Dell's business strategy focuses on creating one of the most effective supply chain management systems via the i2, which would streamline the supply chain process by linking Dell's suppliers and planners together to meet demand and customer requirements. The software that Dell uses to increase relationship marketing is made by Hotlink. Hotlink is a marketing automation software program used to aid e-marketers in "effective targeting, efficient marketing communications, and real-time monitoring of customer and market trends" (Moon, 2003). This program strengthens the sales-customer relationship. This also gives Dell free advertising – word of mouth. The bottom line to CRM systems is that it directly impacts its customer base, ensuring that better service is offered.

A second type of software that Dell uses is a transparent online system called "Premier Pages," which are custom-designed Web pages containing purchase data. This system also has a paperless ordering process, with the customer's existing technology configurations already captured. Dell states that the idea behind Premier Pages was to "gain less information about customers – they already know about them – and more to create a real win-win situation" (Levey, 1999). The process of knowing the customer begins when the customer orders a PC. The PC is built after the customer orders it. This means that Dell has to have a direct relationship with the customer.

The final system that Dell is using to maximize CRM is the Dell South Africa's implementation of an enhanced CRM system with the help of IS Partners, an information systems company. "ProClarity offers in-depth analytical abilities, resulting in positive and negative areas of business being clearly highlighted. Sales are also broken down by region, with an overview of each sales team, enabling Dell to measure trends and successes" (<http://www.itweb.co.za>). Sales, marketing, financial and management segments benefit significantly from this software. The Dell staff has easy access to the detailed demographic information about customers, customer sales history and trade relationships. Sales management can track activity within accounts, and lapsed quotes can be acted on. The marketing department can track customer activity, product sales, and marketing mixes.

In addition, Dell deployed the e-Business software i2 Supply Chain Planner, i2 Collaboration Planner, and i2 Factory Planner to meet its supply chain needs. This new i2 technology was used to coordinate the build-to-order processes from order placement to customer support. By using the software Dell is able to profile customers, target them using their medium of preference, and also measure the results. Dell integrated the supply and demand side of the business by using unique software that would eliminate inventory overages. The i2 system enables Dell to pull material into its factories every two hours based on real time customer orders. This system tracks backlog numbers, stock status, and supplier commitments. It lets the supplier know what parts to deliver to which factories and be assembled to meet customer demand.

By having an efficient CRM system, Dell is not only ranked No. 28 by Fortune 500, they have a persistent focus on delivering the best possible customer experience. "Dell introduces the latest relevant technology much more quickly than companies with slow-moving, indirect distribution channels, turning over inventory every four days on average" (<http://www.dell.com>). The outcome of the new supply chain technology resulted in Dell's lowest inventory levels in the industry. Real-time scheduling and just-in-time inventory results in efficient inventory turnovers and deliveries.

CONCLUSION

CRM-SCM integration strives to satisfy and promptly deliver products to customers, ensuring availability of the product and maintaining profitability of the manufacturer. There are many lessons learned from Dell's experience. These lessons can be transferred to other companies in the industry.

Ensure better customer service is offered.

Dell has become an industry leader in service and reliability. Dell has used CRM to its advantage. This has instilled trust into their customers. By custom-building a computer that the customer desires, this has created a very strong relationship with the customers.

Implement technology in a phased fashion

Dell tested key tasks in each of its regions prior to deployment. It set-up mock environments to develop, test, and support the i2 systems in patches without disrupting the live version. Dell was able to bring on one piece of the i2 system at a time. As one part became more efficient, then Dell added other components in stages. Dell ensured that each stage of the process performed well and allowed for future growth before rolling out the entire system. This minimized the risk, while at the same time increasing efficiency.

Extend the connection from the customer to the supplier

Dell was able to extend its build-to-order model from suppliers to the customer while continuing to maximize operational efficiency and customer satisfaction. Customers were able to save money while being able to purchase a customized machine because Dell passed on the savings, which resulted from efficient inventory management, no excess inventory or inventory shortages. It was able to share, in real-time, information with suppliers about customer demands and buying patterns.

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