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Dell Inc.'s Production System

Changing Place in the Industry

In 1984 Michael Dell, a freshman at the University of Texas, started a computer business (called PCs Limited) out of his dorm room.¹ This company sold IBM PCs through mail-order.² His goal was to cut out the middleman, enabling the customer to get exactly what he or she wanted while removing the middleman's markup.³ He had a successful start, selling \$80,000 worth of computers by the end of his freshman year.⁴

By late 1986, his company (eventually to be named Dell Inc.) had 250 employees and shipped about 4,000 computers per month.⁵ From the beginning, the company assembled its machines in the United States in its own plants and took orders from customers directly instead of through stores or a dealer network.⁶

By 1995, Dell, headquartered in Austin, Texas, ranked among the world's five largest computer companies, sold its computers in more than 125 countries, and employed approximately 6,400 people.⁷

Dell took its direct selling to the Web (and www.dell.com) in 1996; by April 1998 Dell was selling \$5 million per day through the Web site.⁸

By 1998, Dell had three manufacturing facilities – in Austin, Ireland, and Malaysia – sold computers to customers in over 170 countries, and employed around 16,000 people.⁹ Dell's success was widely attributed to its process of selling custom-built computers directly to customers.

Dell's business model continued to be wildly successful through the mid-2000s. In 2005, the company was first in both US (33.5%) and global (18.2%) market share. (See **Figure 1**.¹⁰) Its product line was primarily "desktop computers, notebook computers, network servers, workstations, and storage products."¹¹ Since 2005, the firm's market share has fallen.

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