



Michael Dell
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MODERATOR: Well, Michael, it's been an exciting year, and our clients have lots of things to discuss and question: 6,000 of them out here, plus countless more on the Web. And they have several questions, and so we've prompted a few, and we'd like to roll the video.

(Begin video segment.)

QUESTION: Hi, Michael. I have a question for you about green IT and where you see the future heading with the federal government.

QUESTION: In light of the changes of technology that we're seeing, given that his model was usually based on getting rid of the middleman and basically selling directly to consumers, what is Dell doing to ensure that that model still holds water?

QUESTION: Hey, Michael, have you improved your offshore service desk?

QUESTION: To what degree will you be starting to provide services directly to the customer?

QUESTION: What are you going to do improve your customer service?

QUESTION: How do you plan to support the increasing use of laptops?

QUESTION: What is Dell's strategy to regain the top position in the PC market?

QUESTION: Where do you see the future of tablet computing going?

QUESTION: What is the future of the PC in today's new communication world?

QUESTION: We needed Dell computers quite quickly and we were told there was a backlog. And when you have large-scale application development, that requires quick on-boarding for people. We want to know why Dell had a big backorder of PCs for us.

QUESTION: Since you were last at Gartner Symposium, what's the best decision you have made and why?

(End video segment.)



MODERATOR: So, I'd like to actually pick up on that last question. The last time you were on stage with us was October of 2005. At that time, you were the Chairman/CEO. There was a time in between that you were just the Chairman, and now you're back to us as Chairman and CEO. Can you talk to us about the transformation that Dell has gone through in the last two years? And it was a great question: What is the best decision you've made in that time?

MICHAEL DELL: Well, we've made a lot of decisions in the last seven or eight months as I came back to the CEO role in the company, and we've really been focusing on how do we bring back the customer-centricity into Dell.

I think Dell is a company that's grown quite a bit, does a lot of things for a lot of customers around the world, but I think we lost some of that customer focus. So, we've been working on bringing that back.

There are certainly a number of initiatives that are a focus for Dell in terms of improving the current business that we have, getting our costs back in line, but then, more importantly, and some big change vectors for us in the future.

So, we've been building a new consumer business, and growing the distribution of that business, coming out with innovative products around that. We've been focused on the emerging markets and growing in emerging markets, put up new plants in India and Poland and Brazil, to grow and be better represented in those markets.

Notebooks and mobility are a huge focus for us. We think the market is going to move even faster than Gartner's predicting to mobile and to notebooks, and so we're driving that heavily. Enterprise and the datacenter is a huge focus for us. We've been having great growth there, and that's virtualization. We see fantastic opportunities in whether it's an iSCSI SANs or cloud computing datacenters, ultra-dense blade architectures, you know, a big, big focus there; and then small, medium business. And this is not to forget about the core of Dell, which is really serving large commercial and institutional customers around the world, and continuing to move our business from a product focus to more of a solution focus.

MODERATOR: Okay, in the process, I know one of the changes you made is that you brought in a lot of new leadership into the company from a lot of different areas, and again that you seem to be transforming Dell in all these areas. The question I have for you is that, how can our audience look to? I mean, what should they see as transformational? How will they know when Dell has reshaped itself, or how will they see these new engagement points from Dell?

MICHAEL DELL: Well, I think one of the things that we have really taken on is the idea of simplifying IT. The reason we've done that is when we go out and talk to customers, we hear complexity is a huge issue for customers, and the legacy environments get stacked up. You have an application, you have an architecture for each part of a business, and ultimately you end up with a lot of companies spending 70 percent or more of their IT budget just on maintaining the old systems.



So, we've really taken on this idea of how can we simplify IT, help customers free up money to go reinvent and reinvest in their business.

So one of the things that we're actually introducing today is the first of what we call flexible computing strategies, and it's on-demand desktop streaming. The way this works is you basically take the disk out of the client environment, and stick it in the SAN in a centralized datacenter, so all of your image management, all of your patches, all your security, all your image transitions are handled centrally.

So, we don't see this as a solution for all customers. That's why we call it flexible computing. We think there are many different types of solutions. But this is the first step in a way to help customer simplify their environment, take cost out.

We've also just today introduced an IT simplification self-assessment where customers can go online, Dell.com/simplify, and take a self-assessment to see where their end-to-end infrastructure is and where the opportunities to simplify are. And if they're interested, we have a service to come in and do more of a detailed plan to help customers get there.

So, we're moving the company more in the direction of solutions and services certainly, and really taking on this idea. We see it as a five-year focus for Dell to help customers simplify their IT organizations.

MODERATOR: So, we'll come back to the model question, the PC model question in a minute, because I know that Steve Ballmer also talked to that, but one of the things that we've often talked about in the years, you travel a lot, as do I, as do many people, and you know when you go through security, if you get the boarding card that has all the S's in it, right, you know you're in trouble. You know you're going to get the extra searches.

Well, for years at Dell, it seemed to me the S's were always software, services, and solutions. It was something that traditionally Dell of years ago you didn't want to do those things, or you wanted to do those things only very cautiously and judiciously. But it seems now, in your simplified IT program, we're talking about big investments in software, big investments in services, big solutions focus. This is a lot different. I mean, am I reading that right? Are you friendlier towards that type of portfolio service?

MICHAEL DELL: Yeah, I think the thing I would say here is that our services strategy is really driven in support of the core products that Dell provides. So, when we come to a customer and we say, hey, we've got a portfolio of products, well, that's not as interesting anymore. What are the services that go around that to bring a full solution? And so it's not as if we're going into all services; we're going into the services in the infrastructure area. And already services for us are about a \$6 billion business. So, when you think about the client lifecycle, infrastructure services, how do you simplify the infrastructure, how do you make IT a service, increasingly manage services, and how do you do the next-generation support in terms of remote management? And we have been doing some acquisition in that area of tools and technology and IP to help us accelerate our progress as we go down that path.



MODERATOR: Okay. So, Michael, to shift gears for a second, one of the areas that we hear from our clients in dealing with Dell that they struggle with is their ability to get products and services in a timely fashion like they can do through other vendors, predominantly through the channel. And there's no mistake about it, Dell's success has been predicated on absolutely outstanding supply chain efficiency, as well as your ability to deal directly with the customer on their acquisitions and technology implementations. Much of the growth in the market is in areas in which a direct model may not work. Can you expound on what Dell's channel strategy will be to deal with customers whereby a direct model may not be as efficient as you would like?

MICHAEL DELL: Sure. Well, it might be a bit of a surprise to you folks, and it probably will be because we haven't talked about it much, but we actually did a little work recently to go around the company and try to determine how big the channel and partner business is at Dell. It turns out it's about \$9 billion, so it's a pretty sizeable business already. As you probably have seen, we've taken some steps to grow that, and so we think there are opportunities to grow that.

So, what are some of the things we're doing? I think you'll see better availability of Dell toner and Dell ink in all the sort of places where people would want to buy ink and toner, pretty soon. That's an example.

Certainly, on the consumer side of our business, we're undertaking a fairly dramatic expansion of partners to go address that opportunity, so we've done a number of partners in the United States, in China, in Brazil, Mexico, and Japan. I think you'll see a number of other countries. You think about all the top countries in the world, you could expect to see over the next several quarters Dell having partners in those countries to be able to sell our products, and better defining and growing a global partner program so that all customers have access to many different routes to buy our product.

I will say, in a recent period here, particularly over the summer, we had pretty extraordinary demand above what we'd planned for certain products, so the lead times, back to the video, were higher than any of us would have liked. It's been getting better. We opened the supply, so October is quite a bit better than September, November is quite a bit better than October, and so we think that problem is rapidly being addressed.

MODERATOR: So, can the channel model that you're moving towards, both for enterprise customers as well as in the consumer segment, be done in a way that doesn't harm your supply-chain efficiency and the cost operational benefits that you receive from that? Are you now investing more in work-in-process goods that consume dollars that make profitability a more difficult task to achieve?

MICHAEL DELL: Well, the interesting thing about the \$9 billion out let's call it 60 billion of channel business that we have today is that those channel partners and Dell have figured out how to extend the benefits of our supply chain into the channel, and so that's exactly what we're working on doing. Certainly for a number of VARs and partners, they rely very heavily on the capabilities that we have,



because their value goes way beyond things that we would do in our environment. But to be clear, it is 9 billion out of 61 billion, to put it in context -- out of 60 billion, sorry.

MODERATOR: So, we worry about that in that, I mean, Dell, historically, you've always been focused on operating expense and capital expense and that's cap-ex and op-ex has been that. If you're going to increase your professional services staff, if you're going to have more investments in software -- I mean, look at the ASAP acquisition, the SilverBack acquisition.

MICHAEL DELL: Right.

MODERATOR: Those are models that aren't exactly lean and mean. So, are you looking at changing your metrics, or really how does that affect your view of the economics of Dell?

MICHAEL DELL: Yeah, you're right. You can't use the same P&L lens to look at services or software as you do a core hardware business. So, that's not completely new to us, because we do have businesses in our enterprise sector that are quite a bit different than the core client business. We sell more servers in the United States than any other company, so we know a bit about how to do that. So, as we move up the stack, certainly we have a different P&L mindset and different metrics to measure our progress.

MODERATOR: Okay. I have one more question about the channel, if I may. I just want to make sure that I'm clear on the strategy here, because it seems like we see two things going on at once. On one hand, again, you look like you're really enabling the channel and working closely with the channel this year. At the same time, you're also launching products like Vostro, which are direct. You have relationships with SilverBack and ASAP that offer essentially services from Dell that would seem to bypass the channel.

So, it's a balancing question. I mean, how are you going to balance Dell's direct relationship and those new investments you've made versus enabling the channel to make money in things like backup, which you offer as a service; asset management, which you offer as a service? Is the expectation that the channel will use Dell services?

MICHAEL DELL: I don't want to suggest that we're going to be all things to all people, because we're not, okay? There is a lot of opportunity for us to work with channel partners out there in the world who want to take advantage of the capabilities that we have. It's already \$9 billion today, and we think there's more that can grow.

But are all potential channel partners going to be happy with our strategy? Probably not. But that's okay. I think we can find plenty that are, and I think our business can grow and we can satisfy more customers, provide customers more ways to buy our products, whether it's through channel partners, with value-added solutions, with retail partners, or directly from Dell.



MODERATOR: All right. We see the channel, mostly mid-market, small business. Most of our audience here is large enterprise, and in that respect, we certainly see a lot more of language from Dell about solutions, and some of that's wrapped into a simplified IT message. Can you talk about -- you know, Dell historically has been looked at as -- to use the word of your competitor -- a box supplier. You've been more of a hardware distribution. But it seems like you really want to step up and provide more of the solutions, the integration of software and services. Can you talk about how much more important that is in Dell today than it was, let's say, two years ago?

MICHAEL DELL: We do sell almost twice as many computers to businesses in the United States than our next nearest competitor, so we have a great opportunity, a great platform, to evolve the business from products to solutions. So, when we look at the key things that are going on, whether it's virtualization, whether it's how do I create a better-managed client environment with flexible computing, how do I deal with this whole mobility question, how do I create the cloud environment to serve up huge amounts of data, how do I deal with the whole environmental questions, the green IT questions, it is a solution conversation as opposed to a box conversation.

So, we're evolving our capability. We're evolving our talent, acquiring tools and technology to help us get there.

But let's not underestimate what we've actually done. I mean, we do have several million seats now that we manage for customers. We manage the entire IT lifecycle from software licensing to help desk to asset management, moves, adds, and changes, image development, image creation. And we charge them per month, per user in multi-year contracts. So, that's a very large business for Dell and growing at scale, and we think we can compete with anyone in the world in that position and do very well.

MODERATOR: Dell used to be in solutions, you used to do a Web hosting model, and not to bring back the bad days, but the question is, with cloud computing, I mean, clearly you're in a position that you could look at some of the services you're offering, some of the solutions, and that Dell could become a, basically, provider of cloud services or offer hosting services for that. Is that a model that you're looking at? I mean, I'm not asking for any early announcements here, but how interesting is that to you, what's going on with quad computing?

MICHAEL DELL: We created a business about a year ago called Data Center Custom Solutions, and essentially the reason we did that is when we went and talked to these top 10, top 20 server and storage customers in the world and said, okay, let me tell you about the general purpose products that we have, they said, well, I don't really need that. You've got all sorts of stuff in here that isn't really applicable to my environment, so can you take a bunch of that out and then just sell me what I do need?

And we concluded that we needed a custom approach, where we would sit down with a customer, like if I do, or Yahoo or Amazon and say, okay, what exactly do you need, what kind of application are you running, what kind of memory space do you need, so we do this all in a span of weeks, literally, create



a custom solution for them, and then we can go build them thousands, tens of thousands at a time. So, that's a large and growing part of our business now.

We see ourselves as the provider to the cloud as opposed to actually being in the business of providing lots of those services ourselves. Software as a service is a huge trend; we absolutely believe in it. We are doing some in terms of consumer and small business direct services that we'll bundle or sell along with the product. But I think you'll also see us take the IT lifecycle services that we've done for some of the bigger accounts, and put those into forms where as a customer is buying, as a smaller customer is buying servers or client products, they can add a service where we'll remotely manage their device for them and be the virtual CIO. These are for really smaller customers, if they're interested in that, and there's a market for that.

MODERATOR: Yeah, I'm a server guy so I understand that this PC still is important. Is that right, Mark? Do they still buy those things?

MODERATOR: What do you with a server if you don't have a PC? I'm sorry. Go ahead.

MODERATOR: That's a good question. You use a thin client. Ah.

So, let's shift gears for a second, Michael, and talk about client computing changes. One of the key trends that we have seen within Gartner from our customers, and this is a very loud message we're getting, is that customers in the enterprise are tired of managing their PCs, tired of spending all the money, and there has been a distinct shift in the perspective that PCs are now viewed as a commodity.

And the question, the comment-question we receive is, is there a better way to do client computing that doesn't involve the PC? So, we see evolution occurring right in front of us with things like with VMware, especially with their VDI, hosted desktop. We've seen software streaming evolving, the idea that you can deliver bits on the fly to a device, not necessarily a PC, and give the same experience.

Two questions: You've mentioned flexible computing from Dell. How far and how deep does that go? And the second question is, if alternative client architectures are evolving, doesn't that put at risk your core business?

MICHAEL DELL: Well, flexible computing from Dell will include all of the solutions that you mentioned and some more. First, we don't see it as one answer for all customers, and we do think there is cost for customers to take out here, but the cost really shifts into the server and the storage, and that's why it's a solution. So, when we come to a customer with our on-demand streaming solution, it's a server and a client solution. There's no sacrifice in performance, because you have a local processor or local graphics. So, for some customers, that'll be a great solution. There may be customers who want a workstation sitting in the datacenter where all the bits are pumped over a standard IP network. You can have that environment, too -- or VDI, and I think virtualization also has lots of applicability when users want to have a protected environment for the client in let's say a less than protected client device.



MODERATOR: Further questions on client computing that we're getting from customers, if you understand and agree that these alternative architectures are evolving in the client space, the PC requirement may not be there, right. So, I'll ask it again: Are you fearful that the PC business for Dell, is that in jeopardy? And secondly, are you looking at expanding the portfolio to include other types of devices besides PCs, including thin clients or tablet PCs or other products that may have higher appeal and broader impact?

MICHAEL DELL: Well, again, I think when you think about all the different ways you can extrapolate some portion of the PC and either virtualize it or move it into the datacenter, we're going to do all those, okay? We're going to offer them all. And, in fact, we already do, okay, and I think those are going to grow.

What percentage of the opportunity will go to that? That's really up for customers to decide. We are getting in the tablet space. You'll see a tablet from us here in a couple of months. We've shown that. We've demonstrated it. We're excited about the product we have there. And, again, you look at it on a portfolio basis; it's really shifting into the cloud and into the datacenter.

MODERATOR: So, I'm a server guy, so I have a simple question. Are you seeing a shift from the PC to the laptop? Are we seeing fundamental changes?

MICHAEL DELL: Oh, yeah.

MODERATOR: I mean, is the importance -- is that big, fat PC device really starting to lose its luster, and we're moving to more portable devices or alternative devices?

MICHAEL DELL: Notebooks, no question. I mean, the transition to notebooks, mobility has been faster than even the esteemed analysts at Gartner predicted.

MODERATOR: That's not possible. I don't --

MICHAEL DELL: I know it's hard to believe, but, yeah. So, I think it's going to continue. I mean, if you think about the cost deltas between fixed and mobile, people want to take their data with them.

The other X factor in this is that the emerging markets have been going to mobile at a faster rate than anyone anticipated, and you have also this global boom in the economy, particularly outside the U.S., fueled by small, medium businesses and consumers who are just gobbling up notebooks; so a big priority for us and a big change in how the market is shaping.

MODERATOR: A similar thread, but in a different flavor, right, is consumerization of IT. We have seen, within the market, and Steve Ballmer talked about it extensively as well, that consumerization is a real driving factor in many of the decision-making responsibilities of the individuals here. To what effect does consumerization play into your product designs? Are you looking at ways to look at what



succeeds in the market? And the common example we hear about is the success of Apple. Apple as a company offers products in the consumer that our corporate customers are asking for, despite Apple typically not wanting to be there. How can Dell differentiate itself as we move to a consumerization model?

MICHAEL DELL: We introduced a few months ago a whole new range of consumer notebooks: the XPS, M13-30, thinnest 13.3 inch notebook in the world. We came out with these Inspiron notebooks in eight colors; very, very popular.

The thing that surprised us a bit was that our business customers showed a great interest in personalization, and so we're going to give them personalization, okay? And of course, we do see some of those consumer products sneaking into the business environment, too, so you're aware of that trend.

So, we've also, I think, done a better job now of understanding what really does the consumer requirement entail in terms of fashion design, products you just have to have. What does a small business require and desire, and then what does a larger business require in manageability and consistency? Those are pretty different requirements. We serve all three. We're pretty well represented historically in the corporate side, and we're building aggressively in small and medium business and consumer.

MODERATOR: One of the other areas of consumerization from an entertainment point of view has been the growth of the gaming market. I'm not sure if everybody realizes it, but you're a pretty avid gamer, from what we've heard.

MICHAEL DELL: Mostly I play Microsoft Outlook, you know. (Laughter.)

MODERATOR: You can't win at that. I don't know how you'd win.

MICHAEL DELL: It's a pretty hard game. Yeah. You send them out, they make babies, and they come back. (Laughter.)

MODERATOR: Is there any intent for Dell to get involved in the gaming space, in terms of a device?

MICHAEL DELL: Well, you know, we are the number one provider of gaming PCs in the world. We have this great brand called XPS, and another great brand called Alienware, and together those are the top brands of gaming PCS. Interesting thing about the gaming PC is that there are a lot of things you could do on a PC that you can't do on a gaming console. And it's not really either-or; if you go and look at the hard-core gamers, they actually have them all. They have all the consoles; they have the PC, and certain types of games they play on one, certain types of games they play on the other. We think that's going to grow. Certainly if you look at massively multiplayer games, the PC dominates there.



And, for us, the opportunity on the client is great, but we also are supplying the infrastructure, the servers and the storage that underlie these games or these virtual environments.

MODERATOR: The audience got to hear for 45 minutes about the goodness of Windows from Steve, so I'd like to give the underdog a few minutes here and let's talk about Linux in terms of how you see Linux adoption, both at the desktop level and the server. I know that you are shipping some Linux systems, so can you tell us how you're seeing that roll out?

MICHAEL DELL: Well, I think on the server Linux continues to grow nicely, a bit faster than Windows, but it's in the teens, and we continue to see more Linux moving into the critical type of applications, and I think the Unix-to-Linux migrations are continuing, and don't see anything slowing that down. Linux is on a long gestation cycle of adding all the capabilities of a robust operating system, and we see that very much occurring quite nicely.

On the client side, in our commercial workstation business, we've consistently offered Linux to those scientific and technical users for eight, nine years consistently. On the consumer side, demand is a little bit harder to get a read on. We created a pretty interesting site at Dell called Idea Storm. The way this site is set up, a customer goes on there, puts an idea and then other customers vote on the idea and provide comments. One customer suggested we should buy Cuba. I thought that was interesting. (Laughter.) They had pictures and why this is a great idea. People are voting, and not all the ideas are wacky, and actually about 40 percent of the ideas are related to the enterprise. But one of the top ideas was, hey, we want Linux on Dell client products. And usually, when you develop a new product, it takes you a while to do it -- nine months, twelve months. We actually did it in like two months. And so, we picked the Ubuntu. So, the great thing about our model is that we can respond. We can be flexible. We can be agile. And, as we're building computers, they don't know whether they're going to get Ubuntu or Windows, and the computers don't care. So, if a lot of customers want Windows, we can do that. If they want Windows Vista, Windows XP, because we've found a lot of people still want Windows XP, we can do that. If they want to Ubuntu, well, that's easy too.

MODERATOR: But back to the server, one of the things, the expectation of this audience is not only to get Linux shipped on a server, but they want the support, they want it to be able to do things like Oracle rack on Linux. How would you rate your support for Linux and Oracle and of the enterprise Linux environment?

MICHAEL DELL: We have the largest business today in reselling Oracle, VMware, and Microsoft software, because of our commercial relationships. We've invested for a long time in Unix support that has taken the form of Linux support, because they're incredibly close. That's been a big part of the enterprise growth here in the U.S. Certainly, in high-performance clusters where we do quite a lot, those are heavily Linux-driven.



MODERATOR: Would you feel a customer buying Oracle on rack on Linux from Dell, you've no qualms about them being able to pick up the call and do the first call to Dell and being able to handle the type of support that they're looking for this level of product?

MICHAEL DELL: We provide a number of different support options. If a customer is going to do a mission critical deployment on Linux on Dell, I would recommend using our Platinum Plus service, which is a very, very extensive range of full-engagement services that covers every possible scenario that a customer might get into in mission critical. I wouldn't recommend the basic support option for a mission-critical server.

So, we offer a broad range there, but we have these network operation centers to monitor and track, enterprise command centers to monitor and track all of the critical server installations. We have 450 spare parts locations around the world. We have trained Linux experts inside these call centers, and in our advanced solution-group teams in the field to help customers.

We have a pretty huge Unix-to-Linux migration practice in our services business. So, when a customer says, hey, I want to move my ERP application from a proprietary Unix RISC over to X86 Linux, we're in that business and we'll help you do that. We'll help you migrate, and we'll support it.

MODERATOR: Similar question: Virtualization. Virtualization is a technology that obviously Gartner thinks is very important, and Dell has been somewhat slow, in terms of marketing at least, in terms of really saying any reference to virtualization. So, what do you think the impact of virtualization is in the market? I'll give you --

MICHAEL DELL: I think it's greater than Gartner believes.

MODERATOR: That's hard to believe too.

MICHAEL DELL: Well, let's start with some facts. Fact number one here is that we're the largest reseller of VMware in the world, okay? And we do a huge number of virtualization, assessments and deployments, for customers. This certainly started with our strength here in the United States with a great partnership with EMC, who is also a very good partner for us in storage.

And, in fact, we're designing servers and storage that are optimized for virtualization. So recently we talked about a new server called Veso, which coming out of this virtualization work we found a number of customers who were -- their environments basically needed a different kind of server. They needed more memory, they needed fewer disks, and they needed more of a SAN and an iSCSI environment. So, you see products from Dell like Veso with embedded hypervisors and Flash built in, so you can literally bring the server up and within two minutes you've got a virtualized server. So, instead of hours to get a virtualized environment up, you're down to minutes.



And then we've got the iSCSI SAN, the most affordable iSCSI SAN, the MD3000i, which is really optimized for a virtualized environment. When you get to a 10 gigabit Ethernet environment, this just works all the better.

MODERATOR: Are you seeing virtualization have any effect on unit sales? And that's the big question, right? Some people contend that virtualization is going to actually depress server sales and you'll sell less because people are doing more collapsing. There's an argument that says new workloads are driving it up. So, what is the relationship that you see to server virtualization and actual server unit sales at this point?

MICHAEL DELL: We're pouring it on with virtualization, and the reason is any time you have a technology that can be utilized to take cost out, to improve power efficiency, to make it easier to manage; customers are going to migrate to that. So, that's not slowing us down.

In terms of what we're actually seeing, I think you could find individual customers where the workload is going way up or way down in terms of the number of servers. However, let's just step back and say, okay, if you go on the Internet, how much do you go on the Internet in a day, and what do you consume in terms of capacity on the Internet? Well, that's a whole lot more than it was five years ago, because there are more things available, because there's more bandwidth. And, oh, by the way, every day, 500,000 new users come online on the Internet for the very first time, okay? So, you have this massive explosion of new users in small, medium business, in consumer, all over the world, that are just eating huge numbers of servers, huge amounts of storage.

MODERATOR: So, you're not going out of business anytime soon on servers, thanks to virtualization.

MICHAEL DELL: Last quarter, we had 19 percent revenue growth, which was the fastest growth of any company in the enterprise space, four times faster than average.

MODERATOR: Okay, very good.

Michael, let's shift gears one more time here. One of the areas that is also very interesting to our customers, and to Gartner, is the idea of green IT, where we are now becoming aware of the issues related to power, to cooling, to space utilization and just the general recycling of IT because we use so much of it.

The question that I have is I know this has been something that Dell has pushed long and hard since days where you'd take recycled PCs for free and take care of the disposal of them in the proper way. Two questions: First of all, what's your vision in terms of where green IT ought to be going? And secondly, we're finding that customers are willing to do green as long as it doesn't cost more than they currently pay. Can green actually be profitable for Dell?



MICHAEL DELL: Well, I think when you step back from this and you say, what is going on in energy and climate and what can IT do about it, the conclusion that I have is that IT can be a big part of the solution. Just about any problem that exists in the world, whether it's education or healthcare, I mean, I think IT is going to be a big part.

So, when we look at this, we've done a number of things. First of all, we're the first big computer company to commit to being carbon-neutral. We were the first to drive recycling in a free way. We've done a huge amount in materials, in packaging, in reduction of the costs, and reduction in our carbon footprint as a company.

We also realize that the biggest impact we can make is in the fundamental product that we sell. So, if you could take the highest volume desktop computers in the world, which we happen to sell, and reduce the energy consumption of those by a dramatic amount, well, that would save billions of dollars of energy, all sorts of power plants that wouldn't have to be built, et cetera. So we did that. So, the new OptiPlex desktops use about 70 percent less energy than the prior generation.

We have these new energy-smart servers that use almost half the power of regular servers. So that means that if you were going to build another datacenter, but you switched to energy-smart servers, you don't have to build another datacenter. Okay? So, huge, huge macro effects there.

So, we're taking this very seriously. We do think it can drive down cost, but we also think it's the right thing to do.

MODERATOR: Do you think there's actually premium dollars associated with going green? Do you think customers would be willing eventually to say, okay, because a product is that much more efficient or eco-friendly, that it's worth a 5, 10 percent uptake in terms of actual cost?

MICHAEL DELL: Well, let's think about this, okay? If you take this OptiPlex 755, and it consumes \$21 of energy per year compared to a previous-generation product, either from us or our competitors, that consumes \$100 a year, so the customer saves \$79 per year. Now, if we have to spend \$6 to engineer that to save \$79 per year, is that a good thing for us to do? Absolutely, the debate's over, we already did that, we already made that decision. In fact, we're systematically going through and dramatically reducing energy on every single one of our products.

So, we need to communicate this, but we can save customers money in the energy consumption. And also from a carbon footprint, it's likely that there will be costs incurred for companies who have significant carbon footprints. And so, if you can prepare and preempt that, you're getting ahead of the game.

We announced a program, first of its kind, for consumers, called Plant a Tree for Me. Pretty simple program: You buy a PC, \$2 for a notebook, \$6 for a desktop, you can offset the carbon from your computer.



So, recently we announced a program called Plant a Forest. So an individual commercial customer or institutional customer can say, hey, I want to offset all my PCs. So, we've got a number of leading companies that have signed up with us on this program.

So, I think there's a lot we can do here, and I think we can also drive back in our suppliers. I mean, we have our suppliers now reporting us what their carbon emissions are, and we use that in our supplier scorecards to track them, just as we track quality and technology availability and supply. And we can help them reduce their carbon footprint. So, the macro effect here, system-wide effect, as all competitors participate in this, is great.

MODERATOR: Michael, we're almost at the end of our time here, so I just wanted to ask one last question. Looking forward to the next five years, what would be your vision for where our audience should be investing in? What should they be looking at? What should they be investing in to help them become more successful in the future? So what's your vision for IT to the large enterprise that you could communicate to our audience?

MICHAEL DELL: Well, I think the really big opportunity is what I mentioned earlier around simplifying. I think that too many organizations -- first of all, our industry has really brought this to customers. Our competitors, they live on the honey train of complexity, and their business basically thrives on all of the complexity of all these different architectures. You've got the hardware companies selling hardware, you've got the software companies selling software, and you have the integration companies selling you labor. I think the opportunity is to say, how do we take complexity out of the environment, create a standardized environment that drives cost down? And yeah, it's hard to do across everything, but there are some very tangible steps that we can take as a company, that customers can take, to do this. So, a place to start is go online at Dell.com/simplify and take the IT simplification self-assessment, and then call us if you need some help.

MODERATOR: I would just add to that, you might want to take a look at the Garner IT Maturity Model as well.

So, thank you very much for your time. Thank you all for being here. Thanks very much, Michael. (Applause.)

MICHAEL DELL: Thank you.

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