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By Michael Dell

Dell Founder, CEO, Chairman of the Board
In the changing world of enterprise computing, technology companies must launch offensives to differentiate themselves at a time when differentiation is becoming much more difficult. But no matter which companies come out ahead, enterprise customers will be clear winners.

In today’s high-pressure business environment, nearly every member of every organization feels the urgency to keep costs low and productivity high. These challenges have led businesses to seek major overhauls in the IT department—a traditional budget drain of many companies. Enterprises now demand comprehensive solutions that are simple to deploy, easy to maintain, ready to interoperate, and quick to deliver a high return on investment. The challenge lies with technology companies that must now find compelling differentiators to stay in the game. As companies battle for market share and revenues, end users have everything to gain.

Differentiation has always been the game plan at Dell. Now that standardization, server consolidation, and modularity are transforming the enterprise computing landscape, how is Dell responding to these market changes to empower its customers—and ensure its own staying power?
The ball is in the court of technology providers

The need for differentiation is not new, but it is becoming more urgent. In a market where many companies produce solutions based on the same standard technology, companies must follow new principles if they want a sporting chance of success in enterprise computing markets.

First, technology companies can no longer afford to wait for other companies to develop the next generation of innovative solutions. Through aggressive research and development and strategic partnerships, they must get in the game themselves.

Technology providers must also develop new products that build on their core offerings. According to IDC, “Vendors that have a full product line, ranging from front-end firewalls to back-end storage systems, will have a significant advantage over vendors that only offer point solutions.”

Another key requirement is to develop robust software and services offerings to complement existing products—and meet customer demands for simplified management solutions. Particularly in the server market, customers want infrastructure solutions that are tightly integrated with software stacks aimed at specific functions such as unified systems management.

In the hopes of vast outward expansion, tech companies must not overlook the internal changes necessary to remain a viable infrastructure provider long into the future. By constantly tweaking processes at home, technology providers can decrease their own costs and pass on cost savings to customers—gaining a price advantage over competitors. And by streamlining the supply chain, providers become more flexible and can respond to rough-and-tumble market conditions.

Last—and perhaps most important—standardization forces the enterprise computing market to focus on good, old-fashioned customer service. By becoming customer-centric, tech companies deliver solutions tailored to the needs of customers and encourage brand loyalty in an increasingly competitive market. For end users, a sharper customer focus can deliver significant benefits.

Customers face a win-win situation

For customers, current trends in enterprise computing promise to deliver value in the form of greater flexibility, higher productivity, and lower total cost of ownership (TCO). For an example, we can look at recent headlines: the steady march toward standardization.

Third, standard technology vastly simplifies communications among enterprises, business partners, and members of the supply chain because systems built from a common architecture can interoperate seamlessly. Finally, standardization does not lock enterprises into virtual agreements with a single component provider because many can provide the same technology. This flexibility empowers enterprises to negotiate with technology providers based on price—not on features and functions that were...
Once proprietary. Last, standards-based technology leads to the development of modular products focused on specific tasks within the data center—building blocks that an enterprise can assemble according to its own unique needs.

Another benefit of standards adoption: rapid return on investment (ROI). In fact, IDC found that ROI associated with the use of standards-based technology increases with each new level of standardization—and earliest migration to new standards achieves the highest levels of ROI. In a business environment that places a high premium on metrics such as ROI to justify any IT investments, this finding signifies immense opportunity for enterprise computing providers.

Dell is a case study in differentiation

Many proprietary enterprise computing providers will have to make dramatic changes to their long-pursued strategies in order to compete effectively. But companies with a flexible infrastructure already in place are best poised to dominate in the coming years.

Since the creation of Dell in 1984, we have operated our organization on the principle that a direct model is best for everyone—tech companies, suppliers, and customers. In manufacturing, a direct model means that we link supply to demand—effectively owning the entire value chain.

Direct is correct

Because we link supply so tightly to demand, we can forecast our product pipeline needs accurately. Essentially, Dell relies on inexpensive information rather than costly inventory. This strategy allows us to offset sudden changes in component prices—a factor that affects the bottom line and speed at which we can market competitively priced solutions.

From a business perspective, a build-to-order model only requires us to manufacture what we’ve already sold—Dell™ products never grow old by gathering dust in the plant or in channel warehouses. Our customers live on the opposite end of the direct model equation, where receiving products built-to-order is an attractive prospect because it helps to ensure that customers get the precise performance they want for the prices they pay. No resellers, retailers, or intermediaries inject cost and delay into our sales model, so customers do not have to work around expensive middlemen.

Dell leverages market trends

The adoption of standards-based technology falls directly in line with the Dell philosophy of empowering customers to maintain control, lower their own IT costs, and gain competitive advantage. By embracing standardization, Dell is researching and developing products to meet the modular needs of enterprise customers.

In April 2002, Dell launched a new line of PowerEdge™ blade servers that support up to six uniprocessor or dual-processor blades in a 3U enclosure. Each ultra-thin server blade contains its own processors, memory, hard disks, and integrated network connections. The increased density in these server blades makes them well suited for server consolidation and high-performance clustering—two time-saving practices that can dramatically simplify server management for our customers. In the future, a line of Dell modular servers will enable modular configuration of rack-mounted servers, giving our customers more flexibility to customize and grow their infrastructures.

Dell leads the pack by example

The Dell approach to business enables us to execute in existing markets and identify new opportunities for growth. For example, Dell moved into the storage market because it is adjacent to our core server market. We codevelop products with partners such as Microsoft and ally ourselves with EMC—a
move that doubles our addressable storage market to approximately $30 billion. We emphasize SAN and NAS solutions, which are expected to grow from 33 percent to 67 percent of the storage market by 2005. Already, we have scored several key storage wins over our strongest competitors.

The Dell OpenManage™ suite of tools helps our customers ease the deployment, manageability, and provisioning of their infrastructures. These tools reduce IT costs by automating many of the time-consuming tasks necessary to run a data center. Solutions such as OpenManage are helping Dell to increase its market share of standard Intel®-architected servers to 19 percent worldwide—and growing.

We inject our own efficiencies into our designs of standardized products. In fact, the Dell-architected server design eliminates up to 90 percent of the cables inside the server. We include color-coded components for easy identification of serviceable and hot-pluggable items—a technique that cuts expensive service downtime for our customers.

Dell Professional Services (DPS) leverages our supply chain expertise to provide deployment and managed services, and we offer professional services through organic growth and strategic partnerships. DPS is capturing more and more of the $24 billion that our customers currently spend on IT services.

Dell puts on a game face

Our strategy is to drive consolidation and modular computing, enhance systems manageability, simplify storage, and promote enabling technologies—all to deliver the lowest possible TCO to our customers. The tactics we use to accomplish these goals are as simple as they are unique: We concentrate on standardizing technologies, enabling us to leverage innovations marketwide; we focus on costs to maintain our low-cost leadership position; and, most important, we focus all of our efforts on our customers.

These strengths have given Dell momentum to carry us to each successive level of the enterprise computing market and stay ahead in competitive times.

Dell Insight is a forum for exploration of topics affecting enterprise computing, and I invite you to share your thoughts. Write to us at us_dell_insight@dell.com.

For more information about Dell solutions and return on investment, visit www.dell.com/roi.

Sources

3. Ibid.