

Case Study – Dell & Compaq Computers

Compaq Computer and Dell Computer have, together with IBM, become the dominant players in the computer industry. For the purposes of this case, focus on the upstarts in the industry, Compaq and Dell. The following table provides a quick comparison of how these two companies do business.

Feature of the Business Model	Compaq Computer	Dell Computer
Scope of product line	Full line from very high end, fault-tolerant servers to inexpensive personal computers	Personal computers differentiated mainly by speed and configuration details
Sales	Mostly through resellers and channel partners. Recently started internet-based "sell direct" capability	Computers are sold directly to customers via orders taken phone, fax, or the internet. The approach eliminates retailers.
Assembly of computers	Most computers are assembled to stock. Off-the shelf delivery is promised to resellers	Every computer is built to order
Distribution	Company and reseller warehouses	Computers are sent directly to customers using common carriers
Service	Service is provided through the resellers and channel partners	Most service is provided via free telephone calls and internet site. On-site repairs during warranty period are outsourced to other companies

From the table, we see major differences in the business models being used by the two companies. Much more information is available on the web-sites of the companies; www.compaq.com and www.dell.com

Questions

1. Compare the two companies based on major operations priorities: cost, product quality, delivery, speed, and reliability, coping with changes in demand, flexibility, and new product introduction speed.
2. What are the operations competitive advantages of Compaq compared to Dell?

3. Compare the financial statements of the two companies (these are available from the web sites of these companies). From the operations standpoint (i.e. look at cost-of-sales data), which company seems stronger? Why?
4. Which company do you think is best positioned to be successful in the first few years of the 21st century? Why do you feel this way?