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. This company sold IBM PCs through mail-order. 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. He had a successful start, selling $80,000 worth of computers by the end of his freshman year.

By late 1986, his company (eventually to be named Dell Inc.) had 250 employees and shipped about 4,000 computers per month. 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.

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.

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.

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. 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.) Its product line was primarily “desktop computers, notebook computers, network servers, workstations, and storage products.” Since 2005, the firm’s market share has fallen.