

Dell Inc.

Company Profile

Reference Code: 8E2C53C7-29AC-4848-9511-9B752758E3B4

Publication Date: Jan 2008

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COMPANY OVERVIEW

Dell is one of the world's largest suppliers of personal computers and related products. It designs, develops, manufactures, markets, and services personal computers, servers, printers and other products. The company primarily operates in the Americas. It is headquartered in Round Rock, Texas and employs about 66,000 people.

The company recorded revenues of \$57,095 million during the fiscal year ended February 2007, an increase of 2.1% over 2006. The operating profit of the company was \$3,179 million during fiscal year 2007, a decrease of 33.6% over 2006. The net profit was \$2,614 million in fiscal year 2007, a decrease of 31.7% over 2006.

Note: The above financial information of the company has been taken from preliminary results, which are subject to change owing to ongoing investigations into accounting irregularities at the company. The ongoing investigations could result in a restatement of the company's financial results for the previous years.

KEY FACTS

Head Office	One Dell Way Round Rock Texas 78682 USA
Phone	1 512 338 4400
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Web Address	http://www.dell.com
Ticker	NASDAQ National Market: DELL
# Employees	66,100
Turnover (US\$ Mn)	57,095
Financial Year End	February

BUSINESS DESCRIPTION

Dell designs, develops, manufactures, markets, sells and supports information technology systems and services. The company also offers various financing alternatives, asset management services and other customer financial services for its business and consumer customers in the US through Dell Financial Services (DFS), a joint venture between Dell and CIT Group. The company sells its products directly to large corporate, government, healthcare, and education customers as well as small-to-medium businesses and individual consumers. Dell operates principally in the Americas, Europe, the Middle East and Africa, and Asia Pacific-Japan.

Dell offers its products in six categories: desktop computer systems, mobility products, software and peripherals, servers and networking products and storage products.

The desktop computer systems offer three product lines: Optiplex, Dimension and XPS. The company also offers 'Precision' work stations. The Optiplex product line focuses on business, government, and institutional customers; the Dimension product line focuses on small businesses and home users; and XPS product line focuses on gaming or entertainment needs of the customers. It provides 'Precision' workstations for professional users to run sophisticated applications such as three-dimensional computer-aided design, digital content creation, geographic information systems, computer animation, software development and financial analysis.

The mobility products division provides MP3 players, handhelds (Dell Axim) and three lines of notebooks (Dell XPS, Latitude and Inspiron). The XPS product line for notebooks targets customers in the gaming or entertainment segment. The Latitude product line focuses on business, government, and institutional customers, while the Inspiron product line is targeted at small businesses. Dell is a leading player in the US and worldwide for notebook computer shipments.

The software and peripheral products of Dell includes printers (photo, ink-jet and laser) and displays (CRT monitors, flat panel monitors, projectors, and plasma and LCD TVs), various software, notebook accessories, networking and wireless products, digital cameras, power adapters, scanners and other products. The company offers various third party software products such as operating systems, business and office applications, anti-virus and related security software and entertainment software.

The servers and networking product division offers various servers and networking products. The company's power edge line of server focuses on enterprise customers and small organizations. Dell is the market leader in the US in shipments of x86

servers. The company's PowerConnect switches connect computers and servers in small to medium-sized networks.

The storage product division offers storage solutions, including Dell-EMC and Dell's PowerVault lines of storage devices. It also offers tape backup products, direct attached storage, network attached storage and storage area networks.

Dell is known for its direct business model, under which it directly sells to the customer eliminating wholesale and retail dealers. As a result, Dell is able to offer customers superior value by avoiding expenditures associated with the retail channel such as higher inventory carrying costs, obsolescence associated with technology products, and retail mark-ups. In 2007, however, the company in a major departure from its earlier policy started retailing its products through Wal-Mart. Dell manufactures most of the products and has manufacturing locations worldwide.

HISTORY

Michael Dell founded the company as Dell Computer Corporation (Dell) in 1984 in order to sell personal computer systems directly to customers. The company introduced the Turbo, its first PC, in 1985. The company made its initial public offering in 1988 and introduced its first notebook computer in 1989.

The company opened a manufacturing center in Limerick, Ireland in 1990 to serve the European, Middle Eastern, and African markets. In 1993, Dell expanded its global presence with new subsidiaries in Australia and Japan. Asia Pacific manufacturing center in Malaysia was started in 1996. In the same year, Dell started selling computers through its website.

In the following year, the company introduced its workstation systems. In 1998, Dell expanded its manufacturing facilities in the Americas and Europe, and a year later it opened a second major US location in Nashville, Tennessee and a manufacturing facility in Eldorado do Sul, Brazil to serve Latin America. CovergeNet, a storage hardware and software developer was acquired by Dell in 1999. PowerApp appliance servers were introduced in 2000. In the same year, Dell was ranked as the leader worldwide in workstation shipments. In the following year, the company launched Blade server, Aximx5 handheld and 3100MP projector.

In 2003, the company's name was changed from Dell Computer Corporation to Dell. In the same year, the company opened its second contact center in Hyderabad, India. In 2004, the company opened a Dell Enterprise Command Center (ECC) in Limerick, Ireland to provide support for server and storage customers in the region.

Dell entered into a contract with Bombardier Recreational Products (a snowmobile and watercraft maker) in 2005 to supply technology products and services throughout its global IT network. In the same year, it opened its third US manufacturing location in Winston- Salem, North Carolina. The US Securities and Exchange Commission (SEC) started an investigation into the accounting and financial reporting matters at Dell during the same year.

The company announced plans in January 2006 to expanding its operations in India by establishing its fourth Indian customer contact centre at Gurgaon. In May 2006, the company acquired Alienware Corporation. The company recalled batteries in select models of notebook computers in August 2006. During the same month, the company directed its Audit Committee to start a parallel investigation into the accounting and financial reporting matters.

Dell and EMC extended their global alliance for five-year period in September 2006 to offer networked storage solutions for organizations. During the same month, Dell announced plans to establish its first India manufacturing facility in the state of Tamil Nadu.

The company established a new facility in the Edmonton Research Park housing 1,000 employees in October 2006. In the following month, Dell and Sprint entered into a partnership to offer notebook computers with integrated Sprint Mobile Broadband capabilities to access the internet, e-mail, and data.

In March 2007, Dell announced a delay in filing of the Form 10-K for its fiscal year ended February 2007 owing to internal and external investigations of its accounting and financial reporting matters. Dell received a NASDAQ Staff Determination Letter in April 2007, indicating the company's non compliance with the NASDAQ continued listing requirements.

Dell established a new global research and development center in Bangalore, India in May 2007 for developing next generations of network servers, data-storage systems and software products. During the same month, Dell Brazil expanded in Brazil, by building a new plant in Hortolandia, state of Sao Paulo.

In June 2007, the company launched Latitude D630, the first notebook computer to achieve gold status with the Electronic Product Environmental Assessment Tool (EPEAT), a procurement system that helps purchasers in the public and private sectors evaluate, compare and select products based on environmental attributes.

MAJOR PRODUCTS & SERVICES

Dell designs, develops, manufactures, markets, sells and supports various information technology systems and services. The company's key products and services include the following:

Products:

Desktop PCs

Desktop computer systems

Dell XPS

OptiPlex

Dimension

Dell precision workstations

Mobility products

Dell MP3 players

Dell Axim handhelds

Notebook computers

Dell XPS

Latitude

Inspiron

Software and peripherals products

Software

Printers

Displays

Servers:

Networking products

Storage devices

Services:

Assessment, design and implementation services

Deployment services

Training and certification services

Enterprise support services

Client support services

Managed lifecycle services

Financial services

KEY EMPLOYEES

Name	Job Title	Board	Total Annual Comp.
Michael Dell	Chairman and Chief Executive Officer (Since: 2007)	Executive Board	-
Donald J Carty	Vice Chairman and Chief Financial Officer (Since: 2007)	Non Executive Board	-
William H Gray	Director (Since: 2000)	Non Executive Board	-
Sallie L. Krawcheck	Director (Since: 2006)	Non Executive Board	-
Alan G. Lafley	Director (Since: 2006)	Non Executive Board	-
Judy C Lewent	Director (Since: 2001)	Non Executive Board	-
Thomas W. Luce	Director (Since: 2006)	Non Executive Board	-
Klaus Luft	Director (Since: 1995)	Non Executive Board	-
Alex J Mandi	Director (Since: 1997)	Non Executive Board	-
Michael A Miles	Director (Since: 1995)	Non Executive Board	-
Samuel A Nunn	Director (Since: 1999)	Non Executive Board	-
Brad R Anderson	Senior Vice President, Business Product Group	Senior Management	-
Paul D Bell	Senior Vice President and President, Americas	Senior Management	-
Michael R. Cannon	President, Global Operations	Senior Management	-
Jeffrey W. Clarke	Senior Vice President, Business Product Group	Senior Management	-
Stephen J Felice	Senior Vice President and President, Asia-Pacific/Japan	Senior Management	-
Ronald G. Garriques	President, Global Consumer Group	Senior Management	-
Mark Jarvis	Chief Marketing Officer	Senior Management	-
David A. Marmonti	Senior Vice President and President, Europe Middle East and Africa	Senior Management	-
Timothy W. Mattox	Vice President, Strategy	Senior Management	-
Stephen F. Schuckenbrock	Senior Vice President, Global Services	Senior Management	-
Lawrence P. Tu	Senior Vice President and General Counsel	Senior Management	-

KEY EMPLOYEE BIOGRAPHIES

Michael Dell

Board: Executive Board
Job Title: Chairman and Chief Executive Officer
Since: 2007

Mr. Dell has been the Chairman and Chief Executive Officer of Dell since January 2007. He is the Founder and Chairman of the Board of Directors of Dell. He serves on the foundation board of the World Economic Forum, the executive committee of the international business council and is a member of the US business council. He also serves on the US President's council of advisors on science and technology and the governing board of the Indian School of Business in Hyderabad, India.

Donald J Carty

Board: Non Executive Board
Job Title: Vice Chairman and Chief Financial Officer
Since: 2007

Mr. Carty has been the Vice Chairman and Chief Financial Officer of Dell since January 2007. He joined Dell in this position. Before joining Dell, he retired in 2003 as the Chairman and Chief Executive Officer of AMR Corporation and American Airlines. He had served in that position since 1998. Prior to that, he served as President of AMR Airline Group and American Airlines.

Between 1989 and 1995, Mr. Carty was Executive Vice President, Finance and Planning for AMR and American Airlines. Mr. Carty had been American's Senior Vice President and Controller before leaving the airline in 1985 to become President and Chief Executive Officer of CP Air in Canada. In 1987, he returned to American and was elected Senior Vice President, airline planning. Before joining American, Carty spent seven years in various management positions with Celanese Canada, Air Canada, and the Canadian Pacific Railway. He also serves on the board of Air Serv Corporation, Barrick Gold Corporation, CHC Helicopter, e-rewards, Porter Airlines and Virgin America.

Mr. Carty is a graduate of Queen's University in Kingston, Ontario, and of the Harvard Graduate School of Business Administration.

William H Gray

Board: Non Executive Board
Job Title: Director
Since: 2000

Mr. Gray has been a Director of Dell since 2000. Mr. Gray is the former President and Chief Executive Officer of United Negro College Fund from 1991 to 2004. He serves as the senior minister of the Bright Hope Baptist Church in Philadelphia since 1972. From 1979 to 1991, he served as a US Congressman from Pennsylvania. He is also a Director of JP Morgan Chase, Prudential Financial, Rockwell International Corporation, Visteon Corporation and Pfizer Corporation.

Sallie L. Krawcheck

Board: Non Executive Board
Job Title: Director
Since: 2006

Ms. Krawcheck has been a Director of Dell since 2006. She is the Chief Financial Officer and Head of Strategy for Citigroup. She is also a member of the Citigroup Management, Operating, Business Heads and Business Practices Committees and the Citigroup Foundation Board. She joined Citigroup in 2002 as Chairman and Chief Executive Officer of Smith Barney.

Prior to joining Citigroup, Ms. Krawcheck was Chairman and Chief Executive Officer of Sanford C. Bernstein & Company. She also served as an Executive Vice President of Bernstein's parent company, Alliance Capital Management, from 1999 to 2001. She is a Director of the University of North Carolina at Chapel Hill Foundations and the Board of Overseers of Columbia Business School. She is also a member of the Advisory Board for Columbia University's Center for Excellence in Accounting and Security Analysis and is a member of the board for Carnegie Hall.

Alan G. Lafley

Board: Non Executive Board
Job Title: Director
Since: 2006

Mr. Lafley has been a Director of Dell since 2006. He is the Chairman, President and Chief Executive of The Procter & Gamble Company. He joined Procter & Gamble in 1977, and has served in a variety of executive level positions since 1992. He was named President and Chief Executive in 2000 and Chairman of the Board in 2002. He serves on the Board of The General Electric Company, and on the Board of the Cincinnati Center City Development Corporation. He is a Trustee at Hamilton College. He is a member of the Business Roundtable and the Business Council.

Judy C Lewent

Board: Non Executive Board

Job Title: Director

Since: 2001

Ms. Lewent has been a Director of Dell since 2001. She is Executive Vice President and Chief Financial Officer and President, Human Health Asia of Merck & Co. She has served as Chief Financial Officer of Merck since 1990 and has also held various other financial and management positions since joining Merck in 1980. She is a Director of Motorola. She is also a trustee of the Rockefeller Family Trust, a life member of Massachusetts Institute of Technology Corporation, a Director of the National Bureau of Economic Research, and a member of the Penn Medicine Executive Committee.

Thomas W. Luce

Board: Non Executive Board

Job Title: Director

Since: 2006

Mr. Luce has been a Director of Dell since 2006. He was United States Assistant Secretary of Education for Planning, Evaluation and Policy Development from 2005 until his resignation September 2006. He continues to serve as a consultant to the Department. From 1997 until 2005, he was a partner of the business advisory firm Luce & Williams. Before then, he was a founding partner and managing partner of the law firm of Hughes & Luce from 1973 until his retirement from the firm in 1997, and was Of Counsel with that law firm until 2003.

From 1991 to 1992, Mr. Luce was Chairman and Chief Executive Officer of First Southwest Company, a Dallas-based investment firm that is a member of the National Association of Securities Dealers.

Klaus Luft

Board: Non Executive Board

Job Title: Director

Since: 1995

Mr. Luft has been a Director of Dell since 1995. He is the founder, owner and President of MATCH - Market Access for Technology Services, a private company established in 1994 and headquartered in Munich, Germany. Since 1990, he has served and continues to serve as Vice Chairman and International Advisor to Goldman Sachs Europe. From 1986 to 1989, he was Chief Executive Officer of

Nixdorf Computer, where he served for more than 17 years in a variety of executive positions in marketing, manufacturing and finance.

Alex J Mandi

Board: Non Executive Board
Job Title: Director
Since: 1997

Mr. Mandi has been a Director of Dell since 1997. He has been President and Chief Executive Officer of Gemplus International since 2002 as well as a member of the Board of Directors. He has served as Principal of ASM Investments, a company focusing on early stage funding in the technology sector since 2001. From 1996 to 2001, he was Chairman and Chief Executive Officer of Teligent.

Mr. Mandi was AT&T's President and Chief Operating Officer from 1994 to 1996, and its Executive Vice President and Chief Financial Officer from 1991 to 1993. From 1988 to 1991, he was Chairman and Chief Executive Officer of Sea- Land Services. He is a board member of Haas School of Business at the University of California at Berkeley, Willamette University and the American Enterprise Institute for Public Policy Research.

Michael A Miles

Board: Non Executive Board
Job Title: Director
Since: 1995

Mr. Miles has been a Director of Dell since 1995. He is a special limited partner of Forstmann Little and Co. He is the former Chairman of the Board and Chief Executive Officer of Philip Morris Companies, having served in those positions from 1991 to 1994. Prior to 1991, he was Vice Chairman and Director of Philip Morris Companies. Mr. Miles is also a Director of Time Warner, AMR Morgan Stanley, Citadel Broadcasting and Sears, Roebuck and Co. He is also a trustee of Northwestern University.

Samuel A Nunn

Board: Non Executive Board
Job Title: Director
Since: 1999

Mr. Nunn is Co-Chairman and Chief Executive Officer of the Nuclear Threat Initiative (NTI). From 1972 to 1996, he served as a US Senator from Georgia. During his tenure

as Senator, he served as Chairman of the senate armed services committee and the permanent subcommittee on investigations. He also served on the intelligence and small business committees. He serves as a Director of ChevronTexaco Corporation, Coca-Cola Company, General Electric Company and Internet Security Systems.

Brad R Anderson

Board: Senior Management

Job Title: Senior Vice President, Business Product Group

Mr. Anderson is the Senior Vice President of Business Product Group for Dell. Prior to joining Dell in 2005, he was Senior Vice President and General Manager of Hewlett Packard's industry standard servers business. Previously, he was Vice President of server storage and infrastructure for HP, where he led the team responsible for delivering industry-leading server storage, peripheral and infrastructure products.

Before joining HP in 1996, Mr. Anderson held top management positions at Cray Research in executive staff, field marketing, sales, finance and corporate marketing. He earned a Bachelor of Science in Petroleum Engineering from Texas A&M University and a MBA from Harvard University.

Paul D Bell

Board: Senior Management

Job Title: Senior Vice President and President, Americas

Mr. Bell is the Senior Vice President and President for Americas of Dell. Prior to his current role, he served as Senior Vice President of Europe, Middle East and Africa where he managed all business operations and manufacturing activities in the region. Previously, he was Senior Vice President and General Manager of the Worldwide Home and Small Business Group. Before joining Dell in 1996, he was a consultant with Bain and Company. Mr. Bell has Bachelor's Degrees in Fine Arts and Business Administration from Pennsylvania State University and a Master's Degree in Business Administration from the Yale School of Organization and Management

Michael R. Cannon

Board: Senior Management

Job Title: President, Global Operations

Mr. Cannon is the President of Global Operations for Dell. He has, who has more than 25 years of manufacturing and technology experience, was previously President, Chief Executive Officer and a Director of Solectron Corporation. Prior to joining Solectron, he was President, Chief Executive Officer and a Director of Maxtor

Corporation (now part of Seagate Technology). He also worked at IBM's Storage Systems Division and began his career at The Boeing Company in engineering and management positions with the Manufacturing Research and Development organization. He studied mechanical engineering at Michigan State University and completed Harvard Business School's Advanced Management Program. He currently serves on the board of Adobe Systems.

Jeffrey W. Clarke

Board: Senior Management

Job Title: Senior Vice President, Business Product Group

Mr. Clarke is the Senior Vice President of Business Product Group for Dell. He joined Dell in 1987 as a Quality Engineer and has served in a variety of engineering and management roles. He moved into product development in 1989 and was promoted to Director of desktop development in 1995. In 1997, he was responsible for launching Dell's Precision Workstation product line, which attained the No. 1 worldwide market share position. Following this role, Mr. Clarke was Vice President and General Manager, Relationship Product Group, which includes the OptiPlex, Latitude and Precision lines of business. Prior to joining Dell, he Clarke served as a reliability and product engineer at Motorola. He received a Bachelor's Degree in Electrical Engineering from the University of Texas at San Antonio.

Stephen J Felice

Board: Senior Management

Job Title: Senior Vice President and President, Asia-Pacific/Japan

Mr. Felice is the Senior Vice President and President of Dell Asia-Pacific/Japan operations. Prior to his current role, he was Vice President, Corporate Business Group, Dell Americas. Previously, he held various executive roles in Dell's sales and consulting services organizations. Mr. Felice joined Dell in 1999 from DecisionOne, where he served as Chief Executive Officer and President. He was also with worked for Bell Atlantic and served as Vice President of planning and development, with Bell Atlantic Customer Services. He spent five years with Shell Oil in Houston. He holds a Bachelor's Degree in Business Administration from the University of Iowa and a Master of Business Administration Degree from the University of Houston.

Ronald G. Garriques

Board: Senior Management

Job Title: President, Global Consumer Group

Mr. Garriques is the President of Dell's Global Consumer Group. Prior to joining Dell, he served in various leadership roles at Motorola. He was most recently responsible for the Mobile Devices division. He also was Senior Vice President and General Manager of the Europe, Middle East and Africa region for personal communications services division. He also served as Senior Vice President and General Manager of worldwide product line management for PCS. He also held management positions at AT&T Network Systems, Lucent Technologies and Philips Consumer Communications.

He holds a Master's Degree in Business Administration from The Wharton School at the University of Pennsylvania, a Master's Degree in Mechanical Engineering from Stanford University, and a Bachelor's Degree in Mechanical Engineering from Boston University. He is also a member of the board of trustees of Boston University, Chairman of Boston University's Alumni Council, and a Director of the United Way of Lake County.

Mark Jarvis

Board: Senior Management
Job Title: Chief Marketing Officer

Mr. Jarvis is the Chief Marketing Officer of Dell. Prior to joining Dell, he had 14 years experience at Oracle.

David A. Marmonti

Board: Senior Management
Job Title: Senior Vice President and President, Europe Middle East and Africa

Mr. Marmonti is the Senior Vice President and President of Dell's Europe, Middle East and Africa operations. He previous roles at Dell include Vice President and General Manager of Dell's Public Business Group; Vice President and General Manager of Dell's mid-markets and preferred corporate accounts segments; Vice President and General Manager of Dell's home and small business division for the EMEA region; Vice President of marketing and e-business for the US Consumer segment; and Director and General Manager of the US Asset Recovery Business. Prior to joining Dell in 1998, Mr. Marmonti spent 16 years at AT&T in a variety of senior roles, including executive positions in sales and marketing serving corporate customers. He holds a Bachelor's Degree in Business Administration and Marketing from the University of Missouri at St. Louis.

Timothy W. Mattox

Board: Senior Management
Job Title: Vice President, Strategy

Mr. Mattox is the Vice President of Strategy for Dell. Prior to his current role at Dell, he served as a marketing executive at the Vice President level within the Dell Americas and Product Group organizations. He also served as Vice President and General Manager for the Dell Hosting Group and Vice President of strategy for Dell's Enterprise Systems Group. Prior to joining Dell in 1998, Mr. Mattox was a consultant with Bain & Company. He also served as a Senior Product Line Manager for Oracle Corporation running Oracle's DEC UNIX product line. He holds Bachelor's and Master's Degrees in Electrical Engineering from Massachusetts Institute of Technology and a Master's Degree in Business Administration from Stanford University.

Stephen F. Schuckenbrock

Board: Senior Management
Job Title: Senior Vice President, Global Services

Mr. Schuckenbrock is the Senior Vice President of Global Services for Dell. Prior to joining Dell, he served as Co-Chief Operating Officer and Executive Vice President of global sales and services for EDS. Before joining EDS in 2003, he was Chief Operating Officer of The Feld Group, an IT consulting organization. He was Chief Information Officer for PepsiCo from 1998 to 2000. He was also global Chief Information Officer for Frito-Lay from 1995 to 1998. He earned a Bachelor's Degree in Business Administration from Elon University.

Lawrence P. Tu

Board: Senior Management
Job Title: Senior Vice President and General Counsel

Mr. Tu is the Senior Vice President and General Counsel of Dell. Previously, he was Executive Vice President and General Counsel at NBC Universal. He was a partner at O'Melveny & Myers, including five years as managing partner of the firm's Hong Kong office. He was also general counsel Asia-Pacific for Goldman Sachs, an attorney for the US State Department and a clerk for US Supreme Court Justice Thurgood Marshall. He holds JD and AB Degrees from Harvard University, and Bachelor of Arts Degree from Oxford University.

LOCATIONS & SUBSIDIARIES

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SWOT ANALYSIS

Dell is one of the world's largest suppliers of personal computers and related products. It designs, develops, manufactures, markets, and services a range of computer systems. Despite ceding market share to Hewlett-Packard Company in the recent past, Dell continues to have a strong market position in the computer hardware segment, a platform from which it could launch a campaign for regaining the global market leadership in the PC segment. However, intense competition in the PC industry could further erode the company's margins and reduce its market share.

Strengths	Weaknesses
Strong market position	Weak internal controls
Growing presence in India and China	Product recalls
Wide product portfolio	Relatively weak customer service
Opportunities	Threats
Increasing demand for mobility products	Intense competition
Positive outlook for online sales	Economic slowdown in US and Eurozone
Growing Indian internet market	Commoditization of PCs

Strengths

Strong market position

Despite losing market share to Hewlett-Packard Company in the recent past, Dell continues to remain a strong player in the computer hardware segment. In the first quarter of 2007, the company lost market leadership to Hewlett-Packard in terms of personal computer (PC) shipments worldwide. While Hewlett-Packard's share of the worldwide PC shipments rose from about 17% in first quarter of 2006 to approximately 19% in the first quarter of 2007, Dell's share declined from about 18% to approximately 15% during the same period. Yet Dell continues to be the second largest player in the global PC segment, ahead of third-placed Lenovo, whose market share was about 7% in the first quarter of 2007.

In the US PC market, Dell, despite losing market share to Hewlett-Packard, continues to remain the market leader. Dell's share of the US PC shipments declined from 32.4% in the first quarter of 2006 to 26.8% in the first quarter of 2007, but still higher than that of Hewlett-Packard, whose market share improved from 20% in the first quarter of 2006 to approximately 24% in the first quarter of 2007.

Dell is also one of the leading players in the global servers segment. The company has also a strong market position in the storage segment owing to its partnership with

EMC the US-based information infrastructure technology and solutions company. Despite losing some ground to Hewlett-Packard in recent months, Dell continues to have a strong market position in the computer hardware segment, a platform from which it could launch a campaign for regaining the global market leadership in the PC segment.

Growing presence in India and China

The company has a growing presence in fast-growing markets such as India and China. Dell markets its products in India. The company is also leveraging the low cost talent in India through customer contact centers and product development centers to reduce its cost base. Dell established a new global research and development center in Bangalore, India in May 2007 for developing next generations of network servers, data-storage systems and software products. Furthermore, the company is planning to open a manufacturing plant in Chennai soon. The company believes that India will be the place where it will have its most comprehensive presence in terms of domestic sales, research and development, manufacturing, customer support, services and analytics outside the US.

Dell is also focused on China. The company is the third largest player in the Chinese PC market after Lenovo and Founder Technology. It has established a Design Center in Shanghai which played a key role in the launch of a low-cost PC in China. The company also launched a corporate blog in Chinese to connect with Chinese audiences. Growing presence in fast-growing markets would help the company boost its revenue growth.

Wide product portfolio

The company has a wide product portfolio, comprising desktops, notebooks, servers, storage products, networking, printers, ink and toner, televisions, software and accessories. Dell has formed partnerships to strengthen its presence in areas where it is weak. In the storage market, for instance, the company has an alliance with EMC.

A wide portfolio of products has helped the company provide bundled offerings to customers. In March 2007, the US Army chose Dell to provide servers, storage and networking hardware as well as installation and integration services for its information technology enterprise solutions-2 hardware contract. Dell is one of six prime awardees for the contract, which is a three-year agreement with two one-year extensions and a purchasing ceiling of \$5 billion. Dell was also chosen under the Army's desktop mobile computing contract to provide desktop and notebook computers, displays, printers and peripherals for three years. A wide product portfolio protects the company from a downturn in any product segment. It also helps the company provide bundled offerings to customers, which adds stability to its revenues.

Weaknesses

Weak internal controls

Dell has weak internal controls. The US Securities and Exchange Commission (SEC) started an investigation into the accounting and financial reporting matters at Dell in August 2005. Later in August 2006, the company directed its Audit Committee to start a parallel investigation into the accounting and financial reporting matters. Furthermore the United States Attorney for the Southern District of New York subpoenaed documents relating the company's financial reporting from 2002 to the present.

Subsequently the company announced that its Audit Committee's investigation had identified a number of accounting errors, evidence of misconduct, and deficiencies in the financial control environment. The company is currently assessing if these problems necessitate any restatements of prior period financial statements. As a result, the company has not filed the Form 10-Q for the second quarter of fiscal 2007 (ended August 4, 2006), the Form 10-Q for the third quarter of fiscal 2007 (ended November 3, 2006), and the Form 10-K for fiscal 2007 (ended February 2, 2007).

Consequently, the company failed to comply with the filing requirements of SEC and the listing requirements of NASDAQ. Accounting errors, evidence of misconduct and deficiencies in the financial control environment, reflecting weak internal controls, reduce investor confidence in the management of the company.

Product recalls

The company has had to recall several products in the recent past owing to quality issues. In August 2006, the company announced the recall of 4.1 million notebook batteries owing to fire risk. These Dell-branded batteries were based on cells of Sony. According to the company, "it is possible for these batteries to overheat, which could pose a risk of fire." Earlier in December 2005, the company offered replacement batteries for some models of Dell Latitude, Dell Precision and Dell Inspiron notebook computers owing to quality issues. The company also recalled several other products in previous years owing to quality problems, including AC Adapters (2004), printer (2004), Auto-Air Power Adapter (2004) and battery (2000 and 2001). Several product recalls in the past few years reflect poorly on the quality function at Dell.

In its 10-k for fiscal year ended: February 3, 2006, the company states: "Testing and quality control processes are also applied to components, parts, and subassemblies obtained from third-party suppliers. Quality control is maintained through the testing of components, subassemblies, and systems at various stages in the manufacturing process. Quality control also includes a burn-in period for completed units after

assembly, on-going production reliability audits, failure tracking for early identification of production and component problems, and information from Dell's customers obtained through services and support programs." Yet Dell was forced to recall products in the past few years owing to quality issues, which means that the company may not have fully succeeded in accomplishing its own quality goals. Persistent product recalls undermine the faith of consumers in the products of the company.

Relatively weak customer service

The company has responded to a spate of customer complaints in 2005 by focusing on quality of its customer service and succeeded in raising its service levels in 2006, but continues to lag behind Apple and has yet to match the customer service it provided in some of the previous years. For instance, the company's score on the American Customer Satisfaction Index (ACSI), developed by the National Quality Research Center (NQRC) at the Stephen M. Ross Business School at the University of Michigan, indicates scope for improving its customer service further. The company's ACSI score improved from 74 in 2005 to 78 in 2006, but still below that of Apple (83 in 2006) and its own scores of 80 in 2000 and 79 in 2004.

The company despite improving its customer service in 2006 is yet to equal its own achievements in some of the previous years and continues to trail Apple Computer. Relatively weak customer service, if unaddressed, would adversely affect the revenue growth of the company.

Opportunities

Increasing demand for mobility products

Global demand for notebook computers, mp3 music players and handhelds is increasing. Notebook unit sales rose by 48% in 2006 as compared to previous year's growth of 26%. Demand for mobility products is expected to increase further in 2007 as notebooks become more affordable and wireless products become ubiquitous. Dell being one of the leading players in this market is likely to benefit from increasing demand for mobility products.

Positive outlook for online sales

Online sales have steadily grown in popularity in the US in recent years. Online sales in the US were around \$130 billion in 2006, and forecasted to grow at an annual rate of 17% through 2008. Dell provides a comprehensive range of products online, through its web portal. Positive outlook for online sales in the US provides an opportunity for the company to improve its market share.

Growing Indian internet market

The Indian market is experiencing growth in the number of people using internet. The Indian internet market has grown by seven fold since 2000 to reach about 50 million people using internet representing less than about 5% of the total population. A driver of this demand was growing income levels of individuals and offshore operations of large organizations.

Further, the IT services market in India is forecasted to reach approximately \$49 billion by 2009 from approximately \$31 billion in fiscal 2006. Growing demand for IT services could further increase the demand for internet and related computers. In line with the increasing demand, Dell has increased its focus on this key market. The company established a new global R&D center at Bangalore. This facility will undertake R&D of next generations of network servers, data-storage systems and software products. The growing demand for internet in India combined with the company's increasing focus on this market could facilitate its growth and provide cost savings.

Threats

Intense competition

The PC industry is dominated by a few large branded and several smaller branded and generic competitors. Irrespective of being the leading player in the PC industry, the company is facing stiff competition from larger companies including Hewlett-Packard, Toshiba, Lenovo and Sony. In addition, many of the company's partners, including original design manufacturers, often market their products under their own brand names. The company also faces significant competition from generic PC manufacturers. In recent years, the industry has faced severe pricing pressures. Intense competition threatens to further erode the company's margins and reduce its market share.

Economic slowdown in US and Eurozone

The US and Eurozone are two important markets for Dell. According to the Organization for Economic Cooperation and Development (OECD), the GDP growth of the US and Eurozone is expected to slowdown in 2007. While the GDP growth of the US economy is expected to slow down from approximately 3.6% in 2006 to 3.1% in 2007, the GDP growth of the Eurozone is expected to decline from an estimated 2.2% in 2006 to 2.1% in 2007. Economic slow down in the US and Eurozone could lead to contraction in IT spending, which in turn would adversely affect demand for the company's products.

Commoditization of PCs

The PC market is becoming more commoditized. Demand for branded PCs is decreasing as standardization reduces the quality difference between branded and unbranded PCs and components. Although, standardization has made the assembly of PCs easier and cheaper, benefiting company's operations, it has also become harder for the company to successfully differentiate its products from those of firms producing unbranded goods. Commoditization of PCs dilutes the brand image of the company.

TOP COMPETITORS

[Acer Inc.](#)
[Apple Computer, Inc.](#)
[Fujitsu Limited](#)
[Gateway, Inc.](#)
[Hewlett-Packard Company](#)
[Hitachi, Ltd.](#)
[International Business Machines Corporation](#)
[Lenovo Group Limited](#)
[Matsushita Electric Works, Ltd.](#)
[NEC Corporation](#)
[Samsung Electronics Co., Ltd.](#)
[Sony Corporation](#)
[Toshiba Corporation](#)