



Digital Communication at Dell

Note to Students: This case study focuses on Dell Computer's use of social media and digital communication to support its business model. Given this, to fully support your understanding of this case study, please visit Dell's Online Community at <http://en.community.dell.com/> as you prepare this case. This will provide you with an interactive and live view of Dell's actions and offerings in this space to best help you answer the case questions.

Global Neighborhoods Blog

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By Shel Israel

...The Dell script pretty much follows the classic Hollywood formula: Sin, Suffer, Repent then Flourish. Dell's sin was clear. In order to win a hardware price war it scrimped more than it should have on product and service. It suffered by watching loyal customers migrate to such rivals as HP who overtook it for category leadership. It suffered further from seeing its revenues and stock price plummet into a prolonged and well-publicized freefall.

Dell is just now concluding an 18-month period of penitence. The CEO who steered the Dell Supertanker nearly onto the rocks was unceremoniously replaced at the helm by Dell Founder Michael Dell. The company is buying back its still tepidly priced stock. It has begun a reinvestment program of \$1 billion into support. Reviews of new Dell products are mildly favorable but not quite laudatory.

Dell is most certainly coming back. Dents in its reputation have been hammered out. But the company has not yet returned to the sort of flourishing it enjoyed for more than a decade. What makes this all so interesting to me is the role that blogging has played in this apparent comeback. The company started a blog in June 2006. Now called Direct2Dell, it has become the most popular blog published by a major global enterprise...¹

History of Dell

Dell Computer Corporation (Dell) was founded in 1984 by Michael Dell, who began selling random-access memory chips and disk drives for IBM personal computers from his college

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dorm room at the University of Texas in the early 1980s. Originally called *PC Limited*, Dell started his company with an initial investment of just \$1000. Soon thereafter, he began making IBM clones and selling them direct to consumers, saving his customers as much as 40 percent by eliminating the standard retail markup. In 1988 Dell started selling PCs to larger customers, including government agencies. The company went public that same year.

Nearly three decades later, Dell had nearly 77,000 employees and its products included personal computers, servers, data storage devices, network switches, software, and computer peripherals.² Dell offered these products and services to a customer base comprised of several segments: Large and Global Businesses, Education and Health Care, Government, Small Businesses, and Consumers (See Exhibit 1 for further information about Dell).

“Direct by Dell”

“If you look at Dell, 23 years ago Michael Dell redefined how computers were sold, and that was basically cutting out the middleman and dealing directly with customers. And that became the Dell direct model, so to speak. And if you look behind that and Web 2.0 and dealing directly with customers, what we’re doing today is really a logical extension of that direct model. And we have tremendous support from the top of our business to pull out all the stops and be as creative as we can possibly be.” – Bob Pearson, Dell Computer³

Within every element of its business strategy, Dell sought to differentiate itself through its core business mantra of being direct with customers. To this day, the cornerstone of the company’s strategy remained the direct business model Michael Dell pioneered from his dorm room. “Cutting out the middleman” had enabled Dell to undercut competitors’ prices by a wide margin.

The direct model also put Dell closer to its customers, helping the company anticipate trends that could shape future product offerings. It also allowed Dell to deal directly with any customer concerns or post-sale service issues, again giving the company direct access to valuable information that would help it build even better products.

Social Media & Digital Communication

The emergence of social media as a primary channel for communication came about at the same time as an even bigger change in the environment for business and business communication. For over a decade, corporations marched towards the “perfect storm” for a re-vamp in communications style: corporate crises at companies such as Enron, GM, and Lehman Brothers; an increase of business power and opportunities outside of the United States; and a growth in public “distrust” in big business.

These factors, coupled with the increasing use of digital communication, created a significant power shift where information flow became immediate and transparent and everyone became empowered to be a citizen journalist.⁴ According to Adam Adamson, Managing Director of Landor, a leading brand consultancy, “Consumers can track and monitor corporate behavior with the same speed and fluidity that corporations can track consumer behavior.”⁵

In 2009, Forrester cited that three in four online adults in the United States were participating in or consuming social content at least once a month. Within this group, the ways in which consumers used this social content was growing and increasingly being tied to consumption patterns. For example, Forester found that half of US online adults read ratings and reviews and roughly 20% actively posted their own product reviews.⁶

According to the Communications Executive Council, four main factors contributed to the new communications environment:

1. **Shifts in credibility:** Skeptical of “authoritative” information sources, many stakeholder groups preferred information from a person like themselves.
2. **Individual empowerment:** Personal communication technologies enabled people to push their agendas to wider audiences.
3. **Demand for participatory media:** Many stakeholders no longer wanted to receive information passively, but rather actively contribute to content creation in interactive forums.
4. **Networked media:** Recently introduced communication technology amplified the likelihood of a global audience for seemingly local issues.⁷

The result was a communications environment where individuals rule – whether as a customer, an investor, an employee or a community member, individual people suddenly acquired an unprecedented level of access to direct information, opinions, and “digital hearsay” about the people and organizations they interacted with daily. “Everyone is a publisher in the social media world of blogs, wikis, photo and video sharing, forums, and networks for like-minded people,” according to communications experts Andy Beal and Dr. Judy Strauss.⁸

In this new environment, it’s “about both the pull and the push,” said Caroline Dietz of Dell’s corporate communications team. Dietz explained that companies, such as Dell, could no longer just have a one-way monologue with their constituents, and they needed to actively create and engage in meaningful conversations with all of their corporate stakeholders.⁹ As Dell blogger and corporate communicator Richard Binhammer explained, “these conversations are going to happen with or without you. At Dell, we have decided that if someone is going to be talking about us, that is a conversation we want to have a say in.”¹⁰

Digital Channel Creates New Communications Tools

The emergence of digital communication created an entire new toolkit for business and communications professionals to use in their everyday work. The Communications Executive Council defined several main social media tools:¹¹

- **Blogs:** Chronologically organized, frequently updated Web pages that present information and link to other Web content. *Examples: huffingtonpost.com, jnjbtc.com, siliconalleyinsider.com*

- **Social Networking:** Online communities of people who shared interests and activities. Most networks provided various ways for users to interact such as chat, messaging, email video, file sharing, blogging and/or discussion groups. *Examples: facebook.com, linkedin.com, myspace.com.*
- **Wikis:** Web applications, similar to Internet forums, which allowed users to openly add and edit content. *Examples: Wikipedia.com, CookBookWiki.com, WikiTravel.com*
- **Virtual Worlds:** Internet-based simulated environments where “residents” could interact with each other through avatars – animated, computer-generated representations of themselves. *Examples: Secondlife.com, Quaq.com, vMTV.com*

The Communications Executive Council also defined several primary “enhancers” to the social media channel:¹²

- **User-Generated Videos:** Videos, usually publicly available on sites such as YouTube, created by individuals or groups; the content was usually creative and less “polished” in appearance than professional video.
- **Corporate Webcasts:** Video files, created or facilitated by a corporate group that were distributed (either live or recorded) over the Internet using streaming media technology.
- **Podcasts:** An audio recording posted on a blog or Web site and syndicated via RSS, enabling easy subscription-based delivery to users.
- **RSS Feeds:** An automated way to push content to subscribed readers that allowed individuals to easily keep up with their favorite Websites; users’ aggregators checked subscribed feeds regularly for new content, downloading any updates.

Despite all of these new tools, social media experts Charlene Li and Josh Bernoff urged businesses to consider their goals and objectives first before starting to use social media. They advised “Don’t ask what technology to use. Ask first who you’re trying to reach, what you’re trying to accomplish, and how you plan to change your relationships with your customers. Then, and only then, can you decide what technologies to use.”¹³ Bernoff and Li’s systematic framework for social strategy formation, which they called the acronym POST, was frequently used by companies looking to add a social media component to their business operations (See Exhibit 2).

Corporate Use of Digital Communication

“Companies need to admit that control is shifting toward customers. More and more customers are talking about companies they either like or dislike. Those conversations happen with or without companies being actively involved. And it’s becoming increasingly clear that those conversations have more influence over perception than much of the marketing material and PR messages that companies produce.” – Lionel Menchaca, Chief Blogger, Dell

As explained by the Arthur W. Page Society, a leading professional organization for corporate communicators, “Companies *used* to control their identities, value propositions, and the contents of the messages about themselves. Companies *used* to segment and target their audiences. Companies *used* to have distinct expertise in and control over the channels of communication.”¹⁴ Much of this change in the amount of control and influence companies have over their communications was due to the growing use of social media tools in the corporate world.

Overall though, as explained by branding expert Charlie Wrench, “the digital world has not changed the principles of branding, but rather has magnified everything we know to be true about building a great brand. The tenets we’ve always followed have been made more visible by digital technology.”¹⁵

Examples of corporate use of social media:

- **Coca-cola used Second Life**, a virtual world, to advertise and promote its products. Virtual rooms had Coke colors, logos and Coke machines (which dispensed miniature virtual Cokes)¹⁶
- **Southwest Airlines hosted Facebook pages** to recruit new employees, connect with customers, and promote new services.¹⁷
- **ING hosted an internal wiki** where employees could share information, ideas and knowledge with each other.¹⁸
- **Johnson & Johnson hosted a corporate blog** called “JNJ BTW” (www.jnjbtw.com) which featured blog posts from a wide variety of employees on topics ranging from product development, to healthcare policy, to community involvement.¹⁹
- **Frito Lay’s Doritos brand hosted a user-generated video contest** called “Crash the Super Bowl” in which it invited users to create the Doritos Super Bowl commercial.
- **Bloomberg L.P. frequently used internal webcasts** to broadcast executive management announcements or presentations to its employees around the globe.
- **IBM created a podcast series** called “IBM and the Future of...” to educate its investor audience about IBM’s thought leaders’ vision for the future.

Digital Communication at Dell

Dell was no stranger to digital communication, as it was one of the first large companies to try out e-commerce when it launched its dell.com website in 1994. Following that launch, “Dell’s e-commerce business has been a poster child for the benefits of online sales,” according to the Aberdeen Group. Dell’s business strategy of selling its products over the

internet, without the use of retail outlets and middlemen, was one of the most imitated and praised e-commerce models.²⁰

Importance of Communications at Dell

With Dell's company policy of "being direct," effective communications had always been a key company hallmark. Direct and clear communication was a priority both inside and outside of the company and the communications function was staffed accordingly with over 100 employees, focused on different product areas and regions.

Internally, employees enjoyed a relatively flat corporate hierarchy. This, coupled with the company's entrepreneurial culture, made it relatively easy for employees to get the "ear" of senior management. According to former head of communications Elizabeth Allen, "There's a joke that the phone never rings at Dell," Allen said, adding that Dell's email-based culture was part of the work environment that Michael Dell himself fostered at the company.

Birth of "Communities & Conversations"

"A strong company is one that constantly learns. One of the best ways to constantly learn is to really listen to customers. The rapidly changing tech landscape makes it efficient and easier than ever before to listen, learn and connect with customers. The emergence of social media is a tremendous opportunity to bring the "outside" in to your company."

– Michael Dell, CEO of Dell Computer²¹

Dell's official involvement in social media began in February, 2006, when, on the first week in his job, Bob Pearson, a Vice President in the Corporate Communications group, was asked by CEO Michael Dell to work on a special project. According to Pearson, "Michael was concerned about our customer service and felt that we needed to do a much better job reaching dissatisfied customers online and working with them to solve their problems."²²

It was not surprising that the CEO was concerned about this – Dell had long been criticized for its weak B2C customer service, mainly because it was one of the first American companies to largely rely on call centers based in India to manage their B2C client's technical issues. In fact, David Pogue, Technology Columnist, for the *New York Times* famously reviewed the company's customer service in 2006 and described to readers, "When you are ready to make the call, go to the bathroom, take an aspirin, get a book or crossword, stock up on water and nibbles (preferably ones with high sugar content and no nutritional value; Twinkies are good). Shoo the kids out of your den; it's possible that they will hear things that could cause serious psychological issues later."

Pearson explained how the "Communities & Conversations" team was born at Dell:

I came in as a VP of Corporate Communication in February, 2006 and on the first week on the job, Michael Dell and I had a conversation about our need to better reach dissatisfied customers online and solve their problems more efficiently. We got a group of employees together, all communicators at first, to brainstorm about how we could do this better. We talked about things like what is the protocol to reach customers, what do

we do when they say ‘yes, I would like your help,’ are we tied into tech support, how do we make sure that we are really resolving issues, etc.

Out of that, that net result was the creation of a state of the art blog monitoring platform and a technical support system that is fully-integrated globally and we focus on these efforts 24 hours a day, 7 days a week...and it works! I can’t remember a customer who has been unhappy that we’ve reached out to them to say “can we help you?” Even the ones that are most angry are thrilled that Dell is reaching out to them. We would of course prefer that our customers never got angry with our products, but that is a separate topic.

As we were doing this initial round of proactive customer outreach, we realized that we needed to become more focused on reaching out to other people’s blogs. We started asking some of our communications employees to do blog outreach. Of course, everyone’s first reaction was ‘oh my god, my career is ending’ but then when they started doing it, and began to interact with our customers online, they realized that it’s really very cool and actually has everything to do with the reputation of the company.

Then, in July, 2006 we launched Direct2Dell, our corporate blog. At that point, we felt it was time for us to really start telling our own story and to do so in a very transparent way. From the first day of doing that, our goal was to be totally transparent with our customers.

That goal got tested very quickly! Only a month later, we had our big battery recall, which impacted all computer manufacturing companies. However, we were the first company in the industry to have a corporate blog so it put the immediate test to us for how we were going to use this blog to handle what could have easily turned into a huge corporate crisis. We provided daily updates on the blog, created a separate set of blog posts explaining to customers what they should do to get a new battery. The nice thing was that all of this was integrated with Dell.com – this allowed customers to check their laptop to see if their battery was part of the recall. Our efforts even got singled out by Scott Wolfson at the Consumer Product Safety Commission as a best practice for how to manage a product recall.

A lot of companies tend to avoid communicating about a recall as much as possible. They will put out a press release and then will pretend that the issue never occurred. We felt our customers deserved to know what was going on and we were going to communicate about it in the most forceful way we could so that everyone would know what was going on.

At every step of this process and as all of these new tools and activities developed, Michael Dell was hugely supportive and constantly encouraging us to do more outreach and engage more with customers. Next, we started StudioDell, which is our online video repository. Then in February, 2007, we launched IdeaStorm. Again, this stemmed from Michael saying to our team that he wanted us to figure out how we could get more ideas from our community. The famous story we like to tell is that we put together a plan of action to accomplish this, gave it to him on a Saturday in February and he called me at home and said “great plan, I totally agree with it but you said it would take three weeks

to get done but I think you can do it in two days!” Not having much experience in this, I deferred to Michael and sheepishly said that he must be right – well, we did it! We got the beta version out in two days and that was another thing that transformed our social media culture. (See Exhibit 3 for more on Dell’s social media tools)

Early Challenges Become Valuable Lessons

Dell acknowledged that its social media efforts were a continual work in progress and the company clearly learned from a number of challenging situations involving digital communication.

2005’s “Dell Hell,” popular blogger Jeff Jarvis’ online portrayal of his customer support challenges with Dell, was read and commented on by thousands of consumers and served as a “call to action” for Dell and many other large companies to realize that they needed to do a better job of listening to their consumers. Dell’s battery recall of 2006 provided the first real test for the company’s new social media tools. Dell passed with flying colors and also realized that social media was able to provide many benefits beyond just acting as a communications channel. Finally, an online run-in with popular blog Consumerist.com again gave Dell a reality check on the strength, reach and expectations of the blogosphere.

Jeff Jarvis’ ‘Dell Hell’

In 2005, Jeff Jarvis, blogger and well-known journalist, professor, and consultant dealt with a frustrating problem with his Dell computer. He chronicled his frustrations with Dell’s customer support and products on his personal blog, creating what is now known as “Dell Hell.”

Jarvis’ blog, updated, almost daily with the latest information about his Dell saga, served as a gathering point for both other consumers frustrated with Dell and social media activists, who had a genuine interest in how this issue would play out. For Dell, the situation and growing reaction was a nightmare – Jarvis’ blog posts got picked up by thousands of new readers a day and attracted mainstream media attention from *The New York Times*, *Business Week*, *The Houston Chronicle*, *PC Week*, and *Fast Company*.

Excerpts from Jarvis’ BuzzMachine blog give a sense of the emotion and detail that went into these blog posts:

“I just got a new Dell laptop and paid a fortune for the four-year, in-home service. The machine is a lemon and the service is a lie. I'm having all kinds of trouble with the hardware: overheats, network doesn't work, maxes out on CPU usage. It's a lemon. But what really irks me is that they say if they sent someone to my home -- which I paid for -- he wouldn't have the parts, so I might as well just send the machine in and lose it for 7-10 days -- plus the time going through this crap. DELL SUCKS. DELL LIES. Put that in your Google and smoke it, Dell.”

“I tested Dell and they failed. Their customer service mechanism did not recognize a machine and service pattern and customer that were a mess. They didn't try to fix it. I

could have stayed on the phone for hours and gone up a tier at a time playing the customer having a psycho fit (ask anyone who has heard me go after customer service people who don't serve: I play the role well). Instead, I chose to write about the saga here. I chose to elicit the sympathy and conspiracy of fellow pissed-off Dell customers. I chose to see whether Dell is listening. They are not.”

“You know what: If Dell were really smart, they'd hire me (yes, me) to come to them and teach them about blogs, about how their customers now have a voice; about how their customers are a community -- a community often in revolt; about how they could find out what their customers really think; about how they could fix their customers' problems before they become revolts; about how they could become a better company with the help of their customers. If they'd only listen.”²³

Public relations firms and social media enthusiasts continued to follow the story, seeing it as a call to action for corporations in the blogosphere. One blogger explained, “don't for a minute think that this 'Jeff Jarvis' thing is a one-time deal for the blogosphere. Jeff Jarvis set the standard. Jeff Jarvis made the mother of all online brand threats. The snowball effect for all industries and products hereafter online is yet to come.”²⁴

Although Dell was able to “make peace” with Jarvis and adapted many of his ideas into its “Communities & Conversations” team, “Dell Hell” served as an important turning point in the company's development. Dell chief blogger Lionel Menchaca explained that Jarvis' blog post, and the resulting media, was a true wake up call for the company that it could do things better and that it needed to use digital communication in a more proactive and strategic manner.²⁵

Battery Recall

In August of 2006, Dell faced a significant corporate crisis when they were forced to recall 4.1 million notebook batteries affecting a variety of laptop models that had been sold between 2004 and 2006. This came after the company faced a number of issues relating to exploding or flaming notebooks, resulting from batteries produced by Sony that were overheating. As the largest battery recall in the history of the electronics industry, the scale of the issue was phenomenal and Dell quickly came under fire, at a time when its overall business was facing a period of slowing growth, increased competition, and persisting criticism of its customer service program. However, Dell's newly formed social media team quickly sprang into action and saw this as a problem that it could easily help to improve using social media technologies.

As explained by Dell's Chief Blogger Lionel Menchaca:

Sometimes there are things that we can't comment on. And then sometimes there are things that we will jump on. For instance, when we went through our battery problems. We pinpointed that problem first, and we came to know that it was really much wider than just Dell. But early on, it appeared that it was just us, and there were a number of bloggers out there speculating that it was inherent to our product designs, that we were doing things in the product design arena that resulted in battery failures, and that was just bogus information. The fact of the matter was that there

was a third-party supplier to Dell and others that had a manufacturing defect with their batteries.

Regardless, we were very proactive with how we handled the situation. It was one of the first big tests for our new social media team and we chose to be as transparent with customers as possible. Not only did we update our blog everyday with relevant information, we also went out and proactively approached people in the blogosphere and in online communities about the battery issue. We would just say things like, ‘Hey, we’ve got a battery recall under way. Just wanted to make sure you got the direct link to it so you can make sure your laptop is ok.’ The fact that we were out there admitting we had a problem, and then doing everything we could to make sure that affected customers were taken care of, was a big step for our team.

From this, Dell quickly realized that its social media efforts not only provided a great two-way communications and marketing tool, but also an early warning and issue management system. Menchaca explained that through their blog monitoring platform, they were able to learn about a multitude of challenges and issues that consumers were having with their products. The system could track each of these and would immediately identify trends between products, geographic areas, or specific interactions with Dell. Menchaca believed this was one of the key successes of the “Communities & Conversations” team; “we identify problems sooner, we respond sooner, and this allows us to respond better and solve our customer’s problems as effectively as possible.”²⁶

Consumerist.com

In July 2007, Consumerist.com, a popular consumer-focused blog posted an email from a former Dell employee, in a blog post entitled “22 Confessions of a Former Dell Sales Manager.” The former employee had apparently reached out to Consumerist.com with a series of tips and tricks for customers looking to buy a Dell product. As stated on the blog, “A former Dell kiosk manager writes us to share helpful tips about doing business with Dell. He has no particular problems with Dell, he just wanted to share some helpful tips for consumers looking to get the best deal.” The employee listed out 22 tips with information such as the best time to buy, how to get the best deal, what to do with warranties as well as adding some of his/her own commentary and opinions on the company’s practices.²⁷

Within hours of the blog post, the Dell legal team reached out to the editor of Consumerist.com demanding prompt removal of the post because “it contains information that is confidential and proprietary to Dell.” The Consumerist responded by promptly posting this emailed request on their website, inciting a flurry of comments and starting a viral web story about Dell’s disrespect of the blogosphere. The response from the online community was swift and highly negative. In a poll run by WiseBread.com, a blog focused on personal finance, 57% of responders said that they would boycott Dell if the company followed through with its legal threats.²⁸

Dell quickly got the message and realized that traditional business tactics would not necessarily work in the blogosphere. Led by Chief Blogger Lionel Menchaca, Dell issued an apology statement on Direct2Dell and also issued its own set of “23 Confessions.” At the start of his blog post, Mechaca wrote:

Now's not the time to mince words, so let me just say it... we blew it. I'm referring to a recent blog post from an ex-Dell kiosk employee that received more attention after the Consumerist blogged about it, and even more still after we asked them to remove it.

In this case, I agree with what Jeff Jarvis had to say: instead of trying to control information that was made public, we should have simply corrected anything that was inaccurate. We didn't do that, and now we're paying for it.

I believe in the customer voice—that's why I signed up for this job in the first place. There's simply no cheating the system. When we're on the right track, folks tend to say some good things about us (or at least give us a second chance). When we mess up, they let us know quickly and vocally. Then everyone watches our reaction like a hawk²⁹.

This experience made it clear to Dell that communicating on the blogosphere required an entirely different set of rules and set of procedures. More importantly, if the company aimed to be a true member of the online community and contributor to the blogosphere, it needed to accept this new environment in all aspects of its business. (See Exhibit 4 for more on how Dell's social media efforts were received in the blogosphere.)

Decisions: Using Digital to Drive Strategy

"You know, people talk about social media programs but I just think about conversations with customers. We have hundreds of millions of them every year. We listen on the phone and in the offices of our customers. Why not improve our online listening skills and the number of ways we can do it? We want our customers to walk the hallways of Dell. From our engineering labs to manufacturing plants to service and solutions teams. This means that when we're making decisions, we're always thinking about our customers." – Michael Dell, CEO of Dell Computer

In its first two years as a member of the blogosphere, Dell had successfully integrated social media into its marketing and communications strategy and had won numerous accolades for its innovative efforts. The company was proud that it was possible for all corporate constituents to interact with the company using digital communication – whether it was a prospective customer using the Ratings & Reviews section of the website, an investor learning more about the company's long-term strategy on the DellShares investor relations blog, or an employee participating in the internal EmployeeStorm "online suggestion box."

Despite this success, the "Communities & Conversations" team and Michael Dell wanted to see more. There was a need for a better way to measure ROI and determine the real impact of these social media efforts. Although the concepts had largely been embraced throughout the company, there were still a number of "antibodies," a term Bob Pearson used to describe the naysayers who would come up with a multitude of reasons and excuses to avoid a new social media effort.

The team needed to figure out how to not only get these colleagues to open up their thinking to social media, but also to educate them about how the use of social media could benefit their business daily. Finally, the use of the blog monitoring platform and the thousands of conversations that Dell participated in each week with customers had resulted in an

unimaginable amount of data – highly valuable information and insights into their customers’ needs, wants, and issues. How could the team manage and “institutionalize” this information in a way that made it useful, relevant, and insightful to their colleagues in customer service, product development, and sales?

Throughout its history, Dell constantly evaluated its business model to look for areas of improvement and for ways to better serve customers. With its success using social media, Dell realized that they had moved onto “Chapter 2” of its foray into digital communication. Now that the company was a respected and established citizen of the blogosphere, how could it use this new found knowledge to truly transform the culture and advance the business strategy of Dell while continuing to focus on its core competency of being direct with customers?

Focus Questions

1. If you were responsible for managing Dell’s social media efforts, what would you do to further Dell’s digital strategy? What are the main challenges and opportunities?
2. After spending time on Dell’s Online Community, describe how the company is engaging with its four main corporate constituents (customers, investors, employees, and community members) using social media.
3. How have the efforts of the Dell’s “Communities & Conversations” team changed the role of traditional business functions such as corporate communication, marketing, customer service, and product development?
4. Do you think that companies like Dell have been successful in using digital communication to build their brands and impact their bottom lines? Why or why not?

Exhibits

Exhibit 1: Dell Company Information

Exhibit 1a: Income Statement (FY07-09, \$ millions)³⁰

	Prior Annual Results (As Restated)		
	FY07	FY08	FY09
Income Statement:			
Net revenue	\$ 57,420	\$ 61,133	\$ 61,101
<i>Sequential Growth</i>			
<i>Y/Y Growth</i>	3%	6%	0%
Cost of revenue	47,904	49,462	50,144
Gross margin	9,516	11,671	10,957
SG&A	5,948	7,538	7,102
R&D	498	693	665
Total operating expenses	6,446	8,231	7,767
Operating income	3,070	3,440	3,190
Investment and other income, net	275	387	134
Income before taxes	3,345	3,827	3,324
Income tax provision	762	880	846
Net income	2,583	2,947	2,478
<i>Sequential Growth</i>			
<i>Y/Y Growth</i>	-28%	14%	-16%
EPS:			
Basic	\$ 1.15	\$ 1.33	\$ 1.25
Diluted	\$ 1.14	\$ 1.31	\$ 1.25
Weighted Average Shares Outstanding:			
Basic	2,255	2,223	1,980
Diluted	2,271	2,247	1,986
Percentage of Net Revenue:			
Gross margin	16.6%	19.1%	17.9%
Selling, general and administrative	10.3%	12.4%	11.6%
Research, development and engineering	0.9%	1.1%	1.1%
Total operating expenses	11.2%	13.5%	12.7%
Operating income	5.4%	5.6%	5.2%
Income before income taxes	5.8%	6.3%	5.4%
Net income	4.5%	4.8%	4.1%
Income tax rate	22.8%	23.0%	25.4%
Revenues by Business Unit:	57,420	61,133	61,101
Global Large Enterprise			18,011
Global Public			15,338
Global Small and Medium Business			14,892
Global Consumer			12,860
Operating income by Business Unit ⁵:			3,995
Global Large Enterprise			1,158
Global Public			1,258
Global Small and Medium Business			1,273
Global Consumer			306
Revenues by product:	57,420	61,133	61,101
Desktop PCs			17,356
Mobility			18,597
Servers and Networking			6,509
Storage			2,685
Enhanced Services			5,352
Software & Peripherals			10,602

Exhibit 1b: Historical PC Share³¹

	Current Rank	Annual Share								
		2008	2007	2006	2005	2004	2003	2002	2001	2000
WW Client PCs	2	15%	15%	17%	18%	18%	17%	15%	13%	11%
USA	1	30%	29%	33%	36%	35%	32%	29%	24%	19%
EMEA	3	11%	12%	13%	13%	12%	11%	10%	10%	8%
Asia Pacific	3	9%	7%	7%	7%	6%	6%	5%	4%	3%
Japan	3	17%	17%	17%	15%	14%	12%	9%	7%	5%
Desktop PC	2	16%	15%	17%	18%	18%	17%	15%	13%	11%
Portable PC	3	15%	15%	18%	19%	18%	17%	16%	15%	12%
x86 Server	2	27%	26%	27%	27%	26%	24%	23%	20%	16%
US Segments	1	19%	24%	29%	32%	35%	36%	33%	29%	30%
Consumer	2	21%	19%	26%	30%	31%	27%	23%	14%	7%
Large Enterprise ²	1	44%	45%	46%	46%	44%	42%	40%	36%	32%
Public	1	40%	40%	41%	43%	41%	38%	35%	31%	24%
SMB ¹	1	29%	29%	30%	33%	31%	27%	25%	22%	23%

*PC's include Desktops and Notebooks, data as of August 2009
¹SMB includes companies with less than 500 employees
²Large Enterprise includes companies more than 500 employees

Exhibit 2: Social Media Information

Exhibit 2a: Forrester's Social Technographics Profile³²

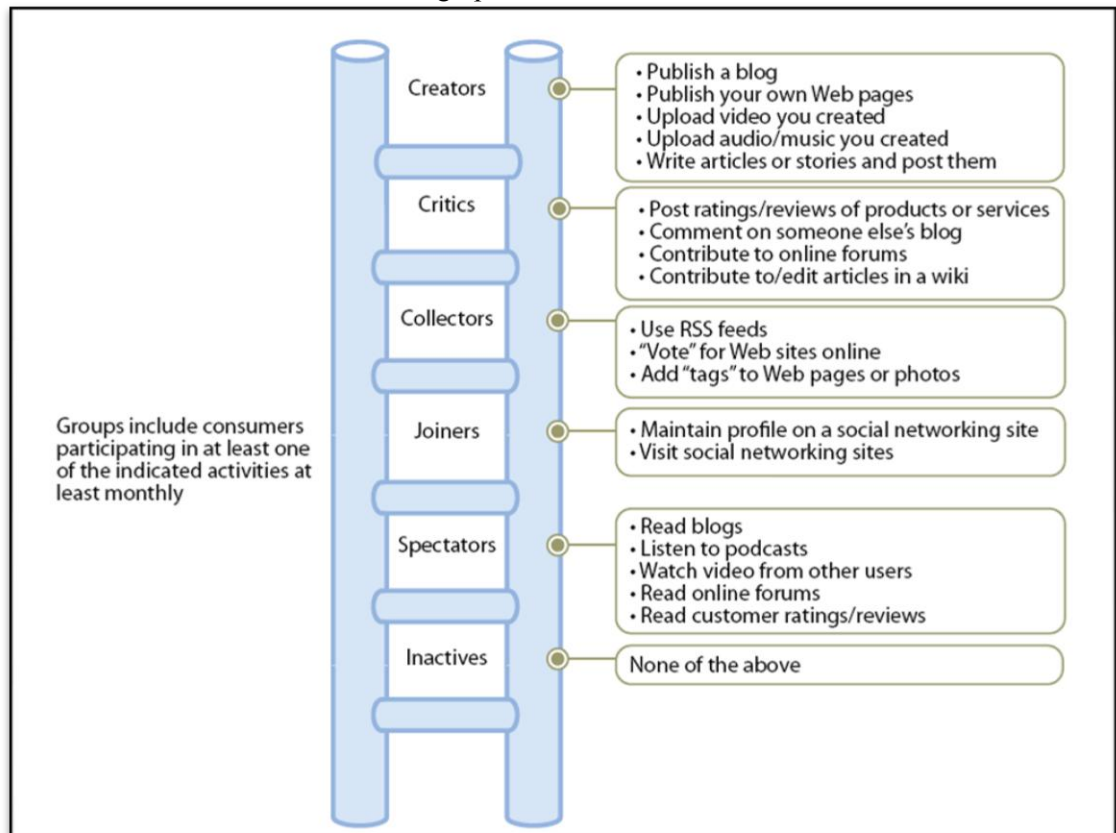


Exhibit 2b: Forrester’s Evolution of the Social Technographics Profile 2007-2009³³

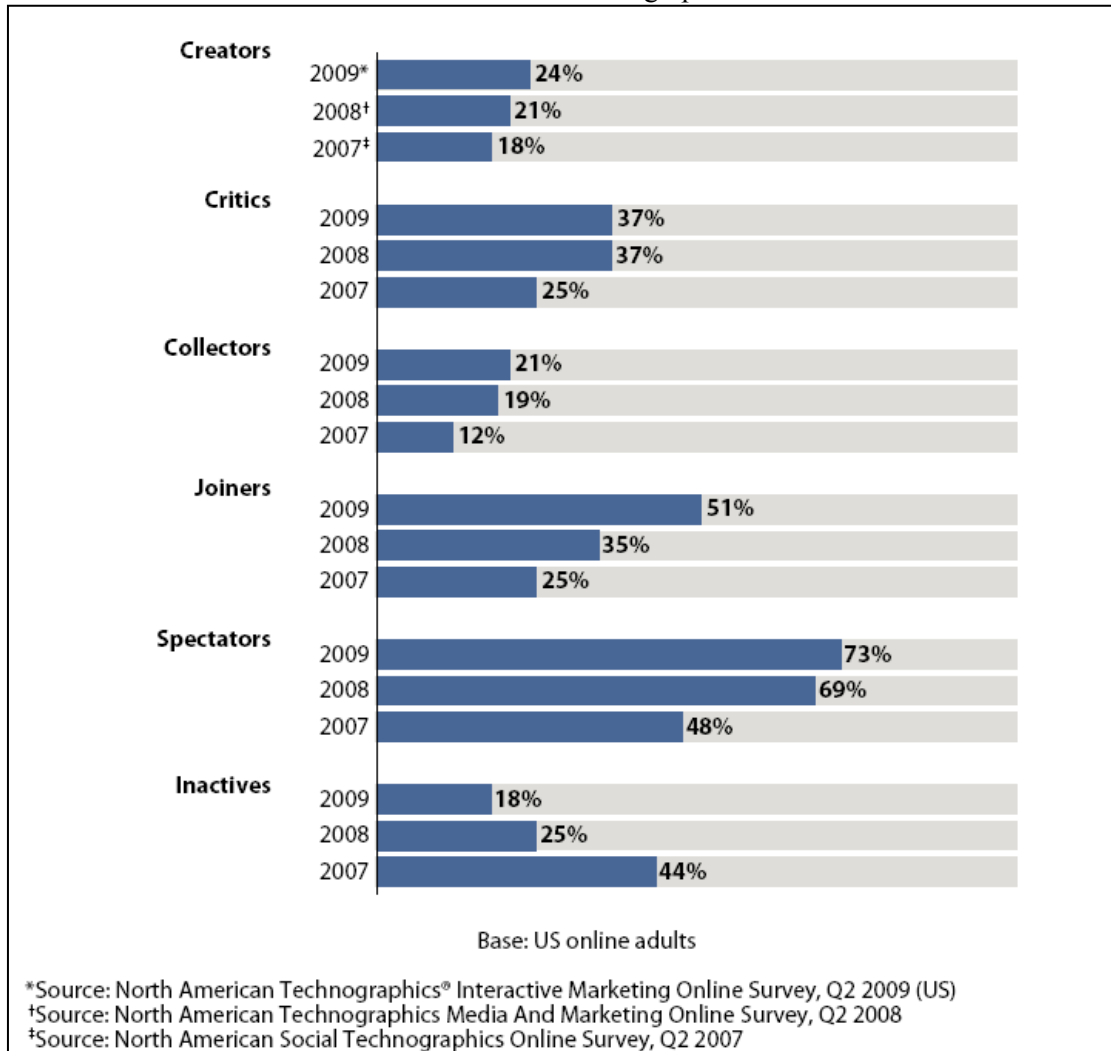


Exhibit 3: Screenshots of Dell’s Social Media Tools

Exhibit 3a: Dell’s Community homepage (<http://en.community.dell.com>)

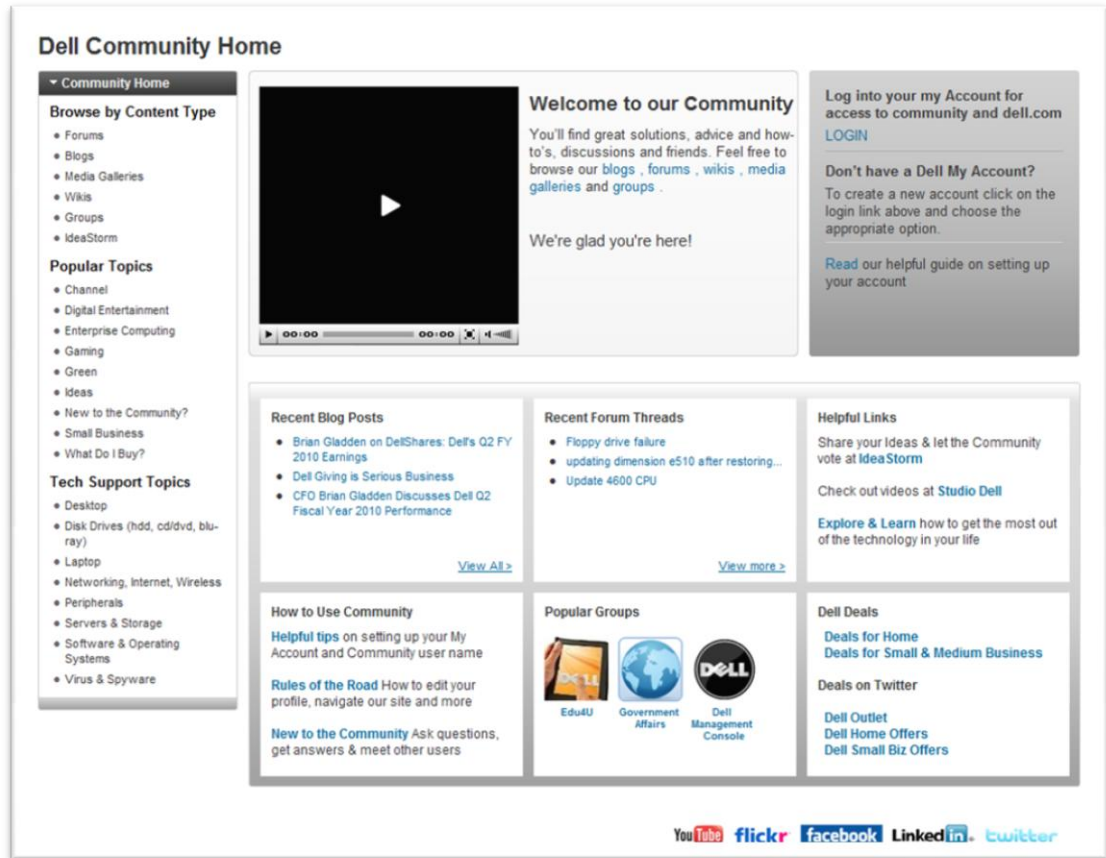


Exhibit 3b: Dell Ideastorm homepage (<http://www.ideastorm.com>)

IdeaStorm
Community Home

▼ IdeaStorm Categories

► All

Product Ideas

- Accessories (Keyboards, etc.)
- Adamo
- Broadband and Mobility
- Desktops
- Desktops and Laptops
- Dimension
- Inspiron
- Laptop Power
- Laptops
- Latitude
- Linux
- Monitors and Displays
- Netbooks
- New Product Ideas
- Operating Systems
- OptiPlex
- Precision Workstations
- Printers and Ink
- Servers and Storage
- Software
- Studio
- Vostro
- XPS

Dell Ideas

- Advertising and Marketing
- Dell
- Dell Community
- Dell Web Site
- Dell Web Site - Home &

IDEASTORM
WHERE YOUR IDEAS REIGN

VIEW all posted ideas by the community

POST your idea for Dell products or services

VOTE promote or demote ideas

SEE your ideas in action

Sort By: Popular Ideas Recent Ideas Top Ideas Comments

Idea List

6950 **Option to Buy Computers without Windows / OS**
By undoit, Feb 9, 2009 | [f](#)

Promote

Demote

It is really annoying that there is no way to purchase most laptops and desktops without also purchasing the Windows operating system. The selection of computers with Ubuntu preinstalled is no where near complete and the configuration options for the computers that are available tend to be limiting.

First of all, I already own a copy Windows XP. I am not interested in buying Windows again.

2) I don't run Windows any more. I use Ubuntu or another Linux-based operating system on my laptops. I shouldn't have to pay for something that I am not going to use.

3) I don't want the Windows sticker on my laptop. I end up peeling it off and sometimes it doesn't come off cleanly, leaving some sticky residue.

I take full responsibility for installing the Linux operating system of my choice and doing any trouble-shooting if something is not compatible.

Please add an option to purchase Dell computers with no Operating System!

Comments: **50**

Categories: Desktops and Laptops Operating Systems

37530 **Standardize Power Cables for Laptops**
By badblood, Aug 27, 2007 | [f](#)

Promote

Demote

Nothing is more annoying than laptop power cables that are not interchangeable from one computer model to another or from one brand of computer to another.

Already a member?
Sign in.

Username:

Password:

Login

Forgot Password?
Not a member? Register Here

Ideastorm Video

General Stats

The Dell Community has:

- Contributed 12,440 ideas
- Promoted 685,771 times
- Posted 86,049 comments

Dell has:

- Implemented 366 ideas

Follow us on Twitter

- New Ideas
- @IdeaStorm
- Ideas in Action
- @IdeaStormAction

About Idea Storm

Exhibit 4: Relevant articles & blog posts on Dell's social media efforts

Dell Learns to Listen

The computer maker takes to the blogosphere to repair its tarnished image

By Jeff Jarvis
October 17, 2007
BUSINESS WEEK

In the age of customers empowered by blogs and social media, Dell has leapt from worst to first.

Start with the worst. In June, 2005, I unwittingly unleashed a blog storm around the computer company. Terminally frustrated with a lemony laptop and torturous service, I vented steam on my blog under the headline: "Dell sucks." That's not quite as juvenile as it sounds, for a Google (GOOG) search on any brand followed by "sucks" reveals the true Consumer Reports for that company's customers.

Thousands of frustrated consumers eventually commented on and linked to my blog, saying, "I agree." They were a leading indicator of Dell's problems, which the company—and analysts and reporters

covering it—should have heeded. My story ended, I thought, that August when, after returning the Dell and buying a Mac, I blogged an open letter to Michael Dell suggesting his company read blogs, write blogs, ask customers for guidance, and "join the conversation your customers are having without you."

The following April, Dell (DELL) did join that conversation. It dispatched technicians to reach out to complaining bloggers and solve their problems, earning pleasantly surprised buzz in return. That July, Dell started its Direct2Dell blog, where it quickly had to deal with a burning-battery issue and where chief blogger Lionel Menchaca gave the company a frank and credible human voice. Last February, Michael Dell launched IdeaStorm.com, asking customers to tell the company what to do. Dell is following their advice, selling Linux computers and reducing the promotional "bloatware" that clogs machines. Today, Dell even enables customers to rate its products on its site.

Has Dell really gotten the blog religion? I recently visited the company's Round Rock (Tex.) headquarters to find out. Founder Dell, who took back the CEO reins in January, acknowledges its problems—"We screwed up, right?" But then he starts to sound like a blogger himself: "These conversations are going to occur whether you like it or not, O.K.? Well, do you want to be part of that or not? My argument is you absolutely do. You can learn from that. You can improve your reaction time. And you can be a better company by listening and being involved in that conversation."

New Metrics for Success

Dell's worst problem had been that customers were having too many of the wrong conversations with too many service technicians in too many countries. "It was a real mess," confesses Dick Hunter, former head of manufacturing and now head of customer service. Dell's DNA of cost-cutting "got in the way," Hunter says. "In order to become very efficient, I think we became ineffective."

Hunter has increased service spending 35%, cut outsourcing partners from 14 to 6 (and is headed to 3), and retrained staff to take on more problems and responsibility (higher-end techs can scrap their phone scripts; techs in other countries learn empathy). Crucially, Hunter also stopped counting the "handle time" per call that rushed representatives and motivated them to transfer customers so they would be someone else's problem. At Dell's worst, more than 7,000 of the 400,000 customers calling each week suffered transfers more than seven times. Today, the transfer rate has fallen from 45% to 18%. Now Hunter tracks the minutes per resolution of a problem, which runs in the 40s. His favorite acronym mantra (among many) is RI1: resolve in one call. (Apple (AAPL) claims it resolves 90% of problems in one call.) He is also experimenting with outreach e-mails and chatty phone calls to 5,000 selected New Yorkers before problems strike, trying to replace the brother-in-law as their trusted adviser.

Has It Made a Difference?

The crucial word you hear at Dell is "relationship." Dell blogger Menchaca has led the charge in convincing bloggers that "real people are here to listen," and so he diligently responds and links to critics, and holds up his end of the conversation. "You can't fake it," he says. Dell's team is stanching the flow of bad buzz. By Dell's measure, negative blog posts about it have dropped from 49% to 22%. And the Dell Hell posts on my blog, which used to come up high on a Google search for the company, are now relegated to secondpage search-engine Siberia. "That change in perception just doesn't happen with a press release," Menchaca says.

But reality still has to catch up to perception. To this day, I get blog comments and e-mails from disgruntled Dell customers. The University of Michigan's PC satisfaction scores show Dell dropping from 78% in 2006 to 74% this year. Internal Dell measurements showed satisfaction was actually much worse than that. A year ago, it was 58% among core users, even lower in the high end. That, Hunter says, made the boss "go ballistic." Today, Hunter's measurements show satisfaction among

high-end customers at more than 80% and among core consumers at 74%—numbers that he says must further improve. "I think what the Web has brought is the voice of that 25%," Hunter says.

Customer Collaboration

But the opportunities created by the conversation go far beyond dousing fires. The cant among executives trying to play the Web 2.0 game is that the customer is in charge. Well, if you really mean that, if you cede control to your customers, they can add tremendous value. Dell's customers not only make product suggestions and warn of problems, they help fellow customers fix them. Today, customers share their knowledge in so many ways that Dell's team says the challenge is to manage that knowledge and spread it.

To enable collaboration, the company is starting wikis that users can edit together. To encourage interaction, Dell plans to experiment with loyalty programs, rewarding good customers with gifts, opportunities to meet Michael, service upgrades, and possibly discounts. I ask whether they'd compensate helpful users, creating a marketplace of advice. But Manish Mehta, head of e-commerce, is uncomfortable with payment, fearing it might compromise the credibility of these customers in their communities. And credible advocates are at the heart of the strategy Dell's new chief marketing officer, Mark Jarvis, is devising. "By listening to our customers," he says, "that is actually the most perfect form of marketing you could have."

I contend that this marks a fundamental shift in the relationship of customers with companies. Dell and its customers are collaborating on new forms of content and marketing, but note that they are doing this without the help of media and marketing companies.

Michael Dell predicts that customer relationships will "continue to be more intimate." He even speaks of "co-creation of products and services," a radical notion from a giant manufacturer. "I'm sure there's a lot of a thing that I can't even imagine, but our customers can imagine," Dell says, still sounding very bloggish. "A company this size is not going to be about a couple of people coming up with ideas. It's going to be about millions of people and harnessing the power of those ideas." Once you can hear them.

Jeff Jarvis is an outspoken commentator on technology and media. Jarvis, who heads the interactive journalism program at the City University of New York Graduate School of Journalism, will post a longer version of this commentary on his blog, [Buzzmachine.com](http://buzzmachine.com).

Dell's Hearing Test

Dell took its lumps online, but is learning to answer back and listen to its critics

By Brian Morrissey
June 9, 2008
ADWEEK

If you want to know something that keeps Dell CMO Mark Jarvis up at night, type "Diet Coke" into Google. The problem is right there in front of you: "Don't Drink the Diet Coke" is the third result, directly in the middle of the screen, a blog post written about how artificial sweeteners can lead to depression. This is the same problem Dell itself faced two years ago, when consumer rage at its customer service failings and product problems clogged result pages for some of its products with unflattering commentary.

"Your home page is Google," said Jarvis. "It becomes really important the right things are appearing on it."

Since then, the company has embarked on a concerted effort to turn around its image online, reaching out to consumers in blogs and soliciting advice on how Dell can improve. The end goal for Jarvis is not touchy-feely: He wants to spend less, not more, money on advertising. One way is to cut down on the need for advertising altogether by having satisfied customers spread positive word of mouth.

"The Germans and British no longer believe anything you say in an ad," he said. That makes advertising pretty pointless. You have to think of how you're going to reach people in different ways."

One key way to achieve this is to move as many customer interactions -- Dell estimates it has over 2 billion per year -- online and away from expensive distribution like catalogs. Not coincidentally, improving customer service was deemed fundamental to fixing the company's problems. Dell was not entirely to blame for the battery problem, but it happened at the height of a rough patch for Dell, which was founded in 1984 on the idea of letting people customize their own computers and buy them directly. Over time, though, it strayed from its customer-focused roots, treating customer service as a cost center and acting aloof from customer complaints online. In the most notorious example, popular blogger Jeff Jarvis, who is not related to the Dell CMO, lambasted the company for its poor service in a series of "Dell Hell" posts that drew hundreds of comments from customers with similarly negative experiences. Dell couldn't ignore how the posts touched a chord with consumers.

The numbers weren't pretty either: The company's own 2006 analysis of its "share of voice" online found 48 percent of chatter about Dell was negative. Its renewed focus on customer communications coincided with the rise of the social Web, as more people gathered online to share thoughts, rate products and contribute to a community Web experience.

"The company was founded on the idea of having a direct relationship with customers," said Dell's Jarvis. "The social media thing was a natural fit for Dell because we've been conversing with our customers for 24 years."

Over the last two years, Dell has worked day by day rebuilding its ties to its customers. Its problems could not be solved by an ad campaign with a cheery message, Jarvis said, but a reorientation of its culture to solving customer problems and listening to their complaints and advice. The searing experience of the battery recall and "Dell Hell" helped the company, believes Pete Blackshaw, evp, digital strategic services, Nielsen Online and author of the forthcoming *Satisfied Customers Tell Three Friends, Angry Customers Tell 3,000*.

"I do think wake-up calls matter," he said. "I've seen organizations motivated in ways that surprise you by a single incident."

Blackshaw believes social media is challenging how companies are organized, which typically splits off marketing from customer service and product. And one of Dell's most important steps was to recognize that connecting with the social Web meant augmenting its existing structures. Dell recruited Bob Pearson, who had worked in both its communications and sales groups, to form a social media SWAT team, the communities and conversations unit, staffed with employees not just from public relations, but tech and customer support, and marketing.

Its first tentative steps were inauspicious. In 2006, Dell launched its first blog, One2One. The only problem: www.one2one.com landed users at a porn site. (The blog was housed on Dell.com.) It took a second pass, calling the site Direct2Dell at its own URL. The reaction was, to be kind, skeptical. There were doubts that Dell would use the site for anything more than marketing. But post by post, link by link Direct2Dell gained credibility from bloggers. One key reason: It didn't censor negative comments posted about problems. A post last August about the delay in shipping new In-spiiron notebooks drew

hundreds of comments from frustrated and irate customers. Taking the criticism when the company screws up builds authenticity, Pearson said.

"We just deal with it," he explained. "The point is we want to hear whatever is on customers' minds." Pearson's team had a mandate to not only communicate Dell's viewpoint, but to help customers who are having problems. It started with figuring out who was talking about Dell. It turned out quite a lot of people were: over 15,000 posts mention the company per day. So Dell implemented blog-monitoring software from Visible Technologies. Now, when someone blogs about a problem with a Dell product, it's routed to a member of Pearson's team. The unit, acting as what Pearson calls "an early warning system," can respond to as many as 100 posts in a day.

Another focus for Dell has been enlisting consumers' help in improving the company, remaking its online community section to let people answer each other's questions. It takes a page out of the book of social media Q&A sites like Yahoo Answers. If a user posing a question chooses another's answer as helpful, it gets marked as an "accepted solution" to the problem. Dell now lists over 6,000 accepted solutions for a wide range of issues.

The company's biggest leap into listening was IdeaStorm, a customer-suggestions site it rolled out in late 2006. There, visitors can post ideas for Dell to implement. It's more than just a PR exercise, Pearson said, pointing to a Linux-based laptop that was developed in large part as a response to a popular suggestion on the site. In other ways, the customer input has been an internal catalyst company executives can point to when fighting for projects, such as the idea that Dell needs to make its packaging more environmentally friendly. In all, IdeaStorm has taken in 9,000 ideas, recorded 600,000 visitor votes and implemented 120 suggestions.

Dell still has a long way to go. While its negative share of voice is down substantially, it is still 21 percent. Many people still feel the company drops the ball too often. A recent Dell blog post about its vision for "thriving in the connected age" drew several scathing comments, insisting that its customer service is still a nightmare and the company is not listening.

"Social media is a grand experiment," Dell's Jarvis said. "It has a future. I don't see it crashing down. Social interaction, communities and participation are absolutely the fabric of the Web. Our challenge is how do we leverage those best for our customers."

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