



Dell's supply chain transformation

Historically regarded as one of the great innovators in supply chain management, Dell has undertaken a deep transformation of its supply chain that includes shifts from a regional to global structure and from the famed direct-only model to multiple channels. **Annette Clayton**, vice president, global operations and supply chain, talks to **Turloch Mooney** about the new supply chain model that has been three years in the making

Would you tell us how long the transformation will take to implement in full, and how you will measure its success?

The overall transformation has been a three-plus year process. We are already seeing the benefits of the transformation. The process redesign is about creating a culture and is really never done. We continue to work to create a Lean culture.

Ultimately it boils down to delighting customers as shown by the corporate Net Promoter Score. There are a variety of more detailed measures that track our ability to predictably deliver global supply chain capabilities at targeted total landed cost levels

Key objectives of the new model

- Move from a one-size-fits-all model to a segmented supply chain portfolio
- Create globally, standard yet flexible processes that leverage partnerships
- Align to customer priorities around speed, choice, and cost
- Create infrastructure that is responsive to the changing needs of the business

Overview of changes taking place

- Regional → Global structure
- Direct only → Multiple channels
- Variabilise cost structure by expanding our partner network and leveraging partner capability
- Global IT infrastructure optimisation
- Segmentation of the supply chain
- Optimised product and process complexity
- End-to-end process redesign
- Aligned internal cost incentives
- Corporate shift to solutions focus

How are you able to determine the dominant buying behaviours of your customers?

The beauty of Dell's direct model is that we have access to our customers. We have over two billion direct customer interactions every year and can leverage the information gained to deliver to customers what they value most.

Dell was recently recognised by Forrester for our Voice of the Customer programmes. We also use various channels such as five-star user reviews, channel partner surveys, social media Dell forums, EmployeeStorm and IdeaStorm to identify top issues and consistently feed these into design, operations and support processes – and insisting on follow-up and closures. Part of the heritage of Dell is to create an outside-in focus. We partnered with leading supply chain academicians such as Dr Simchi-Levi and Dr John Gattorna, a variety of industry groups and consultants, and by benchmarking supply chain best practices from

leading companies

As we analysed our sales with this new lens it was evident that there were opportunities to simplify our complexity to customers

Would you provide some detail on the four basic supply chains and one incubator supply chain that you created – what kind of customers do each of them serve, and how do they differ from one another in the manner that they function?

We basically break our supply chains into a few simple choices. (pls refer to Figure 1 below)

- The main differences between each supply chain are:
 - The location of the push-pull horizon within the supply chain
 - The lead time from customer order to delivery
 - The amount of choice available to the customer

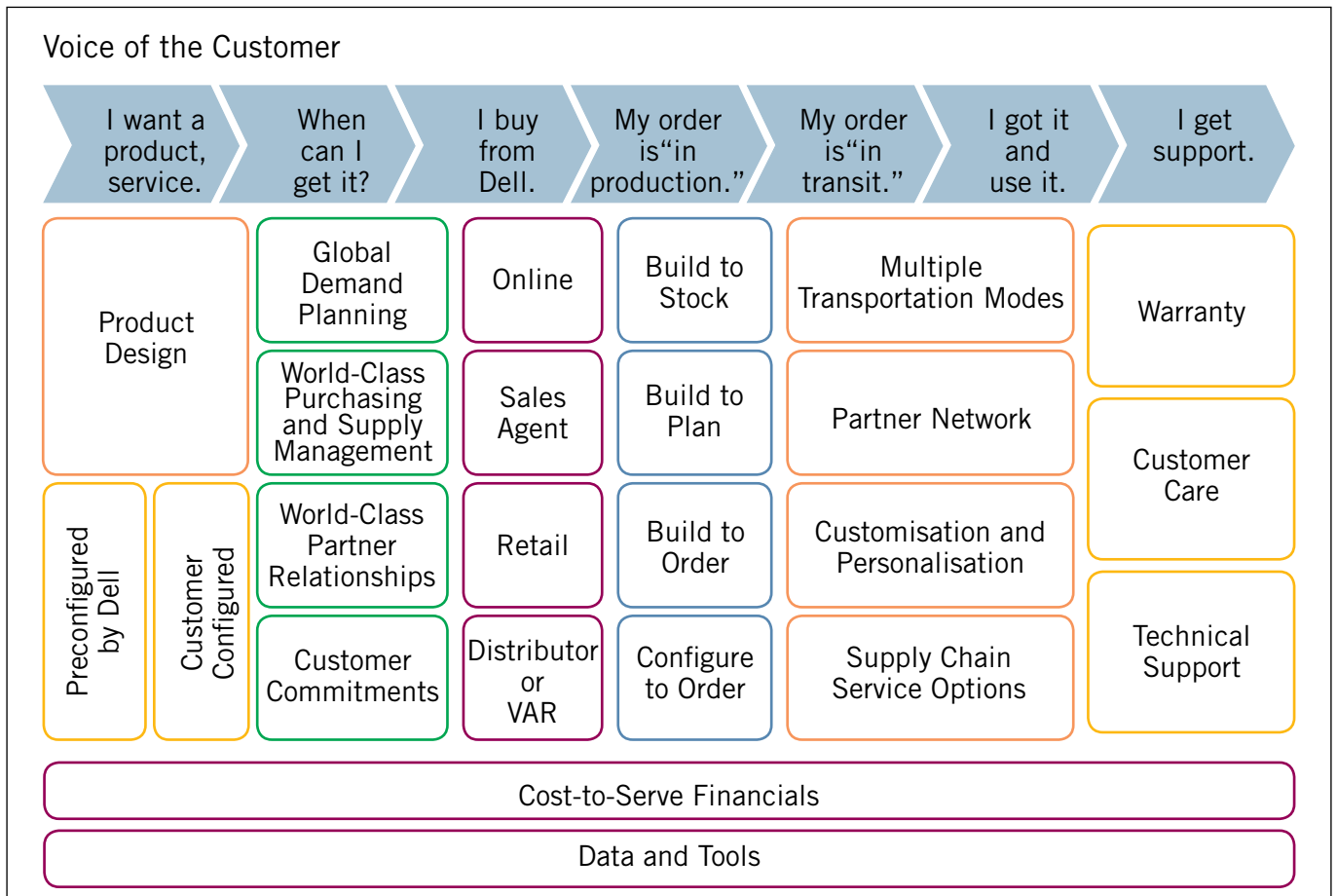


Figure 1

- Customers:
 - ◆ With specific needs will choose configurable products
 - ◆ Who want to use Dell as a trusted advisor will tend to choose pre-configured products
 - ◆ Who value speed will choose from finished goods inventory or planned production products and purchase them either direct or through the channel
- Each supply chain will leverage the same global partner network, tools, and general processes. Targets for metrics will be different based on the objective of the supply chain.

What are the key challenges in overhauling your supply chain system in this manner and how are you overcoming these challenges?

Key challenges in this transformation include the cross-functional and cross-organisational nature of the change and the shift in skill set and culture required. We are tackling these through strong executive sponsorship, dedicated change management, and cross-functional coordination to redesign processes end-to-end.

How have the changes affected the organisational structure of Dell? How are they affecting your supply chain partners?

As part of this transformation, Dell has transitioned from a regional structure to three global customer business units – large enterprise, public, and consumer/small & medium business. As part of the transformation, Dell's supply chain invested in skill sets and capabilities. We created a roadmapping and phase review process to manage changes to the supply chain. As part of that we created a dedicated global supply chain strategy and enablement team. Additionally, we have dramatically changed how we interact with each business unit through our sales and operations planning transformation.

Does the new model improve the CSR and sustainability capabilities of Dell? If so, in what ways?

Dell is working to make 'being green' easy and cost-effective for our customers. We offer free recycling of PCs and related accessories to consumers worldwide.

We have set goals to make our packaging

smaller and more recyclable. We are also introducing more sustainable packaging materials such as bamboo. We have reduced the energy consumption of our desktops and laptops by 25 percent since 2008. We source more than 25 percent of our global electricity needs from clean, renewable energy.

The structures that we put in place to manage change to supply chain capabilities will only help us continue the focus and speed up responsiveness in this area.

Dell is regarded as one of the great innovators in supply chain management. Do you think your new supply chain model continues the tradition of supply chain innovation and if so, why?

Absolutely, but in a different way. Dell was originally heralded for creating a simple, powerfully advantaged model with just-in-time inventory and full configurability. Supply chains must support their business strategy. Dell's business has dramatically changed in the last decade and will continue to do so; our supply chain will follow suit and evolve, too.

Dell's innovations going forward will be in the speed at which our supply chain can adapt to changing customer and business priorities.

Would you provide some details on the current structure and make-up of your supply chain operations in Asia?

Dell's overall supply chain strategy is global. As with most of our industry, much of our \$38bn in annual spend ultimately comes from Asia. We currently have (including its ODMs) manufacturing locations in multiple cities across Asia (Chennai, Penang, Shanghai, Xiamen, South China, Yantai, Taiyuan, and most recently announced Chengdu). We also use 12 distribution sites across the Asia Pacific and Japan region.

How do you see this structure changing over the coming years and what are the key factors driving this change?

We are pleased with our global structure coming out of this change. The major factors driving any future changes will be demographic shifts, macroeconomic considerations, and ultimately what provides the best value and capability for our customers. 