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Assessment 1

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Introduction

DELL Computers was founded by Michael Dell in 1984 within the confines of a dormitory located in Texas. DELL revolutionised the computer hardware market with its innovative direct-to-consumer business strategy and commitment to delivering cutting-edge technology directly to customers (Ragulan, 2021). The enterprise has expanded its operations to encompass diverse information technology products and services, such as portable computers, data storage devices, network infrastructure components, software solutions, and even professional advisory services in information technology.

DELL's primary products include personal computers, encompassing desktops, laptops, and workstations. The main focus of this study pertains to the laptop segment within the private computer market, specifically the brand DELL. The laptops manufactured by DELL were chosen as the focal point of the study due to their significant popularity and significance within the company's product portfolio. Furthermore, laptops exemplify DELL's commitment to delivering high performance, fostering innovation, and incorporating a design that prioritises user-friendliness (Cheng, 2022).

Identify demand and market equilibrium.

Price of substitutes

Market substitutes to DELL laptops consist mainly of other computing brands. The prominent contenders in the market encompass HP, Lenovo, Apple, Acer, and Asus. Each of these businesses offers a variety of laptop options at different price ranges to cater to the diverse demands and preferences of a broad consumer base. Dell has increased its PC market share to 17.1 per cent from 15.3 per cent (IDC, 2022).

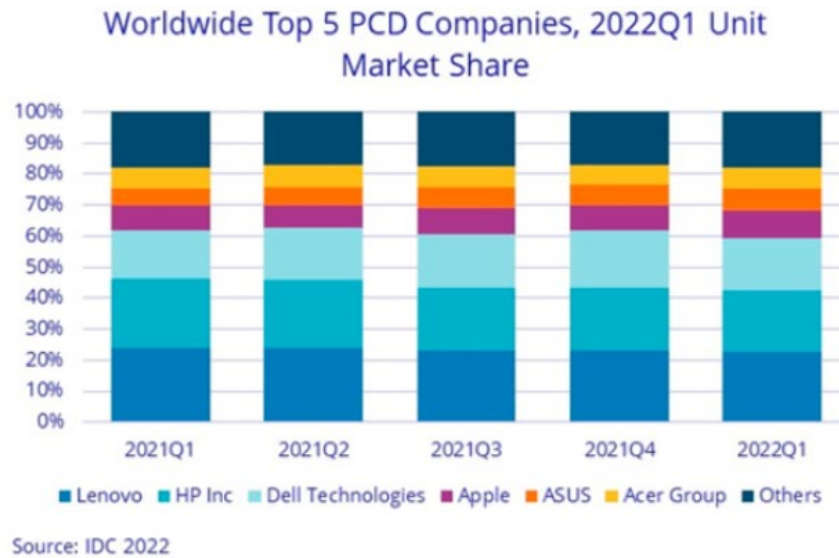


Figure 1: Worldwide top 5 PC companies' market share.

Source: (IDC, 2022)

Within the highly competitive personal computer market, rival products' pricing dynamics substantially influence consumer decision-making. For example, suppose Lenovo were to release a laptop with identical features to a DELL laptop at a reduced price point. In that case, consumers, particularly those prioritising cost considerations, may choose Lenovo as a more economically viable choice.

Recent market trends indicate that Acer and Asus employ aggressive pricing strategies to enhance their market share, particularly within the mid-range segment. DELL is experiencing pressure due to pricing competition since specific customers may opt for alternative brands if they perceive them to offer a more favourable value proposition (Jiang et al., 2022).

The availability of more affordable alternatives may lead to a decrease in the market for DELL laptops. Nevertheless, the potential price increase may be mitigated by DELL's established reputation for delivering high-quality products, long-lasting durability, and exceptional customer service, as these factors are valued by many consumers who are prepared to pay extra for such attributes. In essence, the market demand for DELL is influenced by its unique value offering compared to its competitors, despite the continued significance of pricing as a determining factor (Gupta et al., 2021).

Price of complements

In the context of DELL computers, complementary products or services are utilised alongside a laptop to augment its capabilities and enhance the overall user experience. Illustrative instances encompass software bundles like Microsoft Office, antivirus products, external hard drives, docking stations, and specialised devices like graphic tablets or external GPUs (Reeves, T., 2021).

The price of complementary products directly influences the cost of acquiring and utilising a laptop. In the event of a substantial increase in the cost of indispensable software subscriptions, the overall value proposition associated with purchasing a computer diminishes, perhaps resulting in a fall in demand. The attractiveness and cost-effectiveness of the main product, specifically DELL laptops, could be enhanced if there is a corresponding decrease in the price of complimentary items or bundled offerings. In 2019, DELL implemented a strategy of offering bundled packages that included discounted software and peripherals. This strategic move led to a 7% rise in laptop sales (Reinecke & Noll, 2023). This outcome highlights the importance of employing pricing strategies that incorporate complementary goods.

Consumer income

The level of consumer income plays a significant role in the purchasing decision-making process, especially concerning luxury or discretionary items. Despite the widespread need for laptops, their high cost often limits accessibility. The demand for notebooks is often influenced by consumers' financial stability and the availability of finances. Based on the 2019 annual report of DELL, a 12% growth in sales was observed in regions characterised by expanding gross domestic products (GDPs), with a particular emphasis on Asia and Europe (Park, 2021).

During periods characterised by the economic boom, wherein employment rates are elevated and wages are seeing growth, it is common for consumers' discretionary income to increase. These circumstances are conducive to acquiring more expensive items, such as high-end or luxurious laptop computers. DELL, a company offering a diverse selection of laptops spanning several price points, may witness a notable increase in sales under the current favourable economic conditions. This surge is expected to be particularly prominent in their premium product line, exemplified by the DELL XPS series (Babbo, 2021).

During periods of economic downturn or recession, characterised by a decline in job security and stagnant or declining earnings, there is a tendency for consumer spending to exhibit a more cautious behaviour. Under such conditions, potential consumers may delay their laptop acquisitions, select more affordable models, or explore the possibility of purchasing pre-owned devices.

Consumer Tastes and Preferences

Ultrabooks and 2-in-1 convertibles are in demand because people desire compact, lightweight, and portable designs. DELL's XPS series, aimed at discerning customers, saw a 15% sales gain in 2020. This expansion established DELL as a leading representative of modern tastes (Park, 2021). As remote work and online education grow, battery life, webcam quality, and integrated microphones become more critical. DELL must adapt to these changing needs as an industry leader. The popularity of narrow bezels, high-resolution displays, keyboard feel, and touchpad responsiveness can influence users' purchases.

There is also a shift toward ethical and sustainable industrial operations (Cheng, 2022). Many modern consumers choose companies that use recycled materials, are ecologically friendly, or conserve energy.

These changing choices have significant ramifications for DELL. Dell's design-centric devices, such as the XPS series, satisfy consumers' performance and aesthetic needs. However, the corporation must ensure its products meet consumers' growing environmental and ethical awareness.

Consumer Expectations of Price

Like other products, DELL laptops are subject to the influence of consumer price expectations, which can significantly affect their purchasing behaviour. Historically, consumers have demonstrated intentional tendencies to delay their purchases in anticipation of significant product debuts or marketing events, such as the widely recognised Black Friday.

Sales Volume Black Friday 2020 vs.2019

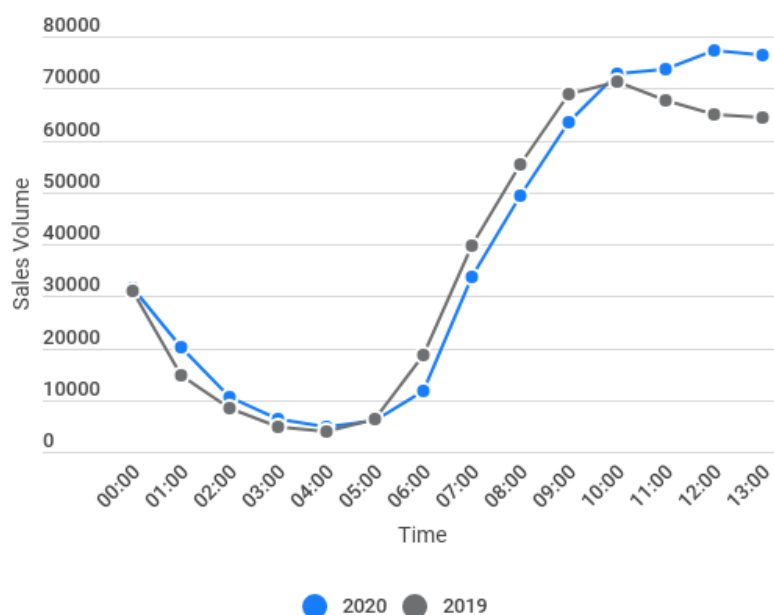


Figure 2: Sales Volume of Black Friday

Source: (Turnbull, 2022).

Preceding these occurrences, there was a transient decrease in sales amounting to approximately 8-10%, indicating a tendency among customers to defer their purchases in anticipation of reduced costs. The price above expectation exemplifies the mindset of numerous clients who believe they may get a more favourable transaction by exercising patience.

This behaviour underscores the influence of projected future pricing on present purchasing choices. The current demand for DELL products may experience a temporary suppression if consumers generally expect a decrease in laptop pricing shortly. On the other hand, purchasers may expedite their buying decisions if they foresee an imminent price escalation due to factors such as shortages of components or escalating production expenses.

Demographics - Number of Consumers (Buyers)

The surrounding population's demographic characteristics substantially impact the prospective client base for many products, including DELL laptops. The quantity of prospective purchasers of laptops is influenced by various aspects, including expanding the population, increasing literacy rates, and implementing programs on digital transformation. In

recent times, a notable trend has been led by rising economies, with particular emphasis on countries such as India and Brazil, as they have achieved substantial advancements in the digital realm.

DELL's 2020 annual report accentuates this trend, highlighting an 18% sales growth in these burgeoning markets. The observed rise can be attributed to an upsurge in consumer numbers facilitated by initiatives promoting digital education, expansion of the middle-class demographic, and governmental efforts to enhance digital infrastructure. The increasing consumer base in these regions signifies a heightened need for DELL laptops. In the second quarter of 2023, Dell shipped 10.39 million personal computers from a worldwide total of over 59.65 million units. Dell is the world's third-largest PC manufacturer after Lenovo and HP (Alsop, 2023).

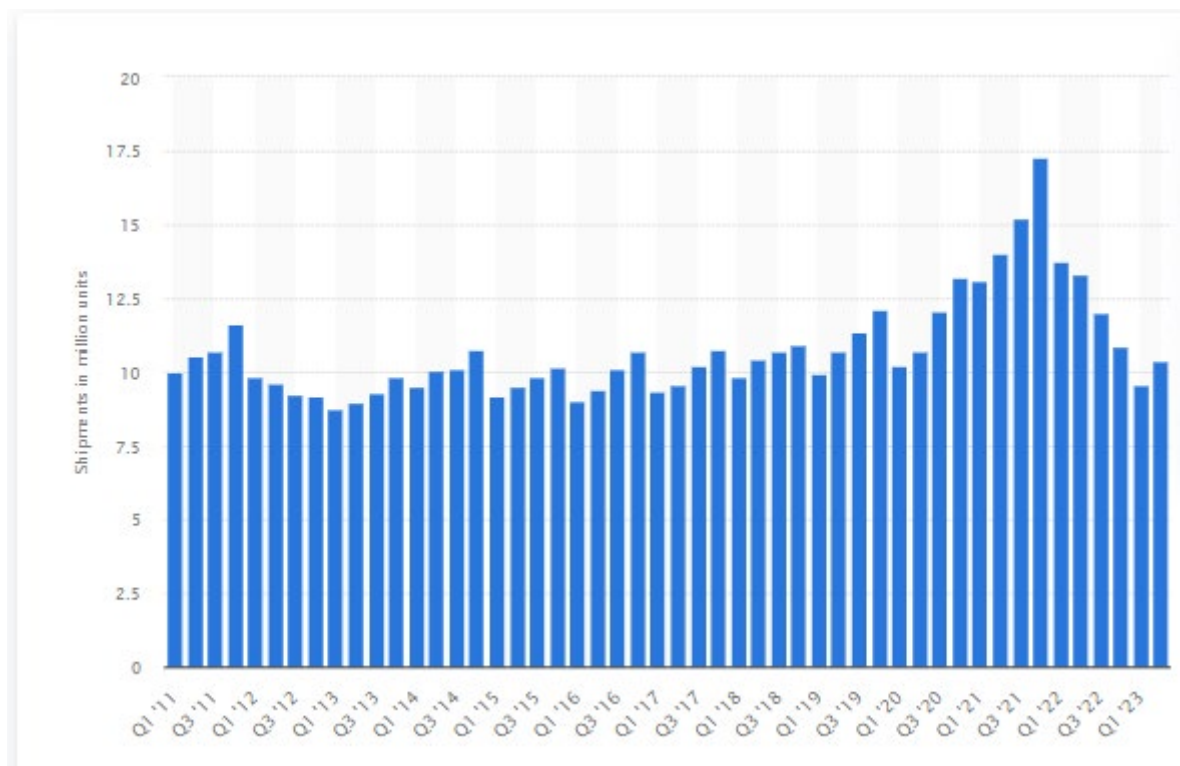


Figure 3: Dell's personal computer (PC) unit shipments from 2011 to 2023

Source: (Alsop, 2023)

The demand is additionally influenced by the substantial population of children among these cohorts, commonly called "digital natives." As children age, their dependence on modern gadgets such as computers for employment, recreation, and education experiences a corresponding surge in demand.

Price Elasticity of Demand

Substitution Effects and Luxury vs. Necessity

The accessibility of substitutes has an impact on demand elasticity. When consumers have easy access to near reserves, they can promptly replace goods or services due to price changes, resulting in higher demand elasticity. Laptops manufactured by direct competitors of DELL encompass brands such as HP, Lenovo, Apple, Acer, and Asus (Park, 2021). Each of these enterprises offers a variety of laptop options to meet the demands of their clientele.

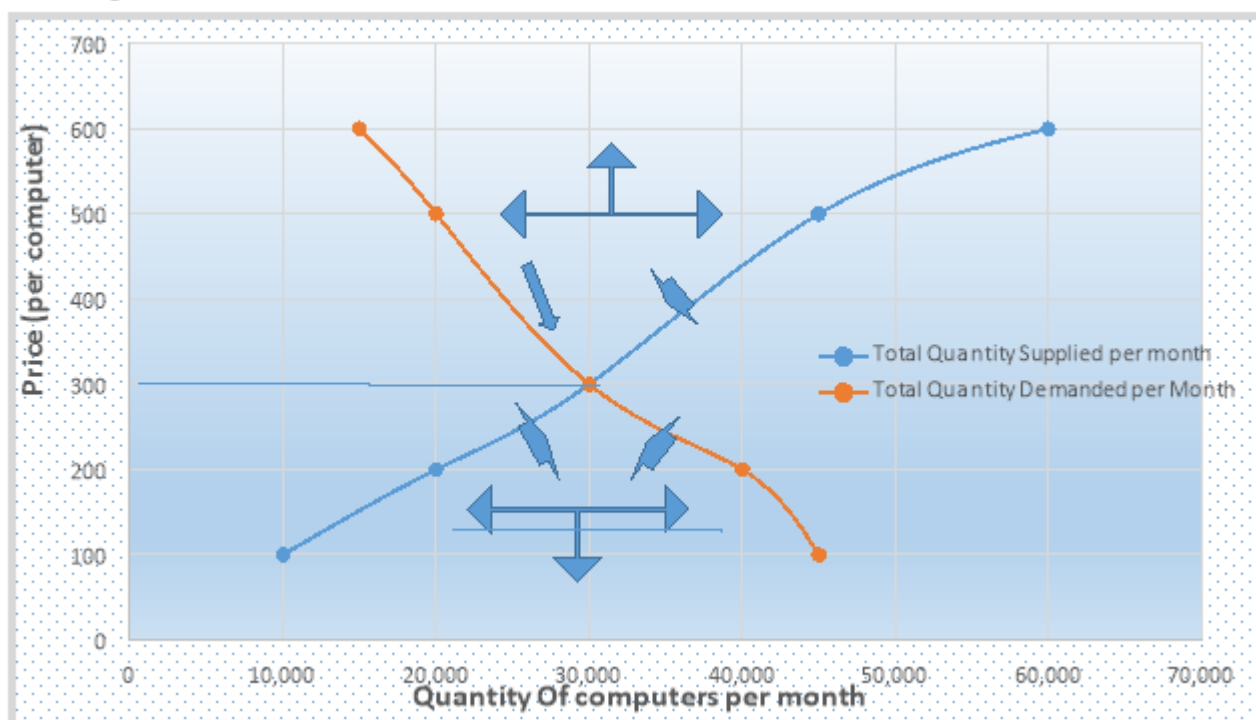


Figure 4: Income elasticity of Dell

Source: (EDUCBA, 2023)

The consumer's perception of a product as a necessity or a luxury substantially influences price elasticity. Necessities exhibit inelastic demand as they are essential regardless of their price. Luxury goods typically demonstrate elastic need due to their non-essential nature, allowing consumers to reduce their use in response to price increases quickly. DELL offers a diverse selection of laptop choices. The DELL XPS series, characterised by its high-end specifications and features, might be perceived as a luxury option. In contrast, the entry-level counterparts of this series are often considered essential tools for professional or educational purposes (Jawad et al., 2018).

The persistent upward trajectory in sales suggests that DELL has effectively sustained its appeal by managing the demand for essential and discretionary products. The need for DELL computers exhibits a high degree of elasticity due to the competitive dynamics inherent in the laptop market. In the event of price rises by DELL, customers can select either Lenovo or HP as viable alternatives (EDUCBA, 2023).

The demand for them is expected to exhibit inelasticity due to the essential nature of fundamental models. An individual who needs the product for educational or occupational reasons is unlikely to be dissuaded by a marginal rise in price. The DELL XPS series exemplifies a high-end product with relatively elastic demand (Park, 2021). An appreciable increase in price could compel consumers to consider premium laptops offered by other manufacturers.

Income effects and percentage of income

The income effect refers to the alteration in customer demand for a particular product resulting from a modification in consumer income. The price elasticity of a product concerning payment is determined by the proportion of a consumer's income allocated towards its purchase. To ascertain the income elasticity of DELL computers, it is crucial to analyse the balance of a consumer's income allocated towards purchasing a laptop (Fredman & Wikström, 2018).

Laptops can encompass various price points, constituting different consumer expenditure proportions. A student or somebody in the early stages of their career may perceive the cost of a high-end DELL laptop as a significant proportion of their yearly earnings. Conversely, seasoned professionals or corporate executives may regard the same expenditure as a minor fraction of their income (Bhadra & Kim, 2023).

A laptop is essential for many individuals, particularly those in professional occupations. Individuals working in professions such as graphic design, software development, or digital marketing may allocate a more significant portion of their budget toward the acquisition of a high-performance laptop in comparison to individuals who primarily utilise their laptops for casual browsing or recreational purposes.

Income Variations and Laptop Categories

Budget laptops are entry-level machines that are well-suited for regular, everyday usage. This product is well-suited for students or use in a domestic setting. Mid-range laptops are

well-suited for professionals who require enhanced hardware capabilities without extravagant features. High-quality laptops, such as the DELL XPS series, are renowned for their exceptional performance and are often considered premium products (Park, 2021).

A significant rise in income may not influence the inclination to acquire a low-cost laptop; however, it may play a role in the decision-making process when choosing between a mid-range and a high-end laptop. In the event of a substantial increase in a consumer's income, they may opt to discontinue their usage of mid-range laptops and instead go for a high-end model.

Income Elasticity Indication

Budget laptops may exhibit a relatively inelastic demand concerning changes in income. Higher revenue's potential impact on these computers' sales might be insignificant, as they are often purchased mostly due to necessity rather than discretionary spending. They represent declining earnings, especially among middle and upper-middle socioeconomic clients (Bhadra & Kim, 2023).

The elasticity of demand for Mid-Range and High-End Laptops is higher than income. Consumers possessing more significant financial resources may prefer enhanced specifications, premium amenities, and brand equity. In this particular scenario, the laptop serves as a more substantial proportion of income for those in lower and middle-income brackets, rendering the decision to purchase it more vulnerable to fluctuations in income levels.

Pricing Policy Recommendations

Given the current market dynamics and competitive landscape, DELL must reassess and refine its laptop pricing policy. This will enable the company to optimise its pricing strategy and achieve sustainable growth. The laptop market presence of DELL showcases a diverse range of client categories, technological advancements, and regional disparities within the ever-evolving realm of technology. Consequently, implementing an intelligent pricing strategy emerges as a crucial factor in ensuring the sustained prosperity of the entity (Fredman & Wikström, 2018).

The core of DELL's market is in its tiered product range. This caters to a diverse clientele, encompassing budget-conscious students and professionals seeking top-tier performance. Due to the diverse range of options available, implementing a tiered price structure becomes

necessary. One illustrative instance involves implementing a penetration price strategy by DELL for their affordable laptops, which can effectively foster brand loyalty, especially inside emerging markets (Bhadra & Kim, 2023). Conversely, mid-tier offers ought to adopt a strategy centred on providing value. The primary focus should be illustrating the balance between pricing and the quantity of goods or services. Highly sophisticated models equipped with state-of-the-art amenities employ a skimming strategy to rationalise their premium allure and target affluent customers with discretionary income.

Bundling is perceived as an advantageous strategy employed by DELL. The establishment of perceived value is achieved by strategically pairing laptops with compatible software or peripherals. This notion enables a price escalation without impacting the level of demand. This approach is augmented by cross-selling accessories, offering consumers a comprehensive technological ecosystem.

The global presence of DELL introduces complexities in determining localised pricing. Significant variations exist in regional economic conditions, currency exchange rates, and buying power parities. Consequently, implementing a pricing model incorporating intricate geographical factors becomes imperative (Park, 2021). Ultimately, the significance of brand loyalty must be considered. DELL has the potential to establish a stable client base by implementing upgrade incentives and loyalty programs, thereby fostering a network of brand attachments.

Conclusion

A complete pricing policy for DELL should possess an intricacy that aligns with the extensive range of its products and the multitude of worldwide marketplaces it engages with. DELL has the potential to strategically position itself by conducting a comprehensive assessment of demand elasticity, income effects, and market dynamics. This will enable the company to sustain growth, achieve profitability, and maintain a dominant position in the market. The overarching objective is to establish an equilibrium between delivering value to the consumer and guaranteeing the company's financial viability and expansion.

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