

DELL'S HOLDING COSTS 0

Dell's Holding Costs

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Dell comes to mind whenever low inventory is mentioned. The company has managed to successfully use Push-Pull strategy that looks similar to Just-In-Time (JIT) inventory. The Push-Pull strategy utilizes a very basic philosophy; “push products to market, ones that customers want and need, and then incentivize them to pull demand with the promise of providing a custom-made product in a fraction of the time when compared to conventional means” (“What are the Costs of Holding Inventory in Dell’s Push-Pull?”).

Due to rapid technological advancements in the computer industry, Dell pulls in sub-component parts, raw materials and finished products only when needed. The computer industry is driven by technology and the success of any company depends up on the capacity to deliver the newest and greatest products to the market. There is no need to have high inventory of items that are likely to be of little value a few week later (“What are the Costs of Holding Inventory in Dell’s Push-Pull?”).

The idea of Dell wanting parts delivered as soon as they are ordered would make the suppliers incur higher costs of holding inventory. If at all Dell decides to cancel more supplies because of change in technology or low demand, it is the manufacturer who incurs losses. However, Dell maintains a low inventory, and manufacturing a few new parts would not be a big deal to the supplier (“Dell Computers: A Case Study in Low Inventory”).

Beside the supplier, the consumer might have to shoulder some of the holding costs. Dell’s Push-Pull strategy guarantees consumers custom products. Having a product made in accordance to specific customer requirements would obviously cost more. Therefore, chances are high the cost of holding inventory will be shared between the supplier and the consumer. Theoretically, the holding cost might not affect the consumer. This is because the Push-Pull

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strategy eliminates retailers and middlemen considering that Dell buys component parts directly from the manufacturers and sells the finished products directly to the consumer (“Dell Computers: A Case Study in Low Inventory”).

In conclusion, Dell's Push-Pull strategy works perfectly for them, but not for other companies. This is because the manufacturers of computer parts for Dell are able to deliver when needed to.

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