

Soon you can put a Dell computer in your Wal-Mart shopping cart

PC manufacturer focusing on retail again.

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Dell Inc. said Thursday that it will re-enter the retail market by selling personal computers at 3,500 Wal-Mart and Sam's Club stores starting June 10.

The company pulled out of stores in 1994, choosing to focus solely on direct sales to customers, which has become a central strategy.

Pacific Crest Securities Inc. estimated that teaming up with a major retailer could boost Dell sales by as much as \$800 million a year, a 14 percent increase.

The move is crucial: The consumer sector is the strongest part of the computer market now, and Dell's sales have been hurt by its lack of a retail presence.

Pacific Crest Securities estimates that the consumer segment has fallen to less than 10 percent of Dell's sales, from 16 percent in 2004.

Dell will offer made-for-Wal-Mart Dimension Multimedia desktops at Wal-Mart and Sam's Club stores in the United States and Puerto Rico.

Wal-Mart said the "package bundles" would cost less than \$700.

Exclusive models also will be available at Wal-Mart stores in Canada.

"Our customers are asking us for additional ways to purchase our products, and we plan on delivering on a global level," Dell spokesman Bob Pearson said.

"Today's announcement with Wal-Mart represents our first step. Ninety percent of Americans shop at Wal-Mart, so that's a pretty good reason to start there," Pearson said.

Dell is expected to sell through other retailers as well and could open its own stores, analysts said.

The company has about 150 kiosks throughout the country, where customers can test drive Dell machines.

Orders have to be placed online or by phone.

The company also has a retail showroom in Dallas, where customers can look at products but still must place orders.

Dell plans a similar store in Austin, although no site has been chosen.

When Dell exited from the retail market 13 years ago, it was selling to five retailers, including Sam's Club, Best Buy Co. Inc. and CompUSA Inc., and had recently started shipments to Wal-Mart Inc.

But the company said it could make more money in its traditional mail-order business.

Since then, Dell has made occasional modest forays into retail.

During the 2005 holiday shopping season, for example, its computers were sold in Costco Wholesale Corp. stores, and its digital music players appeared in Target.com circulars.

Analysts have said Dell needs to rethink its direct sales model to break out of an extended run of lagging sales and falling profits.

"For years, we've been telling Dell that they needed to find a way to get into the retail area," said J.P. Gownder, a principal analyst with Forrester Research Inc. in Cambridge, Mass. "Wal-Mart is a good first step because they can learn about retail from the giant of retail."

But for Dell to succeed on the retail front, it must expand its reach quickly, Gownder said. "In the next year or so, they're going to need to try quite a number of things, including working with high-end retailers and expanding their demonstration stores."

The retail effort is part of Dell's strategy to reinvent itself in the face of increasing competition from rivals including Hewlett-Packard Co. and Acer Inc., a Taiwanese company that has forged a strong retail presence.

Michael Dell is personally leading the charge, having reclaimed the CEO job in January from Kevin Rollins, who resigned.

In the past fiscal year, Dell had annual revenue of about \$57.1 billion and profit of \$2.6 billion.

That's a \$1.2 billion increase in revenue over the previous year but about a \$1.2 billion drop in profit.

Shares of Dell stock on Thursday closed down 37 cents, or 1.41 percent, to \$25.89.

New ways to boost sales

Dell has rolled out several initiatives in recent weeks to revive sales, especially in the consumer market.

- Third-party resellers: Dell will expand commercial sales through resellers — already a \$4 billion business.
- Linux inside: Dell has started selling some computers with Linux operating software installed.
- Customer service: Dell is considering changes that could include letting customers pay for different levels of service and creating different support call queues depending on the customer's level of technical expertise.
- Back in stores: Starting June 10, Dell will sell special models at Wal-Mart, its first retail presence since 1994.