

Dell eyes more than \$2B in cuts over 3 years

June 13 2012



In this Aug. 16, 2008, file photo, boxes containing Dell computers are stacked on an upper shelf of a Best Buy store in Seekonk, Mass. Computer maker Dell Inc. announced Wednesday, June 13, 2012, that it is planning more than \$2 billion in cost cuts over the next three years as it looks to transform its business so it can keep pace in the highly competitive technology sector. (AP Photo/Stew Milne)

(AP) — Computer maker Dell Inc. is planning to trim its expenses by more than \$2 billion during the next three years as it tries to move into the more lucrative areas of technology.

Dell outlined its cost-cutting plans Wednesday, the day after the company committed to paying the first quarterly dividend in its 28-year history. The quarterly dividend of 8 cents per share will cost Dell more than \$560 million a year.

The bulk of the projected savings will come from Dell's sales group,

where the company plans to wring out about \$800 million in expenses. Another \$600 million in cuts are envisioned in Dell's factories and other parts of its supply chain. The remainder of the cost-cutting will be concentrated in service delivery (\$400 million) and its general and administrative spending (\$200 million).

As part of the belt-tightening, Dell expects to make fewer products. The company's management didn't identify which of its current products might be jettisoned.

The company, which is based in Round Rock, Texas, also didn't say whether it will lay off workers or eliminate jobs through attrition to save money. Wednesday's presentation for analysts and investors mentioned "consolidation" of sales support, a winnowing process that often leads to layoffs. Dell currently employs about 109,000 workers.

One of Dell's major rivals, Hewlett-Packard Co., announced plans last month to eliminate 27,000 jobs to help reduce its annual expenses by \$3 billion to \$3.5 billion by October 2014. HP's job cuts will affect about 8 percent of its workforce.

Like HP, Dell is trying diversify beyond the lower-margin business of making personal computers and plumb the more fertile territory of advising big companies and government agencies on how to manage their technology needs. As part of that process, HP and Dell hope to sell more software and computing equipment.

Dell is the second-largest U.S. PC maker after HP. PC sales, though, have been weakening in the past two years as consumers increasingly navigate the Internet on smartphones and tablets such as Apple Inc.'s hot-selling iPad. Both Dell and HP have been buying software and technology services companies to expand beyond PCs.

As it saves money, Dell said it will increase its investment in "growth initiatives."

Investors applauded Dell's strategy. The company's shares gained 30 cents, or 2.6 percent, to close at \$12.27 on Wednesday. The stock's price has ranged from \$11.68 to \$18.36 during the past year.

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