

CDW and PC purchases by small to medium-sized business buyers

Personal computers have become virtually commodity products. The technology is well enough established that buyers know they can purchase a computer with a given combination of characteristics (e.g., memory space, weight, speed, monitor quality) from multiple manufacturers. In such a market, two questions immediately emerge:

1. How can any manufacturer differentiate itself from the competitive crowd to gain disproportionate market share and/or margins higher than purely competitive ones?
2. What role might an intermediary play when the product purchase appears to be a straight commodity one?

CDW (formerly known by its expanded name, Computer Discount Warehouse) has risen to the challenge by adopting an enduring role as a valued intermediary in specific market segments particularly small and medium-sized business buyers and government/educational markets. In this process, it also has attracted the attention and business of major computer makers.

When serving small to medium-sized business buyers, CDW recognizes that it is not just a PC (or a set of PCs) being purchased but rather the products and the ancillary valued services accompanying them. The firm argues that it serves as the chief technical officer of small firms. What does this mean in terms of the demand for and supply of service outputs, along with the product purchased?

- CDW is a key provider of advice and expertise to buyers, pertaining to everything from the appropriate configuration of products to buy to the set-up of a local area network. CDW is also available after the purchase if any customer service problems arise.
- CDW prides itself on its speed of delivery: 99 percent of orders are shipped the day they are received. The company can make this promise because of its investment in a 400,000-square-foot warehouse, which permits it to hold significant speculative inventory and avoid stockouts.
- CDW offers different customer service options: A customer can buy online, without a great deal of sales help, but CDW also assigns a salesperson to every account, even small, online purchase accounts. This service output gives the buyer access to a person to talk to if any questions or problems arise, and it increases the buyer's flexibility in terms of how to shop. The salesperson has no incentive to be overly aggressive, because a sale results in the same commission, whether the customer orders online or through the salesperson. A CDW salesperson goes through four months of training before being allowed to serve customers, so his or her level of expertise and professionalism is high enough to serve the customer well.

CDW offers its customers broad assortment and variety. A small business buyer can buy directly from a manufacturer, such as Dell or Hewlett-Packard, but that means restricting him- or herself

to one manufacturer's product line. Buying through CDW gives the buyer access to many different brands, which can be useful when putting components together in the optimal computer systems. CDW enhances the effective assortment available by also refiguring products before shipping them out, to customize them to the demands of the business buyer.

How well does CDW compare to the competition? Offering high levels of service outputs is great, but the question always remains: How well did the channel perform against other routes to market through which a customer can buy? When CDW faced a strong challenge from Dell Computer, offering 0 percent financing for the first time, together with free shipping and rebate programs, how did CDW withstand the competitive attack? For an individual buyer, such questions take on a different perspective: How much are CDW's extra service outputs worth to my company? For the buyer that values quick delivery, assortment, and CDW's targeted customer service, the apparent price premium is well worth the money, because it saves the buyer the cost of acquiring those services in another way (or the cost of not getting the desired level of service).

Thus, CDW's strategy of focusing on a particular subset of all computer buyers and providing valued service outputs to them, along with a quality product, has helped the company cement its relationships with these buyers, while also making it a preferred intermediary channel partner to key manufacturers.