Price competition in a sector as commoditized as the PC market is getting difficult even for Dell, whose direct sales model has become a virtual recipe for success. In the first quarter of this year, the Texas-based company saw an 18% drop in earnings. Their profit margin was also reduced by 2.1%, falling from 8.8% to 6.7%. The decrease comes at a time when the price war between manufacturers has driven the price of laptops down 18.5%, while simultaneously leading to a drop in desktop prices, according to Current Analysis.

Dell has responded by offering its customers something more than competitive prices. In the past two months, the company founded by Michael Dell has: announced that it will incorporate AMD chips into its line of products; presented a revamped range of servers to simplify installation and maintenance; reached a deal with Google to preinstall their search engine in its computers; and finalized an alliance with Skype to make their VoIP software standard issue in its products.

All in all, the key move by Dell is about improved customer relations, which to date has been one of the company’s weak points. First, the firm has announced its plans to invest an additional $100 million to optimize its telephone support service. Additionally, it has decided to acquire full control of Dell Financial Services (DFS), a joint venture founded in 1997 with CIT Group, and that it will now offer improved financing options.

More importantly, it has announced the opening of retail stores in the United States. The company, which already operates 160 kiosks in US shopping malls, is now opting for creating spaces where it can offer a greater customer experience. The stores will showcase the brand identity and colors in an ideal, totally controlled environment. The first Dell store to open its doors is located in Dallas.

There is no warehouse, but it allows customers to personalize their purchases. Customers will still carry out transactions via Internet, however they will do so at the store with the assistance of an employee. Dell hopes this will attract the kind of consumers that prefer to see the product before buying it, and need a little more than just a voice on the other end to make a purchase, and who feel more comfortable knowing that if any problems arise, they will be given personalized attention at a physical location.
Furthermore, the company is looking to reinforce its image, a key aspect at a time when price competition is becoming increasingly more difficult. The stores could become the company’s flagship, similar to the showcase stores which major fashion labels—despite also selling their products in large department stores—open in large cities in order to convey their own visual and emotional message. Their goal is not just selling products, but also creating a space where potential customers want to be. This is what Apple has been able to do with great success in the stores it has opened around the world. They are much more than points of sale—they are spaces for trying out the products, giving seminars and where the customers wish to be seen. The Cupertino company’s stores are chic and thus so are its products and its customers. Like Apple, Dell is opting for the creation of environments that allow them to project “their world” and where the customer can live the “Dell experience.” When all is said and done, the idea is to create a “Dell world” that is attractive and engaging, one that customers want to be part of.