

## Title:

Dell Cuts Back On Mail-In Rebates.

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## Summary:

As of last week, Dell announced that it will cut back on mail-in rebates and make sale prices more accessible to customers after complaints that the procedure for receiving the sale price was too complicated.

Analysts believe this will help boost Dell's customer relations but not necessarily its sales. Dell, the world's largest personal computer maker said that product prices will stay the same.

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## Article Body:

As of last week, Dell announced that it will cut back on mail-in rebates and make sale prices more accessible to customers after complaints that the procedure for receiving the sale price was too complicated.

Analysts believe this will help boost Dell's customer relations but not necessarily its sales. Dell, the world's largest personal computer maker said that product prices will stay the same.

Dell's sales have been down in recent quarters with tougher competition from their number one competitor Hewlett-Packard. Dell which sells directly to customers through the internet and via phone has had complaints of their poor after-sale performance. In the early 90's Dell's percentage growth was much higher and analysts wonder if Dell can once again reach these numbers.

An analyst with Cross Research says, "Dell is facing a lot of challenges. HP is just reinvigorated, which is one of their biggest problems. Their competitor is back."

Dell shares ended down 68 cents, or 3 percent, at \$21.70, more than the Merrill Lynch Tech 100 index's (^MLO - news) 1.6 percent fall.

Dell anticipated a reduction of approximately 70 percent per product line in the number of promotions for U.S. consumers and small businesses. Promotions connected to a single product line would decline by 80 percent.

Reductions will take affect in the next 12 to 18 months, starting with the Inspiron notebook computers and Dell monitors.

Moors and Cabot analyst Cindy Shaw said, "People hate rebates" and she believes this is a positive move for Dell.

Some analysts thought Dell would introduce price cuts to contend with competitors Hewlett-Packard and Acer Inc. They continue to diminish Dell's long-established price advantage thanks to cheaper components and more competent manufacturing.

In May, Dell publicized its plans to lower prices and is spending \$100 million to improve customer service by hiring over 2,000 sales and support staff.

Dell's senior vice president of home and small business groups, Ro Parra said the cutback in promotions will not affect the "net price" that customers pay but make the process of buying a computer easier.

Parra commented to reporters that customers don't like rebates and only about 80 percent redeem them. He also said "They are problematic, and our intent is to reduce them over time."

Dell as well as other retailers like Best Buy Co are cutting back mail-in rebates. They are not much of an incentive to customers because they must fill out forms, send product codes and then wait several months to receive a check.

Dell's new focus on existing promotions will be paperless rebates which make analysts wonder if this will motivate consumers to take advantage of the offers.

Research analyst Cross said "My biggest question is, what the financial impact of this is? If you don't get a lot of hits on mail-in rebates, and now you're just going to go to instant rebates or price cuts, then that hits everyone."