**Building the Perfect Machine**

**Michael Dell**

**"My parents first sparked my interest in business. We lived in Houston. My mother was a financial advisor and my father an orthodontist. When I was a kid in the 1970s, we'd sit around the dinner table talking about inflation, the oil crisis -- that sort of thing. When I was a second-grader I started my first business, selling candy. In third grade I applied in the mail for a high school equivalency degree. I saw this thing in the back of a magazine, and I thought, 'I'll try that.' A few weeks later this woman knocked on the door and said, 'Is Mr. Michael Dell there?' And my mother said, 'What is this in regards to?' And the woman said, 'We're from the so-and-so company, and we'd like to talk to him about high school equivalency.' And my mother said, 'Well, he's taking a bath right now, but I'll get him.' So I came out in my little red bathrobe. As soon as the saleswoman saw me, she decided that was the end of her sales pitch.**

**A few years after that I created a stamp auction business. And it was kind of a direct-mail thing, where I was getting people who wanted to consign stamps together with people who wanted to sell stamps, and then getting them to bid on stamps. In high school I bought myself an Apple II computer, which was the PC of choice at the time. I took it apart, learned about how it worked, what was inside, and how to upgrade the machine. That kicked off my whole interest in computers. I set up a bulletin board system, and I was upgrading computers and reselling them at a profit to my friends.**

**When I was 16, I had a summer job doing phone sales at the Houston Post. And they gave me a big long list of phone numbers to call and say, 'Hey, I'm from the Houston Post. How'd you like to buy the newspaper?' I soon realized that there were two kinds of people who were buying newspapers: people who had just moved and people who had just gotten married. That seemed logical enough. So then I asked, 'Is there any way I can find all these people who are getting married or have just moved?' And it turns out that in the state of Texas, when you get married you have to apply for a marriage license. When you apply for a marriage license, you put an address of where you want the license sent. And that's usually where you're going to live. So it's not that hard to figure out what to do next: Go to all the counties in the surrounding area, start gathering up all these names of people, and send them direct-mail offers. All of a sudden I had thousands and thousands of people who wanted to buy the newspaper. I made $18,000 in commissions and went out and bought more computers. I bought a car, stereos, basically anything a 16-year-old would want.**

**Then I went off to the University of Texas to be premed. My freshman year I started selling computers out of my dorm room. I was doing what I had done in high school, but my parents weren't around to force me to study, so I could do a lot more of it. As I got further into this computer stuff, I realized that the industry was incredibly inefficient. There were dealers like the now-defunct ComputerLand that bought from manufacturers or distributors and then sold the machines to the public. When you opened up a $2,000 PC, you'd find only about $600 worth of parts inside of it.**

**And it took about a year from the time the part was available till the time it actually got to the customer. That meant that your computer, to put it kindly, wasn't the latest technology -- if you want to be extreme, you could say it was obsolete. I would read in the industry publications that Intel had this new superfast processor, but the best one that I could buy in the store was only half that speed. It was just gross inefficiency in the inventory and supply chain.**

**In May of '84, I dropped out of college and set up in a 1,000-square-foot office in Austin. At that time PCs didn't come with hard drives. But you could put together a kit to upgrade a computer with a hard drive. That's how the company got started, selling upgrade kits for computers.**

**And from there, we just kept growing. The funny thing is, there really wasn't one moment when the idea for the business came to me. It was a little more pragmatic and incremental than that. It doesn't sound like a story made for television, but it's true. I said to myself, 'If I can make $80,000 selling computers from my apartment, I can probably do $1 million a month with an office and a tie.'**

**We lasted only about a month in that office and then needed 2,500 square feet. We lasted about three months there, and then we moved to a larger space, with 7,000 square feet. We were like gypsies, always moving to bigger and bigger offices. So we were growing, but I didn't have any capital, and I had to do a number of things to fund the business. I had customers paying by credit card when we shipped. I had wire transfers of money going back and forth. I had suppliers who would say, 'Well, I don't really know if you're going to be in business, but I don't have many customers, so I'll give you some credit.' And I would figure out how to make it work.**

**We screwed up all kinds of things, but there was so much inherent value in what we were doing that it masked all the mistakes that we made. Still, we didn't make a lot of the same mistakes over and over again. We learned from the mistakes and figured out how we could progress.**

**Even when we made mistakes, though, we kept to our core principles. From the beginning, there was definitely an ethic around the customers: How do we serve the customers? There was a philosophy in the company that we're going to do what's right, which is how my parents taught me to treat people as well as customers.**