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## Dell Exec: White-Box Expectations Modest

But says new business will be profitable from the start

By **Edward F. Moltzen**, *CRN*  
CRN  
New York, Tue. Aug. 20, 2002

Dell Computer's foray into the white-box channel, set to launch Friday, will start small and with modest expectations, focusing on solution providers with no more than \$5 million in revenue and fewer than 20 employees, a top company executive said.

But the Round Rock, Texas-based PC maker will jump out of the gate turning a profit on every white-box system it ships, even though it believes it can be a price leader in an already low-priced segment, said Frank Muehleman, senior vice president of Dell's small business division.

"This is, for us, an opportunity to kind of provide what is a good product with good economics to an end user," Muehleman said. "In the small-business market, which is where this is targeted, if you can get the economics to the user, it works."

Dell's initial white-box offering in the channel will include a \$499 desktop with a 1.7GHz Celeron processor and no monitor, Muehleman said. Dell will ship the system under a "Channel Partner Solution" tag. Other solutions, which will also be based on Intel Pentium 4 systems, will be available, he said.

"We are profitable on every unit I sell," Muehleman said. "I refuse to do business where I can't be profitable. We can sell a single unit, and we can be profitable on it. ... This needs to be a profitable business for us."

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The Dell executive said that as of yet no solution providers have been formally enrolled into the new channel program. In the program, Dell will not provide price protection, market development funds or traditional channel incentives. Rather, Muehleman said, Dell will offer low-cost boxes on a configure-to-order basis directly from factory to

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solution providers.

"What I can give them is a tool at a better value," he said.

It will not be targeted at high-end solution providers or resellers with large

enterprise accounts, he said.

He acknowledged the potential for negative reaction from some channel players, which for years have looked at Dell as a fierce competitor.

"So much for be-direct," said Diane Krakora, principal and founder of Amazon Consulting, a Mountain View, Calif.-based consultancy specializing in channel issues. "It's absolutely a great idea for them to be able to play in this [SMB] marketplace, but I wonder who will take them up on this.

"It's hard to be the enemy for so long and suddenly jump the fence and say, 'We'll be brothers in arms.' "

Under Dell's approach, solution providers will essentially become Dell end users--a distinction Dell makes since it has found many small VARs often act as the IT department for their SMB customers.

BARBARA DARROW contributed to this story.



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