



**Michael Dell Remarks**  
**Building an E-Government Partnership**  
**Keynote address at the Southwest Government Technology Conference**

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I want to talk today about the Internet and how it can change government, because a big opportunity is emerging right in front of us. There are challenges, certainly, but there are massive benefits as well. I also want to talk about how to build an e-government infrastructure to enable government activities online. This requires a rethinking of government processes and a transition from a traditional brick-and-mortar government structure to a click-and-mortar, or online, structure that enables citizens to have access to the information, the commerce, and the community aspects of interacting with their governments.

I believe this is important for a number of reasons. Certainly, public expectation is rising. I was in Davos a few weeks ago at the World Economic Forum, which was also attended by President Clinton, Tony Blair, and a number of other major political leaders. I can tell you that every single political speech I've heard in the last four or five months had the Internet somewhere right in the center of it. This is a very hot topic, both for citizens and for elected officials, as there is a tremendous realization of the potential capabilities of the Internet. These capabilities revolve around velocity, efficiency, and delivering a better ultimate experience to the customer.

Dell was at the forefront of this transition to the Internet when we launched [www.dell.com](http://www.dell.com) in 1994. If any of you remember back then, we were actually the first computer company to have an Internet site. It was an unusual position to be in, because nobody knew what these things were about. But we said, "This is going to be an exciting way to interact with our customers." We were not absolutely sure what it all meant, but we set up a site called [dell.com](http://dell.com), which was mostly technical interaction at the beginning. We had users who wanted to get technical support information, so we put our support information online. Then we added the ability to configure and purchase systems online, and of course, it took off rapidly. We now operate the largest commerce engine in the world using Windows. In fact, just a few days ago we flipped the switch over to Windows 2000, and we are seeing about a 22 percent improvement in performance.

We now transact 40 million dollars per day online -- about 50 percent of Dell's revenues -- on a seven-day-a-week, 365-day-a-year basis. We receive about 32 million unique visitors per quarter to [dell.com](http://dell.com). Probably the easiest way to think about this is to suppose you had to have a physical infrastructure, whether it was call centers or regional stores or operating facilities, to receive 32 million people. Think of the physics of the infrastructure for those 32 million interactions per quarter. Compare that to the



dell.com Web site, just up the road and operating on several Dell servers. That kind of power, in terms of efficiency and scalability, is very attractive for governments to consider.

Globally, we operate about 80 country-specific sites, so our customers in China or Australia or Singapore or Japan, wherever they might be, can interact in their local language with local content, local currencies and buy products from us around the world.

But being on the Web is not just about selling products and transactions. There's a deeper integration that can occur in an organization with the Internet, and it relates to things like procurement, support, and developing improved relationships with customers, or, in your case, constituents. A good example of this would be something we call [valuechain.dell.com](http://valuechain.dell.com), which is an extranet site that we use with our largest suppliers. We give them visibility into our requirements for their incoming materials. We give them statistics from our manufacturing lines and from our field performance on the reliability of their components. So, instead of having to wait for a quarterly review meeting to know whether or not their component is performing at the specification level we require, they can see that in real time. We can see their inventories passing through their work-in-process and on their way to us. Essentially, we treat them as an extension of our own business through these kinds of connections.

Being among the first to embrace the Internet has given us an accumulated knowledge and experience. Perhaps one of the most important lessons we have learned is that the Internet is very experiential. You can't sit back and develop the perfect answer and then roll it out, because you learn by doing in this space. It is important to get out there and try some things and experiment, and to help your customers transition to the Internet.

From Dell's direct experience with government customers, we understand that there are some unique challenges here, and also some parallels with those that are faced in the private sector. There's a need for coordination and collaboration, as many agencies tend to have more of a siloed approach. An Internet strategy also requires a clear vision and buy-in, and very clear accountabilities across organizations as to who is going to deliver what information to whom. I think the integration challenge is a significant one for government.

Also, government procurement policies can sometimes make buying online more complicated. This is something a lot of people are taking steps to address, and we would encourage you to move faster toward an online-driven procurement system, because it will benefit all parties. Certainly there are questions of public participation, the digital divide, and how to get access to the broader population. And not just access, but if I have access, can I actually use the tool? Have I been trained? Do I have some knowledge that allows me to interact with this tool in a constructive way? We know there is public demand for this. A recent survey of U.S. adults found that 60 percent believe Internet access to local governments would strengthen ties and improve service, and 55 percent felt that governments should adopt the approaches used in the private sector.



We have used the Internet as the core backbone of everything we do at our company. Integration is absolutely essential to achieve velocity, and removing frictions from a transaction. If you think about it, there is a lot of friction out there in the world in terms of how much time and cost is inserted into these processes. Information creates a vacuum that removes a lot of that friction. But it also requires a rethinking of processes. If you just say, "We're going to take the old process and use the new tools to do the old process," then you're only halfway there. The real question is, "Now that we have these new tools, can we create a better, more efficient process?"

We can now deliver services that we could not deliver before. For example, we now turn our inventory about sixty times a year versus about six times a year for many of our competitors. This goes back to the value of information. If we have perfect information about what our customers want to buy, because our customers tell us what they want to buy in real time on the Internet, then we don't have to guess what they're going to buy. We don't have to stock up stores spread out all over the countryside, and ultimately guess wrong. Imagine you go to a car dealer and see a lot full of cars-blue cars and red cars and yellow cars and two-doors and four-doors. You've got your heart set on a two-door red car. You walk into the dealer, and it turns out that they don't have any two-door red cars. They have four-door blue cars. All of a sudden, the slick salesperson has convinced you that you need this four-door blue car. Being somewhat susceptible to this, you're now convinced that you need this four-door blue car. You drive out of the lot in your four-door blue car, and a signal goes back to the factory that says, "These four-door blue cars are hot. Let's build some more!" What is wrong with this process? Cars are sitting there waiting for people to buy them when they're not exactly the right cars. The sales process is not inserting value because it sold something the customer didn't want to buy. Assets and time and costs are tied up.

We believe that by taking orders online as opposed to offline, we can magnify the efficiency and the productivity of our own teams. We also have driven a significant amount of support activity online. About 75 percent of our support transactions now occur online, where customers can access the same rich information that we use internally. Certainly, it allows for the delivery of a better customer experience. Of course, the transaction costs are very low. An economy is a collection of costs that represent interactions and transactions among different people and the entities that people are trading and buying and selling. If that cost goes down dramatically, the economy becomes more efficient, and works a lot better. It's a massive deflationary effect.

Let's consider some of the implications. Businesses today do about 600 billion dollars worth of government transactions, not including taxes. Today, about one percent of those are online. So, if I take Dell's 50 percent versus the one percent, we have some room for opportunity. But Dell is advanced in this; the whole economy is probably closer to three or four percent. So the distance versus the whole economy is not that dramatic. But I believe if it's not embraced aggressively, the distance is going to grow quickly.



There are some great examples up here. The state of Alaska has essentially moved itself completely online, with all of its government officials, job searching, and contact information available online. College students can apply for federal education assistance and financial aid online. This has resulted in a 25-fold reduction in errors related to the quality of the information. In Arizona, you can renew your vehicle registration online. I don't know about you, but I don't like filling out forms and standing in lines, and neither do most of the people in our country. So there is going to be increasing pull for these kinds of services.

So, what are the steps in building an e-government organization? I would stay focused on three key phases. The first is content; the second is commerce; and the third is community. By content, we mean bringing information online. Anytime you have a form, a manual, or a document, put it online. This is the foundation of any Internet strategy. Once we brought information online, it became clear to us where the opportunities were in the transaction world: simple things like order status and commerce, and we have added more complex things over time. The key, again, is that it is experiential and you learn by doing.

Let's take an example of e-government in action, providing rich online content. Dave Gainer is here today from the state of Texas, IT director for the Texas Department of Protective and Regulatory Services. Before they implemented their Internet strategy, they had a typical physical process. Parents who were interested in adopting children had to go to a physical office and look at a book that listed the information available about the children. Citizens had to go to a physical office to find child care provider information. Case workers for abused children could only access the Rainbow Rooms (which contain clothes and toys and school supplies) during normal business hours. Now these Rainbow Room listings are available online, and you can take a virtual tour 24 hours a day. Parents can enter their ZIP codes and get information on nearby child care providers. And now parents can start the adoption process online, where they can see pictures, backgrounds, and videos of the children available. Clearly this is a massive improvement in experience and efficiency. In addition, the adults using these services are used to this process in the commercial world. When they buy a book from Amazon.com or a computer from dell.com, or anything else they might do, this is their experience. So there's a tremendous pull for these kinds of online services.

The second stage is commerce. You should think of this as any kind of transactions. Our first experiment with transactions really had nothing to do with "commerce." It was an online order status tool. We knew we were on to something when, in the first week, five thousand customers used this tool -- and we didn't even advertise that it was out there. This formed the foundation of our online sales effort.

Many states and cities are already offering online transactions. In Maryland and Virginia, online driver's license renewal is available. In North Carolina, lawyers can file their briefs electronically. In Boston,



Indianapolis, and Seattle you can pay your traffic tickets online. Today there are about 31 states that have e-payment system programs in place, and 21 are planning to more aggressively implement them, accepting Internet payment systems or expanding their use of credit cards. I believe this is an absolutely the way to go, yet there are still many governments around the world that will not accept electronic transactions. I think if we are going to embrace this e-commerce age, this is absolutely essential.

One of our other goals is to deepen customer relationships. A great example of this is our government customers that have very unique requirements in terms of pricing, specifications, product availability and state contracts, and unique agreements that are specific to the relationship between Dell and the individual customer. So we created a customized Internet site called the Premier Page for individual customers. In fact, we now have about 40,000 Premier Pages for unique customers. Almost half of them are for our state and local government and federal government customers. It allows for the reduction in transaction cost, the deepening of the relationship, and paperless procurement.

To give you an example, the state of Louisiana, which is here with us today, used to use a cumbersome process. When they purchased products, they had to complete a series of line items of components, hard drives, memory, operating systems, monitors, and these orders were often refused if there were any price changes. In today's dynamically changing world, we had a high error rate in making these orders effective. So we moved process online to provide dynamic pricing without the correction and reprocessing step. This has taken out a lot of cost for them. With the Premier Page, all of the end-users in the state agencies, the legislature, and the schools can access this information. It has accelerated the whole delivery cycle in the state dramatically.

We also provide state-specific Premier Pages for those agencies and groups that don't have their own Premier Page. Dell has been a leader in this area for a long time. We can also add specific news and information, products and services and solutions on the Premier Page. Obviously, this aggregates the volume of state agencies to provide a volume discount and stay very competitive, which is very important for us.

The third stage is community. Community means building interactive, two-way communication over the Web with customers and suppliers. As an example of this in the commercial world, last year, Dell hosted an online webcast with the Small Business Administration about how to prepare your business for Y2K. Several thousand small businesses signed up online to participate and send questions by email. Essentially, we created our own TV channel on the Internet for about 45 minutes. And of course, all of this is archived, so that customers can go and view it on their own time.

We're working to help you transition to this e-government world. We have created a site, [www.Dell.com/egov](http://www.Dell.com/egov), with a lot of resources that I would encourage you to access.



There are huge implications for community building in government: citizens participating in city meetings, contacting local officials, debating issues in chatrooms, and so on. I believe online voting is going to happen; it is a question of when and how, not if. Certainly, President Clinton has ordered a study of this with the National Science Foundation to understand its feasibility. There have already been some steps in this direction -- Arizona Democrats will be able to cast their ballots in the upcoming primary on March 11th, and we will see how that goes. Online access is something that citizens want, and I think it will ultimately result in increased citizen involvement.

In summary, the Internet is changing the face of the entire economic and social structure of not only this country but the entire world, and governments have a great opportunity to embrace it. We're seeing a transition from a brick-and-mortar government to an online government. The advantages will include things like velocity, efficiency, and a better customer experience. The focus should be on these three C's: content, commerce, and then community. We think there is another stage after those three. We're not sure what it is yet, though. And that's the fun thing about this kind of technology. It is always changing and it's a great opportunity for continuing innovation. Thank you.