



The Internet Advantage - Operating Principles for an eSociety Michael Dell Keynote Address

Copenhagen, February 7, 2001

Good afternoon. It's good to be here in Denmark for the FutureFocus Conference-the beginning of a strong partnership of organizations working to make positive changes. It's exciting to be in a country that understands information technology and is working to take greater advantage of its benefits.

The levels of technology adoption in Denmark are very impressive:

- PC's in 65% of households
- Internet access in 50% of households
- And growth in e-commerce transactions that exceeds the European average

Dell has been doing business directly with customers in Denmark since 1995, and we're proud of the role we've played in helping grow those impressive numbers. As Dell has grown, there have been many places where people thought the Direct Model wouldn't work. But we've proved them wrong, time and again. One of the driving forces behind the success of the Direct Model has been the Internet. The Internet is the ultimate direct connection and it hasn't just offered better and faster access to our business-with 50% of our sales now online-but the Internet has helped foster a worldwide "**direct mentality**," bringing information and services directly to end users in unprecedented ways.

I just came here from the World Economic Forum in Davos, Switzerland where leaders from business, government, and other institutions gather each year to discuss a wide range of issues. There is a real sense of opportunity in the world right now-a sense that we have the tools available to us to affect great change and accomplish great things. Most of these opportunities are driven by technology.

A few weeks ago, Prime Minister Rasmussen-who will also speak today-delivered his annual address to the people of Denmark. I'm sure most of you recall what he said about information technology: *"I want a Denmark that is quite simply the world's best information technology country."*

I'd like the Prime Minister-and all of Denmark-to know, we at Dell are ready to help!

The Prime Minister's remarks were right on target. An investment in information technology is an investment in Denmark's future. But to reach the goal of "Internet access and an email account for everyone," it will take a **partnership between all of the stakeholders**-government, industry, organizations, and individuals. The Internet can improve the way we all work, play, shop, learn, and communicate. It can make transactions faster, more efficient, and a better experience. But to get there we have to:



- **Educate** people on its use
- Constantly **eliminate** the barriers to progress

Denmark's goal is increasingly achievable due to current technology trends:

The shift from electrons to photons and the huge investments in fiber connections, DSL, and Cable are creating massive increases in bandwidth. And when people get high-speed connections, they find that they want more computing power.

The Internet is growing as more people and companies come online. This is driving strong demand for cost-effective, powerful servers and storage that can scale to meet ever-increasing traffic. We think that in 5 years, there will be 20x the number of servers as there are today. And storage capacity is growing at 125 percent per year while storage hardware prices are declining 35 percent per year.

Another trend is the huge variety of new devices that are emerging-from Internet in your car, to handhelds, to MP3 players, to data-enabled phones and pagers. But all of these devices are complementary to the PC.

Finally, as always, the PC itself is changing. Wireless technologies and the capability for massive data-storage and throughput are unleashing the Internet and driving a shift from fixed to mobile computing.

The wireless revolution, as led by Europe, will push the Internet revolution to an entirely new level. Within five years, a half billion people worldwide will access the Internet through a wireless device. Wireless Internet access will not only mean that more people will have access, but it also means that the Internet will reach many more aspects of our lives. That is why the development of 3rd generation wireless services-otherwise known as IMT-2000-is so important for administrations around the world. We're pleased that the World Radio Conference adopted a flexible, multi-band approach for IMT-2000. This approach will permit swifter allocation of additional spectrum and advance the prospect of global roaming for Internet access.

It's certain that wireless will really change the way people work. But the debate is about how all of this will play out. Consider the phone. 56% of the Danish population has a wireless phone, but very few use them to access the Internet. It isn't an ideal platform for data-the screen is too small and you have to punch a button 3 times to get a letter. We think that the real win here for mobile productivity is with wireless notebooks that unleash the Internet. I believe it's more likely you'll be using a Dell 3-lb. notebook to access the Internet-not a videophone. How do I know that? That's what customers tell us. And as the functionality and cost of mobile computing gets closer to that of the fixed device, more people will want that freedom.



The Internet and wireless are technologies of access, inclusion, and opportunity. And at Dell, we're working hard to meet those needs. But these technologies only pay dividends when they are integrated deeply within an organization. The results of an international study that Dell commissioned through the University of Texas show that there is a strong correlation between the financial success of a company and the depth to which that company integrates the Internet into their operations. The Internet is the infrastructure through which organizations and individuals will thrive. The reduction of friction and transaction costs facilitates collaboration on a worldwide basis-with customers, suppliers, and partners. This collaboration, and the efficiencies associated with it, creates advantages that can't be ignored by anyone who wishes to thrive in the digital age.

Dell has pioneered "Virtual Integration" and we continue to push the Internet deeper into our relationships with customers, suppliers, and partners.

We have over 40,000 Premier Pages-10,000 here in Europe-which let our customers take greater control of their business with Dell.

We manage our relationships with over 80% of our suppliers through the Internet.

Today, over half of Dell customers use Web-enabled support. By the end of 2001 our goal is for 80 percent of customers to go online for technical help--no more waiting on the phone or scheduling appointments.

There are many more examples of how Dell uses the Internet and how we're helping our customers better use the Internet. Collaboration through the Internet will continue to evolve, fading the lines that previously marked where one organization ended and the other began.

An important part of deeply integrating technology is understanding how best to benefit from it. People have to know how to use the Internet and must know its possibilities.

In the mid 90's, we realized at Dell that many members of our global team didn't know how to use the Internet which didn't make a lot of sense as the world's most successful e-business. In response, we launched the "Know the Net" program-a self-paced online tutorial that got everyone up to speed quickly.

Since then, we've found that there's a large need out there for basic Internet know-how. Dell recently commissioned a survey in the U.S. of 1000 children in the 3rd, 8th, and 12th grades. The results told us two important things: First, even in one of the world's most Internet-savvy societies, we're not using the Internet fully. Second, we learned that children are learning more about the Internet at home than at school-and that's a flaw in our educational system. Education is essential in the development of a competitive workforce and the Internet has to be integrated into learning environments from the beginning. And that education is everyone's responsibility. At Dell, we are specifically targeting teachers and students with our "Know the Net" and "Web School" programs, which are available on the Internet for the world to use. And we're backing them up with grant programs through the Dell Foundation that focus on Internet access and literacy.



In his New Year's speech, Prime Minister Rasmussen said that the public sector must be on the cutting edge of information technology. That involvement must start with education. In the education arena worldwide, governments have to continue to support innovative programs that will help get technology and the Internet into the hands and minds of children and teachers. Education portals, wireless laptop laboratories, and dedicated funds are only effective if they result in fundamental changes to curricula and instruction.

After integration and education, there must be a commitment among all stakeholders to eliminate barriers to progress. These include cross-border commerce, research, taxes-which I know is a very big issue here in Denmark (60% income tax rate,) and many other issues. Many of these barriers must be dealt with as a partnership between government and industry. That's why it's so important that your Prime Minister is dedicated to the development of your IT infrastructure.

One of the most important barriers to Internet integration is the lack of consumer confidence due to the issues of online safety, privacy, and security. According to a recent survey that Dell was involved with, consumers are more worried about a loss of personal privacy than health care, crime, and taxes. Studies have shown that concern about privacy is even higher in Europe than in the U.S. One study revealed that 62% of Danes are not comfortable giving their credit card information online. Companies like Dell, with direct customer relationships and a large and growing Internet business, know that consumers will only use a medium they can trust. Our industry-and I do believe that it's an international industry issue-has more work to do in earning consumer trust and in equipping consumers with the information they need to make the most of their experience on the Internet. This is an issue that requires focus and maintenance. Dell is a member of the Online Privacy Alliance, a group of more than 80 global companies and associations committed to self-regulation in online privacy and e-commerce.

I believe that market-driven self-regulatory efforts will work in the online environment. I believe that it's the role of governments to strengthen security defenses around their nation's critical Internet infrastructure-including the prosecution of those responsible for computer viruses and hacking-but content regulation should be left to the private-sector.

All of these issues-from privacy to education to research-require a partnership between governments and industry. Governments must set the stage for market forces to work and companies take it from there. This system is essential for maintaining a **local focus** in serving the needs of all stakeholders.

One size does not fit all. At Dell, we recognize that to sell to the world, we've got to offer a compelling value proposition everywhere. And that means customization-something we know a bit about at Dell. We have 80 country-specific websites tailored for local business in local languages and in local currency. It's incumbent upon us to serve every market that we enter with relevant, high-value technology offerings that serve individual needs.



The idea of customization is equally important in the role of governments. In partnership with the tech community, each country must chart their own course under a philosophy of local solutions for local problems. The eEurope initiative is an excellent example. These policy guidelines will point the countries in the European Union toward the goal of a "faster, cheaper, more secure Internet," through rolling out new infrastructure and lifting old regulatory barriers. We support the eEurope initiative and objectives and we particularly agree with the goal of lessening regulation on electronic commerce.

Prime Minister Rasmussen's goal of Denmark becoming #1 is another program that Dell is firmly behind and we look forward to helping shape local solutions to achieve that goal.
Thank you.

