

CASE TWO

Lenovo: Striving to Be the Best

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Case Objectives

- To understand the concept of SWOT and how it can be applied
- To describe the strategic marketing process and its three key phases

Case Synopsis

- Lenovo, originally known as Legend Group Limited was one of the first companies to introduce Personal Computers (PC) to China. Its new logo “Lenovo” was introduced to enable it to break into international markets. Its acquisition of IBM PC division enabled Lenovo to strengthen its brand name internationally and gain 8% of the world’s PC market share.
- There was intense competition in the PC industry from international brands such as Dell, Hewlett-Packard (HP) and small scale competitors who provided “Do-It-Yourself” offers. Competition motivated PC manufacturers to diversify their business into various markets such as mobile phones market to satisfy the demand for MP3 and MP4 technology, providing supporting wares for PC and client support services.
- Lenovo relied on its Chinese roots to obtain low manufacturing and research cost, and made use of guanxi as an advantage over its foreign competitors in China. Its roots helped it secure a venture with the Olympic Committee to design the Olympic Torch for the 2008 Beijing Olympics as well as other collectors’ items such as Olympic-designed laptop covers for the Olympic Games.

Case Questions and Answers

Question 1

Do a SWOT analysis for Lenovo. Use Figure 2-6 in Chapter 2 and Figure 1 in Appendix A as guides. In assessing internal factors (strengths and weaknesses), use materials provided in the case. In assessing external factors (opportunities and threats), augment case materials with what you see happening in the PC and related industries.

- SWOT analysis

Internal	Strengths <ul style="list-style-type: none"> • Acquired IBM PC division as well as its corresponding research and development and manufacturing phases • Strong Chinese roots enabled Lenovo to gain cost advantage and make use of guanxi as an advantage over foreign rivals • Strong research facilities in Japan and United States • Partnerships with international organizations 	Weaknesses <ul style="list-style-type: none"> • Stereotyped image as a value conscious PC • Difficulty in establishing brand transition from IBM to Lenovo
External	Opportunities <ul style="list-style-type: none"> • Global consumer PC market was expected to grow 10% in 2007 while the business market 7.8% • Desktop computer sales the most lucrative for Asia-Pacific PC market • Introduction of small laptops • India's PC market expected to grow over the next few years 	Threats <ul style="list-style-type: none"> • Strong competition from international brands and small scale competitors • Drop in demand for branded PCs as consumers could get generically assembled ones at a lower cost

Question 2

As part of step 2 of the planning phase, and using your SWOT analysis, select target markets on which you might focus for present and potential customers.

- Set marketing and product goals: To continue being the market leader in China and clinching the number one spot as PC supplier in the global market.
- Select target markets:
 - Present customers – Focus marketing efforts on consumers and businesses (SMEs and government affiliated companies) located in China where it has cost savings in manufacturing and research. Furthermore, strong support from the Chinese government enables it to price its products even lower than its competitors such as HP and Dell in an industry where there is aggressive pricing. By creating brand loyalty amongst China consumers and businesses, Lenovo can select China as the first country to launch its upcoming mobile phones as well.
 - Present customers –Lenovo should not forget its international customers. Making use of its number one position in commercial notebooks in Singapore, Philippines and Vietnam, it could produce small laptops which are easy to carry about and as powerful in terms of system as normal sized laptops. Not forgetting that it has partnerships with international organizations such as NBA and American Airlines, promoting the use of its PCs to the administrative departments
 - Future customers – Introduce Lenovo PCs to Asian countries such as Japan and Korea. Lenovo should emphasize on its research facilities in Japan and United States in its promotional campaigns to exhibit the high quality of its products. Understanding that its consumers relate high price to high quality, it should offer its PCs slightly more expensive in these countries as compared to China, where its consumers are more price sensitive. Price discounts should be given only when competitors start to slash prices and this allows Lenovo to earn a higher profit margin and shed its image as a value-conscious PC.

Question 3

As part of step 3 of the planning phase and using your answers to questions 1 and 2 above, outline Lenovo's marketing programs for the target market segments you chose.

- Product: Lenovo can offer a range of colours for its laptop casings to cater to differing taste from different customers. Limited edition packaging laptops can be created for Chinese consumers, who are by far Lenovo's largest group of consumers. Different editions (Home editon, Business edition, Advanced business edition etc) can be introduced to suit the differing needs of consumers and businesses.
- Price: Vary price according to countries sold as well as price sensitivity of the customers. Discounts can be given during yearly PC fairs or when purchased

via their website at off peak hours (ie 9pm-9am). Consistently offering discounts might portray Lenovo as a cheap brand and consumers might be reluctant to buy when the discounts are over and might switch to another brand instead.

- **Promotion:** Advertisements should be aired on prime times to target the masses. For Chinese consumers, these advertisements should showcase Lenovo as an international brand, offering a lower price because they care for their consumers. Placing the interests of customers as their main priority can enable them to understand the needs and wants better. As mentioned, sales promotions could be given at PC fairs to prevent Lenovo from appearing as a cheap brand and deter customers from purchasing when the sale ends.
- **Place:** With the increasing number of online shoppers, Lenovo should start offering its products not only in stores, but on its website as well. This offers time pressed consumers and businesses to purchase PCs at the comfort of their own home and office. Offering its products aids Lenovo in breaking into the international market as well. Direct marketing methods that can be adopted will be direct mail and email, where product information can be offered to the customers, both consumers and businesses.