

Original Paper

Business Strategy Analysis—Lenovo

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Abstract

Business Strategy is a set of decision-making and actions that help the company to gain competitive advantage and to win competition. Strategy Choice is to decide which best strategy to choose. In this paper, I would like to use SWOT analysis in order to identify Lenovo's resource strength, weakness, opportunities and threats in PC marketing. A SWOT analysis is a method for assessing organization's current position in order to plan action and resources appropriately. There are also certain researches on Lenovo's Customer Care Policy, and through investigations and analysis to identify whether they have a good customer care policy and whether they meet the customers' needs and satisfactions. Finally, identify the area need improve that can help company better meet customer needs and satisfactions, and help company have improvement on its operation and development.

Keywords

business strategy, SWOT analysis, customer care, business

1. Introduction

Lenovo established in 1984. Its Initial Name is Legend Group Limited, and name changed to Lenovo in 2003. Lenovo is an innovative, international technology company formed as a result of the acquisition by the Lenovo Group of the IBM Personal Computing Division. It is one of the most prominent PC manufacturers in the world especially in Asia. It is headquartered in Morrisville, North Carolina and has more than 25000 employees in the world. In 2004, Lenovo purchased IBM's Personal Computing Division, its global PC (desktop and notebook computer) business. The acquisition made Lenovo one of the leading global PC makers. In addition, Lenovo is a Worldwide Olympic Partner and the Official Computing Equipment provider for the Beijing 2008 Olympic Games. Its overall market situation is maturing in China (Lenovo Company, 2007).

1.1 Mission

As a global leader in the PC market, Lenovo develop, manufacture and market cutting-edge, reliable, high-quality PC products and value-added professional services, that provide customers around the world with smarter ways to be productive and competitive. Lenovo's aims are to let customers achieve their goals for productivity in business and enhancement of personal life.

1.2 Strategy

Lenovo is engaged in developing, manufacturing and marketing products and services related to Personal Computers (PC) (including notebook computers and desktop computers) and mobile handsets. The company's research centers are in Japan, China, and the US. The recent strategy of Lenovo is

Globalization Strategy. Slow and steady no longer wins the race. Globalization teaches Lenovo to embrace risk and leave a lumbering legacy behind. To go global Lenovo, the leading PC manufacturer in China took various steps like: Lenovo is sponsoring the 2008 Olympic Games; Lenovo acquired IBM's PC unit; Lenovo changed its corporate name from Legend to Lenovo. After Lenovo purchased IBM's PC business, because of IBM's personal computer business, it has become a new leader in the global PC market. Although the company becomes more competitive and globalize, it still faces lots of threats and risks (Lenovo Company, 2007).

According to some data and statistic information of Lenovo (Appendix), we can know Lenovo's present situation clearly. Firstly, its competitor's sales are growing. Secondly, its profit margin is declining. Also, it has a higher inventory, and its share price declining. Lenovo's buyer preferences are high-end corporate user and Internet accessibility. In addition to, Lenovo has price cut in order to have a better development.

2. Internal Analysis

2.1 Strengths

Lenovo has Strong sales position in the mainland (China) because of 90% of sales from it. So, as market leader in China, Lenovo is earning more revenue from the mainland. Lenovo has a considerably strong domestic PC market share. During the year 2004 and 2005, the market share for PC products reached 27 and 26 percent respectively, which was more than double of the second vendor, Founder. Technical innovation made the significant contribution, and also the close relationship with the Chinese government.

Furthermore, it has a strong strategic alliance with suppliers (IBM). Lenovo has the leading position in the fastest growing market in the world. Their acquisition of IBM's PC business makes them the third largest PC supplier in the world. In addition, the people of ThinkPad® notebooks and Think Centre™ desktops are now part of the Lenovo team—the award-winning engineers, the manufacturing teams, the sales representatives, the business partners (Lenovo Company, 2007).

Lenovo built a network comprising 110 sales zones spanning 18 regions in China, which allowed Lenovo to meet customer needs more efficiently and to improve its control of customer information. So, it establishes the customer-oriented sales model successfully.

Lenovo's customer segmentation strategy ensured it to meet the demands by modifying its product lines. For instance, the computer series of Tianjiao is for the high-end consumer market and the series of Yuanmeng is for the poor consumers at the affordable prices (Lenovo Company, 2007). In addition, Lenovo has a low production cost and good event sponsoring, so these strengths can help Lenovo save cost and gain a good publicity.

2.2 Weakness

Lenovo is unable to maintain sustained growth rate in all market segments:

- Lenovo ignore emerging competitors
- Retaining of largest share by the competitors Delivery time taking long time
- Poor Brand Perception (Global)
- No pure Electronic Sales
- Low inventory Turnover
- Limited knowledge of global market

3. External Analysis

3.1 Opportunities

PC sales are expected to grow.

Fast growing international market.

Signing of alliance with the US.

Specialty shops providing one stop platform for distribution.

- Import Barrier Increasing Global Demand Internet Boom
- Growing Wireless Pc Market
- Government's Association

3.2 Threats

Heavy Competition Industry

Reaching Maturity

Software piracy and Clone market

Little firms' growth

Competition threat from both Local and International

Market Price war

International competitors forming Alliances with the local competitors

Threat of price competition from clone PC makers.

4. Strategic Issues

According to the SWOT analysis, in order to have a better development and gain competitive advantage, Lenovo should have an aggressive strategy. In addition, there are some strategy issues for supporting an aggressive strategy.

Firstly, Lenovo can have increase of sale. For example, they can have technological innovation, new product with the Rival Line, strategic alliance and cost reduction. Strategic alliances are distinguished from joint ventures because the companies involved do not take an equity position in one another.

Therefore, Lenovo and IBM can decide to expand their global alliance to develop and deliver industry specific, integrated technology solutions for enterprises, small and mid-market businesses and individuals. The collaboration will combine Lenovo's know-how in building personal computers with IBM's extensive IT services and technology capabilities (Lenovo Company, 2007).

Under the agreement, Lenovo and IBM Global Services will jointly deliver end-to-end technology solutions capable of meeting the business needs of clients in industries such as healthcare, financial services, education, retail and government.

Secondly, Lenovo should have growth. In order to have a successful globalization and earn more profits, they can have horizontal integration. In addition, Lenovo can develop superior product and distinctive Strategy.

About horizontal Integration, when a firm's long-term strategy is based on growth through the acquisition of one or more similar firms operating at the same stage of the production-marketing chain and such acquisitions eliminate competitors and provide the acquiring firm with access to new markets.

5. Strategic Planning

5.1 Financial Objectives

Growth in revenues
Higher dividends
More cash flows

5.2 Strategic Objectives

Market share
Lower cost production than Dell and other competitor's internet sales
Capabilities building

5.3 Business Strategy Objectives

Sales growth
International market
Expansion
Increase profitability through cost reduction

5.4 Distribution Strategy Alternatives

Lenovo can select a right distribution model, and the existing distribution process is:

Wholesaler \Rightarrow Retailer \Rightarrow Consumer \Rightarrow

Now the process could be that:

Internet \Rightarrow Telemarketing \Rightarrow Retail Stores \Rightarrow Distributors \Rightarrow Value added Partners \Rightarrow Sales Force

In this distribution process, there are direct marketing channels, such as Internet and telemarketing; there are also indirect channels, such as distributors and value added partners; there are direct sales channels, such as sales force. Therefore, by comparing the two processes, the new process is more beneficial for Lenovo's development.

5.5 Image Building of LENOVO

Lenovo also can have image building, and there are many considerable elements in the brand building. These elements are quality, well-blended communications, credibility, internal marketing, long-term perspective, positioning and repositioning.

5.6 Specific Implementation Steps

How LENOVO can increase its Brand Recognition? There are some specific channels: Firstly, Lenovo should increase its promotional budget and participate in world IT related fairs. Secondly, there can be promotional campaigns. Such as posters, TV advertisements, News Paper and Web based advertisements. In addition, they can spend more money in product innovation and development. Thirdly, Lenovo should go for more promotional strategy like "road show".

6. Conclusion and Recommendations

Lenovo should take the Aggressive Strategy in China, and Lenovo should enter into global market. In order to meet its strategic objectives, Lenovo can introduce better products in response to new offerings of rivals, and respond to unexpected changes in buyer needs and preferences.

Then, react and respond as needed and protect company's position. Furthermore, the company can analyze the prospects for market. It is necessary to research buyer needs, preferences and expectations. Monitor new technological developments closely to predict future path. In addition, Lenovo plan for expected future changes, and strengthen distribution. The most important thing is to pioneer new and better technologies, and introduce innovative products that open new markets and spur the creation of completely new industries.

The Action Plan could be that: Increase competencies, including product development and reduce delivery time. Also, allocate resources, and have leadership to implement forward. There should be some rewards or incentives for achieving target. Furthermore, Lenovo should establish some necessary supportive activities, such as market activities and channel alternatives. Then, Lenovo can have strategic agenda, including sales increasing in homeland and international expansion.

Lenovo also can choose a production model; there could be standard model, custom-oriented model (Software), custom-oriented model (Hardware). For different segments, Lenovo can choose different models. In China, for high-income group, the customer model is acceptable; for low-income group, the customer model (software) is acceptable. In global, the standard model is acceptable for both high-income group and low-income group (Lenovo Company, 2007).

About global market penetration, for developed countries, export only and Joint Venture are acceptable; for developing countries, export or 100% subsidiary is acceptable.

About pricing strategy, for developing markets, such as Asian, cost based strategy is implemented; for developed markets, such as Europe, value based strategy is preferred; for Chinese market, competition based strategy is better for developing. All the different strategies can help Lenovo have growth in market share and gain more profits, and help it have a successful globalization.

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