The Strategic Marketing Management Analysis of Lenovo Group

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ABSTRACT

In recent years, market competition in the market economy is fierce, the different economic performances and behaviors based on the enterprises’ own interests, to enhance their own economic strength and to achieve the exclusion of similar economic agents. Competition in the IT market is to drive their own material interests, because of the inherent dynamic of all economic actors, as well as the loss of their material interests are similar in the market by crowding out of economic actors. But How a newly established global brand build its brand awareness and be a successful global brand become a critical issue. 2005, Lenovo PC merge IBM computer and become the No.3 computer company in the world. As for Lenovo Group, in order to achieve success in the fierce competition of the products market it needs effective marketing strategy to attain profit and improve its development in Chinese IT market.

The Lenovo Group operating activities are often completed through marketing products, producing, research, marketing portfolio. The Lenovo Group product and the quality of products constrain the results of pricing, promotion, and marketing. Therefore, the Lenovo Group managers’ attention should also be given to brand-name marketing, addition to make efforts in the flexibility of the marketing. Marketing strategy, especially the brand strategy is the real insight beyond product and services specific forms, and can be able to give consumers the direct interests, the image of the expression. To establish the product brand, it should be to establish the Lenovo Group brands, because good corporate image is the fundamental point of the brand building. This research is going to present the conclusion of a set of practical marketing modules applied in the IT industry; it will further enhance the Lenovo Group marketing in the computer market.

Keywords: marketing strategic · Lenovo Group · global brand · IT industry

INTRODUCTION

Merge has become a common and efficient strategy for a local company to become global brand. But How a newly established global brand build its brand awareness and be a successful global brand become a critical issue. (Chen, 2006) Along with Chinese economic and political reform getting thorough, the society has changed huge; the development of Lenovo is facing the unprecedented opportunity and the challenge. According to the basis characteristics of macroscopic external environment, if Lenovo wants to develop, it must reform the management system, establishes the unification guiding ideology and the reasonable management mechanism, and adopts strengthened core competitive power, market development, and product development etc. integration strategy. Only then can consolidate the leading position of Lenovo, win in the intense extracurricular market competition, and receive the good social efficiency and the economic efficiency.

Study on Lenovo’s developmental strategy plan is the application and development of strategic management theory in Lenovo Company. By analysis of internal the external environment and study the future development direction of Lenovo, this article has utilized the knowledge and method of the economic, the management, the marketing, the pedagogy etc to make a localization for future development and propose the strategy plan and tactics conception localization of Lenovo. During try to instruct practical work of our national Lenovo, this article also developed some new thoughts about the strategic management content.
THE CASE STUDY OF THE LENOVO

The Introduction of the Lenovo

Lenovo is one of the largest famous personal computer makers in the world. Today, Lenovo strives to be the global market share leader in each of the market we serve. On September 24, in 2004, Lenovo purchased the personal computer business and the brand “ThinkPad” famous computer IBM in the IT industry all over the world. This landmark transaction is taken as its most important stage of the international strategy in the computer industry. This marks the trinity Lenovo's internationalization strategy has risen to a new stage, which indicates that Lenovo already in the United States established a brand-name image localization.

Now, the Lenovo has become the global application company (sales) that have their own package plants in more than 7 countries and cooperation plants in many countries and make the local enterprises business license and distribution contract. Lenovo is also one of the major global companies (sales), and it has its own production plants in 7 countries, its products are marketing in nearly 80 countries.

Analysis of the Marketing and Management Capabilities

In the domestic market, according to statistics of ZhongYikang Company: Lenovo is actually the first brand in Chinese IT industry: Lenovo’s overall share of computer market in China has reached 21%, significantly ahead of competitors; Lenovo has a monopoly status in the personal computer market; Lenovo’s personal computer market share is 24%, which is much higher than the internationally recognized monopoly; Lenovo also surpasses in the business computer market; Lenovo’s business computer market share is 14%, which is higher than domestic computer suppliers and the strong brand ranks the first.

In the international market, Lenovo has three products occupy the first three positions in the world market share of the computer industries. According to the results of the latest survey of the global authority consumer market survey and analysis institutions, EUROMONITOR show that on turnover statistics, the Lenovo Group ranked the third in the world personal computer manufacturers, Lenovo's goal is to become the world's first personal computer manufacturers in the near future.

SWOT Analysis of Lenovo

In order to propose and justify a forward strategy for Lenovo’s goods, we use the method of SWOT (strength, weakness, opportunity and treat) to analysis the Lenovo in the follow:

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
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<tbody>
<tr>
<td>- The Lenovo goods and services have good quality</td>
<td>- Single marketing channel, the products and services are mainly sold by monopolized stores</td>
</tr>
<tr>
<td>- The brand recognition and traditional reputation of Lenovo are very good</td>
<td>- Large number of product lines lie in the expansion of overseas</td>
</tr>
<tr>
<td>- Expanding global markets strategy of the marketing</td>
<td>- Product styles are too fewer to choose</td>
</tr>
<tr>
<td>- The diversification of products</td>
<td>- Marketing sources are not rich</td>
</tr>
<tr>
<td>- Owns very convenient and beautiful images</td>
<td>- Prices are not cheap</td>
</tr>
<tr>
<td>- Good public relationship and sponsorship</td>
<td>- There are too many cheap products appearing in the world</td>
</tr>
<tr>
<td>- Takeover Lenovo to become the largest computer seller</td>
<td>- Competition from other shoppers embedding on form factors more pleasing to the consumer</td>
</tr>
<tr>
<td>- Specialty business computer industry takes larger market in the world</td>
<td>- The market protect in some countries is strong</td>
</tr>
<tr>
<td>- European countries’ market exploration, such as England, France, Italy, Germany, and so on</td>
<td>- Foreign exchange rate fluctuations</td>
</tr>
<tr>
<td>- Division of products</td>
<td>OPPORTUNITIES</td>
</tr>
</tbody>
</table>

Table 1: SWOT Summary of the Lenovo

Today, Lenovo continues to carry out the proud tradition of the good product and services quality founded by Lenovo long time ago that will be of great benefit to companies in the coming years. And the purpose of this Lenovo tradition pioneered by Lenovo is just the best quality of raw materials, the production of the best quality products.
Miles & Snow (1978) proposed that the organization for changes its product/market in accordance to the environment change the degree, does for the enterprise strategy classified datum, stressed that the organization to the changeable environment’s response including (1) defender (Defenders), its goal is standing firm the existing customer, the maintenance present market share, therefore pays great attention in the narrow product/market domain, favors does not surmount the original scope to seek for the new opportunity; (2) explorer (Prospectors), its goal grows in the pursue product/market’s innovation as well as the expansion, therefore, seeks the market opportunity continually, favors holds the post of the change in the industry innovation (Creator); (3) assayer (Analyzers), its goal in the choice by the explorer was confirmed that has the development potential the new domain to promote the improvement fast the new product, therefore, is the fore-mentioned two kind of syntheses, moreover is in a product - market change domain manages (4) reactor (Reactors) in a relative stabilization, lacks the consistent strategy, is only makes the simple response to the environment pressure.

With an increasingly competitive market, competition among enterprises gradually evolved from short-term competition to long-term competitiveness, that is no longer focused on a certain stage, winning or losing the competitiveness of certain products, and to focus on the product, pricing, marketing, promotion strategy, combined with a clear positioning of the brand strategy to accumulate, fostering sustainable market advantage. Although Lenovo is already the leading enterprises of computer industry in the world, however, in the face of other powerful and internationally renowned brands, it still appeared too weak and feeble in the industry.

**FINANCIAL ANALYSIS AND EVALUATION OF THE LENOVO**

Financial analysis and evaluation refers to the stakeholders using related accounting, statistic and management materials, especially the word information, such as corporate financial reports and combine the external environment such as the industry and market to analyze the effects of company operation, financial statement and the reasons in order to comprehensively evaluate the company business performance and entire competitiveness and to provide a series of analysis for the further business and financial activities such as investment, finance or management control decisions (Dollar, 1990).

According to the annual report of Lenovo, we can get information on DuPont analysis of the financial indicators, as shown below:

<table>
<thead>
<tr>
<th>indicators</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit ratio of equity</td>
<td>6.21%</td>
<td>5.68%</td>
</tr>
<tr>
<td>Asset net profit ratio</td>
<td>3.01%</td>
<td>3.46%</td>
</tr>
<tr>
<td>Equity multiplicator</td>
<td>2.06%</td>
<td>1.87%</td>
</tr>
<tr>
<td>Asset turnover rate</td>
<td>53%</td>
<td>60%</td>
</tr>
<tr>
<td>Main business net profit</td>
<td>5.68%</td>
<td>5.66%</td>
</tr>
<tr>
<td>Net profit</td>
<td>4,493,451</td>
<td>4,931,286</td>
</tr>
<tr>
<td>Main business income</td>
<td>79,087,124</td>
<td>87,048,831</td>
</tr>
<tr>
<td>Asset debt ratio</td>
<td>51.39%</td>
<td>46.51%</td>
</tr>
<tr>
<td>Cost amount</td>
<td>72,823,086.00</td>
<td>80,078,255.00</td>
</tr>
<tr>
<td>Main business cost</td>
<td>36,488,433.00</td>
<td>41,063,184.00</td>
</tr>
<tr>
<td>Operating cost</td>
<td>24,138,337.00</td>
<td>26,174,190.00</td>
</tr>
<tr>
<td>Management cost</td>
<td>10,500,241.00</td>
<td>11,741,560.00</td>
</tr>
<tr>
<td>Financial cost</td>
<td>1,696,075.00</td>
<td>1,099,321.00</td>
</tr>
<tr>
<td>Asset amount</td>
<td>149,038,395</td>
<td>142,629,989</td>
</tr>
<tr>
<td>Liquid assets</td>
<td>17,246,183</td>
<td>15,275,757</td>
</tr>
<tr>
<td>Currency asset</td>
<td>5,317,489</td>
<td>5,754,033</td>
</tr>
<tr>
<td>Short-term investment</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Account receivable</td>
<td>5,229,980</td>
<td>4,548,429</td>
</tr>
<tr>
<td>inventory</td>
<td>3,114,632</td>
<td>2,107,812</td>
</tr>
<tr>
<td>Other liquid assets</td>
<td>3,584,082</td>
<td>2,865,483</td>
</tr>
</tbody>
</table>
### MARKETING STRATEGY OF THE LENOVO

In 1964, American Marketing expert, Boughton (1964) produced the marketing mix concept, it is an integrated activity that marketing personnel comprehensively use and optimize the various controllable factors in order to achieve its goals of the marketing. A successful and complete marketing activity means with the appropriate products, the appropriate price, the appropriate channels and the appropriate means of promotion, enterprise products and services are devoted to a specific market. According to the marketing theory, we will pick up the following marketing strategies of the Lenovo based on the above case study.

#### Target Marketing Choice of Lenovo

At present, Lenovo considers the following factors when choosing target market:

1) Strong brand awareness, city customers who have advanced concepts. In the personal computer market, the impact of Lenovo brand is comparative advantage, so choosing such target customers can cater to the needs of such customers.

2) Cities customers who have the high level of education, higher on admission, and are aged below 45. Lenovo called this crowd high-end crowd, the crowd is conducive to high-end products sales.

3) Developed rural market, those customers have strong brand awareness. This crowd has formed part of purchasing power, Moreover, Lenovo early did the act of the "free movies for countryside" to develop the rural market, the activities have brought the brand impact, so choosing this part of the crowd as the target customer group, apparently can quickly enter the rural market.

#### Market Position of Lenovo

Lenovo’s marketing position mainly considers the following three factors: Take mainly to the high-end, middle and high-end combination of market positioning methods. Middle and high-end positioning can not only guarantee the consistency of Lenovo position in the market, also continue the image and status in consumer's mind, while the
computer industry’ present status such as the profits decline also decides the only choice for high-end positioning, will it be possible to maintain the long-term favorable market competitive position (Gan, 2002). Generally speaking, the high-end products’ unit profits are 2 -3 times more than low-end products, in the pressure of the rising cost situation, low-end products have no guarantee of profits, the profits of enterprises is the key to taking the high-end route.

Low energy is not only the main consumer demand of IT industries, but also an image of the representatives of high-tech enterprise, therefore, choosing low energy consumption and market leading-edge technology positioning will enhance brand image. At present, the service content of Lenovo brand is mainly limited to the after-sales service in a timely manner, etc. such narrow positioning can no longer meet the needs of the competitive market situation. Management master Michael Porter (2003) said, in the 21st century the multinational companies are unlikely to be manufacturing companies, but the service industry. The new economy is the services economy; the service is the competitive edge. Therefore, the service content of Lenovo should learn from the experience of DELL, it should provide more information on purchasing home computers, and after-sale service.

Customers’ focus has changed from product quality and price gradually to control energy consumption, frequency and quiet technology (Jack, Telaote, Lise, 2006). So Lenovo's market position should be made promptly converted to meet consumer demand. It is the origin of Lenovo to create the famous Chinese brand, and this existing connotation can continue exist and support Lenovo’s strategy choice.

The Product Strategy of Lenovo

Lenovo’s product strategy is the same as target market and positioning, mainly embodied as follows:

**Middle and High End Market Positioning**

Take Lenovo’s personal computer as example, the market survey shows that its refrigerators mainly focus on middle and high end, Lenovo owns 70% market share in high end products, while the middle end count for 40-50% market share, the market share of low end product is lower than 10%.

**Different Competition of Product Development**

Through segmenting the market, tapping users’ unmet demand, thereby pre-empt competitors to develop completely different products from the market, exclusive share the cake of segment market. Seen from the introduction of Lenovo’s products in the past three years, we can see this development idea. In light of this situation, in 2001 Lenovo introduced the "ThinkPad" machines, which reaches not only to meet the needs of the users but also share the piece of cake alone.

**According to the Channels and the Difference of Segment Markets, Develop and Design Targeted Products**

As for the supermarket channel, Lenovo has designed relatively low prices of mid-level products, while high-end products on the electrical chain and retail sales channels. For the rural market, Lenovo designs and develops products that have relatively simple functions, relatively low prices to meet the needs of the students market.

**Price strategy of Lenovo**

In recent years, the production capacity of IT enterprises seriously exceeds, and this causes to expand market share and the price war has become worse. As a large computer manufacturer, of course, Lenovo is subject to the impact of the price war. However, Lenovo was demonstrated most vividly in this price war, Lenovo did not reduce price, while the corporate image enhanced, sales grew and market share expanded, the effective price strategy has enabled Lenovo to exceed in the economy of excessive capacity.

Based on different levels of consumers, Lenovo developed different prices, by creating differentiated products to meet different consumer groups, formulating differential price discrimination. Lenovo domestic market sales operator, Yang (2006) said, Lenovo's production line is continuity, so prices of their products are also of continuity, from more than 10,000 Yuan to more than 2000 Yuan. Almost every 500 Yuan there are two products to serve the different needs and purchasing power of consumers. Lenovo now has 19 species, 200 various models of products; Lenovo's exports and diversified product enable it to avoid involvement in domestic plague of the price war impact of its competitors.

We can see that Lenovo's price strategy can according to products in accordance with the best performance of the physical value, brand value, the value of service and other form of value make Lenovo establish an independent
cognitive value in the eyes of consumers, which can be the base of the price of Lenovo products and achieve the relatively independent cognitive value system. This awareness of the value system is not set up like the prices can be as simple imitation. Such an independent value and the price of Lenovo model are built on years of accumulated brand and the concept of service. This created a core competitiveness of Lenovo brand and Lenovo is still invincible in the fierce competition.

**Differentiation Strategy**

A differentiation strategy is based upon persuading customers that a product is superior to that offered by competitors. The major benefits to Lenovo of a successful differentiation strategy are:

1. Its products will command a premium price.
2. Demand or its product will be less price elastic than that for competitors’ products.
3. Above average profits can be earned.
4. It creates an additional barrier to entry new business wishing to enter the industry.

Lenovo is seeking to differentiate itself which will organize its value chain activities to help create differentiated products and to create a perception among customers that these offering are worth a higher price.

**Focus Strategy**

A focus strategy is aimed at a segment of the market for a product rather than at the whole market or many markets. The major benefits of Lenovo’ focus strategies are: (1). It requires a lower investment in resources compared to a strategy aimed at an entire market or many markets. (2). It allows specialization and greater knowledge of the segment being served. (3). It makes enter to a new market less costly and much simpler.

Since Lenovo’s is regarded to adopt cost leadership as its development strategy which share some features of differentiation in the current by the author, the Lenovo’s competent advantage is developed from differentiation and cost saving through value chain. Its core competence is illustrated:

- Improved supply chain;
- A cheaper price through lower transaction costs;
- Convenience and twenty-four-hour access;
- Good reputation among customers;
- Quick and efficient search capability;
- The personality of the service;
- Wide selection and one-stop shopping;
- First mover in the market stronger than average and well-known.

Lenovo famous brand names makes Lenovo stay well in the fierce market competition, Lenovo’s lot of advertising budgets provided a strong guarantee for the material in order to maintain the competitiveness of Lenovo brand. Over the years, Lenovo brand and Lenovo advertising leave a deep impression in people’s minds, enhancement of brand recognition, is actually the acceptance of Lenovo cultural diffusion.

**CONCLUSION**

Lenovo’s long-term development is inseparable from a unified and correct guiding ideology. Only with the right long-term strategic planning for the guide, use its own characteristics with people in enterprise management strategy for the management of Lenovo, Lenovo will be able to establish a sound management system in order to guide the company to be stable, healthy and rapid development. Lenovo’s development strategy planning is based on external analysis, against Lenovo’s actual work, introduce the total development goals, according to the target provides companies level, business layer and functions layer’s development strategy. Under the overall thinking of development strategy, it should develop a series of possible specific strategies.

From the strategic marketing theory and applied research, we can see that the marketing strategy of the Lenovo competition is not watching competitors, and only targeting to market shares, but the Lenovo must choose the correct
target markets and market positioning. This position must be conducive to the long-term competitive edge in the market building, and the development of marketing strategies must support the market, help enterprises in voluminous and complex competition in the market environment find a way out for the development of enterprises. Obviously, the strategic marketing is the only way for facing with the new changes in the market economy and Lenovo does those and its marketing strategy and operations are market-orientated.

Lenovo's strategic marketing practice on the whole is a success, from the venture in 1988 its liabilities are 14 million Yuan to 2008 the global turnover is 13.9 billion Yuan. From a small factory to now one of the world's most influential 10 brands, exporting to the world and over 100 countries and regions, and therefore, in terms of strategic thinking or a strategic effect, Lenovo's marketing is successful. In addition, Lenovo strategic marketing has numerous faults that are worth studying and learning in the process of the monitoring and control in the future.

REFERENCES

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