



## "HOW LENOVO BECAME A MARKET LEADER: STRATEGIES AND INNOVATIONS"

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**Abstract:** *In latest years, the brand names of computer companies are increasing dramatically and one of the most popular Information technology companies is Lenovo. The personal computer manufacturing company Lenovo has developed unique competitive strategies to gain a quickly growing share of the computer and notebook market.*

*In the following report, the author made research on Lenovo Computer Company which is very famous with its computer technologies all over the world. The descriptions include 5 forces model of Porter shows the forces that impact the business and SWOT analysis for this business entity. Then the core competencies of Lenovo Company are classified and how competitive advantage has been gained is explained. Finally and the most importantly, the business strategies approved by Lenovo to gain competitive advantage over their competitors are discussed and recommendations for future improvement of this company are the last point in this report.*

### INTRODUCTION

Lenovo Group Limited is one of the largest personal computing companies in technology world. It was formed by China IBM Personal Computing (PC) Division in 2005 and from that time it grows and produces markets reliable, high-quality, secure and easy-to-use technology products and services worldwide ([www.lenovo.com](http://www.lenovo.com)). Lenovo manufactures different types of technologies, such as:

- ❑ personal computers
- ❑ tablet computers
- ❑ mobile phones
- ❑ servers
- ❑ electronic storage devices
- ❑ workstations
- ❑ smart televisions
- ❑ IT management software ([www.lenovo.com](http://www.lenovo.com))

Lenovo is taking its operations in more than 60 countries and its products are sold in about 160 countries. Each year it produces and sells the same amount of laptops and desktops and half of the products are sold in Asian and others are sold in Europe and America (<http://www.globaltimes.cn>). Nowadays it manufactures cheap and low-end products in overseas such as: THINKPAD® notebook, Essential®, ThinkCentre®, ThinkStation®, ThinkServer®, IdeaCentre® and IdeaPad® brands and



these brands are serving to improve the needs of its customers in order to gain its competitive advantage (<http://www.globaltimes.cn>).

### 1.0 About the company and its mission

Lenovo is a \$30 billion electronics company and the world's second-largest PC vendor. It employs 30,000 people, operates in more than 60 countries and serves customers in more than 160 countries. Lenovo has been the fastest growing major PC Company for more than 3 years. Main competitors are Apple, Samsung, Microsoft, Hewlett-Packard and Sony corporations ([www.lenovo.com](http://www.lenovo.com)). Lenovo improved as a major player in the global market after obtaining the IBM brand name and IBM's notebook division technology, executive staff a reputation and brand permit Lenovo to gain 19% market share in global computer market. IBM name helped Lenovo keep its solid base with customers in the corporate market. Currently, Lenovo has manufactured the brands "ThinkPad" and "IdeaPad" which mean high-end products and now they are popular all over the world ([www.lenovo.com](http://www.lenovo.com)).

### Mission

Lenovo Company's mission statement 2013 is to convert one of the world's excessive personal technology companies. It has done a good job in crating its mission and has achieved 3.2 out of 4.5 score. It aims to gain this objective by leading in three key areas:

- ❑ Personal Computers-lead in PCs and be respected for our product innovation and quality ([http://www.lenovo.com/lenovo/us/en/our\\_culture.html](http://www.lenovo.com/lenovo/us/en/our_culture.html)).

- ❑ Convergence-lead the industry with an ecosystem of devices, services, applications and content for people to seamlessly connect to people and web content ([http://www.lenovo.com/lenovo/us/en/our\\_culture.html](http://www.lenovo.com/lenovo/us/en/our_culture.html)).

- ❑ Culture-Become recognized as one of the best, most trusted and most well-respected companies to work for and do business with ([http://www.lenovo.com/lenovo/us/en/our\\_culture.html](http://www.lenovo.com/lenovo/us/en/our_culture.html))

### 1.2 Values

The company's values are considered as a foundation of the company and describe who they are and how they work:

- ❑ Serving customers
- ❑ Trust and Integrity
- ❑ Teamwork across cultures
- ❑ Innovation and Entrepreneurial Spirit

From above values it is seen that, Lenovo focuses on supporting solutions for customers rather than producing and selling certain products (<http://www.strategicmanagementinsigt.com>)

### 1.3 Lenovo's Vision

Vision helps to guide mission. As every organization has a vision, Lenovo has its own vision and it is that Lenovo will create personal devices more people are inspired to own, a culture more people aspire to join and an enduring, trusted business that is





well respected around the world. This vision guides us in pursuit of our mission to become one of the world's great personal technology companies ([http://www.lenovo.com/lenovo/us/en/our\\_culture.html](http://www.lenovo.com/lenovo/us/en/our_culture.html))

## 2.0 Porter's 5 Forces

Michael Porter created five forces model which influence on an organization's behavior in a competitive market. This model helps to recognize the internal and external factors which can be impact to the attractiveness of an organization regarding to competitive forces (Porter, 1980). Porter's models consist of five parts:

1. Threat of new entrants
2. Bargaining power of suppliers
3. Competitive rivalry
4. Bargaining power of buyers
5. Threats of substitutes

In the below each force is explained deeply in terms of Lenovo company.

### 2.1 Threats of new entrants

The existing loyalty to major brands is the number one threat of entering new market. Existing IT products companies have obtained satisfactory loyalty in maintaining their market share while averting new players enter into their zone (Frances Brassington & Stephen Pettitt, 2013). Lenovo shares more than one-third of the PC industry, covering all segments in China ([www.lenovo.com](http://www.lenovo.com)). However, there are a lot of rivals to compete with other PC companies in other region. DELL is the most favourite Personal Computer (PC) brand In United States, while Acer occupied the Number 1 PC brand in South East Asia. Moreover, the barriers to entrants are high. IT products market is dominated by very few companies making it difficult for new companies to enter into the market from past few decades (<http://www.ukessays.com>).

### 2.2 Bargaining power of suppliers

Almost, most computers' raw materials are come from Asia Pacific countries due its cheap labor cost and material cost. Those material suppliers are poor, aggressively competitive and usually rely heavily on their buyers. DELL and HP always maintain the PC market material revolution rely on their long enterprise experience history background in US market (Chen Y.J, 2006). For Lenovo China is the most appropriate place for the labor source supplier. In China the labor cost is cheap and for that reason Lenovo might not get profit to enter other market (<http://www.ukessays.com>).

### 2.3 Competitive Rivalry

As a result of increasing number of computer companies, the level of competition is growing dramatically. Apple, Toshiba, Samsung, Acer, Sony, Lenovo and other computer manufacturers are rivals, however they share the PC market together and for that reason, no one is leader in PC market (<http://www.ukessays.com>). As a means to control operations and competitive advantage, companies use the latest Information Communication Technology (ICT). Also, they expect several influential providers with



low opportunities costs to settle most up-to-date ICT is available for their businesses (Chen Y.J, 2006).

#### 2.4 Bargaining power of buyers

Brand loyalty is very strong power for every business and if customers have their favorite brand, persuading to switch to another is very difficult ( Kotler, P & Armstrong,G, 2010). Buyers play the most important role in IT product and service market. From day to day, the role of computers is raising and every person has own computers home. Competitors are trying to switch off costs to gain competitive edge (<http://www.globaltimes.cn>). For Lenovo the most powerful rivals are HP and DELL, which maintain long stage as market leader, in this industry consumer loyalty are not very high if they can offer more reasonable product price under the similar quality in US market. However, mainly customers in PC market are known with prices and they can easily change to cheaper one (<http://www.ukessays.com>).

#### 2.5 Threats of substitutes

The rate of PCs is not decreased and they are best sellers in personal-use and commercial-use markets. If the one product is more sold, its substitutes will appear quickly at a cheaper price. However, still there are loyal customers, which need a product with high quality and brand name. Some people cannot afford to buy expensive computers from Lenovo. For that reason, Lenovo should manufacture both qualified and lower and affordable products for its customers. For admiring buyer's retention Lenovo should use every possible tactics such as: promotion on TV, advertising activities, showing its products technology and development to the market and showing after-sale services to the customers (<http://www.ukessays.com>)

### 3.0 SWOT Analysis

SWOT analysis helps to recommend and justify a forward strategy for Lenovo's products and services. Strengths, weaknesses, opportunities and threats of Lenovo are explained in the below:

#### 3.1 Strengths

Quality. Lenovo's products and services are in a good quality (<http://mgmtfunda.com/tag/swot/>).

Brand. The brand recognition and traditional reputation of Lenovo are very good. It also owns very convenient and beautiful image (<http://mgmtfunda.com/tag/swot/>).

The diversification of products. The company produces tablet and personal computers, mobile phones, servers, electronic storage devices, workstations, smart televisions and IT management software (<http://mgmtfunda.com/tag/swot/>).

Events. It has good public relationship and holds sponsorship for sport events (<http://mgmtfunda.com/tag/swot/>). .

Marketing strategy. Lenovo is expanding global markets strategy of the marketing and its products are sold more than 60 countries (<http://mgmtfunda.com/tag/swot/>).





Distribution strategy. The company's distribution channels work very fast and responsible for the safety of the products. The distribution strategy is well planned (<http://mgmtfunda.com/tag/swot/>).

Low production cost. Lenovo manufactures its goods in China and labor cost is cheaper than others. Also, it has mass manufacturing capability (<http://mgmtfunda.com/tag/swot/>).

Research & Development. The employees of Lenovo often held research and development about the customers' needs and wants and they have good knowledge about local market (<http://mgmtfunda.com/tag/swot/>).

### 3.2 Weakness

Single marketing channel. The products and services are mainly sold by monopolized stores (<http://www.mbaskool.com>).

Few styles. Product styles are fewer to choose.

Price. Price is not cheap rather than Acer and Samsung.

Poor Brand Perception (Global). Large number of product lines lies in the expansion of overseas (<http://www.mbaskool.com>).

After-sales Services- Not Satisfactory. Lenovo is younger than other well established companies and its after sales service is not appropriate organized (<http://www.mbaskool.com>).

### 3.3 Opportunity

Pc sales are expected to grow. Takeover Lenovo to become the largest computer seller (<http://www.globaltimes.cn>)

Fast growing international market. Specialty business computer industry takes larger market in the world (<http://www.globaltimes.cn>).

Increasing Global Demand. European countries' market exploration, such as England, France and Germany (<http://www.globaltimes.cn>)

Internet Boom. Internet is changing the world and even most people cannot imagine themselves without Internet. It gives an opportunity to produce and sell more computers and laptops to Lenovo Company (<http://www.globaltimes.cn>).

### 3.4 Threats

Price war. There are too many cheap products appearing in the world (<http://www.globaltimes.cn>)

High competition. Competition threats both local and international rivals and buyers can get benefit from this action (<http://www.globaltimes.cn>).

Foreign exchange rate fluctuations. It also effects to the sale of products, as a result of this the price of computers may increase or decrease (<http://www.globaltimes.cn>).

Enlarging market. If the barriers to enter market are not high, the number of new computer companies will grow (<http://www.mbaskool.com>).

Software piracy and Clone market. Now hackers are very strong and they can duplicate Lenovo's computers (<http://www.mbaskool.com>).



#### 4.0 Core competencies

According to the idea of Philip Kotler, competitive advantage is a company's capability to achieve its goals that its competitors could not (Kotler, P & Armstrong, G, 2010). If the company has no competitive edge, it cannot survive in changing market and it cannot compete with its rivals. Customers will see competitive advantages as customer advantage, giving the company an edge over its competitors (Kotler, P & Armstrong, G, 2010).

In the below brief description for Lenovo's most powerful competitors are illustrated.

##### 4.1 Dell Inc.

Dell has 12.1% market share in 2013; while Lenovo has 9.3% respectively (<http://www.strategicmanagementinsight.com>). Dell had a \$60 billion global business in 2007 and obtained more than 200 million units. Now the brand of Dell is popular all over the world and it supports a highly customizable product. It produces low and middle spectrum computers and this is resulted to its success. Comparing to Lenovo, Dell's THINKPAD computers are in low quality and cost. Its design and reputation is not good. However, it is the dominant brand in virtual machine software ([www.lenovo.com](http://www.lenovo.com)).

##### 4.2 Acer

Acer is the third largest PC Company with 9.5% market share after HP and Dell computer companies. It takes 80% of the revenue from Desktop PC sale. Major rivals for Acer are HP, Dell and Lenovo (<http://www.mbaskool.com>). The strategy of Acer is remaining the third largest PC producer in competitive market. The strategy consists of achievements, expansion of new technology, upward the emerging EMEA and Japanese regions. Its competitive strategy is to be a cost leader in the market by low cost products. The business model of Acer is producing cheap and suitable computers for everyone. Comparing with Lenovo, Acer's products are cheaper than its competitor (<http://charmike4.hubpages.com>).

##### 4.3 Apple

Apple is the number one IT brand in the world. Its computers and mobile phones are famous with their easy to use, modern style; touch screen design and safety characteristics ([www.lenovo.com](http://www.lenovo.com)). Apple provided solid technical support before than Lenovo, and it is also a competitive edge of Apple. The weakness of Apple is the system of computers is not optimized for use of Windows operating system and this is causing some difficulties of applications to install. Even, the price of products is higher than its rivals as they are in the same quality ([www.lenovo.com](http://www.lenovo.com)).

#### 5.0 Business strategies to gain competitive advantage

Strategy is the way of organization plays its role correctly. It is based on the long term of a business and it shows direction and opportunities to the business. It achieves advantage in a rapidly changing world over its resources and capabilities (Porter, 1980). There are given some strategies which are used by Lenovo.





### 5.1 The Competitive Strategies of Lenovo

Competitive strategy defines how an organization selects to enter to a market, with specific concern to the relative placing of contestants. Unless a company can generate and sustain a competitive improvement, it is improbable to reach a strong market position (Paul Wetherly & Dorron Otter, 2011).

Recently, Lenovo has introduced two new types of product: Essential series and IDEAPAD series. Both of them have gained the market with price, image, support, and quality and design differentiation. It is also considered as a competitive edge of Lenovo ([www.lenovo.com](http://www.lenovo.com)).

### 5.2 Value Chain Analysis

Value chain analyses are strategies that are effectual in developing competitive edge by generating stakeholders' value, decreasing the level of competitors and leading to organization success. One of the value chain analysis activities is founding of suitable infrastructure of the company which contains organizational structure, company culture, and control systems (Frances Brassington & Stephen Pettitt, 2013). Lenovo has recognized itself well in its production efficiency and developed it by the infrastructures and strengths in technologies century ([www.lenovo.com](http://www.lenovo.com)).

### 5.3 Positioning

The level of difference in choice of goods and services over the competitor is considered as the competitive positioning. The company will be achievable if it leads to the environment ( Kotler, P & Armstrong,G, 2010). For Lenovo positioning strategy was held in THINKPAD series. This brand was very popular to IBM. After attainment of the IBM, Lenovo manufactures it under its own brand in order to decrease the influence of customers to IBM ([www.lenovo.com](http://www.lenovo.com)). The company changed the THINKPAD series name three times, such as: "IBM, THINKPAD" by "The THINKPAD of IBM, Made by Lenovo", after 2.5 years "THINKPAD, Lenovo" and finally "IBM & THINKPAD" ([www.lenovo.com](http://www.lenovo.com)).

### 5.4 Brand Strategy

In the beginning times of the firm, people knew it as of IBM not Lenovo. However, Lenovo assembled its very strong reputation in the PC market and the quality of products and services is even better than IBM. Lenovo reached to this respect by THINKPAD brand with high quality and performance (<http://www.ukessays.com>).

### 6.0 Conclusion

Lenovo is one of the most popular computer manufacturer companies and it has its own place in technologies world. It should change its weakness to the strengths by its business strategies and increase its competitive advantage over competitors. The most importantly, it should build close-customer relationship through creating affordable and high quality goods and services.

### 7.0 Recommendation

There are given some recommendations to Lenovo to raise its development.

### 7.1 Continuous development



Lenovo should pay attention to innovations, new design, high quality and diversification of its goods. Moreover, improving R&D activities will be useful for the progress of the company. Moreover, the company should focus on the production, while high quality product admires more customers and it supports the loyalty for that brand (<http://www.ukessays.com>).

#### 7.2 Cost effective strategies

Lenovo should use its cost effective strategies in order to decline costs and share its pieces with its customers. Also, using double brand strategy (IBM and Lenovo) helps it to take the cost leadership advantage. In order to get cost advantage, it has to build good relationship with its rivals and it can win in a price war with low cost products (<http://www.ukessays.com>).

#### 7.3 Customer Service to Customers' Trust

Satisfaction of customers is very important to any company. Losing only one customer leads to lose future earnings too. For that reason, Lenovo should be very careful with its customers. In order to get customers' trust, the company should improve the service quality after sale, match expectations of the customers and services and products of Lenovo and delivering channel should be comfortable and on time. Moreover, it should keep good relationship with customers through quick response to their questions and truthful and open information (<http://www.ukessays.com>).

#### 7.4 High quality product

Producing the highest quality product will be a competitive advantage of Lenovo. Good worth product never stay to be waited for its buyers on the window. As a means to achieve the clients' encouragement in long-term strategy, the company should manufacture excellent products, which is that, its purchasers choose only its product not its rival's (<http://www.ukessays.com>).

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