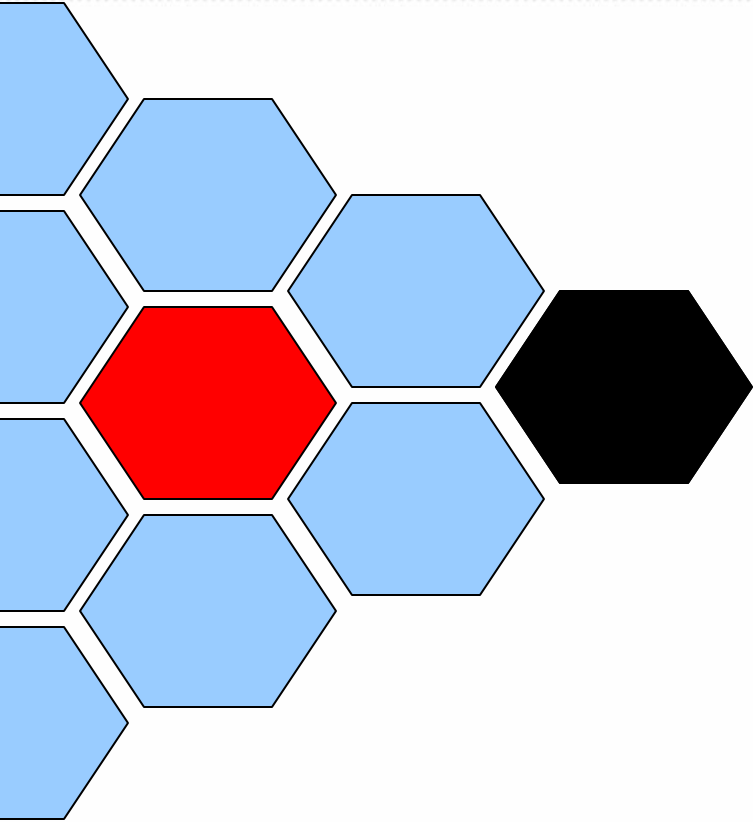


lenovo



**Welco
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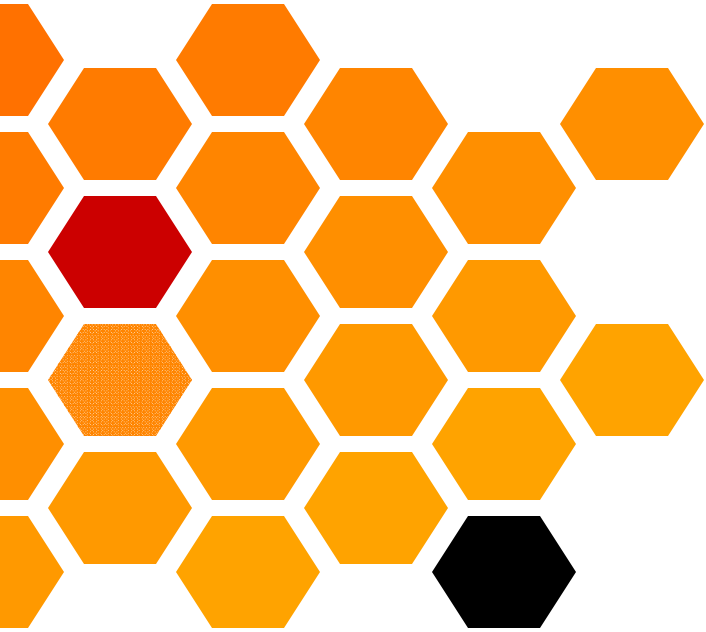


Countering the



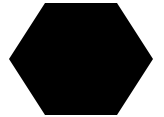
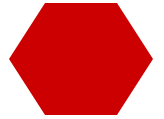
Challenge

Group: MARS



Presentation Team:

- 📄 Musabbir Rahim
- 📄 Md. Sabbir Ahsan Siddiqui
- 📄 S. M. Kamrul Ahsan Khan
- 📄 Tariq Bin Azam



Group: MARS





Introduction:

Group: MARS



Product Profile:



- Desktop PCs
- Notebook PCs
- Cell Phones
- Motherboard
- Printed Circuit Boards
- Servers
- information technology integration and support services
- Lenovo also offers Internet access through its FM365.com portal.



Target Markets:



Domestic Market:

🌐 China

International Market:

🌐 India

🌐 Thailand

🌐 USA



Overview of the case



Lenovo Group Limited

Type:	Limited company
Founded:	1988
Headquarters:	Purchase, New York, USA
Key people:	Yang Yuanqing, Chairman William Amelio, CEO
Industry:	Computing
Products:	Computers including the IBM-branded ThinkCentre and ThinkPad
Revenue:	\$13 billion USD (2005)
Employees:	~19,000 (2004)
Website:	http://www.lenovo.com/
Overall Market Situation:	Maturing (in China)



PRESENT SITUATION



- Competitor sales are growing
- Profit margin is declining
- Higher inventory

Lenovo

30-40days

Dell

6 days

- Share price declining
- Buyer preference
 - High-end corporate user
 - Internet Accessibility
- Price Cut



Analysis of the Case:



SWOT Analysis:



Strengths:

- **Strong sales position in the mainland (China) because of 90% of sales from it.**
- **Market leader in China as Lenovo is earning more revenue from the mainland.**
- **Low production cost.**
- **Event sponsoring.**
- **Good marketing and distribution strategy.**
- **Strategic alliances with suppliers (IBM).**
- **Distribution channel.**



SWOT Analysis (contd.):



Weakness:

- ⓐ Unable to maintain sustained growth rate in all market segments.
- ⓐ Ignoring emerging competitors.
- ⓐ Retaining of largest share by the competitors.
- ⓐ Delivery time taking long time.



SWOT Analysis (contd.):



Opportunity:

- ❏ **PC sales are expected to grow.**
- ❏ **Fast growing international market.**
- ❏ **Signing of MOU with the US.**
- ❏ **Specialty shops providing one stop platform for distribution.**



SWOT Analysis (contd.):

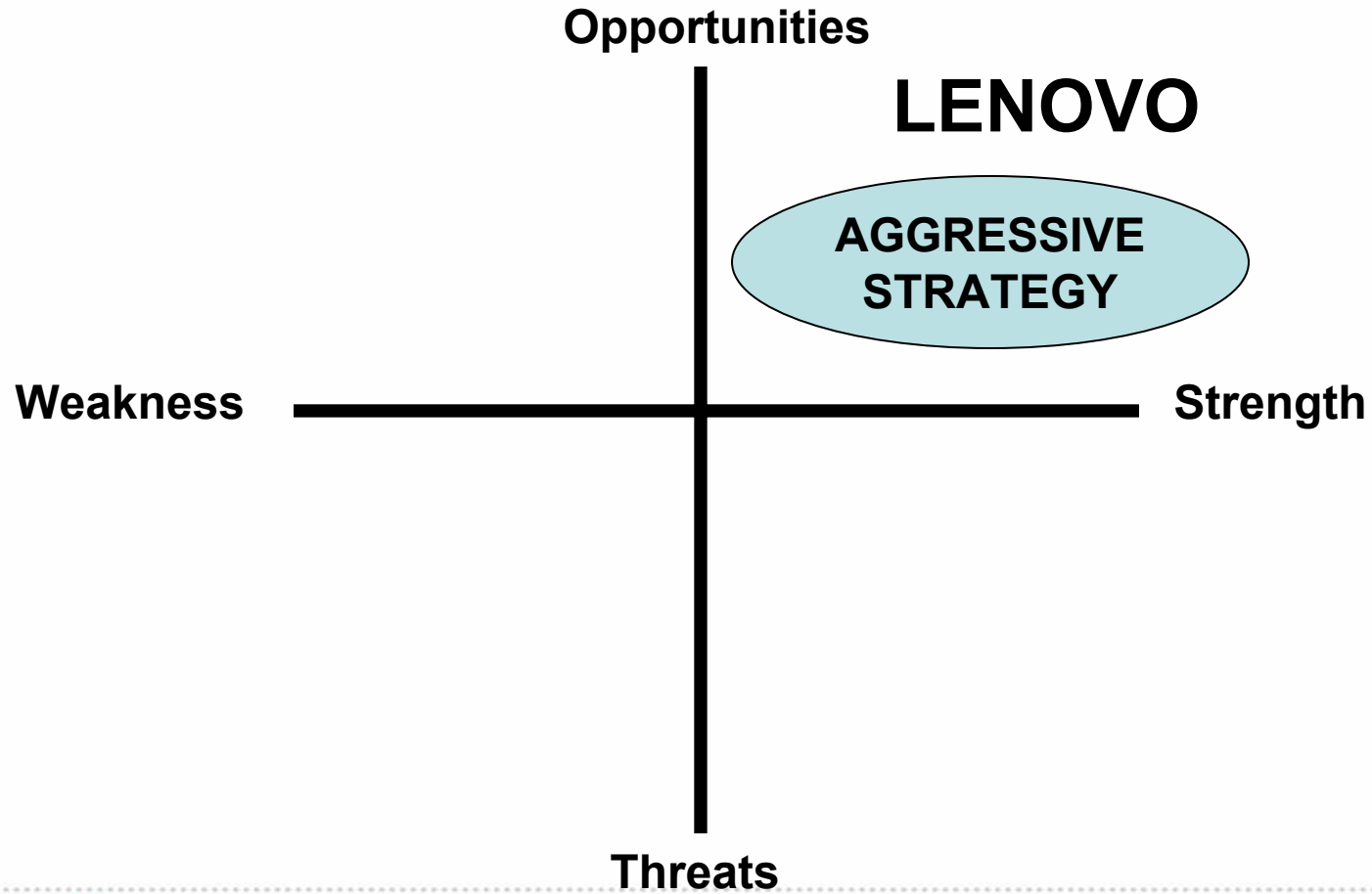


Threats:

- ❑ **Competition threat from both Local and International market**
- ❑ **Price war**
- ❑ **Maturing Market**
- ❑ **International competitors forming Alliances with the local competitors**
- ❑ **Threat of price competition from clone PC makers.**



SWOT Analysis (contd.):





Supports an Aggressive Strategy:



Increase of Sales

- Technological Innovation
- New Product with the Rival Line
- Strategic Alliance
- Cost Reduction

Growth

- Horizontal Integration
- Superior Product
- Distinctive Strategy (image)



Porter's Five Forces:





Porter's Five Forces (contd.)



- Bargaining power of the Suppliers- **LOW**
- Bargaining power of the Customers- **High**
- Threat of New Entrants- **High**
- Threat of Substitute Products- **High**
- Competitive Rivalry within the Industry- **High**



Key Success Factor of the Industry



- Product Innovation
 - Low cost manufacturing
 - Access to Adequate Suppliers
 - Strong Network of Distribution
 - Low Distribution Cost*
 - Short Delivery time
 - Feeling the Buyer Need
- Respond Quickly with the Customer need*



Challenges:



Challenges From DELL:



- ⊕ **Selling into China through a network of authorized distributors**
- ⊕ **Direct sales and manufacturing centre based in China**
- ⊕ **Low inventory cost**
- ⊕ **Brand Recognition**
- ⊕ **Order driven production system**
- ⊕ **Ease in payment system**
- ⊕ **Expansion of corporate market segment.**
- ⊕ **Focusing on the low end PC for the other than corporate customers**



Dealing with the Challenges



Price War

Expanding the Product line
(Same Product with Dell at Lower Price)

Concentrate on the Geographic Expansion

DELL **Acquiring the Prestigious Corporate Clients of the**



Strategy Alternatives:



Distribution Strategy Alternatives:

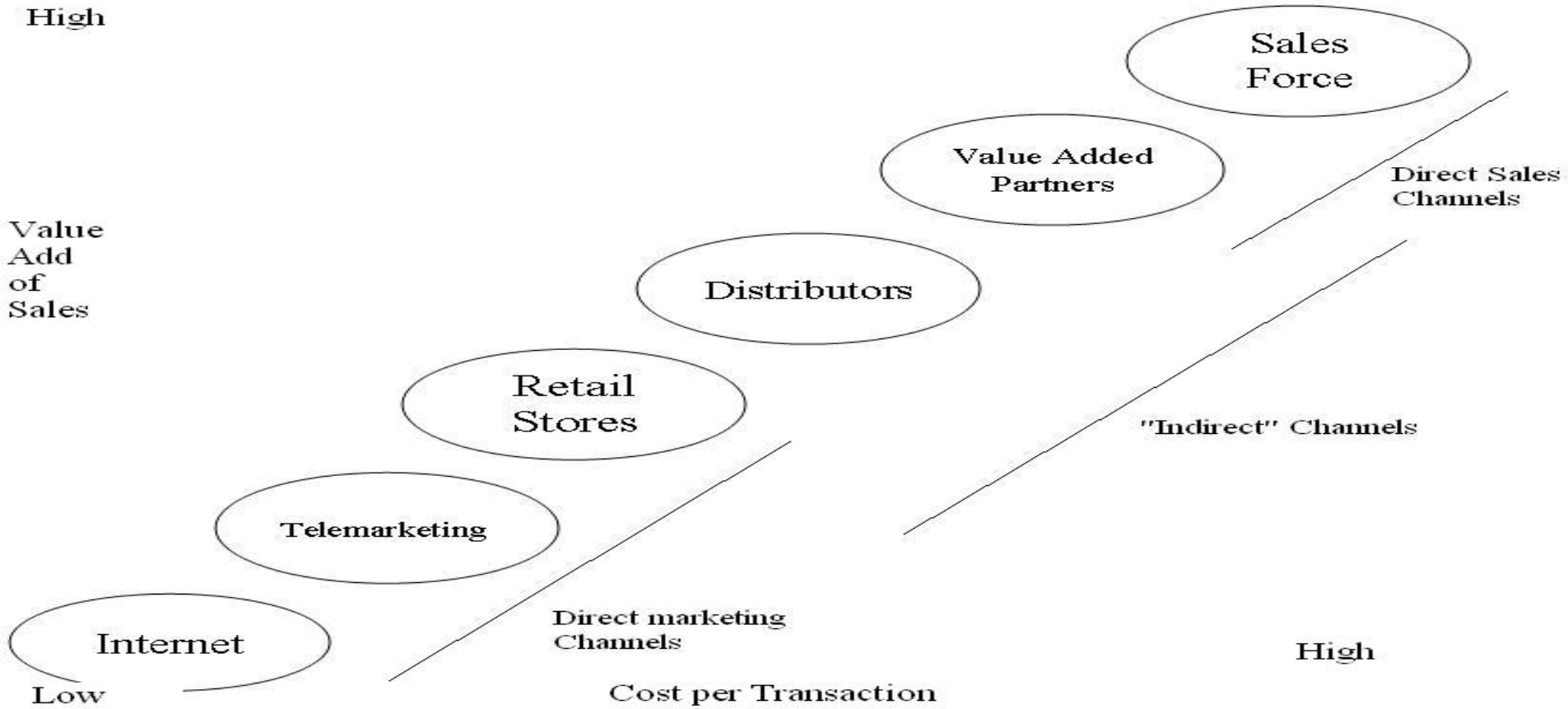




Image Building of LENOVO





Image Building of LENOVO (contd.)



How LENOVO can increase it's Brand Recognition:

- By increasing it's promotional budget.
- By participating in World IT related Fairs.
- More aggressive promotional campaign, like posters, TV adds, News Paper Adds., Web based Adds.
- By going for more International Event Sponsoring like Olympic Games.
- Spend more money in product development.
- Should go for more recruiting brand ambassadors who themselves has recognition.
- Should go for more promotional strategy like “road show”.



Strategy Shape Up of the Lenovo



Numbers of Customers increasing
(More than Seven Million Pieces in 2000)

Competitive Forces

FIERCE COMPETITION

(Both local and foreign competitors)

Company position

Market leader (more than 25% market share)

Rivals Strategy

Driving Forces

Internet Globalization

Growth Rate of the World Market

Regulatory structure of the Market

Product Innovation

Lenovo's Situation

SWOT

Cost Competitiveness

Strategic option

Concentric diversification

Horizontal Integration

Product Innovation



International market



	India		Thailand		USA	
	2003	2004	2003	2004	2003	2004
Growth rate	10%	14%	9%	10%	15%	
Rivalry among the firms	Present		Present		Present	
Import restriction	N/a		N/a		N/a	
Inflation	7%	8.1%	0.7%	1.8%	4.5%	5.75 %
MOU	N/a		N/a		Yes	

*All: Dell , HP, Acer ,IBM

Source: Asian Development Bank, www.buyusa.gov/india/en/motm.html , www.wikipedia.org

Diagram: Meeting the Challenges of Change

DEFENSIVE

Reacting
To
Change

- # Introduce better Products in response To new offerings of Rivals
- # Respond to unexpected Changes in buyer needs And preferences
- # Adjust to new govt. policies



- # React and respond as needed
- # Defend and protect company's position

Anticipating
Change

- # Analyze the prospects for Mkt. Globalization
- # Research buyer needs, Preferences & expectations
- # Monitor new technological Developments closely to Predict future path



- # Plan ahead for expected future changes
- Strengthen distribution
- Improve pdt line

Leading
Change

- # Pioneer new & better Technologies
- # Introduce innovative pdt.s That open new markets & Spur the creation of whole new Industries
- # Seek to set industry standards



- # Seize offensive
- # Be the agent of industry change
- # Influence the rules of game
- # Force rivals to follow

OFFENSIVE



Recommendations:



Recommendations



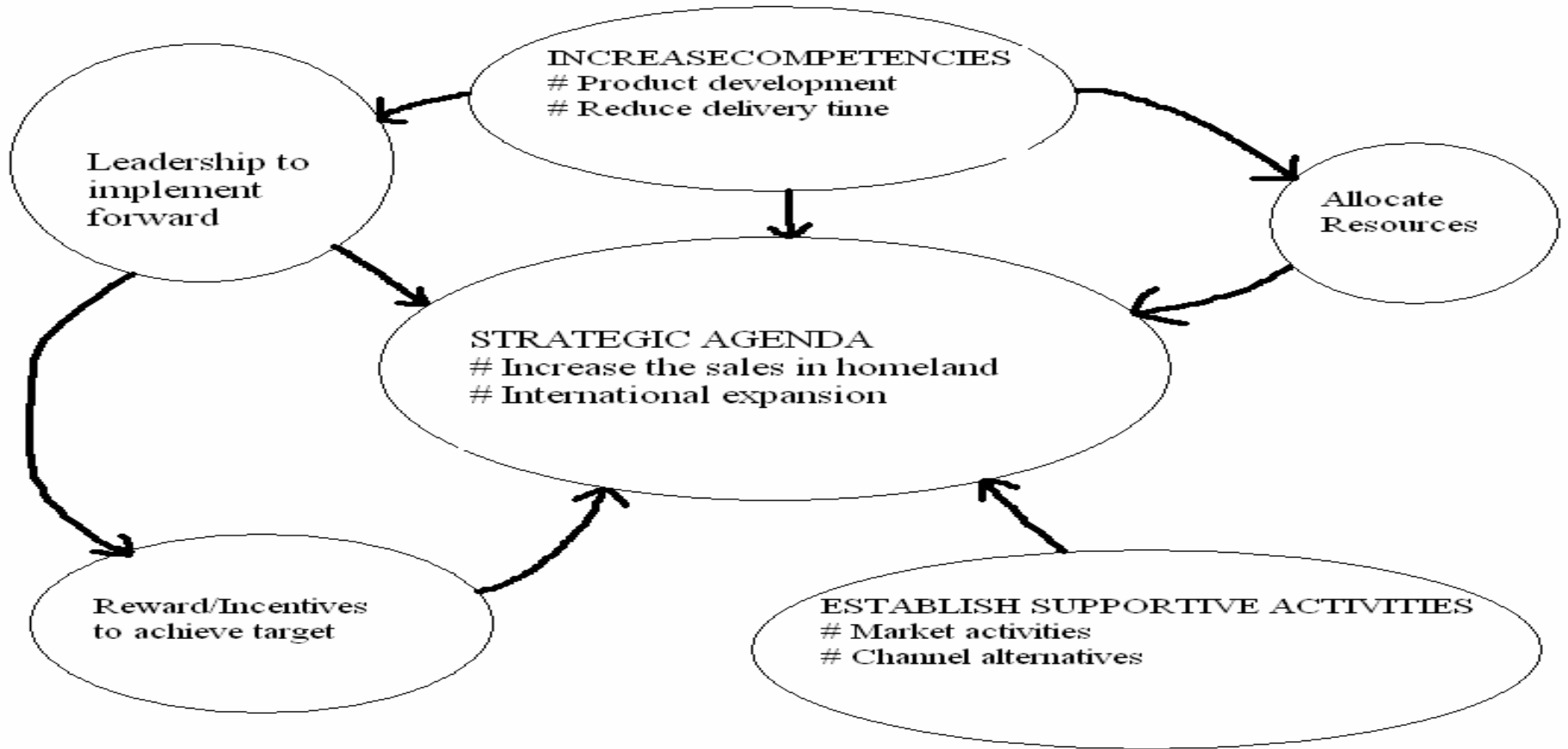
- ▶ **Lenovo should take the Aggressive Strategy in China .**
- ▶ **Lenovo should enter into the US market**



Action Plan:



Strategic Agenda





Action Plan:



FINANCIAL OBJECTIVES

GROWTH IN REVENUES

HIGHER DIVIDENDS

MORE CASH FLOWS

STRATEGIC OBJECTIVE

MARKET SHARE

LOWER COST PRODUCTION

**THAN DELL AND OTHER
COMPETITORS INTERNET
SALES**

CAPABILITIES BUILDING



Implementation of the Strategies Through three Tier Strategy



Strategic Components
Goals and objectives

Corporate Strategy
Revenue growth
Profitability
EPS

Strategic Components
Goals and objectives

Business Strategy
Sales growth
International market
expansion
Increase profitability
through cost reduction
Cash flows



Implementation of the Strategies Through three Tier Strategy (Contd.)



Strategic Components

Goals and objectives

Marketing Strategy

Increase market share

Contribution margin



Group: MARS

A decorative background on the left side of the slide consisting of a grid of hexagons. Most are light blue, but there is one red hexagon in the middle and one black hexagon at the bottom right of the grid.

**Thank
You...**



Questions

???

Group: MARS