

The lenovo company report marketing essay



**ASSIGN
BUSTER**

Personal computers and technology industry is dynamic and fast growing with increased advance in technology hence companies in it are faced with high competition are subject to various factors that influence their operations. In that respect, this report seeks to present Lenovo's market position by analyzing its industry and market environment as well as its competitiveness.

To begin with, the report provides a brief history of the company followed by a general environment analysis using generic five forces analysis. The report then provides an industry analysis using porter's five forces and an internal competence analysis using SWOT analysis method. In consideration of Lenovo's market and industry environment as well as its competitive positioning, the report provides recommendations for suitable business, corporate and international level strategies. The report finally provides a conclusion and a summary of the key findings about the company.

COMPANY HISTORY

Lenovo is the largest personal computers producing Company in China with its origin back in 1984 when legend holding was started in a guard house and incorporated in China in 1988. However, Lenovo brand was created in 2004 when legend changed its name to Lenovo and has since transformed itself through development and acquisitions of great brands with a perfect example of IBM Personal Computers division's acquisition in 2005. (Lenovo, 2013a)

Lenovo is the world's second largest vendor of personal computers and a fortune 500 company valued at US\$21billion with headquarters in Beijing

China and Morrisville North Carolina in US. The company has a workforce of around 26, 000 employees spread across its operations in 60 countries. In terms of products, Lenovo specializes in creation of exceptionally engineered personal technology with brands including; idea branded consumer personal computers, servers, work stations, family mobile internet devices like smart phones and tablets as well as think branded commercial personal computers. (Lenovo, 2013a)

GENERAL ENVIRONMENT ANALYSIS

Generic five forces analysis

Lenovo's operations are subject to various forces including economic, social, political, technological and environmental as well as competitive forces.

(xxxxx)

Economic forces

Economic forces that influence the business operations include; economic growth rate, exchange rate fluctuations, inflation rate and interest rate. In this consideration, the significant economic growth rate in China enhances demand for personal computers positively impacting on the company's performance while the low unemployment rate results to high disposable income boosting personal computers demand. On the other hand, exchange rate fluctuations affect the value of Lenovo's returns from its international markets with a weak Chinese currency and US Dollar resulting to higher value on foreign returns repatriation to China and US and vice versa. In addition, inflation rate affects consumer's purchasing power with China and US's low inflation rates enhancing consumers' purchasing power hence

<https://assignbuster.com/the-lenovo-company-report-marketing-essay/>

increasing demand. Interest rates in the market also affect the affordability of financing hence the ability to borrow and invest. Thus the low interest rates in US and China increase investment in the market increasing competition as well as availing financing for Lenovo's investments. (xxxxx)

Social, cultural, demographics and environmental forces

Lenovo works within communities with varied social needs which require it to enhance sustainability and promote corporate citizenship through healthy & safe workplaces, safety of its products, setting high ethical standards, environment concerns and philanthropy. (Lenovo, 2013a)

The changing environment and its concerns influences business operations for instance; Lenovo has to address its products design and supply methods as well as manufacturing means to minimize environment pollution by using more efficient logistics and transport means and applying reuse as well as recycling in production. (Lenovo, 2013a)

The changing society also dictates the ethics concerns like protecting and respecting other's intellectual property rights. Other social and demographic factors that affect Lenovo's operations include; high Chinese population size that provides a large market, lifestyles as well as preferences which determine customers demand for different brands as well as Chinese high literacy level which promotes personal computers demand. However, China has an ageing population which could lower personal computers demand due to age effect on the ability and need to use computers. Wealth distribution in the society also determines the size of population that can afford Lenovo's goods. (Lenovo, 2013a)

Political, legal and governmental forces

Government policies in China and US in favor of market liberalization increases entry of foreign firms in the markets hence increasing competition for Lenovo. On the other hand, China and US's stable political systems enhance smooth business operations while Middle East and Africa have high political instability hence presenting a risks and uncertainty for the company's investments. In addition, there are various labor laws and regulations that Lenovo has to deal with including laws on minimum wages, retrenchment as well as labor disputes resolutions across all the 60 countries where it operates. (xxxxxx)

Technological forces

High technological advance in US and China in relation to computers and technology provides Lenovo an avenue to deliver high quality products. Technology also provides new marketing avenues like websites and mobile applications through which Lenovo can reach a wide range of potential customers. In addition, the dynamic nature of technology requires Lenovo to maintain extensive research and development operations as well as innovation in order to keep up with the industry trends and meet the emerging clients' needs. (xxxxx)

Competitive forces

A company's competitiveness is dependent on its ability to address completion from other firms. In this respect, Lenovo has a leading position in shipment of personal computers and in Chinese market share as indicated by its 30% share in Chinese PC market and the 2012 third quarter total

shipments share of 15.7% as compared to HP's 15.5%. In this respect, Lenovo is a leading company in a highly competitive market. (Gartner 2013)

INDUSTRY ANALYSIS

Porter's Five Forces Analysis

According to Porter's analysis, there are five forces that determine a company's competitiveness in the market including; existing rivals, new entrants, substitutes and suppliers as well as buyers bargaining power.

(xxxx)

Existing rivalry

Personal computers and technology industry has few dominant firms of relatively same size including Apple, Acer, Dell, Fujitsu, Hp, AUS and Toshiba hence making it a very competitive industry. Apple is excellent in designs for products and innovation while Acer has a significant market presence and efficient supply chain in many regions. On the other hand, Dell focuses on mature markets with good quality programmes, services and products for enterprise customers while Fujitsu has a great offer for a range of high quality products with global availability that includes desktops. (Lenovo, 2012) For the third quarter of 2015, the global market share for personal computers shipments were Lenovo 15.7%, HP 15.5%, Dell 10.5%, Acer 9.9%, AUS, 7.3% while others took 41.1%. (Gartner, 2013)

To enhance its competitiveness relative to the rivals, Lenovo uses innovation in its differentiation strategy driving opportunities in new markets such as cloud computing, mobile internet and digital home. The company also relies

on its strong presence in China fending off existing rivalry which can be illustrated by its significant 30% market share in China's personal computers market. (Lenovo, 2013a)

Potential entry

Massive research and development as well as innovation in the industry results to increased products hence new entrants into the market with market liberalization and low production cost also favoring entry into Chinese market. In that respect Lenovo is protected by its economies of scale and the high capital requirement for a firm to enter the market. The company also enjoys a strong brand locally and internationally deterring new entry as the new brands would have a daunting task in establishing themselves to effectively compete with Lenovo. (Lenovo, 2013b) In addition, Lenovo has a committed Research and Development team boosting its overall customer experience as it drives down ownership costs and provides durable, reliable and high quality products. (Lenovo, 2013a)

Substitutes

Technology industry is increasingly advancing with a crop up of several substitute products. Lenovo's products have various substitutes with cases of Ipads and other programs. However, the company applies its innovation capability to enhance its products operations through differentiation. This makes its products less substitutable by the nature of their high quality, added advantage, reliability and durability hence having a competitive edge over substitute brands. (Gartner, 2012)

Suppliers bargaining power

Due to the nature of the diverse suppliers in the industry in China, no single or few suppliers have a significant bargaining power over an organization giving Lenovo a competitive edge. The availability of cheap alternative raw materials and labor in the Chinese market makes the labor and input suppliers have less bargaining power. Thus relative to other competitors who are based in other regions, Lenovo has a competitive edge. (Gartner, 2012)

Buyers bargaining power

In the personal computer and technology industry, consumers usually have a significant bargaining power over the sellers because of the large number of substitutes and variety of alternative products. However, Lenovo`s differentiation strategy sets out its products from the rest hence having a relative advantage in bargaining power. In addition, the company`s reach into difficult and less focused markets like Middle East and Africa provides a significant bargaining power over customers hence can charge a higher price and have a competitive advantage relative to competitors who shun the difficult markets. (Gartner, 2012)

INTERNAL COMPETENCIES ANALYSIS

SWOT Analysis

Strengths

Lenovo focuses its operations in China which is a rapidly growing and emerging market.

It has a global footprint with a wider reach for its brands.

It targets large and public sector and has strong brand built on innovation.

It has an efficient global supply chain and brands that reflects high quality, reliability, ease of use and secure technology like the booting pad and think pad.

Its brand is suited for both emerging and developed economies.

It has the ability to attract top talent from diverse backgrounds providing diversity that serves all cultures. (Lenovo, 2013a)

Weaknesses

The company's structure hinders its ability to expand beyond personal computers' market since its supply centers and service capabilities would result to customers having to deal with a wide variety and multiple vendors. (Gartner, 2012)

Opportunities

Emerging markets like Africa and Middle East increases demand for personal computers as markets liberalization increases the possibility of venturing into new markets.

Low labor cost and cheap inputs in the Chinese market can be used to enhance competitiveness.

Increased research and development in the industry provides access to knowledge necessary for introducing new products that meet changing customers' needs.

Increasing globalization provides an opportunity for Lenovo to enhance its supply chain to reach more markets.

Increased global use of internet and technology increases demand for personal computers hence an opportunity to produce and sell more. (Lenovo, 2013b)

Threats

Lenovo faces an erosion of its differentiation strategy in its Think vantage as companies like Microsoft counters the offer with free offers reducing its unique tools' value.

Entry by new producers with lower production cost and increasing research threatens Lenovo's current competitive advantage.

Market liberalization is increasing competition in Lenovo's dominated markets like China.

Copyright infringements and intellectual property theft risk.

Global economic uncertainty negatively affects demand for personal computers threatening Lenovo's operations in regions like the Europe. (Gartner, 2012)

STRATEGIES RECCOMENDATIONS

Lenovo should apply strategies that seek to enhance utilization of its strengths, address its weaknesses, optimize on the available opportunities and remedy as well as avert the existing threats at business, corporate and international levels. The strategies should also be based on consideration

<https://assignbuster.com/the-lenovo-company-report-marketing-essay/>

that Lenovo is the leading company in PC market enjoying a significant market share of 30% in china and 15. 7% globally in an industry that experienced a 8% decline in PC sales in 2012. Thus Lenovo's personal computers business is a Cash Cow according to BCG matrix with high market share in an industry that has a low growth in sales. (Gartner, 2013)

Business level strategy

Business level strategy is concerned with creating a competitive advantage for individual products and markets focusing on achieving a significant target profit level as well as satisfying customers' needs. In this respect, Lenovo should apply cost leadership strategy considering that it already enjoys economies of scale from its ability to source for cheap labor and inputs. It also has a greater capability of delivering value to clients at relatively lower prices with efficiency in its supply chain also enhancing its ability to reach diverse market at an affordable price. (xxxx)

The strategy requires increased innovation for low cost products and establishment of technologies that are difficult to imitate and copy as well as having a tight control on overheads and production costs. This strategy is suitable with Lenovo's efficiency and appropriate in vending off competition from all the five porter forces. (Lenovo, 2013b)

Corporate level strategy

There are numerous changes in technologies, competitive environment and regulatory environment that require a change in corporate strategy in order to leverage on the business resources and create competitiveness. This should be through actions that establish a competitive edge by managing

different business lines as well as targeting decisions within the industry and markets involved to earn above normal returns. In this consideration and with Lenovo's personal computers business being a cash cow, the company should apply related diversification strategy which entails entry into new areas by employing levers of markets in terms of products, support and services geographically and in value chain. This will benefit the company through greater profitability and faster growth as it accrues resources including; expertise, skills and technologies as well as physical assets and markets. In addition, this will create demand and cost linkages between business lines as well as enhance sharing of value chain activities hence transfer of core competencies. (xxxx)

International strategy

With increased globalization, Lenovo needs to enhance its international operations through international strategies that resonate with its business level and cooperate level strategies. Therefore, Lenovo should apply acquisition strategy promoting entry into new international markets where the acquired businesses would provide market experience and linkages hence giving it a competitive edge. (xxxx)

CONCLUSION AND FINDINGS ABOUT LENOVO

From the analysis, Lenovo comes out as a leader in the personal computer and technology industry being a fortune 500 company, largest provider of personal computers in China as well as the second largest globally. The analysis also indicates Lenovo to be enjoying a competitive advantage over its competitors in China and other markets like the Middle East, and Africa

which are considered as difficult markets. However, the company's operations are subject to various factors ranging from economic, social, environmental, political, and technological factors which affect its operations. In addition, Lenovo enjoys economies of scale due to its large operations and its research and development as well as innovation which acts as key drivers of its success. In this respect, the most suitable strategies for Lenovo to apply include; cost leadership business level strategy, related diversification corporate strategy and acquisition as its international strategy.