

Product and Brand Management
Case Analysis : “Lenovo:Building a Global Brand”

JRL Consulting

Cross-Cultural Technology Management

E-Mail:tech@jrleeconsulting.com

Website:www.jrleeconsulting.com

What should Lenovo’s overall corporate brand positioning and corporate branding strategy be in global markets?

How did Lenovo choose to position itself in its PC line of business?

How did Lenovo use the IBM logo?

Do you agree with the decision to use a product number (“3000”) rather than a product name for Lenovo’s first non-ThinkPad product?

1. What should Lenovo's overall corporate brand positioning and corporate branding strategy be in global markets? Why is developing a global corporate brand important to Lenovo?

The needs to be an international company:

To survive and succeed in the global business environment, Lenovo has no choice but to become an international firm in the PC business. In the Lenovo's financial report we can observe the big differences between fiscal year 2005 and projected 2006's taxes requirement of 35 million US dollars to projected taxes of 632 US million dollars. With China joined the WTO, Lenovo surely would lose its advantage of government intervention (tariff or other restriction of other PC companies, ex. HP, IBM) to ensure its market share and profitability in Chinese Market. Lenovo's market share of 30% in 2001 was number one in the Chinese market, but Dell computer, upstarts, as well as PC clones also posted strong challenges to its leading market share. To grow the company, Lenovo would have to expand to the worldwide market that it didn't have. With the acquisition of IBM PC division announced in December 2004 gave Lenovo a great opportunity to expand its territory outside Asia. To leverage this great acquisition, Lenovo needed to establish itself as an international company that could convert itself from a PC brand was little known globally to a company that not only can succeed in innovation to carry the legendary Thinkpad brand but also reinforce its strengths of an innovative PC brand that's highly efficient.

Lenovo's Corporation Brand Strategies:

Before the Acquisition of IBM PC division, Lenovo was a highly successful local PC brand of China. It was perceived as an innovative PC company through its customization and understanding of its main base of Chinese market by introducing Chinese specific needs for PC like legend cards for Chinese characters processing, sales channels for PC instead of direct sales, etc. To expand this innovation-oriented strategy, not just a computer company from China that would be perceived by many as a company to simply provide inexpensive and less innovative, less reliable PC, Lenovo needs to combine its innovative DNA to its PC brand.

To define the brand, several factors needed to be considered:

1. Brand Attributes
2. Consumer Expectations
3. Competitor attributes
4. Price
5. Consumer perceptions

In China, the customers accepted Legend computers (Lenovo's Chinese brand name) as a premium computer, Lenovo had to reinforce this perception to its global brand. The corporate branding and positioning strategy was defined by its global marketing team to use "synergy approach" to create its global brand. The Thinkpad, a well known reliable innovative premium notebook PC, would be used as a sub-brand to give Lenovo the

master brand, its personality. Three steps were taken to carry this strategy, 1) from March 2005 to September 2005 to provide the advertisement of Thinkpad to inform customers, Lenovo's commitment to Thinkpad brand 2) Showcase the new and improved Thinkpad to ensure the perception of Lenovo's understanding of Thinkpad and ability to enhance its innovative values 3) Stress the Lenovo master brand's DNA of innovation. The strategy is to establish Lenovo as a innovative brand that owns Thinkpad as a global premium PC brand like IBM and HP.

Why is developing a global corporate brand important to Lenovo?

The competition in the domestic market would be very high after China jointed WTO, and the growth of the PC market had shifted from US (11.7%) to Europe, Middle East and Africa (20%), a global brand will be needed if Lenovo wanted to compete with other name brand like HP, Dell. The price of the PC also dropped substantially from average of US 1700.00 in 1999 to 1000 in 2005. To maintain the premium price of PC, brand recognition would be needed, since many local brands can provide needs of the inexpensive computer of no differential features. Without a global brand that can be perceived as an innovative with differential features, Lenovo would be perceived as a Chinese computer brand that is inexpensive in nature. This will also diminish the sub-brand power of what Thinkpad had established.

2. How did Lenovo choose to position itself in its PC line of business? What is their brand architecture in PC's? What is your opinion of that positioning? Should their PC positioning emphasize their innovation? Their efficiency? Both? Or something else? Why? In responding to this question think about how Lenovo decided to use the ThinkPad brand? Do you agree with this strategy? Is there another strategy that they should have used? What are the risks to the ThinkPad brand of other branding approaches that Lenovo could have used?

Lenovo had chosen to position itself as a premium PC company that would provide differential features for its target customers like Sony and Apple. In general, two different models could be used to establish a PC company 1) Cost-oriented, like Dell that emphasized the needs of supply chain efficiency and maintaining the competitive advantage with not differential features in PC 2) Innovation-oriented, like Sony and Apple that emphasized the needs of the target customers, provided them with needed functionalities for high premium, the market share is not a major concern. To achieve its goal to be an innovative company with higher efficiency, Lenovo went through a three-steps process to leverage the acquired Thinkpad brand by committing to its success by rolling out a better and improved Thinkpad. This bold move was praised by major press like Wall Street Journal, and Fortune Magazine. By securing and enforcing the Thinkpad brand position and advertizing this sub-brand as a Lenovo's brand, the Thinkpad sub-brand was used to generate a positive master brand for Lenovo.

To differentiate itself with Sony and Apple as the other innovative computer company, Lenovo also positioning itself to be the one that can combine the efficiency (with the knowhow on the value and supply chain operation in China) and the innovation (with the embedded innovation DNA from East (China) and West (IBM)). With this strategy of Branding, Lenovo created two production lines, one for the Thinkpad/ThinkCentre that charged a little more premium than the competitors and one for Lenovo 3000 brand for the Laptop/Desktop that charged comparably with its competitors. Thinkpad/ThinkCentre would be targeting big/medium size of business while Lenovo 3000 would be focused on small business user.

This synergy approach for the branding of Thinkpad and Lenovo is the best among other options. To use "master brand" approach for Lenovo would be easier to promote and build the Lenovo brand. This would also involve changing the culture, tactics and infrastructures of the newly acquired IBM PC division for this new Lenovo PC company to work. And mostly, by simply promoting the Lenovo master brand, this approach would certainly diminish the brand power of the Thinkpad, this move would be counter-intuitive. The house of brands approach could also be used to promote Lenovo PC company, but with the advertising

budget much less than Dell, HP and other name brands, Lenovo just didn't have the deep-pocketed to compete and utilize this strategy. With the same token, Lenovo could not afford to create two distinguished organizations as Toyota did on Lexus/Toyota. With the assessment of these other approaches, Lenovo didn't have other good choices at given company's financial situation. The synergy approach is the one and only strategy should be picked.

3. How did Lenovo use the IBM logo? Do you agree with this decision? How would you have used the IBM logo? What are the opportunities and risks of Lenovo's use of the IBM logo and of your recommended use?

IBM allowed Lenovo to use its logo for its PC products (Laptop and Desktop) for 5 years, but Lenovo only used IBM logo on its Thinkpad series. Lenovo didn't use IBM's logo on its other computer products ever since the acquisition went through. The only association between Lenovo and IBM was the IBM logo on its Thinkpad brand names. It is very clear that Lenovo was trying to build its own master brand using synergy approach. Its strategy was to secure the loyalty from Thinkpad current owners and potential buyers by contracting IBM for service and attached an IBM logo to ensure customers that Thinkpad would be in good care event with changing of the ownership. Besides this effort, Lenovo distanced itself from IBM for the purpose of establishing its own master brand with the help from Thinkpad sub-brand. This is a good decision for Lenovo to act and move quickly part with IBM.

There were several reasons for this separation, 1) Lenovo needed to develop itself as an innovative company without shadowing by IBM. One example cited by the paper was the announcement Thinkpad Z60, that was viewed as the innovation by IBM not Lenovo in April 2005. 2) US PC market/Global PC market were dominated by Dell, HP, IBM was not the key player in this PC market. 3) IBM was moving into service sectors, the PC sector was not as favorable as a profitable business. 4) The reason for Lenovo's acquisition of IBM PC division was not only for the IBM brand but for the global PC channels as well as its flagship Thinkpad notebook computer. These reasons explained why the use of IBM logo was on the Thinkpad. This is the right move since IBM's brand in PC was not the dominated factors besides Thinkpad.

Without using IBM's logo or brand name more, Lenovo lost the opportunities to keep IBM's current customers and potential buyers, but these short term trends could be reversed with a perceived better brand that is more efficiency and innovative in Lenovo if established. Lenovo was taking the risk of short term lose but positioning for the long term gain. Lenovo believed it could use the combination of marketing/branding efforts to create a position impression of a better new master brand of both efficiency and innovation with the help of Thinkpad sub-brand.

4. Do you agree with the decision to use a product number (“3000”) rather than a product name for Lenovo’s first non-ThinkPad product? Why? Would you have done something else? What and why?

Since the acquisition the IBM PC division, Lenovo had tried very hard to create a master brand for its business. The 3 steps process and the synergy approach for its branding efforts would clearly create the impression that the Lenovo PC would be the best for small business owners (its target customers). The use of the number for a product is to reinforce its brand power and its association of the master brand. The use of the number can also simplify the advertisement and easier for the launching of new products. Since Lenovo already had a line of PC that focuses on medium/big business, the use of Lenovo as the brand to target smaller business did provide complementary effect for the company.

This approach is simpler but ran a risk to potentially damage the master brand. By using the number, Lenovo brand is used to target a specific customer sector. This product as Lenovo defined was the product that would for small business owners. With the computer technologies changing so fast, and missing step would create disaster for a PC product. This disaster would potentially damage the reputation of the master brand created. The use of different names, Lenovo would have the options to create differentiated product lines with different name, each would have its own characteristics. This approach would preserve the brand power of Lenovo and can meet a diversified customers with a broad expectations if needed. In its first launching of new product besides ThinkPad, Lenovo should have use “names” instead of numbers.