



STUDY OF MOBILE INTERNET FOT LENOVO

Prepared for:

Pro. Li Wendong

Prepared by:

Wen Jian

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1 Introduction

Lenovo Group Ltd. is a Chinese multinational computer technology company. It is also the largest personal computer vendor in the world. To digest the knowledge we gained at the Enterprise Management class, we investigate Lenovo's history and write this report. We dug deeply into the past of Lenovo and noticed that there was a historical turning point of Lenovo at 2010, which is that Lenovo moved into the mobile internet area. Centred on this new area, we searched for data, read relevant books, and discussed our opinion. During the process of our investigation, we gradually realized that Lenovo really made a correct decision to choose the mobile internet as a new area.

2 External Analysis

2.1 Macro Analysis

2.1.1 Policy Analysis

With the continuous development of IT industry, China has now entered the era of mobile internet. From 2005, the government carried out the preferential tax policy for the IT industry. In October 2006, the Ministry of finance and the State Administration of environmental protection jointly issued the **ENVIRONMENTAL LABEL PRODUCTS IN GOVERNMENT PROCUREMENT ON THE IMPLEMENTATION OF OPINIONS**, advocating "green IT". In 2014, IT industry has been upgraded to a national strategy height.

With the national policy supporting, IT industry developed steady and rapidly. According to the statistics, the first half of the cumulative production grew 27.2%^[1], although the increase drop slightly compared to the national industrial growth contribution rate of 14.9% and a quarter, 2.4 percentage points up the national industrial growth of 16.2 percentage points in the main force is still pulling.

Generally speaking, the national policy provides a good platform for the development of IT industry so that smart mobile devices have been developed gradually. Chinese government certainly gives a stronger support to native brands in order to promote the country's international competitiveness.

Lenovo is a fast-developing native brand, so the government has sufficient reasons to support it. It is no doubt that the government support will strengthen the development of Lenovo Company in the new field.

2.1.2 Economic Analysis

With the sustained development of the macro economy of China recently, information industry has become an important pillar of economy of China. The increase level of per capita income provides economic security for consumption as well as use of the mobile Internet business. The number of terminal of mobile phone continues to rise.

From the consumption structure, entertainment, education and cultural accounted for about 15% ^[2] which become the second largest expenditure after the food consumption. The increase in demand of users of the recreational culture decrease the barriers to the entry of the mobile internet effectively.

2.1.3 Technology Analysis

With the rapid evolution of technology, the strategy of Lenovo manufacture its products adjusting constantly.

In 2003, Lenovo Launched its first smart phone ET180, which is equipped with the latest mobile operating system "Windows mobile pocket PC 2003". 10 years later, its latest product, VIBE X2 is equipped the operating system Android 4.4. The operating system Lenovo's smart phones used is created by other companies.

Lenovo need to improve its smart phone's configuration constantly in order to follow the constantly updated operating system. This needs the engineer of Lenovo to improve its manufacturing level such as improve the speed of CPU and increase the RAM of the smart phones in order to follow the trend.

Technology changes products' appearance. The smart phone, in the past few years, becomes thinner and its display screen becomes bigger and clearer. This is created by the development of technology. Lenovo's designer need to change its products' design constantly.

With the development of chip technology, in addition to the performance of the chip on the rise, the price of the chip comes to a big descent. Coupled with the Lenovo takes the cheap price route, this makes the Lenovo's smart phones, which is in the low-end market, locate on a good position.

In recent years, E-commerce has become a popular marketing tool. Lenovo established its online shop in 2008, in this way Lenovo can sell products through the internet. The low price of smart phones on the internet quickly attract the low-end consumers, which contribute a lot for Lenovo to occupy a great share in the low-end market of smart phones.

In the September, 2014, Lenovo involved in P2P field and indicate will invest more to the internet finance. This shows its great effort to the Internet Commerce. ^[3]

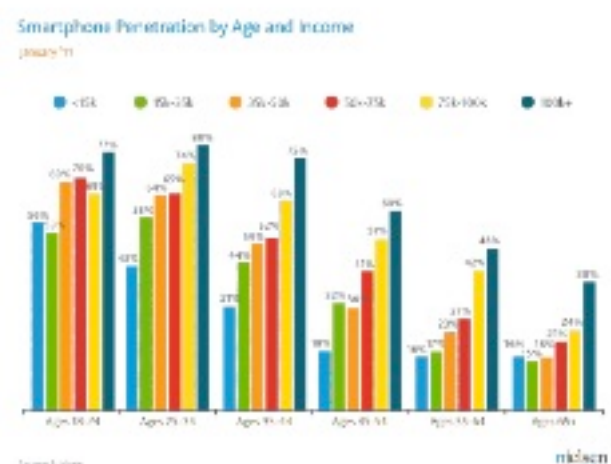
2.2 Micro Analysis

2.2.1 Consumer Analysis

In recent years, people's living standards gradually improved, the price of mobile intelligent terminal equipment has also decreased, devices like smart phones and tablet PC have gradually become the significant part of people's life.

These factors have all contributed to the consumers' purchasing power of mobile devices. According to the date released by Nielsen research firm, it's estimated that 66% people have a smart phone in the 25-year-old to 34-year-old age group, which is the highest in all age groups.

Otherwise, the report also shows that income plays an important role in purchasing mobile devices. If we consider both income and age,



Smartphone Penetration by Age and Income ^[4]

older people with higher income are most likely to buy a smart phone.

2.2.2 Supplier Factors Analysis

For an enterprise, it is the fact that quality is life, and the quality of the products depend heavily on the quality of suppliers. As a smart phone, it is provided by different suppliers. The supplier, as an external factor, surely affect the enterprise. Lenovo takes appropriate strategy to dispose of this problem and according to the market positioning of their products refine the supplier rating. Besides, Lenovo takes many management measures to make the product supply chain maintain stability, then ensure the normal operation of the enterprise.

2.2.3 Competitor Analysis

Lenovo had to face the pressure from the Huawei which had the most powerful company in China and had to compete with Apple and SAMSUNG, as a fresher in the mobile internet field.

Huawei, registered in China in 1987, had been cooperating with 45 telecom operators of top 50 around the world. In 2010, Huawei had be commented as the most creative firm with Facebook, Amazon, Apple and Google by American authority commercial media, Fast Company.

It is known even to women and children that Apple showed us what the smart phone and introduce a new noun to us, tablet computer.

Global taxes paid by ASI, 2009-2011^[332]

	2011	2010	2009	Total
Pre-tax earnings	US\$22 billion	US\$12 billion	US\$4 billion	US\$38 billion
Global tax	US\$10 million	US\$7 million	US\$4 million	US\$21 million
Tax rate	0.05%	0.06%	0.1%	0.06%

Tax Statistic from 2009 to 2011 of Apple^[5]

According to this tax statistic from 2009 to 2011 of Apple, we can obviously conclude that the benefit of Apple was linear growing. It means the age of Apple had come. As the Time says,

*"Since its debut, more than 350 million iPods have been sold around the world. Even so, Apple's decision to drop the word "Computer" from its official corporate name in 2007."*¹

So, Lenovo as a PC company, joined the "game" at this time is a smart but challenge decision.

2.2.4 Social/Culture Analysis

The feature of the mobile intelligent terminal equipment is that the entertainment and the practicality are combined together, which can be convenient to help people do their work. *"The tablet adopts advanced PC technology and it appears in any space where the users want it to appear"*² quoted from Bill Gates, on his Therefore, more and more people have paid attention to mobile intelligent terminal equipment. With the maturity and popularity of 3G networks, users increasingly require more miniature and networking mobile device, particularly in emerging markets like china.

3 Strategic Analysis

3.1 Porter's 5 forces

3.1.1 Potential Entrants

(a) Brand loyalty:

Lenovo has a certain scale and influence in domestic or international market. Especially in China, the PC industry of Lenovo has helped it build a good and healthy brand.

(b) Capital requirements

Entering in the mobile Internet field needs to have great size, sufficient funds and cutting-edge technology, which have been the huge barriers of the field to a large extent.

(c) Government policies

To help Lenovo develop in the rural areas of china, the government will help Lenovo deal with the threat of potential entrants.

¹ http://content.time.com/time/specials/packages/article/0,28804,1873486_1873491_1873466,00.html

² Bill Gates on COMDEX FALL, 2001

"I believe that urbanization that the Chinese government is driving will help expand the mobile Internet market,"¹ Lenovo CEO Yang Yuanqing said.

3.1.2 Substitutes

(a) Relative price of substitutes

Considering that most laptops start at \$500 and go up from there, many mobile Internet devices such as tablets are, with few exceptions, more affordable.^[6]

(b) Product differentiation

For complex data processing and sophisticated analysis, mobile devices are not as powerful as computers in performance. However, even one of the smallest ultra portables, the APPLE Macbook air 11 just weighs two pounds and has a profile that is larger than an iPad Air.^[7] Thus, the mobile Internet device is more convenient to carry.

3.1.3 Buyers

(a) Number of Buyers

In China, Lenovo's smart phones takes off 10.4% shares in the market, just following on Samsung and takes 4.5% shares all over the world. Thus, Lenovo's buyers is a huge group.

(b) Volume of Buyers

Lenovo's retailers distribute all over the world. It directly leads that the customers have no opportunity to get together to make their volume strong.

3.1.4 Suppliers

(a) Number of Suppliers

The number of suppliers of Lenovo is huge. It means that Lenovo has many choices. It can limit the bargain power of suppliers, since the competition fierce among IT suppliers.

(b) Cost of Switching Suppliers

¹ <http://www.pcmag.com/article2/0%2c2817%2c2423064%2c00.asp>

The cost of switching supplier dependent. For instance, if a mobile phone manufacturer designs its hardware to match the operating system supplied by a specific supplier, switching the supplier would constitute a significant cost and lead to supplier's dominance.

(c) Volume of Suppliers

Lenovo should be noted that the emergence of large MNCs such as Samsung as suppliers and the increasing complexity of the supplied components serve to increase supplier power.

3.1.5 Industry Rivalry

(a) Numbers of competitors

Competition in the field of mobile Internet is relatively intense, there are many famous companies involved in this field before Lenovo such as Nokia, Samsung, who have occupied most of the market. So the rivalry for Lenovo can be hard. ^[8]

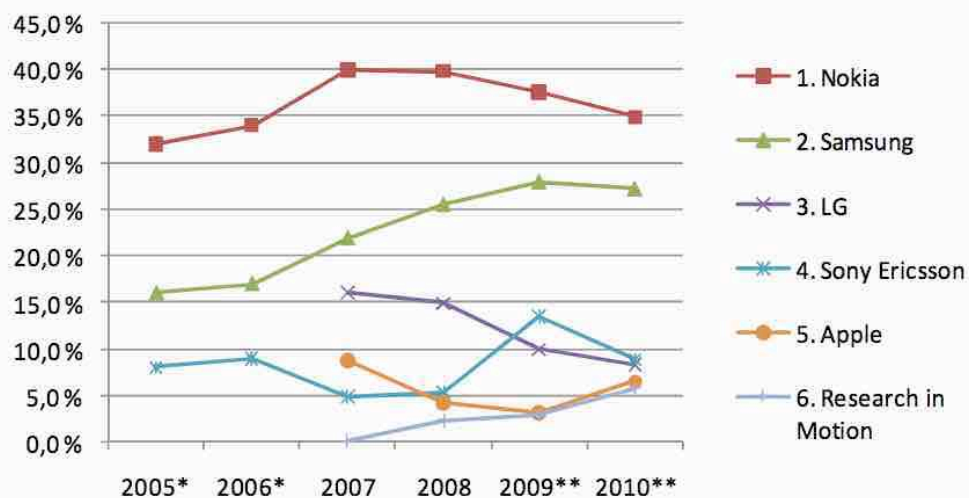


Figure 13. Handset manufacturer market shares 2005-2010 in European market.

*** Based on Q1 sales. ** Based on Q1+Q2 sales. (IDC 2006, 2008, 2010)**

(b) Diversity of competitors

With a solid reputation and a clearly defined price strategy, Lenovo's smart phones fall into three major categories and are set to target consumers in the 700 to 2000 RMB budget range. ^[9]

So in the initial period of the development of Lenovo's mobile Internet device, the main competitors for Lenovo are companies such as Huawei and ZTE who make cheap smart phones.

(c) Industry capacity& Rate of industry growth

Given the fact that the mobile Internet industry has just risen , the capacity of this industry is still great. But this situation will soon change, because this industry can develop rapidly. So Lenovo should seize the opportunity, accelerate the pace of development, dominate the market as soon as possible.

33.2 SWOT analysis

3.2.1 Strengths

(a) Marketing expertise

China is a large market for mobile Internet device. The firm's knowledge of China's market and the ability to suit Chinese tastes resulted for the wide acceptance and support for the business' products. ^[10]

(b) New product or service

Our new service is a mobile Internet system. The high technology level of Lenovo is applied during the processes of this new service, so the quality level will be very high.

3.2.2 Weaknesses

Undifferentiated Products

Apart from the low price, Lenovo products are little differentiated from competitors' products and are in competitive disadvantage if the price offered by competitor is lower.

3.2.3 Opportunities

In China, high-end phones market has been taken by these foreign enterprises. There is no domestic enterprise to strive for that domain. Thus, Lenovo may develop high-end phones or other network mobile client with swift running speed or excellent hard configuration to struggle enough share in market.

3.2.4 Threats

(a) Intense Competition

Nowadays, the competitions among companies in mobile Internet terminal field are particularly intense. Lenovo's LePhone sold much fewer than Huawei C8500 smart phone in 2011.

(b) Unsuitable Price War

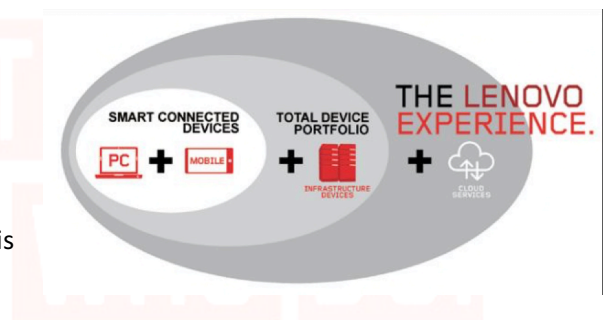
Lenovo's product mainly focused on low-end market. However, nowadays more and more companies have reduced their product's price. Therefore, Lenovo has less superiority.

4 Marketing Plans

4.1 Product

4.1.1 Core Product

Our core product is a mobile internet system^[11] which is designed for all the Lenovo's product such as smart phones and tablet computers. Through intelligent mobile terminals, this new service use mobile wireless communication mode to get the business and services. This system includes three parts: terminal, software and application.



4.1.2 Features& Convenient

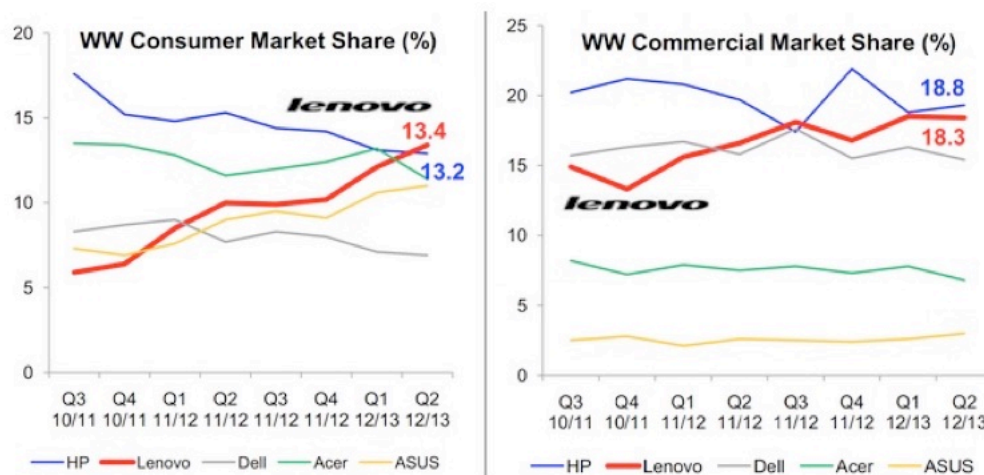
It is very convenient for the customers to log in this system, through this system, users can easily deliver their data through different mobile terminals, the information will be stored in "cloud drive"^[12] to guarantee the security. And based on the technology of Internet of Things, Intelligent Home Furnishing^[13] is also embedded into this system, user can control their house's environment by remote monitoring.



4.2 Promotion

4.2.1 Advertising

Diversification is a vital characteristic of Lenovo advertising strategy. Web portal, TV and bulletin board of bus stops are all available. With hiring influential movie star or sports star, Lenovo advertised efficiently. In 2010, Song Xu, a famous Chinese singer, was invited to represent LePhone, the first generation of products of Lenovo in the field of mobile Internet.



The left graph is worldwide consumer market share. The right graph is worldwide commercial market share.

4.2.2 Sales Promotion

In 2010, Lenovo and China Telecommunications announced that new strategic cooperation in the 3G service, 3G application, channel cooperation, joint marketing and other aspects.^[14] Almost at the same time, Lenovo and China Unicom also announced cooperation about LePhone.^[15]

By cooperating with two mobile phone operators, Lenovo can expand sales channels and create convenient conditions for consumers to experience and purchase the new generation of LePhone. Besides, mobiles phone operators can provide consumers who eager to buy LePhone a special cell phone plan.

5.2.3 Public relations

Besides, in 2008, in which was two years before Lenovo stepped into the field of mobile Internet, Lenovo became a sponsor of The Beijing Olympic Games. We should be aware that Lenovo had become Olympic partner in The Olympic Partnership Program (TOP program)^[16]. The Olympic Games will further expand Lenovo's influence all over the world and Lenovo can obtain favourable publicity. As a result, in 2008, Lenovo listed among top 500 companies of the world for the first time, building up a good corporate image.

4.3 Price

4.3.1 General Pricing Approach

With the widespread usage of mobile internet devices and improvement of people's living level, people no longer paid too much attention to the price totally. *"We need to shift the focus to the consumer,"*¹ Yang Yuanqing said, who is the chief executive of Lenovo. "We need to promote a stronger Lenovo brand." If Lenovo can make high performance products with a relatively low price, the response from the market is expected to be very good.

4.3.2 New Product Pricing

For the two main strategy of new product pricing, market-skimming and market-penetration pricing, we suggest Lenovo to adopt market-skimming strategy. Lenovo developed different kinds of products which have a high level of technology. If Lenovo set low price at first, the product will be looked down and eliminated when other similar products that have higher price come up. And the price drops as competitors' products appear.

4.3.3 Discount and Allowance Pricing

We believe that discount can have a good response and can attract more consumers to buy products. A Yoga tablet may have a 20 percent discount on National Day.

¹ Yuanqing Yang interviewed by Rory Cellan-Jones, 19 October 2011

4.4 People

4.4.1 Culture

The corporate culture of Lenovo is *"We do what we say. We own what we do."*¹. With implementing this slogan strictly, the employee of Lenovo has higher executive power now. Lenovo put the customer's needs first, and then formulate feasible and challenging goals.

4.4.2 Management

On January 18th, 2011, Lenovo announced the establishment of a new business group, or called Mobile Internet and Digital Home(MIDH) group. This new group focus on researching and developing mobile Internet terminal. MIDH was led by Jun Liu, the former product group president. Letting a senior vice president to lead the team is a sign of the importance of the mobile Internet market.

4.5 Place

Lenovo has its own distribution network. As for the distribution channel management, Lenovo connected producer, agents, franchiser and retailers together which can make the consumer becoming into a 'win-win' to achieve sub-sales value. Besides, Lenovo should establish network of sales channels. Nowadays internet becomes a popular way to buy things with less time and energy. So network marketing is necessary for Lenovo.

4.6 Process

Customers can phone the service number of Lenovo's customer service centre or online consultation to ask for services about the product itself and the mobile internet system. Besides, they can go to the points of sale and also the business halls for help

4.7 Physical Environment

Lenovo has already had a stable marketing system. The existing exclusive shops, maintenance sites ,cooperative partners and various branches around the world are enough to support its new area, the mobile internet system.

¹ Yuanqing Yang on Year Report 10-11

5. Conclusion

From the analysis of the above three parts, we can conclude that Lenovo had developed quickly in the digital period, and it's necessary for Lenovo to establish a new area. Lenovo has advanced technology useful experience, useful experience, convenient selling network and excellent brand effect. These all provide a strong power to enter the new field.

In order to make it have more competitive strength after entering the new filed, we make some suggestions:

1. Always keep the high quality of the product. Including the product itself and the service.
2. Keeping the low price strategy in order to hold the number of consumers.
3. Increase the sales promotion strength and the advertising.

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