

# New Markets/New Entrants

Global Strategy and Organization

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# At the moment of the case...

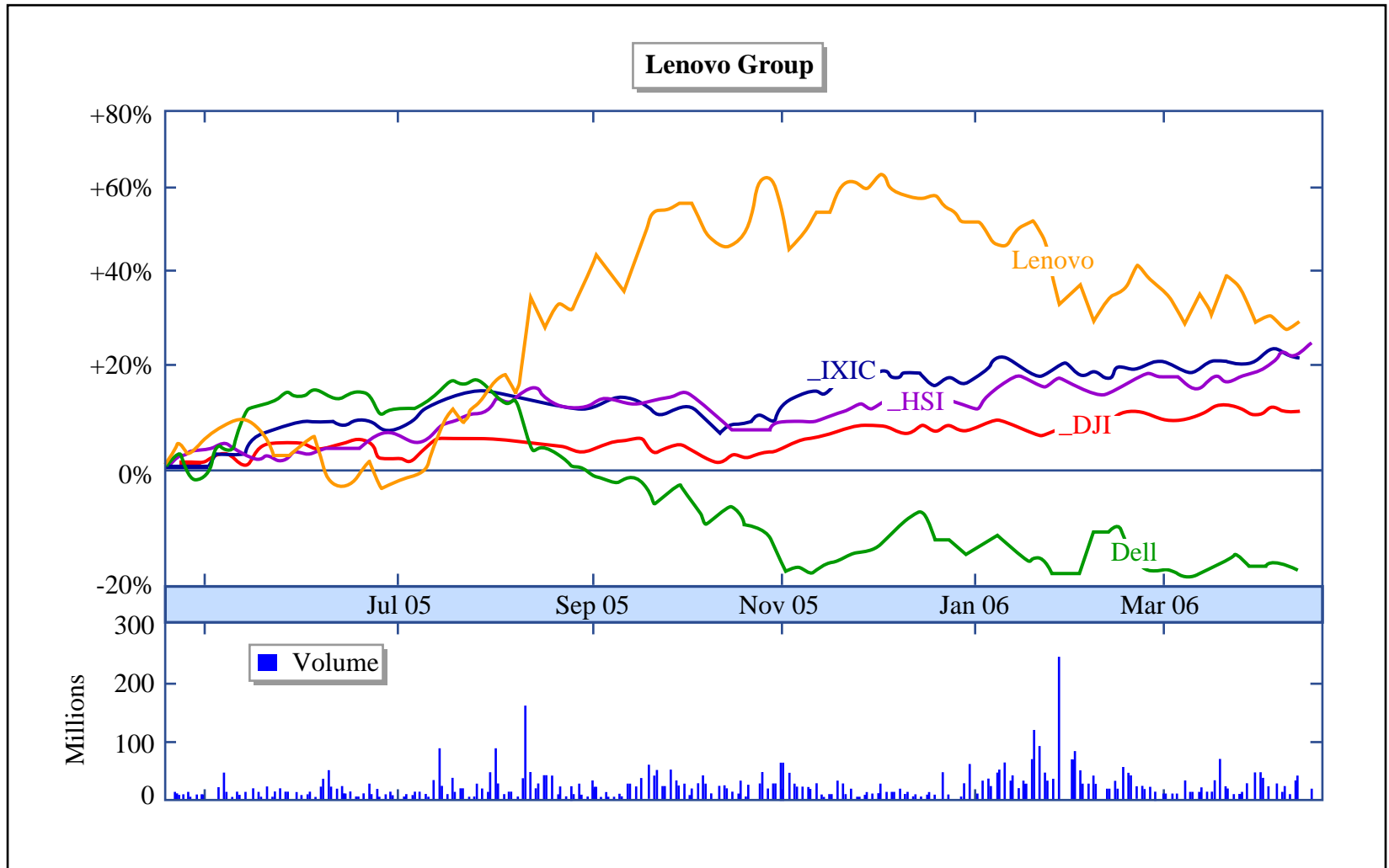
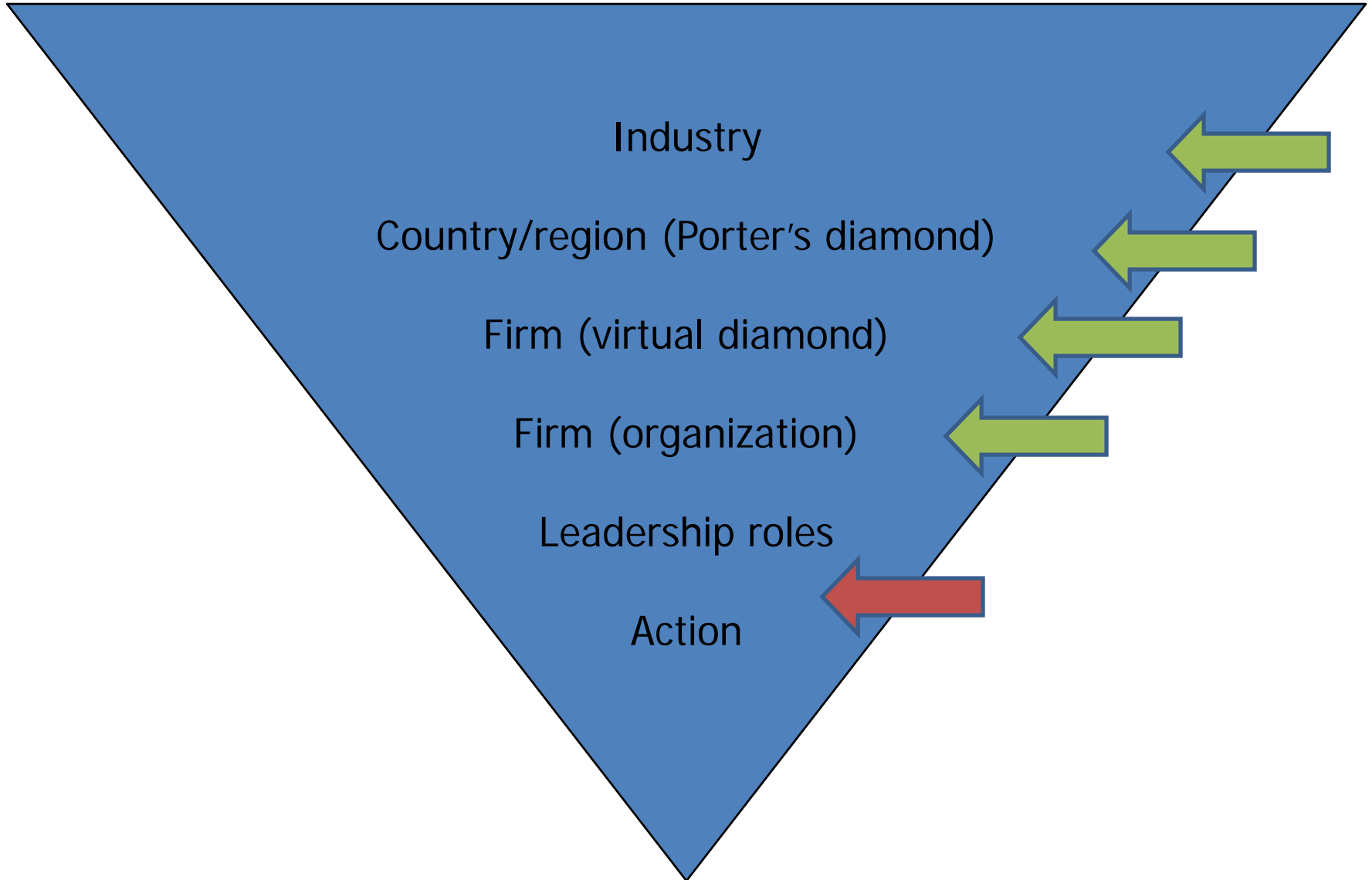


Figure by MIT OpenCourseWare.

# Frameworks for Analysis



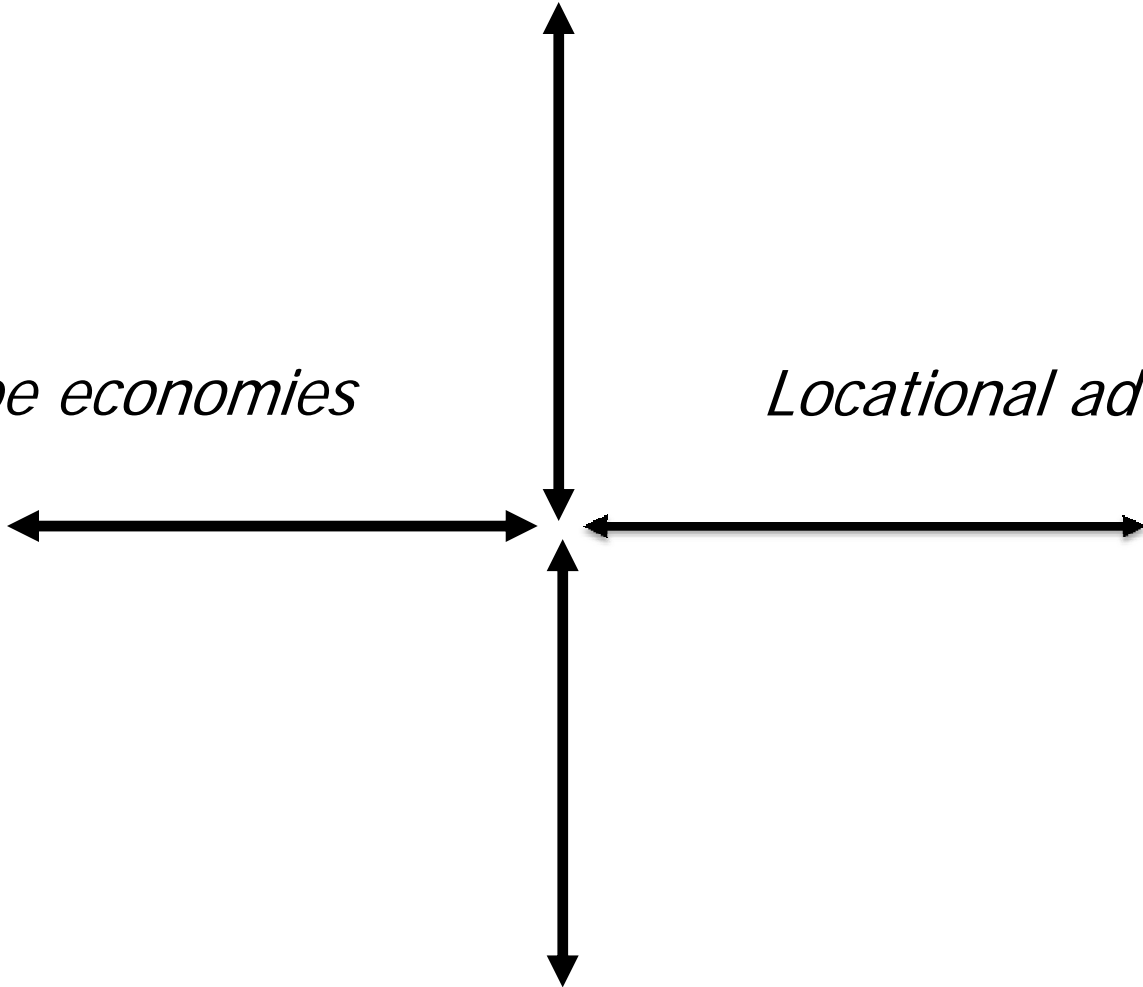
# How global is PC industry?

*Market similarity*

*Scale, scope economies*

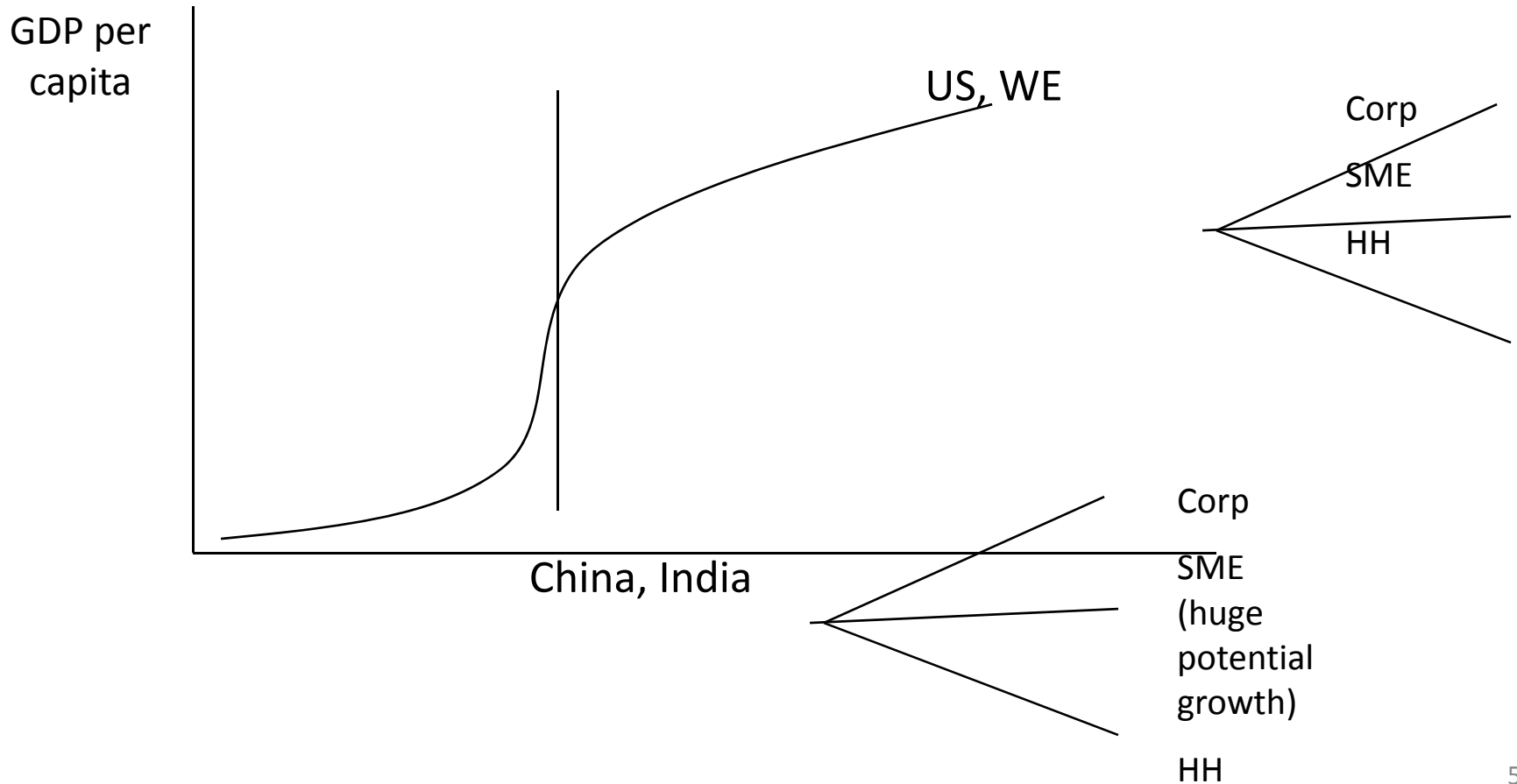
*Locational advantage*

*Global regime integration*

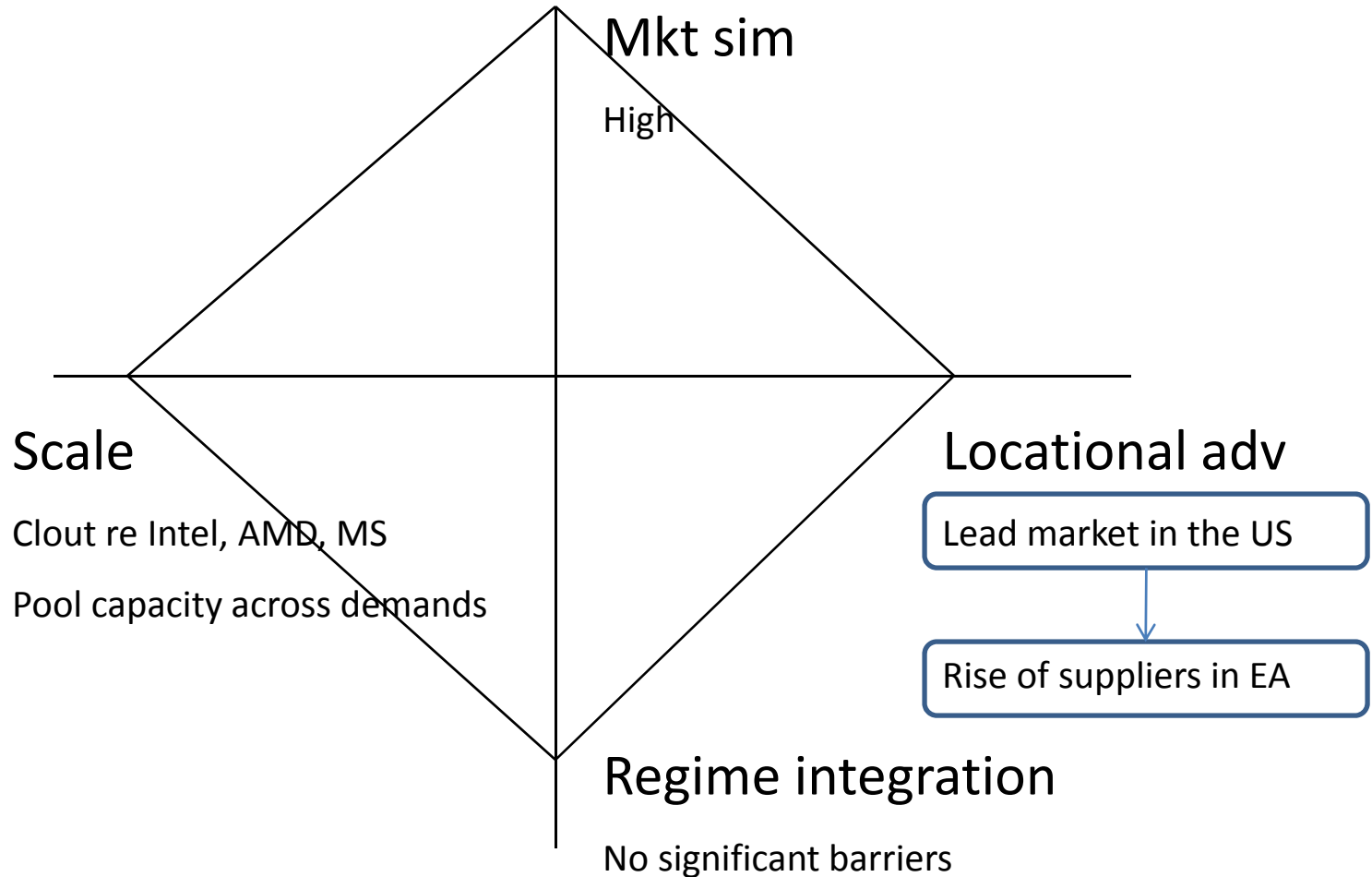


# Business drivers

By 2010, more than 250 million households in the key RDEs will pass the \$20,000 threshold.

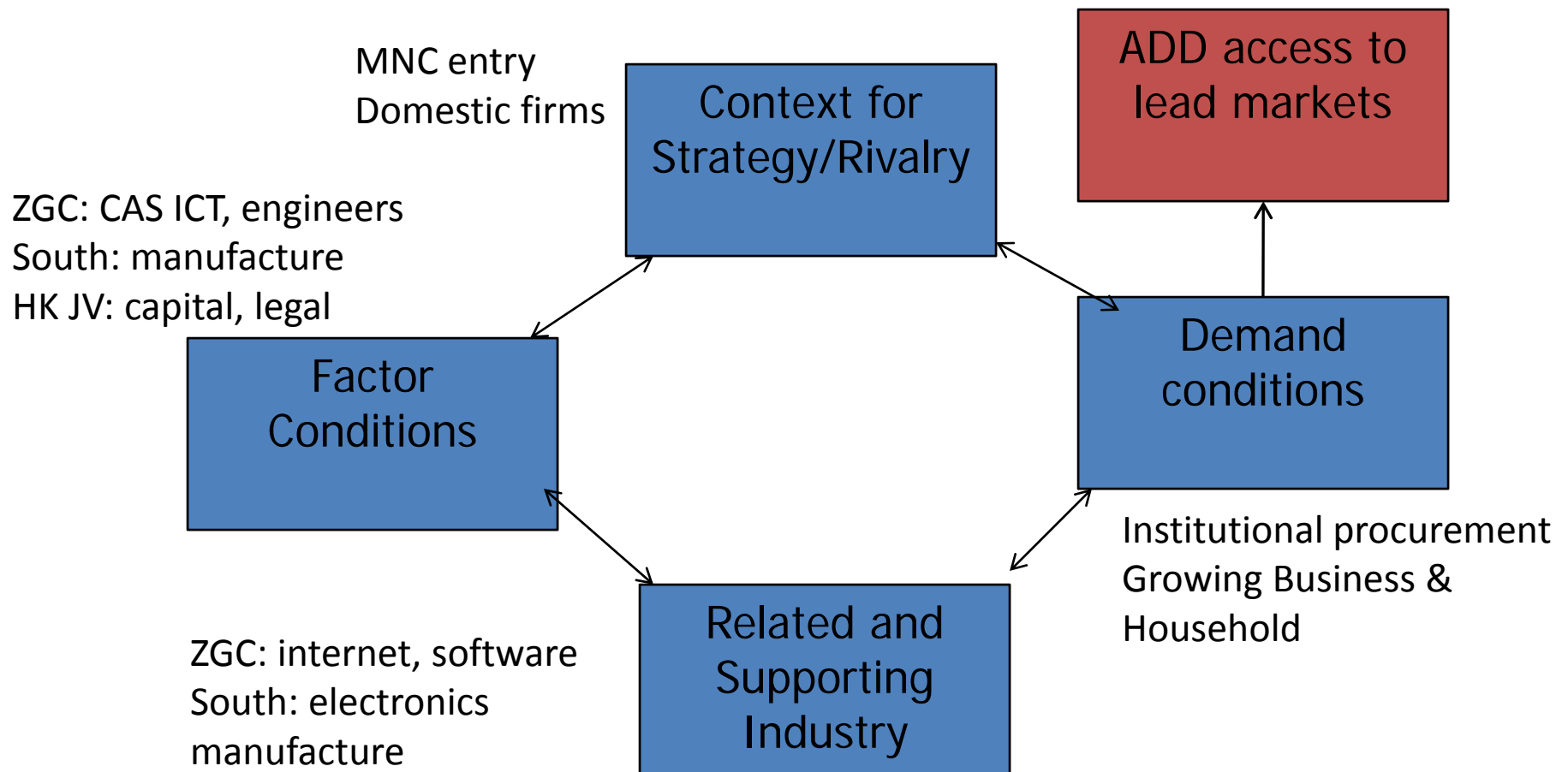


# Is it a global game?

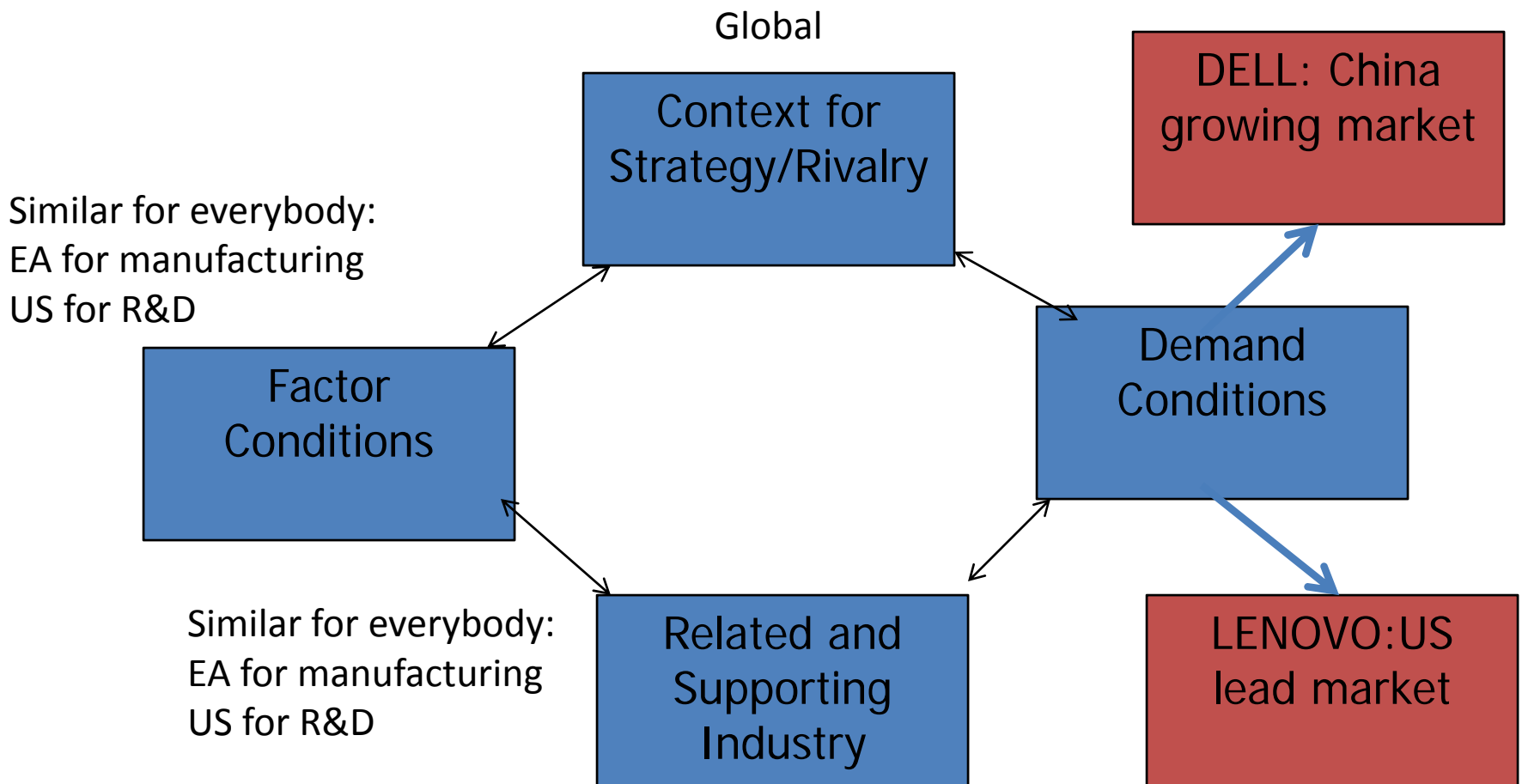


# China as a Home Base (1980-90)

What were the primary characteristics of China that allowed Legend/Lenovo to build a global leadership position in PCs?



# In “virtual diamond” terms (2000-)





# Dell and Lenovo

1984 Founded by Michael Dell

1985 Starts manufacturing PCs

1992 Distributing Xerox machines in  
LA

1995 Sourcing plant in Malaysia

1998 Production facility in China

1998 First PC shipped to China

2002 Name changed to Dell Inc to  
reflect diversification

1984 Founded by CAS ICT scientists

1985 Chinese language add-on card

1987 Sole distributor agreement  
with AST

1989 PC manufacture JV in HK

1996 #1 in PCs in China

1999 #1 in Asia-Pacific (ex. Japan)

2003 Name change to Lenovo

2004 Announced acquisition of IMB  
PC division

# Comparing Business Models

	<b>Dell</b>	<b>Lenovo</b>
<b>Product</b>	Customizable	Primarily pre-designed
<b>Manufacturing</b>	Just-in-Time Manufacturing happens after customer places order	Longer production cycles: Manufacturing happens before customer places order
<b>R&amp;D</b>	Outsourced to Suppliers; low expenditures	Innovation in-house; high percentage of investment
<b>Suppliers/Architecture</b>	WINTEL/Standards-based technology	Differs depending on the product and the client.
<b>Inventory</b>	Minimal; Build-to-Order	Relatively high; Build-to-Stock
<b>Distribution</b>	Direct-to-Consumer Sales Model	Indirect - via channels such as distributors and retailers (buyer intermediaries)
<b>Home base</b>	Home Base with historical strong demand conditions (close to customer), strong context for strategy and rivalry, and strong related and supporting industries	Home base as source of low-cost production (inexpensive factor/input conditions) and future market with potential for large/growing demand

What should Dell do?

# Does Dell's model work in China?

Student responses removed due to  
copyright restrictions.

# Should Dell Adapt its Strategy for China?

Student responses removed due to  
copyright restrictions.

What should Lenovo do?

# Lenovo: 3000 Series

Student responses removed due to copyright restrictions.

# Lenovo – IBM Brand

Student responses removed due to copyright restrictions.



# What are the Pitfalls of Lenovo's Strategy?

- Too complex
  - Different segments
  - Different brands
  - Different markets
- However, if they are able to keep the business models (IBM and Lenovo) separated and China's competitive advantage is sustainable (at least for a while), they might get Dell into trouble.

Student responses removed due to copyright restrictions.

# Don't forget the rest of the world

Student responses removed due to copyright restrictions.

Who would you bet on?

# What has happened?

Dell vs Lenovo Case  
February 2008 Update

# What has happened?

- Market:
  - In 2006, the global PC shipment reached 228.6 million units, a 10.9% growth
    - Dell's market share fell from 18.9% to 15.2%
    - Lenovo maintained its global market position
    - HP became the new leader
    - ACER was the fastest growing company

# What has happened? Lenovo

- Lenovo has defined three market objectives to fully transform its international business:
  - Hold market share
  - Maintain profitability
  - Reduce expenses
- Lenovo group (Lenovo + IBM) maintained its global market share (Lenovo experienced a small increase and IBM a small decrease) but is no longer the 3rd global player (ACER has experienced an impressive growth in the last year and a half)
- Lenovo has announced a restructuring program to improve profitability
- Scott Smith, the President of Lenovo's American Business resigned to "pursue other interests".
  - Lenovo has been fighting to gain market share in the US while reducing its costs and improve profitability

# What has happened? Dell

- Dell is reconsidering the Direct model:
  - "The direct model has been a revolution, but is not a religion," Dell said in a memo, obtained on Friday April 28 by Reuters. "We will continue to improve our business model, and go beyond it, to give our customers what they really need."
  - Dell is trying to design new formulas to be successful in emerging markets, considering among others, direct distribution
- Dell is rebuilding its management team:
  - The resignation of CEO Kevin Rollins has been followed by a number of new appointments including Mike Cannon (Solectron, Maxtor, IBM) and Ron Garriques (Motorola)
- Dell finally incorporated AMD chips into its computers, late in 2006

# QUESTIONS FOR P & G

- How should P & G respond to the Lever Skip Micro initiative in France?
- To what extent does your proposed response challenge the Euro-branding approach?
- Some of the issues you may wish to consider in answering include:
  - What are the benefits of a (unified) pan-European product/brand?
  - What are the drawbacks?
  - Which elements of the product/brand benefit most from a Pan-European approach, which least?
  - How consistent should P&G have sought to be on the degree of “Europeanness” or “localness”?
  - How successful was P&G in the development process?