



New ads coincide with the Summer Olympics in China.
Image Courtesy of Lenovo

Lenovo exploits ties to Games

Asian PC maker's ads spreading west

Frank Norton, Staff Writer

Lenovo, for all its might in Asia, has had to bide its time for a chance to rise from obscurity and court wealthier consumers in the West.

Its wait might be over.

The Chinese-American computer maker has begun an ambitious ad campaign to coincide with this summer's Olympic Games in Beijing. Lenovo is rolling out print and online ads, and it plans TV spots closer to the start of the games in August.

The message: Lenovo computers are the best engineered and are a mark of quality for the savvy and aspiring.

Much of Lenovo's effort will be aimed at getting U.S. consumers to buy its IdeaPad line, introduced in January. The line is an attempt to build a consumer brand partly on the reputation of ThinkPad, the esteemed business laptop that Lenovo acquired in 2005 when it bought IBM's unprofitable personal computer division.

Despite the effort, getting a piece of the U.S. consumer market will not be easy. Lenovo faces a sluggish economy and entrenched incumbents such as Apple, HP, Dell and Acer-Gateway, which merged last year.

"I like their branding package, and I think they've done as good a job as they can," said Roger Kay, a computer industry consultant and founder of Endpoint Technologies Associates. "Whether that's enough to launch the company into the U.S. consumer market is open to debate."

Lenovo, which has world headquarters in Morrisville and Beijing, has made the ThinkPad business profitable since buying it three years ago. But it needs a strong consumer product to complement business sales. It has barely scratched the U.S. consumer market, where the company has less than a 1 percent share.

The Olympic Games are a rare, if not pivotal, opportunity for the brand to define itself beyond Asia, said Craig Merrigan, head of Lenovo's consumer products lines.

Rather than compete on cost, Lenovo is aiming the new IdeaPad line at affluent, sophisticated buyers in Europe, Australia and the United States, where almost all revenue still comes from the acquired IBM business.

Building brand loyalty

The approach is similar to Apple's strategy of exploiting the high end of the consumer market, where margins are fattest and brand loyalty runs deep.

"If people view PCs as an assembly of standardized parts, they're not going to be willing to pay much for one versus another," said Lenovo's Merrigan. "But if they're considering how the computer reflects on them or is an expression of their personality and values, there's brand loyalty, emotional excitement and, frankly, a more profitable product."

Apple reaps five times the operating profit from PCs priced over \$1,200 than from those under \$1,200, according to Technology Business Researchers.

Lenovo would love to achieve the same. Its designers have infused IdeaPads with bright colors, sleek edges and durable and relatively fast insides. All three models feature a facial-recognition security system that Lenovo execs say distinguishes the line from competitors. The TV ads will emphasize face recognition as a key feature. Merrigan would not disclose the cost of Lenovo's global ad campaign but said it is the company's largest ad investment.

Merrigan also said U.S. IdeaPad sales are ahead of target, but he declined to provide details. Industry analysts say it may take at least a year for Lenovo to generate enough buzz around IdeaPad to materially boost sales.

That's partly because recession-minded consumers in the U.S. will curtail spending more quickly than large corporations, whose budgets are set annually. That will make it harder for Lenovo to ramp up IdeaPad sales quickly, Technology Business Researchers said.

What won't help sales is that the new line is priced rather high compared with products from HP, Dell and Acer, analysts say.

The travel-size U110 IdeaPad, released this month, starts at \$1,899, well into the premium category. Some analysts speculate that Lenovo will lower prices to boost sales. Others say the company is inclined to accept slower growth to maintain a premium image for the long term.

Whatever the case, "it's still a little early to show any positive impact from the campaign," said Endpoint Technologies' Kay.

"I wouldn't expect to see much in the first year. It took even the iPod two years to take off. And that's worth noting, that it takes time to build a consumer business."

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