



It's make or break time for IBM buyer

Amy Williams

As agreed, Lenovo starts ditching IBM's brand for its OWN

It's humbling to learn the largest personal computer maker in China started life in the equivalent of a New Zealand garage.

The 11 scientists who founded Lenovo rented a shack in downtown Beijing to start tinkering on their first project – a circuit board for Chinese language characters that opened the Middle Kingdom's eyes to computers.

At the time, in 1984, their shack would have been nestled among other brick shanties in the district.

But like other bustling

alleyways in the city, the humble homes have since been replaced with glass-covered high rises.

The scientists' shack has been relocated to make room for an office block and ground floor restaurant where 11 journalists dropped their pens in favour of chopsticks.

We had just been for a rushed tour of Lenovo's offices at an industrial park to the west of Beijing, seeing where the plastic for computers was made but skipping a visit to the factory and a room full of the company's inventions.

The swift tour was part of Lenovo's inaugural Asia-Pacific conference for business partners, held from May 27-30.

The company has undergone an intense restructuring and brand development since

it bought IBM's PC division in 2005.

Two years later it's starting to drop the IBM logo – the purchase agreement put a limit of five years for Lenovo to keep using the name – but it can continue to use the ThinkPad name on notebooks.

Lenovo is a well-known brand in China where it is in top place for market share at 40%, but in New Zealand and other parts of the world it's still relatively unknown.

Here it ranks fifth out of the top 10 PC companies for total market share, at 6.6%, with Hewlett-Packard (HP) in the lead at 31.1%, Dell next at 13.8%, then Acer at 12.8%.

Lenovo New Zealand country manager Dean Butchers had been in the position for less than a month

when he hosted local business partners in Beijing.

He was promoted to the Wellington-based role when former country manager Karen Brace left in April without revealing any future career plans.

Mr Butchers plans to lead the company to become the number one PC provider in New Zealand over the next five years.

"In New Zealand it's not as well known as it is in some other countries. There are a number of opportunities that we are looking at and constantly reviewing."

He wouldn't reveal what the opportunities were, or how many staff were based in New Zealand.



HUMBLE START: The Beijing shanty scientists worked in when Lenovo first started

RIGHT: Lenovo NZ country manager Dean Butchers





Lenovo's Singapore-based chief executive Bill Amelio stopped short of apologising to partners, saying the company needed to build its brand and improve its supply chain.

"Outside China we've been challenged. While we have great products, the difficulty is if you can't get the product, there's a problem," Mr Amelio said to partners at the conference.

"It's critical for us to make sure our brand is more successful over time."

He said the company would make its name sponsoring the 2008 Olympic Games in Beijing, and that Lenovo had room to expand in the consumer and small to medium business markets.

Lenovo Group posted a net profit of \$US60 million for the last quarter of 2006, compared with a loss of \$US116 million a year earlier.

The company's worldwide PC shipments grew more than 17% in the fourth quarter,

with Asia-Pacific shipments increasing 18%. This was ahead of the industry average of 11%.

Mr Amelio was pleased with the results and said 94% of the company's growth in mature markets between now and 2010, including New Zealand, would be from notebook sales.

"We've taken a business that's been unprofitable and made it profitable," he said.

IDC's New Zealand senior analyst for hardware research, Liam Gunson, said Lenovo had been expanding its dealer base in this country but had made no significant gains in market share.

"Within the New Zealand market, the real key driver has been the consumer space through the retail channel," Mr Gunson said.

"The consumer space is an area where Lenovo isn't strong. It's dominated by HP, Toshiba and Acer."

Mr Gunson said Lenovo would need to launch con-

sumer products on the market to gain a stronger presence.

He expects 2008 to be a stronger year for the PC market, when businesses upgrade the hardware they bought in a boom three years ago.

Lenovo sells its PCs at retail chain The Warehouse and Mr Gunson said this was a good way for the company to get its name known.

"It's still up for question in terms of what people think about them after seeing them in The Warehouse fliers, but at least they have their name out there," he said.

Perhaps The Warehouse is a good fit for a company that began in a shack that now boasts 27,000 employees and revenue of \$US14 billion.

As a reminder of its humble beginnings, the Beijing shack now sits outside the office tower of Lenovo's parent company – just down the road from where the company began.