



# Riding the east wind to the Olympics

Lenovo is driving to become a household name across the globe, its chief executive tells **Selina Mitchell**

WHEN Lenovo acquired IBM's low-margin PC unit two years ago, hardly anyone in Australia had heard of the Chinese company.

Now the world's third largest computer maker, with a massive market in China, has big plans for global expansion.

Lenovo will rely heavily on exclusive sponsorship of the 2008 Olympic Games in Beijing to provide a much-needed boost to its brand recognition and to aid the required disentanglement with the IBM name.

The focus on the Olympics will not distract the company from its main game: providing the "best engineered PC's in the world", according to president and chief executive Bill Amelio. An IBM, Honeywell and Dell veteran, Amelio, has seen sales skyrocket in many parts of Asia during his tenure, but admits there is plenty to be done to lift supply chain and transaction efforts to best-practice levels.

The company is proud of its heritage, having started in 1984 in a one-room shanty in Beijing with 11 engineers, one phone line and \$US25,000 in seed funding.

By 1987 it had rolled out the card that translated English operating software into Chinese characters, and it has been the leading supplier in China for eight years.

**You have announced a 625 per cent increase in full-year profit. How did you achieve such a turnaround?**

Almost two years ago we established four major initiatives we needed to get traction on.

First, the development of the transaction model outside China. We had the model, and best practice, well established there and we learned from that and wanted to move that across the world.

Second was to make supply chain best-in-class. It is in China and we wanted to learn from that and get the same result outside of China. That was the thing that was keeping us from gaining customers in the PCD (formerly IBM PCD) side of the business.

The third aim was to get the desktop business profitable outside China like it is inside China.

The fourth aim was to build our brand so it became known and trusted across the world.

It just took some time to get traction and what you see in this last quarter is us hitting the tipping point where a lot of the hard work is starting to pay off.

**Can you keep it up? Aren't you losing market share to Acer and others?**

No, we are not losing market share, we actually gained market share this quarter. It is the best quarter ever. We were profitable in every geography, we gained share in every geography. Our objective is to grow more profitably than the industry, on average.

**You supplied equipment for the Turin Winter Olympics and will do the same for**

**Beijing next year. What lessons from Turin are being applied in Beijing?**

The best way to define the Winter Games is that it is like putting together a Fortune 500 company in two weeks. It took a lot of work and a lot of planning, and we did it flawlessly.

I was very happy with the result: essentially 16 days, 350 hours, of uninterrupted operations, roughly 10,000 pieces of equipment. We learned very rapidly how to run a major operation.

The Beijing Olympics will be four times the size of Turin, so it was great to have a first run in preparation. On the branding side we learned a lot too. We have an opportunity to be even more effective in the Beijing Olympics from the standpoint of getting our brand known and trusted outside China.

We won the competition for the Olympic torch, beating 300 other design houses. The Cloud of Promise will be carried around the world, so we will get our brand message out.

**You took on a strong IBM brand and reputation. Are you using that to best advantage or are you disengaging?**

Even though the literature says we have five years for the brand, that is not in the same form for all five years.

Take the ThinkPad brand, in April we have to move the eight-bar multicoloured logo that is part of what the ThinkPad looked like previously, and make it smaller and less prominent, and make our brand bigger.

As soon we do that we have really lost all of the value associated with the IBM brand. It doesn't buy you anything at all, because people look at this product and they know ThinkPad more than they know IBM.

Earlier this year we opened this up to a lot of large accounts and asked what they would think if we started to shift to Lenovo ThinkPad and they said they didn't understand why we hadn't done it already.

We started a program to enable people to self-select the brand, and so far, people are self-selecting Lenovo Thinkpad 99 per cent of the time in most countries.

The important point is, this is all about selling compelling products. It is amazing how you can build your brand when you have good products and services, and you can ruin your brand with poor products and services.

Our stated objective is to have the best-engineered PCs on the planet. This runs deep in the DNA of our company and exudes from our people. If you're not using a ThinkPad, you must start using one. Let me tell you some of the things embedded in the new ThinkPad. We've made them 10 per cent cooler, so when you put them on your lap you have no issues. They were cool, and we've made them cooler.

We've also made them quieter. Our inspiration was the way owls fly. They don't make any noise, so our engineers took great



**Australian**  
**12/06/2007**  
**Page: 3**  
**IT Business**  
**Region: National Circulation: 135000**  
**Type: National**  
**Size: 1197.20 sq.cms**  
**MTWTF**

pains to figure out exactly what it is in the wing design of an owl that we could use on a fan blade, and we incorporated that.

Then there's the hard drive. We have sensors inside the system that determine when it is being roughly treated and it instantly protects the hard drive by lifting the heads off the drive to protect the data.

To do this we use an algorithm used in the automotive industry for deploying airbags.

We also built in a magnesium honeycomb roll cage to protect the motherboard. We got that idea from racing cars. It was such a good idea we migrated it to the LCD on the top.

That allows us to embed more antennae in the top of the notebook, so we have two uplink antennae and two downlink antennae to improve wireless reception and coverage.

**Who does Lenovo hate when you get up in the morning? Your competitors say you are making the mistakes they made 10 years ago: that you don't understand the West.**

I don't usually comment directly on competitors, and by the way I like them all. Competition in this market benefits the customer and makes every one of us sharper, and we come up with more competitive ideas. It makes the industry more fun to work in.

On those comments, one of the key reasons we acquired the IBM PCD group was to give us the skills to go global in an effective way. Our initiatives are taking hold.

The reason the PC business wasn't successful historically was not because we didn't have great people or great products. If you take a look at the PCD side of a business, we have a heritage of innovation second to none.

We have so many firsts it is amazing, and we also have a great quality management system. Our products are literally 20-30 per cent better than the industry average for reliability.

We had a solid base to build on. What we lacked, and are now filling in, was the people with the transaction skills to get us into small customer and consumer segments globally.

We are going to enter the consumer space with very compelling products. Before we announce a fully fledged consumer range across the world we will amass a set of products that will turn people's heads.

We are going to announce a product codenamed Scout. It is a very high-end product for the luxury market. It is essentially one of our ThinkPads wrapped in hand-stitched leather and with a concierge service.

Pushing the blue ThinkVantage button connects the user to a concierge service and somebody arrives quickly to give a helping hand. Only 5000 will be made.

**What is the split at the moment between online and channel sales and how do you see that developing over time? Will you promote the online system more than channels?**

Wherever customers order we want to be there. There is no necessary path for us with one or the other. We have great channel partners all across the world. We have a sound channel incentive program in place and we have our products on the web, but that is a much smaller percentage of our business.

**People are buying notebooks more and more. What is your ratio of notebook to desktop sales and what are the trends?**

The trend is moving rapidly, especially in mature markets, towards notebooks. More than 50 per cent of our sales are notebooks. That positions us well. Our notebook line-up is head and shoulders above our competition in built-in features and innovation.

**What about tablets? They have had a checkered history. Where is the tablet heading generally, and with Lenovo?**

I carry a tablet and there isn't anybody I haven't been able to sell a tablet to. I sit on a plane and start working with my tablet and somebody comes over and asks what it is.

I start describing all the things they can do and they immediately want my card. They are shocked to see that the chief executive actually understands how to use one of these things.

Our tablets have really come of age. The handwriting recognition works effectively. Can you annotate PowerPoint presentations and send them to colleagues without having to create a text file?

They work well for vertical markets and they are light enough to be functional in the field. The tablet is one of our better selling ThinkPads, so we're pretty excited about it.

**What about the Ultra Mobile PC?**

There is a nexus between smartphones and laptops. The question remains what is the right form factor. I don't think any of us have it quite right yet. There is a lot of experimentation in that spot. It always boils down to screen size.

You've got your cellphone size, which doesn't allow you to view a lot of things. You can send a text message, but a PowerPoint presentation would be difficult.

If you move up to UMPC there are some great applications, but you still get stuck with a small screen and a keyboard that isn't as functional as the full-size laptop. Those are some tradeoffs you have to work with and figure out what applications make most sense.

You can do DVD playbacks and games on handhelds, but word-processing and business usage is harder.

**Do you have a personal view about using UMPC or smartphones?**

I use a PDA as well as my laptop. It is still invaluable to do email on the run, but the second I'm in the office environment or can plug in my laptop I do so. One thing we are working on to make that easier is always-on push email, so you don't have to worry about synching up that last moment before you got on the plane, for example.

**Where is personal computing heading over the next five years?**

We think about that a lot. What is the right form factor and how far can you go with it?

There will be continuing investigation of how much more battery life you can get from a laptop. We want to get it at least to where it can be used for a day before you have to charge it, so you can leave your adapters at home.



**Australian**  
**12/06/2007**  
**Page: 3**  
**IT Business**  
**Region: National Circulation: 135000**  
**Type: National**  
**Size: 1197.20 sq.cms**  
**MTWTF**

Mobility will be critical. For example, some of the newest models allow Wi-Fi and broadband cell connections. That is important because it means you can always be connected wherever you are with your laptop.

Content management will be critical as well. For example, with the advent of the ability to download music and video, one of the key questions is how you get high-definition video around your house more effectively. There aren't too many companies that can wirelessly beam HDTV everywhere in your house from your PC or storage device.

What you can do in entertainment, what can you do in business, what can you do in content management will be important.

Keep your eye on Lenovo. We're going to

get our name known and trusted across the world, mainly by creative and compelling products, as well as some key sponsorships.

We pick sponsors that fit neatly into our technology message. For example, the Williams racing team's Formula One car needs a ThinkPad just to turn it on.

We also try to give back to the community, dedicating 1 per cent of our profits to charity. Our choice of charities reflects what we believe in and what has links to our technology.

What we think entrepreneurship is important to help people out of poverty. We focus on charities that are helping communities get businesses started. We help to teach them how to thrive.



**ON THE OLYMPICS**

We won the competition for the Olympic torch, beating 300 other design houses

**ON BRANDING**

People look at this product and they know ThinkPad more than they know IBM

**ON DESIGN**

Our engineers took great pains to figure out exactly what it is in the wing design of an owl that we could use on a fan blade