

3

**CUSTOMER CENTRIC STRATEGIES FOR THE CULTURAL SHIFT
AT LENOVO AND THE IMPACT OF INFORMATION TECHNOLOGY
CREATED BY
TECHNO-THRIVING GIANT OF MICROSOFT**

Dr. Amit Arun Medhekar

Associate Professor, Arihant Institute of Business Management, Pune, Maharashtra, India

Dr. Pratap Vasant Rao Pawar

*Assistant Professor, Siddhant Institute of Business Management, Sudumbare, Pune,
Maharashtra, India*

ABSTRACT

Management domain and recent business practices are undergoing through rapid, enormous and unprecedented changes. To sustain and bloom in such a quicksilver arena of trade and business- no single success formula is sufficient. There was a massive shift in customer focused Relationship Marketing stream through clearly identifying the changing equations of business through the retention of customers. It has paved a way as new effective strategic orientation with one to one relationship with customers. We need to know that under the aegis of effective top Management directives, strategic business units must work and evolve with rigor into the daily tactics in competition encouraging different managerial functions. This study probes into the importance of customer centric strategies at business behemoth Lenovo. Further it examines how information technology was used by the global business tycoon Microsoft for profitability and how that proved to have significant impact on transforming overall world technologically.

Keywords: Relationship Marketing, customer focused strategies, value concept, retention of customer, one to one relationship

1. INTRODUCTION

It is a famous apothegm said by Henry Ford that "You can purchase any color of car till it is black". This reveals the attitude of the earlier "business maven" i.e. those experts who "focused on things". It was replaced gradually by "connectors" who related themselves with "need of people". Not many options were available to the customer at that point of time and business was not that much complex, multifaceted and intricate. If we go back in history before even pre industrial era, the roots of Relationship marketing can be found long back even in the barter system. Further in 1983, Marketing Whiz kid L. L. Berry shared his views about the same concept with explicit elaboration in Service Marketing perspective. Further, Almost two and half decades back, the focus of marketing practices started to shift from product focus to customer centricity. It was considering the existing customers as the centre of business.

There was a sea-change in the mind set of marketers who were product focused. Traditional marketers segmented markets to create, monitor and strengthen the product positioning. Product portfolio tools, such as BCG matrix, GE 9 Cell matrix directed companies like a compass directing true North, through maximizing profit and attaining long term goals. It was sensed that the customer value must be captured through customer relationship. According to Ravald, A. and Grönroos, C., "The value concept is a basic constituent of relationship marketing. The ability to provide superior value to customers is a prerequisite when trying to establish and maintain long-term customer relationships. Stresses the fact that the underlying construct of customer satisfaction is more than a perception of the quality received."

The definitions of *Relationship Marketing* are as follows:

- * Grönroos (1995): "the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit,

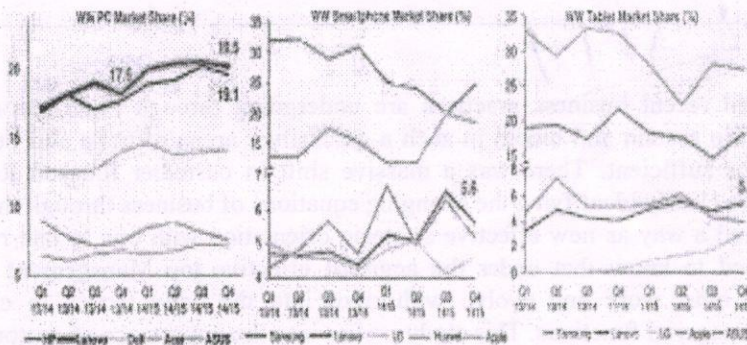
so that the objectives of all parties involved are met, where there is done by a mutual giving and fulfillment of promises”

- * Harker (1999): “Relationship Marketing occurs when an organization engages in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers or partners over time”

1.1 DAVID ROMAN’S FOUR PROMINENT INSIGHTS ON LENOVO CUSTOMER-FOCUSED STRATEGIES:=>

Let us consider the example of LENOVO. It recently underwent a colossal cultural shift designed to transmute their firm from one focused on ‘product first’ to one *focused on the ‘CONSUMER FIRST’*.

David Roman, the CMO of LENOVO was interviewed by Senior Contributor of Forbes Dr.Kimberly Whitler.



Shift from product centric approach to customer centric approach

SOURCE:GOOGLE IMAGES

I.ENORMOUS CHANGE IN ENTIRE PC MARKET THROUGH REVAMPING LENOVO VALUE MODEL

Originally, Lenovo created the bulk of our PCs for customers in defence, banking, and large institutions. In the past many years, it has moved to selling computers to consumers and individual end users. With this shift, it has re-evaluated and redefined their value model. This shift also has forced them to better *understand individual end-user needs* : It has found these consumers are looking for a complete solution for which they are willing to pay a premium.

II.OFFERING CONSUMERS ANEW, EFFECTIVE, EFFICIENT AND SIMPLE VALUE PROPOSITION

When you sell to institutions, the purchasers focus on a price/feature equation because of the number of computers they’re buying. However, lay consumers are seeking a different value proposition: They want a product that makes their life anew, effective , more efficient, and easier. Consumers today have a proliferation of devices (TV, computer, tablet, watch, glass, and even a computer in your car), and one of their biggest challenges involves figuring out how to keep all their different devices connected and integrated to move data between devices.

III.THE NITTY-GRITTIES IMPACTED THE SHIFT THROUGH SCM AND PRODUCT INNOVATION

While it has grown its business to nearly \$50B, they have realized their competency was centred on supply chain and product innovation. They are fast, effective, and efficient; however, they decided to spend more time on building the brand. Building the brand makes them more competitive and robust as a company, able to earn a premium from the consumer by establishing themselves as a premium value in the minds of consumers.

IV. THE UNPARALLELED INTERNET-BASED ROLE OF TECHNOLOGY AT LENOVO

In addition to our shifting customer base, the second element impacting Lenovo business model involves technology itself, the Internet. The Internet gives companies the ability to engage one-on-

one with consumers – an impossible opportunity a decade ago. While they have a CEO council, and they meet with them to get feedback. They couldn't meet in person with individual consumers. Utilizing well the Internet, they are building a community of users who want to engage with them. They regularly communicate with these consumers to help make them to take decisions that create more value. For example, the loyal profitable customer online influenced their new logo design and ensured they produced the right assets.



Cost Center Marketing vs Revenue Center Marketing.

SOURCE:GOOGLE IMAGES

LENOVO changed the Cost Center Marketing philosophy into Revenue Center Marketing.

1.2 CUSTOMER LOYALTY AND RETENTION

Reicheld examined and stated that customer loyalty and retention are better than by market share, unit cost and scale. He asserted that customer which are extremely loyal become more profitable over time because:

- Customer acquisition costs spread over a larger turn over;
- Customer spending tends to accelerate over time;
- Operating costs fall as Customers know the firm's products, services and policies better;
- Satisfied Customer make referral;
- Intimate Customers are less price sensitive, allowing the firms maintain if not improve its margin (Reicheld, 1996)

In most of the industries a minority of customers generate majority of profits (Hallberg 1995). So not only does customers' profitability boost with passing time, but some customers are proved potentially far more lucrative than others. Peper and Rogers popularized & disseminated the expression 'one to one'. Also companies must differentiate customers and not just products. This attracting and retaining customer will have astonishing impact on the business.

Apart from the commercial logic of becoming customer-centric, their extensive and deeper needs can be addressed. Customer's motivational and behavioural aspect traced and probed in more effective way whilst standing apart and extending its own offer. Over time, this positive cycle of learning and doing, it is pivoted with loyalty attributes and captures more of economic value in its value chain. The

most intricate and profound problems must be tackled through customization. The better effectiveness must be translated towards solution oriented than result/efficiency oriented.

1.3 THE IMMENSE IMPACT OF INFORMATION TECHNOLOGY

The RM theory has ethical and pragmatic connotation which ensures that the better expedited implementation cycle to manage large no of individual customers through information technology. The immense impact of technology is being proved to be an invisible hand through CRM:

- Providing greater individual customer understanding;
- Allowing firms with real connect to individual requirement;
- Map business processes and take leverage through service leadership as the individual customers want at core.

The customer data stored is becoming much cheaper than before which is useful for better customer service. Data is analysed to understand customer preferences much better. Integrated virtual offices are being formed to access the data and information of customers to serve them better. The individual need is catered uniquely and the customer objectives are achieved with efficient IT tools. The overall study about customer preferences and their psychology of purchase need to be studied by customer-facing staff.

In past, thrust was upon mass production and marketing which had devised structures, business systems, cultures, frameworks, methodologies. Still configuration of product and services with customer focus was lacking. Conversely latest tools in planning, software systems, IT Apps, logistics and supply chain management decisions & processes led to personalized cost effective goods and services across the vast customer base. The 'mass customization' is ensured through it. But costing and obscurity were part of prime domain of huge conglomerates. But it is being replaced with acceleration- with low cost version produced -by many owned SMEs instead of developing their single prodigious business.

1.4 MICROSOFT GIANT HAD MADE A GREAT TECHNOLOGICAL IMPACTS THAT HAVE CHANGED THE WORLD.

About four decades ago, Microsoft Founders Bill Gates and Paul Allen set the ambitious goal of putting a PC on every desk and in every home. Forty years later that goal has been largely realized. Over a billion PCs are now in use in businesses and homes around the world.

Jason L Ward is a columnist at Windows Central emphasizes two main goals stand out as primary objectives for Microsoft:

1. A desire for profitability,
2. The goal to have an impact on the world.

I.MICROSOFT ANTICIPATED CUSTOMER NEEDS AND MADE USER-FRIENDLY TOOLS

With user-friendly tools like Windows, Office and MS Paint, Microsoft was successful with making computing. It was something remote and foreign to most people, a personal and easy experience. Consumers and businesses also benefited from the fact that Microsoft's platform became the dev box and target of a massive community of developers who ultimately supplied Windows with 16 million programs.

II.MICROSOFT TRANSFORMED THE RELATIONSHIPS BETWEEN BUSINESSES AND CONSUMERS

OEMs, platform providers, developers, businesses and consumers that are the foundations of the present age of personal computing. Microsoft mainstreamed personal computing to the extent that PCs are now available in a range of forms and price points. PCs and Windows have become the fundamental tools that have helped authors write best sellers, artists create masterpieces, musicians

craft music, social service and volunteer organizations monitor resources, manufacturers optimize production, bank's power of ATMs and much more.

III. INTEGRATING RESOURCES OF VARIED SOFT- TOOLS HAVE RENEWED THE WAY OUR WORLD FUNCTIONS

Their integration ecosystem is in almost every part of our lives. Though the PC market declined after the smartphone's advent, the existence of these "modern mobile PCs", is a testimony of Microsoft's impact on the world and personal computing. Especially since Microsoft's \$150 million contribution to Apple in 1997 saved the Cupertino company, enabling it to exist long enough to introduce the world-changing iPhone in 2007.

1.5 PRINCIPAL CONCLUSION

Relationship is always the central theme of cultured and meaningful living of mankind. Customer's long-lasting relationship with the business had not been given much prominence by management thinkers till eighties. The earlier research always was product oriented instead of customer preference oriented. Marketing theory was weaved around 4P's and yet had a missing link due to indispensable role of intermediaries in marketing mix. We need upbeat marketing strategies to target chosen market segments, position brand effectively in the mind of existing and potential customers. We have to encourage sales through promotional activities, personal selling, direct marketing, publicity, public relation and advertising. It is obvious that one should be up breast with the recent dynamism in soft techno savvy tools and ICT applications used in understanding the ever-changing trends of commerce. Employees have to be customer focused, multitasking, versatile and pioneering in their approach. This study shows that customer-centric business of LENOVO gives numerable insights. It speaks about importance of value model, easier value proposition, product innovation, SCM and IT based ultramodern technology.

Next, the paper probes into the transformation in MICROSOFT with producing user friendly tools, redefining relationships and resource integration through powerful technological soft tools. This business giant MICROSOFT refined, recohered, redefined and revamped the way business operated in recent times. In the complex VUCA milieu, it has not only survived and sustained but attracted and retained huge pool of customers to patronize and thrive its business through profitability. Both these competitor based on their foundation of techno- vation, futuristic vision and understanding the need of customers and serving them through efficient SCM and excellent service led their business indeed in unrivalled position.

SUMMARY

Both the above mentioned firms having obsessed with effective techno-commercial resource allocation led to a strategic fit. They also have ensured balance of revenue generation, profitability and enticing investments. Each product investment was considered on its own merits through connecting investment decisions to shareholder Value. Firms were free to pick the market of homogeneous customer segment on the basis of market and financial attractiveness. At times customization led to mass customization. Further, Value Chains are integrated by them. These solutions integrate firms with their companies who choose and provide value with a greater flair towards serving end customers. The customers are provided with personalized service through the company's logistical competence. Information-rich value chains are the gigantic silos of catering individual service to customer changes, furnish the needed customer informatics on the progress of individual orders, total demand and forward demand. This gives an idea to production people about the probable requirement of finished goods to be produced as per the pre-decided time horizon. Thus the customer can be catered in best possible manner through highly significant and impactful technology.

REFERENCES

1. Berry, L. L. (1983). Relationship marketing. *Emerging perspectives on services marketing*, 66(3), 33-47.
2. Grönroos, Christian. (1995). Relationship Marketing: The Strategy Continuum. *Journal of the Academy of Marketing Science*, 23 (4), 252-254.

3. Gupta, S. and Lehmann, D.R...(2005), "Managing Customers as Investments, The Strategic Value of Customers in the Long Run, Wharton School Publishing.
4. Harker, Michael J. (1999). Relationship Marketing Defined? An Examination of Current Relationship Marketing Definitions. *Marketing Intelligence & Planning*, 17 (1),
6. Kotler, p., Armstrong G., Wong, V and Saunders, J (2008), "Principles of Marketing", 5th ed London, Library of congress.
7. Peppers, D. and Rogers, M. (2010), *Managing Customer Relationships – A Strategic Framework*, 2nd ed., Wiley, Hoboken, NJ
8. Ravald, A. and Grönroos, C. (1996), "The value concept and relationship marketing", *European Journal of Marketing*, Vol. 30 No. 2, pp. 19-30.
9. Reichheld, F.F. and Teal, T. (1996), *The Loyalty Effect*, Harvard Business School Press, Boston, MA.



[Handwritten signature]

Director
Arihant Institute of Business Management
Bavdhan (Bk.) Pune - 21.