

Lenovo

Lenovo Group & Consumer Electronics

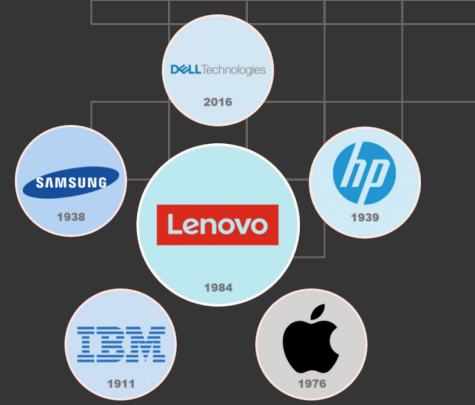


How can Lenovo leverage its mastery of **customization at scale** to differentiate their AI PC strategy?



Industry Insight

The global PC industry is a highly concentrated, scale-driven market dominated by a few large OEMs (eg Lenovo, HP, Dell) competing on cost efficiency, with limited differentiation outside of premium ecosystem players like Apple.



Rivalry

Few large players compete aggressively on price in a commoditized market

Supplier Power

Concentrated chip suppliers (Intel, AMD) with rising component costs

Supplier Power

Price-sensitive consumers with choices, large enterprise purchasing leverage

New Entrance

Scale, brand, and distribution create barriers despite low tech complexity

Substitutes

Tablets, smartphones, and cloud reduce reliance on PCs

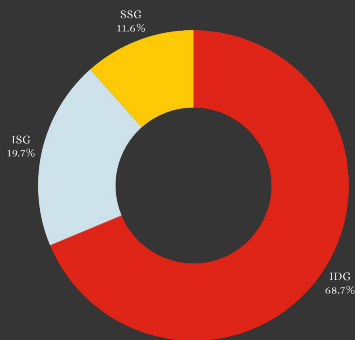
Cyclical, refresh-driven demand and an increasing technical workload is driving a shift toward premium hardware, reinforcing that success in this structurally challenging industry will require either scale-driven cost leadership or differentiated ecosystem positioning that increases willingness to pay (Apple). Despite this, the industry remains structurally low-margin with meaningful barriers to entry.

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More than ThinkPad

BUSINESS SEGMENT PERFORMANCE



Commitment to diversification in non-PC revenue mix achieved a record high of 47% in FY2024/25.

Intelligent Devices Group (IDG) revenue +13% to US\$50.5 billion with >7% operating margin.

Infrastructure Solutions Group (ISG) revenue +63% to US\$14.5 billion and returned to profitability.

Solutions and Services Group (SSG) revenue +13% to US\$8.5 billion with a 21.1% operating margin.

Lenovo has ThinkPad's brand equity, successful in enterprise and government markets where it has created stickiness through reliability + cost positioning.

The firm's current focus is on AI servers and AI PCs, supported by robust R&D and innovations including: transparent laptop displays, rollable AI computers, personal AI agents embedded in devices, and advanced cooling technologies like Neptune Liquid Cooling.

KEY CAPABILITY DRIVING PERFORMANCE:

ODM+ supply chain enabling mass customization at global scale.

Customers see a "Made-to-Order" service. Underneath is the infrastructure unique to Lenovo: purchasing power, in-house design, in-house manufacturing, and in-house control of its supply chain that reaches over 180 countries.

CHALLENGES

- Brand perception challenges outside of China
- Geopolitical & tariff exposure as a Chinese firm
- ISG profitability gap despite 63% revenue growth
- Consumer electronics vulnerable to price competition

~25%
worldwide PC
market share,
#1 over Dell
and HP

185
awards for
innovation in
2025

13%
year-on-year
increase in
R&D

Key Megatrends



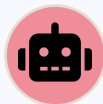
33%

of Lenovo PCs
incorporate AI



30%

of revenue is related
to AI



Human-Machine Hybrid Era

AI, robotics, and on-device intelligence are converging to make devices active, context-aware partners, not just passive tools or dedicated apps.

More than **50% of laptops shipped in 2025** had **local GenAI processing** capabilities, and the trend is only continuing upward. This triggered the biggest PC upgrade cycle in **a decade**.

Lenovo **holds 31% global Windows AI PC share** and is betting its "Personal AI" strategy on ambient, cross-device intelligence, which is exactly what the megatrend reports predict will perform strongly.



Strongest trend, driver of Lenovo's performance



Trust as Competitive Variable

Trust around data security, AI ethics, and on-device privacy are key structural demand drivers, not just PR concerns. Trust helps drive customer choice.

Data shows **high-trust AI adopters are four times more likely to accelerate** smartphone and laptop **upgrades**, directly linking trust to hardware revenue.

On-device AI is Lenovo's structural answer, a **product architecture that doubles as a trust signal** and leans into the trust they've built with their brand over the years, especially with enterprise and regulated-sector buyers.



Enabling condition, unlocked AI value creation

Lenovo Recommendations

1

Extend Mass Customization to AI

Lenovo's core VRIO capability is mass customization at scale, with thousands of Thinkpad configurations. This is purely hardware.

Lenovo could extend this to the AI layer of its AI PCs. Enterprise customers may want Claude for their legal team, but Gemini or Llama for others.

2

Pursue Smart Devices & IoT

Lenovo has no equivalent to Apple HomeKit, Samsung SmartThings, or Xiaomi's ecosystem. Leverage the Personal AI agent technology being developed for PCs into a connected device ecosystem, creating switching costs that Lenovo currently lacks in consumer markets.

Product opportunities include smart home devices, wearables, and IoT solutions.

3

Open US Manufacturing

Lenovo operates factories across 11 markets, has already relocated 90% of US-bound production out of China, and just signed a US\$2B Saudi Arabia manufacturing deal. But Lenovo's CEO explicitly stated there are no plans for full US manufacturing. As the US government & defense favor domestic production, Lenovo should reconsider this.

4

Acquire in Services

Solutions and Services is experiencing rapid growth. To accelerate this, Lenovo should consider acquisition of a managed cybersecurity or cloud-native services company.