



## Supplier profile:

# Acer

It may seem funny that someone who has piloted a PC business into a multi-billion turnover giant would write a book called *Me Too Is Not My Style*.

But not everyone can become a captain of industry, so it's a pretty sure thing that Acer founder Stan Shih has his own way of doing things. And, as even the most average David Brent-style middle manager fancies the idea of having *My Way* sung at their funeral, a successful player is certainly going to feel that they copied nobody. Even if they've borrowed a horrible piece of management speak for the title of their book.

But the whole PC industry was built on copying IBM's original design. For years the machines made by rival computer companies were known as clones, especially if those companies were from Taiwan, as Acer is.

Whatever the origin of Stan's and Acer's styles, the company seems to have lit a touchpaper on its UK and European business after years of lacklustre performance. Despite having set up a separate, consumer-focused company,

Benq, which is also outperforming rivals in Asia, Acer's sales growth is seriously outstripping the rest of the market.

### Throwing a curve ball

Gartner Dataquest estimates PC shipments in Europe, the Middle East and Africa rose by just three percent overall in 2002 and six percent in the fourth quarter, compared with the same period in 2001. For that fourth quarter, Acer's sales leapt by 28.9 percent on its

business a year earlier. Second best was market leader Dell which enjoyed 12.9 percent growth in that last quarter of 2002.

Acer's UK managing director Scott Dodds says his company ranked between third and fourth place in the notebook

sales chart for that final quarter of 2002, depending on which market research firm you speak to. "But only two years ago we weren't even in the top 10."

The UK operation shipped 35,000 notebooks in the last quarter of 2002, its annual turnover has grown to £75m and it only employs 55 people.

**Acer's sales growth is seriously outstripping the rest of the market**

After years of mediocrity, Taiwanese PC maker Acer is suddenly making real headway in Europe, beating the competition in the UK hands down not least with its notebook sales. Robert Blincoe asked Acer to lay its cards on the table and reveal the tricks it has up its sleeves

Whether or not this performance represents 'the smiling curve' business model described in Stan Shih's book, the sales growth reflects Acer's commitment to the way it distributes its products. This is known as the 'sales channel' and Acer has decided it will concentrate on building up its relationship

### The Acer spades

**A**cer's notebooks are manufactured in Taiwan and China then flown direct to their dealers in the UK. The company has no warehousing over here. This method has its risks but UK MD Scott Dodds says, "If you get it right, you can afford to do it."

Acer has also manufactured notebooks for most of the big name computer companies. This is via Wistron, which used to be the design and manufacturing service unit of the company. Wistron has manufactured notebooks for Fujitsu-Siemens, Sony, NEC and Dell.

Acer's own-brand machines are made in different factories to those it makes for other companies but it's fair to assume the same practices and technologies are employed in both.

The manufacturing is kept separate to keep its manufacturing customers happy. "As you get bigger you don't want to compromise your OEM [original equipment manufacturer] business," says Dodds.



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David Atherton, MD, Dabs.com

with its dealers, increasing the number of dealers and never selling direct to any customers.

This approach, and keeping operating costs in check, is what Dodds attributes to Acer’s success.

### Shifting lanes

Acer is also getting the price and quality of its products right. After all, it has built notebooks for the biggest industry names (see *The Acer spades* opposite), but the key is the sales channel. Dodds has spent 20 years in the high-tech market and worked for a major distributor, set up his own dealership and put in five years with Compaq. He arrived at Acer in 1999 as sales director and became managing director in 2001. He brought in Paul Cooke as sales director.

David Atherton, managing director of online retailer Dabs.com, takes up the story. “Acer, as a PC vendor with a strong notebook offering, has a fairly easy mission: to chase Toshiba, Sony and Compaq.

“Acer’s appointment of Paul Cooke as sales director, who has good contacts throughout the distribution chain, helped the company understand the most effective way to raise their profile and grow market share. During his first week in the job, Paul called all his relevant industry contacts, including myself, to very quickly learn the dynamics of laptops.

“In days of old, Acer tended to concentrate on VARs (value added resellers) who would typically ‘tailor’ kit before selling it on to the customer as a complete solution, usually supported by other products. This meant that the ‘old’ Acer never sold big volumes and didn’t achieve widespread recognition of its brand – the customer essentially bought the brand of the VAR rather than that of the product manufacturer.

“These days the approach is different. ‘New’ Acer has realised that mail order companies and retailers, who promote and sell individual products on their own merits as opposed to part of a solution, are

pivotal to helping them build the Acer brand,” concludes Atherton.

But as well as the Dabs-sized retailers, Dodds also looks to smaller resellers which offer their customers support and service. He says that this strategy is working “on our terms”.

“The reality is that we are in the hardware business, which has been commoditised, but it’s not really a commodity. It’s not a tin of beans that doesn’t go wrong. So the way that we make a difference is by support the channel partners who want to sell our products.

“If a reseller is selling our notebook, we want a customer to think, ‘well, if he’s selling it and he’ll back me up then it must be okay’.”

### Call centre

Acer laptops come with two-year warranties and the company operates a customer support centre based in Belfast. All repairs are carried out in the UK and out of the UK’s 55 employees, 20 are involved in

## Acer at a glance

- Founded **Taiwan, 1976** under the name **Multitech**. Became **Acer in 1987**
- Number of employees **34,000 worldwide, 55 in the UK**
- Turnover **Forecast at NT \$125.8 billion (£2.22 billion) for 2003**
- Ownership **Floated on Taiwan stock market in 1988**
- Global business **Technology R&D and investment; design and manufacture of computer equipment – sold under own brand or to competitors, internet services**
- UK business **Selling PCs to SMEs and consumers through a network of local dealers and large mail order businesses. Acer is not focused on selling to large corporates. Successful in education market**
- Product range **Notebooks, desktops, servers, handhelds, monitors, tablet PCs**
- UK office **Poyle Road, Colnbrook, Slough, Berkshire, SL3 0QX**
- Website **www.acer.co.uk**
- Telephone **01753 699 200**



"The tablet PC has a long-term place in the mobility market. We took a stance that it was a technology area worth looking at and that has given us a position as a technology leader, not a follower"

Scott Dodds, UK MD, Acer

support and service. Dodds admits that Acer manages its call centre the same way everybody else operates theirs, but believes calls are answered swiftly and, because the business currently employs so few people, it is not afraid of investing in the support to back its growth.

Acer is bullish about its channel approach continuing to succeed – maybe also because of its "reverse thinking", "fastfood business model", and "global brand, local touch" strategies (see *Me Too Is Not My Style* by Stan Shih) – and is forecasting greater growth.

To illustrate how things have boomed for Acer, this is what Helen Slinger, head of merchandising at Dabs.com, says has happened over 2002. "In the first half of 2002 Dabs.com's sales of Acer notebooks totalled around £260,000. In the second half, sales of notebooks almost tripled to £788,000. Growth in terms of desktop PC sales has been even more marked, with sales rising from £15,000 to £293,000 in the same period – that's growth of more than 1,500 percent."

Acer has said it hopes to become the third-largest PC brand vendor and the top notebook brand vendor in Europe by 2005. The company expects its

## Keep taking the tablets

The *Me Too Is Not My Style* ethos backs up Acer's push into the tablet PC market. That and the chance to suck up to Microsoft big time. Microsoft is pushing pen-based computing as the way forward and tablet PCs are being sold into corporate markets as a replacement for existing ultra-portable notebooks.

Microsoft envisages us using the Tablet PC operating system to jot down notes during meetings and then automatically transfer them to email or Word. Meanwhile Acer's bid for the tablet hardware market has given it lead development partner status with Microsoft.

This was probably down to the usual industry big names not volunteering for the job, but that doesn't bother Acer. It thinks the market for such devices will be huge and, if it makes a name for itself while others wait to see if the concept takes off, then all well and good.

Acer's UK MD Scott Dodds says "The tablet PC has a long-term place in the mobility market. There's no doubt that's where it's going. We took a stance that it was a technology area worth looking at and that has given us a position as a technology leader, not a follower."

Unfortunately *PC Advisor's* Ursula Seymour was not too impressed with Acer's first product, the TravelMate 100, which she reviewed in the December 02 issue. She wrote "The TravelMate 100 is relatively good at capturing text, but using the stylus on the touch-sensitive screen is a tortuous process: reaction times are slow and you have to be extremely heavy-handed to raise a response. Before you give up on the tablet PC as a concept, though, we have seen models from other manufacturers that were a joy to use, seamlessly capturing text on a highly sensitive screen."

But Acer's market attack has impressed its channel partners. Helen Slinger, head of merchandising at Dabs.com, says: "Acer is probably faster at getting new technologies to market than other vendors in its field. When Microsoft launched the Tablet PC operating system, Acer was the only vendor to have tablet PC hardware in the channel and available for sale on launch day."

Rebecca Eaton, head of product marketing for mail order retailer Systemax, echoes this: "They've been most aggressive around the launch of the tablet PC, especially with how they approached the channel. They were ready a lot earlier [than other manufacturers]."

Eaton admits that sales haven't been that big yet, but there's a lot of interest when the kit is taken out on demos. In the second quarter of 2003 Acer is expected to launch the world's first 14.1in TFT LCD tablet PC. The company's TravelMate C100 was equipped with a 10.4in screen and has sold 35,000 units between November 02 and the end of January 03.



PC shipments in Europe to reach two million units this year, of which half will be notebooks, and 3.5 million to four million units by 2005, with 40-45 percent being notebooks.

To put this in perspective, Gartner Dataquest reported that in the fourth quarter of 2002 PC shipments topped 13.1 million across Europe, the Middle East and Africa – up from 12.3 million in the year-earlier period. For the year, 41.1

million units were shipped compared with 39.8 million in 2001. Acer is chasing a sizeable chunk of the market.

It's probably all attainable for a non-*Me Too* company, but looking at the way that Acer's UK business has grown in a maturing market causes Dodds to remark, "It's not normal." Perhaps it would have seemed more normal to him if he'd managed to read all of Stan Shih's book instead of some of it. ■