

Acer's strategy essay sample



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In the light of increased competition in the PC industry, there is a need to capture and maintain market share, not only be profitable but to be sustainable. The Acer Company has over the years moved from being a little known Taiwanese PC maker to being ranked among the world's top five branded PC vendors.

Since the modernization and inevitable commercialization of computers, brand recognition and market share in the personal computer market has always been very competitive.

In the mid 1990's the personal computer market took off primarily by the boost the industry received in the business-to-consumer sector. The offering of financing options made it easier for individuals to acquire computers.

Since the beginning of the PC revolution, the market has been dominated by four major manufacturers: Dell, HP and Gateway. By the latest part of 2000s, Acer and Lenovo have gain brand recognition and market share. The latter two companies growing strategy involved the acquisition of Gateway by Acer and IBM's personal computer division by Lenovo. This paper will compare these two companies business strategies, as well as their operating differences. .

1. Acer's Strategy Has Been Described as Divide and Conquer. Compare and Contrast This to Lenovo Strategy

From its inception, Acer had been a component and equipment manufacturer for relabeled electronic products marketed and sold by recognized global companies. Along with the booming of the PC industry came the need to produce PC components faster, cheaper and more efficiently; this need gave

birth to several companies akin to Acer, which in turn contributed to market saturation.

Strategic management theories have taught us that when a company faces market saturation, the most effective way to growth is to engage in expanding its operations, marketing and selling activities to another market. In this case, Acer determined that they would take the company into the global electronics and personal computer playfield. “ Strategic decisions of a company are influenced by market conditions, degree of competition, condition of economy, regulations affecting the industry, its own growth targets and the interactions with its subsidiaries i. e., business units”. (Collis & Montgomery, 2002). Acer employed initiatives that placed them in a better position than its closer competitor, Lenovo. Acer's early attempts to enter the global arena was characterized by poorly brand recognition. Consumers were wary about Acer's products quality and reliability.

To battle that perception, and to help gain territory, in 2007 Acer acquired Gateway for US\$710 million. This acquisition gave Lenovo a method to overcome on of the entry barriers for the U. S. marketplace. In addition, the company recognized the potential that the Chinesse market represented. By entering this market, Acer sought to take advantage of the cheap labor, economies of scale and the availability of highly trained engineers. In the later part of the 2000s, Acer saw its market share increase by manufacturing and selling small size laptop computers known as netbooks. This product was sold at a price range between US\$200-US\$300. Competitive firms did not implement a notebook initiative until later, giving Acer a competitive

advantage of first-to-market. The strategies implemented by Acer and Lenovo are basically the same.

These companies relied in acquiring U. S. based companies, or its divisions, in order to expand operations globally, as well as to enter the U. S. market. In 2004 Lenovo purchased IBM's personal computer division for US\$1. 25 billion. In brand recognition, Acer concentrated in producing a more consumer friendly product with the right features and market price. Lenovo main attempts to brand recognition was to join the Olympic Partner Program which is the International Olympic Committee worldwide marketing program. It also bought the rights to place the Lenovo name next to the IBM logo on its PC products after the IBM acquisition.

2. Explain How the Global Markets-Local Markets Paradox Figures Into Stan Shih's Strategy for China.

Stan Shih figured that Acer could take advantage of the benefits that regionally local markets have to offer to companies operating in their own turf. Moving to markets that share the same characteristics is easier than to move to a different region that do not share the same culture, customer buying behavior and socio-economic trends. China offered these rewards, not necessary as an advantage against Lenovo, but as an advantage to other competitors in the PC business. In the other hand, the global reach Acer had engaged on by shifting from a hardware component manufacturer to a consumer friendly PC manufacturer, by acquiring Gateway, and being one of the first companies to produce netbooks laptop computers, placed Acer as a principal global player over Lenovo.

3. Determine What Strategies

Acer Can Apply to Become the World's Third Largest PC Company, Behind Dell and Hewlett-Packard.

As said by the research firm iSuppli (Dell, 2010), Acer and Dell have been taking goes for the second place as the biggest PC producer in the world since 2009. Some of the strategies that assisted Acer gain this place are the overview of the netbook creation, development by the attainment of Gateway, entering the U. S. market and concentrating its invention link and labors not so much in the business-to-business model, but emphasizing the purchaser centrality one.

Although the build-your-own-PC standard used by Dell, HP and Gateway was popular among buyers, Acer settled away from that strategy. Acer trusted in third party companies to allocate and sell its products. This gave the company an chance to create a thin supply cable arrangement, used to source hardware from different sellers, thus removing expensive industrial prices and refining productivity. The added acquisition of European PC giant Packard-Bell company offered Acer with larger footmark and additional market portion global. 4. Even Before the Current Economic Crisis

Deepended, Growth in the U. S. PC market had Begun to Slow Down. Despite Strong competition From Dell and Hewlett-Packard, Acer's U. S. Market Share Increased From 1 Percent in 2004 to 3. 3 Percent by the End of 2006.

Analyze Acer's prospects for gaining further share in the United States Acer's different strategies mentioned throughout this paper gave the company the competitive advantages that it still enjoys today.

During the economic turndown of the early and later 2000s, most of the business PC companies that were being very profitable and that occupied the first places as the PC leading manufacturers was done in the business-to-business model. As the economy turned sour, companies decreased computer buying and upgrading functions, this gave away to lesser revenue to these PC manufacturers. Acer had been concentrating in the consumer centric business. They offered low prices computers to cash strapped consumers. Acer has proven in the past that it has the technological foresight and risk taking capabilities to beat their competition as it demonstrated back in 2008 when it dethroned HP in the sales of PC products in the European market.

“ HP has been toppled from the top spot in the Europe, Middle East and Africa PC-selling league by Acer, partly as a result of Acer's success in the booming netbook market”. (Meyer, 2008). The company's new strategies include reaching out to school and small business with customized products. Although Acer's market share in this segment is very limited, it is trying to increase awareness of its products by educating these customers on the usability and features that their products carries. “ Last year the company reported revenue of \$18 billion, representing 5% growth from the previous year in a tough economy. Net profit was \$354 million. To keep up the pace, Acer is recruiting new types of customers, including schools. It still has a long way to go in that area. Its education market share nearly tripled in the last year, but only to 4%.” (Woyke, 2010).

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