



Global 2000

## Acer's Next Advance

Elizabeth Woyke, 05.10.10, 12:00 AM ET

At Ohio's Miami Valley Career Technology Center, 11 miles northwest of downtown Dayton, laptops are ubiquitous. In the vocational school's Sports Medicine program the computers track rehabilitation data. In Nursing they host patient simulators. In Culinary Arts they access online menus.

A few years ago Dell, Hewlett-Packard or Apple would have likely supplied the center's thousands of computers. These days nearly all of the campus devices come from Taiwan's Acer. Randy Schmidt, the school's technology director, made the change in 2007. "I had a certain amount to spend, and Acer had a good deal," he says. "I've never looked back."

Situations like Schmidt's represent a new push by Acer, the fastest-growing of the big computer brands, to expand through commercial sales. The company aims to become the biggest seller of laptops and netbooks by 2011. It's currently number two, according to research firm Gartner. "Mobile computing will be the next revolution," says Acer Chief Executive Gianfranco Lanci. "Our goal is to become number one in mobile."

Lanci's strategy: move swiftly, keep costs low and forge close ties with retailers. This formula, along with smart bets on hit products like netbooks, has already transformed Acer from a regional player into a global powerhouse and a favorite of cost-conscious consumers. 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%. Dell, Apple and HP still dominate. Acer has spent the past year hosting Web seminars and school-library makeover contests to drum up interest among teachers and administrators. "Our retail business is already very mature," says Gregg Prendergast, Acer's vice president of U.S. commercial sales. "We think there's a huge opportunity to grow in vertical markets like education."

Success will hinge on Acer's ability to woo the Randy Schmidts. His school supplies a laptop to each incoming student. One day he spotted an Acer promotion, which lowered the unit cost to \$450. Choosing Acer, he realized, would save thousands of dollars and ultimately cut student fees.

After the switch Schmidt stuck with Acer because he liked the way its educational sales department continued to take his calls and was flexible about warranties. "I've never seen an HP representative," says Schmidt. "I wouldn't know who to contact at those companies."

Prendergast says his firm is "methodically" gaining ground. "It takes time to build trust and familiarity with schools, but if they start recommending the brand, there's a big multiplier effect," he says. Encouraged by early results, Acer is thinking of launching school programs in Canada and Europe and may use similar tactics to break into the U.S. health care and government markets.

Acer already has a good foothold among small and medium-size businesses. They accounted for 30% of the company's revenue last year, and Acer hopes to make that 40% in 2010. Companies that want to upgrade to Microsoft's Windows 7 operating system usually buy new hardware.

### Sidebar:

#### [Online Alliance](#)

---

"Without a strong enterprise presence, it will be a challenge for Acer to become the number one computer vendor," notes Gartner analyst Mikako Kitagawa.

Acer isn't going after the big-company market with the same alacrity, although it plans to introduce a new range of servers and, in the U.S., has bolstered support for the resellers that manage its commercial customers. "The bigger the customer, the more complex service and support is, so we are starting small and will build from there," says Prendergast.

Acer didn't always have such a sure sense of direction. Founded in 1976 as a microprocessor consultancy, by the 1990s it had ballooned into an unwieldy group of businesses, including making computer components and peripherals. A series of multimillion-dollar losses forced its U.S. subsidiary to pull computers from stores in 1999. In 2001, during the technology downturn, Acer's operating loss was \$99 million. "The future of the company was not clear," admits Rudi Schmidleithner, president of Acer's North and South American operations. "We knew we would either die or win."

Some bold moves put Acer back on track. In 2001 the company spun off its manufacturing division. Soon after it zoomed in on mobile computing products and went after western Europe with the help of future chief executive Lanci, who had joined Acer Italy from Texas Instruments. In 2003 Acer rebounded, and by 2008 a string of noted acquisitions (Gateway, eMachines, Packard Bell) had put Acer within striking distance of HP and Dell in unit volume.

Along the way Acer morphed into a truly global company, with offices in both San Jose, Calif. and Milan (where Lanci sits), research and development teams in Taipei and manufacturing in China. The company says European executives like Lanci and Marketing Chief Gianpiero Morbello lend a cosmopolitan outlook, while close ties to Asian manufacturers and suppliers yield better products. "At a time when everyone outsources, we are closer to where the goods are developed," says Schmidleithner.

Partners agree. The setup allows Acer to "be incredibly cost effective and efficient, yet innovative," says Intel sales and marketing head Thomas Kilroy. "It understands what it takes to be successful today."

Founder Stan Shih and Chairman J.T. Wang remain deeply involved, but Lanci is the architect of this new Acer. The Turin-born engineer got the top post in 2008.

Earlier this year Acer pushed partner Nvidia to speed up work on a next-generation graphics processor in time for an important trade show. Nvidia ended up finishing its Ion 2 processor several weeks ahead of schedule so Acer could incorporate it into a new netbook. "Acer saw an opportunity to be the first in the market and set that target," says Drew Henry, general manager for Nvidia's consumer computer business.

Another Acer tenet is to sell through retailers to control costs (*see box*). In the U.S. Wal-Mart, Best Buy and Amazon handle the bulk of Acer's consumer sales. Amazon has had success selling Acer's netbooks, slim Timeline laptops and compact desktop Revo computers. "Years ago everyone wanted to go direct because Dell had had huge success," says Schmidleithner. "But long term, we knew partners would help us grow faster."

#### Sidebar:

#### [Online Alliance](#)

Even with Lanci's guidance, getting to the top of the portable-device heap by next year is a tall order. Acer plans to gain an edge, in part, by branching into smartphones. In the past year Acer has launched ten touchscreen handsets, nearly all using Microsoft's Windows Mobile software. The phones, already available in Europe and Asia, will enter the North American market in June via a deal with Canadian operator Rogers Wireless. Lanci wants Acer to be one of the five largest smartphone providers by 2014.

"Tweeners" devices are another big wager. Apple's iPad has generated buzz around tablet computers. Acer, which experimented with tablets back in 2002, is developing Internet gadgets that fall between smartphones and netbooks in size, according to Lanci. The new products, which include the company's competitor to the Amazon Kindle, will be released later this year.

Acer's challenge will be to balance flash with products that appeal to the budget-minded. "New niches are nice," says Americas boss Schmidleithner. "But making something millions will buy—like a laptop with a ten-hour battery or a netbook you can take with you—is more exciting."

#### TRYING HARDER

Acer has risen to second place among global computer vendors, by unit volume.

COMPANY	2009 UNITS SHIPPED (thou)	2009 MARKET SHARE
<b>Hewlett-Packard</b>	58,943	19.3%
<b>Acer</b>	39,784	13.0
<b>Dell</b>	37,354	12.2

<b>Lenovo</b>	24,695	8.1
<b>Toshiba</b>	15,452	5.0

Sources: Gartner.

**Sidebar:**

[Online Alliance](#)

[Special Offer: Free Trial Issue of Forbes](#)