Branding In Asia

An Asia Busines Council Worksop

Asia Business Council

Branding in Asia

In today's hyper-competitive marketplace, technological superiority and design features are not enough to differentiate products and services. This is because technologies and features can be – and are – easily imitated. This trend is very relevant in Asia, where many firms are involved in manufacturing. But even service providers like airlines face the same threat of commoditization.

Increasingly, as companies confront the external challenges of technical parity, they also have to address internal strategic and operational issues, such as coordinating collaborative processes among departments, at the same time. Another challenge arises from the need to cater to a growing number of constituencies that includes not only customers, suppliers and investors, but also third-party interest groups that are increasingly willing to launch damaging publicity campaigns against firms that earn their ire.

Interestingly, these broadly different challenges can be addressed through the lens of brand strategy. Far more than a mere marketing tool, branding is intricately linked to everything a corporation does: from the highest level of strategic decisions to the minutest details of operational procedures. Discussions at the workshop on branding showed that a sophisticated approach to brand strategy can help a CEO manage the complex web outlined above.

Prior to the workshop, several members of the Asia Business Council spoke to the Monitor Group, a consultancy, and shared their ideas and concerns about branding. The result of these preliminary discussions was a list of key branding-related issues facing Asian CEOs.

The workshop gave us an opportunity to discuss these challenges and address them from a branding perspective.

The Threat of Commoditization

Origins of commoditization

Many of our members noted that the speed of technological diffusion was increasing the difficulty of maintaining leadership in product offerings. This issue is further complicated by the intricacies of modern supply chains. For example, in the late 1990s, Acer was conducting both branded and OEM businesses at the same time. How could Acer distinguish itself from the competition if its factories were producing both Acer-branded PCs and rival-branded PCs with essentially identical technologies?

Technological and functional parity is not just relevant to technology products; it is also becoming increasingly evident in manufacturing industries ranging from autos to textiles. The service industry is also not immune to the commoditization threat: Singapore Airlines flies the same planes between the same airports as its competitors.

Commoditization creates a natural trend towards a vicious cycle of price cutting and decreasing margins.

These challenges are significant threats to a company's ability to compete meaningfully. Marketing tools like names, logos and advertising are meaningless if they do not convey a message of differentiation. If a company cannot distinguish its offerings from those of its competitors, it cannot expect consumer loyalty or demand price premiums.

Branding: Defense Against Commoditization

There is no reason for a race to the bottom to be the fate of all companies. To a large extent, companies can continue to inspire loyalty and command price premiums through effective branding strategies.

At the workshop, participants named a number of values that brands bring to the customer:

- **Assurance**: Customers are simply more comfortable with certain brands because "they know what they are getting;"
- **Prestige**: Some brands convey status; this is especially true in highly visible products, like clothing, cars, and real estate;
- **Identity**: brands can provide a sense of individual or group identity to the purchaser or user, in their own minds and in the minds of others;
- **Service**: For a manufactured product, knowing that the company will offer post sales support is a strong pull factor for many consumers; for a service offering, the attitude and expertise with which the service is conducted is very important.

The list goes on, but the point is clear: brands often represent things other than the performance attributes of the product or the service. The factors stated above can be decisive in purchasing decisions.

The Importance of Branding Differentiation

Clearly, to be successful in branding, we need to get our message across to the customer in ways that are differentiated and that capture their attention in unique and appealing ways. But how do we do so in an era marked not only by the commoditization of technologies, but also by escalated competition for customer's attention?

At the workshop, participants used the concept of "performance vs. personality" to analyze the evolution of branding messages and advertising. Sony served as an interesting example. In its early days, Sony's branding messages tended to focus on the functions and technologies of its products. This represented a "performance" branding strategy. However, some of Sony's more recent branding campaigns – and indeed, the products themselves – appear to be aimed at customers' emotions. For example, the QUALIA line of consumer electronics products is intended to evoke an emotional response that mimics the feeling of entering a room of beloved family members. Another example of "personality" branding strategies is Lexus' recent print ads that omit the car itself and instead portray scenes ranging from a couple enjoying a night at a jazz bar to a Lexus owner perusing his library collection at home.

QUALIA: Emotion over Function

From product development to marketing, Sony's brand strategy for QUALIA focuses on appealing to emotions. The company does so by:

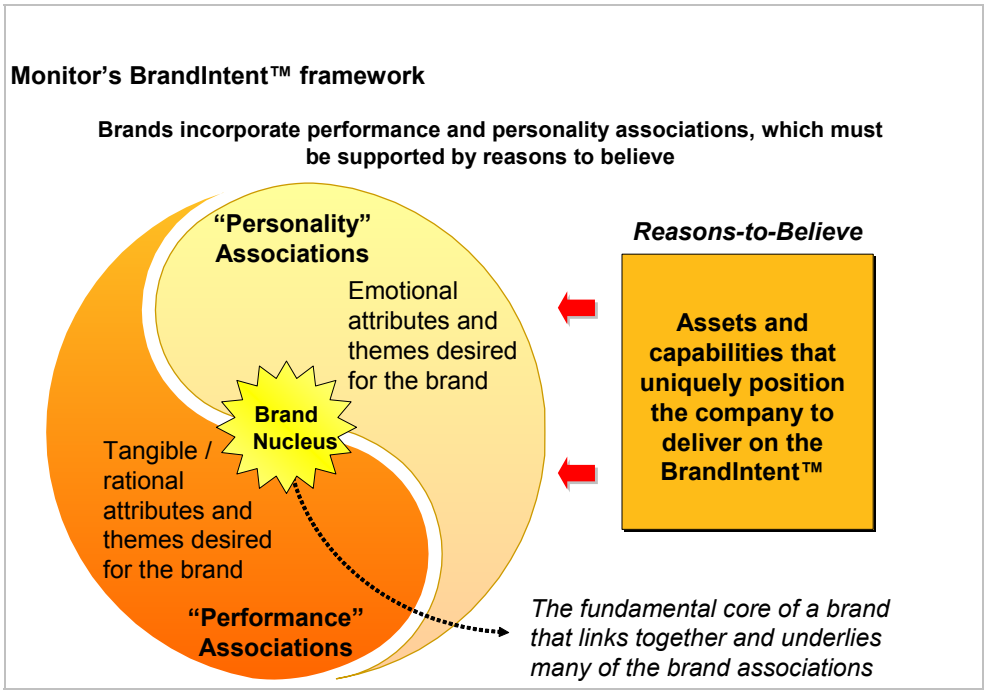
- Emphasizing fashion and usability instead of technical features in the design process;
- Positioning products as premium lifestyle choices, not gadgets; and,
- Highlighting the ability of QUALIA products to help users realize their deep emotion needs and omitting products in promotions.

Sony's shift reflects the emerging trend of winning brand loyalty by appealing to emotions.

This recent trend suggests that in today's advanced consumer markets, where quality is taken for granted and technical parity is a fact of life, appealing to personality may be much more effective. Personality appeals can be direct, as in Sony's QUALIA strategy, or they can be more sophisticated, as are those of, say, niche fashion brands that help to define, reinforce or reflect the self-identity of the customer – as one attendee stated, "Kids don't want their fathers' brands!".

However, it does seem that personality appeals are more difficult to execute successfully in the business-to-business space. The systematic processes that corporations use to make purchase decisions tend to make performance considerations much more important than personality. However, some business to business firms have successfully added personality flair to their branding; FedEx's amusing "When it absolutely, positively has to get there overnight" campaign is a good example.

Companies also face the difficulty of getting customers to pay attention to their messages. One participant illustrated this point with the example of a typical sporting event that has perhaps dozens of corporate sponsors. Do patrons of the event pay any attention to the multitude of corporate signs and slogans plastered all over the venue? It seems likely that they do not. A couple of models for overcoming this problem were raised during the discussion. The first is to be the lone sponsor of an event, which sends a much stronger signal to event participants. A member pointed out that a parallel is found in Japanese baseball teams, which, for the latter half of the 20th century, were sponsored by major Japanese firms. Serving as the lone or primary sponsor of a major league baseball club appears to have generated a great deal of prestige for the sponsoring companies.



A different strategy altogether is to forgo traditional event sponsorship in favor of "guerilla" tactics. Members raised Korea's SK Telecom's ingenious branding campaign at the 2002 World Cup Games to illustrate this strategy. One of SK's rivals had purchased sponsorship rights at the high profile matches, leaving SK out in the cold. In response, SK made available thousands of red T-shirts carrying a slogan supporting the South Korean "Red Devils" team and a small SK logo. The shirts were so popular that entire blocks of stadium were occupied by South Korean fans in their red SK T-shirts, making the SK name more prominent than the event's official sponsor.

Indeed, many of our members have used this kind of creative approach to branding. In a pre-seminar interview, another member said that his firm constantly comes up with innovative and unusual ways of doing business, which strategically attract media attention. As a result, his firm does not need to pay for expensive advertising, which busy executives at client companies probably pay less attention to, and benefit from greater brand recognition delivered through business news, which client companies' executives might very well read.

Branding Strategy Must Include the Delivery of Brand Promises

But a full understanding of branding goes far beyond the marketing tools described above. One participant raised the example of United Airlines and its "Rising" campaign to illustrate that branding must be approached holistically. "Rising," which was launched in 1997 with an expensive and attention-grabbing advertising campaign, promised faster check-in and turnaround for business travelers. As the program began, United enjoyed a rapid growth in the number of business travelers it carried: an apparent case of branding success. But United did not have the capabilities to deliver on this promise. The result was a large number of valuable customers becoming dissatisfied with the actual increase in waiting times at check-in lines for business class. The initial increase in volume was subsequently followed by a sharp decline. Despite its huge advertising and marketing spend, not only did ***United's Rising campaign fail to bring in new business, the company's inability to deliver on its promises alienated pre-existing customers.***

United forgot that branding involves far more than marketing and advertising. To successfully build a brand, a firm must be committed and be able to deliver a consistent and all-around positive customer experience. Singapore Airlines serves as a good illustration of this point. By focusing on building a reputation for reliability, safety and comfort, all personified in the iconic "Singapore Girl," the carrier has successfully overcome the differentiation challenge. Importantly, Singapore Airlines also manifested its commitment to reliability, safety and comfort with a young fleet, a disciplined training regimen, and simple but highly noticeable innovations such as free drink service in the main cabin. Consistent delivery of these qualities over decades has been a decisive factor in Singapore Airlines' brand development. Such meticulous delivery is only possible because branding is well-integrated with the firm's strategy and operations.

Managing Complexity: Branding in a Strategic and Operational Role

Brand Architecture

The case study of Acer (Appendix) incited a vigorous discussion about how firms should organize and use the variety of corporate and product brands available to them, and how this choice relates to their own internal organizational structure.

In 2001, Stan Shih had to decide between splitting Acer into multiple, specialized firms or keeping its multiple divisions under a single brand. Acer had come under fire from some of its OEM customers for competing against them with Acer branded machines. Some observers also felt that the Acer brand had become overstretched and had lost its meaning.

At the beginning of the discussion, a vote was taken to see how many participants supported the multi-brand strategy that Stan eventually adopted, and how many advocated keeping Acer together as a single firm. Advocates for keeping Acer unified outnumbered those who wanted to split it.

Advocates of keeping a united Acer pointed to several advantages that could be boiled down to two main points:

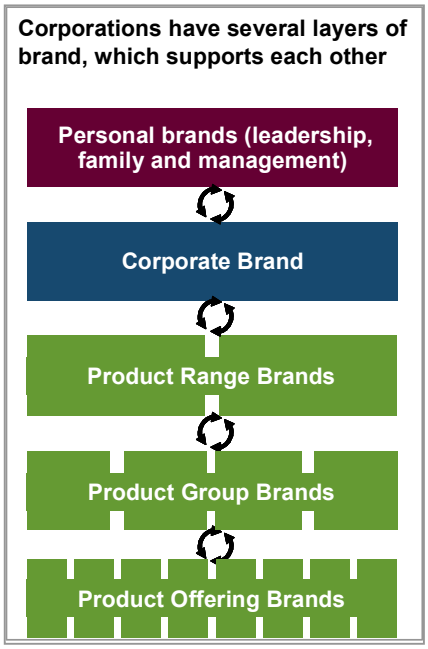
- **Simplicity:** it is much easier to focus on managing a single company and brand than to try to manage a multitude of each. The importance of clarity had also been raised by more than one member in the pre-workshop interviews. For instance, one member explained that after a period of rapid M&A-fueled expansion, his firm needed to consolidate its many new brands into one or two unified brands.
- **Efficiency**: Advertising and marketing spend is much more efficient when a single brand is used for multiple products. Conversely, P&G, which famously uses distinct brands for each of its products, is burdened with one of the highest advertising spends in the world.

However, supporters of multiple brands fired back with their own arguments:

- **Risk diversification**: Multiple brands can reduce the risk that problems in one area of the organization have carryover effects for the rest of the organization. One member explained his aversion to close international alliances by saying that "we don't want to be penalized if they do something wrong in another country."
- **Ability to serve different customer markets**: Multiple brands can be used to serve very different segments. For example, it may be wisest to use different corporate brands for OEM customers and retail consumers.
- **Keeping clear brand associations**: Brands with strong associations with certain offerings may not easily stretch to incorporate new products. Attendees joked about the idea of "Colgate Biscuits" to illustrate how some brands just cannot work in some situations.

Rather than sticking to these two arguments, participants were quick to point out that in reality, more complex brand architectures can be built to serve branding needs. Sony was discussed again, this time as an example of strong, dynamic brand architecture management.

Sony uses a mix of a strong corporate brand and semi-autonomous product brands. The corporate brand is often used to endorse new product lines, thereby lending them the prestige and quality assurances of the Sony name. As each product line matures and gains acceptance, it reinforces the Sony brand. There are numerous examples of Sony using this strategy, ranging from the Walkman and PlayStation to more recent entries like the QUALIA line and Aibu (robot dogs).



"When I read what Jack Welch's ex-wife said about him, my respect for the entire GE brand decreased."

--Workshop Participant

The conversation turned to the topic of family and personal brands. Many members of the group felt that these brands could be used to create powerful personal connections to customers, investors or other groups. However, personal or family brands are a double-edged sword. After all, personal brands entailed a certain amount of risk–humans are fallible and mortal. As an example, one participant recalled that "When I read what Jack Welch's ex-wife said about him, my respect for the entire GE brand decreased." The consensus seemed to be that while personal brands certainly have their uses, firms should not be too reliant on them and should seek to derive most of their branding power from institutions.

After this discussion, a final vote on the Acer case was taken, with a single Acer brand, simple to manage and enjoying efficiencies of scale, this time winning a clear majority vote from our members. What did Stan Shih take into consideration when making his decision to split Acer that had been omitted from the discussion until now?

Organizational Alignment

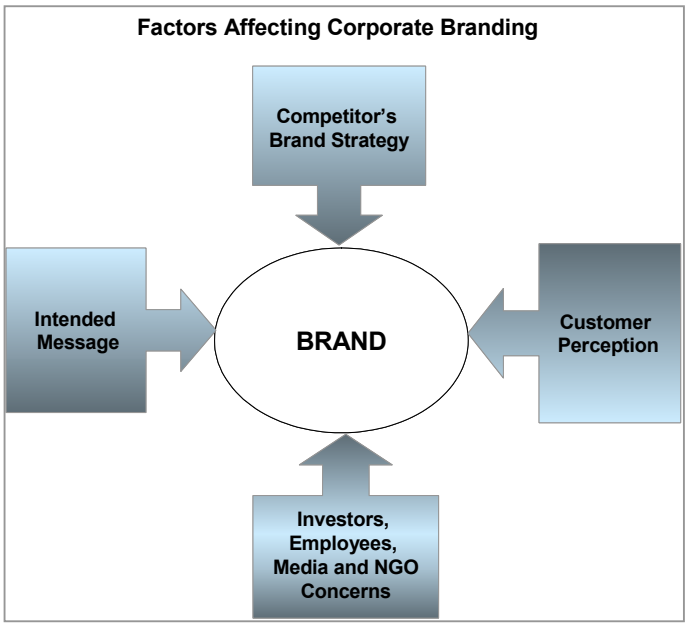
As Stan soon shared with the participants, while issues of customer branding played a role in his decision to split Acer, they were not critical. Indeed, Stan was mostly concerned with internal organizational alignment. As Acer grew, it had evolved into a group of business departments with divergent interests. The firm's origins were in engineering and technology, but in recent years, it had entered realms like consumer electronics where design and ease of use were key competitive factors. This led to some unease as, for example, engineering-focused departments resisted helping to market consumer electronics products.

Stan believed that the best way to resolve these differences was to split the company into three organizations that focused on different types of product. One spin-off, Wistron, focuses on OEM manufacturing, while another, BenQ, designs and markets consumer electronics. Acer itself has narrowed its focus to designing and marketing business computers.

The success of this strategy illustrates the important relationship between branding and organizational alignment. ***Organizations that clarify branding strategy internally are more likely to enjoy a focused and productive work environment.***

Another reason why creating organizational alignment is critically important is that firms usually have several different "constituencies." Beyond customers, firms must worry about managing relationships with investors, regulators, the media, NGOs, and other entities. As information flows become increasingly free, various stakeholders have more and more opportunities to learn about – and broadcast their views about – the firm.

There are important implications of this trend on brand management. Nike's experience demonstrates how interest groups are increasingly able to compromise a firm's desire to fully control and manage its brands. Nike's public image is affected by the attacks that NGOs and organized labor groups launched against the company for factory conditions operated by its OEM contractors. While Nike is the most symbolic example of this trend, business process outsourcing firms are also facing similar challenges brought upon by anti-outsourcing groups in the U.S.



The "silo" organization model, in which different business units have very limited visibility into each other's activities, increases a firm's vulnerability to third-party groups' meddling with brand images. One major oil company recently learned this lesson the hard way when outsiders exposed the fact that the environmentally friendly practices one part of the company was trumpeting to gain political favor were being undone by another department that was focused on short-term profits. This firm's problems arose largely because it treated branding as a mere marketing tool that had no implications for how its operational units behaved. This embarrassing predicament could have been avoided had the firm invested in creating alignment across the organization with an internal branding program communicating what the firm stood for.

CEO Imperatives

The workshop articulated a view of branding that went far beyond branding's role as a marketing tool: brands are a key part of corporate strategy and organizational structure, and they must be taken into account when making strategic decisions. During the last part of the seminar, we also discussed ways in which CEOs can, and should, get personally involved in the branding process. We identified a number of issues that CEOs should think about:

- Where does responsibility reside for building the brand?
- How should you align the organization around branding strategy?
- What levers exist for the CEO?
- How should you measure branding success?

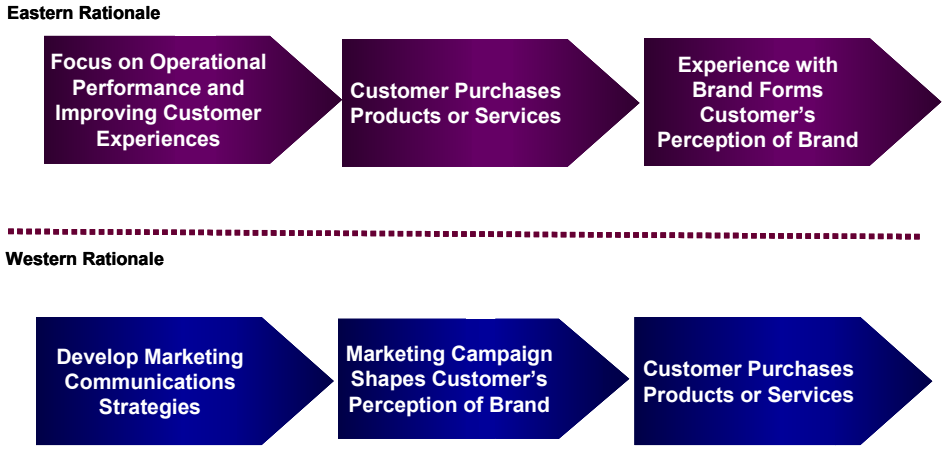
Considering that branding is so powerfully related to major strategic and operational issues, many CEOs take personal responsibility for the overall direction of branding, from setting clear policies on delegating branding power to incorporating branding issues into major decisions.

A great deal of organizational alignment can be generated when the CEO begins to take on a personal role in building the brand internally. The brand becomes a lens through which strategic and tactical behaviours can be evaluated and different opportunities prioritized. Chuck Prince is using this method by using a focused brand message to gain leverage in transforming and improving Citigroup's operations after a series of scandals.

Proactive CEOs often recognize that branding is related to virtually everything their organization does. Not only do they bring marketing and product design into the brand bandwagon, sourcing, manufacturing, training and even administrative departments are all brought on board, because each department provides levers for the CEOs to improve brand and corporate performance.

In fact, our discussion, combined with the pre-seminar interviews, revealed that many of our members placed much more priority on the operational aspects of brand building than the marketing aspects. ***This suggests that Eastern and Western approaches to branding may be different, with Westerners focusing on a communications model while Easterners prefer an experiential approach***. As epitomized above by United's "Rising" example, Western businesses tend to focus on developing sophisticated brand communications strategies without necessarily placing the same priority on actually adjusting operations to match the communicated message. In contrast, instead of focusing on creating and communicating brand images, pursuing operational excellence seems first and foremost on Asian business leaders' minds. With its focus on operational capabilities, this strategy allows a firm to deliver differentiated offerings for which consumers develop affinity via their personal experiences.

Eastern and Western approaches to branding



Evaluating Brand Progress

Finally, as with anything so important, we will want to measure our brands' progress. But brands are notoriously hard to appraise. Some participants noted that after once hiring consultants to value their brands, they were so unimpressed with the outcome that they decided not to go through the process again. Indeed, while several methodologies for brand valuation exist, they are time consuming and may only provide a historical picture.

It turns out that ***a simple but effective way of measuring brand strength among consumers is to ask "would you recommend this brand to a friend."*** Tracking responses to this single question can provide a quite accurate measure of brand power and assist a firm in predicting near-term sales growth. After all, the most effective advertisements are not those that a company created, but rather word-of-mouth recommendations made between friends and family.

Summary

Pre-workshop interviews and discussions at the workshop raised branding challenges confronting Asian CEOs and ways to address them. Through a mixture of theory, examples and a case discussion on Acer, our workshop revealed how diverse problems can be viewed through the lens of brand strategy. In fact, discussions at the workshop delved into how brands are intrinsically tied to virtually every aspect of a company's operations:

- Maintaining market share in today's marketplace marked by commoditization requires unprecedented level of consumer loyalty and the ability to command price premiums. To secure such loyalty and command, an effective brand strategy must include a firm's ability to deliver its brand promises. Singapore Airlines' brand image illustrates that branding is more than a marketing function: it involves organizational alignment around the brand to make such promises are delivered.
- Modern organizational structure may lead to internal competition for resources and a lack of cooperation across departments. Stan Shih's decision to split Acer into three different brands in 2001 shows that branding can serve as a framework for organizational realignment and foster greater collaboration among divisions.
- Increased stakeholders' demands, made possible by advances in information technology, requires strict adherence to projected brand image across a company's value chain. Nike's experiences with labour rights group shows the dangers of failing to do so. To reduce vulnerability to negative campaigns, a CEO should ensure clarity of the firm's brand strategy at each and every operational level. Consistency also extends to the CEO's personal brand, which is intertwined with the company's brand.
- Attracting customer attention is increasingly becoming a challenge, but there are cost-effective ways of overcoming this barrier. Innovative strategies discussed at the workshop, included: being in the business news, deploying guerrilla tactics at sporting events, and appealing to the customer's personality.

Our discussions show that a company's brand can serve as a lens through which strategic and tactical behaviours are evaluated and different opportunities prioritized. To improve brand and corporate performance, a CEO needs to ensure that the all units of his firm, its suppliers and OEM producers, are on board the brand bandwagon and be swift in adjusting these levers to respond to market changes.

Appendix

Acer: Strategic Brand Choices

In mid-2001 Stan Shih, Chairman, CEO and co-Founder of Acer Group was concerned about his company. Acer was among the world's top-ten PC manufacturers, and boasted robust original equipment manufacturing (OEM), computer peripherals, and consumer electronics businesses, as well. Recent years were marked by the frenzied proliferation of the Internet, the "bubble burst in the tech sector (and the associated decline in demand for PC's), and the global shift from manufacturing to knowledge-based businesses. Given these dynamic circumstances, Shih knew that the organizational and strategic changes he'd made at the end of 2000 were moving the company in the right direction. But he was wondering whether these changes were enough. Shih was concerned about the Acer brand.

Acer's Primary Markets in 2000 by share of own-brand sales

United States (33%)
Europe (18%)
Greater China (16%)
Other* (33%)
**Taiwan (<5%)*

The company had spent the past 14 years successfully developing Acer as a global brand. Yet, Shih wasn't convinced that Acer, a Taiwanese company, could leverage its brand in the same way other Asian companies had (Sony and Samsung were leading examples) to cover multiple product lines in multiple industries around the world. He was concerned that the Acer brand could not be separated from what he termed the "country of origin" or "Made in Taiwan" issue – the perception by some outside Asia that products from Taiwan were of lower quality. Shih considered that it might be better for Acer to pursue a divided brand strategy and allow each business unit to develop its own unique approach to branding. However, there were many within and outside the company who felt that Acer should continue, as it had throughout its history, to pursue a unified global brand. As Shih considered these options, he reflected on the company's history and what he hoped Acer could accomplish in the future.

Stan Shih
"Customer and innovation – these are the two driving forces that will enable Acer to respond to the market challenges and deliver strong business results for our customers … With the recent restructuring…the company is now better able to streamline end-to-end implementation, target key customer segments and focus on innovating around the customer."

Acer's History

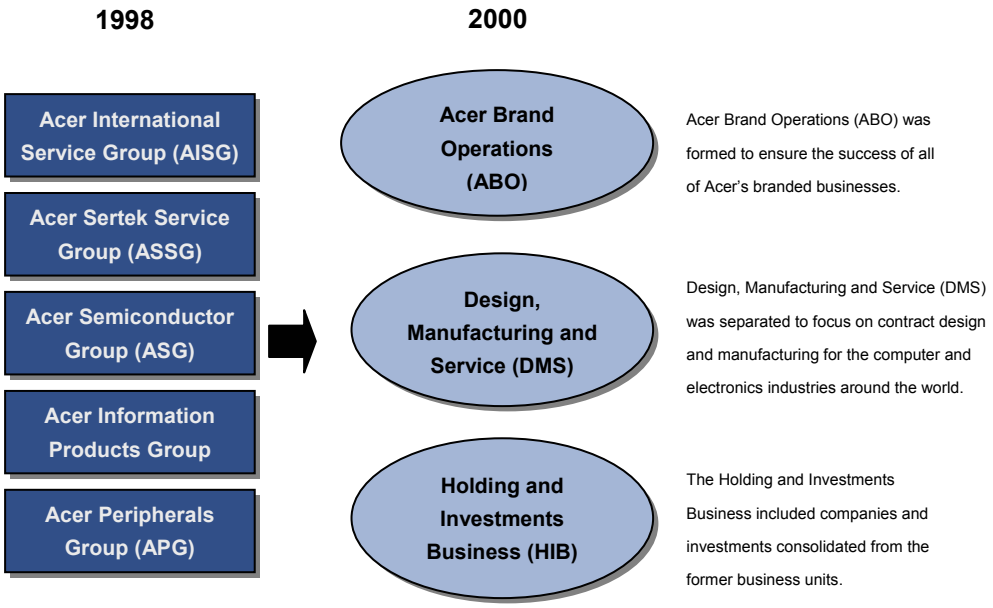
In 1976 Shih, his wife, and three friends founded Multitech International Corporation to manufacture computers and peripherals for the Taiwanese market. In 1981, as the company grew, they took advantage of their manufacturing capability and developed a contract manufacturing (OEM) business, leveraging the highly skilled labor and low-cost manufacturing base available in Taiwan. In an effort to expand its product range and global reach, Multitech changed its name to Acer in 1987 and funded an aggressive expansion into new markets with an IPO in 1988. In 1996, Acer's growing peripherals business expanded to include consumer electronics. In 1998, Acer was the world's third largest PC manufacturer with the seventh largest PC brand[i] (see **Exhibit 1** for additional brand performance data).

Acer's Strategy and Organizational Structure

Acer's organizational structure had evolved since its founding, reflecting several strategic developments. Throughout most of the 1990's Acer operated as a decentralized organization and in 1998 put in place a decentralized sub-group structure. In 2000, Acer shifted focus from hardware and manufacturing to a focus on the customer, innovation and service and adopted a new structure to reflect this strategy[ii] (see **Figure 1** below). In addition, Acer shifted its emphasis away from its largest market, the United States, to focus on European and Asian markets (especially China) as a key source of growth.[iii] The restructuring allowed each new business unit to focus on its core competency and was intended to

address issues of competition among its subsidiaries and concerns about conflicts between its branded products and OEM businesses. Shih noted at the time: “By separating Acer Inc.’s OEM business (DMS) and branded business (ABO), internal resource conflicts are eliminated.”

Figure 1: 2000 Organizational Restructuring [iv]



Acer’s Approach to Brand

J. T. Wang, President and CEO of ABO
“By adopting a simplified structure, and building the Acer branded business groups so as to achieve growth in both profit and brand equity, Acer will be able to deliver one face, one voice and one experience for the customer.”

Throughout the 1990s Acer pursued a brand strategy called “Global Brand, Local Touch”. While corporate headquarters was responsible for defining the corporate brand, local entities in local markets had most of the brand-related decision rights, handling execution (product image, messaging, etc.). Shih implemented a shift in brand strategy in 2001. It was called “The Power of One” and differed from “Global Brand, Local Touch” in that corporate and local entities collaborated on brand definition and execution.

In March of 2001, Acer unveiled a new corporate identity and associated brand attributes to visually represent the shift in the firm’s overall strategy.

Acer chose to position its brand to reflect the brand attributes *Easy* and *Reliable*. Implementing the “Power of One” around these brand attributes, however, proved to be far from *easy*. Shih summarized the difficulties: “Different product lines were fighting for promotional budget, for communications messages. There were different opinions about *how* to communicate. There was fighting for channel management resources.” Intended to reduce competition among subsidiaries, it seemed that “The Power of One” was increasing it instead.

Shih's Concerns about Brand

Stan Shih
"If Acer covers everything, it is not necessarily a good thing."

A common brand philosophy of Asian companies had been to leverage a brand across industries and across markets to be competitive. This differed from the US model, where companies more commonly chose a more focused approach. Shih illustrated, "you won't buy a computer from Epson or a printer from IBM. If [the] Acer [brand] covers everything, it is not necessarily a good thing."[v] In addition, Shih could not shake his concerns about Acer's image issues, what he called the MIT or "Made in Taiwan" problem. Shih felt strongly that this prevented Acer from leveraging its brand across industries and markets in the way other Asian companies had, saying "you cannot overcome this with one brand"[vi]. But most of his managers disagreed, as did many external observers,[vii] believing that Acer's new strategy and the "Power of One" was moving Acer in the right direction.

Making a Decision

Reflecting on the history of his company, Shih was reminded of the management philosophy he had tried to follow through the past 25 years. It centered around a code of trust and delegation; he believed in giving his employees the freedom to make decisions, even if they made mistakes. Mistakes were the "tuition" Acer paid to learn how to operate as a global company. Shih knew he needed to make a decision about what to do about the brand. Should Acer pursue a multiple brand strategy and allow each business unit to focus its branding or should Acer continue to pursue a unified global brand? He had always been the driving force behind the company's success and he knew that whatever decision he made, he would need to be committed to making it work—and so would his employees.

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[i] Company web site, http://www.global.acer.com/about/milestones.htm
[ii] Company press release, *Acer Creates New Vision through Organizational Re-engineering*, Aug. 5, 1998.
[iii] Simon Burns, *Far East Economic Review*, May 24, 2001.
[iv] Company press release, *Acer Inc. Separates Its OEM and Branded Businesses by Establishing DMS and ABO Business Units*, Dec. 26, 2000.
[v] Interview with Stan Shih, September 10, 2004.
[vi] Interview with Stan Shih, September 10, 2004.
[vii] Interview with Stan Shih, September 10, 2004.

Exhibit 1: Acer Brand Performance in 1999 and 2000

(shipments exclude OEM sales)

	2000 Rank	2000 Shipments	Market Share	1999 Shipments	Market Share	Growth 99-00
Desktop PC's						
Worldwide	9	2,814,055	2.78%	2,395,676	2.65%	**17.46%**
US	8	962,572	2.58%	860,448	2.39%	**11.87%**
W. Europe	8	670,239	2.94%	548,449	2.45%	**22.21%**
Latin America	4	333,853	4.68%	290,672	5.21%	**14.86%**
APEJ*	8	580,001	3.37%	472,461	3.78%	**22.76%**
Portable PC's						
Worldwide	8	1,077,938	4.15%	687,684	3.45%	**56.75%**
US	10	163,453	1.72%	114,450	1.45%	**42.82%**
W. Europe	5	562,385	9.72%	363,799	8.37%	**54.59%**
Latin America	4	40,849	7.87%	16.462	4.81%	**148.14%**
APEJ	3	252,614	11.07%	166,449	11.07%	**51.77%**
Total PC's						
Worldwide	9	3,974,028	3.03%	3,149,432	2.77%	**26.18%**
US	9	1,144,270	2.36%	984,566	2.18%	**16.22%**
W. Europe	8	1,256,187	4.22%	931,499	3.37%	**34.86%**
Latin America	4	379,156	4.88%	311,318	5.16%	**21.79%**
APEJ	6	858,940	4.30%	663,058	4.61%	**29.54%**

*APEJ = Asia Pacific countries excluding Japan

Source data: IDC, 2001. Adapted from V. Mak and M.J. Enright, *Acer in 2001: The Reorganization,* Centre for Asian Business Cases, University of Hong Kong, November 2001.

Exhibit 2: Sales by Product and Region

Sales by Product (in million US$)

	1996	1997	1998	1999	2000
Desktop PC	164	142	566	618	359
Notebook PC	636	713	748	2043	1,868
Motherboard	641	522	487	308	160
Other	496	681	1242	1134	708
Total	**1,937**	**2,058**	**3,042**	**4,084**	**3,095**

Sales by Region in 2000

	2000 Sales as % of Total
US	33
Europe	18
Greater China	16
Other	33
Total	**100**

Source: Acer Inc. data as cited by Credit Suisse First Boston (Hong Kong) Ltd. In the report "Acer Inc.", July 26, 2001. Year –end exchange rates used to convert NT$ to US$. Adapted from V. Mak and M.J. Enright, *Acer in 2001: The Reorganization,* Centre for Asian Business Cases, University of Hong Kong, November 2001.

Exhibit 3: Acer, Inc. Consolidated Income Statement

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income
Years ended December 31, 1998, 1999 and 2000
(In thousands of New Taiwan dollars and US dollars, except net income per common share)

	1998	1999	2000	
	(NT$)	(NT$)	(NT$)	(US$)
Revenues	169,659,958	181,331,344	157,482,162	4,760,645
Cost of revenues	(150,196,227)	(160,664,730)	(160,664,730)	(160,664,730)
Gross profit	19,463,731	20,666,614	15,418,336	466,092
Operating expenses :				
Selling	(11,948,539)	(11,582,595)	(12,243,148)	(370,107)
Administrative	(3,317,677)	(3,978,342)	(4,466,967)	(135,035)
Research and development	(2,598,253)	(2,545,800)	(3,198,723)	(96,697)
Total operating expenses	(17,864,469)	(18,106,737)	(19,908,838)	(601,839)
Operating income (loss)	1,599,262	2,559,877	(4,490,502)	(135,747)
Non-operating income and gains:				
Interest income	956,027	592,791	749,671	22,662
Investment income, net	-	-	1,024,297	30,964
Gain on disposal of investments, net	3,289,803	5,744,254	10,773,287	325,674
Gain on disposal of property and equipment	18,339	15,523	235,610	7,122
Rental income	89,144	130,686	276,563	8,360
Other income	458,581	684,985	677,919	20,495
	4,811,894	7,168,239	13,737,347	415,277
Non-operating expenses and loss:				
Interest expense, net of capitalized interest of NT$342,477, NT$292,877 and NT$39,893 in 1998, 1999 and 2000, respectively	(1,318,494)	(1,196,315)	(1,848,746)	(55,887)
Foreign exchange loss, net	(684,753)	(461,127)	(714,773)	(21,607)
Investment loss, net (note 6)	(2,560,477)	(186,441)	-	-
Loss on disposal of property and equipment	(58,495)	(90,927)	(43,904)	(1,327)
Other loss	(172,964)	(173,189)	(985,704)	(29,798)
	(4,795,183)	(2,107,999)	(3,593,127)	(108,619)
Income before income taxes, minority interest and pre-acquisition (income) loss	1,615,973	7,620,117	5,653,718	170,911
Income tax benefit (expense) (note 15)	899,485	(196,899)	572,112	17,295
Income before minority interest and pre-acquisition loss	2,515,458	7,423,218	6,225,830	188,206
Minority interest in net loss (income)	(23,034)	(118,306)	376,787	11,390
Pre-acquisition loss -	-	4,052	175,736	5,312
Net income	2,492,424	7,308,964	6,778,353	204,908
Net income per common share:				
Excluding treasury shares owned by consolidated subsidiaries	0.68	1.87	1.73	0.05
Including treasury shares owned by consolidated subsidiaries	0.69	1.92	1.76	0.05
Pro forma information: assuming common stock acquired by consolidated subsidiaries is not recorded as treasury stock:				
Net income	2,492,424	7,345,424	6,771,687	204,706
Net income per common share	0.68	1.88	1.73	0.05

Source: company financials, *www.global.acer.com*.

About Asia Business Council
The Asia Business Council is a not-for-profit group of CEO-level business leaders with operations in Asia. Our members share a deep interest in the continued economic development and competitiveness of the region and are committed to the short, medium and long-term viability of Asia as an influential player within the global marketplace.

About Monitor Group
Founded in 1983 by Professor Michael Porter and colleagues at Harvard Business School, Monitor Group is a leading global strategy consulting firm with 29 offices around the world. Since our founding, we have remained focused on our core mission of applying, in a sophisticated and tailored manner, leading-edge proprietary tools and frameworks to help our clients define competitive strategies and to define the actions that will maintain and extend their positions of leadership.

Monitor has become recognized for its leadership in multiple fields of strategy including scenario planning, innovation management, organization strategy, regional economic competitiveness, and marketing strategy – including branding strategy.

Contributors
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