

Stan Shih, CEO of Acer Inc., imagined a single global brand strategy for the Aspire product launch in the late 1990s. However the actual market execution of that launch was a stratified, localized approach more closely resembling the global market segmentation strategy advocated by Stuart Hart and Mark Milstein in Gupta and Westney's "Smart Globalization." This paper will explore the implications of Hart and Milstein's model for multi-national corporations from and for developed and developing countries, with examples from Acer's experience with the Aspire.

Hart and Milstein's three types of market economies can be labeled as developed, emerging, and surviving. Developed markets are comprised of people with the purchasing power to fulfill all of their needs, approximately 1 billion of the earth's population. Emerging markets are comprised of 2 billion people with minimal purchasing power. Surviving markets are comprised of 3 billion people with unmet basic needs. Hart and Milstein suggest that long-term multi-national corporate global sustainability requires investment in all 3 markets, with separate strategies for each.

Acer had a growth strategy consistent with this view. To expand their global presence, Shih deliberately entered smaller emerging markets before jumping into the well-developed and highly competitive European and U.S. markets. The emerging markets were being overlooked by most of the big computer hardware manufacturers, making it easier for Acer to get their foot in the door and quietly gain market share. Acer managed to become the number one brand in

twelve emerging countries, making it well-positioned to combat competition from new rivals that may enter as the emerging economies grew and developed.

For multi-national companies from developed countries, the implications of targeting these three sectors separately is sensible, yet can be daunting. Hart and Milstein provide a list of questions a company's leadership should ask and answer before entering a market. By answering these questions for Aspire, there are hints of the problems that would develop for Acer in the months following the launch. The questions for products launching into **developed consumer economies** include the following, followed by their answers in the case of Aspire:

1. Are most of the technological advances (of the new product) incremental?
 - Yes – and this is viewed as a warning sign for unsustainability in the long-term.
1. Where can we remove material content from our product?
 - Due to Aspire's unique styling, much of the material content had to be customized for the product, thereby increasing the overall content that must be produced and maintained by Acer – another negative.
2. How can our service content be dramatically increased?
 - Aspire targeted first-time PC buyers, thereby increasing the need for service. However this is only beneficial when service is a revenue-generating activity for the company. For Acer, it was not.
3. Where can our waste products be added to other processes?
 - The case does not provide enough information for a full response to this question, but we do know that the unique colors and styles of the components and peripherals did not allow them to be interchanged with other Acer products, and

may have negative consequences on any recycling processes that may have been possible with traditional components.

The questions for products launching into **emerging economies** include the following, followed by their answers in the case of Aspire:

1. Is it environmentally feasible to double or triple the size of our industry?

- Yes. The PC penetration in emerging markets is still relatively low, with much room to grow. It seems entirely likely that such increases will occur in the coming decade(s).

2. Can we meet growing consumer needs without depleting the natural systems on which we depend?

- Yes in the foreseeable future, but recyclability and waste disposal is an issue that will need to be addressed at some point. However, lack of a solution in this area has not hampered industry growth and will likely not for a long time.

3. Can we use emerging economies to develop leapfrog technologies?

- This is not something Acer is pursuing.

4. How can we meeting growing needs without exacerbating urban problems?

- This does not appear relevant in this case.

One of the overriding themes of these questions is the emphasis on environmentally-sustainable business processes, and the implication that these are a necessary pre-requisite for a multi-national company to achieve long-term sustainability. In general, this would seem to place a heavier burden on multi-national corporations originating in survival or emerging markets, and place an advantage on those originating in developed markets due in part to their access to capital for research and development and the tech-friendly infrastructure found primarily in

developed markets. On an individual company level, I don't agree with this assertion, although a case could be made for an entire industry as a single entity. Efficiency and competitiveness via branding or pricing are stronger drivers for a company's success than a light environmental footprint, and can be for decades. For example, disposable diapers are unrecyclable and have been filling landfills for three decades in increasing quantities. Companies such as Kimberly-Clark who owns the Huggies brand have achieved growth and success over these decades despite this issue.

Hart and Milstein also believe that long-term global sustainability requires more than separate strategies for the three types of market economies, but "creative destruction" or innovation which restructures industry, versus continuous improvement on current technologies. They believe that established firms tend to discount the significance of emerging technologies or react by launching initiatives displaying an even stronger commitment to existing products and markets. Continuous improvement initiatives tend to support and rationalize the industry in its current form, whereas new technologies can lead to radical change. Hart and Milstein noted that firms which survived long term displayed more foresight than their peers, illustrated by their willingness to experiment in new untested markets, and by investing and forming global partnerships in these areas.

Shih certainly had thoughts about new untested markets, as the case mentioned at the end with Shih's vision of low-cost, limited task computer "machines." Shih also fostered a loose network of partnerships and alliances between Acer and their suppliers, distributors, and some customers, the combination of which provided Acer with a depth of knowledge and expertise in a broad

array of local markets. Hart and Milstein would surely support these activities. Yet the Aspire product, however innovative in design, can still be squarely categorized at its best as a continuous improvement for the computer hardware industry, versus an innovation slated to revolutionize the industry. At its worst, the Aspire could be viewed not as an improvement at all, but a market strategy gone awry.

To conclude, Hart and Milstein advocate “creative destruction” of established processes and products in order to achieve long-term global sustainability in an industry. The Acer Aspire was not an example of a revolutionary change in the PC business but rather an attempt to improve an existing technology, and the hardware industry still waits anxiously for the “next big thing.” In addition, Hart and Milstein segment the world into three global economies, and advocate a similarly segmented marketing approach in order for multi-national corporations to achieve long-term success. Acer shows promise by its early successes in targeting emerging markets, and its ability to make a big (albeit short-lived) splash in the developed consumer economies with the Aspire. Yet Hart and Milstein would argue that Acer would benefit from greater focus on its environmental footprint, which in turn may lead it to true innovation and long-term industry sustainability.

Comments

- Very clearly and nicely developed argument. It is really quite remarkable how you have been able to connect Hart and Milstein’s model to the case. It is certainly not the best (or even a good) framework to analyze what went on with Acer and the strategic management problems that arose with the development of the Aspire.
- As professor Westney acknowledged at the beginning of the class suggesting the reading of Hart and Milstein together with Acer may have been a bit misleading. For next assignment, take into account you can use any of the frameworks seen in class; the one that you think will help you best untangle the problems of the firm in question