

Apple Supply Chain

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Apple, Inc. has a broad range of product offerings for consumers. Apple creates computers, phones, tablets, and music devices. They also have a television service and media store. They are the most famous for their iPhone and people around the world flock to Apple stores to purchase these phones the day they are released. They are continually updating their products and supply. The average price for an iPhone is \$687. The high prices do not lower the demand for the product. The iPhone is provided and produced by manufacturers worldwide. The iPhone goes through different levels of production and supply before it reaches consumers. Apple's supply chain is dedicated to maintaining corporate social responsibility in production by ensuring its overseas workers are treated fairly. Apple outsources to countries around the world to meet consumer demand and establishes their supply chain.

Apple's major suppliers are located in over thirty countries worldwide. China and Japan produce the largest amount of iPhones outside of the United States. It is more cost-effective to produce iPhones overseas. China has 349 Apple manufacturers and suppliers while Japan has 139 (Barkin, 2014). China supplies the iPhone with glass screens along with creating entire models of the phone. The average amount of iPhones made in China per day is 10,000. China manufactures more iPhone than the United States. Japan supplies glass screens, inductor coils, and SD card for storage. Taiwan is becoming a competitor with China and Japan with its increase in exports and manufacturing. Apple saves money by outsourcing its production to overseas factories. Likewise, the iPhone 6 has increased the number of exports coming from Japan and China. Taiwan supplies the touch sensors on the iPhones along with the phone's fingerprint technology. The structure of Apple's supply chain is the reason many of its suppliers are overseas instead of in America.

The top of Apple's supply chain for the iPhone begins in its Resource and Development that is located in America. In this stage in the supply chain, new technology is researched and developed. Additionally, intellectual property licenses are purchased and insured. Apple then tests the new iPhone concept before materials are bought and purchased. From then on, Apple must ready the manufacturing process to take place. During the next stage, "Apple Inc purchases raw materials from various sources then get them shipped to an assembling plant in China. From there, assembler will ship products directly to consumers (via UPS/Fedex) for those who buy from the Apple's Online Store" (2013, para. 5). The supply chain is adjusted for brick and mortar Apple stores. Apple keeps a supply of iPhones in storage in its Elk Grove facility until it is time to ship them to the stores and network carriers. When a person turns in an old iPhone, they are shipped back to the Elk Grove facility for recycling. With its dependence on outsourcing, Apple has developed a unique relationship with its suppliers.

Apple's relationship with its suppliers relies on negotiation and profit. Apple knows it can save money by getting its phones made overseas. Therefore, they must negotiate favorable terms with the foreign suppliers and manufacturers. Apple uses the process of inventory turnover to determine how it can best use its financial resources to create the maximum number of sales. In Apple's case, the company concluded that it was better to outsource with supplies that could keep up with the demand for the iPhone. That is why it is vital to have a close relationship with its key vendors. Apple's supply chain model is reliant on its key vendors and their ability to meet the supply demands. In regards to their vendors, "Apple recently said that they have about 156 key vendors across the globe" (2013, para. 8). Although it seems like a high number, Apple believes this figure is manageable. Some examples of its key vendors are Jabil Circuit, Inc, and Texas Instruments. Each of this companies supplies Apple with key components for the iPhone.

Because of its supply chain model and relationship with its vendors, Apple can meet its high demand for the iPhone along with having excellent control over their products.

A benefit of Apple's supply chain model is that the company has great control of quality standards. Likewise, if one company fails to meet Apple's supply standards, it has another company to take up the supply. Shobit Seth (2015) writes:

Using its large-size and global presence, it is able to demand high quality and impose stricter terms on its suppliers. For example, when taptic engines from a Chinese supplier proved unreliable, Apple swiftly procured them from the Japanese firm Nidec Corp (mentioned earlier). Apple has hundreds of such suppliers willing to abide by the terms Apple sets forth (para. 12).

Apple uses its large network to its advantage, and it can keep up with the demand for the iPhone. Additionally, Apple can concentrate on designing new features for the iPhone. Likewise, Apple's suppliers benefit from the relationship as well. Suppliers get positive brand association with being connected with Apple. Their relationship with Apple could bring them business from other companies. Their businesses will continue to grow as long as Apple comes up with new products needing supplies. However, there are some drawbacks to this supply chain model.

Most of the disadvantage fall on its suppliers, not Apple itself. If a supplier fails to deliver a quality product or cannot meet Apple's demands, that company could lose Apple's business. Apple could give the company a bad reputation by failing to meet Apple's expectations. There are also many risks involved in Apple's supply chain model. If there is a global economic crisis, it can affect the production of the iPhone along with suppliers. Another drawback is that a company may only have a limited amount of resources to supply Apple. A lack of resources could halt production. Apple could suffer a delay in production is this

happened. Lastly, Apple's supply chain could suffer from forces beyond its control and incidences "such as the natural and man-made disasters can be serious" (2013, para. 14). Apple has to prepare itself for every eventuality. While preparing for supply chain disruptive, it is also vital for Apple to maintain corporate responsibility in its supply chain.

Apple continues to dedicate itself to corporate responsibility within its company and its overseas suppliers. Apple has implemented many programs to ensure that all its works are treated fairly. According to Apple, they "partner closely with suppliers to end bonded labor, underage labor, and work excessive hours. We're also going deep within our supply chain to make sure our materials are sourced responsibly" (2016, para.1). Apple is vigilant to making sure there is no child or bonded labor within its suppliers. Another step to guaranteeing corporate responsibility is paying the workers a living wage and providing education programs. They support the promotion and education advancement of their overseas workers. Finally, Apple is devoted to being eco-friendly and sustainability. In 2015, Apple launched a "Clean Energy Program to reduce carbon emissions across our supply chain, which makes up nearly three-quarters of Apple's total carbon footprint" (Apple, 2016, para. 2). Apple makes sure that all its suppliers have clean energy production. Additionally, Apple recycles old iPhones and components for reuse.

Apple's supply chain model is not standard in the industry, but it makes Apple, Inc a successful company. Their use and close relationship with suppliers make it possible for them to keep up with consumer demand for the iPhone. Apple can guarantee production with its extensive network of suppliers and vendors. Apple's close control of its suppliers allows them to maintain corporate responsibility of its products. Apple's supply chain is a winning model for all companies with its vast network of providers.

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