

iPhone 4S a victory for China's supply chain

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Earlier this month, Apple released the iPhone 4S to a mixed response - many fans were disappointed Apple didn't release a completely new "iPhone 5". One reason Apple may have balked at designing and releasing a totally new phone is due to the impact it would have on its already-finely honed manufacturing and supply chain management processes.

New features will always play a major role in the marketability of the new iPhone, however the seamless symphony of parts, packaging and postage is one of the most vital aspects of the launch. China's highly-refined supply chain support systems are certainly a feather in the cap of companies like Apple, Acer, Amazon, Nokia and Motorola.

At the centre of the assembly of the iPhone 4S is Foxconn, a Taiwanese-invested company that produces several iPhone parts and assembles the final product. Foxconn is mainly based in Shenzhen, however in the past few years, the company has expanded its production base to other cities to counter higher labour costs in traditional centres such as Shenzhen.

Apart from Foxconn, there are thousands of firms operating in the electronics industry in Shenzhen and Dongguan, an adjacent city to the north - these major cities serve as the capital of China's electronics and electrical appliances.

Industry experts have said Foxconn was producing at least 150,000 next-generation iPhones each day from September, while Apple hopes to sell 25 million of the units by the end of the year. Judging by the numbers, Foxconn will be working hard to fulfil Apple's projected orders, which will require a tremendous supply chain effort.

So how does the iPhone migrate from a concept in the minds of Apple designers, to a product which sees you tweeting, messaging, calling, photographing and downloading at all hours of the day?

First designed in the U.S. by Apple, suppliers are asked to quote for parts making up the design's bill of materials. An intricate supply chain plan is then developed and orders procured. Parts are produced as wide as Singapore (Communications, CPU and video processing); Taiwan (camera lenses and parts, circuitry, Bluetooth technologies, circuit boards and casings); Germany (voice and data call chips) and the U.S. (software, touchscreen and memory chips).

These along with many other parts are then sent to one of Foxconn's massive facilities, assembled for pre-testing of both manufacturing systems and prototype product, refined and then signed off for mass production.

Once boxed and ready for shipping, the iPhone is distributed via Apple's own retail network, wholesalers, resellers and carriers in approximately 90 countries and in partnership with 160 carriers worldwide.

With such a long journey from its inception to your hip pocket, all you need to do now is ensure you don't back your car over your new iPhone 4S or drop it into a fishpond (I've heard about all these things happening!).

Scale affords tremendous opportunity in terms of profit margins. I believe Thai businesses can benefit from China not only as a source of cheap products to import into

Thailand, but with the right input in innovation and design, also as a partner in the wider supply chain for some of the world's biggest brands and high-valued products.

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