

WSJ: Apple Shifts Supplier

Written by Marco Attard
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Once upon a time, Foxconn made virtually all iPhones and iPads in the world. But not any more-- The Wall Street Journal reports Apple is dividing the supply chain with another Taiwanese company, Pegatron.



The Apple-Foxconn partnership came through "two leaders with a hero complex," the late Steve Jobs and Foxconn chairman Terry Gou. But current Apple CEO Tim Cook apparently finds the increasingly powerful Foxconn too difficult to control (due to incidents such as surprise component source changes), while Foxconn thinks devices such as the iPhone 5 too complex to make in the volumes Apple demands.

The WSJ also says Apple wants to diversify suppliers (or "shift risk diversification") after 2012 manufacturing glitches resulted in iPhones with scratched metal casings, as well as concerns over growing competition from the likes of Samsung.

Analysts suggest Pegatron is willing to accept a thinner slice of the Apple pie than Foxconn-- whose scale-based cost advantages are on the wane as it improves factory conditions and increases worker wages.

A minor iPhone producer since 2011, Pegatron already makes iPad mini tablets. A secretive company based in Taipei, Pegatron has a customer list including Microsoft, HP and Dell.

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Alongside iPad minis, Pegatron is said to be the primary assembler of a low-cost iPhone that should launch later this year. It should make over 50% of 2013 CE and communications revenues from Apple, at least according to KGI Securities.

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