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Marketing and PR: Supply Chain

Apple announced in 2013 that it would add another supplier by shifting away from the only supplier of the company. Foxconn is a large company that had been supplying products for Apple. There were many reasons why Apple added Pegatron as its supplier. One of the biggest reason was to move towards low-cost production. As Foxconn is a very big company, therefore the profit margins that they have set is also high. Resultantly, the prices at which they offer products are also high. This meant lower profit margins for Apple Company. There were some other issues as well that compelled the company to take this decision. There were some controversies revolving around the supplier regarding suicides. Another issue was that Foxconn did not notify Apple when they changed the source of components. This decision also helped Apple to show that it was in charge because Foxconn had started to make decisions without consulting it. This is something that Apple did not like.

The addition of another supplier, Pegatron helped Apple because of the financial matters. As Pegatron is a relatively small supplier, their profit margins were also low as compared to the size of Foxconn. This helped Apple to achieve products at a low cost. Therefore, the financial reason for adding Pegatron was that it could allow Apple Company to make products at low cost. It also helped the company to gain better control over the suppliers. As Foxconn was the only supplier for Apple, it had formed a monopoly. As a result, Apple became dependent on Foxconn. With the addition of another supplier, that monopoly was removed. Secondly, it is useful for companies to have more than one supplier due to reason described earlier along with the reason that it is important for companies to have multiple suppliers in this competitive and uncertain market. (Costantino and Pellegrino)

# **Works Cited**

Costantino, Nicola and Roberta Pellegrino. "Choosing between single and multiple sourcing based on supplier default risk: A real options approach." *Journal of Purchasing & Supply Management* (2010): 27–40. Journal.