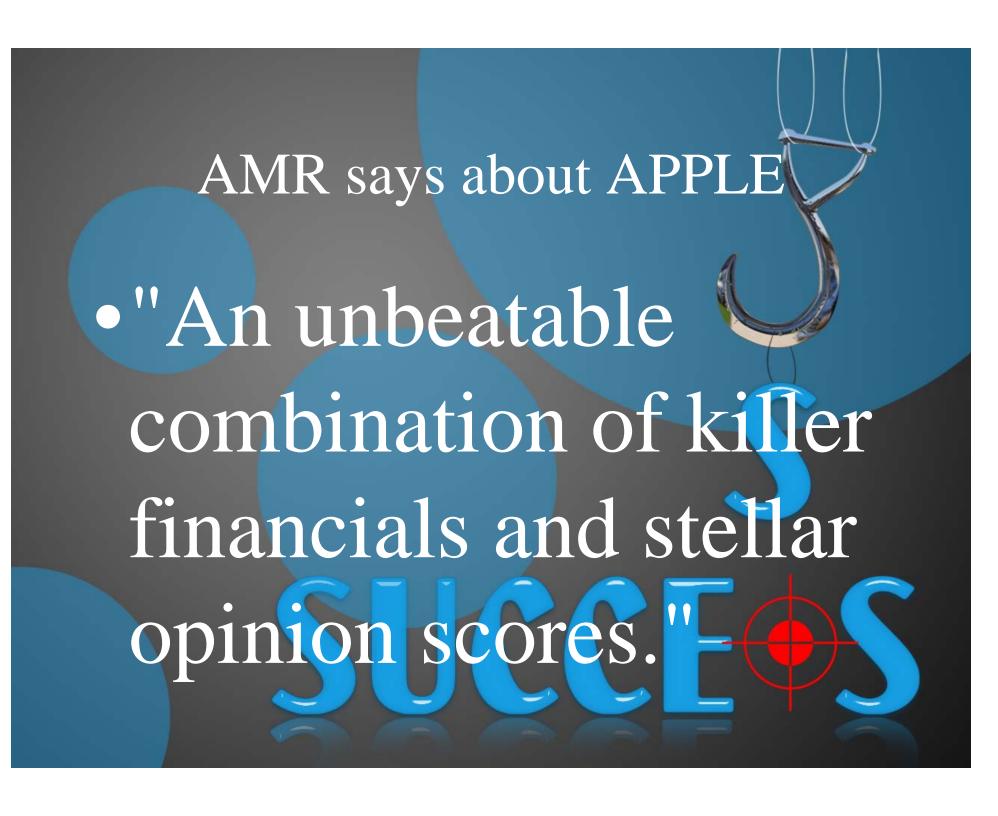


No.1 in SCM per AMR research report

- Apple in No. 1 in supply chain management
 - "The composite score tallied by Apple shows dominance not only in peer and AMR Research opinion votes but also in financial metrics."
 - "The success of Apple's iPhone continues to change the playing field for mobile devices.
 - Even more importantly, it is changing the rules for software and consumer information services.
 - The App Store adds to Apple's ability to deliver massive sales growth with extraordinarily low levels of inventory."



Where Apple scores- AMR

- Embedded innovation, networked supply and demand shaping.
- Effective use of vertical integration as a strategy,
 - in particular the purchase of chipmaker
 Intrinsity "acquired by Apple to 'steal a march'
 on competitors looking to enhance the
 performance of mobile devices".



- Company's ability to bring together two sides of the supply chain
 - digital and physical efficiently and at increasingly low cost.
- Responsibility for the supply chain at CEO/ board level.

SUCCES

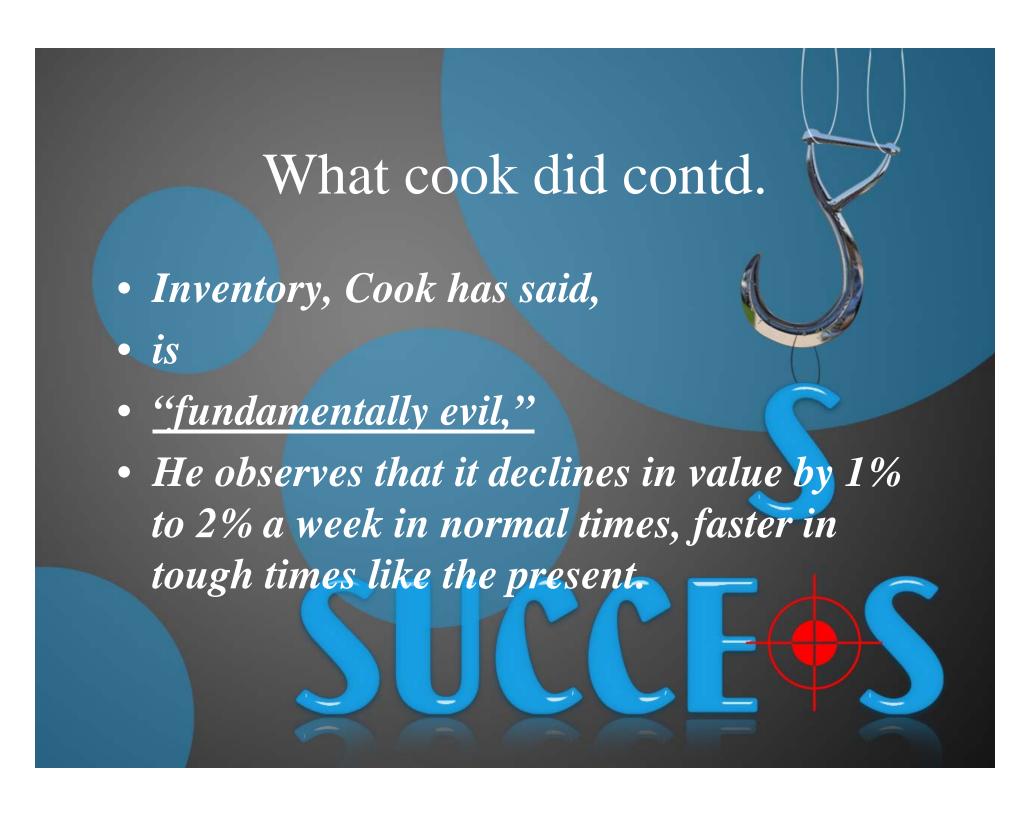
COO Cook behind this

- Apple COO Cook has solid supply chain operational background
- He got \$22m cash and stock bonus for his achievements as interim CEO when Jobs was on leave

SUCCES

What Cook did

- Cook knew he had to pull the company out of manufacturing.
- He closed factories and warehouses around the world
- Established relationships with contract manufacturers.
- As a result, Apple's inventory, quickly fell from months to days.



What Cook did contd.

- "You kind of want to manage it like you're in the dairy business," he has said.
 - "If it gets past its freshness date, you have a problem."
- This logistical discipline has given Apple inventory management comparable with Dell's.

Days Inventory outstanding

- DIO was running at 4.48 days!
- Its inventory increased to manage the surge in holiday shipments from \$455 mio in Sep to \$576 Mio but in a highly managed manner!
- The latest DIO is 3.36 days which is incredible!
- Apple remains secretive in telling the world about its supply chain business process and IT capabilities.
- The results speak for themselves.



Supplier audits

- Apple's Supplier responsibility 2010
 Progress report says:
- In 2009, the company conducted audits at 102 facilities
 - including annual audits of all final assembly production facilities, including Foxconn.
 - That is an average of 5 audits per month!
 - Audits include employee protections, health and safety, environmental impact, business ethics, management commitment

Supplier audits contd.

- Direct involvement of Apple's procurement managers is required in reviewing the results of such audits
- That adds
 - procurement accountability and follow-up
 - as teeth for setting supplier performance expectations.
- Apple has defined what are core violations which require immediate corrective action
 - These include underage labor, falsification of audit materials, threats to worker safety or retaliation against workers

