

The Steve
jobs/Cook

Magic-3

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Did you know?

- That Apple is also a
- World class benchmark in supply chain capability and performance.



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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."

AMR says about APPLE

- "An unbeatable combination of killer financials and stellar opinion scores."



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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 Intrinsicity “acquired by Apple to ‘steal a march’ on competitors looking to enhance the performance of mobile devices”.

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Where Apple scores-AMR contd.

- 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.**

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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

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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.*

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What cook did contd.

- *Inventory, Cook has said,*
- *is*
- *“fundamentally evil,”*
- *He observes that it declines in value by 1% to 2% a week in normal times, faster in tough times like the present.*

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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.*

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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.

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Fulfillment capability

- 58% sales in international markets
- Apple has *reduced* its material and production costs of both iPod and iPhone!

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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

Source:

THE GENIUS BEHIND STEVE –FORTUNE NOV 10,2008

SUPPLY CHAIN MATTERS -BOB FERRARI'S BLOG

CIO.COM

THE SUPPLY MANAGEMENT JOBSITE

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