

# Apple seeks to diversify its supply chain to Southeast Asian countries

Apple is in the early stages of a decade-long transition to reduce its dependence on China and diversify its supply chain to Southeast Asia, both in terms of production and consumption markets.

Apple's Chief Executive Officer (CEO), Mr. Tim Cook, went on a trip to Southeast Asia last week, visiting Vietnam, Indonesia and Singapore.

This was part of a multi-day trip aimed at reducing Apple's dependence on China, its main manufacturing hub.

Although Apple has no intention of leaving China, the manufacturer is also hedging against potential risks that could hinder production in the future.

At the same time, Apple is gradually turning to India, considering it the next key market with great growth potential when the smartphone market in China is saturated.

Sharing with Yahoo Finance, Deepwater Asset Management CEO Gene Munster said Apple is in the early stages of a decade-long transition to reduce dependence on China and diversify its supply chain to other countries. Southeast Asian countries, both in terms of production and consumption markets.

However, reducing dependence on China in equipment manufacturing and expanding the market will take time.

## Challenges from dependence on China

China accounts for the majority of Apple's supply chain partners, such as Foxconn and Pegatron. Concentrating production capacity in one region caused significant damage during the pandemic when China forced factories to close, limiting Apple's ability to produce and ship devices.

Even though factories have since resumed operations, Apple has still been able to meet consumer demand. But factory closures affecting the company's operations are a worrying sign of supply chain inflexibility.

BofA Securities analyst Wamsi Mohan said Apple said the manufacturer had compensated for about \$5 billion in "evaporated" revenue. That \$5 billion was lost just because a factory in China closed. .

If not resolved, supply chain inflexibility could continue to affect Apple, especially in the context of tense US-China relations and counter-moves between the two countries related to the companies. technology.

Wedbush analyst Dan Ives commented that Apple is actively pursuing Southeast Asian countries in terms of supply chain.

CEO Tim Cook is hedging risks as China remains a challenging market for Apple, while Vietnam and Indonesia are potential destinations for iPhone production.

## Searching for new markets in India

Apple's difficulties in China are not just related to production. The manufacturer is also facing a decline in iPhone smartphone sales here as economic growth slows and regional competitors gain market share.

China is Apple's third largest market in terms of revenue, behind only the Americas and Europe. However, iPhone sales here are slowing down.

In the first quarter of 2024, Apple reported a 13% year-over-year decrease in revenue in mainland China, after a 2% decline in all of 2023. Previously, Apple reported 9% growth in China in 2022.

China is also currently a relatively saturated smartphone market, making it difficult to achieve breakthrough growth. This is why Apple is turning to India.

As the world's most populous country, India has a growing middle class. This could be a lucrative market for Apple.

Mr. Munster said it took China 5 years to truly become an important market for Apple. For India, it may take up to 10 years, because it has a large population but its GDP per capita is only about 1/4 that of China. In general, Indian people do not have the same income level as Chinese people.

In 2023, Apple opened its first official store in India, with Mr. Tim Cook attending the opening event in Mumbai. Apple is also manufacturing some of its newest iPhones in the country, further reinforcing the importance of this market for the company.

Emerging markets like India will play a key role in Apple's growth in the coming years, as the manufacturer's larger markets are gradually saturated and growth slows. Apple has also emphasized this many times.

In financial reporting meetings, executives frequently refer to emerging markets as growth areas, with Tim Cook specifically emphasizing India and other growth markets.

However, Apple stepping up production and expanding market share outside of China will take a lot of time. Therefore, in the near future, Apple will have to continue to depend on China and find ways to optimize operations here./.

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