



Exploring The Nature Of TNCs | Apple Inc.



Topic: The nature and role of TNCs, including their spatial organisation, production, linkages, trading, and marketing patterns, with a detailed reference to a specified TNC and its impacts on those countries in which it operates.

1.0 An Introduction:

Apple, the innovative transnational 'Silicon Valley' based tech corporation, is the world's most valuable company (over US \$2 Tn.) It primarily designs, develops, and sells consumer electronics, software, and linked services. It is a great case study as its products transcend international borders, both in terms of production and consumption. Furthermore, it is heralded as a microcosm of global trade flows and patterns, for better and worse, and it has strong brand awareness through global marketing.



Key Term Recap!

'Spatial Distribution' is used to describe the geographical spread of something. In this case the activity of Apple and its business practices.

2.0 The Spatial Distribution Of Apple:

Although Apple is based out of Cupertino, in highly developed, high-cost Southern California (right in the middle of 'Silicon Valley') it has a globalised presence, both in terms of production lines and facilities, and also product sales and marketing. We will be looking at how Apple is structured and organized on a global scale, including trends and patterns, before delving deeper into the potential challenges associated with these business practices.



A* Extra Learning

2.1 Why Silicon Valley? :

Silicon Valley describes the 20 miles or so south of San Francisco, California, with an exceptionally high amount of highly valued startup *unicorns* and TNCs like Apple. It has got a GDP of over \$275 B, with one of the highest concentrations of wealth. It is broadly successful as wealth attracts wealth, and over time businesses and venture capital firms have caused a positive multiplier effect with huge flows of capital and investment within a small area between renowned individuals. Furthermore, top-notch universities such as Stanford surround the area, with plenty of foreign students and cultural diversity from around the world, leading to a convergence of young people and a very entrepreneurial demographic. Over time, this has created a unique environment for high-tech companies to be founded and grow within!

Location and number of Apple suppliers per country



What sort of trends can you see from the figure above?

1. Broadly, **manufacturing is concentrated within NEEs**, notably China and Southeast Asia and the fast-growing Tigers (such as South Korea and Taiwan,) from which it is **outsourced** to companies such as Foxconn (see 4.0 The Impacts Of Apple's Business Practices.)
2. **Smaller clusters** of component supply can be also observed in the **core USA**, Western Europe, and Israel (these are **typically higher-value or niche components** such as camera lenses from Germany which are then shipped to China for assembly.)
3. In **LICs** there are **few to no suppliers** (notably Africa and India) – this is possibly owing to a **lack of skilled enough workers in these fields or unstable economic conditions**.



Stop forgetting us you cartographers!!

3.0 Apple – A Microcosm Of Global Trade:

Task! If you have an Apple product, like an iPhone or MacBook, flip it over and see what it says on the opposite side. Most likely this will be 'Designed by Apple in California. Assembled in China.' Think about what you know about globalisation and its dimensions for this next part!

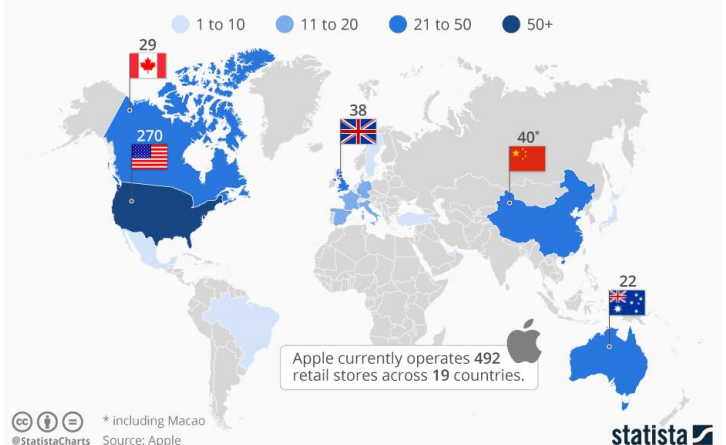
In many ways, Apple acts as a microcosm of globalized trade, (i.e. in miniature,) particularly with regards to [the core periphery model](#).

We often take technology for granted without appreciating the scale and distances involved with its production and distribution of it. Production takes place across the world, centered around newly emerging 'semi-periphery' nations as per page 1, with processes of globalisation making it possible for them to be shipped off and 'containerised' to China for final assembly, then to whichever market they are required.

Tracking the growth of Apple stores is quite a good metric to see where Apple considers its big sales markets to be, as that's where most stores are. These are usually in core HICs, such as the USA or Canada, as this is where consumers are usually willing to pay a 'premium' for Apple's high quality, high priced products. There are also 40 Apple stores in China, all of which have appeared in the last 10 years or so, mirroring the rapid growth of the Chinese urban middle class. These people have recently acquired disposable income, and hence Apple has jumped on a huge new market. Note that at the same time China is switching from semi-periphery to a core nation.

Apple's Global Retail Empire

Number of Apple Retail Stores around the world (as of February 2017)



I'm sure you've either seen, been to or at least heard of 'Apple Stores.' Although there are only 492, to us in the UK they are ubiquitous and a big part of Apple's role as a global marketer (see Page 3). To what extent do you think your knowledge about Apple would be different if you were in another country where they are less abundant?

China is very important in this case study! Want to learn more about its 'rise and rise' from failed communist state to global superpower? [Click here](#)



4.0 The Impacts Of Apple's Business Practices :

Key Term Recap! 'Outsourcing' is a concept which describes the shifting of one or more business aspects (such as iPhone assembly) to an external organisation, usually in another country. This is often beneficial to a TNC such as apple as it allows them to lower costs or increase flexibility, thus increasing their profit margins.

One of the biggest criticisms of Apple's structure and organization is the worker exploitation that occurs in their outsourced manufacturing plants. Taiwanese Hon Hai Precision Industry Co. Ltd, better known as **Foxconn**, run their Shenzhen factory. Foxconn is the single largest employer in mainland China; there are 1.3 million people on its payroll, who produce over 300 phones per minute 24/7.

Below are some key facts and information regarding Foxconn and the impacts of outsourcing:

- Employees are required to *work manually for up to 12 hours per day in poor physical and mental conditions*, often sleeping between shifts on site.
- There are *18 attempted and 14 fatal suicides* to have occurred *since 2010* by workers, primarily frustrated about their low pay and stressful environment. So much so that Foxconn was required.
- Workers are paid an average of *\$1.70 per hour, or \$4000 per year* and are required to live on site for *\$17 per month in cramped, poor quality and unsafe communal housing*.
- *Health and safety forms* were reported as *faked by managers*, who also have been accused of bullying and harassing employees.



Bonus! How has Apple responded?

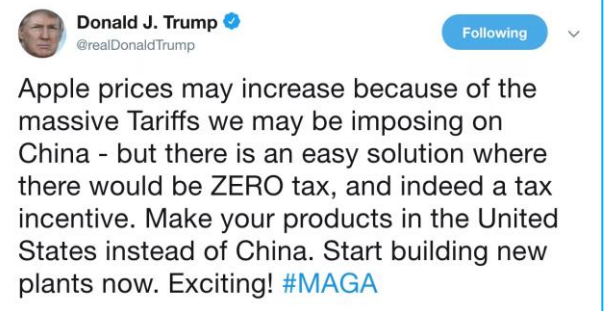
Mainly by 'passing the buck' – for example by reinforcing their 'commitment to worker's rights.' They have made more controversial decisions, however, such as building infamous 'anti-suicide nets' in 2010.

	Positives	Negatives
Workers:	Reinforces a positive multiplier effect through jobs creation and upskilling people.	Can lead to worker exploitation through a 'race to the bottom' where companies compete for the lowest costs – often can lead to poor conditions, pay, and hours.
The TNC:	Lower operating costs > higher margins > greater profits. Outsourcing is also helpful for a company to be flexible and rapidly expand into new markets.	Seen as being an 'unethical' business practice There is a danger of classified company information being stolen through 'industrial espionage.'
Host Country (e.g. China):	Benefits their economy directly and indirectly, thus acting as a catalyst for development – good in the long term.	Can lead to a 'middle income trap' where the country's economy is only held up by outsourcing. When there are cheaper places, the outsourcing will move on.
Consumers:	Lower prices and usually more availability.	Can lead to lower standards of quality for a product.
World:	Reinforces global trading patterns and grows international relations between countries. Helps countries to develop and benefits consumers also.	Seen by many counter globalists (such as Donald Trump) as not helping on a national scale – i.e. 'stealing our jobs.'

5.0 Apple's Role As A Global Marketer

Apple successfully uses global marketing by:

- *Introducing new products frequently* (usually annually during their WWDC | Worldwide Developers Conference)
- *Advancing technology and innovating* ahead of its competitors.
- Using *targeted advertising* in different countries.
- *Diversifying* their product line (not just iPhones!)
- *Tailoring their apps* to different audiences.



Whilst no longer president, Donald Trump's rhetoric on China has been shared by other nationalist or counter-globalist world leaders, looking to boost their own country's economy.



Key Term Recap!

'Global Marketing' is described as the process of adjusting the marketing strategies of your company to adapt to the conditions of other countries



The image above shows some of Apple's available products. Not only this, as they also have a 'services' ecosystem, too, with Apple Music, TV etc... Apple have 'diversified' what they make and where they sell it to appeal to a wider audience and price range. For example, less expensive phones and tablets have been introduced to cater to lower income countries. Furthermore, Apple has a large presence in worldwide education initiatives with Apple Schools – where it offers subsidizes its products and services. The goal of Apple is to 'hook' consumers into their worldwide ecosystem.



Extended Reading:

Apple is a fantastic case study, and there's plenty of further information to aid your learning. See the below links for some ideas!

<https://www.theguardian.com/technology/2017/jun/18/foxconn-life-death-forbidden-city-longhua-suicide-apple-iphone-brian-merchant-one-device-extract>

^ (4.0 / 4.1) The Guardian | 'Life And Death In Apple's forbidden city' is an in-depth critical analysis into the exploitative business practices within Apple's Shenzhen Foxconn Factory.

<https://www.reuters.com/article/us-foxconn-vietnam-apple-exclusive/exclusive-foxconn-to-shift-some-apple-production-to-vietnam-to-minimise-china-risk-idUSKBN2860VN>

^ (2.0 / 3.0 / 4.0 / 4.1) Reuters | Foxconn looking to shift some Apple production to Vietnam to minimise China trade risk. Interesting given the increasing trade tensions between the USA and China, as well as simultaneously giving an example of 'the race to the bottom' in effect with cheaper labour.

<https://www.youtube.com/watch?v=TmLsV9cSk0o>

^ (4.0 / 4.1) YT ABC News | "Apple's Chinese Factories: Exclusive"

<https://www.youtube.com/watch?v=zO0b-l-u7Yk>

^ (5.0) YT PolyMatter | "The Grand Theory Of Apple"

https://www.youtube.com/watch?v=tFffkU_DwvI

^ (5.0) YT ThoughtCatalyst | "Apple's Award Winning Marketing Strategy || Brand Marketing ||"

Have A Go At A Practice Exam Question:

20 MARKER (AO1 & 2) QUESTION #2

'Transnational corporations (TNCs) are the most significant factor in creating unequal flows of people and money within global systems.' With reference to a TNC, evaluate this statement.

Global Systems & Governance >> 3.2.1.1 >> Globalisation

>> 3.2.1.2 >> Global Systems

>> 3.2.1.3 >> International Trade & Access To Markets

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Many questions will have exemplar answers and mark schemes available, feel free to look at them for information.

Many thanks for reading and using this resource – good luck!

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