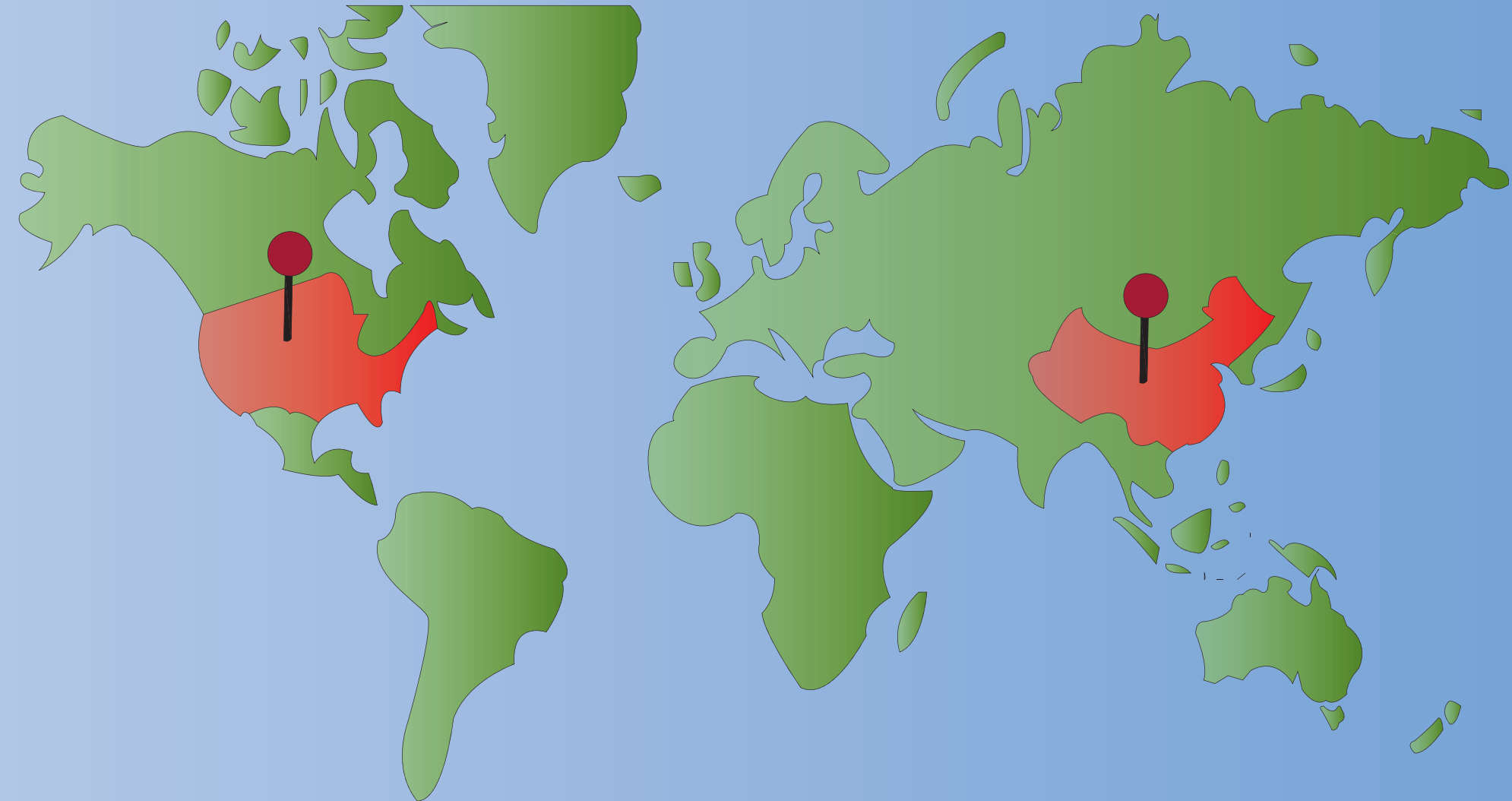


*Anabelle Custodio & Daniel Cao*

# Apple to the East

Smartphones Sow a New Era



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Today's society has become ingrained within the frame of smartphones. There is no doubt that they've changed the way we live our lives - arguably for the better. With social media and apps bolstering global connectivity, we as individuals are made to feel as wide as the world yet simultaneously tiny. It's one of the many strange quirks of our era; an impact we can thank Apple for.

China is perhaps the most interesting product of a rapidly connecting world. Growing in tandem with the continuing economic boom, smartphones saw easy accessibility for hundreds of millions of Chinese as consumerism increased. This phenomenon resulted in an "isolated" Internet culture that would eventually challenge its western counterparts in scope.

Mobile applications continue to be an integral part of modern life. Wherever the smartphones go, an online culture is bound to develop; China's culture is especially interesting. Chinese citizens have their own social media platforms that rival ones commonly used in the west. For instance, Sina Weibo is deemed to be Twitter's

counterpart. Despite being unknown to many, Sina Weibo had just overtaken Twitter's user base in numbers with Weibo reporting have 340 million monthly active users (MAU) compared to Twitter's 328 million MAU. Other notable platforms include Tencent's WeChat, with 938 million MAU quickly catching up to Facebook Messenger and WhatsApp, both with 1.2 billion MAU as of May of 2017.

China continues to be an integral part of Apple's global supply chain, however exponentially more since the debut of the iPhone. The outsourcing of cheap labour almost always abuses lax foreign labour laws and desperate workers - and Apple has been accused of this before. One of Apple's manufacturing partners, Foxconn, has been known to violate labour rights, forcing workers to work over-excessive hours that often lack compensation for any overtime.

With 1.3 million purportedly on Foxconn's payroll, some outlandish statistics are but only a by-product of such a massive scale of production. In an excerpt from Brian

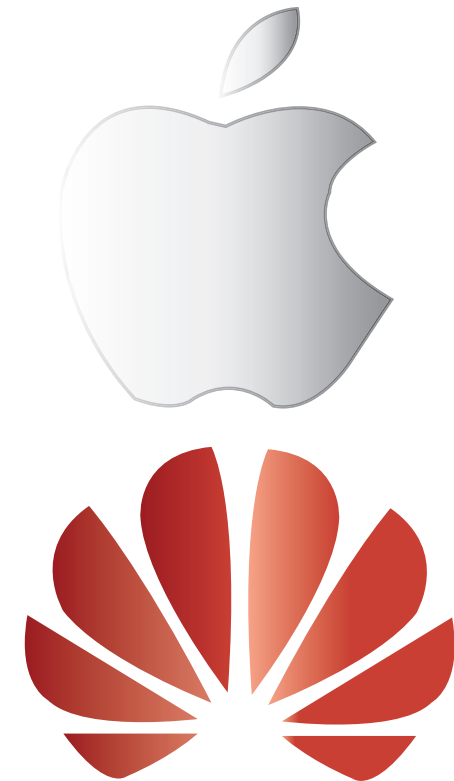
Merchant's The One Device: The Secret History of the iPhone, a worker at Foxconn claims that "1,700 iPhones passed through her hands every day..." - which "works out at about three screens a minute for 12 hours a day". Also, of the 1.3 million employees, 450,000 are reported to be living on-site in cramped company dorms with exceedingly inflated water and electricity bills.

However, despite claims of mistreatment, jobs provided by Apple's outsourcing continue to be in high demand, with Apple's worldwide supply demand manager, Jennifer Rigoni, boasting that they (Foxconn) could hire 3,000 people overnight. Amidst labor scrutiny CEO Tim Cook responded to a query from President Trump, stating that Apple could not operate at the same scale in the US as they do in China due to logistical, technical, and economic reasons.

Perhaps this history and familiarity with the iPhone has prompted a shift in the status quo. In the past, iPhones were a status symbol of wealth and success; an image many of the new middle-class

wanted to flaunt. With smartphones now commonplace among this society, iPhones aren't as much of a status symbol as they were before. This led to consumers considering other smartphone brands as iPhone models becoming increasingly more expensive.

Chinese owned Huawei and Xiaomi are the two rising smartphone brands that are predicted to compete in the mainstream market. The two previous smartphone giants, Samsung and Apple, show a decline in market share, as cheaper alternatives prove favorable. Counterpoint's quarterly market monitor for Q2 of 2017 show strong year-on-year percent growth for domestic Chinese brands, growing 60% and 20% for Xiaomi and Huawei, and 4% and 2% for Samsung and Apple respectively. This analysis also shows Huawei's increased market presence with 38.5 million units shipped, right behind Apple with 41 million; Samsung and Xiaomi have shipped 80.4 and 23.3 million units respectively.



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# Introducing...



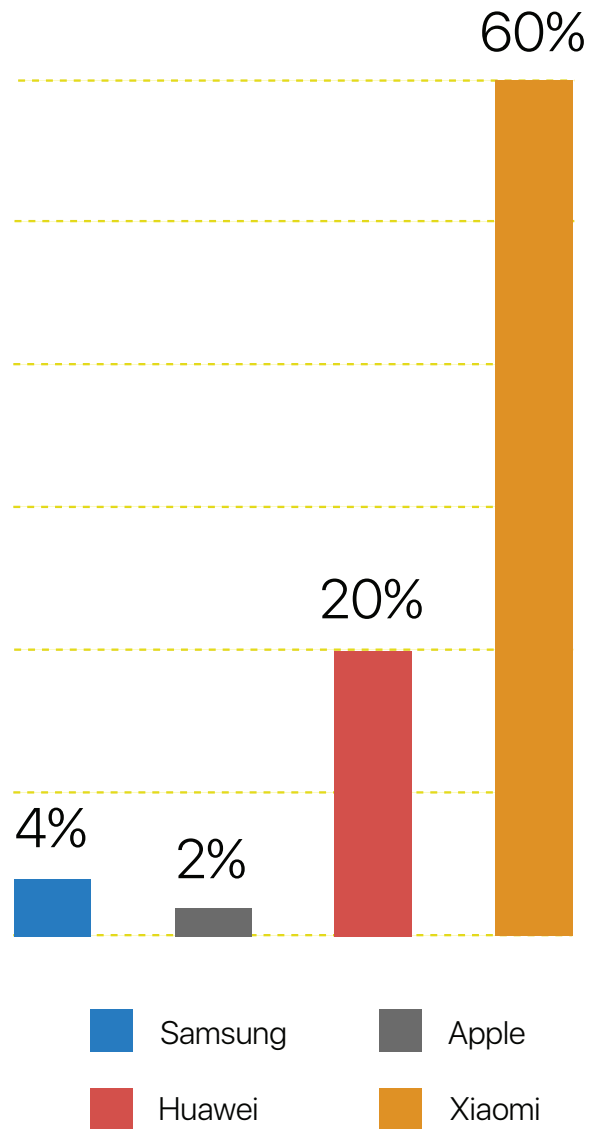
iPhone 7

VS.

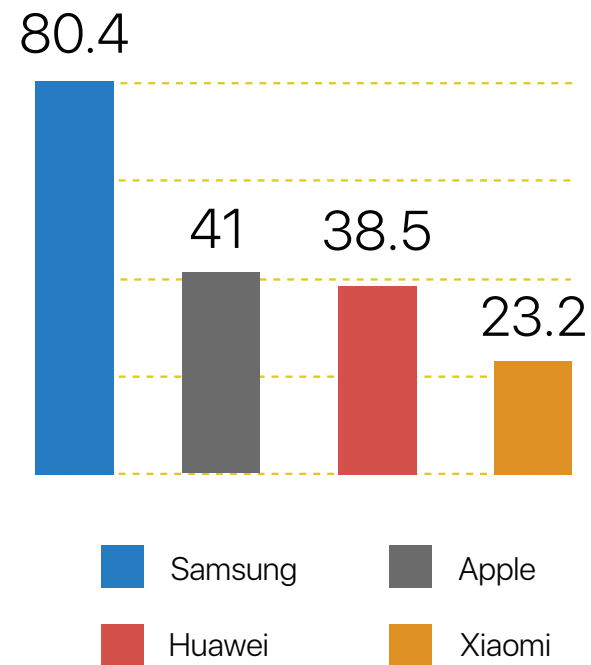


Huawei p10

## Year over Year % Growth

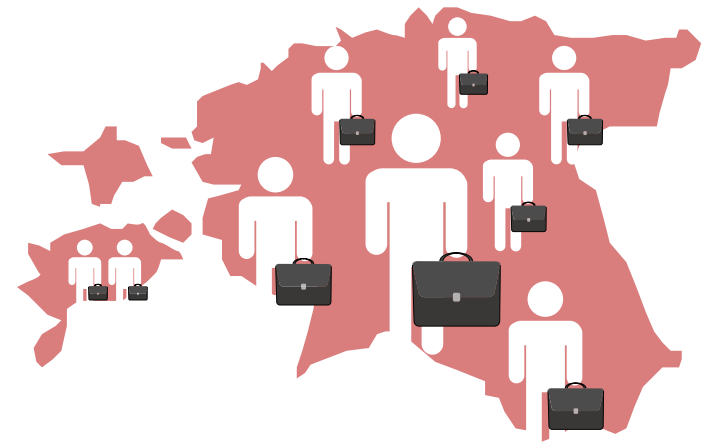


## Global Smartphone Shipments Q2 2017 (Millions Units)





Almost twice as many people live on-site at Foxconn's Longhua factory than there are in the entire Northern Territory!



Foxconn has an estimated 1.3 million people on its payroll. That's roughly a job for everyone in Estonia!

