

# Lack of computer chips hurting Apple shows the severity of the global shortage

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The impact of chip shortages hitting companies the size of Apple represents the enormity of the issues facing companies across the world, according to a leading academic.

Dr. Florian Lücker, senior lecturer in [supply chain management](#) at Bayes Business School (formerly Cass), says the ongoing problem is showing no signs of ending, following the news that Apple are considering cutting the number of new-release iPhone 13s this year by up to 10 million because of a computer chip shortage.

Apple conceded this week that its manufacturers must be prepared for fewer units, because of its suppliers' failures to deliver components. The tech giant had previously warned of a possible impact on phones, with the lack of chips already impacting the saleability of Macs and iPads.

"Chip shortages have been occurring for a couple of months and a quick solution is not in sight. The production slash of iPhone 13 is particularly concerning because companies like Apple have market power to access their supply. The innovative smartphones are sold with healthy margins to consumers and, as a result, Apple would be willing to pay higher prices for chips if they were available."

## **Apple would pay more, but can't**

Dr. Lücker said Apple's troubles would normally not be so great as other companies, with the supply chain of the phone supposedly allowing for flexibility. As a result, comparisons between their tribulations and others also affected by the worldwide shortage, which continues to impact numerous industries following the pandemic, should not be drawn.

"The supply chain of the iPhone 13 is supposed to allow for some flexibility to deal with supply or demand glitches. However, given that the chip shortage crisis has been lasting for a longer time, even the

flexible supply chain from Apple is facing issues.

"The cause of iPhone 13 shortages is different from the cause of supply shortages of commodity products such as toys, beers or petroleum that have occurred in the UK recently. Supply chains for commodity products lack flexibility to deal with supply and demand glitches. Commodity supply chains are not designed to deal with unexpected jumps in supply or demand. As a result, even small variations of supply or demand can cause shortages of commodity products."

## **Manufacturers may have to re-create old chips**

In the U.S., the White House has stepped in, warning that items that may usually be available will not be for "a relatively short period of time."

However, its claims that some goods may be substitutable will be of no consolation to Apple, whose advanced technology for the latest models mean this option is not open to them. Dr. Lücker has advised manufacturers to be creative in a bid to remain sustainable in the meantime.

"Given that setting up new [chip](#) production sites takes time, there is little hope that the number of chips being produced can increase significantly in the short-term.

"Manufacturers can attempt to find some creative solutions such as redesigning the product to use older chips- though this will probably not be possible for the latest smartphones as users typically expected the highest product quality."

Provided by City University London

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