

GLOBALIZATION HOT SPOTS - 10/18/12

Charlène
LE NEVANIC

Valentin LECOMTE

Anias LEE

Thomas LEPORTIER

Martin MACQUET

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SAMSUNG VS APPLE A LOVE-HATE RELATIONSHIP



THE PATENT BATTLE



- Emphatic victory of Apple over Samsung in its US patent battle in August 2012.
- The jury has awarded \$1bn in damages to Apple
- Willful infringement of design and user-interface patents of the iPhone



- Apple did not infringe any Samsung's wireless technology patents

SAMSUNG: ONE OF APPLE'S BIGGEST COMPONENTS SUPPLIERS

- Samsung is one of Apple's biggest components suppliers:
 - Only supplier of microprocessors for iPhone and Ipad
 - Supplier of DRAM and NAND type memory chips
 - Supplier of flat screens

 Samsung's share in Apple component costs : 26%
 - Samsung will not want to put at risk its Apple supply contract which is worth billions of dollars.
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- Apple needs Samsung to make the iPhone and the iPad.

APPLE WANTS TO REDUCE ITS RELIANCE ON SAMSUNG

- Apple will be outsourcing its ARM-chip production from Samsung to Taiwan Semiconductor Manufacturing Company (TSMC) by early as 2013.
- Rumors: Apple reportedly offered TSMC \$1bn for dedicated production but TSMC denied it.
- Other suppliers may benefit from a worsening Apple/Samsung relation in the short run only...

IT OUTSOURCING NEW TRENDS IN 2013



IT OUTSOURCING FAILURES

- 25% to 50% outsourcing deals fail or perform poorly

WHY ?

- Common misconception: non-core activities should be outsourced
 - IT is a non-core activity but it is often critical to it


 Outsourcing IT puts core competency at risk

- IT outsourcing is used to reduce costs
 - True for small companies but not for large ones
 - Cost advantages tend to degrade over time

GENERAL MOTORS EXAMPLE

- 90% of GM IT services are outsourced: Wipro (India), EPS, Capgemini, IBM
- New strategy: insourcing IT. 90% to GM staff and 10% to outsourcers
- Data center consolidation: from 24 centers worldwide to 2 in the US
- Software development centers in the US

2013 TRENDS

- Companies are more cautious about IT outsourcing
 - According to Deloitte: “organizations will bring more IT back in-house”
 - Outsourcing to many IT workers deprives company from a pool of innovation
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- Shorter contracts with IT providers
 - Outsourcing will become more selective
 - More providers offering nice services