

Apple and Nintendo repurpose components, cut production estimates ahead of holidays

Article

The news: The worsening chip shortage is affecting product shipments for **Apple** and **Nintendo** as both companies rush to make adjustments heading into the busy and

traditionally profitable holiday season.

The cascading effects of the chip shortage:

Apple has reportedly cut iPad production in half for the past two months and is repurposing older iPhone parts for use in the **iPhone 13** to overcome the component shortage, [per Reuters](#).

- Apple weathered the supply chain crunch better than other companies mostly because of [preferred relationships](#) with suppliers, as well as chip stockpiles. Despite this, the company has had to [cut iPhone 13 production](#) by 10 million units and has been struggling to ship **Apple Watch Series 7** and **MacBook Pros** in a timely manner.
- Apple's 5G iPhone rollout was hampered by a lack of **Qualcomm** components.
- The company's revenue is up 29%, but the shortage has cost it \$6 billion and its "most valuable company" spot, which went to next-in-line rival Microsoft.

Nintendo, which launched an updated **Switch OLED** console last month, is also feeling the impact of the shortage and is cutting Switch production targets by 20%, [per Bloomberg](#).

- Nintendo plans to produce just **24 million** Switch OLED consoles for the current fiscal year—far fewer than the 28.8 million original Switch units it sold in the previous fiscal year and well under the sales target of [25.5 million](#) consoles it set in May.
- Nintendo sold 138,409 Switch OLED units during its launch weekend, a disappointment compared to the original Switch's inaugural weekend sales of 330,637 in 2017.

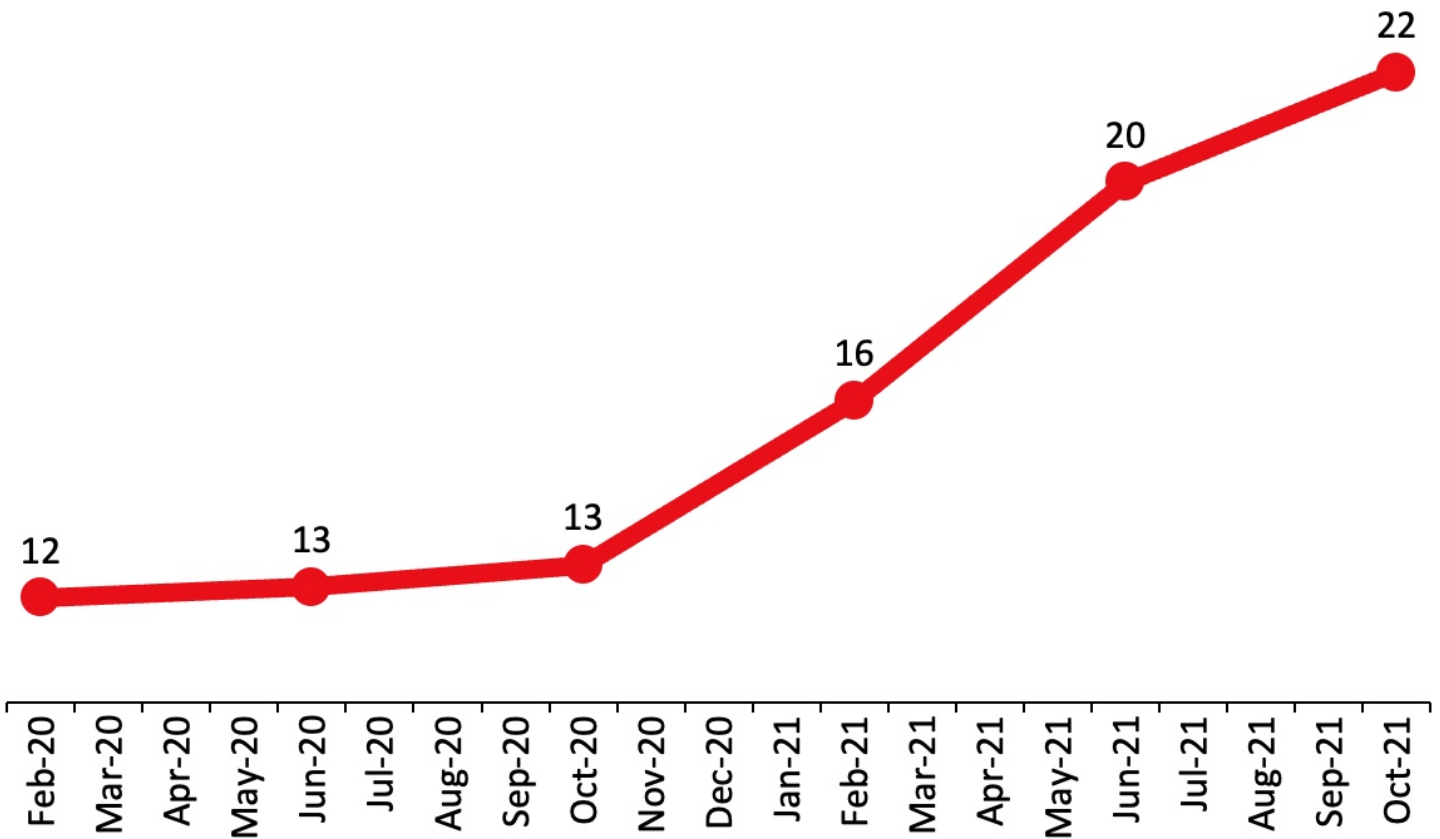
The bigger picture: With no end in sight, the global chip shortage is testing companies' resilience and their ability to best meet existing product demand. In context, the gap between ordering a chip and its delivery is currently at a record 22 weeks, according to Susquehanna Financial Group.

- In Apple's case, the company has numerous products, allowing it to shift focus without suffering much of a financial impact. Apple has chosen to zero in on the iPhone 13, which is its most profitable product.
- In Nintendo's case, the company has no choice but to cut Switch targets heading into the holiday season, when its products are in high demand but in short supply. Nintendo shares have dropped 24% this year amid concerns over the new Switch and could continue to dive.

The takeaway: Companies affected by the chip shortage have to find ways to meet demand. Those with a wide range of products can shift focus and materials to amp up production, while those reliant on semiconductor supplies can only cut production until the situation normalizes.

- The shortages will affect consumers during the holiday shopping season. Stores are dealing with an increasingly short supply of any device requiring microprocessors and chips.
- The inability to meet consumer demand during the biggest shopping season will take a toll on companies' bottom lines. And with no end in sight for the chip shortage, it's impossible to say how long it will take for companies to recover losses.

Gap Between Ordering a Chip and Delivery (In weeks)



Source: Susquehanna Financial Group, 2021

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