

Apple surpasses HP as largest buyer of chips

June 8 2011, By PETER SVENSSON , AP Technology Writer

(AP) -- Driven by the success of the iPhone and iPad, Apple Inc. has become the world's largest buyer of chips for computers and phones, a research firm said Wednesday.

Apple bought \$17.5 billion worth of chips last year, surpassing computer maker [Hewlett-Packard](#) Co. as the largest consumer, IHS iSuppli said. That was an increase of 80 percent from the year before, reflecting Apple's continuing sales surge.

An [iPhone](#) contains about \$80 worth of chips, according to iSuppli. The chips include the central processor that acts as the brains of the device, radio chips that let it talk to cell towers and the audio chip that converts the owner's voice into a stream of data.

The finding that Apple is the No. 1 buyer cements its standing as a company that has the clout, and the cash, to buy chips and other crucial components such as touchscreens when other companies struggle because of supply constraints.

As an example, Apple said in January that it had spent \$3.9 billion on long-term contracts to secure supplies for the next two years of a "very strategic" component it wouldn't name. Few other companies are able to commit that much money.

Last summer, high-tech manufacturers were scrambling to buy chips as sales started reviving after the recession and chip-makers had yet to ramp production back up. But Apple reported no chip supply problems;

it blamed shortages of iPhones and iPads instead on limited assembly-line capacity.

IPhones and iPads use large amounts of expensive flash memory, accounting for much of Apple's chip consumption. Apple sold 48 million iPhones last year, up 89 percent from the previous year. Meanwhile, PC industry sales grew 14 percent, iSuppli said. iPads went on sale for the first time last year.

Samsung, [Micron Technology](#) Inc. and [Intel](#) Corp. are leading makers of flash memory.

The \$17.5 billion figure means more than a third of Apple's "cost of revenue" - expenditures excluding corporate overhead - went toward chip purchases last year.

Samsung Electronics Co., which makes a wide variety of electronics, and PC maker Dell Inc. were the No. 3 and 4 chip buyers. No. 5 is Nokia Corp., the world's largest maker of phones. However, its output is dominated by cheap phones that don't use as many or as pricey chips as the iPhone.

iSuppli expects Apple to extend its lead this year by buying chips for \$22.4 billion, compared with \$14.8 billion at HP.

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