



Brief case 60

FOXCONN'S COMPETITIVE STRATEGY

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Foxconn, officially Hon Hai Precision Industry Co., Ltd., is a Taiwanese multinational corporation founded in 1974 by Terry Gou and currently led by Young Liu. It has established itself as the world's largest electronics manufacturer. However, the company does not sell products under its own brand. Instead, it manufactures and assembles electronic devices for some of the world's largest technology companies, including Apple, Microsoft, Google, Sony, Nintendo, and Amazon. It is a major supplier of components for globally renowned products such as iPhone (Apple) and Kindle (Amazon). In 2025, Foxconn achieved record revenues of approximately NT\$8.1 trillion (around €220 billion), representing an 18% increase compared with the previous year. This growth was driven largely by rising demand for servers and artificial intelligence hardware, while traditional consumer products, such as smartphones and gaming consoles, experienced more stable growth. The company employs approximately 900,000 people during peak periods, making it one of the world's largest employers. Most of its manufacturing facilities are concentrated in China. However, it has expanded its operations to other countries, including India, Vietnam, Mexico, and the United States, in an effort to diversify geopolitical and labour-related risks.

Foxconn's competitive advantage is underpinned by its ability to produce on a massive scale at extremely low unit costs, making it an indispensable strategic partner for companies that outsource the manufacturing of mass-market consumer products and specialised hardware. This efficiency results from the interaction of multiple factors that the company has developed over several decades. Mass production allows the company to spread the fixed costs of machinery, plants, and logistics across millions of units, particularly compared with smaller competitors. In addition, Foxconn continuously adjusts its production capacity to keep its plants operating at high levels of utilisation, minimising idle time and maximising the efficiency of each assembly line. Furthermore, the company's experience in assembly and quality control reduces errors and downtime, optimising both internal coordination and the overall productivity of production lines. This translates into lower average labour and operating costs.

A crucial element of Foxconn's cost model is its control over inputs. The company maintains long-term strategic relationships with key suppliers of electronic components—particularly integrated circuits (chips and microchips), displays (such as LED screens), and memories—which enables it to negotiate competitive prices and secure a level of supply stability that would be difficult for more fragmented competitors to replicate. This is critical in an industry in which components often account for a very high proportion of total production costs—frequently around 50% to 60%—meaning that any improvement in purchasing negotiations has a direct impact on final costs. This close coordination with suppliers, combined with a partially vertically integrated supply chain, allows Foxconn to respond quickly to shifts in global demand by adjusting production volumes and logistics efficiently, while keeping inventory costs under control and avoiding unnecessary investments in advertising or R&D that are not directly aligned with its operational efficiency strategy.

Foxconn also continuously adjusts the geographical location of its manufacturing operations, relocating facilities to regions where production costs are lower. After decades of concentrating its production in Guangdong Province, located on China's southern coast, the company has shifted in recent years a substantial proportion of its manufacturing operations to inland provinces such as Henan and





Sichuan, where wages, land costs, and government incentives are more competitive. In these regions, Foxconn has also succeeded in integrating more than 300 regional electronics suppliers into an interconnected production ecosystem that reduces transportation times and costs. Outside China, the company's facilities in India, Vietnam, and Mexico also seek to reduce unit costs and increase proximity to key markets. However, they have not yet achieved the same supplier density and logistical efficiency as the Chinese ecosystem. In addition, Foxconn began establishing facilities in the United States in response to the geopolitical and trade changes brought about by Donald Trump's election as president in 2017, to reduce tariff-related risks and take advantage of the tax incentives associated with the new "America First" policy agenda.

The company complements these advantages with investments in automation and process improvement, applying technologies that optimise material use and increase productivity per worker. This, in turn, helps offset rising labour costs in some regions. These production and technological capabilities are used jointly to manufacture different types of products—from mobile phone components to servers and specialised hardware for data centres—allowing the company to reuse and share infrastructure, organisational knowledge, and logistics systems across different business lines. In addition, its plants are strategically located in regions with access to reliable energy supplies and efficient transportation networks, reducing delivery times and distribution costs. Over the years, Foxconn has also sought to benefit from favourable institutional policies, such as temporary tax exemptions, subsidies for electricity and water supplies, and access to low-cost or free land in certain locations seeking to attract industrial investment, thereby reducing indirect operating costs.

The interaction of all these factors enables Foxconn to offer highly competitive prices without compromising the quality required by its major technology customers. This helps explain why companies such as Apple rely on Foxconn for a substantial proportion of their global production. The combination of low prices, access to a comprehensive supplier ecosystem, massive production capacity, and logistical reliability is difficult for competitors to replicate without the same scale, industrial density, or local incentives. Likewise, the ability to manufacture multiple categories of products for different customers using shared processes and resources further strengthens the company's overall efficiency by reducing the average combined cost of production. This approach is particularly well suited to an environment in which price competition is decisive, products are relatively standardised, and clients can switch suppliers relatively easily. However, it also requires Foxconn to maintain a constant focus on efficiency in the face of risks such as rising costs, competition from new regional players, and technological and geopolitical changes.

Question: Considering Porter's classification of generic competitive strategies, identify the type of competitive strategy pursued by Foxconn, its sources of competitive advantage, and the main advantages and disadvantages that this strategy entails for the company.

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