

## Taking Kickbacks: Vendors ARE Equally Guilty

Written by Bob Snyder  
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A former Apple manager with responsibilities for the company's contract manufacturing in Asia was **arrested for accepting kickbacks from half a dozen Asian suppliers** of iPhone and iPod accessories.

He allegedly was paid for confidential Apple information he shared with contractors to help them secure Apple business on reasonable terms.

**If he hadn't left the company...if only he had wiped his drive...** then Apple would have never discovered a Microsoft Entourage database of e-mails and a cache of Hotmail and Gmail messages on his company-supplied laptop.

Instead of 15 counts of wire fraud, five counts of money laundering, one count of wire fraud conspiracy and one count of monetary transactions with criminally derived property, **he would have gotten away with it**

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He supposedly gave confidential information to companies like **Cresyn** of South Korea, **Kaedar Electronics** in China and **Jin Li Mould Manufacturing** from Singapore.

On numerous occasions he sent Jin Li information about its competitors that enabled the company to win business from Apple, so Jin Li paid about US\$1 million.

Cresyn of South Korea paid Devine \$6000 per month for "consulting services" since February 2007. Apple says over the course of more than three years Devine passed Cresyn sales forecasts for unreleased iPod and iPhone models, product roadmaps, sales reports and details of problems being encountered by Cresyn's competitors.

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He wrote to Cresyn: *"I received your e-mail on my Apple account. Please avoid using that e-mail as Apple IT team will randomly scan e-mails for suspicious e-mail communications for forecast, cost and new model information."*



**On another occasion** Devine took images of his internal Apple e-mail and sent those images to Cresyn on his Hotmail, says the complaint.

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The e-mails also point to steps taken to ensure payments didn't attract attention from banks or regulatory agencies.

Money was distributed into at least 14 bank accounts held in several names in countries including the U.S., South Korea and Singapore and typically in amounts of less than \$10,000.

This type of corruption is more rampant in the business than you see by the convictions. Take a look at BUYER FROM HELL, an article that tells the story of a retail executive that also took payola from vendors.

First, vendors are just as guilty as the executives caught. Why prosecute just the sinner and not the temptress?

Second, it is primarily Asian vendors implicated in both cases. The business culture is such that they ask themselves, "Why spend \$1 million on advertising that might work for a brand when you can payoff a buyer or insiders?"

Don't get me wrong: we know plenty of US and European vendors that wouldn't mind such an opportunity if they felt they could get away with it.... But the fact is that buyers going to Asia face **regular and insistent** graft opportunities.

Western suppliers face criminal penalties and abrogation, as well as harsh judgement by peers...all discouraging kickbacks.

***Until Asian vendors face penalties and compliance similar to Western companies, corruption will be a part of the consumer electronics supply chain.***

**THE BOTTOM LINE:** These very public incidences will force vendors and retailers to keep diligent guard and perhaps even some scrutiny and surveillance on those in positions more vulnerable to offers from suppliers seeking favours and shortcuts to success in the CE/IT

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