

Commodity Chains

Sociology

How value is distributed along a production chain that crosses many borders.

Follow one good from raw material to shelf, and watch where margin sits.

1

Extraction

Raw material produced where cost is lowest and regulation weakest.

2

Processing

Often in a middle-income country, on thin and contested margins.

3

Assembly

Labour-intensive, mobile, and the first stage to relocate on cost.

4

Branding and design

Held in the lead firm's home country; captures most of the value.

5

Retail and after-sale

Close to the consumer, controlling access to the final market.

Gereffi's smile curve: value is high at the design and branding ends and lowest in the middle, at assembly.