

Boeing vs. airbus

Business, Industries



Executive summary This report was commissioned to show us the present in the airline business, what is the difference between Airbus and Boeing Co and after global economic crisis, what is their policy responses. The research draws attention to the fact that many airplane companies stood at the brink of bankruptcy. On the other hand, many emerging markets such as China and India have huge potential in the aircraft industry. Further investigations reveal that low cost airline become more important than ever before.

Moreover, Airbus already pushed A350-900 which one is the largest passenger aircraft. A350-900 can help airplane companies improve their profit. It still helped Airbus capture market share. On the other hand, Boeing still pushed some high efficient aircrafts such as 747-8 that can follow the market trend. What is more, companies both pay attention to the Asian market. Further investigations reveal that airline business still has lots of chances in the future and fuel-efficient airplane will be most popular in the world.

It is recommended: Add some "standing" seats in the airplane. Improve the resources utilization rate

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Introduction

Nowadays, because of the global economic crisis, many airplane companies stood at the brink of bankruptcy. On the other hand, the aircraft manufacturers still will change their strategy. There are two main aircraft manufacturers in the world. One is the Boeing which comes from America and another one is Airbus which comes from France. 747-8 and A350-900 which come from Boeing and Airbus Co. Both use the high technology in order to saving energy. In this report it will introduce some things about the airplane business such as situation, problem and opportunity. And you will have a general idea about both companies and their products. This is why I write this report.

Industry

background In the aircraft industry, Air travel remains a large and growing industry. In the past decade, air travel has grown by 7% per year. Travel for both business and leisure purposes grew strongly worldwide. Scheduled airlines carried 1.5 billion passengers last year.

In Europe and North America, where the air travel market is already highly developed, slower growth of 4%-6% is expected. Air travel for the region has been rising by up to 9% a year and is forecast to continue to grow rapidly, although the Asian financial crisis in 1997 and 1998 will put the brakes on growth for a year or two. In terms of total passenger trips, however, the main travel markets of the future will continue to be in and between Europe, North America and Asia. (The airline industry, 2012) Let us see this picture first. Asia.

There are only 80 Airlines and 1800 Airports but more than 60% people lived there. Air craft industry has good market perspective but economic benefit is not good. Because of the financial crisis, the last few years were not kind to the aircraft industry. Many airline bankruptcies are virtually certain if the economy continues to stall. Since then, airlines have had to recognize the need for radical change to ensure their survival and prosperity. Many have tried to cut costs aggressively, to reduce capacity growth and to increase load factors.

What is more, aircraft industry includes aerospace, military aircraft, and civil-aircraft. The airline companies like Boeing and Airbus will have a competition in each field. Company background product segments Boeing is the world's leading aerospace company and the largest manufacturer of commercial

Jetliners and military aircraft combined. Additionally, Boeing designs and manufactures oratorical, electronic and defense systems, missiles, satellites, launch icicles and advanced information and communications systems.

The company also provides numerous military and commercial airline support services. (About us, 2013) Airbus is the world's leading aircraft manufacturer whose customer focus, commercial know-how, technological leadership and manufacturing efficiency have propelled it to the forefront of the industry. The product include the single-aisle A320 Family, the wide-body long-range A330/A350 and the all-new next generation A320XLR Family, double-Decker A330-300 Family. The company also continues to broaden its scope and product range by applying its expertise to the military market.

Company, 2013) Market share The rivalry between these giants, the only manufacturers of large medium or long- moment. Even though the number of orders is higher with Airbus in 2004 but the total revenues of Boeing is still much higher than that of Airbus. However, Boeing will be able to regain its market share thanks to the new model fee, Dreamlike and making the competition more aggressive. (Boeing overtakes Airbus in annual sales race, 2012) The product The Boeing 747, the original " Jumbo Jet" with its distinctive upper-deck profile, is among the fastest airliners in service.

Boeing 747-8 Family - The Boeing 747-8

Intercontinental and 747-8 Freighter are the new, high-capacity sass that offers airlines the lowest operating costs and best economics of any large passenger or freighter airplane in its class - while providing enhanced

environmental performance. (Boeing Commercial Airplanes, 2012) Airbus A350-900 is the world's largest commercial aircraft flying today, with capacity to carry 525 passengers in a comfortable three-class configuration, and up to 853 in a single-class configuration that provides wider seats than its competitor. The A350 is the ideal solution to alleviate traffic congestion at busy airports.

A350, 2013) Nongovernmental forces Technology Force In 2012 they successfully met key milestones such as compounding type using and Aerodynamics of the breakthrough in research and development programs that will bring to market the next generation of more fuel-efficient airplanes and accelerate the market readiness of advanced materials and environmentally progressive technologies. That can help airplane companies to drive their profit. Natural Force Due to increasing consumption of non-renewable energy like petroleum, oil shortages and their concomitant rise of oil prices have always induced aircraft industry revolution.

The fuel-efficient airplanes become most popular form all over the world. So Boeing says that its 787 Dreamliner cuts fuel use by 20%. Meanwhile, Airbus says that the A350 is the first long-haul aircraft to consume less than three liners of fuel per passenger per 100 km. (Aviation Industry, 2012)

Demographic forces business especially in the Asia. There are only 80 Airlines and 1800 Airports but more than 60% people lived there. What is more, by the development of economic some Asian countries such as China, India and Korea will have significant demands on the airline business.

In other words, some airplane manufacturers like Boeing and Airbus should pay attention to the Asia market analysis and market demand.

Micromanagement forces The company's suppliers Boeing has strong international operations with customers in around 145 countries, employees in more than 60 countries. Boeing enjoys the ownership of a brand with good and far reaching awareness on a global scale. Boeing is also a 50-50 partner with Lockheed Martin in the United Space alliance. These strong company's suppliers can help. Boeing to be a internationalization company. (The Boeing company, 2012)

Airbus also has a global company's suppliers. For example, Toulouse also became home to Airbus' initial assembly line for the A320 Family, another final assembly line opened in 2008 at Tianjin, China - the first such facility for Airbus to be located outside of Europe and A320 Family production across the final assembly lines is assigned as follows: Toulouse builds A320; Hamburg has responsibility for the A320, A320, A320 and A320; Tianjin assembles A320 and A320; and the new U. S. Facility will produce A320, A320 and A320. (FINAL ASSEMBLY AND TESTS, 2013) The company's various public Social factor

Anti-US feeling feelings generated by the events of the past two years had adversely impacted on Boeing's sales, especially in West Asia, which is a lucrative market for the industry. And then the Airbus Co. Will raise the market competitiveness. Economic factor Aircraft manufacturers rely heavily on subsidies. Recently, Boeing and Airbus are on the debate of unfair subsidies. Likelihood of increasing fuel costs, congestion and other

environmental restrictions, as well as the prospect of higher security and insurance costs to reflect the risk of terrorism.

The fuel cost is increasing in the future. International Air Transport Association estimated that airlines' fuel costs would rise by 31% in 2005. DATA, which represents 95% of the world's airlines, also Political factor Policy and regulatory decisions by governments can also have a dramatic impact on the demand for civil transport aircraft. The United States Government and its Federal Aviation Administration (FAA) are particularly influential in this regard since they oversee the largest air transport market in the world.

Similarly, the deregulation of European airlines, already begun in the early sass, holds the promise of expanded market prospects for smaller regional Jets. Boeing Co, 2012) The company's competitors We all know that it is the duopoly in the Boeing-Airbus market. Given their multiple successes, it is not surprising that Airbus and Boeing have a number of competition factors driving their innovations. They often compare their products. For example, Boeing claims the 747-81 to be over 10% lighter per seat with a trip-cost reduction of 21% and a seat-mile cost reduction of more than 6%, compared to the AWAY.

And Airbus claims the AWAY to have 8% less fuel consumption per passenger than the 747-81 and emphasis the longer range of the AWAY while using up to 17% shorter unsays. (Boeing Co, 2012) SOOT analysts Boeing Co.

Strength: it has a global supply chain that can help it to realize the resource rational distribution in the world. And then America government increased the government subsidies in order to encourage them to develop the

advance technology. There are intense competition between Boeing and Airbus. It is benefit for each of them to have the best development trend.

Broad product line that covers most major market niches development

Weaknesses: Anti-US feeling feelings generated by the events of the past two years had adversely impacted on Boeing's sales. And then international Air Transport Association estimated that airlines' fuel costs would rise by 31% in 2005. That's forced many businesses to opt for smaller order airplanes volumes. Opportunities: Asia is a new market about the airline business, Airbus can sell more airplanes than ever before at that market. Threats: airline business was hit hard by the global economic downturn, with most business losing much trade.

Nowadays fuel-efficient airplanes are more popular in the world, but Boeing lags behind Airbus. Airbus Co. Distribution in the world. Because of the anti-American sentiment, Airbus Co. Can ease the market competitiveness. And then Europe government increased the technology. There are intense competition between Boeing and Airbus. It is benefit for each of them to have the best development trend. Broad product line that covers most major market niches development Weaknesses: International Air Transport Association estimated that airlines' fuel costs would rise by 31% in 2005.

That's forced many businesses to opt for smaller order airplanes volumes Opportunities: Airbus successfully met key milestones such as compounding type using and Aerodynamics of the breakthrough in research and development programs hat will bring to market the next generation of more fuel-efficient airplanes such as AWAY. By the rising oil price and global

economic downturn, AWAY will be a good choice to save cost. And then Asia is a new market about the airline business, Airbus can sell more airplanes than ever before at that market. Business losing much trade.

Market segmentation Boeing: Since economic and traffic growth rates vary by region Boeing's segmentation of its customers is done solely through geographic regions. Boeing believes that North America and Europe will continue to order the most airplanes with their auteur economies. It believes that airplane traffic within Asia pacific will increase by six per cent annually over the next twenty years and that the market share of flying within Latin America will increase from two per cent to four per cent. It is due to these differences in global air travel that Boeing uses Geography as its segmentation tool. Boeing Company, 2013) what is more, the segment's geographic region is a function of the allocation of resources on demand. For example, in America and Europe, Boeing can predict an increase in the demand for regional Jets as air revelers in these regions are demanding non-stop flights on thinner routes, in China, Boeing can predict an increase in their routes and so on. Airbus: its market segmentation is like the Boeing's which is the segment's geographic region. They still use the different plans in different regions.

For example, Airbus pays attention to the carbon-efficient airplane like AWAY. They want to use it to increase the Asian market share, and they also want to increase the branch line to improve efficiency in the American and European market. Target markets Name: Airbus Company AWAY Boeing Company 747-8 Characteristic: long flight normal airlines/ government

budget airlines/ government/ normal airlines/ personal using all over the world few in the America all over the world but few in Europe Luxury trip normal trip emerging market developed market new customer regular customer Let us see this table.

It shows the characteristic of the target market in both companies. We will see that A 380 fits the high-end market, and Boeing 747-8 is a multi-role aircraft. What is more, Boeing 747-8 which is a classical aircraft can have lots of the regular customers. They just need to keep its feature. On the other hand, because of the global economic crisis, more and more airlines which come from the emerging market want to long distance and high capacity. By this way, it can help them to save cost. At this time, Airbus Co got the AWAY.

And then, AWAY has a huge body that can offer enough space to build some luxury facilities such as fitness, bar and bedroom. It can help filling in the luxury trip blank. Targeting strategy Airbus and Boeing companies all use the differentiated targeting strategy, because both companies are all global companies and they make the different plan in different place. It is better than undifferentiated and concentrated that they can totally control the market. For example, in Asian market, Boeing will recommend the 747-81 which is the fuel-efficient and huge airplane.

But in the American and Europe Market, it will focus on showing the 777 which is the new technology and efficient airplane. On the other hand, AWAY which comes from Airbus Co. Is the key recommendation to some developing countries like China, India and Brazil. What is more, some other size of the

Airbus airplanes such as A320 and A321 still will recommend to the developed countries like America and England. Because some emerging markets like Asia and South America have a large population and huge market potential.

So they will be like large and efficient airplanes. What is more, some developed market like America and Europe, they which have health airline network need to add some branch lines. So the small airplane will be popular in that market. And then let us see a form first. Airbus was never in the corsairs of Boeing. That means, they can promote product in the same place. If you want to buy an airplane, that depends on what size of airplane you like. For example, if you want pick up 500 passengers you only can choose A320, 450-500 passengers 747-8 is your choice.

Positioning strategy From a buyers point of view there are many criteria that apply to buying a new plane from Boeing and Airbus. The main two criteria we chosen are capacity and distance. Because airplane makers like Boeing and Airbus are quite limited. Unlike BBC, in EBB there is very rarely a mass market and Boeing and Airbus are no exception to the rule. The companies targeting is aimed mainly at its existing clients and its profit margins are squeezed by these well knowledgeable clients mainly because they are professionals and know the cost of production for airplanes. Boeing Company, 2013) Short distance and low capacity Boeing: many Because Boeing has 737 Family which are particularly low capacity designed planes, incorporating seating capacities of between 110-189 seats and are also relatively short distance planes. It fits the distance and efficient trip.

Because of the global economic crisis, many airplane companies stood at the brink of bankruptcy. 737 is a good choice for them. Airbus: None Short distance and high capacity: None The market didn't need it. Long distance and high capacity Boeing: some fly from America to Australia without refueling.

Airbus: some It is the same reason. But its product is A320 Family. But a maximum range of its flight is shorter than 777 and 747. Very long distance and ever high capacity Boeing: None Airbus: A320 Because Airbus wanted to increase the market share, so he focused on the long distance market. A320 filled a hole in the market and it can popular in the high-end market. Recommendations Nowadays, many airplane companies stood at the brink of bankruptcy. So saving money is the first demand. Aircraft manufacturers also launched some high efficient airplane like 747-8 and A320.

I think that we already cannot change much about outside but we can change some about inside. For example, all customers sit in the airplane, but we can change the seat design like "standing" seat. What is more, they also can improve the resources utilization rate in order to decrease the price of the airplane. That can help the airline companies to increase the profit. And then Aircraft manufacturers will have a new segment about the

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