

Boeing as stakeholder



At the moment of the turmoil Boeing and Airbus were jointly involved in a visibility study for Very Large Airplanes (VLA is defined as 400 seats or larger in a normal configuration). At the same time Boeing opted out of the feasibility study. This combined with the lack of growth at Airbus generated the "issue" at Airbus Industrie.

In respect to the existing situation Boeing changed its relation with some of the stakeholders, in particular with:

1. Airlines
2. Airbus
3. Airports
4. Governments

Ad 1) Directly after Boeing stepped out of the feasibility study Boeing announced to build a stretch Boeing 747 (momentarily 420 passengers). The stretch 747 would accommodate 490-550 passengers. The big advantage was the fact that Boeing had already demonstrated to be able to build a 747. A big advantage for the airline industry is that many already were using 747, which would lower the operational cost.

Although the stretch 747 "story" decreased the interest in the A380 it became clear that the marketing story of Airbus1 was much stronger. The airlines and airports believed that the hub-hub scenario to be more feasible in the future.

As a reaction from Boeing they announced the Sonic Cruiser. The Sonic Cruiser would have the ability to transport 200-250 passengers in a shorter period of time. The Sonic Cruiser would be able to fly twice a day between Europe and the US or Europe and Asian Pacific, while existing planes where only possible to do it once at the same cost. Most airlines where vary interested, since the speed was done before (Airbus Concorde). The question is if Boeing would be able to design the Sonic Cruiser within all the specifications and keep the cost done. Again this announcement stalled the interest in the A380. Again Airbus was not convinced about the Boeing plans and kept on designing the A380 and attracting launch customers. The main reason the airline industry kept skeptical towards the Sonic Cruiser is the efficiency (also compared to the A380), environmental issues and technical feasibility.

Last year Boeing cancelled the development of the Sonic Cruiser, which boasted the interest in the A380 even though the airline industry was hit hard by the terror attacks and the economic downturn. Again Boeing announced a new strategy a wide body 747 (called 7E7), but this time with less passengers, but an significant decrease in operating cost Again the Airline industry is looking very carefully to this development, but with much more trust that Boeing can make that plane. It is the best announcement they could do, it hurts Airbus in their current successes, while Airbus does not have the financial strength to build a new product in that same segment, because of their investment in the A380.

Ad 2) The relationship between Airbus and its owners became less friendly. During the feasibility it appeared that Boeing was stalling the process and

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was only interested to research a VLA with a capacity of over 600 passengers. This last point is clearly to defend their 747 market. After the brake up Boeing was stalling and delaying all projects they were working on in conjunction with Airbus and Airbus parents both for the commercial as defense market.

Once Airbus decided to build the A380 and the board approved the investment Boeings knew Airbus was going to go forward with the A380 and adjusted their attitude towards Airbus parents. Today they even are bidding together with BAE against Airbus to win a bid from the US government to supply tanker airplanes for the military.

Ad 3) The relationship between the airports and Boeing did not change much. As mentioned in the midterm presentation Airbus did not handle the stakeholder relationship with the airports very well. Boeing used this by not addressing the weaknesses of the A380 in relationship with the airports. They did not want to wake up Airbus. Now that Airbus is catching up by providing informing to the airports and involving the airports in the design of the A380, Boeing is targeting them with advantages of the new 7E7 and their view of traveling. It is essential, specifically for Airbus, that there is enough room at the different airports to handle enough A380 airplanes. Airports have only limited expansion options and if they expand to handle more flights (Boeing model) they can't expand to handle larger planes (Airbus model). This is specifically valid for existing airports.

Ad 4) For both Boeing and Airbus the different Governments (specifically the US and European Union) are very important stakeholder. Since the " issue"

Boeing has pushed the US Government to support them to attract more defense orders. Boeing used the subsidy the EU provided to Airbus (\$2.1 billion or about 23% of the development cost) as a major issue of unfair trade towards the US government. The 23% is still within the 30% launching aid allowed by the WTO. There are economic and defense reasons for the US government to support Boeing. The US government has never bought one plane from Airbus and is still reluctant to do so. In many instances Airbus is not even allowed to bid for a project, like the tanker bid mentioned earlier. Due to some (potential) irregularities and political pressure from the Hill the tanker lease that Boeing signed with the Defense department has put Boeing in a difficult situation. If congress decides that the leasing option of Boeing is not supported, the bid for the tankers will be opened up again and that will provide Airbus with the option to enter.