Which Airline Manufacturer Will Be The Industry Leader In 5 Years – Boeing Or Airbus?

David Burdick & Joseph DiPonzio
Outline

• Introduction
  • Brief overview of Boeing & Airbus

• Method
  • 5 Forces
  • SWOT Analysis
  • Key Financial Statements
  • Weighted Evaluation Matrix

• Conclusion
Boeing

• Founded: July 15, 1916
• Operates in 70 countries
• Headquarters: Chicago, Illinois
• Employees: 171,700
Airbus

• Founded: December 18, 1970

• Operates in Europe, Africa, the Middle East, Asia-Pacific, and Americas

• Headquarters: Blanca Cedex, France

• Employees: 52,500
The Five Competitive Forces

• Rivalry
  • Strong

• Power of buyers
  • Moderate

• Power of suppliers
  • Moderate

• Threat of substitute products
  • Weak

• Threat of new entrants
  • Weak

Boeing Co, 2011
SWOT Analysis (Strengths)

**Boeing**
- Many business segments have strong market position
- Strong R&D focus
- Operational performance increase

**Airbus**
- Broad product portfolio and diversified customer base
- Strong support from parent company

(Marketline, 2013)
SWOT Analysis (Weaknesses)

**Boeing**
- Some business segments have sluggish performance
- Highly dependent on the US government contracts
- High reliance on subcontractors and suppliers

**Airbus**
- Manufacturing defects in Airbus A380 engines
- Supply chain is complex

(Marketline, 2013)
SWOT Analysis (Opportunities)

**Boeing**
- Increasing demand for commercial airplanes
- Increase in defense spending in China and India
- Strategic acquisition of Solutions Made Simple

**Airbus**
- Increasing demand for commercial aircraft
- Increase in defense spending in China and India
- Growth through acquisitions

(Marketline, 2013)
SWOT Analysis (Threats)

**Boeing**
- Intense competition in the jet aircraft market and the airline industry
- Risks concerning labor issues

**Airbus**
- Intense competition in the jet aircraft market and the airline industry
- Weak economic outlook for the US and Europe

(Marketline, 2013)
Key Financial Statements

**Boeing**
- 2010 Net Income of $3.3 billion
- P/E: 17.53
- Current Share Price: $79.39
- Operating Margin: 7.31%
- Net Profit Margin: 5.14%

**Airbus**
- 2012 Net Income of $1.47 billion

Boeing Co, 2011 uk.reuters.com
# Weighted Evaluation Matrix

<table>
<thead>
<tr>
<th>Critical Success Factors</th>
<th>Weight</th>
<th>Rating</th>
<th>Boeing Weighted Score</th>
<th>Rating</th>
<th>Airbus Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>0.15</td>
<td>5</td>
<td>0.75</td>
<td>4</td>
<td>0.6</td>
</tr>
<tr>
<td>Product Diversity</td>
<td>0.2</td>
<td>4</td>
<td>0.8</td>
<td>4</td>
<td>0.8</td>
</tr>
<tr>
<td>Aesthetics</td>
<td>0.05</td>
<td>4</td>
<td>0.2</td>
<td>4</td>
<td>0.2</td>
</tr>
<tr>
<td>Brand Name</td>
<td>0.3</td>
<td>5</td>
<td>1.5</td>
<td>4</td>
<td>1.2</td>
</tr>
<tr>
<td>Price Competitive</td>
<td>0.05</td>
<td>4</td>
<td>0.2</td>
<td>5</td>
<td>0.25</td>
</tr>
<tr>
<td>Market Share</td>
<td>0.15</td>
<td>5</td>
<td>0.75</td>
<td>3</td>
<td>0.45</td>
</tr>
<tr>
<td>Product Quality</td>
<td>0.1</td>
<td>4</td>
<td>0.4</td>
<td>4</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1</strong></td>
<td><strong>4</strong></td>
<td><strong>4.6</strong></td>
<td><strong>4</strong></td>
<td><strong>3.9</strong></td>
</tr>
</tbody>
</table>
Conclusion

- Boeing will most likely be the industry leader in 5 years
- Strong future growth
- Heavy backlog of orders
- Diverse product line
- 97 years of experience
Questions?