

CASE STUDY: The macro environment of Airbus Industrie and the A380

Airbus began life in the 1960s as a complicated joint venture supported by various European plane makers and their respective governments, led by the French.¹³ It was a political project in so far as Europe feared the near-monopoly in passenger aircraft of US Boeing Corporation. Airbus saw potential for a twin-engine passenger aircraft, smaller and more fuel-efficient than the large, wide-body 747 'Jumbo' that Boeing was developing. The Airbus A300 first flew in October 1972. After a slow start, demand accelerated and A300 expanded into a series of aircraft. Airbus' success forced Boeing to develop the rival 777 twinjet, yet by the early 1990s Airbus was winning as many orders for new aircraft as Boeing.

In 2000 Airbus became a conventional share-based company owned 80% by the European Aeronautics Defence and Space (EADS) company¹⁴ and 20% by British BAE Systems. It immediately decided to develop a 'Superjumbo', the A380, with the potential to carry up to 850 passengers, depending on internal seat layout. In 2006 EADS became the sole owner of Airbus. The A380 made its first commercial flight in 2007. Capable of flying over 8000 nautical miles without refuelling, the A380 would be ideal for long-haul passengers and freight applications. By 2009, A380 production was several years behind its contracted delivery schedule and some airlines cancelled their orders. The survival and future success of Airbus, including the employment of 57,000 people at 16 sites in France, Germany, UK and Spain, depended critically on A380 meeting its sales targets over the medium and longer term.

Airbus and Boeing focus on medium- and long-haul jet aircraft with 100+ seats. They sell to airlines and leasing companies. High profile international airlines like British Airways, Virgin and Emirates buy and lease aircraft from Airbus and Boeing. No-frills (budget) airlines like easyJet, Ryanair, and JetBlue buy new aircraft, while other airlines constitute a substantial second-hand market. Leasing allows airlines to limit their capital investment in aircraft and provides flexibility to increase or decrease fleet numbers in line with demand. Private corporations and travel firms also use short/medium term leasing for charter flights.

Aircrafts have long lives (25+ years), but need very costly, regular maintenance. Many spend parts of their lives 'mothballed' waiting for a new operator to lease or buy them. The cycles of economic activity make demand for new aircraft volatile – new aircraft compete with pre-used ones whose lease costs are lower.

Each new aircraft type tends to be quieter, more fuel efficient, reliable and have lower maintenance costs than its predecessor, giving airlines the incentive to update their fleets. But the cost of developing a new aircraft is huge. In future any serious competition for the Boeing/Airbus duopoly will come either from an integrated Russian aircraft corporation or the Chinese. All of the contenders make military as well as passenger aircraft. Various other companies make smaller passenger aircraft (jets and turboprops) with up to 100 seats; executive jets typically with up to 10 seats; and propeller-driven light aircraft with six seats or fewer. Turboprop aircraft are ideal for regional (inter-city) air transport, being fuel-efficient, generally quieter and needing shorter runways than jets to take off and land.

Questions

1. Using the above study and additional recent, relevant data sources, use the ScanStep® worksheet to analyse the macro environment that Airbus faces, with particular reference to issues that may affect the A380.
 2. Assess which of the issues identified represent the most positive and most negative influences on Airbus. Reflect on the impact-probability profiles of these issues.¹⁵
-