

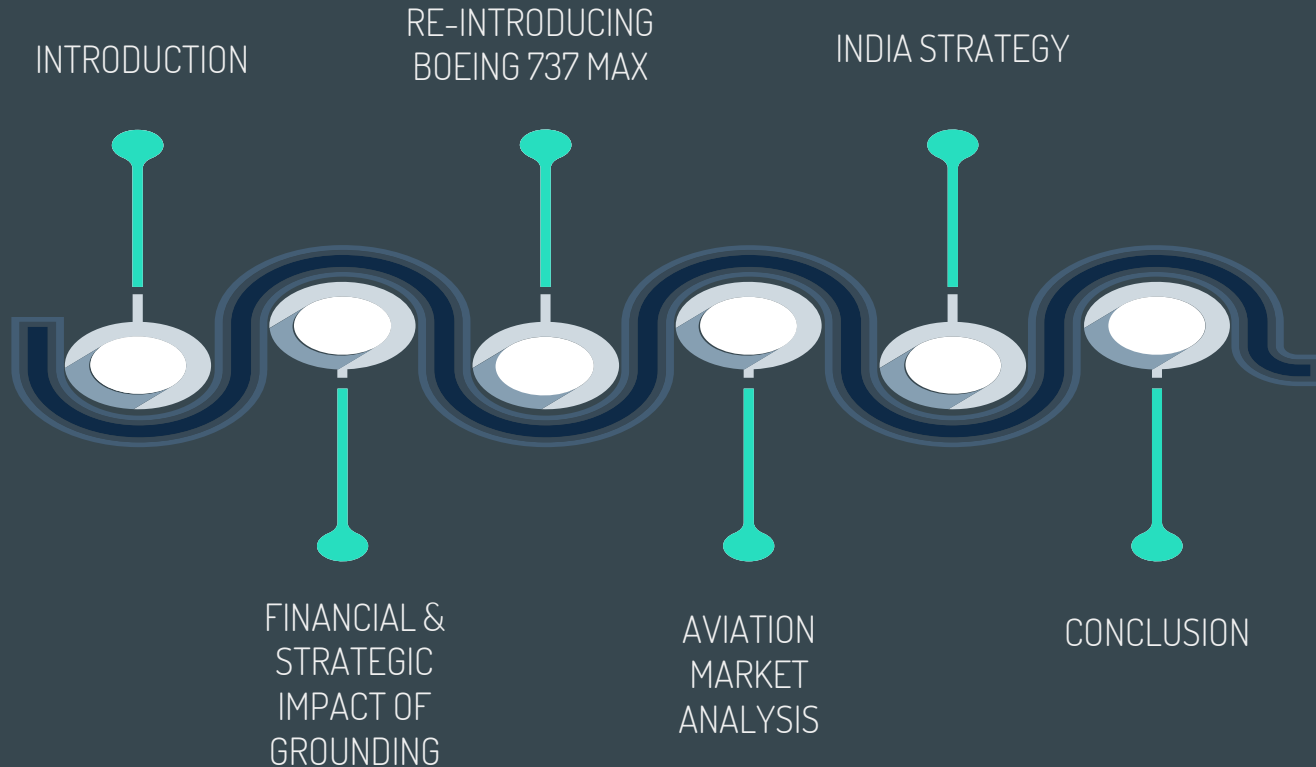


# WE ARE BOEING..

THE FUTURE IS BUILT HERE

A CASE STUDY BY KUMAR SHIVANG

# CONTENTS OF THIS PRESENTATION



# FINANCIAL & STRATEGIC IMPACT



# FINANCIAL IMPACT



## COMPENSATION

Boeing announced that it set \$5 billion one time costs to compensate for airlines' disruptions due to grounding.



## STOCK PRICE

Stock price of Boeing dipped from \$440 to \$340 but is expected to come back to normal because of the company's strong fundamentals in the earlier quarters.



## CASH FLOWS

The operating cash flow for Boeing was negative \$2.4 billion in Q3 2019 as against \$4.6 billion in Q2.



## CANCELLATIONS OF ORDERS

No new orders were received after the grounding and above 90 aircrafts were canceled.



## INVESTIGATIONS

Boeing factories sitting empty during investigations adds to the losses of Boeing.



## ADVANTAGE TO COMPETITORS

Airbus has a significant advantage over Boeing with its market share increasing to a great extent.

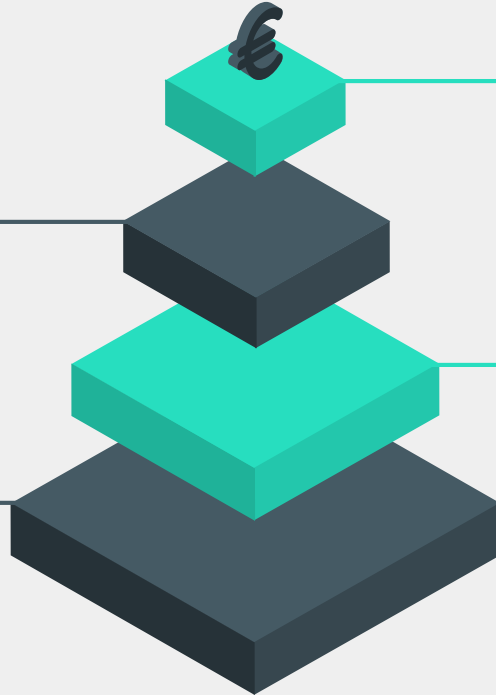
# STRATEGIC IMPACT

## CONSOLIDATION OF AIRBUS MARKET

SpiceJet and other airlines have no option but their biggest competitor, Airbus, who'll happily welcome more aircraft orders.

## LOSS OF BRAND VALUE

There has been an air of mistrust with common people and loss of Brand value of Boeing after the crashes.



## FIRING OF CEO

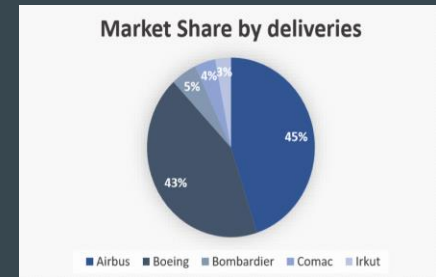
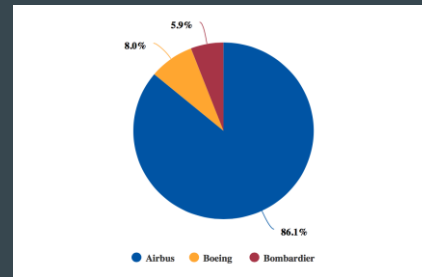
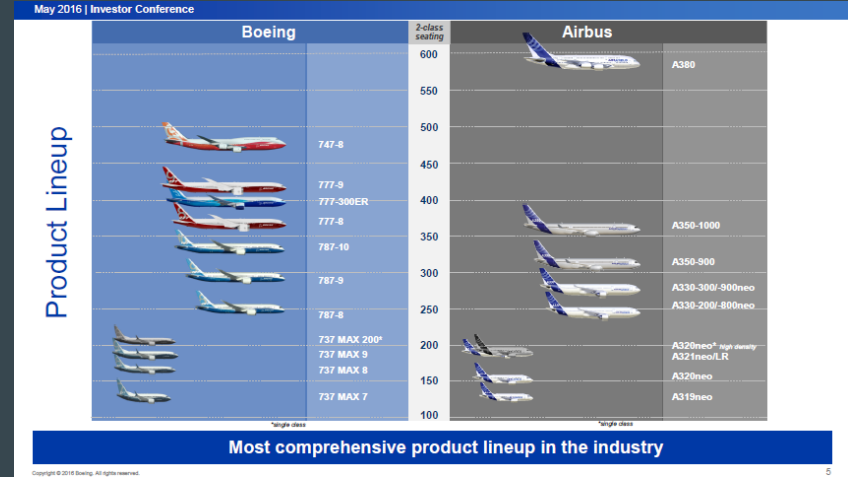
Dennis Muilenberg was fired after grounding in an attempt to minimise strategic and brand-related damages.

## DIVERSION OF SOURCES

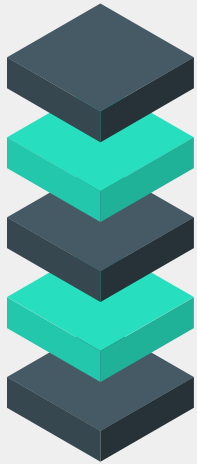
As of Nov'19 all the resources of Boeing had been allocated to solving the problem with 737 Max, causing the R&D and production units to shift to a lower gear.

# COMPARISON BETWEEN AIRBUS AND BOEING.

- The grounding of Boeing 737 Max paved the way for the Airbus A320 to capture majority of the market share in the aviation market. Several airlines such as American Airlines, JetBlue Airways, United Continental and the International Airlines Group.
- Boeing at present does not have a new medium-distance aircraft as opposed to the ever efficient A220 by Airbus. With the increasing demand for their higher-priced wide-body jets that can fly longer distances has slowed the most, as carriers opt for nimbler, fuel-saving planes that can fly travelers on ever-longer nonstop flights.
- The brand value of Airbus has been adversely affected due to the grounding of 737 Max. This is favorable for Airbus.
- Airbus uses the more techno-savvy “fly by wire” technology which is more advanced than the very conventional ones used by Boeing aircrafts. This gives an edge to Airbus with respect to technological advancements.
- Boeing diverted it's resources towards fixing the problem at hand giving Airbus an opportunity to come up with newer advancements in the mid sized aircraft market.



# PORTFOLIO COMPARISONS



- Currently, Airbus has an advantage over Boeing in the aviation industry.
- Airbus has consolidated its position in the commercial as well as defence aviation market.
- Boeing's expertise spans a broad range of products in defense. Fighter jets, rotorcraft, embedded product support, cybersecurity products, surveillance suites, advanced weapons, missile defense and commercial aircraft derivatives all fit in Boeing's portfolio.
- Boeing also produces turbine engines, rockets and missiles.
- Thus the overall portfolio of the company is bigger than Airbus.

## NARROW BODY AIRLINE PORTFOLIO COMPARISON

1. The Aircrafts produced by Airbus are technologically more advanced than Boeing, the fly by wire technology being and the good quality surveillance systems being the most prominent examples in narrow-body airliners.
2. Airbus is known for its employer happiness. This along with its trustable brand name are its important non-tangible assets.
3. With some of the orders of Boeing to be given to Airbus,  
We can conclude that the current portfolio of Boeing is not competitive with Airbus' portfolio.

# RE-INTRODUCTION OF BOEING 737 MAX



01

Renaming of B737 MAX to “X” and adding some few additional features so it technically isn’t “B737 MAX” anymore.



02

Extensive Marketing of the newly named Aircraft.



03

Proper checking of the safety measures and implementing advanced technologies in the aircrafts



04

Deliver this X in place of all undelivered B737 MAX.



05

Lowering price for the initial number of 150 airplanes(15% less price), it is difficult to change from Boeing to Airbus or vice versa due to different storage, training of crew, technical details.



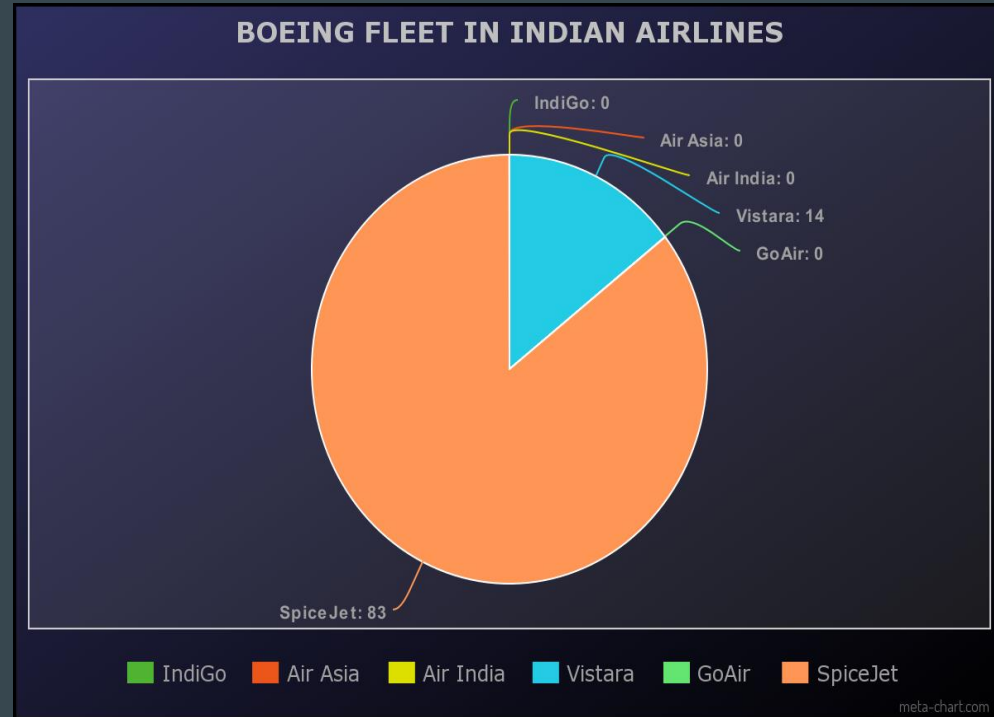
06

Acquiring or making a deal with a competitor company(e.g. Bombardier) to sell our aircraft on their name. This step adversely effects brand name but will pay off debts.



# INDIAN SKY PENETRATION – NARROW BODY SEGMENT

- Step 1: Target the 100-150 people segment extensively, as this segment was previously ignored by both the giants, B737 MAX 8/9 are the aircraft in this segment(Apply the previous slide strategy).
- Step 2: Setting up manufacturing units in India to increase withhold on the aviation sector as this makes the delivery channels more cost efficient.
- Step 3: Employ an Aircraft Rental Scheme(Details on next slide).



This shows that SpiceJet is the major customer of Boeing in India

# AIRCRAFT RENTAL SCHEME (ARS)

- Narrow-Body: B737 MAX 8/9.
- Wide-Body: B787-Dreamliner, B777X.
- **2 packages: Monthly and Yearly.**
- Monthly: 1% of plane price.
- Yearly: 10% of plane price.
- For Bulk order(>20 orders of a specific model).
- Monthly: 0.7% of plane price.
- Yearly: 7% of plane price.

NOTE: This doesn't include fuel charges





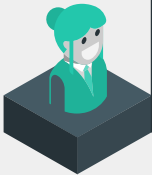
# SEGMENTATION ACCORDING TO AIRCRAFT CAPACITIES

## LESS THAN 150

Airbus: A319 Neo, A220

Boeing: None

Clearly, Airbus is the market leader in this category



## 150 TO 300

Airbus: A320 Neo, A321 Neo

Boeing: B737 MAX 8, B737 MAX 9

Stiff competition before the grounding of Boeing flights



## 300 TO 350

Airbus: A330 Neo, A350

Boeing: B787 Dreamliner

There is stiff competition with Boeing having the edge because Dreamliner was released 4 years prior to its counterpart.

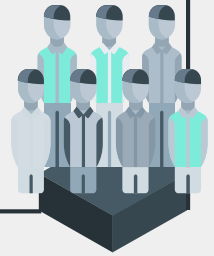


## ABOVE 350

Airbus: None

Boeing: B777 X Series

Clearly, Boeing is market leader in this category





## CAPACITY: 100-150

- Rising demand in India due to increasing number of airports and rise of point to point model of airline operation. 85% to 95% increase in number of airports is expected by FY40. Smaller narrow body aircrafts have lower operating costs and are easier to fill on regional routes.
- Airbus is leading the market with it's A220 series, A319 neo and A320 neo. Boeing does not currently have any aircraft in this segment.
- Boeing does not currently have any aircrafts in this passenger capacity and needs to catch up to Airbus. Boeing can do this by acquiring the E190/E195 from Embraer or the MD – 80 series from McDonnell Douglas.

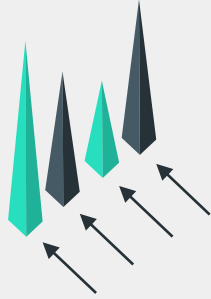
## CAPACITY: 150-300

- Narrow Body Aircrafts that can fly short as well as medium range routes with optimum efficiency are experiencing increasing demands in most parts of the world due to rapid urbanization, increase in tourism and increased consumer predilection for air travel combined with the fuel efficiency and higher sustainability of narrow body aircrafts.
- After the demise of Boeing's 737 Max 8/9 Airbus is leading the market with A321 neo.
- Boeing has an urgent need to either successfully manage to re-introduce its 737 (if regulators reinstate its fly worthiness) or begin with the production of a new narrow body aircraft to survive as a major player in the aircraft industry.

## CAPACITY ABOVE 300



- Wide Body Aircrafts are used for long haul and ultra long haul flights.
- Airbus has A330 neo and A350 with capacity 310 and 315 while Boeing is leading in this segment with its B787 and B777 series with capacity 304 and 368. A350's first flight came almost 4 years after Boeing 787's first flight.
- Boeing currently faces no major competition in the >350 segment.
- Introduction of B777X, an upgrade over the B777 series will further help Boeing consolidate its position in this segment.



## ANALYSIS

### ❖ Why Indian Airlines are reluctant to fly foreign routes ?

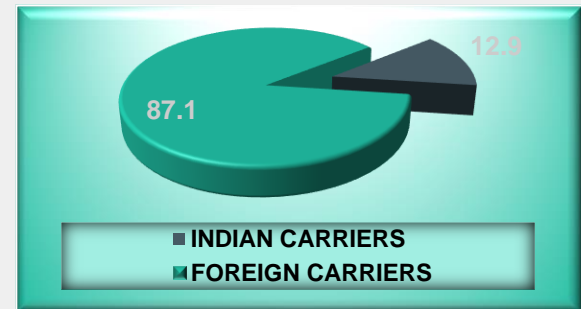
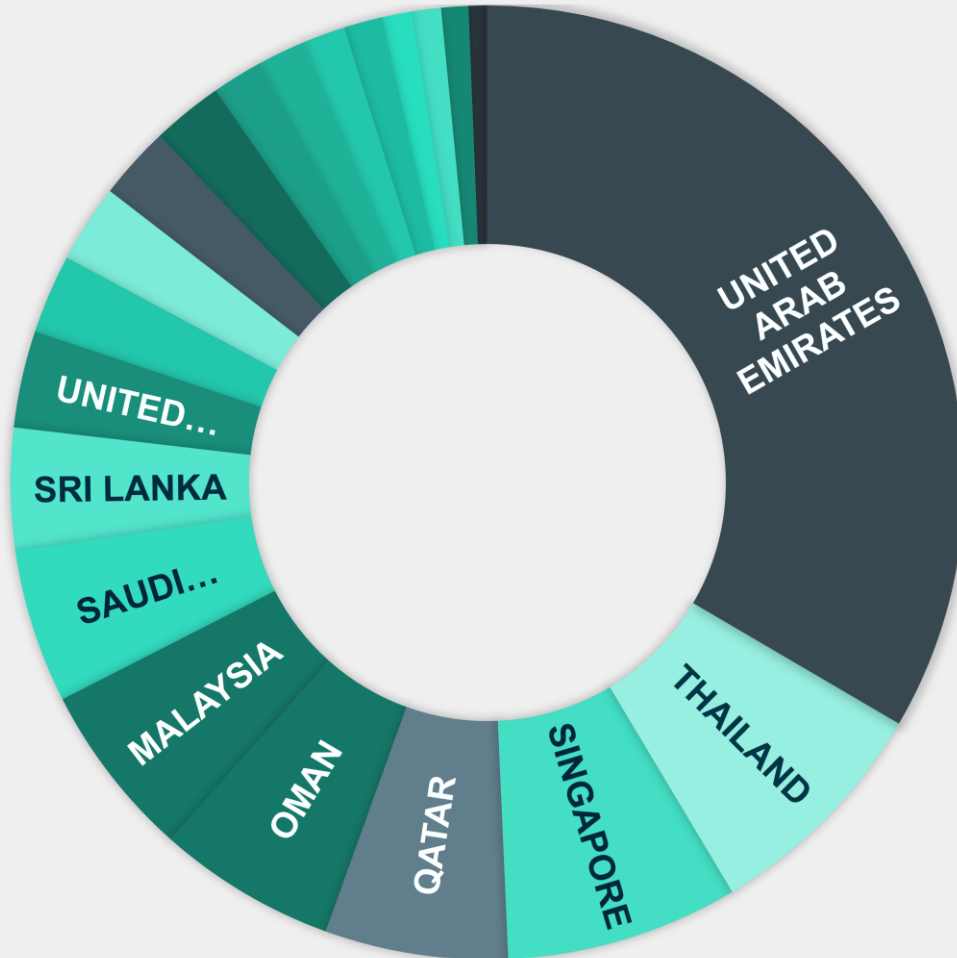
1. Indian flights have approximately half the passenger capacity of their fellow International counterparts.
2. High gestation costs to countries where the demand is not very high.
3. The 5/20 rule which allows only those Indian airlines which have a 20-aircraft fleet and have operated in the domestic sector for five years to fly abroad.

### ❖ How to capitalize on this opportunity?

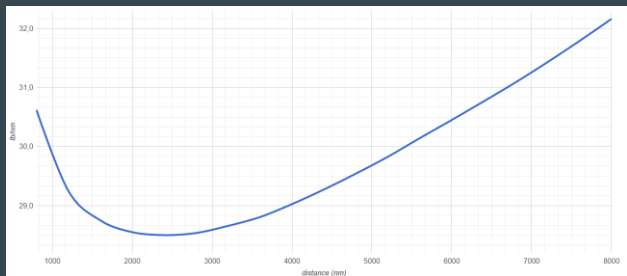
1. Segmenting the aircraft variants, to compete with the larger Aircrafts, the Indian Airlines need to invest in wide-body aircrafts with capacity of >350 people.
2. To avoid the problem of gestation costs target the countries with greater amount of traffic first. Then as the company and demand grows, the airlines can add routes accordingly.

## INDIA STRATEGY

- The most number of International flights from and to India are from UAE, Singapore, Thailand, Oman and Qatar.
- These countries are likely to contribute towards the most international traveler demand.



# STARTUP AIRLINES



- The above diagram is of fuel needs of planes with increasing distance.
- Accordingly, the maximum efficiency is at the point of confection.

- The international aircraft variants should be broadly of two-types:
- Boeing 787-9 for long haul flights.
- Airbus A320 for medium haul flights.

Variant	Fuel consumed /100 km/seat	Capacity	Units sold (firm orders) *
A330 neo	2.42 L	310	299
B 787	2.37 L	304	425
A 350	2.39 L	315	147
B 777	2.68 L	368	500

Variant	Fuel consumed/100km/seat	Capacity
A319 neo/ A320 neo/ A321 neo	1.95 L	136/150/180
A 220 300	1.85 L	135
737 MAX 8/ MAX 9	2.02 L	162/180



# CONCLUSION

- The financial and strategic impacts of grounding Boeing 737 Max and change in Dynamics between Airbus and Boeing was analysed.
- In the narrow-body segment, grounding of 737 Max and the technological soundness of Airbus A220 have given a boost to Airbus
- The current portfolio of Boeing with respect to narrow-body airliners is not competent with that of Airbus.
- To re-introduce Boeing, the company can start by changing the name of the new Boeing as well as the improved MCAS and deliver the new and improved plane to all the airlines who were affected by the groundings.
- It should implement better surveillance and precautionary measures in the new models of the aircraft.
- The new aircraft should be extensively marketed.
- Striking deals with its competitors.
- Boeing could acquire aircrafts from competitor companies like how Airbus acquired A220 from Bombardier.

## CONCLUSION

Segmenting the market into 4 parts according to Aircraft capacity:

- Boeing can consolidate themselves as market leader in the 350+ capacity market.
- Boeing has stiff competition on the 150-300 and 300-350 passenger capacity market, with Boeing having an edge in the latter segment while Airbus leading in the first after the grounding.
- Boeing is far behind its competitor Airbus in the narrow body or 100-150 seater aircrafts.
- International travel with India as starting or ending point is most contributed by UAE, Thailand, Singapore, Qatar, Oman.
- A new airline should focus on fixing route with maximum air-traffic so that airplanes don't fly empty.
- As demand is shifting to smaller fuel efficient aircraft, companies should accelerate their production.
- For startup airlines focusing on International travel, Boeing Dreamliner 787 should be a prime choice.



THANKS

