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Airbus and Boeing: The Fight for Hegemony

“Great, I’m glad that we could come to an agreement,” said Louis Gallois, President and CEO of Airbus, speaking into his phone. “The A350 is a world airplane and we are confident that this product will deliver.”

Gallois hung up the phone and breathed a sigh of relief. He had just rescued a \$16-billion order from Qatar Airways for 80 A350 planes to beat out a possible poach by Boeing. Competition between the two companies had been fierce over the past few quarters with each rival competing for every order as if its corporate life depended on every win.

After many years of relatively stable competition, where each rival focused on different segments in the commercial aircraft market, the situation changed dramatically. In 2000, Airbus had announced the A380 – the world’s largest commercial aircraft – aimed at ending Boeing’s dominance of the large aircraft segment with its best-selling 747. Boeing had responded in 2001 by announcing an all-new 787 long-range jet, designed to be the most fuel-efficient jet in the world and to attack Airbus’ traditional strength in mid-size, long-range jets. The 787 had experienced recording setting pre-launch sales. Airbus, pushed back on defense, launched a newly designed A350 to compete with Boeing’s 787. By late 2007, Airbus and Boeing were competing head to head across all segments.

In the early years of the 21st century, the industry had lurched from crisis to crisis—with first one rival innovating and inching ahead, then the other responding and retaking the lead. In the midst of this industry turmoil, Airbus had transformed itself from a consortium of government-affiliated firms to a joint stock company (EADS).

Airbus experienced a rough 2007—a competitive onslaught from Boeing, delays with product launches, a newly launched restructuring program named Power8, and mounting political pressure. Gallois had been CEO for less than a year, but he already felt like a veteran in his role. These were the immediate concerns, but he also believed that Airbus needed a new business model for the future, and he was committed to positioning the company for success. He wanted to make sure that short-term tactics did not adversely affect the long-term structure of the industry.



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