



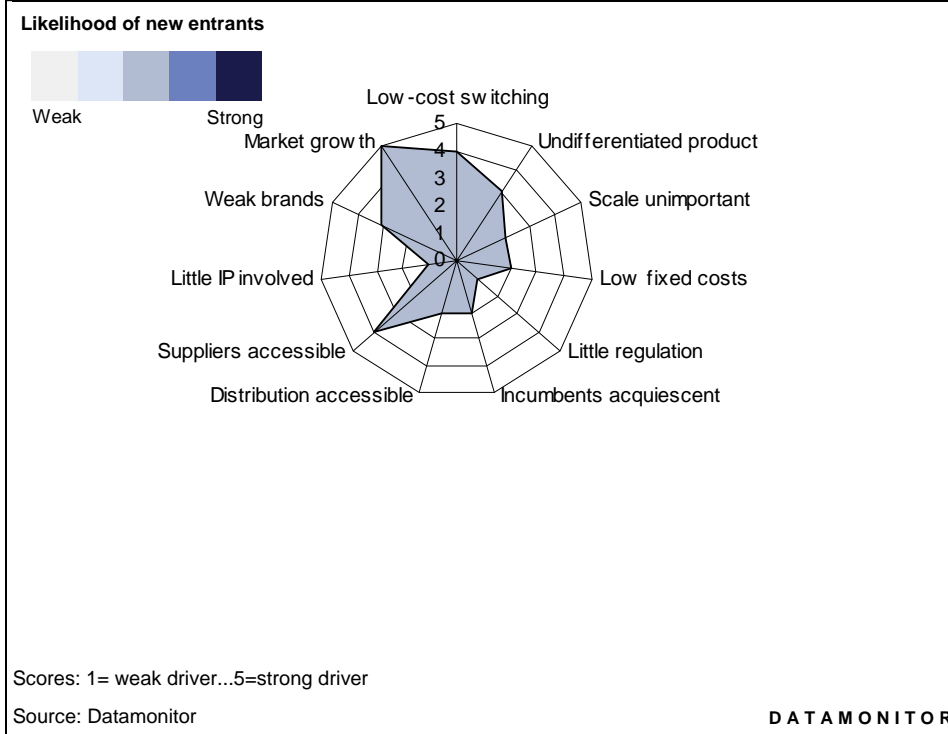
# **Aerospace & Defense: Global Industry Guide**

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**New Entrants**

**Figure 19: Factors Influencing the Likelihood of New Entrants in the Aerospace & Defense Market in Asia-Pacific, 2008**

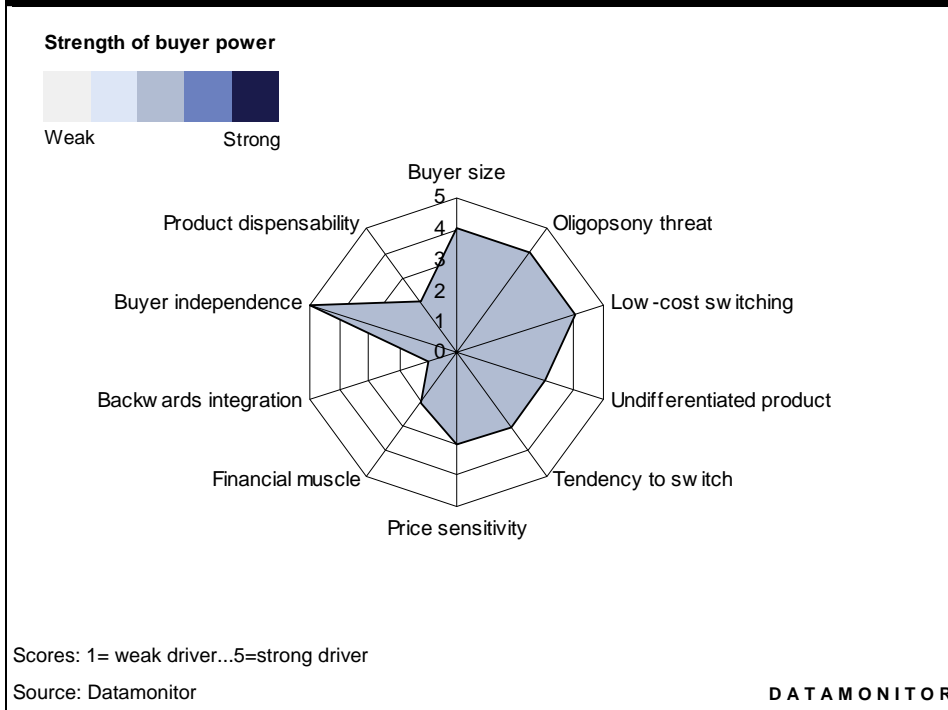


Entering the aerospace and defense market is extremely problematic. Most companies need to enter the market as large scale integrated companies in order to effectively compete against incumbents, most of whom are established names. The business model typical of the market also requires large amounts of capital outlay in terms of materials needed, storage and transportation and so on. Expertise and knowledge is crucial to the success of companies, as the work is highly specialized. Companies in the industry are obliged to adhere to strict regulations involving national security, accounting rules and safety requirements. Furthermore, increasing fears about global warming are leading to a focus on reducing emissions with many firms having to re-design and adjust the way they manufacture products.

Successful entry to the market is most likely to be achieved if an existing company with similar properties (i.e. engineering) diversified into the market. The steady growth of the market makes it more attractive to new entrants, particularly in the Asia-Pacific region where there is more potential for future growth. Overall the threat of new entrants is weak.

**Buyer Power**

**Figure 50: Drivers of Buyer Power in the Aerospace and Defense Market in Germany, 2008**



Players in this market include manufacturers of aerospace and defense equipment, products and systems. The buyers in this market are defined as government organizations, the military, airline companies and space programs such as NASA. In the commercial aircraft sector, two companies, Boeing and Airbus, hold a near duopoly on the market. As a result switching costs for buyers in the market may be negligible. However recent setbacks for Airbus with its A380 aircraft which has experienced production problems leading to delays in its launch, has caused some buyers to switch their allegiance to Boeing aircrafts. Further the two companies often produce slightly differentiated offerings instead of competing head to head. Although more manufacturers exist in other aerospace and defense sectors, consolidation has led to increasingly small numbers of players.

**Table 42: Japan Inflation, 2004-2008**

Year	Inflation Rate (%)	% Growth
2004	-0.1	
2005	-0.3	
2006	0.3	
2007	0.1	-56.70%
2008	0.5	292.30%

Source: Datamonitor

DATAMONITOR

**Table 43: Japan Exchange Rate, 2004-2008**

Year	Exchange Rate (\$/Ja¥)
2004	0.00924
2005	0.00908
2006	0.0086
2007	0.00849
2008	0.00849

Source: Datamonitor

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