



Aerospace & Defense

Achieving program excellence

by Olivier Saint-Esprit, Partner

“ *Actors need to reduce significantly their non-recurring costs to capture the growing demand.* ”

This year was a record year for the industry regarding commercial aircraft deliveries and global military expenditure, and this trend of growth is expected to continue for the coming years.

Manufacturers and suppliers had to face significant ramp-up in production. Some suppliers have struggled in this challenge leading to supply chain interruptions for the OEM.

In addition to this increase in production volume, we see a shift with development costs of programs now only being supported by suppliers and not OEM.

Therefore, suppliers need to radically reduce non-recurring costs to survive, notably by deploying innovative developments (e.g. platforming,

modularization) and leveraging on synergies between them (e.g. re-use). In the Defense sector, heightened global tensions and geopolitical risks, recovery in the US defense budget, and higher defense spending by major Asian powers are expected to drive global defense sector growth.

However, French DGA is under pressure and tends to minimize investments. To offset this lack of investments, French actors need to rely on exports to find new sources of revenues to fuel their new developments.

Finally, although technology is nothing new to the industry, players have to deal with disruptive technological breakthrough (e.g. big data, AI, deep learning, blockchain) and play defensive against potential digital new comers.



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Perspectives

First, French actors have to improve their competitiveness, notably by reducing their development costs (usually representing more than 50% of the total costs of a program) and accelerating their time-to-market in order to address international markets.

To achieve this goal, they must strengthen their Project Management to minimize drifts in costs and planning, by combining Lean with Agile approaches.

Moreover, manufacturers and suppliers in the industry will have to adapt to new ways of certifying an equipment. Certifications by proof, which has historically been a strong barrier to enter the market, are being challenged by massive experimentation and simulation logics arising from the automotive industry.

Finally, manufacturers and suppliers need to take up the challenge of Autonomy.

Development costs represents more than 50% of total costs of a program.

Strategy wise, as today's "platform-based"- will evolve into "service-based" business models, offering additional business potential and changes in revenue streams and share, players need to reinvent their business models to make the most of this opportunity.

We see historical established aero players being endangered by aggressive new comers, both from Digital industry leveraging on data gathering, fusion and cybersecurity competencies, and from Auto industry leveraging on more and more complex technologies with much higher volumes and lower costs (e.g. lidar, radars).

2020-2030 Challenges

AIRBUS

2017 

2018 

800 deliveries of airliners (vs. 718 in 2017)



2017 

2018 

806 deliveries of airliners (vs. 763 in 2017)