



Karate-Kicking Airbus Executive Unlocks Boeing's Grip on Japan

By Andrea Rothman and Kiyotaka Matsuda - Mar 8, 2011

Stephane Ginoux, Airbus SAS's head of Japan, is taking the endurance and Zen calm that he gained as a master of martial arts to the planemaker's toughest market.

The 43-year-old Frenchman was deployed by the Toulouse, France-based aircraft maker less than a year ago to chip away at the dominance in Japan that [Boeing Co. \(BA\)](#) built up over six decades. While Airbus leads its rival globally, the European company has a market share of less than 5 percent in Japan, the world's third-largest economy after the U.S. and [China](#), and home to Haneda Airport, the fifth-busiest airport globally.

Boeing's stumbles on its 787 Dreamliner jet, now three years behind schedule, will drive Japanese customers to Airbus and help win the endorsement of local subcontractors that traditionally shunned Airbus as the risky upstart, Ginoux said. His first success was to sell four A380 superjumbos to Japanese discount carrier [Skymark Airlines Inc. \(9204\)](#) last month.

"Clearly I think we can aspire to a bigger role in Japan," Ginoux said in an interview earlier this month. "You can't be in a rush, you have to be available, keep your promises to build confidence. In Japan, one is judged for duration; being brilliant for a year doesn't work."

'Only Failure'

Japan remains an anomaly for Airbus, which leapfrogged Boeing in global deliveries in 2003 and has held that lead every year since. Sales Chief John Leahy called Airbus's shortcomings in Japan "my only failure," and Chief Executive Officer [Tom Enders](#) said last month he's been "frustrated" with business in the country. Airbus is a unit of European Aeronautic, Defence & Space Co.

Boeing's ties to Japan stretch back to the country's post- World War II reconstruction, and local manufacturers have traditionally played a major role on aircraft for the Chicago- based company.

Japanese companies designed and supplied 35 percent of the structure of the 787, with [Mitsubishi Heavy Industries Ltd. \(7011\)](#) supplying the wings and [Kawasaki Heavy Industries Ltd. \(7012\)](#) and [Fuji Heavy Industries Ltd. \(7270\)](#) building part of the front fuselage section and center wing boxes.

The record level of work for Japanese suppliers coincided with Japan's airlines being among the Dreamliner's top clients. All Nippon Airways Co. placed the first order for the model in 2004, for 50

planes, and Japan Airlines Corp. ordered 35.

Deep Ties

“We are proud of our long and deep ties with Japan,” said Mike Tull, a Boeing spokesman, in an e-mailed statement. “It’s natural that competitors would target this important market and gratifying that they’re emulating our model of partnership to achieve some successes.”

The three Japanese contractors also supplied 20 percent of parts for Boeing’s 777 in the early 1990s and 15 percent on the earlier 767. Japanese airlines were major customers for both.

“During the decades after the postwar occupation, the U.S.-Japanese ties have remained very strong,” said Bertrand Grabowski, the board member in charge of aviation at DVB Bank in [Frankfurt](#). Bringing change will be “very difficult,” he said.

Ginoux is well-versed in the ways of Japanese business. He has lived in the country for two decades after moving at the age of 25 at the behest of the French Ministry of Finance. Before becoming head of Airbus Japan last July, he was chief of EADS’s Eurocopter business in Japan, a post he still occupies. He logs long office hours, often past midnight. In his scarce free time, Ginoux practices judo and karate, where he holds the black belt, and explores remote Japanese islands, he said.

‘Mature Market’

Japan is the seventh-largest market for international travelers worldwide, according to the [International Air Transport Association](#). Airbus on March 7 raised its demand forecast for the Asia-Pacific region, set to be the biggest market for [air travel](#), as economic growth stokes business and leisure flights.

Airbus under Ginoux is aiming for a 20 percent market share with Japanese airlines in the first five years of his tenure, and 50 percent over the long term to match Airbus’s global presence. On the industrial side, Ginoux aims to increase Japanese content on future planes to as much as 20 percent.

“Japan is a mature market with lots of people who fly regularly, with lots of disposable income to fly, plus it’s one of the next arenas for low-cost carriers,” said Paul Sheridan, an analyst at London-based aviation consultant Ascend.

Airbus had asked Japanese companies some years ago to join as risk-sharing partners on the A380 superjumbo and offered an 8 percent share of the plane. Its overture was largely spurned, with companies there taking up less than 4 percent of the work.

Airbus Suppliers

Still, the European company has managed to recruit some Japanese suppliers, including Mitsubishi Heavy, which makes lower-deck cargo doors for the A380, the Japanese industrial group's only Airbus airframe program. [Jamco Corp. \(7408\)](#), a Tokyo-based aircraft components maker, manufactures vertical stabilizers.

"We expect Airbus to use more of our products and more Japanese products from other makers as well," said Yuzuru Funahashi, Jamco vice president.

[Teijin Ltd. \(3401\)](#), which makes synthetic fibers, said it welcomes an increase in Airbus orders in a bid to differentiate itself from local competitors. Kaoru Fujii, a group manager at Teijin's carbon-fiber unit, said he would "leave no stone unturned" to meet Airbus's demands.

Conversely, local subcontractors have suffered from Boeing's delays on the Dreamliner. Nikkiso Co., a Tokyo-based maker of carbon-fiber parts, said orders at its aerospace business dropped 9 percent in the year ended March 31, 2010, after Boeing called for cutting output and strikes crimped production.

Rise of A350

"With the volatility caused by Dreamliner delays, it seems logical for the Japanese heavies to diversify their order backlog," said William Montgomery, an analyst at MFA Global FXA Securities Ltd. in Tokyo. "It makes business sense for them to keep their factories at higher rates of utilization."

ANA, Japan's largest listed carrier and Boeing's biggest Dreamliner customer, said it expects to receive in August the first 787 delivered to a carrier.

Ginoux remains optimistic that he can break ground with the A380 in Japan, even as flagship carrier Japan Air has never ordered a single Airbus plane and ANA has directly ordered just three Airbus planes in the past five years.

He argues that non-Japanese carriers, including [Singapore Airlines Ltd. \(SIA\)](#) and Air France KLM Group, landing their A380s in Japan will drum up interest among passengers for the world's largest commercial aircraft.

Airbus's A350 wide-body jet, whose larger variants will take on the [Boeing 777](#) that is popular with Japanese carriers, may help whittle Boeing's dominance, said [Richard Aboulafia](#), vice president of Fairfax, Virginia-based Teal Group, an aviation advisory firm. The A350 is slated to fly in 2013.

"People have this image of Japan being conservative, never changing, but in fact it is capable of change," Aboulafia said. "Change just comes slowly. If Airbus gets the A350 right, he's going to find that the Japanese market is more willing to listen."

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