

Going Global (E): Embraer

Embraer, founded in 1969 as a state-owned enterprise and privatized in 1994, was the world's fourth largest manufacturer of corporate, commercial and defense aircraft. Based in São José dos Campos, Brazil, the company recorded sales of more than \$7.7 billion in 2008¹. Embraer was Brazil's largest exporter of manufactured goods and one of the country's three largest exporters, comprising 2.9% of Brazil's total exports in 2008². That year, 96% of revenue came from the overseas market, 43% of which was from North America alone. Sixteen years ago Embraer was building turboprops and losing money, but by 2008, the company employed 21,550 people, had a record order backlog totaling \$20.9 billion, and was publicly traded on both the New York and São Paulo Stock Exchanges³. Embraer was leading competitors Boeing and Bombardier in offering fuel-efficient, midsize jets (70 to 110 seats).

Embraer operated in 78 countries. It broke into the international market with the 1996 launch of the ERJ-145, 50 seat regional jet that sold for about \$17 million compared to around \$21 million for competitors' offerings. Following that success, the company continued to look for ways to respond to market demands and industry needs. This led to the creation of a line of 70- to 120-seat aircraft; they created the 70, 98 and 180-seat 170/190 family. Embraer's view was that in many markets, airlines were either too big or too small. The firm asserted that its new series had "right sized" capacity to optimize carrier profitability. Embraer's development decisions also considered other industry factors, which were determined from interviews conducted with airlines around the world. For example, the 44-seat 140 was designed in response to the U.S. "scope clause," which prohibited airlines from growing above a certain limit if they flew aircraft exceeding 45 seats. The purpose of a scope clause was to protect mainline pilot job security.

Table A
Embraer's Sales by Geographic Segment in 2006

Regions	Millions of US dollars
Brazil	180
Europe	1,017
Rest of North and South America	2,713
Other	820
Total Sales	4,730

Source: Orbis. <https://orbis.bvdep.com/version-2010218/cgi/template.dll>



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