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Brazilian aircraft maker Embraer proves small is beautiful

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The world's third-largest plane manufacturer leads the way in operational efficiency

The first of Embraer's second generation of E-Jets, the 106-seat E190-E2, made its debut at the Brazilian company's São José dos Campos head office last month, leading the company's crusade to persuade airlines that small is profitable.

The E-Jets are operated by around 70 Embraer customers in 50 countries. The E2 range promises greater fuel efficiency, lower emissions and reduced maintenance costs.

Embraer's small planes carry a higher cost per passenger, but a lower cost per trip than larger airliners, which often fly with empty seats or are filled by cutting fares. The company is pushing this strategy globally, but it is especially relevant in Asia, where it has more than 200 aircraft in 11 countries. Mark Dunnachie, Embraer vice president of Asia-Pacific, said: "We see too many examples of the wrong capacity being flown, resulting in asset abuse. In other words, if I call for a taxi, don't send me a bus."

The Brazilian group commands 80% of the Chinese regional aviation market, and has a Chinese assembly line in a joint venture with Harbin Aircraft Industry Group, part of the Aviation Industry Corporation of China (AVIC). This has been experiencing headwinds of late due to a 3% import duty on components and 17% in VAT, sending production costs above those in Brazil. In more upbeat news from China, martial arts icon and movie star Jackie Chan, an Embraer brand ambassador since 2012, recently took delivery of a Legacy 500 business jet, to add to his Legacy 650.

Embraer has no such issues at its US facility in Fort Lauderdale, where Florida offers a sales-and-use tax exemption on manufacturing equipment, aircraft components and aircraft sales. It was able to leverage a streamlined supply chain, sourcing 50% of its Phenom aircraft components in the US.

Last year, Embraer Executive Jets celebrated its 10th anniversary. It has already achieved an 18% market share by volume. Embraer Defense and Security hopes to increase its international business from 30-40% of revenue: its KC-390 tactical jet tanker-transport is due to debut at the Farnborough Airshow in July; an RAF order for five Phenom 100s in November was a milestone order from a NATO power.

In 2015, Embraer delivered 101 commercial planes, compared to Boeing's 762 and Airbus's 635. It hopes to continue to dominate the 70 to 130-seat segment, rather than confront the giants head on. Indeed, it opened a joint sustainable aviation biofuel centre with Boeing in 2014. In the first project to demonstrate the entire biofuel value chain, Embraer E190s will test KLM's biofuel flights between Oslo and Amsterdam this spring.

Exceeding expectations

At the heart of Embraer's customer service for commercial clients is its Flight Hour Pool Program. Under this repair package, used by half the E-Jets in operation, Embraer manages the supply chain for high-cost rotatable components (items that can be repaired to a serviceable condition, or already repaired equipment that is exchanged for new equipment). With the aircraft manufacturer's vast supplier network, this minimises investment in inventories, and reduces warehouse space. A global deal with DHL allows Embraer to deliver parts overnight, even for late orders.

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