

Introduction

The transport manufacturing industry is composed of companies that manufacture vehicles, vehicle parts, and the infrastructure that supports them. This business of planes, trains, and automobiles plays an important role in sustaining the global nature of the lives most people lead—getting products made all over the world to local retailers.



Industry Composition

These days, nearly everything a consumer buys comes from somewhere else, often from a great distance; thus the transport manufacturing industry is inextricably incorporated into our lives. The secret to Rome's success was their road system, which enabled easy transport; similarly, without our now extensive transport infrastructure, as well as the machines which run on them, economies nationally and globally would collapse. Any company involved in the manufacture of commercial vehicles (automobiles, aircrafts, boats, or trains) or parts for these vehicles, is part of the transport manufacturing industry. Construction companies whose business is the manufacture of infrastructure, the systems on which vehicles travel as well as the terminals, ports, or stations at the end, are also considered part of this industry, although in regards to trends and performance they are like any other construction company. Companies involved in the design stage of these services fall under civil engineering and are included as part of our Business Services industry.

Industry Leaders and Fragmentation

* All amounts are given in Billions USD

| Company | Country | Sales | Profits | Market Value |
|----------------------------|---------|-------|---------|--------------|
| Volkswagen Group | 203 | 254.1 | 9.5 | 147.2 |
| Toyota Motor | 179 | 249.4 | 14.3 | 219.2 |
| Daimler | 203 | 175.9 | 4.1 | 99.2 |
| China Railway Group | 173 | 141.6 | 3.4 | 12.5 |
| China Railway Construction | 173 | 131.9 | 3.3 | 8.9 |



Profitability and Demand Drivers

Primary Demand Drivers:

- Employment and interest rates
- Demand for commercial, military, and private airplanes
- New car sales, which are strongly affected by interest rates
- Replacement market

Profitability Drivers:

- Manufacturing efficiency
- Product quality
- Effective marketing
- Efficient operations
- Ability to secure long-term contracts
- Difficulty of manufacturing products
- Demand volume (since many costs are fixed)

Trends

In the struggle to meet ever-changing demands, manufacturers have shifted focus on the research and development of energy efficient and eco-friendly products, such as reduced emissions engines and hybrid/alternative energy vehicles. This trend has become an important target because of a change in demand due to major pollution concerns and government regulations. While this mainly applies to the automobile manufacturing segment, Boeing has also taken steps in this direction to create more eco-friendly airplanes. Another trend is the focus on redesigned supply chains and manufacturing processes. Auto companies have started to incorporate Toyota's "lean manufacturing" policy, reducing cycle time and waste by developing more efficient processes. Additionally, a recent strategy in automobile manufacturing is incorporating add-ons such as GPS navigation, Bluetooth connectivity, and satellite radios, as a standard feature rather than an upgrade.