

Raytheon – Marketing Analysis

Products and Brands

Raytheon is an eighty-six year old aerospace and defense company that employs over 72,000 people and had sales of \$21.3 billion in 2007. The company specializes in the development of advanced technology for defense and homeland security. It has extensive product lines and a variety of brands under the overall “Raytheon” brand name, which are all being produced in the companies various business segments. The company brand is strictly managed internally and externally to maintain the brand image. Raytheon’s target market, consisting mainly of domestic government agencies and international governments, is a highly competitive market. The struggle for market share has created a mix of not only competitiveness between rival domestic and international companies, but also cooperation. Raytheon has put itself in a position of continued growth by diversifying itself within the aerospace and defense market, leveraging existing technology into new products, developing new products from emerging technologies, and allying itself with key competitors.

The company sells its products under the umbrella Raytheon name and utilizes the tagline, “Customer success is our mission.” However, within the company product lines are product names that are synonymous with the overall Raytheon brand. Some of the products that the different Raytheon divisions offer are:

Missile Systems Division

Advanced Medium Range Air to Air Missile (AMRAAM) - radar guided

Javelin - infrared, man-portable, multi-role missile

Excalibur - land based, precision-guided artillery

Standard Missile - sea based, air defense and theater ballistic missile defense

Exoatmospheric Kill Vehicle (EKV) - ground based, missile defense

Tomahawk - sea based cruise missile

Paveway™ - laser guided bomb

Joint Standoff Weapon (JSOW) - air-to-ground glide bomb

Vigilant Eagle - ground based airport protection system for commercial aircraft

Integrated Defense Systems

Aegis Missile Guidance System (navy destroyer and cruiser system)

AN/ASQ-20 Minehunting Sonar System (towed by naval helicopters)

Patriot Air and Missile Defense System (ground based radar/missile)

Surface Launched AMRAAM (SLAMRAAM) (radar guided)

MK 46 and 48 torpedoes

Intelligence and Information Systems

Biometrics Solutions

Global Hawk Ground Segment - unmanned air vehicle command and control

National Polar-Orbiting Operational Environmental Satellite System (NPOESS)

Network Centric Systems

Standard Terminal Automation Replacement System (STARS) - air traffic control

Aquarius, Orion, and Virgo infrared focal plane arrays - astronomy platforms

Command and Control Systems (C²S) (battle management and command centers)

Space and Airborne Systems

Active Electronically Scanned Array (AESA) - radar system

Advanced Infrared Satellite System (AIRSS) - missile detection and warning

Towed Decoy Systems - missile countermeasures

AN/SLQ-32 Shipboard Electronic Warfare System - radar jamming

Miniature Thermal Emission Spectrometer (Mini-TES) - Mars rover instrument

Raytheon Systems Limited (RSL): United Kingdom Subsidiary

e-Borders - border control and security

Airborne Standoff Radar (ASTOR) - ground surveillance

Joint Effects Tactical Targeting System (JETTS) - data synchronization

Raytheon Australia

Mission support and systems integration for new Hobart class naval destroyer

Manages operations and maintenance of Canberra Deep Space Communication Complex

Raytheon Canada Limited (RCL)

Air traffic management systems

Raytheon tries to create a brand image of being customer focused, quickly responding to their needs, producing quality products, and having high integrity. The Raytheon Technical Services Company LLC supplies worldwide mission support, training, supply chain management, logistics, and other services to support the needs of the customers. Raytheon is also an ISO 9001 certified company. This identifies the company as having quality processes that help ensure a quality product. To ensure integrity the company has established ethics into its core structure. Raytheon has created regular ethics training and communication and a mechanism for all employees to report possible violations. From the example of the executive leaders, to self auditing, Raytheon is striving to maintain a high standard of integrity.

The company manages its brand in a number of ways. Internally, there are extensive guidelines in the use and display of the Raytheon logo and trademark. The logo's font, exact

shade of red and precise placement on any and all presentations and displays are dictated. These guidelines ensure proper brand name usage across all of the company business segments. Externally, Raytheon markets its products at aerospace and defense trade shows across the globe. Chalets, suites, floor displays, product mock-ups, and video presentations are used to attract and communicate with customers. Full page advertisements in trade magazines are also used to promote sales. Each of the company segments has their own marketing and sales departments.

Market

The companies target market consists of the domestic government agencies and foreign governments. Customers include all branches of the United States military; the United States Department of Homeland Security; the United States Federal Aviation Administration; United States intelligence agencies; state and local emergency response agencies; and government agencies of foreign United States allies. These customers represent U.S. and foreign government agencies that consider technical superiority, reputation, price, past performance, delivery schedules, financing and reliability.

Competitors

Raytheon competes for market share with domestic and international competitors. Raytheon is the fourth largest defense company in the United States, and fifth largest in the world. Raytheon is the world's largest defense electronics company and world's largest missile manufacturer. There is only one company that fully competes with Raytheon in the international sale of missiles, European Aeronautic Defence and Space Company (EADS). EADS, with 116,000 employees and revenues of \$56 billion in 2007, is the world's seventh largest defense company. Lockheed Martin also has a missile production capability, but is dwarfed by both Raytheon and EADS. With 140,000 employees and sales of \$41.9 billion in 2007, Lockheed Martin is the world's largest defense company and competes domestically with Raytheon in the area of defense electronics. Large parts of both EADS and Lockheed Martin's sales are from major weapon's systems (military aircraft). Lockheed Martin also builds ships, and EADS produces commercial aircraft. Raytheon does not produce any major weapon's system, but produces various subsystems that are installed into aircraft, ships, and submarines along with the various ordinances that these weapon's systems use.

With the defense market being highly competitive, especially nationally where the United States Department of Defense historically only buys from domestic companies, the U.S defense industry has learned to share the limited sales opportunities. Rather than the traditional prime contractor/subcontractor relationship, strategic partnerships are formed with each company essentially being equals. Such strategic partnerships have been formed by Raytheon and Lockheed Martin: The Raytheon – Lockheed Martin Joint Venture Javelin missile and NetFires LLC (the Non-Line of Sight Launch System (NLOS) – a surface-to-surface missile).

Strategy

Raytheon's strategy for growth is to develop new products and technologies or to adapt or modify existing products and technologies for future markets, which include adjacent and emerging markets. Because the company's capabilities can be used for a variety of applications, and because they don't build major weapons systems, their sales are not subject to large win or lose contracts. This means more consistent revenue that is less susceptible to government appropriation. The result of this can be clearly seen in the sales for the past three years and the projected sales for the remainder of this year and next year (figure 1). Future sales can be predicted due to rising domestic defense spending, which grew by 11% in 2008. An additional \$142 billion has been requested for the global war on terror. With continued military operations in Afghanistan and Iraq, replacements will be needed as weapons are expended and equipment requires repair or replacement. Also, preparing for future threats such as Iran may cause additional spending on defense. Upgrading equipment for the military has been cyclic, and it has been on the upswing because of the war on terror. However, the current economic crisis may cause the government to slow the rate of spending.

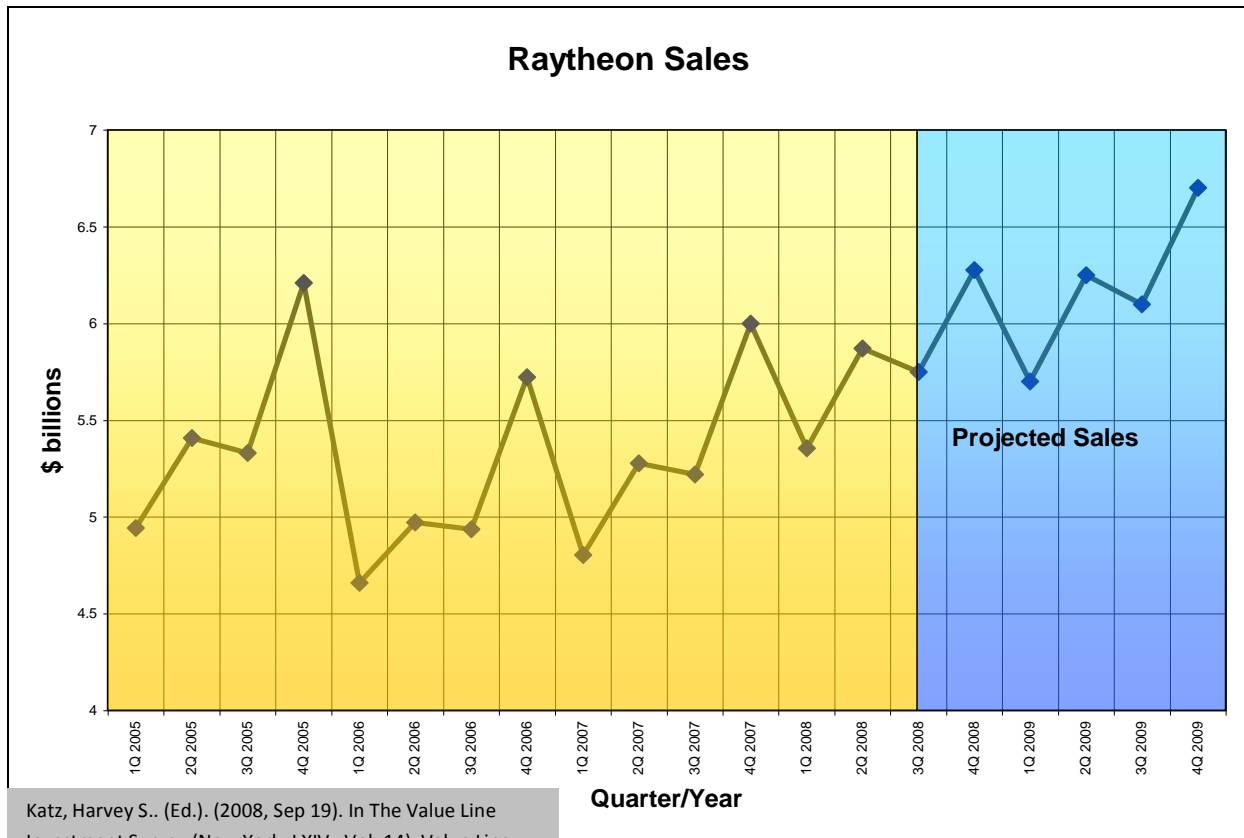


figure 1

With the phrase, "Customer success is our mission," Raytheon has created a well recognized brand. They have created a brand image of being customer focused and quickly responding to customer needs, producing quality products, and having high integrity. The company manages its brand in a number of ways through trade shows and in advertisements in trade magazines. The companies target market, domestic government agencies and foreign governments, is highly competitive. Both domestic and international competitors compete with Raytheon for market share. However, with the defense market being so highly competitive, especially with the United States Department of Defense historically only buying from domestic companies, the U.S defense industry has learned to share the limited sales opportunities. By developing new products and technologies or by adapting or modifying existing products and technologies for future markets, Raytheon has placed itself in a position of continued growth.

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European Aeronautic Defence and Space Company Year 2007 Report

Raytheon 10K