

Airbus, Boeing fly into lucrative services market

May 13 2018, by Martin Abbugao



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Airbus and Boeing may have built their global success on the back of the transcontinental airliners but they are now eyeing a lucrative if rather

less glamorous side of the aviation sector in their battle to dominate the skies—parts and repairs.

While booming demand for air travel across has seen the world's top plane makers ramp up production, it is the multi-billion-dollar after-sales [service](#) market that is taking an increasing amount of their attention.

The [aircraft](#) titans are aggressively expanding their presence in the sector, which is dominated by maintenance, repair and overhaul of aircraft but also covers other services, from training to parts supply.

The European and American firms have long done some business in after-sales support, but they are now moving to win greater [market share](#) and take on other players like Germany's Lufthansa Technik and US-based AAR.

"The services market is more lucrative than actual aircraft sales because it has more potential and it covers many different spectrums," said Shukor Yusof, an analyst with aviation research firm Endau Analytics in Malaysia.

"Boeing and Airbus—they have to be part of it. When you sell an aircraft, it's in your interest to have a full package of after-market services."

Boeing predicts that the value of the approximately 41,000 planes that will be delivered worldwide over the next 20 years will be around \$6 trillion—while the demand for services to support this fleet will be worth around \$8.5 trillion.



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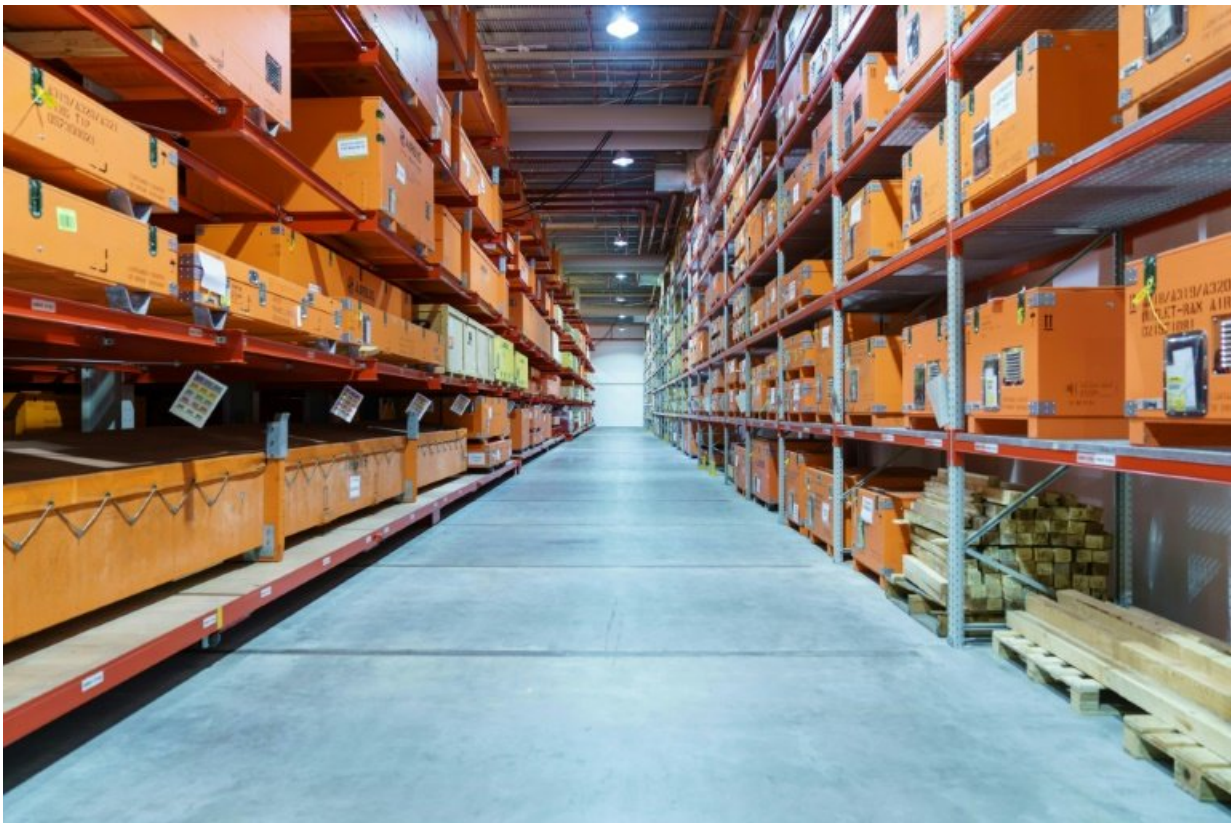
They are arranged on towering shelves in brown, yellow and orange boxes, and range from a main landing gear for an A380, the world's biggest passenger plane, worth hundreds of thousands of dollars, to a washer worth one cent.

They can be dispatched from the warehouse—Airbus's biggest such

facility in Asia, and second-biggest in the world—within four hours of receiving an order, with plans to further slash the waiting time.

Airbus, whose revenues from services hit \$3.2 billion in 2017, 18 percent higher than the previous year, plans to expand the facility by 8,000 square metres next year.

Both Airbus and Boeing also have major pilot training centres in Singapore.



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'Very intense' fight

The fierce rivals play up their intimate knowledge of the aircraft they produce as an advantage in providing after-sales support over others who could provide the services, including the airlines themselves.

"We know best our aircraft because we have designed it," Airbus head of services Laurent Martinez told AFP.

"We have all the capabilities to support the airlines' operations and to have the competitive edge in terms of spare parts."

Randy Tinseth, vice president of marketing at Boeing Commercial Airplanes, said the US firm currently only has a seven percent market share in the sector, and there was plenty of room for growth.

"The products we have today can only address about 30 percent of this market," he said at the recent Singapore Airshow.



Airbus' Martinez said the Asia-Pacific is expected to account for 40 percent of the services market over the next two decades, with the region's aircraft fleet set to almost triple by 2036

"So if this market grows about five percent per year as we focus more on developing new products, we expect to see dramatic growth in our business."

The Singapore Airshow highlighted the growing importance of the sector.

The largest deals at the show, the biggest in Asia, were not plane orders but contracts worth nearly \$1 billion signed by Boeing's dedicated global services unit, which was launched last year as its vehicle to expand into

the after-sales market.

Both companies are focusing on Asia-Pacific due to explosive growth of the [aviation sector](#) in an increasingly affluent region where many people are flying for the first time.

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The fight for after-sales services [market](#) share between Boeing and Airbus will likely be every bit as fierce as their battle for aircraft orders.

Competition "is going to be very, very tough—very intense", said analyst Shukor.

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