

Boeing Lands Services Deal Fueling the Ongoing Airbus/Boeing Rivalry

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Boeing, America's largest [manufacturing exporter](#) that specializes in aerospace technology, is seeking services deals to increase profitability and outcompete its long-time European rival, [Airbus](#). In an effort to expand a newly-formed services division specializing in maintenance of its products, Boeing recently [acquired KLX, Inc.](#), which specializes in distributing aerospace technology and machinery. This 4.5 billion-dollar deal symbolizes a dramatic stride towards Boeing's goal of maximizing profits and superseding Airbus in sales.

The Airbus/Boeing rivalry came to fruition following Boeing's acquisition of [McDonnell Douglas](#), which effectively narrowed the commercial jet market down to two competitors: Airbus and Boeing. In 2017, Airbus acquired [Bombardier's CSeries](#) airplane program, which put pressure on Boeing to further expand its aerospace program. Thus, Boeing's most recent acquisition of KLX is not only significant in terms of capital gains, but it is a strategic move to grab more of Airbus's market share by expanding its reach into the services sphere. However, Boeing is not losing steam after landing the KLX deal; they are in preliminary talks with Woodward, Inc., an aerospace parts manufacturer, and nearing a potential joint venture with [Embraer SA](#), a commercial, corporate, and defense aircraft manufacturer.

From the consumer's point of view, this move towards providing maintenance services for its customer base makes Boeing more appealing because it reduces the transaction costs associated with searching for third-party maintenance providers. At the same time, this has the potential to increase Boeing's profits by adding an extra level of consumer interaction at the services stage of the relationship, and providing maintenance services can increase [profitability margins](#) in comparison to the production of jets. Therefore, Boeing's strategic move towards increasing the number of services deals highlights its ability to quickly adapt to changing markets while also benefitting consumers.

Moreover, Boeing is ahead of the game. While Airbus intends to incorporate a services sector into its business plan, it has not yet closed any substantial service-related deals. This not only affects the customer base of each corporation, but it can have substantial effects on investment. Between Boeing and Airbus, Boeing's intentional and successful deal with KLX, coupled with its promising future deals such as its potential deal with Embraer SA, make Boeing the more attractive investment. However, it is unclear how substantial the effect of Boeing's strategic mergers and acquisitions will be in the long run. Even though Boeing was first to close the deal, this does not mean Airbus will be any more less effective once it successfully expands into the services sector. Thus, while Boeing may be first, this is likely just another countermove amidst the dynamic Boeing/Airbus rivalry.

