Advantages and Disadvantages of Airline Mergers

Zachary Mindel
Outline

• Disadvantages
  • Consumer
  • Company

• Advantages
  • Consumer
  • Company
Disadvantages to the Consumer
Disadvantages to the Consumer

- Reduction in Competition
  - Firms competing for us?
  - Us competing for firms!
Disadvantages to the Company

- “Seniority, to airline employees, is paramount to getting the best routes, flying the best planes, having prime vacation days and higher pay and generally enjoying better perks and benefits”
  - Surviving-Group Principle
  - Length-of-Service Principle
  - Follow-the-Work Principle
  - Absolute-Rank Principle
  - Ratio-Rank Principle
Advantages to the Consumer

Figure 1
Competition at the Route Level

- Routes > 2,000 Miles
- All Routes
- Routes < 500 Miles

Number of Effective Competitors

Year

Advantages to the Consumer

- Increased Route Structure
- Brand Loyalty
Advantages to the Consumer

- Improved Service
Advantages to the Company

- Competitive Advantage
Advantages to the Company

- Reduce Redundancies
- Operate More Efficiently
Conclusion

- Merge or not?