

Good essay on merger in the airline industry

[Business](#), [Company](#)



Introduction

Every industry changes according to the needs and trends that may occur over time. Change is inevitable, and it is always associated with either positive or negative impacts. Airline industry is not an exception, the industry has revolutionized, and its changes have affected its customers in one way or the other. This paper aims to evaluate the recent changes in the airline industry and the results therein.

The merger between the US Airways and the America Airlines is one of the major events experienced in the airline industry in 2013. The merger came into existence to form the world's greatest airline as a result of resolving their difference in the department of justice. The combination of the two airlines created a third world airline which ushered in stiff competition in the industry. The airline industry was characterized before the merger by high prices of fuel and bankruptcies.

The market structure within the airline industry is an oligopoly competition. The industry is made of few firms that engaged in price wars. The handful firms in the airline industry ensure they control the market and even set prices. Entry into this form of market is highly restricted due to the economies of scale aspects, patents, and actions that are strategic by the incumbent firms to bar new firms. Maximization of profits is a key objective in the airline industry. Therefore, the merger is motivated by the aforementioned objective. In addition, the firms have perfect knowledge about each other especially pertaining the cost and demand.

The merger between the America Airlines and the US Airways consequently brought in some negative impacts to the consumers. The consumers'

condition went worse than it was prior to the merger. The merger paved way for the two combined US Airways and America Group to hike the airfares. Consequently the Delta, United and the Southwest followed the path by increasing their fares as well. The action of the firms in the airline industry clearly demonstrates the price setting element of the oligopolistic competition, which worsen the conditions of the customers in the industry. The merger resulted to a reduced number of airlines from the previous eight large airlines to just four. The merger resulted to less competition in the industry. Competition is always healthy in any industry as it is important in boosting the services to the customers. The quality of services of the customers using the four airlines has significantly been compromised despite the fact that the ticket fare increased. The service standard no longer matches the cost as before the merger.

Additionally the combination of the two airlines translated into confusion and hassle for clients. The customers became uncertain about which terminal to use for making enquiry. The clients were not sure which company to contact for clarification in case of problems. The two different airlines that created the merger for sometimes issued two confirmation contacts for each air ticket meaning either of the staffs in the two airlines was allowed to make changes. The confusion of the sort created inconveniences to the clients and several delays in flight for months.

Conclusively, mergers in the airline industry brought in more discomfort to the loyal airline users than good. The merger created some forms of cartel in the industry that colluded together for their interest. The hiking of airfare

and sub-standard services deteriorated the condition of the customers rather than improving the situation.