

Example of united and continental merger essay

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



Introduction

The United Airlines is said to be the oldest airline to the Varney Air Lines air mail service in the United States which began its first commercial airline air mail services in 1926. It was founded by Walter Varney in Boise, Idaho. On its first commercial air mail flight, the swallow biplane flew from its headquarters in Boise, Idaho to a railroad mail hub located in Pasco and returned on the day after with 200 pounds of mail. The April 6, 1926 is regarded as the day when the united airlines company flew an airline service that operated on fixed routes as well as fixed schedules and it is the first in the United States (Fleming 1).

On the other hand, the Continental Airlines was also founded by Walter Varney. However, it started as Varney Speed Lines in 1934 and they ran airmail and passenger services. It changed its name later in 1937 to Continental Airlines and it has been operating since then until 2011. It started its operations with the Lockheed Vega and changed to Lockheed 9 Orion and finally to Lockheed Extra Junior and Lockheed Lodestar (Airlines and Airliners Para. 2).

The continental airlines and the united airlines merged in 2011 with an agreement of \$3 billion merger. The intention of merging the two airline companies was to make the world's biggest airline. The combined airline will operate domestically in Los Angeles, New York and Chicago and also extend its network to Asia, Europe and Latin America. However, their main aim of merging is to fend off low-cost rivals such as Southwest Airlines and JetBlue Airlines. In addition, the intention is also to tackle foreign carriers abroad. No longer will the two companies compete for same routes but they will work as

one. This is advantageous in the sense that they will save money and give the travellers few options. With these strategies in place, the companies will be able to meet the financial requirements for their operations and avoid debts as well as bankruptcy (Mouawad and Merced Para. 4).

Some of the advantages for the two airline merger include reduction of competition for the same routes hence saving money or reducing expenditure. Also, there will not be too many seats since they are likely to reduce them. Too many seats led to companies making losses instead of profits. Besides, the merged company will have more leverage. On the contrary, some of the disadvantages are that there will be fewer choices for consumers and the prices are likely to increase. The consumers will also have less demand with the fending off of other low cost airlines (Clark Para. 3).

The United's merger market strategy is to counter the reported filing of bankruptcy cases of major airlines in the United States which includes United Airlines itself. It will achieve its goal through fending off the other low cost airlines locally and internationally. Competition for routes will reduce and customers will have fewer travel options. They will then have to use the merged airline for traveling at a higher price which will help the company meet the high fuel costs and other operational costs. The united is said to be strong in the western part of the United States with flights to Asia and across the pacific, whereas, continental takes over the eastern and southern states as well as flights to Latin America hence their merging is beneficial for both (Thompson Para. 5).

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