# M3L2. Excessive Competition

## Slide #1Excessive Competition

In this topic, we will discuss the concept of excessive competition.

## Slide #2Disruptive Competition

The escalation of disruptive competition is common in the business world.

There are many examples of escalated competition that are unsound.

Even the big players can be drawn into this kind of irrational escalation.

## Slide #3Airline Program

We all use frequent flyer miles in our travels. We know what they are and the benefit that can be had from this type of programs.

Back in 1981, American Airlines introduced the first frequent flyer program. It was truly a unique marketing plan. Anyone who flew regularly could redeem their travel miles for rewards. Brilliant idea!

Taking American Airlines lead, all the other competitors jumped on the bandwagon and provided similar frequent flyer programs. The airlines continued this escalating competition through the early 1980s as each airline tried to outdo their competitors.

The psychological factor prevails in many excessive competition cases, such as airline flyer programs.

## Slide #4Airline Program

Since every airline company is offering the program, no company benefits or steals customers from other companies.

In early 90s, analysts took a hard look at the cost of those frequent flyer programs to the airline industry. They estimated that the airlines combined would end up owing their passengers somewhere between 1. 5 and 3 billion dollars in free trips.

The companies that offered the most aggressive flyer programs lost the most.