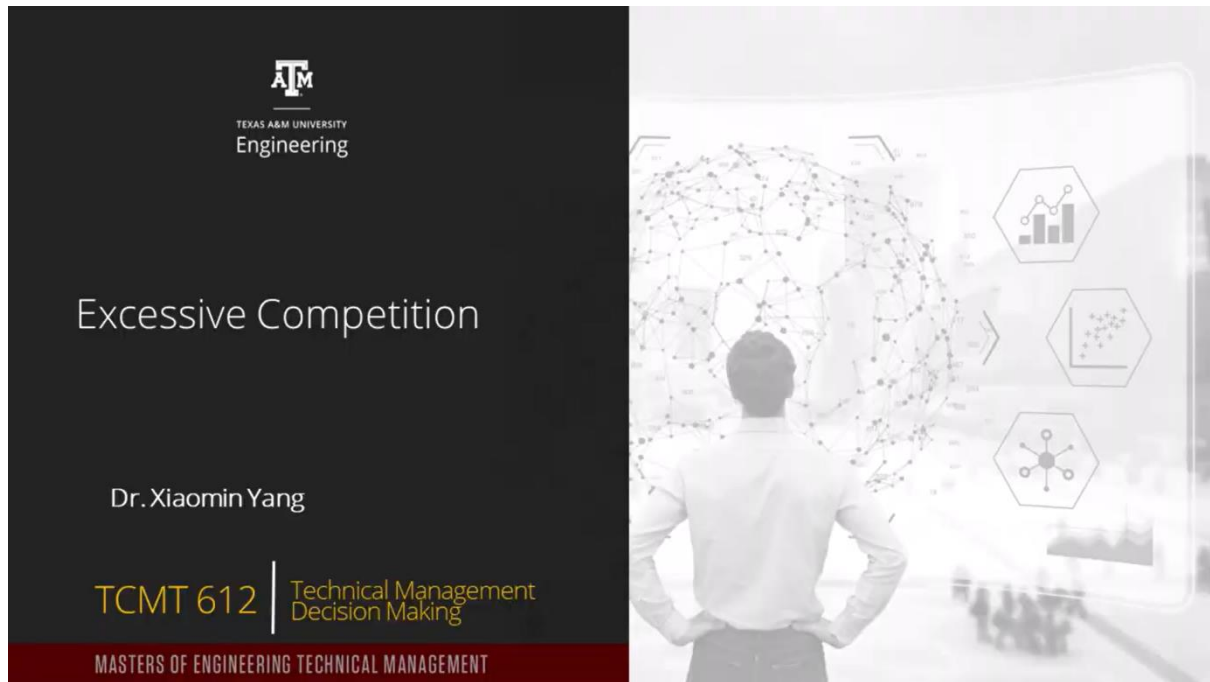


M3L2. Excessive Competition

Slide #1



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

Slide #2



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

There are many examples of escalated competition
that are unsound.

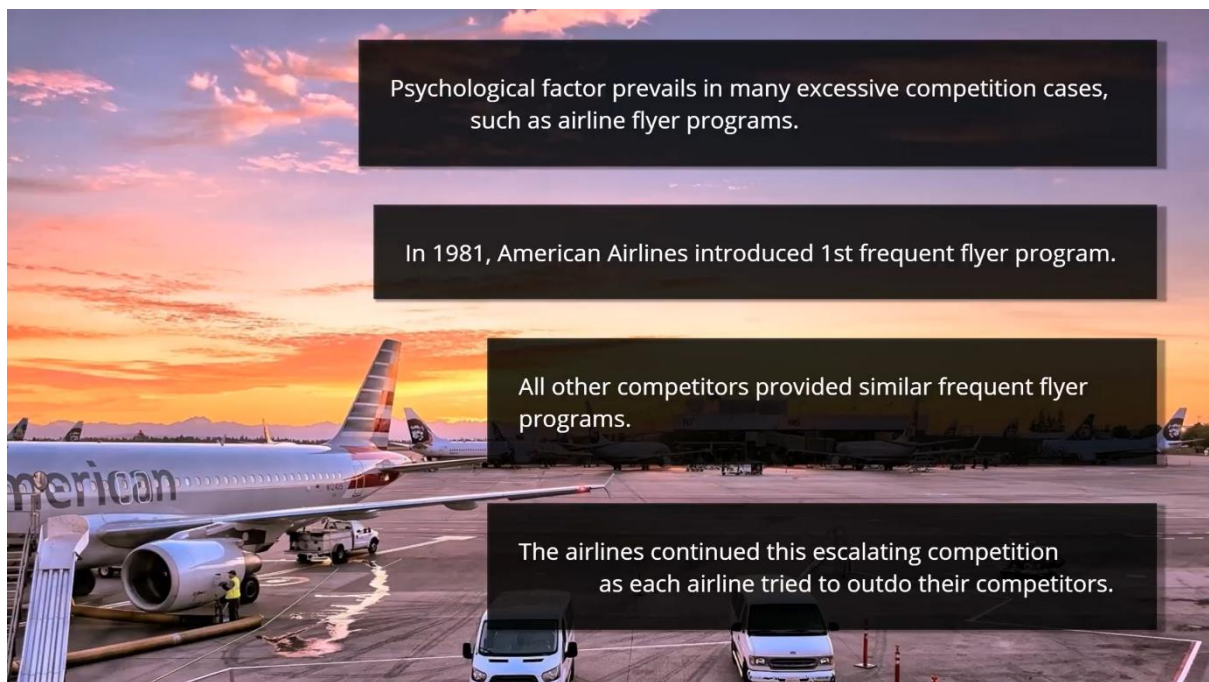
Even big players can be drawn into this kind of irrational escalation.

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 #3



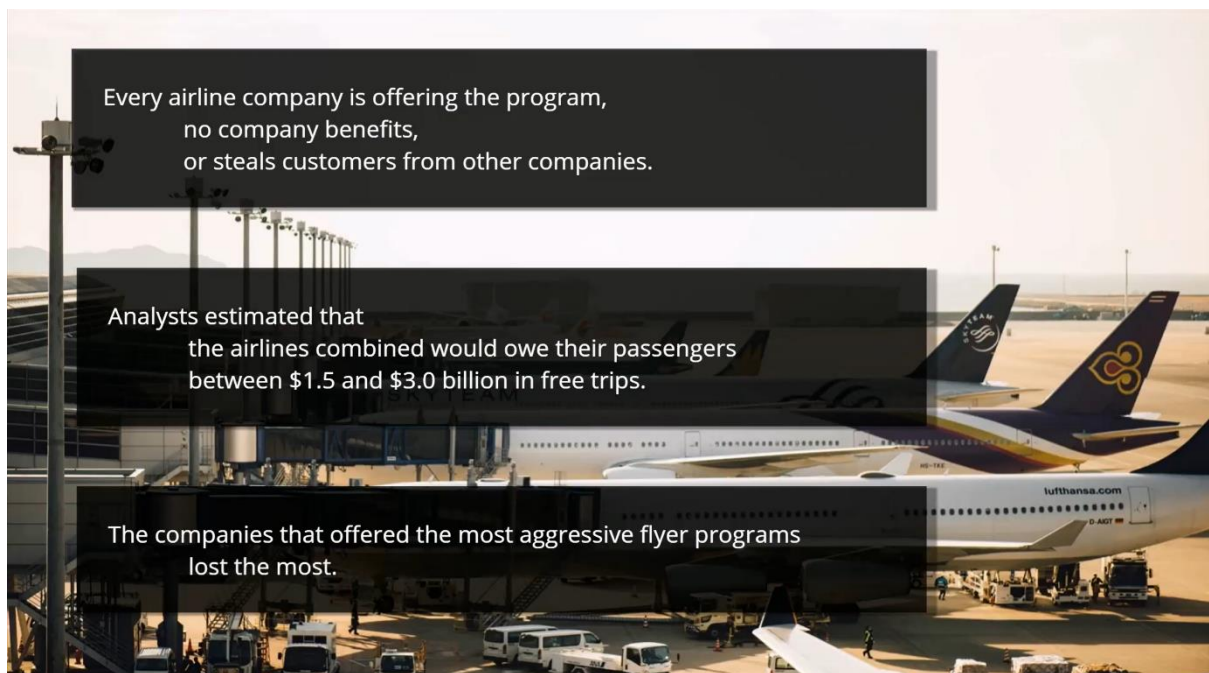
We all use frequent flyer miles in our travels. We know what they are and the benefit that can be had from this type of programs.

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 #4



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

Analysts estimated that
the airlines combined would owe their passengers
between \$1.5 and \$3.0 billion in free trips.

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

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.