

Competition versus Predation in Aviation Markets

edited by Peter Forsyth, David W. Gillen, Otto G. Mayer and Hans-Martin Niemeier

The increased interest in Low Cost Carriers (LCCs) and their success in gaining market shares have put emphasis on the strategic behavior of airline incumbents. The dynamics that come along with new entrants will lead to organizational behavior to focus on underpricing and to prefer monopoly profits afterwards. At what point does a strategic reaction from the incumbent become predatory behavior?

Book review by Bram Kaashoek MSc

The book consists of 17 contributions from different authors and primarily discusses what is meant with predation in the airline market. Interesting questions that are seamlessly interwoven with this theme are: when does competitive behavior become predation? How and to what extent is it possible to empirically address the differences between competition and predation? What are the differences between major airlines markets, e.g. Europe and North America? And, how can competition policy deal with predation at all?

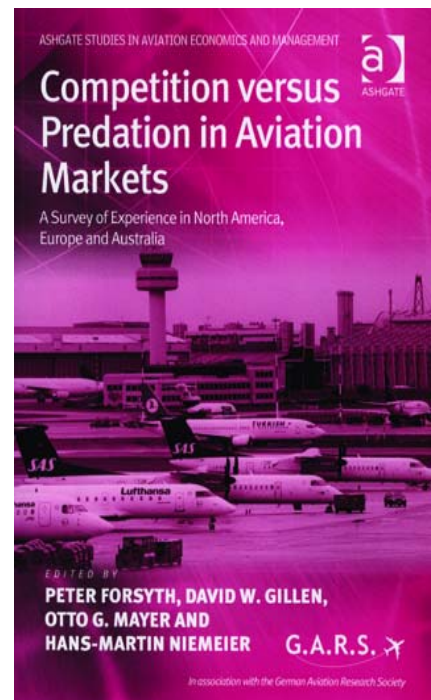
The structure of the book is as follows: the first 3 chapters (part A) focus on strategic behavior in general and on definitions of competition and predation. Parts B, C and D put emphasis on different regional and institutional contexts: Australia and New Zealand, North America, and Europe. At the end, in part D, some theoretical findings are presented.

The authors put emphasis on the complexity of empirical research: it is necessary to find a balance between abstraction and complexity of the social system. Although the legal and economic perspectives on competition are dominant (empiricism and abstraction of measurement) in the majority of books on competition, including this one, there has recently been some attention from the fields of economic and organizational sociology (complexity of the social system). After all, strategic behavior of organizations is often derived from human interests and perceptions: 'competition is an interactive process where individual, and thereby organizational, percep-

tions and experience affect organizational actions, and thus affect interactions between competitors' (Bengtsson and Kock, 2000:413). The chapter of Schnell is consistent with this and looks at perceived entry barriers. I found this a nice chapter in the book.

In my opinion, Markus Reisinger's contribution (chapter 14) has a lot of potential to make a theoretical statement. Reisinger attempts to clarify why LCCs are more successful than low-cost carriers of incumbents. Although I am somewhat critical about modeling in general because of simplifying the social system (see previous section), I have to say that Reisinger did a good job. Unfortunately, there is less integration with other chapters and cases. If integration was any stronger, the authors would have made a stronger point in general. Moreover, I missed network embeddedness or organizational connectivity as an explanatory factor. The way you are connected to other airlines (e.g. alliances) influences your position within the market and the level of competition. Besides that, in the model this variable is assumed to be consistent; however it is expected that there are some differences in network embeddedness between LCC's and the incumbents.

In conclusion, the book edited by Forsyth, Gillen, Mayer and Niemeier touches upon a currently interesting topic due to the dynamics of the airline market. Competition and predation are complex issues, since empirical research is dominated by a single perspective. Moreover, institutional contexts also have an influence. In my



opinion, the authors stimulate researchers to dive into the black spots that are still there. Unfortunately, related to the editorial task of Forsyth and his colleagues, there were some overlaps in the different papers, such as the introductions, definitions and examples (cases). Apart of those overlaps, as a researcher, I am interested in the next contribution that 'competes' with the Forsyth, Gillen, Mayer and Niemeier book. Scientific entrants might even cause some predatory behavior of their own. Researchers, feel challenged because there is some interesting work out there to be done.

About the Authors

The editorial authors are all related to the German Aviation Research Society (GARS).

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