

Monopolisation and Competition

The two most significant motives behind a take over, like the EasyJet Go takeover would be to do with the monopolisation of the market and the removing of competitors. Both of these motives come hand in hand and will help the company (in this case EasyJet) to increase their market share and have more sales than any other low fares airline.

- ⊕ **Monopolisation:** The EasyJet takeover of Go will result in an expansion of the EasyJet group. This can easily be at the expense of EasyJet competitors and ultimately could mean EasyJet will have a monopoly over the market. A monopoly is when a business has a large enough market share to control prices or restrict supply. If a company has a monopoly they are able to keep costs down as they can benefit from economies of scale. In this respect if EasyJet were to gain out of this takeover it would benefit the customers.

However, a monopoly business has the opportunity to take advantage of their position by charging unreasonable prices or providing a bad service to the public. A company that has a monopoly can abuse their customers and can stop any new companies opening up in their market. This is why in the UK it is usually illegal for a company to have a complete monopoly over a market. The Office of Fair Trading (OFT) and other organizations try to stop companies from having a monopoly and certain regulations limit a company's opportunity to having a monopoly.

The OFT obviously did not feel that the EasyJet takeover of Go would result in a merged company capable of owning a monopoly over its market. However, this was not the case in a similar merger between British Airways and American Airlines. The OFT stopped this merger as they felt the merged company could easily have a monopoly over the international airline market. In any case, the takeover of Go will increase EasyJet's capability of becoming a monopoly and will certainly increase EasyJet's market share.

- ⊕ **Competition:** As mentioned above the take over of Go will result in an expansion of the EasyJet group. This will therefore mean that EasyJet will be able to benefit from economies of scale and will be able to offer their customers quality services at unbeatable prices. These 'unbeatable' prices will result in progressively more people using EasyJet as their low fares airline. As a consequence more and more of EasyJet's competitors will lose trade and will not be able to continue being a profitable company. As a result these competitors will either go into liquidation or be taken over. Consequently the EasyJet Company will be left with less competition and more market share.

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