

Hubs and high fares: dominance and market power in the U.S. airline industry

In this topic, we would like to know the degree of market power in the U.S. airline industry which determined by routes and airport dominance. From the past work we know that there are positive correlation between route concentration and price on routes. This article found that the source of market power in the airline industry came from an airline with large share of traffic on a route without creating an umbrella effect, size of carrier's operations at the endpoints of the routes and dominant reputation. In addition, they found that travel agents use computer for reservation can give advantage to airline over others competitors. Moreover, airline with large scale operation may have more ability to obtain gate. There is one important device that give can advantage to incumbent firm which is marketing. There are two marketing programs well known in airlines industry. First is frequent-flyer programs (FFPs), this program focused on the principal / agent relationship between employees and employers while another program which is Travel agent commission override programs (TACOs) focused on the principal / agent relationship between air travel buyers and travel agents. This paper used two different approaches to analyzing effects of route and airport dominance on the price that an airlines charge by using estimation a pricing equation and estimation a relative-price equation. The results indicate that share of traffic at endpoint airports and share of traffic on the route both have significant positive effects on the price that an airline charge.

The effect of information on product quality: Evidence from restaurant hygiene grade cards

This paper investigated the outcome of firm that gave more information about product quality to consumers. So, this study want to analyze the outcome weather displaying grade card on the window of the restaurant can improve product quality of restaurant or not. From empirical study, economists agreed with the policy that try to increase more information to consumers because they showed that the more information is better. But they found that the effect of increasing information on restaurant behaviour were little. However, in this study they found that increasing information to customer will both statistically and economically significant increase in quality.

This paper used the data during 1996 to 1998 in Los Angeles County with three elements. First, they observed the outcome of health inspection from every restaurant. Second, they observed through sales tax data from restaurant in Los Angeles County. Third, they observed the number of population in California who had to admit to hospital because of food-related and nonfood-related digestive disorder. Moreover, they found that weather disclosure is mandatory or voluntary, it improved quality of restaurant.

In summary they found that hygiene grade card could make restaurant to increase hygiene quality as they showed that grade card can make the inspection score increase, grade cards cause consumers to become sensitive to restaurant hygiene, and grade card cause the number of people in foodborne illness hospitalizations decreased.