Examination of the virgin group corporate strategy

Richard Branson, founder of Virgin and is considered to be the single most important ingredient to all the successes that has been reaped. This case study examines the Virgin Group corporate strategy and it identities the relationships within the Virgin Group. Virgine’s value adding activities and qualities are discussed. The Virgin Group is comprised of many different assorted mixes of businesses.

The Virgin Group is diversified into 200 businesses and it has a “ finger in every pie”. Looking at the case the overall corporate rationale is simply a projection of Richard’s own philosophy and his personal persona that is revered and became respected by the public. Richard’s high profile allowed the Virgin brand name to be the far most important asset to the company.

All the businesses in the Virgin Group are strategically targeted towards a “ five pillar” empire that Richard created. These pillars are travel, leisure, moblie phones, entertainment, retailing and personal finance. All the business’s within the empire all the managers to have freedom to make decisions independently for growth and allows them to feel the same degree of ownership and values.

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What is the corporate rationale of the Virgin Group?

Richard Branson, founder of Virgin in 1970 is in the author’s opinion the single most important reason to all the success that has been reaped up-to-date. The corporate rationale is simply a projection of Richard Brandon’s own personal philosophy, which he has introduced into the structure of corporate rational. The Virgin Group is comprised with many assorted mix of businesses.(Rob Abdul, 30/01/02)

Corporate rationale is the way in which a corporate parent envisages the way that it can add value to its strategic business units. The Virgin Group’s rationale is to diversity into as many markets feasible, and extend the Virgin brand name further at a low cost; where stature could be relied upon to reduce barriers to entry into static markets. The following will be discussed below.

The Virgin Group’s rationale is to diversify into as many markets that are feasible.

They want to extend the Virgin brand name further at a low cost where stature could be relied upon to help reduce the barriers for entry into a static market. The Virgin Group looks for a challenge in every venture and aims to providing better quality products than the competitors do. The Virgin Group aims at entering a market that is still in the growth phase. (Rob Abdul, 30/01/02)

The Virgin Group sees itself as a restructurer, this means that it has low central costs due to relatively small corporate centre, with fairly minimal involvement at business level. However they vary from the portfolio managers because they also set about trying to identify restructuring opportunities within their businesses and have the skills and expertise in order to intervene and introduce these changes where necessary. (Jenn, 2008)

The Virgin Group has a wide range of strategic business units about two hundred ranging from airways to drinks, and makeup to publishing. Virgin's corporate rationale is that they try to enter " static" market, in which there are few competitors and where consumers do not get value for money. The Virgin Group enters these markets that are still in the growth stage and to try and shake them up, for example they did this with Virgin Airways and Virgin Cola.

By entering the market that is still in its growth stage and has few competitors Virgin managed to produce the product or service for a slightly lower price than all other competitors within the market then they should , along with their strong Virgin brand name. Virgin Group gained a big market share fairly quickly because they had lower prices than everyone else.

This is a good way in which to enter a market because it surprises the other competitors who may have become too comfortable in this monopolistic market, and has a potentially huge initial gain. Using the surprise tactic ensures that the other market leaders will not expected your move and result in a slow response , for example when Virgin entered the airways market, the British Airways had not anticipated them as competition and so were not prepared to be able to cut costs and compete. So Virgin Airways gained a big share of the market very quickly.

Excellent management practices has also been refer to as a major strength of this group, and is there for one of the most significant components of its corporate rationale. The Virgin Group corporate rationale was also diversify into as many markets that were feasible and extend the Virgin brand name at a low cost. The Virgin Group looked for a challenge in every venture and aimed at providing better quality products to their customers and better than their competitors.

The Virgin Group corporate rationale was to sacrifice their short-term profits in order to gain a longer-term growth and therefore they used an independent business level decision making method. This corporate rationale allows the managers to make decisions independently for growth and feel the same degree ownership and values that any other manager would feel in the Virgin Group. (Rob Abdul, 30/01/02)

Virgin's rationale for expansion was based on fierce external diversification strategy and Richard's constant need to be creative in his approaches to new challenges. For Richard the brand is very important and is an asset. The ultimate objective is to have an established global name and therefore the Virgin Group needs to have a number of core businesses with global potential, with expansion this can be achieved.

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Are there any relationships of a strategic nature between the businesses within the Virgin Group?

The Virgin Group is formed by various strategic business units (SBU). " A strategic business unit is a part of an organization for which there is a distinct external market for goods or services that is different from another SBU." (Rob Abdul, 30/01/02) Basically, there are 56 strategic business units in the Virgin Group. For example, there are Virgin Travel and Virgin Trading in the Virgin Group.

As previously mentioned all the businesses in the Virgin Group are strategically targeted towards a five pillar empire system that Richard created. At the heart of Virgin's core strategy is to develop the five pillars of the business empire which includes travel, leisure, mobile phones, and entertainment, retailing and personal finances. Looking at the diagram below it shows that all the ventures have the same brand name.

The Virgin Group

Figure 1, The Virgin Group

As this diagram shows that the brand name is the main strategic relationship and this creates a strong acknowledgement from customers. Giving a venture the name Virgin sends out a message to the customers. The brand is associated with the words fun, innovative and daring. This can result in transfers of all marketing and promotional activities up to the present for the specific venture respectively. (Rob Abdul, 30/01/02)

The Virgin Travel consists of Virgin Atlantic, Virgin Holidays, Virgin Aviation and Virgin Balloon. The Virgin Trading consists of Virgin Megastores, Virgin Enterprises, Virgin Clubs and Virgin Cosmetics. Several strategic relationships exist within the Virgin Group. One of the most recent of these strategic relationships involves it offer to customers of digital and mobile phone services as well as broadband internet service.

Virgin Digital UK offers digital music to a wide variety of customers in mediums that are compatible with a wide range of software and digital hardware. The company boasts a high preparation for this market as it has deep roots in the music industry, beginning with its record company Virgin Records, because of Virgin’s Records previous ownership and rights to many music tracks the company has benefited by it having already at its disposal thousands of tracks to make available to the public (Baker Capital, 2005)

This is the partnership involved with the mobile phone service company under the Virgin Label. Downloading music to mobile phones is an advantage that can be offered to Virgin mobile customers as an incentive to subscribe or switch to Virgin mobile service providers. This is also an advantage for the Virgin broadband provider, as it allows the Group to further integrate its digital services to include internet service and offer such packages and exclusive deals that have the potential to draw even more customers. (Marivic Butod, 2007)

Another strategic relationship exists among the Virgin transportation companies. The Group of airlines (Virgin Atlantic, Virgin Galactic) have the distinction of offering the lowest fares for packages in the Atlantic and other parts of the world. The ability to offer flights to and from more unknown and less-travelled destinations is granted to Virgin because of partnership between and among the virgin airline companies of the different regions.

Furthermore, the benefit is extended by the existence of a partnership with Virgin Rail that offers extended service via railway farther into more unreachable regions of the European continent. The Virgin Group tries to create and grow relationships with directors, managers and pilots within Virgin Galactic and all the business in the Virgin Group strategically targeted towards travel, leisure, mobile phones, entertainment retailing and personal finance.

All the businesses within the Virgin Empire allow the managers to make decisions independently and this allows them to feel the same degree of ownership and values that any other manager. Businesses were ring-fenced in order for the assets not to be switched between companies in the Virgin Group and if any company became too large another company would be put in its place.

The name Virgin became synonymous with Richard Branson's name and this key psychological strategy helps with marketing and promotions because this at the end of the day helps them expand and get well known. Therefore many businesses outside the Virgin Group have shown their interest though joint ventures as the Virgin brand name is becoming well known.

Does the Virgin Group, as a corporate parent, add value to its businesses? If so how?

Corporate parenting places collective responsibility on local authorities to achieve good parenting for all children in their care. It requires ownership and leadership at a senior level, this includes all elected members. They make sure all councillors in your council understand their corporate parenting responsibilities and are committed to fulfilling them. (Marivic Butod, 2007)

The Virgin Group as a corporate parent values all its businesses. The Virgin Group achieves value by understanding the institutionalised markets. The Virgin's management team has done a good job in identifying satisfaction in the market. The management team expertise and experience matched with the strategy allows the company to offer more for less.

The Virgin group also added value to its businesses with the brand name and used the brand name to help overcome barriers to entry. The Virgin brand name is a consumer’s supporter and as mention before the brand is much respected with the British public. The Virgin Group at a corporate parent also helps with limiting the risks for the other businesses joining in the joint venture.

Any company, corporation or organisation that is in a joint venture with the Virgin Group had the benefits of limiting the risks associated in the market place. The other value that the Virgin Group contributes as a corporate parent is that they do not restrict the management teams. The Virgin Group has a flat management structure which helps encourage innovation, flexibility and it can help promote the values of shared ownership and responsibilities. (Rob Abdul, 30/01/02)

The Virgin Group ensures that innovation is amongst the staff members and helps ensure that the individuals are successful in their careers. The Virgin Group acquires partners that have the same mind set for the venture and they ensure that they match their ability to be innovative and create differentiation for their particular company. These innovative thoughts and ideas are then applied directly into the business and therefore helping it to be successful.

Virgin Mobile is an example of this innovation as it formulated a partnership with the existing telecommunications operators to retail in mobile services.

The virgin Group and their management team were successful at identifying that the agreement was in the handling of the network management. Due to their innovation of their joint ventures and networking it promoted a unique service to the market.

Virgin as a corporate parent added workable value as well to its businesses by investing and developing the employees and real expertise. With all the joint ventures that the Virgin Group have made they did indeed limit some risks but they also contradicted some signals to the customers by having so many businesses and if the one performed badly the other separate businesses with the brand name stand a chance on been labelled as the same. (Rob Abdul, 30/01/02)

In a sense the Virgin Group is a community, every Small Business Unit in it share ideas, values, interests, goals, and the most important, they share the same brand. Therefore the Virgin Group as a corporate parent have set standards and helped the businesses know exactly how to create value to the customers and how to ensure that the brand name is upheld.

The Virgin Group as a corporate parent does value to its businesses and has achieved it though understanding the institutionalised markets, using the Virgin band name to overcome barriers to entry, it limited risks by going into joint ventures with different companies, it does not restrict the management team and the Virgin Group shows innovation.

Virgin’s management team have been doing very well when it comes to identifying a market that is still in its growth stage and markets with very little competitors. It is this expertise and experience that is coupled with the strategy to offer more to the customers for less and it has helped the Virgin Group plough though complacent business industries.

As a corporate parent virgin's brand name has helped to overcome barriers to entry. The fact the brand name is well established and accepted by the public it has helped with getting into certain markets and to expand into areas where the Virgin Group believes it can make a difference and offering something different to the consumers and a good price.

Virgin has limited the risks by going into joint ventures and any company that goes into a joint venture with Virgin also benefits the limitations of risks in the market place. As a corporate parent it helps the new venture as one have limited risks as it is under a well known brand of standards and low cost. It also encourages the management teams to be independent and make choices that will better the growth of the company.

Virgin's corporate rationale to innovation allows the staff members to be successful in their careers. The Groups acquires partners that think alike and that match their abilities to innovation and differentiation. This should then be applied to the whole business. For example Virgin Mobile formulated a partnership with existing telecommunications operators to retail in the mobile services. This innovation leads them to promote unique services and better offers to the customers.

What are the main issues facing the Virgin Group and how should they be tackled?

The Virgin group of companies was faced with two main issues. In the short term was the group's financial situation. A number of Virgin's businesses were experiencing substantial negative cash flows. Despite plans to generate funds this still left poorly performing companies such as Virgin Express, Virgin Megastores, and Virgin Money, where offloading Branson's equity stakes would prove more difficult.

Looking at virgin Atlantic which is an airline industry it indicates that the Virgin Group relied on this airline to make the profits and when deregulation increased the competition within the market place caused Virgin Atlantic to make some Losses. According to the Virgin Rail the biggest problem that they face is that the uses of this form of transport is voted as the unpopular rail operator and the fact that Virgin's rail statistics were ranked low.

Virgin Groups brand name was slowly chipped away by the press due to their reputation of the rail transport. The Virgin Group, been a larger empire, faces publicity blindly due to the fact if things were going right all is good, but then all it takes is a handful of businesses in the empire to either experience unavoidable consequences. Virgin Atlantic is an example of this as when there was bad services provided and with the bad publicity of the Virgin Rail it caused a disastrous effect opn the other areas within the empire. (Marivic Butod, 2007)

Virgin name became diluted and doing analysis of the environment must be learned and that is what they did after these events occurred. The public is sensitive and as a corporate parent Virgin can add value to its businesses by investing and developing real expertise. Therefore Virgin should change its policy to accommodate both independent and joint ventures to rely on short term profits.

The main issues facing the Virgin Group is Virgin Atlantic and virgin Rail. Virgin Atlantic is the airline industry and like any other industry it id cyclic. This proved to be dangerous in 2001 because the Virgin Group seemed to rely entirely on the profits of Virgin Atlantic. To make matters worse deregulations increased the competition in the market place and this caused all most competitors were experiencing losses.

The biggest problem faced by the Virgin Group though was the strategic Rail Authority review in 2000 because it was the most public. Virgin Rail was voted as the unpopular rail operator and it was ranked 23rd and 24th out of 25 operators. This was a major issue as it damaged a part of the Virgin reputation. That was not bad until the press slowly chipped at the company. (Marivic Butod, 2007)

CONCLUSION:

The key emphasis on this case was innovation and differentiation. The aim was to offer more for less and that each company was truly a Virgin in its own field. Although to some this notion may seem a bit too good to be true, yet no one can deny that the virgin group is one of the UK's largest private companies. Success was the result of Richard Branson's philosophy and approach in his company.

By using effective leadership, giving motivation, employing effective communication, interaction, job redesign, building trust and respect, it is very clear that the company has been performing well in various industries that it manages. The main aspirations of the Virgin Group of the company's key stakeholders is to continue expanding operations and various international business locations, new kind of business ventures and to enhance the reputation of the brand.

Virgin’s marketing is customer focused and is apparent that every major and minor decisions and plans created are based on the result of researches conducted and founded on the customers. Furthermore the services and products are something better and more valuable. Virgin bases its pricing strategy on several key trends that shape the global marketplace.