

Virgin atlantic: swot analysis

[Finance](#), [Financial Analysis](#)



SWOT refers to Strengths, Weaknesses, Opportunities and Weaknesses of the company in relation to its business environment. SWOT analysis is meant to enable the carrying out of in-depth analysis of a company's business environment. This in turn enables the concerned parties of the organization to make clear, sound and informed decisions with regard to the company. Strengths Virgin Atlantic derives a good deal of its strength from its state-of-the-art fleet of aircrafts. Moreover, the airline's configuration of its aircraft into three classes has helped it reach a wider market.

This configuration classifies the airline's cabin into Upper Class, Premium Economy and Economy. Virgin Atlantic's involvement in corporate social responsibility is laudable and bound to create a good image for the company (Korten, 1995). This will be a good asset especially for the company's future growth. Weaknesses Virgin Atlantic is centred on one man, Richard Branson, a situation that may not work well for the company's future, especially after Branson. Opportunities The airline is presented with many opportunities from its business partners who help in opening up new markets in various regions of the world.

For instance, the partnership with Air China enables it to access the impressive Chinese market. The same case applies for Singapore Airlines, which holds 49 per cent stake in the airline. It has enabled Virgin Atlantic to access the Singapore market and the South East Asian market in general. South African Airlines has enabled Virgin Atlantic access the African market. The company's partnership with Jamaican Airlines has helped it to capture the holiday makers and tourists who prefer the region as their holiday destination. Threats

Virgin Atlantic's rivalry with its competitor, British Airways presents a lot of threats to the company since this may lead to unethical and unfair competition. The situation would be better with a good relationship between the two airlines. For instance, British Airways was once found guilty of playing dirty tricks on Virgin Atlantic; they broke into Virgin Atlantic's systems and diverted all their clients to their system. The global economic crisis has reduced the level of spending among its clients. This has led to a number of cancellations and delayed bookings. This has put pressure on the company's revenue generation operations.

The instability in fuel markets has also had devastating effects on the company. The weakening of the dollar due to the financial and real estate crunch in the US has also affected the company. Virgin Atlantic Airways

PESTEL Analysis PESTEL analysis is a very important tool in the analysis of both the internal and the external business environment. It analyses the political, economical, social, technological, environmental, and legal factors in an organization's operating environment. Political The UK political environment with regard to airline operation has greatly improved compared to a few decades ago.

This has as a result led to good performance among the players in the airline industry. Businesses are now treated fairly regardless of whether they are big, medium or small. In the past the political environment was greatly in favour of large businesses such as British Airways and had little regard for new entrants into the industry. For instance the air traffic distribution regulations of London that banned new entrants from the Heathrow airport

were discriminatory. These rules would easily have resulted into a monopoly since they were highly in favour one airline, which was the British Airways.

The repealing of these laws was a big relief to the new entrants into the airline industry. A further proof that the political environment was in favour of some airlines was when British Airways stopped donating to the Conservative Party to protest the government's move to repeal the retrogressive laws. Economic The current economic environment has been favourable to the airline industry's operations including Virgin Atlantic's. For instance, the company carried over five million passengers in 2007 and made 46.8 million Sterling Pound in profit, with a turn-over of over two billion Sterling Pounds (UK CAA, 2006).

However, in the recent past, the global economic crisis seems to be taking its toll on the airline. All in all, the company's financial position is strong and sound and will not be greatly affected by the economic crisis. Social The airline has been greatly involved in a number of corporate social responsibility initiatives in the UK and across the whole world. For instance, when the company launched its flights in Kenya in 2006, it immediately announced that it would contribute towards the protection of the Malaysia Mara National Park. Virgin Atlantic has publicly declared its interest in protecting the environment.

For instance, the company is in the process of protecting the ozone layer by reducing green house gas emissions from its aircrafts. Technical Virgin Atlantic boasts of its state-of-art aircrafts that have proved to be very efficient. The company uses both the Boeing and Airbus aircrafts, whose average age is slightly less than seven years. For instance, the company

uses the Boeing 747-400 series to operate between Manchester and Gatwick. On the other hand, the airline uses the Airbus A340 series and the Boeing 747s interchangeably for all routes from Heathrow Airport.

In order to further improve its technical environment, the company has ordered for more aircrafts such as A340-600, Airbus A380-800 and Boeing 787-9. Virgin Atlantic is also in the process of replacing its older A340-300s with newer and more efficient aircrafts. Melbourne, Bangkok, Vancouver and Seattle are being considered as probable destinations for these aircrafts. The 787s will be in a position to make non-stop operations between London and Hawaii, Honolulu, Australia and Perth. Virgin Atlantic is also under intense negotiation with Airbus and Boeing for the supply of ten wide-bodied jet aircrafts for its Gatwick Airport fleet.

These aircrafts are expected to be delivered by the year 2012 in readiness for the London Olympics in 2012. Environment Virgin Atlantic has been very responsive where environmental matters are concerned. For instance, the company announced plans of reducing its emission of greenhouse gases. It would achieve this by cutting down the weight of its aircrafts and therefore reducing its rate of fuel consumption. The airline also undertook an experiment where its aircrafts would be towed to their runway to help in saving fuel.

Moreover, Virgin Atlantic continuously replaces its old aircrafts with new ones. The new ones are considered to be more effective and efficient and therefore have less greenhouse gas emissions as well as less noise pollution. Legislative Virgin Atlantic has in the past been greatly affected in its operations by the legislative factors. The air traffic distribution regulations of <https://assignbuster.com/virgin-atlantic-swot-analysis/>

London have been a major impediment to the growth of the company. These rules were aimed at achieving a fair traffic distribution between the two major international airports in the UK: Gatwick and Heathrow.

This fair distribution was to assist Gatwick to get out of its lose-making territory and make profits. On the other hand, these rules denied any airlines that did not have a scheduled international service from the Heathrow before 1977. Virgin Atlantic was one of these airlines and was forced to use Gatwick Airport instead. However, these airlines were allowed to operate at Heathrow for domestic flights with permission from British Airports Authority. All new charter flights and cargo flights were banned from Heathrow by the new rules. The situation greatly changed in 1991 when Heathrow was opened to newcomers.

The legislative environment has since been good for Virgin Atlantic Airlines. The airline has consequently embarked on an expansion venture to increase its customer base. The relaxing of the rules has enabled Virgin Atlantic give other airlines a run for their money in terms of competition. British Airways My choice of Competitor Company is British Airways, a leading airline in the United Kingdom. It was also among the very first airlines in to operate in the UK. The airline usually refers to itself as the world's most popular airline (Essen, 2007).