

Introduction and history of virgin holidays tourism essay

[Art & Culture](#), [Holidays](#)



Virgin holidays began its operations in the year 1970 not offering holiday packages but instead it used to offer order records services and was also a school magazine for students (Kegan 2010, par 3). Since the year 1970 virgin has grown rapidly due to its new and viable business ideas that have seen it sore into great heights, the great performance of virgin can be attributed to good management decisions made by the persons responsible for making such decisions (Kegan 2010, par 3). Through all this time, the holiday company has been discovering and exploiting new market opportunities, they have always brought up new and fresh ideas that are new in the face of holiday touring. The company ensures its success by offering high quality products and services and also establishes a market which the consumer utility has not been maximized and goes in to fill the gap (Kegan 2010, par 3). Virgin currently deals with transport matters with regard to planes, cars and trains; the brand also offers services with regard to holidays, wines and mobile phones. The greatest development of the virgin group is the “ virgin tour” this comprises of the travelling sector and accommodation (Kegan 2010, par 3).

With the development of technology and information, virgin is now offering services through the new technology, old products and services have been modified also to fit the current state of the art technology (Kegan 2010, par 4). Virgin brands have always kept the big market players at their toes.

Virgin is known to be the third most known brand in the British world.

However, virgin has recently increased its operations to the global level hence serving a bigger market. At this moment virgin has more than 300 companies worldwide and more than 20000 employees enjoying worldwide

annual revenue of more than five billion United States dollars (Centre of Asia Pacific Aviation 2010, pp 2). The companies build up by virgin are autonomous. This means that the virgin holiday sector is independent from the virgin drinks sector (Centre of Asia Pacific Aviation 2010). With regard to holiday and transport, “ Virgin” group has the airline Virgin Atlantic which was founded in the year 1984, the airline offers flights to over thirty worldwide destinations and has over 9000 employees, the airline can also be compared to the standards of the whole group since it is a major market player which has also invented and brought new products in the market. The airline has also been given credits for its exemplary services to consumers by winning top awards in the field of commerce.

The travel industry

The industry in which the virgin holiday is operating on can be split into two; the industry is affected in two way traffic (Kegan 2010, par 4). The company offers travelling services and also accommodation services, therefore the forces of demand and supply which prevail in the two sectors at a given moment can be said to be different. However, the difference is small and is brought about by those people who normally fly for commercial purpose and those people who prefer other brands compare to virgin holidays with regard to transport or accommodation (Kegan 2010, par 4). The travel industry can be splinted into three i. e. the planes sector, motor vehicles (taxi cabs) and train. The above three are affected by changes in the business environment that surround them, such environment is comprised of competitors, changes in economic trends, and changes in the market with regard to demand and

supply. In Britain Virgin Atlantic airline is rated as the third best brand, though it has recently globalised its services and offers transport services to over thirty destinations worldwide (Kegan 2010, par 4).

Airline sector

With regard to the airline sector virgin Atlantic is faced with the very challenges which are being encountered in the airline industry (Centre of Asia Pacific Aviation 2010). This mainly includes competition from other market players, the economic recession and inflation (Centre of Asia Pacific Aviation 2010). Competition has not been easy with regard to the airline industry, the emergence of new airlines that offer high quality services and have great marketing strategies tend to outdo the current market players,. Competition in the airline industry also comes from already established airlines which control a huge market share which makes it hard to penetrate such markets. The completion is also witnessed with regard to the quality of the services offered by the airline (Centre of Asia Pacific Aviation 2010).

The airline industry has been faced with economic challenges which have greatly reduced the number of its operations hence impacting on its revenue (Kegan 2010, par 5). The most traumatic event that struck the airline industry is the recent global economic recession which reduced the number of persons travelling by air, the economic recession did not only reduce the number of passengers travelling by air but also saw to it that airlines scale down their operations hence reducing the number of flights taking place globally (Centre of Asia Pacific Aviation 2010).

The move to reduce the number flights and other operations was a very economic viable option since the cost of conducting such operations was outweighing the benefits considering the demand level in the market (Centre of Asia Pacific Aviation 2010, pp 31). This means that the demand was too low hence impacting on the level of supplies i. e. the supply was too high compared to the demand, therefore in order to maintain the equilibrium level of the demand and supply chain the airlines had to cut down their operations level. The economic recession also made fuel prices to rise hence increasing the amount of funds used in operations (Stevenson 2010, pp 4).

The airline industry also faced another main setback; the events of September 1999 really affected the income received from the airline industry (Stevenson 2010, pp 4, pp 4). The terrorist attack on the passenger plane made individuals worry about their safety while using the air as a means of transport (Stevenson 2010, pp, 4). Before this event the government intervention in the airline industry was very minimal but after this event, the governments started setting policies to regulate operations in the airline industry e. g. a third party insurance cover that will see to it that those affected n terrorist attacks and other accidents involving passenger planes are compensated accordingly (Stevenson 2010, pp. 5). The recently ended global economic recession saw to it that the price of crude oil increase hence forcing the airlines to increase the travel fare in order to cover for the huge costs incurred in operations costs such s the fuel costs. This also reduced the number of passengers travelling by air. This greatly impacted on the demand of services from the airline industry. The demand went down since the price

increase in travel prices made customers to shy off and use alternative means of travel such as rail. This greatly reduced the revenue received by the airline industry (Stevenson 2010, pp 10). The changes in the economic status of persons around the globe resulted to a cost push inflation which saw operation costs in the airline industry go up due to increase in fuel prices and other things such as plane maintenance and salaries to employees.

Land transport services

Apart from offering travel service by air means, virgin holiday offers inland travelling services by the use of trains and taxi cabs. However, the use of trains is not fully established in all the destinations that virgin holidays operate (Kegan 2010, par 5). The competition in this sector is very stiff, this is mainly because of the number of tour companies that offer services locally at a low price, and this greatly reduces the number of passengers who choose to travel by the use of virgin cabs and trains (Kegan 2010, par 5). This sector was also greatly challenged by the global economic recession; this is because of the high operation costs and low revenue generated. The increase in costs is mainly attributed to the rise in the fuel prices and energy prices and since these forms of transport depend on fuel and electricity it was hard to operate without the two (Kegan 2010, par 6). The main purpose for this part is to transport people from airports to accommodation facilities. However, in some countries it is used as a normal form of cab transport (Kegan 2010, par 6).

Accommodation

It is important to ensure that we analyze the accommodation part of the virgin holiday package. However, the two complement each other this is because the number of people accessing the accommodation services is directly proportional to the number of people using the transport services. The difference between the two is that they are affected by different business environments with regard to competition and the forces of demand and supply prevailing in the market (Kegan 2010, par 6). The accommodation sector of virgin holiday faces competition from well established hotels especially five star hotels and hotels offering conference services (Kegan 2010, par 6). The accommodation offered by virgin tour is limited to given extent, i. e. the accommodation offered is only to the extent of a place to stay and meals whereas there are other facilities offering additional services such as conference services. Even though the accommodation sector is autonomous from the travel sector, it greatly depends on the travel sector with regard to the number of passenger turnout and the class of passengers received by the airline (Kegan 2010, par 7).

The global economic recession greatly affected the accommodation industry in an indirect manner and directly as well, this is mainly because the recession led to the decrease of the number of people travelling for holiday purposes but to a certain extent the number of people who are travelling for the sake of doing business (Kegan 2010, par 7). Since the two sectors are complementary, the decrease in the number of persons using the air as a means of transport greatly reduced the number of people who are accessing

the accommodation services offered by the airline, this is majorly because the people who use the accommodation facilities offered by the airline are the passengers (Kegan 2010, par 7). There is also a decrease as a result of the global economic recession which was brought about by limited funds (Kegan 2010, par 9). During the recession, many people had to cut down on costs due to the low income but high prices of products and services, therefore many people had to reduce the rate at which they access luxurious services and goods (Kegan 2010, par 9). The accommodation sector was also affected in terms of operation costs incurred, this is because of increased costs of products such as fuel and other effects needed to keep the accommodation facilities up to standards (Kegan 2010, par 8).

Virgin holidays SWOT analysis

Strengths

The company has a very strong brand image that has enable it navigate through completion and establish itself in the global market. The fact that the virgin holiday is part of the large virgin group that is recognized to be a well managed company with dedicated managers who not only serve the market with new brands but also high quality brands. The company is also enjoying a high number of people using the virgin Atlantic as a means of air transport for cargo and passengers. The increase in the number of passengers in the travel sector has a positive effect to the number of people using the accommodation facilities hence increasing the revenue. Apart from a strong brand image and increase in the number of passengers, the

company has a good strong asset and capital base. The company also keeps on enjoying high revenues throughout its financial periods

Weaknesses

Despite the fact that the company has been enjoying a good financial position and a strong brand image, it has been experiencing a decrease in its market share in the United States, Jamaica, India and china. This is mainly because due to increased competition from upcoming firms and already existing firms. The company is also not in better position to control the market since it has majored only in thirty locations whereas other competitors have as much 150 destinations worldwide e. g. The British airways and Thai airways

Opportunities

There has been an increase in the number of people travelling by air especially in the continent of Asia. There has been an increase in the number of passengers travelling by air in Asia due to increased economic activities in countries such as china and India. Virgin Atlantic as the main carrier for the virgin group has an established market in this area and hence stands a chance to increase the number of passengers using the airline and the accommodation services offered. Another great opportunity witnessed by virgin Atlantic is their partnership with All Nippon Airlines which has given virgin Atlantic the chance to carry passengers to Japan, this new initiative will enable virgin holidays to expand its services to this new location both travel and accommodation.

Threats

Virgin Atlantic is facing a scandal which could affect the position of virgin holidays in terms of consumer confidence and cash flow from the company (Kegan 2010, par 9). This is because the company is facing an allegation if proved to be true it may have adverse effects to the airline and the virgin group at large (Stevenson 2010, pp 11). This is after an investigation on price fixing was begun by the European Union and the United States department of justice to see whether the allegations that virgin Atlantic was involved are true (Stevenson 2010, pp 11). If the allegations are proved to be true, then they will be forced to pay a fine (Stevenson 2010). This will not only impact on the financial position of the company but also consumer confidence will be affected negatively (Stevenson 2010, pp 13). Another threat being experienced by the virgin holidays is the increase in the cost of fuel which affects the operation costs of the travelling department (Stevenson 2010, pp 17). This forces the airline to increase the fare for travelling to different destinations hence decreasing the number of people using the travel services due to lack of sufficient funds or the thought that they are being exploited (Stevenson 2010, pp 17). In the world there have been terrorist attacks on airplanes for example the events of September 30th 1999 which saw planes get bombed by unknown terrorist, this inculcated fear into the hearts of people who use airplanes as a mode of transport hence reducing the number of consumers (Stevenson 2010, pp 17).

Virgin Holidays PEST analysis

A quick look at the political, social, economic, and technological environment surrounding the company shows nothing other than a series of changes that have affected the company with regard to the four aspects of life.

Political

Just like other institutions, virgin holidays operate in an environment with political changes and rules. The airline industry has experienced currently too much political interference and virgin is no exception (Butler 1998, par. 15). The event of September 30th 1999 saw the interference of the status of the airline industry by the governments so as to curb terrorism with regard to passenger planes (Butler 1998, par. 15). For example, the United States government issued a directive that forced all passenger and cargo planes to have a third party insurance cover which will enable the persons injured or dead in a plane due to the negligence of the owners to seek complete compensation (Butler 1998, par. 15). The virgin holidays has also witnessed political events in relation to the deregulation of the airline industry so as to let the fare prices be determined by forces of demand and supply instead of prices being fixed by the government (Butler 1998, par. 15). At the moment virgin holidays is facing a great problem because of the laws enforced by political institution, the United States Department of Justice and the European Union are trying to look into an issue which virgin Atlantic is involved with regard to fixing of cargo transit prices (Butler 1998, par. 15).

Economic

The company has been affected by many changes in the economic aspect of life, for example the recently ended global economic recession which left the airline industry at a very bad position financially, the global economic recession lead to the decrease of the number of people using the air as a travelling mode since they had to look for cheaper means so as to fit to their current economic status (Camilla 2006, pp. 23). The economic recession also affected the accommodation sector since many people were trying as much as possible to access goods and services that will be costly to which is not favorable with the low income being received during the recession (Camilla 2006, pp. 23). The firm is also surrounded by many economic opportunities such as the funds to enable it expand its operations further just like other global airlines, this will to a great extent increase its revenue. The company is experiencing different economic situations with regard to geographical locations, for example the demand for airline and travel services in Asia has greatly increased due to the increase in the amount of economic activities taking place in the continent compared to other continents (Camilla 2006, pp. 23).

Social

The social aspect of life is majorly concerned with the cultural beliefs of a given group of persons, since the company operates worldwide it should be able to operate in each area in a way that syncs with the cultural beliefs of the people living in particular area (Paul 2000, pp 64). It is important for the company to maintain cultural practices of the society since it has a very

positive impact, not only to the company but to the society at large, preservation of cultural practices can also be seen as a form of cooperate social responsibility (Paul 2000, 64).

Technology

The airline industries have utilized the availability of the internet as an investment ground. This is greatly characterized by the many advertisements and other information placed on the internet concerning the respective airlines. Airlines have resolved to market themselves through online websites that are believed to be commonly visited by their target markets. The airlines also develop their own websites which give information about the services that they offer and other activities conducted by the airlines. The airline industry also utilizes the current technology by making placements in movies and using celebrities to market their products and services. The availability of the internet as a major technology tool has also seen the introduction of online booking services. These services enable the consumers to book for a flight from anywhere in the world without having to physically visit the airlines offices to acquire the tickets. The use of the internet to advertise products and to offer booking services is a very brilliant since most people this days access the internet, this greatly creates consumer awareness of the products being offered by the airline (The Economist 2010, par 3). The using of online booking services attracts many consumers hence increasing the demand for air travel services; this is because it helps the customers to cut down on the costs they incur when it comes to booking expenses (The Economist 2010, par 3).

Appendix

SWOT analysis diagram

SWOT Analysis

Strengths

Weaknesses

- Strong brand image
- Increased passenger and cargo traffic
- Strong financial position
- Declining market share in key markets
- Lack of scale

Opportunities

Threats

- Expanding passenger traffic in Asia
- Increase in trans-pacific cargo
- Partnership with ANA
- Cargo price-fixing investigation
- Rising aviation fuel prices

-Terrorist attacks and scares deter passengers

from flying

Virgin Holidays

Economy

Demand and supply

Economic recession

Technology

Online Booking

Travel agencies

Social

Corporate responsibility

Cultural practices

Political

Deregulation

Policies

Source: Centre of Asia Pacific Aviation

PEST analysis diagram

TABLE 1: Top 25 Global Airlines Revenue 2006

Airline Lists

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2006 Revenues (Million US)

%

Air France KLM

28, 945. 00

10. 28

Lufthansa

24, 903. 70

8. 85

AMR Corporation

22, 563. 00

8. 02

Japan Airlines System Corporation

18, 905. 40

6. 72

UAL Corporation

17, 882. 00

6. 35

Delta Air Lines, Inc.

17, 171. 00

6. 10

Continental AG

13, 128. 00

4. 66

Northwest Airlines Corporation

12, 568. 00

4. 47

All Nippon Airways Co., Ltd.

11, 765. 80

4. 18

US Airways Group, Inc.

11, 557. 00

4. 11

British Airways Plc

10, 654. 60

3. 79

Qantas Airways

10, 272. 20

3. 65

Singapore Airlines Limited

9, 119. 30

3. 24

Southwest Airlines Co.

9, 086. 00

3. 23

Air Canada Inc

8, 934. 40

3. 17

Korean Air Lines Co., Ltd.

8, 328. 60

2. 96

SAS Group

8, 236. 90

2. 93

Cathay Pacific Airways Limited

7, 823. 80

2. 78

Emirates Group

7, 423. 20

2. 64

Iberia

6, 473. 80

2. 30

Alitalia-Linee Aeree Italiane S. p. A.

5, 927. 50

2. 11

Virgin Group

3, 518. 10

1. 25

TAM S. A.

2, 515. 50

0. 89

Air India

2, 060. 80

0. 73

ExpressJet Holdings, Inc.

1, 679. 60

0. 60

Total

281, 443. 20

100. 00

Source: Centre of Asia Pacific Aviation

Virgin Atlantics Airways

British Airways

British Midland Airways

Continental Airlines

American Airlines

Delta Air Lines

Founded

1984

1924

1949

1934

1930

1928

Parent Company

Virgin Group

British Airways plc

BMI

Continental AG

AMR Corporation

Delta Air Lines, Inc.

Owner

Virgin Group 51%, Singapore Airlines 49%

n/a

Sir Michael Bishop 50% , Lufthansa 30% , SAS 20%

n/a

n/a

n/a

Head Office

Crawley, England, United Kingdom

London, United Kingdom

Castle Donington, England, United Kingdom

Houston, Texas

Fort Worth, Texas

Atlanta, Georgia

Hubs

London Heathrow Airport

London Gatwick Airport

London Heathrow Airport

London Gatwick Airport

London Heathrow Airport

Manchester Airport

George Bush Intercontinental Airport (Houston)

Dallas-Fort Worth International Airport Miami International Airport

Hartsfield-Jackson Atlanta International Airport

Alliance

ANA

Oneworld

Star Alliance

SkyTeam

Oneworld

SkyTeam

Number of Aircrafts

As of Aug 2007 / 38

As of Sep 2007 / 235

As of Nov 2007 / 50

367

As of Aug 2007 / 653

As of Feb 2007 / 443

Destinations

30

222

51

292

158

332

Target Market

Upper class and economy class

n/a

n/a

n/a

n/a

n/a

Management

Richard Branson (President)

Stephen Murphy (Chairman)

Steve Ridgway (CEO)

Willie Walsh (CEO)

Nigel Turner (CEO), Sir Michael Bishop (Chairman)

Larry Kellner (CEO)

Gerard Arpey (CEO)

Richard Anderson (CEO)

Edward Bastian (President)

Employment

Over 9000

42, 755

4312

43, 770

86, 000

51, 300

Fiscal Year End

April

March

December

December

December

December

Number of Incidents and Accidents

3

7

2

19

29

13

Scheduled passenger services

Offer

Offer

Offer

Offer

Offer

Offer

Cargo handling

Offer

Offer

Offer

Offer

Offer

Offer

Aircraft maintenance

Offer

Offer

None

n/a

n/a

Offer

Leisure travel services

Offer

Offer

None

Offer

Offer

Offer

Source: Centre of Asia Pacific Aviation