

Virgin atlantic

Business



Virgin Atlantic's primary problem is that they were operating in the middle of the optimal utility model. Their slogan had become "Offering a First Class service at less than First Class fares". In which Virgin Atlantic is offering high quality at a low cost, which keeps them in the middle and not profitable. It seems that Virgin Atlantic did not take into account that offering a premium service as they would come at a premium cost for them and when throwing in low cost fares into the mix they were reading a loss and expectations they will not be able to sustain for a long time.

Starting off as a low cost premium airline aimed towards the business class may have been their way into the market and obtain market share but at some point they needed to work their way out of the middle of the optimal utility model and shift either towards high quality or low cost, not both simultaneously to stay profitable. Seeing that their number one goal was to provide premium innovative services/products they could have gone the route that Apple Inc. has done by providing innovative premium products at a premium price rather than setting themselves up for future losses.

A recommendation for Virgin Atlantic's primary problem of operating in the middle of the optimal utility model, in which consumers want either high quality or low cost products and services.

Virgin should keep moving forward with innovation and providing a premium experience for all of their passengers but do it at a higher price so that they do not create any losses. Another route to go in would be to become a upper low cost provider for their business class niche and stop spending on infilling

entertainment and amenities and focus only on cutting costs which would allow them to be profitable as a low cost air transportation provider.

Another secondary problem is that during Virgin Atlantic's pursuit to be innovative, top management neglected to make innovations that would help the company in terms of lowering costs and increasing profit. They only focused on innovations that benefited the consumers and not any self-interest. For example when Virgin Atlantic's management team decided that they did not want passengers to feel bored, they came up with innovative ways to keep them entertained during their flights such as pioneering individual video screens for every seat.

But innovations like that did not help them cut any costs or increase fares significantly enough to increase profits or reduce costs.

A recommendation in regards to creating innovations to help reduce costs and increase profits would be for Virgin Atlantic Airways to partner with small shipping companies who could buy cargo space on Virgin Atlantic flights that are not at full capacity, so that they can generate more revenue on flights that are not traveling full of passengers.

Another innovative idea would be to use the individual video screens that they pioneered as ad space in the Mid and Economy class section of their planes. By doing so Virgin Atlantic would be able to generate additional revenues by selling ad space to advertisers, which would allow them to lower their cost per route,