

# Virgin atlantic airways business analysis project

[Environment](#), [Air](#)



Virgin Atlantic Airways Limited is a British airline owned by Sir Richard Branson's Virgin Group(51) and Singapore Airlines (49). Its headquarter is in Crawley, England. Virgin Atlantic is the second largest long haul airline in the UK and the third largest European carrier over the North Atlantic. The route network of virgin has grown rapidly to include destinations in the Caribbean, US, India, Africa and Far East, and they have won virtually every award the travel industry has to offer. Virgin Atlantic took to the air in 1984. In addition to the airline, the interests of the Virgin Group have expanded to include international ' Megastore' software publishing, music retailing and book, film and video editing facilities, trains, Virgin. com, clubs and financial advice companies, within fifteen countries with over 100 companies. The combined sales of the Virgin Group of companies exceeded £1 billion in 1993. In addition the business activities, Richard is a supporter and trustee of a wide range of charities including the Virgin Healthcare Foundation – a charity which is working with a number of the Virgin Group companies on specific charitable programmes. It has raised over £2. 75 million for support of worldwide children's healthcare initiatives and change for children appeal. Richard was also involved in the setting up of Charity Projects, an organisation that went on to form the hugely successful Charity Projects campaign.

### 1. 1 The Nineties

In 1992 Virgin Music was sold to Thorn EMI and the proceeds were invested into Virgin Atlantic, improving on an already great service. In the same year first super economy service was launched by virgin that went on to become the award winning Premium Economy. Most of the Nineties virgin spent

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buying new planes, expanding its route network and breaking new ground in passenger service, both on the ground and in the air

An agreement was signed by Richard Branson on DEC 20, 1999 with Singapore Airlines to sell its 49% stake. This would help virgin to form a unique global partnership. The cost of the transaction was £600. 25 million, to Singapore Airlines which included a capital injection of £49 million and Virgin Atlantic was valued at a minimum of £1. 225 billion. This deal was finalised in year 2000. Richard has 51% stake in the airline.

The naughties have proved exciting times

In the year 2003 there was a launch of Virgin Atlantic's great changes in Upper Class Suite, the longest and most comfortable flat bed and seat in business class

Virgin opened a new Clubhouse at London Heathrow Airport in March 2006. There were many unique features at the flagship lounge such as hair salon, cocktail bar, Cowshed spa, games room and brasserie.

In 2007 Virgin Atlantic launched brand new check in facilities at Terminal Three of Heathrow Airport London. Zone A is now wider, more spacious, and brighter for Economy and Premium Economy passengers enabling them to check-in at kiosks in a faster and stress-free way. The Upper Class passengers, has facility of Upper Class Wing which offers a private security corridor to the passengers so that they can speed through the terminal to the Clubhouse in a quicker way.

Virgin have a department dedicated to helping its passengers with special travel needs, providing a broad range of services to make their journey as comfortable as possible. Their Special Assistance department creates a specific plan for each passenger to ensure that their special travel needs are fulfilled. These needs vary from special meals to providing mobility aids at the airport.

In year 2008 there was a demonstration of pioneering biofuel with Boeing and engine manufacturer GE Aviation on a 747 between London and Amsterdam. This was the world's first flight using biofuel by a commercial airline. Virgin Atlantic has also ordered 15 of the 787-9 Dreamliners which burn around 27% less fuel per passenger in comparison to A340-300, the aircraft it will replace in the Virgin Atlantic fleet.

“ Still Red Hot For 25 Years”

Virgin Atlantic celebrated its 25 years with a series of special fares, campaigns and events in the run-up to its birthday in June 2009, as well as promoting red hot fares to red hot destinations.

#### MISSION STATEMENT

Safety, security and consistent delivery of the basics are the foundation of everything we do.

The success of our three year strategy requires us to build on these foundations by focusing on the business and leisure markets and driving efficiency and effectiveness.

Virgin had three missions:

To grow a profitable airline

Where people love to fly

And where people love to work.

#### VIRGIN ATLANTIC'S ENVIRONMENTAL POLICY

Virgin Atlantic has introduced many recycling initiatives all over the company offices and on board aircraft. All measures are environmentally conscious and cost effective which enable airline to assist a number of charities and institutions. Ministry of Agriculture directives are followed in recycling to ensure the highest health and safety procedures are adhered to.

Virgin Atlantic's fleet consists of the following aircraft as of November 2009:

### **Aircraft**

### **Total**

### **Orders**

### **Options**

### **Passengers**

### **(Upper/Premium Economy/Economy)**

### **Entry Into Service**

Airbus A330-300

0

10

0

TBA

2011

Airbus A340-300

6

0

0

240 (34/35/171)

In Service (Exit from service 2013)

Airbus A340-600

19

0

0

308 (45/38/225)

In Service

Airbus A380-800

0

6

6

TBA

2013

Boeing 747-400

12

0

0

344 (54/62/228)

451 (14/58/379)

452 (14/58/380)

In Service

Boeing 787-9

0

15

8

TBA

2013

**Total**

**37**

**31**

**14**

In the past, Virgin Atlantic has operated a variety of aircraft. Its retired fleet includes:

**Aircraft**

**Total**

**Active**

**Notes**

Airbus A320

5

1995-2004

Operated for Virgin Sun and Mainline G-OUZO.

Airbus A321

3

2000-2003



Operated for Virgin Sun and Mainline G-VATH.

Boeing 747-100

1

1990-2000

G-VMIA named ' Spirit of Sir Freddie' after Sir Freddie Laker.

Boeing 747-200

22

1984-2005

G-VIRG was Virgin's first aircraft.

Boeing 747-400

1

2001-2009

G-VROM named ' Barbarella' dry leased to Aerosur

2. Company Analysis

2. 1SWOT

Figure 1(source): [www. entrepedia. org/images/Swot\\_r. jpg](http://www.entrepedia.org/images/Swot_r.jpg)

Strengths

Virgin has built global brand image and it is dedicated towards its customer service and innovation. One of its strength is that it has introduced first seatback entertainment system in airlines and onboard bars. It also introduced in flight shopping range and opened a clubhouse with unique features for its customers. It has a loyal staff and strong management team. Virgin Atlantic has introduced a number of recycling initiatives both on board aircraft and throughout the company's offices. These measures are environmentally conscious and cost effective, enabling the airline to assist a number of charities and institutions. Recycling is carried out in compliance with Ministry of Agriculture directives to ensure the highest health and safety procedures are adhered to. Virgin has won various industry awards in recent years. Virgin has various facilities for kids and infants.

### Weakness

It is difficult for customers to know everything about the virgin airlines because annual report is not published because of which it also lacks transparency. Virgin lacks its corporate image within high class customers. It mostly attracts young generation because of its cool image.

### Opportunities

Virgin has large no. of opportunities to increase its market share as these days no travelers are increasing so by starting new flight in every part of the world it can be the no. one airline in the world. Virgin brand image is very good between young generation and it can also focus on corporate and business class customers. Virgin can attract more upper class customers

with its clubhouse at London airport and other lounge which are in various airports.

### Threats

The threat of new entrant is very less because it is very difficult to enter in this industry. The main threat with other airlines is of low cost tickets. Customers traveling now days have many options in choosing airlines because all airlines are giving low cost price which is very near to other airline prices. Another threat may be changing of government policies and type of agreement with other countries which may not allow airline to enter in that particular country.

## 2. The BCG (for Boston Consulting Group) matrix

The BCG Matrix The BCG (for Boston Consulting Group) matrix is ... share. 35

Business growth rate pertains to how rapidly the entire industry is increasing.

...

Star

Rapid growth and expansion

Cash Cows

Milk to finance question marks and stars.

Question Marks

New ventures. Risky- a few become stars, others are divested.

Dogs

No investment. Keep it some profit. Consider divestment.

In case of Virgin Atlantic their market is established and successful, has a large market share in a rapidly growing industry, they have additional growth potential, and profits should be invested back into business for future growth and profits. The Global market has a high growth and a high market share. Therefore they are the stars.

## 2. Porter Five Forces Analysis

The threat of new entrants

Due to high capital requirement it is very difficult for any company to enter in airline industry. The UK market is well established in comparison to rest of the Europe and Virgin holds the strong position in the airline industry. The lack of take-off and landing slots makes very difficult for any new carrier to find suitable airports.

The power of suppliers

The price of aviation fuel is directly related to the cost of oil, as an individual company Virgin Atlantic does not have power to change this. The more Virgin Atlantic expands globally the more power it will possess over its suppliers.

The power of buyers

Buyer power within the airline industry and the competitive price within all airlines are relatively strong, as customer will often shop around for the better price, particularly with the dependence that the low cost airline has on internet sales. Price difference can easily be found and exploited by the consumer, meaning that the airline must keep a regular check on its prices. The customers have the

consequence of travel organizer failure for people who takes discounted air scheduled ticket, buy package holidays and charter flights and licenses airlines and ensures compliance with requirement of European and UK legislation relating to financial resources, liability and insurance of airlines.

The threat of substitutes

There is a minimal threat form other mode of transport like train, buses and cars on domestic route and no threat on international route. Usually there are very less countries where trains, cars and buses are operated and they are very much time consuming and they cost same as airline will cost. So there is no threat for airline industry of both domestic and international routes.

## 2. 4 PEST Analysis

### Political Factors

In the last few years, the political environment of the airline industry has primarily been determined by the developments of liberalisation in the airline industry, terrorist attack and political instability in the Near and

Middle East. The “ Open Skies” policy (introduced by the United States) has led to slightly more liberal international market and has triggered an increase in competition, international air traffic is still mainly governed by the traditional ASAs which do not contain fifth, seven and eighth freedom rights, and further more restrict foreign ownership. The “ Open Skies” agreement of 2007 between the EU and the United States is a first step to a liberalized international transport system. As of March 30, 2008 it will allow European carriers to offer routes from every EU-member state to the U. S. The “ Open Skies” policy will help Virgin Atlantic to grow in U. S. market.

#### Economic Factors

The rising oil prices and other environmental restrictions have exerted additional pressure on the carrier’s financial performance. The terrorist attack of September 11, 2001 has also affected airline industry throughout the world but particularly U. S. carrier faced a financial problem due to fear in passengers of terrorism; people thus avoided travelling by airplane (Auerbatch and Delfmann, 2004 p. 66). The profits of airlines decreased because of additional costs, as for example, security expenditures or higher insurance premium (Iatrou and Oretti, 2007, p. 14).

Globalization should continue to boost traffic in long term. According to the IATA forecasts (2007d) with the highest growth rates experienced within China and East Asia, the Asian market will be the most important for international air travel by 2011. Virgin Atlantic can expand its international market towards Asia.

## Social Factors

The customers are attracted towards the cheap flights. However they felt cheated when they see ads for flights at cheap price in newspaper and when they try to book tickets for particular date they wish to travel they find it much higher.

### 3. Competitor Advantages

On 20 December 1999 Richard Branson signed an agreement to sell a 49% stake of

Virgin Atlantic to Singapore Airlines to form a unique global partnership. The cost of the

transaction to Singapore Airlines was £600.25 million, which included a capital injection

of £49 million and valued Virgin Atlantic at a minimum of £1.225 billion. The deal was

finalised in early 2000.

In summer 2003 Virgin Atlantic's launch of revolutionary Upper Class Suite, the

longest and most comfortable flat bed and seat in the airline industry. The seat is 2" wider than British Airways' First Class seat and the bed is 3.5" longer, and 3.5" wider in the lower bed area. € The seat is 2" wider than the

First Class seats offered by 10 major airlines including British Airways, Lufthansa, United Airlines, and American Airlines. The Upper Class

Suite has won twelve of the most prestigious designs awards including a Yellow Pencil

award for product design and an IDEA Gold Award for Transport Design.

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Virgin Atlantic announced in March 2007 that it has ordered 15 of the 787-9 Dreamliners –

with options on ordering another eight 787-9s and purchase rights on a further 20 aircraft.

The 787-9 Dreamliner burns around 27% less fuel per passenger than the A340-300, the

aircraft it will replace in the Virgin Atlantic fleet. The Virgin Atlantic will take delivery

of its new planes from 2011 and could be worth up to US\$8 billion. On February, 2008 Virgin Atlantic operates World's First Biofuel Flight from Heathrow to Amsterdam. Virgin Atlantic is having special features and wide range of facilities for children and infants. Virgin Atlantic will launch on-board email and text services on Blackberrys, handheld PDAs and other mobile devices for passengers on some services starting in 2011, the airline has announced. The news came as the carrier announced a \$2.1 billion order for 10 new Airbus A330-300 aircraft, adding to its 38-strong fleet, which will be

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delivered from early 2011. The new A330s will have an updated in-flight entertainment system, including USB ports and power sockets throughout Upper Class and Premium Economy, as well as the ability to use personal devices for data, but not voice, functions.

Virgin Atlantic has started new facilities at Terminal 3, London Heathrow:

Arrival Lounges- Lounge facilities are available on arrival at:

London – Heathrow Revivals – arrivals lounge with facilities including showers, Cowshed spa, business centre (with PCs, fax and photocopier), lounge bar and deli serving breakfast and snacks, newspapers and magazines available.

Departure Lounge- Virgin Atlantic offer Clubhouse facilities at the following airports. At other airports Virgin Atlantic fly to, there are agreements with other carriers or the airport itself to offer lounge facilities.

€ London- Heathrow The Virgin Clubhouse Heathrow

London – Gatwick The Virgin Clubhouse Gatwick

New York – Newark The Virgin Clubhouse Newark

New York – JFK The Virgin Clubhouse JFK

€ Boston-The Virgin Clubhouse Boston

Washington- The Virgin Clubhouse Washington

€ San Francisco- The Virgin Clubhouse San Francisco

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€ Tokyo – The Virgin Clubhouse Tokyo (recently refurbished)

€ Hong Kong – The Virgin Clubhouse Hong Kong

€ Johannesburg – The Virgin Clubhouse Johannesburg

Virgin Atlantic is having special features and wide range of facilities for children and infants. Virgin Atlantic will launch on-board email and text services on Blackberrys, handheld PDAs and other mobile devices for passengers on some services starting in 2011, the airline has announced.

Slogans

Over the years, Virgin has used many slogans, including:

“ Mine’s Bigger Than Yours”

Written on the back of the Airbus A340-600s because they are the longest passenger aircraft in the world[40] (but the title of the longest passenger aircraft will be claimed by the Boeing 747-8 when it officially enters passenger service in 2011).

“ 4 Engines 4 Longhaul”

Originally an Airbus slogan when newer versions of the A340 were built until Virgin inherited the slogan. The slogan was written on the engines of the planes, because all Virgin’s planes at the time had four engines as opposed to BA’s long haul twin-jet Boeing 777s and Boeing 767s. The slogan was removed in 2006 because it “ had run its course and it was time to move

on”-Virgin would later order Boeing 787 twin-jet aircraft in 2007, as well as the Airbus A330-300, another twinjet, in 2009.

“ No Way BA/AA”

Used in the late 1990s on several 747-400s to express Branson’s displeasure with the proposed British Airways/American Airlines partnership. BA/AA combined held 100% market share on several US-UK routes (e. g. Dallas-Fort Worth to London), and a market share of more than 50% in several more (e. g. Chicago to London, JFK to London). The slogan was brought back starting in September 2008 after merger talks between British Airways, Iberia Airlines and American Airlines began.[41]

“ Still Red Hot For 25 Years”

25th anniversary slogan for 2009.

Others Include: “ More experience than the name suggests,” “ Virgin, seeks travel companion(s),” “ Love at first flight,” “ You never forget your first time,” “ Extra inches where it counts,” “ Fly a younger fleet,” “ One call does it all,” “ Hello gorgeous”, “ We’re better by four” and, in a campaign featuring Austin Powers, “ There’s only one Virgin on this T-shirt (or bus, etc.) baby,” and “ Twice a day to London” in which Austin Powers is seen riding on the fuselage of a Virgin Atlantic 747. During that time G-VTOP was temporarily named “ Austin Powered”.

## **Year Total Passenger Carried Total Cumulative**

2002 3, 808, 687 34, 720, 689

2003 3, 850, 578 38, 571, 267

2004 4, 323, 268 42, 891, 554

2005 4, 483, 262 47, 374, 816

2006 5, 142, 080 52, 516, 896

In the year to February 2009, Virgin Atlantic carried 5.77 million passengers and made an annual profit of £68.4 million on turnover of £2,580 million.

### Brand Value

The business travelers and consumers who are having limited experience of international travel likes to choose Virgin Atlantic in comparison to other airlines This is because of Virgin Atlantic's brand value plays a important role in influencing customer's. The following words describes the value of the company- Caring Honest Value Fun Innovative. It was originally conceived by Richard Branson to offer the best possible service while delivering the best possible value. People also regard Virgin Atlantic as a distinctive, highly innovative, fun loving brand and it is admired for its friendliness, integrity and intelligence.

## 4. Competitor Analysis

### 4.1 British Airways

British Airways group was founded in 1972. The recommendation of The Edwards Committee, the government announced its intention to merge BEA and BOAC to form British Airways. The British Airways Group was

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established, which would eventually result in BOAC and BEA being dissolved on 31 March 1974 upon the formation of British Airways. Orders for 19 Boeing 737-236 and three BAE 1-11 539 aircraft were placed in 1978. In year 1983 “ The World’s Favourite Airline” advertising campaign was launched. In year 1990 21 Boeing 747-436s were ordered and 12 options were placed. The airline’s total order for the aircraft type was 42. British Airways paid £610, 000 in settlement of a libel action brought by Mr Richard Branson and Virgin Atlantic Airways Limited in year 1993. Six major world airlines, including British Airways, announced the formation of a company to create and operate an internet marketplace, linking airlines worldwide with sellers of airline-related goods and services. The company would handle approximately \$32 billion of the six airlines’ supply chain business annually. The other founding member airlines were American Airlines, Air France, Continental Airlines, Delta Air Lines, and United Airlines in 2000. On 30 July 2008, British Airways and Iberia Airlines announced a merger plan that would result in the two airlines joining forces in an all-stock transaction. On 8 April 2010, it was announced that the merger would go ahead, with completion before the end of the year. The combined company will be known as International Airlines Group, though both the Iberia and BA brands will continue to co-exist. The combined group will be headquartered in London.

#### 4. 2 bmi Group

bmi began life in 1938 as Air Schools Ltd, specialising in RAF pilot training. In 1949 the company became known as Derby Aviation, diversifying operations to include passenger and cargo charter services. In 1959 the company

became known as Derby Airways, changing to British Midland Airways in 1964 when it moved to the newly opened East Midlands Airport in 1965. British Midland was rebranded bmi British Midland in 2001, which was subsequently shortened to bmi two years later. In 2002, bmibaby, a low-cost subsidiary with its own unique brand, was launched.

The turn of the century saw a rapid expansion of routes offered by bmi including routes to Washington DC and Chicago, longhaul services to Mumbai, India and Riyadh and Jeddah in Saudi Arabia, and midhaul routes to Moscow Domodedovo. Following the acquisition of BMED in 2007, bmi gained access to 17 midhaul routes to the Middle East, Asia and Africa.

In 2008 bmi successfully launched services from London Heathrow to Tel Aviv and Dammam, strengthening its route network in the Middle East. In May 2008 the bmi group reported revenues of over £1 billion.

In July 2009 Lufthansa took control of bmi with Stefan Lauer replacing Sir Michael Bishop as chairman. Lufthansa's Jörg Hennemann was appointed to the bmi board. All together bmi's Board of Directors now has six members: Stefan Lauer, Nigel Turner, Tim Bye, Jörg Hennemann, Dr. Holger Hättly and Benny Zakrisson|

## **Competitor –**

### **Analysis**

**VIRGIN ATLANTIC**

**BRITISH AIRWAYS**

**bmi AIRWAYS**

**CUSTOMER SEGMENT**

High & upper Medium Income group

High & Medium Income group

Medium Income group

## **DESTINATION**

**35**

**150**

**30**

## **FREQUENT FLYER PROGRAME**

**Flying Club**

**Executive Club**

**Diamond Club**

## **FLEET SIZE**

**37(+31 orders)**

**223(+48orders)**

**33(+3orders)**

## **HUBS**

**LONDON GATWICK LONDON HEATHROW**

**LONDON GATWICK LONDON HEATHROW**

**LONDON HEATHROW**

## **ALLIANCE**

–

**ONE WORLD**

**STAR**

## **MARKETING**

**HIGH**



**MEDIUM**

**MEDIUM**

**PARENT COMPANY**

**VIRGIN GROUP**

**INTERNATIONAL AIRLINES GROUP**

**LUFTHANSA**

## 5. Conclusion

By studying this external and industry analysis on environmental facts, it could be said that Virgin Atlantic Airways is situated in standard cycle markets wherein its competitive advantage is moderately shielded from imitation. In general, airline industry belongs to slow cycle markets, however, due to relatively smaller capital and operations of some firms like Virgin, companies within this industry are unable to assure their long-term above average returns because they are relatively vulnerable to general environment (low lobbying power) and relatively unsecured to industry forces (potential entrants or larger competitor predation). As a result, Virgin should focus in a specific market niche or specific routes to obtain value other than price and survive the competition.