

# British airline vs virgin atlantic

Environment, Air



Strategy is the core of all businesses, organisations and enterprises. It is now being used as an investment tool. The prescriptive school defines strategy as a special course of action, designed and implemented to attain overall objectives. Strategy management plays a vital role in businesses. In fact, the use of strategy in business planning is essential to achieve its objectives and future development (.

This research study is an attempt to examine the effectiveness and efficiency of British Airways and Virgin Atlantic. The scope of this investigation is focused on; the implemented cooperate and business strategies that lead both BA and Virgin Atlantic into achieving comparative advantage over one another.

British Airways was regarded as the world's favorite airline according to the Academy of International Business (Undated version) with its main objective to project itself as a global airline. British Airways corporate mission is " To be the undisputed leader in world travel".

The main aim of BA has always been to grow and develop in the economic sense (Tan & Tiong, 2005) and at the same time meet the requirements of their customers. It has also focused itself in raising its standards by investing in innovation and using latest technology which lead to the development of new products and services for its customers (cooke, 2000). The results of development can be seen in terms of wider seating capacity which can be converted to flat beds, good onboard entertainment system and onboard web access system on its long- haul flights. BA has formed its strategy is in accordance with the planning school by H. Igor Ansoff.

Virgin Atlantic, the second largest long haul airline of Britain, was established by Sir Richard Branson in the 1980s. Virgin Atlantic's mission is "To grow a profitable airline, that people love to fly and where people love to work" (Virgin Atlantic, Undated). In a highly competitive environment, Virgin Atlantic has been successful in retaining their customers.

## **2. ANALYSIS OF THE EXTERNAL AND INTERNAL ENVIRONMENT THAT INFLUENCE THE STRATEGIC CHOICES MADE BY BOTH BA AND VIRGIN ATLANTIC.**

### **SWOT-ANALYSIS**

#### **Strengths**

It is useful to consider both the external and internal environmental forces which have had important effects on an organisation from both a macro view as defined by Taylor and Cooper (1988) and from an industrial perspective, (Pettinger, 2004).

#### **British Airways**

#### **Virgin Atlantic**

Good brand name and brand image

highly-recognizable brand image / brand name

Excellent reputation

Excellent online reputation

Key Messages - consistency; reliability; quality of offering

Value, service, and price based on differentiation.

largest airline and flag carrier of the United Kingdom

The second largest long haul airline in the UK and the third largest

European carrier over the North Atlantic

Aircraft purchases strategy is considered as an industry leader “ benchmark” that influences other carrier’s decisions

Airline Partners &Alliances / Franchising - one world partner airlines

Innovation technological

Company innovative features that distinguishes its name

Environmental performance Social and

Green (2005)

Disposal of services or outsourcing

Well-designed organisational structure

Strong leadership development programme

Management team lead by Richard Branson

Appeal to wide variety of customers

Customer loyalty

The child-friendly airline

## **Weaknesses**

### **British Airways**

### **Virgin Atlantic**

Poor marketing strategy to win customer loyalty

Weak utilization of alliances and partnerships

Reducing jobs by cutting-cost (moral/de-motivation)

Targeting primarily focused on London market

Differentiating on price with LCC's

(Low Cost Carrier)

Underdeveloped channels – Ex: Premium Economy

Lower fares due to high competition

Underdeveloped distribution system

Downturn in passenger demand

Relatively small aircraft fleet (38 airplanes)

Inadequate hedging for future fuel needs

Destination limitation (30 destination)

Change its emphasis from a market-led approach to an asset-led approach

Reducing flights to the Middle East and the U

## **Opportunities**

### **British Airline**

### **Virgin Airline**

‘ One-world alliance’ Terminal 4

Alliances and mergers (the future of the industry)

Heathrow – BA Terminal 5

Airline growth post-recovery because of the trimming of the airlines since 2005

2012 Olympics Official Airline

## **Common opportunities.**

“ Open Skies” opportunities

280 airports within Europe (growth opportunity)

Demand for flights are high

Increased tourism as a result of 2012 Olympics

Latin America as a low-terror, high growth potential market

No major carriers dominating Intra-EU aviation market

Spain, Germany, and France (next largest markets after UK)

Market expectation in Asian (fastest growing over the next ten years)

Air services within the European Union were fully deregulated and liberalised

## **SWOT analysis considerations**

Based on the SWOT analysis, it is suggested that BA is effective in its Partnership and Alliances, and efficient in its technological innovation (i. e. it's IT facilities are considered as the pivot of its recovery). An increased in efficiency is greatly anticipated by the acquiring and full utilisation of Terminal 5, and to a greater extent, furthering BA's competitive edge in this direction and hence setting new standards in the overall airline industry. However, BA was less effective in its marketing strategy in winning customer loyalty. A realignment of its marketing strategy would bring certain benefits to the organisation. Moreover, in order to remain competitive and profitable, BA needs to address certain threats to the industry which include effect of low cost airline and the possibility of weakened economy.

## **3. COMPETITIVE STRATEGIES ADOPTED BY BOTH AIRLINES**

### **3. 1. Key Messages**

BA commits to look after its customers say, “ the world's favourite airlines. We will take more care of you.” BA is known for its reliability, consistency, and quality. It has gained a good reputation and is renowned for high standard customer service and efficiency . They differentiates with Virgin Atlantic on the grounds of three unique characteristics which include value, service and price.

### **3. 2. Brand Name and Brand Image**

The brand name and the image of British Airways carry a strong identity and is the largest airline and flag carrier of the UK. Virgin Atlantic has also established a good image. It is highly recognized and competes successfully with BA and other carriers. However, BA is yet the oldest and biggest organization and maintains its leading edge over Virgin Atlantic in the airline industry.

### **3. 3 Airline Fleet and Destinations**

British Airways has its operational in 147 destinations in 75 countries, with strength of 234 airplanes. British Airways has planned for further growth of 63 airplanes which includes 12 Airbus (A380) super jumbos, 24 Boeing (787s), which will bring new innovation and efficiency on board. (BBC News, 2007).

BA's adopted strategy in acquiring a large fleet is seen as a leader in the industry (" Benchmark"), which to a great extent influences other carrier's decisions. This strategy has put BA in the lead and thus gives it a competitive advantage over Virgin Atlantic which is operating with just 38 aircrafts and is limited to 30 destinations (AirFleets. net, Undated).

### **3. 4 Partners & Alliances, Franchising and Low Cost Carriers**

Another strategy used by BA is its franchising with other airlines; Partners & Alliances airlines. It has proved to be an effective strategy. BA has alliance with other airlines, which include American Airlines, Cathay Pacific, Japan Airlines, LAN, Malev, and Finn air, Iberia, Qantas, Royal Jordanian and



Brussels Airlines to form the 'oneworld' partner alliance. Virgin Atlantic on the other hand, is beginning to form partnerships or alliances with some of its main competitors such as Malaysia Airlines, and Singapore Airlines, and thereby eliminating rivalry and competition between these Companies.

British Airway's alliance has proven a positive impact over Virgin Airline and they have gain competitive advantage in the market. Hence, BA business has proved some growth opportunities and spread it operation through 675 destinations, 135 territories and touching in slogan in 500 airport departure lounges globally. (One World, Undated)

Moreover, due to BA's preferential landing slots at London Heathrow Airport, it has gained competitive advantage over its rival Virgin Atlantic. Virgin appears to be on the weakened position in this respect.

### **3. 5 Terminal 5**

British Airways has shifted its operations in London Heathrow Terminal 5, to bring out new opportunities. The new terminal proved it to be a state of art, offering fast lane to check-in, reducing long queues and increasing the overall efficiency of the terminal. The new baggage system was considered a state of art and was recognized worldwide. They have used New Innovative Technology to gain complete edge as well provide better customers service.

### **3. 6 Technological Innovations**

Innovation is an ongoing process, Henderson(1996) and BA's competitors like Virgin Atlantic are also in for the challenge. Virgin Atlantic Airlines

invested in innovative features that distinguish the airlines. The IT Company Conchango ensured an innovative solution for a smooth take-off for multi-channel booking system build on robust and scalable e-business architecture (Baldry, 1998). This was a winning combination of technical and strategic expertise (Conchango, Undated). Implementation of technological innovations is also a strong hold for BA.

The use of Information Technology and the Internet are key factors in BA's strategy, success and efficiency of the organization. British Airways recognized this opportunity and turned it into one of its strengths.

Today, 76% of all its bookings are carried out via its e-ticket system giving customers the possibility of on-line/Kiosk check-in, getting seats pre-assigned, making special services request and meal requests. BA is always implementing effective IT solutions and is considered today a market leader as is the case for the fare-explorer booking engine (British Airways, Undated) and the in-flight entertainment system which was awarded the ' Best in Europe' (Skytrax Survey, 2007).

### **3. 7 Social and Environmental Responsibility**

British Airways has been improving its standard on their environmental performance, Macher & Richman (2004) by reducing the impact of it's on the local and global environment. Hence it is considered as their strengths.

There are putting more emphasis on the aircraft noise and emissions around the airports and local area. They also focus on the severe effect of carbon dioxide and other environment effects.

In 2005, Sir Richard Branson has announced that he would be running his airline on cellulose ethanol plant fuel, which would be generating through plant waste. Hence, it will be called the Future Fuel for the planet. The importance about this fuel is an environment friendly product. ” (Cheap Flights News, Undated)

### **3. 8 Marketing Strategy**

British Airways (BA), has a weakness in winning over customer loyalty, they lack in their marketing strategy. This weakness has to be address by the organisation. Despite the fact, its growth through globalisation and the increase in travellers needs, the marketing campaigns were ineffective in the growth of the company. British Airways has a great infrastructure but they need a boost in their marketing strategy to gain more customers and their loyalty Porter (1980).

The company needs a huge investment for their strategic management in the future which will lead for better growth for the company. BA has to keep its goal aligned with the intensive of the growing market trends to match with the customers and the market demands. In comparison to Virgin Atlantic has attracted a huge amount of customer both nationally and internationally. Virgin Atlantic has gained its competitive advantages over British Airways. The main reason for this is because of their proactive attitude and keeping an eagle eye for the new marketing trends and global advertising which leads to an increase its advertisement effectiveness, worldwide. After analysing Virgin Atlantic strength, British Airways has to

revised its marketing strategy and turn its weakness into strengths to gain competitive advantage.

There is a great opportunity for British Airways, has it got the official airline for the London Olympic, 2012. They won this position for the London Olympic, 2012 from Virgin Atlantic Airlines. Hence this move from British Airways might open new doors for opportunity worldwide. There might be a price battle in the market with B. A; companies like Legacy Carriers might keep its prices low during the games, with a low profit margin. Hence taking some part of the market share from British Airways.

## **BAD PUBLICITY**

Bad publicity an always be a threat to an organisational brand image and its reputation. Both the airlines were charged with price fixing scandal over fuel, which lead to an ineffective decision by the management. Both the companies have faced bad publicity through an advertisement campaigning to 8 million customers, in regards to claiming the money back. (Telegraph. co. uk, 2008)

Both airlines' pilot resulted positive in alcohol, where as British Airways has implemented on 6th November, 2007, they won't be allowing passenger to carry surf boards in their plane, but Virgin Atlantic did vice versa (Personnel Today, 2007). It had a negative impact for British Airways; the surf community across the world has being criticizing on this decision made by British Airways. These decision may break BA's creditability and brand image in the market, bring the company stake holder at risk. (Surfing Waves News, Undated)

Due to the meltdown of the economy in 2008 and high fuel prices has brought threats to the companies. Other concerns like high aviation tax, terrorism threats, health issues, etc are major concern for both the Airlines.

### **British Airways emphasizing on its Team**

The mission statement of British Airways “ To be the undisputed leader in world travel” their strategy mainly relies on good leadership which directs them to be an effective management, through good communication, team work and collaboration. British Airways has strength of 48, 000 employees which include team player and service providers. Hence making it workforce its base for the success of the company. (<http://jyanet.com/cap/0614fe0.htm>)

The back of the house, which is not seen in the front line like the catering department, cleaning services, maintenance, etc play a major part in the company success without which the company cannot run its day to day operations.

There is a vast communication and collaboration with different level of team in the company (Graetz et all, 2002)., starting from when the customer books it flight, accommodation, tour operator, etc. to make this chain of operation successful, they have to work with harmony of communication.

This strategy gives them an opportunity to use the new innovative IT-communication systems, ensuring smooth operations. Information

Management (IM) is the key for future success in the company. The company relies heavily on its IT, which has brought huge influence on its performance.

([Britishairwaysjobs.com](http://Britishairwaysjobs.com))

<https://assignbuster.com/british-airline-vs-virgin-atlantic/>

By using Corporate Communications, they manage the global reputation of the company, ensuring that all the parties are well informed about the happening of the company, the responsibility of the company's intranet is based on corporate communication. It keeps the update of the company's latest news and policies. There are well connected via the company intranet despite being on air, road, etc. (Communitelligence Learning Academy, Undated)

In 2001 BA has introduced the Employee Self Service (ESS) project; allow its staff worldwide to manage their day-to-day administration over the web. (Computing, 2001) BA produces its weekly newspaper, magazines for its employee over the Corporate Communications. There have a strong IT operation, which is used to enhance teamwork and communication channels like IP Telephony channel.

In 2005-2006, Cisco Systems and Prime Business Solution were responsible for setting up the new infrastructure for communication over 14,000 offices and airports. (Cisco, 2010) the key message is delivered to the customers through a robust advertisement, which acts as a powerful communication channel done by specialist communication agencies in more than 80 countries where BA operates. Hence highlighting the company's marketing strategy.

British Airways Media is the sales arm for the communication channels offered by Britain's premier airline brand. It is responsible for the production of High Life Magazine, First Life Magazines, etc. which are classified and distributed in the airplanes, lounges and different advertisement channels.

## CONCLUSION

After analyzing the above marketing strategy, strengths and opportunities for British Airways, it can be seen that BA play a very important role in the travel and tourism industry. Which bring together a big work force in terms of services, product and brand image. BA achievement has been done through its communication channels which coordinate smoothly through all the different level of the company. Hence, Building teamwork and employee trust. As they say “ A chain is as strong as its weakest link”. Working together towards a common goal contributes towards BA’s strategy, mission, reputation and growth.

In 2005, the operating profit for the company was £ 556 millions and in 2006, £ 695 million, this is the most efficient way to measure a company progress and growth. These are the positive results of the organisation strategy. To summaries in a sentence, BA is a market leader, set standards and creates Bench mark in the industry. Hence, its strategies and mission statement goes in the same direction.