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Virgin America

Abstract

This paper is on the topic of Virgin America and its organizational analysis. The first section of this paper will discuss the overview of Virgin America with its brief history. In addition, this section will cover organizational life cycle, products and services and Virgin America's geographical market. The second section of this paper will discuss the external environment of Virgin America and the level of environmental uncertainty the organization faces. The following section will cover the organizational structure of Virgin America and the implications of their structure. The next section will discuss the organizational culture of the Virgin America and the impact it has on the firm's functioning. The final section of this paper will discuss the challenges Virgin America is facing and how the culture and its structure helps in facing the challenges.

Virgin America

Introduction

Virgin America is a airline based out of California that has mission of making flying good again, with their brand new planes, top-notch service, attractive fares and a host of fun with innovative amenities that reinvent the domestic air travel. With their fleetwide in-flight internet, custom-designed leather seats, mood-lit cabins, power outlets and video touch-screens on every seatback offers travellers on-demand menus and countless options for entertainment (Virgin America Official Website, 2014). Virgin America has reinvented the domestic travel taking the awards for the passenger-awarded

industry honours for the best staff service excellence and the best low-cost service among all North American airways in the year 2011. Since their launch in the year 2007, Virgin America distinguished themselves from their competitors with in-flight experience and unique service. With their one of the youngest aircraft fleets in the United States, the airline is known for their mood-lit cabins, power outlets at every seat, fleet wide WiFi and their Red in-flight entertainment platform (Virgin America Official Website, 2011).

Virgin America has reported financial results for second quarter of the year 2013 with their operating income standing at \$27.9 million and net income amounting to \$8.8 million on the total revenue of \$376 million for the 3 months that will end on June 30. Airline posted the 8.6% improvement in their operating margin that is driven by the 7.8% growth in RASM (Revenue per available seat mile) over the year long period. Virgin America has completed their major two-year growth phase in the year 2012, by taking the delivery of 24 aircraft between the 2nd quarter of the year 2010 and the second quarter of the year 2012, doubling their fleet size. With this major growth largely behind Virgin America, it is now experiencing greater profitability and revenue performance across their network. They have plans to increase their fleet size again in the 2nd half of the year 2015. The Company is expecting continued and strong improvement in their year-over-year financial performance through the current financial year. Virgin America is also closing in on their IPO (initial public offering) after they recorded their first profit since opening doors around 10 years ago (Prnewswire, 2013). Competitive Advantage of Virgin America is their customer service and perks offered to travellers by the airline. With their flight television and WiFi

service in the newer planes, friendliest staff in the business and more comfortable seats. Virgin has managed to separate them as the truly unique alternative in the otherwise uniform industry. They launched with a brand new aircraft and flew to prime airports in U. S. like San Francisco, JFK, LAX and Washington Dulles. Their first-class service is much better than other domestic first-class carriers and they are in the same league as other international business class carriers. Virgin America has created their brand that most customers would pay a premium amount. Among other airlines, Virgin America is one of the most active Airlines on the social media and in conducting experiments. They were the first airline that started using Twitter's promoted tweets and the first airline that ran their deal on Groupon. com (Agarwal, 2012).

Economically, Virgin America is the segment that is highly involved in consumer consumption. The High level of debts and low job security keep the brakes on the consumer spending for aviation business segment. Presently, good sales for the premium seats have shown increasing sales in the first & business-class seats. Virgin America has attempted to analyze their load factors or the industry index that is calculated as the ratio between the passenger miles flown and the seat miles available. This will help to better allocate the premium seats available to the customers. The load factors are remaining strong due to rigorous price-cutting strategy of Virgin America. Markets require liberalization and barriers removed for allowing the airline industry to continuously focus as ' the commercial industry' (Marketing Strategy Trends and Innovations).

Globally, Virgin America is part of Virgin travel that has business units and

branches all over the globe that needs to stay technologically competitive. Virgin Travels has managed to expand globally; Virgin America is the by-product of this expansion. Virgin Travel has continuously looked at international expansion and Virgin America strengthening their hold in the domestic U. S. markets demonstrates their expansion endeavour. Virgin America has managed to increase their destinations all over United States such as Boston, San Francisco, Los Angeles, Cancun, Chicago, Fort Lauderdale, Dallas-Fort Worth, Las Vegas, New York, Los Cabos, Orlando, Puerto Vallarta, Palm Springs, Washington D. C., San Diego, Seattle, Philadelphia, New Jersey, Portland and Austin ((Marketing Strategy Trends and Innovations)).

Socio-culturally, society's values and attitudes with concerns about Virgin America's environment are satisfied by their customer service values. Virgin America offers customers in-flight Wi-Fi service in every flight and they have the largest in-flight entertainment library in the United States skies with their touch-screen Red seatback system. Virgin America also has elevated their loyalty program that offers the guests ability of redeeming points for unsold seats on any Virgin America flight any time. Virgin America trains their staff to include greater focus on the concierge-like delivery for guests. With their outstanding service and elegantly designed planes, Virgin America has managed to capture loyal customer following and has experienced substantial growth since their launch (Virgin America Official Website, 2010).

Demographically, travel industry comprises of customers that come from different ages, population sizes and ethnic mixes. Virgin America deals

heavily with customers that travel for their business. Most of Virgin America's customers want travel industry with low fares, comfort, technology and excellent customer service. Virgin America offers unrivalled value to their customers with lowest fares and innovative features such as power outlets, touch-screen seatback entertainment, mood-lighting and custom-designed leather seating (Virgin America Official Website, 2010).

Technologically, Virgin America is 'ahead of the game'. In 2009, Virgin America became the 1st airline to offer their guests in-flight internet in every flight. Presently, Virgin America is the only airline that has touch-screen seatback menu allowing their guests to place orders about goods and services they want, when they want at the time of the flight. Virgin has plans of using their technology to make travelling fun and interesting, and the next step for them is now Space (Marketing Strategy Trends and Innovations). Virgin America has legal/political obligations that they need to adhere for operating in the United States. Dealing with the security regulations that concern travel and equipment affects all travellers; all international travellers need passports to travel from any foreign country around the world to the United States. When flying internationally, it is recommended that customers should check their custom regulations for the destination (Marketing Strategy Trends and Innovations).

Organization Structure

This chart displays the organization structure at Virgin America Well defined with all major roles such as CEO, CFO, and COO and all others. All the departments have been defined in the organization structure with the legal, technical, flight, HR, marketing, CIO, communication, planning, sales, airport,

finance, engineering, creative and control (The Official Board, 2014).

Virgin America has been referred as the keiretsu organization, or having the structure of loosely linked autonomous firm that is ran by few self-managed teams using the family brand name. The advantage of such private conglomerates is that their owners can afford to ignore short-term goals and tend to concentrate on the long-term profits; this is done mostly by reinvesting. Their management approach consists of decentralized decision making process, which is focused on independent business level decision making and having responsibility of their development. Utilizing this kind of decentralized organizational structure tends to increase the total number of ventures undertaken by the company and in turn yields more through the internal analyses.

Virgin America was launched by entrepreneur Sir Richard Branson, is currently closing in on their initial public offering after they recorded their first profits since their launch around 10 years ago. This move has come seven years after maiden flight of Virgin America. Their turnaround in profitability has sought the reintroduction of style into United States domestic air travel that has been marked with the declining quality over the past decades. Ownership structure at Virgin America is complex, as the Virgin Group owns 49% economic interest but controls just 25 % of its voting rights consistent with the United States foreign ownership rules. The listing can offer Virgin group the chance to sell certain part of their stakes that includes debt position convertible to equity after the IPO. The management team of Virgin America, led by their CEO David Cush and Chairman Don Carty, also hold equity stake.

Virgin America operates in high uncertainty environment; thus needs to pursue more organic structure. But, based on some findings and organization structure diagram, Virgin is likely to have fallen closer to a mechanistic structure. One of the possible reasons for this is the higher possibility in efficiency and production. To better compete this can become a good step. Virgin America's structure is expected to be more organic rather than mechanistic structure. However, their present structure shows that mechanistic structure is dominating due to the firm following the LCC strategy. Furthermore, the recent outage in their online check-in system has shown that they do not have sufficient Information Technology system in place. This can be due to them missing a focused IT department in their organizational structure. This can hinder Virgin America from buffering the technological changes properly (Burns & Stalker, 2009).

Organization Culture

Virgin America is not just selling cheaper tickets; they are selling customer experience that other domestic airlines try to match. Origin of Virgin's organizational culture is easier to pinpoint, as it embodies the spirit of its founder and his many brands that range from music to possible space travel. Virgin America has been bidding to bolster their staff involvement through their internal communications platforms as they look to break away from traditional command-oriented aviation culture. Virgin America promotes culture where people can enjoy themselves, where they can feel confident, respected and safe and where people can feel happiness. Virgin America's culture expresses excitement but beneath it they also give their passengers the feeling of control (O'Reilly, 2012). Also, Virgin America follows an 'ask

for forgiveness rather than permission' kind of culture. They are a small airline that doesn't manage the numbers and averages like the legacy carriers, they want every guest to experience their excellent customer service and come back in future. Virgin America's culture makes sure that the senior leaders are accessible and visible so that all teammates have their voice in how to manage the company (Richtel, 2013).

Challenges

Some of the challenges that are faced by Virgin America in the United States are; firstly, new airplanes that are possibly the biggest threat to airline in short-term in their hyper-growth plans. After standing still on the number of planes in their fleet for awhile, they have decided to go in overdrive. The airline is expecting to grow from their 28 to 90 airplanes in coming years. This expansion will bring forward many challenges along the way, especially after the current health of aviation industry. Secondly, another challenge for Virgin Atlantic is that growing from a smaller company into a large one is very difficult as it needs money, time and effort. Thirdly, in addition to the cost of growing big there is also a cost of growing old. This will be experienced by Virgin America when their new planes will grow old and would require maintenance. Also, as their young staff members gets experienced they will need to pay those more to retain their most talented staff. Fourthly, cost of incurring oil creeps up every year as the price of Jet fuel increases almost 10% every passing year. All Virgin America can do in this case is try to play the hedging game, but this will only bump up the airline costs (Snyder, 2010).

As Virgin America is new or young, it does not have the largest network of

routes that is essential for attracting the business travellers. As Virgin America offers their customers premium products such as power outlets, leather seats, fleet wide Wi-Fi and live TV. Their flights aren't cheap like their competitors such as Alaska and Southwest Airlines and the low price is overwhelmingly relevant for the leisure travellers. Speaking of the competitors, they have jumped into the markets where Virgin America operates, making it very difficult for Virgin America to become profitable. It is fairly remarkable that Virgin America airline can generate such positive feelings among their customers in current travel scene. But while Virgin America is well liked, it cannot be well suited to compete in long term (Tuttle, 2012).

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