

Swot, pest and porter's 5 forces analysis of virgin



**ASSIGN
BUSTER**

Virgin group was founded by Richard Branson. Virgin group first started with a magazine called student. This started in 70's and got huge recognition in public. Then he opened a virgin recording studio. In 80's virgin company went on to international recognition. He then started virgin Atlantic airways in 84. In the same year he started a 24 hour music channel which was a grand success. Virgin entered in all kind of business by 90's. There are different companies under virgin group like virgin mobile, virgin airways, virgin holidays, virgin trains, cars, books etc.

Virgin group is the one of the top companies in UK. In rest of the countries it is giving a tough competition to other companies. Virgin has a different strategy and approach to the customers and it always succeeded in attracting the customers. Group produces different products and has entered into different fields in a very short period. Virgin has the advantage of its brand name in the market as it is a company where most of the people are wary about the company products. Richard Branson manager of the company is the brand ambassador of the company.

History:

- 1968: Richard Branson's first magazine went on to publish. This is the first venture by the company manager.
- 1970: In this year Virgin mail order was born.
- 1971: In this year virgin's first record shop was opened in Oxford Street in London.
- 1972: Virgin built a recording studio and composed the songs.

- 1984: Company built Virgin Atlantic airways where the flights ran to all beautiful places.
- 1985: Company started another offer to the customers like Virgin Holidays.
- 1988: Virgin opened Mega stores in Glasgow, Paris and then it spread to many other major cities.
- 1991: In this year Virgin started selling books.
- 1993: Virgin started radio station. It is the first national and commercial radio station in UK.
- 1994: In this year Virgin entered into beverages and started Virgin Vodka and Virgin Cola.
- 1995: Virgin launched cinemas in UK.
- 1996: In this year Virgin started its Internet services to the customers.
- 1997: Virgin entered into transportation industry and started Virgin rails.
- 1999: Virgin mobiles started and it changed the way of communication.
- 2000: In this year Virgin started nine companies and all of them were successful.
- 2007: Virgin entered into Indian market with its mobile.

Strategy of the company:

Virgin's first and obvious resource is the chairman Richard Branson that made the company to top position. Richard Branson's style and charismatic manner that attracts many people towards virgin group. Secondly virgin people are the main source of the company's success. Virgin has a unique

brand recognition in different businesses that is difficult to other companies to replicate.

Virgin has many numbers of companies under its shadow. The management of virgin group has freedom to express their opinions regarding company's ongoing business and innovates new strategies for the company development. Virgin's management is heavily depends on the market analysis and the customer requirements as they go into customer shoes and understand their needs and serve more better. Virgin has creative employees to serve the company better and it has 25000 employees all over the world.

Richard Branson adopted a policy with his managers and encouraged their own creativity for initiative ideas so managers would feel more responsible and ownership and tries to make a change in the company strategy and make it to run on success and profits. Management recruited carefully only some selected individuals who has the competitive nature and good teamwork abilities and chairman Richard Branson has selected as they are of his image in characteristics.

Brand Strategy:

Brand name or brand strategy is a process of attracting customers to buy a new product of its brand where brand has already got a market value. Virgin has a great brand value in UK and all the products which are produced are sold under its brand. Branding allows a customer to buy repeatedly the product and it makes a loyal supplier and the customer is also satisfied.

Branding less than one name means more responsible to the supplier and trustworthy to supplier to supply the best products.

Selling the products under one brand doesn't need more advertisement costs and it gets good response in the beginning as the brand is familiar in the market and there are many number trusted customers to it already.

There are even some threats to this brand strategy, if the product fails to attract the customers then it may put the brand into difficult position and it degrades the image of the brand.

Virgin has a great brand value in the market that uses its name tag for all its products in advertising and releases into the market. Virgin has many products in various fields under its brand name like in travel and tourism it has virgin travels, vacations etc. in leisure it has games, spa etc. In social welfare and environment it has green fund, virgin earth etc. In beverages it has virgin wines, soft drinks etc. In media it has virgin radio, music channels, mobiles, broadband, telecommunications etc. With all these it has some products like books, cloths, and finance and health bank. All its products has only one brand name and they are sold on virgin name for its brand value and good reputation.

In virgin it provides two types of products, they are differentiated as convenience products and no requested products which have different types of customers and demand. In convenience products books, cosmetics, mobiles are available where all these products are convenient to buy for any type of customers. These products are bought frequently, immediately and with minimum affordable costs. The second type of products is no requested

products like extra terrestrial travels where people doesn't know about it or doesn't show interest in it. Virgin introduced an offer to travel space to its customers. Due to its cost and risks many were not interested to use the offer.

Virgin believes in fewer prices in differentiated products where certain level of customers expects quality of products. Branson has managed to satisfy the customers with quality services and his products through out the world. Virgin brand mainly concentrated on customers like young people who like innovative, quality, fun loving products.

Corporate Structure:

The structure of virgin group is different than other companies as the financial information is not clear for this business. As it is a private company and it has different fields and different organizations and there are no correct accounts, so financial structure of the company and its income and business statements are not available clearly. Branson told that the group is loosely linked to each other and they are self managed under one brand name.

Branson also said that virgin is a group of private companies and not public limited company so it must concentrate on benefit of shareholders, stakeholders and financiers. The advantage of this is the company targets only on the long term profits.

Virgin group is mainly controlled by Richard and his trusted employees who are working for him since twenty years. In head office there are 30 people working and he has given them freedom to work and improve the company's

financial structure and he is there only to look after big deals and final strategy.

The main strategy of the virgin is to work in different sectors of business under one brand name. Virgin has decentralized the organizational structure and decision making allows the managers to learn about business tactics and while avoiding large deal decision to the chairman. Virgin allows small companies to put its brand name as it gets international recognition and it would help company to promote very easily. With this virgin is able to enjoy both the large scale and small scale company's profits and world wide recognition.

Virgin has a centralized unit to look all its business strategies and manage all the companies under one desk at the head office. A single website www.virgin.com allows users to access all its products and services. It has a internet business strategy which has coordination between all the companies and they act according to the strategies coming from the head office. When a customer enters into virgin website he can access to all the products of virgin which are under one portal and if he uses any product then he becomes a member of virgin family and he can use other services like mobile, telecommunication, banking, transportation, internet needs, traveling, entertainment etc. In this it gains more number of customers like virgin mobile gets customers from virgin rail records, virgin travel gets records from other virgin companies and so on. In this way other mobile companies cant get contact with rail customers or travel companies cannot contact to some unrelated company customers as they are unknown to them, but in virgin it have all types of customers and it can get in contact

with all customers who are under them and this would help them increase the sale of there products.

Strategic Relationships:

All the companies in virgin run targeting towards a ' five pillar' empire system that Richard was eager to create. According to Richard five pillars and heart of his business are travel, leisure, mobile phones, entertainment retailing and personal finance. Virgin wants to say to all its customers by using prefix called fun, innovative, daring.

It is already said that the main strategy of virgin is Sir Richard Branson. The Britain people can immediately identify the Sir Richard Branson name and his companies. This is the main psychological strategy Richard has got and he actively participates in all marketing and promotion activities. This is the reason for the expansion of virgin empire and all other companies show interest to keep a joint venture with virgin group. There is a great demand for virgin and the example for this is actually for the virgin direct affair investment was £15 million. But the AMP limited the leading international finance group initial investment was £450 million and it was 50-50 joint venture.

All business in the virgin group sacrificed short term profits to gain long term growth and used an individual level business strategy of decision making method. Managers are given freedom to make decisions independently for the growth and feel the same as of ownership and the value that any manager would feel. The assets and finance matters are not shared between

companies and if any company became too large any other company would take its place.

Management: Branson has taken few candidates who are having innovative ideas and are willing to start new business with a strong desire to beat their competitor. Richard Branson has added his own style of management style and involved actively all the employees and asked for advices to further serving customers better. Employees were actively involved in behaving with there values and there performance was accountable. Human resource management was responsible to keep people to the bonuses and profit sharing where ever possible they get promotions.

Analytical Tools:

PEST Analysis:

Political factors:

- Virgin rail is running under single brand as it has partnership with stagecoach. Virgin has 51% share and stagecoach has 49% share in the market.
- Virgin follows all the rules and regulations of the country it is working in and it pays all taxes and makes policies according to the government rules.
- Virgin is Britain's most trusted company and it has lot of customer following to its products and has a great influence and bonding relationship with the people of this country.

- The political interference in virgin group is regarding financial matters as the reports are not clear due to its partnerships with many companies.

Economic factors:

- To virgin most of the companies are running with partnerships and they are putting only to some extent of money and they expand their business.
- The global recession has lot of affect on its company, like closing down or losing jobs may have direct impact on its business strategy.
- Operation levels are increased and taking particular attention to the competitive services regarding to customers.
- Fluctuations in the local and international market show the direct impact on the company's business strategy and may turn it into losses.

Social factors:

- The social responsibility of providing good quality services to its customers is its first priority. The company has a mission to give outstanding services to all its customers according to the economic conditions of the customer.
- Environmental concerns are increasing day by day. So company launched its first bio-diesel train earlier than all other companies in Europe.
- Virgin has poor punctuality services which should be taken care and satisfy the customers by addressing on time.
- Virgin mobile has offered different offers to its customers according to the social conditions of the country's situation.

Technological factors:

- Virgin is one company which always tries to update its software or its technical knowledge and serve to its customers to a maximum extent.
- Virgin rail has always made updates in its technology or in its quality to its customers and made the trains run punctually without any technical mistakes.
- Virgin group always updates in providing internet services and technologies in it as wireless technology.
- Company policies also change according to the trend and interest of the customers.

SWOT Analysis:

Strengths:

- Brand name: Virgin has a strong brand name in countries like UK, USA, and Australia. Name of its brand is enough to promote any product and make it grand success in the market. Products coming from virgin can survive in the market very easily and they can get good recognition and publicity without making more advertisement.
- Different types of distribution: Virgin has two different types of distribution units. First is to sell the products in retail stores and the second is to sell through online. Customers can use any of these services according to their comfortable levels. Both of these distribution units are maintained by virgin group.

- Various processes to export: Virgin has different methods of transportation facilities to export its products. It has international airports and two big seaports near to it for exporting its product.
- IT professionals: It has highly skilled software professionals who work with great commitment to give the best quality of service to its customers.
- High budget: Virgin group has enough money to invest into any kind of business and it is earning huge profits every year for its products and it is expanding to different countries every year.

Weaknesses:

- Loose supervision: As virgin is a group of different companies and each field has its own managers, the supervision of the company is becoming hard for anyone and control goes out of hand sometimes.
- Communication gap: There is a lot of communication gap between each company. Only the website to approach to the company is same but the communication between different sectors of business is very weak.
- Bad transportation: There is a bad transportation facility and there is no punctuality in trains and other public transportation facilities where all these are affecting the company progress.
- Outdated machinery: Some of the virgin products use outdated machines and these cause a great trouble to the customers and employees in it. For example virgin rails still need to update its version of trains and make it faster.

Opportunities:

- Expand to overseas: Virgin has the opportunity to expand to overseas and make its market to reach to more customers as it is a familiar product in many countries. Products like mobiles, airlines and media can be extended to any country very easily.
- Virgin could get better deals: Virgin has the opportunity to get more deals from more countries as it is always ready to expand its business and it is ready to make partnership with any other company for its progress.
- Opportunities of training: There are many opportunities for training for fresher and retraining to other individuals in the company. So that employer has the opportunity to know more about the company and on what project it is working exactly.
- Using high technology goods: It has the opportunity to improve itself by improving its technology and usage of new technologies in different sectors and making customer easy to understand about the services you offer.

Threats:

- The success of virgin group mainly depends on the corporate parenting strategy which is led by Richard Branson. It is sustained through its strategies if it goes well in the market and gives competition to other companies.
- In the long run Branson has to put his succession ideas and strategies for the future running of business and they require implementing properly to reach the targets of the company.

- Virgin has to take care about its strong leadership for the future and the implementation of its company policies and strategies for the long run of the company by managing all the companies under it carefully.

Porter's 5 forces:

In this guide to Porter's five forces, it discusses the five factors where the running of a company depends and they are: rivalry, supplier power, customer power, threat of substitutes, threat of new entrants.

Porter's Five Forces Model

Rivalry:

In the market if the rivalry between two companies increases then it would result to zero profit margins. Companies try to overcome this and take competitive advantage and over their rivals. Rivalry can be caused due to various reasons and their effects may decrease prices and sometimes companies need to put special offers to face the challenges. Rivalry between companies is due to the following reasons

Large number of firms: More number of firms produces same product then they compete for the sales of their goods to the same customers in a limited market place and this led to competition between companies.

High fixed costs: If the cost of product is high then customers switch to other companies and this would put in trouble so the companies has to put a price with a minimum profit margin.

Market growth: In this companies try to grow rapidly by attracting customers and they make plans for the expansion of there business. There would be a strong rivalry during this process as all the companies try to increase their market size.

Threat of substitutes:

In this model threat of substitutes refer to the same products producing by other companies and making competition. In this customers would easily switch to another product. So companies have price war and look for the low margin profits to attract existing and new customers.

Buying power:

This refers to the power of buyers as it is mainly concerned with customers. There are some factors in this as the buyers are powerful and if the buyers are weak.

Buyers are powerful when the customers are less in concentration compared to market share and he can purchase a fair share of output.

Buyers are weak when the companies take over the distribution of products on their own or the producers supply distribution of input purchases.

Supplier power:

In this it discuss about the power of supplier. Suppliers are powerful when there are more number of customers or when there are only few suppliers to the company.

Suppliers are weak when more number of suppliers is there to supply the goods and when the less number of purchasers are available in the market.

Threat of new entrants:

In this if any new company enters the market this would make huge competition in the market and new entrant's threat to pose more danger as they try to attract the customers and in this process they give lot of offers to the customers. In this it is easy to enter when there is huge demand for any product and lot of distribution channels. It is easy to exit when there are salable assets, low exit costs and independent businesses.

Future of the company:

Virgin has a lot of strategies for its future and Richard Branson is in the process to implement all these strategies. Virgin is planning to enter into more different sectors of business and to expand its business to other countries. Virgin is planning to open new businesses in partnership with any company to enter into new business and to other countries. It is planning to enter developing countries and make its mark there by giving more offers to all types of customers and increase their share in the market and their brand value.

The virgin group as a business head had the following points where they value these.

Understanding of markets: Virgin's management has a good experience in identifying the market situation. It is there expertise and business strategy

which helped the company to achieve a lot of success in all business areas they entered.

Brand name which overcame barriers to entry: The virgin brand name is the Britain's favorite brand and it is a respectable brand in other countries.

Joint ventures: virgin secret of success is joint ventures and they kept limited investment in new products and got benefits from this in market.

Freedom to managers: management is not restricted and the company helps in innovation and promotes shared partnership and responsibilities.

Innovation: Virgin's staff has individuals who have succeeded in their careers and the group invites many people who invest in new innovations and differentiate.

All these innovative ideas made virgin in top position and they have applied in there business and got huge success to their credit. For example virgin mobiles have partnership with other telecommunication groups and they gave offers such as less monthly rentals and cheaper prepaid offers in all the places they entered. In UK virgin doesn't operate its own network but it won best wireless award in UK.

Conclusion:

Virgin company has many ventures to launch. Virgin managed to increase their share in the market over the last 15 years. In last fifteen years there are lot of new ventures in Virgin and entered into different fields and launched its products in many countries.

A strong brand name and good service to its customers makes Virgin Company to top position in future.

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