Virgin

Virgin is one of the best known brands in Britain today, with 96% recognition and it is well known world wide. It is strongly associated with its founder – 95% can name him. In 2004 Interbrand ranked it eighth in the global rankings for Brand of the Year. Research shows it is associated with value for money, quality, good service, innovation, fun and a sense of competitive advantage. But despite its high profile, Virgin is actually made up of lots of small companies – 20 umbrella companies with some 270 separate, semi independent businesses, most set up in partnership with other companies. This mirrors a Japanese management structure called ‘keietsu’, where different businesses act as a family under one brand, each empowered to run their own affairs independently, but offering help and support where needed. Richard Branson explains:

Despite employing over 20000 people, Virgin is not a big company - it’s a big brand made up of lots of small companies. Our priorities are the opposite of our large competitors’….For us our employees matter most. It just seems common sense that if you have a happy, well motivated workforce, you’re much more likely to have happy customers. And in due course the resulting profits will make your shareholders happy. Convention dictates that big is beautiful, but every time one of our ventures gets too big we divide it up into smaller units….Each time we do this, the people involved haven’t had much more work to do, but necessarily they have a greater incentive to perform and a greater zest for their work.

Virgin uses its brand as a capital asset in joint ventures. It is continually searching out opportunities where it can offer something ‘better, fresher and more valuable’. Virgin contributes the brand and Richard Branson’s PR profile, whilst the partner provides the operating capability and often the capital input – in some ways like a franchise operation. New firms are set up and sold off to finance Virgin’s global expansion. In the three years to 2002 Virgin raised an estimated £1.3 billion in this way. Among these the biggest was the sale of 49% of Virgin Atlantic to Singapore Airlines for an estimated £600 million, followed in 2001 by a £75 million mortgage secured on his remaining stake. Virgin sold 50% of Virgin Blue, the Australian low-fare carrier to Patrick Corp. for £96 million. It also sold Virgin One to Royal Bank of Scotland for £45 million, the Virgin Active health clubs for £75 million and the French Megastore business to Lagardère for £92 million. Virgin has also raised smaller amounts by selling stakes in Raymond Blanc’s restaurants.

The brand has been largely built through the personal PR efforts of its founder. According to Richard Branson:

‘Brands must be built around reputation, quality and price … People should not be asking ‘is this one product too far?’ but rather, ‘what are the qualities of my company’s name? How can I develop them?’

According to Will Whitehorn, director of corporate affairs at Virgin Management:

‘At Virgin, we know what the brand name means, and when we put our brand name on something, we’re making a promise. It’s a promise we’ve always kept and always will. It’s harder
work keeping promises than making them, but there is no secret formula. Virgin sticks to its principles and keeps its promises.

Virgin defines its consumers as ‘the public at large – anyone who will buy from us.’ It defines its customers as ‘people who are using Virgin products or services’ and would like to extend its relationship with them, for example through Virgin Mobile. It believes its products and services are about making life easier – ‘developing better value for money, a better service, challenging the status quo, and injecting an element of fun into what traditionally been dreary marketplaces.’ For example, in the airline industry it aims to offer excellent customer service and has consistently innovated in many ways like offering on-board messaging. In 2004 Virgin Atlantic was voted best long haul business airline by Business Travel and best transatlantic airline by Travel Weekly. Virgin Mobile offers one simple tariff with no extra charges rather than the complicated contracts offered by other mobile phone companies. In 2003 Mobile Choice Consumer placed it first for the best pre-pay package and best for customer service.

Service quality is at the core of many of the businesses and this is delivered by staff having the culture of ‘going the extra mile’. Staff are seen as the company’s most valuable asset. They give the company its personality, shape its culture and innovate. Staff training encourages empowerment and challenging of existing rules and reinforces the brand culture. There numerous activities designed to promote team spirit and reinforce brand values, including Richard Branson’s summer party for staff. All staff have annual appraisals and a continuous service policy allows them to move freely around the Virgin Group of companies. They enjoy a group-wide discount scheme. The Group conducts regular employee satisfaction surveys and focus groups. It has staff committees and makes use of ideas/suggestions boxes. The company encourages employees to ‘go that extra mile’ by schemes that reward this such as Virgin Atlantic and Virgin Holidays’ Heroes, Virgin Mobile Shout Scheme, Virgin Money’s Academy Awards and the Group-wide Star of the Year prize dinner. In 2003 Virgin was voted by Business Superbrands the brand that most values its employees.

Richard Branson now runs the Virgin empire from a large house in London’s Holland Park. Although there does not appear to be a traditional head office structure, Virgin employs a large number of professional managers. It has a devolved structure and an informal culture. Employees are encouraged to come up with new ideas and development capital is available. Once a new venture reaches a certain size it is launched as an independent company within the Virgin Group and the intrapreneur takes an equity stake. Will Whitehorn, Branson’s right hand man for the last 16 years, says of Richard: ‘He doesn’t believe that huge companies are the right way to go. He thinks small is beautiful....He’s a one-person venture capital company, raising money from selling businesses and investing in new ones, and that’s the way it will be in the future’ (The Guardian, 30 April 2002). In 2007 Richard Branson announced that he would be taking a less active role in the day-to-day management of his companies.

Up-to-date information on Virgin and Richard Branson can be found on the company web site: www.virgin.com

Questions

1. How would you describe the structure of the Virgin Group?
2. Do you agree that Virgin is now just a ‘branded venture capital company’? Explain what this means.
3. What does the Virgin brand bring to a product or service? How far can the brand be stretched?
4. How dependant is the Virgin brand on its founder, Richard Branson?