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Virgin Group Success Businesses: Diversification, and Key Strengths

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ABSTRACT

Virgin Group is the largest private enterprise in the UK which includes of an assorted mix of businesses. It is considered to be one of the most worlds respected brand name and venture capital organizations established by Sir Richard Branson in 1970. The name Virgin has been selected to correspond to the plan of the firm being a virgin in every business it entered. The Virgin group businesses success increased in different sectors such as; transportation, music, financial services, soft drinks, mobile telephony, travel, and media.

KEYWORDS: ***Virgin Group, capabilities, Key Strengths, and Diversification***

Introduction:

Nowadays, Virgin is employing more than 50,000 people (Virgin, 2012), and created approximately 300 branded companies in 25 different countries. The major points behind the Virgin's growth might be linked to Sir Richard Branson and Virgin brand name, with its unique culture of management style with minimal hierarchy and management levels (Grant, 2012). According to the Resource Based view, resources which are scarce, difficult to imitate, valuable and are not replaced by other resources are considered as a competitive advantage for the firm (Grant and Jordan, 2012). The Virgin group's core competence is their Brand name. The Brand name is difficult to imitate for its competitors. It has leveraged widely in many products and markets. It has also contributed to the end customer's experienced benefit. Branson's businesses had the high ambition of expanding the business by using the brand name of the Virgin. That's why the business of Virgin group did not stand still within some specific industries but expanded enormously. First of all, the Brand Name of Virgin is "valuable" in order to the equity of the brand. Secondly, it is considered to be "rare" for the Virgin brand name because Virgin has positive perceptions of its customers, name linked with words like; 'innovative', 'successful', value for money, and the most important the trust to the Virgin group's businesses. The third point, "imitability", Virgin over time, was successful to make brilliant reputation, therefore it is difficult for the competitors to imitate the Virgin's products and services. Finally, Virgin's competitors replace resources that might provide and supply to the same actions as equity of brand and corporate reputation.

Competitive advantage has been established by Virgin Group among its competitors by providing services and good value to the consumers in different ways. The Virgin Group's businesses basic and the core competence are to produce goods a little bit differently from the others. In addition, Virgin attempt to add value to the ventures by adding a little fun. Due to the differentiation in the Virgin's strategy the ways of doing business and the fit of the activities also it differentiated from the competitors.

Furthermore, Branson owned unique capabilities, such as his ability to successfully employ the media to grow Virgin's public awareness, besides Branson's possesses of excellent charisma and superior negotiation skills. The capability of the Virgin's unique culture of generating uniqueness and making differences, also the Branson's ability to maintain the unique company's management style and structure aid Virgin to be successful. Valuable capabilities will support the Virgin Group in the external environment to successfully search and analysis with attempts to minimise threats as well as looking for the opportunities. Capabilities have to be used efficiently, they will turn important and be hard to be substituted or imitated. Innovation is the Virgin Group's main marketing strategy, which it is about when a person has a new idea or a new product. Empowering workers to frequently offer not beatable consumer experience. This strategy generates a huge value that consumers are willing to pay a premium to have.

Value chain analysis for Virgin Group:

Value chain analysis is a strategic analysis of a company that focused on the serial process of value generating actions. The Virgin group's generic value chain which identifies the actions that might be separated to present a further in depth identification of the Virgin's actions. Michael porter's representation of the value chain distinguishes between primary activities (those involved with the transformation of inputs and interface with the customers) and support activities (Grant and Jordan, 2012, 126).

Primary Activities:

- **Inbound Logistics:** In the organizations that present services, inbound and outbound logistics refer to design, solution, development and research (Dess et al, 2010). Virgin actions with devoted to make sure of the services and raw materials. Virgin works with suppliers on a high level, which has provided for many years, and thus cover the standard services and products (Virgin, 2012).

- **Operations:** Virgin's product and services are high quality. Besides, Virgin has different websites for each activity that offer different facilities to its consumers, for example purchasing tickets online for airlines and trains.

- **Outbound Logistics:** Outbound logistics refer to distributing service or products to buyers or customers (Dess et al, 2010). Virgin's product and services reach the customers with a fun, value, and success. Virgin is empowering employees and attempts to innovation services and products and offer it to its customers (Grant, 2012).

- **Marketing and sales:** Virgin to achieve competitive advantage is taking researches and doing analysis about the industry, with offering its services and product at a competitive price (Grant, 2012).

- **Service:** The major objective of Virgin Group is to provide high quality services and products through training effectively their employees and conduct the technique of innovation, with follow up the feedback of consumers (Grant, 2012).

Supportive Activities:

- **Firm infrastructure:** Virgin is operating in 25 countries with 300 companies in the group, its owning many buildings, lands, plant and equipment, and Virgin gets across a lot numbers of different industries, such as financial services, industry of airline, music industry to the communication and computing services (Grant, 2012).

- **Human Resource Management:** Virgin Group carries a successful brand name over 43 years due to the high skills, experiences, intellect, talents of its employees and their desire to outperform, with the unique culture of management style with minimal hierarchy and management levels. Besides, Branson gives primarily credit to the human resources for the success of the company (Grant, 2012).

- **Technology Development:** The quick developments in digital technologies created a whole new field of opportunity

Volume 1 Issue 1 2016
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AFMJ 2016, 1, 78-83

for Virgin. Virgin group is extremely admired for its innovative application of information technology to professionally offer its services to the consumers (Grant, 2012).

- **Procurement:** Virgin stets its prices in the right direction and obtains services and goods at cheaper costs, which allows Virgin to keep consumers satisfied.

Porter Five Forces analysis for Virgin Group:

Porter's Five Forces frame work help logically evaluate potential stages of risk, opportunity, and profitability depended on five components within a venture. It is used as a tool to better grow a strategic improvement over competing companies within a business in a healthy and competitive environment. It is classified five forces that specify the long term profitability of a market (Porter, 1998).

The threat of entry:

Virgin involves many different services that are price-cut due to the economic downturn of the recession (Grant, 2012). Threat of new entry for virgin train is very low, as it very accepted train operating company in the country. However, The threat of entry in the airline industry is quite high.

The bargaining power of buyer:

In today's competition world, customers have to be attracted in order to maximize the selling. Virgin group depending on Branson's innovative ideas with a good team around him, he was successful to provide all his products and services in competitively priced direct to the customers in the world. For railway business, it's not possible to travel by public transport or private all the time, therefore the passengers do not have much of bargaining power because travel is a necessary requirement.

The bargaining power of supplier:

Virgin is an international business firm with a constant growth in rapid years. The major issues for suppliers is the brand name reputation and Virgin as a brand has met their standards. However, Suppliers have the power to make decisions on whether to supply Virgin with a service or raw materials. The Virgin would need suppliers to transfer all Virgin produces to local "Megastores" and for this the suppliers would have the power to increase prices.

The threats of substitute:

Virgin is offering different kinds of similar products and services in comparison to other firms. Virgin improved their variety of services and products in Virgin Megastores to comprise mobile phones, cola, and music in order to increase sales. Which this is a threat of substitutes. On train service there are always substitute, for example public transport such as flights for long distance or coaches, and private vehicles. However, in the Airway industry there is a minimal threat from the modes of transport on the domestic routes due to relatively low prices.

Competitive rivalry:

The Virgin group is a rapid development and globally economical company in recent years. For Virgin to continue their base in the markets, must look into increasing their base in various markets. The virgin has a wide range of services and products flourishing in the market and have sustained their strategy of low cost and usually attempted to generate a difference with their services. Therefore, the expansion of Virgin doesn't come from the competition with other firms but an attempt to open new opportunities in the business (Grant, 2012).

The Virgin Group's success is based on the strategy of corporate parenting. Each new business that the firm entered it well inherits the Virgin's brand name, the management style, value, with access to the Virgin's resources and support from the group. Virgin Group's Competitive advantages sustainability depends on way of managing to support decentralization and Virgin's culture under a unified brand. As the brand name is associated with Richard Branson the question arises whether it will have the same value for customers after he leaves the business. To generate sustainable competitive advantage the firm has to integrate its core competencies into internal processes and corporate culture (Grant, 2012).

Core competence according to Hamel and Prahalad (1994) is a bundle of technologies, resources, and skills that allow a firm to present a particular benefit to its clientele. Core competencies are not a specific product, they contribute to the competitiveness of a range of

Volume 1 Issue 1 2016
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services or products. Core competences are some of the most significant sources of uniqueness, they are things that a firm can do uniquely well, and that no-one else can duplicate speedily sufficient to influence competition. Most evident Virgin's core competencies are: strong brand name and reputation built by Branson, promotion and considered advertising in 'fun' style. The success of Virgin Group is standing on the corporate parenting strategy, every new venture unit of business inherits the company's brand name, values, resources, management style, and support. To create sustainable competitive advantage Virgin have to to incorporate its core competencies into corporate culture and internal processes (Grant. 2012). However, customers desire the image that a brand name can bring but besides they require the value at a competitive price. Branson has extended the basics of his brand in different ways that they are changed into a number of different activities. The Virgin group's reputation is directly related to Branson's reputation. Consequently, if Branson falls down, the virgin brand will also fall down.

Diversification refers to the expansion of an existing firm into another product line or field of operation ,which might be related or unrelated (Grant and Jordan, 2012). The Virgin Group decided to take on a related diversification of several firms spread across not related business. For a number of years Virgin Group successfully employ the diversification policy with more than 300 companies in the group. Moreover, it is always looking for to invest profits from existing goods and services in new markets. For example, such as starting Virgin its businesses from mail record, airway industry, retails and other businesses.

Over expansion strategy was one of the key issues that facing Virgin throughout constant diversification. Virgin gets across a lot numbers of different industries, such as financial services, industry of airline, music industry to the communication and computing services. While unrelated industries, Virgin has made a way into each of the industries with reasonable and logical success. Markets in which Virgin was able to successfully penetrate, tend to be common characteristics, they are markets that usually have been taken for consumers to take advantage of or under-served, where there the competition is uncertainty complacent.

On the other hand, Virgin's lack of focus and over-diversification which led Virgin to problems. For instance, strong competition in the industry of the airline, forced Virgin to sell Virgin records to assist the airline continues to exist (The Biography Channel, 2011). However, offering services in different businesses may provide the community the figure of being diversified and competitive. Virgin selects markets based on entering institutionalised markets, particularly those that do not provide value to services and products as well as do not have a lot of competitors therefore Virgin can dominate it. Virgin according to the case study followed the non related diversification, which mean that the development of services and products beyond the existing capabilities.

The Management recruited in the Virgin selected its workforce to be innovative individuals, Basing on his image, Branson employed its managers in terms of personal characteristics. They have the competitive streak in their personalities and they are pioneers in their field. Virgin's employees have to able to share value and to perform effectively as a group. Differentiation and innovation were the key emphasis by Virgin, and the purpose was to provide more for less and that each venture was truly a Virgin in its own field for the facts that Virgin group is one of the largest private company in the UK. While, Virgin to keep away from damage to the Branson image and virgin brand, the group kept in operational some unprofitable businesses rather than declared bankrupt or being sold. However, Virgin sold some profitable businesses such as virgin record in order to invest in new business enterprise (Grant, 2012).

The rationale for the Virgin Group's is to diversify into different and as many as possible markets feasible, and expand its businesses at low cost in terms can be relied upon to decrease barriers to entry into fixed markets. The group aims to present better products and higher quality services than other competitors in a complacent market. The strategy that Virgin rely on it is the markets to be entered have to be still in its growing phase.

Virgin's strategy includes unrelated diversification at the individual business unit level. Moreover, cooperatives are generated from hierarchical relationships and the contact of the head office's company with individual business

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AFMJ 2016, 1, 78-83

units. According to Grant & Jordan (2012, 18) corporate strategy is the scope of the company in terms of the industries and markets in which it competes, and the decisions involve investment in diversification, vertical integration, acquisitions and new ventures. In relating this to Virgin Group's, Virgin operates like a business capital company depended on the Virgin brand. The ability of Virgin to enter the new industrial business with a bang and shake up existing orders. Besides the unique Virgin's culture allows it to perform its ventures very efficiently and to break into new markets successfully.

According to the Ansoff's Matrix - Diversification strategy there are four strategic different with each other that directs for the corporate-level strategy that are related to the decisions about the market scope and the product, and the way that the firm has to require to add value to them: Market parenting, product Development, Market Development, and Diversification (Ansoff, 1984). Virgin Group is a firm that generates the growth option, due to its diversification with starting with the music industry at first and then became extremely diverse, with different businesses in different sectors such as rail markets, cinema, retail, and holiday.

Conclusion:

Virgin Group operates in different environments, and how customers interpret, and understand with that outside world influences their performance. The group businesses are unique, so the external forces that have an effect on them and will be different between them. Business environment analysis is significant in determining the factors that impact directly on an organization both in terms of being an opportunity or a threat.

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