

Case study

Emergent strategy at Virgin Group

Under the strong and populist leadership of its chief executive, Sir Richard Branson, Virgin Group has pursued an opportunistic strategy to build a company with estimated annual sales of over US\$10 billion by 2007. Starting from nothing in 1968, Virgin Group tried a series of strategies over the next 30 years. Its aim was to find opportunities to grow the business on the basis of what became the Virgin brand name and on the strong reputation of its founder and chief executive. The strategic trial-and-error process was essentially emergent, rather than prescriptive. This case outlines some of the main strategies with Virgin's successes, failures and continuing business developments.

Background to the early years

After an experimental launch of a student magazine, the young Richard Branson developed a small record mail-order business in 1969 to take advantage of the end of resale price maintenance in the UK. He opened his first record shop two years later and subsequently developed it into the Virgin Megastore chain.¹⁰ At the same time, he was attempting to develop a record label by signing up various pop artists of the time. None of these businesses possessed any clear competitive advantage, though arguably contractual rights to popular musicians and the Virgin brand itself had some real value. He continued to seek business opportunities using the Virgin brand and, by chance, met up with an entrepreneur wishing to develop an airline business. This eventually led to the Virgin airline business with its first route to New York in 1984.¹¹ In later years, the company moved into a variety of business ventures – from Virgin Bride and Virgin Cola to Virgin Trains and Virgin Mobile telephones – see Table 2. In terms of its strategy, Virgin Group claims to examine business opportunities carefully, seeking an opportunity for ‘restructuring the market and creating competitive advantage’.

Virgin Group's underlying business strategy

The company has developed its strategy over a number of years. Essentially, Virgin takes the view that there are always opportunities available for the hungry business executive. The underlying business logic has been summarised by Branson thus:

*Business opportunities are like buses . . . There's always another coming along.*¹²

In practice, what this means is that Virgin examines new opportunities to see if the group can offer something ‘better, fresher and more valuable’ than existing companies. It looks particularly at markets where the existing customers are not always receiving value for money and where the existing companies have in some cases become complacent – trains, insurance

and banking for example – and where the new internet might deliver a business opportunity. This means that the main thrust of the strategy has been to find new market opportunities where the company believes its brand name can create competitive advantage. 'Contrary to what people may think, our constantly expanding and eclectic empire is neither random nor reckless. Each new business demonstrates our skill at picking the right market and the right opportunity,' says the Virgin website.

Outcome of emergent strategies: Virgin focuses on geographical expansion

In the last few years, Virgin has focused its strategy on geographical expansion of its existing product portfolio rather than adding products. For example, it has taken its highly successful concept of Virgin Mobile telephones to other countries beyond its UK base. However, it remains opportunistic in its main product areas – for example, its bid to rescue the failed UK bank Northern Rock in 2007. The strategy continues to emerge – both into new countries and into new product areas.

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Case questions

- 1 *The Virgin emergent approach to strategy development has not always proved successful – Virgin Bride and Virgin Cola, for example, remain relatively small businesses. Does this matter? Do all emergent strategies have to be successful?*
- 2 *Critically evaluate Virgin Group's strategies over the period of the case study. Was the company wise to spend so much time investing in so many new product areas? What would you have done?*

Table 2 Selected business opportunities developed by the Virgin Group

Year	Business opportunity
1968	First issue of <i>Student</i> magazine – Branson's first business venture, which was subsequently closed
1970	Start of Virgin Mail Order operation – records sent by mail at cheaper prices than those of record stores
1971	First Virgin Record Store opens in Oxford Street, London, UK
1972	First Virgin Recording Studio
1973	Launch of Virgin Records label plus Virgin Music Publishing – the Sex Pistols were signed in 1977

1984	Virgin Atlantic Airways launched with limited flights between the UK and USA
1985	Virgin Holidays founded (travel agency chain in the UK) – Virgin Hotels then followed in 1988
1988	Virgin Megastores opened in UK – Japan followed in 1990
1991	Virgin Publishing (book publishing) begins
1992	Virgin Records sold to the major record company, EMI
1994	Virgin Vodka and Virgin Cola launched with great publicity
1995	Virgin Direct Personal Services founded – sells financial services within the UK
1996	Virgin Trains launched to provide long-distance train services in parts of the UK
1999	Virgin Mobile begins – sells mobile telephone services in the UK by renting space on the network of a competitor; Virgin Bride – a bridal emporium – begins with Sir Richard seeking publicity by being photographed in a white bridal gown
2000	Virgin Cars – a car purchasing website; Virgin Wines – a wine purchasing website; Virgin Cosmetics – 500 products for men and women in the UK; Virgin Active – acquisition of chain of fitness centres in UK Virgin Blue – low cost airline launched in Australia – becomes major success with Initial Public Offering (IPO) in 2003
2001	Virgin Mobile extends into Singapore
2002	Virgin Mobile extends into the USA and into South Africa
2000	Virgin Group decides to grow its businesses by a <i>geographic expansion strategy</i> of existing products and services, while also identifying new products and services in its home country
2003	Virgin acquires stake in the British cable television company NTL, which is re-branded as Virgin Cable
