



BUSINESS IMPACTS OF THE CORONAVIRUS OUTBREAK ON VIRGIN ATLANTIC

[Applied Industrial Placement]



[DATE]

UNIVERSITY OF WALES TRINITY SAINT DAVID

Executive Summary

The purpose of this report is to analyse.....

DO THIS SECTION LAST!!!!!!

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UPDATE TABLE FREQUENTLY – CHECK IT HAS BEEN UPDATED PRIOR TO SUBMISSION

Introduction (average of 10% of the word count)

Newey, (2020) has stated that the Coronavirus is a group of viruses that cause diseases in animals, in a few instances some viruses including Covid-19 have been transferred to humans. In addition to this, Newey mentions that the virus has been harder to control as 80% of those infected have mild symptoms whereas 20% of Covid-19 cases have been classed as severe, resulting in the virus being harder to control.

Furthermore, GOV (2020), the current statistics on Tuesday 16th June 2020 is that over two hundred and ninety eight thousand people have been infected by the virus and almost forty two thousand individuals with positive Covid-19 results have died. Furthermore, The UK have been in lockdown since the 23rd March. On this day Prime Minister Boris Johnston (2020) addressed the nation and stated that "The Coronavirus has been the biggest threat the nation has seen in decades and that everyone should stay home". In addition to this he stated that the purpose of this lockdown was to ensure the high risk and vulnerable were safe and to relieve stress on the NHS.

However, According to Boffey, (2020) The World Health Organisation has criticised the partial lifting of lockdown in England and if it is to continue, there will be a second peak in the virus whilst Wales, Scotland and Northern Ireland still have strict lockdown restrictions in June 2020. In addition to this, in order for a successful lifting lockdown, a vaccine will need to be introduced or the Government will need to enforce a tracking operation. Finally, Boffey states that lockdown has been enforced for 12 weeks and it is uncertain when it should be lifted.

Singh, (2019) has stated that Virgin Atlantic is a prominent long haul airline that was created in 1984 by Sir Richard Branson. Virgin Atlantic (2020), have stated that Richard Branson created the airline as there was a gap in the market for a stylish, exciting airline that provided great in-flight service. In addition to this, the company has stated that this was successful as they now fly long haul to a variety of destinations including America, Africa and Asia. Moreover, Burrows, (2020) has stated that Virgin Atlantic employ around 10,000 throughout the UK including pilots and cabin crew, and call centre agents in Crawley and Swansea.

There have been several new developments within the last decade according to Bowers, (2012) This includes the integration of Virgin Atlantic and Delta Airways. According to Richard Branson, (2012) this occurred in order to maintain a competitive advantage with British Airways. Bowers states that Delta now owns 49% of the company.

Main Findings

Sub Headings can be included

PESTLE

Political

ACAS (2020) has mentioned a political factor that has occurred due to the coronavirus is that the government has had to introduce a furlough scheme. In addition to this it has given a definition which states that furlough is when employers have to put employees on temporary leave however they stay employed. According to Dawkins (2020) This worked in Virgin Atlantic's favour as the company had asked its employees to take 8 weeks unpaid leave in order to relieve financial stress from the company, before the job retention scheme was put into place. He also stated that fortunately those who agreed to the unpaid leave were entitled to furlough.

According to Coffey, (2020) the government has ensured that there are limitations now that individuals are able to travel. This includes wearing masks throughout airports and aircrafts, limiting queues for toilets and some airlines will refuse hand luggage. Virgin Atlantic, (2020) have stated that aircrafts are cleaned after every flight with a solution that has proved to kill viruses and additionally all staff on board an aircraft are supplied with cleaning products especially during long haul flights.

Social

Ren (2020). has stated that when an individual's environment changes it is only natural to feel unsafe and uneasy. Ren additionally stated that due to the uncertainty of the coronavirus, close minded attitudes gather and rumours evolve. In addition to this it is stated by Ren that racism within social environments will increase. Not only are the innocent citizens from Wuhan targeted but the whole of China have also seen blame. Furthermore, Kelvin (2020) has also mentioned that it is evident that all eyes are looking towards China during the pandemic, However it is stated by Kelvin that individuals should not forget about developing countries and those working at the frontline of the virus, instead of pointing the blame toward innocent citizens of China.

However, According to Virgin (2020). Many grounded employees have dedicated their time off to volunteer within their communities, whether it's for the NHS, supermarkets or charities. This therefore reflects Virgin Atlantic as a company and shows how compassionate employees are.

Economical

Inman (2020) has stated that the main economic factor of the coronavirus is the amount of individuals who are now unemployed. Inman provided the statistics from the job center, which saw a 126% increase since the beginning of lockdown.

In addition to this, the current number of people unemployed and claiming work related benefits is now 2.8 million and Inman has predicted the number to increase as it is inevitable for all businesses. More information on redundancies at Virgin Atlantic will be provided further on in the report.

Technological

Pololikashvili, (2020) has stated that technology is a vital factor to restore global tourism and build confidence for customers. The global guidelines provided by the United Nations World Tourism Organisation expects technology will provide a safer travel environment for customers. However specific technology has not been mentioned.

Oakes (2020) stated that Virgin Atlantic saw a decrease in customers due to travel bans, however innovation was born and on the 23rd March 2020, Virgin Atlantic underwent the first cargo only flight in order to maintain the trade of goods to and from the UK. Furthermore Davies (2020) has stated that Virgin Atlantic have adapted and shipped out 3.5 million items of protective equipment for the NHS. These items include ventilators and facemasks.

Legal

Perkins (2020) has stated that one legal factor that has arisen from the Covid-19 pandemic is that business contracts need to be adapted in regards to employment. In addition to this Perkins has stated that companies need to consider whether their employees are a liability within the workplace environment, whether the company have policies in place if the workplace becomes affected by the virus and whether their employees are able to work from home.

Furthermore, Baum (2020) has stated that businesses throughout the tourism industry will need to adapt after the impacts of the virus in order to maintain consumer rights. Additionally, Baum has stated that the majority of businesses will have to reshape in order to survive the impacts of the virus. More information on the reshaping of Virgin Atlantic will be included within the marketing title.

Environmental

Chinazzi (2020) has stated that due to lockdown restrictions the travel industry and especially COVID-19 affected areas will receive the greatest decrease in travel related transmissions. In addition to this, Ng (2020) has provided an example with Venice, Italy. It is stated that the city is choked by pollution with clougy, grey canals. However due to lockdown and no tourism Ng has stated that it is apparent the city's break from tourism has seen magnificent benefits from clear canals where small fish and swans have been spotted for the first time in years.

The UK Government (2020) issued travel restrictions on the 17th March that advised to travel only if it was necessary. However, according to Virgin Atlantic, the only flights that were taken during this period were respiration flights to the UK provided and funded by the government. This suggests that the lack of emissions of all outbound flights contributed to a decrease of air and noise pollution.

SWOT

Strengths

Davies (2020) has stated that although with uncertainty ahead, Virgin Atlantic has used its facilities to its advantage in order to provide health services with the equipment it needs. He stated that 3.5 million personal protective equipment items have been flown in from China to the UK on specific cargo flights from Virgin Atlantic. In addition to this, the manager of the cargo flights provided by Virgin Atlantic, Dominic Kennedy (2020) has stated that Virgin Atlantic is working closely with the department of Health and Social Care in order to transport over 100 tonnes of medical supplies between Shanghai and Heathrow.

Weaknesses

Virgin Atlantic (2020). The company is committed to safeguard its future due to Covid-19 and compared to other airlines, the company has assured that redundancies will be the last resort. Virgin Atlantic, (2020) has provided steps in action in order to reduce redundancies made which include a company wide recruitment freeze and restrictions on staff travel and training other than safety training which will continue. However, Brady (2020) has stated that Virgin Atlantic has had to make the sacrifice and cut 3,000 jobs to ensure the airline adapts to the coronavirus crisis, this includes cutting the company programme in Gatwick and integrating the company with Virgin Holidays.

Opportunities

Caswell states that Virgin Atlantic was introducing a route between London Heathrow and Sao Paulo expanding services provided by the company. Caswell states that the route was announced to begin in March 2020. However Caswell mentions that the route was postponed for October 2020 and then cancelled completely. It is stated that the route could potentially be reintroduced once the business is back on its feet.

On the other hand, Topham (2020) states although Virgin Atlantic have struggled during the pandemic the company have announced starting dates for the 20th July with more routes to restart in August. Furthermore, Otley (2020) states that Virgin Atlantic is optimistic about the future and have released plans for routes in

2021. Otley provides a statement from the company which explains that routes to Tel Aviv will double daily and flights from Heathrow, Manchester, Glasgow and Belfast will continue to provide routes to popular destinations such as Orlando and Barbados. Otley mentions that the summer schedule will begin March 2021 and will gradually increase throughout the year.

Threats

Davies, (2020) has stated that as part of adapting post Covid-19, Virgin Atlantic have decided to suspend all services at Gatwick Airport for the foreseeable future. Davies mentions that a spokesperson for Gatwick Airport has stated that the coronavirus has had a severe impact on the aviation industry and therefore Virgin Atlantic will be welcomed back to the airport if opportunities arise. However, Finlay, (2020) has stated that Virgin Atlantic's presence in Gatwick Airport was low compared to other airlines. It has been stated by Finlay that EasyJet had the highest amount of seat capacity in February 2020 at 38%. In addition to this, Finlay mentions that low budget airlines like Wizz Air may increase their slots at the airport and plan to make Gatwick a base for the airline. Overall, this suggests that the services provided by Virgin Atlantic at Gatwick Airport will not be missed.

Management

Krapivin, (2018) has stated that in 2017 Virgin Atlantic was voted within the top twenty of the best companies to work for. In addition to this, Krapivin stated that it was noticeable when observing employees of the company due to how engaged they were when completing tasks. Additionally he has stated that factors that influence engagement could be financial gain or motivation between groups all of which would reflect the effectiveness of the management at Virgin Atlantic.

However, Taylor (2020) has stated that Richard Branson requested a £500m loan in order to support Virgin Atlantic however this has been criticized due to Richard Branson's net worth. Forbes (2020) have predicted his net worth to be \$3.8 billion. In addition to this, Horton states that Branson has more interest in leaving a legacy rather than focussing on his airline. Furthermore, Horton states that as Virgin Atlantic has seen losses the past five out of seven years, Branson is not willing to put money into the company as it is unlikely the money will be returned. However, Calder (2020) has stated that Branson has stated that the money put into the company by the government is not free and therefore he has the responsibility to ensure it is paid back.

Additionally, Newey (2020) has stated that Covid-19 was declared a pandemic as the country went into lockdown on the twenty third of March. However, according to Keeley, (2020) Virgin Atlantic stopped all flights to mainland China, specifically Shanghai at the start of February. Therefore proving that management of Virgin Atlantic made the responsible decision prior to the virus becoming a pandemic.

Finally, Peek (2020) has provided information on Weber's theory on bureaucratic management. Peek states that unlike the flexibility of modern management, Weber provides 6 characteristics that form a bureaucracy. These are hiring based

on qualifications, accurate record keeping, consistent rules and a “separation of the owners personal and organisational assets”

Management Comparison

Vodeb (2012) has stated that the competitive advantage is becoming prioritised as there is an increase of countries that are trying to make tourism the new economic generator. In addition Vodeb also stated that destinations need to adapt towards the tourism market and that well represented companies have the power to increase a country's attractiveness to tourists.

Lovegrove (2019) Virgin Atlantic and British Airways have a similar cabin system with and both company's unique selling point is the service rather than price. However it is mentioned by Lovegrove that British Airways provide more European routes and more consistent long haul routes and therefore could be at a slight competitor advantage to Virgin Atlantic. Despite this, Calder, (2020) has stated that Virgin Atlantic has always been ahead of its times by being the first aircraft in Europe to introduce in-flight entertainment and premium economy class.

Furthermore, Calder has stated that if Virgin Atlantic were to go into administration, it will have had over a monopoly to British Airways. This therefore reflects Virgin Atlantic's importance as it sets a benchmark for the British long haul carriers.

Davies (2020). British Airways are under immense pressure and have also suspended operations in Gatwick Airport. Brader has also backed this argument by stating that British Airways is set to make 12,000 redundancies whereas Virgin Atlantic only made 3,150. This is because of additional European routes British Airways have on offer. This suggests that Virgin Atlantic is managing as effectively as possible since its competitors have acted similarly.

However, Ireland (2020) has stated that budget airline Easyjet started flights to a variety of destinations throughout Europe in June whilst Virgin Atlantic restarted routes to Hongkong and New York mid July (Taylor, 2020). This may suggest that budget airlines have seen a competitor advantage in the aviation industry as they have been able to resume flights earlier than long haul carriers.

Marketing

Echtner (2003) has stated that companies within the tourism industry need to market with images in order for the target audience to decode the images and decide for themselves whether to purchase. In addition to this, they state that using images provides an attractive but realistic expectation on an audience that gives them an insight on a specific destination's environment, culture and economy.

Brader, (2020) has stated that one of many adaptations Virgin Atlantic have had to consider is the integration of Virgin Atlantic and Virgin Holidays. However Brader has mentioned that this has also resulted in a loss of jobs from both companies including the closure of 15% of retail stores.

Furthermore Bhasin (2019) stated that Virgin Atlantic have stated that the marketing strategy is to ensure that customers get immaculate customer service. This then suggests to potential customers that the company's services are expensive. However, Virgin Atlantic's competitive pricing strategy then provides relief compared to prices from competitors such as British Airways.

However, According to Campaign Live, (2020). Virgin Atlantic have not adapted a marketing campaign since before Covid-19 whilst other Virgin organisations such as Virgin Media have had a stay connected campaign suitable for those in lockdown.

Shareholders

Yilmaz (2008) has stated that A shareholder is classically defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" and that shareholders within the tourism industry are the most dominant group when it comes to decision making.

Topham (2017) mentions that Richard Branson sold 31% of Virgin Atlantic to Air France- KLM for £220 million whilst Delta has shares at 49% and Virgin Group have maintained 51% of shares. Topham states that the purpose of this was to integrate more routes between the companies whilst keeping the Virgin Atlantic brand. Otley (2020) has stated that Virgin Atlantic have been searching for new shareholders due to the Coronavirus. In addition to this, it has been stated that although Delta Airlines own 49% of the company the CEO Ed Bastian (2020) has said that ownership of the company does not mean further support will go towards Virgin Atlantic. One factor that may have influenced this decision according to Horton (2020) is that Virgin Atlantic already owes Delta \$200 million.

Taylor (2020) has stated that Richard Branson requested a £500m loan in order to support Virgin Atlantic due to lack of funding from shareholders. According to Powley (2020) founders of Rolls Royce and Airbus are in favour and have written letters of support to the Government stating the effects on both companies if Virgin Atlantic receives no financial support.

Additionally, the CEO of Virgin Atlantic, Shai Weiss (2020) provided an update stating that a five year restructuring plan has been put into place with the help of financial support from shareholders and has introduced new partners Davidson Kempner Capital Management. In addition to this, Weiss stated that the restructuring package will be worth £1.2 billion to ensure that service is up to standard which will support and be beneficial to the UK economy.

Conclusion

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