

Virgin

Richard Branson is probably the best known entrepreneur in Britain today and his name is closely associated with all the many businesses that carry the Virgin brand name. He is outward-going and an excellent self-publicist. He has been called an 'adventurer', taking risks that few others would contemplate. This shows itself in his personal life with his transatlantic power boating and round-the-world ballooning exploits as well as in his business life where he has challenged established firms like British Airways and Coca-Cola.



Now over 50 years old, his business life started as an 18-year-old schoolboy when he launched *Student* magazine, selling advertising space from a phone booth. He started selling mail-order records but soon decided he needed a retail site. Because it could not be let, he got his first store, above a shoe shop on London's Oxford Street, rent free on the grounds that it would generate more customers for the shoe shop. It was a great success and Richard next branched into the music business with Virgin Records.

Since those early days the Virgin brand has found its way onto aircraft, trains, cola, vodka, mobile phones, cinemas, a radio station, financial services and most recently the internet. And the Virgin brand has become as well known as its founder. It has a 96 per cent recognition rate. What is more, it is strongly associated with its founder – 95 per cent can name him as the founder. The company has pioneered the concept of a branded venture capitalist, mirroring a Japanese management structure called 'keiretsu', where different businesses act as a family under one brand. The Virgin Group is made up of more than 20 separate umbrella companies, operating some 270 companies worldwide with a global turnover of over £3 billion in 1999.

Virgin now uses its brand as a capital asset in joint ventures. Virgin contributes the brand and Richard Branson's PR profile, whilst the partner provides the capital input – in some ways like a franchise operation.

The brand has been largely built through the personal PR efforts of its founder. However, between January 1997 and November 1999 the Group spent £137 million on advertising. 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.

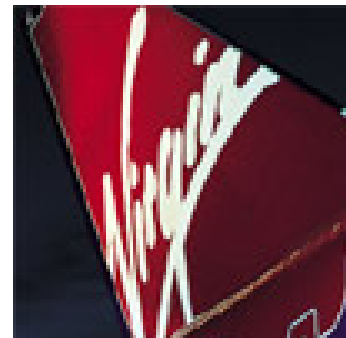
Today Virgin describes itself as a 'branded venture capital

company', having created some 270 separate, semi-independent companies. Richard has been adept at setting up in partnership with other firms or even selling off part of his companies' shares to finance Virgin's global expansion

'Despite employing over 20,000 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.'

In the three years to 2002 he 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. He sold 50% of Virgin Blue, the Australian low-fare carrier to Patrick Corp. for £96 million. He 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. He has also raised smaller amounts by selling stakes in Raymond Blanc's restaurants and is looking for a partner in his Virgin Entertainment Group which comprises Megastores and V2 stores.

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.'



Case questions:

1. What does the Virgin brand bring to a product or service? How far can the brand be stretched?
2. Do you agree that Virgin is now just a 'branded venture capital company'? Explain what this means.
3. How dependant is the Virgin brand on its founder, Richard Branson?
4. Can you have a start-up that is simply a 'branded venture capital company'?