Virgin - A Brand Built on Fun
(Drawn from interviews, articles and an INSEAD case
"The House that Branson Built")

Richard Branson started his business career by launching "Student" magazine in the late 1960's. It was a symbol of a new era of opportunity and rebellion. Its initial success was not sustained and he began selling discounted records through the magazine under the Virgin brand. This led to a retail site in 1971, which in turn led to Branson supporting Mike Oldfield's first record – Tubular Bells – and the birth of Virgin Records.

A natural entrepreneur, Branson invested in a range of businesses from night clubs to magazines to hotels to cinemas. During the 1980s, however, his main activities were a record label that launched new pop groups and a chain of retail sites selling records. In 1985, he met Randolph Fields, a 31 year-old Californian, who was in the process of starting an airline, and Virgin Atlantic was born. In 1986, Virgin went public, only to return to private ownership in 1988.

Regardless of whether the emerging Virgin Group was in good times or bad, Branson continued to invest in new businesses and began to talk about the Group as being a branded venture capital company. Many projects had short lives, such as "Event", an entertainment magazine for London designed to compete with "What's On". Event lasted 8 months and cost Branson £750,000. Branson was as quick to close unsuccessful operations as he was to invest in new ones. His moto was to "look forward not back". This attitude helped him decide to sell Virgin Records and cash in on other successes when the time was right or he needed money for other projects.

By 2000, Virgin Group consisted of travel businesses (Virgin Atlantic, Virgin Holidays, Virgin Aviation Services, Virgin Helicopters, Virgin Limobikes and Virgin Airships and Balloons), entertainment businesses (Virgin Cinemas, Virgin Digital, Virgin Publishing and Virgin Radio), retail businesses (Virgin Megastores, Virgin Retail, Caroline International, Sound & Media, Virgin Vie and Virgin Brides), consumer product businesses (Virgin Cola and Virgin Vodka), hotels businesses (Virgin Clubs, Virgin Hotels and some named hotels and resorts), a financial services business, a UK passenger train business, an internet business and others..

The logic for the group is not always apparent. However, there are some important themes.

First, the Virgin brand is evident in most businesses. In the early 1990s, research on the brand led Branson to conclude that this was the Group's central asset. Recognised as standing for anti-establishment, fun and value for money, the brand could be stretched to cover any sector where these attributes are attractive to consumers. Moreover the brand could enable

Virgin to enter businesses that others considered had high barriers to entry. This led to a view that Virgin should focus on "institutionalised markets" where the incumbent competitors were either locked into legacy ways of working or focused on competing on a narrow definition of consumer value. Virgin found that, in many markets, there is a segment of disaffected consumers looking for an alternative brand promising more value and more fun.

Second, most businesses are partnerships either with management and/or with other investors or suppliers. In order to enter new sectors where Branson and his team had little experience, Virgin would seek to rely on others already experienced in the sector to provide operating support, technical skills or distribution. Virgin would focus on branding and marketing. The Virgin brand was, therefore, licensed to these businesses through a central licensing unit. The central team at Virgin had become skilled at helping new businesses set up partnering and alliance contracts. This made it possible to test new ideas with little injection of capital.

Third, Virgin discovered the value of quirky advertising and publicity. Branson had learnt that it was possible to use publicity as a free form of advertising. Moreover, Virgin's humorous, establishment-knocking advertising achieved high retention rates. As a result, Branson would often be personally involved in the launch and promotion of new businesses, dressing up in a bride's outfit or pilot's goggles to create the right media pictures. Also, the small marketing team at the centre would often help with advertising campaigns.

Fourth, Branson has kept the centre small and the bureaucracy to a minimum. For many years, the headquarters was a houseboat on a canal where board meetings were sometimes held while Branson was in the bath. Now in more establishment offices, the Virgin Group has no human resource policies, complicated budgeting or planning processes, or intrusive corporate policies designed to promote synergy. Branson and his finance team manage the group by sitting on the boards of the businesses, some of which are only 50% owned. Not that Branson makes every meeting.

Synergy is encouraged but on a mutual benefits basis. For example, a Virgin Group conference might be held at Disneyland in Paris. The two day event might have only two hours of plenary session. The rest of the time, managers and their families are expected to mingle and enjoy themselves, doing deals with each other where it makes sense.

Finally, Branson learnt that a good idea is one that comes with a manager capable of implementing it. He had tried identifying market opportunities and finding managers to launch new ventures, but this had a much higher failure rate than backing managers with ideas. This policy combined with Branson's reputation means that the Group gets tens of business proposals a week from entrepreneurs, established managers and members of staff.