Virgin America: Recreating the Airways

How it’s Possible to Fly Low-Cost Luxury

A Creative Marketing Strategy for an Upstart Airline

Joseph Deluca
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By Joseph Deluca

Overview

Fledgling airline, Virgin America, is rethinking what it means to fly economy. Low cost shouldn’t infer low quality. Virgin America offers consumers style, relaxation and entertainment without emptying their pockets. A thorough and accurate creative work plan will allow Virgin America to produce an effective MC campaign that will yield a high ROI.

The Virgin Brand
The Virgin brand is synonymous with value style, a little bit of fun, irreverence and caring deeply for customers and employees (Reed, 1).

Corporate Values
Virgin America’s main principle is commitment. Virgin America is committed to environmental sustainability, governance and accountability, its employees and its stakeholders (VirginAmerica.com).

Corporate Vision
Within the next 5 years Virgin America aims to be the leading low-cost, high-luxury airline in the United States by expanding flights, its air force and by creating new destinations.

Mission Statement
Virgin America aims to give domestic travelers more for their money by providing a higher level of comfort and by offering lots of its coach seats available to its customers at prices below the fares of bigger rivals (VirginAmerica.com).

Target Audience
The target audience and current market for Virgin America is younger, more urban, tech-savvy travelers who are looking for more of an upscale experience (Maul, 1).

When I asked consumers over the age of 40 about Virgin America, only two actually were familiar with it. Although a lot of younger people didn’t know what Virgin America was, more of them could identify with it compared to those over 40-years-old.

Virgin America’s perspective target should be these consumers so they can expand on its fliers.

SWOT Analysis

Strengths (VirginAmerica.com)
Virgin America has three key strengths which consist of being feature rich, customer focused and fairly priced.

On board a Virgin America plane one will find a myriad of amenities, including touch-screen seatback entertainment, 110v power outlets near every seat and Gogo® In-Flight Internet on every flight.

Virgin America’s new custom-designed, mood-lit cabins feature more comfortable and ergonomically correct leather seats. Fliers will also be able to use Red™ - the most advanced entertainment system in the U.S. skies.

Virgin America was rated “Best Business/First Class” among domestic airlines in Condé Nast Traveler’s 2009 Business Travel Poll.

Complementing Virgin America’s lush features is its low prices. Transcontinental flights start from $99 each way and west coast flights are available from $39 each way.

In addition to low cost flights, Virgin America has teamed up with Google to offer free Wi-Fi from November 10 to January 15.

Both the low-cost flights and the feature-rich cabins center on Virgin America’s philosophy of focusing on the customer.

Virgin America is “on a mission to make flying good again.” The entire flying system was designed to be like no other. Virgin America puts
customers first by providing upscale, low-cost flights and by giving guests control over their own in-flight experience.

**Weaknesses**
Virgin America’s most immediate concern lies with its ownership issue. Virgin America was created by U.K. entrepreneur Richard Branson. U.S. laws restrict foreign investors from being majority owners. Branson’s Virgin group is a 25% share holder (Cameron, 1).

Recently, competitor Alaska Airline requested that the U.S. Transportation Department launch a public investigation into the ownership and control of Virgin America. Alaska Airline cited the possible pullout of U.S.-based investors Black Canyon Air Partners and Cyrus New Joint Structure, which have the option of in their investment deals of selling back their investment to the Virgin group (Compard, 1).

Another weakness of Virgin America is its lack of flights. Currently Virgin America flies to and from Orange County, Seattle, San Diego, Los Angeles, Las Vegas, San Francisco, Boston, Fort Lauderdale, New York and Washington D.C. (VirginAmerica.com). Virgin America provides transcontinental flights and flights along the west coast.

An aspect that must be addressed by its marketing communication is Virgin America’s lack of brand awareness. I asked several consumers about Virgin America and many of them either never heard of it or knew very little about it. However, just about everyone knew airlines such as Southwest, JetBlue and United Airlines.

**Opportunities**
A major social issue of today is the green initiative. One of Virgin America’s fundamental principles is sustainability (VirginaAmerica.com). Virgin America has done a great job of incorporating eco-friendly practices into their brand.

Virgin America has a brand new fleet of aircrafts that operate up to 25% more efficiently than other domestic fleets (Carmichael, 1).

The Virgin group has even been experimenting on alternative fuel sources. In 2008 one of its jets were fueled by 80-percent jet-fuel and 20-percent oil from 150,000 coconuts (Malpani, 1).

Virgin America should illustrate its green initiative in its advertising to create a positive brand image.
Another opportunity lies within connectivity. Computing cost are low and broadband connectivity is almost universal (Deighton/Kornfeld, 14).

Nearly everyone can be reached almost anytime. Virgin America needs to harness tools such as social networking sites and cell phones to ensure success in the future.

**Threats**
The first major threat for Virgin America is the current state of the economy. Both business and tourist travel are reduced when the economy slows. Global aviation traffic falls at twice the pace of economic output, so a change in the economy doubles the impact for airlines (hoovers.com).

The second concern for airlines is the current cost of fuel. Aviation fuel accounts for 15 to 20 percent of industry operating costs (hoovers.com). Currently a barrel of crude oil costs $80.50, surging by 25-percent in less than a month (Associated Press, 1).

Arguably the strongest threat to Virgin America is strong competition within the industry because fuel costs and the economy are issues every airline must deal with.

JetBlue, Southwest Airlines and AMR Corp. are Virgin America’s top competitors (Hoovers.com).

The SWOT analysis of Virgin America is outlined in the graph below. Each aspect is prioritized by a scale of 1-9, with one being the smallest issue and 9 being the most major issue.
Marketing Communication Objectives

1. **Increase Awareness of Sustainability Principles by 25 percent**
   As outlined in the SWOT analysisVirgin America is one of the industries leaders in the green initiative. Virgin America must increase the target audience’s awareness of these practices so that a positive brand image can be assured. If consumers perceive the Virgin America Brand in a positive light they will be more apt to use it (Aker/Beil, 144).

2. **Convince 50 percent of Target Audience that Virgin America Offers a More Luxurious Flying Experience compared to its Competitors**
   One of Virgin America’s unique selling points is its luxurious in-flight experience. To stand out, brands need to be focused and unique; great brands mean something distinct for customers. This is why brand positioning is so important (Tybout/Calkins, 7).

3. **Make 40 percent of the Target Audience aware that Virgin America is a Customer-Focused Brand**
   The best way to accomplish this objective is through laddering. Virgin America’s low prices and luxurious features can be laddered to infer that Virgin America is a customer-focused brand (Tybout/Calkins, 22).

4. **Increase Costumer-Brand Interactivity by 50,000 Exchanges**
   This is where Virgin America needs to capitalize on social-networking websites. Brand Relations can be built through these mediums and further illustrate that Virgin America is a customer-focused Brand. Digitally enabled social exchanges enable new patterns of interaction in which interest groups can form without geographic limit (Deighton/Kornfeld, 14).

**Strategic Plan**

The most cost effective and efficient way of creating awareness of Virgin America’s sustainability principles is through the airlines’ own public relations department. Anytime Virgin America receives recognition for or improves upon its sustainability practices a press release should be put out.

The press release then will be circulated through VirginAmerica.com, email and Twitter, as well as forwarded to news circuits. Only 14 percent of advertising is believed (Social Media Revolution) so PR would be a more effective strategy to promote Virgin America’s green initiative.
The second and third MC objectives can be carried out together through laddering (explained in the second MC objective). The most effective way to do this would be through print ads featured in magazines that the target audience reads. Some examples would be *Sports Illustrated, People and Cosmopolitan*.

The ad would focus on points of differentiation. It would feature a shot of a Virgin America cabin and a shot of an average cabin of the same class. The ad would read: Pay Less, Get More. Then it would go onto explain the brand.

The way we show our rank in American society is through our luxury items, and the American Culture Code for luxury is MILITARY STRIPES (Rapaille, 165). This ad would be effective because it would illustrate an affordable way “to keep up with the Joneses.”

The perspective consumer would infer the Virgin American brand as being customer focused since it offers more for less when other airlines don’t.

The fourth MC objective will be carried out through social networking sites. Virgin America will have and continuously update its Twitter and Facebook accounts and will read and respond to consumer postings.

For this to be effective the consumer must have an incentive to post. So Virgin America could offer free tickets to a randomly chosen individual who posts on their Facebook or Twitter accounts.

**The Budget**

Virgin America’s second quarter results are outlined below and are compared to second quarter 2008 results. (PR Newswire).

<table>
<thead>
<tr>
<th></th>
<th>Q209</th>
<th>Q208</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$135,925</td>
<td>$92,546</td>
<td>46.9</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>147,341</td>
<td>154,655</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>(11,415)</td>
<td>(62,110)</td>
<td>(81.6)</td>
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<tr>
<td>Net Income (Loss)</td>
<td>$(15,776)</td>
<td>$(64,361)</td>
<td>(75.5)</td>
</tr>
<tr>
<td>Total ASMs</td>
<td>1,701,540</td>
<td>1,150,649</td>
<td>47.9</td>
</tr>
<tr>
<td>Load Factor</td>
<td>85.3%</td>
<td>77.6%</td>
<td>7.7 pts</td>
</tr>
<tr>
<td>Operating Margin %</td>
<td>(8.4%)</td>
<td>(67.1%)</td>
<td>58.7 pts</td>
</tr>
<tr>
<td>Total RASM</td>
<td>7.99 cents</td>
<td>8.04 cents</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Operating CASM</td>
<td>8.66 cents</td>
<td>13.44 cents</td>
<td>(35.6)</td>
</tr>
<tr>
<td>Ex-Fuel CASM</td>
<td>6.47 cents</td>
<td>8.18 cents</td>
<td>(20.9)</td>
</tr>
<tr>
<td>Average Stage Length</td>
<td>1,397</td>
<td>1,244</td>
<td>12.3</td>
</tr>
</tbody>
</table>
As illustrated by the chart, Virgin America recorded an operating loss of 81.6% less. It is normal for fledgling airlines to record losses in their first few years of operations so this is a positive sign for Virgin America. Virgin America’s revenue was $135.9 million so that leaves a marketing budget of $13.59 million (10 percent of revenue).

**Evaluation and Conclusion**

A way in which Virgin America’s creative work plan can be tested is through pretesting via online survey sites such as Greenfield Research and Pinecone Research. Here consumers can view the advertisements and then respond to a variety of questions about them.

Once the MC campaigns are launched Virgin America must evaluate their effectiveness through primary research and industry and corporate reports. This evaluation shouldn’t be a one time event or even a periodic process; rather it should be continual (Duncan, 198).

Virgin America does a great job of internal marketing. Their employees are referred to as “team members” and their jobs are described as an “enrichment program” (VirginAmerica.com). Virgin America offers their employees a variety of benefits and look for employees who want to be all they can be. This practice of internal marketing must continue to ensure success for Virgin America.

Through a thoughtful and thorough creative work plan Virgin America can reach new heights as it expands its flights and destinations. Virgin America’s MC campaigns must illustrate its commitment to stakeholders, sustainability and accountability. By providing customers more for less Virgin America will continue to recreate the airways.