Marketing Case Study 6
Virgin America: Flight Service for the Tech Savvy

DA YEH  PhD program in management

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My MOTTO of Marketing

Sell yourself before selling your product!
Introduction to Virgin America
Virgin America was an American airline that operated between 2007 and 2018 when it was integrated into Alaska Airlines.

The airline began operations in 2007 as an independent airline using branding licensed from the United Kingdom-based Virgin Group, which also controls the brand of the Virgin Atlantic and Virgin Australia airlines.

The Alaska Air Group acquired Virgin America in April 2016, at a cost of approximately $4 billion and continued to operate Virgin America under its own name and brand until the airline was fully merged into Alaska Airlines on April 24, 2018.
Putting customers first and targeting the right customer segment

• After just six years in business, Virgin America is one of the fastest launch-to-profitability postings

• How does a start-up airline break into one of the most competitive industries in the world?

• Putting customers first and

• Targeting the right customer segment
Targeting the Right Customers
Core value of Virgin America

• Virgin America first took to the skies in 2007.

• Richard Branson – founder of parent company Virgin Group

• Virgin culture – Fun, Creative, Whacky - *Silly in an exciting way*

• *One of Branson’s core values that permeates Virgin America:*
  *Take care of your people first and profits will follow*
A different competitive hook

- Virgin America found a different competitive hook
- It targeted a segment of frequent fliers – Young, Savvy, Influential
- And willing to pay a little bit more for an airline they would take care of them – the Silicon Valley faction
- Exceptional service and amenities
- Charge slightly higher fares and still establish a growing base of fiercely loyal patrons
Honing In on the Details
A challenge - Offering unique amenities in the airline business

• The Virgin America Experience was designed with its Target Customer in mind.

• Its fleet consists of 53 Airbus A320s, each brand new to minimize the unexpected delays due to maintenance and repairs.

• Customer-designed leather seats - Roomier and more comfortable

• Purplish glow lighting automatically adjusts to one of 12 different shades based on outside light.
To appeal to Tech gurus

- Equipping planes with the latest hardware and software – Offer fleetwide in-flight WiFi, upgrade the network to ensure the fastest in-flight speeds available

- Every seat has its own power outlet, USB port, and nine-inch video touchscreen with a QWERTY keyboard and remote control

- Touchscreen provides the most advanced entertainment and information system in US skies.
Red System

- Virgin America’s proprietary Red system – On-demand movies, TV programs, music, video games.
- Red – Track flight on interactive Google Maps, seat-to-seat chat with other customers, order food and drinks for themselves and anyone else on board.
- A system designed to give passengers a feeling of control during an experience that is otherwise mostly out of their control.
Honing In on the Details
Virgin America: Flight Service for the Tech Savvy

Techy Clientele

• Many of these ideas came by way of Virgin America’s techy clientele.
• Virgin America is the only airline based in Silicon Valley
• The company constantly experimenting with every aspect of the business making efforts to involve Silicon Valley entrepreneurs and executives in the process helping Virgin to think like its disruptive clientele.
VX Next

- VX Next – A group of 30 or so frequent fliers who act as a *brain trust* for Virgin America generating ideas for the company at no charge.

- Interactive promotional campaign - A slick cinematic site

- Provide viewers with a virtual tour of Virgin America flight
Above the Clouds
Airline Quality Report

• Virgin America is no 1 – Based on Mishandled baggage, customer complaints, denied boardings, on-time percent

• Consumer Reports - Top of customer satisfaction
Things that delight customers today become ho hum tomorrow

- Virgin America views its operations as a work in progress – Continually changing and improving

- *If we stand still, they’ll catch us.*

- See Tweeting customers as an opportunity to address customer service issues in real time – A powerful source of word of mouth

Culture is the habit of being pleased with the best and knowing why.
With all its success after six years, Virgin America still had not achieved an annual profit

• $84 million in profit on $1.5 billion in revenue

• Although Virgin America if far from being out of woods, it will continue to expand its service as that in the first eight years

• WOW every customer with exceptional service while giving the tech community a little something extra

  The formula Virgin America keeps applying
Questions for Discussion
1. Using the full spectrum of segmentation variables, describe how Virgin America segments and targets the market for airline services.

2. Which market targeting strategy is Virgin America following? Justify your answer.

3. Write a positioning statement for Virgin America.

4. Will Virgin America succeed in the long run? Why or why not?
Q&A