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PICK ON SOMEONE BIGGER THAN YOU

“At Virgin, we have a strategy of using the credibility of our brand to challenge the dominant players in a range of industries where we believe the consumer is not getting value for money.”

– **Richard Branson**

Richard Branson has made a career out of playing David to the other guy's Goliath. In the past two decades, Virgin has crossed swords with some of the most powerful companies on the planet. In the 1970s, the Virgin record label went up against the music establishment, including the likes of EMI. When he set up Virgin Atlantic Airways in the 1980s, Branson took on the big airlines, going head to head with British Airways. In the 1990s, Virgin entered the soft drinks market with of all things a cola – placing it in direct competition with the giants of Coca-Cola and Pepsi Co. In financial services, Virgin Direct competes with the banks and other large-scale financial institutions.

Where some entrepreneurs might take one look at the market dominance of the big players and think better of it, Branson actually delights in taking on, and outmaneuvering large corporations. When Branson launched Virgin cola, one journalist noted: “I got the impression it was not the money but the prospect of taking on the mighty Coca-Cola corporation that really gave him his kicks.”¹

“Virgin stands for a sense of challenge,” says Branson. “We like to use the brand to take on some very large companies, whom we believe exert too much power. There are cases where a brand name has traditionally been almost synonymous with the product it is selling – Coca-Cola, Kellogg’s, Hoover for example – with heavy advertising to keep it that way. In fact, many American brand names like these grew up during the so-called era of the

robber barons which led to the introduction of America's excellent anti-trust laws in the early 20th Century."

RICHARD THE LIONHEART

Branson has a remarkable ability to clothe almost everything he does in a crusading cloak. This lends the Virgin brand moral authority. When pitted against the immensely powerful forces of "big business," Branson-style capitalism looks almost saintly by comparison. By targeting companies with dominant and often aggressive market positions, Virgin is able to seize the moral high ground from the outset, something that gives it a distinctive edge with consumers.

Where other empire builders get involved in commercial dog-fights, Branson goes in for crusades – with Virgin invariably on the side of the angels. The strategy relies on the credibility of the brand, and public confidence in the Virgin chairman himself, to "do the right thing." (Incredibly for a businessman, Branson was one of a handful of people chosen in a poll of Britain's youth as someone they would trust to "re-write the Ten Commandments.")

In many of the markets Virgin has entered consumers sensed that they were not being treated fairly, but couldn't see any other choice than the big players. They simply accepted that their best interests were not being served. Virgin offers an alternative. As one Virgin executive observes: "If you go for big, fat, lazy brand leaders, it's often easy to offer better value for money."

In addition, it allows you to be on the side of the consumer, who will thank you for it.

Branson's greatest gift as an entrepreneur and a businessman is his preoccupation with the consumers' point of view. When he went into the music business in the 1970s, for example, the long-haired – and later spiky haired – youngsters he was selling to hated the “straight” music establishment, which they believed ripped off fans and artists. They saw Branson as a crusader for their alternative culture.

“If you go for big, fat, lazy brand leaders, it's often easy to offer better value for money.”

When he launched Virgin Direct, the financial services company, Branson expressly said that he was going to shake up the market. It was a “dirty business” he said, that needed cleaning up.

“The Virgin name is trusted, especially by younger people,” he said. “The consumer has been taken for a ride for too long by an industry which has been able to hide its charges.”²

HOIST A PIRATE FLAG

Others see Branson more as a buccaneer than a crusader. The appeal of the swashbuckling Virgin boss, they argue, is his complete lack of respect for figures of authority. This, combined with a gleeful sense of fun, and the pleasure of being an irritant to big business, is what attracts them to his side.

On this reading, he steers a course for the most heavily armed treasure ships, laden with the spoils of excessive market power. Time and time again, he has hoisted the Virgin logo over a new venture like a modern day skull and crossbones, as he and his

Branson on financial services:

“The consumer has been taken for a ride for too long by an industry which has been able to hide its charges.”

youthful pirate crew board the market of one multinational or another.

Branson is well aware of this imagery and has used the pirate motif to good effect, to generate publicity and to antagonize the competition, something that he excels at. Shortly after the launch of Virgin Atlantic Airways, for example, Branson issued an invitation to photographers from the British national press to record

his swashbuckling antics. The location: Heathrow, London’s main airport – where British Airways keeps a full-size model of Concorde decked out in its corporate livery.

At the appointed time, Branson appeared dressed as a buccaneer, complete with eye patch, and lowered the Virgin livery onto Concorde, stealing the UK national carrier’s thunder and providing a fantastic photo opportunity. The newspapers the next day carried photographs of Branson and his Virgin pirates boarding the BA flagship. Lord King, BA chairman at the time, was said to be so incensed when he saw the pictures that he almost broke the sound barrier himself.

EVERY UNDERDOG MUST HAVE HIS DAY

Branson is very good at positioning Virgin as the underdog (even though when viewed as a group, Virgin is actually a big company in its own right). It’s hard to think badly of a man who picks on companies that are, or at least appear to be, much bigger than his.

Sports fans know that the outsider will often attract the neutral observer to its side. The same seems to work in business. Positioning Virgin as the small guy has important psychological advantages. It plays well with customers, especially those who feel neglected or that they have been taken for a ride in the past. They are likely to be drawn to the plucky, tenacious style of the little guy who is prepared to stand up to the bullies. Faced with the prospect of some cheeky upstart taking on the might of a multinational, neutral onlookers can't help but applaud Virgin's audacity.

It's also good for the motivation of Virgin employees to feel they are taking part in an epic struggle: Virgin's entrepreneurial flair and enthusiasm pitted against lumbering corporate beefcake. As the underdog, they have everything to gain and nothing to lose. At the same time, the arrival of a loud-mouthed "hippy" like Branson on their territory is almost guaranteed to incense the competition – forcing them to make mistakes.

It's clear, too, that there's something in Branson's psyche that responds to the challenge. He delights in having the odds stacked against him, and takes enormous pleasure in doing what the experts say can't be done. Where that challenge involves administering shock treatment to a complacent market leader, it is all the more appealing.

When a Coca-Cola executive boasted that "without our economies of scale and our incredible marketing system, whoever tried to duplicate our product would get nowhere," Branson couldn't wait to have a go.³

He also has an instinctive feel for what can be achieved. Of his decision to go into the airline business in 1984, he says: "It

was a move which in pure economic terms everybody thought was mad, including my closest friends. But it was something which I felt we could bring something to that others were not bringing.”

PICK YOUR BATTLES

The decisions to enter both the airline and cola markets, however, were carefully considered. Although he gives the impression that he likes to climb business mountains simply because “they are there,” in almost every case Branson is responding to specific business opportunities that present themselves.

In the case of Virgin Cola, he was approached by a soft drinks company with a high quality cola formula looking for strong brand name; in the case of Virgin Atlantic he was approached

by Randolph Fields, a young lawyer who had already done much of the leg work for launching an airline but needed financial backing. Both opportunities were too good to miss.

Branson on tackling big business:

“If you take on established brands, many of whom have near monopolies, you expect everything to be thrown at you to weaken your position.”

Sometimes, however, the logic is not clear at first to the so-called experts, a point Branson likes to ram home when he gets the chance. Take the example of Virgin’s foray into the UK financial services market.

“We looked long and hard at the marketplace and realized that although there were 600 companies selling

PEPs, pensions and the like, they all charged almost identically high prices. There was always an up-front commission (often hidden) a high annual fee and usually a Mr or Mrs Ten Percent sitting in the middle raking off a fat commission. It was like a giant cartel ...”

“The interesting thing here is that when we launched the business, the marketing gurus almost universally cried out the fatal words ‘brand stretching’, without stopping to think that, in fact, the whole idea was incredibly close to the basic proposition offered by Virgin Atlantic to transatlantic passengers. At its simplest, a quality product with flair at reasonable prices. All they could see was a different product. But the general public, not versed in marketing speak, saw it in much the same way as we did.”⁴

But there is another side to picking your battles. If there is one lesson that Richard Branson can teach aspiring entrepreneurs above all others, it is to expect trouble when you go up against big business. There is an old proverb: a gorilla with a gnat on its back has a tendency to try to swat it (all the more so if that gnat is making a lot of noise and has its photograph in the newspapers).

“If you take on established brands, many of whom have near monopolies, you expect everything to be thrown at you to weaken your position. We have had to put up with these sorts of attack for many years. Vast amounts of money are spent spinning stories in an attempt to damage your proposition, or preferably to smother it before it gets established.”⁵

Virgin, however, has shown itself to be a robust competitor. There are two factors here. The first is that Branson has never

been prepared to let the big guys walk all over him. But second, and just as important, he picks his battles very, very carefully.

Faced with an aggressive competitor, the Branson strategy is simple. Make a lot of noise to irritate him so that he tries to swat you, and then sit back and wait for him to make a mistake. Once he does, hit him hard where it really hurts. This is a technique he has used to good effect on a number of occasions. (It helps to have some excellent lawyers, too.)

HIT 'EM WHERE IT HURTS

In a number of cases, Branson has used guerrilla tactics against a larger rival. When the airline Virgin Atlantic started, promotional activities were targeted to score points off the much larger British Airways. Too small to be a serious competitor at that time, Virgin nevertheless talked a good fight.

The BA management culture at that time can be described as robust if not downright aggressive. At BA's headquarters, Branson was seen as an upstart with rather too much to say for himself. Worse still, he had no experience of running an airline and had identified himself with Freddie Laker, another upstart, whose airline had done much to bring down the prices of transatlantic fares before going bust. A number of cheeky publicity stunts and carefully worded Branson sound bites were bound to get under the skin of the BA management.

What happened next is still unclear. It would appear that a small cadre of managers within BA became incensed by what they regarded as an affront to their company. Apparently, this led to serious errors of judgement, including the use of some sharp

competitive practices – or dirty tricks – aimed at undermining Virgin’s business. Faced by a serious threat to his airline, and quite possibly the rest of Virgin too, Branson came out fighting.

In the US, he could take advantage of the “excellent anti-trust laws” to pursue BA through the courts. But in Britain he opted to fight on a different battlefield. Knowing full well that the UK competition laws are not as strong, he decided to shame BA publicly.

Branson told the press that BA was waging a dirty tricks campaign against Virgin Atlantic. But the allegations seemed so far-fetched that the British press didn’t know quite what to make of them. Finally, however, a documentary maker started to investigate the claims. The resulting programme was called “Violating Virgin,” and provided corroborative evidence to back up Branson’s claims of a dirty tricks campaign.

When the documentary maker approached BA to comment on his findings, a letter from a BA spokesman claimed: “he had fallen into the trap of being used for Richard Branson’s propaganda, which sets out to contrive controversy with British Airways to create publicity for himself and his company and inflict serious damage on the reputation of BA.”

In an attempt to reassure its employees, BA then published the letter in its in-house newspaper *BA News*, and the company’s media spokesman also drafted a letter for BA’s chairman Lord King to send to those who had written to him about the documentary. The letter accused Branson of “continuing to mount a campaign against us through the media” and added “It appears Mr Branson’s motivation is to create publicity for himself and his airline.”

The competition had just made a mistake, and Richard Branson was about to punish them for it. Citing the letters, Branson issued a writ for libel against BA and its chairman.

**Nicci Gerrard on
Branson
versus Snowden:**

"A character from *Chariots of Fire* had defeated a character out of *Goodfellas*."

In early 1993, British Airways settled the libel action for £610,000 – at the time, the highest sum ever paid in Britain as a libel settlement – plus all legal costs. The final bill was probably over £5 million.

But, as one newspaper noted in 1993: "The Dirty Tricks affair won Branson more than just the £610,000 in damages and public apology from his arch-enemy Lord King. It also boosted his appeal to a public that instinctively backed the small guy over the bullying giant. Now everyone wants a slice of the Branson myth."⁶

More recently, Branson was on the other end of a libel action, but still came out on top. The case was brought against Branson by Guy Snowden, chairman of the American gaming company GTech, and a member of the board of the UK lottery organizer Camelot. After Branson's own bid to run the UK lottery through a consortium had failed, he alleged that Snowden had tried to bribe him to pull out of the race to run the UK National Lottery. Snowden denied the allegation, and sued Branson for libel. This proved a mistake. One barrister commented that, from the defendant's point of view, Richard Branson is the nightmare plaintiff in a libel case. Of all figures in British public life, he has the purest reputation and is generally well-liked by the public.

With its fondness for heroes and villains, The British press characterized Snowden as a villain; Richard Branson as the people's champion. His high court victory led to Snowden standing down from his post at Camelot. Branson gave the £100,000 damages from the case to charity.

One journalist noted at the time that "A character from *Chariots of Fire* had defeated a character out of *Goodfellas*."⁷

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Picking on the big guys is almost an article of faith for Virgin, but it also plays an important role in Branson's success. Along with the obvious downsides, attacking dominant market positions has some important upsides. Markets dominated by big players tend to have fat profit margins, with plenty of scope to make money. They also enable Virgin to play the role of the underdog, something that works to its advantage with consumers, employees and the media.

The first lesson of the Branson business strategy is:

- ◆ Make business a crusade. Branson has a remarkable ability to clothe almost everything he does in a crusading cloak. This lends the Virgin brand moral authority.
- ◆ Hoist a pirate flag. Others see Branson more as a buccaneer than a crusader. His appeal is seen as a lack of respect for figures of authority, combined with a gleeful sense of fun and the pleasure of being an irritant to big business.

- ◆ Play the underdog. It's hard to think badly of a man who picks on companies that are, or at least appear to be, bigger than his.
- ◆ Pick your battles. Although he gives the impression that he likes to climb business mountains simply because "they are there," in almost every case Branson is responding to specific business opportunities that present themselves.
- ◆ Hit them where it hurts. In a number of cases, Branson has successfully used guerrilla tactics against a larger rival.

NOTES

- 1 Hoskings, Patrick, writing in the *Independent*.
- 2 Brown, Mick, *Richard Branson: The Authorized Biography*, 4th edn, Headline, UK, 1998.
- 3 Mitchell, Alan, *Leadership by Richard Branson*, Amrop International, 1995.
- 4 Branson, Richard, BBC "Money Programme" lecture, July 1998.
- 5 Branson, Richard, BBC "Money Programme" lecture, July 1998.
- 6 Davidson, Andrew, "Virgin's Angel: The rise and rise of Richard Branson," *Sunday Times Magazine*, May 30, 1993.
- 7 Gerrard, Nicci, "Why do we love Richard Branson," *The Observer*, February 8, 1998.