

**BUSINESS THE**

# **RICHARD BRANSON WAY**

THIRD EDITION  
**DES DEARLOVE**

**10 SECRETS OF THE WORLD'S  
GREATEST BRAND BUILDER**



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# ACKNOWLEDGMENTS

I'd like to think this book provides a fair analysis of why Richard Branson has been so successful over so many years. In the end, though, whether you see him as the bearded crusader or simply capitalism with a hairy face, it is impossible to escape the conclusion that he is a remarkable individual. For three decades he has dazzled the British business scene with a unique mixture of substance and style. At the very least, he has brought color and fun into the otherwise all too grey lives of countless business journalists around the world. Richard, for that you have my heartfelt thanks.

In researching this book, I have plundered a veritable treasure trove of articles, as well as several excellent biographies. I would particularly like to thank Mick Brown and Tim Jackson, whose books were an inspiration; Alan Mitchell of Amrop International; and a cast of thousands who have interviewed and analysed Branson over the years.

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Des Dearlove, November 2006



# RICHARD BRANSON REVISITED ...

Since this book was last revised much has happened in the Branson business empire. Not everything has gone Branson's way. While one of his more recent ventures, Virgin Galactic, has Branson shooting for the stars, a number of endeavours have proved less meteoric. Yet, although Branson has suffered his share of setbacks, they are comparatively few for someone who has run a billion-dollar business for thirty plus years. The fact that much is made of any disappointments in the Virgin corporate portfolio only serves to highlight the company's resounding overall success. And, ever the optimist, Branson continues to spin off ideas, back new Virgin businesses, and whip up PR in the media for his various ventures.

It wasn't that long ago that some commentators were suggesting Branson may have lost his Midas touch. Prematurely, as it turns out. In 1999, the year after the first edition of *Business The Richard Branson Way* was published, Branson featured in *Forbes* magazine's list of the World's Richest People with a fortune estimated at \$2.6 billion.

By 2000 that figure had risen to \$3.3 billion. Yet in 2001, Branson's net worth had declined to some \$1.8 billion. Part of the

reason for this sharp reduction in value was plainly outside of Branson's influence; a global economic slowdown.

Another reason, however, was that the Virgin brand proved not to be as infinitely elastic as many commentators had suggested. Although, in splendid style, Branson donned army fatigues and rode into Times Square in a battle tank to launch Virgin Cola in the US, as part of an assault on the cola market, the cola venture eventually fell a little flat. In February 2000, Virgin admitted defeat in its war against Coca-Cola and Pepsi-Cola in the US. The new version of cola had lost its fizz, without making much of a dent in the cola market, Virgin changed the strategy, management and location of its soft drinks business, concentrating instead on "new age" drinks, including fruit juices and energy beverages.

Branson may have looked fetching in a bridal outfit (minus beard) stirring up a PR frenzy for the launch of Virgin Brides in 1996, as the company opened its flagship London store. Not only were there the usual wedding dresses and accessories but there was also a wedding planning service that extended to arranging the entire event if required. A shop in Manchester followed in 2001. But the honeymoon was soon over. The London store closed in 2003, and the remaining Manchester store focused on a reduced service concentrating on clothes and accessories rather than the planning.

Perhaps the biggest challenge for Branson in recent years has been Virgin Trains. Virgin Trains' services hit the buffers early on, and the company has struggled to get back on track ever since. At times the Virgin Trains railway franchises have plumbed new depths of train service misery; quite an achievement in the UK where trains are famously inefficient.

It's tempting to feel sorry for Branson. The rail franchises grew to be something of a poisoned chalice. At one point it seemed that no matter what Branson said or did the bad publicity from Virgin's tardy railway operations just kept on coming.

In 1999, Virgin Trains had the worst record for punctuality in the country, according to figures from the shadow strategic rail authority. In February 2001, an attempt to increase the number of rail travellers on Virgin Trains through a half-price rail fare bonanza ran into problems due to underestimated demand. Branson promised, "to capture the imagination of passengers who have suffered traffic jams." Unfortunately, the reality was people jams – with huge queues and long waits for tickets, whether buying tickets over the phone or in person. The ensuing chaos and adverse publicity took the edge off of a genuine and generous offer.

The Virgin Trains saga has undoubtedly been difficult for Virgin. At times Virgin Trains appeared to be the antithesis of everything Richard Branson stands for. Knowing that maintaining public trust and confidence in the Virgin name underpins the success of the whole Virgin Group, Branson has always gone to great lengths to protect his brand image. The poor performance of Virgin Trains has threatened to undermine that trust. In his defense, Virgin Trains inherited 30-year-old rolling stock, running on a railway that had been underfunded for years. When Branson took up the challenge of running the rail franchises he acknowledged that it would take five years to turn the lines operated from the worst in the country to the best. He was right.

The good news is that the punctuality figures in 2005 and 2006 were a marked improvement on those in 2002 when, according to Strategic Rail Authority figures, only 73.6 per cent of West

Coast trains and 62.5 per cent of cross-country trains arrived within ten minutes of the scheduled arrival time. Delivery of the Pendolino tilting trains, traveling at speeds of up to 140 miles per hour, as well as replacement of old rolling stock, has made a big difference. By April 2006 the punctuality figures were 92 per cent for West Coast Pendolino trains and 93 per cent for cross-country Voyager services.

Elsewhere in the Virgin empire, however, it has been business as usual. New Virgin ventures continue to be added to the eclectic collection of companies gathered under the Virgin brand umbrella at breakneck speed. These include Virgin Cars, Virgin Wines, Virgin Student, Virgin Energy, Virgin Bikes, and Virgin Digital.

At the same time as adding to the Virgin portfolio, a number of existing Virgin companies have been expanding rapidly. Virgin Active became the fourth largest health and fitness group in the world, raising £100 million for its expansion plans in the UK and abroad. In September 2006 it bought Holmes Place, its biggest UK rival. In Manchester, Virgin Cars drove a truck through the usual car sales business model opening the first ever vehicle department store.

The venture that has attracted the most column inches in the last few years, however, has to be Virgin Galactic. For everyone who dreamt of being an astronaut when they were younger, for budding space travellers everywhere, Branson is about to launch the world's first passenger service into suborbital space. For \$200,000 or so, passengers will be able to soar above the Earth and enjoy the delights of weightlessness, albeit briefly.

And, for those who lack the necessary funds, but still hanker after a journey into space, there is always the frequent flyer miles option. You will need quite a few though; two million or so, possibly. That's how many Alan Watts in the UK racked up with Virgin when he was offered a one-off opportunity to upgrade to a space flight in 2009. He accepted.

With Virgin Galactic the sky is not the limit. Branson has no intention of sticking with a brief trip in suborbital space. The plan is to extend the service both to point-to-point suborbital routes around the planet, as well as orbital trips, and eventually the moon.

As well as various companies, Branson also acquired a more unusual asset in 2003 when he bought Makepeace Island in Queensland, Australia. Most companies have a company canteen, the odd corporate day out, but Branson now has an island resort for the Virgin staff.

Branson has been raising money recently, selling Virgin's stake in several ventures. The 51 percent holding in Virgin.net was sold to cable business NTL. The same company also bought Virgin Mobile in 2006, with Branson taking a significant take in NTL at the same time. In Australia there was the successful IPO of Virgin Blue.

No doubt the money will be useful for funding one of his latest, toughest and possibly most important challenges yet. Late in 2006, Branson openly joined the climate change debate. Not known for doing things by halves, Branson demonstrated his commitment to tackling the planet's problem by pledging three billion dollars to fight global warming, with profits from Vir-

gin's travel firms over a ten-year period invested in developing biofuels.

By late 2006 Branson had already made some substantial investments in the biofuel business. These included a \$50 million plus investment in a Californian ethanol plant, as well as expressing an interest in Ethanol Grain Processors, an American biofuel company.

Attacking the problem of climate change and finding alternative energy sources with the same kind of energy and enthusiasm he devotes to his business empire, Branson wrote to his fellow transport industry executives, to airlines, and engine manufacturers to round up support for a cross-industry forum focusing on innovative solutions to the world's overheating problems. In his letter he urged greater speed in addressing the specific issues relating to the airline industry's impact on carbon dioxide emissions.

Characteristically optimistic, Branson suggested that a collective industry effort could reduce the carbon dioxide emissions for the aviation industry – responsible for two per cent of global CO<sub>2</sub> emissions – by up to a quarter. He wasn't short of ideas on how this could be achieved either. One suggestion was a new starting grid system for plane take-offs and landings. Instead of "sitting on planes with CO<sub>2</sub> spewing out of those planes for anything up to 60–90 minutes ...," as Branson explained the existing position to listeners of BBC Radio 4's *Today* programme, airplanes could turn engines off until shortly before, and shortly after landing, being towed into place "by a small tug."

This new system would, Branson suggested, reduce ground carbon emissions by some 50 percent at Heathrow and up to 90



percent at John F Kennedy airport in New York. Plus those people living nearby would enjoy substantially cleaner air, as well as lower noise levels. When it comes to the issue of companies reducing greenhouse gas emissions someone needs to take a lead; maybe that person is Branson.

It is not the first time he has got involved in issues that touch on the public good. For some time Branson was intent on running the UK's National Lottery. Losing out on the 1996 franchise, he was back in line for the franchise when it came up again in 2001. Branson promised to create "a millionaire a day" by introducing new improved games and increasing participation. Crucially, the People's Lottery would, he claimed, return more funds to charity than the incumbent operator Camelot. Unfortunately, after a bidding fiasco, during which bids were withdrawn, legal battles fought, and bids resubmitted, a furious Branson lost out once more, vowing in the process never to bid again.

Branson continues to ride the rollercoaster that is Virgin. One of Branson's enduring strengths is his ability to absorb punches, to take the rough with the smooth. He has bouncebackability – lots of it.

"Whenever I experience any kind of setbacks," Branson observes, "I always pick myself up and try again. I prepare myself to have another stab at things with the knowledge I've gained from the previous failure. My mother always taught me never to look back in regret, but to move on to the next thing. The amount of time that people waste on failures, rather than putting that energy into another project, always amazes me. A setback is never a bad experience, just a learning curve."

One more thing deserves a mention: on March 30th, 2000, plain Richard Branson became Sir Richard Branson. Knighted in the New Year's Honours List for services to entrepreneurship, the habitually casually attired Branson donned a morning suit for the first time ever at his investiture ceremony at Buckingham Palace. While respectability beckoned, so far he has stoutly resisted the temptation to join the establishment. With typical *élan*, party-loving Branson celebrated his knighthood by holding a reception for the 250 others receiving honours on the same day. When asked how it felt to be "Sir Richard," Branson answered: "It feels great. It feels odd sleeping with a Lady though."

# THE LIFE AND TIMES OF RICHARD BRANSON

In the modern world of business, Richard Branson is an anomaly. In an era dominated by strategists, he is an opportunist. Through his company the Virgin Group, he has created a unique business phenomenon. Never before has a single brand been so successfully deployed across such a diverse range of goods and services. The distinctive red and white Virgin logo, it seems, is as elastic as Mates condoms – just one of the many products Virgin has promoted.<sup>1</sup>

## THE BRANSON PHENOMENON

In the film *Four Weddings and a Funeral*, a character jokes that his friend must be the richest man in Britain, but the friend says: “Of course not. There’s the queen. And that Branson bloke is doing terribly well.”

Britain’s best known entrepreneur, Branson has been doing “terribly well” for more than three decades now. He started his first business at the age of 16, and was a millionaire at 24. Now in his 50s, Branson is a regular entry in *Forbes* magazine’s list of the richest men in the world.