IN THE NAME OF THE FAMILY

Several Indian business houses have woken up to the huge value of family brands built over generations of trust and goodwill. They are now working hard to develop brands as sustainable asset for generations to come, reports **Bhanu Pande**

ARINDAM

RAJIV BAJAJ, managing director of Bajaj Auto, recently asked other group companies to develop their own individual brands as he wanted the Bajaj name to be exclusively associated with the bikes his company produces.

The proposal, which is being opposed by group firms such as Bajaj Electricals, showcases a new debate within several business families in the country — how best to protect and nourish family brands, created through decades if not centuries of trust and goodwill among people.

Away from media glare and within the four walls of the family, scores of business groups are putting family governance processes and structures in place to avoid a split and thereby safeguard their family brand. Many families, such as the Godrej family, the Burmans of the Dabur group and the GMR group, have already done that, while many others, like the Bajajs, are either at it or are toying with the idea.

When the Burmans pulled out of day-to-day running of business at Dabur and handed it over to professionals on the advice of McKinsey in the mid-1990s, they formed a family council and decided that no member of the family would use the Dabur name in any venture floated in his/her individual capacity.

"We decided that it is only when the family members collectively set up a new venture would they be allowed to use the (Dabur) brand," says Amit Burman, non-executive vice-chairman of Dabur India.

Clearly, the family did not want to take chances with the brand's 100-year-old heritage and strong pedigree seeped in Ayurveda.

Around 2002, the Godrej family embarked on a similar journey. To bring in more transparency within family ownership, the group set up a family council that meets twice every year and is attended by all members of the family who are 18 years of age and above. The idea is to maintain harmony within the family and keep the Godrej brand strong.

"The more consumer oriented a business is, the greater is the role of a brand and that's true in our business," says Adi Godrej, the family head and chairman of the Godrej Group. Godrej products are used by 480 million consumers—the highest for any Indian consumer business, he adds.

At the corporate level, Godrej has divided its group companies according to their product segments and each company is allowed to use Godrej brand only for the product category it is assigned. This way, Godrej Consumer Products (GCPL) owns the brand for only FMCG products, while Godrej & Boyce owns Godrej brand only for consumer durables.

The group is also working on building its brand image under Tanya Dubash, daughter of Adi Godrej and head of the group's brand, marketing and the media initiatives. All new brand initiatives by group companies are done in consultation with her. She is responsible for the group's marketing function with a focus on the strategic marketing group that drives the development of the Godrej master brand.

Currently, the group is in the process of getting its brand worth valued by Interbrand. "Brand, which carries our family name, is extremely important for us and we have full faith in its value as a long-term sustainable asset," says Mr Godrej.

Brand analysts agree that family-controlled companies in India are certainly warming up to the idea of the brand. Today, brand is seen as something that is perpetually adding value to the enterprise. "There's a big effort to carefully redefine what these brands stand for and deliver. Companies are putting energy and enthusiasm behind this effort," says Harish Bijoor, CEO, Harish Bijoor Consults Inc. "The brand name is no longer a cost-centre side of business, it is the profit center," he adds.

While family councils have helped not just iron out wrinkles within family folds, they have also increased the chances that the family name as a brand continues to thrive for generations and create value.

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ET EXCLUSIVE

Burmans have used the family governance rules to stay as cohesive as ever. At the corporate level, they exercise occasional intervention through strategic management committee to ensure that group brands, including Dabur, are not jeopardised in the long run. "We work on a brand plan," says Amit Burman. "We have a filtering process to evaluate if any of the five power brands can be extended. Once the decision is made, we leave it to the professional management to execute."

Amit and his first cousin Dr Anand Burman are members of the strategic committee. Dabur remains strong with the Group's healthcare space with brands such as Dabur Chyawanprash and Dabur Honeytus continuing to leverage on the brand's ayurvedic pedigree. For other categories, the company has created and used new brands. "We haven't tried to change that, it's worked better that way," says Amit Burman.

Down in Chennai, the TVS family manages its brands through a holding company, TVS & Sons, which owns the brand. The family allows use of the TVS brand only if the holding company has some ownership in it. Another southern family, the TTK Group, follows a patriarchal system in deciding the rights over the brand name. There, only the eldest son in each generation is allowed to use the TTK brand. The current family head is TT Jagannathan.

Ramesh Srinivas, executive director at KPMG Advisory Services, says that the idea of maintaining the family brand is not really new in India. A number of family brands have been in existence for a hundred years or more — the Tatas, Birlas, TVS and so on – and some of them now into their fourth or fifth generation.

"These groups have recognised the obvious value that the brand provides," he says. "High brand salience enables quick market recognition, facilitation for capital raising, assurance to consumers."

So, many families have learnt better than splitting and frittering away the wealth that is a brand name familiar across the country when there is a dispute over succession, or when some members of the family want to start a new business on their own.

"The degrees of freedom for business families in deciding their own destiny and members to embark on their independent entrepreneurial journey have substantially come down," says Unni Krishnan, MD of Brand Finance India.

Today, creating a market presence and building a brand is far more difficult and expensive than before. A decade or two ago, the name of a well-known business family was good enough security for raising funds, but not today.

Several business families have initiated steps to safeguard their brands. But many families that **ET** contacted want to keep their family brand and governance initiatives close to their chest.

Some families, such as JK group, RPG group, Dalmia group, Murugappa group and GMR, have settled for an informal structure based on inputs from management gurus like Prof Krishna Palepu of Harvard Business School and Prof John Ward of Kellogg School of Management. "Family governance is gaining currency as a concept. This is also evident from the fact many B-schools have commenced modules on family governance," says Anil Sainani, a Delhi-based family governance advisor who has worked alongside Dalmia Cement and GMR.

Interestingly, the Wadias never tried to build a family brand. Their group-controlled companies — Britannia, GoAir and Bombay Dyeing — do not have the family brand. But this was how the business started and it is purely coincidental, just like the late Dhirubhai Ambani started Reliance Industries.

The GMR group has instituted a family constitution that lays down the principles, processes and policies on all family and business matters. These include resolution of differences, usage of family brand name, consensus decision-making, code of conduct and media policy among others. It has separated family wealth and business wealth, too, with the equity of the family corpus being held in an investment company called GMR Holding Private Limited.

"Only those families that have put in place mechanisms to pre-empt conflict and, robust disagreement resolution systems, have survived as a brand," G M Rao, chairman of the GMR Group, told **ET** in an earlier interview.

That is because there are many challenges in nurturing family brands and keeping them relevant, particularly when the family grows big. And it's not just about succession issues.

"The question is how to keep the brand relevant across a range of product and service categories, the risk of brand dilution by any company and the ability to maintain a consistent brand identity across different family groups," says Srinivas of KPMG.

So, it is imperative for family-controlled businesses to have clarity on the treatment to be given to a family brand. Many business families have understood that and want to leverage their family names.

AMIT BURMAN
NON-EXECUTIVE VICE-CHAIRMAN, DABUR INDIA

DABUR

In the mid-1990s Burmans of the Dabur group formed a family council and decided that no member of the family who floats a venture in his individual capacity would use the Dabur brand. The family didn't want to take chances with the brand's 100-year-old heritage. Burmans also have formed a strategic management committee to ensure that all group brands including Dabur are not jeopardized in the long run.

ADI GODREJ
CHAIRMAN, GODREJ GROUP

GODREJ

Godrej divided its group companies according to product segments they manage. Each company can use brand Godrej only for the category it is assigned. For instance, FMCG arm Godrej Consumer Products cannot use the brand name if it enters a category outside FMCG. Also, a family council meets twice a year and is attended by all members of the Godrej family who are 18 years of age and above so as to maintain harmony in the family.

VENU SRINIVASAN
CHAIRMAN & MD, TVS MOTOR COMPANY

TVS

The TVS family has a holding company, TVS & Sons, which owns the brand. It allows the use of the TVS brand only when there is some ownership by the holding company. When the company does not have any holding from TVS & Sons, the TVS brand cannot be used. For instance, Harita Group of Companies is fully owned by the Srinivasan brothers only and, therefore, do not use the TVS brand.

Brand-holding firm, anyone?

Vikas Kumar
NEW DELHI

SEVERAL business conglomerates in the country are looking for ways to take care of their generations-old brand names and manage their different brands for different industries. While most families have set up family governance processes and structures to protect and nurture their brands, experts feel that the next step could be creation of brand-holding companies.

Juggling a wide portfolio of brands and retaining the core identity of the parent calls for more than sound brand management capabilities, trademark security and a simple brand identity manual. It requires a value-orientation.

This means a strategic shift in thinking about the brand as a core intangible asset that has to be safeguarded and monetised through a robust mechanism.

One model that has created interest around the world is a brand-holding company on the lines of an asset-holding company.

The concept may seem radical to several business leaders who have relied on tangible assets for assessing the potential value of their businesses. But that could change, says Unni Krishnan, managing director of Brand Finance India.

"Companies are realising that a brand-holding company is essential in the next phase of growth," he says.

At a simplistic level, a brand-holding company earns royalty from each of the operating companies using the brand as a shared resource. This royalty is usually determined as a fair market rate if the brand were to be licensed to an outside company.

The model helps evaluate how much a brand is worth, and provide a legal framework to regulate its commercial use within an organisation's group companies.

It is like a licensing agreement within a company. It's notional, yet contractual. The contract in this case spells out how and where the corporate brand can be used in existing and new business areas.

There are many pointers to why large diversified conglomerates in particular should go in for such an entity. "One strong reason is the ability to generate revenues. Second is ensuring misuse doesn't happen-there are contractual obligations you can enforce among the group companies using the brand, otherwise there are only soft negotiations. Thirdly, when you need funding to create new initiatives, this structure is useful," says Santosh Desai, CEO, Future Brands.

It's also a useful option for family-owned companies where frequent spats can lead to dilution of the corporate brand as members deploy it indiscriminately into new businesses and markets. The brand holding structure could obviate the negatives associated with such a situation, and bind group firms through a mutual contract, says Mr Krishnan.

Multinationals that operate in India through a licensing arrangement receive a royalty payout from the revenues generated by their local subsidiaries. This has been a subject of debate.

Rahul Bhasin, managing partner at Baring Private Equity Partners, argues that since the Indian subsidiary or licensee has spent a considerable amount of money and effort in establishing the brand in local markets, the current system of repatriation of money through royalty is not appropriate.

"The crux of this issue is who spends the money in building the brand. If this becomes a profit model (for the parent) it's unfair to minority shareholders," says Mr Bhasin.

In a judgment this July, the Delhi High Court said that Suzuki Motor should compensate its subsidiary Maruti Suzuki India for developing marketing intangibles that involve considerable advertisement expense and benefited the parent company.

UNNI KRISHNAN
MANAGING DIRECTOR, BRAND FINANCE INDIA
The concept may seem radical to several business leaders who have relied on tangible assets for assessing potential value of their businesses

SANTOSH DESAI
CHIEF EXECUTIVE OFFICER, FUTURE BRANDS
One strong reason is the ability (of this model) to generate revenues...when you need funding to create new initiatives, this structure is useful

RAHUL BHASIN
MANAGING PARTNER, BARING PE PARTNERS INDIA
The crux of the issue (when a foreign parent takes royalty payout from Indian arm) is who spends the money in building the brand