



# THE DNA TEST FOR FAMILY BUSINESS BRANDS: TRUE FAMILY, STEP COUSIN, OR LOST SON?

The results from a worldwide internet panel of managers

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When it comes to branding a family business, an interesting paradox emerges. On one hand, it can be very advantageous to advertise a company's family heritage because its long-term orientation is at the root of its valuable and difficult-to-copy competitive advantage. However, on the other hand, we have noticed that only very few companies actively promote this differentiating aspect of their uniqueness to the outside world of external stakeholders.

Why don't family firms reveal their *Familiness Factor* to their customers, suppliers, future employees and investors? In these times of uncertainty, where long-standing caring institutions are valued more and more, family firms play a guiding and stabilizing role in today's economy. That is why family businesses hold a corporate brand premium thanks to their solid long-term reputation.

### DNA Test for Family Business Brands

In order to really benefit from this corporate brand premium, family firms should first be recognized as family businesses. So, to measure the public's awareness of the family DNA in corporate brands, we designed a knowledge test which featured in an IMD Tomorrow's Challenge article on July 24th. Our Family Business Brand Test asks individuals to classify 20 companies from five different industries on the basis of whether or not they are family-businesses. For each of the five industries (food, retail, luxury, automobile and consumer electronics) we took two well-known family businesses and two publicly-listed non-family firms. This survey enabled us to classify corporate brands into four categories (see Figure 1). First is the *True Positives*, which are real family businesses and viewed as such by the general public. Second, the *False Negatives* or the "Lost Sons" are the family firms which are not recognized as family by the majority. The third group is the *True Negatives* which are the non-family businesses which are correctly perceived as non-family. And finally the *False Positives* are like "Step Cousins", the ones which customers regard as a family business but in reality are not.

We posted the test last month on the IMD website. Some 200 managers (of whom 47% work for a family business) completed our test.

### Mixed results for Family Business Brands

The main outcome of our test is that family businesses have a mixed score on the branding performance of their Family Factor. Their family business brand premium is only recognized in 50% of the cases. Particularly strong in perceived familiness are Italian pasta-maker

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Barilla, French luxury brand Hermès, Italian fashion and leather goods label Gucci and German car-maker Porsche. They are considered True Family Business Brands.

The relatively low 50% recognition rate implies that the other 50% of the family firms included in our sample are falsely identified as family. These “Lost Sons” are Peugeot, Danone, Carrefour, LG and Samsung. This can be explained by the fact that in several cases the family behind the company has decided to minimize its involvement: the family Halley is still the largest shareholder in Carrefour but in recent years has made moves to pull out of active involvement. Danone is run by the second generation of the founding Riboud family (who bought up the existing Danone and merged it with other businesses) but they now own less than 2 % due to rapid growth which forced them to raise capital in the stock market.

That is not the case for Peugeot, where the Peugeot family still holds 30.27 % of the shares, representing 45.4 % of voting rights. Repeatedly the family has emphasized the importance of its involvement in the company as a long-term investor. At least the same level of commitment is true for Samsung’s family of Lee Kun-hee and LG’s family Koo. The two South-Korean families control all the companies involved in their conglomerates.

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· Gucci is owned by family-controlled PPR.

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**Figure 1**  
**Who's family? Who's seen as family? And who's not?**  
**True Family, "Lost Sons", "Step Cousins", and Unrelated**

Do customers perceive the company as a family business?	Yes	<i>FALSE Positive</i> <i>("Step Cousins")</i>	<i>TRUE Positive</i> <i>(True Family)</i>
		B&O: 50.3%	Barilla: 62.6% Hermes: 61.5% Gucci: 61.0% Porsche: 61.0%  Wal-Mart: 50.3%
		Cartier: 48.2% Mont Blanc: 45.6%  Kraft: 20.5% Ahold: 19.5% Tesco: 18.5%  Renault: 15.9%  Philips: 12.8%  Unilever: 9.2%  GM: 6.2%	Peugeot: 30.3% LG: 26.2% Danone: 25.6% Carrefour: 25.1% Samsung: 25.1%
No		<i>TRUE Negative</i> <i>(Unrelated)</i>	<i>FALSE Negative</i> <i>("Lost Sons")</i>
		No	Yes
		Is the company a family business? (i.e. Does the company have a high <i>Familiness Factor</i> ?)	

### Consistency for *Non-Family Business Brands*

Interestingly almost all 10 non-family firms are correctly classified as non-“Unrelated” family. The notable exception is Bang & Olufsen, which is incorrectly classified as a family business brand. More than half of the respondents are certain that B&O is a family business. That was once true, but is no longer the case. The Danish manufacturer of high-end design audio products, television sets and telephones was a family business until the early 1990s, when difficult economic times forced the family heirs to give up their control and influence. The misclassification is rather understandable. Not only the corporate brand name clearly refers to the founder names, but also B&O has always been conscious of communicating its brand image and its family background well. On its website, it still celebrates its founders’ guiding principle laid down by Peter Bang and Svend Olufsen in the late 1920s, and actively communicates: “Enterprising is needed - a never-failing will to create only the best – to persistently find new ways of improvement.”

The mixed results of this DNA test for Family Business Brands should serve as an alarm for corporate communication executives and marketing managers at family firms. The 50% accuracy score of family firms is low and should make us all think where and how to position family business corporate brands in the perceptual space of the general public.

To deepen our understanding of the corporate brand premium that family business hold dear, we invite you to share your ideas with us. Please take the following survey:

<https://applications.imd.ch/ViewsFlash/servlet/viewsflash?cmd=page&pollid=SMIT!FBvsOthers>

*Joachim Schwass is Professor of Family Business at IMD and Director of the Leading the Family Business program.*

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