

Family originated brands



This article sets out to provide an overview of the South African family business landscape in order to raise awareness and understanding. It also aims to analyse specificities in terms of marketing, branding and communication, and compares findings with European family businesses. The article is based on documentary research and insights gained from more than 25 face-to-face interviews with founders and/or managing family members of diverse family businesses in South Africa. The full results of this research will be published in 2016, in a forthcoming book by the authors.

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After working in product development for cosmetics, luxury goods and industrial firms in Europe and in the USA, she worked as a brand strategist for the TBWA Group in France. She published a book in 2002 on family businesses: 'Leur Nom est une marque', Editions d'Organisation, Groupe Eyrolles. Her book analyses the specificities of patronymic brands and family businesses in terms of brand and communication strategy. Now living in South Africa, she is currently working on a book with Amandine Robin on South African family businesses to be published in 2016.

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Why family businesses?

Family businesses are in the majority around the world. Even the most conservative estimates suggest that over 65 percent of business enterprises are owned and/or managed by families. It is difficult to assess their importance in national and worldwide economies as they are generally not well researched, or even recognised. However, it is a worldwide phenomenon that they account for a large share of GNP and employment placements throughout the non-communicative world.

They do however harbour many contradictions, and there are often permanent tensions between rational and emotional aspects, between qualitative and quantitative issues, and between the individual's and the group's challenges. According to Shelley Farrington and Elmarie Venter from Nelson Mandela Metropolitan University, the key difference with family businesses is that "the business affairs are closely and intricately intertwined with the personal financial affairs of the family, and also with power relationships, blood ties, emotional bonds and inheritance

issues." This perhaps is why they are so interesting and challenging to study.

Family businesses in South Africa: a strong presence and a large diversity

In South Africa, approximately 80 percent of local businesses are family based. With most of them falling under the category of small and medium-sized enterprises (SMEs). Nevertheless, many large companies have also been or still are family owned or run, such as Anglo American, Altron, Pick n Pay and Liberty Life.

What is also striking is the diversity, whether in terms of size, field or origins. South Africa is a country that has seen several immigration waves and this is reflected in the diversity. The populations that immigrated to SA during the 19th and 20th centuries were very family business oriented, in the sense that they shared both a strong entrepreneurial culture and sense of family like the Italians, Greeks, Indians, British and Germans. For example, 95 percent of the businesses in Greece are family businesses, 79 percent in Germany and 90 to 98 percent in

Everard Read logo

India and Italy. These populations are characterized by strong entrepreneurial spirit. In SA a disproportionate number of entrepreneurs come from the Jewish, Indian, Greek and Italian communities, where entrepreneurship is rooted in family experience and in the belief that your destiny is in your own hands. Moreover, what is striking is the fact that most of them were born of necessity, as expressed by Mike Coppin, co-founder of Fruit & Veg City with his brother Brian. This represents a big difference from Europe, where most family businesses were born of the founder's will rather than by pure necessity. In this country, entrepreneurs learned how to grasp opportunities in order to survive, and in some cases went on to build huge enterprises.

Family businesses: fairly hard to define

Since research started on family businesses in the 1990s, no common definition has yet been found. In a recent study published in 2014, almost 200 definitions were identified by Soumodip Sarkar and two colleagues from the University of Evora. Some people use the term as a synonym for a small company, for others it means a closely held company. However, most of the definitions share common elements such as ownership, management, family involvement and generational take-overs.

According to *The Economist*, which dedicated a special report on family businesses in April 2015, there are four different types: in the first, the most classical, family combines both ownership and management. In the second, the family still retains ownership but not management. This is the case with Pick n Pay in South Africa, and many other big companies worldwide, where typically

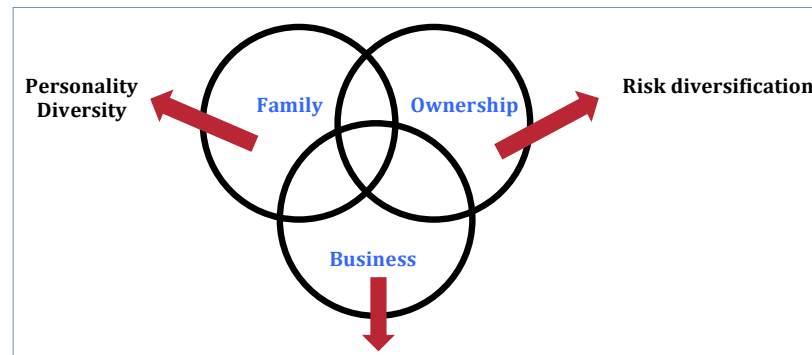


Figure 1: The three circles model from Tagiuri and Davis with centrifugal forces

the family hand over management to professional managers. The third type is the converse: where the family gets very little ownership but continues to play the main management role. This model is fairly common in Japan. The Toyodas and Suzukis have only small shareholdings in the companies that bear their names, but Suzukis have managed the company for generations. Toyota appointed Akio Toyoda as CEO and president in 2009. In the fourth type, the family turns itself into a venture-capital fund to give its younger members a start in life. This is the case of the Mulliez family, owner of one of the top retail groups in France, Auchan. Younger members of the family founded Decathlon (sports), Flunch (catering), Leroy Merlin (DIY) and Boulanger (electronic appliances). All the businesses are united by a holding company called Cimovam.

For this particular article, we will use the following definition: *a family business is an enterprise that is mainly owned by the family and run by at least two members of the family or by a descendant of the founder.*

A few conceptual models exist on family businesses and tend to define them as complex systems made of different overlapping subsystems. Most of these models were created in the 1990s and among the most recognised

is the three circles model from Tagiuri and Davis. It defines family businesses as a system in which three subsystems are overlapping: Family, Ownership and Business.

The health of a family business relies on parallel developmental processes occurring in all three subsystems. The model displays the different positions a family member can take, between owning the business, running the business or both. However, the most interesting way to analyse family businesses is through a time scale: from creation, to first take-over, to succession of generations. Indeed, most of the challenges and issues in management, succession and relationships occur over time.

I. Familiness: A strong culture

'Familiness' is a word coined by Habbershon and Williams (1997), which refers to the unique set of resources of a family business, which arise from the interactions between the family system as a whole, the individual family members, and the business itself. It can therefore be a source of competitive advantage when used properly, in particular in the marketing and communication fields.

What defines familiness in terms

of culture and values? What are these specific values? How are they used as marketing and communication assets?

1.1. A culture of innovation and entrepreneurship

In general, the culture of innovation in family businesses is related to the family culture itself, to the extent that one could ask if entrepreneurship is hereditary! From the 25 businesses interviewed, two ways of embracing innovation were identified, either conservative or entrepreneurial.

In the first case, most conservative businesses are looking for a balance between tradition and modernity. Innovation is embraced through a conservative, cautious and long-term approach. Jean-Charles Decaux, the eponymous CEO of Decaux (the leader in outdoor advertising worldwide) explains that the family ownership gave [his] company the scope for 'patient innovation', turning it into the biggest in the industry. They follow the trends, create new designs and diversify in related areas in order to offer a more complete and integrated offer. This is often the case for established family businesses in Johannesburg, many with British origins, such as Charles Greig, Thrupps and McCullagh & Bothwell. They are institutions; the weight of the past and of tradition is strong. Modernity is embraced, but in the sense of following the pace without betraying the tradition. Charles Shields, a member of Everard Read's family, running Everard Read gallery in the Waterfront, Cape Town, summarises this idea. "As it is a very personal business, each generation needs to have its own identity. We need to reinvent the legacy at each generation." The brand Charles Greig is a good example of conservative innovation that drives the company

from generation to generation.

In the case of entrepreneurial families, where the philosophy is passed from one generation to the next, the approach to innovation is different. It is bolder, more diverse and the common ground is the family itself, the decisions they make and the strong unifying spirit. This applies to the Krawitz family, with Philip being the 3rd generation Krawitz, and current Chairman of the Cape Union Mart Group.

1.2 The emblematic values embodied by family businesses

Throughout the 25 interviews conducted, certain traits emerged, actually belonging as much to the family as to the business itself: honesty and trust, innovation and vision, and customer assistance.

Honesty, trust & transparency

Honesty is an important value and a huge driver with family business. It leads to trust, internal and external. Family businesses are regarded as reliable because of their long-term vision and their personal involvement in finance and management. As a result some have been able to restart from scratch after the failure of one generation, thanks to trusted relations with banks. This was the case with Cape Union Mart when Philip Krawitz' father took over the business from his father. Philip explains: "My father was able to restart the business after the war thanks to the reputation of his own father's honesty and integrity. He went to Barclays, who knew his reputation and they granted him a loan."

Trust is built over time, on a heritage of honesty and reliability. As Christopher Greig says: "Fifth generation means a lot", thinking with

Cape Union Mart: an entrepreneurial spirit runs in the family

The Cape Union Mart Group encompasses several entities, and employs over 2 000 people. Its retail chains include Cape Union Mart, Old Khaki and Poetry. Cape Union Mart focuses on outdoor leisure clothing and equipment. Old Khaki is targeted at a younger market and focuses on leisure clothing and footwear. Poetry caters for sophisticated women and offers clothing, bath and body products, and eclectic gifts. The group also includes Sparks & Ellis, South Africa's oldest supplier of service type uniforms, and K-Way Manufactures, which produces specialised outdoor clothing and leisurewear. The business started in 1933 when Philip Krawitz's great-grandfather arrived in Cape Town. Today, Philip is chairman of the group and has two daughters working in the business. They decided to join

the business a few years ago after studying and working abroad in Europe and in the USA.

In this retail group, innovation is bold and encouraged; it is in the blood of the family through four generations. Philip's daughters are encouraged to look for other types of businesses, to get inspiration worldwide because every direction is possible. The cement that sticks all the businesses together is the family's imprint on the choice of products, the style, and the way of communicating. The brands' universes are different, the positionings are different but the spirit is common and comes from the family's values and beliefs. All is possible, and Philip Krawitz encourages new ideas, new concepts and innovation in general with a strong sense of structure.

Left to right: Philip Krawitz and his wife, his grandfather, and his daughters

emotion about a grandmother coming to the shop with her granddaughter to offer her engagement ring, like her own grandmother did for herself. The same with Thrupps, the emblematic Johannesburg-based retail shop run by Chris Keene. The shop boasts a rich heritage built on trust, it defines itself as "A pioneer grocer and provisions merchant. To those citizens and their descendants, who have enabled us to progress and serve with them, we offer

our sincere thanks" says Chris Keene, CEO. Andrew Golding, CEO of Pam Golding, emphasises: "The family side of the business brings trust. In the end what we do is to ask people to trust us to sell their house."

And lastly, there is a strong notion of 'nothing to hide', of transparency with customers. As Richard Hirsch of Hirsch's summarises it: "With your name on the store, you can't hide."

Boldness, reactivity and vision

Boldness, reactivity and vision are strong in entrepreneurial family businesses. One good example is Hirsch's, which was founded in 1979 by Margaret and Allan Hirsch. Today, the business is still run by the couple and their two children Richard and Luci. Entrepreneurship is completely rooted in the family spirit. Margaret herself embodies this, and through her personality allows the company to expand and diversify in very different directions and includes charities and empowerment of women. The common ground is her strength, entrepreneurship and enthusiasm.

Customer experience

Most of those interviewed agreed that customer experience in a family business is different from any other. Honesty, trust and transparency are important in the shop, in the way the staff are trained and in all the touch points a customer has with the brand. The customer must feel the familiness. As Solly Kramer, owner and director of Norman Goodfellows, the well-known liquor chain, puts it: "The shopping experience makes the difference and people must know that it is a family business." The values are prominent, and the spirit of the founder so strong, that the customer is able to feel it. The level of customer service offered is what particularly distinguishes family businesses.

In this spirit, many interviewees agreed that being 'on the ground' and spending a lot of time with their customers creates important links. Colin Wesley, founder and CEO of Wesley, a tobacco store chain, acknowledges: "Customers like to know there is a person behind the business. They want to speak or complain to someone." It is the

same for Katrin Herrmann-Van Dyk, Sales director at Hertex, the fabrics distributor founded by her father: "The customers love to see someone from the family." And for Jonathan Bales, director of Arthur Bales, a fabric company in Johannesburg, founded by his great-grandfather: "As a member of the family, it is important that the customers see you." The same applies for Christopher Greig who is always in his shop in Hyde Park, as are his brothers in other Charles Greig's shops across the country.

2. Family business brands

2.1 Family identity: a marketing asset?

When it comes to marketing a family business, an interesting paradox emerges. On the one hand, a natural strategy is to showcase and advertise the family history, as this stands for uniqueness and an expectation of know-how, strong values and trust. On the other, there is a concern that people may assume a lack of professionalism (being a family), and prefer not to reveal their 'familiness'.

Showcasing the familiness however supposes that the founder and/or family members understand the advantage of using the family identity as a marketing and communication asset. In marketing, the concept of brand personality is more and more analogous of human personality. For family businesses this can inspire the brand identity.

Some families understand this, although the brand name is not the family name per se it can incorporate the family name, e.g. Hertex comes from Herrmann-Textile, Rovos Rail comes from Rohan Vos Rail. They recount their family history, and make their staff feel like family by

Charles Greig : a balance between modernity and tradition

Charles Greig, a luxury jewellery brand in South Africa, boasts a long and rich heritage. Founded by Charles Greig in 1899, it now belongs to his three great-grandsons. One of them is Christopher Greig, the director of the Hyde Park shop in Sandton. According to him, the main challenge of the brand is to find the right balance between tradition and modernity. How to embrace modernity without betraying the tradition?

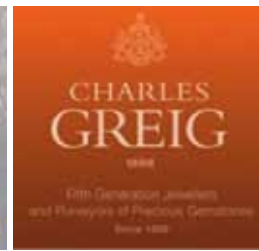
"We are traditional but not old-fashioned. We reflect in every way what is happening in the jewellery industry worldwide while, at the same time, we continue to express our uniqueness as a South African company with a distinguished heritage".

The brand is a landmark in the luxury goods field in South Africa, supplying jewellery to generations of customers and as Christopher Greig explains it: "We are a family talking to families." Trust and goodwill are the main values of the brand.

Below: Charles Greig



Below right: The legacy Donald, Christopher and Richard



HIRSCH'S

Borderless entrepreneurship

Founded by Margaret and Allan Hirsch in 1979 with only R900 in their pocket, Hirsch's has become the largest independently owned appliance and electronics retailer in South Africa, with seventeen branches and concept stores. It continues to expand, with new branches opening in Gauteng and Cape Town. Hirsch's is a complete family business as Margaret and Allan work with their two children Richard, director of Sales and Luci, director of Communication. Richard Hirsch likes to describe the family business thus: "The business is like a tree with deep roots and flexible branches."²

The metaphor summarises what the Hirsch's spirit is all about: enthusiasm and flexibility with a high

level of creativity and innovation. The enthusiasm is the foundation of their entrepreneurship's spirit, their willingness to test new ideas, be bold and innovative in all the things they start. "We are not smarter but we are quicker, faster, eager, excited."

Hirsch's innovates and diversifies in very different ways. Margaret creates associations to help women start their own businesses; she empowers women thanks to several initiatives in the townships and in girls' schools. She also empowers her staff: "I build their strengths and ignore their weaknesses, she says."

The Hirschs family



empowering them. Not only do they communicate as family but they treat their staff as extended family. It's an inside and outside phenomenon, a mindset, a whole behaviour. When showcased, the family history can be a strong story-telling tool; it appears on the company website, in leaflets, in the brand's publications and advertisements, it creates cement for a distinct brand platform in order to claim a heritage which is synonymous of know-how and quality.

Below is an analysis of the differences between European and South African family businesses regarding this use of family identity as a branding and communication tool.

2.2 The family identity as a marketing asset: South Africa vs Europe.

Until recently, although the unique assets characterising family businesses are acknowledged by experts worldwide, they were seldom leveraged as a marketing asset by the families themselves. Many strong South African brands with a strong sense of familiness don't communicate their family identity to the customer: Pick n Pay, Cape Union Mart, Fairview, Fruit & Veg City for example.

In South Africa it is fair to say, the family identity is rarely used as a marketing asset. This is different from Europe where 'family' is often promoted as a guarantee of know-how and authenticity. It is particularly noticeable in sectors such as luxury, fashion, cosmetics and even the food sector. In fields where know-how and high standards are expected, being a family suggests know-how and mastery of its field for generations. European customers are receptive to these arguments and recognize that family businesses have legitimacy. In SA it

Family Originated Brands



Hertex: Familiness as a unique customer experience.

For the Herrmann family, owner of HERTEX, the Cape-Town based fabrics and textiles distributor, being a family means that even as the business grows, family members and managers still want it to stay convivial and personal in both atmosphere and image. HERTEX was founded in 1987 by Peter Herrmann, who came to South Africa in the 1980s as a 21 year-old textile engineer. He has three daughters: Carla Herrmann-van der Merwe, Pauline Herrmann-Keys and Katrin Herrmann-van Dyk. From humble beginnings, HERTEX has become one of the most important textile and fabric distributors with 200 employees, operating across the African continent as well as overseas.

As Katrin Herrmann-van Dyk, Sales director explains: "We



want to be corporate but still keep the family aspect, even with the growth of the company." As a customer, this conviviality can be felt at once when you enter the shop in Cape Town. Right at the centre is a cafe where natural light enters, as you sip a cup of coffee and browse the many fabrics on display. "We want to create a pleasant atmosphere that is not intimidating" insists Katrin.

This is achieved, as a very special atmosphere emerges from this shop and this warm family.



Katrin Herrmann



Peter Herrmann and wife

seems to be a different story. Although the family identity is something most of the members are proud of, it is also something they don't necessarily want to advertise. It is more of an inner pride and drive, that they keep for themselves.

Why is that? Several hypotheses can be advanced:

- In South Africa family businesses seem to expect to be perceived as less professional when compared to non-family or corporate businesses. As Andrew Golding, CEO of Pam Golding and son of the founder, puts it in an interview: "Professionalism comes first at Pam Golding. That is why we don't put forward our familiness so much."
- Some family businesses in SA are

regarded as old-fashioned, not dynamic.

- The family identity is not recognized as an asset by family members themselves, and will even be seen as a drawback. As Jonathan Bales, director at Arthur Bales, great-grandson of the founder, puts it: "It is an asset and a liability internally, as you may have free labour (cousins, aunts, etc.) and a support network, but at the same time, it limits possibilities for the staff."

Therefore, the family identity in South Africa is more an internal driver that emerges on the customer experience side rather than an external driver that the company can communicate or advertise. The family identity is a feeling that the members

share between themselves internally. Nevertheless, it seems to be changing slightly. For example, the brand McCullagh & Bothwell (school uniform manufacturer and mens clothing distributor in South Africa) stressed the family identity of the brand when the store at Hyde Park was renovated in 2013/2014. Portraits of the founder and family, as well as pictures of previous stores were mounted on the builder's scaffolding. It was a temporary measure but also a start, using the family's history as an asset to raise awareness around the heritage and persuade customers that heritage is synonymous with know-how and reliability.

2.3 Patronymic brands: South Africa vs Europe

What is a patronymic brand?

It is a brand that bears the same name as the founding family. For example in South Africa: Melvill & Moon, Hirsch's, Charles Greig, Pam Golding, Kunene, Everard Read, Arthur Bales, McCullagh & Bothwell, Wesley, Acutt, etc.

Among the 50 most valuable brands in the world, according to the 2015 Forbes magazine ranking, 11, or 22 percent, are patronymics (bearing the founder's name). But not all are family run or owned, for instance Toyota, Disney, Louis Vuitton, Honda, Mercedes Benz, Gillette, Gucci, Ford, Nestle, Wells Fargo and Siemens. Does a patronymic brand really have

Melvill & moon: a brand built on a patronymic name



MELVILL & MOON

Created by the Melvill family in 1990, Melvill & Moon is still family owned and run. Having arrived in Southern Africa as missionaries in the 1700s, the Melvill family established themselves as prominent land surveyors, cattle ranchers and soldiers, with Lieutenant Teignmouth Melvill winning the Victoria Cross at the Battle of Isandlwana in 1876.

One thing that featured prominently through the generations

was a love of Africa and a passion for Safari. This is at the heart of the brand. It seemed natural to use the family provenance as it retraces the passion and history and builds on it to create the brand's equity. As Dael Melvill explains: "The essence of our company brand as safari equippers and suppliers *Laudator Temporis Acti* which loosely translated from the Latin means 'in praise of an age gone by'. This is not just our company motto – it is the heart and soul of everything we do."

Below: The Melvill family, right: Lieutenant Melvill



power nowadays? Can the name be a marketing and communication asset in these instances?

Historically, patronymic brands were used as a signature guaranteeing origin. They then evolved to serve as a proof of know-how, and trans-generational experience. Thus patronymic brands refer to ancestral expertise, tradition and success when the brand is multi-generational, to stability and entrepreneurship for the more recent ones. Today the brand itself constitutes a strong marketing asset.

Actually what is important is not so much the fact that the brand is patronymic – but the belief that the brand corresponds to the name of a real person. A pseudo-patronymic brand (a brand's name which appears to be named after a person but is not) can offer the same virtue as that of a truly patronymic brand.

Patronymic brands in South Africa

Among the top 50 brands in South Africa, none are patronymic! It seems to be either a natural choice, which has not been given much reflection, or a 'default choice' because no other names were suitable. As Andrew Golding, CEO of Palm Golding, explains: "The name was a whim at the beginning, not a thought out strategy."

Of the 25 family businesses interviewed only two had deliberately chosen their family name:

- Colin Wesley named the business inherited from his father with his family name to capitalise on his fame as a cricket champion. "The Wesley name was known for cricket as I was a former champion. I could have named the business differently but it means something, and brought me my first clients. It really worked in the short term."
- For Melvill & Moon, the brand name

Norman Goodfellows: a name and character created from scratch to personify the brand

Norman Goodfellows is a well-known fine wine and spirit merchant chain. It is a third generation business which the current CEO, Solly Kramer, inherited from his grandfather.

The family has been involved in the branding strategy since the beginning, to the extent that they created the name and logo of the company themselves. "My father was a genius at branding, and his wife designed the figure in the logo." It was a ground-breaking initiative at that time, in the 70s. The logo represents a gentleman,



inspired by Johnny Walker, dressed in an old-fashioned way with top hat and eyeglass, raising his glass to in a friendly gesture. He represents a balance of good taste and conviviality, which is what the brand is all about. Norman was the first name of Solly's grandfather and 'Goodfellows' evokes jolly good times.

So today, the values of conviviality, empathy and respect for the customer are all conveyed through the name and logo, and are at the heart of the brand.

"The name involves a reputation. It exposes more than you think it does. It can be overwhelming but you can't do otherwise." This kind of pressure can be difficult for some, like Jonathan Bales: "Your name is recognized. You've got to behave in public. You need to honour your name. You carry it everywhere."

Bearing the name of one's brand can also however mean huge pride. And this pride is the inner driver of the founder and family members. "We need to be proud of each product we make" says Marco Prieschl, manager of Diemaster, a plastic tools manufacturer.

What place for pseudo patronymic brands in South Africa?

Pseudo patronymic brands are brands that bear fabricated family names in order to promote an image of authenticity, know-how and tradition. However their use is not common in South Africa, indicating that familiness is not always considered a marketing asset.

However, Norman Goodfellows is a good example of a successful South African pseudo-patronymic brand in that Mr Norman Goodfellows is a character created from scratch. Nevertheless, it is a family business, owned and run by the founder's grandson Solly Kramer.

Marketing the 'family' part of the business in SA is still seldom employed despite the importance of the role it can play.

Family business, being synonymous with trust, sustainability and quality, should make a meaningful, key differentiation that can be leveraged as a competitive advantage.

takes the family name Melvill to which the founders (Rick and Sue Melvill) added Moon, an ancestral name. The patronymic was chosen on purpose in 1990 because the mission and vision was to create a brand around the concept of heritage and safari culture, even if the brand itself is relatively new. Melvill & Moon seems to be an exception in SA, successfully using the name as a marketing asset, in order to build a brand concept around tradition and heritage.

Some common points with Europe though...

A common point with Europe regarding the choice of the brand name is that for South African family businesses, bearing the name of one's brand means more involvement and more at stake for all family members working in the company. For David Walker, owner and director of McCullagh&Bothwell: "Family businesses work harder. They have more at stake. It is a different way of doing business." The same applies to Andrew Golding, CEO of Pam Golding: