India
A study of Indian companies and their approach to brand valuation

A cynic is a man who knows the price of everything and the value of nothing.
Oscar Wilde

It is well established that valuing brands is essential when assessing a company's market position. This chapter showcases some of the top-ranked Indian companies which have successfully leveraged their brands – in addition to their global operations, overseas expansions and a strong foothold in the domestic market – to move up in the global rankings.

The importance of valuing brands

With an increased awareness of the value that intangibles bring to the table, companies are making a conscious effort to create and identify such assets. Putting a value on brands helps to assess their worth for a number of purposes, including determining the enterprise value for mergers and acquisitions, licensing and/or franchising. The global rankings of a corporate on world-recognised scales, such as Forbes Global 2000 or Brand Finance Global 500, can be analysed to provide an assessment of the brand value with regard to its rankings in order to ascertain any correlation between the two.

Indian companies have begun to recognise the importance of building and strengthening brands in addition to creating innovative technologies and other intangible assets. Intangibles form a greater percentage of the economic value of successful businesses than ever before, making it important that they are identified and classified. Classification might include the following categories:

- brands and brand equity – trademarks, trading style, trade symbols, domain names, trade dress, copyrights, designs, goodwill;
- contract-based – licensing, royalty, advertising, service or supply contracts, lease agreements, franchise agreements;
- customer-related – customer and distributor databases, customer contracts and related customer relationships;
- knowledge-based – patented and unpatented technology, software, trade secrets; and
- management-related – business process models.

Brand Finance Global 500					Forbes Global 2000 companies				
Brand	Brand ranking		Brand value $ million		Company	Company ranking		Revenue $ billion	
	2009	2010	2009	2010		2009	2010	2009	2010
SBI	344	187	1,448	4,551	State Bank of India Group	150	130	22.14	22.63
Infosys	–	424	1,719	2246	Infosys Technologies	891	807	4.16	4.22
ICICI Bank	–	440	939	2164	ICICI Bank	329	282	15.06	12.58

Source: Brand Finance Global 500, Forbes Global 2000

Ranking providers

Each ranking provider follows its own unique methodology to arrive at its metrics. Broadly, however, the ranking of corporations is determined by considering their turnover, profits, total assets, revenues employees and market value. Having said that, each is influenced by the following intangible factors:

- brand influence – the ability of a brand to impact on market trends;
- brand stability – the ability of a brand to withstand financial ups and downs;
- field – the potential for growth of a company in a sector;
- geographical extent of use – the universal appeal of a product across borders;
- knowledge and awareness – the adoption of promotional activities and advertising measures; and
- legal protection – the vigilance with which a company protects its trademarks, copyrights and patents, and asserts these rights against misuse of its brand.

The table shows a comparison of brand rankings and company rankings, which supports the positive correlation between the two.

Indian companies: a study

This chapter examines three top-ranked Indian companies which have achieved recognition and fame in the global market. Two of these – State Bank of India (SBI) and ICICI Bank – are from the banking sector, while the other – Infosys Technologies – is from the software sector.

SBI

This chapter reviews the approaches and ventures adopted by SBI over the past five years and the impact of these activities on its corporate ranking and brand ranking globally.

SBI is the largest state-owned banking and financial services company in India. In the past it has taken measures to strengthen its brand value and corporate ranking, such as:

- implementing domestic and overseas acquisitions and joint ventures;
- merging seven associate banks;
- engaging with consumers and covering as much of India as possible in order to increase awareness of the SBI brand by taking over targets that are strong in the retail banking space;
- improving service delivery – SBI is on the verge of completing a virtual merger with other banks, with the help of common technology platforms and core banking solutions;
- spending an estimated Rs6 billion to Rs8 billion per year on technology initiatives in the next few years;
- implementing core banking solutions in 18,000 branches – SBI proposes to implement these solutions in all associate banks and at least 4,000 SBI branches in the coming months; and
- developing differentiated products/services.

SBI also realised the need to make an emotional connection with its customers and has launched a series of advertising campaigns, including the much-acclaimed "Surprising SBI" and "Every Indian's banker". Slogans that SBI has previously used and still continues to adopt in its advertisements include:

- "With you all the way";
- "Pure banking, nothing else"; and
- "The Nation banks on".

This campaign clearly illustrates that SBI is conscious of the significance of trademark law and the protection afforded under it. In order to create a secondary meaning and awareness in relation to these slogans, SBI has launched various advertising campaigns designed to have a powerful impact on its customer base and to qualify the slogans as distinctive through extensive use.

A perusal of the table above shows that SBI's company ranking improved from 150 in 2009 to 130 in 2010. At the same time, its brand ranking also improved from 344 in 2009 to 187 in 2010, as per Brand Finance Global 500. Further, SBI's brand value tripled to $4.5 billion from $1.4 billion in 2009.

These trends indicate that the efforts made to strengthen the SBI brand have, in this case, translated into revenues/profits and a higher ranking.

ICICI

ICICI Bank is India's second-largest bank, with total assets of $75 billion. Below are some of the initiatives that it has taken to consolidate its standing in the global market:

- In 2002 the merger of ICICI Ltd with ICICI Bank led to the creation of India's second-largest bank in terms of assets. As a result of the merger, the ICICI group's financing and banking operations, both wholesale and retail, were integrated into a single entity.
- ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels,

and through specialised subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management.
- ICICI exploited an untapped opportunity to target India's mushrooming middle class and corporates by offering high levels of customer service and efficiency.
- ICICI's global network spans 18 countries, with a network of 1,452 branches and about 4,721 automated teller machines in India.
- Its rural, micro-banking and agri-business division is responsible for envisioning and implementing rural banking strategy, including agricultural banking and micro-finance.
- ICICI has focused on shaping the small and medium-sized enterprise (SME) sphere in India through initiatives such as the Emerging India Awards, the SME CEO Knowledge Series – a platform to mentor and assist SME entrepreneurs – and the SME Dialogue.
- Leveraging its international presence and deep corporate relationships, ICICI became the preferred partner for Indian companies to work with on overseas acquisitions and infrastructure projects in India.
- ICICI has gone down the celebrity endorsement route by promoting its brand through Amitabh Bachchan and Shah Rukh Khan.
- The adoption of slogans such as *"Hum hai na, khayaal aapka"* has helped to connect consumers to the bank at an emotional level.

ICICI was the first Indian bank to introduce branding into the banking industry. To leverage the ICICI trademark and to create a corporate identity, it adopted the 'I' logo, which represents the 'I Man'. In order to maintain uniformity, ICICI has also adopted a trade dress, keeping in mind its customer base.

By implementing these strategies, ICICI has successfully positioned itself among the top global companies. A perusal of the above table indicates that ICICI entered the Brand Finance Global 500 in 2010 at a ranking of 440. Its brand value also rose steeply from $939 million in 2009 to $2.164 billion in 2010. ICICI's company ranking rose from 329 in 2009 to 282 in 2010.

These figures once again suggest a strong correlation between brand ranking and company ranking.

Infosys Technologies

Infosys Technologies is one of the largest software companies in the world. Its stock trades on the US Nasdaq stock exchange with a current market cap of about $35.77 billion, putting it on the Nasdaq 100 list.

The strategies that Infosys has adopted over the years to achieve an astounding growth include the following:
- making a concerted effort to differentiate itself from other software servicing and outsourcing companies;
- adopting a strategy to 'go global' as soon as possible and get rid of the 'India stamp' to avoid customers thinking of cheap labour and low-end contracts;
- adopting an proactive stance with regard to patents – during the first quarter of 2010, Infosys submitted 20 patent applications in India and the United States, giving it an aggregate of 241 patent applications pending in India and the United States. The company has already been granted 12 patents by the US Patent and Trademark Office;
- investing in continental Europe and emerging markets, including India, to tap better opportunities. Although Infosys derives 75% of its revenues from the United States and the United Kingdom, the company is looking to increase its presence in Europe and emerging markets in an attempt to reduce its dependence on the United States;
- employing 8,859 more people gross (net addition of 1,026); and
- creating an emotional connection with the public through the slogan "Powered by intellect, driven by values".

With these strategies in place, Infosys (NASDAQ: INFY) has managed to define, design and deliver IT-enabled business solutions that help Global 2000 companies to succeed in a globalised world. A perusal of the table reveals that Infosys improved its company ranking to 891 in 2010, from 807 in 2009. This rise is also reflected in an increase in revenues to $4.22 billion in 2010 from $4.16 billion in 2009. While Infosys is slowly climbing up the company rankings, its brand ranking is also rising – it was a new entrant to the Brand Finance Global 2000 in 2010 at 424, with an increase in brand value to $2.246 billion in 2010 from $1.719 billion in 2009. It appears that the strategies adopted by Infosys in the past are moving the company in the right direction.

Brand values

In an M&A scenario, the value of the enterprise must be determined in order to arrive at the price at which the deal is struck. Any organisation that fails to value its brand can be short changed. The M&A environment has a number of cases that support this and examples of a few are outlines below.

In 1988 Rank Hovis McDougall (RHM), a leading UK food conglomerate, successfully defended itself against a hostile takeover bid by Goodman Fielder Wattie by relying on its brand value. This was the first 'whole portfolio' brand valuation. After successfully fending off the bid, RHM included estimates for the intangibles on its balance sheet in its 1988 financial report. By adding the brand valuations, RHM's net assets rose to £979 million from £265 million the previous year.

In December 2004 Chinese computer manufacturer Lenovo acquired IBM's PC division for $1.25 billion. Lenovo bought tangible assets, high-quality products, know-how, distribution networks, customer base and the related brand value. In a study conducted by *Interbrand/Business Week 2002*, the contribution made by IBM's brand value towards market capitalisation was assessed at 39%. A fair estimate is that Lenovo paid $488 million – approximately 39% of the acquisition amount – to acquire only the brand value of IBM's PC division.

According to a report published by Dealogic, India has now emerged as the second most targeted nation of the BRIC (Brazil, Russia, India and China) countries, after China. So far in 2010, India-targeted M&A deals grew by 43% from $1.98 billion last year. Given this booming M&A culture, regular due diligence should be conducted so as to utilise the value of brands as a bargaining tool.

Conclusion

Given the slow and steady stream of global companies entering the Indian markets and the relaxation of foreign direct investment norms, Indian corporations should realise the value of their brands. A substantial part of a company's value derives from its ability to leverage and maintain brand equity. Indian companies are also aware of the need to protect their IP assets, as these play a major role in the creation of a brand and its potential significance in a transaction. Therefore, it is imperative to recognise intellectual property so as to assert the legal rights available in order to protect, exploit and enforce it.

In summary, it is essential to realise, in the words of John Stuart, chairman of Quaker (ca, 1900): "If this business were split up, I would give you the land and bricks and mortar, and I would take the brands and trade marks, and I would fare better than you."

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