
Challenges in creating and managing an Indo-international joint venture brand

When assessing future partnerships, it is worth considering some of the biggest and most popular joint ventures between Indian and international brands, and the challenges that they have encountered

India is one of the largest and fastest-growing consumer and industrial markets in the world, so it is only natural that multinationals are interested in grabbing a piece of this pie as their existing markets become saturated. Equally, Indian companies want international capabilities and to consolidate their brand presence in their own country – something which could take years to achieve organically.

A JV is like a cohabiting relationship between two partners. There is just enough space between them, which they must also share amicably. But just as it is easier to end a cohabiting relationship than a marriage, so too it is easier to break out of a JV than a merger. This makes JVs more susceptible to break-up.

JVs can sometimes be minefields: one misstep and they will blow up in your face. The fundamental reason for setting up a JV is to unite the different capabilities of the JV partners. However, while this may make perfect business sense, it does not always make branding sense.

The brand is at the centre of any organisation or institution. The brand defines what the organisation stands for and how it should react in different situations. More often than not, the JV partners will not share common value systems or personalities, even though in theory they could work wonders by bringing together their distinct capabilities. Interestingly, most JV transactions do not pay due attention to branding as an integral factor in the success of the JV. As a result, compromises must be made at both ends. When times are good and the business is doing well, there is no stress, as efforts are focused on measuring growth and planning for the future. However, no business is immune to market pressures. When the JV stops performing as expected, this results in a conflict in the way that the JV or its partners act and are perceived in the market.

This article examines 29 of the most famous JVs between Indian companies and international multinationals in India. Of these, only two have lasted for more than 20 years and only 10 have lasted for over a decade. More than half – 15 – had an average life of six years. It is a well-known fact that for any business to succeed and make

a genuine impact on the market, it must survive and thrive for a minimum of five to seven years. Such short-lived JVs serve to erode confidence and trust in the success of future JVs with the same or other partners.

The main reasons for this trend include trust and transparency issues, differences over the JV's future course of action and management control, and unstable economic or regulatory environments. Interestingly, trust and transparency or decisions on the JV's future can be managed if the JV defines its brand values and vision upfront. It is important to build a team that believes in the JV brand from the word go. It is equally important for the JV to stick to its brand definition in times of adversity, in order to see it through. However, this is easier said than done, as the focus in a JV is usually on business synergies as opposed to brand synergies. Branding is an emotional subject, whereas business is a practical one. Business can succeed without branding if there are captive opportunities in the market or in a monopolistic environment. In an open market, however, a well-created brand is decisive for success. Nonetheless, JV partners ignore this basic fact at their own peril time and again, as they focus on the opportunities available rather than creating a sustainable business built on the foundations of a strong JV brand.

Ideally, a JV partner should reassess every year whether it makes more sense to go it alone or continue as partners. There is usually a high degree of caution and a general lack of trust in the first few years of the JV. A JV can eventually have three outcomes – separation, buy-out (whether by a third party or by one partner buying out the other(s)) or indefinite continuation (highly unlikely). Fundamentally, JVs break up when the interests of the partners cease to align.

For international companies wanting to enter India, a JV offers them protection by allowing them to share the risk with a local partner. Or it could be a case of waiting for local regulations to change to allow the international company to go solo when the time is right, as in the case of Bharti Walmart.

Out of the 29 JVs studied, in almost half of all cases the international partner decided to operate independently in the Indian market after breaking the JV ties. Therefore, one thing is certain: the break-ups of these JVs cannot be entirely blamed on market forces. Rather, internal differences between the partners and the desire for independent control appear to be the primary reasons for the break-ups.

There is much to learn from Hero Honda JV – one of the most successful JVs in India – in terms of managing differences while respecting the strengths of each partner and creating a unified brand that strikes a chord with all stakeholders, not just customers. Hero

List of popular JVs in India in the last 30 years

- Hero-Honda (27 years)
- Leela-Kempinski (25 years)
- TVS Group-Suzuki Motors (19 years)
- Modi-Xerox (18 years)
- Connought Place Restaurants-McDonald's (18 years)
- Blue Star-Yogakawa (16 years)
- Godrej-Sara Lee (15 years)
- Modi-Olivetti (13 years)
- Wadia Group-Danone (13 years)
- Modi Group-Walt Disney Television (10 years)
- Modi-Telstra (eight years)
- TVS-Whirlpool (eight years)
- Modi-Alcatel (seven years)
- Mahindra -Navistar (six years)
- Blue Star-HP (six years)
- Bharti-Walmart (six years)
- Voltas-Punjab Agro-Pepsico (six years)
- Ashok Leyland-Nissan (six-plus years, going strong)
- Godrej & Boyce-GE Appliances (six years)
- Godrej-Hersheys (four years)
- Blue Star -Motorola (three years)
- Unitech-Telenor (three years)
- Sun Pharma-Merck (two years, ongoing)
- Dabur-Nestlé (one year)
- Hero-Daimler (one year)
- TATA-Starbucks (one year, ongoing)
- Hotline Group-Haier (one year)
- TATA-SIA Airlines (just announced)
- Silverstone Capital-Burger King (newly born)

Group has its origins in Ludhiana, Punjab, while Honda is one of the largest and most respected automobile brands in the world, with its origins in Japan. The two joined forces in 1984 and ended up creating the world's largest two-wheeler company by 2001. While both India and Japan may share Asian roots and some cultural similarities, they also have remarkably different working styles. The Japanese working style is highly optimised, standardised and consummately professional – something that many Indian firms even today struggle to follow as best practice. In the words of a chief officer at Hero MotoCorp (Hero MotoCorp rebranded after the Hero Honda JV broke up): "We have got tremendous learning from working with Honda in many areas – the way they conducted meetings, standard operating procedures and processes." One of the key reasons for the JV's success was the fact that 'Hero Honda' became a brand, not 'Hero' or 'Honda' in isolation. Today, both enjoy the fruits of their joint labours of 27 years as they continue to build their individual brands in the same market.

One popular recent JV which did not work as well is the Bharti Walmart JV. Bharti Group created one of the world's largest telecommunications companies, Airtel, with extensive operations in India and Africa; while Walmart is the world's largest hypermarket chain. When they joined forces six years ago, Bharti planned to diversify from telecommunications to retail and Walmart was keen to enter the world's second most populous consumer market – India. Bharti needed retail experience and Walmart needed a strong partner in India that could help it to navigate the complicated regulatory environment. (Walmart had tried to enter India a few years previously through a JV with Future Group – at the time one of the country's leading retailers – but the initiative failed to take off.)

Under Indian retail policies, Bharti Walmart could only operate a cash-and-carry business, which it did under the name Best Price Modern Wholesale; whereas Bharti Retail independently setup Easy Day stores (small neighbourhood stores), which Walmart supported at the back end. The objective was to extend the JV to front-end retail once the Indian government had cleared up to 51% foreign direct investment in multi-brand retail. While the main reasons for breaking up the JV were both internal and external (regulatory push-backs), the branding of the JV also reveals interesting insights. Walmart had a very strong influence on the JV brand – so much so that it extended its parent brand, Walmart, to various aspects of its operations and communications. There was always an attempt to adapt the Walmart international brand guidelines to the JV brand. Compare this to the Hero Honda JV, which had complete freedom insofar as its brand definition and positioning were concerned. Honda never superimposed its own brand on the JV. Rather, the partners jointly created a completely new brand identity in the form of Hero Honda. This is a key reason why they sustained and thrived for so long together.

A different example of a JV where an international brand has been able to extend its presence in India with the support of an Indian partner is the TATA Starbucks JV. The TATA Group is one of India's best-created brands and arguably the only Indian origin brand which can claim to be truly global. India is the only major market in the world where Starbucks has been able to source and roast coffee beans locally. The company worked with TATA officials on an India-only espresso roast designed specifically for the Indian market – a first in Starbucks' 42-year history. This meant disclosing secret recipes. It shows how an indigenous US origin brand had complete faith in an Indian global brand. TATA in turn gave full respect to Starbucks and allowed it complete freedom to extend and strengthen the brand in India with TATA's help, but without poking its nose in. As in any other relationship, mutual trust in a JV is often the secret to success. While the TATA Starbucks JV is still one year old, it is going strong and it is expected to redefine the Indian café market in the years to come.

Here are a few takeaways for both Indian and international companies considering a successful JV in India:

- Identify shared values between the partners, not just distinct capabilities.
- Look for reasons to trust the other partner, not the other way round.
- Neither partner should try to superimpose its own branding on the other; rather, they should try to create a unique new brand with its own identity.
- Have some patience. [WTR](#)

Saurabh Uboweja, chief executive and director, brand strategy, Brands of Desire
uboweja@brandsofdesire.com