

Central, Regional or Local? How multinationals are managing communications in Latin America and the challenges ahead for the agency sector. Speyside Insights, 2009

Ten years ago emerging markets were seen as a sideshow by multinational companies with resources focused on the developed markets of Western Europe and North America. Ten years on and emerging markets are widely viewed as the engine of organic growth, crucial to sustaining margins.

As a recent report by the Economist Intelligence Unit and KPMG notes, the promise of emerging market growth is leading to a significant shift in resources and a re-think of corporate structures. There is a consensus that a decade of centralisation has taken its toll and what is required now is localisation of decision making, flatter management structures and shared resources. The challenge is getting the balance right.

“Local markets need to be embedded in a broader regional and global structure that not only keeps administrative costs low by sharing back-office and functional resources, but also focuses the attention of senior management, ensures corporate compliance, prioritises markets, channels resources for growth, breaks down silos and builds synergies with other markets.” (EUI, 2009)

Europe has seen a gradual shift away from the London domination of the ‘EMEA’ region, with some multinationals moving to a CEMEA grouping of emerging markets while others decentralise further to regional clusters: Central Europe, South East Europe and often Russia as a stand-alone.

Likewise, we are starting to see a gradual move away from US-centric management of the ‘Americas’ with many multinationals devolving power to Latin American units and increasingly to clusters of Central America, the Caribbean, the Andean countries and the Southern Cone. Brazil – like Russia – is increasingly treated as a stand-alone.

In our recent survey of fifty of the leading multinational companies in Central and South America we looked at how companies were managing the corporate communications in the region: how the region is structured and managed; where the region is “hubbed” and where decision-making and budgetary power lay.

Of the companies surveyed:

- 33% managed communications directly from the corporate centre - e.g.; New York, Madrid, London- working with local PROs and agencies in-country to support execution;
- 52% devolved decision making to a regional communications head for Central or South America, reporting to central communications and a dotted-line to the regional business head;
- Only 15% devolved power down to smaller regional clusters or single countries, with almost all of these treating Brazil as a stand-alone unit;
- By some margin, Miami was the favoured ‘hub’ for regional communications with Buenos Aires a secondary hub for the Spanish speaking markets and most having senior PRO dedicated to Brazil

Overall the research showed corporate communications to be much more centralised than other business functions, with few respondents anticipating change in 2010.

Perhaps this is inevitable: multinationals recognise the benefits of a centrally controlled message and wish to exploit economies of scale, with little obvious downside. But if this is the case, it is perhaps surprising to see such a diffuse and fragmented agency landscape across the region: consistency of messaging and economies of scale are also arguments for pan-regional agency support.

The agency market in Latin America is more fragmented than any other region of the world: there are no fully owned and integrated agencies with true pan-regional coverage, although many of the global networks do have “reach” across the region through local affiliates. The underlying reason most of the global networks have failed to build a direct presence in the region is almost certainly down to historic levels of PR spend in the region; less than 1% of the global industry value, according to estimates by Paul Holmes. But if emerging markets are moving centre stage and the next decade will see increasing focus and resources on Latin America it is clear the PR agency sector has a job to do in aligning itself with these new corporate realities.

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