

# Prepare to Gybe

## Organizing for a new branding tack

*Companies are constantly challenged to balance locally relevant advertising with consistent global branding. Yet, when making the change between global and local business models, companies often fail to consider the underlying operational model required to guide effective execution. Like a sailboat about to take a new tack, everyone involved in such a shift must know their roles and responsibilities, and have the skills to perform them. Otherwise execution will be chaotic, ineffective and could jeopardize the company's market position.*



In sailing, a gybe is a technique in which a boat sailing downwind alters course by turning its stern (or tail) through the wind. In this potentially violent maneuver, the wind changes from one side of the boat to the other, and, as the sail sweeps across the deck, the crew must work jointly and quickly to stay out of harm's way.

Like helming a sailboat, global companies must be ready to act quickly and in a coordinated manner when a change in direction is called for in their advertising and creative strategies. Companies have long struggled with finding a balance between a consistent worldwide brand message and locally relevant advertising. This balance is particularly important today, as cost pressures mount and the need to succeed in diverse marketplaces increases. Should advertising be conducted globally or locally? Should it be coordinated via one centralized organizational structure or several local ones?

These questions are often answered by finding an appropriate balance between centralization and localization. Determining where that balance lies depends on several factors—including product, industry, geographic footprint, channel strategy, resources and capabilities, and management philosophy and values (see figure 1 on the following page). As these factors change so must the balance between global consistency and local relevance. This balance is necessary at all points along the entire operating model, from people and processes to collaborating with creative agencies.

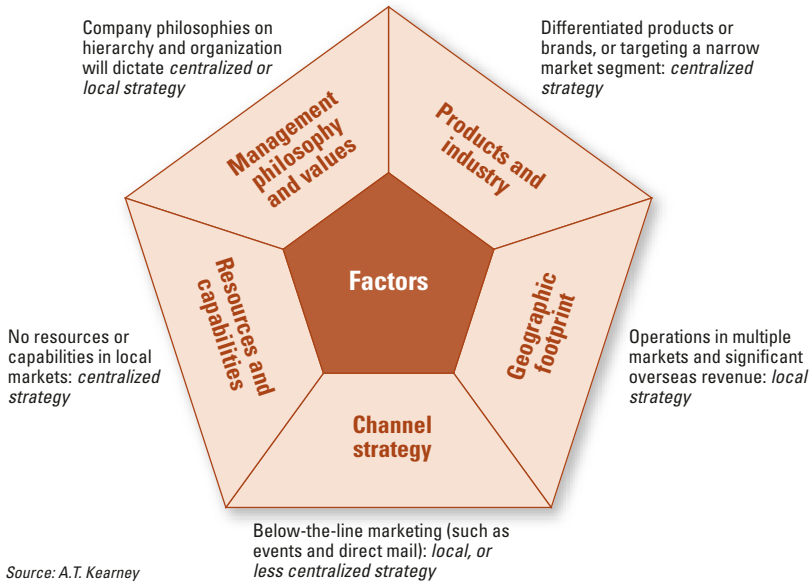
### Local versus Global

The decision to centralize or localize an advertising strategy is not black and white, but rather falls along a continuum, with options in between. There are four potential operating models along the range.

**Central.** Companies that centralize advertising provide a single point of

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**FIGURE 1:** Five factors that influence the central versus local decision



control over all aspects of the brand, including values, message and creative platforms used to support advertising campaigns. Centralized structures typically employ a single global agency, but bring in local resources as needed to translate and execute the campaign. Luxury goods makers, such as Louis Vuitton, Burberry and Rolls Royce, use central business models to maintain a consistent message and to ensure their products' universal appeal.

**Hybrid.** In a hybrid structure, marketing responsibilities are split between central and local teams. Global advertising and branding campaigns are driven centrally, usually by one advertising agency that imposes strong brand guidelines. Local markets are responsible for developing their own messages and implementing most of the advertising outside the realm of mass media. HSBC and American Express use hybrid organizational structures.

**Adapter.** Companies with adapter organizations develop the creative framework centrally and then allow it to be adapted to match needs in local markets. For example, advertising campaigns are generally devised centrally, but local markets are responsible for implementation. Company relationships with agencies vary depending on the unique requirements of the product, business unit and market. MasterCard has an adapter organization structure. Since their launch in 1997, MasterCard's "Priceless" campaigns have enjoyed success with a crafted central message tailored to suit local tastes.

**Grass roots.** A grass-roots organization hands off all control to local market teams. These companies may develop overall brand guidelines centrally, but there is little centralized development or sharing of creative or campaign templates. Local markets establish their own advertising and

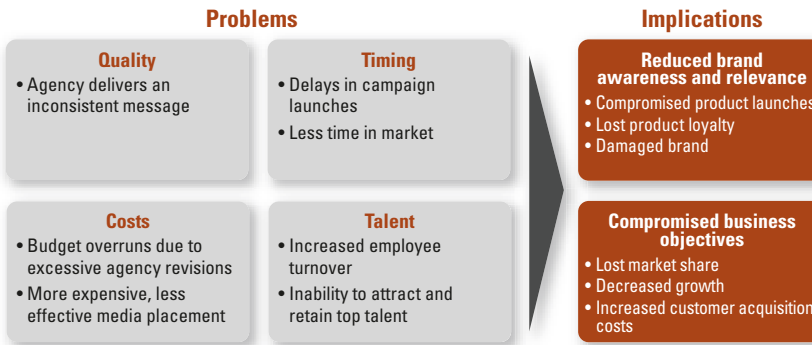
agency relationships. General Motors, for example, has entirely different brands in different regions. Whether Pontiac in North America, Opel in Europe or Holden in Australia—the same car platform with different names—each unit has a local flavor by operating under independent brand names and advertising messages.

### Tight Control or Free Hand?

Deciding whether the structure should be local or global, or some combination of the two, requires first examining the characteristics of central and local strategies and then matching these characteristics to your organization. For example, a centralized structure is typically preferred by companies that want tight control of brand identity, message, values and cost, and consistent quality across all markets. These firms use a smaller and more select set of agencies, and have fairly simplified relationships with them to limit the risk of overlapping work in multiple markets. PC maker Lenovo, for instance, recently decided to consolidate advertising into a single hub in Bangalore, India.

Companies that choose a local advertising structure need fewer central resources for international oversight and coordination. They are able to adjust to cultural nuances, values and marketing conventions in individual markets, particularly when it comes to a brand's local perception, and can foster diversity (in creative development) within a single brand. For example, American Express, long known for its celebrity-based advertising, employs a local advertising structure so local markets have a free hand in developing their

**FIGURE 2:** Problems and implications of a failed execution

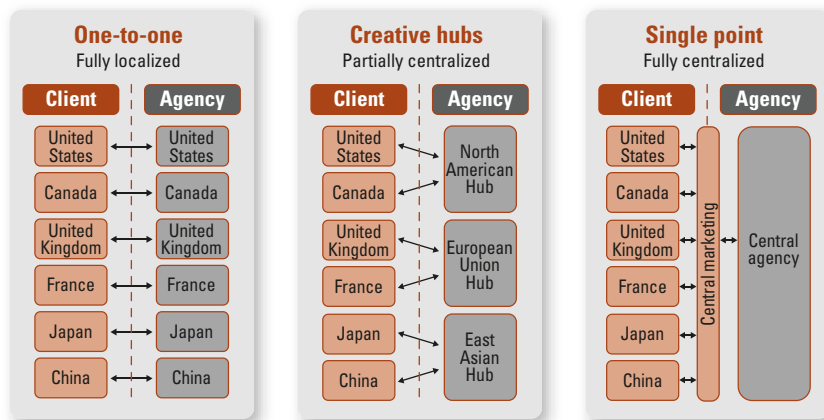


Source: A.T. Kearney

required organizationally to implement the new structure. For example, a company with centralized advertising often has limited creative talent at the market level, so moving to a local strategy requires establishing a base of local talent to drive the campaign. It requires coordinated execution, efficient decision making and flexibility (ability to change direction quickly and avoid 11th-hour scrambles).

Conversely, moving from a local to a central model requires making sure all agencies and talent are aligned and nothing gets overlooked along the way. For instance, if centralizing brand management, you cannot risk alienating local businesses by developing strategies that are locally irrelevant. Figure 2 highlights some of the business implications of a failed execution. Indeed, the collapse of a new advertising approach is often due to the failure to adapt operationally to the new approach—and can lead to bigger problems down the road, including higher agency fees, launch delays, employee turnover, lost sales and the erosion of the brand image.

**FIGURE 3:** Types of agency relationships



Source: A.T. Kearney

own advertising platforms. Thus, while the American public is asked, “Are you a cardmember?” by Hollywood stars such as Beyonce Knowles and Ellen DeGeneres, the Japanese public is told of the benefits of “More Than Just a Card” by local rock legend Keisuke Kuwata.

### Execution Is Everything

Once the strategy has been determined, the transition to a new struc-

ture can make the difference between a successful or failed brand. Indeed, a poorly managed transition can compromise the effectiveness of a good advertising campaign, confuse consumers, harm the brand and affect business results. Thus, faltering is not an option. Those that do, and we have witnessed many such cases, often concentrate too much on defining the right level of centralization while putting too little emphasis on what is

### Elements of an Advertising Transformation

Successful companies understand the potential impact a change in direction will have on the business, and invest in a ready-to-execute framework. The following are four critical elements of such a framework.

**Instill creative planning.** Determine a strategic roadmap for the brand, including developing a campaign message for each market and advertising channel.

**Develop an operating model.** Match the strategic roadmap with the

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right internal organizational structure and external advertising-agency support model to meet central and local needs.

**Establish a governance structure.**

Standardize the creative process and define clear roles and responsibilities during planning and execution.

**Assign appropriate resources.**

Make sure resources are used properly, the necessary tools are available for those resources, and appropriate measures of performance are defined.

The external relationship between a company and its agencies is equally important. Changing direction requires thinking through what impact the new

course will have on relationships with advertising agencies and where creative talent should reside. Figure 3 on the previous page illustrates three models. A single-point relationship model, where advertising and marketing strategies are centrally driven, may not require strong creative resources in every market. A creative hub structure is partially centralized, with marketing and advertising needs managed out of regional hubs. A company planning to fully decentralize needs to build an efficient system of one-to-one contacts.

Whatever direction a company takes, setting up new agency relation-

ships requires laying the groundwork for assets to be used properly and the system to work effectively.

## Putting It All Together

As global companies offer an ever-increasing array of products and expand their reach into more diverse global markets, it is vital to adjust their advertising and branding strategies accordingly. Making a directional change, whether in advertising or on the high seas, requires a top-to-bottom, stem-to-stern execution—one that charts a coordinated and successful change of course.

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