



FEBRUARY 2020

Realigning the Marketing Industry:

An Examination of the In-housing Trend in 2020 and Beyond

MEDIALINK[^]
BY ASCENTIAL

WARC[^]
BY ASCENTIAL

Executive Summary

IN PARTNERSHIP WITH WARC, MediaLink examines the trend of in-housing in 2020 and beyond. This whitepaper is rooted in the insight that in recent years, the in-housing trend has evolved into a phenomenon with permanent, not fleeting, implications for the marketing ecosystem that will ultimately realign the industry completely. It seeks to address the perfect storm of factors that have come together over the past 18 months correlating with a vast majority of marketers taking a frank look at their operations and considering in-housing in some form. Some of these factors include the rapid growth of technology and data (both its benefits and its consequences); changes in the speed of digital transformation at brands compared to agencies; and C-suite-driven cost-cutting and ROI pressures, among others. Providing marketers with a framework for what to expect as they make these considerations, the piece takes a deeper dive into the following areas:



THE
PROGRAMMATIC
RATIONALE



THE CREATIVE
VIEW



THE TALENT
QUESTION



A PERSPECTIVE ON
THE FUTURE AND
OPPORTUNITIES FOR
PARTNERS TO EVOLVE

Some interesting takeaways include:

- Many client organizations are adopting agility training as a means to transform their business, while we see fewer agencies following this lead of speed and flexibility
- Most companies who take on in-housing are primarily interested in shared goals, clearer translation of objectives and faster turnaround
- In-housing might force an organization to implement much broader changes to their ecosystem than expected; programmatic is an example of this
- Bringing creative talent in-house is filled with nuance and requires building a carefully-crafted culture
- Despite an industry-wide push towards data and performance, many marketers are boomeranging back to reinvesting in their brands, which holds promise for external partners

Realigning the Marketing Industry: An Examination of the In-housing Trend In 2020 and Beyond

“What we’re seeing is a complete realignment of the marketing services industry.”

LENA PETERSEN,
CHIEF BRAND OFFICER,
MEDIALINK

MEDIALINK CHIEF BRAND OFFICER and Managing Director Lena Petersen, a veteran of the agency world, described in-housing as a trend that’s been building for some time, but that’s developed momentum from today’s challenges – with implications that are expected to have sweeping changes for our industry.

To that effect, recent headlines have been hard to miss. They’re peppered with phrases like “agencies are getting squeezed” or “the business model simply needs to change.” Indeed, agencies are getting disrupted at every corner – by tech companies, by media giants, by consultants – and by brands themselves.

Everywhere you look, brands are rethinking how they work, or don’t work, with agencies. While in-house agencies have existed in one form or another for decades, the trend has come into laser-focus recently.

What's not entirely clear is why – and where this all lands us.

At the end of 2018, the Association of National Advertisers (ANA) released an eye-popping statistic: 78 percent of its members reported having some form of an in-house agency that year, versus 58 percent in 2013 and 42 percent in 2008.

“Obviously, there’s a financial benefit, but there’s also the ability to create a more consistent brand platform and brand identity across all touchpoints. When you’re in-house, you have visibility into everything that’s created.”

STEVEN FUND,
FORMER MARKETING LEADER,
INTEL AND STAPLES

Plenty of marketers have been vocal about the perceived benefits. Procter & Gamble Chief Brand Officer Marc Pritchard has been touting the fact that the packaged goods company has saved roughly \$1 billion by trimming agency fees. The aspirin brand Bayer alone has reported a \$10 million reduction in spending thanks to in-housing some media.

Steven Fund, who led in-house agencies at both Intel and Staples, saw many reasons to champion in-housing. “Obviously, there’s a financial benefit, but there’s also the ability to create a more consistent brand platform and brand identity across

all touchpoints. When you’re in-house, you have visibility into everything that’s created.”

The trend appears to be accelerating. The ANA found that 44 percent of those surveyed say their in-house agency was set up within the past five years.

However, for every instance, there appears to be a counter caveat. Consider brands that have gone through a strategy shift, like McDonald’s. After assembling a dedicated agency, which pulled together experts from across different factions of Omnicom, the burger chain shifted its creative business to Wieden+Kennedy, a classic creative agency.

Each situation is unique, of course. In McDonald’s case, the shift appeared to be a clear vote for the continued influence of good, old-fashioned creativity. But overall, such counter caveats are evidence that not every brand is going to abandon agencies, and that in-housing isn’t necessarily an all-or-nothing trend.

Still, this time is different.

“This isn’t going to stop,” said Petersen. “I’ve seen the pendulum swing back and forth in my career. But there’s a permanence to this.”

THE QUESTION IS, WHY NOW?

MediaLink Managing Director Donna Sharp said that the in-housing topic comes up on just about every one of her discussions with brands. Marketers want to know whether they should consider shifting some assignments in house, whether they should revise how they’ve already done so, or both.

“If you are a marketing leader, and you haven’t considered it, you should,” she said.

That doesn't mean you should pull the trigger.

To be sure, there are numerous compelling reasons as to why this movement is accelerating. For at least a decade, marketing has been under the discerning eye of brands' procurement teams, which are generally inclined to cut spending.

Plus, marketers have access to far more technology and data than ever before, which seemingly puts them in the driver's seat for more tactical decisions. At the same time, the media world is consolidating.

Moreover, because of all the data and technology at brands' disposal, marketing has become far more about driving business results. Therefore, anything that is seen as superfluous or counter to that mission suddenly feels expendable.

BRANDS HAVE UPPED THEIR GAMES, AND AGENCIES HAVEN'T KEPT UP

Interestingly, there was once a time when big marketers could accurately be portrayed as "legacy" companies steeped in tradition, with agencies as their forward-thinking counterparts. But in recent years, nearly every major marketer has had to reassess their business and inherent processes, seeking ways to work faster and to cut across divisions. They've bought into cross-department creativity and agility training.

Yet ironically, it's agencies that seem to be organizations wedded to the past, said MediaLink Chief Transformation Officer Dana Anderson.

"Many clients and brands are going through transformations in their business, because they want creativity in their walls and see it as a fundamental part of business success. And they can't afford to work on old agency timelines. If you think about it, agencies haven't changed their

business model in 50 years. They've been standing still as clients are moving quickly to change their ways of working in order to be more competitive."

THE MONEY QUESTION IS ALWAYS A QUESTION

In addition, the U.S. advertising agency world has faced reputational challenges around the transparency of their business models, which has impacted how some marketers view them.

"Clients are also feeling the pressure of developing many different creative elements for as many different channels and, as such, have become more sensitive to prices."

DANA ANDERSON,
CHIEF TRANSFORMATION
OFFICER, MEDIALINK

But the most common reason to consider dropping an agency is almost always money. Many brands have grown weary of what they see as funding overhead at giant ad agencies, paying for all of the services these firms have available when they'd prefer to pay a la carte.

Many major marketers have already figured out how to produce their own social and web video advertising affordably and quickly. That's caused them to question everything else on the menu. "Clients are also feeling the pressure of developing many different creative elements for as many different channels and, as such, have become more sensitive to price," said Anderson.

Yet in-housing isn't necessarily cheap.

"We are almost always asked, 'How can we turn this into savings?'" said Sharp. Sometimes marketers are surprised by her answer. "Maybe never."

In fact, sometimes in-housing can cost a client more. While such a move should pay off over time, it's not always as clear cut as ending work with an expensive agency and hiring a few inexpensive, junior workers.

WHAT DO BRANDS NEED TO EXPECT WHEN THEY EXPECT TO IN-HOUSE?

It's more difficult than you might anticipate. Fund emphasized that marketers who embark on this decision need to create the capabilities that align to the needs of the business. "You have to look at the needs of the business and set up the agency to deliver against them."

MediaLink Managing Director Mark Wagman guessed that among the marketers who responded yes in the ANA's survey, many didn't follow through, instead running into hiccups, internal politics or cold feet.

"Before you decide to do this, you need to ask a lot of questions and do a lot of homework," he said. "Your thought process shouldn't be, 'I have 10 agencies, I'm just gonna take that all in-house.' It should be, 'where are opportunities for efficiencies, where are my bottlenecks?'"

That answer is going to be wildly different, depending upon the advertiser in question. Some are motivated to have more control over their data. Others have heavy creative output demands, and simply want a few steps and players in the process.

Some clients simply don't like paying for ad agency overhead. Some want to buy ads in real-time, like direct-to-consumer brands. Others just want more control.

One such example was Molson Coors. "One of several ways we identified to modernize our marketing capabilities was to create a more direct ownership of our digital marketing technology and overall digital media supply chain," said Brad Feinberg, North America vice president of media and consumer engagement. "We architected a roadmap with two demand side platforms to understand the efficiencies that might be created as a result of taking more control over certain media buying decisions. We couldn't pass up the opportunity to get smarter about how our media dollars are planned and executed."

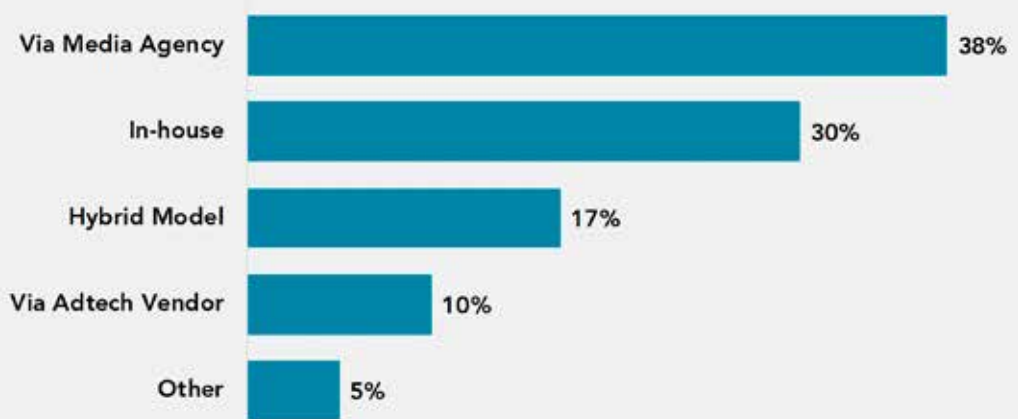
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**MARK WAGMAN,
MANAGING DIRECTOR,
MEDIALINK**

Regardless, any such moves require a lot of consideration. For example:

"Media buying involves a lot of back office duties," Wagman said. "Do you know how to deal with these? Do you want to build and manage your data infrastructure? Is your finance team ready to deal with invoices from media companies?" Do you even know what a data lake is?

FIGURE 1 | How do you primarily manage adtech and programmatic buying?



Source: WARC Toolkit In-housing data

Wagman concurred that taking some media in-house could lead to higher initial costs for brands. And he warned that it may take some companies three to five years to realize savings and really hit their strides.

“If you’re trying to plug a new in-house team into an old school model, you may find out that the rest of your ecosystem needs to change too.”

DONNA SHARP,
MANAGING DIRECTOR,
MEDIALINK

Sharp added that it’s much easier for a brand to decide to cut an agency partner than it is to make a business case for hiring, training and integrating 25 new people who are versed in data and analytics, for example.

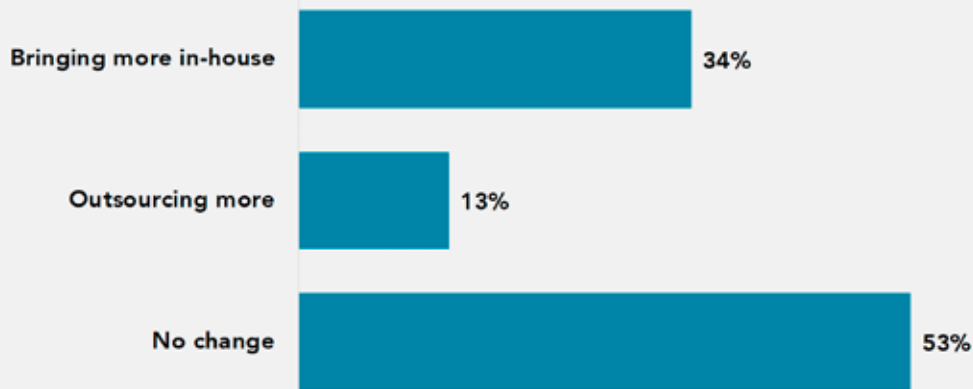
Not to mention that such a drastic move won’t get a brand very far if the rest of its organization is structured in an archaic way. Going in-house with your marketing can end up revealing that a company needs to reorient the way it operates overall. Which is a problem and an opportunity.

THE PROGRAMMATIC RATIONALE

One of the more obvious – and pervasive – reasons for brands to contemplate taking work inside their operations is because media buying has become far more automated and data-driven. Generally speaking, the more that digital advertising is purchased using powerful software and self-serve platforms and algorithms, the fewer mid-level agency executives you need negotiating deals and having their hands on flowcharts – or so the thinking goes.

The numbers appear to bear that out. According to a survey of 761 brands, agencies, consultancies, media owners and tech vendors across the globe, while 38 percent of brands said they used media agencies to manage programmatic buying, a hefty 30 percent said they employ in-

FIGURE 2 | In 2020, how will you be changing how you manage adtech and programmatic buying?



Source: WARC Toolkit In-housing data

house units. And in 2020, 34 percent said they plan to bring more in-house. The research was conducted by WARC and MediaLink in September and October of 2019.

Wagman noted that given the rise and dominance of major technology platforms, “if the media world continues to consolidate to a handful of platforms and walled gardens that truly deliver scale that matters, you may be able to get away with ‘less.’”

Of course, it’s never that simple. As a cautionary tale, Wagman cited an example of an ad tech partner built to serve a specific advertiser that eventually closed when needs shifted. “Beware of building a business just on the latest developments in the market,” he said. “Things change.”

One thing that doesn’t seem to be changing any time soon is the importance of marketing data and the need for brands to keep it close. In a world where first party data is seen as gold, protecting that seems as good a reason as any to bring ad buying in-house.

“There is quite a bit of concern about data among brands,” said Petersen. “It’s not just about cost. Brands want to be close to

their core functions, particularly customer acquisitions. And the challenge for agencies is that there is a fear of losing data transparency.”

“All of which means marketers are more concerned than ever before about the way they manage data and the way they apply that data in the digital advertising space.”

DAVID TILTMAN,
VICE PRESIDENT
OF CONTENT, WARC

WARC VP Content David Tiltman suggested that beyond a desire to keep more control of their data for business reasons, brands more than ever need to have a full accounting of what they know about consumers, thanks to the changing climate surrounding digital privacy.

Indeed, when it comes to programmatic, marketers need to think about keeping their brands out of harm's way while keeping regulators at bay.

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MEDIALINK

On that note, one thing that brands should think about when building an in-house programmatic operation is that they’ll need strong data scientists – ideally, people who understand the nuanced marketing industry. That sort of talent isn’t easy to find – even for tech and marketing cloud giants.

Besides data scientists, brands need to find programmatic ad specialists who aren’t just proficient in using ad tech to buy banners. Rather, the best in-house programmatic teams feature programmatic experts who also have a handle on big picture thinking and understand the benefits of an omni-channel marketing approach.

In addition, brands need to make sure they equip their in-house programmatic teams with the right technology and tools, ensuring they can access the data they need and act on it without interference. That means that these new teams must be connected with the pertinent parts of the organization – like finance and billing –

and authorized to act. Otherwise, the risk is that brands can end up rebuilding their external agency within their own walls without reaping the benefits of speed and efficiency.

WHAT KIND OF PEOPLE DO YOU NEED?

When it comes to building out a programmatic team, brands should think about how many people they want running strategy, versus “having their hands on keyboards,” said Wagman. In other words, do you want to hire a few senior executives who can outsource some programmatic tactics to ad tech companies, or do you want to build a large team of people skilled in real-time buying and media plan optimization?

Sharp concurred. There is a common misconception that building an in-house programmatic unit simply means hiring a bunch of “digital traders.” But in reality, many brands need to bring on audience segmentation specialists who can analyze and apply data sets, as well as strategy and planning executives, data scientists and experts in “platform and data governance” – people that can speak the IT department’s language and can make sure all the technology systems are running smoothly and protecting a client’s data.

These moves are, needless to say, complicated, so it’s okay for brands to start slowly, gradually weaning themselves off external agencies as needed, Wagman added. Small tests or pilot programs are very valuable in the early stages. It’s important to get the processes and communications set up correctly before a brand goes “all-in” and builds a massive in-house team.

Another tough but necessary thing to consider – brands must prepare their current agencies for an upcoming shift, so that both sides can align on a transition process early on and brands can get everything they need before cutting ties.

THE BIG TAKEAWAY

The most important step in making a decision to take buying in-house starts up front – brands need to determine definitively what their goal is, and how they'll grade success. Otherwise, this strategy may be set up for ambiguous returns.

It's also important to note that building programmatic capabilities isn't just a hiring exercise. You can't just stock up on former programmatic agency executives and send them off. Marketers that want to take some

portion of buying in house need to invest money into technology, data management systems, analytics, etc. said Sharp. "Without the technology and database there is nothing for the team to do," she said.

To Sharp's point, another key step is to assess how data-ready your company is. Will it be easy for stakeholders to get the data they need when they need it? Is the company really ready for a more algorithmic-driven way of operating?

THE CREATIVE VIEW

While media buying is perhaps the most discussed function that brands are said to be contemplating making an internal function, creative work is increasingly something marketers are looking to bring inside their own walls. Specifically, as the demand to churn out content and offers to a multitude of channels continues to escalate, many brands are seeking to bring creative production in-house.

Simply put, today marketers need to make myriad different ads – whether that's an individualized Facebook or YouTube placement or a highly customized e-commerce offer.

"We've seen big ad spenders like Procter & Gamble investing in in-house creative and production teams to speed up creative development and increase the volume of creative assets they're able to produce," said Tiltman.

As a result, many need to institutionalize this output. It's seen as too important to hand off.

Bringing creative in-house "gives you more control over the work and allows the

development process to be more closely aligned with shifting business needs," said MediaLink Vice President Kate Black. As a brand manager at an in-house creative team, you get to make all of the big calls, with no hesitancy.

That's likely why 34 percent of brands surveyed by WARC and MediaLink predicted that next year, they would bring more creative services in-house.

"[In-housing] gives you more control over the work and allows the development process to be more closely aligned with shifting business needs."

**KATE BLACK,
VICE PRESIDENT, MEDIALINK**

Fund added, "Businesses are dynamic. As the business needs shift, in-house agencies can move quickly to adapt."

Remi Marcelli, the LEGO Group Senior Vice President and head of The LEGO Agency, concurred. “We’re not outsourcing what we do at LEGO with our own customer experience.”

WHAT ARE THE BENEFITS OF BEING “CLOSE” TO A BRAND’S WORK?

Sharp said this need to eliminate process and steps is particularly true for direct-to-consumer brands, which require a totally different approach to what marketing is – and what marketing touches. Traditional brands are learning the same lessons as they look to go direct.

“These teams are realizing that there are other parts of the wheel,” she said.

“There’s the supply chain, pricing, e-commerce, and then marketing,” she said. “To do what is needed for advertising, I now need a hundred times more assets.”

Thus, the fewer links in the chain, the better.

However, let’s say it’s not about producing thousands of creative assets. Why would a more traditional brand want to have creative in house? We’ll explore this question further in the next section.

THE TALENT QUESTION

When it comes to whether in-housing is going to work or not, you hear the same argument put forth by agency-defenders: good luck finding talent.

The perception is that most great creative executives won’t want to “sell out” and work for a single brand – particularly a less-than-sexy category. Or that coastal ad executives won’t want to move to other parts of the country to become in-house brand ambassadors. Studies have shown this to be true – this past summer, the ANA, Boston Consulting Group and Reed

Smith released findings that attracting and keeping top talent are two of the top issues in-house agencies face.

Marcelli is hyper-attuned to this perception and a strong believer that attracting and retaining creative talent requires the promise of inspiration. “Creative people don’t quit their job to do cheap work; they quit their job to do excellence,” he said.

You’ll encounter similar arguments in programmatic circles: it’s hard enough for the biggest ad tech players in this sector to hold onto engineers and data scientists, who get their hands on equity and free food. Are these folks really going to want to buy ads inside of a legacy brand?

“Creative people don’t quit their job to do cheap work; they quit their job to do excellence.”

REMI MARCELLI,
SENIOR VICE PRESIDENT,
LEGO GROUP AND
HEAD OF THE LEGO AGENCY

WHY CREATIVE PEOPLE MIGHT WANT TO “GO CORPORATE” – AND WHY IT’S NOT FOR EVERYONE

That said, among the benefits of going in house for an ad agency executive is that you’ll likely get exposure to many other parts of an organization. Many longtime ad veterans see a job inside a giant marketer as a way to round out their skills and broaden their career prospects.

At The LEGO Agency, where average tenure is long, Marcelli said employees benefit from the nurturing they receive in a corporate environment. Still, he

THE BIG TAKEAWAY

Before a company decides to go all-in and build an in-house agency, it must invest in a comprehensive needs assessment. It's crucial to make the investment of time to figure out what a company really needs from an

in-house team and what kind of hiring that might entail. "The first question should be, 'Why are you doing this?'" said Trish Shortell, MediaLink's Managing Director, Executive Search.

acknowledged the company's unique situation. "We're lucky, because we're a creative brand, and we're loved by creative people. We have a corporate culture that is more inspired."

In the near term, marketers need to consider their own cultures carefully when bringing on agency talent, particularly creatives. It's unlikely that a new hire is going to change an organization to fit his or her needs – but clients can try and build in mechanisms up front to help former agency hires adapt more seamlessly to a new, probably more corporate environment.

"We try to find room for freedom – to allow people to work on their own creative projects," said Marcelli. "We're always trying to find creative bubbles to protect creative people from the corporate machine."

Indeed, brands may need to find creative ways to stimulate these creative executives – particularly folks who are used to being treated as "star talent" in their former agency lives. That may require fostering ways to get in-house talent to buy into the missions of brand organizations in ways they never did in the agency world.

When such tactics work, the results can be undeniable. Marcelli suggested, "When you have shared KPIs, a shared vision, and a dedicated workforce that is committed to contribute to the brand, then you will get great work out of them."

But besides potential boredom, working in house can lead to complacency. Sharp said there is something to be said for the psychology of an external agency, and the fear that the client might fire them at any time.

"One thing that comes up is, 'does your in-house agency treat the rest of the company like clients?'" she asked. "I remember working at an agency, and when we got a text message from the client, we jumped."

THE FUTURE IS UNCLEAR

As marketers mull just what to bring in-house, and what to outsource, ad agencies have to evolve.

That means getting more flexible, for starters.

"The most successful in-house agencies have a good relationship with external agencies and collaborate often."

**DANA ANDERSON,
CHIEF TRANSFORMATION
OFFICER, MEDIALINK**

“You can’t change the past,” said Petersen. “But those bloated hierarchies at most big agencies, clients aren’t going to pay for that.”

In fact, Sharp argued that traditional agencies would be smart to start building out services specifically designed to support and complement in-house agencies rather than fight the trend. That might include having more “modular” units – that is, teams that can staff up and staff down as needed, to meet such a marketer’s evolving needs. Or, that might include having more nimble buying teams that brands can tap on an ad hoc basis.

“This is a great opportunity for agencies to re-examine what agility means within their own walls and the solutions they bring to their clients,” added Black, who noted that very few marketers – even ones that have embraced in-housing – have elected to work with zero agencies. They crave the outsider perspective these companies can bring, as well as the competition different vendors can foster.

But they don’t want one-size-fits-all offerings.

Marcelli described a prescriptive philosophy for how The LEGO Agency works with partners. “Generally, there are two scenarios. We can outsource work to longstanding partners when we have an excess of it. Or, we can select an outside agency when we have a specific task – when we need to challenge our way of thinking.”

Along those same lines, Wagman argued for agencies to carve up what they do and how they pitch themselves, rather than insisting on doing everything for a hefty retainer.

“Don’t be greedy,” he advised. “Offering ‘end-to-end’ solutions is risky. Don’t pitch the whole...data stack. That’s old school thinking.”

What isn’t old school, argued Petersen, is the need for powerful, breakthrough, culture defining ideas. That’s what ad agencies should hold onto.

In fact, many big marketers are realizing they’ve gone a bit overboard in short-term thinking and pushing for every ad dollar to produce immediate outcomes – and that they need to reinvest in their brands, suggested Tiltman. “The need to invest more in brand-building should lead to more brands balancing in-house creative solutions with external support to ensure the ‘big picture’ brand moments really cut through.”

That need should play well for agencies.

In other words, while agencies undoubtedly have to evolve, they aren’t going away, and they have an opportunity to carve out a distinct role for themselves if they’re committed to being open-minded.

According to Anderson, “The most successful in-house agencies have a good relationship with external agencies and collaborate often.”

Fund agreed. “We used many external agencies. It wasn’t an ‘either-or’ – it was an ‘and.’ With any given project, we leveraged the capabilities of each to where they’re the strongest. We would never do a jump ball and have them pitch against each other – we worked in a seamless way as partners.”

The biggest evolution the agency business may need to undertake is to zero in on their indisputable superpower – and then adopt a willingness to humbly work with every kind of service company that offers something you don’t. Including maybe their client’s own agency.

About the Authoring Organizations

MEDIALINK IS A LEADING strategic advisory firm operating at the intersection of media, marketing, advertising, entertainment, technology and finance. Unlike any other company in the strategic advisory space, MediaLink provides counsel for navigating the age of digital disruption in the core areas of data and technology, investor strategies, marketplace development, partnership optimization, talent and organization, and transformations. Founded in 2003 by Michael E. Kassan, MediaLink employs 165 professionals in New York, Chicago, Los Angeles, San Francisco, and London. MediaLink is an Ascential company. www.medialink.com

WARC'S PURPOSE IS TO save the world from ineffective marketing by putting evidence at the heart of every marketing decision. Since 1985, the company has brought confidence to marketing decisions through the most trusted research, case studies, best practice, data and inspiration.

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