Global Trends in Creative In-Housing

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Contents

This paper is intended as advice only and not as a definitive guide. It aims to provide general, high level recommendations to assist WFA members and others in the industry in their approach to in-housing creative services.

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" Keep an open mind to different models, keep changing your plans, but be very clear about what you're trying to achieve and where you're trying to get to. "

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Foreword

The subject of in-housing has been increasingly prevalent in recent years and has become a bit of a marketing industry buzzword. Yet 'in-housing' is a catch all term that risks an over-simplification. There are many different types of in-house models and it generally forms only part of the overall resource model for a business looking to achieve the optimal balance between internal capabilities and the requirements from their external partner agencies.

The reason why in-housing is such a hot topic is because the changing nature of the communications ecosystem necessitates that brands investigate new ways of operating. Changing consumer behaviours, the proliferation of touchpoints and the corresponding increase in creative assets required, the need for smarter, data-led thinking and for mass personalisation at scale all mean that existing client-agency operating models are being reviewed and, where necessary, changed.

The onset of COVID-19 has only exacerbated the expectations and requirements for speed and accessibility, against the backdrop of uncertainty caused by an oncoming economic recession that is in many cases forcing a need to reduce costs. Leading marketers are tasked with finding more efficient ways of working while demonstrating an increase in effective business outcomes. It makes sense, therefore, to review the operating models by which their brands harness creative, strategic, media and data resource.

In-housing is one option that can help a business transform its marketing approach, particularly at a time when brands desire greater control and want to take more ownership of their own ecosystem, including their data, their customer management, their brand image and the assets that go with that. But as with any discussion about operating models, there is no one-size-fits-all solution.

Structure should follow strategy and should be built to achieve specified business objectives. Using findings from our recent survey and select case studies, this report aims to highlight the considerations and challenges, some expected and others unforeseen, faced by businesses who have successfully in-housed certain resources when it was relevant for them to do so to meet their objectives.

This report focuses primarily on the in-housing of creative resources, but media, strategy, data and technology are all still considerations when building a new creative model, and the learnings and advice included within should prove invaluable to any business considering changing its marketing operations.

Rob Foster

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About The Observatory International:

The Observatory International is the leading global management consultancy dedicated to helping companies drive brand growth by transforming their Marketing and Communications resources. We bring global and local perspectives to marketers along with the knowledge required to overcome the challenges associated with designing their internal and external marketing resources in these dynamic times.

To learn more, visit: www.observatoryinternational.com

Executive Summary

General in-house set-up and structure

- **In-housing capabilities has been widely adopted:** more than half of the respondents (57%) have an in-house agency set-up of some shape or form and 17% are considering it
- **A more recent move:** Almost 75% of respondents established their in-house agency within the last five years

General in-house services and skill sets

- **Almost all (94%) in-house creative capabilities for digital media**
- **Half of respondents in-house media planning and/or buying**
- In the past three years, a mix of **new services** have been added with a **trend towards digital**

In-house creative: structure and benefits

- **All participants** with an in-house agency set-up **also in-house creative services**
- Most **(50%) have a centralised studio** at HQ or at the core of the company
- **Collaboration between different studios is not a must for everyone:** only 54% say their studios work together
- **Workloads are increasing:** For 82% of respondents the workload of their creative in-house agency has increased considerably or somewhat in the past year
- **Almost all (95%) also work with external agencies.** For those respondents, an average of 37% of all the creative work is done in-house
- **Top benefits** of in-house agencies are:
  - Cost efficiencies (of up to more than 30% in some cases)
  - Better integration
  - Increased brand/business knowledge

In-house creative: measuring performance and success

- **Overall satisfaction was high,** with 87% stating that they were satisfied with their creative in-house agency to some degree, with 23% being 'completely satisfied'
- **Top KPI** used to assess the effectiveness of in-house agencies was **quality of output** (81%), followed by cost savings (52%) and speed to market (38%)

In-house creative: challenges

- **Top challenges** are:
  - Managing workflow (increased projects)
  - Project prioritisation
  - Expanding capabilities and skillsets
- Seemingly **no challenges experienced with attracting high quality talent,** with an average staff turnover of 9%
- **External and in-house agencies working as one team** proves to be a **challenge for some**
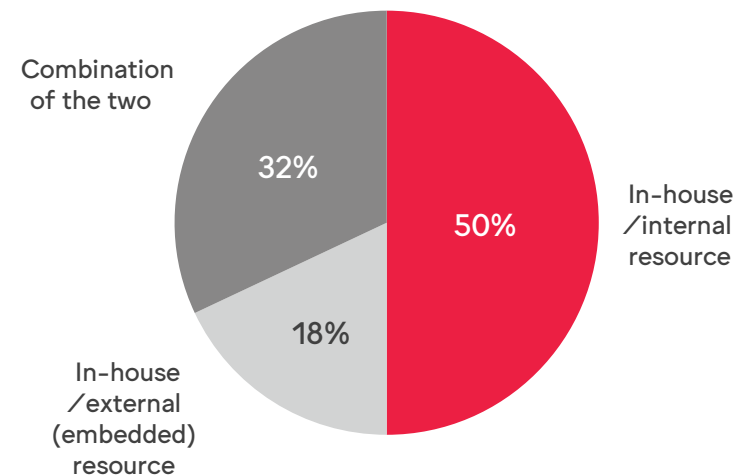
PART I:
General In-housing: Set Up & Structure

Structure is tied to business requirements

57% of respondents currently have an in-house agency, with a further 17% considering one. The main reasons for considering one were improved speed and agility, cost-efficiencies and better understanding of the business.
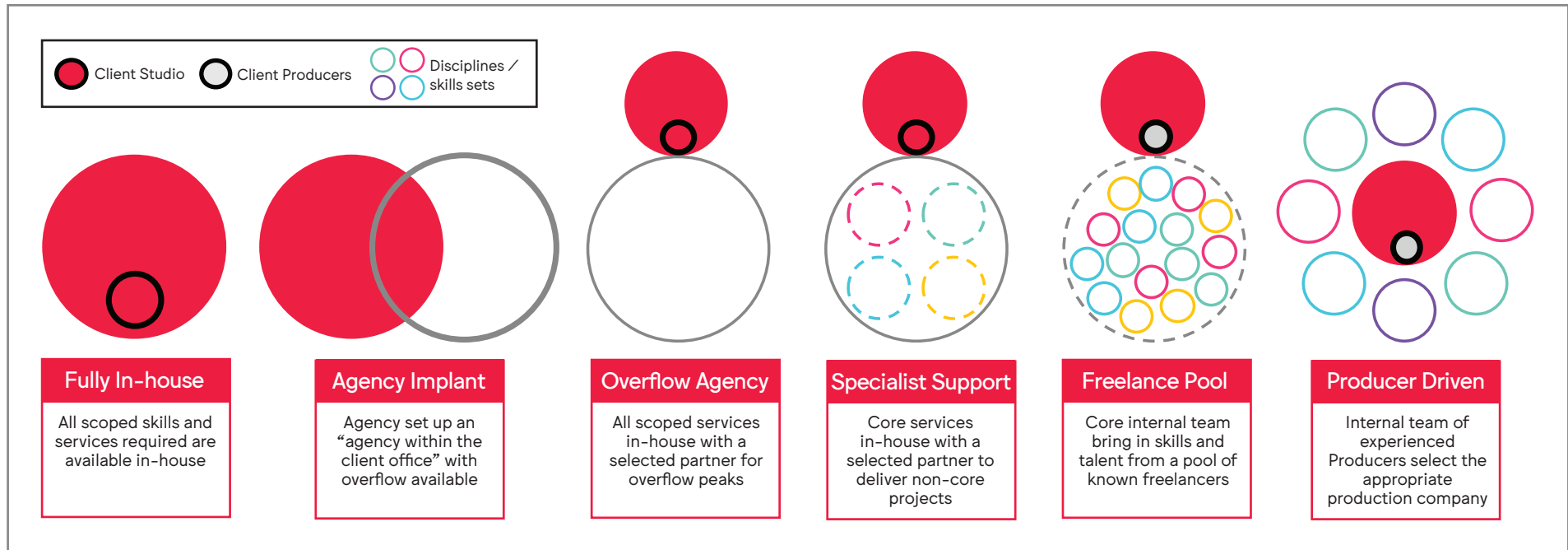
A further 4% had previously had an in-house agency but it was now discontinued, citing costs and the fact that their organisation was "not ready for such a bold move" as the reasons for ceasing operations.

Fig.1. Type of in-house agency used by survey respondents

Combination of the two — 32%

In-house /internal resource — 50%

In-house /external (embedded) resource — 18%

Some businesses hire resource directly and have them work within the business, whereas others work with their in-house agency partners to establish a suitable team that works onsite at the client and is embedded within the business. Then there are combinations of the two. Half of respondents utilised the direct hire approach for their in-house resource, with some citing that this approach tends to realise more of the potential benefits.

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Fig.2. Key in-house models

Client Studio	**Client Producers**
	Disciplines / skills sets

Fully In-house
All scoped skills and services required are available in-house

Agency Implant
Agency set up an "agency within the client office" with overflow available

Overflow Agency
All scoped services in-house with a selected partner for overflow peaks

Specialist Support
Core services in-house with a selected partner to deliver non-core projects

Freelance Pool
Core internal team bring in skills and talent from a pool of known freelancers

Producer Driven
Internal team of experienced Producers select the appropriate production company

No one-size-fits-all solution

There is no one system that suits every business, so a deliberation process is required to decide which attributes are most required to achieve against Marketing's objectives. Tailoring the model's structure to the business' needs and desired outputs will provide the best platform for success.

The models depicted in Fig.2. are just some of the options available for utilising in-house resource, however this is not an exhaustive list. There are numerous model variations being used by businesses across the globe, and most of the survey's respondents tended to use a hybrid model that is tailored to suit their needs.

## Pros and cons of in-house/embedded resource

	In-house Resource	Embedded Resource
Pros	• Increased business knowledge and alignment • Dedicated, consistent staff • Cost efficiencies • Improved agility/speed • Greater control	• Improved process efficiency • Greater integration • Improved business understanding • Dedicated team
Cons	• Reduced industry knowledge • Lack of outside perspective • Reduced adherence to processes • Can be harder to attract talent • Increases fixed resource, harder to change quickly	• Higher agency fees • Rigid agency resource structure • Reduced exposure to wider expertise

Vast majority of in-house agencies in their infancy

70% of respondents established their in-house agency within the last 1-5 years, with a further 19% doing so 6-10 years ago. As such, the insights that we can learn from this survey are taken from established operations. That being said, whereas only 4% of respondents established their in-house agency within the last 12 months, this is a prominent industry topic currently and many more brands are likely to follow suit.

Indeed, 82% of respondents said that the workload of their creative in-house agency has increased considerably or somewhat in the past year, so clearly those who have already followed this route are accelerating usage to meet business requirements.

Fig.3. Key in-house models
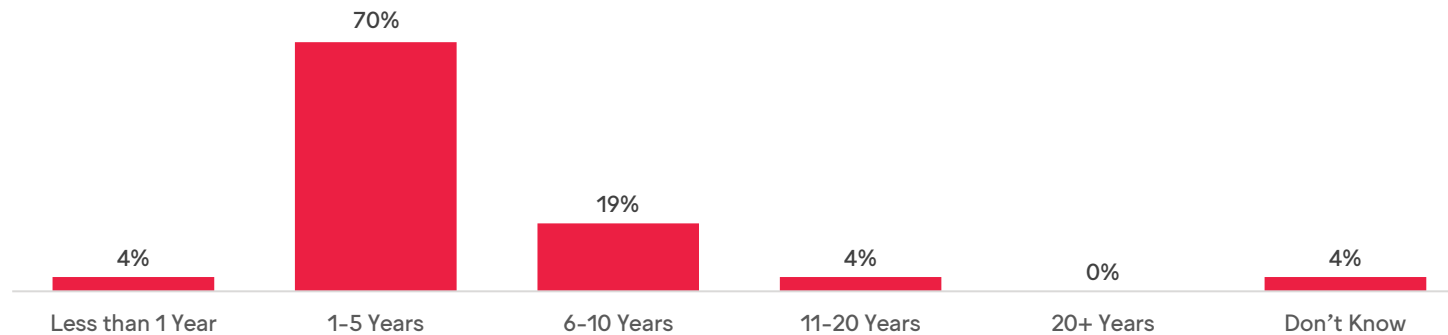
Why members are considering an in-house agency:

"[In-housing might give us] a stronger connection to the business and better value for money."

"[In order to] upskill our people and break non transparent work to get more value."

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The COVID-19 global pandemic is perhaps the biggest catalyst for industry change since the arrival of the internet, affecting all companies and consumers alike. It has exacerbated many of the challenges that have already led brands to consider in-housing resources – the need for greater agility and speed, stronger brand identity, more efficient working processes and reduced costs.

While COVID-19 is forcing many businesses to review their operations, some of those with existing in-house teams are reporting an increase in demand for their services, and expect their in-house agencies to grow in the coming years as a result. At the same time, some commentators predict that COVID-19 will make in-housing a less attractive model due to declines in business and the many fixed costs involved.

PART II:
General In-housing: Services & Skills

A focus on creative

An array of skillsets are employed by respondents' in-house teams, which can roughly be grouped into four main areas:

- Strategy
- Traditional creative services
- Digital creative services
- Media planning and/or buying

Respondents tended to harness in-house talent more for creative services than media services, and there is a definite trend towards a focus on digital which is understandable when considering the previously mentioned desire for speed and agility.

Quicker access to digital content, and in greater volumes, was a common theme across the respondent base, particularly for those who were also in-housing digital capabilities. Being able to meet the creative demands of digital platforms and feed their algorithms in real-time meant that media and creative aligned better to drive mutual benefits.

Types of service done in-house

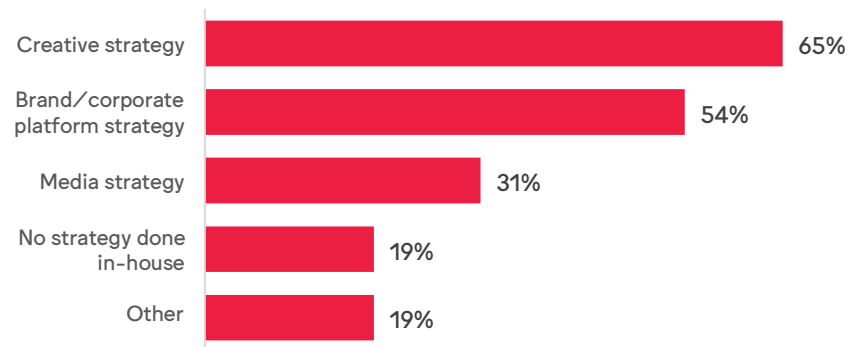### Fig.4. Strategic services handled by in-house agencies

Service	%
Creative strategy	65%
Brand/corporate platform strategy	54%
Media strategy	31%
No strategy done in-house	19%
Other	19%

Fig.5. 'Traditional' creative services handled by in-house agencies

Service	%
Collateral, promotional or retail materials	72%
Print advertising	64%
Internal company communications (includes newsletters, presentations)	64%
Brand identity (product naming, logos, etc.)	64%
Videos for internal use such as sales meetings	56%
Out-of-home advertising	52%
Packaging	48%
Tradeshow/event materials	36%
Television advertising	32%
Direct mail	32%
Radio advertising	16%
No creative for "traditional" media developed in-house	16%
Other	8%

Fig.6. Digital creative services handled by in-house agencies

Service	%
Video Production Capabilities	73%
Video	73%
Email/eCRM	73%
Collateral (e-brochures, sales kits, point-of-sale displays)	73%
Social media	73%
Display	65%
Website development, design, updates	62%
Corporate communications (includes e-news, presentations)	62%
Mobile/Apps	50%
Publications (e-newsletters/magazines)	46%
Infographics	46%
Search engine marketing or optimisation	39%
Out-of-home	35%
No creative for digital media developed in-house	4%
Other	8%

Fig.7. Media planning/buying services handled by in-house agencies

Service	%
No media services done in-house	50%
Digital media planning	46%
Digital media buying	46%
Traditional media planning	13%
Traditional media buying	8%
Other	8%
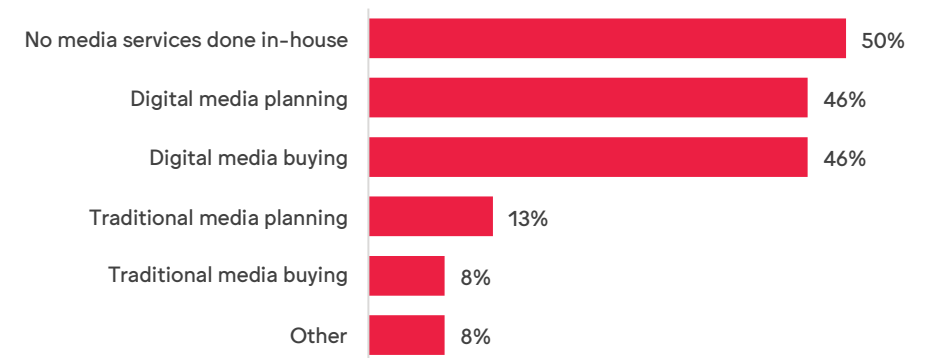
A focus on digital

That increase in in-house digital services is a relatively recent trend. 41% of respondents said that their in-house agency had taken on new services within the last 3 years, the majority of which are digitally focused, including content production, social management and reporting, programmatic buying and influencer relationship management.

	In-housed digital	Outsourced digital
Pros	• Dedicated, consistent staff • No agency fees • Improved agility/speed of activation • Tighter data ownership • Greater control of accounts	• High specialist skillsets • Forefront of industry developments and products • Greater benchmarking capabilities against other brands/markets
Cons	• Reduced industry knowledge/less specialised skillsets • Lack of outside perspective • Reduced influence with key platforms • Siloed view of performance	• Higher agency fees • Changeable team personnel • Reduced agility • Reduced data control

Why members are considering in-housing digital services:

" Two main factors are maximising value and need for speed in 'real-time' optimisation of campaigns. "

" To get closer to our data and eliminate inefficiencies. "

" [To] be faster and more efficient in content production, especially social media. "

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PART III:
In-housing Creative: Structure & Benefits

There is no one-size-fits-all approach to an in-house creative structure

Different models work for different companies depending on business requirements. 50% of respondents operated with a single centralised agency to work across all markets, whereas the rest had a balance of regionalised and/or decentralised local market resource. A regionalised structure means having studios in key regions that act as hubs for local markets, whereas a decentralised structure means that there are local studios in multiple markets.
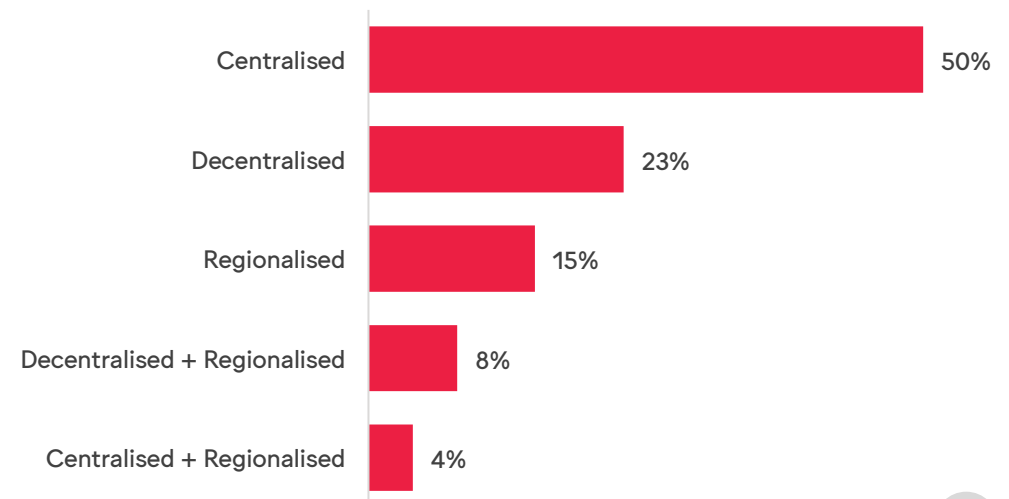
Establishing the requirements of all geographic markets is a major consideration when developing an effective in-house structure.

> " We run a combination model - one central HQ doing 80% of the work, and four Regional Hubs doing the remaining 20%. "

> " [We have] only one central studio but not at HQ. It is centralised in India, covering all countries' needs. "

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Fig.8. In-house creative structures used by respondents

Structure	Percentage
Centralised	50%
Decentralised	23%
Regionalised	15%
Decentralised + Regionalised	8%
Centralised + Regionalised	4%

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Almost 70% said that their in-house agencies had different specialisms, such as video production or social content, which perhaps explains why 54% of respondents said that their different in-house agencies worked together on projects. Leveraging capabilities across divisions and markets was deemed best practice and more suitable for a global approach.

That isn't to say that brands need an individual studio for each and every type of creative requirement across different markets. In the survey, the majority of respondents only had between 1-3 studios in total, suggesting that they are building their in-house offering over time as needs arise. The key is to establish what requirements your business has and building the right structure to deliver on those.

Types of work on which in-house agencies work together:

" Global brand social assets - capabilities leveraged across globe. "
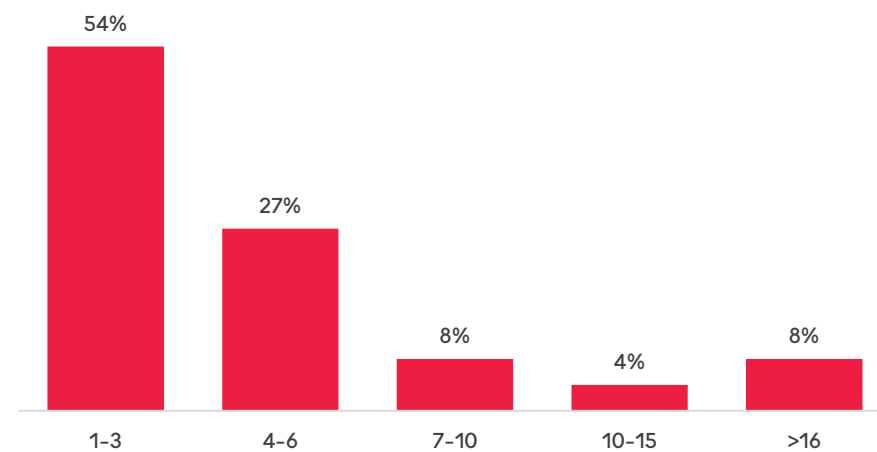
" Strategy/Concepting into Execution/Production. "

" Everything in comms. "

" Ideation, best practice sharing. "

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Fig.9. Participants' total number of in-house studios

" Have a headcount progression in place from the start. It can be challenging to fight for an increase every year. "

WFA Member

In-housing the right skillsets

Bringing creative resources in-house doesn't necessarily mean having a high number of personnel, but rather bringing in the right skillsets that can meet your objectives more effectively than external agency resource. 57% of respondents had 50 or fewer people in total across all of their in-house creative agencies, whereas 24% had over 100 people.

Fig.10. Number of current total in-house creative staff
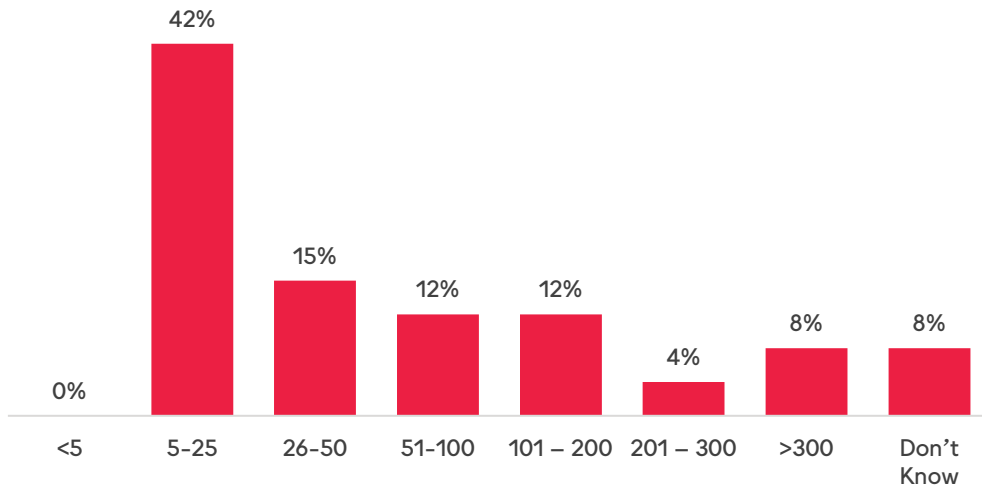
Focus tends to be on bringing specialist creative and production skills in-house over operational roles, with almost two-thirds of our respondent's in-house employees taking up these roles. And rather than paying increased costs for freelance contractors, 79% of those in-house personnel were retained staff. Most found that their brands were recognisable enough to attract talent to their in-house roles, and sometimes used the help of recruitment agencies.
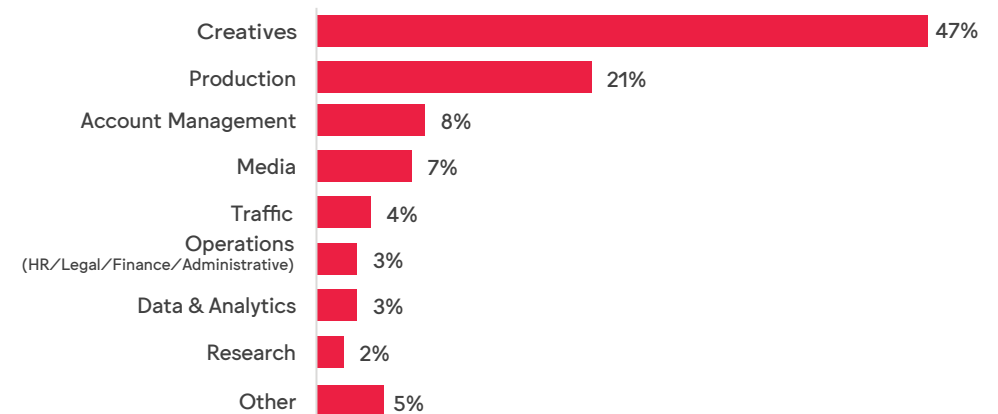
> "[We hire] mostly from ex-agency."

> "As a top recognized brand and with the ad industry moving in-house, talent is seeking us out, rather than the other round."

> "[We source talent via] employee referrals, job boards, LinkedIn."

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Fig.11. Employee make-up by headcount

Role	%
Creatives	47%
Production	21%
Account Management	8%
Media	7%
Traffic	4%
Operations (HR/Legal/Finance/Administrative)	3%
Data & Analytics	3%
Research	2%
Other	5%

Internal and external agency processes

While bringing skills and resource in-house can help meet certain business objectives, it is very uncommon for a business to bring in all roles involved in the full end-to-end process, at least not all at once. Despite 82% of respondents saying that the workload of their in-house agency had increased over the past 12 months, only 37% of creative work was done by in-house teams on average and 95% said that they still worked with external agencies. That means the need for the establishment of working processes and relationships between internal and external agencies remains importantly present.

37%
Average creative work being done in-house

95%
Businesses with in-house resource still working with external agencies
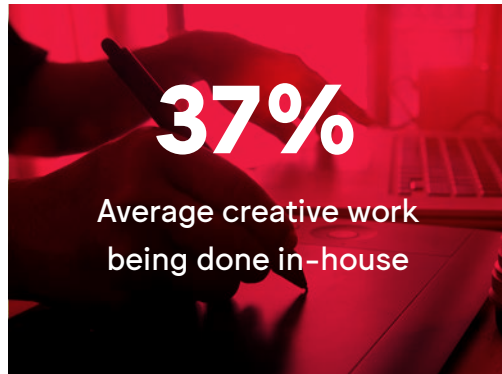
> " Global campaigns go to internal agency, all local campaigns go to external agencies. "
>
> " [We do] everyday simple/medium complex production work with in-house [team]. Key strategy & advertising productions [are done] with external agencies. "
>
> **WFA Members**

For some of our respondents it is the big, strategic ideas development that is sent externally and the regular production work done in-house, while for others it was the reverse. What rung true for all was the need for clearly defined roles and responsibilities as well as a predetermined scope of work for each agency.

38%
Allow internal and external agency teams to pitch against each other for work

That doesn't necessarily need to be a completely rigid set-up, however. Almost 40% said that they allowed both in-house and external agencies to pitch against each other for projects to help achieve the best possible responses. On the surface, adding this competitive edge can bring benefits. But 43% said they briefed in-house agencies differently to the external ones, and 52% said that their in-house agencies were assessed by different KPIs. Having such an imbalance in working processes can mean that you are foregoing something (e.g. quality) in order to have in-house resource, or mis-using that resource.

Invariably it is best practice to treat in-house agencies just as you do your external ones.

> " Too much proximity can be a challenge and lead to different briefing processes, e.g. in-house briefings via WhatsApp etc. "
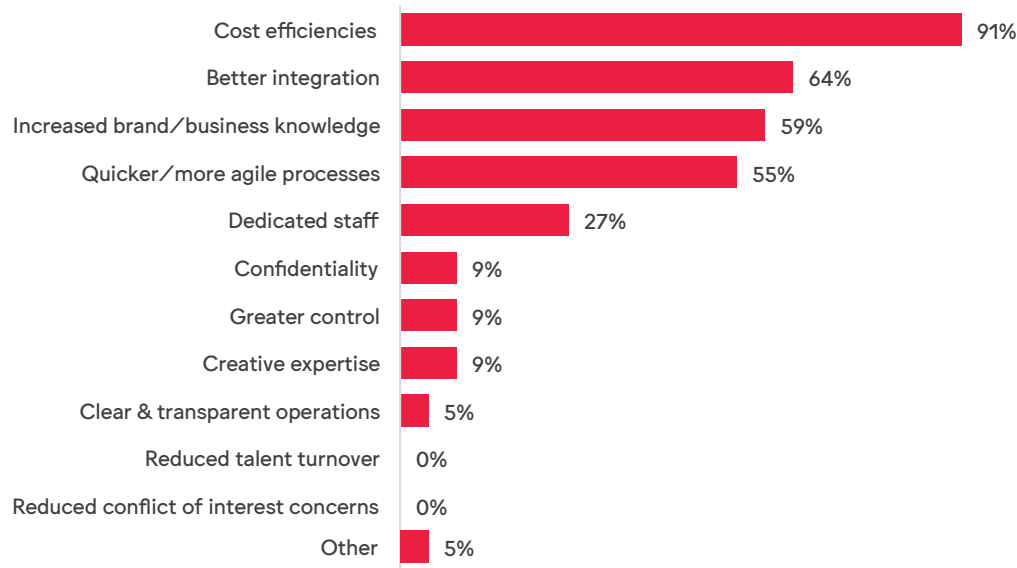>
> **WFA Member**

Benefits

There are of course benefits to bringing creative talent in-house, otherwise businesses wouldn't do so. Realising benefits needs to be tied to the objective(s) for bringing the talent in-house in the first place, and is often about balancing the benefits with resulting challenges. If you solely want to make cost savings, you may have to accept a lower quality of output. Likewise, if you want increased speed of production you may need to implement newer, less rigorous processes.

Cost efficiencies stands out as the top benefit for the high majority of our respondents, which is understandable as this is often a key objective of moving resource in-house. But beyond that the improvements in integration and business knowledge highlights the value of bringing creative elements closer to the heart of the business.

Fig.12. The main benefits of having a creative in-house agency

Benefit	%
Cost efficiencies	91%
Better integration	64%
Increased brand/business knowledge	59%
Quicker/more agile processes	55%
Dedicated staff	27%
Confidentiality	9%
Greater control	9%
Creative expertise	9%
Clear & transparent operations	5%
Reduced talent turnover	0%
Reduced conflict of interest concerns	0%
Other	5%

Other benefits mentioned:

" Integration of consumer understanding, creative, and media deployment. Better feedback loops to better optimise. Better understanding of consumer needs. "

" Relationships and proximity. It is important to be very close to the people that you are working with. "

" Creative quality and our ability to quickly scale up. That we could do this without compromising the quality of creatives has been my [great] surprise. "

" Cost benefit, quality benefit and understanding of the guidelines of the brand benefit. "

" Having a holistic overview for the [business] helps us to drive more brand consistency. "
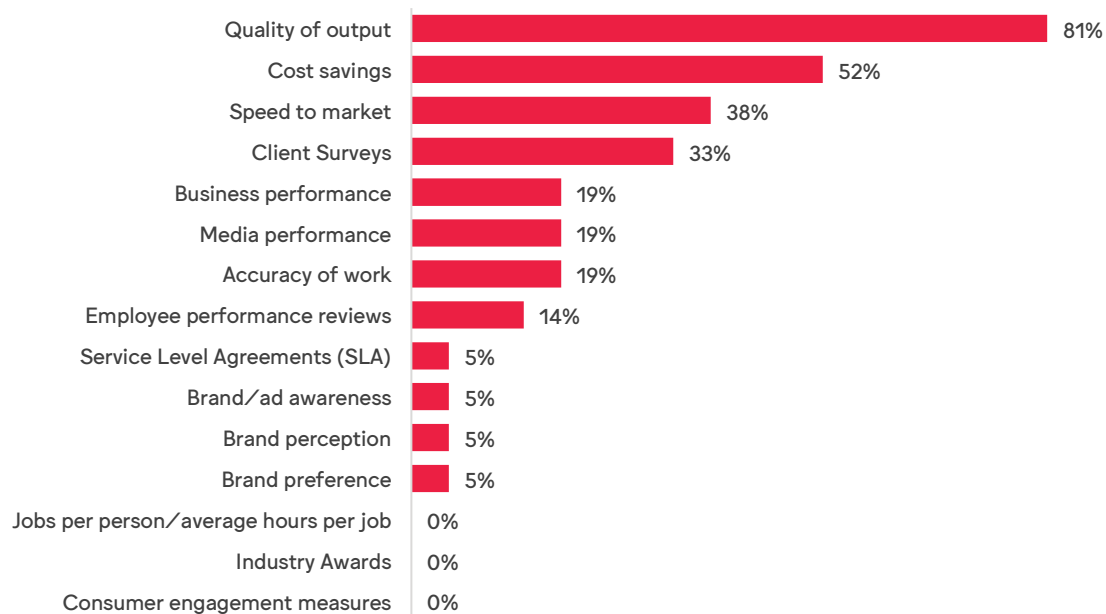
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PART IV:
In-housing Creative: Measuring Performance and Success

Clients have high satisfaction levels with their in-house agencies

87%

Clients satisfied with in-house Creative teams
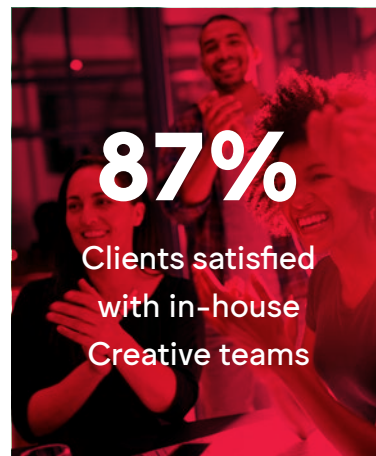
Positively, 87% of respondents were satisfied with their in-house agency to some degree, with 23% being 'completely satisfied'. This is primarily down to the hitting of key KPIs used to measure the in-house team (see Fig.14. below) and the fact that when comparing the skills and expertise of their in-house resources, 81% felt that they were the same or better than external agencies. Combined, it implies that little is being lost however quality, cost-savings and speed are being gained.

Fig.13. Main KPIs used to assess the value delivered by in-house agencies

KPI	%
Quality of output	81%
Cost savings	52%
Speed to market	38%
Client Surveys	33%
Business performance	19%
Media performance	19%
Accuracy of work	19%
Employee performance reviews	14%
Service Level Agreements (SLA)	5%
Brand/ad awareness	5%
Brand perception	5%
Brand preference	5%
Jobs per person/average hours per job	0%
Industry Awards	0%
Consumer engagement measures	0%

Opportunity to re-evaluate evaluations

Whereas satisfaction with in-house resource is evident, 41% of respondents said that they only conducted evaluations to assess performance once a year or less. To compare, most clients evaluate their external agencies twice a year or more, with creative and media agencies being on the top of that list (60% and 57% respectively) (Source: WFA Agency Management Report 2019). As with any client-agency relationship, it is recommended that a structured process for regular, ongoing performance measurement and evaluation is established to prevent potential issues growing in negative impact.

" Expectations on in house agencies and creative teams are often benchmarked against best and working practice (how to pitch, present, ideate, etc) that are expected from external agencies. And naturally the experience in house can be quite different, unless they've come from an agency background. In house teams are often hungry to get their teeth into the more traditional media and ATL campaigns too, and while being perfectly placed to bring them through the line, the business as usual farm work often has a huge impact on in-house team's ability to find the time and resource to 'compete'. "

" In-house delivers day-to-day creative requirements and the priority is clarity of message and speed to market while a higher level of creativity and idea are expected from agency. "
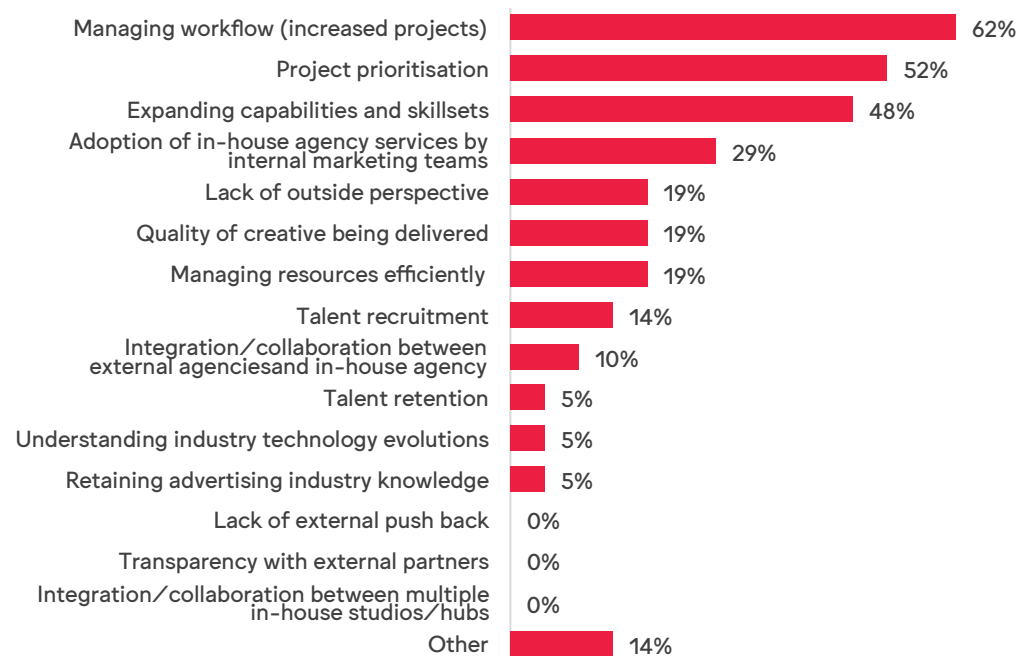
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PART V:
In-housing Creative: Challenges

Changes bring challenges

Internalising work and resources often requires new processes and ways of working to be established, and a failure to implement or adopt them can lead to challenges. That certainly applies to the feedback given by respondents, where three of the top four challenges are operational in nature. The other key area of challenge is the restriction of skillsets and perspectives that bringing resources in-house can lead to.

Fig.14. The main challenges of having a creative in-house agency

Challenge	%
Managing workflow (increased projects)	62%
Project prioritisation	52%
Expanding capabilities and skillsets	48%
Adoption of in-house agency services by internal marketing teams	29%
Lack of outside perspective	19%
Quality of creative being delivered	19%
Managing resources efficiently	19%
Talent recruitment	14%
Integration/collaboration between external agenciesand in-house agency	10%
Talent retention	5%
Understanding industry technology evolutions	5%
Retaining advertising industry knowledge	5%
Lack of external push back	0%
Transparency with external partners	0%
Integration/collaboration between multiple in-house studios/hubs	0%
Other	14%

Attracting quality talent, which is often highlighted as a major challenge when in-housing services, was not the case for the majority of those clients surveyed, only being cited by 14%. Furthermore the retention of staff was even less of a concern, with the average turnover rate given as 9% which is considerably less than the agency landscape average. This could be due to most members having only recently moved towards in-housing creative services and therefore might still experience a 'honeymoon period'.

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Integration and collaboration requires client focus

A potential area of disconnect is the relationship between in-house and external agencies, with a number of respondents saying that either there is no relationship or that competition between the two can be evident.

> " In-house feel they know the brand much better, [whereas] external agencies don't value the opinion of in-house creatives. "
>
> **WFA Member**

> " External agencies always come to every pitch saying they'll collaborate fully, but this is rarely the case in practice. We often end up in competition which can be frustrating and lead to challenges for brand consistency. "
>
> **WFA Member**

It often falls to the marketing team to manage both sides to a point of collaboration, and this navigation can be a drain on time and resource. Outlining clear expectations, roles and responsibilities for all parties will go some way to easing any tensions or potential breakdowns in process.

WFA members on cross-agency relationships:

> " Working as one team to deliver is still a journey. "

> " Not sure there is very much of a relationship between them! One picks up where the other leaves off and it's marketing's job to ensure they get the content they need. "

> " They are still perceived as an Agency by Marketing and are therefore expected to meet their demands - it remains a them and us culture, not helped by the fact that the [in-house agency] is run by a different company. It is too easy for the Marketing teams to demand work is completed without a process being followed, given they are 'on site'. "
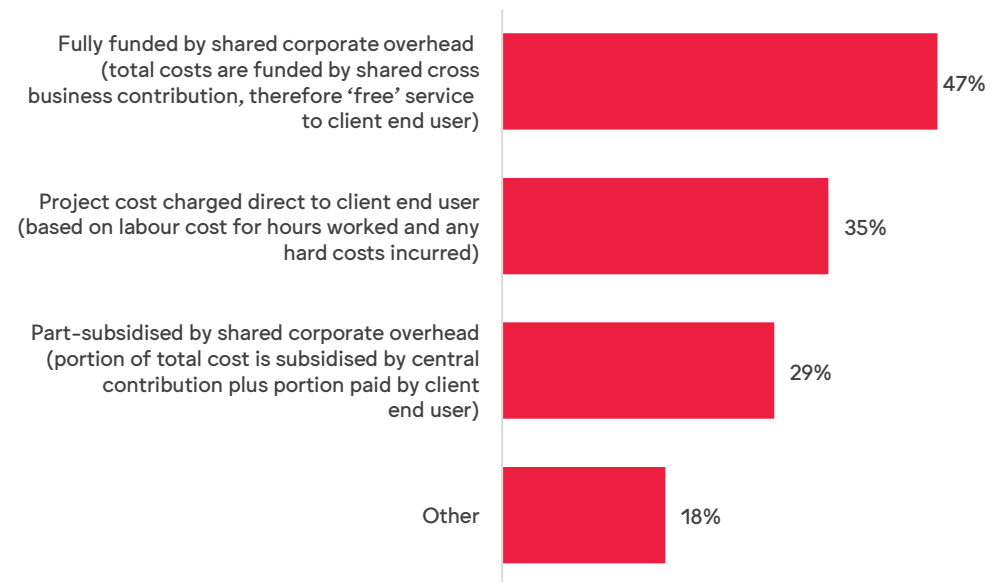
> " No major issues so far. "

PART VI:
In-housing Creative: Budgets & Payments

As stated in Part 1, the structure of any in-house agency model needs to be aligned with business requirements and objectives. Likewise, budgets for in-house agencies will vary depending on the company, whether it's a single or multi-market requirement and the goals being set. Our respondents invested budgets from less than $500,000 up to more than $50million.

Funding model

What also varied across respondents was the way in which the in-house agencies were funded.

Fig. 15. Billing methods used by respondents for in-house agencies

Billing method	%
Fully funded by shared corporate overhead (total costs are funded by shared cross business contribution, therefore 'free' service to client end user)	47%
Project cost charged direct to client end user (based on labour cost for hours worked and any hard costs incurred)	35%
Part-subsidised by shared corporate overhead (portion of total cost is subsidised by central contribution plus portion paid by client end user)	29%
Other	18%

Just as the structure of an in-house model needs to align with business priorities, so too does the funding model in order to allow the business to benefit financially from having an in-house team.

Pros and cons of funding models

	Funded by the Business	Funded by End Client	Part-Subsidised
Pros	• Reduces restrictions due to budget • Can afford top talent • High level of commitment/ intent from the business • Can grow in-house team quickly	• Fair 'get what you pay for' approach • Financial structure more aligned with wider client business	• Cost benefits to end client • Business committing to in-housing
Cons	• Lack of specialist knowledge when managing hiring/ funding • Reduced control over structure	• Budget restrictions can prevent the hiring of top talent • Growth of in-house team(s) will be slower • Expectations on prioritisation	• Rigid budget allowance • Budget limitations may prevent the hiring of top talent

Cost savings

As outlined in Part 3, the top benefit of having in-house creative services given by respondents was cost efficiencies, so it's understandable the majority of them would be realising cost savings. 69% stated that by having an in-house agency they had achieved savings of 6% upwards in the last 12 months, with 48% seeing savings of over 20%. Brands calculate these figures by comparison against external agency fees and production costs, using industry body benchmarks and cost indexes.

Fig.17. Approximate cost savings that members achieved in the last 12 months by in-housing creative services

Up to 5%	6-10%	11-15%	16-20%	21-25%	26-30%	More than 30%	No savings	Don't Know
0%	11%	5%	5%	21%	16%	11%	5%	26%
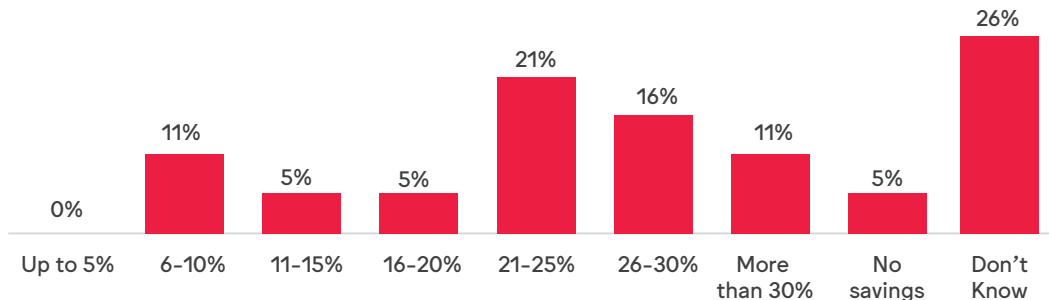
How WFA members calculate cost savings they achieved through their creative in-house agencies:

" Initially we used a plethora of industry benchmarks, consultancies benchmarks. This can only be used in the beginning - then there is a 'new normal'. "

" We use ISBA/WFA agency cost index or we compare it to the average price of 5 agencies in the same country. "

" Cost to make the output internally vs cost to buy it on the market. We bill on outputs and not hours. This encourages innovation in ways of working etc. "

WFA Members

WFA Observatory International

PART VII:
In-housing Creative: Client Learnings & Recommendations

> "The power of creativity to drive transformation and growth in today's economic climate is unquestionable. When you get it right, the return on investment is disproportionately good. So managing creativity, where to find it, how to nurture it, is one of the most relevant skills in any modern shaped organisation. Necessarily part of this becomes considering the balance of what to source externally and what to source internally. And there will never be just one answer to that – no cookie cutter exists. It will forever depend on the brand, the people, the objectives and the ambition. And what's right for the business in one moment, may not be right in the next."

Sam Southey
Vice President
Creative
Coty Inc.

> "Be wary if you have a centralised budget, as the rest of Marketing might perceive the in-house studio services as an endless supply of 'free' resource."

Briony Blyth
Marketing Operations Lead
NatWest

> "Create a setup where your organization is continuously fed by external and diverse talent to prevent growing stale – e.g. set yourself up in major cities where staff turnover and talent availability is high, do exchange programs with other in-house agencies or external agencies, set up intern programs etc."

Rasmus Juel Mygind
Vice President -
COO LEGO Agency
The LEGO Group

> "Try out with an in-sourcing approach first so that you do not have to manage human resources and carry a fixed overhead. This helps with managing other risk related to establishing a permanent resource in the organisation."

Mohamed Adam Wee
Group Chief Marketing Officer
CIMB Bank

> "You can bring anything inhouse so be sure of what you want the agency to do. For example, shooting some static visual assets without scenery can be relatively simple, but designing creative strategy or mapping customer journeys requires specialists who need to be managed carefully. Be really sure on what you want."

Steve Lightfoot
Senior Buyer,
Marketing Procurement
– Agencies
L'Oréal Luxe

Client Learnings: Unilever's U-Studio

> "We started our in-housing journey at the end of 2015, driven by the need for high levels of asset creation, especially for online content.
>
> We began by mapping out what we needed in terms of functional assets and also 'entertainment' content. As a result, we created U Studio, our in-house creative agency network focused on digital advertising and content, and Unilever Entertainment, a team that creates pop-culture storytelling experiences for brands through digital series, films, TV series and more.
>
> As we looked at what Unilever needed to meet the demand for asset creation, we came across the notion of in-housing the digital content and advertising part of our work. We chose to work with Oliver because of their hybrid model. The vast majority of the in-house resources we now have in our creative agency are actually outsourced. Before COVID-19, we had Oliver people and resources, sitting in our buildings next to our marketers.
>
> Unilever is a matrix organisation that has a global layer and a local layer. So we have three U Studios around the word that are 'global studios', and then there are 19 local U Studios in all of our major markets. This is because our global teams' needs are often quite different to our local teams'.
>
> In my view, I would say to be wary of using FTEs fully in-house for this kind of work. Working with an external agency allows for flexibility and freshness among your creative teams.
>
> Like for all businesses, 2020 has been a challenging year on many fronts. Organisationally though, by the time most of our staff had to begin working from home, the studio in China had already gone through the experience of 100% remote working. And so, we were able to learn from that and apply what we'd learnt across the other studios. The main measure of success has been the amount of work going through U Studios across the world, which is still growing.
>
> Of course, ideally, we would be working together in person. But throughout the pandemic, we've remained flexible in our ways of working, retaining our speed and agility by collaborating online."

Giles Morrison

Global VP
Brand Communications
& Global Brand VP
Unilever Brand
Unilever

U-Studio's "Brexit" campaign for Marmite received great acclaim by the press.

Client Learnings: HP's WW Studio

"

HP Studio is really focused on digital and e-commerce because that's where the world is moving and where most of our resources as marketers is being spent.

The costs associated with creating digital assets and e-commerce was excessive compared to where we were spending other dollars. So that was the main focal point coming in.

It began with us proving ourselves as being masters of the digital space, and as time has gone on we've gotten more and more leeway and more and more trust from our stakeholders when it comes to creating original content. We now have creative and digital subject matter experts, and the stakeholders value the variety of assets and services on offer.

The benefits we are seeing are cost (we say the 'best price', not the 'lowest price'), quality and understanding of the guidelines of the brand. Everything is 100% HP because we understand the guidelines and are fully immersed in the HP brand, culture, processes and initiatives. We would also include turnaround time as a benefit because we

Deepti Dang
Lead HP
WW Studio
HP

John Randazzo
Director Worldwide
Digital Content
and Experiences
HP

are by a factor of three faster than most of the agencies that we've replaced.

We are a pay-for-play operation and our goal in the very near future is to be 100% self-sufficient across the board. We have a centralised rather than a local structure, servicing all of the worldwide teams, however we do have plans to go into some markets and create local extensions of HP Studio where the volume is and where the need is.

One thing that was a surprise to us was the level of openness among our stakeholders. Sometimes there's resistance to having to use an internal agency, because you're used to having the freedom to choose whoever you want to work with. But the vast majority of our stakeholders are very appreciative of the work that we do, and, quite frankly, we were was expecting a lot more pushback.

In terms of overall performance measurement, we are treated the same as external agencies. In the beginning we invited some of our more sceptical stakeholders to pit us against their external agencies – give us the same brief and we'll do the work for free. Every time we've had to respond to that challenge we've exceeded people's expectations. "

WFA

Observatory International

Client Learnings: Kaspersky's Brand Activation Studio

Povel Torudd

Global Head of
Brand Content
(Brand Activation Studio)
Kaspersky Lab

" Prior to launching the Brand Activation Studio in 2018, one of the challenges we had was that no one really knew where the creative storytelling piece should sit inside the organisation. What that effectively meant was that we never really got the full impact from those campaigns and those initiatives.

Our solution was to set up the brand activation studio, a hybrid-agency model which sits under the brand marketing side inside Kaspersky. Since then it has spun off in various different directions. Some of them linked closely with typical Product Marketing, trying to create revenue. Others went in the direction of more upper funnel work, getting people to notice us and take an interest in the type of things we do as a company.

Media and creative tend to be two separate entities in-house, I would say that's probably one of the biggest issues because it should be connected. I think one of the biggest issues for most people in my position is that you get production by default, but you don't get activation. It needs to be one and the same, in order to get the content production investment right, I need to have a brief where I understand how big the activation bit is before production starts, where it's going to go, when it's going to go out etc.

I have a senior team that works very closely with our media team internally but is technically not part of it. The solution to ensure we work in sync is to make sure pre-production is done in full alignment because I think you get so much farther and so much quicker to market with your stories and ideas in that way.

Obviously COVID kind of challenged us a little bit but in an interesting way. A lot of what we do is video driven, so before COVID, it was relatively easy for us to have meetings to go through creative brainstorms, ideas, ideation, processes, and all of that, and then February came and we've now been virtual. What it has forced us to do is to really figure out how we unite around the creative process in the early stages.

If you want to get mileage out of an in-house operation, culturally, I think the biggest opportunity is accepting creative diversity in the team. Because if you don't accept and embrace diversity, your content will start to look the same after a while and you will then have to turn back to using external agencies increasingly again for those fresh injections of new ideas and thinking. "

Tomorrow Unlocked, a digital content platform managed by Kaspersky's Brand Activation Studio, launched Twelve – an online movement and competition for creatives across the globe during the COVID-19 pandemic which created huge organic reach.

Client Learnings: Arla Foods' The Barn

"We in-housed resource as part of a wider business cost saving project. This meant bringing both media and creative in-house, specifically for digital, so we could secure more control of our data and work towards our overall vision of becoming more data-driven.

Our internal team make more variations of creative and make sure that we can feed the algorithms with the right content and do more in-flight optimisation. Ultimately, the better and more relevant the content, the cheaper the reach, and the more reach, we can deliver. We have a central hub in our main HQ, plus satellite hubs in our five other largest markets.

These changes don't mean that we moved away from our current agency partners. When it comes to overall creative strategy, we're still very much dependent on our external partners. In the Barn our focus is on creative production, digital media buying and not least how to strengthen the on-going learning loop across all brand campaigns through our focus on data.

Thomas Heilskov

Director
Global Head of
Digital Marketing
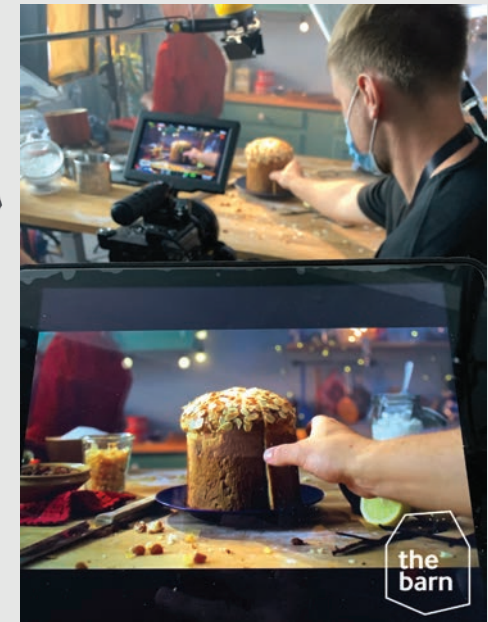& The Barn
In-House Creative &
Media Agency
Arla Foods

It is critical that you create a model that also can compete when it comes to effectiveness and not just the efficiency side. This is the reason we have a strong focus on building our digital capabilities before considering in-sourcing other areas of creative production.

There's been a lot of different challenges along the way: capacity management, account management and being able to say 'no'. Ultimately, it's key also to build the trust with your internal clients; to bring people along on the journey to understand what resources they have available and that it actually matches their needs."

140% More video views

From "set and forget" to iterative campaigning.

Behind-the-scenes of a recent shoot by The Barn.

Client Learnings: Pernod Ricard's The Mix

" With 200 brands distributed in more than 80 countries, Pernod Ricard has grown as a decentralised company. To boost consumer centricity across this portfolio, our company ecosystem is decentralised so are our in-house studios. We have built 20 studios over the past six years across different affiliates of Pernod Ricard, using different organisation and models. We are currently aiming towards a more harmonised structure and tooling to benefit the whole group.

When it comes to content creation, we split it into five main areas, working in-house or with external agencies:
• Strategy & big idea;
• Packaging & Identity;
• Amplification & Production;
• Experiential; and
• In Store.

We acknowledge the capabilities of our studios and the benefit of external agencies for some of this content creation, in Strategy & Big Idea, for example. We are also able to rapidly adjust our skillsets thanks to an external pool of freelancers used by our studios when we need skills that are missing internally.

Anaïs Zouaki
Global Content
Project Manager
Pernod Ricard

Laurent Burel
Group Digital
Marketing Director
Pernod Ricard

Cost-effectiveness is, of course, one of the reason of internalising content creation and we delivered millions in savings last year. Nonetheless in the eyes of our internal clients "relationship & proximity" come at first as the key advantage of in-housing. Being close to the creatives to infuse them with our brand DNA is really key for us to deliver better creative than external agencies.

The journey of in-housing is not always simple but we are aiming to smooth this journey especially when it comes to new studio creation. Some things that we found important on this journey are that the first year is key to gaining the trust of our clients and the importance of having a catalogue of service to stop the studios drowning under client demand from the beginning, even if it's not a formal catalogue as such. The importance of the processes and clear briefing really improves effectiveness and is the reason why we decided to work together with our studios on tooling and briefs.

COVID-19 has been an accelerator for us. The in-house flexibility helped us during lockdown as the studios had better access to brand assets. Changes within the business meant that demand for the studios was higher during this period and we think that share of content production from in-house studios is going to grow in coming years as a result. "

MUMM France's most successful campaign in ten years was created by The Mix.

Client Learnings: Shell's Creative Solutions

"When I joined Creative Solutions, there were three separate pieces of creative capability that we thought we could get more value out of by joining them together: first a small in-house film team, secondly a dynamic events division and thirdly a design and digital capability. The first thing we did was pull all that together and refresh it into one global team and one offering.

Then we wanted to elevate our value to the business and so we veered the offering more towards high end value projects versus the low return small budget projects that weren't business critical. To make that shift required a refocus on talent, agencies, locations and overall cost.

We set up a global selection of small boutique agencies to work the requests that we're passing over. We recruit them, we service-level manage them and we put one person in charge of those agencies to ensure that everything's run smoothly. Each one of those agencies is brand trained, they know the brand identity,

Nick Laffan

GM Creative Solutions (Shell's in-house, integrated communications agency) Shell

they know where the pool of assets for photography is that they can access. It makes life easier and Shell can be sure of consistency and on brand output.

I think the number one benefit is that having a holistic overview for the group helps us to drive more brand consistency. With us controlling all the agencies, we create a culture that maintains brand standards and sharing. We really push for great creativity across everything we do and we have a showcase of our work because much of Shell doesn't have to use us so like any other agency, we win work by our portfolio our output and our people. We go out and we win work.

My learnings are:

Firstly, you need the right people and you've got to be prepared to change the organisation to raise your game. So 'recruitment, recruitment, recruitment' because finding the right people who work well together is pivotal.

The second point would be around the commercial side because at the end of the day, if the commercials don't work, don't do it. You've always got to work the commercials all the time through everything that you do.

The third goes without saying... Creativity is king and fostering a creative culture through everything we do, every day."

Client Learnings: Sky Creative Agency

"Sky has always had in-house capability as a broadcaster but we developed Sky Creative to include an advertising capability so that we started operating more like an agency rather than a broadcaster. We now do circa 95% of Sky's advertising.

Our headcount at the moment is roughly 400 FTE, and it's been an ongoing journey. We got everything structurally in place first, and then there was a cultural piece about making it a great place to work. There was no grand plan at the beginning. We started with a one-year plan which evolved into a three-year plan, and now I'm looking at the next three-year plan. Ultimately, I think we got it broadly right from the beginning, we didn't try to build too quickly.

There are three main factors why in-housing is advantageous to Sky:

1. The proliferation of outputs. We're not just talking about posters and a TV campaign anymore. The Advertising world is far more complicated than it's ever been before so proliferation is a massive driver to aggregate a lot of skillsets

Simon Buglione

Managing Director
Brand and Creative
Sky
Sky Creative Agency

2. The closer connection to brands. I can walk over the road and collaborate with the people commissioning and marketing the shows. We can be much closer to the people that matter and we can really understand those brands. We're absolutely embedded in that world

3. Cost. We are incentivised to save money.

Cost is a catalyst for the in-housing conversation, but it should never be the driver. It's not worth jeopardising all that media spend if your creative isn't going to be good enough. What's driven the growth of Sky Creative is the desire from the marketers to see the model improve.

The biggest challenge we face is controlling supply and demand. We're quite over-subscribed because people know us and so ask us for things. We've had to create a currency based around resource as a kind of control model in the absence of 'cash'."

Sky Creative does 95% of Sky's advertising.

Sky's critically-acclaimed F1 TV ad, which saw them recreate pivotal moments throughout F1's history.

Observatory International's Key Tips

This survey has demonstrated the complex nature of in-housing creative resource. There are considerable benefits to be achieved if an in-house model is suitable for a business and can be implemented correctly, however there are also plenty of challenges to be considered by any business with intent in this area. There is no magic bullet or 'one size fits' all solution.

To help clients who are thinking about employing an in-house model of some kind, The Observatory International have developed ten key recommendations to help determine suitability and, ultimately, achieve success.

Please note that the recommendations included in this document are merely meant as suggestions or proposals. They are not binding in any way whatsoever and members are free to depart from them.

1. Have a clear strategy
Structure must follow strategy, so design the in-house model to meet specific and aligned objectives. Successful in-house models are rooted in the needs of an organisation, so focus on the unique requirements of your business's sector, brands and geographies. This means undertaking a period of discovery to engage all relevant stakeholders and fully understand their current and future needs.

2. Be commercial but quality-focused
Build your business case early and keep a commercial focus at your core as the resource evolves. Determine your pricing model and its funding needs short and long term then focus on delivering quality and value to your customers.

3. Be complementary
Don't just build a duplicate of your external agency partners but build a set of skills that can meet the stated objectives, absorb the specific type of creative services desired and complement the remaining external agencies. As one member put it "you cannot create an in-house agency without defining your overall agency model".

4. Conscious coupling will be needed
Media and creative are less effective when they operate in silo. Factor this in when planning your in-house model – if you design a model to increase creative speed and volume, ensure that your media operations (be that in-house or external) can handle this change and also meet your new ambitions.

5. Be focused but iterative

Be focused and selective on which types of creative services you choose to in-house initially (you don't have to in-house all creative services in one go). Make a business case for a model to meet a small number of key objectives. Over time, once the model is delivering against those initial objectives, you can look to widen the scope further and introduce additional goals. Building in this iterative way will prevent you from instigating mass changes that are unsustainable.

6. Evaluate to iterate

Any new business model must be monitored and measured on how well it is delivering against its objectives. You should undertake regular and clearly established reviews to monitor performance, allowing for an ongoing dialogue about constructive improvements. This will mean that any issues are spotted early and that learnings and best practice are shared and celebrated.

7. Infrastructure and processes are vital

In-housing isn't just about hiring people to fill certain roles, but is a fundamental operational change that involves a number of additional considerations and requirements. When bringing resource in-house, ensure you've also prepared all the necessary technologies, taxonomy and governance, remuneration approaches, platforms access and information management required for them to fulfil their roles successfully.

8. Clarity on Roles & Responsibilities

It is likely that you will still continue to use external agencies also, so it is important to establish clear roles and responsibilities for all parties. Re-visit working processes and clearly set out your expectations so that you create a platform for collaboration that all parties are judged against.

9. Be consistent on expected attitudes & behaviours

An in-house agency should be treated like an external one. That means following the same working processes, such as briefing and feedback, sticking to agreed SLAs and evaluating performance based upon the same, defined KPIs. Failure to do this can mean you fall into the trap of taking advantage of the model and mis-treating the resource, making success very unlikely.

10. Be flexible and expect challenges

As with any business change management, it is likely that you will face fresh/unforeseen challenges as a result of in-housing resource. While it is important to brainstorm potential challenges during the planning stage to help minimise the impact, it is also important to build some agility and flexibility into your model to allow you to overcome any issues. Remember, you are a 'start-up' and will need to behave like one.

About This Document

This document contains the results of an online survey conducted in June 2020, plus some select follow-up qualitative interviews in August, which explored the topic of in-house agencies, with a focus on creative services.

- Fifty-three different companies took part in this study, representing over 15 sectors.
- All respondents were in an agency management or in-house agency leadership role within their organisation, with 70% being in a global role, and the remainder having regional responsibilities with a weighting towards Europe.
- The total global ad spend of all participating companies represents over USD $83bn.
- The survey questions and the resulting insights and recommendations were co-developed with The Observatory International, a global management consultancy dedicated to helping companies drive brand growth by transforming their marketing and communications resources.

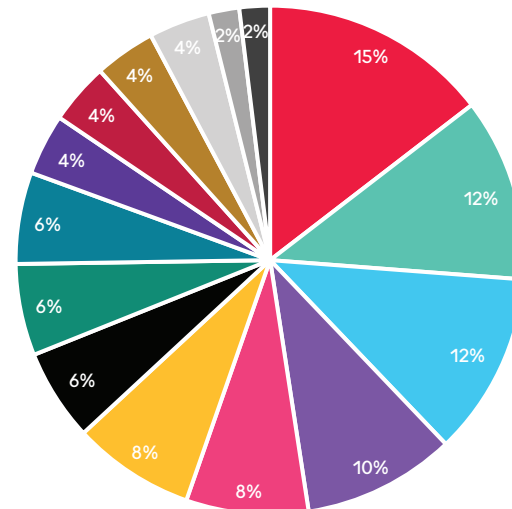For more information on this report, please contact Julia Kraft at j.kraft@wfanet.org.

Respondent's region of responsibility:

Global	70%
Asia Pacific	6%
Europe	21%
Middle East & Africa	6%
USA & Canada	6%

Types of businesses surveyed:

Business-to-consumer (B2C)	38%
Business-to-business (B2B)	2%
It's a mix of the above	60%

Industries surveyed:

- Food
- Beauty
- Automotive
- Technology
- Finance
- Telecommunications
- Alcohol
- Transport
- Consumer Goods
- Healthcare
- Retail
- Energy
- Confectionary
- Chemicals
- Insurance

Participating organisations' 2019 annual global in-house agency budgets (staff and expenses)

| Up to $500,000	$500,000 to $1m	$1m to $5m	$5m - 25m	$25m - $50m	Over $50m	Don't know / not sure
5%	20%	15%	15%	5%	15%	25%
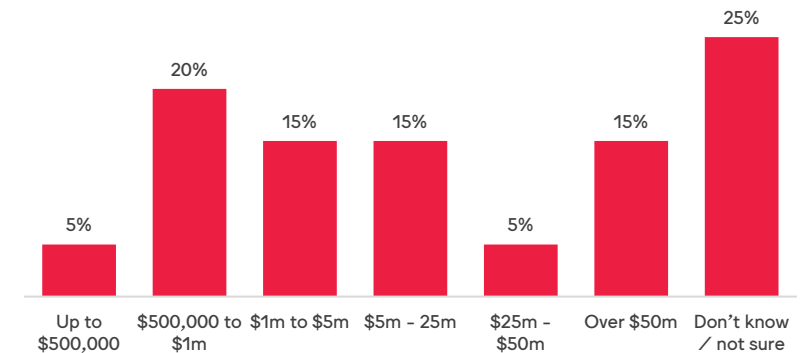
About the World Federation of Advertisers

The World Federation of Advertisers (WFA) is the voice of marketers worldwide, representing 90% of global marketing communications spend – roughly US$900 billion per annum – through a unique, global network of the world's biggest markets and biggest marketers. WFA champions responsible and effective marketing communications worldwide. More information at www.wfanet.org
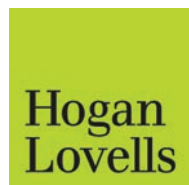
Note: All benchmarks, survey results, agendas and minutes are reviewed by Hogan Lovells International LLP, our competition lawyers

WFA Competition law compliance policy

The purpose of the WFA is to represent the interests of advertisers and to act as a forum for legitimate contacts between members of the advertising industry. It is obviously the policy of the WFA that it will not be used by any company to further any anti-competitive or collusive conduct, or to engage in other activities that could violate any antitrust or competition law, regulation, rule or directives of any country or otherwise impair full and fair competition. The WFA carries out regular checks to make sure that this policy is being strictly adhered to. As a condition of membership, members of the WFA acknowledge that their membership of the WFA is subject to the competition law rules and they agree to comply fully with those laws. Members agree that they will not use the WFA, directly or indirectly, (a) to reach or attempt to reach agreements or understandings with one or more of their competitors, (b) to obtain or attempt to obtain, or exchange or attempt to exchange, confidential or proprietary information regarding any other company other than in the context of a bona fide business or (c) to further any anti-competitive or collusive conduct, or to engage in other activities that could violate any antitrust or competition law, regulation, rule or directives of any country or otherwise impair full and fair competition.

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