

2016

# TREND BRIEFING

## Outsourcing vs in-house marketing functions

Managing marketing suppliers is a complex issue. Learn the current thinking and best practice examples of managing marketing agencies and other suppliers of marketing services and whether it's feasible for your organisation to bring functions in-house.



Published by *Marketing*.

**Content bearing this logo is premium content created for members of Marketing Advantage, the new membership connecting marketers to premium resources, by Australia's premier marketing publication.**

Visit  
**marketingmag.com.au/  
advantage**

This trend briefing was written and edited by MICHELLE DUNNER.

Many thanks to everyone who contributed thoughts, quotes and words to this report, in particular CON STAVROS, DARREN WOOLLEY and TIM MATHESON.

Product code: MKATB0005

# Marketing

Publisher  
PAUL LIDGERWOOD

Editor  
PETER ROPER  
peter.rop@niche.com.au

Sub editor  
MADELEINE SWAIN

Production manager  
JAMUNA RAJ  
jamuna.raj@niche.com.au

Design & Digital pre-press  
MONIQUE BLAIR

Advertising enquiries  
National advertising manager  
LUKE HATTY  
Tel: +613 9948 4978  
luke.hatty@niche.com.au

Subscription enquiries  
Tel: 1800 804 160  
subscriptions@niche.com.au  
**www.marketingmag.com.au**

*Marketing* is a publication of  
Niche Media Pty Ltd  
ABN 13 064 613 529.  
1 Queens Road,  
Melbourne, VIC 3004  
Tel +613 9948 4900  
Fax +613 9948 4999



Chairman  
NICHOLAS DOWER

Managing director  
PAUL LIDGERWOOD

Commercial director  
JOANNE DAVIES

Content director  
CHRIS RENNIE

Financial controller  
SONIA JURISTA

Printing  
GRAPHIC IMPRESSIONS

**Marketing** ISSN 1441-7863 © 2016 Niche Media Pty Ltd. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, internet, or otherwise, without the prior written permission of the publishers. While every effort has been made to ensure the accuracy of the information in this publication, the publishers accept no responsibility or liability for any errors, omissions or resultant consequences including any loss or damage arising from reliance on information in this publication. The views expressed in this publication are not necessarily endorsed by the editor, publisher or Niche Media Pty Ltd.

**Niche Media Privacy Policy** This issue of *Marketing* may contain offers, competitions, surveys, subscription offers and premiums that, if you choose to participate, require you to provide information about yourself. If you provide information about yourself to NICHE MEDIA, NICHE MEDIA will use the information to provide you with the products or services you have requested (such as subscriptions). We may also provide this information to contractors who provide the products and services on our behalf (such as mail houses and suppliers of subscriber premiums and promotional prizes). We do not sell your information to third parties under any circumstances, however the suppliers of some of these products and services may retain the information we provide for future activities of their own, including direct marketing. NICHE MEDIA will also retain your information and use it to inform you of other NICHE MEDIA promotions and publications from time to time. If you would like to know what information NICHE MEDIA holds about you please contact The Privacy Officer, NICHE MEDIA PTY LTD, 16 Queens Road MELBOURNE VIC 3004.

# Contents

- 04**     **Foreword**  
Con Stavros, RMIT University
- 05**     **Verbatim**  
CMO comments
- 09**     **Feature**  
In or out?
- 14**     **Infographic**  
Insights from the 2016 RSW/US New Year Outlook
- 16**     **Opinion**  
Going in-house? Make it strategic, not organic – **Darren Woolley**
- 18**     **Opinion**  
The restless mind of the client – **Tim Matheson**

# Foreword



**Con Stavros,**  
**Associate**  
**professor in**  
**marketing, RMIT**  
**University**

My father is the stereotype of the man who wants to do everything by himself. ‘Why pay someone to do what you can do yourself,’ he’ll argue, as my mother shakes her head. Often, not long afterwards a professional will arrive, inevitably charging more to fix the original problem and my dad’s botched attempt. At 78 he still prefers to climb a ladder than call a tradesperson. Some lessons are never learned.

You’d think perhaps, being an academic and focused on learning, his eldest son would be all too willing to outsource when possible. Alas, emboldened by YouTube guides, a reluctance to delegate and a belief that mistakes can be positive experiences, I have continued the family tradition of only asking for help as a last resort. That hasn’t transferred over to my business perspective too much however. I’ve understood in that context there is often more at stake than the colour of the lounge room wall.

In marketing, outsourcing is a constant concern. Generally it appears across a diverse range of areas, including gathering insight through research and preparing and disseminating communication messages. There are some instances, such as complex software design, big budget media planning, managing large longitudinal research panels and legal matters where using an outside expert is very likely to be a wise choice.

There is a lot of ground before that space however that will require a complex contextual decision. Regardless of whether you decide to insource or outsource, one thing remains a constant. You have to remain totally in charge of what you want and why you need it. Total deference to outsourcing is no guarantee of great marketing and it is important to understand that outsourcing is not an abrogation of responsibility. Indeed outsourcing is likely to require greater

responsibility to ensure that the strategic aspects of the task are fully conveyed in such a way that allows the outsourced body to fulfil its brief.

You’ll be glad to know that we teach students how important constructing and managing such a brief is, whether they ultimately insource or outsource. My marketing communication students must carefully plan and present a detailed creative brief before being allowed to respond to one. Inevitably, they find the response a much more enjoyable task, belying what is often their own self-belief that creativity is difficult. With a good brief they understand that creative and valuable responses tend to rebound with much greater purpose and force.

Those in the outsourcing industry will appreciate that a good brief is a critical step in establishing a positive working relationship with a client. Developing such a brief can be the difference between success and failure; so there is a key requirement that those in outsourced positions ensure that the step is not overlooked or rushed in the eagerness to get on with the task.

For the client, the temptation to outsource everything must also be carefully considered. Outsourcing can be appealing in many circumstances, however what is often overlooked in the search for added insight is the sense of satisfaction that comes from doing something yourself. In some environments this can be a significant learning experience that sharpens the focus of a team who has been empowered to take on a task. When the circumstances allow, putting your faith in insourcing can be a positive motivational tool. Even I understood as a young boy that my father’s desire to do things himself was more about pride and purpose than simply money. ▲

The comments on this page come from research undertaken by *Marketing* friends Michael Valos and Marion Steel. If you are an agency or in-house marketer and would like to participate by sharing your views, you are invited to email michael.valos@gmail.com and marion.steel@rmit.edu.au

## WHY DO WE OUTSOURCE?

**“The decision to outsource is sometimes related to organisational size and strategy as smaller organisations or ones less focused on a social media strategy may not be to justify a full time person in a particular area, such as search marketing.”**

**“The benefit of external consultants for strategy is that they have a global perspective and some rich case studies. They also challenge your thinking in useful ways.”**

**“The use of more agencies and the faster turnover of agencies appear to be a function of the need for organisations to remain agile and develop campaigns or strategies with short notice.”**

**“What is the corporation’s media mix? What internal organisational skills and capabilities does the corporation hold? Are innovation or new ideas being sought? Does the corporation consider ‘fail fast’ tests? This leads to the question: what must remain in house to meet corporate goals and what can be outsourced?”**

**“A push to have the expertise in house. The traditional model was lots of outsourcing but is now moving to asking why it can’t be done in house. This then becomes a trade-off: hire internally (costs of staff) versus get the quality better allocation of resources that are focused and experienced.”**

# WHAT DO WE OUTSOURCE?

“Overall strategy in house but develop the specifics of strategy.”

“Creative versus content go hand in hand but may be separated agency/in-house. Digital and social is likely to come in house.”

“Marketers find it hard to benchmark digital capabilities.”

“What to bring in-house may be selected based risk management, benchmarking and performance assessment. Ideas that social channels and content should be managed in house but the business case for either option is a moving target.”

“Navigating programmatic marketing is the next horizon. But the rate of change suggests that adoption of any model may be limited as the next development supersedes implementation parameters.”

“Corporations are looking at the need for real-time data and real-time results, with increased pressure for clear and transparent ROI or KPI achievements.”

“What can be outsourced locally versus what can be outsourced overseas? This becomes a resource/sourcing trade off.”

“Many organisations are trying to bring digital marketing in-house but creative is the one aspect often left to be outsourced.”

“Who does the big-picture briefing?”

# CHALLENGES

“Key questions are ‘who has the vision’ and ‘who manages the integration’ of multiple agencies and suppliers.”

“If procurement make the decisions on outsourcing there is more of a tendency for a one-stop shop as administratively it seems easier. If the CMO makes a decision it’s more likely to result in a best of breed approach.”

“There is little evidence of a one-stop shop being effective as many creative people don’t appear to want to work in large organisations.”

“Pay for performance can be difficult as sales are a function of many different agencies’ work. Possibly media performance can be seen more clearly in terms of reach and exposure, for example.”

“Super-big agencies talk about the benefit of integration but often coordination is not much better than utilising multiple agencies with one lead agency.”

“Global organisations often have many of the decisions made for them by the headquarter country.”

“Does every corporation and every agency use the same jargon? This raises an interesting side issue of the development of language to match the actions and tools. Indicates an industry in a volatile evolutionary period.”

“This leads to a trade off on the relationship strength and whether a transactional model will provide access to up to date information vs losing the long-term relationships with high levels of collaborative knowledge. Corporations are in flux about the models of management.”

## Emerging solutions

“A hub and spoke structure works well, whereby multiple agencies were briefed individually rather than together because when they’re together they’re often showing off to try to win business and the interactions are like sales pitches.”

“Issues now emerging around data deluge (Dashboards add to the problem rather than help solve it). Most corporations need to learn and use and different levels, requiring different levels of reporting and access.”

“Suggests a new model for agencies such as network model of agencies - HUBS – where all components bring work into the network. This builds on the Asian innovation closed networks model (see new product development and diffusion theories from the Asian context).”

“There is a sense of moving goal posts requiring constant or regular access to “what others are doing” and possibly a need to benchmark against external developments.”



# In or out?

## Marketing suppliers: cost centre or asset for growth?

**Michelle Dunner reports.**

**T**he ideas are workshopped, the plans devised and budgets allocated. The C-suite is happy and the marketing pipeline looks pleasingly full. There's just one question to be answered: who's going to do all the work?

It's a rare marketer who hasn't worked with an external agency or provider, whether for a discrete project or as part of an ongoing campaign. But managing marketing suppliers successfully pivots on one key point: what's the strategy behind getting them involved in the first place?

Technology has obviated the need to outsource a great many marketing tasks – graphic design arguably being top of the list. Now, marketing team members whip up web pages and create collateral with a minimum of fuss, thanks to highly prescriptive brand guidelines, template documents and content management systems. Two days to change an EDM header? Not in this lifetime. Responsiveness and flexibility is the name of the game – and suppliers just can't compete with that, right?

So is the problem that marketers outsource too much, without getting sufficient value from the process, or are they not outsourcing the right things? Stretched and strained in-house teams welcome a fresh set of eyes or a new creative perspective yet, when the crunch comes, suppliers can often be the first resources to be jettisoned. Is that counter-productive, or an acknowledgement that the money hasn't been well spent?

Darren Woolley, global CEO of marketing management consultants Trinity P3, says it comes down to accountability. "First comes a bit of graphic design; then it's developing video capability. Next is social media monitoring. Before you know it, the in-house team can be huge," he says.

"I know of one financial services organisation with its own in-house studio – it employs 70 people. It's not surprising that CFOs, looking at their organisation of 600 people, start to wonder why the headcount on the marketing team is 150.

"Technology has certainly made in-house production a much more achievable option, but we challenge our clients to look at the actual resources devoted to it and determine whether the costs and the convenience are balanced."

**"Where the relationship doesn't work is when everything is KPI driven. I firmly believe the goal of marketing is to help organisations sell things – not to achieve GRP levels on TV or impressions online – they're just tools."**

– RACHEL LONERGAN

Growth Solutions Group managing director Graeme Chipp agrees: "What's the point of the decision to develop resources in-house or outsource? Is it to access teams that can create and challenge the business to win the competitive environment, or is it seeking to deliver lower cost, more timely material?"

"Outsourcing creative communications has real merit; bringing in external and fresh perspectives is proven, but it also requires an effective client management team. It's a partnership of minds working to market outcomes.

"If this is in-sourced, it takes real confidence and some courage for those within the corporate walls to challenge conventional wisdom; their careers may be judged by corporate rules and processes that use different criteria for success.

"At the same time, if high volume production work is cheaper in house and part of the business model of the organisation, this may make more sense. Are in-house teams an overhead cost to the business, or are they responsible for delivering ideas and campaigns that drive growth? Who on the in-house team has the responsibility for asking the question: Is this getting us the best return?"

Rachael Lonergan, head of strategy at media agency Foundation, says she's seeing a lot of touch points for change in the relationships between marketers and suppliers.

"While we're a boutique agency and attract a similar type of client, I have worked with large agencies on accounts that might have 50 brand managers or junior managers attached. That creates an interesting situation

## When in-house works

TABCORP CHIEF MARKETING OFFICER MICHAEL SMITH EXPLAINS WHY MAINTAINING SIGNIFICANT IN-HOUSE CAPABILITIES REMAINS A STRATEGIC IMPERATIVE.

**M: Tabcorp has extensive in-house marketing resources, including TV production. Why was the decision taken to insource?**

MS: Tabcorp has three marketing teams, my team, one devoted to Keno and gaming and a wagering team. With over 70 full-time marketing employees working across all three teams, a strong in-house team allows our consumer brands greater flexibility and speed of delivery in a competitive market.

The gaming and wagering industry is unique, both in terms of regulation and product which increases the need to have dedicated resources to keep up with the demand for output. For example, during the World Cup, there is typically only three days between the close of group games and the knockout stages. That's three days to finalise customer offers, creative and then launch to market. These short turnaround times are significantly easier to manage with in-house resources, especially given the in-house team has a strong knowledge bank around Tabcorp products and services.

**M: How has the in-house capability grown over the years?**

MS: Over time and as the media mix changes, Tabcorp has built increased internal capability in CRM, social media, digital marketing and design. Tabcorp owns our products and dedicated media channels, including Sky Sports Radio and Sky Racing. As a result, the wagering marketing team frequently utilise the professional in-house broadcast studios to record TVCs and radio advertising. The wagering team also have a number of agreements in place that provide opportunities for the integration of TAB talent into television programming, which is also generally run through the in-house studios. The

Keno and Gaming marketing team has undergone a transformation over the last year. With resource and capability growing to support a new Keno brand and a new approach to Tabcorp Gaming Solutions, the team has doubled in size.

**M: What have been the challenges of managing a team in-house?**

MS: When you have a team working under confined time pressure one of the biggest challenges is keeping up a creative edge. The in-house Tabcorp marketing teams work closely with creative agency partners. This close working relationship helps boost the in-house team's creative inspiration. Tabcorp's marketing teams are required to continuously manage conflicting deadlines and priorities, a challenge which we have successfully overcome by establishing the right end to end process from brief through to sign approval.

**M: What benefits do you gain from insourcing? Cost? Flexibility? Responsiveness?**

MS: Cost is certainly a benefit at times, although we still do use agencies for larger projects. In the competitive environment Tabcorp operates, flexibility and responsiveness are key and we have focused on this with the growth of the team.

**M: What supplier types do you still outsource and for what reasons? Creative agencies for new launches, for example? Technology requirements?**

MS: Tabcorp partners with creative agencies, multiple media agencies and also works alongside digital and CRM agencies. Large brand campaigns and master creative are almost wholly outsourced. This allows access to the leading strategists, media planners and creative teams in the business. We have previously relied on our agency partners when it comes to newer communication channels, but as Tabcorp develops the capabilities and recruits experts in the field, this has started to transition to an in-house team.

internally that is obvious to see – it's a culture that breeds inertia and fear. No-one wants to be the person who steps outside the process and marketing is a process in a lot of large organisations.

“Our role now is the complete opposite; we see ourselves as the people who will push the internal teams, although most of our clients don't have large marketing departments. We demonstrate our value by looking for more challenging ways to get their brand out.”

Loneragan says both parties need 'skin in the game'. “The best relationship is not 'master and servant'; yes there's money on the line, and reputation, but we find clients are using us as an extension of their marketing department rather than someone who just buys media for them.

“Where the relationship doesn't work is when everything is KPI driven. I firmly believe the goal of marketing is to help organisations sell things – not to achieve GRP levels on TV or impressions online – they're just tools.

“If you care about the outcome, you'll take full advantage of the experience around you. A procurement person doesn't understand the human intelligence and experience of creative agencies; they only look at doing it cheaper. It's a commoditisation of what agencies provide and an erosion of the relationship.”

Media buying, particularly in the digital space is an area that some corporates have taken in-house. Lonergan says programmatic buying online is also moving into television. “If a client is cost focused, they can get very enthusiastic about looking at how much audience they've bought and the cost per thousand, but they're missing a very integral part. Getting the confluence of message and creative can't be just a programmatic solution. You need understanding of the psychology of your customer, their journey, how they respond. Programmatic buying is functional – it's not adding the emotional layer or the brand intelligence.

“I can see why procurement departments see this sort of buying as appealing. It was the same with the optimisers; they weren't the holy grail. Clients kept complaining they saw their ads in a crummy environment. A decent buyer will always be able to beat an optimiser.”

### **Need a bit of SRM?**

---

Of course, there's an acronym in use in the quest to manage suppliers successfully - SRM. Supplier Risk Management has been coined by several major consultants, not the least of whom is PricewaterhouseCoopers who undertook its first Australian study into SRM in 2013.

While more aligned to supply chain matters, where internal risk officers need to factor their level of exposure if a supplier can't fulfil a brief, it's recognised as a way organisations can reduce overall costs and expand quickly into new markets and services.

Essentially, the ability to keep a workforce focused on core business while outsourcing non-core activities (particularly those where an organisation can demonstrate no internal competitive advantage) is at the heart of SRM; PwC's report identified what it called 'concerning gaps' in the way organisations managed suppliers. It found: „Many respondents were simply not gaining some of the basic yet vital benefits they had hoped to achieve from their sourcing arrangements, including greater efficiency and risk mitigation.“

Graham Plant, CEO of Effective Measure which specialises in digital audience, brand and advertising effectiveness measurement, says there's a lot to be said for achieving the right partnership model with marketing suppliers.

“This is particularly true in emerging markets where you're looking to develop capabilities; you need complementary skills. Business these days can come from anywhere but you can't be everywhere. Developing a really good network of partners to service demand is the way to go.“

Plant says the bottom line in choosing any potential partner is asking the right questions and ensuring there's appropriate evaluation. „There's a growing recognition that some of the larger players first look at suppliers as partners but with a view to potentially acquiring them. So the questions need to be asked: Do we work well together? Do they add value? Do they bring skills we don't have?

## Creativity or commodity?

Growth Solutions Group managing director Graeme Chipp says marketers need to address several issues within the planning phase.

“Organisations are under continuing pressure to manage costs and outsourcing can create flexibility there – you move an overhead to a variable cost. But it needs to be managed. Clients are demanding more accountability from every engagement and I think generally there are differing levels of competency and mindset in how outsourced talent is managed.

“There will always be people within an organisation who don’t value external creativity or expertise and think of it as a commodity, through to those who actively seek this sort of input as an important way of driving competitive advantage. In our business, we actively choose clients who are in the second camp, as much as they choose us. It might be more difficult initially but, in the longer term, ensures mutual success.”

### Five issues to address:

- ✿ What is the importance of the strategic issue being addressed and the need to get the best team on it?
- ✿ What is the existing capacity internally and the opportunity/time pressures to deliver an outcome? Are the resources available in-house or not?
- ✿ The expertise gap – does the business need a deliberate injection of capabilities?
- ✿ How would these capabilities contribute to an ongoing strategic advantage in an area such

as data analytics, sales skills, brand management? Is the role of an outsourced provider to ‘equip’ the organisation with heightened skills?

- ✿ Is there a need for fresh/external input?

David Jackson, executive director at incentive company Solterbeck says there’s a definite shift away from outsourcing a lot of marketing communications work. “Clients are now adopting a pick and choose mentality in terms of what they’d hand over to an agency to fulfil. I’m very comfortable with that because, as an agency, we need to be flexible enough and pragmatic enough to work in our clients’ interests and focus on the areas that add value.

“But it’s not just a cost-driven equation; it’s true to say I often remind clients that there is value to be had from our creative input and expertise. I would hate to see things just becoming a race to the bottom.”

Jackson says there are risks for organisations who turn marketing co-ordinators or junior managers into collateral producers.

“A major risk is that the in-house team doesn’t end up doing the job they’re paid for. Your co-ordinators have days filled with design work; they’re not able to think about strategy, planning or evolution.

“I think it’s important for an agency to be seen as a partner in the journey rather than a defender of old models. To have the established relationship of trust with a client and to be an enabler rather than a barrier is the way to go now.”

## “There’s a growing recognition that some of the larger players first look at suppliers as partners but with a view to potentially acquiring them.”

– GRAHAM PLANT

“Really large organisations can have very diverse client bases and they need channel partners equipped to deal with specific vertical markets. A really good example is the IBM global entrepreneur program that provides an eco system for startups. Five years ago people would have asked why they’d bother with startups but it’s their way of embracing different partners and processes.

“Tools and tech are driving a lot of the forced partnerships you see out there because the reality is that if you come up with an idea, by the time you can implement it, the chances are it will be out of date. It’s very hard for a lot of organisations to keep pace and remain relevant and those companies don’t have the appetite or capacity to generate that sort of growth themselves - so they lean on partners.”

Plant also wonders about the importance of culture in choosing to work with suppliers. „Every company puts a different emphasis on cultural fit. Some hold the same values in pretty high regard; if they’ve got that synergy, it can be easier to work through problems and issues. The process of managing channel partners can be a challenge; when everything’s going well everyone’s high-fiving each other but when they don’t meet your timelines or there are other problems, the relationship can get quite acrimonious until you can learn to navigate to a satisfactory outcome.

“I just came back from a start-up conference in Singapore. In the marketing space, innovators that can manage the intersection of big data and structured data to create actual insights seemed to be the biggest demand. We hear a lot about making marketing analytics simple but not a lot of people are able to turn it into something tangible.

“The evolution of mobile continues to lead the charge; we’re looking for people who can go directly to the customer base and pull together the tools that will resonate with customers. „In the ad tech space we hear about programmatic space and real time buying - but at what point does the customer get desensitised?“ Plant says scientific evaluation needs to be applied in a much more fragmented media space so that customer messages need to be both cost effective and time efficient.

## The known unknowns

Equip Super head of strategic marketing and communications Geoff Brooks says the decision to build in-house capability or outsource sensitive or competitive areas such as marketing analytics requires careful evaluation.

“A lot of the time it will depend on the scale of your business. If you want to run marketing analytics in-house and you’re a small or medium-sized business, bringing in the calibre of person you need and the other costs might be prohibitive.

“But for larger enterprises in competitive environments, it’s not just a supply decision, but a strategic one. We started by outsourcing our member analytics, probably for about 12 months where we assembled data and developed the view of our member to a certain level. We needed that help to get the fundamentals right.

“We then looked at what we could do with that data and that’s where the IP aspects come in. We evaluated whether the analytics and models we built delivered us a competitive edge. With direction from us, our supplier was able to get our data dictionary sorted out, the nomenclature, the structure. Our provider was able to generate straightforward insights about our members – website visits, helpline interactions – but we wanted to go further.

“We got into more predictive models and developing personas and that’s where the smarts are applied. Anyone can look at a spreadsheet, but not everyone can see the patterns and relationships. The more you understand your own customers, what they look like and how they behave, the more you can identify others who look like them. It’s moving from demographic to psychographic segmentation.

“Identifying these patterns, gaining these insights – this is what we want to keep in house. Our concern would be in doing this with a supplier is what might happen when their next client comes along. If they have a similar request you know that you’ve solved this for us; it might not be deliberate, or result in an exact duplication, but it’s impossible for the supplier to unknow what they know.” ▲

## THE BUSINESS OF MARKETING SERVICES

In its annual poll of agency and marketer perspectives on the business of advertising and marketing, agency business development consultant RSW/US found that, ironically, for an industry so communication-driven, there's a big opportunity for both marketers and agencies to grow through better communication with each other. It also suggest agencies may underestimate the potential shift to in-house teams.

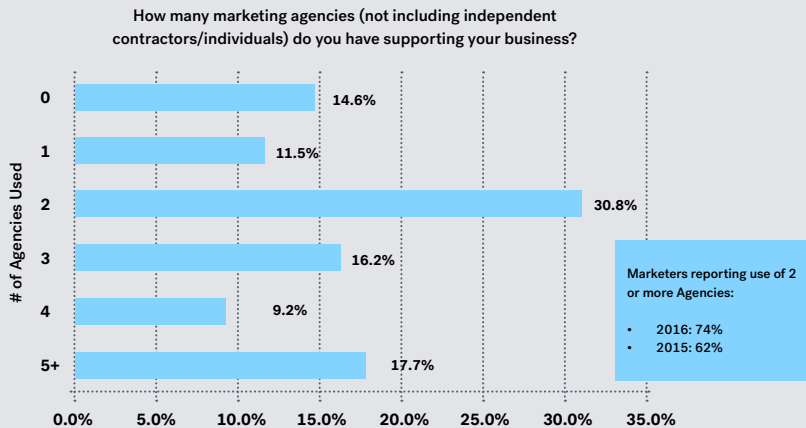
### SOME TROUBLE

The things marketers and agencies list as troubling about the other match up quite neatly, suggesting that better communication is required.

<i>WHAT TROUBLES MARKETERS</i>	→	<i>WHAT TROUBLES AGENCIES</i>
Lacking deep understanding of the business/industry	←	Lack of trust and commitment. constant change in leadership
Too slow, need to be more nimble	←	Inability to keep pace with change; settling for "safe" decisions
Weakness in data analysis	←	Inability/unwillingness to define measurables
Over-emphasis on new/non-traditional media	←	Ignoring traditional media; over-emphasis in digital, social media
Lack of value add	←	Increase in project work; decrease in loyalty

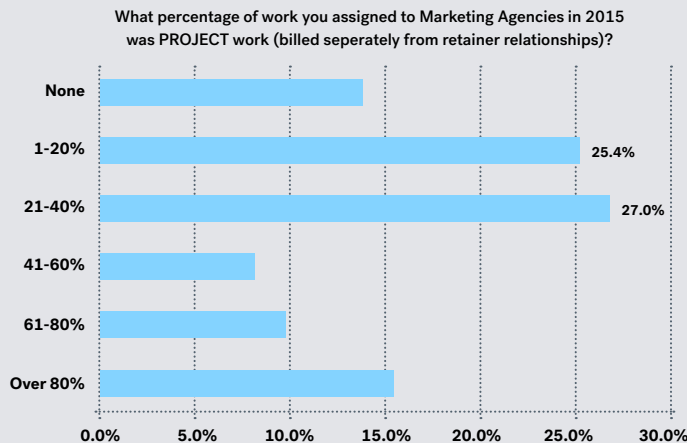
### HOW MANY AGENCIES USED

More marketers are jumping on the 'two or more' agency bandwagon, but at the same time, while they're trialling new firms, they're not significantly increasing the size of rosters.



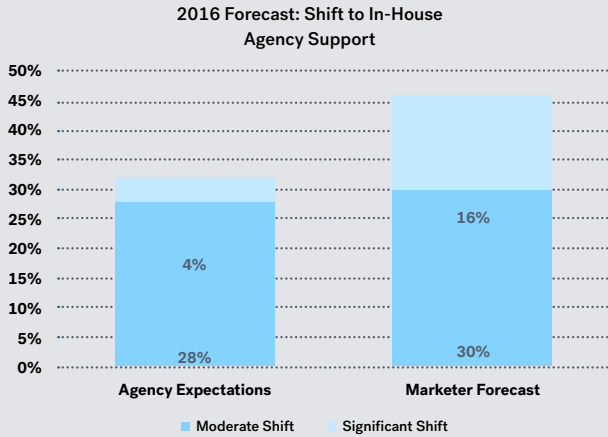
### PROJECT WORK

Marketers appear to be increasing the number of projects being offered to agencies, rather than adding to a roster, and this proportion looks to increase.



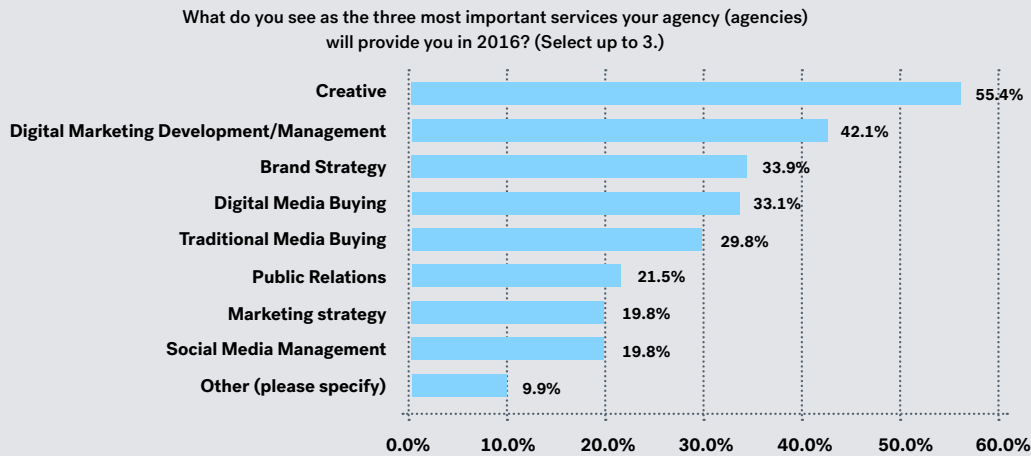
### IN-HOUSE AGENCIES

The shift to in-house agencies appears to be underestimated by agencies, and while RSW/US doesn't see it as an imminent catastrophe threat, it does require agencies to think and operate differently.



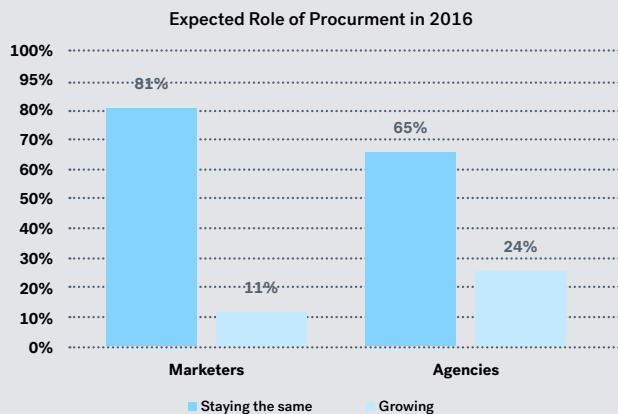
### SERVICES MARKETERS WANT

Marketers gave the below results when asked the top three services they want from agencies. Agencies gave a similar response, but marketing strategy was much higher on the list.



### INFLUENCE OF PROCUREMENT

Agencies see the role of procurement growing this year more so than marketers, although from a lower base.



RSW/US '2016 New Year Outlook Report', a survey of marketing decision-makers and agency executives.

# Opinion: Going in-house? Make it strategic, not organic.

**Companies jumping on the trend back to in-house services need to view the plan through the lens of a solid business case, argues [Darren Woolley](#).**

The concept of in-house agency services is not new. More than a century ago, many companies had their advertising services in-house; retailers especially would often have their advertising department responsible for the ad production, catalogues, point of sale and the like. It only became fashionable in the second half of the 20th Century to outsource this function to external agencies. But it is clear we are witnessing a trend back to in-house services, especially for many larger advertisers.

Behind this trend is technology and the associated cost reduction opportunities of a self-managed production facility. But there is also the convenience of the in-house model allowing greater speed to market and as a solution to integrating the function into the business.

But the mistake many organisations make in bringing these services in-house is allowing it to occur organically, rather than managing it strategically. That is, allowing the process to occur incrementally without an overall plan.

It sounds like a no-brainer but the organisation needs to determine what services are best brought in-house and what are best outsourced. This requires a determination of needs, volume, budget and resource requirements to inform the development of an appropriate business case.

Digital technology cost means that services that were previously unaffordable, such as video shooting and editing, as well digital media planning and buying, are now available as in-house opportunities. These sit alongside traditional print and newer functions such as social network and social media monitoring. The deciding factor is the volume of the requirement and the ability to manage in-house.

In developing a business case you need to consider how these in-house services will be funded. Funding the services from one department or function's budget, such as marketing, can lead to issues if other business functions such as sales, product or management wish to access the services. It is increasingly popular making the in-house services a separate cost-centre and accountable to the value of the services delivered. In this way, the services centre can be managed separately with its



**Darren Woolley,**  
**Founder and**  
**global CEO,**  
**TrinityP3**  
**Marketing**  
**Management**  
**Consultants**

own head count, budget and performance measures.

Within larger organisations, it is especially important to undertake a review of any existing capabilities. It is not unheard of from my experience to find designers, copywriters, editors, social media and the like spread throughout the company, often buried within departments with titles that hide their real role. Consolidation of these resources will achieve greater levels of utilisation and accountability.

Management of the services facility is also important. Many organisations evolve from a few designers and, as the needs grow, will simply promote one of the designers into a management role. This is fine if the person promoted has the capabilities to not only manage the internal resources within the team, but also has financial skills to manage the budget, a customer services focus to manage internal customers and human resources skills, to name just a few.

And that brings me to the point about human resources. It's essential that you can recruit and retain staff of suitable capability and calibre to deliver the services required. This can be a challenge, as often the type of people you want to recruit will find working within the culture of a single organisation boring or lacking in the challenge they need. One solution to overcome this is to develop a panel of freelance specialists. The cost impact of this approach needs to be factored into the business case as freelancers often come at a premium to their full time or part time equivalents.

But there remains a need for good in-house talent. Top-level industry strategic and creative talent can come at a high price and demand the opportunity to advance their career and achieve industry recognition for their work. It's rare they're attracted to working within one



company. However, as a consequence of the advertising industry's obsession with youth, many senior and well-credentialed strategic and creative people have taken roles in-house within large organisations in recent years – and a bonus for companies wishing to create a high performing facility.

Workflow management is also important, as we have seen instances of the implementation of an in-house services facility leading to politicking and infighting between different functions vying for access to it.

This is often caused by perceived favouritism by the 'creatives' for one department or function over another. I know this may sound like kindergarten, but it happens. The implementation and management of a workflow system will overcome this with an accountable reporting of the volume and turn-around time of projects from the various stakeholders and departments.

Earlier I mentioned making the in-house services facility an independent cost centre. The best way of funding this is to make it accountable but without actually having payments made by the various departments and stakeholders using the service.

It has been found that when people are paying for an in-house service on a job-by-job basis, they will be more likely to go outside if their (often unrealistic) expectations are not met. This defeats the purpose of bringing the services in-house. Instead budgets are allocated to the in-house facility cost centre from the stakeholders at the start of the year, based on their requirements and on the cost efficiencies of the facility.

The work undertaken for each department is then reconciled against the budget at a pre-agreed price or rate.

**“If this appears to be suggesting the form of any in-house facility should take the shape of an external service implanted into the organisation, you are right.”**

Regular reporting keeps stakeholders aware of their use of the budget and end of year reconciliations are undertaken to make sure the facility is fully utilised and funded.

As a separate cost centre, it should be reviewed annually at a minimum and more often if possible. The review should include head count and resource suitability and cost, performance metrics and internal customer satisfaction and delivery of value – being cost efficiencies and quality. There should also be a review of the new or additional services required by the organisation that could be included in the services facility.

If this appears to be suggesting the form of any in-house facility should take the shape of an external service implanted into the organisation, you are right. At the ANA Advertising Financial Management Conference in Phoenix, Arizona earlier this year there was a case study presented on successful in-house agencies. The lesson from this was the services facility should be autonomous and accountable. It is not an extension of the marketing department but a services provider to marketing and the other departments that require these services.

Too often the failure of these services is the failure to plan and this inevitably leads to a plan to fail. ▲

# Opinion: The restless mind of the client

Is your business in the business of being creative? As [Tim Metheson](#) says, it can be easy to undervalue the role of agencies.

‘Can’t we be doing more online?’ In a whirlwind digital decade, it’s been the quest of organisations great and small. They’ve yearned for that elusive greater digital presence, and so we’ve seen client and digital agency relationships blossom. Clients are embracing their agency’s unique skills and thinking, and delighting in the new value digital brings to their business.

As time passes and familiarity grows, a restless client’s mind can wander, ‘Can’t we do this digital stuff on our own now? Move it in-house, save a motza. Boom!’ It’s good in theory - more control, accountability and cost-effective to boot. But what about all the good stuff your agency relationship offers - leadership, creativity, support... a prosperous future together. Is that really worth sacrificing?

Here are some challenges we’ve seen our clients experience recently.

*The challenge to keep up.*

*Can you keep up?*

*Come on, keep up.*

‘The digital space is evolving rapidly...’ Yep, yep, we know. But recently that’s actually kind of understating it.

Digital has arguably evolved more in the last two years than in the previous 10. Technology’s running at warp speed with consumer behaviour hot on its tail. Even for the top digital agencies who’ve seen it all unfold, it’s a challenge to keep pace and take advantage.

For a new in-house operation the challenge is even greater. To stay ahead requires constant movement in how you structure and operate. Agencies are used to adapting to the pace of change - thinking ahead, evolving resource models, creating new roles, all without breaking stride. On top of creative and technical know-how, agencies offer nimbleness that in-house operations struggle to match.



**Tim Metheson,**  
**Managing**  
**partner and**  
**COO, DT**

## The power of your people

In the early days it was all about magic. Agencies ‘somehow’ building a website for a thoroughly impressed and grateful client. Today, digital success is more about people than process. While clients get savvier, the digital space gets busier. Cue your people. Any agency, in-house or outsourced model is only as good as its people and the ideas they bring. The challenge is to offer an environment that attracts and retains the most creative talent.

## Creating an environment to thrive in

What’s the key to creating a culture of digital excellence? Decent beer and wine in the fridge can only do so much. Great work relies on making sure your talent has access to the leadership and mentoring relevant to their passion and skills. You can hire an army of mid-weight developers but if they all report to the Head of Digital, how can they advance themselves or your business? This leadership layer is most often found in agencies with a strong and pioneering culture.

‘I want it all and I want it now’ may be the Gen Y catch-cry. It also means they’re easily bored. To secure the best Gen Y talent takes more than money.

An in-house operation may pay more to get people through the door, but can they keep them? A defined career path plus access to the latest and greatest technologies and resources, help attract and retain the best talent. From there an inspiring environment and producing consistent, high quality work for your clients come naturally.

**“It’s easy to undervalue the power of disciplines working together. Agencies are used to operating with an orchestra of talent, working collaboratively with specialists who complement each other’s skills.”**

A creative space to work in can also influence the quality of work. Google has set a benchmark that’s hard to match. You can probably get away without the slide in reception but that doesn’t mean converting an unused meeting room into a digital studio is going to cut it. Work environments also depend on exposure to other links in the communication chain.

It’s easy to undervalue the power of disciplines working together. Agencies are used to operating with an orchestra of talent, working collaboratively with specialists who complement each other’s skills.

### **Agencies doing what agencies do best**

We’re seeing digital production becoming increasingly commoditised. That’s undervaluing the importance of strategic thinking and creative ideas in getting results.

Experienced digital agencies have evolved from production houses to industry thought-leaders so when it comes to creative and strategic thinking, you’re playing to an agency’s strengths.

That’s not to say some services can’t be more effectively managed in-house. Specialist services like retouching and data management are a couple of examples. But even with data you still want a strategic partner with insights to bring it to life. So rather than mutually exclusive, roles should be seen as complementary. Working with an agency can bring out the best and up skill in-house talent and vice versa.

In any operation, you need to take stock of the skills and motivation of your talent. What’s the balance of doers and thinkers? Are the people doing the work interested in pushing the boundaries and driving the business forward?

### **The importance of future-proofing**

Disruption. It summarises where we find ourselves right now. Who’d have thought thousands of Australians would be making a living renting out their house to holidaymakers or ferrying people around town in the family car? The emergence of Airbnb, Uber and more reflect the constant evolution of digital to match modern day life.

Agencies need to continue to evolve their services in line with social change. That means maintaining a flexible, objective resource model with cross-pollination across the business and business partners, to make sweet sense of the disruptive madness.

A digital set-up can be ‘state-of-the-art’ one day, ‘dinosaur’ the next. So don’t throw away your agency relationship just to cut costs. To adapt and grow a trusted strategic partner is invaluable. The best agencies understand the value of talent, how to attract them, and how bloody hard they are to hang on to. ▲

# Premium content and tools for Australia's professional marketers.

Visit [marketingmag.com.au/advantage](https://marketingmag.com.au/advantage) to see more like this.

