Exclusive: In-house agencies see 16% rise since 2020, according to WFA study

A recent edition of *BizCommunity* contained an article in the Marketing & Media section about agency in-housing. The article by Scopen stated, concerning in-housing, “this growth has waned, and marketers are stepping back from in-housing”. The Observatory International said it disagrees, as does the World Federation of Advertisers (WFA), certainly concerning major multinationals – the trendsetters.

Source: www.unsplash.com

Research conducted by WFA and The Observatory International in 2023 concluded that: “In-housing is set for rapid and continued growth at major multinationals."

- 66% of brands now have in-house agencies, with 21% actively considering one.
- 70% already have strategic capabilities in-house, and many plan to shift new tasks from external agencies over the next three years.

To add further insight to these findings, we released the following:

- Two-thirds of major multinationals now have an in-house agency, and a further 21% are considering establishing one.
- The 66% figure represents a 16% rise in the number of these resources in 2020, the last time this research was carried out. The number considering the in-house option is also up from 17% in 2020 to 21%.

While most of these units are relatively fresh – nearly three quarters are between one and five years old – their skills are expanding, and 70% of respondents now claim to have some form of strategic capabilities in-house – be it brand, creative or media (up from 65% in 2020).

The research suggests that many are also planning to expand the range and scale of their in-house operations. Over the next three years, 56% of respondents expect to move more digital production from external agencies to in-house, 33% of respondents expect to move more offline production, 22% expect to transfer more data strategy work and 11% plan to move more data management and insight and analytics tasks in-house.

Online planning and buying are also indicated as additional areas of future growth, with 83% of respondents expecting to handle some social media buying in-house over the next three years (up from 37% right now), 67% planning to add social media planning (up from 48%) and 50% want to take on digital media planning and buying tasks (up from 33% and 26%, respectively).

Scopen 2023 trend: In-house agency heading for the out house?
21 Feb 2024

The results are based on responses from 45 companies, with an estimated annual global ad spend of $60bn. Seven per cent of respondents are spending more than $50m annually on their in-house agencies; the same percentage spend $25-50m, 33% spend $5-$25m, 13% budget $1m-$5m and 27% spend less than $1m.

While cost efficiencies appear to remain the strongest motivation behind the growth in the in-house function (83%), other factors such as quicker and more agile processes (76%), better integration (59%) and increased brand knowledge (59%) are also driving adoption.

Overall satisfaction with the work produced by these agencies is high at 86%, and there was a significant rise in "complete satisfaction" – up from 23% in 2020 to 33% in 2023.

All respondents continue to work with external agencies, many of whom are still used to help deliver when in-house capacity is stretched.

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Danette Breitenbach 1 Dec 2023

"The rise of the in-house agency is one of the big changes in the way big brands manage their communications needs over recent years. While cost has been an initial driver of the trend, successful operations are demonstrating that they can deliver significant additional benefits such as speed of response. Greater maturity of the sector is also giving brands more confidence to expand their operations both in terms of scale and capabilities," said Stephan Loerke, CEO of the WFA.

One notable finding, however, is that the performance of in-house agencies is not measured on the same basis as those applied to external agencies, which are typically assessed on effectiveness. In-house measurement focuses more on outputs than outcomes, with the top three KPIs being 67% quality of work, 47% speed to market, and 40% cost savings.

Additionally, the research revealed:

- Change in challenges: In 2020, the big challenges were managing workflow (increased projects), project prioritisation and expanding capabilities and skillsets. In 2023, it was about integration between internal and external resources and overall resource management.
- Getting the best team: Talent attraction and retention are problems for 20% of respondents, though turnover remains low.
- Keeping it central: A centralised studio model is most common among survey respondents – utilised by 67% of respondents (up from 50% in 2020), and workloads are increasing – 75% stated volume and complexity of work were up.
- Creative heavy: Staffing seems to be dominated by 'creatives' (47%), with account management and production accounting for 18% and 20%, respectively. Other functions include Traffic, Media and Operations.
- Agency structure varies (even within companies, which may use a range of operating models across their operations) a lot, with 83% of respondents opting for full in-house resources but 28% using external embedded agencies and 24% utilising a pool of freelancers.

A few closing comments from John Little, regional managing partner, The Observatory International, Sub-Saharan Africa: "Given budget pressures and a desire for faster, more efficient delivery of assets at lower cost, it's unsurprising that the growth of those developing in-house offerings continues unabated. The rationale is obvious, and the benefits are considerable when you get it right.

"But if there is a 'watch-out' then it's that, especially with content, businesses need to make sure they are not simply producing 'stuff' to fill expectations rather than needs. Effectiveness is key to ensuring that all your efforts aren't simply wasted and potentially detrimental to your business."