

Insourcing: Appreciate the up and downside before you take action

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Who should handle our company's media activities? This is an internal struggle that most companies of all sizes face in the current economic instability and amidst ever-changing consumer data security practices. In assessing whether to outsource or insource there are clear advantages and disadvantages to the two choices facing marketing executives.



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Although the question of insourcing versus outsourcing is not a new one, it is being asked more frequently mainly due to economic pressures. Today, more than two-thirds of B2B companies outsource at least some of their marketing to agencies who specialise in it (HubSpot), whilst some not only insource media but all of the different media disciplines.

Many companies make these moves without clearly understanding that there are two sides to the coin when it comes to insourcing media buying. It is important for those who believe that insourcing is the only way forward to take a step back to ensure they understand the common misperceptions and not only the positives.



Media consumption through the roof but not followed by adspend

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In this article, we assess the pros and cons when considering whether to bring your media buying in-house or to outsource this critical strategic marketing imperative.

Let's investigate both.

Some misconceptions about outsourcing

- *It is costly:* Decision-makers will often assume that their cost of media is equal to their cost to advertise. The reality is that the fee is not the total advertising budget. Over and above the budget, many resources need to be funded and skilled up to a certain point. If you are just looking at the fee, you will spend more on headcount and individual headcount. Did you know that companies tend to pay 30% more with an in-house strategy? Another fact to consider is that the in-house entity can only work simultaneously on limited campaigns. Finally, one has to consider the overall costs as outsourcing to an agency gives a client access to group deals and the opportunity to save even more money by taking advantage of collective bargaining, and by leveraging the complete spend of all the agency's clients.
- *There is no integration:* Silos create gaps in skills and understanding, which could ultimately lead to unsatisfactory integration between an agency and its client. This could lead to a further internal lack of integration. What many companies forget is that you will find distinctive silos even within a company, as there are people in different leadership roles in different departments, often in different cities. Silos are not exclusive to outsourced models. In some instances, silos are even more pertinent in larger company structures than smaller, nimbler agency structures.
- *There is a skills shortage:* There is an industry assumption that the skill level at agencies is not necessarily satisfactory to the client. It should, however, be clear that reputable agencies are typically loaded with the best possible talent. From SEO to media buying and conceptualisation, agencies hire talent to suit the niche needs of clients and are typically assigned to clients based on their skills and specialties. On the other hand, in-house teams tend to wear far more than the hat they are assigned to, which may minimise effectiveness and departmental focus.
- *You can simply hire the agency talent and maintain the same level of performance:* Agencies are essentially made up of the talent they hire however they offer clients much more than just the dedicated team on the account. Most agencies have invested in bespoke proprietary tools, which assist the team to improve their performance. The agency also coordinates constant training and upskilling of these employees to ensure they are always up to date on all industry advances and consistently aware of global industry trends.
- *Your talent is focused on your brand:* In some instances, focus is bad as it creates a blindside and limits one vision of what is possible. In-house teams tend to be focused on their own business, potentially missing competitor advances as well as advances and strategies in other industries that could benefit their business and lead to innovation.

The upside of insourcing

- *The segment of one:* In today's highly competitive world, the more information you have about a consumer, the more control you have of your brand image. Personal data and information about a company's consumers cannot necessarily be shared with third parties like agencies, which is why many tend to turn to insourcing as it affords them the ability to utilise consumer data in a more effective manner. Legal regulations limit companies from sharing this information with any third-party, but agencies don't necessarily need access to vital information to develop targeting strategies. Using industry-leading software, agencies can use the bare minimum from consumer data to extract and target campaigns to the relevant potential clients.
- *Programmatic buying:* Buying media in the digital space has never been more effective - programmatic buying gives companies the tools to efficiently target detailed audiences. Yet this is generally done using personal data and information gained from running previous campaigns. With traditional media buying, companies implement the 'spray and pray' approach, targeting wide audiences that may not fit the specific mold the company has in mind. Using personal data to target specific audiences and map specific messaging, on the other hand, is very effective, but again agencies do not need access to this type of information to implement programmatic buying.
- *Control:* One of the main reasons a company will move to secure talent in-house is to ensure more effective operations and calculated turnaround times on projects. This means dedicating far more internal resources to every step of the creative process. If an in-house team has high-level skills in all of its respective disciplines, it will thrive but

management must consider the capabilities and resource allocation.

In or out?

On the other hand, the benefits of outsourcing should also be considered. Not only can this strategy save a company money, but also open up vital resources to manage other priorities while ensuring maximum creative output. This will allow for quicker profitability and sustained growth - the typical goals of any business. Of course, there are also various upsides to an in-house approach but it is critical to take all of the company's goals into account. Every situation will have its own unique set of variables. This is where management must put their best efforts forward to be informed before deciding between the two options.

Ideally, companies should understand the ins and outs of both strategies to ensure there are no surprises further down the line. Do thorough research. Consider all the benefits and potential drawbacks. Talk to other companies that have made the leap from insourcing to outsourcing, or vice versa and most importantly, make sure that you are not seduced by the advantages of only one particular strategy.

About the AMF

The Advertising Media Forum (AMF) is a collective of media agencies and individuals including media strategists, planners, buyers and consultants through whom 95% of all media expenditure in South Africa is bought. The AMF advises and represents relevant organisations and aims to create open channels of communication and encourage and support transparent policies, strategies and transactions within the industry.

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