

THE ISBA IN-HOUSE AGENCY SURVEY 2017

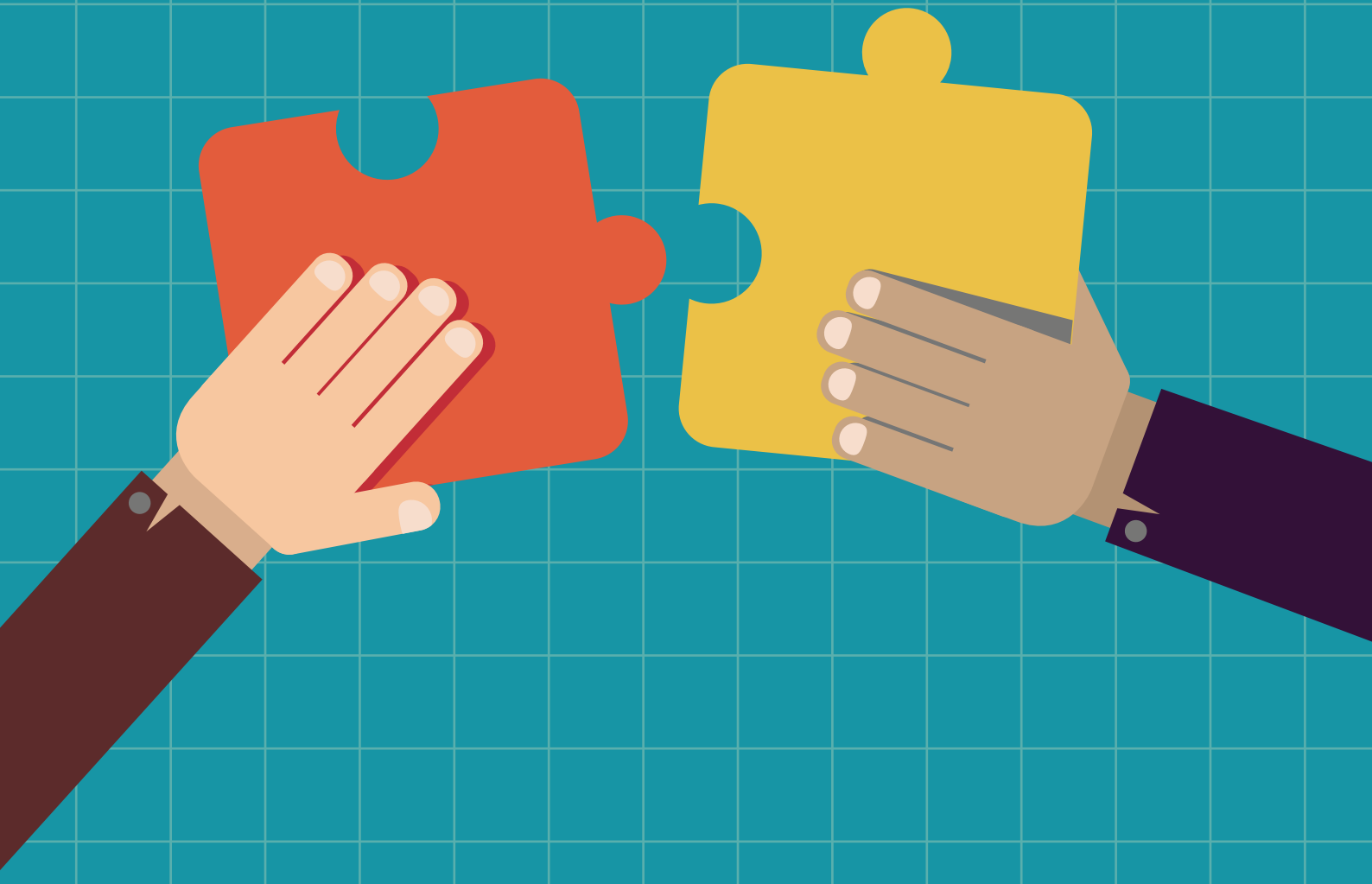
Current trends for the adoption and
use of in-house and on-site agencies.

*“Faster, better quality
creative content
development.”*

CMO,

Utilities sector, £50m spend

Answering the question, *“What
could your on-site agency do to become
aligned with your business challenges.”*



TIME TO CONSIDER ALTERNATIVE AGENCY MODELS?

In-house and on-site agencies are increasingly prevalent across the UK. But what factors are driving this trend, and what are the potential benefits to big advertisers?

In-house and on-site agencies are nothing new. Most major brands have had in-house resources for decades, though usually - with a few notable exceptions - these have been relied upon more for the creation of retail POS and packaging than for strategic thinking and ATL campaigns.

This shift first gained full recognition thanks to *The Rise of the In-House Agency*, a 2013 report by ISBA's sister organisation in the US, the Association of National Advertisers. It was reported then that in-house agencies were operated by 58% of American brands, but until now, no equivalent insights into the UK market had ever been published.

To this end, ISBA commissioned the first ever study into advertisers' use of in-house agencies. To do so authoritatively, it was necessary to take into account another emerging trend.

The on-site agency phenomenon – whereby a third-party supplier runs an agency from inside a client's business – has been making headlines. One iteration of this model is the McDonald's *We Are Unlimited* agency provided by Omnicom; another is OLIVER's approach of building and operating on-site agencies as its sole business model.

Conducted amongst ISBA members by market research specialists Future Thinking, this piece of research surveyed senior decision-makers from the UK's biggest brands on their experiences of these three business models: in-house, external, and on-site. The result was a rich bank of information, some of which backed up received wisdom about the state of the advertising landscape, and some of which threw up enlightening insights and trends.

We hope that everyone reading this report – be they brand marketers, agencies or procurement professionals – find this a useful source of understanding of the advantages, disadvantages and implications of these three discrete ways of handling creative and marketing functions.



Debbie Morrison,
Director of Consultancy & Best Practice, ISBA

EXECUTIVE SUMMARY

TOP FINDINGS

An industry first

This survey is the UK's first-ever source of empirical data on advertisers' experiences of different agency models.

EMERGING TREND

Data reveals the on-site agency model emerging as a viable third way to handle marcomms services.

DECISION MAKERS

Most respondents were senior heads at large UK brands. 58% of respondents spend £20m+ on agencies.

MARKETING LEADS THE WAY

Despite a drive for efficiency, marketing holds the purse strings – although procurement remains influential.

SHAPE OF THE INDUSTRY

39% of brands have an in-house agency, 33% have an on-site agency, and 16% of brands have both.

BEST OF BOTH WORLDS

On-site agencies are edging into external agencies' territory for services such as strategy, TV & media buying.

DIVIDING LINES

External agencies are most popular for ATL, strategy & media services. In-house & on-site are most popular for BTL.

CONSOLIDATING SERVICES

67% of respondents said they could get more done by having stronger relationships with fewer suppliers.

ITCHY FEET

External agencies frustrate 68% of respondents by taking too long to turn around briefs.

INDUSTRY OVERVIEW

One of the surprises of the survey was to discover that the on-site phenomenon was so prevalent.

33% of brands have an on-site service; a sizeable market share which appears to have risen as something of a dark horse.

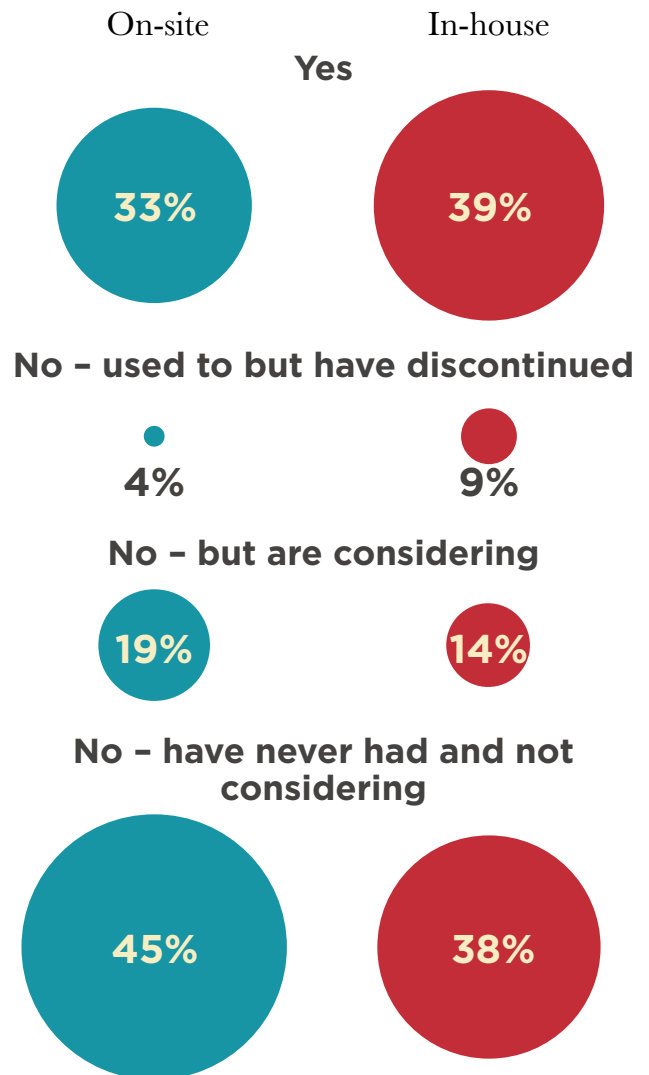
How an alternative agency model could have come about in this way is subject to an educated guess, but it has likely been an evolution to accommodate brands' growing demands for transparent working relationships and greater speed and agility.

We say this because, while some agencies (i.e. Omnicom, as we mentioned earlier) do provide in-house offerings, these new ways of working don't appear to be heavily advertised - other than by OLIVER whose clients were not targeted for the survey.

This would suggest that decisions to adopt the on-site model may be taking place behind closed doors, in response to short-term advertising needs. Indeed, our survey found that 58% of brands using on-site agencies are doing so on a project-by-project basis.

If this is the case, the shift is being led not by agencies, but by brands which – as we discuss on the next page – are shouldering an ever-increasing payload of day-to-day content needs.

DOES YOUR COMPANY HAVE AN ON-SITE AGENCY?



DEFINITION

In-house agencies

These were defined as departments, groups, or people with responsibilities that are typically performed by an external advertising or other marcomms agency. They are employed and paid directly by the advertiser, and may typically be regarded as the in-house studio.

On-site agencies

These were defined as a team of people provided by an external partner to sit alongside the advertiser's own marketing team. Whilst they are dedicated to the advertiser's business and resident on their premises, they are employed by and report directly to the third-party agency.

WHY DO BRANDS TURN TO AGENCIES?

An increasing demand for creative work is shaping today's agency landscape.

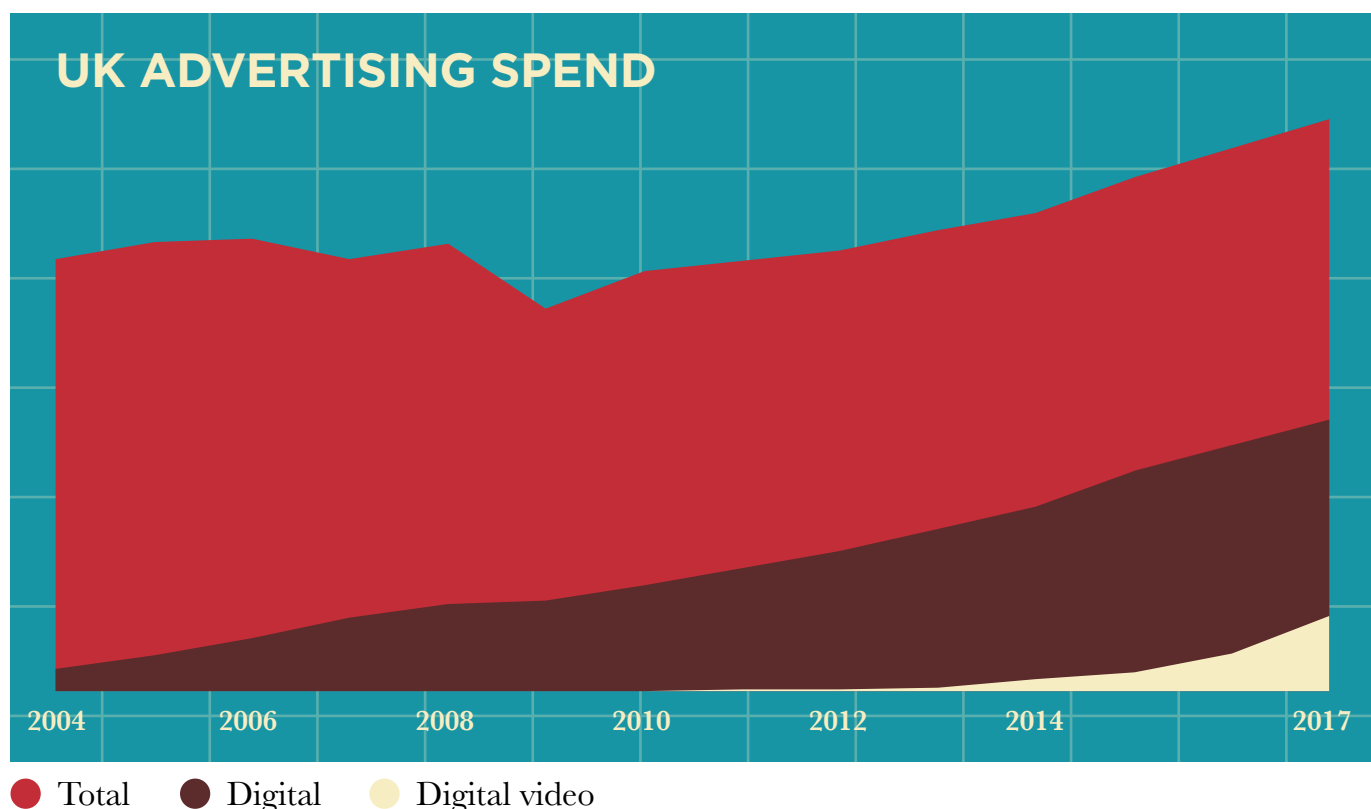
As we discuss later in this report, however, there is not a straightforward online/offline divide. This tallies with data from the Internet Advertising Bureau, which shows digital spend occupying an increasing share of brands' budgets - but in addition to, rather than at the expense of offline creative.

Instead, respondents indicated that the true value of an agency supplier lies in its abilities to provide a dedicated expert service, and handle complex, technical tasks across advertising channels. Every respondent depended on some form of agency for media buying. A lack of resources and a shortfall in skill sets were both reported by 82% of respondents as top reasons for turning to a third-party.

82% of respondents also said that they valued the fresh perspective of an agency, and significantly, 52% of respondents using external agencies said they like them to have experience of other brands within their sector.

“We expected more brands to be handling media in-house, but it turned out to be very few, mainly for SEO, mobile, display and programmatic advertising. We do however predict in-house media buying to rise.”

Debbie Morrison,
Director of Consultancy ISBA



Agencies dominate media services

100% of respondents stated that they use agencies for media buying. Advertisers with on-site agencies are more than twice as likely to use them for media buying services, compared to those with in-house teams (20% and 7% respectively).

100%

of brands are using agencies for media buying services

Marketing departments make agency appointments

Though the procurement function is involved in agency selection at 68% of advertisers, only a quarter of respondents said it was “very” or “highly” influential. At every brand surveyed, marketing had the final say in agency appointments.

100%

of brands said that final decisions on agency buying sit with marketing

Weighting towards offline creative

High-level creative production is a significant factor in outsourcing decisions, as 95% of brands in our survey use agencies for the creation of complex media formats. Just 12% of brands create their own TV advertising in-house, with 14% using an on-site resource.

Digital-savvy brands

Contrary to expectations, brands aren't necessarily dependent on agencies for digital services. 55% of advertisers with in-house agencies said that they're using them for emails and digital collateral, and of those who turn to third parties, only 46% named a lack of IT equipment as a cause.

REASONS FOR USING THIRD-PARTY SUPPLIERS

82%

Don't have the necessary resource internally

82%

Don't have the necessary skill sets within the company

82%

Benefit of a fresh / external perspective

64%

Prefer external agencies with specialisms

64%

Frees up time for internal staff to focus on other tasks

50%

Agencies' experience of working with other clients in our sector

46%

Lack of software/IT equipment

5%

of brands handle TV advertising in-house, and 5% turn to on-site agencies

IN-HOUSE AGENCIES: FAST, AGILE BTL WORK - BOTH ONLINE AND OFFLINE

Brands today are producing ever-higher volumes of print and digital collateral. The need to do this quickly and reactively, particularly in the digital arena, seems set to continue driving BTL creative production in-house.

Illustratively, whilst 47% of respondents aren't planning to have an in-house resource, the 39% of respondents who currently do and the 14% planning to build one will soon become an industry majority.

In terms of scale, 69% of respondents with in-house agencies said they employed fewer than 25 people. We also discovered that the average in-house team contains seven freelancers.

In almost all instances, these teams report to the marketing function, though in one case they reported to the procurement department.

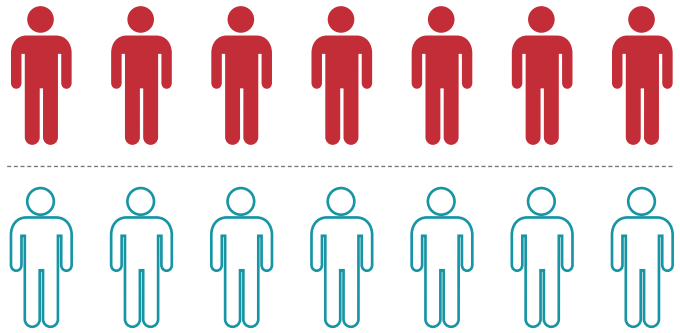
Notably, in-house agencies seem to be used primarily for BTL activities, both online and offline. 66% of brands use them for print collateral/promotional material, compared to 46% for on-site and 48% for external agencies.

Even more tellingly, 54% of brands surveyed prefer to handle retail POS in-house, a figure that is mirrored in the creation of digital BTL such as email and digital collateral.

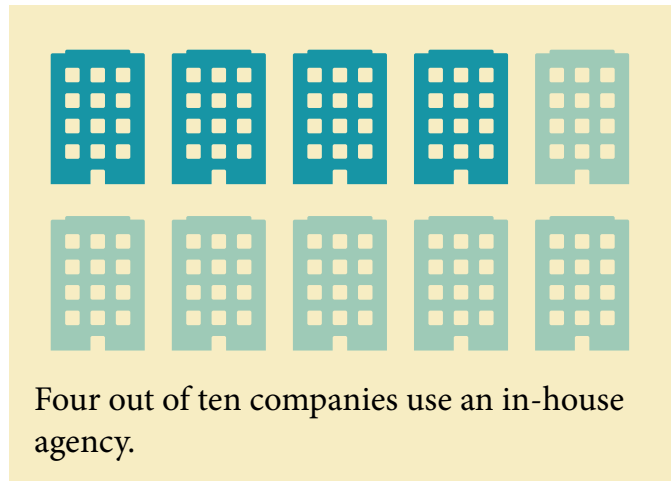
Conversely, in-house teams were far less likely to create broadcast materials, with just four of 85 respondents using in-house teams to produce creative for TV.

The preference of in-house agencies for BTL activity may be explained by the perceived benefits of speed, agility, cost and brand expertise. 61% of respondents said that brand expertise was an advantage of in-house over both on-site (36%) and external (39%).

TYPICAL IN-HOUSE TEAM



The typical in-house team includes seven full-time staff and seven freelancers.

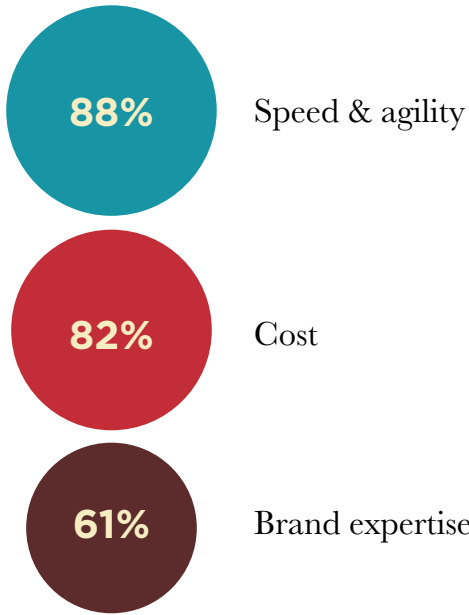


Four out of ten companies use an in-house agency.

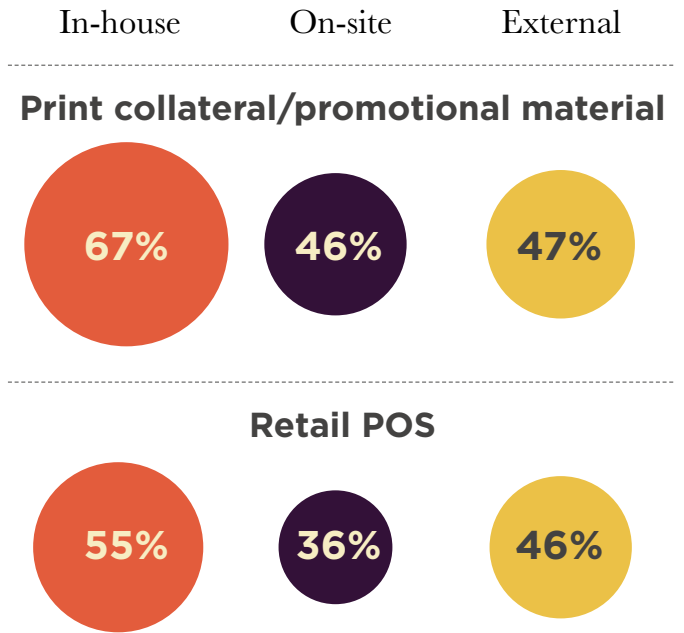
This reflects the benefit of symbiotic understanding for high-speed creative production, as opposed to conceptual and campaign work, where there's more time for meetings and a greater need for detailed briefs.

Despite these advantages, a third of brands said that quality of work was a concern when considering bringing more work in-house.

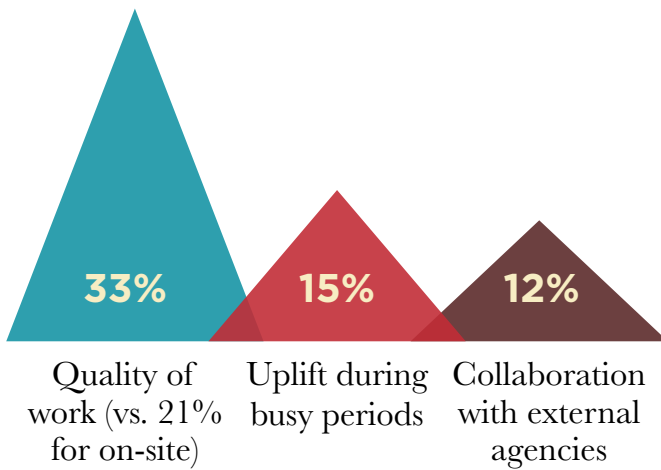
TOP ADVANTAGES OF USING IN-HOUSE AGENCIES



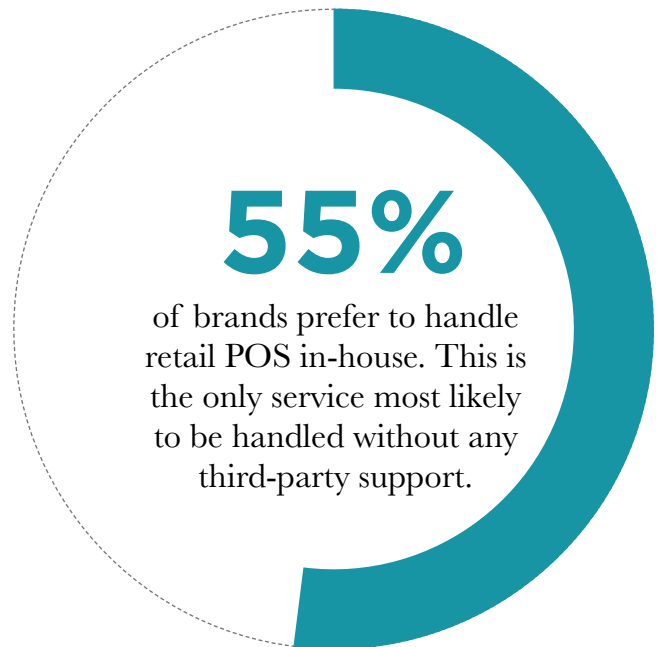
HOW BRANDS HANDLE BTL



BIGGEST CONCERNS ABOUT BRINGING MORE WORK IN-HOUSE



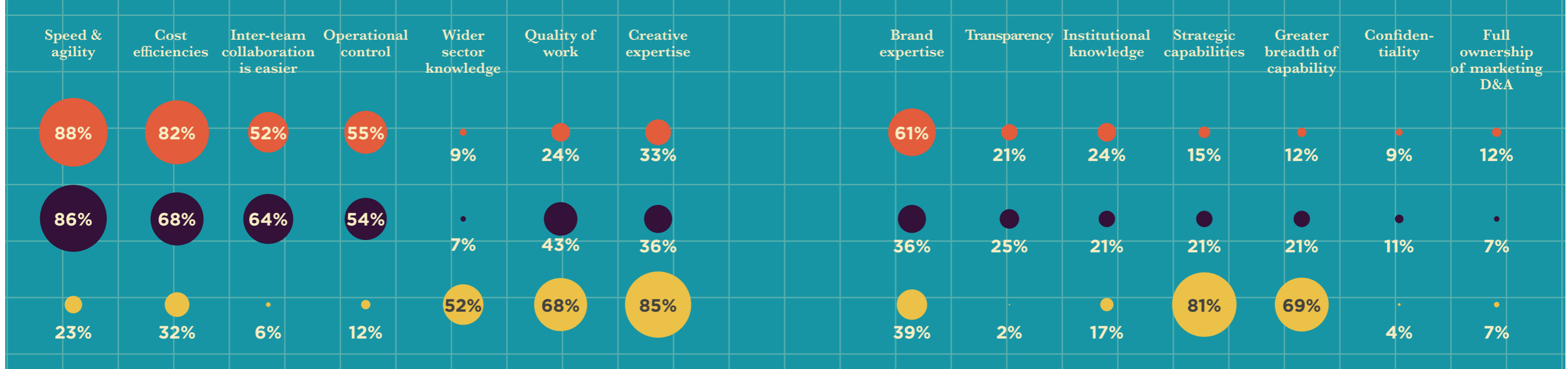
RETAIL POS HANDLED IN-HOUSE



“Most in-house agencies are working on collateral and promo development, retail assets and direct-to-channel materials.”

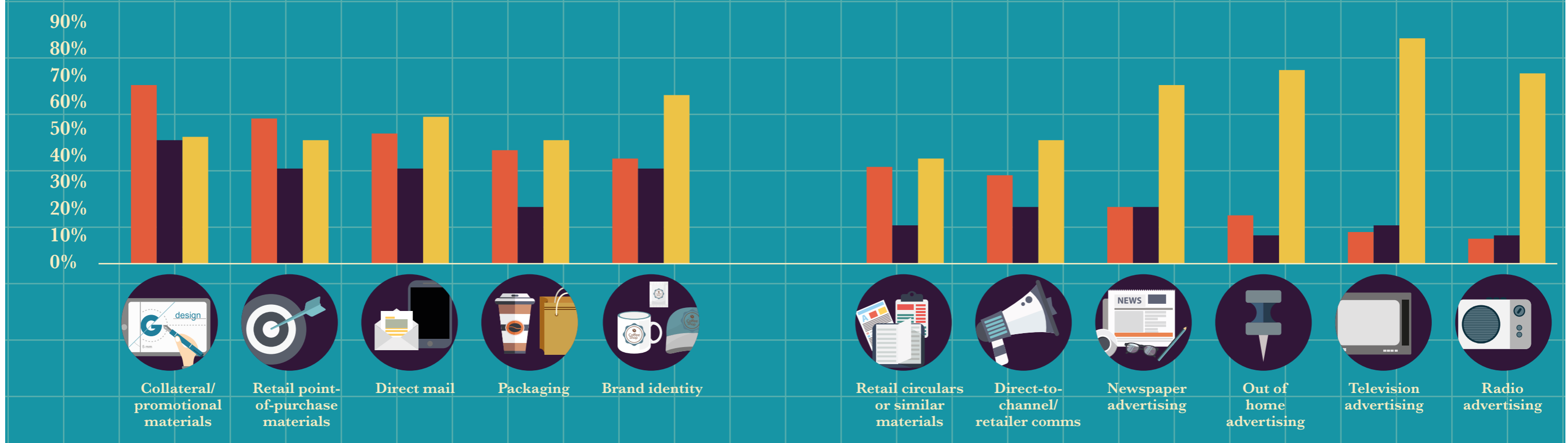
Adele Gritten,
Joint UK Managing Director, Future Thinking

TOP ADVANTAGES OF DIFFERENT KINDS OF AGENCY



● In-house ● On-site ● External

HOW BRANDS ARE USING THEIR AGENCIES



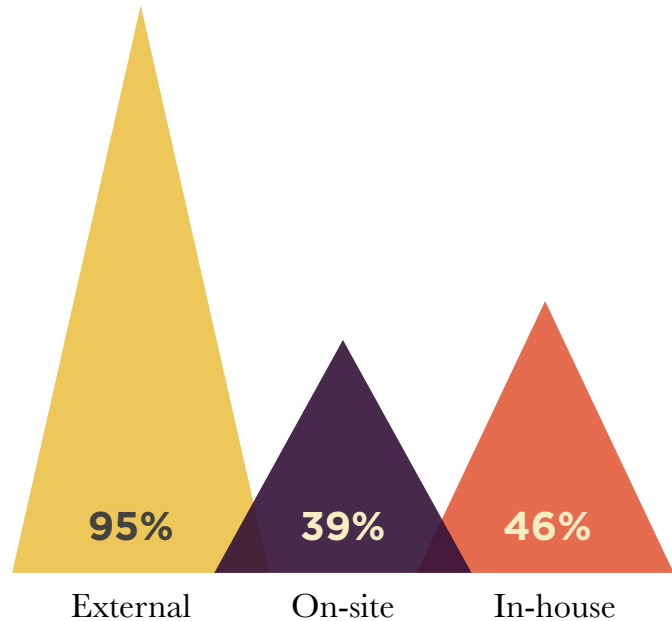
EXTERNAL AGENCIES CONTINUE TO BE MORE TRUSTED WITH ATL ADVERTISING, STRATEGY & MEDIA

Perhaps illustrating the demand for thinking as opposed to simply work, 95% of the brands surveyed use external agencies for strategic services.

Unsurprisingly, 84% of the brands surveyed are using external agencies for TV, and smaller majorities also use them for OOH, radio, print and branding services.

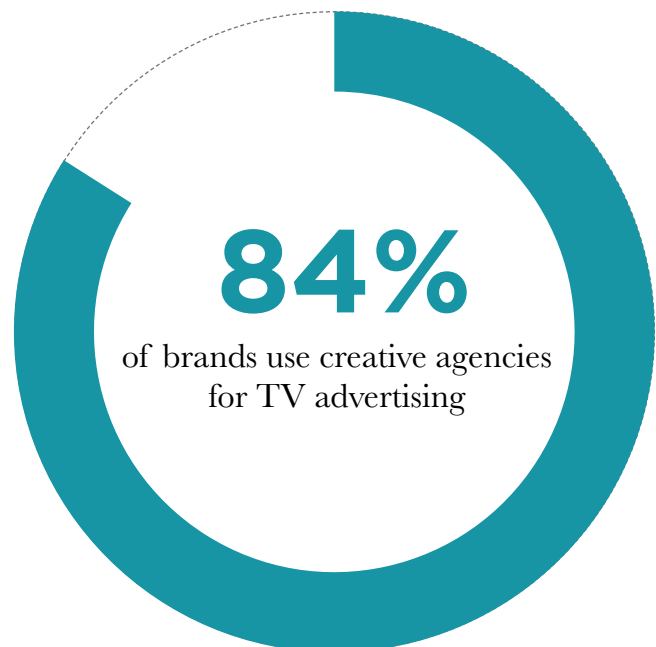
When asked to name the top advantages of using an external agency, creative expertise came top, cited by 85% of respondents, followed by strategic capabilities (81%), breadth of capability (69%) and quality of work (68%).

BRANDS USING THEIR AGENCIES FOR STRATEGY

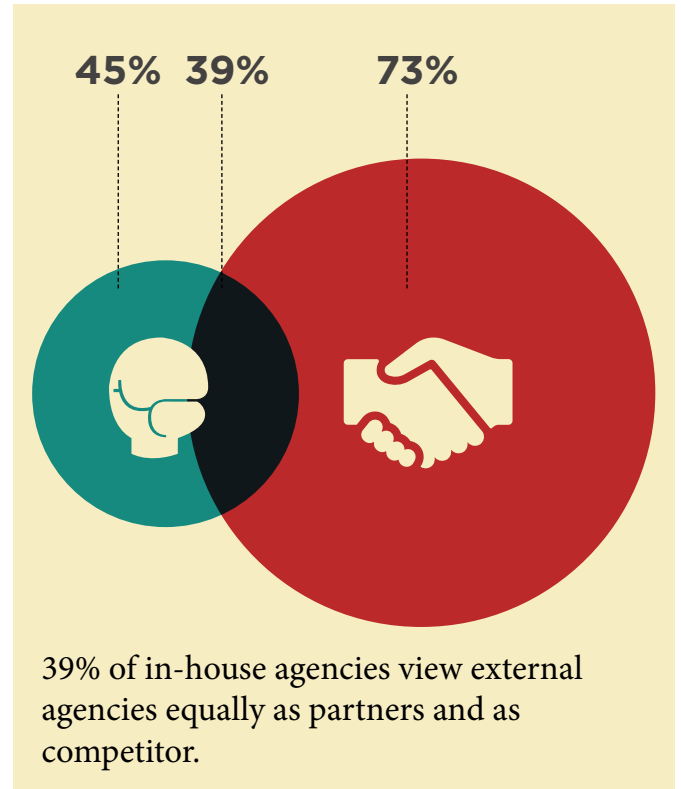
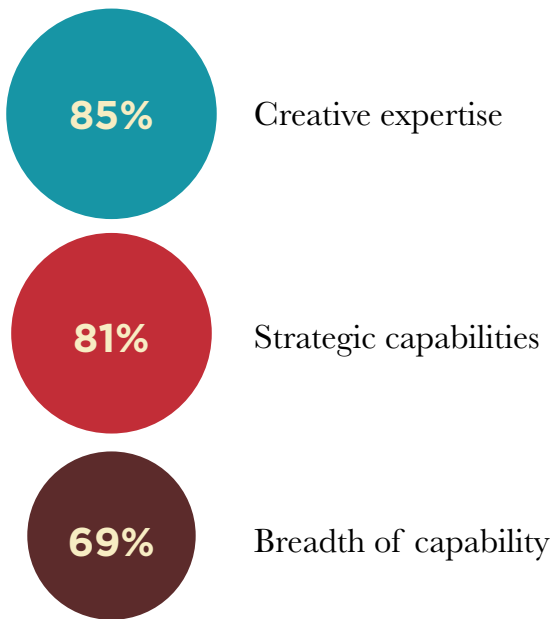


“These findings reflect our own conversations with brands. Agencies’ capability and expertise are starting to be questioned as content needs escalate, and agencies are feeling the strain of ever-more demanding clients and consumers.”

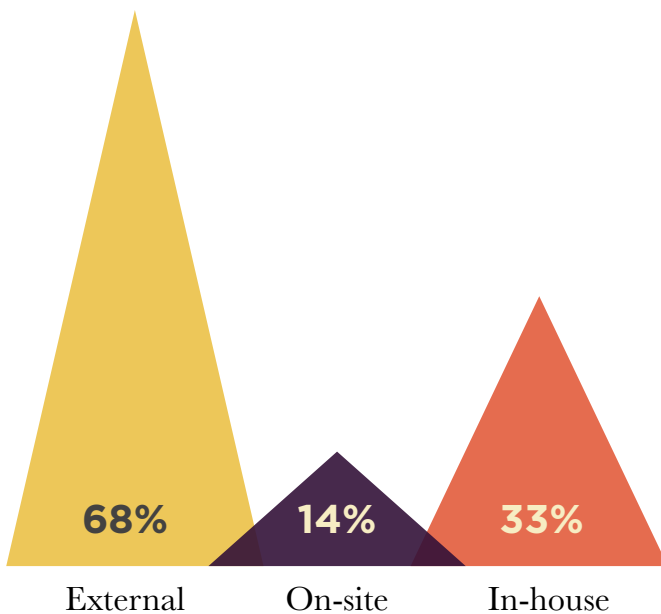
Sharon Whale,
CEO OLIVER UK



TOP ADVANTAGES OF EXTERNAL AGENCIES



FRUSTRATION OVER TIME TO TURN AROUND WORK



Yet while creative expertise is highly valued, there are signs that the external agency model is coming under strain. 68% of respondents said they were frustrated by the time it takes external agencies to turn round work. This compares to just 33% when talking about in-house agencies and just 14% who were unhappy with the responsiveness of on-site agencies.

Perhaps most interestingly of all, 45% of respondents stated that external agencies perceive their in-house teams to be competitors, while 73% view them as partners. These figures include a significant overlap of 39% who view them as both.

ON-SITE AGENCIES: AN EXTENSION OF THE BRAND MARKETING TEAM

On-site agencies appear to be considered something of a hybrid solution to creative challenges.

Every respondent using on-site agencies said creative capabilities were a factor in selecting the agency. Similarly, of those working with external agencies, 84% of respondents cited creative expertise amongst the top advantages.

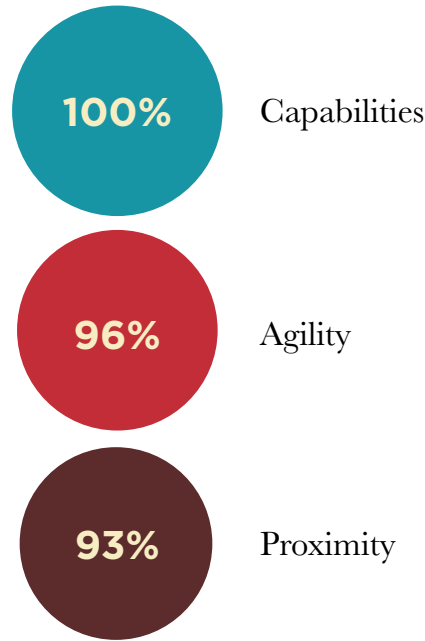
The on-site model is also perceived to solve some of the problems of the in-house model. Agility (96%) and proximity (93%) were also named as top factors in selecting an on-site agency, but less important when selecting an external agency.

Only 22% of respondents said that speed and agility were an advantage of external agencies, whilst 6% cited ease of collaboration and only 2% transparency - a further sign that the on-site/in-house trend looks set to continue.

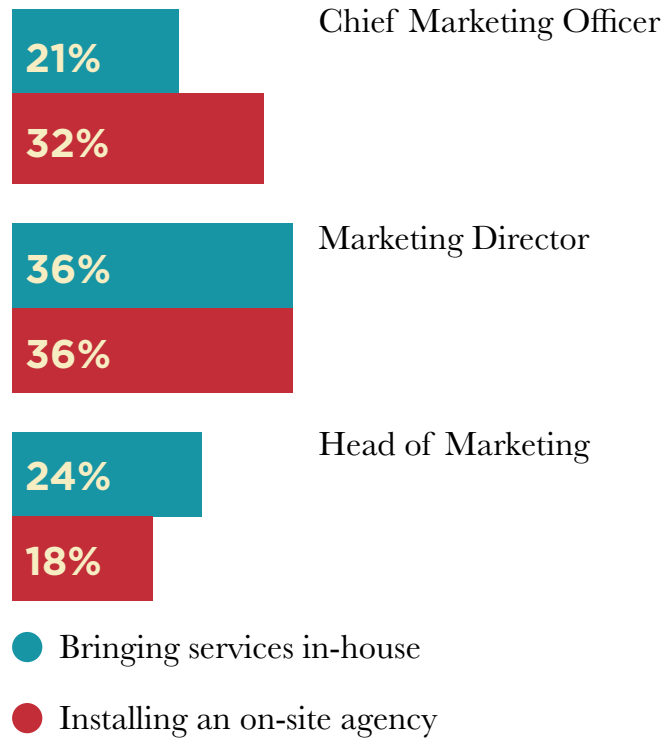
Notably, on-site agencies were the least likely to frustrate brands by the speed at which they work. Only 14% of brands using on-site agencies cited this as a problem, compared to 33% for in-house and 68% for external.

In terms of decision-making, the CMO made the final decision to install an on-site agency in 32% of cases, compared to just 21% of cases where the in-house route was chosen.

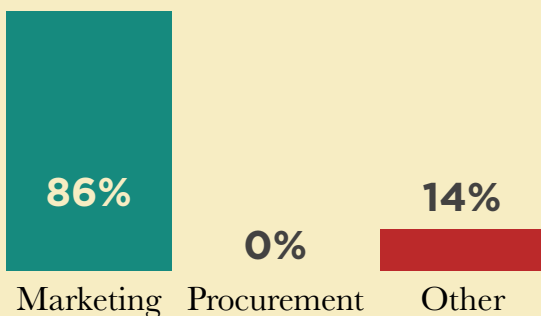
TOP REASONS TO CHOOSE AN ON-SITE AGENCY



DECISION MAKERS ON AGENCY APPOINTMENTS

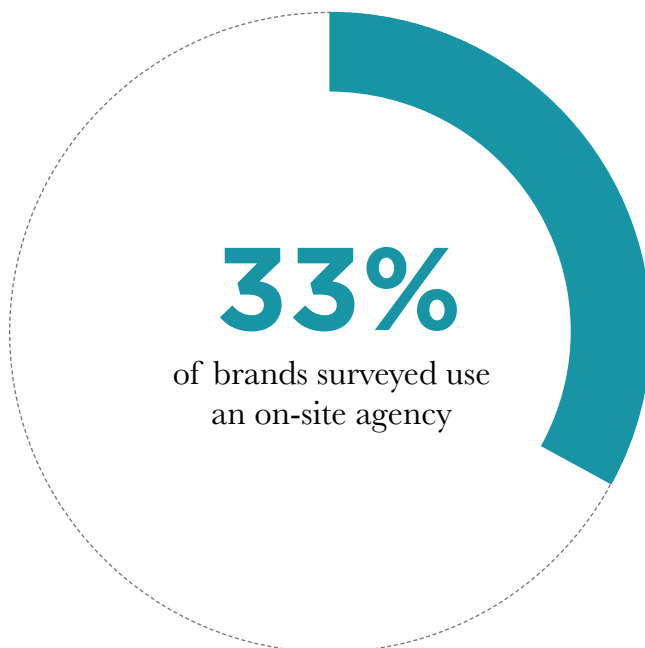
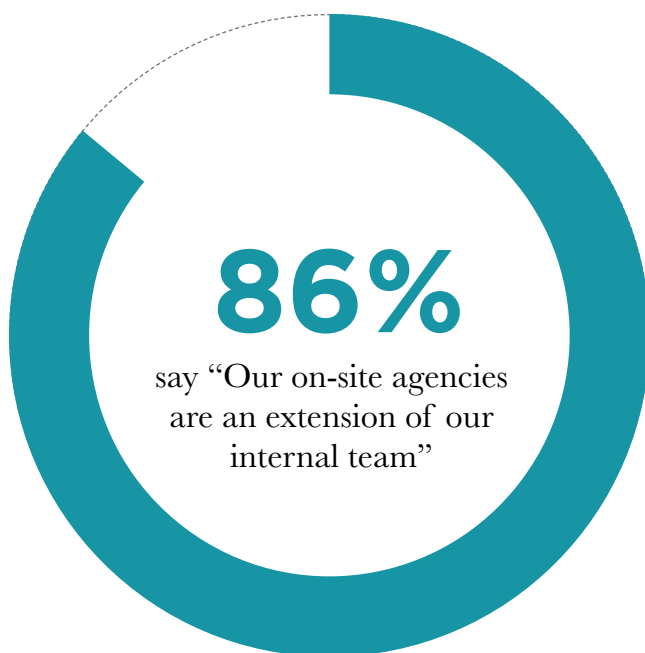


FINAL DECISION ON ON-SITE AGENCY APPOINTMENTS



“It’s understandable that the decision to bring an agency on-site is more likely to involve a C-level marketer. The model offers a lot of benefits, but it’s also a big commitment with wider-reaching business implications.”

Sharon Whale,
CEO of OLIVER UK



FACTORS WHEN SELECTING AN ON-SITE AGENCY

- 100%** Capabilities
- 96%** Agility
- 93%** Proximity
- 89%** Experience of the team
- 86%** Cost
- 82%** Personalities of the team
- 79%** Trust
- 79%** Experience within the sector
- 71%** Flexibility

STRONGER RELATIONSHIPS, FEWER SUPPLIERS

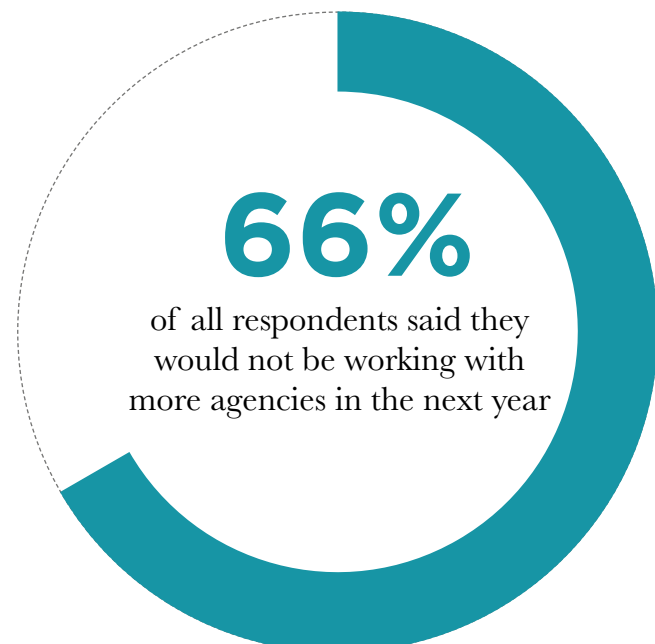
How brands expect to get more work done

Speed and quality of work were recurring themes throughout the survey. 67% of respondents working with external agencies said they thought this could be best achieved by having 'stronger relationships with fewer suppliers'. The same opinion was expressed by 44% of those working with in-house agencies and 39% who have on-site agencies.

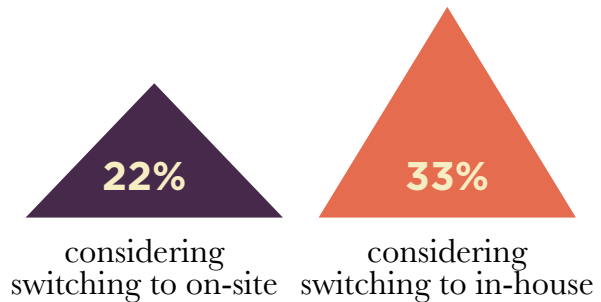
Two thirds of all respondents said that they would not be increasing the number of agencies they work with next year.

One area where all agency models will see growth is in digital services. Brands are becoming increasingly digital-savvy, and 78% of brands planning to increase their use of in-house agencies will do so for digital creative and media, versus 69% for external agencies and 67% for on-site.

This is likely due to both data-protection issues, and the need for agile, reactive digital marketing. 73% of brands expecting to use more on-site agencies next year will do so for content, data and analytics, compared to 65% for external and only 35% for in-house agencies.



CONCERNS OVER QUALITY OF WORK WHEN SWITCHING MODELS

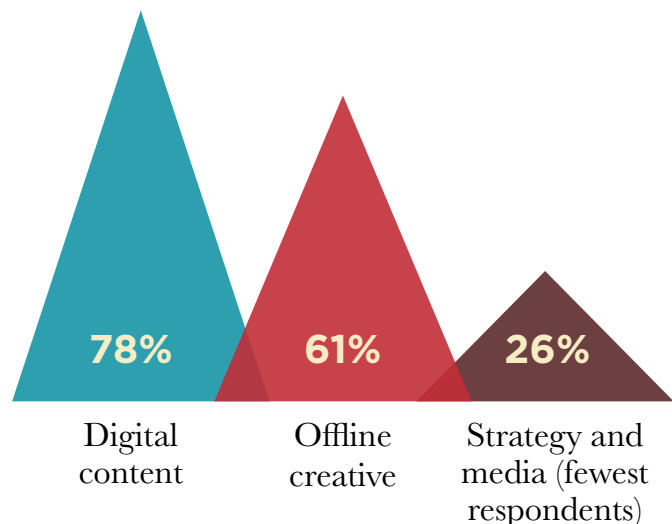


External agencies remain the go-to solutions for media services. 85% of respondents expecting to increase their use of external agencies next year will do so for the purposes of media buying, and 77% will do for strategic services.

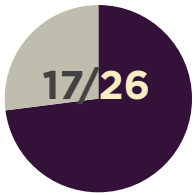
The biggest concern when switching from external agencies was quality of work. 33% of respondents said this of in-house agencies, compared to 23% for on-site agencies. Next was the ability of the agency to handle short-term uplifts in activity, reported by 15% of respondents regarding in-house agencies and 7% regarding on-site.

12% of the sample were concerned about the ability of their in-house agency to collaborate with external suppliers, vs. 7% for on-site agencies.

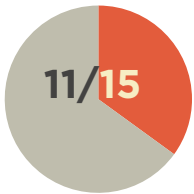
BRANDS ARE PLANNING TO USE ON-SITE AGENCIES NEXT YEAR FOR...



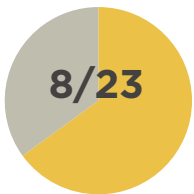
PLANNING TO USE AGENCIES FOR CONTENT MARKETING, DATA & ANALYTICS NEXT YEAR



of brands using on-site



of brands using in-house

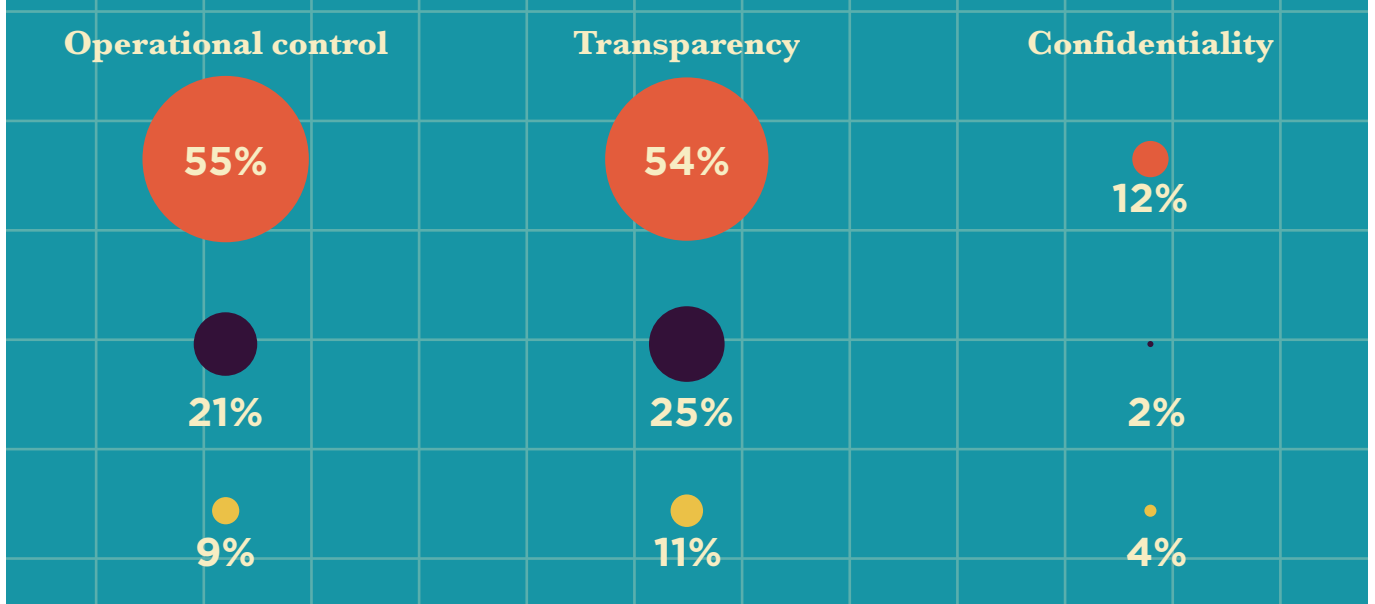


of brands using external

“Brands keep data close to their chests, for obvious reasons; but both data and business intelligence from external sources can improve consumer understanding, and boost marketing performance.”

Adele Gritten,
Joint UK Managing Director at
Future Thinking

TRUST ISSUES: PERCEIVED BENEFITS OF DIFFERENT MODELS



● In-house ● On-site ● External

A NEW PERSPECTIVE

Agency models, and ways of handling creative and marketing services, get a lot of attention in the press.

This is partly due to business economics – certainly not exclusive to marketing – whereby the chicken-and-egg flux of technologies and consumer behaviour continually disrupts ways of working.

But the aspect of this phenomenon that is unique to marketing is the emotions it stirs - from the designer's investment in their art, to the mass appeal of consumer brands.

This explains why stories about marcomms services generate such impassioned media coverage. Declarations, such as PepsiCo's Brad Jakeman's "Ad agency models are breaking", are useful snapshots of client-agency relationships - but they don't constitute a representative picture.

What this survey has shown is that each agency model has benefits and limitations. It seems improbable that tiny Soho creative shops, media group behemoths, or any of the various iterations in between will ever disappear entirely.

But what's clear is the agencies that look set to succeed are those which take an agile, adaptive approach to marcomms needs. Whatever service brands require, their marketers are continually on the lookout for better service, and have clear preferences for agency models that meet their specific business challenges.

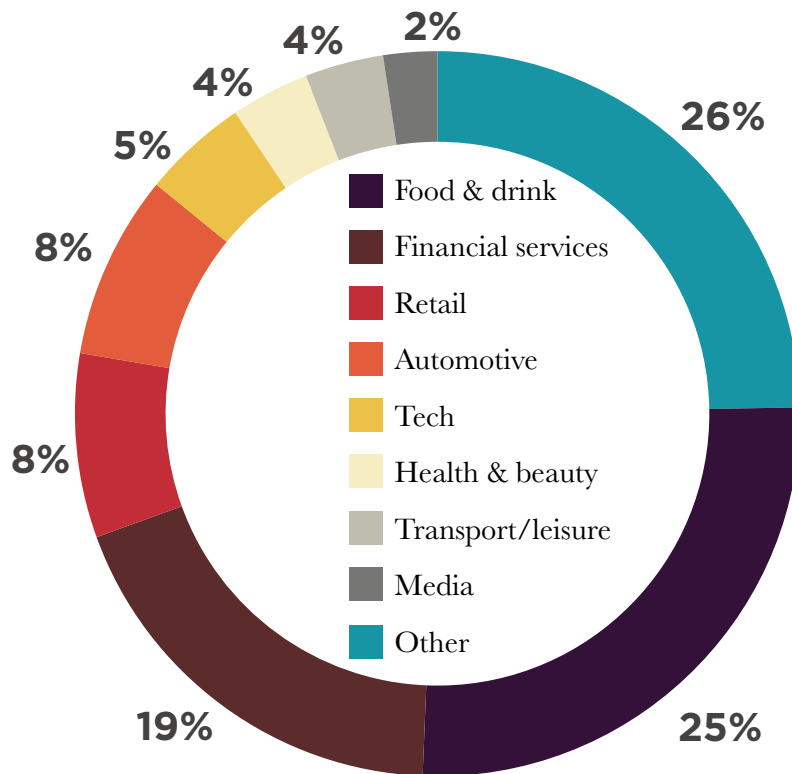
This means that this ought not to be the final survey of its kind. The emergence of on-site agencies, the increasing in-house digital capabilities of brands, and the enduring dominance of external agencies for media, strategy and ATL - all these stories will fade as the agency landscape reshapes and reshapes again, in response to brands' complex and fluid range of advertising needs.

“Stories about marcomms services generate impassioned media coverage - but they don't necessarily paint a representative picture.”

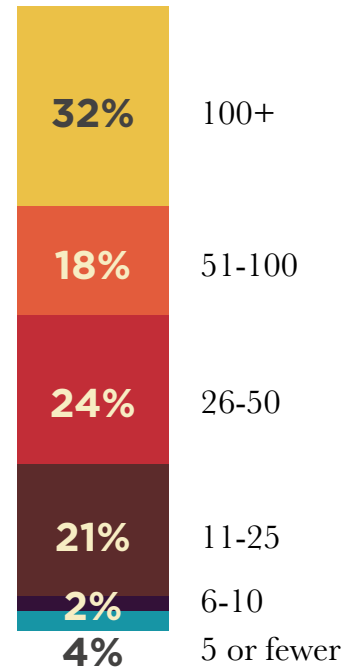
Debbie Morrison
Director of Consultancy & Best Practice
ISBA

SURVEY SAMPLE DEMOGRAPHICS

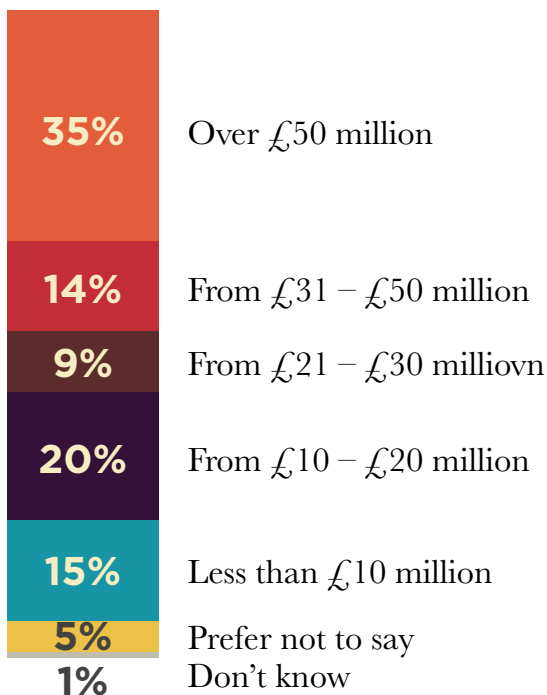
INDUSTRY PRODUCT/TYPE



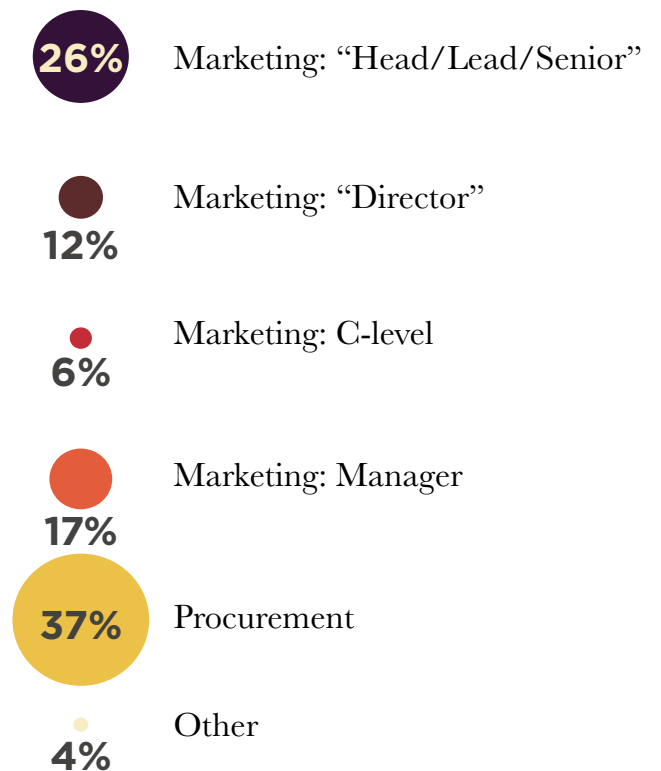
SIZE OF MARKETING TEAM



ANNUAL AGENCY SPEND



RESPONDENT JOB TITLES



N.B.: Internal PR functions were not included in this definition for the purposes of the survey.



DEBBIE MORRISON

ISBA Director of Consultancy & Best Practice

Debbie is part of the six-strong management team at ISBA. She runs the consultancy and best practice division of ISBA, working with the organisation's blue chip members on more than 2000 projects every year.

This involves providing advice on issues including marketing transformation, agency contract and fee negotiations, benchmarking, agency search and selection, relationship evaluation and a wide range of client/agency issues. An expert in the comms agency marketplace and marcomms trends, she is always looking ahead of the market to identify future challenges and opportunities for the marketing community, and is a highly regarded mentor and advisor to many senior advertisers.

Debbie has an Honours degree in Fine Art as well as CIM marketing qualifications. Part of the Hyper Island digital alumni, she is a member of WACL, an elite, thought-leading comms industry women's group, and also mentors tech startup University Cribbs.

“One of our roles is to provide ISBA members with direction on key market trends. Having experienced a phenomenal growth in conversations with major brands about in-house activities, but with no UK empirical data to share, we approached OLIVER and Future Thinking to work with us, to investigate advertisers’ activities and deliver some fresh insights.”

Overview

ISBA is unique as the only body solely focused on protecting the interests of advertisers. They work with over 450 brands who spend £10 billion on marcomms each year. Members include Diageo, Unilever, P&G, ebay, EE, HSBC and ASDA.

ISBA protects members’ freedom to advertise responsibly, and helps them to maximise the effectiveness of their marketing spend across all marcomms and media. They are the advertisers’ voice in the self-regulatory system, fighting unacceptable trading practices, driving robust media measurement and representing advertisers to regulators and the government.

Their consultancy team provides a confidential, one-to-one advisory service, designed to help advertisers obtain maximum value from agency relationships. They use research to provide insights and track key trends.



“The shift to in-house and on-site agencies that has been underway in the US is now finally being echoed this side of the pond, with huge implications for agencies and marketers alike. This study, the first of its kind in the UK, gives us a unique glimpse into the changing nature of the industry and how the needs of marketers have evolved in recent years.”

Overview

Future Thinking is a global company of researchers, marketers, statisticians, strategists, innovators, creatives and industry experts. They take a consultative approach to market research, with a commercial focus on three key areas that drive a competitive advantage: launch, communicate and experience.

Within Communicate, they work alongside media and content owners, their agencies and directly for the brands themselves, to maximise ROI across all branded content and communication channels, from TV to social to in-store.

Their stated mission is to work alongside brands and businesses to deliver consumer and business insights that tell stories, inspire action and travel within an organisation, long after the debrief.

Future Thinking’s client portfolio includes AOL, Channel 4, ITV, Nuffield Health, Muller, Sky Media, The Guardian and more.



ADELE GRITTEN

Joint UK Managing Director & Corporate Development MENA at Future Thinking

Adele has been in research, strategy and marketing planning roles for 20 years, with experience of media agencies, research agencies and client-side roles.

Before joining Future Thinking, Adele was EMEA MD for Lieberman Research Worldwide, and spent five years prior to that at as UK Commercial Director at YouGov.

Adele’s career has spanned qualitative and quantitative work for a range of clients across many sectors. She has particular expertise in brand, concept and comms work, thought leadership, segmentations and U&As.

Adele holds an MA in Social and Political Science from The University of Cambridge.

OLIVER

“We’re delighted to have supported ISBA and Future Thinking in this important and ground-breaking piece of research. Many of the findings reflect our own first-hand knowledge of brands’ experience of different agency models, but equally, we’re looking forward to drawing on these invaluable new insights to inform and improve existing client relationships.”

Overview

OLIVER pioneered the on-site agency model in 2004.

As part of the Inside Ideas Group, they build bespoke, dedicated agencies inside clients’ worlds, delivering better work, faster, and with complete transparency.

OLIVER Chairman Simon Martin founded the business with a goal to improve the quality and speed of creative services through closer working. This has since evolved into a complete integrated agency offering, spanning everything from print POS to award-winning broadcast campaigns.

OLIVER operates partnerships in 32 countries with brands as diverse as Atos, Unilever, and Starbucks. It has been rated amongst the UK’s fastest-growing businesses by the Sunday Times Fast Track 100 for the last two years.



SHARON WHALE

OLIVER Group UK CEO

Sharon joined OLIVER Group as UK CEO from Proximity. As one of the foremost players in data marketing in the UK, Sharon’s most important objective is to put data at the centre of the customer experience for every OLIVER client.

Having worked with a raft of major brands in her long career, Sharon brings a wealth of leadership and new business skills to the Group. In doing so, she works closely with her senior team to both articulate the OLIVER proposition and use her CRM planning skills to create strong data connectivity throughout the group.

A passionate advocate for great customer experience, Sharon is firmly focused on ensuring that brands deliver the right customer experience at every touchpoint.

She has collected numerous industry awards during her career, for brands including Lloyds Banking Group, VWG, John Lewis and The Economist. The latter picked up more than 20 awards in 2015 alone, including both the DMA Grand Prix and a Lion at Cannes.

“The traditional agency model is too slow and too far removed. We need an agency to be part of the team and to drive efficiencies that get us from brief to publish far more quickly.”

Procurement Director,
Financial Services, £50m spend

REFERENCES

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